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GLOBAL

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Master Transformer

Brian Goldner is positioning Hasbro as a global entertainment and brand powerhouse.

Plus:

- News from CES '09
- Toy Fair Preview
- MAGIC Spotlight

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TRANSFORMERS' 25TH ANNIVERSARY

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Who You Know, What You Know



Tony Lisanti
Editor-in-Chief

Several of the world's largest retailers are changing leaders in these volatile economic times including Walmart, Target, Best Buy, Walgreens and Borders.

This could mean a few changes in corporate strategy and possibly some new merchandising opportunities as well.

It certainly is important, regardless, for licensors and licensees to keep abreast of the changes and new executives, start building some new relationships, and start pitching some new licensing and merchandising programs.

■ **Walmart.** Lee Scott, president and chief executive officer of Walmart for the past nine years, will step down at the end of this month. Mike Duke, former head of international, will step into his position, and Doug McMillon, former head of Sam's Club, will take over international. So look for the strategy of best practices, a fundamental Walmart principle, to be in place as these executives will likely incorporate their respective successful business practices in the international division and Sam's Club into their new roles. Look for new opportunities in Canada, where the entire brand strategy is being overhauled and in Chile, where Walmart just finalized a deal for Distribución y Servicio D&S S.A., Chile's largest food retailer, and, of course, in sustainability and health care, which Scott spearheaded during his tenure. At its quarterly sustainability meeting on Jan. 26, Walmart committed to reduce phosphates in laundry and dish detergents by 70 percent by 2011 and to reduce packaging by 5 percent by the end of 2013.

Look for additional licensing initiatives in entertainment, apparel, home and food.

■ **Target.** Industry veteran Bob Ulrich retired from Target (Dayton-Hudson, for those that might remember the company's previous name) giving way to Gregg Steinhafel to take over as chairman. Under Steinhafel, Target will continue to re-evaluate designers and brands as well as expand its food business to drive traffic and keep pace with Walmart. About three weeks ago, Target announced an exclusive home collection with designer Orla Kiely including

domestics, housewares and decorative products.

■ **Best Buy.** Veteran Brad Anderson will step down this May and longtime insider Brian Dunn, who started as a sales clerk almost 25 years ago, takes over. Dunn will likely stick close to the Best Buy customer-centric strategy, however, look for continued opportunistic non-traditional licensing and merchandising programs to complement its core tech space, a la the Liz Claiborne fashion accessories collection. In addition, Best Buy remains a major player in music, entertainment and video games, which could pose new and innovative merchandising tie-ins and promotions.

■ **Walgreens.** Veteran of 26 years with the drug store chain, Jeff Rein's abrupt resignation last October left the retailer searching for a successor and actually holding its annual shareholders meeting on Jan. 14 without a new leader. But shortly thereafter, Walgreens remained true to its conservative culture and prowess, naming 29-year veteran Greg Wasson to succeed Rein as president and chief executive officer, opting for continuity rather than the changes an outsider would have likely championed. The drug retailer is re-evaluating all of its non-pharmacy categories in order to streamline its SKUs and focus on top-selling merchandise. The goal is to drive traffic and offer greater value, so look for more licensing, brand and holiday promotions in food and HBC.

■ **Borders.** Lots of executive changes for the book retailer including chief executive officer George Jones, who was replaced by non-retail executive Ron Marshall, formerly principal of a private equity firm. It's always a telling sign when a retailer puts a financial guy in charge. Nonetheless, look for Borders to continue to improve and integrate its online business as well as expand some licensed merchandise assortments to complement its book and entertainment business.

These are only a few of the top-level changes at retailers worldwide as every company looks for new direction and new ideas. ©

All Around Opportunity

By **Josephine Collins**



The aftermath of the demise of Woolworth may be wreaking havoc among suppliers, but with 20 percent of the licensed product market up for grabs this is an unusual opportunity for other retailers on the U.K.'s high street.

While the property is cut and pasted into other retailer's portfolios—with value retailers and premium grocer Waitrose so far honing in on the best leases—high street retailers are vying for a slice of the licensed product action.

Woolworth's stake is not going to disappear—it is simply going to move to the benefit of the store group's former rivals.

So who is going to win out? Top of the chart are the supermarkets, followed by online players, with high street stores falling in behind.

Tesco, particularly in toys where it is underdeveloped, is likely to be the key winner. Trade talk is that Tesco toy buyers—with former Woolworth's buyers now among them—were quietly gleeful during the Hong Kong Toy Show, trying out new aisle display ideas.

Asda has been applauded for the work it has been doing in the toy market recently, and the quiet giant Morrisons has also been developing non-food. It is said that some of Woolworth's distressed stock has landed in these two businesses.

Online is a growing channel for branded product, and will definitely make gains in market share.

Here, giant Amazon is likely to benefit in all categories, but so will specialists such as Play.com. And, of course, the purchase of the Woolworth name and the promise from Shop Direct, which runs home shopping giant Littlewoods, to relaunch Woolworth as an online retailer is intriguing.

There are also an increasing number of branded Web sites where licensors are selling across all their licensed categories direct to consumers. Expect more.

Catalog retailer Argos—which has moved into prime position among toy retailers—has snapped up the Chad Valley brand, much to the relief of the industry. Argos' own brand offer is underdeveloped so the purchase makes absolute sense.

Growth-minded independents such as The Entertainer have also seen the end of Woolworth as a new beginning.

Woolworth's customers were not out-of-town shoppers, but as a key specialist multiple, Toys "R" Us may take a part of the toy share.

Woolworth and fellow administration victim Zavvi each had about 10 percent of the music and DVD market—again it is likely to seep toward the supermarkets and online. In digital gaming, retailer Game has already benefited with strong Christmas trading.

On the high street, life is already complex. Some commentators suggest that Bhs has an opportunity across product categories to develop its licensed product business. And John Lewis—recently voted the U.K.'s favorite retailer for the second year running in a Verdict poll—may take some of the premium business.

As far as childrenswear is concerned, the mass market has faced a double whammy with the fall of Adams childrenswear at the same time as Woolworth. Here the business opportunity has got to be for Mothercare, but since Shop Direct bought the Ladybird brand alongside the Woolworth name, the online business will also potentially gain on kid's clothes.

And the outside chance? That a completely left-field retailer comes along and develops a new business. ©



Plan now for 2010 and beyond



Georgiann DeCenzo
Executive vice president
Advanstar Global Licensing
Group

Despite the daily headlines regarding the global economic crisis and the inherent pressures every business in every industry is experiencing, the time is right to focus and plan for 2010 and beyond.

The temptation is always to just get through the day, but the savvy retail and licensing executive realizes the need to be well positioned for the future and the much-anticipated economic recovery.

It's actually time to think-out-of-the box and be even more creative and innovative about new licensing and merchandising programs because consumers, despite confidence being at a record low, will still spend money if they find the right product and value.

Consider the following retail licensing programs that actually performed well during the dismal holiday season and fourth quarter.

- Walmart and AC/DC. The retailer featured exclusively the rock band's new CD, *Black Ice*, along with an in-store merchandise display and sold a record number, propelling the CD to No. 1 and the largest seller of the year for Walmart.

- Hot Topic and *Twilight*. Exclusive merchandise from the popular vampire romance movie (Summit Entertainment) has grossed \$340 million worldwide and certainly gave the trendy retailer a strong boost in the fourth quarter as December comp-store sales were up 4.3 percent.

Also, consider the success of Hasbro (see cover story on page 30), a bright spot in the toy segment last holiday season, and a likely winner this year as it has two potential blockbuster global theatrical releases—*Transformers: Revenge of the Fallen* and *G.I. Joe: The Rise of the Cobra* along with Paramount and DreamWorks—set to debut summer.

The diverse array of licensed products from several hundred licensees is one of the best examples of planning, innovation and commitment in the licensing industry worldwide. And it all started over a year ago and was the focal point of last year's Licensing International Expo.

So there are bright spots in the difficult retail marketplace, but they don't come to fruition amidst internal cuts and turmoil, but they become reality as a result of strategic vision and planning.

And that's what Licensing International Expo is all about.

It's the only event in the world where attendees gain this competitive advantage. The biggest names and the hottest properties are committed to Licensing International Expo 2009, which will ensure that our first show in Las Vegas is the most visible and influential licensing convention in its 29-year history.

The number of exhibitors on the enhanced show floor continues to grow. Every major entertainment studio—including Universal Studios, Twentieth Century Fox, Disney Consumer Products, Warner Bros. Consumer Products, Nickelodeon & Viacom, DreamWorks Animation, Sony, Cartoon Network, Marvel Entertainment, MGM, Paramount and Chorion—is committed to Las Vegas.

Add to that all-star lineup several new exhibitors:

- Bob Mackie Design Group headlining the Fashion Showcase.

- Electronic Arts, Nintendo, CapCom and Konami headlining the Interactive Showcase.

Every attendee will have the opportunity to meet and mingle face-to-face with the most creative people in the industry—licensing professionals who see difficult times as an opportunity for new ideas, new deals and promising partnerships.

The future is now and any major strategic licensing plan for 2010 must be presented this year or your company will not be prepared for the economic recovery at retail next year and into 2011.

At the Licensing University conference program, which will feature over 30 seminars, experts will teach you lessons learned from the past year, as well as how to succeed in the future amid changing trends.

Licensing International Expo is your key to staying competitive. If you haven't already secured your place, you can register at licensingexpo.com, the brand new Web site, where you can also sign up for the show's monthly e-newsletter and even keep up to speed on minute-to-minute news from *License! Global* and our RSS and Twitter feeds.

As always, email me with any questions, ideas or suggestions at showbiz@licensingexpo.com. And stay-tuned for the latest announcements and new developments for Licensing International Expo 2009—the most important licensing show in the world. ©

The Latest Discovery

Discovery Communications has partnered with the Joester Loria Group to launch Discovery Expedition, an extension of the Discovery Channel brand featuring a collection of outdoor lifestyle products.

The range will include electronics and technology gear for holiday 2009 and lifestyle apparel, footwear and accessories that will launch in 2010. Also on tap for 2010, an immersive travel experience that will feature 30 destinations all over the world across all price tiers that promise cultural authenticity.

“The customer that the Discovery Channel brings to retail is more educated, more affluent and more engaged with the world,” says Debra Joester, president and chief executive officer of the Joester Loria Group.

The goal is to help Discovery launch product “that lives up to the brand promise” and provide a turn-key program including

marketing and

promotional support for partners

“so that we go to market as one brand,” says Joester.

The Discovery Channel has been building momentum across a wide range of consumer demographics. It was ranked No. 1 by *Brandweek* in a survey of 1.2 million consumers asked to rate brands using six health indicators: quality, satisfaction, willingness to recommend, value, image and reputation.

The channel reaches over 94 million homes in the U.S. and 234 million homes in 170 countries internationally. Its Web site has 4 million unique visitors a month.

The Joester Loria Group and Discovery Communications have retained Frederick & Froberg Design of Montclair, N.J., to develop a branded styleguide for Discovery Expedition packaging and products.



Star Wars Series Speaks to New Generation

The force continues to be with the evergreen Stars Wars property as the brand expands through its animated TV series on the Cartoon Network—a series that scored the highest rated premiere in the network’s history when it debuted in October 2008.

“We had really outstanding success with the show and that has really helped propel Star Wars to new heights,” says Howard Roffman, president of Lucas Licensing. “The show is pretty consistently No. 1 in its timeslot and has been seen by over 100 million viewers since its premiere.”

The success of the show, with a second

season beginning fall 2009, has translated into a new generation of licensed product.



“We haven’t seen the kind of numbers we were doing last year since 2005 when episode three [Revenge of the Sith] released. Stars Wars in 2008 was by far the No. 1 toy license and certainly the No. 1 boys’ toys property,” says Roffman.

The brand is especially strong in both the action figure category where Lucas partners with Hasbro and in building sets where Lego is a partner. “Lego had its most successful year ever in 2008 with Star Wars,” says Roffman.

The brand also benefits from its position in the marketplace as an evergreen brand—it’s been around long enough to appeal to multiple generations and retailers and consumers feel it is a product that they can have confidence investing in—a real plus in this economy.

“This is a franchise that has definitely withstood the test of time. The other part of the equation for us is that you have to produce consistently great product that

is a great value to the consumer and we are very fortunate in the partners that we have because they have a very long-term commitment to the brand,” says Roffman.

Lucas will create new packaging for product based on the series. For 2009, there will be a DVD launch of the first season and the launch of season two on Cartoon Network which Lucas will parley into retail programs. There will also be a new video game coming in the fall.

New toys are on tap from Hasbro along with new vehicle and play sets from Lego.

One of the signature toys among the new launches will be one of the first mass-market brain-to-computer products from Uncle Milton Industries.

The Force Trainer uses brainwaves to move objects around. A headset reads electrical waves emitted by the brain which translates into electricity that powers a motor and lifts a ball in a column. SRP will be about \$100.

Expertise Pays Off

Compiled by



Big-box players such as Walmart and Target traditionally excel at garnering a growing share of commodity purchases, especially in this troubled economy. But a recent report from NPD shows that while consumers are acutely aware of the Target bullseye and Walmart's low-price strategy, a retailer viewed as the category expert may have the edge in its ability to influence a purchase.

That expertise can pay off in a category such as sports apparel and footwear, according to NPD. The group released its new Sports Retail Landscape Report that analyzes what drives consumer purchasing—information that can help marketers grow sales and build consumer loyalty.

Based on information collected from more than 7,600 consumers, the report provides

intelligence on how consumers move from awareness of a brand or a retailer to the decision to purchase that brand or shop in that store.

From mass players such as Kmart to sports and outdoor specialist Academy, retailers can see the extent to which marketing messages are resonating with consumers. By breaking down the sales conversion process, marketers can pinpoint the specific stages of the selling process that need attention.

“Building sales and market share begins in the mind of the consumer,” says Dee Warmath, vice president of retail insights, The NPD Group, and author of the report. “It’s there that the purchase decision is won or lost. Now, more than ever, businesses need to be savvy about how to turn consumers into loyal customers.” ©

Top 10 List - Athletic Apparel

| FAMILIARITY | CONSIDERATION | PURCHASE | LOYAL USAGE |
|--------------------------------|--------------------------|---------------------------|--------------------------|
| 1. Target | 1. Target | 1. Academy | 1. Academy |
| 2. Walmart | 2. Academy | 2. Walmart | 2. Dick's Sporting Goods |
| 3. JCPenney | 3. Dick's Sporting Goods | 3. Dick's Sporting Goods | 3. The Sports Authority |
| 4. Sears | 4. JCPenney | 4. Target | 4. Walmart |
| 5. Kmart | 5. Walmart | 5. Big 5 Sports | 5. Big 5 Sports |
| 6. Kohl's | 6. Land's End | 6. Modell's | 6. Modell's |
| 7. Old Navy | 7. Kohl's | 7. The Sports Authority | 7. Target |
| 8. Macy's | 8. Gander Mountain | 8. Kohl's | 8. REI |
| 9. Gap | 9. The Sports Authority | 9. Hibbett Sporting Goods | 9. Kohl's |
| 10. Footlocker/Lady Footlocker | 10. REI | 10. Easy Bay | 10. Olympia Sports |

■ Sports/Outdoors
 ■ Mass Merchants
 ■ Department/Specialty Apparel
 ■ National Chains

The consumer conversion process tracks the percent of consumers who are familiar with a given retailer's athletic footwear and apparel offering, and then how well that retailer performs at converting familiarity into consideration, purchase and loyal usage. This chart presents the top 10 retailers in terms of their conversion of consumers. As an example, Target has the greatest percentage of consumers familiar with their offering and also performs the best at converting those familiar consumers to consideration. They rank fourth in conversion of familiarity into purchase and seventh in conversion of familiarity to loyal usage. In addition to examining individual retailers, it is interesting to look at general store types. One observation is the relatively higher familiarity of mass merchants, national chains and department stores on the familiarity list and their general exit from the top 10 lists as you move across the page. Only Walmart, Target and Kohl's survive all four lists. Beyond familiarity, the lists become more and more dominated by athletic apparel retailers at each step in the conversion process. This pattern is even more pronounced for athletic footwear.

CES

By Laura Heller



Each New Year is traditionally ushered in with the Consumer Electronics Show, the largest and noisiest of

all the consumer-oriented trade shows. While this year's show lacked a breakout product and saw attendance slip 20 percent to about 110,000, licensed products and entertainment content continued to capture the spotlight at CES 09.

"CE, as a portion of the licensing business is relatively small, but relatively stable. But for the entertainment business, brands as technology have become part of everybody's life in a more overt way," says Marty Brochstein, senior vice president of industry relations at LIMA.

With companies hesitant to introduce new hardware into a down market, the focus this year is going to be on content and entertainment brands more than ever. It's a continuation of a trend that has only become more pronounced in the past few years, as high-speed access brings increased entertainment options to a variety of screens. Branded and licensed electronic toys and games are more important than ever, with disposable income more closely monitored.

The industry has been focused on bringing television programming to the PC, but now that route is reversed and 2009 will bring the Internet to the somewhat bigger screen. Most major electronics manufacturers showed or announced some form of an Internet-enabled TV; models that come complete with Ethernet ports for wired



The latest technology allows entertainment content to be shared across more platforms than ever.

high-speed content fed directly to the TV or with wireless capabilities that stream content to the flat-panel display through a separate home media server.

It's not that TVs are becoming full-fledged computers, but rather are now enabled displays for a select amount of content from specific content providers. CE companies are forging partnerships at a furious pace with the likes of Yahoo!, YouTube, CinemaNow and Netflix to stream pre-recorded media to the home viewer.

Even Research in Motion is getting into branded content implementing an Apple-like applications store for the Blackberry. The program is launching in March with 22 partners including the *Wall Street Journal*, TiVo and Sling Media. And the Palm Pre may have been the one and only break out of the show.

Palm essentially resurrected itself with this new smartphone set to give the iPhone a run for its money. Debuting mid-year, the device works on a new platform and is wide open for applications, partners and content developers to roll out programs that work on the phone.

Brand extensions into CE continue. Sharper Image relaunched its brand exclusively as a license with a bevy of product in the CE category. Headphones, Bluetooth headsets and phones were on display with manufacturer partner Southern Telecom. The newest product, the Sharper Image SoundBag from EnE, merges a backpack and portable speakers that can be zipped out and easily toted around for music on the go.

Additional licensees include Homedics for various products in health and wellness, home environment and weather—many of which fall into the electronics category.

OfficeMax will sell a variety of products under the Sharper Image Office brand and MerchSource will produce a variety of licensed electronic gift items. In all, the

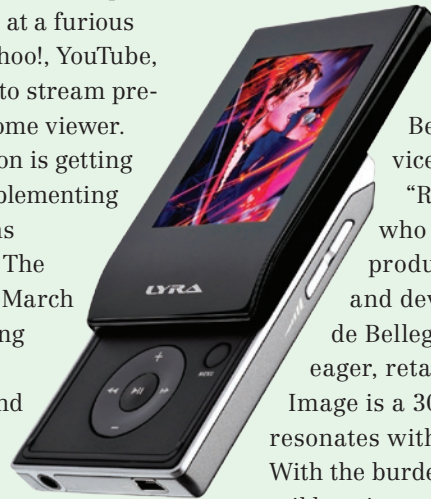
brand will be extended to 22 licensees by March, according to Federico de Bellegarde, Sharper Image's vice president of licensing.

"Retailers are looking for who can provide the best products and have the research and development in place," said de Bellegarde. "Licensees are eager, retailers are eager. Sharper Image is a 30-year-old brand, it resonates with them."

With the burden of operating nearly 200 retail locations gone, the company is now free to focus on the brands and licensees that are content rich, priced right and functional—the same values and unique properties identified with the Sharper Image brand itself, says de Bellegarde. In the CE category, the company is looking into a flat-panel TV offering with the Sharper Image name.

Less visible partnerships were on display at CES, as well. Audiovox has licensed the RCA name and introduced a number of new camcorders and accessories. The Philips brand for TVs was licensed to Funai, and Polaroid is still alive with a new digital camera that prints images directly from the camera in the same way as the classic Polaroid of old did.

Digital Blue announced three individual licenses with entertainment properties LEGO Systems, World Wrestling Entertainment and Bakugan. Digital Blue will be releasing digital cameras, MP3



players, digital video cameras, speakers, walkie talkies, accessory cases, boom boxes and clock radios for each of these three titles.

This year, nail care went high tech with Mattel's Barbie Digital Nail Printer that lets kids select a design and imprint it on their fingernails.

Licensed digital cameras have been around for some time. Early in the technology cycle, a Barbie-branded digital camera ranked as the most popular in the category in spite of being a low-resolution VGA stocked in the toy aisle. High-resolution, five mega pixel and higher models are now de rigueur for adults and children. Companies are now distinguishing products by unique feature sets, a trend that allows licensors to capture attention through a child's favorite property.

"Kid-oriented video cameras [are] reflective of our times," says Brochstein. "Kids like to mimic what their elders are doing. Once the technology is there, success is more a matter of price point and marketing."

HD camcorders were in abundance on the floor of the Las Vegas Convention Center as were pocket-sized units geared toward creating online content. Camcorders are now inexpensive and developed expressly for recording short clips for easy uploading directly to YouTube.com or a personal Web page. The same is true of those being licensed and marketed to children.

Creating online content, communities and social networks is currently the biggest trend in toys. Collectibles that connect to an Internet-based game, closed and protected social networks for girls, and even instructional content from PBS were all on display at CES 09 and part of an ancillary conference called Kids@Play (see sidebar). Mr. Rogers, Curious George, Thomas the Tank, Bob the Builder and Berenstain Bears have taken up residence online, in games designed to grow with a child as he or she creates music and art and explores literacy, math and the



social sciences.

Electronic games are also being strengthened by four new titles from Electronic Arts: The Littlest Pet Shop, Gamenight, Monopoly and Nerf End Strike will

be released in the fall. Gamenight Live is coming to Xbox Live this spring, Scrabble to PSP (PlayStation Portable) and Nintendo DS and Trivial Pursuit to three platforms, Wii 360, PlayStation3 and DS2.

With the virtual world so crowded with titles, toys and social networks, a new crop of hardware promises to open up a higher-priced ancillary market. New netbooks that are essentially smaller versions of notebook computers that run on flash memory rather than a spinning hard drive are natural products for children. Portable, with smaller keyboards and more durable, netbooks and the related mobile devices are quickly opening up an even wider market for household names to find even more permanent housing in electronics for kids. ©

playtime

Kids@Play, a conference about children and technology in conjunction with CES 09, features educators, software developers and even beloved characters from Sesame

Street, debating and discussing the good and bad of the industry.

A new report from the Joan Ganz Cooney Center at Sesame Workshop detailed the explosion of portable device use among children. "Mobile devices are part of the fabric of children's lives today," says Dr. Michael Levine, executive director of the center. "Sesame Street introduced children to the educational potential of television. A new generation of mobile media content can become a force for learning and discovery in the next decade."

The study titled "Pockets of Potential" includes more than 25 examples of mobile products that perform positively and have the potential to transform learning. MIT's Augmented Reality Games uses GPS technology to help students solve real life environmental problems while PBS Kids' Learning Letters with Elmo uses

video and text messaging to send literacy tips to parents of preschoolers, successfully engaging lower-income families.

Warren Buckleitner, editor of the *Children's Technology Review*, points out that today's brands and entertainment properties put their reputation with kids and parents at risk with each product.

"If they love it you can be hugely profitable. If not, it can take years to undo the damage," he says.

Children, he contends, innately know when a product is developed thoughtfully and appropriately. That means the learning objectives are age appropriate, the tasks inline with their developmental abilities and the toy or game hits the sweet spot between being overly complicated and too simple.

As each toy today is tied into an online community or software title, be wary of mixing advertising with content, and Buckleitner recommends using disclaimers to clearly call out such instances. Using exclusivity to create buzz for a new game can also backfire, leaving some kids burned by an imaginary velvet rope that keeps them from fully interacting with a game or title.





MASTER TRANS FORMER



By **Tony Lisanti**

Like the precision accuracy and symmetry that transforms an average automobile into a bot character with a distinct personality and mission, Hasbro president and chief executive officer Brian Goldner has been leading the transformation of this venerable toy company into a global entertainment entity, brand and licensing powerhouse, and digital leader.

Goldner has identified the company's bountiful portfolio of iconic brands—including Transformers, G.I. Joe, Monopoly, and Trivial Pursuit—as so much “more than meets the eye” or just straightforward lines of toys and board games transforming them into global lifestyle brands that embrace the realm of entertainment from blockbuster theatrical to television to live events.

Since taking over as president and chief executive officer last May when Hasbro veteran Al Verrecchia retired, the 45-year-old “toy kid” has been focused on core strategies, but also on the summer of 2009, which could prove to be a milestone year for two of the 85-year-old company's major brands—Transformers and G.I. Joe--and no doubt a testimony to the ceo's corporate vision and legacy.

Goldner's strategy is based on an “immersive brand experience” and on the three-R mantra that has become the often-quoted answer to various questions about the company's business—“Reinvent. Reignite. Re-imagine.”

But unlike other companies with a clever, catchy and well-defined strategic mission, Goldner's focus on people reinforces that Hasbro practices what it preaches. And that's another reason why it has become a darling of Wall



How Brian Goldner is transforming Hasbro into a global entertainment and brand powerhouse.

Street—an especially meaningful accolade during the current worldwide economic downturn.

Wrote a Piper Jaffray analyst in November following Hasbro's analysts meeting: "... analysts' day supports our thesis that not only is the toy company the best in the sector, but perhaps the highest-quality company in the universe. The company is taking every opportunity to exploit its brands and leverage its leading product innovation.... And the company has spared no expense in developing the most attractive portfolio of consumer products in the toy sector. It's clear that there is plenty of room to grow to build its brands and market its product lines for years to come. Although the retail environment is difficult at best, we expect Hasbro to emerge as the best player in the sector for the holidays and 2009."

Since 2004, Hasbro has grown from \$2.9 billion in sales to a projected \$4 billion in 2008 (4.5% increase over 2007), according to a financial analysis by Needham & Company.

Needham projects total sales of \$4.29 billion in 2010.

In addition to its partnership with Paramount and Dreamworks for Transformers and G.I. Joe, several other deals have reinforced Goldner's commitment to entertainment and digital products. Hasbro inked a six-year deal with Universal to produce at least four movies beginning in 2010 or 2011 based on such brands as Monopoly, Candy Land, Clue, Ouija, Battleship, Magic, The Gathering and Stretch Armstrong. In 2007, Hasbro signed an exclusive deal with Electronic Arts to produce digital games for many of its brands (except Transformers and G.I. Joe which are being handled by Activision). In 15 months, EA has produced about 30 games based on various Hasbro brands.

"We couldn't be more pleased with the success of our partnership with EA and in 2009 we will launch even more games

based on a broader range of brands," says Goldner.

In addition to the gaming and theatrical partnerships, Hasbro has also developed a theme park attraction based on the Transformers brand with Universal Parks & Resorts and Dreamworks that will first debut in 2011 at Universal Studios in Singapore and then in Los Angeles.

Furthermore, to support its push into entertainment, Hasbro has recruited several executives with strong entertainment backgrounds and restructured its business with global leaders responsible for its core brands.

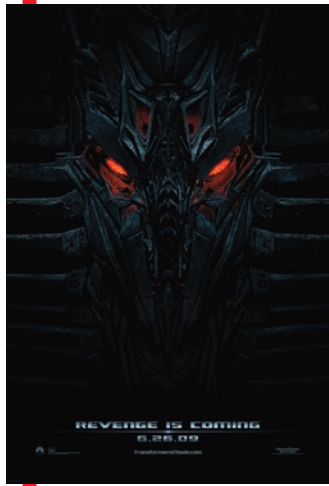
Goldner, who is arguably Hasbro's biggest promoter, also embraces the complexity of Transformer characters such as Optimus Prime, not only in his approach to corporate strategy, but also in the execution of each brand.

And there is no better example of the strategic changes and accomplishments than the unparalleled worldwide focus this year on the 25th anniversary of Transformers and the release of the second movie *Revenge of the Fallen*—plus the big screen release of *G.I. Joe: The Rise of the Cobra*, based on the action figure created in 1964.

In 2007, Transformers, which was highest grossing non-sequel, posted \$708.3 million at the box office worldwide, and yet ranked No. 5 behind *Shrek the Third*, *Spider-Man 3*, *Harry Potter and the Order of the Phoenix*, and *Pirates of the Caribbean: At World's End*, which was the No. 1 box office movie of the year with \$961 million worldwide, according to Box Office Mojo.

If the movie sequel becomes a mega box office bonanza, Transformers' performance at retail





worldwide, considering the comprehensive brand, product and promotional initiatives, could be significant.

According to Hasbro, Transformers generated \$487 million in sales in 2007 (up from \$100 million in 2006). Needham estimates revenue from Transformers in 2008 at \$395 million and \$585 million in 2009, a 48% increase, representing 14% of total revenue, significantly larger than Star Wars and Spider-Man.

And certainly with numbers like that, Hasbro's retail and licensee partners are benefiting and becoming even more critical components in helping Hasbro to develop new and exciting promotions and products for consumers.

Goldner recalls his original discussion with director Michael Bay prior to the first Transformers movie about making the brand come to life. "Michael wanted fans to second guess and be able to look into any parking lot wondering if any of the cars could be Transformers," Goldner says.

"It's a very simple human story," he adds. And,

it's all about "more than meets the eye," a phrase Sam Witwicky (Shia LaBeouf) uses when answering his high school heartthrob when she asks what he's like. The phrase has also become the basis for product development and promotions.

Goldner believes that Transformers, while historically strong in many established global territories, will continue to grow in popularity in emerging markets as well.

"We have been increasing our investments in a number of new markets [in 2008], including opening offices in Brazil, Russia, China and the Czech Republic. Our brands have proven worldwide appeal and as we increase our presence around the globe, we expect to grow our emerging market business significantly over the next few years," Goldner told analysts during a third-quarter earnings conference call in November.

The phenomenon of Transformers, which was first introduced in 1984, is stronger than ever and a key factor in Hasbro's growth as well as a bona fide example of its transformation into a global entertainment and brand licensing powerhouse. ©

The Way to Play

The cornerstone of Hasbro's growth strategy is a proprietary brand development methodology known as "Way to Play."

"It is a holistic way to ignite creative ideas, to reinvent our brands and to create new game-changing initiatives," explains John Frascotti, global chief marketing officer, who joined Hasbro a year ago from Reebok.

"Way to Play is a global approach to brand building that ensures consistent global execution."

In addition, a centralized global brand marketing structure with regional

marketing organizations with a deep understanding of the consumer has also enabled Hasbro to produce consistent brand messages and products for its properties, including Transformers, which has a long and deep connection with consumers.

According to Frascotti, there are four elements to the methodology:

■ **Product innovation.** "Our design and engineering teams are continuously developing exciting innovations to keep our brands front and center for our consumers."

■ **Licensing.** "This enables us to extend our brands across a wide spectrum of product categories beyond toys and games."

■ **Digital gaming.** "We will continue

to expand the digital footprint to make our brands available to consumers who want to play them on all types of platforms."

■ **Entertainment.** "Immersive experiences in theatrical, television, publishing and theme park rides are critical components of our brand reinvention."

"Despite economic conditions that we are all experiencing," Frascotti says, "We [at Hasbro] remain steadfast in our commitment to grow our brands, to continue spending against our brands, and to continue to invest in entertainment to drive these brands."



John Frascotti



price points are more acceptable. "In 2009, we have a more significant approach, credibility and execution among retailers in all channels and not just mass, which is a definite improvement from 2007, when we had to convince retailers to support Transformers and that it was more than a boy toy."

Looking to 2010 and a non-movie year, Hasbro is hoping that the animated television series on Cartoon Network and DVDs will keep the Transformers brand strong in the marketplace. The plan is to go back to the roots of the brand and leverage the catalog of programming available.

And you can be assured that Hasbro's licensing team is already looking ahead to 2011, when *Transformers 3* and *Spider-Man 4* are planned. ©

25 Years of Storytelling



Samantha Lomow

The Transformers franchise, which is celebrating its 25th anniversary along with MTV and Mac, is also celebrating its second big screen production this summer. And more importantly, Transformers is celebrating 25 years of storytelling.

Like MTV, with its video music awards, and Mac, with its hi-tech applications, Transformers has garnered a tremendous fan base with an unparalleled pride and devotion to the core product and history of the brand.

Originally developed in Japan by Takara and branded as Diaciones and Microman, Hasbro acquired the rights and rebranded the toy line. Transformers continued to expand rapidly with an animated movie in 1986, comic books and multiple toy lines and characters.

But like any brand, Transformers slowly began to drift away from the core essence in the 1990s until 2001 when a new marketing team re-evaluated the brand franchise.

"We went back to roots of the Transformers which was simply vehicles turning into massive robots," recalls Samantha Lomow, senior vice president of marketing and global brand leader for Transformers and G.I. Joe. The goal, she says, was to "reengage with core customer and reestablish the brand fantasy."

And considering the success of the first Transformers movie and the high expectations of the upcoming sequel, the decision to keep true to the core of the brand is paying off.

Aaron Archer, senior design director, and Hasbro's Transformers "expert," has consulted with Paramount

executives on everything from subtle character design to story lines as part of the effort to stay focused on the original concept. In fact, he suggested to movie director Michael Bay to include more dialogue between the two main characters in the epic battle scene in the first movie and to include tires and windows as visuals on the robots.

Another key to the long-term popularity and success of the franchise is the annual Transformers convention, called Botcon, which is attended by over 2,000 "true" fans. This year's event takes place May 28-31 in Pasadena, Calif., about four weeks prior to the sequel's release.

The attention to detail, storytelling and a loyal fan base are reflective of Hasbro's commitment to this global brand franchise that continues to expand worldwide.



Aaron Archer



Global Brand Expansion

Synergy Across Categories



Mark Blecher



Greg Lombardo

Hasbro's efforts to expand the Transformers brand and further solidify its position as a tent pole franchise are focused on global penetration especially in emerging markets, breadth of products and appeal to broader age groups. This strategy is designed to help drive growth in the current movie year and, more importantly, during the non-movie years.

What is critical to the Transformers brand is the aspect of storytelling and how this is being implemented, particularly in publishing and digital media, but also in the core toy category.

One of the biggest opportunities for the Transformers brand is in digital entertainment products, including video games across multiple platforms, downloadable games and casino gaming products, according to Mark Blecher, general manager, digital media and gaming.

Hasbro's relationship with Activision for the Transformers brand is also indicative of the company's culture and ability to integrate its partners into its day-to-day business and operations. This internal team structure ensures consistency in story lines and character development as well as marketing and promotional programs.



real intellectual-based property outside of the movie spectrum," says Michael Kelly, director, entertainment and licensing for Transformers. "There were a lot of aspects of the Transformers story that don't contradict, but don't necessarily flow either.

"We needed to re-establish the story line," adds Kelly. "This is how it began, this is how these characters are developed and these are the stories we're going to tell regarding those characters."

The Transformers' publishing group, working with HarperCollins, IDW and others,

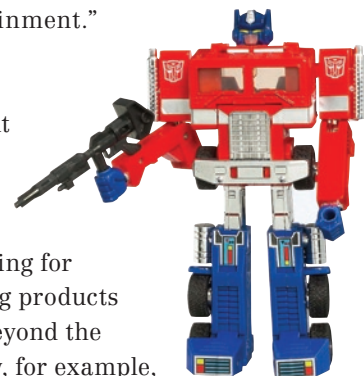
produces about 50 products annually including 24 to 36 comic books, about four children's books every six months, and two to four adult novels.

Another key aspect to future growth is the synergy between traditional publishing and entertainment. Says Kelly: "We are working toward the point where some of the content we're developing would be developed into opportunities in entertainment."

Toys

One of the most important aspects in the toy category, according to Greg Lombardo, senior director of marketing for Transformers, is targeting products to different age groups beyond the traditional 8-year-old boy, for example, to teen girls and adult collectors, introducing new characters and using new technology to improve product design and quality.

One of the new product launches to tie-in with the 25-year celebration of Transformers, is the anniversary collection that includes a re-issue of the original Optimus Prime toy from 1984, the DVD of the original three episodes that launched the series, and the original comic book. ©



Publishing

While Transformers always had several publishing partners and produced various kids' novels and comic books, the 2007 movie was the relaunching point for the brand's publishing strategy targeting a broader audience.

"We wanted to control the story line and create





International



Transformers has made its mark as forcefully in the international markets as it has done in the U.S. Launched simultaneously across the world, Transformers has built a steady international business over the past 25 years with the focus, until the 2007 debut movie, on Transformers Universe.

Hasbro works hard to obtain the uniformity of its licensing programs across the globe in terms of launch timescales and product specs. Across Europe, Asia Pacific and South America the story told to consumers through the licensing program is absolutely consistent.

Isabelle Gilmour, vice president, Europe, entertainment and licensing, says, for example, that exactly the same toys are sold globally. “The Transformers styleguide is international and we pride ourselves on the global look of licensed products. The aim is to achieve a global brand.”

The past two years have seen “a phenomenal lift for the property” in her territories, Gilmour says, as the movie was followed in 2008 by the television animation, and she expects a further boost from this summer’s *Revenge of the Fallen* release. Indeed, Gilmour expects this year’s licensing program to get better penetration than the 2007 slate.

The Transformers movie in 2007 was backed by a substantial licensing program in the U.K. However, some other European countries were slower to see the potential of the boost that the movie would give to the franchise. Now there is an established program across Transformers Universe, Transformers movie and Transformers animation, offered by some 70 partners across Europe—and interest in making deals for this year’s movie has taken off. Poland and other Eastern European countries are already on board with the property and discussions are taking

place with partners in Russia.

“This year, France, Italy and Spain are being developed for licensing for the new movie with partners in publishing, apparel, accessories and back to school,” Gilmour says. “They have seen how successful the program has been in the U.K. and have bought the licenses on the back of that success—and U.K. licenses are still out there and selling.”

Gilmour says that so popular was the movie licensing program from 2007, that sales created “a significant revenue which carried forward into fourth quarter 2008, and sat on shelves alongside the animation product in the U.K.”

Likewise on the other side of the world, where Gail Mitchell is vice president, Asia Pacific, entertainment and licensing, the 2007 film gave a boost to the brand that went forward into 2008. She handles 10 territories.

“In 2008, Transformers toys in Australia and New Zealand had a 24 percent to 25 percent market share in boys’ toys and maintained a really high level of awareness,” Mitchell says. “In terms of off-shelf toys for boys in New Zealand and Australia, Transformers has always been in the top five in boys’ toys. It’s been a really strong brand.”

At launch in 1986, Transformers toys in Australia and New Zealand out-performed all markets outside of the United States. After the success of toys the next step was to ask how far would Transformers translate to other merchandise, Mitchell says.

“We had a solid licensing program covering all the key categories in Australia and New Zealand,” Mitchell says. “We signed some deals for Asia, but at that point none of our Hasbro brands had translated particularly well in Asia. But the Transformers movie became an absolute phenomenon across the whole Asian territory. The box office in Korea was \$52 million and \$37 million in China making it the No. 1 movie for the year in 2007. In Asia we suddenly had a brand that translated, and translated well.”

With a successful first movie under its belt, Hasbro was able to quickly build momentum for the sequel, Mitchell says. “The big difference for us going into the 2009 movie is that to date we signed, sealed and





delivered 18 licensees for the Australia and New Zealand market. We will cap it at 24 licensees. We are signing deals with companies that are leaders in the market, rather than companies that have just a few SKUs. We signed licenses with companies that 'own' the arts and crafts categories or 'own' the back-to-school category or 'own' publishing. We are more focused and have gone deeper rather than broader."

For the Asian markets, deals are being signed territory by territory to ensure that they are culturally appropriate, with 34 signed to date in China, Indonesia, Thailand, Taiwan, Korea, Hong Kong and Singapore.

In South America, the story of consistent quality product is again recognizable. Esteban Romiti, senior director of marketing, licensing and entertainment, Hasbro Latin America, says: "We were looking for class A players in the marketplace. We weren't interested in the number of licenses or minimum guarantees, but excellence in product, delivered with expertise in each category."

Hasbro started licensing Transformers in 2005 in Mexico, Brazil, Argentina, Chile and Columbia working with licensees and directly with retailers, including Walmart where Transformers had a corner.

"The first Transformers movie helped us gain trust with licensees and retailers. Now they know they can build a business around the brand for years to come," Romiti says.

The first movie has opened up new markets for Transformers product with young adults—kids—who saw the first Transformers series when they were children in the 1980s. Gilmour, for example, signed a deal with fashion brand French Connection, which took its Transformers T-shirts to its international stores. So successful was the license for the retailer that it extended the deal to its kids' collection. While in Asia Pacific, premium-level transforming adult watches are already on the slate for *Revenge of the Fallen*.

For the 2009 movie, Hasbro is also looking at direct-to-retail deals and retail exclusive deals so that it can segment horizontally through the market with a focus on innovative product—and the property

truly lends itself to product innovation.

In Europe, the retailers are yet to be named, but Asia Pacific is working with Kmart in Australia and New Zealand on apparel. In China, in particular, Mitchell is working with premium fashion retailer Metersbonwe on an exclusive apparel deal.

Product-wise, the first movie saw transforming pencil cases, lenticular printed and light-up T-shirts and remote control watches in the U.K.

Mitchell says: "Some of the product development coming out of Asia is really amazing. For the first movie we worked with a company in China on a 7-foot tall resin Optimus Prime that retailed for €2,500 (\$3,200). The market for that type of limited-edition product is really high, so we will use it again for the second movie."

Romiti concurs that the wow factor is essential on product with Latin American licensees looking at developments such as transforming notebooks and children's sandals that leave an Optimus Prime footprint.

Mitchell says: "We are challenging licensees this time around. They were impressive last time, but now we have color changers as one of the principles and are playing around with reversibles. The licensees are really trying to get their heads around translating the 'more than meets the eye' to product."

Gilmour adds that: "The brand provides the platform for innovation, so product has to have a point of difference whether its stationery or apparel or back to school, or a children's product or an adult's product."

A new factor for *Revenge of the Fallen* is that the new licensing program will be more girl friendly, Gilmour says. "Girls liked the first movie but there was not a lot for them in the licensing program. We're working on changing that this time around."

And as Mitchell says: "None of my retail partners, none of my promotional partners see this as a short-term franchise. They are in it for the long haul and are already talking about who we will have on board for movie three." ©





Licensees

True Brand Partners



Hasbro's licensees worldwide have embraced the collaboration and creativity that its executives have adopted as part of the corporate culture and 3R brand strategy—Reinvent. Reignite. Re-imagine.

Following are three examples of Hasbro's licensee partnerships.

IDW

IDW began its relationship with Transformers in late 2005 with comic books based on the toy line.

In 2007, IDW rolled out two series of comic books—a movie prequel series that set up the history of the characters and incorporated new storylines and a series of comics adapted from the movie.

In preparation for the sequel, *Transformers: Revenge of the Fallen*, debuting in summer 2009, IDW has two comic book prequels that launched in January intended to bridge the gap between the first and second movies. One is a four-issue monthly movie prequel and the other a four-issue weekly movie adaptation.

"The more casual fans of Transformers are into the movie product and the fans who are really invested in Transformers grew up with the toys and are reading the comics and are as hard-core fans as you can imagine. The Transformers brand spans all generations," says Ted Adams, president, IDW.

"Transformers is the crown jewel for us. We have the best talent working on it and it is unbelievably important to us. We take seriously our responsibility to the huge dedicated fan base and work to make it the best it can be," says Adams.

HarperCollins

It was the success of an adorable pony with a pink tail that helped pave the way for the imposing Transformer Optimus Prime at HarperCollins in July 2007.

"We were very aware of the popularity of the Transformers toys and we knew because of our experience with My Little Pony how core brands are really important to Hasbro," says Emily Brenner, vice president and publishing director of HarperFestival at HarperCollins Children's Books. "We knew if they were going to go the same way with Transformers what a

big success that would be for us."

Brenner credits Hasbro with keeping their product mix fresh and top of mind with retailers.

"Sometimes toys and other merchandise comes out for movies and then it disappears—that doesn't help to continue to sell the books. Creating an ongoing property with ongoing licensing is what Hasbro does really well and what keeps our sales ongoing."

HarperCollins had a comprehensive product offering for the first movie and animated TV series, something it will also do for the sequel. Products include a novelization, a movie storybook, chapter book, color and activity titles, 8 x 8 storybooks and books for beginner readers.

HarperCollins is playing off the movie's theme for a unique product launch for the second movie.

"We have our standard program and we have added this new gatefold book called 'Spot the Bots.' It's more interactive and has this whole element of transformation," says Brenner.

New product lines for the sequel will be in stores six weeks before the movie releases on June 26.

American Greetings

"There are many similarities between American Greetings and Hasbro related to philosophy, strategy, style," says Mike Brown, vice president of licensing, American Greetings. "That's why the partnership has lasted so long and been so successful.

"Hasbro established the equity of the product with the relaunch of the brand and the movie in 2007. People that were 8 to 10 years old 25 years ago who remember the brand as special to them, now have the opportunity to share with their kids," says Brown.

Brown explains that kids have to know the property through entertainment and publishing. "They play with toys and wear the clothes, then they can tell their parents they want to have a Transformers birthday party."

American Greetings will have over 100 SKUs for *Transformers 2*, Brown says. The newest and most innovative product, which reflects the overall trend in the greeting card category, is the sound card. Transformers robot voices and sounds will be featured to deliver messages. ©



Entertainment & Licensing

Innovation and Quality



Lisa Licht



Bryony Bouyer

Despite the rich history of the Transformers brand since 1984 and the mega success of the first movie in summer 2007, the most significant transition yet for Hasbro in brand licensing from a pure toy- and game-dominated world to a multi-category powerhouse is set to be unveiled this spring in anticipation of an extensive rollout for the movie sequel, *Revenge of the Fallen*, on June 26.

With a more dramatic styleguide, a more comprehensive global plan with local partners, stronger retail programs and promotions, and over 250 licensees, the Transformers licensing efforts are well positioned to drive sales significantly in 2009.

In fact, financial analyst firm Needham & Company estimates that Transformers merchandise will generate almost \$600 million in sales, representing 14% of Hasbro's total revenue. Since 2006, sales of Transformers products will have grown \$500 million by year-end.

"The economic benefit in 2009 from the June release of Transformers 2 will be even greater [than 2007], since retailers have more confidence about ordering large quantities and because Hasbro now has its own sales organization in some developing markets where in 2007 it only had distributors," a Needham January report stated.

While the first Transformers movie was a box-office hit and Hasbro's licensing efforts skyrocketed, it was still a tough sell to retailers and licensees, but that has changed dramatically in two years.

"The biggest difference is that Hasbro was the believer in 2007 and now everybody believes," explains Lisa Licht, general manager, entertainment and licensing. "We entered 2009 with a proven entity that is beloved by everybody, not only as a theatrical enterprise and franchise, but as toy brand, licensed brand, lifestyle brand and retail brand.

"Putting Transformers on the big screen helped

us take a step back and re-evaluate the brand," explains Bryony Bouyer, senior vice president, Hasbro Properties Group, "and to determine how it can be expanded beyond its core value in toys into other categories. And that core value is 'more than meets the eye,' which has become a great innovation platform for licensees."

The Transformers slogan, "more than meets the eye," in other words, means products that reflect the creativity and concept of the movie's characters and story lines.

"The toy is about total transformation so in party goods, for example, if you sip through a straw it could be as simple as the liquid you are drinking changing color," explains Bouyer. "Or it could be lenticular design in apparel. Anything that is unexpected so that you can shift the look of your shirt or your hat can transform from a visor into a baseball cap."

"It's all about how to make the product better and improve the quality. It's not about doing 30 different backpacks, but doing five and making them the coolest backpacks in the market," says Licht.

The licensing strategy, says Bouyer, is based on three core consumer segments: the rabid fan—young adults and original fans; the movie fan—twens and teens; and the animated fan—younger boys.

According to Bouyer, products are being developed to target each customer segment and will be released in stages from the timing of the movie debut through the holiday season. She believes this will help retailers better target consumer buying patterns at Halloween and holiday, for example, when higher





price points are more acceptable. "In 2009, we have a more significant approach, credibility and execution among retailers in all channels and not just mass, which is a definite improvement from 2007, when we had to convince retailers to support Transformers and that it was more than a boy toy."

Looking to 2010 and a non-movie year, Hasbro is hoping that the animated television series on Cartoon Network and DVDs will keep the Transformers brand strong in the marketplace. The plan is to go back to the roots of the brand and leverage the catalog of programming available.

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25 Years of Storytelling



Samantha Lomow

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Aaron Archer

Toys Take Manhattan



This year's Toy Fair in New York will play host to evergreen properties looking to build on their success in toys along with newcomers breaking into the category for the first time.

Mattel Rolls Out New Products For Top Brands

In 2009, **Mattel** is creating a lot of buzz around Barbie's 50th anniversary with a host of new initiatives.

Barbie hosted her first runway show at Mercedes-Benz Fashion Week in New York this month. More than 50 designers showcased real-size looks inspired by Barbie which celebrate the past, present and future of fashion. A 50th bash will take place on March 9 (the day Barbie was introduced) at a specially built, Malibu Dream House designed and decorated by celebrity interior designer Jonathan Adler with enough room for 1 billion pairs of Barbie's shoes.

Mattel has a wide assortment of new Barbie toys planned including:

Bathing Suit Barbie in a black-and-white bikini trimmed in Barbie's signature pink will be launched on March 9—priced, for one day only, at \$3, the

doll's original 1959 price.

Other products include Barbie My House Playset; Barbie's Style Salon, available June 2009; and Barbie's Totally Nails Stylin' Hands Playset.

This year, Dora the Explorer is all grown up, moving to the city, attending middle school and sporting a new fashionable look. Mattel has a new customizable online initiative for Dora where girls can play games. The online initiative is interactive with the new Dora accessories and doll line launching in fall 2009.

For its Hot Wheels boys' property, Mattel's line up includes: Hot Wheels Color Shifters with color memory technology and 60 different vehicles and various paint schemes, and Hot Wheels Power Revvers Speed and Power Vehicle Assortment featuring off-road trucks.

Disney is introducing its first princess in 10 years at Toy Fair. Princess Tiana will be featured in the Christmas 2009 animated film *The Princess and the Frog* and will have a new toy line. Disney will also promote its new line of Snow White toys at the show.

It's Sesame Street's 40th birthday and to celebrate **Fisher-Price** is taking two of Elmo's signature toy features, tickling and dancing, and combining them with the new "Elmo Tickle Hands." Elmo Tickle Hands will be packaged with a special DVD and will be available August 2009.

Upper Deck is creating a line of trading cards for **Hotel for Dogs**, produced by Dreamworks Pictures and Nickelodeon Movies. Aquarius has signed up for movie-inspired products, too.

The card line retails for \$1.99 and \$2.99 and features all of the major stars, played by Emma Roberts, Don Cheadle and Kevin Dillon, as well as the canines.

Aquarius has developed posters and jigsaw puzzles. Both lines are available in mass, mid-tier and specialty stores. Nickelodeon & Viacom Consumer Products will unveil a range of products for a number of its most popular characters at Toy Fair 2009.

CBS Readies Next Generation of Star Trek Toys

CBS Consumer Products heads to Toy Fair 2009 with new toys and games based on popular television series and upcoming movie property, Star Trek.

CBS Consumer Products will introduce board games from Fundex and USAopoly as well

as a wide range of collectibles and gift items from Funko and Vandor. Playmates Toys is partnering on a new line of action figures, playsets and electronic toys that launch April 19. Mattel is on board for Star Trek Barbie dolls launching April 20, die-cast vehicles, radio-controlled vehicles, DVD game and trivia game.

CBS Consumer Products will also roll out items for 90210 and tap into its classic library to introduce new merchandise for *Twilight Zone* and *I Love Lucy*.



a new fashion model

By **Faye Brookman**

From the moment First Lady Michelle Obama stepped out for the inauguration along with her JCrew-clad kids in bright colors, the industry sensed a wave of change that they hope can make registers ring once again. As many head to MAGIC, there is an air of hope.

The apparel business can use the spark. According to SpendingPulse, a sales tracking firm in Purchase, N.Y., while total U.S. retail sales, excluding gasoline, slid 2 percent to 4 percent during the weeks in November and December over the year-ago period, apparel sales plummeted between 19 percent to 21 percent. Hardest hit was the women's category, with declines of 22 percent to 23 percent. Men's apparel sales fared a little better, posting an overall 14.3 percent falloff during the recent holiday season.

Felix Mercado, celebrity fashion stylist/expert and founder of Say It With Style, agrees that shoppers need to wowed. "The most important thing is to know who your customer is and produce a quality product he/she will ultimately decide whether they can or can't live without," he says.

He thinks the economy could favor young, but affordable, talent. "This season, and over the course of the rest of this year, retailers will be looking for styles that are new and fresh, but most importantly, priced really well to lure customers back into stores," he tells *License! Global*.

Retailers agree and although they want to be optimistic, they are being realistic and realizing price is more important than ever. Kara Ornato, the owner of fashion boutique Bottega Giuliana in New Haven, Conn., will be looking for cleaner cut styles for 2009 and will also be on the hunt for lower-priced items.

She says the economy has changed

retail buying patterns. Manufacturers are expected to go into production closer to the selling season this year, as a way to guard against surplus inventory. The move could disrupt retailers' buying routines. "Typically, you would buy six months in advance of the season. Now, we might be buying in August for fall," says Ornato. Understandably, she added, "nobody wants excess right now." Otherwise, she is hoping manufacturers will lower minimum purchase requirements this year, "to make it affordable for us [smaller retailers]."

Roseanne Morrison, fashion director for The Doneger Group, classifies the looks that manufacturers hope will be must-haves into three themes—school of rock, town and country, and folk lore. Additionally, the major licensed looks continue to be those based on up-and-coming TV programming for kids. As far as celebrity licenses, the hip/hop rockers grab the headlines.

School of Rock: This look was teased in last season's back-to-school period, but will be in full force for 2009, said Morrison. It is reflected in plaids, buffalo checks and C.P.O. shirts. The looks will translate from clothing right down to footwear. Tees will feature iconic symbols, many dating back to the 1960s. Distressed denim is making a comeback, along with dark

rinses and even black and gray denim.

While denim has endured some competitive pressure recently from leggings and other leg wear forms, "It is still always going to be hot," declares Anastasia Lee, marketing director for V.O. (Virgin

Only) Jeans, a contemporary denim manufacturer based in Los Angeles that will be exhibiting at MAGIC. For 2009, V.O. is focusing on ankle-skinny and distressed and ripped styles, and is introducing an ocean blue and a red denim in its spring and summer collection.

EBay style director Constance White agrees leggings will be key, and will be updated with a liquid metal look. Anything reminiscent of the 1980s will play a major role in spring and summer apparel. White even portends a return to jumpsuits.

Town and Country:

Upcoming fashion trends also include styles that evoke a weekend in the country—especially an English countryside. This includes plaids, tweed and khaki.

"We're going to see more bows and interesting fabrics. Cardigans will be big with a chunkier stitch," said Morrison. In outerwear, this will be translated into anoraks, safari jackets and windbreakers. This look will even hit legwear, according to Wayne Lederman, president of Leg Resource in New York, the maker of fashion hosiery under both private label and licensed brands, including Nicole Miller, Thakoon Panichgul/Target G0 International



Anne Klein and Betsy Johnson. “We are expanding our tight assortment to include more textures and sweater knits, and we are really going after different and new fabrications, such as bamboo tights and aloe vera-treated tights. There will also be more emphasis on cashmere.” He adds that legwear will be a focus for fall 2009 because tights are “a way for a woman to update her wardrobe for a relatively little amount of money,” he said.

Folk Lore: Another major theme expected for 2009 is an extension of bohemian looks that started appearing in 2008. Several manufacturers said they expect to use more paisley, embroidery and novelty stitches. “We’ll see a lot of tunic dresses with matching tights,” adds Morrison.

Collaborations are also sure to blossom in 2009. Burt Tanksy, Neiman Marcus Group president, recently spoke at the National Retail Federation’s annual meeting where he said his merchants are looking for more exclusives.

While Neiman Marcus eyes name-brand

exclusives, Target keeps up with its lines created especially for its stores. Timing couldn’t have been better for Target and its Thakoon Panichgul exclusive launch. First Lady Obama has been a fan of the designer, and Panichgul was the creative force behind her dress at the Democratic National Convention as well as events prior to the inauguration. The collection, called Thakoon for Target GO International, is priced from \$16.99 to \$44.99 and features prints with Panichgul’s Eastern heritage.

In other licensed properties, experts expect to see rock star-backed brands to flourish such as Apple Bottoms by Nelly and Dereon Jeans from Beyonce, as well known existing logos such as Skechers. Skechers, in fact, is launching a children’s clothing line from Adjmi Apparel Group in retailers that carry the popular footwear.

Also in kids, the popularity of Dora continues and has been joined by interest in a Nick Jr. show that teaches Mandarin Chinese (much like Dora taught Spanish) called Ni Hao, Kai-lan. Parents appear to

like teaming up learning with licensed merchandise as demonstrated with all new apparel and accessories based on Super Why! from Out of the Blue Enterprises. Super Why! fans get a chance to transform into superheroes with clothing from the PBS Kids show from six fashion companies—Kids Headquarters, Berkshire, Global Design Concept, Handcraft, H.E.R. accessories and Pan Oceanic. The range debuts for back to school 2009.

No mention of 2009 is complete without noting Barbie’s 50th birthday and the myriad promotions that will celebrate the event from a runway show during fashion week to shoes designed by Christian Louboutin.

Speaking of shoes, eBay’s White concludes that footwear will feature dramatic statement looks for spring and summer into fall. Bold and chunky shoes as well as color block and plaid sneakers will all help consumers finish off fresh new looks. “People do have at least some money to spend and will spend on the right item,” says White.

A line of do-it-yourself kits inspired by “Project Runway” are in development through FAB/Starpoint and will arrive in stores this summer.

The Project Runway kits for teens and tweens will range from handbags and hats to stationery and room accessories.

FAB/Starpoint’s current portfolio includes Paul Frank, Hello Kitty, Hannah Montana, Jonas Brothers, Spider-Man and Transformers.



Miffy, represented by DRi Licensing in the U.K., has signed a roster of new retail deals that expand the property on the high street this spring.

New deals for Miffy are with Sainsbury’s Tu and with Mothercare. Sainsbury’s Tu will launch a babywear range of sleepsuits and bodysuits, while Mothercare will feature two Miffy T-shirts for girls 6 months to 4 years old.

Marks & Spencer is offering a collection of colorful clothing for girls aged 1 to 8 years. Already in store, the spring collection includes Miffy Princess-themed pajamas and slippers, T-shirts and a hoodie zip top.

TopShop and New Look will offer pajamas this year, with New Look also running a Miffy maternity top with a birds and bees design.



American Greetings Properties is developing a new classic Strawberry Shortcake program targeted to tweens, teens and young adults for specialty and mid-tier channels, including apparel from Junk Food and Fortune Fashions (T-shirts). And for the first time, classic Strawberry Shortcake will be available for the mass market, as well as the first-ever classic infant/toddler program for the mass market.

American Greetings Properties is seeking partners for apparel and accessories for both Care Bears and Holly Hobbie Classic, as well as for its new property, Maryoku Yummy, a girl who makes wishes come true in the world of Yummy.

Now and Zen Productions has scooped up apparel rights for two **Cartoon Network** original comedy series, “Chowder” and “Flapjack.”

The lines for both properties, to debut at specialty retailers in spring 2009, will feature T-shirts and fleece tops for juniors and young men. This is the first licensing deal for the two Cartoon Network shows.

“Chowder” follows the missteps and successes of a young chef’s first job in the city of Marzipan and airs on the network’s Har Har Tharsdays block. “The Marvelous Misadventures of Flapjack” tells the adventure story of a naive young boy and his friends who seek out an island along with Captain K’nuckles and a wise blue whale.

Paramount has a number of T-shirt lines being promoted at MAGIC incorporating several of its top movie properties. Shirts featuring *Grease*, *Footloose* and *Flashdance* will be available through licensee Fifth Sun. These T-shirts will have mass-market distribution with SRPs ranging from \$9.99 to \$12.99.

Anchorman: The Legend of Ron Burgundy, *Tommy Boy* and *Bad News Bears* imagery will be on high-quality Ts available through a deal with Mighty Fine. These men's tees will be sold at high-end retailers and boutiques priced between \$19 and \$24.99.

80sTees.com will offer *Top Gun*, *Ferris Bueller's Day Off*, *Footloose*, *The Warriors*, *Anchorman: The Legend of Ron Burgundy* T-shirt designs for a SRP of \$14.99.

To keep the **Pepsi** brand fresh, innovative and on trend, the Joester Loria Group utilizes a number of different artists to develop seasonal graphics for their licensees to incorporate into Pepsi-branded merchandise. These images are based on current trends in the marketplace reflecting that retailers are going back to their roots and developing Americana retro and nostalgia lifestyle fashion programs.

Distribution of Pepsi apparel has been expanded to specialty and mid-tier retailers including Urban Outfitters, Kohl's and Target. The brand also has the No. 1 shirt at Walmart.

New designs will incorporate bold graphics, colors and patterns, a strong mixing and clashing of textures and colors such as spray paints, drips and splatters, and classic tattoo-inspired graphics in combination with hand-drawn embellishments.

Twentieth Century Fox Licensing has dealt a portfolio of more than 25 TV and movie properties to Ripple Junction for a new line of T-shirts to arrive at retailers early this year.

Ripple Junction will create T-shirts centered on Fox properties from *Die Hard* and "It's Always Sunny in Philadelphia" to "Doogie Howser M.D." Other titles include "Angel," "Buffy the Vampire Slayer," "How I Met Your Mother," "King of the Hill," *The Fly* and *Planet of the Apes*.



Mighty Fine is debuting new product assortments for juniors', men's and toddler's labels.

For spring and summer 2009, Mighty Fine's Imaginary People is introducing new partnerships with Hershey's, Teenage Mutant Ninja Turtles, Ugly Dolls and Dr. Seuss. New fashion bodies include the cinch back tank, tapered dolman and the oversized tee, alongside treatments including printed neck ribbing and contrast neck detailing. Public Library will be launching a new Ziggy collaboration in its April 2009 collection. Mighty Fine's Mustache Brigade has added a lineup of Muppets and Peanuts men's tees with a new



color palette and v-neck body for April and June 2009. Mini Fine and Disney Couture Baby are set to launch summer 2009 infant and toddler collections with new characters including Hello Kitty and SpongeBob.

Mighty Fine is partnering with The Hershey Company for a collection of retro styles for men, juniors and tweens and introducing Teenage Mutant Ninja Turtles for junior and infant categories.

The PBS Kids show **Super Why!** from Out of the Blue Enterprises is planning a 2009 back-to-school apparel collection based on the characters from the show.

Six companies have signed on—master apparel licensee Kids Headquarters, Berkshire, Global Design Concept, Handcraft, H.E.R Accessories and Pan Oceanic—for the line that will include T-shirts, pajamas, hats, umbrellas, sunglasses, scarves, gloves, rainwear and jewelry.



Entertainment Rights continues to celebrate **Waldo's** 21st birthday with young men's and junior sleepwear, loungewear and daywear from Briefly Stated and young men's and junior T-shirts and fleece from Giant—available in specialty chains, boutiques and department stores this spring, and at mass market in 2010.

Chop Socky Chooks, viewed in more than 97 million U.S. homes five days a week on Cartoon Network, will have new T-shirts and headwear at the February 2009 MAGIC show.

ABG will be showing a range of headwear including fleece hats, beanies, knit caps and baseball caps. A Chop Socky Chooks signature "ninja chimp" acrylic knit novelty beanie will feature embroidered ears and cutout eyeholes. Distribution beginning in fall 2009 will be through mass-market retailers and other retail stores nationwide.

Changes will introduce a range of Chop Socky Chooks boys, youth and junior T-shirts featuring designs inspired by the urban-vinyl look of the show. Available now at mass market and other retail stores nationwide.



Former Stone Temple Pilots front man **Scott Weiland** has paired up with Rock & Roll Religion designer

Christopher Wicks for a new contemporary menswear collection to debut next month.

Weiland for English Laundry will feature wovens, vests, T-shirts, pants, hats, ties and scarves inspired by vintage patterns

from 1965 through 1979. The line, which retails from \$40 to \$120, will premiere at MAGIC. It will also be open to the public next month at the English Laundry flagship store in Los Angeles, Calif., as well as at globalrebels.com.

Rock & Roll Religion owner Wicks also leads brands such as Fender: The Clothing Collection and The Jimi Hendrix Experience.

360 degree plan

Describing himself as very retail focused, Jeremy Saul is bringing his experience across retail, agency and the supply side of licensing to his consultancy, Brand 360.

By **Josephine Collins**

Brand 360 roster

Baby Bird and Bundle

cute nostalgic brother and sister design from Hip Designs

Bad Alice

the naughty tween from Hip Designs

Butterphants

flower language property by Jo Duckworth

Mahiki

London nightclub brand

Toby Mott

handwritten slogans from Wordwear

Tri-D Technology

3-D print technology from University of Manchester

"I'm focused on how to make it easier for everyone to do deals," says Jeremy Saul, director of London-based Brand 360, the business he got off the ground last autumn.

And with his background in retail at Marks & Spencer, with TLC and at Global Brands Group in the U.K., not to mention a stint based in Hong Kong at a soft goods trading company, he certainly has the background to know all the routes to market.

"There are opportunities out there and it's my philosophy to find, create and deliver opportunities that add value for retailers and brands. I'm positioning myself in the middle so that I can work with manufacturers and brands and retailers."

Saul maintains that despite the credit crunch, it is a very good time to start a new business. "Retailers still have to sell product. I am asking them, what is the property that you can make our own? And what is the property that you can benefit from as it grows by taking it into new categories, or even to other retailers."

Backed by three private investors, Saul is concentrating on properties that emanate from the U.K. with international potential, or are established brands worldwide but without a U.K. profile.

Saul's first deal was with the University of Manchester's 3-D print technology Tri-D. Saul is a graduate of the university and retains links with it through a branding unit on a Marketing of Textiles degree, which he helped to create.

The technology, which was recently featured on the BBC's "Newsround" program, enables quality printing of 3-D images on textiles and papergoods. The prints are also clear without the use of 3-D spectacles.

Deals for Tri-D include UK Greetings for cards to launch in April 2009 and Character World bedding, already on sale through U.K. catalog retailer Argos. Saul expects other U.K. product launches in spring and autumn this year.

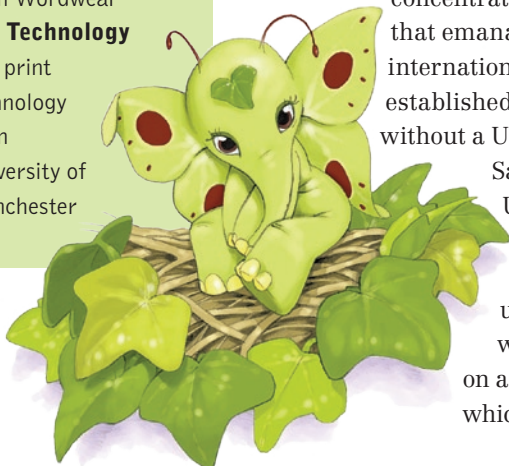
He is also talking to retailers and licensees in the U.S. for autumn product launches on bedding, apparel, nightwear and stationery.

Another client, Toby Mott, who creates handwritten slogans that have been used across categories from apparel and childrenswear to home and stationery, had been inactive for several years. But with Saul now on the case, deals are being finalized with a number of high street retailers.

Saul has also signed a clutch of art properties from Hip Designs and from Jo Butterworth, each of which he believes can be developed in different core categories with different retail partners. And the most left field of his representations is for London nightclub Mahiki, with its potential across categories including food, drink and barware.

Saul says: "Retailers can have the opportunity to back something from early development—that's one of the most exciting parts of the business for me, together with the opportunity to develop brands on a global scale."

"I'm trying make a difference by concentrating on up and coming brands, adding value when I can and working dynamically and quickly to get product to market." ©



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