

The Deck of Many Things: Generational Collecting

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We are fully into 2019, and things seem a little slow in retail. Let's take a quick look at the status of gaming retail as of the end of the first quarter.

The economy is clipping along, on target for a 3% growth rate, but there seems to be a brief resting period that occurred in the first quarter. Normally, there is always a retail slow down in January, but 2019's stall out has lasted a little longer than usual. The retail consumer base over-extended their holiday budget so far that it took them till March to recover fully. This was compounded by the method in which tax returns are now calculated where the payee receives most of the breaks on the front end of the paycheck instead of in an April return. All of these factors will probably result in sluggish gaming retail sales till the end of the first quarter.

"However, there is a bright light at the end of the tunnel and it's not an oncoming freight train!"

The world of retail sales should bounce back by May. Main street shoppers are still making money, and they will spend it when the long 2019 winter finally ends. April thru the beginning of August should feature big sales followed by a pre-Holiday resting period in September. October thru November could be glorious this year! There isn't a national election, and there is nothing on the horizon to emotionally distract the retail shopper from having a wonderful Christmas season with lots of presents under the tree. By the middle of December, the frenzy of buying should come to a hard stop which will be followed by a completely miserable 2020 for everyone.

Its irony how presidential elections used to be economic boon years and now they've become terrifying experiences where Americans brace themselves for the horrors they will be subjected to after the results.

Anyhow, the rest of 2019 should be great. All the major game companies have big releases in their respective flagship brands. One particular company of interest is *Funko*. At *New York Toy Fair*, they announced the acquisition of board game makers *Forrest-Pruzan Creative*. This officially places *Funko* in the board game space which, in my mind, finally makes them a legitimate player in the Gaming Industry. Previous to this acquisition, I had written *Funko Pop!* products off as the Millennial Generation's Beanie Babies. There was no denying their figures were hot commodities, but they had the ear markings of a fad written all over them. Now, I've seen enough diversification out of the company's products to where I believe them to be the next major growth company for the Toy/Gaming Industry.

In fact, I believe in *Funko Pop!* so much that I've purchased a small position in their common stock.

As for the rest, small manufacturers have been very hit or miss with Kickstarter projects. Less than half are getting funded, and of those lucky 50%, most of the funded projects are already established brands. Kickstarter is slowly morphing into a filter for distribution. Only the top games make it out of the speculative phase, and even fewer make it into mass distribution.

This is good for retail because most of the low expectation games will be weeded out, and distribution will only promote the high flyers to carry in your store.

Once again, the major head wind of 2019 will be *Amazon*. The online retailer is just the disease that keeps on killing brick-n-mortar retail. The most recent outrage comes in the form of *Wizards of the Coast* abandoning MSRP on products to appease *Amazon*. Effectively, *Magic: The Gathering* will now just be sold at a wholesale number and retailers can dictate market price of any given set. *WotC* claims to have done this to lessen pricing confusion in overseas markets. In reality, it was probably a combination of international pricing confusion and needing to justify *Amazon* selling booster boxes in mass for 10% above MSRP. *Amazon* orders more *Magic: The Gathering* than most outlets so their money holds great sway in this decision.

"Magic: The Gathering with no MSRP is both good and bad for brick-n-mortar retail."

It's good for purposes of adding premiums to hot sets. The *Masters* sets were almost always sold by retail above MSRP because they were often more valuable to break open and sell for singles than to sell at MSRP. Now, without MSRP, retailers can charge whatever premium they want on packs without taking too much backlash from the consumer. On the other hand, no MSRP works against brick-n-mortar retail because *Amazon* can simply outsell everyone in bulk and diminish profit margin. Based on previous history, *Amazon's* mark up on a box of boosters is between 10% and 20% of wholesale. This margin is fine for *Amazon* because they can sell half million boxes of boosters without refreshing their browser. There is absolutely no way a brick-n-mortar retailer can flip enough boxes of *WotC* product to make a worthwhile profit selling at 10% to 20%. The lack of MSRP almost automatically relegates brick-n-mortar retailers' sales to tournament product and secondary market singles. *WotC's* switch up on MSRP is quite brutal, but that's the market-price driven Gaming Industry we live in today.

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Generational Collecting

The two companies I featured in the brief overview of Gaming Industry retail markets, *Wizards of the Coast* and *Funko*, have something in common when it comes to collectible markets. They both produce the collectibles of choice for the Millennial Generation. As an owner of *Buccaneer Collectibles*, which sells medium to high end coins, currency, antiques, and vintage items, I have noticed a slow shift occurring in value perception when it comes to generations. Every generation has a different value perception and as time progresses, the value perception of certain collectibles rise and fall. We are currently in the middle of a massive shift from value perceptions held by Baby Boomers to the value perceptions of the Millennials.

"What exactly is value perception?"

It is essentially the abstract concept of how much value an object, idea, or asset retains in the eye of the beholder. The easiest explanation of the concept is the old attaché: *One man's trash is another man's treasure*. 'Assets' only become assets when they are perceived to hold monetary or intrinsic value. For example, if you watch a lot of *Pawn Stars*, you'll see a few episodes where people come in with family heirlooms expecting to net a small fortune from their sale. *Rick Harrison* will then proceed to evaluate their items according to the current market salability, and often times pass on their precious heirlooms. Why does he pass on said treasure? *Rick* knows the ebb and flow of the collectibles market. While heirlooms might've been passed down for generations, the current market desirability dictates their value perception.

Each generation has its own value perception when it comes to collectibles, and the most wealthy generation sets demand.

The current five generations existing on the world stage in 2019 are the G.I. Generation (1900 to 1924), Silent Generation (1924 to 1945), the Baby Boomers (1946 to 1964), Gen X (1965 to 1979), Millennials (1980 to 1999), and iGen (2000 to Current). The two largest of these generations in the current population are the Baby Boomers and the Millennials. The two smallest are the two earliest, G.I. Generation and the Silent Generation. However, the key factors in determining what objects hold collectible value are: which generation is the wealthiest and which generation is having the most children.

The Baby Boomer generation is clearly the second largest, wealthiest generation on the planet. They were blessed with lifelong careers after the major wars of the 20th Century, and have seen multiple bull markets in their lifetime. On top of all that, they have rich retirement funds and pensions that sap money out of the public coffers for as long as they

are alive. They also have a tradition of being collectors of everything from rock concert memorabilia to old beer cans. In a sense, they have been preserving the nostalgia of the Cold War era, and as they get older, intend to pass that history onto their grandkids who mostly fall into the Millennial and I-Gen group.

Baby Boomers and their massive disposable income are key to value perception.

Millennials are the largest generation and are currently the group having the most children. Unlike the Baby Boomers, the vast majority are not extensively wealthy or have high-paying careers. In fact, the activity the Millennials probably spend the most time doing is maintaining their jobs status. They grew up in a Great Recession and have been mindful spenders ever since. Their influence on the value perception of collectables comes in two parts. For one, they are having kids and raising those kids to love what they loved as kids. The 1980's and 1990's were a great time to grow up because the Baby Boomers had really hit their creative stride when it came to television and movies. Most Millennials recognize that era as the good times before 9/11 happened, and they've been using what income they have to buy relics of the *Ghostbusters*, *Goonies*, and *Star Wars*. Thus, action figures and 80's nostalgia items have been hot commodities.

The other part Millennials play in value perception is an utter rejection of printed items previous to the advent of the Apple I. Unlike their Baby Boomer predecessors, they have little or no use for printed items prior to the Cold War. A lot of their life is wrapped up in online interactions, and old paper and books are just clutter. In a sense, this attitude is very practical in a high technology society. Why buy a first edition of *The Wizard of Oz* when you can just read the PDF off of a tablet? There is no reason to own a book when you can obtain the same information, at a faster speed, off the Internet.

The general attitude of the Millennials towards old print is that it is obsolete. However, there is one odd exception. They are influenced by paper advertisements. For some strange reason, according to research done by *JC Penny* and *Macy's*, they still clip coupons and look through catalogues. The best explanation of this exception is what I refer to as the "*Toys'R'Us Holiday Catalogue Effect*". I firmly believe that their adherence to reading catalogues roots from the joy experienced as kids when they read the *Toys'R'Us Holiday Catalogue*. Browsing through catalogues and other paper ads is a function of nostalgia that intersects with the instinctual need to turn pages when they read. Despite all of the technology and all of the digital savvy, there are certain habits that are hard to break when it comes to permanence

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