



# Studying the factors leading to revenue and profitability growth in the toy and gaming and esports sectors

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# Introduction

- The toy and gaming industry has impacted the world since a long age.
- After conducting primary research for another project, a knowledge gap was found for the toy industry which led to research about it.
- This research paper is a compendium of understanding revenue and profitability growth in both the toy and gaming industry
- The main outcome is readers will have a deep understanding of these industries after reading the paper



# Methodology

## Research Aim

To understand the factors leading to revenue and profitability growth in the top toy and gaming companies listed on any USA stock exchanges (New York Stock Exchange, NASDAQ, NYSE Arca) and also understanding the future of both sectors.



## Data Collection

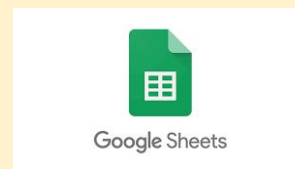
There is a lack of data available. Hence, data has been compiled from conducting an SLR and data has been taken from Google Scholar, Yahoo Finance and JSTOR.

## Data Analysis

Data has been compiled and then analyzed on Google Sheets using qualitative and quantitative measures.

## Inclusion criteria of companies

We have chosen companies which have comparatively have substantial data to study on. These companies have also shaped the landscapes of the industries due to their sheer size. Hence, they have included

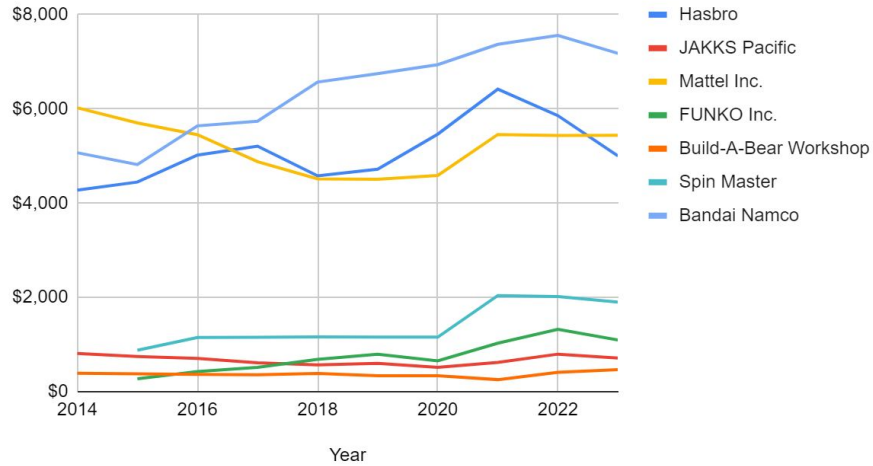


# Firms Studied under the research

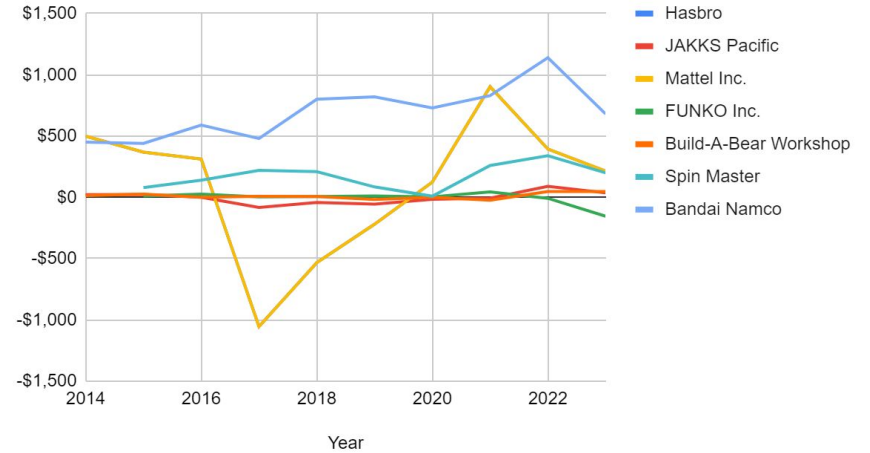


# Results for the Toy Industry

## Revenue (in USD Million) vs Time (in Years) for Toy Companies



## Profit (in USD Million) vs Time (in years) for Toy Firms





## Discussion (toy industry)

- The toy industry is mainly affected by tighter deadlines and decreasing consumer demand. This is leading to overstock in areas where expected aggregate demand is less than expected aggregate supply, and understocking is similar happening all over. The key contributor to this is the tighter deadlines gives which fails to optimise the toy sales and stocking globally
- Digitisation has helped optimise toy industry supply issues and especially helped firms during the beginning of the coronavirus pandemic. Digitisation is the way of the future.
- Cost of labour impacts revenue and profitability growth. The increase in cost of labour globally, especially with stricter regulations and tariffs in China is causing increased pressures on profits
- Rising costs of plastics, cotton, memory foam and fleece is impacting the industry profitability growth
- Cheaper cost of rubber over the years is increasing the profits especially in baby and rubber-toy industries
- Over-reliance on brick and mortar heavily impacts the industry as seen in the revenue growth, with a massive collapse in revenue post the closure of Toys 'R' Us
- Toy industry is also impacted by parental preferences and global economic conditions.
- Toy industry has a unpredictable future and predicting for the future can be done by statistical analysis within 3 years from 2024.

## Discussion (gaming and esports industry)

- The gaming industry is impacted by availability of free time, causing it to be cyclical in growth, as seen in quarterly result reports
- Conflicts increase demand for gaming products of nations where the conflict isn't happening leading to growth for such firms, but negatively impacting firms in the area of conflict due to sanctions and the prevailing situation
- The cost of developing games is slowly increasing hampering profits for the firms. Increased cost of hiring software developers, and more investment in hiring marketing, media, writing, smoothing, directing labour is increase the cost of labour, hampering profitability growth. Increasing role of AI can help this situation to some aspect
- The industry is also dependent on new product development and DLC and in-game currency sales. Roblox generates more than 80% of its revenue for its in-game currency sales. Dependence and consumer spending impacts both revenue and profits
- Lack of diversification is also negatively impacting firms like EA Sports, Roblox, Rockstar Games (under Take-Two Interactive Software)
- Brand collaborations and film collaborations are helping the firms. The sale of the Last of Us was bolstered by the release of the series.
- Child Protection Laws impact the games - Roblox has lost multiple clients due to lack of safety of children on the platform



## Conclusion

The gaming and toy industries are ones which are intermingled in our daily lives. They not only impact human emotions and our history, but also tap into global economic conditions. With a total market capitalization of 1.5 Trillion USD, studying both industries is necessary to understand consumer demand and the consumer discretionary industry. With the gradual phasing out of the toy industry, the resurgence can be through alternative ways of selling and marketing through films and pictures. Climate change, cost of labour and shipping, and even education affects the minutes of the toy industry. This 50,000 year old industry is slowly being displaced by the newer 50 year old gaming industry. Gaming poses a future for a digital world, with fluctuating production costs, excessive marketing budgets, child privacy and protection, and also a future for cryptocurrency and digital currencies. However, going back to our roots in this fast paced world is also important and hence keeping a hand in the toy industry is not only necessary, but a requirement. With that, we conclude our paper, and inspire those too come to study about these industries.

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A wooden-framed blackboard with the words "Thank You" written in white, serif font. The blackboard is centered on a dark wooden surface. To the left is a red rotary telephone, to the right is a typewriter, and at the top right is a green leafy plant.

Thank  
You