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FUNSKOOL INDIA: DEFEND, LEAD, AND COUNTER RIVALS

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Toys play a critical role in the growth and development of children. Each of our toys has an intrinsic value and contributes to the physical, mental and psychological development of a child. Exposing children to a range of world-class toys and developing their interpersonal skills is our mission.

–John Baby, CEO of Funskool India Limited

In April 2017, John Baby, the chief executive officer (CEO) of Funskool India Limited (Funskool), was browsing through the slides of the presentation he had prepared for an upcoming board meeting. As he did so, he reminisced about the company’s evolution. Most of Funskool’s competitors in India had succumbed to Chinese imports and shut down, but Baby’s company had withstood this onslaught. Funskool ended the 2016 financial year (FY) with net revenues of ₹1.9 billion.[[1]](#footnote-1) Over the previous few years, sales had been growing at a healthy rate of more than 20 per cent annually—more than five times the rate of the traditional toy category (see Exhibit 1).

The Indian toy market witnessed sustained phenomenal growth because of rising disposable incomes, changing consumer habits, and a child population (0–14 years old) that was approaching 40 per cent of the total Indian population. Funskool took advantage of these opportunities by introducing international toy brands, which it distributed after joining various partnerships over the years. However, favourable future growth projections of the Indian toy market, as well as the slowdown of Western markets, had tempted many global toy brands to enter the Indian market, and many more were considering an entry in the near future. These changes were likely to expose Funskool to potential threats from its current partners.

Another emerging trend was also worrisome. The rising digital video games segment, which accounted for less than 20 per cent of the total toy market in 2011, was projected to surpass the traditional toy category by 2018.[[2]](#footnote-2) Funskool had no presence in this segment, which was likely to push the company off its growth curve. Moreover, Chinese toy companies were being forced to improve quality and move up to higher market segments because of rising manufacturing costs, thereby becoming likely new Funskool competitors.

Being aware of future trends in the Indian toy industry, Baby foresaw these potential threats to Funskool’s market leadership, which he saw as hurdles in his company’s quest of achieve sales revenue of ₹5 billion by 2020. How could Funskool augment the revenue obtained from the sale of its own brands? With Chinese competitors targeting consumers higher up the segment, should Funskool instead embrace customers in the lower economic levels? Should it enter the digital space to prevent a growth stall and catapult itself to the next stage in the growth cycle? The company needed to make some decisions and take steps to face these emerging challenges.

FUNSKOOL: THE BEGINNING

In 1946, a young entrepreneur named K. M. Mammen Mappillai opened a small toy balloon-manufacturing unit in Chennai, India. This unit laid the foundation of what was eventually to become India’s leading multinational tire manufacturer, Madras Rubber Factory (MRF). However, the company’s connection with toy manufacturing did not end with the success of the tire business. In June 1986, Funskool was established as a joint venture between MRF and Hasbro, a leading American multinational toy company. Mappillai’s son, Ravi Mammen, was appointed head of the new company. The scope of the joint venture was both technical and commercial. MRF and its associates had a 60 per cent stake in the new company, and Hasbro owned the remaining 40 per cent. The joint venture was mutually beneficial to both partners. MRF gained access to world-class design and technology, while Hasbro gained access to the Indian market, which, at the time, had high import restrictions on toys.

Toy manufacturing was a complex process, requiring different moulds for different parts of a toy. The number of moulds could range from five to 13, depending on the complexity of the toy’s design. In the late 1980s, mould making was a costly process, and the technology was still nascent in India. Hasbro leased old moulds from its manufacturing plants to Funskool, thereby largely reducing the manufacturing cost. In 1986, the first manufacturing unit for the company was established in Goa. The location was chosen because it had a tax holiday of 10 years from the government, and Funskool’s parent company, MRF, had already established a tire manufacturing facility in the state. Commercial production started in 1987, with MRF manufacturing toys designed and sold by Hasbro in international markets and subsequently launching them in India. One of the joint venture’s toys that had gained immense popularity in the American market was G. I. Joe, a military action figure.

Funskool began establishing itself as a major company in the market. However, in 1992, it received a major blow when Mammen, the company’s head, passed away at the young age of 39. This unexpected crisis led to a lot of confusion at Funskool, and operations stagnated. The apparent neglect and lack of interest led many foreign companies to urge MRF to sell its stakes in Funskool and Hasbro threatened to leave the joint venture. However, Mappillai ignored calls to sell the company, stating that Funskool was close to his son’s heart and he would retain it in memory of his son.

FUNSKOOL: THE GROWTH PHASE

In 1993, Oscar Braganza took over as chief executive officer (CEO) of the company. He initiated major changes in the existing marketing and pricing structures. The prices of toys were dropped to make them competitive in the Indian market. After this step, sales picked up slowly and the company broke even for the first time during FY 1994–95.

In 1995, Raphael Kurian took over as the new CEO of Funskool. The period after 1995 saw systems being put in place and the expansion of the distribution network. FY 1997–98 saw the establishment of a second manufacturing unit in Ranipet near Chennai. The company’s strategy during this period was to increase the company’s top line, but made no attempt to increase market share. Prices of most products, however, were set up to increase approximately 5 per cent annually.

In the early 2000s, popular cartoon animations from past and present gained immense popularity on Indian television, including Tom and Jerry, Donald Duck, Mickey Mouse, Digimon, Bob the Builder, Pokémon, Powerpuff Girls, and Power Rangers. This trend led to an increase in demand for toys based on various cartoon characters. Funskool was quick to capitalize on this wave and started manufacturing these toys through licensing agreements with other international toymakers. Funskool obtained licences to make toys such as Bob the Builder, Pokémon, Powerpuff Girls, and Thomas the Tank Engine.

In 2000, Funskool differentiated itself from other local manufacturers by adopting Bureau of Indian Standards (BIS) norms for the quality and safety of toys. Although the Indian government did not mandate adoption of these standards for the entire toy industry, Funskool decided that voluntary compliance with the standards would help set the company’s products above low-priced toys. Explaining the rationale behind this move, Kurian, Funskool’s CEO at the time, remarked, “The BIS standards will help establish greater awareness levels among consumers while also increase the market share of organized players in the market.” As a result being BIS-compliant, Funskool was able to sign several export contracts from international firms such as John Adams Leisure Ltd.

FUNSKOOL: STRATEGIC SHIFT

In 2006, Baby was appointed the new CEO of Funskool and made many strategic decisions to turn the company into a force in the Indian toy industry. Until then, Funskool had relied heavily on licensed toys for its revenues and growth, but Baby took initiatives aimed at building Funskool’s own brand, apart from the Hasbro line of products. Funskool started manufacturing its own branded puzzles of famous cartoon characters, such as Scooby-Doo. Baby explained the importance of increasing the company’s market share: “You go to a distributor, you go to a seller; if you don’t have substantial market share, nobody gives you value. This is why I think market share is important. Once you have market share, you can afford to increase the price of your toys, but this doesn’t work the other way around.”

In line with this strategic shift, the company abandoned it decision to routinely apply an annual price increase of 5 per cent. In addition to launching newer brands under the Funskool banner, the company started focusing on obtaining many more licences for manufacturing or distribution from reputed international toy companies other than Hasbro. Baby was instrumental in setting up an exclusive design department to develop new products—a first for an Indian toy manufacturer. The company started promoting its products in toy fairs, both within and outside India. Approximately 4–8 per cent of annual revenues were allocated to marketing. Television commercials, display boards in central locations and malls, and store promotions became the company’s main channels for advertisement. By 2010, revenues had shot up to ₹650 million, with about 90 per cent of revenues coming from the Hasbro product line and other licensed products. To strengthen its reach, Funskool developed a strong sales and distribution network, including four regional sales offices in New Delhi, Mumbai, Chennai, and Kolkata, as well as 18 carrying-and-forwarding agents that catered to over 100 stockists and 4,500 retail stores.

In 2013, the company expanded into the retail space by launching outlets across the country. Its first store, in Chennai, exclusively offered the Lego range of toys. The success of this store provided the confidence to plan its retail thrust. By 2016, the company had 20 stores, all operating on the franchisee model, and planned to add 10 stores every year for the next three years in Tier 2 cities.[[3]](#footnote-3) In metro cities, the company had adopted a multi-brand retail channel, finding that people had plenty of options and were increasingly shopping at malls and supermarkets. Besides expanding its physical presence, Funskool also worked closely with leading Internet retailers such as Amazon and Flipkart to reach new customers.

INDIAN TOY INDUSTRY

In 2016, the size of the Indian toy industry was close to ₹56 billion (US$850 million),[[4]](#footnote-4) while the global market size for toys and games was close to US$90 billion.[[5]](#footnote-5) During the period of 2010–2015, global sales for toys grew at a compounded annual growth rate of about 4.5 per cent, but the Indian toy market grew at more than 10 per cent.[[6]](#footnote-6) This rapid growth was attributable to a considerable increase in disposable incomes and a significant percentage of the country’s population being under age 14. India’s per capita consumption of toys was well below that of most countries (see Exhibit 2). Even so, the Indian toy industry was expected to reach ₹117 billion by 2020.[[7]](#footnote-7)

The toy industry was highly fragmented, with nearly 75 per cent of the industry market share captured by unorganized companies.[[8]](#footnote-8) The unorganized toy industry in India was dominated by low-priced imports, mainly from China, which accounted for approximately 70 per cent of India’s total imports of toys. The rest of the imports were from Italy and the United States. The majority of toys sold in the unorganized sector had little product differentiation, poor safety and quality standards, and competed heavily on price. These toys catered to a large section of price-conscious Indian buyers who sought economical and affordable goods.

Organized companies saw their market share increase mainly after 2010, when numerous international toymakers made a foray into the Indian toy industry. A demographic conducive to growth and Indian parents’ shift toward educational toys led to a demand for quality. The availability of online channels also increased parents’ awareness regarding the benefits of quality toys, including their value and their role in the wholesome development of a child. All the players in the organized space operated in the mid- to premium-price category.

The toy industry was broadly divided into two segments: traditional toys and games, with the latter including video games. In 2015, the traditional segment had a market share of around 64 per cent. However, it was growing at a slow rate. Conversely, the video game category had a market share of only around 36 per cent, but it was witnessing exponential growth and was expected to surpass the traditional toy segment by 2018.[[9]](#footnote-9) The traditional toy category was divided into two segments: educational and recreational. In 2015, educational toys contributed 20–25 per cent of market share, whereas recreational toys accounted for 75–80 per cent of all traditional toys.[[10]](#footnote-10) The toys could also be segmented on the basis of the materials used for manufacturing: plastic and cardboard toys (e.g., board games and other games), electronic toys (e.g., video games and remote-controlled toys), battery-operated toys (e.g., small cars and robots), and plastic and soft toys (e.g., puppets and dolls).

The Indian toy market was challenging, due to consumers’ extreme price sensitivity. Despite an increase in disposable incomes, per capita spending on toys and games in India was well below that of other countries, although the average amount spent per child on toys was expected to grow in the future.[[11]](#footnote-11) Increasing urbanization had led urban young couples to opt for nuclear families and fewer children. Lower dependency ratios and growing income levels resulted in parents spending more on games and toys for their children, although estimates found that parents in middle and upper-middle classes were willing to spend only around US$10 annually for the purchase of toys.[[12]](#footnote-12)

DRAGON EFFECT AND THE COMPETITIVE LANDSCAPE

The global toy market was dominated by China, the world’s largest toy manufacturer, which accounted for 70 per cent of the world’s supply of toys. Its toy industry comprised more than 8,000 enterprises employing about 3.5 million people.[[13]](#footnote-13) In China, most toy-manufacturing enterprises had in-house design teams that spent a sizeable chunk of their sales revenue (5–7 per cent) on research and development.They employed skilled and trained labour, which was readily available, with many workers having completed diploma-based courses. In addition to skilled workers, other major factors for the success of the Chinese toy industry were lower capital investment costs, greater economies of scale, and government incentives, which gave Chinese companies a high competitive edge. Chinese toys could thus be made available at very low prices, usually 25–50 per cent lower than corresponding Indian toys.[[14]](#footnote-14)

The competition in the Indian toy industry was intense, with both organized and unorganized companies competing for the lucrative market. Government policies had encouraged the import of Chinese toys, which hurt domestic toy-manufacturing companies. The import duty on raw materials used in manufacturing toys was around 25 per cent, compared with only 5 per cent duty for the import of finished toys, which resulted in Chinese imports flooding the Indian market. Chinese toys were less expensive, more versatile, attractive, and came in handy packaging. Intense competition compelled many small toy manufacturers to import and market toys from China, rather than manufacturing them in India.The retailers earned high margins on toys they purchased in bulk with high discounts. They could then mark up the prices and sell them at a good profit. Indian toy manufactures, on the other hand, needed to negotiate with retailers for shelf space. According to Baby, because parents and children kept expecting and demanding fresher products, innovation was essential to stay afloat and succeed in the toy market. However, innovation was a weak area for Indian toymakers.

Imported Chinese toys were a threat to Funskool for several reasons. First, it was difficult to counter the Chinese price advantage. Toys manufactured in China had lower costs for various reasons, including low costs of land, labour, and raw materials.[[15]](#footnote-15) Second, many of Funskool’s rivals, such as Mattel, took advantage of China’s cost advantage by outsourcing production to Chinese companies or their subsidiaries in China. Therefore, Funskool’s purely India-based manufacturing operations became a disadvantage. Because Chinese companies manufactured toys for the high-volume global market, Baby found it difficult to match the highly competitive prices of what he perceived as “cheap Chinese toys, which are often ‘duplicates’ of best-selling global brands.”

In the organized space, Mattel was Funskool’s biggest competitor. Mattel’s entertainment division, Mattel Creations, produced content for television, films, and video games, with Mattel toys as the protagonists. For example, this division produced various movies based on popular fairy tales, with Mattel’s extremely successful Barbie doll as the central character. After a resounding success, the company introduced toys and accessories to boost its sales. While Funskool relied heavily on obtaining licences from international brands, Mattel introduced local variants of its toys in both the affordable and premium segments. A toy series called Barbie in India was a variant in the affordable segment; the series Expressions in India (with Barbie in Indian bridal avatars) was a variant in the premium segment. The company also launched toys representing movie characters from the blockbuster Bollywood movie *Dhoom3*. Explaining the rationale behind this strategy, the managing director of Mattel’s Asia Pacific region, Peter Broegger, remarked that although the company was localized in several markets, the intensity of Mattel Creations was much higher in India, and that it was part of its strategy in emerging markets.[[16]](#footnote-16)

In the organized space, the competition increased rapidly after 2010 with the entry of international brands such as Simba, Hamleys, and Prowl. The German-based Simba toys had over 80 brands and 3,000 stock-keeping units catering to the Indian market.[[17]](#footnote-17) In October 2016, U.K.-based Hamleys partnered with Reliance Retail to open 20 retail stores across the country.[[18]](#footnote-18) Prowl, another German toymaker, invested ₹780 million in 2013 to set up manufacturing facilities and single-brand retail outlets.[[19]](#footnote-19)

FUNSKOOL: ATTAINING MARKET LEADERSHIP

From 2010 onward, Funskool’s strategies were aimed at strengthening its position and achieving market leadership in the toy industry. It focused on reducing manufacturing costs to boost exports, entered into licensing agreements with many international toy companies to regularly introduce new products to the Indian market, and simultaneously developed its own products sold under the Funskool brand.

To reduce manufacturing costs, the company started investing in the automation and mechanization of routine processes. Baby felt that labour accounted for a large chunk of the manufacturing costs in the toy industry. With labour costs rising steadily in India, it was important to automate repetitive processes to cut costs. Simultaneously, rising labour costs and growing quality concerns in China led to some major global toymakers shifting part of their sourcing to other countries. In the process, some toy production shifted to Vietnam, other South Asian countries, and India. By 2017, Funskool was exporting to 10 countries, including the United Kingdom, Germany, Netherland, Mexico, Belgium, and France.

Funskool had licences for nearly 20 global toy brands, including popular names such as Hasbro, Lego, and Disney (see Exhibit 3). In 2010, Funskool obtained exclusive distribution rights from the Danish Lego Group to distribute a variety of its toys in India. Lego, an internationally reputed toy manufacturer, was a pioneer in making toys that featured puzzles, plastic bricks, gears, and miniature figures. Within a year, Funskool’s sales from Lego grew by 70 per cent. Baby felt that the partnership with Lego for distribution in India was a move in the right direction for Funskool, when it came to strengthening its leadership position in the Indian industry because Lego was among the most popular and sought after brand names in the global toy industry.

In 2015, Funskool obtained licensing for the release of toys and merchandise related to the popular movie *Star Wars: The Force Awakens*. In 2016, it acquired a licence for Disney’s *Frozen* and signed a deal with Italian toy manufacturer Rainbow to market Winx Dolls, inspired by the popular animated television series *Winx Club*. Funskool’s strategy was intended to capitalize on an emerging trend in India that saw consumers purchase toys based on movie characters. The company also experimented with the launch of popular Indian animation cartoon characters. Baby realized that Indian toy consumers had become receptive to merchandise based on movies and television shows, and the only Indian brand to successfully reach that segment thus far was the television animated show *Chhota Bheem.* Baby knew that there was no guaranteed that this trend would continue, but his company was open to the idea of exploring characters from Indian movies and promoting them along with international brands in the market.[[20]](#footnote-20)

To expand the portfolio of toys under the Funskool umbrella, the company introduced new brands including Giggles (toys for infants and preschoolers), Handy Crafts (an arts and crafts range of toys), Fundough (colourful dough that could be moulded into different shapes), and Play and Learn (educational puzzles). By 2016, Funskool had a range of over 2,000 toys (see Exhibit 4), including both domestic brands (such as Giggles) and international brands (such as Hasbro, Hornby, Lego, Rubik’s, Siku, and Tomy Takara). In 2016, the company reached annual revenues of ₹1.9 billion. Two years earlier, in 2014, Funskool had succeeded in overtaking Mattel Toys as a result of its multi-pronged strategy that included aggressive expansion, emphasis on introducing innovative toys, building strong distribution networks, and licensing agreements with several international manufacturers. The company continued to strengthen its position in the traditional market and in the overall toy industry to remain the market leader (see Exhibits 5 and 6), consistently outperforming the industry growth rate.

CHALLENGES

Traditional toys had relatively short shelf lives of approximately one year, so it was important to launch new products at regular intervals. Funskool succeeded by continually expanding its range of licensed brands and introducing at least four or five new products every month, which helped to consolidate its market leadership, but also increased its reliance on foreign brands. The latter was increasingly a concern for Funskool because some foreign brands were contemplating entering the Indian market, which could have a great impact on Funskool’s revenues. Approximately 75 per cent of Funskool’s revenue came from licensing arrangements (see Exhibit 7). Although the growth of its own brands had been encouraging in recent years, Funskool hoped to increase those sales to 50 per cent of total revenues, from its current level of 25 per cent. This goal would be a great challenge.

Funskool operated in the mid- to premium-price segment of the organized segment of toys and provided superior-quality products, compared with Chinese brands. However, it could not completely ignore the competition because Chinese toy manufacturers catered to the unorganized sector and manufactured products for major international brands such as Hasbro, Mattel, and Lego. China was experiencing its own cost issues from rising real estate prices, increasing labour costs, and higher and stricter safety measures, which were affecting Chinese toy production. However, the Chinese toy industry was in the process of moving higher up the value chain by improving quality and moving toward higher-end product segments, which created a new challenge for Funskool. Until this point, its competitive strategy against the Chinese toy industry was based on rising above the lower segments, but the company faced the predicament of competing directly with Chinese companies in the higher segments.

One of Funskool’s multi-brand retailers in Chennai, India, compared the Chinese toys against Funskool’s and decided to stock both the Chinese toys and major domestic brands. The retailer announced that the Chinese products were better accessorized, had similar or better quality, and were priced lower:

For instance, NERF (blasters and darts), a licensed product of Funskool, is priced at ₹225 while product of similar quality from China is priced at ₹160. With NERF, you only get 5–6 darts with the blaster, whereas you would get 12–15 darts with the Chinese products. So, a customer not only gains on price, but also is able to get more for less.

Moreover, the massive and rapid penetration of affordable smartphones had led to high volumes of game downloads, which strengthened the growth trend of digital video games, computer games, and mobile games. These new products had made such as rapid impact on children’s preferences that many experts wondered whether traditional toys were still relevant to the new generation. This category grew at more than double the rate of the traditional toy category, which seemed to be slowing down considerably. The digital games segment was expected to surpass the traditional toy segment in 2018, much earlier than some projections (see Exhibits 8 and 9). Although most parents were concerned about exposing young children to mobile devices, children aged five years and older were already moving away from traditional toys to video and mobile games. As a result, new gadgets carved a 5–10 per cent share from board games and puzzles, especially in the age range of six to 12 years.[[21]](#footnote-21) This issue, which was threatening to become Funskool’s most serious challenge because the company had no presence in this category, was also the cause of the company’s sliding market share, despite having a growth rate twice as high as the industry’s growth.

The WAY FORWARD

After 2002, India’s fast-changing socio-economic and demographic profile boosted the Indian toy market toward rapid growth. However, Indian toy manufacturers were crushed by the onslaught of Chinese toy imports. Funskool had remained the sole exception, having followed prudent strategies. In the previous five years, Funskool had grown at an annual rate of more than 20 per cent, while the rest of the traditional toy segment’s growth was around 4–6 per cent.

Funskool’s strong growth trajectory, the continuous growth of India’s toy industry, and recent government guidelines that mandated BIS compliance for imported toys could help the company achieve its stated revenue target of ₹5 billion by 2020. But sustaining this growth momentum would be challenging because the traditional toy segment was beginning to slump, competition was expected to intensify with the entry of global toymakers, and Chinese companies could begin entering the premium category.

As Baby went to his board meeting, several questions ran through his mind. How could Funskool augment the revenue obtained from the sale of its own brands? With Chinese players aiming higher up the segment, should Funskool now embrace customers in the lower price levels? Should the company enter the digital space to prevent a growth stall and catapult itself to the next stage in the growth cycle? He was counting on the board meeting to provide him some ideas about how to manage these upcoming challenges.

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EXHIBIT 1: SELECTED FINANCIALS FOR FUNSKOOL INDIA LIMITED, 2013–2016 (IN ₹ MILLIONS)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Name** | **2013** | **2014** | **2015** | **2016** |
| Net revenue | 1,001 | 1,209 | 1,483 | 1,923 |
| Cost of goods sold | 481 | 600 | 759 | 993 |
| Gross profit | 519 | 608 | 723 | 930 |
| Selling and distribution expenses | 366 | 442 | 510 | 648 |
| Net profit (loss) | 102 | 114 | 133 | 168 |
| Annual growth rate | 27% | 21% | 23% | 29% |

Source: Company documents.

EXHIBIT 2: DEMOGRAPHICS SNAPSHOT OF india and FOUR other COUNTRIES

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Country** | **United States** | **United Kingdom** | **Japan** | **China** | **India** |
| Population under 14 (in 2015) | 19% | 18% | 13% | 17% | 29% |
| Average GDP growth rate (2005–2015) | 1.77 | 1.51 | 0.73 | 9.46 | 8.34 |
| Average amount spent on toys per child in 2015 (in US$) | 500 | 499 | 379 | 52 | 9 |

Note: GDP = gross domestic product

Sources: “Population Ages 0–14 (% of Total),” The World Bank, accessed December 7, 2017, https://data.worldbank.org/indicator/SP.POP.0014.TO.ZS?locations=IN; “GDP Growth (Annual %),” The World Bank, accessed December 7, 2017, https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG; “**Average Spend per Child on Toys Worldwide in 2015, by Country (in U.S. dollars),” Statista,** accessed December 7, 2017, www.statista.com/statistics/750787/global-toy-market-average-spend/.

EXHIBIT 3: FUNSKOOL’S International PARTNERSHIPs

|  |  |  |
| --- | --- | --- |
| **Company** | **Partnership Type** | **Major Product Categories** |
| Hasbro | Distribution | Action and activity toys; collectible and action figures |
| LeapFrog | Distribution | Educational toys for infants and preschoolers |
| Disney | Manufacturing and distribution | Board games; role play |
| Warner Bros | Manufacturing and distribution | Board games |
| LEGO | Exclusive distribution | Construction toys |
| Asmodee | Distribution | Board games (e.g., Dobble, Jungle Speed, Abalone, Catan) |
| Takara Tomy | Distribution | Toy cars; boys’ collectibles (e.g., Beyblades, Pokémon) |
| Siku | Distribution | Car sets |
| Camp Games | Distribution | Board games (e.g., Letter Ladder, Amazeon, Cake Fractions) |
| Ravensburger | Distribution | Board games and puzzles |
| Hornby | Distribution | Railway track sets and cars (e.g., Scalextrix) |
| Thames & Kosmos | Distribution | Arts and crafts |
| Mary Danby | Licensing | Arts and crafts |
| Schleich | Distribution | Figurines |
| New Bright | Distribution | Remote-controlled cars |
| ELC | Distribution | Cars for infants and preschoolers |
| ZING | Distribution | Fidgets |

Source: Company files.

EXHIBIT 4: SELECTED PORTFOLIO OF FUNSKOOL’S TOYS (LICENSED AND BRANDED)

|  |  |  |  |
| --- | --- | --- | --- |
| **Brand** | **Type of Toys** | **Intended Skill Development** | **Company** |
| Asmodee | Board games | Strategic and logical thinking | Asmodee |
| Baby Alive | Dolls | Social skills and sensory development | Hasbro |
| Batman | Action figures | Hand–eye coordination and role-play activity | Hasbro |
| Beyblade | Action and activity toys | Hand–eye coordination, motor skills, and attention-span building | Hasbro |
| Clipo | Construction | Creativity and imagination, hand–eye coordination, and motor skills | Hasbro |
| Crayola | Colouring pages, colouring materials, and pads | Creativity, colour recognition, and painting | Crayola |
| Disney | Accessories, children’s games, and dolls | Social skills, hand–eye coordination, and sensory development | Disney |
| Dora | Puzzles | Shape recognition, memory development, and hand–eye coordination | Nickelodeon |
| Endless Games | Party and fun games | Problem solving, curiosity building, and social skills | Endless Games |
| FunDough | Art and crafts | Creativity, imagination, and hand–eye coordination | Funskool |
| Furby | Electronic toys | Sensory development and interactive | Hasbro |
| Giggles | Teethers | Motor skills and multiple-sensory development | Funskool |
| Handycrafts | Art and crafts | Creativity and imagination | Funskool |
| Nerf | Blaster and darts | Hand–eye coordination and shooting | Hasbro |
| New Bright | Remote-controlled cars and trucks | Driving skills and hand–eye coordination | New Bright |
| Play and Learn | Puzzles | Shape recognition, memory development, and hand–eye coordination | Funskool |
| Play-Doh | Art and crafts | Creativity, imagination, and hand–eye coordination | Funskool |
| Playskool | Preschool toys | Hand–eye coordination, motor skills, and knowledge building | Hasbro |
| Pokémon | Collectible and action figures | Role-play activity | Tomy |
| Rubik’s | Puzzles | Problem solving, analysis, and critical thinking | Rubik’s |
| Rummikub | Board games | Logical and analytical thinking | Rummikub |
| Siku | Trucks and big tank vehicles | Hand–eye coordination and motor skills | Siku |
| Spiderman | Action figures | Hand–eye coordination and role-play activity | Hasbro |
| Superman | Action figures | Hand–eye coordination and role-play activity | Hasbro |
| Thames & Cosmos | Science toys | Curiosity building and educational play | Thames & Cosmos |
| Tomica | Bikes and cars | Hand–eye coordination and motor skills | Tomy |
| Transformers | Collectible and action figures | Role-play activity | Hasbro |
| Winx | Dolls | Social skills and sensory development | Winx |

Source: Company files.

EXHIBIT 5: MARKET SHARE (in %) OF INDIA’S TOP FIVE Companies IN TOYS AND GAMES, 2011–2016

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Company** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** |
| Funskool (India) Limited | 7.6 | 7.9 | 6.7 | 6.8 | 6.5 | 6.0 |
| Mattel Toys (India) Private Limited | 8.3 | 8.1 | 7.5 | 6.2 | 5.4 | 5.2 |
| Sony India Private Limited | 2.4 | 2.5 | 2.5 | 3.5 | 3.7 | 3.9 |
| Simba Toys India Limited | 2.0 | 2.1 | 2.0 | 1.8 | 1.1 | 0.9 |
| Zephyr Toymakers | 1.4 | 1.2 | 1.1 | 1.0 | 0.6 | 0.5 |

Source: “Toys and Games in India,” Euromonitor Passport, June 2017, accessed July 15, 2017, www.euromonitor.com/toys-and-games-in-india/report.

EXHIBIT 6: MARKET SHARE (In %) OF INDIA’S TOP FIVE Companies IN TOYS AND GAMES (TRADITIONAL TOY CATEGORY), 2011–2016

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Company** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** |
| Funskool (India) Limited | 7.6 | 7.9 | 8.2 | 8.7 | 9.6 | 10.6 |
| Mattel Toys (India) Private Limited | 9.3 | 9.0 | 8.7 | 8.2 | 7.0 | 9.0 |
| Simba Toys India Ltd. | 1.2 | 1.4 | 1.7 | 1.8 | 1.7 | 1.5 |
| Zephyr Toymakers | 1.0 | 1.0 | 1.0 | 1.2 | 1.4 | 1.5 |
| My Baby Excels | 0.4 | 0.6 | 0.7 | 0.7 | 0.7 | 0.7 |
| Others | 80.5 | 80.1 | 79.7 | 79.4 | 79.6 | 76.7 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: “Toys and Games in India,” Euromonitor Passport, June 2017, accessed July 15, 2017, www.euromonitor.com/toys-and-games-in-india/report.

**EXHIBIT 7: FUNSKOOL’S REVENUE SPLIT BETWEEN FUNSKOOL BRANDS AND LICENSED BRANDS, 2010–2016**

|  |  |  |
| --- | --- | --- |
| **Year** | **Funskool Brands (%)** | **Licensed Brands (%)** |
| 2010 | 10.00 | 90.00 |
| 2011 | 11.65 | 88.35 |
| 2012 | 13.57 | 86.43 |
| 2013 | 15.81 | 84.19 |
| 2014 | 18.42 | 81.58 |
| 2015 | 21.46 | 78.54 |
| 2016 | 25.00 | 75.00 |

Source: Company documents.

EXHIBIT 8: INDIA’S SALES (IN ₹ MILLIONS) AND MARKET SHARE (in %) OF TOYS AND GAMES, BY CATEGORY, 2013–2020

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2013** | **2014** | **2015** | **2016** | **2017 (P)** | **2018 (P)** | **2019 (P)** | **2020 (P)** |
| Traditional toys and games | 27,545  75.6% | 28,640  70.2% | 30,200  63.9% | 32,210  57.4% | 33,100  51.1% | 34,310  44.6% | 35,760  38.2% | 37,410  32% |
| Video games | 8,926  24.4% | 12,155  29.8% | 17,070  36.1% | 23915  42.6% | 31,720  48.9% | 42,690  55.4% | 58,000  61.8% | 79,700  68% |
| Total toys and games | 36,471 100% | 40,795 100% | 47,270 100% | 56,125 100% | 64,820 100% | 77,000 100% | 93,760 100% | 117,110 100% |

Note: (P) = projected

Source: “Toys and Games in India,” Euromonitor Passport, June 2017, accessed July 15, 2017, www.euromonitor.com/toys-and-games-in-india/report.

EXHIBIT 9: GROWTH RATE (in %) OF DIFFERENT CATEGORIES OF TOYS IN INDIA, 2013–2020

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2013** | **2014** | **2015** | **2016** | **2017 (P)** | **2018 (P)** | **2019 (P)** | **2020 (P)** |
| Traditional toys and games | 15% | 3% | 5% | 6% | 3% | 4% | 4% | 5% |
| Video games | 24% | 36% | 40% | 40% | 32% | 34% | 35% | 37% |
| Toys and games | 18% | 12% | 15% | 18% | 15% | 18% | 21% | 24% |

Note: (P) = projected

Source: “Toys and Games in India,” Euromonitor Passport, June 2017, accessed July 15, 2017, www.euromonitor.com/toys-and-games-in-india/report.

1. ₹ = INR = Indian rupee; all currency amounts are in ₹ unless otherwise specified; ₹1 = US$0.0155 on April 17, 2017. [↑](#footnote-ref-1)
2. “Toys and Games in India,” Euromonitor Passport, June 2017, accessed July 15, 2017, www.euromonitor.com/toys-and-games-in-india/report. [↑](#footnote-ref-2)
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   /indian-industries/2016/toy-2016.html. [↑](#footnote-ref-4)
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