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THE LEADERS
OF THE WORLD'S
PLAY INDUSTRIES



WORLD CONGRESS OF PLAY: STATE OF THE PLAY INDUSTRY REPORT

PRESENTED BY: UTKU TANSEL, HEAD OF TOYS & GAMES

SEPTEMBER 9-13, 2013

TRADITIONAL TOYS AND GAMES

Global traditional toys and games market value growth in 2012:

5%

Steady real term growth to continue to 2017

Fastest growing region in 2012:

Latin America

Regional sales exceeded US\$10billion mark first time

North America registers growth while Western Europe stagnates

Construction and dolls offer good opportunities

China became world's 2nd biggest market

Asia Pacific is set to become the largest toys market surpassing North America

China, Brazil, Thailand and Turkey

are the countries with promising sales over the next 5 years

Most dynamic category in 2012:

Construction

Also forecast to be the fastest growing segment

Licensing

remained an important contributor to growth in most countries

Share of licensed toys continues to increase

Kid's tablets leads NPDs

Cross platform collaborations on the rise

Blurring boundaries between domains

Specialist toys stores on decline but still have high share

Grocery and internet continue to muscle in

VIDEO GAMES

Global video games value growth in 2012:

1%

declining sales in North America and Western Europe

Fastest growing regions in 2012 include:

**Eastern Europe
and
Latin America**

**Mobile games up by 26%
Digital game downloads up
by 18%**

Digital gaming most dynamic, 19% growth in 2012

The category to generate further US\$15 billion in additional sales by 2017

Video games hardware and packaged video games software down by 2%

8th generation hand-held consoles fail to lift global sales defying cyclical trend

Clear shift from packaged video games to digital gaming

In absolute terms, most of the growth to come from both developing and developed markets:

US, China, UK, Mexico and Brazil

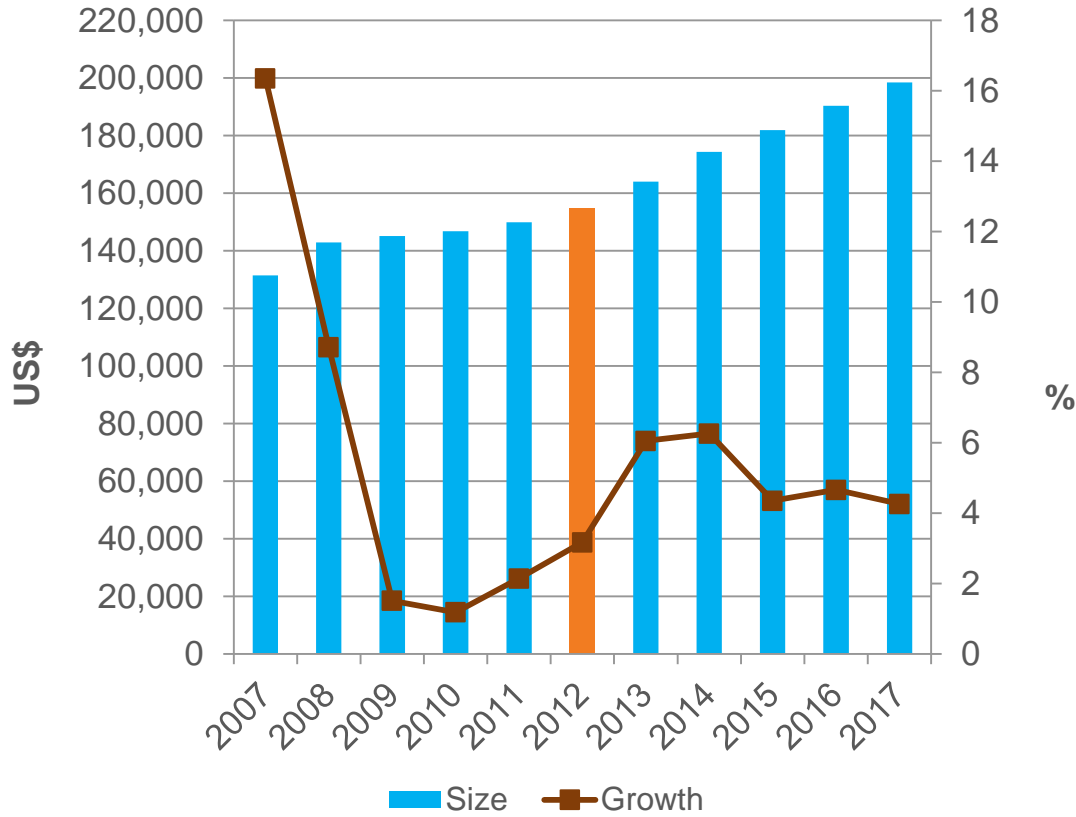
South Korea to become world's 2nd biggest digital gaming market only to be taken over by China

Video games retailing:

Media products stores continue to suffer internet benefits

TOYS AND GAMES

Global Toys and Games Sales, Rsp, curr/con



Forecast

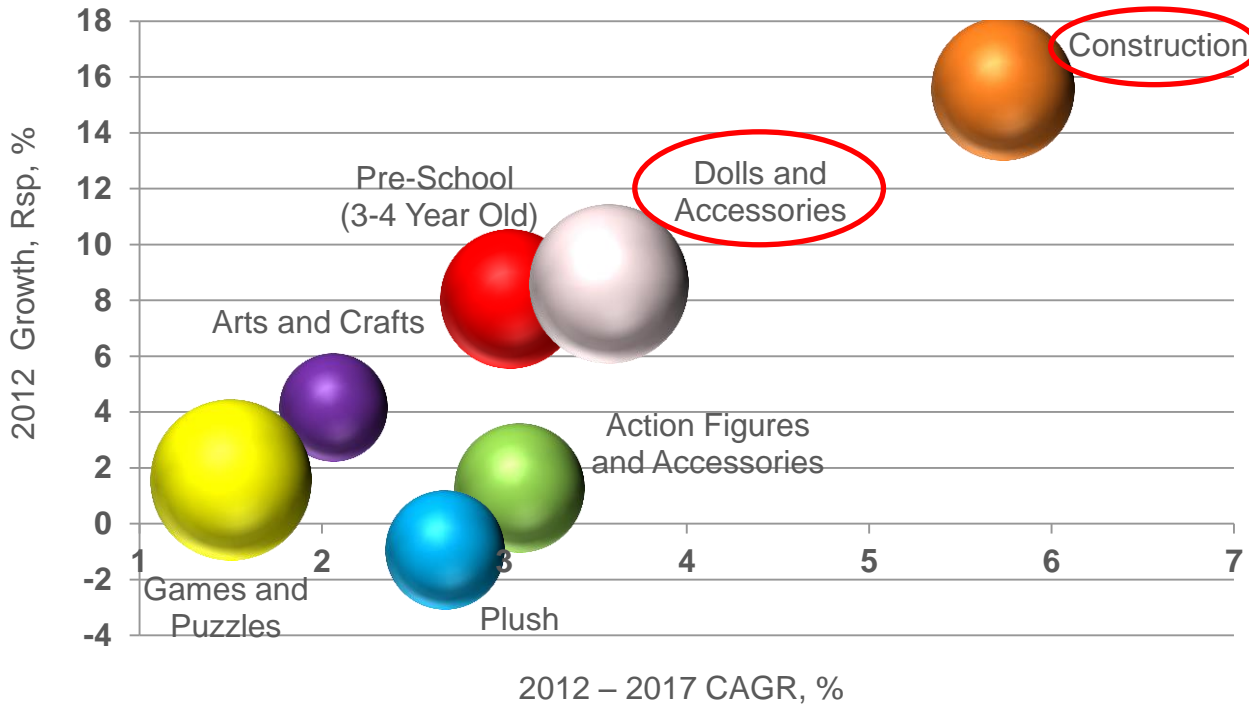
Value sales of toys and games recorded 3% growth reaching US\$154.6 billion in 2012 compared with a 2% gain the previous year, thus defying anaemic economic activity. Steady real term growth is expected to continue to 2017.

In overall toys and games, Argentina, Russia, South Korea, Turkey and India were the industry's five fastest growing markets globally, all recording over 16% value growth in 2012. Rising disposable incomes, new product launches, the increasing penetration of organised retailing in rural areas and second-tier cities as well as strong demographic fundamentals contributed to the outstanding performances in these countries.

With strong demographic fundamentals and disposable incomes, Latin America and Asia Pacific are forecast to be among the most dynamic traditional toys and games markets to 2017, recording a CAGR of around 5% each.

TRADITIONAL TOYS AND GAMES

World Traditional Toys and Games Value Sales , Selected Categories



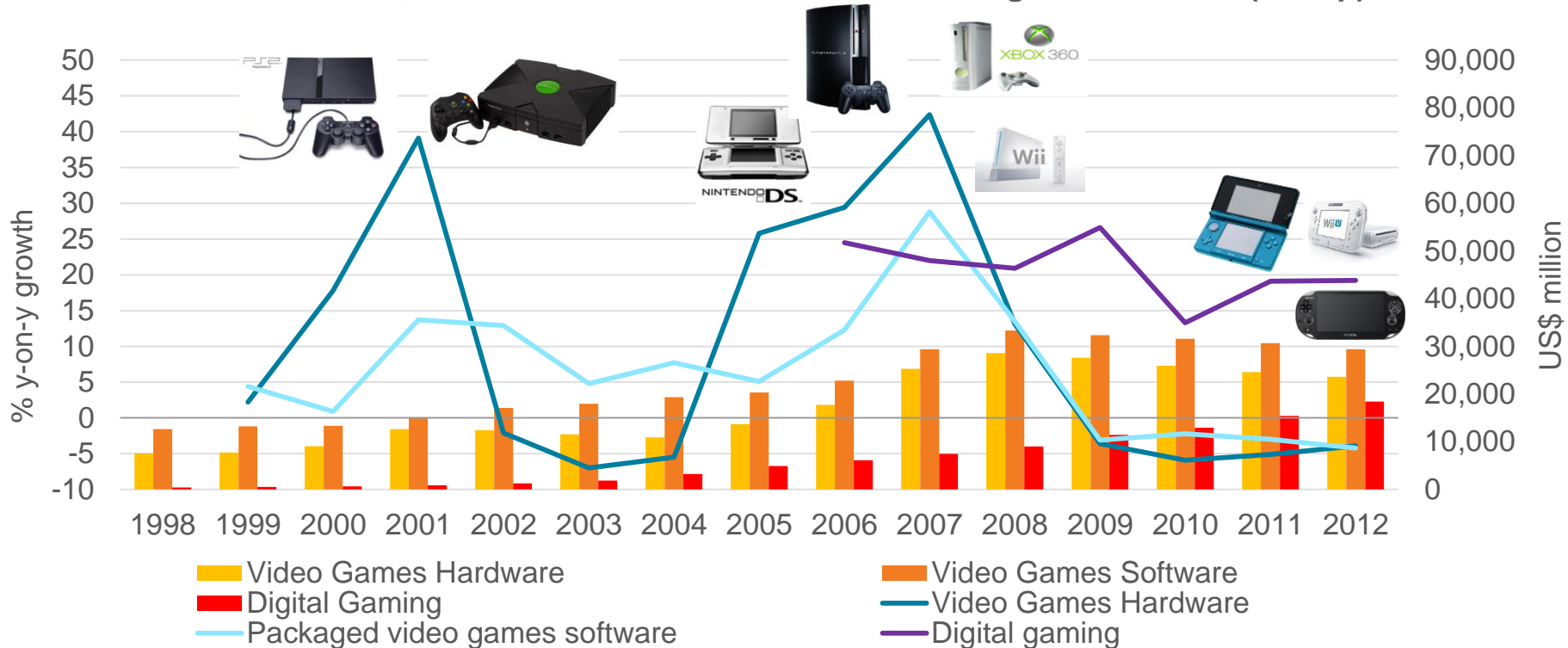
Note: Bubble size represents value sales Rsp, from US\$4.4 billion to 9.8 billion

Over the next five years, construction and dolls and accessories are predicted to be the fastest growing categories within traditional toys and games globally. In actual terms, both categories are projected to add US\$4.3 billion combined to the global toy sales over 2012-2017.

In dolls and accessories, Thailand, Ukraine, China and Brazil are projected to be the most dynamic markets over the next five years. Globally, although recording a slight decline due partly to the rising popularity of its own Monster High and Hasbro's My Little Pony series, Mattel's Barbie is still by far the most recognised brand, accounting for 24% of global value sales in 2012.

VIDEO GAMES

World Static, Hand-held Consoles and Digital Gaming Value Growth (% Rsp)



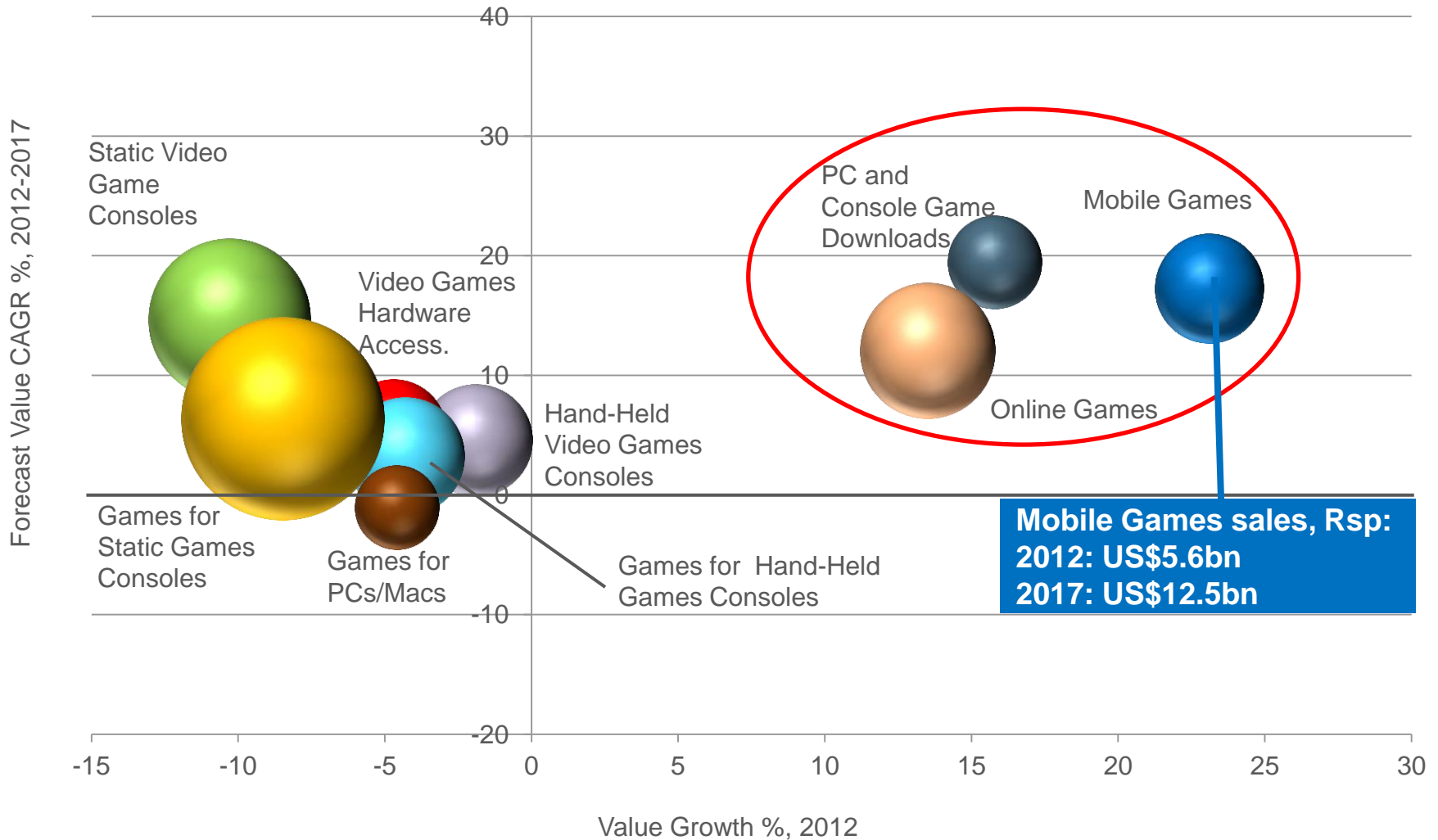
Video games consoles are a cyclical industry and jumps in both sizes and shares are seen in line with the new console launches.

The much-anticipated Nintendo Wii U launch in static video games consoles failed to revitalise the category at global level as consumers await the next generation, with the category acknowledging the full impact of the end of its lifecycle.

With around 1% growth, hand-held video games consoles was the only category to put in a noteworthy positive performance in video games (outside digital gaming), thanks mainly to the launch of Sony PlayStation Vita in 2012.

DIGITAL GAMING

Global Video Games Sales by Category, Rsp, 2012



DIGITAL GAMING

Digital gaming recorded the strongest growth in video games in 2012 thanks mainly to the rising penetration of smartphones and tablets as well as an improved gaming experience on these devices.

Digital gaming's share of total video games surpassed the 25% mark in 2012, taking global sales to US\$18 billion, thus doubling over the past four years. By 2017, digital gaming is forecast to account for one third of global video games sales in value terms, making it the most dynamic category with a 13% CAGR.

The shift from packaged software and hardware to digital gaming became more evident throughout 2012. Both hardware and packaged software value sales contracted due to the console cycle, posting around a 4% decline each, compared to a 19% gain for digital gaming. In the US, the biggest digital gaming market globally, online games was the only declining category in digital gaming in 2012, while both PC and console game downloads and mobile games enjoyed very healthy growth rates, expanding by 14% and 30% in value terms, respectively.



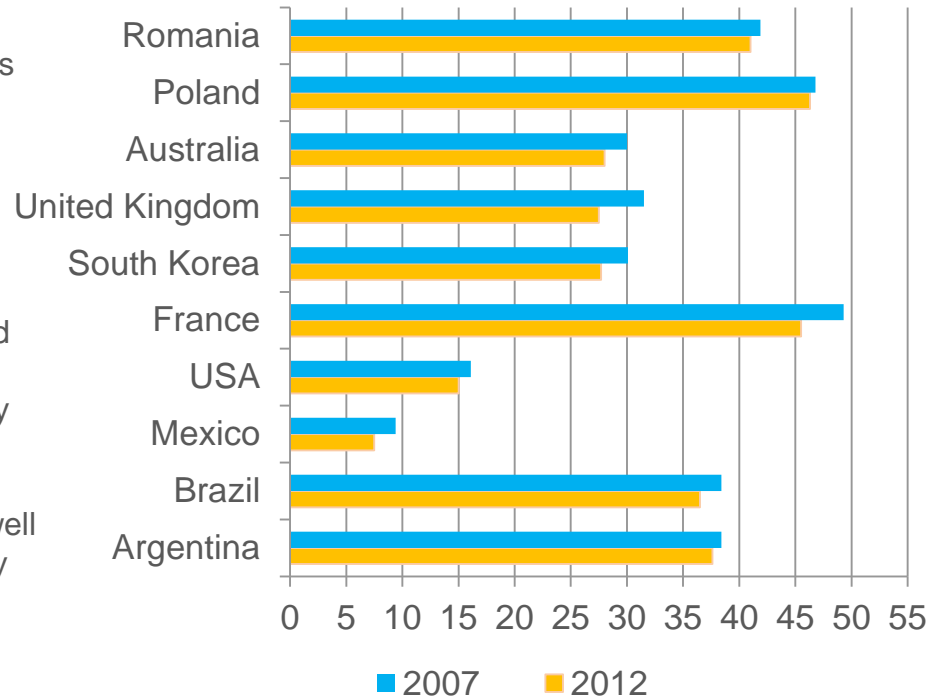
TRADITIONAL TOY STORE SALES

The trend towards grocery retailers and shopping over the internet has reduced the importance of traditional toy stores in toys retailing. However, the channel remains very important for toy sales, and is unlikely to be completely phased out.

Emerging markets in Eastern Europe and Latin America present opportunities for the expansion of traditional toy stores. Toys "R" Us entered Poland in 2011, and has hinted at further expansion in Eastern Europe. Latin America presents another exciting expansion opportunity – currently Toys "R" Us does not have a presence in the region.

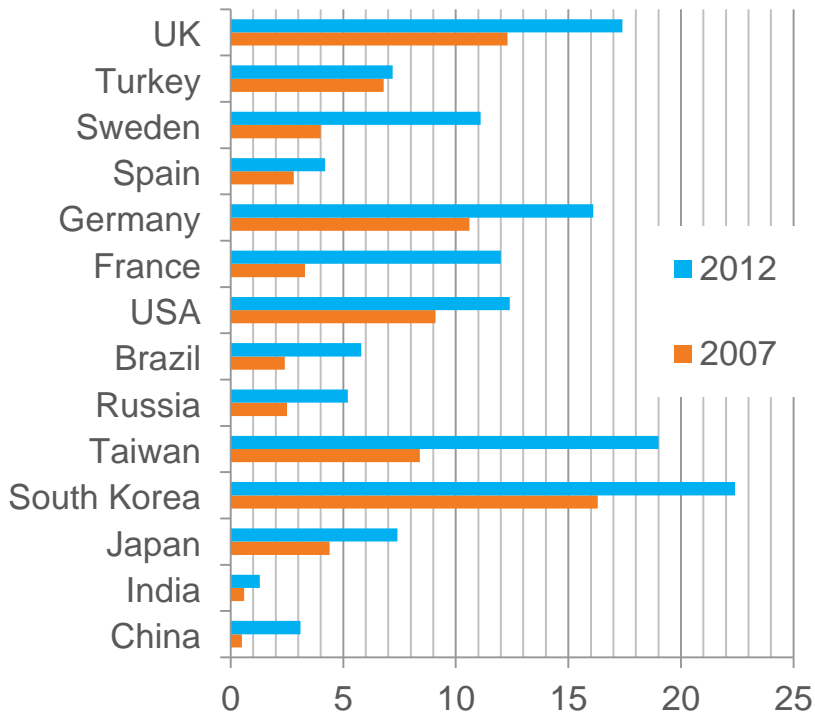
In Japan, the strong position of domestic toy retailers, as well as Toys "R" Us, has meant consumers prefer traditional toy stores in Japan for toy purchases to a much greater extent than in the US, where traditional toy stores accounted for only 15% of toy sales in 2012.

Toy Sales Through Traditional Toy Stores, %, Rsp, Selected Markets

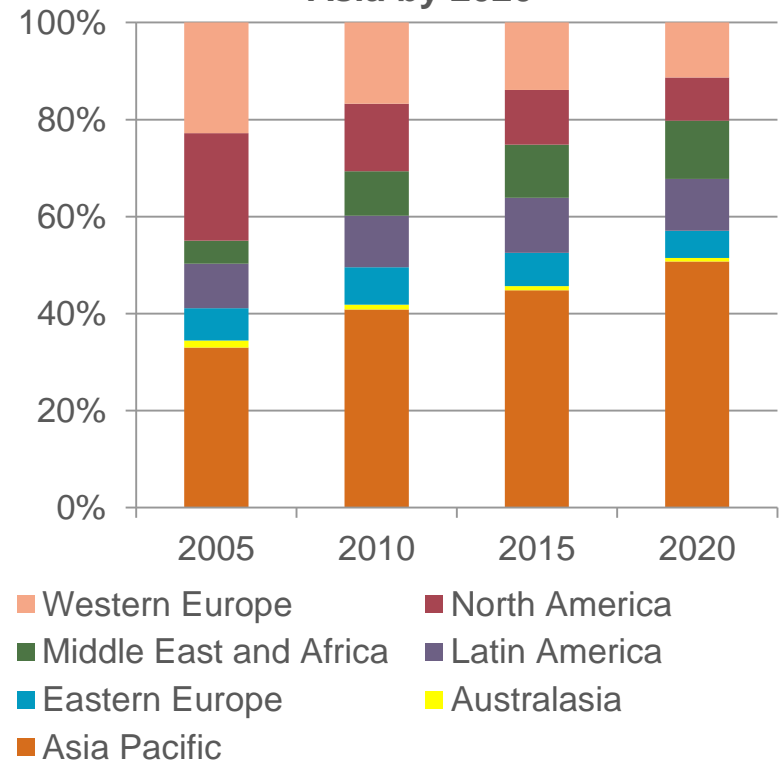


ONLINE SALES

% of Traditional Toys Sold Through Internet, Selected Markets



Half of Internet Users Will be in Asia by 2020



Increasing internet penetration and usage, competitive pricing and wide product availability made internet retailing a clear winner. It outperformed other retail channels consistently throughout the review period.

In South Korea, 22% of traditional toys were sold via the internet in 2012, the highest share in the world.

The popularity of on-line shopping will continue to increase, with most growth happening in emerging markets. By 2020, 40% of the global population is expected to use the internet, reducing the digital divide between developed and emerging markets.

ABOUT EUROMONITOR



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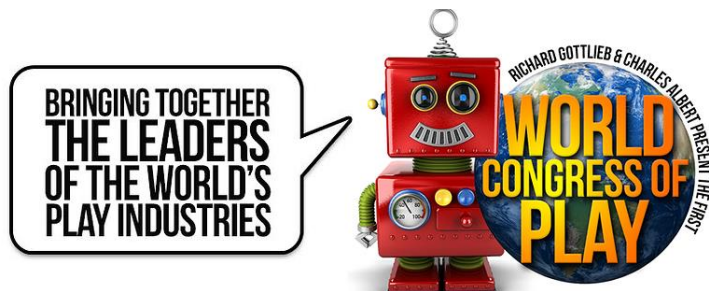
Our extensive network of strategic analysts in 80 countries provides the depth of global, national and local business information required in today's increasingly international business environment. Our global industry specialist teams ensure the international consistency of our research. Emerging countries or developed economies: we identify the next opportunity before anyone else.

ABOUT UTKU TANSEL



Utku Tansel is the Head of Toys and Games Research at Euromonitor International. After completing his MBA in London, Utku joined Euromonitor initially as a Research Analyst in 2004. Over the past nine years, he has been responsible for strategic development and managing of diverse research projects in various industries including toys and games, consumer electronics, clothing and footwear, housewares and household furnishings, DIY and gardening, personal goods and eyewear. In May 2010, he was appointed to his current role developing specialist in-depth toys and games industry knowledge and global expertise in the process.

ABOUT WORLD CONGRESS OF PLAY



Richard Gottlieb and **Charles Albert** proudly present the first ever World Congress of Play - a conference that, for the first time, brings all the play industries together (Traditional Toys, Board Games, Video Games, Digital Play, Theme Parks and more) in one place at one time. The historic conference will take place at the Hilton Union Square in San Francisco on September 9-11, 2013.

By bringing the diverse play industries together, we will foster new relationships, new ideas and new business so that we may all prosper in a rapidly changing play market. More importantly, we will move our institutions in a new direction that no longer sees each type of play as a separate silo but recognizes that all forms of play compete in the same marketplace for revenue and time.