

# The Star Wars Effect

✘ *By Martin Brochstein, Senior Vice President, SVP Industry Relations and Information, (LIMA)*

The overwhelming place that **Star Wars** held in the entertainment and consumer zeitgeist in the latter part of 2015 is only Chapter One in what Disney obviously hopes will be a long-running tale of cinematic art and lucrative commerce. Disney, which bought George Lucas' empire in 2012, has mapped out a lengthy course of films and other projects on a schedule of one per year for six years that began with "Episode 7: The Force Awakens."



(Source: Twitter)

"**The Force Awakens**" opened just before Christmas to overwhelmingly positive reviews. And the commerce part has gone quite nicely, thank you, with global box office at this

writing seemingly poised to break through the \$2 billion mark (more than \$860 million in the U.S.), and sales of licensed merchandise reported to be reaching expected levels. While overall merchandise sales figures can only be estimated, NPD Group figures that licensed Star Wars toys – those tied to the latest film as well as classic toys – accounted for more than \$700 million in sales in the U.S. alone in 2015.

This is mostly great news for Star Wars licensees, especially [Hasbro](#) – which holds most of the toy rights – and Sphero, which makes the remote-controlled BB-8 droid that (spoiler alert for those who have been living in a cave) is one of the breakout stars of the new film.

I say “mostly” because it’s important to understand two basic facts about trademark and brand licensing. First, it’s a risk-reward business. There are winners and losers, even in the midst of a popular property. Second, “success” is a function of not just of how much is sold, but also of how much was manufactured and shipped in the expectation that it would sell through at retail. If \$1 million of your product was sold, but you manufactured (or, as a retailer, bought) \$3 million of the product, those are a lot of markdowns staring you in the face.

Aside from the sheer commerce it achieved, Star Wars trained a particularly hot spotlight on the licensing business itself. Along with other big properties such as Minions and Frozen, the high profile of Star Wars reminded people throughout the consumer products and promotional landscape about the power of good storytelling, characters and marketing in building – and sharing the equity of – a strong entertainment franchise.

“Content was a key driver behind the growth of the toy industry in 2015,” according to a newly-released NPD study that reported a 7% overall jump in U.S. toy sales in 2015. “Whether it be a movie (*Star Wars*, *Jurassic World*, *Minions*, and *Avengers*), television show (*Paw Patrol*), app (*Minecraft*), or a strong YouTube following (*Shopkins*), all of these

properties with ties to [media] content were top contributors to the growth.” With the early release of Star Wars toys on “Force Friday,” Star Wars managed to become the number-one property for the year, bringing in “more sales and contributed more growth than *Jurassic World*, *Minions*, and *Avengers* combined,” according to the NPD.

But for many in the licensing business, the flipside of “the Star Wars effect” was that the attention was so overwhelming and the buzz so loud that almost everything else was drowned out. In our year-end survey of LIMA members, some listed it at the most positive development for the industry in 2015 (although one with the caveat “IF it sells!”). Others were more negative, commenting on the amount of shelf space, budget and mind space it occupied in the second half of the year, and moving forward. One licensor, typical of several others, noted, “retailers bought too much into Star Wars and [that] will impact open-to-buy dollars for other brands.”

Though the scale may be somewhat different, this is not a new state of affairs for marketers of competing properties. Every one of them is faced with the reality, as one licensing agent said in our survey, of “a marketplace crowded with licensed goods all vying for shelf space. The challenge is to create points of difference.” Many companies have built their businesses on zigging when everyone else is zagging – creatively positioning their brands to take advantage of smaller (though not necessarily small) opportunities that can turn into extremely lucrative successes.

So, yes, “the Star Wars effect” has and will continue to play a starring role in the entertainment licensing business, especially in the toy aisles, but there’s always the chance for others – Shopkins? Minecraft? *Minions*? – to bust their way through.

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outbound communications, as well as many of its educational efforts, such as the year-round webinar program and the extensive Licensing University seminar program that takes place each year in conjunction with the Brand Licensing Expo in Las Vegas. He also has spoken at conferences and seminars around the world on a wide range of licensing- and retail-related issues, and is widely quoted on issues related to licensing, marketing and branding. He joined LIMA in 2008 after 12 years as Executive Editor of The Licensing Letter, a New York-based newsletter that covers the global licensing business. He also was Editorial Director of the parent publishing company, EPM Communications. In addition to writing and editing the twice-monthly newsletter, he also compiled the publication's industry numbers and edited EPM's other licensing-related publications, including International Licensing: A Status Report, and The Licensing Letter's Sports Licensing Report. Brochstein was a business journalist for more than 30 years, primarily covering the consumer products and retail industries. Before joining The Licensing Letter, he spent five years as Senior Editor of Television Digest and founding editor of Consumer Multimedia Report. He also has been editor of several publications in the consumer electronics and retail fields. He is a graduate of Boston University.