



INDIAN TOY INDUSTRY

Market Analysis and
Recommendations

ABSTRACT

Done for the Contemporary Concerns Study

Bhuwandeep | Rahul Sarkar

1511169

1511221

Under: Prof Ganesh Prabhu

1 TABLE OF CONTENTS

2	Indian Toy Industry	4
2.1	The current state of toy industry	4
2.2	Swot Analysis	4
3	Major Players	5
3.1	Funskool (india) Ltd.....	5
3.2	Mattel Toys Pvt. Ltd	6
3.3	Ok Play India Ltd.....	6
3.4	Reliance Retail toys -The new emerging market player	7
3.5	Zephyr Toys Ltd.....	7
4	Scope and research methodology	7
4.1	out of scope	7
4.2	Main agenda or focus of the study	7
5	Indian production cluster.....	8
6	industry analysis: THE decline of Indian Traditional Toys Industry	9
6.1	The rise of Cheap imports from china.....	9
6.2	The changing lifestyle which promotes mobile and video games	10
7	porter's five force.....	10
8	Primary Research	11
8.1	Classification of types of Toy Stores	11
8.2	Buyer Classification	11
8.2.1	Parents	12
8.2.2	Gift Purchases	12
8.2.3	B2B customers	12
8.2.4	Insights on salesperson & their selling pattern.....	12
9	Consumer Decision Making Criteria – Based on Demography	13
9.1	Pre-school Kids:.....	13
9.2	Primary School Going Kids	13
9.3	Secondary School going teenagers	14
10	Toy Industry – Recommendations	14
10.1	Bundling with other Products	14
10.1.1	Why Bundling? [Value proposition for Toy seller]	14
10.1.2	Bundling Products	14
10.1.3	Value proposition for Product Manufacturer	15
10.1.4	FMCG.....	15

10.1.5	Proof of Concept: Customer Insights	17
10.1.6	Types of Bundling.....	17
10.1.7	A toy free with a product	17
10.1.8	A Toy Set – One toy available with each packet / SKU	17
10.1.9	Assembling a toy – One part of toy available with each variant of product.....	17
10.1.10	Gift a toy after the buyer submit 6 packets or caps of the sold product.....	17
10.1.11	Element of surprise	17
10.1.12	Types of Toys.....	17
10.2	B2B Selling.....	18
10.2.1	Why B2B selling? [Value Proposition for Toy Seller}.....	18
10.2.2	Classification of B2B Customers.....	18
10.2.3	Proof of Concept: Seller & Customer Insights	19
10.2.4	Types of Toys.....	19
10.3	Cross-selling with other products	19
10.3.1	Why Cross-selling? [Value Proposition for Toy Seller].....	19
10.3.2	Value Proposition for Customer.....	19
10.3.3	Classification of Customers.....	19
10.3.4	Proof of Concept: Customer Insights	20
10.3.5	Type of Toys	20
10.4	Alternate Selling Approach – Targeting Ethnocentric Aspects	20
10.4.1	Value Proposition for Toy Sellers	20
10.4.2	Partnering with Incredible India	20
10.4.3	Toy Manufacturing Location Tourism	20
10.4.4	Strategic Selling Locations.....	21
10.4.5	Proof of Concept: Interview with Foreign Travelers	21
10.4.6	Type of Toys	21
10.5	Innovation in Product Portfolio & Positioning	21
10.5.1	Product Portfolio Development	21
10.5.2	Toy Collection Sets	21
10.5.3	Stationaries in form of Toys	21
10.5.4	Swachh Bharat Promotional Toys	21
10.5.5	Product Positioning & Promotional Initiatives.....	21
10.5.6	Healthy Toys.....	21
10.5.7	Instore Promotions	21
10.5.8	Proof of Concept: Consumer Insights	22
11	Exhibits.....	22

11.1	Consumer Response Survey.....	22
11.2	Survey of Tourist	23
11.3	Store Visit.....	23

2 INDIAN TOY INDUSTRY

The Merriam Dictionary defines Toys¹ “something small and that can be played with by mainly children (preferably animals/human figurines). India has rich tradition of Toys. Right from the very ancient times Indus Valley civilization². Many figurines of dancing girl, animals, board games like chess of today times etc. have evolved from the ancient games of Indian Subcontinent³. The commercial production of toys has long history. Thus India has a long and rich history of toys and games⁴.

2.1 THE CURRENT STATE OF TOY INDUSTRY

The Euromonitor report⁵ for Toy industry states that Industry is growing at the rate of 5.4% for 2014-15. The growth for the last five-year (70%) period has been on the rise (due to increase in disposable income, changing demographics etc.)

The market size is currently being at 30,197 million INR for Traditional toys and games. The market size for Nontraditional toys and games (such as Legos and new age toys such as Action figures and Moving vehicle) accounts for 42,267 Million INR. The rest of the market consists of the Video Games (Out of scope of our analysis) has market size of 17,069 Million INR.

If we analyze the CAGR for this industry. We see that Traditional Toys and Games are growing at the healthy CAGR of 11 to 12% for year 2010-15. While Nontraditional Toys and Games also has been seen robust growth rate of CAGR 17% for same time period. However, the biggest player has been the Video games industry. It is enjoying the CAGR OF whopping 40% for same period. Hence it one the biggest threats to all the major games and toys players’.

2.2 SWOT ANALYSIS

Before analyzing the Industry further let’s do the SWOT analysis of traditional Toy Industry.

Strength: Long heritage of Toys makes them unique and difficult to copy. It also means these toys have high reach to every nook and corner of the country.

Weakness: They have not been able to capture the market because of their inability to change with changing times and their inability to get organized and make a brand.

Opportunities: The players in Non-Traditional games and toys has huge potential in the market due changing demographic. The percentage of population under 14 yrs. is 29%⁶. The disposable income is increasing. It has increased from 126,000 INR to 140,000 INR. i.e. 11.11% over previous year. These two factors lead to lot of growth potential.

¹ Definition of TOY. (2016). Merriam-webster.com. Retrieved 12 August 2016, from <http://www.merriam-webster.com/dictionary/toy>

² BBC - Primary History - Indus Valley - Games and Toys. (2016). Bbc.co.uk. Retrieved 12 August 2016, from http://www.bbc.co.uk/schools/primaryhistory/indus_valley/games_and_toys/

³ (2016). Retrieved 14 August 2016, from http://www.bbc.co.uk/schools/primaryhistory/indus_valley/games_and_toys/includes/activities/pdfs/ivtp_quiz.pdf

⁴ Ancient Indian Games - History of India - Quatr.us. (2016). Quatr.us. Retrieved 14 August 2016, from <http://quatr.us/india/games/>

⁵ Euromonitor International - Log in. (2016). Portal.euromonitor.com. Retrieved 14 August 2016, from <http://www.portal.euromonitor.com/portal/analysis/tab>

⁶ <http://www.portal.euromonitor.com/portal/analysis/tab>

Threats⁷: The biggest threat to Indian traditional toys industries are Cheap Chinese toys. Since the last decade (2001-11) CAGR in growth rate has been 25.2% according to ASSACOM. Another potential danger is the changing habits of young children and adolescents. They are shifting from traditional toys to mobile and video games.⁸The percentage number of boys and girls playing the video games has almost doubled in last three years. For boys and girls has increased from the 9% and 7% respectively in 2012 to 16% and 14% respectively in 2015. This further expected to accelerate in future due to increase availability of internet and 3G facilities.



3 MAJOR PLAYERS

The major players in the Funschool, Mattel Toys, Zephyrs Toys, My baby Excels and Creative Educational Aids Pvt. Ltd. The Indian toys industry is very unorganized and non-branded spread across India. In fact, only one tenth of the toy market fall under the ⁹. The market is highly disorganized in terms of sales and distribution channel. Let's look first at top five player in some detail.

3.1 FUNSKOOL (INDIA) LTD

Funschool is largest player in term market share (6.5 %). It is joint venture between world's leading Toy manufacturer Hasbro Inc. and MRF tyre Ltd, leading Indian tyre manufacturer. The symbiotic relation between both companies gives it edge in toy industries. Hasbro Inc. has leading toys licensing for India from international market like Japan, Germany, US (especially the Disney Characters, Warner Brothers movie characters, plus the toys from leading Japanese Toy

⁷ *Assocham India*. (2016). *Assocham.org*. Retrieved 15 August 2016, from <http://assocham.org/newsdetail.php?id=4125>

⁸ *Euromonitor International - Log in*. (2016). *Portal.euromonitor.com*. Retrieved 14 August 2016, from <http://www.portal.euromonitor.com/portal/analysis/tab>

⁹ *Indian Toy Industry, Toy Industry in India, Toy Industry, Toy Industries*. (2016). *Indianmirror.com*. Retrieved 15 August 2016, from <http://www.indianmirror.com/indian-industries/toy.html>

Manufacturer Takara Tomy Co Ltd)¹⁰. Recently it has acquired the licensing for LEGOs. It has improved the market share due to these branded toys

Competitive Positioning- In the market it's positioned for lower middle and upper middle class who are less sensitive to price and don't think much before going for quality branded toys. These customers are loyal and have travelled internationally. They know the importance and quality of good toy and hence don't mind spending the extra bit for quality. This also protects the company from the onslaught of cheap Chinese toys

Distribution Channel: This is one the great advantage of partnering with MRF Tyres limited. It has wide range of distribution across length and breadth of country. Currently it has about 100 stock keepers across India and it operates approximately 5000 retail stores.¹¹

Leading Toy Exporter: Its toys have found market in South Asia, Middle East and African continent. It has state of Art manufacturing technology manufacturing plants in Goa and Tamil Nadu. This makes it one the leading exporter of toys from India

3.2 MATTEL TOYS PVT. LTD

The Mattel toys Pvt. Ltd is the Indian subsidiary of the global Giant Mattel Inc. It was the leading toy manufacturer in India before it lost that position to Funskool. It' having close to 7-8 % market share in traditional toys and games market.

The company launched its product in 1980's in collaboration with Blow Plastic Company¹². However, few years down the line it went alone. The range of toys offered by the company ranges from action figures, dolls, car machines and puzzles and pre-school (educational oriented) toys.

The company extensively uses Bollywood ambassadors to advertise its products. Actors such as Hrithik Roshan and Katrina Kaif in past have endorsed the Hot Wheels and Barbie Dolls respectively in past. Thus they have been able to create a brand for themselves

Distributive channel for the Mattel toy has been to distribute extensively through the retail stores in hypermarket. It is also trying to get in Tier II cities exclusively through its Play world Stores.

Customization: It's the maker of one the most iconic toys: The Barbie Dolls. However there has been recent fall in the sale of the same goods. Hence they are also try new avenues to sell through local customization these dolls. Like using traditional clothes (sari)¹³ and jewelry to appeal to local population.

3.3 OK PLAY INDIA LTD

The third largest player in the traditional toy industry is OK Play India Ltd. Its market share is close 5% in traditional toys and games market according to Euro monitor report 2015.

¹⁰*Euromonitor International - Log in.* (2016). *Portal.euromonitor.com*. Retrieved 15 August 2016, from <http://www.portal.euromonitor.com/portal/analysis/related>

¹¹*Euromonitor International - Log in.* (2016). *Portal.euromonitor.com*. Retrieved 15 August 2016, from <http://www.portal.euromonitor.com/portal/analysis/related>

¹²*Euromonitor International - Log in.* (2016). *Portal.euromonitor.com*. Retrieved 16 August 2016, from <http://www.portal.euromonitor.com/portal/analysis/related>

¹³<http://www.kenyum.com/barbie-in-bengali-saree/>

They offer a wide range of indoor play toys for preschool kids along with educational toys and puzzles etc. It is a Indian company based in Delhi. It was launched in 1988. Its core competency lies in plastic manufacturing and blowing operational activity.¹⁴

3.4 RELIANCE RETAIL TOYS -THE NEW EMERGING MARKET PLAYER¹⁵

This is recent player in toys market but it has got lot of potential to grow. In 2010 the international retailer Hamleys Inc. entered in joint venture with Reliance Retail to sell the international toys it has license for in the retail stores of Reliance. Hamleys has also started selling its toys in standalone fashion malls and supermarket. It's one the oldest and most iconic brand of toys , with a flag ship store in London that retails more than 5k Toys.

The Reliance Retail toys though has very small market share it's growing at phenomenal rate and has already captured the 3.1 % of retail through hyper market stores making it the largest players in retail distribution.

The company has tied up with internet e-commerce giants such as Flipkart and Amazon to sells its product through e-selling. It has also collaborated with Groffers to extend its distribution capacity in tier I and tier II cities.

3.5 ZEPHYR TOYS LTD.

It's fourth largest player in the market. It's the homegrown company. It sells multiple product with large number of toys, puzzles and cars for preschool kids. Right now it has close to 3% market share in non-traditional toys and games.

4 SCOPE AND RESEARCH METHODOLOGY

4.1 OUT OF SCOPE

In our analysis we have left out the non-traditional games such as video games or mobile games. Though these are clubbed in the toys and games segment mostly their usage pattern, key market players and customer profile are totally different.

4.2 MAIN AGENDA OR FOCUS OF THE STUDY

First we study the market of toys and games. We then move to study the key players. We analyse the key market trends, the production cluster of the Toy industry. We then turn our focus to the problem of the Toy and Games industry and why it is declining as compared to Video Games and mobile games. Especially we turn our attention as why our key indigenous are unable to compete against the Chinese toy makers as well as mobile and video games.

Finally, we do primary research through customer feedback, stores visits and focus group discussions. Based on the research we final give the recommendation.

¹⁴(2016). *Emis.com*. Retrieved 16 August 2016, from https://www.emis.com/php/company-profile/IN/OK_Play_India_Ltd_en_1627190.html

¹⁵*Euromonitor International - Log in*. (2016). *Portal.euromonitor.com*. Retrieved 17 August 2016, from <http://www.portal.euromonitor.com/portal/analysis/related>



Figure 1: Showing the Detailed steps of project analysis of Toy Industry

5 INDIAN PRODUCTION CLUSTER

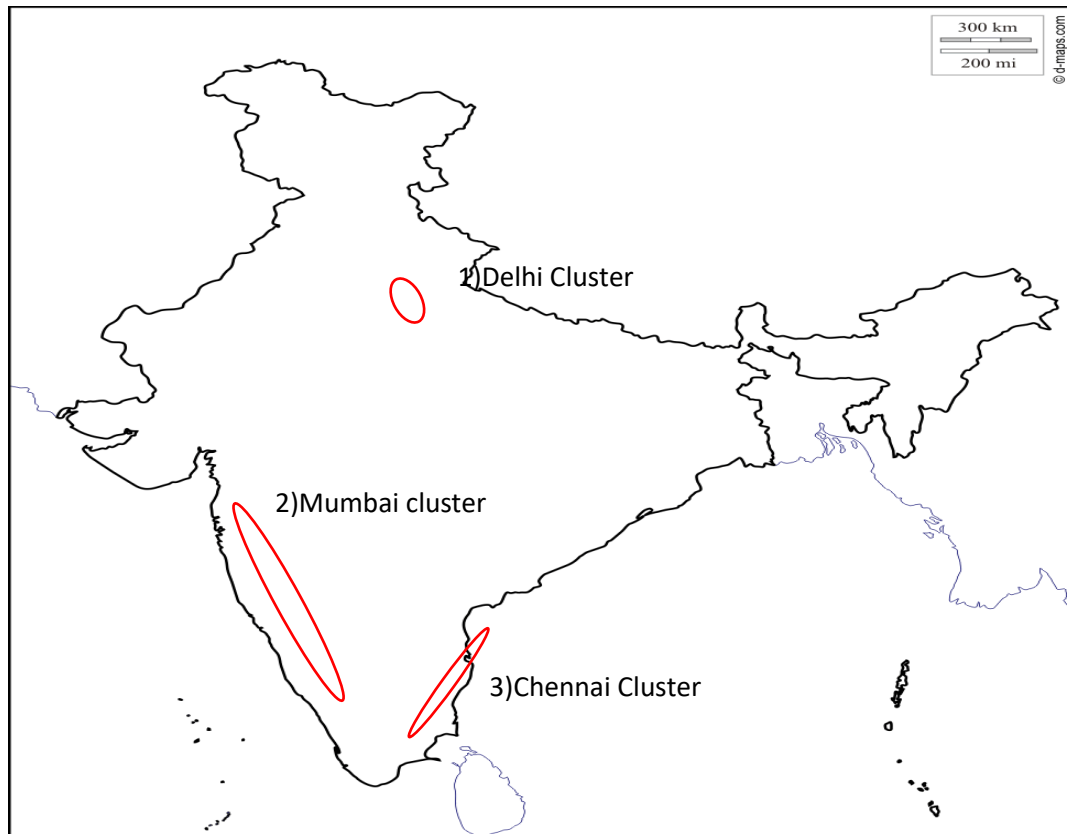
One of the success reasons of the Chinese top manufacturing is the toy clusters in manufacturing¹⁶. These toy clusters are based out of region of a country and help in distributing and retailing to local market by applying economies of scale. These region have

- 1) Plastic and other raw material suppliers base
- 2) Good connectivity and infrastructure support such as electricity, water etc.
- 3) Availability of cheap labor and land for setting up the facility
- 4) Lastly well connected local consumer base.

In India we only have three such clusters but in order to develop the market we need more such clusters¹⁷.

¹⁶(2016). Retrieved 17 August 2016, from <http://www.nsic.co.in/STUDY/STOYCHINA.PDF>

¹⁷ Indian Toy Industry, *Toy Industry in India, Toy Industry, Toy Industries*. (2016). *Indianmirror.com*. Retrieved 17 August 2016, from <http://www.indianmirror.com/indian-industries/toy.html>



6 INDUSTRY ANALYSIS: THE DECLINE OF INDIAN TRADITIONAL TOYS INDUSTRY

6.1 THE RISE OF CHEAP IMPORTS FROM CHINA

According to ASSACOM¹⁸ report the around 40% of Indian Toy manufactures have shut down in last due the cheap imports from Chinese manufacturers. Some of the main reason for this are

- 1) Chinese toys are 25% to 50% cheaper than Corresponding Indian toys. Added to this is the fact that Indian customers are very much price sensitive so Indian toys are not able to sell well
- 2) The margin on these chines toys are very high for retailers. They follow the bulk retailing where the retailer buys the toys in bulk, these toys have no MRP so they can mark up the price as they like and earn huge amount of profit compare to this Indian toy manufactures have to negotiate with retailer hat high shelf retail cost and the have to take back any unsold toys. This render the Indian toy manufactures totally un competitive
- 3) As compared to Indian toys Chinese toys also provide a large variety of the toys.
- 4) Another advantage that these toy manufacturers have is that they are very quick imitators and they copy any bestselling toys. Then they flood the market with cheaper imitation which displaces the toy and hence remove the Indian players

¹⁸Assocham India. (2016). *Assocham.org*. Retrieved 17 August 2016, from <http://assocham.org/newsdetail.php?id=4125>



6.2 THE CHANGING LIFESTYLE WHICH PROMOTES MOBILE AND VIDEO GAMES

The changing lifestyle and priorities have also taken the children away from traditional toys. The rise internet penetration plus westernization of Indian life style are some of the factors driving this industry into huge demand.

The factors that has to its rise are

- 1) Increasing adoption of the western lifestyle
- 2) Strong group effect or peer pressure that lead other children to play it
- 3) Hectic lifestyle of children, leaves them with little time to play
- 4) Lack of playing ground and friend groups also drives children play video games

However not everything is in its favor. Some of the side effects of playing video games are:

- 1) It makes them lazy prone to lifestyle diseases
- 2) It makes them antisocial, sometime violent and aggressive
- 3) Long hours of playing affects their sleep pattern, eyes and ability to focus

7 PORTER'S FIVE FORCE

Porter's five forces: This model basically tells about the attractiveness of the the industry. This analyses the five forces operate in the ecosystem of the industry to make it attractive or non-

Attractive.



Thus we see that due to high bargaining power of customer, high threat of substitution, low entry barrier for competitors, and hence this is very unattractive place to be

8 PRIMARY RESEARCH

There are very less secondary data available on the customer profiling relevant to this industry.

We visited 8 stores for collecting primary data.

We interviewed salesperson, customers & overserved purchase behavior of buyers.

8.1 CLASSIFICATION OF TYPES OF TOY STORES

1. Hypermarket (Big Bazar) – Separate section dedicated to Toys {Includes a plethora of toys comprising of toys & kids sports kits at a single location. Targeted demographics ranges from a toddler to teenagers}. Presence of Indian
2. Toy Stores (Toystation) – Comprise of toys catering to requirements of every segments.
3. Baby Stores (Mom's Touch) – All stuff related to babies. They also sell toys for age group till 12

8.2 BUYER CLASSIFICATION

1. Parents
2. Gift Purchasers
3. B2B customers

Insights on customer purchase behaviors & customer interviews

8.2.1 Parents

- Cost is one of the most significant factor in terms of selection.
- Usually have a perception of repeated purchase and unwilling to invest more based on the notion that toys never last long.
- Purchase behavior is greatly influenced by child's presence.
- Without child's presence, most preferred games are puzzles or any other board games because of the perceived educational value attached with them.
- With their presence, the selection is primarily motivated by the child's preferences.
- Action figures are primary attraction for kids & decline for traditional favorites like Hot wheels & Barbie.
- No preference between Indian & Chinese toys
- When informed about the negative effects regarding the poor material quality of Chinese toys, they were skeptical about buying Chinese toys.
- For parents who are not price conscious, they prefer branded toys over unbranded once

8.2.2 Gift Purchases

- Cost is definitely one of the significant factors for selection
- Usually ask the salesperson for preference while choosing
- Maximum time opt of the bestselling one as communicated by the salesperson provided that is within his budget
- No preference between Indian & Chinese toys
- Occasional purchase

8.2.3 B2B customers

- Mostly Montessori schools and playschools in urban locality
- Primarily quality conscious as it is associated to their brand value
- Bulk purchase and purchase the entire year's inventory at once
- Mostly aware of any distributors unless these schools are big playschools chain with centralized buying facility
- Majorly buy these toys from local established toy stores and have a fixed assortment of products

8.2.4 Insights on salesperson & their selling pattern

- Salesperson have a clear preference in pushing Chinese toys over Indian toys due to greater margin
- Huge variety of Chinese toys are available at each location
- Chinese toys usually gets premium self-space over Indian toys

- Various assortments of Chinese toy are bought together at a bulk price with no price mentioned about individual toys
- The seller has the flexibility over pricing individual toys as per market demand
- Thus, seller usually mark up a high demand product & provide deep discount to incentivize the customers to buy a low preferred product
- We have witnessed discounts up to 60% on a particular product based on the product demand and customer negotiation skills.
- Majorly all Indian toys come with a minimum retail price and sellers don't have much margin on selling these toys
- Very minimal discounts are provided on Indian Toys as the margin for sellers are quite low

9 CONSUMER DECISION MAKING CRITERIA – BASED ON DEMOGRAPHY

The customer decision making criteria varies widely based on the age of the children. Thus, buyers (parents & gift purchasers) are primary customers while the children act as consumer of the product. Thus, their decision making for section depends on the age of the children.

9.1 PRE-SCHOOL KIDS:

The age group of this segment is 2-5 years.

The primary factors which are considered before buying:

- The dimension of the toys should be comparatively larger. Child belonging to this age have a tendency to engulf items.
- Focus more on the audio-visual aspect of the toy. As it acts like attention seeking feature of the toy.
- Toy should be colorful, aesthetically appealing & sound producing.
- Educational toys which are bigger in dimension are also preferred. Like alphabet, number, animal & fruits
- Non-toxic paints & no sharp edges are also concerned as safety factors while buying.

9.2 PRIMARY SCHOOL GOING KIDS

The age group of this segment is 5-10. They occasionally accompany the buyer and influence in the act of buying.

The primary factors which are considered before buying:

- Educational toys specially puzzles are majorly preferred by parents for this segment.
- Huge contrast in terms of toys size, shape & color based on the sex of the child
- Pop culture figure like cartoon characters are hugely popular in this segment
- The electronic toys are also preferred by this segment. Like remote controlled cars
- Audio producing toys are still considered by this segment.
- Action figure are also preferred by this segment.
- Board games are also introduced to this segment.
- Toys like building blocks or logo are also considered by parents.

9.3 SECONDARY SCHOOL GOING TEENAGERS

The age group of this segment is 10 & above. They act as decision maker or main influence in most of the purchase.

The primary factors which are considered before buying:

- Preference shifts towards outdoor games
- Action figure based on popular comic characters are majorly preferred
- Expensive toys are also bought for this segment
- Audio toys have very less appeal to this segment
-

10 TOY INDUSTRY – RECOMMENDATIONS

The toy industry in India is facing a turbulent time due to presence of Chinese players providing undifferentiated toys at a cheap price. They possess a robust manufacturing system which enables them to imitate any new toy within very short time at a convenient price. Thus, we recommend a couple of ways in order to counter these Chinese players and also put forward some alternate revenue generating mechanism that Indian toy makers can capitalize.

These recommendations can be divided into 4 categories: -

- I. Bundling with other products
- II. B2B selling
- III. Cross-selling with other activities
- IV. New avenues to sell

10.1 BUNDLING WITH OTHER PRODUCTS

10.1.1 Why Bundling? [Value proposition for Toy seller]

Bundling of toys with various kinds of products is an effective way to increase the business for Indian toy manufacturers who are failing to compete with Chinese toys in traditional market. These toys are of fixed variety and are ordered in bulk quantity. Thus, it is easier for these manufacturers to achieve economies of scale by manufacturing these toys. Further, the competition in this space is quite lower as they will not have to compete with Chinese. These buyers don't want to reduce the brand equity of their product by associating them with Chinese toys. Moreover, in B2B business, creating relationship yields long term value. Thus, executing one such contract with FMCG giant like HUL will forge a long term business with them and increases the customer belief on this company in this B2B space.

10.1.2 Bundling Products

The following products are short-listed based on the in-depth interviews & short survey conduct by our team on the target audience. These products are either used by child in a regular basis or they are considered as one of main influencer in buying these products.

10.1.3 Value proposition for Product Manufacturer

These products are primarily undifferentiated product in the minds of customers and thus, brand loyalty for these items are negligible. Bundling these products with toys will differentiate these products in this cluttered market. According to our survey & in-depth interviews, providing free toys along with certain FMCG products will act as incentive to customer to buy these products. Thus, bundling will definitely increase the sales of these products and build a positive brand image about the product in customer's mind. Another way of utilizing the bundling phenomenon is to augment the sales of less preferred variants. Customers can be lured to form the complete toy set collection which will motivated them to buy the less-preferred variants.

10.1.4 FMCG

FMCG is the most preferred sector for bundling as most of these product involve impulse purchase. Thus, these toys will guide the customers I their decision making process as they will act as a differentiator for these products during selection. We have shortlisted the following sector based on market potential & customer preference obtained from in-depth interviews.

10.1.4.1 *Toothpaste*

Toothpaste is one of the most preferred brand for bundling according to our customer survey. It was noticed that for families having children, they act as influencer in buying toothpaste. Thus, toys are ideal to gain the market for this specific segment. This will be especially effective for premium priced kid's toothpaste category having major players such as Oral-B, Colgate & Chicco. This category is very nascent, thus bundling with help to increase penetration in Indian households.

10.1.4.2 *Noodles*

Noodles is the 2nd most preferred category for bundling according to our analysis & customer insights. The selection of noodle is primarily based o taste and usually the preference of child is considered while purchasing. The Indian noodles industry is dominated by one single player and others are failing to develop market share with increasing pressure from both dominant player & other unorganized local players. Thus, for brands like Yippe, Top Ramen, Knorr associating with toy will definitely increase their market share.

10.1.4.3 *Jam*

Jam is the 3rd most preferred category for bundling according to our analysis & customer insights. Brand loyalty in this category is very low and penetration of branded products in this category in middle class segment is very less. Bundling is ideal for this segment which will perform the dual function of increasing penetration as well as building brand loyalty for that particular brand. Since the preference of kids are prioritized for this segment, thus bundling with toy will be hugely effective.

10.1.4.4 *Biscuits*

Biscuits is the 4th most preferred category according to our analysis & customer insights. This is a highly competitive market with almost all big FMCG players like ITC as well as food product companies like Britannia having their own established biscuit brands. Moreover. Multiple established regional players like Anmol, Priya are quite dominant in their respective regions. The sector has very less brand loyalty. Thus, this sector become ideal for this bundling scheme. Players can easily differentiate themselves in this highly competitive market. As majority of biscuits are impulse purchase, this will increase the sale by appealing towards children. The cream-biscuit segment is most likely to get benefited by this application.

10.1.4.5 Chips

Chips are the 5th most preferred category according to our analysis. Bundling with toy is not new to this category as major players have effectively utilized this strategy in past. E.g. Pokemon figures with Cheetos by fritolay. Thus, particular for new entrant in this market, bundling with toys will definitely help to increase both customer awareness and preference. Children are primary decision maker for this category and by bundling, the chips company can directly appeal to these children triggering an impulse purchase.

10.1.4.6 Kids Soaps

Kids soaps is one of the segments that emerged out of our in-depth interviews. Kids specially toddlers usually play with toys while bathing, thus providing that toy will act like a killer app for this category. This will definitely increase both market size & penetration of that product.

10.1.4.7 Health Drinks

Health drink are one of the segments that emerged out of our survey. The health drinks market in India is highly competitive with three major brands (Horlicks, Complain & Bournvita). Over the year, all of the major players have utilized the bundling model to regain marketing share or penetrate into new market. Thus, it is quite evident that bundling with toys is a successful strategy provided the toy should symbolize the essence of the health drink brand. Quality is one of the other factors that these are customers are concerned as they don't want to tarnish their brand equity.

10.1.4.8 Energy Drinks

Energy drink are one of the segments that emerged out of our survey. Usually, customer develop a preference over selecting the flavor for each of these energy drinks. Thus, other variants remain unsold in most cases. In order to mitigate this issue, bundling can be an effective way.

10.1.4.9 School Stationaries [Notebook, Pencil, Bags & Tiffin Boxes]

All of the school stationaries mentioned are majorly bought considering the child's preference. Since, all these items are predominantly undifferentiated. Thus, bundling with toys will act as a differentiating factors in child's mind during selection. Further analysis also revealed that such bundling is not very much predominant in branded players in this segment. This will help branded players not to gain market share but significant penetrate into the market segment enjoyed by unbranded local players. Further, for items like bags & tiffin box, these toys acts as engaging element.

10.1.4.10 Food / Confectionaries

This segment has a great potential to implement bundling to increase sales. All these products are commoditized but their market is significantly increasing. Thus, in order to tilt the customer towards a specific brand bundling with toy is an ideal approach.

10.1.4.11 Books

Bundling to toys relating to characters of books is a strategy which is highly followed in west. Specially for classics kid books, these strategy is applicable. This acts both ways as it draws the attention of kids towards the book because of the toy and it also has an edutainment factor where children can learn along having fun at the same time. This can be implemented initially for those books for which the sales might be dipping over the years.

10.1.4.12 Greeting Cards

The greeting card industry is facing a steady decline over the years with increase in internet penetration. Thus, bundling can be an effective way to revive this industry. Bundling a greeting card

with a toy will a mutual benefit for both as it will a single solution for gifting. A person searching for a greeting card will a similar themed toy at a convenient price. A person searching for a toy to gift will be induced to give the recipient a greeting card also.

10.1.5 Proof of Concept: Customer Insights

The insights are obtained from in-depth interviews of target segment user. The ordering is done primarily based on preference as selected by the customer who filled the survey. The interviews highlighted the fact that toy might play a significant role in selection for undifferentiated products. These toys in many cases act like trigger for impulse buying. Moreover, for majority of abovementioned segment, child act as influencer in selection. Thus, bundling with toy will be an ideal strategy for these product to increase their sales.

10.1.6 Types of Bundling

We have categorized the method of bundling into the following clusters which will be befitting to both customer requirement and sellers' objective. The primary aim is to leverage the bundling effect to the maximum without alienating the customer with repeated purchase.

10.1.7 A toy free with a product

This is the conventional form of bundling where the buyer is well aware of his free gift. This is done to incentive the buyer upfront about the assured gift and motivate him to buy the product. E.g. Providing a Sachin Tendulkar card with every packet of Boost health drink.

10.1.8 A Toy Set – One toy available with each packet / SKU

This type of bundling is done to ensure repeated purchase of similar product. The company previously inform the customer about the entire collection of toy to arouse interest in customer's (children) mind. But, only one toy is provided with each packet of the product which encourages the customer to buy the same product repeatedly. Thus, creating both brand awareness and brand loyalty among target audience.

10.1.9 Assembling a toy – One part of toy available with each variant of product

This type of bundling primarily aids in selling of less popular variants. Here, a single toy is segregated into different parts and placed inside the packets of different variants. The customer buys all variants to ensure the completion of the toy.

10.1.10 Gift a toy after the buyer submit 6 packets or caps of the sold product

This type of bundling is usually performed to increase the purchase quantity per person during a single point of purchase. The seller highlights the toys but also ascertains the clause that the toy can only be procured by buying 6 packets at once or submitting six empty packets of product.

10.1.11 Element of surprise

This type of bundling is initiated to create a buzz around the product. People are drawn by the uncertainty factor. The types of toys are quite varied in this type of bundling.

10.1.12 Types of Toys

The types of toys are widely varied for each of the bundling. The type of toy majorly depends on the brand image of the product brand. For example, for a brand like Horlicks, health drink, an action figure who can be portrayed as taller, stronger & sharper will be most befitting. Thus, the bundled toy should portray an ideal image of the brand user. Another perspective will be more associated towards the fun part of the product and how can it be more engaging for the target audience. This

should be done on a case to case basis. The following can be considered as highlighting factor for toy selection

- i. Toy should resonate with product image in customer's mind
- ii. Quality of toy should be good (Chinese toy should not be considered)
- iii. It should be convenient to carry or packaging (Extra packaging cost not ideal)
- iv. It should engage the target customer
- v. It should trigger repeat purchase

10.2 B2B SELLING

10.2.1 Why B2B selling? [Value Proposition for Toy Seller]

B2B selling of toys with various kinds of products is an effective way to increase the business for Indian toy manufacturers who are failing to compete with Chinese toys in traditional market. These toys are of fixed variety and are ordered in bulk quantity. Thus, it is easier for these manufacturers to achieve economies of scale by manufacturing these toys. These buyers are primarily quality-conscious and don't want to reduce the credibility by associating them with Chinese toys. Moreover, in B2B business, creating relationship yields long term value. Thus, forming a long term relationship with these buyers ensures steady future returns. As most of them purchase yearly, they follow made to order model which eliminates the uncertainty of being unsold.

10.2.2 Classification of B2B Customers

These B2B customers comprises of those institutions where child spent ample amount of time.

10.2.2.1 *Schools*

These are mostly Montessori school or play schools or primary school where the students age is around 5. These school use toys to keep those children engaged in activities and also impact learning through them.

10.2.2.2 *Crèches for Kids*

These are crèches and child day care centers where majorly the working mothers keep their children while they are working. These centers take care of these children and primarily use toys to keep them busy throughout the day. They do require a huge assortment of toys as a kid spent ample amount of time on these centers.

10.2.2.3 *Any waiting rooms (Hospital / Airport / Parlors)*

These are places where parents were usually busy with some work but, their stay gets elongated due to the presence of their children. Thus, these facilities usually provide a place where they can keep their children while they are working. These facilities use toys to engage these children. They are primarily quality conscious and want to provide the customer with best possible service.

10.2.2.4 *Value Proposition for B2B buyers*

These toys acts as a replacement for human resources as they keep the child engaged in activities. This enables these centers to operate at optimum number of work force. But, these toys should be of superior quality. Any adverse impact on child's health due to these toys will result in huge losses

for these institutions. Further due to negative word of mouth, any unfortunate incident will result in huge negative publicity for the B2B player.

10.2.2.5 Present Requirement

Presently, these players buy from their nearest retail store in bulk quantity. Indian toy manufacturers can directly approach them with their product which will eliminate these Chinese loyalist retailers and forge a long term relationship with these players. Thus, [personalized selling will play a huge role in shifting these customers.

10.2.3 Proof of Concept: Seller & Customer Insights

Based on our interaction with seller & customer, we observed that this is an ideal sector for Indian manufacturers to venture. The quality-conscious mentality of these B2B players and their skepticism towards Chinese toys have created an ideal space for Indian players.

10.2.4 Types of Toys

The types of toys are majorly educational which much change in variety each year. The requirement of each schools are quite similar, thus achieving economies of scale is quite easier. Further, the Indian manufacturer can assist these players with new educational toys which will add more value to these B2B players.

10.3 CROSS-SELLING WITH OTHER PRODUCTS

10.3.1 Why Cross-selling? [Value Proposition for Toy Seller]

Cross selling of toys with various kinds of products is an effective way to increase the business for Indian toy manufacturers who are failing to compete with Chinese toys in traditional market. These toys are of fixed variety and are ordered in bulk quantity. Thus, it is easier for these manufacturers to achieve economies of scale by manufacturing these toys. These buyers are primarily quality-conscious and don't want to reduce the credibility by associating them with Chinese toys. Moreover, in B2B business, creating relationship yields long term value. Thus, forming a long term relationship with these buyers ensures steady future returns. As most of them purchase periodically throughout the year, they follow made to order model which eliminates the uncertainty of being unsold.

10.3.2 Value Proposition for Customer

Most of these cross-selling items act as souvenirs that these customers want to provide to their customers. These souvenirs serve a threefold purpose for these customers. Firstly, they are responsible for building brand awareness through positive word of mouth. Secondly, they eliminate any post purchase dissonance in their customer's mind regarding the service received. Thirdly. It act as a trigger for repeat purchase for its customers.

10.3.3 Classification of Customers

These customers are primarily B2B service providers who want to improve their brand image in customers' mind by providing them with a souvenir to recollect the time spent on their services.

10.3.3.1 Amusement Park

Cross selling of toys in amusement park is an innovative option to increase the brand image of the park in customer's mind. The fundamental idea is to provide every child who visit the amusement park with a toy. Firstly, the cost incurred will be very less as they only require to give it to children i.e. about 1 toy per 3 ticket sale. Secondly, the benefit will a two-fold one. It will ensure a memorable ending to a wonderful experience of the park. Moreover, it will act as a token of remembrance

looking at which will trigger willingness to revisit for the customers. It will also act as influencer of the friends & families of the customers by being a conversation starter.

10.3.3.2 Airlines / Movie Theatres / Restaurants

All these platforms sell experience as a product, thus toy will act as an experience enhancer. For Airline, they can act a differentiator for being the airline which takes care of your small children also. These airlines will provide the small children with a toy (preferably related to airplane) to play during the flight and take then as souvenirs while leaving. Thus, this will ensure smooth & comfortable journey for the parents who need to invest less time taking care of their children. Thus, during selection of their future flights, this airline will feature higher in their consideration list. Similar, experiential experience can be offered in places like movie theatres & restaurant. This will increase their brand equity as well as ensure repeat purchase of services.

10.3.3.3 Book Fairs

Multiple book fair occurs around the year in different parts of India. Millions of footfall occurs in multiple book stores in each fair. Toys can be given to the buyers as a gesture of goodwill by the stores.

10.3.4 Proof of Concept: Customer Insights

Our aim in this proposal was to gauge the acceptance of this idea among the target audience of these B2B service provider. Based on our in-depth interview, it can be validated that the customers are looking forward to these B2B offerings. They also believe that such initiative will increase the experience factor associated with the service and increase their brand equity and repeat purchase.

10.3.5 Type of Toys

The toys should be a representation of the service provider and it should prominently feature the name of the service provider on its body. It should be of high quality.

10.4 ALTERNATE SELLING APPROACH – TARGETING ETHNOCENTRIC ASPECTS

10.4.1 Value Proposition for Toy Sellers

This is a unique selling approach for the toy seller which their Chinese counterparts can never imitate. This will be clear differentiator for Indian manufacturers. They will also get adequate help from the government by associating with this events. Since the target audience is majorly foreign tourists. Thus, these toys can be priced in premium manner.

10.4.2 Partnering with Incredible India

Partnering with initiative like incredible India will provide the Indian manufacturers to showcase their indigenous talent & creativity to a global audience. This global exposure will increase their sales & augment the country's image in their minds.

10.4.3 Toy Manufacturing Location Tourism

This a new dimension in the type of tourism which is not famous in India. Visiting the manufacturing location of tradition indigenous art has been a successful form of tourism in western nature. But, such initiatives are absent in Indian context. This can be an alternate sources of earnings for Indian small toy makers. This initiative will require substantial effort from the government.

10.4.4 Strategic Selling Locations

These toys can be sold at strategic location mainly targeting the transportation hubs for convenience of the foreign travelers. International airports & popular tourist destinations which facilitate as a point of sale.

10.4.5 Proof of Concept: Interview with Foreign Travelers

Our interaction with the exchange student in IIMB campus highlight that using toy as a souvenir is an acceptable idea for these customers. They usually take some small items while traveling back to their country. But, they have also suggested the items should be easy to pack and should be a symbolic representation of Indian culture.

10.4.6 Type of Toys

The toys should be the representation of Indian culture. These are non-plastic and majorly hand-made toys which are true manifestation of artist enduring efforts. These includes toys like Rajasthani puppets, Traditional clay dolls etc.

10.5 INNOVATION IN PRODUCT PORTFOLIO & POSITIONING

10.5.1 Product Portfolio Development

In this segment, we tried to identify innovative ways in form of product portfolio development that will improve the market share of Indian toys.

10.5.2 Toy Collection Sets

Present toys produced by Indian manufacturers lacks theme and thus, these were easily imitated by the Chinese manufacturers. Thus, if a collection of toys are developed based on their popular Indian comic characters or mythological characters, then developing the essence of these toys which are deep rooted in Indian culture.

10.5.3 Stationaries in form of Toys

Another innovative application will be developing stationaries in form of toys. These are readily accepted by the target audience and serve both functional & emotional benefits. For example, manufacturing tiffin boxes in form of toys.

10.5.4 Swachh Bharat Promotional Toys

These are primarily educational toys specifically created to instill the sense of cleanliness in the child's mind at a tender age. This idea will serve dual-purpose of speeding awareness and creating an alternate source of revenue for these manufacturers.

10.5.5 Product Positioning & Promotional Initiatives

According to our customer insights from in-depth interviews, Chinese toys are usually perceived to be of poor quality. Indian toy manufacturers should position their toys in such a manner that these negative associations can be exploited to the maximum.

10.5.6 Healthy Toys

Indian Toy Manufacturer Association should ideally shift the positioning of Indian toys to be of healthy in nature. This will definitely increase the acceptance of Indian toys in customer's mind.

10.5.7 Instore Promotions

Innovative in-store promotions should be used to affect the customer decision making at the point of purchase.

10.5.8 Proof of Concept: Consumer Insights

The idea of using toy in mentioned innovative ways as well as position it as healthy, will be definitely appealing to the target audience. This is leverage the quality uncertainty that Indian primarily associate with Chinese items and thus will increase the overall sales.

In conclusion, the majority of all recommendation are imitable. Thus, to increase growth in this high competitive market, a toy company has to innovative and coming up with innovative design at frequent interval and stay ahead of competition.

11 EXHIBITS

11.1 CONSUMER RESPONSE SURVEY

Questions	Respondent 1	Respondent 2	Respondent 3	Respondent 4
1 Pls give your Name, age , employment details	Asha Lakra , Housewife , 40 yrs	Vinod Thakur , Businessman , 44	Laxmi Chhetri , Teacher , 26	Navin Kumar , Govt Employee, 34
2 How many children do you have? If yes , then their age and gender?	2, One boy 10 yrs, One girl 6yr	1, One girl 15yr	2, Two girls , 2 and 5 yrs	2, One boy 10 yrs, One girl 6yr
3 Do you buy toys for them?	Yes	Yes	Yes	Yes
4 What are buying occasions for the toys?	Birthday , Festivals	When he returns from his business trips	New Year, When children visit their grandparents	When do well in exams, Birthdays
5 What parameters you consider before buying the toy?	Cost and durability	New or novelty factor	Educational value and	Cost and usefulness to child in learning
6 Do your children influence your toys buying decision?	Yes , they give their feedback	Yes sometimes	May be	Sometimes
7 Given list what is the order of preference you want the list FMCG products?				
Toothpaste	1	1	1	1
Noodles	2	2	2	2
Jam	3	3	3	5
Biscuits	4	4	5	4
Chips	5	8	4	3
Kids Soaps	6	6	6	6
Health drinks	7	7	8	7
Energy Drinks	8	5	7	5
School Stationary	9	9	9	9

Based on the survey of 20 consumers the following order of the FMCG goods were found most suitable toys bundling

Toothpaste
Noodles
Jam
Biscuits
Chips
Kids Soaps
Health drinks
Energy Drinks
School Stationary

11.2 SURVEY OF TOURIST

Sl No	Questions	Response
1	Pls give your Name, age , Nationality, occupation	Hugo Liebrez , 28, French, Student
2	As a tourist will be interested in buying the Toys?	Yes , As a souvenirier
3	What king of toys?	Small, easy to pack , light, Toys
4	What do you look for in a toy when buying souvenirier ?	Traditional aesthetically appealing
5	Which places of selling the toys will be most convient for you?	Airports , Museums and tourist shops
6	Will you be interested in touring the traditional toy manuuactring places in India?	Yes , quite intersted

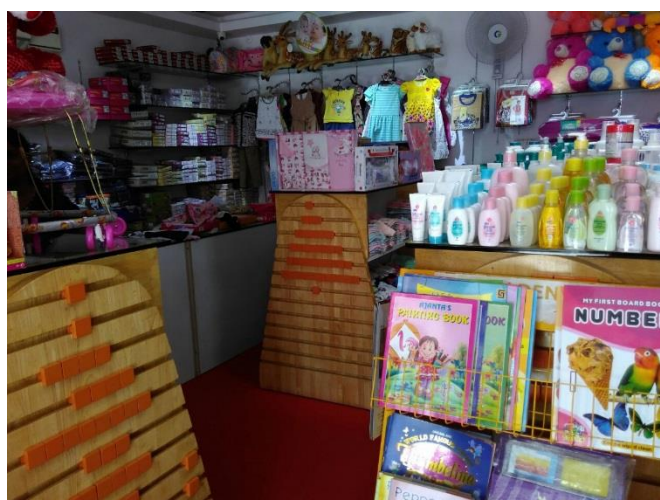
11.3 STORE VISIT



Store Visit: 1) Toy World



2) Store Layout



3) Store layout with cross selling of other products