

FIESTA CRAFTS A NICHE PLAYER

A GLIMPSE INTO THE LIFE OF A TOY SME



HOME-RUN START-UP

Two brothers, Andrew and Richard Bacon have been at the helm of Fiesta Crafts since the idea of importing colourful fabric toys into the UK came to Andrew when working for a shipping company in the Philippines in 1990. Once back in the UK, Andrew set about finding shops that were interested in stocking the toys. Times were quite tough, he had no contacts in the industry and only four products to sell, but within six months the business was doing well enough for his brother, Richard, to join him in the business. After two years spent working from home, in 1992 they moved into their first premises in Edmonton, north London.

The Philippines is known as the Fiesta Islands, which is where the company's name comes from.



By this time, the range of toys had already grown and they were also designing and manufacturing their own high quality products – including baby toys, craft sets, fabric wall hangings, hand and finger puppets, magnetic activity charts and wooden puzzles – as they had a better understanding of what their customers were looking for. When the brothers could no longer do all the work themselves, they put together a team to help design, sell, market and deliver the toys to their customers. With just a few thousand pounds

turnover when they started, Richard and Andrew have now grown the business to over £1.75m turnover per annum and employ eleven people.

A CHALLENGING ENVIRONMENT



Fiesta Crafts's products meet the company's own high standards on product safety and quality and naturally also comply with all relevant legislation. However, the impact of such requirements on small businesses like Fiesta Crafts is significant, particularly in relation to abiding by often burdensome rules that do not lead to increased toy safety. The company's small production quantities mean that testing is disproportionately expensive and represents a much higher percentage of production costs than it would for larger companies.

The company believes that toys that comply with the EU's requirements are safe and that effective enforcement is needed to prevent dishonest companies from using these rules – to which they pay little or no attention – to their advantage, damaging the bottom line of businesses that sell legitimate products. Companies like Fiesta Crafts care about their customers' health and safety; this is not a concern of disreputable companies. Another problem Fiesta Crafts faces is unfair competition from companies that are not based in the EU but sell their toys directly to consumers online, therefore bypassing the EU's strict toy safety rules. The company feels strongly that more needs to be done to make sure that the same rules apply to all toys bought in the EU, whether in stores or online and whether from companies based in Europe or elsewhere.

Red-tape often strangles responsible businesses while giving an unfair advantage to shady companies that pay little or no attention to legal requirements.

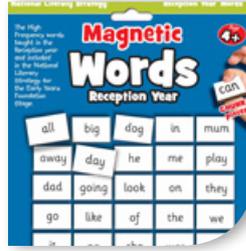
BOOMING EXPORTS



From modest beginnings, exports outside the UK now represent over one third of the Fiesta Craft's annual turnover.

A few years ago Fiesta Crafts exported just 1% of its products. However, its unique approach to putting a modern twist on traditional toys has gained it international acclaim and, today, around one in three toys are sold in independent and speciality shops across the world. The company's main markets outside the EU are Australia, France, South Africa and the US. This achievement proves that design and innovation are key in allowing a company to flourish in the toy sector. Fiesta Crafts is no stranger to innovation, with around 10-20% of the company's 360+ toys newly designed each year.

IGNITING MINDS



Fiesta Craft's philosophy is to make toys that allow children to use and develop their imaginations and creativity and to help stimulate and educate them.

Fiesta Crafts is passionate about creating toys that engage children in play and help them learn and develop skills along the way. For example, their toys for babies and toddlers – such as toy animals and wooden jigsaw puzzles – facilitate the development of hand-eye coordination and problem solving and teach children about animals, colours, objects and sounds in a fun and interesting way. Other magnetic games develop older children's literacy and numeracy through maths games and spelling activities.

'We need to ensure that the same rules apply to all toys purchased in the EU, regardless of their origin or whether consumers buy the toys in shops or online.'

Rob Trup, Marketing and Brand Manager



The **UK** is the largest toy market in the EU with annual sales of over £3 billion (almost €4 billion – 2014). This represents more than 360 million toys. With around 530 toy companies operating in the UK, there is a solid base of toy manufacturers, most of which are SMEs. The main toy producing regions are the North West, East Midlands, Kent and the Thames Valley/Heathrow Airport area. Around 23,000 people work in the UK's toy sector. The UK toy market is very seasonal with more than one in three toys bought during the Christmas period.

The **European Union (EU)** is the largest toy market in the world (27% of global sales), meeting the diverse and evolving demands of its 79 million children. Over 99% of the almost 5,000 toy companies operating in Europe are small and medium-sized enterprises (SMEs). With over 220,000 people working in the sector in the EU, toy companies play a key role in Europe's economic fabric. The toy industry is highly international and is one of the most dynamic business sectors in Europe: around 60% of toys on the market each year are newly developed. The sector is also highly seasonal, with consumers making the majority of purchases during the Christmas period.

The **British Toy & Hobby Association (BTHA)** was established in 1944 to represent the interests of British toy manufacturers and to raise standards of practice in the industry. Today it has around 140 members ranging from international toy giants to small family-run businesses that together account for over 90% of the UK toy market. The BTHA's membership is made up of manufacturers committed to making good quality toys in a responsible way. Every member signs a strict Code of Conduct annually to remain in membership and undergoes a safety assessment to join the BTHA. Fiesta Crafts is a member of the BTHA.

Toy Industries of Europe (TIE) is the trade association for the European toy industry. Members include companies and national associations from across Europe, including the BTHA.

