



## An Analysis on the Diversified Extension Strategy for China's Animation Industry

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### Abstract

Based on the current development of China's animation industry, this article explores the prospect of the diversified extension strategy for it and its industry chain. In addition, some successful cases in the relevant fields home or abroad are taken into consideration to analyze how to facilitate the further development of China's animation industry in conformity with the reality.

**Keywords:** Animation industry, Derivative product, Commercial value

Animation industry is a core industry displaying great potential for development in 21<sup>st</sup> century. By the 1990s, the export of animations and their derivative products had exceeded that of traditional industries and the values created by animation products and services had ranked 6<sup>th</sup> in GNP. In Japan and Korea, animations and their derivative products have replaced the traditional industries to become the new pillar products of foreign exchange earning. According to statistics, the whole world has created animations and derivative products worth about \$500,000,000,000. Actually, children can be taught by some classical American cartoons about some risks they are expected to cope with during their growing-up course. And it is even mentioned by CCTV that American animations can provide guidelines for education on their kids. It is American people's self-independence, focus on individual ability, courage, adventurous spirits, openness as well as originality that create today's American education. Their teachers will see every kid's talent and encourage them to foster their strengths. As a result, a lot of successful talents have been cultivated, such as over 300 billionaires since 1980 and numerous Nobel Prize winners. This is really the best reflection of what Washington, the founder of this great nation, once said "giving American people the best education".

In recent years, with the great emphasis paid by Chinese government on the development of cultural industries including animation industry, a series of policies and measures favorable for the sound development of this industry have been issued, giving great opportunities for its rapid development. According to some experienced members in this industry, the spring of China's animation industry has arrived. Due to its long investment recovery cycles and the current fundamental stage of China's animation industry, it will take at least 3 to 5 years to develop it into a mature one. With the arrival of the digital age, a new pattern with flashes, cartoons and games has come into being. Therefore, animation will be interwoven with films, TV programmes, publications, audio-visual products and other derivative products to form the animation industry chain.

Here, we will employ the case of Hello Kitty for its development course and successful experience in market operation.

There is a little cat, with a round face, a bow on her left ear, a short tail but without mouth, which is called Hello Kitty. This cartoon cat is printed on over 22,000 kinds of commodities to be sold in more than 40 countries. She earns \$500,000,000 for her owner, Sanrio Company, as well as billions of dollars for those companies authorized to use her image. In addition, some other unauthorized companies put it on a variety of things, creating a profit of \$1,000,000,000 every year. Such an unknown cat once printed on cheap plastic wallets has become a cat with the greatest market value in history.

Kitty was born in 1974 when Sanrio Company planned to design a new image on their newly designed wallets. Thinking kids are mostly fond of some little animals such as bears, dogs or cats, the first designer of Kitty decided to use the third one because the first two had been produced before. That is the very beginning of Kitty. In spite of the

president's lack of interest in her, her popularity soared in a short time. In addition, it is the grass-rooted marketing strategy for Kitty that has impressed people a lot. When putting Kitty to the market at first, Sanrio Company hardly did any market survey or advertisements. What's more, it authorized nearly every product (with the exception of tobacco, alcohol and guns) as long as it would not spoil the lovely image of Kitty.

With Kitty's rising fame, Sanrio Company spent little on advertisements. Instead, it adopted an all-round marketing strategy and printed Hello Kitty on everything you could imagine, from sticker, pens, notebooks, clothes, toys, wallets, cups, plates, chopsticks, mobile phones, roasters, dustbins to computers, treadmills and automobiles, even adventurous theme parks. Besides, it issued some limited editions to stimulate consumers' enthusiasm for collection and repeated purchasing.

Nowadays, Hello Kitty has been put on about 22,000 commodities to be sold in over 40 countries. When the mini Hello Kitty hanging decorations appeared at Mcdonald's in 2004, they appealed to a crowd of consumers with its variety of colors and lovable images. In Taiwan, due to the great popularity of Mcdonald's mini Kitty, it was even regarded as a standard to assess one's love for the other whether they would buy a set of Hello Kitty for each other. What's more, a struggle broke out in Singapore when some customers queued up for kids' set meal with Kitty and Dear Daniel

A series of effective marketing strategies have fully exerted Kitty's commercial value. It is said that Microsoft Company planned to purchase the copyright for Kitty at \$5,600,000,000. Moreover, Kitty has stepped beyond business field as shown in the political war of words in Taiwan, Kitty Murder in Hong Kong as well as a global cultural movement and even someone has taken it as the subject of a thesis. Just as what Scalette Johnson once said--- "she is like my mascot."--- this lovable cat with a round face has established her own cartoon business kingdom while fulfilling numerous people's fancy dreams.

Thus, such a previously unknown cat has changed into an idol who can earn a lot for her owners and dealers. What makes Kitty different from Doraemon and Garfield is that she is a commodity not supported by films or cartoons. Just like the most famous dog---Snoopy as well as the most popular bear---Winnie Pooh, Kitty maintains her prosperity by creating products attractive to kids and ladies.

For over 3 decades, this smiling cat without mouth has been reliable friends for kids especially girls. After they grow up and become mothers, they are still fond of this lovely cat together with their daughters.

Then, what makes her so attractive? Actually, her fans just have their free imagination about her blank face. This is just what Sanrio has kept in mind. In other words, Kitty is happy today if you think so and she is sad if you are depressed. Therefore, people tend to regard her as their intimate partners.

With highly-developed urbanization, urbanities are faced with isolated personal relationships and more young men don't know how to communicate with others. Instead, machines and toys become their friends to whom they can express their feelings, which has resulted in the success stories of cartoon products.

As a result, Kitty has appealed to adults even old people as well as children. For children, she is a lovely toy; for grown ladies, Kitty reminds them of their pure childhood; for fathers, they can show their love for their kids. In this way, a product will attract people at different ages, with different tastes, styles and wishes, hence having more customers.

Although none of the factors attributed to Disney cartoon successes can be found in her, Kitty has become one of the most profitable cartoon figures. Satisfying people's desire for children's trueness, Kitty has become a cultural sign from 20<sup>th</sup> to 21<sup>st</sup> century.

Besides, the success story of Hello Kitty should be attributed to its diversified extension strategy. Now, Kitty is on the wrong side of 30, which is old enough for a cat. It's really hard for a 32-year-old cartoon image to keep young and fresh at the fashion-going-quickly Japanese market. It is the key to Kitty's success that Sanrio has kept pace with fashion. Every month, 500 new products appear at market and 500 old ones are dismissed. Besides, the product line has been regulated in order to make the products conforming to different fashions. In early 1980s, when Teddy Bear overwhelmed Japan, Kitty held it as her friend. In middle 1980s, when it was popular for middle-class girls enjoyed playing the piano, a Kitty playing the grand piano appeared.

In addition, Sanrio puts forward different commodities according to the growing-up progress of its main customers. For example, in 2004, in honor of Kitty's 30<sup>th</sup> anniversary, some new products were intended for the adult market, such as roasters, coffee makers, microwave ovens in order to keep her adult fans who had accompanied her since her birth.

Actually, another reason for Kitty's popularity is her success in entering the adult market and being accepted. Faced with strengthened pressure from life and work, complicated interpersonal relationships, careers killing their creativity and anxiety about the future and reality, many young people, especially women, miss their childhood purity. Harry Port's popularity with thousands of adults is a case in point.

Now, Kitty provides a fashionable way for customers to go back to their childhood. Such a popular "lovely" culture has covered our real life with an emotional and idealistic dress. Emotion-oriented Kitty helps to express young customers'

thoughts.

It is just due to the grasp of culture that Kitty has grabbed so many young people's heart and has been extended to so various kinds of commodities. That is what its customers wish. Unlike other brands for public consumption, which pay more attention to the agreement between their extended products and their core brand value, Kitty provides her customers with their individual ways to define her and give them space for enjoyment and relaxation. This extension is not brand-oriented but customer-oriented, which is reflected in the wide variety of products likely to be used by her customers developed by Sanrio.

It is safe to say that Sanrio has provided not only a lovely cat but an opportunity for those people fond of it to create their own lifestyle. This has endowed Hello Kitty an incomparable width and depth compared with other common cartoon figures or fast moving consumer goods, which is also the profound reason for Kitty's success.

In order to expand China's animation industry, channels for investment should be extended. *Dinosaur* produced by Disney Corporation cost \$200,000,000 and *Monsters Inc.* cost \$115,000,000. What's more, every cartoon undergoes a long production period. *Mulan*, for example, took nearly ten years. Therefore, animation industry cannot do without sufficient investment. Currently in China, CCTV invests about 40,000,000 yuan each year; Shanghai Wenguang Corporation invests about 30,000,000 yuan and other corporations including Sanchen Cartoon Corporation as well as Beijing TV Station have invested some capital. However, the total annual investment in animation in China doesn't exceed 1.2 billion yuan. In spite of the great number of animation production companies, most of them deal with processing instead of investing in this industry. Based on the reality of China's animation industry, only the state's investment is not enough. Instead, over 80% is expected to come from the society, which includes state-owned capital, private capital and foreign capital. It is pointed out clearly in the Tenth Five-Year Plan for China's Animation Industry issued by the State Administration of Radio, Film and Television that all the society is encouraged to play a role in the production of domestic animation products and the development of derivative products in the form of capital, technology as well as facility. Domestic organizations and individuals are permitted to establish professional animation production units. In addition to more state capital, market-based operation, private or joint stock animation enterprises, we should open more widely to attract more foreign capital, technology as well as administration experience. On one hand, we should take advantage of their capital and learn their production technologies and administration experience; on the other hand, their fully-developed channels for issuance should be made full use of.

Therefore, the present animation industry should be interwoven with the modern media to develop video animation into computer animation, net animation, mobile phone animation, animated advertising, animated songs, animated games and so on. This future focus will definitely reposition China's animation industry.

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