

Consumer Appliance Forecasts: 2009 Outlook Versus 2010 Restatement

Contributed by Euromonitor International
Monday, 20 December 2010
Last Updated Monday, 20 December 2010

Global sales of traditional toys and games shrank by just under 4% in 2009 as the negative effects of economic uncertainty and age compression took its toll.

However, in 2009, despite the global decline, India showed a remarkable growth in traditional toys as value sales increased by a whopping 18% making it the most dynamic country in the world.

The global recession has had little impact on traditional toy sales in India. With GDP growth of 5.7% in 2009 the India was one of the few large economies that continued to grow at a relatively fast pace. This continues to translate into a burgeoning middle class with the disposable income to sustain double-digit growth in traditional toys.

Compared with that of 2004, organised retail landscape has become a much larger environment in India. This high growth is enabling many local players to target consumers more actively. With the development of organised retail chains, competition for shelf space has also grown among manufacturers in recent years.

For consumers this has also given them more choice and the opportunity to compare different products in a single store. Euromonitor International Retailing 2010 research highlights that leisure and personal goods specialist retailers grew by around 4% and 6% in number of outlets and selling space, respectively, in 2009 over the previous year.

The sustained growth of organised retailing, helped private label to remain significant in traditional toys in the Indian market. Retail players such as Pantaloons Retail (India) Ltd and Reliance Retail Ltd increased their presence and significance while having their own private label products selling side-by-side with branded toys.

Consequently, and obviously growing from a very low base, India is forecast to show the highest increase globally in spending on traditional toys per child. However, the market will still be far from saturation at around US\$5 per child promising greater potential in the long term if income distribution spreads.

Traditional toys and games will record over 20% growth in value terms year-on-year until 2014 making India one of the world's most attractive markets. Rising disposable income as well as increased penetration of organised retailing into medium and small towns will be the main factors stimulating sales.

Relatively new segments such as infant and pre-school are projected to be the most dynamic as the growing middle-class population becomes increasingly conscious about the educational value of toys. Consequently, suppliers in these categories who are able to combine educational features with their products are likely to fair well in this promising market.

Analyst Insight by Utku Tansel.

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8 December 2010