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FAO Schwarz Seeks Next 'Big' Thing

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Not everyone can afford a \$50,000 kid-size Ferrari or a 7-foot-tall, stuffed polar bear from FAO Schwarz. But once a month anyone can drop by the retailer's Fifth Avenue store and pitch an idea for the next big toy.

In open auditions with FAO executives, amateur toy inventors show up on the second Thursday of each month to compete for shelf space with limited-edition Barbie dolls and Lionel trains. Among the recent contenders: a board game in which players squirt each other with water pistols, a quilt that plays music and lights up, and a collection of misfit plush animals, like a tiger without stripes.

Then there's the Ellawishhh, a stuffed animal that's a cross between an elephant and a genie's magic lamp. Children can tuck their written wishes into the back of the toy. "Think of it as a piggy bank for your dreams," its inventor, 27-year-old New York law student Kemal Matthew Rana, told the FAO judges in July.

If this is "American Idol" for the toy industry, somebody has to win. In this case, it's a New York woman named Amy Meyers who came up with a picture frame that plays video clips, digital photographs and MP3 music files by inserting a digital memory card into the frame. A former consultant to electronics companies, Ms. Meyers, 32, quit her job, took money out of her 401(k) and began working on Baby's First Storybook, as she calls them. She has been working with FAO since she piqued the judges' interest at her March audition. Her product, manufactured under contract in Taiwan and New York, is in the FAO Schwarz holiday catalog just published and on the company's Web site, priced at \$379.

"I never would have thought this would happen with FAO Schwarz," Ms. Meyers said. "To me, they're the toy giant."

Actually, the auditions are happening because FAO isn't the giant it used

to be. The toy store's founder, Frederick August Otto Schwarz, a German immigrant, opened his New York store in 1870, offering premium toys from Switzerland, Paris and Germany. By 2002, the business had strayed from its roots, slashing prices and trying to compete with the likes of Toys "R" Us in selling mass-market toys. FAO Schwarz, which had changed ownership a half dozen times over the years, was bludgeoned into bankruptcy proceedings in 2003 by a price war with Wal-Mart, Target and other retailers all selling pretty much the same stuff.

In 2004, FAO's retail stores, catalog and Web site were bought by a division of New York hedge fund D.E. Shaw & Co., which soon thereafter closed all but two of FAO's 15 branches. The remaining stores, in Las Vegas and Manhattan, shut down for six months in 2004, then rushed to reopen just days before Thanksgiving and the Christmas shopping season.

The new iteration of FAO Schwarz aims for an old goal: exclusive specialty toys that consumers can't find everywhere else. So in a room normally reserved for children's birthday parties, FAO President David Niggli, plays host to walk-up auditions for about five hours each month, hunting for the next must-have toy. The populist approach has attracted a long line of moonlighting inventors eager to win shelf space in the store at Fifth Avenue and 58th Street where Tom Hanks, playing a kid in a man's body, danced across a giant keyboard in the 1988 movie "Big."

Mr. Niggli started at FAO 18 years ago as a doll buyer, working with Ruth Handler, the co-founder of Mattel and creator of the Barbie doll. Since the first audition in March, Mr. Niggli and three toy buyers acting as judges have plucked two products from obscurity: Ms. Meyers's frame, and a \$300 aluminum sled with mesh seating and its own tow line, pitched by Holly Creeks, a Vermont woman who used to do research and development for a medical-equipment company. Now she helps run CherryMax Sleds, which designs the toys.

"Frankly, from my end I didn't know what to think or whether anyone would show up," said Mr. Niggli, 45, sipping a peanut butter and chocolate milkshake at the ice-cream parlor at FAO Schwarz here in Manhattan. "These people weren't at trade shows." While some professional pitchmen have made their way to the auditions, FAO says most of the 70 or so dreamers it has seen are rookies.

That describes Carole Holloway, 37, a former chef who lives in West Palm Beach, Fla. She has spent the past two years developing the Original Player Doggz, a line of stuffed dogs dressed in athletic workout gear -- a Rottweiler in gray sweat shorts and a green muscle shirt, for example.

Ms. Holloway lined up a manufacturer but had yet to approach retailers. Perusing FAO's Web site this summer, she read about the open auditions and went into overdrive. She borrowed money from her mother for a plane ticket, threw together a homemade brochure explaining her concept and asked her manufacturer to rush two prototypes into production.



On a July morning, Ms. Holloway flew in and appeared for her audition, passing around a sketchbook and a pair of foot-long plush dolls, including a pit bull with a gold tooth. Ms. Holloway read softly from her brochure, explaining that her dogs are aimed at an unexploited toy niche: urban men who don't normally buy stuffed animals.

It was a short moment in the spotlight. The judges jotted down a few notes, but nobody asked a single question. Ms. Holloway gathered her things, then burst into sobs as she thanked the panel for the opportunity.

"You're gonna scare everyone out there if you go out there like that," said Chris Sullivan, one of the judges and the company's boys' toys buyer, gently urging Ms. Holloway to catch her breath before leaving the room. "I'll dry up, I'll dry up," Ms. Holloway told him. Ms. Holloway later said her tears had had more to do with awe than with disappointment: "I was at Schwarz!" she said. Ms. Holloway lived in Brooklyn as a child. "My parents couldn't afford Schwarz! We would go by there for the window displays and that was about it."

While FAO says it is developing, at least in a preliminary way, about 20 of the pitches that have been made so far, Ms. Holloway didn't make the cut. She isn't giving up, though. She plans to attend the American International Toy Fair in New York next year where, for the first time, there will be a section for urban toys.

Steve Hurd of Conway, Ark., was first up at the auditions that day, seeking attention for his 145-piece toy cathedral, made of maple blocks. Mr. Hurd, 43, says he designed the toy about 15 years ago. He had a woodworker friend make the first set, for \$400, and then ordered 100 more from a Chinese factory, selling a few sets himself for \$95. Otherwise, the Cathedral Blocks have been rejected by everyone from regional toy chains to the Smithsonian.

At FAO, however, he enthralled the judges from the start. They examined the wood blocks, complimenting Mr. Hurd on the finish. When Mr. Niggli asked how long it takes to assemble a cathedral from the blocks, Mr. Hurd replied: "A while, especially if my hands are shaking the way they are now."

On Aug. 5, Mr. Hurd got an email that made him feel both numb and excited: FAO Schwarz wanted to take the next step, which means talks with FAO's buyer about Mr. Hurd's desire to manufacture the blocks in the U.S. Mr. Hurd says he shared the news with his 8-year-old son, Christian, who ran around the house, screaming. Then he called his mother.

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