Company Description and Current Business Assessment

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Introduction

This paper provides a business analysis of Toys“R”Us, a toy-retail brand founded in 1948. The 1,600-location count and the references to KKR, Vornado, and the former corporate subsidiaries describe the company before its bankruptcy and restructuring. The Toys“R”Us brand is now owned by WHP Global, whose current brand profile reports more than 1,650 stores and e-commerce sites across 35 countries.

This paper will study the company from different perspectives and provide a company description and current business assessment. Furthermore, it will analyze the external environment, including the affecting variables. Besides this, the paper will also address the competitive and market analysis, current business-level strategy assessment, and SWOT analysis, and eventually, the paper will discuss blue ocean strategies for Toys “R” Us.

Company Description and Current Business Assessment

In terms of providing its products, the company has made some strategic choices throughout its history. Some of the Times Square store launch events and Ocean Terminal in Hong Kong were very successful. The 110,000-square-foot location of the New York Times Square flagship store featured an animatronic robot known as T-Rex, the life-size dream house of Barbie, and a Ferris wheel inside the store. Some of these company innovations have helped attract a large audience. Moreover, throughout the company’s progress, it has expanded its trade-in event to include clothing. This is one of the blue ocean strategies, according to personal knowledge. Besides this, the company has also launched events for children aged 2 and up, and some of them included LEGO gifts. Another famous company club is the “Geoffrey’s Birthday Club.”

Regarding stakeholders, the company has trade unions, the supply chain, lenders, major customers, HMRC, and even pension regulators. However, Brandon has shown negligence towards the company’s conduct, and therefore, for a while, the company has been unable to manage its stakeholders effectively and efficiently. For this purpose, the company even filed for bankruptcy due to intense

competition from Walmart and Target (Schmenner, 1986).

External Environmental Analysis

The store counts, debt figures, and debtor-in-possession financing in this paragraph refer to Toys“R”Us Inc.’s 2017 bankruptcy and should be treated as historical context. The current Toys“R”Us brand operates under WHP Global through licensed stores, e-commerce businesses, and retail partnerships rather than through the former 1,600-store corporate structure.

The report also stated, “The filing is the latest in a grim year for traditional retailers ravaged by the rising popularity of e-commerce, particularly among companies that took on large debts in the years leading up to the financial crisis.” Eventually, another report with extended information was shared by CNBC, which stated that the company was looking for a law firm to hire for its bankruptcy problem. Basically, the company was looking to fix and protect its long-term debts, or just debts in general. However, the company faced severe legal issues that could have led to the shutdown of the business. However, since Toys R Us has a rich history of serving the toy industry, the company was given a chance to speak and resolve its issue. From these examples, it can be extracted that the company is facing severe legal, financial, economic, and eventually social factors that will affect the reputation of the company. Each of these stated factors shapes the company and keeps a check and balance on whether the company is compliant with current laws, rules, and regulations. The projected basics of these elements also show the negligence of the CEO and his ways of financially managing the toy business. This incident is one of the reasons why Toys R Us lost its competitive advantage, competitive edge, and uniqueness in its products. The company is facing economic problems, and for that purpose, it is constantly accusing Walmart and Target of intense competition.

On the other hand, according to Porter’s Five Forces, Toys R Us is in a critical position, as competitive rivalry is the company’s major concern. Due to the bankruptcy incident, the company unintentionally exposed its weaknesses, which other participants like Walmart and Amazon could take advantage of. As stated in research, “When Toys R Us filed for bankruptcy protection on Monday, the easy culprit to blame was Amazon. But long before Amazon battered Toys R Us with a much deeper selection, Wal-Mart beat the toy retailer with aggressive pricing on the most popular items during the holiday seasons. Amazon hasn’t helped either.”

Some of the company’s most influential stakeholders were Bain Capital, KKR, and Vornado Realty. And the company’s core business actually functioned on billions of dollars in debt, which further resulted from the 2005 leveraged buyout. So, competitive rivalry is a major issue according to Porter’s Five Forces. Supplier and buyer power has always been effective and efficient in the case of Toys R Us; however, there is a great chance of the threat of substitution. Another important aspect the company needs to keep in mind is the threat of new entry. There are several competitors, such as the Original Toy Company and Wal-Mart’s toy company, so new substitutes and entrants can easily replace them. Basically, the issue is that the company is undergoing many major problems, such as

closing a few of its retail stores. Forbes reported it: “Toys R Us on Monday night asked federal bankruptcy court in Richmond, Virginia for permission to close those stores, saying it has faced a challenging commercial environment” made worse, it claimed, by consumer preferences shifting to online stores from brick-and-mortar stores.” This shows that consumer preference can shift easily due to the company’s current status in the market (Grant, 1999).

Another report states that “the company had been weighed down by enormous debt levels – $5 billion pre-bankruptcy, and years of weak sales as business did indeed defect to Amazon.com (AMZN, -2.28%), but also to major chains like Target (TGT, +0.76%) and Wal-Mart (WMT, +1.99%), which have proven far more adept at withstanding competition from Amazon but also made their toy offerings far more enticing.” This shows that the company has intense competition. The analysis with the help of Porter’s Five Forces made the business analysis easier and more evident according to recent news.

Market & Competitive Landscape Assessment

As studied previously in Porter’s Five Forces, the company has major competitive rivalry at this point. As mentioned, “Toys R Us is in a critical position when the competition rivalry is the company’s major concern. Due to the bankruptcy incident, the company unintentionally mentioned their weaknesses, which other participants like Wal-Mart and Amazon could avail themselves of.” In addition, “The bankruptcy incident is one of the reasons why Toys R Us lost its competitive advantage, competitive edge, and uniqueness of products. The company is facing economic problems, and for that purpose, it is constantly accusing Wal-Mart, Amazon, and Target of intense competition.”

The drivers of the competition now are the company’s unique products, sense of innovation, use of technology, stakeholders, retail stores in the international landscape, and the company’s position as a pioneer. However, the issue of bankruptcy and the management of store locations are being handled in a highly ineffective manner. Due to the long-term debt situation and mismanagement of finances, the company filed for bankruptcy.

Current Business-level Strategy Assessment

In terms of the customers and the relationships held with them, the company has remained highly and consistently successful. It has a history of providing popular children’s toys and even being able to stand out among competitors due to its constant innovation, unique products, and smart use of technology. For example, the store initiated by the company, named “Children’s Bargain Town,” does not actually have the same ring that Toys “R” Us has. Besides this, due to its leading image as a toy company, the customers are highly loyal, and the company’s marketing strategies show how to keep customers interested through the efficiency shown in technology. The current Toys“R”Us business is based on licensed stores, e-commerce operations, and retail partnerships rather than a wholly owned

global-store network. The 25% toy-industry market-share claim is not supported by current official disclosures and should not be presented as a current figure. The most important and innovative toys include Disney Frozen, Barbie, My Little Pony, Monster High, Doc McStuffins, Disney Princesses, Hot Wheels, LEGO, Transformers, Minecraft, and Teenage Mutant Ninja Turtles. In terms of tangible and intangible services, the company has gained the utmost trust of its customers. Globally owned retail stores' value chain activities also help support the current strategy (Becker-Olsen, 2006).

SWOT Analysis

Strengths

The company's biggest strength is its product retailing strategies, which are highly attractive in the category. The company offers a wide range of children's toys, including cooking toys, electronics, action figures, video games, bikes and scooters, building blocks, and crafts.

Besides this, the company has been serving the toy industry since the 1960s, which is why it has been able to attract a large number of customers, build credibility over a long period, establish prospects, and eventually gain trust (Kalakota, 1999).

Moreover, the company's constant innovations in many toys have also generated sales and helped it attain a reputable status. As stated earlier, "Some of the most important and innovative toys are Disney Frozen, Barbie, My Little Pony, Monster High, Doc McStuffins, Disney Princesses, Hot Wheels, LEGO, Transformers, Minecraft, and Teenage Mutant Ninja Turtles. In terms of both tangible and intangible services, the company has gained the utmost trust of its customers."

Weaknesses

The issue of bankruptcy has already been discussed in the previous assessments. This specifically occurred when the CEO, Brandon, filed for bankruptcy protection. As stated by the researcher, the company has said it secured $1.3 billion in debtor-in-possession financing for the infrastructure and maintenance of the 1,600 stores. Due to the bankruptcy issue, the company could experience a decrease in sales.

Opportunities

In order to compete with intense competition, the company needs to further work on its own niche marketing and toy innovation. The company is already well-acknowledged in terms of innovation and technology; therefore, instead of focusing on intense competition, it must put effort and thought into using technology.

Blue Ocean Strategies

Some of the company's blue ocean strategies involve using Amazon's "non-traditional" marketing tactic, which describes the process of delivering toys to customers from Amazon.

Another market the company could enter is children's innovative and technological toys, such as a virtual reality book program for kids. This program basically involves launching digital books in software or on a USB and then plugging them into the computer so that children can view them only through virtual reality or 3D glasses.

This way, certain leading children's books from publishers could be gathered, and these digital books would be available only on Amazon. With the help of Amazon, the company must also prepare a tutorial that could help children use digital reality books. The virtual reality must be specifically designed for children at a low cost, which could be further sold for free along with the purchase of the "digital reality books." Further research could help the company establish and renew its image regarding market value, customer value, and stakeholders. The company has to regain its image, and this is why this is an important strategy (Baron, 1995).

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