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IN THE LEAD

## **All Companies Need Innovation; Hasbro Finds a New Magic**

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East Longmeadow, Mass. -- Every Friday at lunch, game designers, marketing managers and other employees at Hasbro's games division gather in the cafeteria to play board games. Some compete over Scrabble, Sorry, Clue or more than a dozen other famous games invented decades ago and still manufactured at a factory here. Others play games sold by competitors, or they enjoy their own childhood favorites no longer on store shelves.

One current obsession: a dice game called Can't Stop, manufactured in the 1980s by Parker Bros., now a unit of Hasbro. "We dug it out of our archives, and it's so much fun, we can't stop playing it," says senior game designer Rob Daviau.

These lunchtime games have a business purpose. They are part of Hasbro's efforts to find ways to update classics and create new games. Mr. Daviau is musing about reissuing Can't Stop or designing a similar game. "We have an unbelievable heritage with our brands, but we have to keep them relevant to customers" to compete against videogames and other pop culture, says Philip Jackson, who took charge of the games division as group executive last February and has been rolling out new products. Sales in Hasbro's games unit rose 11% last year.

In any business, innovation is at least as critical for old companies as for start-ups, and more complex. It requires two steps: "upgrading, leveraging and extending old and still-popular brands while also looking for new ideas," says Tom Kuczarski, president of Kuczarski Associates in Chicago, a product-development consultant. "The biggest roadblock is risk-aversion."

At Chicago-based USG, a 106-year-old maker of building materials, profit has increased in recent years under Chief Executive William Foote with new products such as dust-control Sheetrock and Durock Tile Membrane for flooring material, which keeps out water and prevents warping.

At Procter & Gamble, under Chief Executive A.G. Lafley, a cabinet of beauty and health-care products has been launched, including Crest teeth-whitening strips. "Instead of battling to sell \$3 tubes of toothpaste, they're selling something that costs 10 times as much, and which customers want," Mr. Kuczarski says.

To spur innovation, Hasbro managers keep in touch with a global network of game inventors, do online surveys of customers and observe thousands of children and adults playing games developed in a new lab called GameWorks at the division's headquarters. They also talk with prospective customers about their lives and how they want to spend leisure time. Hectic schedules and time pressures are prompting Hasbro to launch "express" versions of Monopoly, Sorry and Scrabble. Unlike the standard versions, which can take hours to play, the express games have their own rules and can be wrapped up in 20 minutes or less.

"People don't have time to play a game for three hours, so we're asking ourselves how we can leverage brands so they can be played in smaller time frames," says Jill Hambley, a vice president of marketing.

Another classic, The Game of Life, was revised to reflect consumers' wishes for more balanced lives. In the original game, success equaled money and the winner was the player who earned the most. In the new game, players move among four quadrants: to "live it" and have adventures, to "love it" and have family lives, to "learn it" and become educated, and also to "earn it."

New tastes also dictated the look for a new version of Monopoly. The original board, which is still available, features streets in Atlantic City, which was a glamorous tourist destination at the time the game was released, in 1935, amid the Great Depression. Last year, designers and marketers selected destinations in 22 U.S. cities and asked customers to cast online votes on which they preferred. In three weeks, Hasbro received three million votes, which were used to design a Monopoly Here and Now board. Times Square in New York received the largest number of votes, and so it replaced Boardwalk. Las Vegas Boulevard replaced Pacific Avenue.

Hasbro is also gunning for technology-savvy customers. Sales of videogames outpace board games by more than six to one, so Hasbro makes versions of its board games that can be played on laptops, cellphones or in video format. In the Game of Life, players use a debit card that holds information about them and points scored. Clue comes with a DVD with 10 murder plots to be solved, in addition to the original board-game mystery.

Mr. Daviau spent nine months developing the Clue DVD, working with a writer, production company, market researchers and others. In the latest version of the game, actors playing the butler and the inspector offer the clues, and there is background music and sound effects, such as buzzing insects for one crime that occurs in the summer.

"Games are math puzzles with a thousand details, but what you want customers to feel is that they're getting magic in a box," he says.

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