



STELLA
RISING

Where Has the
Toys “R” Us Shopper Gone?



The Agency for Rising Stars

A marketing and media agency for spirited, high-growth consumer brands. Our mission is to connect brands with people who will love them.

THE TOYS “R” US BANKRUPTCY STORY

It has been a year and a half since Toys “R” Us filed for Chapter 11 protection (September 2017)

- *Third largest* bankruptcy ever
- *\$11.5 billion* in yearly sales

20 years of decline

A catastrophic *2017 holiday season* further devastated the company, leading to the 2018 liquidation

UNDERSTANDING THE DECLINE



1

Overwhelmed with debt, particularly after its buyout by private-equity in 2005, Toys “R” Us was unable to invest in order to adapt.

- Customers were seeking experiences as they shopped. While Toys “R” Us did remodel some stores, which received a positive response, the majority were left un-revamped
- Similarly, the website did not receive the necessary upgrades that it needed to compete

2

Increased competition from Amazon, Walmart, and Target

- All three offered aggressive pricing of toys and often better-suited new consumer behavior

A CHALLENGING RETAIL ENVIRONMENT

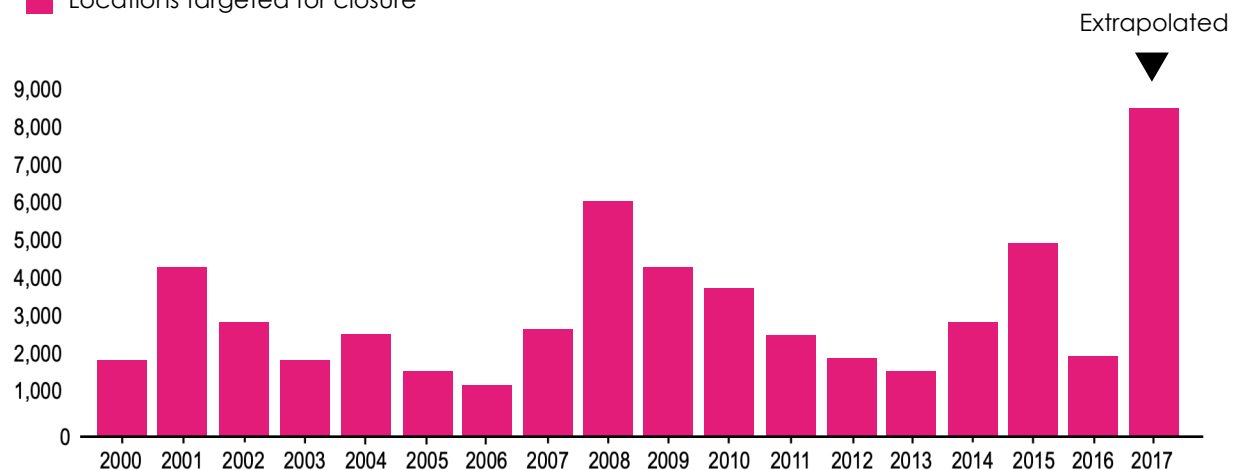


- Macy's
- J.C. Penney
- Kmart
- Michael Kors
- Payless
- Sears
- Bebe
- Abercrombie & Fitch
- Guess
- The Limited*
- American Apparel
- BCBG
- GAP
- Eastern Mountain Sports*
- American Eagle
- Justice*
- Sears
- Chicos
- Gymboree
- Claire's
- J. Crew
- Wet Seal*
- Ann Taylor

Closing Time

The shuttering of U.S. retail stores set a record in 2017. Closings were slightly less for 2018, but still continued.

■ Locations targeted for closure



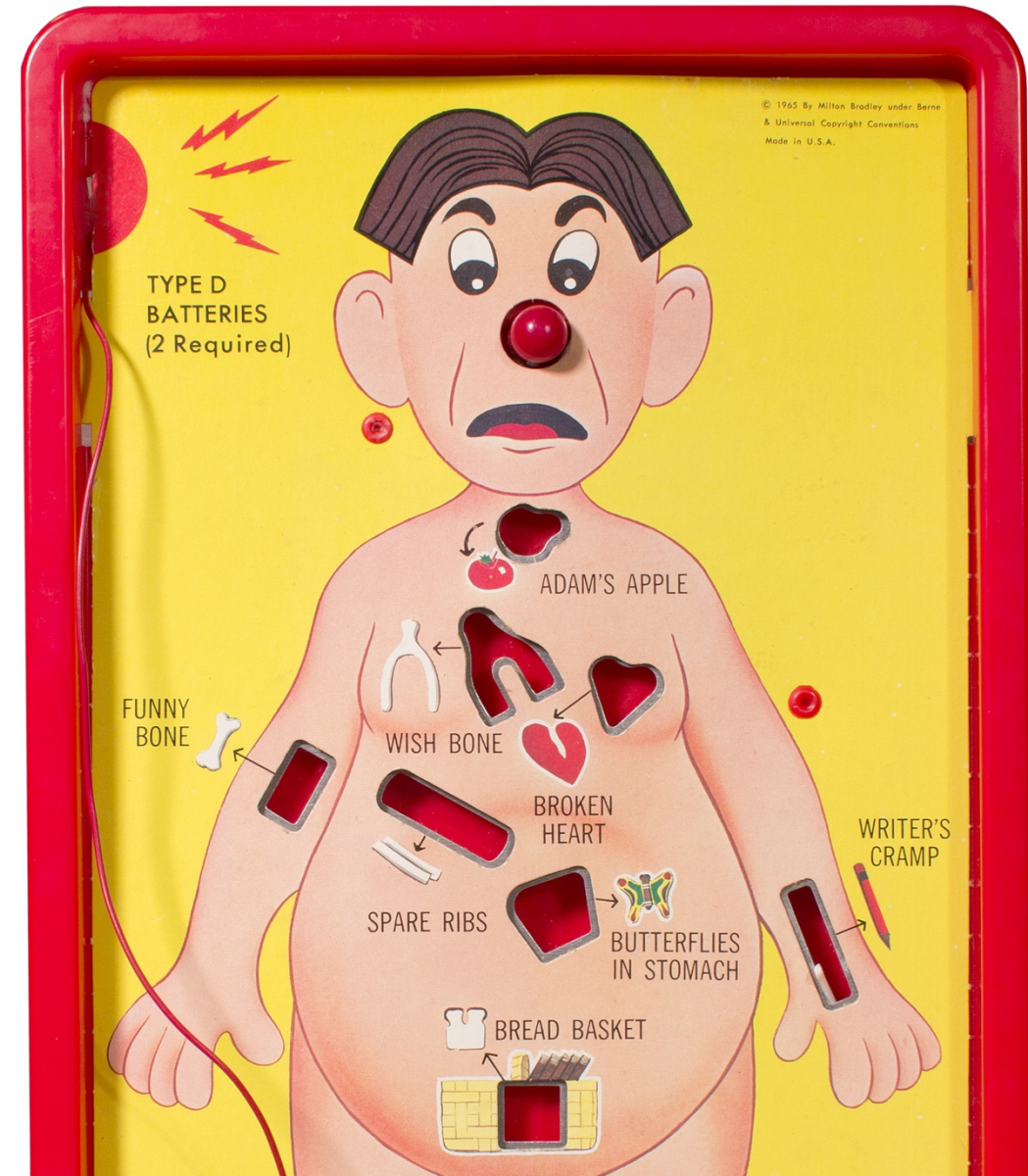
WHAT WENT WRONG?

Overcrowded retail marketplace

Amazon

Smartphone “Toys”

Experiences drove consumers,
rather than things (and malls lost their appeal)



THE TOY CONSUMER

TOY SALES ARE GROWING

2017

\$54.6 MM

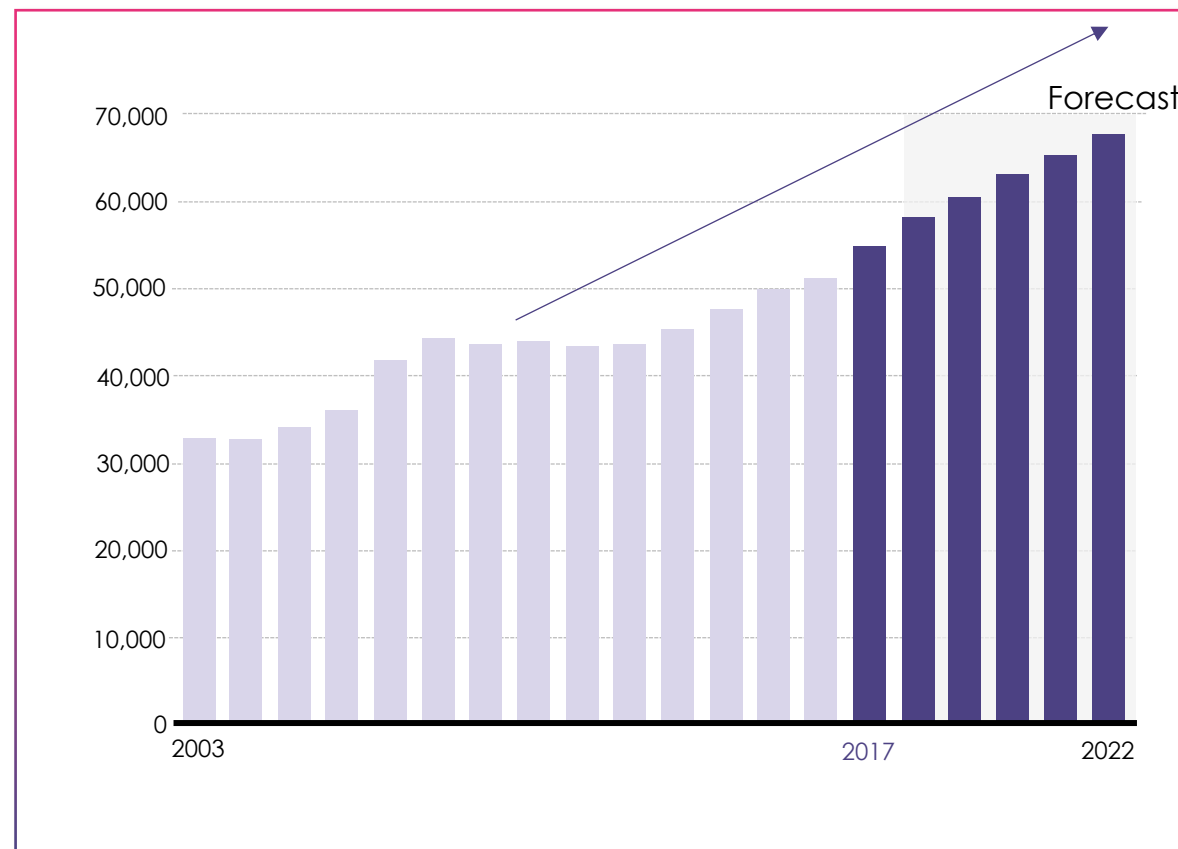
2022

\$68 MM



US Sales of Toys and Games

Projected through 2022



WHAT'S HAPPENING IN TOYS?

The absence of Toys “R” Us left an
\$11 billion hole
in the toy industry.



Where have those toy shoppers gone?

Insight into the ways in which retailers can now attract the toy shoppers who lost their favorite destination.

We asked women across the U.S. to share their thoughts on toy shopping



71% live with a partner

61% have children 6-12 years old

52% purchase for their nieces and nephews

39% are ages 25 - 34

29% have two children

17% purchase for their grandchildren

• **Glimmer, a growing social insights community**

glimmer.socialmedialink.com

THEY LOVED TOYS “R” US!



87%

of respondents shopped at Toys “R” Us when that company was in business

Of the 13% who did not choose Toys “R” Us prior,



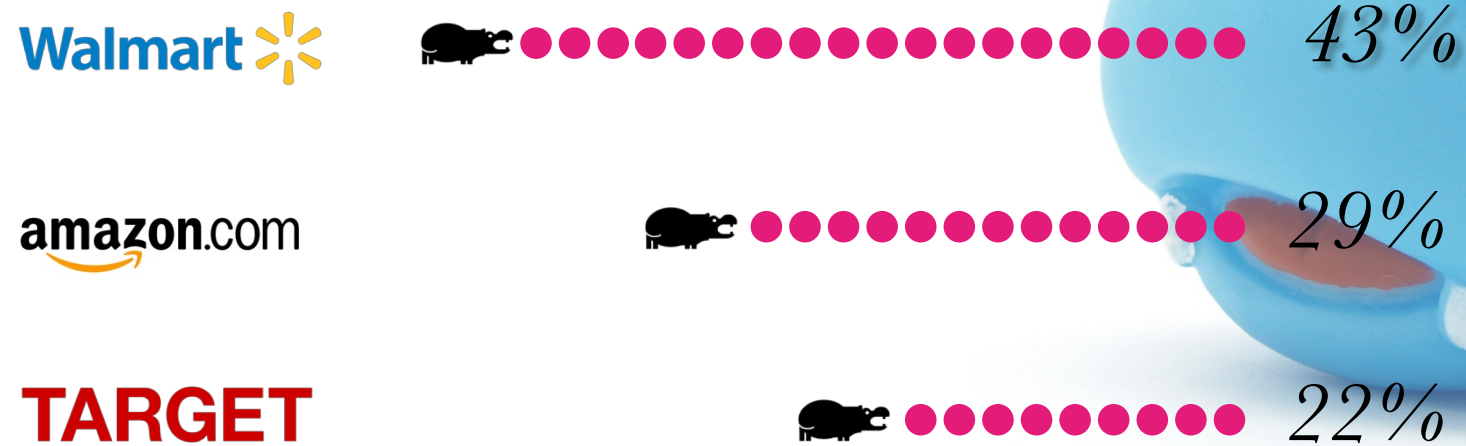
were their key toy destinations

REPLACING TOYS “R” US

Where Women Are Buying Toys Now



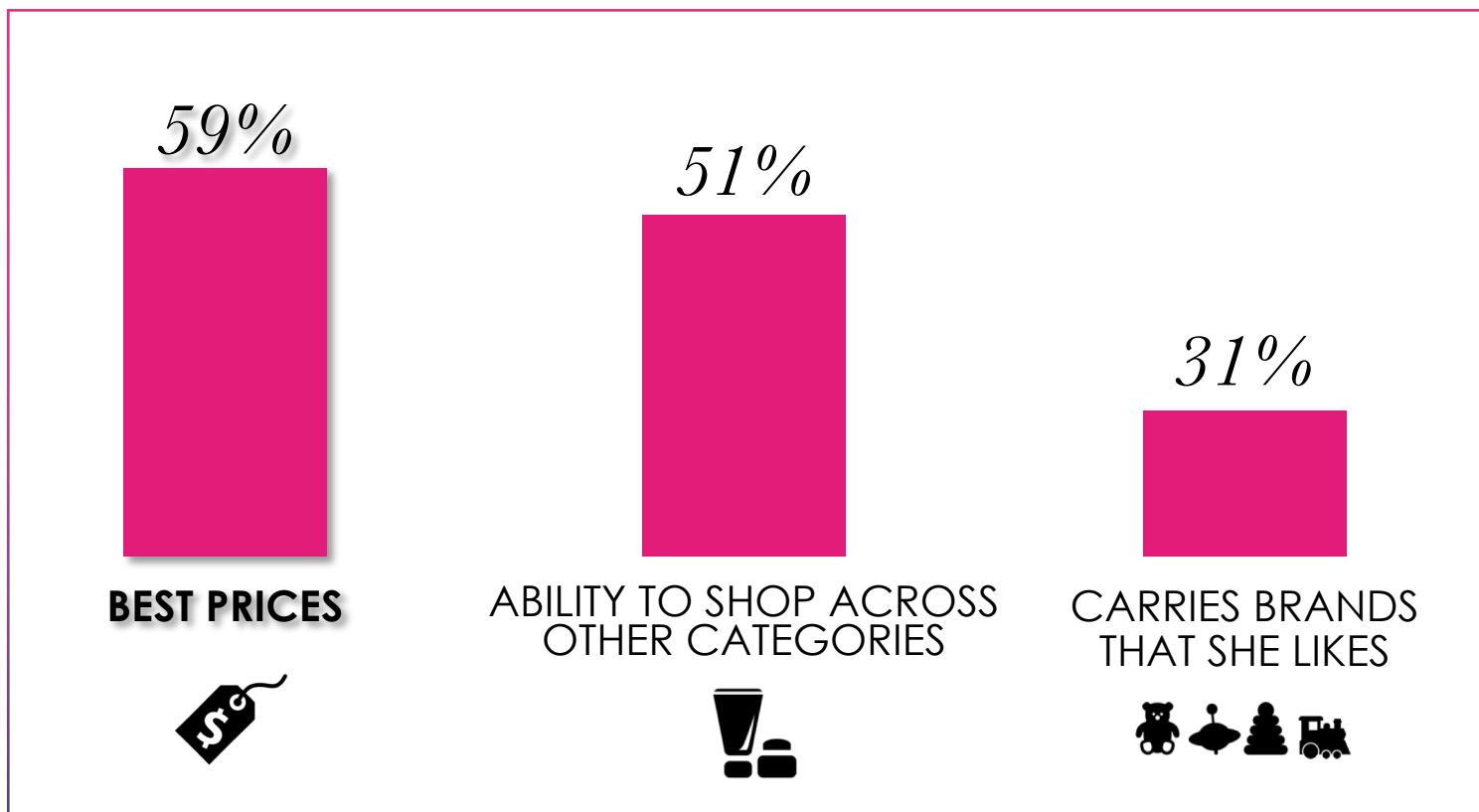
Top New Retailers for Toys



WHAT'S BEHIND HER CHOICE OF RETAILER?



Top Motivators for Retailer Choice



28%

largest **toy selection**

28%

are confident they will **like the other products they purchase there** (trust in the retailer brand)

26%

Inexpensive / free shipping

WHY SHE SHOPS



SHE'S **BUDGET-CONSCIOUS**

- 59% chose her selected retailer due to pricing
 - 87% follow brands on social media for deals and coupons, suggesting that promotions will unlock her cart



SHE LIKES **A RANGE** OF TOYS

The top types of toys she purchases:

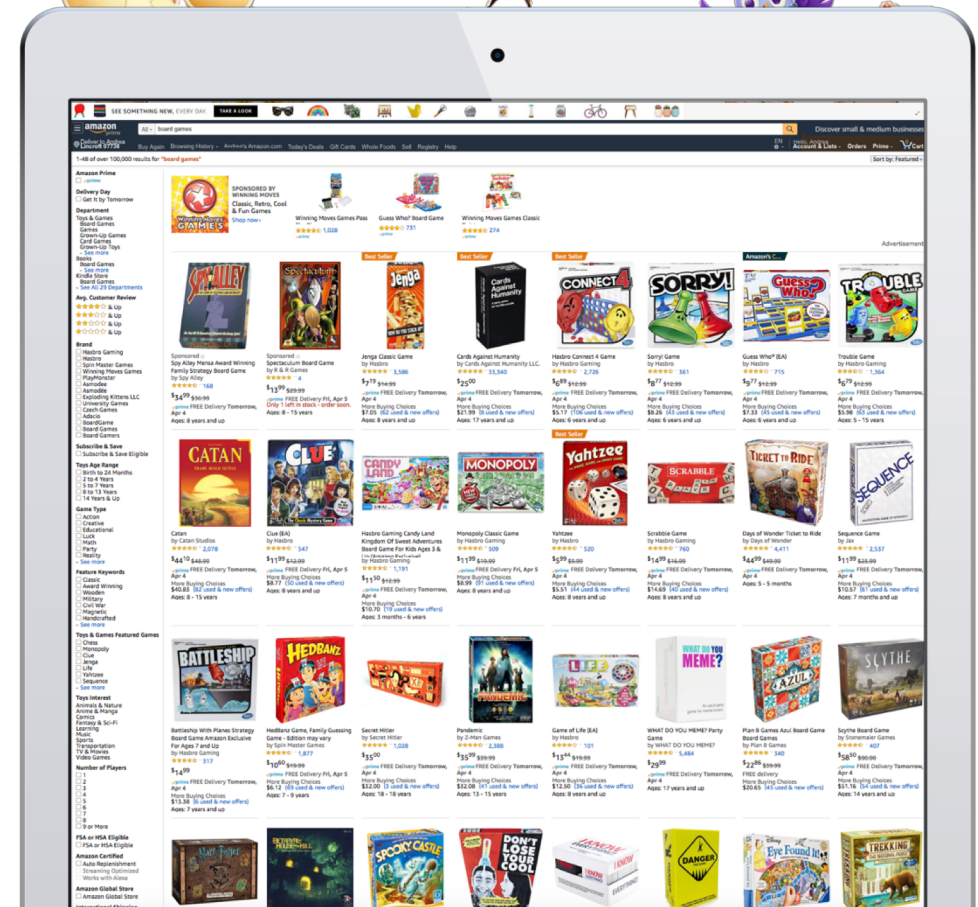
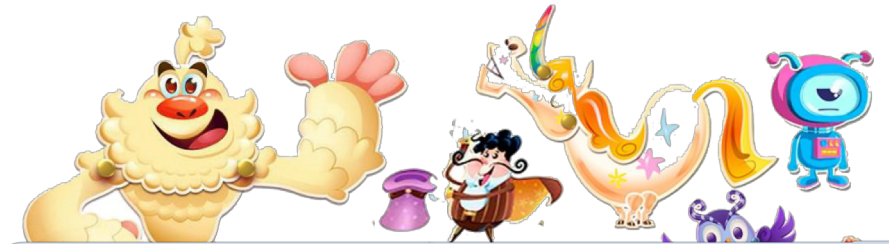
- Learning & Education (70%)
- Dolls & Action Figures (65%)
- Arts & Crafts (65%)
- Books & Puzzles (65%)
- Board Games (58%)
- Stuffed Animals & Plush Toys (57%)
- Video Games (51%)
- Dress Up & Pretend Play (44%)

AMAZON'S POTENTIAL

71%

Search by category first (e.g. board games)

- The second top search behavior is for a specific toy brand
 - More than one quarter of consumers prefer to buy the familiar (brands and characters)
- What do women enjoy about the Amazon toy experience?
 - **Free Shipping (51%)**
 - Larger selection of product (46%)
 - Ability to shop other categories (34%)



INSIGHTS INTO TOY SHOPPING

Women love to toy shop, but there is frustration with in-store availability and the overall experience

“

I love discovering and finding new interactive toys for my nieces. I try to do my research before I head out and while shopping, I'm always looking on my phone for product reviews and safety standards.”

“There doesn't seem to be enough selection in stores anymore.”

“I like seeing the products in person to see how they work and the quality of the product. I dislike how overwhelming it can feel to find the right toy I'm looking for.”

“I love toy shopping!! I love picking out toys and seeing the smiling faces on my nieces and nephews. The one thing I dislike is when they don't carry the same things as on their website.”



A collection of colorful interlocking puzzle pieces with numbers and symbols scattered on a pink background. The pieces are in various colors including green, blue, yellow, orange, and red. Some pieces feature numbers like 1, 2, 3, 4, 5, 6, 7, 8, and 9, while others have symbols like a question mark and a plus sign. The pieces are arranged in a circular pattern around the central text.

TRENDS IN TOYS

I DON'T WANNA GROW UP



Adults shopping for children's toys (for themselves) is a trend on the rise

01 Toy companies such as LEGO are creating products especially for adults, tapping into the shifting definition of adulthood

02 Millennials seeking creative and inexpensive outlets are driving double-digit growth in board games

03 Nostalgia, another trend, is also satisfied through toy shopping

04 Retailers that cross merchandise multiple categories (such as mixing board games with home furnishings) have potential for incremental sales

SCREENS, YES, BUT ALSO IRL



05 Electronic gaming is huge...

The worlds of online gaming and social media are blurring, with the stratospheric rise of *Fortnight*, as an example

...But don't skimp on experiences



06

Worried about screen time, parents are seeking toy shopping that is connected with experiences

- Do you tell a story?
- Can children connect through multiple formats and interactions?



TRENDS BEYOND TOYS

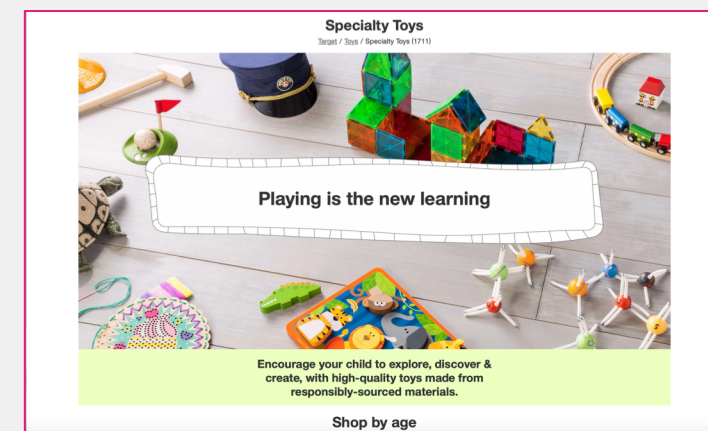


07

The Natural and Free-From Parent
 These trends will change parental expectations of toys and how they're made
 Is your process transparent?
 Is your product safe?

Toys as Tools: High-achieving parents are also looking ways to help their children learn and “get ahead” from the earliest moments of their lives

08



TRENDS BEYOND TOYS



B Bears
for HUMANITY

09

Gifts that Give

Socially-conscious consumers are becoming parents that care about whether brands “do good” in the world.

10

My Little Snowflake!

Women are having fewer children, later in life, and often with great effort. These moms crave toys and products that can be personalized and feel unique.





USING DATA PROACTIVELY

PAIN POINTS IN SHOPPING

1. Closing of top retailer (Toys “R” Us)
2. Customer has a low estimation of “price per use”
3. Uneven inventory between e-commerce and retail channels

MOTIVATORS TO SHOP

1. Price
2. Cross-category shopping
3. Convenience
4. Emotional Needs
 - Tell a story/create an experience
 - Soothe parents' anxiety

OPPORTUNITIES

1. Fill the void left by Toys “R” Us
2. Cross-merchandising
3. Offer engaging discounts via social media
4. Solve for the inventory discrepancies

THE STAYING POWER OF TOYS “R” US

61%

**wish the retailer
would re-open**



In fact, some former Toys “R” Us executives might be looking to bring it back.



THANK YOU