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Elmo's tickled red

The latest animatronic version of the "Sesame Street" character shows signs of becoming this year's hottest holiday toy.

By Abigail Goldman
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Bright red as ever, Tickle Me Elmo is back on retailers' shelves this holiday season, moving like never before.

This year, he bowls over in a fit of giggles, kicks his feet and turns himself over to pound an arm on the floor as he guffaws. That done, he stands back up again.

Elmo is also being peddled like never before. Mattel Inc. kept the doll's tricks under tight wraps until its unveiling in September. Most retailers placed their orders without having seen the doll itself.

And Elmo is selling like crazy. Parents are clearing out retailers' stocks — in many cases in one day — creating an early holiday sensation and the first real must-have toy since the late 1990s.

"We had thousands of people prepay to reserve an Elmo that really was sight unseen," said Ernie Speranza, the chief marketing officer of KB Toys, a chain based in Pittsfield, Mass. "It was the best one-day product launch [we've] seen in 30 years."

Now, thanks in part to the laughing red creature, industry analysts predict the hottest season in five years for the \$22-billion U.S. toy business. Some are already calling it the "Elmo Effect."

"The customers are calling the stores every day to find out if they got any in stock," said Scott McCall, Wal-Mart Stores Inc.'s chief toy merchant. "It's created a lot of demand and a lot of interest in the toy business."

The industry excitement partly reflects a wide range of potential big sellers this year. Parents who don't find Elmo are likely to be wooed by a host of other offerings: a Fisher-Price digital camera, a flying car from Jakks Pacific Inc., new Bratz dolls sporting real diamond bracelets from MGA Entertainment Inc. and Hasbro Inc.'s updated board game Monopoly Here & Now.

And just to make sure parents get the message, Wal-Mart launched the opening salvo in this year's toy wars, announcing last week that it was cutting prices on more than 100 toys and games.

Elmo, the sweet, furry "Sesame Street" character with an infectious giggle, became a retailing hit a

decade ago, when what was then Tyco Toys launched its first laughing and quaking Tickle Me Elmo doll.

Mattel's Fisher-Price infant and preschool division bought Tyco the following year, and Elmo has been a flagship brand for the \$5-billion-plus company ever since.

Fisher-Price has held kids' interest by releasing a new iteration of the toy each year. In 2002, for example, the company released Chicken Dance Elmo, which wore a fuzzy yellow costume, flapped its arms like wings and sang the chicken dance song.

This year's version is called T.M.X., which stands for Tickle Me Elmo Extreme, and it celebrates the 10th anniversary of the original doll. (Mattel said the X also was meant to be a play on the Roman numeral for 10.) Its suggested retail price is \$40.

For Mattel and its retailers, the unusually early hit is twice as delicious.

The September sellout gives the toy people an extra shot at hawking the product, because they have time to get more Elmos before the customary kickoff for holiday shopping, the day after Thanksgiving.

"The traditional toy business hasn't had something like this in quite a long time, so it's nice to get a few bites at the apple," said Ronald Boire, the domestic president of Wayne, N.J.-based Toys R Us Inc., which includes more than 500 stores.

Retailers every year tout sought-after toys during the holiday season, from Pokemon trading cards to Harry Potter-themed games, many of which sell out.

But the industry hasn't had a true toy craze since 1998. That year, every TV news show featured snaking lines of parents, bundled up against the predawn cold, waiting outside stores for a chance to buy the must-have toy: Furby.

The fuzzy critter from Hasbro's Tiger Electronics, the first "smart" plush toy, looked a bit like a squashed owl. For about \$30, it was both voice and motion activated, responded to language and movement and had a 200-word vocabulary.

What T.M.X. and Furby have in common is innovation, said M. Eric Johnson, a professor of management at Dartmouth College's Tuck School of Business who studies the toy industry.

"Elmo definitely has that," he said. "The combo of movement and laughter, there's nothing quite like that."

Like the original Tickle Me Elmo in 1996 and Cabbage Patch dolls in 1983, Furby dolls took off in October and sold out in November, when it was mostly too late to manufacture and ship more of the products from Asia in time for the holiday.

Toy makers traditionally ship their goods to stores in late summer or early fall, but save the marketing muscle for closer to holiday time, when toys are on consumers' minds.

Elmo's fortuitous timing, which was put into motion more than a year ago, was an accident born of manufacturing schedules that wouldn't allow for shipping the toys by the end of summer and Mattel's desire to keep the toy from being lost in the pre-holiday crush.

"If I were at Mattel, that would be the thing that would give me the most sleepless nights, not the product itself but the timing of the introduction," said Speranza at KB Toys, which has more than 600 stores nationwide. "It was so early — usually you think, fish when the fish are running."

But because of Elmo's popularity, both as a toy and as a Sesame Street character, Mattel had the ability to drum up early interest and then the opportunity to sell more than it might have if it had waited, retailers said.

"Mattel has been able to respond to it and it will be good for their business," said Boire of Toys R Us. "They got a read very early on — we were screaming for more product within hours on the day we launched it."

The El Segundo-based toy maker said it was making and shipping Elmo as fast as possible — denying speculation that it was using the shortage to build demand — which is good news for the retailers.

"We could use every one we can get our hands on," said Speranza, who added that in many cases, the new shipments don't ever hit the shelves; they're sold to customers on waiting lists.

At the Aahs novelty store in Sherman Oaks, a sign last week proclaimed, "Tickle Me Elmo in stock," — but the only T.M.X. on the shelf spoke Spanish.

T.M.X. dolls are available in foreign markets, speaking 12 different languages. But not all of the countries have Elmo in the local version of "Sesame Street," so some T.M.X.'s are based on the show's Ernie character.

Like many other retailers, Aahs said it was getting more Elmos in regularly.

Wal-Mart boasted that it had more of the dolls than anyone else. But even in the stores of the nation's largest toy seller, Elmo can be scarce.

"I was in a store yesterday that received a shipment the night before and was sold out of it by 8:15," said Wal-Mart's McCall. "It was on the floor for less than 30 minutes."

That a 10-year-old toy could be revived into a craze is surprising, Johnson of the Tuck School said.

"There is not a lot of precedent for reruns like this to be that successful, even when it's updated," he said. "If you'd have asked me a year ago if they'd have been able to pull it off as well as they have, I would not have said yes."

The first Tickle Me Elmo, released in 1996, laughed and shook when its tummy was pressed.

The toy became its own craze after it was featured on Rosie O'Donnell's television show in October of that year.

Thereafter, Mattel introduced new versions of the toy, including Hokey Pokey Elmo, which sang and turned itself around, and E-L-M-O, which spelled out the letters to its name with its arms while singing to the tune of the Village People song "Y.M.C.A."

"Certain toys transcend the item itself and T.M.X. has done that," Speranza said. "It's brought

excitement for the whole toy industry."

Mattel said it wasn't clear what anyone could learn from the T.M.X. example beyond the importance of having a great product.

"To think we could replicate this going forward would be a very hard task," said David Allmark, a Fisher-Price general manager.

"It can't be guaranteed and it can't be done by design," he said. "Quite honestly, you still require a bit of luck at the end as well, and we've been exceptionally lucky."

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(INFOBOX BELOW)

The \$22-billion U.S. toy industry hasn't had a runaway toy sensation since 1998, when a talking critter named Furby captured the country's attention. In other years, a line of toys or collectibles gave parents a few different ways to appease fad-hungry kids.

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1993: *Mighty Morphin Power Rangers — Batman action figures*

1994: *Mighty Morphin Power Rangers, Lion King toys*

1995: *Star Wars action figures*

1996: *Tickle Me Elmo, the original*

1997: *Tamagotchi virtual pets*

1998: *Furby, the original*

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Source: Times research

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Smiling through the years

1996: The first Tickle Me Elmo laughs and shakes to become a toy wonder.

1998: Walk 'n Talk Elmo comes with removable sneakers.

1999: Rock 'n Roll Elmo sings and strums a guitar that lights up.

2000: Let's Pretend Elmo acts like a cowboy, a monkey, a baby and more.

2001: To keep everyone guessing, Tickle Me Elmo Surprise features five ticklish spots.

2002: Chicken Dance Elmo sings and dances to the popular poultry song.

2003: Hokey Pokey Elmo turns himself around.

2004: E-L-M-O sings and dances to his own version of "Y.M.C.A."

2005: Shout Elmo dances lower as the volume of the song "Shout!" gets "a little bit softer now."

2006: T.M.X. Elmo, another retailing phenomenon.

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Source: Mattel

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