

HD Toys "R" Us (Australia) Pty Ltd in Toys and Games (Australia)

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STRATEGIC DIRECTION

The strategy of Toys "R" Us involves providing new and innovative products as well as services for consumers. The **company** offers consumers the options of price-matching, lay-buys, a baby registry and VIP point club programme. Toys "R" Us also plans to continue with its plans for outlet expansion in suburban locations and currently has 35 Toys "R" Us stores and 11 Babies "R" Us stores in operation. Toys "R" Us will continue to invest in its omni-channel strategy, providing consumers access to its network across multiple different channels. Internet retailing will be a source of value growth for the **company** over the forecast period thanks to the channel's convenience, variety of products and speedy delivery.

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KEY FACTS

Summary 1 Toy's "R" Us (Australia) Pty Ltd: Key Facts

Full name of
company: Toys "R" Us Australia Ltd
Address: Block G, **Commercial** Drive, 391 **Park** Rd, Regents
Park, New South Wales 2143, Australia
Tel: +61 (2) 9794 8999
Fax: n/a
www: www.toysrus.com.au
Activities: Retailer in toys and games

Source: Euromonitor International from **company** reports, **company** research

Summary 2 Toys "R" Us (Australia) Pty Ltd: Operational Indicators

	2011	2012	2013
Net sales AUD million	A\$263.1 million	A\$258.6 million	A\$261.2 million
Outlets	39	35	35
Selling space ('000s sq m)	131,500sq m	118,800sq m	118,800 sq m
Number of employees	1,510	1,490	1,500

Source: Euromonitor International from **company** reports, **company** research

INTERNET STRATEGY

Since launching its internet retailing system in October 2009, Toys "R" Us Australia Ltd has continued to pioneer the channel within toys and games, remaining one of the most searched-for retailers in Australia.

The **company** continues to refine its online operations, including the offering of a feature rich e-commerce website with various ranges and sales that are only available online. During the Christmas period in 2011, a study by online merchant PayPal credited Toy "R" Us as a leader in internet retailing in Australia.

The online store allows large, hard-to-stock, outdoor toys, such as trampolines or swimming pools, to be readily available.

Toys “R” Us shoppers are able to research the Toys “R” Us top 10 toys in each category on the e-commerce page, thus enabling them to see the hottest toys on the market and making toy purchasing decisions easier.

Toys “R” Us also engages with its customers through an active Facebook page, posting in-store promotions, new products and store events.

COMPANY BACKGROUND

As part of the Toys “R” Us Inc international network of licensees and franchisees, Toys “R” Us Australia was launched in 1993, with the first stores being opened in Melbourne. Within a year, the company had expanded to 17 stores across various states in Australia and Toys “R” Us now has almost 40 stores nationwide.

Toys “R” Us is a speciality retailer of toys and games targeting children. The growing popularity of electronic games has seen the stores begin to carry gaming consoles, electronic pads, and other electronic toys to cater to changing consumer preferences in Australia and across the world.

In 2005, Toys “R” Us faced uncertainty following the privatisation of the parent company and the restructuring of the entire organisation. Toys “R” Us in Australia has not been able to make a profit since its launch in 1993. However, the restructuring undertaken by the group mainly concentrated on the sale of underperforming retailing brands, and the impact on the international network was minimal.

Toys “R” Us launched the Babies “R” Us retailing brand in 2008 in a side-by-side store format in Bankstown, New South Wales. Babies “R” Us provides focused product lines in clothing, furniture and furnishings, toys, feeding needs and so on, for children up to two years old. The company has continued to roll out the speciality baby stores within Toys “R” Us outlets. In addition, there is also a dedicated site for this format.

In 2011, Toys “R” Us and Babies “R” Us re-launched its ‘lay buy’ service in its stores to allow customers to make payment plans on the company’s range of toys and games of purchases over the sum of \$200. The company also gives consumers the option to set up a Baby Registry in any of its stores, encouraging new parents to purchase their wide range of products.

PRIVATE LABEL

Toys “R” Us offers branded products, as well as private label products, exclusive to Toys “R” Us, in its retail offering of toys and games, children’s clothing, furniture and furnishings. The company has set up a dedicated sourcing office in China to manage its private label manufacturing. In addition, Toys “R” Us has also included organic and natural products in its private label offerings, in line with consumers’ concerns about toy safety, particularly since the massive toy recall issues for Chinese manufacturers in 2007.

Toys “R” Us emphasises products which are of high quality and provides toys which allow learning, imagination and pure fun. However, the company is challenged by big toy manufacturers’ heavy marketing and advertising initiatives and struggles to attain high awareness and sales for its private label products.

Summary 3 Toys “R” Us (Australia) Pty Ltd: Private Label Portfolio

Private label brand	Category	Notes
Imaginarium	Infant, pre-school, dressing-up and role play	
Aspirational brand with strong educational focus		
Totally Me	Arts and crafts, clothing	
Female focussed		
Bruin	Infant	
Strong use of four to five colours		

Source: Euromonitor International from company reports

COMPETITIVE POSITIONING

Toys “R” Us faces a range of challenges in maintaining profits in the current operating environment. In addition to the cyclical nature of toys and games, where peak periods are only around mid-year and end

of year, the toy industry in general is an area where cut-backs are being made, simply because of the lack of consumer confidence and an unstable economy.

Toys "R" Us benefits from its global branding and large-format store setup and is the destination for parents and children who are searching to **purchase** toys and games. The **company**'s closest competitor brand, Toyworld, competes aggressively with more store locations and a strong local presence.

Online retailers represent the biggest threat to Toys "R" Us as they able to be offer more competitive prices due to the strength of the local currency and their exemption from GST. To compete with online retailers, Toys "R" Us launched a fully functional online store.

Mass merchants and supermarkets are also obtaining value share from Toys "R" Us due to their ability to offer lower prices. This has posted a significant challenge to Toys "R" Us as its reach and marketing budgets are limited in comparison.

Babies "R" Us was created to compete more effectively in an area which is quite different from toys and games. The proposition for the Babies "R" Us business is more functional, consisting of accessories and systems.

Toys "R" Us offers consumers the option to price match toys and games products in store if they find a better advertised price to ensure consumers achieve the best prices. The Babies "R" Us store offers to beat competitor prices by 10%.

CO toyrus : Toys R Us Inc

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