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Chapter 2

Ownership Concentration in the U.S. Comic Book Industry

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In the May 24, 1998 issue of *The New York Times*, there appeared a 3,200-word essay about the Marvel Entertainment Group, for years the dominant publisher in the comic book industry (Bryant, 1998). The illustration that accompanied the story was a drawing of two angry figures slugging it out in a fierce battle royale. However, this article did not appear in the entertainment section, the arts section, or even the book section. It appeared in the business section. The article was not about the hottest titles, characters or artists, but instead about stock values, junk bonds, and corporate assets. And the two figures pummeling each other were not fictional superheroes, but rather caricatures of two Wall Street moguls, Ronald Perelman and Carl Icahn. In fact, the news article focused specifically on the dire nature of the comic book market and the struggle for control over Marvel, the industry leader, that took place between these two financial tycoons. This article joined a series of news reports from 1996 through 1998 that appeared in other business venues like *The Wall Street Journal*, *The Hollywood Reporter*, and *The Financial Times* of London.

Such articles collectively presented a troubled image of the economic and industrial dynamics of the comic book industry in the late 1990s. This chapter will focus on these dynamics from the perspective of political economy, arguing that the comic book industry is characterized by increased conglomeration and ownership concentration. Such characteristics do not just affect corporate investors, but have profound implications for the future of the industry, both in terms of its economic stability and the ideological diversity of its content.

Political Economy and Media Ownership

A political economy perspective of media focuses on the "interplay between the symbolic and economic dimensions of public communications" (Golding & Murdoch, 1991, p. 15). It asks how the economic makeup of media industries—including such issues as market concentration/diversity, media organization ownership, institutional power and revenue sources, and state intervention—influences democratic life (Mosco, 1996). This perspective connects issues of media production to issues of media content, media access, and economic equality. Political economy assumes that the ideal media system for a democracy would have certain characteristics, including content diversity, open access, and political relevance. Approaching media from a decidedly normative and evaluative perspective, this perspective often argues that what may be in media organizations' best economic interests is not always in society's best democratic interests.

Political economy has been especially valuable in understanding recent directions in modern communication systems—including increased economic influence over media systems by advertising (Andersen, 1995; Baker, 1994; McAllister, 1996) and the global reach of media conglomerates (Barnet & Cavanagh, 1994; Herman & McChesney, 1997). Political economy analyzes the reasons for these trends; their social, cultural, political and economic implications; and possible avenues for change.

One significant example of a trend targeted by political economists is the concentration of ownership and market control by large media conglomerates. In fact, Mosco writes about this research perspective that "one of the principal substantive themes in North American research draws from political economy's general concern with ownership concentration" (1996, p. 89). As McChesney (1997) points out, Ben Bagdikian, a leading critic of the growth of media conglomerates, has long documented with each new edition of his much-cited book the increasing power in a decreasing number of dominant media: from 50 in 1984 to 26 in 1987; from 23 in 1990 to less than 20 in 1993; from 10 in 1996 to just 6 in 2000 (Bagdikian, 2000). Such giants have influence in many different media industries (such as Time Warner's presence in film, television, publishing and other media) and/or dominate one particular media industry (such as the newspaper chain Gannett). Critics have raised serious concerns about this development (Aufderheide et al., 1997; Bagdikian, 2000; McAllister, 1996; McChesney, 1997; Meehan, 1991). The control of information in so few hands grants these leading corporations the ability to influence cultural and economic trends, political policy, and technological development in ways that may benefit the short-term quarterly report but not the long-term society. Similarly, the diversity of information produced by corporations driven by the same basic corporate structure and economic forces and moving the same media images through a variety of outlets may be minimal.

Political Economy and Comic Books

Although several scholars have analyzed economic and industrial issues with comic books in the United States (McAllister, 1990; Gordon, 1998; Nyberg, 1998; Rhode, 1999; Rogers, 1999; Sabin, 1993), the majority of comic book scholarship since the 1970s has focused on message criticism and analysis (McAllister, 1989). Yet a political economy approach toward comics is important for several reasons.

First, the comic book industry is economically significant. Although the industry experienced a major economic downturn in the mid-1990s, comic book sales reached approximately $425 million in 1997, down from $850 million in 1993. The "direct market"—the more than 4000 comic book shops across the United States—generated $241 million of this, with the remainder coming from such outlets as mass market retailers like Wal-Mart and newsstand distribution. The industry employs approximately 12,000 people. In the grand scheme of media economics, such figures are relatively small. Comic books, however, have additional economic impact. Besides comic book revenue, licensing activities (the sales of comic-book-related merchandise) brings in many more millions. Marvel alone generated $15 million in licensed properties in 1995 (all of the above statistics from Pearson & Miller, 1996; Miller, 1998a; Miller 1998c). The licensing practices of the comic book industry also influence the creation of motion picture and television productions that collectively generate revenue in the billions of dollars. The movie that generated the biggest domestic box office ($250 million) in 1997 was *Men in Black* ("1997 box office report," 1998), published by Malibu Comics and later acquired by Marvel. *The X-Men*, based upon another Marvel property, brought in over $54 million in its opening weekend in 2000, one of the largest motion picture debuts in history.

A second reason for a political economic perspective is that we might better understand issues surrounding the content and accessibility of comic books through an understanding of the economic structure of the industry. By spotlighting the economic incentives and makeup of the industry, a political economic perspective helps to explain why certain comics may be available and others not available—either because they were not published at all or were not distributed or exhibited.

Finally, analyzing the political economy of comic books can help scholars to better understand the economic behavior and consequences of media generally. Many of the trends discussed below are not peculiar to the comics medium, but are also found in other media. In fact, because of specific dynamics of the comic book industry in the 1990s, trends of modern media industries may be particularly illustrated and effects of these trends starkly revealed. The comic book industry since 1993 has experienced a severe downturn in sales, for example. This downturn can be understood in terms of the industry's political economic behavior, and may help us to understand modern media performance in similar economic circumstances. Similarly, the comic book industry is potentially a revealing microcosm of the increased concentration and conglomeration of media industries as well as of the potential reasons for and effects of this concentration.

Ownership concentration was perhaps the most salient industrial trend of the comic book industry in the 1990s. Two dominant facets of concentration of ownership are discussed below, both having profound implications for the economic health of the comic book industry and for comic book content. The first trend is the high degree of horizontal control found in the contemporary comic book industry. The second is the emphasis on synergistic growth among the major comic book producers, a growth that has increased ownership concentration and placed the comic book industry in jeopardy.

Horizontal Integration in the Comic Book Industry

Although such terms as horizontal integration and vertical integration are commonly used, their definitions may vary (Mosco, 1996). This chapter defines horizontal integration as occurring in a media industry when one or a few key companies control one level of the industry: production, distribution, or exhibition. Three types of horizontal integration are therefore possible. Vertical integration occurs when one company internally has production, distribution, and exhibition resources. Thus, a newspaper company is a vertically integrated organization as it produces the newspaper itself, distributes the newspaper to circulation managers it employs, and exhibits the newspaper via a home delivery system using carriers.

At the turn of the millennium, the comic book industry is dominated by two types of horizontal integration. Oligopolistic integration occurs at the production level, and near monopolistic integration occurs at the distribution level.

Horizontal Integration of Comic Book Production

One way to determine the degree of concentration in an industry is to look at market share: to what extent is industry revenue controlled by a few companies? By this standard, the comic book industry is characterized by an oligopoly at the production level. The direct market accounts for about 80% of all new comic books sold. In 1997, the "Big Two" companies controlled over 60% of direct market sales—Marvel Entertainment Group, Inc. (33%) and DC Comics (28%). Image Comics, created in the early 1990s, accounted for 17%, and Dark Horse rang up 6%. The other 16% was divided among the 496 smaller publishers. This large number of publishers is deceptive, however, because more than a third of them only published one issue of one comic book during 1997 (Miller, 1998b). In mass market retail outlets, such as in Wal-Mart, the Big Two historically dominate even more (Stuempfig, 1994b).

Although figures can vary widely from month to month, both DC and Marvel's direct market share probably increased in the late 1990s, or at the very least stayed level. In August 1992, for example, the two combined controlled 56% of comic book shop sales. The increased/sustained concentration has occurred mainly for two reasons, the first being publisher and talent acquisitions by the Big Two. In November 1994 Marvel increased its share of comic sales by acquiring Malibu Comics, which publishes the popular Ultraverse titles (Thompson, 1994), and controlled about 5% of the market before the acquisition (Stuempfig, 1994b). A similar move took place in 1998, when DC bought WildStorm Studios, formerly affiliated with Image comics (Miller, 1999a). The second, more significant, reason concerned sales trends. As noted above, beginning in mid-1993 the comic book industry entered a “bust” period in which direct market sales were halved. The “boom” period that had helped the comics industry in the early 1990s was fueled largely by comics investors—those who bought large quantities of the same issue of certain comics hoping these books would increase in value. In 1993, as publishers played to the investor market with manufactured “special issues,” the investor market became oversaturated and collapsed (see, for instance, Bryant, 1998; Evanier, 1996). As a result of economic hardship, many mid-range publishers such as Acclaim, Defiant, Innovation, and Eclipse ceased publishing comics.

However, just looking at market share is not an adequate measure of industry concentration. One should also consider “strategic alliances” in the industry, in which direct ownership is not a factor but competition between separate companies is nevertheless suspended while they share resources for special projects (Mosco, 1996). If industry leaders are involved, such joint ventures accentuate the economic concentration in an industry. Such alliances often undermine the diversity and innovation that economic competition brings, as the dominant companies create connections and partnerships for their mutual benefit.

In comics, the most common version of the strategic alliance is the inter-publisher cross-over—a story or series of stories where the characters of one publisher interact (translated as fight in the comics world) with characters from another publisher. Such strategic alliances have exploded in the mid-1990s. There were at least 29 different publisher cross-overs in 1996 involving 17 different publishers (Pearson & Miller, 1996). By far the most publicized of the cross-overs was the one involving the two industry leaders, DC and Marvel. Using a reader polling system to determine readers, the Marvel vs. DC books (published by Marvel) and DC vs. Marvel books (published by DC), featured such contests as Superman versus the Hulk and Captain America versus Batman ("DC takes on Marvel," 1995). Other cross-overs, between the two companies as well as between Marvel and the third-place leader in the industry, Image, followed. As one industry observer noted, "Things got out of hand when the Punisher met Archie—yes, *that* Archie" (Voger, 1997, p. 56).

Another indication of market concentration, besides market share and strategic alliances, is the informal organizational influences of dominant companies on smaller companies. Where, for example, are the creative personnel of smaller companies trained? Are the creative personnel trained by the industry leaders, and when these creative personnel move on to form their own companies, do they bring the mindset of the leaders with them? In this light, one may wonder how truly innovate Image Comics was when it was created in early 1992. Given that Image founders such as Jim Lee, Rob Liefeld, and Todd McFarlane cut their creative teeth at Marvel, to what extent could new perspectives prosper? As one industry analyze noted, "...it was once commented that Image wanted to be Marvel in the worst way (and succeeded)..." (David, 1995, p. 102).

Finally, one last indicator of industry concentration is the extent to which the industry leaders are part of a larger, stronger conglomerate (Mosco, 1996). By this measure, DC has a very secure market position. It is part of a company, Time Warner, which had over $24 billion in combined revenues in 1997 (Time Warner, 1998). It is anchored by such holdings as CNN, Warner Films, and HBO. Although as of this writing the corporation is heavily in debt, it has deep pockets to allow its DC subsidiary to survive tough economic times, whereas other independent publishers do not.

But what might this market concentration mean for the content of comics just after the turn of the century? One main implication of Marvel and DC's dominance in comic book production is the glut of superhero comics. This focus is encouraged both by the network of talent cultivated by the Big Two, as well as the target market of these companies. Because Marvel and DC have a stable of characters from this genre and have hired creators skilled in this genre, they tend to focus on the genre. Although many older adults read comics, the superhero genre, especially, is dominated by teens and even younger children. The buyers of Superman and Batman, according to a 1995 survey, mostly are six- to 19-year olds, and the great majority of comic book purchasers are male ("Who Buys Comic Books," 1995). An added incentive is that the buyers of these books are also desirable for large entertainment companies to reach, companies to which the Big Two are connected. This targeted readership has a lot of disposable income, and the willingness to dispose of it.

The licensing of comic book characters, as will be discussed later, also cultivates this market. Because toys, video games, trading cards, movies and television programs have become dominant generators of revenue for comic book companies, they will produce comics that appeal to buyers of toys, video games, and other merchandise. The teenage-boy demographic, seen as having vast amounts of disposable income, tend to be prime markets for these ancillary products (for a discussion of the emphasis on the teen market by the motion picture studios, see Corliss, 1998).

As DC, Marvel and the similarly marketed Image establish the marketplace definition of comics (featuring overly-endowed male or female superheroes itching for a fight), even new publishers, seeking to fit in with marketplace predictability, accept this definition. At the peak of publishing revenue—generally believed to be the winter of 1992 when sales of DC's "Death of Superman" story line may have led to a $30 million *day* in U.S. comics shops (Miller, 1995)—publishers became attracted to the industry by seeing the superhero comic as the way to make a quick dollar. In fact, often the "innovation" introduced by the smaller publishers was to exaggerate the violence, gore, and sexist portrayals of the superhero comics as a way to compete with the bigger companies (Sullivan, 1996; Voger, 1997). The promotional potential of cross-overs also encouraged a superhero glut as more "special issues" were created to feature such cross-overs and smaller publishers developed superhero comics to exploit cross-over potential.

Such a marketplace hegemony turns away potential readers, publishers, and creators; overshadows other comic genres that creatively stretch the medium (see Witek, 1989 for a discussion of historically based comics, for instance); and may have contributed to the drop in sales that began to occur in 1993. By limiting creator innovation, the "superhero mindset" of the Big Two may have squelched reader attention. As one comic book writer noted: "The industry is still defined by superhero titles. And since readers are sick of or bored by or oversaturated with (pick one) superheroes, they are turning away from our industry, even though we have other items on the menu" (Evanier, 1996, p. 28).

Publishers who attempt to publish non-superhero comics may find distributors and retailers not supporting their efforts, given the predominance of superhero themes and images. When Jim Valentino of Image Comics announced that he was discontinuing his project of publishing diverse genre comics because of a lack of economic success, he argued that "the current market is not a comic-book market; it's a superhero market. The entire industry is in a war of attrition and these kinds of non-superhero titles are the first to feel the crunch" (Dean, 1998, p. 6). The strong oligopolistic emphasis on the superhero comic left the industry in poor shape to react appropriately to the crash by discouraging the development of alternative genres of comics to attract new readers.

Creators may feel the pressure not only to produce superhero comics, but to create *hyper*-superhero comics with maximum potential for cross-overs. Peter David, a columnist for the trade publication *Comics Buyer's Guide* and the writer for Marvel's *The Incredible Hulk* for over a decade, was known for his unconventional story lines including those involving social issues such as domestic violence, capital punishment, and AIDS. David resigned from the title in 1998; one reason given was the organizational pressure to increase the brutality and cross-over potential of the character. As David wrote about his decision to leave the title:

> Ultimately, it was up to me. Up to me to produce the mandated Hulk-centric major storylines that could spread throughout the entire Marvel universe, so that more cross-overs could be done. Up to me to produce a Hulk that was even darker, nastier, and more savage (even mute, it was suggested) than was currently being written. (David, 1998b, p. 82)

A writer who followed David on the title, John Byrne, later stated that the character would indeed change to become the more manic "Hulk Smash!" version of the character. "That's the direction Marvel wants to go," said Byrne (Shutt, 1998, p. 29).

Horizontal Integration of Comic Book Distribution

In addition to the production level, market concentration of the comic book industry occurs at the level of distribution. In this case, it is not an oligopolistic control by a few equally powerful companies, but rather near-monopolistic control by one omnipotent (in terms of industry power) company. This has occurred because of the 1990s economic shakeup and an attempted industrial coup by Marvel. The result was industry-changing. In 1994, there were 10 significant distributors of new comics to comics shops (Pearson & Miller, 1996). Four years later, one distributor, Diamond Comics Distributors Inc., controlled over 90% of comic book distribution (Miller, 1998a).

The industry began noting a long-term decline in direct sales by at least 1994. Individual comics that may have sold a million copies per issue before 1994 sold barely half as much after (Stuempfig, 1994a). Marvel Entertainment reacted to this slump by implementing their “Marvelution” restructuring plan (“Marvel Announces,” 1994). This plan included the solidification of horizontal integration with the previously mentioned purchase of Malibu Comics. But, at the end of 1994, Marvel also implied that the plan included vertical integration, specifically *forward* vertical integration. Forward vertical integration occurs when a company acquires another company to extend its ownership control further along the circuit of production–distribution–exhibition (Mosco, 1996). When Marvel, a comics producer, announced it would buy Heroes World, the third-largest direct comics distributor (“Marvel Buys Heroes World,” 1995; “Distributors, Retailers Respond,” 1995), then Marvel was engaging in forward vertical integration. It was a tactic for gaining increased control over an increasingly uncertain market.

It was Marvel’s announcement about how it would use its new distributor, though, that profoundly altered the industry. Marvel announced that, beginning in July 1995, Heroes World would be their exclusive distributor of Marvel comics and merchandise (“Marvel Goes Exclusive,” 1995). The advantage of such an arrangement is the guarantee of distributor attention to the owner’s products, including enhanced promotion and distribution of products to retailers. In addition, when ownership is a part of the arrangement as it was when Marvel bought Heroes World, the distributor will match up its distribution activities to the marketing strategy of the publisher.

The exclusivity policy caused a domino effect of similar deals. DC, to gain "most favored nation" status with the largest distributor, Diamond, signed an exclusive deal soon after Marvel's announcement (Gray, 1996, p. 26); the other major publishers—Image and Dark Horse, among others—later also signed exclusive deals with Diamond. With 80% of the comics controlled by two distributors, other comic book distributors found they could not compete. Smaller distributors quickly went out of business. Capital City Distribution, which before the Marvel purchase of Heroes World was the second-largest distributor, was bought by Diamond in July 1996 ("The Distribution Wars," 1996). With this purchase, the distribution level was controlled by a duopoly, Diamond and Heroes World. Finally, the duopoly became a monopoly. Although Heroes World was the third-largest distributor at the time of the Marvel purchase, it still was mainly a regional distributor to the Eastern United States. Marvel management, soon realizing that starting a full-scale distribution system was expensive and difficult, then dismantled Heroes World, finally going exclusive with the sole-standing Diamond (Thompson, 1997).

Thus, Marvel's failure at vertical integration led to the horizontal integration of distribution. Diamond is now a major player in the industry, perhaps *the* major player. Peter David wrote about the industrial influence that Steve Geppi, president of Diamond, wields:

> Steve is now in a position to completely control the ebb and flow of the comics market. If he liked a particular comic book, he could promote the hell out of it. If he didn't like a particular comic book, he could bury it. If a particular publisher offended him or proved too troublesome to carry, he could effectively put the publisher out of business (unless the publisher had the patience, organization, or wherewithal to distribute itself). He could issue editorial fiats: Diamond, he could say, won't carry any comic books that are not in keeping with Steve's personal tastes or preferences. Diamond could also take forever to pay smaller publishers, causing major (possibly terminal) headaches for them. (David, 1996a, p. 106)

Although Geppi has pledged to value the interests of small publishers and diversity (Thompson, 1997a), the complete horizontal control by one company allows that company to exert a large amount of economic and content control. In 1997, the U.S. Justice Department began investigations to determine if illegal trade restraints exist in comic book distribution (Dean, 1997b).

Small publishers and small retailers alike were potentially weakened by the distributor control. Kitchen Sink Press was one of the casualties of the upheaval during the 1990s. By reprinting the work of former underground artists such as Robert Crumb and providing outlets for adult material like *Omaha The Cat Dancer*, Kitchen Sink was perhaps the most visible of alternatively voiced publishers. Announcing the company's withdrawal from the comics industry, founder Denis Kitchen noted that "I knew—and every other alternative publisher knew—that Capital City was by far their most supportive and progressive distributor," and added

> Diamond is a good organization and has been very helpful to [Kitchen Sink] during our recent rough spots, but everyone understands that competition is in everyone's best interests, and we've all lost that. A good deal of our industry's problems today stem from Marvel's acquisition of Heroes World Distribution and the collective industry's short-sighted stampede to Diamond (Thompson, 1999, p. 10).

Smaller publishers were also worried that Diamond only had so much publicity space available in its distribution catalog, *Previews*, which goes to comics retailers. Marvel comics was integrated into *Previews* beginning in the April 1997 issue, after it closed Heroes World ("The Splash Page," 1997). At the exhibitor end, with one distributor dealing with a diversity of retailers both small and large, meeting the individual needs of all retailers becomes problematic (David, 1998a).

Moreover, despite the tremendous amount of industrial clout Diamond acquired, if as the sole distributor to comics shops the company should fall on hard economic times for whatever reason, the resulting economic effect on the industry would be disastrous (David, 1996a).

Corporate Synergy and Licensing Activities

Another modern characteristic of the political economy of comics is the stress on inter-media activities, which are, in fact, a characteristic of large media firms generally and through which media conglomerates look to acquire complementary media organizations to make "the whole greater than the sum of the parts." Television, book, magazine, motion picture, and video game companies are constantly partnering with each other. The blurring of traditional divisions in media is one of the challenges to political economists as the economic landscape becomes more difficult for scholars to maneuver (Mosco, 1996).

The archetype of synergy in the comic book industry has traditionally been DC Comics, whose parent company, Time Warner, is the largest communication conglomerate in the world. Its many holdings illustrate how a license—in this case a superhero character—can be moved across various media industries. For example, with the Batman license in Time Warner's stable through its ownership of DC, it may use its subsidiaries to release the 1997 *Batman and Robin* film through Warner Films; release the comic book adaptation through DC Comics; release the novelization through Warner Books; release the sound track through Warner Records; release parodies through *Mad* magazine; advertise the movie on The WB Network; and publicize the movie through CNN's "Showbiz Today," *People Magazine*, and *Entertainment Weekly*. Such a synergistic strategy cuts down on development time (one license can provide content for several subsidiaries), allows internal control of licensing use, and maximizes potential profits from licenses. Of course, Time Warner also looks for lucrative licensing deals even with companies it does not own, such as toy, T-shirt, game and card companies (for critical analyses of corporate synergy, see McAllister, 1996; Meehan, 1991).

Smaller comics companies have also been heavily involved in licensing and synergistic activities. In 1996 Dark Horse entered a joint film production venture with Intermedia Film Equities to make upcoming movies based on Dark Horse characters (Dean, 1996). McFarlane Toys, created by comic book auteur and Image co-founder Todd McFarlane, produces, among other items, action figures based on their comic book characters including Spawn. In 1997, Spawn could be found in the movie theaters as a New Line Cinema release and on television in a prime-time animated program on HBO.

But in the mid-1990s the comics company that drew the most press attention with its synergistic attempts—and the consequences of these attempts for the comic book industry—was Marvel. Marvel's direction was defined until the late 1990s by majority stockholder Ronald Perelman, who had bought the company in 1989 and had begun in 1991 to offer public stock in it (Serwer, 1997). In an attempt to duplicate DC's synergistic success, Marvel, as of 1994, had as its stated goal to become, in the words of one executive, "a comprehensive, global, youth-marketing company" ("Marvel Acquires Welsh Publishing," 1994). To achieve this goal, Marvel went on a spending spree, purchasing or creating all or part of the following:

- Summer 1992: Fleer Cards, a sports and entertainment card company, for $265 million ("Marvel Comics to Acquire Fleer," 1992).
- Spring 1993: Toy Biz, a marketer and developer of toys, including action heroes, partial ownership for $7 million cash plus a $30 million loan (Chiang, 1993).
- Summer 1994: Panini stickers for $150 million ("Marvel to Pay," 1994).
- Fall 1994: Welch Publishing, a children's magazine publisher that specializes in magazines based on popular licenses like Major League Baseball. The amount of the purchase was undisclosed, although Welch's annual revenue was estimated to be about $50 million ("Marvel Buys Welsh Publishing," 1994).
- Fall 1994: Malibu Comics, amount undisclosed (Thompson, 1994).
- Winter 1994: Heroes World Distribution, amount undisclosed ("Marvel Buys Heroes World," 1994).
- Winter 1995: SkyBox Sports Cards for $150 million ("Marvel Announces Intent," 1995).
- Summer 1996: Marvel Studios announced it will oversee Marvel's TV and film operations with as much as $50 million in start-up costs from Marvel ("Marvel and Toy Biz Form Marvel Studios," 1996).

In addition to these ownership deals, Marvel heavily invested in general licensing activities through Marvel television cartoons, video games, amusement parks and theme restaurants (Allstetter, 1994; "Scott Sassa is New Chairman," 1996; "Universal Theme Park," 1994). Marvel's revenues have reflected this multi-media philosophy. The company went from generating $500,000 in licensing fees in 1992 to $15 million 3 years later (Pearson & Miller, 1996).

What does this synergistic direction mean for the comics industry? There are two ramifications of the industry leaders' stress on the importance of the comic book character license over the comic book.

One effect was the subordination of the comic book subsidiary to the larger licensing goals of the parent corporation. For example, by the late 1990s, Marvel management clearly viewed the organization as a licensing, not a comic book, company. Its revenues shifted away from comic book sales. In 1991, 86% of Marvel's revenues were generated by publishing (Rogers, 1999). By 1996, Marvel's publishing businesses accounted for 15% of its revenue, despite the fact that it controlled about 30% of the direct market (David, 1996b). In other words, the comic book industry needed Marvel more than Marvel needed the comic book industry. The revenue from comics was quickly becoming, to use the words of one industry analyst, "chump change" (David, 1995, p. 102). Symbolic of this, when the Planet Hollywood-esque "Marvel Mania" theme restaurant opened in Los Angeles, patrons could purchase any sort of Marvel merchandise at the restaurant *except* comic books (Sangiacomo, 1998).

In addition to the revenue shift, the background of Marvel executives, at least in the mid-1990s, also revealed a non-comics orientation. Between 1994 and 1996, for its top management levels Marvel hired a former executive from Kenner Toys, an executive from Fox Television, an executive from the NBA, and two executives from TBS, Inc. ("Fox Vice President Moves to Marvel," 1996; "Licensing VP Helen Isaacson Moves from Turner to Marvel," 1996; "NBA Marketer David Schreff becomes Marvel President;" 1996; "Scott Sassa is New Chairman," 1996; "Stein is Marvel Entertainment Group President," 1994). *Direct*, a trade magazine for direct mail marketers, reported that Gerald Calabrese, the Group President of Marvel Entertainment, does not read comic books (Dean, 1995). Peter David argued that these new executives "came into the comics business with an utter lack of knowledge as to the dynamics of our little industry" (David, 1996b).

Marvel, then, had a dearth of key executive personnel with specific knowledge of the comic book industry and a lack of strong economic motivation to pay attention to points of stress in the industry until they become crises. This may have led Marvel to move too quickly in attempting to solidify its market position as illustrated by the company's attempt at vertical integration with the purchase of Heroes World. Industry analysts argued that comics are an ebb-and-flow business, and that patience is often the preferred strategy in such times by simply waiting out a comics slump (David, 1996b; Voger, 1997). By its acquisition of Heroes World, Marvel may have pushed the industrial panic button, thus irrevocably increasing concentration in the comic book industry.

Likewise, the emphasis on licensing, rather than on comic books, may influence the creation of comic books in a way that may be good for licensing activity but not good for the comic book industry. As the comics industry becomes one link in the chain of media conglomerates, it may set less priority for the creation of good books and allocate more resources to the marketing and licensing of comic book characters to other subsidiaries or media outlets. Changes in comic book characters reveal the lower status that the comic book medium has in comparison with other windows of revenue, especially film and television. For example, radical character developments initiated in the comic book—such as the "death" of Superman in 1992 and the redefinition of the character's powers and costume in 1997—often are short-lived to re-orient the comic book character to match the characteristics of the multi-mediated licensed property. Or, conversely, the comics company may feel compelled to change characters or schedule special comic book issues that tie-in with developments of the license in other media, whether or not these changes were part of the comic book writers' original plans for the characters. An example of such synergistic scheduling includes the coordination of Superman and Lois Lane's comic book wedding with the television wedding that occurred in the more visible and higher-priority 1996 season of ABC's *Lois & Clark* ("Lois Lane and Clark Kent," 1996).

Finally, though, a last effect of Marvel's full-steam-ahead drive to synergize is the massive corporate debt it acquired, and the economic vulnerability that resulted. Marvel may have felt pressure to compete at the same synergistic level as DC, but the enterprises did not have the economic protection of a corporation like Time Warner when trying to achieve this licensing parity. To acquire all the above-listed companies, Marvel took on a debt of as much as $1 billion (Strom, 1996). One argument for corporate synergy is that the company does not put all of its revenue eggs in one basket: different industries provide multiple revenue streams. However, the size of Marvel's debt, given its assets, left the company vulnerable to industry recession, and in Marvel's case, *two* industries that it had invested in experienced severe slumps. The comics industry dropped to half its monetary levels after the boom of the early 1990s; the trading-card industry busted during this time as well, in large part because of the disillusioning play stoppages in hockey and baseball (Fabrikant, 1996). Making matters worse was a sharp increase in paper prices in 1995 (Kelly, 1995; "Marvel Stock Sinks," 1995).

The corporate debt, the decline of revenue in the two markets, and the increase in paper prices made Marvel, the leading comic book publisher, financially shaky. In 1995, Marvel's financial situation began to be evident as quarterly revenues dropped, followed by stock values ("Marvel Stock Sinks," 1995). By the fall of 1996, the situation had become critical: Marvel stock had dropped from $35 a share in 1993–1994, to less than one tenth of that by November 1996 (Sandler, 1996; Serwer, 1997). The stock eventually would drop to 50 cents a share (Miller, 1998a), and in April 1998 the New York Stock Exchange moved to have Marvel stock removed from its stock exchange listings because of the poor financial performance of the company ("Marvel's NY Stock Exchange Listing," 1998).

The resulting Wall Street intrigue was highlighted throughout the financial pages of major newspapers and trade journals. In November 1996, Perelman proposed a reorganization plan to "save" the company, infusing cash through a complicated acquisition of Toy Biz stock and 410 million new Marvel shares to Perelman. Such a plan, however, would have seriously diluted existing Marvel stock as well as the bonds that Perelman sold in 1993 to generate $1 billion, using his own Marvel stocks as collateral. Carl Icahn, a high-powered financier who bought 25% of the bonds when they dropped in price, blocked the re-organization plan. In response to this block, Perelman had Marvel file for bankruptcy protection to prevent the bondholders from taking control, even though the company apparently was in no immediate danger of folding. The bondholders, in turn, attempted to put into place their own board of directors at Marvel (and, later, at Toy Biz) to take control (for descriptions of the early developments in the struggle over Marvel, see Bryant, 1998; Jenkins, 1997; Jereksi & Lippman, 1996; Sandler, 1996; Vest, 1996).

This signaled the beginning of an 18-month financial war that included at various times Perelman, Icahn, lending banks, and Toy Biz (in which Marvel was a minority owner). At the end of 1997, the U.S District Court appointed an independent trustee to oversee Marvel's reorganization plan, and in July 1998 the court approved such a plan that would make Marvel a subsidiary of Toy Biz (Frankenhoff, 1998a). This "chapter" in Marvel's history was closed in October

1998 when Marvel merged with Toy Biz and renamed the corporation Marvel Enterprises, Inc. (Frankenhoff, 1998b).

What does this corporate saga mean for the comics industry? Although licensing may seem like a panacea for solving the problems of the comic book industry, the emphasis on subsidiary rights has drawbacks. It was not just the larger publishers that were hurt by this strategy. Besides the corporate debt sustained by Marvel during its push, the accent on licensing may also have weakened Kitchen Sink Press, soon to be gone from the comics industry, when it offered merchandise based on the 1996 film *The Crow II* (Rhode, 1999).

If Marvel had ceased production as a result of its debt, the financial devastation inflicted on already-weak retailers would have been severe, perhaps wrecking the entire infrastructure of the industry (David, 1996b). The economic recovery for the industry was made difficult as comics collectors and organizational financiers avoided an industry whose leader, Marvel, had received so much bad financial press. During one week in late August 1997, several newspapers, including the *Wall Street Journal* and the *New York Times*, reported that Marvel was on the brink of liquidating its assets (see, for example, “Marvel Says Liquidation,” 1997).

The financial crisis faced by Marvel put Marvel creators and employees in a difficult situation. The lack of ownership stability may have encouraged the company to emphasize short-term sales strategies (such as cross-overs and melee-oriented story lines) over evolving character development. As one Marvel executive argued:

> It would be kind of nice to have ownership that allows us to have a longer term viewpoint. It’s difficult to have long-term planning when you don’t know who your owner is going to be and what direction or strategy they would have for the company. You have to be careful that you’re looking ahead, but you also have to be careful that you’re not doing anything that someone would want to come in and undo. (O’Neill, 1998)

Finally, the Marvel fiasco also highlighted a very real effect of modern corporate life: a dichotomy between “haves and have nots.” To cut expenses during its downturn, Marvel laid off 40 employees in January 1996, 115 employees in November 1996, and several more in October 1998 (“Marvel to cut,” 1996; Thompson, 1996; Miller, 1999a). This is in contrast to Ronald Perelman, who made an estimated $50 million off the sale of Marvel bonds, and who, according to *Forbes*, was the 16th richest American at the height of the financial crisis ("Anticipated End-of-Year losses," 1996; Norris, 1996). It is also in contrast to Scott Sassa, the former CEO of Marvel hired the same month as the November 1996 layoffs. Near the time Marvel filed for bankruptcy protection, Sassa reportedly paid $10 million for a Manhattan townhouse (Dean, 1997a).

Conclusion

Such is the picture that a political economy analysis paints of the comic book industry, especially during the 1990s. Increased concentration at both the production and distribution levels undermines innovation by stressing economic predictability (and the conventionality that accompanies such predictability, such as violent superhero story lines), and disadvantages smaller publishers and retailers. Real and perceived economic instability may prevent new voices and resources from entering the industry and may cost the industry some of its most ideologically complex publishers. In addition, the movement toward licensing and synergy also promotes a mainstreamed, superhero version of content while also encouraging a "home run" mentality that may weaken comics producers.

Although the picture is grim, the industry is still very much in flux, and the future direction of the industry is not determined. The industry has had time to adjust to the financial upheaval of 1995 and 1996. Marvel achieved economic stability by the end of the 1990s, decreasing its corporate debt by divesting itself of such assets as Panini and SkyBox ("Marvel Sells," 1999; "Topps Lands," 1999). There were also signs of industry-wide recovery (Miller, 1999b). In terms of diversity, the ease of physically publishing a comic book has created more publishers than ever before, even if a large percentage of these publishers release only one issue. The Internet has also become an outlet for comic art, granting international distribution possibilities for those with access to a server. Perhaps new visions of what the comics have the potential to do can find and open new cracks in the market.

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Similarly, the comic book industry is potentially a revealing micro-cosm of the increased concentration and conglomeration of media industries as well as of the potential reasons for and effects of this concentration. Ownership concentration was perhaps the most salient industrial trend of the comic book industry in the 1990s.Â Ownership Concentration. 19. Horizontal Integration in the Comic Book Industry. Although such terms as horizontal integration and vertical integration are commonly used, their definitions may vary (Mosco, 1996). This chapter defines horizontal integration as occurring in a media industry when one or a few key companies control one level of the industry: production, distribution, or exhibition.