



Best Practice: Citywide Merchandise Licensing Program

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CITY: NEW YORK CITY

POLICY AREAS: ECONOMIC DEVELOPMENT; TOURISM

BEST PRACTICE

The **Citywide Merchandise Licensing Program** (NYC & Company) is a centralized program that provides licensing rights for the City and its agencies. The iconic brands currently licensed through the program include the NYPD, FDNY, New York City Taxi and Limousine Commission, Mayor's Office of Film, Theatre and Broadcasting, New York City Department of Sanitation, City of New York Parks & Recreation and New York City Department of Transportation, as well as its own stylized "NYC" trademark.

It is currently being administered by NYC & Company, the official marketing and tourism organization for the City of New York. Similar to the major sports leagues and other entertainment property owners, the City of New York now has one centralized office that coordinates the development, management and protection of its intellectual property.

ISSUE

With permission from the City, the New York City Police Department (NYPD) and the Fire Department of the City of New York (FDNY) began offering licensing rights in the late 1980's. Both agencies allowed affiliated not-for-profits to manage their initiatives. Both had a degree of success but were not consistent in their policies and practices, did not actively pursue counterfeiters and did not fully utilize the City's vast internal resources, such as the City's Law Department for legal representation. After September 11, 2001, the demand for products bearing the agency's trademarks increased dramatically as did knock offs. This underscored the need to examine the current and potential global demand for these trademarks.

GOALS AND OBJECTIVES

The purpose of the program is to utilize the City's intellectual property to promote and brand the positive qualities of the City and its agencies in a manner that can be controlled and managed. The wonderful work that the NYPD and FDNY does, at tremendous risk to those performing the tasks, shines a positive light on the City and is an integral part of its branding. The Licensing program seeks to bring to life these positive elements in a material form that tourists and residents can own, similar to the way a fan owns a licensed product of their favorite team.

IMPLEMENTATION

As mentioned, the NYPD and FDNY were already administrating their own licensing initiatives. The NYPD chose to hire a licensing agent while the FDNY hired their own licensing director. The business direction they took was also different; the NYPD had many (over forty) licensees with non-exclusive rights. The FDNY had few (less than fifteen) vendors, with the majority having exclusive rights in their particular product category. They both employed outside legal counsel, but had agreements that were inconsistent. They also had different quality control standards and procedures. Audits were not performed with any regularity. NYC Marketing spent significant time creating one centralized initiative that capitalized on the economies of scale of having a single entity managing the program. With the City's broad resources behind it, NYC Marketing could develop a more efficient city-wide plan. The NYPD and FDNY transferred their active agreements and operational control of the City's trademarks to NYC Marketing.

The first solicitation that needed to be issued was for licensing services. NYC Marketing, acting as the exclusive licensing agent for the City of New York, issued a Request for Proposal (RFP) for necessary services that would support its new licensing initiative. One contract was awarded for on-product authentication, while other service categories were filled internally. These services include royalty management and trademark enforcement.



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In addition to the management of over fifty combined NYPD and FDNY agreements, NYC Marketing issued a RFP for Major Merchandise Categories, defined as adult apparel, children's apparel, souvenirs, home furnishings, school, home and office products, replica vehicles and licensing territories outside of the United States, as an initial step in creating a broader, more centralized program. While NYPD and FDNY were clearly the most well known and sought after trademarks, the program also focuses on the following city agencies: Parks, Taxi, Transportation, Sanitation and the Mayor's Office of Film.

Over forty companies responded to the RFP. Despite being a not-for-profit, NYC & Company is bound to city guidelines, thus evaluation committees were formed under each service category. After internal deliberation and negotiations with the potential vendors, eight companies were awarded eleven contracts for a variety of rights -- four in adult apparel, two in children's apparel, two in souvenirs, one in replica vehicles and two in overseas territories.

To support its licensees, NYC Marketing developed its third RFP for an e-commerce service provider, with the goal of finding an online contractor to operate an e-commerce web site, owned by the City, to provide related direct marketing services and fulfillment. Upon receiving several offers, NYC Marketing's evaluation committee chose MLB Advanced Media, the online component of Major League Baseball Properties, to manage its site. The official store was unveiled by Mayor Bloomberg during the Thanksgiving Day parade and has been one of our most important sales, branding and promotional tools to date.

While the categories awarded via the Major Merchandise RFP served as the foundation for the Citywide Merchandise Licensing Program, there were smaller segments that were also important for growing exposure and revenue. For example, a Request for Expression of Interest (RFEI) process was implemented to offer the opportunity to license qualified entities that could best create unique products in an expanded variety of categories and classifications. These concessions were awarded by direct negotiation with respondents to the RFEI if determined to be in the best interest of the City. The result has been new partners in toy sets, jewelry and co-branded apparel and headwear.

In 2010, NYC & Company released its next RFP for "Licensing Rights: Product Categories." This solicitation was aimed at broadening licensed product distribution for existing categories such as adult and children's apparel and souvenirs as well as opening new product categories such as plus products and replica vehicles. Moving forward our goal is to deliver as many different products into as many different retailers as possible. This includes national chains, local souvenir shops and boutiques.

COST

After several years of legal fees outweighing revenues, the licensing program is now fully self-funded. Annual retail licensing sales now exceed \$24 million dollars. The program pays for all costs associated with the City's trademark management.

RESULTS AND EVALUATION

In addition to the revenue collected and exposure generated, the City has sent out over 600 cease and desist letters to infringers and settled infringement cases of several hundred thousand dollars. The City's on-product authentication vendor produces officially licensed hang tags and holographic decals, set to undergo a makeover in 2010, that adorn all merchandise and provide an easy way to determine what is licensed and what is not. A complete style guide and strict quality control standards now exist ensuring that products are in good taste, utilize our trademarks in a consistent manner and follow approved social compliance standards.

The City's RFP procedure takes a considerable amount of time and many private sector companies are not accustomed to its length. Several well known companies appeared interested in the City's trademarks early on in the process. However, after becoming uncomfortable in the drawn out process, they dropped out of the competition. In an effort to capture an even greater segment of the market in a more private sector friendly manner, NYC & Company, with the support of City Hall and the Law Department, is in the process of creating a new process that will allow more freedom and flexibility to offer licensing rights on a broader scale. This process is key to the ongoing success of the program.



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TIMELINE

April 2003	Mayor Bloomberg establishes NYC Marketing
March 2004	Centralized licensing division is created
June 2004	NYC Marketing is appointed the exclusive worldwide licensing agent for the City of New York
October 2004	RFP for Licensing Services is released
March 2005	RFP for Major Merchandise Categories is released
April 2005	NYC Marketing and the Law Department begin aggressively enforcing the City's trademarks
June 2005	RFEI process for unique products determined to be in the best interest of the City is authorized
August 2005	Agreement is reached for an exclusive supplier for On Product Authentication
December 2005	RFP for E-Commerce Service Provider is released
January 2006	Eight companies are awarded licensing rights via the RFP for Major Merchandise Categories
November 2006	City's new official online shop, www.nycvisit.com , is launched by Mayor Bloomberg
June 2007	NYC Marketing is folded into NYC & Company and takes over the City's Licensing Program
July 2008	First co-branding success with Major League Baseball at All Star game
September 2009	Modell's exclusively offers co-branded Yankees t-shirts with FDNY & NYPD logos
December 2009	Co-branded apparel and plush is unveiled at Toys R Us and FAO Schwarz featuring NYC logos and Sesame Street characters

LESSONS LEARNED

Several valuable lessons were learned including:

- The opportunity cost in resources, capital and the delay inherent in presenting each new licensing deal under the current restrictions has the unintended consequence of actually losing potential licensing revenue. Successful licensing programs rely on rights holders' ability to move quickly to satisfy the changing tastes of consumers and retailers, and the ability to choose partners based on brand objectives and business goals. The current process is under review to find ways to adjust to the market quickly in order to expand the City's licensing business and capitalize on industry trends.
- Categories offered with an RFP should be written as broadly as possible. It became very difficult to add product classes after contracts were awarded. For example, plush toys were not included in the souvenir category and, to date, we have not been able to capitalize on this opportunity.
- Licensing programs are a long term project, with costs out-stripping revenue in the beginning. In establishing this new program, there were projections developed that fell short simply because we underestimated how long approvals from a variety of agencies would take.
- Co-branding with other similarly positioned brands provides an excellent opportunity for new and existing retailers to differentiate their products from the competition.

TRANSFERABILITY

Like sports teams and other well known trademarks, the City's licensing program brings tangible products to "fans" and supporters of the City and its agencies.

Additionally, the program has generated significant revenue without raising taxes, promoted and added value to the City and its brands worldwide, enlarged its global footprint through the retail dissemination of licensed products, utilized private sector best practices, consolidated legal, operational and marketing functions and protected its intellectual property from counterfeiters, allowing this program to continue far into the future.



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