Brand Doctor

Brand Check-up

Toys "R" Us

As of July 23, 2024

Status: Needs attention

A famous name kept alive by partners after buyout debt and an outsourced online channel weakened the original retailer; the revival still lacks a clear reason to visit.

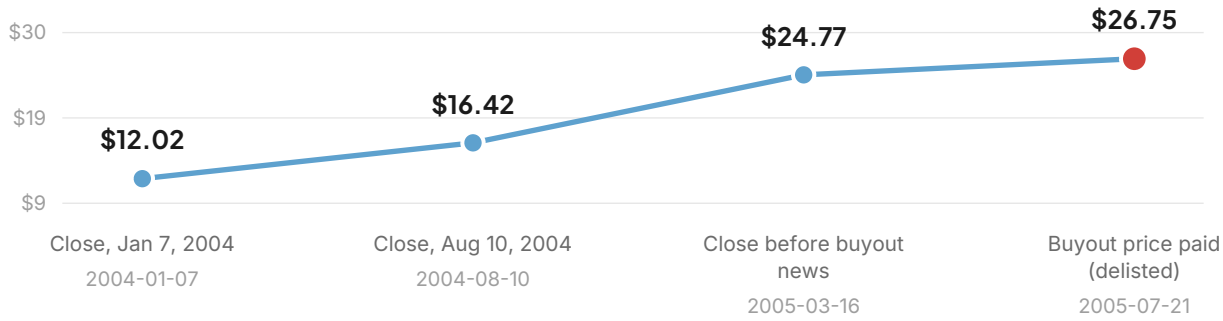
About this check-up

Brand Doctor reviews well-known brands the way we review a client's marketing: symptoms, diagnosis, treatment. This check-up uses public information available on July 23, 2024. It is brand and marketing analysis, not investment advice. Sources are listed at the end.

Vital signs

Share price

USD, at the dates shown [4, 3, 2]



Buyout price per share

$26.75

Buyout price per share paid when the company went private on July 21, 2005; no listed shares since [2, 4, 5]

Change vs January 2004

+123%

Buyout price vs the $12.02 close on January 7, 2004 [4]

Buyout value

$6.6 billion

2005 deal by KKR, Bain Capital and Vornado, plus assumed debt [2]

Last annual revenue

$11.54 billion

Net sales, fiscal 2016 (year ended January 28, 2017), the last full year reported before the 2017 Chapter 11 filing [7]

Debt at filing

About $5.2 billion

September 2017; about $400 million a year in interest [8]

Brand footprint

1,400+ stores and sites

Stores and e-commerce businesses in 32 countries, with more than $2 billion in global retail sales a year, as reported by the brand in June 2024 [16]

Timeline

2000–08	Signs a ten-year deal with Amazon for a co-branded toy site; Amazon handles fulfilment and customer service [1]
2004–05	Sues Amazon (May 21, 2004); a court order ends the alliance on March 31, 2006 [5]
2005–07	KKR, Bain Capital and Vornado complete the $6.6 billion buyout at $26.75 a share; the company goes private [2, 4, 5]
2017–09	Files for Chapter 11 with about $5.2 billion of debt and about 1,600 stores [8]
2018–03	Says it will close or sell all 735 U.S. stores, with about 31,000 jobs at risk [9]
2018–05	Sale of Toys "R" Us Canada to a Fairfax Financial affiliate for C$300 million closes on May 31 [11, 17]
2018–06	Last U.S. stores close [10]
2021–03	WHP Global takes a controlling stake in Tru Kids, owner of the brand [12]
2021–08	Macy's agrees to add Toys "R" Us shops to more than 400 stores in 2022 [13]
2024–06	A brand film made with OpenAI's Sora premieres at Cannes Lions and draws criticism online [15]

Symptoms

- The original U.S. chain closed its last stores in June 2018.
- The brand's only two U.S. stores, in New Jersey and Texas, closed during the pandemic, about seven months before the August 2021 Macy's deal.
- In the U.S., the name lives mainly inside another retailer: 452 shops opened inside Macy's in 2022.
- Owner-reported global retail sales of more than $2 billion a year compare with $11.54 billion in net sales for the old company in fiscal 2016.
- Its June 2024 brand film, made with AI, drew public criticism within days.

Diagnosis

1 Buyout debt drained the business

The 2005 buyout was a $6.6 billion deal plus assumed debt, and total debt stood at $5,947 million by January 28, 2006. At its 2017 Chapter 11 filing the company carried about $5.2 billion of debt and paid about $400 million a year in interest. [2, 5, 8]

2 The online customer relationship was handed to Amazon

In 2000 the company signed a ten-year deal for a co-branded site, with Amazon handling fulfilment and customer service and receiving fixed annual payments, per-unit payments and a share of revenue. It sued in May 2004 and won an order ending the alliance on March 31, 2006, and Amazon agreed in 2009 to pay $51 million to settle. [1, 5, 6]

3 The stores lost momentum before the filing

In fiscal 2016 net sales fell 2.2% to $11.54 billion, domestic comparable sales fell 1.3%, and the company reported a net loss of $36 million. By March 2018 it had lost $2.5 billion since 2012, the last year it posted a full-year profit. [7, 9]

4 The revival rests on recognition, not a new promise

Since WHP Global took control in 2021, the brand's return has run through partners: 452 Macy's shop-in-shops in 2022 and plans with Go! Retail Group for at least 24 U.S. flagship stores. The June 2024 Sora film retold the founder's story rather than giving parents a reason to shop there now, and it drew criticism online. [12, 14, 15]

Prognosis

As of July 23, 2024, Toys "R" Us is a brand, not a retailer. The name earns its keep through partners, from shops inside Macy's stores to a flagship at American Dream, and the brand reports more than $2 billion a year in global retail sales. The tests for the next year are whether the at

least 24 U.S. flagship stores announced for 2024 onward open and draw repeat visits, how the Macy's shops perform through the holiday season, and whether AI-made marketing helps or hurts trust with parents. Recognition is not the problem. Relevance is.

Treatment

- State one current reason to choose Toys "R" Us, such as expert help, play space and events, and make every partner shop deliver it.
- Build the planned U.S. flagships as places to play and discover, and judge them on repeat visits rather than on opening counts.
- Build a direct relationship with parents online, with its own accounts, data and loyalty program, rather than renting that relationship from host retailers.
- Keep human craft and clear disclosure in brand films, and test AI-made work with parents before it goes public.

Lessons for growing companies

Own your front door

When a partner runs your online store, it learns your customers and sets their experience. Keep the customer relationship and the data in your own hands.

Debt sets the marketing budget

Interest payments come before stores, service and advertising. Fund growth in a way that leaves room to invest when the market turns.

Nostalgia is not a position

A loved name earns a first look. A clear, current promise earns the second visit.

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About Brand Doctor

Brand Doctor is a marketing strategy consultancy founded by Cliff K. F. Lin. He has spent 17 years in marketing and managed more than $30 million in spend for SaaS, tech and lead-generation companies.

A Brand Check-up applies the method we use with clients to a well-known brand: the symptoms you can see from outside, the root causes behind them, and the treatment we would prescribe. For your own company, we look at six areas (positioning, messaging, customer journey, channel mix, budget and spend, and measurement) and rank what to fix first.

$30M+	135+	8×	17
In marketing spend managed	Campaigns treated	Growth achieved	Years in marketing

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