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Mattel's New Elmo May Top Toy Sales as Parents See Higher Costs

By Heather Burke

Sept. 25 (Bloomberg) -- Mattel Inc.'s Elmo Live, an animated puppy from Hasbro Inc., and toys that connect to the Internet may be among the bestsellers this year as price-conscious parents look to stay within budget during the holidays.

Elmo Live, a furry red monster that waves its arms and is a follow-up to 2006's T.M.X. Elmo, and Hasbro's Furreal Friends Biscuit, My Lovin' Pup, were among the ``Hot 20'' chosen by Toy Insider, according to a list released today.

Hasbro, Barbie-maker Mattel and other toymakers, which get at least a third of their annual revenue from the fourth quarter, boosted prices to compensate for increased plastic and energy costs. Rising gasoline and food expenses may cause parents to be more selective this year, said Jonathan Samet, Toy Insider's publisher.

``They're still going to want to put a lot of products under the tree," said Samet, the publisher of Adventure Publishing Group's The Toy Book, a trade magazine covering the industry since 1983.

Higher labor and product-testing costs following last year's recalls of more than 20 million Chinese-made products also prompted toymakers to increase prices. That, along with the slumping U.S. economy, may contribute to a 2 percent decline in holiday toy sales, Gerrick Johnson, a toy analyst at BMO Capital Markets, wrote in a research note yesterday.

The number of parents complaining about higher costs for toys has ``increased dramatically," wrote Johnson, based on his team's visits to stores.

U.S. toy sales through July fell almost 1 percent to \$9.34 billion from \$9.43 billion in the same period a year earlier, according to the NPD Group Inc., a Port-Washington-based research firm. In 2007, toy sales decreased 2.4 percent to \$22.3 billion, according to NPD data.

Fourth Quarter

The Toy Insider panel stayed away from higher-priced toys this year, with the cheapest at \$9.99, said Samet. The most expensive product in the list is Hasbro's Biscuit puppy, which lies down and moves its head, at about \$179.

Toys that can be linked to virtual worlds on the Internet are increasingly appealing to children as they move to electronics at an earlier age, said Samet, who has worked in the toy industry for 25 years. Web-connected toys on the list include Jakks Pacific Inc.'s Club Penguin Plush.

Exercise-themed toys will again be popular, as parents try to get children active and combat obesity, said Samet.

The third annual Toy Insider will be published Oct. 16 in the November issue of Hearst Corp.'s Redbook magazine.

Toymakers don't pay to submit their products for review in the supplement, which is advertiser-supported, said Samet. The panel doesn't forecast holiday sales.

Mattel, based in El Segundo, California, fell 7 cents to

\$18.27 yesterday in New York Stock Exchange composite trading, while Pawtucket, Rhode Island-based Hasbro decreased 23 cents to \$36.05.

This year's **HOT 20** includes the following:

0-2 YEARS

Elmo Live - Fisher-Price
K's Kids Ryan 28 Activity Center - Ohio Art
Sit to Stand Alphabet Train - VTech
Smart Builders Piano - MEGA Brands

3-5 Years

Club Penguin Plush - JAKKS Pacific
Furreal Friends Biscuit, My Lovin' Pup - Hasbro
Handy Manny 2-in-1 Transforming Tool Truck - Fisher-Price
Invincible Iron Man Action Figure - Hasbro
KidiArt Studio - VTech
Tink's Talking Café - CDI

6-8 Years

Air Hogs Zero Gravity Micro - Spin Master
Hannah Montana Malibu Beach House - Play Along
Clickables Fairy Charms Starter Set - Techno Source
Barbie iDesign Ultimate Stylist - Mattel
ME2- iToys
Bakugan Battle Brawlers - Spin Master

9+ Years

Monopoly Here & Now: The World Edition - Hasbro
Spy Video ATV-360 - Wild Planet
U-Dance - Tiger Electronics
Youth Signature Street Surfing Set - Street Surfing

Source: Toy Insider