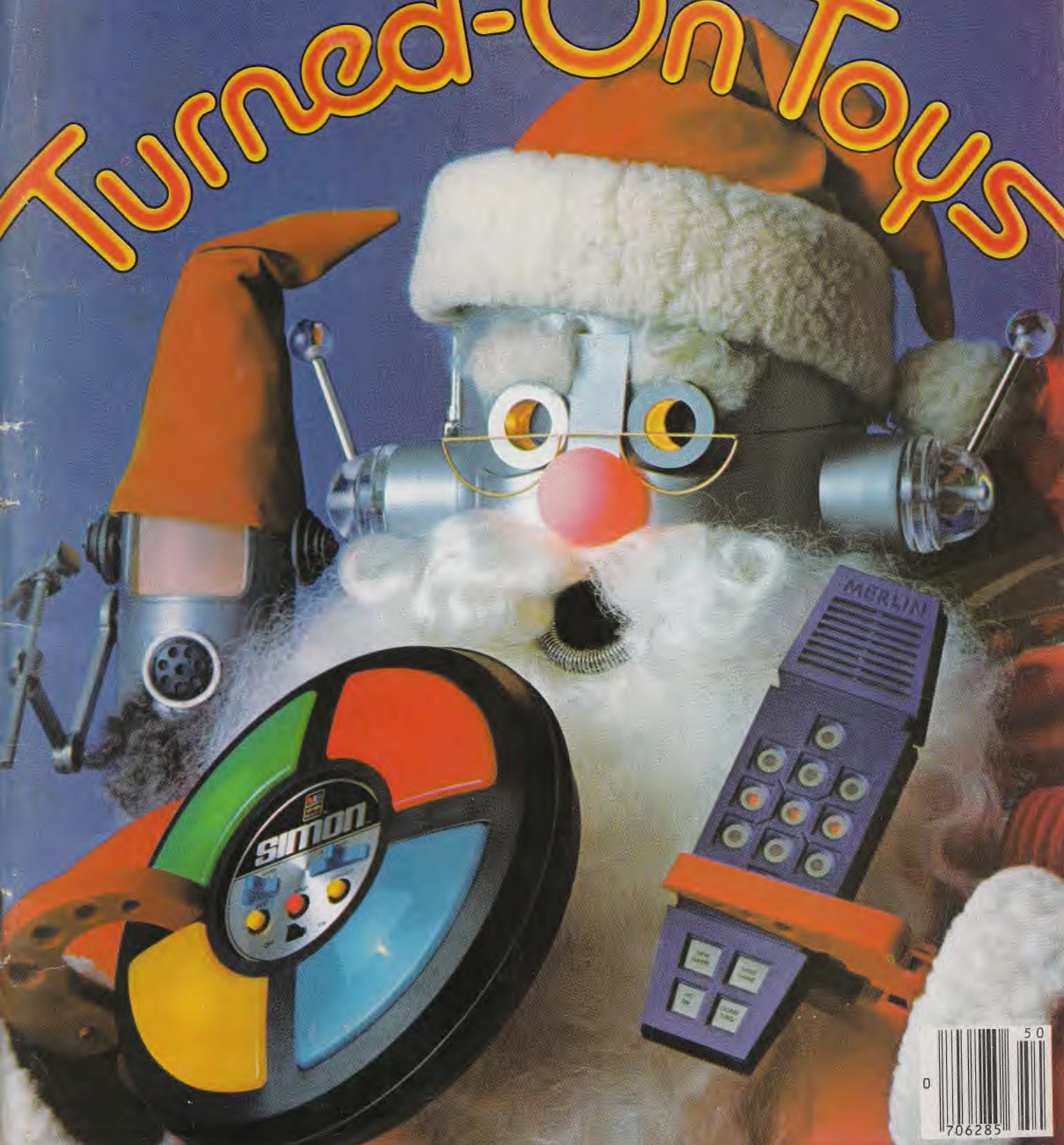


December 11, 1978 / \$1.25

Newsweek

Turned-On Toys





Turned-On Toys

Santa's little sizzlers (clockwise, from left): Simon and Merlin, the talkative 2-XL and Alphie robots



They bleep when they cogitate, ping when they perambulate—and so long as their batteries operate, they seldom stay still. As kids have known for months and their parents are now discovering, the sound of Christmas '78 is playing loud and clear: electronic toys, run by computers no bigger than a stick of Dentyne gum, are the hottest new sellers since Barbie doll's debut a generation ago.

The new, turned-on toys come in all shapes and sizes. There are garrulous robots named Alphie that answer questions, hand-held gizmos that play football, a multicolored disk called Simon that challenges eye, ear and hand. And by common agreement, the boom is only an infant., "In the future," says David Lyne of Milton Bradley Electronics, "all games will probably be electronic."

That prediction is just a bit premature. Electronic toys are still a small factor in the total toy business; and given the allure of such staples as Barbie, the pull of such scarifying toys as the new Terron monster and the appeal of spin-offs from trendy movies and TV shows such as "Star Wars" and "Battlestar Galactica," it

may take years before the cybernetic wonders achieve dominance. But toy-makers are hustling them hard—and with good reason. The electronic favorites enchant not only today's increasingly sophisticated children but often their parents as well. And that could help broaden the industry's customer base. "This is the start of a whole new ball game," says editor Milton Schulman of Toy & Hobby World. "Companies looked at the market and recognized that kids aren't the only ones playing with toys."

Little or big, shoppers are learning one cruel truth about the toy trade: Christmas favorites usually disappear from stores long before Santa arrives. Already, Simon, the Star Wars X-Wing Fighter and TCR (for Total Control Racing) are scarce or sold out. But the shortages are bringing glad tidings to the risky \$5 billion toy industry, where post-Christmas surpluses are feared even more than puberty. Electronic toys also tend to be pricey—and because they are doing so well, analysts expect parents to spend an average of \$96 per child this season, boosting industry sales by 12 per cent or more.

Even so, there are troubles aplenty in toyland. With the birthrate declining, fewer new customers are entering the market, and older moppets are becoming tougher to thrill. Parents are pickier, too, and retailers are battling for slices of the business. Mass chains like K-Mart are squeezing small manufacturers off their shelves, preferring much-touted products from big outfits that can deliver in bulk and on time. And a scrappy chain of



Photos by Bernard Gotfryd—Newsweek

toy supermarkets is waging a price war: Toys "R" Us, with 72 stores nationwide, sells the blinking, beeping Simon for \$20, near cost, as against \$40 at FAO Schwarz, the Tiffany of toy retailers.

At the manufacturing level, meanwhile, hungry conglomerates are gobbling up the most profitable toy-makers, and analysts expect a business already dominated by a handful of companies to consolidate still further. The electronic revolution is also starting to pit the toy companies against their own suppliers. Texas Instruments is a \$2 billion maker of semiconductor chips used in computer memories. TI sells to several toy firms—and came forth this Christmas with several electronic toys of its own, including Speak & Spell, a chal-

lenging voice-command game with a 230-word vocabulary stored inside.

Even more worrisome to toymen are the regulatory noises coming from Washington. Toy companies are addicted to television advertising, spending nearly \$160 million a year, most of it in a barrage the few weeks before Christmas. But the Federal Communications Commission, concerned about that much pressure on tots, is considering cutting commercials back by a third, to six minutes per hour of kiddie shows. And the Federal Trade Commission is thinking of going further still, perhaps to a ban on kidvid ads aimed at children under 8. That prospect sent lawyers for toy, cereal and candy makers scurrying to court; last month, they managed to get FTC chairman Michael Pertschuk disqualified from the rule-making process on the ground that he had already made up his mind (NEWSWEEK, Dec. 4).

Charges that some toys are dangerous

Photos by Keith Meyers



also continue to plague manufacturers. Just last week, for instance, Parker Brothers willingly recalled nearly a million Riviton construction sets after the deaths of two children who had swallowed the rubber "rivets." The recall was voluntary, but it revived safety questions that the toymakers thought they had quelled.

But then, there are always bad breaks to overcome in the great toy gamble. Toys are a big, serious business, roughly twice the size of the movie industry—and just as high-rolling. In any given year, nearly half the toys will be brand new, and 80 per cent of the new entries will bomb despite million-dollar investments. Like any leisure-time business, toys must follow real-life fads: Tonka Corp., which makes more trucks than Detroit, lost almost \$2 million last year when it failed to keep up with the craze for flashy, roll-bar-equipped vans and pickups.

Although such pitfalls threaten every entertainment trade, no other is quite so subject to the whims of its audience. "The right expression in a stuffed duck's eye can mean the difference be-



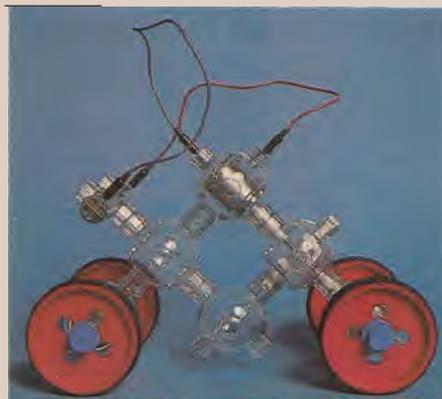
tween selling a few million items and laying an egg," sighs Harold Nizamian, president of San Francisco's R. Dakin & Co.—which flourished only after discovering that the stuffed animals it packed around its model trains for shipment were more popular than the trains themselves.

Toys are especially chancy because they're intensely seasonal. While some gewgaws sell year-round, about 70 per cent of all toys sell in the eight weeks of November and December. Toymakers have bemoaned that cycle for decades, but it doesn't seem likely to straighten out soon. "It would be nice if we could mandate a national tonsillectomy day," muses Douglas Thomson, president of the Toy Manufacturers of America. "Another Christmas would be nice, too, but you just can't change customer habits."

Once, toy manufacturers almost lost the only Christmas they had. During World War I, the Woodrow Wilson White House wanted to curtail gift-giving as an example of self-denial—and, not incidentally, to help save materials for the war effort. But the toymen turned up in Washington with sacks of miniature steam engines, rocking horses and other trinkets. After several hours of dedicated "research" on their hands and knees, the Cabinet members ruled that playthings, too, were patriotic.

Production schedules also pose sticky problems for toy manufacturers. It can take up to three years to develop a toy, but that's only the beginning. Toys—the new and the old—first come to the wholesale market at the giant toy fair in New York each February. But with visions of last year's leftovers still vivid, most merchants order cautiously. Based on those initial sales, toymakers tool up and start promotions in the spring, begin production in the summer and ship nearly all their output by late October. That's precisely when the commercial blitz begins, and by the time the selling season peaks after Thanksgiving, it's usually too late to lay on new production to meet demand for the most popular toys. "There are no forecasting geniuses," admits Mattel toy-division president Raymond D. Wagner. "When you find you have a runaway best seller, you can't make enough by Dec. 25 even by running two shifts."

Given that kind of gold-rush atmosphere, overnight failures and fortunes



Play's the thing: Baby meets Musical Jolly Chimp, boy confronts Terron monster at Philadelphia toy show; Bubble Yum doll, Capsela construction



Mario Ruiz

Weston's star toys: Trendy

abound. Coleco Industries overestimated the video-game craze and lost \$14 million last year. Kenner Products guessed so exquisitely right on "Star Wars" that it has grossed more than \$100 million from its exclusive licensing rights. When Evel Knievel punched his unauthorized biographer and went to jail, sales of Ideal Toy Corp.'s Knievel line crashed \$8 million below expectations. And despite a research-and-development staff of 300, Mattel almost missed out on Slime, its surprise smash last year; a company chemist was actually trying to match Kenner's hit, Play-Doh clay, and turned out gunk instead. The marketing folks decided to audition it in Cincinnati anyway—and when the school board there banned it, Mattel finally tumbled to its potential.

But high stakes can breed avarice, and even the toy business has its dark side. Toy companies have been involved in fraud, espionage, piracy and theft, and that can produce a lot of paranoia. At Chicago's Marvin Glass & Associates, probably the largest toy think tank in the nation, there are no windows and no lunches outside its building. Such intense secrecy may keep Glass at the top: it develops one of every ten games in the U.S., including this year's Simon. But the pressure can also warp minds. Two years ago, a quiet electronics engineer went berserk, killing three Glass executives and crippling two others before turning

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the gun on himself; the note he left said co-workers were out to get him.

Whom do the inventors serve? More than 900 companies make toys, but only 50 or so capture much volume. And of that number, perhaps half a dozen clearly lead the industry. Big as they get, however, companies often keep business within the family. Ideal, a business now estimated at \$138 million, began with Morris Michtom, a Brooklyn merchant credited with creating the first Teddy Bear back in 1903. It's been a family affair ever since; current president Lionel Weintraub, for instance, is the son-in-law of Michtom's nephew. And Weintraub's son-in-law, 35-year-old Stewart Sims, may be next. He is already vice president for marketing.

Related or not, toy folk are a gossipy, colorful clan. Marty Abrams, the 36-year-old honcho at Mego Corp., whose 2-XL robot and Micronaut spacemen are on the



Robert R. McElroy—Newsweek

Ideal's Weintraub with Teddy: Sell no Evel

top-toy list, regularly jets to the Coast to cut deals with studio moguls for the right to shrink Diana Ross or Cher into dolls. (Some say Mego really stands for "Marty's Ego.") Then there's Milton Bradley's marketing whiz George Ditomassi—"Dito" to his friends—who booked New York's Studio 54 last spring for a promotion party for Simon.

And there are successful free-lance shtikmeisters like Stan Weston. "Famous names are really where I've hung my hat," Weston says: among his credits are G.I. Joe, Suzanne Somers and Farrah Fawcett-Majors dolls. Now, he's trying to wangle a reverse deal: he bought the rights to Babe Ruth's name

The Kids Rate Them

To find out what kids think of

season's best sellers. For these consumers, at least, there was almost no contest. Electronic gadgets were favored by boys and girls alike, while

from their boxes. As Elyssa Klotz, put it: "I like toys that move, flash, talk to you, make you think." Using the children's comments as a guide, NEWSWEEK assigned each toy a rating—from one Santa for those the panel like

lar. The consensus:

Comp IV, a Milton Bradley product costs about \$30 and bears a marked resemblance to the popular board game, Master Mind. Its tiny computer stores a three-, four- or five-digit number that the player must guess by process of elimination. Milton Bradley recommends Comp IV for ages 12 and up, but NEWSWEEK'S younger panelists handled it with surprising ease.

Timothy Rasic, 6, got the point quickly. "It's fun," he said, as he neared solution. "You get the feeling it's thinking in there." Meg Jacobs, 9, has played it before. "It's better than Ma

to play with another person who might make mistakes. Comp IV does not make any mistakes."



Merlin, a tricky little gadget from Pa

tick-tack-toe, blackjack, number games and even—if properly programmed—Beethoven's Ninth Symphony.

The panelists were most interested in Merlin's musical talents. When it came to games, they had trouble mastering blackjack. "This machine cheats," said 9-year-old Kelly Thompson.

Action Figures, by Mego, are dolls designed to appeal to boys. Such superheroes as the Incredible Hulk, Batman Robin and Superman himself sell for about \$5 each.

Matthew Morris, 7, wasn't fooled for an instant by the "action figure" label. "A doll's a doll," he scoffed. "There's nothing to do with it but play with it, and I hate playing with dolls." But Philip Zabriskie, 6, was intrigued by the toys. "You can play bad guys, the same kind of things they do on TV," he explained.



Photos by Bernard Gotfryd—Newsweek

Newsweek's panel welcomes Sir Galaxy: No computer 'cheats' need apply

The Musical Jolly Chimp, by Illco International, which retails for about \$15, energetically plays the cymbals as long as his batteries are alive. When bopped on top of his head, he pauses to chatter, curling his lips back over his teeth and popping out his eyes.

Almost every panelist gave the chimp high marks. Elyssa Klotz even tried a dance step in time to his cymbals. There was, however, one dissenting vote: Arianne Herbitter, 5, didn't like his expression. "I hate him," Arianne said, "because his eyes keep coming out like that."



2-XL robot cannot walk. But the \$50 Mego toy does talk—in a pleasant, lively voice all its own. 2-XL asks true-false questions, correcting wrong answers and congratulating the respondent for right ones. It also gives multiple-choice tests, cracks amusing jokes and plays a few games.

Not surprisingly, 2-XL was one of the big hits for the panel. "It's really fun," said Meg. "And sometimes I'm learning something, something I don't

know." But the greatest appeal of 2-XL seems to be that it's a toy with a built-in sense of humor. "The best thing is that it tells jokes," said Timmy. "It's almost like a really little person."



Sir Galaxy, by International Topper Corp., is a \$70-\$100 robot that walks, talks, bleeps and flashes—all at the touch of buttons on a remote-control device. A person near Sir Galaxy can ask him questions; the operator, who may be standing in another room, can hear the question and respond—through Sir Galaxy's own mouth.

Kelly leaned over and asked the robot its name. "I am Devarkian," replied Timmy, mysteriously, through the microphone. Kelly was completely nonplused—convinced, for a few moments, that the robot had actually answered his question.



Dolls by Mego that resemble showbiz personalities did poorly. Arianne spurned the Suzanne Somers look-

alike (\$9) in favor of a traditional Barbie doll—"better looking," she explained. Squeals of horror greeted the likenesses of Kiss, the bizarre, four-member rock group (\$9 each). "Too weird, just too weird," said Matthew. Philip was appalled by one Kiss doll whose tongue hangs out of his mouth. "That guy's tongue must be 6 inches long," he shrieked. And none of NEWSWEEK'S panelists was impressed by the Farrah Fawcett Glamour Center, which features a bust of the star, plus a packet of curlers and cosmetics for play beauticians (\$9), though Kelly allowed that his 12-year-old sister wants one for Christmas.

TCR (Total Control Racing), by Ideal, sells for prices ranging from \$30 to \$60. Unlike many road-racing systems, TCR permits cars to switch lanes, and includes a "jam car"—a vehicle that races at a constant speed—which other racers must pass.

The boys on NEWSWEEK'S panel were entranced. "I love it," said Kelly, who could hardly be pried away. "You can bang each other and make them crash." But though Ideal promotes the toy for both sexes, the girls showed little interest.



Simon, the flashing electronic saucer that bleeps out color patterns for the player to duplicate, sells for \$20 to \$40, depending on the store.

Panelists of all ages approached the colorful toy with delight. "I know that it's just like the game Simon Says," said Elyssa, easily repeating Simon's patterns. "But if my friends don't want to play, I can play with Simon alone." Matthew, who couldn't tear his eyes away from Simon's bright surface, agreed. "I just don't ever get tired of it," he said.



Sorting out the winners: 'I like toys that make you think'



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from Ruth's family, and he is looking for someone to make a movie, Broadway show, or both, about the Babe. Then, Weston says, he can pitch the Bambino as a toy.

Not that Weston calls it that, of course. Like any tight little society, toyland has a lingo all its own. If a doll is intended for boys, it's billed as an "action figure." Mattel rarely talks of planned obsolescence; instead, it "freshens" its dolls with slight changes every year so they'll look new in the ads. "She may kiss you this year and pirouette the next," says president Wagner. "We're committed to freshness." And sometimes toys aren't classed as toys or games at all. TI describes its Dataman robot, Speak & Spell word game, and

makes hobby kits. More recently, communications conglomerates have started swallowing up toy companies, too. CBS has just added \$50 million Gabriel Industries—the Tinkertoy purveyor—to a stable that includes Creative Playthings and Wonder Products, all of which puts CBS in the curious position of advertising on rival networks this Yule.

The toy market is growing up, too. No longer are masses of trusting toddlers gurgling away out there; now, the majority consists of persnickety pre-teens and adolescents. Their mothers probably have jobs, they watch ten hours of TV every week, and they're sassier and more sophisticated than ever.

With such changes in the market, electronic toys figure to be around for some time. Most new gadgets appeal to today's

That figure could easily quintuple this year—and leading the way is Milton Bradley's Simon. By computer standards, Simon is simple. His four plastic panels flash red, blue, yellow or green, trilling a different musical note for each color. Players are supposed to repeat the sequence, which becomes more difficult each time, by pressing the panels; when they lose, Simon buzzes them a raspberry.

The toy, which resembles the spacecraft in the movie "Close Encounters of the Third Kind," was quite a departure for Milton Bradley, a conservative company that stamps out such standard games as Candyland and Password. But after sales vice president Ditomassi took over Studio 54 for Simon's celebrity party, his bosses became convinced they had a hit. They were right: Bradley has already sold 750,000 Simons.

If Simon is simple, many other electronic toys are not. Parker Brothers, a company that built an estimated \$95 million business on the global success of Monopoly, is pushing a smart new toy named Merlin that is making magic in the marketplace. Merlin isn't very cute: he resembles a red Slimline telephone. But the microcomputer in his middle can make him play tick-tack-toe and five other games. He is also programmed to play 48 musical notes, allowing his controller to tootle almost anything from Boogie Oogie Oogie to Beethoven's Ninth Symphony.

Merlin's creators are computer mavens Robert and Holly Doyle—and they typify the new breed of high-tech inventors. Both are Harvard-bred astrophysicists who used to program games on their big consoles to relax. Since 1975, however, the Doyles have concentrated on Micro-Cosmos, the Cambridge invention firm they founded with

Holly's brother, Wendl Thomis, a former computer scientist at IBM. Micro-Cosmos thrives on the top floor of a triple-decker house that thrums with computers and electronic toys, from the \$49.95 Speak & Spell that captivates 5-year-old Derek Doyle to two \$25,000 machines. The Doyles, who often work in their jogging clothes, seem destined to become millionaires through their contracts with Parker Brothers. They think of their toys as family entertainment, although Bob admits their concepts are not for everyone. "Some grownups have trouble with a computer game," he says. "We have one friend who's a professor, and one of his sons sent us a nice note saying the box on Code Name: Sector should be stamped 'Too difficult for adults'."

Not all electronic toys need to be su-



Robert R. McElroy—Newsweek

Ideal doll groomer, Simon assembly line: An industry caught between childish caprice and seasonal flux



Bernard Gotfryd—Newsweek

the Little Professor, for instance, as "learning systems," although they seem to share talents with, say, Merlin, a hand-held game that can make music and play blackjack.

For all its code words and creative zannies, the toy business is in danger of being homogenized. Many cash-short toymakers cannot resist the merger march, and there are some fears that individuality and innovation will suffer in the process. Large food companies, particularly breakfast-cereal makers, began buying a decade ago, looking for new products to dazzle young audiences. Now, General Mills owns Kenner, Parker Brothers and Fundimensions, which among them bring in 20 per cent of the parent's total sales. Quaker Oats owns Fisher-Price, which specializes in toys for pre-schoolers, and Needlecraft, which

children on several levels. They tend to be colorful and more demanding than traditional toys; they usually can be played with alone and, often, they're clever enough that parents want to play, too.

The electronic revolution has already hit the toy industry harder than anything since plastics. For years, toymakers merely drooled over the growth in electronic gadgetry for adults—video games, pocket calculators and digital watches (page 85). But they couldn't afford the logic chips involved until Texas Instruments introduced the TMS1000 in the early 1970s. The new chip could program games, do arithmetic or make sci-fi noises—in all, offer up to 20,000 functions for as little as 59 cents each, bought in bulk. Last year, a few toy companies cautiously came out with their first electronic games—and sold \$30 million worth.

per-brainy to succeed, however. Mego Corp., which holds tenth place in the industry (sales: \$86 million), has just introduced 2-XL, a robot that "speaks" via a tape cassette. While it does other things as well, 2-XL's allure seems to be schoolyard jokes cracked in a chipmunky voice. Sample: "How do you stop an elephant from charging? Take away his credit cards—chortle, chortle, chortle." Mego is laughing now, too—all the way to the bank.

But electronic goodies are something of a sideline for Mego: its principal business is buying the rights to miniaturize

entertainment stars into dolls—and its rise from an obscure nickel-and-dime operation reflects an uncanny sense of celebrity. Research is often pure hunch. Last year, for instance, Mego's marketing folks interviewed children at a summer camp and found that reruns of "The Brady Bunch" TV show were still popular. But the dolls seemed a dangerous bet. "There were nine of them, and who would want to buy all nine?" says vice president Larry Bernstein. "They would have cost \$90." Instead, Mego chose to shrink the four members of Kiss, the monster-painted rock group. The decision

paid off: Kiss dolls are selling well. Bernstein also explains that not every star will sell. "Richard Dreyfuss is hot, but who wants a Richard Dreyfuss doll? It has to have a special shtik," he says. Accordingly, one of Mego's latest treats is the Bubble Yum Baby, a doll whose sole function is to blow a pint-size pink bubble.

The heavyweight licensing champ, however, is General Mills' Kenner Products, which picked up "Star Wars" virtually sight unseen. Now, the Cincinnati-based firm has what it terms "galaxy-wide" rights to everything from

GAMES FOR GROWNUPS

N of all the electronic widgets twinkling and humming under the Christmas tree will be for the kiddies this year. There's a new generation of high-tech treats designed to tickle the fancy of the middle-aged Star Warrior. And to the delight of retailers, grownups seem as enthusiastic as the youngsters. "People are incredibly gadget-conscious," says Warren Zorek, head of Bloomingdale's electronics department. "Anything that is unusual, challenging or fascinating is selling."

Many of the gadgets and hot-sellers for adults qualify as outright toys. But a fair number seem to be souped-up versions of everyday necessities—and consumers are paying fancy premiums to sport them. One \$216 Seiko wristwatch tells time in any of twenty cities around the world. It may prove useful for a multinational executive, but it shows up more often on the wrists of Madison Avenue copywriters.

Pool Phone: Other popular items fit into the same category. The ubiquitous calculator now tells time, buzzes you awake and can triple as a tape recorder. Casio's wafer-thin model LC 78 (\$30) snuggles in among your credit cards. There are \$400 mini-TV's with 2-inch screens and "portable entertainment centers" incorporating TV, AM/FM radios and cassette recorders. And a portable wireless telephone (\$595) works well by the pool or anywhere else within 2,000 feet of the conventional telephone it's tuned to.

The popular Fidelity Chess Challenger (\$275), which pits "you against the computer," may be the adult equivalent of taking on Merlin, Simon

or even Hal, the computer villain from the film "2001: A Space Odyssey." The game offers ten levels of play, ponders strategy and plays tenaciously right down to its light-flashing defeat—or victory. Then there's \$400 Boris, The Talking Chess Computer,



Photos by Bernard Gotfryd—Newsweek

Playthings for the parent (clockwise, from top): Computer chess game, mini-calculator, portable phone, ego-raising teddy



who sasses hapless opponents with programmed messages. Sample: "Is this a trap? I expected that!"

As always, there's a big market for those more interested in gamesmanship than games—electronic or otherwise. The posh Toy Store opened in

Los Angeles last week selling Gucci-appointed Cadillacs, Lamborghini sports cars and Picasso oils. Its clientele: the moneyed classes of Saudi Arabia, Los Angeles and other desert empires. "They're toys to these people," shrugs co-owner Terry Quinn.

In New York, Hammacher Schlemmer stocks Environment—at \$12,000, perhaps the ultimate sauna. Billed as a "secluded retreat," Environment allows its master to stay at home and soak up Baja Sun, Tropic Rain and Jungle Steam, then cool off with gentle Chinook Winds. Not to be outdone, rival Dunhill offers its well-heeled customers gold-tipped shoelaces (\$25) and the Queen Elizabeth Pen (\$225), cast from brass salvaged from the famous ocean liner.

On the silly side, Texas-based Neiman-Marcus is offering a \$600 Monopoly game made of chocolate and butter cream. That's offset by Bloomingdale's \$15 Easy Come Easy Go board game—a kind of Monopoly for the overweight in which players try to avoid the perils of pizza parlors and sweet shops.

Teddy Bear: Careers and life-styles have not been slighted. For the jogger, there is the key-carrying Shoe Pocket (\$4), which laces onto sneakers. Motorists have the Turnpike Toll Gun (\$16), which shoots quarters into exact-change receptacles. For \$6, Sinologists can purchase 1 cubic centimeter of Red China Dirt. The businessman who has everything can buy Executive Underwear (\$9), emblazoned with stock quotations. And for the guy in danger of losing it all, there's the \$13 Talking Executive Teddy Bear—complete with three-piece, pinstripe suit. The bear's counsel is always bullish: "You're a winner," it squeaks. "There's nothing you can't do."

—VINCENT COPPOLA in New York with SYLVESTER MONROE in Chicago and bureau reports



Photos by Bernard Gotfryd—Newsweek

Gobbles the Goat, Kiss dolls, Micronaut: A \$5 billion gamble based on hunch, hustle and whim

BUSINESS

preclearance of ads," argues Mattel's Wagner. Toy companies also say they need concentrated commercials to survive, encourage price competition and teach consumers how to use toys, since there are so few demonstrations in today's discount stores. "Years ago there were tremendous abuses," says Kenner president Joseph Mendelsohn. "These days, the amount of irresponsible ads that get on television is minimal."

But the regulators have yet to be convinced, and the FTC plans new hearings. "Under the law," says FTC commissioner Robert Pitofsky, "I think we know that children are entitled to a special form of protection." They are still failing to get it, critics argue. And Peggy Charren, a founder of Action for Children's Television—an opponent of kid-vid ads—thinks that the commercials manipulate toymakers as well as kids. "Toys are designed to make good commercials, not good toys," she says.

Just what makes a "good toy," anyway? Some earnest parents and academics say it should be instructive, teaching spatial relations or other skills. Some child psychologists argue, however, that ordinary household items can be just as valuable, while construction toys like "Capsela," a scifi Erector Set, can stimulate the imagination. "Not every toy that's labeled 'educational' is going to be any better than giving the child the box it came in with all the Styrofoam," says Dr. James Hall, professor of education and psychology at Northwestern University.

Toymakers, who often employ teachers and psychologists to monitor kiddie test panels, shun the "educational toy" label when they can. "We think every toy is educational, at least indirectly," says Kenner marketing director Robert Ferguson. "But one of the best ways to kill a worthwhile educational toy is to call it

Darth Vader figures to electronic spacecraft. Kenner recovered from last year's production snags, when I.O.U.'s instead of "Star Wars" figures showed up in lots of Christmas stockings, and now it eagerly awaits re-releases and sequels to the movie.

Kenner has other goodies ready to roll, too. New in the doll line is Baby Wet & Care, which breaks out in simulated diaper rash. And, in the improbable category, there's Gobbles the Crazy Eating Goat. Kenner makes special plastic garbage to feed Gobbles; pump the tail, and it bleats, eats and deposits its lunch in a saddlebag—for recycling.

Kenner will also be feeding Gobbles's ingredients to real white mice in extensive safety tests to make sure the plastics are benign. The reason for the concern is simple enough: well-publicized cases of dangerous toys still haunt the industry—and no firm wants to be next. Karl F. Wojahn, Kenner's vice president for product integrity, recalls one episode a few years back. A toy designer approached the company with a model car that belched smoke from its dual exhausts. The designer had written testimonials that the smoke was harmless, and Kenner's marketing people thought they had a winner. But when Wojahn's lab tested the smoke, several subjects—rats, fortunately—dropped dead. So did the model car.

Since the passage of the Child Protection and Toy Safety Act in 1969 and the creation of the Consumer Product Safety Commission in 1973, even the harshest critics concede that toys are less hazard-

ous. And although there were 103,000 toy-related injuries in the first half of 1978, many of them could hardly be blamed on manufacturers. "We can't legislate the law of gravity to prevent a child from tripping on a toy," says CPSC's Elaine Besson.

If the safety controversy has quieted, the advertising fracas is still heating up. Pressed by consumer groups since 1971, the FTC last spring proposed several possible restrictions on TV advertising aimed at young children, including a ban. Toymakers counter that they already meet several voluntary codes that forbid the use of celebrity endorsements, slow motion and the animation allowed in most other ads. "There is no industry regulated to a greater degree as far as



The Doyles and Thomis with MicroCosmos games: Inventive family

that." And on one point, toymakers, scholars and parents seem to agree: no toy goes over if it isn't fun.

The crucial test for toys comes at the retail level, and this year, many merchants are making it harder for customers to choose. While such tradition-minded merchants as Macy's still stage elaborate Christmases, the friendly toy or department store full of patient, knowledgeable clerks is fast disappearing. In its place, there are stripped-down displays at discount chains, piled high with sealed boxes. Prices are rock-bottom, but there are often no decorations, no Santas and no sample toys to try.

At least one toy retailer, however, is aiming for the best of both worlds. Toys "R" Us started with four "toy supermarkets" in Washington back in 1969; today, the chain has 72 stores around the coun-

try by the birthrate. "People are having babies later, and they aren't having them unless they want them," he declares. "But if they want them, you can be sure that they're going to indulge them; ah, I love pregnant ladies."

Every toy pusher loves pregnant ladies—but loves enduring playthings even more. The bosomy Barbie doll turned twenty this year, and she's still bringing in \$58 million a year for Mattel. That stability contributed considerably to Mattel's recent comeback, after the conviction of co-founder Ruth Handler for fraudulent bookkeeping and a \$34 million settlement with stockholders. Another staple, the teddy bear, is helping Ideal recover from the Knievel fiasco. "Every company always hopes for something that will sell and sell and sell," says Bernard Loomis, the former



Robert R. McElroy—Newsweek

Season's greetings: Shoppers jam New York's FAO Schwarz

try, sells 12 per cent of America's toys and is rapidly reshaping the way they're merchandised. Toys "R" Us borrows freely from successful mass discounters like K-Mart: every store is the same size (30,000 square feet), on the same kind of site (along a highway within 5 miles of a shopping center), with the same stock displayed in the same locations along rainbow-striped walls.

But unlike other discount merchants, Toys "R" Us offers wide variety—10,000 items vs. the usual 2,000—and offers it every day. "I don't *think* there's a year-round toy market," beams Charles Lazarus, the founder and president. "I *know* it. I'm even surer than the liquor-store owner." To snare off-season customers, Lazarus carries such necessities as disposable diapers and children's furniture. And he employs a television spokesman, or spokes-animal, Geoffrey the Giraffe. Lazarus isn't even bothered

Kenner president who now heads General Mills' toy division. "You always need basics."

Will this year's electronic novelties become the basics under next year's tree? Perhaps—and toymen are already dreaming about solar toys, laser toys and other wonders for 1979, 1980 and beyond. Yet they also know their business will always be as unpredictable as a child. One season's sugarplums are often another's lemons. And none of their electronic wizardry can budge 7-year-olds like New Jersey's Freddie Summers when they refuse to be captivated. There Freddie stood after a full day at a recent toy show, with Simon and Merlin and 2-XL and all their computerized kin twinkling and booping. But young Freddie was unmoved. "What I want for Christmas," he announced, "is a suit."

—LYNN LANGWAY with PAMELA ABRAMSON in New York, PHYLLIS MALAMUD in Boston, JEFF B. COPELAND in Los Angeles, JON LOWELL in Detroit, FRANK MAIER in Chicago and bureau reports