

Teaching Case

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Going for Growth at Gecko Press

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Going for Growth at Gecko Press^{*+}

INTRODUCTION

The warm interior of the bookstore was a welcomed reprieve from the wild and windy winter weather bombarding the central city business and shopping area of Lambton Key. The Borders bookstore was a relatively new edition to the retail options in Wellington - New Zealand's capital city. As Julia Marshall, the founder and managing director of Gecko Press, surveyed the vast expanse of the multinational bookseller's publications and merchandise, she thought again about how easy it was for the products of a small local children's book publisher to get lost in it all. Even though New Zealand's market was small, it was dominated by imports with a wide array of differentiation and pricing. However, global book distributors such as Borders also represented an exciting opportunity to significantly expand the reach of Gecko Press, a children's book publishing company she founded three years ago.

During Gecko Press' three years of operation Marshall created a distinctive high-quality brand with clearly defined and communicated values. Gecko Press' sales and number of new publications had increased each year, and each product reaffirmed Marshall's focus on 'curiously good books' for children based on translated versions of outstanding non-English children's titles.

The issue now was how to achieve transformational business growth in a slow growth industry. As she walked past Border's large table of 'half-price' books she reflected: *"What was the best way to leverage the niche, values and brand we've created to turn Gecko Press into a high- growth business?"*

THE GLOBAL BOOK PUBLISHING INDUSTRY

The invention of the printing press by German goldsmith Johann Gutenberg in 1439 at the dawn of the Renaissance was a breakthrough technology that arguably had a greater impact than the Internet in terms of social, political and economic change. Today, book publishing is a slow growth industry within the ever widening and increasingly fragmented media industry. In a saturated market full

* This case was prepared as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

+ Acknowledgements: We would like to thank the editor and reviewers for their excellent guidance and encouragement, as well as the generous support of the Creative HQ business incubator. All views and errors are ours.

of media options, book publishers have increasingly had to seek innovative approaches to create operating leverage. Such options have traditionally included movies, television adaptations, and merchandising. The Internet and digital technology has also added a wide array of options to leverage content through offerings such as gaming, on-line communities, and electronic books (Appendix A). Examples in the children’s segment include the powerhouse brands of *Harry Potter* (www.harrypotter.warnerbros.com) and *Narnia* (www.narniafans.com).

As a result, the traditional book publishing value chain (Figure 1) is being reconfigured by social and technological changes. As the head of picture books at HarperCollins stated: "The cream of traditional picture books will survive, but the rest of what we do has to offer something extra."¹

Orgination	Publishing	Manufacture	Distribution	Retail
Origination of content	Commission and acquisition of content	Printing and reproduction	Warehousing, stock control, and delivery to point of sale	Purchasing
	Coordination of design, production and promotion			Stock management
	Control of rights			Point of sale display and marketing

Figure 1: Print Publishing Value Chain

The global publishing industry was valued in 2007 at US\$ 444.1 billion, with an average growth rate of 2.4 percent for the last five years (Figure 2). Book publishing, as a segment alongside advertising, newspapers and magazines, made up 28.1 percent of this global publishing industry² (Figure 3).

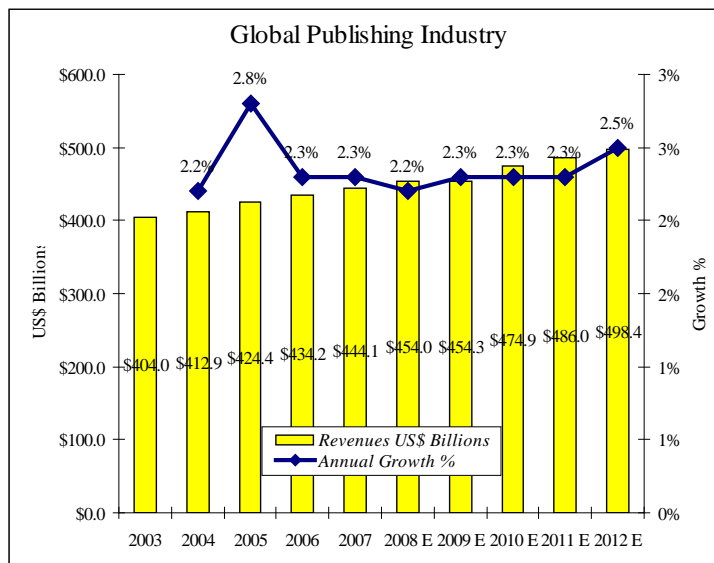


Figure 2: Global Publishing Industry: Global Market Value and Growth Forecast (Adapted from Datamonitor, 2007).³

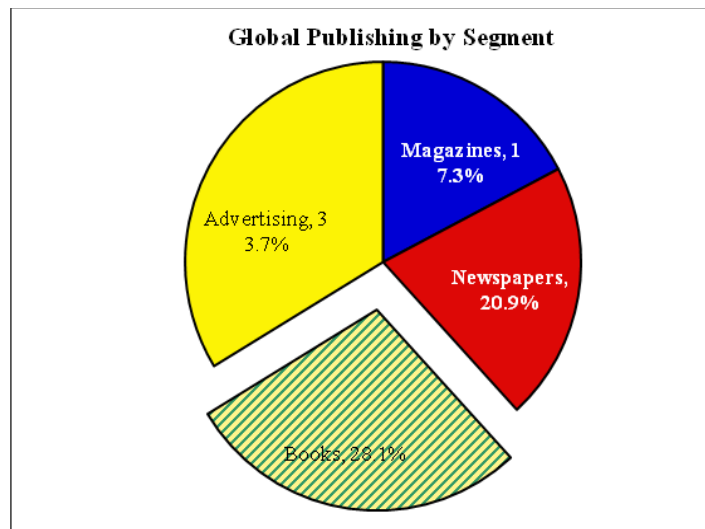


Figure 3: Market Segmentation: % Share, by Value, 2007 (Adapted from Datamonitor, 2007).³

The global book publishing industry is valued at US\$ 87.4 billion.³ China is now the largest publishing market by volume, selling about 6 billion units a year. By value the biggest markets are the US, Germany, and Japan, followed by the UK and China. The largest three publishers of new titles and editions are the UK, US and China, with around 200,000 new titles each.³

Within the industry there are two primary market segments: adult and juvenile (Figures 4). Compound annual growth rates are similar, with children's books experiencing a slightly higher growth rate of 4.4 percent compared to 3.4 percent for the total market. In unit terms the market is declining, with a compound average growth rate of -0.02 percent for juvenile books and -0.7 percent for adult books. Further, 7 out of every 10 newly launched books fail to reach profitability. In sum, while global book publishing revenues are experiencing low growth, unit sales are declining.⁴

The combination of digital media, increasing power of retail distributors, and writer demands have exerted significant pressure on profit margins.^{4,5} Moreover, market power for children’s book publishers is limited because the industry is fragmented with the largest 10 publishers holding about 25 percent of all juvenile titles published during the past five years. These top industry players include: Scholastic Inc and Scholastic Library, Penguin Group USA, Simon & Schuster, Heinemann Library, Random House, Gareth Stevens Inc., HarperCollins, Rosen Group and Capstone Press.⁶ As an illustration Scholastic Corporation has a market capitalization of US\$ 1.9 billion and revenues of US\$ 410.1 million.

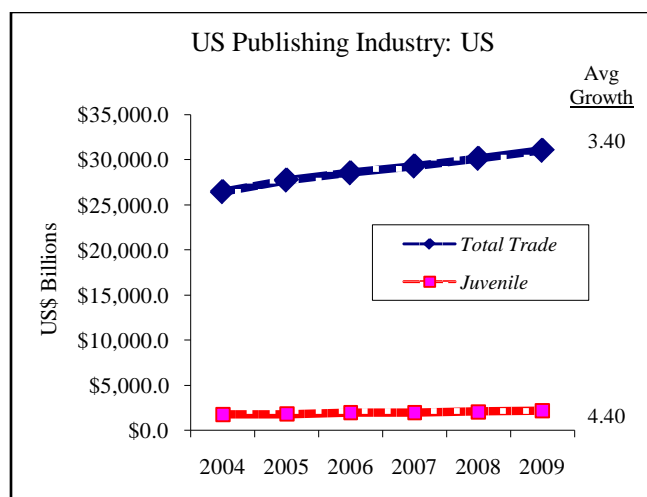


Figure 4: US Publishing Industry – Net Revenue, 2005 estimates (Adapted from: Book Industry Study Group, 2005)⁵

Notwithstanding, the *Harry Potter* phenomenon shows the global potential for a great children’s book and illustrates emerging sources of leverage. For example, Harry Potter’s sixth book, the *Half-Blood Prince* generated US\$ 67 million in 2005.⁷ The ‘Harry Potter phenomenon’ illustrates a broader trend for publishers in the children’s sector to be especially innovative in how they reach readers raised in a digital world, using many more direct and indirect streams than do their adult counterparts.⁸

Impact of changes in technology

As noted above, breakthrough digital technologies have significantly disrupted the traditional book publishing value chain (Figure 2) in terms of both vertical and horizontal integration. Historically, companies have tended to focus on one step in the value chain such as publication or retail. However, cost pressures, mixed media offerings, and evolving distribution platforms have lead to vertical

integration between publishers, distributors and retailers. Further, these same pressures have significantly expanded horizontal integration as book publishing became a smaller sub-segment within the larger media content delivery industry, particularly as digital content became dominant in consumer usage trends (Figure 5). As an industry analyst commented: “Convergence within the mass communications industry and the search for content, production operations, distribution channels, and delivery systems changed the media landscape in this nation [U.S.] in the 1990s.”⁹

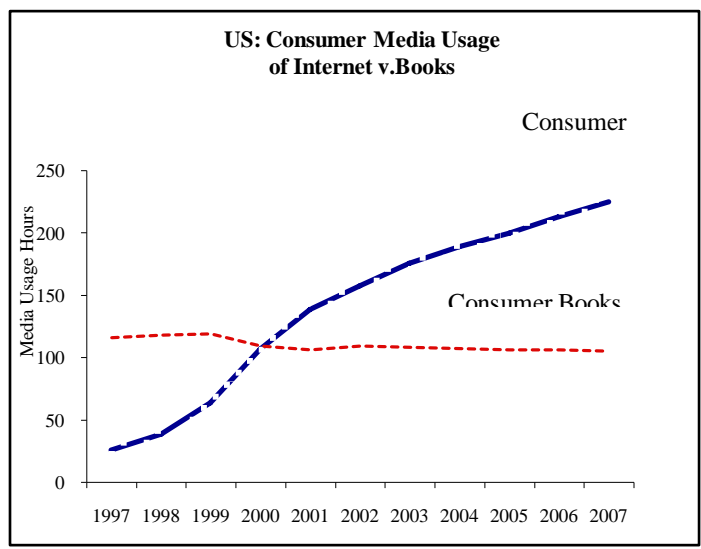


Figure 5: Media Usage Hours (US)⁵

Competitive industry dynamics and integration trends are driven by competition for content and the commercial desirability of leveraging content into different product offerings and multiple distribution channels. The strategic aim for media businesses is to build brands and durable relationships with customers. Once established, such a customer base allows for the progressive development of new services and products and consequently the ability to increase average revenue per user.¹⁰ As an example, the Harry Potter franchise of seven books will become eight movies, numerous video games, a theme park, and musical, as well as a wide range of merchandise from clothing to knitting books to collectables. This has driven the Harry Potter total brand value to an estimated US\$15 billion and amassed a US\$1 billion fortune for its author.^{11,12}

Another attempt to leverage digital technology with publishing has been the E-Book category. Despite high expectations, E-books have not been the ‘killer application’ that was imagined at the turn of the century, with sharply declining

growth and small sale figures. For instance, in 2007 E-books had net unit sales of 56,396 while audio books, the second smallest category, had net unit sales of 182,162 (Figure 6). Factors such as poor readability, format incompatibility problems, and high price points, as well as cultural values and norms have proven to be largely insurmountable to date.¹³

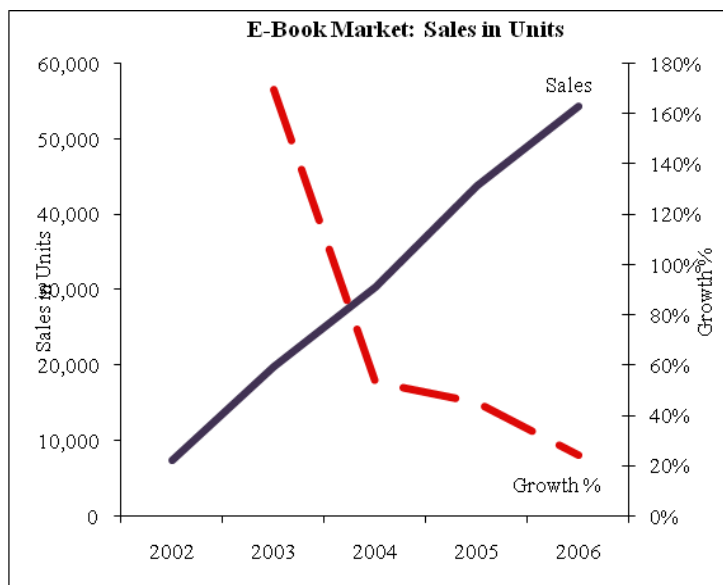


Figure 6 - E-Books¹⁴

These shifts and pressures in the book publishing industry structure have resulted in consolidation through increased merger and acquisition activity (Figure 7). An illustrative example of how these forces are influencing strategy was the merger between AOL, the leading Internet provider in the US at the time, and Time Warner, a major multinational media company with interests in TV and cable networks, magazines, book publishing, music, and movies. Approved in 2000, this merger combined the digital distribution strength of AOL with the broad content of Time Warner.¹⁰

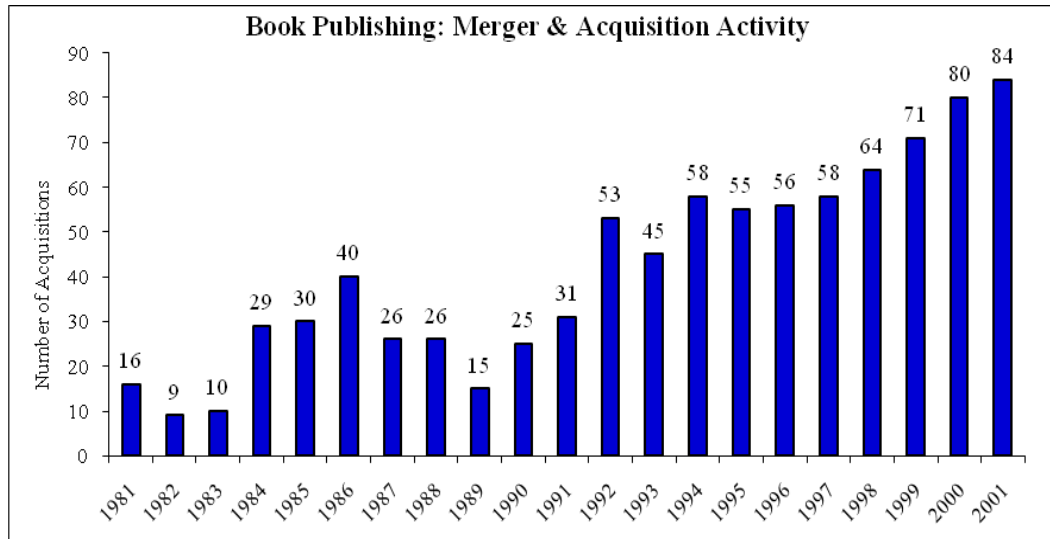


Figure 7: Number of mergers and acquisitions in the US book publishing industry (1981-2001)⁹

In addition to agglomeration among industry leaders, digital technology (e.g., print-on-demand) has also reduced the barriers to entry at the other end of the market through enabling the growth of self-publishing and micro publishers such as Xenos Books, Chocolate Tree Books, and Gecko Press. As a result, larger book publishers and distributors are getting further squeezed in the competition for content by nimble smaller publishers who can create smaller, profitable niche brands.

Despite these trends, however, language remains an important segmentation in the publishing industry. While it is comparatively easy to produce and distribute many consumer and business-to-business products on a global basis, this does not hold true in the publishing industry: people can only understand products in their own languages. Language is particularly important in the fiction and children’s book markets. While people are willing to read a ‘universal language’ for their job or education, they principally demand entertainment in their native language.² Consequently, book publishing has remained demarcated along language lines in a way many other sectors have not. And as Julia Marshall at Gecko Press has found out, the divide between English speaking children and non-English books was a viable niche waiting to be exploited.

THE NEW ZEALAND BOOK PUBLISHING INDUSTRY

New Zealand is said to be a nation of storytellers and readers. Descriptions of New Zealand's diverse and lively book publishing industry nostalgically evoke Katherine Mansfield's immortalization of New Zealand in the 1920s and global success in children's literacy.^{15,16} The book segment makes up 12 percent of the wider New Zealand publishing industry (Figure 8). Imported books comprise 73 percent of the market or NZ\$148.5 million; and books published in New Zealand are 37 percent of the market or NZ\$87 million.¹⁷

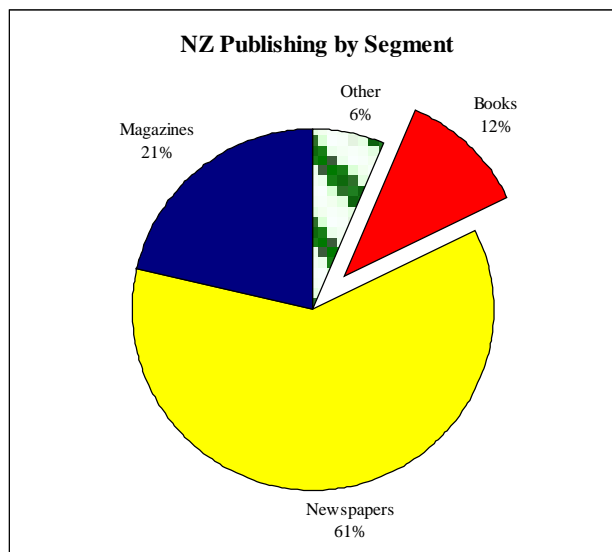


Figure 8 - NZ Publishing Industry, 2002¹⁷⁻¹⁸

Total turnover by book publishers operating in New Zealand was estimated at NZ\$264 million, with 57 percent of sales being exported.^{16,17} Within the book market segment, children's fiction makes up 6 percent of the New Zealand industry total, and 5 percent of total exports (Figure 9).

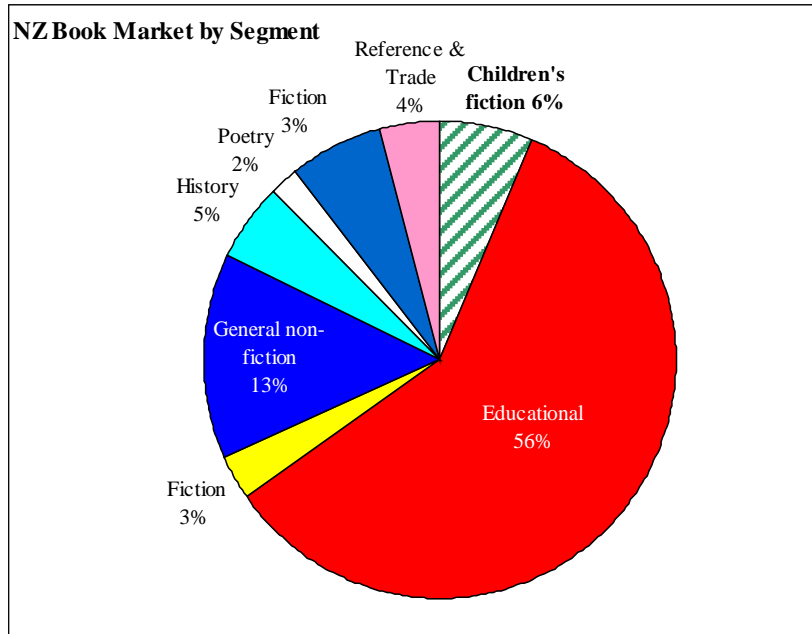


Figure 9: NZ Book Publishing Industry, 2002¹⁷

With relatively low barriers to entry, the New Zealand book publishing industry mirrors the global market in being highly fragmented with many small players, 34 percent of whom are less than five years old. In 2002, 64 percent of publishers had 0-1 employees, 29 percent had between 2-10 employees, and only 7 percent had more than 10 employees. Further, only 5 percent of New Zealand publishers reached turnover exceeding NZ\$1 million, with 74 percent not reaching NZ\$100,000 (Table 1).¹⁷⁻¹⁸ In relative terms, small publishers in the US market are defined as firms with less than US\$50 million in sales.¹⁹ The small scale of the New Zealand industry has resulted in less market power in negotiating global distribution agreements.¹⁸

	Number of Publishers	% of Publishers	% of Turnover
Under \$100,000	300	74%	2%
\$100,000-\$999,999	52	13%	10%
\$1 million or more	22	5%	88%
Unknown	34	8%	--
Total	408	100%	100%

Table 1: NZ Book Publishers – Revenues¹⁷

Exporting figures are important for New Zealand as one analyst concluded: “Research shows that New Zealand is a great nation of readers but our small population base means that developing new international markets is vital if this country’s writers are to enjoy sustainable careers as full-time writers.”¹⁵ Australia and the United States, followed by the Pacific Islands, were the most important export regions for New Zealand publishers.¹⁸

Strong local and global price competition in publishing, as well as disruptive technological changes cited above, has led to high competitive intensity in the New Zealand book industry. The result of low growth and fragmenting market power has been increasing margin pressure with industry operating margins at approximately 12 percent (Figure 10).^{16,18}

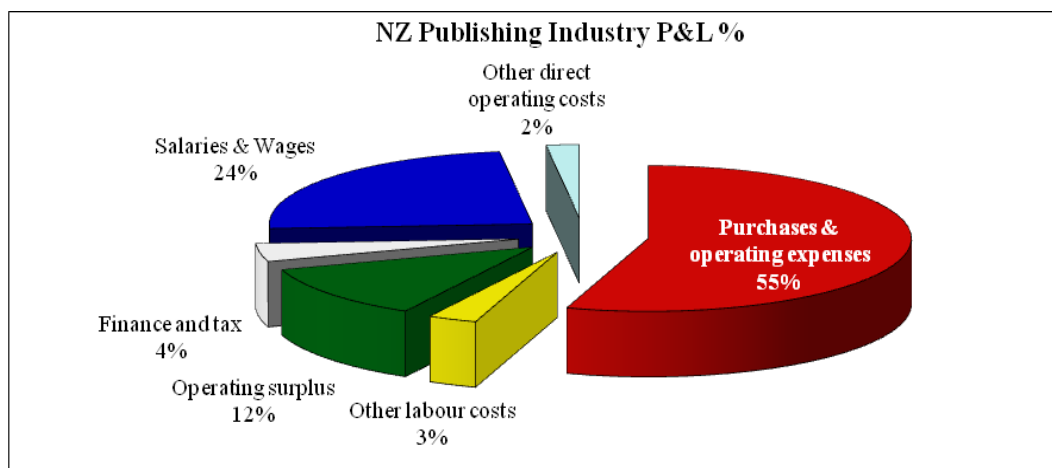


Figure 10: Cost breakdown of book publishing industry¹⁷

GECKO PRESS

Children in New Zealand have access to hundreds of good books, both those written and published in New Zealand, as well as many imports from the United Kingdom and United States. The key realization made by Gecko Press founder Julia Marshall was that books from another potentially important source – Europe – were unavailable in English.²⁰ Consequently, Marshall "...buys the rights to books that have been published in other languages, publishes them in New Zealand and Australia and then sells those rights back to the other English-speaking markets."²¹ While a common reaction to this premise is "why didn't I think of that," Marshall's background was instrumental to enabling her to see the potential niche and act on it.

A native of the small rural New Zealand township of Marton, Marshall studied at the University of Otago and worked for NZ Geographic before living in Sweden for twelve years where she worked as an editor and translator for a publisher of multi-language magazines. There she learned to work with material in many different languages, with some magazines being published in up to 22 different languages. Marshall stated that this experience "taught me the skills you need to get a great translation, rather than an average one."²² While there her connection to children's books grew, Marshall elaborated that she had "always loved children's books, but to help me learn Swedish I read quite a lot more." As she improved her language skills through reading the likes of Margaret Mahy (a famous New Zealand children's author) in Swedish she realized that while Mahy and other internationally acclaimed English children's writers were being translated into many languages it was uncommon for European children's books (even bestsellers and award winners) to be translated into English. In Marshall's words: "The Margaret Mahy's of Spain and Holland and France and Germany are being translated into lots of languages - but not English. I thought this was very odd."²¹⁻²³ Figures confirm this observation. In the UK, three percent of books published come from outside the country compared to nearly 40 percent in non-English speaking Europe.²³



Figure 11: Founder Julia Marshall with Customers

Marshall delights in retelling the reaction of the Swedish publisher of Margret Mahy to her idea. “She said to me: ‘you’re either an idiot or it’s a brilliant niche.’ I was convinced it was the latter. However, while I knew I wanted to start Gecko Press I didn’t know where to start.”^{20,24} Namely, Marshall had no direct experience in book publishing or distribution. She therefore returned to New Zealand to gain her ‘apprenticeship’ in book publishing by working for Bridget Williams Books for two years.²⁰⁻²²

Marshall’s training continued when she headed back to Europe to work and visited major international books fairs in Bologna and Frankfurt. While at first lost amongst the “acres and acres of books” she soon discovered that “...it was quite normal for publishers to start buying rights to other people’s books. I went back the next year and made appointments with ones I liked the look of.” The process of getting permission for the English rights was surprisingly easy as the publishers had “been trying to crack the international market.” Marshall also learnt that people “started publishing companies by buying the rights to a few books and then off they go.”²⁰⁻²¹

Consequently, Marshall returned home and Gecko Press was registered in June 2004 before becoming one of the start-up ventures housed in Wellington’s Creative HQ business incubator in July 2005. In starting Gecko, Marshall put \$100,000 of her own money into the company, supplemented with a small amount from family.^{21,25} Marshall’s first book was the Austrian tale *Donkey’s*, written by Adelheid Dahimene and illustrated by Heide Stollinger. During 2002-2003 the book had won, in its original Austrian guise, the important White Raven award at the Bologna International Children’s Book Fair, the Most Beautiful Book Award of Austria and honors in the Austrian Children’s Book Prize. Gecko’s first print

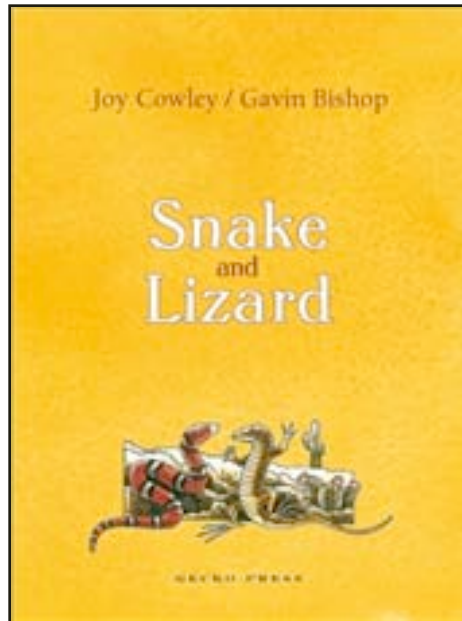
run (2,000 copies) of its English translation was repeated within six months and it is now in its third reprint.^{20-21,25}

Gecko’s catalogue is small but growing. Four books were published in 2005, five in 2006, while twelve are planned for 2008 (see Table 2). With increasing sales and operating leverage, Gecko Press reached breakeven in 2007, with net profit reaching 4 percent of sales. This growth has meant that her one-woman band has recently increased, with Marshall employing a part-time administrator and a freelance publicity person in Auckland. However, Marshall remains the ‘lynchpin’ to the process. For every book she instructs a translator to do a straight translation (or if it is Swedish she does it herself). She and another writer then work with the material until it “feels right for its audience while still keeping the spirit of the original.”²⁴

	2005/6	2006/7	2007/8	2008/9	2009/10
No. of books	4	5	9	12	15
Average print run	1800	2500	3000	4000	5000
Total sales (\$K)	48	106	268	511	894
Net P&L (\$K)	-43	-25	10	39	170
Net Profit (% of sales)	-90%	-23%	4%	8%	20%

Table 2 - Gecko Press: Financial Performance & Projections

Gecko Press now distributes to Australia and has the rights to sub-license some titles in the US, Canada, and United Kingdom. She has expanded the scope of Gecko’s operations such that when she goes to book fairs she is buying rights for English translations from places as far as Taiwan. Gecko Press remains one of only a handful of publishers arbitraging language rights in this way. Marshall has also sold the US rights for one of the books she published, *Snake and Lizard*, by New Zealand authors Joy Cowley and Gavin Bishop. This original title won the prestigious “NZ Post Children’s Book of the Year” in May 2008. This has moved Marshall towards her goal of taking New Zealand stories “back in the other direction.”^{20, 24, 28}



**Figure 12 Snake and Lizard by Joy Cowley and Gavin Bishop.
Published by Gecko Press.**

Gecko Press: Values, Culture and Strategy

“Once upon a time, there was a gigantic machine that churned out books for children. Parents everywhere bought the books, and the more they bought, the more the machine churned out. Books started coming out of the machine so fast that some turned out badly. Nevertheless, lots of people kept spending lots of money on even the bad ones.”²⁶

If the above fairytale parody was indeed true, then Marshall and Gecko Press could easily be cast as the Fairy godmother. As two commentators stated regarding Gecko: “There hasn’t been a dud amongst them” and of a particular Gecko publication “It’s beautifully designed and it’s beautifully packaged, it has a beautiful harmony of text and illustration.”²⁷ This reflects Marshall’s approach, established from the start, of asking overseas publishers for their best. As Marshall explained, “they have to be among the best books in the world. Both because they’ve got to travel and they’ve got to be relevant...My criterion is that the author or illustrator should have an established body of work and preferably the book will have won an international award.”^{22,24} A recognition of the success of this strategy was Gecko Press being named an equal winner (alongside industry

giant Random House) of the Thorpe-Bowker Award for New Zealand Publishing in July 2008.²⁸

Their focus on quality is exemplified by how Gecko describes itself: “Gecko Press specializes in English versions of curiously good books from around the world. We choose books by the world’s best authors, which have won awards and have a strong ‘heart factor.’”²⁸ As Marshall elaborated: “Gecko books are all very warm books, I choose the books that for me show the oddness of humanity and don’t take themselves too seriously...It needs to have a unique spirit – a heart and a warmth. I like the book to cause something to have happened emotionally in the reader’s mind by the time they have finished - that they are moved or made to laugh or taken by surprise in some way.”^{22,24} Such an approach is summarized in the “value-mix” Marshall identified as distinctively ‘Gecko’: “Integrity + excellence + relationships + bravery = magic.”

Such values are encapsulated in Gecko’s first publication *Donkey’s* – a book that has remained close to Marshall’s heart. It is the story of an old donkey couple who decide after a lifetime of being together that they can no longer live together. They go looking for new partners and in doing so find each other again. As Marshall stated: “They discover that it’s hard to find another donkey out there...The book has been a hit for anniversary and wedding gifts: getting “right to the heart of things without all that extraneous hoo-har.”^{21,24} Marshall’s focus on ‘curiously good books’ is connected to her higher aims “for children not only to learn to read but to learn to love to read” and her belief that “it makes the world a wider and richer place, being able to read the best writers from other countries. Imagine no Anne Frank’s Diary.”²²

This approach has enabled Marshall to build her brand credibility to the point where she can secure world rights.²¹ Marshall outlined that in under “18 months people...[came]... to think that if it is a Gecko book, it must be a good book, and I think that’s a pretty good reputation to have earned in a relatively short time.”²⁵ The ‘brand name’ itself is pure ‘Marshall’ as she explained, “I went through the vegetable kingdom but nothing seemed to work. Suddenly the idea of Gecko seemed just right. Geckos are little, they’re curious and they’re quick...They’re cute but they’re not too cute and they’re strongly New Zealand and I love the way they’ve got suction feet.”^{14,22} The Gecko image does indeed fit. Gecko Press itself is tucked away in a ‘cubby-hole’ within Creative HQ in Wellington. Books spill out of numerous boxes – seemingly wanting to spread out the door. Inside

Marshall with her combination of number eight wire farmer practicality* and “artsy dottiness” works amongst her books.²⁴

Gecko has tended to publish both hardcopies and paperback at the same time – seemingly able to capitalize on small print runs to give people what they want.²⁷ Currently, Gecko distributes directly to the New Zealand (via Random House) and Australian (via Tower House) markets. In the longer term, Marshall would like to distribute directly into the UK. In pursuing such growth opportunities, cash flow remains Marshall’s biggest hurdle as it is an industry with large inventory carrying costs for publishers.²¹

To supplement the core business, Gecko’s focus on overseas books does not mean that “...we can't do really good New Zealand books. The idea is to get the books moving in both directions.”²¹ There are also opportunities to sell audio rights and enter into other media, as well as to create school packages linked to curriculum to distribute via education channels in Australia and New Zealand.

The high fixed costs of translation, risk of introducing new authors to unknown English-speaking audiences, and substantial inventory carrying costs means Gecko needs to find sources of operating leverage to increase growth and sustainability. Marshall admits that when she started: “Everyone said to me... 'you will meet a lot of nice people but you won't make any money.’”²¹

Creative HQ Business Incubator: Aims and Values

Business incubator Creative HQ is a “deliberate development initiative to counteract the high rate of failure that is so common among young businesses.” As an incubator, Creative HQ (www.creativehq.co.nz) supports up to 20 creative enterprises who “demonstrate the potential for high growth and development.” These enterprises are housed in an interactive two floors space in inner city Wellington and are generally expected to ‘graduate’ after two years and enter the local business community. Conceived and supported by the regional economic development authority known as Grow Wellington, Creative HQ’s aim is “to be the best generator of high growth new businesses in New Zealand.” They support member firms by providing business advice, infrastructure, networking, mentoring, and investment/government funding assistance, as well as marketing and promotion.

* Number eight wire is very popular for use as a fencing wire around New Zealand’s many farms. It is an emblem of ingenuity and self-sufficiency which is imbedded in the New Zealand idea that anything can be fixed and created with perseverance and creativity.

The incubator is described as “not for the faint hearted” and is about “accelerating growth, building a solid foundation for businesses that are capable of scaling to be globally competitive organizations, and getting improved early results out of early stage business through active challenge and intervention in a caring, work hard/play hard culture.” It was, as one of the Creative HQ advisors board members outlined, up to Marshall to now show that her company was congruent with the aims and environment of the incubator it was housed in. Namely, her next move needed to be focused on achieving high growth.²⁹

STRATEGIC OPTIONS FOR GROWTH

Discussions with Creative HQ’s board led Marshall to formally review Gecko’s operating environment and develop strategic options. She met with her advisory board to review her planning options for growth.

“Our *first option* is expansion of our current business model – do what we’re already doing, but on a larger scale across more geographies. The first aspect of this strategy would be to publish more titles. The second would be to increase the sales of each of those titles by selling it in more places through more channels. We already have a small presence in the Australian market; however we have not yet made inroads into the largest English-speaking markets such as the UK, US or India. In the longer term, we could move beyond sub-licensing to direct distribution.” Additionally, she added: “Aiming to publish Kiwi books from scratch and selling the rights into these territories as I have already done with *Snake and Lizard* could only add to this strategy.”

One board member offered: “This option provides good fit and focus—it would be about staying with what you know and are good at, but with more titles in more places. The obvious constraint is capital as such an approach would demand a huge sales staff and inventory carrying costs, but increasing sales would also increase operating leverage.”

Marshall continued, “Our *second option* would be to get greater mileage out of individual products via e-books. The benefits of such a strategy would be that it would not incur dramatic incremental costs to transfer existing digital content into e-book format. It would also be a way of decreasing the impact of physical distance. Teaming up with Amazon and using their Kindle reading device[†] is

[†] Launched late 2007, Amazon Kindle is an e-book reader, an embedded system for reading electronic books (e-books). It uses an electronic paper display and downloads content over Amazon Whispernet. It can be used without a computer and Whispernet is accessible without any fee. The first offering sold out in five and a half hours and retailed for \$399 and is currently only

another way we could get the most out of an e-book strategy. Further, due to lower distribution costs, we could afford to sell these products at a reduced rate to schools. Another benefit would be using the format to drive readers to hard copies. E-books are a potentially interesting option as they have not yet been exploited to their full potential by the industry to date.”

“A *third option* revolves around selling the Gecko brand concept rather than our individual books as ‘the product.’ Namely, we’ve created a brand that parents recognize as ‘safe’ and values driven. There is, therefore, the potential to use our brand to form an online community which builds on these themes to leverage aspects increasingly associated with children book publishing such as advertising, social networks, gaming, merchandising and film to name a few. In short, several publishing analysts concluded that a successful 21st century book has to be more than a book to achieve profitable growth. A key aspect of this would be the ability to choose books that can build character platforms.”

Handing out some examples, Marshall stated: “There are in fact some hugely successful business models that I can present to you to illustrate such an approach further. These are *PBS Kids* (www.pbskids.org), *Webkinz* (www.webkinz.com), and *Club Penguin* (www.clubpenguin.com)” (Appendix B).

“The first example is PBS Kids – the website of PBS, the private non-profit US media organization. It drew 3.29 million unique visitors in July 2006 alone. Their site augments their television shows via associated music, games, coloring, pictures, information and parent/teacher learning resources. PBS receives most of its funding from viewer contributions, corporate sponsorship, foundational grants and cable fees. However, a revenue stream is created through selling a small amount of online advertisement space. A recent addition to the PBS online community is PBS Kids Play (www.pbskidsplay.org). The revenue stream for this facility is slightly different as it charges a subscription for online gaming services.”

“A second example is Webkinz which was founded in 2005 by a Canadian family business. In 2007, it was rated by Goggle as the second-hottest search term and has reached 3.8 million registered users. The basic premise of Webkinz is that you buy a Webkinz pet, and using the associated merchandising number you then enter your pet into the Webkinz world which interacts with other registered users

available in the United States due to Whispernet only working there. The Kindle store started with 88,000 digital titles and this number has steadily increased. Competing devices to Kindle include Sony Blue Digital Book Reader and ECTACO jetBook e-book reader.

online. The emphasis is on creating a family of toys whom you look after online while you play games.”

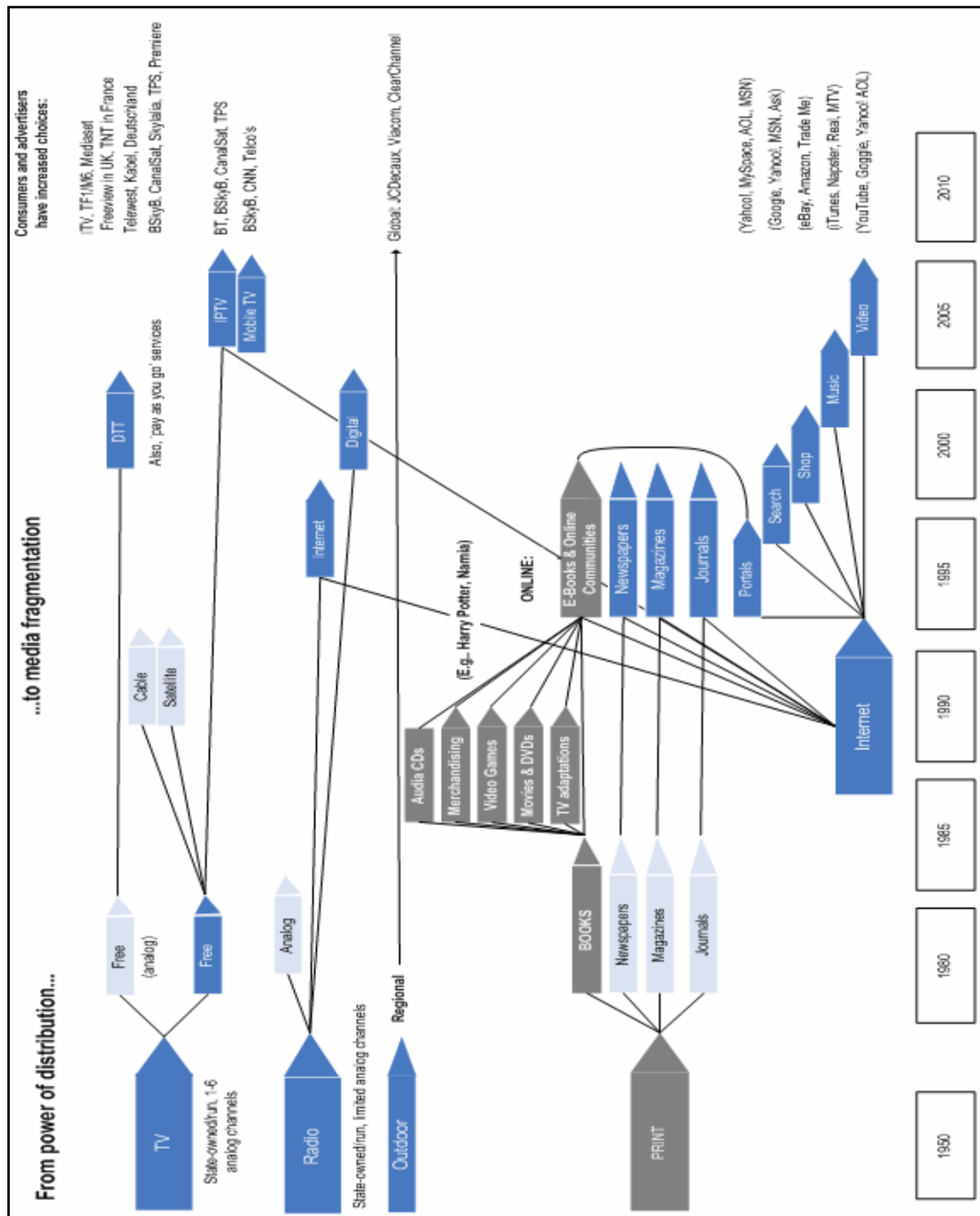
“The third example is Club Penguin which Disney acquired for US\$350 million in 2007. The Canadian founders are set to get another US\$350 million if performance targets are reached through 2009. It is a safe virtual world for kids to play and interact with friends as their ‘penguin’ character. They also earn virtual money to clothe and accessorize their penguin or igloo. While anyone can join Club Penguin for free (currently around 12 million people have) a monthly subscription provides access to the best features. Further, Club Penguin related merchandise is also sold online.”

Marshall concluded with, “A *fourth option* is educational software. Namely, we could utilize our stories to create associated learning software for parents, teachers, kindergartens, home schoolers, and schools. In pursuing this we could potentially leverage the ability to translate non-English materials as well as our respected brand name as competitive advantage. Such a strategy would be strengthened by my current idea of publishing curriculum related titles. This would potentially be an opportunity to bring New Zealand children something new via translation, as we have done with books. Further, our current titles can be used as a foundation for the software.”

Marshall handed out a document with initial insights into the educational software industry. With the number of titles running into the thousand, Marshall’s overview contained a sample of some key examples. These included those aimed at home education (such as Disney Interactive learning titles based on their famous characters, G Compris, Knowledge Adventure’s Math Blaster series and the Learning Company’s Reader Rabbit and Zoombinis) and those aimed at the classroom and tied in with national curriculums (for example in New Zealand Software Educational Resources Limited and Success Maker New Zealand).

After a lively afternoon debate with the advisory board, Marshall left for a walk down the busy Cuba Street shopping area which was quickly filling up with after school children huddling around a bookshop window to check out the latest offerings. Her head was already buzzing with the merits and challenges associated with each option and she wondered: “*Had she identified all of the options? What strategy or mix of strategies was right to ignite Gecko into a sustainable, high growth business without compromising my values?*”

Appendix A: Media Industry Roadmap (adapted from: The Goldman Sachs Group, 2007)³⁰



Appendix B: Online Communities for Children



Source: www.webkinz.com; www.clubpenguin.com.

ENDNOTES

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