

Greek Toys & Games Market

Historic Trends & Prospects

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The Greek Toys & Games Market

Introduction

The toys and games market in Greece continued to expand in 2007 with its growth relying heavily on the strong performance of video games software and hardware. Demand for video games is steadily increasing as children and young consumers are becoming more familiar with the use of such devices but also because video games are more adjusted to contemporary children entertainment needs. Sales of traditional toys and games, while still representing the largest segment of this market, are stagnating or slowly growing, as the market is turning towards cheaper products and video games.

Imported unbranded toys and games challenge the market

Penetration of unbranded toys and cheap imitations is one of the most distinguished trends in the Greek toys and games market. It is estimated that imported no-name toys and copies/imitations represent less than half of the total market's sales. Especially with regard to the traditional toys and games market, the trend is one of the major factors behind poor growth in value sales, as toys and imitations -mainly imported from Asia (China, etc.)- are significantly cheaper than the originals.

The Major Players

In the traditional toys and games sector, the Greek-owned AS Company SA broke the dominance of the two leading international players, Mattel and Hasbro and now ranks second in market share behind Mattel. In video games, Sony continues to be the undisputed leader of both hardware and software segments. Nintendo and Microsoft are the only followers in video games hardware. In the video games software segment, though, a number of software-specialized international companies, such as Electronic Arts are making an impact claiming higher market shares.

The domestic toy market is mainly import and trade oriented, since high labor costs have

been curbing and in some cases shutting down domestic manufacturing activity for years now.

Major Players in the Greek Wholesale Toy Market

Mattel SA

Hasbro Sa

AS Company

Distribution controlled by toy specialists with durable good retailers making their presence stronger

For the past ten years, the Greek retail sector has undergone an intense consolidation phase with large retailers growing to the expense of smaller stores, neighborhood shops, and bookstores selling a small range of toys. At the same time a great number of those small players have been gradually forced out of the market.

Toy specialists are the major distribution channel as far as traditional toys and games are concerned. It is interesting though to note that the number of toy retailers is contracting and the field is consolidating to a small number of big retailer chains, such as Jumbo SA and Moustakas SA, controlling most of the toys and games market. This development is attributed to the fact that these chains import products themselves and therefore more profitably but also to their ability to expand their product range to other children-related items and attract more clientele. Greek toy specialists expand through privately owned networks of stores or via franchising agreements targeting the largest possible number of selling points that will increase their purchasing power and justify the creation of a competitive brand name in the Greek toy retail market.

On the other hand, the smaller stores that comprise the local competition (with combined market share of <40%) are not in a position to challenge large toy retailers' attractively priced product range, wide product variety, extensive store network, and financial strength. In general, medium or small size competitors are faced with barriers in terms of finding

new store locations in prime areas or competing on price as opposed to established retailers that enjoy significant economies of scale.

Jumbo is the leader of the Greek Toy Retail Market. The Company is active in the retail and wholesale trade of toys, baby products and school supplies. Jumbo controls a leading market share of 33% in Greece and Cyprus, targeting to increase to 38%. Jumbo currently operates 38 stores in Greece.

Toy Specialists in the Greek Retail Market

Jumbo
Kou-Kou
Moustaks-Comfuzio
Zaharias
Toys Academy Pantazopoulos

Durable goods retailers, such as Electroniki Athinon, Multirama, Germanos and Expert, are also of increasing significance because video games -unlike traditional toys and games- are extensively distributed through this channel. The ever increasing share of video games and the recent entrance of huge specialized international electronics stores, such as Media Markt and Dixons in the Greek market is an indicator that durable goods retailers will become key players in toys and games distribution.

Major Durable Goods Retailers in Greece

Media Markt
Dixons – Kotsovolos
Electroniki Athinon
Multirama
Germanos
Expert
Plaisio

Seasonality in Sales

The domestic toys market is highly seasonal with 50% of total sales generated during Christmas (30%), Easter (10%) and school opening (10%).

Market Size & Growth Trends

The following table presents the market size of the broader toy market in 2007, including the sales of related products such as stationery and seasonal home & mother opportunity products.

	Total Market (€ mn)	Growth Trend
Children Toys	290	Stable Growth
Baby Products	213	Slow Growth
Stationery	156	High Growth
Seasonal Home & Mother Opportunity	656	High Growth
Total	1,315	Growth Trend

Children's toys - Stable growth

The domestic toys market is estimated at €290m (source: company, ICAP). Children under 14 years of age account for 1.5m based on the latest demographic data sources. According to market estimates monthly consumption per customer amount to € 15. The EU toy market is estimated approximately at €18.5bn. Consumers' disposable income is the major driver behind the growth seen in this market segment with video games arising as the most notable performer.

Baby Products

Several years ago, Greek toy retailers added baby products to their portfolio in an effort to diversify as well as enrich their product mix. This market segment continues to demonstrate a solid base of sales however with a slow growth potential. The domestic

baby products market is estimated at €213m. Children under five years of age account for 0.5m based on the latest demographic data sources with the number of newborns stable at 100,000 per annum. It is interesting to note that spending on newborns now derives from first-time parents that tend to be older and possess higher disposable income. The EU baby care products market is estimated at approximately €3.6bn (source: Euromonitor).

Stationery Products – Books

This market accounts for over €150 million and concerns children under 14 year old. According to market participants, this market segment demonstrates a high growth potential.

Seasonal Home & Mother Opportunity

This is the largest market segment –estimated at €656m- that is currently linked to the Greek broader toy retail market. Attractively priced value-for-money imported products dominate this market with demand driven by disposable income trends and availability of products. The targeted population is the 15-84 of age consumer category that currently numbers 7.5m based on the latest demographic data sources.

The Greek Toy Market's Prospects

Video games are expected to continue driving the market's growth in the coming years, boosted by new technologies and systems and perhaps better value-for-money. Furthermore, their performance should be at the expense of traditional toys and games, but there are still some traditional market segments that will experience an increase in sales.

Greek toy retail specialists are expected to further increase exposure to the fast growing and highly profitable non-toy product lines including stationery and mother care products. This strategy benefits these retailers by also reducing seasonality effects on their revenues and cash flows. Positive catalysts for Greek toy specialists will be: extensive variety of products, low price offerings with satisfactory quality, well dispersed network of consumer-friendly stores, and strong network brand name.

The Greek Toy Market's Risks & Investment Concerns

The Greek toy market has almost reached maturity, with declining birth rates that reduce the number of children below 12 years of age.

Children customers have shifted away from traditional toys towards electronic games and computers (Gameboy, Playstation). This is the age compression effect since today children from younger age have easy access to video and computer games as well as to other product ranges such as mobile phones.

Intense competition exists in other product categories (baby products, stationery and books, seasonal mother products) widely available to consumers in other general or specialized retail chains or stores.

Sources: SEVPPA (Greek Toy Manufacturers Association), Equity research surveys, Greece's National Statistics Services, international organizations, Euromonitor International.

Notes

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Dynamic Securities SA

Member of Athens Stock Exchange
Member of Derivatives Exchange
6-10 Harilaou Trikoupi Str.
106 79, Athens, Greece
Tel : +30 210 3677700
Fax : +30 210 3677777
E-mail : info@dynamicsec.gr

Equity Sales & Trading

Konstantinos Feggos +30 210 3677747
Dimitrios Kannelos +30 210 3677715
Katerina Tziafa +30 210 3677743
Olga Mpoziou +30 210 3677725
Barbara Abatzi +30 210 3677714

Derivatives Sales & Trading

Elias Mantoudiotis +30 210 3677740
George Zoropoulos +30 210 3677746

Research Department

Nicholas I. Georgiadis (VRS) +30 210 3219557
Christophoros J. Makrias (VRS) +30 210 3219557
Nikolaos Kollias +30 210 3677795

Institutional Sales

Mary Anthopoulou +30 210 3677756
Michalis Stathakis +30 210 3677728

Investment Services

Christos Retsas +30 210 3677704
