

# THE BIG STORY

## Time runs out for troubled chains

What can other retailers learn from last week's collapse of Maplin and Toys R Us? **Matthew Chapman** analyses the fallout from retail's Black Wednesday

**T**he air of inevitability about Toys R Us and Maplin's collapses into administration can teach other retailers a great deal.

PwC partner Zelf Hussain, Maplin's joint administrator, has attributed the demise of the electricals specialist to it being "hit hard by a slowdown in consumer spending and more expensive imports".

Toys R Us has previously flagged issues such as the appeal of big stores as undermining performance.

However, neither explanation tells the full story of why the famous names have suffered, and other retailers are succeeding in battling through similar circumstances.

So where exactly did Maplin and Toys R Us go wrong and how can other retailers avoid the same pitfalls?

In each case, it can be argued that the retailers had failed to adapt their propositions as rapidly as the consumer environment was shifting.

### Toys R Us

Toys R Us failed to move with the times and fell victim to the convenience of Amazon and more agile new kids on the block such as Smyths.

The irony is that Toys R Us was once the disruptor in its market.

"There is always someone that is going to disrupt you, so either be your own disruptor or be prepared for the disruption," says Brian Kalms, partner at consultancy Elixir.

"Toys R Us was the category killer and someone has come and disrupted its business 20 years later.

"It was hard to know what it was famous for any more. It was very famous originally

because it had everything under one roof, and it was simple compared with the high street because you could drive there."

The emergence of Amazon and the ability to easily buy any toy online from the comfort of a sofa immediately wiped out Toys R Us' unique selling point.

At this juncture the toy retailer might have still thrived if it had moved to instil retail theatre into its stores, which is one of the reasons for Smyths' recent rise, according to analyst firm GlobalData.

"The Toys R Us experience should have been a magical one with in-store events, dedicated play areas and product demonstrations," says Natalie Berg, retail analyst and founder of NBK Retail.

"The reality was a soulless shed with very little innovation or technology to draw shoppers in.

"They have sat idly by as new competitive threats – from B&M to Smyths – chipped away at their business. In toy retailing, you need be either cheap, convenient or fun, but Toys R Us failed to deliver, leaving them stuck in a retail no man's land.

"Toys R Us' troubles should serve as a powerful reminder of the need to rejuvenate the in-store experience," Berg adds.

"High street retailers can't compete with Amazon's breadth of assortment or delivery capabilities, but there's a huge opportunity to leverage physical assets and reconfigure stores to become proper destinations.

"In the future, the role of the bricks-and-mortar store will be less transactional and more experiential."

Jonathan De Mello, head of retail consultancy at property advisors Harper Dennis Hobbs, believes Smyths has also been



able to flourish because it has a "far leaner property estate, a newer business, and could pick the locations it wanted and pay lower rents".

That is compared with Toys R Us, which was hamstrung with expensive leases negotiated years ago.

Moorfields partner Simon Thomas, who is acting as Toys R Us' administrator, suggests the beginnings of a reimagining of the store estate was beginning to pay off.

"The newer, smaller, more interactive stores in the portfolio have been outperforming the older warehouse-style stores that were opened in the 1980s and 1990s," Thomas insists.

### Maplin

Maplin's failure also appears to be a result, in part at least, of failing to find a new place for itself in the modern retail world.

Kalms believes that while Maplin did offer customers "skill and experience" in its stores, it did not add any value to the online shopping experience.

"It is hard to run a high-service model when you are selling lots of low-priced products and you can look at online reviews for product information," says Kalms.

"Much of what Maplin was selling was not differentiated specialist electronic product.

Is it 2008 revisited for retail?  
Watch our discussion  
[Retail-Week.com/TheRetailWeek](http://Retail-Week.com/TheRetailWeek)



Toys R Us didn't modernise quickly enough

## Toys R Us was the category killer and someone has come and disrupted their business 20 years later

### Brian Kalms, Elixirr Partners

You do not want to be in the business of selling other brands' products more expensively and less conveniently than the internet."

To its credit, Maplin was attempting to differentiate itself in its proposition, but the strategy has failed to take off.

"Its recent focus on the connected home somewhat blurred its product offer, and ultimately meant it was competing with much larger and more established players such as John Lewis and Currys," Nicholas Found, senior analyst at Retail Week Prospect, suggests.

De Mello also believes the struggles of Maplin, which was owned by private-equity

firm Rutland Partners, can be attributed to an "investment issue", which led to bric-a-brac-style stores.

Former Game chief executive Ian Shepherd argued on Twitter that retailers such as Maplin need "great retail theatre, smart bundling and exclusive product lines to survive".

He observed: "I suspect the talented team there had neither the time nor the capital to deliver that."

### Double trouble

The key takeaway message from the plight of Maplin and Toys R Us is that, in the modern era, retailers cannot fall back on old habits.

"Both Maplin and Toys R Us were following the 1990s model of assuming it was about range, price and location, and not realising that is not the way people shop," says Kalms.

Those that do not create a strongly defined proposition will struggle in today's economic conditions.

De Mello concludes there is a "2008 feeling in this point of time", referencing the fact that a large number of retailers are battling economic headwinds.

Toys R Us and Maplin are unlikely to be the last casualties of 2018, but if others learn from their experience then some, at least, may avoid the same fate. **RW**

## Insurance woes

Toys R Us and Maplin both had problems with debt or the withdrawal of credit insurance.

One restructuring expert says: "I'd advise running an external sale process or similar that would inform lenders about what the market value of that debt is. That can often be the basis of a restructure. Ultimately we can reset that debt by virtue of our ability to test the market... to prove that [our proposal is] the best deal."

In that way, creditors can be convinced to accept a reduction in what they were owed.

Nevertheless, a preferable solution would be to convince a company owner to bridge any forecast funding gap before approaching creditors.

Any perceived financial difficulties can spark credit insurers to abandon ship, and while retailers are often at the whims of credit insurers, there are some ways to mitigate losing insurance.

"The key to that is really robust stakeholder management," says the restructuring expert. "If you have a plan, and a good one, that is a starting point. The trick is to sit down and go through it with [creditors] and proactively manage them."

However, if there is not a strong vision in place then transparency can alert credit insurers to the problem sooner and trigger a loss of confidence.