CITY OF BEVERLY HILLS
STAFF REPORT

Meeting Date: February 5, 2008

To: City Council

From: Alison Maxwell, Director Economic Development and Marketing

Subject: Presentation of Strategic Licensing Plan by Bradford and Associates and the Beverly Hills Chamber of Commerce

Attachments:
1. Letter from the Beverly Hills Chamber of Commerce
2. Strategic Licensing Plan – Bradford Licensing Agreement

INTRODUCTION

The Beverly Hills Chamber of Commerce (Chamber) and Bradford and Associates will present the Strategic Licensing Plan for the promotion and development of licensed merchandise and other media.

DISCUSSION

The City owns the Beverly Hills Shield Design trademark. Through an agreement with the Chamber, the City has provided the Chamber with licensing rights, including the right to contract with a licensing agent.

The licensing agent provides a full range of professional services which amongst other things include marketing the brand to potential licensees for development of merchandise and other media; and management and enforcement of licensing infringements. Ultimately, it is anticipated that the promotion of the Beverly Hills brand through licensing agreements for merchandise and other media will not only raise the profile of the Beverly Hills brand in the marketplace but will also provide a source of revenue to the City and to the Chamber of Commerce.

Last year, the Chamber, with the approval of City Council, engaged a new licensing agent Bradford and Associates. Bradford and Associates is a full service licensing agency with worldwide marketing capabilities, infringement management experience and a wide array of branding and merchandise expertise.

The engagement of Bradford coincided with the City's development and presentation of a new brand identity and concept. This has provided the opportunity for Bradford to develop the Strategic Licensing Plan focused on the marketing and promotion of the City's new shield and brand concepts along with the Conference and Visitor's Bureau "*Love Beverly Hills XXX*" campaign.

A draft of the Strategic Licensing Plan (copy attached) has been reviewed by Chamber and City staff and was presented to the Council Chamber of Commerce Committee in late 2007. The Council Chamber of Commerce Committee reviewed the plan and recommends it for approval by the City Council.

Bradford and Associates in conjunction with the Chamber of Commerce will be presenting the detailed Strategic Licensing Plan to City Council for their approval to move forward with implementation. Key components of the plan include:

- Definition of the brands - market differentiation between the City's Beverly Hills shield brand and the *"Love Beverly Hills XXX"* tag line and definitions of each collection
- Target audiences and demographics
- An overview of competitors
- Target categories and products
- Implementation strategy and approach

The immediate next step from the Strategic Licensing Plan is the development of the Merchandising Style Guide – a draft of which will be reviewed by the Council Chamber Committee at its February 5, 2008 meeting. This is different in some respects from the style guide prepared by M & C Saatchi for the new Beverly Hills' shield as it takes both the Beverly Hills shield and the "BH" version and presents them in ways that are designed to encourage potential licensees to develop merchandise.

The Merchandise Style Guide is currently being reviewed and should be completed by the end of February. In the interests of expediency, staff would recommend that Council authorize the Council Chamber of Commerce Committee in conjunction with staff to oversee and approve final details to the guide and any other practical elements required to have the program launched in the market place.

FISCAL IMPACT

None

RECOMMENDATIONS

Staff recommends that City Council should authorize the Bradford and Associates Strategic Licensing Plan as presented; and direct the Chamber and City staff in coordination with the Chamber of Commerce Committee to finalize the style guide and other elements related to implementation of the program.

Approved by:

Alison Maxwell, Director Economic Development and Marketing

BEVERLY HILLS
BEVERLY HILLS CHAMBER OF COMMERCE
Leading Businesses to Success

January 28, 2008

Dear City Council Members:

Beverly Hills Chamber of Commerce is transmitting to Council for approval the final version of Bradford Licensing Associate's strategic plan. The strategic plan has been reviewed and refined several times by BHCC, as well as city staff, Alison Maxwell and Robin Chancellor. Bradford Licensing's strategic plan was also presented to sub-committee chairs Mayor Jimmy Delshad and Council MemberLinda Briskman by Bradford President Michelle Minieri during the October 2007 sales mission to New York.

Beverly Hills Chamber of Commerce thinks Bradford's strategic plan is a positive and productive addition to a licensing program that has been in need of new action and initiatives. Bradford has shown much innovation and initiative to enhance and grow the Beverly Hills licensing program. We experienced some delay this past year as the City completed its rebranding efforts. With the new shield in place, Bradford has completed the attached Strategic Marketing Plan and has drafted a Merchandise Style Guide to review with the Council Committee on February 5, 2008. With these in place, Bradford will be in a position to aggressively market the Beverly Hills shield and attract licensees.

Beverly Hills Chamber of Commerce recommends that the City Council approve Bradford Licensing's strategic plan as submitted so they may continue to progress and implement the strategies as defined.

Sincerely,

Daniel C. Walsh
CEO & President

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Strategic Licensing Plan

Presented to:

The City of Beverly Hills, California

Presented by:

Bradford Licensing Associates

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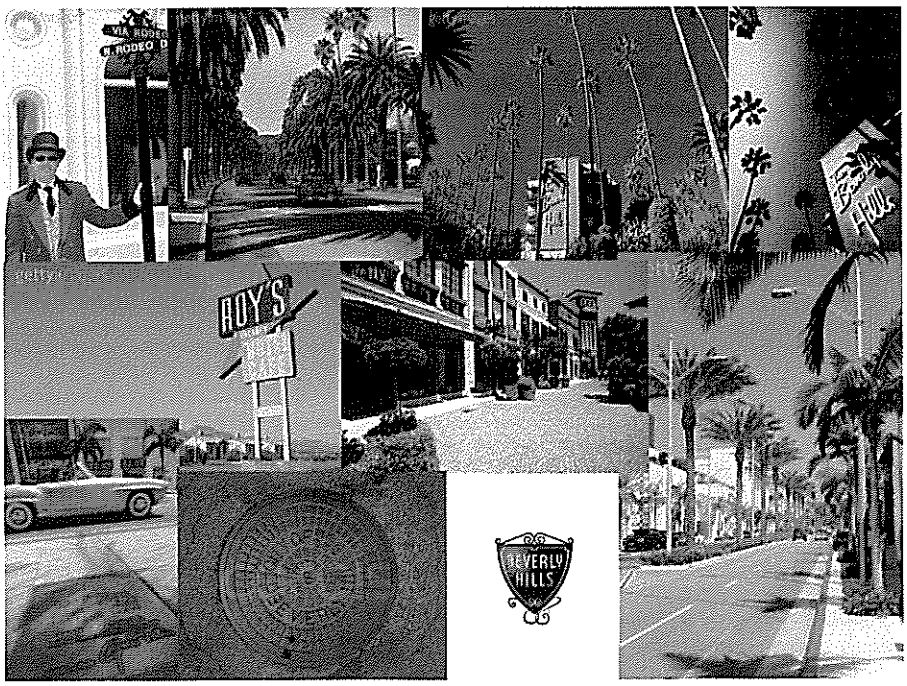
Strategic Licensing Plan: City of Beverly Hills and Chamber of Commerce

*Plan should be continuously updated with current market feedback and trends during implementation.

1. Summary
   After fully understanding the brand's equities, objectives and vision for the program as well as the market environment, we have put together a strategic go forward plan in which to implement the Beverly Hills Luxury Licensing Program.

2. Collections
   The development of the 2 tier plan hits a wide market and gives the ability to build a solid brand with strong penetration without diluting the core elements of the overall program.

   a. The Beverly Hills 'Classic' Collection
      To develop this concept, we focused on classic imagery and were inspired by the traditional products within the marketplace. We felt the line should reflect this feeling with related colors, concepts and designs. The products would be more time-honored and upscale in nature, ringing true with styling and design appealing to both men and women of all ages. This Beverly Hills collection would blend classic design elements with traditional fashion sensibilities at high end price points.



This concept is meant to be broad enough to include products such as apparel, fashion accessories, home furnishings, domestics, collectibles, housewares, stationery, etc. and yet cohesive enough to create a package for retailers with a grouping of licensees. This also leads itself for future involvement of shop in shop concepts in department stores under the Beverly Hills mark.

b. Love, Beverly Hills Collection*
To develop this concept, we were inspired by current trends and fashion-forward styles coming from Europe, and felt the line should appeal to today's more modern, younger luxury consumer. The colors and designs would be trendier in nature and would have a contemporary feel appealing to GenXer and Millennial generations.

Within this concept, we will target all categories resonating with a contemporary, young affluent consumer of today at moderate price points. This concept is also meant to be broad enough to include products listed under the Classic Collection, yet have a distinct look and design to offer retailers an up to date range of products for the marketplace at mid-level distribution. Again, this concept leads itself to shop in shop locations under the Beverly Hills mark in related stores.

* A definite name for this facet of the program will not be created until brand assets are developed and reviewed

3. The Market

We will focus on the luxury market in developing this Licensing Strategy. The luxury consumers are defined as the top 25% of U.S. households (incomes of $75,000 and above). American consumers spend $3 trillion buying discretionary and luxury products and services. In today's consumer-driven economy we spend proportionately less on basic necessities and more on things based upon emotion and desire, thus our rationale in following this path for Beverly Hills.

We have targeted two different luxury consumer segments defined by price, age, and design elements:

a. The young affluent consumers, the 35 and under luxury consumers, correspond generally to members of the GenXer and Millennial generations. These younger luxury-consumer generations make up about 30% of today's affluent market and are in the family-formation and young children at home life stage. This market tends to spend at a moderate price level on products with a more modern edge.
b. The over 35 luxury consumers are largely members of the Baby Boomer generation. This segment makes up over half of the affluent market. These consumers are approaching or already in their empty-nesting life stage and spend at a higher price point on products with a more classic design.

Based upon the distribution of household incomes by age, 30% of the affluent households or 9 million are headed by a person 35 years of age and under, while 70% of the affluent households are headed by a person over 35 years of age. GenXer and Millennial generation consumers account for about only 30% of the luxury market; however their influence in the luxury market will grow in the years ahead as the Baby Boomers move into retirement.

Given their different life stages, these two age groups demonstrate different luxury shopping behavior, with the 35 year old and under affluent households led primarily by GenXer or Millennial generation consumers spending more money on average, buying moderate priced luxuries that the typical over 35 year old Baby Boomers. However, Baby Boomers will still be an important segment of the luxury market, purchasing items at a higher price level, thus our reasoning for including both targets for the Licensing Strategy.

Young affluent consumers will play an increasingly important role in the international market for global luxury products over the next ten to twenty years. This is true not just in the United States (with a median age of 36.5 years) or in the European countries (where the median age ranges around 40 years old), but in the developing luxury markets, like Brazil (median age 28.2 years), India (24.9 years) and China (32.7 years), where the population as a whole is more youthful.

4. Distribution
   Using the concepts of the 2 tier plan described, we plan to develop separate distribution channels to differentiate the product ranges:

   - The older, more classic affluent consumer shops at such retail locations such as Neiman Marcus, Saks Fifth Avenue, Barneys and smaller specialty and boutique shops through the states.

   - The young, trendier affluent consumer shops at such retail locations such as Bloomingdales, Nordstrom, Lord & Taylor's and smaller fashion forward boutiques through the states.

   In creating one cohesive range, we feel developing a stand alone Beverly Hills shop using the store name *Love, Beverly Hills XX* and offering both ranges of licensed product, will create a powerful message to consumers and provide a one-stop shop to the market. This concept would work exceptionally well in airports, international markets and large mall-based areas. Separately, single shop in shop concepts can be created depicting either the classic or trendy range in the corresponding retail channel and department store.

5. Competitive Environment – Condensed

Competitor Name	Strengths	Weaknesses
Donna Karen / DKNY	Strong brand awareness, successful separation between concepts, high quality merchandise in various product categories	Core element of brand not known to consumers, no consistent message from style
Lily Pulitzer	Uses concepts from geographic market to define brand, promotes travel to destination, unified approach to all categories	Only appeals to older age bracket, limited on color and design usage
Ralph Lauren Brands	High brand awareness, successful brand separation defined target market and demographic for each brand	Limited color pallet, limited brand extension categories

6. Implementation
   In moving forward with the above concepts, we will use an ever expanding, working styleguide to present to licensees for inspiration, conceptual designs, color palettes, available patterns and guidelines within each program. Applications of the mark and/or taglines and sub brands will be explained to educate the licensee on their specific use. This marketing tool will be of great benefit to grow a long-term licensing program and create a sustaining brand for the Beverly Hills mark.

A. Goals:

1. Complete styleguide and conceptual designs for full package within the next 30 days.
2. Based on the core elements of the styleguide, create marketing materials for sales purposes, starting now and completing within 15 days of receiving styleguide materials.
3. Launch *Beverly Hills Classic Collection* immediately after approval of marketing materials. The *Love, Beverly Hills Collection* will be launched after the demand, marketability and success of the previous collection has been gauged.
    i. Create PR buzz within the industry for the program with advertising and marketing activities once concepts are approved. Such activities will include:
        1. PR blitzes into mass publication as well as industry trades
        2. Establish contacts for product placement opportunities using TV and movies as drivers
        3. Invite media and celebrities to product debut functions and viewings
    ii. Make use of any promotional avenues available within Beverly Hills to help promote these programs as soon as possible.
    iii. Provide information on the program on the dedicated City website as soon as possible.
    iv. Develop mock products to display at trade shows once styleguide is completed.
4. Manage licensees as a package to make group presentations to retailers.
5. Once products are being successfully offered in the marketplace, develop dedicated retail concepts for operation: shop-in-shop, sections within department stores, freestanding locations, kiosks, etc.
6. Provide monthly updates to BH of progress with program.
7. While this launch is taking place, begin investigation of international markets with specific product categories.

B. Target Categories

Shopping for a high-end, luxury item is an occurrence reserved for a select few in society. As previously mentioned, only 25% of the current US population falls into the luxury consumer market and following trends, they are spending proportionately less on basic necessities and more on purchases based upon emotion and desire.

When in the market for a luxury item, consumers are looking for a far different buying process than the average trip to a retail store – they are looking for a total buying experience. Luxury consumers demand extremely high levels of quality, service and support with each purchase. Cost is not a big factor with luxury items, so consumers make purchases depending on their wants, not needs and tend to purchase items that speak to or reflect upon them.

There is currently a split in the luxury market demographics. 70% of all luxury consumers belong to the baby-boomer generation, an aging group of consumers with increasing amounts of expendable income. The remaining 30% of consumers are GenXers and Millenials.

To leverage the full potential of the Beverly Hills brand, products must be produced which appeal to the distinct styles, needs and wants of both demographics. To do so, as previously mentioned, we will create two distinct product lines, *Beverly Hills Classic Collection* and *Love, Beverly Hills**.

All products in the *Beverly Hills Classic Collection* will be traditionally styled using only the highest quality materials and workmanship. All products will be retailed at high price points to keep the perceived value of the brand high. Products in the *Love, Beverly Hills Collection* will feature more contemporary, on trend designs features and styling to appeal to the younger, more fashion forward demographic in the luxury market.

1. Furniture

Beverly Hills Classic Collection

Target Retailers:
- Independently Owned Furniture Retailers Nationwide
- Regional Chain Retailers (Ex: Raymour & Flanigan. Rooms-to-Go)
- Fortunoff

Key Competitors:
- Barnhardt
- Martha Stewart Signature Collection
- Biltmore Home Collection

Love, Beverly Hills Collection

Target Retailers:
- Pottery Barn
- Macy's
- Bloomingdales

Key Competitors:
- Cindy Crawford Collection
- Trump Furniture

2. Home

The Beverly Hills Home Collection can be separated into two distinct categories: domestics, which include bed and bath, tapestries and décor and also tableware which include silverware, flatware and cutlery.

A. Domestics

Beverly Hills Classic Collection

Target Retailers:
- Neiman Marcus
- Saks Fifth Avenue
- Fortunoff

Key Competitors:
- Ralph Lauren
- Westin Heavenly
- Hudson Park

Love, Beverly Hills Collection

Target Retailers:
- Bloomingdales
- Macys
- Crate and Barrel

Key Competitors:
- Ralph Lauren 'Lauren'
- DKNY
- Calvin Klein

B. Tableware

Beverly Hills Classic Collection

Target Retailers:
- Nordstrom
- Fortunoff

Key Competitors:
- Waterford
- Villeroy Boch
- Royal Doulton

Love, Beverly Hills Collection

Target Retailers:
- William Sonoma
- Macys
- Bloomingdales

Key Competitors:
- Oneida
- Mikasa
- Pfalzgraff

3. **Fashion**

The fashion industry can be broken down into two categories, apparel and accessories and jewelry. Apparel and accessories includes jackets, sweaters, active wear, causal ware, sunglasses, bags, wallets, shoes, etc. Jewelry includes watches, necklaces, earrings, etc.

A. Apparel and Accessories (Men & Women)

Beverly Hills Classic Collection

Target Retailers:
- Barney's
- Solice Stores
- Saks

Key Competitors
- Marc Jacobs
- Fendi
- Gucci

Love, Beverly Hills Collection

Target Retailers:
- Bloomingdales
- Sunglass Hut
- Kitson

Key Competitors:
- Juicy Couture
- BCBG
- Seven for All Mankind

B. Jewelry

Beverly Hills Classic Collection

Target Retailers:
- Saks
- Barneys
- Tiffanys

Key Competitors:
- Burberry
- John Hardy
- Cartier

Love, Beverly Hills Collection

Target Retailers:
- Nordstrom
- Bloomingdales
- Swatch

Key Competitors:
- Michael Kors
- Betsey Johnson
- TAG Heuer

4. Health and Beauty

Higher end cosmetics brands are available in most retailers, including, in limited amounts, at drug, grocery and mass market accounts. However, health and beauty aids represent one of the strongest consumer loyalty categories at retail today, with 48% of consumers reluctant to switch brands. With older consumers showing the most brand loyalty, *Love, Beverly Hills* has the most potential to gain a brand following with cosmetics and cosmetic accessories and would be the only collection we would suggest to launch in this category.

A two tiered approach can be utilized for the personal fragrance category. The *Beverly Hills Classic* fragrance will appeal to a consumer interested in traditional, rich scents, whereas *Love, Beverly Hills* will appeal to consumers more willing to try new scents.

Target Retailers:

- Sephora
- Bloomingdales
- Sak's
- Nordstrom

Key Competitors:

- Bobbie Brown
- Lancome
- MAC
- Estee Lauder

5. Car Culture

Luxury Car sales are expected to make a significant jump in market share over the course of the next 5 years. The current standard for defining a luxury car is any vehicle with an MSRP of over $60,000. Luxury vehicles are further defined into subsets, entry-level, mid-sized, ultra, etc.

Domestic car brands account for less than 50% of current luxury sales domestically. The best selling brands currently are Lincoln and Cadillac. Brand such as Chrysler and Buick are making great gains in the luxury market by increasing features and model offerings.

A. Partnership

Partnering Beverly Hills with a domestic car manufacturer will allow that manufacturer to introduce a new or renewed edition of a current vehicle model, ex. Lincoln Navigator – Beverly Hills Edition. The new trim level could offer consumers additional features such as upgraded upholstery, edition specific wheels and badges or the Beverly Hills sign embroidered into the headrests.

Target Partners:
- Cadillac
- Lincoln
- Foreign manufacturers such as Mercedes, Lexus, etc.

Key Competitors:
- Ford Explorer-Eddie Bauer Edition
- Subaru Forester – L.L. Bean Edition

B. Beverly Hills Car Accessories

Another opportunity within the automotive industry is with aftermarket auto accessories. With customization of vehicles becoming evermore popular, the Beverly Hills brand will give consumers the option of stylizing and adding luxury to their vehicles as they please. Products within this category would be positioned for retail at high end, independently owned vehicle Detailers and Accessory retailers only. Products would also be made available at high end dealerships nationwide.

Target Products:
- High End Wheels
- Interior Carpeting
- Upholstery options
- Car Covers
- Car Cleaning Products
    - Including Waxes, Polishes, Cleaning Clothes, etc.

Category Implementation Strategy

A strategic product roll out is key to the introduction of any brand. A properly implemented, methodical approach to the introduction of the Beverly Hills brand will ensure proper brand management for each stage before the next is introduced.

In anticipation of key assets such as the Beverly Hills Branding System and Style Guide being approved and released in late September, Bradford Licensing recommends approaching categories using a tiered approach. The categories within the tiers were chosen to coincide with their respective industry trade show, product development lead time and also to allow the following tier to leverage the success of the preceding category. They will be pursued in the order listed below and if an opportunity arises for a product out of sequence, it will be handled on a case by case basis.

In preparation for each trade show, Bradford will do extensive research on each industry respectively, and in a timely manner, set up meetings with companies we feel have the correct product offerings, positioning and attributes for a Beverly Hills program. Also, we will create or work with an outside design agency to create a Beverly Hill presentation with product mock ups, concepts, imagery and art specific to each industry, all of which will be pre-approved by Beverly Hills.

Tier 1 – Apparel and Accessories

Products including but not limited to:
Apparel, Fashion Accessories including Bags, Hats, Wallets, Shoes, Jewelry, etc

Key Dates:
February 12-15 – MAGIC

Tier 2 – Home Furnishings and Domestics

Products including but not limited to:
Furniture, Home Décor, Dinnerware Items, Bedding, Kitchen Accessories, etc

Key Dates:
March 2008: High Point Trade Show

Tier 3 – Health and Beauty

Products including but not limited to:
Bath and Body Products, Lip Care, Make- Up, etc

Key Dates:
September 2008: HBA Expo

Tier 4 – Automotive

Products including but not limited to:
Beverly Hills Edition Vehicle Models, hi-end Car Care items such as polish, hi-end accessories such as Car Covers, Wheels, Upholstery, etc

Key Dates:
October 2008: SEMA Automotive Show