2012 Kellogg Marketing Leadership Summit

Inventing the Future of Marketing

Robert A. Eckert
Chairman of the Board, Mattel, Inc.
“Some Observations”
Hello!
I'm Bob
Mattel’s History

from a garage workshop in 1945…
to the largest, most innovative toy manufacturer in the world!
What are you good at?
Vision:

World’s Premier Toy Brands – Today and Tomorrow
Brands Tie the World Together
What I Learned in Marketing 101

The definition of marketing is to find out what a public wants & get it to them profitably.
-- Professor John Wieland, University of Arizona

The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself.
-- Peter F. Drucker
I know that half my advertising is wasted, the problem is I just don't know which half.
-- John Wanamaker, considered the father of modern advertising

I won't settle for 50 percent of anything. I want 100 percent.
-- Don Draper, Mad Men
The Next Generation of Marketing

Dr. Mazziotta at UCLA:
• Brain mapping
• Neuroscience is the new science of marketing
• Can predict likes and dislikes
The World is Changing Quickly

Social connections -- likes, dislikes and opinions travel around the world in an instance, as does a crisis.
How simply have you communicated what needs to be done?
I wrote you a long letter because I didn’t have time to write a short one.

Mark Twain
Are you paying people to do what you want done?
Mattel Bonus Structure

2000

“NOPAT-CC”

2008

Gross Margin Kicker (50%)
Is Variable Pay (Bonus) Truly Variable?

Mattel Incentive Plan Payout History

100% Target Payout

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
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<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
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<tr>
<td>Payout Rate</td>
<td>72%</td>
<td>78%</td>
<td>150%</td>
<td>60%</td>
<td>83%</td>
<td>50%</td>
<td>150%</td>
<td>130%</td>
<td>0%</td>
<td>150%</td>
<td>150%</td>
<td>95%</td>
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Do you practice the 80/20 rule?
Illinois Tool Works

- Company is 100 years old
- 825 decentralized business units
  - Designs and produces an array of highly-engineered fasteners and components, equipment and consumable systems
- Uber-focused on the 20%
Do You Practice the 80/20 Rule?

"Is the juice worth the squeeze?"

Ron Sargent, CEO Staples
Do you focus on big ideas?
Great product ideas can transform a company.

Great brands can sustain a business.

What’s next?
Franchise Model

Monster High

Universal

Nickelodeon
What does success look like?
Report Card: Total Shareholder Return

Annualized TSR\(^{(2)}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Mattel</th>
<th>Toy Peers</th>
<th>S&amp;P500</th>
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<td>31%</td>
<td>31%</td>
<td>0%</td>
<td>31%</td>
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Notes:
(1) Peer group includes: Clorox, Coca-Cola, Colgate-Palmolive, Hasbro, Kraft, Liz Claiborne, Nike, PepsiCo, Procter & Gamble and VF Corp.
(2) TSR for Peers and S&P is from May 31, 2000 through End of Year 2010; TSR for Mattel is from May 16, 2000 through End of Year, 2010; May-Dec '00, TSR not adjusted for annualization.

Source: Yahoo Finance, Standard & Poor’s

(3) Average Annual 3-month T-bill yields http://www.ustreas.gov/interest-rate/yield.shtm
Will Rogers

Even if you’re on the right track, you’ll get run over if you just sit there.
Do people want to see you win?
Do What Matters
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