

Wall-mart, target and toys r case study

Business



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Without having this done to each product, these toys wouldn't be successful as successful as they are exactly because of the popularity of these products, It is extremely difficult for new companies to compete in this industry. This advantage decreases the threat that new entrants face. – New entrants may have problems setting up distribution channels because large, established companies already dominate them.

. For instance, Mattel has set up numerous relationships with big companies such as Wall- Mart, Target and Toys R Us. A barrier that new entrants must surpass is the legal barrier.

In the toy industry products are being patented. Many potential products like ones related to the movie industry, have patents that only certain companies have the rights to.

For example, Mattel holds the exclusive right to produce the Barbie doll. This means that new entrants must design new products, or secure the rights to existing products to get into the industry. – Another barrier for new entrants is government policies_ They ensure companies are in accordance with various international, federal, and state regulations and aim to enforce safety standards in attempt to remove products that can create injury to children.

In 2007 Mattel recalled over 20 million toys because of high lead paint and detachable magnets. These recalls led to many governmental regulation acts including the Consumer Product Safety Act and the Federal Hazardous Substance Act. In the toy industry companies are required to submit samples to independent laboratories for safety tests.

However, in 2009 The consumer Product safety Commission granted Mattel to use its own labs for testing. Threat of substitute products Depending on the nature of a certain product, there may or may not be a threat of substitute products.

Threat of substitutes In the toy Industry is relatively high. The three main toy manufacturers in the industry that threaten Mattel are Lego, JAKKS Pacific and Hasbro. The toys and the sources of entertainment for children they produce are similar.

In the toy industry customers (children) are not brand loyal but seek variety. This is why having competitive superiority is so important. On the other hand, the threat of substitute products could be relatively low as in the case of AT technology like licensed toys.

One key to a successful product is to create a toy that is so appealing to children that it cannot be substituted. An example is Mattel's Barbie collection.

By having this product rights secured the company has consumers who are willing to pay higher price. Bargaining power of suppliers There are numerous suppliers in the toy industry and companies have a low bargaining power relative to Mattel. Mattel has the ability to choose the supplier with the lowest price. Plastic and rubber for example are of common resources used to produce toys.

They are simple to produce and easily accessible, which forces the suppliers of these materials to compete heavily among themselves.

This gives Matter the opportunity to produce low cost products. Bargaining power of buyers The Bargaining power of buyers in the toy industry is high. Buyer volume, substitutes available, buyer's incentives and price sensitivity are what encourage buyers to purchase. Since there is an endless list of toys available in the market customers are sensitive to safety and values low price. This gives buyers power in the toy industry.

However, this effect on Matter is considerably low.

Because most of the products that Matter sells tend to be differentiated, buyers are generally less sensitive to increases and decreases in price. Barbie, for example, is a product licensed by Matter that is very popular among girls. From a child's perspective, there is no other product on the market that can replace the authenticity off Barbie doll, thus price is not a leading factor. Because Matter is such a large company with many differentiated products, most consumers have a relatively low sense of power over the The toy retailing environment has changed through the years.

Part of this change has been driven by he slow growth of the traditional toy market and the rapid rise of video games. This market became dominated by electronic retailers such asBest Buy. On the other side the growing dominance of large discount retailers such as Wall-Mart and Target have taken a significant part of both – the traditional toys market and the video game market. ? Rivalry Competitors of Matter include LOGO, Hasher and JACKS Pacific. Hasher is the manufacturer of major toy and game brands such as Monopoly, Mr.

. Potato Head and Transformers.

Mattel and Hasbro have different core segments Hasbro makes a range of portion of revenue from board games (Clue, Monopoly and Scrabble) while Mattel's core business is dolls (Barbie). On the other hand, the two companies compete head-to-head over certain segments, as Hasbro's Playschool goes after the same younger audience as Mattel's Fisher-Price division. LEGO specializes in toy brick building sets whether JACKS Pacific is a smaller toy manufacturing company, with licensing deals with Nickelodeon's Blue Clues and Disney's Hannah Montana.

References: R. Duane Ireland, Robert E. Hosking's, Michael A.

Hit; Understanding Business Strategy: Concepts and Cases, Second Edition (Pages C-152- 154) <http://www.Nightdresses.Com/essay/Develop>.

External. Factor. 34600 Recommendations The following two options can help Mattel to improve further. The long-term benefits are expected to exceed the costs of implementing the following ideas: The impact of 20 million products being recalled is very expensive and have hurt Mattel in 2007. Having experts to supervise manufacturing plants in China will reduce the likelihood of future recalls and will help the company to reestablish trust from consumers

Secondly, as the market leader in the toy industry Mattel should to be innovative and expand its most profitable products. A joint venture with a company to produce educational software could help Mattel gaining future achievements and to regain public trust.

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Creating educational software that is interactive will be helpful to children in learning foreign languages for example, and can involve some of the characters that Matter has trademarked. These two options will increase market capitalization and achieve higher performance level for Matter.