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Sept. 6, 2007

TOUGH TIMES IN THE TOY DEPARTMENT

By Richard Nicolazzo

After three major toy recalls this summer, Mattel Inc. still likes to say its top priority is to protect children by yanking defective goods off the shelf as soon as problems are uncovered.

The way things are going, one has to wonder if the company will escape this mess with any credibility left whatsoever.

This most recent recall, announced on Sept. 5, involves 700,000 Chinese-made toys that have excessive amounts of lead paint.

The Company's previous recall, made public on Aug. 14, covered about 19 million toys worldwide. Two weeks earlier, Mattel's Fisher-Price group announced it was recalling 1.5 million preschool toys because of similar lead paint problems.

Will there be a fourth and a fifth?

Mattel Chairman and CEO Robert Eckert has been granting interviews to big-time news media like the *Wall Street Journal*.

What he's been saying is not what you'd expect from the modern-day crisis management playbook.

As precedent has shown, when it comes to matters involving millions of consumers, it's always best to get the news out fast, apologize for any mistakes, and take quick remedial steps to reassure your customers that the problem will not happen again.

Yet, when asked by The Journal why it took so long to announce the recall of certain products, Mr. Eckert said "the company discloses problems on its own timetable because it believes both the law and the U.S. Consumer Products Safety Commission's (CPSC) enforcement practices are unreasonable."

Unreasonable when it comes to the safety of children?

After more than 30 years in the business of strategic communications, this is one of the most arrogant statements I have ever heard uttered by a CEO.

Consistent Defiance

Mattel contends that rushed incident reports are often blown out of proportion by industry critics and even by the government. From Mr. Eckert's vantage point, even hundreds of incidents don't necessarily put into the question the safety of a specific toy.

Despite Mattel's assertions about customer and product safety, the consumer appears to end up in second place.

The CPSC says that manufactures like Mattel must report all claims of potentially hazardous product defects within 24 hours, with few exceptions. Mattel consistently defies this rule.

After some digging, The Journal found out that in at least three major cases since the late 1990s, Mattel took months to gather information. In two of the cases, it collected scores of complaints for months before disclosing them to the CPSC.

Mattel's current delay in reporting recalls comes, incredulously, after the Company has already paid two fines. In 2001, it paid a civil penalty of \$1.1 million for failing to report a problem to the CPSC, and in March of 2002 it paid another \$975,000 for a similar problem.

This is precisely the type of corporate behavior that flies in the face of sound, strategic crisis management. It seems incredible that the Company thinks it can win anything in this high-stakes war of words with the CPSC.

While the CPSC has been fairly quiet in direct criticism of Mattel, at least one former commissioner had the guts to comment, telling The Journal Mattel's position is "fallacious and wrongheaded. Children can be injured while the Company takes its time investigating incidents under its own rules. It's an inhumane way to approach this."

Words Ring Hollow

Its reputation battered, Mattel is still making statements that simply do not ring true. Mr. Eckert, once again trying to be cooperative with major media, told the *New York Times*, "We've worked very hard on this issue. We've got teams working around the clock. We've literally spent tens of thousands of man-hours testing toys."

This was followed by the predictable full-page ads in major U.S. newspapers, once again reassuring the general public that all will be fine. But will it?

It doesn't take a rocket scientist to figure out that Mattel's internal quality control mechanisms have failed. Despite its claims that toys are tested for lead paint toxicity, millions of items have fallen through the cracks.

Without first-hand knowledge, it's difficult to know "who knew what when" inside the company. Some reports have indicated that Mattel had knowledge about the problems.

If a top communications executive had a seat at the management table, he or she could have pointed out the ramifications of not disclosing all relevant product and safety concerns to the public in a timely manner.

When it comes to the consumer products business, history has proven that a company must align itself with the best interests of its customers and the general public. In this case, it appears Mattel has decided to go toe-to-toe with federal regulators and see where the chips fall.

Unfortunately, despite Mattel's assertions about customer and product safety, the consumer appears to end up in second place.

At this juncture, Mr. Eckert would be well advised to tone down his rhetoric and sound more humble and conciliatory. A good way to start would be to acknowledge that there may have been shortcomings in the way the company has done business.

He should assure the public that, beginning immediately, Mattel will be conducting a "top-to-bottom" review of all its manufacturing practices and will fire any manager or

Op-Ed: Tough Times in the Toy Dept. - Sept. 6, 2007

subcontractor that does not play by the rules.

Meanwhile, the company better get its staff working around the clock sending out letters of apologies to distributors and customers.

Otherwise, this is a company that will get surely get coal in its stocking for Christmas.

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