

2022



# Toy Subcategory Assessment

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# The Current Landscape of the Toy Industry

Extending far beyond classic retail, the toy industry is a dynamic sector warranting a deep dive into its ecosystem. It's an industry of multi-media IP, encompassing TV, Film and Videogames while also acting as a conduit for other media IP to enter the retail space. Toys also serve as collectables, educational tools, and introductions to new technology.

With all this in mind, the sectors ever expanding versatility makes it primed for media/marketing changes.

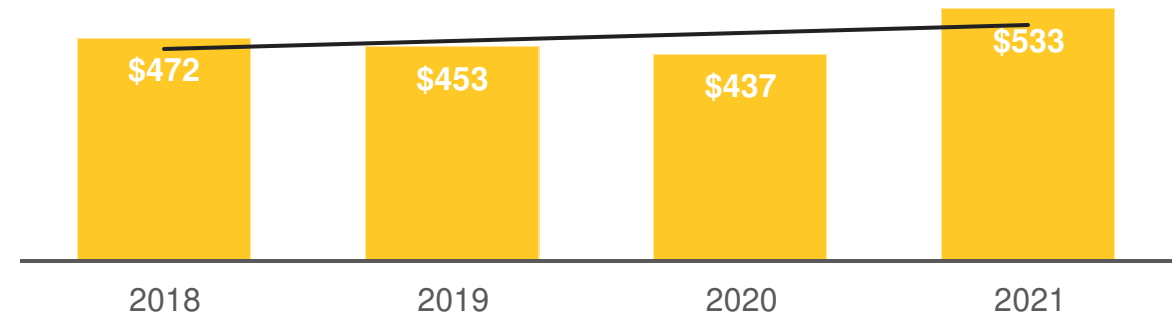


While the industry shows steady growth in spend, **NBCU has not benefited from this**

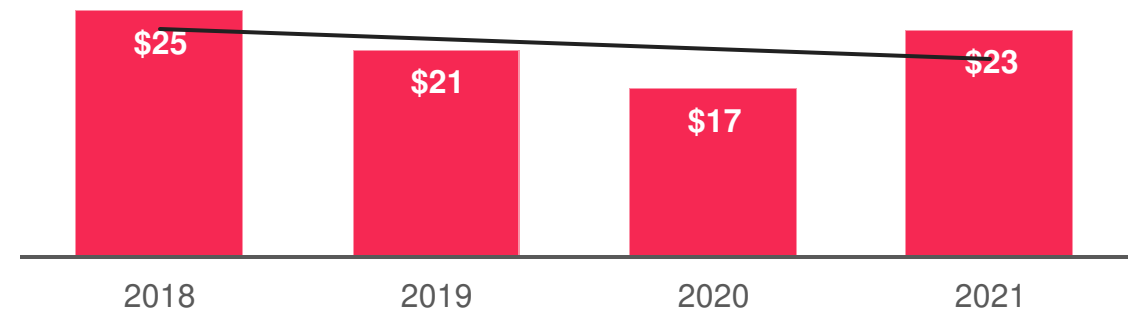
With a **4% CAGR in total spend** (2018-2021), the industry is showing healthy growth in media investment.

However, **NBCU has not benefited** from this increase as the industry leans heavier into digital and linear TV that skews towards a younger audience.

Industry Spend (\$M)



NBCU Spend (\$M)



# This assessment aims to...

- 1 Understand the main factors driving the Toy industry**
- 2 Review the key players and revenue streams of the industry**
- 3 Explore recent trends in the industry**
- 4 Highlight top media spenders, media mixes, and purchasing trends**
- 5 Identify potential opportunities for media spend growth**



# Key Factors Driving the Toy Industry



## IP Tie-Ins

The toy industry has always been closely tied to media - popular toys inspire TV/Film franchises while beloved characters from TV/Film are replicated in toy form



## Collectables

Much like baseball cards and stamps, toys are a very popular collectors' item - brands have leveraged this and built entire companies around limited releases based off existing and unique IP



## Education

Toys have always served as an effective tool to educate children – spelling, reading, math, as well as cooking, coding, and sustainable habits are all accessible to children via toys



## Unboxing

As unboxing videos thrived on social media, toys began innovating the unboxing experience – mystery boxes and other means of integrating unboxing into the overall toy experience



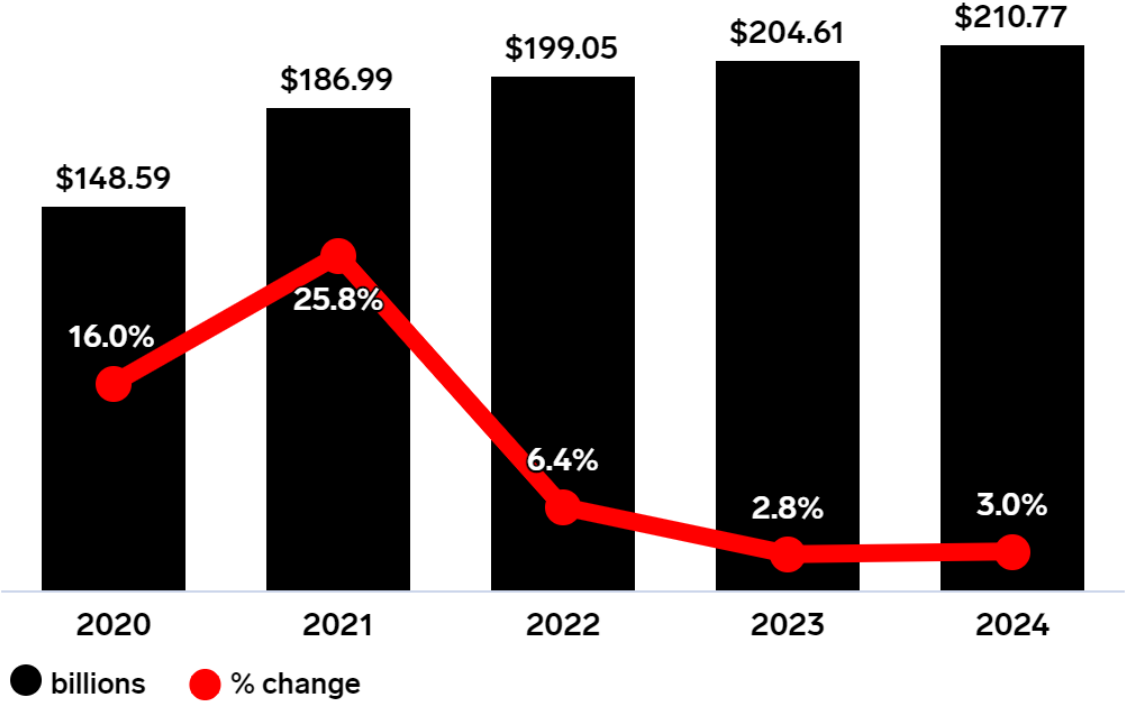
## Technology

The industry is constantly using new technology to innovate ways for children to interact with their toys – toys with digital counterparts, AR, VR, and other means of expanding a toys use

While the pandemic led to tremendous sales growth, toy sales are forecasted to grow steadily in the years to come

Over the past three years, Toys have also increased their impact on the overall retail industry, accounting for 2% of total retail sales in 2018 and increasing to 3% in 2021.

### Toys & Hobby Retail Sales US, 2020-2024



Source: eMarketer, June 2022

eMarketer | InsiderIntelligence.com



TOY INDUSTRY LEADERS

3 major Toy companies own or license the rights to many of the leading toy lines



Barbie

American Girl®

Hot Wheels

MINECRAFT\*

Disney PRINCESS\*

fisher-price

UNO



PlayDoh



TRANSFORMERS

POWER RANGERS

NERF

MARVEL\*

123 SESAME STREET\*

MONOPOLY

STAR WARS\*



GUND

LEAGUE OF LEGENDS



Etch A Sketch

HP\*

HATCHIMALS

Other Players



# These companies continue to diversify their revenue streams

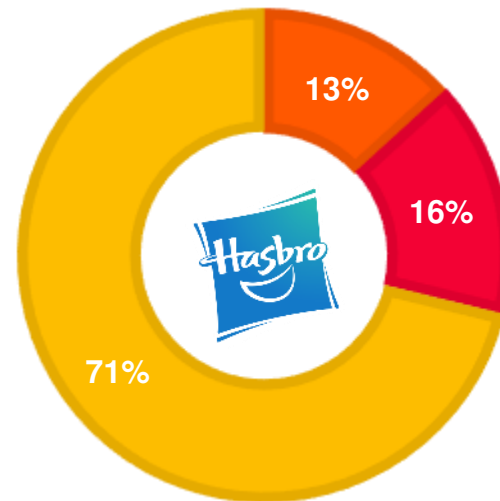
Large toy companies have recently started investing heavily into producing multi-media content – this is reflected in their diverse revenue streams.

**Mattel** re-launched *Mattel Films* production branch last year with the anticipated live action Barbie film on the way.



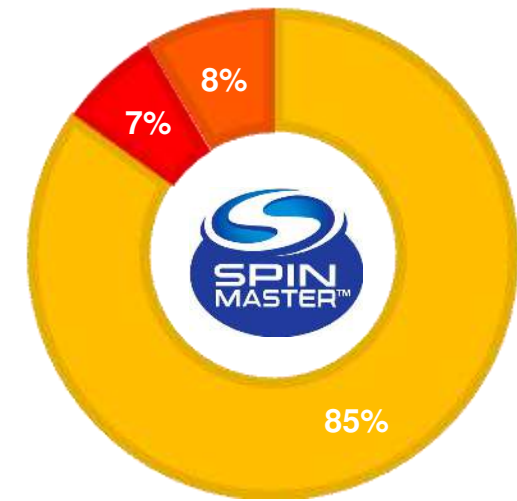
## Hasbro 2021 Revenue

■ Hasbro Gaming ■ TV/Film/Entertainment ■ Toys



## Spinmaster 2021 Revenue

■ Digital Games ■ Entertainment ■ Toys





# The rise of collectables and unboxing

The concepts of collectables and unboxing have existed for a long time - the digital age and social media launched this trend into the pop culture.

As the trends continue to develop, brands have adapted to capitalize on them in their release and packaging methods.

**Funko Pop** recently hit **\$1 Billion** in revenue – Funko Pop redefined the “action figure” concept through bobblehead-like figures for all pop culture characters. Heading into 2022, one of their key pillars was:

**“Revenue diversification through new product categories”** – Andrew Perlmutter, CEO

The company attributes its success to promotion at live events / conventions, limited edition releases and advance purchase options.



**10 years old** with an estimated **net worth of over \$32M**, **Ryan Kaji** is the host of *Ryan's World*. Primarily posting unboxing videos and toy reviews, Ryan has amassed **32.6M subscribers** and over **51.7B views**. He (and his family) have become an integral part of toy marketing, both his own toys and those of other manufacturers and retailers.



Ryan's rise can be aligned with the rise of **mystery box style toys** – a set of toys purchased without knowing what exactly will be inside the package, making the unveiling of the toys a part of the experience.

# High Level Spend Analysis

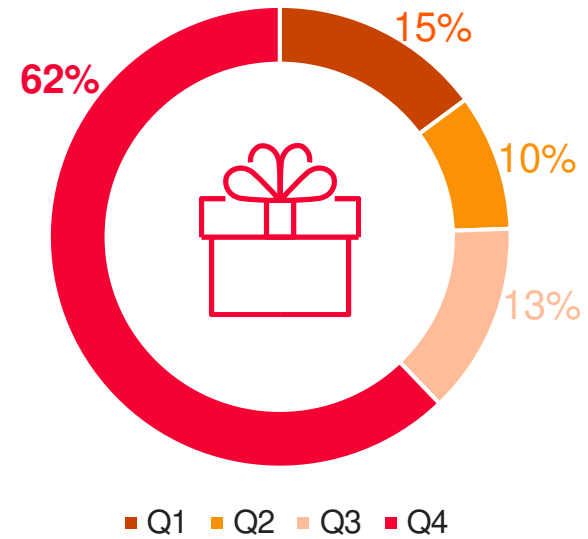
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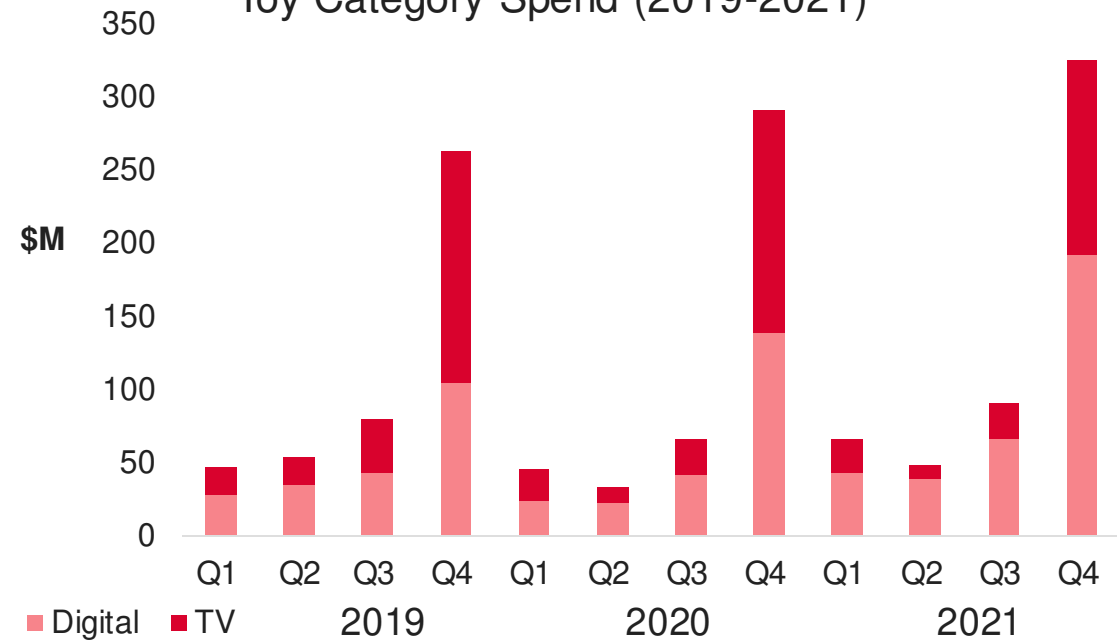
# The toy industry peaks during the Holiday Season, but remains active all year

It's no surprise that industry spend reaches its peak during the holiday season (Q4). However, it's key to note that spending is not dormant during the rest of the year

### 2021 Spend



### Toy Category Spend (2019-2021)



The industry's marketing is dominated by a limited group of key players

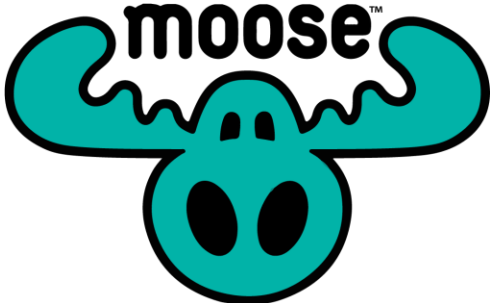


68%

of the 2021 total industry spend was from 6 main companies.

47%

of the spend comes from Mattel, Hasbro, and Spinmaster.

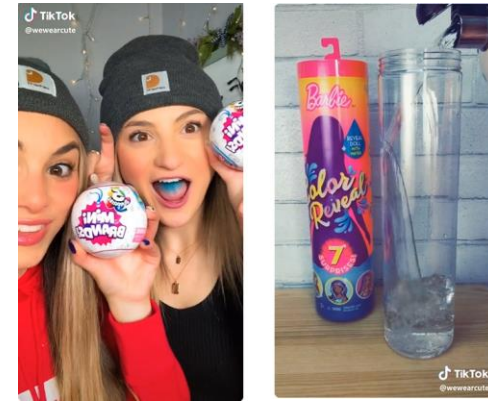


In addition to traditional media, the toy industry employs other methods of marketing to reach its younger audience of children

## The World of Toy Influencers

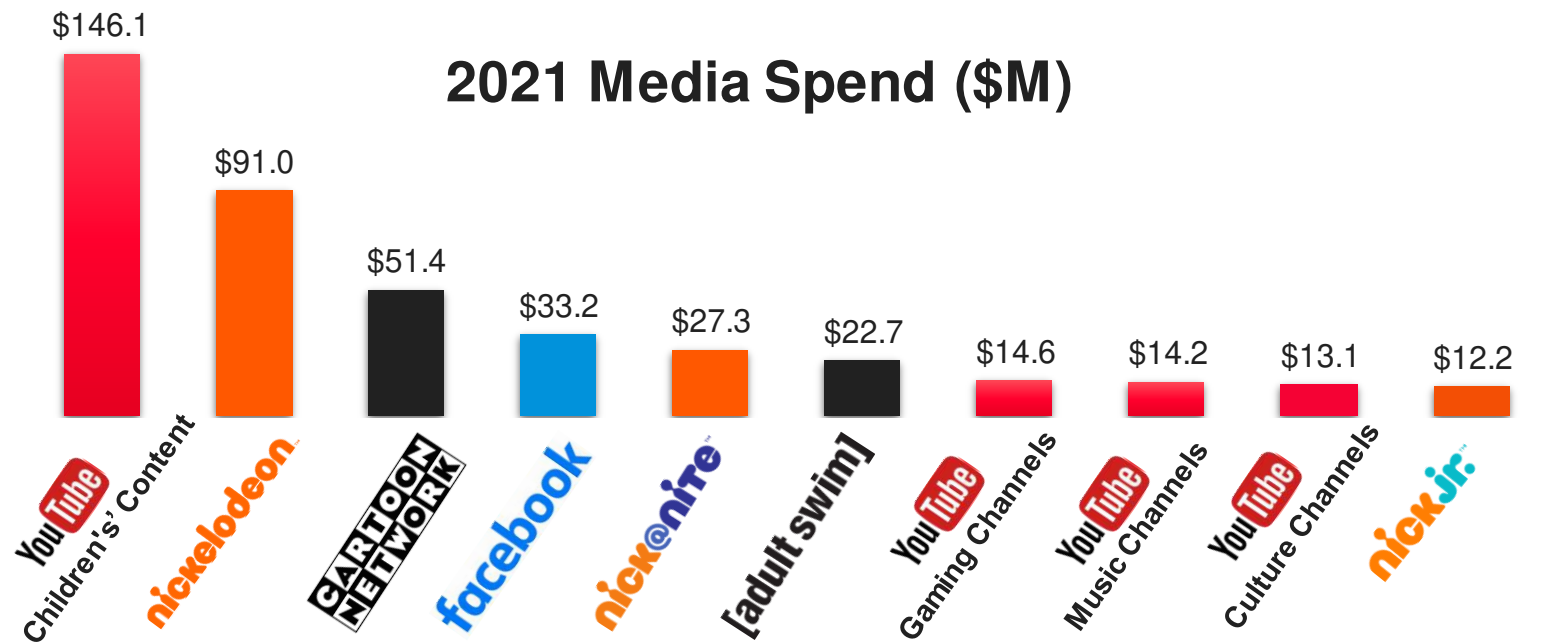
A 2020 survey of parents by NPD Group found that traditional advertising influences 9% of toy sales, while social media platforms and word of mouth influenced 11% about 16%, respectively.

Brand sentiment reflects these finding as brands have turned their attention to social media and influencers to market their toys.



Influencers “Wewearcute” have done paid sponsorships with Mattel, MGA Entertainment, and Spin Master, generating more than 250 million views on Tik Tok each month.

From a traditional media perspective, industry spend is primarily in digital channels (YouTube & Facebook), and linear channels (Nickelodeon and Cartoon Network).



# Marketing Insights & Opportunities

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# How Toy Brands can Capitalize on Toy Fandom with NBCU

As an industry based in pop culture, leverage a media partner that drives the culture



## Cultural Moments

Anchor your brands message to a brand-safe partner and capitalize on premier, pop culture defining events



## Top Tier Talent

Tap into world class talent & IP across key linear, digital, and social channels to connect with consumers



TikTok



anзу

## Strategic Partnerships

Leverage NBCU's strategic partnerships with various leaders in media to reach younger audiences on engaging platforms



## Audience Targeting

Audience-based buying approaches allow brands to target key audiences based on offerings (i.e. parents, collectors, educators, etc.)



## Contextual Alignment

Advertise in contextually relevant content across NBCU to create relevant, authentic, connections between consumers and your brand



## Commerce Opportunities

Drive sales through NBCU's shoppable offerings across all screens

# APPENDIX

