

# THE HINDU BusinessLine

## Low margins leave toy story facing unhappy ending

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*Retailers opting to stock apparel, lifestyle products*

Mumbai, January 30:

With high rentals eroding their margins, retailers are again moving away from non-viable products. This time it is toys that are facing the axe.

Earlier, several retailers, including Future Group, HyperCity and Aditya Birla, had exited the “bulky” consumer durables segment to make room for the high-margin apparel and lifestyle category.

Retailers such as Lifestyle have stopped having toys as a sub-category to focus on higher-margin products. Several retailers *BusinessLine* spoke to also indicated that they were constantly looking to “improve operational efficiencies by re-evaluating categories” and that space-occupying toys may be shunted out to bring the best product assortment.

However, Shoppers Stop and Future Group both maintain that toys still attract consumers and tightening is done to keep the product mix attractive for consumers. Neither is exiting the category.

R Jeswant, VP, Sales and Marketing, Funskool Toys, says: “Our growth has been sluggish as big retail chains are exiting toys. With high rentals being a cause of concern, retailers are finding means to optimise space and reallocate it to margin earners. Toys are suffering on this account.”

Landmark-owned Lifestyle also acknowledged it had closed down its toy section to focus on apparel and lifestyle products.

Mall managers say that besides low consumer sentiment, logistics and competition from cheap Chinese toys were also a reason retailers were taking a hard look at their toy business.

“Consumption has come down even though ticket sizes are high in branded toys. For retailers, it is not a profit-making venture as kids shift focus to gadgets. Everyone, including retailers, has started looking for value, and hence, categories like toys and books are on their way out. Earlier, it was the same for consumer durables,” Susil S Dungarwal, Chief Mall Mechanic of Beyond Squarefeet, a mall advisory firm, said.

According to an Assocham report, in the past five years, about 40 per cent of Indian toy companies have shut shop, while another 20 per cent are on the verge of doing so as Chinese products flood the Indian market. Branded toys cost between ₹400 and ₹7,000.

Says Kabir Lumba, Managing Director - Lifestyle International: “We have enhanced our focus on fashion by reallocating the toys’ space to fashion. We have added more brands in fashion space and have also expanded the offering within some existing brands.”

(This article was published on January 30, 2015)