



MANAGEMENT CASE STUDY

INDUSTRY ANALYSIS

HAPPY PLAYZ

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CHAPTER 1

HOW TO USE THIS ANALYSIS

1. What to expect from this analysis

“An awareness of the industry that the business is in will help you to think of the wider issues that might impact on decisions that you could be asked to comment on.”

- Examiner's Report

The examiners expect you to have excellent knowledge of the pre-seen industry and to demonstrate this in the exam. As the examiner says, the case study is designed to test your application in the real world, and not to test your theoretical knowledge. This industry guide is designed to help you to meet that expectation and maximise your marks in the exam!

This requirement links directly into your role. In the pre-seen, you are told:

“You are a financial manager at Happy Playz’s Head Office. Your primary responsibilities are associated with management accounting, and you report to Yongmei Qin, the Senior Financial Manager, who reports directly to the Finance Director.”

You are expected to provide logical business advice as if you were an employee working in this industry, and as if you know this industry inside out. If you know the types of issues in the real world and the types of decisions that real world companies are making, the chances are that your own logic in the exam will be better and producing a logical, well rounded report is key to passing this exam.

One key way of maximising your marks in the MCS exam is to have sound knowledge of the relevant industry and to demonstrate that knowledge throughout. However, the industry is large, and there is a lot of information. You have to make sure you have the right information about the industry.

That's where we come in. In this industry analysis, we've scoured the web, journals and magazines for the most relevant information relevant to your exam. We do the difficult job of collecting the right information for you, so all you have to do is read this report, learn the key points and then use them in the exam.

CHAPTER 2

INTRODUCTION TO THE TOY INDUSTRY

1. History

Introduction

Toys have been around for millennia, going as far back as a set of marbles found in a child's grave in 4,000 BC. **The toy industry has changed a lot since then, with the inclusion of dolls, puzzles and toy blocks.**

1800s

While toys are ancient, their popularity grew rapidly in the nineteenth century with the industrial era, allowing businesses to manufacture a larger quantity of toys. It was in this era that businesses like Parker Brothers and Company Inc. were founded, which is responsible for introducing the world to Monopoly in 1906. **There was also the creation of Froebel's Gifts, a box of wooden blocks for children to play with while their parents were at work.**

It is in this period that we also see the rise in the use of toy blocks. Toy blocks have been around since before the nineteenth century, with philosophers like John Locke taking note of how the alphabet block was a combination of learning and play. After Locke, the researchers in the 1800s used these wooden blocks to teach children to write their name, understand weight, gravity, construction, colour, sound. **The wooden block is important for its ability to educate children while keeping them engaged in the activity**

1900-1949

The twentieth century marked a change in how children were perceived. Whereas before children worked in factories and were treated as adults, the twentieth century put more emphasis on play. This was followed closely by the increased focus on childhood education. As a result, toy blocks were used to teach children English, mathematics and science.

Meccano is perhaps one of the oldest and most well-known businesses that popularised construction kit toys. The popular Hornby Trains brand allowed customers to construct intricately designed train sets with moving parts. While far less accessible to children, the construction kits were incredibly popular due to the quality of the materials and detail of the final build.

1950-1999

After the war, the toy industry began to grow astronomically. Mattel introduced Barbie Dolls in the 1950s, motorised toy cars (Scalextric) launched in 1956, George Lucas capitalised on the popularity of Star Wars, which became the most successful movie licensed toy line of all time. Arguably, the most important toy to come out of this period was Lego.



Lego is credited with designing the famous stud and tube design plastic brick in the 1950s. Where the things children created with wooden blocks were temporary and easily destroyed by knocking it over, Lego allowed children to build objects that didn't fall apart. Prior to the 1980s, when the patent on the Lego brick expired, Lego owned 80% of the construction toy market.

In this period of time, you also had the rise of video games as a category of toy, which would go on to become a billion dollar industry in and of itself, serving as competition for children's time and attention. Furthermore, this industry provided an alternative avenue for learning through interaction with software rather than a physical object.

21st century

Today, construction kits are viewed less and less as an exclusively children's toy. Serious play has become a popular way of problem-solving in business environments. It is believed that through roleplay, simulation and the gamification of activities, we can stimulate design thinking to solve problems. Lego created a

product line called Lego Serious Play whereby a business will use Lego blocks to prototypes to full fledged business plans.

The rise in computer software has also created infinite avenues for learning various subjects for all people in a fun and engaging manner. Programming, spoken languages, cooking, accounting can be learned online and through different mediums. Toy manufacturers have had to evolve as a result of these developments, diversifying into movies, video games, theme parks as a well widening the range of products they provide to customers.



Diversity in toys has also become prominent in the 21st century. Customers can now choose from a wide variety of dolls designed to accurately reflect the diverse make up of their audience. For example, dolls of different race, size and ethnicity are now available to purchase. Many brands have also released a range of dolls with disabilities, including dolls using hearing aids and wheelchairs.

Application to the pre-seen

Happy Playz was founded in 1992, making it a relatively late entrant to the toy store market. However, what Happy Playz had over competing brands, such as Gleetil, is flexibility and hindsight when it initially formed. However, despite having this knowledge, this has not resulted in Happy Playz taking the leading share in the market from Gleetil.

2. Product

Product trends

The global toys and games industry is valued at US\$120 billion, and it is expected to continue increasing at a compound annual growth rate (CAGR) of 9.91% between 2020-2025.

Toys that are interactive and serve multiple purposes have been increasing in popularity. **A significant driver of this growth can be attributed to products that are based on a popular TV show or movie, rather than original properties.** There

is also an increasing popularity of educational toys, which is beginning to drive toy growth in emerging economies.

Collectables

In 2018, the top toy property in the USA was L.O.L Surprise! Dolls. The NPD Group estimates that this property overtook Star Wars in 2018. Whereas Lego's only property on the list, LEGO City, came 9th and saw no gain or loss in 2018.

L.O.L.'s popularity shows a resurgence in the popularity of collectable toys, like Pokemon cards and football stickers. **Rather than buying a complete set, customers seem to be more interested in building up a set from multiple purchases. NPD found that 15% of all toy sales in 2018 in the UK came from collectable toys.** However, it should be noted that children are fickle and analysts do not believe the collectable trend to sustain itself in the long-term in its current state. This is coupled with a gradual change in attitudes against single-use plastics in toys and wastage.

Licensed properties

The top selling toy properties include Star Wars and Marvel themed toys. Brazil is the largest market for licensed toys, with sales exceeding US\$1bn. Stats from early 2021 show that toys based on movie characters are showing a 19% increase in revenue over 2019. This industry trend presents an opportunity to toy manufacturers that want to synergise their toy products with a popular TV or movie character. Both parties benefit through multi-media advertisement.

STEM toys

Toys used for teaching children about STEM (Science, Technology, Engineering and Maths) topics are growing in popularity. Learning Resources released Botley 2.0, a robot that teaches children the principles of programming. **It is estimated that the educational toys market will have a CAGR of 10%, illustrating the growing importance parents see in buying their children educational toys.**

Digitisation of toys

Video games and virtual reality are providing creative outlets for people who want to programme, construct and design their own worlds. New games like Media Molecules' Dreams help users access programming, music composition and art tools all within a single package.

Lego Dimensions, Skylanders and Disney Infinity are three examples of mixing the physical and virtual spaces together. Children would buy the physical toys that could be recognised by a device, or portal as it were, that would then transport the figure into a video game for the user to play with.

Fidget toys

Fidget toys are the latest toy trend. **In the UK, in 2020, toy retailers sold over 5 million fidget toys and this number has continued to grow in 2021 and 2022.**

The trend has been amplified by social media sites such as TikTok, where clips of fidget toys have attracted billions of views. Their appeal has also been heightened by schools banning them from classrooms where they have been traditionally used as aids by neurodiverse children.



Application to the pre-seen

What is popular in the Westarian toy market appears to reflect the wider toy trends detailed above with similar types of toys being popular; the pre-seen states that many children in Westaria save their pocket money to purchase lower priced toys for themselves. Based on global industry trends, Westarian children are likely to spend this money on collectables, such as Pokemon cards or fidget toys such as 'pop-its'.

When Happy Playz's buying team attends the Eastland toy fair, they should be conscious of these industry trends when considering toys to purchase. **If STEM, collectable, licensed and fidget toys are the current trend in Westaria, Happy Playz must ensure they have adequate stock of these types of toys. However, whilst collectable and licensed toys are toy trends with longevity, fidget toys may appear to be more of a temporary 'fad'.** Therefore, the buying teams should also consider this to ensure Happy Playz does not have excess stock it cannot sell.

6. The Entertainer announces partnership with Tesco

Example

The UK's largest independent toy retailer, The Entertainer, is partnering with Tesco to open branded concessions in around 35 Tesco stores across the country.



The trial partnership will offer Tesco customers the chance to shop The Entertainer's large range of products from leading brands such as Barbie, Lego, Marvel and Paw Patrol, as well as its exclusive range of great value Addo toys and products from the award-winning early years toy specialist, Early Learning Centre. The Entertainer will retain full oversight of product range, pricing and merchandising across the stores, and will run free-of-charge and all-year-round events plus character visits for children of all ages.

Relevance to the pre-seen

Supermarkets make up 23% of the Westarion retail toy market by revenue whilst Happy Playz makes up 10%. A similar partnership could be beneficial for Happy Playz.

Unseen issues on which to use this example

Partnerships, brand strategy, expansion

Sample exam paragraph

The Entertainer, the UK toy retail giant, is opening in-store-shops inside select Tesco supermarket stores across the UK. These retail partnerships are often wide-reaching and successful as many children are drawn to the displays when accompanying parents to the supermarket resulting in further opportunistic sales. We should discuss the possibility of partnering with a large Westarion supermarket with Monica Junias, Operations Director, as we are likely to reach consumers who may not otherwise enter our toy stores or reach those who would more frequently.