

Something Different ...



—PHOTO BY EMILY PROFFITT

Co-founder Chris Ryan says the company's Pawparazzi Pets line helped boost its revenues 80 percent to \$2.5 million last year.

Using their noodles

By Emily Proffitt / Of the Journal of Business

Business
Noodle Head Inc.

Owner
Chris Ryan and Eric Ryan

Location
Spokane Valley and Santa Barbara, Calif.

Employees
Seven

Product
Specialty toys, arts-and-crafts kits, and travel neck pillows

If sales growth is any indication, the brothers behind Noodle Head Inc. have their fingers on the pulse of the children's specialty toy market. The product they devised that's currently all the rage with young girls? A collection of small, furry, stuffed animals made to look like celebrities.

Two years ago, Noodle Head—a Santa Barbara, Calif.-based company that operates mostly out of Spokane Valley—introduced its Pawparazzi Pets line, which features miniature stuffed animals that come with couture purses and other fashionable accessories. Since then, the products have become so popular that Noodle Head has introduced several new pets and is working on ways to extend its reach further on the Internet, says Chris Ryan, who co-founded Noodle Head with his brother, Eric.

Ryan says he and his brother named their four-year-old company Noodle Head because they wanted a whimsical, yet cerebral-sounding name that people wouldn't easily forget. The name also stems from a label they gave each other while growing up.

"We used to say to each other, 'You noodle head, why did you do that?' when we'd do something stupid," Ryan says.

Despite the playful name, the Ryan brothers have proved to be anything but noodle heads when it comes to designing and marketing specialty toys. Noodle Head's sales jumped 80 percent to \$2.5 million last year, up from \$1.3 million in 2006, Ryan says. The company hopes to post \$5 million in revenues this year, largely due to the growing popularity of Pawparazzi Pets, he says.

"This is like a mid-life dream come true," Ryan says. "We're in a strong growth mode and have a lot of different directions we can take."

The Ryan brothers formed Noodle Head in 2003, because they thought the general toy market was too focused on packaging rather than on creatively coming up with quality products, he says. The company started out with a focus on arts-and-crafts kits and unique toys, he says. Some of its first products included a Chinese Kite coloring kit, a design-your-own flip-flops kit, and small, silicone flying discs called Jelly Flyers.

Noodle Head then decided to branch out into what Ryan calls "plush products with a purpose," and

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Chris Ryan
Noodle Head Inc.

Noodle: Pawparazzi Pets targeted at children age 10 to 13

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designed travel neck pillows that look like animals, he says. The company also now sells travel buddies—small stuffed animals that serve as luggage tags—and adventure logs that include items such as paper, pencils, a magnifying glass, and clips to display photos.

The Pawparazzi Pets line was born in 2006, when the company was "looking at what was hot in the 'tween' market," Ryan says, referring to a term applied to children generally between the ages of 10 and 13. After doing some research, including observing Chris and Eric Ryan's own daughters, they found that girls were attracted to "anything that's small, cute, and furry," he says. They also took into account girls' attraction to glamorous jewelry and the trend in the past few years of celebrities such as Paris Hilton carrying their pets in purses.

The company wanted to create a line of products that could become collector's items for kids, similar to the Beanie Baby craze that swept the country in the late 1990s, he says. It also decided to "go way over the top" with the accessories for the "pets," including pet collars and matching jewelry for owners made of manufactured pearls and real rhinestones, and miniature, silver-plated food bowls. Each pet has a distinct personality and comes with little magazines that chronicle their imaginary fame. The small, highly-detailed pets also come with a purse, leash, collar, blanket, and name charm.

"We created these faux characters in a sort of tongue-in-cheek fashion," Ryan says. "Our goal was to make something that would have legs with kids."

Some of the pets in Noodle Head's first edition of five characters, most of which now are out of production, included Bailey the British dog model; Cocoa, a chocolate Labrador movie star; and a supermodel cat named Powder. Pets in the

company's second "litter" of six characters, which it introduced last August, include a dog named Indy, who is the author of the "Harry Pawed Her" series; Daisy, the tennis champion dog; and Misty, who is an anchor for the mythical Cat News Network (CNN).

Although their fame is part of the make-believe world created by Noodle Head, the furry little stars have garnered real media attention across the U.S., including a feature story in the Chicago Sun-Times when they were first introduced in 2006. In September, the company was recognized as having the "million dollar idea of the week" on CNBC's "The Big Idea with Donny Deutsch."

Noodle Head plans to introduce two or three new characters every six months or so, and retire old ones at a similar pace, to keep demand high, Ryan says. The next series likely will hit stores in July, in time for the 2008 holiday season, he says.

The company is looking at ways to make the pet line more interactive with children, he says. Toward that end, it has created online profiles for each pet on two social-networking Web sites, MySpace and Facebook, so that kids can learn more about the pets and send e-mails to and receive responses from them.

"We're in the process of figuring out how to enhance the interactive market by getting our characters into the Web and entertainment realm," Ryan says.

Basic Pawparazzi sets retail for \$16 to \$18, and Pawparazzi Celebrity Style Sets, which include a silver pet dish and mat and matching collar and girl's necklace, retail for between \$35 and \$38, he says. The company also sells a pet "hotel," which is a carrying case for pets that doubles as a play hotel with guest rooms and

a pool display. It's planning to introduce another carrying case this summer that's made to look like a stage set, he says. Carrying cases retail for \$35 and up.

The pets are suitable for children ages 4 and up, but their "sweet spot" is with girls ages 6 to 12, Ryan says. The company's neck pillows, which retail for \$14 to \$16, are intended for children ages 18 months to six years, and its arts-and-crafts kits, which retail between \$12 and \$20, appeal to older kids mainly, he says.

The Pawparazzi Pets line has surpassed the travel neck pillows as Noodle Head's most popular line, and now constitutes 60 percent of the company's sales, Ryan says. The company currently is

working on creating a character-based product line similar to Pawparazzi Pets but targeted at young boys, he says. It likely will release those products within the next year.

High-end customers

Noodle Head sells its products wholesale to customers that include high-end retail chains such as Nordstrom, Barneys New York, and FAO Schwartz, as well as catalogs and specialty toy stores and gift shops, including local stores such as Whiz Kids and Uncle's Games Puzzles & More. The company doesn't plan to expand to the mass retail market, because "at that point the game is all about price rather than innovative, quality products," he says.

In the future, Noodle Head might sell its products directly to consumers on a limited basis, but it wants to be careful to not undercut its wholesale customers, Ryan says.

Although Noodle Head is incorporated in Santa Barbara, Calif., where Eric Ryan lives, most of its operations are conducted at its office in Spokane Valley, says Chris Ryan, who resides here. When Noodle Head formed, Chris Ryan was the sole employee here, working in a small office along Argonne Road. Since then, the company has hired three more employees at its Spokane Valley operation, and the operation moved last January into a 700-square-foot leased space at 408 N. Mullan, he says.

In addition to its four employees here, the company has three full-time employ-

ees in Santa Barbara, he says. Ryan anticipates that Noodle Head will hire more employees here to handle customer service in the future, and eventually will outgrow its space here. The company doesn't have a set timetable for its expansion plans, though, he says.

Chris Ryan manages the marketing and wholesale part of the business, while his brother, who also runs a security technology company, handles the finance portion. Eric's wife, Amy, who also has another gift product business, uses her background in graphic design to handle product development for Noodle Head, Chris Ryan says.

The company contracts out to third-party warehouse operations to store its products, which are kept at two locations. One is at Mailstream USA Inc.'s facility in North Spokane, and another is in Las Vegas.

Noodle Head has contracts with a dozen manufacturers in China to produce its products, Ryan says. He gained experience doing business in China as a result of his career in the travel industry—one of his previous jobs was with Ambassadors Group Inc., a Spokane-based educational travel company—prior to forming Noodle Head. Eric Ryan also does business in China through his security technology company.

While recalls for safety reasons of toys made in China have made headlines in recent months, Noodle Head hasn't had any problems with its products, he says. As a small operation, the company is able to test and monitor its products more closely than larger toy makers can, he asserts.

Ryan says the biggest challenges the company is facing right now involve the economy and rising fuel costs. Sales to retailers this past holiday season were slower than the company expected, and Ryan attributes the softness largely to retailers' uncertainty about the economy, especially in an election year. Meanwhile, a weakening U.S. dollar and rising fuel and labor costs are hurting the company's buying power in China, somewhat, although he says the company is "still getting a pretty good value" in its dealings overseas.

Ryan adds that the specialty gift industry is somewhat insulated from economic fluctuations, especially in Noodle Head's niche in the slightly higher-end toy market.

"We're feeling a little bit of caution out there on the part of retailers," Ryan says. "But we're still growing at a tremendous pace, and are just wondering how we'd do in a positive market environment."