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Industry Analysis

CIMA Management Case Study (MCS)

November 2022 & February 2023

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Purpose of the Industry Analysis

- You are required to be familiar with the industry but need not be an industry expert.
- Developing a broader understanding of the industry in which the company operates will help you construct sound arguments and prepare for possible developments in the exam.
- The pre-seen document provides a great deal of information about the Toy manufacturing and retail industry and you are advised to consider that as the primary source of information to understand the industry dynamics.

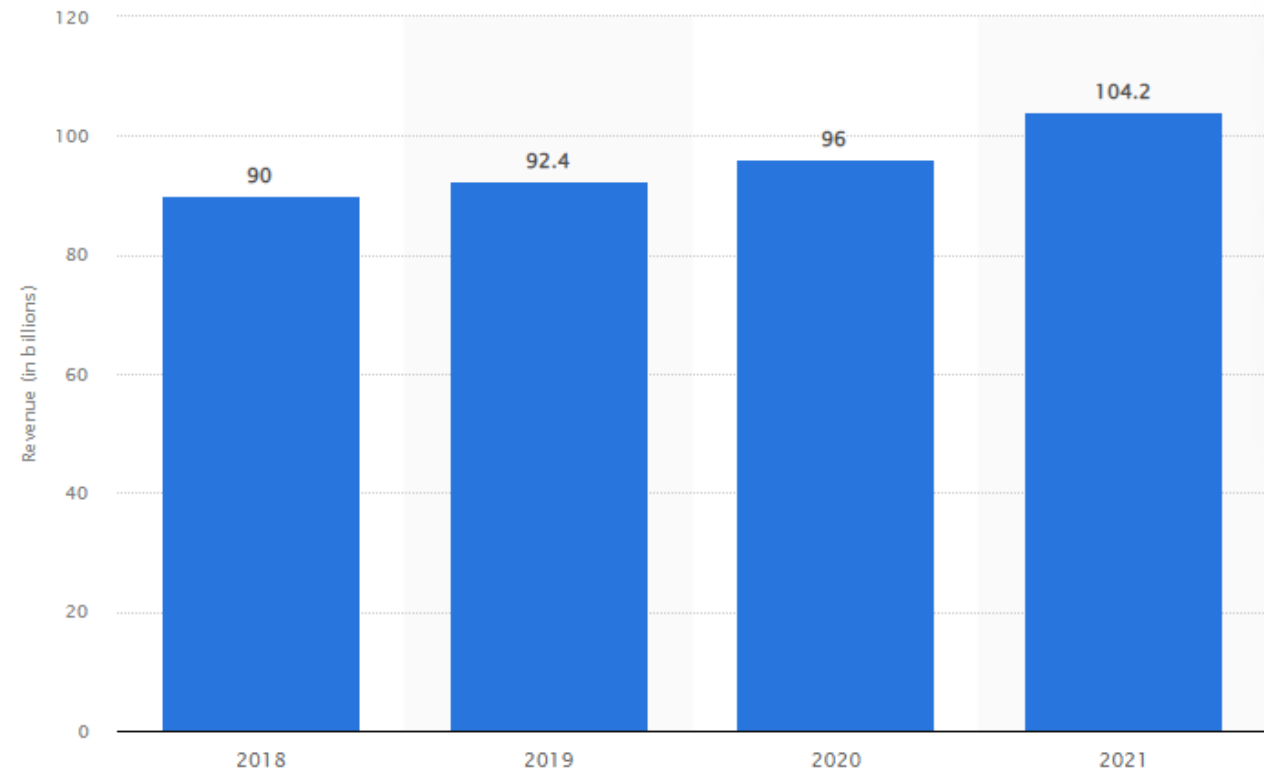
Market Definition

- Market analysts generally agree that the following categories fall within the definition of “toys”:
 - Action figures
 - Arts and Crafts
 - Building sets
 - Dolls
 - Electronic games
 - Non-electronic games
 - Infant/Preschool toys
 - Outdoor and sports toys
 - Plush
 - Vehicles
- Bicycles and Video game consoles are generally **excluded** from analyses and reports on the toy industry.



Global Toy Market by total revenue (2018-2021)

(in billion U.S. dollars)



Source: Statista

GLOBAL ONLINE TOYS AND GAMES RETAILING MARKET 2022-2026



Market growth will **ACCELERATE**
at a **CAGR** of

6.39%

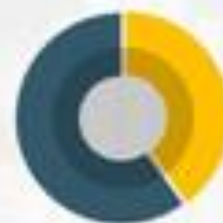


Incremental growth (\$B)

16.04



The market is **FRAGMENTED**
with several players occupying the
market



Growth Contributed by
NORTH AMERICA

36%



Growth for **2022**

4.48%



US \$22.45
billion

Toy industry sales of top
12 global markets*
(1st half of 2021)

+15%

YoY growth of global toy
industry sales
(1st half of 2021)

After a few years of slow growth in the toy industry, the COVID-19 pandemic of 2020 created a boost in toy sales – and 2021 has been another promising year!

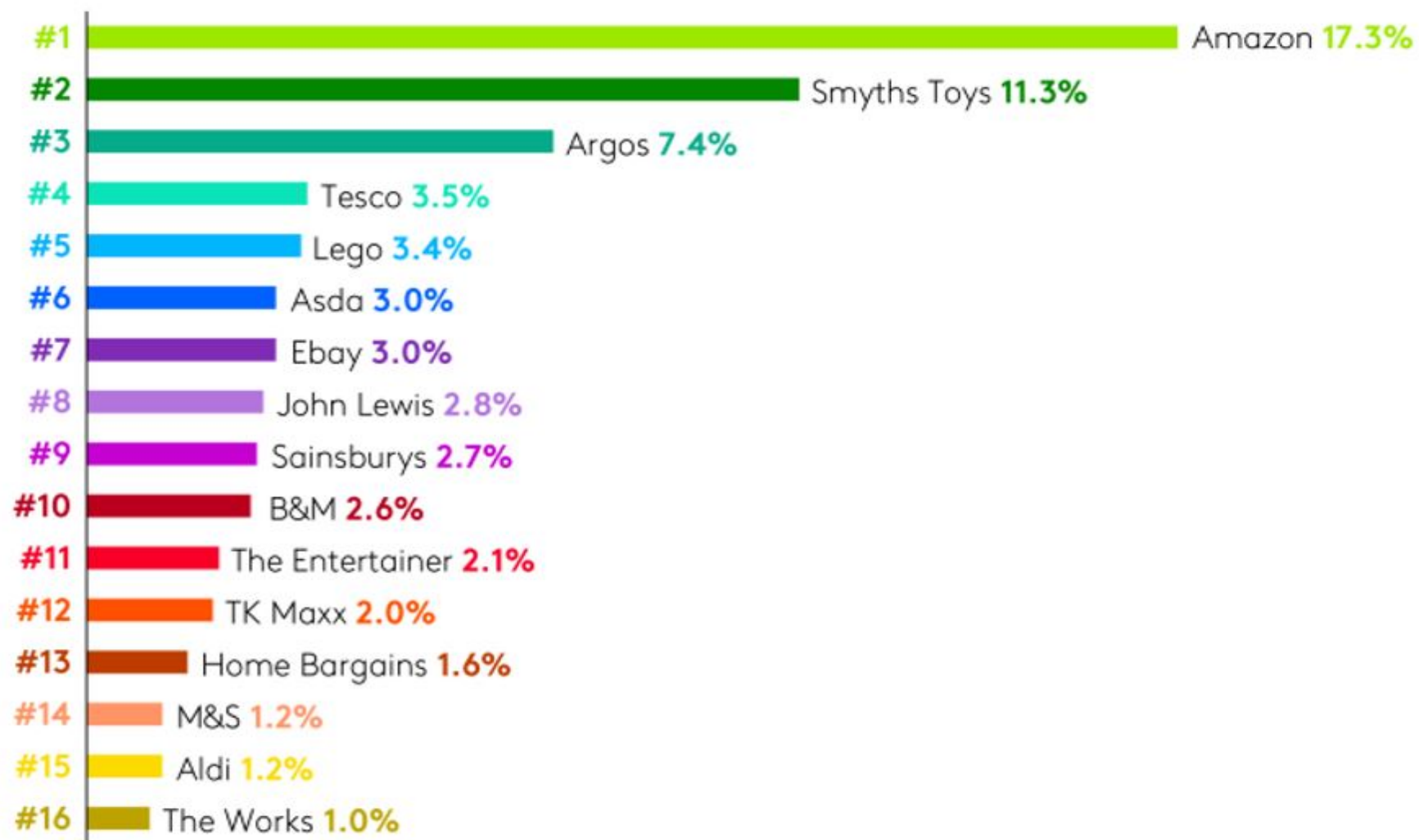
\$56

The average global annual
spend on toys per child (0-
9 years old) in 2020

Sources: [*The NPD Group Reports on First Half 2021 Global Toy Industry Sales*](#)

*PD's Global Toys footprint covers Belgium, Brazil, Canada, France, Germany, Italy, Mexico, Netherlands, Russia, Spain, United Kingdom, and United States [China excluded]

UK Toy Retailer Market Share: physical & online sales, base £1.71bn



Kantar data over the 12 weeks to 26 December 2021

The UK toys & games market will grow 16.2% from 2017 to 2022 with online market share reaching 43.4%

ELECTRONIC TOYS

*electronic toys does not include games consoles or video games.

Worth £459m in 2017 growing 28.5% to 2022



amazon

Amazon will drive 30.4% of this growth

Toy innovations using new technology such as AI and voice control will help drive this growth



TRADITIONAL TOYS

*includes soft toys, construction, doll houses and trainsets and art toys.

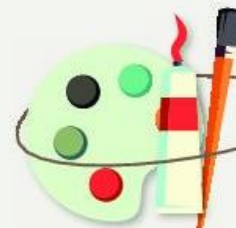
Worth £1,764m in 2017 growing 15.6% to 2022



Smyths will drive 2.7% of this growth

SMYTHS

Arts & crafts will grow 28.3% to 2022 as parents encourage child creativity



Industry Trends

- Increasing trend of online purchasing
- Increased movie and TV franchise tie-ins (Licensed Toys)
- Increased demand for classic toys
- Toy subscription services: parents rent toys instead of buying them. This model has proven popular in the US, UK & China in recent years.
- Elaborate packaging to toys to provide the best unboxing surprise
- More technologically advanced toys, including smart toys.
- Convenience shopping: parents' preference to buy toys in the supermarkets while shopping for household essentials
- Parents' preference to buy educational toys for their children



Industry Challenges

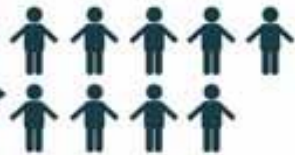
- Short lifecycle of toys
- Difficulty in predicting trends
- Highly fragmented markets and difficulty to enter new markets
- Environmental concerns and calls for sustainable toys
- Low entry barriers and increased competition from local and foreign players
- Toy related injuries and Increasing toy safety regulations



Toy-Related Injuries

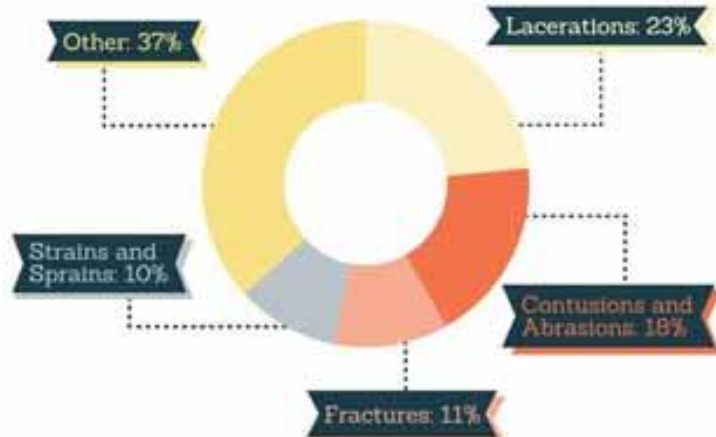
Toys are fun for children of all ages. But unfortunately, toys also cause a lot of injuries. Whether it is due to improper use, lack of supervision, or a defect, accidents involving toys are quite common.

251,800
toy-related
injuries
in 2014



9 toy-related deaths

Types of Injuries



44%

of injuries
were to the
head and face

Injuries by Gender



Males:
59%



Females:
41%



Riding toys were the

#1

cause of injury

Source:

<http://www.cpsc.gov/Global/Research-and-Statistics/Injury-Statistics/Toys/ToyReport2014.pdf>





Environmental Impact of Toys

- People spend about \$90 billion on toys globally.
- Parents and children admit to **throwing away toys** due to lack of interest.
- Most toys **can't be recycled**.
- 90% of toys are made out of **plastic**.
- Additional waste from the toy industry includes pollution from manufacturing, transportation and packaging.

Real World Example



Smyths

- Founded in Ireland in 1986.
- Offers a wide range of modern and classic toys for children of all ages.
- Operates both physical and online retail.
- Over 100 stores throughout the UK & Ireland.
- Retail outlets are open all 7 days.
- In 2018, acquired Toys "R" Us stores in Germany, Austria, and Switzerland and re-branded all the stores to Smyths.
- Has a charitable partnership with Rays of Sunshine.
- Company website: www.smythstoys.com



THANK YOU!

