

Toys & Games



February 2010 US\$395

Essential sourcing intelligence for buyers

China manufacturer profiles

Detailed profiles of 34 verified suppliers and contact details of an additional 13 exporters

Product & price trends

Prices and specifications of 159 top-selling export products

Supply centers & market trends

Coverage of leading and emerging supply centers, plus insight into capacity, output and R&D

TOYS & GAMES

Supplier capability in China

EXECUTIVE SUMMARY

China's toys and games industry is optimistic 2010 will be a better year for exports, despite ongoing challenges. In fact, the majority of businesses are expecting at least 10 percent growth for 2010. This comes even as overseas sales in the 11 months to November 2009 were down 11 percent to 11.5 billion units worth nearly \$7.2 billion.

Among the difficulties that suppliers need to overcome are higher material costs and stringent testing standards. Stronger crude oil rates are pushing up quotes for major materials such as polyester. Stricter standards in key export destinations, meanwhile, are driving up overall manufacturing expenses further.

The following are some of the key developments we see in China's toys and games industry.

- Companies will continue to invest in ways to ensure compliance with safety requirements such as CPSIA and Directive 2009/48/EC despite high fees and vague definition of coverage. Among the measures set in place are systems for tracking raw materials and verifying test reports, and adjustments in the production lines.

- Efforts to expand market reach into emerging economies such as non-EU countries, the Middle East and the Asia-Pacific region are being intensified. This comes as sales to these areas during the first 11 months of 2009 showed phenomenal growth.

- To cultivate the client base in new markets, tier 1 suppliers are fortifying their R&D capability and procuring advanced design, audio application, modeling and animation software. In-house teams are being bulked up with additional engineers, programmers, designers and child psychologists as well.

- Companies are also increasing their focus on the domestic market. Large enterprises are tapping China's growing animation industry and

developing original characters for their local releases.

- Several businesses are branching out into the "green" trend as well. Such makers are offering toys made from recycled and sustainable materials such as sawdust and bamboo. Some models are also designed to introduce earth-friendly concepts to children, including dollhouses with solar panels on the roof.

China suppliers produce action figures depicting animals, cartoon, anime, sports and military characters, dolls, stuffed toys, building blocks, construction sets, and art, craft and DIY kits. Play vehicles, electronic and ride-on toys, and outdoor and sports toys such as models for the beach are offered as well. Infant, stuffed, role-play and musical toys are also available.

These are the scope of this report.

Each product category has its own section with details on the features and prices of low-end, midrange and high-end models. The manufacturing and QC processes are discussed as well.

Further, the section elaborates on the industry composition, highlighting key characteristics of the different types of companies.

The Industry Overview details the challenges manufacturers will continue to face through 2010. It explains companies' strategies for ensuring sustained sales despite lingering difficulties, including market expansion and forays into ecologically safe manufacturing.

To reflect the industry structure, 53 percent of the suppliers interviewed for this report are based in Guangdong, 16 percent are from Zhejiang, and 6 percent are headquartered in Jiangsu. These three provinces account for nearly 90 percent of China's exports of toys and games.

Seventy-six percent of profiled companies are privately locally owned. The rest have participation from Hong Kong and Taiwan investors.

In this report

- 34 in-depth company profiles
- 13 additional suppliers
- 159 top-selling export products
- Supplier demographics
- Supplier survey
- Industry statistics & charts

METHODOLOGY

To produce this report, Global Sources surveyed a wide range of suppliers. Rather than focus simply on high-profile makers, we compiled a representative sample of large, midsize and emerging manufacturers. All profiled companies are export-oriented professional suppliers that may or may not be clients of Global Sources.

The selection of suppliers is designed to reflect the composition of the industry in China in terms of geographic spread, business type and company ownership.

For in-depth company profiles, our research teams interviewed senior executives and export managers who discussed their recent performance and provided price, R&D, production and export forecasts for the next 12 months. The interviews were done in person, by phone or e-mail.

In each case, companies were required to answer specific questions designed to verify their manufacturing and export credentials, including their production and export statistics, and a breakdown of exports by product type and market. Our production checklist details the product-specific manufacturing capability of each supplier.

All profiled suppliers participated in a survey designed to provide insight into product and price trends, and challenges facing the industry. All survey questions are single choice. Results were calculated based on the actual number of valid responses to each question.

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INDUSTRY OVERVIEW

Although seeing some signs of recovery, China's toys and games industry is gearing up to face a tough year for exports. Customs data shows outbound sales have consistently been posting negative growth, regardless of the time frame being compared. For instance, several businesses indicated better-than-expected revenue between July and September 2009, the period when companies generally ship out orders for the Christmas season. Figures from Guangdong customs records were cited as a reason to be optimistic, revealing that the province sent abroad \$600 million in July, \$650 million in August, and \$780 million in September. Year-on-year analyses, however, were not provided.

During the same months, China's total exports actually fell 6, 10 and 7 percent to \$807.7 million, \$892 million and \$1.1 billion, respectively. Unlike in the previous corresponding month, growth rates were much lower, falling 10, 12 and 23 percentage points in July, August and September. The volume of shipments in September, however, rose 14 percent to exceed 1.3 billion units.

But once all orders for the Christmas season were sent out to clients, monthly foreign revenue began to slide. In October, Guangdong's exports amounted to \$670 million, falling further down to \$450 million the following month. In terms of total outbound sales from the country, October and November figures were down 11 and 8 percent. But it is interesting to note that the volume of shipments in November grew 10 percent to 1.2 billion units.

Nonetheless, foreign sales from January to November 2009 dropped 11 percent to 11.5 billion units worth nearly \$7.2 billion. Exports from Guangdong alone reflect an even more dramatic decline at 21 percent to 8.5 billion units and 16 percent to \$5.1 billion.

Most suppliers agree the brief improvement in overseas revenue

was only because of the Christmas sourcing season. Now that those orders have gone out to buyers, companies continue to contend with a number of difficulties, including the rising cost of various manufacturing inputs and more stringent safety standards. In 2009, crude oil rose from about \$32 per barrel in January to roughly \$72 in December.

This then affected the cost of many petroleum-based materials such as polyester, which increased at least 47 percent to its year-end rate of \$1,470 per ton. Even cotton linters have become more expensive, rising from \$440 per ton at the start of 2009 to \$1,020 in December.

Despite reports that 2010 will be a better year for exporters since buyers now have a very low inventory, only after March 2010 can manufacturers have a clearer outlook for the industry.

Stringent directives

As mentioned previously, heightened toy safety standards is also hampering the recovery of suppliers in China.

Businesses targeting the US and the EU have no other recourse but to comply with the stricter regulations despite exorbitant testing fees and vague definition of coverage.

The US and the EU released the CPSIA and Directive 2009/48/EC in the past year. Both have more detailed and stringent requirements regarding the material content of products for babies and children. As such, manufacturers have to pay closer attention to all aspects of production.

For instance, they need to establish a system for tracking raw materials and components, and verifying test reports even for prototypes. Product design has to be scrutinized as well to ensure there is nothing that can cause injury to children.

In addition, manufacturing and QC processes need to be unified to ensure all standards, regardless of whether from the US or the EU, will be met.

Supplier summary

Suppliers surveyed	34
Export sales	\$368.7mn
Export ratio	63%
OEM business	36%
Capacity utilized	58%
Annual R&D spending	\$13.1mn
Full-time employees	22,209

Data: All surveyed suppliers

Alternative materials, however, are expensive. Regular PVC, for example, is \$1,000 to \$1,700 per ton. The safer 3P PVC costs about 30 percent more, while 6P PVC is roughly 60 percent higher.

Phthalate-free PVC foil is now nearly \$2,000 per ton as well.

Organic fabrics are at least 50 percent pricier than conventional textiles. Imported versions are said to have better and more consistent quality, but are costlier by 20 to 30 percent compared with domestic variants.

This is true not only for organic textiles, but also for most types of materials.

Further, average testing expenses have gone up by at least 50 percent as a result of having to meet strict standards. The recent legislation requires additional evaluation on processes and chemical substances. To meet CE, FCC, RoHS, EN 71 and REACH regulations, companies spend generally between \$60,000 and \$100,000 on inspection fees annually.

Some large enterprises have allocated up to \$3 million for this purpose, an amount that far exceeds yearly turnover at several small operations.

Apart from prohibitive testing fees, concern over whether all required parts and materials have been evaluated is a pressing issue.

CPSIA, for instance, defines children's products as any consumer item designed or intended primarily for babies, toddlers and preteens up to 12 years old. Such commodities are

China Topwin Industry Co. Ltd

China Topwin is a trading company offering toys and games, which represent 80 percent of the \$20 million total annual sales.

The product selection consists mainly of play vehicles. About 65,000 sets are exported to North America, Europe, the Asia-Pacific region and the Middle East. Outbound orders are comprised of 50 percent OEM and 20 percent ODM contracts. The in-house Qifei and Windhobby brands account for the rest. The models are sourced from four partner factories in Guangdong province.

The ISO 9001:2000-compliant supplier provides sampling, export documentation, shipping, aftersales consultation, and in-house packaging and assembly services.

There are 50 full-time employees, of whom 10 each are assigned to QC and R&D. The product development team receives \$100,000 annually. Efforts for the toys and games line focus on multifunction models.

In coming months, overseas revenue is projected to increase by more than 20 percent. The EU will be China Topwin's main target market.

Company facts

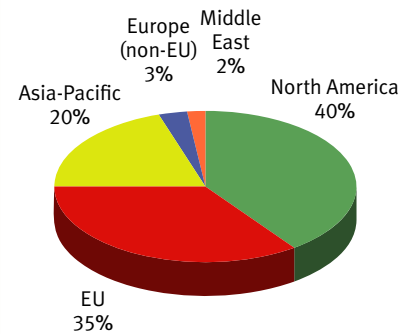
Year established	2002
Business type	Trading company
Company ownership	Mainland China-owned
Head office location	Shenzhen (Guangdong)
No. of subcontracting factories	4
Factory location(s)	Dongguan, Shantou (Guangdong)
No. of full-time employees	50
No. of in-house R&D/design staff	10
No. of production line QC staff	10
Annual export sales (all products)	\$20.0mn
Annual R&D spending	\$100,000
ISO certification	Yes

Sales & output: Toys & games

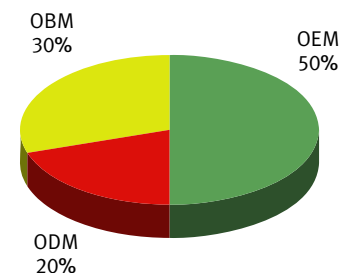
Annual export sales	\$16.0mn
Share of total export sales	80%
Average monthly exports	65,000 sets
OEM % of exports	50%
ODM % of exports	20%
OBM % of exports	30%
Other products traded	Flashing LED and glow-in-the-dark products, mobile phone accessories

Profile

Export markets



Export profile



Contact details

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Capability

Services provided

Sample making	Yes
Export documentation	Yes
Shipping	Yes
Aftersales	Yes
In-house packaging	Yes
In-house assembly	Yes
Dedicated capacity	Yes

Exports by product

Action figures & dolls	—
Stuffed toys	—
Arts & crafts	—
Building blocks & construction sets	—
Outdoor & sports toys	—
Play vehicles	95%
Electronic toys	—
Infant toys	—
Ride-on toys	—
Other toys	5%

Exports by market

North America	40%
European Union	35%
Europe (non-EU)	3%
Asia-Pacific	20%
Middle East	2%
Other	—

Survey

- **Export prices**
Increased
- **Export price increase**
Less than 5%
- **Export sales**
Increase more than 20%
- **Target market**
European Union
- **Capital expenditure**
No increase
- **Major challenge**
Price competition
- **Export capability**
Shorten design/development time
- **R&D focus**
Multifunction models

Popular export models



RC helicopter with light and gyroscope

Model	REH319009-1
MOQ	120 sets
Packaging	Colored box
Delivery	10 days
Price	\$19.80

Description: ABS; aluminum alloy frame; 3-channel transmitter; flies up, down, left, right, backward and forward; 8-minute flying time; flies 30m high; 27, 40 and 49MHz frequency; 39.2x7x18cm; includes transmitter, charger, screwdriver, one spare propeller, manual and 3.7V 1,000mAh Li helicopter battery



RC hobby off-road truck

Model	TPCT-1081
MOQ	4 sets
Packaging	Colored box
Delivery	20 days
Price	\$132.55

Description: ABS; 150mm thread; Taiwan Vertex 18cxp/AM engine; moves up, down, left, right, backward and forward; 30-minute running time; 360x310x185mm; 275mm wheel base; 30mm ground clearance; 14:3:1 gear ratio; 120x60mm wheel diameter; includes transmitter, charger and manual



Infrared-controlled helicopter with gyroscope

Model	QF315
MOQ	240 sets
Packaging	Gift box
Delivery	10 days
Price	\$17.50

Description: PVC; carbon fiber frame and fuselage; 4-channel transmitter; flies up, down, left, right, backward and forward; 6 to 8-minute flying time; 10m flying radius; 230x42x90mm; includes transmitter, charger, screwdriver, one spare tail propeller, manual and 3.7V 100mAh helicopter battery

PRODUCT GALLERY

Outdoor & sports toys



Beijing Yideli
(profile page 42)
Model: 9-201
MOQ: 1 set
Packaging: Cotton, plastic film
Delivery: 15 days
Price: \$6,500
Description: Outdoor playground equipment; LLDPE and steel tubes; static- and UV-resistant; electrostatic powder coating; 9.9x7.9m; CE



Beijing Yideli
(profile page 42)
Model: 9-801
MOQ: 1 set
Packaging: Cotton, plastic film
Delivery: 15 days
Price: \$6,500
Description: Outdoor playground equipment; LLDPE and steel tubes; static- and UV-resistant; electrostatic powder coating; 11.4x8.9m; CE



Beijing Yideli
(profile page 42)
Model: 9-1001
MOQ: 1 set
Packaging: Cotton, plastic film
Delivery: 15 days
Price: \$4,125
Description: Outdoor playground equipment; LLDPE and steel tubes; static- and UV-resistant; electrostatic powder coating; 7.5x5.4m; CE



Beijing Yideli
(profile page 42)
Model: 9-101
MOQ: 1 set
Packaging: Cotton, plastic film
Delivery: 15 days
Price: \$2,200
Description: Outdoor playground equipment; LLDPE and steel tubes; static- and UV-resistant; electrostatic powder coating; 5.4x2.6m; CE



Fenghua Jinxing
(profile page 52)
Model: JXS-3001
MOQ: 1,000 sets
Packaging: 12 sets per carton
Delivery: 35 days
Price: •
Description: Baby swing; PE; UV-resistant; 37x33x36cm; multicolor; for toddlers up to 3 years old; CE



Fenghua Jinxing
(profile page 52)
Model: JXS-5011
MOQ: 1,000 pieces
Packaging: 6 pieces per carton
Delivery: 35 days
Price: •
Description: Skimboard; poplar; available in 30, 35, 37 or 41in

• Information not disclosed

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