The Canadian Market Opportunity

Whilst it has close ties with the USA, Canada is an independent market that ranks in the top 10 in the world in terms of average per head income.

Properties that succeed in the market are those that treat Canada as a separate country and not just an add-on to a US-based licensing program.

Sean Kay (pictured below) from Toronto-based Benchmark Licensing explains how the market works.

If a brand wants to have a truly successful licensing business in Canada, it should examine the many advantages of having their Canadian business run independent of their U.S. business. After all, Canada is not the 51st state within the federal republic of the United States - contrary to what some may believe.

In the world of brand licensing, all too many brands (regardless of where they originate) significantly undervalue Canada's revenue potential as a stand-alone market, and amalgamate the country in with their U.S business and treat them as one. Globally, Canada has the 10th highest average income per capita and ranks among the highest 'per capita spend' on licensed merchandise. Canadian retail sales are approx. USD $195B (in 2015)([1]) with licensed merchandise accounting for approx. USD $10.3B([2]), and is a country that is typically ranked in the top 10 in Earned Revenue within global licensor's businesses.

I've been working within the Consumer Products and Brand Licensing world for over 20 years, primarily involved in managing Canadian businesses. I am constantly puzzled as to why many noteworthy brands take a different approach to building business in Canada, than they would in their own market, and (in many cases) in smaller markets that have less earned revenue potential than Canada. That approach being to manage Canada from another country.

The reality is that US based category + retail teams, or U.S. based agencies, that are trying to build licensing businesses in the U.S. and Canada will need to spend a proportionate amount of time focused on the U.S. business. They won't be able to devote much time working on Canadian specific market strategies with both retailers and licensees. Without a concentrated effort, on a day-to-day basis, it's tough to earn the loyalty of retailers and licensees in helping you to build your brand. It's also very difficult for those teams to drive business in a country (other than theirs) without living there and gaining a strong understanding of the market, along with its differences.

What happens in those circumstances, understandably, is that Canada is typically a throw-in to North American agreements. It is often no more than a giveaway to preferred U.S. partners - many of whom are not set up to be effective in the Canadian market - with an agreement structure that doesn't drive commitment to building a band's business in Canada. On top of that, the U.S. strategy tends to dictate how brands and licensees approach their businesses in Canada. The challenge and shortcoming is that the approach will most assuredly deliver on low 'index' expectations.

Target can serve as an important lesson for brand owners that manage their Canadian business internally (in the U.S.) or through a U.S. agency. While Target invested significantly in renovating stores and ad campaigns, they ran a lot of their operations and purchase decision making out of the U.S. Target's Canadian challenges went far past empty shelves and logistical issues that were widely reported. By assuming that Canada was the same as the U.S., Target grossly misunderstood the Canadian consumer, as well as the competitive landscape. Perhaps most importantly, they had no brand champions that helped build a brand's

holistic positon on their floor helping to create points of differentiation in the market. In the end, even though they were 'Tarjay', and very successful in the U.S., they couldn't solve their Canadian predicament.

Whereas global retailers like Walmart, Toys R US, Costco (to name a few) have thrived in Canada because they treat Canada as they would any other country and tailor their business to meet the needs of the local marketplace. In fact, Canada is often a leader within their international divisions, demonstrating the country's worth within their organizations.

Many of our largest retailers, that carry licensed brands, are located in Ontario and Quebec; however, Canada is a large country, and while it's important to have a team that can service those central-eastern accounts, it's also essential that the entire market is covered to build the strongest brand foundation.

I've had many conversations with American brand owners about the merits and the importance of having representation in the Canadian market. In one such conversation, a senior executive (of a brand ownership group) asked me why he would have a separate team of people manage his business in the Canadian market, if it's only the size of California. He pointed out that he didn't have people in California managing his business for that state. Let's put aside the fact that the conversation was about revenue generation and not population size, the fact that Canada was being compared to a state, and the fact that it wouldn't make sense for their company to have representation in California because their most significant retail and licensing partners were located on the east coast, he (like many others) felt that a Canadian Brand Management and Licensing team was not necessary for his business. His preference was to manage his business passively through his licensees, who were going to market with multiple brands (including ones from other companies). Having studied their business, the net result is that they are well under-represented at retail compared with their U.S. business and are most likely leaving a generous amount of money 'on the table'. The world's largest multi-national consumer product companies and a handful of the world's largest licensors have Canadian divisions that successfully build and manage all facets of their businesses locally. They include entertainment brands like Disney, Nickelodeon, Warner Bros (with corporate CP licensing offices in Canada) and DreamWorks (who we represent).

We have been working with DreamWorks since 2013 and have been very fortunate to have worked with some exceptional leaders such as Michael Connolly, Jonathan Baker, JR Desouza, and Brian Schwartz, who all have extensive International experience. They understood the necessity of treating Canada independently (as a separate part of their international division) and recognized the difference it would make to brand positioning and revenue generation.

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The results speak for themselves. With incredible support from Gabrielle Gauthier, (in Canada) DreamWorks has grown from an almost non-existent consumer products business in 2013 to one that has significant presence at retail today. We have not only helped build business with Canadian retailers many licensors haven't worked with, we have also substantially increased merchandise commitments and support with large and global retailers, by understanding their consumers, finding the right fit with our brands, and servicing their local needs. We have consistently over-indexed across many key business metrics. We've even had incredible success launching some of our properties/programs in Canada across multiple categories ahead of the U.S. Based on our success, we were later awarded DreamWorks promotional business and have built that into a very viable revenue stream as well.

Canada can provide a great opportunity for both brands and licensees. Successful brands focus on Canada as a separate country, understanding that the return - in terms of building a brand's foundation, longevity, increased brand equity and earned revenue - far outweighs any savings believed to be gained by managing their business outside of the country. The in-market leadership is essential to protect brand growth and integrity. The caveat is that you need the right Brand management partner, but I'll save that for another article.

Benchmark Licensing (www.benchmarklicensing.com) is a Canadian based Brand Licensing and Management agency whose expertise is in building and (most importantly) managing large multi-category consumer products businesses in partnership with brands, retailers and manufacturers in all tiers/channels of distribution. We have extensive experience working with some of the world's most valuable brands and global Licensors.

Sean Kay is a Brand Licensing Executive who has been producing significant sustainable growth for diverse multi-million dollar branded consumer products businesses for over 20 years.

[1] Source: Statistics Canada, CANSIM, table 080-0020 and Catalogue no. 63-005-X - Last modified: 2016-03-18,

[2] Source: The Licensing Letter.