Jeanette Steemers

The thin line between market and quality

Balancing quality and commerce in preschool television[1]

This article raises the question about the compatibility of quality programming with commercial considerations linked to licensed merchandising, and whether shows that are less well-suited to licensed merchandise can actually survive in an economic climate where broadcast license fees do not cover the costs of production.

At the root of children's television there is often a very basic conflict of interest. As much as programme-makers stress the creative integrity, educational value and age-appropriateness of what they have produced, there are frequently suspicions among parents and cultural critics (cf. Engelhardt, 1986; Kline, 1993; Linn, 2004; Schor, 2004) that these shows are little more than "giant toy ads" (cit. in Dade, 2008: p. 127), whose function is simply to attract children as consumers for a plethora of branded products ranging from toys and DVDs to pyjamas and lunch boxes. This argument has become particularly relevant for British-produced preschool television, which has thrived since the mid-1990s on the back of internationally successful shows which have generated considerable revenues from licensed merchandise, supporting the rise of some key players in the international marketplace – including HIT Entertainment *(Bob the builder, Thomas and friends, Barney and friends)*, Entertainment Rights *(Postman Pat, Rupert Bear)*[2], Chorion *(Noddy, Mister Men, Olivia)* and the BBC's commercial subsidiary, BBC Worldwide, which represents a number of independently produced properties, including those produced by Ragdoll Productions *(Teletubbies, In the night garden)*. Rather than simply functioning as programme-makers, these companies have established businesses based on the ownership and exploitation of all rights in enduring character-based preschool properties across territories and different media. Within this context television is simply a platform for generating revenues elsewhere. For example television revenues accounted for only 5 % of HIT Entertainment's $ 274 million revenues in 2008, with 65 % attributable to consumer products and 24 % to home entertainment (Sunshine Holdings, 2008).

This raises some interesting questions about the compatibility of quality programming with commercial considerations linked to licensed merchandising, and whether shows that are less well-suited to licensed merchandise can actually survive in an economic climate where the most ambitious animated or costumed character shows are unlikely to be made without prospects for ancillary revenues, because broadcast license fees do not cover the costs of production.

Licensed merchandise considerations are of course not new. Disney recognised as early as the 1930s that more money could be made with all the products connected with content rather than the content itself (see Gomery, 1994). Even BBC programmes like *Muffin the mule* in the 1940s proved very profitable for its creators (but not the BBC) (Oswell, 2002: p. 59) because children wanted to have the characters they saw on screen. The difference then was that consumer products were usually considered as an additional source of income after a programme had been made and screened. This began to change from the 1980s as audiences and revenues began to fragment with the emergence of multi-channel television making it more difficult to fund children's programming from broadcast licence fees alone (Steemers, 2004). At the same time commercial interests in the US began to recognise the wider commercial value of the preschool audience and their parents as a target market in their own right (Carter, 1994; Pecora, 2004: p. 25), expanding demand for programming. As a consequence licensing considerations have become much more prevalent in defining the shape of preschool television in recent years because of the substantial financial pressures affecting the whole children's production sector – not just preschool.

Licensed characters are a very large business indeed with the preschool licensing market in the UK alone estimated recently to account for £ 800 million of the £ 2.5 billion generated from licensing at retail in 2007 (NPD cit. in Fry, 2007: p. 26). Indeed without licensing revenues some of the most expensive and creatively ambitious British preschool shows could not be financed, because broadcast commissions only cover a very small proportion of the budget, often not more than 25 %, with the remainder generated from overseas sales and potential income from licensed products and DVDs. For example *In the night garden,* commissioned by CBeebies reputedly cost £ 14.5 million for 100 episodes (Lane, 2007), while CBeebies' expenditure on television content totalled only £ 16.4 million in 2007–08 (BBC Trust, 2009: p. 49). Within a year of its launch in 2007 *In the night garden* had been sold to 19 countries and generated £ 11 million from toy sales and £ 1 million from publishing and DVD sales (Grimston, 2008), recouping production costs in the process.

But is it true that preschool shows have become simply advertisements for toys? That suggests that some British preschool programmes are made entirely in pursuit of commercial goals, that they are unencumbered by considerations about the audience's developmental or educational needs, let alone whether children might actually enjoy those programmes. Clearly the pressures to generate merchandise retail sales for *some* shows are intense, but is this statement true of all shows? In our research with British preschool programme-makers[3] we set out to establish how those involved reconcile the competing demands of creative and commercial interests and the extent to which preschool programmes are shaped and influenced by considerations relating to ancillary exploitation. These questions seemed very apt given British regulator Ofcom's 2007 assessment of the UK preschool market in its comprehensive overview of the provision of British children's TV as a whole. Ofcom concluded that preschool television was probably one of the least endangered sectors of children's programming precisely because of the ability of some programmes to secure funding and commercial returns from DVDs and consumer products including toys (Ofcom, 2007: p. 198). However, there was also a suggestion that reliance on ancillary revenues and overseas sales might affect "the future range and volume" (ibid.) of what was produced in the UK and it reported industry evidence that these revenues "tended to be a myth, with big hits like *Bob the builder* or *Teletubbies* happening only once in a generation" (ibid. p. 150). Licensed merchandise is therefore one factor that underpins preschool's strength as a business proposition, particularly internationally, but it is also a potential point of weakness if it favours certain forms of programming (animation for example) over live action formats with "real" people.

So what exactly works for licensing in respect of preschool properties? There is no single formula for licensing success in the preschool television market, but most of the licensing executives we talked to pointed to a core set of conditions for programmes, focussed on "how a range of toys could evolve from them", because in the words of Brown Johnson, President of Nickelodeon Preschool in the US, "Kids over six don't buy toys: they're turning to technology" (cit. in Hayes, 2008: p. 7). This makes preschool children the primary target for toy manufacturers. Licensing executives talked about a property's "toyetic" qualities, which go beyond the ability simply to sell train sets and cuddly toys, and extend towards a concept or world where children can immerse themselves in play. Licensing executives working either within production companies or for licensing agents prefer:

- Costumed character shows (e.g. *Teletubbies*) and animation over presenter-led live action shows or story-telling formats, because these more culturally neutral forms lend themselves more easily to character-based toys and international exploitation.
- 3D animation (CGI and stopframe) over 2D animation because it is more "toyetic".
- Teams of characters to generate "collectability". Vehicular (e.g. tractors, racing cars, building vehicles, trains etc.) and vocational (postmen, builders, racing drivers, firemen) characters have proved especially popular in Britain, because they allow children to "act out a role" as "part of their play pattern".
- Detailed backgrounds and worlds, which can be transformed into play sets.
- Props (including vehicles, pets, and accessories), which can be marketed as toys.
- Distinctive non-generic characters that stand out on crowded shop shelves. For example a character cannot simply be a teddy bear. It has to have some defining feature that makes it stand out against other characters.
- Sufficient episodes (at least 26) to generate awareness on television and sustain longevity.
- Frequent broadcast exposure including multiple repeats preferably on a major free-to-air broadcast

outlet (CBeebies, Five, Nick Junior) to secure the interest of retailers who are unlikely to stock a product unless it has exposure on a major children's broadcasting outlet.
- Classic well-known properties which have resonance with parents (e.g. *Noddy*, *Rupert*).
- Properties with some educational value that appeals to parents.
- Online applications (games, downloads, and increasingly "immersive" and personalised interactive experiences) to extend and sustain the brand beyond television.

Of course, what licensing executives want may not always coincide with producers' or broadcasters' creative ambitions or developmental considerations. What we found from our interviews and programme analysis was that the extent to which consumer product considerations influence preschool content varies widely depending on the players involved and the nature of each production.

For some projects with considerable licensing possibilities, and where this is a priority for the show's producers and investors, there may be considerable efforts to shape a show in ways that enhance prospects for consumer products. For example, while a writer may be concerned with a character's role in a story, marketing executives may be more concerned with how that character will translate into a range of marketable products. This may lead, for example, to a character needing a vehicle, or having to appear in particular settings that are linked to a potential product.

Many producers have misgivings about programmes becoming too centred around potential products at the expense of well-crafted stories and characters with "true personality and integrity" with which children have "an emotional connection". However, these anxieties are not relevant for all shows. For some productions licensing is a marginal concern, because these are low-cost productions for a local British audience, and there is little licensing potential for shows that take place in a studio setting or feature human beings as opposed to anthropomorphic trains, cars, animals etc. For example the schedule of CBeebies, the BBC's dedicated television channel for preschool children, comprises 76 % non-animated content, compared with levels of animation reaching 70 % on rival channels (BBC Trust, 2009: p. 23). Unlike many of its competitors, CBeebies broadcasts many programmes with human presenters and performers that attract minimal interest from its commercial subsidiary, BBC Worldwide, but form part of its public service obligations to provide a wide range of programming that reflects the diversity of the child audience (BBC Trust, 2008).

We were interested to see how different programme makers dealt with considerations around licensing and merchandising. What we identified in our interviews and programme analysis were four responses. These depended on the different motivations and priorities of producers at any one time, and producers could find themselves in any grouping depending on the priorities or funding structure of each project.

Some players adopt an *integrated approach* to television, consumer products and home entertainment and increasingly online applications. It was noticeable that this approach was not necessarily confined to the largest producer-distributors like HIT Entertainment or Chorion. It was also a strategy pursued by smaller companies with one or two properties, who are also driven by the need to deliver a return on investment. Early on in development they will discuss character designs, their functionality as toys, colours as well as the way storylines and environments might link in with products. This approach tends to favour internationally attractive animation over more culturally specific live action or studio-based formats.

Then we distinguished those who follow a more *balanced approach* between costly high-end animation and costumed character shows which involve considerable risk, international commitment and consumer product potential on the one hand, and those programmes whose commercial benefits are likely to be less exceptional, and which have to be financed in ways that take account of this more restricted commercial potential. This two-pronged approach derives from the knowledge that global hits like *Bob the builder* are infrequent and that as a producer you need to have creative credibility to sustain your reputation and attract the best creative staff to your company. This means support for shows that might be successful in television and possibly DVD sales, but may not necessarily hit the mark in licensing and merchandising.

Other players pursue an *adaptive strategy*. This was prevalent among smaller producers, particularly in animation, who have the creative standing to attract co-production and distribution partners, but who also engage pro-actively with licensing and merchandising so that it reflects the values of their creations rather than "degenerating into a label-slapping exercise" on poorly executed products. As much as they are driven by creative priorities, they are also keenly aware of the need to secure funding beyond television and build on their Intellectual Property rights so that they can reinvest in more programming. They take advantage of multiple sources of funding from pre-sales, tax breaks, co-production finance, and advances, protecting their creative integrity, by making sure that no one backer has too much of a financial stake to exercise excessive control over their creative vision.

Finally there are those who place audience and creative concerns first focussing on characters, good storytelling and an overarching ethos that relates to the audience. Indeed there are some producers who put research based on intensive audience observations and developmental awareness at the heart of what they do, and resist any commercial interventions in the creative process, particularly during development. This approach is based on the view that if a show is sufficiently appealing and comprehensible to its child audience, then this will benefit other revenue streams anyway. An unmistakable distinction is drawn between licensed products that *might* emanate from a successful show *and* licensing considerations actually dictating content and characters. Among UK producers we found a range of accommodation between those who foreground what they do primarily as a business, and those who are inspired more by considerations connected to the audience and creativity. Responses to pressures from licensing depend variously on how much money is needed, the extent to which a project exhibits licensing potential and the degree to which marketing considerations as opposed to creative considerations constitute an integral part of an individual company's operations. However in all cases, producers and broadcasters have to operate within the economic constraints and market dynamics that define the sector as a whole (Pecora, 1998: p. 3). This is not easy in an environment where commissioning and funding levels for broadcast originations are declining. For example the £ 11 million spent by all UK broadcasters on original preschool commissions in 2006 (Ofcom, 2007) would barely fund more than two or three animation series.

For public service broadcasters in particular this balance between quality and commerce is particularly difficult to reconcile as the boundaries between the two blur (see Buckingham, 1995: p. 26). Broadcasters like the BBC are increasingly reliant on programming supplied by producers who regard public service broadcasters as a platform for generating sales in ancillary areas. Moreover, the BBC itself intends to exploit commercial sources of income from co-productions and secondary revenues twelvefold by 2010 to fund its programming output (BBC, 2008: p. 13, p. 29). This is a strategy which has attracted concern from the BBC's governing body, the BBC Trust. It fears that increasing reliance on commercial revenues may inhibit the Corporation's ability to satisfy its core purposes, by focussing attention on a more limited range of commercially and internationally appealing programming, which may be less relevant to British child audiences (BBC Trust, 2009: p. 58-59). No one disputes that children might want to engage with programmes beyond television. Sometimes this will involve purchased toys. The concern is that growing reliance on external sources of funding particularly for narrative animation will eventually reduce the diversity of what is offered to preschoolers, who have just as much right to engage with a range of voices, experiences and perspectives that reflect their own lives as older children.

NOTES

1 *The research underpinning this article was supported by a grant from the Arts and Humanities Research Council (AHRC) (119149).*

2 *Following business difficulties caused by debt, Entertainment Rights was placed into administration in April 2009. Its subsidiaries were sold to US-based Boomerang Media.*

3 *This involved interviews with more than 90 individuals including broadcasters, programme-makers and marketing executives. References have been anonymised.*

REFERENCES

BBC (2008). BBC Executive Submission to the BBC Trust's Review of Services for Children aged 12 and under. London: BBC, *<www.bbc.co.uk/bbc-trust/framework/bbc_service_licences/childrens_evidence.html>*. Accessed March 2009.

BBC Trust (2008). CBBC Service Licence. Issued 7 April. London: BBC Trust.

BBC Trust (2009). Service Review. Review of children's services and content. London: BBC Trust, *<www.bbc.co.uk/bbctrust/framework/bbc_service_licences/childrens.html>*. Accessed March 2009.

Buckingham, David (1995). The commercialisation of childhood? The place of the market in children's media culture. In: Changing English, vol. 2, no. 2, pp. 17-40.

Carter, Bill (1994). A cable challenger for PBS as king of the preschool hill. New York Times, 21 March, p. 1.

Engelhardt, Tom (1986). Children's television: The shortcake strategy. In: Gitlin, Todd (ed.). Watching television. New York: Pantheon, pp. 68-110.

Fry, Andy (2007). Licensing special: sector overview – How to post a profit in licensing. Broadcast. 7 September, p. 26.

Gomery, Douglas (1994). Disney's business history: A reinterpretation. In: Smoodin, E. (ed.). Disney discourse. London: British Film Institute.

Grimston, Jack (2008). New gold mine ITNG. Eh-Oh creator of Teletubbies has new TV gold mine. Sunday Times 10 February, p. 7.

Hayes, Dade (2008). Anytime playdate: Inside the preschool entertainment boom, or, How television became my baby's best friend. New York, NY: Simon & Schuster.

Kline, Stephen (1993). Out of the garden. Toys and culture in the age of TV marketing. London: Verso.

Lane, Harriet (2007). Night fever. The Observer, Magazine, 25 November, p. 46ff. *<http://www.guardian.co.uk/theobserver/2007/nov/25/features.magazine47>*

Linn, Susan (2004). Consuming kids. New York: Anchor Books.

Ofcom (2007). The future of children's television programming. London: Ofcom.

Oswell, David (2002). Television, childhood and the home: A history of the making of the child television audience in Britain. Oxford: Oxford University Press.

Pecora, Norma Odom (1998). The business of children's entertainment . New York, NY: Guilford Press.

Pecora, Norma (2004). Nickelodeon grows up. The economic evolution of a network. In: Hendershot, Heather (ed.). Nickelodeon nation. New York and London: New York University Press.

Schor, Juliet (2004). Born to buy: The commercialized child and the new consumer culture. New York, NY: Scribner.

Steemers, Jeanette (2004). Selling television: British television in the global marketplace. London: British Film Institute.

Sunshine Holdings 3 Limited (2008). Directors report and financial statements for the year ended 31 July 2008, <http://www.hitentertainment.com/corporate/companymanagement.html>. Accessed 31 March 2009.

THE AUTHOR

Jeanette Steemers, Ph.D., is Professor in Media and Communication, School of Media, Arts and Design at the University of Westminster, London, UK.