

To Create Its Hits, a Company Takes Its Toys on Tour

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The science of toy marketing has come a long way since Wham-O started giving away Hula-Hoops to children on playgrounds in the 1950s. Yet one of the hottest toys in stores this year owes its success to a marketing campaign straight from the Eisenhower era.

Last summer, teams of college interns roamed the Canadian countryside in large, colorful vans introducing children at summer camps and local fairs to Bakugan Battle Brawlers, a game played with small plastic balls that snap open into monsters when rolled across magnetic trading cards.

The trip took place months before the toys were available in stores or advertised on television, but it generated plenty of under-age word of mouth. When the toys hit stores in September, they sold out almost immediately, and even today retailers struggle to keep them in stock.

Bakugan Battle Brawlers are "one of the genuine hits of the spring toy season, for sure," said Kathleen Waugh, a spokeswoman for Toys "R" Us. "They sell out the minute they hit the store shelves."

Genuine hits in the toy industry are rare these days, particularly for products like Bakugan that need some explaining and lack familiar characters. But the company behind the product is Spin Master, a 14-year-old toy seller known for a grass-roots approach to marketing and a nimble strategy that has brought it a string of successes.

In 2007, Spin Master's sales grew by more than 60 percent, while the \$22 billion toy industry experienced a 2 percent dip in sales, according to the NPD Group, a research company. Some Spin Master toys that are not new, like Moon Sand, Tech Deck and Air Hogs, were among the top sellers, according to NPD. (They are, respectively, a type of sculpting material, a line of miniature skateboards, and a fleet of remote-controlled aircraft.)

The current big seller is riding a wave of popularity for toys like Pokémon that have a Japanese anime theme. The name Bakugan comes from the Japanese words "baku," meaning "to explode," and "gan," meaning "sphere."

Last month, as a line formed in front of the Toys "R" Us in Times Square to buy the latest hot video game — Nintendo's Wii Fit — store employees wearing Bakugan T-shirts helped shepherd the crowd. That morning, the actual Bakugan Battle Brawler capsules were sold out in the store, though ancillary products, like the arena for battling, were available.

"We continue to get replenishment, but the demand is extremely great," Ms. Waugh said, adding that all Toys "R" Us outlets are featuring Battle Brawlers in "end caps," which are prominent displays at the end of an aisle. "We are working diligently with Spin Master to get as much product as we can," she said.

Founded in 1994 in Toronto by three college friends, Spin Master received early attention in Canada for hiring homeless people to help build the company's first toy (a Chia Pet-like product called Earth Buddy). The company has since made a name for itself through a combination of marketing innovation and selective product acquisitions.

"We approach every product as though we're starting a new business," said Anton Rabie, chief executive of Spin Master. "We look at each product and figure out, how we are going to create demand? Who is the target consumer, and what is the most cost effective way to reach them?" To introduce Battle Brawlers, Spin Master chose the touring-van approach after deciding that the game was not easily explained in a 30-second TV commercial — and that the marbles-turned-robots simply look cooler in person than on the screen.

Spin Master has used van tours before, during the 1998 rollout of Air Hogs, a line of tiny remote-controlled helicopters. Back then, the vans visited air shows to find young flight enthusiasts.

For the 2006 release of Moon Sand, a clay-like molding product intended to compete with Hasbro's Play-Doh, Spin Master introduced a series of direct-response TV ads, the long-form "call now" commercials generally associated with exercise equipment and Ginsu knives.

Direct-response television "hasn't generally worked with toys," Mr. Rabie said, "because kids don't have credit cards and they aren't watching TV at 12 o'clock at night." But for Moon Sand, which appeals to children under 4, the approach found success by selling parents on the idea of easy cleanup and portability.

Gerrick Johnson, a toy industry analyst with BMO Capital Markets, called Spin Master's infomercial approach "one of the greatest innovations in toy marketing." The company has replicated the approach for other items, like the Aqua Doodle Wall Mat, a mess-free board for scribbling.

One new marketing element for Bakugan has been a half-hour TV show on Cartoon Network that was introduced in February. This time, Mr. Rabie said, Spin Master was just taking a page from Hasbro, which turned Transformers into a global toy franchise by making them the centerpiece of a cartoon show, comic books and a Hollywood movie.

"Regular TV advertising is becoming less effective," Mr. Rabie said. "Content is king."

Not that Spin Master doesn't advertise on TV. Commercials on Saturday morning cartoons are part of its marketing mix, but they tend to play a supporting role.

Another way Spin Master tries to drive up demand is by limiting the inventory it delivers to stores. "Spin Master is managing it very well by not flooding the market," said Mr. Johnson, the toy industry analyst. This fosters a "treasure hunt" atmosphere that gets children trading the toys as well as shopping for them.

Mr. Johnson said that Spin Master's relatively small size — it has 600 employees — helped make it nimbler than larger competitors. "They're not bound by the pre-existing culture of the toy industry," he said. "They don't have to develop the toys themselves. If someone brings them the right idea, they'll develop it."

That approach has earned them the ire of some in the industry, who criticize Spin Master for a mercenary approach to innovation. Bakugan was acquired from an independent New York inventor, and Spin Master then developed it in conjunction with Sega, the Japanese electronics company.

Mr. Rabie defends his headlong approach, calling it the key to success at a time when kids are outgrowing toys at a younger age. "We have no ego about where the idea comes from," he said. "Lots of ideas come from in-house, but even more come from outside."

That mantra does not apply to marketing, however. Spin Master spends more than \$30 million a year on it and almost never uses outside advertising agencies, instead relying on its own department of about 30 people. "That's been a competitive advantage for us," Mr. Rabie said. "We understand the product better than anyone else, and we don't want to delegate that."

The company experienced a setback last year when 4.2 million units of one Spin Master toy, Aqua Dots, were recalled because they contained a glue that turned toxic when ingested. Two children became ill and briefly fell into comas after eating the product, though both fully recovered. Analysts gave the company high marks for dealing with the situation effectively and quickly moving beyond it.

Spin Master's next marketing frontier is the Web, where it has already found success with YouTube channels that gather communities of children around their products. This summer,

the company plans to introduce a virtual world Web site for its Tech Deck toys, a line of finger-operated skateboards.

As for future product introductions, Mr. Rabie is tight-lipped. "We have a great pipeline of potential properties to work on," he said. In selecting which ones to pursue, he said, "Being able to think like a 5-year-old helps."

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