



The Canadian Toys and Games Industry

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OVERVIEW

Canadian online sales of toys and games continue to gain momentum creating opportunities for U.S. manufacturers. In 2013, the Canadian market for toys and games products reached US\$3.88 billion and sales are expected to see slow, continuous growth reaching US\$3.98 billion by 2017. U.S. exports accounted for approximately 4.8% of the total Canadian toys and games imports in 2013, however, are greatly challenged by low-cost Chinese imports. The close cultural proximity of the United States with Canada contributes to the ease of doing business in Canada as consumer trends and buying behaviors remain similar across the border. Licensing continues to be a key success factor for sustainable growth in the toys and games industry in Canada and the United States. In 2013 online retailers saw stronger sales than brick-and-mortar stores. Similar to U.S. trends, Canadian consumers are shifting towards electronic and video games, however due to the increase in free games for tablet and mobile devices, the retail value in the segment continues to lag. Overall, Canadian toys and games sales are expected to slowly improve in upcoming years, but both Canadian and American toy manufacturers are challenged with developing strategies to combat the unfavorable demographic situation. The close cultural and physical proximity of Canada to the United States along with the future growth in online sales in Canada present favorable conditions for U.S. companies looking to expand their toys and games business operations across borders.

MARKET TRENDS

The overall market trends and consumer demands in the toys and games industry are very closely related to those in the United States. Similar to U.S. statistics, toys and games retail sales in Canada continue to see a weak performance, increasing by only 1.3% in constant value terms in 2013. The toys and games industry of Canada can be divided into 2 categories: traditional toys and games and video and electronic games. Each segment is expected to see different results in terms of sales for the upcoming years. It is estimated that the traditional toys and games segment will see continuous annual growth reaching US\$1.8 billion by 2017 up more than 7.4% from 2012. Whereas the video game segment in Canada is only expected to grow by 1% from 2012 to 2017, reaching US\$2.1 billion in value by 2017. The slow growth in video and electronic games sales can be attributed mainly to the increasing use of smartphones and tablets for gaming purposes. This trend has resulted in a massive increase in the number of mobile game apps and other free or low-cost games available to consumers.

The aging population in both the United States and Canada continues to challenge the toys and games industry. The median age of the population in Canada sat at 41.5 years in 2013, up from 40 years in 2011. Furthermore, the population of Canadians over the age of 65 is also on the rise, accounting for approximately 17% of the total population in 2013, an increase of 3% from 2011. Birth rates are declining and due to the level of technology available to consumers, children are maturing earlier with respect to toys and games. This demographic trend means that toys and games manufacturers and retailers must focus on business strategies that aim to counteract the unfavorable conditions and work to boost sales in non-traditional avenues.

Licensing remains as one of the key factors for growth in the toys and games industry in both the United States and Canada. Partnerships with film and animation franchises along with collaboration and licensing agreements that combine characters from popular films, television shows and video games, with traditional toy products

prove to be the most successful in the industry.

Similar to the U.S. market, retailers in Canada that provide online shopping options tend to report higher sales than retailers who only provide brick-and-mortar locations. Online retailers are able to carry a wider range of products and avoid the shelving costs associated with brick-and-mortar locations. The eCommerce component of the toys and games industry in Canada is expected to see growth throughout the upcoming years; however the intensifying competition for online sales will force retailers to develop eCommerce strategies aimed at increasing customer traffic and online sales orders.

COMPETITIVE LANDSCAPE

The Canadian toys and games industry resembles that of the United States in terms of competitive structuring. Market share in both Canada and the United States is relatively dispersed with no single company holding more than 20% of the market. The four main players in the Canadian market for video and electronic toys and games are the same as those in the United States; however the rankings in terms of market share differ. In Canada, Microsoft Corp. holds the strongest position accounting for 14.4% of the total retail value for electronic toys and games in 2013. Nintendo Co Ltd., Hasbro Canada Inc., and Mattel Canada Inc. also hold relatively strong positions in the market, with 9.4%, 8.6% and 8% share respectively, of the total retail value for video and electronic toys and games in 2013. In the market for traditional toys and games in Canada there are two main players; Hasbro Canada Inc. with 19.4% market share and Mattel Canada Inc. with 17.9% of the market. Crayola Canada and LEGO Group follow with 5.4% and 4.6% market share, respectively.

In connection with the increasing trends for electronic and video games, Xbox 360 holds the greatest market share for electronic toys and games brands in both Canada and the United States, with a 6% share of the Canadian industry in 2013. The Nintendo Wii brand follows with market share of 4.4%, and then Call of Duty with 3.7% of the total retail value for video toys and games in Canada in 2013. In terms of traditional toys and games, the most popular brands in Canada are Crayola, Lego, Edu Science, and Barbie, each holding less than 5.5% of the total market share for traditional toys and games.

Non-grocery retailers including electronic and appliance specialists, department stores, and leisure and personal goods specialist retailers, account for nearly 67% of all toys and games sales in Canada, compared to only 51% in the United States. These numbers have been consistently declining since 2007 as non-store retailing gains momentum in both the United States and Canada. Internet retailing for toys and games in Canada is expected to continue to increase over the next few years, threatening the existence of brick and mortar sales.

Canadian toys and games manufacturers, like U.S. manufacturers, are faced with competitive pricing as foreign imports continue to increase. In 2013, Canada imported over US\$2.1 billion worth of foreign toys and games products and components. Chinese exports continue to dominate the Canadian toys and games market accounting for more than 76% of total Canadian imports. These Chinese imports act as strong competition towards both Canadian and U.S. manufactured toys and games due to the low-cost nature of the goods. The United States is Canada's second largest trading partner in the industry. In 2013, Canada imported over US\$183 million worth of toys and games products from the United States with the state of California remaining as the number one state for exporting. The United States has seen a significant decrease in the overall value of exports of toys and games products to Canada since 2009. This decrease can again be attributed to the increase in competition from Chinese and other foreign goods. The value of toys and games imports also varies greatly depending on the province, with Ontario importing the most goods year after year. For further information on toys and games imports to Canada please refer to Tables 1, 2, and 3.

Table 1: Doll, Toy and Game Manufacturing Canadian Imports: Top 5 Countries of Origin
(Value in Thousands of U.S. Dollars)

	2009	2010	2011	2012	2013
China	2,012,451.62	2,042,393.09	1,813,059.41	1,633,820.91	1,611,143.07
United States	288,929.25	300,332.46	212,294.59	243,864.25	183,354.21
Mexico	15,308.66	20,682.99	47,566.30	111,044.84	133,007.07
Japan	79,554.64	64,927.11	66,214.66	52,791.24	26,612.19
Taiwan	17,917.97	18,985.40	21,363.60	28,974.44	22,288.95

Source: Statistics Canada (NAICS 339930)

Table 2: Doll, Toy and Game Manufacturing U.S. Exports to Canada: Top 5 States of Origin
(Value in U.S. Dollars)

	2009	2010	2011	2012	2013
California	55,814,929	61,504,406	51,967,404	37,445,547	30,512,447
Ohio	27,708,137	29,305,511	27,244,293	25,880,832	25,355,001
Rhode Island	145,697	117,328	411,786	11,699,927	15,477,893
Illinois	9,019,885	51,550,518	15,889,519	28,601,538	10,231,119
Michigan	19,800,649	9,018,780	4,775,902	22,977,144	9,182,292

Source: Statistics Canada (NAICS 339930)

Table 3: Doll, Toy and Game Manufacturing U.S. Exports to Canada: Top 5 Destination Provinces
(Value in U.S. Dollars)

	2009	2010	2011	2012	2013
Ontario	1,303,489,692	1,358,579,466	1,210,088,572	1,224,277,618	1,146,339,518
British Columbia	870,000,543	766,146,148	623,406,320	572,782,289	542,164,937
Quebec	229,099,415	423,270,829	368,711,864	257,836,629	254,945,605
Manitoba	19,968,760	21,756,266	29,972,823	33,394,098	59,837,375
Alberta	27,916,201	39,980,741	39,241,241	42,117,295	43,976,422

Source: Statistics Canada (NAICS 339930)

MARKET ACCESS

U.S. toys and games manufacturers can enter the Canadian market through exportation to direct retail locations, by using a distributor, or by engaging a sales representative. For more information on working with an agent or distributor in Canada, please refer to Chapter 3 of the [2014 Country Commercial Guide](#), for doing business in Canada.

Toys and games manufactured in the United States can enter Canada duty free as the products are included under the North American Free Trade Agreement (NAFTA). This poses an opportunity for U.S. toys and games exporters, as it will increase the competitiveness of U.S. products through decreased prices.

Furthermore, U.S. exporters of toys and games to Canada must fully comply with all packaging and labeling practices in Canada. All warranties, labels, and other information provided to the consumer must be in both of Canada's official languages, English and French. For more detailed information, refer to the [Consumer Packaging and Labelling Regulations](#). In addition, in the province of Quebec all language printed on packaging and any product related information must be in French only or bilingual (French must be at least equally prominent to any other language).

It is also imperative that all U.S. exporters must comply with the safety requirements under the *Toy Regulations* section of the *Canada Consumer Product Safety Act (CCPSA)*. The safety requirements under this act apply to

children's toys and related products that are manufactured, advertised, imported or sold in Canada and it addresses a range of mechanical, electrical, toxicological, flammability, thermal and other hazards associated with children's toys. For complete information on the safety requirements in Canada, refer to the [Industry Guide to Health Canada's Safety Requirements for Children's Toys and Related Products, 2012](#).

TRADE SHOWS

-  [Canadian Toy & Hobby Fair Toronto](#), Toronto ON, February 14-17, 2015
-  [Alberta Gift Fair](#), Edmonton AB, February 22-25, 2015
-  [Quebec Gift Fair](#), Montreal, QC, March 22-25, 2015
-  [Toronto Gift Fair](#), Toronto, ON, August 7-10, 2016

OPPORTUNITIES FOR U.S. COMPANIES

U.S. toys and games manufacturers may find opportunities by extending their business operations into the Canadian market for both electronic and traditional toys and games. Although much smaller than the U.S. market, the Canadian toys and games market is expected to see slow, but continuous growth in the upcoming years in terms of sales volume and value amount reaching US\$3.98 billion by 2017. Due to the cultural proximity of Canada with the United States, most consumer trends and product preferences remain the same across the borders, making cross-border sales much more effective. Furthermore, with the implementation of NAFTA, U.S. toys and games exports can enter into Canada free of taxes meaning that U.S. exporters will be better able to compete on price with other foreign imports. The Canadian toys and games market presents many opportunities for U.S. manufacturers who are looking to expand their cross-border business operations. The sustainable nature of the toys and games industry in Canada means that U.S. companies can expect to find stable growth, while remaining in a market that holds many cultural similarities.

ADDITIONAL RESOURCES

Canadian Toys and Games Associations

-  [Canadian Toy Association](#)
-  [Canadian Toy Testing Council](#)
-  [Entertainment Software Association of Canada](#)
-  [Neighbourhood Toy Stores of Canada](#)

Canadian Toys and Games Magazines

-  [Toys & Games Magazine](#)

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