

Case III.2 Ka-Boo-Ki

licensing-in the LEGO brand

The Danish toy manufacturer LEGO is known world-wide for its LEGO bricks. LEGO is a strong and well-known brand. At the end of 1991 LEGO management received the result of three consumer surveys which confirmed this statement:

.Landour Associates completed a survey at the end of 1991 of the best brands' 'image power' among 10,000 representatively chosen adults aged between 18 and 65 in the USA, Japan and Europe (Belgium, France, the Netherlands, Italy, Spain, the UK and Sweden). 'Image power' is a measure of brands' impact, where consumers' awareness of the world's leading brands is combined with their judgement of the brands' quality. In the USA and Japan LEGO was not placed among the top ten, but the results from Europe were impressive. Here LEGO was placed at no. 5 after four car brands: MercedesBenz, Rolls-Royce, Porsche and BMW. LEGO was in front of brands like Nestle, Rolex, Jaguar and Ferrari.

.An American survey, made in Europe, the USA and Japan, showed that LEGO is no. 13 in the list of most appreciated brands.

.A survey by a German market analysis institute showed that LEGO is one of the most well-known brands in toys in the new German Federal Republic, with an awareness share of 67 per cent. Matchbox is no. 2 with 41 per cent.

The LEGO management has decided to exploit this strong brand image. A managing director for the new business area LEGO Licensing AIS has been employed. The company's objective is to generate income from licensing suitable partners, which use the LEGO brand in marketing their own products.

The LEGO management has noticed that Coca-Cola has an income of DKK3 billion from licensing alone. Coca-Cola's strategy can be characterized as 'brand milking', where a brand is sold to the highest bidder in each product area.

Ideas become viable

In 1993 ideas of licensing the LEGO brand became viable for the Danish textile firm Ka-Boo-Ki, as it was given the rights to use the LEGO brand in connection with production and sale of children's clothes (see Figure 1, plate 9). For Ka-Boo-Ki's managing director, Torben Klausen, the idea of producing children's clothes is not new. He was earlier employed in LEGO's international marketing department, where he was in charge of coordinating the European marketing of LEGO bricks. From this position in the LEGO company, Torben Klausen was able to follow the development of the licensing concept. Since 1993 things have been developing very fast for LEGO children's clothes. Ka-Boo-Ki, which has invested a considerable amount of money in the R & D of LEGO children's clothes, at the middle of 1997 sells to approximately 900 shops, primarily in Scandinavia and England.

Torben Klausen says:

We received a strong international brand from the first day. But from the sale of LEGO children's clothes follows an obligation to live up to the LEGO company's

unique quality demands. The LEGO company must approve all new models which are, sent on the market and that is between 350 and 400 a year.

LEGO children's clothes distinguish themselves from other brands by being functional and having strong colours and an uncompromising quality. This means a relatively high price for the clothes and that the products are not sold in discount shops. The clothes are sold on the basis of a shop-in-shop concept, where merchandising and display facilities are very important.

You have just been employed by LEGO Licensing A/S in connection with development of the licensing idea. You are given the following assignments.

Questions

1. What are the most important factors determining future market demand for LEGO children's clothes from Ka-Boo-Ki?
2. Which other products could be considered for licensing out the LEGO brand?
3. List some criteria for choice of suitable licensees and future products for the LEGO brand (licensing out).
4. What values/benefits can the LEGO company transfer to the licensee (e.g. Ka-Boo-Ki) apart from the use of the LEGO brand?
5. What values/benefits can the licensee transfer to the licensor?