



# D4.1 KIDS Training Package for internationalization

KIDS Project Consortium is formed by:



Lifestyle & Design Cluster.



Funded by  
the European Union



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# **Building & Evaluating A Sustainable Joint Internationalization Strategy**



Funded by  
the European Union

# The partners

## 4 European clusters

- KID'S CLUSTER, Spain
- Clúster de Empresas Innovadoras del Valle del Juguate, Spain
- NovaCHILD, France
- Lifestyle & Design Cluster, Denmark



# About KIDS

## Your internationalization, our goal

The project's main objective is to foster the internationalisation of the EU children's industry outside the EU markets, and to unlock and exploit the most promising international business opportunities for the children & family markets.



## Specific objectives

1. To set up a **European Children's Cluster** based on the needs, strengths and complementarities of the children & family markets and reinforced by the development of new value chains resulting from the interaction with **digitalisation, circularity** and **gender perspective** principles.
2. To agree on a **joint internationalisation strategy aiming at 3 target markets** and leveraging the strengths of the companies involved.
3. To **test and evaluate the internationalisation strategy in the target markets**, rolling out the most robust clusters' support tools and promoting the participation and engagement of its SMEs in the new markets.

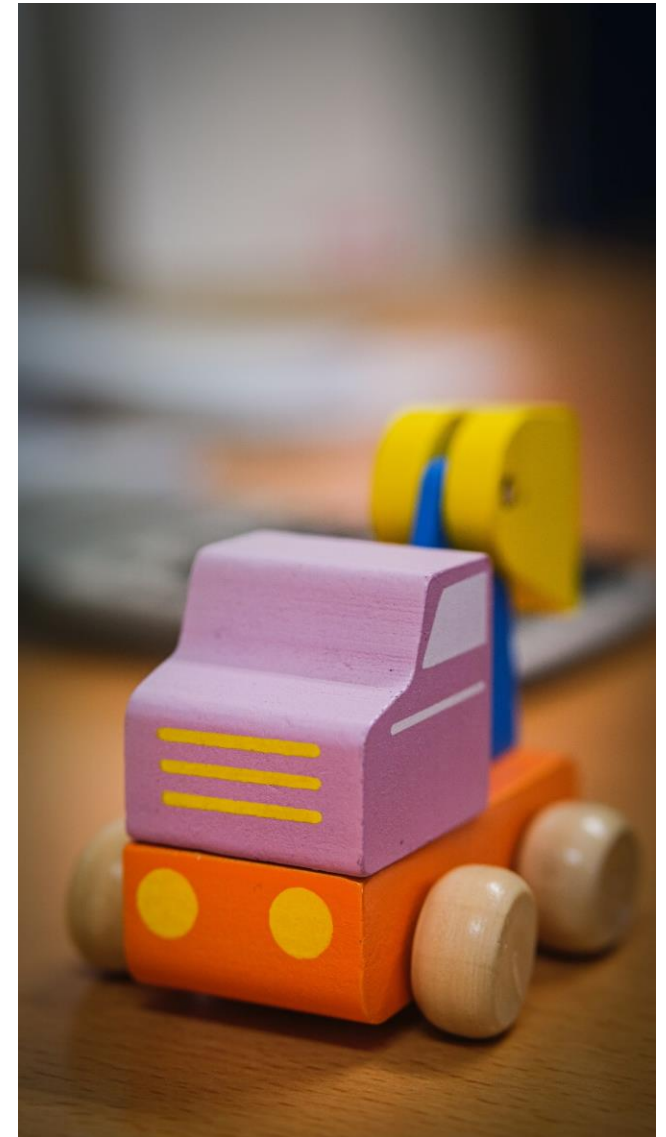
# Topic 1:

## Sustainability - Durable products

Companies must innovate their products to meet the future demands of the environment, consumers and policymakers. An essential element to focus on is making durable products that can be used more and for a longer time.

Durability can be seen in different ways including:

- **Physical durability:** Combining material choices and garment construction, including component reinforcement, in order to create highly durable products that can resist damage and wear over long periods of time
- **Emotional durability:** Applying strategies that increase and maintain a product's relevance and desirability to a user, or multiple users, over time
- **Remake and recyclability:** Designing products so that they can be disassembled, and their components and materials be remade or recycled into new products.



# Topic 2: Digitalization - Exploring new technologies

Technological component in the children's sector is highly significant, as the providers must be on a continuous adaptation to meet the needs and habits of the new generations, the digital natives which search for new spaces of experiences with games and toys. Also, parents that are aware of the importance of technology in the future, are increasingly interested in acquiring technological products to their kids that, through play and entertainment, help to develop skills and acquire knowledge.

To incorporate new technologies, companies can tap into:

- **Augmented Reality (AR) and Virtual Reality (VR)** as filters that puts a virtual layer on top of the real. Ex. Snapchat, Instagram, Pokemon Go etc.
- **Artificial intelligence (AI)** as smart toys with voice recognition, machine learning, app integrated toys etc.
- The **metaverse as an online virtual world** where children can buy and own products, play games and meet up with each other. Ex. Minecraft, Fortnite etc.



# Topic 3: Gender perspective - Exploring design for diversity and longevity

To create a holistic industry devoted to children needs, closing the gender gap is essential, as product manufacturers and service providers have a huge responsibility to help combating prejudices, stereotypes and to empower the individual before gender. This can help changing the cultural stereotypes which children adapt at an early age – both as boys and girls. “Boys’ toys” and “girls’ toys” regularly represent a narrow range of skills, often with a focus on either violence and battle for boys or attractiveness and appearance for girls, making both boys and girls stuck in a predetermined way of behaving, seeing themselves and interacting.

Following elements can be thought of when designing for diversity:

- **Gender-inclusive toys** tend to encourage a diversity of skills like creativity, building, nurturing, music, art, and science.
- More **open-ended products** as toys or furniture will are more likely grow with the children and therefore be used for a longer period.
- Products without **gender-bias** has the potential of a longer lifetime, as they are more likely to be passed on to several children undegrading gender.





# Most common barriers to internationalization

- Not enough working capital to finance exports
- The difficulty of identifying foreign business opportunities
- Not enough information to locate / analyse markets
- Inability to contact potential overseas customers
- The difficulty of obtaining reliable foreign representation
- Lack of managerial time to deal with internationalization
- Not enough and/or untrained staff
- Difficulties finding skilled staff in destination markets for selling or supporting after sales

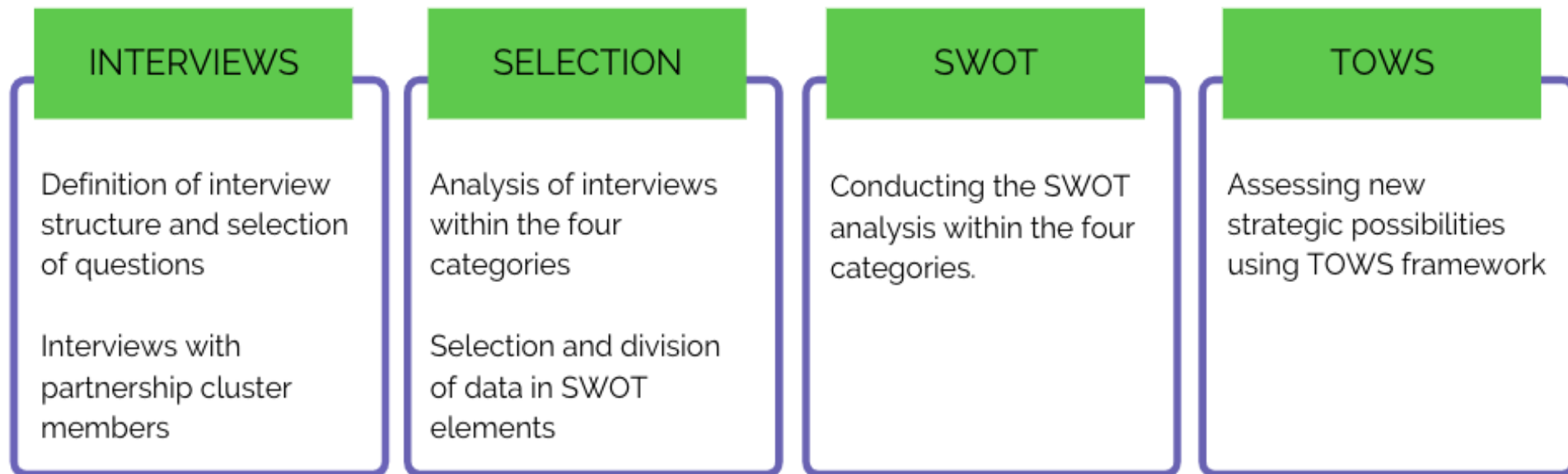


## **ESCP-4i SWOT analysis**

Providing new valuable insights and strategic possibilities for internationalization strategies

# Objectives and methodology

Provide an overview of strengths, weaknesses, opportunities, and threats assessed by SMEs within the children's sector in Denmark, Spain, and France in order to provide new valuable insights and strategic possibilities for internationalization strategies toward markets outside of the EU interested in children's clothing, furniture, toys, educational activities, etc.





# SWOT: Internal strengths and weaknesses



Presentation of the SME's assessment and experiences of internal opportunities and threats affecting their own internationalization strategies.

As the strengths and weaknesses are evaluated based on a collective understanding of the SME's experiences, most SMEs would notice that not all factors apply to their business. The collective understanding is in line with the overall objective of the project and this deliverable.

# Strengths

DIGITALIZATION	<ul style="list-style-type: none"><li>• Sustainability and technology are used interconnectedly</li><li>• High level of digital maturity and ambition</li></ul>
CIRCULAR ECONOMY	<ul style="list-style-type: none"><li>• Focus on circular or sustainable strategies</li><li>• Innovatively re-thinking business models</li><li>• Focus on ensuring a long lifecycle with high-quality products</li></ul>
GENDER-EQUALITY	<ul style="list-style-type: none"><li>• Gender-neutral products are key to endorsing brand values</li><li>• Focus on empowering girls and diversity in product development</li><li>• Experience with designing, manufacturing, and marketing toys without gender bias.</li></ul>
INTERNATIONALIZATION	<ul style="list-style-type: none"><li>• European business acumen and high trustworthiness in international markets.</li><li>• A large variety of designed products high on quality functionality, innovation, sustainability, and safety</li><li>• Experience in expanding to similar and familiar markets</li><li>• Established contacts, offices, or concept stores in target markets.</li></ul>




# Weaknesses

DIGITALIZATION	<ul style="list-style-type: none"><li>• Investments involve agile development and continuous iterations when digitizing the company</li><li>• Lack of knowledge, competencies, and willingness to invest</li></ul>
CIRCULAR ECONOMY	<ul style="list-style-type: none"><li>• Use of recycled products is time- and labor-intensive.</li><li>• Lack of solid sustainable strategies and transition towards circular economy</li><li>• Sustainability raises the complexity of the supply chain</li></ul>
GENDER-EQUALITY	<ul style="list-style-type: none"><li>• Unable to define KPIs to improve gender neutrality politics</li></ul>
INTERNATIONALIZATION	<ul style="list-style-type: none"><li>• Lack of a dedicated, resourceful team to build solid internationalization strategies</li><li>• Products need adaptation to international markets.</li><li>• Complexity in the go-to-market strategies as to different maturity levels in target Markets</li><li>• Language barriers</li></ul>





# SWOT: External opportunities and threats



Presentation of the SME's own assessment and experiences of external opportunities and threats affecting their internationalization strategies.

As the opportunities and threats are coming from the external environment, the SMEs are not able to control these factors and must see them as crucial when developing future internationalization strategies.

# Opportunities

DIGITALIZATION	<ul style="list-style-type: none"><li>• The pandemic has fostered a global digitalization of companies</li><li>• High digital maturity in markets and among consumers</li></ul>
CIRCULAR ECONOMY	<ul style="list-style-type: none"><li>• Conscious consumers</li><li>• Exploration of circular take-back systems</li><li>• Creating shared value and circular economy are crucial for future business</li></ul>
GENDER-EQUALITY	<ul style="list-style-type: none"><li>• Societal responsibility for closing the gender and dream gap</li></ul>
INTERNATIONALIZATION	<ul style="list-style-type: none"><li>• Low competitive environment in some markets</li><li>• Increasing global wealth and buying power among consumers.</li><li>• Consumer segments are more dependent on lifestyle</li><li>• EU legislation in kids' textiles and toys</li></ul>




# Threats

DIGITALIZATION	<ul style="list-style-type: none"><li>• Differences in market maturity</li><li>• Successful large companies with integrated digital technologies.</li></ul>
CIRCULAR ECONOMY	<ul style="list-style-type: none"><li>• Critical and price conscious consumers</li><li>• Expensive alternatives to current materials</li></ul>
GENDER-EQUALITY	<ul style="list-style-type: none"><li>• Low market maturity</li></ul>
INTERNATIONALIZATION	<ul style="list-style-type: none"><li>• Consumers tend to buy from local/national brands</li><li>• Complex regulatory standards for the international development of products</li><li>• Political barriers regarding trade and transport of goods</li></ul>





# TOWS: Strategic opportunities



Valuable insights from the SWOT has been used to evaluate strategic opportunities for the SMEs internationalization strategies by using the TOWS matrix, which asks the following questions:

- How can we make the most of our strengths?
  - How do we circumvent our weaknesses?
  - How can we capitalize on external opportunities?
  - How should we manage threats?
- 

STRATEGIES OPPORTUNITIES	Opportunities
Strengths	<p><b>Circular economy:</b> Producing high-quality products will enhance the product's value in the globally expanding resale market.</p> <p><b>Gender-perspective:</b> Gender-neutral products are potentially more sustainable as they can be passed on and used for several children independent of gender, increasing the product's lifecycle.</p> <p><b>Digitalization:</b> To meet future demands from new generations, companies need a digital transformation and develop or implement new innovative and sustainable technologies – especially with mature markets in mind.</p> <p><b>Internationalization:</b> Well-known strategies for specific target groups have the possibility to be implemented internationally, as customer cross-national attributes share several similarities.</p>
Weaknesses	<p><b>Circular economy:</b> As a circular economy is crucial for future business, SMEs need to build solid sustainable strategies and transition towards a circular economy to maintain their right to exist.</p> <p><b>Internationalization:</b> Markets with low maturity or low competition could work as a starting point for SMEs' immature go-to-market strategies.</p>

*Opportunities/strengths – how can SMEs use their strengths to take advantage of external opportunities?*

*Opportunities/weaknesses – how can SMEs use external opportunities to overcome their weaknesses?*

STRATEGIES OPPORTUNITIES	Threats
Strengths	<p><b>Circular economy:</b> High-quality products have a longer lifecycle. Paying a high price can be justified by the consumer if they know the added value (it will last for several children and have a high value on the resell market) This needs to be branded as a central part of the product.</p> <p><b>Gender-perspective:</b> Differentiating the value proposition in the well-known marketing of gender-neutral products to immature markets has the potential to target segments differently and fasten their maturity.</p>
Weaknesses	<p><b>Digitalization:</b> Partner up with best-practice companies within digitalization to gain knowledge on disruptive technologies and advice on how to use and benefit the most from financial and human resources</p> <p><b>Gender-perspective:</b> By setting up KPIs on gender-neutrality, the SMEs could actively be working on targeting both mature and immature markets.</p> <p><b>Internationalization:</b> By investing in lowering the language barriers on digital consumer touchpoints, the SMEs have the possibility to target consumers who tend to buy from local/national brands.</p>

*Threats/strengths – how can SMEs take advantage of their strengths to avoid potential threats?*

*Threats/weaknesses – how can the SMEs minimize their weaknesses and avoid threats?*

# Benefits for the SMEs



1. Understanding the EU children's industry and creating an EU children's industry cluster
2. Establishing 3 target markets and developing, implementing and testing a sustainable internationalisation strategy
3. Transnational workshops, training and building an international strategic network
4. Business missions with travel allowances, B2B meetings, matchmaking events, and business agreements
5. Cooperation agreements with strategic partners to receive soft landing facilities

# Missions

## Copenhagen

A three-day program designed to learn about international trends in children's product design, delve deeper into internationalization strategies, and explore new forms of retail that are proliferating in the Danish market



## Paris

As part of the European KIDS EU Project, Nova CHILD had the pleasure to welcome on October 26, 27 and 28, about twenty Danish, Spanish and French companies in our capital.

Objectives: to discover the French market of products and services for children and to cross the eyes on the European market and beyond!



# Five new value chains

The five new value chains are completed from the company's contribution during the two transnational missions and specified during the transnational workshops.

As the value chains are completed with the sole input of the companies, some areas of the value chains have not been touched upon – this can be due to a lack of knowledge of these areas' importance or the well know unimportance of these areas compared to other parts of the value chains.

- Value chain 1: Sustainability & Longevity
- Value chain 2: Circular business model
- Value chain 3: E-commerce
- Value chain 4: New technologies
- Value chain 5: Gender perspective

# Value chain 1: *The innovative maturity level of the company must be low-medium to succeed with the value chain.*

VALUE CHAIN 1: SUSTAINABILITY & LONGEVITY						
Support activities	<b>FIRM INFRASTRUCTURE</b> <ul style="list-style-type: none"> <li>• Financial resources</li> <li>• Collaboration with clusters and similar companies - market penetration with several similar brands</li> <li>• Sustainable DNA - investing, implementing, and communicating internally on sustainability and longevity</li> <li>• Strategy for transparency and traceability</li> </ul>					
	<b>HUMAN RESOURCES</b> Educated personnel within sustainability and longevity					
	<b>TECHNOLOGICAL DEVELOPMENT</b> <ul style="list-style-type: none"> <li>• Research on longevity and sustainability</li> <li>• Research on how to enter international markets (especially wealthy countries)</li> <li>• Price setting</li> <li>• Designing and developing long-lasting products including developing new products or adapting existing products</li> <li>• Sustainable product line</li> <li>• Complying with national regulations in target countries in product development</li> </ul>					
	<b>PROCUREMENT</b> Responsible restricts for the workplace (energy consumption/trash handling etc.)					
Primary activities	<table border="1"> <tbody> <tr> <td> <b>INBOUND LOGISTICS</b>            Durable raw materials         </td> <td> <b>OPERATIONS</b> <ul style="list-style-type: none"> <li>• Producing and testing products for longevity</li> <li>• Local production facilities</li> <li>• Restrictions for water and energy consumption</li> <li>• More sustainable packaging</li> <li>• Involving and educating manufacturers</li> <li>• Claims are repaired</li> </ul> </td> <td> <b>OUTBOUND LOGISTICS</b> </td> <td> <b>MARKETING</b> <ul style="list-style-type: none"> <li>• Certifications</li> <li>• Sustainability reports</li> <li>• Educational marketing and communication campaigns on sustainability and longevity</li> </ul> <b>SALES</b> <ul style="list-style-type: none"> <li>• Trend fairs, B2B platforms, and marketplaces with the right values</li> </ul> </td> <td> <b>SERVICE</b>            Repair         </td> </tr> </tbody> </table>	<b>INBOUND LOGISTICS</b> Durable raw materials	<b>OPERATIONS</b> <ul style="list-style-type: none"> <li>• Producing and testing products for longevity</li> <li>• Local production facilities</li> <li>• Restrictions for water and energy consumption</li> <li>• More sustainable packaging</li> <li>• Involving and educating manufacturers</li> <li>• Claims are repaired</li> </ul>	<b>OUTBOUND LOGISTICS</b>	<b>MARKETING</b> <ul style="list-style-type: none"> <li>• Certifications</li> <li>• Sustainability reports</li> <li>• Educational marketing and communication campaigns on sustainability and longevity</li> </ul> <b>SALES</b> <ul style="list-style-type: none"> <li>• Trend fairs, B2B platforms, and marketplaces with the right values</li> </ul>	<b>SERVICE</b> Repair
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# Value chain 2: *The innovative maturity level of the company must be medium-high to succeed with the value chain.*

VALUE CHAIN 2: CIRCULAR BUSINESS MODEL					
Support activities	<p><b>FIRM INFRASTRUCTURE</b></p> <ul style="list-style-type: none"> <li>• Financial resources</li> <li>• Collaboration with clusters and similar companies - market penetration with several similar brands</li> <li>• Circular DNA - investing and implementing in the circular economy</li> <li>• Strategy for transparency and traceability</li> </ul>				
	<p><b>HUMAN RESOURCES</b></p> <p>Educated personell within circular business models</p>				
	<p><b>TECHNOLOGICAL DEVELOPMENT</b></p> <ul style="list-style-type: none"> <li>• Research within circular business models</li> <li>• Research on how to enter international markets (especially wealthy countries)</li> <li>• Price setting</li> <li>• Designing and developing products from recycled components including developing new products or adapting existing products</li> <li>• Developing repair and resale systems in the business</li> <li>• Complying with national regulations in target countries in product development</li> </ul>				
Primary activities	<p><b>PROCUREMENT</b></p>				
	<table border="1"> <tr> <td> <p><b>INBOUND LOGISTICS</b></p> <p>Recycled components and materials: Second-hand products are made into new raw materials</p> </td> <td> <p><b>OPERATIONS</b></p> <ul style="list-style-type: none"> <li>• Involving and educating manufacturers</li> <li>• Claims are repaired</li> <li>• Second-hand products are refurbished</li> </ul> </td> <td> <p><b>OUTBOUND LOGISTICS</b></p> <p>Second-hand products is restored and re-distributed.</p> </td> <td> <p><b>MARKETING</b></p> <ul style="list-style-type: none"> <li>• Educational marketing and communication campaigns on circular business models</li> <li>• Certifications</li> </ul> <p><b>SALES</b></p> <ul style="list-style-type: none"> <li>• Sale of second-hand product</li> <li>• Trend fairs, B2B platforms, and marketplaces with values within circularity</li> </ul> </td> <td> <p><b>SERVICE</b></p> <ul style="list-style-type: none"> <li>• Return of second-hand products for: Reuse/Resale/Repair/Refurbish</li> <li>• Education of customers</li> <li>• Renting products</li> </ul> </td> </tr> </table>	<p><b>INBOUND LOGISTICS</b></p> <p>Recycled components and materials: Second-hand products are made into new raw materials</p>	<p><b>OPERATIONS</b></p> <ul style="list-style-type: none"> <li>• Involving and educating manufacturers</li> <li>• Claims are repaired</li> <li>• Second-hand products are refurbished</li> </ul>	<p><b>OUTBOUND LOGISTICS</b></p> <p>Second-hand products is restored and re-distributed.</p>	<p><b>MARKETING</b></p> <ul style="list-style-type: none"> <li>• Educational marketing and communication campaigns on circular business models</li> <li>• Certifications</li> </ul> <p><b>SALES</b></p> <ul style="list-style-type: none"> <li>• Sale of second-hand product</li> <li>• Trend fairs, B2B platforms, and marketplaces with values within circularity</li> </ul>
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# Value chain 3: *The innovative maturity level of the company must be low-medium to succeed with the value chain.*

VALUE CHAIN 3: E-COMMERCE	
Support activities	<b>FIRM INFRASTRUCTURE</b> <ul style="list-style-type: none"> <li>• Financial resources</li> <li>• Collaboration with clusters and similar companies</li> <li>• Digital mindset</li> </ul>
	<b>HUMAN RESOURCES</b> Educated personell within e-commerce
	<b>TECHNOLOGICAL DEVELOPMENT</b> <ul style="list-style-type: none"> <li>• Research on e-commerce</li> <li>• Research on how to enter international markets (countries with digital maturity)</li> <li>• Developing own e-commerce platform</li> <li>• Potential of developing a common e-commerce platform with several kids' brands</li> </ul>
Primary activities	<b>PROCUREMENT</b>
	<b>INBOUND LOGISTICS</b>
	<b>OPERATIONS</b>
	<b>OUTBOUND LOGISTICS</b> <ul style="list-style-type: none"> <li>• Online distribution channel</li> <li>• Potential of shared logistics with other kids' brands</li> </ul>
	<b>MARKETING</b> Online communication and marketing on own website  <b>SALES</b> New sales channel
<b>SERVICE</b>	

# Value chain 4: *The innovative maturity level of the company must be medium-high to succeed with the value chain.*

VALUE CHAIN 4: NEW TECHNOLOGIES				
Support activities	<b>FIRM INFRASTRUCTURE</b> <ul style="list-style-type: none"> <li>• Financial resources</li> <li>• Collaboration with clusters and similar companies</li> <li>• Technological mindset</li> <li>• Collaboration with technological partners</li> </ul>			
	<b>HUMAN RESOURCES</b> <ul style="list-style-type: none"> <li>• Educated personell within technology</li> </ul>			
	<b>TECHNOLOGICAL DEVELOPMENT</b> Research on new technologies Research on how to enter international markets Price setting Innovative product development including developing new products or adapting existing products			
Primary activities	<b>PROCUREMENT</b>			
	<b>INBOUND LOGISTICS</b>	<b>OPERATIONS</b>	<b>OUTBOUND LOGISTICS</b>	<b>MARKETING</b> Marketing in virtual games for children  <b>SALES</b> Through both digital, physical, and virtual channels

# Value chain 5: *The innovative maturity level of the company must be low-medium to succeed with the value chain.*

VALUE CHAIN 5: GENDER INCLUSIVENESS				
Support activities	<b>FIRM INFRASTRUCTURE</b> <ul style="list-style-type: none"> <li>Financial resources</li> <li>Collaboration with clusters and similar companies</li> </ul>			
	<b>HUMAN RESOURCES</b> Educated personnel within gender perspective			
	<b>TECHNOLOGICAL DEVELOPMENT</b> <ul style="list-style-type: none"> <li>Research on the gender perspective</li> <li>Research on how to enter international markets (especially large cities and multicultural societies)</li> <li>Product development and design including developing new products or adapting existing products</li> <li>Knowledge sharing and product development in collaboration with other kids' brands</li> </ul>			
Primary activities	<b>PROCUREMENT</b>			
	<b>INBOUND LOGISTICS</b>	<b>OPERATIONS</b>	<b>OUTBOUND LOGISTICS</b>	<b>MARKETING</b> <ul style="list-style-type: none"> <li>Educational marketing and communication campaigns</li> <li>Influencer marketing on SoMe</li> </ul> <b>SALES</b> Stores with a high pricing point

# Tools to foster internationalisation

When building the shared internationalization approach, the partnership will select the most suitable tools for their SMEs and the final markets selected, once discussed it and agreed with their them. For informational purposes, the table below shows a toolbox with different internationalization instruments that might be selected and tested during the implementation phase:

**5 types of services, tools and activities to the internationalization of cluster members are identified (based on TACTICS studies, the European Cluster Observatory and the EU cluster portal):**

A. Knowledge and Market access	B. Capacity Building	C. International Trade and partnering	D. Financial Opportunities	E. International Cooperation and Networking
<ul style="list-style-type: none"> <li>• Trade, Technology and Legal Alerts</li> <li>• Market intelligence</li> <li>• Technology intelligence</li> <li>• Legal Advice</li> <li>• Other</li> </ul>	<ul style="list-style-type: none"> <li>• Training</li> <li>• Mentoring</li> <li>• Coaching</li> <li>• Other</li> </ul>	<ul style="list-style-type: none"> <li>• Trade mission</li> <li>• B2B</li> <li>• Brokerage events</li> <li>• Matchmaking events</li> <li>• Other</li> </ul>	<ul style="list-style-type: none"> <li>• Investment Forum</li> <li>• Business Angels and innovative funding opportunities</li> <li>• Public funding opportunities</li> <li>• Soft landing services</li> <li>• Other</li> </ul>	<ul style="list-style-type: none"> <li>• Cluster Networks</li> <li>• EU funded projects</li> <li>• International projects</li> <li>• Advocacy and Lobbying</li> <li>• Liaison offices</li> <li>• Other</li> </ul>



# Presentation of new knowledge from the project

The EU children's sector:

Unveiling its potential and opportunities & Global international trends



# Two different studies with complementary objectives:

## EU Kids Industry Market Research

Deliver a comprehensive and aggregated view of the European children's industry, unveiling the full potential of its offer, and giving visibility to its strengths and business opportunities that arise.

## Worldwide Kids Trends Study

Provide information on international trends and help EU manufacturing companies to align their products lines to the needs of future consumers, which evolve and change constantly.

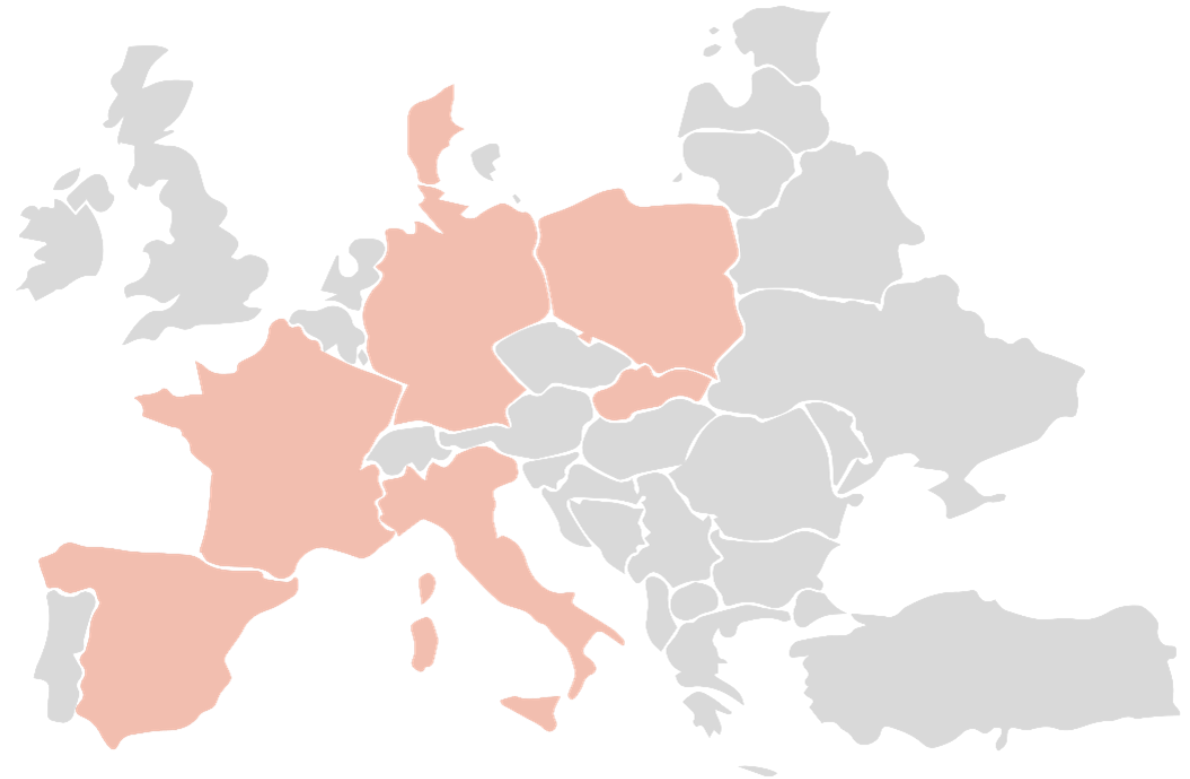


# The EU children's sector: Unveiling its potential and opportunities



The study includes the detailed analysis of 7 selected European countries that provide a representative sample of the European market:

- Southern Europe: Spain, France, Italy
- Center & Nordic Countries: Denmark, Germany
- Eastern Europe: Poland, Slovakia



# Key findings | Demography

Most European countries, have aged populations and relatively low birth and fertility rates:

- Italy, Germany and Spain have a significantly older population.
- Germany has the largest population (83M in 2021), but France has slightly more children (11,8M) than Germany (11,7M)
- The average birth rate in 2021 for the region is 9,1% and the fertility rate is 1,53 children per woman.
- France and Denmark have the highest birth rates, while Italy and Spain have the lowest birth rates

With parents starting their families at a later age and having less children, new attitudes, roles and priorities have transformed family dynamics, creating new needs and opportunities for products and services across the kid's industry.



# Areas of analysis

The report analyses the different sectors within the kid's industry that are included in the KIDS project scope. Both quantitative and qualitative information has been obtained for each of them, studying their potential at a European level and at the aggregate level for each of the countries. The analysed sectors include:

1. Games & Toys
2. Child Clothing
3. Child Food
4. Entertainment & Leisure
5. Education & Publishing
6. Childcare Products



# Key figures “Kids sectors”

## Europe 50

115,54

Revenue in BEUR 2021

-0,98%

CAGR 2020 – 2022

## Examined 7 countries

46,77

Revenue in BEUR 2021

-0,71%

CAGR 2020 – 2022

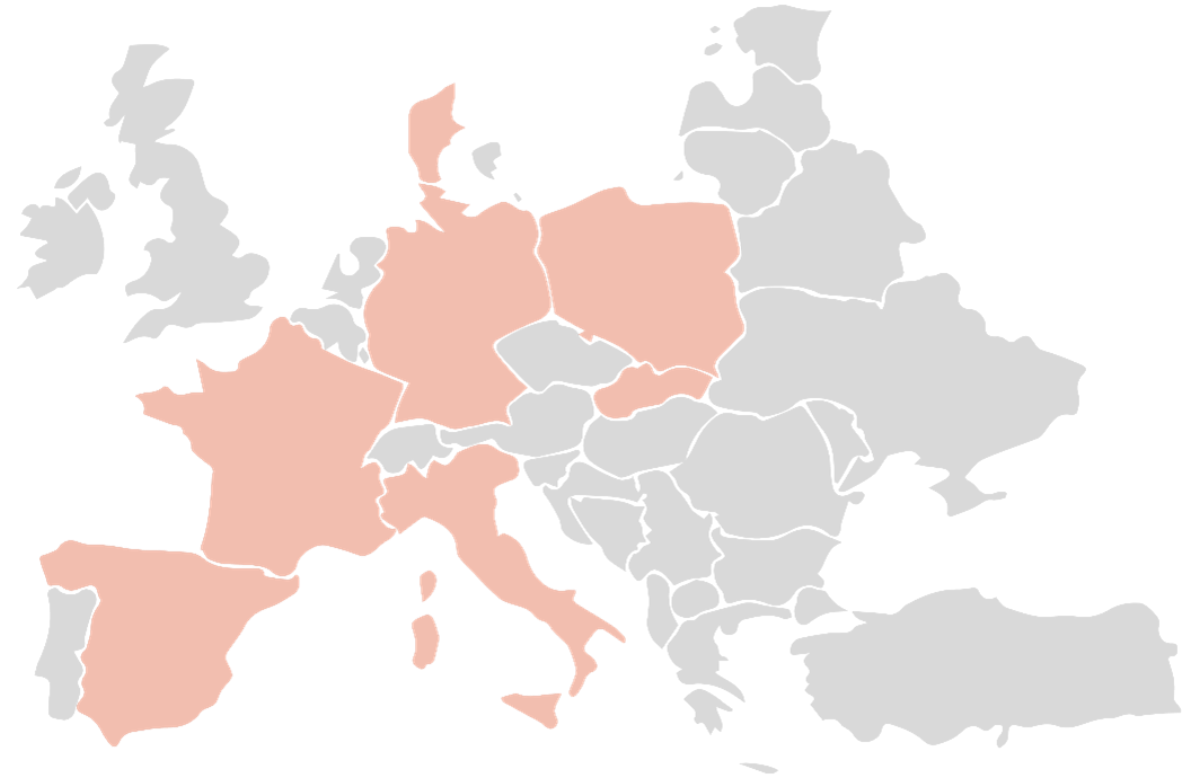
40,5%

Contribution to Europe 50

Please, note that these calculations collect data from four sectors examined in this study: Toys & Games, Clothing, Food and Childcare. ‘Europe’ represent all the countries aggregated in the European continent, whereas ‘Examined countries’ are the seven countries analysed in this study: Spain, France, Italy, Slovakia, Denmark, Germany and Poland.

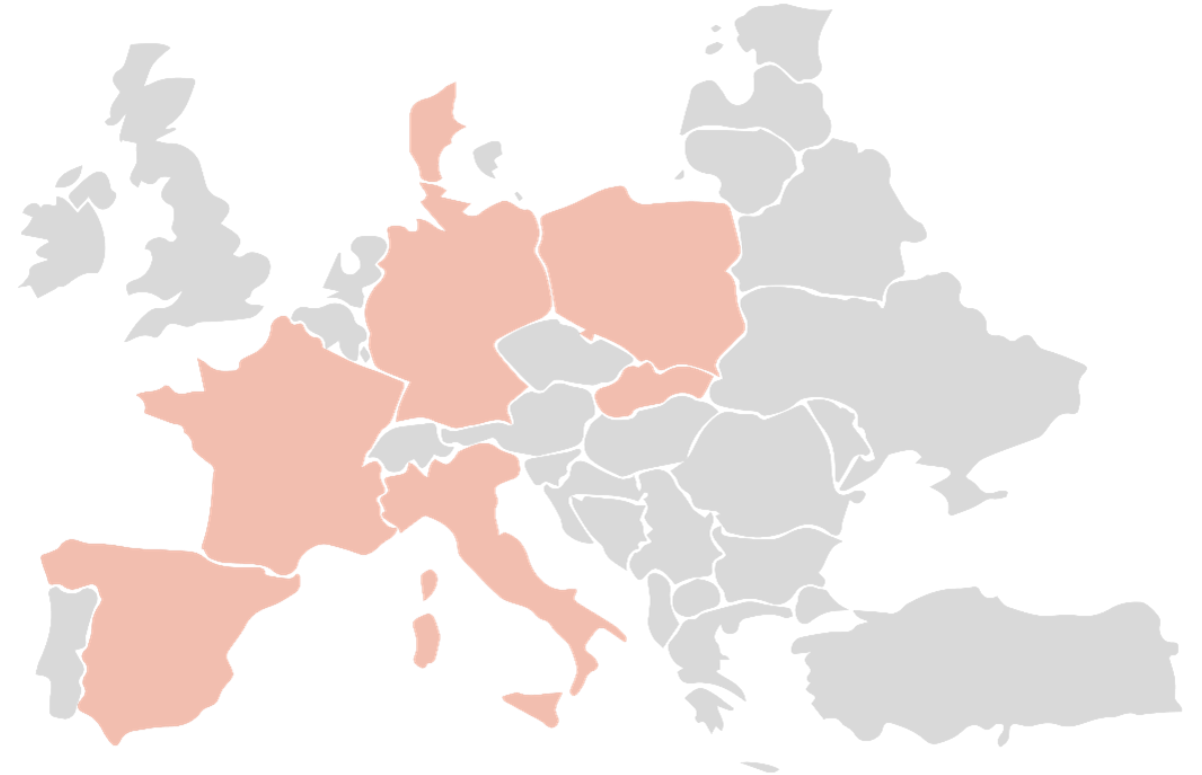
# Key findings | Sectors

- In terms of market size, the largest sectors aimed at children and families in the countries analysed are children's clothes (22B € in 2021) closely followed by toys (21,8B € in 2021), representing almost 50% each of the sectors analyzed. Other sectors represent much smaller markets: children's food generated 2,7B € revenue and childcare<sup>(1)</sup> products only 0,3B € in the same year.
- Comparing countries, overall Germany has the highest revenue for all the sectors where we have comparable data, with 15,65B€ in 2021, followed by France (10,6B €), Italy (9,4B €) and Spain (5,9B €), and finally by Poland (3,2B €), Denmark (1,3B €) and Slovakia (0,6B €).



# Key findings | Sectors

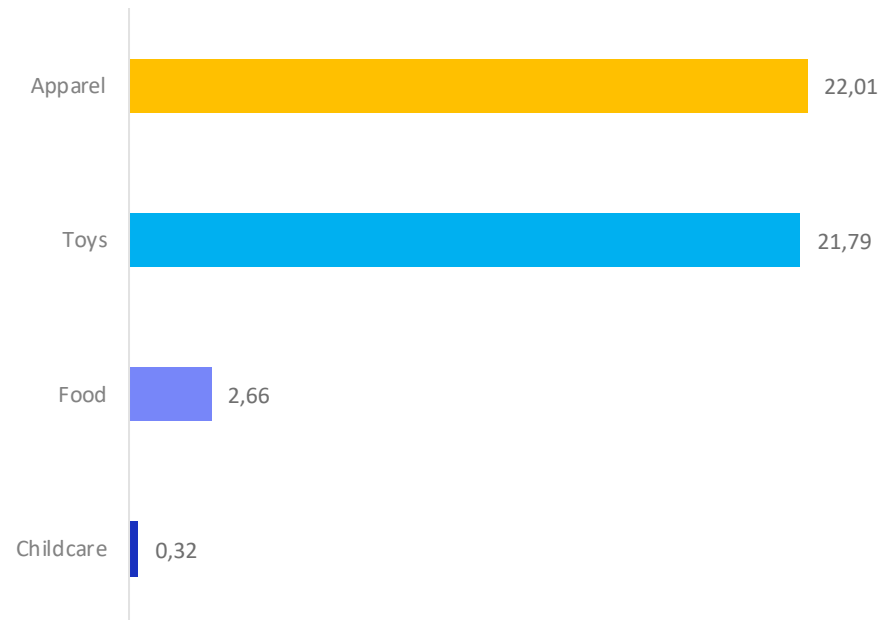
- The revenue of games & toys, clothing, food and childcare amounted 115,54B € in 2021 in the European continent. For the countries analyzed in this study, this amount was 46,77B € for the same economic period. The countries examined represent **40,5%** of the total European continent revenue for the year 2021.
- In 2022, the CAGR for the entire continent and for the countries examined declined at a low pace compared to 2018.



# Key figures for KID'S sectors

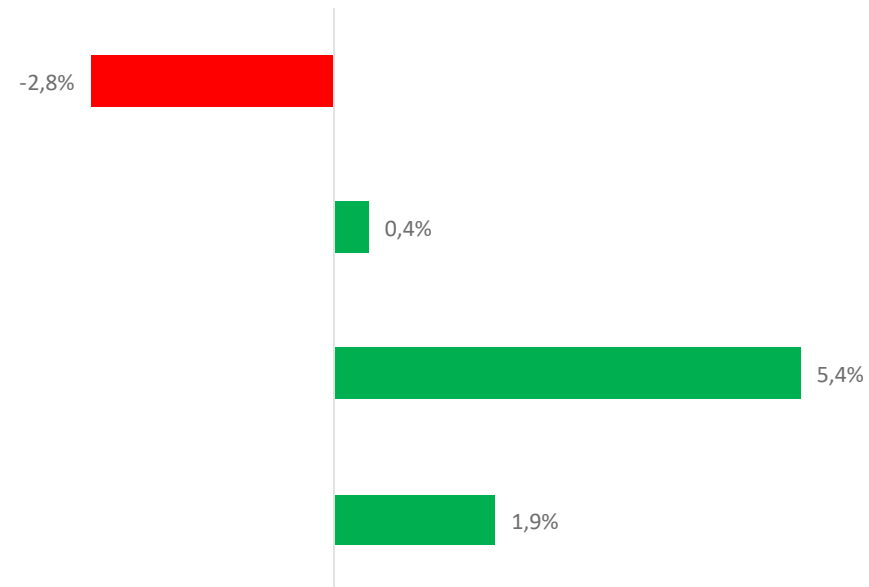
## Total revenue by sectors

Spain, France, Italy, Slovak, Germany, Denmark, Poland  
Toys & Games, Clothing, Food and Childcare  
2021  
In billion euros



## CAGR 20 - 22

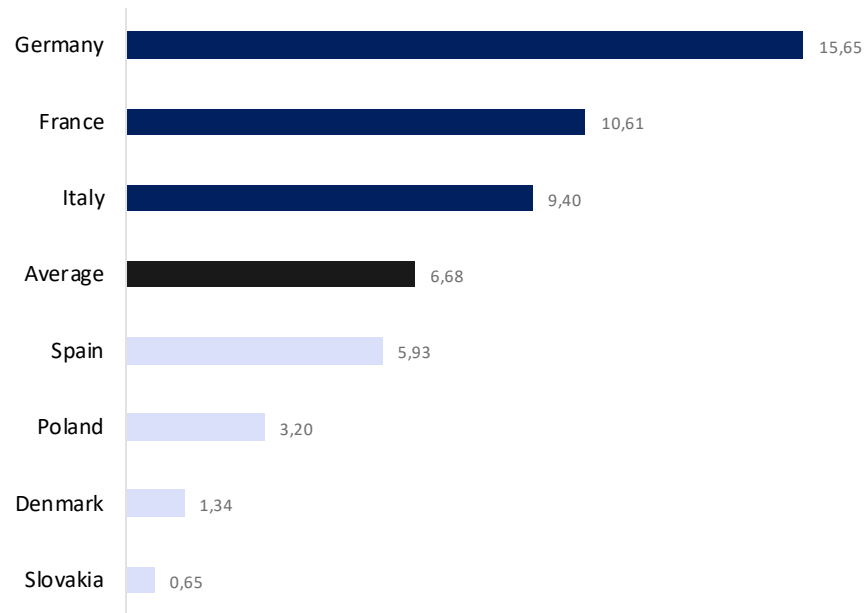
7 countries  
Toys & Games, Clothing, Food and Childcare  
2021  
In billion euros



# Key figures for KID'S sectors

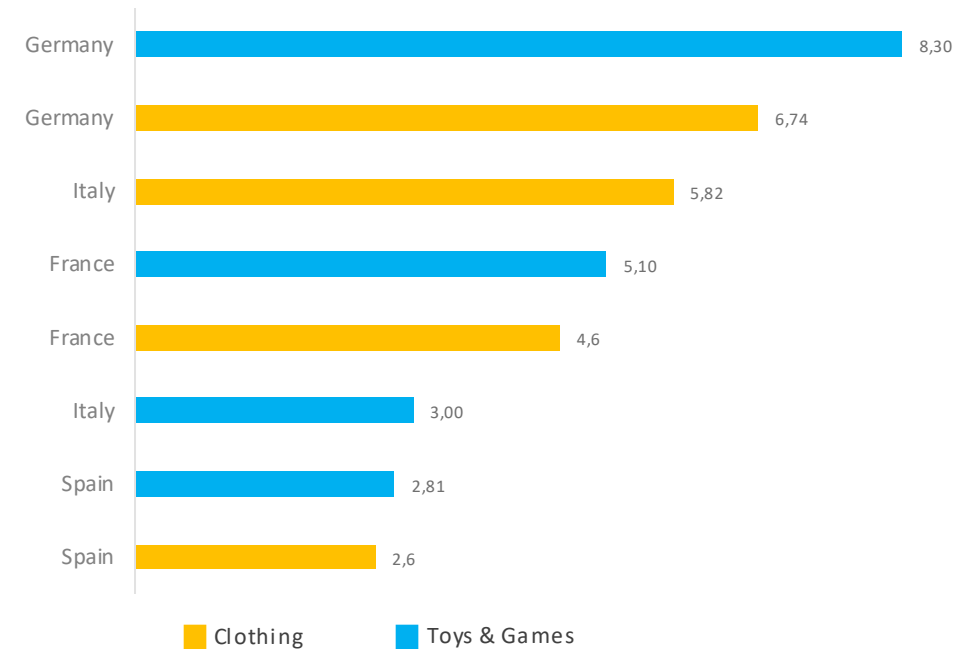
## Total revenue by country

Toys & Games, Clothing, Food and Childcare  
2021  
In billion euros



## Countries with the highest revenues

2021  
In billion euros



# Key figures for KID'S sectors

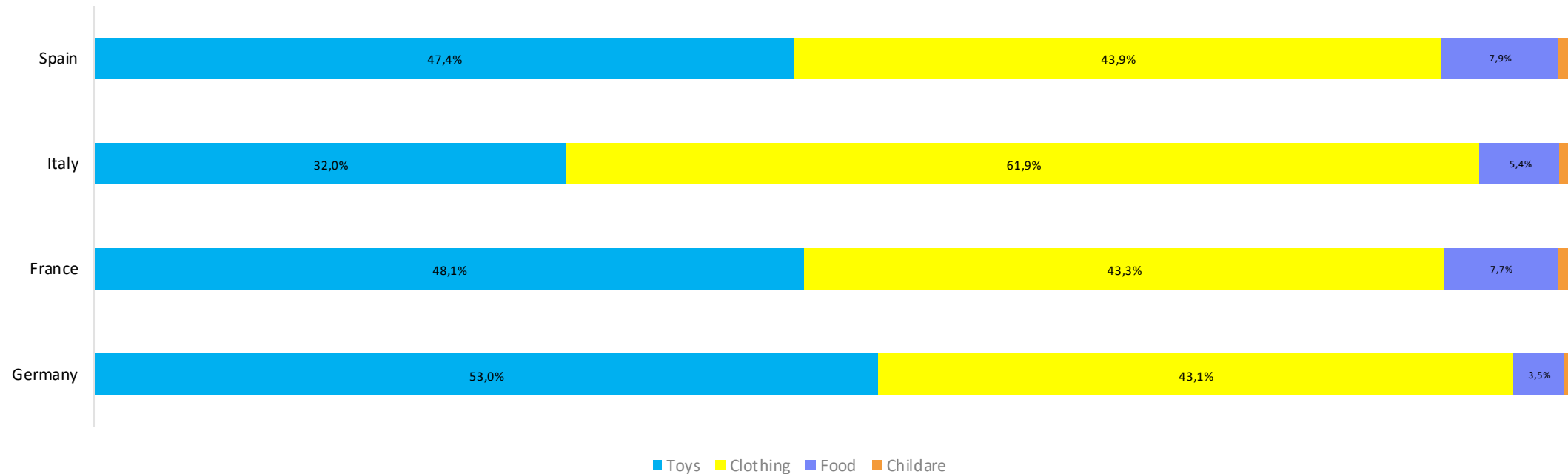
## Share of total revenue by sector and country

Toys & Games, Clothing, Food and Childcare

Spain, Italy, France and Germany

2021

In billion euros



# European toy market findings

56,34

Revenue in BEUR 2021

Europe 50

2%

CAGR 2018 – 2023

Europe 50

The European toy market is the third region in sales behind North America and Asia. The 7 countries we have analysed in depth represented almost 40% of the overall European toys market in 2021.

Most attractive markets per consumption:

- While Germany and France have the largest markets, Germany and Denmark's toys markets are larger with an above average revenue per child.

Most attractive markets per expected growth:

- Poland, Germany and Slovakia are the countries with the largest expected CAGR (4,3%, 3,3% and 3,1% respectively), whereas France's market is expected to decrease, with a -0,78% CAGR.



## Gaming: a key sub-category

The highest volume of sales across countries come from video games consoles, with gaming having become a key sub-category within the industry and with a higher average price.

- There are gamers of all ages, but children are still a significant consumer segment for videogames, with up to 73% of games considered suitable for kids under 12 according to the European rating system. 70% of kids between 6 and 8 years old, and 80% of those between 10 and 14, play videogames.

Other relevant product categories include plastic toys, toys for toddlers, construction sets or dolls and stuffed toys.





## Going digital: growth in ecommerce

Although most toys are sold offline through large retailer department stores and specialized toy stores, toy shoppers have become more digital by combining purchases in both online channels and physical stores.

All European markets have shown a significant growth in online sales, which accelerated in 2020 due to the COVID-19 crisis. Currently, 1 in every 4 toys in Europe is sold online.

- France and Germany have the highest percentage of online toy shoppers (35,5% and 28% in 2021). On the other hand, only 12,5% of Italian shoppers, 16,5% of Poles and 17,5% of Spaniards purchase toys online.
- Online sales grew by 19% in the region due to COVID, but some countries experienced very significant growth: 75% in Spain, 37% in Italy or 30% in Denmark.



# European child clothing market findings

50,18

Revenue in BEUR 2021

Europe 50

1,4%

CAGR 2018 – 2023

Europe 50

The European children's clothes market is a high-value and growing market. The 7 countries we have analysed in depth represented almost 44% of the overall European children's clothes market in 2021.

Most attractive markets per consumption:

- Germany, Italy and France have the largest markets in terms of revenue. The size of the Italian market and the Danish market is significant in comparison to their population. Their revenue per capita or per child are much higher than the average in the region.

Most attractive markets per expected growth:

- Slovakia and Poland are the countries with the largest expected CAGR (3,9% and 3,8% respectively), while the Spanish and Italian markets are expected to decrease by -1% CAGR 2018-2023.





## Changing needs & attitudes

Price points are consistently growing in the last few years across different product categories in most analysed markets (except Poland), with manufacturers and new brands increasingly focusing on quality to compete in a very competitive fast fashion market.

All European markets have shown a significant growth in online sales, which accelerated in 2020 due to the COVID-19 crisis. Currently, 30% of children's clothes sales in Europe are online purchases (a higher percentage than other kid's categories).

- France and Germany have the highest percentage of online clothes shoppers (37,9% and 28% in 2021 respectively).
- Online sales grew by 23% in the region due to COVID, but some countries experienced very significant growth: 48% in Slovakia, 40% in Spain or 27% in Poland.

The clothes industry has also been influenced by consumer demands towards more sustainable and eco-conscious values.

- The share of sustainable apparel in the region is 5,4% of the market, with similar figures across the different countries. The countries where consumers are more eco-conscious consumers are Denmark, France and Germany.





# European child food market findings

8,31

Revenue in BEUR 2021

Europe 50

4%

CAGR 2018 – 2023

Europe 50

The European children's food market is smaller in comparison to other categories analysed but it has been showing significant growth in the last few years that is expected to continue. The 7 countries we have analysed in depth represented 32% of the overall European children's food market in 2021.

Most attractive markets per consumption:

- France has the largest markets in terms of revenue and is comparatively larger in terms of revenue per child.

Most attractive markets per expected growth:

- Slovakia and Poland are the countries with the largest expected CAGR (7,8% and 6,2% respectively), while the Italian markets' growth is significantly lower, at only 1,9% CAGR 2018-2023.





## Changing needs & attitudes

All European markets have shown a significant growth in **online sales**, which accelerated in 2020 due to the COVID-19 crisis, although the share of online channels for food products is smaller compared to other categories. Currently, **3,2% of children's food sales in Europe are online**, with an **expected 19,2% CAGR 2018-2023**.

- Germany, France and Spain have the highest percentage of online children's food shoppers.
- Online sales grew by 30% in the region due to COVID, but some countries experienced very significant growth: 50% in Slovakia, 38% in Germany and France.

The food industry has also been **influenced by consumer demands towards more sustainable and eco-conscious values**.

Consumers' **increasing focus on health is growing demand for minimally processed and nutritionally varied foods**, incorporating trends such as superfoods or plant-based ingredients.



# Kid's entertainment shifts to on-demand

Generic TV is still a significantly larger market in Europe compared to streaming VOD services, but streaming grows significantly:

Traditional TV and Home Video

81,2

Revenue in BEUR 2021

Europe 50

Streaming Services

7,2

Revenue in BEUR 2021

Europe 50

Traditional TV and Home Video

-1,5%

CAGR 2018 – 2023

Europe 50

Streaming Services

10,8%

CAGR 2018 – 2023

Europe 50

Netflix is the leading streaming service in the region, followed closely by Amazon and Disney (with some differences depending on the market).



# Kid's publishing is a relevant category

The publishing industry seems to be growing in most European markets, and especially those categories aimed at children, as we can gather from several recent studies in different countries.

Books seem to still be purchased mainly in specialised physical stores.

Despite competition from screens, reading is still a relatively common habit for many.





# Kid's skincare European market findings

710

Revenue in MEUR 2021

Europe 50

1,1%

CAGR 2018 – 2023

Europe 50

The European kid's skincare sector is much smaller in comparison to other family-focused sectors analysed but it shows steady growth in the last few years that is expected to continue. The 7 countries we have analysed in depth represented almost 45% of the overall European childcare market in 2021.

Most attractive markets per consumption:

- France has the largest market in terms of revenue
- The market is comparatively more significant in Slovakia, with an average revenue per child that is twice as high than the average for the countries analysed.

Most attractive markets per expected growth:

- The countries analysed have grown almost 1 point above the whole of the European region in 2021
- Germany and Poland are the countries with the largest expected CAGR (2,9% in both of them), while the Italian market is actually expected to decrease, at -0,1% CAGR 2018-2023.

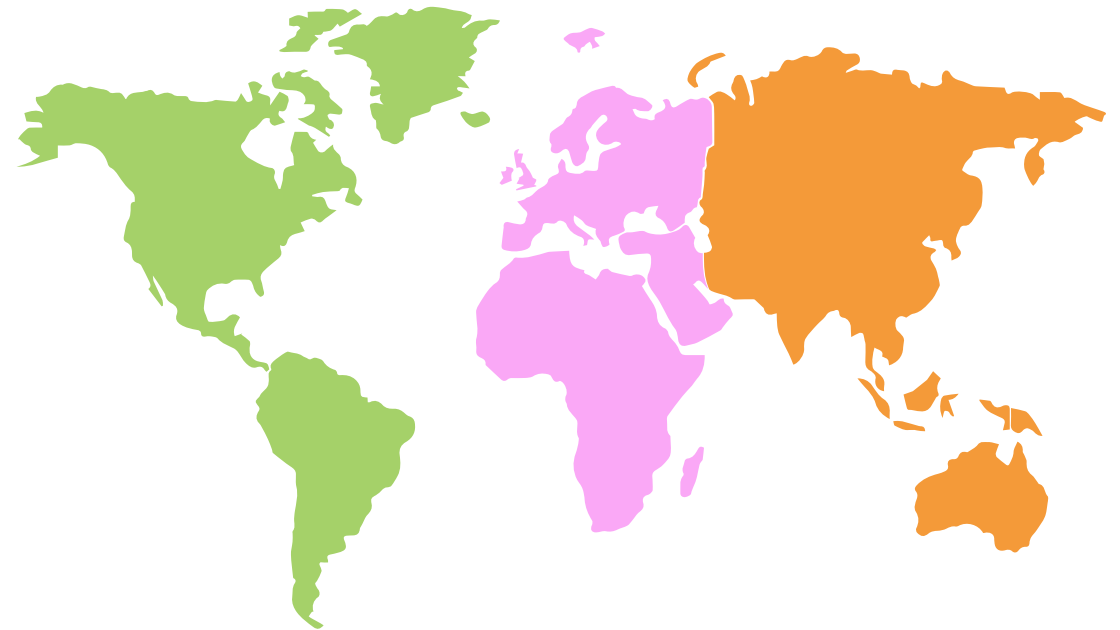


# Understanding the Now Generation: Global international trends

This study has been carried out based on trends and case studies at a global level. In this way, the trends identified have influence at across all regions.

In order to show an overview of how the trends apply across regions, the case studies linked to each trend are separated into 3 large geographical blocks:

1. **America** (North and South America)
2. **EMEA** (Europe, the Middle East and Africa)
3. **Asia**



# Macrotrends

Based on a global analysis of the most relevant and most impactful macrotrends at the business, market or technological level that are transforming our reality, the four areas of greatest impact for Kids sector & family audiences have been identified:

## 4.1. DIGITALIZATION

New technological developments make it possible to increase the value of products and services, inviting parents and kids to connect and interact.

## 4.2. SUSTAINABILITY

Consumer awareness of the climate crisis leads to new demands and concerns that require companies to take action for environmental protection.

## 4.3. WELLBEING

Parents and families need confidence and security in parenting, to protect their health and overall wellbeing with solutions tailored to their lifestyle and values.

## 4.4. INCLUSION

The inclusive design of products and services ensures their attractiveness and access for all consumers, regardless of gender, status or abilities.



# Areas of analysis

Below are the sectors and categories within the kid's industry in which each trend has the most significant impact. Throughout the document, case studies will showcase the application of these trends in each sector:

## 4.1. DIGITALIZATION

- Childcare
- Education & Publishing
- Games & Toys

## 4.2. SUSTAINABILITY

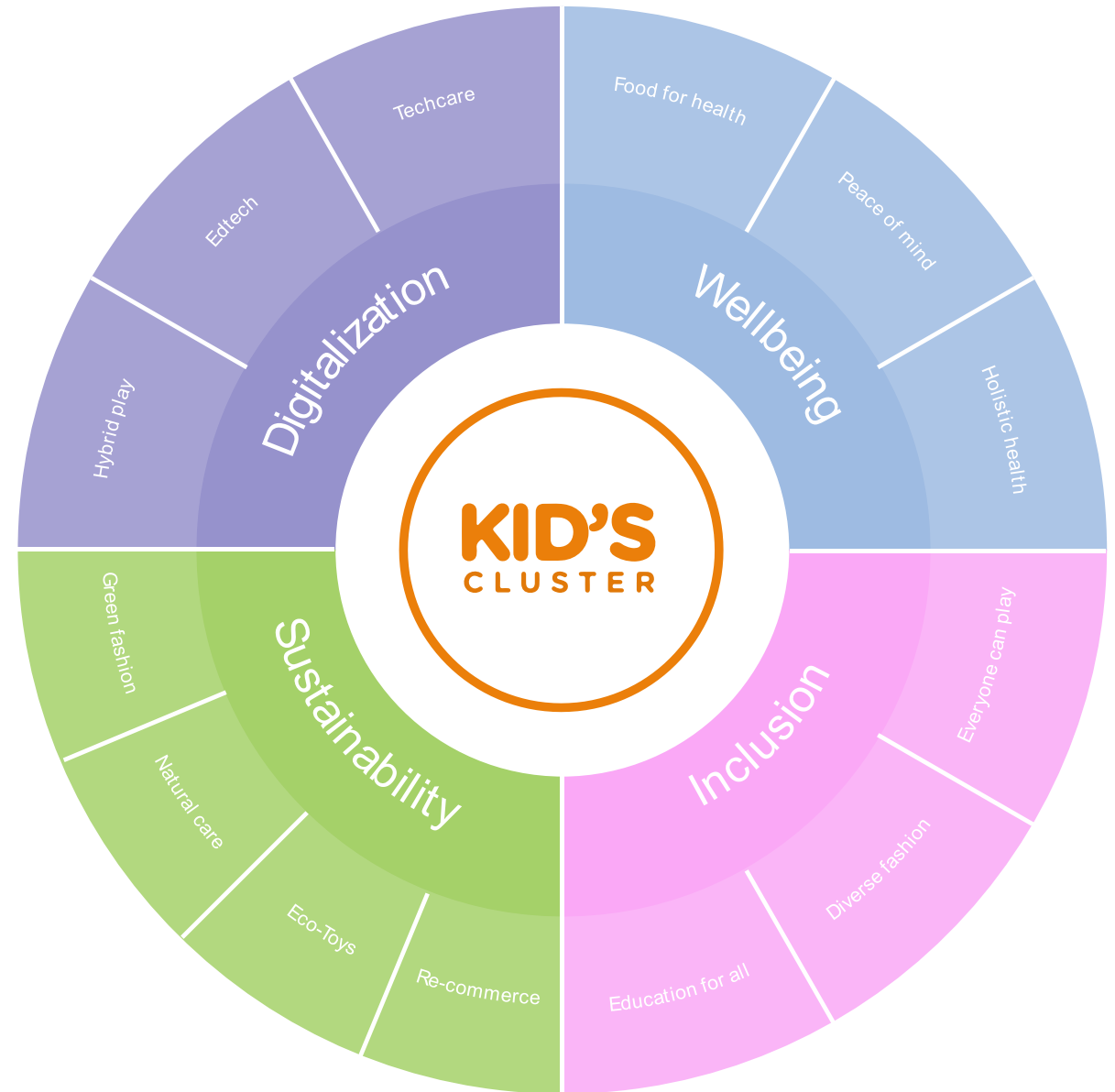
- Games & Toys
- Childcare
- Child Clothing

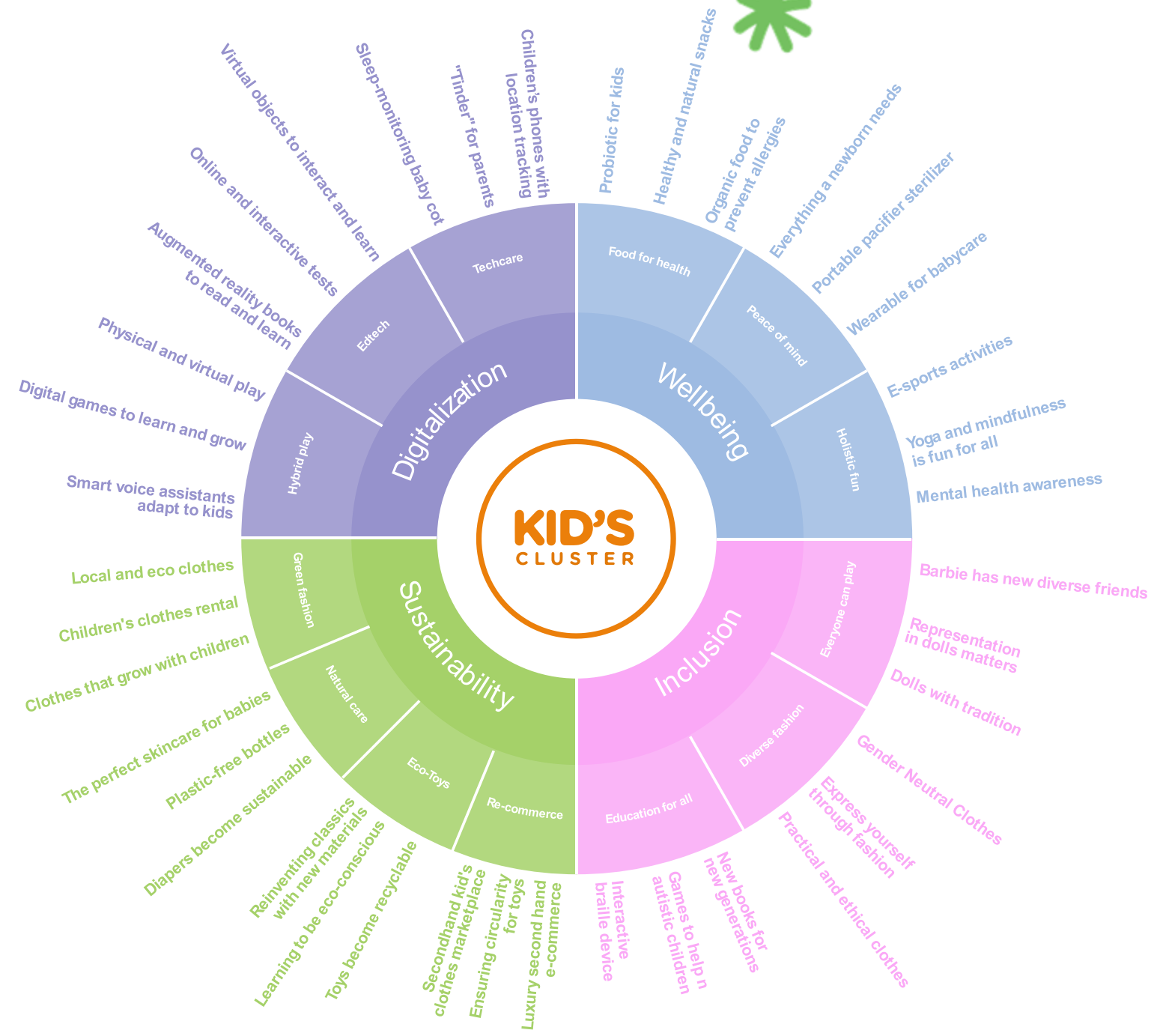
## 4.3. WELLBEING

- Child Food
- Entertainment & Leisure
- Childcare

## 4.4. INCLUSION

- Education & Publishing
- Child Clothing
- Games & Toys





# Connected & smart

Digitalization has already transformed families lives and opened new horizons to children's play and learning through infinite possibilities thanks to interactive and connected toys and educational solutions.

New and advanced digital technologies (IoT, wearables, AI, etc.) bring an enormous opportunity to add intelligence to child care products and services, increasing their convenience, their safety, their effectivity and their value.

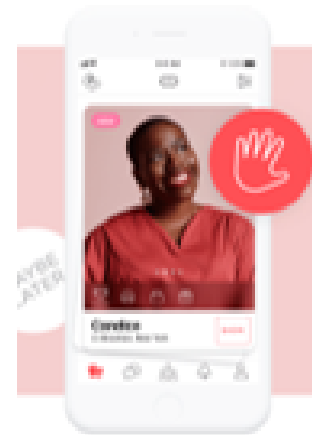
Social digital platforms also enable opportunities to develop services that connect families into communities that empower them and help them share knowledge and resources, and exchange goods and services.



Physical & virtual play.  
Osmo (America)



Augmented reality books to read & learn. ARPedia (Asia)



"Tinder" for parents.  
Peanut (EMEA)



Sleep monitoring baby cot.  
Cradlewise (America)

# New demands & new models

With the current climate emergency, **sustainability** has become one of the **most important values** for consumers across markets and industries. The impact is **very significant** in kids' sectors especially for categories, such as toys or clothes, that generate a lot of waste when children outgrow them.

New demands require solutions that **transform every part of the product cycle**, from the sourcing of materials, to the manufacturing process, to packaging, to what happens to it when it is no longer needed or usable.

Local and global digital communities have also enabled re-commerce opportunities in kid's sectors, effectively elevating hand-me-downs and parenting groups into a **circular economy** based on peer-to-peer business.



Clothes that grow with children.  
BeyaMade (America)



Plastic-free bottles.  
Philips Avent Natural (EMEA)



Second hand kid's clothes marketplace.  
Kidizen (America)



Reinventing classics with new materials.  
Eco-Gundam (Asia)

# Keeping them safe

Peace of mind about their children's wellbeing has been a universal concern for millennials that remains **at the top of parent's priorities**. Changing lifestyles raise **new worries** such as those related to unsafe or excessive use of **technology** or toxic and unsafe products that come in close contact with children **affecting their health**.

In the context of a rapidly changing world, and having lived through successive economical, social, environmental and health crises, Millennial parents think of their children's wellbeing from an **increasingly holistic perspective**. Concerns include everything from health and nutrition, to personal development and self-expression, to mental wellbeing and happiness.

Smart **digital solutions** that allow families to monitor what's going on and new **sustainable and safer products** answer to these new needs as well as more **inclusive educational and playful value propositions** that guarantee that no child will be left behind.



Yoga and mindfulness is fun for all. Cosmic Kida (EMEA)



Organic food to prevent allergies. Apple Monkey (Asia)



Portable pacifier sterilizer. Duccio (EMEA)



E-sports activities. Kids in the game (America)

# For everyone and for all

The concept of what constitutes a traditional family has been completely **transformed**, including **expectations, roles and behaviours**. Evolving discourses on identity and growing acceptance for lifestyles that diverge from the norm has resulted in **new social values** that are transmitted from parents to their children.

Today's families have increasingly **high expectations** on brands to **guarantee inclusivity and representation**, helping parents raise their children with **empathy** and promote **equality**.

Digitalization has also enabled **access for everyone** and facilitated **personalization**, making it possible for education, care and leisure propositions that can **better adapt** to each child and family's specific needs.



New books for new generations. Diverse books (America)



Representation in dolls matters. Toli Moli (EMEA)



Gender neutral clothes. Or.basics (America)

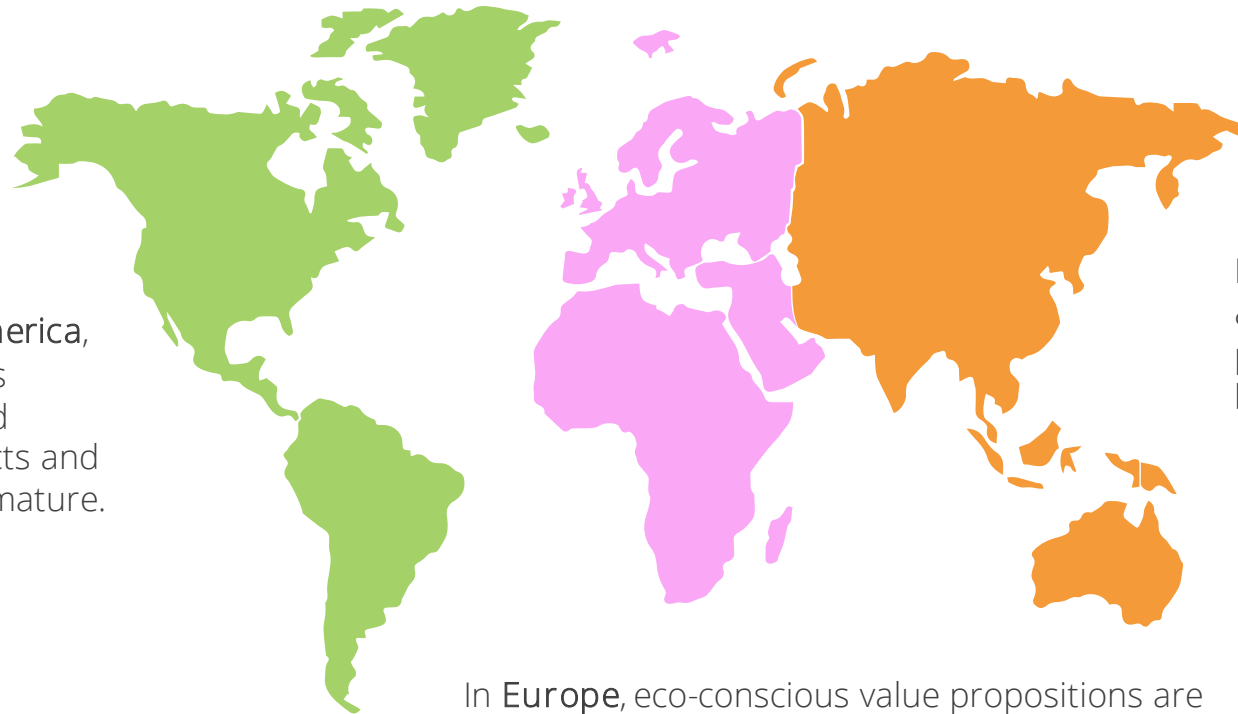


Dolls with tradition. Ish Dolls (Asia)

# Global trends with local flavour

Consumer demands for families have become more global as the world has become increasingly inter-connected, with key trends applying similarly across regions, with cultural differences becoming less and less significant when it comes to child-rearing. There are some differences mainly related to sector and market maturity that differ across regions.

In **tech-forward America**, digitalization trends applying in toys and educational products and services are more mature.



Meanwhile in **Asia**, telecom & device-based products and services are better represented.

In **Europe**, eco-conscious value propositions are very significant, especially driven by local small brands with very innovative concepts in sustainable clothing, toys and food, some of which have become regional and even global phenomenon.

# Have it all

Families will not compromise on their values and expectations, demanding products and service value propositions that are:

- Fun, playful and experiential.
- Convenient & easy to fit into their lifestyles.
- Safe, caring & trustworthy.
- Accessible for everyone & adapted to their needs.
- Always with an educational aspect.
- And without compromising on design and quality.





# Presentation of new knowledge from the project

Market study: Uncovering International opportunities  
Chile, South Korea & United States



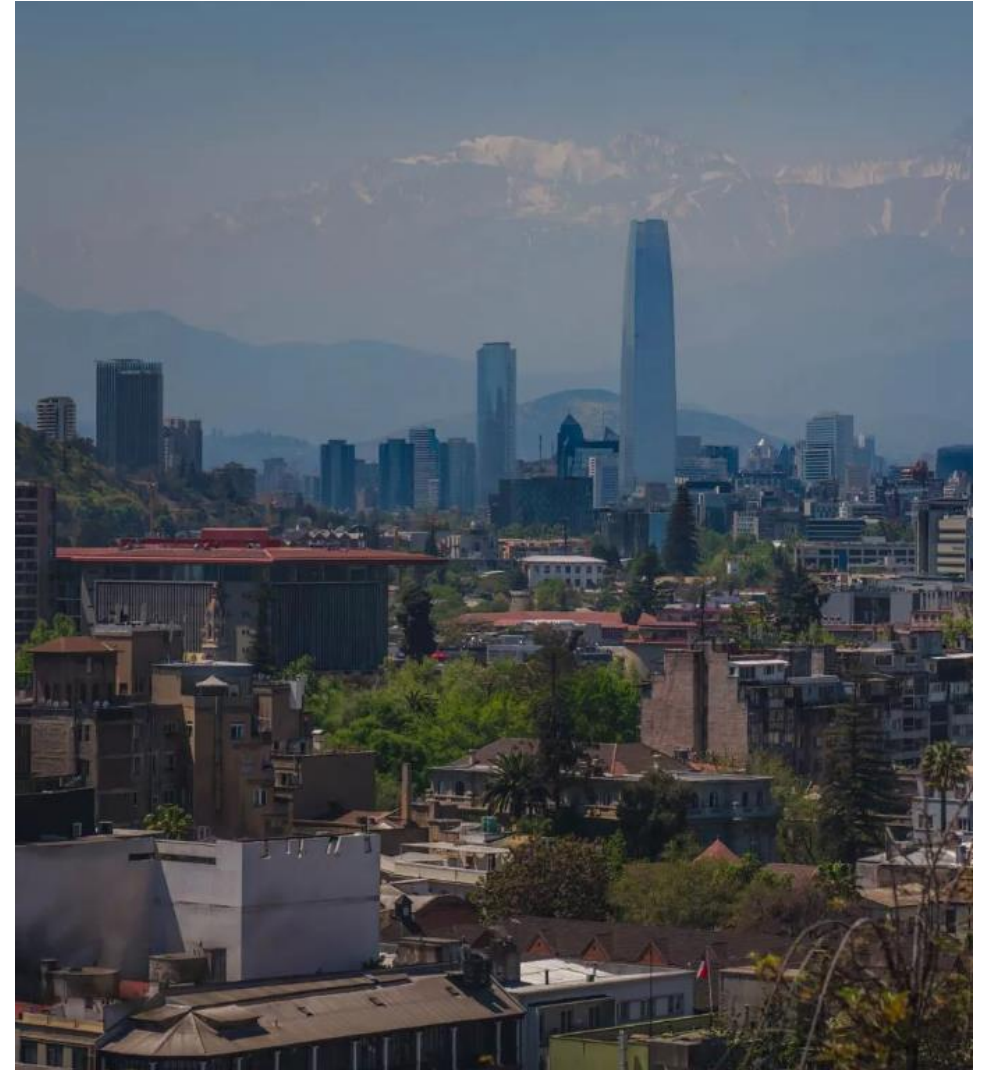


# CHILE Market Study

# MARKET STUDY CHILE

## INDEX

1. Country Profile
2. Trends in the Sectors
3. Consumer Behaviour
4. Import Potential
5. Distribution Channels
6. Best Locations for Marketing
7. E-commerce
8. Commercial Obstacles
9. Circular Economy
10. Sustainability
11. Gender
12. SDG
13. Digitisation
14. SWOT
15. Main Aspects Related to Implementation



# COUNTRY PROFILE

- Area: 756.950 km<sup>2</sup>.
- Population: 17.574.003 people (2017).
- Number of children (ages 0-17): 4.259.155 (2017).
  - Ages 0-3: 21,8%.
  - Ages 4-9: 34%.
- The income per capita is about 16.612 USD.
- The unemployment rate stood at 10,7%.
- Relatively small but strong economy.
- Chile is becoming an ageing population, with a low fertility rate (1.4 children per woman in 2019 compared to 2.1 in the early 2000s).





# TRENDS IN THE SECTORS



## Toy Market

- The games vary according to age, for example, younger children look for visual and tactile stimuli.
- The toys sector is expected to grow between 7 and 10% until 2027.
- Chile has the 5th largest toy market in South America with a value of 631 million dollars (after Brazil, Mexico, Argentina and Colombia).
- The Covid-19 crisis has had a major impact on the toy sector.

## Clothing and Footwear Market

- The children's apparel market is evolving and is expected to grow in terms of volume and revenue (from \$242.9 billion in 2014 to a forecast \$294.8 billion in 2027).
- General price levels for apparel products have been rising in recent years. (the average price for a product rose from \$3.72 to a predicted \$4.14 from 2014 to 2027).
- The products that generate the most revenue are baby clothes followed by children's trousers.
- The children's footwear market is expected to grow in the coming years from 73.47 billion in 2017 to a projected 190 in 2027.
- In general (80%), people buy shoes for practicality and comfortability.
- The average price of shoes increases from \$22.8 in 2014 to a projected \$29.43 in 2027.

# TRENDS IN THE SECTORS

## Book, Furniture Market

- The children's book sector has developed very rapidly over the last ten years.
- The number of published children's books has been steadily increasing over the past 10 years, despite a decrease in 2021.
- The most important exporters are China, Argentina and Hong Kong. Spain is also a major exporter.
- The furniture market generated 36,27 billion in 2022.
- The main players in the market are large companies like Walmart, Costco, the home depot and JD.



## Food Market

- A huge market, with an ever-increasing turnover due to the unstoppable growth of the population.
- Chile is the third country in South America that spends the most on average on food during pregnancy and the first months. In Peru almost \$6000 is spent, \$3227 in Argentina and \$3192 on average in Chile.

# CONSUMER BEHAVIOUR

There are large income differences between the Chilean population and a very small upper class.

Children follow tendencies. In fact, 74% of children choose a product because of advertising. Brand awareness is important.

The largest advertisers in Chile for footwear products in 2020 were Skechers and Guante (together they congregate more than 60% of advertising on the matter).

In 2021, ecommerce grew by 23%.

YouTube usage by Chilean children exponentially grew, topping Latin America countries with already 89% of Chilean children using this platform back in 2019.



# CONSUMER BEHAVIOUR

71% of the interviewed in a survey conducted in 2022 paid particular attention to brand name in case of clothing and shoes, 68% in electronics. As for toys and baby products, only 11% showed brand awareness whilst 17% did for furniture and household goods.

A particular brand or product resulted the most attractive for children because of advertising, followed due to the appearance of cartoons or celebrities on the packaging. The less important reason in the child's decision making was the brand name.

The most trusted brands among Chilean children are: Netflix, Disney, Samsung, Adidas, Youtube, Coca-Cola, Apple, etc.



# IMPORT POTENTIAL



In general, the countries that export the most to Chile are China and the United States.

Spain exports many products, mainly food. Moreover, Spain is the main exporter of children's books to Chile. Other European countries have little share in Chile's imports.

Chile is a country that exports all over the world, but the main poles are South America, Europe and Asia.

Categories (Tariff code)	Value imported in 2021 (USD)	Main providers
Toy market (95)	832.369.000	China and USA
Clothing and footwear (61, 62, 64)	3.383.387.000	China
Food (19, 21)	1,075,000,000	Argentina and Brazil
Furniture (6301, 6302, 6307, 9403)	1,037,000,000	China and Brazil
Books for children (49)	151,631,000	Spain, USA and Malta



# DISTRIBUTION CHANNELS



A large percentage of total offline sales are concentrated in supermarkets, hypermarkets - the largest market share is concentrated in Walmart, Cencosud and SMU - and department stores (Falabella, Paris and Ripley have almost 100% of the market share).

Talking about children clothing, the sale channels show interesting data . Such as in the toy market, electronic commerce has gained relevant importance in terms of sales.

Talking about furniture, most sales are made offline.

As it could be supposed, age plays a big role in online sales channels selection. As data has revealed, baby boomers shop in department stores and free fairs (like X generation, with the only difference that they prefer department stores), whilst millennials and Z generation do their shopping mostly in department stores and mini markets

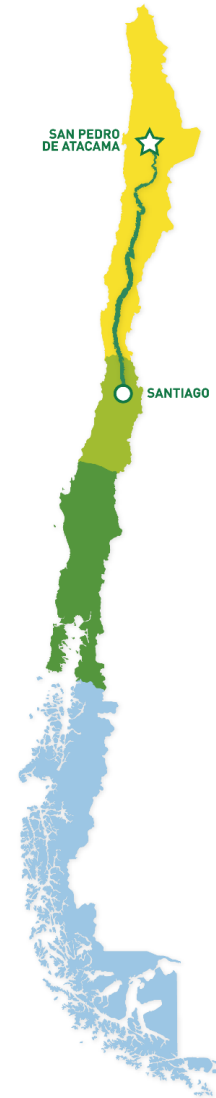
# BEST LOCATIONS FOR MARKETING

Santiago is Chile's business center. The main commercial areas of Santiago are:

- Axis Alonso de Córdova - Nueva Costanera: where the stores that offer medium-high and high-end products are concentrated.
- Tobalaba - Providencia Axis.

Concepcion and Valparaiso are becoming increasingly important.

The Antofagasta region is the region with the highest GDP per capita in the country (exceeding USD 25,000 per person).



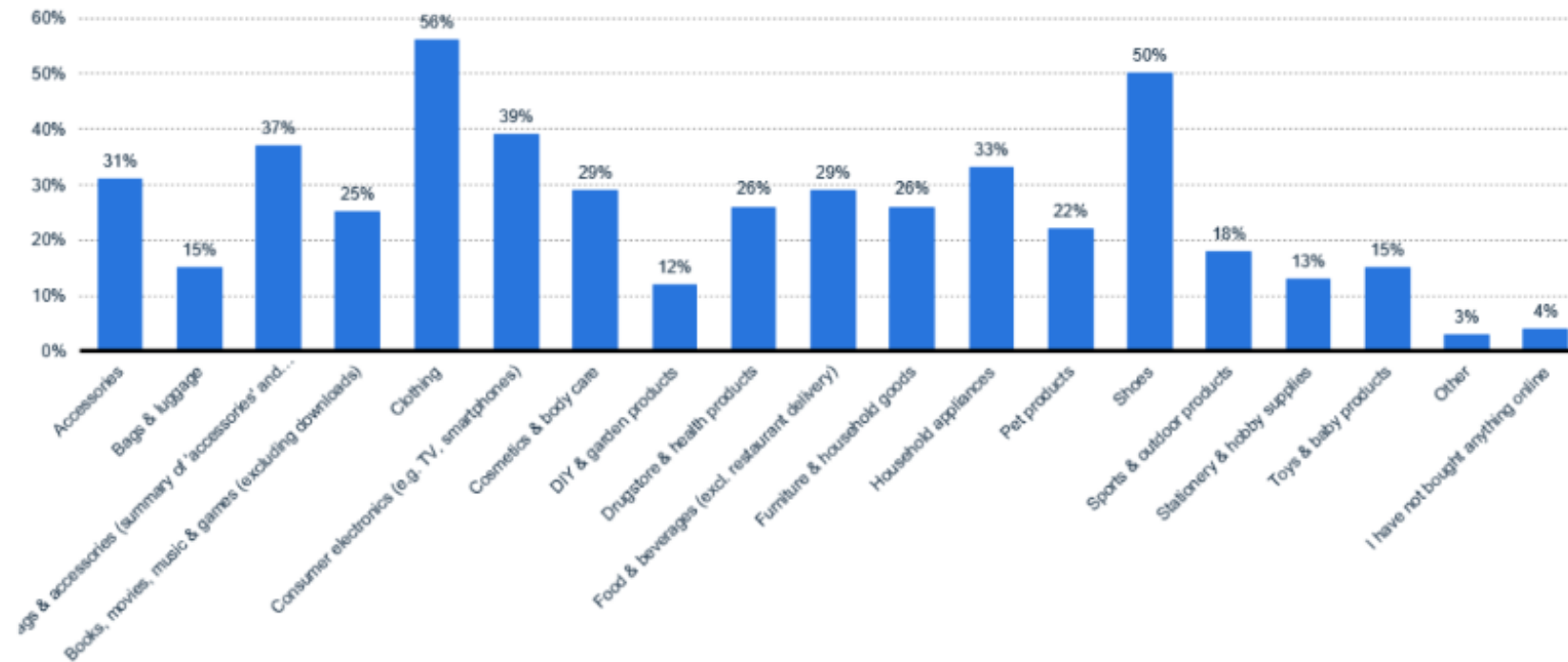
# E-COMMERCE

- The main means used by Chileans to go online are phones, computers and tablets.
- The principal items bought online are clothing (56%), shoes (50%) and electronics (39%). Regarding books, 36% of consumers prefer to buy in bookstores.
- Online sales have increased, on the other hand, thanks to platforms such as Marketplace, Baby Tuto, Falabella, Ripley.
- In 2021, ecommerce grew by 23% and 63% of the Chilean population already accesses this sales channel.
- Average spending per internet user would be around USD 842 per year (2021).
- Regarding the toy market: Mercado Libre platform and toy shops such as Falabella, ToysCenter, Jugueterías Ansaldo, Bodega Outlet, TicTacToys, Importadora Luo or Juguetería Caramba.
- Regarding children's clothing: Zara or Bershka belonging to the Inditex group, but also national shops such as Pillin, Ficcus, Ama kids, Dafiti, Colloky, Milou, Falabella, LB Chile, Cozy Kids or María Pompón.
- Regarding books: back in 2010, only 288 e-books were published in Chile. More than 10 years later, that number has grown more than 7 times, going over 2.000 books a year.



# E-COMMERCE

- The main means used by Chileans to go online are phones, computers and tablets.
- The principal items bought online are clothing (56%), shoes (50%) and electronics (39%).
- Ecommerce grew 23% in 2021.



Which products consumers would rather buy online, rather than offline

# COMMERCIAL OBSTACLES

Some obstacles foreign companies can find are the following:

Many unnecessary notarised documents (certificates of good conduct of workers, certification of previous projects etc.) are needed.

- "RUT" (a tax identification number which foreign companies obviously don't have) is required.
- Legislation does also, under certain conditions, prohibit foreign companies from participating in tender procedures
- Some products (including toys) require pre-market certification. Textiles and shoes do not require prior certification but must comply with certain requirements for their marketing like labels.
- Product wise, European companies will have a lot of difficulties competing in costs with other exporters like China or Bangladesh.





# CIRCULAR ECONOMY



The circular economy is a new economic model with a systemic vision. The concepts of green economy, use economy or functionality economy, performance economy and industrial ecology are part of the circular economy. It is an economic model which aims to use resources efficiently and sustainably, without generating waste. The goal of the Circular Economy is to replace linear systems (extraction, production, consumption, disposal) with circular systems.

According to statistics gathered from 1 January 2022 to 11 April 2022, debates relating to the circular economy account for 5% of national discourse in Chile (as opposed to the other American countries where they account for just about 3% of national discourse).

In Chile, the Circular Economy Office, under the Ministry of Environment promote reuse and recycling methods, such as Chile Circular Sin Basura, providing Chilean citizens with methods and strategies for reuse and recycling.

There are private-public agreements to promote circular economy.

The Atacama Desert in Chile is the largest garment dump in the world. Despite cases like this, the circular economy is starting to take root in the country.

In 2019, the reuse rate of toys in Chile was only 10% and, with the intention of promoting the circular economy and reversing this low rate, the "Toy x toy" was launched initiative, which advocates extending the life cycle of toys and raising awareness of the importance of repair and re-use.

A small niche has been created in the textile and footwear sector related to environment, it has been enhanced by sales and publishing through the Internet. It is increasingly common to find small stores that thanks to the support of social networks, have specialized in the sale of organic clothing and footwear.



# SUSTAINABILITY



Chile is one of the developed countries most committed to sustainability. It ranks 28th in the world, ahead of countries like the USA and Australia.

Many laws and tools are used to promote sustainability in Chile. For example, the law promoting recycling (Law n° 20.920) or the creation of a ministry of ecology.

Companies are developing in Chile to recycle products. For example, the company “Modulable” collects old toys, repairs them and distributes them to associations and companies

The Chilean population whose children are aware of the importance of environmental protection.

Chile ranks as most worried about sustainable measure and environmental protection (compared to other South American countries), with 84% of the children showing preoccupation for the environment and its protection.

# GENDER

Chile as a country is struggling to eliminate the gender gap in society (salaries, education...), despite actions from the Ministry of Women and Gender Equality. The gender gap in Chile is 73.6%, still below average.

There is a global trend towards the non-separation of toys by gender. There have been campaigns such as the Tinku Ball Campaign (launched by the organization Futbolmas) or the campaign "Let Toys be Toys".

In the children's clothing sector, the gender difference is more significant than in toys.



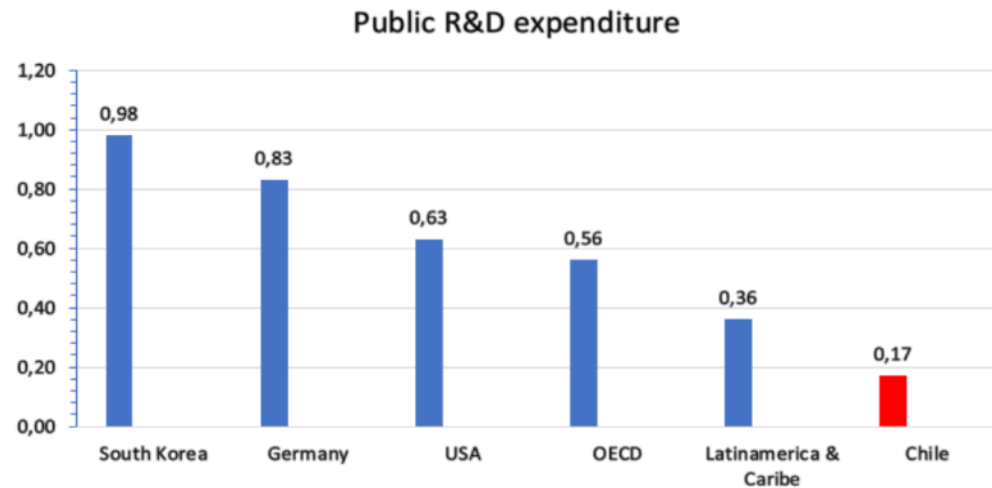
# SDG

- Chile is one of the developed countries most committed to sustainability.
- Many laws and tools are used to promote sustainability in Chile
- Companies are developing in Chile to recycle products (toys...)
- Compared to the US and South Korea, many of the goals in Chile are on track to maintaining their achievement.



# DIGITISATION

The Chile Digital 2035 transformation strategy recognizes that Chile is above the Latin American average in terms of citizens' internet use. Digital commerce in the country has been boosted by the COVID-19 pandemic 91% of companies had internet access. However, the quality of access was not optimal. The investment made at a national level in Research and Development, as well as in innovation is relevant. Chile is behind in these aspects.



# SWOT



## STRENGTHS

- Followers of European Trends (gender equality)
- Digitised country
- Access to online banking
- Great impact of communication actions
- No import taxes for EU countries

## WEAKNESSES

- Low birth rate
- Not a big market compared to other Latin American countries (over 17 million inhabitants compared to, for example, 46 million in Argentina).

## OPPORTUNITIES

- European countries are culturally similar to Chile
- Chilean market perceives European products as high quality, also with high compromise with sustainability
- Globalisation has homogenised trends in fashion and footwear
- Most of TV programmes and films are seen worldwide, and these have massive impacts on children desire

## THREATS

- Cheaper production costs in Asian countries
- Geographical distance may increase transport costs
- Circular economy is yet to be developed in the country
- Generalised inflation



# **SOUTH KOREA Market Study**

# MARKET STUDY SOUTH KOREA

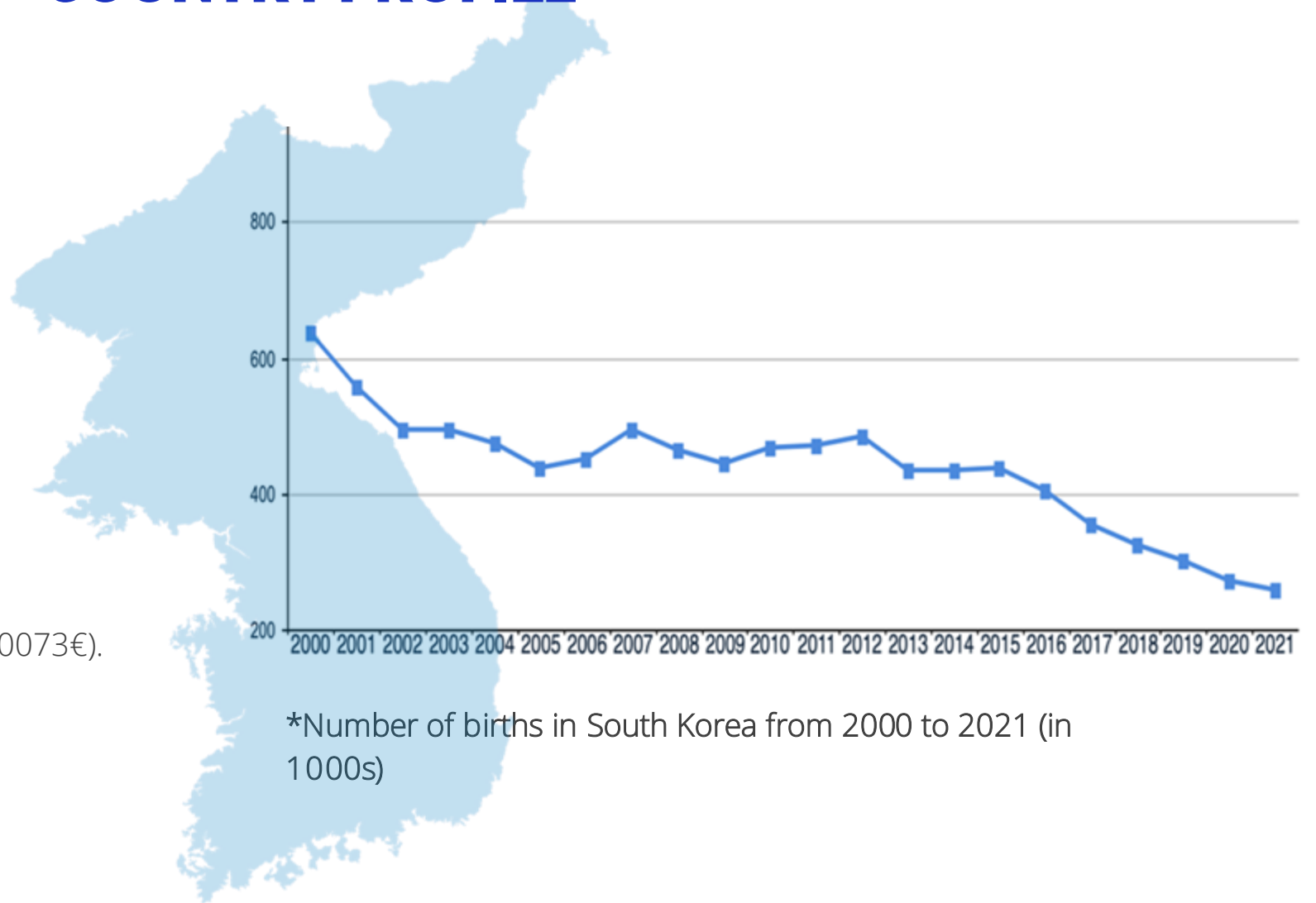
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9. Circular Economy
10. Sustainability
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14. SWOT
15. Main Aspects Related to Implementation



# COUNTRY PROFILE

- Area : 100.370 Km2.
- Population: 52 million.
- Number of children: 7,3 million (2022).
  - Aprox. 2,1 million in Gyeonggi Province.
  - Aprox. 1,1 million in Seoul.
- Average Age: 43,7 years.
- Decreasing number of children.
- GBP per Capita (2021): \$47.770 PPA.
- Korea's national currency is the won (1won=0,00073€).
- Korea maintains diplomatic relations with 170 countries.



# TRENDS IN THE SECTORS

## Toy Market

- Educational toys are the most popular (example: science, robotics).
- Annual growth rate of toys market: 4,4% (2015/2020).
- Tendency for parents to buy quality toys even at a higher price.
- Importance of Kidult.
- Trending in popular characters (example: Squid Game, Funko Pops). *Pororo the Little Penguin* = one of the most successful licensed characters.



## Clothing and Footwear Market

- Importance of high quality, fashion and aesthetics.
- Korean brands often offer children's shoes with playful patterns, bright colours and original designs.
- 71% of South Korean consumers prioritize quality over price.
- National brands are much stronger in children's clothing than in women's or men's clothing.
- Many textile companies have been investing in digital technologies and e-commerce platforms to adapt to changing consumer behaviour.
- The most used sales channel for these are social commerce platforms (example: WeMakePrice).

# TRENDS IN THE SECTORS

## Book, Furniture Market

- Children's books are known for their high quality. Illustrations and designs are often very elaborate and appealing to children.
- Important market for books published in English (not only Korean).
- 13% of people surveyed read every day/most of the days (2017).
- Furniture made of high quality materials (example: solid wood, plywood, resistant plastic).
- Lately minimalism, just like in fashion, has been a powerful trend in the country



## Food Market

- Importance of healthy, organic and nutritious products. It projected to reach USD 327.8 billion by 2027, growing at a CAGR of 16.4% from 2020 to 2027.
- Baby food is an important segment of the children's food market. It worth \$1.1 billion in 2020. And have a CAGR of 3.1%



# CONSUMER BEHAVIOUR

- Preference for locally made: value quality and cultural significance (64.6% of South Korean consumers preferred to buy locally).
- Close attention to safety.
- Consumers place a high value on the aesthetic appealing.
- Increasing demand of sustainable products.

## Regarding MARKETING:

- The impact of advertising is greater on TV than on other media. The study showed that TV advertising had a 47% reach in driving brand awareness and a 32% reach in driving sales.
- Growth of online shopping: in the last 12 months, 60% consumers bought toys online.
- Consumers are very brand conscious and easily influenced by what their favourite artists recommend.



# IMPORT POTENTIAL

Almost 70% of Korea's toys are imported from other countries and Korea ranks as one of the top ten clothing importers in the world.

China is Korea's largest merchandise trade partner.

Categories (Tariff code)	Value imported in 2021 (USD)	Main providers
Toy market (3213, 3407, 95)	3.001.915 thousand	China, Japan and USA
Apparel and footwear (61, 62, 64)	13 billion	China and Vietnam
Food (19, 21)	3.755.413 thousand	China, USA, Germany and France
Furniture (63, 94)	5,5 billion	China, Vietnam and USA
Books for children (49)	319 million	China



# IMPORT POTENTIAL

Perception of European products: superior quality due to several factors:

- The design is often very careful, with great attention to detail and aesthetics.
- High quality materials.
- Association with prestigious brands.
- Appeal ultimately depends on their relevance on the Korean market.



# DISTRIBUTION CHANNELS

## Online Channels

- E-commerce websites (example: Coupang). The revenue generated by online toy sales in South Korea was approximately USD 548 million in 2020.
- Social commerce platforms (example: Ticket Monster).
- Most used search navigator: Naver.



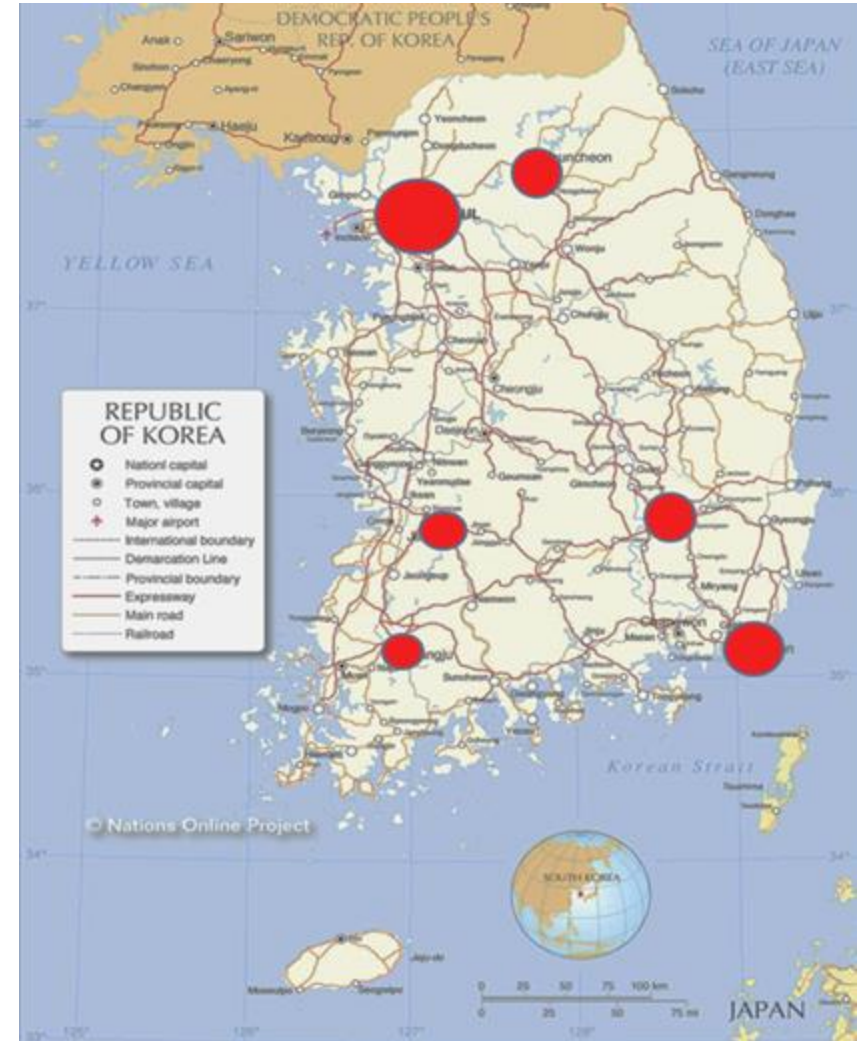
## Offline Channels

- Department stores (example: Lotte).
- Toy specialty stores (example: Toy-R-U's).
- Supermarkets (example: E-Mart).
- Convenience stores (limited)
- Physical stores accounted for around 83% of the total toy retail value in 2020.
- Fairs (examples: Busan Bexvo Baby Salon, Kooding, Stylenanda, Codibook, etc.)

**Advisable to use a local partner, normally through licensing or franchising.**

# BEST LOCATIONS FOR MARKETING

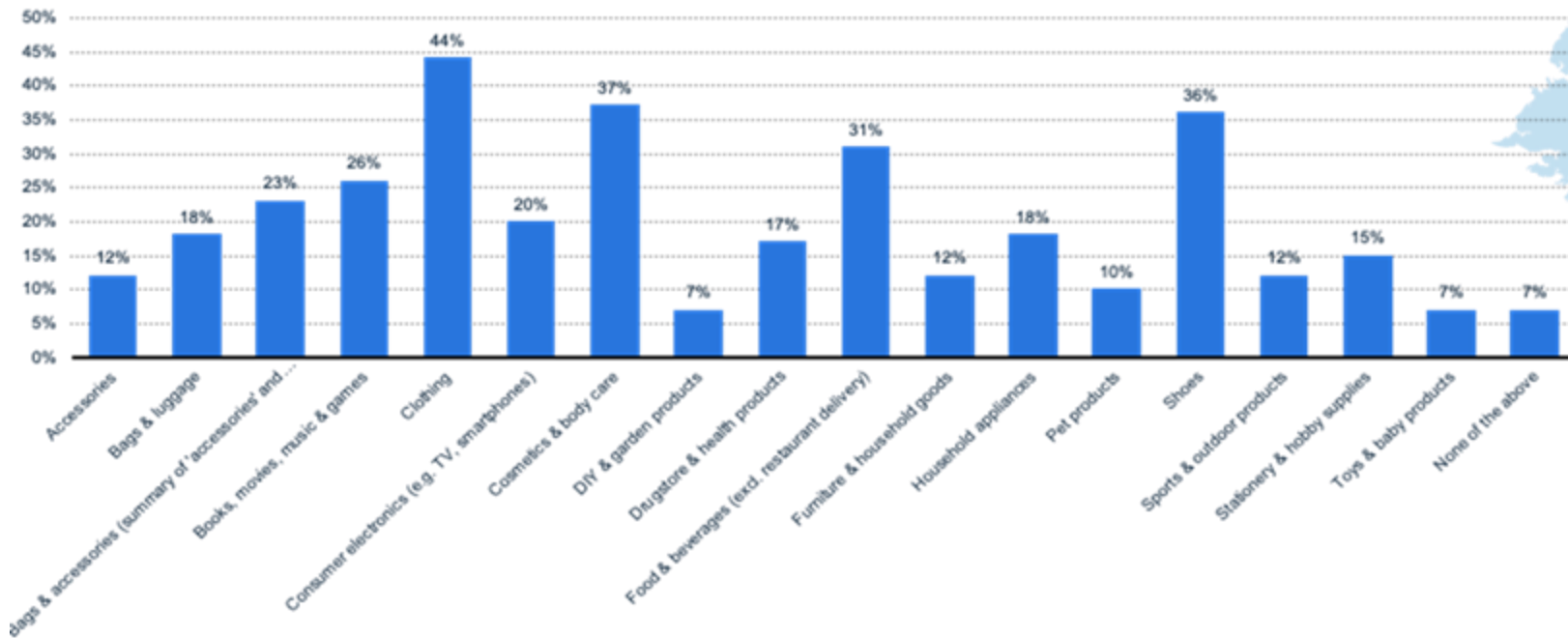
- The majority of the population lives in the capital **Seoul** or its metropolitan area (about half of the population: approximately 9.7 million people). Industrial hubs: Osong Bio.Technopolis.
- **Busan** (3,5 million inhabitants): 5th biggest port in the world, organized high profile international commercial events.
- **Incheon** (2,9 million); first free economic zone.
- **Daegu** (2,4 million): hub for the high-tech, textile and fashion sectors.
- **Daejeon** (1,45 million).
- **Gwangju** (1,4 million) .
- **Ulsan** (1,1 million): concentrates on the food sector.



# E-COMMERCE



- Some sectors are very present online, such as clothing and cosmetics, with 44% and 37% respectively. Fashion is the leading category in this type of retailing.
- Biggest player: Coupang (market share of around 24% in 2020)
- Online shopping expected to rise to 40,5% by 2025.
- The percentage of consumers using Internet has increased from 2014 (78.8%) to 2021 (92%).



The chart shows what were the online (in comparison to offline) purchases made in 2022, per category

# COMMERCIAL OBSTACLES

- Some obstacles for foreign companies include:
- Intellectual property protection: South Korea has strong intellectual property laws.
- Cultural barriers: and a preference for the locally made in certain sectors.
- Certification requirements for certain products: products need to be certified by local authorities. Objective: ensure they meet quality and safety standards.
- Language: foreign products may need to have labels and instruction in Korean.





# CIRCULAR ECONOMY



It is an economic model which aims to use resources efficiently and sustainably, without generating waste. The goal of the Circular Economy is to replace linear systems (extraction, production, consumption, disposal) with circular systems.

- In South Korea, the government has been actively promoting the Circular Economy as part of its green growth strategy. Result a CAGR of 14.3% from 2020 to 2025.
- In the toys sector, the government has been encouraging the use of eco-friendly materials and the development of sustainable products.
- In the clothing sector, the government has been promoting sustainable fashion and circular economy practices.
- Emerging regarding furniture. New concepts (example: renting furniture).
- Examples: Muzenik (the company makes musical instruments for children from recycled materials), DearLoa (baby clothing), o Mimi & Lula (the company produces children's accessories, such as backpacks, barrettes and scarves, from recycled materials), etc.

Position compared to other countries: important position, one of the leading countries but lags behind compared to European countries.



# CIRCULAR ECONOMY



- Growing demand for sustainable products in South Korea:
- Over 70% of South Korean consumers consider environmental and social impact when making purchasing decisions.
- 60% of consumers are willing to pay more for sustainable products.
- Consumers who purchased eco-friendly products increased from 35,5% in 2016 to 44,9% in 2019. In the same period, the proportion of companies that adopted eco-friendly practices also increased, from 33,6% to 44,9%.
- Government also takes part in the initiative. Example: 2030 Green New Deal.
- Recycling rate of plastic toys: 58,2% (2018) and reuse rate for clothing: 20% (2018).

# GENDER

- Toys are being designed to be played with by children of all genders, without distinction. For example: toys made by the Company Toyking Co, Ltd. Or Wonderlab.
- In general, Korean outfits are simple and with neutral colours. In any case, unisex fashion is a trend in the country. Example: Nike launched a gender-fluid store in Hongdae.
- Gender inclusive fashion is popular, carried out by celebrities such as BTS.
- Government is also taking action: in 2019 the Ministry of Gender Equality and Family launched a campaign to promote gender-neutral toys.



# SDG



- The government has been actively working to achieve the SDGs: national indicators, established an implementation plan and number of initiatives, voluntary national reviews and they are being integrated in sectorial action plans.
- Major challenge (example: gender equality or climate action), significant challenge (example: responsible consumption) and a slight challenge (example: industry, innovation and infrastructure).



# DIGITISATION

- One of the most advanced countries in terms of business digitalisation: about 90% of Korean companies are digitised.
- Digital toys are becoming increasingly popular among consumers, leading to an increase in demand for products such as video games, children's tablets, and interactive robots.
- Some Korean companies which have incorporated digitisation are Robobloq (instructive robotics kits), Yoto (interactive audio players), Ditto (apps that let children use smartphones to interact with their toys...



# SWOT



STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"><li>-Highly educated and skilled workforce with strong work ethic.</li><li>- Advanced technology and infrastructure</li><li>-Strategic location in Northeast Asia</li><li>-Well-established and advanced logistics and transportation networks</li><li>-Strong government support for business</li></ul>	<ul style="list-style-type: none"><li>-High cost of living and doing business</li><li>-Strict regulations and bureaucracy</li><li>-Limited natural resources and dependence on imports for many key industries</li><li>-Aging population and low birth rate could lead to labour shortages in the future</li><li>-The environment can be complicated to understand for foreigners</li></ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"><li>-Increasing interest in Korean culture and products in global markets</li><li>- Dynamic economy with a growing middle class and increasing demand for foreign products and services</li><li>- The country is also known for its expertise in technology, which offers opportunities for foreign companies to benefit from new technologies to develop new products</li><li>-Growing emphasis on sustainability and eco-friendliness, creating opportunities for companies in these areas</li><li>-Potential for increased cooperation and trade with neighbouring countries, including China, Japan...</li><li>-Strong government emphasis on innovation and research and development, with generous funding for startups and small businesses</li></ul>	<ul style="list-style-type: none"><li>-Political and economic tensions with North Korea, which could impact business and investment confidence in the region</li><li>-Intense competition from other countries such as China and Japan</li><li>-Vulnerability to natural disasters</li><li>-Risk of a trade war or protectionist policies from other countries, which could negatively impact South Korean exports</li></ul>



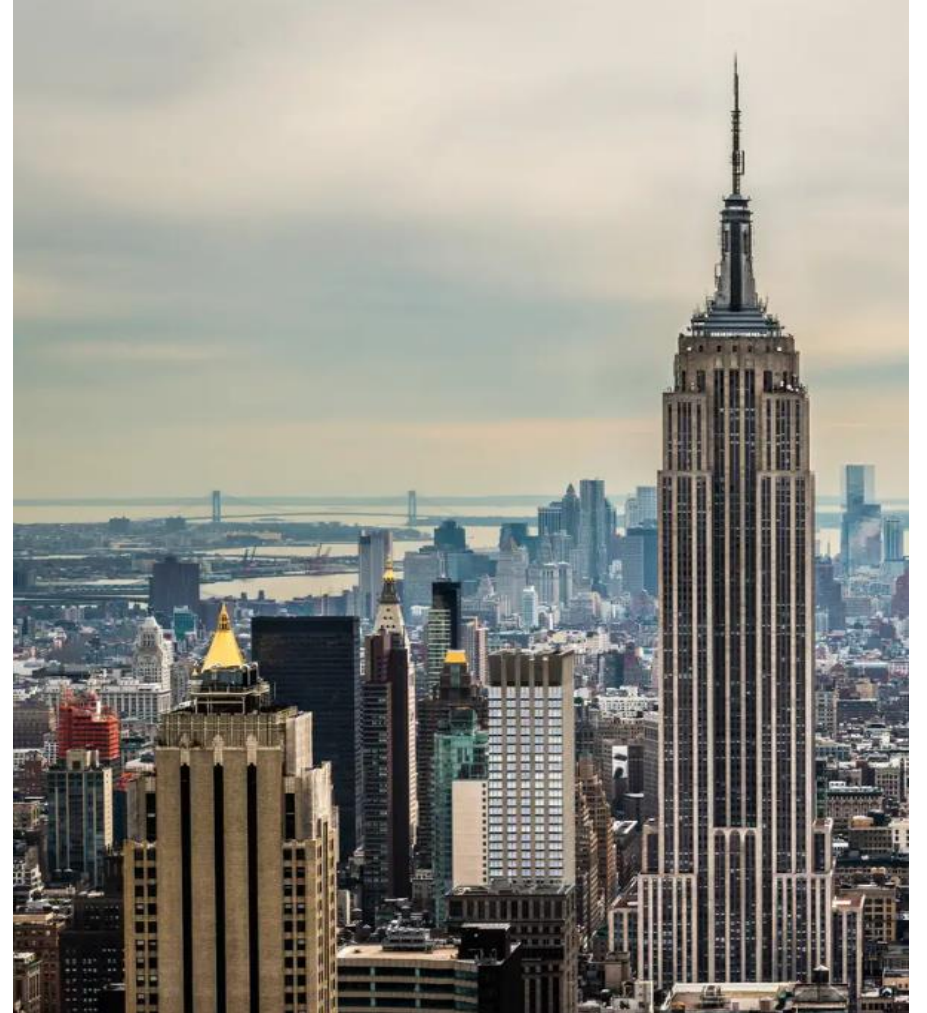


# UNITED STATES Market Study

# MARKET STUDY UNITED STATES

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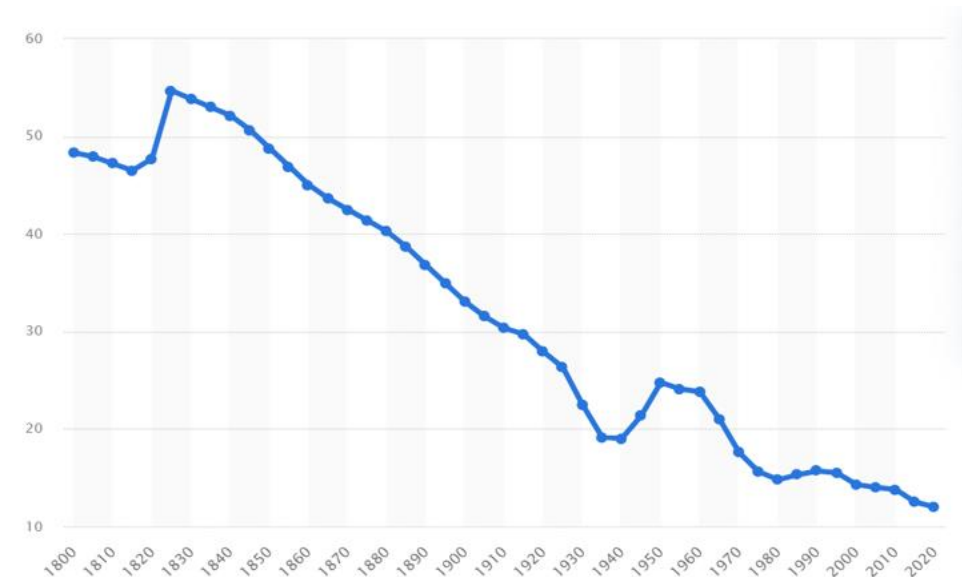
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# COUNTRY PROFILE



- Area : 9,834,000 km<sup>2</sup>.
- Population: 331,9 million.
- Number of children (0-17): 74,2 millions (2022).
  - Ages 0-5: 24,8 millions.
  - Ages 6-11: 25,3 millions.
- Median Age: 38,5 years.
- Decline of birth rate.
- Real GDP per capita: \$70,480 PPA (2021).
- National currency is United States Dollar (USD) (1 USD=0,93 €).
- GDP growth rate: 2.6% (annualised rate, third quarter of 2022).
- Gross national income \$23.4 trillion (2021).



Crude birth rate in the United States from 1800 to 2020

# TRENDS IN THE SECTORS

## Toy Market

- Toy industry sales have increased 2%, reaching 36,7 billion USD.
- The sales revenues have increased 30% in comparison to 28.300 billion USD generated in 2019 after the pandemic.
- Plush toys experienced the biggest growth of 32%, followed by action figures, construction sets and accessories with 12%, exploratory toys and other toys at 10%.
- Outdoor and sports toys and dolls had the biggest decrease in sales, falling down to 7% and 8%, respectively.
- Pokémon was the one that achieved most sales, followed by Star Wars, Barbie, Marvel Universe and Hot Wheels.
- Average American family spends around \$581 a year on toys.



## Clothing and Footwear Market

- Unisex clothing is gaining in popularity, as it recorded a 27% increase in 2020.
- Children's clothing market in the United States generated revenues of more than \$3 billion in 2020.
- Main online sales point: Amazon, Walmart, DSW, Shein...
- The children's footwear market size in the US is at around \$10 billion in 2021.
- Presence of strong brands (Adidas, New Balance, Nike..), but also smaller players. Popular new niche brands for footwear are Livie & Luca, See Kai Run or Rediped.
- Trends are driven by: fashion, popular culture and technological advancements.
- Growing of sustainable fashion.
- Challenges include increasing competition, easily changing preferences and rising costs of production.
- 46% of fast fashion retailers reported a drop since 2020, whilst 55% consumers show interest in sustainable brands.

# TRENDS IN THE SECTORS

## Book, Furniture Market

- Leading brands in the furniture market are: HomeStore, Ikea, Rooms to go...
- Adoption of smart home technology.
- Furniture and linens market size of around 272 billion USD and projected compound annual growth rate of 6% (2021-2026).
- Book sector is a highly competitive market.
- Growing trend in children's book to show a bigger diversity and representation.
- According to data from the Association of American Publishers, the children's and young adult book market in the US generated \$3.5 billion in revenue in 2020, up 7.6% from the previous year.



## Food Market

- According to a study the US child food market was valued at around \$70 billion in 2020 and is expected to reach nearly \$90 billion by 2026.
- The most popular brands of children's food in the United States are Gerber, Beech-Nut, Ella's Kitchen or Happy baby. These brands focus on healthy, organic products for children, as well as gluten-free vegetarian options.
- Growing concerns about the sugar, salt, and fat content of children's foods, as well as the use of artificial food colours and additives.
- Organic food is gaining market share as it accounts for about 50% of total baby food sales in the US.

# CONSUMER BEHAVIOUR

- Toy industry can find a niche among adults, who are nostalgic for their childhood = **kidult** (example: adults welcome campaign launched by Lego (2020): responsible for 1/\$ of all toy sales (2022).
- US children's product consumers are very price sensitive.
- A quicker pace of brand changing, compared to the pre-Covid period. 36% consumers have tried different brands and 73% intent to continue to incorporate new brands (2020).
- Children's books, educational games and toys that promote cognitive development are in high demand



# CONSUMER BEHAVIOUR

- Regarding marketing:
- Concern and more interest around environmental issues.
- 17% of people rely on Instagram when making a fashion choice, doubling the figure shown five years ago. Importance of the figure of “influencers”.
- Study conducted in 2018 showed 81% of parents allowed their children <11 to watch YouTube.
- Growth of online shopping.
- Brands may benefit from other strategies like in-movie product placements or cinema commercials (example: movie Barbie launched by Mattel or Dungeons & Dragons launched by Hasbro).



# IMPORT POTENTIAL

The United States of America's imports represent 13,1% of world imports and its ranking in world imports is 1.

The most in-demand goods for final consumption are cars, clothing, medicaments, furniture, and toys.

Due to the global disruption of supply chains, the number of products that are manufactured within U.S. borders is increasing, to avoid shipping delays and cargo problems.

Categories (Tariff code)	Value imported in 2021 (USD)	Main providers
Toy market (95, 3213, 3407)	51.736.985 thousand	China (France for TC 3213)
Clothing and footwear (61, 62, 64)	115.695.272 thousand	China and Vietnam
Food (19, 21)	22.167.289 thousand	Canada, Mexico, Singapore and Italy
Furniture (6301, 6302, 6307, 9403)	103.335.931 thousand	China, India, Pakistan and Mexico
Books for children (49)	5.062.492 thousand	China and Canada



# DISTRIBUTION CHANNELS



For the older customer, the physical channels are to be preferred since the opportunity to touch and even try the products before purchasing is very important. Walmart is the leader of offline retail, followed by Target.

Younger consumers tend to be more comfortable with technology, so they can enjoy customising the online shopping experience.


A third of American parents (34%) purchase toys and games exclusively online, while the proportion of those, purchasing toys and games exclusively offline is estimated around one fourth of all customers (24%).

A large part of the products are sold through large areas such as Walmart, Target, and Costco (online and in physical shops). There are also specialized stores with a more targeted selection.

Regarding the largest commercial districts in the US, we find New York City's CBD in lower Manhattan, The Loop (Chicago), Financial District, Historic Core and Old Bank District (Los Angeles). Directories can also be found online to redirect to specified stores; for example LA Fashion District lists all the children's clothing shops in the area of LA.



# BEST LOCATIONS FOR MARKETING



Since the US territory encompasses many states: PESTEL analysis to define the best performed states in each category.

**Political:** The best state for financial stability is Alaska, followed by South Dakota, Tennessee, Idaho, and Utah.

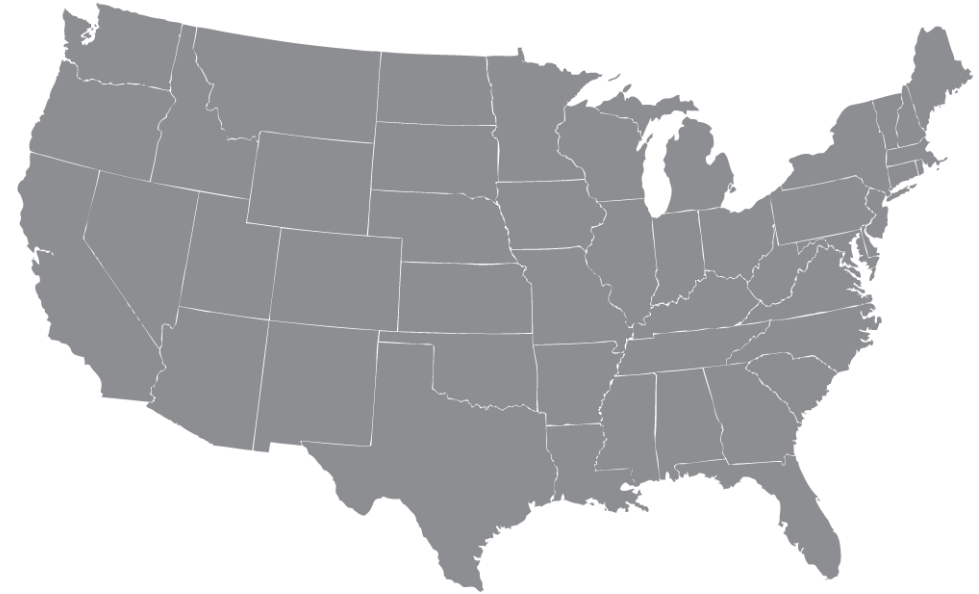
**Economic:** Utah, followed by Colorado, Idaho, Washington and Massachusetts.

**Social:** highest birth rates: Utah, North Dakota, Alaska, South Dakota, Texas.  
Education: New Jersey, Massachusetts, Florida, Washington and Colorado.

**Technological Innovative:** Massachusetts, Washington, District of Columbia, Maryland and Colorado.

**Environmental:** Hawaii, New Hampshire, South Dakota, Minnesota, and New York.

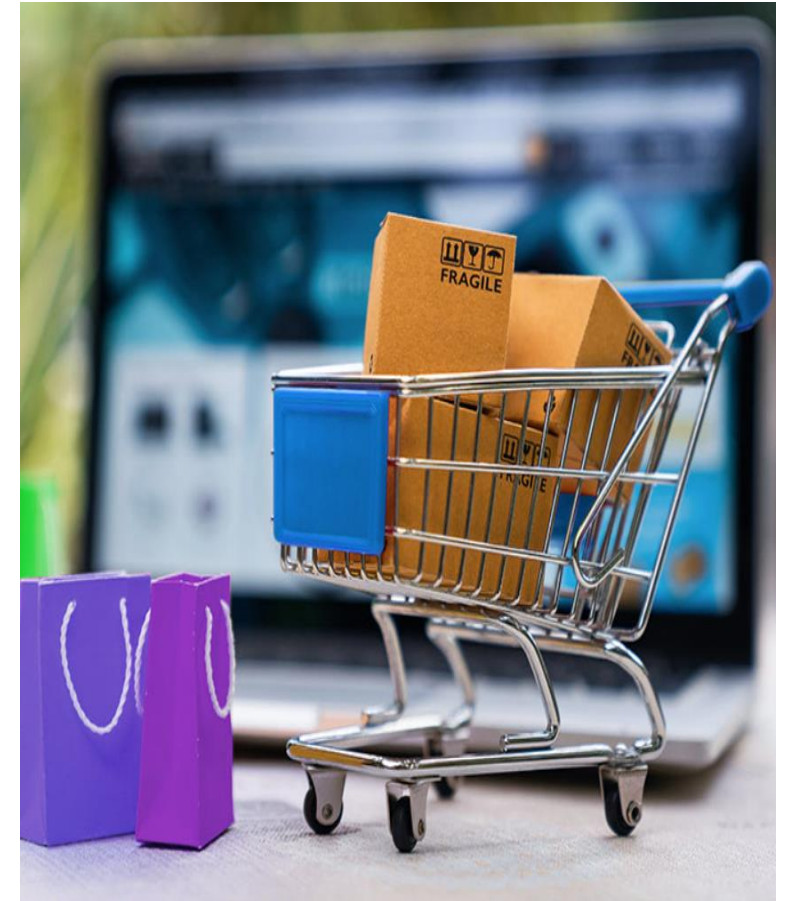
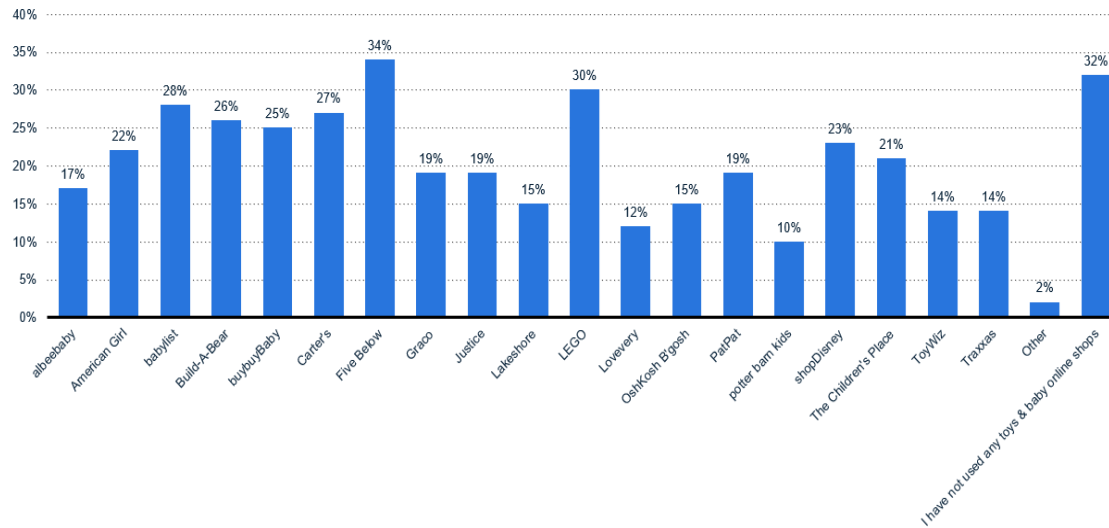
**Legal:** Delaware, Wyoming and Nevada.



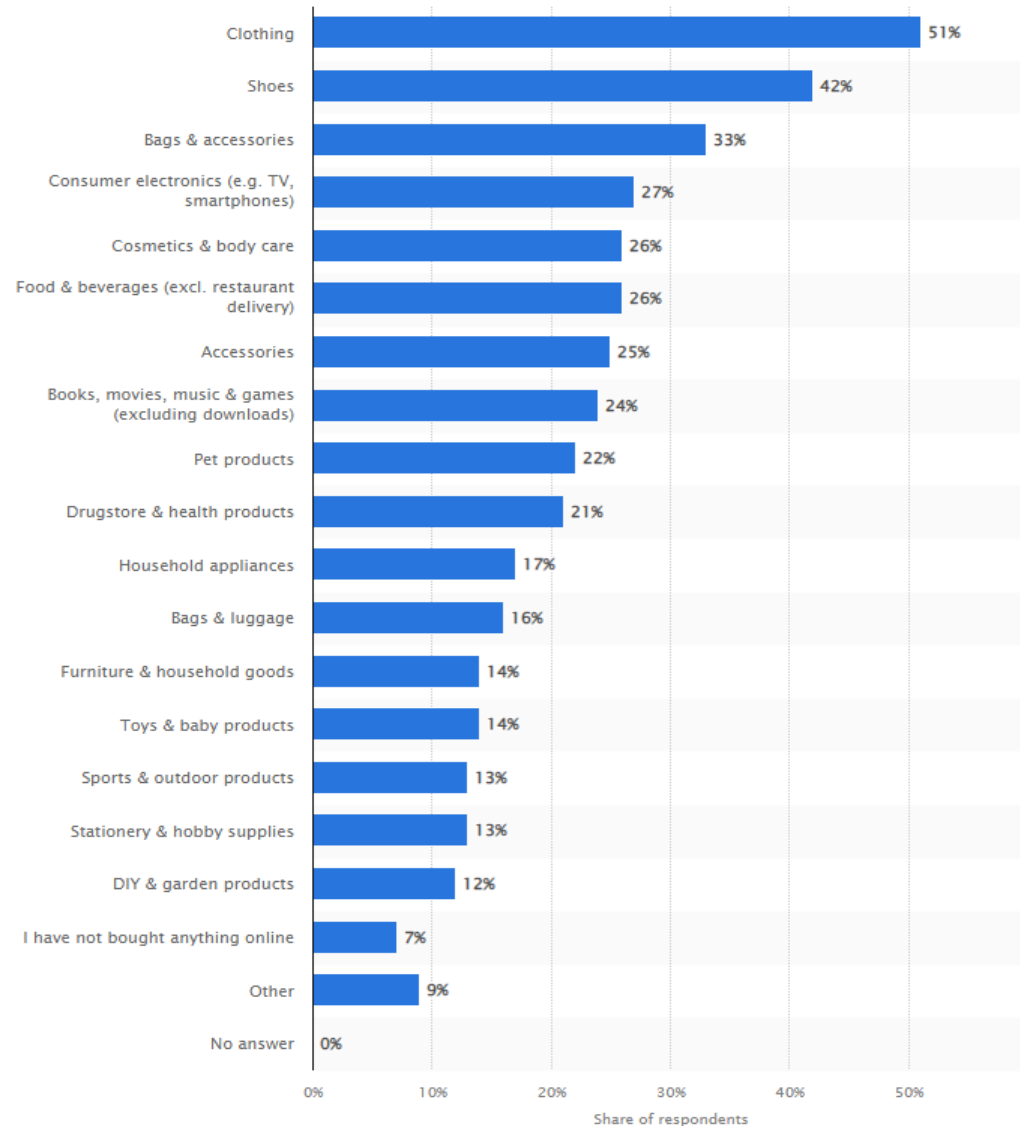
# E-COMMERCE

- 2nd largest market for eCommerce: generating revenue of 862.4 billion USD in 2021.
- Increase of 22% in 2021. Yearly estimated growth of 14% between 2021 and 2025.
- When buying online, the average purchase is around 3 items at a time.
- The leader in the U.S. eCommerce market is amazon.com.
- The biggest growths is online shopping (before covid-19 – post covid-19 comparison), which represents a growth of 38% (compared to other forms of purchasing).

Toys and baby online shopping, by brand:



# E-COMMERCE



The graph shows the most common online purchases, by category (2022)

The multi choice survey was conducted among 9.989 consumers:

- 51% of times the most bought items online were clothing, closely followed (42%) by shoes).
- 26% of consumers bought food and beverage online.
- Toys and baby clothes were only bought online for 14% of consumers.

# COMMERCIAL OBSTACLES

Some commercial obstacles a foreign company might be submitted to:

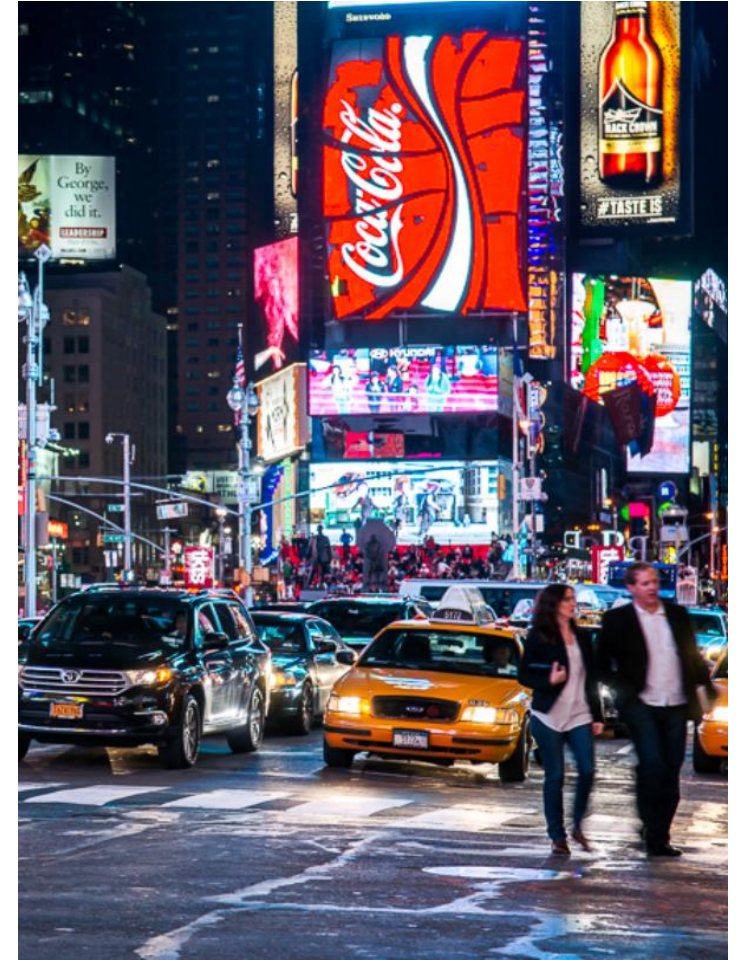
Importers must notify the CBP (Customs and Border Protection) Agency of any characteristics of imported goods. The CBP will examine the items and assess estimated tariffs based on their worth, they might also impose additional taxes for imported goods sold at an unusually low price. Objective: safeguard local market.

US ranks 16th in contract enforcement. It takes approx. 370 days to file and serve documents and conduct a trial.

To be lawfully imported and sold in America, toys and children's products need to have a Children's Product Certificate, or CPC.

Highly competitive market (example: local players such as Amazon, toys r Us, Disney, etc.).

Other barriers: regulations, intellectual property rights, high import costs, etc.



# CIRCULAR ECONOMY

**The circular economy model:**  
less raw material, less waste, fewer emissions



It is an economic model which aims to use resources efficiently and sustainably, without generating waste. The goal of the Circular Economy is to replace linear systems (extraction, production, consumption, disposal) with circular systems.

It is predicted that using circular economy, companies involved could obtain up to 4,5 trillion USD, as well as create 6 million jobs by 2030.

The United States has promoted certain actions at a national level to reduce waste, organized in these categories. For example, in New York this January, State Sen. Toddy Kaminsky (D) introduced an EPR bill that has gained broad support, and similar legislation has been introduced or is being considered in other states.

Measures adopted by many companies that operate in the US: Lego Replay Campaign. Dagoma's Toy Rescue, LOL Toy Line (MGA Entertainments), US ThredUP, Vigga, etc.

If we compare the circular economy of the US with that of Korea, which is considered one of the leading countries in this field, we realize that economic and social inequalities, sustainable resource management and waste management are issues that the country has not yet addressed. The difference in development between the two countries can be explained by several factors such as the size of the country, but also the political priorities.



# SUSTAINABILITY



The use of new sustainable materials is being investigated and implemented.

Nearly two-thirds (64%) of Americans are prepared to pay more for sustainable products, and 78% of individuals are more likely to purchase a product that is explicitly marked as environmentally friendly.

Men aged 25-34 are the most likely population segment to buy sustainable fashion.

Women under 35 are the largest target for fast fashion.

73% of millennials are willing to pay more for sustainable brands and 55% of consumers are interested in buying sustainable fashion.

# GENDER



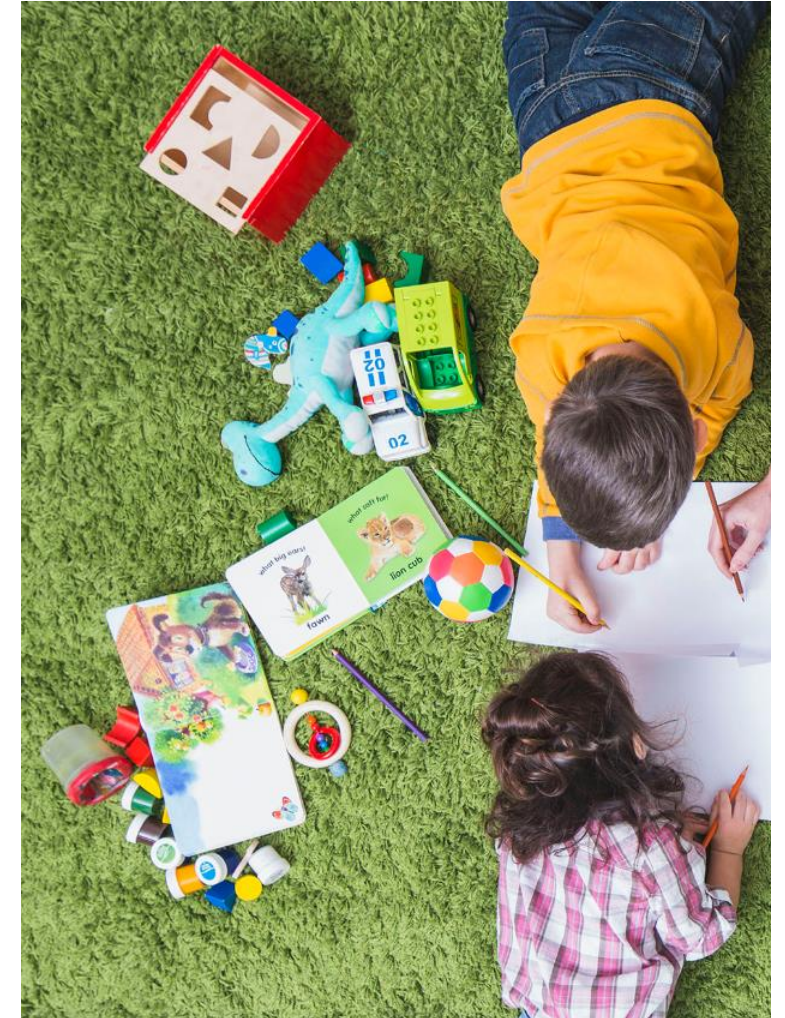
In 2017: 61% of people in the US considered themselves to be a feminist, even though the fact that it was the 48th country in the world in terms of gender equality in 2021.

Children begin to conform gender stereotypes as early as age 2.

Importance of advertisers: children are exposed to approx. 13 advertisements a day.

60% of American mothers prefer to buy products without gender stereotypes for their children.

Unisex clothing is gaining popularity.



# SDG

US hasn't shown much interest, slightly lacking and in any case rating behind Korea and Chile. Many of the goals are stagnated and very few are getting better, in addition to the government having shown very little effort for their implementation.



# DIGITISATION

As more kids are exposed to digital technology at an earlier age and want interactive and engaging experiences from their toys, digitisation has grown more prevalent in the toy industry.

Creation of digital versions of traditional toys (example: monopoly and scrabble).

Several innovative companies such as: WowWee (interactive robotic toys, like MIP), Lego Boost (children create and program their own robots) and Mattel (augmented reality).



# SWOT

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"><li>- Can offer a different experience and atmosphere for American customers who are looking for something new and exciting.</li><li>- European culture is popular in the U.S., so these products can capitalise on this interest in European products.</li><li>- Superior product quality, quality materials and great focus on detail.</li><li>- Innovative and unique design that could stand out from traditional American brands.</li></ul>	<ul style="list-style-type: none"><li>- Products may be unknown in the U.S. and will need a significant marketing campaign to gain exposure.</li><li>- They may face strong competition from established U.S. brands in the children's toy/clothing/furniture industry.</li><li>- Production costs in Europe may be higher than those of U.S. competitors, which could affect pricing and profitability.</li><li>- Cultural differences may lead to marketing mistakes and misunderstandings with U.S. consumers.</li></ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"><li>- There is a growing demand for quality and design products in the U.S. children's toy/clothing/furniture industry.</li><li>- The brand can capitalise on the increased spending on children in the U.S.</li><li>- Partnerships with U.S. retailers can help increase brand awareness and expand the customer base.</li><li>- Size of the market, which is one of the largest in the world.</li><li>-USA is one of the most innovative countries in the world</li><li>- Events and trade shows can help promote the brand to US consumers and distributors.</li></ul>	<ul style="list-style-type: none"><li>- International trade restrictions can increase import costs and affect profitability.</li><li>- Exchange rate volatility can affect the Spanish brand's costs and profitability.</li></ul>





# Thank you!



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Lifestyle & Design Cluster.

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Funded by  
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