



# NO TOYING AROUND

A serious supply chain solution for Hape International.

## A company with heart (and drive!)

Hape International is one of the largest manufacturers of educational toys in the world. Perhaps you've seen a tot or two happily engaged with their 'Hape Super Cityscape' or 'Fix-it Toolbox Toy'. Perhaps you've put together a 'Chunky Alphabet Puzzle' once or twice yourself at some point.

For Hape's founder, Peter Handstein, this level of success isn't a signal to take it easy, but rather to take advantage of the momentum and accelerate the company's performance improvement efforts. Handstein sees the best path forward as one that gets him even closer to the customers he has delighted for the past 37 years. His strategy is tied to deepening his customer's positive connection to the Hape brand experience while adjusting the mix of sales channels to meet customers' needs.

Not all toy companies have managed their business as well as Hape has. Toys have been a tough business in recent years, and the pandemic-driven lockdowns of retail operations made for an extremely challenging environment.

A global company with more than  
**40 subsidiaries**, Hape's toys are sold in over  
**100 countries** through more than  
**8,000 retail stores.**

"In just the past few years, we have seen many significant players who had a direct connection to the consumers through brick-and-mortar locations no longer in business," said Handstein from his manufacturing headquarters in Ningbo, China. "This has forced us to rethink what the right model for the business is. We have to adjust ourselves to the market, to the demand, and to new ways of working by applying a strategy to protect our future business."



**Peter Handstein**  
founded Hape in 1986.

“When we build a strong connection with the consumer, we can hear directly from them, we can adjust, and we can improve our products,” said Handstein.

“We are positioned to get direct feedback as to what goes into a better product.”

### **For Handstein, ‘omnichannel’ is the way forward, with direct-to-consumer e-tailing powered by Maersk.**

As part of its new omnichannel strategy, the Hape leadership team decided to make a play in North American direct-to-consumer sales for the first time. The strategy entailed setting up an e-commerce-capable website supported by a US-based supply chain. Integral to the plan were robust warehousing fulfillment capabilities and a last-mile network that could quickly land products right to customer doorsteps. Given the size of the North American toy market, the rewards could be significant. Revenue in the Toys & Games segment (without video or board games) amounted to US\$29.81bn in 2022. The market is expected to grow annually by 4.58% (CAGR 2022-2027)<sup>1</sup>.

The e-commerce market for toys in North America was worth **\$48.3m in 2021**, which was nearly **20% growth from 2022.<sup>2</sup>**

1. Source: Toys & Games - United States. (n.d.). Retrieved November 29, 2022, from <https://www.statista.com/outlook/cmo/toys-hobby/toys-games/united-states>

2. Source: Euromonitor International Limited 2022© All rights reserved, from <https://www.portal.euromonitor.com/portal/statisticsevolution/permalink?PermalinkId=d6173e64-ca76-4a69-a4ef-8d5127f3b95d>



“Every challenge is an opportunity for growth and transformation,” said Handstein, who made supply chain a C-suite priority and weighed in to help his management team navigate the difficulties.

## Supply chain challenges

Handstein is a consummate optimist when faced with tough situations. Given the gravity of global supply chain problems companies frequently face, optimism proves to be a much-needed balm.

Among Handstein’s leadership team is Maggie Qiu, a key Hape vice president. For Maggie, nearly every supply chain conversation during the pandemic proved to be a pain point as it had become more unpredictable and uncontrollable. Prior to these disruptions, shipping between Ningbo, China, and Los Angeles might have taken only two weeks. Then it turned into two months. Then 20 weeks. While those delays have begun to fade into memory, the experiences at the time drove home the imperative to build more consistency and fewer constraints in Hape’s supply chain operation. After all, ‘luck’ was not an acceptable option to secure a container, truck, or warehouse space.

“We had been pampered for years when everything worked so well and so smoothly,” said Qiu. “Any supply chain disruption require us to think again and think twice about how to improve. Consistency is very important, especially in volatile times such as these.”





“There were so many disconnections across the supply chain,” said Handstein. “When we had shipping, we didn’t have containers, when we had containers, we didn’t have truck drivers, and on and on. Lead time got longer and longer, and Hape’s customers were unhappy.”

**Maggie Qiu,**  
Hape Vice President

**Before connecting with the team at Maersk, Hape ran into numerous challenges when trying to source the right supply chain solutions for their business strategy, including:**

- Limited ocean shipping capacity to keep pace with growing needs
- Partial solutions from supply chain service providers
- Significant variability in logistics costs
- Lack of in-country expertise to execute a B2C e-commerce strategy in the US

## Supply chain solutions

Hape first approached Maersk's Asia Pacific commercial team back in 2021 when they were faced with constrained availability for ocean solutions. Hape subsequently learned about Maersk's significant North American capabilities to deliver a sustainable and cost-efficient, end-to-end logistics solution that aligned with Hape's B2C objectives.

Given that Hape had not previously conducted e-commerce logistics operations in the US, securing a reliable partner in the country with a deep knowledge of how to implement such a strategy was essential. Maersk E-Commerce laid out a comprehensive solution that aligned with Hape's business strategy.

Overseas E-Fulfillment – China to the United States, is a bundled solution that integrates multiple offerings into one package, including:



Ocean Services with dedicated capacity from the port of Ningbo, China, to the ports of Los Angeles and Oakland, CA



Maersk Customs Services to manage compliance and clearance prerequisites



Landside Intermodal Trucking from the US West Coast to the Maersk distribution center in Salt Lake City



E-Commerce Logistics Fulfillment services that include inventory management, fulfillment, and last-mile delivery to customer homes



The solution set also provided the critical IT development services that connected Hape's online store to a cloud-based e-commerce platform service provider. Within four months of contract signing, Maersk IT teams were able to integrate our warehouse management systems with Hape's order management system via an API connection. In addition, there is a 'Phase-Two' project in the works that will activate and integrate a second major e-commerce platform to expand Hape's capacity to connect with even more customers when they shop online. The integration has provided Hape with complete visibility and control over its US-based inventory and allows orders to seamlessly flow through the e-commerce platform right on through to fulfillment with direct shipping to customers.

**The integration has provided Hape complete visibility and control over their US-based inventory.**

Today, dedicated teams of Maersk program managers and customer experience personnel are in place to ensure all nodes in the supply chain remain seamlessly connected. But for Handstein, the most valuable aspect of any working relationship is customer service.

"It's always better to watch the action more than the words," said Handstein. "The service and support we receive from Maersk are incredible. We get timely responses to our questions and our needs are being taken care of."

For Qiu, having a hassle-free experience is key.

**"Any issues we raise with our CPM- client program manager get answered within hours. We can feel a significant amount of cross-department coordination taking place at Maersk where every party is working together on our behalf to get the products into the hands of the customers."**

**-Maggie Qiu**

Integral to the solution is that if any difficulties arise at any point in the supply chain, the Hape team need only contact one party to get resolutions. Representatives from Maersk and Hape conduct weekly meetings to review operations and any issues that need to be addressed. The Maersk account manager plays a large role in communicating and pulling the international teams together to seamlessly address Hape's needs.

"Maersk addresses all of our procedural problems," said Qiu. "We consider Maersk a one-stop service that really helps us complete the B2C service from the factory, directly to the customer. All we need to do is to put the product into the container in the factory and then we are hassle-free because we know Maersk will take care of it. Maersk provides all the tracking information and tells the customer when they can expect to receive the goods. Our customers are getting high-quality service and are very happy."

Over the longer term, Hape benefits by operating within a stable and transparent logistics budget with the capability of scaling inventory to match customer demand. With its new omnichannel strategy now in place, Hape is better aligned to maintain the quality standards it has set for the brand while staying aligned with modern consumer buying habits. In addition, by going direct to consumers, Hape is able to reduce its exposure to the risks of future disruptions or potential underperformance of traditional offline retail sales channels.

Another benefit of Hape's current solution is having the analytics in hand to help management understand the trend lines and the effectiveness of their strategy. Greater flexibility over inventory will also allow them to pivot more quickly, if necessary, between store and e-commerce fulfillment channels. The ongoing collaboration with Maersk affords Hape the ability to execute their business across a multi-year strategy, adjusting execution and operations to suit the markets as needed. The net result is an optimized, cost-efficient supply chain.

"As the founder and the general manager of the business, if I can minimize my supply chain costs, I can pass that along to the customers through savings and remain competitive," said Handstein.

## The way forward is always through the customer

While e-tailers have experienced a boom during the last few years, and e-tailing has been forever elevated, the Hape team understands that people still love to be out on the street. And while there may be a great deal of change over the next 5-10 years for e-tailers, direct-to-consumer models, and other retail options, the constant remains the customer.

From Handstein's perspective, companies in China looking to execute an e-commerce strategy for business in the US and Europe need to start with good products and great customer satisfaction. Customers expect better and better service these days. Well-managed supply chains that are free of disruptions provide customers with a better product for a better price and a better experience.

### How to achieve that?

"Find the right supply chain partners," said Handstein. "Find a true partner who will go on the journey with you together and you will have a better business in the future."



## A commitment to the children, our future

Hape believes deeply that a commitment to the environment is indeed a commitment to the children because one day our children will inherit the world. Through Peter Handstein's long stewardship, the company has maintained sustainable growth for decades. From product design and material selection to the manufacturing and packaging process, Hape strictly follows the "Minimum ecological cost" principle, marking its every achievement with a green medal. We asked Hape Founder Peter Handstein about the nature of Hape's commitment to sustainability.



**Peter Handstein**  
Founder & CEO of Hape International



