Toys r us case study.

Business, Management

Created in 1957 Toys " R" Us (TRU) has become one of the leading outlets for toy retail around the world and has achieved globalisation by breaking into one of the most testing markets in the world. Although Japan is part of the triad, being one of the biggest economies in the world, it has always been a difficult market for foreign investors to crack due to so many cultural differences, legal restrictions and other such trading barriers. By breaking into the Japanese market, it would mean that TRU could achieve true globalisation. In 1992, TRU decided to try and enter the Japanese toy market, but faced many challenges if they were to be a success. In the 1980's annual retail sales in Japan grew by 94% and children's products accounted for a significant proportion of this. It showed that the desire for products that TRU produced was there, but they needed to find a way into the localised and fragmented toy market that was present in Japan at that time. Cultural differences had proven to be a problem in the past with companies such as McDonalds investing in Japan and not completing efficient research on colours for example. After this setback McDonalds realised that a relationship with local businesses or organisations with local knowledge was necessary and worked with businessman Den Fujita who made McDonalds Japan a great success. TRU followed suit and made a strategic alliance with Den Fujita, as he appeared to be the only business leader who had succeeded in bringing foreign retail business into the restrictive market. With very restrictive laws on the size of retail outlets in Japan, this alliance would prove useful in order to build the large TRU warehouse's that were part of the TRU brand. It was important to TRU to enter the Japanese market keeping their brand image intact and business models aligned with those used in every other market they operated in. Part of their brand image was the " category killer" which meant they offered low prices and high availability. They promoted the " discount formula" which worked well within countries in the triad and were now trying to attract the younger generations within Japan to adopt this consumer trend. TRU relentlessly pursued this objective in order to standardise all branding and business models in TRU Japan. They knew that their formula to date worked and rather than change drastically and adapt to the Japanese way of business, they aimed to set a new benchmark in Japan and take the risk of the Japanese toy market following suit. By 2001 TRU had opened 111 stores with a plan to expand to 200 by 2010. They have successfully become a trans-national company by breaking the Japanese market and being able to standardise their brand within what was seen at the time as a new and risky market. It is seen that their ability to operate within North America and countries in Europe they were able to enter Japan with a well oiled business model. With Japan's markets continuously growing and adapting to a more westernised culture, TRU could take advantage of this and continue with its standardised model and brand image.