Mattel, Inc.
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Executive Summary

History

In 1945 co-founders Harold “Matt” Matson and Elliot Handler started the world-known toy manufacturer company, Mattel, Inc. Mattel is the world’s leading marketing, design, and manufacturing company of both toys and family products. Barbie, Hot Wheels, Tyco R/C, and Power Wheels, are just a few of the best-selling brands that Mattel has introduced to children all over the world. This company’s credibility and reputation is unheard of in most corporations of this size. Mattel, Inc. has been named as, “100 Best Corporate Citizens” and the “World’s Most Ethical Companies,” as well as being named as “100 Best Companies to Work For” by FORTUNE Magazine.¹ This company has been traded on the NASDAQ and S&P 500 as MAT since 1960.²

Industry

The toy industry is a highly competitive and established market. With lots of toy manufacturers around the world, and all competing to innovate the newest toy design, it makes it harder for a company to appeal its competitive advantage to customers. As technology is constantly changing, a customer can order toys as easy as a click of a few buttons. This makes it more convenient for customers as well, especially during the holiday season, which is the busiest time for toy companies.

SWOT Analysis

Within the company of Mattel, Inc. there are several characteristics that make it stand out from other companies. Being heavily involved in the communities and giving back to the company’s most important customers, the children of this world, is one of the greatest accomplishments this company has acquired. By being involved so much really says
what kind of company Mattel is and makes the name brand recognition stand up to its awards and achievements. While the economy has had a negative impact on this company, and forced customers to stop buying toys and refer to free online gaming, Mattel has used that time to innovate new ideas to retain its loyal customers.

**Competition**

Being the world’s leader in toy manufacturing, Mattel works hard at keeping that reputation. While Mattel’s leading competitors are not far behind them, Hasbro, Inc., JAKKS Pacific, Inc., and LEGO also have advantages about them that make them stand out above the other. LEGO has established a great market reaching out to people of all ages with its five amusement parks placed around the world. Being in a changing industry makes the fine line between products and competition slimmer.

**Recommendations**

Since the toy industry is constantly changing it’s important that Mattel expands and broadens its horizons by looking into more electronic video and computer games. Children in today’s world aren’t the same as they were years ago and the traditional toys don’t keep a child’s interest as long as they once did. Moving and expanding to more than one industry will benefit Mattel and keep the company ahead of its competitors. The clothing industry and movie entertainment industry would keep Mattel above its competitors and expand its clientele.

**History**

Starting in 1945 co-founders Harold “Matt” Matson and Elliot Handler started the world-known toy manufacturer, Mattel, Inc. out of a garage workshop in Southern California. The company’s first product that launched was a picture frame. Roughly ten years later
Mattel meets the “Mickey Mouse Club” and in 1959 the famous Barbie doll made her debut with Mattel. In 1993, Mattel, Inc. merges with the world’s number one manufacturer in infant and preschool toys, Fisher-Price. The turn of the century proved to be a crucial year in Mattel’s business. The corporation signed with one of the leaders in the entertainment industry, Harry Potter. By signing with a well-known entertainment series, Mattel, Inc. widened its competitive advantage over all of its competitors. Harry Potter has been extremely famous and Mattel is the lucky manufacturer to produce all the characters and games. In 2005, Mattel formed a partnership with the Special Olympics. Its motto is to “Play Together!” This partnership strives to impact the lives of people positively, who are intellectually disabled. 

**Current Profile**

Mattel, Inc. is the worlds leading marketing, design, and manufacturing company of both toys and family products. Barbie, Hot Wheels, Tyco R/C, and Power Wheels, are just a few of the best-selling brands that Mattel has introduced to children all over the world. This company’s creditability and reputation is unheard of in most corporations of this size. Today, there is approximately 28,000 people employed by Mattel, Inc. in 43 different countries. There are approximately 150 different nations around the world that are selling products manufactured by Mattel, Inc. The people of Mattel believe that it is their duty, as the leaders in the toy industry to give back to its most popular customers. Mattel, Inc. is involved in numerous organizations that give children the opportunity to play, learn, and grow. Save the Children, Make A Wish, Special Olympics, and Children Affected by Aids Foundation, are just a few of the organizations that Mattel has partnered with to help make a difference in a child’s life. 

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Future Profile

“Creating the Future of PLAY,”¹ is the main strategy that Mattel follows. This corporation believes that PLAY is needed to be involved in a child’s life in more ways than one. By PLAYing, this corporation believes that it helps to build learning foundations for children. PLAY will also help the children advance in self-esteem, creativity, imagination, and most importantly the changes that takes place in a child’s life as they grow and learn new things. With technology continuously changing, Mattel strives on its newer innovation of online gaming. That line has been very popular to boys and girls of all ages. Mattel, Inc. will continue to change children lives with the different foundations that it is a part of.

Global Market Expansion

Mattel, Inc. is located throughout the world including: North America, Central & South America, Europe, and Asia. Being the largest toy manufacturer throughout the world, Mattel has made a good name and reputation for itself. The company’s headquarters is located in El Segundo, California. With having locations throughout the globe, it is essential that Mattel have a wide range of corporate cultures and ethics that fits each individual country. The culture in California is different than the culture in Indonesia and in order to obtain services and creditability, Mattel strives on meeting the needs of each place.

Mattel’s current chairman and CEO, Robert Eckert, has made it very clear that the company needs to work on and expand its global market especially since Mattel is the biggest toy manufacturer in the world. He stresses that already the company does a great job over seas, but there is always room for improvement.² The biggest challenge with a
toy company like Mattel, is trying to maintain the balance between one of its biggest retailers, Wal-Mart. While Wal-Mart strives on everyday low prices, Mattel need to make sure that its costs are kept low without risking the quality and safety of its products and toys. By making sure this process is effective and successful, Mattel is working with its global supply chain partners to guarantee that its costs are kept low enough to have the products stocked on the shelves in stores like Wal-Mart and Target.

When Eckert joined the Mattel team in 2000, roughly 71 percent of the company’s business was done in the United States. Leaving the other 29 percent of the company’s business in other places such as, Canada, Central and South America, Asia, and Europe. Eight short years later that percentage climbed to 49 percent, making its business in the United States and other countries almost equal. In 2008 after the percentage climbed, Mattel’s CEO Eckert states, “We’ve really built an international powerhouse, we’re the leading toy company in almost every market in the world.”

Being listed as one of the best companies to work for doesn’t come easily. A company, especially of this size, really works hard at achieving that title. Not only does Mattel strive on making its consumers satisfied, Mattel also works hard to achieve and maintain the right mix of people to succeed in the global markets. Having factories and stores around the world, it’s a necessity for a company to know how each culture is. Having a diverse employee spectrum is a main key. By keeping and satisfying its employees, Mattel has a wide variety of benefits that strikes an employee’s eye. Thirteen paid holiday vacations, two days for each employees to volunteer in a school of their choice that is paid, two day care centers on-site, fitness centers on-site, assistance with adoption agency, every Friday is a half day, and each employee receives discounts in the toy stores.
All of these benefits help retain Mattel’s best employees all over the world, not just in the United States.¹

One of the key aspects in having a world-renowned toy company is making sure that each toy, or a similar version of the toy, meets the ethnic culture of each area. Mattel will create its products so it appeals to consumers around the world. The company recognizes that a culture that is diversified is key to any success of a business. It gives them a better understanding of different types of business opportunities in the markets, as well as produce toys and products that reflect with all the consumers that are in diverse cultures.¹

Marketing in each country as a new toy is released is very valuable to this company.

When the newest Rapunzel Barbie was launched on the markets in the United States, it was also launched on the same day in 59 different countries that spoke 35 different languages.⁴

During the worldwide economic recession Mattel was never worried about revenues declining drastically. In fact, last year in 2011, revenues exceeded the company’s expectations. There has been a high demand for Mattel’s girl products such as Barbie, Princess dolls, and American Girl dolls. The emerging markets have caused strong growth for toy makers. John Kell, reporter for the Wall Street Journal states, “Mattel’s international sales jumped 13% in the latest quarter of 2010, outpacing 6% growth in the U.S. Sales growth abroad was strongest in Latin America, with large gains in Brazil and Mexico, and in the Asia-Pacific region.”⁵

Free online gaming has also been a worldwide success for Mattel. The company’s customers have access to a wide variety of games for both boys and girls on the company
website. Although these games are free and Mattel is not making a profit, the company is reaching out to its consumers worldwide. Having this feature on the Mattel’s website helps build the company’s customer profile. Anyone around the world has access to these games, making it easy advertisement for Mattel. If a customer sees a game or games they like and are interested in them, it increase the chances of the consumer to buy products that are associated with the game.¹

**Challenges**

One of the biggest challenges that a toy company has is company recalls. Facing the critics of the world and recovering a good reputation is not an easy task. In 2007, Mattel announced one of the company’s biggest recalls on its highest selling toy, Barbie, recalling 800,000 toys, and 675,000 accessories. Mattel’s latest worldwide recall in 2007 was caused from toys with lead paint that was being made in China. Lead paint can be very harmful especially to children and if ingested.⁶ When a company is faced with recalls, it will more than likely be faced with lawsuits too. After its major recalls on Barbie, Elmo, Big Bird, Dora the Explorer, Fisher-Price toys, and many more, Mattel has had numerous lawsuit filed. Mattel is an easy target to file suit against because of its high dollar worth.⁷

**SWOT Analysis**

Mattel, Inc. is a recognizable manufacturer that is known throughout the world. Mattel has approximately 28,000 people employed in 43 different countries. There are approximately 150 different nations around the world that are selling products manufactured by Mattel, Inc.
**Strengths**

Mattel, Inc.’s major strength would be its strong and reputable brand name. Global leadership is a characteristic that Mattel strives on. Building relationships with suppliers, customers, and retailers globally is another strength that Mattel acquires. Having consumers worldwide, it is a necessity that a company obtains diversity. Mattel makes it a priority to sustain its scale of opportunities and expand its products so reach to everyone with different ethnic backgrounds.

**Weaknesses**

Mattel’s biggest weakness would be its past product safety record. Having thousands of recalls on a majority of its products questions the reputability of the company. In 3rd world countries, Mattel has had a history of hiring and utilizing cheap labor practices. How profitable this company is, makes people question its management team especially when hiring people for low income.

**Opportunities**

A great opportunity for Mattel, Inc. would be to participate in more service projects as a whole. Being a part of the Special Olympics, Make A Wish Foundations, are just a few of the great organizations that Mattel is a part of. However, since this company has been profitable over the years and well established, being apart of and giving back to the communities can only better a company’s reputation.

**Threats**

Being the world’s leading toy manufacturer in the world, competition isn’t a huge threat to Mattel. However, other toy manufacturers may imitate Mattel’s products for a cheaper
quality and cost. With new technology advancing at an increasing rate, this could come as a threat to Mattel. With more children playing video games and watching TV, it could potentially cause a decline in sales of toys and board games.\(^8\)

**Competitor Analysis**

Every company has some sort of competition whether they are located across town, in another state, or even in a different country. There are always advantages of one company versus the other. In the toy industry there are four main players Mattel, Inc., Hasbro, Inc., JAKKS Pacific, and LEGO.

*Hasbro, Inc.*

Hasbro, Inc. is the second largest toy manufacturer next to Mattel, Inc. Hasbro is the maker of Play-Doh, Tonka Trucks, My Little Pony, and every child’s favorite, Mr. Potato Head. Hasbro also makes a wide variety of board games such as Monopoly and Scrabble.\(^9\) The last quarter of 2011, Hasbro’s net income declined from $165.6 million to $140 million. The company’s profits in the United States and Canada dropped eight percent in 2011, while in other countries the profits increased 29 percent.\(^10\)

*JAKKS Pacific, Inc.*

JAKKS Pacific, Inc. is another successful toy maker in the United States. The company is the maker of Cabbage Patch Kids, Pokémon, and many Halloween costumes. In 2010, JAKKS Pacific employed 828 employees and with sales slightly declining to $747.3 million from $903.4 million in the previous year.\(^9\) Currently today, JAKKS is trading at $15.86 which is up nine cents from yesterday.\(^11\)
**LEGO**

LEGO is a worldwide known company that’s strives on kids’ ability to grow with high-tech skills. LEGO has produced over 480 billion toys since it started in Denmark in 1949. The popular company that produces a line of construction based blocks that allow kids’ minds and imaginations to grow. LEGO are toys that can be assembled and taken apart over and over again showing the ability for innovating new ideas and games. LEGO has created two amusement parks, known as Legoland, in the United States, and one amusement park in Denmark, Germany, and England. Legoland is a popular attraction for people of all ages. In 2008, Lego had revenues of $9.526 billion with net income ranging at $1.352 billion. This company is a very well established company that serves as a lead competitor to Mattel, Inc.

**Industry Analysis**

The toy industry is an ever changing and growing industry that is constantly innovating new ideas. That makes competition in this market relatively high. There are three main categories of toys in the toy industry: casino games, video games, and traditional toys. It is very common for the same company to produce all of these categories. Mattel’s main focus in the toy industry was traditional toys until 2006, when the company entered the video game industry. That is when Mattel launched its free access to video gaming on its website.

Since the turn of the century, video games have become more popular than traditional gaming. This is due to the over popularity of consumers who have purchased devices that allow electronic or online games. In order for the toy companies to stay in competition it was a necessity for the companies to innovate video games in its line of products. Video
games are the future of the toy industry. In the video gaming category there are subcategories that reach out to different age groups.\textsuperscript{12}

Another trend in the future of the toy industry is the high demand for casino games online. This sector appeals or is directed more towards adults. The high demand for these kinds of games increased in 2008 when the economy collapsed. Adults turned to online casino games for the thrill of gambling with faux money. However, in result of the economic recession, the whole gaming industry’s revenue fell by $1.1 billion in 2007.\textsuperscript{12}

In years past, the people in the toy industry looked forward to the holiday seasons approaching. As the consumers cringed at the prices of goods, toy makers smiled because they knew toys were the biggest demand for children. While a majority of toy manufacturers made profits every year, their largest amount of revenues came during the holiday season. However, this past holiday season was one unlike the rest. Francis Choi, manufacturer of Early Light Industrial, said that he expected sales to decrease by 30 percent from the 2009 holiday season.\textsuperscript{13} The main reason for the decline in sales was believed to be from the popularity of online gaming. Not only has this hurt the toy industry; it has also affected the transportation industry as well.

**Short Term Recommendations**

With children changing their preferences on traditional games and moving more toward electronic and video games at a younger age, it is essential that Mattel pick up on this trend quickly because the age gap from traditional toys to electronic and video games is decreasing yearly. If Mattel does not do this this, the result could end up being more decreasing revenues for the future. With a company like Mattel, has the access and
opportunity to re-innovate its product line to appeal to the ever-changing demand of children, teens, and adults around the world.

An incentive for the consumers to keep the revenues up for Mattel, the company could offer codes for online gaming or video games that are included with action figures, board games, and the traditional toy line. The consumers could see this strategy as the two-for-one deal. The younger children will be attracted to physical toy while as time passes and they grow older, the children will then be more attracted to the video or online gaming. Instead of the parents or consumers buying the toys and games separately, the toys would be offered together and the company could see profits and revenue increase.

Another short-term recommendation for Mattel, Inc. could be to secure a contract with suppliers and distributors to achieve better quality and cheaper pricing. With the recalls Mattel has had in the past, this would be a good idea to have the company sign with suppliers to make sure the quality and value of the supplies are safe and up to code. In the long run this could decrease the number of recalls and increase the number of sales. Signing contract with distributors could eventually cut down the processing and shipping costs that the company has with its retailers.

**Long Term Recommendations**

Mattel, Inc. is the world’s leader in manufacturing toys for children. A long-term recommendation for this company could be to eventually expand its customer profile to more adults. Creating a larger clientele and appealing to more “eyes” will only benefit a company. There is a risk that the demand for toys, games, accessories, for adults will not succeed but it would be the worth the chance since interests and demand for people are
constantly changing. Since Mattel has mastered the interest of children, this company can also appeal to its adults and teen customers by building theme or amusement parks located throughout the world, like the company’s leading competitor, LEGO did.

Another long-term recommendation for Mattel, Inc. would be to expand its market into clothing lines. Signing contracts with clothing manufacturers and getting the company’s toys on clothing could be a huge success. Children will see their favorite new toy on a t-shirt or sweatshirt and beg their parents to buy it. Once a new toy comes out, children want anything thing that has to do with that new hot product. This will give Mattel another product line that can make the company more successful and stay ahead of its competitors.

A lot of the toys that Mattel makes are made popular from mostly movies or cartoons. Mattel could possibly cut out the middleman and become a producer for movies that involve Mattel toys. Mattel, Inc. could also sign contract with movie producers to make and manufacture the new line. This would be a great recommendation for a company of this size because it already has a name established. Consumers and merchants will recognize the maker of the new movies and relate the characters in the movies to the toys Mattel makes. Becoming a part of a whole new industry will help increase Mattel’s profit margin and revenues as well as compete with a whole new market. New competition can motivate Mattel to become the leader in the entertainment industry as well as the toy industry. Since Mattel is known world wide and globally located, that alone will give this company an advantage over other company’s in the entertainment industry.
Conclusion

Mattel, Inc. has come a long ways in 67 years when it started out in a garage workshop in California. This company has matured and grown to one of the best company’s to work for as well as the number one toy manufacturer in the world. While the toy industry has had its positive and negative phases during its time, especially during the economic recessions. Mattel took that time as a time to focus on the company, its employees, and most importantly its customer’s. Mattel came up with ideas to become involved within the communities around the world and try to increase profits in more ways than one. This company reflected positively and aggressively on this issue and its goes to show how well the company did since its ranked so highly around the world. Mattel will continue to grow and make its future look promising for many years to come. The company strives to stay on top of its competitors in the industry by innovating new ideas to appeal to the ever-changing generations.
Bibliography