TO: PETER CUNEO
FROM: MATHEW LEROY
SUBJECT: HOW WE CAN CONTINUE TO GROW SUCCESSFULLY
DATE: SEPTEMBER 30, 2016

We have seen great success recently with our time here at Marvel after a very unfortunate time of debt. We have been able to take control of our finances and bring popularity to our growing portfolio of characters. The next step is to make a decision on what we need to do moving forward to get back on top. There are two questions we need to answer; firstly, should we focus on our limited set of prominent characters or extend our category to include lesser known characters? And secondly, should we focus on investing more into creating our own content and distribution now that we have a much more flexible budget?

For our first question, we can merge both ideas and introduce new characters who have the potential for growth with existing popular characters. Following this method will allow fans to be exposed to new characters while continuing to see their favorite heroes. It creates new connections, relationships, and trust, not just between our characters, but also between our characters and their fans. We can continue to introduce new characters slowly to increase their exposure through new comic and film releases. If we see a rise in popularity with these new characters, we can continue to grow their exposure and potentially create a full-length solo film. A great way to garner value from the introduction of new characters is to turn to licensing.

With the introduction of these new characters comes the signing of more licenses. Our growth between the years 2000 and 2003 can be attributed to our 128 licenses. There was an increase of 148% ($78,000 in 2000 to $318,000 in 2003) between that time in average royalty revenues per contract. These included toys, apparel for boys, and video games which made about 50% of all of our licensing revenues at that time. Now, both in international and domestic markets, we hold over 450 active license contracts. We could continue to go through this path with the introduction of new characters who have the potential to be as popular as our current heroes.

Our second question points to a clear yes – we should definitely invest more in creating our own content and distribution. The film industry is growing and it’s a great way to reach mass audiences and help fans resonate with their favorite Marvel characters by seeing them in action. This will help us continue to retain control over our merchandising rights while having the ability to contribute to live-action film production. We will be put in the right position to control creative input for our properties in the best way possible through promotion strategy and design.

Lastly, to create consistency and effectiveness in our brand, we must capitalize on our entire Marvel Universe. As Allen Lipson said previously, we have “got to think of the 4,700 characters not as individuals but as families.” We need to continue to grow the Marvel world for our viewers and fans, which will create an experience for all. This will help tie new characters into the lives of our existing heroes and create new backgrounds and stories, depending on popularity growth. We have potential to endure large growth and these plans will keep us on the right path.

Sincerely,

Mathew Leroy