

Italian Licensing Industry Survey 2012

Executive Summary





*The First Survey of the Italian
Licensing Market*



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1. Introduction

We are proud to present the first edition of the Italian Licensing Industry Survey 2012 (hereinafter “the Survey”). The Survey was commissioned by Licensing Italia Srl, representing the LIMA (International Licensing Industry and Merchandisers’ Association - www.licensing.org) in Italy, and conducted by the Licensing Management department of PricewaterhouseCoopers, Milan. It was completed in reference to the period from 1st January 2011 to 31st December 2011, using a 17 questioned survey.

Through the Survey undertaken we were able to address three key objectives:

- *to understand the trends and market developments in the Italian Licensing Market, identifying its market characteristics;*
- *to assess the Licensing market through Revenue levels generated by Italian Brand Owners;*
- *to allow knowledge sharing for businesses, providing an understanding of the Italian Licensing Market as well as assisting their development and implementation of market growth strategies.*

This document provides a synthesis of the published Survey¹ in relation to these objectives, outlines our approach to the conduction of the Survey and identifies the trends discovered. Where possible we also make reference to the trends identified in the US LIMA Licensing Industry Survey 2012 (hereinafter “Lima US Survey 2012”).

A total of 190 Italian Licensors and Licensing Agencies were requested to take part in completing the Survey, featuring over 15 different business markets, ranging from Luxury Fashion Goods and Apparel, to Entertainment and Media.

¹To obtain a copy of the fully published Survey please see “Contacts” in section five.

2. Methodology

A total of 190 companies were contacted to take part in the Survey. Each received an email which included a web link to complete the Survey. This email contained secure log-in details which were required to access the Survey. The capabilities of the online survey allowed users to enter their details, save them as a draft, and return to finalize their responses at a later date. Of the 190 invitees, 53% responded to the Survey, therefore our findings are only based on the percentage of companies which responded. The questions of the Survey considered 4 key sections, as detailed below.

1. Contact Information & Company Profile

Companies were requested to supply information regarding the structure of their business and their licensing involvement. Key data requested included Company Foundation Date, Business Activities Undertaken, Operating Countries, Number of Branches, Number of Licensees managed, and the Industry types of the Licensees managed.

2. Information on the Licensing Industry

Worldwide Information was requested on company revenues relating to the global market and the demographic of the market. Hence, the Survey requested details of revenues derived from Licensing activities and also the general target market of customers.

3. Information on the Licensing Industry in Italy

Information was requested in order to gain an understanding of the Licensing Industry in Italy. Specifically, responses related to Revenues by Domestic Market Sector, Revenues derived from distribution channels, Sectors in Growth/Decline during the reference period, and awareness of any changes in perceptions within the market.

4. Anti Counterfeiting

Companies were requested to provide their perception on “Counterfeiting” and its impact on the Licensing Market. The questions of the Survey were aimed at obtaining information on the assessment of the issue by companies, and any solutions that they use to counter the problem, such as holograms, alphanumeric codes, and authenticity certificates.

Data collected across these areas has been assessed and analyzed to give an insight into the type of businesses operating within the Italian Licensing Market and their product and property types, as shown within our results.

Privacy

All responses were kept strictly confidential. The data contained in the Survey was treated separately from the name of the company surveyed. Data analysis and results of the Survey did not make any reference to individual companies to ensure anonymity.



3. Highlights & Findings

Our results and analysis have been compiled within this report after months of collaboration, monitoring, collecting, surveying, and interpreting of data received from a wide range of companies.

From the responses received in relation to the Survey, we note the following key trends and outcomes which will be analyzed in the following pages:

- The estimated Global Revenue of the Italian Brand Owners operating in the licensing market is equal to Euro 350 Million.
- Italian Brand owners derive 56% of their revenues from Europe, with 19% coming directly from Italy. The smallest revenue market is South America, which accounts for just 1% of Italian brand owners' Global Revenues.
- The property types "Corporate & Brand Names" and "Characters" produce the highest proportion of revenue for Italian Brand owners, accounting for 37% and 35% respectively. This amounts to a total of 72% of Global Revenues in 2011.
- "Music and Video" products account for the largest proportion of revenues for Italian Brand owners, totalling to around 21% of total Italian Revenues. Other popular products include "Accessories", "Apparel", and "Toys", which cumulatively total to 33% of the market.
- The 2011 Italian Licensing Market has grown since 2010 by an average of 6%.
- 76% of Companies surveyed reported that Royalty revenues related to Brand Licensing increased by 16%.
- "Accessories", "Apparel", and "Merchandising" are perceived to be the business areas which have recorded revenue increases.
- Of companies surveyed, only 41% use Anti-Counterfeiting tools, most commonly through using Holograms (35%), with the remainder using Alpha Numeric Codes, Special inks, or Certificates of Authenticity (6%).
- Only 12% of companies surveyed believe they are able to control the risk of Counterfeiting.



The estimated Global Revenue of the Italian
Brand Owners operating in the licensing
market.

€ 350m

Revenue Analysis by Market Destination

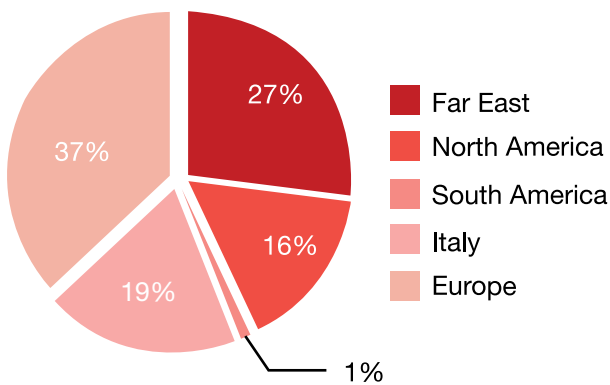
Global Revenues arising from brand licensing activities of the companies responding to the Survey totalled to approximately Euro 350 Million during 2011. The revenues derived within Italy (i.e not by overseas branches, just by Italian Brand Owners) equate to 19% of this value, with 37% arising from other European countries. However, we note that the technology sector plays a big role in the Far East market, as it is the industry leader in this market. Excluding the Technology industry from the data, gives a 38% share of revenues for Italy and 51% for Europe.

Revenue Analysis by Property Type

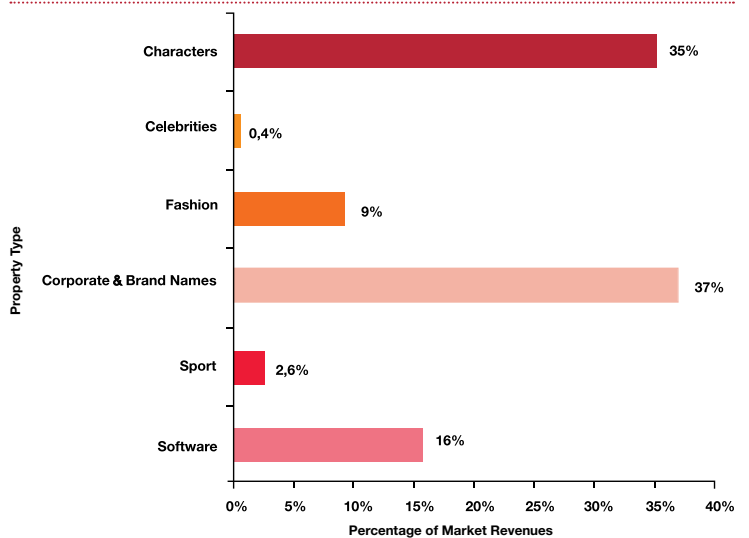
During 2011, revenue within the Italian Licensing Market, by Property Type, was mainly driven by the use of “Corporate and Brand Names”, attributing to 37% of revenues. This was closely followed by “Characters” (35%) and “Software” (16%).

This trend is also similar to that identified in the LIMA US Survey 2012, which also identified “Characters” and “Corporate & Brand Names” as the largest revenue contributors. However, the proportion of these two property types is diverse, with 46,7% of licensing revenues being attributable to “Characters”. “Corporate & Brand Names” accounts for 17% of licensed revenues.

Global revenues of Italian brand owners (values are expressed as a percentage)



Revenues of Italian brand owners by property type



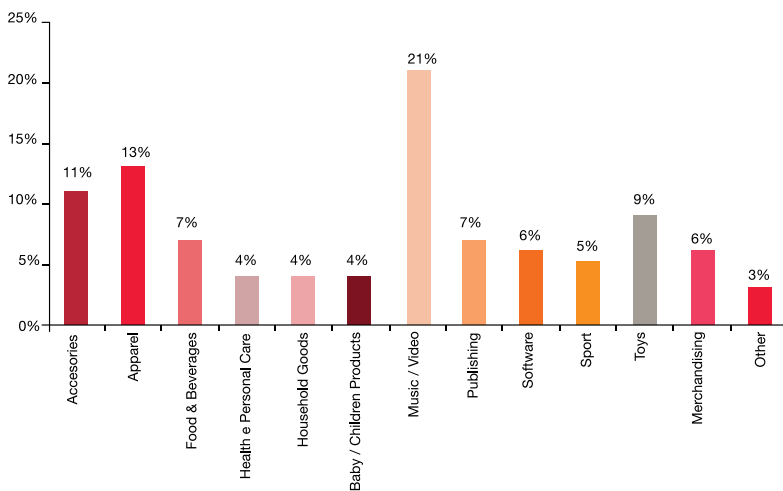
Revenue Analysis by Product Type

Based on Product Types, the “Music/Video” sector in the Italian Licensing Market has the largest percentage revenues, accounting for 21% of total revenues. Other key product types within the market are “Apparel”, “Accessories”, and “Toys”, accounting for 13%, 11% and 9% respectively of the total market.

Product Type by Property Type

As expected the “Fashion” Property Channel is largely dominated by “Accessories” and “Apparel”; two Product Types expected from property types linked to fashion. For celebrities, the most popular Product Type is “Baby/Children” products, which signifies the important use of target marketing by businesses in order to sell these Property Types. Both “Characters” and “Corporate & Brand Names” are sold via the various different product types. There is an even spread of products which highlights the strength of these Product Types and how their flexible characteristics allow successful sales across a wide variety of different products.

Revenues of Italian brand owners by product type (by Percentage Share)



Yearly Trends

There has been an overall increase in the value of the Licensing Market by an average of 6%. This increase is of similar magnitude to the increase noted in the LIMA US Survey 2012², which noted an increase in total revenues by 5%. According to the companies surveyed, “Accessories”, “Apparel” and “Merchandising” are the most profitable businesses during 2011. In particular, 40% of surveyed companies noted a 13.8% revenue increase in “Accessories”, 35% noted an 18% increase in “Apparel” and 25% noted a 19% rise in “Merchandising”.

² The “Licensing Industry Survey 2012”, conducted on behalf of the international Licensing Industry Merchandisers’ Association (“LIMA”), led by the research team of Ravi Dhar (Professor of Marketing at Yale School of Management), related to a statistical analysis of the US licensing industry.

72% of Italian Licensing revenues arise from the Property Types Corporate & Brand Names and Characters.



4. Contacts



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Information on PwC Forensics Services:

The Global PwC Forensic Services Network offers a wide range of professional services relating to Licensing Activities. We can assist in implementing an effective program of licensee reviews as well as conduct individual licensee royalty examinations to determine whether they are reporting and paying royalties accurately under the terms of the agreements. Our experience in this area spans a range of industries including Entertainment & Media, Music, Gaming, Technology and Pharmaceutical sectors.

<http://www.pwc.com/it/it/services/forensic>

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