





*Selling fun to children is one
of capitalism's least predictable pursuits*

WHERE TOYS COME FROM

BY DAVID OWEN

The Dimensions of the Business

RUTH CRONK KNOWS MORE INTERESTING FACTS about Barbie than most people know about anything. For example: If Barbie were blown up to human size, her measurements would be 39-21-33. Barbie and Ken, her boyfriend, were named after the real children of Ruth Handler, Barbie's creator, the wife of one of the founders of Mattel, Inc., and the driving force behind the company for many years. When Ken was introduced, in 1961, Handler wanted him to be what is referred to nowadays as "anatomically correct," but Mattel's (male) marketing department said no. When you rotated the arm of Growing Up Skipper (1975), her breasts got bigger. When you pulled apart the legs of Guardian Goddess, a sort of outer-space Barbie introduced in 1980, her arms flew up and her clothes fell off (Mattel, unlike Ruth Cronk, does not include Guardian Goddess in the Barbie family). If all the Barbies ever sold were laid end to end, they would span so many football fields that you would soon realize that more than 250 million Barbie-family dolls have been sold.

Cronk is a contagiously cheerful middle-aged housewife from the Bronx. She is also the president of the International Barbie Doll Collectors Club, the editor and publisher of the *International Barbie Doll Collectors Gazette*, and one of the world's leading authorities on the world's leading fashion doll. She is giving a lecture titled "The Barbie Family" to about a dozen members of a doll-collecting club in the basement of Brooklyn's St. James Evangelical Lutheran Church. Spread out on the table before her are numerous Barbies, Kens, Midges, Francies, and other dolls, along with a broad sampling of their furniture, dogs, horses, automobiles, and, of course, clothes. (Mattel says that Barbie's vast wardrobe has made the company the world's largest producer of women's wear.)

Ruth Cronk owns more than 3,000 Barbies. She has an original 1959 Barbie (along with the box it came in), worth perhaps a thousand dollars. She has Barbies with Western features that are sold in Japan. She has Barbies with Asian features that are sold in the United States. She has Tiffs. She has Kelleys. She has a discontinued black friend of Tutti's (Tutti is Barbie's tiny sister, fraternal twin of Todd) that was sold only in Germany.

Barbie was not an immediate hit when she was introduced to the toy trade twenty-seven years ago. Buyers thought, among other things, that she was too small and too busty to catch on with little girls and their staid, Ike-loving moms. Sears, Roebuck and Co. didn't order any of the dolls at all. But the ones that did make their way into stores were snapped up so fast that Mattel had trouble supplying replacements.

Since then the Barbie trade has been everything that the toy trade in general has not. While Barbie and her family have been a sturdy, reliable success, the business of keeping children amused has been volatile. Fads have come and gone, and companies have followed. Mattel's own history reflects the whimsicality of the entire enterprise. Since its founding, in 1945, the company has risen from obscurity to become the world's largest toy manufacturer, plunged to near bankruptcy, and pulled itself back together.

In the midst of all that jumping around, the industry as a whole has grown dramatically, generating \$12 billion in retail sales last year, up from \$7 billion in 1980. This growth has had several sources. Various demographic trends have conspired to make today's children more likely to be given more toys by more people who have more money to spend. (Notably, the increase in the number of remarriages following divorce has increased the ratio of grandparents to children, which has increased the ratio of presents to birthdays.) Also, the flourishing of Toys R Us and other so-called toy supermarkets has helped extend the toy-selling season beyond the traditional Thanksgiving-to-Christmas crush. A boom in licensing has made it possible for children to own their favorite characters in the form of not merely toys but also wallpaper and breakfast cereal. Perhaps most important, toy manufacturers have become vastly more sophisticated (some people would say insidious) at marketing their products. Television in particular has become a marketing tool, with the effect that most new TV programs for children are extended commercials for toys. Major toy introductions are now minutely planned campaigns in which tens and even hundreds of millions of dollars are at stake.

Barbie and her friends haven't just been standing around letting their arms fly up while this upheaval has

been taking place. Ken is still a goody-goody and Barbie's feet are still shaped for high-heeled shoes, but a lot of other things about the dolls have changed. This year, for example, Barbie has acquired a brand-new glow-in-the-dark evening gown, a brand-new glow-in-the-dark (single) bed, a brand-new glow-in-the-dark vanity, and a brand-new pet tropical bird with reversible wings. She has also acquired her very own rock band, called the Rockers. ("Don't ask me to comment about their makeup," Ruth Cronk says.)

What is Barbie, the most steadfastly unhip eleven-and-a-half-inch person in America, doing in a rock band? The answer has to do with something else Barbie acquired this year: her first serious competitor in a long time. This competitor, whose name is Jem, also has her very own rock band, called the Holograms. When Jem's manufacturer, Hasbro, Inc., invited little girls to enter a contest by dialing 1-800-ROCKGEM and singing the Jem theme song ("Jem is truly outrageous, truly, truly, truly outrageous . . ."), so many of them did that the phone company had to put in extra lines.

Nobody, including Jem's creators, thinks that Jem is going to render Barbie obsolete. But some observers think that Jem might give Barbie a run for some of her money. How the competition turns out will depend on the vagaries of one of the least predictable pursuits in all of capitalism: selling fun to children.

IN THE OLDEN DAYS CHILDREN HAD NO TOYS PER SE BUT played with pine cones and lumps of coal. This made them happier, smarter, and better behaved than today's children, and everyone, except today's children, would like for the olden days to return.

Eventually, a few rudimentary playthings came into being: Erector sets, Tinkertoys, Lionel trains, Lincoln Logs. The children of the twenties and thirties, looking like miniature, black-and-white versions of their present selves, played with these primitive amusements, covered them with the interesting-smelling dust of history, and handed them down to *their* children. I remember playing with my father's Lincoln Logs, happily building and rebuilding the same small rectangular structure, for about five minutes. Then the Lincoln Logs became lost. (Actually, Lincoln Logs are still popular enough to consume four carloads of Ponderosa pine trees from Oregon every month. They were invented in 1916 by John Lloyd Wright, a son of the famous architect, and were inspired by a Japanese technique for constructing earthquake-proof buildings.)

The first great watershed in the development of toys as we know them was the end of the Second World War. The Great Depression



had made it impossible for most people to buy a lot of toys. The war had the same effect. When prosperity returned and the people now known as Yuppies began to be born, the modern toy industry was born as well. Propelling it toward maturity were the two great engines of post-war American culture: television and plastic.

Today the toy business is dominated by a handful of companies, the largest five of which—Hasbro, Mattel, Coleco Industries, Kenner Parker Toys, (which consists of Kenner and Parker Brothers, a venerable game manufacturer), and Fisher-Price—accounted for more than 45 percent of all toys sold last year. Of these five only Fisher-Price began—in 1930—as a toy company. The others entered the business by peculiar routes. Kenner began in 1947 as a soap and soft-drink manufacturer; a premium called the Bubb/Matic Gun, which came in boxes of Kenner soap, was so received that the company switched businesses. (One-hundred-and-three-year-old Parker Brothers has always been what it is today, primarily a manufacturer of games.) Coleco started in 1932 as the Connecticut Leather Company, a wholesale distributor of shoe-repair supplies; it became a toy company in the early 1950s, when it began selling the Official Howdy Doody Make It Yourself Bee-Nee Kit and other leathercraft items for children. The first products of Mattel—whose name consists of syllables from the names of the founders, Harold Matson and Elliot Handler—were picture frames and miniature furniture made of polyurethane left over from the manufacture of airplane nose cones. Hasbro started out in 1923 as Hassenfeld Brothers, purveyors of textile remnants.

Representatives of these companies and roughly 700 others can be found each February at the American International Toy Fair, a ten-day trade show in New York City. The first Toy Fair, in 1902, consisted of ten or so underfed salesmen trying to catch the attention of wholesale buyers passing through New York on their way to and from Europe, the major source of toys at the time. Today America is not only the principal market for toys, consuming a third of all the playthings produced in the world every year, but also the principal source. The 1986 Toy Fair featured 871 exhibitors, 832 of them American, and attracted some 15,000 buyers from more than sixty countries.

These people had a pretty good time. They were squirted by battery-powered squirt guns, greeted by Jem's secretary, and briefed in a tent by an anti-terrorist commando. Among the most talked-about toys were Party Animals, hand puppets from Axlon, Inc., that make electronically produced sounds when their mouths are opened; Ohio Art Company's Etch-A-Sketch Animator, an electronic version of the old favorite; Coleco's line of licensed Rambo action



figures, billed as the Force of Freedom ("He'll fight the good fight for flag and country, but it's the freedom of the individual that really counts"); numerous interactive games designed for video-cassette recorders; Mattel's Popples, which "can be changed from fluffy balls to furry friends" (and have established a new category of toy, called "transformable plush"); a wonderful battery-powered mask called the Voice Modulator, which turns human speech into electronic robot talk; and a seemingly endless procession of talking teddy bears (category name: "electronic plush").

The surprise hit of this past Christmas season was a talking bear named Teddy Ruxpin, manufactured by a thitherto unknown company called Worlds of Wonder, Inc. This year at the Toy Fair, Worlds of Wonder was hot. Teddy Ruxpin now

rides herd over a vast number of noisy toys, among them Smarty Bear ("the Talk-A-Tronic you can bare all to"); Gabby Bear; Heart-To-Heart Bear; Pete, Repeat, Hello Hippo, and Rappin' Rabbit; Billy Bob ("accurately synchronized to software in the movements of its mouth and positioning of the head, body, and arms"); Spunky (a doll that "laughs, tells stories, sings songs, tells riddles, and does tongue twisters"); Dreebles ("they purr when touched"); Blabber Bear, Blabbermouth, Blabber Mouse, and Blabber Phone; Bingo Bear and P. C. McChip; Petster, Pupster, Petster Puppy, RoboPup, Talkabot, Spybot, Sting Mosquito, Dippity Dolphin, Darwin Gorilla, Silly Goose, Tetrizzini Turkey, and A. G. Bear.

Not all these toys really talk. A. G. Bear, for example, responds to sounds in a sort of electronic mumble that its manufacturer, Axlon, calls Bear Talk. The mumble is produced by a little black box in the toy's back that takes sounds from the outside world, distorts them electronically, and repeats them in garbled form after a delay.

A. G. Bear strikes me as being exactly the right kind of talking toy. It responds to a child, but not with canned pronouncements. And it leaves room for the imagination, a child's most important plaything. When I was in grade school, a classmate took an electric barber's razor and shaved some little rectangles on his head—parking spaces for his Matchbox cars. His mother was apoplectic, but the parking lot was his to keep until his hair grew back.

What's on the Shelves

UNTIL THE MID-1970S AS MANY AS 70 PERCENT OF ALL toys sold at retail each year were sold during the six weeks before Christmas. According to the usual pattern, buyers ordered these toys at the Toy Fair, received them in the summer, and paid for them in December, a practice known in the business as "dating." Often

the new toys were not put on the shelves until mid-autumn. By the first of the new year the toy year was over.

Today Christmas sales account for only about half of the year's toy business. The Toy Fair has declined slightly in importance as the selling season has lengthened; new toys are now introduced year-round. By this Christmas many of the season's most popular toys will have been on the shelves (not to mention on the tube) for months.

The person most responsible for loosening Santa's grip on the toy business was born in the back room of a Washington, D.C., bicycle shop in 1923. "I was a quiet, introspective child," Charles Lazarus says. His father bought broken bicycles, rebuilt them, and sold them. Young Charles learned to ride and walk on roughly the same day. "I always wondered why we didn't sell new bicycles," he says. "My father said it was because the big chain stores could sell them so much cheaper than we could."

Engraving these words on the inside of his skull somewhere, Lazarus went off to the Second World War, where he served as a cryptographer. After the war he felt too old (at twenty-four) to go to college. He took over the family store, got rid of the bicycles, and filled the place with baby furniture. It was a good business; returning soldiers were having large families. Over the course of several years, though, Lazarus noticed something interesting: people who bought one crib seldom bought another. Baby furniture didn't wear out. He began to think about merchandise that would. "Toys are a great kind of thing to sell, because they don't last that long," he says today. Lazarus switched to the toy business and named his store the Children's Supermart. To increase name recognition, he printed the *R*s backward.

As Lazarus expanded his business, he decided that his signs didn't look right. If two long words were to fit on a sign, the letters had to be small. Shorter words, bigger letters. He set out to find the shortest possible name that would convey what he was selling. He settled on Toys R Us, retaining a backward *R*.

The whole structure of retailing was under renovation in the 1950s as Lazarus was hammering out his strategy for selling toys. The age of discounting had arrived. Lazarus retrieved his father's pronouncement from his cranium and studied the experience of the cut-rate chain E. J. Korvette. The key to success, Lazarus decided, was offering name-brand merchandise at less than list price. In 1966, having opened three additional outlets, Lazarus sold his business to a company called Interstate Stores for \$7.5 million. Lazarus himself was part of the package, staying on to manage his stores. Over the next eight years he added forty-three new outlets.

While Toys R Us prospered, though, the rest of Interstate gradually fell apart, finally filing for bankruptcy in 1974. The company was reorganized in 1978, under the Toys R Us name, with Lazarus as its chief executive officer. The new company's early days were difficult, but toy manufacturers extended extremely generous credit terms to keep Lazarus in business. Toys R Us quickly entered a

period of rapid growth that made it, in the words of a recent research report from the international banking and brokerage firm Goldman, Sachs & Co., "one of the outstanding companies in all of retailing." From 1975 to 1985 the company's annual revenues grew from a little over \$200 million to a little over \$2 billion.

Toy manufacturers were willing to back Lazarus because they believed that Toys R Us was the key to what they yearned for: year-round toy sales. Unlike traditional toy retailers, Lazarus didn't cut his stocks back dramatically in the off-season. Nor did he pick and choose among manufacturers' offerings; he usually ordered the entire catalogue and he put at least one of everything out where customers could see it.

Visiting a Toys R Us store for the first time is quite an experience. The stores look like warehouses. Toys are stacked nearly to the ceiling, and the customers push shopping carts. The selection—more than 18,000 different toys in every store—is almost inconceivably vast. "There's an enormous opportunity in America if you're willing to make a commitment to inventory," Lazarus says.

Like striped toothpaste, seedless grapes, and many other great ideas, the present-day Toys R Us concept is relatively simple. The most important element is central control. Toys R Us managers never place orders; new toys simply arrive. A computerized merchandise-tracking system links every cash register in each of the 233 American Toys R Us outlets with corporate headquarters in Rochelle Park, New Jersey. If the Toys R Us in Christiana, Delaware, is running low on Immortals of Change Attack Probes, this information is noted at the nearest distribution center and Attack Probes are shipped to the store.

Decisions made at Toys R Us affect every aspect of the toy business. Before Lazarus, dolls were kept in closed boxes behind toy counters. Now toy packaging is designed according to how it will look (and whether it will fit) on the shelves at Toys R Us. Because Toys R Us stacks toys high into the air, virtually all packages are made to stack.

Toys R Us has become important to the success of most toys, and manufacturers generally check with Rochelle Park before they go into production. "By early December," Lazarus says, "we've seen nearly everything that will be introduced at the Toy Fair. In fact, we've seen more, because some goods get dropped along the way." Very often the goods that are dropped are goods that didn't appeal to Lazarus and his staff. Some toys are even tested in the stores before a final production decision is made. A company planning a new toy for Christmas of 1987 might make a few samples and ship them to Toys R Us as early as September of 1986.

Toys R Us has been so successful that the rest of the retail toy business has had to change in order to survive. The company has given rise to imitators, including Child World, Lionel Leisure, and a host of regional chains. Even more significant, it has forced existing stores either to act like Toys R Us or to get out of the toy business. Big dis-

count chains like K mart and Caldor used to run their toy departments the way Macy's did, expanding them for Christmas and contracting them during the rest of the year. Now the discounters and even Macy's have discovered that if they don't maintain competitive toy departments all year long, their customers defect to Toys R Us during the off-season and don't come back for Christmas. In the meantime, many traditional department stores have essentially stopped selling toys.

Toys R Us customers are very loyal. The chain has a no-questions-asked return policy that grew out of a discovery Lazarus made when he was starting out in business. "I noticed that the customer who raised his voice generally got his purchase taken back anyway, regardless of the merits," he says. Toys R Us also carries a selection of children's clothing and other non-toy merchandise—most notably disposable diapers, which the company buys by the megaton and sells below cost. Many customers come to Toys R Us to stock up on Huggies, and then spend the savings on toys. (The company has also found that its customers buy toys with the money they save buying other toys; people generally come to Toys R Us planning to spend a certain amount of money, not to make specific purchases.)

All in all, the strategy has been astonishingly successful. Close to 16 percent of the money Americans spend on toys is spent at Toys R Us, and analysts say that the figure could eventually go as high as 40 percent, a market share unprecedented in retailing. Almost everywhere Lazarus looks, he sees trends that make him smile: parents are having fewer children and spending more money on each one; working mothers are feeling guilty about not seeing their children and making it up to them with toys; in 1990 there will be 15.1 percent more children between the ages of five and nine than there were in 1983.

Lazarus also likes what he sees overseas. There are now Toys R Us stores in Canada, the United Kingdom, and Singapore, and many more stores are planned in Europe and elsewhere. Any country that has supermarkets, Lazarus says, is a potential home for Toys R Us. That goes double for any country with commercial TV. Here at home the company has been expanding the number of its outlets at a rate of roughly 18 percent a year.

IN A WORLD WHERE PEOPLE DISAGREE ABOUT ALMOST everything, it's reassuring that there is a single, universally accepted standard for judging toys. This standard can be stated simply: A toy is appropriate for my child if I had either it or something almost exactly like it when I was growing up.



My favorite toy when I was growing up was a smallish set of Lego building blocks. Lego is not an American toy. It is the product of Interlego A/S, a privately held multinational corporation based in Billund, Denmark. The company began in 1916 as the Billund Woodworking and Carpenter's Shop. The proprietor was a young joiner named Ole Kirk Christiansen. One of his biggest projects was rebuilding the Billund Woodworking and Carpenter's Shop, which two of his sons accidentally burned to the ground in 1924. When the Depression hit, Ole began making ironing boards and stepladders. Then, to save scarce raw materials, he began making miniature ironing boards and stepladders. He sold them as toys.

The toy business was good to Ole, and gradually he devoted his full attention to it. One of his biggest sellers was the Yo-Yo, a toy that reached Denmark in the early 1930s. (It was introduced in the United States in 1929 by Donald F. Duncan, Sr., who also invented the parking meter.) Then, abruptly, the market for Yo-Yos vanished. Ole unfortunately had a warehouse full of them. Facing ruin, he was suddenly inspired: he sawed the Yo-Yos in half and used them as wheels on toy trucks.

In 1934 Ole offered a prize to the employee who suggested the best name for the company. The winner was Ole himself, who thought of Lego, from the Danish words *leg* godt, meaning "play well." After the Second World War plastic was incorporated into the line. One of the company's first plastic toys, introduced in 1949, was a product originally called "automatic binding bricks." These were small plastic bricks that had round studs on top,

enabling them to be snapped together.

In the 1950s control of the company gradually passed to Ole's son Godtfred, who is usually referred to by his initials, GKC. (Today the company is run by GKC and his son Kjeld Kirk Kristiansen, who changed the spelling of his last name.) In 1954 GKC devised what are now known as "The 10 Lego Characteristics." These include "unlimited play possibilities"; "enthusiasm to all ages"; "always topical"; "safety and quality"; "more Lego—multiplied play value"; "imagination, creativity, development." To translate somewhat, GKC decided that the ideal toy was one that both left and suggested much to the imagination, that was not limited in its appeal, and that could be expanded indefinitely, creating the possibility of multiple sales.

GKC concluded that only one of the company's 200-plus products satisfied all of these requirements. Thenceforward, he decreed, the company would concentrate on plastic bricks, renamed in 1955 the Lego System of Play.

What GKC conceived in 1954 was the blueprint for a toy line that need never go out of style. The company contin-

ued to manufacture a few wooden toys until 1960, but GKC was convinced of the soundness of his vision. The years have borne him out. Today Lego bricks are sold in 125 countries, including the Soviet Union and Israel (which boasts the highest per capita Lego sales in the world). They can be found in roughly 40 percent of American homes with children under the age of fifteen, and have the second highest "coverage" of any toy (the first-place coverer is Crayola Crayons). In some European countries Lego's coverage is close to 85 percent. Some 68 million children around the world spend five billion hours a year playing with Lego bricks.

When the Lego System began, the bricks were aimed primarily at five- and six-year-olds. Over the years the target market has been extended both up and down. There are now Lego products for children as young as three months old. The upper age limit is officially given as fourteen years, but the bricks are very popular with older children and even with adults, who, when bitten, tend to buy enormous quantities. My daughter loves her Duplo blocks, outsize Lego bricks intended for pre-schoolers. (Some of the smaller bricks present a choking hazard for children under three.) Consistent with GKC's notion of a system of play, Duplo bricks, though eight times the volume of standard Lego bricks, can be snapped together with their smaller cousins. The innovation that makes this possible, hollow studs on the Duplo bricks, came to GKC in a dream.

In Denmark, GKC is a figure of Disneyesque proportions. His Legoland amusement park is one of the country's major tourist attractions. Almost everything at Legoland is made of Lego bricks. Popular attractions include models of Mount Rushmore (1.5 million Lego bricks), the space shuttle *Columbia* (410,000), the Port of Copenhagen (3 million), and Egypt's Abu Simbel temples (265,000). There is also a Wild West town, called Legoredo, where the cowboys eat "twists of tenderfoot bread," speak Danish, and wear clogs. More than 14 million people have visited Legoland since it opened, in 1968.

That Lego has been as successful in the United States as it has been is a tribute more to the fundamental soundness of the toy than to the way it has been marketed here. Executives in Billund like to believe that Lego should sell simply because it's Lego, a notion that runs against the very grain of American civilization. Some toy-industry analysts tend to believe that the company could sell a lot more bricks in this country if it puts its mind to the task.

The Influence of Television

IF THE DANES EVER DECIDE TO TAKE A CRASH COURSE IN American toy marketing, a good teacher would be Bernard Loomis. Loomis is a great big man who wears glasses and likes to play tennis. He has been associated with the largest toy company in the world, at the moment it became the largest toy company, on three separate occasions. Almost every time the industry has taken a major,

controversial step in the past twenty-five years, Loomis has been in the neighborhood.

Bernard Loomis was born in the Bronx in 1923. His father was a Russian immigrant who dabbled in show business and generally failed to make a living as an itinerant salesman of woolen goods. "Ours was a family whose economics were always confused," Loomis says. There was no money for toys; among young Bernard's few playthings were a Lionel train catalogue, which he knew backward and forward, and a vivid imagination. One year he played a full American League baseball season using a deck of cards. He had developed an elaborate system in which every card he turned over meant something specific: a ball, a strike, a double, a pop fly. In fat notebooks he kept track not only of scores but also of pitching records and batting averages. By the time the World Series rolled around, he had played every game in the schedule.

Loomis attended New York University at night and held down a succession of dead-end jobs. "I fooled around in a lot of things in some kind of search that even I didn't understand," he says. By the late 1950s he was working in New York as a toy manufacturer's representative, having lately retired from the hardware business. At the 1961 Toy Fair he met Ruth and Elliot Handler, of Mattel (who had bought out Harold Matson and now ran the company together). He liked the Handlers and their colleagues immediately, and accepted the offer of a job.

Mattel was a small company at the time, but it was on the verge of becoming the driving force in the industry. "Much of what the toy business is today started with Mattel in the late 1950s," Loomis says. "That was when the industry changed from being a customer-driven business, where the customer decided what he wanted, to being a consumer-communication business."

In a word, television. The first step had come in 1955, before Loomis arrived, when Mattel had bought half a million dollars' worth of commercial time on the new Mickey Mouse Club show. It was, according to lore, the first time that toys—beginning with an item called a Mouse Guitar—were advertised on national television. (The first toy advertised on local TV may have been Hasbro's Mr. Potato Head, which was pitched in California in 1952.)

Television expanded the market for new toys and made it possible for manufacturers to spend more money on new products. It also enabled retailers to cut their prices, since the increased customer traffic permitted narrower profit margins. The new way of life evolved further in 1960, with the introduction of Chatty Cathy, the world's first talking doll and a toy whose marketing strategy Loomis helped devise. Chatty Cathy could never have been produced in the days before television; the potential market would have been too small to justify the cost of developing the doll's talking mechanism. With television, the demand for Chatty Cathy was so great that some retailers began to sell it at less than cost in order to steer the crowds into their stores—a radical step in a business where merchandise had traditionally sold for double its wholesale price.



In 1969 Loomis and others at Mattel undertook what would eventually be seen as an epochal step in the marriage of toys and television. Mattel had introduced a line of miniature cars called Hot Wheels. Instead of simply advertising them on television, why not give them an entire show of their own? The thirty-minute *Hot Wheels* cartoon show joined ABC's Saturday-morning lineup. The show, developed in close collaboration with Mattel, featured cars from the Hot Wheels line.

The new show didn't catch the attention of children only. It was also noticed by Topper Corporation, a now defunct competitor of Mattel's. Topper complained to the Federal Communications Commission that *Hot Wheels* violated FCC regulations concerning the separation of programming and advertising. The FCC agreed, and asked stations to log part of the show as advertising time—a move that seemed to deter the formation of any similar alliances between broadcasters and toy companies.

Loomis and Mattel, it turned out, had merely been ten years ahead of their time. During the decade it took their time to catch up, Loomis left Mattel to become the president of the foundering Kenner Products, which was owned by a division of General Mills. Loomis turned the company around with a string of hit toys, including a licensed "action figure" (as most dolls for boys are known) based on the television series *Six Million Dollar Man*.

The Six Million Dollar Man doll was a big success, and Loomis began looking for other properties to license. One day in 1976 he noticed a brief item in the *Hollywood Reporter* about a movie that was being made. Loomis had never heard of the director, but he liked the title: *Star Wars*. "I circled the item and sent a copy to a man in our marketing group, and I said, 'Find out about this.'" A short time later he and Twentieth Century-Fox Film Corporation signed an agreement giving Kenner exclusive rights to manufacture crafts, games, and toys based on the motion picture.

The agreement didn't cost much. Toys based on movies had seldom sold well, and outer space was thought to be a poisonous theme. But Loomis wasn't interested in the movie; all he cared about was the characters. "I contend that George Lucas is one of the world's great toy designers," he says today. Kenner's line wasn't scheduled to appear until roughly a year after *Star Wars* had been released. The characters, Loomis assumed, were strong enough to stand alone.

He never had a chance to find out if he was right. From the day it opened, *Star Wars* was a phenomenal success. Children were sitting through it a dozen, two dozen times. "We had a tiger by the tail," Loomis says today. Christmas was just around the corner, and Kenner wouldn't be able to

ship toys until spring; the *Star Wars* line had been planned for the following Christmas. The toys were being manufactured overseas, and there was no way to speed up production. Could anything be done?

Loomis pondered the problem for a long time, and then had an idea: why not sell the toys before they existed? Kenner could print a certificate promising to deliver toys by a certain date and package it with a picture of the *Star Wars* characters. Parents would have something to put under the Christmas tree, and kids could at least hang the picture in their rooms until spring. Loomis presented the idea to his staff. They all thought it was crazy.

Loomis says that he was taken aback. "But I believed that one of my duties as head of a toy company was to lose at least a million dollars a year on things that didn't happen," he says. "So I went ahead." The promotion turned out to be a huge success. Children were happy to receive the pictures. When their toys finally arrived by mail, they took them to school and sent jealous friends rushing to toy stores. *Star Wars* eventually generated more than \$750 million in toy sales.



Star Wars confirmed what the *Six Million Dollar Man* had first shown, which was that licensed characters could be the basis for very lucrative toys. But *Star Wars* also showed that the logistics of producing such toys could be complicated: there were many factors beyond the toy company's control. If only it were somehow possible to manage the package from beginning to end.

By 1978 Loomis had become the head of the General Mills Toy Group (which included Kenner and Parker Brothers). One day he met with representatives of American Greetings Corporation, a maker of greeting cards. American Greetings owned the licensing rights to a popular cartoon character called Ziggy and wondered whether Loomis might be interested in producing a Ziggy toy.

Loomis said no. Ziggy was already established in the marketplace, with greeting cards, a syndicated comic strip, and other tie-ins. Loomis wasn't interested in simply tagging along. "But I told them, sort of casually, 'If you ever have a project where you want a partner from day one, come back and see me again.'" As it happened, the men had copies of the American Greetings line for the following year. Loomis flipped through the cards, and then stopped. There was a character on one greeting card that looked promising. Loomis pointed to the picture and said, "Mark the time and date. We're going to make history."

Actually, there are several versions of this story. In another one, Jack Chojnacki, who was the director of licensing for American Greetings, discovered that an element common to a lot of successful greeting cards and other products was strawberries. An art director heard this and

remembered that one of American Greetings's most successful cards featured a little girl with strawberries on her bonnet. He had an artist add more strawberries. Then a doll was made. Chojnacki and Ralph Shaffer, the director of new-product development, took the card and the doll to Loomis, who looked at them and said, "This is going to be the next major phenomenon in merchandising."

All versions of the story have the same ending: the little girl in the greeting card became a bustling industry called Strawberry Shortcake. What was remarkable was not the character—just a little girl with berries on her clothes—but the marketing plan built around it. Loomis had been thinking about the uncertainties of the toy business and had decided that the way to protect against them was to concentrate on lines of toys rather than on individual products. An important reason that Barbie was successful year after year, he believed, was that Mattel had made the doll part of an imaginary environment that, with careful management, could be extended indefinitely. The key was giving the customer a reason to keep buying.

What Loomis had discovered was, in a sense, the 10 Lego Characteristics. Like GKC, he believed that the secret of producing a successful toy lay in finding a concept broad enough for more than one season. Such concepts tend to be simple: plastic building blocks, a dress-up doll, stick-on faces for vegetables. Of course, Lego, Barbie, and Mr. Potato Head (now thirty-five years old) were created through inspiration and luck, not the application of a formula. But the formula could be a useful guide in the development and marketing of humbler toys. Every toy a company produced, Loomis believed, could be a line; indeed, it should be.

For Strawberry Shortcake, Loomis, Shaffer, and Chojnacki envisioned just such a line, with lots of characters and a story tying them together. (Strawberry Shortcake's friends have names like Lime Chiffon and Raspberry Tart; they live in Strawberryland and join together to combat a limited form of evil that manifests itself in things like disappointing fruit crops.) Loomis also wanted to involve the entire Toy Group. The girl on the greeting card would be translated into toys, games, television shows, and hundreds of licensed products, and everything would be created from scratch and centrally controlled. Loomis's idea about the importance of lines would quickly become the conventional wisdom of the industry.

THE FIRST STRAWBERRY SHORTCAKE TELEVISION special, which aired in 1980, revived a controversy that many believed had been laid to rest. *Welcome to the World of Strawberry Shortcake* was as much a program-length commercial as the old *Hot Wheels* had been. But the regulatory mood in Washington had changed, and the Strawberry Shortcake special opened the way for what sometimes appears to be the transformation of children's television into a promotional arm of the toy industry.

There are now about twenty toy-based television series.

A recent Saturday morning lineup included shows based on GoBots, Wuzzles, Snorks, M.A.S.K., Popples, and others. The shows are typically financed directly by toy companies or their licensing partners, who also control the scripts. Last year the FCC in effect gave its blessing to the new shows by refusing to hold hearings on product-based TV for children.

Shortly after the FCC decision Peggy Charren, the president of a consumer group called Action for Children's Television (ACT), told *Newsweek*, "We think the FCC has now completely disowned the nation's children." Charren, whose name is almost invariably preceded in print by adjectives like *indefatigable*, has been fighting broadcasters, breakfast-cereal manufacturers, toy companies, and others since the late 1960s. Her organization has been instrumental in bringing about a number of changes in children's television, including a reduction in the number of minutes devoted to advertising in programs aimed at kids.

ACT's main argument against the toy-based shows is that young children draw no distinction between commercial and editorial content and are thus easy targets for manipulative marketing. Toys based on popular movie and television characters have been around for years (for example, Mickey Mouse dolls); but in the past, ACT has said, the movies and programs always came first. Now the toys often precede the programs, whose scripts are conceived of as promotional tools. Furthermore, according to ACT, the toy-based shows have prevented better programming from reaching children.

ACT has proposed a number of remedies over the years, including the banning of toy advertising from children's television, and the banning of *all* advertising from children's television. More recently, as the prospects for new regulation have dimmed, ACT has retreated to a much tamer demand—that toy-based television shows be sprinkled with announcements reminding children that they are being pitched.

The toy companies more or less concede that their new programs are commercials; boastful sales pitches to retailers describe the shows in almost the same terms that Peggy Charren uses. When criticized, though, the toy companies also say that being on TV doesn't guarantee success for a toy; three of the most popular children's shows at the moment are the three segments of the ninety-minute cartoon series *Smurfs*, yet *Smurfs* toys don't sell well. Toy companies also say that toys are such a big part of the lives of children that there isn't all that much else to make shows about. Furthermore, they say, the question of which comes first, the toy or the show, is irrelevant.

There are many, many other arguments and counterarguments. The ones cited just sketch the general outline of the debate. In that debate right-thinking people tend to come down fairly quickly on the side of ACT: who can help but be appalled by all that crass commercialism? But the real issues are not as simple as Charren and her supporters make them out to be.

First of all, ACT's proposed reforms seem naive. Ban-

ning advertising from children's shows has a certain surface appeal, but the idea is unrealistic. Why not also require toy companies to give their products away? Removing all the money from children's television would not prompt producers to create better shows. ACT's proposal last January that toy-based shows be required to contain disclaimers identifying them as promotions seems counterproductive. If young viewers really can't distinguish between shows and commercials, then the toy companies could probably *increase* sales by reminding kids that the toys they're watching can also be bought.

Another possibility might be to prohibit toy companies from creating television programs. But how do you banish Strawberry Shortcake and Care Bears without also banishing Muppets? The Muppets' creator, Henson Associates, is on almost everyone's (including Peggy Charren's) list of top-quality producers, but the Muppets support a profitable stable of more than 500 licensed products, many of them toys. Henson even has its own New York toy store, called Muppet Stuff. Henson Associates, whatever else it is, is an extremely successful toy business, and Henson's shows, whatever else they are, are program-length commercials. Children's Television Workshop, home of the widely acclaimed series *Sesame Street*, earns back two thirds of the show's production costs from the licensing of toys and other products.

Nor is it possible to make meaningful distinctions according to whether the toys or the shows were thought of first. To young viewers, Mickey Mouse and Strawberry Shortcake are contemporaries. What's more, there's no pattern to the order in which toys and shows appear. Companies now often find it profitable to introduce toy-based shows well in advance of the toys on which they are based.

The real question has to do not with toy companies but with the quality of children's television, which is abysmal. Sitting through a full Saturday or Sunday morning of kidvid, as I dutifully did several times in the course of researching this article, is a pretty horrifying experience. "Speaking of Girza, it's time to move on to Bandasar and take care of Tormac," and so on and so on, hour after hour. Much of ACT's support, I suspect, comes from people who feel the same way: the kids' shows are horrible, so let's do something about the people who make them.

But program quality is a quicksand subject for people who, like Peggy Charren, believe in the First Amendment. ACT's January petition to the FCC, Charren has stressed, "does not seek to ban or impede the presentation" of the toy-based shows but merely to make explicit to young viewers the programs' commercial intent. ACT has also been quick to condemn various right-wing groups



that periodically call for the elimination of television shows they find offensive. To confront directly what is genuinely bothersome about children's television—its mindlessness—is to come uncomfortably close to advocating censorship.

ACT addresses the quality issue only obliquely, by claiming that having to satisfy the requirements of toy manufacturers stifles the creativity of the producers and that children's programming would improve if the toy companies cleared out. In an article last year in *PTA Today*, ACT's director of development quoted a television producer as saying, "I would love to create shows rather than have someone come in and say, 'This is the golden ashtray everyone's buying; give me a show about it.'" Charren has said, "It's a shame we don't have diversity of producers for children's TV. Certainly they'd like to be

there, but it's the money powers that are playing the ratings game who keep them out."

"Money powers" and "ratings game" are buzz phrases calculated to heat the blood of caring persons, but unless one rejects the idea of commercial TV, there's nothing sinister about the people they signify (respectively, advertisers and viewers). In fact, commercial television is one of the few truly democratic institutions around: viewers "vote" by watching, and the shows that don't get enough votes don't stay on the air. Charren has said that the networks could field better programs if they wanted to, because "broadcasters know what quality programming is." Good programs, she says, "are the ones they submit for awards." This is a specious argument. Book publishers must know what good books are (the ones they submit for awards); why don't they print more of them?

The solution to the kidvid problem—the real kidvid problem—is simple: if parents prevented their children from watching the shows, they wouldn't be on. Parents complain about the quality of the shows but don't prevent their children from gluing themselves to the boob tube. In the end, the garbage on TV is probably a fairly accurate representation of what the audience (parents included) really wants. There was a vast outpouring of public protest when CBS canceled *Captain Kangaroo*, in 1981, but the show's ratings had been microscopic for years. No one wanted to see it go, but no one wanted to see it, either.

The well-known discrepancy between what parents say and what they do arises in this case from a deep ambivalence about television. On the one hand, almost everyone at least pays lip service to the idea that watching a lot of TV is bad; on the other hand, television has become a sort of national babysitting service. According to the A. C. Nielsen Company's 1986 Report on Television, children between the ages of two and five watch an average of

twenty-eight hours and fifteen minutes of television a week. Their most active viewing period is weekdays between ten in the morning and four-thirty in the afternoon. Busy parents (or the sitters they hire) are using television to keep their children quiet. This is a great tragedy. But the responsibility for it belongs to parents.

Most of the toy-based shows are crummy, but so are most of the other shows. *Scooby Doo*, a cartoon show created before the toy companies invaded Saturday morning, is not a better program than *Snorks*. *Sesame Street* is reflexively admired by almost everyone, but I suspect that adults would praise it less if they watched it more. *Sesame Street* may not be schlock, but kids often watch it the way they watch schlock: like zombies. Four hours of television a day is much too much, even if it's Bert and Ernie. ACT for years has paradoxically called upon the networks to provide *more* television shows aimed at children during *more* hours of the week. Kids might be better off if broadcasters got rid of children's shows and substituted the one kind of programming most kids can't stand: news.

To fail to be appalled by the connection between toy companies and children's television is not to endorse the shows. But it is possible to find a few nice things to say about them. First, toy-based programs at least encourage children to spend some of their waking hours away from the television set: a child who wheedles his parents into buying him a toy he's seen on TV will presumably play with it once in a while. Second, the new shows have a number of features missing from a lot of other shows—particularly widely admired cartoon "classics" such as *Popeye* and *Tom and Jerry*: for example, racial balance, uplifting sentiments, and, for the most part, a conspicuous lack of violence. Third, the substantial cost of creating television shows has encouraged toy companies to favor products that are well thought out, well designed, and not likely to disappear overnight: fad toys don't earn back multimillion-dollar television investments. Fourth . . .

Well, three is pretty many.

Staying Power

IF BERNARD LOOMIS HELPED INVENT THE STRATEGY OF concentrating on expandable lines of toys, Hasbro has come close to perfecting it. In an industry where violent, unruly expansion and contraction is the rule, Hasbro's rise to pre-eminence has been impressive. The company has lately become a darling of the nation's financial analysts and business magazines, which have praised it for unusually sound management.

Most observers give credit for Hasbro's success to the company's young chairman, Stephen Hassenfeld. Has-

senfeld, forty-four, and his brother, Alan, thirty-seven, who is Hasbro's president, represent the family's third generation in the toy business. Unlike Charles Lazarus and Bernard Loomis, Stephen and his brother had lots and lots of toys when they were growing up. Their father, Merrill, was widely admired in the industry, and executives of other companies often showed their affection by showering the Hassenfeld boys with their toys. The head of the company that manufactured Lionel trains even added young Stephen's name to his list of salesmen, which meant that every time a new train or accessory came out, Stephen received a sample. Directing one of the world's most spectacular toy trains around his basement, he knew from a very early age what he wanted to do when he grew up.

Over the past ten years or so Stephen has gone far toward making Hasbro what all toy companies yearn to be: a rational enterprise. Selling toys has always been a fashion business. Companies have scored inebriating successes alongside sobering failures, all subject to the largely unpredictable whims of children. The goal, seldom achieved, has been to minimize the failures without killing off the creativity that produces successes.

Hasbro's strategy for growth without trauma has focused on diversification within the toy industry. It has done this partly by acquiring other companies (it bought the Milton Bradley Company and its Playskool subsidiary, in 1984, for \$350 million) and partly by expanding steadily into new toy categories. The strategy is now nearly universal, or universally aspired to, in the industry. Tonka Corporation, formerly known only as an unflashy manufacturer of high-quality toy trucks, now offers a greatly expanded selection that includes GoBots, a Cabbage Patch-inspired line of stuffed dogs called Pound Puppies, and Rock Lords, transformable figures described on their cartoon show as "powerful living rocks." Tonka's expansion has been successful. As of last year the company was the sixth-largest toy manufacturer in the country.

Stephen Hassenfeld's first big hit was the 1982 reintroduction of G.I. Joe. Originally marketed, in 1964, as a Second World War-era infantryman, G.I. Joe was turned into a cadre of quasi-military "adventurers" in 1970. In succeeding years the line was expanded to include a figure with what Hasbro called a "Kung-Fu grip," a bionic warrior, a superhuman, and a spaceman. The line was discontinued altogether in 1978,

when it was done in by a combination of high oil prices—which made its large plastic body and accessories expensive to manufacture—and a proliferation of smaller, less expensive action figures. When G.I. Joe resurfaced four years later, the line had shrunk (from just under a foot to just under



four inches, a size made popular by *Star Wars* toys); changed its slogan (from "a fighting man from head to toe" to "a real American hero"), and multiplied itself into an anti-terrorist "strike force" consisting of sixteen separate characters (one of which was female and none of which was actually called G.I. Joe).

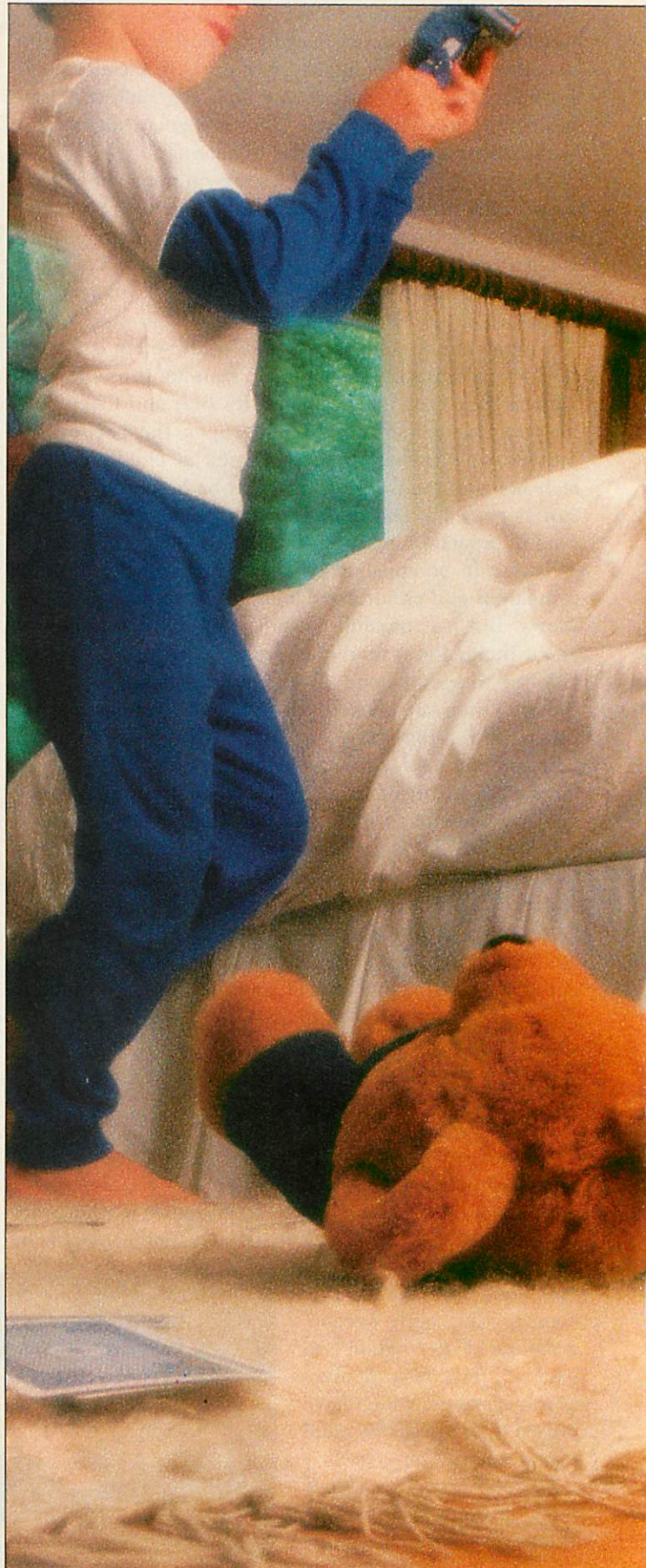
The redesigned toy did \$49 million in business in 1982, and became the nation's best-selling toy in the second half of the year. Hassenfeld's first reaction to the toy's success was one of joy; his second was one of concern. Forty-nine million dollars represented 36 percent of Hasbro's revenue at the time, making the company dangerously vulnerable to a drop in the toy's popularity. Perhaps the most important lesson Hassenfeld had learned during his lifelong tutelage in the toy business was that profit often goeth before a fall. The mistake that other toy-makers had habitually made, he felt, was in believing that they were immune to the syndrome of booms going bust.

This is not to say that Hassenfeld abandoned his popular new toy. Quite the contrary. But he made plans for the future of the company which didn't depend on G.I. Joe's continued success. Profits from the toy's first year were re-invested in the company's future, primarily as part of the package that financed the Milton Bradley acquisition.

As it happens, G.I. Joe has shown no sign of weakness. The line brought in \$86 million in 1983, \$132 million in 1984, and \$136 million in 1985. But at the same time Hasbro has grown so much that by last year \$136 million represented just 11 percent of its total business. The toy's profitability had increased while simultaneously becoming less important.

As sound as it may seem from the sidelines of the toy business, Hassenfeld's healthy skepticism about the longevity of best-selling toys has sometimes not been in evidence in the management of other toy companies. The fastest-selling toy of all time, Coleco's line of Cabbage Patch Kids, surprised almost everyone by remaining a hit toy for three full years (and bringing Coleco more than \$1.2 billion in sales from 1983 to 1985). But by the end of 1985 Cabbage Patch still accounted for an astonishing 74 percent of Coleco's business. Last spring analysts were predicting that Cabbage Patch sales for 1986 might decline by as much as 35 percent of what they had been in 1985. Since Coleco's 1986 catalogue is still weighted heavily toward Cabbage Patch, the company could be in serious trouble.

Coleco's hopes for 1986 and beyond may hinge on the performance of its latest excursion into the now crowded male-action-figure category, where it will compete with G.I. Joe, Masters of the Universe, and many, many others. Coleco's entry is a licensed line of toy soldiers based on the R-rated Rambo movies, in which Sylvester Stallone plays a vengeful Vietnam veteran. Coleco has toned down the movie character in the cartoon it has created (the cartoon Rambo doesn't kill anyone), but, like the movie, the cartoon and the toy line appeal to the nation's recent anxiety about terrorism.





PARENTS AND OTHERS SOMETIMES COMPLAIN ABOUT the prevalence of lines, and the emphasis on repeated purchases, in the toy business today. Yet the modern way has much to recommend it. Nothing looks more forlorn to the person who bought it than a toy that is used a time or two and then forgotten. For a toy line to remain viable year after year, children have to continue playing with it. When line extensions predominate at the Toy Fair, it means the playroom is safe from revolution for another year. Nobody throws away Lego. The emphasis on lines can help keep prices down, by giving manufacturers longer to earn back their investments. It also helps keep quality up. A line doesn't last simply because it's a line. Children go back for more only if the central concept appeals to them in some enduring way.

Enduring appeal is an idea that covers a lot of territory, of course. Whereas Cabbage Patch sales may slip considerably this year, Barbie may have her biggest year ever, after more than a quarter of a century on the shelf. Toy analysts wonder if her new competitor, Jem, will have anything like that staying power.

Hasbro executives discovered Jem, or rather ur-Jem, several years ago, when an independent toy designer showed them a male rock-star doll. The doll looked promising, and Hasbro took an option on the rights.

MTV, the rock-music television channel, had grown enormously popular. MTV is aimed primarily at teenagers and young adults, but Hasbro knew that a lot of younger kids were watching it as well. Rock videos had introduced little girls to a whole new way of thinking about fashion: eight-year-olds were asking their moms if they could dye their hair pink and cut holes in their sweatshirts and do a lot of other things that Barbie didn't do. It occurred to people at Hasbro that there might be a market for a fashion doll that looked less like Barbie and more like the people on MTV.

The Hasbro executive most responsible for keeping the project going was Maureen Souza, the vice-president of marketing for girls' toys. One of the first things that Souza did was work out a "back story" for the new doll. When my wife was growing up, she had a favorite doll she called Leprosy—the most beautiful-sounding word she had encountered up to that point. Nowadays dolls come not only with ready-made names but also with full-blown biographies. In time the optioned male rock star became Jem/Jerrica, "a woman with a mysterious dual identity," to quote from Hasbro's publicity:

She's Jerrica Benton, a savvy Eighties career woman, co-owner of Star Light Music Company and benefactor of Starlight House, a shelter for homeless girls. But, with the magic of "Synergy," a super-holographic computer

that filters power through her Jem Star earrings, Jerrica becomes Jem, a truly outrageous rock singing sensation.

With the help of little sister Kimber and friends Aja and Shana, the four become "Jem and the Holograms," the hottest girl group since the Supremes. Exciting adventures unfold as Jerrica competes for control of Starlight [sic] Music against evil co-owner Eric Raymond, while Jem and the Holograms come up against the mischievous "bad-girl" rock band, "The Misfits."

There's also Rio, Jerrica's boyfriend, who, unlike Barbie's Ken, has a snappy wardrobe (the *Miami Vice* look) and combable hair.

"Changing from Jem to Jerrica gives the toy a great deal of depth," Souza says. "There are clothes for being Jem; there are clothes for being Jerrica. There are things Jerrica can do; there are things Jem can do. Barbie has really been locked into the mainstream American life-style. Jerrica is part of that too, although she's more a woman of the world. Jem becomes the fantasy. It gives us a lot of places to go with both of them." "Synergy" is Jem's key to longevity. If MTV goes out of style, the holographic computer can change Jerrica into something else: Jem, attorney-at-law.

To spread the word about Jem, Hasbro began including seven-minute Jem segments in its syndicated Sunday-morning cartoon show *Super Sunday*. The segments were so successful that Jem was spun off into her own regular series. Each show contains original songs presented in the form of "videos."

Mattel's response was immediate. Before the Toy Fair, and long before Jem's debut on *Super Sunday*, Hasbro had begun to run teaser ads of the "Jem — Coming Soon" variety in the trade press. Not long after the first ad appeared, Mattel introduced Barbie and the Rockers (featuring Dee Dee, Dana, Diva, and Derek) and prepared to slug it out. Hasbro had been expecting a rock band, but they hadn't been expecting Barbie to be a member. Truly outrageous! Mattel says that it thought of Barbie and the Rockers before it heard about Jem and the Holograms, but most people I talked to were skeptical. Mattel has always rejected the idea of a cartoon series for Barbie, whose principal strength is that she is Everygirl, but who knows?

Hasbro's hopes for Jem are fairly modest. "We want a piece," Souza says. "There's no way we're going to put Barbie out of business."

I can't make up my mind about Jem. She's a bit taller than Barbie (they can't wear each other's clothes), and she's significantly smaller in the bosom. Rio is more appealing than Ken, who has molded plastic hair and what looks like a thyroid problem. Jem has a radio in her Rockin' Roadster, but Barbie has a shower. Hmmm.

Then again, it isn't up to me, is it? □