

THE LICENSING LETTER

THE DEFINITIVE SOURCE FOR DATA, ANALYSIS, NEWS AND CONTACTS SINCE 1977

Retailers Worldwide Face Growing Challenge To Unify The Shopping Experience Across Channels

The words change and the numbers vary, but the trend is clear.

Call it “seamless transitions across shopping channels” (the *Research Alert Yearbook*), “omnichannelization” (per InterBrand), cross-platform shopping, or simply a unified experience across physical and digital shopping channels. Whatever the term, the need to unify the shopping experience—in the store, online, and via mobile device—is one of the biggest challenges retailers face today, anywhere in the world.

Researchers unanimously measure growth in merchandise sales through both online and mobile channels in the double digits:

- ▶ In the 17 countries comprising Western Europe, e-commerce spending is projected to reach \$166.5 billion in 2013, up 14.3% over 2012, according to Forrester Research. (Note: Unless otherwise specified, the online shopping estimates in this article are for all merchandise, not just licensed goods.)
- ▶ In France, some 31 million buyers are estimated to spend approximately \$1,845 each online annually, with e-commerce sales reaching \$59 billion, according to Interbrand. That’s up 19% over 2011. Merchandise sales on mobile devices and tablets are growing at an even faster pace, albeit from a very small base number.
- ▶ In North America, THE LICENSING LETTER estimates that online sales of licensed merchandise accounted for 7.9% of overall sales in 2012, plus another 1.6% for TV sales, about the same proportion as for merchandise overall, according to the U.S. Department of Commerce.
- ▶ By 2017, Forrester predicts e-commerce will account for 10% of all U.S. retail sales. (Forrester says online spending overall came to \$231 billion last year and will increase 13.4% this year to \$262, roughly in

line with the Department of Commerce figures, though each includes different goods.)

- ▶ Online retail sales in China are projected to reach \$409 billion by 2016, according to Barclay’s Bank, as reported by Internet Retailer, with Asia to surpass the U.S. in online sales around that time. Mobile commerce, the bank forecasts, “could soon account for at least 25% of all sales in mature direct-to-consumer e-commerce markets such as Japan and South Korea.”

Because of this growth in mobile and online retail—the rates of growth may slow but will still be in the double digits in most countries for the next few years—retailers are being called upon to make sure that consumers can research, price, buy, and return through these channels, as well as in stores.

Increasingly, we see online retailers creating a physical presence of some sort (think Amazon

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DRESSING UP

Growth in Fashion Sector Bests Licensing Business Overall; Retail Sales Up 4.7% in 2012

Retail sales of licensed merchandise based on fashion labels were up 4.7% in 2012, totaling \$18.88 billion. That compares to \$18.04 billion the previous year, according to THE LICENSING LETTER. The rate of growth in fashion licensing was more than double that of the licensing business as a whole, which increased 2.1% in 2012.

For the second year in a row, the fashion sector experienced the strongest growth rate of any major property type. In fact, growth in fashion licensing in 2012 ranked second only to interactive gaming properties (which were up 8.9%) out of all 13 segments and 18 subsegments tracked.

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NOTE

Due to a family emergency for one of our editors, this issue has a shortened section for Licensing News and Contacts & Connections. We’ll return to our 12-page format with the next issue.



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Licensing Ledger

100 JOB OPENINGS!

We don't often see that kind of posting in the licensing/children's marketing world, but it's part of **Mind Candy's** announcement hiring Penny Handscomb as its Chief People Officer (nee human resources person). We don't usually report on HR appointments, either, but in the note accompanying the press release, the company writes, "Mind Candy has close to 100 open positions across its offices as it gears up for major product launches this year." So reporting on it seems like a public service. See www.mindcandy.com/recruitment for information on positions available. When we ran this in TLL Daily Advisor, more than 100 people clicked through within a few hours!

NFL PLAYS WITH RETIREES

The NFL will pay \$42 million to settle with a group of retired players who challenged the league over using their names and images without their consent. The league will fund a "common good" trust over the next eight years to help retired players with medical expenses, housing, and career transition. The settlement also establishes a licensing agency for retired players to ensure they are compensated for the use of their identities in promotional materials. The licensing agency will market retired players' publicity rights in conjunction with the NFL.

KROMA VS. KHROMA

Boldface Licensing + Branding is appealing an injunction that would bar it from selling the Khroma Beauty by Kourtney, Kim and Khloe brand of makeup. U.S. District Court Judge Audrey Collins, of the Central District of California, issued the injunction in response to **Lee Tillett Inc.'s** lawsuit accusing Boldface of trademark infringement over Tillett's Kroma Makeup Brand. Boldface paid the Kardashians an

advance of \$1 million for rights to the name, with a guarantee of \$4.7-\$5.2 million. Tillett sells approximately \$200,000 worth of makeup annually. "Tillett has demonstrated that it will likely lose business opportunities, customers, and goodwill due to Boldface's use of the confusingly similar Khroma Beauty marks," writes the judge. "This Court has little doubt that, in short order, the Khroma Beauty products will likely eliminate Tillett's business entirely, creating irreparable harm to justify an injunction."

SPADE ON A SPURT

Kate Spade New York is wholesaled in approximately 400 stores, has 205 owned stores in 20 countries, e-commerce, and 12 Jack Spade stores with nearly \$800 million in retail sales today and having logged \$462 million in revenue for **Fifth & Pacific** (the former **Liz Claiborne**), according to the company's analysts presentation.

TARGET'S COOKIN'

Target adds the CHEFS catalog, and cooking.com to its multichannel operations as it looks to boost its already formidable cooking and kitchenware business. Target, which has been actively licensing in this category for several years, finds itself with strong competition from **Kohl's** nationally, and regional department stores such as **Herberger's** (a Bon Ton company).

KEDS MOVE SWIFT(LY)

Keds is offering a limited edition Taylor Swift Champion sneaker to mark its sponsorship of Swift's RED tour; the footwear features the name of each city on the tour. Fans can receive exclusive access to order by visiting the Keds Style Studio, a pop-up at each tour stop.

GLOBAL BOX OFFICE

The global box office increased 6% from 2011 to 2012, reaching \$34.7

billion. And for the first time, China surpassed Japan as the largest market outside the U.S., accounting for \$2.7 billion — up 36% over 2011. The top five international markets were China, Japan (\$2.4 billion), UK and France (\$1.7 billion each), and India (\$1.4 billion), according to IHS *Screen Digest* data reported by the **Motion Picture Association of America**. The North American box office take rose 6% to \$10.8 billion while Europe in aggregate fell 1% to \$10.7 billion.

FIRST SALE: PARALLEL IMPORTS?

The Supreme Court ruled that the first sale doctrine applies to authorized copies of U.S. works manufactured overseas. Under the 6-3 ruling, books by U.S. authors printed overseas for sale in foreign territories — and, by extension, music, videos, video games, and other physical media — can be purchased in those territories and legally resold in the U.S. without the copyright owner's permission. The immediate effect of the ruling is to open a legal loophole in the Copyright Act's prohibition on parallel imports. While the decision is specific to copyright and not trademark, the implications for parallel imports could be significant.

GLOBAL PRESCHOOL PROPERTIES

Of the 131 licensed preschool properties ranked by sales by **THE LICENSING LETTER**, 9% generated retail sales of \$100 million or more worldwide in 2012; 6% had sales in the \$50-\$99.9 million range; and 10% posted sales of \$20-\$49.9 million range. The remaining 75% of properties generated retail sales of \$19.9 million or less. More than a third of these properties had sales under \$5 million. See www.epmcom.com/preschool for information on our report, **The Global Market For Licensed Preschool Properties**.



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THE LICENSING LETTER (ISSN: 8755-6235) is published 22 times a year by EPM, a division of Business Valuation Resources. The annual subscription price for THE LICENSING LETTER is \$467 per year/\$527 outside North America. Low-cost site licenses are available for those who wish to distribute this newsletter to their colleagues at the same address. Please contact our business development department at rochran@epmcom.com or 503-291-7963, ext. 118 for details.

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Fashion Licensing

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Increases occurred across all property types within fashion licensing:

- ▶ Apparel and accessories labels saw retail sales of licensed goods grow 5.2%, to \$15.9 billion (representing an 84.4% share of fashion licensing). This strong performance extended from designers and brands expanding their programs through new licensees—with examples including Isaac Mizrahi, Izod, and Lucky Brand—to continued health in programs tied to established licensors such as Kate Spade, Ralph Lauren, and Cherokee. (Of course, some licensors, such as Iconix, saw sales of licensed goods decline during the year.)
- ▶ Footwear-based licensing programs grew 2.3% to \$2.3 billion (commanding a 12.4% share of fashion licensing), with brands such as Crocs, Sperry Top-Sider, and Keds among those extending their licensee rosters during the year.
- ▶ Designers of home goods saw their licensing sales grow very slightly, up just .2% to \$611 million (for a 3.2% share of fashion licensing). Labels with their origins in home goods face intense competition from apparel designers, celebrities, magazine brands, and other external properties that are becoming entrenched in the category.

Most of the key product categories where fashion licensing is a factor saw growth in 2012, with the majority rising by percentages in the 4% to 7% range. The strongest performances were in the core categories of health and beauty (e.g. fra-

Continued on page 4

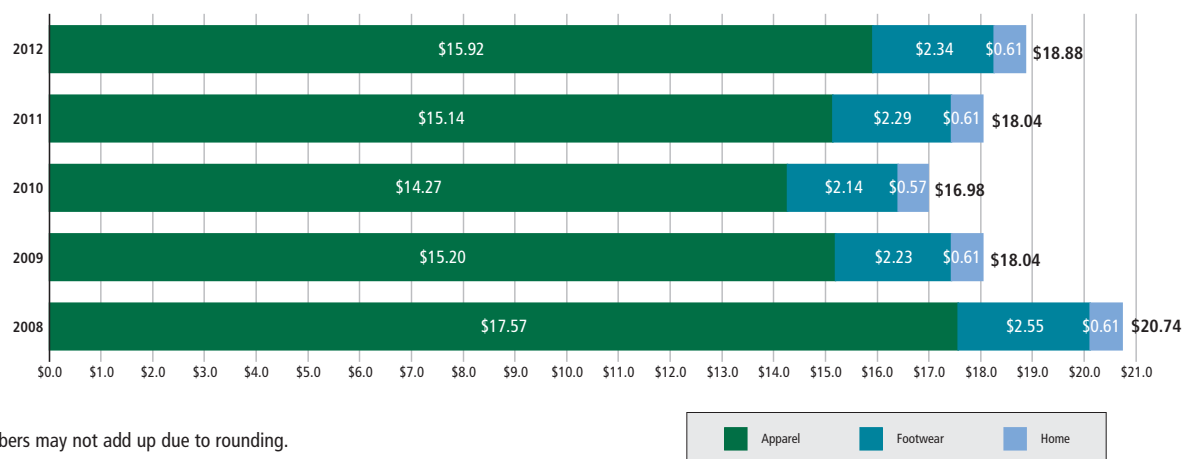
RETAIL SALES OF LICENSED FASHION-BASED MERCHANDISE, BY PRODUCT CATEGORY, U.S. AND CANADA, 2012

(dollars in millions)

CATEGORY	2012 RETAIL SALES	2011 RETAIL SALES	% CHANGE 2011-2012	2012 SHARE OF MARKET
Accessories	\$7,249	\$6,910	4.9%	38.4%
Eyewear	\$2,194	\$2,080	5.5%	11.6%
Handbags, Backpacks, Messenger Bags	\$1,029	\$970	6.1%	5.4%
Headwear	\$641	\$610	5.1%	3.4%
Hosiery	\$286	\$270	6.0%	1.5%
Jewelry and Watches	\$1,657	\$1,580	4.9%	8.8%
Luggage and Travel Accessories	\$679	\$650	4.5%	3.6%
Scarves and Ties	\$94	\$90	4.3%	0.5%
Other	\$667	\$660	1.1%	3.5%
Apparel	\$5,801	\$5,530	4.9%	30.7%
Domestics	\$388	\$380	2.1%	2.1%
Footwear	\$1,353	\$1,290	4.9%	7.2%
Furniture/Home Furnishings	\$782	\$770	1.5%	4.1%
Gifts/Novelties	\$65	\$70	-6.5%	0.3%
HBA	\$2,396	\$2,250	6.5%	12.7%
Fragrance	\$1,995	\$1,880	6.1%	10.6%
Cosmetics, Nail Polish, Other	\$402	\$370	8.5%	2.1%
Housewares	\$306	\$300	2.1%	1.6%
Infant Products	\$322	\$310	3.8%	1.7%
Publishing	\$56	\$60	-6.4%	0.3%
Stationery/Paper	\$64	\$70	-8.2%	0.3%
Toys/Games	\$55	\$60	-8.7%	0.3%
Other	\$44	\$40	9.3%	0.2%
TOTAL	\$18,881	\$18,040	4.7%	100.0%

SOURCE: THE LICENSING LETTER

RETAIL SALES OF LICENSED MERCHANDISE BASED ON FASHION PROPERTIES ORIGINATING AS APPAREL, FOOTWEAR, AND HOME U.S. & Canada, 2008-2012



NOTE: Numbers may not add up due to rounding.

SOURCE: THE LICENSING LETTER

Unifying The Shopping Experience

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Locker and Google's Bufferbox, Bonobos and Piperlime in the U.S., Kiddicare in the UK), while

RETAILERS SEEK TO REACH EMERGING MARKETS' MIDDLE CLASS

Accommodating the rising middle class in emerging markets is the second challenge Interbrand notes for manufacturers and retailers — and, we add, for licensors eager to enter those markets.

As reported in "International Licensing: A Status Report," our analysis of licensing activity in 44 countries, and as with online retail, the rates of growth for licensing sales in emerging markets is slowing as those markets get larger. But demographic trends in many bode well for retail sales of licensed merchandise.

Emerging markets are expected to account for half of the world's total consumption (all goods) within a decade, says Interbrand — up from about a third today. "China and India alone will account for two thirds of the expansion," the company says.

TOP 5 RETAIL BRANDS, CHINA, 2013

Suning
Belle
Semir
Bosideng
Gome

TOP 5 RETAIL BRANDS, BRAZIL, 2013

Natura
Renner
Casas Bahia
Lojas Americanas
Extra

SOURCE: Interbrand

SOURCE: Interbrand

TOP 10 U.S. RETAIL BRANDS, 2013

Walmart
Target
Home Depot
Amazon
CVS
Coach
Walgreens
Sam's Club
Ebay
Nordstrom

SOURCE: Interbrand

TOP 10 RETAIL BRANDS, FRANCE, 2013

Carrefour
Auchan
Leroy Merlin
Sephora
L'Occitane
Conforama
Decathlon
Darty
Fnac
Casino

SOURCE: Interbrand

traditional brick and mortar retailers continue to refine their online and mobile stores. And many licensors are establishing their own online and

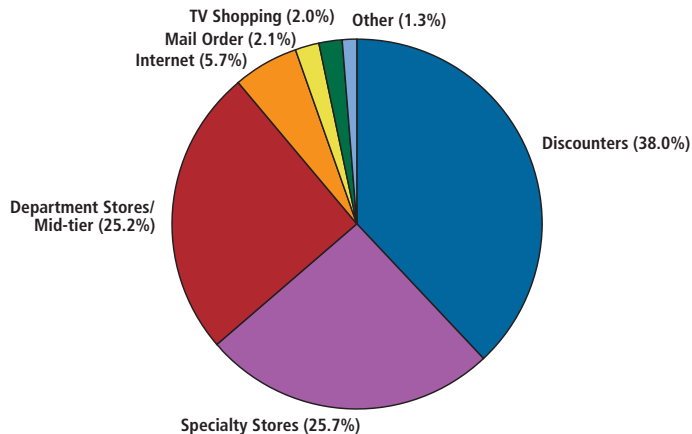
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Fashion Licensing

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RETAIL SALES OF LICENSED FASHION-BASED MERCHANDISE, BY DISTRIBUTION CHANNEL, U.S. AND CANADA, 2012

(total = \$18.88 billion)



SOURCE: THE LICENSING LETTER

grace and cosmetics, up 6.5%), apparel, accessories, and footwear (all up 4.9%).

While a handful of categories saw declines in the year—gifts/novelties, publishing, stationery/paper, toys/games—all are of secondary importance to most fashion licensors. Each has a market share of less than 1% of fashion-licensed retail sales.

As for distribution channels, bright spots in 2012 included high-end specialty stores and department stores, both of which benefited from the strength of luxury brands.

TV shopping also experienced an increase, with QVC hosting new and ongoing designer programs ranging from Liz Claiborne and Isaac Mizrahi to Chloe Dao and Mara Hoffman, and HSN featuring everyone from DKNY and Betsey Johnson to Colleen Atwood and Carmen Marc Valvo. TV shopping still commands a share of just 2% of all fashion licensing, however.

On the other end of the spectrum, the mid-tier department store channel showed the most weakness, due to the struggles of leading players including JCPenney and Sears.


LICENSES RECENTLY GRANTED, U.S. (Canada as indicated)

PROPERTY	GRANTED TO	PRODUCTS MANUFACTURED	GRANTED BY
Adventure Time	Fruit of the Loom	Underwear (children's)	Cartoon Network Enterprises
	Bentex/Dreamwave	Swimwear, board shorts	
	Xtreme Time	Watches	
	Pan Oceanic	Sunglasses	
	Mimoco	Flashdrives	
Boy Scouts of America	Brand 44	Activity Kit	Boy Scouts of America
Brides	Gartner Studios	Gift wrap & bags, greeting cards	Conde Nast
Care Bears	SmileMakers	Stickers (U.S., Canada)	AG Properties
Frigidaire	Libra	Glass food storage containers	Beanstalk
Garfield	High Cotton	Doormats, coasters, wood signs, aprons (U.S., Canada)	Paws
	Timeless Tresor	Jewelry (U.S., Canada)	
	Woods International	Garden décor (U.S., Canada)	
HGTV Home	Jo-Ann Fabric & Craft Stores	Fabrics & trims	HGTV Home
Holly Hobbie	General Fabrics	Fabric, fabric craft kits	AG Properties
Marvel	Funky Monkey Snacks	Fruit snacks	Marvel Entertainment
	Feld Entertainment	Live attraction	
NBA Canada	Bulletin	Short & long sleeve t-shirts	Studio Licensing
Ocean Spray	Lyons Magnus	Juices for food service	Ocean Spray
Peppa Pig	Evvy	T-shirts, sportswear, dresses (girl's)	Entertainment One
Regular Show	Accessory Innovations	Backpacks (children's), bags, luggage, small leather goods, cold weather headwear	Cartoon Network Enterprises
	Underboss-Undergirl	Underwear (juniors), sleepwear (juniors)	
	High IntenCity	Jewelry, hair accessories	
Strawberry Shortcake	Tin Box Company of America	Banks, buckets, carrying cases, chests, garbage baskets, lockers, lunch boxes & kits, tins	AG Properties
	Imports Dragon	Jump ropes, paddle balls, puzzles, watches (LCD) (Canada)	
Teen Vogue	Macys	Apparel	Conde Nast
Travelocity	Continuum	Backpacks, totes, messenger bags, lunch bags, duffel bags, diaper bags, fanny packs, rucksacks, luggage	Beanstalk
U.S. Army	Jacmel Jewelry	Rings, bracelets, pendants, key chains, money clips	
World of Eric Carle	Levels of Discovery	Wooden furniture (children's)	Joester Loria Group
	H.I.S Juveniles	Travel & safety products (infant)	
	G&W Industries	Layette, activewear, swimwear, playwear (children's)	
	Publications International	Electronic learning aids	

*Extension or renewal.



contacts & connections

Contacts & Connections is an alphabetical listing of the licensing companies in this issue.

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Bentex Group/Extreme Concepts, Susan Peia, VP
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Brand 44, Ed O'Brien, President, 303-339-0482,
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Bulletin Canada, Nadeem Zakem, President,
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Fruit of the Loom/Union Underwear, David
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Ocean Spray Cranberry, Pete Wyman, VP Sales,
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Woods International, Scott Woods, President,
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Unifying The Shopping Experience

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mobile storefronts — in addition to servicing traditional and other online retailers.

“In the face of the mobile revolution,” says Interbrand in its 2013 Best Retail Brands report, “traditional [retail] brands are revisiting their business models, figuring out how to work with and capitalize on new consumer preferences and developing new strategies both online and in-store. They are finding that authenticity and relevance are the keys to survival — and reinvention.”

“The digitization of our lives and radical shifts in the way we shop, manage our time and under-

stand the word ‘value’ have put pressure on models that have traditionally relied on quality, trust and premium features as points of differentiation,” notes Interbrand, specifically addressing the French market but making a statement that is true universally.

“Competition from online channels and discounters is aggressive enough to destabilize the customer loyalty built over the years by retailers like Carrefour or Fnac [the international entertainment retailer]. Discounting, of course, is a short-term response to tough economic conditions and a trend that could reverse as conditions improve. Online channels, on the other hand, are only likely to see more activity, not less, as the economy improves.”

Mainstream Celebrities Build Licensed Lifestyle Brands; Their Assistants Leverage Those Links For Their Own Licensing Programs

Retail sales of licensed merchandise based on celebrity entertainers, models, chefs, and others totaled \$5.3 billion in the U.S. and Canada in 2012, up 3% over 2011, according to THE LICENSING LETTER. The sector accounted for 5.6% of overall licensed merchandise sales.

While the spotlight in celebrity licensing falls primarily on the Sarah Jessica Parkers, Kathy Irelands, Paula Deens, Nate Berkuses, and Paris Hiltons of the world, there is a growing community of “second in command” celebrities who are leveraging their associations with the stars they work with to build their own careers and licensing programs.

Following are two sides of the celebrity licensing business: mainline celebrities — in this case, reality-show judges — developing lifestyle brands, and stylists, makeup artists, and other assistants-to-the-stars who are using licensing to define their images.

Lifestyle Brands

The licensing business is rife with celebrities who have earned fame through reality shows, from the Kardashian clan to the Real Housewives. One vibrant subset of this group is comprised of the judges, hosts, mentors, and coaches who appear on reality competitions.

Earlier this year, Adam Levine, frontman of Maroon 5 and judge on *The Voice*, and Nicki Minaj, rapper and judge on *American Idol*, both launched partnerships for lifestyle brands with Sears, Kmart, and the ShopYourWay.com social

shopping site. Both also have new fragrance lines, Levine’s with ID Perfumes and Minaj’s with Elizabeth Arden. (Levine’s fellow *Voice* judge Christina Aguilera has long had a fragrance line, predating her time on the show.)

Most of these stars had successful careers before they entered the world of hosting or judging reality competitions, but their presence on the shows has certainly boosted their profile and their licensing potential.

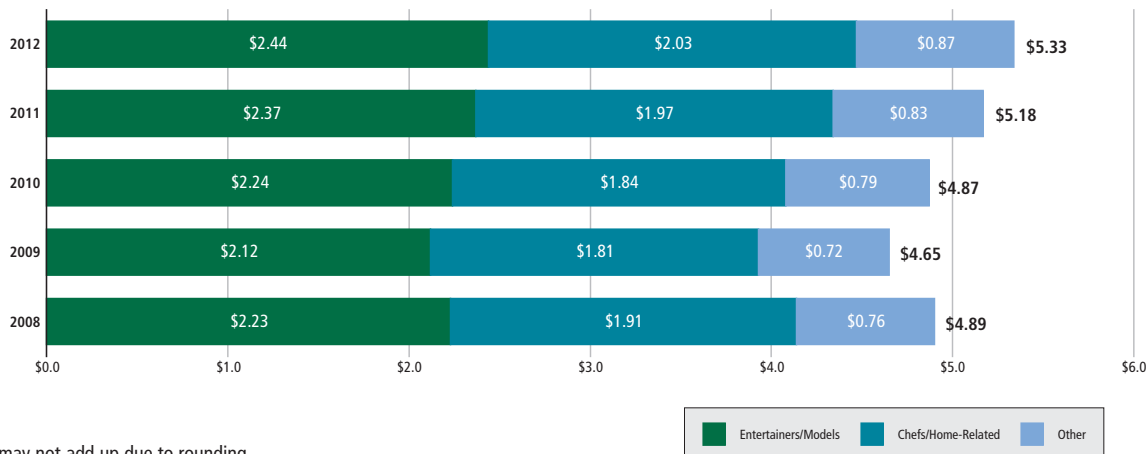
Other examples:

- ▶ Minaj’s *American Idol* colleague and musician Randy Jackson oversees lines of watches and limited-edition guitars with HSN.
- ▶ Heidi Klum, host of *Project Runway*, has maternity lines with Destination Maternity’s various nameplates, infant items with Babies R Us, and fitness products with New Balance.
- ▶ Donald Trump, host of *The Apprentice*, has a broad line of merchandise, with some of the most recent deals including a custom wood collection with Archetypal Imagery and luxury down bedding with DOWNLITE. Meanwhile, his daughter Ivanka, a judge on the show, has a growing licensing program that recently expanded to include apparel with G-III, sunglasses with B. Robinson, and fragrance with Parlux.
- ▶ Jillian Michaels, coach on *The Biggest Los-*

There is a growing community of “second in command” celebrities who are leveraging their associations with the stars they work with to build their own careers and licensing programs.

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RETAIL SALES OF LICENSED MERCHANDISE BASED ON CELEBRITY PROPERTIES ORIGINATING AS ENTERTAINERS/MODELS, CHEFS/HOME-RELATED, AND OTHER U.S. & Canada, 2008-2012



NOTE: Numbers may not add up due to rounding.

SOURCE: THE LICENSING LETTER

Celebrity Licensed Lifestyle Brands

Continued from page 7

er, has a range of fitness and lifestyle apparel with K-Swiss, as well as a line of fitness videos.

- ▶ Gordon Ramsay, host and judge on *Hell's Kitchen*, has a wide offering of dinnerware, serveware, glassware, cookware, and cutlery with Royal Doulton.

In a new twist, Daymond John, the founder of FUBU and a judge on *Shark Tank*, opened Shark

Branding, a brand development and management company that represents other celebrities for licensing.

Working With The Stars

The number of celebrity stylists, style experts, and makeup artists that are signing licensing deals or launching retail licensing programs continues to proliferate. Most are freelancers hired for events and appearances, but have established some sort of association with the stars they work with. Within the last year:

- ▶ UK-based Emma Forbes retained DCD Publishing as the licensing agent for herself and her website, Forbes Style.
- ▶ Randy Fenoli, who appears on several TLC programs, including *Randy Knows Best*, launched a licensing program with Brand Q Entertainment for eveningwear, lingerie, and bridalwear, as well as menswear.
- ▶ Jennifer Rade, stylist of celebrities such as Angelina Jolie, launched Edge by Jen Rade, a limited-edition collection for QVC.
- ▶ Kate Young, best known for styling Natalie Portman, launched a line of dresses for special occasions with Target, marking the first time the retailer has partnered with a stylist for a designer collection.
- ▶ Bobbi Brown, who has a namesake cosmetics line owned by Estee Lauder, signed a deal with Safilo for eyewear.

Some of the other celebrity stylists with at least one licensing deal in place include Cristina Ehrlich, Rachel Zoe, Emily Current and Meritt Elliott, Lori Goldstein, and Clinton Kelly.

Who's News

Ron Johnson (no relation to the one under the microscope at JC Penney) is named EVP Nickelodeon & Viacom Consumer Products for Viacom International Media Networks, based in New York Johnson has been with Viacom since 2010, managing Nick's Wal-Mart relationship.

Mark Kingston is promoted to GM/SVP for Nickelodeon & Viacom Consumer Products Europe, Middle East, Africa, and Australia, based in London. Kingston came to the company in 2011 from Disney.

Craig Herman is named Executive Director of Publishing for Peanuts Worldwide and Iconix Entertainment. Herman had been at Running Press working on Peanuts and Comedy Central titles, and has held positions at Warner Books, HarperCollins, and Simon & Schuster.

Ronald Pruett, Jr. is named President/CEO and Director of As Seen On TV, Inc., replacing co-founder Steve Rogai, who has resigned. Pruett joins the company from Boston Associates.

Thomas Lynch, CEO of Frederick's of Hollywood Group, is assuming the duties Don Jones, who has been terminated as President/COO.

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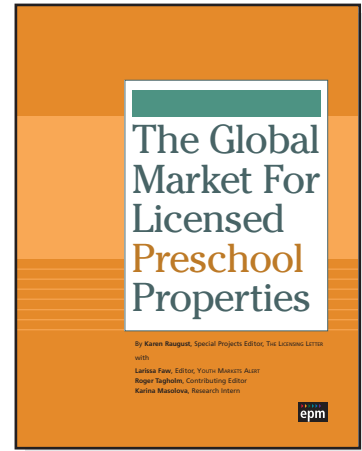
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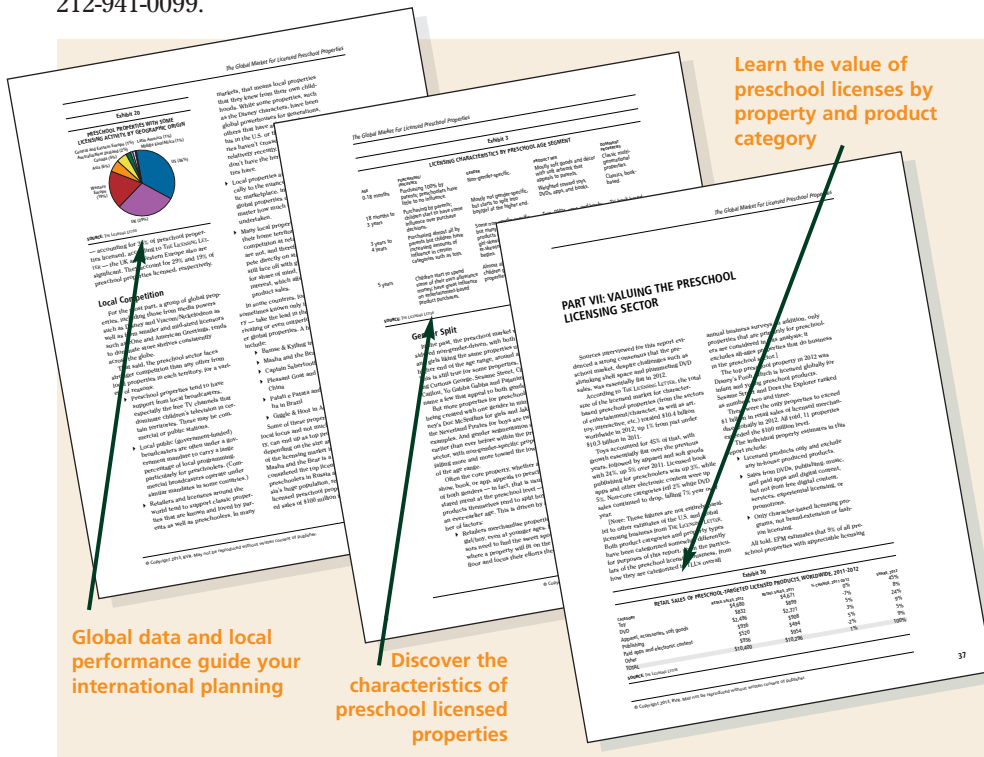
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- Galinha Pintadinha
- The Hive
- Ladybug Girl
- Masha and the Bear
- Miffy
- Peppa Pig
- Pocoyo
- Postman Pat
- Rastamouse
- Sesame Street
- Strawberry Shortcake
- Thomas & Friends
- Timmy Time
- Toopy & Binoo
- Tree Fu Tom
- Waybuloo
- The Wiggles
- World of Eric Carle

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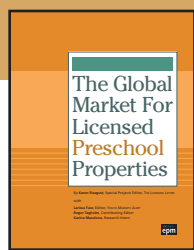
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