

is all about and getting them to ask for it at their local stores—that's going to have a much broader effect on the market."

*"We've been in this business for 100 years and want to be in it for another 100. . . . This is not philanthropy. This is about incorporating sustainable coffee into our mainstream brands as a way to have a more efficient and competitive way of doing business"*

Annemieke Wijm, Senior Director for Commodity Sustainability Programs, Kraft Foods

Kraft recently signed an accord with the Rainforest Alliance; Kraft, which buys about 10 percent of the world's coffee crop, agreed to buy beans that are certified as produced with sustainable agricultural practices and blend them into their mass-market brands. The purchases will amount to about \$3.1 billion annually and will benefit farmers in Brazil, Colombia, Mexico, and Central America. Tensie Whelen, executive director for the Rainforest Alliance, hailed the accord, noting, "This step by Kraft marks the beginning of transforming the coffee industry. You have a company capable of shaping markets commit to buying a significant amount of coffee and to mainstreaming across their brands and not 'ghettoising' it in one brand."

Meanwhile, industry experts disagree about ways to reduce the supply of low-quality beans. A recent Oxfam report recommended government financing to destroy 5 million bags of robusta beans currently being stored in warehouses in developing countries. Others would prefer not to ask for government intervention. Peter A. Reiling, president and chief executive of Technoserve, a nonprofit organization that

promotes socially responsible entrepreneurship in developing countries, noted, "It's an emotional issue and everyone seems to have a different solution. I'd say there's no one silver bullet, but there are market solutions."

## Discussion Questions

1. Is it important for coffee marketers, such as Starbucks, Kraft, and Nestlé, to create "ethical supply chains"? Why?
2. A recent study by the U.K.'s Institute of Grocery Distribution determined that the majority of consumers do not buy fair-trade products. The report noted, "Self-interest is at the center of food choice for most consumers. Few consumers consider the impact of their purchase decisions on anyone or anything but themselves and their family." Do you agree with this finding?
3. What recommendations would you make to help cure the ills of the coffee market?

Sources: Elizabeth Weise, "Fair Trade Sweetens Pot," *USA Today*, February 9, 2005, p. 6D; Mary Beth Marklein, "Goodness—To the Last Drop," *USA Today*, February 16, 2004, pp. 1D, 2D; Tony Smith, "Difficult Times for the Coffee Industry," *The New York Times*, November 25, 2003, p. W1; Sara Silver, "Kraft Blends Ethics with Coffee Beans," *Financial Times*, October 7, 2003, p. 10; Tim Harford, "Fairtrade Tries a Commercial Blend for Coffee," *Financial Times*, September 12, 2003, p. 10; In-Sung Yoo, "Faith Organizations Throw Weight Behind 'Fair Trade' Coffee Movement," *USA Today*, December 2, 2003, p. 7D; Peter Fritsche, "Bitter Brew: An Oversupply of Coffee Beans Deepens Latin America's Woes," *The Wall Street Journal*, July 8, 2002, pp. A1, A10.

## Case 4-2

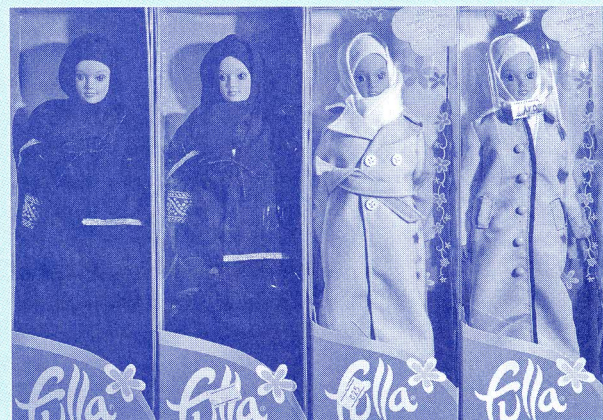
### Barbie: Growing Pains as the American Girl Goes Global

In 1976, a time capsule was buried to commemorate the U.S. bicentennial. The capsule contained items that captured the essence of America and included a Barbie doll, described as the "quintessential American." Thirty years later, Barbie has become much more cosmopolitan. Although Mattel generates about 60 percent of its annual revenue in the U.S. market, millions of girls around the world have adopted Barbie as a favorite toy; Barbie is sold in more than 150 countries. Overall, Barbie is the best-selling toy brand in the world, and Mattel is the world's largest toy maker. However, as Barbie approaches her fiftieth birthday, the fashion doll's popularity is declining at home and abroad. For example, Bratz, a competing doll line featuring racing fashions, has exploded in popularity. By contrast, in the Middle East, the hottest-selling doll line, Fulla, is associated with Islamic values such as modesty and respect. Also, young girls are gravitating towards electronics devices such as digital music players. These and other trends spell trouble for Mattel, which depends on Barbie for about 20 percent of its annual sales.

What was the secret to Barbie's first several decades of success? Ruth Handler, Barbie's creator, believed that all children needed to play with mature dolls to effectively project their fantasies of growing up (Handler's children were named Barbie and Ken). Though Mattel's executives initially believed

that a doll with a womanly bosom was improper and would never sell, Barbie became an instant success with American children.

Over time, Barbie's look has changed to reflect changing fashion and cultural trends. In 1968, for example, the first black Barbie was introduced to cater to the growing African-American market. Hispanic and Asian American Barbies have also been created in response to the growth of America's other ethnic markets. It was a natural step for the Mattel to target untapped groups of children in other parts of the world. A strategy dubbed "Mattel 2000" focused on the company's direction during the decade of the 1990s. As former CEO John Amerman noted,



"There are twice as many children in Europe as in the U.S. . . . three times as many in South America and fifteen times as many in Asia . . . the potential market for products like Barbie . . . is mind boggling." However, although Barbie has been successfully adapted to cultural differences in the United States, the opportunities for international growth come with formidable challenges. Even so, according to current CEO Robert Eckert, Mattel is "dedicated to becoming a truly global company."

## Europe

Mattel adopted a pan-European, regiocentric approach to the Western European market. Barbie is a huge success in Europe; children in Italy, France, and Germany average five Barbie dolls in their toy collections. In the early 1990s, Mattel developed a new "Friendship Barbie" to sell in Central and Eastern Europe. The new doll was less elaborate than its Western European counterpart, which sports designer clothes and accessories. By contrast, Friendship Barbie reflects the more basic lifestyle children had experienced under communism. However, although Mattel has experimented with multi-cultural dolls, the company discovered that little girls in Europe prefer the well-known American Barbie to the local versions.

## The Middle East

Since being introduced in the Middle East, Barbie has faced opposition on political, religious, and social grounds. Parents and religious leaders alike object to the cultural values that Barbie and Ken portray. Writing in the *Cairo Journal*, Douglas Jehl noted, "To put it plainly, the plastic icon of Western girlhood is seen in the Middle East, where modesty matters, as something of a tramp."

In Egypt and Iran, Barbie faces competition from several new doll brands aimed at providing an Islamic alternative to Barbie. As one Arab toy seller noted, "I think that Barbie is more harmful than an American missile." Barbie's challengers include demure-looking dolls such as Laila, who was designed according to recommendations of participants at the Arab League children's celebrations in 1998. Laila wears simple contemporary clothes such as a short-sleeve blouse and skirt and traditional Arab costumes. Abala Ibrahim, director of the Arab League's Department of Childhood, believes "there is a cultural gap when an Arab girl plays with a doll like Barbie . . . the average Arab girl's reality is different from Barbie's with her swimming pool, Cadillac, blond hair and boyfriend Ken."

Despite the cultural differences and a price equal to seven times the average monthly salary, Barbie has been highly successful in Iran. It remains to be seen whether Barbie, who is "forbidden by Islam," will struggle against new local competitors Sara and Dara, which have been created expressly to compete against Barbie. The dolls feature traditional clothing and headscarves and are available with family members, thus, reinforcing the importance of family for Iranian children. The dolls were launched in 2002 at prices about one-third of Barbie's.

Neither Laila nor Sara has achieved the popularity of Fulla, a doll named after the fragrance of the jasmine plant. Syria-based NewBoy Design Studio introduced Fulla in 2003. Packaged in a shiny pink box, Fulla dolls are clothed in modest "outdoor fashions." These include the hijab, or traditional headscarf, and a long gown known as an abaya; a pink prayer rug

is included with each doll. As Fawaz Abidin, Fulla brand manager for NewBoy, explained, "This isn't just about putting the hijab on a Barbie doll. You have to create a character that parents and children will want to relate to. Our advertising is full of positive messages about Fulla's character. She's honest, loving, and caring, and she respects her father and mother."

## Latin America

In Brazil, Barbie faces stiff competition from a cheaper local rival. Latin America was one of the first non-U.S. markets Barbie entered. Brazil is an important market for Mattel because dolls account for 37 percent of the country's annual \$430 million in toy sales. However, Barbie has been losing market share to the Susi doll manufactured by Estrela, the company once licensed to distribute Barbie in Brazil. Due to Susi's overwhelming popularity, Estrela introduced Susi in Chile, Argentina, Paraguay, and Uruguay in 2000. Susi's success can be attributed to both a lower price and the inclusion of realistic Brazilian touches allowing Brazilian children to identify with Susi. Susi is a blond with a small chest and waist but wide thighs and dark skin, similar to Brazilian girls. Susi represents the philosophy that "young girls want dolls that show them as they are, not as they want to be."

## Asia/Japan

Mattel has learned that, to be successful within a foreign culture, Barbie does not need a total overhaul but instead can be very profitable with minor cosmetic changes. For example, Barbie was successfully launched in India in 1995 and, while the core product remains unchanged, Indian dolls are painted with a head spot and dressed in a sari.

Mattel has had more difficulty conquering the world's second-largest toy market, Japan. The Japanese toy market is worth \$8 billion in annual sales and is vital if Mattel is to achieve its goal of becoming more global. The Japanese market is notoriously difficult to penetrate as Mattel has found during 20 years of doing business in the country. Companies entering Japan must contend with complex distribution systems and intense competition from Japanese brands. Furthermore, dolls have a strong tradition in the Japanese culture with a heritage of over 800 years and ceremonial importance.

Mattel's initial attempts to market Barbie in Japan met with limited success. Management presumed that Barbie's success in other markets would be replicated in Japan. As John Amerman, CEO of Mattel in the mid-1990s, noted, "They didn't know what that product was, and it didn't work." To boost sales, Mattel enlisted the services of Takara, a Japanese toy specialist. Through focus groups, Mattel learned that Barbie's legs were too long and her chest too large—in short, Japanese girls didn't relate to Barbie's physical attributes. Also, Barbie's eyes were changed from blue to brown, and the doll ultimately took on a look that was appealing to the Japanese children's sense of aesthetics. The Takara Barbie was born.

Although sales improved, a licensing disagreement prompted Mattel to terminate the relationship with Takara and search for a new partner in Japan. Takara continued selling the doll as Jenny, which, ironically, became a competitor to the new Japanese Barbie. In 1986, Mattel joined forces with Bandai, Japan's largest toy company. Bandai produced Maba Barbies

("Ma" for Mattel and "ba" for Bandai) with wide brown eyes. Due to its similarities to the Jenny doll, however, Maba Barbie was withdrawn from the market before it achieved success. Maba was replaced by Bandai Barbies, which were again similar to Jenny, possessing the wide-eye look but wearing mainly ball gowns and unimaginative clothing.

Once again, market success eluded Mattel. Mattel was committed to neither Japanese style nor an American style and competed poorly against dolls whose identity was well defined. However, Mattel realized that its competitive advantage lay with its American culture. Though Mattel had attempted to adapt to the Japanese culture, Mattel discovered once again that girls prefer the well-known Barbie to the local versions. In 1991, Mattel ended its relationship with Bandai and opened its own marketing and sales office in Tokyo. Mattel introduced its American Barbie to Japan and experienced success with "Long Hair Star Barbie," which became one of the top-selling dolls in Japan. Although financial losses mounted until 1993, in 1994 Barbie made a profit in Japan with sales almost doubling since its reintroduction.

In 1999, Mattel refocused its Japanese efforts. Then-CEO Jill Barad promised to double Mattel's international sales within 5 years. To this end, a Japanese native named Sam Sugiyama was placed in charge of Mattel's Japanese operations; previously, American expatriates had held the position. Sugiyama stated that Mattel was "very anxious to do something quickly," understandable considering its past problems in the market. After almost 20 years of perseverance in Japan, it was imperative that Mattel improve its position. Therefore, the company joined forces once again with Bandai to form a marketing, sales, and product development alliance in an effort to tackle the complex Japanese distribution system. At the end of 2001, new CEO Robert Eckert reported that Mattel's strategic partnership with Bandai had "eliminated chronic operating losses" in Japan.

### **Mattel's Twenty-First-Century Challenge: Breathing New Life into Barbie**

Writing in Mattel's 1999 *Annual Report*, acting CEO Ronald Loeb promised that the company "will proactively adapt its products to local tastes, economic conditions, and pricing, rather than viewing the rest of the world as an extension of our U.S. strategy." At the same time, Richard Dickson, senior vice president of Mattel's girl's consumer products worldwide, believed Barbie's global strategy must originate from a perspective of worldwide cohesion. He noted, "If I go on a plane from France to Japan to the United States and there's a Barbie billboard, you're going to sense that it's the same Barbie [in all three countries]." To facilitate its global approach, Mattel has given the U.S. president of Barbie the full responsibility for the brand around the world.

Even as Mattel executives tweaked the company's global strategy, a new competitive threat appeared on the home front. In 2001, MGA Entertainment—whose chief executive, ironically, is a native of Iran—introduced Bratz, a line of fashion dolls with oversized heads and a "street" attitude. In both the United States and Europe, they are most popular with girls 8 to 12 years old, a segment known as tweens. Within three years, global sales of Bratz dolls—in edgy black and purple

boxes—and merchandise totaled \$2.5 billion. In 2003, alarmed that Barbie's share of the fashion doll market had dropped from 85 percent to 70 percent—a decline attributed largely to the success of Bratz—Mattel responded by rolling out its own line of trendy dolls for tweens called Flavas.

Mattel's management team was also faced with another critical decision. To rekindle Barbie's appeal to American girls under the age of 8, should they radically overhaul Barbie, and risk alienating young girls and their moms? Could such a proposal be embraced by Mattel's corporate culture? As one marketing consultant put it, "There's a depth that's missing from the Barbie brand. Mattel needs to build a foundation for this age and time. They need to ask 'What's my story? What is Barbie's new direction for the long term?'" Adds brand consultant Ken Markman, a former Mattel executive, "It's not a function of saving Barbie, it's a matter of recognizing what made her powerful to begin with and making that relevant today."

### **Discussion Questions**

1. Describe Mattel's global marketing strategy for Barbie and assess its success. Does management demonstrate that it understands and embraces the need to "think global and act local"?
2. Approximately 90 percent of the world's children live in developing countries. Despite recent negative sales trends, Barbie remains the most popular toy in the world. What must Mattel do to capitalize on the strategic strength of the Barbie brand and take advantage of market opportunities around the globe?
3. How important is culture in dictating children's toy preferences? Will cultural differences result in failure for Mattel as the company faces new competitors in the Middle East?
4. Industry observers often refer to Barbie as an "icon." What does this mean? What should Mattel executives do to turn around sales of Barbie in the United States?

This is a revised and updated version of a case written by Alexandra Kennedy-Scott, David Henderson, and Michel Phan, ESSEC Business School. Used by permission. Sources: Edward Iwata, "How Barbie Is Making Business a Little Better," *USA Today*, March 27, 2006, pp. 1b, 2B; Michael Barbaro, "Breaking Up Was Hard to Do," *The New York Times*, February 9, 2006, pp. C1, C6; Souheila Al-Jadda, "Move over, Barbie," *USA Today*, December 14, 2005, p. 23A; T. L. Stanley, "Barbie Hits the Skids," *Advertising Age*, October 31, 2005, pp. 1, 33; Katherine Zoepf, "This Doll Has an Accessory Barbie Lacks: A Prayer Mat," *The New York Times*, September 22, 2005, p. A4; Queena Sook Kim and Ichiko Fuyuno, "Barbie's New Clothes," *The Wall Street Journal*, January 30, 2004, pp. B1, B3; Maureen Tkacik, "Dolled Up: To Lure Older Girls, Mattel Brings in Hip-Hop Crowd," *The Wall Street Journal*, July 18, 2003, pp. A1, A6; Richard Dickson, "Marketers of the Next Generation: Richard Dickson," *Brandweek*, April 8, 2002, p. 30; David Finnigan, "Mattel Dolls Up Barbie 'Nutcracker' with a Little Help from McD," *CBS*, *Brandweek*, July 16, 2001, p. 6; Jan Golab, "King Barbie: How I Gussied Up America's Favorite Toy and Turned My Struggling Company into a Megatoyopolis," *Los Angeles Magazine*, August 1, 1994, p. 66; Lawrence B. Chonko, "Case Study: Alliance Formation with Direct Selling Companies: Avon and Mattel," *Journal of Personal Selling & Sales Management* 19, no. 1 (Winter 1999), p. 6; "Big Game Hunting," *Economist*, April 17, 1999, p. 68; Mattel Inc. *Annual Report* (various years).