

CBI MARKET SURVEY THE TOYS AND GAMES MARKET IN THE EU

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REPORT SUMMARY

This survey profiles the market for traditional toys and games in the European Union (EU). Together with 19 surveys covering individual European countries, this survey aims to provide (potential) exporters in developing countries with relevant information about developments in the EU toy market.

Product definition

Apart from computer and console games, all products generally considered to be part of the toys and games industry, whether by statistical bodies or market organisations, are included in the survey. Computer games are not discussed as this market has its own dynamics and is dominated by a select number of multinational corporations.

Consumption

The global market for traditional toys and games reached € 60 billion in 2005. Of this, the EU realised € 13.3 billion, an average annual growth of 1.3% from 2001 to 2005. Given the relatively weak economic climate during these years, the fierce competition of video games, the pressure on prices, and the decreasing number of kids, this is quite a remarkable growth. Sales are expected to have grown in 2006, while for 2007 the branche experts are quite positive, expecting continued growth in most EU countries.

This is aided by an improving European economy and higher consumption per child. The average amount spent in 2005 on traditional toys in the EU was € 168 per child. In the countries of the former EU15, the average amount was € 202 for traditional toys and an additional € 62 for video games. Spending in the new EU member countries is significantly lower, at € 40 per kid per year on traditional toys. When comparing the different countries in the EU, it is clear that there is a very strong correlation between disposable income and average expenditure per child. A second determinant is the number of kids in a family, because parents spend much more per child if they have only one or two kids. This levels up sales, thereby compensating for the lower number of kids.

The number of kids continues to decrease in the EU during the next five years, their number is estimated to decrease from 79 million to 76 million. However, as birth rates are improving, an ensuing stabilisation is expected. There are notable differences between regions: in the 15 countries which formed the EU up to 2004 (EU15), the situation has already mostly stabilised with birth rates at 1.7 babies per woman. During the past four years the number of kids decreased slightly from 63.4 million to 62.8 million. In the new EU member states (EU12), the situation is more troublesome. The average birth rate has stabilised, but at a ratio of only 1.3, and the number of kids fell from 18.5 million in 2001 to 16.4 in 2005. The child population is expected to decrease to 15 million in 2010, before starting to rise again.

Next to the lower number of kids, their appreciation of toys is seen as a great threat by the European toy industry. 'Kids growing older younger' is the term used, when kids, especially girls, start identifying with older ages groups at an earlier age. They start to regard toys as too-childish, opting for more adolescent products like clothes, make-up, and entertainment through television and websites.

During the next five years, the traditional toy sector in the EU is expected to show light growth of 1-3%, with much stronger growth in the EU12. Competition from video games will continue to be strong as new consoles have entered the market, but it is clear that regardless of their popularity, parents see the value of traditional toys and purchase them accordingly.

This is especially the case for two categories, outdoor toys and learning toys. The former serve to stimulate physical activity, the latter to help with the child's development. In the latter segment there is an additional trend, the increased use of electronics and popularity of interactive. Kids are crazy about those, and many manufacturers have combined characteristics of both and incorporated them into a traditional form, like a bear which helps learn the alphabet. This is not the only use of electronics: almost every traditional category and product type is equipped with electronic features, whether it be some sounds, interaction during play, or complicated mechatronics.

Equally popular are licensed toys, which now account for 25% of the market. The popularity of individual characters differs across countries, but many have an international appeal, and the toy industry happily awaits the release of major movies for the effect they have on their sales.

Most of the sales, around 60%, are realised in the last three months of the year during the Christmas season. Traditionally, the New Year starts with trade fairs around Europe in January and February, during which the novel products for the new season are showcased. Products bought during the Christmas season are often expensive branded toys, while the rest of the year, parents are more likely to opt for cheaper private-label and unbranded products.

Production

Total production reached € 5 billion according to TIE-Toy, the European association of toy manufacturers. This implies an average annual increase of 2% compared to 2001. This growth can be attributed to the 12 new member states. Less than 30% of consumption originates in the EU, because China leads with a 50% share. In the eighties and nineties, the majority of production moved to China, but, although the EU industry has a hard time competing with Chinese manufacturers, it does seem to be holding ground much better than before. Production is nowadays focused on more expensive and complicated product ranges. Furthermore, increased automation enables manufacturers to compete with low labour costs in Asia. Based on Prodcom data¹, the most important EU countries are Italy, Germany, France and Spain.

Though global production is increasing, it is expected that EU production will at best stabilise at the present level. However, a more negative scenario is also possible, since many industry sources expect lower production values during the next five years as more production is being shifted to Asia. The exception will be Eastern Europe, which will profit from outsourced production from the larger West European countries. However, this will not be on a massive scale as the region is not likely to be able to compete easily with China.

Imports

Total imports of traditional toys and games into the EU amounted to almost € 9.2 billion in 2005, increasing annually by 4.3% on average since 2001. Germany is again surpassed by the United Kingdom as the largest import market in the EU. Most EU member states registered an increase in imports between 2001 and 2005. Only Slovenia and Cyprus registered a decrease. Double digit growth was realised in a number of countries, especially in Eastern Europe, like the Czech Republic, Hungary, Latvia and Slovakia. A similar performance was achieved in Denmark and Finland. In most countries, import growth is much stronger than the growth of consumption, indicating a weakened position of local manufacturers.

A contrasting development is visible in the higher increase of toys imported from within the EU, showing 6.9% average annual growth, compared to 3% from developing countries (DCs). This is partly caused by higher re-exports within the EU, but also points at competitiveness of the surviving EU companies. Imports from developing countries continued to increase. Developing countries together supplied almost € 5 billion in 2005, which was 39% of all imports of traditional toys and games into the EU.

¹ For more information on Prodcom data refer to chapter 2 and appendix A.

The United Kingdom is the most important customer of developing countries, with a total value of almost € 1.2 billion in 2005. It is followed by Germany, which imported € 750 million from developing countries, a decrease during the period covered. Italy grew to a number three position, up 7.5% annually during the past four years.

Although imports from developing countries are rising, the outlook is not exclusively positive. Only China seems to profit from the present trend of outsourcing production. China not only outperforms every other country: it is the leader in every product group and, on its own, responsible for 92% of all imports originating in developing countries. And whereas Chinese imports increased by an annual average of 3.6%, the aggregate of the other DCs actually decreased by 3.7% annually during the period 2001 to 2005. Other countries which supply imports of some size are mostly South or Southeast Asian, like India and Pakistan; Thailand, Indonesia, Vietnam, Philippines, Malaysia. Their role differs per product group.

Trade structure

Direct sourcing by retail chains is much more prevalent these days as a result of increased concentration of market power. In general terms, industry sources estimate that about 50% of all toys entering the EU are sourced directly by large chains, which includes buying groups.

The most likely partner for a DC exporter is an importing distributor or wholesaler. Especially in a larger EU country, there are many of these. Typically, they can be differentiated in three groups: the top-level importer dealing with recognized international brands; the smaller professional importer/distributor who takes his business very seriously, loves high-quality toys, has many contacts and aims for long-lasting relationships; the small, opportunity-oriented importers, which take chances as they come and who will make an effort if they see a profit. The best place to meet possible trade partners is at one of the major international fairs, of which the Nuremberg fair in Germany is the most important in Europe.

Price developments

Price levels do differ around Europe, however, most major manufacturers are able to influence pricing in the various countries according to their strategies. This ensures relatively similar pricing for major brands across Europe. Prices of smaller brands and non-brand products differ more strongly. On the whole, Germany, Belgium and Spain have relatively low price levels, while France, The Netherlands and the United Kingdom have relatively high levels. Prices, as well as products on sale, in Eastern Europe can be quite different.

Analysing prices based on average import values is done by calculating cost per tonne for each of the individual product categories. This gives a rough indication of the average import prices for a category. The results show that imports from developing countries are cheaper than imports from EU countries. Also, it is clear that, on average, import prices are decreasing steadily: however, this is fully the result of lower prices for DC imports, because the costs of intra-European imports have risen.

Market opportunities

It is clear that, at € 4.8 billion, imports from developing countries are being welcomed into the EU. However, during the past three years China has been the only developing country to significantly increase its imports to the European Union. It now supplies 92% of all imports from developing countries, up from 89% in 2001. The other countries have seen the value of their exports to Europe decrease for almost all product groups. The main prerequisite for exporting to the EU therefore is either the ability to compete with China on price or with European manufacturers on product and design quality.

INTRODUCTION

This CBI market survey profiles the toys and games market in the EU. The emphasis of this survey lies on those products, which are of importance to developing country suppliers. The role of, and opportunities for, developing countries are highlighted.

This market survey focuses on traditional toys and games and discusses the following product groups:

- Action figures and accessories
- Arts and crafts
- Construction sets
- Dolls
- Games and puzzles
- Infant and pre-school
- Learning and exploration
- Outdoor and sports
- Plush
- Vehicles
- All other toys

Video games are not covered, being only occasionally touched upon. Please note that in the statistics as supplied by Eurostat (CN nomenclature and Prodcom) a large part of toys product groups are registered under 'other toys', as a result of the limited number of individual statistical codes. It is therefore not possible to make a link between the product categories as used by NPD (used in chapter 1) and the statistics used in chapter 2 and 4.

For detailed information on the selected product groups, please consult appendix A. More information about the EU can be found in appendix B.

CBI market surveys covering the market in specific EU member states, specific product(group)s or documents on market access requirements can be downloaded from the CBI website. For information on how to make optimal use of the CBI market surveys and other CBI market information, please consult 'From survey to success - export guidelines'. All information can be downloaded from <http://www.cbi.eu/marketinfo>. Go to 'Search CBI database' and select your market sector and the EU.

1 CONSUMPTION

Section 1.1 presents data on consumption. Section 1.2 describes various market segments, while section 1.3 focuses on market trends and patterns of consumption. In section 1.4 opportunities for and threats to exporters in developing countries (DCs) are given. Regarding market data, prevalence is given to the NPD product categories as listed in Appendix A. The survey focuses on traditional toys, these offer most opportunities for DC exporters.

1.1 Market size

The past decade has resulted in radical change in the toy and game industry. The traditional toy industry has seen the increased use of electronics and the rise in popularity of the video game, the shift of production towards China, the concentration of power in the retail sector as well as among manufacturers.

The global market for traditional toys and games reached € 60 billion in 2005. The North American markets stagnated, while Asian markets, except for Japan, showed growth in recent years. The EU realised € 13.3 billion, an average annual growth of 1.3% from 2001 to 2005, and resulting in a stable share of the global market. Given the relatively weak economic climate during these years, the fierce competition of video games, the pressure on prices, and the decreasing number of kids, the growth of EU consumption is quite remarkable.

Table 1.1 shows consumption of traditional toys by the EU and the individual countries. As market data based on industry sources is not available for all countries, estimates have been made based on Prodcum calculations of apparent consumption.

The United Kingdom (UK) remained the market leader and France number two, followed by Germany, Italy and Spain. These top three countries represent 61% of all sales in the EU. Though Germany has more children, the United Kingdom has the highest sales as a result of a significantly higher expenditure per child. This is the result of lower average prices in Germany, the influence of the relatively poorer counties of former East Germany and a difference in types of products preferred.

Table 1.1 Consumption of traditional toys and games, 2001-2005, € million

	2001	2003	2005	Average annual change	Share
United Kingdom	2,670	3,017	3,163	4.3%	23.8%
France	2,450	2,598	2,606	1.5%	19.6%
Germany	2,443	2,404	2,260	-1.9%	17.0%
Italy	1,141	1,063	1,050	-2.1%	7.9%
Spain	768	820	864	3.0%	6.5%
Netherlands	572	581	545	-1.2%	4.1%
Belgium	316	323	320	0.3%	2.4%
Austria	321	317	319	-0.2%	2.4%
Sweden	318	337	306	-1.0%	2.3%
Ireland	242	263	279	3.6%	2.1%
Denmark	235	245	266	3.1%	2.0%
Poland	208	235	266	6.3%	2.0%
Finland	223	234	213	-1.2%	1.6%
Portugal*	192	198	190	-0.3%	1.4%
Greece*	206	201	186	-2.5%	1.4%
Hungary	64	68	81	6.1%	0.6%
Czech Republic	56	65	71	6.1%	0.5%
Romania	38	46	61	12.6%	0.5%
Slovenia*	34	46	49	9.6%	0.4%
Slovakia*	31	42	49	11.9%	0.4%
Cyprus*	28	29	32	3.8%	0.2%

	2001	2003	2005	Average annual change	Share
Bulgaria	10	20	32	32.3%	0.2%
Luxemburg*	30	30	29	-0.8%	0.2%
Lithuania*	14	17	18	5.9%	0.1%
Estonia*	10	12	16	12.6%	0.1%
Latvia*	8	8	13	13.6%	0.1%
Malta*	8	10	12	10.7%	0.1%
Total EU	12,636	13,228	13,294	1.3%	

Source: estimates based on figures from NPD Eurotoys and Eurostat Prodcum (2006)

*: Figures included adapted Eurostat Prodcum data for 2003 and 2005. All figures for 2001 are based on a combination of industry sources and Prodcum statistics.

Forecasts

A further growth of 2% is expected to have been realised for 2006 in the EU. It is forecasted that the next five years will show small growth. Growth will predominantly come from the new EU member states, where per capita expenditure is rising more strongly than the number of kids is decreasing. Visitors to the Hong Kong toys and Games Fair are quite optimistic about market developments in 2007; an average of 70% of buyers and exhibitors expects a better market in 2007 than in 2006. Especially Eastern and Central European markets are expected to grow, and, to a lesser the degree, those in the other EU countries.

1.2 Market segmentation

Type of product

The type of product offers a segmentation, which is often used in the toy industry. Figure 1.2 shows the EU consumption of toys and games per product category. Infant and pre-school toys are the largest product category, with 20% of total sales in 2005.

Product categories which are expected to see strong growth in the EU are learning and exploration, computer games, toys with electronic features in all categories, baby toys and dolls and plush. According to a survey held at the Hong Kong trade fair, there seems to be a difference in expectations between buyers and manufacturers. The former expect computer games and toys with electronic content to grow especially strong, while manufacturers have the largest confidence in growing sales in the learning category. It could be true that this will result in especially high turnover for toys combining the two elements, like V-Tech's V.Smile series of electronic learning toys. Both, however, are quite positive about babies toys and products (infant and pre-school category).

Table 1.2 Consumption of toys and games at retail prices, 2001-2005, € million

	2001	2003	2005	Avg. annual change	Share 2005
Infant and pre-school	2,098	2,275	2,606	5.6%	19.6%
Games and puzzles	1,681	1,839	1,928	3.5%	14.5%
Dolls	1,833	1,825	1,662	-2.4%	12.5%
Outdoor toys and sports	1,984	1,508	1,409	-8.2%	10.6%
Vehicles	1,491	1,376	1,250	-4.3%	9.4%
Construction sets*	n/a	556	957	31.3%	7.2%
Arts and crafts*	n/a	847	771	-4.6%	5.8%
Plush	733	741	758	0.8%	5.7%
Action figures and accessories	607	754	625	0.7%	4.7%
Learning and exploration*	n/a	225	226	0.2%	1.7%
All other toys	2,212	1,283	1,103	-16.0%	8.3%
Total traditional toys	12,638	13,228	13,294	1.3%	

Source: NPD Eurotoys (2006)

*: These categories were not separately registered in 2001.

Branded and unbranded toys

Most attention in the media is dedicated to the well-known brands, whereas an analysis is hardly ever made of the bulk of the market, unbranded or private-label toys. It is even hardly known which size of the market they occupy, although an estimate for the EU is over 50%. Most of the purchases involve these toys, which are in general below € 10, with the majority under € 5. While during the Christmas season, expensive branded toys are bought, the remainder of the year, unbranded toys enjoy the highest popularity. These are often bought on impulse, and their share of distribution through other trade channels is also much higher.

Age

The most important differentiation in market segments is based on age. Children's interests and possibilities develop during the years. This can be translated into different stages of development calling for different types of toys and games.

LeapFrog, an educationally oriented toy manufacturer, segments into four categories: 0-3 years, infant/toddler; 3-6 years, pre-school and kindergarten; 7-12 years, primary school; and 13-18 years, high school.

Age segmentation is present in the design of toys, but also in the way children are approached for promotional purchases. It should be kept in mind that, though advertising is predominantly aimed at kids, parents and grandparents are the predominant buyers of toys and games in all but the oldest segment.

European buyers at the Hong Kong trade fair forecast consumption growth for all age groups, with higher than average growth for the infants, 3-6 years and 6 to 10 years.

Gender

Of course, gender differences still remain: girls being more oriented towards caring, glamour and fashion, boys towards power, adventure (good versus evil) and technology. However, gender lines have become much more fluid and products can bridge gender differences. The high-tech Robosapien was more popular among girls than boys in the United Kingdom. In Germany, 84% of all girls own a doll, 83% a plush animal, and 75% a puzzle. Lego sets are popular with boys. Of all boys, 87% has one, 79% owns an electric car racing set, and 66% a puzzle. The amount of girls with a Lego set, or boys with a doll is not given.

Ethnographic differences

In the past 30 years, many cultures from all over the world have settled in Europe. These groups are partly blended into mainstream culture, and partly form pockets of smaller international cultures within countries and cities. Apart from distribution outlets storing products from, or similar to, the products in countries of origin, products are slowly starting to appear on the market which cater to groups different to those of the traditional white European child, an example being coloured dolls. There are numerous possibilities to cater for non-mainstream segments which are left behind by the large companies, however it does take some creativity and an active approach to the market.

1.3 Trends

Demographic trends

Of course the age of a kid is the most important determinant in the kind of toys and games found interesting. As such, demographics are of great importance to the toy industry. In 2005, the EU was populated by a total of 80 million kids up to 14 years of age. The past years, the youth population has been declining with 1% per year, or 750,000 kids. This decline is strongest in Eastern Europe, whereas in a number of West European countries fertility rates have stabilised or improved during the past years. Given the present trend, the number of kids is expected to continue to decrease during the next five years. Based on the present size of the 0-4 years group, compared to the 10-14 years group, a drop of a further 2.5 million kids is

expected. Thereafter, lower annual decreases are to be expected as birth rates are improving in the new member states as well as in the older member states.

Table 1.3 Age groups 0 - 14 years, 2001 - 2005, thousands of kids

Age group:	2001	2003	2005	Average annual change	2005 share
0 - 4 years	25,282	25,200	25,326	0.0%	32.1%
5 - 9 years	26,831	26,041	25,707	-1.1%	32.6%
10 - 14 years	29,741	29,080	27,923	-1.6%	35.4%
Total 0 - 14 years	81,854	80,321	78,956	-0.9%	

Source: Eurostat (2007)

Figure 1.4 below shows the number of kids in the EU member states. Germany has the highest child population of the EU, though it is almost overtaken by France, which has seen its child population grow, compared to a considerable downfall in Germany. It is clear that the strongest demographic changes are occurring in the East European countries, with large annual decreases of around 3% in many countries.

Table 1.4 Kids in the EU per country, 0-14 years, thousand of kids 2001-2005

	2001	2003	2005	Average annual change	Share
Germany	12,698	12,289	11,787	-1.8%	15%
France	11,600	11,641	11,681	0.2%	15%
United Kingdom	11,108	10,931	10,807	-0.7%	14%
Italy*	8,116	8,169	8,259	0.4%	10%
Poland	7,167	6,692	6,283	-3.2%	8.0%
Spain	5,950	6,100	6,291	1.4%	8.0%
Romania	3,931	3,637	3,398	-3.6%	4.3%
Netherlands	2,988	3,013	2,997	0.1%	3.8%
Czech Republic	1,643	1,572	1,514	-2.0%	1.9%
Sweden	1,626	1,605	1,572	-0.8%	2.0%
Hungary	1,676	1,620	1,567	-1.7%	2.0%
Greece	1,638	1,605	1,596	-0.7%	2.0%
Portugal	1,640	1,647	1,646	0.1%	2.1%
Belgium*	1,805	1,800	1,793	-0.2%	2.3%
Austria	1,352	1,334	1,318	-0.6%	1.7%
Bulgaria	1,199	1,125	1,060	-3.0%	1.3%
Slovakia	1,020	960	907	-2.9%	1.1%
Denmark	1,000	1,015	1,017	0.4%	1.3%
Finland	934	924	911	-0.6%	1.2%
Ireland	828	837	856	0.9%	1.1%
Lithuania	673	621	573	-4.0%	0.7%
Latvia	400	365	335	-4.3%	0.4%
Slovenia	310	295	285	-2.1%	0.4%
Estonia	238	220	205	-3.6%	0.3%
Cyprus	154	148	142	-1.9%	0.2%
Malta	77	74	70	-2.2%	0.1%
Luxembourg	84	85	85	0.5%	0.1%
Total EU27	81,854	80,321	78,956	-0.9%	

Source: Eurostat (2007)

*: estimate for 2005

An interesting trend is the focus of the industry on older people in order to develop new target groups. The German toy fair in Nuremberg even made it a top-theme during the trade fair. A

study was published charting the demands of people of 40 years and older, highlights from the study being available online at <http://www.spielwaremesse.de/index.php?id=575>. Of course, the development of this group offers interesting potential given the number of people and their affluence.

Spending per kid

The average amount spent on kids in the EU27 was € 168 for traditional toys in 2005. In the countries of the former EU15, the average amount was € 202 for traditional toys and an additional € 62 for video games. Spending in the new EU member countries is significantly lower, with € 40 per kid per year on traditional toys. Spending on toys in the Luxembourg, the United Kingdom, Ireland, and Denmark, is the most per kid with an annual average of over € 250. The spending per kid has a strong correlation with disposable income; however, cultural aspects are also important.

Table 1.5 Spending per age group, in % of total consumption

	0-3 years old	4-11 years old	12+ years old
United Kingdom	31%	60%	9%
France	36%	57%	7%
Germany	27%	61%	12%
Italy	29%	64%	7%

Source: NPD Group Worldwide (2005)

The number of kids in a family has a strong impact on the amount of money spent on toys per child. Expenditure per child drops particularly in families with more than two children, because of financial restraints, and the availability of toys already in the household. It is not uncommon that families with two kids spend more on toys totally than families with three kids. As the average family size has decreased significantly, and in most countries is still decreasing, this has a positive impact on the per-child expenditure.

Purchasing

The mother still is primarily responsible for purchasing toys. She buys just under 80% of the toys in the family, more specifically: she buys 75% of all the toys for boys and 78% of all the toys for girls. The father more easily buys toys for his sons (21.6%) than for his daughters (17.2%). The influence of the growing number of divorces does not, as yet, show in these statistics, the above percentage having been relatively stable for the past 5 years. A present day couple has a 40% chance to divorce.

Kids Getting Older Younger

It is a trend which is causing the industry considerable worry. There even exists an acronym for it KGOY, Kids Getting Older Younger. "Tweens," kids ages eight to twelve, are the ones most affected. These kids are being shaped by the three "m's": movies, music and the microchip. They lose interest in traditional toys quickly and profess to mature quickly. Some analysts claim that girls lose their interest in traditional toys at the age of 9 years and then move on to teen-products like clothes, make-up and accessories, while boys continue to remain boys until 12 to 13 years. In terms of consumption, it results in lower sales for the higher age groups, and consequently, a higher share of sales for infant and pre-school products. Furthermore, it points towards a trend that toys, which used to be suitable for kids of a certain age, are nowadays likely to be played with by kids two to four years younger.

Seasonal expenditure

In all European countries, the final quarter of the year is the most important season for gifts and, as such, for the sales of toys and games. The Christmas season starts in October and results in almost 60% of annual sales in the final quarter, with almost 50% reached in the final two months. The rest of the year's sales are relatively similar per month. During the Christmas season, kids mostly receive expensive branded toys, while the rest of the year parents are more likely to buy cheaper unbranded or private label products.

According to a study by NPD and Duracell, kids on average receive 7 toys at Christmas time, for a total budget of € 140 including video games. In recent years, customers have tended to buy their Christmas gifts later than before, leading to anxious moments for retailers and manufacturers in slow weeks in November and December. This makes it more difficult to plan production and organise logistics.

"The great profusion of new and updated products aimed at the Christmas market means that retailers often delay stocking up until the last minute. Consumers, too - especially boys, for some reason - also hedge their bets until a playground consensus emerges. The net result, says Ms Plumridge of Tomy, is that much of the real business is done only in the last two weeks before the big day - and some retailers risk running short of the hottest products." (BBC, <http://news.bbc.co.uk/1/hi/business/3720144.stm>)

Impulse purchases

Birthday gifts are responsible for 17% of consumption. Only 5% of toys is given without a specific reason at all. Italian people do not plan as much as Germans, 50% of their toy purchases are spontaneous, whilst in Germany 74% is planned; France is in between with 57% spontaneous purchases.

Product trends

Licensed toys drive market growth

Licences are key for the toy business: they are high profile, draw a lot of attention to the brand or manufacturer and, over the years, they have generated most of the biggest best-sellers. They play a very important part in toy sales in each of the countries surveyed but it is in the UK that they have always had the biggest impact. However, licensing products are growing strongly in southern Europe: Italy, Spain and France. Still, in the other countries licensing is on the increase as well, a trend which will continue over the next decade. Licensing prospers in the present-day climate, where the presence of media in every day life continues to grow, leading to more available characters and merchandise objects, and in which production facilities have been removed from strategy and marketing departments.

It is calculated that at present 25% of all EU toy sales concerns licensed toys and games. In the USA this is already 50%, and it is expected that in Europe this share will continue grow as well. Trends in licensing include the direct sales of licensed products to retailers, especially large retail chains. The popularity of licensed characters often follows television programmes and movies. Harry Potter, Shrek 3, Asterix, Spiderman and Pirates of the Caribbean are popular licenses for 2007. Though often international, licenses can have a strictly national appeal, as is shown with the enormous popularity in the UK of Doctor Who, from a BBC series.

Electronics are incorporated in toys in all product categories

The presence of electronics in toys these days is overwhelming, to the extent that one analyst claimed that kids wonder what is wrong when a doll does not respond when it is being pressed. The application of electronics ranges from traditional toy products being re-designed with electronic features (such as the doll making a sound when being pressed), or new toys in which the electronics form the core function, as is for instance the case in the widely popular V-Tech products or Robosapien and Tamagotchi. At present, electronic educational toys are being developed widely, again in traditional formats, like a doll which helps in acquiring language, to dedicated modules for educational play. However, more than half of the parents (52%) think that electronic toys diminish the imagination of kids. Spending on games and consoles is likely to rocket in 2007 with introductions of new consoles and games.

Educational toys still in favour of parents

Parents and grandparents are always interested in purchasing toys which will both educate and entertain their children. Learning toys continue to grow with new product introductions from LeapFrog, Mattel and its Fisher-Price brand, and Vtech. Learning toys represented about 24% of the total infant/pre-school category in 2005. Given the number of new items and retail

space devoted to on-shelf, try-me demonstration kiosks, this category is sure to expand in the years ahead.

Tim Patten, marketing director of the Early Learning Centre, said: "Once children reach seven, the game is up. They watch television, take cues from school friends and know what they want to play with. Up until then, parents and grandparents decide what toys to buy and increasingly they are choosing things that are fun yet have some educational value." (Scotsman.com, <http://news.scotsman.com/topics.cfm?tid=632&id=387912005>)

Outdoor toys to combat overweight kids

As kids are getting weightier, parents are increasingly interested in buying toys which stimulate physical activity. In Italy 36% of all kids is overweight, in the United Kingdom 20%, in France 19%, and Germany 14%. Parents want to get their kids out of the television room or away from the computer and therefore look for toys and games which stimulate exercise. This results in a growing demand for outdoor toys and games and sports products. It includes trampolines, bikes, beach toys, products for ball games, and playground equipment. Roller skates, however, seem to have lost their attraction.

Wooden toys have consolidated their market share

Wooden toys have become a classic in the kid's room and will remain part of the range in the toy retail trade. This is also assured by the great skill of the toy designers, who constantly manage to give wooden toys the charm that makes them so agreeably different from other product groups. After soaring sales in the nineties, sales of wooden toys are now stable. Many parents still believe in the educational and creative quality of wooden toys. The present market share is therefore expected to remain stable in the near future. This holds especially true for the northern European countries. There, wooden toys form a completely different segment, sold predominantly through shops specialised in the wooden toys only.

Fair trade can offer additional opportunities

In Europe, there is a reasonable number of people interested in buying products which are known to qualify as fair trade. These are sold through Fair Trade Shops or are labelled as such. Though at the moment mostly focused on food products, a shift is being made to include more non-food items as well. The Dutch Fair Trade Shops stock a decent amount of toys. This segment can be interesting, as it offers specific distribution outlets and often professional or financial support. It is, however, necessary to comply with the demands which are defined as Fair Trade in terms of environmental matters and human resource management.

- European Fair Trade Organisation - <http://www.european-fair-trade-association.org>
- FLO-I, Fairtrade Labelling Organisation International - <http://www.fairtrade.net>
- IFAT, International Fair Trade Association - <http://www.ifat.org>
- Fair Spielt - <http://www.fair-spielt.de> - German language, but also English language publications.

Various products trends

- Continued popularity of pretend-play or imitation toys, latest additions being garden equipment toys from Gardena.
- Poker sets are enormously popular with teenagers, following the strong television presence of poker games.
- Multi-player and webpage environments where kids can meet schoolmates online have been popular. Money is made through advertising and by offering various degrees of membership and the possibility to buy elements to decorate the online rooms and lifestyle.
- Classic toys and games are being rejuvenated, for instance, Mattel has re-launched Scrabble in a more contemporary fashion.
- Indoor games such as board games and puzzles have a stable market share.

Through the websites of the various national competitions for 'game of the year' it is possible to get a good indication of product developments and trends. See the CBI market surveys for individual countries, giving website addresses.

1.4 Opportunities and threats

- + The average consumption per kid continues to increase, especially in Eastern and Central Europe. This is partly offset by lower numbers of kids.
- + The discount and private label segments offer the best options for new exporters to enter the EU market.
- + Parents continue to favour learning and educational toys, especially in Northern Europe.
- + Toys with electronic functions are still enormously popular with kids.
- + Toys and games inducing kids to be physically active are very popular with parents.
- + Games, especially board games, are receiving renewed attention, also from an older audience who like the social aspects.
- + Production of licensed characters is expected to increase. The production of licensed toys offers opportunities for manufacturers with a track record of quality, though it often calls for an initial investment in order to obtain the licence.
- + Green consumerism and Fair Trade is still on the rise, offering possibilities for products within that category and fulfilling the requirements posed.
- The increased fashion-like characteristics of the market make it much more difficult for toymakers to market their product, as the market response and sales are more difficult to predict.
- The design of the product is extremely important, calling for experience and high quality work. This is true for the product itself as well as the box and marketing materials. It is important to be aware of European designs standards. Colour preferences are very important as they often symbolically rank the products' worth, just as the type of images can draw different groups of customers.

1.5 Useful sources

- Toy Industries of Europe (TIE) - <http://www.tietoy.org> - sector information and news, statistics, and regulations can all be found on this website by EU toy manufacturers.
- International Council of Toy Industries (ICTI) - <http://www.toy-icti.org> - the website of ICTI contains international statistics, guidelines for business practice and other industry information.
- Hong Kong Trade Development Council - <http://toys.tdctrade.com> - site set up by the Hong Kong Trade Development Council in order to stimulate trade originating in Hong Kong. The site offers much useful information on exporting in general, but also for toys specifically. As Hong Kong is a buoyant trade centre for toys and games, the information is mostly of good quality. Various languages.
- NPD - <http://www.npd.com> - largest, syndicated provider of market information.
- Gresea - http://users.skynet.be/gresea/NW_faceCacheDuJouet_sept04.pdf - analysis of the toy industry from a Fair Trade perspective in French.

Names and websites of national organisations are given in the individual country reports.

2 PRODUCTION

2.1 Size of production

Total production in 2005 reached € 5 billion according to TIE-Toy, the European association of toy manufacturers. The figure includes the 25 members of the EU, before the accession of Romania and Bulgaria. No production figure is available from this source regarding EU25 production in 2001, but for the then-15 EU member states, it was € 4.6 billion. This implies an average annual increase of 2% compared to 2001. This growth can be attributed to the 10 new member states. Less than 15% of production originates in the EU; China leads with over 70%.

Though world production is increasing, it is expected that EU production will at best stabilise at the present level. However, a more negative scenario is more likely, because most industry sources expect lower production values during the next five years, as more production is being shifted to Asia. The exception will be Eastern Europe, which will profit from outsourced production from the larger West European countries, though this will not be on a massive scale as the region is not likely to be able to compete easily with China.

Table 2.1 shows the officially available Prodcom data as supplied by Eurostat. It should be kept in mind that the data derived from the Prodcom system differ from figures as supplied by industry sources. The product categories used are similar to the HS codes and, as such, differ from the market categories. Furthermore, the data are not always present, as is shown in the table below where The Netherlands and Belgium do not have all data present. Even so, the data is included as it can point to several trends within countries or product groups.

Table 2.1 Production of toys and games, per country, 2001-2005, € million

	2001	2003	2005	Avg. change	Share 2005
Italy	667	874	983	10.2%	35.1%
Germany	924	1,008	860	-1.8%	30.7%
France	359	460	366	0.5%	13.1%
Spain	502	421	289	-12.9%	10.3%
Belgium	-	115	129	-	4.6%
Poland	-	100	53	-	1.9%
United Kingdom	143	171	48	-23.9%	1.7%
Denmark	27	27	30	2.9%	1.1%
Hungary	18	17	11	-11.3%	0.4%
Romania	7.0	7.5	7.8	2.7%	0.3%
Finland	5	7	6.8	8.4%	0.2%
Bulgaria	-	-	6.6	-	0.2%
Lithuania	0.3	0.2	2.5	70.6%	0.1%
Czech Republic	9.9	5.5	2.2	-30.9%	0.1%
Portugal	2.7	4.0	2.2	-5.1%	0.1%
Austria	35	-	0.5	-65.9%	0%
Estonia	0.2	0.8	0.4	18.1%	0%
Latvia	0.0	0.1	0.1	47.0%	0%
Greece	0.6	2.2	-	-	0%
Ireland	6.8	4.5	-	-	0%
Netherlands	-	-	-	-	0%
Slovakia	0.0	-	-	-	0%
Slovenia	-	-	-	-	0%
Sweden	54	11	-	-	0%
Total EU	2,760	3,236	2,798	0.3%	

Source: Eurostat Prodcom (2006)

Germany lost its lead in 2005 with production falling to € 860 million, from a peak of € 1 billion in 2003. Italy made good progress in 2005, when its average annual growth rate reached 10%. It is the only large country registering such an increase.

The European Union has 2,000 manufacturers active in the toys and games industry. Most of these are small and medium-sized enterprises. Only 5% of the companies has a turnover of more than € 40 million. The toy industry directly employs nearly 100,000 people in the European Union. 80% of toy companies has less than 50 employees. There are some regional concentrations like the Jura in France, the province of Alicante in Spain and the Black Forest in Germany. There are also toy industries in some regions in the new EU member states.

Table 2.2 shows production figures derived from Prodcom for the various product categories. The largest product categories were as follows: other toys (44% share in 2005, +1.3% average annual change since 2001); models and trains (16.4%, -3.1%); outdoor (11.7%, -4.3%); learning (9.3%, +128.9%).

Individual product groups accounting for strong growth of consumption were: metal miniatures models (7.6% share in 2005, +94.5% average annual change since 2001); plastic figures (1%, +25.1%); other puzzles (2.1%, +24.6%); toys of textile materials (0.3%, +11.2%).

Production of wooden toys constituted 3.5% of total production in 2005, decreasing -1.7% during the past four years. The various plastic toys groups made up 40.4%, an annual change of -0.3%, the share of plastic toys being much lower than for the consumption of toys, where it reaches 70%. This indicates a dependence on imported plastic toys.

Table 2.2 Production of toys and games, 2001-2005, € million

	2001	2003	2005	Average annual change	Share 2005
Models and trains	518	587	457	-3.1%	16.4%
Outdoor	391	417	328	-4.3%	11.7%
Learning	9	336	259	128.9%	9.3%
Games and puzzles	113	129	156	8.4%	5.6%
Plush	157	144	109	-8.9%	3.9%
Construction sets	99	110	84	-4.1%	3.0%
Dolls	193	155	65	-23.8%	2.3%
Animal and fantasy	55	55	60	1.9%	2.1%
Motorised toys	56	40	47	-4.0%	1.7%
Mechanical toys	-	-	-	-	0.0%
Other toys	1,168	1,262	1,232	1.3%	44.0%
Total traditional toys	2,760	3,236	2,798	0.3%	

Source: Eurostat Prodcom (2006)

2.2 Trends

As indicated above, European production consists of several very large and dominant multinational companies like Hasbro and Mattel and, furthermore, many small sized manufacturing companies. The large companies are sourcing most of their production in Asia and the new EU member states in Eastern Europe, similar to the large retail chains which source a fair percentage of their inventory directly.

Global sourcing in the toys industry practically means sourcing in Asia, in China. As a result of their increasing skills in production management, the Chinese have drawn the attention of all producers and buyers in the toy industry. This offers Chinese manufacturers many possibilities, as they find themselves the focus of worldwide attention. Still, competition within China is also very strong and the economic boom of the past ten years is presently making labour more

expensive as well as draining resources. This implies a fierce battleground for manufacturers from other countries. At present, the European and American buyers go to China, not any other country. This is visible in import statistics as well. Other options include collaboration with smaller sized European manufacturing companies, which are looking for expansion of production facilities.

Many of the young toy manufacturing companies in the EU are actually not manufacturers. They are toy developers and only design and market toy products, outsourcing all production like in the IT industry. This trend is especially clear in the United Kingdom, examples being Vivid Imaginations and Character Options.

Innovation

The toy industry has become a fashion business, making it almost impossible to predict what is going to be big. According to Mattel's president, Neil Friedman, "Innovation is key in the toy industry and to succeed one must create a 'wow' moment for kids by designing toys that have fun, innovative features and include new technologies and engaging content." (Playthings) In the UK market in 2005, over 300 of the 500 best-selling toys were new products.

Products and materials

Plastics remain the dominant material used for the production of toys. About 76% of materials used are plastics. Metal alloys form 10%, cloth 3% and paper 3%. The remaining 10% consists of other materials.

Alliances between toy manufacturers and electronics companies are expected to be formed in order to combine the expertise of both parties.

Production strategies

Independent toy manufacturers in developing countries can use several strategies for entering export markets. Below, the dominant ones are given.

- OEM - original equipment manufacturing. Production for the large branded toy companies.
- ODM - original design manufacturing, when manufacturers add designs or design improvements to products. This is especially the case when supplying unbranded and private label products to retail chains and buying organisations.
- OBM - own brand manufacturing. Larger production companies in particular are increasingly exploring the possibilities to develop a brand, in order to profit from the higher margins which can be achieved under such a strategy. Successful examples include WowWee from Hong Kong, famous for their Robosapien series; and V-Tech, known for their range of electronic pre-school learning tools like the V.Smile series.

There seems to be a natural development from OEM to ODM to OBM, as production companies evolve. Quite often, activities are mixed, using the stable demand of OEM products as a basis, while optimising returns with higher-margin activities.

As a next step, Chinese companies have recently increased their international presence by acquiring reputed European companies themselves.

Regulations

The increased electronic content of toys leads to more regulations being applicable. EU regulations 2002/96/EG (WEEE) concerning electrical and electronic products and regulation 2002/95/EG (ROHS) concerning hazardous materials in electronic products are of importance.

For information on legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select toys and games and the EU in the category search, click on the search button and click on market access requirements.

2.3 Opportunities and threats

- + A continued trend towards outsourcing by European producers. New toy companies are even more likely not to consider doing the manufacturing themselves.
- + Contract manufacturing of product ranges and private labels for distributors and retail chains is an important and growing segment.
- + Innovation is critical. Kids are extremely sensitive to fashions.
- Competition from China remains extremely strong. The large number of Chinese manufacturers furthermore causes European buyers to focus all of their attention on China, making it more difficult for manufacturers in other countries to be noticed.
- Extra competition from the new EU member states.

2.4 Useful sources

- Prodcom - <http://fd.comext.eurostat.cec.eu.int/xtweb/> - online available production statistics
- HKTDC - <http://previewtoys.tdctrade.com/content.aspx?contentid=168023> - article on market strategies of toy manufacturers
- Toy Industries of Europe (TIE) - <http://www.tietoy.org>
- International Council of Toy Industries (ICTI) - <http://www.toy-icti.org>
- NPD - <http://www.npd.com> - largest, syndicated provider of market information.
- LicenseMag - <http://www.licensemag.com> - information about licensed characters

Names and websites of national organisations are given in the individual country reports.

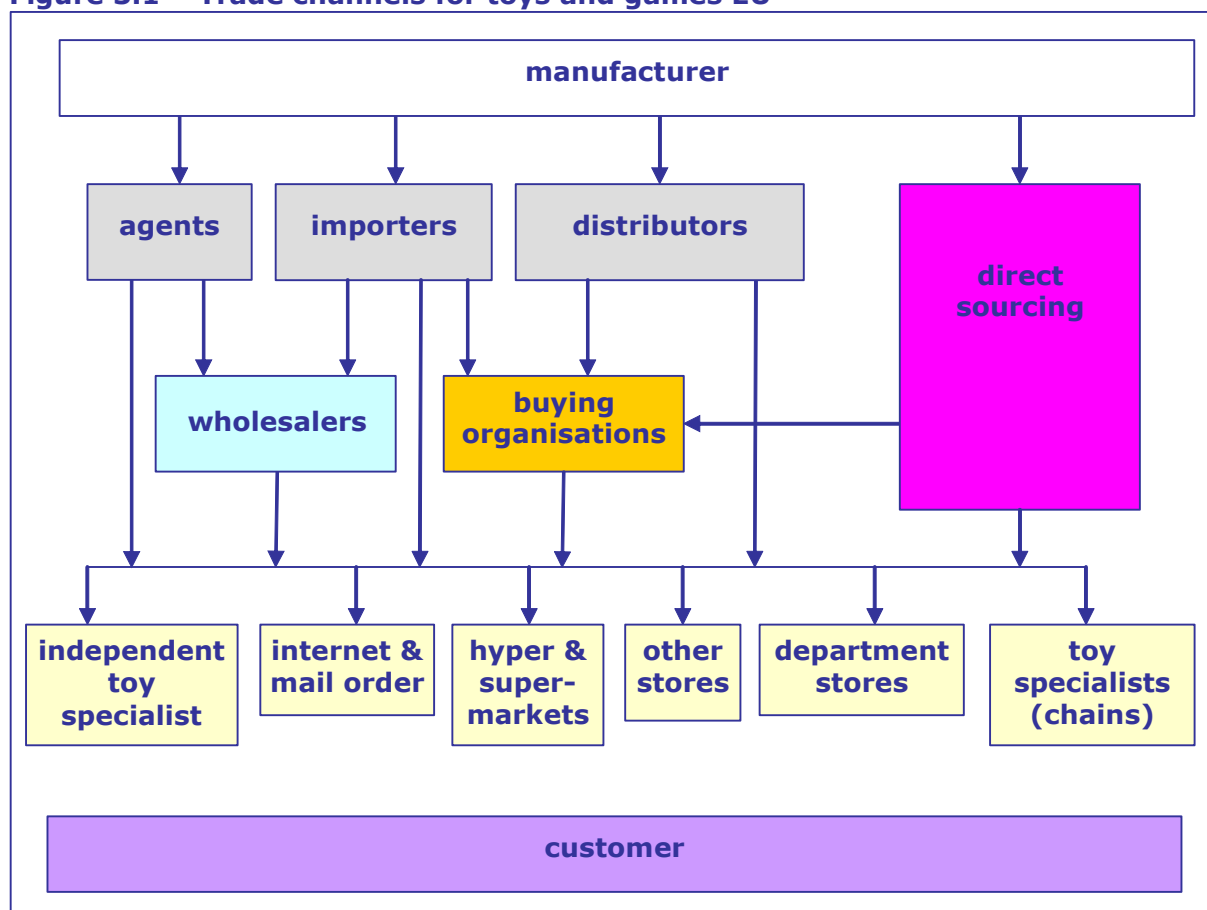
3 TRADE CHANNELS FOR MARKET ENTRY

This chapter offers a description of the various trade channels and analyses which are most suitable for exporters in developing countries. Furthermore, insight is given into the price structure and margins common in the EU market.

3.1 Trade channels

The trade channels for toys and games in the European Union have been changing considerably in the past ten years. The most important change has been the increased economies of scale and centralisation of power within the retailers. Specialist stores which used to be dominated by small, local and independent shops are giving way to large chains and franchise formulas. Furthermore, food retail chains and discounters have increased the product range and part of the market. Third, and most recent, is the growth of video games and consoles which has brought electronics stores into the arena and has strengthened the position of non-specialist retailers.

Figure 3.1 Trade channels for toys and games EU



Agents

Agents are used by exporting companies to market their products in the export market. An agent works with retailers and end-users to promote the company's products; agents will frequently request exclusive representation. Agents are protected by a number of laws. If a manufacturer of toys wishes to terminate his business relationship with his agent prior to the expiration of the contract, the agent must first be contacted and given the opportunity to improve his performance. If the manufacturer still wishes to end the relationship after these steps have been followed, the agent has the right to retain the names of all contacts, clients, and related sales information. The manufacturer may purchase this information from the agent, but it is often very expensive. Lastly, the manufacturer could often owe the agent a

severance payment ranging from one to two years of the agent's anticipated future commissions. Therefore, decision regarding an agent should not be taken without considerable deliberation and legal advice.

Manufacturers' agents

One of the most important forms of intermediaries are the manufacturers' agents. These are not hired by exporters, but by European toy companies to source their production.

Manufacturing agents generally have offices in the EU and in Asia, mostly China (mainland or Hong Kong), and specialise in helping European companies to source materials and products and to locate the most suitable local factories for their demands. (For more information Playthings - <http://www.playthings.com/article/CA493857.html?stt=001>)

Importers and distributors

Technically these two have different roles, but the two functions have become mixed, though they do still exist separately as well. These days, distributors often also act as importers. In general, companies which only act as an agent or importer, are focused at the lower end of the market, while distributors hold a variety of branded products in their portfolio. Distributors purchase products from the manufacturer and, as such, take much more risk than an agent. He has to stock the product, takes credit and currency risks and is responsible for marketing and after-sales service. They often demand exclusivity. Distributors work on a contract basis, but have a strong legal position. The information and know-how remains their property and they control the way a product is marketed. Importers and distributors have a share of 40% of the import market.

Wholesalers

Wholesalers function as a distribution point for smaller toys specialist stores and non-specialist stores. Their role is stronger in the East European countries with a less developed and consolidated distribution structure than in Western Europe.

Central buying associations

Central buying associations are set up to let independent store owners profit from the additional powers of organisation of a larger group. This is beneficial in terms of buying power vis-à-vis manufacturers or suppliers of services, but also for marketing strategy, and promotional efforts for private label products. Central buying associations can be set up co-operatively by store owners themselves or set up as a business itself. Normally, store owners have to pay a small percentage of their turnover to the buying association, or this is incorporated in the price of the products. Buying associations also develop custom brands and private labels.

Direct sourcing

Direct sourcing by retail chains is much more prevalent these days, as a result of increased concentration of market power. In general terms, industry sources estimate that about 50% of all toys entering the EU are sourced directly by large chains; this includes buying groups.

Trends in the distribution chain

- Internationalisation of distribution companies is growing, though international consolidation is still quite limited. Only few distribution companies really operate internationally, and even fewer have considerable market share in more than one country.
- Growing role for manufacturers' agents, especially for non-specialised direct sourcing companies, like food companies wanting to use small toy gifts.
- Increase of vertical integration in the distribution chain.
- Toys are increasingly being sold as promotional items to companies, opening a new B2B segment.

Retail trade

Below, the various retail categories as used by the NPD Group Worldwide are listed with their share of the trade in the EU.

Table 2.1 Retail distribution of toys, share in % per channel

	2001	2003	2005	Average annual change
Toy specialists	30.5%	37.0%	36.2%	4.4%
Mass merchants / discount stores	22.2%	23.6%	24.0%	2.0%
General merchandise	14.4%	12.9%	13.2%	-2.2%
Department stores	7.1%	6.6%	6.5%	-2.2%
Mail order / Internet	6.3%	4.5%	3.9%	-11.3%
Other	19.6%	15.4%	16.2%	-4.7%

Source: NPD (2007 and earlier)

Toy specialists

Shops which only, or predominantly, stock toys and games. These can be chains or individual shops. Individual shops often work together in an association to increase their buying power. Chains can have a very dominant market position and often source their products directly. In Germany, the UK, Spain and The Netherlands, specialised toy retailers are the main channel for toys and games. The direct sourcing chains play an important role, are often trend-setters and deal with large volumes. Some examples of these major chains are the shops associated with the buying group Vedes (Germany and expanding into other countries), Toys 'R' Us (several EU countries), Blokker (The Netherlands). They all source directly from manufacturers in, for example, Asia. They have their own buyers who visit manufacturers and meet them personally at fairs.

Hypermarkets and supermarkets

Super/hypermarkets play an important role in the distribution of toys and games to the consumer. In France and Italy, hypermarkets are the most important channel, followed by specialised toy retailers. Super- and hypermarkets often buy centrally as well, and are increasingly importing directly. Examples include Carrefour (France), Auchan (France), Tesco (UK), Metro group (Germany). Already more international than toy retail chains, many of these West-European hypermarket chains have expanded successfully into Eastern Europe, and are aggressively taking a large share of the market.

General merchandise

Urban non-toys specialists are aggregated under general merchandise. These include book shops, CD shops, small generalists, and small groceries, i.e. Woolworth's (UK).

Department stores

Department stores often carry a substantial toys assortment. They include stores like El Corte Ingles (Spain), Karstadt (Germany), Galeries Lafayette (France), Bijenkorf (Netherlands).

Mail order and Internet sales (distance selling)

Mail order is most popular in Germany, the United Kingdom and France. By using general purpose or specialist catalogues and, more recently, through the Internet, people can order products and get them delivered. In 2003, the largest mail-order companies in the world were Otto (Germany), KarstadtQuelle (Germany), and Redcats (Scandinavia/France). Their respective turnover was respectively € 14.3 billion, € 7.8 billion, and € 4.6 billion. The Otto Group sells in 19 countries in Europe, North America and Asia via 600 different catalogues, the Internet and CD ROMs.

All other

All other includes all other stores, ranging from cash & carry's, to street markets, children's clothes stores, maternity stores, petrol stations and newsagents, but also Fair Trade stores.

Trends

- Consolidation in the retail channel has strengthened the position of the retailer in relation to the manufacturer. In the United Kingdom, consolidation in combination with a strong penetration of private-label toys has led Lego to open Lego shops.
- There is a trend towards toy super stores in a number of countries like France and Sweden.
- Markets are still mostly local. It is only in Eastern Europe, that especially hypermarket chains have become a dominant transnational market forces.
- The role of toy catalogues as published by retailers is decreasing, as internet becomes a primary source of information. This, of course, excludes television, which is presently the most important influence in shaping kids minds about toys.

Distribution channels for developing country exporters

Intermediaries play a more important role for exporters of developing countries than for European manufacturers. The distribution system of European manufacturers is generally more sophisticated than that of developing countries. Possible distribution channels for developing countries' exporters therefore include:

- importers, distributors and wholesalers
- agents
- fair trade
- contract manufacturing.

The most likely partner for a DC exporter is an importing distributor or wholesaler. Especially in a larger country, there are many of these. Typically, they can be differentiated in three groups: the top-level importer dealing with recognized international brands; the smaller professional importer/distributor who takes his business very seriously, loves high-quality toys, has many contacts and aims for long-lasting relationships; the small, more opportunity-oriented importers, who take chances as they come and who will make an effort only if they expect a profit.

Using an agent is an option if no distributor can be found. It is, however, a less preferred option as distributors have more access to the trade channels and play a more important role in the marketing of the toys. Still, an agent can be important when entering a market.

Another possibility is the Fair Trade channel. Especially in Germany, the Nordic countries and The Netherlands, Fair Trade products are becoming more and more popular. The Fair Trade organisation imports directly from organisations of craftsmen and farmers with sound social policies, located in developing countries. All the products are purchased at a fair price and under fair conditions. Producers can also receive intangible support, when, for example, they wish to improve their products and their production methods. Good working conditions and environmental awareness are important. No children are exploited in the production of Fair Trade articles. It strives to ensure that women profit proportionately from honest trade as well. It also sells toys and games, but their share is relatively small. Refer to <http://www.fairtrade.nl> or <http://www.fairtrade.de> for more information.

Direct sales to large retail chains occurs as well, although intermediaries tend to keep playing an important role for developing countries exporters. Other less common possibilities are contract manufacturing and strategic alliances. Some exporters in developing countries have tried to establish such a joint venture in the EU, but, so far, they have all failed.

Of course, the channel which will suit your company is dependent on your product characteristics. The first category will not be applicable. The second category can be of interest if you have a well-defined and well-designed line of products which offers opportunities once established in a market. The last category is the least secure, because they will trade you in for another supplier easily, you are only in business as long as of direct interest. Still, these companies are often the ones needed for making an initial market entrance.

According to sources in industry, exporters in developing countries must meet some specific conditions in order to be able to supply the EU market:

- They must be trustworthy, build up a relationship, maintain the relationship through regular communication.
- If a product is manufactured for a client, it should not be offered to other clients in the same or almost same design.
 - They must be able to produce to the exact specifications of the customer.
 - They must be able to supply the products at a desired time.
 - The product has to meet Toy Safety regulations.
 - The product has to meet ICTI-regulations on social conditions at manufacturing plants.

3.2 Price structure

Contrary to open markets such as those for flowers or vegetables, the toys and games sector is not very transparent. The price depends on:

- order volume
- brand name
- competition
- added value
- quality
- length of the distribution channel.

Table 3.1 Margins

	Margin range	Median margin	Price
			Base is 100
Agents	5-15%	10%	110
Importing distributors	25-40%	30%	143
Wholesalers	20-40%	30%	186
Retail (higher for specialists, lower for discounters)	50-100%	80%	335

Depending on the length of the chain and the number of intermediaries, prices and margins will vary, as every link in the chain will add a mark-up. According to sources in industry, importers of toys and games usually work with margins of 20 to 40% of the price of the goods supplied to their customers, but this will definitely vary per country. An agent normally works on a commission basis, which depends on volumes and nature of the goods. In general, agents in the toy industry charge between 5 and 15 percent.

Hyper/supermarkets generally add a margin between 50% and 100% on top of the prices. It is important for exporters to know that hyper/supermarkets usually work with large volumes and therefore demand discounts from suppliers. Direct sourcing chains which buy directly from manufacturers tend to squeeze their suppliers in terms of price. In general, the corresponding volumes are huge. On the other hand, both parties need each other. Therefore, long-term relationships are strived for more and more. Trust and reliability on quality and logistics are important for the buyer. The producer has the advantage of being certain of the order and the corresponding volumes.

Rule of thumb

To get an indication of margins and prices, exporters can use the following rule of thumb. Divide the retail price of toys and games by four to get the approximate producer's FOB level. If exporters can produce the product at or below that level, manufacturing and marketing the product is worth considering. If not, evaluate your options very carefully before entering foreign markets.

3.3 Useful sources

Directories

- ToyDirectory.com - <http://www.toydirectory.com> - a wholesale buyer's guide for the toy and hobby industry. Over 26 thousand registered retailers, though mostly situated in the USA.
 - Exim Infotek - <http://www.eximinfo.com> - directory of European importers of all types
- For more national directories, see the market surveys for individual countries.

Trade press

Useful information regarding the distribution of toys and games in a country can be found in trade magazines. The largest trade magazines are grouped in the International Toy Magazines Association (ITMA). ITMA members include:

- Giochi & Giocattoli - Italy - <mailto:mario.vespucci@sferagroup.it> - bi-monthly - 6,200 copies
- Juguetes y Juegos - Spain - <http://www.juguetesyjuegos.com> - bimonthly - 4,000 copies
- Toys 'n' Playthings - United Kingdom - <http://www.toysnplaythings.co.uk> - monthly - 4,000 copies.
- Toy News - <http://www.toynewsmag.com> - UK news portal covering all aspects of the British toy industry, including statistics and analysis from NPD.
- British Toys and Hobbies - <mailto:admin@btha.co.uk>.
- Speelgoed & Hobby - Netherlands - <http://www.gebra.nl> - monthly - 3,400 copies.
- Das Spielzeug - Germany - <http://www.meisembach.de> - monthly - 8,200 copies.
- La Revue du Jouet - France - <mailto:mcsoyeux@etai.fr> - 18 times per year - 3,000 copies.
- Leksaks Revy - Sweden - <mailto:per.sparre@leksakshandlarna.se> - bi-monthly - 1,200 copies.

Trade leads and marketplaces

The Internet is used increasingly as a platform where international buyers and sellers of products meet. These trade leads offer an extra medium for exporters of toys and games to get in touch with potential business partners. There are country and sector-specific trade leads, freely available or restricted to members. It is more or less a meeting place.

A marketplace is more extensive than a trade lead site and offers members the possibilities of for instance meeting, trading, dealing, offering, doing transactions, logistic services and/or joint buying. An example is ToySource, where manufacturers, intermediaries and buyers meet.

- ToySource - <http://www.toysource.com> - international marketplace
- Infomagos - <http://www.infomagos.com> - a business-to-business platform where Spanish suppliers of toys and games offer their products. It was founded at the end of 2001 by the major manufacturers, Chambers of Commerce and the main industry association.
- Alibaba - <http://www.alibaba.com> - famous Chinese market place; exporters can join for free and post their offers.

Fair Trade

- NEWS!, Network of European World Shops - <http://www.worldshops.org/>

Digging for gold

Download the CBI publication 'Digging for gold - Internet as a source for marketing information'. It has many techniques for doing internet research, and lists many useful websites.

- <http://www.cbi.eu/marketinfo> → 'search CBI publications' → export manuals

4 TRADE: IMPORTS AND EXPORTS

Focusing on the imports of toys and games, it should be noted that all statistics must be treated with great caution and are only intended to give an indication of trends and of the relative importance of individual importing countries, rather than giving accurate data. Please note that as a result of data unavailability, the figures in section 4.2 do not include Bulgaria and Romania.

4.1 Total EU imports

Total imports of traditional toys and games by the EU27 amounted to € 9.2 billion in 2005, an average annual increase of 4.3% since 2001. This is the result of slowly increasing consumption and decreasing EU production.

Imports are largely sourced in developing countries (DC), supplying 52% of all imports. Of this, almost 92%, originates in China. Intra-EU imports form the second largest group with 42%, however, this includes some substantial re-exports, especially from The Netherlands, Belgium and Germany. Noteworthy is the fact that intra-EU imports have increased more strongly than imports from other regions; even China had lower growth. This has led to a slightly smaller share for the latter.

Table 4.1 shows that Germany is again surpassed by the United Kingdom as the largest import market in the EU, after recently having acquired this position. Almost all countries saw imports increase during the past four years. Only Slovenia and Cyprus registered a decrease. Two digit growth was realised in a number of countries, especially in Eastern Europe, like the Czech Republic, Hungary, Latvia and Slovakia. A similar performance was achieved in Denmark and Finland. In most countries, import growth is much stronger than the growth of consumption, indicating a weakened position of local manufacturers.

Table 4.1 Total imports of traditional toys and games in the EU, 2001-2005, € million

	2001	2003	2005	Avg. annual growth	Share of total	Share DC imports
Total imports	7,816	8,609	9,237	4.3%		
Intra-EU	2,936	3,625	3,831	6.9%	41.5%	
Extra-EU, ex DC	596	588	576	-0.9%	6.2%	
DC imports	4,284	4,396	4,830	3.0%	52.3%	
- of which from China	3,828	3,984	4,438	3.8%	48.1%	
United Kingdom	1,616	1,617	1,675	0.9%	18.1%	73.3%
Germany	1,395	1,670	1,610	3.6%	17.4%	46.6%
France	1,215	1,279	1,289	1.5%	14.0%	39.8%
Italy	680	740	828	5.1%	9.0%	71.3%
Spain	510	621	689	7.8%	7.5%	66.0%
Belgium	575	642	658	3.4%	7.1%	50.9%
Netherlands	539	560	576	1.7%	6.2%	60.4%
Denmark	183	242	284	11.6%	3.1%	38.8%
Austria	206	244	245	4.5%	2.7%	14.5%
Sweden	171	169	188	2.4%	2.0%	42.7%
Ireland	129	139	183	9.1%	2.0%	19.2%
Poland	0	0	178	-	1.9%	46.3%
Czech Republic	70	89	165	24.1%	1.8%	30.4%
Greece	105	122	135	6.6%	1.5%	53.7%
Portugal	127	145	133	1.2%	1.4%	16.7%

	2001	2003	2005	Avg. annual growth	Share of total	Share DC imports
Hungary	68	80	114	13.7%	1.2%	23.8%
Romania	63	79	70	2.8%	0.8%	30.0%
Finland	36	37	56	12.2%	0.6%	55.2%
Slovakia	22	24	35	12.3%	0.4%	18.6%
Bulgaria	17	17	22	6.6%	0.2%	33.8%
Slovenia	29	26	22	-6.3%	0.2%	0.4%
Luxembourg	13	14	18	7.8%	0.2%	62.1%
Cyprus	16	16	16	-0.1%	0.2%	26.3%
Lithuania	11	10	15	8.7%	0.2%	47.9%
Latvia	7	8	11	13.1%	0.1%	17.3%
Estonia	7	8	11	9.8%	0.1%	30.4%
Malta	7	11	9	6.3%	0.1%	14.1%

Source: Eurostat (2007)

4.2 EU imports per product group

In 2005, imports for the various product categories were: other toys (share of 31%, +7.7% average annual growth); construction sets (10%, +17%); plush (10%, -1.9%); models and trains (9.4%, +4.9%); dolls (8%, -4.8%); outdoor (7.7%, +0.3%); motorised toys (5.9%, +7.7%); mechanical toys (5.4%, +5.5%); animal and fantasy figures (5.4%, +3%); games and puzzles (3.7%, +1%); learning (2.9%, +0.1%).

Not taken into account above, are the imports of video games, which increased by an annual average of 7.3% for the past 4 years. Imports in 2005 equalled € 3.2 billion.

The imports of all wooden toys increased by 2.3% on average for the past 4 years. With € 117 million, wooden toys now account for imports as of 1.3% of all traditional toys sold. The imports of plastic toys increased by 6.5% on average for the past 4 years. Total imports of plastic toys were € 4.1 billion (44%) in 2005.

The following paragraphs highlight imports of each of the statistical product categories. For information about imports per product group in individual member states, please refer to the respective market survey.

Other toys

Other toys is the largest product category. Sales of other toys grew 7.7% on average during the past four years to € 2.9 billion in 2005. Because the category is made up of different products not classified or registered in more specific product groups, it is not possible to draw specific conclusions from these figures. The main suppliers were China, Germany and The Netherlands, though the latter share is exaggerated by re-exports.

The largest DC supplier was China with a 51% share in 2005; second was Thailand (0.7%); third Vietnam (0.2%). The highest growth was realised by Albania with 17% average annual growth between 2001 and 2005; second was China (7%); and third Indonesia (2%). The largest EU supplier was Germany with a 10% share in 2005; second was Netherlands (7.6%); third France (4.1%). Best performing intra-EU suppliers were Belgium with 16% average annual growth between 2001 and 2005; Netherlands (16%); and Germany (16%).

Non-mechanical toys (main suppliers China and The Netherlands) and toys in sets (China and Germany) made up the majority of this category with imports of € 1.2 billion and € 1 billion respectively, both showing growth during the past four years. Largest growth was realised by rubber toys (China and Poland), growing by an average 14% for the past four years.

The largest importer was United Kingdom, with 21% of imports (+6%). Second was Germany, with 15% of imports (+5%). Strong growth was realized by most of the new EU member states and Spain (+11%) and Ireland (+11%). Apart from Luxembourg, none of the EU countries showed a decline.

Table 4.2 EU imports and main suppliers of other toys, 2001-2005, € million, supplier share as percentage of total

Other toys	2001	2003	2005	Avg. annual growth	Share of total	Main suppliers
Total EU	2,149	2,572	2,890	7.7%		
Intra-EU	843	1,123	1,224	9.8%	42.4%	Germany (9.7%); Netherlands (7.6%); France (4.1%); Belgium (3.9%); United Kingdom (3.1%);
Extra-EU, ex DC	108	136	138	6.3%	4.8%	Hong Kong (1.7%); USA (1%); Taiwan (0.9%); Israel (0.4%); Switzerland (0.4%)
DC imports	1,197	1,314	1,527	6.3%	52.8%	China (51%); Thailand (0.7%); Vietnam (0.2%); Indonesia (0.2%); Mexico (0.2%); Malaysia (0.2%); Sri Lanka (0.1%)

Source: Eurostat (2007)

Construction sets

Construction toys are now ranked second on the import list, growing spectacularly from € 499 million in 2001 to € 948 million in 2005. Denmark (Lego), Germany and France are the main suppliers. This is the result of the growing popularity of construction toys, as well as the renewed success of Lego after several hard years.

The largest DC supplier was China with an 11% share in 2005; second was Thailand (0.2%); third Morocco (0.2%). The highest growth was realised by Morocco with 385% average annual growth between 2001 and 2005; second was Vietnam (77%); and third Ukraine (36%). The largest EU supplier was Denmark with a 29% share in 2005; second was France (11.3%); third Germany (17.3%). Best performing intra-EU suppliers were Germany with 57% average annual growth between 2001 and 2005; Czech Rep. (43%); and Denmark (38%).

Almost all countries showed growth of imports during the period covered. The largest importer was Germany, with 32% of imports (+35%). Second was France, with 15% of imports (+20%). Apart from East European countries, strong growth was realised by Spain (+51%).

Construction sets of plastics was the largest product group with sales of € 841 million, achieving an average annual growth of 18.9% between 2001 and 2005, leading suppliers were Denmark and Switzerland, both of which have Lego production facilities. It was followed by construction sets of wood: € 56 million, +3.5%, main suppliers China and Germany; third was other construction sets: € 35 million, +14.7%, main suppliers China and Ireland.

Table 4.3 EU imports and main suppliers construction sets, 2001-2005, € million, supplier share as percentage of total

	2001	2003	2005	Avg. annual growth	Share of total	Main suppliers
Total EU	499	692	948	17.4%		
Intra-EU	262	460	686	27.2%	72.3%	Denmark (29%); Germany (17%); France (11%); Belgium (4.4%); Czech Rep. (3.6%)
Extra-EU, ex DC	186	164	149	-5.4%	15.7%	Switzerland (13%); Canada (1.1%); USA (1%); Hong Kong (0.26%); Taiwan (0.2%)
DC imports	51	68	114	22.4%	12.0%	China (11%); Morocco (0.24%); Thailand (0.21%); Indonesia (0.1%); Malaysia (0.1%);

						Sri Lanka (0.1%); Vietnam (0%); Belarus (0%); Ecuador (0%); Tunisia (0%)
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Source: Eurostat (2007)

Plush

Sales of plush toys dropped by 2% on average during the past four years to € 921 million in 2005. This is lower than average import growth. It is the result of the decreasing popularity of plush toys in the EU, evident in an average annual consumption drop of 5.5%. China and Germany were the largest suppliers.

The largest DC supplier was China with a 70% share in 2005; second was Indonesia (1.8%); third Vietnam (1.8%). The highest growth was realised by Belarus with 9% average annual growth between 2001 and 2005; second was China (-2%); and third Tunisia (-4%). The largest EU supplier was Germany with a 6% share in 2005; second was Belgium (5%); third The Netherlands (3.9%). Best performing intra-EU suppliers were The Netherlands with 9% average annual growth between 2001 and 2005; Germany (6%); and Belgium (5%).

The largest importer was United Kingdom, with 22% of imports (-8%). Second was Germany, with 17% of imports (-4%).

Table 4.4 EU imports and main suppliers of plush toys, 2001-2005, € million, supplier share as percentage of total

	2001	2003	2005	Avg. annual growth	Share of total	Main suppliers
Total EU	995	940	921	-1.9%		
Intra-EU	198	213	211	1.6%	23.0%	Germany (6.1%); Belgium (5%); Netherlands (3.9%); United Kingdom (2.3%); France (1.6%)
Extra-EU, ex DC	14	16	17	5.2%	1.8%	Hong Kong (1.1%); USA (0.3%); South Korea (0.2%)
DC imports	782	711	693	-3.0%	75.2%	China (70%); Indonesia (1.8%); Vietnam (1.8%); Thailand (0.5%); Sri Lanka (0.4%); Tunisia (0.3%); Mauritius (0.2%); Philippines (0.1%); India (0.1%); Belarus (0.1%)

Source: Eurostat (2007)

Models and trains

Imports of trains and models increased in 2005 to € 866 million from € 715 million in 2001. The highest growth was realised in 2002 and 2003, after which imports stabilised. The most important suppliers were China and Germany.

The largest DC supplier was China with a 45% share in 2005; second was Thailand (1.9%); third Malaysia (0.7%). The highest growth was realised by Turkey with 30% average annual growth between 2001 and 2005; second was Mexico (29%); and third Tunisia (27%). The largest EU supplier was Germany with a 14% share in 2005; second was Italy (3.1%); third Austria (3.1%). Best performing intra-EU suppliers were France with 25% average annual growth between 2001 and 2005; The Netherlands (17%); and the United Kingdom (9%).

The most important product group was metal miniatures models (main suppliers China and Germany), with 42% of category imports. Growth equalled 6.5%. The second largest group was electric trains on scale (Germany and China), with 15%.

The largest importer was Germany, with 21% of imports (-1%). Second was United Kingdom, with 17% of imports (+4%).

Table 4.5 EU imports and main suppliers of models and trains, 2001-2005, € million, supplier share as percentage of total

	2001	2003	2005	Avg. annual growth	Share of total	Main suppliers
Total EU	715	846	866	4.9%		
Intra-EU	320	396	364	3.3%	42.1%	Germany (14%); France (4.2%); Netherlands (3.6%); United Kingdom (3.3%); Austria (3.1%)
Extra-EU, ex DC	92	89	89	-0.9%	10.3%	Hong Kong (2.8%); Taiwan (2.1%); Japan (2%); USA (2%); South Korea (0.8%)
DC imports	302	361	412	8.1%	47.6%	China (45%); Thailand (1.9%); Malaysia (0.7%); Philippines (0.5%); Vietnam (0.4%); Ukraine (0.1%); Mauritius (0.1%); Mexico (0.1%)

Source: Eurostat (2007)

Dolls and doll accessories

Imports of dolls reached a peak during 2000 and continued to drop since then. First, imports of non-plastic dolls were fell, but now plastic dolls are showing a decrease as well, albeit much less than non plastic. Main suppliers are China, The Netherlands and Germany. Indonesia also plays a sizeable role.

The largest DC supplier was China with a 63% share in 2005; second was Indonesia (3.7%); third Vietnam (0.1%). The highest growth was realised by Guatemala with 23% average annual growth between 2001 and 2005; second was Mauritius (17%); and third India (11%). The largest EU supplier was Germany with a 5% share in 2005; second was The Netherlands (6.5%); third Spain (3.9%). Best performing intra-EU suppliers were Denmark with 12% average annual growth between 2001 and 2005; United Kingdom (12%); and The Netherlands (11%).

The most important product group was dolls of plastic (main suppliers China and Germany), with 72% of category imports. Growth equalled -1.8%. The second largest group was dolls non-plastic, with 12%, the main suppliers being China and The Netherlands.

The largest importer was United Kingdom, with 19% of imports (-9%). Second was Germany, with 15% of imports (-7%). All ten of the largest importing countries showed a decrease in imports, varying from 12% to 5%.

Table 4.6 EU imports and main suppliers of dolls and doll accessories, 2001-2005, € million, supplier share as percentage of total

	2001	2003	2005	Avg. annual growth	Share of total	Main suppliers
Total EU	903	847	740	-4.8%		
Intra-EU	234	292	223	-1.3%	30.1%	Netherlands (6.5%); Germany (5.4%); France (4.1%); Spain (3.9%); United Kingdom (2.4%)
Extra-EU, ex DC	24	17	18	-6.9%	2.4%	Hong Kong (1.4%); USA (0.5%); Japan (0.1%); Taiwan (0.1%)
DC imports	645	538	500	-6.2%	67.5%	China (63%); Indonesia (3.7%); Croatia (0.3%); Thailand (0.2%); Vietnam (0.1%); Mauritius (0.1%); India (0.1%); Philippines (0.1%); Guatemala (0.1%)

Source: Eurostat (2007)

Outdoor

Imports of outdoor toys remained fairly stable during 2001 and 2005, however, this was the effect of contrasting tendencies in the individual product groups. Inflatable balls imports grew

very fast, while roller skates decreased by an equal pace. The most important suppliers were China, Pakistan, The Netherlands and Germany.

The largest DC supplier was China with a 38% share in 2005; second was Pakistan (9.6%); third Thailand (2.7%). The highest growth was realised by Vietnam with 18% average annual growth between 2001 and 2005; second was Mexico (18%); and third India (7%). The largest EU supplier was Italy with a 7% share in 2005; second was Germany (7.2%); third Netherlands (7.8%). Best performing intra-EU suppliers were Sweden with 31% average annual growth between 2001 and 2005; Belgium (21%); and The Netherlands (16%).

The most important product group was ride-ons (main suppliers China and Spain), with 38% of category imports. Growth equalled 2.3%. The second largest group was inflatable balls (Pakistan and China), with 39%. Imports of inflatable balls increased from € 260 million to € 404 million during the period reviewed.

The largest importer was Germany, with 18% of imports (-3%). Second was France, with 15% of imports (-7%).

Table 4.7 EU imports and main suppliers of outdoor toys, 2001-2005, € million, supplier share as percentage of total

	2001	2003	2005	Avg. annual growth	Share of total	Main suppliers
Total EU	706	676	714	0.3%		
Intra-EU	286	312	313	2.3%	43.8%	Netherlands (7.8%); Germany (7.2%); Belgium (6.8%); Italy (6.6%); France (5.9%)
Extra-EU, ex DC	46	27	21	-17.4%	3.0%	Taiwan (1.7%); Hong Kong (0.5%); USA (0.4%); Israel (0.1%); South Korea (0.1%)
DC imports	374	338	380	0.4%	53.2%	China (38%); Pakistan (9.6%); Thailand (2.7%); India (2.4%); Vietnam (0.3%); Mexico (0.1%); Philippines (0.1%); Indonesia (0.1%); Turkey (0.1%)

Source: Eurostat (2007)

Motorised toys

Imports of motorised toys grew from € 409 million to € 550 million in the period reviewed, an impressive annual increase of 7.7%. Leading suppliers are China (67%) Germany, Belgium and The Netherlands, with an additional role for Malaysia.

Regarding developing countries suppliers, the highest growth was realised by Cameroon with 154% average annual growth between 2001 and 2005; second was Vietnam (67%); third Philippines (58%). Best performing intra-EU suppliers were Austria with 57% average annual growth between 2001 and 2005; Belgium (32%); Italy (27%).

Of the two product groups included in this category, the dominant product group was motorised toys of plastic, with 85% of category imports. Leading suppliers were China and Malaysia. Growth equalled 5.7%. The other group in this category was motorised toys not of plastic, with the remaining 15%. Next to China, Germany was the second supplier for this group. Both categories have seen sales increasing.

The largest importer was United Kingdom, with 20% of imports (+4%). Second was Germany, with 17% of imports (+8%). Most of the EU countries registered an import growth during the period covered, with highest growth achieved by the Czech Republic (25% annual growth), Italy (20%); and Ireland (17%).

Table 4.8 EU imports and main suppliers of motorised toys, 2001-2005, € million, supplier share as percentage of total

	2001	2003	2005	Avg. annual growth	Share of total	Main suppliers
Total EU	409	508	550	7.7%		
Intra-EU	84	112	115	8.0%	20.9%	Germany (4.8%); Belgium (4.4%); Netherlands (3.2%); Italy (1.8%); France (1.6%)
Extra-EU, ex DC	20	31	43	21.2%	7.7%	Taiwan (2.8%); Hong Kong (2.3%); Japan (1.2%); USA (0.7%); South Korea (0.5%)
DC imports	305	365	392	6.5%	71.4%	China (67%); Malaysia (3.8%); Philippines (0.4%); Thailand (0.4%); Vietnam (0.1%)

Source: Eurostat (2007)

Mechanical toys

Imports of mechanical toys increased by 5.5% annually for the past four years, leading to total imports of just under € 500 million.

The largest DC supplier was China with a 57% share in 2005; second was Thailand (0.3%); third Malaysia (0.1%). The highest growth was realised by the Philippines with 44% average annual growth between 2001 and 2005; second was Vietnam (37%); third Turkey (22%). The largest EU supplier was Italy with a 11% share in 2005; second was Germany (5%); third Belgium (5%). Best performing intra-EU suppliers were Denmark with 34% average annual growth between 2001 and 2005; United Kingdom (23%); Belgium (20%).

The largest importer was Italy, with 19% of imports (+10%). Second was Belgium, with 15% of imports (0%).

Table 4.9 EU imports and main suppliers of mechanical toys 2001-2005, € million, supplier share as percentage of total

	2001	2003	2005	Avg. annual growth	Share of total	Main suppliers
Total EU	401	512	497	5.5%		
Intra-EU	197	210	189	-1.1%	37.9%	Italy (11%); Belgium (5.4%); Germany (4.7%); United Kingdom (4%); Netherlands (3.1%)
Extra-EU, ex DC	22	20	16	-8.2%	3.1%	Hong Kong (1.3%); USA (0.59%); Israel (0.6); Taiwan (0.4%)
DC imports	182	282	293	12.6%	58.9%	China (57%); Thailand (0.26%); Vietnam (0.2%); Mexico (0.1%); Malaysia (0.1); Turkey (0.1); India (0.1); <0.1%: Colombia; Philippines; Chile

Source: Eurostat (2007)

Animal and fantasy

Imports of animal and fantasy figures grew during the period under review, from € 440 million to € 495 million in 2005. The largest DC supplier was China with a 57% share in 2005; second was Thailand (1%); third Tunisia (0.9%). The highest growth was realised by Turkey with 34% average annual growth between 2001 and 2005; second was Tunisia (32%); and third Sri Lanka (4%). The largest EU supplier was Germany with a 7% share in 2005; second was United Kingdom (6.4%); third The Netherlands (4.8%). Best performing intra-EU suppliers were Hungary with 64% average annual growth between 2001 and 2005; The Netherlands (17%); and the United Kingdom (16%).

The most important product group was plastic figures (China, Germany), with 81% of category imports. Growth equalled 4.2%. The second largest group was other figures (China, United Kingdom), with 14%.

The largest importer was United Kingdom, with 23% of imports (+2%). Second was Germany, with 14% of imports (-3%). Italy and Denmark showed high average annual growth during the period covered, with 13% and 16% respectively.

**Table 4.10 EU imports and main suppliers of animal and fantasy figures
2001-2005, € million, supplier share as percentage of total**

	2001	2003	2005	Avg. annual growth	Share of total	Main suppliers
Total EU	440	446	495	3.0%		
Intra-EU	142	170	172	4.8%	34.7%	Germany (7.2%); United Kingdom (6.4%); Netherlands (4.8%); Belgium (3.3%); France (2.9%)
Extra-EU, ex DC	15	22	25	14.7%	5.1%	Hong Kong (3.1%); USA (0.7%); Japan (0.7%); Taiwan (0.2%); Switzerland (0.2%)
DC imports	284	254	298	1.3%	60.2%	China (57%); Thailand (1%); Tunisia (0.9%); Vietnam (0.5%); Indonesia (0.3%); Sri Lanka (0.1%); Turkey (0.1%); Philippines (0.1%); Croatia (0.1%)

Source: Eurostat (2007)

Games and puzzles

Games and puzzles only showed a minor growth in imports, 1% on average during the past four years. The largest DC supplier was China with a 20% share in 2005; second was Thailand (0.3%); third Malaysia (0.2%). The highest growth was realised by Vietnam with 105% average annual growth between 2001 and 2005; second was Brazil (27%); and third China (17%). The largest EU supplier was The Netherlands with a 21% share in 2005; second was Belgium (11.5%); third Germany (13.6%). Best performing intra-EU suppliers were Romania with 61% average annual growth between 2001 and 2005; Czech Rep. (30%); and Germany (18%).

Playing cards remained the most important product group (The Netherlands and Belgium), with 54% of category imports, even although imports for the product group decreased by an average annual 3.1%. The second largest group was other puzzles, with a 36% share, registering a growth of 7.7%.

The largest importer was Germany, with 21% of imports (+6%). Second was United Kingdom, with 15% of imports (+5%).

**Table 4.11 EU imports and main suppliers of games and puzzles
2001-2005, € million, supplier share as percentage of total**

	2001	2003	2005	Avg. annual growth	Share of total	Main suppliers
Total EU	330	315	344	1.0%		
Intra-EU	243	221	226	-1.8%	65.5%	Netherlands (21%); Germany (14%); Belgium (11%); Czech Rep. (4%); UK (3.2%)
Extra-EU, ex DC	46	51	45	-0.5%	13.2%	USA (10%); Taiwan (0.9%); Hong Kong (0.8%); Canada (0.4%); Norway (0.3%)
DC imports	41	43	73	15.4%	21.3%	China (20%); Thailand (0.3%); India (0.2%); Malaysia (0.2%); Brazil (0.1%); Sri Lanka (0.1%); Vietnam (0.1%); Indonesia (0.1%); Turkey (0.1%); Argentina (0.1%)

Source: Eurostat (2007)

Learning

Though consumption of learning toys has been increasing continuously for the past years, this does not show in import statistics. This is properly due to categorisation problems, as only a few statistical codes are available for learning toys and, therefore, many products are registered under different categories, like other toys.

The largest DC supplier was China with a 50% share in 2005; second was Thailand (1.1%); third India (1.7%). The highest growth was realised by Vietnam with 193% average annual growth between 2001 and 2005; second was Croatia (123%); and third Sri Lanka (25%). The largest EU supplier was Belgium with a 8% share in 2005; second was Italy (5.8%); third The Netherlands (6.6%). Best performing intra-EU suppliers were Germany with 9% average annual growth between 2001 and 2005; France (6%); and The Netherlands (3%).

The most important product group was musical instruments, with 52% of category imports. Growth equalled -1%. The second largest group was picture and drawing books, with 48%.

The largest importer was United Kingdom, with 23% of imports (-3%). Second was France, with 15% of imports (-7%).

**Table 4.12 EU imports and main suppliers of learning toys
2001-2005, € million, supplier share as percentage of total**

	2001	2003	2005	Avg. annual growth	Share of total	Main suppliers
Total EU	270	254	271	0.1%		
Intra-EU	126	116	110	-3.4%	40.4%	Belgium (8.2%); Netherlands (6.6%); Italy (5.8%); Germany (5.1%); United Kingdom (3.9%)
Extra-EU, ex DC	23	16	14	-11.9%	5.0%	Hong Kong (2.8%); Singapore (0.8%); USA (0.5%); Taiwan (0.2%); Switzerland (0.2%)
DC imports	121	123	148	5.1%	54.5%	China (50%); India (1.7%); Thailand (1.1%); Sri Lanka (0.7%); Malaysia (0.3%); Indonesia (0.2%); Vietnam (0.2%); Croatia (0.1%); Philippines (0.1%)

Source: Eurostat (2007)

Special focus: Wooden toys

The imports of the aggregated category of wooden toys showed a decline of 0.2% annually for the period covered. Largest suppliers were China, The Netherlands, Germany.

As the largest DC supplier, China achieved an average annual growth of 4.6%. The second largest DC supplier saw imports decrease by 5%. Morocco showed tremendous growth from € 2 thousand to € 1.2 million, though it is unclear whether this is the result of statistical errors. Strong growth was further realised by Sri Lanka (+21% annually). Important EU suppliers like Germany (+4%); Belgium (+13%) and Spain (14%) all saw their role grow during the past four years. Especially hard hit, however, were most of the East European countries, which apart from the Baltic states, saw their imports decrease by 20-40% annually.

The largest importer was United Kingdom, with 19% of imports (-6%). Second was Germany, with 15% of imports (-4%).

**Table 4.13 EU imports and main suppliers of wooden toys
2001-2005, € million, supplier share as percentage of total**

	2001	2003	2005	Avg. annual growth	Share of total	Main suppliers
Total EU	224	234	222	-0.2%		
Intra-EU	98	109	84	-3.9%	37.7%	Intra-EU: Netherlands (8%); Germany (7.6%); Belgium (4.5%); Spain (4%); France (3.6%)
Extra-EU, ex DC	14	10	5	-21.4%	2.5%	Hong Kong (0.8%); Switzerland (0.6%); Taiwan (0.4%); Israel (0.2%); USA (0.2%)
DC imports	112	115	133	4.5%	59.8%	DC*: China (54%); Thailand (2.1%); Sri Lanka (1.1%); Morocco (1%); Indonesia (0.6%); Vietnam (0.1%); Philippines (0.1%); Ecuador (0.1%)

Source: Eurostat (2007)

Special focus: Plastic toys

Surprisingly, the share of DC countries in the supply of plastic toys is below the EU average of 52.3%. This is mostly due to the low position of the other DC countries, whereas China achieved a similar share as for the total imports of traditional toys and games. However, this runs contrary to the accepted belief that all plastic toys are sourced in Asia. The share is even below the share of China in the imports of wooden toys.

The largest DC supplier was China with 48% of imports and an average annual growth of 5.3%, just below the category average. Second was Indonesia with 0.73% and third Malaysia with 0.5%. The latter two did not perform very well. Indonesia had a growth of 1.7%, which was reasonable, but below the total growth; Malaysia showed an average annual decline of 12%. DC countries with strong growth were Tunisia with 31% and Turkey with 30%. This points towards a trend of increased imports from closer-by locations. This is furthermore evidenced by the growth present in imports from EU countries which average 11% as whole, with even better performance by Denmark (+34%); Germany (+19%). Danish growth again can be attributed to the increased popularity of Lego.

The largest importer was United Kingdom, with 17% of imports (+3%). Second was Germany, with 18% of imports (+10%).

**Table 4.14 EU imports and main suppliers of plastic toys
2001-2005, € million, supplier share as percentage of total**

	2001	2003	2005	Avg. annual growth	Share of total	Main suppliers
Total EU	3,145	3,684	4,049	6.5%		
Intra-EU	1,153	1,529	1,747	10.9%	43.1%	Germany (8.6%); Denmark (7.8%); France (5.5%); Netherlands (4.8%); Belgium (3.7%)
Extra-EU, ex DC	333	318	290	-3.4%	7.2%	Switzerland (2.8%); Hong Kong (1.5%); USA (0.9%); Taiwan (0.7%); Japan (0.4%)
DC imports	1,658	1,837	2,012	5.0%	49.7%	China (48%); Indonesia (0.7%); Malaysia (0.5%); Thailand (0.2%); Vietnam (0.2%); Philippines (0.1%); Tunisia (0.1%); Mexico (0.1%); Croatia (0.1%)

Source: Eurostat (2007)

4.3 The role of the developing countries

Imports from developing countries continued to increase. Developing countries together supplied to a value of almost € 5 billion in 2005, which was 39% of all imports of traditional toys and games into the EU. The United Kingdom is the most important customer of developing countries, with a total value of almost € 1.2 billion in 2005. It is followed by Germany, which imported € 750 million from developing countries, a decrease during the period covered. Italy grew to a number three position, up 7.5% annually during the past four years. Imports of The Netherlands and Belgium are significantly overstated due to the ports of Rotterdam and Antwerp, which are both favoured ports of transit for Chinese trade to the European mainland.

Table 4.15 Imports of traditional toys and games from developing countries, 2001-2005, € million

	2001	2003	2005	Avg. annual growth	Share of total
Total imports from DC	4,284	4,396	4,830	3.0%	
United Kingdom	1,173	1,137	1,227	1.1%	25.4%
Germany	769	772	750	-0.6%	15.5%
Italy	442	526	590	7.5%	12.2%
France	570	474	513	-2.6%	10.6%
Spain	321	373	455	9.1%	9.4%
Netherlands	318	319	348	2.3%	7.2%
Belgium	264	310	335	6.1%	6.9%
Denmark	75	99	110	9.9%	2.3%
Poland	-	-	82	-	1.7%
Sweden	72	67	80	2.9%	1.7%
Greece	57	68	73	6.3%	1.5%
Czech Republic	34	45	50	10.3%	1.0%
Austria	25	31	36	9.0%	0.7%
Ireland	29	27	35	4.6%	0.7%
Romania	12	14	31	27.6%	0.6%
Hungary	27	34	27	0.5%	0.6%
Portugal	26	22	22	-4.1%	0.5%
Finland	22	22	21	-1.1%	0.4%
Bulgaria	5	7	11	19.9%	0.2%
Slovenia	7	8	8	0.4%	0.2%
Lithuania	7	7	7	-0.5%	0.2%
Slovakia	11	13	7	-11.4%	0.1%
Cyprus	9	10	4	-17.2%	0.1%
Estonia	4	5	3	-3.3%	0.1%
Latvia	2	2	2	1.6%	0.0%
Malta	3	3	1	-16.4%	0.0%
Luxembourg	0	2	0	0.0%	0.0%

Source: Eurostat (2007)

Imports from developing countries per product group

The tables in section 4.2 show imports from developing countries of the individual product categories and the trends in imports from developing countries. Almost all product groups show an increase, though the pace has been tempered.

The tables clearly show the product groups for which there is strong local European production. Those are the groups in which the penetration of DC imports is still under 30%, like construction toys (12%) and games and puzzles (21%). However, even in these product groups DC imports have made their way, as is clear from very strong growth figures of DC imports.

Developing countries: source countries

Still, although imports from developing countries are rising, the outlook is not positive. Only China seems to profit from the present trend of outsourcing production. China not only outperforms every other country: it is the leader in every product group and, on its own, responsible for 92% of all imports originating in developing countries. Other countries which supply imports of some size are mostly South or Southeast Asian, like India and Pakistan; Thailand, Indonesia, Vietnam, Philippines, Malaysia. Their role differs per product group.

4.4 Exports

Exports of traditional toys reached € 4.6 billion in 2005, an increase of 2.1% between 2001 and 2005. The exports of the various product categories were: other toys (33.4% share in 2005, +0% average annual change between 2001 and 2005); construction sets (12.3%, +20.7%); models and trains (11.8%, -1.5%); outdoor (8.8%, -2.1%); plush (7.2%, +0.9%); dolls (5.8%, -7.6%); animal and fantasy figures (4.8%, +0.3%); mechanical toys (4.6%, -0.1%); games and puzzles (4.2%, -8.5%); motorised toys (3.7%, +2.4%); learning (3.4%, -6.3%);

Exports of wooden toys reached € 121 million in 2005, reflecting a decrease of 3.6% between 2001 and 2005. Exports of the various plastic toys reached € 1891 million in 2005, an increase of 6.7% between 2001 and 2005.

Table 4.15 Total exports of traditional toys and games, 2001-2005, € million

	2001	2003	2005	Avg. annual growth	Share of total
Total exports	4,202	4,535	4,561	2.1%	
Intra-EU	3,380	3,801	3,869	3.4%	85%
Extra-EU, ex DC	648	602	555	-3.8%	12%
Exports to DC	174	132	138	-5.6%	3%
Germany	847	1,010	1,092	6.6%	24%
Belgium	441	497	516	4.0%	11%
Netherlands	564	546	497	-3.1%	11%
France	422	499	464	2.4%	10%
Italy	557	522	427	-6.4%	9.4%
United Kingdom	360	356	357	-0.2%	7.8%
Spain	387	388	303	-5.9%	6.6%
Czech Republic	98	105	180	16.5%	3.9%
Denmark	78	110	121	11.7%	2.7%
Hungary	47	47	104	21.8%	2.3%
Austria	69	102	101	10.0%	2.2%
Sweden	91	78	79	-3.4%	1.7%
Romania	70	90	64	-2.3%	1.4%
Poland	-	-	61	-	1.3%
Malta	50	66	61	5.3%	1.3%
Ireland	16	17	22	8.3%	0.5%
Slovenia	16	16	18	3.7%	0.4%
Bulgaria	13	18	17	7.9%	0.4%

	2001	2003	2005	Avg. annual growth	Share of total
Slovakia	16	17	17	1.9%	0.4%
Greece	18	9	16	-2.8%	0.3%
Portugal	14	15	15	1.4%	0.3%
Lithuania	2	3	8	50.8%	0.2%
Luxembourg	12	9	7	-13.0%	0.2%
Finland	7	7	5	-7.1%	0.1%
Latvia	5	5	5	-2.7%	0.1%
Estonia	2	2	2	-2.7%	0.0%
Cyprus	1	1	1	-6.2%	0.0%

Source: Eurostat (2007)

The product categories with the strongest growth in exports were construction sets (+20.7% average annual growth between 2001 and 2005; 12.3% share in 2005); other toys (+6.3%, 33.4%); motorised toys (+2.4%, 3.7%); plush (+0.9%, 7.2%).

Table 4.16 Exports of traditional toys and games by product group, 2001-2005, € million

	2001	2003	2005	Average annual growth	Share of total
Total traditional	4,202	4,535	4,561	+2.1%	
Animal and fantasy figures	218	240	220	+0.3%	4.8%
Construction sets	264	367	560	+20.7%	12.3%
Dolls	365	341	266	-7.6%	5.8%
Games and puzzles	273	192	191	-8.5%	4.2%
Learning	198	172	153	-6.3%	3.4%
Mechanical toys	211	251	210	-0.1%	4.6%
Models and trains	574	650	540	-1.5%	11.8%
Motorised toys	152	164	167	+2.4%	3.7%
Outdoor	439	453	403	-2.1%	8.8%
Plush	318	330	330	+0.9%	7.2%
Other toys	1,192	1,375	1,522	+6.3%	33.4%
Plastic toys	1,458	1,715	1,891	+6.7%	41.5%
Wooden toys	140	141	121	-3.6%	2.7%

Source: Eurostat (2007)

4.5 Opportunities and threats

- + Total imports continued to grow stronger than consumption.
- + The individual product groups showing strongest import growth were motorised toys not of plastic (+21.8% yearly growth, share of 0.9%); construction sets of plastic (+18.9%, 9.1%); electric car racing games (+17.6%, 0.9%); other construction sets (+14.8%, 0.5%) and toys of rubber (+13.7%, 0.6%).
- + The higher electrical and electronic content of toys and games offers opportunities for experienced manufacturers in those fields.
- + An expected revaluation of the Chinese currency is likely to make other DC exporters more competitive.
- Intra-EU imports have increased more strongly than imports from developing countries.
- The dominance and production power of China continues to be an enormous obstacle for other developing countries; apart from the difficulty in establishing a competitive edge, it also results in a strong focus on China by EU buyers.

4.6 Useful sources

- EU Expanding Exports Helpdesk - <http://export-help.cec.eu.int> - Go to: trade statistics.
- Eurostat - official statistical office of the EU - <http://epp.eurostat.cec.eu.int> - Go to: 'themes' on the left side of the home page - 'external trade' - 'data - full view' - 'external trade - detailed data'.

5 PRICE DEVELOPMENTS

5.1 Price developments

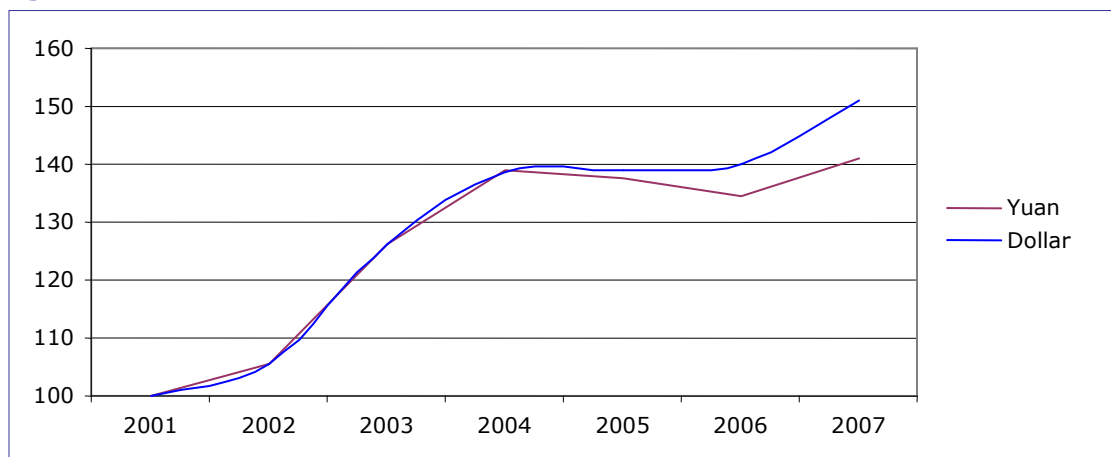
Many factors influence price setting in the toys and games market. On a product level the type of product is important, whether it is a branded, licensed, private label or unbranded product. Branded products sell at a high premium and have been less vulnerable for price decreases. This is also true for licensed toys, though the premium is considerably lower. Technical product characteristics of course also have an impact on prices. TV commercials tend to have a downward effect on prices, as manufacturers have better bargaining power and price competition evolves as retailers stock these products in abundance to draw customers to their stores.

The retail environment is of great significance. In a highly consolidated market, prices are less likely to be discounted, compared to a highly fragmented market. In between these two, strongest pressure on prices and margins occur. Prices often vary between retail types, with small specialised shops asking higher prices than large specialist chains and discounters. Retailers with a broad range of products need a higher margin to cover stocking expenses compared the general merchandise store focusing on a select range of popular toys.

Exchange rates and relative purchasing power

In the last five years, price levels have been influenced by the rise of the euro in relation to the dollar. Buying power has increased in dollar terms, leading to a direct effect on the buying power in Yuan. Although it is not pegged to the dollar anymore, the Chinese currency still follows it quite closely. Figure 5.1 shows the increased purchasing power of the euro. It is expected that China will appreciate the Yuan in relation to the dollar a bit further, but will be careful not to introduce too strong changes.

Figure 5.1 Indexed value of the Euro, 2001-2007, 2001 = 100



Source: Oanda (2007)

Development of import prices

Table 5.1 shows the average import values offset by import volumes. The resulting cost per tonne per category gives an indication of the average import prices for a category. Imports from DCs are cheaper than imports from EU countries. Also, it is clear that average import prices are decreasing steadily, however this is fully the result of lower prices for DC imports, as the costs of intra-European imports have risen.

The only product category displaying a higher cost per tonne is outdoor toys. However, this could very well be the result of the popularity of more expensive, low-weight products, than a change of price per product. Of course, such caution should be applied to all categories. The figures in the table are only a rough approximation of the development of import prices, as the specific products which are imported within one category will change from year to year.

Table 5.1 Cost per tonne and change of value of import volumes per product category, 2005: € per tonne, 2001-2005: % change

Value/Volume	Import cost per tonne in 2005			Change of import cost 2001-2005		
	Total	From EU25	From DC*	Total	From EU25	From DC*
Animal and fantasy figures	8,043	8,717	7,674	-3.6%	3.8%	-7.2%
Construction sets	6,599	6,954	4,986	-0.7%	2.5%	-9.1%
Dolls	7,587	6,431	7,734	-4.7%	-5.6%	-4.9%
Games and puzzles	10,217	13,311	2,541	-7.4%	-7.1%	-5.5%
Learning	5,465	7,172	5,246	-5.8%	-1.6%	-9.6%
Mechanical toys	5,306	7,206	5,148	-4.5%	2.3%	-8.5%
Models and trains	10,328	18,538	8,144	-1.6%	5.2%	-4.3%
Motorised toys	8,275	15,769	7,431	-4.7%	3.4%	-7.1%
Outdoor	5,196	6,497	4,813	-	-	-6.9%
Plush	7,141	4,205	8,164	-5.1%	-1.7%	-6.0%
Other toys	4,961	5,553	4,712	-3.0%	1.5%	-5.5%
Total traditional toys	6,401	7,275	6,027	-3.8%	1.1%	-6.7%

Source: Eurostat (2007)

Price examples

Price levels do differ around Europe, however, most major manufacturers are able to influence pricing in the various countries according to their marketing strategies. This ensures relatively similar pricing for major brands across Europe. Prices of smaller brands and non-brand products differ more strongly. On the whole, Germany, Belgium and Spain have relatively low price levels, while France, The Netherlands and the United Kingdom have relatively high levels. Prices, as well as products on sale, in Eastern Europe can be quite different.

In table 5.1 prices are listed as obtained in various EU countries in order to compare price setting in different countries. Italy appears to be the most expensive, followed by Spain. However, positions vary according to product. Germany has the cheapest Barbie, but the most expensive New Baby Born. It should be noted that prices listed are from 2005, and they tend to move down pretty quickly sometime after the products have been introduced. At present the Robosapien V1 can be purchased for half the price, i.e. following the introduction of the new version of the Robosapien, which presently retails in Germany for € 180.

Table 5.2 Price comparisons

	Mattel - Barbie Princess Anneliese	Wow Wee - Robosapien V1	Zapf - New Baby Born	Parker - Monopoly
Germany	29.99	139.00	44.99	24.99
Italy	26.50	119.00	64.90	45.90
Netherlands	29.99	99.99	44.99	29.99
Belgium	29.58	99.99	44.99	24.95
Spain	27.63	124.99	46.96	27.61
Sweden	27.40	98.40	54.50	31.80
USA	14.79	66.60	22.20	6.60

Source: Playthings (2005)

5.2 Useful sources

It is important to have access to up-to-date price information. Exporters can achieve this through by consulting several sources. The main ones are:

- websites of retailers / supermarkets / toy shops
- price comparison sites like Kelkoo
- e-commerce websites
- trade press
- industry / toy associations
- offices for statistics (per country or Eurostat)

Price comparisons are quite easy these days because of the euro and the Internet.

→ On the website of Playthings further comparisons are available than listed in table 5.1 - <http://www.playthings.com/article/CA493857.html?stt=001>

Price comparison websites

Special websites exist which make it possible to compare the prices of toys in different stores. Examples include the Kelkoo.com and Pricerunner, which both operate internationally. Some are much better than others, not all check the same amount of stores. Useful as they are, not all have a section on toys. For more price comparison sites, check the Open Directory Project: http://dmoz.org/Home/Consumer_Information/Price_Comparisons

- Kelkoo - <http://www.kelkoo.com>
- Pricerunner - <http://www.pricerunner.com>

Internet stores

Internet is presently the best source of price information. In particular stores with an online presence and mail-order companies make it easy to obtain an indication of price levels for specific products. Be careful not to judge by using only one source, as price levels can vary amongst different stores and distribution types. Most of the large retail chains nowadays have a website which shows the shop's assortment plus prices.

Some websites of national store chains with online prices are:

- Vedes shop - <http://www.toys.de>
- Argos - <http://www.argos.co.uk>
- Toys 'R' Us - <http://www.toysrus.fr>
- Cortes Ingles - <http://www.elcorteingles.es> (choose *Juguetes*)
- Bart Smit - <http://www.bartsmit.nl> (choose *winkelen*)

Further links can be found in the market surveys for individual countries.

6 MARKET ACCESS REQUIREMENTS

As a manufacturer in a developing country preparing to access EU markets, you should be aware of the market access requirements of your trading partners and the EU governments. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns. You need to comply with EU legislation and have to be aware of the additional non-legislative requirements that your trading partners in the EU might request.

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 EU in the category search, click on the search button and click on market access requirements.

Packaging

Of importance for the purposes of labelling, marking and packaging are Article 11-5 and Annex IV to the Toy Safety Directive (88/378/EEC). Together, these provisions ensure that toys are accompanied by appropriate clearly legible warnings in order to reduce inherent risks in their use, as described in the essential requirements:

- toys which might be dangerous for children under 36 months of age must bear a warning as such
- slides and similar toys must be accompanied by instructions drawing attention to the need to carry out regular checks and maintenance of the main parts
- functional toys or their packaging must bear a marking advising use under the direct supervision of an audit
- toys containing inherently dangerous substances must bear a corresponding warning
- skates and skateboards must bear a warning regarding protective equipment
- toys intended for use in the water must contain a warning

The EU has set phytosanitary measures for all wooden packaging material that is used for the import of goods into the EU from third countries. The background for this legislation is to protect the EU from the introduction of organisms harmful to plants and plant products via wood packaging material. The Directives require heat treatment or fumigation and marking of wooden packaging materials (including for example packing cases, boxes, crates, drums and similar packaging, pallets, box pallets and other loader boards, pallet collars).

The European legislation which is laid down by means of amendments to Directive 2000/29/EC, namely amending Directive 2004/102/EC and 2005/15/EC, entered into force as of March 1, 2005. The requirements refer to the international standard ISPM 15.
<http://194.247.99.13/accessguide/summary.asp?Number=582>

Additional information on packaging can be found at the website of ITC on export packaging: <http://www.intracen.org/ep/packaging/packit.htm>, and in the CBI document 'From survey to success - export guidelines'.

7 OPPORTUNITY OR THREAT?

An overview of the opportunities and threats is given at the end of the chapters 1, 2 and 4 in this EU survey. Opportunities relevant in each EU market can be found in the sections 1 and 3 of the CBI market surveys on individual countries. It is important to understand that these opportunities are very general, and only serve as an indication of general trends. The toy industry is a large market, with many different products and segments. It is a market which is highly sensitive to trends and hypes, new products forming a large share of the market. This demonstrates the need to make a continuous analysis of the market, adapted to your company's product range and specific circumstances.

A given trend offers an opportunity to one company, but can be a threat to another. The market for traditional toys and games has its limitations, and growth in one segment will necessarily eat away sales in another segment. If you are not able to afford licenses, the popularity of licensed characters is likely to pose a threat for the consumption of unlicensed products in your category. Similarly with electronics, if you do not have the capabilities to develop and produce toys with electronic content, your products are highly threatened by the present popularity of such products throughout all categories.

In short, every listed opportunity becomes a threat for your company if you are not able to incorporate it in your product line and exploit it, because other companies will, thereby putting you at a disadvantage.

It is therefore important not only to have a clear view of the market, but of your company's capabilities as well. You have to organise your company in such a way, that you can adapt to market preferences and produce attractive products at competitive prices. In interviews with successful DC exporters, a couple of things turned out to be crucial for sustainable success:

- Design quality
- Product quality
- Competitive pricing
- Continuous customer communication

For more information on these, refer to CBI's Export guidelines for toys and games.

APPENDICES

A PRODUCT CHARACTERISTICS

Product categories and groups

This survey focuses on the market for traditional toys, whereas video games are not taken into account as these do not form an interesting market for developing countries' exporters. Only occasionally, trends relating to video games will be briefly discussed.

The traditional toys and games are divided into categories and groups. Product categories encompass one or more product groups. These are closely related products, often with an individual entry within the statistical classification system, for instance *plastic dolls* is a product group, that is included in the *dolls* product category.

In order to give a view as accurate as possible the information supplied in this market survey is based on various sources, like industry sources, and Eurostat, the official statistical body of the EU. As these use different classifications, information cannot always be compared directly. The following product categories derived from industry sources (primarily research agency NPD) are used in this survey:

- Action figures and accessories
- Construction sets
- Dolls
- Games and puzzles
- Learning and exploration
- Outdoor and sports
- Plush
- Vehicles
- Infant and pre-school
- Arts and crafts
- All other toys

Table A.1 lists all different product categories and underlying product groups as derived from the official Eurostat data sets. As you can see, there are some differences with the list above. Some categories do not exist in the Eurostat data sets and vice versa. Furthermore, it is important to notice that, for some of the Eurostat categories there, are only a limited number of underlying product groups, much fewer than would be present in industry classifications. For instance, the Eurostat product category Outdoor and sports only encompasses ride-ons, inflatable balls and roller skates. Of course, there are many more outdoor toys and games on the shelves. Within the Eurostat data, the product category other toys is therefore often used to classify many different products, resulting in an average of 20% of toys being thus registered.

Industry information is given prevalence in Chapter 1 'Consumption'. Only if no industry data are present will we rely on the Prodcom database for the calculation of apparent consumption. This will especially be the case for the smaller EU countries. Please note that apparent consumption is based on manufacturers' prices, whereas industry sources give consumption in consumers prices. The difference is a mark-up for retail and VAT of up to 100%.

Chapter 2 gives production figures based on the Prodcom dataset. These are again manufacturers' prices. Information from industry sources is not so prevalent but, when supplied, their production values will be based on manufacturers' prices as well.

The Eurostat CN database is used for the extraction of data which is used for the import and export statistics in Chapter 4.

Table A.1 Selected product categories and product groups based on Eurostat

Name	Prodcom	CN	Description
Animal and fantasy			
Animal toys - wooden	3650-1253	9503-4910	Representing animals or non-human creatures (excl. stuffed/plush)
Animal toys - plastic	3650-1255	9503-4930	
Animal toys - other	3650-1259	9503-4990	
Construction sets			
Construction (sets) - wooden	3650-2093	9503-3010	Excl. scale model assembly kits
Construction (sets) - plastic	3650-2095	9503-3030	
Construction (sets) - other	3650-2099	9503-3090	
Dolls			
Dolls - plastic	3650-1100	9502-1010	Dolls representing human beings
Dolls - non-plastic	-	9502-1090	
Doll carriages	3650-3130	9501-0010	
Doll clothes	3650-1330	9502-9100	
Doll accessories - other	3650-1350	9502-9900	
Games and puzzles			
Puzzles - wooden	3650-3250	9503-6010	Chess and other board games
Puzzles - other	3650-3290	9503-6090	
Playing cards	3650-4100	9504-4000	
Chess and checkers	-	9504-9030	
Learning			
Picture and drawing books	2211-2180	4903-0000	
Musical instruments	3650-3310	9503-5000	
Mechanical toys			
Mechanical toys -plastic	-	9503-9034	
Models and trains			
Electric trains - scale	3650-2030	9503-1010	Incl. accessories
Electric trains - non-scale	-	9503-1090	Incl. accessories
Scale models - plastic	3650-2055	9503-2010	Die-cast metal Having the character of games
Scale models - other	3650-2059	9503-2090	
Metal miniatures models	3650-3373	9503-9051	
Electric car racing sets	3650-4355	9504-9010	
Motorised toys			
Motorised toys - plastic	3650-3343	9503-8010	
Motorised toys - other	3650-3349	9503-8090	
Outdoor			
Ride-ons	3650-3150	9501-0090	Wheeled toys (not bikes)
Balls -inflatable	3640-1480	9506-6290	Inflatable balls (excl. of leather)
Roller skates	3640-1155	9506-7030	
Plush			
Plush	3650-1230	9503-4100	Stuffed toys (not dolls)
Other toys			
Toys in sets	3650-3330	9503-7000	Not being one of the above
Toy weapons	3650-3350	9503-9010	
Toys of plastic - nes	-	9503-9031	
Toys of plastic - non-mech	3650-3363	9503-9032	
Toys of rubber	3650-3365	9503-9035	
Toys of textile materials	3650-3367	9503-9037	
Toys of metal - nes	3650-3375	9503-9055	
Other toys (nes)	3650-3379	9503-9099	
			Toys not elsewhere specified

Source: Eurostat (2007)

Special attention will furthermore be given to the aggregated numbers of all product groups encompassing wooden toys and games, as these markets are growing and are interesting for manufacturers in developing countries.

Although incorporated in industry classifications, the product group “Sport and outdoors” is not covered in the trade data of this study, as it is included in CBI EU market survey Sports and Outdoor Equipment.

Statistical product classification

Prodcom and Combined nomenclature (CN)

Two different sets of statistical data are used in this survey. Both sets have been provided by Eurostat, the statistical body of the EU.

The first set is derived from Prodcom. The term Prodcom is derived from PRODUcts of the European COMMunity. This is a survey based on products whose definitions are standardised across the EU to allow comparability between the member countries' data. Prodcom covers some 4,800 products which are assigned to some 250 industries (subclasses) as defined by the Standard Industrial Classification (SIC). Prodcom data contain production, imports and exports. Based on these data apparent consumption can be calculated as follows: $\text{apparent consumption} = \text{production} + \text{imports} - \text{exports}$.

The second set is the trade data based on the Combined Nomenclature. The abbreviation CN stands for Combined Nomenclature. This Combined Nomenclature contains the goods classification prescribed by the EU for international trade statistics. The CN is an 8-digit classification consisting of a further specification of the 6-digit Harmonised System (HS). HS was developed by the World Customs Organisation (WCO). The system covers about 5,000 commodity groups, each identified by a six-digit code. More than 179 countries and economies use the system.

Statistical data: limitations

Trade figures quoted in CBI market surveys must be interpreted and used with extreme caution.

The Prodcom data used in Chapter 1 and 2, are less reliable than the import and export statistics used in Chapter 4, as they are not part of official data collection for Customs. Companies only have to send in their data on an annual or quarterly basis. The figures sometimes show a discrepancy between years, e.g., a large fall or extraordinary growth. These problems are caused by inaccurate, inconsistent and untimely reporting by companies. However, Prodcom data are the only official source for production and apparent consumption data, displaying numbers at product group level and describing the different EU markets in detail. Therefore they are useful for obtaining an indication of size and trends within those markets. For decision making, however, these figures are not accurate enough and should be used in conjunction with further market research.

In the case of intra-EU trade, statistical surveying is only compulsory for exporting and importing firms whose trade exceeds a certain annual value. The threshold varies considerably from country to country, but it is typically about € 100,000. As a consequence, although figures for trade between the EU and the rest of the world are accurately represented, trade within the EU is generally underestimated.

Furthermore, the information used in CBI market surveys is obtained from a variety of sources. Therefore, extreme care must be taken in the qualitative use and interpretation of quantitative data, it puts limitations to in-depth interpretation of relations between consumption, production and trade figures within one country and between different countries.

Useful sources

- Eurostat - <http://epp.eurostat.ec.europa.eu/>
- Eurostat trade data - <http://fd.comext.eurostat.cec.eu.int/xtweb/>
- About Prodcom - http://www.statistics.gov.uk/downloads/theme_commerce/PRODCOM_information.pdf
- About the Combined Nomenclature - <http://www.cbs.nl/en-GB/menu/methoden/classificaties/overzicht/cn/2006/default.htm>
http://en.wikipedia.org/wiki/Taric_code
- About the Harmonised System (HS) - <http://www.wcoomd.org/>
<http://www.foreign-trade.com/reference/hscodet.htm>

B INTRODUCTION TO THE EU MARKET

The European Union (EU) is the current name for the former European Community. Since January 1995 the EU has consisted of 15 member states. Ten new countries joined the EU in May 2004. In January 2007 two more countries - Bulgaria and Romania - joined the EU. Negotiations are in progress with a number of other candidate member states. In this survey, the EU is referred to as the EU27, unless otherwise stated.

Cultural awareness is a critical skill in securing success as an exporter. The enlargement of the EU has increased the size of the EU, and also significantly increased its complexity. With more people from culturally diverse backgrounds, effective communication is necessary. Be aware of differences in respect of meeting and greeting people (use of names, body language etc.) and of building relationships. There are also differences in dealings with hierarchy, presentations, negotiating, decision making and handling conflicts. More information on cultural differences can be found in chapter 3 of CBI's export manual 'Exporting to the EU (2006)'.

General information on the EU can also be found at the official EU website http://europa.eu/abc/governments/index_en.htm or the free encyclopaedia Wikipedia <http://en.wikipedia.org/wiki/Portal:Europe>.

Monetary unit: Euro

On 1 January 1999, the Euro became the legal currency within eleven EU member states: Austria, Belgium, Finland, France, Germany, Italy, Ireland, Luxembourg, The Netherlands, Spain, and Portugal. Greece became the 12th member state to adopt the Euro on January 1, 2001. Since 2002 Euro coins and banknotes replaced national currency in these countries. Of the former group of fifteen EU countries, only Denmark, United Kingdom and Sweden have decided not to participate in the Euro. All the new member states are required to join the Euro, but have to qualify for the monetary and economic requirements. Slovenia was the first to meet these and has adopted the Euro in 2007. Malta and Cyprus are allowed to introduce the Euro in 2008.

In CBI market surveys, the Euro (€) is the basic currency unit used to indicate value.

Table 1 Exchange rates of EU currencies in €, interbank rates

Country	Name	Code	2006 average	21 June 2007
Bulgaria	Lev	BGN	0.5139	0.5114
Cyprus	Pound	CYP	1.7413	1.7081
Czech Republic	Crown	CZK	0.0353	0.0349
Denmark	Crown	DKK	0.1341	0.1343
Estonia	Crown	EEK	0.0639	0.0639
Hungary	Forint	HUF	0.0038	0.0040
Latvia	Lats	LVL	1.4413	1.4390
Lithuania	Litas	LTL	0.2896	0.2896
Malta	Lira	MTL	2.3370	2.3364
Poland	Zloty	PLN	0.2575	0.2647
Romania	Lei	ROL	0.000030	0.000031
Slovakia	Crown	SKK	0.0269	0.0297
Slovenia	Tolar	SIT	0.0042	€
Sweden	Crown	SEK	0.1081	0.1070
United Kingdom	Pound	GBP	1.4673	1.4840

Source: Oanda, <http://www.oanda.com/> (June 2007)

C LISTS OF DEVELOPING COUNTRIES

OECD DAC list - January 2006

When referred to developing countries in the CBI market surveys, reference is made to the group of countries on the current OECD DAC list of January 2006.

Afghanistan	Ghana	Pakistan
Albania	Grenada	Palau
Algeria	Guatemala	Palestinian Admin. Areas
Angola	Guinea	Panama
Anguilla	Guinea-Bissau	Papua New Guinea
Antigua and Barbuda	Guyana	Paraguay
Argentina	Haiti	Peru
Armenia	Honduras	Philippines
Azerbaijan	India	Rwanda
Bangladesh	Indonesia	Samoa
Barbados	Iran	São Tomé & Príncipe
Belarus	Iraq	Saudi Arabia
Belize	Jamaica	Senegal
Benin	Jordan	Serbia
Bhutan	Kazakhstan	Seychelles
Bolivia	Kenya	Sierra Leone
Bosnia & Herzegovina	Kiribati	Solomon Islands
Botswana	Korea, rep of	Somalia
Brazil	Kyrgyz Rep.	South Africa
Burkina Faso	Laos	Sri Lanka
Burundi	Lebanon	St. Helena
Cambodia	Liberia	St. Kitts-Nevis
Cameroon	Libya	St. Lucia
Cape Verde	Macedonia	St. Vincent and Grenadines
Central African rep.	Madagascar (FYT)	Sudan
Chad	Malawi	Suriname
Chile	Malaysia	Swaziland
China	Maldives	Syria
Colombia	Mali	Tajikistan
Comoros	Marshall Islands	Tanzania
Congo Dem. Rep.	Mauritania	Thailand
Congo Rep.	Mauritius	Timor-Leste
Cook Islands	Mayotte	Togo
Costa Rica	Mexico	Trinidad & Tobago
Côte d'Ivoire	Micronesia, Fed. States	Tunisia
Croatia	Moldova	Turkey
Cuba	Mongolia	Turkmenistan
Djibouti	Montenegro	Turks & Caicos Islands
Dominica	Montserrat	Tuvalu
Dominican republic	Morocco	Uganda
Ecuador	Mozambique	Ukraine
Egypt	Myanmar	Uruguay
El Salvador	Namibia	Uzbekistan
Equatorial Guinea	Nauru	Vanuatu
Eritrea	Nepal	Venezuela
Ethiopia	Nicaragua	Vietnam
Fiji	Niger	Wallis & Futuna
Gabon	Nigeria	Yemen
Gambia	Niue	Zambia
Georgia	Oman	Zimbabwe

The following changes have been made compared to the previous survey: Lesotho, Tonga and Tokelau have been removed from the list. Montenegro has been added to the list.

List of CBI countries - January 2007

CBI supports exporters in the following Asian, African, Latin American and European (Balkan) countries:

Albania
Armenia
Bangladesh
Benin
Bolivia
Bosnia-Herzegovina
Burkina Faso
Colombia
Ecuador
Egypt
El Salvador
Ethiopia
Georgia
Ghana
Guatemala
Honduras
India
Indonesia
Jordan
Kenya
Macedonia
Madagascar
Mali
Moldava
Montenegro
Morocco
Mozambique
Nepal
Nicaragua
Pakistan
Peru
Philippines
Rwanda
Senegal
Serbia
South Africa
Sri Lanka
Suriname
Tanzania
Thailand
Tunisia
Uganda
Vietnam
Zambia