ABOUT THE ROMANIAN TOYS AND GAMES MARKET

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Abstract: *Toys and games are essential in the life of every child. Many of these contribute greatly to the children's good physical and psychological development since they are especially designed for this purpose. The technological development inevitably gave rise to important changes in the supply of toy and game manufacturers. What characterises the current toys and games market is the continuing increase of the hi-tech toys and games industry, or of the so-called sophisticated toys and games. There are multiple explanations, but the analysts in the field refer mainly to the children's "age compression". This paper aims at bringing into the readers' attention important aspects of the toys and games market in general and of the market in Romania in particular. We intended to present the current situation of the Romanian market in the light of supply, demand and external trade. The presence of famous foreign brands causes the failure of Romanian manufacturers –few in number- in managing to achieve significant domestic market presence. However, they succeed in selling their products abroad where traditional and ecological toys and games are sought after. The main external partner of Romania in the toys and games industry is the EU.*

Keywords: toys and games market, supply, consumption, external trade

Jell Classification: D11, F10, L69

1. Introduction

Toys and games are present in the daily life of every child. Their role and presence in the life of children are essential. The toy is an indispensible friend of a child starting at an early age. It plays an extremely important role in the formation of the adult and fulfills a series of functions: it ensures the child's psychological development; it stimulates the child's creativity, imagination and originality; it allows the development of sensory and intellectual skills; it develops the child's motor skills, affections and imitation; it allows interaction and social communication. According to the data of the European Commission for 2010, the toys and games industry represents the most dynamic business segment in the EU and 60% of the products sold each year were newly created. The main European manufacturers are the following: France, Germany, Italy, Spain, Great Britain, Denmark, Czech Republic, Malta and Poland. Unfortunately, Romania is not found among these countries. In terms of market value, the market shares at EU level for 2014 were divided as follows: Great Britain – 18.4% -; France – 15.1% -; Germany – 13.4% -; Italy – 8.3% -; Spain – 5.1% -; and the rest of Europe – 39.8%.

The data of Toy Industries of Europe (TIE) show that the EU represents the biggest games and toys market worldwide, with consumption expenditure exceeding EUR 16 billion (EUR 16.5 billion in 2011). The EU is closely followed by the USA with EUR 15.6 billion and other important markets at global level are: Japan (EUR 4.3 billion), China (EUR 3.9 billion) and Brazil (EUR 2.2 billion).
In the same year, the toy manufacturers in the EU, over 5,000 in number, registered a value of production of EUR 5.6 billion. The SMEs made up an extremely high percentage of the European manufacturers (over 99%). 88% of the toys and games manufacturing companies are micro-enterprises with less than 10 employees each.
Some of the most well-known and successful companies worldwide (Lego-Denmark, Brandstätter Group-Germany) carry out their activity in the EU. The number of jobs ensured by the games and toys industry was of 220,000. The value added to the toys sector was of EUR 8.1 billion (http://www.tietoy.org/publications/).

2. Toys and games market segments. Traditional toys and games vs. hi-tech games and toys

There are two important manufacturer and buyer segments on the toys and games market: the traditional and the modern (hi-tech) toys and games. The technological evolution in the last years generated the adaptation of this sector to the new technological innovations, thus, creating electronic and sophisticated toys and games. These former, although, do no longer manage to fulfill entirely the functions concerning the children's physic and psychological development (do not ensure the development of certain motor abilities necessary for playing with building blocks; do not develop children's imagination; do not develop social skills; cause addiction, aggression and anti-social behaviours; do not ensure the development of creative thinking; are based on competition and dictate exactly what children have to do in order to win etc.), gain more and more ground compared to traditional toys and games. The development of this market segment is determined as well by the so-called "age compression" phenomenon and by the loss of the child's interest in traditional toys, especially in the case of boys starting at age 8.
The psychologists and analysts in the field identified a series of factors which determined this orientation of the children towards the hi-tech toys and games segment. Children's spare time represents one of the most important factors, which, at the moment, becomes less and less, since they are engaged in various activities that undermine their spare time. Psychologist Michael Cohen states in this context that currently the focus is on the performance of education starting at a young age, which forces children to allocate more and more time to homework and school and less to playing. Another extremely important factor would be as well the fact that children start surfing on the Internet at a younger age and, therefore, are more familiar with technology than the previous generations. From this point of view Reyne Rice, a toy trend specialist for the US Toy Industry Association, thinks that for this reason they prefer more sophisticated toys. In this context Rice states that "they are born with a mouse in their hand" (http://da.zf.ro/dupa-afaceri/la-restaurant-cu-peter-imre-2907337).
Not all toys and games existent in the market are adequate and useful for children,

and mostly the most sophisticated ones. In choosing the most adequate toys and games, psychologists Kathryn Hirsh-Pasek from Temple University and Roberta Golinkoff from University of Delaware, USA, make a series of recommendations to the parents. Thus, these should (https://www.sciencedaily.com/releases/2007/11/071123204938.htm):

• *be „10% toy and 90% child"*. Toys must not guide the children's activity by pushing some buttons or handles to make them sing or speak. Children must not be guided by toys, but toys should be directed by children;

• *be certain accessory for playing, and must not direct*. These must wake up the imagination and uniqueness of each child;

• *allow the children to manifest their creativity*. Toys that can be dismantled into pieces and can be rebuilt in order to create another toy are ideal;

• *stimulate social interactions*. Through playing, children can learn negotiation skills which they will need in the adult life;

• *not promise the development of brain*. The inscription on the packaging of toys of such promises should be a warning signal (chances are great that these would not become true even if parents take part in playing);

• *not cost much*. Usually, the cheapest toys (balls, dolls, marionettes, building cubes, colouring pencils or putty) are more adequate for children, since these allow to the children to develop imagination and creativity.

In the category of the toys and games recommended above are especially included the traditional ones. The increase of traditional games and toys sale, however, is limited. Mario Moreno, senior economist at IHS Maritime & Trade, states that one of the factors which limit such increase is exactly the technological progress. Thus, referring to the USA, Euromonitor estimates that traditional toys and games will register a modest increase up to USD 23.4 billon until 2019, while the video game market will increase up to USD 22.6 billion in 2019 (http://www.agerpres.ro/economie/2015/12/24/star-wars-7-a-dat-industriei-jucariilor-un-mult-asteptat-impuls-13-17-33).

At EU level, in 2011 the volume of sale of traditional toys and games represents 28% of the total worldwide sale (http://ec.europa.eu/growth/sectors/toys/).

In Romania, the market of traditional toys and games was approximately of RON 580 million in 2014, having registered an increase by 6% compared to the previous year. Mattel Inc. company from the USA, the manufacturer of the famous Barbie dolls, holds the biggest market share, being closely followed by Lego Group company from Denmark, with a turnover of RON 38.5 million in 2013 (EUR 8.7 million) and a market share of 7% (http://www.zf.ro/companii/lego-sufla-in-ceafa-liderului-barbie-pe-piata-de-jucarii-de-peste-500-mil-lei-13802069). For 2014, Lego Romania had a turnover increase by 45.81%, that is, RON 56.14 million (EUR 12.5 million). Besides these two manufacturers there is also Habro Inc. These three manufacturers are worldwide leaders on the traditional toys and games market.

3. Romanian toys and games market

3.1. Supply

Euromonitor, a market research company, considers that the Romanian toys and games market has the greatest potential in the Eastern Europe area

(http://mtc.md/consulting/Stiri%20si%20Analize.htm).
Slightly over 100 manufacturers carry out their production activity in this market, with a turnover of approximately EUR 30 million (in 2013). 20 out of them achieve approximately 90% of the total of this business (http://www.zf.ro/companii/retail-agrobusiness/romania-mai-produce-jucarii-si-jocuri-de-doar-30-mil-euro-in-retail-magazinele-specializate-au-doar-10-din-piata-12940546).
In the first three places among the most profitable domestic toy manufacturing companies are included the following: D-Toys SRL, From Product SRL and Airguee SRL. The turnover and net profit of these three manufacturers in the period 2011-2014 were the following (see table 1 and table 2):

Table 1: Dynamics of turnover (2011-2014)

Company	**Turnover - thousand RON (million EUR)**				
	2011	**2012**	**2013**	**2014**	**±∆2014/2013**
D-Toys SRL	14,473 (3.35)	13,334 (3.01)	14,486 (3.23)	14,161 (3.16)	-325 (-0.7)
From Product SRL	11,411 (2.6)	12,977 (2.9)	11,852 (2.6)	15.951 (3.6)	+4,099 (+1.0)
Airguee SRL	5,273 (1.221)	8,391 (1.895)	9,595 (2.139)	12,507 (2.790)	+2,912 (+0.651)

Source: http://www.risco.ro/

Table 2: Dynamics of net profit (2011-2014)

Company	**Net profit – thousand RON (million EUR)**				
	2011	**2012**	**2013**	**2014**	**±∆2014/2013**
D-Toys SRL	3,278 (0.76)	2,205 (0.498)	2,354 (0.525)	1,665 (0.371)	-689 (-0.154)
From Product SRL	481 (0.111)	579 (0.13)	-78 (-0.174)	1,030 (0.23)	+1,108 (+0.377)
Airguee SRL	211 (0.049)	192 (0.043)	-132 (-0.029)	210 (0.047)	+342 (+0.076)

Source: http://www.risco.ro/

The figures above are insignificant compared to the biggest toy and game manufacturers' in the EU and worldwide. Nonetheless, we can make some remarks. D-Toys SRL had a fluctuating evolution concerning the turnover; however, it outran the other competitors. 2014 is an exception when From Product SRL managed to outrun it in terms of turnover. Nonetheless, compared to the other manufacturers, D-Toys SRL manages to obtain a higher level of profit in the entire period. The same fluctuating evolution can be noticed as well in the case of the second greatest domestic toy manufacturer. Nevertheless, in 2014, compared to the previous year, the increase of the turnover was significant (34.58%). On the contrary, the first manufacturer registered a decrease of over 2% in 2014. Airguee SRL is the only company which registered each year an increase in the turnover. The dynamics of the net profit for all three companies was tortuous. In contrast to D-Toys SRL, which still registered profit in the entire period, From Product SRL and

Airguee SRL had losses as well (in 2013).
Few domestic manufacturers find a place in the Romanian market. The competition between the suppliers in this market is quite intense, the reason why a series of domestic manufacturers had to export their products to save business. On the other hand, however, although a part of the Romanian manufacturers produce traditional ecological toys, they do not manage to impose on the domestic market due to the lack of domestic consumer education in this respect. They sell their products especially in the European market where they are sought after.
The Romanian toys and games market is dominated by imported toys and games. 90% of the total toys and games sold come from abroad. The international brands present in Romania are the following: Lego, Chicco, Disney, Hasbro, etc. In addition, many of the toys come from Asia, inferior in terms of quality and much cheaper.
The sales on the domestic market are dominated by the big manufacturers Mattel Inc. and Hasbro Inc. Nonetheless, there are domestic manufacturers as well present in the Romanian market which are successful (e.g. Noriel company).

3.2. Consumption – level, preferences

The annual average budget allocated to toys and games for children by a family in Romania was, in 2006, of EUR 15. Unlike Romania, in the neighbouring countries (Slovenia, Czech Republic, Hungary) the annual budget allocated for a child is far greater, of approximately EUR 50, already since 2003 (http://www.business24.ro/bursa/stiri-bursa/piata-romaneasca-a-jucariilor-va-creste-cu-30-peste-cea-est-europeana-891398).
In 2013, the annual average expenditures with the purchase of toys and games for each child in Romania were increased to EUR 50. The amount, however, is much more inferior to the one registered in other countries from the world top 5. We are talking about: Australia ranking first with EUR 835; Great Britain (EUR 765); Japan (EUR 700); Germany (EYR 690); Hong Kong (EUR 665) (http://specialarad.ro/tara-cu-cei-mai-generosi-parinti-cheltuie-de-16-ori-mai-mult-decat-romanii-pe-jucarii/).
In order to obtain information about the toy buying behaviour among Romanians, the research company Exact C&C carried out a study in 2015. The interviewed persons came from urban area, had children aged 1-10 and aged between 18-60 years. The results of this study revealed the following aspects (http://www.revista-piata.ro/index.php?c=newslist&m=detaliu&id=11423):
• 55% of parents purchase toys at least once/month, while: 25% only once in 2-3 months; 11% once in 4-5 months; 1% once in 6 months; 2% once in a year and 6% lass than once a year;
• toys and games most often are bought by parents aged 18-29 years. 70% of them buy at least once/month;
• by regions, the most frequent buyers are from Bucharest, at the opposite pole there are the Transylvanians;
• 69% of the interviewed parents buy toys without a specific reason; 14% buy for their children's birthday; 13% buy for Easter and 4% for Christmas;
• young parents prefer to purchase from hypermarket/supermarket/cash/carry chains, while parents aged between 40-60, buy from specialised toy shops;

• only 9% of the interviewed buy toys online;
• depending on the level of education, 66% of parents with higher education prefer to purchase from hypermarkets, while 36% of parents with high school and general education prefer convenience stores. By area, people from Bucharest buy in a proportion of 65% from hypermarkets, while people from Moldova only in a proportion of 38% and the national average for this buyer segment is of 46%. Most people from Transylvania (28%) are oriented towards convenience stores, and the fewest in Muntenia (9%).

By preferences, the most highly sought after toys are dolls, cars and soft toys. Many of these are, however, of low quality and cheap. Nevertheless, most of the time dangerous toys or toys rejected by the EU can be purchased in the Romanian market, such as toys made of PVC. Although, in the European countries mostly ecologic toys made of wood, cardboard or textiles are sought after and bought, in the Romanian market such products, - made as well in Romania -, do not have the success registered abroad. The explanation of the specialists lies in the lack of Romanian consumer education in this respect. The traditional wood cubes, wooden or textile toys are put aside or cannot even be found in stores (http://www.business24.ro/ing/stiri-ing/romania-a-intrat-in-elita-producatorilor-de-jucarii-care-vand-in-uniunea-europeana-75650)
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3.3. External trade

Until 2004 inclusively, the trade balance of Romania for toys, games and sports items registered surplus. After this year, however, the balance becomes negative. The highest balance deficit is registered in 2014, while the lowest in 2005. The highest surplus corresponds to 2003, while the lowest to 2004. (see the table below)

Table 3: Trade balance for toys, games and sports items (million EUR)

Toys, games, sports requisites													
Indicators	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Total export	89	113	111	100	79	107	111	94	99	117	136	108	114
Total import	51	60	83	109	125	189	255	189	167	282	285	280	329
Foreign Trade Balance	**38**	**53**	**28**	**-9**	**-46**	**-82**	**-144**	**-95**	**-68**	**-165**	**-149**	**-172**	**-215**

Source: processed by the author based on ITC data

3.3.1. Exports

The volume of exports was tortuous, with increases and decreases. The lowest value was registered in 2006 (EUR 79 million), and the highest in 2012 (approximately EUR 136 million).

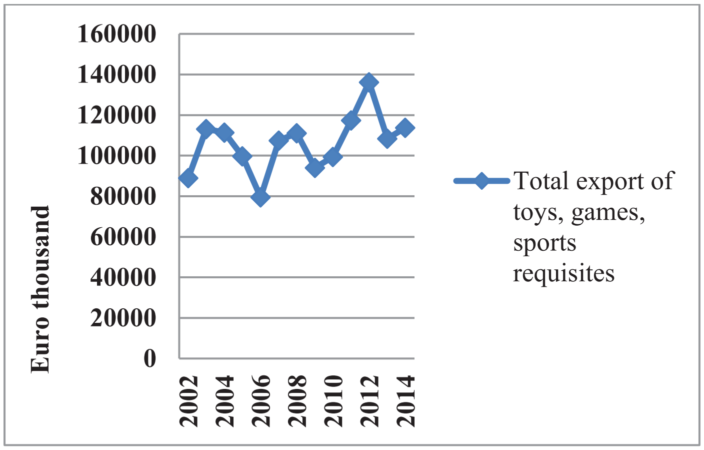

Figure 1: Export of toys, games and sports items (2002-2014)
Source: figure made by the author based on the International Trade Center data

The analysis of main destinations for Romanian toys and games highlights the following aspects:
- the only country which continues to be among the top 3 main country destinations is Italy. This occupies: the first place in 2009 and 2010; the second place in the period between 2002-2004 and 2011-2013, as well as in 2007 and 2008; the third position in 2005, 2006 and 2014;
- France appears in this ranking for a longer period (between 2002 and 2010), after which it disappears;
- The Netherlands, Hungary and Bulgaria are represented in the top 3 main country destinations only for a short period (see table 4).

Table 4: Countries from the top 3 main country destinations

Period			Years 2011, 2013, 2014	Year 2012
2002-2004	2005-2007	2008-2010		
France, Italy, Netherlands	France, Hungary, Italy	France, Italy, Austria	Austria, Italy, Germany	Austria, Italy, Bulgaria

Source: processed by the author based on ITC data

From the analysis of ITC data for the interval 2010-2014, we found that over 92% of the total volume of exports was directed towards the EU28. At this level, the main countries of destination were the following: Austria (weight in total exports EU28 with values between 22.34% and 31.44%); Italy (weight between 11.09%-24.78%); Germany (8.95%-15.55%); France (6.09%-21.99%) and Poland (4.92%-8.41%).
For the same period, the exports towards the countries of Central and Eastern Europe (CEE) registered significant values for countries such as Poland (with minimum values of 17.41% in total CCE exports and minimum values of 45.23%); Slovakia (with a minimum of 12.13% and with a maximum of 32.46%); Bulgaria

(with a minimum of 9.1% and a maximum of 57.06%) and Hungary (with a minim of 5.98% and a maximum of 23.45%). The weight of exports to CEE in total Romanian exports of toys, games and sports items was, in the interval studied, between a minimum of 14.78% (in 2010) and a maximum of 27.75% in 2012.
It is worth mentioning the fact that from the total Romanian exports of games, toys and sports items only between 0.43% and 1.31% were exported to the Asian continent. Nonetheless, in the case of these exports, the highest weights were reported for the following countries: Turkey (with values between 19.54% and 71.52% in total export to Asia); Japan (minimum: 4.10% and maximum: 23.01%); Singapore (27.98% in 2011); Kazakhstan (25.13% in 2012) and Georgia (11.19% in 2012).
Unfortunately, the lack of some official data concerning the structure of Romanian export of games and toys impeded the analysis of their dynamics.

3.3.2. Imports

The volume of the imports included two periods of increase: between 2002 and 2008 and between 2010 and 2014. The current economic and financial crisis was the main factor which interrupted the volume of games and toys imports.

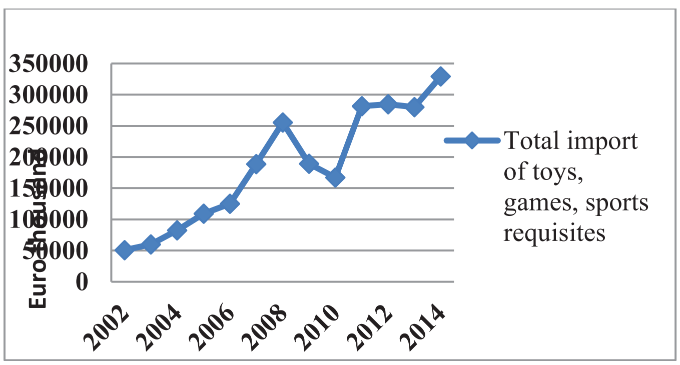

Figure 2: Import of toys, games and sports items (2002-2014)
Source: graphic made by the author based on the International Trade Center data

The ranking of games and toys supply countries included: Italy, China, Spain, France, Hungary, Germany and Bulgaria.
The analysis of the dynamics of the top 3 main suppliers highlights the following:
- Italia ranked first in 2002 and in 2003, than was defeated (in the period 2004-2014) by China;
- Spain was the first for a relatively short time (between 2002-2005) placing 3rd;
- France and Bulgaria appear in only one year in this ranking;
- Hungary placed 2nd for a long period (in 2008, 2010-2014), and 3rd in 2007 and 2009;
- Germany was ranked only 3rd in 2008, 2010, 2012 and 2013.
The processing of ITC data for 2010-2014 revealed an increase in the percentage of the volume of imports from the EU to the detriment of the volume from China. Thus, if in 2010 the weight of games and toys import from the EU was over 63%, in

2014 this reached over 76%. The evolution of imports from China is the following: from over 27% in 2010 to approximately 20% in 2014.
The distribution of imports in 2010-2014 by member states of the EU28 can be seen in graphic 3. As it can be noticed, Hungary is the leader of the main European suppliers. Depending on years, Germany and Italy ranked second.
The main games and toys imports from Central and Eastern Europe (CEE) come mainly from Hungary. Their weight is significant with over 40%, sometimes even over 57% (in 2010). Hungary was followed either by the Czech Republic (in 2010, 2011), or by Bulgaria (in 2012-2014) – see graphic 4.
The weight of games and toys imports in Asia in total imports of such products had a minimum of 21.96% in 2014, and a maximum of 30.61% in 2010. The most important games and toys imported from Asia come from China (in a proportion of approximately 90%), while the fewest come from Taipei (graphic 5).

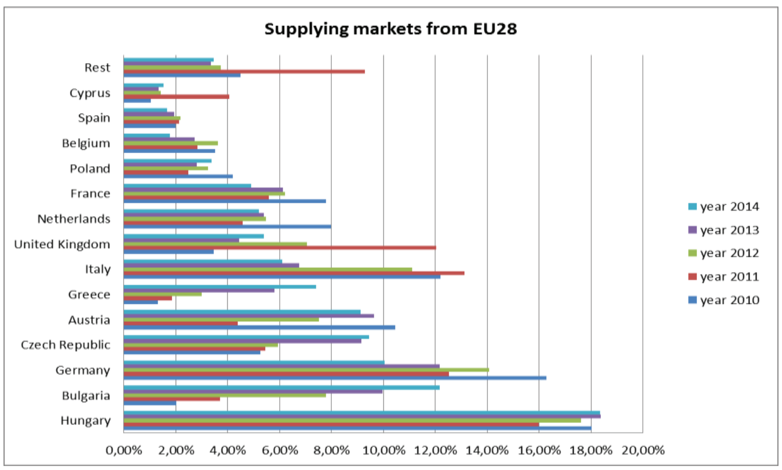

Figure 3: Import of games, toys and sports items - EU28
Source: graphic made by the author based on the International Trade Center data

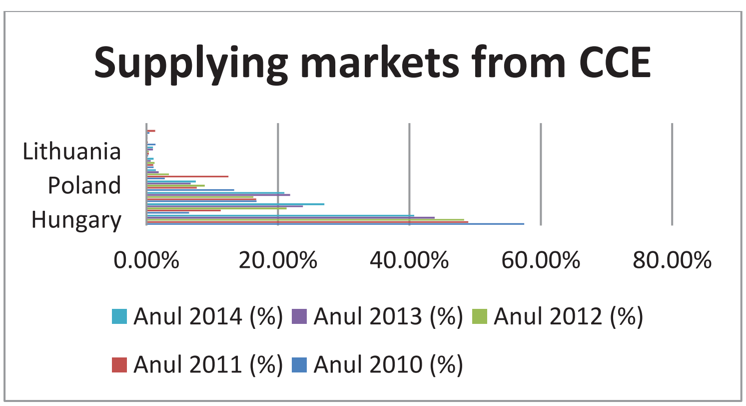

Figure 4: Import of games, toys and sports items – CEE

Source: graphic made by the author based on the International Trade Center data

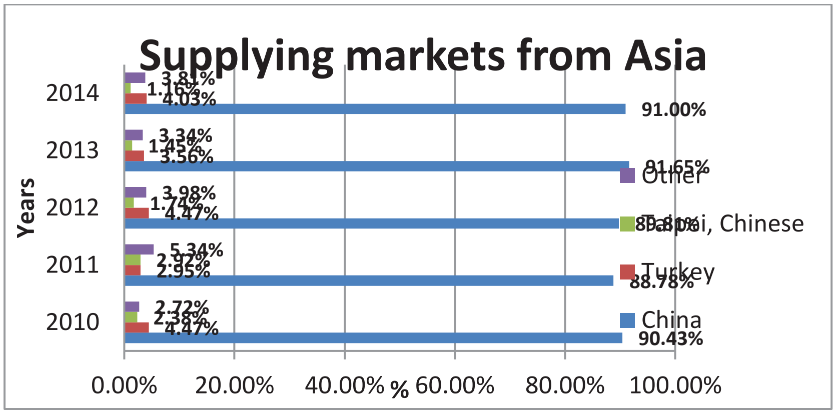

Figure 5: Import of games, toys and sports items – Asia

Source: graphic made by the author based on the International Trade Center data

4. Conclusions

The games and toys market is extremely dynamic due to the technological developments from the last years. It reconfigures the structure of the market by the increase of hi-tech toys segment and limiting the traditional games and toys segment.

The Romanian market is not as developed as in other states and it is among the biggest manufacturers in the EU. Foreign competition directs the Romanian manufacturers towards other countries where Romanian toys and games are sought after. Asian products with an inferior quality level but with a price acceptable for many parents predominate in the Romanian market. Many of the toys are considered dangerous for the children.

Even though an increase was noticed in time, the annual average expenditures for toys and games purchase by each child in Romania are extremely low compared to those registered in other intra- and extra-Community countries.

Both in case of imports and exports, the main external partner for Romania in the field of toys and toys is the EU.

A decreasing tendency can be noticed in the case of volume of toys and games imported from China in the favour of those imported from EU member states.

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