

Mattel, Hasbro play with shipping, pricing strategies to optimize supply chains

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Toymakers Mattel and Hasbro have published Q2'21 revenues and illustrated the supply chain challenges facing the sector currently.

Mattel reported a significant rebound in revenues with Q2'21 up by 40.2% year over year. The firm cited a return to shopping in person and “*impulse shopping*” among consumers. Mattel has had to deal with supply chain challenges in the first half of the year.

The firm’s CFO, Anthony DiSilvestro, has noted these included “*shipping container shortages that were exacerbated by a temporary port shutdown in China and temporary plant shutdowns in Asia related to COVID-19 restrictions*“. Those are unlikely to be resolved in the short term as CEO Ynon Kreiz has flagged an expectation of “*continuing supply chain challenges for the rest of the year*“

Hasbro reported somewhat higher growth of 53.7% year over year in Q2'21, in part bolstered by digital franchises.

Comparative growth in the remainder of the year will depend on successfully delivering the right products at the right time ahead of the critical holiday season and overcoming the supply chain challenges that Mattel also experienced. In order to ensure that the firm’s strategy “*includes sourcing more products earlier out of multiple countries*“, Hasbro’s CFO, Deborah Thomas, has stated.

The proof of earlier shipments may take a couple more months to emerge given the annual peak in U.S. seaborne imports of toys and games normally comes in October after ramping up from July August. There is already some evidence at the macro level of increased shipments in Q2'21 however, with Panjiva’s data showing U.S. seaborne imports climbed by 23.9% year over year and by 10.0% compared to Q2'19.

No off-peak downturn for toy supplies in 2021

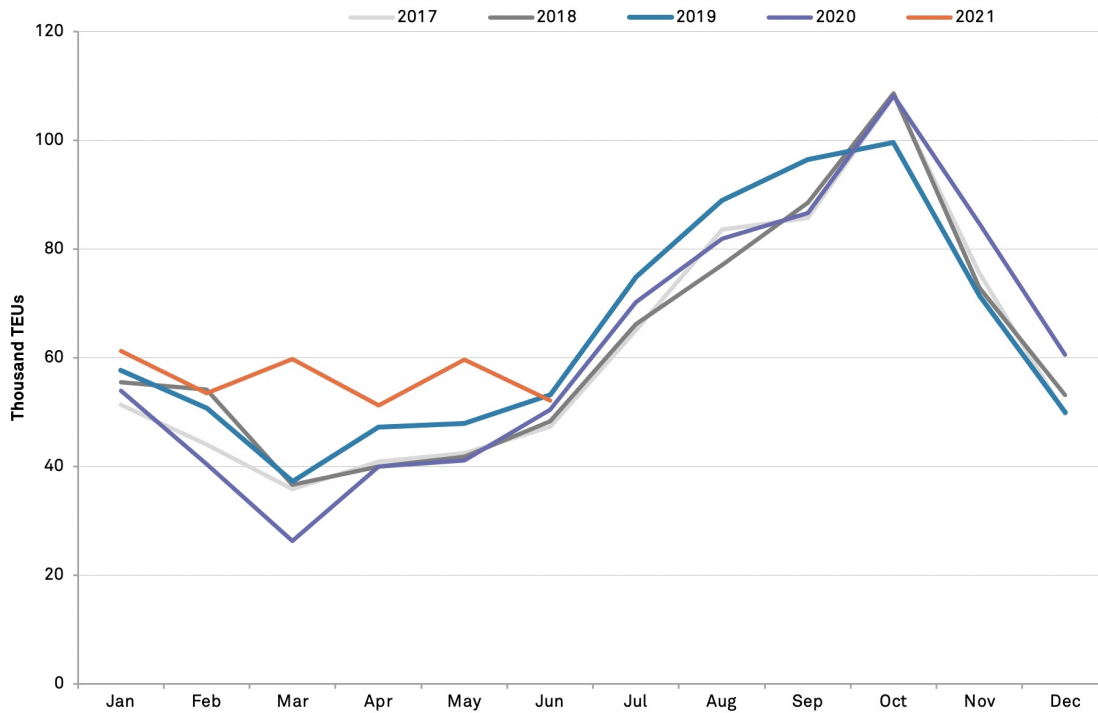


Chart segments U.S. seaborne imports of toys and games by month.

Source: Panjiva

Hasbro has already adapted its logistics strategy to deal with congestion factors, with CEO Brian Goldner noting the firm has “*secured more ports, and we’ve got more shipping lanes than we’ve had in the past*”.

Panjiva’s data shows shipments linked to the firm increased by 26.1% year over year including a 133.3% rise in imports into New York and a 74.8% increase in shipments into Savannah, Ga. By contrast the use of West Coast ports has fallen with shipments into Seattle/Tacoma and LA/Long Beach up by just 1.1% and 15.2% respectively.

New York increasingly important for Hasbro's shipping strategy

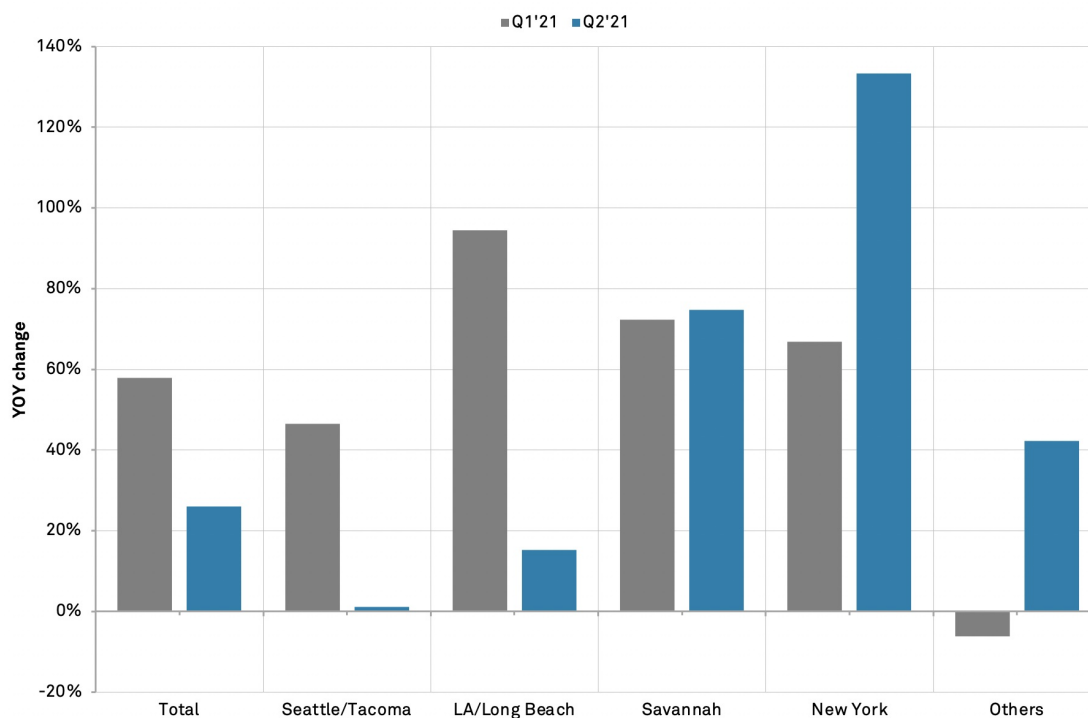


Chart segments U.S. seaborne imports linked to Hasbro by origin.

Source: Panjiva

The strategy to pursue earlier and diversified shipping comes as container rates remain elevated, potentially generating significant supply chain inflation as discussed in Panjiva's research of July 15. Both firms have experienced that effect.

In Mattel's case there was *"slightly higher negative impact from cost inflation than we previously guided due to further increases in ocean freight"* Mr. DiSilvestro stated which will *"partly offset by cost savings and upcoming pricing actions"*.

Hasbro's Mr. Goldner has stated the firm will also pursue *"price increases that go into effect during the third quarter and provide an offset to the rising input and freight costs in the business"*

The inclusion of price rises into Q3'21 resulting from cost increases in the first half of the year illustrates the bow-wave effect of supply chain inflation on consumer price inflation. It remains to be seen whether the relative level of price rises will generate different demand responses from consumers for toys from different manufacturers.

In terms of preparing for peak season imports in Q2'21 linked to Hasbro and Mattel increased by 26.1% and 10.1% year over year respectively. It's worth noting that Hasbro's shipments are only 2.1% above the same level of 2019 while Mattel's were 19.7% higher.

Among the second tier toymakers imports linked to Spin Master climbed 24.7% year over year while shipments associated with Jakks Pacific climbed 62.5% higher. Not all firms have seen an improvement though with shipments linked to Tomy having declined by 24.3% after a jump in Q1'21.

Hasbro outpaces Mattel as Tomy slips into reverse

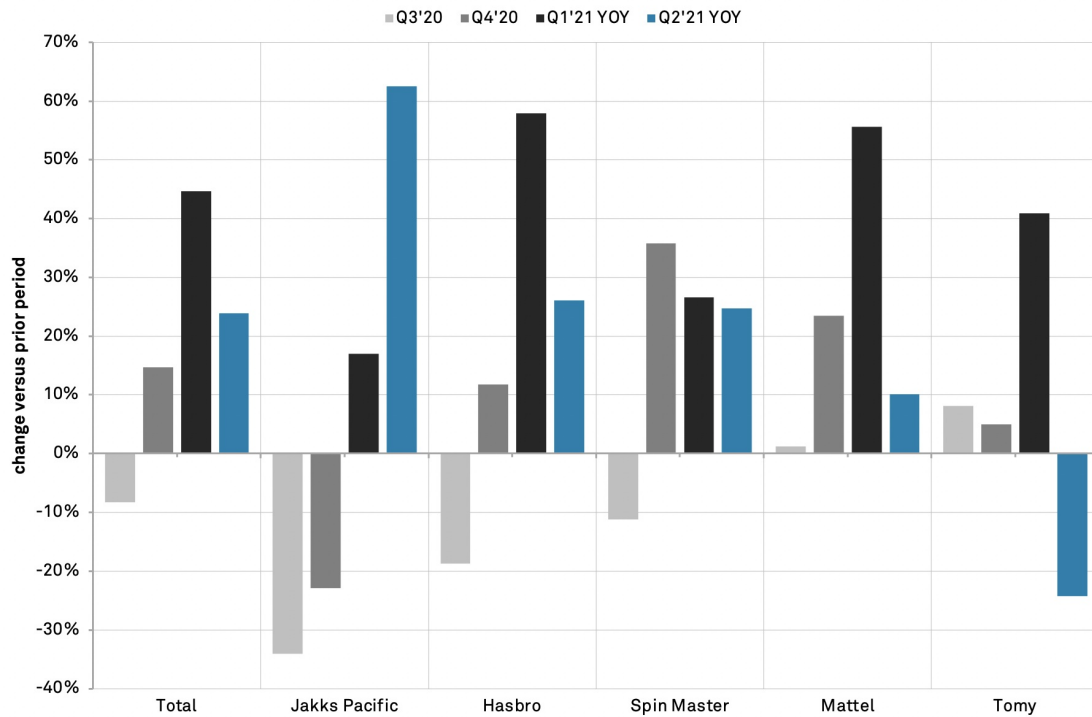


Chart segments U.S. seaborne imports of toys by consignee.

Source: Panjiva