Twitter Thread by Ian Cassel



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One of my favorite

Forbes estimates that Beanie Baby creator Ty Warner' net worth is $2.7 Billion. This is an amazing achievement considering a bulk of it was earned during a 3-year time frame selling a $5 per unit stuffed animal.

The fact that Ty Warner's Beanie Babies were able, without the benefit of a single ad, to outpace the combined annual profits of the largest toymakers in the world for even a few years is unprecedented.

To illustrate how quickly the bubble grew - In 1995, Ty Warner's company Ty Inc had sales of roughly $28 million. In 1996 sales were $280 million with $90 million in pre-tax income. By 1998, Ty Inc sales reached $1.34 billion with pre-tax income of $700 million.

In Ebay's 1998 Annual Report it disclosed Beanie Babies as material. "At times, approximately 7% of our listings involved Beanie Babies". Furthermore, it was said that 10% of Ebay sales at the time were derived from Beanie Babies.

In a deal with Major League Baseball, teams could give away 10,000 Beanie Babies at a game of their choosing. During these giveaway games, attendance rose 37.4%. The giveaways did more for ticket sales then any promotion in MLB history.

In a McDonald's promotion, McDonald's gave away 100 million Beanie Babies in happy meals in 3 days. Adults were going through the drive-thrus ordering 100 happy meals at a time, throwing out the food or telling the attendant to keep the food, and reselling the Beanie Babies.

So how did he do it?

He bucked the trend of the toy industry which said a $5 toy could never become a collectable. Warner would retire (discontinue) certain animals to create demand in primary and secondary markets.

He refused to sell to big box retailers. He didn't want to see his Beanie Babies sold in crates. He only worked with small independent stores and gift shops in airports because it would produce a secondary effect of having them flown around the world to help spread his brand.

His lack of normal distribution seemed to spur on demand even more by exacerbating supply shortages.

He was obsessive about quality and would design almost every animal himself and spend months each year in China picking out fabrics.

The fad only lasted a few years and Warner was smart as he reinvested profits into real estate and buying hotels.

He bought the Four Seasons in New York, Biltmore Santa Barbara and Coral Casino Beach and Cabana Club, Sandpiper Golf Course, Kona Village Resort, and others.