MOVIE MERCHANDISING AND ITS CONSUMER PERCEPTION

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Abstract:
It is quite common nowadays that the brands and audiovisual elements of movies are not only present in the movie theatres but on the shelves of retailers as well in various forms of accompanying products. This phenomenon can be described as an image transfer, or in a more commonly known term, merchandising, when distinct products and services are linked together with other events, in this case with the release of movies.

This paper aims to explore the main characteristics of movie related merchandising and to study the various kinds of image transfer used by movies, their different form of appearances and their history and altogether the role merchandising plays among the other tools that are available to promote the release of a new movie. The paper's aims include mapping out the various channels used by merchandising to reach the consumers and to see how their perception have changed over time regarding the products and services involved (the goal is to expose the main theoretical correlations, while the primary research is not part of the paper).

All the while the paper also seeks to find out what the possible criteria could be that a certain movie has to meet in order to be considered fit to use merchandising as a promotional tool (and in which period of the movie's life cycle do they emphasise it), what the main differences are between newly introduced intellectual properties and already existing well known brands of movie series (or "cinematic universes").

Keywords: marketing, culture, merchandising, movie consumption, consumer behavior

1. INTRODUCTION

The term merchandising is generally used in three approaches: as a process (meaning every process that aims to successfully introduce a new product into retailing), as a form of sales in retail (especially for the vendors of large quantities of fast moving consumer goods) and as the mass marketing of intellectual products. The last interpretation can be associated with the term 'image transfer' as well, when product lines are built around certain intellectual properties (like theatrical movies, television shows etc.) (Bereczki, 2008). The essence of this method is to use already well known personalities, characters and signs in a way that they contribute into the shaping of the promoter's image. This way – as there is an already pre-existing positive content attached to the original sources – their use results in additional credibility and thus has an easier time to induce interest in the promoted product or service (Barta & Szűcs, 2015). In the following we will be using the term merchandising according to this interpretation.

The merchandising process works magnificently in the case of movies. One might easily find the toy figures of current animated movies in the kids meal offerings of fast food chains but it is just as likely to run into movie related gifts in boxes of cereal or find pictures of characters on clothes, find them in a different format like books or videogames or even basic foodstuff – all the while shaping up the theatrical movies to be full scale advertising campaigns where the primary goal is to involve everyone in consuming (Schreiber, 2009).

The role of merchandising has been steadily increasing since the nineties, the sales of merchandising products itself has a significant effect on the moviemaking process as well. Furthermore through the willingness to invest (where merchandising acts as another important factor to the rate of return) it affects the growth of the current movie trends as well (Tóth, 2015).

2. ORIGINS OF MOVIE MERCHANDISING

On one hand the products of merchandising can be fit into the traditional communication tools of movies, among posters, trailers (teasers, tv spots etc.), production pictures (promo shoots, movie stills etc.) and electronic materials (Kerrigan, 2010). On the other hand because of its roles mentioned in the introduction, merchandising aims to go above and beyond the simple act of promotion.

While the origin of modern merchandising can be traced back all the way to the 19th century (when Adolphus Busch gave his name to the creation of a unique wine label), when discussing its development and systematic use it is more common to note Walt Disney as the main pioneer of the field. He was not only the first to sell the rights to use his character, Mickey Mouse on the cover of a notebook for 300 US dollars (USD), back in 1929 (Takó, 2014), but through the hiring of Kay Kamen in 1932 he made an even greater contribution to later advancements. In the following years, Kamen – who is often refered to as the "father figure of modern licensing" – raised the number of products bearing the Mickey Mouse character to above one thousand. Afterwards progress boomed quickly, among the various animated and comic book related image transfers it should be noted that by the late fifties many well known personalities (coming from the fields of entertainment and movies or even with political backgrounds) have also started to give their name and likeness to products, mainly to clothing lines.

In the seventies and eighties they already set up full on merchandising systems for the prominent movies and their leading characters (like *Star Wars, E.T. the Extra Terrestrial* or *Rambo*). The growth of revenue was significant as well, while the merchandising department of Disney had a revenue of 27 million USD in 1978, only one year later Kenner Products already topped 100 million by selling products based on the characters of *Star Wars* (WIPO, 1994).

By the nineties merchandising was not only seen as an additional mean to gain revenue ("on the sides"), but as a fully pledged item in the movies budget proposal. This in turn pressed the studio executives to make more profitable agreements in the industries based on licensing. The 1994 release of Disney's blockbuster *The Lion King* was a milestone in this regard as not only did it reach a domestic box office result of 422 million USD, but also made 1.5 billion through sales made in retail merchandising. Or we can think of the late 1989 release of Warner Bros' *Batman* which created such popularity for the black T-shirts with the Batman logo, that created a shortage of black T-shirts altogether in the whole clothing industry for a while (Marich, 2005). Another major milestone worthy of mention is the 1997 release of the first *Harry Potter,* which among the vast success of the book and movie series also gained serious

attention in the field of merchandising as well. It served mainly as a subject to toys, videogames and costumes but they even based a whole theme park on the 'Wizarding World of Harry Potter' in the United States (Canalichio, 2018).

All the while, among the ever growing successes from time to time we can hear about certain failures as well, which resulted in the various vendors being somewhat more cautious in their newer agreements. One such case wat the 1999 release of *Star Wars: Episode I – The Phantom Menace* which only managed to achieve one third of the proposed 3 billion USD merchandising revenue. Even though Hasbro still extended their original agreement – a deal which originally covered three movies worth of action figures, vehicles and board games – but like the other major license based companies they started to shift towards focusing on single movie releases in their partnerships – as opposed to the previous, open ended commitments that covered multiple movies (Marich, 2005).

3. TYPES OF MOVIE MERCHANDISING

Merchandising may be applicable in almost all business fields that are reliant on advertisement and is known to be very efficient. It should be noted though that in many cases the various characters, famous persons or brand labels are not used according to the original intention of their creators. The products, services and brands created from these fictional or real characters and movies may have large variation (as in, one must accept the basic concept of what *The Lion King*'s Simba is doing on a coffee mug), in the following we will present the main areas of use for movie merchandising.

3.1. Entertainment Products and Services

This was actually the very first appearance of merchandising in the case of Hungary, through a restaurant cleverly named after *The Flinstones*' lead character, Fred (they even had foods on the menu referring the characters, like "Fred's favourite" and "Barney's tidbits"). Other examples include the *Columbo* pub (after the title character of the crime series), the Bubba Gump Shrim Company (inspired by the 1994 film *Forrest Gump*, which actually made moviegoers so interested that they were looking for the restaurants right off the bat, making investors jump on this unique and previously not planned opportunity (Papp-Váry, 2014)) or even the Walt Disney Parks and Resorts, including theme parks in Japan, China, France and the United States. We can also list all of the entertainment products that are based on movies, be it book adaptations (like the *Star Wars* novelization, or to some extent the reprints of books that existed long before their movie counterpart, but this time with covers and imagery using stills of the movies, like they did with the *Lord of the Rings* trilogy), comic books, age restricted video games and original motion picture soundtracks (Bereczki, 2008).

3.2. Products Aimed for Children

Among the products and services that are made with the younger generations in mind we must highlight the various toy figures (action figures, vehicles etc.), video game adaptations, clothes (costumes and daily clothes alike), stationery products (just think of the various kinds of notebooks, pens, pencils, school bags etc. with cartoon movie imagery on them) and foodstuff. In the case of the latter we can think of the various sweets attached to cartoon movies, certain non-alcoholic beverages or the more complex deals of movie theatres with the special packaging of the popcorn-coke menus, and the aforementioned kids meals of fast food restaurants with the accompanying gift toys. It should be noted that often times these deals generate their own advertisement as well, thus indirectly further supporting the movie they are connected to.

3.3. Sportswear and Accessories

While the companies behind sportswear and accessories are mainly focusing on international athletes and teams to endorse their products, in certain cases they also use movies for basis of their promotion. Examples for this are the 2015 Nike campaign that based on the shoes prophesized in the *Back to the Future* movie series (in the 1989 movie the leading characters travelled through time into 2015 and Nike was one of the few brands appearing in a clever set of product placements (Papp-Váry, 2014)), or the products built on movies of the sports genre (like the *Rocky* boxing movies or *Space Jam*, the crossbreed movie of children's animation and basketball).

3.4. Gifts and Decoration

Typically movie related gift items aimed for adults, like sculptures, exhibition figures and accessories belong in this category. Even going by the last holiday season and looking at the products related to the *Star Wars* franchise we can see many different products like wristwatches, model airplanes, cooking gloves, electric razors, phone cases and many other exotic goods all linked into the blockbuster movie series in one way or another.

3.5. Clothing and Fashion

Also relevant to merchandising in Hungary as similarly to the restaurant mentioned earlier, a fashion department store by the name of *Pretty Woman* (named after the well known 1990 movie) was also among the very first movie merchandising appearances. When thinking of clothing and fashion items, the persons, manufacturers and brands reputation should be especially highlighted as wearing these products can be seen as a sort of demonstrative consumption, which raises the importance of what they are wearing to the consumers as well. Many of the current movie originated apparels (be it T-shirts, hats etc.) are especially well received as the modern trends of geek culture is becoming more and more mainstream, bringing forward many different fandom (Tóth, 2015).

4. ENTRY CRITERIA FOR MOVIES

When discussing movie merchandising, one might ask the question, which are the movies that are appropriate to even consider to use this way of image transfer, what criteria they have to meet in order to be successful license sources. Generally it can be said that matching the main trends of movie releases, movies with some kind of established background are in the most advantageous position, be it earlier connecting movies, books, comics or any other mediums. Looking at the highest grossing movies of the year 2016 for example, we can see that out of 25 titles there are only 5 that were entirely new concepts and not an adaptation, sequel, prequel or remake (MPAA, 2017).

This tendency was highlighted in the work of Kerrigan (2010), when he differentiated the so called "high concept" big and small budgeted movies. In the case of the former, the various additional products and services have central role in the early stages of movie production as they work out the possible product placements into the story or as they decide what merchandising products could be applicable (highlighting the need to create as many connections as possible (Papp-Váry (2014)). While in the lower budget range movies are drifting more and more towards independent filmmaking, their "big brothers" are seemingly becoming promotional tools of mainstream products. As setting up the production budget of movies is becoming harder, the same as providing the necessary funds, it can be expected that in the future even more emphasis will be placed on branded entertainment.

One of the very first step in this direction was the moment when movie studios realised that they are able to sell the rights to a movies merchandising in advance. The revenues gathered this way can also support the production budget of the movie. This is what happened in the case of the *Lord of the Rings* trilogy for example, where they were able to finance 10% of the full budget by this move. Furthermore these products may also prove useful in advertising the movie as well, thus the merchandising based on the movie often plays part in the integrated promotion campaigns which might start several months before a movie's release date. It is not uncommon for big budgeted movies to have 40% of the attached merchandising already sold before the actual movie is released (Litwak, 2016). All this provides ideal groundwork for merchandising to really shine, to have the movie promote the product at the same time as the product is promoting the movie. While in 2002 it was a risky move to have the video game adaptation of the new *Spider-Man* movie be released at the same time, in 2003 the makers of Pixar's *Finding Nemo* already planned several weeks worth of time before the releae for the consumers to purchase toys and video games, further promoting the move. Through this they also achieved a consumer response where they already treated the movie as a member of an already well known product line (Tóth, 2015).

However, there are many movies with only limited merchandising potential. While it goes without question that a new movie set in the *Marvel Universe* or in *Star Wars* will naturally sell countless action figures, posters and other products, the same cannot be said for movies such as *Saving Private Ryan* or the *American Beauty* with much less merchandising appeal and opportunity. Musicals like *Saturday Night Fever*, *Grease* or *Dirty Dancing* may still achieve outstanding revenues through the sales of their soundtracks and even single featured songs of movies might reach the top of the charts further aiding

the promotional efforts of a movie, thus the use of music videos has also became an important marketing tool (Litwak, 2016).

Another question in some cases can be what extra contents they can provide to support a movies' release. In the case of the 1984 *Ghostbusters*, the good reception of the movie at the box offices was not enough, the merchandising products based on the movie only became profitable once the animated series (also based on the movie) arrived onto the television screens. Similarly, when Warner Bros. was looking for merchandising partners for the 2005 release of *Batman: Begins*, they had to include the creation of a new *Batman* animated series as well in their sales pitch (Marich, 2013).

According to Marich (2013), movies that are oriented towards families and younger age groups (avoiding the higher age restrictions, like the dreaded R rating) are the most likely to be profitable from a merchandising standpoint. Toys and videogames attached to these titles usually stand up for about 50% of all merchandising products (Tóth, 2015). The situation can be even more tangled up in cases where the attached products – with the same title or brand elements – receive a different rating from their host movie. Such event can occur when a videogame or a soundtrack CD of a given R rated movie is available to the teenager consuming groups as well (FTC, 2004).

All the while there are also examples of movies being too successful and too fitting for merchandising, altogether casting a negative shadow on the key players of the license distributing industry. This was the case with Disney's 2013 blockbuster animation, *Frozen*. As the movie reached the worldwide grosses of 1,3 billion USD at the box offices, it was also responsible for a significant portion of the 2013–2014. annual license and trademark revenues according to the international Licensing Industry Merchandisers' Association (LIMA) reports. This intrigued the other industry experts quite a bit, as distributors were happy to fill up their shelves capacities with merchandising products attached to the *Frozen* brand, while squeezing out products based on other movie licenses (often also appealing on their own right, just not on the same scale as Disney's overwhelming title). As one of the LIMA responded has phrased it, this "brand fatigue" and oversaturated appearances of entertainment is a negative trend on the field of merchandising (Robehmed, 2015).

No matter how strong *Frozen*'s introduction to the market was, it is still far from being the most profitable title of Disney (though it didn't have the same timeframe to grow like its companions, as ever since the original movie came out, there has been only two additional shorts made, while the real sequel is scheduled for a 2019 release). This accomplishment goes to *Star Wars* which far exceeds all the other titles, as it can be seen on Picture 1.

Picture 1: Leading movies based on merchandise sales revenue in 2015 (in billion U.S. dollars)
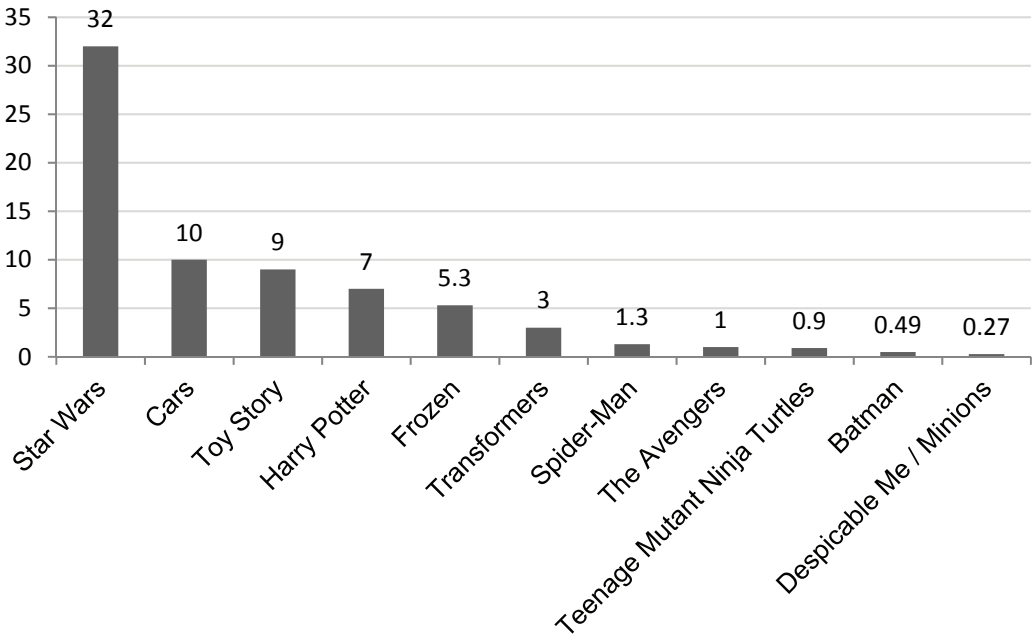
In the light of the newest results it can be said however that even a strong brand, as *Star Wars* can be shaken as its 2017 merchandising results were behind that of last year's revenues, even with a numerical episode released at the end of the year. Looking for an explanation on this change the representatives of BMO Capital analytical company listed brand fatigue as a possible reason (this is where the yearly releases of *Star Wars* movies might suffer opposed to the earlier cycles of several years in-between new releases), but also mentioned the general overflow of entertaining media content and the ever more fierce competition between various movie series (Cavanaugh, 2018).

5. CONSUMER PERCEPTION OF MOVIE MERCHANDISING

The entertainment industry never stops changing, same as the taste of the consumers never stays the same either. Popular culture as a whole is constantly under the influence of outside forces, which can be identified in both the created entertainment contents and the ways they are promoted. Naturally, this is in strong relation to the consumer perception, which also defines which type of products may appear on the shelves of distributing chains. Things that were acceptable yesterday may become unacceptable by today's standards. For example while in the time of the very first *Rambo* movie, toy guns and knives had no issue being mass marketed to children in stores everywhere, by the time of the 2008 sequel, *John Rambo* the same occurrence evoked serious parental outrage (Simon, 2010).

It is clear however that popular culture relies heavily on movies, which is why the consumption of movie merchandising products have reached previously unforeseen levels and in the process it has become a sort of opportunity for self expression for consumers. The fandom behaviour which was once considered only a subculture has become a sought for and popular consuming attitude, making movie merchandising products more and more prevalent on in our everyday lives. One of the well observable symptom to this can be seen in the once despised "geek" archetype characters becoming extremely more prevalent in big budgeted movies and well known series.

Owning these merchandising products have become an important signal of identity, which is in close connection with the widening of the geek culture. This is further emphasised by a new generation of middle class youth, for whom the conscious consumption symbolizes both resistance and self-realization. Emphasizing one's belonging to the "counter-culture" through the purchase and consumption of these status symbols is actually responsible for generating an identity reliant on the market all the same. In this regard the self-deception is twofold, as the cult status of movies that serve as a reference point in geek culture is also dependant on the use of marketing tools and the advertising power of merchandising (Tóth, 2015).

6. CONCLUSIONS AND LIMITATIONS

It can be said that in the past years, merchandising was surrounded by an ever growing interest of consumers and producers alike. While in 2017 more, than 20 movie have been supplemented with a significant amount of merchandising products and services, ten years ago it was less than half of that. This rise came on the contrary of movie attendance in the United States dropping almost 14% in the same time span (Townsend & Palmeri, 2018).

Same as with other economic and social trends, the development of the digital technology plays a defining role on the evolution of merchandising as well. It is the primary force that dictates how the consumers choose between entertainment sources and is increasingly more prevalent on how they base their purchase decisions, thus there is a growing number of merchandising products that are sold digitally. This is further supported by the fact that companies like Disney merged their consumer- and interactive product departments together, narrowing the border between entertainment and toy categories (they use digital distribution for the majority of videogames, softwares, apps, printed and music content, altogether making up for about 12% of all their merchandising sales). The growth of the digital segment also resulted in licensed products being available in altogether more nations worldwide (Canalichio, 2018).

When it comes to consumer products, Disney is the largest license owner company, high above the second place, thus it is able to dictate the pace for its partners for most product categories. The number of other studios following in Disney's footsteps in merchandising is increasing, though the path is still

rough for them. All the while Disney is able to account for all revenue-producing facets of a new investment – be it license based merchandising, on demand content sharing, product placement or even the creation of theme parks – before green lighting an acquisition, like it did in the case of Lucasfilm, Marvel Entertainment or most recently the film and television arms of 21st Century Fox (Canalichio, 2018).

All the while trust is no longer unconditional – and with the recent fallbacks it is expected to further weaken. In lieu of getting tied down to the longer movie series, merchandising companies started to shift towards the single movie agreements and retailers have also started to move their efforts into the second major phase of the movie life cycle, meaning the DVD/Bluray releases, which usually happen 2-4 months after their movie theatre run has ended. The main appeal of the small screen comes from the fact that popularity is well established by the theatrical release, thus merchandising companies are able to successfully measure the demand for products tied to the movie and they are also more able to conduct tie-ins on the shelves of retail stores (Marich, 2013).

It is also becoming more limited which of the big budgeted movie plans are able to get the approved for merchandising. Apart from the primary (theatrical) and secondary (home) entertainment revenues, the investor expectations are also raised by the revenues of merchandising products (Tóth, 2015). Going by this logic however it might be worrisome that the production of products for smaller and more special groups of consumer segments present a lot higher risk and with such high stakes in a movies creation this places further pressure on the bigger pressure to continue on the safer path of continuations and remakes in the years to come (as opposed to supporting more original ideas, similar to independent filmmaking).

The paper was limited as it had no primary research. Future studies should also consider to examine in particular how consumers value the different types of merchandising, how receptive they are to the movie branded product offers. It might also be of interest to look into how movie merchandising may tie in with product placements, whether there is a correlation of consumer behaviour and these two forms of advertisement. This area of research seems suitable for further investigation.

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