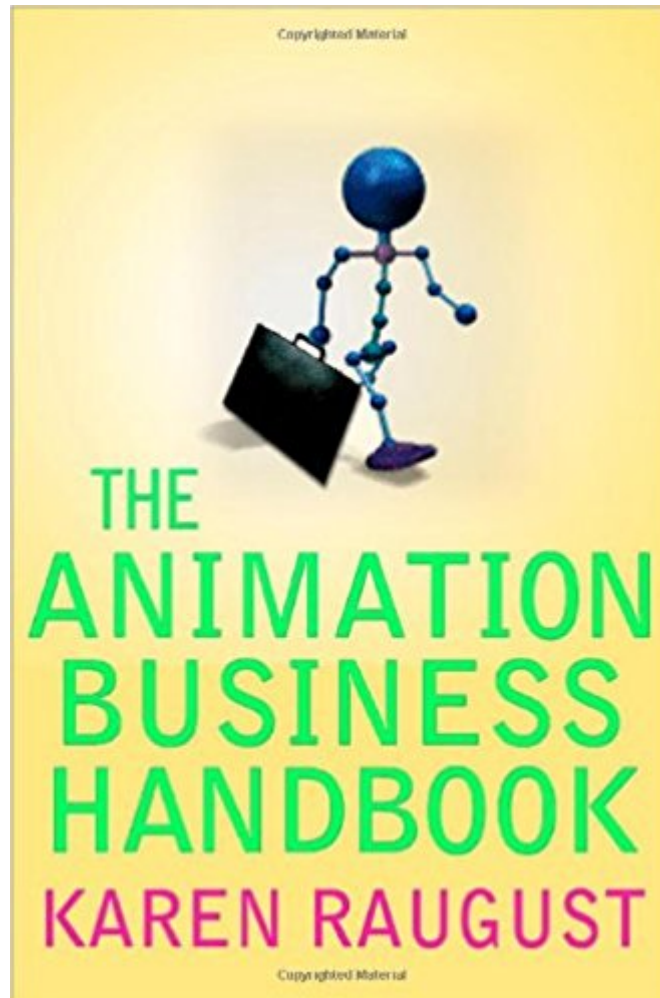




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The Animation Business Handbook



Synopsis

Today, animation is more prevalent than ever in television, films, video games, and the Internet. Karen Raugust has created a much needed, comprehensive look at the entire business. She shows in detail how a successful animation studio or entrepreneur operates, describes the process of developing an animation property from the concept stage through the finished product, and outlines business methods used to create and sell animated media. Topics covered include:

- * Distribution, sales, and marketing methods
- * Financing, budgeting, costs and revenue opportunities
- * The creation of ancillary entertainment and merchandise
- * Animation in international markets.

The Animation Business Handbook is the quintessential reference for anyone in or considering entering the animation industry.

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Customer Reviews

Karen Raugust is a freelance licensing consultant and frequent contributor to Animation Magazine, in which she also publishes a monthly column. She has written for approximately thirty other magazines, including Publishers Weekly, Billboard, and Variety Jr. She has authored and contributed to a number of trade books on marketing, entertainment, and business. She lives in Minneapolis, MN.

ANIMATION BUSINESS HDBKPART IPROPRIETARY PROPERTIES1Overview of Proprietary Animation ProjectsProprietary animation properties are those in which the creator or a production

company, such as an animation studio, owns or maintains an interest. Given the complicated negotiations and deal structures required to get an animated property made and distributed in the 2000s, many proprietary properties have more than one owner. Meanwhile, sole owners often must share the revenues from their properties with several other parties. Most proprietary animation projects fall into the realm of entertainment, but otherwise vary significantly. They can range in length from less than one minute to ninety minutes or more, encompass one-off projects and ongoing series, and extend into all entertainment media.

FILM Film producers released 482 films (both animated and live-action) in 2001. Together these features generated a U.S. gross box office take of \$8.4 billion, according to the Motion Picture Association of America (MPAA). The box office total was up 9.8 percent from 2000, when 478 films hit theaters. During the 1990s the number of animated films released each year grew consistently. Of the films released in 2001, twelve were animated, compared to three in 1991, seven in 1999, and ten in 2000. The twelve released in 2001 accounted for about \$790 million in ticket sales, or 10 percent of the total box office take for U.S. films that year. Since they represented only 3 percent of films released, their box office totals were, on average, higher than those for live-action films. (These numbers include only fully animated films and not those that were special-effects-heavy, live-action productions, such as Warner Brothers' *Cats and Dogs* in 2001.) Many animated films, of course, do very well theatrically, generating among the top ticket sales in any given year. According to Exhibitor Relations, which tracks U.S. box office, the top animated film of 2001 was *Shrek*, which racked up \$267.6 million in U.S. ticket revenues, followed by *Monsters, Inc.*, with \$244.6 million. These two films ranked third and fourth respectively in the total box office rankings of all films that year.

Most animated feature films are funded and distributed by the major Hollywood studios such as Disney or Dream Works, or television networks with feature film arms, such as Nickelodeon, which partners with its sister company Paramount on film distribution. A few are produced apart from the studio system and sold to exhibitors through independent distributors, but these are rare. The big studios released ten of the animated movies that came out in 2001; the top "independent" release (*Waking Life*, released by 20th Century Fox's art-house subsidiary, Searchlight) ranked number 164 in total box office for that year, selling \$2.9 million worth of tickets.

Overall, animated films' ability to bring in significant revenues varies widely. In addition to *Shrek* and *Monsters, Inc.*, other animated features released in 2001 included *Atlantis: The Lost Empire* (generating \$84 million at the box office), *Jimmy Neutron: Boy Genius* (\$62.3 million), *Recess: School's Out* (\$36.6 million), *Final Fantasy* (\$32.1 million), *Pokémon 3* (\$17 million), *Osmosis Jones* (\$13.5 million), *Waking Life* (\$2.5 million), and *The Trumpet of the Swan* (\$152,525). Of course, even a low-revenue film can be profitable if its budget is small. *Jonah: A*

Veegie Tales Movie (Big Idea/Artisan Entertainment, 2002) generated a U.S. box office gross of over \$25.5 million. The production budget was \$14 million and the print and advertising budget \$7 million. In 2001 75 percent of the films that held the number-one box office ranking in their opening weekend saw revenues drop by at least half the next week. The first weekend, therefore, is critical to a picture's success, and studios spend significant marketing dollars to drive audiences to the film during its first few days. The focus on marketing a film's premiere probably contributes to the quick drop-off in attendance for most movies. At the same time, if a release fails to make a mark immediately it will be pulled from theaters; most are no longer given the chance to succeed over time. Another reason behind the large drop-off in attendance after the opening weekend is that films are able to screen on a huge number of theaters upon their debut, enabling virtually everyone who wants to see a film to see it on the first weekend. Some films open on as many as five thousand screens. The need to generate moviegoer interest in a film prior to its release is one reason many films--especially those intended to be blockbusters--are based on recognized franchises such as television shows, comic books, or books. Of the top ten films of 2001, as ranked by U.S. box office totals, seven were based on well-known "brands." The top three were based on books, two were sequels, and two were remakes. In addition to relying on franchise pictures, many studios are reducing risk by decreasing the overall number of films they release each year. Universal's output fell from thirty-five to less than twenty and Disney's from thirty to less than twenty from 1998 to 2001. One area of the feature film business that represents a small but growing opportunity for animated movies is large-format distribution. IMAX is the best-known name in this segment, operating two hundred theaters as of 2001 and planning an ambitious expansion. IMAX showed its first all-animated release, *Cyberworld*, in 2000. The 45-minute project included eight short films from DreamWorks, 20th Century Fox, Sony, and other entertainment companies. Walt Disney became the first studio to release a film simultaneously in traditional 35-millimeter theaters and on IMAX screens in 2002 with *Treasure Planet*, after having had successful IMAX runs with previous movies, including *Beauty and the Beast* and *Fantasia*. The IMAX version of *Fantasia 2000* brought in about \$50 million at fifty-four large-format theaters. Other studios large and small have released films in large-format theaters, or are looking at large-format distribution as a potential avenue for their films, either on an exclusive basis or along with traditional theatrical outlets. Meanwhile, IMAX invested over \$10 million in the CGI animation house Mainframe Entertainment in 1999. The two companies set up a joint venture to produce films for the IMAX format. Many of the so-called "live-action" movies on the market today are actually composed of a significant amount of animated footage in the form of computer-generated (CG) special effects. Sometimes entire characters--such as Jar Jar Binks in

Star Wars: Episode I--The Phantom Menace (1999), Dobby in Harry Potter and the Chamber of Secrets (2002), or Gollum in the Lord of the Rings trilogy (2001--2003)--are CG creations. Often these effects-filled films are at the top of the box office rankings in a given year. In fact, about a quarter of the \$8 billion in domestic box office in 2001 was attributable to films with CG animation. That includes Shrek, Monsters, Inc., and several other CG-animated releases, as well as Harry Potter and the Sorcerer's Stone (bringing in \$317.5 million at the domestic box office), The Lord of the Rings: The Fellowship of the Ring (\$311.7 million), The Mummy Returns (\$202 million), Pearl Harbor (\$198.5 million), and Jurassic Park III (\$181.1 million). In 2002 seven of the top ten films were dependent on effects. They included Spider-Man (with a domestic gross of \$404 million), Star Wars: Episode II--Attack of the Clones (\$310 million), Harry Potter and the Chamber of Secrets (\$246 million), The Lord of the Rings: The Two Towers (\$231 million), Signs (\$225 million), Men in Black II (\$190 million), and Scooby-Doo (\$253 million). The number-nine film of the year was the all-CG-animated Ice Age (\$176 million). Effects are completed on a work-for-hire basis during the postproduction phase of a live-action film (see chapter 9 for more details).

TELEVISION Television is a coveted distribution channel for owners of animation properties. Not only are there fewer barriers to entry than in the film business, which is dominated by a handful of powerful distributors, but the exposure can be greater if a show appears on a highly rated network. More Americans watch television than see movies, and they are exposed to the characters on a weekly or daily basis, rather than just once. As of 2001 there were over 105 million TV households in the United States, according to Nielsen Media Research, with viewers watching those sets almost 52 hours per week. Over 69 percent of TV households (73.2 million) had cable service, while 32.3 percent (34.1 million) received pay cable stations. Another 12.9 million households subscribed to satellite services, up 34.4 percent from 2000. As the number of television channels has proliferated in the United States and worldwide, there has been more demand for programming, including animation. In the mid- to late 1990s there were more than six hundred animated shows on the air on all television venues in the United States, according to estimates, compared to just seventy-five in 1980, when the market was dominated by three networks. The amount of time devoted to animation has grown even more since then, although it is hard to pin down an exact nationwide number for this fluctuating market. Cable has become more influential than broadcast in terms of animation, with Nickelodeon and Cartoon Network attracting larger groups of viewers than the networks in many instances. In May 2001 Nickelodeon garnered a 4.8 rating among viewers aged 2 to 11 on Saturday mornings (translating to 1.9 million kids), according to Nielsen, compared to a 3.0 rating for the top broadcast network at that time period, the Kids' WB! Following these two, in order of ratings strength, were the

broadcast channel ABC, cable's Cartoon Network, and broadcaster CBS. As of early 2001 Nickelodeon and Cartoon Network, which are on the air 24 hours a day, controlled 84 percent of all the children's rating points available each week. While the growth in the number of channels has led to more opportunities for animation producers to sell to television networks, it has also become more difficult for any single show to succeed. Children's viewing time is scattered over many offerings--as is adults'--reducing the chances for an individual show to break out of the pack and attain "hit" status, with all the ancillary revenues that entails. While programs such as Bob the Builder, Sponge Bob Square Pants, The Powerpuff Girls, and Pokémon can still make a mark, it is difficult for most programs to become bona fide hits. Another significant development occurred in the children's television market in the late 1990s and early 2000s. The formerly important syndication market, which enabled producers to distribute their shows to local markets for early morning and after-school airing, dried up. The increased strength of cable networks as an alternative to broadcast was one factor in its decline. An even more important impetus, however, was that most previously independent local stations became affiliated with new networks such as the WB and UPN, along with the slightly older Fox. These new networks were associated with entertainment conglomerates, and they had programming divisions that provided shows to their new affiliates and squeezed out independent studios. Much of the remaining time has been filled by programming blocks from a few large independent producers and distributors who have formed alliances with the networks. 4Kids Entertainment has supplied Fox with its Saturday morning programming since 2002, while Discovery Networks has done the same for NBC, as has Nelvana for PBS. All of this leaves little time available for syndicated programming. These trends, as well as a downturn in television advertising in the early 2000s and competition from non-TV-related media such as video games and the Internet, have combined to drive license fees down. Studios that are able to get their programs on the air receive a much lower payment for those shows than in the past. Whereas in the mid-1990s a U.S. television license fee would cover all or most of the cost of a show's production budget, that is no longer true. This situation has necessitated the rise of international coproductions, which will be discussed in detail throughout this book. Aside from traditional half-hour and hour-long series, broadcast and cable networks also purchase animated shorts to be used as interstitials (30- to 60-second productions that air between shows). The classic property Gumby was reintroduced to modern audiences in 2001 as a spokescharacter for the ABC network's children's programming, during which the characters appeared in interstitials. The success of the property in this venue led to its being developed into a movie of the week. The interstitial exposure helped spur demand for licensed merchandise and home videos as

well. Television-distributed, feature-length, original animated movies are another opportunity for animators. In 2002 a leading independent animation studio, DIC Entertainment, signed a deal with Nickelodeon for thirty-nine original DIC films under "The Incredible DIC Movie Toons" banner. All were spinoffs of existing DIC franchises, including Sabrina the Teenage Witch and Inspector Gadget. Although the broadcast networks, Nickelodeon, and Cartoon Network account for most of the animation on television, other networks are increasingly purchasing cartoon programming that appeals to their audiences. The Christian Broadcasting Network launched an animation division to produce series such as The Storyteller Cafe. Fox News Sunday, a program on the cable network Fox News Channel, has used animation to explain news stories during broadcasts. The Sci Fi Channel acquired its first animated show, Tripping the Rift (a CG series produced by CineGroupe in association with the property's originator, Film Roman), in 2002. Playboy TV commissioned its first animated series, Playboy's Dark Justice, in the early 2000s, while The History Channel licensed short films featuring rapping versions of the U.S. founding fathers from JibJab, a New York--based production company, as a way to promote a documentary on the actual people involved in the country's early days. Interactive television is another opportunity for animation producers, although it is just emerging as of this writing. A Danish company, ITE, has developed several interactive television shows, including Hugo the Troll and The Nelly Nut Show, which utilize 2D-animated characters that are able to interact in real time with viewers who call or e-mail. Most companies in this market use proprietary software systems and develop their properties internally, but are likely to consider ideas and characters created by outside firms, especially after the technology becomes established.

HOME VIDEO/DVD Home video has traditionally been viewed more as an ancillary product or secondary distribution channel for entertainment properties, rather than as a first-run venue for animation. Yet home video's and DVD's importance as initial distribution channels has grown, especially as a means of supporting existing franchises with new means of exposure. Rental and sell-through revenues for home video and DVD reached \$20.6 billion in 2002, according to the Video Software Dealers Association (VSDA). The sell-through portion of that (the revenues attributable to videos that were sold, rather than rented) was \$12.4 billion, or 60 percent of the market. Ninety-five percent of U.S. television households possessed a VCR, while 35 percent of TV households had a DVD player. The latter number continues to grow exponentially. A growing proportion of the videos and DVDs released each year, especially for the sell-through market, consists of original video productions. Animation comprises a small portion of these titles; according to The Hollywood Reporter just forty-six, or 2 percent, of the two thousand direct-to-video productions released in 2000 were animated. But animation is powerful when it comes to sales.

Adams Media Research found that forty-eight original video titles in 2000 achieved sales levels of fifty thousand units or more. Twenty-three, or 48 percent, of those were animated, with the year's top release being Disney's *The Little Mermaid II: Return to the Sea*, a 5.5-million-copy seller. Many of the major studios have developed strong direct-to-video initiatives, comprised of sequels to theatrical films or original movies based on television shows. Disney started the stampede with its *Aladdin* sequel, *The Return of Jafar*, which was released as an original video production and sold 4.6 million units in its first week; a later sequel, *Aladdin and the King of Thieves*, surpassed that with 6 million sold in its first week. Warner Brothers, 20th Century Fox, and other studios have had success with theatrical sequels, while Warner and others have developed video programs for their classic TV franchises (in Warner's case, *Scooby-Doo* and *Looney Tunes*). All of the twenty-three top-selling original animated videos mentioned above were based on existing franchises: eight on film properties, ten on television series, three on books or comic books, and two on classic song titles. Franchise-based original videos tend to earn good placement in stores; they maintain consumer awareness, which helps them attract notice on retail shelves; and they are often heavily marketed, since the studios feel the investment is worthwhile. All of these factors help boost sales. Meanwhile, the cost of production for an original video is usually much less than for a theatrically released feature, which means profits are often higher for a direct-to-video sequel than a theatrical one, at least in the children's market. The five top-selling original videos of all time, as of late 2002, according to *Video Premieres Magazine* (which changed its name to *DVD Premieres Magazine* in 2003), were all franchise-based. They included *The Lion King II: Simba's Pride* (1998, 14 million units sold), *The Return of Jafar* (1994, 11 million), *Aladdin and the King of Thieves* (1996, 9 million), *Beauty and the Beast: Enchanted Christmas* (1997, 8 million) and *The Little Mermaid II: Return to the Sea* (2000, 7.5 million), all from Disney. The top eight all-time best-sellers were from Disney; numbers nine and ten were the second and third installments in Universal's *Land Before Time* franchise. Marketing support for original video productions based on franchises can rival those for theatrical films in both their cost and the number of impressions generated. A 2000 direct-to-video production tied to Warner Brothers' *Batman Beyond* television series, *Return of the Joker*, attracted theatrical-level promotional partners that included Dairy Queen, Coca-Cola, Hasbro, Scholastic, and Orange Julius, all of which--along with Warner's internally funded advertising activity--created significant impact at retail, in schools, and in all advertising channels. In general, the big studios look at their direct-to-video program as opportunistic: if a property lends itself to video and there is some indication it will sell well (such as a track record in licensed products or other consumer markets), they will produce and release it as a direct-to-video production. This activity is not necessarily part of

an ongoing strategy, however; there are no objectives requiring a studio to produce a certain number of original videos per year. Even franchise-based original videos find it challenging to stand out in a crowded market, so studios are selective about which properties warrant an original video production requiring a high-profile marketing kick-off. While the major studios release the best-selling original video titles, some independent animation houses are also active in this sector. DIC Entertainment produced a series of four direct-to-video films as a key element in the relaunch plan for the classic property Strawberry Shortcake. Video distributor Artisan Entertainment, along with toy maker Mattel and animation studio Mainframe Entertainment, released an original video starring the doll Barbie in a production of The Nutcracker Suite, shipping nearly 3.5 million VHS and DVD units to retailers; an estimated 93 percent of those were subsequently sold to consumers. The production's success boosted sales of tie-in products from Mattel and other partners, and spurred production of a sequel, Barbie as Rapunzel, the next year and subsequent releases thereafter (now distributed by Lion's Gate). While producing and marketing a video without franchise backing seems a nearly impossible task, it can be done. If an independently produced, wholly original title can gain shelf space and generate positive word of mouth, it can succeed over time. More than 2 million copies of Annabelle's Wish, produced by Ralph Edwards Film, were shipped to retailers in 1997, for example. Probably the best example of a nonfranchise-based direct-to-video success is Big Idea Productions' Veggie Tales, an inspirational series that began its life on videos sold exclusively through the Christian bookseller market. After three years in Christian stores, the franchise was popular enough that Wal-Mart and other mass merchants began to carry the line. From 1993 through early 2002 Big Idea sold more than 25 million videos, not to mention 3 million musical recordings. One reason smaller studios can succeed in the video market, even with nonfranchise-based original productions, is because their assessment of "success" is different from that of the studios. Whereas a major Hollywood outfit might need to generate at least \$100 million from a single video production to deem it a success, a smaller producer might be happy with sales of just \$1 million. One of the most important trends in the video market in the early 2000s has been the rise of the DVD format. In 2002 DVDs accounted for 65 percent of video/DVD sell-through sales, or \$8 billion, representing a 51 percent increase over the previous year, according to the VSDA. The VHS format continues to dominate the rental side of the market, but its share dropped from 83 percent to 65 percent of rental revenues in 2002. The market for DVDs has grown twice as fast as the VHS market did in its early years; some publications are predicting the demise of VHS in the near future as VHS users purchase DVD players and move to that format. As of 2002, major chains such as Blockbuster are devoting nearly half their new-release shelf space to DVDs. Sales of the

video/DVD version of the theatrical film Spider-Man skewed 80/20 toward DVDs, while the breakdown for Monsters, Inc. was 50/50. These developments have caused studios large and small to release videos in DVD and VHS formats simultaneously, rather than waiting to see how the VHS did before considering a DVD, as was the case as the format emerged. They are also rereleasing earlier films, especially classics, on DVD. The home video/DVD sell-through market is cyclical, with the bulk of sales occurring in the fourth quarter of each year. Some of the major studios have reported that nearly half their revenue from videos and DVDs comes from sales occurring in October, November, and December.

INTERNET AND WIRELESS ANIMATION

The Internet has grown significantly as a channel for animation since the late 1990s. There were 69.1 million computer households in the United States in 2001, according to the U.S. Census Bureau--66 percent of all households had a computer. Of those, 87 percent had Internet access, according to the Census Bureau, and 12 percent had high-speed/broadband access, according to Jupiter Communications. Although the Internet did not turn out to be viable as a primary distribution channel or business model for animation companies--many entertainment-centric Web sites have folded--it remains a means of exposing a property to the trade and consumers. Producers and distributors of animated TV shows and films also enhance their off-line productions by creating convergent Web sites featuring interactive entertainment and activities. The Internet is an effective "incubator" for new properties. Online exposure can generate immediate feedback, allowing the creator to alter the property so it becomes more marketable for mainstream media. For example, the creator might stress certain elements that fans like or de-emphasize unpopular storylines. In addition, since online production is relatively low-cost, it is easy to experiment with little risk. Positive online feedback, as well as strong viewership levels, can help a producer sell a property to a television network or film studio. Web users tend to tell each other about properties or sites they like, so word of mouth can help build a following among core fans. Many producers try to encourage word of mouth by implementing so-called "viral" marketing efforts, such as sending an e-mail with a link to an original animation, in the hopes that recipients will forward it to their friends. Few Internet-origin properties make their way to mainstream media, but there are examples that illustrate how the Web can be a successful incubator. Showtime was one of the first networks to purchase an Internet show with its acquisition of Whirlgirl from Visionary Media. The episodes aired first on the network's Web site sho.com starting in 1999. The cable network TNN acquired Gary the Rat from MediaTrip and expanded it into a 30-minute television series. Mondo Media's Happy Tree Friends has moved from the Internet to DVD and cable, as well as into ancillary merchandise. UrbanEntertainment.com, a Web entertainment producer and distributor, has had success translating its Internet-developed

properties into mainstream media. It sold its series *Cisco & Ripple*, an animated movie review program, to the premium movie channel Black Starz!, which has an audience with similar demographic characteristics to UrbanEntertainment's. The studio also sold its webisodic series *Undercover Brother* to ImagineEntertainment, which developed it into a live-action feature film released by Universal in 2002. In rare cases properties originating on the Internet have become multifaceted franchises. Spring House Entertainment, a digital production company in Taiwan, attributed much of its nearly \$3 million in revenues in 2001 to its animated character A-kuei, a main feature on its Web site. Spring House had 300,000 paid subscribers to its site across Asia, but also generated revenues from Video CDs of its cartoons. A-kuei inspired licensed merchandise such as stationery and appeared in advertising and as a guest on television shows. An A-kuei feature film was planned for 2003. Studios of all sizes have set up Web sites to gain exposure for their lesser-known properties. Pixar, recognized for its CG-animated feature films, set up a Web site to spotlight some of its 3D-animated shorts, which otherwise would have little chance to be seen except at film festivals. Similarly, U.K.-based stop-motion studio Aardman Animations, producer of *Wallace & Gromit* and *Chicken Run*, introduced an Internet-exclusive property, *Angry Kid*, in 2001. Twenty-five 1-minute episodes attracted over 1 million views in their first two months online; the series was available on Aardman's site and on the Web entertainment destination site Atomfilms.com. Aardman also released ten new short *Wallace & Gromit* films, under the *Cracking Contraptions* banner, for online-only distribution. In order to increase traffic to animation sites and raise exposure for individual properties among both consumers and the trade, several companies have set up online film festivals. Yahoo! Internet Life and the Sundance Film Festival were among those sponsoring online film festivals as of 2001. (See more film festival listings in appendix 2.) Despite the demise of high-profile entertainment-destination sites ranging from Pseudo.com to Pop.com, there are sites that continue to specialize in online entertainment that includes animation. Internet sites tend to have far less exposure than a television series or other mainstream vehicle of course; Film Roman's Level13.net had 25,000 registered users in early 2001, more than a year after its launch. Most sites target a narrow audience, with the majority going after young adult males. Yet, there are destination sites for nearly every demographic group. Entertainment-destination sites are not the only distributors or purchasers of animated content. Corporate and sports-related sites, for example, seek animation to entertain their visitors, to encourage viewers to come back to the site, or to educate or demonstrate. Many of these sites commission the work on a contract basis and own all rights, while others acquire or license properties from independent producers. An example of the latter is *The Kellys*, an auto racing--themed series developed by SportsBlast and acquired by

nascar.com in 2001. In its first ten days online the series generated more than 100,000 downloads. Turner Sports Interactive produced and distributed The Kellys on behalf of SportsBlast. Technology companies often include animation on their corporate sites to demonstrate how their software products can be used. One Belgian company, Imagination in Motion, created a character called Night Knight to demonstrate its RealActor brand of 3D streaming software. The property began in 2000 as a couple of 30-second webisodes produced for less than four thousand dollars each, targeted at kids aged eight to twelve. The company planned to develop the property for a CG television series, interactive gaming, interstitials, and interactive television, as well as syndicating it to other Web sites and creating licensed merchandise. An important venue for Internet animation is comprised of "convergent" sites set up by film studios, television networks, and others to enhance fans' experience with their off-line entertainment properties. The company ties its off-line and online activities together to drive traffic back and forth. This strategy reinforces the company's brand(s), allows for cross-promotion of online shows on-air (or on-screen or in-game) and vice versa, and creates more advertising opportunities for the company's partners. The online venue also allows low-cost testing of limited licensed products and new entertainment productions, and generates feedback on both the online and on-air content. The online and off-line staffs work together to convey the same message about the brand and ensure complementary programming choices. Macromedia's Flash software, used to create most online animation, can be used easily and cost-effectively for television animation as well, which allows for content sharing. Egmont Imagination, the animation subsidiary of the European publishing giant Egmont, was among the many producers and networks to promote the convergent aspects of its programming in the early 2000s. For example, it pitched its Flash-animated series Solve the Mystery with Inspector McClue at the television trade show NATPE in 2002. The concept allows children to discover clues to the mystery by watching the show and then to solve the mystery online. The program, coproduced with TV2 of Denmark, had a successful history on Danish television. Online Challenges Although the total universe of computer users is large, there are many challenges facing those whose business model relies on the Internet as a distribution or revenue-generating channel. One barrier has been the lack of widespread broadband access. Online entertainment files are often large and therefore slow to download or view. This is one of the reasons that Flash animation has become so popular; its animation style is simple and file sizes are small. Greater broadband penetration will allow for much more sophisticated Internet animation--similar to video-game or television quality--without sacrificing speed and frustrating viewers. The number of households with broadband is increasing quickly, and more access will enable increased sophistication and variety in online animation and may create an

environment where Internet animation can attract revenues. Another barrier--one likely to remain--is that online viewership is highly fragmented, meaning that audiences for any one site are too small to attract mainstream advertisers. And due to the low barriers to entry (just about anyone with a computer can create animation for the Web) quality is an issue. Online-only companies (known as "pure-play" operations) originally had business models driven by advertising; they hoped they could create low-cost content and attract viewers and, in turn, advertisers or sponsors. Eventually the novelty of the Internet wore off and all the bad animation began to alienate viewers. Audience sizes have not grown to a level that would appeal to most mainstream advertisers. To be successful, Internet animation must be interesting enough to make people stay a while. It must also be ever-changing, so viewers will want to visit the site repeatedly. And it must generate enough "buzz" to create word of mouth, so audience size increases. Sites that can achieve these goals over a long enough period of time to amass a large and loyal audience may be able to make money from their efforts and create a viable business model.

Wireless communication is an emerging business, especially in the animation sector. The consumer base in the United States, Europe, and most of the rest of the world is small for uses outside telephone communication, and the technology is such that animation is very simple and of poor quality. Wireless technologies include WAP (wireless application protocol) and MMS (multimedia message service), neither of which have been embraced fully by consumers. New "smartphone" models allow Java- and BREW-based animation and gaming; the better quality may attract new consumers over time. Wi-Fi, or Wireless Internet, took off in 2003 and holds promise as a mainstream technology. Japan is one of the few countries where wireless has made a mark in the animation industry. Telephone company DoCoMo markets i-mode phones that allow connectivity to the Internet as well as the downloading of small entertainment files. In Japan 25 million users as of 2001 owned i-mode phones, representing about a quarter of the population. More people regularly use i-mode than the Internet, although its usage fell off somewhat in 2002. (E-mail use continues to grow.) Because a significant number of people already own these phones, some Japanese content providers have focused their businesses on creating animation and games for i-mode phones since 2001, when the first animation became available for the technology. DoCoMo collects fees from its customers for each information "packet" downloaded and passes along a percentage of the fee to its official content providers. (Unlike on the Internet, all DoCoMo content providers are officially sanctioned, preventing content over-saturation.) Consumers' fees for general phone service are low, but their bills can add up if they download a lot of information. This model gives content providers a significant potential revenue stream; they do not need to sell advertising to survive. Games accounted for 90 percent of content downloads during

2001, but some content providers have successfully marketed animation packets. One company, Cybird, was licensed by Disney to create animation based on its characters; the Disney site was one of twenty-four Cybird sites that offered various types of character animation for the i-mode. Some observers believe the production of animation for cell phones, handheld computers, and personal digital assistants (PDAs) may become a bigger business in the U.S. and elsewhere than it is now. Some content providers are marketing animation for wireless devices in the early 2000s, including Eruptor.com and 3D Pulse, which supported PocketPC units. Viral marketing (efforts to spur word of mouth via e-mail) to encourage additional downloads is a key promotional tool in this market.

GAMING Gaming, for video game consoles, computers, and wireless devices, has become a larger industry than filmmaking in terms of total revenues (including both hardware and software). In 2001 U.S. sales of computer and video game software alone reached \$6.35 billion, with \$4.6 billion (72 percent) of that from console video games and \$1.75 billion (28 percent) from computer games, according to the Entertainment Software Association and NPD Techworld. There are differences between the console and computer game sectors in terms of dominant consumer groups and sales. In video games the top genre was sports, accounting for 22.2 percent of the market, followed by action games, with 19.8 percent, and strategy/role-playing games, with 17.6 percent. In computer games the top genre was strategy games, accounting for a 25.4 percent share (role-playing added another 8.8 percent), followed by children's games at 14.2 percent, and family titles at 11.5 percent of the market. According to Forrester Research, 58 percent of consumers with a home-based personal computer use it for playing games. Revenues from interactive games rivals that of other entertainment vehicles for some multifaceted studios. In fiscal 2002 Sony Corporation's worldwide revenues for game consoles and software exceeded \$8.4 billion, while motion pictures and television generated \$5.3 billion and music \$5.39 billion. Sony has long been active in the interactive game market, starting in electronics before moving into entertainment, but all the studios have joined Sony in viewing interactive software as an important business. The gaming industry offers many opportunities for CG animators, who create both 3D character animation for the game itself and in-game cinematics (that is, animated scenes that further the story and/or reward gamers for reaching certain levels). Many of these animation sequences, which can reach five minutes in length, are created by outside companies on a work-for-hire basis. The games themselves are proprietary to the company that created them, and are often the basis for further entertainment such as films or merchandise. Keeping up with technology is a struggle in gaming, probably more than in any other sector of the animation industry, as the major console manufacturers continuously introduce new platforms. Not only do game developers have to spend to keep up with the new

authoring tools (the technologies used to create the game) in order to stay current, but they must continue to support older technologies that are still being used by consumers. Some of the leading platforms as of the early 2000s include Nintendo's GameCube, Sony's PlayStation 2, and Microsoft's Xbox, plus several handheld games, a number of older consoles, and PC and Macintosh computers. (This roster excludes games created for arcades and cell phones.) Acquiring the rights to create and sell games for multiple platforms helps a game developer or publisher spread its risk, but this strategy is expensive. Some studios lack the financial or human resources to embark on this path, and choose to specialize instead. As of 2001 Sony had the largest number of consoles in homes, and therefore offered the most profit potential for its developers. As would be expected, it had the greatest number of developers onboard, with three hundred companies making games for Sony machines. Each company has its own characteristics--such as how difficult it is to program games for its platforms, how responsive it is to developers' needs, the size of its installed base, and its prospects for future growth--which developers and publishers must weigh before approaching each for a license. A typical title in the violent Doom franchise, released by Id Software, sells more than 1 million units; the same company's Quake I, II, and III titles sold 4 million copies as of early 2003. Blizzard's Diablo II generated sales of over 2 million units in its first three months on the market, while its Warcraft II: Tides of Darkness moved almost 2.5 million units on a global basis. The first two games in Ubisoft's Rayman franchise sold over 10 million games. Duke Nukem, a violent franchise developed by Apogee/3D Realms, has generated \$250 million in sales over its lifetime. Mainstream titles containing less violence, such as Final Fantasy or Pokémon, can achieve higher sales levels. Of course, these are all bestsellers; many titles will achieve sales levels that are a fraction of these numbers. Sales for individual computer games and software are less on average than those for console video game titles. Some big-selling examples include: Star Wars titles for the Mac, some of which have sold a quarter of a million units in less than a year; Humongous Entertainment's Pajama Sam, which sold nearly 135,000 titles in the year of its release; and Barbie Riding Club, from Mattel, which sold more than 80,000 units, valued at \$2 million, in just three months. Studios that create animated entertainment properties, especially computer-generated productions, look at gaming as an important ancillary revenue stream, and design and produce game elements and animation along with the television series or film itself. The two media can share digital assets, which reduces costs and development time, allowing the game to be released near the show's debut. In addition, game developers who are involved early in the process can sometimes provide design or story input that positively affects the entertainment vehicle. Mainframe Entertainment is one studio that has tried to acquire interactive rights as well as television rights to

properties it produces. Video and computer game productions are becoming more like films, incorporating sophisticated animation and, on occasion, voice-overs by well-known actors. For example, Disney Interactive's videogames based on its film *The Lion King* featured all the original voice actors from the film, including James Earl Jones and Jeremy Irons. *Kingdom Hearts*, an action-oriented role-playing game starring Disney characters as well as new creations (a joint production for PlayStation 2 from SquareSoft and Disney Interactive), included star voices such as Haley Joel Osment. At the same time, production and marketing budgets are rising, leading to a situation where only a few titles (5 percent for some companies) are profitable. That ratio makes it difficult for a developer to find a publisher for its titles, if they're not based on a hot license or a successful existing gaming franchise. Another important trend in gaming is the rise of online, multiplayer titles, where gamers can compete against thousands or even millions of others in cyberspace. Some of these multiplayer titles are wholly for online use; the player downloads the software and passwords from the company Web site and logs onto the Web to play. Other multiplayer titles are a hybrid of console and online games, allowing individuals to play in the traditional console manner, or against other players online. Some multiplayer games are being developed for wireless technologies as well. DFC Intelligence estimated in 2001 that 114 million people would be playing online games by 2006, 23 million of them from consoles such as the Xbox. Even as of 2002, according to DFC, top online games can generate revenues of more than \$100 million each.

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This book is chock full of information about the business side of animation. It is geared toward a larger studio, not a single person boot-strapping from their bedroom. So if that fits what you're looking for, then this book will not disappoint. Some information does become dated, such as specific websites and other online related details, but as they say, the more things change, the more they stay the same. This book remains relevant. So even though it may need an update, I am still giving it 5 stars.

I hope Karen Raugust updates this book. It has great general information about the animation business, but the examples and statistics are from six to seven years ago. Animation is a dynamic industry and updated information would make this book invaluable.

Well this is one of the most important animation books I have bought, well over 300 pages of useful information, finally finished reading this book, it has to be read carefully since you may miss some very important information if read too quickly, it talks about about how money is made in animation, workflow (development, pre-production, production and post production) studio positions, industry pay or hourly charts (reference not binding) pitching an idea, being and independent creator or working for a studio, partnerships, legal representation or using an agent, the day to day operation of a studio, copyrights, trademarks, and geographically how animation is conducted as a business worldwide breaking down the countries and even some of the laws and tax laws, it has a lot of necessary animation authority references to start making contacts, and how to protect your ideas and what can be protected and can't, this book came out about five years ago, but the information can be easily updated but the concepts are still applicable, Karen Raugust wrote a well written heavy duty book that covers just about everything and more, for someone really interested in an animation career, highly recommend!!!

I was looking for a book that could provide details on the inner workings of the animation business. This book did not disappoint. In fact it is much more than I expected. The book details such thing as financing, budgeting, distribution, marketing, pitching your product, operational strategies, and key management fundamentals specific to this industry. It is obvious that the author has been entrenched in this industry and knows it well. Page after page is filled with factual data about production budgets, film revenues (not just box office, all the channels), operational costs, and extremely informative statistical snapshots. This edition was printed in 2004 and the industry has certainly changed, but a vast majority of the information in this book is still relevant today.

In searching for general information concerning the business side of animating, this particular book ("The Animation Business Handbook") provided a lot of information.

I had been checking this book out for sometime finally had the chance to own the book so I purchased. Welcome addition to my library.

Very up to date.

A book for \$500??? What a load of....I think I would recommend "The Graphic Artists Guild

Handbook Pricing and Ethical Guidelines" instead. There's a good deal of animation related stuff along with ideas that relate directly to the animation field. "Heck, you could buy 300 of them for the same price and fill up your book shelf...

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DISNEY'S ART OF ANIMATION Disney's Art of Animation #1: From Mickey Mouse, To Beauty and the Beast The Complete Animation Course: The Principles, Practice and Techniques of Successful Animation Animation (Walt Disney Animation Studios: The Archive Series) The Animation Book: A Complete Guide to Animated Filmmaking--From Flip-Books to Sound Cartoons to 3- D Animation Trade Secrets: Rowland B. Wilson's Notes on Design for Cartooning and Animation (Animation Masters Title) Elemental Magic, Volume II: The Technique of Special Effects Animation (Animation Masters Title) Stop Motion: Craft Skills for Model Animation (Focal Press Visual Effects and Animation) Producing Independent 2D Character Animation: Making & Selling A Short Film (Focal Press Visual Effects and Animation) Animated Life: A Lifetime of tips, tricks, techniques and stories from an animation Legend (Animation Masters) Animation in the Home Digital Studio: Creation to Distribution (Focal Press Visual Effects and Animation) Business For Kids: for beginners - How to teach Entrepreneurship to your Children - Small Business Ideas for Kids (How to Start a Business for Kids - Business for children - Kids business 101) ESL Business English: The essential guide to Business English Communication (Business English, Business communication, Business English guide) The Animation Business Handbook Business Turnaround Blueprint: Take Back Control of Your Business and Turnaround Any Area of Poor Performance (A Business Book for the Hard-Working Business Owner) Taiwan Business: The Portable Encyclopedia for Doing Business with Taiwan (Country Business Guides) Photography Business: "Making Money in the Music Business as a Photographer" and "How to Make Money and Grow Your Business with Portrait Parties" Business Plan Template: Complete Fill in the Blanks Sample Business Plan Proposal (With MS Word Version, Excel Spreadsheets, and 7 Free Gifts) (Starting A Business Book 2) Business Plan Writing Guide: How To Write Successful & Sustainable Business Plans (Business Plan Writing Guides Book 1) Business Valuation for Business Owners: Master a Valuation Report, Find the Perfect Business Appraiser and Save Your Company from the Looming Disasters That You Don't Yet Know About Business plan template and example: how to write a business plan: Business planning made simple

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