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| University of santo tomas  graduate school |
| Case Study: Spin Master Toys |
| Finding a Manufacturer for E-Chargers |
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1. **Statement of the Problem/Key Strategic Issue**

Spin Master Toys is a leading toy manufacturer located in Toronto, Ontario headed by Anton Rabie, Ronnen Harary and Ben Varadi. The company’s principals believed they have achieved their success through avant-garde, grassroots marketing savvy, and a two-tier distribution network which covered both major and independent retail segments in North America.

Spin Master Toys produced an array of relatively low-technology, high margin toys for the Canadian market. With over 50 people working on its Toronto head office, and a recently opened office in Hong Kong staffed by two project managers, Spin Master Toys was enjoying its rapid expansion through its combination of speed to market and innovative marketing. However, Spin Master Toys has a poor process when it comes to the manufacturing and delivery of their toys.   This end process appears to always be difficult especially as they enter the electronic toys market.   Since electronic toys are new to Spin Master, they must utilize an early supplier involvement strategy.

A company like Wai Lung early on could help them with the engineering and development from an early stage and then manufacture the plane for Spin Master Toys.   Spin Master Toys is good at marketing and bringing creative toys to market, whereas a company like Wah Shing has expertise in engineering and manufacturing of electronic toys. The operations manager had to develop the appropriate criteria for this decision and evaluate the two suppliers. With relatively little information and already behind schedule, the company must make its decision in the face of considerable uncertainty. ***Which manufacturer should Spin Master Toys choose to develop their E-chargers and rollout the toys to the market to meet the target deadline?***

1. **Statement of the Objectives**

* To analyze one manufacturer’s weaknesses and mate them up with another manufacturer’s core
* To develop a criteria on which manufacturer would suit best for Spin Master Toys’ needs
* To develop a product with high quality but with high speed production

1. **Relevant Case Facts/Findings**

**Spin Master Toys: Company Background**

* Founded in 1994 by Anton Rabie, Ronnen Harary and Ben Varadi
* Headquartered Toronto, Ontario
* Another office located at Hong Kong
* Achieved a revenue of nearly $525,000 in 1994
* 10th spot on the Profit 100 Canada’s Fastest-Growing Companies list
* Toy Industry:
  + Includes both hard and soft goods, as well as combinations
  + Hard goods include plastic and metal toys – water guns, construction toys, action figures, etc.
  + Soft goods include plush toys, fabrics and dolls
  + Both hard and soft toys used embedded electronic components
* E-charger
  + High-performing, easy-to-use rechargeable toy plane that comes with its own charger
  + Just have to let them charge for 10 seconds then let them fly

**Wai Lung: Company Background**

* Owned by Eric Lee
* Previous projects between Spin Master Toys and Wai Lung – Flick Trix and Finger Bikes
* 2000 workers within its 100,000 square-foot factory at Shenzhen
* Using only 40% capacity

**Wah Shing: Company Background**

* Subsidiary of a Hong Kong public toy manufacturer with revenue of $40 million
* Between Spin Master Toys and Wah Shing – products are on time and within quality specifications
* 3500 workers within its 100,000 square-foot factory at Shenzhen
* 70-80% capacity

**Wai Lung vs Wah Sing**

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| **Parameter** | **Wai Lung** | **Wah Shing** | **Comments** |
| * 1. Reputation | Low | High | Wai Lung   * Does not serve many cusromers * The company is new   Wah Shing   * Well known and has strong customer base * They serve major toy companies |
| * 1. Quality Level | High | Medium | Wai Lung   * Showcased high quality during their previous association with Spin Master   Wah Shing   * Have known to maintain medium quality level |
| * 1. Engineering capabilities | Low | High | Wai Lung   * Does not have lot of expertise in electronics   Wah Shing   * Has high level of experience in electronics |
| * 1. Plant Capacity | 60% capacity available | 20-30% capacity available |  |
| * 1. Speed to market | 1 hour from Hong Kong | 5 hours from Hong Kong |  |
| * 1. Attention to company | High – CEO accessible | Low |  |
| * 1. Staff levels | Less experienced | Experienced |  |
| * 1. Suppliers | Moderate | Strong based | Wah Shing   * Has good access to suppliers |
| * 1. Credit terms | Flexible | Not flexible |  |
| * 1. Cash flow | Adequate | Strong |  |

1. **Alternatives**

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| * 1. **Choose Wai Lung as manufacturer** | **Pros** | **Cons** |
|  | * High quality of production and ability to steeply increase production * Highly committed staff and employees * Finger bike association helped beat market competitor * Offered favorable credit terms to Spin Master Toys * Easy to commute – 1 hour from Hong Kong by car/train * Cheaper cost of production | * Small workforce * New entrant in the market and had lost some of the offers it had |
| **Benefits** | **Risks** |
| * Has the ability to build and expand | * Lack of experience in electronic component manufacturing |
| * 1. **Choose Wah Shing as manufacturer** | **Pros** | **Cons** |
|  | * Expertise in electronic toy engineering, development and manufacturing * Have a good reputation in electronic toys and their costs are comparable to others in toy industry * Very committed upper and lower management * Well-established and had implemented several successful large and complex orders * Good cash flow | * Lower management had been changed * 5 hour drive from Hong Kong by car/train |
| **Benefits** | **Risks** |
| * Has the ability to develop and reengineer toys | * Lesser communication between the upper and lower management * New management may lead to lesser commitment as with their previous projects |
| * 1. **Choose both manufacturers** | **Pros** | **Cons** |
|  | * Maximize on the present and future benefits * Shortcomings on the other manufacturer may be supplemented by the other | * High initial cost * Multiple vendor relationship |
| **Benefits** | **Risks** |
| * From Wai Lung – lost cost and accessibility * From Wah Shing – expertise and ability to implement complex solution * Both – capability to meet commitments | * Follow-ups will be a lot of overhead on staff |

**V. Conclusion**

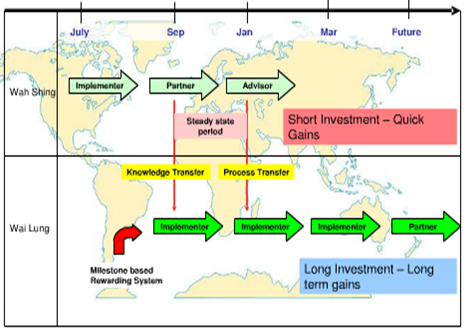
**a. Recommendation/s**

Alternative No. 3

With many considerations and with lesser time for Spin Master to do proper diligence on Wai Lung and Wah Shing, it is best for the company to choose both manufacturers to develop, manufacture and market their E-Charger. Wai Lung is on a proving ground. Their energetic staff with a get-it-done attitude would definitely go to any boundaries to achieve their goals. Their staff and senior management is very supportive and could help build a long term partner role. However, their lack of expertise could prove fatal in the shirt-term periods.

On the other hand, Wah Shing can offer quick term benefits. Their expertise can help to meet tight deadlines. However, their saturating staff and frequent tensions between upper and lower management would mean that there would be .major delays in delivering the project. There are drawbacks from each manufacturer so choosing either of them may result in jeopardizing the project.

**b. Implementation**



* Milestone based rewarding to strengthen relationship
  + Wai Lung can work on a rewarding model which involves a small portion of work is given initially and expanded in the future. They can also evolve as a partner and an advisor in future thanks to the expertise, experience and trust they would derive from this project.
  + Steady-state period
    - This is the period where Wai Lung works on their technical competence. They would be able to rely on Wah Shung to help as a fallback thereby comforting them and also helping them gradually build their competence.