

# FLUNKY Toys: Expanding Aryan Raj's vision to a new Dimension

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## I. INTRODUCTION

On a Saturday afternoon, 2023 Mr. Aryan Raj was busy in a brain storming & ice breaking session along with his stake holders to reach a point at which several decisions to be taken that would determine the future of the company. Aryan was the founder of FLUNKY, a start up company marketing indigenous toys in an exclusive showroom in Delhi's heart. It was established in the year 2018 and running successfully since then. With a passion for toys sparked by his father's stories about India's 5,000-year-old toy-making legacy, Aryan aims to provide high-quality, affordable toys for children aged 5-15. The toys not only augment child's mental & physical dexterity but imbibe a sense of cohesiveness & camaraderie. His father's thought has casted an indelible impression in his mind and he decided that one day he would kick start his own venture in this segment. According to Mr. Aryan Raj the Indian toy industry growth is tardy due to lack customization which is not found in imported toys. The imported toys are expensive but allure children due to its innovativeness & articulate design. The Indian are very conventional and not updated to latest trends in the market and price is also very high. He felt elated to see that Indian toys industry is reviving and has sanguine future ahead. Aryan believes the Indian toy industry's growth is hindered by a lack of customization and innovation, making imported toys with indigenous appealing despite their higher prices.

## II. IDEA TO INITIATE

After obtaining a degree and an MBA degree, Aryan entered the corporate world in 2014. He gained an experience in sales and marketing of 4 years. Possessing a creative bent of mind, Aryan create a start-up company on sole marketing of Indigenous toys. Furthermore, he also engaged in blogging as a hobby to tell short stories in a realistic way. In the year 2022 just after covid 19 he had an offer to set up his company stall in International Toys Exhibition held at Delhi where many international toys brands have thronged for promotion. In three days of International exhibition, he was startled to see that toys manufactured in India have garnered positive response from both the parents & children. He broke a small conversation with one couple who bought a darted gun, fully motorized & self-loading made in India for their 8 years child. The couple said that they have bought at the prices at half of their imported counterparts. In three days of exhibition he realized that Indian toys matching foreign rivals feature to feature which were deficit earlier. He wanted to bring novelty in the business of toy market. He had sensed the growth & opportunity in the sector which he overlooked for few years. Getting into these he thought of an opportunity to move on from marketing of the toys to manufacturing and retailing of indigenous toys in his own brand with indigenous touch with the same brand and also to open exclusive showrooms in other cities.. He encountered a roadblock as there are few local competitors engaged in such toys with low cost. This option had two problems: first, the cost of the minimum order quantity need to be moderate for a new entrant; second, there was no guarantee that he would be able to sell if manufactured with huge figures as a new company.

## III. TIME FOR BRAIN STORMING

Before he expands his business a study must be conducted to know the overall face & pulse of the toy industry, the latest trend in the toys industry and the competitive analysis of toys brands in India for taking critical decision; hence he called his close friend Preeti, a senior advisor to reputed Market Research Company along with other stake holders on Saturday afternoon with following questions.

- Will the toys with indigenous imprint be at the top of the funnel where it will just help the firm acquire more customers?
- What will be the go to market route strategy product by the firm, thereby leading to higher profit margins?
- Does the value proposition of the product match the price of the market?
- **Management Dilemma:** Should the "Funky" toy brand expand to selected tier two cities?"

#### **IV. THE FIRST APPROACH**

FLUNKY's approach to manufacture new toys was different from that of traditional companies. Aryan explained that most toys companies in India followed the west while designing board toys. Thus, traditional companies created me-too versions of toys on business basis. The competition, therefore, was with respect to the price and not the idea. After the idea for a toys were finalised, the company manufactured the toys at scale and placed it on shelves of its own stores on a pilot basis; the salesperson at the store adopted a push approach for selling these indigenous toys. In the entire process, there was very little customer involvement until the point of sale where the choice and the purchase decision were made. Aryan wanted to adopt a different approach.

The firm had also experienced situations in which they very well can understand the buying behaviour regarding these toys of Indian theme oriented. Thinking that it would be successful, but it had yet to be studied for other cities. Aryan elaborated: We need to manufacture indigenous toys targeted at players of age 3-15 years, where the players had to set up a positive approach. Upon introspection, we found a mismatch between the target audience we intended to sell to and the actual audience who ended up buying this product at the age group of 3-9 years.

The toys priced at INR 500, and customers found it to be overpriced given the size of the pack. We realized that this got positioned as a high-priced product in a price-sensitive market that was not looking at the value of the toy which also gives the idea to manufacture by own in order to reduce unit price. After idea selection, FLUNKY proceeded with extensive market validation. In this stage, they determined the product-market fit and established the entry criteria for current market position of different cities with varying age groups in target markets, which could consist of a mix of different age groups. From the business lens, shortlisted, FLUNKY had to determine the cost of the toy, decide on the pricing in the market and identify any related gap in the product portfolio. After the selection of market, FLUNKY had to arrange requisites to produce indigenous toys.

#### **V. PRESENT TOY MARKET**

The total toy market in India is staggering to \$1.5 billion in 2022 and poises to reach at \$3billion in 2028. The Indian toys industry is highly fragmented & unorganized & captures market pie of 90%. The toy segment in India is much narrowed and highly gravitated to conventional categories like dolls, soft toys, baby, infant toys & board toyss. This sector is highly labor intensive. To add wings to toy industry the Govt. has taken few bold steps to not only revive this sector but to make it sustainable in future. To prevent the dominancy of China in toy sector, the govt. has cut toys imports from china by an impressive 80%.

A combination of high tariff & stringent quality checks assisted a lot. Between FY20 & FY24 India has phenomenally increased the custom duty from 20% to 70%. They have foisted QCO (quality control order), a regulation that maintained stringent safety standard for all toys, whether domestically produced or imported. In FY20 the imported of Chinese toys dipped from \$235 million to \$41 million in FY24. The India's share in global toys market pegged to be 0.3% in 2022 compare to china which is staggering 80%. India's toy industry is valued at an estimated \$3 billion out of humungous \$108 billion global market. The export of Indian toys in 2014-15 is \$40 million and it jumped to \$152 million in 2023-24. From 2003-2022, the USA became the hot destination for the export of Indian toys and export has been leaped up from 29% to 47%. Further, European nations like the Netherlands, Denmark and Sweden have emerged as the top ten toy export destinations for India in 2022 apart from Mexico.

In spite, of concerted effort from Govt. the export is stagnant past two years; fell from \$177 million in 2021-22. Presently, India's share of global toys export stands at below 0.5%. Many experts say that India toys industry has undergone a dynamic shift like making an investment in new infrastructure, enhancing expertise & scaling operation to meet the demand. They are following stringent quality & safety standard, innovation, process engineering and deploying enhanced graphical communication to provide altogether a new experience to the consumers. These steps have driven the market of mechanical & manual toys segment. The predicament lies in electronic toys manufacturing because our excessive reliance on china for critical component at globally competitive prices. The booming toy industry has attracted many global brands under the flagship programme of "Make in India". For instance Aequs, a Belagavi based contract manufacturer for many global brands has established a manufacturing unit of sprawling 400 acres in Koppal north Karnataka under "Make in India" programme. We look at the segment wise India's export in the wheeled toys has been highest followed by recreational model, puzzles & others. India export in this segment has increased phenomenally from \$39.9 million in 2013 to \$167.2 million in 2022. During this period the export AAGR is 18%, whereas the import AAGR shrinks by 6.2%.

## **VI. GROWTH FACTOR IN THE SECTOR**

The Indian toy witnessing a dynamic transformation triggers by evolving consumer behaviour, rising per capita income & inexorable exposure to global brands. After 2020, the market is treading towards branded & high premium toys. This shift connotes a broader trend towards premiumization & greater emphasis on quality, safety & educational values. The few imperative factors are enumerated below:

- a) Demographic factor - India's constitute 18% of world population & one fourth population of India is children under the age bracket of 0-14 years. This provides very congenial factors for toy industry to thrive.
- b) Rising disposable income - The rising disposable income will increase the intention of consumer to buy varieties of toys. According to MOSPI India's per capita gross national disposable income is growing at the rate of 8.5% Y-o-Y basis. Due to rising disposable income of middle class family contributing the major chunk of Indian population will add growth to this sector.
- c) New consumer segment – Besides children there is another category of evolving segments known as “Kidults” and belong to age bracket between 12 and above.. They have strong fascination towards toys and don't hesitate to spend money. This segment has huge demand of superheroes movies & comic book books.
- d) Stringent safety regulations: Globally, there has been growing consciousness about a safe playing environment for children and accordingly the safety regulations pertaining to toys are being made stricter. The EU, since 2009, through EU Toy Safety Directive 2009/48/EC, has been laying out safety criteria to be met for toys be marketed in the EU, putting in place strict requirements for chemical substances used, banning allergic fragrances, and setting limits for use of heavy elements like mercury and cadmium. The directive also mandated all toys sold in the EU to have a 'CE' marking, which serves as an assurance that the toy satisfies the essential safety requirements. India too, made it mandatory for toys, whether domestically manufactured or imported, to meet Bureau of Indian Standards (BIS) safety norms since 2021.
- e) Impact of digital media - Today maximum sales of toy happens in e-commerce site. The sales swelled by 38% in 2022 by Euro monitor report. The e-commerce platform exposes consumer to wider range of toys caters to different age of child at affordable prices.

The toy industry in India is marching towards sustainability, innovation & technological advancement. Traditionally the toy was made out of plastic which is cancer causing agent. Now in modern toys plastics were replaced with woods because of health & environmental concern. Majority of GI tag toys are sustainable in nature and have high export values. Another is STEM based toys (Science, Technology, Engineering and Mathematics). Toys are no longer confined to playing grounds & entertainment but become the important vehicle of education & learning. It propels child's imagination, conceptual learning, enhances EQ & motor skills. STEM based toys are gaining importance in education curricular. It also fosters creativity & problem solving. According to Fortune business insights the global toys market is projected to grow from \$61.6 billion to \$106 billion by 2030 at a CAGR of 8.1%. The Indian toy industry is embracing new technologies having the ability to revolutionize the industry. The rise of new genre of toys like augmented reality & visual reality which provides immersive & engaging experience to both children and adult. The market size of such toys will grow from \$34.5 billion in 2024 to \$109.9 billion in 2029 at the CAGR of 26%. Such technological advance will create new vista for the Indian market.

## **VII. INDUSTRIAL CONUNDRUM**

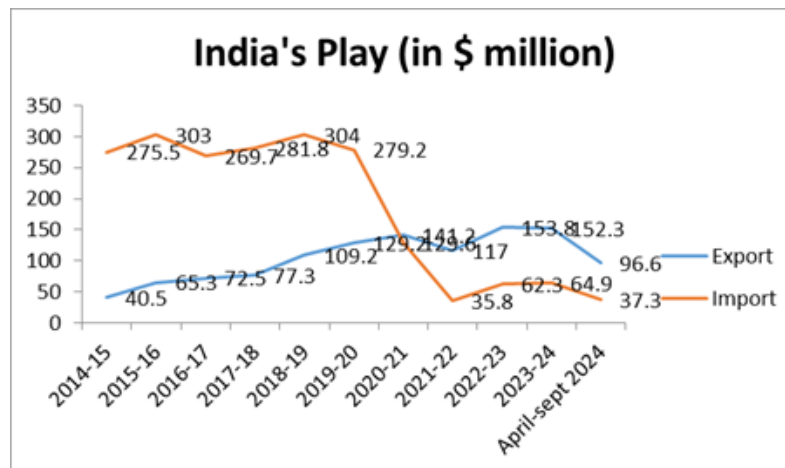
Scale is the biggest problem in this industry. There is discerning gap in the availability of premium toys & games. Indian toy industry lacks advance articulation. It is very vital that consumers must have ample choices in high quality toys, which is in acute shortage because of the key component not manufactured in India. To fulfill demand the component are manufactured outside the India. According to GTRI reports published in may 2025, that the dominance of electronic toys market in global market has coughed up approximately \$15 billion, the highest in any categories. The other categories are action figures & dolls at \$12 billion & construction toys at \$10 billion. India lacks the proper strategy to gain advantage in these categories. Besides, India fails to catch the latest trend in toy industries. According to some experts that Indian toys lacks modernization & innovation. The market for high value toys are gearing up due to rapid urbanization and decline in outdoor play. The real dilemma with Indian toys industries is they are not evolved with respect to foreign brands. The Manager from the biggest brand of toys i.e. Funskool averred that it is high time that we must have trained toy designer capable of designing toys of international standard and for this we need to develop an ecosystem for the professional toy designer & developers.

The toy industry can only be able attain pinnacle when toy making must be considered a mainstream option in India. The success of the toy Industry lies on three parameter: quality, novelty & competitive pricing and India has to capitalize on these parameter.

### VIII. WAY FORWARD

The DPIIT (Dept. of promotion of Industry & Internal trade) asserted that toy industry is “Champion Sector” harbouring long term strategy to establish a global market for made in India toys. To foster toy industry the Govt. of India has rolled out many initiatives like conducting regular hackathon & sponsoring grand challenges for toy design & manufacturing & setting up indigenous toy clusters. They are also planning to design exclusive online platforms for Indian toys so as to reach to international customers. The Industry needs a govt. subvention to face growing challenge of low grade import toys in Indian market. The industrial experts complained that minor electronic component is taxed at 18% which makes the manufacturer very challenging to make toys at competitive price. The players urged the govt. to lower the GST to 12% especially in mechanical & manual toys. This step will definitely spur only innovation but create affordability in toys. India toys export has tremendous potential to breach \$1billion from the current \$150 million in few spans of years. This mammoth task can only be achieve if the toy manufacturer comes under the canopy of PLI (production linked Incentive). The global brand will source from India through preferential custom duty scheme. A veteran in toy industry said that the toy companies should focus on In store demonstration to educate parents about the myriad of benefits of toys over mobile phone.

Figure-1: Export & Import status of Indian toys



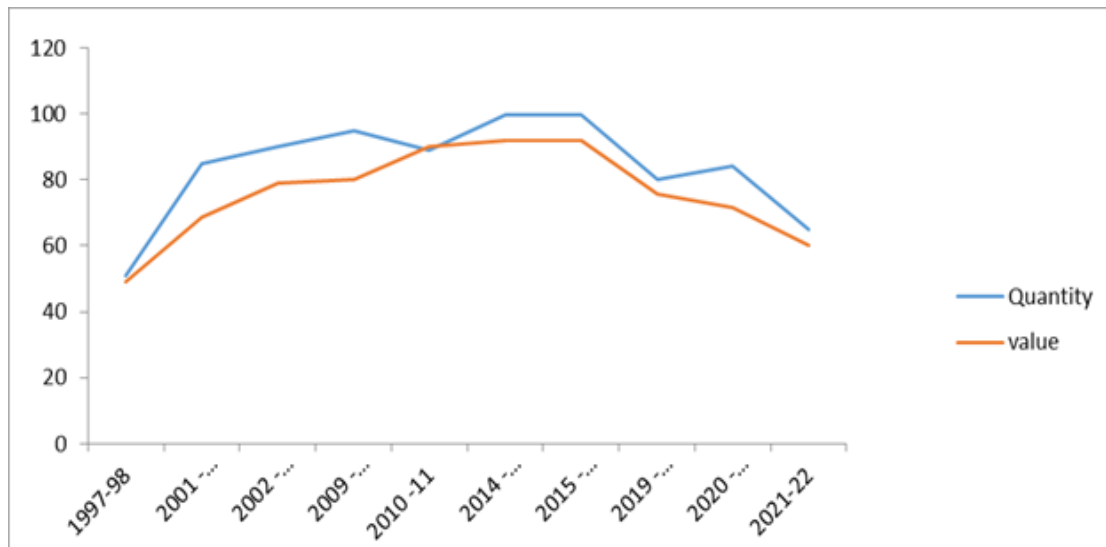
Sources: DGCI & S

Table-1 Global value of different types of Toys

Types of toys	Global trade value (\$B)
Electronic Toys	15
Action Figures, dolls	12
Construction toys	10
Board games, Puzzles	9
Plush Toys	7
Educational toys	7
Outdoor and sports toys	5

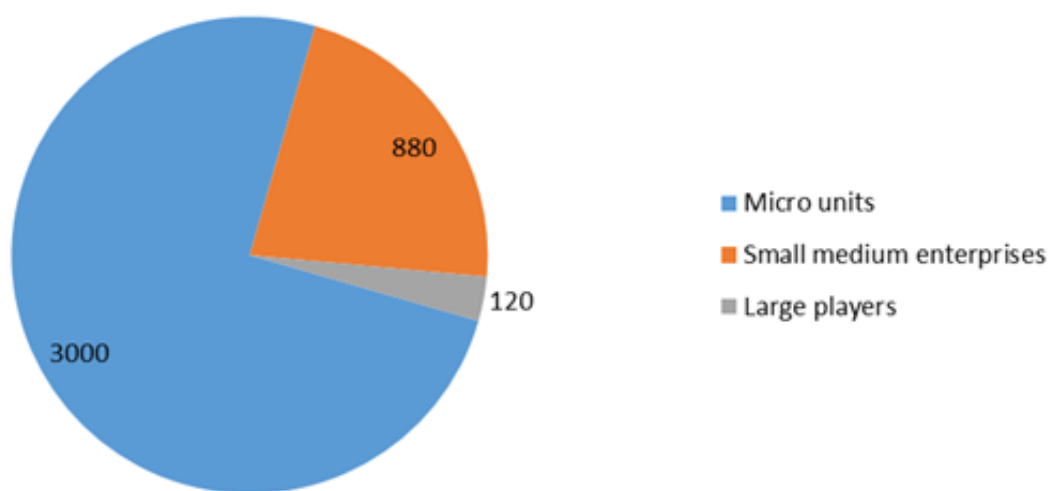
Sources: GTRI

Figure-2 China's share in India's Import (\$ million)



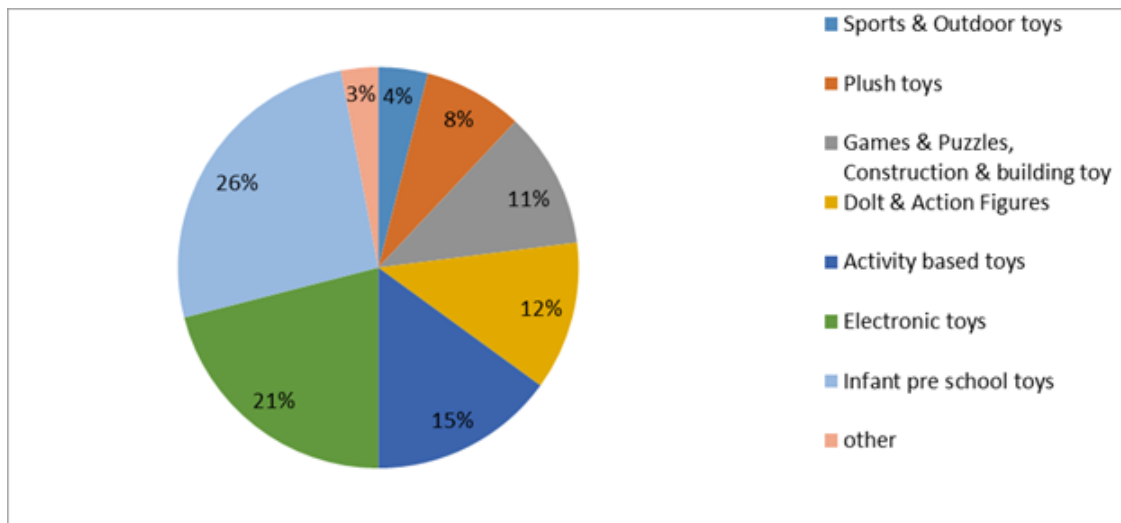
Source: DGCI & STRADESTAT

Figure-3 Manufacturing units in Indian toys market



Sources: DPIIT

Figure-4 Key categories of Toy Industry in India



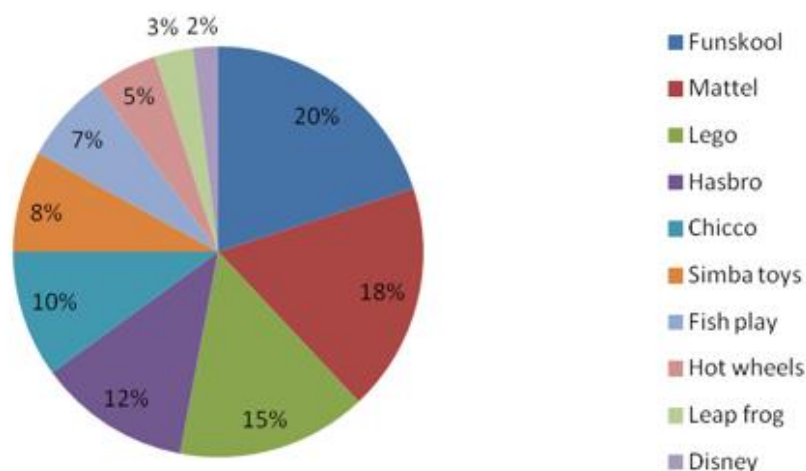
Sources: Barnes report

Table-2 Market segmentation of toy Industry

	Organized	Unorganized
2005-06	0.4	-0.1
2010-11	-0.08	-0.15
2015-16	0.24	0.067

Sources: ASI and NSS Rounds of various years

Figure-5 Market share of Toys brand in India



Sources: DPIIT



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