

Toys R Us maps out an aggressive comeback strategy

Article

The news: Toys R Us parent company WHP Global mapped out what [it calls](#) an “Air, Land and Sea” expansion plan that includes opening up to two dozen flagship stores, as well as developing a new retail format that will appear in airports and cruise ships.

- The flagship stores—which WHP is partnering with **Go! Retail Groups to open**—aim to offer an immersive experience where consumers can explore and interact with a variety of toys.

The context: Since Toys R Us shuttered its stores in 2018, there hasn't been a dominant toy retailer as sales in the category have largely been dispersed among mass merchants, including **Amazon, Walmart, and Target**.

- But since WHP bought the brand in 2021, it has sought to find ways to recapture share of a still-growing toy and hobby market, which our [forecast](#) expects will grow 6.6% this year to \$208.36 billion.
- WHP opened a 20,000-square-foot flagship store at American Dream mall in New Jersey in 2021. It then rolled out 452 [shops-within-shops inside Macy's stores](#) across the United States.
- It has also aggressively spread its reach abroad; it now operates over 1,400 stores and ecommerce sites across 31 countries.

Offering an experience: Sales in the category have rapidly shifted online due to a confluence of factors, including the lack of a dominant toy retailer in the US, and the enduring impact of pandemic-era spending patterns.

- In 2018, when Toys R Us closed the last of its 735 US stores, 31.2% of sales in the category were online, per our forecast.
- We expect that ecommerce's share will reach 45.4% this year and continue growing for the foreseeable future. By 2017, we expect ecommerce will account for nearly two-thirds (63.7%) of category sales.

While WHP is pushing against strong headwinds by opening physical stores, it sees an opportunity to rethink the role of the physical toy store.

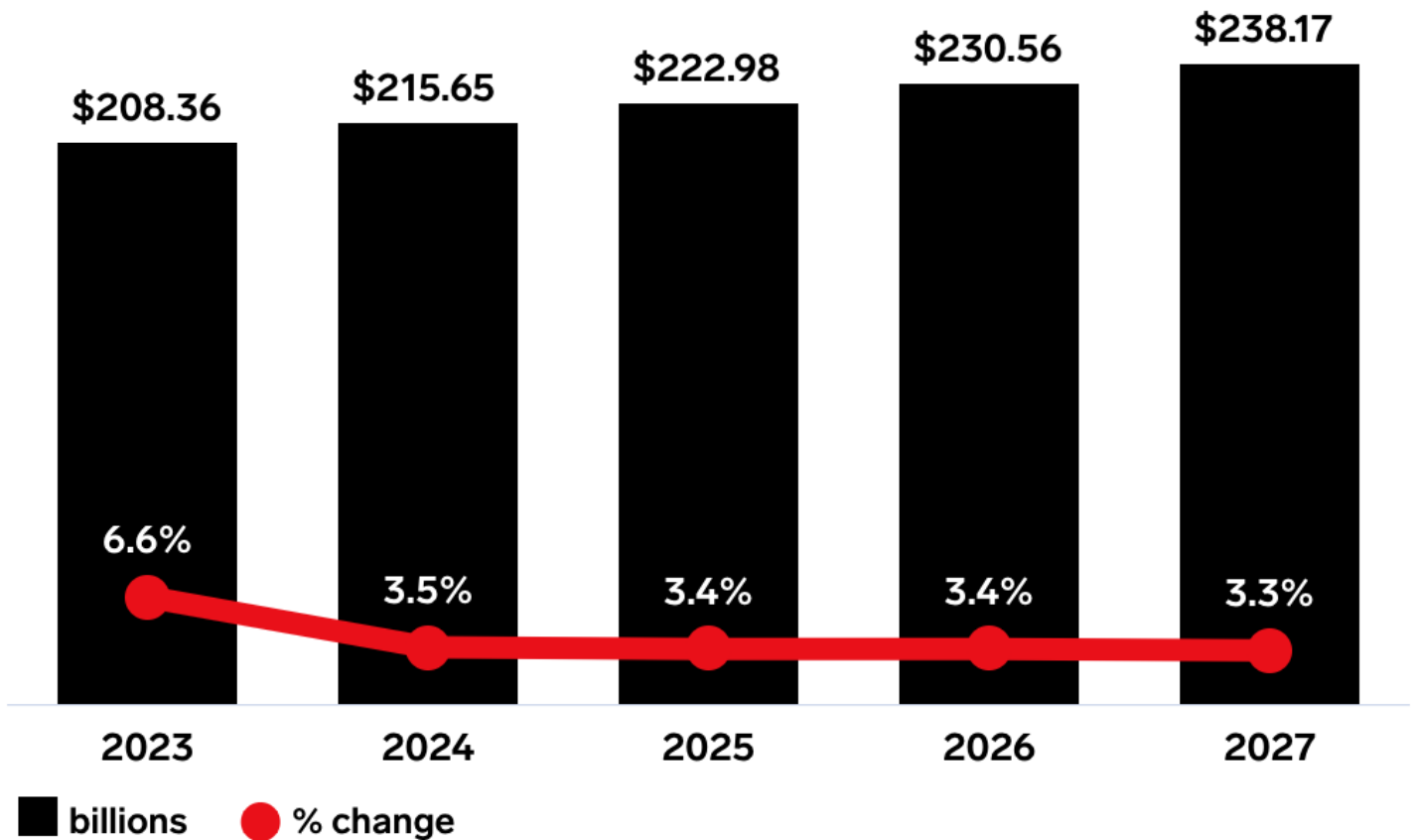
- That said, it is far from the first merchant to do so. **FAO Schwartz** was one of the early pioneers of the experiential toy store, and upstarts, such as **Camp**, have married toy sales with classes, shows, and activities. (We discussed Camp's strategy on a recent [episode](#) of the "Reimagining Retail" podcast.)

The big takeaway: Toys R Us has a prime opportunity to leverage its tremendous brand equity to reclaim some share of toy and hobby sales.

- WHP is making a reasonable bet that in addition to driving in-store sales, physical stores will serve as de facto interactive billboards that also boost online sales.

Toys & Hobby Retail Sales

US, 2023-2027



Note: excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, restaurant sales, food services and drinking place sales, gambling and other vice goods sales

Source: Insider Intelligence | eMarketer, June 2023

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