

Hasbro swot



**ASSIGN
BUSTER**

Executive Summary Synopsis Hasbro is a publicly traded company founded in 1923 which specializes in toys for children, infants, and toddlers, as well as puzzles and games for consumers of all ages. Although the company has experienced significant annual revenue growth since its inception, due to several factors including the recent economic downturn, it has encountered obstacles in each of its four business units.

With several competitors, such as Mattel, vying for the business of increasingly financially conscious consumers, Hasbro must optimize its operations in order to achieve its goal of becoming the world's leading toy company in an uncertain future. Specifically, the company must pay particular attention to the following issues:

Strategic Issues -Low market share in the Preschool segment -Need to integrate technology into product lines -Lack of a clearly envisioned future -Competition with software and electronics companies due to digital product development -Dwindling profit margins and increased price pressures Rising labor costs in China Options - Dora the Fisher Price Destroyer -Expand current Preschool product portfolio - Partner with electronics companies anchored in early childhood education such as V-Tech -Create opportunities to seize a portion of the Fisher Price market share -A NERF' Already...Go Virtual! -Increase development of software based versions of successful products and games -Continue to partner with software and video game developers -Grow existing brands and generate revenue with lower COGS and distribution costs - Global Monopoly Create new products targeted at emerging markets -Form localized marketing and R&D teams to develop new products -Outperform competitors in evolving markets Recommendations Dora the Fisher Price Destroyer

Current data and trends suggest high growth potential in the preschool toy market. Given Hasbro's presently low market share in this segment the most viable option appears to be a revitalization of its preschool product line through portfolio expansion, strategic partnerships, licensing agreements, and more efficient marketing.

One possibility involves a partnership with a company such as V-tech, which specializes in early childhood electronics. This partnership has the potential not only to strengthen and invigorate Hasbro's preschool product line but can also assist the company in closing the market share gap between itself and rival competitor, Mattel. Through this partnership, Hasbro should expect to out-perform Mattel in year over year growth, and ultimately exceed its market share within five years.

In order to pursue this option, Hasbro must be cognizant of various issues including possible competitor retaliation, increased cost of goods sold, and rising Chinese labor costs. Phase 1 Supporting Materials Hasbro is comprised of four business units. The Boys unit, which is responsible for popular toys such as Transformers and G. I. Joes, is the company's star. It's portfolio of products, in conjunction with lucrative licensing agreements and ties to the entertainment industry, contribute to its high market share and solid growth potential.

The company's cash cow, Puzzles and Games, is characterized by low growth, but due to its well-known brands, including Monopoly and Scrabble, this unit has captured a large market share in comparison to competitors and provides Hasbro with a steady stream of revenue. Hasbro's Girls division

generates approximately 17% of its overall revenue. Although it is responsible for a few successful products, such as My Little Pony and Littlest Pet Shop, this division shows low potential for growth, and has a low market share making it a dog on the BCG chart.

The current question mark for Hasbro is its Preschool business unit.

Responsible for popular products such as Mr. Potato head and Tonka, this division has very low market share but strong potential for growth as parents become more aware of the benefits of intellectual stimulation early in development. Due to its ability to reinforce its core brands with product innovation and maximization through entertainment, markers of strong first and second order fit, Hasbro scored a four for Collis' test of internal consistency.

In 2001 Hasbro adapted its strategy to reimagine, reinvent, and reignite its principal products and saw a thirty-three percent growth in its core brands over the following eight years. Hasbro's strategic partnerships and licensing agreements contribute to its strong third order fit. Currently, the company is partnered with Universal, Sony Pictures, Paramount, Lucas Film, and Discovery Communications, among others. These partnerships not only lead to increased brand awareness but also lower advertising expenses. Hasbro scores a three on external fit/competitiveness.

Although Hasbro's stock price trend is better than that of competitors, and it has outperformed the industry in terms of growth percentage, Hasbro is still number two in the toy industry. Hasbro has beaten Mattel in average year over year growth over the last five years and it retains a better profit margin

percentage and higher earnings per share. Nevertheless, the company is still \$1.854 billion behind this competitor in net revenue. In 2009, Hasbro possessed six percent market share in the \$66.3 billion global toy and game industry.

According to the DataMonitor report, the most lucrative segment of this industry was infant/preschool representing at sixteen percent of the entire market, only four percent of which was captured by Hasbro. In 2010, Hasbro's sales in the infant preschool segment represented only twenty-three percent of that of Mattel's core preschool brand, Fisher Price. Phase 2 Supporting Materials The Industry After analyzing Hasbro's corporate strategy, it is clear that in order to accomplish its goal of becoming the number one toy and game company in the world, it must focus its efforts on becoming more competitive in the preschool toy market.

This would not only increase its overall revenue, but would also aid in closing the significant revenue gap between itself and Mattel. The preschool toy industry targets children ages zero to four years and presently grosses approximately \$10.7 billion in annual worldwide revenue. The industry is likely to experience growth as the number of children between the ages of zero and five is currently increasing by one percent annually and parents are becoming more cognizant of the benefits of early childhood education and development.

For the purpose of our analysis, we have chosen to focus our research exclusively on the U. S. preschool market which focuses on the sale of toys, games, educational and developmental entertainment products, and outdoor

play equipment, the last of which we have excluded from our analysis as Hasbro does not presently sell outdoor toys. The Five Forces The figure above shows the key players involved in the Five Forces analysis. We focused on identifying competitors with significant share in the preschool market and which produce products that have heavy concentrations of electronic components.

The suppliers which seem to have the most impact were those who deliver raw materials and ideas to Hasbro. In terms of possible entrants we focused on companies that could enter the electronic preschool toy business. The figures above show the resulting forces which we feel have a relevant impact on industry profitability. Perhaps some of the most powerful forces are related to big retailer buying power. Because such a large portion of preschool toy companies' revenue is obtained by selling products through retail channels, big retailers such as Wal-Mart have the ability to set their costs and control their suppliers' margins.

Big retailers also have the ability to integrate backward using the same suppliers that supply preschool toy companies. By cutting out the middle man these retailers create store brands which mimic branded toys and are priced much lower. Since the stores source directly from the manufacturer they do not have to pay the toy companies' margins and can make a similar amount of profit from an unbranded, lower priced toy. This force drives down profit for the entire preschool toy industry. Key Success Factors

Through its strategic licensing and partnerships Hasbro has been able to successfully increase its brand recognition and revenue. As it moves forward

in growing its preschool segment, Hasbro must focus on innovation of the dynamic, educational preschool toys which its portfolio currently lacks. The company will also need to leverage its entertainment partnership as well as the HUB, which is currently the leading co-viewed network for children and their parents. Hasbro must also focus on boosting preschool product advertising and improving operating efficiencies.

Metrics It is clear that Hasbro is trailing two of its main competitors in the U. S. Preschool market, obtaining only a small portion of the Preschool market share. To determine this figure, we took the company's global preschool revenue divided by total global revenue and multiplied this by total US revenue. We then took this number divided by the total US preschool market share, which we derived from a recent DataMonitor report. We also noticed that net income per employee is staggeringly high for Hasbro. We believe this is due to Hasbro's operational effectiveness.

Hasbro has less than a fifth the number of employees as Mattel and yet is still the number two toy company in the world. Hasbro's advertising and R; D expenses are relatively the same across the board. We also realized that Hasbro has a higher gross profit than that of its competitors which further substantiates our assumptions of the strength of its operational effectiveness. With this in mind we believe further targeting this market would be crucial to its future success. PESTLE Listed below are several factors that could potentially grow or shrink the U.

S. preschool toy industry. However, two trends in the PESTLE analysis seemed more relevant to the U. S. market. Firstly, increased trends toward

healthier lifestyles could lead to parents wanting their children to become involved in more active forms of play, such as outdoor games or sports, even at a young age. This indirect substitute could severely decrease the size of the industry. Conversely, grandparents, belonging to the baby-boomer generation are now wealthier and better able to spoil their grandchildren, thereby generating increased revenue.

This effect is compounded due to the diaspora of families throughout the U. S. Family members who are unable to spend quality time with young relatives, often send gifts as an alternative Factor| Positive Effects| Negative Effects| Political| * Recent trend of decreasing educational budgets will require parents to take a more active role in educating their children via interactive and developmental tools including toys and games. | * Michelle Obama's Let's Move! Campaign encourages healthier lifestyles/obesity prevention resulting in more active forms of play such as playing outside and sports. Economic| * Recessions lead to family purchases on less expensive forms of entertainment such as toys. | * Recessions lead to lower consumer confidence and consumers may purchase fewer toys. | Sociocultural| * Wealthier grandparents of baby-boomers spoil grandchildren more than before. | * Childhood obesity concerns motivate parents to get children active by playing sports and partaking in outdoor activities as opposed to playing inside with toys. * Consumers may start showing more of an aversion to products manufactured in China. Technological| * More tech-savvy parents can be reached via cheaper and more accurately targeted internet and in-app advertising campaigns. | * Children getting older younger phenomenon leads to profitable traditional toys being partially replaced by less profitable

digital toys. | Legal/Regulatory| * Strict product safety regulations may cause an increase in sales to parents concerned with their child's safety. | * Consumer Product Safety Improvement Act of 2008 and product recalls result in nervous consumers and increased product safety requirements. Fear of lead, BPA, phthalates in toys scare consumers from purchasing toys for small children that chew on them. | Ecological| NA| NA| Analysis and Synthesis As previously mentioned, there are three options that Hasbro could implement in order to address current issues. Although the A Nerf' Already...Go Virtual! option would allow Hasbro to focus on the trend of children switching from traditional toys to virtual products at a younger age; we feel that Hasbro is already successful in utilizing partnerships to stay ahead of the technology curve for most units.

In the Global Monopoly option, the company would invest in localized marketing and R; D teams that would enable Hasbro to become the market leader in emerging markets. Although increasing sales by better penetrating up-and-coming markets is important, in order to beat Mattel, Hasbro must prioritize strengthening its underperforming preschool unit. By implementing the option, Dora the Fisher Price Destroyer, Hasbro will position itself to seize a significant portion of preschool market share.

Hasbro must replace underperforming preschool brands and develop brands which will fit naturally with the HUB television network. These brands can be further developed to create innovative toy concepts, or more functional and interactive versions of successful past brands such as Mr. Potato Head. In addition, it should focus on more advanced interactive and educational electronic toys. One option would be for Hasbro to partner with the consumer

electronics company, V-Tech, to discuss the creation of an iPad-like device for children.

Although these types of products carry higher costs of goods sold, they are essential in order to generate the brand excitement needed to gain market share. Long-term success will be characterized by lower advertising spending which we believe is obtainable by leveraging the Hub and the company's other entertainment partners. Another possible way to generate interest in one of the brands is the release of a major motion picture. This strategy has fared well with the company's other business units and we believe it could compliment either the Tonka or Mr. Potato Head brands.

The success of the Company's software based products, such as smart phone versions of popular board games, indicates that app stores could be utilized to generate interest in new preschool products. Since several parents use their smart phones to entertain their children, Hasbro should consider creating a free app with games to entertain preschool aged children. Over fifty percent of Hasbro's revenue comes from sales at Wal-Mart, Target, or Toys R' Us. As such, the company will need to gain shelf space at these three retailers. The easiest way to do this is by offering back end rebates to the retailers.

Since switching costs are low, from the retailer's point of view, we believe that a rebate program could be designed in a manner which reduces the probability that it will be shopped to competitors. Hasbro has been successful in several endeavors involving its other business units and it is now the time for its preschool to division to shine. By implementing the

above initiatives, Hasbro will not only strengthen its Preschool business unit and increase its overall revenues but will put itself on the path toward becoming the world's leading toy company.