

# Finntutors

## Pre-Seen Analysis

Nov 2022 – Feb 2023



Made with ♥ by [Finntutors.com](https://www.finntutors.com)

All rights reserved. Do not share, copy, reproduce or sell unless you have written permission from [Finntutors.com](https://www.finntutors.com)

## Introduction

Happy Playz is a quoted toy retailer that has a chain of retail shops. Happy Playz also sells a substantial quantity of its toys online.

We are a listed company. We must discuss the benefits and limitations of being a listed company.

### Advantages:

- a) Access to Capital for Growth.
- b) Enhanced Visibility
- c) Liquidity
- d) Transparency and efficiency

### Disadvantages:

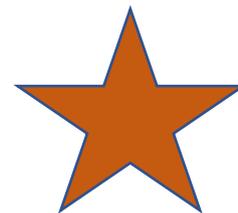
- a) Enhanced reporting requirements and if they are not met then a subsequent increase liabilities/penalties is a possibility.
- b) Loss of management control

F2 Syllabus

### 4 things any service business must get right:

1. The offering clarity
2. The funding mechanism
3. Employee management system
4. Customer management system

This is true for our company Happy Playz as well!



Made with ❤ by [Finntutors.com](https://www.finntutors.com)

All rights reserved. Do not share, copy, reproduce or sell unless you have written permission from [Finntutors.com](https://www.finntutors.com)

**Happy Playz operates in Westaria.**

We see that we are a “local” company so, from our industry analysis reading there is an opportunity to grow an expand since we are a big company in our local market.

A **developed country** that has a **strong economy and whose citizens have a high standard of living.**

This tells us that  
**“Demand Conditions”:**  
Porters Diamond are strong.

**From this we learn:**

Westaria is a highly developed economy which means people have the interest and the disposable income to spend on innovative, educative and sophisticated toys/games that our company retails.

**E2 Syllabus**

Westaria’s **currency is the W\$.**

Westarian company law requires companies to prepare their financial statements in accordance with **International Financial Reporting Standards (IFRS).**

**F2 Syllabus**

Made with ♥ by [Finntutors.com](https://www.finntutors.com)

All rights reserved. Do not share, copy, reproduce or sell unless you have written permission from [Finntutors.com](https://www.finntutors.com)

You are a **financial manager at Happy Playz's Head Office.** Your primary responsibilities are associated with management accounting, and you **report to Yongmei Qin, the Senior Financial Manager, who reports directly to the Finance Director.**

### Your role as a finance Manager includes:

- Medium term focus
- Investment appraisal
- Costing related decision support.
- Project management and risk focus
- Long term financing
- Advanced financial reporting
- Advising top management
- Stakeholder management



If you look at the above points you will see that all of them correspond to the blue print areas set out by CIMA and eventually are part of the E2 P2 and F2 syllabus.

Made with ♥ by [Finntutors.com](https://www.finntutors.com)

All rights reserved. Do not share, copy, reproduce or sell unless you have written permission from [Finntutors.com](https://www.finntutors.com)

## The Toy Industry

Toys **can take many forms**, ranging from simple playthings for infants to sophisticated models and puzzles.

Toys are essentially products that are **intended to stimulate play and sometimes learning through play**. This definition is broad, and it is not always clear whether it applies to certain products.

As we read in the industry analysis: This is one of the positive trends of this market.



Hence for our company, competition analysis and having good industry background/experience is going to be key.

Knowing your business model and staying true to the same will be key. A detailed competitor analysis also is important in any service industry.

E2 Syllabus

Market analysts are generally agreed that “toys” fall within the **following categories**:

### **Action figures:**



Action figures are models that can take many different forms, ranging from small, moulded **plastic figures** to larger, posable figures that can be dressed in different uniforms and outfits and equipped with accessories.

Many action figure toys are based on characters from television series or films. Toy manufacturers often pay film producers for the right to manufacture such toys under licence.

A very popular product. Getting exclusive rights to sell action figures for a limited time has been one of the marketing ploys used by major retailers.

Made with ♥ by [Finntutors.com](https://www.finntutors.com)

All rights reserved. Do not share, copy, reproduce or sell unless you have written permission from [Finntutors.com](https://www.finntutors.com)

## Arts and Crafts:

Arts and crafts include crayons, paints, plasticine and other products that can be used by children to create models and drawings.

Craft toys can be designed for unstructured play. They can include large boxes of crayons or markers that use washable ink.



Craft toys can also be used to **encourage more structured creativity**. Colouring books provide children with line drawings that can be filled in using crayons or pencils. Such drawings can be original, or they can be licensed images of favourite characters or scenes from television programmes or films.

These products are usually aimed at quite narrow age groups. Children can play with crayons **from the age of 18 months**, and some craft toys will appeal to **children as old as 10 years**.

So far, we can see that the age group that is being focused upon is children up to 10 years old. A focused marketing and selling strategy are the key to success for any retailing business.

Keep in mind innovative marketing techniques here.

P2 Syllabus

For any business, benchmarking can be key to understand your shortcomings.

E2 Syllabus

Made with ♥ by [Finntutors.com](https://www.finntutors.com)

All rights reserved. Do not share, copy, reproduce or sell unless you have written permission from [Finntutors.com](https://www.finntutors.com)

## **Building sets:**

Building sets consist of **metal or plastic parts** that can be used to build models.



Building sets can be designed to encourage creative play, with children designing and **building their own creations.**

Building sets can also be designed to construct a particular object, such as a model of a car or house.

Such sets are accompanied by plans and have all the parts required to make that item.

Such models are often based on **characters, vehicles or locations** from television programmes or films.

Building sets are sold for children of all ages, including complicated kits that are intended to be **constructed by adults.** Some products are designed for play by children from 18 months, with large parts that are easy to handle and are safe to play with.

## **Dolls:**

There are several types of dolls that allow for differences between age groups in children and different ways to play with dolls.



**Baby dolls represent infants** and are designed for play in which the doll is nurtured and cared for.

**Large dolls are between 30 and 50cm tall.**

They may represent licensed characters from television and film.

Feature dolls are similar to large dolls but have an active feature, such as electronics that enable the dolls to walk, dance or talk.

**Mini dolls are pocket sized** and designed to be collected or played with as a group of figures.

**Fashion dolls** are sold to be dressed and accessorised to enable play based on changing the doll's appearance and or occupation.

Made with ♥ by [Finntutors.com](https://www.finntutors.com)

All rights reserved. Do not share, copy, reproduce or sell unless you have written permission from [Finntutors.com](https://www.finntutors.com)

The diverse range of doll types means that they appeal in one form or another to children aged from **18 months to 12 years**.

### **Electronic games:**

Electronic games take the form of physical devices that have been preloaded with software that cannot be changed. Gameplay usually involves coloured lights or audio beeps.



Electronic games are generally designed to **stimulate learning by preschool children** or to enable **individual or group play by older children**.

Electronic games designed for preschool children tend to set simple tasks, such as identifying the colour of an object.

Games for older children offer challenges such as remembering a sequence of flashing lights. Two or more players may compete to remember the longest sequence.

**Electronic games are a separate category from video games**, such as games consoles and the software that is run on them.

### **Non-electronic games:**

Non-electronic games can take many different forms. Play often centres around a **board or a deck of cards**. There is usually a competitive element to the game. Some games are **based on chance, some on strategic** thinking and some on a mixture of both.

Games vary in terms of the **intellectual property** belonging to the manufacturer. Games such as draughts/checkers are generic and are manufactured freely.



Made with ♥ by [Finntutors.com](https://www.finntutors.com)

All rights reserved. Do not share, copy, reproduce or sell unless you have written permission from [Finntutors.com](https://www.finntutors.com)

IP is an intangible asset (IAS 38 – F2 syllabus). For a game manufacturer, taking care of not violating any copyright, trademark or intellectual property is key.

For a game retailer like ourselves, we should take care of counterfeit products and report any such happenings to game manufacturers as this would harm their reputation and our sales.

Game manufacturers are our major stakeholders and ‘managing’ this relationship will be very important.

  
**E2 Syllabus**

Some games involve patented or **trademarked elements that belong to a manufacturer.**

Games can also involve images based on films or television programmes and are **manufactured under licence.** Games can be aimed at the **preschool market, at older children or at adults.**

Now we are starting to see the far-reaching market that ‘toy stores’ have access to. It is a big market and a big industry. Focusing on the right areas and using data is a key competency in this market.

**We will speak about data and its opportunities deeper into the pre-seen.**

  
**E2 Syllabus**

Made with ♥ by [Finntutors.com](https://www.finntutors.com)

All rights reserved. Do not share, copy, reproduce or sell unless you have written permission from [Finntutors.com](https://www.finntutors.com)

## **Infant/Preschool toys:**



These toys are designed to **stimulate play and learning for babies and young children.**

Baby toys comprise simple items such as rattles as well as more sophisticated battery-powered products that may offer visual and aural stimulation.

Toys aimed at children from 18 months to school age are often adaptations of other categories of toy that are designed to be played with safely. For example, action figures or dolls will have no small parts that might be swallowed. If they are licensed, they may be based on **characters from preschool programmes.**

They are repeatedly mentioning copyrights, licensing, trademarks and patents. There is a lot of intellectual property surrounding toys.

These products will be sophisticated and limited edition and hence their prices would reflect the same. As a retailer in a developed nation, we would have the opportunity to stock such items as people will have the interest and power to buy these products.

Made with ♥ by [Finntutors.com](https://www.finntutors.com)

All rights reserved. Do not share, copy, reproduce or sell unless you have written permission from [Finntutors.com](https://www.finntutors.com)

## **Plush:**

This category comprises **stuffed animals and similar products**. These range from teddy bears to more abstract designs.



Many plush toys are sold to the preschool market, although there have been attempts to enhance their play value by adding movement and sounds.

Plush toys can be manufactured cheaply. Many plush toys are generic.

Some brands of plush **toys are trademarked and are often sold to collectors**.

Some plush toys are based on characters from popular children's books.

## **Vehicles:**

Toy vehicles can be **plastic or metal models of real or imaginary cars, trucks or buses**. They can be designed to be pushed along the floor or they can be



motorised. Motorised cars can be remote controlled or designed to be raced on special tracks.

Toy vehicles can be **licensed copies of real cars**. They may also be based on cars that feature in television programmes or films.

Toy vehicles are sold to a wide range of ages, from plastic models designed for **preschool children to limited edition models sold to adult collectors**.

Made with ♥ by [Finntutors.com](https://www.finntutors.com)

All rights reserved. Do not share, copy, reproduce or sell unless you have written permission from [Finntutors.com](https://www.finntutors.com)

Branded products are sold on the basis of **known and trusted brand names**.  
Generic products are **not sold on the basis of brand**.

It will be important to understand the stance and culture of Happy Playz in terms of the products it sells.

Are we selling premium products or are we selling locally branded-cheap products?

The above classification excludes certain items that could be described as toys but are often **sold through specialist retailers**. For example, bicycles and video game consoles are generally excluded from analyses and reports on the toy industry, even though some toy retailers sell them alongside more traditional toys.

On this basis, the Westarian toy market generated retail sales of almost **W\$8 billion in 2021**.

We already know that this is a huge market worldwide and is also a big market in Westaria.

This is also an indication that other markets around the world have lucrative opportunities for expansion. (Something we have learnt from the industry analysis)

<b><u>Revenue Split</u></b>	<b><u>W\$ Billion</u></b>
Action figures	0.6
Arts and crafts	1.1
Building sets	0.4
Dolls	1.0
Electronic games	0.3
Non-electronic games	0.9
Infant/preschool toys	1.2
Outdoor and sports toys	1.0
Plush	0.6
Vehicles	0.7
<b><u>Total Traditional toys</u></b>	<b><u>7.8</u></b>

Made with ♥ by [Finntutors.com](https://www.finntutors.com)

All rights reserved. Do not share, copy, reproduce or sell unless you have written permission from [Finntutors.com](https://www.finntutors.com)

These categories do not necessarily dictate the manner in which the toys are organised and merchandised by retailers.

From this table, we can see that 'arts and crafts' along with 'dolls' and 'outdoor sport toys' are the largest segments. These can be considered as important segments to market and focus upon if we want to do well in the Westarian market.

## Westarian Retail Toy Market

There are **five main categories** of toy retailer in Westaria:

### **Independent toy retailers:**

Independent toy retailers are generally specialised toyshops, or they sell toys alongside **complementary products** such as baby clothes or other goods that are intended to be used by children. Most have only one outlet.



Independent toy retailers are often located in town centres and attract customers through **enticing window displays**.

### **Toyshop chains:**



Toyshop chains have **multiple branches that specialise in toys**. They also sell **complementary product lines**, such as children's' bicycles.

The shops themselves tend to be large and laid out as toy supermarkets. They are frequently located in out-of-town retail parks.

Westaria has two toyshop chains, namely **Happy Playz and Gleetill**. Both sell online as well as from their shops.

Made with ♥ by [Finntutors.com](https://www.finntutors.com)

All rights reserved. Do not share, copy, reproduce or sell unless you have written permission from [Finntutors.com](https://www.finntutors.com)

Since there are 2 toyshop chains, the competition in the market is going to be intense and hence competition analysis and have a keen eye for competitor strategies will be important.

**E2 Syllabus**

These companies are always trying to expand their 'complimentary' product range as margins are tight and for 'retailers' adding more to their catalogue is encouraging more footfall which could lead to higher sales.

### **Catalogue stores:**

Catalogue retailers sell a **wide range of goods**. Customers can select products for purchase from a printed catalogue or the retailer's website before visiting a shop to make payment and collect their selected products. These retailers **do not display products in their shops**. Goods for resale are stored out of sight of customers and are fetched by staff after customers have paid.



**Cuvvers Catalogue is Westaria's only catalogue retailer.** It sells a huge range of goods, including toys. The company has many branches and also **sells goods online for home delivery.**

### **Online retailers:**

Dedicated online retailers do not operate physical shops. Goods are chosen and paid for through their websites and are then delivered to customers' homes.



**Browsershop is Westaria's only dedicated online retailer** whose product range includes toys.

Made with ❤ by [Finntutors.com](https://www.finntutors.com)

All rights reserved. Do not share, copy, reproduce or sell unless you have written permission from [Finntutors.com](https://www.finntutors.com)

## **Supermarkets:**

Supermarkets sell a wide range of non-food items through their stores, including toys.

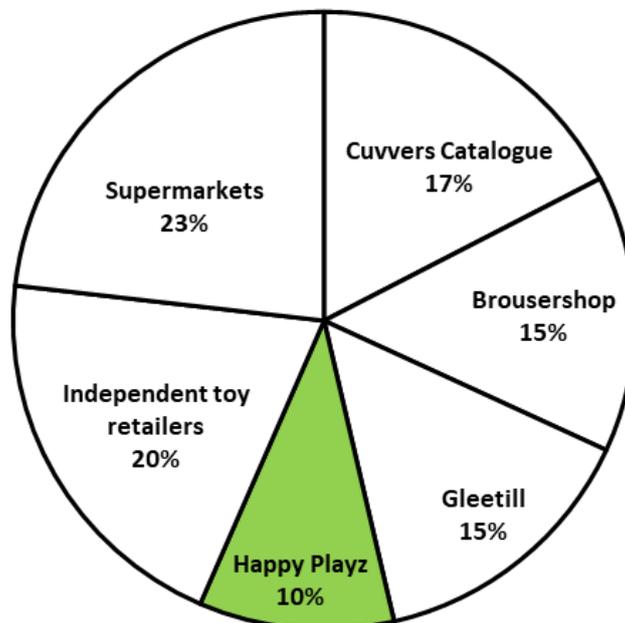
**Customers find it convenient** to buy toys while shopping for groceries. Supermarkets often sell non-food items at a discount in order to attract customers into their stores.



Overall, we know that this market is going to be intensely competitive because of the nature and availability of the product.

Price, marketing innovations, product catalogues and customer service will be the key differentiators here.

### **WESTARIAN RETAIL TOY MARKET BY REVENUE**



Made with ❤️ by [Finntutors.com](https://www.finntutors.com)

All rights reserved. Do not share, copy, reproduce or sell unless you have written permission from [Finntutors.com](https://www.finntutors.com)

Collectively, the toyshop chains have the largest share of the retail market with **a total of 25%, but they are struggling to maintain market share** in the face of competition from the non-traditional toy retailers.

The sales are facing encroachment from non-traditional toy retailers. This means that innovating our business model and market development could be on the cards for Happy Playz

  
**P2 Syllabus**

And, expansion brings risk. So, your risk related decision making and risk attitudes come into discussion.

  
**P2 Syllabus**

Cuvvers Catalogue is the **largest individual toy retailer**, although it is **slowly losing market share to Brouershop**. Cuvvers Catalogue is responding by focussing more on online sales and home delivery, which suggests that the retail toy market **will be driven by online selling**.

A clear move to digital means of selling. Having a sophisticated website and/or mobile App can be a differentiation that can enhance your sales. The full potential of data analysis and data mining can give invaluable sales data.

  
**E2 Syllabus**

The **supermarkets are a significant part of the retail market**, despite the fact that they tend to offer only a limited range that is restricted to the most popular toys.

Made with ♥ by [Finntutors.com](https://www.finntutors.com)

All rights reserved. Do not share, copy, reproduce or sell unless you have written permission from [Finntutors.com](https://www.finntutors.com)

A Happy Playz store has approximately **7,000 different toys on its shelves**, while a major **supermarket carries only 1,200**.

**Independent toy retailers struggle to compete** against the other players in the retail market. They may only offer a restricted range of products because of the size of their premises. They do not buy in sufficient quantity to receive the **same discounts as the other retailers**. Their revenues are further threatened by a decline in the number of shoppers who shop in town and city centres. Some independent retailers specialise in particular types of toys, such as hand-made plush toys or wooden dolls. Those can attract a **niche market and can offer a high margin**.

## **Retailers And Manufacturers**

Buying decisions in the toy industry are **heavily influenced by the tastes of children**. The market is **constantly changing**, as each generation of children moves from one age group to the next. Demand for toys can be influenced by children's **television viewing habits or by the publication of popular new books**. Those changes are not always easy to predict.

Prediction and correct stocking decisions will be very important.

Brings up the risk topics here.

- Price risk is arising out of adverse movements in the price of a game as it is not selling.
- Quantity or volume risk.
- Cost risk (Input price risk)
- Political risk. (As we know majority games manufactured in China)

**Your P2 topics relating to Risk management.**

**P2 Syllabus**

Made with ♥ by [Finntutors.com](https://www.finntutors.com)

All rights reserved. Do not share, copy, reproduce or sell unless you have written permission from [Finntutors.com](https://www.finntutors.com)

Toy manufacturers tend to combine the **following approaches to maintain the popularity of their brands:**

### **Incremental changes to existing products:**

Manufacturers seek to maintain revenues by **making incremental changes to established brands and product ranges.** Many toys have been popular with children for many years and continue to sell steadily, and manufacturers continue to **invest in order to maintain that popularity.**

An existing toy might be improved by the addition of a new accessory or an additional feature. Children are keen to own the latest version of a favourite toy, so **small changes can often lead to additional sales.**

Toys that are sold as a series or as a range, such as model cars, can be enhanced by replacing the least popular models with new ones. The promotion of the new models can stimulate demand across the whole range.

Advertising and promotional activities are also kept under review.

**Manufacturers work with retailers** to persuade them to position their **products in prominent positions** in their shops and on their websites.

There will have to be a communication process and flow of information between retailers and toy manufacturers because that is how the market demand can be picked up on.

**E2 Syllabus**

### **New products:**

Most toy manufacturers aim to develop innovative new products. These generally offer a limited downside risk with the possibility of a substantial upside gain.

New toys can be **subject to market research and testing** before their manufacturers decide to launch them. It is relatively unusual for a new toy to be a commercial failure. At worst, a new toy will sell for a year or two and will cover its costs before it is withdrawn from sale.

Made with ♥ by [Finntutors.com](https://www.finntutors.com)

All rights reserved. Do not share, copy, reproduce or sell unless you have written permission from [Finntutors.com](https://www.finntutors.com)

Occasionally, **new toys generate a massive demand.** Manufacturers can sell as many of those products as they are able to produce. Retailers are keen to order as many copies as the manufacturer can deliver.

The sales opportunities created by sought after **toys tend to be short-lived.** Competing manufacturers will often aim to launch their own versions of such toys, and so the **market becomes flooded with imitations.**

Understanding the product life cycle and estimating the demand will be very important here.

**P2 Syllabus**

Toy manufacturers will frequently attempt to persuade retailers to place large orders for toys that are due to be launched, in the hope that there will be a huge demand, but such **successes cannot be predicted with any consistency.**

Any retailer will have obsolete stock so, supply chain management will be very important while placing orders.

**E2 Syllabus**

Cash flow management is also important as we do not want majority of our cash tied up in obsolete inventory.

**F2 Syllabus**

### **Licensed products:**

Most categories of toy **can be linked to a licensed image,** such as a character from a film, television programme or a book. These can be as simple as colouring books with pictures based on a storyline or as complex as a remote-controlled vehicle that is modelled to look like the vehicles from a film.

Made with ♥ by [Finntutors.com](https://www.finntutors.com)

All rights reserved. Do not share, copy, reproduce or sell unless you have written permission from [Finntutors.com](https://www.finntutors.com)

Film and television producers and book publishers can earn a **significant amount from royalties**. They usually work with potential licensees while their film, programme or book is in production.

There have been many successful toys based on such licensing agreements.

# That Brings Us To The End Of Pre-Seen Analysis Part 1

For access to our full pre-seen analysis and access to our FULL material please write to us on [help@finntutors.com](mailto:help@finntutors.com) or visit our MCS Page:

<https://www.finntutors.com/mcs>

Made with ♥ by [Finntutors.com](https://www.finntutors.com)

All rights reserved. Do not share, copy, reproduce or sell unless you have written permission from [Finntutors.com](https://www.finntutors.com)