

"A detailed, energetic and...winning look at the toy industry, the book makes it clear that the spirit of Santa's workshop survives."

—*The New York Times Book Review*

TOYLAND

The High-Stakes Game of the Toy Industry



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AND TED SCHOENHAUS**

Flashprance set included a flounced minidress, a pink headband, a lavender purse monogrammed MLP, a scented sticker, and four pink leg warmers to be worn atop four yellow shoes with sculpted bows. All Pony footwear and legwear naturally comes in fours, although Pony hooves evidently vary in size. The Flashprance shoes, explains the label, "will not fit Medley, Firefly, Bubbles, Seashell or Starshine."

Hasbro had begun to prove itself with G.I. Joe in 1982 and impressed the industry with My Little Pony in 1983, but it was the Battle of the Robots in 1984 that clinched its reputation as a power marketer. Transformable robots had been popular in Japan for several years when Bandai America, the American subsidiary of one of Japan's largest toy companies, showed its Machine Men line prior to the 1983 Toy Fair. Intricately constructed vehicles or weapons made of plastic and metal, the toys could be converted into robots by twisting and folding their various parts. American buyers liked the product, but they withdrew their orders when Bandai, which had sustained severe losses on its electronics products in 1982, eliminated Bandai America's television advertising budget. Without television advertising, the buyers would take only forty thousand units.

Bandai America's vice president of sales and marketing, Jerry Cleary, left the company when it stopped promoting on television. While looking for another job, he tried to sell a ride-on toy to the Tonka Corporation for an independent inventor. Tonka turned down the product but hired Cleary. As soon as he joined Tonka, Cleary, who thought the robots were an outstanding product, convinced his associates to look at them. They liked the line, too, and took the license.

In 1983 Tonka was a midwestern manufacturer of toy vehicles. Its Tonka trucks accounted for more than 80 percent of the company's \$88 million volume, but chairman Stephen Shank was trying to diversify and the robots looked promising. Tonka called its version GoBots and introduced the line in January 1984. Demand grew so rapidly that some of Tonka's customers were calling to ask why Tonka would advertise before they had shipped enough merchandise. Tonka had not advertised. The product was just hot.

In May, Hasbro introduced Transformers, a similar product it had licensed from one of Bandai's Japanese competitors, Takara, and generated \$93 million in the first year. Although Transformers appeared five months after GoBots, Hasbro came from behind and outsold GoBots almost two to one. In 1985 Transformers pulled ahead even further, with sales of \$330 million to GoBots' \$132 million. That year the category was so popular that a third line of transformable robots called Voltron, also licensed from Bandai, generated \$125 million for Matchbox, LJN, and Panosh Place, which sold various parts of the line. In 1986 Hasbro sold \$214 million in Transformers, while GoBots and Voltron were dead. Although sales have steadily declined, Hasbro is still turning out Transformers and, even at lower volumes, still making money on them.

Tonka's executives conducted innumerable postmortems, and each of them emphasizes a different lesson from the experience. Jerry Cleary, now president of Tonka Toys, notes that Hasbro's line was better executed, better merchandised, and first on TV, but he also considers Tonka's relative lack of sales experience with promotional toys an important factor. Selling promotional toys requires a different and much more aggressive approach than the Tonka salesforce had needed to sell its trucks.

Pat Feely, who preceded Cleary as Tonka's president, came from a marketing background and saw the defeat in marketing terms. He decided that Hasbro had won because it had taken the right risks and dared to break the rules. Hasbro offered unusually expensive products, and it began its television exposure with a weekly program. "We didn't believe the business was in the high end of the line," explains Feely. "Once the robots cost more than twenty dollars, they became very complicated, but we thought there would be too much price resistance at thirty or forty dollars for these very complicated robots. That was a bad call. Kids wanted them more complicated, and kids don't care about price. When we started researching to find out what was happening, the kids would say, 'I like Transformers better because they're more complicated.' And we thought, Sure they're more complicated—they cost five times as much. The miniature GoBots were much better than the smallest Transformers, but

the higher-end products were what the kids asked for. We just never expected parents to give in to them. But parents did buy them, and not only for Christmas. That's how we lost the edge in terms of image of the product with the kids."

Like Cleary, Feely also believes that Hasbro's early television exposure had been crucial. "Hasbro's series was available around the same time as ours, but we both only had a limited number of episodes. We waited until we had enough to air on a daily basis, while Hasbro went on weekly, on Sunday mornings. We had been told it couldn't be done—that no one had done that. We had done two miniseries, and GoBots picked up dramatically—it's one of the best examples of television helping to make a toy successful—but Hasbro was on the air alone for nine months once a week, and because the kids were so interested in the product they watched it religiously."

Stephen Shank came away from the experience reinforced in his conviction that size is important, particularly as the industry consolidates. He was even more determined than before to grow and diversify. "We had much more limited internal product-development resources than Hasbro, and when they saw GoBots explode in the first half of 1984, they just took out their wallets and went for it," he opines. "They simply out-resourced us. They built four or five sets of tools and managed higher inventories, while we took the risks appropriate for our circumstances. GoBots versus Transformers was really about resources and scale. We don't think, all things being equal, a \$100 million company taking on a billion dollar company is in a winnable fight."

"Scale is really important in this business. Each one of the product segments tends to be cyclical in itself, so we have to be in all sorts of different categories to ride the ups and downs. You also have to launch a lot of new products for a reasonable success ratio, and that takes a lot of resources."

Stephen Hassenfeld had been saying for years that he wanted balance, diversity, and size. In 1984, at the height of the mega-hits explosion, he put his promotional money where his corporate mouth was and bought what he had said he wanted all along: staples. Hassenfeld liked to refer to Milton Bradley as the