PRODUCT PORTFOLIO ANALYSIS

2015 MARKETING REPORT

BCP MATRIX

WIND-CLAYCAMP

DYNAMIC MATRIX

TABLE OF CONTENTS

EXECUTIVE SUMMARY

The aim of this report is to provide Hasbro's management team with a clear picture of the performance of their products in relation to its environment while hinting out how to allocate its resources thoughout its wide and extensive portfolio.

By building a BCP Matrix, along with a Wind & Claycamp Matrix, we have been able to determine the position in terms of potencial (or growth rate) and market share of Hasbro's most iconic and symbolic products. Through this process, we have identified how these products are behaving and hence, we provide recommendaions and conclusions on how they should be managed in the future. Limitations, however, include the lack of actual product-specific quantitative data.

Below, we summarise key results:

Hasbro is sustaining its business mainly from the **cash originated** by products **MONOPOLY** and **MAGIC**, whose prestige maintains them in a position of popularity while sales are constant.

Resources should be allocated into **Play-Doh** and **MARVEL**, too fast growing products with high market share. Note that MARVEL's success is partially due to the current 'superhero fashion'. As soon as this fashion vanishes, so could growth and leadership. Hasbro should invest in assuring MARVEL's market share, so that when growth slows down it generates cash (cash cow) rather than consuming it (dog).

We recommend studying the posibility of **investing in Easy Bake**, a product that has grown from stagnation thanks to the new unisex line. Being one of the first entering the growingunisex market, Hasbro could ensure high market share, later converting Easy Baked unisex into a STAR product.

Decisions about Sesame Street, Playskool and Furby, three poor performing products are less clear. **Playskool** seems to be competing against corporate product Play-Doh. Since it is consuming resources unecessarily, unless Hasbro has other reasons to keep it, we would **divest** it. **Similarly, Furby** is not current anymore. Nevertheless, Sesame Street might regain its popularity, so we recommend keeping it.

COMPANY BACKGROUND

Since the establishment of 'Hassenfeld Brothers' in 1923, Hasbro has gone through various challenges. During the process, Hasbro has evolved to one of the most relevant and competitive toy companies in the world.

All the evolvements, such as expanding product lines covering international markets, introduction and success of product lines (My Little Pony and Transformer), proper merger and acquisition of Milton Bradley and Playskool, commitment to Corporate Social Responsibility, and immediate shift to gender neutral trend, made Hasbro shift into its legendary status by adapting to environmental circumstances in numerous occasions.

With its 90-year history, Hasbro has now grown to cover all age groups, satisfying them all with its competent technologies and product lines such as TV animation, Figures and Puzzles.

Until now, with its slogan "Making the World Smile," Hasbro is providing happiness and enjoyment at homes through the production of toys, games and further products. The company continued to evolve in different channels as it became associated with film and animation. Toys began to come to life while projected onto the big screen. Much of Hasbro's success can be attributed to the fact that it provides entertainment for individuals of all ages. Board games like MONOPOLY, 'the most popular board game of all time', caters to adults and families, while games under the Play-Doh brand target young children in their developmental stages.

PRODUCT PORTFOLIO ANALYSIS (I)

In order to satisfy the objective of analysing Hasbro's portfolio, we have used two widely-recognised tools among strategic consultants and business managers: the Boston Consulting Group (BGC) Matrix and the Dynamic Matrix.

BCG MATRIX

In order to define a clear picture of the performance of some of Hasbro's most symbolic products, we have utilised the Boston Consulting Group Matrix. This tool allows us to look at the product portfolio of the company and draw on conclusions to assist managerial decisions such are where to allocate resources, what products are more profitable and what products consume a high amount of resources, etc. To sum up, the BCG Matrix gives a clear framework for strategic decisions on whether to continue to market a product or divest it based on what resources this product produces and what resources it requires. Its future-oriented and concise approach make it attractive to business managers and product consultants.

The BCG provides a picture of the company's portfolio on the basis of growth rate (business potential) and relative market share (taking into account the evaluation of the environment). Thus, depending on the market share of a product (high-low) and the growth rate of the product (high-low), the item might be fitted within one out of four different categories with different features, listed below.

SYMBOLIC PRODUCTS INCLUDED IN THE BCG MATRIX ANALYSIS

The choice of products for the analysis has been based on the popularity of each product at some point in time.

STARS

(High Market Share; Low Growth Rate)

They are growing fast; thus, this grow requires a big investment to make sure that market share is not preserved.

CASH COWS

(High Market Share; Low Growth Rate)

They provide cash to fund stars, since growth has to be "paid for". They generate more cash than they take to run, thus are a preferred stage.

QUESTION MARKS

(Low Market Share; High Growth Rate)

Here come the doubts. Some may have to be divested, while others converted into stars with added funds (taking advantage of market growth by investing). They grow rapidly, consuming a lot of cash, but they don't generate much cash if they don't gain

SOURCE: own elaboration of the BCG Matrix for explanatory purposes of the process followed.

DOGS

(Low Market Share; Low Growth Rate)

They consume a lot of cash or don't generate any. They are candidates to be sold. However, the Company might have some other reasons to keep them (such is the example of *Ferrero Rocher Garden*)

Given that actual quantitative data is not available for individual products, but simply qualitative information, we have combined this knowledge with the prestige of each product and whether they are current or old-fashioned. Our findings show a variety of positions within Habro's portfolio:

STARS

MARVEL and Play-Doh are experiencing fast growth as the maintain a strong presence in their respective categories. The former might have been positively impacted due to MARVEL movies recently released. When growth slows down, if they are able to maintain leadership, they will become the next cash cows, sustaining the business.

CASH COWS

Monopoly, MAGIC & My Little Pony are products with great prestige and have maintained popularity among consumers, for decades (keeping high market share in relation to competitors). Growth slowed down decades ago, thus they don't consume much resources to be promoted or modified.

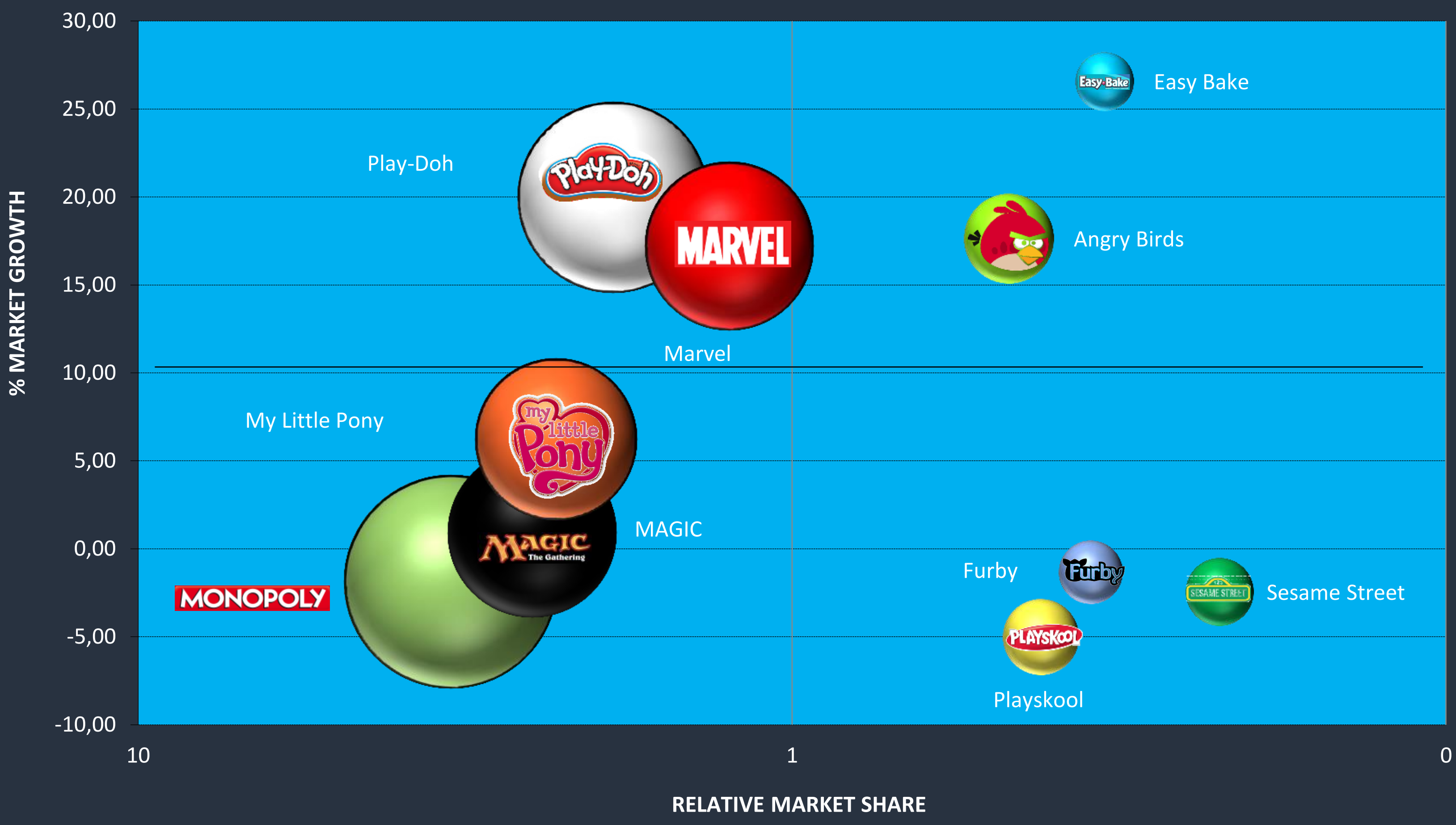
QUESTION MARKS

Easy Bake has been revisited in a new unisex versión. This might have brought in a significant growth in sales, since now the product does not only have capacity to grow, but it also moves with social changes. It might turn into a star for the same reasons, gaining leadership (one of the few toys traditionally for girls, but now available for boys).

DOGS

We must note that the toy industry has strong volatility due to technological changes but, mainly to fashions. Hence, it might make sense for Hasbro to keep Sesame Street if there are future plans to make it prosper. Playskool might be competing against a better product (Play-Doh). Finally, Furby has become old-fashioned and a return is unlikely. We recommend it being divested.

The following chart reflects our construction of the BCG Matrix.



PRODUCT PORTFOLIO ANALYSIS (II)

WIND & CLAYCAMP DYNAMIC MATRIX

In order to build the Wind & Claycamp Dynamic Matrix, we have chosen five representative Hasbro products which are Play-Doh, Monopoly, Angry Birds, Easy-Bake and Sesame Street. Each of this represents a different quadrant of the BCG Matrix and we have made a simulation according to that parameters:

Play-Doh is a Star product of Hasbro, which means that it generates more cash than the costs collected for its production and development. This is because its Market Growth Rate (MGR) is increasing and the Relative Market Share (RMS) is so high that the product is an absolute leader in the market. In order to maintain this position, it needs the reinvesting of the resources generated and leaves little room for other products.

As a Star product, it is a leader in the market with market share bigger than 40%. Both company and market growth rates are positive and the profitability is really good according to the objectives.

It is a Cash generator. These are products that are in the maturity phase (the MGR has become constant) but still dominate the market (still have a high RMS). This products do not normally require significant resources and produces huge amounts of cash flows for the company.

Monopoly has a great market share, starting in the average and with a forecast of becoming a leader in 2016. As a cash generator, its profitability is its best value for the company however its growth rate remains stable.

It is a Question mark. This kind of products are not very convenient for the company. Besides the MGR can be temptating, the RMS is loosing impact and needs of large investments in order to be more competitive. The fact of investing or not in order to gain market share is under doubt.

Angry Birds is about to lead the sector thanks to the the growing of both market and company growth rates. Its profitability is also high compared to the objective.

Like Angry Birds, it is also a Question Mark. Similarly to Angry Birds, it has good profitability but with a more stable growth rates. Its market share has become constant with a bit more of the 10% of the market, which means it is on the weak-average.

CONCLUSIONS

In Play-Doh's case, we can see at the dynamic matrix that this product of Hasbro has a leading market share every year. Also, it's important to consider the profitability in which Play-Doh is in a high position. Moreover, looking at the company growth rate and the market growth rate we can place the product that we are talking about in the position of growth because its data is greater than 10%.

When it comes to Monopoly, the product has a share of 24% in 2014 which means being in the average position but in 2015 and 2016 becomes a leader in the market. If we look at the profitability of the product is like the previous one, high position considering the objective. But the dimensions of market growth rate and company growth rate aren't very positive because in 2015 these figures goes up but our prevision is that they are going to drop locating at stable position.

It represents a "Disaster". This is the worst scenario for a company´s product: products that the company has been unable or unwilling to abandon because both its low MGR and RMS.

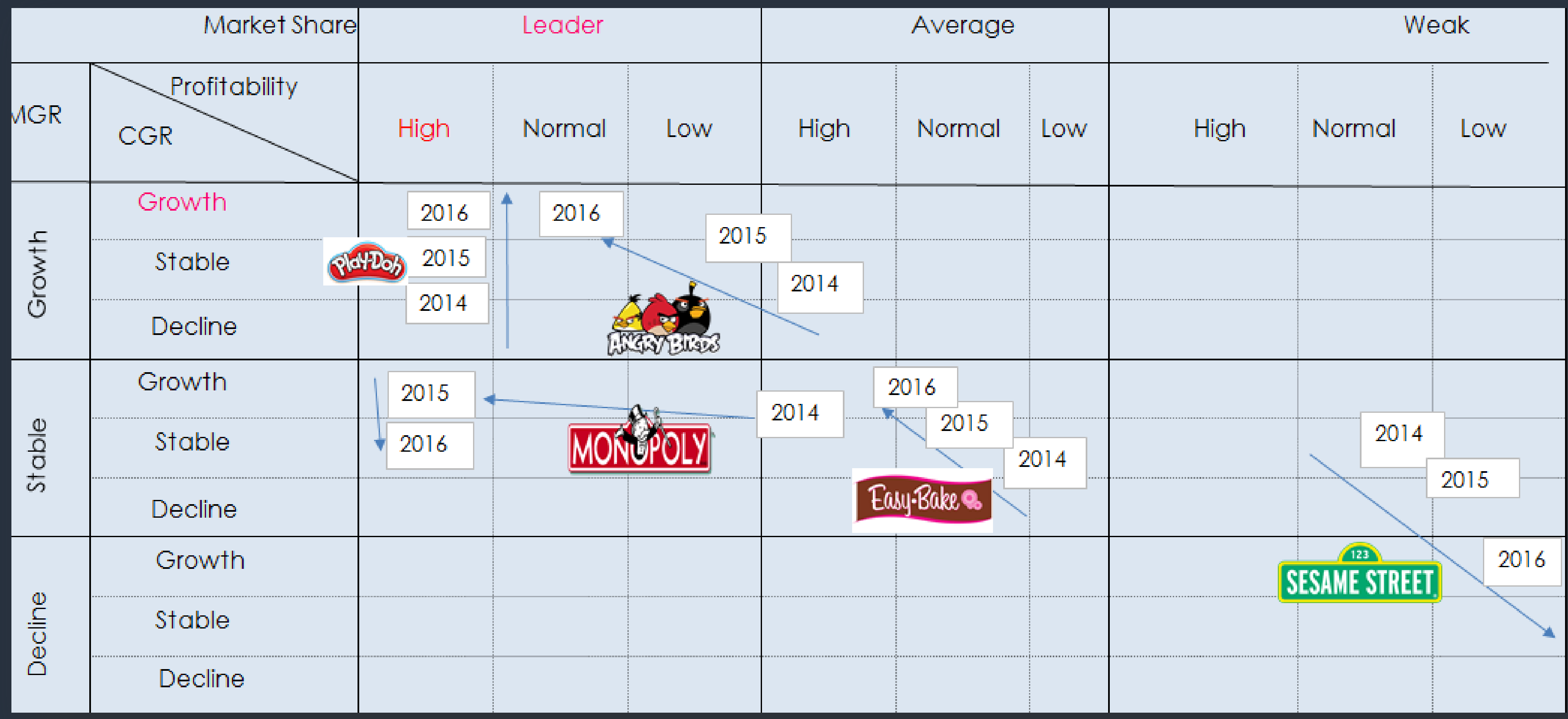
The situation of Sesame Street is terrible in all aspects. A very low market share with no evidence of growth, a continously decreasing profitability (with even negative forecasting) and growth rates that can get into negative.

Additionally, Angry Birds starts with a share of 21% but grows fast, in the next year this evolution continues and in 2016 it is expected that reach 26% at a leading position. The profitability is different from the two previous because the product has high position when it is in the average market share but changes to the normal position inside the leading market share. The other dimensions follow a similar growth until 2016.

Furthermore, we can see at the dynamic matrix that Easy Bake has lower figures than the other products we have talk about. Specially, the market share is quite different to the previous product. It is placed at average position all the years and only the other dimensions move into another positions in the dynamic matrix. It is important to say that the company growth rate and the market growth rate occupy a position as a function of the year and its share. The data are 5%, 7%, 7% and 8%, 11%, 10% respectively.

Finally, If we look at the figures of Sesame Street we can say that it has the worst market share of all, only a 3% every year that situate the product in the weak position. Focusing on the dimension of profitability we can see how the figure goes down until negative and low position. Finally, the market growth rate and the company growth rate follow a similar decline over the years ending with negatives values. Obviously, this product is the "disaster".

The table below shows the construction of the Dynamic Matrix.



REFERENCES

Hasbro, (2015). Hasbro Official Website. [online] Available at: http://www.hasbro.com/en-us/ [Accessed 17 Oct. 2015].

Kotler, P. and Keller, K. (2012). Marketing Management. 14th ed. Essex: Pearson Education.

Statista, (2015). Toy Industry. [online] Available at: http://www.statista.com/topics/1108/toy-industry/ [Accessed 16 Oct. 2015].

Toy Industry Association, (2015). Industry Facts. Key Trends. [online] Available at: http://www.toyassociation.org/TIA/Industry_Facts/trends/IndustryFacts/Trends/Trends.aspx#.ViauNpXovIU [Accessed 19 Oct. 2015].