



**Client:** The Toy Insider

**Publication:** Los Angeles Times

**Date:** October 6, 2008

**Circulation:** 773,884

## Los Angeles Times

**Analysts say shoppers will still buy toys this holiday but restrain spending in weak economy**

By MAE ANDERSON 10.06.08

Will financial-market turmoil be the Grinch this Christmas?

With parents already facing high food and gas costs and slumps in the job and housing markets, the turmoil in the financial sector could further spur them to cut their spending, focus on less-expensive toys and consider which toys will get the most use, experts say.

The National Retail Federation trade group predicts holiday sales overall will rise a meager 2.2 percent to \$470.4 billion, the slowest growth since 2002. Toy experts predict the hottest toys will be items like the Bakugan trading card game popular with boys, interactive toys such as Elmo Live and gaming consoles like the **Nintendo** (other-otc: [NTDOY.PK](#) - [news](#) - [people](#)) Wii.

"People will be on a budget this year," says toy analyst Chris Byrne of Timetoplaymag.com, "and there will be less inclination to go outside that budget."

While Byrne says the toy industry is typically "recession-resistant," this year also has the presidential election, which could distract some shoppers, and five fewer shopping days between Thanksgiving and Christmas than last year.

If parents buy their children even just one less toy each this holiday season, retailers will feel the impact, experts say.

BMO markets analyst Gerrick Johnson expects total sales of traditional toys during the last three months of the year to decline about 2 percent from the year ago period, when toy sales totaled \$10.4 billion, according to market research firm [NPD Group](#). And since prices have risen 5 percent to 10 percent as toy makers face rising costs for commodities such as oil and resin, that translates to even fewer toys sold.

However, most experts agree shoppers will cut back on gifts on adults before they stop buying toys for children.

Paul and Fay Zoellner, retirees in their 70s who live in Richmond, Va., say they will not cut back on presents of toys and cash to their grandchildren. As for gifts between the adults, "I think it'll be light amongst ourselves," Zoellner says.

Toys "R" Us Chief Executive Jerry Storch takes a philosophical view.

"I've said it over and over, Christmas will come this year," Storch says. "I think we need to remember that parents are going to buy Christmas presents."

Until now, it has been a strong year for the toy industry, as recall-related fears faded and toys related to "Iron Man," "The Dark Knight" and other superhero movies were strong sellers. But the holiday season, which accounts for the bulk of yearly sales, remains critical.

This year, the cost of a toy - and its perceived value - will count, analysts say.

"Parents will ask, 'will my child play with this more than 10 minutes?'" says toy analyst Jim Silver. "If I buy it for them in December, will they still be playing with it in January?"

Executives at The Toy Insider, a trade publication that puts together a list of toys expected to be hot for the holiday season, mulled including a \$300 toy this year - they wouldn't say which one - but decided against it. While the list has several items above \$100, including **Hasbro** (nyse: [HAS](#) - [news](#) - [people](#))'s Furreal Friends Biscuit, an interactive puppy, and Hannah Montana's Malibu Beach House playset, the group made a conscious effort to include lower-priced toys, according to Jonathan Samet, group publisher of Adventure Publishing Group, which puts out The Toy Insider.

Johnson says the season will also be difficult because of a lack of a "must-have" toy, which usually transcends gender and drives sales during the holidays.

**Mattel Inc.** (nyse: [MAT](#) - [news](#) - [people](#)) has on offer its "Elmo Live" doll, which speaks and moves around. While likely to be popular, it is not expected to duplicate the "Tickle Me Elmo" craze from more than a decade ago.

"The closest thing has been Bakugan from Spin Master, but I'm not sure that has cross-gender appeal," Johnson says. "Must-have toys will drive traffic and send people from store to store. We haven't had anything really emerge like that so far."

Many liken the Japanese game Bakugan, which combines marbles, action figures and trading cards and is the subject of a TV show, to Pokemon. Toys related to the game are also relatively inexpensive.

Other hot - but pricier - toys may include EyeClops Night Vision Infrared Stealth Goggles from Jakks Pacific, which are working night-vision goggles that retail for about \$80, Leap Frog's TAG Reading System for \$49.99 which includes a touch-and-talk, pen-like device that is activated by specially printed pages of a book and the Nintendo Wii video game console, which is about \$250.

Retailers are focusing on value. **Wal-Mart Stores Inc.** (nyse: [WMT](#) - [news](#) - [people](#)) and KB Toys have each cut prices already on popular toys - ranging from Mattel's Barbie to the Bakugan game - to \$10 or less, and **Target Corp.** (nyse: [TGT](#) - [news](#) - [people](#)) said it is offering \$10 toys as well, ahead of the holiday season.

In addition to price cuts, KB Toys has expanded its value program, which offers promotions on new items each week, to include video games and DVD movies.

"We believe that shoppers will be selective in their toy shopping and will be looking for ways to stretch their dollars," says Geoffrey Webb, KB's director of advertising and sales promotion.

FAO Schwarz, which is opening locations within **Macy's Inc.** (nyse: [M](#) - [news](#) - [people](#)) **department stores** this year, will also offer for the first time its own branded items, such as yo-yos and a Jack-in-the-box, for \$20 or less.

"People might buy fewer items," says Chief Executive Ed Schmults, "but I think people might buy smarter or better."

AP Business Writer Vinnee Tong contributed to this report.