

Down to Business English

122 - Marvel Comics: a business comeback of superhero proportions

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From Tokyo Japan and Auckland New Zealand, this is Down to Business English, with your hosts Skip Montreux and Samantha Vega.

Skip: Samantha Vega! So lovely to be back with you. How are you keeping these days?

Samantha: Doing really well. The weather here in New Zealand is uh... is perking up and we're get... it's summer. It's pretty much summer now. Looking forward to the sunshine.

Skip: I keep forgetting that we are... at the opposite ends of the spectrum when it comes to seasons.

Samantha: How about you over in Tokyo? How's it going over there. Keeping your nose clean are you?

Skip: And what do you mean by that?

Samantha: You know, are you staying out of trouble?

Skip: Oh absolutely. Over here it's nothing but work, sleep, work, sleep. Maybe sometimes catch a movie on Netflix when I have a minute.

Samantha: You have Netflix in Japan? How do you like it?

Skip: Oh it's good. I think they put some really nice, original content on there.

Samantha: You can watch the latest Hollywood movie titles then?

Skip: Not so much, Netflix here is a little bit behind the times. Hey, but speaking of Hollywood movies, when was the last time you went to a movie theater and actually took in a movie?

Samantha: Ah, it was awhile ago. It might of been about eight months to a year.

Skip: Wow. It's been about a year for me too. I think the last movie I saw was Rogue One, that Star Wars movie that came out here in

Japan last December. Well the movie business, like most industries, has really had to adapt to a new marketplace in the last 20 years.

Samantha: As the Netflix business model illustrates.

Skip: Yes, the Internet and technology has certainly democratized the movie business in many ways, making it easier to produce and distribute films.

Samantha: I think show business is just as healthy as ever. People may not be going to the theater as much, but there's no shortage in customers who want to watch their entertainment over the Internet.

Skip: And one company that has really profited from getting into movies has been Marvel Comics.

Samantha: Marvel Comics, the makers of Superman and Batman?

Skip: No!! That's DC Comics. I'm talking about Marvel Comics and the Marvel Universe with, you know, characters like Iron Man, Captain America, the X Men, Thor. What's the green one? Oh, the Incredible Hulk, and of course, The Amazing Spiderman.

Samantha: Just joking. Of course I know the difference between Marvel and DC Comics. Who could **escape knowing** about that famous rivalry between them? When I was a kid, I used to like characters, I guess I liked characters from both camps but it sure seems that Marvel is beating DC at the box office at the moment.

Skip: It does. But with the recent release of Wonder Woman I wouldn't give up on DC just yet. Now, here's a fact you might not

- know. Did you know that Marvel Comics, only a short 20 years ago, went bankrupt?
- Samantha: Really?! No I did not know that. With the success of the Avengers and Iron Man it's a little hard to imagine them being out of money.
- Skip: Well I'm not lying, it is a fact. And today on D2B we are going to take a look at how they made it from the bottom, back to the top of their game.
- Samantha: Sounds good.
- Skip: Great. So, let's do it. Let's get D2B ... Down to Business with Marvel Comics: a business comeback of super hero proportions
- Skip: Marvel Comics. So, any idea how old this company is?
- Samantha: Hmm...my guess would be somewhere in the neighborhood of at least 50, 60 years.
- Skip: Oh, that's a pretty good guess. Although it grew out of older companies that date back to the late 30s, the first actual comic book to be branded and distributed under the name Marvel was in 1961.
- Samantha: 56 years ago. I was right on the money.
- Skip: You were. Now throughout the 60s Marvel differentiated itself from their rival DC Comics and DC's market-leading Superman, by creating superhero characters who were more like regular people.
- Samantha: Regular people with super powers.
- Skip: Precisely. So instead of coming from outer space and being perfect and undefeatable like Superman, Marvel characters had everyday problems like being short on money, arguing with their girlfriends, and having jobs and bosses they didn't like.
- Samantha: Interesting. You would think that they would try to imitate the successful sales model of Superman over at DC Comics.
- Skip: Actually it's just the opposite. Their marketing strategy was to create characters and stories that would appeal to an older audience not just kids, who were the traditional demographic for comic books up until that point.
- Samantha: Makes sense. When the market is crowded, expand into new territory. So who were these new adult-orientated characters?
- Skip: As I mentioned there was Iron Man, Captain America, and Spiderman. But also there were the X-men, and the Fantastic Four. My favorite was Thor.
- Samantha: Thor? I took you for a Spidey fan.
- Skip: Well, honestly I like them all.
- Samantha: So on the strength of these **grittier** characters Marvel rose to the top of the heap in the superhero comic world.
- Skip: Pretty much, yes.
- Samantha: So what went wrong? What led to their bankruptcy?
- Skip: Well let's jump forward from the 1960s up until the 90s, because that's when things started to fall apart for them. Marvel had been acquired by a man by the name of Ron Perelman in 1989 and his main business strategy was to take the company public, raise capital and use that to acquire related companies that would give Marvel more access to secondary markets.
- Samantha: Secondary markets? You mean markets other than the comics themselves?
- Skip: Yes. Perelman spent upwards of \$700 million dollars buying toy companies and trading card businesses that could produce and distribute product with Marvel characters on them.
- Samantha: Hmm, that sounds like a reasonable strategy. Why did it fail?
- Skip: Well the strategy was fine, but what really hurt Marvel was the bottom dropped out of the comic book market in the early 90s.
- Samantha: I suppose, in that era of video arcades and the early days of home video games. That

- must have cut into comic book sales I'd imagine.
- Skip: That might have had some impact for sure. But what really hurt Marvel was their sales strategy. You see, in order to put Marvel onto the stock market, they needed to keep their sales numbers really high. But instead of trying to grow their readership they **opted to** exploit their existing customer base.
- Samantha: And how exactly did they go about doing that?
- Skip: They started publishing comics that were marketed as special or limited editions and raised the prices. You see Perelman strongly believed that hardcore fans would pay top dollar for these 'collector' editions. They packaged them in sealed plastic covers so that fans would buy two or three copies. One copy to read, and the other one to keep in its sealed bag to resell in the future when its value had increased.
- Samantha: The vintage comic book market. Isn't that quite lucrative? I seem to recall reading somewhere about the original Superman comic selling for \$5 million dollars at auction.
- Skip: Well that is what Marvel hoped a lot of people would believe but by the mid 90s comic fans had grown very tired of the inflated prices and the collectors market pretty much **cratered**. Dozens of comic book retailers went bankrupt and overall comic book sales plunged something like 70%.
- Samantha: What happened to Marvel's stock price at that time?
- Skip: Well, it reflected the trend and dropped to as low as \$2.00 off its all time high of just under \$40.00. And to add insult to injury, by 1995 Marvel was deep in debt.
- Samantha: And that's what caused them to file for bankruptcy I guess.
- Skip: No, not directly. Now Perelman had a strategy to get Marvel out of the hole and that strategy was again, to head into new territory. Specifically, this new territory was the movie business. And to do this he opened a new company, Marvel Studios – and planned to spend even more money to completely buy out ToyBiz, one of the toy companies that Marvel had purchased a few years earlier. He felt that by uniting those two companies it would give them a stronger base from which they could take the Marvel Universe to the big screen.
- Samantha: This Ron Perelman guy sounds fearless. It takes a certain amount of courage to spend more money when you are heavily in debt. But as the saying goes, you need to spend money to make money.
- Skip: Well Marvel's shareholders didn't agree and tried to prevent him from moving ahead with that plan. So, what he did was declare bankruptcy.
- Samantha: Ah. So by doing that he could bypass the shareholders.
- Skip: Exactly. But the shareholders didn't take it lying down. They sued Perelman and the whole issue was tied up in the courts for several years. But finally in December of 1998 the suit was settled and Marvel was allowed to declare bankruptcy.
- Samantha: So in the end, Perelman got his way.
- Skip: In a way yes. Marvel went bankrupt and could merge with ToyBiz but in a strange twist, Perelman was pushed out of the company by Marvel's Board of Directors. Instrumental in getting rid of Perelman was a man by the name of Avi Arad. He used to be the CEO of ToyBiz and had been appointed to Marvel's Board of Directors after they had been acquired by Marvel.
- Samantha: Kind of like how Moses led the Israelites to the promised land but wasn't able to enter himself.
- Skip: Hmm, nice analogy, but not quite. Unlike Moses, Perelman is quite disliked in the industry. Even though he personally got rich via his involvement with Marvel,

- many people hold him responsible for ruining the business. Remember, hundreds of people lost their jobs through this period as the bottom fell out of the comic book industry.
- Samantha: I see. So, Perelman is out, Arad is in, and 1998 is rock bottom for Marvel. How did they turn things around?
- Skip: Well, when Arad first came to Marvel in around 1993 he was involved in Marvel Films. Actually he the person responsible for brokering deals with Hollywood to make TV shows and movies. The X-Men franchise and the Blade movies were results of his work.
- Samantha: Well those were successful films.
- Skip: Yes they were, but the deals that he had made simply licensed those characters to 20th Century Fox. Marvel in fact, made very little money from the movies. For example, Blade made over \$70 million at the box office but Marvel's take, this is quite surprising, Marvel's take was a very minuscule amount of \$25,000.
- Samantha: Oh my goodness. That can't be right. That's **a drop in the bucket**, even less!
- Skip: I know. But back in the early 90s when Arad made that deal, Marvel really needed cash and their hope was that a successful movie would lead to higher sales in merchandising.
- Samantha: Oh, that deal was made before their bankruptcy.
- Skip: Yes. After the bankruptcy, and after Arad had taken the reins to lead Marvel Studios, the strategy changed. They finally decided to take full control of making movies using Marvel characters. But one last large hurdle remained,
- Samantha: And what was that?
- Skip: Financing.
- Samantha: Of course. Movies are always expensive to make and Marvel was broke.
- Skip: The breakthrough came in 2005 when they negotiated a financing deal with Merrill Lynch.
- Samantha: The Wall Street investment firm?
- Skip: The one and only. Now Merrill Lynch gave them access to about half a billion dollars to make 10 movies over a 7 year period.
- Samantha: Wow. How did Marvel get them to agree to do that?
- Skip: Quite simple, they put up their most famous characters as **collateral**.
- Samantha: So basically if the movies failed, Merrill Lynch would own Captain America and Thor.
- Skip: Exactly. But obviously they didn't fail. With Merrill Lynch's funding secure, Marvel went to work buying back the rights to many of their most famous characters which they had sold over the years for quick cash. Characters like Iron Man and the Incredible Hulk. And in May 2008 they released their first movie- Iron Man.
- Samantha: And that was the start of their movie fortunes.
- Skip: It was. Iron Man grossed \$585 million dollars at the box office and paved the way for the entire Marvel Universe franchise which is still going on strong today.
- Samantha: A happy ending, just like in the comics.
- Skip: Well I think the real happy ending for Marvel shareholders was when it was bought by Disney in 2009 for \$4.3 billion dollars.
- Samantha: From bankruptcy in 1998 to a record breaking purchase eleven years later. Just like their Spiderman character, that is truly amazing.
- Skip: A super ending for a superhero company no doubt.
- Samantha: Well on that note, I think it's time for your and I to get D2V ... Down to Vocabulary.

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Samantha: I will start vocabulary off today with the verb **to escape**. Now you might at first think that this word is a little on the easier side.

Skip: Sure, **escape** is a fairly basic word that means to get away from something dangerous. **To escape** from a fire, or **escape** from a bad relationship for example.

Samantha: Yah - like '**to escape** from a bad relationship'. But I bet you that most listeners only use escape in its literal sense, and do not use it idiomatically.

Skip: No, I suppose not. Native English speakers do often use the verb 'escape' followed by a gerund to communicate that they are avoiding something.

Samantha: That's right. And in the story, I asked the rhetorical question, 'Who could **escape knowing** about the rivalry between Marvel and DC comics?' In other words, the rivalry between them was so famous in the 1980s and 90s that it was impossible for anyone to avoid it.

Skip: You know, I was watching a business report on Bloomberg.com the other day and they were reporting on how Apple recently fired one of their iPhone engineers because apparently his daughter had posted a video of the new iPhone X on YouTube, before it was released to the public.

Samantha: Oh, I heard about that. Not very smart of him giving his daughter access to a top secret handset.

Skip: Well, as I watched the story, I couldn't **escape** noticing that the daughter had made the video of the iPhone X when she was visiting Apple and having lunch with her dad in the cafeteria. If you ask me,

Apple's security is not what it used to be. I don't think anything like this would have happened if Steve Jobs was still in charge.

Samantha: Dez is right. No one can **escape seeing** that you are the ultimate Apple fanboy.

Skip: Now, let's not go down that rabbit hole.

Samantha: Good idea. What's our next word?

Skip: Next on the list is the adjective '**to be gritty**'. Imagine that you have a nice glass of cool water and when you drink it, it goes down really smoothly.

Samantha: That is a very refreshing image.

Skip: Now, imagine that you added a tablespoon of salt. When you take a sip this time, it is no longer smooth, it's much, much rougher.

Samantha: Not to mention salty.

Skip: Don't focus on the taste, focus on the texture. We call that texture, salt mixed with water, we call that **gritty**.

Samantha: Okay, so that is the literal meaning – a liquid with a rough texture. But in the story I used **gritty** idiomatically. I commented that Marvel's sales increased based on the strength of their **grittier** characters. **Grittier** compared to the superheroes from DC comics.

Skip: That's right. Idiomatically, **gritty** is used to describe a person who is very tough, and has become that way through experiencing many challenges in life. So a **gritty** superhero like Spiderman, a teenage boy who is responsible for his uncle's murder, who is in love with a girl but is too scared to tell her about it, and is always in trouble with his boss, that is a much **grittier** character than the fairly simple, black and white DC character of Superman.

Samantha: So in a business context you could say that some jobs require a much **grittier** personality than others. For example, I've always thought in order to be a good entrepreneur you need to be quite **gritty**. If

- you always give up the minute you face any type of serious challenge, you will never succeed.
- Skip: Absolutely. Just look at people like Steve Jobs...
- Samantha: Wow, you are really getting the Apple references in today!
- Skip: ... and Jack Ma and Steve Bezos and Elon Musk.
- Samantha: Thank you. Yes, each of those individuals have demonstrated that they are quite **gritty** when it comes to business. Shall we move on?
- Skip: Sure. Do you have our next word?
- Samantha: I do. Next I'd like to take a close look at the verb phrase 'to **opt** to do something'. To **opt** is the verb form of the noun 'option'. When you **opt** to do something, you are communicating that you have chosen that action as the best option, or best way to proceed.
- Skip: In the story, I reported that instead of trying to increase their customer base, Marvel **opted** to exploit their existing readership and charge them higher prices.
- Samantha: In other words, they chose to take advantage of their current readers rather than try to find new customers.
- Skip: Can you give us a business example of to **opt** to do something?
- Samantha: A good example would be the developing scandal at the Japanese Kobe Steel company.
- Skip: Oh yes.
- Samantha: They are in serious hot water at the moment because they **opted** to sell inferior products and lie to their customers about the quality of their materials. Some experts are saying this could be the end of Kobe Steel.
- Skip: Very good example. Do you know why they **opted to** do that?
- Samantha: My understanding is that they just couldn't compete with their rivals and the only way they could match their lower prices was to lower the quality of their steel.
- Skip: Well they certainly made the wrong decision because their stock price is **cratering**.
- Samantha: **Cratering**? Is that our next word?
- Skip: Yes it is. Our next word is indeed the verb to **crater**, which is a great way to describe a stock price that is quickly dropping. The noun '**crater**' is a dent or hole on the surface of a planet that is created when it is hit by an asteroid from outer space.
- Samantha: You just need to take a look at the moon on any clear night and you can see it's completely covered with **craters**.
- Skip: That's a very good illustration of **crater**. Now the verb '**to crater**', describes a sudden loss. It could be the loss of value, or a significant loss of performance.
- Samantha: And it is often used when talking about financial products like stocks or mutual funds.
- Skip: Sure, I'd say it's pretty commonly used like that. But you can use **crater** for almost anything. For example, the speed of my Internet connection **craters** every time I log into Skype.
- Samantha: That happens to me a lot too. In fact the entire performance of my laptop **craters** when I'm on a Skype call. It's not just the Internet connection.
- Skip: And that is why we should try using Google Hangouts next time we record together.
- Samantha: I look forward to that. Moving on, next on the list today is the phrase **a drop in the bucket**. **A drop in the bucket** is something that is a very small amount of something, especially when you compare it to something larger. When you reported that Marvel Comics only made \$25,000 compared to the \$70 million dollars the movie Blade took in at the box office, I commented that that was just **a drop in the bucket**. In other words, it was a very

small amount of money. Do you know what else is **a drop in the bucket** Skip?

Skip: I have a feeling you are going to tell me.

Samantha: Well as you probably know, Facebook recently disclosed that a Russian linked agency spent \$46,000 on political ads during the US 2016 election.

Skip: Who can **escape** hearing about that news. It is quite a bombshell.

Samantha: True, but compare that to the \$81 million dollars Trump and Clinton spent on Facebook advertising, it is just **a drop in the bucket**.

Skip: \$81 million dollars?! Wow, politics is such a big business.

Samantha: It certainly is. But it must be very stressful being a politician. You'd have to be a fairly **gritty** character to live under that kind of public pressure.

Skip: I suppose so. Certainly not my cup of tea.

Samantha: Me neither.

Skip: Finally today is a financial term related to borrowing money. The term is '**collateral**', and it is most often used with the two part verb 'put up'. So the full expression is to put up **collateral**. When you want to borrow money, from a bank or other lending company, you need to put up **collateral**. **Collateral** is something of value that you own that the lender gets to keep if you can't pay back the loan.

Samantha: In today's report, Skip reported that in order for Marvel to secure financing from Merrill Lynch, they needed to put up some of their most famous superheroes as **collateral**. In other words, if they couldn't repay their loan, Merrill Lynch would become the new owners of the copyrights to those characters.

Skip: Here in Japan, with the zero percent lending rate, banks have been having a hard time making any profits whatsoever with traditional loans. So recently they have started offering 'no-**collateral**' loans at higher interest rates.

Samantha: No-**collateral** loans? So you don't need to put up anything as **collateral**?

Skip: That's right. And for taking that risk the banks only want to charge 15-18% interest.

Samantha: 18%?! I definitely would NOT **opt** to take out one of those.

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Samantha: That was a very informative report on Marvel Comics Skip. The next time I watch an Avengers or Iron Man movie, I certainly will be thinking about the history of this company.

Skip: Me too. I'm very much looking forward to escaping into the Marvel Universe in the near future. The new Thor movie is playing in Japan now and I hope to get out and see it in the next few days.

Samantha: My goal is to take in the new Blade Runner 2049 as soon as possible. I loved the original and can't wait to see Harrison Ford in this sequel. That man is a real life superhero.

Skip: Harrison Ford, one of my favorites. Thanks for listening everyone. If you enjoyed today's episode of Down to Business English, consider supporting us by becoming **a D2B Member**. Your support helps us bring you more business news to help you improve your business English. Just visit our website at **downtobusinessenglish.com** and click on the **Membership link** at the top of the page for more details. We would sincerely appreciate your support. Thanks again everyone. See you next time.

Samantha: Take care.

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