

**CBI MARKET SURVEY****THE TOYS AND GAMES MARKET IN THE CZECH REPUBLIC****Publication date: August 2007****Introduction**

This CBI market survey gives exporters in developing countries information on some main developments in the toys and games market in the Czech Republic. 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 € 71 million at retail prices as estimated by industry sources. There was an average annual increase of 6.1% between 2001 and 2005. Czech Republic is one of the small EU markets with a share of 0.5%. Consumption is expected to increase as a result of the improving disposable income in the Czech Republic.

In 2005, the average expenditure on toys and games per child in the age group of 0-14 years was € 47. 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 the Czech Republic, 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: outdoor (21% share in 2005, +20% average annual change between 2001 and 2005); plush (16%, +13%); other toys (15%, +17%); dolls (13%, +5.1%); models and trains (7.7%, +9.9%); games and puzzles (7.6%, +38%); animal and fantasy figures (7.5%, +10%); motorized toys (7%, +21%); learning (4.9%, +130%); construction sets (0%, 0%). Wooden toys had no registered consumption. Plastic toys made up 23.7%, an annual change of 11.4%.

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 Czech Republic was 1.5 million, an average annual decrease of 2% since 2001. As it has 1.4% of the EU youth, Czech Republic 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 80% 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. During 2005, girls accounted for 48.7% of the child population.

**Production**

Production of traditional toys and games is likely to have reached between € 125 million and € 175 million in 2005, which makes the Czech Republic one of the medium-sized EU producers.

Production, according to the Prodcum dataset, reached only € 2.2 million in 2005. These figures are therefore clearly not accurate. The Czech Republic has a long-standing tradition in wooden toys and still has over 200 medium-sized and small manufacturers of wooden toys. These are often of a traditional nature, since metal toys and electronics are hardly produced. Furthermore, some major international companies have set up production facilities, like Lego and Ravensburger.

Based on the growth in exports (+18% average annual increase between 2001-2005), it is fair to assume that production has been increasing strongly in the past five years. This is mostly the result of contract manufacturing for multinational companies.

### Opportunities and threats

- + Consumption is expected to grow in the next five years.
- + Individual product groups with strong growth in consumption were musical instruments (+84% average annual change between 2001 and 2005, 2% share in 2005); playing cards (+38%, 7.6%); ride-ons (+30%, 3.8%); roller skates (+28%, 12%); electric car racing games (+26%, 1.9%).
- The Czech Republic has a strong manufacturing tradition and is a competitor for contracts from international companies.

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. Importers and distributors who import themselves are the most common trade channels for entry for developing country exporters.

The Czech Republic could be served by an agent or importer in Austria. Likewise, because of its proximity and experience, a Czech representative could serve countries like Hungary, Slovakia, and Poland. Knowledge of these markets is often present. It is important to ensure that a distributor or importer has good knowledge of the market, and is able and willing to assist with pricing and marketing strategies.

Hypermarkets have become enormously popular in the Czech Republic, and have caused the retail market for toys to become quite consolidated. Toy specialists remain important as well.

### Interesting importers and distributors

- Global Express - <http://www.globalex.cz> - one of the largest importers, also serves as a distributor
- Olymptoy - <http://www.olymptoy.cz> - importer / distributor
- Eichova Import & Consulting - <http://www.czechtoys.com> - importer and consultant, also wholesaler
- Eduard Kobylka - <http://www.volny.cz/kobylkatoys/> - importer
- Joko-Pribram - <http://www.joko.cz> - importer
- MPK-Sula - <mailto:f.zoubek.mpk@hracka.cz> - importer

### Interesting retailers

- Bambule - <http://www.alltoys.cz> - Bambule is the retail part of the wholesaler Alltoys
- Tesco - <http://www.tesco-shop.cz> - hypermarkets
- Sparkys - <http://www.sparkys.cz> - toy specialists
- Pompo - <http://www.pompo.cz> - toy specialists
- Puntanela - <http://www.puntanela.cz> - toy specialists
- Wiky - <http://www.wiky.cz> - toy specialists

- Makro - <http://www.makro.cz> - hypermarkets
- Kaufland - <http://www.kaufland.cz> - hypermarkets
- Tesco - <http://www.tesco-shop.cz> - hypermarkets, has taken over Carrefour's' Czech shops
- Globus - <http://www.globus.cz> - hypermarkets

### **Contract manufacturing and outsourcing**

The Czech Republic has a sizeable toy manufacturing industry, which is growing as a result of investments by foreign companies. Original local manufacturers tend to be rather traditional and craft-oriented. The absence of know-how regarding electrical parts and electronics could offer possibilities for contracted manufacturing of parts. Some further possibilities for contract manufacturing could be present with buying organisations, retail chains and large distributors and wholesalers. The Czech Toy Association has a list of registered manufacturers.

### **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.

	Average margin
○ Agent	2-5%
○ Importer / distributor	15-25%
○ Wholesaler	30-40%
○ Retail	50-100%

### **Useful sources**

- Hledat - <http://www.hledat.cz/100035/export-import-hry-hracky/> - offers a listing of importers of toys (hračky).
- Sdružení pro hračku a hru - Czech Toy Association - Association for toys and play - [http://www.sdruzenihracky.cz/prehled\\_vyrobcu.html](http://www.sdruzenihracky.cz/prehled_vyrobcu.html) - list of manufacturers
- SCMVD - union of Czech and Moravian production co-operatives - <http://www.scmvd.cz> -
- e-hracky - <http://www.e-hracky.cz/velkoobchody/velkoobchody.htm> - listing of wholesalers with section for toys
- Sisa - <http://www.sisa.cz/index.php?show=seznam> - links to importers, distributors and international suppliers.
- ICEX - <http://www.icex.es> - has an old, but extensive report on the Czech toy market.

## **3 Trade: imports and exports**

### **Imports**

Imports of traditional toys reached € 165 million in 2005, an increase of 24.1% between 2001 and 2005. This makes Czech Republic one of the medium-sized EU importers, with 1.8% of total EU imports. Following increasing consumption, imports are expected to increase in the next five years.

In 2005, imports for the various product categories were: construction sets (share of 40% of total imports, +51% average annual change between 2001 and 2005); other toys (13%, +26%); models and trains (9.7%, +13%); outdoor (7.9%, +14%); plush (6.7%, +15%); mechanical toys (5.5%, +4.9%); dolls (5%, +9.2%); games and puzzles (4.5%, +23%); animal and fantasy figures (3.2%, +4.3%); motorized toys (3.1%, +25%); learning (1.5%, +17%). Imports of plastic toys reached € 100 million in 2005, an increase of 30.7% between 2001 and 2005. Imports of wooden toys was only € 2 million in 2005, an increase of 7.8%.

The share of developing countries in total imports was 30% (€ 50 million) in 2005. This is lower than the EU average, which was 52% in 2005. The growth of DC imports, at an average annual increase of 10.3% during the period covered, was higher than the EU average increase of 3%.

The main supplying developing countries were China (28%); Thailand (0.6%); Pakistan (0.4%); Indonesia (0.3%); Malaysia (0.2%); Vietnam (0.1%); Philippines (0.1%); Belarus (0.1%); India (0.1%); and Turkey (0.1%). Imports from China were therefore lower than average in the EU (48%). The share of Chinese imports shows a downward trend, moving from 44% in 2001 to 28% in 2005.

DC countries showing growth were Turkey (84% growth); Belarus (76%); Indonesia (48%); Malaysia (17%); Philippines (5.3%).

Product categories with an above average supply from developing countries (apart from China) were construction sets; models and trains; outdoor; wooden toys.

### Exports

Exports of traditional toys reached € 180 million in 2005, an increase of 16.5% between 2001 and 2005. The Czech Republic is one of the medium-sized exporters in the EU. Re-exports form only a small part of total exports.

The exports of the various product categories were construction sets (58% share in 2005, +0% average annual change between 2001 and 2005); models and trains (11%, -1.1%); other toys (9.3%, +8.2%); mechanical toys (7.5%, -12%); games and puzzles (4.5%, -0.1%); animal and fantasy figures (2.7%, -3.2%); outdoor (2.4%, +4%); plush (2.2%, +19%); dolls (1.4%, +22%); motorised toys (1.4%, +17%); learning (0.2%, -29%).

Exports of wooden toys were € 4 million in 2005, a decrease of 15.4% between 2001 and 2005. Exports of plastic toys reached € 131 million in 2005, an increase of 26.2% between 2001 and 2005.

### Opportunities and threats

- + Growing consumption and imports offer opportunities for manufacturers in developing countries.
- + DC imports are relatively low, but are increasing rapidly.
- + The individual product groups showing strongest import growth were: construction sets of plastic (+51% annual growth, share of 39%); motorized toys not of plastic (+49%, 0.5%); toys of textile materials (+41%, 0.7%); playing cards (+38%, 2.7%); other toys n.e.s. (+37%, 2.8%).
- The Czech Republic has a trade surplus, indicating that for some product categories competition will be fierce as a result of competitive local production capacity.

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 the Czech Republic was -2.1% in 2006 (EU average: -2.7%). The average annual price changes between 2001 and 2005, for traditional toys based on the costs of import volumes in tonnes, were 14.4% for imports sourced in the EU, -3.4% for DC imports, and 4.2% for all imports. It is clear that the costs of imports from developing countries are falling much more sharply.

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:

- InShop - <http://www.inshop.cz/category.aspx?category=12> - listing of online toy stores.
- Rumburak - <http://www.rumburak.cz>

#### 5 Market access requirements

As a manufacturer in a developing country preparing to access the Czech Republic, you should be aware of the market access requirements of your trading partners and the Czech 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 the Czech Republic 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.

The Czech Republic does not partake in the euro. The average interbank exchange rate during 2006 was: 0.03532 crowns for 1 euro. See <http://www.oanda.com> for current exchange rates.

##### **Trade associations**

- Sdružení pro hračku a hru - Association for toys and play - <http://www.sdruzenihracky.cz>

##### **Trade shows**

- Prague Toy Fair - Prague - <http://www.hracky.cz/veletrh> - September 2007 next show, national orientation
- Model and hobby - Prague - [www.model-hobby.cz](http://www.model-hobby.cz) - together with toy fair
- Modely - Brno - <http://www.bvv.cz/modelybrno-gb> - models and construction toys
- Prodite - Brno - <http://www.bvv.cz/prodite-gb> - aimed at babies' products, small representation of local manufacturers

##### **Trade press**

- Hracka - [http://www.sdruzenihracky.cz/prehled\\_vyrobcu.html](http://www.sdruzenihracky.cz/prehled_vyrobcu.html)

**Other sources**

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

- Kwintessential - business culture - <http://www.kwintessential.co.uk/resources/global-etiquette/czech.html>
- BuyUSA - business culture - <http://www.buyusa.gov/czechrepublic/en>
- Czech Confederation of Commerce and Tourism - [http://www.socr.cz/english\\_info.htm](http://www.socr.cz/english_info.htm)

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