

A child is blowing bubbles, which are floating in the air. The bubbles are iridescent and colorful, reflecting light in shades of blue, green, and purple. The background is dark and out of focus, showing some foliage.

Big Dreams: A Mexican Toy Brand

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This problem situation was written by Nancy Berenice Ortiz Alvarado (nortiz@tec.mx) and José Daniel Pulido Ayala (danielpulido@tec.mx), with the purpose of serving as discussion material in the classroom; it does not intend to illustrate good or bad administrative practices. The document was elaborated from primary sources.

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The company

In 2022, the toy brand was introduced for the first time to a supermarket sales floor in Mexico. After their introduction to H-E-B in May 2022, and sales picking up pace, 2023 was challenging as sales were stagnant; under such scenario new challenges appeared: *focusing on recovering sales, gaining market share in the toy category, and positioning the brand as the best outdoor fun option.*

Bomboya Latam S.A. de C.V. was founded by a small group of entrepreneurs to create the best play moments for families and compete against the worldwide trend of shifting traditional toys to digital toys. With the purpose that more kids and parents embraced traditional toys as a better option for children in their early development stage, in 2017, they launched their first brand into the market, **Bomboya**, giant bubble toys and accessories. They claim to have the best bubble solution in the market that can make bubbles up to two meters long.

Six years after its foundation, the company had grown exponentially. Initially, the plan was to create a portfolio of traditional toy brands living under the same umbrella. However, given the success of their first brand, Bomboya, the team decided to grow and position the brand nationally and internationally before creating their next brand. Bomboya is an NBO (National Brand Owner) that manufactures and assembles its toys. Their small factory and warehouse is located at Monterrey's center, where all orders are dispatched. Given the high seasonality of sales in the toy industry, the company's strategy is to produce safety stock and store it in the warehouse, where they are sent to retail stores as required.

Best performer in the giant bubble

The company's best-seller product is the green 1L ready-to-use giant bubble mix. Originally produced to be used and only compatible with the giant bubble kit, the market rapidly adopted this solution to refill other bubble toys and machines. The company rapidly observed this trend and repositioned the product to inform the consumer of its compatibility through an inscription on the front label of the product.

Given their incumbent's advantage (meaning that they were the first company to produce and sell giant bubble mix in the country), the company was able to position the product at a premium price taking pride in the performance of the mix. Nonetheless, positioning the product was quite a task. When the company first began selling its product in pop-up stores of malls in Monterrey, the Mexican market needed to learn how the product worked. Since the brand found a niche category, a guerrilla marketing strategy was implemented, where each sales employee would demonstrate the giant bubbles that could be made and offer a free trial to engage the potential consumer and drive a sale.

Through the years, the company has diversified its sales channel. The sales and marketing team decided to develop strong relationships with toy stores such as Juguatron and Hamley's, supermarket retailers such as H-E-B, department stores such as Liverpool, marketplaces such as Amazon, Mercado Libre, Walmart, Linio, and Claroshops, and finally through their own e-commerce. When the pandemic hit in 2020, the company struggled to sell its products through retail, and practically most of its sales came through digital channels such as marketplaces and its own e-commerce channel.

Their total product portfolio comprises thirteen different SKUs, strategically marketed and positioned at different price points, for different types of consumers and moments of consumption. For instance, their most premium product, The Giant Bubble Kit, can be found at \$449 MXN; simultaneously, the "Mini Giant Bubble Kit" starts at \$249 MXN. Such a strategy was implemented because the company has observed that its consumers perceive the brand as highly priced.

Image. Consumers have high expectations of the performance of the bubbles.



Source. Gundula Vogel in Pixabay, 2020.

Consumers Engagement & Competitive Arena

Bomboya has struggled to keep its social media activity, and its engagement has exponentially decreased with its audience. Given the challenges faced in their introduction to supermarket retail, all strategic and marketing plans were shifted towards in-store promotion, leaving a huge opportunity in their social media accounts. The company is setting up a specialized team to build social media awareness and constantly engage with its existing consumer base and new potential consumers.

According to Euromonitor International, by 2026, the digital toy market is expected to double the size of the traditional toy market. Additionally, in the Mexican landscape, the market is expected to shrink as the 3-14-year-old population decreases, birth rates are also expected to decrease, and kids are slowly shifting towards digital toys. Given these changing trends, the company needs to come up with ideas that could embrace the trends and tap into the digital toy market.



Three leading global players have long governed the toy industry, being Lego, Hasbro, and Mattel. These companies have a broad portfolio of toy brands and nearly perfect brand awareness in the Mexican Market. Euromonitor also expects the construction toy sets to become the most popular subcategory and double their size within five years. Additionally, these players have shifted their sourcing strategy, where once they depended on Asian maquilas to produce their toys, they are now seeking to operate factories closer to their consumer market. For this reason and knowing that labor in Mexico is now considered cheaper than in Asia, these companies have opened factories to produce local demand and provide service to the American market.

Beyond these three toy companies, the toy market is highly fragmented, and the usual value chain includes Asian markets in sourcing and producing toys.

Looking ahead to double size

The company has set its goal to double its size every three years. This means that Bomboya is compelled to look for growth avenues that would add value not only to the company but to the consumers it serves. But what strategy should the company follow to keep pace and have a spot next to the three big toy companies?

How can Bomboya leverage its heritage and positioning and, at the same time, disrupt the market by following the trends without missing its core values? Would Bomboya be able to accomplish its big dreams and compete with the leading brands? How will they be distinguished from small competitors in a pulverized market? What main industry barriers could potentially hinder their desired market position? What should their competitive strategy be to ensure a winning position and assure the sustainability of the brand and its potential growth to other markets and line extensions of the portfolio? Will they be able to maintain the essence of traditional toys while developing strategies to face the needs and interests of the new digital generations?