

**Business continuity
and crisis
management of
mattel inc marketing
essay**



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Even though the company has generated huge profits, the road trip has not been easy. Product recalls have affected the company severely. There have been more than 28 cases of product recalls in the company's history (Shekhar, 2009). And the focal point of these recalls were the year 2007 which deemed to be disastrous for Mattel. It was the summer of 2007 when over 21 million toys from over 43 international markets were declared unsafe. Hence the company had to recall those products keeping in mind the safety of children and also their brand image. (Slideshare, 2010)

This raised question about the standards of Mattel products because 65% of its toys are produced in China. The decision to outsource its majority of operations to China was heavily criticised because since 2006, a total of 177 recalls were those that were manufactured in China. Mattel had a total of five recalls in 2007 including its Fisher-Price product. (Docstoc, 2010) The recalling procedure lasted from the beginning of August till September of 2007. For Mattel, this proved to be the biggest recall till date. There were two reasons. The first reason was due to presence of faulty magnets in its products. Mattel received reports of faulty magnets in its toys and it had to take quick actions against it because those magnets could easily become loose and if children were to swallow them it would be hazardous to their stomach. Affected products were Barbie and her dog Tanner, Batman action figure and Polly Pockets. The second reason for product recall was due to presence of lead-based paint on several toys. Mattel had given instructions to producers in China to use paints from eight different suppliers but it was found out that the manufactures contacted unapproved suppliers. The amount of lead found in those toys was over the limit (180 times the legal

limit). It could pose a serious health issues for children and in severe cases even death. Most of the products in the Fisher Price line were recalled due to the presence of lead-based paint in their products. (Public Relations Problems and Cases, 2010)

Lately, China has had to face its own problems regarding the product standard and quality which it produces in the boundaries of its country. The history says that Mattel and China have a 25 year old partnership. Before this incident, other companies were wondering how to achieve the Chinese standards. Words of criticism have surrounded Mattel for having too much faith with the Chinese manufacturers and also because of Mattel's insufficient quality control test at the manufacturing premises. (Public Relations Problems and Cases, 2010)

Factories which produced the controversial products were directed to stop their operations temporarily. After the investigation of different products it was found that majority of the products did not comply with the safety standards. Chinese authorities revoked the export license of two of the factories related to the recalls - Hansheng Wooden Products Factory and Lida Toy Company. After four days, the boss of the Lida Toy Company was found dead in the factory workshop. The reports indicated that he hung himself in the factory. (Public Relations Problems and Cases, 2010)

The U. S. Senate Committee began consultation for creating and implementing suitable legislation that would keep hazardous toys away from children. Even though huge amount of toys were recalled due to faulty magnets in compared to lead-based paint, the global media heavily criticised

and put the blame on China. In answer, Chinese media concluded that Mattel should take responsibility and accountability for the incident and not put the blame on China. Mattel had no other way out but to take full responsibility of the mistake and it apologised to China regarding the recall. Mattel concluded that it was not the Chinese who had the flaw in their manufacturing process but it was a Mattel design flaw and it took ownership of the magnetic design flaw. There was nothing mentioned about the paint. The significant effect was seen on Mattel's stock price which reduced by 25 percent from its year-to-date high. (Public Relations Problems and Cases, 2010)

This incident raises issues about Business Continuity and how Mattel handles the crisis. In a crisis situation, the main focus will be on handling the crisis, surviving the crisis and continuity of operations. Mattel's reaction and response to the crisis will determine future corporate culture and crisis communication. Mattel has challenging issues of balancing consumer trust and corporate social responsibility (CSR) in the light of acquiring risky but profitable opportunities through outsourcing. Safety is the top most importance to Mattel, since the toys are manufactured for children and they are a vulnerable group. (Anon, 2009)

Mattel's objectives in this scenario

Conveying message about the difficult situation to the public with efficiency, precision and accuracy. Being transparent about every single step taken and future activities.

Assure consumers and other stakeholders of commitment in fixing the problem, producing toys according to standards and being honest and open.

Take full responsibility and accountability for the recall. Solve the problem while keeping a good relationship with China. (Public Relations Problems and Cases, 2010)

Plan

Mattel contacted the Consumer Product Safety Commission (CPSC) soon after it realised it was facing a serious problem. Mattel then called its BCCM team and started assessing plans and possible steps to be taken. They assumed that the situation could be under their control since the product defect and difficulty was with their supplier. Soon after the CPSC announced Mattel's first recall, sixteen PR personnel were immediately assigned to call reporters. They forwarded e-mails about the recall press release. Reporters were notified about a teleconference with executives and gave access to the media to arrange TV interviews or telephone enquiries with the top personnel at the company. On the day of the announcement, the CEO of Mattel, Robert Eckert, appeared on 14 TV interviews and also entertained 20 calls from reporters. By the end of the week, 300 media requests were answered by Mattel. The company had full-page advertisements in the newspapers. Also, updates have been regularly posted on Mattel's website about the crisis response. Search engine marketing was also used. (Public Relations Problems and Cases, 2010)

A lawsuit and few reports claim that Mattel had received information about the faulty products way before announcing it to the public. But after announcement of the product recall, Mattel has always been transparent to the public. Mattel has promised to solve the crisis scenario on the

manufacturing level. They also claim that they have always maintained high standards and safety measures. (Public Relations Problems and Cases, 2010)

Identifying Stakeholder Issues

It can be clearly seen that Mattel put its customers before everyone else as the customers are the ones that would have a direct effect by purchasing those faulty toys. Customers drive the business towards success or failure. The licensed companies and shareholders were placed before the employees since the main affected employees by this incident are situated in China.

Customers: Mattel benefits directly from its customers. Customers have been and will always be the main force for its survival and growth. Therefore the brand image heavily depends upon the safety and responsibility. In this case the products are designed especially for children and because of their age they are vulnerable to small magnets or lead tainted toys. Any harm caused to this group will result in market share loss. Also Mattel needs to be careful about its corporate customers such as Walmart and Toys “ R” Us, who place Mattel’s product in their shelves. If the corporate customers smell foul play and if they refuse to sell Mattel’s product, then there will be no channel left for sales and distribution. (Anon, 2009)

Licensed Companies: It has taken a lot of years for Mattel to build relationships with brand names like Disney, Harry Potter, Nickelodeon and Sesame Street. These brand names have been successful in gathering profit in partnership with Mattel. If crisis situations like this turn out unfavourable, Mattel will lose profitable opportunities with its partners. If one partner loses

faith in Mattel, then the influence automatically falls upon the rest of the partners. (Anon, 2009)

Employees: Employees are a valuable asset for Mattel. So, it is necessary to have continuous support and cooperation from its employees to continue providing quality, standards, sales, reputation and profit. Including employee in decision making, implementation, culture and communication motivates and engages them. (Anon, 2009)

Shareholders: Previous product recalls and its impact makes it crucial for Mattel to have an effective communication with its shareholders.

Shareholders should be convinced that in the past and in the coming future Mattel has and will always be transparent with each and every bit of information.

Competition: China is responsible for the 80% toy sales in the U. S. A as well as the 65% of Mattel toys. In holidays, customers are reluctant to buy “made in china” label since the product recall has had a negative impacts on customers. Therefore, Mattel should play a vital role in improving the reputation of the entire industry by working with its competitors. It should also place itself in the market as a company who outsources comparatively less than their competition. (Anon, 2009)

Chinese Government: When Mattel apologised to the Chinese, it sparked huge criticisms and controversy. It was surrounded by heavy criticisms by some in congress. Since China gives 65% toys to Mattel, it has further investable opportunities in the country. It should be able to maintain good

relationships with China as well as their obligation to corporate social
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responsibility. Therefore, Mattel must somehow resolve a way by which it can continue its operation by outsourcing to China alongside enhancing trust in their product with consumers. (Anon, 2009)

U. S. Government: Chinese imports have been placed under increased scrutiny by the congress. The congress is playing a huge role in regulating Chinese imports which have been questioned in terms of quality and standards. To implement these issues, the congress is sponsoring the Consumer Product Safety Commission (CPSC). CPSC and Mattel have disagreed in the past on product regulations. Since, Mattel is liable to report to the CPSC within 24 hours of an initial crisis situation, their crisis communications team have to be able to formulate a plan quickly and efficiently. (Anon, 2009)

Media: Mattel used all possible means of communication to notify both the media and consumers about the ongoing events and activities. It was transparent in conveying messages and also letting others access up to date information. The way Mattel handled the case has put an impression on the media. Also, the company admits that the defective products should never have been put on display. (Anon, 2009)

Mattel has been able to convey a positive message to its stakeholders. It has been transparent in its approach informing everyone about its current activities and future responsibilities. The company has maintained a page in its website explaining details about product recalls. From past experiences and keeping in mind the present context, Mattel will make sure that the manufactures operate in compliance with the company's consent. Certified

suppliers will supply paint to the manufacturer and every single batch of paint will be tested. It won't be used, if it does not meet the standards. Frequent inspections will be made at all vendor facilities and control and monitoring will be increased on every unit of the production process. The products will be tested and assured to safety standards before reaching the market. (Public Relations Problems and Cases, 2010)

Post-Crisis

Regain trust of global customer and also shareholders.

Rebuild brand image and reputation as a socially responsible company.

Continue to be open and honest to the public.

Learn from past lessons to improve quality standards in foreign manufacturing sites.

Maintain good relation with China and other suppliers.

Perform random visit and batch testing at manufacturing sites.

Work in compliance with U. S. government, foreign governments and CSPC to improve quality of children's products worldwide.

Encourage 360 degree feedback.

Plan and implement more effective strategies for possible future crisis scenarios.

Recruit the best employees into the BCCM team from within the organisation. (Anon, 2009)

Conclusion

In an overall context, I personally think Mattel had the situation in control right from the time when the announcement was made about the product recall. The crisis management team were competent enough to address the situation and act quickly and effectively. The company had faced similar kind of situation in the past. That is why they were prepared for this kind of scenario. It can be seen as a lesson for Mattel as well as for other companies.