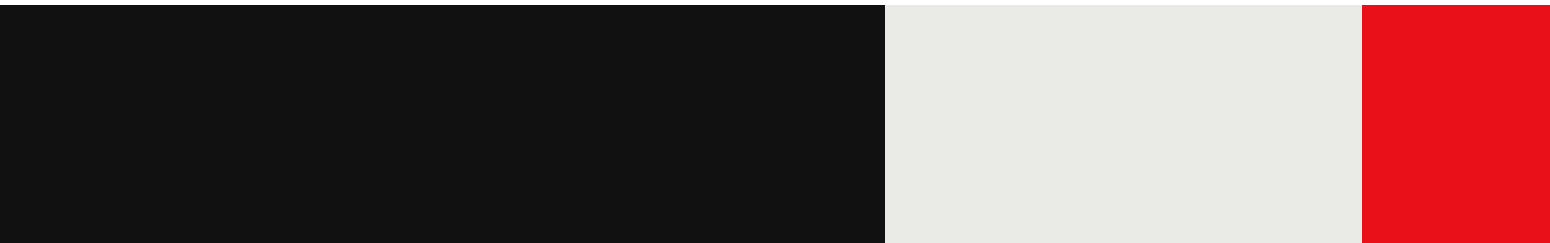


Reimagining Retail: TikTok for toys, and how brands are driving toy sales through creative marketing

Audio



On today's podcast episode, in our "Retail Me This, Retail Me That" segment, we discuss how toy brands are using TikTok as a marketing channel for children and adults alike, and how brands are making their toy stores more experiential to drive sales. Then, for "Pop-Up Rankings," we rank toy brands whose creative marketing strategies are making their toys stand out. Join our analyst Sara Lebow as she hosts analysts Sky Canaves and Carina Perkins.

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Episode Transcript:

Sara Lebow:

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eCommerce trends for 2023, marketplace growth, direct selling strategies for CPG brands and insights on the 2023 holiday season. Make informed decisions with confidence. Learn more today at insiderintelligence.com.

Hello, listeners. Today is Wednesday, August 30th. Welcome to Behind the Numbers re-Imagining Retail and eMarketer podcast. This is the show where we talk about how retail collides with every part of our lives. I'm your host, Sarah Lebow. Today's episode topic is toys.

Let's meet today's guests. Joining me for today's episode, we have senior analyst Carina Perkins. Welcome back Carina.

Carina Perkins:

Hi, Sara. Great to be back.

Sara Lebow:

Great to have you. And also back today is senior analyst Sky Canaves. Hey Sky.

Sky Canaves:

Hey, great to be back as well.

Sara Lebow:

Okay, let's get started with free sample.

Where I share a fun fact, tidbit or question. Today's tidbit surrounds one of my favorite toys, Mr. Potato Head. Mr. Potato Head was born in 1952, but what I found out while researching is that the toy didn't originally have a body. So, potato was not included and people had to stick the features, which is what the toy was into their own personal potatoes. That changed in the 1960s after people complained about rotting vegetables in their kids' toys and thus the fake potato body was born. Thank you to the Idaho Potato Museum for that information. Did you guys know that about Mr. Potato Head being a real potato?

Carina Perkins:

I did not, no.

Sky Canaves:

I had no idea. Do you have Mr. Potatohead in the UK Carina?

Carina Perkins:

We definitely do, yep.

Sky Canaves:

Okay, great. So it is a global toy.

Sara Lebow:

Wow. Congrats to the Potato Head family for being international. Okay, let's get into the meat of the episode. Oh, I should say the meat and potatoes of the episode. That was so good. Now it's time for our next segment. Retail me this, retail me that.

Where we discuss an interesting retail topic. Today's topic is toys. It is the summer of Barbie. You guys have both seen the Barbie movie at this point, right?

Sky Canaves:

Yes.

Carina Perkins:

No.

Sara Lebow:

Oh, Carina, you got to get on that.

Carina Perkins:

I know.

Sara Lebow:

It is the summer of Barbie. All eyes are on toys. In the US toy and hobby eCommerce sales will hit \$95 billion this year according to our forecast, which is up 10% over last year. 45% of US toy and hobby sales are happening online, but by 2027, that figure will be closer to 65%. So, going from 45% this year to 65% in 2027. Sky, let's start off with you. What trends are you watching in this category?

Sky Canaves:

So, in terms of the industry, I think the biggest trend has been the shift in kids' attention from toys as something that they play with to games. And so, it's really important for toy brands to participate in this, and at the same time, games themselves become toy brands and product brands. You have phenomena like Pokemon for example, and then what this means for brands expansion to reach broader audiences. If they don't have kids' attention, how are they getting the attention of older kids, teens and adults?

Another big trend I'm looking at is the influence of TikTok as a marketing channel and in determining what the next hot toys will be. YouTube has traditionally been the go-to source. I think for things like unboxing videos, it spawned the whole empire of Ryan's World and the whole genre of kidfluencers. So, I think we'll see more of that starting to move to TikTok and the shorter video formats. So, there are opportunities for the major retailers, the ones like Walmart and Target that put out their annual hot toy list to participate in this.

But I think at the same time we'll see more opportunities for viral growth of toys. Last year, for example, Squishmallows was a good example, really took off on TikTok and it really took off among older kids and teens and adults. It was really a Gen Z phenomenon and I think it continues to have staying power.

Sara Lebow:

Squishmallows, giant round, like the pillow Pets of this generation. Giant adorable little stuffed big stuffed animals.

Sky Canaves:

They're toys and they're decor.

Sara Lebow:

And then Ryan's World, that's an empire of toy reviews on YouTube right?

Sky Canaves:

And I believe he also has his own toy lines as well.

Sara Lebow:

Gotcha. Corina, how does this parallel with trends in the UK?

Carina Perkins:

Well, similar really. We've seen a bit of a different trend in terms of growth in the UK. We saw toy sales actually dip last year. We don't break out our own forecast, but I've seen a forecast from NPD that show that they dipped by about 3% last year, and that reflects really the cost of living crisis we've got here in the UK at the moment, which is having a bit of an impact on toy sales. That being said, some segments are performing really well and one of them is plush, which is thanks to Squishmallows and like Sky said, we're seeing really similar trends in terms of TikTok becoming really important for marketing and kidulting is a big trend in the UK and in Europe more generally. I saw one survey that said two thirds of Brits buy toys for themselves and or the adults around them. I saw some other data from NPD which says that kidults or toys for adults is actually now outpacing sales to children in Europe.

Sara Lebow:

Kidulting, that trend of adults buying kids' toys for themselves. Definitely I think with Squishmallows in particular.

Carina Perkins:

And I think we see similar trends in the US as well. Last year NPD reported that a quarter of US toy sales come from these kidults, which they define here as being 12 and older. So, it does include the teens and Gen Z for sure. They noted that a majority of the growth in toy sales was coming from this demographic. And there's a lot of playing to nostalgia in terms of the cartoons and looking back at what Gen Z and even millennials were watching when they were kids. There was an article this week in Ad Age about Teletubbies and their TikTok videos and TikTok presence.

Sara Lebow:

They're so weird. I saw one today.

Carina Perkins:

And how they're getting in on TikTok trends like the girl dinner trend where young women show their little meals made up of snacks. I guess Teletubbies like girl dinner too, and other trends. So there's a lot of appeal. It's not really targeting the toddlers that used to watch Teletubbies. It's targeting those toddlers now that they've grown up and are in their teens and early twenties.

Carina Perkins:

Yeah, we've seen a big nostalgia trend here as well actually, I think, in the wake of the Barbie movie. There's been reports of a surge of nostalgia toys like Furbys. Do you remember Furbys?

Sara Lebow:

I remember Furbys. Terrifying.

Carina Perkins:

And Scalextrics? Remember Scalextrics?

Sara Lebow:

No.

Carina Perkins:

My dad actually bought a Scalextric set for my brother when he was a baby, like one or two years old. Basically because my dad wanted to play it himself I think. It's a racing game where you put a car on a track and you have controllers. It's great.

Sara Lebow:

Oh, okay. Yeah, I mean I'm definitely kidulting in the form of the Ikea Blåhaj. I know I'm pronouncing that wrong, sharks that I feel like a lot of people have, the plush shark from Ikea is a staple of my household. So kidulting, definitely a good way for brands to get people with a little bit more discretionary spend availability to buy things, whereas parents are probably saving more for essentials.

But I mean, parents definitely want to buy their kids toys maybe with a limit, and I think that we can't discuss that without talking about the holidays. We'll get more into holiday predictions on next week's episode, but let's talk about it in the context of toys. We know that last year, 2022 had a sluggish holiday season with US sales growth around 5% per our forecast. Are people going to be willing to spend more than they did last year on toys this holiday season?

Sky Canaves:

I think so. One survey I saw from KPMG noted toys as one of the biggest categories that people were expecting to spend more on this year, just after food or grocery and automotive

or cars. So, I think there's definitely appetite for spending. People will always buy toys during the holidays. Parents are very, very hesitant not to buy their kids presents and those tend to be toys. Now, we know last year was sluggish because the comps from 2021 and 2020 were very tough because sales were just gangbusters in those years when people were stuck at home during the pandemic and spending a lot more on toys.

I think last year there were also a lot of inventory issues, too much supply, which led people to wait and look for deals and discounts that they got later in the season. So, it was a more discount heavy season. People were still buying but they were paying less for toys. I think this year we'll see similar trends continue because the holiday season is starting earlier and earlier. Amazon's going to kick off with another early access sale or Prime Day type of sale in October and people will start buying. But unless there's a very hot toy, I'm expecting that more consumers will wait until closer to the holidays to try and score the best deals.

Sara Lebow:

How do you know if there's going to be a very hot toy? Who decides what the, "It Toy" is?

Sky Canaves:

I think traditionally, it has been the brands and retailers that put out these toy lists of what the hot toys are, but now we're seeing more organic, viral growth in what the hot toys are. I still don't know. I'm keeping an eye out because I tend to buy one of the hot toys for my daughter each year. Last year it was a magic, mixy, fairy cauldron that she fell in love with. Previous year, it was a very unfortunate Gotta Go Flamingo that made pink poop in a toilet and it was a little too messy. So, keeping an eye out, I haven't seen anything that's really crazy. Squishmallows were really big last year, not just with kids but with everyone. So, we'll see what comes up. I expect Barbie will continue to be big, it already has been, and now that it's going to go to streaming pretty soon, people will be watching it again and again at home.

Sara Lebow:

Yeah. I'm wondering how toy companies are going to capitalize on the weird Barbie phenomenon. Whether they're going to release their own weird toys or just do weird Barbie marketing in some way.

Sky Canaves:

Well, Mattel has just released a weird Barbie in fact.

Sara Lebow:

Oh, I didn't see that.

Sky Canaves:

And it brought a little bit of backlash because it seems to go counter to the spirit of weird Barbie being a kid makes their own weird Barbie in their own way, but maybe it's not a product targeted towards kids. Just like the movie wasn't specifically targeted, particularly made for kids. It could really be a product more for the collector, the kidult who wants to own that piece of the Barbie movie history.

Sara Lebow:

Did either of you have a weird Barbie? A Barbie that you've cut the hair off and done weird scribbles all over?

Carina Perkins:

I didn't have a Barbie, which is probably why I haven't gone to see the film, although I do really want to go and see the film. I was all about cuddly toys when I was a kid. I wasn't really interested in dolls.

Carina Perkins:

Oh, a lot of my Barbies got haircuts. I didn't scribble on them, I never got into that, but they did end up with less and less hair over time.

Sara Lebow:

I didn't have a lot of Barbies. The couple I had were hand-me-downs and they all lost their heads at some point. They were all headless Barbies. The last thing I want to talk about in this segment is Toys "R" Us. I think it is indicative of overall brick and mortar trends within toys. Toys "R" Us mounted a comeback last year after having gone bankrupt. What does the toy story of Toys "R" Us show us about how people are shopping for toys?

Carina Perkins:

I think in the UK, Toys "R" Us are opening stores now back in the UK, concessions within WHSmith stores. But I think it's interesting the overall story of toy sales, which is that while toy sales were down overall last year, in store sales were up 6% in the UK, and that reflects I

think, people going back to stores to buy some of their toys after that shift to online during the pandemic. I think it's been a very strong trend in the UK possibly because we have such a mature eCommerce market already. So, there's a certain amount of normalization and it does reflect the wider trends that we've seen on the High Street, which is people coming back into stores.

Sky Canaves:

And here in the US, Toys "R" Us is now launched in Macy's, I believe Nationwide. They had originally started as a smaller share of their stores and then because they really want to capitalize on getting people into the stores to buy toys, they rolled it out nationwide. But I think what they're doing is making it more experiential. It's not just shelves of toys, but they also have things like a playground at the Toys "R" Us in New York City, which I saw when I was there last year, or they have the big Toys "R" Us giraffe where kids will want to take pictures with it.

So I think they have to make the toy store more experiential, not just a place to go and look at toys. I think they noted in their most recent earnings call that they're looking at Toys "R" Us as a source of growth for the holiday season or that they're expecting strong sales there. And part of that's coming from their collaboration with Disney that they're rolling out. Disney's having their hundredth anniversary this year, and that also ties into content and experiences a little more.

Sara Lebow:

Yeah, I think that if you're a toy store, you definitely have to make it worth it to come to a toy store. That has to be part of the experience because I think a lot of parents don't want to have their kids loose in a toy store if they can avoid it.

Sky Canaves:

Right, one retailer that's really killing it in the US is called CAMP. They're a bit smaller, much smaller than Toys "R" Us, but I think they're as focused if not more focused on experiences than toys. They have things like art classes. They do kids nights so that parents can go out on a date night. They had a big Encanto house at their store in New York City, that was a full immersive experience with characters and music and everything. So, that really will draw people rather than just going to look at toys. Because, yes, sometimes the last thing I want to do is take my kid to a toy store because it's much more trouble than shopping online.

Sara Lebow:

On that note, let's keep moving. Now it's time for pop-up rankings. Where we take a look at specific examples and we rank them. Today Sky and Carina will rank creative ways toy companies are getting people to buy their toy in particular. So Sky, why don't you kick us off with the first example of a toy company creatively getting folks to buy their toy?

Sky Canaves:

Sure. This is a big one and one that we've already mentioned and everyone's talking about, and that is content, particularly Mattel's example with the Barbie movie and creating really strong content. That really depends on investing in talent and also being willing to take risks because the Barbie movie has provoked some backlash and it's not particularly geared towards kids, it's not written for kids. It appeals to adults maybe more than kids. And I think that's making brands even more relevant to broader demographics and playing into the kidulting trend.

Is that we see children's media is increasingly communicating on more than one level. It can speak to kids and adults at the same time. So, Barbies and example, I think some of the great Pixar movies or other classics examples, there's the children's cartoon, Bluey that I think is really beloved by parents as well as kids. And that's also important because for parents it creates positive associations with the content and makes them more inclined to buy the products that they feel these emotional connections with.

And it can be spun out into the whole range of experiences beyond products. So, Barbie has tapped into more immersive experiences like Barbie Cafes, there's World of Barbie that's making a tour around the country, but it really starts with the content and appealing to people with really strong storytelling.

Sara Lebow:

I mean content being related to toy sales, that's not new at all. But now we have all of these movies coming down the pipelines, a bunch from Mattel, a Magic Eight ball movie. I think I saw a Hot Wheels movie, a Polly Pocket movie, which I did play with. I think that we can expect to see retailers really investing in media and seeing a Marvel movie sized universe of these toy movies because they help with media sales and they help drive toy sales. Sort of a win-win if you can pull it off.

Carina Perkins:

I did hear that one of the films that Hasbro was planning was a Play-Doh movie, so I think that'll be interesting to see.

Sky Canaves:

And that's another company, they're refining their entertainment strategy to really focus on the core toy related IP and they just sold off the other IP under the eOne brand to Lionsgate. And I also heard that Crayola is looking at getting into more entertainment. So, we might see a Crayola movie, crayons coloring the world.

Sara Lebow:

Play-Doh is definitely something that I would buy a kidult version of. Okay. Carina, why don't you tell us another creative way a toy company is getting people to buy their toy?

Carina Perkins:

Sure. I'm going to talk about Lego and I don't think it's really a company that's ever struggled to get people to buy its toy, but it's always done some really interesting things. So, it's been playing around with emerging technologies like augmented reality for a while. I think it launched its first fully integrated digital to physical experience, Life of George back in 2011. And since then, it's launched quite a lot of different AR enhanced experiences that merged physical and digital play like its Lego AR studio app, which digitizes some of its most popular sets.

It's also got a filter with Snapchat that allows people to collaboratively build creations together and it's bringing AR into its stores. So, there's a Lego digital box, allows shoppers to scan their selected Lego kits and see what it's going to look like after it's built. It's got a couple of augmented reality, physical, digital experiences in its big stores and it's got quite big ambitions here. It announced earlier this year it was going to invest a billion dollars with Epic games to build a Metaverse. So, it'll be really interesting to see how that plays out. I think again, that plays into the trend that Sky was talking about earlier, that the kind of gaming becoming a really important element for children.

Sara Lebow:

Lego, definitely not a stranger in getting into other revenue streams or loyalty drivers besides retail. I mean the Lego Movie came out long before the Barbie movie did. Legoland has been around in various cities and resort areas as a tourism draw. So, I'm not surprised that they're investing in the Metaverse and I think that they're doing it in a way that makes a little bit more sense than other companies not naming names. We've seen try and build out the Metaverse, which is through gaming, which I think is where that area shows the most promise. Sky, can you give us another creative way a toy company is getting people to buy their toy?

Sky Canaves:

So, this one also relates to what Carina was talking about and it's personalization. She mentioned things like AR filters that Lego is offering, and I think we see Barbie had really great success with their selfie generator filter. So, users would take a picture of themselves and they could put themselves in a Barbie box with the tagline this Barbie is. That took off and went viral. It was playing on the movie posters that they had released showing the different Barbies and Kens in the movie with their own taglines.

That took off and it really allowed consumers or users to participate in the trend and make themselves into the product as well. We see more classic examples of personalization. One that's very successful is obviously Build-A-Bear where it's not just personalizing the product but having the experience, going to the store, watching the animal be created, and then dressing it and accessorizing it and making a whole experience out of it. So, I think this is really about creating the one-on-one relationships with a product and with brands in ways that great toys have always done by enabling creativity and self-expression.

Carina Perkins:

Build-A-Bear tapping into kidulting as well. Have you seen that after dark program? They've got a special website full of bears for adults?

Sky Canaves:

No, I haven't.

Sara Lebow:

That's what I was just going to say. I would definitely go to a Build-A-Bear store after dark event. Probably wouldn't go to a mall, but if I were in an area with the mall, that definitely sounds fun to me. Personalization also isn't new, but a lot of new tech potential there. When I

was a kid, American girl had the personalized dolls, which were so expensive, but really cool. You could get the American Girl doll to look like you. An American Girl's also been in media forever. I wonder what their response to the Barbie movie will be. Carina, I'm guessing American Girl is not so much a thing in the UK.

Carina Perkins:

Yeah. No, that's not one we have over here.

Sara Lebow:

All right, Carina, why don't you tell us our last creative way a toy company is getting people to buy their toy?

Carina Perkins:

Sure. So this is something that Sky's already touched on, but it's brands tapping into TikTok and influencer marketing and social media more generally, but I'm going to focus on a brand that's used TikTok really well, which is Mini Brands. So, this is the five-part capsule toy, and you get five individual toys within a ball that you unwrap individually. And so it really lends itself to those unwrapping videos and it's tapped into that really well with its use of influencer marketing on TikTok.

And it went viral on its launch in the US and it's now trying to replicate that success in the UK. And it's been working with a company called Fan Bites, which have created a Bite Squad, which is a group of creators that live in the UK's first ever TikTok creator house. Did you guys know that these exist?

Sara Lebow:

Yeah.

Carina Perkins:

Brilliant. Yeah, they have a combined following of 25 million, and one of their campaigns was that they pretended to move into a new house and showed closeup shots of their new rooms. And then at the end of the clip viewers found out that the new rooms were actually Mini Brands products in a big reveal, I thought that was really clever. And they also had lots of unboxing videos on TikTok and if anyone wants to waste a few hours, go onto TikTok and watch some of the Mini Brands unboxing videos because they're really, really addictive.

Sara Lebow:

This is fascinating because both the Mini Brands trend and the TikTok house trend, those were both things in the US two years ago, maybe a little longer. So, it's interesting that they're sort of just now replicating that success in the UK. I think that toys specifically made for the purpose of creator-driven media is a good idea, and I wonder what other sorts of creator driven, driving toys we might see down the pipeline.

Carina Perkins:

We're now starting to see toys in the UK which allow you to become a creator in your imagination.

Sara Lebow:

What do you mean? Like an iPhone toy?

Carina Perkins:

Well, no, it's like I haven't actually seen them. I just read about it, but it's like you get a pack and it's got a microphone and you pretend to be a creator.

Sara Lebow:

Wow. I do that every single time we record this podcast.

Carina Perkins:

You are a creator.

Sara Lebow:

Yeah. I've got my real mic and my stack of books my laptop sits on and everything. That is all we have time for today, so thank you for being here, Carina.

Carina Perkins:

Thanks for having me.

Sara Lebow:

And thanks for being here, Sky.

Sky Canaves:

Thanks Sara. Great chatting today.

Sara Lebow:

Please give us a rating and review wherever you listen to podcasts and follow us on Instagram at Behind the Numbers, underscore, podcast. Thank you to Victoria who edits the podcast and keeps things all fun and games. We'll be back next Wednesday with another episode of Re-Imagining Retail and eMarketer Podcast. And tomorrow join Marcus for another episode of the Behind the Numbers Daily.