TOYS DISTRIBUTION IN POLAND AND THE EUROPEAN UNION

Marek Musialik

Czestochowa University of Technology

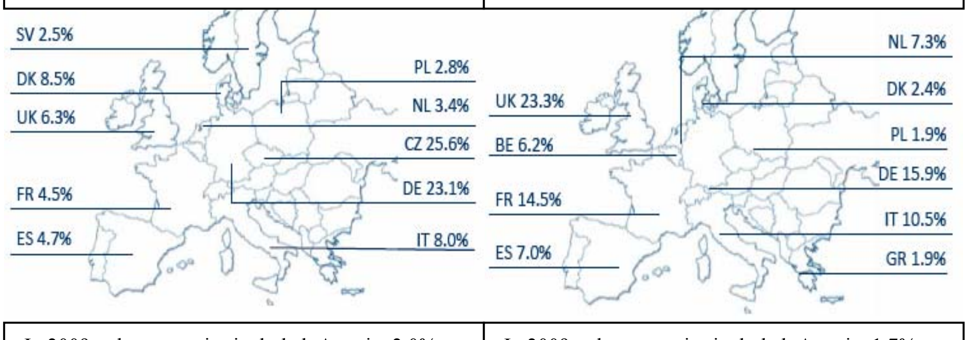
Abstract: Toy manufacturing is not the most important manufacturing branch in European Union however it employs 100 thousand workers. Moreover the EU toy market annual sale totaled to €14.485, and the products are mainly imported so it gives jobs all over world. Therefore Author studied international trade in toy branch, production and channels of distribution in the EU countries and especially in Poland, pointing on the threats for Polish producers and importers.

Keywords: toy market, import, export.

Toy market in UE

Toy industry in European Union is not the most important branch of manufacturing, however the total toys production value amounted to 5 billion euro (manufacturer's price). The 80% of that value was generated by producers in France, Germany, Italy, Spain, the UK, the Czech Republic and Poland.

EXPORTS €953.2 million in 2009	**IMPORTS €5.78 billion in 2009**



In 2009, other countries included: Austria: 2.0%, Belgium: 2.0%, Hungary: 1.4%, Slovakia: 0.8%, Greece: 0.8%, Romania: 0.8%, Portugal: 0.5%, Lithuania: 0.5%, Slovenia: 0.5%, Malta: 0.4%, Bulgaria: 0.3%, Finland: 0.2%, Ireland: 0.1%, Latvia: 0.1, Estonia: 0.1%, Cyprus: 0%, Luxembourg: 0%.	In 2009, other countries included: Austria: 1.7%, Sweden: 1.6%, Czech Repu-blic: 1.3%, Ireland: 0.9%, Romania: 0.7%, Portugal: 0.5%, Finland: 0.5%, Hunga-ry: 0.4%, Slovakia: 0.4%, Bulgaria: 0.3%, Cyprus: 0.2%, Slovenia: 0.2%, Lithuania: 0.1%, Estonia: 0.1%, Malta: 0.1%, Latvia: 0.1%, Luxembourg: 0%.

Figure 1. Exports to and Imports from non- UE countries in 2009 [1.]

It is estimated that almost 2000 manufacturers (approximately 80% of which is composed of SME's) with 100,000 workers employed in production, research and development, marketing, sales, distribution, and many other services work in EU.

The largest toy exporters to non-EU countres are Czech Republic, Germany, Denmark and Italy, while the following countries have the biggest share in non-EU import: United Kingdom, Germany and France (see Figure 1).

Considering non-EU traditional toys (do not include video games) export, it value decreased in 2009 to €953.2 million compared to 2008 (-2.4%). The value was also higher in previous years €1.125 bn in 2005 and €1.176 bn in 2003 [1.]. The situation is an effect of world economy recession in 2009 but the decreasing trend is caused by the fluctuation of the exchange rate between the dollar and the euro.

Numbers also continue to be affected by the strategies developed by companies which localize their commercial and industrial entities in a market that is still very international. EU producers export destinations are still stable the biggest delivery are going to USA, Switzerland, Norway. Russia is the most promising market increasing their participation in EU toys export. Japan and Australia also became more important trade partner (Table 1.).

Table 1. Destinations of exports to non EU countries

	2009	2007	2005	2003
USA	16,7%	17,3%	20,3%	27,4%
Switzerland	16,2%	16,6%	18,3%	17,8%
Norway	12,3%	12,2%	11,0%	9,4%
Russia	7,5%	7,6%	5,4%	4,5%
Australia	6,1%	3,7%	3,4%	2,5%
Japan	6,0%	3,9%	4,8%	4,5%
South Korea	2,4%	1,5%	1,1%	1,6%
Hong Kong	1,9%	6,0%	3,4%	2,9%
Turkey	1,9%	2,7%	1,9%	1,3%
Canada	1,8%	1,2%	2,0%	2,3%
Others	27,2%	27,3%	28,4%	25,8%
Total	**100,0%**	**100,0%**	**100,0%**	**100,0%**

Source: Author's elaboration based on [1.]

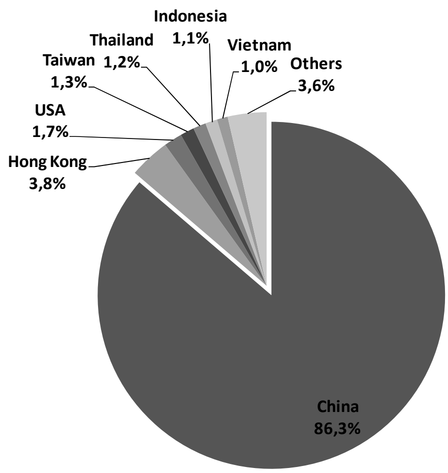


Figure 2. Sources of traditional toys imports from non EU countries in 2009 [1.]

Distribution in toy market

An overall retail toy market (excluding video games) in the EU amounted to €14.485 billion in 2009, which is stable compared to previous year, it totaled €14.234 billion in 2007 and €13.294 billion in 2005 [6.], Those number confirm that EU toy market is the biggest all over the world. Final consumer group is quite large, it is estimated that there are over 78 million children under the age of 14 in the EU27, approximately one-third of which are under the age of 5 years.

The toy business is highly seasonal. Consumers make the great of purchases (approximately 60%) during the Christmas period (November-December). Toy sales also tend to experience a relative increase during Easter, the summer break and during the post-holiday season.

The market division has been stable for the past few years, the majority of EU toy sales (78%) took place in the UK, France, Germany, Italy, Spain and the Netherlands (Figure 3.). Poland has 2.4% of the share in this market but it is still rising.

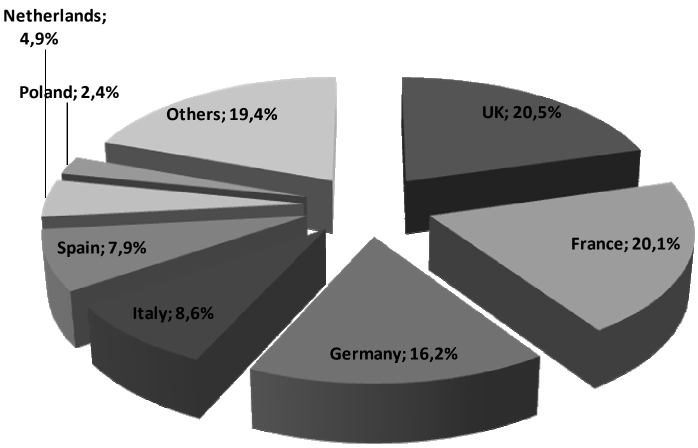
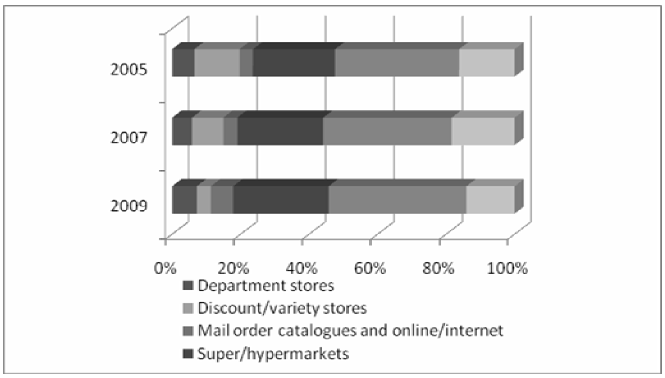


Figure 3. European Union toy market share [1.]



Department stores - includes departments stores such as El Corte Ingles, Kaufhof, Galeries Lafayette
Discount/variety stores - urban non-toy specialists (book shops, CD shops, generalists)
Mail order catalogues and online/internet - includes companies like Quelle and La Redoute
Super/hypermarkets - mass merchant stores such as Carrefour, Tesco, Auchan
Toy shops - toy chains and toy shops, e.g. Toys‘R‘Us, La Grande Récré, Toys Center
Other types of retailers - non-toy specialists shops (catalogue show rooms, market, others e.g. Argos)

Figure 4. Toys Distribution channels in UE in 2009 [1.]

Distribution channels for traditional toys are various in EU countries. The evolution of the retail sector is locally driven and therefore situations differ widely from one country to another. Consequently, it is difficult to identify common trends. For example, toy specialists have a large presence in Spain, France and Germany. Another characteristic common to France, Spain and Italy is the importance of the mass merchant and discount stores. In the UK, the general merchandise segment has a higher share than in the other countries. However considering total sale volume

Features of toy market in Poland

In Poland, more toys are imported than exported. Customer volume amounts to more than seven million children under the age of 14 years. It is estimated that the toy market in Poland is worth 280 million dollars at retail prices.
According to data provided by the respective regional inspectorate of Trade Inspection, the production of toys involved in 101 large companies, and 118 imports firms work there moreover 348 wholesale distributors of toys operate the country [4.] (compare Table 2.). Direct sales to consumers are conducted mainly by small and large retailers.

Table 2. Toys distributors in Poland in 2009 (excluding retailers) according to voivodeship

Voivodeship	***Producers***	***Importers***	***Wholesalers***	***Total***
dolnośląskie	9	5	37	**51**
kujawsko pomorskie	5	1	15	**21**
lubelskie	-	-	21	**21**
lubuskie	5	1	8	**14**
łódzkie	8	10	23	**41**
małopolskie	3	5	25	**33**
mazowieckie	18	40	40	**98**
opolskie	-	2	5	**7**
podkarpackie	4	1	11	**16**
podlaskie	4	2	18	**24**
pomorskie	5	5	15	**25**
śląskie	22	15	60	**97**
świętokrzyskie	2	3	6	**11**
warmińsko mazurskie	-	1	10	**11**
wielkopolskie	13	14	43	**70**
zachodniopomorskie	3	13	11	**27**
Country total	**101**	**118**	**348**	**567**

Source: Author's elaboration based on [4.]

For several years domestic manufacturers struggling with the supply of Polish market with cheap and low quality toys [2.] mostly from China. Although this is a significant problem everywhere in the world because China is a global leader in the industry. Three out of four toys sold worldwide come from China.
Polish producers suggest that raising VAT rate to 22% for much of the toys, legal and administrative problems hindering obtaining the relevant certificates for toys are tha most important barriers for the development of the branch competitiveness. The problem for Polish producers are also falling the number of births, year by year and the deteriorating

economic situation of many families, resulting in a reduction in spending money for the goods that are not necessities.
The largest Polish manufacturers of toys include following companies: Wader - Woźniak, Cobi, Dom Plast, Trefl oraz Hemar. The most important foreign producers present on the Polish market directly are companies: Mattel, Hasbro, Lego, Simba, Zapf Creation, main toys distributors and importers are: Inter Kobo, Cobi, Impuls, Lukas, Axiom, Lechris, Kathay-Haster, Marko [3.].
Poland imports toys from China mainly, other trade partners are Spain, Italy, Germany and Denmark. However, only 40% of the importers declare the turnover increase from sales of its products. Importers points on badly worded customs and tax regulations and 22% rate VAT. Importers also fear operation of large retail chains, which increasingly import toys with their own logo, often without the necessary certificates and signs.
Polish toys are more and more popular abroad. This is due to their increasingly better quality, compliance with European standards and more competitive prices. Wooden toys and plastic products and plush toys are the most wanted. Their main importers are Germany, France and Scandinavian countries. Russia became more and more important trading partner.
Important for the toy industry is consolidation and cooperation to protect the common interests including obtaining information on the toy market development of demand, the development prospects of the industry and attendance co-financing in the fair.

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