

Working with Dinosaurs

There has been an ongoing debate as to whether the dinosaurs became extinct "overnight" or whether it took a period of many years. Based on my experiences in the licensing industry, I'd have to vote for the "took years" position – not because I am old enough to know, but because we are watching a dinosaur on the cusp, fighting for its survival: movie licensing.

There has been no shortage of commentary on the speed at which movies move through the theaters. Huge opening weekends, followed by three weeks (for those lucky few) of press coverage, then oblivion -- to 14-screen suburban multiplexes. Go to a "blockbuster" in week four and you pretty much have the theater to yourself – probably because by week five you can purchase the DVD at another "Blockbuster."

So with this rapid evolution in the dynamic of movie marketing, one might think the studios would adjust their licensing posture to reflect the speed of the actual movie. But no, it is still business-as-usual in the consumer product departments. Producers still look to these folks for a portion of the revenue, always citing *Lion King* merchandise success.

Memo to studios: Those days are gone.

Yes, there are still huge box office successes. But the successes in merchandise sales are fewer and farther between. Consumer product success is now a function not of the movie itself, but the related equity from which the movie is born. Movies, in effect, have become licensed products of their own.

Think Spiderman. A huge success, Sony and Marvel leveraged a 50-year-old comic book equity into the stratosphere by building on nostalgia and the need for heroes in today's world.

But Spidey is one-in-one-thousand. On the other side, think *Finding Nemo*. Personally, I think *Nemo* is Samoan for "little merchandising." Talk about changing times. Compare *Nemo* with *The Little*

Mermaid and you can see that box office, story, and great marketing are all there, but the lack of retail support made it impossible for the brand to build enough equity to sell through.

"So, know-it-all," you are probably thinking, "How do you structure licensing deals with companies that have to tool, develop, and sell product to just three or four major retailers?"

And how do you get those retailers to support a broad-based consumer product program for a movie that is more like a promotion – just a few weeks in and out?"

Good questions. Let us add another question: Are guarantees even relevant anymore?

I know I am speaking heresy here, but manufacturers are the one that need the guarantees. Guarantees of retail support, of marketing windows, of timely style guides and talent approvals. Box office guarantees. With the high risk of low/no sales, shouldn't a reasonable advance based on the cost of development be enough? If it is a hit, everyone collects on the backside anyway. (At least in my dreams.)

It has been done, to some extent, before. For instance, when Fox launched *Anastasia*, I recall an approach that was based on smaller deals with a win-win scenario, and in spite of a great movie and less than great merchandise sales, few manufacturers felt burned by that experience.

Dylan's "Times They Are A-Changin'" applies here: it is time for the licensing industry to give the manufacturers their due. Pre-movie merchandising drives tickets; strong ticket sales drive merchandise. The manufacturers have proven their worth; it is time for the studios to see them as more than revenue – recognize them for the synergy they create – and they take the same risks proportionally on merchandise that studios take on movies.

Either that or the industry as we know it could drive itself to extinction.

Wally

MEET THE "OTHER" FAB FOUR

Do you know Greg, Murray, Jeff, and Anthony?

If not, chances are you don't have a child between the ages of two and five in your home. These guys are "The Wiggles," and they are the shining stars of the kids market. Like the original Fab Four, they sell out on their concert tours, appear at major events (including the Thanksgiving Day Parade), have the top selling DVDs and Video's in the US – and the top rated show on the Disney Channel to boot.



The Wiggles are also in retail outlets everywhere, and Building Q clients are enjoying their success. MODERN PUBLISHING, manufacturer of coloring and activity books currently has a line of 12 titles on the market with more to follow for 2005.

"If there was ever a natural fit for our category, the Wiggles are it," said Andrew Steinberg, President of Modern Publishing. "We look forward to creating many more great products for the Wiggles in the coming year."

Basic Fun
Water Wiggler

BASIC FUN shakes things up with their Wiggles Water Wiggles. These novelty toys rock-and-roll in the palm of your hand. Other Basic Fun products include Wiggles keychains and finger puppets. New 2005 products include figural keychains featuring all four guys.



AD SUTTON and SONS will add new SKUs to their successful line of children's backpacks throughout 2004 and beyond. Based on the sell-in, the Wiggles have quietly assumed a top spot in the strong ADS line of backpacks and accessories. Just count the Wiggles backpacks on your morning commute as you pass by school bus stops.

As we go to press, our trio just became its own Fab Four with the addition of KOSMAKRE, which has signed on to produce a line of children's bandages.

THE JOURNEY

By Mary Oliver

One day you finally knew
what you had to do, and began,
though the voices around you
kept shouting
their bad advice--
though the whole house
began to tremble
and you felt the old tug
at your ankles.
"Mend my life!"
each voice cried.
But you didn't stop.
You knew what you had to do,
though the wind pried
with its stiff fingers
at the very foundations,
though their melancholy
was terrible.
It was already late
enough, and a wild night,
and the road full of fallen
branches and stones.
But little by little,
as you left their voices behind,
the stars began to burn
through the sheets of clouds,
and there was a new voice
which you slowly
recognized as your own,
that kept you company
as you strode deeper and deeper
into the world,
determined to do
the only thing you could do--
determined to save
the only life you could save.

NEWS & NOTES

2004 LICENSING SHOW HIGHLIGHTS

- Be sure to look for the unveiling of Building Q's brand new booth at this year's show. We will be in Booth # 3553 – stop by to take a look at our new place!
- LIMA Awards – T-Shirt manufacturer ODM is nominated for Entertainment Brand Licensee of the Year – Soft Goods, for its Orange County Choppers (OCC) T-Shirts. The envelope will be opened for this and all the LIMA awards on Wednesday, June 9.
- Fun Run – Now in its 5th year – come out early on Thursday, June 10 to run in one of the world's best places– Central Park. Woody and the gang step off at 6:45 AM – a perfect way to start the last day of the show!

NEW BUSINESS

We are welcoming the following manufacturers to the Building Q family in 2004:

- **VANDALE INDUSTRIES:** A premier manufacturer of Intimate Apparel including sleepwear, loungewear, daywear and innerwear/foundations. The company's mission is to supply superior product to all channels of distribution by forging long-term partnerships and servicing our customers needs.
- **METOO PET PRODUCTS:** Manufacturer of pet products including dog and cat toys and accessories, bird houses and feeders, and aquariums and accessories.

UPCOMING TRADE SHOWS

Mark your calendar for the upcoming events:

- **All Candy Expo** – Chicago, June 6-8
- **ACCI Craft Show** – Chicago, July 15-17
- **Comic Con** – San Diego, July 22 -25
- **Summer MAGIC** – Las Vegas, August 30 – September 2
- **SHOPA** – Orlando, September 20-24
- **Fall Mass Market Toy Fair** – New York, October 19-21



PDQ CLEANS UP NICELY

While PDQ has occasionally been called to "mop up" a stalled product development situation, we were recently hired by actual cleaning specialists: Quickie Manufacturing, America's premier manufacturer of household cleaning tools. The assignment is top-secret, but we promise to bring you an update in the future.

Meanwhile, the PDQ roster has been expanding. In addition to work in the toy and craft industries, we have recently done work for companies in healthcare, health & beauty and other consumer products channels. For more information about PDQ's experience with brainstorming sessions, concept sketches, styling renderings, product development & engineering, production and Far East manufacturing oversight, please give us a call. You might even call us clean up specialists – let us show you how we can help you add shine to your product line.

For more about PDQ, contact Jonathan Jaffe at jaffe.pdq@buildingq.com.

In the many years we have published *Spirit of the Deal*, folks have constantly emailed and called with questions. We've been a bit busy, so we stored them up for a rainy day. Hey, we were working! But now, without anything really funny to put on this page, we thought, "We could answer some of those questions as filler!" So, here are a handful of our most-often-asked questions.

Dear Editor,
Did Paul Teutel of Orange County Choppers join your firm? His license is all over the client roster. Let me guess – you used one big client as leverage to get in for all the little guys, right?

--BIKER ENVY

Dear Biker,
While using a major client as leverage to get a license for other clients may sound smart (and some of folks do it), it goes against pretty much everything we believe in. Our strategy is to treat every client as an individual entity and make each deal on its own merits. That is not to say that our relationship with a licensor doesn't help – sure it does – but each deal has to make sense in its own right. In the case of OCC, we had a great existing relationship with their representative, Jim Bell of J2 Licensing, and when we saw the opportunity to get into OCC before the brand really took off, we had that relationship as a base. And, you can see from the client list, we haven't won all the logical deals we could with OCC. No matter how good a relationship we have with a licensor, we can't get them all.

Dear Editor,
Why would I want a consultant? As a manufacturer, I already get calls from licensors who want us to license their stuff. This doesn't seem so hard.

--A SKEPTIC

Dear Skeptic,
It's not hard to make a deal. The question is whether it is the right deal and whether it will make money. We work really hard for our clients to build positive long term relationships with the licensors with whom they work. We solve problems on a day-to-day basis, open doors, calm nerves...and make great hand-holders.

It's true: you may be able to get a deal, but would you have the experience to get the best one? Or the next one? And will it fit your long-term strategies?

Dear Editor,
We noticed you have another company on your web site – PDQ. What does it do and will you do it for free for current clients?

--LOOKING FOR A DEAL

Dear Deal,
PDQ, our sister company that manages product development, was born about seven years ago out from the need of a few clients for product development services. What we thought would be an added service turned into a separate company, as more work came from outside our client roster than inside it. That may have to do something with the fact that we do charge for the service – but that's just a guess. For more about PDQ, we recommend you call Jonathan Jaffe, Executive Vice President, who is stationed down the hall from us at 856/782-3377.

Dear Editor,
We have always wondered – why is the firm called Building Q?

--JUST WONDERING

Dear Just Wondering,
Truth, justice and the American way. No really, the company's roots lie within an office complex in Cherry Hill, NJ where our first home was actually in "Building Q". Woody thought it was a catchy, hip name for the company – better than "Woody Browne and Associates."

Dear Editor,
Say we hire you – how do you get paid?

--BOTTOM LINE

Dear Bottom Line,
In lots of unmarked bills. Actually, Building Q is compensated in two ways. Our clients pay a monthly retainer that acts as a draw against earned commissions on sales of your licensed products. On occasion Building Q is employed on a project basis for that licensee not interested in building a program, but rather is looking for one license to help build their business.

Dear Editor,
How are responsibilities divided among team?

-- A HEADHUNTER

Dear Headhunter,
Our Building Q team includes three seasoned professionals and a great support system. As Director of Marketing, Gary handles licensing for hard goods products such as toys, collectibles, sports and housewares. As Director of Licensing, Terry handles apparel and accessories. Michelle Brown is our overworked Office Manager (and that welcoming voice most folks hear on the phone when they call), and Woody oversees all the monkey business.

Dear Editor,
Each issue I see how many clients are listed on the last page and I can't fathom how you can juggle them all. Yet you call me all the time and your reports (and our revenue) clearly show you are paying attention to us. Do you just ignore everyone else?

--A CURRENT CLIENT WISHING TO REMAIN NAMELESS

Dear Nameless,
We are actually cloned. Only kidding – it just seems that way. We have a good team that has worked together for awhile, and we've gotten into a groove that allows us to help support each other and maximize our time. If Woody can't make a meeting, Gary can; if Terry needs to be in LA, Woody can go to New York.

For the answers to more questions, send 'em our way. We will try to answer them when we have a moment ...



News & Previews

For more information on Building Q or our clients contact us at:

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CLIENT	DISTRIBUTION		
APPAREL & ACCESSORIES			
A.D. SUTTON & SONS	Mass, Mid-Tier, Specialty	Backpacks, Rolling Backpacks, Handbags, Totes, Lunch Bags, Cooler Bags, Luggage, Wallets, Coin Purses, Cosmetic Cases, Belt Bags, & Automotive Accessories	Blue Jean Teddy, Boyd Coddington*, Care Bears, The Cat, Coca-Cola, The Dog, DragonBall Z, Dragonball GT, Koala Brothers*, NASCAR & Drivers, Orange County Choppers, Strawberry Shortcake, Totally Spies, The Wiggles, World's Strongest Man*, Yu-Yu Hakishu
BCI	Mass, Drug, Grocery, Convenience Stores	Sunglasses, Reading Glasses, Computer Eyewear	Crayola*, Hawaiian Tropic
ISAAC MORRIS	Mass, Mid-Tier, Specialty, Department Store	Newborn, Infant, Toddler, Juniors, Girls and Boys Apparel	Batman, Betty Boop, Betty & Veronica, David and Goliath, The Dog, Koala Brothers, Leslie Beck, Miffy, Power Rangers, Powerpuff Girls, Scooby Doo, So Girly, Superman, Supergirl
ODM	Mass, Mid-Tier, Specialty, Dept. Store	Men's, Young Men's, Boys (4-20), Juniors, Girls (4-16), T-Shirts in all models and fabrics including jersey and fleece, Headwear	Alf, Bob Ross, Bruce Lee, Cadillac, Chevrolet, Corona, Cowboy Bebop, DragonBall Z, Fear Factor, Guinness Beer, Import Tuner, Initial D, Jimi Hendrix, Man Show, , Monster Jam, Orange County Choppers, Pontiac, Triumph the Dog, World Poker Tour, Yu-Yu Hakishu, Vivid Video
PACESETTER	Mass, Mid-Tier, Specialty, Dept. Store	Bibs, Cuddle Pillows, Diaper Bags, Gift Sets	Baby Gund, Baby Snoopy, Beatrix Potter, Blue Jean Teddy, Boyds Bears, Cherished Teddies, Bessie Pease/Flavia, The Dog, Dear God Kids, Hello Kitty, Kolcraft, Leslie Beck, Little Tikes, Little League Baseball, NASCAR & Drivers, Sue Dreamer
SUNWISE SWIMWEAR	Drug, Grocery, Mass, Mid-Tier	UV Protective Swimwear	Coppertone
VANDALE INDUSTRIES	Mass, Mid-Tier, Specialty, Department Store	Loungewear, Sleepwear, Intimate Apparel	Pamela Anderson, Rampage
COLLECTIBLES			
COMIC IMAGES	Mass, Drug, Convenience Stores, Hobby	Trading Cards, Trading Card Collectible Games, Antique Gumball Machines, Bobble Heads, Bobble Pens, Snow Globes	24, Betty Boop, Hulk, Shrek II, Spiderman, Star Wars: Episode III*, Van Helsing, World Wrestling Entertainment
HOUSEWARES			
ALOHA WORLDWIDE	Mass, Mid-Tier, Home Stores, Commercial/Industrial	Portable Heaters, Air Conditioners, Fans, Lighting & Lighting Systems	
FOOD			
BAKERY CRAFTS	Retail & Supermarket Bakeries, Cake & Candy Supply Shops, Ice Cream Shops	Cake Kits, Cake Toppers, Cupcake Decorations, Wedding Ornaments, Candles, Bakery Supply Equipment	Batman, Blue Jean Teddy, Bratz, Care Bears, Cat in the Hat, Clifford, Crayola, Collegiate Licenses, The Dog, Duel Masters*, HarleyDavidson, Hello Kitty, Hulk, Justice League, Koala Brothers, Mighty Beanz, NASCAR & Drivers, Orange County Choppers*, Peanuts, Pokemon, Power Rangers, Precious Moments, Scooby Doo, Sesame Street, Spiderman, Superman, Transformers, World Wrestling Entertainment
FRANKFORD CANDY & CHOCOLATE COMPANY	Mass, Drug, Grocery, Specialty, Convenience Stores	Seasonal & Everyday Chocolate & Non-Chocolate Confections, Jelly Pops & Novelties, Retentative Value-Added Containers, Novelty Lollipops, Dispensers	Barbie, Beatrix Potter, Blues Clues, Care Bears, Dora the Explorer, Evergirl, Hello Kitty, Hot Wheels, Nickelodeon, Rugrats, Scooby Doo, Spongebob Squarepants, The Simpsons
HEALTH AND BEAUTY AIDS			
BIOLAB INTERNATIONAL	Department Stores, Mass Market, Grocery, Drug, Salons, Direct Sales, Catalog	Bath and Body Care Gift Sets	So Girly*
KOSMA-KARE	Mass, Drug, Grocery	Adhesive Bandages	Bob the Builder, Jay-Jay the Jetplane, Rescue Heroes, Strawberry Shortcake, The Wiggles*
STATIONERY AND PUBLISHING			
INNOVATIVE DESIGNS	Drug, Grocery, Mass, Specialty	Stationery and School Supplies	Boyd Coddington, Care Bears, Little Bratz, Monster Jam, Orange County Choppers, Spiderman, Teenage Mutant Ninja Turtles, The Simpsons*, Totally Spies
MODERN PUBLISHING	Drug, Grocery, Mass, Specialty	Coloring, Activity, and Sticker Books, Story Books, Paint with Water, Workbooks, Board Books	Babar*, Barbie, Bey Blades, Bratz, Build A Bear, Care Bears, Caillou, Hasbro Games, Jay Jay the Jetplane, Kellogg's, Hot Wheels, Little People, Mighty Beanz, Orange County Choppers*, Rescue Heroes, Teenage Mutant Ninja Turtles, The Wiggles
PET PRODUCTS			
METOO PET PRODUCTS	Specialty Pet Stores, Mass, Home Improvement	Dog and Cat Toys, Pet Accessories, Bird Houses & Feeders, Licensed Aquarium Accessories	
TOYS AND GAMES			
BASIC FUN	Mass, Toy, Specialty, Drug, Grocery, Craft	Functional & Figural Keychains, Danglers, Water Wigglers, Windup Toys, Impulse Toys, Christmas Ornaments	Astroboy, Barbie, Blues Clues, Bey Blades, Build A Bear*, Disney Princesses & Standard Characters, Dora the Explorer, Etch-a-Sketch, Fairly Odd Parents, Franny K. Stein*, Hot Wheels, Hulk, The Incredibles, Mighty Beanz, Muppets, Olivia*, Peanuts, Pez, Simpsons, Snapple, Spiderman, Spidey & Friends, Spongebob, Spy Gear, Teenage Mutant Ninja Turtles, Transformers, Wild Thornberrys, The Wiggles, Yu-Gi-Oh
CADACO	Mass, Toy, Specialty	Board Games, Puzzles, Activity Sets, Chalk and Outdoors, Magic Kits	Care Bears, Counting Sheep*, Lance Burton, Marshall Brodien, MLB Cooperstown Collection, MLB Players Association
FIBRECRAFT	Mass, Specialty, Toy, Drug, Craft	Craft & Activities	Nickelodeon, Peanuts, Scooby Doo
FUSION TOYS	Mass, Toy, Specialty, Drug	Tethered Flying Toys & Outdoor Inflatables, Bath Toys	Disney Standard Characters, Disney Princesses, Harry Potter, The Incredibles, Justice League, Pooh, Peter Pan, Shrek II, Thunderbirds*, Toy Story, Universal Monsters
JARU TOYS, INC.	Grocery, Mass, Toy, Drug	Impulse Toys	
SRM ENTERTAINMENT	Mass, Toy, Drug, Specialty	Light Chasers	Dora the Explorer, Fairly Odd Parents, Hello Kitty, The Hulk, Jimmy Neutron, Koala Bros*, Power Rangers, Scooby Doo, Spiderman, Spongebob Squarepants

* - Contract Pending

