

# Bloomberg Businessweek

## YouTube's Secretive Top Kids Channel Expands Into Merchandise

Cocomelon videos get 2.5 billion views a month, and toddler superfans will soon have toys and albums they can buy.



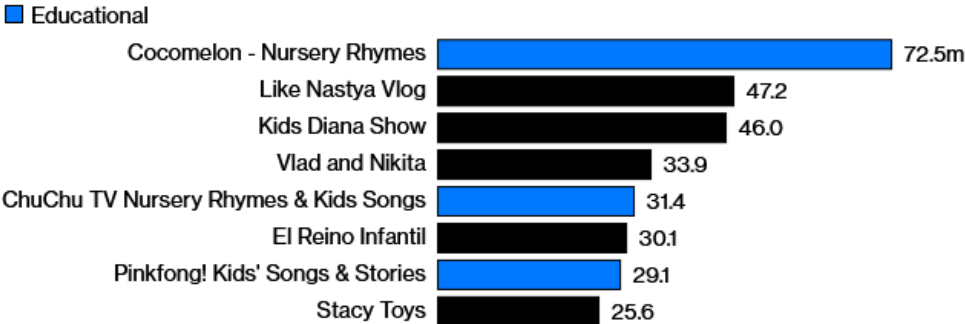
Jay Jeon is an unassuming mogul. No one takes notice of him as he slips into the corner booth at the Italian steakhouse steps from his Orange County office on a sunny Friday. Most any toddler who knew what the trim, soft-spoken 55-year-old does, however, would have gone nuts. Jeon runs Cocomelon, a [YouTube channel](#) dedicated to nursery rhymes and original songs, whose animated kids and creatures generate about 2.5 billion views in a typical month. That translates into as much as \$11.3 million in monthly ad revenue, according to estimates from industry analyst Social Blade. In terms of viewership, an average Cocomelon video dwarfs the turnout for

most of the world’s sports leagues, pop stars, and scripted TV. It’s the second-most-watched YouTube channel, trailing only T-Series, India’s music king.

Cocomelon’s success has caught everyone off guard, including Jeon. For more than a decade, he and his wife ran their channel more or less by themselves, and he was happy that way. The steakhouse meeting is his first press interview ever, and one condition was that he not be photographed, for fear of paparazzi. Another: His wife was not to be named or discussed. Even the couple’s neighbors don’t know which channel they run. “Nobody knows me,” Jeon says between bites of pasta. “I really like that.” He owns 100% of Treasure Studio Inc., which controls Cocomelon, and for years he and his wife have rejected investors, sponsors, and demands to translate the cartoons into other languages, make sequels to big hits, or roll out plush toys based on the characters.

Now, however, the Jeons and their team of about 20 employees are ready to merchandise. Their first forays beyond YouTube include albums of the channel’s popular songs and, later this year, Cocomelon toys, made by Jazwares, known for its Cabbage Patch Kids and Pokémon dolls. Jeon says he’s also thinking about ways to develop a full-length theatrical movie based on the show. (In a normal week, Cocomelon uploads one original video that’s a few minutes long, plus a longer compilation of old footage.)

### Top Made-for-Kids YouTube Channels by Subscriptions



Figures as of Feb. 7.  
Data: Social Blade

Diversification is becoming more important for YouTube stars, especially those with young audiences, because the formula that fueled Cocomelon's success is changing. YouTube still sells ads against videos, but in January it had to stop using kid-focused clips to sell more profitable targeted ads, which are personalized to each viewer's browsing history. This change, along with a \$170 million fine, was part of YouTube's September deal with the U.S. Federal Trade Commission to settle charges that it routinely built behavioral profiles on kids younger than 13, flagrantly violating the Children's Online Privacy Protection Act. (In another condition of the settlement, the company neither admitted nor denied wrongdoing.) YouTube says it's taking more steps to address the concerns, including limits on ad personalization.

Since the change, the top kids' channels have lost 50% to 60% of their ad sales, according to Chris Williams, who runs the kids' media company PocketWatch. Jeon says his channel's ad revenue has declined, but wouldn't say how much, or whether he believes YouTube is a trustworthy conduit for kids' programming. He praises the site for helping people tell stories that otherwise might go untold. Still, his company's new ventures speak to a shift away from a YouTube-only business model among even the channel's most popular creators. Each new Cocomelon video now takes about two months to produce. The need and potential to expand into other arenas has become obvious, says Williams, who's helped at least one young star get a show on Nickelodeon and a line of merch sold in Walmarts. "Look at the universe of YouTube channels, consumer products, premium series, live events," he says. "I see a big opportunity."



Jeon moved to Los Angeles from South Korea in the mid-1990s and got into commercial directing after studying film at a local arts school. He and his wife, a children's book author, began making short cartoons to accompany kids' songs about a decade later to entertain their two young sons. When they showed some of the clips to friends from church, one of them suggested the couple post them on YouTube, then brand-new. The Jeons posted their first video, under the account ABCKidTV, a month before Google acquired the website in 2006.

Even after their own kids outgrew the videos, the couple kept making them as a creative outlet. For years, ABCKidTV posted classic singalongs like *The Alphabet Song* and *Wheels on the Bus*. Over the years, viewership steadily rose, and at some point—Jeon forgets exactly when—he started earning enough from YouTube ads to quit his day job and hire animators and songwriters. In early 2017 a buoyant animated toddler named J.J. began to star in most of the videos, joined later by his mom and dad and a sea of animal friends. J.J.'s family is white, and his parents play traditional roles, with Mom doing most of the parenting and chores and Dad popping in every so often.



Then, suddenly, everything changed. In the fall of 2017, after the team had begun producing cartoons with 3D-rendered characters, monthly views nearly doubled, to about 238 million, in a matter of two months, according to Tubular Labs Inc., a market researcher. In 2018, Jeon picked a new channel name, an amalgamation of coconut and watermelon. “It’s kid-friendly,” he says. “Sweet.” By the end of that year, monthly views totaled about 2 billion. Cocomelon’s most popular video, a *Baby Shark* riff called Bath Song (“Wash my hair, doo doo doo doo doo doo”), has been viewed more than 2.3 billion times. “It’s just a staggering number,” says Patrick Reese, an executive at Fullscreen, Jeon’s manager. Reese scours YouTube for copycat channels that blatantly upload Cocomelon’s videos as their own.

Most of the cartoons don’t exactly have the same educational value as one of the better segments of *Sesame Street*, but the Jeons are hardly responsible for YouTube raising a generation of children. The fig leaf maintained by YouTube and its parent, Google—that YouTube isn’t for kids, and kids don’t use it—has been ridiculous on its face for years. (The company says its terms of service bar kids under 13 from having accounts.) The audience for Cocomelon, which has blown far past those of the Disney Channel, Nickelodeon, Cartoon Network, and whichever episodes of *Sesame Street* remain outside the HBO paywall, is a testament to that. Jeon’s channel drew an appreciable percentage of the roughly \$8 billion YouTube handed out to video creators last year.





Cocomelon has become the most visible face of the YouTube cartoon industry, which includes a sea of anonymous animated content farms that have occasionally scandalized the video site over the past few years. Critics say the channel's success is less a function of its material than its savvy manipulation of YouTube's recommendation system. The channel's rise to superstardom coincides with its use of the search tag "no no baby," which in late 2017 was also associated with a steady stream of superviral videos, usually of a stubborn child learning to do household tasks. ("No no baby" had recently replaced "bad baby," a search term that had been co-opted by a series of nightmarish clips of infants hurling food and screaming in terror.) "These are all great keywords, but show me the educators behind it," says Steven Wolfe Pereira, chief executive officer of the small, kids-focused Encantos Media.



Jeon says he's a storyteller, not an expert in search engine optimization. "I never look up the reason why something is popular or how I can please the YouTube algorithm," he says. "I know what matters. Stories matter." Future Cocomelon cartoons, developed in consultation with educators, will bring J.J. to school, he says, and diversify the channel's cast.

Whatever the future holds for J.J., his hit songs are sure to become required listening on a great many family car trips as Cocomelon's albums begin to sell. With his anonymity mostly intact, Jeon doesn't have to worry much about moms and dads who've heard *Bath Song* for the thousandth time complaining to him on the street. And if that air of mystery turns some people off, that's OK. "I don't want more viewership," he says. "I'm fine."

**BOTTOM LINE** - Cocomelon, the world's most-watched kids' programming, is estimated to have generated as much as \$11.3 million a month in ad revenue. Now it's expanding into merch.

<https://www.bloomberg.com/news/articles/2020-02-10/popular-youtube-kids-channel-cocomelon-gets-into-merch-and-toys>