



R&R

During the summer of 1983, Bob Reiss observed with interest the success in the Canadian market of a new board game called "Trivial Pursuit." His years of experience selling games in the U.S. had taught him a rough rule of thumb: the sales of a game in the U.S. tended to be approximately ten times those of sales in Canada. Since "Trivial Pursuit" had sold 100,000 copies north of the border, Reiss thought that trivia games might soon boom in the U.S., and that this might represent a profitable opportunity for him.

Reiss' Background

After his graduation from Harvard Business School in 1956, Reiss began working for a company that made stationery products. His main responsibility was to build a personalized pencil division, and he suggested that he be paid a low salary and a high sales commission. He was able to gain an excellent understanding of that market, and by 1959 could start on his own as an independent manufacturer's representative in the same industry. His direct contact with stores that sold stationery products revealed that many of them were beginning to sell adult games. He decided to specialize in those products.

In 1973, Reiss sold his representative business to a small American Stock Exchange company in the needlecraft business in exchange for shares. He then set up a game manufacturing division and ran it for that company, building sales to \$12,000,000 in three years.

Reiss decided to go into business for himself again in 1979 and left the company. He incorporated under the name of R&R and worked with the help of a secretary from a rented office in New York; Reiss promised himself that he would keep overhead very low, even in good years, and never own or be responsible for a factory. In addition to being a traditional manufacturer's representative, he did some consulting for toy manufacturers, using his extensive knowledge of the market.

The Toy and Game Industry

One of the main characteristics of the toy industry was that products generally had very short life cycles, frequently of no more than two years. "Fads" extended to whole categories of items: one class of toys would sell well for a couple of years and then fade away. Products that were part of categories tended to ride with the fate of that category, regardless to some extent of their intrinsic

This case was prepared by Research Assistant Jose-Carlos Jarillo Mossi, under the supervision of Professor Howard H. Stevenson, as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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merit. Many new products were introduced every year, which made the fight for shelf space aggressive.

Promotional plans for a new product were a key factor in buy or no-buy decisions of the major retailers. At the same time, fewer and fewer retailers were dominating more of the market every year. The largest one, Toys 'R' Us, for example, had 14% of the entire market in 1984. The success of a product was often based on less than a dozen retailers.

A few large manufacturers were also becoming dominant in the industry, because they could afford the expensive TV promotional campaigns that retailers demanded of the products they purchased. Billing terms to retailers were extremely generous compared to other industries, thus increasing the need for financial strength. Financing terms ran from a low of 90 days to 9 to 12 months. In general, major retailers were reluctant to buy from new vendors with narrow product lines unless they felt that the volume potential was enormous. On the other hand, the large manufacturers tended to require a long lead time for introducing new products, typically on the order of 18 to 24 months.

The industry was also highly seasonal. Most final sales to the public were made in the four weeks prior to Christmas. Retailers decided what to carry for the Christmas season during the preceding January through March. There was a growing tendency among them, however, not to accept delivery until the goods were needed, in effect using the manufacturer as their warehouse.

The Trivia Game Opportunity

"Trivial Pursuit" was developed in Canada, and introduced there in 1980. Its 1983 sales were exceptionally strong, especially for a product that had been promoted primarily via word of mouth. The game was introduced in the U.S. at the Toy Fair in February, 1983 by Selchow & Righter, makers of "Scrabble," under license from Horn & Abbot in Canada. Earlier, the game had been turned down by Parker Bros. and Bradley, the two largest game manufacturers in the United States.

"Trivial Pursuit" in the U.S. had a \$19.00 wholesale price, with a retail price varying from \$29.95 to \$39.95, about 200% to 300% more expensive than comparable board games. Selchow was not known as a strong marketer and had no TV advertising or public relations budget for the game. The initial reaction at the Toy Fair in February had been poor. Yet, by August the game had started moving at retail.

Reiss thought that if the success of "Trivial Pursuit" in Canada spilled over to the U.S., the large game companies would eventually produce and market their own similar products. This would generate popular interest in trivia games in general and constitute a window of opportunity for him. The only trivia game in the market as of September 1983 was "Trivial Pursuit." Two small firms had announced their entries and were taking orders for the next season. Bob Reiss decided to design and market his own trivia game.

Developing the Concept

Reiss' first task was to find an interesting theme, one that would appeal to as broad an audience as possible. On one hand, he wanted to capitalize on the new "trivia" category that "Trivial Pursuit" would create; on the other, he wanted to be different, and therefore could not use a topic already covered by that game, such as movies or sports. Further, his game would have its own rules, yet be playable on the "Trivial Pursuit" board.

As was his custom, Reiss discussed these ideas with some of his closest friends in the manufacturer's representative business. Over the years, he had found them a source of good ideas. One of the reps suggested television as a topic. Reiss saw immediately that this had great potential:

not only did it have a broad appeal (the average American family watches over seven hours of TV per day), it offered a great PR opportunity. A strong PR campaign would be needed since Reiss knew clearly that he was not going to be able to even approach the advertising budgets of the large manufacturers, which would probably surpass \$1 million just for their own trivia games.

Because licensing was common in the toy industry and was a way to obtain both an easily recognizable name and a partner who could help promote the product, Reiss realized he could add strength and interest to his project if he could team up with the publishers of *TV Guide*. This magazine had the highest diffusion in the U.S., approaching 18 million copies sold each week. It reached more homes than any other publication and could be called a household name.

On October 17, 1983, Reiss sent a letter, printed below, to Mr. Eric Larson, publisher of *T.V. Guide*.

Mr. Eric Larson, Publisher
T.V. GUIDE
P.O. Box 500
Radnor, PA 19088

October 17, 1983

Dear Mr. Larson:

I am a consultant in the game industry and former owner of a game company.

Briefly, I would like to talk to you about creating a game and marketing plan for a 'T.V. GUIDE TRIVIA GAME'.

In 1984, trivia games will be a major classification of the Toy Industry. I'm enclosing copy of a forthcoming ad that will introduce a game based upon the 60 years of *Time Magazine*. I am the marketer of this game and have received a tremendous response to the game, both in orders and future publicity.

This project can benefit both of us, and I would like to explore the opportunities.

Sincerely,

Robert S. Reiss

In a follow-up phone conversation, Mr. Bill Deitch, assistant to the publisher of the magazine, asked Reiss for some detailed explanation on the idea. Reiss sent the following proposal:

Mr. Bill Deitch
T.V. GUIDE
P.O. Box 500
Radnor, PA 19088

November 14, 1983

Dear Mr. Deitch:

In response to our phone conversation, I will attempt to briefly outline a proposal to do a TV Trivia Game by *TV Guide*.

WHY A TV GAME? It is a natural follow up to the emerging craze of Trivia Games that is sweeping the country. This category should be one of the 'Hot' categories in the Toy/Game industry in 1984. This type of game got its start in Canada three years

ago with the introduction of Trivial Pursuit. It continues to be the rage in Canada and was licensed in the U.S. this year. It is currently the top selling non-electronic game. It retails from \$24.95 to \$39.95 and is projected to sell 1,000,000 units. It is not TV promoted. The 'Time Game', with 8,000 questions covering six general subject areas, only began to ship two weeks ago and had an unprecedented initial trade buy, particularly with no finished sample available for prior inspection.

WILL TV GUIDE BE JUST ANOTHER TRIVIA GAME? No. The next step is to do specialty subjects. Trivial Pursuit has just done a Motion Picture Game with excellent success. Our research tells us that a TV oriented game would have the broadest national appeal.

THE MARKETS - This type of game has wide appeal in that it is non-sexual and is of interest to adults and children. We feel we can place it in over 10,000 retail outlets ranging from upscale retailers like Bloomingdale's and Macy's to mass merchants like Toys 'R' Us, Sears, Penney, K-Mart, Target, etc. There is also a good mail-order market. The market is particularly receptive to good playing, social interactive games at this time. Video games are in a state of decline as their novelty has worn off. (To say nothing about profits.)

WHO WILL DEVELOP THE GAME? Alan Charles, a professional game developer who did the 'Time Game', is free at this moment to do work on the project. He has satisfied the strict standards 'Time' has set for putting its name on a product and mine for play value and product graphics in a highly competitive market . . . No easy task.

WHO WILL PRODUCE & MARKET THE GAME? There are two options for producing the game.

1. Give it to an established game company who would assume all financial risk as well as production and distribution responsibilities. Under this set-up, *TV Guide* would get a royalty on all goods sold.
2. *TV Guide* assume all financial responsibilities to game. Production and shipping would be handled by a contract manufacturer. Bob Reiss would be responsible for hiring and supervising a national sales force to sell the game. This is not an unusual option, and I do have experience in this. All sales are on a commission basis. This way, *TV Guide* gets the major share of the profits.

Attached exhibit explores some rough profit numbers for *TV Guide*, via both options.

POSITIONING OF GAME - We see the game as non-competitive to Trivial Pursuit and Time Magazine. It can be developed to retail at \$14.95, as opposed to \$39.95 for Trivial Pursuit and \$29.95 for Time. (Mass merchants generally discount from these list prices.) The TV Game should be able to be played by owners of both games as well as on its own. The name 'TV Guide' is important to the credibility of the product. Sales of licensed products have been growing at geometric rates in the last decade. Consumers are more comfortable buying a product with a good name behind it.

PROMOTION OF GAME - Pricing of the product will have an ad allowance built into it. This will allow the retailers to advertise in their own catalog, tabloids and/or newspaper ads. An important part of promotion should be ads in *TV Guide*. Ads can be handled two ways: one, with mail order coupon and profits accruing to *TV Guide*;

the other, with listing of retailers carrying the item, as you have so many regional splits, the listing could be rather extensive. Financially, you would probably opt for the first option on a royalty arrangement and the second if you owned the product.

This product lends itself perfectly to an extensive public relations program. This is an excellent product for radio stations to promote. This should be pursued vigorously.

BENEFITS TO TV GUIDE

- Profits from royalties or manufacturing
- Extensive publicity through wide distribution on U.S. retail counter, including the prestigious retailers as well as the volume ones. This is the unique type of product that can bridge this gap.
- Good premium for your clients. Can be excellent premium for TV Stations. Can be used as a circulation builder. In projecting profits, I have not included premiums. The numbers can be big, but they are difficult to count on.

TIMING To effectively do business in 1984, all contracts must be done and a prototype developed for the American Toy Fair, which takes place in early February, 1984. Shipments need not be made until late spring.

WHO IS BOB REISS? He is a graduate of Columbia College and Harvard Business School who started his own national rep firm in 1959, specializing in adult games, when it became a distinct category in 1968. He sold his company in 1973 to an American Stock Exchange Company. He remained there for five years and built Reiss Games to a dominant position in the adult-game field. For the last three years, he has been consulting in the game/toy industry and recently acted as broker in the sale of one of his clients, Pente Games, to Parker Bros.

I am enclosing some articles that have a bearing on the subject matter. I think what is needed, as soon as possible, is a face-to-face meeting, where we can discuss in greater detail all aspects of this proposal as well as responsibilities for all parties.

RSR/ck
encl.

Sincerely,
Robert S. Reiss

ROUGH PROFIT POTENTIALS TO TV GUIDE

ASSUMPTIONS

1. Average wholesale cost of \$7.15 after all allowances. (This would allow Department Stores and Mail Order to sell at \$15.00. Discounters would sell at \$9.95 to \$11.95.)
2. Cost to manufacture, \$3.00 each.
3. Royalty rate of 10% - (Range is 6% to 10%, depending on licensor support and name. Assuming 10%, based on fact you would run No Cost ads in *TV Guide*.)
4. Mail order retail in *TV Guide* is \$14.95, and you would pay \$4.00 for goods. Postage and Handling would be a wash with small fee charged to customer.

OPTION I - ROYALTY BASIS

Projected Retail Sales - 500,000 units.
 * Royalty to *TV Guide* of \$357,500

Mail Order Sales - 34,000 units (.002 pull on 17,000,000 circulation). Based on full-page ad with coupon. It is extremely difficult to project mail order sales without testing—too many variables. However, this is a product that is ideal for your audience.

* Profit to *TV Guide* of \$372,300

OPTION II - YOU OWN GOODS

Costs: (Rough Estimate)

Manufacture	\$3.00
Royalties to inventor	.36
Fulfillment	.30
Sales Costs	1.43
Amortization of start-up costs	.10
TOTAL COST	\$5.19
Profit per unit	\$1.96

Profit on 500,000 units = \$980,000.00
 (Does not include cost of money.)

Another phone conversation followed in which *TV Guide* showed a clear interest in pursuing the subject. Reiss answered with a new letter on December 12, 1983, that outlined clearly the steps that had to be followed by both parties should they want to go ahead with the venture. Reiss had to send still another letter with a long list of personal references that *TV Guide* could contact. *TV Guide* finally opted to be a licensor, not a manufacturer. They would give Bob Reiss a contract for him to manufacture the game or farm it out to an established manufacturer, provided he stayed involved with the project. *TV Guide* would receive a royalty that would escalate with volume. Royalties were normally paid quarterly, over shipments; Reiss, however, proposed to pay over money collected, which *TV Guide* accepted. As part of the final deal, *TV Guide* would insert, at no cost, five ads in the magazine worth \$85,000 each. These would be "cooperative ads"; that is, the name of the stores selling the game in the area of each edition would also be displayed. Reiss thought that including the name of the stores at no cost to them would be a good sales argument and would help insure a wide placement of the product.

Developing the TV Guide Trivia Game

The actual game was designed by a professional inventor, whom Reiss knew, in exchange for a royalty of 5%—decreasing to 3% with volume—per game sold. No up-front monies were paid or royalties guaranteed. Although the inventor delivered the package design in just a few weeks, the questions to be asked were not yet formulated, and Reiss realized he could not do this alone. *TV Guide's* management insisted that their employees should develop them. Reiss would pay per question for each of the 6,000 questions he needed; employees could moonlight on nights and weekends. Reiss felt it was important to put questions and answers in books rather than cards, like "Trivial Pursuit." The cost would be considerably lower, and the most serious bottleneck in manufacturing—collating the cards—would be eliminated. The game also lent itself well to this

★
 THIS
 helps
 prove
 Reiss'
 assumption

approach, as the question books imitated the appearance of *TV Guide* magazine (*Exhibit 1*). Overall, the presentation of the game tried to capitalize on the well-known *TV Guide* name (*Exhibit 2*).

Initially, Reiss had not wanted to include a board with the game; he wanted people to use "Trivial Pursuit's" board and had made sure that the rules of the new game would take this into account. However, *TV Guide* wanted a complete game of its own, not just supplementary questions to be played on someone else's game. Another advantage of including a board, Reiss realized, was that a higher price could be charged.

Since *TV Guide* had opted for being merely a licensor, it was Reiss' responsibility to set up all the operations needed to take the game to market in time for the 1984 season, and there were only two months left until the February Toy Fair, where the game had to be introduced.

His first consideration was financial. He estimated that the fixed cost of developing the product would be between \$30,000 and \$50,000, but some \$300,000 would be needed to finance the first production run. Those funds would be needed until the initial payments from sales arrived a few months later.

Reiss seriously considered raising the required money from the strongest among his manufacturer's representatives in the toy business, thinking they would push hard to sell the game to every account. Eventually, he decided against this approach: not only would it not contribute that much to the venture, reps could be motivated to sell in other ways. Perhaps more important, Reiss feared the prospect of perhaps 20 partners who "would be every day on the phone asking how things are going."

Another option that passed through his mind, which he dismissed promptly, was venture capital. He realized that he would have to give up too much and, even worse, that venture capitalists would not understand this kind of deal—one that had very attractive short-term profits but few long-term prospects.

Trivia, Inc.

With the agreement with *TV Guide* in hand, Reiss called Sam Kaplan—a long-time friend who lived in Chicago. Kaplan, 65 years old, had a sizeable personal net worth, yet kept working at his small but successful advertising agency (25 employees) "for the fun of it," as he liked to say. Reiss thought that teaming up could be an important help, and Kaplan was indeed enthusiastic about the idea.

Reiss proposed to establish a company, Trivia Inc., that would develop the project. The equity would be split evenly among the two partners. Kaplan, besides lending his line of credit to purchase supplies for the initial run, would use his office to handle day-to-day details. (In fact, Trivia Inc. ended up having only one full-time employee.) Also, because of his vast knowledge of printing and his contacts, Kaplan could secure press time and paper supplies on short notice, and he would supervise the product's manufacturing. This was especially important, since the special paper stock on which the game was printed was then in short supply, and long lead times were generally needed to obtain it. Kaplan would also produce all the ads and the catalog sheets. Reiss would take responsibility for sales and marketing of the product and would pay all reps and coordinate the publicity and the relations with *TV Guide*. An important part of the agreement was that R&R (Reiss' company) would have the exclusive rights to market the game and would receive a commission of 20% of the wholesale price from which it would pay the commissions to the reps.

Production, Shipping and Billing

From the beginning, Reiss' intention was not to be a manufacturer. Through Kaplan's connections, they found not only good suppliers for the question books, the board and the boxes, they even got lower costs than expected. But, they still had to tackle the problem of assembly and shipping. Kaplan was a long-time consultant to Swiss Colony, a manufacturer of cheese based in Madison, Wisconsin. This company specialized in mail sales and had developed a strong capability to process mail orders. As a result, Swiss Colony's management had decided several years earlier to offer that fulfillment capability to other companies. They took the orders, shipped the product, and billed to the retailer.

In the deal ultimately reached, Trivia Inc. would have the components sent by the different suppliers to Madison on a "just in time" basis, and Swiss Colony would put the boards, dice, and questions in the boxes, package and ship them. Swiss Colony would charge \$.25 per box, including billing for the games, and would send complete daily information on sales to Trivia Inc. Trivia Inc. would pay \$2,500 for a customized computer program. With all these measures, Reiss and Kaplan were able to lower their estimated costs by 30% and attained the flexibility they wanted. The final cost of manufacturing, assembling and shipping was about \$3.10, not including the royalties paid to the inventor and to *TV Guide*.

A final point was financing the accounts receivable, once the sales started rolling in, and collecting the debts. Reiss was somewhat afraid that the bills of some of the smaller stores carrying the game would be very difficult to collect, since R&R did not have the resources to follow-up closely on its collections; moreover, Trivia Inc. needed the leverage of a factor in order to collect from the larger retailers on time. He and Kaplan decided to use Heller Factoring to check credit, guarantee payment, collect the money, and pay Trivia Inc., all for a fee of 1% over sales. Trivia Inc. would not need any financing for operations: after 45 days of shipping, Trivia Inc. would always be in a positive cash-flow. Thanks to Heller and Swiss Colony, Trivia Inc. had practically no administrative work left to itself.

Selling the Game

Selling was the most important issue for Reiss. He knew that placing the goods in the stores and selling them to the public (selling through) were two distinct, many times unrelated, problems. In any case, however, he thought that the game needed to be priced below "Trivial Pursuit" to make up for both their lack of a complete national advertising campaign that major manufacturers would launch, and their lack of the kind of brand recognition that "Trivial Pursuit" was achieving. Accordingly, the wholesale price was set at \$12.50, with a retail list price of \$25.

Reiss distinguished carefully between two different channels: the mass merchandisers and the department/gift stores. An important part of the overall strategy was to sell quickly to upscale retailers who would establish a full retail mark-up (50%). These were mainly department stores, such as Bloomingdale's or Marshall Fields, and mail order gift catalogs and specialty gift stores. This, it was hoped, would help sell mass merchandisers and give them a price from which to discount. Such a two-tiered approach was not common in the industry. On long-life products, many times only the full-margin retailers got the product the first year. But Reiss felt that this could not be done with his product, because it could well be only a one-year product. Mass merchandisers, however, had to be reached, since they accounted for at least 75% of the market. (*Exhibit 3* shows some of the stores Reiss thought had to be reached.)

Two different sets of reps were employed for the two different channels; on average, they received a 7% commission on sales. Reiss' personal knowledge of buyers for the major chains proved invaluable. He was able to obtain quick access to the important decision-makers at the major chains. They also followed, when possible, the distribution pattern of *TV Guide* magazine. It was soon

apparent that the statistics on demographics reached by *TV Guide*, which Reiss made sure all buyers saw (*Exhibit 4*), had a major impact. As Reiss said, "It appeared that every outlet's customers read *TV Guide*." The cooperative ads in the magazine, with the possibility of including the store's name, were also a powerful attraction for different buyers, as Reiss had expected: the name of their stores would be displayed in far more homes than it would with a conventional advertising campaign in national magazines. The stores would not be charged to have their name in the ads, but minimum purchase orders would be requested. Many large customers, such as K-Mart and Sears, placed large orders before the product was even finished. (*Exhibit 5* shows a cover letter that was sent to supermarket buyers.)

Promotion

In order to promote the game to the public, Trivia Inc. had a four-part plan, beginning with the five ads in *TV Guide*. (*Exhibit 6*) The first ad broke in mid-September, 1984, and was strictly for upscale retailers, with \$25.00 as the price of the game. *TV Guide* had eight regional issues, and different stores were listed in each area with a total of about 120, including Bloomingdale's, Marshall Fields, Jordan Marsh and J.C. Penney. They all had to place minimum orders. The second ad, shown on October 6th, was just for Sears. The third, on November 10th, was devoted to mass merchandisers and did not include a retail price. The fourth, two weeks later, listed four of the most important toy chains: Toys 'R' Us, Child World, Lionel Leisure and Kay Bee. The appeal to the public, then, was not just the ad: Reiss knew that showing well-known upscale stores carrying the game initially was the best way to obtain instant credibility for the product. Finally, K-Mart, the largest U.S. Chain, gave Trivia Inc. an opening order to all their 2,100 stores, even before the game went into production, in exchange for the exclusivity in the fifth ad to be run in *TV Guide* on December 8, 1984. In that ad, K-Mart offered a three-day sale at \$16.97.

The second part of the plan also tried to give credibility to the game. Trivia Inc. offered the department stores a 5% ad allowance (a 5% discount from wholesale price) if they put the product in newspaper ads, tabloids or catalogs. For similar reasons, Reiss wanted to have the game placed in mail order gift catalogs. Their sales in the toy-game business were only moderate, but catalogs gave a lot of product exposure because of their large circulation figures.

The final part of the plan was to obtain free media publicity. The publisher of *TV Guide* magazine wrote a letter to be sent to the producers of such shows as "Good Morning, America," "CBS Morning News," "The Tonight Show," and to 25 top TV personalities, together with a sample of the game. Through *TV Guide's* P.R. agency and the joint efforts of *TV Guide* and Trivia Inc., many newspapers, radio and TV stations were reached. In all, more than 900 press kits were sent to media organizations. As a result, the game was mentioned on many talk shows (TV and radio), and news of it was published in many newspapers (*Exhibit 7*). The cost of this campaign was split between Trivia Inc. and *TV Guide*.

The Results

By October 1983, Selchow, manufacturer of "Trivial Pursuit," started falling behind trying to meet the demand. By Christmas, when sales exploded, there was no hope of keeping up—and one of the most serious manufacturing problems was the bottleneck of collating the cards. By the February, 1984 Toy Fair, most of the major manufacturers offered trivia games, which was projected to be the hottest category for the year.

R&R sold 580,000 units of the *TV Guide* game in 1984 at the full wholesale price of \$12.50. There were few reorders after mid-October, as the market became saturated with trivia games (over 80 varieties) and "Trivial Pursuit" flooded the market. By Christmas 1984, all trivia games became heavily discounted; many retailers ran sales on "Trivial Pursuit" at \$14.95, having paid \$19.00.

Bad debts for Trivia Inc. were about \$30,000 on approximately \$7,000,000 billings, with hope of recovering \$15,000. Losses from final inventory disposal (it was decided to close-out the game) were less than \$100,000.

TV Guide was extremely pleased with the royalty collected from the venture. Kaplan, through his 50% ownership in Trivia Inc., made over \$1,000,000 net. The total cost of designing and launching the product had been \$50,000.

Commenting on the whole deal, Reiss said:

I think the critical aspects of success in being a contract manufacturer are to take care of your suppliers and to take care of your sales representatives. We want our suppliers to charge us full mark-up, so that we are a good customer to them, and we try hard to give them enough lead time to deliver. We pay on time always, no matter what happens. In exchange, we demand perfect work from them. They understand and like this relationship. We need their cooperation, because we are completely dependent on them.

The other aspect is how to deal with your customers, which for us are the manufacturer's representatives and the buyers of major chains. The manufacturer's reps are used to the fact that, when sales really do pick up in any product and they can make a lot of money, many manufacturers try to "shave" their commissions, perhaps feeling that they are making too much money. I never do that: I am happy if they make millions, and they know it. I also pay on time always. With this, I have developed a loyal and experienced work force and have no fixed or up-front sales cost.

All of these factors allowed us to move quickly. My contacts enabled me to print and manufacture the game for the same cost as a big company. But, a Parker Bros. or Milton Bradley would have incurred fixed costs of roughly \$250,000 just for design and development and would then have committed to an advertising and promotion budget of at least \$1 million.

The Future

According to Reiss, the big question at the end of 1984 was, "Do we add on a new version of the *TV Guide* game, do a new trivia game, or go onto something new in spite of the great market penetration and success of our game?"

He had been doing some planning for a new game to be called "WHOOZIT?" and, instead of questions, it would show photographs of famous people that the players would have to recognize. He had a preliminary royalty deal with Bettman Archives, who had the exclusive marketing rights to all the photographs of the news service UPI, in addition to their own extensive archives. But, he was unsure about what the best follow-up for the success of 1984 could be.

The market, however, did not seem to be in the best condition. The 1984 Christmas season had ended with large unsold inventories of "Trivial Pursuit" and other trivia games. Some major companies, like Parker Bros., Lakeside, and Ideal, had closed out their games at low prices, further flooding the market. Many buyers were saying that trivia games, as a category, were over, although they seemed to accept Selchow's estimate of 7,000,000 units of "Trivial Pursuit" sold in 1985. That figure was well below the 20,000,000 units sold in 1984 but was still an exceptionally high figure compared with other board games. Selchow had also announced a plan to spend \$5,000,000 to promote the game in 1985. Some upscale retailers, however, had announced their intention to abandon "Trivial Pursuit" and other trivia games, mostly because of the heavy discounting.

Reiss thought that one of the reasons why the public seemed to have lost interest in trivia games is that they were hard to play; too often, none of the players knew the answers. In retrospect, he thought that the *TV Guide* game had had the same problem. But, that would be different with "WHOOZIT?" He was thinking of making easier questions and giving several chances to each player and really expected the new game to be enjoyable.

In addition to improving the intrinsic playability of the game, Reiss wanted to have more flexibility selling it. He planned to offer three different price points; one of the versions having only the questions so it could be played on the "Trivial Pursuit" board. In spite of all these improvements, however, he was not sure whether he should try to replicate the success obtained with the *TV Guide* game and wondered what his best strategy for a follow-up could be.

Exhibit 3 Stores to be reached

Sears	879
Penney	450
Federated	451
Dayton Hudson	1149
R.H. Macy	96
Allied Stores	596
Carter Hawley Hale	268
Associated Dry Goods	332
Mercantile	79
Kmart	2174
Woolworth	N/A
Wal-Mart	751
T.G.&Y.	754
Zayre	848
Bradlees	132
Murphy	386
Rose's	195
Kay Bee	500
Spencer Gifts	450
Hook's Drug	120
Toys'R'Us	200

Bob Reiss thought that some 5,000 independent stores would be suitable targets, too.

Exhibit 4 Data on *TV Guide's* audience

February 3, 1984

Mr. Robert Reiss
President
R & R
230 Fifth Avenue
New York, New York 10001

Dear Bob:

I had our Research Department pull together some statistics about *TV Guide* that should be useful in discussing the audience dimensions of our magazine with major department stores and mass merchandisers.

First off, *TV Guide's* circulation averages over 17,000,000 copies each week.

Included in *TV Guide's* average issue audience are:

1. 37,838,000 adult readers age 18 and over.
2. 8,829,000 teenage readers 12-17.
3. 46,667,000 total readers age 12 and over.
4. 19,273,000 readers age 18-34.
5. 28,085,000 readers 18-49.
6. 10,312,000 adult readers in homes with one or more children 10-17 years of age.
7. 16,334,000 adult readers in homes with \$25,000+ household income.
8. 11,815,000 adult readers with one or more years of college.
9. 4,344,000 adult readers who bought games or toys for children 12-17 in the past year.
10. 3,688,000 adult readers who bought games or toys for adults 18+ in the past year.

Exhibit 5 Letter to Supermarket buyers

TRIVIA INCORPORATED

Exclusive Marketing Agent

R & R

230 Fifth Avenue, New York, NY 10001
1-212-686-6003 Telex 238131-RR UR

June 29, 1984

Mr. Lamar Williams
General Mdse. Buyer
JITNEY JUNGLE STORES of AMERICA
P.O. Box 3409
453 N. Mill St.
Jackson, MI 39207

Dear Mr. Williams:

Once every decade a product comes along that is just right!

We think we have that product for you. It has two key elements:

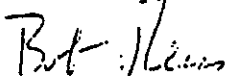
- 1- It is licensed by TV GUIDE. I'm sure we don't have to tell you about the sales strength of TV GUIDE with its 17,000,000+ weekly circulation, 46,000,000 readers, etc.. If your super-market is typical, TV GUIDE is one of your best sellers and has earned its exalted position next to the cash registers.
- 2- The Trivia Game explosion has taken America by storm and duplicated its Canadian heritage, where Trivia games have reigned for four years.

We have put these two elements together and with TV GUIDE'S help, developed a TV GUIDE Trivia Game with over 6,000 questions and answers. The enclosed catalog sheet gives full description and pricing. All our sales are final. We will advertise the game in 5 full page color ads in TV GUIDE this fall and will reach your customers.

We feel this game is ideally suited to be sold in your stores. We would be happy to send you a sample and/or answer any questions you may have.

We look forward to the opportunity of working with you.

Sincerely,


Robert S. Reiss

RSR/ck
encl.

Exhibit 5 Press releases on the game

The Indianapolis Star

INDIANAPOLIS, IND.
D. 225,148 SUN. 370.356BURRELLE'S

The trivia edge

Walter Cronkite, reportedly a trivia game enthusiast, will have an edge if he plays *TV Guide's TV Game*, due in stores in June. The former *CBS Evening News* anchorman figures in more than a dozen of the 6,000-plus TV trivia questions in the new game.

MAY 26 1984

STAR
FINAL

DAILY NEWS

NEW YORK'S PICTURE NEWSPAPER®

★★★ 30c
Tuesday, June 12, 1984
Mostly sunny. Less humid. 85-90. Details p. 2

TV, too, gets into the trivia act

By BRUCE CHADWICK

SO YOU KNOW who was the only vice president to resign. So what? Okay, you know who threw the ball that Babe Ruth hit into the seats for his 60th home run. Big deal. And you know the name of the drummer in Glen Miller's band. Who cares?

Think you're so smart at trivia? All right, in addition to Matt Dillon, who was the only other character seen during the entire run of "Gunsmoke"? What business did John Walton and his father run in "The Waltons"? In the early days of "All in the Family," what was the name of the company where Archie Bunker worked?

Gotcha, didn't we? Well, to find out all the answers, see below, and also see "TV Guide's TV Game," the latest in the avalanche of trivia games that are flooding stores.

What's different about this one, though, is that it is limited to television.

It's a board game with cards and dice. You land on squares that have questions in seven categories: drama, sports, comedy, news, kids, movies and other TV (questions are divided into three levels of difficulty and many are aimed at today's youngsters and yes, there is a Mr. T question). Whoever gets the most right answers wins. The game is designed for individual or team play.

"Trivia games are hot because peo-




Milburn Stone

ple are tired of video games and computer games in which the player is isolated," said Bob Reese, head of Trivia Inc. and the game's founder. "People want to play games with other people and match wits with talking faces, not TV screens. That, plus the yen for nostalgia, is making all trivia games, not just ours, big sellers."

Reese wanted to get into trivia games when Trivial Pursuit became a best seller last fall. He needed something different and turned to television.

"Everyone watches television, so



Mary Tyler Moore

everyone will be interested in playing and, in fact, everyone will do reasonably well at this game," he said.

Reese turned to TV Guide because the magazine specializes in television coverage and has an extensive research department and library.

Researchers at TV Guide, led by Teresa Hagen, compiled a list of over 6,000 questions from over 20,000 submitted by writers there. Each question/answer had to have two written sources. Those that did not were dropped.

"It was harder than you'd think,"

said Hagen. "We needed a good balance of questions, easy to very difficult, and wanted a game that everyone, regardless of age, had a decent chance of winning."

The real research problems came in early television history.

"We had a very difficult time finding out firsts—the first comedy show, soap opera, president on TV, baseball game on TV—because early records were destroyed or sketchy."

They uncovered some unusual facts about television. As an example, the "Armed Forces Hour," an early '50's musical variety show, was only a half-hour long. Dr. Ed Diethrich, owner of the USFL Arizona Wranglers, once performed open-heart surgery on live TV. Mary Tyler Moore's first major TV show was not "The Dick Van Dyke Show," but "Richard Diamond, Private Detective."

Hagen thinks the game is more than trivia. "We found that in playing it, we'd slide into conversations about what our own lives were like in relation to TV, like who our own heroes were, and our attitudes about things 20 years ago," she said. "We hope the game triggers conversations about life as well as TV."

The other continuing character on "Gunsmoke" was Doc Adams, played by Milburn Stone; the Waltons ran a lumber mill and Archie Bunker worked at Prendergast Tool and Die Co.