



MERCHANDISING THE TOY DEPARTMENT IN SUPER MARKETS

by

Samuel D. Thompson, Jr.

AN ABSTRACT

Submitted to the College of Business and Public Service
of Michigan State University of Agriculture and
Applied Science in partial fulfillment of
the requirements for the degree of

MASTER OF ARTS

Department of General Business
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1957

Approved

A handwritten signature in dark ink, appearing to read "C. A. Brand", is written over a horizontal line.

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Merchandising toys in the super market on a year-round basis is a new endeavor for the food distribution industry. Super market operators are inexperienced in the merchandising of toys. Therefore, most toy merchandising methods are under constant examination. This thesis presents a comprehensive study of the present methods of merchandising the toy department in super markets throughout the nation and points out the sales potential. The study highlights various strengths and weaknesses of the present toy merchandising methods. It is hoped that some of the ideas and opinions expressed can be used by super market operators as a "springboard" to the development of more effective toy merchandising methods.

The data collected is from both primary and secondary data. The primary data presents an insight to the actual methods of toy merchandising such as, distribution, sales promotion, and packaging. The primary data was gained in three ways. First, personal visits were made to sixty-three super markets on the eastern seaboard and the mid-west states. From these store visits personal opinions were formed and the opinions of the store managers and employees were gained. Second, interviews with manufacturer representatives, service merchandisers, and many other people involved or interested in the toy industry were the source of a great deal of information. Third, questionnaires were sent to over ninety

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service merchandisers. The eleven respondents completing the questionnaire represented over 2,700 super markets located in all the major regions in the nation. The secondary data was used to add substance, background material, and meaning to the thesis. The history of the toy industry and such studies as consumer toy buying habits were taken from secondary data to develop a better understanding of the toy industry and to stimulate constructive thinking for better toy merchandising methods in super markets.

This study leads to the following conclusions. First, the merchandising of toys in super markets is growing to a point where toys will be accepted as an integral part of the operation. Second, the size, sales volume, and consumer acceptance of the toy department will continue to grow. Third, the present methods of toy merchandising in super markets can be improved upon. A constant endeavor should be made to conceive and/or utilize new methods of toy merchandising to increase sales. This can only be done through a more complete knowledge of the toy industry, consumers' desires and buying habits, the methods of merchandising, and sales promotion techniques. Fourth, the super market operator should control the length of time an item is displayed in the stores. Fifth, utilizing the services of the rack jobber is presently the most feasible method of distributing toys to super markets.

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The inclusion of toys in the super market has gained consumer acceptance and is helping to build greater profits through their above average net profit return as compared to the normal grocery profit returns. Therefore, it is necessary to conceive and develop new merchandising methods so that even with competition the toy sales and profits may reach a maximum.

The Curriculum in Food Distribution at Michigan
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CHAPTER I

INTRODUCTION

The scarcity of regular food items during World War II forced the super market operator to fill his shelves with non-food items. Starting with glassware and health and beauty aids the operators expanded to other non-food areas. The sales of non-foods proved to be very profitable so the operators continued to handle them after the war. The renewal of sharp competition in foods after the war created the necessary impetus for the expansion of non-foods in the super market. This competition in the food distribution industry has helped cause a decline in food profits. Thus making necessary an unceasing effort on the part of all operators to find new items with higher profit margins in order to offset the declining food profits. Since World War II the non-food departments have helped by expanding and acting as a buffer against the shrinking food profits.

The toy market with its increasing volume, quick turnover and high profit margin is proving to be an excellent addition to the non-food line in super markets. Only within the last few years has the inclusion of a toy department in super markets mushroomed.

Purpose

The purpose of this thesis is to present a comprehensive study of the popular methods of merchandising the toy department in super markets throughout the nation and to point out the sales potential of toys. The study will highlight the various strengths and weaknesses of toy merchandising methods in super markets. An attempt is also made to incorporate personal ideas and opinions in hopes that something original and constructive may be added to help develop this rapidly growing department.

The merchandising of toys in super markets will ultimately become a science. However, the expansion of the super market industry as a whole has been so phenomenal since World War II that little effort has been made by most super market operators to develop toy merchandising techniques so as to maximize sales and profits. The methods, ideas, and opinions expressed throughout are offered more as a "springboard" to a greater understanding of toy merchandising in super markets rather than any hard and fast rules.

Need for Study

Merchandising toys in super markets is comparatively new for most operators and, therefore, is in an experimental stage of development. Those operators already merchandising toys have need for greater background knowledge of toys and

are continually on the lookout for new ideas. This study provides both. There are also, super market operators contemplating the incorporation of a toy department in their operation. Before such a decision is made knowledge of the potential of toy sales, methods of distribution, and other merchandising factors must be gained. Knowledge of this kind is difficult to get, especially from the super market approach. Finally, there are many facts, opinions, and ideas on this subject but no attempts have been made to compile and analyze them.

Limitations of the Study

Merchandising is the action taken to sell the greatest quantity of products at a price that will produce maximum net profits. The action involves the selection of the right product, moving it in the right quantity, to the right place, at the right price, at the right time. Merchandising also involves proper packaging and sales promotional techniques such as advertising, special promotions, and displaying.

In presenting a general picture of toy merchandising methods in super markets throughout the nation pricing was omitted because it was felt to be a locally competitive matter. The study is presented in the light that the methods of merchandising toys are designed to stimulate the consumer to buy. Therefore, a background knowledge of the toy

industry and the reasons for its growth are developed along with the methods of distributing, purchasing, promoting, and packaging.

The scope of this study does not encompass the many specific merchandising methods used, rather the information available has been compiled to point out the more popular methods. The merchandising methods of a super market having a large toy department vastly differ from the store having a limited toy department due mainly to the type of toys and price lines carried. This study is, therefore, restricted to the toy department that is considered an integral part of the super market, not one specializing in toys.

The sales potential of toys in super markets is discussed but, actual figures of the returns per square foot of display space are unavailable. The degree to which toy departments are invading super markets throughout the nation indicate the presence of a satisfactory return on investment.

Children's books are sometimes displayed with toys and would, therefore, logically be included in this study. The information compiled on children's books was insufficient to present a good national picture of merchandising methods and would have made the study too voluminous. Thus, rather than presenting an incomplete picture of children's books they were omitted from this thesis.

CHAPTER II

THE TOY MARKET AND ITS GROWTH

Past History

Museums throughout the world have on display articles proving that children have since primitive times had playthings or toys. "A large number of wooden, earthenware, stone or metal dolls remain with which the children of ancient Egypt once played. Balls, tops, rattles and the implements of numerous games remain to show how little the amusements of children have changed."¹ Yet, not until the industrial revolution did the world know any real toy market.

The earliest data available for this study reaches back before the First World War to 1909. The toy industry then boasted of 310 manufacturers, 10,605 wage earners and had a production valued at \$17,069,000. The next ten year period saw the war curtail the foreign-made toys, thereby, increasing the toy production in 1919 to quadruple the 1909 figure. Production had climbed to \$70,163,000, while the number of manufacturers and their employees increased to 644 and 20,887 respectively. A slight decline in production took place from 1919 to 1921, then the industry seemed to

¹"Toy," Encyclopedia Britannica, XX, 1956, pp. 339-40.

stabilize and come into its own as a continuous rise was experienced until 1929. During the great depression the industry's volume of toy production dropped from the 1929 peak of \$103,647,000 to \$48,206,000 in 1933. This 53 per cent decline, however, was slightly less than the 55 per cent average decline that all industries experienced.

The toy industry began to grow healthy again from 1933 on, a condition obtaining a sizeable impetus from exports to foreign markets, especially after World War II broke out. Production figures are not available for the war years but the 1947 Census of Manufacturers indicates the following gains in the toy industry. The manufacturers numbered 1,334 while the employees numbered 40,833 producing \$337,556,000 in value of manufacturers shipments, a figure almost four times the value of 1939 production.²

Since 1948 the industry has increased sales about 10 per cent each year. Estimates of the sales gain this year (1957) by interested parties range from 5 to 15 per cent. Once again the toy industry has experienced a myraid of changes as shown in the astronomical sales rise from the approximate retail sales volume ten years ago of \$125,000,000

²Thornton B. Moore, The American Toy Industry's Golden Era, Business Information Service Pamphlet, U. S. Department of Commerce (Washington: Government Printing Office, August, 1949), pp. 3-5.

to the 1956 sales of about \$1,330,000,000.³ The Toy Manufacturers Association of the United States of America, Incorporated, places the 1956 sales gain at 12.6 per cent over 1955.

The number of manufacturers in the toy industry fluctuates continually. Some experts estimate the hard core of manufacturers reaches the 1,200 mark, while Mr. W. Voorhees of Playthings Magazine makes the following statement:

There are currently about 2,500--3,000 manufacturers of toys in the United States at the present time. A substantial percentage of these manufacturers also make other lines of merchandise, but the industry has what might be called a hard core of manufacturers who concentrate on toys exclusively, and who stay in the toy business for the long pull, in contrast to the large numbers of manufacturers who jump in and out.⁴

This great fluctuation of manufacturers is caused by the unstable conditions within the market itself. Many firms go into bankruptcy each year because they do not have the capital to wait out payment from the wholesaler or retailer for the goods produced. Payment often comes many months after the purchase has been made because the thousands of small retailers must sell the merchandise, thereby, gaining the necessary capital to pay their bills.

³Interview with David Rand, Vice-President, Grey Advertising Agency, New York, New York, March 20, 1957.

⁴Letter from W. Voorhees, Playthings Magazine, New York, New York, April 23, 1957.

Quite often the manufacturer will complete a purchase order (sale) by February, March or as late as July and will not receive payment for the goods until December or January of the next year. Tying up the manufacturers capital in this manner forces him out of business. Some service merchandisers (rack jobbers) pay manufacturers quarterly but do not get reimbursed by the retailer for goods and services until the merchandise has been sold to the consumer.⁵

The above facts bring up the question, why does it take retailers so long to sell the items and pay their bills? For years a peculiarity of the industry has been that a major percentage of annual sales were accounted for during the Christmas season. For example, "in 1938, 78 per cent of total retail sales were registered in November and December. Today 60 per cent of the annual volume is done in these two months, the other 40 per cent is spread throughout the preceding ten months."⁶ This opinion is open to conjecture, however, as other authorities in the toy industry feel that as high as 70 per cent and as low as 50 per cent of the toy volume is consummated during the months of November and December. Whichever figure is correct is not of prime importance. What is significant, however, is that the present trend in the toy market is an increasing spread of purchases more evenly throughout the year. (Chapter V, "Sales Promotion Methods," will highlight this point.)

⁵Interview with Milton A. Jacobs, Milton A. Jacobs, Inc., Manufacturers Representative, March 20, 1957.

⁶"Marketing Toys" (Chicago: Toys and Novelties Magazine, Division of Haire Publishing Co., Inc., 1957), p. 5.

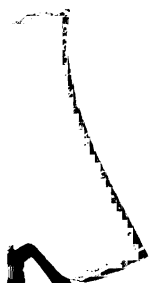
The Toy Department Comes of Age

The number of toy outlets have been increasing through the years reaching 250,000 in 1953.⁷ Of this large number of toy outlets the super market plays an important part. The growth of the toy department in super markets during the past few years has been phenomenal. In 1950 2,000 super markets sold toys, by 1956 the figure had risen to 11,000, more than half of the nation's 21,000 super markets.⁸ For years super markets have been selling toys on a "one-shot" basis, usually cutting the price to draw traffic. The items handled for these "one-shot" deals were medium priced high ticket items. (High ticket items for the toy department of super markets are defined as items selling for \$1.98 or more.) A great number of the toys sold on this basis were plush items, that is, toys made of a textile fabric longer and stronger than velvet, such as, teddy bears and rabbits. The toy department will be considered throughout this thesis as a year-round operation.

Today one can walk through a super market almost anywhere in the nation and find some kind of toys being merchandised. Many independents are jumping on the bandwagon now that the large national and regional chains have provided

⁷"Market for Toys," Information Section, Research Department, Curtis Publishing Company, November 16, 1955, p. 3.

⁸"Marketing Toys," op. cit., p. 16.



the necessary impetus. When a store or chain starts a toy department or begins merchandising toys on a "one-shot" basis each consumer purchase adds to a sales picture paralleling the introduction of health and beauty aids in super markets, predecessor of toys by a few years. Chains like Grand Union, Kroger, The Atlantic and Pacific Tea Company, A.C.F. Wrigley's, Safeway, American Stores, Food Fair, and many others throughout the nation have recently established toy departments. What do these departments look like and how big are they?

During the six month period of research involved in preparing this thesis the writer visited sixty-three stores both independents and chains in various sections of the following states: New York (New York City and suburbs), Connecticut, New Jersey, Pennsylvania (Philadelphia area), Ohio (Cleveland and suburbs), Illinois (Chicago and suburbs), and Michigan. Most toy departments were merchandised by service merchandisers, known in the trade as rack jobbers. The displays were predominantly pegboard with some dump sections on the bottom and a shelf on top to hold boxed goods. The display size was usually between two and eight linear feet in length. Those operators having wire basket displays all stated they were contemplating a change to the pegboard type display, however, those operators having shelf displays were not as receptive toward pegboard displays. They seemed satisfied with the shelving in most cases.

Without exception, the sixty-three managers or owners interviewed all stated that the [usually new] toy department is being supplemented by seasonal premium promotions. [Sales promotion, advertising, and display will be presented more fully in Chapter V.]

Factors Favoring Toy Sales in Super Markets

Store operators contemplating the installation of a toy department are interested in knowing why toys will sell in their location. Each operator should make his own analysis. The conditions causing the toy industry as a whole to grow have also stimulated toy sales in the super market industry, while factors peculiar to the super market have been an added impetus. The more important factors making possible the great toy sales will be presented to aid operators in gaining a more complete picture of the toy market.

Year-round market. At the present time the toy market is moving toward a more even distribution of sales throughout the year. Each year the percentage of toy sales during the Christmas season as compared to total annual sales decreases. This trend creates a more stable market for the manufacturer. If it continues, the present hard core of manufacturers, about 1,200, should increase substantially. There will be fewer toy businesses going bankrupt as the

manufacturer will be able to collect more often for merchandise delivered, thereby remaining solvent.

The year-round trend of toy sales will help the manufacturer in other ways too. Production and delivery will no longer be seasonal thus eliminating the tying up of inventory and capital. Those producing a small line of toys will be able to expand their line, and sales, which will result in a more stable company.

Toy manufacturers and retailers must be continually on the alert for new items. The impression gained from talking to the retailers was that, in general, toy items had a lifetime sales span of about three years. Sales usually declined in the third year. This characteristic of the toy industry creates pressure on manufacturers to constantly develop new items. This need for new items becomes even greater as the demand grows for an extensive line of year-round toys to attract more purchasers throughout the year, thereby, distributing sales more evenly.

Only through the cooperation of producers and retailers will the toy industry reach a healthy position. Summer toys, party toys, birthday toys, educational toys, and other seasonal toys will have to be conceived, developed, produced, and promoted by the best men in both fields; in order to bring the percentage of Christmas sales to total sales down to an even lower level than the estimated 50 to 70 per cent. An excellent indication of the number of items producers

will have to offer may be gained by knowledge of the 125,000 items offered at this year's annual Toy Fair in New York City.⁹ Of the 2,500 to 3,000 toy producers in the United States today only about 500 are major producers with the top twenty doing more than 50 per cent of the total annual toy volume.¹⁰

Playthings Magazine divides the toy industry into sixteen major products and gives the percentage of the total market for each. [See Table I.]

New vinyl toys are helping to develop year-round sales by promoting summer items such as, beach balls, pools, and other inflatables. Mr. Freud, President of the Toy Guidance Council, stated, ". . . the major current trends in toys this year educate, imitate adult life, draw upon American traditions and folklore and tie in with top TV personalities and programs."¹¹ Note that all trends mentioned may be promoted and sold at anytime during the year.

⁹John M. Morahan, "Toy Fair Will Open Wednesday," New York Herald Tribune, March 3, 1957, II, p. 5.

¹⁰Staff of Carl Byoir and Associates, Inc., Basic Information on the Toy Industry, A report for Folding Paper Box Association of America, September, 1955, p. 1.

¹¹Ibid., p. 2.

TABLE I
TYPES OF TOY PRODUCTS AND PERCENTAGE
OF TOTAL MARKET¹

Major Types of Products	Percentage of Total Market
Dolls and accessories	17%
Mechanical and miscellaneous toys	10
Boxed toys	9
Wheel goods	9
Girls toys	7
Playsuits, costumes and westerns	6
Back yard and beach toys	6
Bulk toys	6
Electric trains and accessories	6
Pre-school toys	5
Stuffed toys	5
Musical toys	4
Infants toys	3
Junior athletic goods	3
Books	2
Christmas decorations	2
Total	100%

¹Staff of Carl Byoir and Associates, Inc., Basic Information on the Toy Industry, A report for Folding Paper Box Association of America, September, 1955, p. 1.

Increase of spendable income. "Our Gross National Product has been growing at a rate above three per cent a year since the 1930's. By 1965 the annual level may be as high as \$570 billion--a gain of almost 50 per cent over 1955."¹² This steady increase in the Gross National Product has been followed by an equally steady increase in the

¹²"Feeding Millions for a Penny," booklet co-authored by The National Association of Food Chains and Food Topics, October, 1956, p. 3.

personal income as indicated by the constantly growing numbers of families falling into the middle income bracket.

In one of the most extensive studies ever made of personal income by states, the Commerce Department reported that personal income increased from \$85.6 billion in 1929 to \$303.3 billion in 1955, representing a national average increase of 254 per cent. Actually, spendable income per capita increased about 50 per cent after allowances for differences in taxes, prices, and population. Compared with the national gain of 50 per cent in disposable per capita income the report credited the Southeast with a gain of 105 per cent, the Southwest 90 per cent, Plains States 62 per cent, Rocky Mountain 56 per cent, Great Lakes 48 per cent, New England 38 per cent, Far West 33 per cent, and the Midwest 30 per cent.¹³

The substantial increase in spendable incomes throughout the nation indicates a healthy luxury market in which toys are important. The modern parent realizes the importance of toys to the psychological welfare and normal adjustment of the child. The need for educational toys to develop children is on the up trend. This is possibly due to the astronomical change in the nation's educational level.

¹³"U. S. Real Income Grew 50% Since '29," Advertising Age, Vol. 28, No. 12 (March 25, 1957), 52.

In 1955 there were 90 per cent more high school graduates than in 1940. There was a 40 per cent and upwards increase in college graduates between 1947 and 1955.¹⁴

With the adults of the nation becoming better educated and in our increasingly complex socio-economic environment parents will, if money is available, develop their offsprings' minds and bodies by spending more money on educational toys. The purchase of a toy may also show a parent's inner manifestation of love for the child. By studying the sales curve of the toy industry through the years and comparing it with the yearly gross national product or personal income figures released by the Commerce Department one may safely say they follow a parallel course. Therefore, with greater productivity and a higher standard of living a rise in toy sales can be expected.

Increase in child population. The present population in the United States is roughly 167 million. The annual birth rate is now consistently over four million. For example, the 1954 birth rate was 4.1 million, a 42.5 per cent increase over the 1945 birth rate. This means that in the next ten years there will be another fifteen consumers for every one hundred who are shopping in super markets

¹⁴ Sixth Binnial Grocery Study (New York: This Week Magazine, 1955), pp. 10-11.

today.¹⁵ While this new population is growing up the super markets and other retail outlets will be selling them toys of all kinds. The latest figures available from the research department of Toys and Novelities Magazine estimated the child population under fifteen years of age as of January 1, 1956 to be fifty million and an additional seven million children between 15 and 17. The 15 to 17 age group represents a supplementary toy market.¹⁶ A national breakdown of the child population and sales within the age groups may be beneficial for a super market operator contemplating initiating a toy department. [See Table II.]

A better indication of the local market potential can be derived by taking the appropriate regional sales figure and multiplying it by the local child population (available at most county clerk offices or the Chamber of Commerce). Then by estimating a fair percentage of the local toy market and by taking that percentage of the total sales the estimated toy sales for any store may be determined. Depending on how the toys are purchased, direct or through a rack jobber, a margin between 30 and 40 per cent may be assigned to roughly determine the profitability of a toy department.

¹⁵"Feeding Millions for a Penny," op. cit., p. 1.

¹⁶Barbara Michael, "Child Population of America," A Market Research Report (Chicago: Toys and Novelities Magazine, Haire Publishing Company, May, 1956), p.76.

A projection of gross margin and sales per square foot could also be made to compare similar factors with other items presently in the proposed toy department location. Note, however, this is just one tool available in analyzing the potential of the department.

TABLE II

NATIONAL CHILD POPULATION BY SEX AND AGE GROUPS
AS OF JANUARY 1, 1956¹

Child Population	Boys	Girls	Total
Infants	2,025,000	1,928,000	3,953,000
1 and 2 years old	3,954,000	3,772,000	7,726,000
3 and 4 years old	3,800,000	3,616,000	7,416,000
5 and 6 years old	3,570,000	3,402,000	6,972,000
7 and 8 years old	3,648,000	3,477,000	7,125,000
9 and 10 years old	3,064,000	2,922,000	5,986,000
11 and 12 years old	2,946,000	2,814,000	5,760,000
13 and 14 years old	2,770,000	2,647,000	5,417,000
Total children under 15	25,777,000	24,578,000	50,355,000
15-17 years old	3,648,000	3,492,000	7,140,000
Total Child Population	29,425,000	28,070,000	57,495,000

¹Barbara Michael, "Child Population of America," A Market Research Report (Chicago: Toys and Novelties Magazine, Haire Publishing Company, May, 1956), p. 76.

The annual average toy sales per child during 1955 was \$24.80.

Toy sales in New England compare very favorably with the national average. The per capita annual toy sale in New England is \$28.40. The Middle Atlantic states have the highest per capita annual toy sales, an important \$30 for each child under fifteen. The East North Central states show a significant \$27.20. Coming to the West North Central area we find an average close

to the national figure, \$24.50. In the South Atlantic states the District of Columbia tops all 48 states with a per capita toy sales volume of \$38.90. South Carolina, on the other hand, is among the lowest with \$14.40.

Texas leads the South Central States with \$22.50 while Mississippi shows the country's lowest average, \$13.20. Over on the West Coast, the Pacific states were all well above the national average while the neighboring Mountain states, less populated, are somewhat below that figure.¹⁷

The figures in Table II emphasize the opinion that when a super market handles toys, proper consideration of all sex and age groups is of prime importance when choosing items and endeavoring to maximize profits through high volume.

A projection of the population into the future may help one to realize the vast potential of the toy department in the super market. Applebaum and Carson's study took the figures of the nation's population by age from July 1, 1955 and projected them to July 1, 1965. [See Table III.]

Consumer traffic and satisfaction. With the present national population estimated at 167 million people all of whom must eat to survive, at least one person from each household must shop for food. The number of families in the country is estimated at 47,700,000.¹⁸ By comparing

¹⁷Ibid.

¹⁸"Toy Sales Rise, But How Much?," New York Times, January 2, 1957, p. 135.

TABLE III

PROJECTION OF THE TOTAL POPULATION OF THE U. S.
BY AGE, FROM JULY 1, 1955 TO JULY 1, 1965¹

Age Group	1955		1965	
	Population in Millions	Per Cent of Total Population	Population in Millions	Per Cent of Total Population
All ages	165.2	100.0	193.3	100.0
Under 10	35.5	21.5	40.7	21.0
10 to 14	13.3	8.1	19.2	9.9
15 to 19	11.2	6.8	17.2	8.9
20 to 24	10.8	6.5	13.5	7.0
25 to 44	46.9	28.4	46.4	24.0
45 to 64	33.4	20.2	39.1	20.0
65 and over	14.1	8.5	17.4	9.0

¹W. Applebaum and D. Carson, "Super Markets Face the Future," Harvard Business Review, Vol. 35, No. 2 (March-April, 1957), 125.

three different studies pertaining to the frequency of food store visits the average figure of 3.7 visits per customer per week was derived.¹⁹ With one member of each family shopping an average of 3.7 times a week a rough estimate of 176,500,000 consumer visits to the food stores per week is indicated. No other industry can boast of this kind of traffic.

¹⁹The three studies used were: "Shopping Habits of Super Market Customers," Stop & Shop, Inc., Market Research Dept., 1947; G. F. McKenzie, "A Method of Diagnosing Customer Shopping Habits and Preferences of Retail Food Stores" (unpublished Master's thesis, Michigan State College, 1951); "Customer Survey," Crowell-Collier Publishing Company, New York, 1950.

People are getting married at a younger age today than in the past and these young families are having more children. Mothers cannot afford to have baby sitters every time they go shopping and often are unable to find someone to mind the children, therefore, the kids accompany their mothers on shopping trips. This is helpful to the super market with a toy department as children are always on the look out for toys.

The presence of a toy department makes available for the housewife a year-round line of merchandise that varies from season to season. The department might not fulfill the housewife's complete annual needs in toys due to lack of variety but high sales should be experienced from even a small selection since convenience is an important factor. Convenience is a paramount service supplied by retailers today. The retailer supplying this service is likely to be successful, other things being equal, since customer satisfaction comes from convenience. Experience is proving that toys are gaining wide acceptance within the super market. As mentioned earlier, the modern parent has accepted the importance of toys in a child's life. Seeing the toy department while shopping reminds the parent of this and a so-called impulse purchase evolves.

High-profit margin. The entrance of the toy department in super markets was caused by the realization that

here is one more non-food commodity to help boost the waning profits in the retail food industry. Toys, as other non-food items merchandised in food stores today, are commonly called a "buffer" against lower markups.

There are many factors in favor of a toy department in super markets, such as, increasing child population, store traffic, realization of need for toys, more disposable income, and they all point to a potentially high volume. However, were it not for the high margin of profit available from toy items it is doubtful that toys would have ever invaded the super market.

The margin on toy items varies from about 25 to 75 per cent but, the majority of items average 40 to 50 per cent. The average margin for a toy department depends upon the method of purchasing. By buying toys direct from the manufacturer the department's over-all margin may reach about 40 per cent. If a rack jobber is used the super market's margin of profit is roughly between 30 and 33 per cent. Pricing policies may cause the over-all margin to decline somewhat. The department's margin is higher than the super market's usual over-all margin of 16 to 18 per cent.

Sales increase. The acceptance of toys by the general public is indicated by the sales figures published in Toys and Novelties Magazine. [See Table IV.]

TABLE IV
ESTIMATED TOY SALES PER CHILD, STATE BY STATE,
FOR THE YEARS, 1954, 1955¹

State	Sales Per Child Under 15, 1954	Sales Per Child Under 15, 1955	Increase
Alabama	\$10.70	\$15.90	\$5.20
Arizona	14.10	21.10	7.00
Arkansas	11.00	16.70	5.70
California	26.60	30.10	3.50
Colorado	20.00	24.10	4.10
Connecticut	24.50	32.70	8.20
Delaware	18.30	29.70	11.40
D. C.	27.90	38.90	11.00
Florida	18.60	24.60	6.00
Georgia	11.70	17.00	5.30
Idaho	17.30	21.60	4.30
Illinois	29.20	30.60	1.40
Indiana	19.50	25.70	6.20
Iowa	17.70	24.70	7.00
Kansas	20.20	25.20	5.00
Kentucky	11.80	17.30	5.50
Louisiana	13.00	17.80	4.80
Maine	14.00	22.80	8.80
Maryland	19.90	24.10	4.20
Massachusetts	18.70	28.80	10.10
Michigan	20.20	25.80	5.60
Minnesota	18.00	23.00	5.00
Mississippi	7.60	13.20	5.60
Missouri	19.60	26.60	7.00
Montana	18.50	24.50	6.00
Nebraska	17.80	25.10	7.30
Nevada	23.70	32.10	8.40
New Hampshire	15.40	24.00	8.60
New Jersey	21.60	31.60	10.00
New Mexico	12.90	17.40	4.50
New York	24.10	32.00	7.90
North Carolina	11.60	16.00	4.40

¹1954 figures taken from: "Toy Industry has Estimated Retail of \$900,000,000 a Year: Toys and Novelties," Advertising Age, Vol. 26, No. 15 (April 11, 1955), 34b; 1955 figures taken from Barbara Michael, "Child Population of America," A Market Research Report (Chicago: Toys and Novelties Magazine, Haire Publishing Company, May, 1956), pp. 76-82.

TABLE IV (continued)

State	Sales Per Child Under 15, 1954	Sales Per Child Under 15, 1955	Increase
North Dakota	\$16.70	\$21.00	\$4.30
Ohio	21.70	26.80	5.10
Oklahoma	15.10	21.90	6.80
Oregon	23.00	26.70	3.70
Pennsylvania	20.80	26.60	5.80
Rhode Island	20.80	27.70	6.90
South Carolina	9.90	14.40	4.50
South Dakota	16.20	21.50	5.30
Tennessee	12.20	18.30	6.10
Texas	17.50	22.50	5.00
Utah	13.20	18.80	5.60
Vermont	15.00	22.50	7.50
Virginia	15.60	20.10	4.50
Washington	23.40	26.90	3.50
West Virginia	12.70	17.30	4.60
Wisconsin	19.40	25.00	5.60
Wyoming	18.60	26.40	7.80
Total U. S.	19.20	24.80	5.60

Note in Table IV the phenomenal sales increase in all states except Illinois which was already in a healthy position as the highest sales per child under fifteen in 1954. An interesting point is that many of the biggest increases came from states that already had high sales per child, such as Delaware, District of Columbia, Massachusetts, Nevada, New Hampshire, New Jersey, New York, and Wyoming.

A 1954 E. I. DuPont De Nemours and Company study of 5,338 shoppers in 250 representative super markets in thirty-five cities throughout the United States revealed that 93.2 per cent of all toy purchases were store

decisions.²⁰ The indication being that toys are primarily an impulse purchase item. With the acceptance of toys by parents on an increasing trend and their being an impulse purchase it is to the super market operator's benefit to place the department in a high traffic location to maximize sales.

Although most super markets have a department of two to eight linear feet, a few markets specializing in toys have larger departments. Grand Central Markets of Salt Lake City, Utah has the largest and probably most successful toy department with two stores each having approximately 3,500 square feet of toy space doing approximately \$1,000,000 in toy sales. The mark-up is adjusted to encourage turnover and volume. Day-in, day-out staples average 33-1/3 per cent while wheel goods, which offer high ticket opportunities, gross 25 to 27 per cent. The promotional items also move at 25 to 27 per cent mark-up.²¹ Not everyone can hope to achieve the success in toys experienced by Grand Central Markets but a healthy profit picture may result from a display of as little as two linear feet if it is merchandised correctly.

²⁰Latest Facts About Non-Food Purchases in Super Markets, A Survey, Research Department (Wilmington, Delaware, E. I. DuPont De Nemours and Co., 1954), pp. 2-3.

²¹"Two Units Share \$1 million in Toys," Chain Store Age, May 1956, Vol. 32, No. 6 (May 1956), pp. 70, 179-180.

Market cultivation. The toy market has a great potential based on the two key factors, population and the ability to buy or disposable income. How this potential is developed depends on the manufacturers, wholesalers, and retailers. The last few years have shown what may possibly be termed the industry's greatest effort towards market cultivation. Under the guidance of the toy trade associations, the industry has engaged in special promotions and consumer education in an attempt to teach the importance of toys to a child's mental, physical, and social development. The industry's continuous development of seasonal and year-round playthings has helped increase sales throughout the year. These stimulants to toy sales have helped to give better balance to a historically unstable market. Added efforts on the part of all interested parties can only lead to greater success. Allen Levis, Herst-Allen Company (Rack Jobbers), has this to say about toys in super markets.

By merchandising toys through super markets the size of the pie can be increased along with the super markets share of it.

When asked why, Mr. Levis said: "Impulse purchases will increase the sales through constant rotation, better displays, and a continual flow of new items."²² Thus, the future of toys in super markets is bright.

²²Interview with Allen Levis, Herst-Allen Company, Chicago, Illinois, May 8, 1957.

Toy Manufacturers of the United States of America, Incorporated

The Toy Manufacturers of the United States of America, Incorporated, was organized in 1916 and since then has made a concentrated effort to help manufacturers increase sales and profits. Their five point program is designed to expand the market for toys, protect the industry against foreign competition, improve competitive practices, encourage standards of safety and quality, and build prestige for the American toy industry.²³

One of the associations major functions is to sponsor the annual American Toy Fair. This year the fair opened for the fifty-fourth time at the Shearson-McAlpin Hotel, New York City. More than 125,000 different toy items were on display and roughly 16,000 buyer representatives were present.

The association has developed several service agencies. The Toy Information Bureau is used as a source for basic information about the industry. Second, the American Toy Institute, is the research division of the association. The institute keeps well informed on improvements made by manufacturers and educators in improving the play value and quality of toys.

²³"Marketing Toys," op. cit., p. 48.

The Toy Guidance Council, Incorporated, is an association of wholesalers and retailers who are, among other things, trying to improve the quality of toys. The council distributes throughout the year more than 6,000,000 copies of three publications: The Toy Yearbook, Toy Hints, and Prestige Toys.²⁴ Toy Hints can be of great help to the super market operator because it presents a selection of outstanding American toys for the year chosen by several panels of experts. The council also offers its members free mat service in advertising and sponsors television shows that promote toy items.

An intensive public relations program is carried on each month of the year in newspapers, television, radio, trade journals under the guidance of a public relations firm. The varied functions of the association have and are continuing to prove most beneficial to the toy industry.

²⁴"News of the Advertising and Marketing Fields," New York Times, September 16, 1956, III, p. 10.

CHAPTER III

METHODS OF DISTRIBUTION

Knowledge of the methods by which toys are distributed from the manufacturer to the super market are of utmost importance to any operator considering the inclusion of a toy department. The pros and cons of each method should be weighed carefully before entering into a very costly operation. Direct purchase, service merchandisers (rack jobbers), wholesalers, and food brokers are the major channels of toy distribution to the super market.

The food brokers' part in the distribution of toys is so minute a lengthy discussion is unnecessary. Mr. Watson Rogers, President National Food Brokers Association, Washington, D. C. has the following to say about some food brokers distributing toys to super markets: "Some food brokers are getting into the non-food business and a few handle toys. However, the food brokers operation is not set up to handle non-food items such as toys, so this expansion will probably not continue to grow."¹

Wholesalers are the most important distributors of toys. The wholesaler is estimated to be disseminating about

¹Interview with Watson Rogers, President National Food Brokers Association, Washington, D. C., April 11, 1957.

45 per cent of the toy production. Yet, most of these goods go to the small retail stores and the many other dealers, such as, druggists, hardware stores, candy stores, and others. The toy wholesalers today number 2,408, however, they are not the primary source of supply for the super market.²

The extent of the variety of toy items available for super market merchandising is greatly restricted by packaging requirements (See Chapter V) and the business pressure experienced by the manufacturer. Many manufacturers prefer to stick to established distribution channels, often times due to fear of antagonizing the outlets on whom they must continue to depend for the bulk of their business, thereby, cutting the assortment of items available for super markets. This type of business pressure was brought to bear on the manufacturers of health and beauty aids by druggists in the late 1940's and early 1950's. The health and beauty aid sales grew so rapidly in the super market that manufacturers were forced to sell to them to maintain their position in the market and the druggists' threats lost their significance. The super market is experiencing the same problems with toys; it will be a matter of time before sales reach a point where manufacturers will not have to be

²"Marketing Toys," op. cit., p. 8.

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concerned with the pressures from the present channels of distribution. The most glaring example of such pressure was brought out during personal interviews with seven manufacturer representatives in New York City. During the interviews five out of seven representatives stated they did not sell their line to super markets or super market jobbers for fear of reprisal.

Direct Purchasing

For many years super markets have merchandised toy items during Christmas, most of the merchandise was purchased directly from the manufacturers. This practice is continuing and is gaining momentum each year due to the customer acceptance of toys in the super market and other favorable factors mentioned in Chapter II. The chain or independent operators handling Christmas and seasonal toys have, for the most part, been purchasing a few high ticket (high priced) items and featuring them in a sales promotion. Many operators are continuing to purchase seasonal toy items throughout the year and promote them on a "one-shot" basis. A large volume of sales is estimated to be achieved through this method of distribution.

The representatives queried during personal visits to chain and independent super market organizations handling toys stated, without exception, that the toys bought directly from the manufacturer were always promotional items. Such

purchases were not usually on a continuing basis. This method was used to maximize profits as a few items could be easily merchandised by the store personnel. A 40 per cent margin and more is attainable in toy departments merchandising on a year-round basis when the goods are purchased direct from the manufacturer. Although no organization interviewed stated they used direct purchases on a year-round basis there was mention that some chains were using this method.

A large chain can incorporate a year-round direct purchase toy department effectively into the organization if the proper planning, training, and merchandising are used. There are many problems to be analyzed before incorporating this method and they should not be approached from a negative standpoint. The attitude of the super market operator in trying to solve the problems should be: How can direct purchasing be utilized to attain greater profits and will it in effect bring added control of toy merchandising practices? Some of the questions to answer are: First, is an experienced toy buyer available in the organization; if not, can someone already employed be trained to buy toys or must a buyer be brought in from the outside? Second, is there space available under present warehousing conditions to stock and repair toys; if not, does the profit derived warrant an extension on the present warehouse? Third, how may store orders and deliveries be most

economically scheduled? Fourth, considering labor turnover, can proper training be maintained for effective merchandising within each store?

When the direct purchasing method is utilized experienced personnel are necessary to purchase and merchandise the goods. Since sales are seldom guaranteed by the manufacturer the toys purchased must be sold or the toy department will not be a profit making operation. Along with the added administrative and personnel expense a problem of warehousing looms high. The merchandise purchased from the manufacturer to be stored until shipped to the individual stores. Also a sizeable reclamation room is necessary to reprocess damaged merchandise. Without the reclamation room in a direct purchase operation the toy department would not be able to maximize profits.

Another consideration that will probably confront the operator is one of shipping. Most toy manufacturers do not ship their goods in well marked cartons. To ship the correct quantity of each item to the individual stores the goods have to be removed from the original shipping container and repackaged to comply with individual store requirements.

Retailers agree that direct purchasing results in substantial savings in the cost of the merchandise. However, the savings must be large enough to offset the cost of assuming the additional marketing functions necessary to realize immediate cost savings. This means the retailer

must perform the additional marketing functions as efficiently as the middle man.

Store ordering of toys under the direct purchasing procedure provides the store manager with a list of available items. Each week the store manager orders the items he thinks will sell. Good merchandising means varying the items and keeping the stock current by returning damaged and unsold merchandise. The constant variety necessary in the toy department is caused by the traditionally short sales life of the normal low priced toy items. If the direct purchase method of distribution is used careful study should be given to the utilization of central control of the toys displayed. A toy buyer or merchandiser should be able to determine which items will sell faster with more accuracy than the store manager. The manager can only visualize what a toy item looks like by its name on an order sheet. He can guess or select pleasing names and then order but, with limited knowledge the items he orders are not apt to be the best sellers. With constantly changing items and no past experience to go on the toy buyer or merchandiser should be more capable of deciding which items are to be stocked. For this reason central control of the items to be merchandised in the stores is advocated over and above the method of store level selection.

In 1954, 65.5 per cent of the super market industry supplied toys to their stores by direct purchase and 28.4 per

cent by service merchandisers.³ There is, however, no indication of the sales volume attained by each. The phenomenal growth of toy departments handled by service merchandisers in the last three years may well have reversed the percentages by now.

Service Merchandising

All indications seem to lead to the belief that the service merchandiser is fast becoming or is now the super market's primary source of supply for toys. Super markets still make a great many special promotion purchases direct from the manufacturer. However, many food store operators have incorporated year-round toy departments and are using service merchandisers. Some of the chains presently using service merchandisers are the Atlantic and Pacific Tea Company, Kroger, Grand Union, A.F.C. Wrigley's, American Stores, Food Fair, Jewel Tea, and National Tea.

The trade name for a service merchandiser is rack jobber. The rack jobber is defined as a wholesaler who warehouses and delivers goods, stocks the shelves, and sets up displays in a designated area within the store. The rack jobber has the responsibility of reordering from a list previously approved by the operator, all the necessary stock for the particular department in his charge. Point of sale

³M. M. Zimmerman, The Super Market (New York: McGraw-Hill Book Company, Inc., 1955), p. 250.

material is also developed, placed, and removed by the jobber, for specific promotions. The accepted period of servicing the store's toy department is once a week. Each week from four to six new items are added to replace the sold out items or slow movers that have been on display three weeks to two months. The goal to achieve is to obtain the greatest volume possible on high profit merchandise with the least capital investment and risk by the store. A markup of from 30 to 33-1/3 per cent is realized when using the services of a rack jobber. Direct purchasing of toys makes possible an average markup of from 23 to 40 per cent or more. The difference is due to the pricing policies. A lower gross margin would be obtained by an organization endeavoring to maximize its profits by gaining a higher volume of sales through lower prices.

Probably the most desirable characteristic of rack jobbers is that they guarantee the sale of all their merchandise. If an item does not sell it is replaced by another that does sell. Most jobbers service their accounts weekly, theoretically maintaining excellent stock rotation. Another function of the jobber is to price mark the goods before they are placed on the rack.

Through constant servicing and item changes the jobber should maintain excellent stock rotation. In practice, however, if the jobber purchases a poor seller he usually leaves it on display from three weeks to two months hoping it will

sell. If the item does not sell within that period it is moved to another store. Thus, in reality, stock rotation works only for saleable items.

This situation seems prevalent today and may be alleviated by a tighter control on the part of the super market organization. With no control on the removal of unsaleable merchandise from the store display a dead item is found in place of a volume getter. Certainly it is necessary for the retailer to play ball, so to speak, with the rack jobber but, not to the point where a lack of control creates loss of sales.

By initiating a reasonable control of the rack jobber, toy sales may be increased and the jobber will be forced to make better purchases. Then and only then can the guaranteed sale and stock rotation theory be a workable reality for the super market.

Controls enforced by the operator could be a boon to the rack jobbers. The greater sales and profits gained by displaying and selling fast moving merchandise should compensate for the losses sustained on unsaleable toys.

Of prime importance is the proper choice of a rack jobber. A reputable jobber with an extensive quality line of available items is essential to the operation of a successful toy department. The pressures which manufacturers are experiencing from their older established channels of distribution sometimes make it difficult for a jobber to

obtain an extensive line of quality merchandise. Another factor that deserves proper analysis is the competitiveness of the items.

Some rack jobbers have become so firmly entrenched in local or regional markets, that they service competitive stores with the same merchandise. Although this makes possible larger quantity discounts in the jobbers purchasing price and some of the savings are passed on to the retailer, it may be detrimental to sales. Many research studies have revealed that the majority of housewives do not do all of their food shopping in one store. If some of the shopping is done at a competitive store with the same toy display the available volume in the particular items will be divided, thus, decreasing the sales for each store. By merchandising a different variety of quality toys some degree of store loyalty may be achieved plus creating a traffic building department. The above factors call for careful analysis in choosing the proper rack jobber.

When a non-food department is serviced by an outside organization the store employees often become slovenly in maintaining the stock and display. This reaction can cause the loss of many sales but, constant supervision will correct the situation. By assigning a competent employee to maintain the toy department between the jobbers service visits this deficiency can be corrected.

"A New Type of Middleman--Rack Jobbers," a recent study of seventy-six rack jobbers in seventeen states and

the District of Columbia reveals that 53 per cent of these distributors were doing only service merchandising, while 47 per cent were doing other types of wholesaling in addition to their rack operations.⁴ The same study pointed out 41 per cent of these rack jobbers carried toys and the average number of stores serviced with toys per jobber was 199.⁵ The survey substantiated the theory that rack jobbers are better represented in the independent retail outlets. Personal observation of chains in the east and midwest indicates a period of transition is presently evolving; that is, rack jobbers are servicing more chain stores while continuing to serve the independents.

Each method of distribution available to the super market operator has its advantages and disadvantages. The points high-lighted were developed to point out the importance of an individual analysis of each distribution method before deciding which one to use. Presently it seems the rack jobber, for four reasons, is the most feasible method for both large and small organizations. First, the jobbers have trained personnel. Second, they supply warehousing facilities, and third, deliver. Finally, the jobber through servicing hundreds of stores can obtain greater quantity

⁴James A. Slater, A New Type of Middleman--Rack Jobbers, Bureau of Business Research Report (East Lansing, Mich.: Michigan State University, November, 1956), p. 5.

⁵Ibid., p. 12.

discounts in buying, thereby, making it possible to offer the super market operator the above services plus a suitable margin.

Surveying the service merchandiser. As part of the preparation for this thesis a questionnaire was prepared and sent to ninety-five rack jobbers listed as handling toys. Twenty-four answers were received with only eleven completely filled out. Rack jobbers servicing non-food items in the super market are predominantly persuing the merchandising of health and beauty aids or housewares which account for the low return of the questionnaire. [See Appendix A.] A few of the products serviced by rack jobbers in the super markets are health and beauty aids, housewares, greeting cards, books and magazines, toys, school and paper supplies, records, tobacco products, and other miscellaneous items. Table V, taken from the study "A New Type of Middleman--Rack Jobber," indicates the per cent of jobbers carrying one or more groups of products. Note that two-thirds of the rack jobbers handle two or more product lines.

The number of questionnaire replies made it impracticable to express the answers in valid percentages that would give a national picture of toy merchandising in super markets. The questionnaire was sent to rack jobbers rather than the retail outlets because it was felt a truer picture of toy merchandising would be obtained. The decision was

made early in the research period after consulting several authorities on toy merchandising. They indicated a majority of toy departments merchandising on a year-round basis were handled by rack jobbers.

TABLE V
PER CENT OF JOBBERS CARRYING ONE OR MORE
GROUPS OF PRODUCTS¹

Number of Product Groupings Handled	Percentage of Rack Jobbers Handling
1	33
2	22
3	19
4	16
5	7
6	1
7	1
8	1
	<hr/> 100%

¹James A. Slater, A New Type of Middleman--Rack Jobbers, Bureau of Business Research Report (East Lansing, Mich.: Michigan State University, November, 1956), p. 12.

The accumulation of printed material or secondary data on Merchandising the Toy Department in Super Markets was so limited it was necessary to rely predominantly on primary data or personal interviews, observations, and the results from returned questionnaires. A compilation of the facts gained from the eleven questionnaires answered, personal interviews with two rack jobbers, the non-food executives of three large super market chains, and visits to

sixty-three stores in New York, New Jersey, Connecticut, Pennsylvania, Illinois, Ohio, and Michigan summarize some of the present day toy merchandising practices which will be presented throughout this thesis. The answers on the eleven questionnaires represent 2,712 super markets merchandising toys in California, Georgia, Oklahoma, Louisiana, Kentucky, Illinois, Indiana, Wisconsin, New York, and New Jersey.

Survey results. The following is a summarization of various opinions and methods of operation which jobbers presently use; others pertaining to specific subjects discussed in the following chapters will be presented in context. The opinions and methods below were derived from both the primary and secondary data available.

The rack jobber divides the territories serviced into districts which in turn are divided into routes. Each route is assigned to a routeman who maintains the stock and the displays in the stores assigned to him.

The volume of merchandise sold and the satisfaction of the retailer with the rack jobber's services depend upon the performance of the routemen. Therefore, recruiting and training routemen is an important part of the rack jobbers operation. New routemen are given four to six weeks of training before being assigned a route. Many rack jobbers provide refresher training to all routemen as needed.

The jobber has no standard procedure for determining the sales volume necessary in each store to attain a break-even point. The jobber's size and the sales of other product groups merchandised in the same store with toys are factors that disturb what might otherwise be a stable picture. For example, one jobber might say a minimum sales volume of \$40.00 per week is necessary to break-even in the toy department. This figure is necessary because he handles only toys in that store. Another jobber might need only \$25.00 in toy sales for the department to break-even because his overhead is cut down considerably by his servicing one or more product groups in the same store. A large majority of the jobbers indicated a strong desire to service toys in stores that did a minimum of \$10,000 in total weekly sales volume.

Most jobbers do not consider any specific toy item a staple. The reason given was that when the same item was continually merchandised sales did not prove sufficient to warrant further handling of the item. The cause seems to lie in the fact that the super market draws from a local trading area, thereby, limiting the store to a constant flow of steady customers rather than a constant variety. These customers tire of a display that constantly shows the same items. However, variations of the same or similar items may sell continuously. For example, the same doll on display continuously will experience a sales decline within two to four weeks. Yet, good sales may result throughout the year

by displaying different size and priced dolls periodically. The length of time an item is left on display should be determined by the weekly sales. The store manager should exercise control over the length of time any item is to be displayed. By keeping a running inventory and a record of sales for each item the manager can, after giving an item a reasonable period of time to sell, force the jobber to remove it. The manager will then be able to maximize sales and the jobber will be forced to absorb the loss rather than the operator.

Judging by the questionnaire returns and all personal observations the trend toward year-round toy departments in super markets rather than seasonal promotion and "one-shot" deals began to mushroom in 1953. However, the biggest problem rack jobbers face today is the acquisition of display space. Super market operations, both chains and independents, limit the amount of display space for the toy department. Several trade associations have been formed by rack jobbers to help stimulate sales and create a greater understanding between manufacturer, jobber, and retailer.

The service merchandisers associations. Two trade associations have been formed to act as spokesman for the rack merchandisers. The American Rack Merchandisers Institute [ARMI] has forty-three buying offices throughout the nation and specializes mostly in housewares. The Toiletry

Rack Merchandisers Association [TRMA] is primarily in the business of merchandising health and beauty aids.

Both associations send representatives to cover conventions where information is gathered and later made available to members of the organization. The associations maintain a close link between the retailer and the manufacturer. They keep the retailer informed on trends and new developments. They also inform the manufacturers of the packaging requirements for self service merchandising. The ARMI has published books on packaging, point-of-sale, and displays that help the member sell more merchandise in the retail store. Both associations have many members that handle toys.

CHAPTER IV

PURCHASING TOYS

The art of purchasing the right toys for merchandising is of prime importance to the success of any toy department. Even if the retailer is employing the services of a rack jobber knowledge of this art will be beneficial in checking the efficiency of the services rendered. The dominating factor in any retail operation is the consumer. The customers of today are much different than those of a decade ago. They are better educated, a keener judge of values and have more independence in their shopping. Before the merchandise is purchased the retailer or rack jobber, if he is servicing the retailer, should endeavor to learn as much as possible about the present and potential market. With this in mind, the consumer's toy buying habits will be discussed. The next step is choosing the right assortment of toys. Without knowledge of how to choose toys for children of different age groups, sexes, and interests the buying would be on a very weak basis. After learning about the market and how to choose toys the actual buying begins. This section on buying toys will include a discussion of the basic toy lines, the classifications of toys, and a buyers checklist.

Consumer Buying Habits

Chapter II brought out the factors favorable for the phenomenal sales increase in the toy industry, such as, more disposable income, the increase in population, the development of a year-round market, and the higher educational level of the American public. The increase in the American standard of living is probably the greatest reason for the sales increase in toys through food chains. With more disposable income available the present day consumer has the ability to make extra toy purchases for the children. The rise in the standard of living has made possible two other major changes in the socio-economic environment enjoyed today.

First, the increasing trend toward higher education has brought about many changes in the consumer's thinking. This revolution in thinking patterns has reached into areas of child development, such as, child psychology and education. A large number of today's consumers have come to realize the importance of toys for the child's welfare and development. The child needs something to love and to keep its interest during the time it is unattended by a parent or guardian. Through the publicity efforts of educational institutions and the Toy Manufacturers of the United States of America, Incorporated, many young mothers are aware of how toys develop children. This development comes in the form of muscular ability, coordination, and mental prowess



Second, added disposable income has made possible a mass migration from urban to suburban areas. With this move to suburbia has come a new group of consumer needs and wants. These new consumer demands have brought about the development of new lines of toys in the industry, such as, wading pools, gyms, toy lawn mowers, garden tools, and inflatable plastics. Thus, was added the most powerful impetus in the development of the year-round toy market. Without the above factors to stimulate the old seasonal toy market into a year-round market the super market toy department might never have been conceived.

With the understanding of why the toy market arrived at its present status let us delve into the actual consumer buying habits. Consumer toy buying habits will be highlighted from two very exhaustive studies. The first is entitled Toy Buying Habits and are the results of a market research study released in April, 1954, by Parents' Magazine. The survey contacted 5,000 subscribers to Parents' Magazine and is based upon 662 respondents. The second is a study conducted during the Christmas season 1954 by Opinion Research Corporation, Princeton, New Jersey, for the Toy Manufacturers of the United States of America, Incorporated. The study was made of a representative cross-section sample of 1,866 households in all geographic areas of the United States. The results are based on 12,544 toy purchases made by 1,449 families that purchased toys for children under

fifteen years of age. The purpose of the study was to determine the Christmas toy buying habits and preferences of the public. The title is Toy Purchase Habits of U. S. Families. Only those highlights of the studies deemed especially important to the super market operator shall be presented.

The Parents' Magazine study reveals that 98.6 per cent of the families buy toys for birthdays, 98.5 per cent buy for Christmas, and 76.7 per cent buy for summer outdoor activities. This plus the fact that an average of 38.1 per cent of toys purchased were for occasions other than Christmas help to point up the trend to year-round toy buying by the American people.¹ Many other reasons for purchases were given, such as, Easter, winter outdoor activities, during illness, as needed, as a reward or surprise, on impulse and on other occasions. With the influx of toy departments in the super markets since this survey was taken in 1954 it is conceivable the following chart has changed considerably, however, it does indicate the super market position at the time.

This study also brings out the importance of the child's influence on the families toy purchases as 50 per cent of the families are influenced by the child's

¹Toy Buying Habits (New York: Research Department, Parents' Magazine, April, 1954), p. 1.

TABLE VI
TOY PLACE OF PURCHASE¹

Place	1st Choice	2nd Choice	3rd Choice
Department store	36.7%	20.2%	10.0%
Variety store	20.2	26.3	13.1
Toy store	14.8	11.3	6.0
Mail order	7.3	6.9	4.1
Hardware store	4.1	5.6	6.1
Super market	3.8	5.1	6.2
Auto supply store	3.3	4.7	5.1
Child specialty shop	2.1	3.2	5.0
Drug store	1.4	6.4	10.4
Other			
Stores (book, furniture gift, etc.)	.6	.8	1.4
Miscellaneous	.6	.3	.3
No answer	5.1	9.2	32.3
Total	100.0%	100.0%	100.0%
Number of respondents	622	622	622

¹Toy Buying Habits (New York: Research Department, Parents' Magazine, April, 1954), p. 1.

desire. The purchasing agent or buyer should keep this well in mind when selecting toys for the department. With so many children accompanying their mothers on shopping trips it pays in added sales to have play appeal in all toys the department displays.

Another group of pertinent facts the Parents' Magazine report reveals is the median prices paid for toys were \$2.27 for children under two; \$3.02 for children from two to four; \$4.02 for children from four to six; \$4.44 for

children from six to ten; and \$4.57 for children from ten to fourteen. With half of the toy sales for the respective age groups under these figures it is felt that many toy departments in super markets are missing out on a large sales potential. An observation made from store visits and the jobbers questionnaire returns is that the maximum toy price most operators and jobbers prefer to handle, except for special promotion items, is 98 cents. Only the largest jobber answering the questionnaire preferred to handle items over \$1.00. This jobber preferred a maximum price of \$3.98 and seems successful with this pricing policy as it is in effect in over 400 super markets in and around one of the nation's largest metropolitan areas. With the median prices paid for toys as stated above and the super market's toy department generally handling items from 98 cents down only a portion of the toy market is within the competitive reach of the super market.

While merchandising a smaller number of carefully selected toys priced lower than \$1.00 the super market operator may be able to achieve greater profit returns by including a reasonable number of higher priced toys in the display. This is assuming direct purchasing is in effect as under this method of buying a different markup may be obtained on each item. The sale of some higher priced items can result in greater returns even with a somewhat smaller turnover. First, through a higher dollar volume, and second, by getting a

better margin on the items. This method, however, could cause a decline in sales as the consumers in a particular area might demand a large variety of low priced toys. The consumer has not yet demanded a large variety in the other non-food lines that super markets handle so if an experiment with higher priced toys proved an error it should not be too costly.

The same study presented an extremely negative opinion on the part of the respondents toward plastic toys. This fact is pertinent in that a great many of the toys manufactured today under \$1.00 are plastic. Of all the objections listed 74.6 per cent referred to plastic toys.² The complainants mostly said that plastic toys were not durable, broke easily, broke with sharp edges, and were too expensive. Metal, wooden, and hard rubber were the most accepted material. An experimental sales test could quickly determine the validity of these figures, making the exclusion of most or all plastic toys quite feasible.

The second study mentioned entitled Toy Purchase Habits of U. S. Families presents a myraid of facts many of which are pertinent to the super markets toy operation. The reader must remember that this study was made with the purpose of determining the Christmas toy buying habits in 1954. Any operator wants to know just where the market is and its size. The survey facts shown in Table VII may lead one to

²Ibid., p. 17.

believe that if the toy department is of limited space it would be best to merchandise toys appealing exclusively to the two to six age group. This policy would lead to maximum sales in most small departments.

TABLE VII
DISTRIBUTION OF CHILDREN'S TOYS RECEIVED AND
RETAIL DOLLARS SPENT ON TOYS¹

Age of Children	Children in Population (U.S.Census)	Toys Received	Retail Dollars Spent
Total children under 15	100%	100%	100%
Under 2 years	16	15	9
2 - 6 years	36	50	49
7 -10 years	26	26	29
11- 14 years	22	9	13
(1954 Christmas season)			

¹Toy Purchase Habits of U. S. Families (New York: Toy Manufacturers of the U.S.A., Inc., 1955), p. 14.

With half of the toys purchased and almost half of the dollars spent on toys going for children between the ages of two and six the operator can judge his market accordingly. With an increase in display size an expansion into items for the seven to ten age group may well prove profitable. The constant development of new toys for this latter age group is increasing in momentum and could cause a more even distribution of the sales in Table VII for these two age groups.

During the 1954 Christmas season 58 per cent of the toys purchased cost \$2 or less, yet, they accounted for only 16 per cent of the dollar volume in retail toy sales.³ These facts suggest several questions. Is it possible that by carrying quality goods at Christmas at a higher price than normally carried in the year-round toy department a greater return per square foot may be realized? Would a greater profit be derived from carrying higher priced merchandise on a year-round basis? Only through controlled market research studies could these questions be answered with validity. It may be well to know the answers as a complacent attitude concerning this constantly increasing market could easily cost vast sums of money in lost sales.

The study also brought out the consumers' preferences of factors influencing their selection of toys. They were as follows:

1. Well built, sturdy and durable.
2. Reasonably priced.
3. Appropriate to the child's age group.
4. Where applicable, good play value, educational value, or safety.⁴

The purchasing agent has a group of influencing factors that are ranked differently but the above are usually included.

³Toy Purchase Habits of U.S. Families (New York: Toy Manufacturers of the U.S.A., Inc., 1955), p. 23.

⁴Ibid., p. 26.

Knowledge of consumer buying habits must be maintained on a continuing basis in order to keep sales in the super market's toy department of maximum. Being aware of current trends may not solve anything directly but can easily lead to new merchandising innovations.

Choosing Toys

Choosing the right assortment of items to be displayed in the toy department is a very important part of good merchandising. The proper selection of toys for the varied interests of children in all age groups will help greatly in building a stable year-round department. Because parents are more conscious today of how necessary toys are for child development the super market should have available the proper assortment of toys to fill their child's particular needs and interests. The toy department in super markets today is usually not very large; therefore, an extensive merchandising as to the assortment of items is unnecessary.

Knowing the suitability of a toy for a specific age group is important. Also knowledge of the varied interests children have at different ages is helpful in a direct purchase operation or in checking the assortment of items the rack jobber is displaying. Thus, the super market operator is assured the customer is getting the widest possible variety of items within the age groups displayed. In the stores visited during the research period it was quite

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evident that no national trend was indicated in displaying a variety of items appealing to different age and sex groups. Only four of eleven rack jobbers indicated they displayed toys with age and sex in mind.

Some of the interests children have at different ages are the desire for physical exertion, to manipulate, to construct, to create, to imitate, to be imaginative and to join in social play with other children. Grace Langdon, Ph.D., Child Development advisor to the American Toy Institute offers many helpful hints for both consumers and purchasing agents in buying toys. Dr. Langdon suggests the following general types of toys usually enjoyed at different stages of child development and which provide for the varied interests characteristic of each age level.

From infancy to two years the baby needs brightly colored lightweight toys of varied textures. They should be washable, too big to swallow, and free of sharp edges and corners. Often enjoyed at this age are such items as soft stuffed animals, dolls, balloons, balls, blocks, bath toys, rattles, and chime toys.

Children from age two to four are interested in toys for active play. These should be kept simple and not call for excessive muscular coordination. Picture books about animals, children, and the things with which the child is familiar are needed. There are too many items that would interest a child of this age to list them all but a few that

could be easily sold in super markets are clay sets, dolls, doll accessories, tea and cooking sets, crayons, stuffed animals, sand toys, and small things like trains, planes, autos, and trucks.

At the age of four to six physical activity is still important in playthings. The imaginative and manipulating skill become evident at this age. Also, children usually show a creative desire at this age. A few of the toys enjoyed by this age group are simple construction toys and puzzles to satisfy the desire to use the increasing manipulative skill. Transportation vehicles of various kinds, blocks, farm and zoo animals all provide many hours of fun to children. The imitative and imaginative desire may be seen in the dramatic play of homemaking and community activities such as fireman, postman, and policeman.

Children between six and eight learn new play interests but they still play together a great deal. Games and hobbies are popular at this age while toys involving physical play activity are still very popular. From age eight to ten the child's interests though basically the same become more complicated. The desire for toys that challenge already developed interests call for items like intricate model kits, more complete costume sets, and larger more life like toys. Games that help in the educational development of a child are of interest also.⁵

⁵Grace Langdon, How to Choose Toys (New York: American Toy Institute, n.d.), pp. 2-5.

Toys that interest children ten and over are generally not merchandised in the super market's toy department. The reasons are threefold, low volume, they take up too much display space and are too expensive. Only the markets specializing in toys would have display space to merchandise items in this age group, therefore, further discussion is unnecessary.

As can be seen by the groupings in Dr. Langdon's suggestions the Toy Guidance Council has established six age groups for toys: infancy to 2 years; 2 to 4 years; 4 to 6 years; 6 to 8 years; 8 to 10 years; and 10 and over. The council also points out that the changes in a child's growth and development are so rapid there is a constant need for new and more advanced playthings.

The items in many toy departments are being displayed according to size and how they look in the display. This is especially prevalent on pegboard displays. The method advocated in choosing items to be displayed for sale in the super markets' toy department is: first, determine the number of age groups to be represented; second, choose a wide variety of items that satisfy the interests and desires of both sexes within each age group chosen. Hal Marks, Non-Food Buyer for Abner A. Wolf, Incorporated, representing A. F. C. Wrigley's stated: "The most important factor in

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purchasing a toy is its playability."⁶ "Playability" seems to be the key factor in consumer demand.

Buying for the Toy Department

The determination of what, where, and when to buy is often accomplished in different ways depending on the channels of distribution available to the retailer. The technique of merchandise selection, terms, discounts, credit, and shipping terms are all part of how goods are purchased. A presentation of the myraid of variables in individual retailers and manufacturers buying and selling policies would be of no value in this thesis, therefore, only a general discussion will follow.

Each retailer maintaining a year-round toy department should understand the important factors concerning the basic lines of toys available and the major factors involving the buying decision. Such an understanding is of great value to the retailer purchasing directly from the manufacturer as well as the retailer employing a rack jobber. Only through such knowledge can the efficiency of the rack jobber be checked and controls incorporated.

Basic lines of toys. Knowledge of the basic toy lines is valuable for any buyer endeavoring to obtain a variety

⁶Interview with Hal Marks, Non-Foods Buyer, Abner A. Wolf, Inc., Detroit, Michigan, May 3, 1957.

of toys that will satisfy the varied interests of children within the age limits to which the department is merchandising. A helpful checklist of basic toy lines and the designation of what the toys will do is as follows:

1. Action toys--give physical coordination and exercise.
2. Arts, crafts and hobbies--develop creative instincts and self expression.
3. Building toys--develops manual dexterity and constructive thought.
4. Character, attire and accessories--for acting and releasing exhibitionistic tendencies.
5. Companion toys (animated or static)--gives emotional security through companionship.
6. Flying toys--for fun on the run.
7. Furniture and equipment--for comfort and play.
8. Games--develop imagination and mental skill.
9. Grooming toys--for training in tidiness and self care.
10. Home and garden toys--gives early training in home-making.
11. Medical toys--familiarization with doctor's equipment.
12. Musical toys--develops ear and interest in music.
13. Novelty toys--amusement and fun.
14. Profession toys--for imitative play and learning.
15. Push, pull, peg, and pounding toys--for self expression, coordination, and energy release.
16. Puzzles--for developing imagination.
17. Sand and water toys--for fun.
18. Scientific toys--for developing scientific curiosity.

19. Vehicles--for familiarization.

20. Wheel goods--develops limbs.⁷

Additional information concerning specific toy lines can be extremely helpful in attaining maximum sales in the toy department. For example, last year a purchasing agent who was going to buy many educational toys for a department specifically designed to sell to children from ages one through six should have known the following facts: First, the Toy Manufacturers of the United States of America, Incorporated, estimated that \$75,000,000 of educational toys would be sold. Second, 80 per cent of these toys would cost \$3.00 or less. Third, 40 per cent of the toys would go to the seven through ten age group.⁸ Were the buyer to consider the educational toys to be purchased in light of these facts the number and types of specific items ultimately chosen would very probably achieve a greater sales volume than if the items were picked without this knowledge.

The same buyer might well have cut down on the number of educational items and added a few musical toys on learning that over \$9,000,000 in pianos and similar musical toys were sold in 1955. Also, 64 per cent of these toys were sold to

⁷"Checklist Can Make You A Toy Expert," American Druggist, September 10, 1956, p. 67.

⁸"Sidelights," New York Times, August 16, 1956, p. 36.

children from two to six years of age and 63 per cent were priced at \$2.00 or less.⁹

Furthermore, keeping abreast of the trends in or toward a toy line can be helpful to any buyer or merchandiser. For instance, last year there was an easily observed trend in the home and garden toy line. These toys give early training in homemaking. Minatures of familiar and well-advertised products were booming. One item stimulating this trend was a five-foot super market promoting the Campbell Soup line, with well known packages in small scale, such as, the familiar soups, Flakorn Muffin Mix, Ipana Toothpaste, Kellogg's Corn Flakes, Wildroot Cream Oil, Kleenex, and Wheaties. All items were fighting for display space just as in a full size store. Another item produced by Parker Brothers Manufacturers is a Campbell Kid shopping game designed to teach children how to shop. There are many other games and toys available in the miniature home and garden toys. This miniature super market seems to be a natural promotion in the super markets as it can not only teach brand loyalty to a child but store loyalty through association.

Classifications of toys. Each toy has one or more of the following classifications. First, the fad item or items

⁹"Prodigy Development," New York Times, January 20, 1956, p. 34.

which enjoy a short period of popularity, such as, Davey Crockett toys. In other words, the demand is created very quickly and also, ends abruptly. The rack jobbers returning questionnaires did not seem to agree on any best method of merchandising fad items. Some never handled fad items while others did so at their peak, as a "one-shot" deal or all through the fad. Hal Marks had the following to say about fad items. "We are very wary of them and, therefore, only handle them on a 100 per cent guarantee sale basis."¹⁰

Second, there is the staple item. Many rack jobbers and retailers disagree on the inclusion of the term "staple toy." The reason seems to stem from a problem in semantics. A staple toy refers to a line of toys or a type of item within a specific line. For example, the Shirley Temple doll which enjoyed sales of over 1,500,000 would not be considered a staple toy.¹¹ Rather it would be called a fad item, however, dolls in general would be considered staple items. Any specific doll might not sell for an extended period of time, yet, a constant variety will sell continuously. Dolls then, will be called staple items.

The term plush indicates another toy classification. Plush meaning a toy made of a textile fabric longer and

¹⁰Interview with Hal Marks, loc. cit.

¹¹Mel Helitzer, "Ideal Celebrates 50 Years of Fun," Toys and Novelties, April, 1957, p. 110.

stronger than velvet, such as teddy bears and rabbits. These toys are merchandised seasonally and are often purchased directly from the manufacturers. About half of the rack jobbers questioned indicated they did handle plush toys but only on a seasonal or "one-shot" basis.

* Classifying a toy by sex and age group is usually accomplished by the manufacturer through the use of a test panel. The panel consists of a group of children of varying ages and interests. The reactions these children have toward each toy tested are used to designate which sex and/or age group to which it should be sold. This information is then put on the package. The children tested are usually those of the employee's or from an orphanage. Presently there seems to be no specific trend toward merchandising toys by sex or age groups although some rack jobbers are using one or both methods.

Finally, the price of a toy classifies it. Just as prestige jewelry is not sold in a variety store, high ticket toys are not sold in super markets. There are exceptions to this, however, as some stores do use high ticket items in special promotions and there are stores that specialize in toys such as Grand Central Markets, Salt Lake City, Utah, and, therefore, stock a complete line of toys. The present day super market seems to get its greatest toy volume in 29¢, 39¢, 49¢, and 98¢ items. The high volume low priced toys give the retailer utilizing a rack jobber maximum

profits. However, by displaying some high ticket items in place of the slow movers the inventory turnover may decrease but it is possible a greater return per square foot may be obtained by higher dollar sales. An excellent example is taken from the experience of the eastern district of the Atlantic and Pacific Tea Company. Last December, the company experimented with high priced toys, especially dolls and were so successful it is understood they will enlarge this operation in 1957 with more stores and a greater variety.¹² In visiting various large Atlantic and Pacific stores in the New York City and surrounding area during March of this year, high priced toys were observed to be carried to some extent on a year-round or a seasonal basis. The higher priced items were predominantly devoted to dolls and sporting goods. If this practice is continued by Atlantic and Pacific Tea Company it must be profitable.

A buyer's checklist. There are many different buyer's checklists in print today. The approaches vary but they are all good lists. The following checklist has been designed to be used by both the direct purchase buyer and the retailer being serviced by a rack jobber. The latter's use will in effect act as a control on the jobber. The major considerations are as follows:

¹²Personal correspondence from W. Voorhees, Playthings Magazine, April 23, 1957.

1. Playability of the toy
2. Price
3. Packaging
 - a. Transparent packages stimulate sales
 - b. No need for an explanation of what the toy does or how it works
4. Seasonal appeal
5. Durability
6. Quality
7. Awareness of trends (Presently towards educational and homemaking toys.)

If the items for the toy department are selected with proper background knowledge of consumer buying habits, how to choose toys, their basic lines and classifications, plus following the buyer's checklist there will be enough sales appeal in them for both parents and children to stimulate maximum sales. Then a proper balance between what the consumers want in toys and what the retailer needs to make a profit will be achieved.

CHAPTER V

SALES PROMOTION METHODS

Advertising

The toy industry has three different approaches in conducting toy advertising campaigns; each is designed to appeal to a specific group, the child, the adults, and the retail trade. The largest portion of most manufacturers advertising budget is directed to the retail trade. This is because the manufacturers feel they must first get their goods in the stores before the public can buy them. Some manufacturers would quote the following merchandising adage as the reason they direct so much of their advertising to the retailer. "Never send a customer to a store if the item is out of stock." The two most popular advertising media used in the toy industry to reach the retailer are the toy trade magazines Toys and Novelties and Playthings.

Each year many toy manufacturers increase their advertising budget. As these budgets increase a larger percentage is being directed to advertising which will appeal to the child and/or the adults. The media used for this purpose are magazines, radio, television and Sunday supplements. In 1955 the national advertising expenditure in these media

totaled \$1,500,000.¹ The present thinking seems to be that by building consumer demand the retailer will be forced to handle the merchandise.

The super market operator is primarily interested in consumer advertising which results in sales. For this reason the discussion will pertain to the advertising directed to children and adults and some possible methods of better toy merchandising through a more effective utilization of the available advertising.

Media. Choosing the most effective advertising media involves a thorough consideration of many factors such as the public, circulation, cost and others. Most of the advertising aimed at the consumer is predominately through three media--newspapers, magazines, and television. The major portion of the toy industry's advertising expenditure is being accounted for through these three media.

In 1938 only three companies spent \$50,000 or more on advertising campaigns while none spent more than \$200,000. In 1956 Melvin Freud, President, Toy Guidance Council, estimated that a half dozen manufacturers would spend more than \$500,000 each and that more than twenty-five would spend above \$50,000. The council itself had budgeted about

¹"Coming: Bigger Ad Investments by Toy Makers," Printers' Ink, July 6, 1956, p. 23.

\$1,300,000 for toy advertisements and catalogues during 1956.² With added money being spent on advertising the manufacturer wants to obtain the greatest amount of effective coverage. Thus, the newspapers and magazines are used in appealing to the adult market and television in appealing to the children.

Newspaper and magazine advertising. Toy manufacturers have done some effective newspaper and magazine advertising. Some of it through cooperative advertising, meaning a group of manufacturers pay a designated sum to the firm promoting the advertisement. For this, the products of the participating manufacturers are illustrated and described. The items advertised cooperatively appear under the retail firm's signature that is promoting the advertisement. David Rand, Vice-President, Grey Advertising Agency, Incorporated, may be credited with conceiving and promoting this idea. The first such advertisement was promoted for Macy's by the Grey Agency during Christmas 1955. Nine full pages appeared in Life Magazine, three of these were in color. The advertisement had an illustration, description, and price for each item.

This type of advertising could prove beneficial to a super market chain or independent group regardless of the

²George Ouerbach, "News of the Advertising and Marketing Fields," New York Times, July 16, 1956, III, p. 10.

method of purchase, direct or through a rack jobber. For example, a regional group of stores might use a popular local advertising vehicle such as, a newspaper, a Sunday supplement or magazine rather than using a nationally distributed magazine. The use of a popular local or regional advertising media would bring the best sales results for the money spent. Retailers contemplating this form of advertising should have a fair variety of items on display for the consumer. Displays of about eight linear feet or less would produce ineffectual sales results to warrant a cooperative advertisement.

The World Toy House, Incorporated, is the only organization known to have used the cooperative advertising approach successfully through super markets. Before explaining their use of this advertising approach a little background information on the company is necessary. The company contracts the manufacturers to produce toys under the trade name, "Toy House," while eighty rack jobbers with area franchises distribute the toys to retail outlets, many of which are super markets. In this instance, however, the manufacturers do not pay a proportional share of the cost, the company pays for the advertisement. "Toy House" advertisements appear in Life Magazine. They illustrate the various toys, designate the prices and explain for which age and sex group the toys are designed. The items listed are priced from 29¢ to \$1.00.³ These advertisements have

³Interview with George Townsend, Sales Director, World Toy House, Incorporated, April 9, 1957.

been so successful in promoting sales the company is following with more. Victor R. Burtch, Assistant to the President, World Toy House, Incorporated, has the following to say:

For the present we will confine our magazine advertising to full pages in Life, to be run about twice a year. We choose Life because of its very great readership, and because the ads can be effectively merchandised at the point of sale.⁴

Few super markets have done any toy advertising on their own or by obtaining advertising allowances from the manufacturer as this takes space away from the promotion of food sales. One of the few has been the Atlantic and Pacific Tea Company, which was considered quite daring during the Christmas season of 1956 when it devoted large advertisements in the New York papers entirely to toys. This Christmas season should see even more newspaper advertising of toys by super markets than ever before despite the loss of space for food goods. The manufacturers will also increase their advertising expenditures for this Christmas season. Regardless of who does the advertising more sales will result by displaying the advertised items than those not advertised.

III X Television advertising. As the printed media is designed to appeal to the adult population, television appeals to the children. Toy manufacturers are putting a

⁴Personal correspondence from Victor R. Burtch, Assistant to the President, World Toy House, Inc., April 22, 1957.

bigger share of their advertising budget into television for the express purpose of reaching the children. About half of the toys sold are bought for children under six years old and at this age few of them can read so printed advertising would be ineffective. Surveys have also indicated that the child influences fifty per cent of all toy purchases.⁵ "Live" commercials using the star of the program to demonstrate the toy creates an identification in the child's mind between the toy and the star. This helps greatly in the sale of toys as children have a great deal of loyalty toward these television personalities.

A good indication of the potential juvenile audience is seen in the figures released in 1956 by the A. C. Nielsen Company's radio and television study. Of 17,044,000 average viewers between 3:00 P.M. and 6:00 P.M., 38 per cent were children. The word children in this study did not include teen-agers. Between 6:00 P.M. and 9:00 P.M. there was an average of 47,012,000 viewers of which 32 per cent were children. This same study reveals that 72 per cent of the homes in the United States have television sets.⁶

David Rand, had the following to say about television advertising of toys:

⁵"Coming: Bigger Ad Investments by Toy Makers," op. cit., p. 23.

⁶"The Radio and Television Audience," (New York: A. C. Nielsen Company, 1956), p. 15.

Television has changed advertising in the toy industry greatly. It pin points markets by age and interest groups, strengthens brand identification and stimulates customer demand. Some manufacturers say to blazes with the wholesaler and retailer advertising allowances and are trying to create a franchise with the consumer market through television.⁷

The many "live" personalities and characterizations appealing to children on television today have such a large and loyal following that the commercials promoting toys have proven very successful. Some of the more popular television programs are Walt Disney's "Mickey Mouse Club," "The Mouseketeers," "Howdy Doody," "The Lone Ranger," "Roy Rogers," "Captain Kangaroo," "Superman," "Sir Lancelot," "The Buccaneers," "Lassie," "Wyatt Erp," "Rin Tin Tin," and others. One example of what television can do is shown in the "Lone Ranger's" story which has an estimated 45,000,000 viewers on a total of 124 stations. Thirty-four manufacturers produce seventy items of Lone Ranger apparel, toys, and games resulting in annual gross sales of roughly \$10,000,000.⁸

One drawback to television advertising is that many commercials are presented without advance notice making it impossible for the retailer to satisfy the immediate demand. By the time the item can be stocked, if at all, the consumer interest may no longer be so strong. Many feel that advertising through television is of no advantage for this reason.

⁷Interview with David Rand, loc. cit.

⁸"Coming: Bigger Ad Investments by Toy Makers," op. cit., p. 24.

However, super markets can increase toy sales by merchandising items that tie-in with a television personality of continuing popularity. For instance, Walt Disney Productions and the American Broadcasting Company have negotiated a \$9,000,000 contract involving 130 hours of television programming in 1957-1958. Walt Disney Productions will produce three shows, "Disneyland," "The Mickey Mouse Club," and a new series entitled "Zorro." There are approximately 90 licensed manufacturers producing all types of Walt Disney games, mechanical toys, dolls, stuffed toys, novelty items, pistols, puppets, typewriters, foam rubber toys, and musical instruments.⁹ Greater sales should result from stocking toy items advertized on television as the children will see and want them while shopping in the super market with mother.

An operator may wish to gamble on some unproved but highly promoted items, such as, "Johnny Tremain" merchandise. "Johnny Tremain" is the name of a full length film to be released in June, 1957. The movie is set in the pre-revolutionary war days of Boston, and will receive heavy promotion on Disney television shows. The "Johnny Tremain" items on display at the annual toy fair in March were hats, guns, and pistols.¹⁰ Judging from past results of the Disney

⁹"News of the Toy Industry," Toy and Novelties Magazine, March, 1957, p. 494.

¹⁰Ibid.

items the sales should be good. Purchasing agents buying for super markets might well pay greater heed to the items that are being promoted on television and those which will be promoted in the future.

Display

Maximizing sales depends greatly on the effectiveness of the display. Toys being merchandised through the super market are no exception. The proper merchandising of any non-food department, all things being equal, is even more important than displaying food stuffs. Consider that people have to eat and they are in the food buying mood when they enter a super market. Although they might have a shopping list they will leave the store having made some food purchases. Toys in the super market are quite different. The consumer is not in a toy buying mood when in the super market and must be sold the toy while in the store. The amount of store decisions or impulse purchases made for toy items in super markets was shown to be 93.2 per cent. Thus, making the display of the toy department extremely important; it must reach out and grab the customers' attention in order to make the impulse sale.

There are certain key factors all super market operators should consider when setting up a toy display. Displaying the proper assortment of items is one and it is very difficult as purchases are usually made a year in advance.

It is necessary for the buyer to have a good feel of the market in order to forecast sales so far in advance. Until a satisfactory knowledge of the toy market is gained it would be good business to limit the toys carried to the more popular staple type items. Some operators and jobbers feel that almost any low priced item will sell while others are of the opinion that the item itself is all important regardless of price in the low price field, 10¢ to \$1.98. The latter feeling seems to be more logical and have more advocates.

Packaging is a key factor in the effective display techniques and will be covered in Chapter VI. Other key factors are the type of display, care of the display, and location of the display.

Types of display. Each toy display should be designed to obtain the greatest sales volume possible. To do this, the type of display plays an important part. Super markets today use four different types of displays--basket, shelf, pegboard, and dump. The basket type display involves a group of wire baskets hung on a backboard in neat rows. During personal visits to stores a few basket displays were observed but, in all instances were soon to be replaced by pegboard or shelving or both. The pegboard display shows bagged toys hanging from pegs in neat rows. Besides making a neater looking display using pegs allows a greater variety of items to be shown.

The majority of toy displays throughout the nation are a mixture of pegboard, shelf, and dump displays. There seems, however, to be a definite trend away from dump displays. The personal opinions of several rack jobbers were that the dump section seemed to act as a catch all. It was an invitation to people to drop the toys they were inspecting into the bin instead of replacing them on the shelf or peg. Seven of the eleven respondents to the questionnaire indicated they preferred to have from 75 per cent to 100 per cent of the toy display pegboard style. The percentage of shelving preferred by these jobbers ran from zero to 25 per cent while only two desired dump sections equalling 20 and 25 per cent of the total display.

The jobbers interviewed indicated that the speed in which the display can be serviced cuts down the overhead and the transparent polyethylene packaging usually required in pegboard displays stimulates greater sales. They also felt the pegboard display helps maintain neatness. All these favorable factors are important in maximizing sales in the toy department but some questions come to mind. Are the super markets maximizing their sales by utilizing pegboard to such a dominate extent in the toy display? Does a predominantly pegboard display offer the variety of items necessary to attain the greatest volume?

Consider for a moment some of the background information on the toy industry presented in Chapter II. A

careful analysis of these facts should be made before answering the above questions. Super markets are already limited in the variety of items available through the business pressure applied to some manufacturers by their older established channels of distribution. The size of the toy department in super markets is another factor limiting the variety of toys to be displayed; a third factor is packaging. The pegboard type of toy display in super markets is so new most manufacturers are not equipped to fulfill its packaging requirements. [See Chapter VI.]

Most packaging is geared to the more dominant channels of distribution which merchandise toys such as variety, department, hardware, and toy stores. Since pegboard displays are seldom used in these stores few manufacturers package toys for pegboard displays, thus decreasing even more the variety of items available. Were more shelving available some of the slower moving items could be removed from the pegboard rack and be replaced by faster moving toys of the same or higher price and of better quality. The combination of shelf and pegboard displays would make possible greater variety and sales. However, this combination is only recommended when the department is greater than six linear feet.

It may take a long time for super markets to be accepted by toy manufacturers as a regular channel of distribution for their products. When this happens, time and

money will be needed to convert or incorporate new merchandising methods to fulfill the self-service requirements of the super market. In the meantime the super market manager must do the best with what is available. Therefore, displays of six linear feet or less are recommended to be 100 per cent pegboard in order to obtain the greatest variety. No shelf should be used in the display as its size would probably decrease the number of items available and limiting the variety further would not offer enough sales impetus to justify the shelf. For displays longer than six linear feet a combination of pegboard and shelf is recommended. The combination would offer a larger variety of toys appealing to a greater number of childhood interests. The percentage of shelf and pegboard used in the display would depend on such factors as the physical requirements of the store, the items available, and others.

Care of the display. Both rack jobbers and super market operators contacted during the course of this study agreed that a toy display should be rearranged constantly. A weekly change was recommended most frequently. Some jobbers advocated several changes a week while others were in favor of rearrangement every two weeks. Their opinions varied considerably concerning how often the items should be changed on the display. Some of the statements sounded like this; weekly, complete every four weeks, and four to

six times weekly. While some items may remain on display a month to two months it is a general practice of rack jobbers to put in roughly four to six new items weekly.

One fallacy in the method most rack jobbers have in caring for the display was noticed. When an item sells out it is usually replaced by a new item. This is often good since the store's trading area remains constant and could quickly become saturated with the item. In other words, the items' sales would reach a point of diminishing returns. The jobbers will then leave the poor selling item on the display, often for a month or two before removing it. This point, discussed previously, is direly in need of proper research to ascertain whether or not the present method of merchandising is the most profitable.

The arrangement of items in many of the larger displays are according to sex and age group. The smaller displays starting from eight linear feet down are usually arranged according to looks and size of the items. Pegboard type displays were found to be predominately arranged with the small, lower priced items on the upper-most pegs and the larger, higher priced items on the lower pegs. Several men servicing racks were questioned as to why this arrangement was made. The answers added up to, "it looks better that way," and "besides more items can be put on the display by using this method." The super market manager might feel the following explanation is better. Since children

influence 50 per cent of the toy sales and their eye level is closer to the ground, maximum dollar sales may be achieved with the more expensive toys at the child's eye level.

Location of display. The questionnaire respondents and the stores visited all proved one fact about the location of a toy department. There is no one location that is best for the toy department in super markets. Each store must be analyzed with the many variable factors taken into consideration. Some of the responding jobbers indicated the following preferences:

1. Front end at beginning of shopping trip;
2. Front end at end of shopping trip;
3. Between meat and produce departments;
4. End of aisle at front of store;
5. End of aisle at rear of store;
6. Next to baby food.

One super market operator in Houston, Texas has a unique approach to the location of his toy department. He placed it in the center of his health and beauty aid section and subsequently increased the health and beauty aid sales by 15 per cent. The theory involved was that when junior comes, mom cannot be far behind.¹¹

The toy department is not always located in the most advantageous spot as it is vieing with other non-food

¹¹"When Junior Comes, Mom Can't Be Far Behind, Store Finds," Food Topics, February, 1954, XII, p. 24.

departments for the best location. With health and beauty aids and housewares more firmly established it is unlikely the toy department would be in the best location. Sometimes due to the store size and existing departmental locations the toy department is poorly located. One of the nation's larger chains, in some stores, is presently merchandising toys in the drug department which is located at the front corner of the store. A customer not having occasion to shop in the drug department might never see the toys on display in the corner. Each store has its own peculiarities often making the location of the toy department second rate.

Special Promotions

Many chain and independent super market operators employing the services of a rack jobber find it to their advantage to purchase some items direct from the manufacturer for a special promotion, while continuing to use the jobber. Christmas and Easter are always included in this type promotion, with summer promotions showing prominence in recent years. Two methods are generally used in handling a promotion of this type when a multi-store operation is involved. First, the buyer purchases one or an assortment of items for the promotion which are delivered to the warehouse. Then the buyer allocates a certain amount of each item to each store and has it delivered from the warehouse. This method of delivery is commonly known as a drop shipment.

Second, after the buyer purchases the toys the store managers are sent a list of items available. The list often includes illustrations of the items. The store managers order the amount of each toy desired and the order is delivered from the warehouse.

Both methods seem satisfactory to those using them, however, it is difficult to visualize how the store manager with no real knowledge of toy merchandising can be expected to choose the best toys for his store from a list. If the buyer has knowledge of the toy industry and consumer buying habits, it would be more advantageous for a drop shipment to be made.

In a 1953 Christmas toy promotion sparked by Abner A. Wolf, Incorporated, Detroit, six super markets sold \$80,000 worth of toys. Five of the six stores had an annual sales volume of from \$2 million to \$5 million, while the sixth store's sales were \$750,000. Some displayed toys hanging over the meat or produce department, another set up a department store type window display in the front corner of the store, while another had a 24 foot window display. The managers listed the following items as the best sellers: wheel goods, mechanical toys, plush toys, games, dolls over \$12; \$30 wonder horses; items over \$15; coaster wagons at \$6.95 each; gun and holster sets, airplanes, \$4.98 items; and small tricycles at \$11.95 each. Most items were sold out by Christmas and carryovers at five markets averaged less

than \$200. Wolf employees concluded after the big promotion that low-end (low priced) retail is not the complete answer for Christmas toys. There is an even better market for high ticket items when the price is right.¹²

The lay-a-way plan is a method of consumer payment for items purchased. Many operators feel it is a type of sales promotion. This plan has been used very successfully to stimulate high volume in high ticket items, generally at Christmas. One method of running a lay-a-way plan follows: The customer informs the clerk in charge of the toy department which item is desired. The clerk attaches a ticket to the item with the customers name and sets it aside in the backroom. The customer is then given a lay-a-way coupon for her remittance. A coupon costs one dollar and each cashier is kept well supplied with them during the promotion period. The coupons must be redeemed by a specified date, usually two weeks before Christmas. All coupons are accepted as cash and each is stamped and signed by the store manager or assistant manager to assure proper control of both coupons and cash.

This plan has some very distinct advantages. First, it enables the consumer to purchase items desired without involving an audit to the retailer. Second, the retailer can determine

¹²"Toys--Christmas Bonus to Super Sales," Super Market Merchandising, March, 1954, pp. 67-84.

his stock needs by the number of item reservations there are. Third, it enables the consumer to purchase an expensive item without financial difficulty. Fourth, it assures the store of continued customer patronage during November and December. This is pertinent as these two months are the biggest food selling months of the year. Fifth, it offers the super market owner or manager an opportunity to attract new and loyal customers by familiarizing with them during the time the lay-a-way plan is in effect. However, there are also some disadvantages. The plan will create a lot of lay-a-way stock in the backroom. The possibility of not having the item available for the customer through mishandling or improper ordering can cause extreme ill will.¹³ One method of cutting down the amount of backroom space needed for items like wheeled goods is to offer them at a cheaper price disassembled. Also, by setting a minimum lay-a-way price the number of low priced items purchased through this plan would decrease, thereby, decreasing the backroom storage space previously necessary.

Some operators have used this sales promotion method to great advantage. Cinnamon's Super Markets of Wyandotte, Michigan, used the plan and sold \$40,000 worth of toys in a period of about six weeks. With a markup of between 30 and

¹³"Toys are Profitable Christmas Volume Getters," Progressive Grocer, Vol. 33, No. 9 (September, 1954), 88.

35 per cent a considerable gross profit was realized.¹⁴ Of the six stores in the 1953 Christmas promotion sponsored by Abner A. Wolf, Incorporated, four used the lay-a-way plan. The operators reported that 20 to 40 per cent of their toy business came through customers using this plan.¹⁵ Unverified reports indicate that Kroger Company, Atlantic and Pacific Tea Company, and Grand Central Markets, Salt Lake, City, Utah, have all tried lay-a-way plans. Data revealing their success was unavailable. The important fact is, however, that the lay-a-way plan has proven to be a successful profit building promotion in the normal self service, cash, and carry super market.

¹⁴Zimmerman, op. cit., p. 242.

¹⁵"Toys--Christmas Bonus to Super Sales," op. cit., p. 72.

CHAPTER VI

PACKAGING

The super market's self service method of retailing has made the packaging of an item extremely important. The phenomenal number of new products accepted by the consumer since World War II has helped greatly to increase the importance of the package. Ten years ago the super markets were merchandising approximately 3,000 food items; today they handle more than 6,000 food items. The innovation of non-foods in super markets has greatly increased the number of items to join in the competitive battle for the consumer dollar. Truly the package has been forced to become a silent salesman in the massive forest of the super market. Thus, one of the chief factors governing any consumer's buying decision today is the package.

The entrance of toys in super markets brought many packaging problems. The manufacturers normal channels of distribution were retail outlets that operate on a customer service basis. The self service method of retailing forced the manufacturer to make the package do the selling. The package had to stimulate interest, create a desire to buy, and answer consumer questions. Furthermore, new technological developments have made it possible for the package to

make the item rather than the package the silent salesman. The toy itself through the use of tough, durable, transparent film can now perform most of the selling functions previously done by the clerk or package.

Sales Expansion Through Cooperation

The toy industry is constantly trying to increase sales. Probably the greatest avenue for a sales expansion is through the super market. However, the development of toy sales in super markets will depend largely on the degree to which the manufacturers cooperate in the solution of the packaging problems of a self service operation and the jobbers who service those stores. The following is a list of specific prerequisites for packages of non-food items bound for the super market. This list has been set up by the American Rack Merchandisers Institute of Chicago.

The packaging prerequisites are:

1. Cleanliness and sanitation
2. Visibility
3. Price spot
4. Production information, including size, weight, count, different uses
5. Brand identity
6. Re-use value
7. Compactness to save display space
8. Easy to stack or hand
9. Pilferproof
10. Protection against damage (in transit and in store)
11. Easy reclosure¹

¹"The Rack Merchandiser and His Display Woes,"
Packages and People, November, 1956, p. 11.

Some toy manufacturers are aware of the packaging problems involved in self service merchandising but much is still to be done. John C. Newell, Jr., Marketing Director, Folding Paper Box Association, had the following to say about toy packaging progress.

Manufacturers of playthings spend about five times as much on packaging as they did a few years ago. Despite the increase the average outlay for toy packaging is 9.1 per cent of the cost of selling at retail, compared with 36.3 per cent for toiletries and cosmetics, 35.2 per cent for drugs, 24.1 per cent for foods, 21.2 per cent for candy and 20 per cent for stationary.²

The above statement gives a fair indication of the degree of interest and expenditure the toy manufacturers have put forth to date. The next five years should see a vast change.

Paul Shapero, Sales Manager, Radio and Steel Toy Company, believes that the packaging of dolls is the weakest part of packaging in the toy industry. Since most of the dolls are sold at the end of the year and the manufacturers working capital is limited at this time of the year, unattractive corrugated boxes are used to reduce expenses. This results in poor displays and a loss of sales.³ There are some doll manufacturers endeavoring to improve this situation. An example is the Ideal Toy Company, Hollis, New York, who spares no efforts in developing:

²"News of the Advertising and Marketing Fields," New York Times, September 16, 1956, III, p. 10.

³Staff of Carl Byoir and Associates, Inc., op. cit., p. 3.

1. Special constructions that transform each toy into a display simply by opening the package into a fixed position without making a retailer waste time arranging a display.

2. Color and art treatment to give a quick visual impression that attracts attention and immediately informs the shopper of the contents.

3. Clever re-use aspects that make the package a functional part of a plaything.

A few items showing the results of these efforts are the Pinky-Lee Basketball game where the basket pops forward when the slide in the front of the box is raised for display purposes and luggage boxes which carry dolls and accessories in them. There are also boxes designed as garages for toy vehicles.⁴

Types of Toy Packaging

There are three popular types of toy packaging used today; they are corrugated boxes, folding boxes, and polyethylene bags. Two newcomers have entered the field in the past two years and their use is growing fast. They are blister packaging and the use of polyester film or "Mylar."⁵ The corrugated box is the most unsatisfactory method of

⁴"Dual-Purpose Toy Packs," Modern Packaging, 29 (February, 1956), 118-119.

⁵"Mylar" is a DuPont registered trade mark.

packaging a toy for a self service display. The most common toy packages seen in super markets today are folding box and polyethylene.

The packaging requirements demanded in a self service operation have forced many manufacturers to develop new packaging techniques. The folding box has experienced many improvements. Toy items not properly packaged are seldom seen in the super market. Some of the improvements made on folding boxes is the use of more appealing colors, an easy to locate price spot, easy to read information, pilferproof, and a greater use of windows. Cellophane is predominately used for the box windows, however, the new polyester film, "Mylar," developed by DuPont is being used more and more. "Mylar" has many qualities that are advantageous in many types of packaging but the essential factor in the packaging of toys is its toughness. Folding boxes have one main fault, they do not resist rough treatment.

The use of polyethylene bags in the packaging of toys merchandised through the self service super market has proven to be a powerful sales stimulus. This tough, durable, transparent and inexpensive material has made possible the display method of toy merchandising known as pegboard. (See Chapter V.) Items of varying sizes, shapes, and weights may be displayed in polyethylene bags and displayed on pegs.

The advantage in this type packaging is that the item itself is the silent salesman rather than the package. No

longer are the colors, size, shape, and design of the package required to create the necessary initial impact on customers to invite further inspection. Instead the item itself is the first thing noticed and is usually self explanatory. This, of course, makes the importance of having the right merchandise for sale even more important as the package can no longer create the initial impact to stimulate further inspection of the item. Another advantage of polyethylene packaging is that a greater variety of items may be displayed at one time, because it is no longer necessary to stack bulky odd shaped items one on top of another. Such stacking required the use of space consuming folding boxes. Although each of the above advantages is essential in making the decision to package a product with polyethylene the low cost of the material is probably the most important. Packaging with polyethylene is even cheaper than using corrugated or folding box packaging.

The ability for the package to make the toy the silent salesman in the self service operation has even more recent developments. "Mylar" is doing this to some degree in its application as a window in the folding box packages. Some manufacturers are even using it in bag type packaging in place of polyethylene. The reason being that polyethylene, although transparent, is somewhat cloudy whereas "Mylar" is perfectly clear. The "Mylar" package, thus, is an even better silent salesman than polyethylene. Most manufacturers

are continuing to use polyethylene, however, because it is a good deal less expensive than "Mylar."

Some manufacturers with toys that need more protection than a film material offers are using a blister package. The blister package is technically referred to as a "transparent paperboard."⁶ Thermoforming plastic sheet to make a blister package is accomplished through the use of a vacuum or other pressures. This process offers the same visibility that transparent films have been so successful in providing plus the added protection for the item.

The recent developments in self service packaging and those yet to come will not appear in the super market as fast as they could for two reasons. First, the present lack of interest the toy industry is showing in packaging as seen in its meager packaging expenditure, 9.1 per cent of the cost of selling at retail. Second, the toy industry's general reluctance, to date, to develop their greatest avenue of sales expansion, the super market. The new types of toy packages appearing in super markets today indicates a new trend in the manufacturer's thinking. They have realized that by redesigning their packages for self service selling the added production costs created in the reconversion process will be compensated for by greater sales and fewer returns of unsold and/or damaged merchandise.

⁶"Blister, Skin and Contour Packs," Modern Packaging, Encyclopedia Issue for 1957, Vol. 30, No. 3A (November, 1956), 27.

CHAPTER VII

SUMMARY AND CONCLUSIONS

Summary

The purpose of this thesis is to present a comprehensive study of the methods of merchandising the toy department in super markets throughout the nation and to point out the sales potential of toys. The study highlights various strengths and weaknesses of present toy merchandising methods in super markets. The methods, ideas, and opinions expressed throughout are offered more as a "springboard" to a greater understanding of toy merchandising in super markets rather than any hard and fast rules.

The study is limited to those toy departments in super markets not considered to be specialists. A discussion of the pricing of toys was omitted because it was felt to be a locally competitive matter and, therefore, would not contribute to the general national picture.

Since primitive times children have been known to play with toys. The industrial revolution made it possible to mass produce toys for an ever increasing population. The toy industry was firmly established before World War I and continued to grow until the early 1930's. The industry suffered along with the nation and also recovered with it

as indicated by the 1939 upward trend in sales. Sales figures were not available during the war but since 1948 the toy industry has grown astronomically. Ten years ago the sales volume was estimated to be \$125,000,000, since then the sales volume has grown to such an extent that 1956 sales were estimated at \$1,330,000,000. The number of manufacturers in the industry number between 2,500 and 3,000 today.

Super market operators began incorporating toy departments on a large scale in 1950. That year 2,000 super markets sold toys, by 1956 the figure had risen to 11,000, more than half of the nation's 21,000 super markets. Toys had been sold for years in super markets on a "one-shot" basis. Only recently have they been merchandised on a year-round basis.

There are many factors favoring toy sales in super markets all of which present an excellent picture of potential profits to super market operators. First, the present trend of sales indicates a more stable industry will evolve through the more even distribution of toy sales throughout the year. In the past as much as 90 per cent of all toy sales were made in November and December. The experts today estimate that this percentage of Christmas season sales has declined to between 50 and 70 per cent. Second, between 1929 and 1955 the personal income increased 254 per cent bringing an increase of about 50 per cent of actual spendable income per capita.

Third, the phenomenal increase in child population has brought the annual birth rate to roughly four million. This constantly increases the market potential for toys. Fourth, the large number of steady super market customers and their acceptance of toys merchandised in the store is another favorable factor.

Fifth, the high profit margin available through the sale of toys is very attractive to super market operators. The increase in the amount of sales per child between 1954 and 1955 must be included in this test too. Finally, the efforts made by the industry to cultivate the market has shown favorable results in the last few years.

A study of the methods of distribution becomes necessary to present a more comprehensive picture of in-store merchandising. The primary methods of distribution are direct purchase and the service merchandiser (rack jobber). For years super market operators have purchased toys direct from the manufacturer on a seasonal basis such as, Christmas and Easter. The items usually purchased were high ticket items and the sales success through the years has warranted a continuation of this method of distribution. No operators contacted were using direct purchase on a year-round basis, however, some mentioned it was being done by a few chains. In order to profitably utilize direct purchasing of toys on a year-round basis the operator would have to perform the functions of a rack jobber as efficiently or more so than



the jobber himself. Some of these functions are buying, warehousing, reclamation of damaged merchandise, store delivery, ordering for stores, and displaying.

Service merchandising or rack jobbing is fast becoming or is now the super market's primary source of supply for toys. Many chains and independents are utilizing the services of the rack jobber because they cannot perform the necessary functions as economically as the jobber. The general markup attained by a super market operator employing the services of a rack jobber is roughly 30 to 33-1/3 per cent as compared to the 23 to 40 per cent achieved through direct purchase. The wide difference in direct purchase markup is caused by the varying pricing policies operators use under this method of distribution.

The rack jobbers greatest feature is the guaranteed sale of all merchandise. This relieves the operator from a large financial risk. As one item sells out the jobber replaces it with a new item, however, the slow sellers are left on the rack for as long as a month or two. Leaving slow selling (dead) items on display slows down the potential sales volume, thereby, decreasing profits. To protect the retailer and still be fair to the jobber a control designating the maximum time an item should be allowed to remain on display is recommended. A control of this nature will create greater sales in the store and force the rack jobber to make better purchases.

There are some disadvantages to toy departments serviced by rack jobbers. First, some become so firmly entrenched in local or regional markets that they service competitive stores with the same merchandise. This divides the available sales volume. Second, when a non-food department is serviced by an outside organization the store employees become slovenly in maintaining the stock and display, thus, causing the loss of many sales.

Each method of distribution available to the super market operator has its advantages and disadvantages which points out the fact that an individual analysis of each method must be made before deciding which one to use. The rack jobber's services presently seem to be the most feasible method for both large and small organizations. They have trained personnel, warehousing and delivery facilities, and through greater quantity discounts in purchasing can offer a suitable margin.

To date the rack jobbers have not developed a standard procedure for determining the sales volume necessary in each store to attain a break-even point. The jobber's size and the sale of other product groups merchandised in the same store with toys are factors that disturb what might otherwise be a stable picture. Also, most jobbers do not consider any specific toy item a staple since the sales of continually displayed merchandise did not warrant further handling of the item. However, variations of the same or

similar items may sell continuously, such as dolls, model kits, and games.

Purchasing the right toys for merchandising is of prime importance to the success of any toy department. The purchasing agent should have a good background knowledge of the consumer buying habits, market trends, how to choose toys, the basic lines of toys, toy classifications besides making adroit use of accepted buying techniques. Being aware of the consumer buying habits and market trends is essential to merchandise toys at the right time to maintain maximum sales. The rise in the standard of living has brought two major changes to the toy industry. First, the increasing trend toward higher education made the public aware of the importance of educational toys for child development. Second, with more disposable income the consumer is migrating in mass to suburban areas. With this move to suburbia has come a new group of consumer needs which have brought about the development of new lines of toys.

Today's toy consumers are buying toys in a year-round market for such occasions as Christmas, birthdays, Easter, during illness, to reward a child, as a surprise, and on impulse. The child, however, influences 50 per cent of these purchases. The median prices of these items range in various age groups from \$2.27 to \$4.57.

Regardless of the median prices paid for toys most operators and jobbers prefer to handle items priced lower

than \$1.00, except for special promotion items. However, by merchandising a smaller number of carefully selected toys priced below \$1.00 the operator may be able to achieve greater profit returns by including a reasonable number of higher priced toys in the display.

The consumer actually spends more and buys more toys for children between the ages of two and six years than at other ages. This may be beneficial to the super market operator with a small toy display as maximum sales would be achieved by merchandising fast moving items in this age group. The public seems to like items that are sturdy, durable, reasonably priced, appropriate to the child's age group and they want the toy to have play value and/or educational value. Their biggest complaint toward toy items was against plastic toys.

The proper assortment of toys for the varied interests of children in all age groups helps greatly to build a stable year-round toy department. In order to purchase the right assortment of toys the buyer must have a working knowledge of toys and their classifications. With these and the proper use of a buyer's checklist a proper balance between what the consumer want in toys and what the retailer needs to make a profit will be achieved.

Sales promotion methods such as advertising, display and special promotions are all very important to the super market operator. In advertising, the point of sale material and the ability of other media to appeal to the consumer is

the first consideration. The toy industry uses the printed media, trade magazines, to appeal to the retailers. Newspapers, magazines, and Sunday supplements are used to appeal to the adult population while television commercials are directed to the children. The retailer is more interested in appealing to the consumer with the idea of building sales. Both the appeal to adults and to the children have been used very little by the super market industry as advertisements of this nature take away space that could be used for promotion of food items. However, those which have appeared proved so successful that a gradual increase in this type of advertising is expected. It is possible to increase toy sales by merchandising items that tie-in with a television personality of continuing popularity.

An effective display of toys is essential to the super market as 93.2 per cent of the consumer buying decisions are store decisions or impulse purchases. There is no one way of making an effective display as each store has its own particular requirements. There are, however, certain factors which all operators should be cognizant of such as, displaying the proper assortment of items, proper packaging, the type of display, and its location.

There are three types of toy displays used in super markets today, wire baskets, shelves, and pegboards. Wire baskets are fast being replaced by shelf or pegboard displays or a combination of both. The frequency with which the

display should be rearranged is weekly. Jobbers feel that the racks should be serviced weekly with about four to six item changes made each week. Few displays are being arranged according to age and sex groups. Most of them are arranged according to size and looks. The location of a display depends wholly on the individual requirements of the store.

Special promotions such as mass displays and lay-a-way plans have proven to be effective sales getters. Added sales may be achieved periodically through sales promotions.

Proper packaging of an item has become important as the toy manufacturer is slowly realizing that the greatest avenue for expansion is through the self service super market. Merchandising through self service outlets presents certain packaging requirements. The package and/or the item must act as a silent salesman. Three types of packaging are most dominate in the toy field, corrugated boxes, folding boxes, and polyethylene. Two recent developments will soon be vieing for popularity; they are the blister pack and the polyester film, commonly known as "Mylar." To date the industry as a whole is not spending much on package research or improvement, thus, the improvement of packaging will come slowly.

Conclusions

Toys are fast becoming an integral part of super market merchandising and barring unforeseen circumstances

will continue to grow in size, sales volume, and consumer acceptance. There is without doubt a great sales potential in merchandising toys through super markets, however, the methods used today should by no means be considered the end-all of toy merchandising in super markets.

Each operator and rack jobber should constantly endeavor to conceive and/or utilize new merchandising methods to increase the present sales. A more complete knowledge of the toy industry, consumers' desires, and buying habits, and the available methods of merchandising such as distribution, purchasing, sales promotion, and packaging will make the super market operator more capable in obtaining the maximum sales from toys.

The super market operator should control the length of time an item is displayed in the stores. This may be accomplished by observing the sales figures for each item when using the direct purchase method. If a rack jobber is servicing the department the store manager could be given a list each week of the items merchandised. By checking the items and/or comparing the previous lists the manager can tell if an item has been on display too long. If problems arise that make either of these methods ineffective other methods may be devised.

Utilizing the services of the rack jobber is presently the most feasible method of distribution for both the large and small super market operations. This is because the rack

jobber offers guaranteed sales, has trained personnel, supplies warehousing and transportation for the merchandise. Also, through servicing a larger number of stores than any one retail operator could a greater quantity discount can be gained. This makes it possible to offer the super market operator a suitable margin. Were the super market operator to purchase directly the same margin would be unattainable in most cases.

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APPENDIX A

The results of this questionnaire will be presented in general averages and will not reflect the answers of any one organization. Only brief answers are necessary.

Word Definitions

Children's books refers to comic books, coloring books and any hard cover book directed toward the entertainment of children.

Plush refers to toys made of a textile fabric longer and stronger than velvet; items such as teddy bears and rabbits.

1. How many super markets are serviced by your organization?

2. In how many of these stores do you service toys _____,
children's books _____?
3. How much training is given a new route man? One week _____
two weeks _____ three weeks _____ Other _____.
4. What is your average margin on toys _____ on children
books _____?
5. How many linear feet of space would you recommend for a
display of toys and children's books in stores of the
following weekly volume: \$10,000 to \$20,000 _____;
\$20,000 to \$30,000 _____; \$30,000 to \$40,000 _____;
\$40,000 to \$50,000 _____; \$50,000 and up _____.
6. What percentage relation do you prefer in a toy display?
Shelf _____%, pegboard _____% dump _____%.
7. How much volume per store in toys is necessary to make
rack jobbing profitable? _____
What dollar sales per square foot are necessary for a
profitable toy operation? _____
What is the minimum volume store you like to service?
\$ _____ weekly.
8. What is the maximum retail price of a toy item that you
prefer to handle ? \$ _____. What price lines bring
the most volume in toys? (rate 1, 2, 3) _____ 29¢,
_____ 39¢, _____ 49¢, _____ 59¢, _____ 69¢, _____ 79¢, _____ 89¢, _____ 99¢,

other_____. What price lines bring the greatest profitability? (rank 1, 2, 3). _____29¢, _____39¢, _____49¢, _____59¢, _____69¢, _____79¢, _____89¢, _____99¢, Other_____.

9. What is the average sales per square foot of toy display area in stores of the following weekly volume:
 \$10,000 to \$20,000_____, \$20,000 to \$30,000_____,
 \$30,000 to \$40,000_____, \$40,000 to \$50,000_____,
 over \$50,000_____.
10. Rank (1,2,3) the locations you prefer for toys in the super market?
 Front end at beginning of shopping trip. _____
 Front end at end of shopping trip. _____
 Between meat and product departments. _____
 End of aisle at front of store. _____
 End of aisle at rear of store. _____
 State any others. _____
11. If children's books are displayed separately in racks or shelves, what location do you prefer. (State briefly)

12. Does your organization handle fad items? (Items which enjoy a short period of popularity such as Davey Crocket toys). Never_____, Occasionally_____, Often_____, Other_____.
13. How are fad items handled: One-shot deal_____, At peak of fad_____, All through the fad_____, Other_____.
14. Does your organization handle plush toys. Yes_____, No_____. If yes, is it on a continuing basis_____, seasonal basis, _____, or a one-shot deal_____?
15. Rank the factors most important to your toy buying decision:
 High turnover_____ Packaging appeal_____
 Right price_____ Seasonal appeal_____
 No explanation necessary_____ Other (what)_____
16. What methods of merchandising the display are used?
 Sex_____, age group_____.
17. List your most popular staple toy (including games) items in order of sales.
 1. _____ 5. _____
 2. _____ 6. _____
 3. _____ 7. _____
 4. _____ 8. _____
 _____ 9. _____

18. List the most popular plush seasonal items.

Easter

Christmas

Summer

Other

19. How often should a toy display be rearranged _____,
items changed _____, books changed (not
comics) _____.

20. What year did you start servicing toys _____,
children's books _____.

21. How many items did you handle then: Toys _____ Now: Toys _____
Books _____ Books _____

22. What sales increase have you enjoyed in: Toys _____,
children's books _____.

23. What is your biggest problem in increasing your toy and
children's book sales in super markets?

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