



Dr Sivakumar takes us through the inception of toy retailing in India and provides instances and trends the world over that will ensure it's success in the Indian context

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Where toys rule

The toy retailing industry in India is poised for growth by leaps and bounds especially due to the demographics of the country. In addition, the increase in the purchasing power and the greater propensity to spend has lead to a much greater growth in the industry. However as is seen in the developed markets, toy retailing has not developed as a specialty retail format in spite of the development of the merchandise category. Of the top ten toy retailers in US, Toys 'R Us and KB toys are the major specialty toy retailers, while other outlets are part of hypermarkets or department store were they are recognised as the largest sellers of toys.

The growth rate of the Indian toy market is estimated at around 15 per cent. This figure seems set to rocket upwards with the entry of specialty retailers who are targeting children. At the forefront of this retail wave is Toys Kemp, an offshoot of Ravi Melwani's Kemp Fort group. Mr Melwani is out to create India's answer to Toys 'R Us, and is targeting a network of 500 stores in the next two years. He has adopted the franchise route for this process, and has already set up over 15 stores across several cities including Chennai, New Delhi, Bangalore, Mumbai, Indore and Nashik. And, on the drawing board are stores in Hyderabad, Bhubaneswar, Visakhapatnam, Pune and Ahmedabad, in addition to a 15,000 sq ft Toys Kemp store in New Delhi. Here, toys are first tested at the 50,000 sq ft toy store at Kemp Fort in Bangalore. Around 100 toys are tested each week, and only around five make it through. These are further distributed to the franchisee stores.

Chennai-based Jus! Kidding, a unit of Kids Mart, which is owned by real estate developer Mangal Thirth Estate is not an exclusive toy store but toys make up as one of its major product lines. This is another store,

which is looking at toy retailing as a serious business opportunity in the future.

Ensuring success

Parents consider several aspects such as safety, durability and design before buying a toy. It is the ability to combine all of these factors and still keep costs low that ultimately provides top selling toys, which are a favourite with both children and parents. Many factors influence the success of a given toy or product line, including play value, perceived worth, eye-catching design, innovative line extensions, creative marketing, proper in-store exposure and reasonable availability. However, it is most likely a combination of factors, plus positive word of mouth that would make a particular toy or category a bestseller.

In the above list, one can observe that as toy retailers, the ability to incorporate all these features in the store would help retailers attract more customers. A dedicated play area for experiencing play value, understanding child behaviour in buying toys and converting it into eye catching design and visual merchandising are strong influencers for toy buying. Positive word of mouth for the toys in-store or otherwise has to be initiated through innovative marketing programme. These could involve loyalty points or referral points as well as schemes that persuade parents to come along with children to a store for a toy buying experience.

New game plan

Video games to a great extent have attracted both the young and old generation alike and have eroded the base of traditional toys. As advanced technology began to offer increasingly sophisticated game play, in late

CREATING BARBIE



Barbie was first introduced at the American International Toy Fair in New York in February 1959. Elliot Handler, the founder of Mattel, and his wife, Ruth, created the first Barbie doll

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1993 a progressive and forward-thinking coalition of US manufacturers of video game (including CD-ROM) hardware, known as the Interactive Digital Software Association (IDSA), met to discuss a voluntary rating system for game software. They created the Entertainment Software Rating Board (ESRB) to independently review entertainment software. After extensive research and consultation with consumers, leading psychologists and child advocates, the ESRB developed a standardised system for rating computer and video games. The voluntary system developed by the rating board is similar to the system used by the movie industry.

This system rates games by age category: EC (early childhood), for ages 3 and up; E (everyone), for ages 6 and up; T (teen), for ages 13 and up; M (mature), for ages 17 and up; and AO (adults only), for ages 18; and R and RP (rating pending). The rating system went into effect for games arriving in the market since early 1994. The ESRB has rated more than 7,200 titles submitted by over 300 publishers and developers. There is a need for such a system in the Indian context where the market is swamped by video games from abroad and reaches the wrong hands. This can help retailers to be vigilant about what they sell and can help professional as well as hobbyist retailers to categorise their offering and inform the appropriateness of the offering.

The ESRB rates games by age category. The rating system came into effect for games in US markets in early 1994

Types of toys

Toys can be classified into different categories like infant/preschool, dolls, plush, action figure toys, vehicles, ride-ons, games/puzzles and activity toys. Each can constitute a department in a specialty toy store. In addition if any of these have enough merchandise to be managed as a separate store, there is a possibility of a store to develop in-store brands. Otherwise a retailer can develop a super specialty store that concentrates on only one of these categories. In the Indian context however with toy retailing still in its nascent stages, besides the traditional toy products like stuffed animals, games, action figures, dolls or crayons will always spark interest in the years to come.

One of the key developments the world over in the toy industry and the retailing part in particular is the use of licensed characters. As licensed products depend heavily on the movie, show or character they are

affiliated with, the product can either boom or bust often in response to the success of the actual license. Since retailers usually have to order toys eight months in advance, picking a winning product can prove to be tricky. In an effort to avoid surplus stock, several retailers tend to restrict the number of actual licensed products to a minimum.

In India, due to a liberalised economy there is greater exposure to the international developments. This gives scope for interesting and innovative developments in this category. Which character to choose Indian or foreign – given the kind of media exposure that would interest the toy buyer, is quite a difficult development to predict.

Expanding market base

Today's children are growing up faster than any generation before. With advances in technology, combined with their access to all levels of information through media and peers, this trend has a huge

potential. This development, known as age compression, continues to challenge toy manufacturers to create new, innovative toys that capture the interest of children. While many have reported that the average age range of children buying toys is between 0-8 years, there seems to be a glimmer of hope for toy companies worldwide. A small but critical shift is taking place among the so-called tweens (8-12 years), due to the introduction of high-tech toys that require a higher level of creative input and more intelligent play. One of the advantages therefore for toy retailers in India is to broaden the market for toy retailing, which will eventually lead to increase in sales and profitability.

Given the trend in developed countries, independent specialty toy retailers would continue to create an expanding niche in the marketplace. Smaller toy stores can't access hot best selling toys. If at all they can, they're priced substantially higher than chain stores. Therefore, small store survival depends on product uniqueness and customer service. These are unique selling points in toy marketing. Specialty stores are attracting an increasing number of customers by

COMFORTABLE BUSINESS



In 1948, Charles Lazarus began a furniture store totally dedicated to kids and their needs. Today, this store in Washington D.C., has evolved into an \$11 billion dollar business with approximately 1,500 stores worldwide

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creating a unique experience, which is not the same elsewhere, as they offer customers toys that enhance their child's development. Examples of specialty products include nostalgia and retro toys, do-it-yourself toys, and exotic toys. These help in developing niches that are hard to penetrate.

Online toy retailing

Online retailing or e-tailing of toys is a development which can be correlated to the development of software based toys. Some of the sophisticated game consoles that are based on software could be supported by new software, which could be down laid through the web site, besides selling traditional toys through these websites. In addition, online games for children and

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adults in different age group may soon change the buying behaviour of toy buyers. Although eToys pioneered US online toy retailing, other toy retailers rapidly addressed the e-commerce challenge, and it was only a matter of one US holiday season before eToys was hit with competition in online sales. These online site faced competition from the street as well as from cyberspace, which included the classic bricks-and-mortar retailers like Toys R Us and KB Toys (after spinning off their Web sites as separate companies). Other toy retailers and manufacturers such as Noodle-Kiddoodle, Fisher-Price, Hasbro, FAO Schwartz, Zany-Brainy, and Mattel promptly followed their lead by launching their own online stores. Big box retailers (Wal-Mart, Costco, Sears, Kmart, JC Penny, and Target) are poised to carve slices of the online toy market. Cutthroat competition in online toy retailing has inspired creation of specialty online stores (SmartKids, HardToFindToys) and special features (such as online animated, step-by-step instructions for assembling toys provided by Netoy). But the biggest challenge from the competition against eToys came in summer 1999 when Amazon, the Internet guru of the book world, began selling toys through its toy section. The next battle ground for toy retailing seems to be the web and if the geographical area is extended to cover almost the entire world. In India the toy industry would really have to

face the onslaught of adapting toys to suit the local flavour. One way of trying to face this situation is to look for Indian characters, traditional Indian toys and increased promotion of ethnic toys that would help face the onslaught.

Major ramifications

The toy industry is a highly seasonal industry. The bulk of industry toy sales are accounted for by a relatively small number of products. In addition, the identity of the top selling toys in the industry changes substantially from year-to-year and is hard to predict. The strong seasonality in toy sales and the nature of demand contribute to frequent divergences between anticipated and realised demand. The supply of toys, however,

generally does not respond rapidly to unanticipated demand due to the relatively long delivery cycles resulting from overseas production and water borne international shipments. In view of this situation, at the retailing end the importance

of supply chain management becomes important. Specifically, logistics – a combination of inventory management and transportation becomes crucial. Management of this aspect of marketing ensures that the service levels are high within the store. Merchandise management also depends on the same. Stringent product control measures would have an impact on the positive development of branded toys. This would help retailers if in the future there were a greater sensitivity to the issue of safety of toys. For example in Australia, compliance with consumer product safety standards is mandatory. All suppliers, including manufacturers, importers, distributors, hirers and retailers of toys must ensure that their toys comply with the mandatory requirements. This applies equally to suppliers of toys for sale or as a give-away or prize, such as a bonus with a meal or in a cereal box or bag of sweets. In UK, every manufacturer or importer (authorised agent) of toys has to keep sufficient records of materials used, production methods and test reports to show that the toy is made in accordance with approved safety requirements. Such sensitivity is required in the Indian context to ensure the loyalty of the customer. ➤

The author is Faculty Member (Marketing) at the TA Pai Management Institute, Manipal. He may be contacted at siva@mail.tapmi.org