

OPPORTUNITIES FOR SRI LANKAN PLUSH TOYS IN TURKEY



Prepared by:
Embassy of Sri Lanka,
Turkey
July 2017

CONTENTS

1. SUMMARY	3
2. MARKET DESCRIPTION	3
3. POSITION OF SRI LANKAN PLUSH TOYS IN TURKEY MARKET.....	5
4. ACTIVITIES OF COMPETITION.....	6
5. CONCLUSIONS AND RECOMMENDATIONS.....	7

1. SUMMARY

According to Turkish population statistics, 25% of Turkey's 80 million population is between ages 0-14 and population growth rate is 0, 9%. Toys market in Turkey has been growing very fast for the last 10 years. Turkey's whole Toys market is estimated to be around 1 billion USD/year and as of 2016, annual spending for Toys is between 30-40 USD per child. 5 years ago annual figure was 20-25 USD/child. It's expected that the annual spending figure will reach 50 USD/child in 5 years.

With its child population and increasing spending on Toys, Turkish market offers opportunities for Sri Lankan exporters with respect to Plush Toys, however pricing and product diversification is critical because of the fierce competition in the market. Currently, Sri Lanka is not among Turkey's significant suppliers for Plush Toys, however pricing and product diversification is critical because of the fierce competition in the market. Currently, Sri Lanka is not among Turkey's significant suppliers for Plush Toys, however this situation may change depending on the advantages that Sri Lankan exporters would offer Turkish Companies in the future.

2. MARKET DESCRIPTION

Turkey currently has a high and increasing demand for Toys as can be seen from above explained reasons. Turkey is a country with increasing population and GDP per capita. The combination these factors will result steady increase of demand for Toys in the future.

However, when it comes to "Plush Toys" it can be said that the demand growth for Plush Toys in particular is relatively lower than plastic Toy products. It's observed that demand for Plush Toys periodical and is mostly shaped by Movie and TV figures as those are being marketed with huge advertisement and promotion support. Licensed Plush Toys have an estimated 25% share in Turkish Plush Toys market. It's also observed that the increasing popularity of "Claw Crane Machines " has helped Plush Toys to gain more market as the main product given from these machines.

Although relatively slower, Turkey has growing Toy manufacturing industry. Turkey's ranks 45th among exporters of Toy Products and its exports account for around 120 million USD/year. But still, only 15-20% of Turkey's demand is satisfied by the local supply/domestic production.

Turkey's "unit values" for imports/exports for HS 95.03 are observed. It appears that Turkey exports products of lower value (5USD/Unit) and imports higher value products (14 USD/Unit) revealing that Turkey has a limited capability (Probably in battery operated, electronics related products) value added Toy products.

With respect to Toy imports, Turkey imports more than 80% of its domestic demand annually. Turkey's imports represent 0.7% of world imports for HS 95.03, and Turkey's ranking in world imports of HS

95.03 IS 22.China is by far the biggest partner of Turkey, dominating Turkey's imports of HS 95.03 by almost 90%.Italy's share is 2.1%,and all other countries' share are below 1%.Sri Lanka's exports to Turkey for 95.03 is also quite low and it's total export value to Turkey is 287.000 USD in 2015 and 177.000 USD in 2016.When the important figures of Turkey regarding HS 95.03 between 2011-2016 are observed, it is seen that Turkey's imports have been steadily sitting around 400 million USD despite significant decline of Turkish lira against U.S Dollar and small fluctuations particularly in 2015 (2015 imports were realized as 340 million USD)

As in most of the world, Turkish consumers also see toys and games as important source of children's physical, mental, social, and emotional development. However, it's not possibly to say that psychological and pedagogical aspects are taken in to account when selecting a toy. The reports and statements of sector representatives suggest that licensed products become increasingly in demand mostly because of health concerns as licensed products are more reassuring to customers.

Buyers expect producers /exporters to follow Turkey's standards for Toys which are determined and enforced by the Government. There has been a growing concern in public against Toy products containing "Carcinogenic Materials" Because of this concern; the related Turkish Ministries (Ministry of Health) have increased their frequency of inspection. Turkish buyers also require TAREKS (CE) Marking for Safety of Toys.

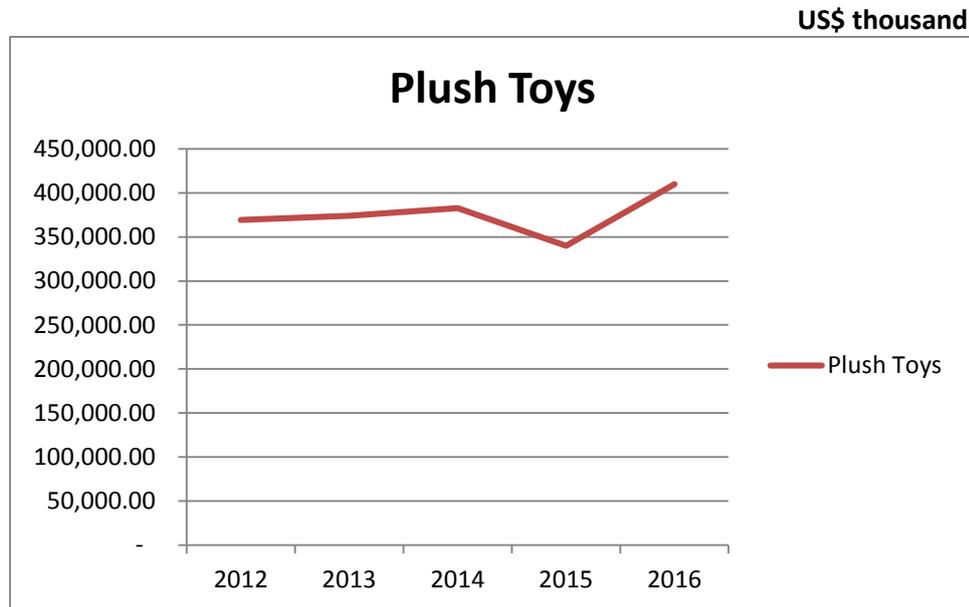
Dominant trade channels for Plush Toys in Turkey are from Importers, Large Department and Chain stores to online retailers, smaller toy stores, smaller shops and finally to customers. The share of internet sales has been gradually increasing in Turkey. Leading importers have offices and quality control teams in China to manage the procurement processes smoothly. Terms of payment from import partners is mostly 30% cash in advance and rest to be paid at shipment stage.

When the import unit values of HS 95.03 are observed, it can be seen that average import prices per unit is around 13-14 USD. The retail prices vary depending on the product, whether or not the product is licensed and/or musical, speaking etc. To present examples for retail prices, the price of 30 cm. licensed Plush Toys start from 8 USD and price of 80cm Plush Toy (Mickey Mouse) is around 30-35 USD.

Import tariffs applied by Turkey is between 0%-1.9 % (the latter being the highest and applied tariff on Chinese products) European countries benefit from Customs Union agreement, therefore not subject to import tariffs. According to ITC Trade Map data, estimated import tariff applied by Turkey on Sri Lankan products under HS95.03 is 0%.It should be noted that Turkish importers also pay V.A.T to Government for imported products. And V.A.T on Toy products is 18%.Other than what was

mentioned above, there are no FTA/PTA concessions, regulations and apparent NTB's for Toys/Plush Toys.

Figure: Demand of Plush toys (HS 950300) in Turkey (2012-2016)



Source: Trade map

3. POSITION OF SRI LANKAN PLUSH TOYS IN TURKEY MARKET

According to the figures concerning Sri Lanka's export to Turkey of HS 95.03, Sri Lanka has a very small share in Turkey's imports.

As mentioned, imports of Turkey under HS 95.03 are dominated by China. China supplies almost 90% of this product group. The country that follows China is Italy with only 2.1% exports. With respect to Toys (and many other products) China appears to be a more complete and diverse supplier with lower labor costs and flexibility in quality and delivery. Also, the most important relevant trade fairs are being organized in China. Also, Sri Lankan Plush Toy products do not have a widespread recognition in Turkey, which appears to be another reason preventing development of Sri Lankan exports to Turkey.

Table: Sri Lanka toys export to Turkey (2016)

HS Code	Description	Quantity (Kg)
H.95030090	remote controlled dolls	20

Source: Sri Lanka Export Development Board

4. ACTIVITIES OF COMPETITION

Turkey's top import partner for Plush Toys is China (89. 5%) and Italy (2.1%) share of almost all other countries is below 1%.

When analyzed China, there are no known competitive advantages over Sri Lankan products in terms of quality, packaging, labeling etc. However it's very well-known that; China has diverse production capabilities, China is able to quote lower prices than its competitors, produce according to any quality requirements, following world fashion and reacting very quickly to new trends, flexibility in transportation and delivery.

There are no known market access tools/strategies applied by the major suppliers. On the other hand, some leading Turkish Plush Toy importers have liaison offices and quality control teams located in China.

Table: Top 10 exporters of Plush toys to Turkey (2012-2016)

Exporters	US\$ thousand				
	2012	2013	2014	2015	2016
China	338,401.00	343,063.00	351,072.00	304,478.00	370,598.00
Italy	2,887.00	3,382.00	4,288.00	7,089.00	7,039.00
Czech Republic	1,909.00	1,207.00	1,045.00	3,187.00	5,211.00
Viet Nam	2,239.00	2,327.00	2,572.00	2,563.00	4,996.00
Indonesia	4,027.00	2,939.00	3,264.00	3,747.00	3,031.00
Thailand	619.00	1,459.00	1,390.00	1,897.00	2,023.00
Malaysia	661.00	1,449.00	2,897.00	2,349.00	1,985.00
Germany	2,243.00	2,455.00	2,376.00	2,108.00	1,780.00
Denmark	2,478.00	2,343.00	2,854.00	2,425.00	1,766.00
India	83.00	234.00	346.00	553.00	1,511.00

Source: Trade map

5. CONCLUSIONS AND RECOMMENDATIONS

Although not as fast as some other Toy products such as electronically equipped or radio controlled toys, market for Plush Toys in Turkey has been growing and expected to continue its growth in the future. As in the entire World, other than classical items, Plush Toys market is very much dependent on appearance of new figures being starred in Movies and on TV shows (Cartoons, Children programs)

Despite fierce competition from China in the World market and in the Turkish market, it's thought that Sri Lanka still has some potential to become a more active supplier of Turkey concerning Plush Toys. Sri Lanka could become a boutique supplier of Turkey, offering production with smaller quantities and therefore offering more flexibility to importers.

As Sri Lankan Plush Toys have very little recognition in Turkish market, it's necessary for Sri Lankan exporters to develop strategies in Turkish market. It's recommended for Sri Lankan companies to visit /participate in related sectoral trade fairs as an initial step. (Including the Fairs in China where many Turks visit) Visiting and /or participation in sectoral fairs will help Sri Lankan exporters meeting the Turkish importers, understand the required quality, packaging, standards and specification observe the upcoming trends as well as promoting and marketing their products. It's also suggested for relevant Sri Lankan companies to research on the traditional Turkish figures reflecting Turkish culture because of their increasing popularity and also follows local cartoon characters and relevant local TV shows for children.

Suggested Exhibition in Turkey for Visiting /Participation:

KIDS TURKEY -Toys, Licenses, Kids, Games &Gaming Equipment Fair/Istanbul (26-29 October 2017)

Exhibition Website: <http://www.kidsturkey.com/en/home>

Prepared by:

Name - Embassy of Sri Lanka, Turkey

Disclaimer:

Embassy of Sri Lanka, Turkey has taken every care in the preparation of the content of this report, but the Embassy of Sri Lanka, Turkey cannot be held responsible for any errors, defects, lost profits, or other consequential damages arising from the use of any information obtained either directly or indirectly from this report. The Embassy of Sri Lanka, Turkey accepts no liability whatsoever.