

CAN MATTEL SURVIVE THE CHANGING ENVIRONMENT IN THE TOY INDUSTRY?

*Debora J. Gilliard, Management Department, Metropolitan State University – Denver,
303.615.0139, gilliard@msudenver.edu,*

*David Lynn Hoffman, Management Department, Metropolitan State University - Denver,
303.615-0151, dhoffm20@msudenver.edu,*

*Sally Baalbaki, Marketing Department, Metropolitan State University – Denver,
303.615.0517, baalbaki@msudenver.edu,*

ABSTRACT

Will the iconic Barbie doll survive? Mattel, Inc.'s sales are declining, the company has lost its Disney Princess line to Hasbro, and the industry is changing. Today's kids outgrow toys at a younger age and are drawn to video games and electronics. The competitive market is changing as more companies are entering international markets. Mattel's new CEO, Margo Georgiadis, has a challenge to turnaround the downward spiral of revenues.

INTRODUCTION

"We just didn't sell enough Barbie dolls" stated Mattel CEO Bryan Stockton in February 2014, when he reported a 13% drop in fourth quarter 2013 sales (O'Connor, 2014). Forbes noted that Barbie sales were still in a slump with a 3% decline in sales for fourth quarter 2015 that included a 14% decline in overseas sales. The dismal decline continued with first quarter 2017 worldwide net sales and gross sales down 15% (Mattel press release 4/20/17).

New CEO Margo Georgiadis, who was hired as Mattel's new CEO in January 2017, has her work cut out for her. Although the company had strong holiday sales at the end of 2016, the momentum did not carry over to the first quarter of 2017. The company saw major declines in sales of its core toys such as Barbie, American Girl, and the Construction and Arts & Crafts unit. In addition, major competitor, Hasbro, who recently took over the Disney Princess line from Mattel, is on a roll with stock prices up and revenues rising (La Monica, 2017).

Is Mattel selling the toys that kids want today? Are tablets, video games, and technology-related toys overtaking traditional toys? Is the issue at Mattel or the result of a changing industry? What does Mattel and Georgiadis need to do to turn the company around?

COMPANY SUMMARY

The Mattel Company was founded in 1945 and went public in 1960. It designs, manufactures, and markets a variety of toy products in 150 countries with 40% of its revenues generated by the international segment. Major brand categories include *Mattel Girls & Boys Brands* (Barbie, DC Super Hero Girls, Hot Wheels, Cars, etc.), *Fisher-Price Brands* (Little People, BabyGear, Laugh & Learn, Thomas & Friends, Dora the Explorer, etc.), *American Girl Brands*, and *Construction and Arts & Crafts Brands* (MEGA BLOKS and RoseArt). Mattel has manufacturing facilities located in six countries at company-owned and third-party facilities. It sells products through retailers, company-owned retail stores, online and via agents and distributors. Wal-Mart, Toys "R" Us, and Target are its three largest customers and account for 39% of

worldwide sales. It has licensing agreements with major entertainment companies (Disney, NBCUniversal Media, Warner Bros., Viacom, etc.) to produce toys related to film and television properties. In the past four years, Mattel has experienced declining revenues, although the company continues to add new products, conducts advertising campaigns, and is expanding its content creation with videos and films.

Major trends affecting the industry include increasing competition, changes in consumer buying habits, and children outgrowing toys at an earlier age and becoming more interested in consumer electronics and toys that incorporate technology, such as video games.

Margaret Georgiadis, the current CEO, began her job in January 2017. How can she turn this company around?

SUGGESTIONS FOR USING THE CASE

This case will work well in a management class when discussing concepts such as environmental analysis, company analysis, turnaround strategies, and declining markets. It is appropriate for marketing classes when discussing topics such as brand reputation, marketing techniques, use of social media, and website content.

Learning Objectives

1. Evaluate Mattel's use of social media.
2. Evaluate Mattel's website.
3. Analyze the macro environment.
4. Analyze the competitive environment using Porter's Five Forces model.
5. Analyze the internal environment of Mattel using a SWOT analysis and a Value Chain Analysis.
6. Make recommendations for future courses of action.

Suggested Assignment Questions

1. Complete an analysis of Mattel's use of social media. How effectively does the company use social media? What changes would you recommend?
2. Complete an analysis of Mattel's website. How easy is it to navigate? What changes would you recommend?
3. Analyze the macro environmental forces (economic, political/legal, social trends, global, demographics, & technology). How do the forces impact Mattel?
4. Complete a SWOT analysis.
5. Complete a Porter's Five Forces analysis
6. Do a Value Chain Analysis of Mattel.
7. Identify Mattel's corporate level strategy. Identify any synergies that may exist.
8. What recommendations would you make to turn the company around?

REFERENCES

(Available Upon Request)