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# MATTEL: SITUATION ANALYSIS

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MATTEL

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## **Executive Summary:**

Mattel started in the garage of co-founders Ruth and Elliot Handler in 1945, but grew over the years to include iconic brands such as Magic 8 Ball and Barbie (Mattel Inc.). The company focuses on providing quality products to their consumers. Expecting a CAGR of over 4%, the toy market is estimated to be worth between \$100-300 billion (Toy Association, Horizon Databook). Barbie operates in the dolls segment of this market, which holds 28% of the market share (New York: NASDAQ OMX Corporate Solutions, Inc., 2021). Mattel may be influenced by the shifting political and economic environment that is affecting its suppliers in China but has already been working on diversifying its production by moving away from China (Stroh 2024, Samp 2025). Opportunities to move into green toys and video games can offer a way for Mattel to grow and expand (Horizon Databook). Mattel faces competition from companies like Lego and Hasbro (Statista), and Barbie more specifically faces threats from substitutes such as Sindy, Queens of Africa, Lottie Dolls, and Bratz Dolls (Hassan, 2023). Being a large, recognized brand helps protect Mattel from threat of new entrants (Stroh, 2024), but also means that it is a leader of the industry that has a high impact if they do something wrong (Quelch, 2007).

## **Background and Introduction:**

Mattel has humble beginnings, with its first toy being created in 1945 by wife and husband Ruth and Elliot Handler in their garage. Their first toys include the Uke-A-Doodle and Magic 8 Ball but expanded to include a variety of toys. In 1959, the first Barbie was introduced.

The concept of Barbie came to co-founder Ruth after she noticed her daughter pretending her paper dolls were adults. At the time, the only dolls on the market resembled babies and

children, with no opportunity to pretend play grown-up scenarios. Seeing the gap in the market, Ruth creates the iconic doll recognized by so many: Barbie (Mattel Inc. History).

Mattel makes two clear statements on their website: their purpose and mission statement. Their purpose focuses on their impact on their target consumer, children, stating: '[w]e empower generations to explore the wonder of childhood and reach their full potential.' The next is their mission statement, which focuses on their products. Here they say that '[w]e create innovative products and experiences that inspire fans, entertain audiences, and develop children through play,' (Mattel Inc. About Us). Together, these statements guide Mattel's impact on their consumers and how they create their products.

### **Market Performance and Growth:**

Mattel operates in the toys market, which 'is expected to experience significant growth by reaching USD 212.49 billion in 2027 while exhibiting a CAGR of 7.3% between 2020 and 2027', (New York: NASDAQ OMX Corporate Solutions, Inc. (2021). The estimated size of this market varies slightly between sources. The Horizon Databook includes games with toys in their estimation of the market size. This results in them measuring the market as being worth \$324.66 billion in 2023, with an expected CAGR of 4.3% between 2024 and 2030. This same source showed that the 'electronic games segment held the largest revenue share of over 52% in 2023.' Interestingly, the Toy Association has a very different measure on the toy market, perhaps resulting from the exclusion of games in their data. This information is provided in their

following graph:

#### Global Toy Market Size

|               | 2018   | 2019   | 2020   | 2021    | 2022    | 2023    | 2023 vs 2022<br>%change | Compound Annual<br>Growth Rate (CAGR)<br>Since 2018 |
|---------------|--------|--------|--------|---------|---------|---------|-------------------------|-----------------------------------------------------|
| Total in \$BN | \$92.7 | \$92.9 | \$98.5 | \$108.9 | \$110.8 | \$108.7 | -2%                     | +3%                                                 |

As this report is focusing on Mattel's Barbie more specifically, it is important to look at the doll segment within the global market to better understand her market performance. According to New York: NASDAQ OMX Corporate Solutions, Inc. (2021), '[the] Dolls Segment Held 28.73% Market Share in 2019.' The Horizon Databook also had information on this, and even went into the specifics of Barbie, and her role in driving the demand for dolls: '[t]he demand for dolls remains high... Barbie, play a significant role in driving this demand, as they have established a strong brand presence, diverse product lines, and cultural significance, capturing the imagination and preferences of generations of consumers.' This data shows not only the size of the market that Barbie competes in, but how she occupies a big chunk of it.

Regardless of the market size variation from these sources, it is agreed that this multi-billion-dollar market is expected to continue to grow. According to Zion Market Research, this is 'due to the growing number of online toy sellers.' Online toy sellers allow toy companies to sell directly to consumers. While this offers greater opportunities for toy companies, Zion Market Research does make a point to explain that this market is restrained by consumerism and waste generation.

Along with the shifting to selling their toys online, there is also the potential for toy companies to expand into new markets. The Horizon Databook mentions how companies in the toy market can expand by focusing on different products, such as 'green toys' or video games.

The video game market specifically is experiencing a lot of growth, and Mordor Intelligence says, ‘[a]s technology expands, consumer spending on video content, virtual reality products, and video game tournaments has witnessed significant growth.’ Optimizing on the growth of the toy market and branching out into new markets with video game products gives opportunities for companies like Mattel to grow and expand their product.

### **PESTEL Analysis:**

PESTEL analysis is a valuable tool to analyze the external marketing environment of a company. It examines the political, economic, social, technological, environmental, and legal factors. This is a helpful tool on its own, but it also provides the information for a SWOT analysis, examined later in this report (Washington State University). This section uses the PESTEL analysis tool for Mattel and Barbie.

|           |                                                                                                                                                                                                                                                               |
|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Political | Political upheaval in the US can impact local markets, but also global markets. The 50% of Mattel’s toy production done in China discussed by Stroh (2024) is being decreased, tariffs placed on Chinese goods may harm their industrial growth (Samp, 2025). |
| Economic  | The 10% tariffs from the U.S. on China are expected to make costs more expensive for American toy companies, which leads to higher prices for consumers (Sherman, 2025).                                                                                      |
| Social    | New York: NASDAQ OMX Corporate Solutions, Inc. (2021) describes the growth the toy industry experienced as a result of the COVID-19 lockdown. This same report mentions an increased ‘gifting trend’ in                                                       |

|               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|               | countries like the U.S. which is expected to increase the demand for toys gifted for special occasions.                                                                                                                                                                                                                                                                                                                                                         |
| Technological | Liz Dominguez of Consumer Goods writes about Mattel's venture into TV streaming (2024). This opportunity opens new opportunities for Mattel to market its products by giving them exclusive channels on Samsung TV Plus for programs such as Barbie and Friends, Hot Wheels Action, and Mattel Jr.                                                                                                                                                              |
| Environmental | Mattel has four points of focus when it comes to practicing a circular economy: being mindful of materials, create products that are built to last, be ready to recycle, and practice responsible recovery to divert toys from landfills. Along with this, Mattel highlights its initiatives such as the American Girl Doll Hospital and the Mattel PlayBack program that either repairs or recycles their products for continued use (Mattel Inc. Innovation). |
| Legal         | Back in the early 2000s, 20 million of Mattel's toys manufactured in China were discovered to contain lead paint. Mattel took quick action to recall these toys and demonstrate responsibility as a leader in the toy industry, as discussed by John A. Quelch in the Harvard Business School (2007).<br><br>Although this example is over a decade old, it shows Mattel's dedication to follow legal regulations.                                              |

## **Porter's Five Forces:**

The Porter's Five Forces model is key to better understand the competitive forces of Mattel and more specifically, Barbie. It analyzes the aspects competitive rivalry, supplier power, buyer power, threat of substitution, and threat of new entry to better understand a company or organizations position within its market. It is a valuable and strategic tool that can help guide businesses towards success (Harvard Business School).

According to Statista, the competitive rivalry that Mattel faces is from companies like Hasbro, the LEGO group, and spin master (Statista). This same source says that these companies along with Mattel dominate the market. When focusing on Barbie, the competitors include her substitutes, discussed in greater detail later on. These include Sindy, Queens of Africa, Lottie Dolls, and Bratz Dolls (Hassan, 2023). Although Mattel and Barbie face competition, this provides motivation to provide fair prices, more choice for consumers, and create quality products for consumers (ACCC).

When it comes to addressing supplier power, there is one key country to focus on: China. According to intrepid sourcing, 'China is the largest producer and exporter of Children Products & Toys in the world. It is accounting for almost 80% of the global toy supply. It remains unrivaled as manufacturer and exporter for the Children Products & Toy Industry,' (Intrepid Sourcing) Although this is true for the toy industry at large, it is not entirely true for Mattel. Mattel is trying to 'diversify its production footprint' and although 50% of its toys were made in China at the beginning of 2024, they are working to lower that percentage (Stroh 2024).

Customers have a more limited buyer power due to Mattel and Barbie's brand recognition. This brand recognition and loyalty means people are more willing to spend higher prices for Mattel's products, lowering their bargaining power (Hivelr Business Review, 2023).

This leads into Barbie’s threat of substitutions, which includes Sindy, Queens of Africa, Lottie Dolls, and Bratz Dolls (Hassan, 2023). Customers have the option to choose these other dolls not made by Mattel, but Barbie has high customer loyalty and brand recognition (Hivelr Business Review, 2023).

Overall, the threat of a new entry for Mattel is not significant. This is because Mattel is established, benefits from economies of scale, branding, among other benefits of being a major competitor in the toys market (Stroh, 2024). There has been recent examples of new companies entering through a more niche market (Clawson, 2023). This same source shows that taking advantage of a niche in the market – such as branded toys, is a way to enter the toy market. It does clarify that it is easier if you have experience in the market, due to its competitive and complex nature.

### **SWOT Analysis:**

Lastly, a SWOT analysis helps to understand the external and internal factors that can influence an organization. It examines the internal factors of the organization, which are its strengths and weaknesses. It then looks at the external factors by analyzing the opportunities and threats that the company faces. Together, this offers a holistic view of what may impact a company like Mattel.

|           |                                                                                                                                                                                                                                              |
|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Strengths | <ul style="list-style-type: none"><li>• Mattel and Barbie rand recognition and loyalty (Hivelr Business Review, 2023).</li><li>• Top competitor in the toy market (Statista).</li><li>• High demand for Barbie (Horizon Databook).</li></ul> |
|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|               |                                                                                                                                                                                                                                                                                                                                                        |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Weaknesses    | <ul style="list-style-type: none"> <li>• Competition from competitors such as Hasbro, Lego, Bratz Dolls, Sindy, etc. (Statista) and (Hassan, 2023).</li> <li>• Reliance on China for around 50% of their production Stroh (2024).</li> </ul>                                                                                                           |
| Opportunities | <ul style="list-style-type: none"> <li>• Expansion into ‘green toys’ or video games (Horizon Databook).</li> <li>• Increase production outside of China for diversification of production (Stroh, 2025).</li> </ul>                                                                                                                                    |
| Threats       | <ul style="list-style-type: none"> <li>• Competition from Sindy, Queens of Africa, Lottie Dolls, and Bratz Dolls (Hassan, 2023).</li> <li>• American tariffs placed on China that can result in increased prices for consumers (Samp, 2025).</li> <li>• Generally uncertain political and economic climate (Samp, 2025) and (Sherman 2025).</li> </ul> |

## Conclusion:

Mattel started as a humble toy company operating out of the garage of co-founders Ruth and Elliot Handler. What started with a toy ukulele for kids to play with and expanded into iconic brands like Barbie, Mattel is now a vast company that is recognized and loved by millions around the globe. It competes with companies like LEGO and Hasbro in a multibillion-dollar market, where it is one of the top companies. Barbie is one of Mattel’s distinguishing products, and she is a key competitor in the dolls segment of the toys market. Although Mattel is heavily

reliant on China to supply their toys, they are working to diversity their production footprint.

This is especially important when considering the political and economic uncertainty resulting from the tariffs placed on the country by the U.S. Mattel has been a prominent figure in the toys market for 80 years now, and all the evidence shows that it will continue to be a key player in the market.

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