**Toy Market 2017**

**Fun and Games During 2016**

* U.S. toy sales revenues increased 5% to $20.4 billion during 2016, following the trend of a 5% annual compounded growth rate since 2013. High-growth categories included collectibles (+33%), games and puzzles (+21%) and outdoor and sports toys (+10%).
* With two extra shopping days, Christmas week 2016 generated 28% more toy sales than Christmas week 2015, and accounted for 10% of the entire year’s toy sales, an 8% increase from 2015.
* The top toys during 2016 were Star Wars figures, Hatchimals, NES Classic Mini, Shopkins Chef Club Hot Spot Kitchen Flair, Snuggles My Dream Puppy and Speak Out.

**Toy Categories’ Sales Performance, 2016**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Toy | Revenues | % Change | Toy | Revenues | % Change |
| Action figures & accessories | $1.44 B | -1% | Youth electronics | $0.61 B | +3% |
| Arts & crafts | $0.98 B | -5% | Outdoor & sports | $3.73 B | +10% |
| Building sets | $1.97 B | -3% | Plush | $1.08 B | +6% |
| Dolls | $2.88 B | +10% | Vehicles | $1.45 B | +1% |
| Games & puzzles | $1.95 B | +18% | All other toys | $1.09 B | -1% |
| Infant/toddler/preschool | $3.19 B | +3% | Grand Total | $20.36 B | +5% |

Toy Industry Association (The NPD Group), January 2017

**Sales Continue to Increase During the First Half of 2017**

* Toy sales increased by 3% during the first half of 2017, with a projected annual growth rate of 4.5% for 2017. The slower growth is attributed to last year’s bump from strong sales of toys related to *Star Wars Episode 7*, released during December 2015.
* Sales of games and puzzles increased 25%, followed by plush at 13%, all other toys (which includes fidget spinners) at 9%. Sales of adult games increased 267%.
* Toy trends for 2017 include collectibles; low-tech and retro toys, such as dolls and puzzles; toys that encourage physical activity; movie licensing toys; high-tech toys, such as drones and virtual pets; and STREAM educational toys (STEAM plus robots).

**Toy Categories’ Sales Performance, Q1 and Q2 2017**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Toy | Revenues | % Change | Toy | Revenues | % Change |
| Action figures & accessories | $518.2 M | -10% | Youth electronics | $122.8 M | -8% |
| Arts & crafts | $302.0 M | -3% | Outdoor & sports | $1.6 B | 0% |
| Building sets | $605.2 M | -10% | Plush | $518.0 M | +13% |
| Dolls | $860.4 M | +6% | Vehicles | $391.9 M | +5% |
| Games & puzzles | $746.5 M | +24% | All other toys | $462.6 M | +9% |
| Infant/toddler/preschool | $940.4 M | +4% | Grand Total | $7.2 B | +3% |

Toy Industry Association (The NPD Group), June 2017

**Top Types of Toys**

* Movie tie-ins will continue to drive toy sales during 2017. Most family-oriented movies are scheduled to be released during the second half of the year, including *Star Wars, Cars 3,* *Transformers* and *Spider Man*, leading to associated toys and increased sales.
* Collectible sales continued to increase, thanks to the popularity of L.O.L. Surprise, Pokémon cards and Hatchimals. Social media has influenced viral toy crazes, such as the fidget spinner sensation and Speak Out, an adult game popularized on YouTube.
* According to Brand Finance, a consulting firm that releases a list of the strongest brands based on consumer feedback, marketing dollars spent and profit margin, Lego was the top toy brand during 2017, as it was during 2016.

**Top 10 Worldwide Toy Brands, by Brand Value in $Millions, 2016–2017**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Brand | 2017 | 2016 | % Change | Brand | 2017 | 2016 | % Change |
| #1: Lego | * $7,597 | $4,520 | +68% | #6: Mattel | $252 | $229 | +10% |
| #2: Bandai Namco | * $1,024 | * $136 | * +652% | * #7: Gundam | * $247 | * $241 | * +2% |
| #3: Fisher Price | * $773 | * $886 | * -13.0% | * #8: Hot Wheels | * $232 | * $175 | * +33% |
| #4: Barbie | * $388 | * $571 | * -32% | * #9: Hasbro | * $211 | * $208 | * +1% |
| #5: Nerf | * $297 | * $231 | * +29% | * #10: My Little Pony | * $198 | * $141 | * +41% |

Brand Finance, 2017

**Toy Companies Compete**

* The population of U.S. children younger than 18 was 73.6 million during 2015, and this age group is forecast to increase 6.2% to 78.2 million by 2040.
* Hasbro is close to overtaking market leader Mattel, helped by assuming Disney Princess and *Frozen* licensing from Mattel and strong sales from popular games, such as Speak Out and Pie-Face, as well as newer brands, including Baby Alive and FurReal Friends.
* The 2017 *Lego Batman* movie is expected to increase Lego’s sales. Mattel had a disappointing Q1, with less revenue in all categories, except Hot Wheel, while a 45% increase in game sales significantly improved Hasbro’s Q1 sales.

**Major Toy Company Sales in North America, 2015–2016**

|  |  |  |  |
| --- | --- | --- | --- |
| Company | 2015 | 2016 | % Change |
| Mattel | * $5.70 B | $5.46 B | -4.2% |
| Lego | * $3.58 B | * $3.79 B | * +6.0% |
| Hasbro | * $4.45 B | * $5.02 B | * +13.0% |

Shareholder.com and Lego Website, 2016

**Fun in Store**

* Almost half of all consumers (43%) in a Proper Insights & Analytics survey indicated no preference of store type when shopping for toys. Next, were discount stores (27.3%), specialty (14.9%), Internet (6.9%), other (4.7%) and department stores (2.2%).
* Walmart was the most popular store for toys during July 2017, according to 17.4% of consumers, followed by Toys R Us, 14.7%; Target, 7.9%; and Amazon, 6.6%.
* Since 43.7% of consumers had no store preference, it seems toys are considered a commodity and consumers buy them where they find the best price and availability.

**Amazon Sales of Toys Compared to Total US Market, 2015–2016**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Toys Sold | 2015 | 2016 | Increase | Market Share |
| Entire U.S. toy market | $19.4 B | $20.4 B | +5% |  |
| Amazon toy sales | $3.2 B | $4.0 B | +24% | 19.6% |

Slice Intelligence, June 2016

**Toy Company Challenges and Opportunities**

* Brick and mortar stores that sell toys will face growing competition from Amazon, especially in building and construction toys and board games. They can focus on dolls, action figures and other toys that consumers want to touch and in-store events.
* A trade war with China could negatively impact toy companies, since the majority of toys (more than 80%) sold in the U.S. are manufactured there. The industry is also unsettled because of the general collapse of department stores and malls.
* The toy industry can capitalize on the desire of Millennials to favor experiences over possessions. Adult games provide for social interaction, and are increasing. Social interaction is a primary reason that collectibles did so well among children, too.

**Additional Analysis**

Although many retailers focus on licensed toy products as the big sellers, the 22% market share of video games, electronics and apps’ licensed products is essentially the same as licensed toy products. An examination of these two major categories of licensed products by age groups reveals, however, that licensed toy products are #1 among children 2–5, at 25%, while video games, electronics and apps’ licensed products are #1 among boys 10–14, and also increases among older girls.

**Industry Distributions, by Children’s Age Groups, 2017**

|  |  |  |
| --- | --- | --- |
| Industry | Age 2–5 | Age 13–14 |
| Apps | * 2% | 3% |
| Arts & crafts | * 4% | * 3% |
| Books | * 7% | * 5% |
| Clothing | * 18% | * 14% |
| DVDs/Blu-ray | * 4% | * 4% |
| Electronics | * 4% | * 9% |
| Fashion access | * 3% | * 4% |
| Footwear | * 4% | * 6% |
| Health & beauty | * 4% | * 3% |
| Home products | * 4% | * 4% |
| Juvenile products | * 6% | * 1% |
| Party supplies | * 6% | * 3% |
| School supplies | * 3% | * 4% |
| Toys | * 28% | * 9% |
| Video games | * 5% | * 28% |

The NPD Group, June 2017

Although a majority of all children’s licensed products are purchase in-store, including specialty stores, mass merchandisers and other brick-and-mortar stores, 39% of video games, 38% of apps, 33% of electronics and 31% of toys are purchased online.

*Sources:* The NPD Group Website, 8/17; Toy Association Website, 8/17; Lego Website, 8/17; Shareholder Website, 8/17; *Forbes* Website, 8/17; CNBC Website, 8/17; Brand Finance Website, 8/17; The Motley Fool Website, 8/17; National Retail Federation, 8/17; Slideshare Website, 8/17; *Global Toy News* Website, 8/17.

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