

IT'S ALL IN THE GAME

SHANE YEEND LEFT SCHOOL IN YEAR 9 TO BECOME A TV CAMERAMAN. DRIVEN BY A FUN-LOVING ENTREPRENEURIAL STREAK HE WENT ON TO CREATE A BRAND NEW ENTERTAINMENT CATEGORY AND A \$40 MILLION BUSINESS. HE TAKES DARREN BAGULEY THROUGH THE BUSINESS BUILDING GAME.

Shane Yeend has a nervous energy about him, an enthusiasm that is infectious. It's an essential quality for the Adelaide-based former TV cameraman who became an interactive pioneer by successfully launching a whole new entertainment category – DVD board games – into a fiercely competitive global marketplace. That energy in many ways powered the growth of the \$40 million company he has built with business partner, Kevin McLean.

A dot com survivor, Yeend needed his own brand of optimism often; to persist when it seemed the bottom was dropping out of his business world, to take on and join forces with some of the biggest names in the entertainment industry – try Hasbro and Mattel – and, more recently, to meet the needs of some very demanding globally recognised retailers including Wal-Mart, Kmart and Barnes & Noble.

Perhaps it's not surprising that he likens himself to the pioneers of an earlier age, those involved in television's formative years. Imagination's story owes much to sheer hard work and tenacity. From a tiny Adelaide-based business, the company is well on its way to conquering the home entertainment world – but as Yeend explains it, in so many ways they've only just begun.

As a partnership, the pair got their start making corporate videos in 1984 after working as cameramen for Channel 10 in Adelaide. The fledgling company soon moved into TV post-production, making its own TV shows and later developing the concept of interactive television, initially using the phone then the Internet and SMS. "We pioneered interactive entertainment," says Yeend. "We built the first interactive TV shows in Australia and broke records for phone interaction. Then along came the Internet and in 1997-98 we had the number one website in Australia with *Battle of the Sexes* at a time when it was a big thing."

This success saw some of Australia's most prominent businessmen beating a path to the Adelaide duo's door. "The dot com boom was great," says Yeend. "We had 17

of Australia's most respected businessmen ... wanting to buy a percentage of the company. An army of consultants was readying the company for listing and we were riding the wave, just months away from being worth tens of millions of dollars."

When the NASDAQ shed 78 percent of its value in the dot com bust of 2000, however, Yeend's wave broke and Imagination was left stranded on the shore with just three weeks' cash in the bank.

Fast action was required. "We downsized by 60 percent and did a lot of soul searching," recalls Yeend. "We looked at what we had: three weeks' cash in the bank, two hit board games, a television production company and the core skill of understanding interactive entertainment. Social interaction drives board games, so we thought: 'How do we combine interactive TV and a board game?'"

Simple in retrospect

Just as DVDs didn't exist before 1997, DVDi games didn't exist before 2001, and, like many great ideas, the interactive DVD board game concept seems simple in retrospect. "We realised early on that video doesn't work because it's linear, you can't shuffle. But DVDs do, so we literally went through the Yellow Pages to find a company to rewrite the DVD player software to enable 'randomisation' on a standard DVD player," explains Yeend. "Once we'd done that, we added in some cartoon clips and went: 'Wow! We've got something here.'"

But it's not enough to come up with an innovative product in today's ultra-competitive entertainment market, as demonstrated decisively by the Beta vs. VHS and Apple Macintosh vs. PC battles. In a further board game market challenge, industry giant Hasbro, through its ownership of the Milton Bradley and Parker Brothers brands, holds around 80 percent of the market.

"It's not that easy to launch a board game that gets into the top 10 or 20, which is where you make money," says Yeend. "There

are a lot of great games out there, but it's hard to get them on the shelves. We got our board games into the US market by giving away 18,000 copies of *Battle of the Sexes* to 800 radio stations and then knocking on doors."

Imagination approached both Hasbro and toys heavyweight Mattel in 2001 with the intention of a partnership, but neither was interested in working with the Adelaide firm. Instead, seeing the obvious potential of the concept, both produced their own versions then outbid Imagination for content licences with the likes of Disney in moves that stalled – but could not stop – the small company's retail plans.

Not to be deterred, Yeend hit the road with the Imagination product. "We got on a plane to the US and met with every major retailer. Back in those days we had two hit board games, but we were this small Adelaide company that didn't know anybody so we'd go to toy fairs, rent a room and hang out in the hallways waiting to spot the Wal-Mart or Target buyer. Because we had a successful board game they would come and look at what we had if we'd promise to stop bugging them. When they saw the concept, everyone was blown away and quite a few predicted that it was going to wipe the board game out."

It took another couple of years of hard grind but all that work is finally paying off, according to Yeend. "We got the first game into the stores and it started to sell and then more came out." Once the company was making major headway in the US, Yeend took off for Europe. By then, the market was starting to take notice of Imagination and he was able to close a 10-year, 40-country distribution deal with Hasbro UK and Europe under the Hasbro Imagination brand. "We went to Argos (catalogue shopping website) in the UK and three or four years later it has just committed a whole page to DVD games."

In the US, Walmart has five Imagination items this year and has now built a dedicated section for the category – and as Yeend attests, it's not easy to get the largest retailer in the world to build a dedicated section for you. "And once you've got the UK, Europe

and US you've got 75 percent of the world games market," says Yeend. With its already healthy sales on home turf in Australia and New Zealand, he says Imagination now boasts "80 percent of the games market worldwide with sole distribution or category leadership".

Challenges of blazing the trail

While Yeend had to tackle many of the same problems faced by any Australian company competing in the global market, creating a new entertainment category from scratch presents some unique challenges.

In 2001, when Imagination approached Disney about developing games using Disney content, Yeend says the creative people loved the idea, but could not immediately find a legal way around existing contracts in which Disney had already licensed its content for video games. By necessity, Imagination once more became a trailblazer. "Now all the companies like Disney have a DVD game section in their contract," he says.

With the issue of rights sorted out, Imagination went head to head with the long established industry giants and signed a deal with Viacom for *Spongebob Squarepants* and all the Nickelodeon content as well as winning the Disney rights for the ensuing three years. "We also bought the rights to old American game shows like *Family Feud* and *Name That Tune*, along the way doing deals that had never been done before with record companies to use 300-400 old video clips from the '70s and '80s, one hit wonders, love songs etc. and game shows."

The success of the DVDi version of *Family Feud* provides a good illustration of the format's success: the old *Family Feud* board game comprised a book with questions, a whiteboard and a couple of texts that retailed for around \$15. Imagination came out with a DVDi version at \$19 that offers 800 rounds of *Family Feud* and takes 15 hours to play out. "The minute we put that in there, the board game got deleted in every major retailer," says Yeend.

As the category matures, competition for



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a slice of the multi million-dollar DVDi market is getting stiffer. "In Europe, DVD games are about 30 percent of the EUR100 million board games market and towards the high 20s in US\$1 billion American market," says Yeend. From Yeend's pioneering perspective there's still a lot of unclaimed territory in the Asian market and in edutainment and learning skills such as driver's licence training.

Cash is king

Now Imagination – with 68 employees – is no longer in start-up mode, and Yeend is facing a host of new challenges. "Our biggest problem at the moment is trying not to overtrade by making sure the company's well capitalised to handle the growth. We run a worldwide sales and distribution company, and we've got a production company that's creating games for ourselves and companies like Hasbro, so cash is still an issue," he explains.

"Every time Wal-Mart sends us a million dollar order we need half a million in cash and if we've only got \$100,000 in the bank on any

one day we come up short. And you can't control it because once you're on the shelf at Wal-Mart, if you're out of stock you start getting fines. We're on a 14-day turn around with Wal-Mart in 3,500 stores and then there's Target, Kmart, Toys R Us, Barnes & Noble as well, so there's this huge need for working capital."

With working capital a sore point, the obvious question is whether Imagination plans to raise cash by listing in the near future. "At some stage we will have to capitalise the company and I think we would like to list," says Yeend. "It's rare to be in a position where the market is enamoured of gross- and profit-driven businesses and we're in all of those and good at all of those, so I think the time is right. We've got US and London investment banking teams looking at it so we'll see how it pans out. The next 12 months could be very interesting," he says, once more considering the prospect of becoming a paper millionaire. ●