

**BEANSTALK
FOUNDER MICHAEL
STONE REINVENTED
LICENSING TO HELP
BRANDS FORGE
POWERFUL BONDS
WITH CUSTOMERS.**



LICENSING LEGEND

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You may not know Michael Stone or even Beanstalk, his industry-changing company, but you know their work.

Stone is the mastermind behind the practice of popular brands putting their stamps on other companies' product lines—think Febreze-branded kitty litter, Jack Daniels barbecue sauce, or Bailey's Irish Cream coffee creamers.

He's nothing short of a legend when it comes to licensing, having changed the way major corporations think about how they can use branding as a communications tool, and build more meaningful and enduring relationships. He even taught the first graduate course in the United States specifically on trademark licensing, and just this year was named to the International Licensing Hall of Fame.

Beanstalk was responsible for over \$7 billion in retail sales of licensed product in 2018. It has received 23 LIMA Awards. From its offices in London, New York, Miami, Cincinnati, Mumbai, and New Delhi, it has created some of the most successful licensing programs in history, including programs for Procter & Gamble, Stanley Black & Decker, Harley-Davidson, HGTV, The Coca-Cola Company, AT&T and Kelly Ripa.

But Stone didn't start out in licensing. He didn't even begin in related fields like marketing or sales.

"I started out in a completely different direction from where I ended," Stone says, laughing. "I wanted to be a legal aid lawyer." The future licensing mogul did earn his law degree from Emory University and got a job working as an attorney, but he didn't stay in that lane.

"I wanted to be a pioneer in an industry where I thought I could make a difference and make a change in the way that businesses operated in that industry," Stone says. "I ultimately found my way into licensing."

And make a difference he did.

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Finding White Space

Stone founded Beanstalk in the mid-1990s. “I probably would have been an internet startup if the internet was around back then,” Stone says. But this was long before Facebook or even Google. “So we went in a different direction.”

He first looked around at the licensing structures that were in place and saw a lot of motion picture, television, and character licensing. Children of the 80s will know this phenomenon all too well, thanks to classic examples like Superman Underoos, Flintstones Vitamins, or Pac-Man breakfast cereal.

But there wasn’t much corporate brand licensing. Coca-Cola was engaged in it, and had been since the 1970s, but it was an outlier.

“That’s where we saw white space,” Stone says.

Components for Successful Corporate Brand Licensing

“Licensing is actually, in my opinion, an analog tool in a digital age,” Stone says. “It’s a way to invite a consumer to participate with the brand by buying a product and bringing it into their home. It’s a way to reach consumers in different aisles of the store or web pages. It’s a way of entangling a brand with consumers.”

It works like this: A company with a certain level of notoriety sells the use of its brand name to another company that sells other, relevant products. The trusted brand name drives sales, and consumers become exposed to the brand's identity across multiple products, thereby developing a stronger affinity.

Armed with the belief that he had something powerful to offer, Stone courted well-known brands like those in the Procter & Gamble group (his biggest client today). He schooled company leaders on the value of leveraging their brand recognition and reputation. He and Beanstalk quickly became the go-to resource for famous brands looking to carefully expand their reach into other market segments.

As he put each new licensing deal into place, Stone noted the repeating elements needed for a brand licensing arrangement to function well:

1. The brand must already have fame (the majority of the nation or intended market is aware of the brand).

2. The brand must have opportunities to align with other products that make sense.

3. The partnership must generate enough volume of business to justify the relationship.

He offers Citibank as an example of a well-known brand that isn't suited toward expansion via licensing. While it meets the first requirement, the next two aren't present. "There aren't enough product categories that the Citibank brand can be extended into that will generate enough volume to make sense for Citibank to engage in licensing," Stone says.



On the other hand there's Febreze, a product that eliminates bad odors. The vast majority of consumers in the United States are familiar with the Febreze brand, meeting Stone's first requirement for success.

Stone and his team considered what other products involve bad odors. Kitty litter and trash bags are created to manage smelly substances. So, Stone's second requirement was met.

And, in identifying just those two options, the third requirement had also been met. Enough kitty litter and trash bags are sold in the United States to meet his volume requirement. They subsequently licensed the Febreze brand to kitty litter and trash bags.

"Brand licensing is a way to reach consumers," Stone says, "extend the brand meaning, and further bond consumers to the brand."

But for those wondering if brand licensing will be the ticket to their brand's success, Stone offers stern advice. "Licensing is not going to make you famous. You need to be famous first."

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Keeping His Focus

Entrepreneurs these days often have long lists of startups in their bios. Not so with Michael Stone. He's still at the same company he started 25 years ago, though it's a much different beast today.

In 2005, Stone sold the majority interest in Beanstalk to Omnicom Group, a multibillion-dollar holding company. Stone retains minority interest in Beanstalk and, for the first few years after the sale, also stayed on as CEO.

"Two or three years ago, I decided I was getting a little tired of being the CEO," Stone says. He'd been running the company for over two decades. He handed over the CEO reins to a 20-year colleague and turned his focus toward gathering his licensing experience and knowledge into a book.

The Power of Licensing: Harnessing Brand Equity was published by the American Bar Association in October 2018. The book quickly became the bible for anyone working in or trying to understanding brand licensing.

"That was such a journey of discovery for me," Stone says about his book writing experience.

That thirst for knowledge and expansion of presence in his chosen area is what has kept Stone doing "what my wife thinks is the same thing for 25 years," he kids.

Rather than starting a new business every few years and selling it, Stone stayed within his existing business and uses it as the vehicle to explore new ideas. He evolves as the marketing and retail environments evolve, always learning, ever on the hunt for new tactics and consumer feedback.

"I ask questions like, 'How is our industry viewed? What are the negatives? Stereotypes? How have they changed? What is it viewed like now versus the past? How is it viewed by smart clients? How have their expectations changed? How have the tactics changed?' There's so much to learn, so many new things to get involved in, in marketing and retail, and we touch all of those fields. There are always things to learn and time for discovery."

On Entrepreneurship

Stone pulls no punches about the volatile, demanding nature of entrepreneurial life. He likens it to riding a roller-coaster and warns that it requires 24/7 commitment. As a friend of Stone's once told him:

"An entrepreneur engages in the relentless pursuit of opportunity without regard to resources currently controlled."

"You're thinking about the business all the time," Stone says. "All the time. Weekends. At parties. When you're supposed to be listening to other people talk about their vacations, you're thinking about the business."

He acknowledges that many of his colleagues went the route of taking jobs with existing corporations. They made plenty of money doing so. "There's nothing wrong with being a good corporate citizen and paying your dues," he says. It simply would have been wrong for him as his dream was to start something new and cause an industry shift.

He was meant to be a founder.



Author: *Rebeca Seitz is a writer, producer, and founding President & CEO of two businesses. Her books have been published by HarperCollins and B&H Group and her last screenplay was produced with Out of Order Studios and written with Disney veteran Bob Burris. She has appeared on NPR, CNN, Huffington Post Live, and more regarding responsible use of mass media. Connect with Rebeca on Twitter, Facebook or LinkedIn. See her writing, listen to her podcast, and find out more at rebecaseitz.com.*



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