



Canada: Toys & Games Industry

Industry Report

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SUMMARY

The Canadian Toy Industry is worth US \$1.8 billion (at retail prices) according to the Canadian Toy Association. Its members are manufacturers, importers, retailers, and distributors of toys, games, seasonal and hobby products. This report analyzes the Toy and Game Industry and highlights the opportunities within it. It contains data on market size, market trends, U.S.–Canada import/export statistics, best prospects, market demand, market entry, export opportunities, trade shows, and other important industry contacts. It also analyzes the safety of a product and where it comes from and discusses labeling and packaging requirements.

MARKET DEFINITION

NAICS 33993 is defined by Industry Canada as the industry code for businesses that manufacture dolls, toys and games. This includes establishments primarily engaged in manufacturing toys designed for use in households and institutions, such as elementary or pre-schools, day care centers, hospitals, public parks, and recreation centers. The Toys and Games Industry comprises a number of sub-sectors such as: baby carriages, strollers, handicraft supplies, dolls (including parts and accessories), model kits, electronic toys and games, stuffed toys, and children's vehicles.

MARKET DEMAND

The shelf life of toys is drastically shrinking, challenging manufacturers to continuously create innovative products that capture children's interest quicker and earlier. Manufacturers have to balance between high-demand items for kids and more engaging and educational products desired by parents for their children.

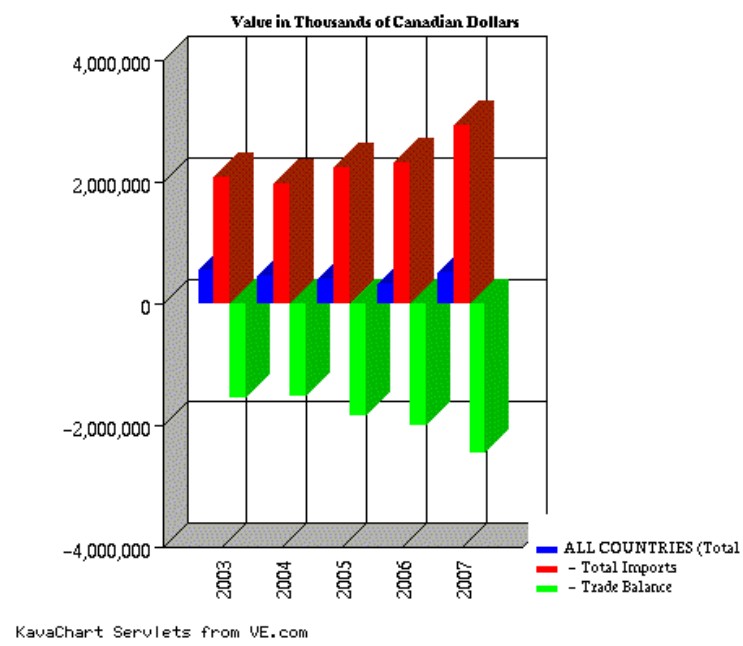
Demand for time-honored favorites still exists, but the market for hi-tech toys is growing at an immeasurable pace. Toy companies are seeing the benefit of offering children a dual experience with their toys as the Internet continues to become a big part of life. Many toys now have online clubs or websites, which allow the children to have interactive experiences using secret codes to purchase clothes or accessories for dolls with virtual money, or even to create their own gaming levels.

A spate of recent recalls has diverted consumers' attention from cheaper, mass-produced foreign toys to toy companies that comply with high safety and quality standards. This presents U.S. manufacturers with more opportunities to surpass their Chinese competitors in the Canadian Toys and Games Industry.

INDUSTRY STATISTICS

The Canadian Toys and Games industry witnessed a trade deficit of \$2.44 billion in 2007 as total imports increased to \$2.95 billion and total exports reached \$515 million. Domestic exports, goods that are manufactured in Canada and are bound for a foreign destination, were estimated at \$111 million in 2007.

NAICS 33993 Canadian Trade Balances – All Countries – Value in Thousands of Canadian Dollars



NAICS 33993 Canadian Total Exports – Top 10 Countries – Value in Thousands of Canadian Dollars

	2006	2007
United States (U.S.)	318,538	474,511
United Kingdom (U.K.)	5,090	7,450
Mexico	954	3,824
France (incl. Monaco, French Antilles)	939	3,294
Belgium	1,543	2,744
Brazil	1	2,648

	2006	2007
Australia	1,147	2,522
Germany	3,586	1,943
Chile	341	1,645
Spain	706	1,352
SUB-TOTAL	332,845	501,933
OTHERS	12,501	13,119
TOTAL (ALL COUNTRIES)	345,346	515,052

Number of Companies

According to Industry Canada, there are more than 200 toy and game manufacturers, small and large, in this country. The Canadian Toy Association reported retail sales at approximately US \$1.4 million.

Location Concentration

According to the Canadian Toy Association, the main locations for toy manufacturing are Ontario and Quebec. Ontario toy exports nearly doubled in value from 2006 to 2007, while Quebec experienced a slight decrease in 2007.

NAICS 33993 Canadian Total Exports – Distribution by Province, Value in Canadian Dollars

	2006	2007
Ontario	220,834,154	428,174,248
Quebec	100,036,116	77,276,732
Alberta	8,905,023	4,549,091
British Columbia	12,627,626	3,794,223
Saskatchewan	500,077	660,077
Nova Scotia	812,629	396,763
Manitoba	1,608,067	173,924
New Brunswick	16,587	25,944
Northwest Territories	--	404
Newfoundland and Labrador	5,045	363
Prince Edward Island	1,061	178
Nunavut	--	34
Yukon Territory	--	--

As Ontario and Quebec are the main hubs for toys and games manufacturing, these provinces also have the highest number of toy manufacturers and employers in the industry.

Import Market

Of the \$2.95 billion in toy imports, China dominated the 2007 Toys and Games Market valued at a staggering \$2.18 billion (73.8%), with U.S. imports following at \$494 million. Japan, Mexico and Denmark were the next leading import countries with \$95.6 million, \$31.5 million and \$29.2 million in imports, respectively.

NAICS 33993 Canadian Imports – Top 10 countries – Valued in Thousands of Canadian Dollars

Country	2006	2007
China	1,638,218	2,185,805
United States	415,944	494,816
Japan	99,517	95,626
Mexico	34,447	31,455
Denmark	29,956	29,168
Taiwan (Taipei)	18,979	20,828
Hong Kong	14,008	14,832
Germany	12,004	12,663
United Kingdom	7,951	12,012
Indonesia	8,376	9,804
SUB-TOTAL	2,279,398	2,907,009
OTHERS	53,714	51,813
TOTAL (ALL COUNTRIES)	2,333,112	2,958,822

Imports from the U.S.

The majority of U.S. imports originate from the state of California, which increased from approximately \$141.3 million to \$204.5 million, 2007 over 2006. According to Statistics Canada, Indiana, Ohio, and Massachusetts take the next three positions.

Imports by Province

Ontario leads the market with \$1.86 billion in toy imports, with British Columbia and Quebec trailing at \$804 million and \$232 million, respectively. Remaining imports are spread mainly throughout the Western Provinces of Alberta and Manitoba. However, import values are significantly lower in Saskatchewan and the remaining Eastern Provinces.

NAICS 33993 Canadian Imports – Distribution by Province – Value in Canadian Dollars

Province	2006	2007
Ontario	1,432,216,032	1,864,822,805
British Columbia	637,933,740	804,881,039
Quebec	203,937,456	232,946,019
Alberta	23,215,339	27,757,293
Manitoba	20,273,784	20,444,142
Saskatchewan	2,717,530	3,789,940
New Brunswick	3,038,955	2,926,504
Nova Scotia	9,698,064	1,235,465
Newfoundland and Labrador	65,775	14,178
Prince Edward Island	5,150	4,166
Yukon Territory	10,562	578

Best Prospects

Educational toys

The market is realizing a shift towards toys that will enhance a child's development and ability, while providing great play value. Some of the council's best bets include a card game that encourages language, counting, matching and memory skills and a doll that interacts with children in four languages. The list also includes a game that allows children, ages 10 and up, to take on the role of General Manager of a hockey team, enabling each player to select their starting line-up, manage their teams, negotiate salaries and trades and win matches against other teams.

Toys linked to pop culture

Over 25% of toys sold are associated with licensed products, including favorite blockbuster and cartoon movie characters, TV, music and sports celebrities. The toy industry has witnessed incredible action figure and related toy sales for some of the top box office movies from 2007 and 2008.

Personalization

Whether it's in music, fashion, or art, personalization was one of the top toy trends in 2007 and continues into 2008. Time-squeezed parents are looking for craft kits that give their children the opportunity to create a project that is exciting and looks good when completed. Toys and Games magazine reported that jewellery-making kits and room-décor projects are highly popular with tween-age girls.

Virtual realities

The trend of virtual online worlds for kids, tweens and teens is making a big impact in the toy industry and will undoubtedly play a major role in changing the face of traditional playtime going forward. This raised the bar by offering kids a special pass code with each purchase which gives them entry to an animated world where they can dress up virtual dolls, play games, chat and earn virtual money to decorate their very own online rooms. Virtual worlds often include elements such as e-mail, chat groups, video and instant messaging.

Educational video and computer games

Recent estimates released by the Entertainment Software Association of Canada shows 88% of children, between the ages of 6-17, play video games regularly. Until recently, gaming generally has not been seen as an educational tool. However, computer games could become part of the school curriculum after research has proven that they have a significant educational value by challenging and engaging children. Given the pervasive influence of video games on North American culture, many educators have taken an interest in these games and are implementing their use in the school curriculum to facilitate learning.

[NOTE: Video games are not classified by the Canadian Toy Association as a 'toys and games' item but is included here for informational purposes]

The Canadian Press published the top ten toys for 2008 as chosen by the Canadian Toy Testing Council. The list includes a set of six colorful bug characters that stack together with magnets, a bright red wagon with two moveable seats that can also act as a table, and a highly durable and detailed walk-in kitchen set. This is followed by a memory match-up game to improve memory recall, an interactive learning toy to teach children between the ages of 3 and 6 letters and sounds, along with activity books, games and puzzles. In addition, it includes a game with a different take on paint-by-numbers, which uses colorful sticky foam pieces to paint a picture on numbered squares and improve dexterity. For the older children, the chosen toys include a hand-held electronic eye that also plugs into a television and magnifies images up to 200 times their actual size, and a 33-piece construction set that can be used to build a snow machine or a bulldozer. The battery-operated toy of the year was a digital camera, similar to that of an adult camera but has more durability and can withstand being dropped repeatedly.

MARKET ENTRY

Prior to entering the Canadian Toy Industry, companies should ensure that their products comply with both the product safety and packaging standards.

Product Safety

Product safety is the number one priority for the Canadian Toy Association. To ensure the highest levels of product safety and consumer confidence, the CTA is working with the industry to create standardized testing procedures for all toys retailed in Canada, standardized criteria to certify testing laboratories, mandatory testing for products destined for the Canadian marketplace and supply chain management protocols.

It is the responsibility of manufacturers, importers, distributors and retailers to ensure compliance with the *Hazardous Products Act* and the *Hazardous Products (Toys) Regulations*. This legislation is administered and enforced by Health Canada's Consumer Product Safety. For more information regarding safety requirements refer to Health Canada's Industry Guide to Canadian Safety Requirements for Toys and Related Products.¹

Packaging Standards

In Canada, The Packaging Act contains the regulatory requirements for product packaging. For a comprehensive understanding of the Act and its regulations, a useful publication is the "Guide to the Consumers Packaging and Labeling Act and Regulations".

¹ <http://www.hc-sc.gc.ca/cps-spc/pubs/indust/toys-jouets/index-eng.php>

As a minimum, federal regulations about packaging stipulate that the following four items of information must be shown on the packaging: (1) Country of origin (2) Principal place of business (in English and French), (3) Net quantity, and (4) Product name or pictorial representation of the item.

In all provinces except Quebec, the federal regulations apply for packaging. Packaging in Canada should be bilingual (French and English). In Quebec, all language printed on packaging and everything else related to the product must be in French only or bilingual (French must be at least equally prominent to any other language). This rule also applies to any instruction sheets or descriptions accompanying the item.

Distribution Channels

According to business researchers from INSEAD (an international graduate business school and research institution), about 95% of toys are sold via retail outlets and a few manufacturers sell directly to the final consumer. In addition to traditional retailers, an increasing number of sales are being made through Internet-based companies.

Trade Shows

U.S. toy manufacturers can gain entry in the Canadian market by exhibiting at a number of trade shows. The 2009 Canadian Toy and Hobby Fair is one of the best opportunities to see the newest toys, hobbies and seasonal products and meet the companies behind them. This event gives toy manufacturers the chance to promote their inventions to prospective buyers and distributors. (Refer to Trade Events for details)

MARKET ISSUES AND OBSTACLES

Outsourcing and overseas mass production have initiated a seemingly never-ending public scrutiny of toy safety. The latter half of 2007 saw an estimated \$2.18 billion worth of Chinese-made toys imported into Canada, making China the biggest supplier to the Toys and Games Industry. However, due to major recalls made by a number of large toy manufacturers for impermissible levels of lead in paints and tiny magnets found in toys, consumers are now demanding safe products, attention to design and high quality control measures. North American consumers are demanding less Chinese-made toys and are looking to purchase toys that are produced in countries that have safety standards equivalent to those in Canada. The demand for Chinese manufactured toys is expected to decline, unless these companies change their manufacturing methods and increase safety standards. To win back the trust of consumers, the toy industry must do more to demonstrate that high safety and quality standards are being met. This is an opportune time for U.S Toy and Game manufacturers to establish a credible toy industry and promote their willingness to comply with the high safety standards and quality measurement Canadian consumers are demanding.

TRADE EVENTS

NETS Mini Toy Show

Monday, August 11th 2008

www.netscanada.org

Renaissance Toronto Airport Hotel & Conference Centre,
801 Dixon Road, Muskoka Room
Toronto, Ontario M9W 1J5

Canadian Gift & Tableware Fall Show

August 10th – 14th, 2008

www.cgta.org/giftshow.asp

Toronto International Centre and the Toronto Congress Centre
6900 Airport Road
Mississauga, Ontario L4V 1E8
[Spring Event: January 25 – 29 2009]

The Baby & Toddler Show 2008

November 7th – 9th, 2008

www.babytimeshows.ca/fall/index.html

Metropolitan Toronto Convention Centre, North Building
255 Front Street West
Toronto, Ontario M5V 2W6

The Hobby Show

November 6th – 8th, 2008

www.thehobbyshow.com

Toronto International Centre
6900 Airport Rd.
Mississauga, ON L4V 1E8

Canadian Toy & Hobby Fair

January 24th – 26th, 2009

www.cdntoyassn.com/viewpage.cfm?PageID=11

Metropolitan Toronto Convention Centre,
North Building, Halls A & B
255 Front Street West
Toronto, Ontario M5V 2W6

MAGAZINES

Toys & Games Magazine

61 Alness St.

North York, ON M3J 2H2

Phone: 416-663-9229 Fax: 416-000-0000

Website: www.toysandgamesmag.com/

RESOURCES & CONTACTS

The Canadian Toy Association

7777 Keele St., Suite 212

Concord, Ontario

Phone: 905-660-5690 Fax: 905-660-6103

Website: www.cdntoyassn.com/

Email: info@cdntoyassn.com

CANADIAN TOY TESTING COUNCIL

1973 Baseline Road

Ottawa, ON K2C 0C7

Phone: 613-228-3155 Fax: 613-228-3242

Website: www.toy-testing.org
Email: cttc@toy-testing.org

Statistics Canada

Website: www.statcan.ca/english/tradedata/tradedata.htm#cansim2

Industry Canada

5160 Yonge Street
Toronto, ON, M2N 6L9
Tel: (416) 954-1405 Fax: (416) 954-1470
Website: www.ic.gc.ca/epic/site/gc-acaa.nsf/en/Home

Health Canada

Website: www.hc-sc.gc.ca/cps-spc/child-enfant/toys-jouets/index-eng.php

Industry Guide to Canadian Safety Requirements for Toys and Related Products

Website: www.hc-sc.gc.ca/cps-spc/pubs/indust/toys-jouets/index-eng.php

ASSOCIATIONS

Canadian Toy Association

www.cdntoyassn.com

Canadian Toy Testing Council

www.toy-testing.org

Neighbourhood Toy Stores of Canada

www.neighbourhoodtoystores.ca

For More Information:

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