

Assignment: Situation Analysis on Hamleys

Name: Larissa Hewminli Bruno

Module: Marketing in Practice

Module Code: BMBM5024

Lecturer: Gwyneth Jones

Executive Summary

The analysis of Hamleys' internal and external marketing situation provides information to develop its strategic plan. As the world's oldest toy retailer, established in 1760 Hamleys became famous by offering an experiential retail concept. Plugging the decline of revenue in main markets along with weak online promotional methods into its operation framework, yet Hamleys holds positive brand value and devoted customer relationships by keeping its flagship store open and continuing international franchise operations.

The toy market sees an external trend of improving e-commerce penetration as customers seek retail experiences that merge with sustainability practices. Hamleys encountered both physical store competition from Smyths Toys and The Entertainer and online competition from Amazon in today's market. Media market dynamics force Hamleys to transform its business structure to preserve its market competitiveness during the shifting digital market trends.

The success of Hamleys stems from both its well-known brand prominence and its interactive store experience although the weak performance of their e-commerce operations and elevated operating expenses from flagship stores challenge the company's overall business performance. The organization should improve its digital transformation while entering new markets in Asia and the Middle East and create innovations within its product offerings, particularly for tech-based and STEM toys. The company can improve its market position through better e-commerce technology and operational management and new market expansion for sustainable development.

Table of Contents

1.0 Introduction.....	3-4
1.1 Background of the Organisation	
1.2 Mission Statement	
1.3 Market Performance Data	
2.0 External Analysis.....	5-8
2.1 Industry Trends	
2.2 Market Size and Growth	
2.3 PESTEL Analysis	
3.0 Competitive Environment.....	9-11
3.1 Porter's Five Forces Analysis	
3.2 Key Competitors Analysis	
4.0 Internal Analysis.....	12
4.1 Key Resources and Assets	
4.2 Key Capabilities	
4.3 Internal Strengths and Weaknesses	
5.0 SWOT Analysis and Strategic Marketing Direction.....	13-14
5.1 SWOT Analysis	
5.2 Strategic Marketing Direction	
6.0 Conclusion.....	15
7.0 References.....	16-19

1.0 Introduction

1.1 Background of the Organisation

Hamleys represents a global icon as the world's oldest toy retail chain that operates through its famous Regent Street store in London. Since its establishment by William Hamley in 1760 the company has created a heritage of giving shoppers a captivating retail experience that mixes retail and entertainment aspects (*History behind the Magic of Hamleys*, n.d.). Hamleys has embarked on international store expansion since its founding in 1760 and now maintains locations in more than 15 countries, which include India together with China and the UAE specifically (*About the Toy Store Online | Hamleys India*, n.d.).

Reliance Retail purchased Hamleys during 2019 and became the company's latest ownership group. Reliance Retail acquired Hamleys to enhance the toy retailer's market standing as well as accelerate its international business growth plans ("Reliance Brands Completes Acquisition of Hamleys," 2019).

1.2 Mission Statement

Hamleys Mission is:

"Making memories through the joy of play" & "To bring smiles and create magical memories for children and families by providing the finest toys, exceptional service and an unforgettable shopping experience"

The mission demonstrates the brand's dedication to creating customer-oriented stores that present premium products and engaging shopping experiences (*Hamleys' New Store Concept and In-Store Branding | News*, 2023).

1.3 Market Performance Data

In 2022, revenue at Hamleys declined considerably when the holding company brought in £51.4 million, while the previous year's total revenue was £56.6 million. Even though revenue dropped, there was a positive shift in pre-tax profit performance from £293,000 to £673,000, which demonstrates better operational management of costs. Total revenue generated in the UK declined from £50.7 million to £43.9 million due to setbacks among domestic customers (Robinson, 2024).

By the year's end of 2023, Hamleys will have maintained 194 shops consisting of 11 self-owned locations and 183 franchised outlets. The company refocused operations on its remaining forty stores resulting in the reduction of its workforce from 476 employees down to 435. Hamleys of London experienced reduced financial performance by falling from £50.8 million to £46.3 million in revenue, yet its pre-tax loss decreased from £5.3 million to £3.4 million, which showed better financial health. The revenue at Hamleys Franchising fell from £7.4 million to £8.2 million, while pre-tax profit decreased from £4.4 million to £5.7 million. As a response to decreasing sales, Hamleys focuses on creating a digital strategy to build its online market position, which will boost future sales figures (Robinson, 2024).

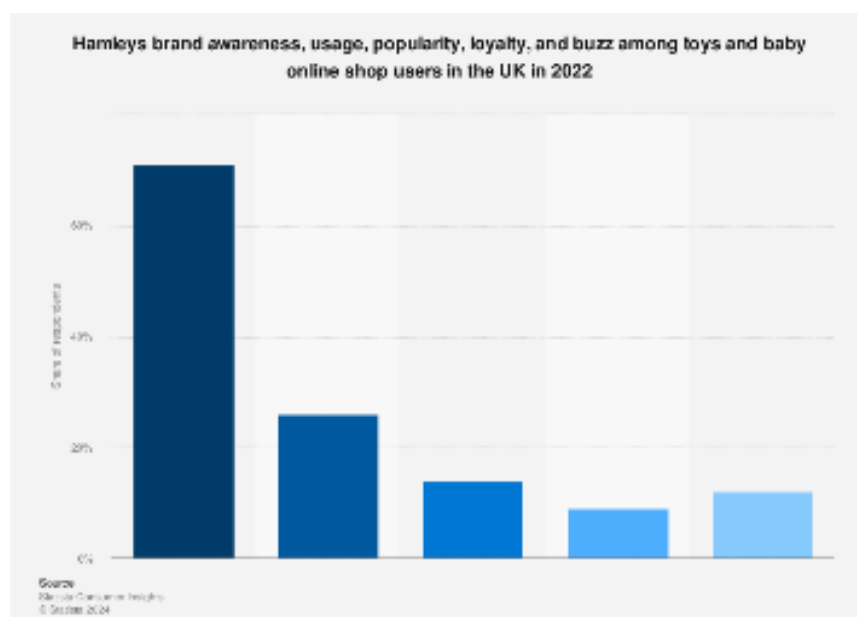


Figure 1.0 Hamleys brand awareness, usage, popularity, loyalty, and buzz among toys and online baby shop users in the UK in 2022

2.0 External Analysis

2.1 Industry Trends

- **Shift to E-commerce**

The toy industry continues its shift towards online shopping platforms that consumers now use as their preferred buying channel. The digital transformation intensified due to the pandemic and now forces traditional retailers to establish digital strategies for sustaining their market position (Case Studies Hamleys, a New Digital Experience for Iconic Toy Retailer | SQLI, 2019).

- **Experiential Retail Demand**

Despite the increase in e-commerce operations there remains a persistent need for shop-based customer interactions. The Regent Street flagship store of Hamleys generates success through its ability to provide engaging demonstrations together with events and real-time entertainment. Physical retailers must find the right way to integrate digital ease into their traditional shopping environment (Tansel, 2023).

- **Sustainability and Eco-Friendly Toys**

Customers are developing increasing awareness about sustainable practices as well as ethical business methods. The market demand for environmentally friendly toys drives toy retailers toward finding sustainable materials and ethical production standards (*Global News - Keycraft*, 2024).

- **Inflation and Economic Pressures**

Rising inflation across the global market reduces purchasing power for consumers. Sales of Hamleys experience negative consequences because parents make reductions in unnecessary toy purchases (Price, 2025).

2.2 Market Size and Growth

The worldwide toy business currently generates \$141 billion in revenue in 2023 while displaying 4.3% annual growth between 2024 to 2030 (Grand View Research, 2020). Economic hardships, as well as changing consumer preferences, have resulted in the restricted growth of the UK toy market.

UK Toy Market

The British toy market experienced a decline worth £3.6 billion during 2023 because consumers decreased their purchases and digital vendors started offering more aggressive competition. The UK revenue at Hamleys decreased by 13% from £50.7 million to £43.9 million because of this declining trend (Rachael, 2024).

Emerging Toy Market

The UK and European markets showed declining sales for Hamleys, yet global expansion led to revenue growth in all other territories from £5.3 million to £7.3 million (Robinson, 2024b). The brand can capitalize on growth opportunities in Asia and the Middle Eastern markets because they demonstrate increasing sales potential.

2.3 PESTEL Analysis

Factors	Description	Application to Hamleys
Political	The process for imports and exports has become slower and more expensive due to Brexit as well as current trade restrictions (Zaken, 2018). Porter's Five Forces (1979) show that political instability elevates barriers that new competitors must overcome (Bell, 2024).	After Brexit the European market revenues of Hamleys dropped from £604,000 to £166,000. The company should expand operations into stable markets such as India and the United Arab Emirates to access new growth opportunities (White, 2006).
Economic	The combination of rising prices and decreasing consumer expenditure diminishes the ability of consumers to buy products. A value-driven marketing approach becomes crucial during periods of economic recession according to Kotler's theory from 1997.	U.K. revenue decreased at Hamleys from £50.7 million to £43.9 million, while emerging market revenues increased from £5.3 million to £7.3 million, showing the importance of customer base expansion for the company.
Social	The buying trends of consumers now lean toward toys that educate children while promoting sustainability. Maslow's Hierarchy of Needs (1943) suggests that parents make developmental products their top priority when selecting items for their children (Bitesize Learning, 2024).	The Regent Street location of Hamleys provides interactive demonstrations, such as live product demonstrations to family groups (<i>Hamleys of London - Toyshop</i> , 2025).

Technological	Rogers' Diffusion of Innovation Theory (1962) demonstrates why retail needs technology adoption as e-commerce grows and AI personalization changes retail (<i>Diffusion of Innovation Theory and Its Impact on E-commerce — SwiftERM AI Product Personalisation Software</i> , 2023).	Hamleys needs digital strategies to benefit from AR technology as an online sales enhancement approach.
Environmental	Environmental product demand patterns impact how consumers choose their purchases.	A promotion of sustainable toys alongside a reduction of plastic packaging would allow Hamleys to enhance its brand image.
Legal	Toy safety standards, together with GDPR, must receive full compliance (Local Government Association, 2018).	Hamleys must fulfill European toy safety standards coupled with marking requirements while maintaining GDPR compliance on its website.

3.0 Competitive Environment

3.1 Porter's Five Forces Analysis

Factors	Description	Impact on Hamleys
Threat of New Entrants	New businesses encounter moderate difficulty entering the toy retail market because established supply chains, along with customer loyalty to well-known brands, present challenges. New online competitors find it simpler to enter the market through reduced costs on e-commerce platforms.	Due to its heritage brand legacy Hamleys possesses competitive advantages however rising exclusive online retailers intensify market competition (Team, 2021).
Bargaining Power of Suppliers	Suppliers maintain moderate influence upon Hamleys since the company depends heavily on distinctive and branded toys. The wide range of suppliers Hamleys works with provides the company with bargaining advantages.	Hamleys obtains better purchasing terms yet needs robust supplier connections to ensure product inventory stays consistent.
Bargaining Power of Buyers	Several factors give consumers high impact during product negotiations because toys are easily obtainable online and low prices exist. Regular prices mean customers can change their brand choice without difficulty.	The retention of customers demands that Hamleys brings exclusive merchandise combined with experiential shopping.
Threat of Substitutes	The toy market experiences moderate threat of replacement from non-toy presents and digital entertainment options including gaming applications (Team, 2021). When play interests shift	Hamleys should introduce technology-based toys coupled with educational materials to stay competitive in the market (Team, 2021).

	the market demand for physical toys decreases.	
Industry Rivalry	The market shows fierce competition because The Entertainer and Smyths Toys lead along with large online retail operations (such as Amazon). Competitive fighting between companies worsens through price competition and regular promotional events.	Hamleys benefits from its experiential retail design yet needs to develop its online marketing strategy.

3.2 Key Competitors Analysis

Competitors	Strengths	Weaknesses	Market Share & Strategies
The Entertainer	The company maintains a robust online platform through its click-and-collect services while offering competitive prices along with regular sales (In Focus: Hamleys versus the Entertainer, 2011).	The international reach of this brand falls behind Hamleys because of its limited presence across borders.	Their nationwide network extends over 170 stores as one of the leading UK toy retailers that centers on low-cost products and loyalty schemes, and digital expansion initiatives (Hawthorne, 2025).
Smyths Toys	Operates with an extensive product range across its extensive physical store network and effective	The company reduced its earnings through its emphasis on discounts and its diminished	The company positions itself as a market leader in the industry segment

	omnichannel approach (Goldfingle, 2022).	emphasis on experiential shopping.	while maintaining control of over 20% of the market shares through extensive store presence and aggressive promotional tactics and online store activities.
Amazon	The company provides a vast product selection in conjunction with an international presence alongside quick delivery services and affordable costs.	Buyers struggle to authenticate product quality online since there is no in-store shopping option.	The company controls almost all online toy sales while utilizing artificial intelligence recommendations and fast delivery and maintaining a wide product selection (Parman, 2022).

4.0 Internal Analysis

4.1 Key Resources and Assets

Hamleys maintains two primary resources that stem from its 250-year-old reputation combined with its distinctive brand identity (*Hamleys Marketing Strategy 2024: A Case Study - TheBigMarketing.com*, 2024). This renowned brand commands customer loyalty which makes possible the establishment of premium product prices. The premium image of the company benefits from its flagship stores located at Regent Street along with their functioning as experiential venues. Through its franchise model, the company can achieve global market penetration with lowered financial exposure by partnering with local market experts in regions such as China and India (*Hamleys Marketing Strategy 2024: A Case Study - TheBigMarketing.com*, 2024). The company's exclusive and in-house toys, together with its efficient supply chain, allow global distribution and high inventory turnover benefits.

4.2 Key Capabilities

Through its experiential retail approach, Hamleys provides its customers with both merchandise and singular interactive shopping experiences (ProductMonk, 2024). The strategic approach relates to experiential marketing concepts as it strengthens customer loyalty. Digital transformation has enabled the company to enhance its online presence while creating a comprehensive omnichannel shopping experience between omnichannel interactions, which allows it to compete with Amazon. Through customer data analysis, Hamleys provides customized products, while its innovation of STEM toys ensures market relevance in the tech-focused industry (Skeldon, 2021).

4.3 Internal Strengths and Weaknesses

The successful core points of Hamleys include its historical brand value combined with worldwide store locations and interactive store experiences that set it apart from standard retailers (Team, 2013). Hamleys encounters difficulties with falling revenue in essential European markets along with those across the UK. Flagship outlet expenses, along with a lagging online store performance, act as competitive disadvantages for the company. Enhanced digital operations coupled with efficient management of retail infrastructure must be Hamleys' main strategy for market competitiveness.

5.0 SWOT Analysis and Strategic Marketing Direction

5.1 SWOT Analysis

Strengths	Weaknesses
Because of its renowned brand status and retail experience model, Hamleys builds strong customer commitment. The company's worldwide franchise network enables growth through lowered risks because it provides market-specific knowledge in vital locations such as China and India.	The revenue generated by Hamleys decreases along with other core business areas of the UK and Europe due to rising market competition. The flagship store costs along with a poorly constructed online platform, restricts Hamleys' ability to grow and generate profits.
Opportunities	Threats
Hamleys should explore additional market penetration into Asia and Middle Eastern territories because the premium toy sector is expanding rapidly in those areas. Through digital transformation and tech-driven toys, the company will reach a newer demographic of technology-oriented customers.	The market share of Hamleys faces dual threats from established retail stores and dominant online retailer Amazon. Additionally, economic volatility and the shift toward online shopping challenge Hamleys' traditional store model.

5.2 Summary For Strategic Marketing Direction

Hamleys will need to generate an improved e-commerce platform as part of its omnichannel strategy which focuses on delivering to consumers who want online shopping. The combination of online retail with physical store operations will help Hamleys defeat competition from Amazon by reaching customers who desire convenient purchasing options. The Middle East and Asia represent potentially attractive markets because premium toy demand continues to increase in these regions. The company can capitalize on recently generated wealth together with customized retail items specific to regional preferences to broaden its consumer base.

Product innovation especially through tech-driven and STEM toys will enable Hamleys to keep its relevance to parents and children who excel with technology. The innovative toy products fit modern educational toy standards which enables Hamleys to expand its market reach. Hamleys needs to find the right equilibrium between operating its experiential flagship stores alongside improving their financial performance. Operations streamlining together with the preservation of the original retail experience will enable better profitability for the company while maintaining its distinctive brand expression.

6.0 Conclusion

The current market conditions both challenge and offer promising opportunities to Hamleys. The company maintains its strong trademark recognition and customer experience-based strategy but needs to tackle falling sales in main markets along with insufficient progress on online shopping. The company can grow substantially through market expansions into new territories and its efforts to produce innovative tech-based and STEM toys.

Hamleys must change its business model because traditional retailers along with online giants maintain strong competition. Digital transformation investments along with a strategic omnichannel strategy development will determine Hamleys ability to compete in the evolving marketplace. To enhance profitability it is vital for Hamleys to optimize operational efficiency in flagship stores without compromising their iconic brand experience.

Through global market entry initiatives combined with digital transformation efforts and product expansion strategies Hamleys sets itself for enduring profitability in the international toy industry sector. A successful strategic marketing plan executing well will position the company to maintain leadership position in its competitive toy retail market.

7.0 References

1. *About the Toy Store Online | Hamleys India.* (n.d.). Wwww.hamleys.in.
<https://www.hamleys.in/cms/about-us>
2. Bell, S. (2024). *Porter's five forces - The framework explained.* Mindtools.
<https://www.mindtools.com/at7k8my/porter-s-five-forces>
3. Bitesize Learning. (2024). *Maslow's Hierarchy of needs, Explained [inc. Pyramid diagram].* BiteSize Learning.
<https://www.bitesizelearning.co.uk/resources/maslows-hierarchy-of-needs-theory>
4. *Case studies Hamleys , A new digital experience for iconic toy retailer | SQLI.* (2019). Sqli.com.
<https://www.sqli.com/int-en/case-studies/hamleys-new-digital-experience-iconic-toy-retailer>
5. *Diffusion Of Innovation Theory, And It's Impact On Ecommerce — SwiftERM AI Product Personalisation Software.* (2023, March 2). Swifterm.com.
<https://swifterm.com/diffusion-of-innovation-theory/>
6. *Global news - Keycraft.* (2024). Keycraftglobal.com.
<https://keycraftglobal.com/news/consumers-want-you-to-lead-the-way-with-eco-friendly-toys>
7. Goldfingle, G. (2022, February 14). *Smyths market share surges after bumper Christmas toy sales for bricks and mortar.* Wwww.retailgazette.co.uk.
<https://www.retailgazette.co.uk/blog/2022/02/smyths-market-share-surges-after-bumper-christmas-toy-sales-for-bricks-and-mortar/>
8. Grand View Research. (2020). *Global Toys & Games Market Size, Share | Industry Report 2019-2025.* Wwww.grandviewresearch.com.
<https://www.grandviewresearch.com/industry-analysis/toys-games-market>

9. *Hamleys Marketing Strategy 2024: A Case Study - TheBigMarketing.com.* (2024, April 20). TheBigMarketing.com - Marketing Insights to Keep You ahead of the Curve. <https://thebigmarketing.com/hamleys-marketing-strategy/>
10. *Hamleys' new store concept and in-store branding | News.* (2023, March 13). Dalziel & Pow. <https://www.dalziel-pow.com/news/hamleys-new-store-concept-and-in-store-branding>
11. *Hamleys of London - toyshop.* (2025). Visitlondon.com. <https://www.visitlondon.com/things-to-do/place/401397-hamleys-of-london>
12. Hawthorne, E. (2025). *The Entertainer: latest news, analysis and trading updates.* Retail Week. <https://www.retail-week.com/companies/the-entertainer>
13. *History behind the magic of Hamleys.* (n.d.). Wwww.hamleys.com. <https://www.hamleys.com/history>
14. *In Focus: Hamleys versus The Entertainer.* (2011, February 11). Retail Week. <https://www.retail-week.com/in-focus-hamleys-versus-the-entertainer/5022218.article>
15. Kotler, P. (2024, March 12). *A Lifetime in Marketing: Lessons Learned and the Way Ahead, by Philip Kotler.* American Marketing Association. <https://www.ama.org/2024/03/12/a-lifetime-in-marketing-lessons-learned-and-the-way-ahead-by-philip-kotler/>
16. Local Government Association. (2018). *The General Data Protection Regulation (GDPR) Guidance for members.* [https://www.local.gov.uk/sites/default/files/documents/The+General+Protection+Data+Regulation+\(GDPR\)+-+Guidance+for+Members.pdf](https://www.local.gov.uk/sites/default/files/documents/The+General+Protection+Data+Regulation+(GDPR)+-+Guidance+for+Members.pdf)
17. Parman, J. (2022, February 16). *UK toy sales topped £1.7bn over Christmas, with Smyths a standout performer.* Wwww.kantar.com.

<https://www.kantar.com/uki/inspiration/retail/2022-wp-uk-toy-sales-surge-over-christmas-with-smyths-a-standout-performer>

18. Price, C. (2025, March 26). *Consumer price inflation, UK*. Ons.gov.uk; Office for National Statistics.

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/february2025>

19. ProductMonk. (2024, January 22). *Hamley's Rs.160 Crore Revenue: Getting High-End Shoppers Hooked*. Product Monk.

<https://www.productmonk.io/p/hamleys-success>

20. Rachael. (2024, January 23). *UK toy market remains resilient despite challenging economic conditions*. Toy World Magazine | the Business Magazine with a Passion for Toys.

<https://toyworldmag.co.uk/breaking-news-uk-toy-market-remains-resilient-despite-challenging-economic-conditions/>

21. Reliance Brands completes acquisition of Hamleys. (2019, July 18). *The Economic Times*.

<https://economictimes.indiatimes.com/industry/services/retail/reliance-brands-completes-acquisition-of-hamleys/articleshow/70274092.cms?from=mdr>

22. Robinson, J. (2024a, August 26). *Hamleys: World's oldest toy store closes 40 loss-making shops as sales fall*. Yahoo Finance.

<https://uk.finance.yahoo.com/news/hamleys-world-oldest-toy-store-105346313.html>

23. Robinson, J. (2024b, August 27). *Hamleys: World's oldest toy store closes 40 shops as sales fall*. CityAM.

<https://www.cityam.com/hamleys-worlds-oldest-toy-store-closes-40-loss-making-shops-as-sales-fall/>

24. Skeldon, P. (2021, May 31). *CASE STUDY How implementing a new digital solution for iconic toy retailer Hamleys proved child's play - InternetRetailing*. InternetRetailing.
<https://internetretailing.net/case-study-how-implementing-a-new-digital-solution-for-iconic-toy-retailer-hamleys-proved-childs-play-23278/>
25. Tansel, U. (2023, January 25). *Hamleys Gears Up to Build on "Experiential Retail."* Global Toy News.
<https://globaltoynews.com/2023/01/25/hamleys-gears-up-to-build-on-experiential-retail/>
26. Team, M. S. (2013, February 7). *Hamleys SWOT Analysis*. MBA Skool.
<https://www.mbaskool.com/swot-analysis/media-and-entertainment/5903-hamleys.html>
27. Team, M. S. (2021, February 10). *Hamleys Porter Five Forces Analysis*. MBA Skool.
<https://www.mbaskool.com/five-forces-analysis/companies/18387-hamleys.html>
28. White, A. (2006, July 15). *Hamleys toy store seals Mideast agreement - Arabian Business: Latest News on the Middle East, Real Estate, Finance, and More*. Arabian Business.
<https://www.arabianbusiness.com/industries/retail/hamleys-toy-store-seals-mideast-agreement-62652>
29. Zaken, M. van A. (2018, August 30). *What Is Brexit?* Wwww.government.nl.
<https://www.government.nl/topics/european-union/question-and-answer/what-is-brexit>