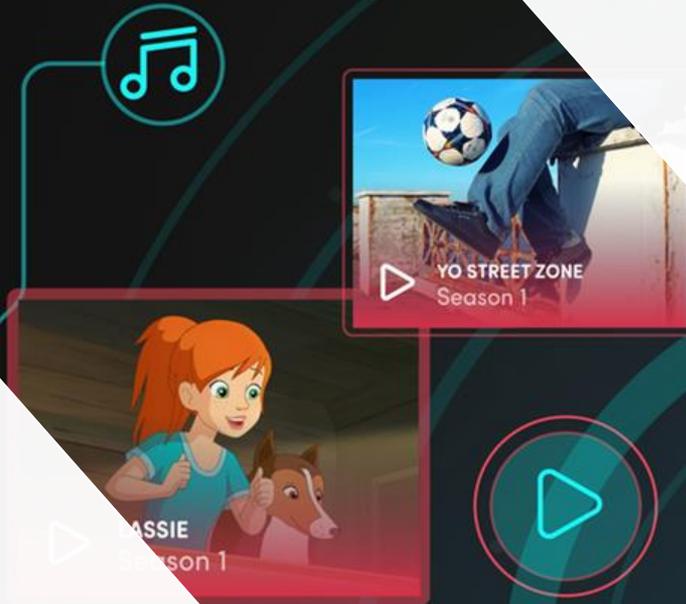


Children's On Demand and Online Content

Tim Westcott, Kia Ling Teoh

IHS TV Programming Intelligence



logged in as

Alex



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FAIRY TALES
The Frog Prince

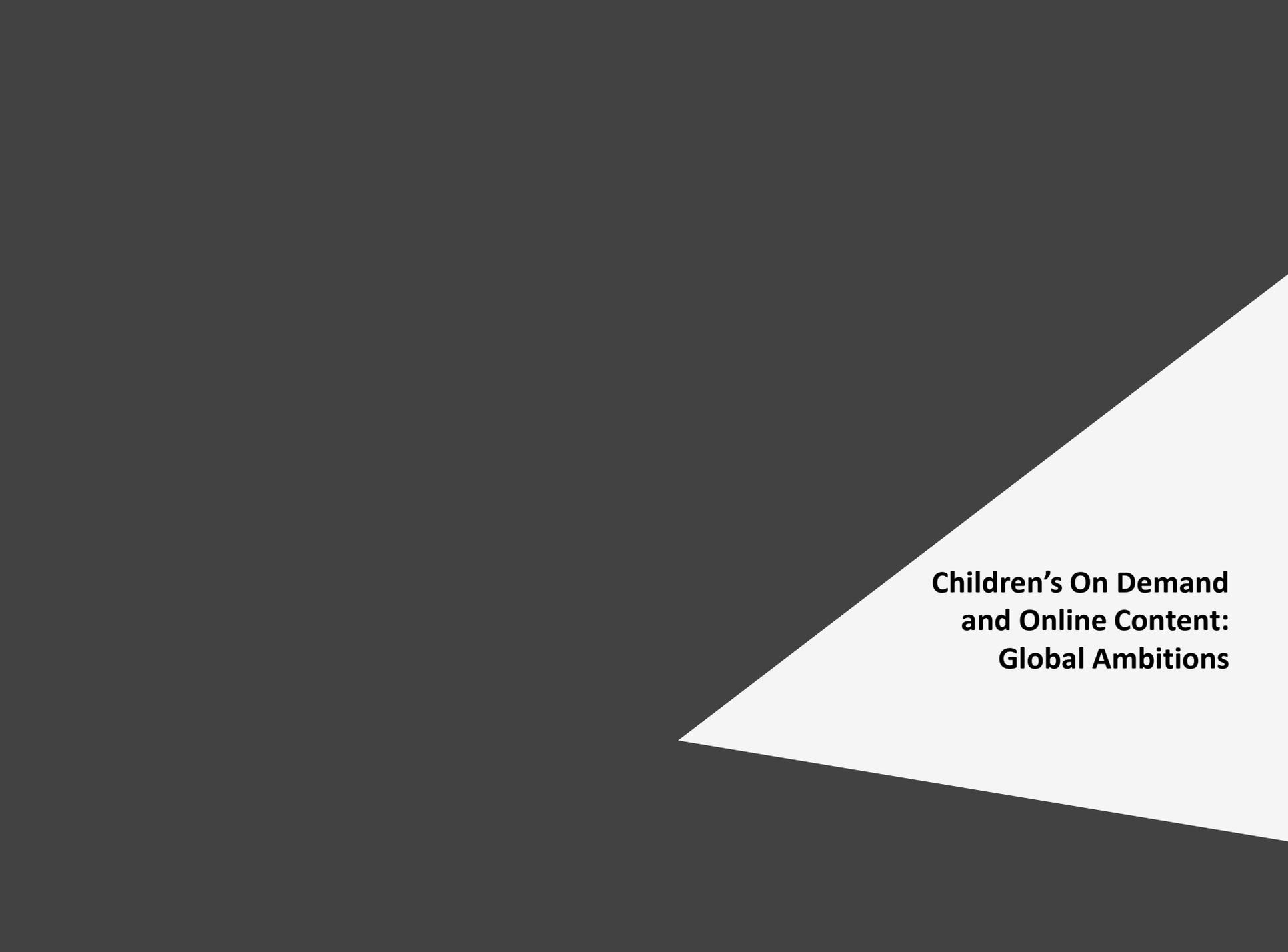
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Image: Azoomee

azo



**Children's On Demand
and Online Content:
Global Ambitions**

The online TV revolution: opportunities and uncertainties

As IHS Markit highlighted in its last white paper on children's content in July 2015, we have now entered the age of on demand and online.

What that means for consumers is overwhelmingly positive – they can choose from a much wider range of outlets both on linear TV and on demand platforms. TV set-tops, games consoles, laptops, tablets and mobile phones and other devices are plugged into broadband networks and offer access to content with the click of a button.

The old world of linear TV has not disappeared altogether. Many of the leading players in children's content have been around since the earliest days – such as public broadcasters and the Walt Disney Company. A second wave of specialist children's channels led by Nickelodeon and Turner have entered the market. Their share of the time spent by today's children with these linear TV outlets has certainly declined; however, we think it's quite wrong to assume that decline is the same thing as obsolescence.

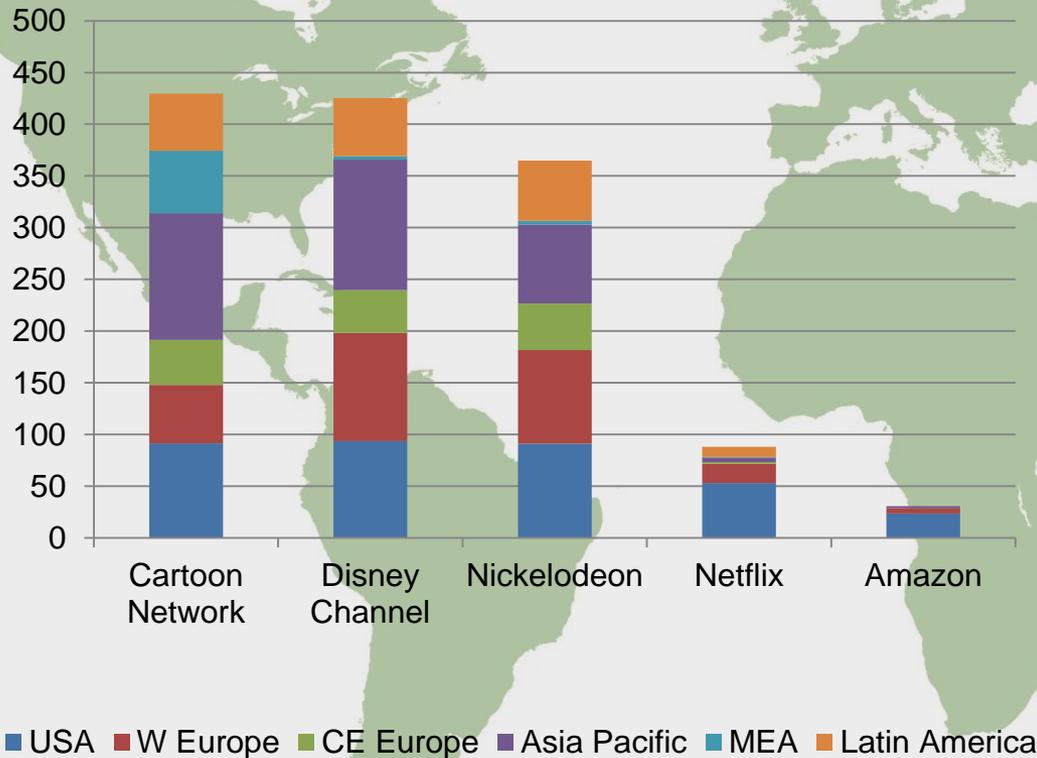
For companies operating in this space – producers, channel operators, toy manufacturers, licensing agents, IP owners and others – the transition has been challenging. Traditional business models are under pressure; as our exclusive research reveals, most players expect broadcaster funding to continue to decline. Public broadcasters are facing cutbacks (the new US administration may privatise PBS, mainstay of the US preschool TV business) while new internet players led by Google and Facebook have grabbed an increasing slice of the advertising pie from commercial channels.

Against this uncertainty can be set the growing opportunities for content owners in the new era. We believe that on demand has expanded the market rather than diminishing it.

The new online players – especially Amazon and Netflix – have increased the available funding for original and acquired children's content.

Linear children's channels: a large footprint for the SVoD giants to follow

Distribution by world region at end 2016 (million HH)



There is no doubt that the rapid rise of the global online platforms Netflix and Amazon (and their massive investment in content) has been the story of the last year in television. Netflix switched on worldwide (apart from a handful of impervious territories) in January 2016 and Amazon followed suit with its streaming service in December.

But the big three global channel brands – Cartoon Network, Disney and Nickelodeon – were in many more households at the end of 2016. IHS Markit estimates that the flagship Cartoon Network was in 429 million homes at the end of 2016, compared to the 88 million streaming subscribers of Netflix at the same point.

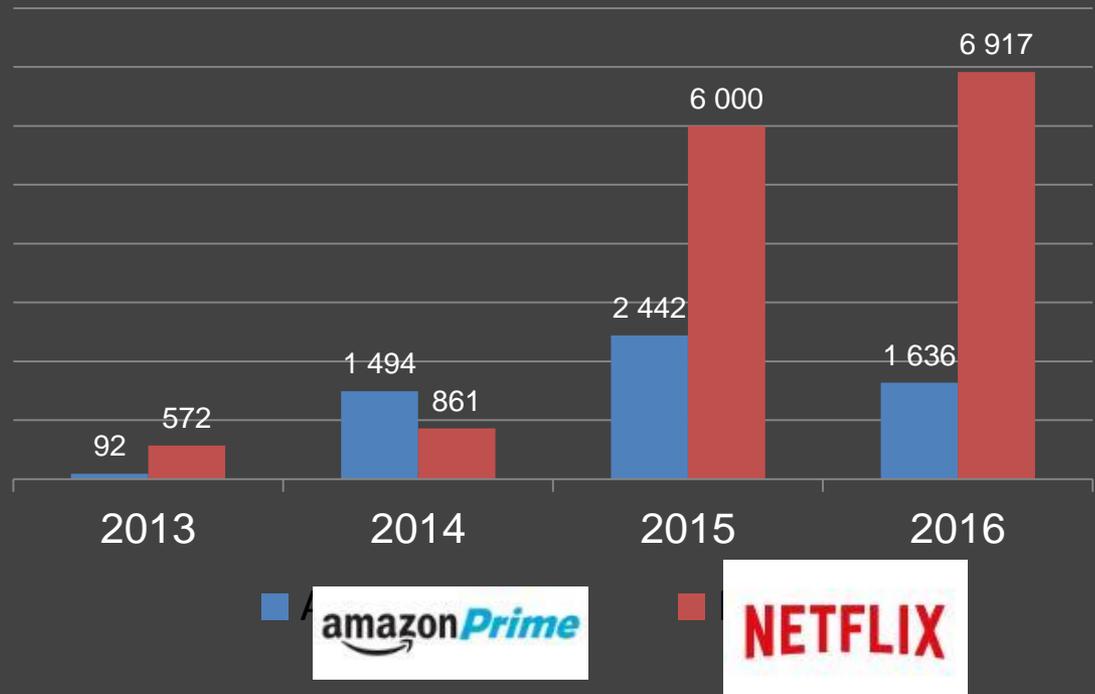
Netflix and Amazon have increased funding for children's content

The two leading global online subscription video-on-demand (SVoD) services have dramatically increased original production over the past two years as they have rolled out beyond the US.

Both services of course target all age groups, but children's programming is a crucial part of the offer as they aim to appeal to the whole family.

Netflix has turbo-charged original production over the last years, producing close to 7,000 minutes of children's programming in 2016, up from 6,000 in 2015, according to research by IHS Markit. Amazon produced 1,600 minutes last year, down from 2,400 in 2015.

Original children's productions (in minutes)



Source: IHS TV Programming Intelligence

Subscription-funded on demand services are extending their reach

Children's content – particularly aimed at preschoolers – is well suited to an on demand model.

Apps allow children to be protected from inappropriate content on the open internet and can even enable parents to limit their children's screen time.

The global reach of the Apple and Android app stores means that services can quickly gain worldwide reach very quickly.

However, the jury is still out on whether so many independent SVoD services are sustainable in the long term.

Children's online video services (non-exhaustive list)

Pre-2015	2015	2016
<p>Kidobi – Canada BatteryPOP – US Min Bio – Denmark Kidoddle.TV– Canada Viddiverse – USA Hopster TV– UK GulliMax – France CanalPlay Kids – France Ludo (France TV) – France Sesame Street GO (closed) Toggle Kids – Singapore Kymba – Benelux, GAS</p>	<p>Kabillion Jr – USA TFou Max – France Noggin – USA myKIDIO – Germany Kividoo – Germany Cbeebies – Latin America Noggin – Latin America</p>	<p>SF KidsPlay – Nordic region Toca TV – Worldwide Azoomee – UK Oznoz – US, Canada Sling Kids – USA Kids Pass (Sky) – UK</p>

**Content Producers Give
their Perspective**

Exclusive survey: how content producers and owners are affected by the growth of online and on demand

Between December 2015 and January 2016, IHS Markit conducted an online survey of producers, distributors, channels and others specialising in the children's content. In all, we sent the survey link to 474 e-mail addresses and had received 47 replies when we collected the responses. We asked ten questions and show all the responses (which were provided anonymously) on the following slides. We asked similar questions in 2014 and have compared them where appropriate.

Some of the key findings:

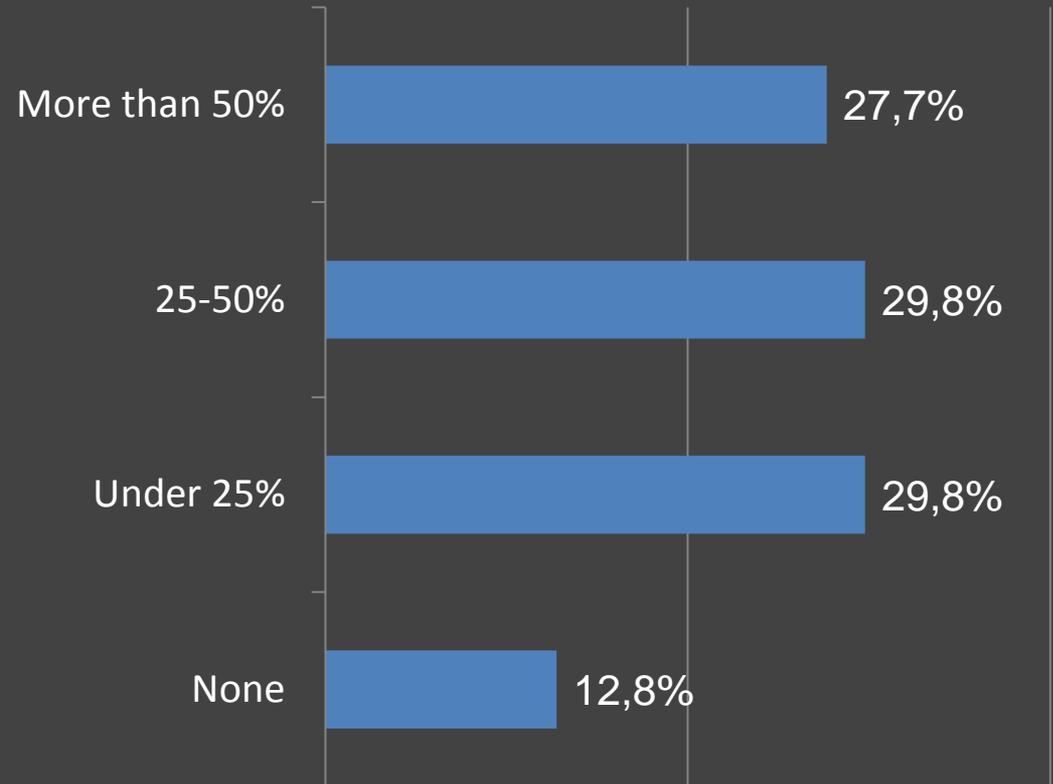
- Despite the growth of online, the traditional model of broadcasters funding children's content production persists: more than a quarter of respondents said that more than 50% of funding was provided by broadcasters
- However, a large majority (80%) of respondents expect broadcaster funding to either diminish or remain the same
- Most respondents (72%) offer full-length episodes of their programming online, mostly via third-party websites rather than their own
- For 40% of respondents, linear TV remains their main source of revenue and more than half expect traditional TV to remain their main source of income in the next five years
- Nearly two-thirds of respondents expect new mobile telephone technology to have the greatest impact on children's content, ahead of VR and UHD

On average, what proportion of your children's TV production budgets is provided by broadcasters?

Just under 13% of respondents said they typically receive no funding from broadcasters, while 28% said that more than half of their funding was provided by broadcasters.

As with our last survey two years ago, we were surprised that linear broadcasters still appear to be so prevalent in the funding mix.

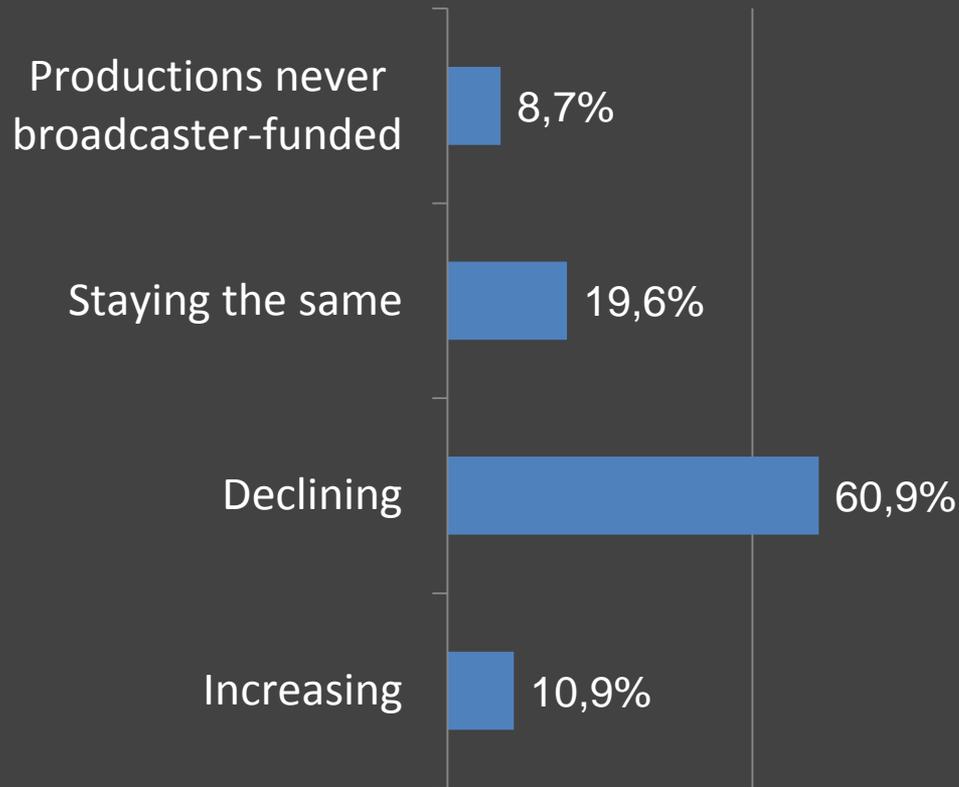
We acknowledge that the question is slightly ambiguous (does broadcaster funding include presales or acquisition?), but we believe that these responses indicate that the traditional structures of programme funding remain in place. Linear TV is still alive.



Source: IHS TV Programming Intelligence

Total replies: 47

Would you say that children's TV broadcaster commissioning budgets are increasing, declining, or staying the same?



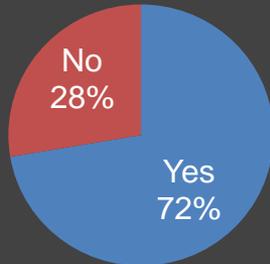
While the fact that some of broadcaster funding still persists is clearly a plus point, a majority of respondents expect commissioning budgets for children's programming to decrease.

Just over 80% of respondents expect broadcaster funding to either diminish or remain the same. Some 11% expect it to increase.

These results are similar to our last survey in 2014: 63% of respondents said budgets were declining, though slightly more (21%) expected them to stay the same and 9% thought they were increasing.

Do you offer full-length episodes of your children's programming online?

2017

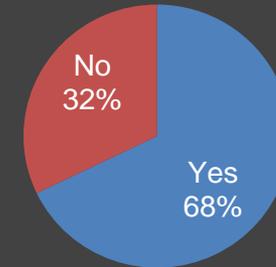


Total replies: 47

Some 72% of respondents said they offer full-length episodes of their programming online – an increase on 68% in 2014.

They are more likely to stream on a third-party site.

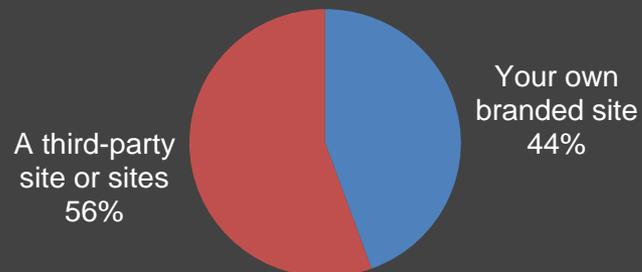
2014



Source: IHS TV Programming Intelligence

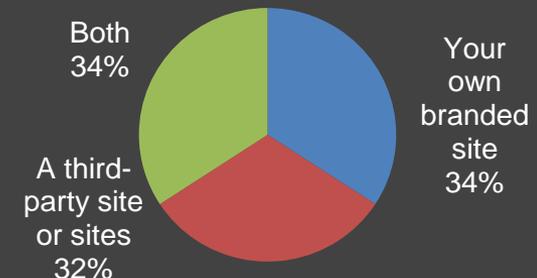
Which of the following is the primary platform for your children's programming online distribution?

2017

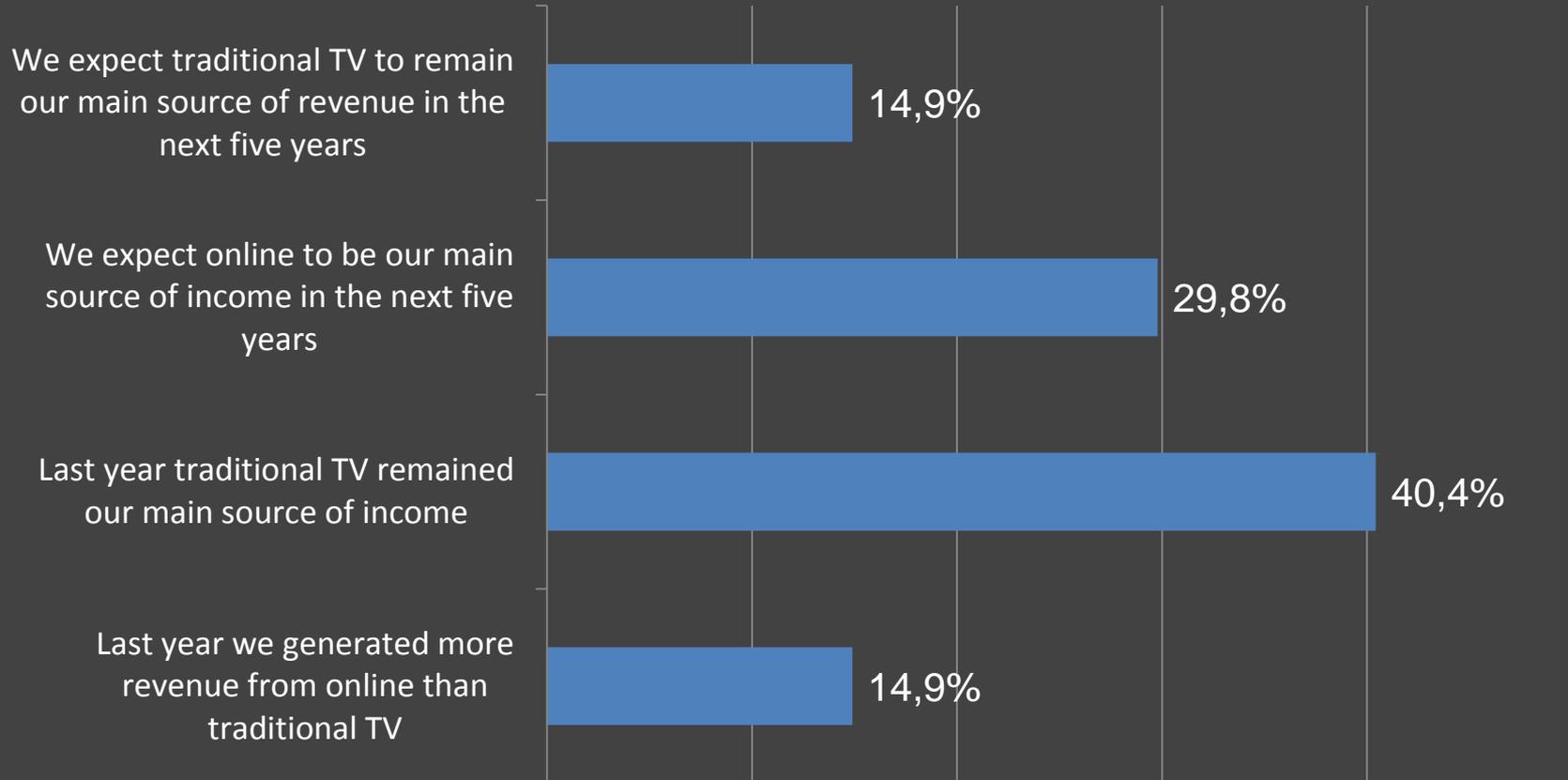


Total replies: 45

2014



How would you characterise the revenues you are generating from digital compared to linear?



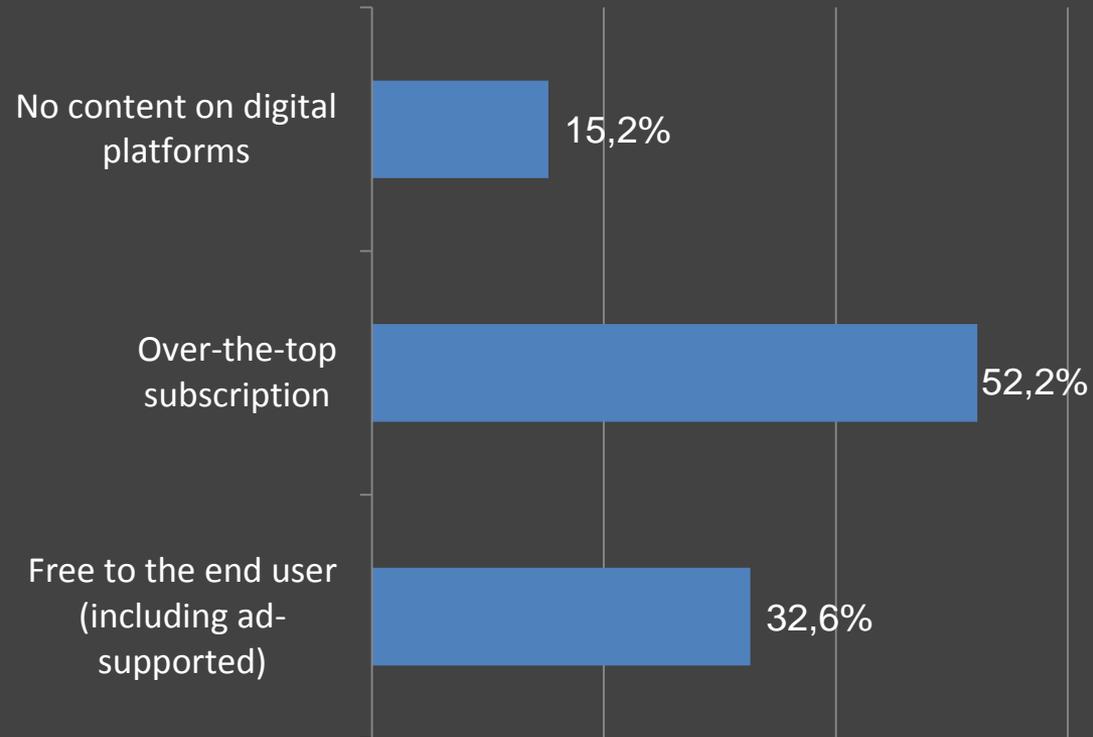
What type of digital platforms are generating the MOST significant revenues for children's content?

In 2016 (previous slide), 15% of our respondents generated more from online (non-traditional services like YouTube and Netflix) than linear TV, while 40% reported that linear TV remained their main source of revenue.

In total, more than half expect traditional TV to remain their main source of income in the next five years.

This suggests there is a clear divide between 'digital native' content producers and those still operating in the linear TV world.

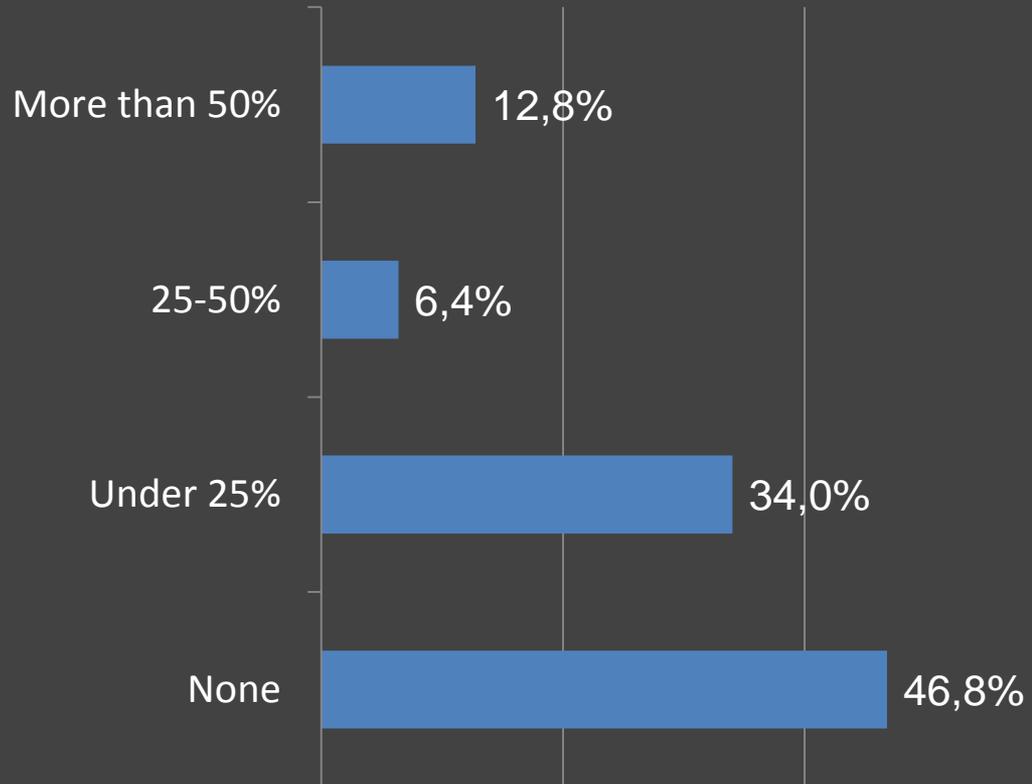
Our next question (on this slide) shows that SVoD services have become more important in terms of revenue generation than ad-supported sites.



Source: IHS TV Programming Intelligence

Total replies: 46

How much of your originated children's programming is made for primary online distribution?



The persistence of the traditional TV production model is clear from this question; 47% of respondents do not produce any programming for primary online distribution.

However, in 2014, 95% of our sample said they did not originate any online programming, so there has clearly been a big change.

Some 13% of the sample this year originate more than half of their programming for online.

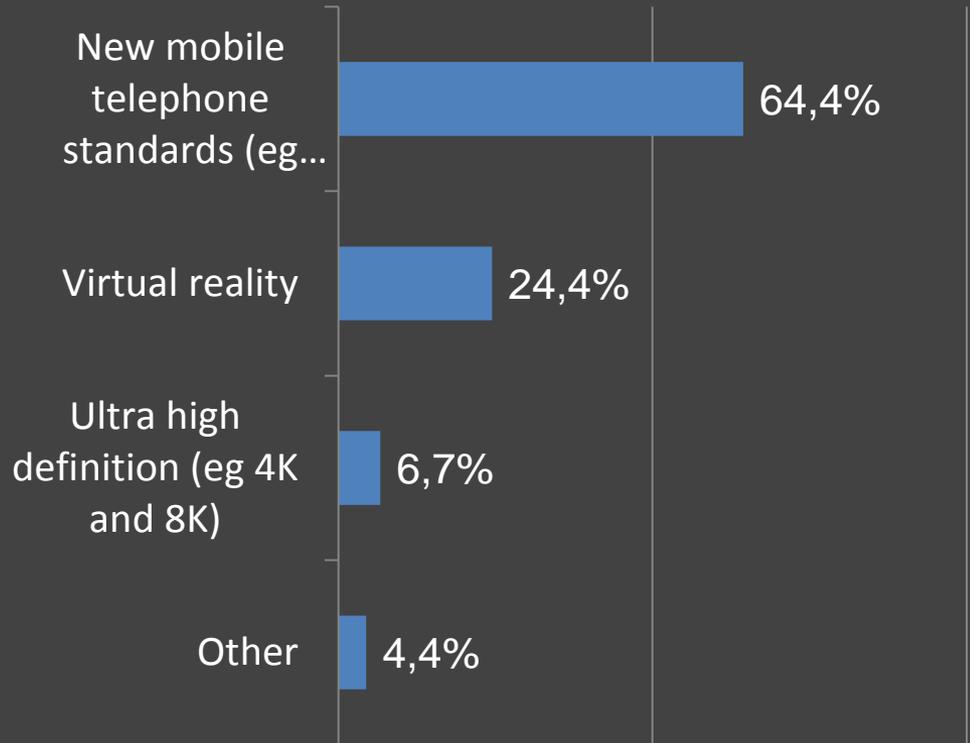
What new technologies do you expect to have the most significant impact on children's TV production over the next five years?

This is not a question we asked in our previous survey.

Significantly, nearly two-thirds of respondents expect new mobile telephone technology to have a more of an impact on children's content than the other technologies we singled out, ahead of virtual reality, which was cited by 24%. UHD looks as if it could be very marginal.

Reasons for the importance of mobile could be the use of phones by children, the popularity of apps like Snapchat, and the lack of fixed broadband in some countries.

Other technologies mentioned include augmented reality ('a much bigger deal for kids than VR') and motion capture.



Source: IHS TV Programming Intelligence

Total replies: 45

Which one of the following statements would you most agree with?

Over the next ten years, there will still be a place for traditional TV brands (broadcasters and channels) in the new era of internet TV.

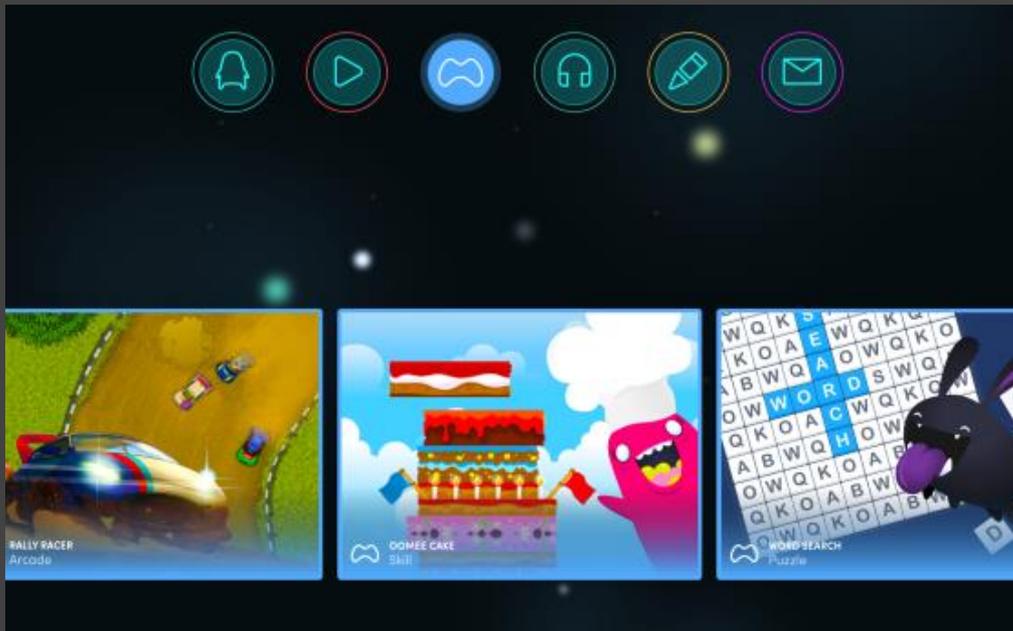
34,0%

The new era of internet TV means that we will increasingly have a direct relationship with consumers rather than via third parties.

46,8%

**Profiles: Key Players in
the New World of On
Demand Content**

Azoo^{me}e is an app aimed at young children which is designed to be a safe place for them to view content, listen to audiobooks, and play games. The app launched in April 2016 and is currently available only in the UK. The founders are husband and wife Douglas and Estelle Lloyd, with backing from private investors (partly crowd-funded) and a partnership with children's charity, the NSPCC.



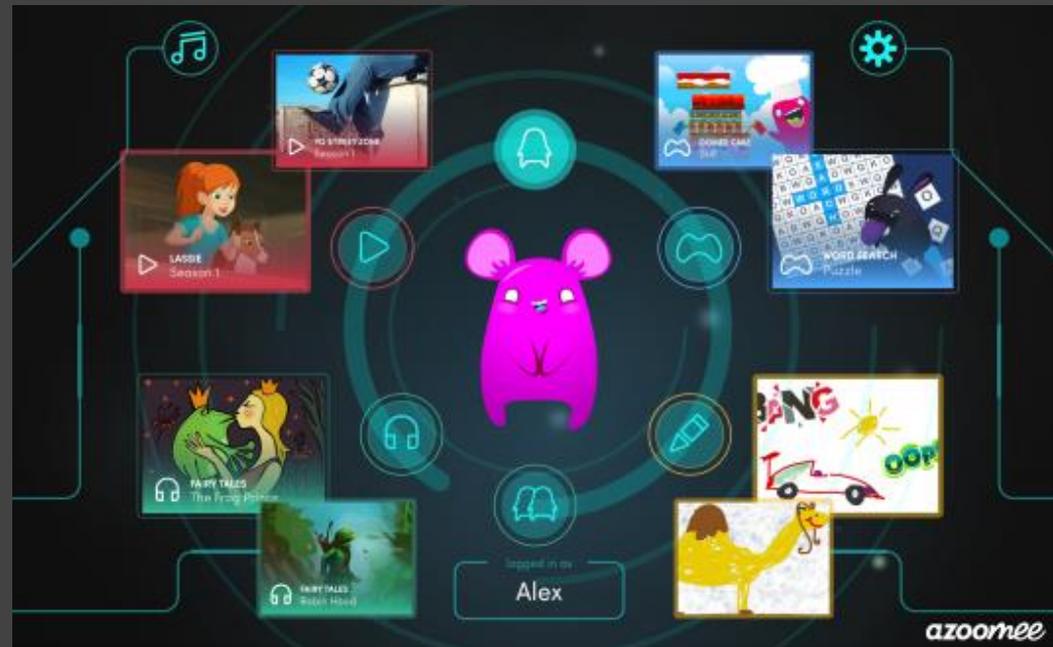
Azoo^{me}e features original content, notably an animated internet safety series called *Search It Up*, as well as acquired content from suppliers including Rovio (*The Angry Birds* series) and DHX Media.

Azoo^{me}e has just signed an agreement with the BBC and will add programming from the public broadcaster in March. The company also produces its own games.

Azoozee is aimed at children aged 5-9.

The business model is 'freemium': New users are given a 15-day free trial with access to all of the content. After the trial period they have the option of continuing to use the app for free with limited access to content, or take out a subscription for £4.99 (a proportion of which is donated directly to the NSPCC), to keep full access to Azoozee Premium. The service also has an exclusive partnership agreement with O2 bundling it into the mobile operator's children's tablet. Usage splits roughly half and half between tablets and mobile phones.

According to Lloyd, the service will launch outside the UK in the current calendar year, and has just been included in the Mayor of London's International Business Programme, designed to provide support for high-growth technology companies based in the capital.



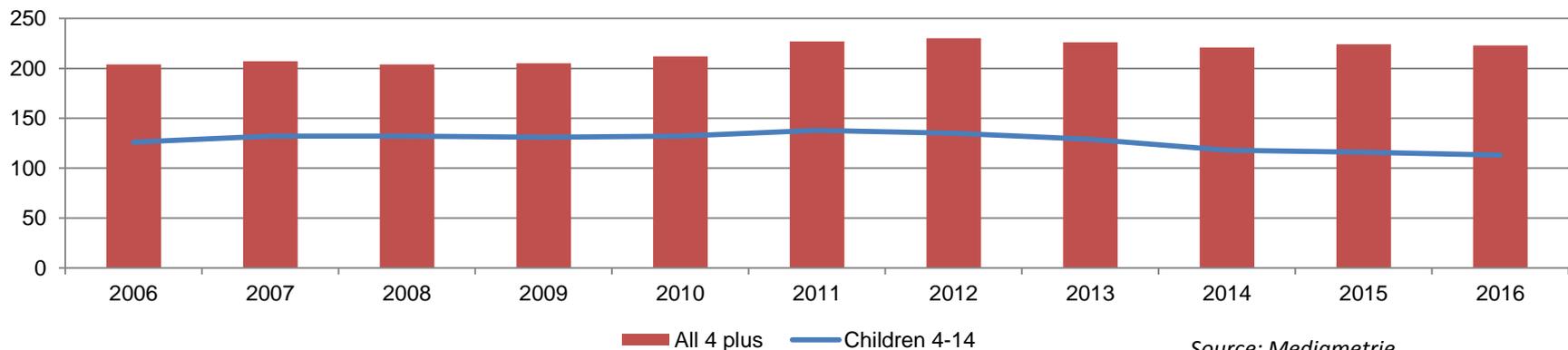


TF1, France's leading free-to-air TV channel, launched a standalone subscription platform for children, TFOU Max, in February 2015. The service, which is aimed at children aged 3-12, launched before the arrival of Netflix in France, and is part of a multi-platform approach to this audience for TF1.

While TF1 no longer operates a dedicated children's channel of the same name, the TFOU brand lives on as the name of the block of children's programming on the flagship channel. In 2015, TF1 funded 30 hours of original animation, according to the CNC.

In France, average daily viewing by the 4-14 age group was 113 minutes in 2016, compared to 223 minutes for all individuals aged 4 and above. Children's viewing has fallen by 13 minutes since 2006, while overall viewing increased 19 minutes.

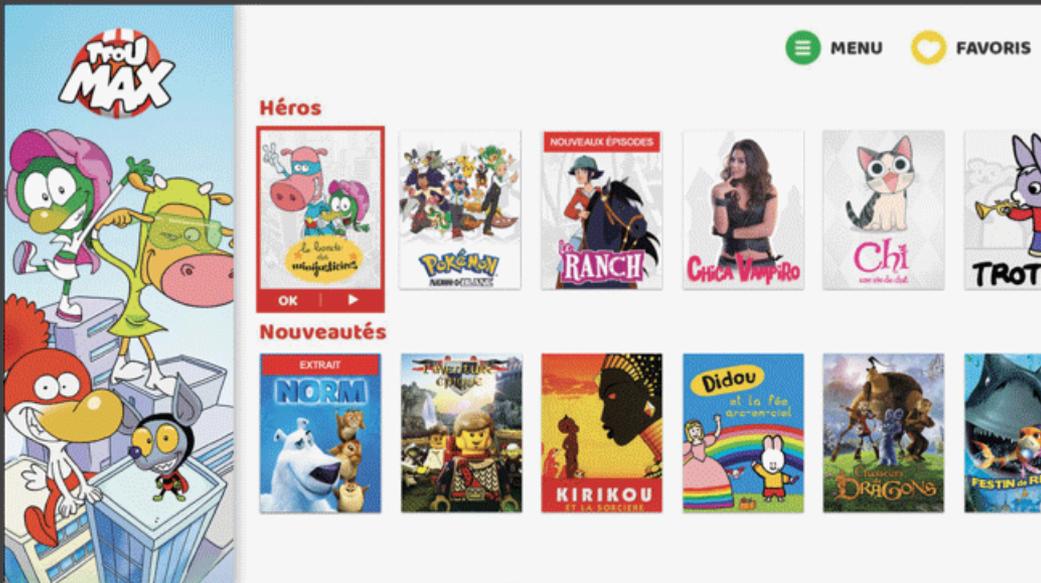
France: Average daily TV viewing by age group (in minutes)



Source: Mediametrie

However, another important element of TF1's business is its home entertainment division, formerly TF1 Video. This has now been rolled into a new content division called TF1 Studio along with the broadcaster's film and TV production and distribution activities, headed by Tristan Du Laz.

The decline in physical media and difficulty of selling children's content on a pay-per-view basis (the model for TF1's main online offering MyTF1 VoD) made SVoD the best choice for approaching the children's genre, says Du Laz. 'With TFOU Max, we have one foot in pay TV and one foot in home entertainment.'



Currently, there are 3,500 episodes of programming in the service, including films and documentaries.

The service is available not only direct via Android and iOS devices (costing €2.99 a month), but also via pay TV set-top boxes on the Bouygues, Orange and Free services. On Free, says Du Laz, TFOU Max is a standalone service like a pay TV channel.

The service has a total of 400,000 subscribers and two million video views a month.

TF1 is planning to launch the service in Belgium and Switzerland.

Toon Goggles: Worldwide



Toon Goggles was early into the children's on demand space, having first launched in October 2011 with a mission to give children 'what they want to watch when they want to watch it.' Five years on the US-based company says it's available in 196 countries via the web, smart TVs, mobile devices, Apple TV, Roku TV and other devices (though not games consoles). The service is pitched at a core 5-10 audience and is COPPA-compliant offers games as well as video content.

Stats from a company presentation are impressive: 5.2 million users on the service, and more than 50 million video streams served worldwide. The app is already pre-installed on an estimated 10 million devices and, says Lee Adams, chief creative officer, is on the remote control for the US smart TV service, Vizio, 'right next to Netflix'.

Toon Goggles attends all the major kids TV markets, mostly buying worldwide rights to new content for its offering of 8,000 videos, games and e-books. Video content is acquired on a number of different models from suppliers around the world. Content is acquired on a revenue-share basis and the business model ranges from free to paid. Users can watch the first couple of episodes of a series free but will be expected to pay a small fee for the full set.

Toon Goggles : **Worldwide**

Toon Goggles has started to invest in creating its own content, co-producing a CGI animated series with Italy's Mondo TV called *Eddie is a Yeti* (right).

Live action, 'influencer' shows are also in the works. *Hooray for Hollie Wood* is a 'red-carpet' show in which the eponymous Hollie will report from movie premieres. Toon Goggles will also promote the show through tie-ins on Snapchat and YouTube.

Toon Goggles is also planning a second series of *The Magic Academy*, featuring young magicians.

The company's original ambitions do not stop there. Al Kahn, former head of 4 Kids which was instrumental in turning Pokemon into a global phenomenon, joined as chairman last year.

Now Toon Goggles is actively looking for its *House of Cards*: a new breakout original property.



Nickelodeon: Noggin Latin America/Worldwide



In 2015, Nick launched its subscription app, Noggin, aimed at preschoolers. The Noggin app is currently live in Brazil and Latin America, and – to date – has been downloaded more than one million times, says the company.

Daniel Reich, SVP multiplatform development and strategy for Nickelodeon’s parent company Viacom, says the company has no plans to launch other SVOD platforms.

In most of the world, Nickelodeon and its Nick Jr and Nicktoons brands are pay TV channels.

Does this mean that its strategy is to offer its content on its pay TV partner’s TV Everywhere and TV on demand services, rather than going standalone?

‘We are committed to working collaboratively with our existing partners across all pay TV platforms, while also exploring new partnership opportunities to distribute our content,’ says Reich.

He cites a recent agreement with mobile operator Singtel in Singapore to add its Nick Play an authenticated VoD and games app, to its OTT offering. Plans to launch a similar Nick Jr app are on the horizon.

Viacom has also launched My Nick Jr. – a virtual linear feed on mobile and set top boxes with the ability to customise programming based on educational focus.

Nickelodeon: Noggin

Latin America/Worldwide

VIMN is open to all 'windowing opportunities' to air exclusive content across its linear and on-demand offerings, adds Reich. He points to the example of its successful live action children's show *Yo Soy Franky* (right): season two premiered on the Nick Play app in Latin America prior to its linear debut.

With its main channel available in 350 million households worldwide (according to IHS Markit data), Nickelodeon still has a massive stake in the linear TV world, although in line with all mature US cable services, distribution numbers are in decline. 'We've found that video on demand content is now highly additive and complementary to linear viewing,' says Reich. 'The younger generation in particular is extremely comfortable.'



Image: Nickelodeon

VOOT Kids India

Voot, an video-on-demand service operated by Viacom 18 in India, launched in March 2016. Children's content is one of four content 'pillars' for the services and is available via a dedicated app, Voot Kids.

Viacom 18 operates five children's linear channel brands in India but with Voot Kids also aggregates programming from other suppliers, says Gaurav Gandhi, COO of Digital for Viacom 18. The platform has a multi-year output deal with Turner India, and also offered shows from Disney and other suppliers including Mattel and eOne.

Although all kids channel in India are effectively pay TV channels, the cost of a package is low and – while both Netflix and Amazon have launched in India – the prospects for SVoD are held back by the relatively high cost as well as India's patchy broadband infrastructure and the high cost of mobile data.



Hi Pradip!

Where would you like to go?

VOOT

VOOT KIDS

VOOT Kids India

Voot is advertiser-funded and, according to Gandhi (interviewed at MIPJunior last October), has made a strong start, with 14 million monthly average users (MAUs) .

About 15% of the user base are kids, viewing an average of 30-35 minutes of content a day. Interestingly, he adds that roughly 90% of the children's viewing is on mobile devices, with most of the remainder on laptops.

While most viewing of children's TV channels is between 4 and 6 pm, Voot Kids primetime is 9pm, says Gandhi. Many kids use their parents' mobile phones – but the main service can only be accessed with a PIN.

While Voot has made a strong start, the OTT market in India has become highly competitive, with Star India's Hot Star and Zee's Ditto TV and others competing in the advertiser-supported VoD space.

Currently, Voot Kids is available in Hindi and English, but plans for other languages are in the pipeline.

Viacom 18 has also originated content for the main Voot service, and may start originating children's programming this year.

EXIT

SHOWS



Pokemon (E)



Ben 10 (H)



Pakdam Pakdai (H)



Peppa Pig (H)



HOME



COLLECTIONS



SHOWS

About the Author

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- This white paper is compiled by the team behind IHS Markit TV Programming Intelligence, a unique service tracking global TV production and distribution.

- **For more information visit: technology.ihs.com**
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