Marvel Enterprises Inc.

The entertainment industry is a competitive high-risk marketplace with high profits to be made if companies make the right bets. Marvel Enterprises, Inc. has accumulated a vast amount of superheroes and villains in their character library since being founded in 1939. The company possesses some of the most widely recognized characters in the entertainment industry, but they have yet to explore the full potential of their iconic characters. The company renewed itself in the late 1990s after recovering from bankruptcy and separated into three “mini-conglomerate” divisions: comic book publishing, toys and licensing agreements (Elberse, 2011). The comic book “market [has] been relatively stable since 1997, [with] annual sales [totalling] $300 million. Marvel [has had a] 40% market share [within the industry], compared with 35%” held by DC Comics, the second leading superhero franchise company, with characters such as Batman, Superman, and Wonder Woman (Elberse, 2011). The company’s “action figures and accessories category accounted for $1.2 billion in revenues within a $20 billion industry in 2003, while “manufacturers paid $5.8 billion in licensing royalties” (Elberse, 2011) accumulating to $110 billion in retail sales for licensed products. Since the management overhaul within the Marvel Enterprises, Inc. divisions, the company has become a leading competitor in superhero character products.

Nevertheless, each of Marvel’s three divisions – comic books, toys and licensing – are equally important, because they reinforce each other in the marketplace. The three divisions impact the company’s short-term and long-term sustainability by encouraging or discouraging Marvel fans to explore and purchase other consumer products within each separate division. One sector’s success or failure to attract customers will have a direct impact on the other two sectors by skewing the consumer’s perspective either positively or negatively towards the Marvel brand as a whole. Therefore, each division must work together to sustain Marvel's competitive edge against their friendly rival DC Comics.

Marvel Enterprises, Inc.'s licensing division is good at predicting how much the company's blockbuster bets will make in revenue. "Sales [of comic books and toys] often benefited greatly from exposure in other media, particularly [from] movies" (Elberse, 2011). For example, when the first *Spider-Man* movie was produced by Sony Pictures and released on May 3rd, 2002, the film acquired $404 million at the U.S. box office and $822 million in worldwide box offices, surpassing their $139 million budget and gaining 1.087 billion dollars in revenue. With such an extensive media exposure and success in Marvel's licensing division, it was not a surprise to see "the *Spider-Man* movie [begin] a wave of interest in comics that grew the entire market. Before *Spider-Man*, the largest launch of a book with a top-rated talent was around 100,000 units. Now a similar launch regularly breaks 200,000 units" (Karyo, 2011). Marvel's toy division saw a ripple effect as well. The company "sold more than 1.5 million units of the *Spider-Man Dual Action Web-Blaster*" (Elberse, 2011) approximately one year after the first movie was released. The toy division witnesses sales of around $22.5 million for a retail unit priced at $15. The success and exposure one division (i.e. licensing division) acquired from the *Spider-Man* movie release generated a ripple effect to the other sectors, illustrating how each division impacts the activities of the others. The comic book publishing, toys and licensing sectors of Marvel Enterprise, Inc. are intertwining, relying on each other's success.

Marvel's three divisions can aid with the company's short-term and long-term sustainability by allowing certain characters from their library to gain media exposure, preferably through a licensing agreement, to predict how audiences will react to their new character. The licensing division allows Marvel to test their characters for their long-term sustainability division (i.e. comic book publishing) and their short-term sustainability division (i.e. toys). The comic book publishing division can be considered Marvel's long-term sustainability category because their consumer segment consists of males between the ages of 13 to 23 and adults in their mid-30s. These male consumers regularly read and purchase comic books in the United-States like any other magazine, while others will buy them as a collector's item and keep them as an investment vehicle (Elberse, 2011). The toy division is Marvel's short-term sustainability revenue category since the superhero toys are targeted to boys aged four to 12 years old. Young boys between the ages of four and 12 years old experience a stage of rapid development in their maturity and interest levels. Young children will rapidly change their minds towards what is considered cool based on their age, making this consumer segment a short-term money grab for the toy division. However, if the company can sustain the child's interest in Marvel's characters throughout their childhood development, they are more than likely to explore and purchase products in the comic book publishing division as they move through their adolescent stage and into adulthood.

Unfortunately, with such a large library of characters to choose from, the company has only featured a small number of superheroes in their storylines and blockbuster franchises in recent years. Marvel Enterprises, Inc. can develop vast amounts of storytelling opportunities with new or older characters that have yet to be explored as much. After emerging from bankruptcy and discovering their blockbuster character, *Spider-Man*, it seems that the company has become too dependent on it. It would be better if Marvel diversified its creative offerings by turning *Spider-Man* fans into Marvel fans. The company is running the risk of wearing out the novelty of classic stories by retelling them in a modern context for the current youth market. "In 1962 *Spider-Man* was bitten by a radioactive spider. In *Ultimate Spider-Man* [reintroduced in 2001,] he was bitten by a genetically morphed spider – and he had a cell phone" (Karyo, 2011), illustrating how the company is changing the storyline to try to appeal to a modern audience. Although Marvel should invest in discovering their next blockbuster characters to introduce a new line of comic books, toys and licensing deals. Marvel's appointed vice-president at the time, Bill Jemas stated, "we can try new characters at almost no risk. We can put it out, watch it for a couple of months, and if it doesn't seem to take off, cancel it" (2011). There appears to be little to no risk to explore new characters amongst their lucrative property library, and the company may be able to find their next blockbuster hit without risking a lot of capital.

The *X-Men* franchise is a great opportunity to expand individual characters into further storylines and blockbuster franchises. *X-Men* is a series based on superhero mutants, first starting out in Marvel's comic book publishing division and then allowing 20th Century Fox to buy an exclusive movie licensing deal to produce and release the Marvel characters onto the big screen. The *X-Men* universe consists of a multitude of characters with individual story opportunities and fan bases. Marvel Studios should develop each of the *X-Men* characters (superheroes and villains) by either introducing movie sequels delving into individual characters' backstories or continuing their character development in the current *X-Men* universe with the rest of the group. It will aid in diversifying Marvel's dependency on blockbuster characters such as *Spider-Man* by developing new independent storylines and discovering whether consumers would rather see individual superheroes and villains on their own or not.

Marvel Enterprises, Inc. can also pair a lesser-known character from the *X-Men* universe with an independently successful blockbuster character to ease the risk of failure. The first *X-Men* movie made $157 million dollars at the U.S. box office sales and $296 million in worldwide box offices, equalling a total of $378 million in revenue on a $75 million dollar budget. *X-Men II* made $215 million in U.S. box office sales and $406 million in worldwide office box sales, generating a total of $501 million in profit. There is clearly a large consumer market for the *X-Men* movie franchise and their characters. Marvel Enterprises, Inc. can develop a spin-off series of *X-Men* characters and pair them with already successful independent superheroes such as Spiderman and The Hulk to see if they would be viable pursuits for the company. Potential benefits of taking on this strategy include allowing Marvel's character library to gain exposure and development, and acquiring new lucrative properties within their portfolio. It will allow Marvel to diversify their toy lines (e.g., creating Wolverine claws) and expand their licensing division by creating television series and video games. The drawback of pursuing this strategy is the possibility of all this being rejected by Marvel and *X-Men* fans. Consumers may not react positively to seeing their favourite superhero group being separated into individual storylines. They might prefer to see their favourite *X-Men* mutant superheroes on an adventure together as a team.

Furthermore, Marvel should take the risk of investing big money into capital-intensive activities like films, television productions, and video games, regardless of whether the company chooses to introduce new blockbuster characters or not. The company should bear the risk and the cost of such a significant investment because of the high success and revenue previously seen in American and worldwide box offices. The company has seen nothing but success amongst their three divisions: comic book publishing, toys and licensing, although they have been licensing their lucrative intellectual property to third parties instead of cashing in on the benefits of their characters' success alone. Marvel films have been averaging $210 million in overall revenue per film with about 50 percent of that in costs and 50 percent of it in profits.

Work Cited

Alberse, Anita. (February 24, 2011). Marvel Enterprises, Inc. *Havard Business School Cases.* Retrieved from http://www.hbs.edu/faculty/Pages/item.aspx?num=39940