

# The economic ripple effect of plans by Toys R Us to close U.S. stores

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Yvette Ibarra holds a Dancing Princess Barbie doll while shopping at a Toys R Us store in Monrovia, California, January 29, 2007. Photo by: AP Photo/Nick Ut, File

**NEW YORK, New York** — The end of Toys R Us will have wide-reaching effects on everyone from toymakers to shoppers to landlords.

The 70-year-old retailer sought court approval on March 15 to close its remaining 735 stores. Around 30,000 employees will lose their jobs. It also means the end of a chain known to generations of children and parents for its sprawling stores and Geoffrey the giraffe mascot.

The closing of the company's U.S. stores over the coming months will finish the downfall of the chain. A combination of heavy debt and more recent trends undercut its business over time. These trends include online shopping and mobile games.

The loss of Toys R Us stores will force toy makers and landlords who depended on the chain to scramble for alternatives.

Chief Executive Officer David Brandon told Toys R Us employees the company plans to close all U.S. stores.

## **Reorganizing Operations**

There is still some hope. Toys R Us will try to combine its Canadian business with about 200 U.S. stores to see if someone will buy the stores. The company's U.S. online store will still be running for the next couple of weeks in case there's a buyer. The company said gift cards will be honored for the next 30 days. It will not accept returns once the final sales start.

Toys R Us is likely to also close its businesses in Australia, France, Poland, Portugal and Spain. It's already closing its business in the United Kingdom. That would leave it with stores in Canada, and a few countries in central Europe and Asia, where it could find buyers for its remaining stores.

In Hong Kong, where Toys R Us has 15 stores, parents said there were few other choices.

"Basically either it's Toys R Us or you go to specialized and very expensive toy shops that sell, for example, wooden toys that come from very far away countries like in Europe," said Ching-yng Choi. Choi's home and office are both within walking distance of Toys R Us.

## **60,000 Employees Worldwide**

Toys R Us had about 60,000 full-time and part-time employees worldwide last year.

"We worked as hard and as long as we could," Brandon told employees.

Brandon also criticized shoppers and vendors. They cut back on their support for the chain in recent months.

"I believe that all of them will live to regret what is happening to our company," he said.

## **Struggles With \$5 Billion In Debt**

The chain filed for bankruptcy protection last fall, which means it couldn't pay its debts and other expenses. Toys R Us had \$5 billion in debt. This hurt attempts to compete as shoppers moved to Amazon and huge chains like Walmart, but the store pledged to stay open.

Brandon told employees its sales performance during the holiday season was "devastating," as nervous customers and vendors shied away. Earnings were a low \$81 million for the last three months of 2017. That compared with \$347 million in the same period the year before, according to the court filing.

## Decision To Affect Big And Small Toymakers

The company's troubles have affected toymakers Mattel and Hasbro. They are big suppliers to the chain. However, the likely closing will have a bigger effect on smaller toymakers that rely more on the chain for sales.

Toys R Us has been hurt by the shift to mobile devices, which now take up more play time. This has happened over several years. Steep sales declines over the holidays and thereafter were the deciding factor, said Jim Silver. He runs a toy review site called TTPM.com.

The company didn't do enough to emphasize it was making changes but not going out of business, Silver said. That mistaken belief kept customers away from its stores because they didn't think they could return gifts.

## Competitors To Pick Up The Slack

Now, the \$11 billion in sales that had still been happening at Toys R Us each year will go to other retailers like Amazon and discounters. Other chains, seeing that Toys R Us was struggling, got more assertive. J.C. Penney opened toy sections last fall in all 875 stores. Target and Walmart have been expanding their toy selections. Even Party City is building its toy offerings.

"Amazon may pick up the dollars, but won't deliver the experience needed for a toy retailer to survive and thrive in today's market," said Marc Rosenberg, an expert on toy sellers.

## Shopping Patterns Change

Toys R Us had become powerful in the toy store business in the 1980s and early 1990s. It was one of the first "category killers"—a store totally devoted to one thing. Its size gave it power with toy sellers and it disrupted general merchandise stores and local toy shops. Children sang along with commercials about "the biggest toy store there is."

The company eventually lost ground to discounters like Target and Walmart, and then to Amazon. Even parents who liked the store sought deals elsewhere. Toys R Us said Amazon's low prices were hard to match.

GlobalData Retail estimates that nearly 14 percent of toy sales were made online in 2016. This was more than double the level five years ago.

## Quiz

- 1 Which two sentences from the article include CENTRAL ideas of the article?
1. *The end of Toys R Us will have wide-reaching effects on everyone from toy makers to shoppers to landlords.*
  2. *A combination of heavy debt and more recent trends undercut its business over time.*
  3. *Toys R Us will try to combine its Canadian business with about 200 U.S. stores to see if someone will buy the stores.*
  4. *Toys R Us had become powerful in the toy store business in the 1980s and early 1990s.*
- (A) 1 and 2
- (B) 2 and 3
- (C) 3 and 4
- (D) 1 and 4
- 2 Which statement would be MOST important to include in a summary of the article?
- (A) Toys R Us was known as one of the first stores to be dedicated to selling just one thing.
- (B) Toys R Us' closing will have a large impact on its 30,000 employees who will be out of work.
- (C) Toys R Us failed to tell customers that it was making changes but not going out of business.
- (D) Toys R Us' online store will be running for the next couple of weeks to try to find a buyer.

- 3 Read the sentence from the section "Struggles With \$5 Million In Debt."

*Brandon told employees its sales performance during the holiday season was "devastating," as nervous customers and vendors shied away.*

WHY does the author include the word "devastating" in the sentence above?

- (A) to emphasize how harmful poor holiday sales were on top of ongoing struggles
- (B) to emphasize the negative feelings that kept shoppers away from the store
- (C) to convey the sense that most of the stores had given up before the holiday season
- (D) to convey the confusion that store employees felt when they did not get more customers

- 4 Read the selection from the section "Competitors To Pick Up The Slack."

*Other chains, seeing that Toys R Us was struggling, got more assertive. J.C. Penney opened toy sections last fall in all 875 stores. Target and Walmart have been expanding their toy selections. Even Party City is building its toy offerings.*

What is the BEST definition of the word "assertive" as it is used in the first sentence?

- (A) offensive
- (B) stubborn
- (C) aggressive
- (D) addictive