

GLOBAL TOY INDUSTRY: SWOT ANALYSIS 2020-2025

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ABSTRACT

This paper shows an overview of Global toy industry. The paper focuses on SWOT analysis for future growth of the industry. The paper identifies the opportunities for the manufacturers to be explored for future development.

Keywords: *Global Toy Industry, Swot Analysis, Toy Industry.*

Introduction

Global Toy Market was esteemed at USD 93.63 Billion in the year 2020. As we can see that entire world has been significantly impacted by COVID 19 and so the industries with the start of this pandemic during 2020 year which continues till now i.e. year2022.Even though the toy market seen positivity in the growth rate.

In the growth and development of the children toys plays a vital role. It enhances the logical thinking ability and reasoning skills. Toys works as an aid for the child brain development as well. It helps in gaining spatial reasoning along with logical skills. Playing with toys and board games also assists children in learning as well as building social and communication skills.

With the upsurge in the demand for strategy-based and educational based toys amongst the children impulses the growth in the toys segment. As during pandemic more of indoor games are in demand. This is an curious times for the global toy industry. Over a period of time the industry has proven as a remarkably strong, they had faced many threats, challenges and risks than at any other time in the history.

SWOT Analysis

The following SWOT analysis takes a comprehensive view of the medium term view point for the toy industry globally.

Strengths

The last decade or so since the global financial crisis has seen significant growth for the global toy business. The basic and a natural need of children is to play, and it is normal and ongoing desire of the parents to develop, entertain, educate, make them busy and gifting their children are the basis for the demand for toy products.

There is a wide range of different size of companies which varies from multi-billion dollar global companies with enigmatic brands. Therefore there are sufficient existing toy companies to ensure broad consumer choice as well as to take most of from the opportunities of all sizes.

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There are many retailers which includes both physical and online retailers, in the market where consumers can directly purchase their products. If look in a large parlance a large number of distribution opportunities also exists in the market. The industry has a varied and large capability for developing and manufacturing new and innovative and creative toys for their young and creative end users with there in house designer's inventors and engineers and by using their resources which are available in their factories to manufacture toys.

Primarily in China, there are also many toy manufacturing factories which are certified and offering toy production at commercially feasible price. Many companies are looking for the cost effective marketing ideas and solutions to reach to the desired consumers to sell their products, so from a marketing standpoint there are a many global, regional and local marketing platforms for toy companies available.

There is an abundance in kids entertainment brands to manufacture wide range of toys around, along with that large number of entertainment licensors are also actively providing opportunities to launch new toys although licensing remains a major part of global toy industry. The toy industry is not far from being a USD 100bn category globally, with a large number of globally iconic brands which look certain to stand the test of time, in short the strengths of the global toy industry are many.

Weaknesses

The toy industry has a very peculiar endless cycle of product development. Every year approximately more than two third of all toy on the shelf has to be new in some way or the other and only the remaining one-third of all remains the same for the sale. If we reiterate it, we can say that huge amount of investment of money resources and continuous creative minds are required for the sustenance as the demand for the products keep changing. Therefore an inherent weakness of the global toy industry is the huge investment of focus, money and resources on products which deliver a minority of sales.

The development and selling cycle for toys tends to be quite slow e.g. between 10-24 months, which means it can be an industry which is slow to react sometimes. It is very difficult to forecast as either there is too much stock or too little to stock. It is hard to predict whether particular toy is performing as predicted or not. An interview is being conducted by the BBC in London in 2014 where CEO Steve Reece has explained how there was a shortage of toys for a super hit Disney Frozen toys and explain how difficult it is to do the prediction or accurate forecast.

Toy companies and toy retailers are very much dependent on stock to sell, they run under inherent risk as a big portion of annual turnover can be held in stocks which are directly dependent on the selling windows of toys which are higher in peak season which starts from October to December.

Opportunities

Toy demand is increasing globally. Strong opportunities exist in the fast developing economies of Asia, especially China and India, which have traditionally and historically been of lesser importance but are now offering major growth opportunity for the toy industry. These two markets look likely to see annual double figure growth for the foreseeable future. Major toy companies are investing heavily in these markets to position themselves for future growth and market share. We see an ongoing opportunity in terms of increasing need and demand for toys as the trend to device obsession continues. Parents look for creative toys which can be a driving force to reduce the usage on number of hours on tablets and mobile phones than on the toys, from the hard gripping hands of children.

The toy industry has opportunity to reduce manufacturing costs and increase their profitability by moving some toy production from China to other Asian countries like India or Vietnam, where daily wages of the labors are significantly lower than the existing ones. The global toys market size was USD 105.85 billion in 2019. The global impact of COVID-19 has never existed before and which is staggered, with toys shows a positive demand across all the regions during the pandemic.

Threats

Two major threats to the global toy industry at this point:

- Firstly, we have started seeing that consumer are becoming more socially responsible and taking into consideration that whatever products they are using are environment friendly or not. Lot of consumer resentment to excessive and unwanted plastic consumption and waste, which leads to polluted oceans and other environmental damage. This resentment is in the early stages, as we can see that approximately 80-90% of all the toys sold either they are made up of

entirely plastic or some element is significantly present in the toy. We can consider other materials to come to lessen the risk against the usage of plastic for the manufacturing of toys. We are expecting toy companies to use better and other existing materials over a period of time.

- Secondly, there is a lot of dependence on China as a toy manufacturing which is considered to be a big threat as it is not easy to shift majority of production capacity.
- Some big and major companies deliberately relocating or changing their production for some years but only top ten companies account for a quarter of the total market size and the major section of the entire market involves smaller companies who fails to relocate in time to avoid the inflation which in turn leads to develop further higher wages and shortage in labor supplies. This could lead to price rises, supply shortages and lost revenues for the global toy industry.
- An additional complication/change factor affecting the toy business is the ever changing face of retail. Over time we have seen a big shift from physical to online retail, with Amazon becoming a major global player in the toy category. There is real time manufacturing processes which allows users to customize their toys as per their requirement but that includes a lot of challenges. Yet the toy market has adapted comparatively easily to this change, and as the change will continue. The bigger risk is dependence on a limited number of mass market retailers in the big market.

Conclusion

To conclude from the above the global toy industry is facing many challenges at different levels, but yes because of this pandemic situation the entire dynamics of the industry has change. So, the above SWOT analysis helps us to identify opportunities, challenges, threats, strength and weaknesses occurring the market. The bang of Coronavirus on toys and games has reinforced many trends mainly in digital transformation which already shaping in the industry pre-COVID-19. There is a further shift towards home entertainment and online education including digital education tools and various apps available for activities like sports, music, etc.

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