

BUSINESSFOCUS

Model car making helps drive local incomes

Output value, exports surge amid demand for novelty vehicles

By ZHU WENQIAN in Beijing and YANG JUN in Guiyang

At the production workshops of Guizhou Winning Toys Co Ltd, a toy manufacturer based in Bijie, Southwest China's Guizhou province, employees are busy making a large number of high-end alloy model vehicle toys such as excavators and formula racing cars. All of them will be exported to overseas markets, such as the United States, Germany and Japan.

Like many other Chinese toy makers, after realizing the disadvantages of being low-profit and unsustainable manufacturers for lack of original designs, Guizhou Winning has aspired to climb up the toy industry's value chain and strengthen its research and development efforts in upgrading production molds and machines.

The company has been focusing on technological innovation and has introduced a group of talented staff to make it more competitive. Currently, toys are mainly made based on foreign-invested molds, which cost hundreds of millions of dollars.

"Our main cooperating partners include US companies John Deere, Caterpillar, Germany firm STS Group AG and Japanese firm Takara Tomy," said Zhong Yuanpeng, deputy general manager of the administrative department of Guizhou Winning.

"Affected by the COVID-19 pandemic, costs of raw materials increased by about 30 percent. Ocean shipping fees surged about 200 percent, compared with the period before the pandemic. We mainly rely on the import of raw materials, and rising prices have brought us certain financial pressures," Zhong said.

Earlier, the company was headquartered in Dongguan, Guangdong province. In 2019, with the attraction of a series of favorable tax policies and rental concessions of an industrial park in Guizhou, the company moved its production base to the Jinsha economic development zone in Bijie.

The 36-year-old Lai Guifu used to earn a living in Shenzhen, Guangdong province. As it was time for his child to go to school, he moved back to Guizhou in 2020 and started working at Guizhou Winning. Now, he has become a group leader at the company, and his monthly income is about 3,800 yuan (\$564).

Next, Guizhou Winning said it plans to make more investments in upgrading technologies and fostering more high-level talent, especially those aged 40 and above who are willing to stay there for the long term. The company is also strengthening the building of a scientific research team, and further promoting high-quality development.

From January to May, the company achieved an output value of more than 50 million yuan. Last



Model vehicle toys produced by Guizhou Winning Toys Co Ltd are displayed at the company's showroom in Bijie, Southwest China's Guizhou province, in May.

CAI ZHENGLING / FOR CHINA DAILY



Workers conduct quality checks on Guizhou Winning's toy components in Bijie in May.

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year, the company's output value exceeded 96 million yuan, and its sales revenue reached 70 million yuan, it said.

This year, the labor-intensive processing company aims to achieve an output value of 150 million yuan, and grow the number of its staff members to 1,200 people. It has built two new factory buildings and will further upgrade its production workshops.

Nationwide, total retail sales of toys in the domestic market reached 85.46 billion yuan last year, up 9.6 percent year-on-year. Among the total, sales of toys on major Chinese e-commerce platforms Tmall, JD and Douyin grew 9.3 percent year-on-year, according to a recent report released by the

China Toy and Juvenile Products Association.

Particularly, in 2021, sales revenues of model car toys on Tmall, an e-commerce platform of Alibaba Group, increased by 10.8 percent year-on-year, and sales volume climbed 13.5 percent year-on-year, while average prices fell 2.3 percent over the previous year, the report found.

For model car toys, the brand concentration level of the market in China has further increased, and second-tier brands have become less competitive in the market. Products that carry price tags between 50 yuan and 99 yuan have seen the highest sales growth, according to the report.

Now, China stands as the world's

largest toy manufacturer, and about 70 percent of toys worldwide are produced in the country. The nation has also become the second-largest toy consumer after the United States. The industry size in the US has passed \$25 billion, according to Bloomberg Intelligence.

Toy exports are also on track to recover since the COVID-19 pandemic. In May, the export value of toys from China, the largest toy exporter, came in at \$4.16 billion, up 33.1 percent year-on-year, according to the China Toy and Juvenile Products Association.

Some well-made and creative model car toys produced by Chinese companies have seen booming sales at home and abroad.

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Zhong Yuanpeng, deputy general manager of the administrative department of Guizhou Winning Toys Co Ltd

Rastar Group, a toy manufacturer based in Guangdong, has been involved in the businesses of toy manufacturing, game development and investment in football clubs. For toys, it mainly produces model car toys such as remote-controlled cars and static car models, and most of its toys have been exported.

Last year, the toy manufacturing business of the company achieved sales revenue of 348 million yuan, up 18.78 percent year-on-year. In the same time, it gained a net profit of 35.39 million yuan, surging 415.95 percent year-on-year, according to its earnings report.

The company said that last year, it launched new styles of toys such as children's scooters, balance cars of BMW, Ferrari F1 assembly car models and Bugatti Divo remote-controlled cars.

This year, Rastar Group plans to

introduce new products such as a Ferrari 488 Pista Spider electric stroller, a Lamborghini Huracan STO remote-controlled car and an Audi R8 assembling building block car, as well as 18-inch BMW bicycles and toys of other outdoor riding categories.

The company has been authorized by more than 35 globally renowned car companies, and it has become the world's only authorized supplier of BMW's dynamic car models and children's bicycle series products.

"Toys play a very important role. In addition to helping children develop their intelligence, they can also help adults to alleviate pressures. With a change of consumption habits in most consumers, categories of toys are also being constantly upgraded. Young people have been increasingly paying attention to pop (popular) toys," said the annual earnings report of Rastar Group.

In 2021, nearly 8,000 new companies related to the manufacturing of pop toys registered in China. In the first half, more than 3,900 such new companies registered in the country, according to Tianyancha, a corporate information provider.

From 2019 to 2021, the pop toy market in China witnessed 18 fundraising events, and total funds raised exceeded 1.8 billion yuan. Guangdong has nearly 4,600 pop toy manufacturers, accounting for 15.5 percent of the total nationwide, the highest, followed by Henan and Fujian provinces, Tianyancha found.

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Chain retailer goes public, corners pop toy sector

By ZHU WENQIAN

A niche has developed for integrated retailers of home furnishing products and pop (popular) toys, as young Chinese consumers have been increasingly pursuing fashionable lifestyles and buying products to fulfill their personal preferences.

On July 13, Guangzhou-based Chinese budget chain retailer Miniso Group Holding Ltd went public on the Hong Kong stock exchange. The listing price was set at HK\$13.8 (\$1.76) per share, and it issued 4.11 million shares in Hong Kong and 36.99 million shares in overseas markets, according to the company.

Miniso said the COVID-19 pandemic has had a certain impact on its sales in first and second-tier cities in China, and it is focusing more on opening new stores in third-tier or smaller cities.

In the past half year, the company

has also further expanded its footprint overseas by opening a store in the SoHo area of Manhattan, New York. The company said it is optimistic about growth prospects in the North American market, and it plans to open more new stores in the future.

Last year, the global gross merchandise volume of Miniso reached 18 billion yuan (\$2.66 billion), and it has become the largest integrated retailer of home furnishing products worldwide, after opening its first store in China in 2013. Due to the COVID-19 pandemic, the company's revenue growth has slowed down, but the growth rate has still been higher than the industry's average, according to consultancy Frost & Sullivan.

In the meantime, Ye Guofu, founder of Miniso, said he is bullish on the growth potential of the pop toy market in China, and he hopes that within three years, Miniso's wholly owned subsidiary Top Toy, a Chinese

toy brand that was founded in late 2020, will go public individually.

As of the end of March, Top Toy, which aims to become a global pop toy collection brand, operated 92 stores nationwide. Compared with Hong Kong-listed toy brand Pop Mart, which mainly sells trendy toys packaged randomly in boxes, Top Toy offers toys in eight main categories, including building blocks, garage kits, sculptures and blind boxes containing cartoon figurines.

"China's new groups of consumers include young people who were born in the 1990s. Some of them have already become parents who wish their children can become more trendy, so they are willing to spend money on purchasing more pop toys," said Sun Yuanwen, founder and chief executive officer of Top Toy.

"The consumption market is expected to become more dynamic in China. Despite the pandemic

causing certain challenges to the domestic consumption market, the major growing trend will remain unchanged," Sun said.

Other major Chinese pop toy retailers, such as Beijing-based 52Toys and Beijing Block 12 Culture Co Ltd, are also witnessing positive business performance and expanding their presence.

As of 2020, China had 253 million children aged below 14 years old, data from the 2020 national census show, and the third-child policy that was announced in March 2021 is expected to help encourage more newborns and the growth of the pop toy industry, industry experts observed.

Last year, sales in China's pop toy market achieved 36.6 billion yuan. From 2021 to 2024, the sector's compound annual growth rate is expected to reach 27.7 percent. Still, the market is in its infancy in China and there exists significant growth potential in the next few years,



Consumers browse at a Top Toy outlet in Shanghai in October.

YAN DAMING / FOR CHINA DAILY

according to Frost & Sullivan.

"The continuous expansion of creative products and pop culture in China will be beneficial to help attract more fans from different age groups for toy retailers. With frequent discussions and engagements of pop culture, many consumers who occasionally buy pop toys have

become frequent buyers," said Neil Wang, global partner and China unit president of Frost & Sullivan.

"Besides, pop toy retailers have participated in various exhibitions and activities in the past few years. Next, more such events and exhibitions are expected to be held in China," Wang said.