

Festival de Cannes news begins on page 9

CELEBRATING 75 YEARS

THE HOLLYWOOD REPORTER®

75th year

Wednesday, May 18, 2005

a VNU publication ■ www.hollywoodreporter.com ■ \$2.99



The "Star Wars" series has created a lucrative merchandising universe, which continues with the comprehensive Early Bird Certificate Package.

Licensed to make killing

'Star Wars' launched merch frenzy

Hollywood looking to "Sith" to energize boxoffice. Story on page 2.

By Gail Schiller

When the first "Star Wars" movie opened on May 25, 1977, the movie licensing industry barely existed, there weren't any tied-in toys on store shelves and there was no forewarning that the film's unprecedented boxoffice bonanza would translate into frenzied demand for licensed products.

But as the final episode in the

series, "Star Wars: Episode III — Revenge of the Sith," opens Thursday, Lucas Licensing has deals with about 400 licensees in more than 30 countries covering thousands of products.

Since the first movie's release, the "Star Wars" merchandising machine has generated \$9 billion in retail sales, and expectations at

See "STAR WARS" on page 15

Woo's jump to next level begins at E3

By John Gaudiosi

John Woo is renowned for his mastery of action, directing scenes with a choreographer's artistry. He also has earned the admiration of many video game makers, some of whom have paid him the compliment of trying their own hand at Woo's techniques.

He now is directing his own video game project, a next- See WOO on page 20



Bruckheimer's amazing pace

Producer poised to top Spelling feat

By Nellie Andreeva

Five years ago this week, Jerry Bruckheimer attended his first network TV upfront presentation in New York after landing his first primetime series on CBS, a show that at the time seemed like an unassuming crime drama with a convoluted title: "CSI: Crime Scene Investigation."

Five years later, Bruckheimer is a regular at the network upfronts, and his production company is celebrating a remarkable achievement. With four new projects landing series orders and six shows returning for the 2005-06 season, Bruckheimer now stands to break the record held for decades by Aaron Spelling as primetime's most prolific series producer during a single season.

Bruckheimer is poised to field

10 series in the upcoming season, topping the personal best of eight series in a season that Spelling notched twice in his long career, most

recently in the 1994-95 season and also in 1984-85, a period in which Spelling also kept busy producing eight to 10 telefilms per season.

See BRUCKHEIMER on page 21



Bruckheimer

33 mil love last episode of 'Raymond'

"Raymond" finale review on page 6.

By Cynthia Littleton

Holy finale! Nearly 33 million fans turned out Monday to watch the Barone clan squeeze themselves around the kitchen table one last time in the

swan-song episode of CBS' "Everybody Loves Raymond."

The 9 p.m. series finale of CBS' "Raymond" brought in the high-

See MONDAY on page 20



Romano



WEDNESDAY, MAY 18, 2005

NEWS

'Star Wars'

Continued from page 1—

Lucas Licensing are that "Sith" will trigger an additional \$1.5 billion.

The exponential growth in the new movie's merchandising muscle is not just a reflection of the enduring popularity of the "Star Wars" franchise but also a testament to creator George Lucas' unique role in creating the template for the modern movie merchandising and licensing blitzes that have become a matter of course in the blockbuster era.

"'Star Wars' created the paradigm that we know as entertainment licensing today," said Jennifer Coleman, director of marketing and communications for the International Licensing Industry Merchandisers' Assn., the worldwide trade organization for the licensing industry. "'Star Wars' turned licensing into a merchandising powerhouse and a model that many studios chose to emulate."

Back when the first movie broke out at the boxoffice, 20th Century Fox and master toy licensee Kenner Toys, since acquired by Hasbro, were caught completely off guard. But a quick-thinking Kenner started selling empty boxes containing IOU certificates redeemable for "Star Wars" action figures so parents could buy their kids toys from the movie in time for the Christmas holiday season.

By the time "The Empire Strikes Back" was released in 1980, Lucas had secured ownership of the merchandising rights to his franchise and, having learned from the mistakes made with the first film three years later, made sure retailers were stocked with toys and other "Star Wars"-related products.

"The idea of turning a movie into a merchandising event was born with 'Star Wars' and proceeded over the next 10-12 years until the early '90s, when merchandising went from being some nice ancillary income in planning a movie to

a line item in planning the budget," said Marty Brochstein, executive editor of the Licensing Letter. At \$9 billion, "Star Wars" merchandise sales to date are almost triple the movies' worldwide box-office of \$3.4 billion.

Even consumer products executives at competing studios credit Lucas and "Star Wars" for opening their eyes to the massive potential of film licensing. "Lucas knew how to build tremendous interest and excitement and bring it to the next film and each film after that," said Dan Romanelli, president of Warner Bros. Worldwide Consumer Products. "He was brilliant at marketing and controlling the product and making the very best deals."

The original "Star Wars" also broke new ground in the toy business, with Kenner creating the first 3¹/₂-inch action figures. The movie also helped revamp the way the toy industry did business, making it more focused on entertainment properties, both in film and television.

To secure the sequel rights, Lucas made a deal with Fox to forgo an increase in his modest \$100,000 director's salary.

"Fox handled the licensing on the first movie and under that contract could do so unless or until there was a sequel," said attorney Tom Pollock, who represented Lucas in the negotiations with Fox and later became Universal Pictures chairman from 1986-96.

"In lieu of taking a big director's fee, which he

was entitled to after the success of

'American Graffiti,' George took the sequel rights, and the merchandising rights were a part of that,"

said Pollock, now a partner with Ivan Reitman in the Montecito Picture Co.

Licensing executives agree that it was a brilliant move by the filmmaker that helped turn him into a billionaire and a massive blunder by Fox that cost the studio billions of dollars in revenue. Studios generally earn 10%-12% royalty fees on licensees' sales at wholesale, but Lucas is said to

negotiate even more favorable deals for his company.

In Fox's defense, several licensing executives said that studios didn't look at merchandising as a major source of revenue at the time the deal was made. "Prior to 'Star Wars,' studios were not aware of the potential financial and promotional opportunities that could be achieved with the right programs in place," said Brad Globe, executive vp and general manager of Warner Bros. Worldwide Consumer Products. Fox declined comment.

Howard Roffman, president of

Lucas Licensing, said that Lucas' main motivation for holding on to the merchandise rights was quality control rather than profit. "George didn't want his potential to make sequels to be hurt by poor merchandise," he said. "It was not George's vision that in making that movie, he would create a licensing empire. He was only interested in making a great film."

Said Pollock: "I don't think George was prescient. I don't think anyone realized at the time exactly how big the merchandising rights would become."

After the surprise merchandising success of "Star Wars," a number of studios followed suit with successful campaigns for such films as "Raiders of the Lost Ark" in 1981, "E.T. the Extra-Terrestrial" in 1982 and "Who Framed Roger Rabbit" in 1988. But it wasn't until Warners launched a massive merchandising campaign tied to the opening of "Batman" in 1989 that another film came close to replicating the enormous success of "Star Wars," licensing experts say.

Even Disney, which launched its first licensed product — a Mickey Mouse writing tablet — in 1949, didn't fully jump on the bandwagon until the resurgence of its animated films in the early 1990s. After that, it started selling licensed products that went beyond such traditional characters as Mickey and Pooh and were based on new film releases.

Crediting "Star Wars," Vince Klaseus, senior vp franchise marketing at Disney Consumer Products, said: "It certainly woke up a lot of the studios in terms of what the opportunities were. Seeing what a windfall of cash it was to

Lucasfilm, what studio wouldn't want to emulate that?"

To pay homage to the completely unanticipated demand for "Star Wars" product back in 1977, Hasbro now is selling 50,000 empty boxes exclusively in Wal-Mart stores that contain IOU certificates redeemable for updated versions of the same four original action figures that Kenner certificates entitled customers to 28 years ago.

Despite "Star Wars'" record-breaking merchandise sales over the past

three decades, Lucasfilm will have to work much harder to keep those sales strong once "Sith" leaves theaters. Lucas already has quite a few ideas in place to do just that.

"The plan is to keep the franchise going," Roffman said, adding that there are plans to publish books, release video games and develop television programming tied to the franchise. Lucasfilm also has announced

plans to relaunch all of the films in 3-D starting as early as 2007, and DVD releases also are expected to fuel merchandise sales.

In addition, Hasbro said that it plans to launch new toys in 2006 and beyond as technology allows for new innovations.

"We really look at this as just a tremendous milestone, with the last film completing the story, but 'Star Wars' is really forever, and the adventure will just continue," said Brian Goldner, president of Hasbro's toy segment. Hasbro has extended its licensing deal with Lucasfilm — originally due to expire in 2008 — through 2018.

In addition to the huge draw it has among kids, "Star Wars" products also appeal to an enormous base of collectors, most of them adults who fell in love with the franchise as children.

"'Star Wars' has shown great power to renew itself with three generations," Roffman said. "It makes me believe the franchise will continue for a long time into the future, hopefully beyond my lifetime."

