

Toys r us is a leading multinational retail marketing essay



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Toys R us is a leading multinational retail business that sells toys, juvenile products, educational products, and seasonal categories. It was founded when Charles Lazarus opened a baby furniture store in 1948[1]. In the year 1978, Toys “ R” Us went through IPO, and the chain has now grown to more than 1550 stores[2]worldwide. However, because of the increased competition with Wal-Mart and Target, Toys “ R” Us bumped into crisis and then in 2005, got acquired by affiliates of Bain Capital Partners LLC, Kohlberg Kravis, Roberts & Co. (KKR), and Vornado Realty Trust (NYSE: VNO) and is now a private company.[3]

2. Business Divisions of Toys “ R” Us

1) Toys “ R” Us USA

Toys “ R” Us stores in USA sell toys for children as well as adults, entertainment products, bicycles, sporting goods, VHS video tapes, electronic and video games, small pools, books, infant and juvenile furniture and educational items. All kinds of infant and juvenile items are sold to customers. In 1998, the time in our case paper, Toys “ R” Us had 698 stores, 438 of which were owned and 260 leased.

Operating on a national scale in the US during the next decade, Toys “ R” Us began to implement a strategy of creating an integrated “ one-stop shopping” service to enhance synergy between toys and juvenile products. Whereas the former Toys “ R” Us stores were sized between 40, 000 and 50, 000 square feet, the new stores, which are a combination of Toys “ R” Us and Babies “ R” Us, is expanded to a range of 60, 000 and 70, 000 square feet[4]. Since implementing the integrated store format just over three years

ago, the company has converted 129 existing stores into the new format[5]. As of Jan. 30, 849 stores exist in the US[6].

2) Toys “ R” Us International

Toys “ R” Us International operated or franchised toys stores in 26 countries outside the US as of 1998[7]. The franchises stores conformed to similar designs to those of Toys “ R” Us stores in the US. International operations were consisted of 367 stores, excluding 16 joint ventures and 58 franchise stores[8]in 1998. By expanding the business, the company presently owns, licenses, or franchises 717 stores in 33 countries[9].

3) Babies “ R” Us- US

The company launched its new Babies “ R” Us division with six stores in 1996[10]. These stores offer juvenile furniture such as cribs and dressers, as well as play-yards, bumper seats, high chairs, strollers, car seats, infant-toddler and pre-school toys, infant plush and gifts. In 1998, the company operated 98 stores under the Babies “ R” Us[11]brand. After six years, 217 stores were in business in the US. Although some of the Babies “ R” Us stores are being absorbed to Toys “ R” Us stores currently, rest of them are remaining separately[12].

4) Kids “ R” Us-US

Kids “ R” Us is a brand for children’s clothing. The stores conform to prototypical design, being approximately 15, 500 to 21, 500 square feet and are typically freestanding units or located in strip centers[13]. It operates 212 stores in 1998, but was completely absorbed into the Toys “ R” Us brand in 2003[14].

5) Online Stores

The internet shopping site, “toysrus.com”, was launched in 1998[15]. Toys “R” Us anticipated the importance of e-commerce, so they began to sell a wide selection of items like toys, baby items, videogames, and even its private brands. To meet the demand of new parents and also expectants, the company acquired etoys.com, babyuniverse.com, epregnancy.com[16] in recent years.

3. Company Structure as of 1998

At this point of time, the International Division Structure would be appropriate for Toys “R” Us, with the divisions classified as Toys “R” Us USA, Kids “R” Us, Babies “R” Us, Toysrus.com, and Toys “R” Us International. Under Toys “R” Us International, the geographical regions would be divided into Europe, Canada, Asia/Pacific, and Japan.

The reasons for implementing this structure are: (i) Toys “R” Us is still concentrating its business in the domestic market, which can be noticed by the number of stores (1029 stores domestically: 704 Toys “R” Us, 212 Kids “R” Us, 113 Babies “R” Us vs. 452 stores internationally[17]) and by the various brands or product divisions that are only operated domestically. Only the Toys “R” Us brand is expanded to the international level. This implies that the proportion of business in the international level is considerably smaller than domestics, which makes it inappropriate to implement the Geographic Division Structure yet. (ii) Decentralization is needed in its international locations, since the stage of internationalization for Toys “R” Us is not at its beginning but is quite progressed. Toys “R” Us, being a retailer, needs to be sensitive to the market demands and local supplier

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relations which induces the necessity of specialized divisions for each region. In the Korean case, 90% of products are provided by Korean suppliers, some which are domestic (Korean) manufacturers and others which are agents who import foreign products[18]. However, a Geographic Division Structure would endow too much decentralization which again would be inappropriate in the current state. (iii) The reason for separating Japan from Asia/Pacific is because the company is considering the Japanese toy market, the second largest market in the world, as one of the core targets of expansion[19]. Focusing on the Japanese market separately would help Toys “ R” Us to deal with cultural and legal obstacles more effectively.

The proposed structure is displayed in figure (1).

4. Future Company Structure

Toys ‘ R’ Us has been operating international branches since the year of 1984, and is operating in an International Division Structure where the international division is responsible for all the international business of the company. But Toys “ R” us is facing new international market situations which are changing rapidly, and furthermore, becoming more localized.

As of January 30, 1999, Toys “ R” Us is engaged in the operation of 452 international stores, including 52 franchises and 16 joint ventures in 25 countries[20]. And considering that opening 10 foreign stores each year is Toys “ R” Us’ objective according to the 1998 Annual Report, the number of foreign stores will rise dramatically within next decade. And especially, as the market in Japan is expected to be the second largest in the world, Toys “

R" Us' plan for the Japanese market is to open 100 stores in Japan only. This will make the number of stores grow up to about 700 globally.

Considering that the total number of domestic stores is 1029[21]in 1998, this is a substantial proportion for the whole company. But we believe that Toys " R" Us will depend more on the international market in the future. In this new situation, we think that the most appropriate structure would be the Geographic Division Structure than the current structure: International Division Structure.

This trend will result in more countries where Toys " R" Us is operating in, and foreign markets will be focused on with greater significance. In this future situation, Toys " R" Us would need an organization structure which can handle foreign stores more efficiently and effectively. By setting up divisions according to geographic reasons, TRU would have efficient ways to adjust corporate level policies or strategies for local branches and react to different cultures and demands among markets. This way, Toys " R" Us can decentralize its structure to cope with the challenges derived from the changes of business strategy and the focus of the company.

Figure (2) is depicting the proposed structure. The divisions are divided geographically; USA, Europe, Asia/Pacific, North/South America, and Japan. Japan is separated from Asia/Pacific again due to the significance and the size of the market.

5. Evaluation and Conclusion

Just like our expectation, Toys " R" Us has expanded dramatically throughout the world as the number of stores internationally rose to 717, from 452 in <https://assignbuster.com/toys-r-us-is-a-leading-multinational-retail-marketing-essay/>

1998. However unexpectedly, the number of domestic stores has decreased from 1, 029 to 849, which implies that the proportion of domestic business is gradually decreasing, while international penetration has greatly increased. In this sense, the Geographic Division Structure, seems to become more significant than we expected.

But currently, Toys “ R” Us is not fully implementing this geographically diversified structure. With the weak consumer spending in the US and rising labor wages emerging as threats in the domestic market[22], it would be wiser to diversify business risk by expanding more globally. For this, a more localized strategy for each region is more beneficial. This means more decentralization is needed which is conducted through the Geographic Division Structure.

6. Exhibits

Figure (1) : Structure of Toys “ R” Us as of 1998

Figure (2) : Future Company Structure

Note:

(a) The structure under “ USA” will be identical in each region.

(b) US is excluded from North/South America.