

YMA YOUTH MARKETS ALERT

TRACKING CRITICAL TRENDS AMONG YOUNG AUDIENCES SINCE 1988

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Toy Makers Pin Holiday Sales On Films Kids Aren't Allowed To See (Wink, Wink)

The toys that children will be requesting this holiday season are most likely to come from movies they aren't allowed to see, unless they're with someone over 17.

Store shelves are filled with *Iron Man*, *Batman: The Dark Knight* and *Transformers* merchandise, and the licensing of older-targeted movies is now expanding into preschool categories. "Several years ago, many retailers wouldn't touch kids' products based on PG-13 movies. As with many things, times are changing," says NPD Group toy analyst Anita Frazier. "I think everyone recognizes movie ratings are somewhat of a marketing tool."

The toy industry also understands that movies can be a strong sales driver in a slumping economy. Licensed toys represented 27% of total industry sales in 2007, up from 25% in 2006, according to NPD Group. The availability of entertainment-based toy products has also moved beyond the toy aisle to reach more extensively than ever into drug and grocery stores.

See The Movie, Crave The Toy

The majority of recent movie-based licensed toys are aimed at those under age 8 (see chart on page two). Hasbro's holiday boy product line primarily consists of six licenses — *Iron Man*, *The Hulk*, *Star Wars*, *Indiana Jones*, *G.I. Joe: Rise of Cobra* and *Transformers*. All, except *Star Wars*, are rated PG-13. Mattel holds the license for *Batman: The Dark Knight*, which many argue should have been rated-R not PG-13.

"It's certainly a head-scratcher. If a movie isn't intended for kids, then why are toy companies choosing these properties to drive business with kids?" asks marketing analyst Paul Kurnit. "At the same time, now the movie is just the triggering event for a [larger] concept."

Neither analysts nor toy industry executives believe there is a significant problem with licensing older-age entertainment properties

for toys that appeal to younger audiences. Indeed, toy makers count on kids being aware of these movies. "They work hand-in-hand. Licensing is a form of promotion for the entertainment itself," says Frazier. She adds that kids typically want the toy after seeing the movie, rather than the other way around.

Promotional Partnerships

Toy companies plan their marketing outlays around key dates, specifically theatrical and DVD releases. For example, Hasbro's Brian Goldner said in a conference call that the company's holiday boy product line will benefit greatly from the promotional push of DVD releases for *Iron Man*, *The Hulk*, *Star Wars* and *Indiana Jones*.

Retailers also market these toys under the assumption that children will see the movies. For instance, the product description on the Toys R Us website of Hasbro's *Iron Man* N.R.F. 425 Blaster notes children can "shoot 10 rapid fire mini darts with this awesome blaster just like *Iron Man* in the movie!" The site's description of a *Batman: The Dark Knight* mask says "all boys will want to play out their favorite *Dark Knight* movie adventures."

The majority of analysts YMA spoke with believe that because PG-13 ratings are arbitrary, there shouldn't be any problem with licensing these films as toys. "I recently watched older PG-rated movies and am surprised at some of the things I see in them [e.g. language]. Many of [these] PG-13 rated movies haven't had any objectionable [content]," says Frazier. In other words, there's little difference between *Speed Racer*, which received a PG-rating and *Indiana Jones*, which snagged PG-13.

Parents, Kids' Views Are Relative

"It's all relative," says MindShare's Debbie Solomon. A PG-rating might make a toy more

Inside This Issue

Doing Nothing.....5

White teens are the race/ethnic group with the most free time; Hispanic teens say they have the least.

Hispanic Hoovers....6

Sorpresal introduces Spanish-based virtual world for kids.

Close Monitors.....8

Parents monitor the videogames their children play 88% of the time.

Internet Habits.....8

62% of parents spend six hours or less per week playing with their children.



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Continued on page 2

Licensed Toys

Continued from page 1

SELECT MOVIE LICENSED TOYS

MOVIE	RATING	TOY	AGE
<i>Iron Man</i>	(Marvel)	PG-13 Hasbro Mask & Repulsor Gauntlet	5-9
		N.R.F. 425 Blaster	5-9
		TekNek Chopper Trike	2+
<i>Batman: Dark Knight</i> (Warner Bros.)	PG-13	Mattel Dark Knight Joker playset	4-8
		Mattel Batman Cowl	4-8
		Rubies Costume Joker costume	4-12
<i>Spider-Man 3</i>	(Sony)	PG-13 Spinmaster Interactive Action Chair	2+
<i>Pirates of the Caribbean: At World's End</i>	(Disney)	PG-13 Sensor Sword with Magic Ring	5+
<i>Incredible Hulk</i>	(Marvel)	PG-13 Hasbro Power Glow Mask	4-8
		Hasbro Hulkey Pokey Hulk	3+
<i>Indiana Jones</i>	(LucasFilms)	PG-13 Hasbro Action Figure	4+
		Hasbro Last Crusade Biplane	4-8
<i>Transformers</i>	(Paramount/DreamWorks)	PG-13 Hasbro Allspark Blaster Ratchet	5-9

SOURCE: Youth Markets Alert research



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amenable to a parent, but it might repel the older audience crucial to box office success. It's worth noting these circumstances apply to the other end of the ratings scale as well. "I remember inserting one [foul word] to make sure we got a PG, rather than G-rating," says Kurnit, who worked on the 1986 animated *Transformers* movie. "Without that [PG-rating] we would have lost millions."

Plus, the majority of the current licensed properties has been around in various other incarnations, notably as comic-book characters, which are available to all ages, adds Smarty Pants' Stephanie Retblatt. MindShare's Solomon tells YMA, "Kids process cognitively whatever stage of development they are at. So if they see something in a movie that they are not going to understand, their brain isn't going to process [that scene] and they will ignore it." But, she notes, they will still want the toy.

Nevertheless, analysts don't expect to see R-rated licensed toys anytime soon. "If there is a dividing line, R-ratings really signal that [the property] isn't for kids. I think if any R-rated [film] tried to translate [to kids toys], the backlash would be huge," says Kurnit. [LICENSING, TOYS, ENTERTAINMENT]

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