

Globalisation of Children's TV and Strategies of the "Big Three"

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My brief for this article was to look at two trends in children's television: the globalisation of programme production, in particular the production of animation; and the strategies of (what are, since the acquisition of Fox Family Worldwide by Disney in 2001) three US-based companies – Cartoon Network, Disney and Nickelodeon – which are competing at a global level in the business of making and broadcasting programmes aimed at children.

The second of these trends is closely bound up with the first. The USA is by far the largest marketplace for children's television in the world, with advertisers spending more than \$1 billion a year on reaching the 2-11 age group via television, and billions more being spent on home videos, books, toys and other merchandise linked with popular TV shows. The US is estimated to account for two-thirds of the licensed goods business worldwide, which has a retail value of some \$175 billion.

The "big three"

The box "Profiles of the big three" presents briefly the three companies.

Cable and satellite is available in about three-quarters of US homes, and channels like Nickelodeon, which is on air 16 hours a day, seven days a week, and Cartoon Network, on air 24 hours a day, seven days a week, now take the lion's share of TV viewing and an estimated 80 per cent of advertising impacts. This has become a lucrative business: Nickelodeon is estimated to turn over more than \$900 million a year, and Cartoon Network's gross revenue for 2000 was reported to be \$500 million.

Both of these channels have, over the last decade, looked to the rest of the world for further expansion. Nickelodeon, owned by the media conglomerate Viacom, launched its first international outlet in the UK in 1993. Cartoon Network, now part of an even bigger group, AOL-Time Warner, started satellite feeds to Latin America and Europe in the same year and an Asian service in 1994.

Profiles of the big three

- *The Walt Disney Company* is, in many ways, the paradigm of the global media company and certainly the main reference point in the children's business. The company is present in almost every sector of media activity: film and TV production, broadcasting (both free to air and thematic), home video, licensing and merchandising. It also has its own retail outlets and theme parks and has staked out new terrain on the Internet. The acquisition of Fox Family Worldwide in 2001 gave it a US cable channel (now rebranded ABC Family) and a majority stake in the Amsterdam-listed Fox Kids Europe.
- *Cartoon Network* has retained some of the entrepreneurial characteristics of the Turner Broadcasting entity, which launched the network in 1992. Unlike Disney, Cartoon Network is primarily a broadcasting organisation, although it is now under the wing of a major Hollywood studio grouping. As its global reach has extended, the network has developed its own licensing and merchandising activities and set up its own animation studio in 2000. The foundation of the network was the Hanna Barbera, Warner Bros and MGM animation library.
- *Nickelodeon*, now part of Viacom Inc, was the first children's cable channel, launching in the USA in 1979. The network has been one of the major influences on the children's business as its global development has continued, through its philosophy of talking to its audience on their own terms and the irreverent, offbeat style of its signature programmes. Nickelodeon has also implemented an international channel strategy, accompanied by licensing and merchandising and new media.

The Walt Disney Company, which launched its own channel in the USA in 1983, has followed the other two into the international market, setting up its first international ventures, branded as the Disney Channel, in the UK and in Asia in 1995. Fox Kids Network, part of Rupert Murdoch's Fox Broadcasting empire, made its move into the world market in 1996, forming Fox Family Worldwide, a joint venture with Saban Entertainment. As mentioned above, Fox Family Worldwide is now acquired by Disney.

All three of these groups are using their strong position in the US market as the foundation-stone for a global business. Opportunities have opened up in other territories with the growth of cable and satellite television, which has transformed the TV marketplace and facilitated the launch of a range of thematic services aimed at specific audiences and interest groups. Since Nickelodeon started up in 1979, as the first child-oriented thematic channel, over 113 services aiming for the same audience have sprung up over the world (2001). The big

three have been responsible for almost half of these launches, owning or part-owning no less than 54 channels around the world (Table 1).

Table 1. Branded channels of the big three, 2001

Company	USA	Latin America	Europe	Asia/Pacific	Middle East	Total
Cartoon Network	2	3	8	2	-	15
Disney Channel	2	1	6	4	1	14
Fox Kids	0*	1	11	1	1	14
Nickelodeon	2	1	5	3	-	11

* The two channels of Fox Kids Network in the USA, owned by Fox Broadcasting, now has no link with the channels of the same name in Europe.

Source: Tim Westcott *The Business of Children's Television* (2nd edition, Nov 2001). Screen Digest.

Where it is not thought possible or viable to set up a local network, the big three either make a local language feed available which is beamed in via satellite, or place a block of programming on a network which contains their programmes and is branded with their name. Disney's block strategy includes some local programming which is made by its Buena Vista Productions unit.

Thus, the US market is now dominated by these three players and cable and satellite is one important reason for their growth: Nickelodeon has been the most viewed network by children (aged between 2-11) for several years. It captures over half of the \$1 billion advertising market for this age group. Cartoon Network, a relative newcomer, has seen its ad revenues climb strongly as its distribution has increased.

Both networks are spending heavily on new programming to feed their growth at home and abroad. Nickelodeon invested \$200 million in new programming in 2000, and Cartoon Network is spending \$450 million in the period 1997-2002. Both networks now own their own animation studios, which turn out the majority of their output.

The US market has seen the consolidation of programming supply and broadcast ownership, which has had a dramatic impact on the production scene. This process followed the abolition in 1995 of the "financial interest in syndication" rules imposed by the Federal Communications Commission. These rules prevented one of the networks from owning (and therefore selling or syndicating) their programme output. With "fin-syn" scrapped, Disney bought the ABC network, and Warner Brothers and Paramount launched their own networks. Subsequently, Fox joined up with Saban to go global and Viacom bought CBS.

The impact of consolidation could clearly be seen in the line-up of new children's programmes for the 2000/1 season, also for the traditional broadcasting networks ABC, CBS and NBC (Table 2). Seven series on ABC were produced by Disney-owned studios. Eight of Nickelodeon's new animated series were made in-house and three more came from Klasky Csupo, which has an exclusive output deal with the network. Cartoon Network (not in the table) self-supplied

three of its new series. The CBS children's block is now almost entirely supplied by Nickelodeon. NBC moved out of the children's business several seasons ago, concentrating on the teenage audience on Saturday mornings.

Fox Kids and Kids WB bought most of their new series in from external suppliers, so the door is not completely closed to independents. But in these cases the networks finance less than 30 per cent of the production cost of a new programme, leaving the producer to finance the balance through pre-sales or distribution advances. Very few independents in the US have this capability. Even Columbia TriStar, the only major studio which does not own a US network, has struggled to make its animation output viable.

Table 2. Animated children's series orders by US networks, 2000/1

Network	In-house*	External	Total
ABC	9	0	9
Kids WB	4	6	10
Fox Kids Network	1	6	7
Nickelodeon	8	3	11
CBS	3	1	4

* ABC: in-house = Walt Disney TV Animation, Jumbo Pictures, DIC Entertainment; Fox Kids = Saban; CBS = Nickelodeon.

Note: Correct at beginning of 2000/1 season. Schedules are likely to alter in midseason.

Source: Tim Westcott *The Business of Children's Television* (2nd edition, Nov 2001). Screen Digest.

The Public Broadcasting Service (PBS) is the only major US broadcasting outlet not dominated by the "big three". Although the public broadcasters, which make up the network are relatively poor when it comes to investing in programming, PBS dominates the preschool market, one of the more lucrative sectors for licensing and merchandising. However, with the launch of a Nick Junior block on Nickelodeon and the Noggin network, a joint venture between Nickelodeon and Sesame Workshop, this market is also under siege.

The three companies are different (see the different profiles in the previous box), but they do have the following in common:

- Terrestrial or cable and satellite networks (or in some cases both) in the USA;
- Branded thematic channels outside the USA;
- Ownership of a large library of high-quality children's programmes;
- Ownership of major US-based animation studios;
- Worldwide programme sales activities, including "blocks";
- Home video divisions;
- Licensing and merchandising divisions.

Clearly, the fact that these three companies are involved in such a wide range of activities makes them stand out. The sheer scale of their activities makes these companies giants in comparison with those in other countries.

The access to a large volume of attractive programming is the basis of their channel strategy (Table 3). Programming accounts for about 50 per cent of the operating costs of a network. Operating networks also offers support to programme sales operations; each group continues to sell its programming to free TV networks and is able to benefit from the added exposure this gives their properties, as well as collecting additional licence fees.

Table 3. Programme production and distribution of the big three, 2001

Company	Animation production	Number of hours in library
Nickelodeon	Nickelodeon Studios, Klasky Csupo (exclusive output arrangement)	2,150
Cartoon Network	Cartoon Network Studios	2,000
Disney Channel	Walt Disney Animation (TV and feature), Jumbo Pictures	1,100 + 2,750 produced by Saban; after Disney's acquisition of Fox Family Worldwide

Source: Tim Westcott *The Business of Children's Television* (2nd edition, Nov 2001). Screen Digest.

Global domination?

It would be easy to present this well developed global strategy as a programme of global domination on the part of the big three – indeed it is often presented as such. However, a number of factors stand in their way.

1) All three companies are operating under strict financial controls.

All three are (or are units of) public companies. They have not been given unlimited amounts of funding to establish themselves in the international market, so they are only prepared to set up local networks where they stand a chance of making a return on their investment within a few years.

Nickelodeon closed its network in Germany in 1999 because it did not believe the revenues were good enough. The network has also steered clear of France and Italy. Fox Kids Europe, which has been most aggressive in launching channels, is operating independently of its US-based shareholder, Disney.

The three have invested relatively little in local production, preferring to use their channels as an outlet for the new output from the US studios or for archive programming. An internal analysis of cable channel schedules in the UK, which was carried out by the BBC in 2000, suggested that only Nick Junior acquired a significant quantity of UK programming for its schedule – just over 53%. In the period analysed, Cartoon Network carried only 4.2%, Disney Channel 7.3%, Nickelodeon 8.6% and Fox Kids 8.8% of UK programming.

2) Cable and satellite penetration is limited in most countries.

In Canada and the USA, which are both mature cable TV markets, thematic channels are the major players in children's TV. In the major European markets, in Asia and Latin America, however, penetration of cable is mostly well below 50 per cent. Audiences are tiny, and advertisers are reluctant to invest money in thematic channels. The advent of digital broadcasting has made average viewing shares even smaller.

3) Terrestrial channels still dominate children's viewing.

In most territories, it is still terrestrial channels such as BBC1 and ITV in the UK, TF1 and France 3 in France, Rai in Italy and TVE, Antena 3 and Tele 5 in Spain, which account for the lion's share of children's viewing. There are a few exceptions to the rule: in Germany, Super RTL and Kika – which are mainly on cable – are the market leaders, as are Nickelodeon and Cartoon Network in the USA, and YTV in Canada.

4) Competition from the big three has mobilised local players.

The threat of competition has galvanised incumbent broadcasters into a more aggressive strategy. ITV in the UK and France 3 in France are examples of networks which have started to combat thematic channels. In the UK, ITV's viewing share among children in cable and satellite homes actually recovered between 1997 and 1999. Public broadcasters in Belgium and the Netherlands have launched their own branded blocks, partly to take the big three on at their own game.

Local players have also – not always so successfully – entered the thematic channel business. Canal J and Télétoon in France and Kika in Germany, however, all perform respectably against international players. In 2002, the BBC launched the digital channels CBBC for six to 13 year-olds and CBeebies aimed at children under six. The ITV, too, is planning a children's channel in the UK.

Local producers have also learnt from the strategies of the US players in developing a more concerted approach to rights ownership and exploitation. Examples include British companies Gullane Entertainment (with the programme *Thomas the Tank Engine and Friends*), BBC Worldwide (with *Teletubbies* and *Tweenies*) and Hit Entertainment (with *Bob the Builder*).

5) Competition for programme supply is increasing in the international market.

Until the early 1990s, the animation we saw in cinemas and on TV was mostly made in the USA or Japan. Now, an increasing amount of animation is being produced in Europe and in Canada.

A large part of this is due to public policy initiatives (especially in France and Canada), which give financial backing to help the development of domestic production. These two countries are now pivotal to international co-production. Support schemes have also aided development in other countries like Germany and Australia and are now under consideration in Asian countries, notably China and South Korea.

These moves have certainly created a lot more programming: 800 hours of animation was produced in Europe in 1999. While figures for the USA and Japan are not published, it is unlikely that each country's output is greater. As well as filling a large part of schedules, where content quotas favour programming by local producers, this programming is also being sold in the international market in competition with the US producers.

Children's programming is now a buyers' market, and profits from distribution have suffered.

A growing number of companies in Europe have been able to raise funds from stock markets. In 1997, the licensing agent EM-TV was the forerunner of a whole series of flotations on the Frankfurt Neuer Markt (though the company has since run into difficulties as the initial euphoria wore off).

6) Regulation

Content quotas referred to above have favoured European programming in the European region. Broadcasters in Australia and Canada are also expected to acquire or invest in minimum levels of locally originated programming.

7) Content is still king.

The phenomenal success of the Japanese *Pokémon* underlined the fact that the big three do not have a monopoly on creating successful programmes. In addition, the traditional US studio model of programme supply – amassing a large volume of programming and selling it at a low unit price to broadcasters – no longer works. Buyers have a much wider range of programmes to choose from and a wider range of suppliers.

One might also add that the US companies are still striving to get to grips with the international market. To date, it is fair to say that the likes of Nickelodeon and Disney have overestimated the resonance of their brand names in the international market, and underestimated the influence of "local" players in making and broadcasting children's programmes.

It is debatable whether this understanding has percolated through to the US, where programme-makers still regard foreign networks primarily as consumers of their products and generally know and care little about the shows produced in Europe and elsewhere. As a tiny example, I have yet to meet a US children's programmer who recognises Tintin, one of the most famous European cartoon characters!

Time will show

Things will change in the future, particularly as multi-channel television becomes more widespread. Viewing habits of today – where children still watch terrestrial channels more than cable and satellite channels – may count for nothing in five or ten years time.

The provision of children's programmes by commercial players is already coming under pressure as broadcasters assess whether they recover the budgets

spent on the children's audience from advertising. Hard choices will have to be made, and the big US players are probably better placed than anyone else to move in to any gaps that may appear.

Despite these obstacles, the international market remains a major priority for the global players. In Walt Disney Co's 1999 Annual Report, the chairman and Chief Executive Officer Michael Eisner observed that the US contains 5 per cent of the world population but accounts for 80 per cent of the company's revenues:

If we can drive the per capita spending levels for Disney merchandise to just 80% of US levels in only five countries – England, Italy, Germany, France and Japan – then we would generate an additional \$2 billion in annual revenue. (p. 6)

Furthermore, it is not certain that any of these obstacles will remain in place in the medium to long term. Cable and satellite penetration will clearly increase, and the place of children's programming in the schedules of generalist broadcasters will be further undermined. While there is room for the small and medium sized fish to swim in the pond, it may not always be the case.

Literature

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