



FISHER-PRICE - BENELUX

In late 1977, executives of Fisher-Price toys met to consider a proposed change in the company's method of distribution in the Benelux market. Stephen Muirhead, Fisher-Price's marketing manager-Europe, presented three options to the group: to continue with independent distributors, one in Belgium and one in Holland; to set up a company-owned sales company by early 1979; or to phase out the distributors gradually over a three-year period. Participants in the meeting included, besides Muirhead, Jock Flournoy, vice president-International; Bob Hoffman, International controller; Manfred T. Wellenbeck, managing director-Europe; Raf Decaluwe, European controller; and Louis Mentor, assistant European controller. Muirhead had raised the question of changing distribution methods in the Benelux countries because he was dissatisfied with the level of sales and promotional support that the two distributors were providing. Changing the distribution system would, however, entail some risks including, possibly, the payment of a substantial indemnity to the Belgian importer/distributor.

Company Background

Fisher-Price Toys, Inc. was founded in East Aurora, New York in 1930 with the concept that solid wood blocks with lithographs applied would sell as toys for preschool children. Herman G. Fisher, president and one of the three founders of the firm, believed that "kids not only want toys to play with, but toys to play with them." Accordingly, he saw in wood lithographing the opportunity to make action toys which would walk, crawl, whine, and generally "respond" to children.

In order to survive the difficult depression years, Mr. Fisher established as a corporate creed that each Fisher-Price toy must have: (1) intrinsic play value; (2) ingenuity; (3) strong construction; (4) good value for the money; and (5) action. These guidelines for toy-making, which were still observed in 1977, led to success in the company's early years. By 1969, Fisher-Price had become a major factor in the toy

---

This case was prepared by Carlos Del Nero, assistant marketing manager-International, and Stephen Muirhead, director of licensing, Fisher-Price Toys, in cooperation with Professor Robert D. Buzzell as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

industry. Sales increased to \$32 million in that year and three-fourths of all toy purchasers in the U.S. recognized Fisher-Price as a leading producer of preschool toys (0-4 years). Nonetheless, under the guidance of Mr. Fisher, the firm continued in its conservative ways in terms of both financial and marketing policies. Accordingly, it was not surprising that the Quaker Oats Company of Chicago saw great potential in Fisher-Price and purchased the firm from Mr. Fisher for \$50 million in cash.

While Quaker was a far more aggressive company than Fisher-Price had been under Mr. Fisher's direction, Quaker's management was hesitant to meddle in the concerns of the toy manufacturer. They recognized Fisher-Price to be a well-run organization, and sought to ensure continuity of management. At the same time, however, Quaker encouraged Fisher-Price executives to adopt a less conservative posture, specifically in their marketing and advertising programs. Advertising especially took on a dimension of importance with the growth of self-service in toy retailing, creating the need to shift from a push to a pull strategy. To accomplish this desired change in outlook, Quaker made it clear that it stood ready to provide whatever resources would be necessary to ensure a more substantial growth rate.<sup>1</sup> By 1977, Fisher-Price was recognized as one of the world's leading producers of preschool toys. Total worldwide sales reached \$270 million. International sales accounted for about one-third of this total.

Examples of Fisher-Price toys are shown in Exhibit 1. The company's 1977 International catalog included about 200 different items, classified into categories according to the ages of the children for whom they were designed. The categories were Crib & Playpen (1 day to 18 months), Preschool (18 months to 4 years), and Grade School (4 years to 9 years). Traditionally, Fisher-Price's greatest strength was in the design and marketing of toys for the younger groups (under 4 years).

#### International Expansion

In the mid-1970s, the United States was the largest toy market in the world representing approximately one-third of the world market. However, Fisher-Price management recognized that attractive opportunities were also to be found in international markets, primarily in Europe, which (in total) also represented approximately one-third of the world toy market.

Fisher-Price sales in Europe had begun in the 1950s. A general export agent, based in New York, handled all export sales for Fisher-Price. When Fisher-Price became a division of Quaker Oats in 1969, more emphasis was put on international business. Europe, due to its toy market size, high purchasing power and political stability, was the first region chosen for the company to concentrate its marketing and production efforts to further overseas market development.

---

<sup>1</sup>The section on company background is taken from Fisher-Price Toys, Inc. Harvard Business School Case Services #9-572-029, Rev. 12/80, pp. 4-5.

By 1977, the general export agent was no longer selling to any market in Europe. All markets were serviced either by local distributors, or Fisher-Price-owned sales companies. The original product concepts of Fisher-Price found ready acceptance in the markets of Northern Europe. Price remained a problem until the early seventies when a subcontract manufacturing arrangement was set up with a U.K. toy company. In 1975 the company opened its first European manufacturing facility in Kaulille, Belgium. Fisher-Price's European headquarters office was located nearby, in Brussels.

### International Market Development Strategy

In 1977, Fisher-Price products were marketed throughout Western Europe and also in Yugoslavia, Greece, and Turkey. Fisher-Price had its own sales companies in Germany (since the early 1970s) and France (established 1976). In the United Kingdom, Fisher-Price used another company's sales force, but had its own facilities and management staff. In all other countries, exclusive independent distributors were used.

The company's long-term strategy for developing international markets was based on the idea that, over time, national markets evolved through four "stages of development." The stages were:

- I. Latent Stage: At this stage, sales were inconsequential, either because of small population or low buying power. In such markets, Fisher-Price made only occasional export sales to customers that contacted the company.
- II. Early Growth Stage: As sales volume in a country increased, Fisher-Price would shift from direct exporting to selling through a distributor who handled key retail accounts. Ideally, distributors were selected who (a) had established sales organizations, (b) carried few or no competitive lines, and (c) could transact business on the basis of accepted 90-day drafts.
- III. Maturing Stage: In markets that were successfully developed, with Fisher-Price's share of the toy market reaching 1.5% or more, the distributor would call on all significant retail outlets. Fisher-Price gradually took charge of more marketing tasks during this stage, including advertising, and point-of-sale display and merchandising. Very small countries such as Iceland would probably never progress beyond this stage, but in other countries it was anticipated that a change to Stage IV would be made as soon as possible.
- IV. Direct Sale Stage: Eventually, Fisher-Price would establish its own organization and take over complete responsibility for sales, other marketing activities, warehousing, credit, and general administrative functions. It was expected that Stage IV markets would have the long-term potential for at least a 5% share of market.

Exhibit 2 shows the stage of development of each European market as of 1977 and the anticipated date for achieving the next stage. The exhibit also shows the "priority level" assigned to each market. A priority ranking of "1" indicates countries to which management would devote substantial attention and resources, while those ranked "3" were seen as relatively unimportant. As the rankings suggest, most of the distributor markets were assigned relatively low priorities. Consistent with this, the company's five-year Development Plan, adopted earlier in 1977, assumed that no "investment spending" would be done in distributor markets. The plan further called for maintaining profitability in all distributor markets. Even in these markets, however, it was Fisher-Price's objective to "establish itself as a major brand."

The objectives of the five-year Development Plan for major European markets called for growth in sales from \$36.8 million in 1977 to \$100.7 million in 1982 - an average annual growth rate of nearly 30%. Projected sales for each country are shown in Exhibit 3. (These figures are stated at selling prices to retailers. In countries with sales companies, the projections are for Fisher-Price's sales to retailers; in distributor markets, the figures represent sales by distributors to retailers.) Projections for the Benelux countries, assuming they continued as distributor markets, called for an average annual sales increase of 13%, with a slackening of growth in 1981 and 1982. This conservative forecast for Benelux reflected Muirhead's concern about the distributors' lack of aggressiveness in marketing Fisher-Price products.

According to Muirhead, all of the forecasts in Exhibit 3, which had been prepared in early 1977, appeared to be on the low side in light of actual sales results for the first 9 months of the year. He explained that the management of Fisher-Price Europe had consistently underestimated the growth potential for the company's products.

#### The Benelux Market

The term "Benelux" was widely used in international business to designate the adjacent states of Belgium, the Netherlands (Holland), and the Grand Duchy of Luxembourg. While such a grouping was convenient for some purposes, Belgium and Holland were in fact separate and distinct markets.<sup>1</sup> Holland, the larger of the two with a population of some 14 million, was relatively homogeneous in ethnic and linguistic terms. Belgium, with a population of 9.9 million, had two distinct regions: Flanders (Flemish speaking) and Walloon (French speaking).

For the most part, the business and social institutions of the two countries were separate. Each had its own banks, newspapers, department stores, and retail chains. Selected population, economic, and toy market information for the two countries is given in Exhibit 4. During the 1970s

---

<sup>1</sup>In the discussion that follows, Luxembourg is ignored on account of its small size (1977 population 340,000).

both countries had enjoyed steady, if unspectacular economic growth rates. Both had relatively strong currencies, with exchange rates in relation to the U.S. dollar having appreciated by around 10% since 1974.

Sales of toys in Holland were growing at a rate of around 10% annually during the 1970s. Since the number of children had grown only slightly, the growth in volume reflected rising expenditures per child typically associated with rising consumer incomes.<sup>1</sup>

About 30% of Dutch toy sales were supplied by the country's domestic producers. Imports came from many sources, with Germany accounting for over 40% of the total. Very little television advertising was used for toys, because TV commercial time was extremely scarce and expensive. In addition to catalogs, women's magazines and newspapers were used to promote toys. Retailers' margins for toys ranged from 38% to 48% of selling prices.

In Belgium, toy expenditures per child were not growing. Over 90% of toy volume was imported, with Germany and France the leading sources. Retail prices in Belgium were typically 15-20% higher than in Holland, with higher retail margins (45-55%) accounting for about half of the differential. It was believed that Belgian consumers were not very price conscious. Advertising in northern (Dutch-speaking) Belgium was similar to that of Holland, but in the southern part of the country television time (on RTL/Luxembourg) was relatively inexpensive and plentiful.

#### Fisher-Price in the Benelux

Fisher-Price had marketed its products in the Benelux countries since 1952. In Belgium and Luxembourg the exclusive importer/distributor was Comptoir Boismanu, located in Brussels. Originally, Boismanu had acted as distributor for France and Germany, and for a short time in the late 1950s, had manufactured Fisher-Price toys under license. Boismanu was a well-regarded firm, but was thought to be very conservative.

Jean Lagneau, the director of Boismanu, was about 60 years old. His organization was small, consisting of a warehouse, office and five sales representatives. Lagneau handled major accounts himself, and he had close personal relationships with the buyers in the large Brussels retailers. In total, Boismanu serviced 950 retail accounts and handled 120 Fisher-Price products. Total sales in 1977 were estimated at \$2.4 million (85.6 million BFr.), with Fisher-Price products accounting for about three-fourths of this amount. In Stephen Muirhead's opinion, Lagneau did not really have a viable successor at Boismanu.

---

<sup>1</sup>Fisher-Price executives emphasized that their estimates of market sizes were subject to considerable uncertainty. Published statistics, they believed, were almost useless. In countries where Fisher-Price operated its own sales companies, purchase diary panels were used to obtain more reliable information. Such a panel cost around \$50,000 per year in each country.

In Holland, the exclusive distributor (since 1972) was Tiamo, based in the suburbs of Amsterdam. Tiamo's sales of Fisher-Price products had increased fivefold between 1974 and 1977, to about \$1.5 million (3.68 million Dfl). The company also carried other lines directly competitive with Fisher-Price, and they would not give Fisher-Price executives any information on their total sales volume. Tiamo carried 80 Fisher-Price items and serviced 450 retail accounts with a sales force of six.

Historical trends in Fisher-Price product sales by the two distributors are summarized in Exhibit 5. (These figures are stated at Fisher-Price's selling prices.) The exhibit also shows, for comparison purposes, trends in Fisher-Price sales in selected other European countries

Both distributors operated on gross margins of around 33% of sales. They were free to set their own selling prices, but as a practical matter had little latitude. Retail selling prices for Fisher-Price products were well established, and discounting from these prices was rare.

Services provided by the distributors included making sales calls on retailers; warehousing and delivering the products; handling orders, complaints, and returns; and extending credit to customers. Neither distributor had spent anything on advertising for Fisher-Price products, nor had Fisher-Price itself advertised in the Benelux countries.

Fisher-Price's major competitors all utilized independent distributors in the Benelux countries and in most other European markets. One competitor had established wholly-owned sales subsidiaries in the early 1970s but later switched back to distributors. It was believed that this company had incurred substantial losses because of inadequate internal controls.

#### Alternative Distribution Strategies

Stephen Muirhead outlined three possible approaches to distribution in the Benelux countries. The first was to continue with the present arrangement, utilizing Comptoir Boismanu and Tiamo as exclusive distributors. Forecasts of sales, expenses, profits, and investment requirements for this option are shown in Exhibit 6. According to Muirhead, the advantages of this approach included: low investment requirements, limited credit risks, and the ability to utilize the distributors' market knowledge and experience. On the other hand, he argued that utilizing distributors limited Fisher-Price's growth because:

- the distributors provided poor customer service;<sup>1</sup>
- they were frequently out of stock because of unwillingness to carry adequate inventories;

---

<sup>1</sup>Both distributors shipped to customers via rail because this was the cheapest means of transport. As a result, deliveries usually took two weeks, while truck delivery could be accomplished in two to three days.

- they were unwilling to invest in promotion; and
- differences in pricing were likely to lead to cross-border competition.

As Muirhead saw it, the basic problem in using independent distributors was a conflict in objectives. Almost all distributors, he felt, were primarily interested in maximizing short-term profits. Most of them, he thought, believed that emphasizing growth was self-defeating because "...as soon as sales reach a certain point, the manufacturer will step in and take over the market."

A second possibility was for Fisher-Price to establish its own sales company for Benelux as soon as possible. As a practical matter, this would require about a year to accomplish and would only take effect in early 1979. Projected sales and profits for this strategy were much higher than for continued distributor sales - see Exhibit 7. On the other hand, investment requirements were also substantially greater. Moreover, if Fisher-Price set up its own sales company, a separate organization would have to be established. This is reflected in the estimated General & Administrative Expense of 26.2 million BFr. (\$708,000) for 1979. In addition, higher sales objectives would have to be supported by substantially higher marketing budgets. As shown in Exhibit 7, the first year of operations, 1979, would require an estimated outlay of 72.5 million BFr. (\$1.96 million) for field selling, advertising, and merchandising activities. The marketing budget for 1979 included the costs of eight field sales representatives and two sales managers (one for Belgium and one for Holland. Salary, bonus, and expenses were estimated at 1.1 million BFr. per sales representative and 1.9 million BFr. for each sales manager. These costs were essentially fixed. Moreover, much of the advertising and merchandising expense would be "up front" and could not readily be cut back if the projected sales increase did not materialize. A further risk of this strategy was that it relied on continued support from the distributors during 1978, even though Fisher-Price would have to give notice of its intent to terminate them at the beginning of that year.

Muirhead's suggested third option was a compromise between the two extremes. What he proposed was a "phased takeover," in which the distributors would be asked to switch over to a commission arrangement for services rendered during 1978. The key provisions of such a commission arrangement are summarized in Exhibit 8. In 1979, Fisher-Price would take over the top 90 accounts in the two countries and service them directly; in 1980, the company would commence operating its own warehouse and office; and finally, in 1981, it would establish its own sales force.

Forecasts of sales, expenses, profits, and investment requirements for the phased takeover strategy are shown in Exhibit 9. Muirhead saw several advantages in this approach, including:

- an immediate improvement in gross margin in 1978, by reducing the distributors' 33% gross margin to a 20% commission;
- control of pricing and product line selection by Fisher-Price;
- the gradual transition would give Fisher-Price time to acquire expertise, and would permit more gradual build-up of expenses as volume increases materialized.

Under either of the last two approaches, Muirhead argued that customer service would be improved significantly because Fisher-Price would control the delivery system.

Both the "immediate" and the "phased" takeover strategies involved the establishment of a single sales company, located in Belgium, to serve the Benelux market. Consequently, a possible risk of either approach was that retailers in Holland would regard the company as a "foreign" organization. Even within Belgium, the proposed location of the sales company in the Flemish-speaking region might pose problems with respect to relationships with French-speaking retailers. Muirhead thought that relationships with retailers could be improved by establishing showrooms in Brussels and Utrecht; by employing Dutch nationals as sales representatives in Holland; and by using a French-speaking advertising agency in Belgium as well as a local agency in Holland.

Another aspect of the proposed switch to a Fisher-Price sales company was that terms of sale to retailers would be modified. It was proposed that a minimum order quantity of one case (usually 12 pieces) per item be established. The two distributors accepted orders for as little as one piece (for examples see Exhibit 1). The proposal also called for establishment of standard, published quantity discounts and credit terms. The distributors often negotiated varying discounts and terms for individual accounts. Muirhead estimated that the proposed new policy might increase prices to retailers on large orders by 3-5%, and shorten the time for which unpaid balances were outstanding by as much as 30 days in some instances.

The estimates of future sales, operating expenses, and profits in Exhibits 6, 7, and 9 had been prepared by Muirhead as a basis for comparing the three approaches to distribution in the Benelux countries. The executives present at the meeting realized, however, that such estimates were purely judgmental and subject to considerable uncertainty. No one could really tell how a change in distribution channels might affect future operating results.

#### Legal Considerations

If Fisher-Price moved immediately to set up its own sales company, or if it proposed to shift to a commission arrangement and was rejected by the distributors, the company risked exposure to substantial legal liabilities. In Holland, the problem was not regarded as important: under Dutch law, all that was required of a manufacturer was to give a

distributor one year's notice of intent to terminate. In Belgium, however, the situation was different. Belgian law required that a principal (manufacturer) must give "reasonable notice" of his intent to terminate a distribution agreement. This requirement only applied in situations where the distributor, like Boismanu, was the exclusive importer of the manufacturer's line. According to Fisher-Price's Belgian counsel, what constituted reasonable notice depended on several factors, including:

- the importance of the line to the distributor (longer notice would be required if the line represented a large part of the distributor's total sales);
- the degree of the distributor's involvement in the manufacturer's marketing program, i.e., special commitments to advertise, maintain inventories, train salespeople, etc.;
- the size and importance of the distributor's territory;
- the "renown" of the manufacturer's product line or brand name; and
- the duration of the relationship between the manufacturer and the distributor.

Application of these criteria to a specific case was at the discretion of the court, unless the distributor voluntarily settled with the manufacturer. In recent court cases, the periods established as reasonable notice ranged from one year up to as much as three years.

Under the law, if a distributor were terminated without reasonable notice, then the distributor could sue the manufacturer for "just indemnity" in lieu of notice. The amount of such indemnity would be determined by the court, and was intended to compensate the distributor for "damages caused by the termination." According to Fisher-Price's counsel, the indemnity would, at minimum, include the distributor's net profits on the manufacturer's product line. It might also include some portion of the distributor's "general expenses," i.e., operating expenses that could not be eliminated if the distributor continued in business.

In addition to an indemnity in lieu of notice, Boismanu might also be entitled to a "complementary indemnity." This was intended to compensate the distributor for losses caused by termination beyond the "reasonable notice" period. Factors considered by the courts in assessing complementary indemnities included:

- The ongoing value (to the manufacturer) of increases in clientele "resulting from the distributor's efforts."
- Past expenditures by the distributor which would continue to benefit the manufacturer (such as advertising).
- Indemnities which the distributor would be required to pay to its employees who were dismissed on account of the termination.

In the attorney's opinion, if Boismanu sued for damages and Fisher-Price were held liable, the total indemnity which it would be required to pay the distributor would be "in the range of \$1.2 million to \$1.5 million (44 million to 55 million BFr)."

#### The "Phased Takeover" Proposal

The possibility of a liability for indemnifying Boismanu would arise only if the distributor sued Fisher-Price. Muirhead felt that the likelihood of such an action would be minimized if Comptoir Boismanu could be persuaded to enter into a "commission service agreement" with Fisher-Price covering the years 1978, 1979, and 1980, along the lines shown in Exhibit 8. The basic idea was that Boismanu would cease to operate as an independent, full-service distributor. Instead, the company would be paid a commission for specified services. Both the commission rate and the extent of services provided would diminish over the three-year period, as shown in Exhibit 8 and in the "sales commission" figures shown in Exhibit 9.

Muirhead believed that if Boismanu could be persuaded to sign a commission service agreement, Fisher-Price's exposure to possible damages might be substantially reduced. There was, however, no way to know how Lagneau or the owners of Boismanu would react to the proposition.

The group sat down to consider the three possibilities. Mr. Flournoy, the senior executive present at the meeting, said that he wanted to arrive at a definite decision that day, because he was scheduled to return to Fisher-Price headquarters in East Aurora, New York, on the following morning.

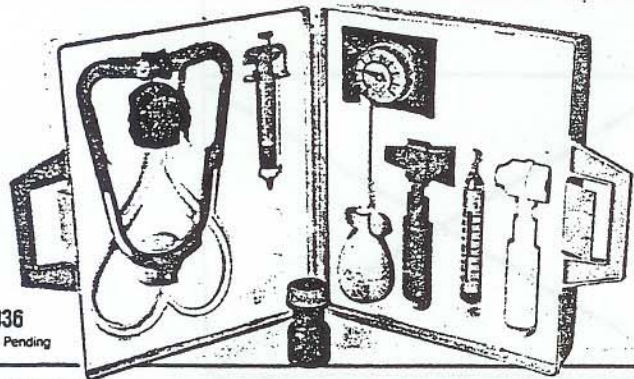


Exhibit 1  
FISHER-PRICE - BENELUX  
Excerpt from Fisher-Price  
1977 International Catalog

**NO. 936 FISHER-PRICE MEDICAL KIT -**  
A popular toy made even better the Fisher-Price way. Stethoscope really picks up heartbeats! Blood pressure gauge wraps around child's arm with velcro fasteners. Squeeze bulb, dial spins while "patient" feels pulsating sensation. Draw out "medicine" from bottle and give make-believe shot with syringe. Or take "blood test." Turn thermometer knob, temperature rises and falls. There's also a colorful eye chart (inside the box), otoscope for close-up examinations and reflex hammer. All instruments snap into tray. Handy carrying case locks shut. Ages 3-7 yrs. Ea. in display box, 20" x 10-1/4" x 1-9/16" d. 6 pcs. per 16 lb. shipper.



**NEW - NO. 673 FISHER-PRICE MAGNETIC ALPHABET BOARD -**  
Our bright and colorful magnetic letters let children discover the alphabet at their own pace. The letters stick to the metal spelling board on back for all kinds of word games. And since each letter has its own molded space in the tray, putting everything back in its place is like putting together a puzzle. So even tidying up is fun. Ages 3-6 yrs. 11-1/2" x 7-3/8" x 7/16" d. Ea. in display box, 12 pcs. per 17 lb. shipper.



936  
Patent Pending

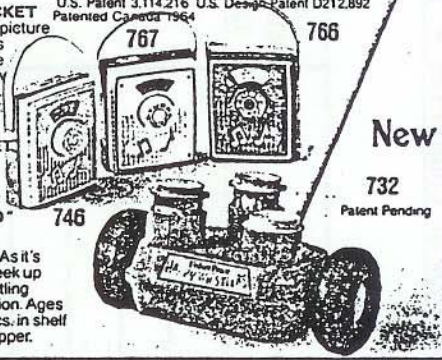
**NO. 746 "SMALL WORLD" POCKET RADIO -** Music box plays tune as picture story passes across screen. Lyrics on back. Wind-up knob cannot be overwound. Ages 1-5. 4" x 3 3/4" x 1 1/4" d. Ea. in display box, 12 pcs. in counter display, 8 lb. shipper.

U.S. Patent 3,114,216 U.S. Design Patent D212,892  
Patented Canada 1964

**NO. 766 "I'D LIKE TO TEACH THE WORLD TO SING" POCKET RADIO -** Same description as No. 746.

**NO. 767 "TWINKLE, TWINKLE LITTLE STAR" POCKET RADIO -** Same description as No. 746.

**NO. 732 HAPPY WHISTLERS -** As it's pushed or pulled, three children peek up and down and make different whistling sounds! Durable plastic construction. Ages 1-3 yrs. 2 1/4" x 9 1/2" x 10 1/4" d. 6 pcs. in shelf display, 1 display per 12 lb. shipper.



767 766  
732 Patent Pending  
New

**NO. 132 MOLLY MOO COW -** Squeeze "cow bell", Molly raises her head and "moo-oo's." Big balloon tires, springy tail. Plastic construction. 2-4 yrs. 11" x 9" x 4" h. Ea. in box, 6 pcs. per 11 lb. shipper.

**NO. 444 QUEEN BUZZY BEE -** Makes "buzz-buzz" sound as spring antennae quiver, wings whirl. 1-3 yrs. 6" x 4" x 6" w. Ea. in box, 12 pcs. per 7 lb. shipper.

**NO. 693 LITTLE SNOOPY -** "Yip-Yip" sound, spring tail wags, ears swing round. Wood body. 1-3 yrs. 7" x 5" x 5" h. Ea. in box, 12 pcs. per 9 lb. shipper.

**NO. 154 FRISKY FROG -** Squeeze plastic bulb, Frisky jumps. "Gurumph" sound. Durable plastic. 2-4 yrs. 5" x 4" x 6" w. 12 pcs. per 9 lb. shipper.

**NO. 549 TOY LUNCH KIT -** Hi-impact plastic. Hinged cover holds bottle. 2-5 yrs. 5" x 4 1/2" x 2 1/2" w. Ea. in display package, 12 pcs. per 5 lb. shipper.

**NO. 736 HUMPTY DUMPTY -** When pulled, rocks back and forth. Makes "jabbering" sound, hands spin around. Plastic construction. 1-3 yrs. 7-1/16" x 4-5/16" x 4-7/8" d. Ea. in box, 12 pcs. per 10 lb. shipper.

**NO. 158 KATIE KANGAROO -** Squeeze the bulb and Katie hops along, swinging her arms and making a "boing-boing" sound. And her baby Joey, fastened on a spring in her pouch, bounces around as Katie travels. Soft, flexible non-toxic ears. 2-4 yrs. 4-15/16" x 9-1/2" x 7-9/16" h. Ea. in box, 6 pcs. per 8 lb. shipper.

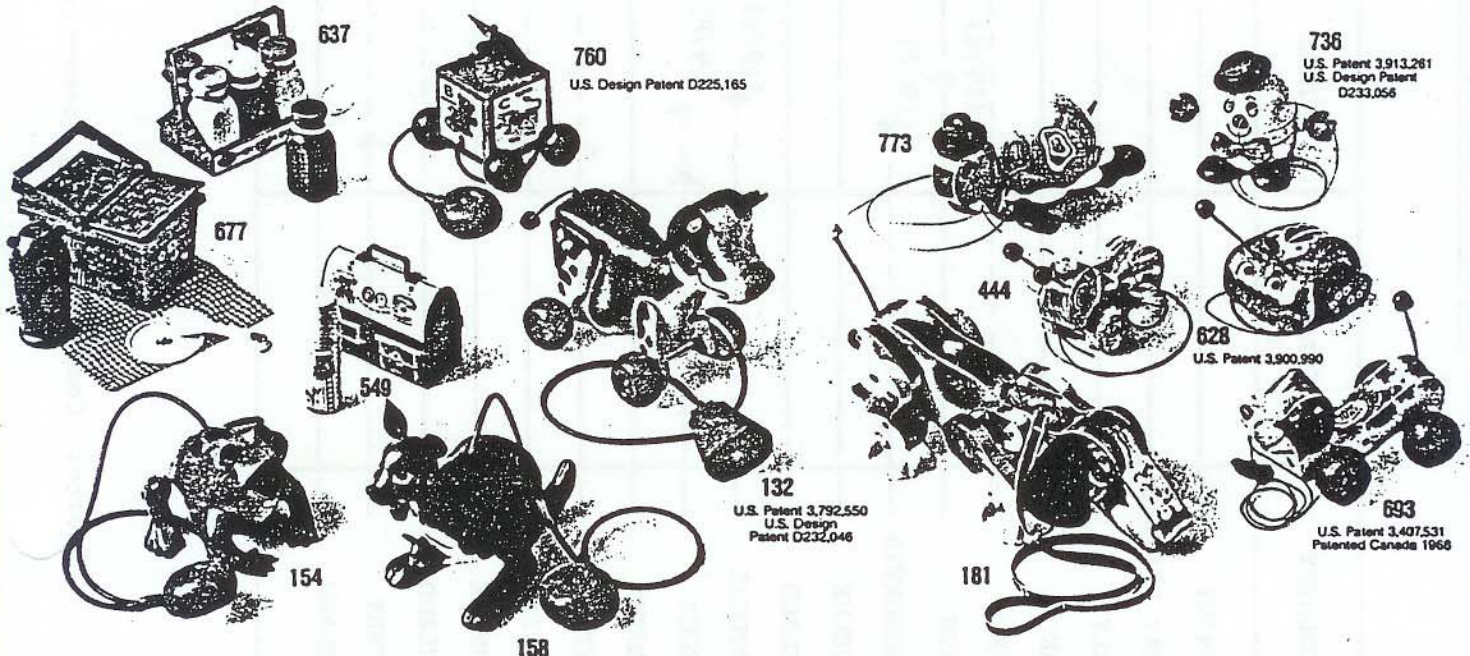
**NO. 628 TUG-A-BUG -** When pulled, feet flip-flop in comical motion as antennae bounce around. 1-3 yrs. 5 1/4" x 3" x 4 1/4" w. Ea. in box, 12 pcs. per 9 lb. shipper.

**NO. 760 PEEK-A-BOO BLOCK -** When soft plastic bulb is squeezed, "flip-top" lid pops open with a "squeak" sound... and a figure jumps up and disappears again. With practice, child learns to control action and plays "peek-a-boo" with figure. 2-4 yrs. 5 1/2" x 4 1/4" x 4" h. Ea. in box, 12 pcs. per 9 lb. shipper.

**NO. 181 SNOOPY SNIFFER -** Double-jointed legs revolve, big plastic paws. Comical gait. "Oww-oww" sound, wagging spring tail. 1-4 yrs. 13 1/2" x 4 1/4" x 6 1/4" w. Ea. in box, 6 pcs. per 13 lb. shipper.

**NO. 677 PICNIC BASKET -** 6-piece picnic set: basket, plate, spoon, bear-shaped bottle and tablecloth. Removable bottle top becomes cup. Basket has fold down handle, hinged lid. Durable plastic. 1-4 yrs. 6-1/8" x 4-5/8" x 4-1/16" h. Ea. in box, 12 pcs. per 11 lb. shipper.

**NO. 773 TIP TOE TURTLE -** Makes music, feet and legs rotate. 1-3 yrs. 8 1/2" x 6 1/4" x 6" w. 12 pcs. per 12 lb. shipper.



637 760 U.S. Design Patent D225,165 736 U.S. Patent 3,913,261 U.S. Design Patent D233,056 773 444 628 U.S. Patent 3,900,990 936 677 549 132 U.S. Patent 3,792,550 U.S. Design Patent D232,046 181 693 U.S. Patent 3,407,531 Patented Canada 1968 154 158

Exhibit 2  
 FISHER-PRICE - BENELUX  
 Actual and Expected Stages of Development for European Countries - 1977

COUNTRY	STAGE 1	STAGE 2	STAGE 3	STAGE 4	PRIORITY LEVEL
GERMANY				→	1
GREAT BRITAIN				→	1
ITALY				→ (1980)	1
FRANCE				→	1
TURKEY	→	→ (1978)			3
SPAIN		→ (1978)			2
YUGOSLAVIA	→	→ (1978)			3
BENELUX			→	→ (1980)	1
IRELAND			→	→ (1980)	3
PORTUGAL	→	→ (1978)			3
GREECE		→ (1978)			3
SWEDEN			→		2
AUSTRIA			→		2
SWITZERLAND			→		2
DENMARK			→		2
FINLAND			→		3
NORWAY			→		3
ICELAND			→		3

— achieved  
 - - - - - planned  
 (19..) year of planned..

Source: Company planning documents.

Exhibit 3  
FISHER-PRICE - BENELUX  
Forecasts of Market Size, Sales and Market Share  
Major European Countries, 1978-1982  
(amounts in millions of dollars)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>Avg. % Inc.</u>
United Kingdom						
Mkt. Size	\$ 456	\$ 465	\$ 473	\$ 482	\$ 490	2.0
Sales	16.3	23.1	28.9	34.0	39.1	
% Market	3.6	5.0	6.1	7.1	8.0	
Germany						
Mkt. Size	503	507	512	517	521	1.0
Sales	7.6	10.5	13.1	15.7	18.8	
% Market	1.5	2.1	2.6	3.0	3.6	
France						
Mkt. Size	614	644	677	710	746	5.0
Sales	6.6	10.1	14.6	20.4	26.5	
% Market	1.1	1.6	2.2	2.9	3.6	
Italy						
Mkt. Size	362	362	362	362	362	---
Dist. Sales *	.4	.7	1.5	2.8	4.2	
% Market	---	---	---	1.0	1.2	
Benelux						
Mkt. Size	244	257	268	279	291	4.0
Dist. Sales	4.14	5.04	5.8	6.3	6.7	
% Market	1.7	2.0	2.2	2.3	2.3	
Austria						
Mkt. Size	47	48	49	50	51	1.0
Dist. Sales	.1	.2	.3	.3	.3	
% Market	---	---	---	---	---	
Switzerland						
Mkt. Size	86	88	90	92	94	2.0
Dist. Sales	.5	.6	.9	1.3	1.8	
% Market	---	---	1.0	1.4	1.9	
Spain						
Mkt. Size	223	243	265	289	315	7.0
Dist. Sales	.01	.1	.2	.5	1.1	
% Market	---	---	---	---	---	
Scandinavia						
Mkt. Size	131	135	139	143	147	2.0
Dist. Sales	1.1	1.2	1.3	1.5	2.2	
% Market	1.0	1.0	1.0	1.0	1.5	
TOTAL						
Mkt. Size	\$2,666	\$2,749	\$2,835	\$2,924	\$3,017	
Sales	36.8	51.5	66.6	82.8	100.7	
% Market	1.4	1.9	2.3	2.8	3.3	

\*In distributor markets, sales are stated in terms of amounts expected to be sold by distributors to retailers. Fisher-Price sales to distributors were about two-thirds of the amounts shown above. All of the amounts are forecasts stated at constant local selling prices and constant (1977) exchange rates.

Exhibit 4

FISHER-PRICE - BENELUX

Selected Demographic, Economic, and Toy Market Data  
Belgium and Holland, 1977

	<u>Holland</u>	<u>Belgium</u>	<u>Total</u>
Population: 1977 (millions)	13.8	9.9	23.7
: Fcst 1982 (millions)	14.6	10.0	24.6
Average Annual Growth Rate	1.4%	0.2%	0.7%
Number of Children 0-9: 1977 (millions)	2.30	2.27	4.57
Fcst 1982 (millions)	2.40	2.28	4.68
Average Annual Growth Rate	0.8%	0.1%	0.5%
Consumer Income-Per Capita (\$)	\$5,321	\$5,853	--
Average Annual Growth Rate, 1970-76	10.9%	12.3%	--
Inflation Rate: 1976-77	8.0%	8.0%	
Fcst 1977-82	8-10%	6-7%	
Toy Market-at Wholesale Prices (million dollars)	\$144	\$100	\$244
Toy Expenditures per Child (0-9 yrs.)	\$ 65	\$ 46	--
Per Cent of Toy Volume Imported	70%	90%	--
Retail Toy Outlets-Number	1,500	1,100	2,600
Per Cent of Toys Sold in			
Toy Shops	30%	40%	--
Department Stores	40	50	--
Discount Outlets	20	10	--

Source: Company records and estimates.

Exhibit 5

FISHER-PRICE - BENELUX

Trends in Fisher-Price Sales to Distributors,  
Selected European Countries, 1974-77  
(Index Numbers, 1974 = 100)

<u>Sales Stated in</u> <u>Local Currencies</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
Belgium	100	142	223	276
Holland	100	141	295	457
United Kingdom	100	74	178	271
Germany	100	206	373	681
France	100	104	431	1,007
Italy	100	67	128	182
<u>Sales Stated</u> <u>in Dollars *</u>				
Belgium	100	150	225	300
Holland	100	150	300	500
United Kingdom	100	70	138	202
Germany	100	217	383	758
France	100	117	433	983
Italy	100	67	100	133

\*Sales in local currencies are converted to dollar amounts for purposes of consolidation in Fisher-Price's accounting system. In each year the average exchange rate is used. For example, in 1977, sales in Belgium were 44.4 million BFr.; at 37 BFr. per dollar, this is equivalent to \$1.2 million.

Source: Company records.

Exhibit 6

FISHER-PRICE - BENELUX

Projected Sales, Expenses, Profits, and Investment, 1977-82  
(Based on continued use of distributors)

<u>Fisher-Price Operating Results</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
	<u>Millions of Belgian Francs*</u>				
Sales	103.5	126.2	144.8	158.6	166.5
Standard Cost of Sales	<u>76.0</u>	<u>87.2</u>	<u>100.3</u>	<u>109.5</u>	<u>115.1</u>
Standard Gross Profit	27.5	39.0	44.5	49.1	51.4
% Net Sales	27%	31%	31%	31%	31%
Distribution Expense	<u>1.6</u>	<u>1.9</u>	<u>2.2</u>	<u>2.5</u>	<u>2.7</u>
Gross Margin	25.9	37.1	42.3	46.6	48.7
% Net Sales	25%	29%	29%	29%	29%
Marketing Expenses**	6.7	8.2	9.3	10.3	10.8
General Administration***	<u>3.7</u>	<u>4.1</u>	<u>4.5</u>	<u>5.0</u>	<u>5.6</u>
Operating Income	15.5	24.8	28.5	31.3	32.3
% Net Sales	15%	19.7%	19.7%	19.7%	19.7%
Invested Capital#	39.7	46.8	55.9	60.0	69.1

\*37BFr. = 1 U.S. dollar.

\*\*Marketing expense includes catalogs, samples, participation in toy fairs and exhibits.

\*\*\*Primarily allocated G&A expenses of European HQ office.

#Primarily accounts receivable from distributors.

Source: Company estimates.

Exhibit 7

FISHER-PRICE - BENELUX

Projected Sales, Expenses, Profits, and Investment, 1977-82  
(Based on establishing own sales company on January 1, 1979)

<u>Fisher-Price</u> <u>Operating Results</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
	<u>Millions of Belgian Francs*</u>				
Sales	103.5	331.0	342.0	376.0	402.0
Standard Cost of Sales	<u>76.0</u>	<u>179.0</u>	<u>185.0</u>	<u>203.0</u>	<u>217.0</u>
Standard Gross Profit	27.5	152.0	157.0	173.0	185.0
% Net Sales	27%	46%	46%	46%	46%
Distribution Expense	<u>1.6</u>	<u>10.0</u>	<u>10.0</u>	<u>11.3</u>	<u>12.0</u>
Gross Margin	25.9	142.0	147.0	161.7	173.0
% Net Sales	25%	43%	43%	43%	43%
Marketing Expenses**	6.7	72.5	59.1	45.3	45
General Administration***	<u>6.8</u>	<u>26.2</u>	<u>29.0</u>	<u>32.0</u>	<u>35.2</u>
Operating Income	12.4	43.3	58.9	84.4	92.8
% Net Sales	12%	13%	17.2%	22.4%	23.1%
Invested Capital#	40.0	127.0	136.0	141.0	150.0

\*37BFr. = 1 U.S. dollar.

\*\*Marketing expense includes advertising, catalogs, samples, merchandising expenses, and sales force salaries and commissions.

\*\*\*In 1978, primarily allocated G&A expenses of European HQ office. Beginning 1979, primarily payroll, warehouse, and office expenses of Benelux sales company.

#Beginning 1979, includes inventory and accounts receivable from retailers.

Source: Company estimates.

Exhibit 8  
FISHER-PRICE - BENELUX  
Possible Provisions of a Commission Service  
Agreement between Fisher-Price and Boismanu

Services to be Provided by Boismanu

1. During 1978, maintain a sales force and call on all retail accounts; fulfill and deliver orders, handling billing and collections.
2. During 1979, the same services as in 1978 except that Fisher-Price would handle warehousing, delivery, and billing for accounts with actual or anticipated purchases of Fisher-Price products of 150,000 BFr. or more.
3. During 1980, Boismanu would provide only warehousing services and field selling. All billing and delivery arrangements would be handled by Fisher-Price.

Commission Rates

1. During 1978, Boismanu would be paid a commission of 20% on all sales in Belgium and Luxembourg.
2. The commission rate would be reduced in 1979 and 1980 in proportion to the reduction in services provided. (Required commissions were estimated at 16% in 1979 and 8% in 1980.)
3. Boismanu would provide to Fisher-Price itemized statements of amount collected for each customer, as a basis for determining commissions due.

Termination

1. The contract would terminate no later than December 31, 1981.
2. Fisher-Price would have the right to terminate the agreement at an earlier time if:
  - a. Sales in 1978 did not increase by at least 30% over 1977; or
  - b. Sales in 1979 and 1980 did not increase by at least 20% over the preceding year; or
  - c. M. Jean Lagneau left Boismanu or otherwise was "no longer able, for whatever reason, to devote his customary effort" to the business.

Exclusive Cooperation

1. Boismanu would agree not to handle any product lines directly competitive with Fisher-Price.
2. Fisher-Price would agree not to use any third party for soliciting orders in Boismanu's territory.

Exhibit 9

FISHER-PRICE - BENELUX

Projected Sales, Expenses, Profits, and Investment, 1977-82  
(Based on "phased takeover" with own sales company in 1981)

<u>Fisher-Price</u> <u>Operating Results</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
	<u>Millions of Belgian Francs*</u>				
Sales	178.3	205	249	287	331
Sales Commission	<u>35.7</u>	<u>32.8</u>	<u>20</u>	<u>--</u>	<u>--</u>
Net Sales after Commission	142.6	172.2	229	287	331
% Net Sales	80%	84%	92%	100%	100%
Standard Cost of Sales	<u>94.0</u>	<u>111</u>	<u>134</u>	<u>155</u>	<u>179</u>
% Net Sales	27%	30%	38%	46%	46%
Distribution Expense	<u>5.4</u>	<u>6</u>	<u>7.5</u>	<u>9</u>	<u>10</u>
Gross Margin	42.9	55.2	87.5	123	142
% Net Sales	24%	27%	35%	41%	43%
Marketing Expenses**	10.6	12	14.5	36.7	41.5
General Administration***	<u>4.1</u>	<u>7</u>	<u>22.8</u>	<u>27.6</u>	<u>29.2</u>
Operating Income	28.2	36.2	50.2	58.7	71.3
% Net Sales	15.8%	17.7%	20.1%	20.5%	21.5%
Invested Capital#	69.0	79.0	97.0	112.0	130.0

\*37 BFr. = 1 U.S. dollar.

\*\*Marketing expense includes catalogs, samples, trade fairs, etc. Beginning 1981, includes advertising expenses.

\*\*\*For 1978 and 1979, primarily allocated G&A expenses of European HQ office. Beginning in 1980, primarily payroll, warehouse, and office expenses of Benelux sales company.

#Includes receivables from distributors and, beginning in 1979, inventories and receivables from retailers.

Source: Company estimates.