CBI MARKET SURVEY

THE TOYS AND GAMES MARKET IN BULGARIA

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Introduction

This CBI market survey gives exporters in developing countries information on some main developments in the toys and games market in Bulgaria. The information is complementary to the information provided in the CBI market survey 'The toys and games market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from http://www.cbi.eu/marketinfo.

1 Market description: consumption and production

Consumption

Consumption of traditional toys and games in 2005 was € 32 million at retail prices as estimated by industry sources. There was an average annual increase of 32.3% between 2001 and 2005. Bulgaria is one of the small EU markets with a share of 0.2%.

Per capita spending is expected to increase strongly as a result of the very high economic growth Bulgaria is experiencing. This will counter the negative effect of the declining number of kids and ensure market growth during the next five years.

In 2005, the average expenditure on toys and games per child in the age group of 0-14 years was € 29. This is lower than the EU average of € 168.

The main trends in the EU market for toys and games, like the popularity of learning toys, toys with electronics and licensed toys, also apply to Bulgaria, though the expensive branded products have a much lower market share. Cheaper imitations mimicking the above trends are highly popular. Refer to the CBI survey covering the EU market for a detailed description of trends in the traditional toy market.

Based on Prodcom data, figures for the product categories were as follows: other toys (55% share in 2005, +33% average annual change between 2001 and 2005); outdoor (24%, +13%); plush (21%, +32%); models and trains (21%, 0%); dolls (18%, +33%); learning (15%, +426%); motorised toys (12%, +79%); animal and fantasy figures (12%, +30%); games and puzzles (1.8%, -14%). Wooden toys made up 0% of the market in 2005. The various plastic toys made up 41%, an annual change of 29%.

The most important segmentation in the toy market is by age and gender. Kids play with different toys in different age groups, and there is a clear distinction between toys for girls and toys for boys. In 2005, the total number of children (0-14 years) in Bulgaria was 1.1 million, an average annual decrease of 3% since 2001. As it has 1% of the EU youth, Bulgaria is one of the smaller member states. The number of kids will decrease considerably during the next five years, as the number of kids between 0-5 years is 83% of the number of kids between 10-14 years. This is lower than the EU average of 89%, indicating an even sharper fall in the number of kids than generally in the EU. Birth rates are picking up again, but are not sufficient to counter the decrease in earlier years. During 2005, girls accounted for 48.7% of the youth.

Production
Production, according to the Prodcom dataset, reached € 6.6 million in 2005, an average annual increase of over 300% during the past year. This makes Bulgaria one of the smallest producers in the EU. No production data are available before 2004. Bulgaria has received some production investments from EU companies. This is expected to continue in the near future, leading to a growth in production. Wooden toys have historically been produced in Bulgaria and this continues; other production includes plush toys.

Based on Prodcom data, figures for the product categories were as follows: models and trains (73.5% share in 2005); learning (13.5%); other toys (7.9%); animal and fantasy figures (3.3%); outdoor (1.8%). Production of construction sets and dolls dropped to zero in 2005. Production of wooden toys constituted 3.3% of total production in 2005. There was no registered production of plastic toys.

Opportunities and threats
+ Bulgaria's entry into the EU this year has led to an influx of money and is expected to be followed by higher incomes. This, in turn, will lead to higher spending on toys and games.
+ Bulgaria does not have much production, furthermore, most of it is exported. Consumption is therefore mostly covered by imports.
+ Consumption of individual product groups with strong growth were musical instruments (+275% average annual change between 2001 and 2005, 4% share in 2005); doll accessories - carriages (+193%, 1.5%); electric car racing games (+154%, 0.3%); doll accessories - clothes (+126%, 0.2%); non-mechanical toys of plastic (+126%, 30%).
- Disposable income in Bulgaria is one of the lowest in the EU, limiting the consumption of toys per kid.
- Although growing, Bulgaria is still one of the smallest markets in the EU.

Refer to chapter 7 of the CBI market survey covering the EU for more information on opportunities and threats.

2 Trade channels for market entry

For an overview of the trade structure and important trends in the distribution chain, please refer to Chapter 3 'Trade channels for market entry', of the CBI market survey covering the EU. Distributors, importers and agents are the most common trade channels for developing country exporters.

Bulgaria can be served by an agent or importer in Austria, Hungary or the Czech Republic.

Concentration of retail in Bulgaria is increasing as a result of the entrants of international companies and the establishment of new retail chains. Still, there are many small private shops, selling toys together with stationery, books and other products.

Interesting distributors and importers
- Stambouli - http://www.stambouli.com/Bulgaria/ - importer, both distribution and retail.
- Amek Toys - part of Amek Germany - http://www.amek-toys.com - importer.
- Fiser BG - http://www.fiserbg.com - import and delivery of plush toys.
- Takrida - http://www.Takrida.com.
- Maxima - http://www.maxima.bg/en/max/import/index.htm - importer with online sales.

Interesting buying organisations and wholesalers
- Argos Prima - http://www.argosprima.com - wholesaler.
- Alfa Bi - http://www-en.alfa-bi.com - wholesaler.
- Stambouli - http://www.stambouli.com/Bulgaria/Activities/Whsale.html - wholesale and distribution.

Interesting retailers

- Metro Cash & Carry - part of the German Metro Group - 8 shops - http://www.metro.bg.
- Bonjour - part of Stambouli Group - 56 shops - http://www.stambouli.com/Bulgaria/Activities/Retail.html - supermarkets and departments stores.
- Technopolis - part of Videolux - http://www.technopolis.bg - hypermarket which has extended its assortment to include toys and games.
- Komsed - http://www.comsed.net - toy retailers.
- Hippoland - http://www.hippoland.net - hypermarkets aimed at kids.

Contract manufacturing and outsourcing

Bulgaria has only a small toy manufacturing industry and, given the low price of labour, is more likely to receive orders for contract manufacturing than outsource for itself. As such. Bulgaria is a competitor for manufacturers in developing countries.

Margins

Margins vary widely. Imports from China often have higher margins than branded products from multinational companies. Retailers aiming at large volumes have lower margins than specialist shops, still the following are some general indications. The total mark-up from manufacturer's price to final consumer price including VAT can easily reach 400%, especially when taking into account costs of logistics.

Useful sources

- BADI - Bulgarian Toy Association - http://www.badibg.com - with a listing of importers (in Bulgarian)
- Need.bg offers a listing of retailers focused on kids, among which toys - http://www.need.bg/en/?c=62&page=3

3 Trade: imports and exports

Imports

Imports of traditional toys reached € 18.3 million in 2005, an increase of 7.9% between 2001 and 2005. This makes Bulgaria one of the smallest EU importers, with 0.2% of total EU imports. The growth in imports is the result of the growth in the consumption of toys and games.

Around 62% of imports originates in developing countries. This is higher than the EU average of 52%. China is the dominant supplier with a share of 58% of total imports. Other countries include Pakistan (1%) and Indonesia (0.4%). China's share of imports is also higher than the EU average of 45%.

In 2005, imports for the various product categories were: models and trains (share of 32%, +5.3% annual growth); other toys (18%, -2.9%); plush (10%, +33%); dolls (8.1%, +19%); outdoor (7.8%, +6.5%); mechanical toys (6%, +34%); motorised toys (5.6%, +79%); animal and fantasy figures (4.4%, +9.5%); construction sets (3.1%, -7.5%); games and puzzles (2.9%, +18%); learning (2.5%, -7%).

Exports

Exports reached € 17.3 million in 2005, an average annual growth of 8% from 2001 to 2005. However, exports fell after an high in 2003 of € 18.1 million. However, it is expected that exports will rise again during the next five years. Re-exports do not form a significant part of total exports.

Opportunities and threats

+ Total imports grew strongly in the period before EU accession and this is expected to continue. As a further result of the accession, imports tariffs have been lowered to EU standards.
+ The individual product groups showing strongest import growth were: electric car racing games (+154% annual growth, share of 0.1%); doll accessories - clothes (+126%, 0.1%); toys of textile materials (+101%, 0.4%); motorised toys of plastic (+87%, 5.3%); doll accessories - other (+80%, 0.1%).

Refer to chapter 7 of the CBI market survey covering the EU for more information on opportunities and threats.

Useful sources

- EU Expanding Exports Helpdesk - http://export-help.cec.eu.int/
- Eurostat - http://epp.eurostat.cec.eu.int - official statistical office of the EU
- Eurostat Prodcom and trade data - http://fd.comext.eurostat.cec.eu.int/xtweb - data can be accessed through the Internet directly using the Prodcom or HS category numbers as detailed in the CBI market survey covering the EU.

4 Price developments

The change in harmonised consumer prices for games, toys and hobbies in Bulgaria was -1.9% in 2006 (EU average: -2.7%). Inflation in Bulgaria was 2.3% in 2006, which is lower than the EU average.

Bulgaria does not partake in the euro. The average interbank exchange rate during 2006 was: 0.51387 levs for 1 euro. See http://www.oanda.com for current exchange rates.

Due to the large number of different products, it is not possible to give an overview of prices which offers a general insight into pricing. It is advisable to search the Internet or directly call wholesalers and retailers for individual prices.

Online stores for checking prices:

- Megashop - http://megashop.bg/toys/index.php.
- Marti Online - http://www.marti-online.com/shop/.
- Maxima - http://www.maximashop.com.

5 Market access requirements

As a manufacturer in a developing country preparing to access Bulgaria, you should be aware of the market access requirements of your trading partners and the Bulgarian government. For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select toys and games and Bulgaria in the category search, click on the search button and click on market access requirements.

Detailed information on packaging can be found at the website of ITC on export packaging: http://www.intracen.org/ep/packaging/packit.htm.

Information on tariffs and quota can be found at http://export-help.cec.eu.int.

6 Business practices

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from http://www.cbi.eu/marketinfo - go to search publications.

Trade associations

- BADI - Bulgarian Toy Association - http://www.badibg.com
- Association of wooden toys manufacturers in Bulgaria - http://catalog.bg/company.php?company=8044.

Trade shows and press

No trade press and trade shows aimed at the professional audience are present in Bulgaria.

Other sources

For more information, on doing business in Bulgaria, visit the following websites:

- Bulgaria Online - http://www.online.bg - online information about Bulgaria.
- Kwintessential - Bulgarian business culture - http://www.kwintessential.co.uk/resources/global-etiquette/bulgaria.html

This survey was compiled for CBI by VLI