Import of Chinese Toys in Indian Market: An Empirical Analysis

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Abstract:
Chinese toys have taken over most of the world; one will hardly find toys from local manufacturers on store shelves these days. The present research has been conducted on secondary data of import of toys from China for the period 2008-2009 to 2012-2013. Chinese manufacturer have the capability to significantly undercut prices offered by foreign competitor over a wide range of products. Today as a, result of the “china price” china has captured over 70% of the world market share for toys. Toys can be categorized by age group like infants, toddlers, and grownups. Therefore china dominates to electronic market of India. Because the Chinese electronic toys are much cheaper than other country toys, and India is the country of middle class and they want less expensive products. The import of china toys is good for Indian economy because its provides employment to Indian people. Therefore import of china toys is successful for Indian economy. As Indian government had put a partial ban on import of toys from china during 2007, the regulations concerning import of toys from China has become stringent now. As a blanket ban on imports of all toys from China was put in place by India in previous years, which affected China’s export of Toys to India temporarily declined. Results of the study propounded that there will be a constant increase in import value of toys from China during 2014 to 2018. But at the same time it should not be forgotten that present party which has come in center in India, how it will take imports whether it will reassure or discourage it during 2014 to 2018 need more analysis.

Introduction:
Across time and cultures humans have interacted with aesthetic and functional object called toys. The design, production, marketing consumption and use of these objects have a relationship to the arts that is both cyclical and symbiotic. Toys can be categorized as infants, toddlers etc. Many similar types of toys have emerged (dolls, construction) toys etc. as a “facilitator” for play. Therefore china toy industry covers all the families of the heavy and light childcare products for babies from 0 to 3 years. China Toy design is often a product of the technology and values of the society. Contemporary toy design specifically is unique in its synetic appropriation of the design from many sources. Therefore china toy industry has been enjoying constant growth because of its high quality and reputation of its products, attaining a prominent position in the sector as a benchmark.

The Indian toy industry is estimated to be worth Rs 1,700 crore and growing 15-20% a year. Funskool, a joint venture between tyre maker MRF and US toy maker Hasbro Inc, recently introduced two high-end block games - Mindstorm and Taj Mahal- carrying price tags of Rs 22,000 and Rs 27,000, respectively. At the year end March 2011, it clocked revenues of Rs 80 crore while Mattel, which sells toys under Fisher-Price, Barbie and Hotwheels brands, has an India turnover of approximately 300 crore. Toys inspired by flicks such as Transformers, Batman, Spider Man, Madagascar and Lord of the Rings too have created ripples among kids and young adults. Television characters and cartoons-inspired shelf-scorchers include BeyBlades, Ben 10 and Blazing YoYos. "Today with the presence of so many modern trade stores and the whole experience of touch and feel available, the Indian toy industry is poised for growth,” says Bakshi.

According to a Euromonitor study, spending on toys and games in India is set to grow at 157% between 2009 and 2014, much faster than other Asian countries such as China (84%), Taiwan (35%), South Korea (33.1%) and Singapore (17.2%). Cars 2 is the latest success story in India's booming toy...
economy that has become a huge money spinner for toy makers, retailers, some Hollywood studios and children's television channels. Attention deficit of working parents towards their children is certainly one of the reasons for booming toy market, so toys and gadgets come into play, (Future Brands, CEO and social commentator Santosh Desai said). Parents try to make up for their lack of time to spend with kids by pampering them and surrendering to most of their demands, as working parents getting richer and much busier than the previous generation.

Review of literature

Toys and Games Market in China

Chinas demand for toys and games has grown at a fast pace in the past decade. In the next five years, both production and demand will continue to grow. This new study examines Chinas economic trends, investment environment, industry development, supply and demand, industry capacity, industry structure, marketing channels and major industry participants.

According to (Euro Monitor International’s toys and games in India report January 2006) the Indian toy market is growing at one of the fastest paces everywhere in the world. The top 12 players account for only 41% of retail sales value of the traditional toy market in India. The highly fragmented nature of the market is a result of the dominance of the cottage sector, are able to satisfy the needs for low priced toys, while at the same time providing new toys and model in keeping with fashion and demand. Because of low end import from china by retailer and distributors have adversely affected sales of the organised sector in traditional toys. Also game market diecast model vehicles have been most badly hit. Battery operated vehicles and remote control car are a relatively new product segment in the Indian toys market.

China Toys and Games Market to reach USD 70,302 million by 2017: Ken Research

The role of toys and games has transitioned from parenting to tools of child learning and development. Parents nowadays are pre occupied with their professional life and hence, the role of toys and games has become more important. Toys and games play a crucial part in child’s development and increasing their overall proficiency. This has helped in the growth of toys and games market in China. Large variety of toys and games are available in China toys and games market presently. The market is driven by established retails and more consumers with high disposable income in the tier one markets as compared to the tier two and three markets. The overall toys and games market in China will reach USD 70,302.9 million in 2017 registering a CAGR of 26.0% during 2013-2017.

According to the research report, it is expected that traditional toys in India will undergo fundamental changes in the future. In future, Chinese toy designers will add modern elements to traditional toys in order to give them a new charm. Preschool and educational toys will offer huge market potential to China in the near future. It is anticipated that China toy industry will develop into a more organized market in the near future. The industry would benefit from collaborations and alliances with foreign companies.

According to Global and China Toy Industry Report, 2010

In 2009, influenced by the financial crisis, the global toy sales turned out to be US$80 billion, an increase of 3.6% compared with US$77 billion in 2008. Along with the gradual recovery of global economy in 2010, the toy industry also took a turn for the better; promisingly, global toy sales in 2010 was raised by 5.4% compared with the prior year, hitting US$84.3 billion. The USA, Japan, and China rank the Top 3 of toy sales worldwide with the respective sales of US$21.5 billion, US$5.8 billion, and US$4.9 billion, while Britain, France, Germany, Brazil, India, Australia, and Canada take the 4th-10th position. The Top 10 countries occupy 66% of the global total sales of toys.
China is the world’s largest toy manufacturer and exporter, and over 2/3 of global toys are made in China; the export value of Chinese toys in 2009 reached US$7.8 billion. Guangdong, Jiangsu, Zhejiang, Shanghai, and Shandong are the foremost production and export bases of toys in China, accounting for more than 90% of the annual sales of Chinese toys, of which, Guangdong gives priority to electric toys and plastic toys; Jiangsu and Shanghai are mainly engaged in plush toys; Zhejiang gives first place to wooden toys.


On Review of literature, it was observed that children understand the concepts of possession and value from a very young age, and also shows the importance of collectivist values in Chinese advertising. This research outlines the research method, which involved interviews with 15 students at a Beijing elementary school, and asked them to respond to pictures of children with and without new and expensive toys and games. Research finding was a surprising negative attitudes to possessions: children with fewer possessions were perceived to have more friends, whereas those with lots of “cool stuff” would look down on other children; this type of attitude was present even among the younger children, who were naturally more egocentric, and other negative attitudes were that owning lots of toys was wasteful and would have an adverse effect on academic achievement. The study ended with the conclusion that Chinese society and parents both appear to discourage materialistic values, and makes suggestions for further research and for marketing campaigns.

Toy Sales

The U.S. Toy Industry Association, TIA, estimates that U.S. retail sales of traditional toys were $21.78 billion in 2008, up 2 percent from 20094. TIA member companies reported that the toy categories of Dolls, Building Sets and Outdoor & Sports toys saw the strongest growth in 2010, while Youth Electronics, Action Figures & Accessories, and Games & Puzzles saw the largest drop. TIA estimates that the worldwide retail sales of toys totaled $80.280 billion in 20095. The top ten markets by retail sales were: United States; Japan, China, the United Kingdom, France, Germany, Brazil, India, Australia, and Canada. Annual toy spending per child in these markets ranged from a high of $401 in Australia to a low of $6 in India.

TOY IMPORT AND RECALL LEVELS: IS THERE A CONNECTION

This paper analyzed the US toy imports and toy recalls between 1992 and 2006. This research found that toy recalls had increased at a faster rate than the increase in imports from foreign countries. Also, design-related recalls were higher, and increased faster, than manufacturing-related recalls. Interestingly, these trends were less pronounced for Chinese-made toys than those made in other countries. The analysis part points to a steady increase in recalls over and above the increase in imports. It also found that design problems were not only responsible for the majority of toy recalls but were also increasing faster, regardless of where the manufacturing occurs. At the same time, the fact that manufacturing problems were also increasing raises concern about the slippages occurring in the supply chains. In order to decrease toy recalls, all participants in the toy supply chain, particularly the large companies in the industry, should analyze the recalls and improve their practices. (Source: Consumer Product Safety Commission)By Hari Bapuji Asper School of BusinessUniversity of ManitobaWinnipeg, MB R3T 5V4 CANADA.

The China Syndrome: Local Labor Market Effects of Import Competition in the United States

David H. Autor, David Dorn, and Gordon H. Hanson.

This study analyzed the effect of rising Chinese import competition between 1990 and 2007 on local U.S. labor markets, exploiting cross-market variation in import exposure stemming from initial differences in industry specialization while instrumenting for imports using changes in Chinese
imports by industry to other high-income countries. Rising exposure increases unemployment, lowers labor force participation, and reduces wages in local labor markets. Conservatively, it explains one-quarter of the contemporaneous aggregate decline in U.S. manufacturing employment. Transfer benefits payments for unemployment, disability, retirement, and healthcare also rise sharply in exposed labor markets.

Annual growth rate was almost 70% per annum between 2003 and 2008. Currently, growth is coming mainly from PC-related software. Factors such as growing disposable income, growth in preschool, large population of children, changing people perception, increasing awareness of quality issues, developing mall culture has given a boost to Toy Industry. The key trend observed includes preference among parents towards educational toys and games, growth in movies and cartoons character toys and entry of major foreign players. Console hardware sales have been negatively affected by high prices, and this in turn has led to a poor performance by console-based software. There is a grey market that exists for Nintendo and play station consoles, but in the absence of strict regulation, and high duties for a legal market, the grey market will continue to flourish.

As many Indian manufactures now import and distribute Chinese toys, based on the lower pricing available from the Chinese mainland Indian companies which are interested in importing toys are pleased that they are, as sector leaders, exempt from excise duties on imported toys or components. At another time, relaxed duties had been seen as a method of promoting the domestic trade. Indeed, government initiatives to promote the local toy manufacturing industry have not made much impact. At a new toy city near Delhi, space that was allocated for 135 toy companies actually has only 10 currently in operation. Which clearly shows that the country does not lack successful players. Some are making strong marketing efforts in both Europe and the US, and taking advantage in the trend towards board and building games that do not require substantial research and development funding.

Objectives of the Study:

1. To familiarize with the Toy industry.
2. To find out the history of Toy industry in import sector.

Research Methodology

The Study:

The present study is descriptive in nature as it requires quantifiable data involving numerical and statistical explanations and explains about the scope of import of toys from China.

The Sample:

The present research has been conducted on secondary data of import of toys from China for the period 2008-2009 to 2012-2013.

The Tools:

Secondary data collection: The secondary data were collected from government official websites, and review of literature was done from various research journals and newspapers.

Results:

Commodity: 9504 VIDEO GAME CONSOLESAND MACHI, ARTLS FR FUNFAIR, TABLE/PARLOUR GAMES, NCLPINTABLES, BILLIARDS, SPCL TABLES FOR CASINO
Country: CHINA P RP
<table>
<thead>
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<th></th>
<th></th>
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<tbody>
<tr>
<td>1</td>
<td>Values in US$ Million</td>
<td>12.51</td>
<td>28.59</td>
<td>37.82</td>
<td>48.89</td>
<td>39.73</td>
</tr>
<tr>
<td>2</td>
<td>%Growth</td>
<td>128.52</td>
<td>32.26</td>
<td>29.28</td>
<td>-18.74</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Total Import of commodity</td>
<td>23.61</td>
<td>38</td>
<td>49.41</td>
<td>66.05</td>
<td>51.29</td>
</tr>
<tr>
<td>4</td>
<td>%Growth</td>
<td>60.96</td>
<td>30.05</td>
<td>33.66</td>
<td>-22.34</td>
<td></td>
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<tr>
<td>5</td>
<td>%Share of country (1 of 3)</td>
<td>53</td>
<td>75.25</td>
<td>76.53</td>
<td>74.02</td>
<td>77.44</td>
</tr>
<tr>
<td>6</td>
<td>Total Import to country</td>
<td>32,497.02</td>
<td>30,824.02</td>
<td>43,479.76</td>
<td>55,313.58</td>
<td>52,248.33</td>
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<tr>
<td>7</td>
<td>%Growth</td>
<td>-5.15</td>
<td>41.06</td>
<td>27.22</td>
<td>-5.54</td>
<td></td>
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<tr>
<td>8</td>
<td>%Share of commodity (1 of 6)</td>
<td>0.04</td>
<td>0.09</td>
<td>0.09</td>
<td>0.09</td>
<td>0.08</td>
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**Trend Analysis:**

As per the above trend it can be observed that India had imported toys from China in the year 2008 after partial upliftment of ban which was imposed for six months on import of toys from China earlier this year i.e. 2007. The government had decided to allow import of Chinese toys which had been given quality certificates by internationally recognised laboratories and agencies. The move followed threats issued by China of complaining against India's ban at the World Trade Organisation—the multilateral trade body which lays down rules for trade between its member countries. The quality of toys manufactured in China came under the international scanner in 2007 when the world's leading toy manufacturer Mattel called-back over 20 million Chinese-made toys worldwide due to the presence of excessive levels of lead paint and other contaminants. The import value of toys from China had declined in the year 2009 by 5% as compared from 2008, i.e. in 2009 influenced by the financial crisis, the global toy sales turned out to be US$ 30,824.02 decreased compared with US$32,497.02 in 2008. Along with the gradual recovery of global economy in 2010, the toy industry also took a turn for the better; promisingly, global toy sales in 2010 raised by 41% compared with the prior year.
hitting US$ 43,479.76 As per industry estimates, the Chinese have captured more than 60% of the Indian toys market. The Indian toy industry is approximately worth Rs 2,500 crore of which Rs 1,000 crore is in the organised sector and the rest is in the unorganised sector. Which further raised in the year 2011 because of large variety of toys and games are available in China. China is the world's largest toy manufacturer and exporter, and over two-third of global toys are made in China; the export value of Chinese toys in 2009 reached US$7.8 billion. Guangdong, Jiangsu, Zhejiang, Shanghai, and Shandong are the foremost production and export bases of toys in China, accounting for more than 90% of the annual sales of Chinese toys, of which, Guangdong gives priority to electric toys and plastic toys; Jiangsu and Shanghai are mainly engaged in plush toys; Zhejiang gives first place to wooden toys.

From the above trend it can be deduced that the imports from china declined during 2012-13. The slowing growth rate in India during the first half of 2012-13 can be explained in terms of both global factors and domestic factors. The slowdown in growth in advanced economies and near recessionary conditions prevailing in Europe resulted not only in lower growth of international trade but also lower capital flows. The growth rate of India’s imports declined, the rate of growth in the global economy declined to 3.8 per cent in 2011 and was expected to decline further to 3.3 per cent in 2012, as per the World Economic Outlook released by the IMF in October 2012. The slowdown has been all pervasive and almost all the sectors had been affected.

Further from the above graph it could be predicted that there will be a constant increase in import value of toys from China during 2014 to 2018. Although Global Recession and ban on import of toys from China was estimated to have resulted in a temporary decline.

Conclusion

Although India's move to ban Chinese toy imports can also be seen as a non-tariff barrier as the Indian market has been flooded with cheap Chinese toys over the last few years. But still China is a very attractive destination for import of toys as predicted from the study. As per industry estimates, the Chinese have captured more than 60% of the Indian toys market. The Indian toy industry is approximately worth Rs 2,500 crore of which Rs 1,000 crore is in the organised sector and the rest is in the unorganised sector. The role of toys and games has transitioned from parenting to tools of child learning and development. Parents nowadays are preoccupied with their professional life and hence, the role of toys and games has become more important. Toys and games play a crucial part in child’s development and increasing their overall proficiency. This has surged the growth of toys and games market in India and its import. Large variety of toys and games are available in China because of abundant cheap labour. Thus there is great likelihood of further import of toys from China as found from the above trend for toys like casino, video games, parlour games, billiard, SPCL Tables etc. But at the same time it should not be forgotten that present party which has come in center in India, how it will take imports whether it will reassure or discourage it during 2014 to 2018.

REFERENCES:
The term “traditional toys” does not include video games. TIA's “State of the Industry Table” available at: http://www.toyassociation.org/AM/Template.cfm?Section=12_Rolling_Months
http://www.toyassociation.org/AM/Template.cfm?Section=APEC_Meeting