

Eccentric Bargain Store Chain Takes Advantage of Toys R Us Bankruptcy

By Michael Soon Fah, J.D. Candidate 2019 | January 31, 2019

After closing the last of its U.S. stores in June 2018, Toys R Us [signed off](#) with a sincere message on its website to “Play on!” While the message was probably meant to thank the fallen retail giant’s millions of loyal customers, companies like Ollie’s Bargain Outlet may have taken it as business advice.

Ollie’s is a discount store that specializes in selling household name items at extremely low prices. Despite its wacky cartoon mascot and advertisements that poke fun at itself, the company has experienced serious growth. Since its IPO in July 2015 at \$16/share, Ollie’s has continued to surpass its quarterly growth projections. Ollie’s stock price has more than quadrupled to \$78/share, and the company has expanded to over 300 “semi-lovely” locations.

Much of Ollie’s success comes from its business strategy of purchasing mass amounts of brand name items in liquidation sales. Ollie’s passes most of that discount to its customers. As a result, Ollie’s can sell many items at prices below even Amazon listings.

Ollie’s CEO Mark Butler admitted that the recent surge in large retailer bankruptcies “[created a perfect storm](#)” for his company. Toys R Us opted to completely liquidate rather than continue to pursue reorganization. The company’s main suppliers, Hasbro and Mattel, were therefore left with tons of inventory and no buyers. Ollie’s happily stepped in and spent \$70 million to purchase the overstock at a significant discount.

Ollie’s also strategically takes over the vacant stores of bankrupt companies. Ollie’s [purchased 12 former Toys R Us stores](#) for just \$42 million in a bankruptcy auction. The move may boost Ollie’s brand recognition and facilitate the company’s expansion into states like Texas.

Ollie’s is looking forward to taking advantage of the closings of other retail giants like Sears. While the dominance of online retailers has contributed to the downfall of businesses like Toys R Us, it has provided fertile ground for companies like Ollie’s to thrive. Perhaps business models like Ollie’s will be all that remains of the brick and mortar store in the next few decades.

