

CRITICAL ANALYSIS ASSIGNMENT

Until recently, the leading role in the classic "superhero saves world from supervillain" script has largely been reserved for those with a chromosome. Sure, there have been memorable female crime-fighting crusaders-see Wonder Woman, Black Widow, Batgirl-but they've typically taken a backseat to their male counterparts, and they certainly haven't been the centerpieces of multi-million-dollar franchises. However, there is a budding crop of superhero properties that will see female characters thrust into the spotlight over the next two years.

In fact, there may be a big shake-up coming to the male centric superhero realm. At least four major female-focused superhero properties-DC Super Hero Girls, Miraculous- Tales of Ladybug Cat Noir, The Powerpuff Girls and Mysticons- are slated to hit the US retail market by 2017. And A-list licensees across all major consumer products categories are lining up to grab a piece of the action.

Depending on who you talk to, there are numerous reasons why female superhero properties are finally getting their time in the spotlight, but what it ultimately boils down to is their perceived ability to generate significant sales. Analysts, licensors and licensees alike agree that there is definitely money to be made in this category in the near future. But as to whether or not it will be sustainable over the long haul, the jury is still out.

Early adopters According to analyst Lutz Muller, the key to any emerging category is to get in early, establish a share of the market, and try to become the dominant player. The CEO of Klosters Trading has earmarked DC Super Hero Girls master toy partner Mattel to take the lead with the fall launch of an action figure line based on the property. He believes the toyco could become to the girls action figure category what Lego became to girls construction toys after introducing Lego Friends to retail in 2012.

"Whoever comes into a toy category first usually does the heavy lifting at the beginning, but then they're very difficult to dislodge from whatever market share they've captured," contends Muller. "So, what Mattel is doing is absolutely right. Everybody will see it doing extremely well and will want to get into the act, too, and you'll find other areas will open up-like games and board games-where girls are not sufficiently taken care of."

Muller estimates the action figure category is 95% male and poised to clear US\$1.6 billion at retail this year in the US. If Mattel, with its girls superhero action figures, is able to capture the same 10% to 12% revenue share that Lego Friends now claims in its category in the US, Mattel stands to generate sales between US\$120 million and US\$192 million with the DC Super Hero Girls line. But with disposable income being finite for most families, Muller says another category will be getting a haircut. "Parents aren't going to buy their daughters a Barbie and a DC Super Hero Girls action figure. It will be one or the other in all probability," he says.

BMO Capital Markets analyst Gerrick Johnson agrees that once the toy industry saw the homerun Lego hit with Lego Friends, it quickly realized that crossing categories was possible. Since then, toyco's have created a wave of girl-targeted versions of traditionally boys toys, like Hasbro's Nerf Rebelle line, which was undoubtedly driven by the success of female archers in movies like Brave and The Hunger Games. He cites the emergence of girls superhero properties as an offshoot of the larger leading heroine trend playing out. "There hasn't been anything in this range before for girls," he says. "There have always been girls superhero characters, but there's never been this concerted effort to present them in this way."

While it's hard to gauge the dollar value of the nascent category at the moment, it could eventually be worth several billion, contends Stephanie Wissink, MD and senior research analyst at investment research firm Piper Jaffray. "I don't think it's a small feat," she says. "Fashion dolls as an industry are worth US\$5 billion-plus. We know that there's a backdrop for a multi-billion-dollar translation of some of this content."

Content to the rescue! In a recent report surveying 355 US mothers to better understand children's play and media consumption patterns, Piper Jaffray found that when compelling, engaging media converges with product-a common thread across these upcoming girl-skewing properties-it tends to convert to higher retail sales.

"Any time you can move from a generic play pattern to one that's content-inspired, you can drive pricing power," Wissink says. "For example, a basic fashion doll may sell for US\$6, while a Frozen doll retails for US\$12. The same is true for a generic girls superhero action figure, which would probably retail for about US\$8. But one with some content backing it up might be priced at US\$15."

Keeping with retail appeal, Carol Spieckerman, president of retail consultancy firm new market builders, adds that more entertainment companies are realizing they need to have strong female characters to create balanced and more profitable portfolios.

In addition, the success of male-dominated superhero franchises has emboldened entertainment companies to produce female-friendly versions. Currently, four of the top 10 spots on the highest-grossing movies of all-time list-Marvel's The Avengers, Avengers: Age of Ultron, Iron Man 3 and Transformers: Dark of the Moon-sit very comfortably in the boys action figure category. "Female superhero launches are a natural way to optimize their offerings, particularly as Marvel and other superhero powerhouses continue to prove the viability of the model," says Spieckerman.

For your average risk-averse retail buyer, investing in licensed merchandise of the superhero variety that's supported by strong content is a no-brainer. It's worth noting that 31% of all toys sold in the US in 2014 were based on licenses (NPD Group) and character/entertainment licensing accounts for 44.4% of the US\$241.5 billion generated annually by licensed merchandise in global retail sales (LIMA). Looking at the path many entertainment companies are taking with girl superhero properties, it's clear they are following a familiar route that starts with animated TV content and leads to a master toy deal and then a multi-tiered CP program. But with no real data available to test the viability of this emerging category, many of the companies involved are taking a certain leap of faith and are not deterred by the prospect of failure.

Offering a princess alternative "We think it's going to be huge," says Kenji Washida, VP of brand management at Bandai, global master toy partner for new CGI-animated TV series Miraculous-Tales of Ladybug Cat Noir (26 x 22 minutes) from French prodco Zag. It's off to a running start this fall with broadcast deals inked with Disney EMEA, TF1 France, ABC Australia and EBS Korea.

"Girls toy spending has increased over the last few years as they are moving into new categories-categories previously dominated by boys," says Washida. "We see superheroes as another area where girls will be ready to change the toy environment with a new way to play. Last year, both dolls and action figure categories grew, and we expect that trend to continue," he adds. "There are a lot of girls toys on the market focused on fashion and princesses, so this is an opportunity to bring girls who are no longer playing with either back to the traditional/non-electronic toy world."

The upcoming Bandai toy line (dolls, figures, plush, role play) is set to launch in fall 2016 at US mass and specialty retailers and will drive a sizable consumer products program. So far Rubie's (costumes), Accessory Innovations (bags, backpacks, luggage), H.E.R. (jewelry, hair accessories), Franco Manufacturing (bedding, bath), Komar (pajamas, sleepwear, robes) and Handcraft Manufacturing (undergarments) have also licensed the property.

"The concept of a young girl as a superhero is a game changer in both toys and entertainment," contends Washida. "Miraculous has someone girls can relate to-Ladybug's alter ego, Marinette, who's a quirky but lovable girl growing up, going to school and having first crushes. She's also someone they want to be-the superhero Ladybug. When Zag came to us a few years ago, we jumped at the opportunity."

Zag co-produced the series with Method Animation (France), Disney Channel EMEA, Toei Animation (Japan), SamG Animation (Korea), SK Broadband (Korea), PGS Entertainment (France) and AB International Distribution (France). And for Andre' Lake Mayer, president of brand strategy and consumer products at Zag, there were two key reasons why the company wanted to make this series.

Pointing to the success of DC and Marvel movies featuring male superheroes over the past 10 years (which, according to Box Office Mojo, have brought in US\$10 billion and US\$17 billion, respectively), Lake Mayer says there is huge potential in the underserved girls superhero market.

"There has been a healthy onslaught in TV, motion picture, publishing and video games of male-oriented superhero content in the marketplace, but nothing original for girls and girl superhero empowerment," Lake Mayer says. "The other thing is the two big properties that had been trending- Monster High and Frozen-are cycling to the tail end, and the market is now ready for another big girls brand."

Timing is everything Cartoon Network, for one, is certainly hoping to step in and fill part of that void with its massive TV and retail reboot of 17-year-old The Powerpuff Girls in 2016. According to VP of consumer products Pete Yoder, despite the brand not having any new content in the market for nearly eight years, its endearing appeal has allowed it to remain culturally relevant.

"With the original fans now young adults, we think it's the perfect time to introduce a new generation to the girls and give moms of young daughters an opportunity to share their love for Blossom, Bubbles and Buttercup," Yoder says of the young Townsville, USA crime-fighting trio. "We believe there's a big market for girls brands that offer an alternative to the traditional ones that have long been mainstays in the industry. And with its mix of action and comedy, The PowerpuffGirls fits that bill."

Clearly, Cartoon Network is not the only entertainment company to sense the opportunity that lies in revamping the award-winning series, which remains one of the kidsnet's top-grossing properties of all time, with more than US\$2.5 billion in retail sales. Spin Master, which just reported a 144.4% increase in Q2 sales for its girls and preschool business segment, is on-board as master toy partner. Penguin Young Readers Group and Disguise, meanwhile, have taken publishing and costume rights, respectively.

Another property looking to tap into the trending girls superhero space, catering to six to 11s, is Mysticons. The recently announced property was initially developed for a boys audience, but its TV series will ultimately star four girls who transform into legendary warriors.

"It was the recognition that we had this ambient expertise in action with generally heroic properties, and the moment is right to apply it to a more female audience," says Andrew Kerr, co-head of Nelvana Enterprises. The new Nelvana Studio/Topps Company co-pro Mysticons is expected to air in the first half of 2017, with Nickelodeon onboard as global broadcast partner.

"We saw that there was an opportunity to provide girls with linear TV content that was super heroic," Kerr says. "For a long time that wasn't the case. Girls six-plus were really being fed a steady diet of live-action, scripted comedy." The emergence of Hunger Games heroine Katniss Everdeen and the whole Insurgent/Divergent phenomenon certainly helped whet the entertainment industry's appetite to test these uncertain waters, Kerr adds. "A number of points of evidence suggest there's a real opportunity on the merchandise side. What's the scale of that? It's really hard to tell. But if you get it right and appeal to the audience with the right combination of on-screen and on-shelf experience, the sky's the limit," he says.

Mysticons' consumer products program is still taking shape, but Kerr says it will aim to be ubiquitous, from mass market to online and specialty shops, when it launches in fall 2017. A key piece of the puzzle is Playmates, which has signed on to make Mysticons toys. Still in early development, the toy line will highlight the individual traits of each of the four main characters, while also being mindful of play patterns unique to girls.

"It's important to have content that creates an emotional connection for girls to the characters," says Gina Beebe, SVP of marketing at Playmates. "Girls love action and adventure, but they approach it differently than boys. Rather than smashing their adversaries, girls work more to outwit them. They also still gravitate towards traditional girls play patterns such as hair and fashion features."

Noise control When it comes to play patterns, BMO's Johnson says it's all about the 3Cs—confrontation, combat and competition for boys, and collaboration, cooperation and camaraderie for girls. The contrast between the two, he believes, is the main reason why the DC Super Hero Girls franchise, for example, chose to depict its star characters, including Wonder Woman, Supergirl, Batgirl and Harley Quinn, as a team of relatable teenagers in their formative years. "When you think about superheroes, they are combatants, really. So, that's why I think the DC Super Hero Girls franchise has been softened a lot to be more like *Monster High* meets *The Super Friends*. It's a little bit about the trials and tribulations of high school, friendship and teamwork, as opposed to fighting the bad guys," he says.

Featuring top-tier licensees like publishing partner Random House Children's Books and Mattel, the consumer products line will also play into girls' unique sensibilities. Mattel president and CEO Richard Dickson says the franchise will look to engage and inspire girls by providing cues to explore heroic acts through play and real life. DC Super Hero Girls content launches digitally this fall, and then the property will run the gamut of a full-scale CP program in 2016 across toys, TV specials, videos, apparel, books and more.

Piper Jaffray's Wissink also attests to the fact that when much of the aforementioned content and products start hitting the market, female superhero characters will generally be portrayed in a different light than their male counterparts.

"Boys love things to be strong, powerful and loud," Wissink contends. "For a little girl, there still has to be attributes of authenticity, genuineness and compassion. So what you see in some of these brands is that the way they 'save the world' tends to be a little bit more tender, playing up those attributes of little girls' femininity. The superpowers they have tend to be about helping instead of being a victor."

Victory is mine? With the industry pouring millions of dollars into launching several girls superhero properties, it's obvious that optimism is in the air. However, to turn a phrase from category inspiration *The Hunger Games*, it's highly unlikely the odds will be in everyone's favor.

For Wissink, who says consumer confidence has improved but not entirely rebounded since the last recession, it's difficult to know what shape the sales curve will take for these properties. "Does it rise and start to mature, or is this truly a changing of the dynamics in terms of the mix in the consumer goods industry? Are we moving into an industry where girls superhero characters are going to be part of the mainstay collection?" she asks. "I don't think we have the answer to that yet."

BMO's Johnson, on the other hand, argues the category will most likely cycle through the market over the next three to four years, and then exit, due to the hit-hungry nature of the toy business. "It's a hit-driven business," he says. "It's not all that unique that these girl-specific products would be out of the market at some point. But I think when these things cycle down, we won't see them anymore, while other things will cycle down and reach an equilibrium level of sales. *Lego Friends* might be around for awhile, but *Nerf Rebelle* and these superhero toys for girls will—at some point—go away."

Only time will tell whether or not the category fizzles out after a few years, becomes another cog in the toy wheel, or continues to accelerate alongside its male counterpart, as new market builders' Spieckerman thinks it will. In the meantime, for those looking to take the next step and extend the current momentum, Spieckerman says the key is to optimize female superhero portfolios and content planning across a broad range of age groups and devices to ensure a longer lifespan and continuous consumer engagement. Granular analysis of viewership and purchasing data might help, as well as close collaboration between entertainment producers, licensors, licensees and retailers.

And for licensors who want to get the most out of their IPs, they should aim to pick the right partners rather than simply go for scale, Spieckerman adds. And by right, she means partners that are willing to get behind launches and show support from merchandising, content and e-commerce perspectives.

"In some cases, that may mean forging physical retail partnerships with one retailer and digital with another," Spieckerman says. "Ideally both will be at work, but it may not always make sense to tie up every expression of a property with a single retailer."