

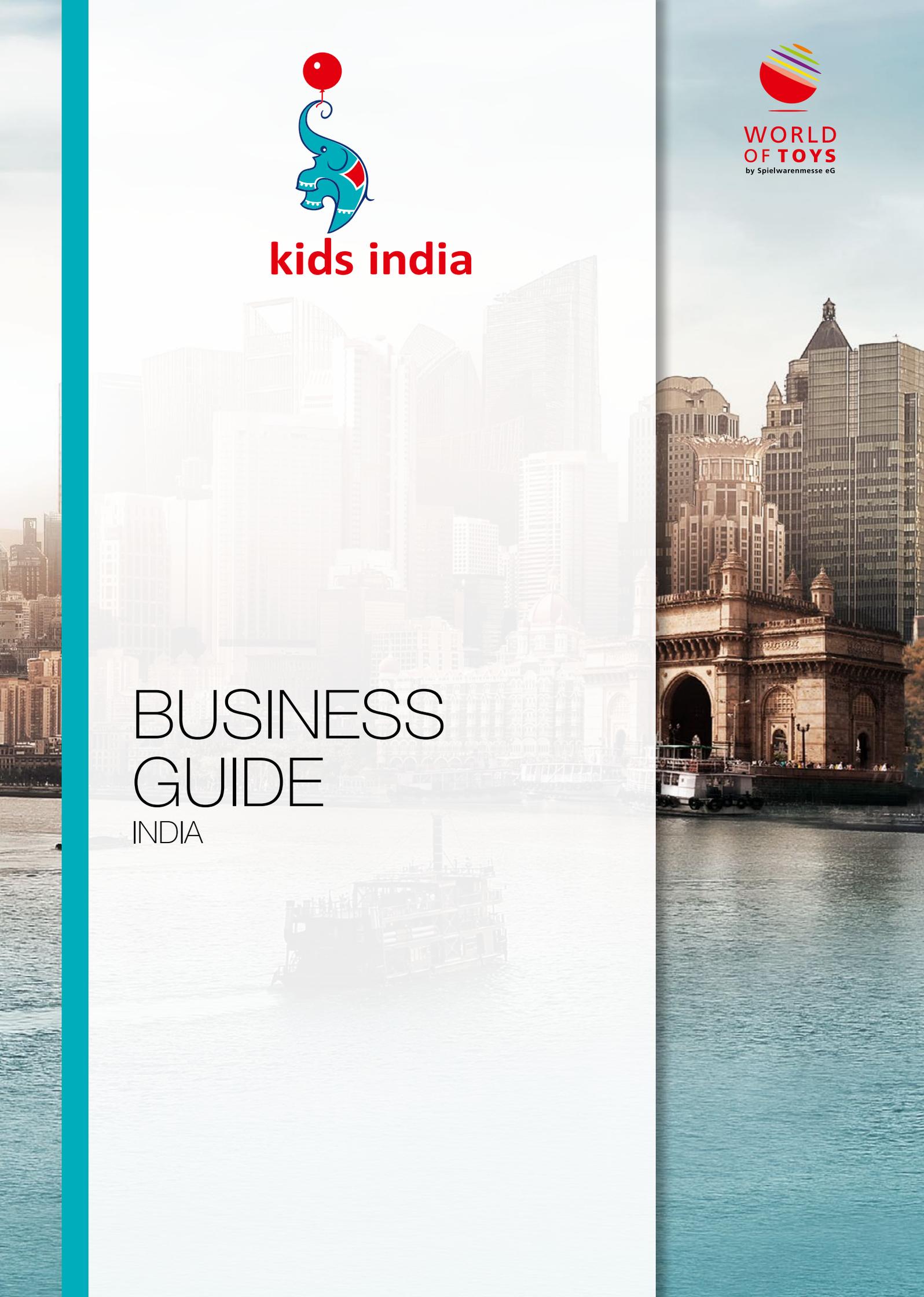


kids india

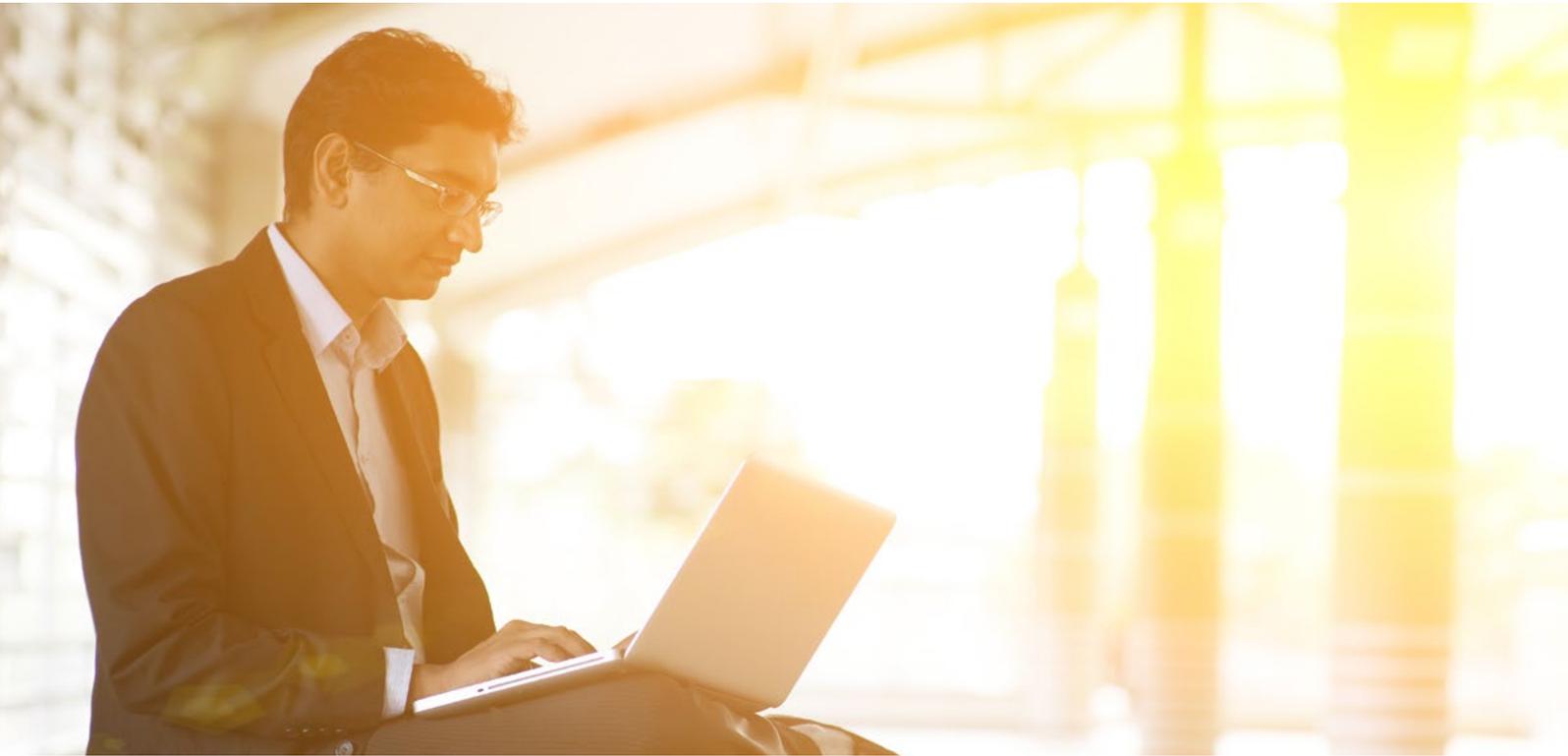
BUSINESS
GUIDE
INDIA



**WORLD
OF TOYS**
by Spielwarenmesse eG



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This brochure is also available on the internet at <http://www.kidsindia.co.in/uploads/BusinessGuide.pdf> . All information has been researched and compiled to the best of our knowledge and belief, but no responsibility is accepted for errors.

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The second most populated country

With a population of some 1.3 billion people, India is the second largest nation in the world. The average population growth is about 1.2% per year. In 2015 the total fertility rate was 2.4 per woman and in 2017, 19 births were counted per 1,000 inhabitants. A particularly remarkable feature is the enormous population density in the cities: 53 cities had more than 1 million inhabitants in 2017. More than 10 million people live in each of the three largest metropolises of Mumbai, Delhi and Kolkata.

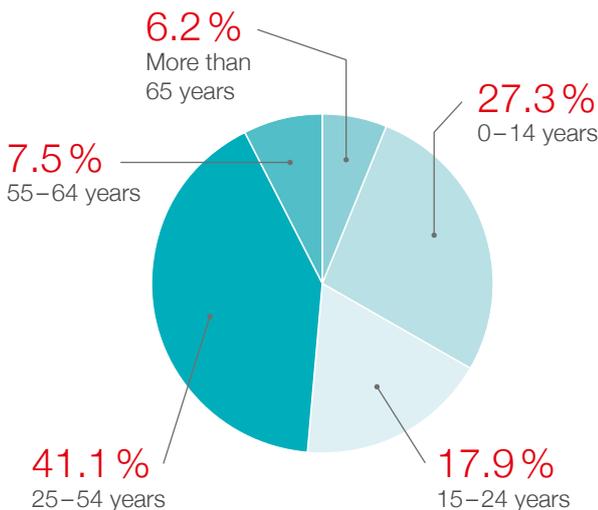
Source: Germany Trade & Invest 2017

Demographic situation in India

Currently, about 20% of the global population under the age of 25 lives in India. In India this age group counts for about 45% of the total population.

Population structure 2017

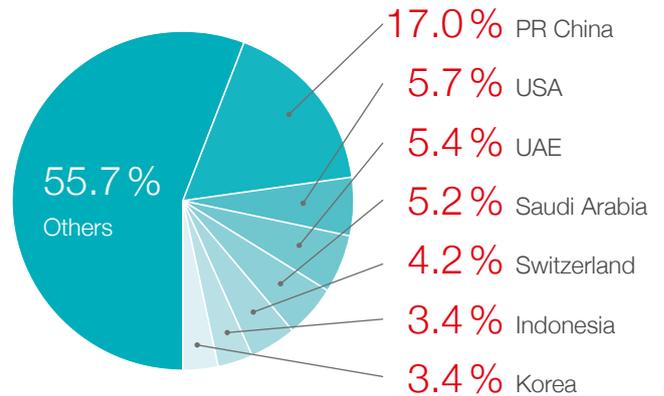
Source: Germany Trade & Invest 2017



India's important trading partners

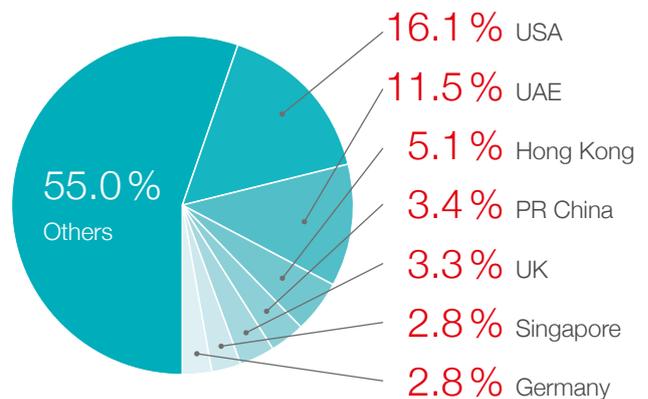
Main supplying countries 2016

Source: Germany Trade & Invest 2017



Main buying countries 2016

Source: Germany Trade & Invest 2017



Facts & Figures 2017

Source: Germany Trade & Invest 2017

GDP total: **2,439 bn** USD

GDP/per capita: **1,852** USD

Economic growth: **6.7%**



General information

- The Indian toy industry has shown tremendous growth and expansion potential in the domestic market that is estimated at about 850 million USD* and it generated 0.5 percent of the global market.
- Key factors for the growth of the toy industry are the growing middle class with rising income promises, the decline in the average number of children per family and the increased attention to quality and premium toys.
- Traditional toys and games in India grew by 6% in current value terms in 2016. This growth is driven by factors such as increasing consumer awareness of branded products, rising per capita income and an increased desire of parents to have better quality toys and games for children.
- Pre-school and construction toys continued to be the fastest growing categories with value CAGR of 20% in 2016.

Toys sales channels

- A significant percentage of Indian consumers buy cheap, unbranded toys and games from non-grocery retailers. However, the shares in overall retailing by non-grocery retailers have decreased which is good news for branded outlets.
- Branded outlets and the opening of international chains like for example Hamleys saw a significant growth within the last years. This segment will grow even stronger in the next years especially in the main cities like Mumbai or Delhi.
- Internet retailing is becoming a more and more important distribution channel due to several reasons. Consumers have increased access to the internet and online retailers often have better merchandise in terms of variety, new launches and the offer of branded toys. The share of internet retailing in sales is expected to increase by 30% between 2014 and 2019.
- Generally, the retail toy market is divided in the organized and unorganized part. The organized part represents about one-third and means mainly toy specialty and branded stores in the large cities. The unorganized part takes the rests and consists mainly of so called Mom- and Pop shops, also known as “Kirana” stores.

Segments of the Indian toy market

There are five main categories which dominate the current toys and games market which are pre-school articles, model vehicles, video games software, games and puzzles, as well as plush toys. Especially the action, construction and pre-school category has seen strong growth rates during the last years (19.3, 21.2 and 22.2%) and is predicted to grow even further in the upcoming years.



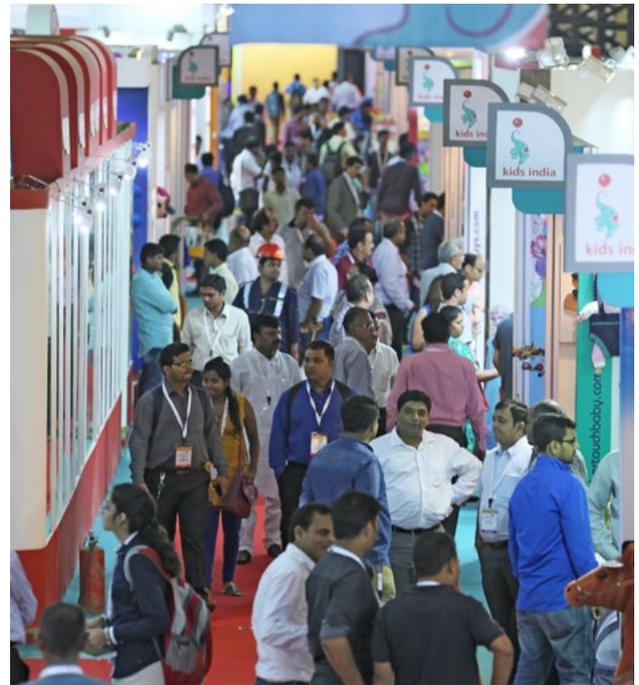
Sales of traditional toys and games by category: % value growth 2011–2016 CAGR

| | |
|-------|---|
| 22.2% | Pre-school |
| 21.2% | Construction toys |
| 19.3% | Action figures and accessories |
| 17.4% | Baby and infant toys |
| 11.8% | Scientific/Educational toys |
| 11.6% | Dressing-up and role play |
| 11.3% | Ride-on vehicles |
| 10.6% | Radio/Remote control toys |
| 9.3% | Outdoor and sports toys |
| 9.0% | Traditional toys and games |
| 8.6% | Games and puzzles |
| 8.6% | Other traditional toys and games |
| 8.5% | Arts and crafts |
| 5.5% | Model vehicles |

Manufacturing

The Indian toy industry is mainly based in the small and cottage sector, with about 4000 manufacturers – including indigenous manufacturers and a few global companies.

Among the local manufacturers in India about 59% are still focusing on the production of cheap and unbranded toys which appeals to the price-sensitive Indian consumers. But due to the growing middle class and the rising demand of branded and premium toys, the demand for international brands is on the rise.



Leading companies (based on Sales)

1. Funskool (India) Ltd.
2. Mattel Toys (India) Ltd.
3. Hasbro Inc.
4. My Baby Excels
5. Artsana India Pvt. Ltd.
6. Simba Dickie Group GmbH
7. Creative Educational Aids Pvt. Ltd.
8. Strings Marketing Pvt. Ltd.
9. Reliance Big Entertainment
10. Frank Educational Aids Pvt. Ltd.

Consumers

- The largest group of consumers in the Indian toy industry are the pre-teenagers between the ages of 7 and 12. They are major influencers generating 44 % of value sales. Through their media consumption they become more aware of the product variety.
- An estimated 100 million children belonging to the rapidly growing middle class has considerable buying power.
- In India there are hardly any toys for the target group adults. But Indian parents spend an average of 3.80–4.60 USD* on a toy and it is going up.
- Indian consumers are really price-sensitive and tend to be impulse buyers. Because of that, toys with a low price point up to 3.06 USD* account for the majority of sales with 46 % share. This fits with the focus on unbranded toys many Indian manufacturers have.
- Independent small neighborhood retail stores are among the favorite stores for Indians to shop.
- The major shopping period of toys is in the time of Diwali (every year in autumn), the traditional Hindu festival of lights where it is common to buy presents for family and close friends, as well as Raksha Bandhan, a festival where presents are exchanged between brothers and sisters.
- If someone receives a gift in India, traditionally this person gives also a gift back to him in return, which of course boosts sales.

Key trends of the Indian toy market

- Due to the increasing disposable income and the increasing awareness of branded products, the demand for international brands, especially in the urban regions, is on the rise.
- Internet retailing is gaining more value share due to increased internet penetration and better merchandise in terms of variety and new launches.
- There is a gradual shift towards educational toys and arts and crafts as educated parents are focusing on education through entertainment. This resulted in an increased demand for STEM toys.
- Foreign players will continue to lead branded toys and games driven by multinational corporations and their huge efforts to increase their presence in India.
- Licensing in India has been enjoying high popularity and high value sales growth due to more exposure to Hollywood movies and characters. Leading manufacturers have been relying heavily on licensing to boost sales.
- Categories such as construction toys and educational toys, which focus on the development of children, will register high growth due to government educational programs among others.

Sources:

Euromonitor International, Traditional Toys and Games in India, June 2017;
National Productivity Council, Research Study of Indian Toy Sector, September 2017

* 1 USD = 65.19 INR, exchange rate from 20.3.2018

Greeting

Using the Namaste is a sign of understanding the Indian etiquette

When doing business in India, meeting etiquette requires a handshake. However, some Indians themselves use the Namaste. This is where the palms are brought together at chest level with a slight bow of the head.

Titles

Use the appropriate title

Titles are very important. Always use professional titles. When addressing an Indian whom you know personally, always use the appropriate title, whether Professor, Doctor, Mr., Mrs. or if you do not know their names then Sir or Madam will suffice. It is common for Indians to address people whose names they do not know as Sir or Madam. Doing so is considered respectful.

Presents

Be aware of the customs

Presents are not opened in the presence of the giver. If you receive a wrapped gift, set it aside until the giver leaves. Don't wrap gifts in black or white, which are considered unlucky colours. Instead, use green, red and yellow, since they are considered lucky colours. When selecting flowers, be aware that frangipanis or white flowers are associated with funerals.

Communication

Never say no

Indians are very curious and like to exchange views even with total strangers. Be prepared for Indians to talk about matters which would be considered an invasion of privacy in the west.

The word "no" has harsh implications in India. Evasive refusals are more common, and are considered more polite. Never directly refuse an invitation, a vague "I'll try" is an acceptable refusal. Listen carefully to Indians' responses to your questions. If terms such as "We'll see", "I will try" or "Possibly" are employed, then chances are that they are saying "no".

Business cards

Receive and give with the right hand

When doing business in India, business cards should be exchanged at the first meeting. Be sure to receive and give with your right hand. Make sure the card is put away respectfully and not simply pushed into a trouser pocket.

Business meetings

Plan enough time When entering a meeting room you must always approach and greet the most senior figure first. Meetings should always commence with some conversation. This is part of the “getting to know you” process. Favourable topics of conversation are the latest business news, the fortunes of the Bombay Stock Exchange or cricket. Avoid talking about personal matters and, if new to India, do not comment on matters such as poverty or beggars.

In India everything takes time. Indian business people like to be on time but in real life things don't work like clockwork. Keep a lot of margin in your schedule for the unexpected events. A western person likes to concentrate on one thing at a time while the Indian counterpart is poly chronic and attends to many things at the same time. Be prepared for lots of interruptions all the time.

Business meals

Business lunches are preferred Business lunches are common in India and are preferred to dinners. It is perfectly appropriate to discuss business at lunch. Hindus do not eat beef and Muslims do not eat pork.

When refreshments/snacks or beverages are served, it is customary, though not compulsory, to refuse the first offer, but to accept the second or third. Accept what is offered to you even if you don't want to eat or drink everything. Leave some on the plate. If you eat all, it is a sign you want more. When you eat, do so without using your left hand. As in Muslim countries the left hand is symbolically unclean.

Business negotiations

Keep buffers Meetings and negotiations are spaced over time and there are many digressions. Give background information such as who is involved, who else has implemented such a proposal or who higher up has endorsed – Indians understand matters in their overall context and such information is vital for them. Don't get nervous over frequent interruptions, digressions or bargaining in negotiations. Keep buffers, which you can cut in your offers as Indians interpret fixed offers as inflexible thus unsuitable for their needs. Don't expect quick commitment as all decisions take time and may involve people not present in the meetings.

Dress etiquette

Wear conservative dresses Men are generally expected to wear a suit and tie for business, although the jacket may be removed in summer. Women should wear conservative dresses or pantsuits. When dressing casual, short-sleeved shirts and long pants are preferred for men; shorts are acceptable only when exercising. Women in India dress more conservatively than their western counterparts.