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# INFLUENCE OF THE MARKETING ENVIRONMENT ON THE TOY MARKET

Case Study

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Marketing  
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## Abstract

*Along with the passage of time, parents have manifested a different attitude towards their children, trying to offer them everything they wanted in what concerns the toys. Therefore, the toy market is constantly expending, and the tough competition leads to the quality improvement of the toys and enforces certain standards on the market.*

*The originality and topicality of the theme consist in the change in the toy consumers' and users' preferences which required greater attention to be paid to the influence manifested by the marketing environment on this market. The case study identifies the occurred problems and the toy influence factors by an analysis over the marketing environment components, i.e.: marketing internal environment, micro-environment and macro-environment. The study ends with the recommendation of several solutions for the improvement of the current situation.*

## 1. Introduction

The toy market is segmented on age categories: 0-3 years, 3-6 years, 6-9 years and over 12 years. Based on this segmentation, the companies choose to trade certain types of toys. During each development stage, the child needs orientation, understanding and communication help. The experiments carried out by specialists showed that the toys develop the children's intelligence, creativity and that the children who cannot develop normally may overcome the gap with the help of toys. The purpose of this article is to establish the influence of the marketing environment on the toy market development, considering that toys are extremely useful in the development as well as in the relaxation of children.

## 2. Degree of influence of the marketing macro-environment on toy market

All the company's external actors and forces, capable of influencing the way (Ristea, Ioan-Franc, Stegaroiu and Tanasescu, 2004) the company develops or maintains exchanges with the markets that compose the company's marketing environment (Kotler and Dubois, 1992).

At company level, the external environment consists in a network of exogenous variables to which the company imposes a set of endogenous variables (Ristea, Ioan-Franc, Tanasescu and Topita, 2010).

The external environment is divided in marketing macro-environment and microenvironment.

The components of the macro-environment are as follows:

- the demographic environment influences the development of the toy market toy market by a series of factors, i.e. (Tanasescu, Petrescu and Cucui, 2010):

- the aging of the population negatively influences the toy market as the number of children decreases every year;

- the increasing of the woman's role in the society;

- the increasing of the divorce rate (during the last 20 years it increased by 30%) determined the purchase of more toys due to the parents' intention to compensate for their physical absence with material goods;

- the decrease of the population according to the latest census, which leads to the reduction of the age segment of 0-12 years, therefore to the decrease of the toy purchases;

- the increment of the number of kindergartens and nurseries required the equipment of the above with articles for children.

- the technologic environment is very dynamic and entails fast society changes with direct effects on the offer volume and structure. The micro-informatics, the mobile telephony, the new media, the product access portal facilitate the selection of the offer (Tanasescu, Petrescu and Cucui, 2010). The technologic environment has a positive influence on the toy market. Thus, from the selection of the suppliers, taking over of the raw materials and up to the delivery of the products and services, we lean on the new technologies:

- efficient computers, tablets, notebooks and the non-stop internet access allow the maintaining of a suppliers' database (their selection, the creation and the performance of a teleconference, online negotiation, identification of new partners, who can provide additional advantage, etc.), the taking over and recording of client's orders allow the maintaining of the liaison with associates, employees, clients, suppliers as well as with the completion, the online sales etc.

- the possibility to promote toy stores by various channels: online advertising on several sites, preparation of brochures, flyers, last generation graphic boards, etc.

- the new machines for the manufacturing of toys reduce personnel expenses and increase labour productivity.

- the economic environment includes the population's incomes, expenses and resources, that affect the development of the business and the welfare of the individuals (Ristea, Ioan-Franc, Tanasescu and Topita, 2010). The economic environment influences the toy market by the evolution of the economic indexes of Romania, as follows:

- the increment of the unemployment rate at national level led to the decrease of the population's incomes and to the placing the toy purchasing on a secondary plane, especially since these do not stand as a physiological need satisfaction activity (according to Maslow pyramid);

- the instability and increment of the inflation rate entailed the diminishing of the population's budget;

- the high values of the electrical power, natural gas invoices, and the increment of the incoming price of the toys resulted in higher final prices;

- the negative effects of the economic and financial recession considerably reduced the number of clients;

- the instability of the rate of exchange leads to uncertainty and risk for the managers, as well as the increment of the rent, bank instalments and procurement costs.

- the socio-cultural environment includes the attitudes, values, norms, beliefs, behaviour and demographic tendencies related to a specific geographical area (Ionescu, 1996). The toy market addresses to all the clients' categories, irrespective of religion, customs and culture, however the transformations of the society (e.g.: the change of the woman's role in the society) significantly contribute to the economic evolution of this market.

- The education level influences the purchase of toys, i.e.: the parents with a higher education level purchase toys with a greater educational level, to develop thinking and creativity;

- Religion may negatively influence the purchase of toys as certain cults forbid the possession of a TV or PC by a family.

- the politico-legal environment includes the governmental system and the legal system where the company operates under the promoted legislation, mainly envisaging the protection of the consumers, of the society and of the competition (Ristea, Ioan-Franc, Tanasescu and Topita, 2010).

From the political point of view, the activity of the toy companies is not restricted; however the administrative and legal frameworks are undergoing reformation and improvement processes for the purpose of protecting the rights and interests of the institution and of the consumer.

The companies' activity is restricted by the legislation which forbids the use of certain toys by young children, for example: children younger than three years are forbidden to play with plush toys. Another act provides the supervision of the children while playing with certain toys, thus parents can avoid buying toys that are hazardous for their children. The companies must act according to the law in force, i.e. to provide fiscal receipts for each product leaving the store, to comply with the operation manual of the toys and to instruct the buyers on the use of such toys.

- the international environment includes the evolution on the international markets, which are capable of influencing the company in the management of its business (Ristea, Ioan-Franc, Tanasescu and Topita, 2010). Further to Romania's accession to the European Union (1<sup>th</sup> January 2007), any company must be capable of organising itself to face the sole market considering the enforced

international conditions. The international factors play an important part in the evolution of the toy market in Romania as the majority of the products are imported, and our country must comply with the enforced requirements.

### **3. Degree of influence of the marketing microenvironment de marketing on the toy market**

The components of the microenvironment are: the clients, the suppliers, the competition, the intermediates and the various categories of the public.

- the clients are natural persons, organisations or companies with whom the company established commercial relations. The clients are the component on which all the marketing efforts are focused (Ristea, Ioan-Franc, Stegaroiu and Tanasescu, 2004). The toy buyers are the parents, grandparents, the children, etc. Sometimes the buyers and the users are confounded. The buyers are the ones who purchase the relevant product, and the users are the ones who use the product. In order to satisfy the clients and to convince him/her to increase the shopping frequency, the quality must be as close as possible to their expectations.

- the suppliers are companies that, based on some sale – purchase relations provide the resources for the manufacturing of the goods or services. The suppliers' offer consists in raw materials, labour, packaging, power, water, fuels, plant, stationary, consultancy services, etc. The suppliers are the toy manufacturers or wholesale traders or retail traders if there is along distribution circuit. Great store chains may request from the producers a certain model or an inscription bearing their name in order to easily penetrate the user's mind and to develop the loyalty to the trademark.

- the competition is represented by all the companies whose products or services are directly or indirectly

substitutable to those of the relevant company (Lendrevie, Lindon, 1997). There are several forms of competition among which: the perfect competition, the open competition, the pure competition, the monopole, the oligopoly, the cartel, the monophony, the unfair competition, the parasite competition, the illegal competition (Ristea, Ioan-Franc, Tanasescu and Topita, 2010). The main competitors on the toy market are the hypermarkets, the specialised stores, the online stores. The development of new informational and communication technologies accelerate the development of the competition, which make the company's presence of the market more and more difficult;

- the intermediates are companies who participate in the distribution, sale and advertising of the products to the final consumer/user. The intermediates may be (Ristea, Ioan-Franc, Tanasescu and Topita, 2010): commercial intermediates (wholesale and retail traders), auxiliary intermediates (storehouse operators, transportation companies, banks, etc.) and marketing service agencies (advertising, public relations, consultancy agencies, etc.). The intermediates may influence the purchase of toys by their degree of involvement in the provision of services, by their familiarity with the products and with the operation manuals, by their familiarity with the needs of the users and of the market, in general. The Intermediates contribute to the maintaining of the liaison with the clients, promote the products and inform the producer on the new market trends.

- the various categories of the public are groups (the financial world, the advertising media, the interest groups, the public power, the great public, the internal public), that have an impact, wither positive or negative, on the companies.

• The financial world influences activity by granting the credits required in

crisis and for the maintenance of an advantageous relation with the banks and with the investment companies;

- The advertising media (press, radio, TV, internet) have a great impact on the clients' opinion influencing their decisions;
- The interest groups (non-governmental organisations) pursue certain targets, that might negatively influence the development of the toy businesses;
- The administration and public power bodies survey the compliance with the law and apply fines in case of any identified offences, of failing to comply with the clients' rights, of unfair competition, of trading some forbidden articles such as: fireworks;
- The great public is represented by certain interest groups, that may have pro/contra opinions on the products/services offered by the company, influencing the decision to buy/not to buy of their family/friends;
- The internal public is the company's personnel, who must prove to be affable, professional, just, prompt etc. in order to develop client's loyalty.

#### **4. The influence of the internal marketing environment on the toy market**

The internal environment of the company includes: elements belonging to the natural environment, human resources, cash availabilities and facilities. The organisational culture (beliefs, norms, value systems) may have a positive impact on the efficiency of the internal environment (Ristea, Ioan-Franc, Stegaroiu and Tanasescu, 2004).

- elements belonging to the natural environment

- The land on which the store is placed. It is preferable that is under the company's property, if possible. If the space is rented, special attention shall be paid to the terms of the lease contract as certain conditions may negatively influence the toy

trader. Thus, if the lease period ends, the owner may refuse to extend the terms unless certain new conditions are complied with, and the company risks losing its clients when relocating. In certain situations, the rental of a space in a intensely visited shopping centre may stand as the best solution for the traders;

- The store must be provided with power supply, its own thermal plant, running water supply and must comply with all the operation requirements;

- the material facilities have a positive influence on the toy purchase. The more facilities a company holds, the better the profits, i.e.:

- The companies must provide transportation for certain products, e.g.: upon the purchase of mini playgrounds for children or of big-sized cars;
- The presence and best use of some shelves to ensure the visibility of the products entail the increment of toy sales;
- An area available for the storage of the toys in order to avoid stock shortage, e.g.: the administrator of an orphanage purchases a large number of a certain type of toys, buying all the identical toys in the store, then, the next potential client can no longer buy the relevant product if there are stock shortages.

- human resources. The personnel's skills and accrued experience have a positive influence on toy purchases. Thus, the affability, the professionalism, the promptness of the personnel, the fact that they are aware of the operation instructions of the toys are key factors in the success of the business. Besides the performance test, the candidates must also comply with behavioural, tact, line and physical aspect conditions. Candidates will undergo detailed medical examinations to verify whether they are capable to perform the required work and to ensure the protection of the other employees, of the clients and products;

- financial resources. The economic efficiency is the relation of the useful aspect and the effort required to obtain it. The greater the effort per expense unit, the smaller the expense required for the obtaining of a certain useful effect and vice-versa, and the higher the economic efficiency. The financial resources have a great influence on the development of a toy business. The consequences of high cash availabilities may be:

- Personnel's motivation to offer the best performance;
- Diversification of the toy range according to age categories;
- Increment of the number of stores and negotiation with toy manufacturers to obtain a smaller purchase price;
- Modernisation of the sale area;
- Selection of suppliers according to the quality and not the price of the toys;
- Employment of an animator to provide a fairy tale atmosphere in the store;
- Equipment with all the devices required to maintain the atmosphere, etc.

### Conclusions

The toy market is constantly developing, there being a consumer's tendency to opt for the modern hi-tech toys, as well as for the traditional ones such as "Nu te supara frate". According to the Euromonitor study (Petcana, 2013) the parents are more and more attracted by the products that develop the children's creativity and attitudes, not only by the more relaxing ones.

In other words, Romania is considered a country of great potential in the Eastern European area, being an importing country (90%). In front of a severe competition, the Romanian toy manufacturers can only export the majority of the products in order to survive on the market. However there is hope for the Romanian manufacturers as well as an increment by 20% of the Romanian toy market is foreseen for the

year 2014 (Biszok, 2014). In order to penetrate to be maintaining themselves on the toy market, the companies must consider the influences of the marketing environment, which offers opportunities as well as challenges. The marketing macro-environment influences have a significant impact on the company's activity, but the latter cannot modify or control anything; it can only monitor the situation and be prepared for any potential changes, while the marketing microenvironment and the internal environment may be controlled by enforcing some efficient marketing policies, strategies and tactics.

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