CBI MARKET SURVEY

THE TOYS AND GAMES MARKET IN DENMARK

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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 Denmark. 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 of traditional toys and games in 2005 was € 266 million at retail prices as estimated by industry sources. There was an average annual increase of 3.1% between 2001 and 2005. Denmark is one of the medium-sized EU markets with a share of 2%. Consumption is expected to continue to grow on the back of good economic growth and an increasing birth rate.

In 2005, the average expenditure on toys and games per child in the age group of 0-14 years was € 261. This is higher 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 Denmark. 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: construction sets (51% share in 2005, +19% average annual change between 2001 and 2005); other toys (14%, -6.7%); outdoor (7.1%, +4.3%); dolls (6.6%, +6.7%); motorized toys (4.7%, +16%); animal and fantasy figures (4%, +13%); models and trains (3.8%, +0.6%); plush (3.2%, +0.4%); games and puzzles (2.6%, +27%). Wooden toys made up 1.6% of the market in 2005, increasing 10% during the past four years. The various plastic toys made up 63%, an annual change of 11%.

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 Denmark was 1 million, an average annual increase of 0.4% since 2001. As it has only 0.9% of the EU youth, Denmark is one of the smaller member states. The number of kids will decrease during the next five years, as the number of kids between 0-5 years is 94% of the number of kids between 10-14 years. This is better than the EU average of 89%, indicating a lower drop in the number of kids than generally in the EU. During 2005, girls accounted for 48.7% of the child population.

Production

Of course, thinking of Denmark and toys equals thinking of Lego. Lego was voted toy of the century in several competitions. The company has been performing much better in the past two years, after several years of lagging sales and financial difficulties. Lego recently re-aligned its production facilities, closing production in the USA and Switzerland, moving them to Mexico and the Czech Republic.

Total production, according to the Prodcom dataset, reached € 30.5 million in 2005, an average annual increase of 3% between 2001 and 2005. This is an underestimate, but it is true that apart from Lego no major manufacturers exist. Still there are some small manufacturers. Most production concerns plastic and wooden toys.

Based on Prodcom data, figures for the product categories were as follows: other toys (56.6% share in 2005, -1% average annual change since 2001); outdoor (21%, +4.4%); learning (14.3%, 0%); models and trains (7.6%, -9.7%); games and puzzles (0.2%, 0%); dolls (0.1%, -49.9%); animal and fantasy figures (0%, 0%).

Opportunities and threats

+ Sales of toys have been increasing strongly in the past four years, and this is forecasted to continue.
+ Educational toys offer especially interesting opportunities.
+ Individual product groups with strong growth in consumption were other construction sets (+75.8% average annual change between 2001 and 2005, 0.6% share in 2005); playing cards (+63.2%, 1.4%); other scale models (+51.6%, 0.5%); other figures (+29%, 1.1%); ride-ons (+23.7%, 3%).
+ Green consumerism and Fair Trade is still on the rise, offering possibilities for products within that category and fulfilling the requirements posed. For more information, see the CBI market survey covering 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. About 70% of exporters thus enter the market. The other 30% is imported directly by specialist retail chains or chains of supermarkets. Over 500 specialist toy stores operate in Denmark. The stores of Top Toys and Dansk Supermarked together hold 75% of the retail market in toys, and are thus a dominant force.

Denmark could be served by a representative (agent, importer) in Germany or in a Scandinavian country. Likewise, a Danish representative could serve other Scandinavian markets and the Baltic countries. Trade relations in these areas are close, and knowledge about the various markets is present. Danish representatives enjoy a good reputation.

Interesting importers and distributors

- Top-Toy - http://www.top-toy.com - owner of Toys 'R' Us and BR Toys shops, largest toy importer in Denmark with head office in Denmark and purchasing located in Hong Kong
- K.E. Mathiasen - http://www.keleg.dk - importer and distributor
- J.L. Carlsen - http://www.carlsen.no - Norwegian firm with subsidiary in Denmark
- Scanditoy - http://www.scanditoy.dk - importer and distributor, subsidiary of Brio Germany
- Indkøbsservice - http://www.ski.dk - central purchasing of toys for schools and other governmental institutions
- Legekaeden - http://www.legekaeden.dk - co-operative buying organisation

Interesting retailers

- BR Toys - 90 shops - http://www.br.dk - part of Top-Toy
- Toys 'R' Us - 13 shops - http://www.toysrus.dk - part of Top-Toy
- Legekaeden - http://www.legekaeden.dk - co-operative buying organisation

- Dansk Supermarked - http://www.dsg.dk - with Bilka and Fotex the most important supermarket chain dealing in toys
- Tøj & Sko - 37 shops - http://www.toejsko.dk - toy specialists - part of Dansk Supermarked)

Contract manufacturing and outsourcing
Apart from Lego, Denmark has only a small toy manufacturing industry. Possibilities for contract manufacturing of private label products could be present with buying organisations, retail chains and large distributors and wholesalers.

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
o Agent	5-6%
o Importer / distributor	25-40%
o Wholesaler	50%
o Retail	50-150%

Useful sources
- Legetøjsbranchens Fællesråd - http://www.legetojsbranchen.dk - Danish association of agents, wholesalers and retailers of toys and games
- Association of commercial agents - http://www.commercial-agents.dk
- Ecoland - http://glwww.mst.dk/chemi/01082411.htm - from their report (see details in section 6), a list of importers of toys
- The report from ICEX, see section 6, mentions the most important distributors and retail chains.

3 Trade: imports and exports

Imports
Imports of traditional toys reached € 284 million in 2005, an average annual increase of 11.6% between 2001 and 2005. This makes Denmark one of the medium-sized EU importers, with 3.1% of total EU imports. Imports of traditional toys are expected to increase in the next two years.

In 2005, imports for the various product categories were: construction sets (share of 37% of total imports, +19% average annual change between 2001 and 2005); other toys (24%, +11%); dolls (7.5%, +6.8%); plush (6.1%, +7.5%). animal and fantasy figures (5%, +16%); outdoor (4.9%, -0.6%); motorized toys (4.8%, +11%); models and trains (4%, +9.9%); mechanical toys (3.9%, +1.2%); games and puzzles (2.3%, +13%); learning (1.4%, -3.3%).

The imports of video games increased by 75.9% on average during period covered. Imports in 2005 equalled € 78 million. The imports of all wooden toys increased by 3.7% on average during period covered. The imports of plastic toys increased by 15.1% on average during period covered. Total imports of plastic toys were € 173 million (60.9%) in 2005.

The share of developing countries in total imports was 39% (€ 110 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 9.9% during the period covered, was higher than the EU average increase of 3%.

The main supplying developing countries were China (37%); Thailand (0.7%); Pakistan (0.2%); India (0.2%); Guatemala (0.1%); Philippines (0.1%); Malaysia (0.1%). Imports from China were therefore lower than average in the EU (48%). The share of Chinese imports shows an upward trend, moving from 36% in 2001 to 37% in 2005.

DC countries showing growth were Brazil (91% growth); Guatemala (50%); India (4.4%).

Product categories with an above average supply from developing countries (apart from China) were games and puzzles; learning; models and trains; outdoor; wooden toys

Exports
Exports of traditional toys reached € 121 million in 2005, an increase of 12% between 2001 and 2005. Denmark is one of the medium-sized exporters, this being mostly because of the prominence of Lego. The growth can be attributed to the improving performance of Lego during the past five years.

The exports of the various product categories were other toys (44% share in 2005, +0% average annual change between 2001 and 2005); mechanical toys (12%, +12%); outdoor (10%, +1.5%); plush (9.2%, +13%); dolls (6.8%, +5.7%); animal and fantasy figures (5.2%, +19%); models and trains (5%, +12%); motorised toys (3.5%, +2.3%); learning (2.6%, -4.4%); games and puzzles (1.2%, -8.3%); construction sets (0.8%, -5%).

Opportunities and threats
+ Imports into Denmark are growing strongly.
+ The individual product groups showing strongest import growth were: other construction sets (+56% annual growth, share of 0.6%); other scale models (+44.6%, 0.4%); other figures (+24.2%, 1%); electric trains in scale (+21.5%, 0.9%); construction sets of plastic (+19%, 35.2%).

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 Denmark was -4.5% 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 2.1% for imports sourced in the EU, -4.9% for DC imports, and -2.8% for all imports. It is clear that the costs of imports from developing countries are decreasing more sharply, putting price pressure on the market.

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:
- BR Toys - http://www.br.dk
- Legekaeden - http://www.legekaeden.dk - has a product catalogue with prices online

5 Market access requirements

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

Denmark does not partake in the euro. The average interbank exchange rate during 2006 was: 0.13407 crowns for 1 euro. See http://www.oanda.com for current exchange rates.

Market information

- ICEX - report on the Danish market in Spanish -http://www.icex.es/staticFiles/Id%20317895%20NS%20Juguetes%20en%20Dinamarca_6016_.pdf
- Econet - report on the Danish market for toys made from natural materials http://glwww.mst.dk/chemi/PDF/Report%20of%20natural%20toys%20made%20of%20plant%20fibres,%20woollen%20fibres%20and%20solid%20wood%20No.%2029,%202003.pdf

Trade associations

- Association of Danish Toy Manufacturers - http://www.legetojsfabrikanterne.dk
- Legetøjsbranchens Fællesråd - http://www.legetojsbranchen.dk - Danish association of agents, wholesalers and retailers of toys and games

Trade shows

- Formland - Herning - http://www.formland.dk - February and August

However, the Nuremberg Toy Fair in Germany is the most important trade fair for the Danish toy industry.

Trade press

No professional trade press was encountered in Denmark; German publications fill this gap.

Useful sources

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

- DIPP - Danish Trade Promotion Agency - http://www.dipp.eu
- Fair Trade Denmark - http://www.fairtrade.dk
- Danish Chamber of Commerce - Business Contact Centre - http://bcc.hts.dk/ - The Chamber of Commerce can assist your company in finding a potential Danish business partner.

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- Kwintessential - business culture in Denmark - http://www.kwintessential.co.uk/resources/global-etiquette/denmark-country-profile.html
- BuyUSA - business in Denmark - http://www.buyusa.gov/denmark/en/doing_business_in_denmark.html

This survey was compiled for CBI by VLI

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