

## Toy Industry Newsletter – May 2009 Edition

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### **I. Company for Sale**

Small (very small) family-owned manufacturer of unique impulse/gift/tchotsky items is looking to be acquired. The company makes high-quality items and has a strong presence in the food and drug aisles. I see an opportunity for an individual (or partnership) to acquire, at a bargain, an already established business with current shelf-space and some unique products.

If you or someone you know is interested in learning more about this company, please email [David](#).

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### **II. *Candidate Showcase*: Sales Manager/Retail Link Expert, Chris P.**

Every so often we meet a candidate whose skills and abilities far surpass their peers. We feel that Chris, an **expert in Wal-Mart's Retail Link**, is such an individual. Located in Bentonville, Chris is a *local* and well-liked within the blandly-painted walls at Wal-mart headquarters. We spoke to Chris about what makes him different from the rest.

**When a company hires you they are getting more than a Sales Manager; describe what they are getting?**

**Chris:** They're getting a versatile, multi-tool player. My MBA and Marketing background allow me to derive insights into the Retail Link data which helps expand penetration into the chain as well as the obvious management of inventory by store and by item. I have a background with direct import and domestic business and have sold in products with best selling children's licenses as well as Wal-Mart's store brand.

**You are just a few miles from Wal-Mart's front-door in Bentonville; how is that an advantage to a prospective client?**

**Chris:** Proximity to *home office* allows more frequent and sometimes impromptu meetings where business can be handled in smaller increments. Based on prior experience working from a different state, most meetings with Wal-Mart were major presentations to buyers or vendor summits called by Wal-Mart.

**How difficult is it to get personal access at Wal-Mart?**

**Chris:** It seems the more close at hand one is to *home office*, the easier it is to get a few minutes of face time with buyers and replenishment management. If you have your facts straight the buyers here welcome the visits. I enjoy my time with everyone at Wal-mart...really, we all live, work, shop, attend church and send our kids to school in the same community.

**Tell me one thing about working with Wal-Mart not many people know.**

**Chris:** Wal-Mart is known for being a tough negotiator on price, but, they also are very fair and provide their suppliers with the best tools to manage the business. Wal-Mart wants your business – you just have to make sure you know how to manage the process. That is where I excel.

**Wal-Mart is implementing its new store layout strategy, "fast, friendly, clean", and in the process will reduce the toy section by almost half its current size. Can someone like yourself help a company get their toy products in other sections of the store to mitigate that potential shelf-space loss?**

Absolutely yes! However I can't give everything away in this forum; best to save it for an interview. Suffice to say certain toys can be packaged differently and be positioned for **different departments**. Arts & Crafts items, small peg toys and the like also could be positioned for seasonal or craft sections. But again, I have much more to share...in an interview!

Chris is currently available for hire and able to speak with you and offer his insights into how he can help your company increase its sales at Wal-Mart. If you wish to speak with/meet Chris please contact [David via email](#).

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### **III. On the ground in China by Tang Muzhong (Part 2)**

Huan ying da jia hui lai (Welcome back dear readers)! Last issue we learned what Clive and Ronan, two Americans living in China, thought about working and living in China. Today I bring you the conclusion of their interview.

**Tang Muzhong:** Do you foresee a time when manufacturing will come back to the US? Will it migrate to Mexico and/or South America?

**Clive:** I don't think it will any time soon. The investment needed to manufacture the type of products like cars, phones, heavy machinery and the requisite labor skills don't seem to make it worth doing anywhere else but in Asia. Also, there is too much government involvement to keep costs low enough to be competitive with Asia.

**Ronan:** There might be a *small* window of opportunity depending on the demands for price and the reeducation of the American consumer to accept higher prices. I don't however see much manufacturing moving to Mexico. From my experience Mexico has never demonstrated the willingness, or work ethic, to accept the workload.

**Tang Muzhong:** Since Asia is still the dominant force in manufacturing, could Viet Nam (or another country) be “the next China”?

**Ronan:** Again, if the US retailer continues to push for lower and lower prices then the business will have to move. The industry has now backed itself into a corner due to the demands on safety requirements and therefore **only** the more developed countries (i.e. China, Taiwan, Japan) have any chance of even understanding these regulations let alone complying with them. No other country (Indian, Viet Nam, Cambodia, Indonesia, Sri Lanka, Philippines) is experienced or adaptable enough to pull the bulk of the business away from China at this point in time.

**Clive:** I agree with Ronan. I believe China will stay the manufacturing center of the world for the next 50 years and the other Asian countries will be their subcontractors. That is how China will colonize the rest of Asia; financially, not with weapons.

**Tang Muzhong:** We have seen some difficult times for mother China recently. How many factories have you seen closed in the past 12 months?

**Clive:** Supposedly 30,000 mostly smaller factories in southern China have closed down; and a few bigger ones. But that includes most industries. I've seen a lot of factories I've worked with disappear over the last year and a half.

**Ronan:** I have seen more than 3,000 directly or indirectly involved with the toy industry and I believe this is only the tip of the iceberg. We should expect more to close in the very near future.

**Tang Muzhong:** How easy/difficult do you find it working with my countrymen?

**Ronan:** I find it very easy. The Chinese have remarkable Engineering staffs and their ability to achieve “anything” is amazing. Now, one must learn the concept of “face” and the role it plays in negotiating and building a relationship.

**Clive:** It is very easy. I love the Asian work ethic...it is amazing. Of course the work ethic of the ex-pats often rivals that of the locals!

**Tang Muzhong:** What do you like the most about living working in Asia.

**Clive:** Love the convenience of doing business in Hong Kong. Everything is so close. It's easy to hop on public transport and be anywhere in 15 - 30 minutes. Always better to have face-to-face then telephone conversations. I really love bringing up children in a multicultural, multi-racial environment. There are no prejudices at all here. Our group of almost 30 couples has no more than 4 families from the same country.....and no two from the same country are married to each other. The kids are all shades, and they see no differences between them. It really is amazing.

**Ronan:** There is so much good with the Asian culture and people, let me just rattle off a few “things”...their patience, non-violent nature, love of children, pride, opportunism, culture and history, happy children and respect for elderly (nice combo) their food, fitness and parks!

Thank you dear reader for spending your time with me, Zai Jian! **Tang Muzhong**

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#### IV. Looking for a QA/QC Manager

##### QC Manager

- Spec: QC of soft toys/soft goods in each critical stage: development, signing off on models and prototypes, signing off as final molds are opened, looking at first shots of prototypes, signing off as product, maintaining safety during production. Someone with knowledge of CPSIA is essential.
- Location: New Jersey (and it's a "friendly" location).
- Salary: TBD - based on experience plus bonus.
- Notes: Client is an industry leader in their segment, long-standing and profitable. Everyone at this company is so nice, if you don't like them – YOU have the problem!

Please [email David](#) if you or someone you know might be interested in this position.

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#### V. David's 60-second Book Review: Outliers-The Story of Success

This is the book that introduces us to the "10,000 hour" rule which states that to succeed, truly succeed, at anything (business, pro sports, music or chess, etc); you need to devote 10,000 hours to that objective. Here's the rub, to have 10,000 hours to devote to anything, like ice time with a great skating/hockey coach or chess time with a grand master, you need time, money and lots of luck. In the author's opinion, the *luck* is that you have the time and money in the first place. Now "luck" isn't just having time and money it also applies to when you were born; including the month (for sports) and the year (for business).

Fancy this; the author researched the 75 richest people in human history – and we are talking about Kings, Queens, Saudi Princes and Egyptian Pharaohs and he found out that of those 75 people, 14 were Americans all born within a few years of each other in the 1830's. Can you say "industrial revolution"? Clearly their luck was being born at the right time (and the right place).

Outliers shows – proves – that the right birthday (see also Bill Gates, Steve Jobs, et al 1955), 10,000 hours of "practice time" and lots of luck are the keys to success. But really, who needs a book to tell you that?

**Outliers – The Story of Success by Malcolm Gladwell - ISBN: 9780316024976**

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#### VI. Licensing Case Study with Jerry Kapner of The Kapner Group

In 1993 **BEFORE** George Foreman won back his heavyweight title he was down and out; almost completely broke. He decided to return to the ring to make a few dollars when he was approached by appliance maker Salton who asked him to serve as their spokesperson for their new grill. George was delighted and asked how much this role would be paying him. "Nothing" was the answer. "We don't have any money at all to pay you George...but we could give you a piece of the *action*". That sounded a bit strange to George but he figured he needed the press for his run back to the ring

and if the grill took off it could be lucrative for him. Salton offered him **45 PERCENT** to be their new spokesman. George accepted. 5 years later Salton was tired of paying the draconian royalty and bought George out for **\$127,500,000.00 plus \$10MM in stock** for the right to use his image in perpetuity.

We asked licensing expert **Jerry Kapner** President of the **Kapner Group** to evaluate Salton's decisions.

**Jerry says:** As tempting as it might be to fall into the trap of observing that this product might not have needed a license at all, that would be completely irresponsible and politically incorrect. I will say, however, that hindsight is always 20/20 and if I was representing Salton in 1993, my answer might be very different and more circumspect.

If I recall correctly, Salton was going through very tough times during that period. They were hemorrhaging money, had no real brand identity, and this product might very well have been their final act. How radical was the concept of portable indoor grilling at the time? Truly a roll of the dice. Certainly the idea of offering no guaranteed payment for rights, in exchange for an increased royalty share was absolutely prudent. What I don't know is how many of the more obvious brands turned down Salton's license request before George Foreman accepted this exceedingly generous split.

Had they approached any of the then budding celebrity chefs (Emeril Lagasse, Bobby Flay etc.), or more established entities such as Julia Child, Paul Prudhomme among others? Did they look to home-style mavens like Martha Stewart or B. Smith, or targeted publishing lifestyle brands such as Women's Day or Good Housekeeping? How about licenses to trademark extend a traditional grill brand such as Weber? Again, to have been a fly on the wall.

It would be easy to criticize the disconnect between the product itself and the oversized Foreman as not making any sense. However, George had already done a number of endorsement deals, as was probably going to get a great deal of media coverage during his boxing comeback. He had his own reservoir of celebrity goodwill; not bad exposure for Salton. Also, again, who could have predicted that within a very short period of time, this grill would become a staple of the American apartment home? (Well maybe QVC who introduced the product, with who else, George Foreman as sales and spokesperson).

What does occur to me is (or was) the opportunity, post success, to license **out** the brand to other merchandise categories; not only in food preparation but perhaps other home furnishings classifications. Maybe Hasbro could have beefed up (no pun intended), their legacy Easy Bake line, or perhaps some synergy with a Burger King? How about specialty food categories, designed to be prepared on what we now all refer to as the ubiquitous "George Foreman"?

In a perfect world we always attempt to marry product and property. I have said before that a good property will generally not help a bad product. Well, the converse is true as well. A great and innovative product, if it gets a shot at retail, will succeed. George Foreman would probably tell you the same is true in the boxing game.

**The Kapner Group** is a licensing, retail merchandising, and brand development consulting firm. Please contact [David](#) if you would like to speak with or meet Jerry.

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## VII. Parting Shots – “Metrics” and “Analytics” – modern day *Fool’s Gold*.

I love useless information; especially if it is numerical or technical in nature. My car has a computer that tells me a lot of useful information like tire pressure or average miles per gallon. It also tells me some really useless (to me anyway) information like “throttle position” and temperature in Celsius of my transmission fluid in my “transmission sump pump”. Now really, what can I do with the information about the temperature in my transmission sump pump? I mean, as long as the fluid is in there I am not sure I really care that it is 72C.

When it comes to work I REALLY love useless information. I have programs that generates useless information about my website and email account and these nuggets of fools gold are called “metrics” and “analytics”. Just the sound of them makes them *seem* so useful! I have been charting and measuring, metric-ing and analytic-ing, my web and email servers for years and what have I learned?

Most of the traffic on my website happens on Monday (and Tuesdays). What these analytics don’t tell me is why? I assume the web travelers are coming to the site *en masse* early in the week because they are dissatisfied with their job and are checking my current jobs in the hope that by the end of the week they can leave theirs. Site traffic dies down on Friday as those same people have accepted their fate; that they are indeed still employed at their unfulfilling job. Fear not however weary web traveler as Monday will come around again and hope springs eternal. I also learned that the peak time for incoming emails is 3:00PM and most arrive on Thursdays. On both accounts...I have no idea why. If however you enjoy being in the herd then just visit my site on Monday and shoot me an email on Thursday...just make sure it is set to arrive by 3:00PM EST. And while you are at it...please let me know why you usually email me at 3:00PM; I do love useless information.

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