Introduction

The United States is a large market, full of opportunities for UK companies, but it is also complex and highly competitive.

With the mission of helping UK companies identify and pursue new business opportunities, UK Trade & Investment (UKTI) teams in the United States offer a variety of support to help companies achieve their international potential, including trade missions, events, and webinars, and customised consultancy services (Overseas Market Introduction Service, OMIS).

This brochure is intended to provide an overview of opportunities in the United States, help companies consider and understand the challenges, and outline the steps required to succeed in this market.

UK companies interested in any of our services in the United States should ideally speak first with one of our UK-based International Trade Advisors (ITAs). Financial assistance and grants are not available from UKTI staff in the United States, but UK companies can speak to ITAs about export support services like the Tradeshow Access Programme, Passport to Export, Gateway to Global Growth, and the Export Marketing Research Scheme. Companies in Scotland, Wales, and Northern Ireland should contact Scottish Development International, Business Wales, or Invest Northern Ireland, respectively.
U.S. Market Checklist

Due to a common language and culture, the United States can seem like a relatively easy market to access. However, it is also a large, crowded, and highly competitive economy. It can be easy to underestimate the requirements of a successful US strategy. Prospective exporters should consider carefully whether they are ready to do business in the United States.

The following questions can assist with a critical self-evaluation:

1. Is there a market in the United States for your product, service, or content? If so, is the market nascent, growing, or already saturated? These are key questions to ask and answer before committing the required time and expense towards developing your company's business in the United States.

2. Is your company in a stable financial position and ready to invest in expanding into new markets? Many UK companies underestimate the costs of setting up and time required to effectively succeed in the United States. It should not be considered a short-term process, and setting realistic expectations (in terms of time and cost) are required.

3. How much manpower, time and financial resources can you commit to your US strategy?

4. Have you formulated a market entry strategy? For example, do you want to sell online, via a distributor, agent, partner, or do you need to set up a US entity?

5. What is your Unique Selling Proposition (USP) for the US market? Make sure that this is clear, concise, well-presented and accessible to your potential US customers.

6. Have you developed a compelling sales pitch and marketing materials, including a website, around your USP? Have they been developed with a US audience in mind? UKTI DC have successfully used a Quad Chart as a means of marketing UK companies to US government personnel.

7. Do you understand the legal and accounting issues associated with doing business in the United States? For example, think about whether your sales contracts are appropriate, whether your intellectual property is protected, whether different technical standards and data privacy rules exist for your product or service, and whether you are covered in the event of liability claims. Before taking any concrete steps in the United States, a consultation with a US attorney is usually advisable.

8. Does your company export to or do business in any other international markets? It is generally easier to begin a company's overseas exports to markets that are geographically closer and have more experience working with UK companies, such as Ireland and other EU countries, before tackling the United States.

9. Do you have the capacity to fully exploit opportunities? Can you build on any initial success and meet increased customer demand? US businesses will be open to working with a foreign partner but will expect you to meet their customer service standards, be present to support any issues, and may want accessibility to discuss other future opportunities. They do not want to work with foreign companies that are ’in it for the short term’.


11. Have you evaluated the logistics required to export in the United States? For example, are you prepared to invoice in US dollars, and have you determined how you will receive payments? How will you provide technical support? For physical products, have you identified customs duty rates and whether you will need a freight forwarder?
Market Overview

Market size

The baby product industry is a growing and changing market; companies are hastening to fulfill the needs of 4 million new-borns every year in the United States. Innovation, regulation standards, and marketing are the most challenging issues for companies introducing products to the market. In this digital age, people are more connected than ever before and are therefore more informed on what to adapt and what to avoid. Consumers can communicate more easily by reviewing and rating products online.

Fluctuating trends have influenced the baby product market, but the key considerations have remained the same:

Safety, Comfort, Ease, and Convenience.

The total U.S. spending on baby products (toys, disposable products, and durable goods) is estimated at $23 billion in 2013 and 27% of those sales take place online ($6.2 billion). The estimated cost of raising a child from birth through age 17 is evaluated as $235,900 (close to $14,000/year) and most parents expect to spend about $10,000 on the first year, according to BabyCenter, a leading parenting and pregnancy digital resource in the U.S. The Juvenile Products Manufacturers Association (JPMA) reported that the U.S. spending on manufactured juvenile products in 2012 rose to $2.97 billion from $2.72 billion in 2011.

First, consumers have increased their amount of online purchases; according to the recent study, Moms and Media 2013, mothers in the U.S. have about five devices connected to the Internet.

Second, according to U.S. Census Bureau data, the largest minority group in the U.S. is the Hispanic population, which is also the population with the highest number of children per household. UK Baby products manufacturers and US retailers need to consider this group as an important and growing target when marketing their products in the United States.

Social trends and regulations are significantly impacting the market and the manufacturing process. In this study, we will explore the market changes in depth and examine the impact of the Internet, the Hispanic population, and private label as a business opportunity.

Finally, private label is growing as a market opportunity - as in many other industries. We will divide this market in two main segments: Baby Disposable Products and Durable Goods.
Category Segmentation

Disposable Baby Products

According to Mintel report on Disposable Baby Products, total U.S. retail sales for the disposable baby products market are $7.5 billion, representing a 12% sales decline during the period 2008-2013.

The babycare supplies market, consisting of diapers, wipes and baby personal care (baby hair, skin, sun, toiletries, medicated baby care) is expected to increase by 8% in value terms at constant 2013 prices over the forecast period (2008-2013) and reach $3.1 billion by 2018. The leading companies include Procter & Gamble (Pampers brand), Kimberly-Clark (Huggies brand) and Johnson & Johnson. Procter & Gamble and Kimberly-Clark have a grip on 65% of the total retail baby care supplies sales according to Packages Facts Baby Product Market report.

Disposable diapers/training pants
Disposable diapers/training pants make up the largest segment in the disposable baby products market and account for 70% of the market. Segment sales have been flat.
P&G overtook Kimberly-Clark to be the top player in the Multi-outlet disposable diapers/training pants segment in 2013, with 41% segment share, Kimberly-Clark is the second largest company with 40% segment share.

Disposable wipes and towelettes
The sales gains made by disposable wipes (sales gains of +18% during 2008-2013) and baby personal care segment (+8% sales increase during 2008-2013) have kept the market from experiencing significant declines. Baby wipes and towelettes account for 18% of the market share. Kimberly-Clark accounts for the largest portion of the Multi-Outlet baby wipes and moist towelettes with 39% segment share. Kimberly-Clark is the second largest player and top company with 35% segment share. P&G accounts for 20% of segment sales.

Baby Personal Care
Baby personal care products are the smallest segment with 12% segment share. Johnson & Johnson (Johnson's and Aveeno brands) holds 57% of the baby personal care market.

According to Mintel report on Disposable Baby Products, most disposable baby products sales (74%) are taking place through mass merchandisers, supercenters, warehouse club stores, dollar stores, off-price retailers, baby goods specialty stores such as Babies “R” Us or BuyBuy Baby and non-store retailers. Sales in both supermarkets (accounting for 17% of category sales) and drug stores (encompassing 9% of disposable product sales) are declining, likely due to the limited selection of products and higher prices.

Durable Goods


Strollers are one of the highest selling baby products on the market today. Nearly four million strollers are sold annually and are typically one of the first items for which expectant parents register.

According to Statista, Dorel Juvenile Group, Graco, Munchkin Inc. and Playtex account for 50% of total baby care and safety accessory sales in the United States in 2013. The Dorel Juvenile Group, a Canadian company, is the leader in this industry with almost 20% of market share. In the retail environment their products are marketed under brand names such as Safety 1st, Cosco, Maxi-Cosi or Quinny.
Mass merchandisers and baby superstores see the highest incidence of purchase among baby durables items. These stores tend to have the largest selection and/or the lowest prices on baby-related items.

Durable products are often sold through a combination of sales agent + distributor. These organisations are well versed in the formal procurement processes of the major retailers. These products are typically only exhibited at product-focused shows like ABC Kids Expo.

**Trends:** UV Protection Product Accessories – Shades for Strollers, Convertible Strollers (transform from baby’s bassinet to big kid stroller seat, products that grow with your child), Retro-Style Prams.

**Toys & Games**

According to the Toy Industry Association, the domestic toy market reached $22.09 billion in 2013.

The Outdoor and Sport toys segment has the largest share of the toys and games market (19.9% market share), followed in turn by **Infant/Preschool toys (16.6% market share)**, Dolls (12.2% market share), Building Sets (9.1% market share) and Puzzles and Games (8.4% market share). Youth electronics has the smallest share but posted the highest average annual growth rate of 15.1% during the period 2011-2013. Other segments showing positive growth include Build Sets (+11%) and Arts and Crafts (+8.9%). Sales of the Vehicle toys sector shrank by 4%.

Infant/Preschool toys target children four years old and younger. Items in this segment range from mobiles, rattlers and toy teethers, bath toys, music instruments, talking toys, and village and scenery sets designed specifically for preschool age children. Mattel’s Fisher-Price and Hasbro’s Playskool products are the most well-known and best-selling products in this segment.
Licensed toys are a considerable and steady source of sales in the traditional toys and games industry. Environmentally-friendly toys such as fair-trade toys and eco-design toys may fill niche markets and may potentially occupy a position closer to the core of traditional toys.

The Toy Industry Association has published data showing that retro and vintage toys are growing in popularity since 2013. Toy manufacturers are now offering “nostalgic” toys.

<table>
<thead>
<tr>
<th>All dollars shown in Billions</th>
<th>ANNUAL 2012</th>
<th>ANNUAL 2013</th>
<th>ANNUAL 2012 TO ANNUAL 2013 % CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Traditional Toy Categories</td>
<td>$22.03B</td>
<td>$22.09B</td>
<td>0.00%</td>
</tr>
<tr>
<td>Action Figure/Accessories/Role Play</td>
<td>$1.39B</td>
<td>$1.41B</td>
<td>2%</td>
</tr>
<tr>
<td>Arts &amp; Crafts</td>
<td>$1.02B</td>
<td>$1.16B</td>
<td>14%</td>
</tr>
<tr>
<td>Building Sets</td>
<td>$2.00B</td>
<td>$2.00B</td>
<td>0%</td>
</tr>
<tr>
<td>Dolls</td>
<td>$2.70B</td>
<td>$2.70B</td>
<td>0%</td>
</tr>
<tr>
<td>Games/Puzzles</td>
<td>$1.80B</td>
<td>$1.86B</td>
<td>3%</td>
</tr>
<tr>
<td>Infant/Preschool</td>
<td>$3.83B</td>
<td>$3.62B</td>
<td>-6%</td>
</tr>
<tr>
<td>Youth Electronics</td>
<td>$429M</td>
<td>$565M</td>
<td>32%</td>
</tr>
<tr>
<td>Outdoor &amp; Sports Toys</td>
<td>$4.33B</td>
<td>$4.37B</td>
<td>1%</td>
</tr>
<tr>
<td>Plush</td>
<td>$1.26B</td>
<td>$1.39B</td>
<td>10%</td>
</tr>
<tr>
<td>Vehicles</td>
<td>$1.61B</td>
<td>$1.51B</td>
<td>-6%</td>
</tr>
<tr>
<td>All Other Toys</td>
<td>$1.66B</td>
<td>$1.51B</td>
<td>-9%</td>
</tr>
</tbody>
</table>

Source: Toy Industry Association

A large portion of the Toy, Doll and Game Manufacturing industry is covered by global players Hasbro and Mattel while the remainder of the industry is characterized by a large number of small and medium-sized companies. Because of the increasing number of production outsourcing for cheaper labour, smaller manufacturing facilities have taken an important market share of the domestic production of toys and dolls.

**Hasbro Inc.** is the second-largest US toy manufacturer by revenue, with a large portfolio of brands including traditional trading cards and board games, puzzles, action figures, plush toys and dolls, children's electronics and learning aides. Its market share reaches 13.4% ($220.4 million in revenue in 2014); in retail stores the brand’s names include Playskool, Transformers, and My Little Pony.

**Mattel Inc.** is the world's largest manufacturer and marketer of toy products. Mattel's domestic segment is divided into three categories: Mattel girls and boys brands, which include toys such as Barbie dolls and Hot Wheels; Fisher-Price brands, which include Little People, BabyGear, Power Wheels and Dora the Explorer; and American Girl brands, which include the My American Girl and Bitty Baby collections.
Melissa and Doug is one of the fastest growing companies, with revenues reaching an estimated $325 million in 2013 up from $100 million in 2008.

K’Nex Brands LP employs about 400 people and should reach $36 million in revenue from its US industry-specific operations in 2014, putting its estimated market share at 1.6%.

Little Tikes employs about 800 people at its only manufacturing facility in the US - in Hudson, Ohio. Little Tikes is an industry player that exemplifies the recent preference for reshoring toys, dolls and games manufacturing back to the US.

Toys & Games are mostly sold through sales agents and distributors. Soft toys, dolls, teddy bears, and home accessories are often sold through sales representatives. Those companies may exhibit at apparel/accessories shows, product shows, and/or toy shows. Hard toys, educational products, and games are often sold through distributors. They are primarily exhibited at toy shows and some products shows, but are less common at apparel/accessories shows.

Trends

Millennial Moms, Internet & Social Media

The Millennials generation represents approximately 25% of the U.S. population and possess an important buying power. Collectively, their spending adds up to more than $200 billion annually.

Social media marketing has a major influence on millennial moms’ buying. Toys are the top children’s product purchased by moms resulting from social media recommendations.

In 2014, BabyCenter conducted a survey to compare Millennial Moms’ (18-32 years old) habits and expectations versus those of Gen X Moms (33-44 years old). The graphs below show how Millennial Moms are more influenced by and active on social media and interactive applications. The internet is their second resource for information and advice; a number of these moms write their own blogs and turn to social media platforms to read and share their tips and experiences on their preferred brand’s website.

How often do you do the following activities on your mobile phone or tablet? (Monthly or more often) How often do you use the following for parenting-related information? (Weekly or more often)

Source: Babycenter.com

“The Internet has changed many aspects of life, including how we parent and shop for baby gear,” noted Michael Dwyer, Juvenile Products Manufacturers’ Association Executive Director. “Parents today are tech-savvy and utilizing online resources for all things baby, including safety tips, connecting with friends and family, and researching and establishing relationships with their favourite products and brands.” In this sense, they are more knowledgeable about certifications and safety standards, but also about different brands and the origin of a product.
Private label

The recession and subsequent recovery years have had a substantial impact on the disposable baby product market, especially in how parents shop for products, according to Mintel’s April 2013 “Disposable Baby Products—U.S.” report. In an effort to save money, especially on disposable items, parents have switched to private label disposable baby products (specifically diapers), and they are shopping at retailers that offer discounts and low prices. However, Kelton Research conducted a study called “Brand” New Mom of more than 1,900 moms, showing that more than half (52%) of moms are willing to buy store brand products for the household, yet just three in ten will buy store brand products for their babies. This tendency is even truer concerning infant formula; less than a quarter (23%) is open to buying a store brand for that product category. On the other hand, private label baby wipes grew more than 4 percent to almost $457 million with a 24% share, according to SymphonyIRI data for the 52 weeks ending Oct. 6, 2013.

Top Categories for Private Label Baby Products include diapers and baby formula, followed by baby accessories, moist towelettes, baby food, and baby needs.

![Private Label Baby Product Categories and Sales](image)

Natural and Organic Products

Informed and educated parents are becoming more health-oriented. They want the best for their children and show their concern by buying natural, “free-from” and organic products. Companies are offering more products with organic cottons, and safer designs are continuing to evolve.
Parents are increasingly buying organic baby products; according to Euromonitor sales of premium baby care in the United States increased 68% from 2005 to 2010, in comparison, sales of total baby care rose just 16% during the same period. This study also highlighted that Johnson & Johnson is the most popular skin care brand for babies in the country since they introduced an inexpensive five-product natural line in 2010.

Kwany Lui, the Marketing Director of Diapers.com, one of the largest online baby stores in the country, says, “The baby skin care category has grown more than 180 percent in the last three years, with most of the sales coming from the increasing number of high-end natural brands”.

In the food industry, the trend follows with 63% growth of organic baby food sales during 2001-2013. In fact a study from Mintel research shows that: 75% of parents of children younger than 3 think that all-natural ingredients/no additives or preservatives is an important attribute of baby food and drink products, and 46% of these parents think that organic is important.

Packaging and innovation in packaging is an important aspect of store brand products; the manufacturer should be able to offer an attractive packaging to reassure consumers but also help create a recognizable brand identity. Colours such as green, brown, and pink are highly utilized by brands that use organic materials.

Target Consumer: Hispanic Population

The latest document published by U.S. Census Bureau reported that the Hispanic population is the nation’s largest minority and one of the fastest growing, with 53 million of individuals. Among the Hispanic population, 63% are active Internet users (33.5 million), and are early adapters in technology. Their purchasing power is increasing and a majority of the population shops online. 28% of Internet-using Hispanics have more than 5 persons in the household compared with 24% of non-Hispanics. 65% of Internet-using Hispanics have children compared with 57% of non-Hispanics.

The growth of online interaction by Hispanic moms has had a big influence on the marketing efforts among Hispanics in the baby care industry. According to the report on Branding Opportunities in the Baby Care Industry With Hispanic Moms: “Latina Mom Bloggers is the go-to place for Hispanic online moms to learn new ways to leverage social media presence and partner with top brands for social media campaigns, product reviews, ambassador programs and advertising.”

Todobebe.com is an excellent resource for Hispanic mothers. The website provides new mothers with advice, material, and insight on how to raise their babies. Because of their high birth rate, Hispanic women represent a very strong market for baby care products across all categories. Manufacturers in the baby care industry need to invest in marketing for Hispanics if they are to take advantage of the high rate of Hispanic babies being born in the US and secure their place in these highly competitive categories.
Routes to Market

Distribution Framework

Major Distribution Channels

Baby goods can be found in a variety of retail channels: baby superstores, infant/child specialists, mass merchandisers, supermarkets, drugstores, department stores, and internet retailers are the foremost channels.

Baby Product Segmentation by Type of Retail Channel

In Store (durable goods only)

Online (all products)
Durable goods in store: Mobile baby carriers make up the largest product segment within the Durable Baby Goods Stores industry. The segment includes goods such as strollers, car seats and carriers, walkers and baby furniture such as highchairs, changing tables, beds and dressers. Ikea and Walmart have hurt baby specialty stores as more and more consumers go to stores to buy new baby cribs, beds and other pieces of furniture. However, the segment has maintained its market share despite the fact that many consumers also try to save money by shopping for bargains online and visiting second-hand stores.

Other items sold by industry retailers include blankets, bathing products and clothing. The share of revenue for these items has remained relatively stable for the past 5 years due to the products' diversity.

All products online: online product sales represent $5.6 billion dollar in 2013, growing at a rate of 14.5% from last year. Diapers account for the largest source of revenue for Online Baby Products. The main reasons for their predominance in the online retail market are that more and more families buy diapers online. Families appreciate the fast service, free shipping options, as well as the affordability and diversity of the products available online. Baby clothing and footwear items account for the second largest share of industry revenue. These two segments have grown and now make up 26.5% of total sales. Toys account for 10.5% of total revenue in this segment. Demand for toys, dolls and games are influenced primarily by economic conditions, such as consumer confidence and the level of disposable income. The share of revenue generated by online toy sales has experienced sluggish growth over the past five years.

Industry operators market a variety of other baby products online. Car seats, strollers and carriers account for about 6.2% of total sales for online baby products. Baby furniture sales, which include items such as highchairs and changing tables, generate an estimated 4.8% of industry revenue while baby formula and food products (e.g. pureed fruits and vegetables) account for an additional 3.7%. Online retailers sell other items such as blankets, baby wipes, toiletries, medical equipment, bibs and bathing products. The share of revenue from these products has remained relatively stable over the past five years due to their diversity.

Major Companies - Market Share Segmentation

In Store (durable goods only)

<table>
<thead>
<tr>
<th></th>
<th>17%</th>
<th>5%</th>
<th>3%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Babies R Us</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>buybuy Baby Inc.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pottery Barn Kids inc.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: IbisWorld

Online (all products)

<table>
<thead>
<tr>
<th></th>
<th>16%</th>
<th>13%</th>
<th>4%</th>
<th>3%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amazon.com</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toys R Us Inc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target Corp.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Children's Place</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

ToysRUs.com comes as a second player after Amazon.com when it comes to online shopping.

Baby Superstores and Independent Specialty Retailers

The low concentration of market share reflects the fragmented industry, which, for the most part, has a large number of small participants. The number of firms has slowly declined (0.1%) in 2013 to 4,211 firms in the U.S. One-half of those firms are non-employers, meaning they are owner-operated and do not hire extra employees. More than two-thirds of the establishments have less than 10 employees due to the small scope of their operations. Market share concentration is projected to remain low, since e-commerce and department stores offering baby goods are becoming increasingly successful.
<table>
<thead>
<tr>
<th></th>
<th>Toys &quot;R&quot; Us</th>
<th>Buy Buy Baby</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014 Revenues</td>
<td>$12.54B</td>
<td>$549.5M</td>
</tr>
<tr>
<td>Number of stores total</td>
<td>1,577</td>
<td></td>
</tr>
<tr>
<td>Number of stores in the U.S</td>
<td>873</td>
<td>83 store in 29 States</td>
</tr>
<tr>
<td>Subsidiaries</td>
<td>Babies “R” Us</td>
<td>BuyBuy BABY, Koala Baby Mix</td>
</tr>
<tr>
<td>Private Product Labels</td>
<td>You &amp; Me, Pavillion, Animal Alley, Bruin, Just Like Home, Fast Lane, Edu Science, Stats, Dream Dazzlers</td>
<td></td>
</tr>
</tbody>
</table>

**Buy Buy Baby** is part of Bed Bath & Beyond’s family of brands. The stores range from 28,000-60,000 square feet, and offer thousands of baby durables. It has various departments organized by product category, a separate area for gift registry and central checkouts. Items include nursery furniture and children’s furniture, infant and convertible car seats, strollers, playards, swings, bouncers and more.

The most popular baby durables brands sold at Buy Buy Baby include Baby Jogger, B.O.B., Britax, Bugaboo, Chicco, Evenflo, Graco, Maclaren, Peg Perego, Phil & Teds, and Uppa Baby.

**Babies “R” Us** is a division of Toys “R” Us, a leading retailer of toys and juvenile products. Babies “R” Us stores offer products for new-borns and infants such as cribs, furniture, car seats, strollers, beddings, diapers, formula, and clothing. There are about 250 stores all over the U.S. BabiesRUs.com was launched in June 2000.

**Baby Superstores Retail Model**

- One-stop shopping
- Dedicated staff and extensive product selection
- Baby registries
- Location (suburban locales, often not in urban centers)

**Procurement Process**

It can be challenging to convince a major company such as Toys “R” Us to carry a new line of product. They are approached by hundreds of manufacturers monthly, and they apply their distinct selection process. The industry is fairly amenable to new manufacturers, with a well-attended trade show, several key trade magazines, and an established network of manufacturers’ representatives. To work with an independent specialist retailer, manufacturers must have a distribution structure in the U.S. Independent retailers generally do not work directly with foreign manufacturers; the product needs to be stored locally and accessible to the U.S. retailer. Companies like Toys R Us can work directly with manufacturers if the volume of imported products is significant. To be considered as a new vendor, manufacturers must register online (on the desired retailer’s website) and follow up with the correct category manager.
Mass Merchandisers

Mass merchandisers are gaining market share at the expense of specialty retailers in recent years. Mass merchandisers benefit from economies of scale; they are capable of purchasing a wide variety of merchandise and can often procure goods at discounted prices. The savings is passed on to the consumer, while the merchandiser’s product margins remain balanced. Certain key retailers are taking note and implementing similar strategies.

<table>
<thead>
<tr>
<th></th>
<th>Walmart</th>
<th>Target</th>
<th>Kmart</th>
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<tbody>
<tr>
<td><strong>2014 Revenues</strong></td>
<td>$476 B</td>
<td>$72.42 B</td>
<td>$36.19 B</td>
</tr>
<tr>
<td>Number of stores total</td>
<td>10,773</td>
<td>1,917</td>
<td>2,548</td>
</tr>
<tr>
<td>Number of stores in the U.S</td>
<td>4,625</td>
<td>1,793</td>
<td>2,073</td>
</tr>
<tr>
<td><strong>Subsidiaries</strong></td>
<td>ASDA, Neighborhood Markets, SAM’S CLUB, Supercenters, Wal-Mart International Division, Wal-Mart Stores</td>
<td>Kmart Corporation; Sears Home Improvement; Products, Inc; Sears Outlet Stores, LLC; Sears, Roebuck and Co.</td>
<td>Sears, Kenmore, Craftsman, Lands’ End, Roebucks, Thom McAn, Weatherbeater, Simply Love, Protron, Image Essentials, Little Ones, Essential Home...</td>
</tr>
<tr>
<td><strong>Private label products</strong></td>
<td>30 Brands: Mainstays Marketside, No Boundaries, Oak Leaf, Spring Valley Starter...</td>
<td>Archer Farms, Cherokee, Choxie, Furio, Honors, In Due Time, Market Pantry, Merona, Nick &amp; Nora, Playwonder, Utility, Xhilaration, Just One You, Circo</td>
<td>Sears, Kenmore, Craftsman, Lands’ End, Roebucks, Thom McAn, Weatherbeater, Simply Love, Protron, Image Essentials, Little Ones, Essential Home...</td>
</tr>
</tbody>
</table>

**Target:** first store opened in 1962. It is a leading mass merchandiser with approximately 1790 locations (including 250 SuperTarget stores). It has a “cheap-chic” positioning and offers designer exclusive items in apparel, accessories and home décor. Target offers “fashionable” baby products. Brands sold at Target include 4 Moms, Baby Bjorn, Britax, BOB, Chicco, Circo, Ergobaby, Fisher-Price, Graco, Medela, Munchkin, Summer Infant and Orbit Baby. Just One You by Carter’s and Circo are Target exclusive baby durables brands. Target’s website features buying guides for baby durables items such as car seats, strollers, infant feeding, nursery, baby monitors and baby carriers.

**Walmart** was founded in 1962. It is the largest retailer in the world. Walmart is known for its focus on price and affordability. Walmart has a variety of formats; the most common being its mass merchandise stores and supercenters, but it also operates stores under the Neighborhood Markets, Walmart Express, and Sam’s Club banners.


**Kmart** is the third discount retailer. It is a wholly owned subsidiary of Sears Holdings Corporation and accounts for more than a third of its sales. Kmart operates 1200 stores (including 25 supercenters) in the US. Kmart sells a wide range of baby durables in-store and online. Brands sold at Kmart include Safety 1ST, Dream on Me, Cosco, Fisher-Price, Evenflo, Benbat, Tadpoles, Bright Starts and Phil & Teds.
Retail model

- One-stop shopping for household and personal needs
- Low prices
- Wide selection of products across multiple categories, but limited selection within categories
- Do not offer specialty staff/high level of customer service

Infant/Child specialists

<table>
<thead>
<tr>
<th>Land of Nod</th>
<th>Pottery Barn Kids</th>
<th>Giggle</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2014 Revenues</strong></td>
<td><strong>Number of stores in the U.S</strong></td>
<td><strong>Number of stores in the U.S</strong></td>
</tr>
<tr>
<td>$20-40M (est.)</td>
<td>85</td>
<td>85</td>
</tr>
<tr>
<td>$597,628M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$10-20M (est.)</td>
<td></td>
<td>14</td>
</tr>
</tbody>
</table>

**Land of Nod** is part of the Crate and Barrel Company, a nationwide furniture and home furnishings retailer. It is a specialist furniture retailer focusing on infant and children's furniture and accessories. It operates 5 stores located in California, Illinois and Washington as well as an e-commerce website. The Land of Nod cribs are all made in America by a manufacturer that has been making cribs for 35 years. Most of the products are modern and contemporary in design. Categories sold at Land of Nod include storage, bedding, furniture, gear, room décor, toys and gifts.

**Pottery Barn Kids**
Pottery barn Kids provides furniture and furnishings for babies and kids through its stores, website and catalogs. It is part of Williams-Sonoma and has 85 stores in the U.S.

**Giggle**
Giggle is a baby specialist retailer that primarily offers premium brands and products for parents and parents-to-be. It operates 14 stores and an e-commerce site. It features products in a variety of categories including nursery, gear, bath and potty, toys and feeding. Giggle typically offers higher end items, but it entered a partnership with JCPenney to sell various Giggle-designed items in more than 500 JCPenney stores in 2013.

Retail Model

- Specialization in infant and child products, extensive product selection
- Higher-end compared to other channels such as baby superstores and mass merchandisers
- High level of customer service
- Option for customization of certain products
- Unique and differentiated products

Internet

Online shopping is favoured for convenience of shopping anywhere at any time. The delivery of large items appeals to busy parents.

**Amazon.com**
Amazon is the most important actor in online sales with 16% of market share. Baby product is a growing part of its business; in fact, they are launching a line of diapers and baby wipes that are available exclusively to Prime subscribers. Amazon is taking advantage of the growing number of connected parents, their concern about giving the healthiest product to their babies, and suiting their lifestyle with a simple delivery process.
Diapers.com was founded by two dads. Initially offering only disposable baby products and formula, the site added products for all baby needs including baby durables such as furniture, mobility, and daytime care/wellness products. Brands sold on Diapers.com include Britax, Graco, Chico, ErgoBaby, Maxi-Cosi, Stokke, Quinny and Fisher-Price.

Baby Depot is part of the Burlington Coat Factory and offers products through its website: www.babydepot.com. It offers a wide selection of baby durables as well as maternity clothing. Categories sold include activity products, travel gear, nursery items, feeding and bath time products, health and safety products, clothing, and toys. It offers name brand items at low prices. Popular brands sold at Baby Depot include Baby Trend, Evenflo, Cosco, Bright Starts, Combi, Summer Infant, and Fisher-Price.

Supermarkets

The leading baby product lines for Supermarkets include baby bath products, baby ointments, and baby bottles and nipples. Other baby products sold in Supermarkets include: baby pacifiers/teethers and bottle/nipple brushes, baby powder, baby accessories, baby lotions, baby oil, nursing accessories, baby bibs and burp clothes.

Supermarket Sales of Baby Care Products in the United States in 2012, by category (in millions USD)

<table>
<thead>
<tr>
<th>Product Category</th>
<th>Sales (in millions USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baby bath products</td>
<td>20.0</td>
</tr>
<tr>
<td>Baby ointments</td>
<td>12.0</td>
</tr>
<tr>
<td>Baby bottles and nipples</td>
<td>2.0</td>
</tr>
<tr>
<td>Baby pacifiers/teethers and bottle/nipple brushes</td>
<td>3.0</td>
</tr>
<tr>
<td>Baby powder</td>
<td>2.0</td>
</tr>
<tr>
<td>Baby accessories</td>
<td>2.0</td>
</tr>
<tr>
<td>Baby lotions</td>
<td>2.0</td>
</tr>
<tr>
<td>Baby oil</td>
<td>2.0</td>
</tr>
<tr>
<td>Nursing accessories</td>
<td>2.0</td>
</tr>
<tr>
<td>Baby bibs and burp clothes</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Source: Statista

Department Stores

Examples: Macy’s, Sears, Kohl’s, JC Penney Co. Inc., TJ Maxx/Elle’s, Bloomingdales, Nordstrom, Saks 5th avenue, Bergdorf Goodman, Barneys

Procurement process: This includes contacting the buyer in charge of your product category. Department stores such as Macy’s have buying offices in London. Distributors and sales agencies have privileged connections with key buyers.
Key Considerations

There are a couple of necessary preparations to make before contacting a distributor, manufacturer’s representative and/or retailer:

- Manufacturers should be able to provide a whole presentation of the company, including product range and a price list in USD. Giving references is a key point; it shows the company’s ability to respond to retailers’ requirements in terms of quality, logistics and responsiveness.
- Certification is extremely important in this industry. Manufacturers should contact a local certified laboratory.
- Depending on the product category, the portfolio is usually revised at least once a year, but often twice a year.
- Timeframe can range anywhere from 6 to 10 months before the product is available in stores.
- Marketing efforts are a key aspect of selling in the U.S., and are crucial to the negotiation process with a potential partner. Manufacturers should present some marketing support, such as website, blogs, internet reviews, brochures, videos…

Advertising
The marketing and promotional budget is higher in the US than in Europe, representing at least 15% of the market value of the product. Simple and strategic actions, such as connecting with bloggers, opinion leaders, realizing a short a commercial video on YouTube, or finding brand ambassadors can help spread the word about a new product in the United States.

Logistics
For a foreign manufacturer, logistics is an important aspect of new market entry. American retailers expect to have products available on the ground; they do not want to deal with importation and warehousing unless large volumes are involved. For new vendors, it is advisable to contact logistics companies to have a better idea of delivery time frame and cost. “Drop shipping” and “direct shipping” are two different shipping strategies that retailers might consider. With drop shipping, a stock of products is at the disposal of retailers in a public warehouse; with direct shipping, products are shipped directly from the country of manufacture to the retailer’s distribution center.

Pricing
When building the USD price of a product, manufacturers should take into account the different layers of the distribution process. Importers, distributors, and retailers each take a different margin depending on the product category, which needs to be included in the final price for the consumer. Importers’ margins are typically around 10% to 15%, while distributors and retailers are around 30% to 40%.

Customs duty rates depend on the product’s category; therefore it is important to know your products classification. Refer to the Harmonized Tariff Schedule of the United States on the US International trade commission website: http://hts.usitc.gov/

Building a product’s price for internet sales is a different process. Companies give manufacturers the option of delivering the product themselves, or through the company-provided service. Cost varies from one company to another; it costs $3.92 to sell a $10.00 item on Amazon, and $2.72 on EBay.
Standards and Regulations

There is an increasing number of juvenile products that are being regulated by the federal government. To be able to sell in the US, manufacturers of baby products must meet the following standards and laws: ASTM Standard, Federal Laws, State Laws, and Retailer Requirements. The following information has been taken from the official website of: CPSC (http://www.cpsc.gov/) and ASTM (http://www.astm.org/):

General information on federal requirements for most product types can be found by searching the product type at www.cpsc.gov. Feeding products (bottles, sippy cups, etc.) are regulated by the FDA (www.fda.gov) and all car seats/car seat restraint products are federally regulated by the National Highway Transportation Safety Administration (www.nhtsa.gov).

Federal law requires that every juvenile product be tested by a third party, CPSC-accepted laboratory in order to have an objective, unbiased laboratory ensure that the product is properly tested and compliant with federal juvenile product safety requirements. This link gives access to the list of accepted testing laboratories (more than 400 laboratories worldwide). Each CPSC-accepted laboratory is authorized by CPSC to test each juvenile product for certain requirements. This link gives access to the rules requiring third-party testing and a Children’s Product Certificate.

Manufacturers and importers of juvenile products must certify, in a written Children’s Product Certificate (CPC) based on test results from a CPSC-accepted laboratory, that their juvenile products comply with applicable children's product safety rules.

The testing is done to voluntary standards that are developed and published by ASTM International (The American Society for Testing and Materials). Each standard has requirements that are specific to the individual product. Currently there are 17 standards covering the following products:

1. Bath seats
2. Carriages and strollers
3. Full size cribs
4. Non-full size cribs
5. Gates and enclosures
6. High chairs
7. Portable hook-on chairs
8. Play yards
9. Stationary activity centers
10. Infant swings
11. Toddler beds
12. Baby walkers
13. Bassinets/cradles
14. Infant bouncer seats
15. Infant bedding
16. Portable bed rails
17. Hand held infant carriers

Source: JPMA
The Juvenile Products Manufacturers Association (JPMA) offers a certification program for product compliance in the US. The program ensures that all the federal laws are met, as well as the voluntary standard, state laws, and other protocols that the major retailers have in common.

For more information on US regulations regarding juvenile products and the JPMA certification program, please contact: Lisa R. Trofe
Certification Program Director - Juvenile Products Manufacturers Association (JPMA)
1120 Route 73, Suite 200
Mt. Laurel, NJ 08054
Phone: 856-380-6896
ltrofe@jpma.org

**Mandatory and Voluntary Standards**

The ASTM standards are developed for juvenile products based on hazard data, which provides each of the subcommittee's insight into how the products are used by consumers and, in some cases, misused. Some products even have comprehensive federal mandatory standards that all manufacturers of those specific products must meet in order for the products to be sold.

For example, all children’s car seats must meet the federal standard FMVSS 213 administered by the National Highway Traffic Safety Administration prior to being sold. This standard requires comprehensive dynamic testing intended to simulate crash situations and ensure the reasonable safety of the child occupant.

Other mandatory standards are generic, covering all products intended for use by children. For example, small parts that may be hazards to children under three years of age are regulated (Section 16 Code of Federal Regulations 1501, et seq.) by the U. S. Consumer Product Safety Commission which administers regulations under the Federal Hazardous Substances Act and the Consumer Product Safety Act. The CPSC also administers regulations that restrict the level of lead in paint and other similar surface coatings (16 C.F.R. 1303). The CPSC incorporates simulated use and abuse performance tests in their regulations.

Finally, they administer mandatory regulations for certain aspects of full-size baby cribs (16 C.F.R. 1508), non-full-size baby cribs (16 C.F.R. 1509), rattles (16 C.F.R. 1510), pacifiers (16 C.F.R. 1511), or banning certain types of baby bouncers, baby walkers and infant cushions (16 C.F.R. 1500.18).

For baby products (high chairs, cribs, etc.), UK manufacturers may want to consider getting JPMA Certified, which conforms to ASTM Safety Standards. [www.jpma.org/certified](http://www.jpma.org/certified).

**What Is Hazard Data?**

The CPSC is an active participant in the development of standards covering children’s products. Through complaints and the CPSC’s National Emergency Injury Surveillance System (NEISS), data is provided to each of the relevant ASTM subcommittees on patterns of injuries involving specific products. These patterns of injuries assist the subcommittees in determining what direction to take in the development of a new standard, or a revision to a current standard.

As an example, until recently, the standard for baby walkers included specific test requirements for tipping, dynamic and static load testing and occupant retention. The data provided by the CSPC from the NEISS system indicated there was a pattern of injuries surrounding children falling down stairs in their walkers. The subcommittee used the data to develop specific performance requirements to prevent walkers from falling down stairs. Therefore they revised the standard ASTM F 977, Consumer Safety Specification for Infant Walkers.
Additional Resources

Trade Shows

Key Events in the US in 2014 and 2015

This is a guide to some key US market events in the baby goods industry; it is not an exhaustive list.

✓UKTI = denotes events that are likely to be UKTI-sponsored or to include UKTI-sponsored activity.

18 - 21 October 2015
ABC Kids Expo
Location: Las Vegas, Nevada
Juvenile Product
In 2013 the tradeshow ABC Kids Expo - Trade Show for the Juvenile Products Industry served as a presentation platform for 1050 exhibitors. 7258 visitors came to ABC Kids Expo to inform themselves on the latest trends and innovations in the following main exhibit sectors: Apparel, layette - gifts, toys, room décor - baby gear - furniture, bedding - nursing, feeding, baby care. Pavilions: first timers, modern child, naturally kids, maternity square.
Web: http://theabcshow.com/
Contact: Jessica Cash

February 14 – 17, 2015
American International Toy Fair
Location: New York, New York
Toys & Games
In 2013 1066 exhibitors seized the trade show American International TOY FAIR as a presentation platform for their products and services. 14481 visitors attended American International TOY FAIR to inform themselves on innovations and trends in their business. The main exhibit sectors of the trade show American International TOY FAIR are: Toys, games, dolls, costumes, junior sporting goods, holiday decorations and accessories, juvenile furniture, books, video, costumes, plush.
Web: http://www.toyfairny.com/
Contact: Jackson Wong

March 9, 2015
Playtime New York
Location: New York, New York
Juvenile Product
2015 is the 10th edition of Playtime New York. The trade show Playtime New York - Children’s Universe, Junior and Maternity Wear - International Trade Show is held in New York, USA. The frequency of the trade show is twice a year. In 2013 Playtime New York was the presentation platform for 103 exhibitors.

1662 visitors seized the opportunity to attend the trade show and inform themselves on news and trends in the following business sectors: Apparel, Clothing, Fashion, Ready-to-Wear, Children’s Articles.
Web: http://www.playtimenewyork.com/
Contact: Lucile Giraud

31 January – 4 February 2015
New York International Gift Fair, NY NOW ✓UKTI
Location: New York, New York
Gifts & Decor
This show happens twice a year in January and August. NY NOW draws 35,000 attendees from all 50 states and 80+ countries. 2,800 exhibiting companies showcase product lines across the home, lifestyle, handmade and gift spectrum.
Web: http://www.nynow.com/
Contact: Melissa Engongo

March 27 – 28 2014
Dallas PBJ: Play Baby Juvenile Trade Show
Location: Dallas, Texas
PBJ: Play. Baby. Juvenile. is an innovative showcase of the latest baby and juvenile gift & gadgets supported by year-round marketing promotion. This support includes media partnerships with industry-leading online publications aimed to help participants reach additional retailers and consumers after market.
Web: http://www.dallasmarketcenter.com/
Contact: Patricia Bayley

July 7-14, 2015
Atlanta International Gift & Home Furnishings Market
Location: Atlanta, GA
Gifts & Décor
The Atlanta International Gift & Home Furnishings Market features 2,500 temporary exhibiting companies and draws buyers from every U.S. state and more than 90 countries.
Web: http://www.americasmart.com/
Contact: Linda Upchurch
Trade Associations

Juvenile Products Manufacturers Association; www.jpma.org
Toy Industry Association; www.toyassociation.org
The Baby Products Association; www.b-p-a.org/
American Specialty Toy Retailing Association; www.astratoy.org

Trade Publications

Baby & Children’s Product News; www.babyandchildrensproductnews.com
Earnshaw’s; www.earnshaws.com
Giggle Guide; www.thegiggleguide.com
Kidsworld; www.issuu.com/kidsworldmagazine
Parents; www.parents.com
Babiekins Magazine; www.babiekinsmag.com
Celebrity Baby Trends; www.celebritybabytrends.com
Kids Today; www.kidstodayonline.com
Baby & Kids Magazine; www.babyandkidsmagazine.com
Gifts & Decorative Accessories Magazine; www.giftsanddec.com
Baby Maternity Retailer; www.babymaternityretailer.com
Milk Magazine; www.milkmagazine.net
Pregnancy & New Born; www.pnmag.com/
Mother, Baby & Child; www.motherbabychild.com/
Baby Shop Magazine; www.babyshopmagazine.com
Playthings; www.giftsanddec.com/channel/Playthings.php
Where to Learn More

### UKTI and Social Media Links

<table>
<thead>
<tr>
<th>Links to the Websites, Blog and Social Media</th>
<th><a href="http://www.gov.uk/ukti">www.gov.uk/ukti</a></th>
<th>Business Opportunities</th>
<th>UKTI Events</th>
<th>UKTI blog</th>
<th>UKTI Twitter</th>
<th>UKTI LinkedIn</th>
<th>Business is GREAT Facebook</th>
<th>UKTI YouTube</th>
<th>UKTI Flickr</th>
</tr>
</thead>
</table>

### Links to general US publications (topics include immigration, tax, establishing a presence, etc.) on GOV.UK

<table>
<thead>
<tr>
<th>Immigration Guide</th>
<th>US Immigration Options for British Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exporting to the USA</td>
<td>Exporting to the USA</td>
</tr>
<tr>
<td>Establishing a US Presence</td>
<td>Establishing a Business Presence in the USA</td>
</tr>
<tr>
<td>Marketing in the USA</td>
<td>Marketing in the USA</td>
</tr>
<tr>
<td>Intellectual Property</td>
<td>Protecting your Intellectual Property in the US</td>
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</table>

### UKTI Webinar

<table>
<thead>
<tr>
<th>Doing Business with In-Market Representatives in the US</th>
<th>Watch Webinar Recording</th>
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<tbody>
<tr>
<td>US Cross-Border Logistics and Warehousing</td>
<td>Watch webinar recording</td>
</tr>
<tr>
<td>Selling Successfully through e-Commerce</td>
<td>Watch Webinar Recording</td>
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### Key industry links

<table>
<thead>
<tr>
<th>Juvenile Products Manufacturers Association</th>
<th>Link</th>
</tr>
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<tbody>
<tr>
<td>BabyCenter</td>
<td>Link</td>
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<tr>
<td>Baby Shop Magazine</td>
<td>Link</td>
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<tr>
<td>Toy Safety</td>
<td>Link</td>
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<tr>
<td>ABC Kids Expo</td>
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