

Toy retailers test whether they're recession-proof

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Retailers of every stripe continue to offer bigger sales as the clock counts down to [Christmas](#), and toy retailers are no exception.

The larger chains like [Wal-Mart](#) started blasting toy shoppers with promotions back in October and have only become more aggressive in the hopes of escalating foot traffic in their stores and online. The toy industry has garnered the reputation of being more resistant to recession during the holiday season, but these retailers aren't taking any chances.

"There are such extensive price reductions on toys," said Jonathan Samet, publisher of The Toy Insider, a consumer toy guide. "I have never seen so many 50-percent-off sales. They are trying to drive consumer traffic in, hoping that they will fill the cart."

Just how recession-proof the toy industry is won't be known until next month, when many official sales tallies will be released. But the economic downturn has battered every segment of the retail sector. Several major national chains have filed for bankruptcy protection in the past six months, including retailers Circuit City, Steve & Barry's and Linens 'n Things. The Commerce Department said retail sales fell by 1.8 percent in November, marking the fifth straight monthly decline.

KB Toys Inc., the 86-year-old national toy chain, also filed for bankruptcy protection last week, an event retail experts said was more a reflection of its business model - KB Toys also filed for bankruptcy in 2004 - but was most likely hastened by the nation's economic conditions.

During other recent economic downturns toy sales still grew. Toy, doll and game sales went up by 10.7 percent in 1990 and 10.1 percent in 1991, according to TNS Retail Forward, a retail research firm in [Columbus, Ohio](#). Both years were touched by a recession that ran from July 1990 through March 1991. Sales for public doll, toy and game manufacturing companies increased by 3.22 percent in 2001, a year when the country experienced an eight-month recession, according to Sageworks, a Raleigh, [N.C.](#), research firm that analyzes financial data.

No skimping on the kids

Many toy retail experts and those in the toy industry, however, believe adults may cut back on themselves but won't skimp on their children. In other words, toy sales should fare better than other categories such as apparel.

That doesn't mean toy retailers can afford to forgo aggressive promotions.

Toy shopping is down in 2008, with about 48.4 percent of consumers buying toys compared with 54.7 percent last year, according to a December survey conducted by America's Research Group, a Charleston, S.C., consumer research firm. Retailers are well aware of this consumer pullback.

Experts often note Toys R Us has been particularly aggressive with promotions, offering half-price items and steep discounts. Toys R Us began its TV advertising Oct. 22 and was boasting of a 50 percent increase in last month's Black Friday specials.

"They are bringing the prices down, and that's what consumers are looking for," Samet said. "They are looking to stretch their budgets and buy lower-priced items."

Lynn [Usher](#), owner of Einstein's Attic in Northport, said her sales had been down 20 percent to 25 percent until this month, when she began to offer sales and coupons.

Discounts trigger sales

"I am running bigger sales, and I am doing more advertising than I ever have," Usher said, noting that so far, her December sales are equal to last year's at this point. "The reason my sales were down in November [was] because I hadn't run a sale. The minute I ran a sale, my store has been flooded."

The other common strategy retailers appear to have adopted is to offer toys at a wide range of price points, retail experts said.

"Whether shoppers are looking for toys under \$50, under \$100 or under \$20, everyone can find something to fit their budget, and that's the strategy for retailers," Samet said.

That tack has worked well for Usher. Her customers are using the coupons they find in newspapers and are taking advantage of the sales. At the same time, her bestselling items tend to be the higher-end science and educational toys she said. One popular game, Khet, a chess-like strategy game using lasers, goes for \$50.

Educational means less guilt

"The stuff they are spending more money on - some are \$75 and some are \$100 - are more of the educational products," she said. "I've been selling microscopes, telescopes, solar system [models]. If it's educational, they don't feel as guilty spending money on it."

A number of other popular toys such as Disney Clickables Fairy Charms starter sets and the Bakugan Battle Brawlers starter set with action figures and cards have been selling for under \$30. The regular retail prices of several items supplementing these toys fall below \$6, retail experts point out.

This year there is no Elmo craze, though there is yet another version of Elmo, and the bestsellers appear to be the familiar items that have consistently done well like the

[Nintendo Wii](#) and Barbie. Those toys and games, retail experts said, are less likely to be discounted. Retailers usually stick to the suggested retail pricing for video games and are doing so for the Wii.

Barbie was atop the top holiday toys survey by the National Retail Federation. And games, including electronic versions of old board games, are also in demand, as households cut discretionary spending and going out.

"Wii is having an outrageous year because parents are looking at the larger context," Byrne said. "The cost of going to the movies for a family of four is \$70 with the tickets and Sprite and popcorn. Do that four times and you pay for the Wii."

He also noted that sales typically rise for items geared toward the family when the market takes a dip.

"In 1987, when the market crashed, Trivial Pursuit remained strong in its fourth year," Byrne said. "Pictionary, Balderdash ... all of these sorts of things were part of the second stage of the adult board game boom beginning in the early '80s, largely because people were looking for a fun way to spend an evening and spend \$30 and entertain six people.

"I think you're going to see more of that going into 2009."

OF INTEREST

Last month, retailers posted a 53 percent drop in hiring seasonal workers, the lowest seasonal job gain since 1988. Only 217,200 seasonal workers were hired, compared with 458,000 hired in November 2007, according to consulting firm Challenger, Gray & Christmas Inc.