Lessons in Managing Demand from the Toy Industry

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Lessons in managing demand from the toy industry is a challenge faced by toy companies. The toy industry, like many others, has a short and quick turnover of products. This means that the companies must adapt quickly to changing trends and consumer preferences. The toy industry is also known for its high seasonality, with peak sales during the holiday season. This makes it difficult for companies to predict demand accurately.

Another successful approach to reduce demand variability is a rolling mix strategy. For example, prior to 1994, sales of die-cast cars, including Hot Wheels, were relatively flat. However, demand for individual styles was hard to predict and highly variable. Starting in 1994, Mattel incorporated a new marketing strategy to sell die-cast cars. Mattel determined that variety was the key driver of sales. If customers saw new products every time they went into the store, they were more likely to buy. The company implemented a rolling mix strategy that changed the physical 72-car assortment mix by 7–8 percent every two weeks. Over the course of a year, the product line changed over two times entirely. This strategy developed an organized, non-reactive method of new product introduction and old product obsolescence. By rolling the mix, Mattel was able to market a much broader range of SKUs without requiring any additional retail shelf space.

Major toymakers are proactive in seeking out new ways to stabilize high demand variability associated with toy sales. This includes product extensions to help flatten out demand, building on familiarity instead of fashion. However, these efforts are not enough. The industry is cyclical with a persistent group of hit toys that just cannot be anticipated.