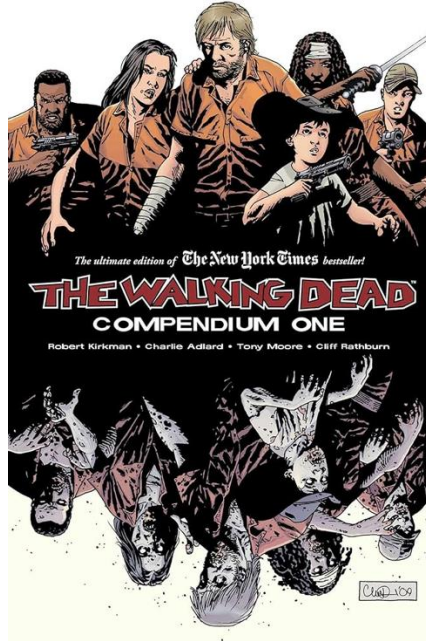


# USING THE COMIC BOOK INDUSTRY TO TEACH SUPPLY, DEMAND, AND MARKET STRUCTURES

Patrick DeRosa

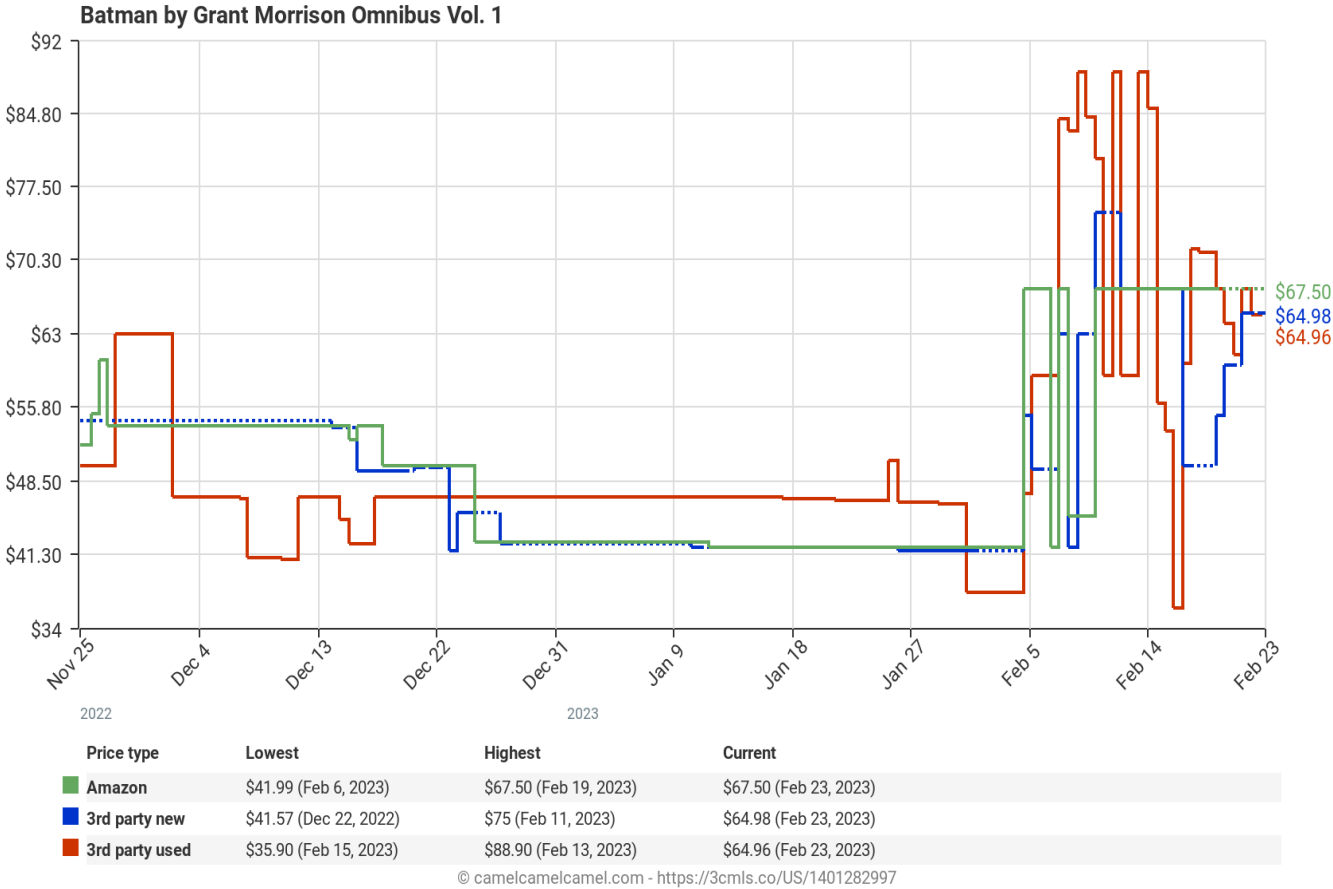
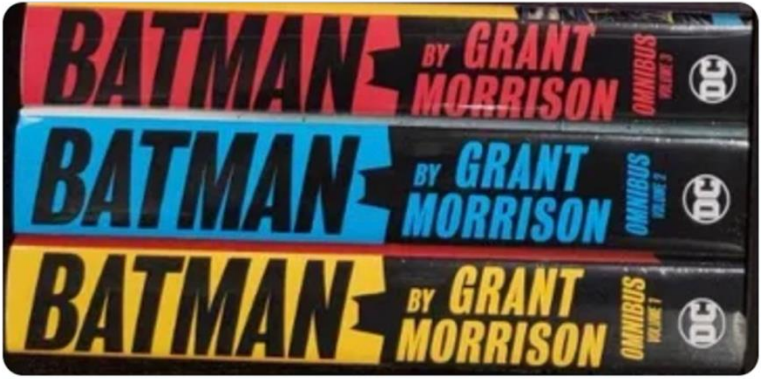
George Mason University Center for Economic Education





Ryan 'All Day News' Anderson  
@Ryans\_Ramblings

It's very possible that James has been reading the Grant Morrison Omnibus of Batman from this pic. #DCstudios #Batman #DCComics







James Gunn

@JamesGunn

...

We've talked a lot about Woman of Tomorrow, but these are more of the comics inspiring [#DCStudios](#) and the new [#DCU](#) in these early days. That doesn't mean we're adapting all these comics, but that the feel, the look, or the tone of them are touchstones for our team. Check 'em out!



DC

2:22 PM · Feb 2, 2023 · 4M Views



The Infinity Bros Podcast @InfinityBrosPod · Feb 3, 2023

Love that @JamesGunn gave the people incredible books to check out. And now these pencils, writers, and inkers get to have their work fully recognized!

Best Sellers

New Releases

Most Wanted

#1



Supergirl: Woman of Tomorrow

★★★★★ 310

3 offers from ILS 98.92

#2



Batman by Grant Morrison...

★★★★★ 923

ILS 146.36

84 pts

#3

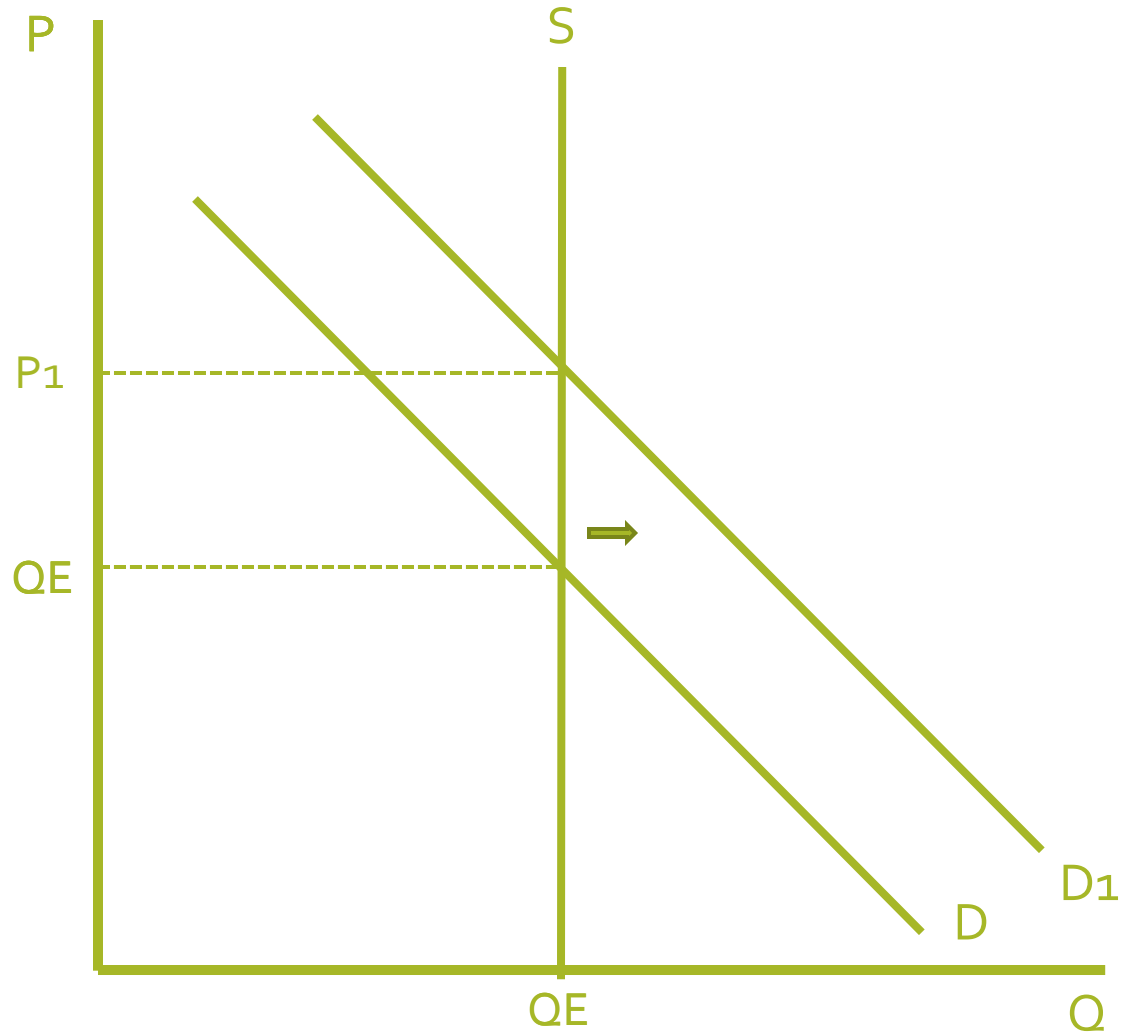


All-Star Superman

★★★★★ 1,031

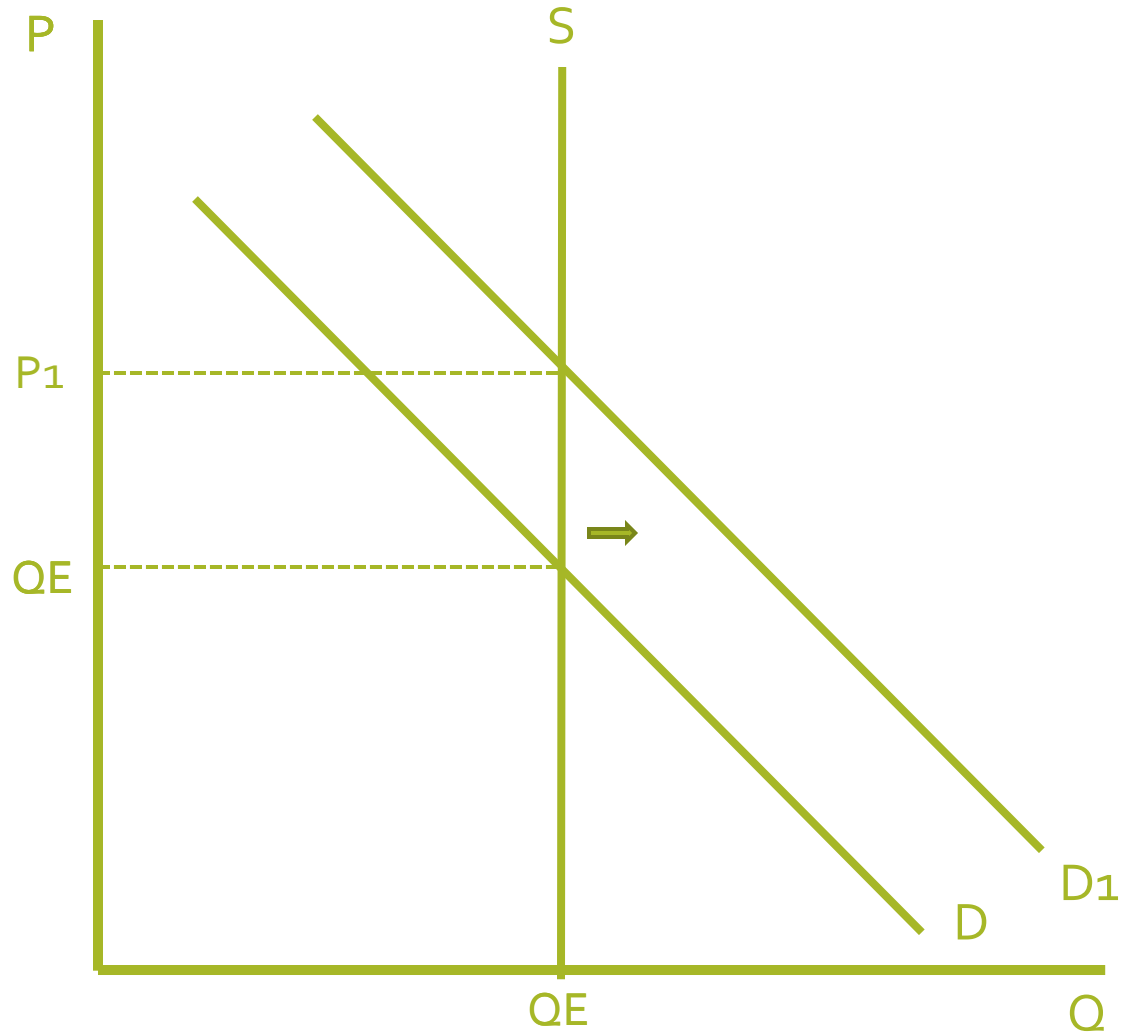
50 offers from ILS 67.07

# Comic Book Market- Hollywood Impact



- Companies print a certain amount, based on perceived demand
- Books are not reprinted often
- Quick demand shocks lead to rapid price increases

# Comic Book Market- Speculation Impact



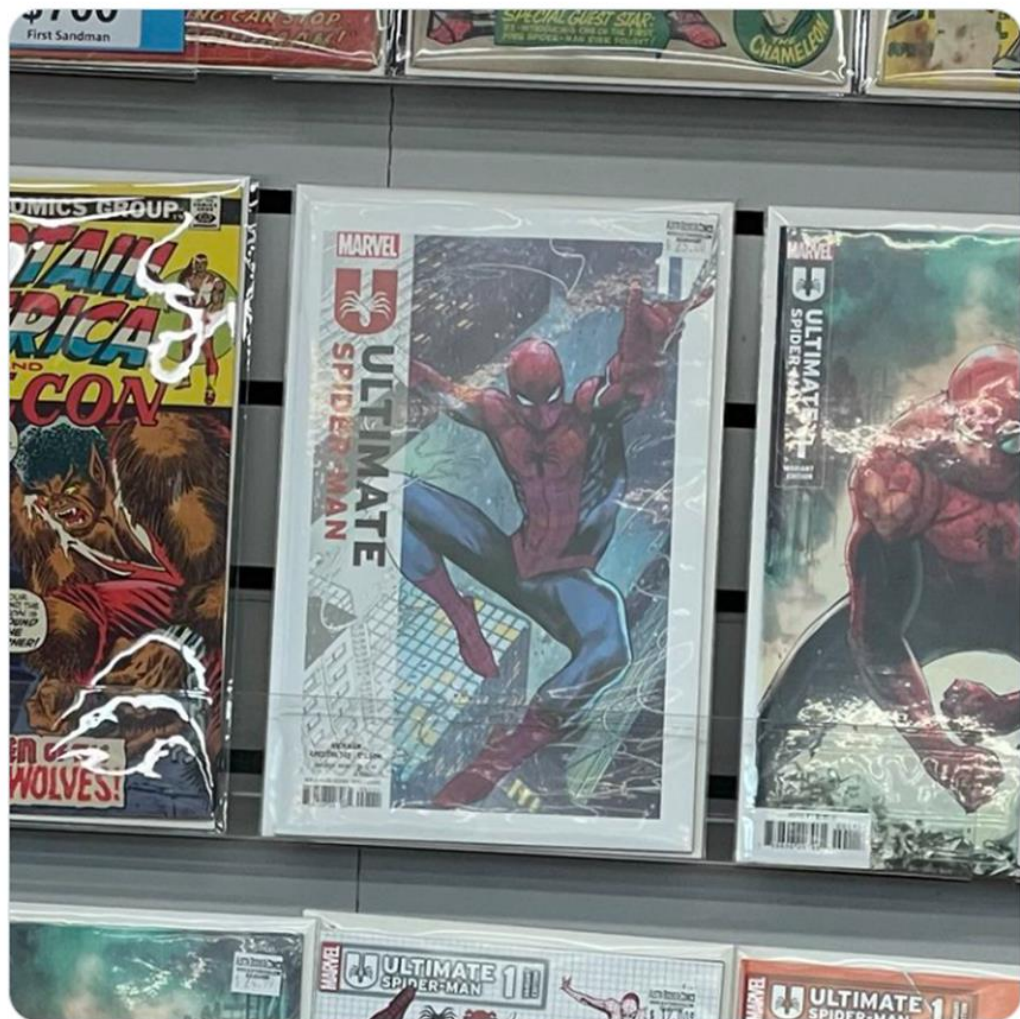
- Companies print a certain amount, based on perceived demand
- Single issues can be sent for a re-print, but that is a “different product”
- Demand rises rapidly, due to “future expectations” of higher prices/value



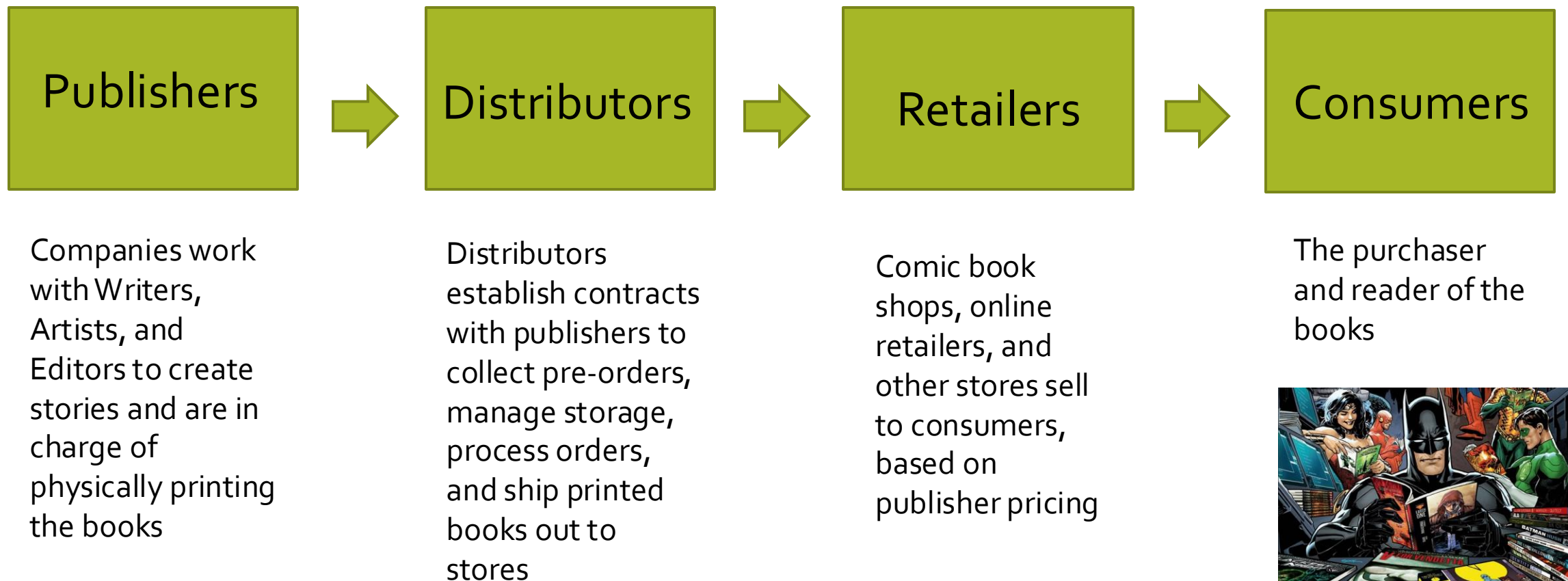
Wednesday Pull @WednesdayPull · Jan 19

...

Ultimate Spider-Man #1 going for \$25 a week after it comes out is nuts. Will the price go up or dip? #OldComicBookDay



# The Comic Book Industry Flowchart





# Using Comics to Teach Monopolies

- Compelling Question: How does a Comic Distribution Monopoly affect consumers and the market?
- Students use Diamond Comic Distributors as a Case Study to learn how a true monopoly impacts an entire product chain, from publishers to retailers and consumers
- Students will read about/research Diamond Comic Distributors to:
  - Learn their history of growth through the 80's and 90's and the use of exclusive contracts to lock in publishers and force out competition
  - Analyze the impacts a monopoly has customers
  - Make a decision regarding the Anti-Trust case against Diamond

# A Quick History Of Comic Distribution

- Comics were originally sold at newsstands, where unsold books were returned
- In the early 1970's a direct market approach began where shops would buy comics at a discounted rate, with no refunds allowed
- Regional Distributors emerge, managing orders for comic stores from publishers and managing logistics of getting books to stores
- Diamond Distributors is founded in 1982, by Steve Geppi- originally one of many distributors, it slowly grew in the late 80s
- The comic book market melted down in the mid-90s, causing many regional distributors to go out of business
  - Diamond swooped in and bought many of them

\*Dan Gearino, Origins, Dominance and Now a 'Gut Punch': The story of Diamond, the company that defined much of the direct market era (November 20, 2023)

# A Quick History Of Comic Distribution

- In 1995, Marvel opened it's own distribution company, Heroes World, which ended up as a disaster
- Marvel signed an exclusive contract with Diamond, and was quickly followed by DC, Image, Dark Horse, and others
- The exclusive contracts grew, allowing Diamond to push almost all competition out of the market (acquiring many rivals), controlling almost 100% of direct market distribution
- DC, Marvel, and others were locked in to contracts, becoming completely reliant on them
- Comic Stores were forced to work with only Diamond to get their product

# What's the Problem?

- With limited options, retailers were forced to accept Diamond's pricing and terms, affecting their profit margins
  - Local Shops often run on thin margins and not being able to make a profit could lead to them closing, limiting options for consumers
- Stifled innovation in distribution methods- comic shops commonly complained of delays in shipping or damaged products
- Reports of inconsistent service quality and order inaccuracies were common complaints from retailers
  - Consumers don't have the ability to buy the products they are looking for each week, ultimately hurting the publishers as they are losing readers
- Ultimately, DC broke with Diamond in 2020, using their COVID closure as an excuse to explore other options



# Abuse of Power Hurts the Rest of the Chain

- Raised “Preview” threshold for books from expected sales of \$1,500 to \$2,500
  - This ended up pushing many small publishers out of the direct market, leading to less variety for consumers
  - This helps grow the market strength of big publishers
- Diamond does not always release accurate order numbers to the public
- Multiple instances of refusal to ship issues and criticize books CEO Steve Geppi did not agree with
  - DC and Marvel responded by making their own codes of conduct in fear of Diamond Geppi

# Anti-Trust Legislation?

- The Department of Justice launched an investigation into Diamond in 1997, concluding in November 2001
- The DOJ did not bring charges against Diamond, as it concluded that Diamond had not violated any antitrust laws
  - The DOJ claims that Diamond “enjoyed a Monopoly in North American comic books Direct Market Distribution”\*
  - However, the DOJ concluded Diamond had not created “a Monopoly on book distribution with in the US” \*\*

\*Donna De Marco, Feds Probe Comics King, BALTIMORE BUS. J. (Dec. 15, 1997)

\*\*Jonah Weiland, DOJ Concludes Investigation of Diamond Comic Distributors, COMICBOOK RESOURCES (Nov. 8, 2000,).

# The Comic Publishers Oligopoly

- Marvel and DC control about 60% of the total Comic Book Market
  - Marvel's lead over DC has begun widening significantly over the last few years
- The actions of the "Big 2" impact the direction of the entire market and each of the publishers
  - INTERDEPENDENCE

Comic Store Market Share (Dollars) – Q4 2023 [ComicHub Data, via ICv2]		
Rank	Publisher	Market Share
1	Marvel Comics	36.0%
2	DC Comics	23.3%
3	Image Comics	12.1%
4	BOOM! Studios	4.3%
5	IDW Publishing/Top Shelf Productions	4.1%
6	Dark Horse Comics	3.9%
7	VIZ Media	2.8%
8	Dynamite Entertainment	1.7%
9	Kodansha Comics/Vertical	1.0%
10	Titan Comics	0.8%
	All Others	10.0%

# Other Oligopolistic Characteristics

- Barriers to Entry- Established companies like Marvel and DC have extensive distribution networks, strong brand recognition, and a large base of popular characters and stories.
  - This makes it difficult for new publishers to enter the market
- Similar pricing strategies: Marvel, DC, and other publishers have the same core pricing strategy of \$3.99, \$4.99, or \$5.99
- Non-price competition: Comics are typically priced the same, meaning companies must compete using factors such as quality of storytelling, artwork, the popularity of characters
  - Companies have to invest heavily in creating compelling narratives, with good character development and visually appealing artwork

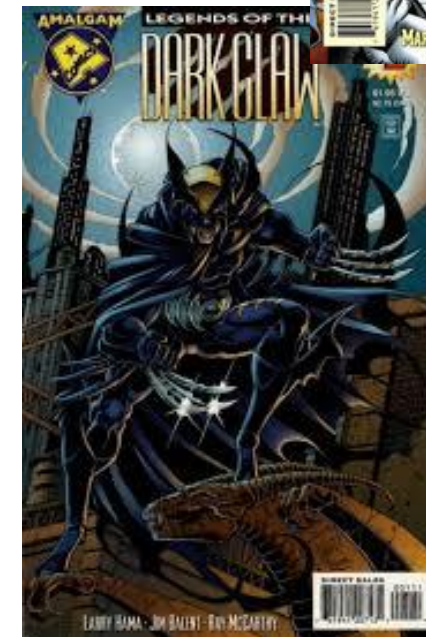


# Using Comics to Teach Oligopolies

- Compelling Question: How does the Comic Book Industry demonstrate the concept of interdependence?
- Students look at the historical actions of the major comic producers, DC and Marvel, to see how they show competition and interdependence
- Students should find many examples of:
  - Copying characters/storylines/themes
  - Collaborating
  - Event Timing

# Collaborating to Help Each Other

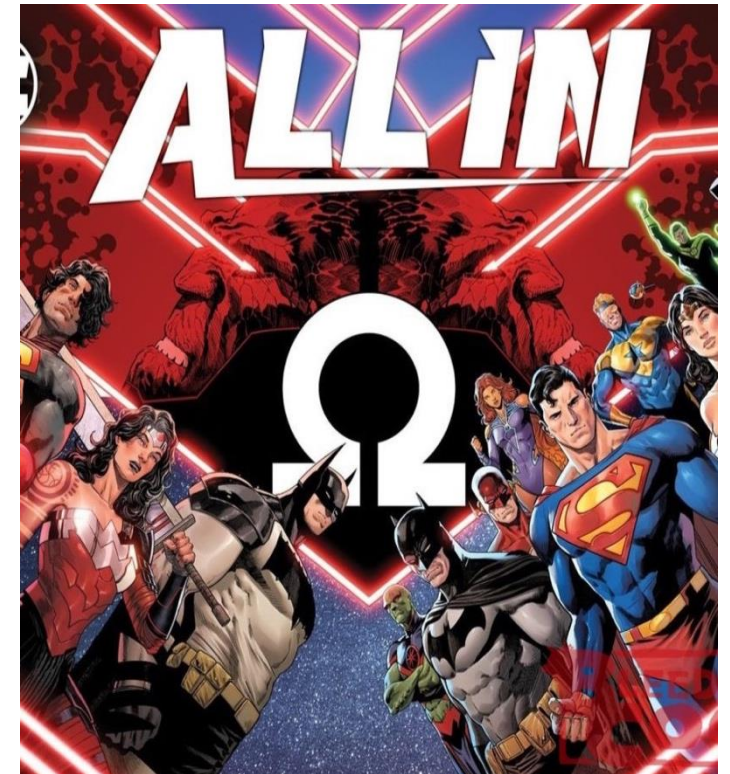
- After the comic book speculation bubble burst in 1994, the comic book market was in big trouble
- Sales were dropping fast, stores were closing quickly, and distributors were going out of business
- To help the overall market, Marvel and DC collaborated on comics to boost sales for both parties, and save the industry
- From 1996-97, they launched DC versus Marvel and the Amalgam Universe



# Matching Moves



- Marvel launched the “Ultimate Universe” in 2023 which features new interpretations of characters set in a radically altered sociopolitical status quo
- DC launches “All In” in 2024, which features their main characters in all new settings, and a new universal status quo



# Other Interdependent Actions

- In 1972, Marvel and DC agreed to raise prices from 15 cents to 25 cents. After 1 month, Marvel dropped to 20 cents and outsold DC for the first time ever
- Image Comics quickly rose to popularity when launched in the early 90s - this was due to their mature and violent storytelling. Naturally, other producers started writing darker stories
- Each company routinely brings in writers from other companies to try and attract fans of their work
- When DC left Diamond in 2020, they started releasing comics on Tuesday, as opposed to the regular Wednesday release



# Using Comic Book Shops to Teach Monopolistic Competition

- Compelling Question: How do monopolistically competitive comic book shops use product differentiation and non-price competition to be profitable?
- In groups, students will open an imaginary comic book store and brainstorm how they can best compete through non-price competition and product differentiation
- Students should:
  - Generate ideas how they can attract customers without price changes
  - Brainstorm how they could advertise
  - How they could differentiate their service

# LCS Monopolistic Competition

- There are many sellers- numerous comic book stores exist around the country, both physical and online, each independently owned and operated
- Barriers to Entry are relatively low- new stores can open without significant investment due to the industry not being very capital intensive.
  - Existing stores can also close easily if they are not profitable
- There is some control over price as stores can upcharge or reduce old comics
- The key monopolistic competition characteristics of comic books stores are:
  - Non-price competition: the need to compete through store layout, events, advertising, etc
  - Product Differentiation: the products may be the same, but the store experience needs to be differentiated

# Product Different and Non-price Competition

- While each store sells essentially the same products, small Local Comic Shops (LCS) have to set themselves apart somehow
- Examples:
  - Offering unique inventories or specialized genres
  - The design/décor/ambiance of the store helps it feel welcoming and a place customers want to be
  - The level of customer service
  - Offering loyalty or membership programs (subscription services)
  - Store Events