

---

## A TOY STORY: Shifts in Toy Consumer Behavior & Future Intentions Amid Inflation

June 2022



# The pandemic radically shifted the way consumers interact with toys & games.

Source: Forbes, Journal of Play, USA Today, MarketWatch, Reuters

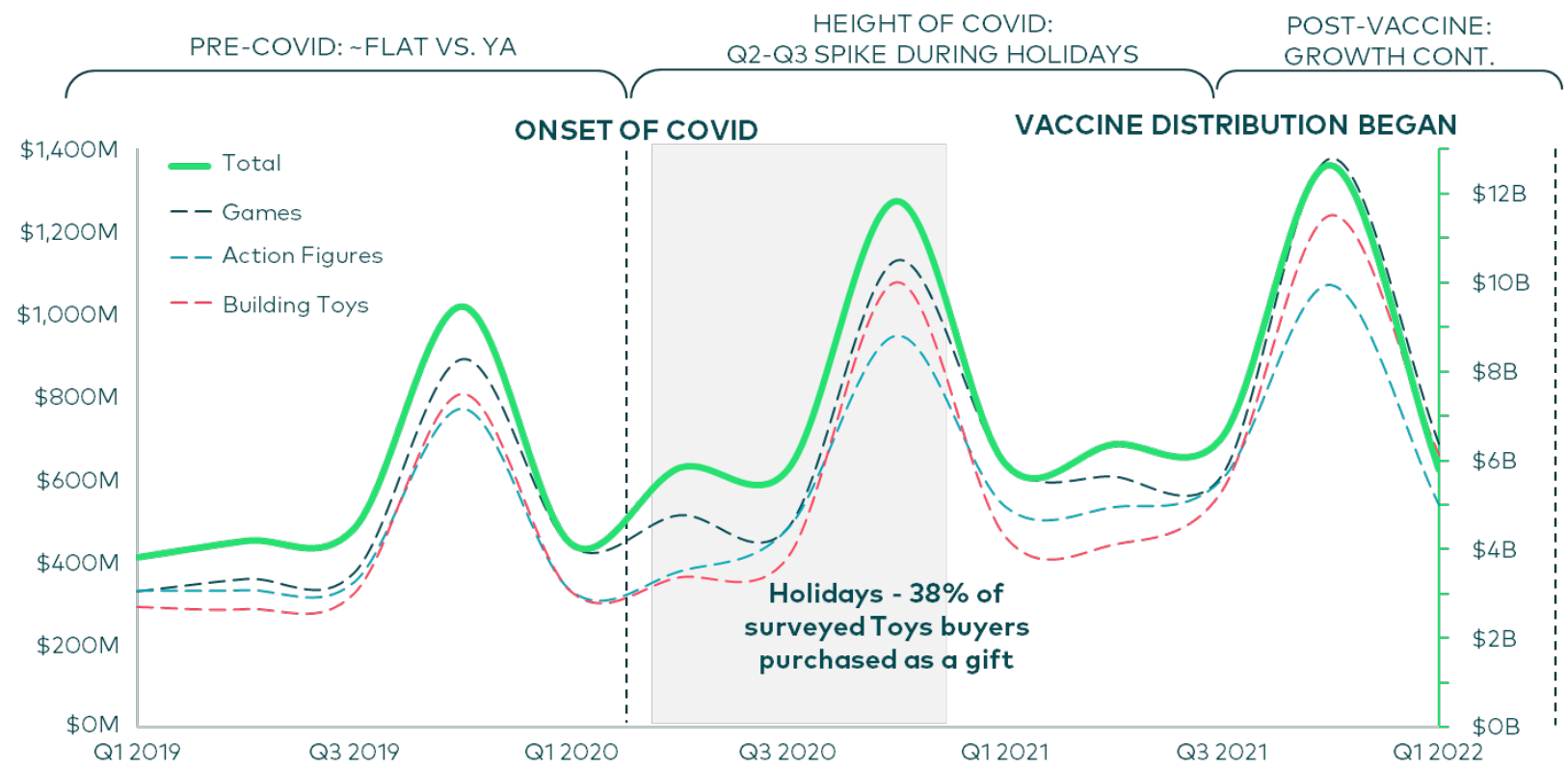


# Following a pandemic boost, the toy category has returned to pre-COVID growth rates of ~15% YOY.

Games, Action Figures, and Building Toys all saw strong sales lifts that carried through to the post-COVID timing.

## PROJECTED SALES OF KEY TOY DEPARTMENTS BY QUARTER

Rolling Quarters, Since Jan 2019



Toy growth has started to decline for the first time since the pre-COVID period.

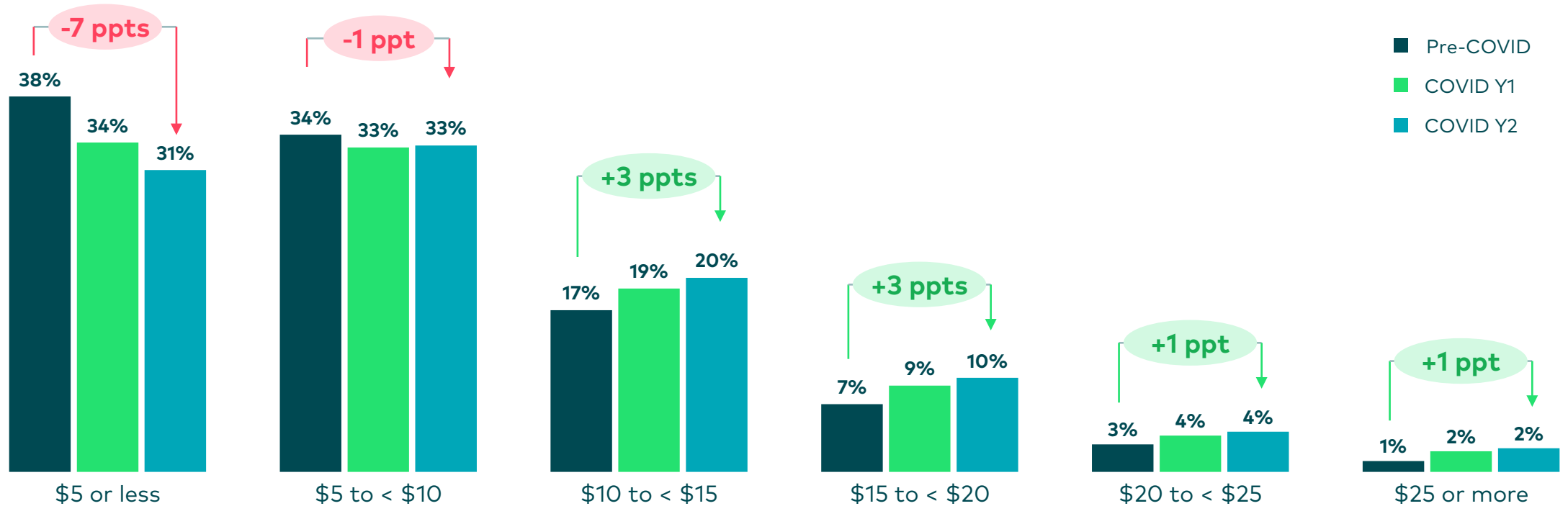
YOY \$ GROWTH	Q1 2021	Q1 2022
TOTAL TOYS	+44ppts	-2ppts
GAMES	+47ppts	+8ppts
ACTION FIGURES	+63ppts	+1ppts
BUILDING	+42ppts	+43ppts

# Average spend per unit continues to rise as inflation now impacts the category.

Among top toy categories, Building Toys saw the largest rise in average spend per unit increasing by **35%**.

## % OF TOTAL TOYS SPEND BY SPEND PER UNIT

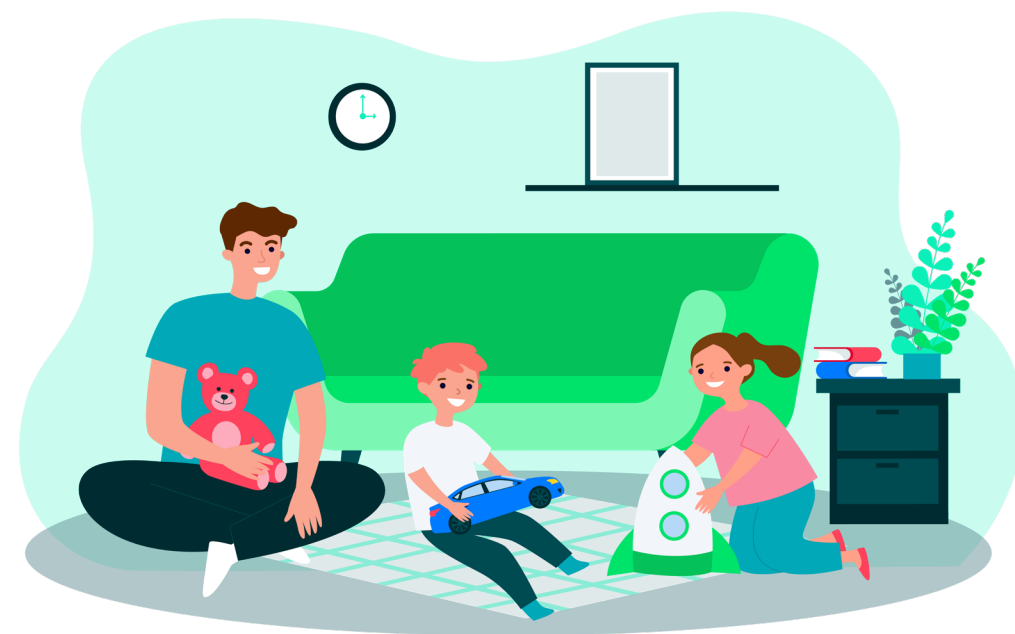
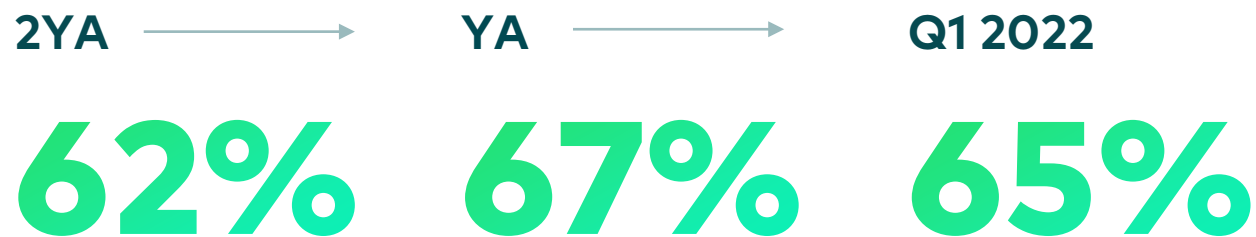
3/1/2019 – 2/28/2022



# Despite increased reach during COVID, HH penetration has started to soften back to pre-COVID levels.

Inflation will impact shoppers spend, with some toy categories being impacted more than others.

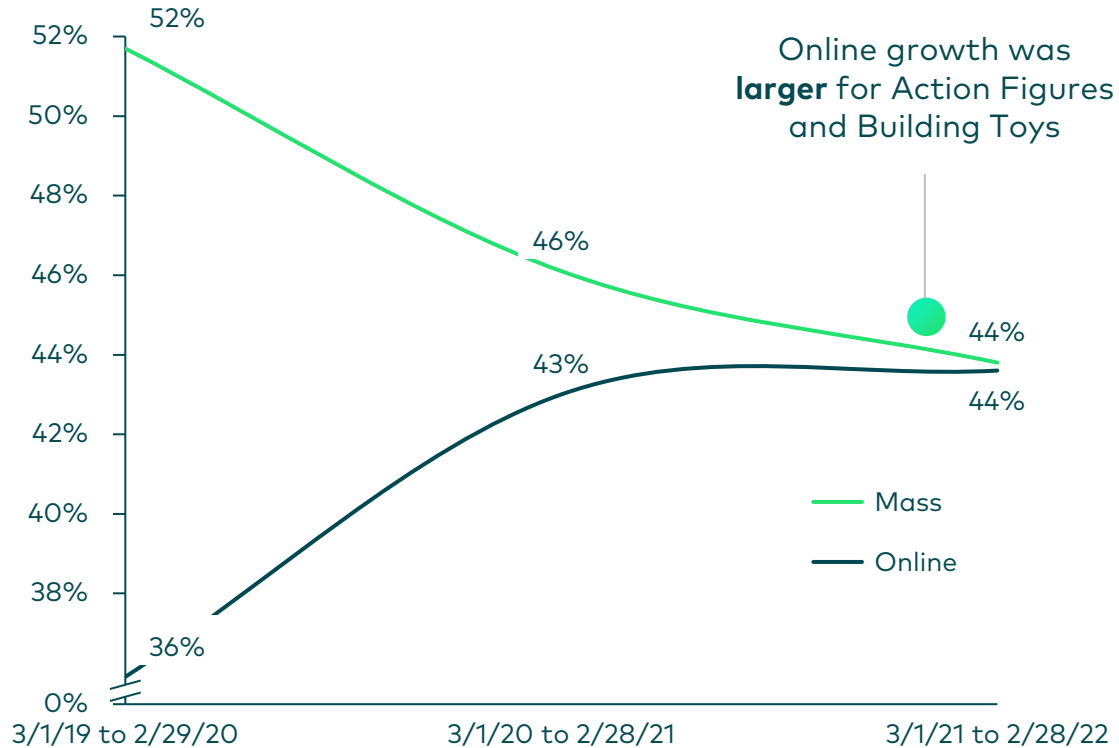
## % HH PENETRATION OF TOTAL TOY CATEGORY



# While HH penetration climbed during COVID, toy shoppers' spending also shifted channels as buyers left mass retailers for online.

Online spend grew more than **20%** in the past two years, while Mass spend decreased by **15%**

## CHANNEL % OF SPEND



Numerator Insights, Omnichannel, All Games, Action Figure and Building Toys Shoppers

Pre-Pandemic

Pandemic

Now

**+1%**

Increase in toy spend at Amazon.com during the pandemic.

amazon.com

**TARGET.com**

**+5.3%**

Increase in toy spend at Target.com from pre-pandemic to now.

**+1.1%**

Increase in toy spend at Walmart.com during the pandemic.

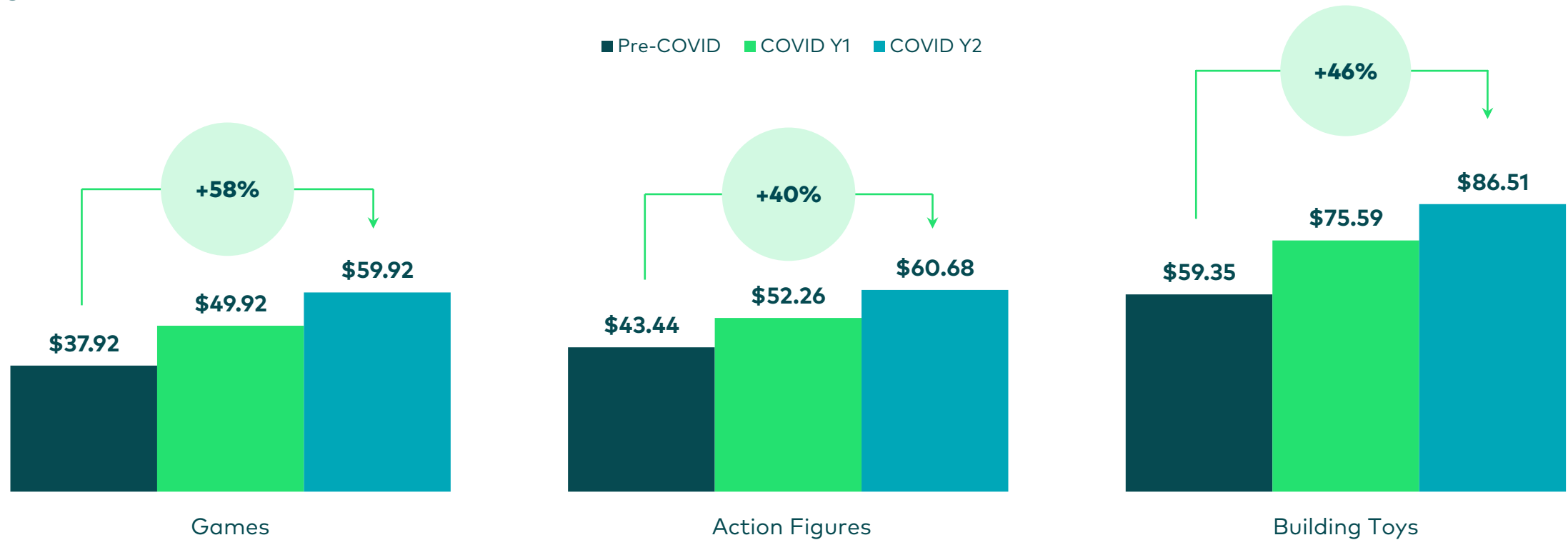
Walmart.com

# With the shift to online, buyers are still purchasing at a higher rate, helping to offset the softening of HH penetration post-COVID.

Games saw the largest increase in spend as families looked for new activities to play during lockdown.

## OMNICHANNEL HOUSEHOLD SPEND OF KEY TOY DEPARTMENTS

Rolling 12 Month Time Period, 3/1/2019 – 2/28/2022



# New toy shoppers also contributed to the increase in spend, accounting for nearly half of toy-purchasing households during the pandemic.

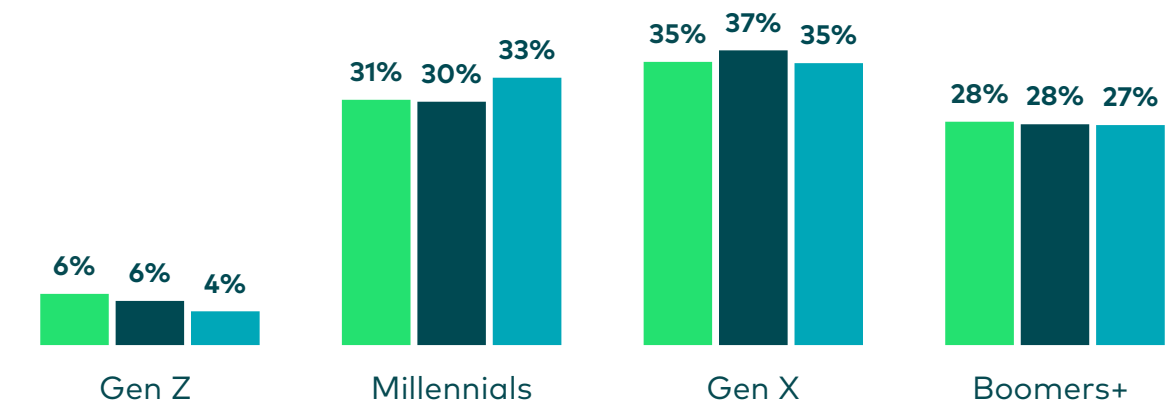
Gen Z had the most significant growth as new households doubled the penetration when compared to existing toy buyers.

NEW SHOPPERS FOR KEY TOYS CATEGORIES  
% of Category Shoppers March 2020-Feb 2021



This trend has continued into 2022, with new buyers accounting for >40% of all category shoppers

NEW CATEGORY SHOPPERS BY GENERATION  
Percent of New Shoppers Purchasing March 2020-Feb 2021



	Index vs. Existing Buyers			
GAMES	208	94	90	109
ACTION FIGURES	207	87	95	115
BUILDING TOYS	256	101	90	104



# These new shoppers tend to be more diverse singles with a lower household income.

New shoppers also spent less on the category, with a buy rate that's **63%** less than existing buyers.



LOWER INCOME

**30%**

136 index



NON-CAUCASIAN

**35%**

126 index



1 to 2 PERSON HOUSEHOLD

**53%**

132 index



NEVER MARRIED

**25%**

165 index



LOWER BUY RATE

**\$44.65**

37 index



NO CHILDREN

**69%**

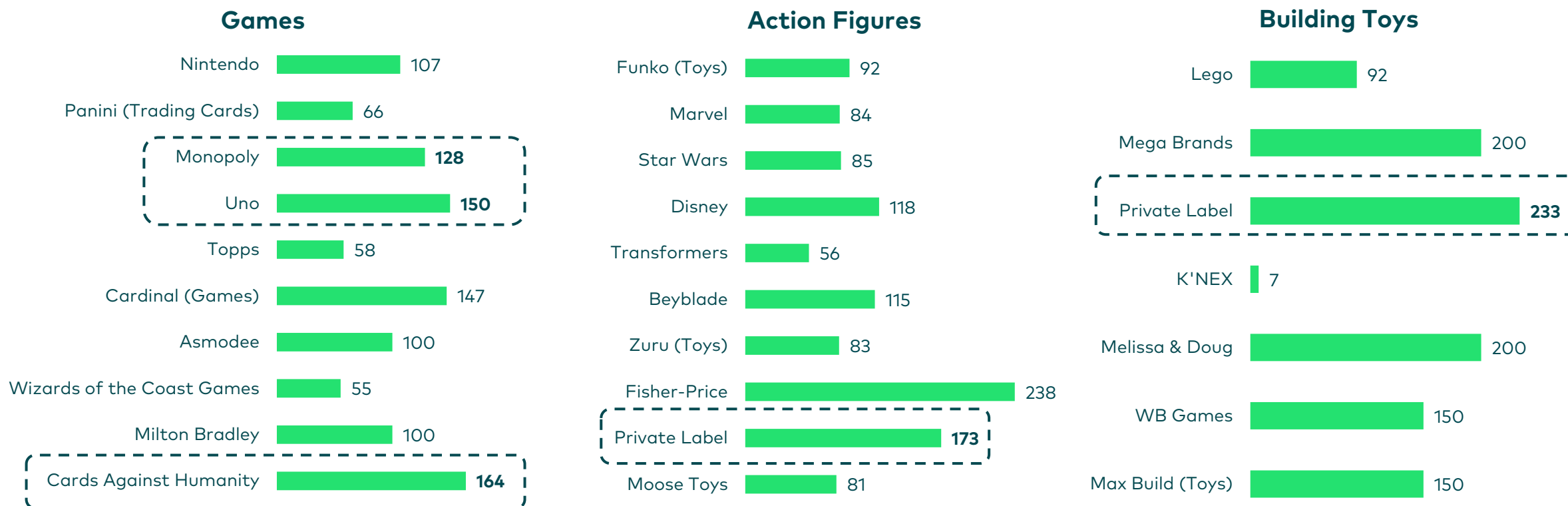
132 index

# Private Label brands were popular amongst new buyers for Action Figures and Building Toys, aligning to these buyers skewing lower income.

Meanwhile, the games category saw growth with popular brands such as Uno, Monopoly and Cards Against Humanity.

## TOP TOY BRANDS FOR NEW BUYERS

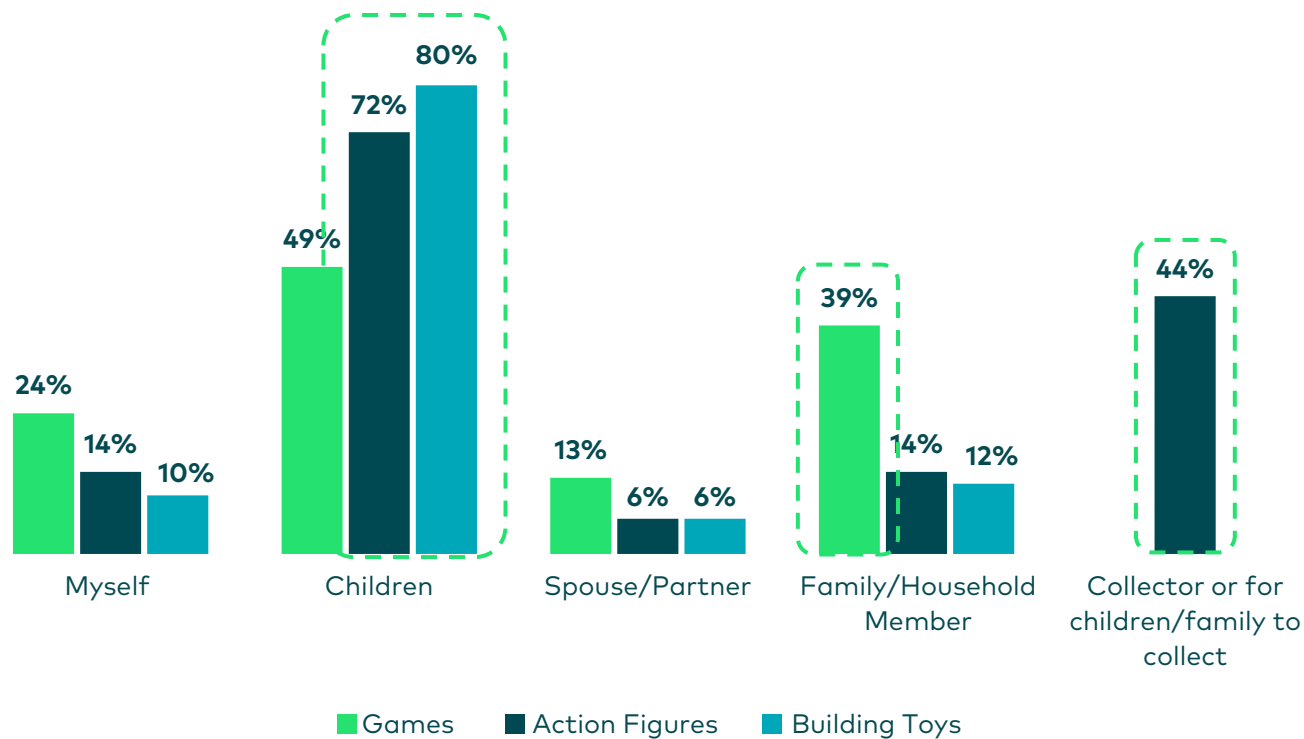
Sorted by % of Spend, Indexed to Existing Buyers



# Brands that target the buyer over the end user may see more success, as most toy buyers are purchasing toys as a gift— often for children.

And while almost half of game purchases were for children, still 1 in 4 households purchased the category to play as a family.

## TOY OWNERSHIP BY CATEGORY

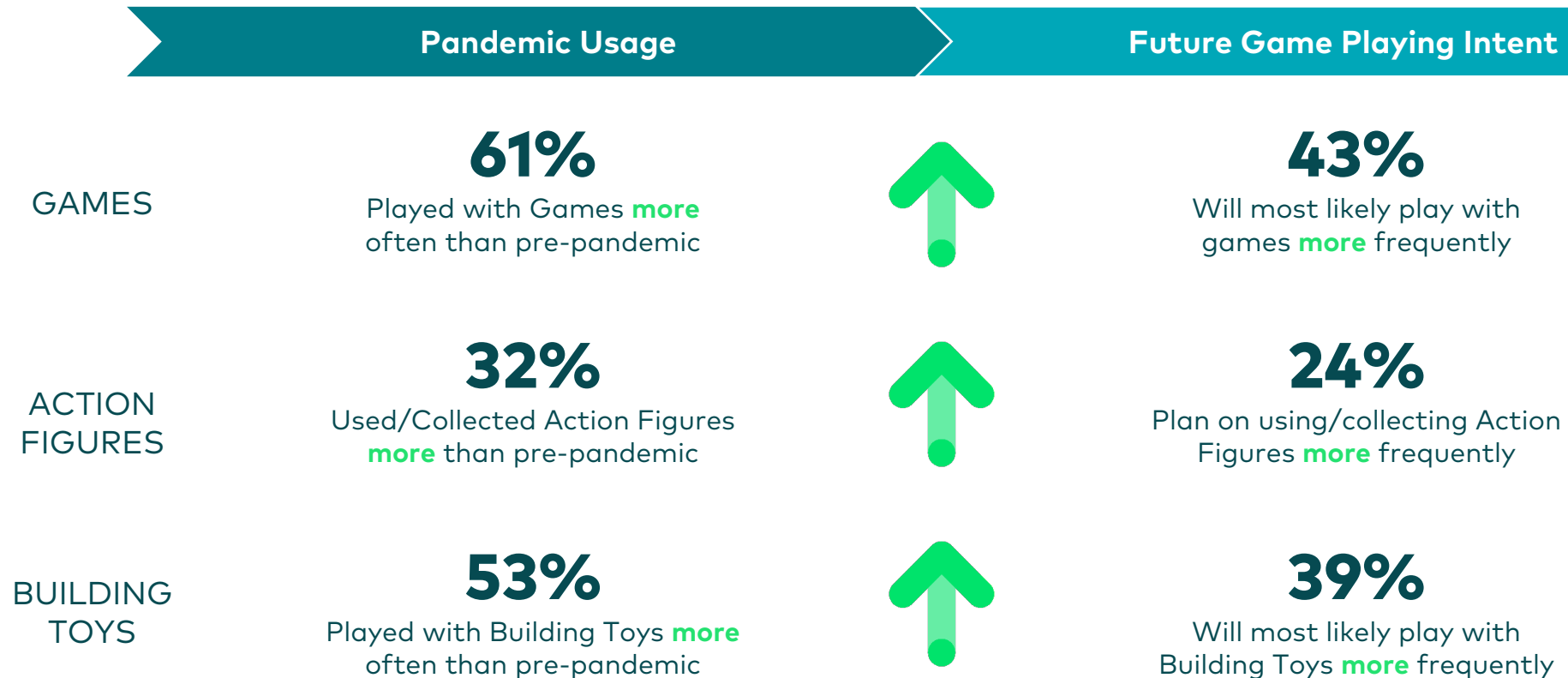


## THE *WHY*BEHIND TOY CATEGORY PURCHASES

PURCHASE INTENT	GAMES	ACTION FIGURES	BUILDING TOYS
Gift	24%	45%	46%
It was specifically asked for	14%	24%	18%
Impulse Purchase	13%	15%	13%
For family/HH activity	39%	N/A	19%
Collectible	N/A	22%	N/A

# And while COVID lockdowns influenced these purchases, many households still plan on increasing their amount of play in their post-pandemic lifestyles.

Competitive pricing will be important as category buyers continue to increase their use through inflation.



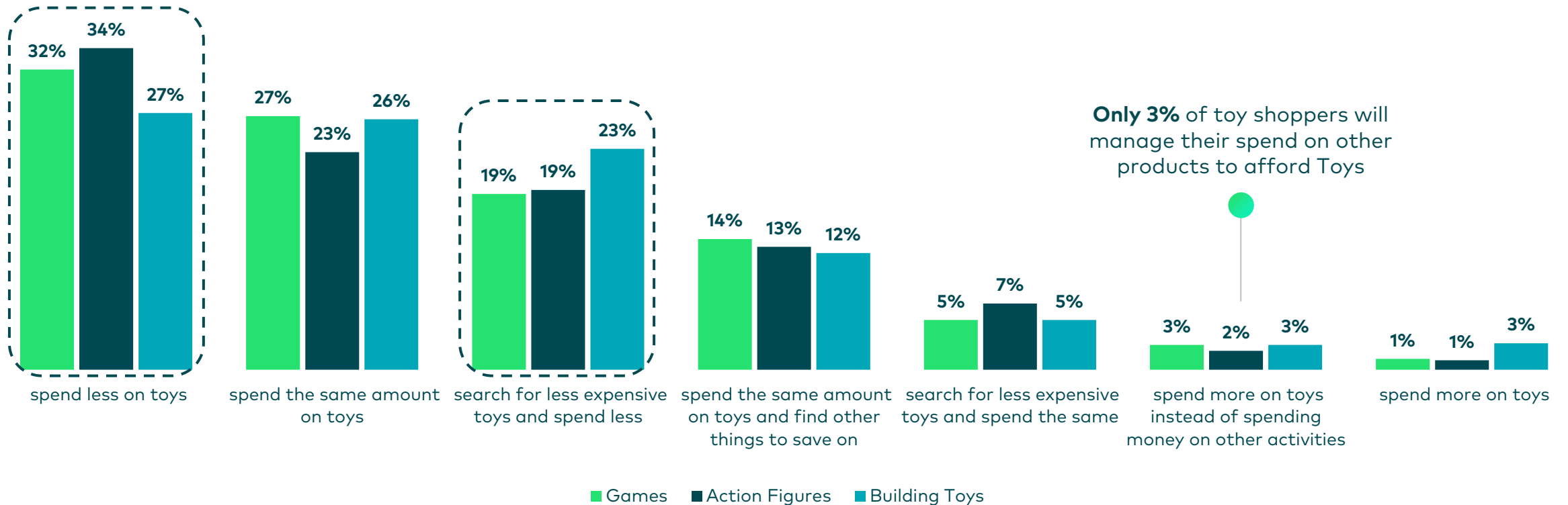
# But inflation will impact the category, as shoppers seek ways to offset rising costs.

Roughly half of buyers indicated they'd spend less on the category, with ~20% indicating they'd seek out less expensive options.

## ANTICIPATED IMPACT FROM INFLATION

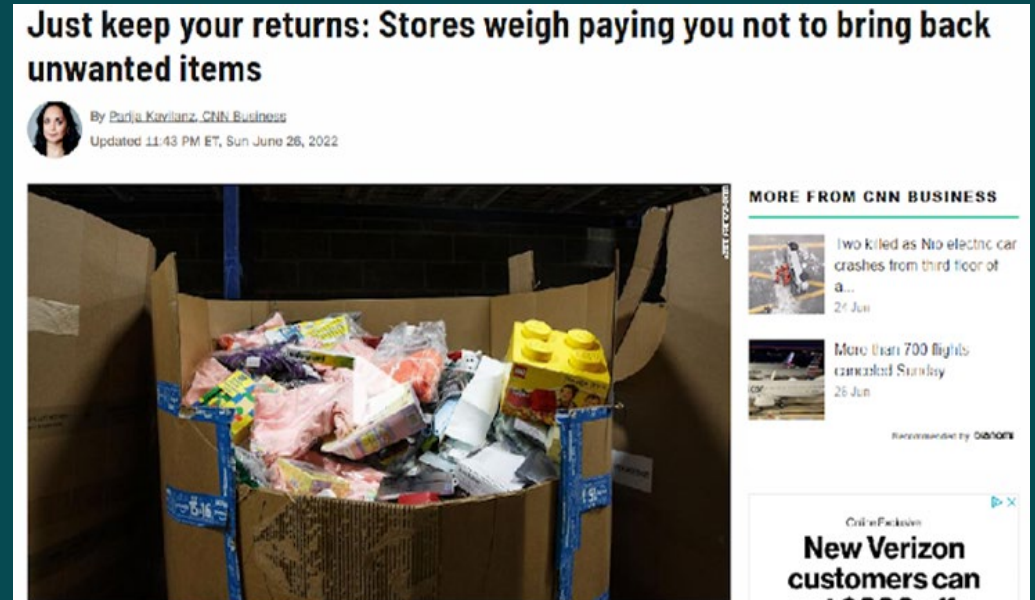
% of Respondents

In total, shoppers are roughly split **50/50** between those that will increase/remain the same and those that will decrease



## And retailers may drive consumer behavior to shift even more as they, too, respond to the economic environment.

As retailers begin to put policies like this in place, there will no doubt be an impact on consumers.



# Takeaways

**COVID sparked growth across the toy industry and inflation will have further impact.**

We already see inflation affecting the industry, with rising sales mirroring the overall growth in spend per unit while HH penetration tapers off.

Gifting will play a major part in keeping toys afloat as **38%** of surveyed toy buyers purchased for a gift.

**New buyers are making up 40-50% of key toy category shoppers.**

New toy shoppers are skewing younger and toward lower income so, for most brands, managing price point in an inflated economy will be critical for continuing brand growth.

Private Label is the key threat in Action Figures and Building Toys among new shoppers. Brands will have to keep pace with the prices of Private Label in order to win in the space.

**In large part, consumers expect their pandemic toy purchasing habits to shift in the face of inflation.**

**One-third** of shoppers say they will spend less on toys, while only **one-fourth** are likely to spend the same amount. Only **3%** are willing to cut back on other expenses in order to spend more on toys & games.

Most consumers reported playing with more games and building toys during the pandemic, but less than half anticipate playing more frequently moving forward. Action Figures' momentum is lower— only **a third** increased play during the pandemic, and **one-fourth** expect to increase play through inflation.



# There's **More** to Know.

Reach out today for custom insights.

[hello@numerator.com](mailto:hello@numerator.com)

