

Toys R Us Bankruptcy: Marketing Environmental Factors

Required Video: The Rise and Fall of Toys R Us (CNBC video on YouTube)

As many students would be aware, Toys R Us went into liquidation in 2018 closing virtually all their stores throughout the world.

Toys R Us were essentially a victim of failing to adapt to a significantly changing marketing environment. They maintained their large-scale supermarket retailing model for over 50 years without considering trends in retail design, retailing itself, changing consumer needs, technology and online factors.

Therefore, their marketplace and their marketing environment changed but they didn't - resulting in a bankruptcy situation.

Extra Information (in addition to the video)

- There was an emergence of specialist competitors, such as PC games and apps
- Toys R Us were reliant on broad range and choice of toys in-store, which is costly to maintain
- Their business model required large retail spaces and staffing (also expensive)
- Kids were consuming less TV media and advertising
- Kids had a much broader choice of media options (e.g. YouTube and social media)
- There was a much wider choice of “toys” (e.g. gaming) for kids
- They had made limited enhancements to their in-store experience over time
- Many retailers were trying to make their stores a "destination" and make shopping exciting
- Their early online partnership with Amazon soured in the late 2000's
- Walmart and Target use toy discounting to “loss lead” and win customer traffic
- Walmart becomes No. 1 in toys in the USA market in 1998, due to its large number of stores
- Toys R US were operating with a high level of debt
- The financial owners of the retail chain were "investors", not really retail experts

Student Discussion Questions

1. List all the factors and changes that contributed to the decline in Toys R Us commercial success,
2. Categorize those factors into the main marketing environment components of: the internal environment, the micro-environment, and the macro-environment, and
3. Rank the factors (based on the video and the information provided) in terms of which ones were the most significant in the downfall of Toys R Us.