

## San Diego Comic-Con

Mel Thompson flew down to San Diego to attend this year's Comic-Con. Mel normally only flies down for the day, but this year was given the use of a hotel room and stayed Friday and Saturday.

We're sure that most of you know that this was the most-attended San Diego Comic-Con in history, with all four days sold out.

Saturday was mobbed, to the point that moving through the main parts of the exhibit hall was slow and difficult.

As usual, most hotels within any distance of downtown San Diego were booked solid, and next year isn't likely to be any better. *If you have any likelihood of going to next year's Con, you should make your reservations soon.* When Mel checked out of his hotel, he asked the desk clerk when would be a good time to book for next year. The answer was "as soon as you get home from the con".

Pirates of the Caribbean costumes seemed to be one of the most popular among costumed attendees, along with the usual Imperial storm-troopers and heavily-armed thugs. Wonder Woman costumes were also fairly common.

The exhibit floor was weighted very heavily toward movie studios, television programs, electronic game publishers, pop culture vendors, etc. While the usual comics publishers were present, they were no more prominent than the mainstream exhibitors.

The equivalent of one segment of the entire convention center was occupied mostly by back issue dealers, interspersed large booths containing poster, clothing and pop culture sellers.

In comparison to the remainder of the exhibit hall, foot traffic in this smaller section of the exhibit floor (representing perhaps one-seventh of the total space) was much lighter and travel was actually quite easy.

As more and more back issue business moves onto the Internet, one wonders how long there will be even as large a back-issue dealer presence as there is now.

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## Comics-Pro and Retailers

The Comics-Pro retailer organization had a retailer lounge open Friday, and had a number of panels intended for retailers and publishers.

Mel attended the "Best Practices" panel for publishers on Friday and found it to be interesting. The collection of best practices which Comics-Pro developed and put into booklet format seemed reasonable, clear and well-organized.

Unfortunately the retailer lounge was seemed to be closed all of Saturday, which left the Professional Lounge as the only rallying point for comics/game retailers.

*In general there continues to be very little material aimed for retailers in the Comic-Con*, as opposed to twelve years ago when there still was a two-day pre-show just for comics retailers and those who did business with them.

As one client put it, "I go down to buy new product for customers who have asked me to find it for them, to buy independent press books for sale in the store, and to talk with vendors and small-press publishers to establish relationships".

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## Comics and the Inter-Net

A number of conversations provided considerable food for thought. According to multiple sources, Lone Star Comics and Games (Dallas-Fort Worth) claims that their internet sales equal or exceed their combined store sales. We would estimate that this means Lone Star is generating between \$9mm-\$11mm in annual sales.

Another multiple-store operator stated that their internet sales were equal to or somewhat larger than their combined store sales, as well.

We went through an exercise several years ago with the intent of estimating the size of the comics & game internet marketplace in North America, and feel that the numbers that we generated then are far out of date now.

Most retailers and web-retailers have told us that they regard Amazon.Com as being their primary competition. The combination of discounts, no sales tax and free freight (if you are willing to wait a little for your order) is a devastating combination.

The majority of Internet "comics" sales appear to be graphic novels and trade paperbacks, with pop culture, high-end back issue collectibles and boxes and packs of card products being significant additional categories.

We feel that one of the main reasons that the Internet is taking up an increasingly larger portion of "comics" sales

is that the North American marketplace continues to be seriously under-stored. Other reasons advanced by comics retailers and internet vendors are discounts and lack of sales tax for out-of-state purchasers.

Many retailers we have spoken with on this topic feel that the primary impact of the rapid growth of Internet sales is that “the cream has been taken off the store-front marketplace”, or that what would have been growth in stores has gone to the Internet.

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### Comics Store Count for North America

One question that came up repeatedly at San Diego was “how many stores do you think there are?”

Mel’s response was that as of a year or two ago there were probably 2,200 stores in the USA and another 200-250 in Canada for a total of roughly 2,400 stores.

Diamond Comic Distributors in the recent past has claimed to have “7,000 accounts”, but this in no way is an accurate measure of the size of the comics retail store population.

First, many of their accounts do not order or carry new comics or graphic novels, but are using Diamond as a source for pop culture products.

Second, Diamond apparently treats each account number as a separate store. A number of retailers have told us that they have multiple account numbers for a variety of reasons, but that they in fact own and operate one store.

Third, an unknown number of Diamond’s accounts are buying clubs (where a number of fans group together to make monthly purchases so as to get a better discount than at a local retail store) or are small non-comics retailers who also carry a very limited number of new comics products - typically just Marvel, DC Comics and Image products.

Comics-Pro has been conducting a census of comics stores in North America, and one member involved with this project stated that he personally believed that there were on the order of 1,700 to 1,800 stores in the USA; down substantially from the number two years ago. Mel believes that this could be an accurate number.

Some retailers believe that substantially more stores opened in 2006, 2007 and most of 2008 than stores closed. This corresponds with our experience in that there has been a steady flow of site selection/new store consulting inquiries during that period.

On the other hand, 2009 as well has been a fairly busy year for us in terms of both site selection/new store consulting inquiries and actual projects.

We know that here in the San Francisco Bay Area four retailers in the San Jose area went out of business in the last year. While the actual reason for each store’s

demise varied from store to store, all were marginally profitable operations.

Other retailers have reported that they have seen a number of marginal local competitors throw in the towel and shut down.

In the present economic environment, it doesn’t seem likely that there will be a large wave of new store openings.

In particular, the high cost of opening a new store is filtering out many would-be comics retailers. Our own estimates are that it requires a minimum of \$60,000 to \$80,000 to open an adequate new comics retail store; and that does not include additional funds that will be required in the eighteen months to smooth over cash flow problems.

Phil Boyle of Coliseum of Comics stated that when he discusses opening a store with a potential Affiliate member, he tells them that they will need a minimum of \$100,000 in available financing to open and to weather the ups and downs of the first year or so of operation.

David Wheeler of Dragon’s Lair (Austin, TX) has gone through all the legal formalities of establishing a turnkey franchise program for would-be comics and game retailers. The amount of money that he prefers the franchisee to have access to is \$150,000.

A recent store location project in the southeast that we were involved with had the development group come up with a final budget of \$115,000 to open a 1,200 square foot store.

The days of opening a store with your personal collection and several thousand dollars in savings are gone.

Rows of long boxes sitting on plywood panels over sawhorses are not acceptable to today’s customers, even the most die-hard fans. Slat-wall (and especially the plastic display tools for slat-wall) are expensive. An initial minimum inventory of 600 (and preferably 1,000+) graphic novels is expensive.

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### 2009 Eisner Awards

Mel attended the 2009 Eisner Award ceremony for the first time, even though we have done all the ballot tabulation for the Eisner’s *pro bono* since the very beginning.

In addition, last year we developed the Internet balloting software that helped speed up the tabulation process, and provide maintenance and web-hosting on an on-going basis.

Camille was ecstatic to see her hero, Neil Gaiman; and her other comics interest Seth. (*Now there’s a range of interests!*)