

“There is no innocence left in children’s television”

A conversation with Preben Vridstoft*

Looking at the interplay between children’s TV and the licensing business – how strong are the ties nowadays?

Merchandise, licensing, and TV programs go together, and today you cannot have one without the other. If you launch a series, and there is no merchandise with it at all and no license on it, you will have a very difficult time building up a brand that children know and recognize, because it competes with everything they see elsewhere in their daily life. Some TV shows even start with a book or with merchandise like Bratz; it was a doll that became a series. Pokémon started out as a Gameboy game, and then became a TV show that subsequently became merchandise. Sometimes they are born almost at the same time. Nowadays, the connection between programs and merchandising is often very close – especially with the commercial broadcasters, but definitely not only there. Sometimes they even build in all the merchandise into their TV show, for example *Power Rang-*

ers: They invented new guns, motorcycles, cars, helmets and introduced them in the next season of the show. Then it rolled out into the toy stores – and they made a lot more money there than they did on the TV show. On the other hand, today it is so expensive to produce, and TV stations are paying so little for programs that all projects come up with a merchandise package to go along with it. Often up to 80 % of the costs will have to be regenerated through merchandise, especially in animation.

Who is making money and who gets how much?

Some of the money goes to the producer who owns the rights and often sells them to a license agent. They are the ones organizing the actual use of the license, they find the potential licensees, and talk about what products can be made, they negotiate the license fee, the minimum guarantee called MG, and they control that the product lives up to the quality control, and, most importantly, they col-

lect and control the payment of the royalty.

How much you get depends on the product. If it is a mass-merchandisable product like food there is a very low royalty – usually 2 or 3 %. If the licensees produce more expensive goods like lunchboxes or T-shirts, they usually pay between 10 and 15 % license fee. That money goes from the product back to the license agent who then pays 75 to 80 % to the company behind the product.

But things are getting even more complicated today. Nowadays, TV stations will take brands like Hello Kitty, Pokémon, Ninja Turtles, or Power Rangers, knowing that, because they are on the air, they are helping to sell these products. So the stations want a back-end, usually between 1 and 3 % of whatever it is that is sold in their territory. The rest goes back to the production company and to the people who invented it. But that is by far not the only way how these deals are made.

Can you give us other examples of connections between licensing and programming?

Today, licensing companies do not just buy the license for the product, but also the TV rights. Then they adapt the program; they pay for the dub. Some even own the dubbing company, so they get a cheaper dub, and the money that they spend for the dubbing turns out to be income for their own companies. Then they ask video/DVD distributors and usually a toy company to contribute to the dubbing. Those 2 together normally pay for most or all of the dub. They then go to the TV station and sell it really cheap, including the dub: "We will make you a good deal, and you will even get a little back-end on it." Now they control everything: they have the merchandise, the licensing, and the toy company, and go to the TV station in that region and literally give away the program – not for free, but for very little money. Putting the program on the air will give them brand building and exposure; it will just roll out and they will sell more toys and license to the guys with the lunchboxes, or the pencils, or whatever. They know: "This show is guaranteed to be on TV, and we know when it will start, because we sold it to the TV station ourselves."

Are there other typical ways of this interplay?

Another way is that the distributor/merchandise company says: "Can you buy this series?" Then the TV station says: "We will take this series, but then you have to guarantee that the trading card manufacturers have to place at least, let's say, 2 million euros worth of TV commercials for this TV series." The toy company has to pitch in at least, for example, 5 million euros of commercial revenue (these are figures for a large European country). Then they take these figures back to their scheduling people. They look at the show and say: "We have this show, we think the kids might like

it; we branded it well." Then the TV people say, "We think we can make this a success; it is not too bad, but we will make 7 million euros on it in commercial revenue. Can we find a slot for it somewhere? Can we brand it?" If the program does not do any harm, or maybe if it is even good, then they will do it and run it like that.

Is it really that important to have a brand aired on TV?

I worked for a merchandise company for a while, so I know how difficult it is if you do not have a broadcaster for your brand. Even if you have a very good property, for example a really sweet preschool brand, every time you go to the guy who sells the lunchboxes or the schoolbags, he would ask: "What TV station is it on? How often is it on? What time is it on? How big are the ratings? Can I donate products to the TV stations which they will put on screen and on their website? They can show the product, and then I will pay for a license."

If it is not on the air, it is difficult to find shelf space in the different retail shops, because you have to fight Bob the Builder, Thomas and Friends, and all these products. Normally, licensees and distributors want a strong TV backup before they take it. Then the license company goes back to the TV station to tell them of the 52 new episodes which they may get very cheap, if they run them more often and give them a good time slot so that it gets high ratings. Then these ratings are fed back to the agents and they feed it back to the retail stores and into

the distribution chain. TV stations are still in one of the most important positions in this huge business, but there are many more parts involved.

Is this one of the reasons for the growing number of company channels?

A couple of huge companies like Warner Brothers or Disney created their own channels, like Boomerang, Cartoon Network, or the different Disney channels like Disney XD etc. They are there, of course, because the companies want to do something good for children. I honestly believe somebody at the top said, "We really want to show our programs to children." But the programs have already been made, have already been paid for by TV stations around the world that aired them, the dub has already been paid for by these stations. So Disney, Cartoon Network, Warner, etc. can have their own channel for free, and these channels become what we call basic cable and satellite channels. This means they get money back from the cable operators for being part of different packages. And they make a lot of money on that, on showing programs that have already been paid for, that are already out there. At the same time, they created a 24-hour platform that is like an advertising platform for their own merchandise! It is surprising that these channels did not show up earlier.

Back to the licensing business: Who makes the big money?

For example, trading card games are a huge industry. They cost nothing. They are little pieces of cardboard with print on it, and that's it! Regarding trading cards, it is like there is a time before and after *Pokémon*. They came up with all these characters and the kids learned about 375 different strange names that they knew by heart. When they met another kid they had never seen before who had *Pokémon* cards as well, they immediately connected and could play.

After *Pokémon*, a number of shows came out that all worked just like that: *Dinosaur King*, *Yu-Gi-Oh!*. Half the show consists of them displaying new cards on screen. They are there for 10 seconds, but they do not say, "Buy these cards." They simply say, "These cards are really good, you have to have them."

They sell them expensively, and then on TV they say, "Platinum cards, Gold cards, Silver cards – very valuable." They hardly make any of them, so the kids buy a lot of packets hoping to get one of these cards. Finally, when the children bought so many cards and still have not got any of them, the companies release a platinum or a silver series of cards, and then they start collecting those. As soon as they collect them, they tell them: "In those series there is one that is very rare." So, it is a money machine. It really is a money machine! In former times, we used to buy chewing gum and we would get these trading cards. Now they sell the trading cards, and they cost more than the most expensive box of Belgian chocolate. We used to get them for free with chewing gum! It must be a good business.

Can you explain in full detail how merchandising products are being developed?

Whenever you get a new program, a new product, a new property, or whatever it is, all of you meet, sit around the table, and brainstorm, "Well,

what kind of product would match this brand?" "Would it be good for schoolbags?" "If only 3-year-olds will be watching the show, we will have this conversation: "Okay, maybe it would be good for the bags they carry to kindergarten?" "Yes, we have that." – check it off. "What else can we do? Pencils?" "No, but maybe crayons." "Ok, crayons." Then we check that one off. So, you simply make a list of the many products this brand could go with, and then you start selling. You visit all these companies and tell them that this is the most fantastic property. This process begins very early, the license people and the licensing companies know about programs way before the program is made. They first make a trailer of the project, let's say a 1-minute trailer, that shows what a fantastic project it is. They tell you about the big quality of this program, about how much money is invested, who has the rights to the music, and all these things. Then they tell you how fantastic it will be, they make style-guides telling you how everything should be designed. They give that to the license people. The license people go to the big clothing companies and the lunchbox guys and tell them: "Oh, we have something fantastic coming up 4 years from now! Now you can prepare yourself." You try to build up excitement, and you try to sell it way before the series or the film is done so it can roll out at the same time. As soon as you sign

one contract, you go to the next licensee. So, by that you try to build the brand and get more and more people involved. It is like a big machine that has been set in motion and now runs faster by the minute.

Disney is world champion in this. When they roll out a new TV series or a new feature film, they have a Broadway show ready when the TV series starts or the film comes out; they already have the DVDs printed and ready to sell, all the merchandise is ready to roll. Sometimes they even launch it a little bit ahead and say, "Soon to be on the big screen." They prepare everything really well. It is a big, big industry today. There is no innocence left in children's television. ■

* A shortened version of a conversation with Preben Vridstoft conducted by Dr. Maya Götz (IZI) at the KidsScreenSummit in New York. Preben Vridstoft is Head of the Children's Department at TV 2 Denmark and has worked for different public and commercial broadcasters as well as for license agencies and toy companies.



IMPRINT

Published by: Internationales Zentralinstitut für das Jugend- und Bildungsfernsehen (IZI) at Bayerischer Rundfunk

Editor: Dr. Maya Götz, Dr. Elke Schlote
Editorial assistance: Birgit Kinateder M.A.

Set by: Text+Design Jutta Cram,
Spicherer Straße 26, D-86157 Augsburg,
www.textplusdesign.de
Printed by: Druckerei Joh. Walch GmbH & Co.
KG, Im Gries 6, D-86179 Augsburg
ISSN 1862-7366
Translation of the German contributions by
Anja Löbert & Dr. Timothy Wise (Textwork
Translations).

Address of the publisher:
Internationales Zentralinstitut für das Jugend-
und Bildungsfernsehen (IZI)
Rundfunkplatz 1, D-80335 München
Germany
Telephone: +49 (0)89/5900-2991
Fax: +49 (0)89/5900-2379
Internet: <http://www.izi.de>
E-mail: IZI@brnet.de