

Marvel case

Business



Summarize the Situation Marvel Enterprises Inc, is famously known for one of the most recognizable collections of characters in the entertainment industry. The proprietary library of over 4700 characters contributed to the success of the company, in which the characters have been featured in various media forms for over 70 years. However due to various issues, Marvel was forced to file for bankruptcy in the late 1990s.

Nevertheless after Toy Biz, Inc. acquired the company out of bankruptcy, it formed a new board and a new strategic direction. The three key strategies that can be identified to Marvel's success are: 1) monetizing the content library via licensing characters for the use of media products and consumer products i. e. motion pictures, apparel 2) managing the library of characters to foster long-term value (each character with a career plan) 3)ensure quality of the content that featured Marvel characters by retaining some form of control over the creative process.

1 Despite Marvel's remarkable rise, doubts were raised about the business model and its growth potential. Two key marketing issues are believed to be critical as there exist mounting concerns about Marvels' future success. Firstly, the issue is with regards to what characters to invest in from the collection. The question raised was whether Marvel should continue to capitalize on the " blockbuster" characters or allocate resources to the lesser-known characters. Secondly, Marvel's management faced the issue whether it was wise for the company to go beyond the current business model and move into capital-intensive activities i. e.

content production and distribution to the forefront. Proposed Idea(s) Marvel should focus on shifting gears towards the lesser-known characters and develop them by pairing or grouping them in films. Secondly, Marvel should continue to follow the 1 Elberse, Anita, “ Marvel Enterprises, Inc. ” HarvardBusiness School.

5 May 2005. Pg. 4 2 ibid pg. 12 current business model in terms of the way their properties are brought to the market for publishing, toys and licensing. However Marvel should focus on capital-intensive activities of its characters with the studios for use in motion pictures. Marvel should seek strategic partnerships with studios and be heavily involved two areas: a) story-writing/creative process b) marketing How it Works Marvel will launch the lesser-known characters by coupling them in groups/pairs or with “ blockbuster” characters and allow the company to build awareness while capturing the audience’s attention.

By grouping the lesser-known characters with “ blockbuster” characters or other promising lesser-known characters, Marvel will be able to showcase and expose the attributes of a diverse character base. Following the steps of Daredevil(2003), the character Elektra was introduced in the film as the girlfriend of blind lawyer Matt Murdock³. Consequently in 2005, Elektra was the independent character in her own blockbuster release in 2005. Secondly, Marvel will invest in capital-intense activities by forming strategic partners with studios like Sony, Lionsgate, Universal etc. to be heavily involved in the story-writing/creative process and marketing.

By leveraging the core strengths of its well-known writers and artists that lead the publishing division and key talents (writers) from the film industry, Marvel should invest heavily in idea generation and story writing. As the origins of most stories are from the Marvel library, by having primary responsibility in the creative process, Marvel will be able to best integrate new characters and story lines to studio partners. By working alongside studio writers, Marvel will be able to “create content” instead of “assist” as mentioned by Peter Cuneo. Furthermore, by being directly involved in the marketing with 3 Elberse, Anita, “Marvel Enterprises, Inc.” Harvard Business School. 5 May 2005.

Pg. 19 4 Elberse, Anita, “Marvel Enterprises, Inc.” Harvard Business School. 5 May 2005. Pg.

12 studios, key partnerships can be formed to promote the film by associating the characters with iconic brands that consumers can resonate with. In addition, Marvel will continue to strive in its publishing, toys, licensing divisions. Here's Why It's Right By integrating lesser-known characters with “blockbuster” characters or by pairing/grouping promising lesser-known characters, Marvel can use its successful storylines from its publishing division to launch the careers of characters that otherwise would remain in the publishing business (comic books). By using the success of characters like “Iron Man”, “Captain America”, lesser-known characters will be able to bring diversity onto the screen. Due to the various ways Marvel brings its properties to the market- film, television, video games etc. It is most logical to launch the careers of these lesser-known characters by creating short film and videos for television.

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Television is viewed by Marvel's younger target audience, and this would be a way for them to be exposed to characters they might not have heard of. This way Marvel can monitor the popularity of these characters whether it be with "Blockbuster" characters or lesser-known characters in pairs/groups to determine the possibility of turning into motion films. By not pushing them to the big screen first, testing the waters with these characters will help Marvel to determine the long term value of the characters. Secondly, by moving into capital-intensive activities and playing a critical role in the story writing/idea generation and marketing aspects- Marvel has the capability to bring its rich history of characters to life that would not be done with studio writers. By being involved in the back-end of the motion pictures, creative stories lines can be formed with strategic partnership with film studios. By having the best and brightest from Marvel will create content that is creative and innovative by the successful Enterprise.

This makes sense as Marvel does not have the expertise in mastering an end-to-end production of a motion picture. By leveraging its core strengths in story-writing and with film studios, further revenues can be gained. In addition by being involved in the marketing, Marvel will be able to expand and gain new licensing contracts through various mediums. i. e. partnering with iconic brands

Next Steps and Timing

1) Firstly, over the span of a year: Marvel should create a strategy to group/pair lesser known characters together and with "blockbuster" characters.

By creating shorter films and video and bringing them into life on television will cause awareness and consumers to resonate with the creative story and attributes associated with these characters. Once these characters have

been launched, Marvel will determine the popularity generated by new characters to determine the career and future prospects of the characters i. e. Motion film. Providing an entire experience to consumer of lesser-known characters via the Internet, they will be able to explore the characters in great depth.

) Secondly, to create strategic partnership (2-5 year) with film studios, Marvel must focus on investing capital on its talent and bringing its top story-writers/creative members to the forefront. By signing deals with film studios to have greater responsibility in the content creation, it will give Marvel more power in which the characters can be integrated and creative story lines created. Therefore Marvel will gain exposure and film studios will value those involved in the process for future projects. Similarly, having control over the marketing, Marvel can seek strategic partnership with iconic brands to help release the movie and cause exposure. Question 1: The strategic direction that Peter Cueno and his colleagues should pursue is to continue focusing on licensing as it the highest in net sales (2003- 1489 200 000.)⁵ Licensing at Marvel has the greatest diversity in terms of what the division consists of: apparel and advertising, entertainment: includes studios, themed attractions, and electronic games, toy royalty fees and other.

Marvel can enhance the value of its trademarks and continue to build long term equity. In John A. Quelch's article " How to build a product licensing program", key components were outlined that are applicable to Marvel. Launching a national brand, quickly penetrating new markets, sharing the investment risks, maximizing existing lines probability and to keep a consumer franchise are key reasons that Marvel would benefit from <https://assignbuster.com/marvel-case-essay-samples/>

licensing. 7 With the ability to licence its “ blockbuster” hero’s across to various mediums, Marvel can benefit greatly from penetrating in new markets across the globe. By crossing geographic boundaries iconic brand integration will allow Marvel to excel in various cultures and languages.

In addition, Marvel’s toy royalties and fees contribute to the greatest net sales in terms of licensing. Primarily due to sharing the investment risks with TBW, Marvel is able mitigate the risk of inventory and still have control over toy designer, salespeople and merchandising expertise. 8 And since demand patterns are unpredictable, life cycles shorter and industry fragmentation, Marvel benefits from the agreement with the toy manufacturing company. 9 In addition, to expanding its licensing division, Marvel should seek areas where they can maximise existing lines profitability. John A.

Quelch’s article mentions that many food companies are looking for ways to enhance their existing brands. 10 Therefore Marvel can seek food companies such as General Mills to target “ blockbuster” characters with their food items associated with Marvels target group i. e. fruit 5 Elberse, Anita, “ Marvel Enterprises, Inc. ” Harvard Business School. 5 May 2005.

pg. 14 6 “ Licensing Lecture 3”, slide 14 7Quelch A. John “ How to build a product licensing program”. 8 Elberse, Anita, “ Marvel Enterprises, Inc. ” Harvard Business School. 5 May 2005.

pg. 7 9Quelch A. John “ How to build a product licensing program”, pg 188 10 ibid snacks. In addition, non-food companies can be targeted such as P&G to associate Marvel characters on kids items i. e. HULK toothpaste in green flavour.

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In order to move towards capital-intensive activities, Marvel should form strategic partnership with film studios to involve greatly in the creative process/story writing and marketing. Since Marvel's core competency is not film production, it should not allocate funds to solely produce a film as it does not have the expertise on the end-to-end production process. This will not be easy, because the well funded gatekeepers who control access to traditional distribution networks will fight to retain their market dominance".

11 Peter Broderick makes an excellent point in his article as film studios have market dominance and have years of experience in which motion pictures are produced and released, therefore forming a strategic partnership would benefit Marvel in the long-run. Due to the changing and evolving technology, Marvel will have not be able to master the techniques film studios like Sony and Universal have. Digital tools have enabled directors to transform the production process.

2 Question 2: There a key reasons why Marvel's turnaround was so successful. Due to key strategic decisions, the company was able to drastically revamp its business from The Perelman Years in which he eliminated unprofitable lines of business, streamlined operations, acquired other-comic book publishers and diversified outside the core comic-book business. By capitalizing on a speculative frenzy among collectors, caused a great plunge in Marvels comic-book sales. However, by focusing on the quality of its content, licensing characters from the content library for various media products, anagement of characters, and control over the creative process allowed Marvel to have a great turnaround. 11 Broderick, Peter.

Moviemaking in Transition. Scientific American. Nov 2000, pg 69 12 ibid pg 67 What Marvel has done is create a sustainable business model. In Douglas B. Holt's article "What Becomes an Icon Most?" describes the following. "Every society needs myth- simple stories that help people deal with tensions in their lives.

Today's most potent brands succeed by providing them. " 13 Marvel has used its content library to amplify the characters and create myths for consumers to resonate with. Starting with the traditional comic book publishings, the target market was limited in terms of the readers. However over the years, Marvel was gone beyond the traditional comic books and engaged consumers to experience its library of characters through movies, televisions, video games and all sorts of consumer goods, altering the view on traditional behaviours and consumption of comic books. The success is not a fluke as Marvel strategically built career plans and myths for each of their main characters rather than having one story and not returning to their characters. As Douglas Holt writes, " the strategic focus is on what the brand stands for, not how the brand performs.

" 14 The management team of Marvel brought characters alive outside the motion picture channel, by creating revenue opportunities in different outlets such as toys and video game licenses. From these careers, Marvel is able to create an array of products that it doesn't have the expertise to make itself. 15 Therefore exhibiting the importance of licensing. Also, an important aspect to the sustainability model is the strategy on the quality of the content in which Marvel characters are featured in. Regardless of the medium or outlet, Marvel's management team has great involvement on <https://assignbuster.com/marvel-case-essay-samples/>

improving the quality of content produced, from design to final engineering and execution. 16 13 Holt, Douglas B.

“ What becomes an icon most? ” Harvard Business Review. October 25 2008 article pg 1 14 Holt, Douglas B. “ What becomes an icon most? ” Harvard Business Review. October 25 2008 15 “ Licensing Lecture 3”, slide 14 16 Elberse, Anita, “ Marvel Enterprises, Inc. ” Harvard Business School.

5 May 2005. pg. 6 Question 3: Comic books, toys and licensing are critical to Marvel Enterprises. Marvel’s three divisions have been the backbone of the immense success experienced by the company over the recent years. In terms of maximum future growth, the division that currently carries the strongest potential for future growth and performance regardless of whether they introduce their own movie production line of continue licensing it to other is the licensing division.

Licensing: The licensing division was able to generate a gross profit increase of 88% in '01-'02 (\$ 40 000 000 -> \$75 100 000) and a 152% increase from '02-'03 (75 100 000 -> 189 200 000)(appendix a). The figures indicate that licensing has been the core of Marvel and has even more potential for the future. Now with the success of many food companies and consumer goods companies, the opportunity to licence in any form is great. As discussed in Steve Pulver’s lecture 3 slides, licensing products can “ enhance the value of your trademark and build long term equity” 17 if the licensor-licensee relationship are well managed, which means that Marvel can eventually carry its business into new distribution channels, thus indicating that the licensing division is a valuable one to the company’s future. Comic Book

Publishing: The second most important division within the Marvel business is currently the comic book publishing line. This was the heart of the company which contributed to Marvel's credibility over the years.

This is an important division for the future because Marvel never publishes anything that has less than 30% contribution margin. Since 1998, the comic book industry has been stable with annual sales of \$300 million. Moreover, Marvel had a 40% dollar market share, compared with 35% for its nearest competitor, DC Comics in the comic book publishing division. Most of Marvel's publishing revenue is from the direct marketing, popularity has gained with comic books available at Barnes & Noble in the mass market. Toys: Marvel's toy division is small in size and shown decreases of 17% from '02-'03. The main reason being the short product life cycle characterized by toys that led to intense competition for shelf space among retailers.

The division is very volatile, as blockbuster hits spark the sales of toys to increase however have very unpredictable demand patterns. Although it has shown success in the past, and executives on the board are from Toy Biz, this division can hold strong as long they are included in the career of characters. If not successful and it loses profit, this division should be eliminated.

Question 4 Marvel's success is not due to one character, Spiderman but sure did initiate the success of the Enterprise. However Spiderman was an iconic character with the release of its Blockbuster hit movie and various licensing agreements that followed and created high demands of consumer consumption. However, the Spiderman character can be highly attributed to Marvel's success in the comic book publishing division.

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Spiderman's publications have done much better than other comic books as both the amazing and ultimate publications held about 64% of Marvel's total comic book revenues in 2003 (appendix b). Much of the success of Spiderman is due to the effect of it being an "icon" in the consumer mind. In Douglas Holt's article, people feel compelled to make these icons part of their lives because through them, people get to experience powerful myths continually. Therefore, Spiderman's iconic presence within the Marvel family of brands is due to the deep connection within the culture. 9 The Spiderman story presents a simple 18 Elberse, Anita, "Marvel Enterprises, Inc." Harvard Business School.

5 May 2005. pg. 19 19 Holt, Douglas B. "What becomes an icon most?" Harvard Business Review. October 25 2008 article pg 1 story of ordinary lives with compelling characters and resonant plots, myths that help us make sense of the world. 20 This set the tone for the expectations of all future Marvel character who would star in movies.

In order to develop lesser-known characters, Marvel needs to focus on building brand awareness for these characters before they are starred in motion pictures. Creating short promos, with intense plots and prominent Hollywood stars, will allow consumers to become aware of such characters. Bringing them out of the comic-books and perhaps grouping or making movie appearances in stronger counterparts hits, will allow their characters to make debuts in movies. This way once they build a brand in consumer's mind, they can be released with their own movie. In addition, by introducing these characters to consumers via licensing, this can heighten consumer

awareness, and stimulate interest and encourage consumers to try the products and or engage in the experience.

21 20 ibid