

## Disney sees Iron Man' as a model for Marvel

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LOS ANGELES - Walt Disney Co. Chief Executive Bob Iger got right to the point in a conference call last week to discuss the company's financial performance with Wall Street analysts.

"Let me start off by saying how thrilled we are with the global success of 'Iron Man 2,'" he said. "It makes me even more enthusiastic about the great things that Marvel and Disney can do together."

"Iron Man 2" was put into production before the Burbank entertainment giant acquired the comic book publisher turned movie-maker in December for \$4 billion. But it nonetheless epitomizes Iger's strategy for Disney: build "brands" on the big screen that can earn more profits through sequels as well as spin-offs including toys, television shows, digital media and theme park attractions.

The big question surrounding Marvel since the acquisition has been how much value its library brings to mainstream audiences that have never heard of Namor the Sub-Mariner, Dr. Strange or Ant-Man.

Before the release of the first "Iron Man" in 2008, few people outside those who frequent comic book stores had heard of billionaire Tony Stark and his red and gold super suit. Now he has generated more than \$1 billion in worldwide box office and is Marvel's best-selling consumer products property, exceeding even Spider-Man.

The web slinger, along with other high-profile superheroes such as the Fantastic Four and X-Men, are tied up in long-term licensing deals with other movie studios.

Now Disney is hoping that Iron Man provides Marvel a model for turning subprime superheroes from its 5,000-plus character library into investment-grade franchises.

"I like franchises, not necessarily because they fit the corporate model, but because that's what I was a fan of when I was a kid," said Kevin Feige, president of Marvel Studios, who produces the company's films. "Toys simply extend the experience that people had so much fun with for two hours in the theaters. And if it feeds other divisions, that's awesome."

During a climactic battle late in "Iron Man 2," the titular superhero saves a boy who's wearing an Iron Man mask and "repulsor ray" and is mistaken by killer robots for the real thing.

It's a dramatic moment but also an example of how Disney hopes its high-stakes bet on a comic book company will pay off. The same items that the child wears in "Iron Man 2" are now stocking the toy department shelves of Target and other retailers.

"The movies were what drove mass-market awareness of Iron Man," said Simon Philips, president of worldwide consumer products for Marvel. "Before them you had to go into a collector's store to find something around the character."

Now that Iron Man is a best-selling brand with worldwide appeal, Philips said, Marvel intends to keep him that way with new waves of products that will continue to be released until "Iron Man 3" hits theaters.

Disney hopes its Pixar Animation Studios will be the model for Marvel. The creators of "Toy Story" have not only produced more hit movies since the 2006 acquisition, but also helped design theme park attractions, video games and toys.

Like Pixar, Marvel is being allowed by Disney to operate independently of the main film studio. It has its own film offices in Manhattan Beach, Calif., and Feige's boss, Marvel Chief Executive Ike Perlmutter, reports directly to Iger.

"The Marvel team has the creative resources at the studio to use as needed," said Walt Disney Studios Chairman Rich Ross. "But we want Marvel to be Marvel and give them the autonomy they need to continue producing quality content."

Yet while Pixar brought unencumbered rights to its creations, Disney's ability to use Marvel superheroes in theme parks - a key business - is partially limited in the U.S. because of a long-term agreement with Universal Studios. Marvel also had a deal in place to release five films, including "Iron Man 2" and the expected "Iron Man 3," through Paramount Pictures, which gets 8 percent of revenue for its distribution services and gives Disney the rest.

In addition, Marvel previously licensed the movie rights for several of its top characters, such as Spider-Man and the X-Men, to other studios.

That leaves Disney with a roster of characters who are largely unfamiliar to mainstream audiences.

"Marvel has always had fewer iconic characters than its rival DC Comics and has already used most of the ones that might spark recognition outside of a comic shop," said Andrew Smith, a syndicated columnist who writes about comic book history.

Although "Iron Man" overcame that hurdle, Marvel's record with films created internally and by other studios nonetheless is mixed. Hit films such as "Spider-Man" and "X-Men" are balanced out by modest performers such as "The Incredible Hulk" and outright flops such as "Ghost Rider" and "Elektra."

Marvel's strategy going forward is to seed references to future films in current ones.

"Iron Man 2" contained references to two films to be released next year: "Thor," about the man-turned-Norse god directed by Shakespearean actor Kenneth Branagh, and "Captain America," about a patriotic super-soldier. It ends with a tease about the superhero team "The Avengers," which will hit the big screen in 2012 and unites Iron Man, Thor and Captain America, among others.

Ongoing story lines create risks, of course, as anyone who has tried to watch a random episode of "Lost" can testify. But Marvel is borrowing a tactic from its history in comic books, in which characters exist in a fictional world and regularly cross over into one another's series.

Though the number of people who still buy comic books is small and shrinking, Feige isn't reluctant about mining his company's archives for ideas and strategies. What worked for decades on cheap newsprint, he and his bosses at Disney are betting, can now work for a major media company spending billions of dollars to build global brands.

"It all starts with the books, without any doubt," Feige said. "We're using elements that have gone through the test of time and succeeded."