

The Pending Paradigm Shift for the Toy Industry and Four Ways to Prepare for Impending Change

by Nancy Zwiers

Are we headed toward a drastic change in the toy industry? That was the assessment of Anat Lechner, Ph.D., a thought-provoking speaker at the recent annual industry conference, ToyCon 2009. Lechner is clinical associate professor of business management at the Stern School of Business, New York University, and an expert in change readiness and change management.

She talked extensively about her experience in paradigms, a term used to describe conceptual models for how to understand and operate within given circumstances. For example, the way an industry works is a paradigm. Any given paradigm rises and eventually gives way to a new paradigm in an ongoing pattern called “paradigm shifts.”

From her expert perspective, Lechner seemed to think we are headed for a paradigm shift in the toy industry, and that calls for us to ready ourselves for drastic change. The best way to ready ourselves for change is to invent our new future. Lechner suggested four areas to explore that could help us



align ourselves powerfully with how the future is unfolding. These four prompts can yield substantial new ways to innovate our business models. And let's face it, we are great at innovating product lines, but as an industry, we are relatively slow to innovate our models for how we conduct our business.

Four Ways to Prepare for Impending Change:

- Synergy
- Consumer Involvement/Customization
- Connection/Community
- High-Tech/High-Touch

Synergy

Look for new ways to bundle resources together to create value.

An incisive point made is that it is very difficult to imitate synergy. To the extent that you create synergy, you create a competitive advantage that is difficult to “knock off.” Think about the synergy Disney cultivates

and leverages across its many lines of business and one can readily see how synergy is difficult to imitate. We are beginning to see the dawn of brand-new types of collaborations that are designed to create synergy. A prime example in recent industry news is the alliance between Hasbro and Discovery Communications, which affords Hasbro unprecedented synergy between its toy brands and TV entertainment. Key members of the video game industry (e.g. Electronic Arts) exhibited at Licensing Show for the first time ever. Funosophy, Inc. has launched a new initiative called Collaborative Invention, which bundles the different skill sets of contributors (marketers, designers, model-makers, copywriters, etc.) in order to create more powerful new toy brand concepts for manufacturers.

Consumer Involvement/Customization:

Look for new ways to involve consumers and allow them to customize their experiences with your brand.

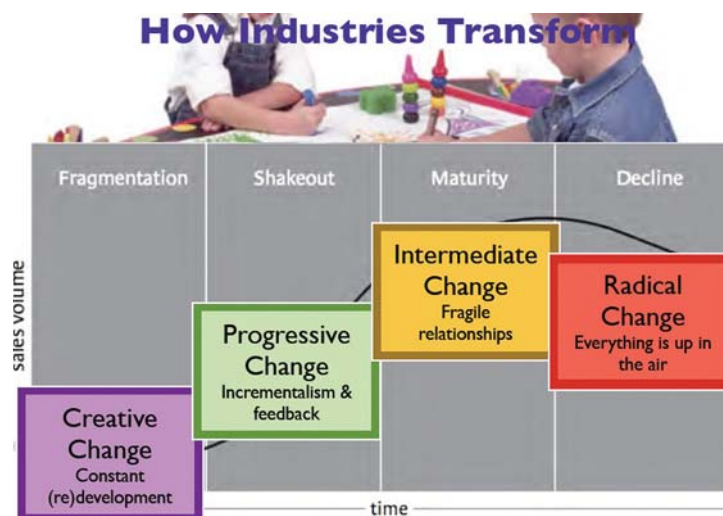
This is the era of user-generated experiences, user-generated content. Web 1.0 (companies talking to consumers) has given way to web 2.0 (consumers sharing among one another and actively interacting with companies and their brands—think YouTube). Will Wright, creator of *The Sims*, has created a new type of game experience where individuals can actually populate the game with their own creations (characters, etc.) not just for themselves, but for other players to access as well. Virtual worlds let consumers create their own avatars and decorate their environments. How can we bring that level of consumer involvement to our toys? How can we employ consumer input in an organic fashion such that they end up with a sense of ownership over what they helped create? This goes way beyond traditional research.

Connection/Community

Look for ways to connect and build community, both in terms of business models and around your brands.

ToyCon is the perfect example of building community on an industry level. Almost without exception, attendees report a powerful new sense of connection with their industry colleagues in a way that unleashes new business-building opportunities. Brands with strong and passionate franchises like Barbie and LEGO are creating spaces where their followers can come together in community and not only online (I still remember my first Barbie collector convention). In fact, purveyors of collectibles from toys to comic books to trading cards—you name it—leverage the idea of community to take their business to new levels. One speaker at ToyCon, a software developer for iPhone apps, shared a startling statistic: kids play mobile games an average of seven minutes at a time, but if they can share, that average triples. Talk about upping the level of engagement.

How Industries Transform



High-Tech/High-Touch

Look for ways to combine the power of technology while still cultivating a sense of emotion and feeling.

This concept was first introduced in the '80s with John Naisbitt's best-seller, *Megatrends*. Apple is a great example of a company combining the power of high-tech and high-touch—their products inspire a surprising degree of emotional connection. In our own industry, LeapFrog took a high-tech product, the LeapPad, and developed an emotionally charged advertising campaign around it. Learning Curve Brands launched the most high-tech doll house full of electronics, but it also incorporated the very emotional positioning of helping your child learn to care, share, and prepare for responsibility. Every time I see a ping-pong table in a software developer's office space, I think high-tech/high-touch.

The best way to predict the future is to invent it—now we have four powerful tools to help us do that. ■

Nancy Zwiers is CEO of Funosophy, Inc., a strategic marketing consulting firm. Funosophy is pleased to announce the launch of its own Collaborative Invention initiative, specializing in the creation of innovative brands for girls and preschoolers. For more information, call (562) 436-5251 or email info@funosophy.com.