CBI MARKET SURVEY

THE TOYS AND GAMES MARKET IN ESTONIA

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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 Estonia. 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 € 16 million at retail prices as estimated by industry sources. There was an average annual increase of 13% between 2001 and 2005. Estonia is one of the smallest EU markets with a share of 0.1%. As economic growth remains very high and birth rates are improving, consumption is expected to continue to increase strongly 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 € 78. 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 Estonia, 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 (28% share in 2005, +14% average annual change between 2001 and 2005); outdoor (14%, +15%); plush (12%, +13%); construction sets (10%, +4.3%); dolls (8.7%, +16%); motorized toys (7.7%, +15%); learning (7.2%, +59%); models and trains (4.2%, +6.9%); animal and fantasy figures (3.9%, +9%); games and puzzles (3.5%, +4.1%). Wooden toys made up 0.8% of the market in 2005, decreasing -14% during the past four years. The various plastic toys made up 40%, an annual change of 10%.

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 Estonia was 0.2 million, an average annual decrease of 3.6% since 2001. As it has just 0.2% of the EU youth, Estonia is one of the smallest member states. The number of kids will decrease considerably during the next five years, as the number of kids between 0-5 years is 84% 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, according to the Prodcom dataset, reached € 409 thousand in 2005, an average annual increase of 18% between 2001 and 2005. Still, Estonia is one of the smallest producers in the EU. Production is expected to continue to grow, but is very limited at the present.

Based on Prodcom data, figures for the product categories were as follows: learning (90.7% share in 2005, 34% average annual change since 2001); other toys (9.3%, -95%).

Opportunities and threats

+ The Estonian market for toys has grown healthily during the past four years, continued growth will offer opportunities for exporters.
+ Only a minimal part of local consumption can be supplied by local manufacturers.
+ Individual product groups with strong growth in consumption were other scale models (+125% average annual change between 2001 and 2005, 0.5% share in 2005); toy weapons (+43%, 1.8%); electric trains - scale (+41%, 0.6%); doll accessories - clothes (+32%, 0.4%); inflatable balls (+29%, 3.7%).

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. Estonia could be served by an agent or importer in other Baltic or Scandinavian states. The Finnish companies often have close connections to the Baltics states. It is important to ensure a distributor or importer has good knowledge of the market, and is able and willing to assist with pricing and marketing strategies.

Toys are generally sold through toy specialists. The other main channel is hypermarkets, which always stock toys.

Interesting importers, distributors and wholesalers

- Uno 1 Trading - http://www.uno1.ee - importer
- Anvol - http://www.anvol.ee - importer
- Silasko - http://www.silasko.ee - wholesale and import

Interesting retailers

- Uno 1 Kauplus - http://www.uno1.ee - toy specialists - part of Uno1
- XS Mänguasjad - http://www.anvol.ee - toy specialists - part of Anvol
- Juku - http://www.jukukeskus.ee - toy specialists
- Citymarket - http://www.kesko.ee - hypermarket, part of Finnish Kesko
- Konsum - http://www.jmy.ee - hypermarket - part of ETK
- Maksi Market - http://www.etk.ee - hypermarket - part of ETK
- Selver - http://www.selver.ee - hypermarkets

Contract manufacturing and outsourcing

Estonia has only a minimal toy manufacturing industry. Some possibilities for contract manufacturing could be present with wholesalers and supermarket chains, however given the size of the market this would only concern limited orders.

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	2-5%
o Importer / distributor	15-25%
o Wholesaler	30-40%
o Retail	50-100%

Useful sources
- Estonian traders' association - http://www.kaupmeesteliit.ee
- Estonian Yellow Pages - http://www.infoweb.ee

3 Trade: imports and exports

Imports
Imports of traditional toys reached € 11 million in 2005, an increase of 9.8% between 2001 and 2005. This makes Estonia one of the small EU importers, with 0.1% of total EU imports. Imports are expected to continue to increase strongly as a result of the strong economic performance of Estonia.

The share of developing countries in total imports was 30% (€ 3 million) in 2005. This is lower than the EU average, which was 52% in 2005. The growth of DC imports, at an average annual decrease of 3.3% during the period covered, was lower than the EU average of 3%.

The main supplying developing countries were China (29%); Thailand (0.7%); Pakistan (0.3%); Belarus (0.2%); and Malaysia (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 45% in 2001 to 29% in 2005. The only DC country showing growth was Turkey (31.3% growth).

In 2005, imports for the various product categories were: other toys (share of 26% of total imports, +14% average annual change between 2001 and 2005); outdoor (13%, +8%); construction sets (12%, +15%); plush (11%, +9.3%); dolls (10%, +12%); motorized toys (7.7%, +9.1%); mechanical toys (5.2%, -3.7%); games and puzzles (4.7%, +13%); animal and fantasy figures (4.2%, +13%); models and trains (4.1%, +3.8%); learning (2.8%, -0.6%). The imports of all wooden toys increased by 74% on average during period covered. The share of total imports is 1.9%. The imports of plastic toys increased by 12% on average during period covered. Total imports of plastic toys were € 4 million (40%) in 2005.

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

Exports
Exports of traditional toys reached € 2 million in 2005, a decrease of 2.7% between 2001 and 2005.

The exports of the various product categories were other toys (31% share in 2005, 0% average annual change between 2001 and 2005); construction sets (16%, +28%); outdoor (13%, +2.2%); dolls (13%, +4.3%); games and puzzles (8.7%, +28%); motorised toys (5.1%, -11%); plush (4.3%, -14%); animal and fantasy figures (4.2%, -5.1%); models and trains (2.4%, -11%); mechanical toys (1.4%, -18%); learning (0.3%, -28%).

Opportunities and threats

+ Though still low in value, Estonian imports have been growing strongly for the past four years.
+ The individual product groups showing strongest import growth were: wooden figures (+96% annual growth, share of 1.1%); construction sets of wood (+70%, 0.4%); puzzles of wood (+47%, 0.4%); toy weapons (+46%, 1.8%); electric trains not on scale (+42%, 0.5%).

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 Estonia was -0.6% 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 -6.7% for imports sourced in the EU, -10.7% for DC imports.

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 store for checking prices:

- Toys.ee - http://www.toys.ee

5 Market access requirements

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

Estonia does not partake in the euro. The average interbank exchange rate during 2006 was: 0.0639 crowns for 1 euro. See http://www.oanda.com for current exchange rates.

Other sources

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

- Chamber of Commerce - http://www.koda.ee
- Trade Council - http://www.etc.ee
- BuyUSA - business in Estonia - http://www.buyusa.gov/baltics/en/doing_business_in_estonia.html
- KODA, Estonian Chamber of Commerce - http://www.koda.ee/?lang=en

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