**CASE FOR ANALYSIS How Mattel’s Barbie Lost the War against the Bratz Doll**

The rapid pace at which the world is changing is forcing strategic managers at all kinds of companies to speed up their decision making; otherwise they get left behind by agile competitors who respond faster to changing customer fads and fashions. Nowhere is this truer than in the global toy industry, in which vicious combat rages in the doll business, worth over $10 billion a year in sales. The largest global toy company, Mattel, has earned tens of billions of dollars from the world’s best-selling doll, Barbie, since it introduced her over 50 years ago.[83](/books/9781323290941/content/id/ch12bib83) Mothers who played with the original dolls bought them for their daughters, and granddaughters, and Barbie became an American icon. However, Barbie’s advantage as best-selling global doll led Mattel’s managers to make major strategic errors in the 2000s.

Barbie and all Barbie accessories have accounted for about 50% of Mattel’s toy sales since the 1990s, so protecting this star product was crucial. The Barbie doll was created in the 1960s when most women were homemakers; her voluptuous shape was a response to a dated view of what the “ideal” woman should look like. Barbie’s continuing success, however, led Mattel’s CEO Bob Eckert and his top managers to underestimate how much the world had altered. Changing cultural views about the role of girls, women, sex, marriage, and women working in the last decades shifted the tastes of doll buyers. But Mattel’s managers continued to bet on Barbie’s eternal appeal and collectively bought into an “If it’s not broken don’t fix it” approach. In fact, given that Barbie was the best-selling doll, they thought it might be dangerous to change her appearance; customers might not like the product development changes and stop buying the doll. Mattel’s top managers decided not to rock the boat; they left the brand and business model unchanged and focused their efforts on developing new digital toys.

As a result, Mattel was unprepared when a challenge came along in the form of a new kind of doll, the Bratz doll, introduced by MGA Entertainment. Many competitors to Barbie had emerged over the years because the doll business is so profitable, but no other doll had matched Barbie’s appeal to young girls (or their mothers). The marketers and designers behind the Bratz line of dolls had spent a lot of time to discover what the new generation of girls, especially those aged 7–11, wanted from a doll, however. It turned out that the Bratz dolls they designed met the desires of these girls. Bratz dolls have larger heads and oversized eyes, wear lots of makeup and short dresses, and are multicultural to give each doll “personality and attitude.”[84](/books/9781323290941/content/id/ch12bib84) The dolls were designed to appeal to a new generation of girls brought up in a fast-changing fashion, music, and television market. The Bratz dolls met the untapped needs of “tween” girls, and the new line took off. MGA quickly licensed the rights to make and sell the dolls to toy companies overseas, and Bratz became a serious competitor to Barbie.

Mattel was in trouble. Its strategic managers had to change its business model and strategies and bring Barbie up to date; Mattel’s designers must have been wishing they had been adventurous and made more radical changes earlier when they did not need to change. However, they decided to change Barbie’s extreme shape; they killed off her old-time boyfriend Ken and replaced him with Blaine, an Aussie surfer.[85](/books/9781323290941/content/id/ch12bib85) They also recognized they had waited much too long to introduce new lines of dolls to meet the changed needs of tweens and older girls in the 2000s. They rushed out the “My Scene” and “Flava” lines of dolls that were obvious imitations of Bratz dolls, but they both flopped. And the decisions they made to change Barbie—her figure, looks, clothing, and boyfriends—came too late, and sales of Barbie dolls continued to fall.

By 2006, sales of the Barbie collection had dropped by 30%, which was critical to Mattel because its profits and stock price hinged on Barbie’s success—and they both plunged. Analysts argued that Mattel had not paid enough attention to its customers’ changing needs or moved quickly to introduce the new and improved products necessary to keep a company on top of its market. Mattel brought back Ken, but then in a sign of its mounting problems, Mattel’s lawyers sued MGA Entertainment, arguing that the Bratz dolls’ copyright rightfully belonged to them. Mattel complained that the head designer of Bratz was a Mattel employee when he made the initial drawings for the dolls and that Mattel had applied for copyright protection on a number of early Bratz drawings. Mattel claimed that MGA hired key Mattel employees away from the firm and these employees stole sensitive sales information and transferred it to MGA.

In 2008 a judge ruled in Mattel’s favor and ordered MGA to stop using the Bratz name, and a jury awarded Mattel $100 million in damages. After an appeal, in 2009 a federal judge upheld the verdict and ruled that the Bratz doll is Mattel property and that MGA could sell the doll only until the end of 2009. In 2010 the companies were locked in a bitter dispute: Mattel wanted the rights to produce and sell the Bratz doll line, but MGA’s founder was still trying to protect the profits made from the Bratz dolls’ success. Meanwhile stores stopped selling the Bratz doll, Mattel revitalized its line of Barbie dolls, and its CEO exultantly declared that “Barbie is back” as increased doll sales helped raise the company’s profits by 86% in the spring of 2010.[86](/books/9781323290941/content/id/ch12bib86)

Imagine then, how Mattel’s managers reacted to the decision of the federal appeals court in July 2010 when it threw out the previous court decision and ruled that MGA Entertainment did have the right to make and sell the Bratz doll because their looks and image were not subject to existing copyright law! The rights to the Bratz doll were given back to MGA, and MGA is currently suing Mattel for major damages that have cost it hundreds of millions in profits.