

Understanding the Digital World

Digital Entertainment



# Smart Toys

A new video game market segment

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- This document is a part of our "Digital Entertainment" category which includes in 2014:
  - two datasets in Excel
  - a state-of-the-art report in PowerPoint
  - four market reports in Word, each with its synopsis in PowerPoint
  - privileged access to our lead Media analysts

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**About IDATE and DigiWorld Institute**



Founded in 1977, IDATE has gained a reputation as a leader in tracking telecom, Internet and media markets, thanks to the skills of its teams of specialized analysts. Now, with the support of more than 40 member companies – which include many of the digital economy’s most influential players – the newly rebranded DigiWorld Institute has entered into a new stage of its development, structured around three main areas of activity:

- **IDATE Research**, an offer of market intelligence publications
- **IDATE Consulting**, time-tested analysis
- **DigiWorld Institute**, a think tank on the digital economy.



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## 2. Methodology & definitions

### 2.1. General methodology of IDATE's reports

The methods employed by IDATE's teams of analysts and consultants are based on an approach that combines:

- research and validation of data collected in the field;
- the application of classic industry and market analysis tools: segmentation, competition analysis, strategic strengths, modelling, assessment and forecasts...;
- the expertise of specialists who contribute their own analytical capabilities and those of their network of market analysts.

More specifically, the tools employed by IDATE's teams are as follows:

#### **1/ A multi-disciplinary team of full-time consultants, specialised by sector of activity**

IDATE's analyses are performed primarily by our in-house consultants, and very occasionally by freelance market analysts. This approach allows us to capitalise on our pool of expertise through teamwork, sharing knowledge, ideas, contacts, viewpoints and key data. Each report is drafted by a team of specialists, overseen by senior consultants with a proven track record in their field.

#### **2/ Primary and secondary research**

IDATE reports and databases are compiled based on primary data obtained from one-on-one interviews with the sector's decision-makers, and on secondary data which is established by cross-referencing public sources and external databases.

#### **3/ An integrated information centre sustained by a number of tools and proprietary databases**

Over the past 30 years, IDATE has established working and data organization methods and proprietary databases that trace the central chapters in the history of our sectors of expertise.

- **Companies:** IDATE's in-house data service tracks the latest news and events to come out of the top telecom, Internet and media industry companies around the globe. Innovative firms and start-ups are monitored by the market experts in the different "Practices".
- **Markets:** IDATE's databases are derived from rigorous processing of fundamental economic variables (GDP, investments, exchange rates, demographics, etc.) and their relation to decisive sector-specific and national elements (capex, national market dynamics, etc.).
- **Technologies:** IDATE's organization by Practice provides us with an efficient means of tracking innovation. IDATE's engineers ensure in-depth understanding of the changing shape of products and services and of the latest innovations in the marketplace.

#### **4/ Contents of the published reports**

Each IDATE market report details the structures and issues at play in the market being examined, the decisive forces (technologies, regulation, consumption) and the players involved. Particular emphasis is given to market assessments and forecasts, as part of the central premise. All market reports are laid out in a clear and concise manner, and illustrated with tables and graphs of key market data and trends.

The process of drafting of a market report includes the following stages:

- analysis of the information available in the in-house databases, and review of analyses performed in the recent past;
- based on a preliminary segmentation and assessment of the market, and as part of an validated interview guide, analysts conduct interviews that enable them to validate working hypotheses;
- a market model is then established, making it possible to test the hypotheses that have an impact on the market's development, and validated by a new round of interviews;
- and, finally, the report's conclusions are debated with the team responsible for the project and with expert consultants from the various fields involved;
- a final proofreading and editing/revision process, prior to the production of the final version of the report which is delivered to the client.

## 2.2. Methodology specific to this report

IDATE has drawn on over a decade of research into maintaining a database on the video game industry in different countries and in different market segments, with details on volume and value of hardware and software. The objective is to compare the market share of the smart toy market with that of the video game market. For the video game part, IDATE has used data from its annual *Global video game market* report.

We also collected data on the toy market, which also includes smart toys. We also wanted to compare the market share of smart toys with the toy market. IDATE has assumed the linear trend observed will continue until at least 2018.

We have based our smart toy market evaluation on an oligopolistic market where almost all revenues are created by a few toy or video game companies: Hasbro, Mattel, Jumbo and particularly Activision Blizzard.

IDATE assumes that this segment of the toy market will grow in the coming years. This assumption is based on the following criteria:

- Skylanders is proving to be increasingly successful and the publisher is continuing to develop the concept.
- Disney is moving back into this segment with the intention of investing significantly in the coming years, despite a slower start than anticipated.
- Nintendo could enter the game very soon by exploiting its various franchises.
- Other major publishers could in turn launch products over the next two to three years, e.g. Ubisoft, EA, and the Japanese firms Sega, Square Enix and Konami.
- Toy manufacturers do not want to be left behind. Although the most visible players are still Mattel and Hasbro, their competitors are also beginning to be active in the sector, such as Lego. Others might follow soon, including Playmobil, Bandai (also involved in the video game industry) and BRIO. What is certain is that toy manufacturers will have to get involved if they want to continue growing.
- Object recognition using static electricity is economical and lowers the entry barriers for innovative and independent players.
- The segment will enrich content designed for older players. The success of the pioneers in this segment is attracting others, particularly new entrants and smart toy pure players such as France's Hanakai Studio which is developing a game designed for hardcore gamers, whereas the pioneers are targeting younger players. Hanakai Studio's Kickstarter campaign has proved to be particularly impressive because the project has raised more than 200,000 USD, whereas only 100 was expected.