

## Why Barbie, Lego, and Hamleys struggle in the Indian toy market



From stuffed dolls to tin soldiers, there's a common thread that runs through almost all toys sold in the world: the "Made in China" label. Relaxed [manufacturing norms have](#) made China the base from where [nearly three-quarters of](#) the world's toys originate. In India, the threat is even more severe. Unbranded products from the Asian neighbour [account for up to 90%](#) of the \$1.5 billion (around Rs10,500 crore) [domestic toy market](#). The stranglehold of unorganised retailers has left little room for branded players like Funskool, Lego, Mattel, Hasbro, and even the iconic Hamleys to get a toehold in the country. From stuffed dolls to tin soldiers, there's a common thread that runs through almost all toys sold in the world: the "Made in China" label. Relaxed [manufacturing norms have](#) made China the base from where [nearly three-quarters of](#) the world's toys originate.

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The Hamleys brand has now been put on the block by its owner C.Banner International, and India's Reliance Retail, an arm of the oil-to-telecom conglomerate Reliance Industries, [is reportedly in talks to acquire it](#). Hamleys had posted [a £9.2 million loss](#), across its global operations, in 2018. It does not

publish India-specific numbers, but given the Chinese dominance it can't be too bright. Over the years, Chinese manufacturers have managed to suppress toy prices to rock-bottom levels. "Low-priced Chinese toys are either mass-produced or are rejects from other countries that are diverted to the Indian sub-continent (or) Africa. Further, Chinese toys are toxic in high proportion," read a July 2018 report by India's [parliamentary standing committee on commerce](#). Mass production—China boasts of [10,000 toys manufacturers](#)—and disregard for quality standards means that these toys can be sold, on average, at half the price of branded toys in India, said John Baby, CEO of Chennai-based Funskool, India's largest toy maker. The only way to curb this is to "impose higher import duty on Chinese toys and bring in stricter rules to check illegal imports," suggested Baby. Though the most formidable, the Chinese threat is not the only trouble brewing for toy makers.

## Retail trouble

Organised toy retailers in India also have to deal with high rentals, which affect their margins.

"Rentals at leading shopping malls can be as high as Rs1,000-1,200 per square feet. It's very steep and most of the time does not justify the investments vis-à-vis revenues," said Sandeep Bhardwaj, a marketing expert and the dean of Vivekanand Education Society Institute of Management (VESIM), Mumbai. But stores are vital to increase the visibility of a brand. "Single-brand retail stores have become important for toy brands to increase their market presence and reach out to the right target audience," Amit Kararia, senior regional sales manager for South Asia at Lego, [told Mint last year](#).

Hence, toys brands are forever on the lookout for standalone stores that will also curb their rent outgo. Over the last few years, [Funskool has launched 16 single-brand retail outlets](#) in tier 2 cities like Udaipur, Indore, Amritsar, and Thane. It also has plans to expand into smaller towns.

A successful case of the low-cost, single-brand retail model in India is the [sports gear maker Decathlon](#). The French retailer has shunned the mall-based model and created warehouse stores with value-for-money pricing. "The toys market may be ripe for a similar disruption," said Umashankar Venkatesh, professor, marketing, Great Lakes Institute of Management, Gurugram.

## Digital play

Then there is the growing popularity of video and online gaming, an area in which players like Hamleys lag. India's online games market is expected to reach Rs11,900 crore by the year 2023, [according to KPMG](#). Taking note, players like Funskool and Mattel have been [co-creating products by](#) engaging with various age groups. They use targeted communication to market products that combine the digital with physical tactility. The Indian toys market is expected to grow to \$3.3 billion by 2024, according to the market research firm IMARC. What share of this will be from branded players is an open question?

The story can be read online [here](#).