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A Strategic Audit of Oriental Trading Company

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A STRATEGIC AUDIT OF ORIENTAL TRADING COMPANY

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ABSTRACT

Oriental Trading Company is a direct marketer and seller of toys, novelties, wedding favors, custom apparel, and other event supplies. Its products are sold by five brands, each of which participates in a different market. Though its flagship brand, Oriental Trading, is a powerful market leader in novelties and is doing extremely well, the four most recent brands each face distinct challenges and have low name recognition. To increase name recognition and direct sales of these brands, this audit proposes that OTC revitalize its social media presence, add a blog to all of its websites, and resume public participation in local events.

I. BACKGROUND

This paper serves as a strategic audit of Oriental Trading Company, a direct merchant of party supplies, toys, games, crafts, teaching supplies, wedding decorations, religious decorations, and pet supplies.

The company was first founded in Omaha, Nebraska as a gift shop owned by Japanese immigrant Harry Watanabe in 1932. When the WWII ban on Japanese imports was lifted in the 1950s, it became a major supplier to the US carnival trade. Much of its success was due to its use of direct marketing through a catalog, first launched in 1956. In 1977, Harry's son Terry Watanabe became president of the company and shifted its focus from carnivals to supplying party goods for churches, schools, retailers, and individuals. This more or less remains its mission today (Oriental Trading Company, 2019b).

OTC continued to experiment with direct marketing techniques as technology improved and launched a website in 1999, immediately becoming a significant online retailer. In 2012 the company was purchased by Berkshire Hathaway and began expanding into new markets. Over the next two years OTC purchased MindWare, an educational toy manufacturer, and SmileMakers, a brand specializing in patient giveaways and promotional products for dental and healthcare markets. In 2017 the company launched three new in-house brands: "MarryMe" for marriage supplies; "Fun365" for party ideas, recipes, and crafts; and "CustomFun365" for custom apparel (Oriental Trading Company, 2019b).

The company has recently won many awards (including America's Best Customer Service 2019) and is seen as a powerhouse in the online retail and direct marketing industries it participates in (Oriental Trading Company, 2019b). It is still headquartered in Omaha, Nebraska.

II. EXTERNAL SITUATION ANALYSIS

This section will provide an overview of the external factors currently affecting Oriental Trading Company. The factors in this particular case can be difficult to identify because OTC involves itself in so many different markets. Indeed, some analysts have suggested that the company should be seen solely as a direct marketing organization and that the specific products it helps sell should be largely ignored because they are too diverse to ascribe to a single industry or set of industries.

However, Oriental Trading Company internally sees itself as having five brands that sell to five different markets (Oriental Trading Company, 2019a). We will use this framework for our analysis and consider each of these markets in turn.

Toys and Novelties

OTC's main brand is still Oriental Trading, the almost 90-year-old name under which they sell value-priced toys and novelties. Note that the "Toy and Novelty" market is distinct from the "Toy" market on its own – the former sells party supplies and small items such as keychains or desk decorations, while the latter is concerned with toys that inspire repeated play. To generalize for the sake of an example, "toys and novelties" are items you would purchase at Party City, while "toys" are items you would purchase at Toys R Us.

What follows is an analysis of Porter's Five Forces in this industry with respect to the Oriental Trading brand.

- **Threat of New Entry: Low.** Imports overwhelmingly dominate the toy and novelty market, to the point that they are expected to account for 98.4% of domestic demand in 2019 (IBISWorld, 2019). No new entrant can compete with Oriental's decades-long partnerships with Asian importers. Even if they could, they would then have to form partnerships with major retailers, set up their own online store with an efficient warehouse system, and spend massive amounts of money on marketing and advertising, an area of the novelty market where OTC consistently dominates (Independent Retailer, 2011).

- **Bargaining Power of Buyers: High.** The power of buyers in this industry is quite high, whether one considers individuals purchasing small amounts of items online or brick-and-mortar retailers purchasing items wholesale (Independent Retailer, 2011).
- **Bargaining Power of Suppliers: High.** Because the industry is so import-dominated, Chinese and Japanese suppliers of toys and novelties have a significant amount of power.
- **Threat of Substitutes: Medium.** The threat of a new industry fully replacing the toy and novelty market is extremely unlikely. However, certain *products* can be replaced by substitutes. Consumers prefer toys that seem more technologically advanced or innovative, which means that toy and novelty retailers must constantly research the latest trends in order to remain competitive (Independent Retailer, 2011). Furthermore, the rise of smartphones and mobile gaming, which are being used at younger and younger ages, has partially substituted the demand for toys in some consumers' minds, although this has not affected the overall market a great deal so far (Hudak, 2018).
- **Competitive Rivalry: Low.** Oriental Trading holds a strong leadership market position in the toy and novelty industry and has little to fear from competitors. Few companies can compete with the import partnerships, the scale, the workforce, or the 90 years of brand recognition held by OTC in this area.

Educational Toys

Unlike the toy and novelty industry, where OTC manufactures a few items but mostly sells imports to retailers, OTC actually manufactures all of the products it sells in this market through its subsidiary brand MindWare. What follows is an analysis of Porter's Five Forces in this industry with respect to the MindWare brand.

- **Threat of New Entry: Low.** Though less focused on imports, the same barriers that exist to entry in the novelty toy industry– namely economies of scale, low market growth, and the price of fixed costs – also exist in the educational toy industry. So while the threat of entry is higher for educational toys than for novelties, it is still quite low.
- **Bargaining Power of Buyers: High.** Again, consumers and retailers wield a significant amount of power in all toy industries.
- **Bargaining Power of Suppliers: Medium.** In this industry, OTC's suppliers are sellers of raw materials necessary for manufacturing, rather than importers. Toys depend heavily on plastic, which depends on the famously powerful suppliers of the oil industry. However, most companies in the market are able to build efficient supply chains with multiple suppliers so that no single supplier has too much power.
- **Threat of Substitutes: Medium.** Many substitutes already exist for the educational toy market: non-educational toys, educational videogames, mobile gaming on smartphones, and other forms of entertainment. However, these substitutes have so far had very little impact on the market. Educational toys have done a good job at positioning themselves as a healthier tool for child development than many of the alternatives, and the parents who serve as the consumers of these toys are hesitant to replace tactile play with a screen. As a result, the market has seen a steady sales increase for years that is expected to continue until 2022 (Hudak, 2018). Nevertheless, even if it's unlikely to be an immediate problem for the industry, the threat of substitution still looms.
- **Competitive Rivalry: High.** Nearly every toy company has its own educational line – including industry juggernauts Hasbro, Mattel, Playmobil, and LEGO, all

of whom either don't participate in the novelty industry or participate to a much lesser extent. The competition that OTC faces is this industry is therefore much more powerful, especially since their presence in the educational toy space was established much more recently.

Wedding Essentials

Oriental Trading has sold novelty wedding supplies (mainly decorations) for many years now, but in 2017 they launched a new brand called "MarryMe" that deals exclusively with the entire spectrum of wedding essentials, from invitations to supplies for the ceremony to favors, gifts, and decorations.

What follows is an analysis of Porter's Five Forces in the wedding industry with respect to the MarryMe brand.

- **Threat of New Entry: High.** Unlike other aspects of the wedding industry such as dress rentals, the capital requirements to enter the wedding essentials industry are fairly low. New firms can simply provide wedding favor catalogs and a few sample products to customers without having to stock up high amounts of inventory. This is especially true for new firms which do not manufacture their own products. (Like the flagship Oriental Trading brand, MarryMe sells a mix of manufactured products and cheap imports.)
- **Bargaining Power of Buyers: Medium.** Brick-and-mortar stores that sell wedding supplies exclusively are much rarer than novelty stores, so retailers are less of a concern in this market. This means buyers have less power in this industry because they are typically one-time customers, and there is no single buyer like Party City that holds a significant amount of the market share. However, strengthening the power of these direct customers is the fact that they have many options to choose from.
- **Bargaining Power of Suppliers: Low.** There is currently a surplus of providers in the wedding industry with little differentiation (Salim, 2013).

- **Threat of Substitutes: High.** Weddings are often highly personalized and there is no set standard for wedding essentials. The bride and groom may choose to design their own favors and decorations, or purchase them from a non-wedding company, or choose not to have them at all. If a new wedding trend emerges, the entire existing wedding essentials industry could be completely substituted.
- **Competitive Rivalry: High.** Due to a low barrier to entry, the wedding essentials market is extremely fragmented with lots of intense competition (Salim, 2013).

Craft Supplies

OTC's Fun365 brand sells craft supplies using an innovative, organic-search-based marketing technique. What follows is an analysis of Porter's Five Forces in the craft supplies industry with respect to this brand.

- **Threat of New Entry: Low.** The craft supply industry has the same barriers to entry as the toy industry.
- **Bargaining Power of Buyers: Medium.** In general, buyers in this industry have a lot of power because craft supplies are mainly sold by a few consolidated retailers – chief among them Hobby Lobby – who can set their own terms and prices. Fun365 sidesteps this by selling exclusively to direct buyers through the articles on their website. Direct buyers have less power than a large corporation, but also have many options to choose from in the online marketplace, giving them moderate bargaining power.
- **Bargaining Power of Suppliers: Medium.** Though some importers and suppliers of certain materials may have a fair amount of power in this industry, most companies in the market are able to build efficient supply chains with multiple suppliers.

- **Threat of Substitutes: Low.** People who enjoy the kind of arts and crafts that Fun365 makes supplies for enjoy the tactile, slightly-old-fashioned DIY pleasure of putting things together with glue and staples. They are unlikely to be interested in new technology or innovations from other industries. So while competition is high, the threat of substitutes for this industry is low.
- **Competitive Rivalry: High.** There are many companies participating in this market, including the aforementioned retailers who still hold a lot more power than any independent online marketplace. Competition is fragmented and intense.

Custom Apparel

Oriental Trading Company has one last brand: CustomFun365, which sells custom shirts, sweatshirts, and tank tops. The customized elements are manufactured in-house, but the shirts themselves are purchased from major brands such as Fruit of the Loom and Hanes. What follows is an analysis of Porter's Five Forces in the custom apparel industry (also known as the "custom screen printing" industry) with respect to the CustomFun365 brand.

- **Threat of New Entry: Moderate.** Though custom apparel stores had already existed for many years, this industry exploded with the rise of the Internet. The capital costs of screen printing techniques and shirt materials are relatively low, and setting up an online storefront is now very easy. However, the bubble burst in the late 2000s and power has now mostly consolidated into a few major brands (Credence Research Inc, 2018).
- **Bargaining Power of Buyers: High.** Buyers have a huge number of largely undifferentiated choices to pick from, as well as a large number of local players in each regional market (Credence Research Inc, 2018). This industry also tends

to have powerful repeat buyers in the form of churches, schools, and other organizations that want to print custom T-shirts once a year.

- **Bargaining Power of Suppliers: Medium.** The actual shirts which custom apparel companies then print designs on are mostly sold by a few major brands. There's enough competition to keep any one supplier from having total power, but the market isn't fractured enough for companies like Fun365 to set their own terms.
- **Threat of Substitutes: High.** There are many other clothing options besides custom T-shirts. And even if you want custom apparel, you can buy fabric paints or markers and make your own, substituting the more professionally-made products of this industry.
- **Competitive Rivalry: High.** There are lots of major players in the global custom T-shirt printing market, and the market itself has become highly competitive (Credence Research Inc, 2018).

III. INTERNAL SITUATION ANALYSIS

This section will provide an overview of the internal factors currently affecting Oriental Trading Company, including its organizational structure as a business.

Goals

Though they participate in many seemingly disparate industries, Oriental Trading Company is primarily focused on a single goal: **being a one-stop shop for families, groups, and organizations putting on special events** (Oriental Trading Company, 2019a). They sell everything you could conceivably need to put on a party, fundraiser, wedding, etc., and they do so from five brands that all share a single online storefront so that customers can check out everything in a single purchase.

To achieve this goal, OTC needs to maintain the leading position of its Oriental Trading novelty brand while growing the market share of its new product lines.

Leadership

Oriental Trading Company is currently undergoing a major change in leadership. The previous CEO, Sam Taylor, is credited with single-handedly leading the company out of bankruptcy, negotiating the sale to Berkshire Hathaway, and turning Oriental Trading into the novelty industry juggernaut it stands as today. He was also well-liked by his employees and known for doing silly publicity stunts and internal celebrations appropriate for the owner of a toy and party supply company. Unfortunately, Taylor passed away in January of 2018 as a result of brain cancer. He was replaced by Steve Mendlik (Jordon, 2018).

As will be discussed in the following section, one of OTC's main strengths is its marketing presence. This is an extremely important area of the toy and novelty industry, where customers often make purchases based on advertising and brand recognition (Independent Retailer, 2011). Taylor's role as a public figure who made frequent television appearances and had a good sense of humor was therefore a hugely important resource for the company. Mendlik is an accountant who previously served as the Chief Financial Officer of the company, and he has made zero public appearances since the announcement of his promotion. Some analysts have suggested that this may damage the company's brand recognition and reputation over time, not unlike how the death of Steve Jobs and rise of Tim Cook has hurt public perception of Apple as an innovative hardware company (Jordon, 2018).

Strengths

Oriental Trading Company has two primary strengths that act as comparative advantages over its competition. This first is its access to resources. Exact details on the assets and financial information of this company is not publicly available, but they are known to have massive warehouse facilities in Omaha and overseas which allow them to operate in industries defined by economies of scale (KETV NewsWatch 7, 2015). As described in previous sections, OTC also has many decades-old partnerships with Chinese and Japanese importers that new entrants are unable to threaten (Oriental Trading Company, 2019b) (Independent Retailer, 2011).

Finally, they are backed by the influence and capital of their holding company, Berkshire Hathaway. This is presumed to have a strong financial component, the exact nature of which is not currently known (Jordon, 2018). In addition to monetary support, the larger company’s connections are also of great benefit to OTC. For example: Berkshire Hathaway owns Fruit of the Loom, which is one of the major material providers for the CustomFun365 custom apparel brand.

This access to resources allows Oriental Trading Company to operate at a scale beyond what new and mid-sized entrants into the market can afford. It also allows them to keep prices low, which is essential for the price-competitive novelty, wedding essentials, and craft supply industries they participate in (Independent Retailer, 2011) (Salim, 2013).

Oriental Trading Company’s other major competitive strength is its skill in marketing. As established in the external situation analysis, many of the industries OTC competes in have a moderate to high degree of buyer power and rely on marketing to capture consumers’ attention.

Historically, OTC has been a leader in the field of *direct marketing,* a form of advertising where organizations communicate directly through customers. This has been primarily achieved through the free Oriental Trading Company catalog, which has long been a staple of the brand. This catalog is now an opt-in sign-up service that allows customers to request a magazine based on a theme that most interests them – at time of writing, these themes include “Easter”, “Party”, “Education”, “Birthday”, and a dedicated MarryMe catalog. These magazines are also now offered as eCatalogs online.

Though most individuals rarely use catalogs, this direct marketing method is still very popular with retailers and event planners, who can order a free monthly subscription and find the best products to sell to their own customers. This has helped Oriental Trading Company become the largest novelty supplier in the United States (KETV NewsWatch 7, 2015).

To reach out to direct customers, Oriental Trading Company has smartly taken advantage of an array of online marketing techniques to promote their web-based storefront. They were one of the first companies in their industry to launch a website, which gave them a significant early advantage in the online space which they have continued to hold (Oriental Trading Company, 2019b).

One of the main strategies used by OTC to promote their online storefront is *Search Engine Optimization*, or SEO. Search Engine Optimization is a form of non-direct marketing that uses a series of techniques designed to create organic traffic to a website by ranking pages highly in the Google search algorithm. In other words, customers are driven to one of the Oriental Trading Company websites when they search for a relevant term (such as “wedding favors”), and they then believe that their decision to visit said website was purely their own idea. This means that they are more likely to make a purchase than they would be if they had just seen a traditional advertisement.

Oriental Trading Company has a large SEO division which assists all five of their major brands, but it is the foundation of Fun365. The Fun365 website is designed to look in all ways like a crafting blog, and features SEO-driven articles instead of direct store pages. For example, consider this article, titled “Modern Farmhouse Easter Brunch.” This article is designed to capture DIY-interested individuals who search for “Easter Brunch” or similar terms on Google – it is currently the first result for “farmhouse Easter decor.” Visitors to the page then see a well-written article with instructions for putting together your own farmhouse-styled Easter brunch complete with DIY decorations and dishes, with each step containing a link to products that are used as part of the instructions. Each of these products is either a Fun365 craft supply or an Oriental Trading decoration/novelty. A sidebar also lists each product individually so that readers can buy only the items they’re most interested in or click a single “Add all to cart button” to purchase them all at once.

This is an ingenious marketing strategy and one which, without knowing any exact financial data, appears to have paid dividends for the Fun365 brand. These strategies are of course used in addition to more traditional advertising initiatives like purchasing banner ads on other websites.

Weaknesses

It is hard to identify any weaknesses in the flagship Oriental Trading novelty brand. However, OTC’s other four brands – MarryMe, Fun365, CustomFun365 and MindWare – are not so secure in their positions.

The custom apparel and wedding essentials markets are both currently oversaturated with largely undifferentiated competition (Salim, 2013) (Credence Research Inc., 2018). OTC’s massive network of existing resources and partnerships helped them break into these industries with relative ease, but they have not yet established any comparative advantages – that is, any reasons why customers should choose MarryMe or CustomFun365 over their competition other than the possibility of price differentiation in certain products.

The MarryMe and CustomFun365 websites identify convenience as a key value proposition for both brands. Since both are hosted on the existing online store infrastructure, you can easily shop for supplies from MarryMe and add them to the same cart as supplies from any of the other OTC brands. However, this is only a useful feature for customers who already use the OTC website regularly, and these new brands need to attract new customers if they want to survive. This is especially true because when it comes to convenience the vast majority of customers will choose Amazon over any other online shopping experience. If OTC wants to get customers to come to their own website for these brands, they first need to provide a compelling reason to do so.

MindWare is in a much less tenuous position – according to a report from last month, they are the 16th largest manufacturer in the educational toy market (Mendez, 2019). However, they still suffer from a major branding problem. They have some popular toys that are succeeding well on Amazon and in retail stores, but very few of their customers actually know the name "MindWare" as a brand. Compare this to the name recognition of their major competitors, which include Mattel, LEGO, Hasbro, Leapfrog, and PLAYMOBIL (Mendez, 2019).

Also, from an internal point of view, it is not clear how this educational toy brand is helping Oriental Trading Company's overall goal of being a one-stop shop for families, groups, and organizations putting on special events.

Fun365 is doing much better than these other brands of understanding its audience's desires and building recognition. Its strong use of SEO and its affiliate outreach program, through which OTC pays other craft blogs to feature Fun365 on their website, has helped the brand establish a strong name presence. However, even if it's doing well in its particular industry, this is still a very small brand and a small portion of Oriental Trading Company's total revenue, in part because its website focuses more on offering DIY instructions and focuses less on making constant sales. There may yet be ways to grow Fun365 into an even more profitable venture.

The current leadership of Oriental Trading Company is also a brand weakness, as described in a previous section.

IV. STRATEGIC RECOMMENDATION

My recommendation to Oriental Trading Company is that it needs to **increase name recognition of its brands with individuals in order to increase sales from direct customers.**

Oriental Trading Company has a great direct marketing relationship with retailers and with its other customers who still buy catalogs. It's also already an operational powerhouse with significant manufacturing power, a large staff, and working partnerships with a number of importers. However, most of the consumer base is unlikely to have ever heard of the company, and they certainly haven't heard of its smaller, struggling brands such as CustomFit365 and MarryMe. Even individuals who *do* buy Oriental Trading Company products most likely do so in from a party supply store and don't consider the brand that's selling it to them (Independent Retailer, 2011).

The goal of increasing name recognition is to increase direct sales from individuals through the website or through catalog and eCatalog purchases. An increase in direct sales will not affect OTC's relationships with retailers while increasing the profitability of its other existing channels.

Evaluation Criteria

Name recognition alone is difficult to quantify. I propose the following evaluation criteria be used to track the success of this new strategic direction:

- **Website Traffic:** Oriental Trading Company already tracks web traffic for their SEO marketing campaigns. This means that there is a backlog of historical data that can be compared to new information. A major goal of this new strategic direction should be to substantially increase the number of unique visitors to all OTC websites, as this can be directly correlated to the number of individuals who know the brand by name.

Crucially, each of the five OTC brands has a unique web address, which means that the traffic to each website (and therefore the associated name recognition of each brand) can be tracked individually.

- **Direct sales:** These are sales made to individuals rather than to retailers or organizations. This is a better measure of profitability for this campaign than market share alone.

Suggested Implementation

This is my suggested implementation of methods to increase Oriental Trading Company's website traffic and direct sales.

- **Revitalize OTC's social media presence:** Oriental Trading Company has an active Facebook account that posts approximately once every two hours and which has 417,732 followers at time of writing. It also has Twitter, Pinterest, and Instagram accounts, but these have much lower follower counts and update much less frequently. The Twitter page, in particular, has not made a new post since August 8, 2018.

  I propose that Oriental Trading Company hire full-time social media managers to manage its Twitter, Pinterest, and Instagram accounts. PR Agencies charge an average of $1,000 to $2,500 per month per website for social media content creation and consumer interaction (DePhillips, 2019).

  I also propose that Oriental Trading Company spend more money on promoted posts on Twitter and Facebook. These are posts which appear in the feeds of users who are not already following the company. They operate similar to advertisements, but are integrated more naturally into the feed, which means that they are more likely to prompt user interaction. OTC currently appears to be spending no money on this, as I could not find a single example of a promoted post across either of these pages. I propose they raise this amount to at least $5 a day – the average for most online industries (DePhillips, 2019). Spending should be increased if the promoted posts are demonstrably yielding favorable results.

- **Add a blog to all websites:** add a feature like the Fun365 blog to the other four brand websites to drive organic traffic. These blogs would ideally be formatted the same way as the Fun365 blog, designed to secure organic traffic to the site through interesting and relevant articles that are enhanced by Search Engine Optimization techniques, which then contain links to products.

  Oriental Trading Company already has a large copywriting staff for its other marketing campaigns and for the existing Fun365 blog. The cheapest way to implement this proposal would be to simply take the existing staff and have them work on other websites, reducing the number of articles posted on Fun365 and the number of catalog and eCatalogs produced every month.

  Alternately, if Oriental Trading Company wished to maintain all of its current efforts, it could hire new writers. The average salary for an SEO content writer is about $30,000 a year. The Fun365 blog lists 6 regular contributors. Ergo, if each website was given a new team of the same size (which, again, seems like an unnecessary measure as at least some of the work could be given to the existing team), it would cost Oriental Trading Company approximately $60,000 a month.
- **Resume participation in local events:** The previous CEO of the company, Sam Taylor, acted as a public figure and made a point to visibly participate in the local and national community. This included sponsoring events throughout Omaha, doing publicity stunts for specific holidays, and making local and national television appearances (Jordon, 2018) (KETV NewsWatch 7, 2015).

  I propose that the current CEO, Steve Mendlik, make an effort to participate in similar public events. According to a study by Forbes, the average content marketing organization allocates 24% of their marketing budget to live, in-person events (Mulqueen, 2018), and I suggest that Oriental Trading Company should do the same.

Unfortunately, there is no public record of OTC's current financial records, so I cannot state with certainty how much money is currently being allocated towards this goal, nor how much money 24% of the marketing budget would actually be. However, I feel confident in suggesting that this number would be an increase, as I can find no record of OTC participating in *any* public events since Mendlik's promotion.

The total estimated cost of this plan is between $3,300 a month and $67,800 a month, plus a re-allocation of up to 24% of Oriental Trading Company's existing marketing budget. I propose that Oriental Trading Company undertake this spending for a period of six months, at which point they can re-evaluate which parts of the campaign require more spending and which parts of the campaign require less. If no demonstrable increase in website traffic and direct sales is shown in that time, the company should consider other alternatives.

Alternatives

These are some alternate ways Oriental Trading Company could attempt to increase its website traffic and direct sales.

- **Newsletter:** Oriental Trading Company could start an E-mail newsletter similar to their existing mail catalogs. This newsletter would update users on sales, provide interesting reading material, and advertise new products. Online newsletters are usually seen as a direct alternative to social media marketing, since both are a way of making users think about your brand regularly and keeping them up-to-date on new offers and products.
- **Television advertising:** for years, television advertising has been one of the main marketing avenues for the toy industry (Independent Retailer, 2011). Oriental Trading Company currently spends nothing on TV commercials. This

alternative would most likely be used only to raise awareness of the MindWare, MarryMe, and flagship Oriental Trading brands, although some online retailers (most notably Amazon) do release ads for their storefronts themselves.

- **Purchase more banner ads:** Instead of paid promotional posts on social media, Oriental Trading Company could increase its online presence by purchasing more banner ads on other websites. This could either be negotiated with the websites themselves or done through a service like Google AdSense.

V. STRATEGIC JUSTIFICATION

This final section of the paper will provide a justification for my recommended implementation and explain why it is superior to the proposed alternatives.

Revitalizing Oriental Trading Company's social media presence is crucial. According to a study by Forbes, social media marketing increases brand recognition, improves brand loyalty, and results in increased inbound traffic for web-based businesses. It can also improve search engine rankings and SEO marketing campaigns by acting as a "brand signal" to search engines that shows your brand is legitimate, credible, and trustworthy (DeMers, 2015b). This aligns directly with the goals of this new strategic initiative and synergizes well with OTC's existing online marketing strategies.

Paying for promoted posts is an essential part of this campaign because Facebook in particular and Twitter to a lesser extent are actively reducing the visibility of organic brand traffic in order to force companies to pay more for social media marketing.

According to another Forbes article by the same author, brand websites with blogs have increased search engine traffic, helps social media initiatives thrive, improves conversion rates (that is, the rate of people who visit your website who *also* purchase something from it), and humanizes the brand (DeMers, 2015b). Again, we see that this is a way to increase name recognition and direct sales while synergizing with existing strategies. This method has clearly been very successful for Fun365 (one of OTC's three most successful brands, as discussed in the internal analysis), so there's no reason not to do it for the other four brands as well. Indeed, cross-promotional content shared on multiple blogs could help fans of one brand learn about the other four, promoting the "one-stop shop" ideal that is OTC's ultimate goal as an organization.

The effects of in-person marketing are harder to quantify. It's clear that, when done right and with careful consideration for ROI, participation in local events can greatly boost a brand's profile and help raise name recognition. This is why more and more online-focused companies are spending money in this area. However, when done wrong they can be a significant drain on a brand's marketing resources (Mulqueen, 2018).

My primary justification for making this recommendation is that it would go a long way towards humanizing the brand. The previous CEO's appearances on local and national television undoubtably contributed to raising name recognition for Oriental Trading Company amongst individuals (KETV NewsWatch 7, 2015) (Jordon, 2018). However, it also gave the company a public face that people could relate to, and made it seem like a friendly part of the Omaha community. This makes people trust the brand more and means that they are more likely to remember the name "Oriental Trading Company" when they're next purchasing supplies sold by their industry. The current CEO's refusal to participate in these kind of events has been noticed by the local press and reported upon negatively, causing the value of the brand to dip in many customers' minds (Jordon, 2018).

This is also a good opportunity to raise the profiles of the less-known Oriental Trading Company brands. Events could be hosted specifically to promote MindWare, MarryMe, Fun365, and CustomFun365. The latter is particularly suited to live event participation – it would be easy to sponsor a fundraiser or go on a television program and hand out free CustomFun365 T-shirts.

Finally, here's why I believe these three implemenations are better than the alternatives for raising brand name awareness and increasing direct sales. Due to a decline in active E-mail usage, the rise of more aggressive automatic spam filters (like the one recently added as a default by Gmail), and oversaturation by too many brands trying to do the same thing, online newsletters have become notoriously terrible at actually producing conversions to direct sales (Silva, 2018). Moreover, newsletters only target people who willingly sign up for the newsletter, whereas social media can reach a wide range of new users, especially if you write a post that's interesting enough to go viral.

Recent reports have shown that television advertising is not as dead as digital marketers tend to assume. However, there are three reasons why it should not be used for this particular strategy initiative. The first is that, while studies have shown that television advertising is still the most effective way to create and build a new brand, it is less effective at growing existing brands because the market for television is shrinking (Ionova, 2016). All five of OTC's brands already exist and have some presence in their respective industries, however small, so a growth in name recognition is more important than establishing the brand as though it's brand new.

Secondly, television advertising does not synergize well with OTC's existing marketing strategies. Oriental Trading Company is increasingly becoming an online business, with several of its brands (such as Custom365) making sales exclusively through an online storefront. Web-based advertising like a blog and a social media presence can drive potential customers to this website with a single click. Television advertising requires customers to pull out a device, navigate to the website on their own, and begin searching for the product that interests them. This lowers the rate of conversion to direct sales.

Finally, television advertising is much more expensive than any of the other proposed methods (Ionova, 2016). Considering the two other major drawbacks of this alternative, it's clearly not worth the significant additional cost.

The final proposed alternative is an increase in online banner advertisement spending. This is one of the few areas where we actually have numbers on Oriental Trading Company's current methodology, since they outsourced their banner ad strategy to a company called Responsory which featured them in their portfolio. We know that as of February 2019, 16.3% of OTC's banner advertisements actually lead to a direct sale (Responsory, 2019). This is not a terrible figure, as banner advertising goes, but it makes it clear that Oriental Trading is already running a far greater number of banner advertisements than there are customers interested in clicking on their advertisements. There is no reasonable justification for the company to increase spending in this area beyond current levels.

VI. CONCLUSION

Oriental Trading Company is a very successful organization when it comes to their core competencies. Their flagship brand, Oriental Trading, is a market leader in the toy and novelty industry. However, since they were acquired by Berkshire Hathaway it's clear that they have been trying to grow into new industries and acquire a significant number of new customers, and that growth is currently slow-to-nonexistent for their newest brand offerings. OTC must increase the name recognition of these brands and increase their direct sales to individuals, and at present it appears the best way to do that is through a relatively inexpensive combination of social media marketing, increased Search Engine Optimization through organic blog traffic, and humanizing participation in local events.

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