

Columbia Business School Student Research Paper

Sesame Workshop: Going Global with Muppets



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Executive Summary

After launching the television program *Sesame Street* in the 1960s as an educational tool to help underprivileged children in inner cities in the United States, Sesame Workshop quickly set its eyes on international markets to expand its reach and grow its revenues. Over the years, Sesame has used its well-known brand and popular characters to enter new markets, often through distribution deals and partnerships with local broadcasters. During its early expansion, Sesame producers merely dubbed the show into other languages. Increasingly, however, Sesame Workshop has partnered with local producers to create new shows using Sesame characters and/or new characters to appeal to foreign audiences. Two case studies on market adaptation—Kosovo and Japan—examine the steps that Sesame Workshop has undertaken in its global expansion.

Today, multiple versions of *Sesame Street* are on the air in more than 120 countries. The Workshop has developed operating structures to match its strategies for approaching a variety of local markets. The following key learnings are considered applicable across a variety of production projects:

- **Leverage the brand.** Firms must understand the strengths and weaknesses of their brand and use them appropriately. Sesame Street is a world-renowned brand that the Workshop leverages to gain access and resources in international markets.
- **Finance for sustainability.** Securing financing to launch a program in a new country is not the sole measure of success. A true victory is making sure that the production will be on air for years into the future.
- **Trust your partner.** Sesame Workshop spends considerable time and effort identifying local production firms that will make great partners on the ground. This effort aids Sesame in solving unforeseen problems and allows it to rely on the local firm to assist in developing content that will be enjoyed and respected on a local level.

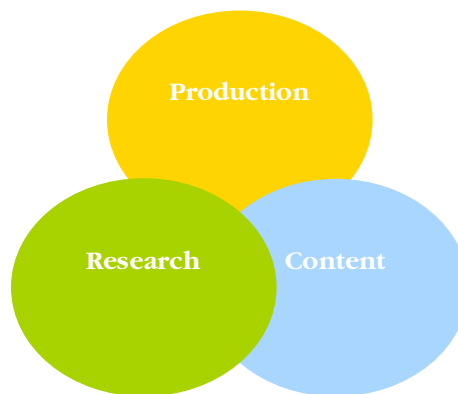
Brief History of Sesame Workshop

Sesame Workshop was founded as the Children's Television Workshop in 1968. The creation of *Sesame Street* was revolutionary, using the reach of television to educate children. The *Sesame Street* model has subsequently been copied to create new educational programming in the United States and all over the world.

In 1968, advertising executive Joan Ganz Cooney had a vision. She believed that many children, specifically those in low-income urban areas, were not receiving the same level of preschool education as their peers in higher-income areas. She believed that public television could be a medium to provide preschool education to these children. "The series was designed to use the medium of television to reach and teach preschoolers and give

them skills that would provide a successful transition from home to school.”¹ Initially, the show was funded with federal grants. Ganz Cooney hired preschool education experts to develop a curriculum and writers to turn those lesson plans into a show. She also enlisted the help of an up-and-coming entertainer, Jim Henson, to create child-friendly characters to make the show entertaining. The show debuted on November 10, 1969, and the model of translating an educational curriculum into entertaining educational television for children was declared a resounding success.²

The Sesame Workshop Model Places the Same Emphasis on Educational Research as It Does on Production and Content Development



With more than 36 seasons on air in the United States, the organization that creates *Sesame Street* has grown into a global nonprofit. Eventually, Children’s Television Workshop was renamed Sesame Workshop to create a link with the successful show. Today, the Workshop follows a mission that is broader than just one television show.

“Sesame Workshop is a nonprofit educational organization making a meaningful difference in the lives of children worldwide. The Workshop launched a learning revolution when it launched *Sesame Street* and continues to break new ground with children’s media that’s as engaging as it is educational.”³

This mission pushed Sesame Workshop to develop programming in more than 120 countries around the world. In the United States, new shows such as *Dragon Tales* have

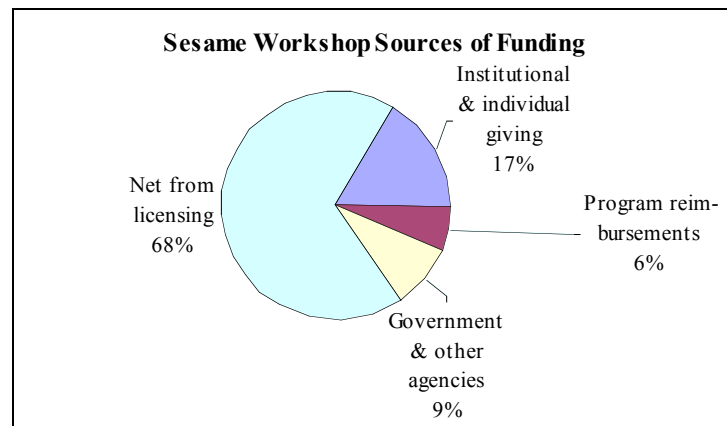
¹ Company Web site, www.sesameworkshop.org.

² Sesame Workshop Education and Research, *A World of Learning: What the Research Says about the Impact of Sesame Street International Coproductions*, August 2005.

³ Company Web site, www.sesameworkshop.org.

sought to reach children of varying age groups, while abroad Sesame Workshop has continued to find ways to advance its mission.

Today, a majority of the funding for Sesame Workshop's programs in the United States and around the world comes from the sale of the intellectual property rights of the characters.⁴



In addition, the landscape of children's programming in the United States has changed dramatically. A plethora of new programming driven by cable channels targeted at children has raised the level of competition. The changing competitive dynamic has forced Sesame Workshop to become a dynamic and fleet competitor.

Sesame Workshop International⁵

Sesame Workshop president Gary Knell has championed the vision of making *Sesame Street* the "longest street in the world." According to the president's letter in the *2004 Annual Report*, the goal of the organization is to make a difference "one child at a time, millions of children the world over."

Early in the life of the organization, Sesame Workshop knew that its mission was bigger than reaching children only in the United States. Just three years after first airing the show in the United States, Sesame Workshop was already on air in Mexico. In 1972, *Plaza Sesamo* was the first Sesame Workshop program aired outside the United States. *Sesamstrasse* in Germany started in 1973, *Sesamstraat* in the Netherlands began in 1976 and Spain's *Barrio Sesame/Barri* launched in 1979. Today, Sesame Workshop is on air in more than 120 countries around the world, with dozens of local coproductions producing unique programming.⁶

⁴ Sesame Workshop, *2004 Annual Report*.

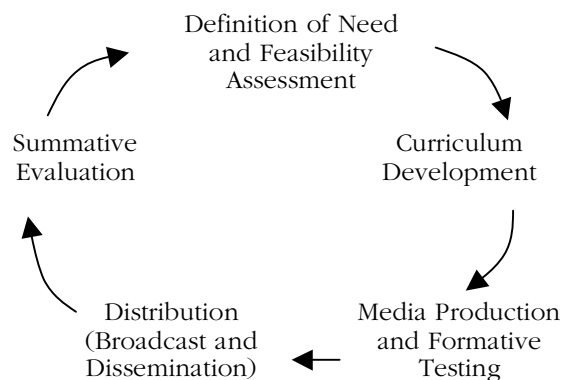
⁵ Much information for this section was attained through an interview with Shari Rosenfeld, vice president international—developing & emerging markets, conducted at Sesame Workshop on April 11, 2006.

⁶ Company Web site, www.sesameworkshop.org.

The focus on globalizing the mission was driven by a number of factors. First, the government-funded Head Start program has grown rapidly since its inception in 1964. This program provides preschool education to low-income families across the country, addressing the primary impetus for *Sesame Street*. Additionally, in the late 1990s and in the early part of this decade, many new children’s education television shows appeared. The success of shows like *Blue’s Clues* and *Dora the Explorer* on Nickelodeon had a significant impact on the U.S. version of *Sesame Street*. Ratings for *Sesame Street* declined, and sales of licensed products were negatively impacted. This led to budget cuts, including a reduction in the number of *Sesame Street* episodes produced each season from 52 to 26. The organization knew it had to look elsewhere for growth and the ability to sustain its mission.

Today, Sesame Workshop’s international expansion has been bifurcated into two strategies. The first strategy is to leverage the strength of the equity in commercially developed nations. In just the past few years, Sesame Workshop has launched new coproductions in France and Japan. “The new coproducers and Sesame Workshop offer many altruistic reasons for creating the shows, . . . but beyond those motives, there are important side benefits of new income from licensing and merchandising, particularly from new characters with distinctive national identities.”⁷ The ability to generate licensing revenue in developed countries is important to further the mission of the organization.

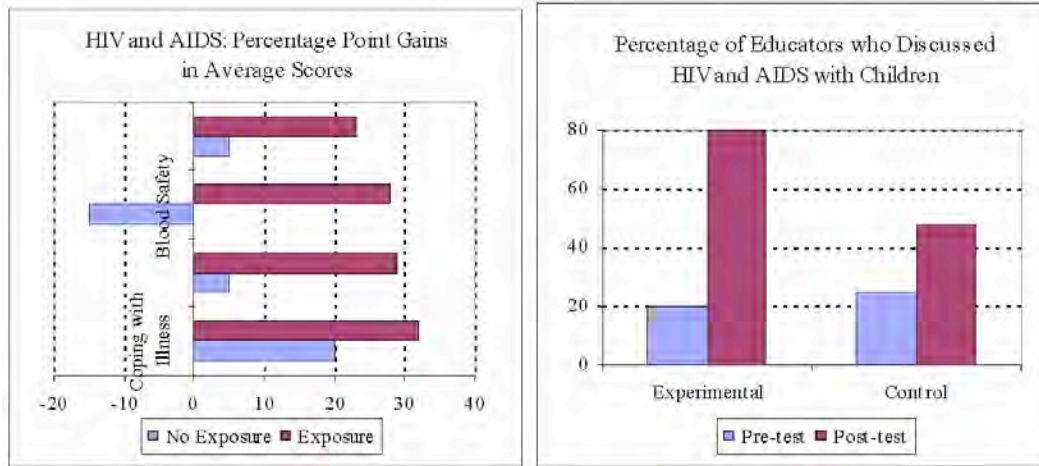
Alternatively, Sesame Workshop also has a strategy to develop shows where the mission of the organization is needed most. The Workshop has identified places of critical need and created local coproductions to meet the local needs of children. The basic model for the development of a coproduction is the following:⁸



⁷ Doreen Carvajal, “Sesame Street Goes Global: Let’s All Count the Revenue,” *New York Times*, December 12, 2005.

⁸ Sesame Workshop Education and Research, *A World of Learning: What the Research Says about the Impact of Sesame Street International Coproductions*, August 2005.

One clear example of this is Takalani Sesame, the highly successful show in South Africa that includes an HIV and AIDS educational component. The research from Sesame Workshop shows that the program has yielded tremendous success in South Africa.⁹



Sesame Workshop executes these two strategies utilizing two structures. The first structure is the most commonly used by all global production firms. Sesame Workshop sells the U.S.-based show dubbed into a local language. This is commonly found around the world and was even the prevailing model used in developed nations like Japan. It is not human-capital intensive in the New York office, as the show content has already been developed and approved. Instead, an international television sales team attends sales meetings and conferences around the world to market the prepackaged program. This model is financially attractive, but it does not further Sesame Workshop's mission, as the content is not targeted to the local needs of children.

The second structure is to find a local production company with which to partner to create localized content. This is the model that is most tightly linked with the mission-driven strategy. Sesame Workshop is very opportunistic about choosing places to implement a local coproduction. The firm is often asked by local governments or nongovernmental organizations to produce a show in a country or region. If Sesame Workshop believes that there is a need in a region, then the firm determines if there is funding capacity available from resources such as UNICEF, USAID or corporate sponsorship or from other international or local government resources.

Upon securing funding for production, the Workshop studies the local production market and sends a request for a proposal to local production firms. Sesame Workshop

⁹ Sesame Workshop Education and Research, *The History and Impact of Takalani Sesame's HIV and AIDS Component*, August 2005.

brings brand recognition, production-development expertise and funding to a project, so local production firms are often eager to be chosen as a partner. The requests are sorted through, and a firm is chosen by Workshop management. A Sesame Workshop project manager then leads the local production and the Sesame Workshop teams through the creation of a local curriculum, content development and production approval.

This structure is very human-capital intensive for the New York office. According to Shari Rosenfeld, vice president, “This investment includes New York City staff time, production studio time, the training of local puppeteers and actually creating new Muppets.” In addition, in the New York office Sesame Workshop employs an entire team of producers that are in charge of working with the local coproduction firm to implement the Sesame Workshop model. All of the rights for the intellectual property are owned by Sesame Workshop, and all of the content has to be approved by the New York office. The approval process can be frustrating for local producers, so in the New York office Sesame Workshop employs people with international backgrounds to help gain an understanding of when control is needed and when it is not.

Finally, Sesame Workshop has created a hybrid of these two structures called Open Sesame. Sesame Workshop has created a library of animation and live-action skits from around the world. A local production company can take this library and add some locally produced live-action skits to create a full show. This is much more cost effective than creating a full local coproduction and is not as mission dilutive as dubbing the U.S. show.

Emerging Market Case Study: The Balkans¹⁰

In November of 2004, Sesame Workshop opened its newest avenue in the heart of the war-torn Balkans. The program for Kosovo aimed to celebrate the diversity of Kosovar society and was promoted with two local language titles: *Ulica Sezam* in Serbian and *Rruga Sesam* in Albanian.

Two years earlier, the United Nations Children’s Fund (UNICEF) had approached Sesame Workshop and asked it to consider creating a program to help promote tolerance and understanding between Albanian and Serbian children. A team from Sesame was pulled together to conduct a feasibility assessment to appraise the programmatic and financial options. They surveyed the market in collaboration with local government, early-education experts and NGOs and looked at operational issues with local production units and broadcasters. Just as important, they met with international donors working in Kosovo to determine resource availability. The team quickly recognized a clear fit with the Sesame

¹⁰ The primary information for this case study was gained through an interview with Dan Donohue, project director—Balkans, conducted at Sesame Workshop on April 24, 2006.

vision and the opportunity for possible future expansion throughout the region and recommended board approval, which was granted.

According to Sesame's project director, Dan Donohue, Sesame's reputation quickly smoothed the way for the activities that followed. Many of the stakeholders were already very familiar with *Sesame Street* and supported expansion into Kosovo. For those unfamiliar with Sesame's work, viewing a polished program from another new-country venture was often all that was needed to bring them on board. This was particularly important in demonstrations to local ministry officials, who were able to clear red tape and bureaucratic delays. Kosovo was an exceptional location in that it was administered in large part by the United Nations and the international community. Direct involvement of UNICEF and subsequent support from the Organization for Security and Cooperation in Europe (OSCE) were key factors in Sesame's success.

Next, the Sesame team needed to determine program content. The two key drivers in this decision were educational/social objectives and financial resources. There was little doubt that the most important issue to tackle in the postconflict region was interethnic understanding. Of course, this subject was not new to Sesame productions, having much of its social impact roots in U.S. racial integration. The feasibility study had recommended a combination of live action with shows from the Open Sesame library. New programs would be scripted and produced and interspersed with relevant content from the United States and other markets, making the show as targeted as possible while minimizing costs.

One debate that quickly emerged was the use of language characters. Each show would be produced or translated into both Serbian and Albanian, so children on both sides of the ethnic divide would be watching the same lessons. However, Sesame also wanted to include the use of letters and words as the most basic part of its educational approach. This was quickly rejected by Sesame's advisory team in Kosovo, who insisted that use of Cyrillic letters and Serbian words would prompt many Albanian parents to reject the show; the reverse would also be true for Serbian parents. The Sesame board reluctantly accepted the recommendations, recognizing that viewer reach and local sensitivities were of greater importance than Sesame's pedagogical norms.

An example of one clip was described by the project director. The live-action production showed the main character, a child, watching his grandmother baking bread in the home. The scene would be common to both Serbian and Albanian children, but the clip would go on to show that this was a Serbian grandmother describing the special preparation of traditional bread for an Orthodox holiday. Other shows would portray two children playing together and exploring minor cultural differences. Interestingly, in some of these shows, test audiences would be unable to pick up on the cues of which child was Serbian and which child was Albanian, even through the use of distinct ethnic names.

With the successful completion of year one of the program, Sesame has already secured funding for the second season, and production has begun. Sesame has also done market research to improve the product for the new season. This consists of both formative/production research to test the viability and appropriateness of the product and impact assessment, which focuses on how many people the show's messages have reached and whether any changes in behavior can be attributed. The latter will be key to ensuring funding in the future.

Developed Market Case Study: Japan¹¹

Sesame Street was first broadcast in Japan in 1971. For more than 30 years NHK, Japan's sole public broadcaster, broadcast the American version of *Sesame Street*, mainly in the evenings as a way to help adults learn English. NHK began by broadcasting the English-language version. It then added Japanese narration to the English version in the early 1990s, before starting to broadcast a dual-language version of the show in 1995. Initially popular with adults and older adolescents as a way to learn English, it gained popularity with children upon the introduction of Japanese dialog. As part of this extended presence, Sesame merchandise and toys became available in Japan. Characters have been licensed by various companies, including the Tokyo Metro system for lessons in good manners. In addition, NHK produced a series of English-language books with *Sesame Street* characters to serve as English as a foreign language (EFL) texts. A *Sesame Place* theme park has been operating in Tokyo for several years. In April 2003, the Universal Studios Japan theme park in Osaka opened a 3D-movie attraction based on *Sesame Street*.

Sesame saw steady ratings declines after the switch to broadcasting the program in both Japanese and English. The change had made the program too simple for the older Japanese audience interested in learning English and too complicated for a preschool audience. In a bid to improve ratings, Sesame Workshop decided to enter into a coproduction arrangement to produce a show specifically for the Japanese market. Due to ideological differences about the best use of the show, NHK declined to take part in a coproduction. While NHK desired to continue airing the original American version of the show as an EFL tool, Sesame Workshop refused to allow it to do so. Instead, Sesame sought out other partners to produce a new show. Members of the *Sesame Street* Partners Japan (SSJP) include TV Tokyo's broadband arm TX-BB, numerous advertising agencies and English as a second language firm Odyssey Communications Inc. In addition, the show is staffed with local Japanese talent.

¹¹ The information for this case study was primarily taken from *Japan Times* articles on www.japantimes.co.jp, including Kanako Takahara, "'Sesame Street' makes waves—in Japanese," *Japan Times*, Dec. 8, 2004; Kanako Takahara, "NHK's cancellation of 'Sesame Street' leaves fans in dismay," *Japan Times*, March 14, 2004; Kanako Takahara, "TV Tokyo next month to air Japanese 'Sesame Street,'" *Japan Times*, September 22, 2004; and Mayumi Negishi, "TV Tokyo hopes kids will visit Japanized 'Sesame Street,'" *Japan Times*, March 30, 2004.

With literacy rates in Japan near 100 percent, content is much more focused on the expression of emotions, ethics, interacting with others and environmental issues. Four new characters are introduced to the cast, and the carryover characters from the American version are different from their American namesakes. For instance, Elmo, who concentrates on reading and arithmetic in the American version, is focused on expressing his emotions in the Japanese version. Sesame Workshop's insistence on controlling the content has led to some conflict, most notably when New York producers made SSJP change a scene in which a character fell during a race and was left behind by the other contestants. In the scene mandated by the New York office, the other contestants stop and help the fallen contestant up, even though local partners insisted that this wouldn't typically happen in Japanese culture.

While the new Japanese version has seen a slight improvement in ratings over the dual-language version—2.1 percent versus 1.3 percent—the show has lost Japanese viewers who were used to the American version, be it in English or dubbed into Japanese. One complaint of viewers is that the characters sound different than they did on NHK. Sesame Workshop expects ratings to increase as the new program gains momentum.

Challenges Faced and Lessons Learned

Over the past two decades, the rise of new broadcasting technologies, including cable, satellite television and, most important, the Internet—along with the deregulation of media distribution around the globe—has truly revolutionized the global media business. With its emphasis on sensitivities to local culture and societal needs, Sesame Workshop's international expansion provides an interesting case study on the globalization of media. Sesame's decisions to export programs and/or produce them abroad with local partners reflect the challenges facing all media companies in the Internet age.

Sesame Workshop has created local coproductions in both developed nations, like Germany and Japan, and in emerging nations, like Bangladesh and Egypt. The major barrier faced by Sesame Workshop in its attempts to grow is funding capacity. As a nonprofit organization, Sesame Workshop is a mission-driven organization. Nonetheless, the firm is able to realize significant revenues to fund operations from such commercial operations as product licensing and television sponsorship. These funds are enough to cover some of the up-front costs involved with the creation of a local coproduction, but significant funding must come from a third-party funding source. Sesame Workshop is often successful in securing the funding for the first season in a region but encounters difficulty in gaining funding for the long term. And for a new coproduction to "pay off" in mission terms, the show ought to be on the air for an extended run.

Sesame Workshop also battles with balancing “need” versus “viability” when creating a new coproduction. In some regions, such as sub-Saharan Africa, Sesame Workshop has decided that a presence beyond South Africa is needed. However, finding strong local partners in this region has proven difficult. Furthermore, the on-the-ground reality during the production-planning phase does not always hold steady through production. One example is *Sesame Stories*, a show broadcast in Israel, Jordan and the Palestinian territories. After the launch of the program, the situation on the ground changed (i.e., the new intifada). As a result, the production strategy adapted, moving from a single regional production to separate productions in Israel, Jordan and the Palestinian territories.

Sesame Workshop may be a nonprofit, but it has never lost its sense of opportunism. Indeed, the company has exploited and catered to individual market needs and capacity in a bid to fulfill its mission. In Kosovo, the Workshop found international partners to underwrite its program, which Sesame created and tailored to foster mutual understanding between ethnic groups. In Japan, by contrast, the Workshop has found local production partners and aggressively pursued licensing revenue while trying to help Japanese children tap into their creativity. However Sesame Workshop chooses to enter a new market, its international expansion shows the benefits a strong brand can provide. With a strong operating history and vast catalog of product, Sesame seeks strong foreign partners, its key to ensuring long-term viability in new markets.