

How Does a “Toy Company” Become a Leader in the Metaverse?

Ynon Kreiz
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In this interview developed in partnership with CEO Ed Frank of Axis Innovation, Mattel Chairman & CEO Ynon Kreiz discusses how toys are an important part of the digital economy. In fact, while Mattel may be best known for its toy products such as Barbie dolls and Hot Wheels, Kreiz has a different, innovative vision, one centered on the IP space. Under his leadership, Mattel has begun production on Barbie movies, TV shows, and NFTs. Between 2018–21, adjusted operating income improved by more than \$960 million, and Mattel achieved its highest annual growth in decades. But how did Kreiz and his team create this growth – what role did efficient operations and management of the supply chain play in achieving greater success? And more broadly, – how does traditional “play” interact with technology? Kreiz discussed these questions and more in a conversation with *Coller Venture Review*. An edited version of the interview appears over the following pages.



Coller Venture Review —

You were one of the top 10 CEOs sitting in front of U.S. President Joe Biden a few months ago. Reflecting back on your recent experiences, what insights did you share with him on improving efficiencies in the supply chain?

Kriez —

I started by talking about how Mattel was able to put products on shelves and cater to strong demand for products. But interestingly, a lot of our dramatic changes across key parts of the operation started before the COVID pandemic as part of our own restructuring, reformatting, and redesigning. We pre-planned. We moved to a more capital-light model, improved the way our supply chain functions, and consolidated the number of factories that we own to focus on the more successful items.

Bottom line – we grew and strengthened our capabilities and became more oriented toward an omnichannel (online plus retail store) environment.

So when COVID happened we already had a flexible platform and operating model, one that allowed us to reorient the company quickly. Our ability to anticipate some of the disruptions in the supply chain and to accelerate manufacturing of certain key products played a really important role in how we were able to perform in the earliest days of the pandemic. By early 2022, we had grown market share for five quarters in a row.



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CVR —

Speaking of bringing new products to market, there are a lot of new technologies entering the traditional toy space. So we have to ask – do you see this technology as an opportunity or threat?

Kreiz —

As the owner of incredible brands, we absolutely believe that there is a significant opportunity to grow our digital gaming business to increase brand engagement and create a holistic experience around our franchises. Given the fact that we own the underlying IP, we are looking to engage consumers, wherever they are and in nearly any form they wish.

Of course, we start with the assumption that physical games and physical play are absolutely here to stay. In fact, it’s growing—this part of the toy industry is expected to reach \$100 billion next year, and it is expected to continue to grow at over 5% through 2025.

But we also see that kids spend more time on screens. Obviously, children are able to multitask and do several things at the same time. So it’s not a zero-sum game.

We are also learning from the great companies that have come before us. For example, Marvel used to be a comic book publisher. When Disney acquired Marvel, they realized that there was an opportunity to extend the brands that used to be in comic books and leverage them into other domains. The rest is history. We’re not saying we’ll achieve what Marvel did—the brands are different, and every company has its own journey—but we absolutely believe that our brands are so strong that the opportunity is there. We believe that the strength of our franchises combined with our own capabilities put us in a very exciting position.

Finally, we focus on impeccable execution and imagination, coupled with a global platform to achieve results. While the anchor of our core experience is physical play when we launch a new toy, we think about it as franchise management, whether it’s on television, short form, social media, games, or a movie. This is a key part of our strategy – creating a wholesome, complete, immersive experience around our brands. We extend the physical play and make it an immersive experience for the consumer.

CVR —

It seems challenging to imagine all the ways in which you engage with sense of play, which as you’ve pointed out is relevant to many different fields. Can you explain?

Kreiz —

Most broadly, play is perhaps the most common language of all. And the language that we speak is

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play. Our brands create the initial attraction and emotional connection that consumers look for. More tactically, we can’t just wait in the toy aisle for consumers to come and purchase our product, we need to reach out, engage, and find them, wherever they are, to create a holistic offering that complements a full engagement around our brands.

Ultimately, it is about quality experiences and the quality product that we create through innovation and creativity. If you do that, right, everything falls into place. This has really guided us so far and is what is driving our incredible momentum, especially this year. Our company now is in growth mode, driven by these core values, centered on creating innovative products and experiences that inspire, entertain and develop children through play. In a nutshell, as I’ve said, we are looking to engage consumers, wherever they are, and in any form that they wish to do it. The opportunity is to reach and engage in and touch consumers in digital as well, but we’re not the first one to do it. What we do is take something that is almost obvious and extend it to new domains.

CVR —

Clearly, strong IP property is associated with a privileged positioning and helps to make new inroads easier to achieve. How specifically does the underlying IP help direct Mattel’s growth?

Kreiz —

Big brands focus on meaningful consumer engagement and those that have a built-in fan base with global awareness with high emotional connection will thrive. This is true for film, television, live events, consumer products, merchandise, digital games, mobile consoles, and so forth. The level of engagement with our product – the things that kids touch, hug, and go to bed with – is a source of inspiration. We believe that that level of connection and engagement can and should be translated to other highly accretive business verticals. ☺

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What does this mean? Well, films for example are a key part of our strategy because they are very big and an important part of the entertainment industry, with global impact and very high awareness. If that happens, good things will happen. We will sell more toys. But note – we are not making movies to sell more toys; we are looking to make great content, including content that people will want to watch.

At the end of the day, we manage franchises, and our franchises have core attributes, certain values... they have a purpose. Being purpose driven is a key part of our success and why our products resonate at levels we have not seen in years. They appeal to parents, they appeal to children, and they reflect values that families really care about.

Note that the brands and franchises that we own go back to as much as three generations, with global awareness. What’s interesting is that the level of engagement with our product – the things that kids touch, they hug, that they go to bed with – is a source of inspiration AND that level of connection and engagement can and should be translated to other highly accretive business verticals – film, television, live events, consumer products and merchandise, digital games, mobile consoles, and so forth.

Given the strength and quality of our franchises, our success is going to be very meaningful and even transformative. We are pursuing it in partnership with some of the best creators out there that have done it before and believe that with our brands, they can do it again – to film, television and digital games.

CVR —
 Can you give us an example of this?

Kreiz —
 Barbie is a great example of this – Barbie today is much more than a doll, it is a cultural icon. Barbie is one of the strongest brands in the world and the number one toy property

globally overall. Not just for dolls in 2021, but overall, in all age groups and all categories. Following this, we are preparing to release the Barbie movie in theatres globally in July 2023. It is directed by Greta Gerwig, with Margot Robbie playing Barbie.

But the real point here is that, in many ways, Barbie is a reflection of Mattel. Barbie today is much more than a doll, and there will be more opportunities for Barbie as well as for our other brands. When you look at Barbie, and its extensions, it is a reflection of how Mattel operates – how we understand and grab the opportunities we see in front of us, and galvanize energy to drive a diverse portfolio.

There are other great projects that we’re developing already as well, we announced 14 movies in the works and a lot that is happening on the episodic sides, which we call Mattel Television. We know today that when you work in television it no longer means a weekly show – but is really an episodic experience.

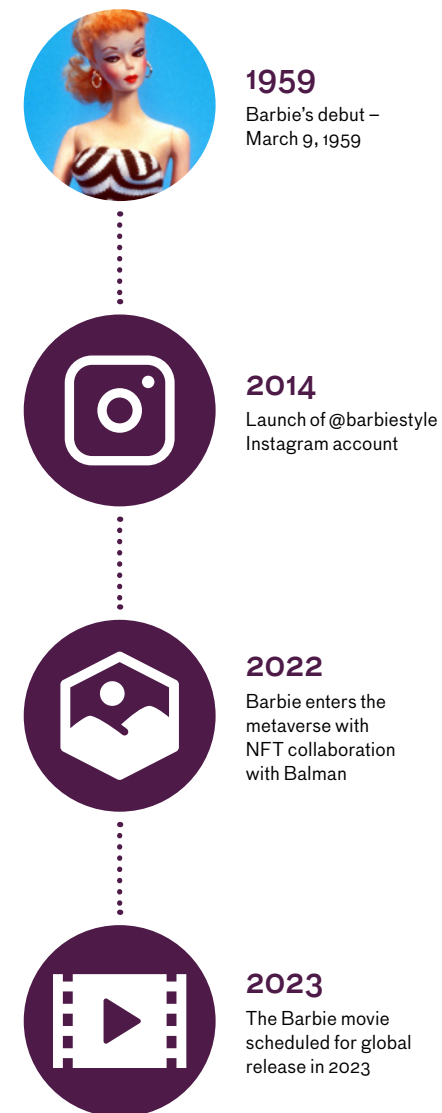
We’ve recently launched a live action movie, Monster High, that premiered on Nickelodeon with incredible cinematic quality. A second film has been greenlighted. Bottom line, we are seeing and driving a lot of momentum and excitement around the content activities.

CVR —
 How would you say this translates into the management and motivation of your team?

Kreiz —
 We are on a journey to create significant value in the toy in the toy aisle, and it’s an exciting industry in and of itself. It’s a growing industry, and we can do a lot of things there. But the opportunity is, in addition to what we do on the toy side, to expand into these other verticals.

But the mandate for our own film group, and it’s a small team, is for them is to make great content and attract the best talent. That talent is in how that team will take our

Evolution of a cultural icon



Above image: ©Mattel

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brands, reimagine them and create great experiences for consumers all over the world. With that approach, we have been able to attract and collaborate with some of the biggest filmmakers of our times, across multiple genres.

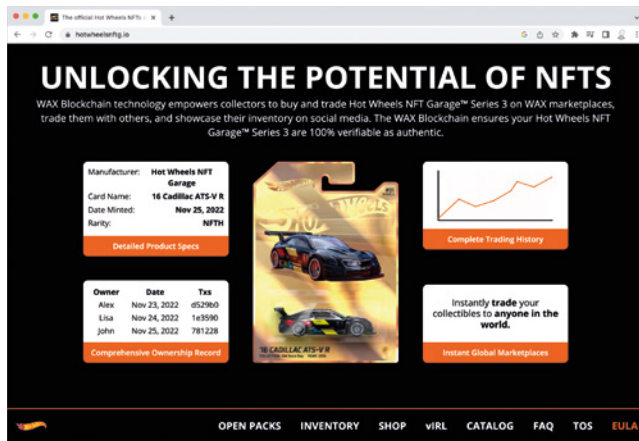
This is part of the magic to see how those creative people can turn our franchise into special experiences and on the big screens, as well as on the home screens through the streaming platforms and television channels.

But there are a lot of other things to think about. Mattel is obviously highly operational and has a global footprint. We really do have a great team, composed of good people, we work strongly together and my main focus is to ensure that our people have the best environment, the best tools, the best capabilities, resources and infrastructure to do a great job. You always have to look around the corner, and expect the unexpected. But as a whole, once you set the goals and the strategy, it’s all about empowering our team to aim towards those goals and focus on execution and getting things done. We have covered a lot, it’s been a long, long journey and we are in a much different place today than we were just a few short years ago and we’re now orienting towards growth. It’s a new phase, and it does take a different approach. But with all the work that we’ve done over the last few years, we are in an excellent position to achieve what we what we set out to do.

CVR —
 From your perspective as an IP holder and brand builder, can you share your perspective on NFTs?

Kreiz —
 NFTs are a really exciting situation and shine a light on the type of opportunities we think about. They didn’t exist and suddenly they’re growing fast. We see that the industry will go through different phases and transformations. To actually buy an NFT is not simple today and this process will become a lot smoother and a lot more user-friendly over time. We also expect that some of the hype will eventually rationalize and interest will focus on big brands that have communities around them, with people that share the same passion, values, and aspirations.

Regardless, we see the ability to engage with brands in the metaverse and the combination of the physical with the virtual. For Mattel, we own the underlying rights, which gives us the opportunity to participate in both physical and virtual domains, with NFTs a real part of the experience. We’re very excited about this—we were the first toy company out of the gate that launched an NFT product with Hot Wheels last year. The latest partnership with Balmain is another example not just of how we can play in the NFT space, but also the type of partnerships that we can do, where the appeal that the brand has is way beyond the toy. 🎯



Above: The Hot Wheels NFT Garage website.

CVR —

How do you expect continued innovation and the spirit of entrepreneurship be felt at Mattel in the future?

Kreiz —

I have always been guided by innovation and execution against any given innovation. I believe in innovation, in always trying to reinvent, improve, optimize, and push the envelope to find a way to do things in a better way – no matter the shape in which you find something, there is always a way to do things better. Innovation is a big word and kind of a headline way to describe ways to improve and to become more productive and more creative. This is not just about being a creative designer or developer of a toy, in the case of Mattel, but in truly thinking out of the box.

As for execution – getting things done – we’re here to achieve goals, whatever they are. But it doesn’t necessarily have to be financial goals. We always have to ask: Are we achieving our goals? Are we getting things done? What did we achieve at the end of the day?

CVR —

How do you see your work affecting the broader culture and, reciprocally, the broader culture affecting Mattel?

Kreiz —

As the play pattern becomes more sophisticated and more holistic – and more immersive – we have to think about the impact of our launching a new toy, or

extending IP whether it’s on television, short form, social media, games, or a movie. Our brands matter because they represent emotional connection.

This goes into purpose and what parents think, what is my child getting out of it beyond the physical play? Or beyond the time they spend with it? Are they entertained? Are they inspired? Do they learn something new?

Our company also has cultural impact on a global scale– this matters to our consumers, to people around Mattel, to our employees, and to our constituents. When you do and say things, there are implications one has to consider and take into account. Doing so earns people’s trust, and we know the rest takes care of itself.

In order to deliver authentically, I believe one needs to earn the respect and trust of a range of communities and the people. We see trust as a core brand promise to what Mattel represents. Trust is not just about the safety and quality of what we make, but also what we stand for, what we represent, and how we stand by our commitments at the business level, the human level, and the personal level.

Kreiz —

Our clear aim at Mattel is to contribute to a more diverse, equitable, inclusive and sustainable future. We can’t do it alone but we absolutely try to contribute. When Barbie is promoting diversity and inclusivity and empowering girls to reach their unlimited potential, it resonates. People say it impacts and influences consumers and helps advance the world to a better place. Likewise what we do internally in terms of the product we make, our impact on the environment, and sustainability is a very important part of how we factor our planning and design product and manufacture products, whether at our own factories, or even when we outsource manufacturing to

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third parties. Our company takes itself and our role as a corporate citizen very seriously. This is very important for me personally and it’s very important for the company, and it’s something that we put at the very front of our thinking, every day.

In sustainability the commitment is to achieve 100% recycled recyclable or bio-based plastics material in both products and packaging by 2030 and we are already making real progress towards that goal. Likewise, we made other commitments regarding reduction of greenhouse gas emissions, to using sustainable materials and recycled materials. We are taking steps gradual but significant steps towards those goals to deliver on our commitment, and yes, it is a key part of who we are, what we stand for, and how we operate as a company.

CVR —

Last year, there was over \$26 billion invested in Israeli companies. Has Mattel considered investing?

Kreiz —

We are always interested where there is fertile ground for innovation and new technologies. As for Israel, knowing the country and the people as well as I do, I’m not surprised that there is a lot of talent in every field and every part of the economy. I believe in the continued growth and further opportunities. This is something that we as a company are also interested in exploring– we are looking to collaborate with Israeli startups and Israeli technology companies to accelerate what we do, even as we give those companies access to our platform and resources.

CVR —

Thank you very much. I think for sure you’re inspiring to many people here in Israel, and especially at Tel Aviv University, we’re going to be hearing a lot about what you’ve done and what you’ve achieved. So, I wanted to thank you very much for giving your time. ■



About

Ynon Kreiz is the Chairman and Chief Executive Officer of Mattel, a global toy company. Throughout the first three years of his tenure, Kreiz transformed Mattel into an IP-driven, high-performing company, improving adjusted Operating Income by more than \$960 million. Kreiz’s transformation into the IP space has led his company to begin production on a Mattel film franchise, including Barbie and Hot Wheels movies. Prior to Mattel, Kreiz was the Chairman and CEO of Maker Studios and the Endemol Group. He received his MBA from UCLA Anderson School of Management and his Bachelor of Arts degree in Economics and Management from Tel Aviv University.

Ed Frank is the Founder and CEO of Axis Innovation, a Tel Aviv- based open innovation consultancy which focuses on bringing cutting edge technologies to its clients to create growth, solve problems or invest. Prior to Axis, Ed was CEO of IDT Ventures. With over 20 years of tech experience, Ed has been involved in technology as an entrepreneur, industry expert, investor and deal maker. Ed has an MBA and BS in engineering, both from Columbia University.