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Case Study on the Tide of Obsolescence of Toy Stores: Evidence from the Philippines

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Abstract: The age of technology has put traditions at the back seat, and this also includes old-school games and toys. When children exposed early to gadgets start preferring them over toys, toy retailers such as F Company are at a risk. Even before this local toy store start facing bankruptcy issues like the A Company in the United States of America, the management should already consider improving and upgrading their physical stores to maintain the market. The declining demand for toys should be addressed immediately while the damage is still small and easily repairable. With that being said, marketing strategies are what will salvage the future of F Company.

Because this is the age of technology, the best way to ride with the waves is by also incorporating technology into their stores. A major renovation and reorganization of F Company will greatly improve the overall impact it has on customers across age groups. Their curiosities will lead them to the toy stores, but the interactivity they will find will bring them back to the desire to actually play with the toys instead of finding joy in just staring at their screens playing or watching. However, this improvement may require a big investment, but its returns will be bigger and the stability and survival of F Company in the market is at a higher level than it currently is at now.

Keywords: Gadgets, interactivity, survival, technology

Statement of the Problem

F Company is a large toy store chain owned and developed by the F Group established by a Filipino businessman. It was founded just before the 21st century, four decades after the humble beginnings of A Company. During this time, technology has not been advanced as it is today, and the culture of collecting and playing with toys were still at a high. The entry of F Company in the market was more at ease as compared to A Company, which was originally established by a small-time entrepreneur. The Taipan management made the branding and marketing of F grand and made sure its presence is felt everywhere in supermarkets, department stores, stand-alone stores, and online retail sellers like Shopee.

The problem is more kids are opting for gadgets and technology-based toys. Even though there are some offers by F Company, the demand for traditional toys are slowly declining because of the prominence of smartphones and tablets in society. Apps become easier and easier to use and gadgets become more and more affordable. Following the case problem of A Company, the same might be happening for F Company sans the mounting debt. It is evident that the toy store scene is not like the olden days where there will be kids dragging their parents into the stores and crying just because they want to buy a certain toy. F is not as crowded as it used to be before and this may be a tell-tale sign that children are losing interest in old-school toys. This steady decline of demand for toys should be alarming enough.

Causes of the Problem

Kids and Technology

The app culture in the Philippines is a global trend following the widespread embrace of mobile technology. The Philippines is one of the biggest smartphone markets in the world and the fastest growing for the ASEAN market. A significant factor in the increase in sales is the availability of affordable, low-end smartphones from local retailers such as MyPhone and Cherry Mobile and other low-cost brands from countries like China. The problem may not be as evident now as with the American counterpart, but the trend is global and the threat is real. It is hard to compete with a product that is of a different nature because of the differences in features and offers. If the kids continue to prefer mobile gaming instead of actually playing, then the revenue for toy sales will continuously decline.

Rising Market Prices and Competition

The Philippines has been seeing a steady trend of inflation of roughly 3-5% in the past years and this affects the capacity of parents to spend on recreational materials and other things outside of necessities. Aside from having to compete with gadgets such as tablets and smartphones, they also have smaller, less-established rivals in the toys category. These sellers are offering cheaper toys imported from countries such as China that can afford to produce low-cost toys that are usually imitations or copies of popular toys such as Lego and hot wheels. Some customers opt to buy what's cheaper instead of investing on the products offered by the more-established toy stores. Unlike A Company, F Company does not have much of a problem in competing with large retail stores such as groceries, department stores, or online sites because they have smaller stalls available inside department stores and have tie-ups with Lazada for online shopping.

Decision Criteria and Alternative Solutions

Considering that toy stores are still faring well in the country, the case study in the Philippines should be tackled a bit differently as opposed to the case study in the United States of America. For A Company, they already filed for bankruptcy in Federal courts across the United States of America. F Company is not facing the same ordeal in the country but the growing trend of app culture in the Philippines poses an imminent threat for its business. Add to that is the rise of market prices which could affect the purchasing power of parents to afford pricey but quality toys plus the availability of cheaper alternatives to these. Given these factors, F Company can focus on strengthening its promotional marketing strategies. F Company can just maintain the influx of customers and keep broadening its target market to make the toy store a haven also for the older age groups by introducing gadgets such as gaming, consoles, and cameras. They should use this section to ride along technological advancements and keep up with the changing demands of society. They should keep themselves updated with the newest tech to ride along the crowd hype. However, this should be done without neglecting the promotion of their traditional and conventional children's toys.

In keeping the spirit of old-school toys, another promotional material is the reintroduction of nostalgic toys in their shelves. This may not immediately appeal to the younger generations but this will encourage those people who are appreciative of such novelty toys to either get their hands again on toys they used to have during their time or to let the children experience what they have experienced when they were young. Touching on the sensitivity of man is actually one approach in persuasive marketing. When nostalgia hits, humans usually tend to become sentimental with the memories attached with it. With the proper partnerships and proper marketing through commercials and online advertisement, this can actually create a new market for F Company.

F Company should also consider reorganizing their physical stores by making them more interactive and techy.

This could mean shelling out a large initial investment to improve the features in their stores, but this will ensure the survival of F Company. Adopting new technology in making the stores more physically appealing will make the customers more curious and will actually be more inviting for them to visit F Company stores.

Recommendations

F only needs to improve its current standing in the market because its biggest competitor is the attraction of technology to kids and not some other retailer stealing their customers. Their target market is the same market that is currently obsessed with the app culture. Therefore, the most feasible course of action is incorporating technology into their current setup. It helps that they have a few number of monitors that show a short video clip with the press of a button about the toy it is promoting and there are salesmen roaming around the store demonstrating how to play with the toys. The overall effect of the physical stores to the customers is not as huge as it used to be.

Bringing back the hype for toy stores is the responsibility of the management of F Company who needs to be more hands-on in the improvement of their stores. Hiring a designer to reorganize their stores will ensure a more uniform aesthetic arrangement that will encourage the customers to stay longer to look around. Getting a tech expert to make the stores more interactive will see to it that customers are engaged with user-friendly screens having state-of the art installed programs. What actually appeals to the sense of sight is the strongest sense that influence the preference of kids.

This may take some time to renovate and renovations should first start from the biggest stores that receive the most number of customers in a month. As soon as some stores are fully refurbished, the hype will be created and the people will talk about these changes. Curiosities are peaked when people hear about these changes. This will attract more customers and will translate to increased revenues if marketing is handled properly. Being lax about the lack of significant competition is sure to bring F Company into its downfall.

The best way to beat these gadgets is to incorporate them into old-school toy stores. Sticking with what is conventional will make it seem obsolete for the post-millennials. As long as the essence of the original toy store is still present, innovating through technology will not hurt the business. The management of F Company must ensure the capability and fitness of the salesmen in persuading the kids during interaction and demonstration through continuous training and development.

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