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Better concept screening for brand extension licensed products

Brand extension has become a major focus of many firms in the corporate trademark licensing business. It is reported that corporate trademark or brand related licensed products exceed \$18 billion in annual retail sales in the U.S. and Canada. Unfortunately, few licensors have the resources required to simultaneously evaluate and develop multiple brand extension licensed product categories. Product concept screening can help the licensing firm to separate the winners from the losers.

Effective concept screening can save significant time and money in the development of new brand extension products. Today, many licensing firms use expensive research techniques that focus on consumer testing and/or market forecasting. Due to the cost and time requirements, not all new product concepts can be tested. The solution is to do a better job screening new product concepts before expensive consumer testing.

Concept screening is a formal or structured methodology for identifying and evaluating new product ideas or product concepts. The first step in evaluating and identifying viable product concepts is to conduct a “category due diligence”. The due diligence process gathers information on the industry dynamics and competitive environment of the target product category. This information is then evaluated as part of the concept screen model.

Licensing firms can develop a simple concept screen model and quickly become more effective in identifying the strongest new product concepts. There are two popular models; the first consists of a concept screen test, and the second uses a weighted scoring system.

The concept screen test is a checklist of questions that fall into two categories: “must-meet” and “should-meet” criteria. Must-meet criteria are questions used to determine the viability of the opportunity “is it worth the effort?” These criteria should be structured as closed-ended questions and are designed to provide go/no-go decision points. Examples of must-meet criteria questions include: Does the licensed product reflect positively on the brand?; Can a licensee charge a premium or sell more products to offset the royalty?; and, Does the licensee product have any health or safety issues? The should-meet criteria are often more specific, objectives and goals for the new product.

The weighted scoring system can evaluate and quantify a wide range of product concept criteria. These criteria are scored, weighted, and summed to determine an overall concept score. Typically, the criteria are assigned values from 0 – 10, reflecting low to high scores; each criteria is also assigned a weighting factor or confidence level that reflects its relative importance. This reflects the fact that some variables are more important than others and should be assigned a greater weighting in the overall score. For example, the total size of the product category, number of competitors, and promotional spending levels should all be included as criteria; it’s likely that each will have different weighting factors or confidence levels to reflect the relative importance or confidence in the criteria data for the product category. An example might look like this:

The licensed brand has successful or long-standing brand extension products.

(0 = no brand extensions; 10 = many successful or long-standing brand extensions)

Weighting factor or confidence level:

(0 = not important or no confidence, 10 = very important or high confidence)

The ultimate goal in developing must-meet/should-meet criteria or weighted scoring criteria is to evaluate variables that have the greatest influence in the success of the new product concept. These evaluation criteria can be determined in

a number of ways, and often include a combination of quantitative and qualitative considerations.

Licensing personnel can develop evaluation criteria by answering some questions about past brand extension product successes and failures. What were the key business drivers for the successful new products? What things are common among the product failures? What was the competitive environment for these products? You can also find examples of evaluation criteria in some of the many excellent books on branding and new product development.

Although no one can predict the ultimate success of a new brand extension licensed product, it is possible to become more effective in identifying the strongest product concepts. A good concept screen model can greatly reduce the expense of pursuing weak concepts and increase the speed in developing successful new products. Although concept screening requires discipline and good business judgment, an effective model can provide a true competitive advantage.