

# SM323

## Integrated Business Plan

Boston University Questrom School of Business

Section B6 - Team 3

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## Authenticity Statement

*This business plan is the original work of the undersigned. All facts and figures are authentic. All contributions from others have been **appropriately acknowledged**. We have not reviewed or used any past Core plans in any way in the development of our plan. We did not misrepresent ourselves to suppliers or to anyone else who contributed information to this plan.*

*We each understand that the ideas, analysis and text contained in our plan are the collective intellectual property of our team.*

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# Executive Summary

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The Zzz' Mobile is an innovative, technology-driven baby mobile equipped with a personalized voice recorder that gives parents a chance to comfort their baby with a customized message. With the addition of the mobile application and Bluetooth connectivity, the Zzz' Mobile coincides with the technology boom of our generation, while reinforcing the importance of familial relationships. With a mix of lullabies, classical music and ocean waves, consumers can soothe their most prized possessions to sleep in a personalized way. The Zzz' Mobile is quick to assemble, simple to use, and consists of a cute, sky-theme that fits into any nursery room decor.

The Zzz' Mobile is under the infant toy category of the toy industry, which is valued at nearly 20-billion-dollars<sup>1</sup>. From 2014 to 2015, the toy industry grew by 7% overall, 6% specifically for infant toys, and is projected to continue to grow in the upcoming. This indicates to us that this is an attractive and profitable market.

Our marketing strategies are geared towards parents (Techno Babes) and grandparents (Silver Foxes) who have children or grandchildren from newborn to one year of age. With its distinctive features being the personalized voice recorder, Bluetooth connectivity, and the mobile application, the Zzz' Mobile is perfect for parents who consider themselves to be more "technologically-savvy." Positioned on the higher end of the market, the Zzz' Mobile retails for \$59.99 to account for the cost of production, and to signal to consumers that our mobile comprises many special features that our competitors do not have.

With a mix of push and pull marketing strategies, our company strives to appeal to both of our target markets. Throughout the 5 years, we plan to attend fairs and events, advertise on outdoor transit, in magazines, at trade shows, point-of-purchase displays, and through our own creative marketing campaigns. We believe that this combination of these marketing strategies will drive awareness, in Year 5, to reach 34% of the Techno Babes and 26% of the Silver Foxes.

In early years, customers can find the Zzz' Mobile online at our company website and in independent stores. In Year 3, as we begin to develop better relationships with retailers, we plan

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<sup>1</sup> (TIA 2016)

to distribute to small chain stores, such as Learning Express and Munchkins, Inc. In Years 4 and 5, we plan to expand into large chain stores, including Babies 'R Us, Buy Buy Baby, and Williams Sonoma. We will also expand into mass merchandisers such as Target and Walmart, which will drive our ACV to be as high as 39% by the end of Year 5.

In order to maintain daily operations of the Zzz' Mobile, we need an initial investment of \$392,693. This initial investment covers our startup costs, which consist of various property, plant, and equipment purchases along with Information Systems costs, raw materials purchases, and starting salaries. Throughout the 5 years, we need a total paid-in capital of \$ 1,071,714.04

Due to these high initial start-up costs and low presence on store shelves in the beginning years, we anticipate our net income to be negative for the first 3 years. However, we realize our first profit in Year 4 and see continuous growth in profits in the following years. By Year 5, we project our net income to grow to \$932,837, our NPV to be valued at \$1.06 million, and our IRR to be 40.84%.

Although a profitable investment, we foresee many risks that we must account for: competition from other manufacturers in the market, the possibility of an upcoming economic recession, lack of distribution in retail stores, and potential lawsuits. While each of these risks present the Zzz' Mobile with a tough challenge, our product is able to weather these storms with detailed contingency plans to mitigate all of these potential risks.

The Zzz' Mobile is poised to take on the toy industry with a fury, quickly becoming a household name across America. Our sales may start small, but as we penetrate the toy industry and build awareness within our target markets, we quickly transform into a profitable company that makes for a great investment.

# Corporate Social Responsibility Initiatives

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As our Corporate Social Responsibility Initiative, we have decided to donate 1% of our profits to the nonprofit organization, Second Chance Toys. We believe this initiative will benefit both the community at large, while increasing our sales and giving us an edge over our competitors.

Second Chance Toys, a 501(c)3 nonprofit organization, was founded in 2006 on the grounds to repurpose plastic children's toys, and redistribute them to community organizations throughout the country.<sup>2</sup> Not only does this organization work to reduce waste by preventing non-biodegradable plastic from entering landfills, but they also work to provide toys to children who might not be able to afford them. Toys are said to play a critical role in the development of a child's emotions "by helping to promote socialization, creativity, emotional security, motor skills, and learning."<sup>3</sup> Since the federal poverty line for a family of four is \$23,050,<sup>4</sup> this salary level does not leave much room for parents to purchase countless toys for their growing children. However, with Second Chance Toys, parents are able to give their children "opportunities for laughter, fun, and inquisitive exploration of the world."<sup>5</sup>

From a quantitative perspective, this initiative has a very small effect on our financials in the beginning years. We will donate 1% of our pre-tax profits to Second Chance Toys at the end of each year. We begin donations in Years 4 and 5 when we achieve profitability. We project a final net income of \$101,136 for Year 4, and \$932,828 for Year 5. One percent of our profits from Years 4 and 5 equates to \$16,344. This donation will, as a result, affect our retained earnings within our balance sheet, as well as the dividends we pay to investors. From an investor's standpoint, this might not seem beneficial as this initiative directly takes away from the dividends you will receive in the future. However, when you consider the effect that this initiative has on consumer purchase intent, the benefits significantly outweigh the costs. To measure this effect, we added the following question to our marketing survey:

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<sup>2</sup> (Second Chance Toys 2016)

<sup>3</sup> (Second Chance Toys 2016)

<sup>4</sup> (Second Chance Toys 9)

<sup>5</sup> (Second Chance Toys 2016)

If we were to donate 1% of our profits to a Second Chance Toys, we would be:

- definitely more likely to buy this product.
- probably more likely to buy this product.
- indifferent
- probably less likely to buy this product.
- definitely less likely to buy this product.

Of the 127 people who responded favorably to this question, 33 respondents said that they were “definitely more likely” to buy our product, and 63 said they were “probably more likely” to buy our product. For a more in-depth analysis of our survey results, see *Intro Exhibit - 1* below.

	# Total	Techno Babes	Silver Foxes	% of all Responses	Techno Babes % of all Responses	Silver Foxes % of all Responses	CSR Increase	Total Increase	Total Increase to Techno Babes	Total Increase to Silver Foxes
Definitely	33	20	13	26.61%	16.13%	10.48%	4%	1.06%	0.65%	0.42%
Probably	63	48	15	50.81%	38.71%	12.10%	2%	1.02%	0.77%	0.24%
Indifferent	31	22	9	25.00%	17.74%	7.26%	0%	0.00%	0.00%	0.00%
Total	127	90	37					2.08%	1.42%	0.66%

#### *Intro Exhibit 1 - CSR Effect on Purchase Intent*

This CSR initiative that involves donating 1% of our profits to Second Chance Toys increased our accumulated purchase intent by 1.42% for Techno Babes, and 0.66% for Silver Foxes.

Although these percentages seem small when you account for how much this additional accumulated purchase intent increases the forecasted demand in our Bases Model, our donation to Second Chance Toys has a larger impact than it would appear. Over the course of 5 years, we expect to sell 22,534 more mobiles because of this initiative, which will contribute to a higher net income in the long run. See *Appendix A & Appendix B* for more details.

To advertise our CSR initiative for Second Chance Toys, we have generated two advertisements that will be publicized on our website, social media pages, and various digital outbound advertising strategies. These will also contribute to not only an increase in consumer awareness for our product, but also for the organization as well. (*See Appendix K for CSR Ads*).



**Zzz Mobile**  
Fall Asleep to the Voices You Love

1% Profits, Twice the Joy.  
We donate 1% of our profits from the Zzz Mobile to Second Chance Toys.  
Learn more at <http://lol.bu.edu/amalbert>

\*With Parental Love



#### *Intro Exhibit 2 - Example of CSR Ad*



# Introduction & Summary

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## Mission Statement

Founded in 2016, we created the Zzz' Mobile with one goal in mind – to offer an innovative, personalized, and technology-driven baby mobile that fits every parent's needs. We are committed to creating meaningful connections with our consumers by encouraging strong relationships between them and their most prized possessions.

## Product Attributes

The Zzz' Mobile is a baby mobile used to soothe and calm babies in their crib. Our mobile has a competitive edge, equipped with a personalized voice recorder. With this unique feature, parents can record a special message or song for their child and play it at any point in the day. It also includes Bluetooth connectivity and a smartphone application designed to look like a remote control. From the app, parents can activate or deactivate music playing from the baby mobile from any room in the house. The mobile also includes a list of preset songs which comprise of a mix of lullabies, environmental sounds, and classical music. The lullaby is "Twinkle Twinkle Little Star"; the classical song is Chopin's "Nocturne op.9 No.2"; the environmental sound consists of ocean waves. The maximum amount of time the mobile will play is 15 minutes. However, the consumer can easily start the music again from the start button on the baby mobile itself or from the phone application. The mobile attaches to the side of the crib, making it easy for a consumer to assemble. The head of the mobile rotates when the recordings and songs play, comforting the baby. As the baby grows, the mobile can be converted into a music box by removing its arm and head, extending the life of the product. The Zzz' Mobile has a sky theme, and includes 5 hanging plush toys: a star, moon, cloud, planet, and a shooting star. The overall look of the mobile is aesthetically pleasing, and can coordinate well into any style nursery room.

## Current Trends

### **Technological Trend**

A more technologically-advanced society allows the Zzz' Mobile to generate a market of its own. As the Zzz' Mobile is geared toward parents and grandparents who consider themselves

more “technologically-savvy,” we position ourselves as a product that blends infant toys with the internet-of-things. Today, most people are dependent on their phones. Nearly two-thirds of Americans own a smartphone<sup>6</sup>. In conjunction with the unique attributes of the Zzz’ Mobile, this indicates that our product will easily integrate into our consumers’ everyday lifestyle.

### Aging Population

One of the major macroeconomic trends affecting the United States today is the impact of the aging population. The U.S. has seen rapid growth in its population; it has nearly doubled from 1950 to 2010<sup>7</sup>. Although this rapid growth is gradually leveling out, it still has a significant impact on people ages 65 and older. Despite this having a negative influence on other businesses and industries, it has a positive effect for our particular company. Our secondary target market consists of grandmothers with grandchildren ages newborn to one year of age. With this current demographic trend, our secondary target market, the Silver Foxes, will potentially increase over the years, positively impacting our bottom line.

### Shifting Attitudes & Preferences of the Modern Mother

The majority of mothers, ages 20 to 34, are in the millennial generation and display constant fluctuating consumer preferences<sup>8</sup>. Compared to previous years when the birth rate was in steady decline, it is now projected that it will increase by 2% until the year 2019. One of the things that influences mothers the most when buying products for their children is the emotional element in advertisements, or “sadvertising”.<sup>9</sup> Mothers in the millennial generation love advertisements that will make them say, “Aw.”<sup>10</sup> Young mothers are also considered more tech-savvy than the average mother and therefore are more inclined to use social media. Mothers use social media at least three times per day, and are expected to share their opinions on platforms like Facebook and Twitter.<sup>11</sup> These changing preferences will affect how we carry out our marketing strategies; we want our advertisements to appeal to the Millennial mother, along with the features we choose to include into the mobile design.

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<sup>6</sup> (Smith 2015)

<sup>7</sup> (Cohn 2016)

<sup>8</sup> (Bonneto 2014)

<sup>9</sup> (Bonneto 2014)

<sup>10</sup> (Bonneto 2014)

<sup>11</sup> (Bonneto 2014)

## **Increased Use of Mobile Applications**

The number of consumers using mobile applications has increased as society becomes more technologically-reliant. Because people today are so busy, finding ways to make their lives easier is a top priority for most. Consumers use apps for various reasons, but one of the most beneficial uses of smartphone apps is to make life more convenient. When looking for an app to purchase or download, 62% of women look for an app because they have received a recommendation from a friend or family member.<sup>12</sup> This increase in use of mobile applications allows the Zzz' Mobile to distinguish itself from our competitors, as well as make it more desirable to our consumers.

## **Changing American Family Dynamic**

While getting married at a young age was the norm in the past, this trend is rapidly declining. It is now the norm for many young adults to get married at a later age, or to not get married at all. In the United States, the number of adults who have never been married is at an all-time high. In addition, the number of two-parent households is steadily declining while the idea of remarriage and cohabitation is becoming more and more popular.<sup>13</sup> Because the number of marriages is declining, this could negatively affect the Zzz' Mobile's sales. Many people are instead focusing on other priorities such as work, travel, and leisure while putting off marriage and having children until later in life.

## **Competition**

The Zzz' Mobile faces many well-established companies that make up a large share of the toy market industry. In 2015, toy sales totaled to \$19.48 billion.<sup>14</sup> Although baby mobiles represent a small share of the toy industry, it is a common product used among parents and grandparents. A generic baby mobile usually comprises of some type of music or lullaby, four to five plush toys, and a rotating head. The Zzz' Mobile primarily differentiates itself from competitors with the personalized voice recorder and the mobile application. However, our competitors include the SkipHop Mobile, the Fisher-Price Precious Planet 2-in-1, the Disney Baby Pooh Mobile, and the Just Born Music Mobile, with the most comparable being the SkipHop Mobile. Similar to our product, it has a removable arm, multiple music options, and is

<sup>12</sup> (Bonneto 2014)

<sup>13</sup> (Cohn 2016)

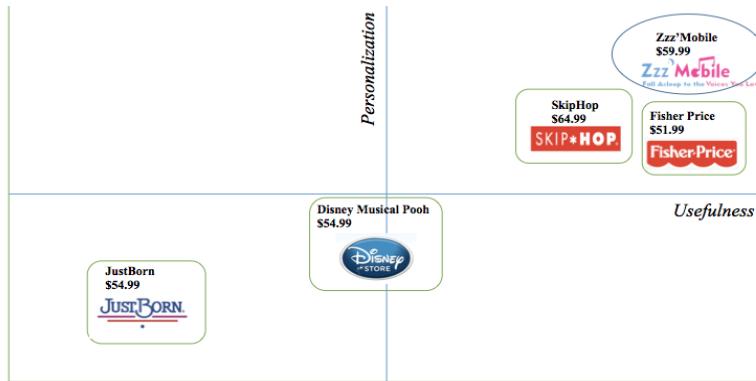
<sup>14</sup> (The NPD Group 2016)

motorized. See *Intro Exhibit 3* below for a detailed outline of the strengths and weaknesses of our competitors.

Product	Retail Price	Strength	Weakness
Zzz' Mobile	\$59.99	Bluetooth, timer, voice recorder, preset songs, smartphone application	No projected lights
Fisher Price <sup>15</sup>	\$51.99	Three musical settings	No voice recorder
SkipHop Mobile <sup>16</sup>	\$64.99	One-Touch Remote	No Bluetooth
Disney Baby Pooh Bear <sup>17</sup>	\$54.99	Easy to Fits Onto Cribs	No Unique Feature
Just Born Music Mobile <sup>18</sup>	\$54.99	Plush Toys That Dance	No Remote Control

*Intro Exhibit 3 - Competition Analysis*

As you can see in *Intro Exhibit 4* below, the Zzz' Mobile illustrates its strengths above its competitors. Positioned in the high personalization and high usefulness quadrant, the Zzz' Mobile differentiates itself through its voice recorder feature and smartphone application.<sup>19</sup>



*Intro Exhibit 4 - Personalization and Usefulness Positioning Grid*

<sup>15</sup> (Kohls Department Stores 2016)

<sup>16</sup> (Target Corporation 2016)

<sup>17</sup> (ToysRUs 2016)

<sup>18</sup> (Buy Buy Baby Inc. 2016)

## Marketing

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## Marketing Overview & Objectives

We are an infant toy company that strives to bring families closer together through the pure sound of a parent's voice. We hope to increase our influence in the toy industry by gaining a market share of at least 0.2% by Year 5. In addition, we hope to gain a respectable reputation from our target markets by generating an accumulated awareness of at least 20% within the next five years. Moreover, we will develop our brand recognition and relationship with our retail channels by cultivating an ACV of 35% by Year 5. Lastly, we hope to become a successful, expanding infant toy company by achieving sales of at least \$5.5 million by Year 5.

## Target Markets

### **Target Market 1 – Techno Babes**

As mentioned previously, our target market has two segments, the Techno Babes and the Silver Foxes, explained further in our Segmentation Tree (See *Appendix C*). The first target market, “Techno Babes”, consists of mothers who are pregnant and/or have children between the ages of a newborn to one year of age. These mothers also prefer products that are more high-tech. The size of this target market is roughly around 6.8 million consumers. The reason we chose this target market is because after going through extensive research, interviews, focus groups, and surveys, we have found that females are the main decision makers when it comes to purchasing infant products. At this age, infants undergo the initial stages of imprinting and sensory development. Children in this particular age range are not capable of standing on their own, and therefore will not be able to reach the mobile. A baby mobile might serve as a safety hazard for any age past one year. The feedback from interviews revealed that pregnant mothers would also be interested in this product because of the educational and developmental benefits that the Zzz' Mobile can provide.

### **Target Market 2 – Silver Foxes**

Silver Foxes is our secondary target market that includes grandmothers with daughters who are pregnant and/or have grandchildren between the ages of a newborn to one year of age. These individuals also prefer purchasing tech-oriented products. The size of this target market is around 2.9 million. Our reasoning for choosing this segment is because grandparents who have grandchildren or daughters that are pregnant, would also be willing to purchase infant toys as gifts. Because women are more likely to make these purchasing decisions, we have decided to target grandmothers. Grandparents would have a higher willingness to pay as well. We learned

from our interviews that grandparents generally look for the same key attributes as parents when purchasing toys for their grandchildren. Furthermore, grandparents that we interviewed were intrigued by the voice recording feature, since it allows them to have order to have a greater presence in their grandchildren's lives.

## Market Research

### **Interview and Survey Results**

We conducted primary and secondary research to gather crucial information about our two target markets. The interviews and research indicates that 84.3% of respondents believe that educational development, sensory development, and colors are the most important attributes that parents consider when buying a product. Approximately 60% of our participants in our interviews, stated that their work-life interfered with quality time with their kids (*see Marketing Exhibit 1*).

Work Life Interferes with Children	Work Life Does Not Interfere with Children
18	12

*Marketing Exhibit 1 - Work Life Balance Responses From Interviews (Out of 20)*

Additionally, we received positive feedback about the voice recording feature in our baby mobile. According to our survey results, a higher percentage of parents would either "definitely buy" or "probably buy" a baby mobile with voice recording feature. Parents were willing to spend around \$30 to \$50, and grandparents were willing to spend around \$50 to \$60 on the product. After viewing the initial design, around 69% of interviewees had safety concerns about the mobile's attachment mechanism to crib, as well as the length of the toy strings. The general consensus from our interviews and surveys were positive.

### **Focus Group**

We conducted a focus group that consisted of 5 mothers, all in our primary target market, the Techno Babes. The focus group was critical to our market research because they were able to provide better insight on the daily life of being a parent. From our focus group, we gathered that the willingness to pay ranged from \$40 to \$50. They also suggested the addition of a remote control because they liked the idea of being able to activate the mobile from another room. They indicated that their willingness to pay would increase with the addition of this feature. Originally, the Zzz' Mobile was marketed towards mothers with children from newborn to two years of age. However, we decided to reduce the age to one year because our focus group expressed that by

two years old, babies are able to stand up, walk, and grab on the mobile. This shows that it would not be longer safe to have in the crib.

## Online Research & Social Media

Moving to our research from online and social media, we created a word cloud from multiple online reviews of baby mobiles to see what the main buzzword attributes were amongst consumers (*See Marketing Exhibit 2*). As a result, we realized that most baby mobiles were battery powered, and therefore we decided to use this as the power source for our product.

Additionally, most consumers preferred remote control activation so that they would not have to constantly enter the baby's room to turn on the mobile.

Retail Research

Next, we visited retail stores that carry similar products to the Zzz' Mobile to get a better idea for how baby mobiles are displayed, the various features, and their average price. For our retail location visits, we went to Pottery Barn in the Natick Mall, Magic Beans and Papyrus, both located in the Prudential Center. Baby mobiles at Pottery Barn were priced around \$45 to \$60, and most included rotating and musical features. All of the mobiles we looked at are available online, and some were displayed in the store attached to the crib. The second store we visited was Magic Beans, where we talked to a store manager who explained that a typical price for a baby mobile is around \$60 to \$65. Here, most baby mobiles were displayed on the store shelves. Lastly, we went to Papyrus in Prudential Center. Though this store does not carry baby mobiles specifically, they carry other infant-related toys. All products were on display in store so that consumers can view and touch them.



## *Marketing Exhibit 2 - Word Cloud*

## Integrated Marketing Communications Schedule

We are applying a combination of pull and push marketing methods to attract our potential customers in our target markets. The focus of our efforts will be on the pull marketing strategies, which includes various media channels such as magazine advertisements, fairs, outdoor advertisements and creative campaigns. At the same time, we will attend trade shows as

well as publish trade magazine ads for our push marketing strategy. In the end, our integrated marketing communications schedule aims to generate a growing awareness amongst our target consumers in the most cost-efficient way. For more in-depth details on our IMC Schedule, see *Appendix D through I.*

### **Fairs & Events**

Beginning in Year 1, we plan to attend three baby toy fairs, which include DroolBaby Expo in Boston, Massachusetts, California Toy Day in Sacramento, California and Mother Of All Baby Showers in Davie, Florida. Attending these fairs will provide the opportunity to increase our presence in California, a state with around 12 million family households<sup>19</sup> and highest median income.<sup>20</sup> Additionally, having a greater presence in Florida would help to generate more awareness among consumers near our headquarters.

Our presence at these fairs and events will span over the course of five months, and should generate approximately 1.26% of awareness amongst Techno Babes and 0.76% from the Silver Foxes. After combining the costs of travel for one company employee, the salary for two booth workers, as the well as the additional costs to exhibit the Zzz' Mobile, attending each fair should cost the company around \$5,270 each. Therefore, costs to attend fairs and events will total at around \$15,810 in Year 1. (*See Appendix D through I* for more information)

In Years 2-5, we also plan to attend the Mommy and Me Baby Fair in Monterey, California and the Big Top Toy Collectibles Expo in Tampa, Florida in addition to the initial three fairs in Year 1. These fairs will both take place in August, an appropriate time to advertise the Zzz' Mobile as most mothers tend to give birth to their newborns during this month.<sup>21</sup> By the end of Year 5, our Fairs and Events expenses will total at \$26,350 and generate an accumulated awareness of 2.11% and 1.26% amongst Techno Babes and Silver Foxes, respectively.

<sup>19</sup> (The Government of the United States of America - Census Division 2016)

<sup>20</sup> (Short 2016)

<sup>21</sup> (BabyCenter 2015)

## Outdoor Transit & Billboard Advertisements

For our outdoor and transit advertisements, we chose to target four cities: Anaheim, CA; Boston, MA; New York City, NY; and San Francisco, CA. These four cities were chosen both for high family population, modes of transportation, standard of living, and quality of education. For Year 1, we chose to purchase a billboard for our product in Anaheim since it is a more densely populated area within California. In addition, it can generate awareness amongst families who constantly travel there for the Disney Attractions and other vacations. Although expensive, the Anaheim billboard will generate the bulk of the outdoor/transit awareness (0.24%). See *Marketing Exhibit 3* for an example of an advertisement.

We plan to have bus, subway, and train/rail ads in the cities of Boston and San Francisco. On average, 400,800 million people ride on the MBTA per year in Boston,<sup>22</sup> and 127 million ride the BART train in San Francisco.<sup>23</sup> Outdoor transportation ads in these areas will help to gain more impressions amongst the Techno Babes specially during their daily work commute.

For the remaining years, Years 2 through 5, we will continue to maintain ads within these areas with the addition of bus ads in New York City. Because New York City is another populous area, with a high standard of living, outdoor ads would benefit the company by cultivating more brand recognition amongst a market with a higher willingness to pay. The entire outdoor advertising campaign will cost \$6,000 while generating an awareness of 0.26% for both target segments.

## Online

For Years 1 through 5, the company's online marketing campaign will contain a combination of digital ads that will be displayed on our company website, as well as third party websites such as Amazon and Pinterest. Additionally, we plan to pay for our advertisements be



<sup>22</sup> (Enwemeka 2015)

<sup>23</sup> (San Francisco Bay Area Rapid Transit District 2015)

featured on various social media websites such as Facebook, Instagram, etc. as well as be publicized on our own pages. We also plan to utilize Search Engine Optimization in order to generate more online impressions for our website. Overall, online expenses will total to \$31,250, around 20% of our pull marketing budget, and generate a 2% awareness for each of our target markets (see *Appendix J* for an example of an Online Ad)

### **Point-Of-Purchase Displays**

From Years 1 through 2, we plan to market the Zzz' Mobile through Point-of-Purchase (POP) displays at our brick-and-mortar locations, which will be at our Independent Retailers. The POP displays will be located, ideally, in a central location within the store near the infant toys section.

As seen in *Marketing Exhibit 4*, the boxes will be stacked in a cardboard model of the Zzz' Mobile packaging box. The boxes will be stacked on the right side of the POP along with a few stacked in the center display (blue and pink section). There will also be one Zzz' Mobile out on display. This will be for demonstration and will allow consumers to try out the musical and voice recording features of the Zzz' Mobile. This will also allow consumers to see how the Zzz' Mobile looks, feels, and gives them the opportunity to learn about the Bluetooth and mobile app activation. In total, the POP displays will cost roughly \$20,000 and will remain in stores during the months of August and September.

### **“With Parental Love” Hospital Awareness Campaign**

The “With Parental Love” Campaign is a marketing campaign designed to increase awareness for our product amongst both target segments. For this campaign, we will donate over 400 Zzz' Mobiles to top hospitals across the country each year. The Zzz' Mobiles will be placed on the infant beds in the hospital nurseries, where parents, grandparents and other family members can view their newborns along with the Zzz' Mobile that soothes them. When our target consumers see how the Zzz' Mobile works, and learn more about the product through the



*Marketing Exhibit 4 - Example of POP Display*

hospital, this will help to capture their interest and take action to buy the product. We have chosen the following breakdown for the location of hospitals, and number of Zzz' Mobiles to send:

- Boston, Massachusetts: 80 units
- New York City, New York: 80 units
- San Francisco, California: 45 units
- Chicago, Illinois: 80 units
- Dallas, Texas: 45 units
- Washington D.C.: 80 units
- Seattle, Washington: 80 units

We chose to distribute our mobiles to the top three hospitals in these locations because they are all metropolitan areas that represent densely populated locations within the Northeast, East Coast, West Coast, Northwest, Midwest, and South in combination with high-quality obstetrics programs, and high delivery rates.<sup>24</sup> We have decided to donate 80 units to each of the following cities: Boston, New York City, Chicago, Washington D.C., and Seattle. We believe we will be able to capture more of our target market in these locations due to their population size. Every year, we will rotate the hospitals we make donations to within the each of the same cities. Prior to the launch of our product, we will donate an initial 80 units to both Boston and New York City hospitals in order to build foundational awareness for the Zzz' Mobile. For Year 1, we will continue to donate Zzz' Mobiles to these locations with the additions of three top hospitals in Chicago and Washington D.C. In the first year, the campaign will cost roughly \$12,000 and generate awareness of 2.31% for the Techno Babes, and 1.85% for the Silver Foxes. We will continue donating Zzz' Mobiles to these locations with the changes of adding Dallas hospitals in Years 2 and 3, and switching our D.C. location to hospitals in Seattle for Years 4 and 5. Overtime, we expect that awareness numbers to grow to 11.79% amongst Techno Babes and 9.15% amongst Silver Foxes by year 5.

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<sup>24</sup> (BabyCenter 2015)

## Shopping Mall Awareness Campaign

Along with our “With Parental Love” Campaign in hospitals, we wanted to generate more awareness at a more localized level for our target markets. Because 66% of women make up customer traffic at shopping malls, we plan to launch another marketing campaign starting in Year 3.<sup>25</sup> For this mall campaign, we plan to put sticker advertisements in the changing areas of select bathrooms within different malls across the United States. Female shoppers will be able to view the sticker when using, or passing by the changing area. See *Marketing Exhibit 5*, for a detailed example.

When choosing locations, we decided to choose six states that represented the East Coast, South, Midwest, and West Coast. From there, we decided to target the largest shopping malls within those states based on size and customer traffic. The malls we chose are outlined below:

- o Natick Mall in Massachusetts: 3 sticker ads
- o The Mall of America in Minnesota: 7 sticker ads
- o King of Prussia Mall in Pennsylvania: 4 sticker ads
- o The Florida Mall (Orlando) in Florida: 4 sticker ads
- o Union Square Westfield Mall in California: 3 sticker ads
- o Perimeter Mall in Georgia: 4 sticker ads.

Our sticker advertisements will be placed in two malls each year, rotating locations in Years 3 through 5. We estimated, based on size, that posting these stickers in malls will cost around \$75 each per month<sup>26</sup>. Although the costs will vary each year, the campaign is expected to generate around 2% awareness per year across both segments.

## Magazine Advertisements

In Year 3, we start to advertise in magazines. We will have a  $\frac{1}{2}$ -page advertisement in the magazine, *Pregnancy & Newborns*. The ad will be publicized in January, as this is a common time to conceive a child. If a mother becomes pregnant in January, the baby will most likely be born



*Marketing Exhibit 5 - Example of Mall Ad*

<sup>25</sup> (JCDecaux 2012)

<sup>26</sup> (Blue Line Media 2016)

in the summer.<sup>27</sup> Although this magazine ad would cost the company \$12,365, it would only cost \$356 to reach 1000 viewers of this magazine which would include a decent portion of our target markets. The magazine ad will also generate an awareness of 1.28% for the Techno Babes and 3.02% for the Silver Foxes. The awareness for Silver Foxes is higher because they are smaller in population and therefore, the ad would have a higher impact.

Parents is the second largest family and parenting magazine in the United States based on circulation.<sup>28</sup> With about 2 million subscribers, a  $\frac{1}{2}$ -page ad in this magazine will enable us to communicate our message to a large portion of our primary target market. The magazine is distributed to every region across the country, as well as 59,068 digital copies.<sup>29</sup> Despite one  $\frac{1}{2}$ -page ad costing \$129,300 for Year 5, it will cost only \$31 Cost Per Thousand (CPM). Essentially, the company has the potential to reach around 4,000 consumers. As a result, the  $\frac{1}{2}$  page ad is projected to generate an awareness of 10.32% amongst Techno Babes and 7.30% for Silver Foxes.

### **PR Magazines & Blogs**

Public Relations (PR) helps to maintain a positive image by keeping strong relations with the media. With a budget of \$10,000 per year, we plan to feature Zzz' Mobile in five PR magazines and nine blogs. The blogs will have a balance of those that specifically target mothers/mothers-to-be and grandmothers. These blog posts will be publicized in March, August, and November of each year. If the articles are well-received by readers, this channel can also help to generate higher Word of Mouth (WOM) amongst our target market in future years.

### **Company Website**

Year 0 will require the development of the Zzz' Mobile website. As a start-up cost, the creation of the website will be \$15,000. The development of the website is a one-time cost that will require maintenance fees over the next few years. The company website is projected to generate 2% awareness for both target segments.

Years 1 through 5 will only require maintenance fees of \$1,500 per year. Our website will be the main resource where customers can learn more about the Zzz' Mobile, its benefits,

<sup>27</sup> (Servick 2013)

<sup>28</sup> (Cision 2013)

<sup>29</sup> (SRDS 2016)

and more about the company as a whole. Our website<sup>30</sup> features photos of our product design, key attributes, and a commercial.

Here, consumers can read more about the product's voice recorder, Bluetooth mobile app, and how their child can grow with the Zzz' Mobile with its detachable music box. The website also features more about the company's mission to

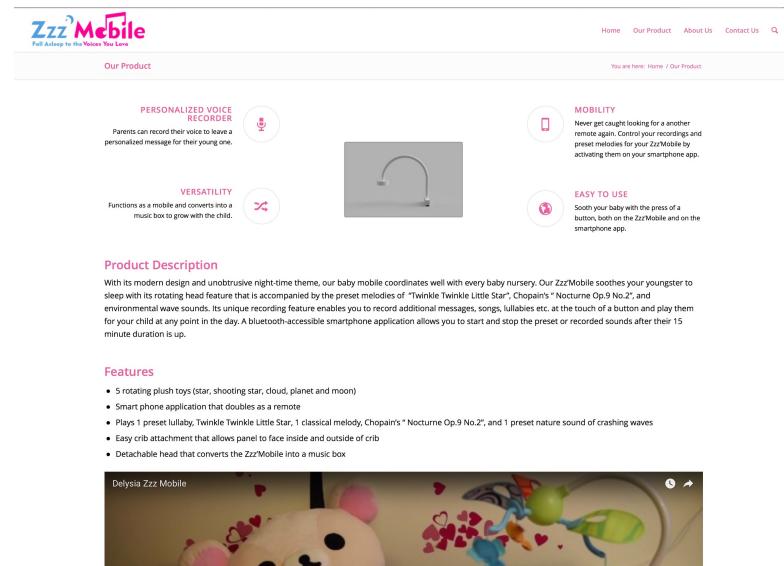
"offer an innovative, personalized and technology- driven" product while striving to create meaningful relationships with our customers simply by bringing families closer to their children.<sup>31</sup>

### Creative Expenses

With various channels for marketing and advertising, our company requires a team of graphic designers, photographers and production staff. We plan to allocate 5% of our pull marketing budget towards covering our creative expenses, which totals at \$52,500 annually for Years 1 through 5.

### Trade Shows & Trade Magazines

Push marketing will be crucial in Years 0 through 5 in order to cultivate awareness amongst other companies within our trade. Additionally, our push marketing strategies will be crucial in selling the Zzz' Mobile at various independent retailers in our first year of business. With this notion in mind, we plan to attend three of the largest trade shows for the toy industry: ToyFest in Las Vegas, ToyFair in New York City, and SuperCon in Ft. Lauderdale. These particular trade shows were also chosen in order to have a presence in the West, East, and Southern parts of the United States. The combined expenses of 10' by 10' booth (\$1,946), travel



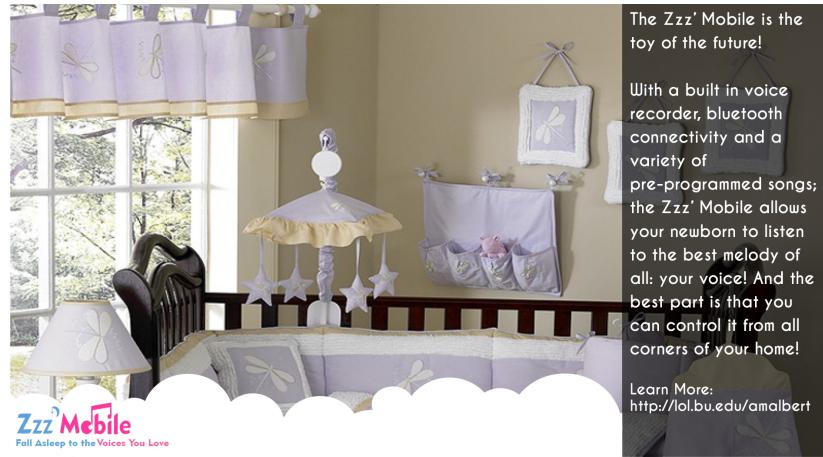
### Marketing Exhibit 6 - Example of Website

<sup>30</sup> (Amalbert 2016)

<sup>31</sup> (Amalbert 2016)

expenses/promotion materials (\$3,892), and additional items to set up our trade show booth (\$5,000) will total to be around \$22,514 for attending all three trade shows.

Additionally, to generate a foundation of brand awareness towards potential retailers, we plan to publish nine  $\frac{1}{2}$ -page ads in ToyBook Trade Magazine in Year 0. This is crucial for distribution in order to generate ACV. For Years 1 through 5, we have budgeted \$15,300 to have three  $\frac{1}{2}$ -page advertisements in ToyBook magazine. The goal of these ads is to help encourage retailers' internal search for information by providing an external search resource.<sup>32</sup> This will help to the buyers in their aided recall when reading about the key attributes of our product.



*Marketing Exhibit 7 - Example of Trade Magazine*

Learn More:  
<http://lol.bu.edu/amalbert>

## **Examples of Advertising and Packaging**

### **Examples of Advertising**

The tone of our media campaign is designed to be playful and modern targeting the millennial family. Using family images and simple messaging, we will position our product by appealing to the maternal instinct of mothers and grandmothers. Our product is designed to promote education for infant children from a very early stage. The underlying pathos formed between mothers and their babies also allows our product to reinforce the importance of a mother's voice to her baby. Within our billboard mock-up (See *Appendix K*) the simplicity allows the infant to be the focal point of the ad, emphasizing the notion of how the Zzz' Mobile is centered on the benefit for the child. This billboard ad will have the presence to catch the attention of the tech savvy, busy moms that would be the early adopters of our product.

In our third year of business, we will begin to advertise in *Pregnancy & Newborns*[28] with a slightly different advertising campaign than our billboards. We will feature the more tech-savvy components of our product. Because our magazine readers will have more time to actually

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<sup>32</sup> (Levy n.d.)



Every year, the "With Parental Love" Campaign donates over 400 Zzz' Mobiles to top hospitals across the country. Families can now be even closer to their newborns past the nursery window.

We are spreading love & bringing families closer together for a brighter future.

Learn more: <http://lol.bu.edu/amalbert>

#WithParentalLove

#### *Marketing Exhibit 8 - Example of CSR Ad*

see our advertisement than the people driving by our billboards, they will have a longer opportunity to learn more about our product and understand what differentiates us from our competitors.

In our third major form of advertising we have decided to start our "With Parental Love" Hospital Awareness Campaign, where we donate over 400 Zzz' Mobiles to hospitals across the US each year. This unique combination of CSR and advertising will allow our baby mobile increase the awareness from 2.31% to 11.79% from Year 1 to Year 5 in

our primary target market (see *Marketing Exhibit 8*).

#### **Examples of Packaging**

Our unique Point of Purchase display (See *Marketing Exhibit 4*) and fun and exciting box design (See *Appendix PP*) will entice customers to buy our product. Our Point of Purchase display incorporates an actual working model of our Zzz' Mobile, giving potential customers the opportunity to have a hands-on demo with our product. This will enable us to garner the interest of our target markets and move our product to move from the 'bottom shelf' to the center of our customers' attention. Our POP display will dramatically help to generate awareness in the first two years of our product entering the market.

In combination with our strong billboard advertisements, the "With Parental Love" Campaign, POP displays, various fairs, events and magazine ads, the Zzz' Mobile will go from being a small unknown brand to a trusted household name in the toy industry.

#### **Measuring Effectiveness of Marketing Campaigns**

For measuring the effectiveness of our various marketing campaigns, we have used various controlled techniques to assess the effectiveness of our campaigns and advertisements. Using our online budget for search engine optimization and our website for advertising, we will be able to assess the effectiveness of our advertisements by analyzing our Click-Through-Rate

(CTR). With our online presence, we can better understand our customer satisfaction with a product review system that allows for detailed comments to be made. Finally, for our “hard” advertising including various magazine, hospital, and shopping mall advertisements, we will use the Return on Marketing Investment (ROMI) formula to assess the effectiveness of our marketing campaigns.

These tools will allow us to assess the performance of our marketing communications and will let us understand what needs to be changed and what is effective. If an ad is deemed ineffective by any one of these standards, it will immediately return to the drawing board for analysis and further development. The expenses for this advertisement reworking will come out of our creative expenses budget. It is necessary for us to have advertisements that impress and entice our customers to purchase our product, and only when our advertisements do this will we see the increases in sales that we expect from our BASES model.

### Channels of Distribution

In Years 1 and 2, we will enter independently-owned toy stores, which account for 9.58% of sales. We are also using online e-commerce platforms throughout the course of five years, which account for 12% of sales. The total All-Commodity-Value (ACV) for Year 1 is projected to be 14.30%. However, in Year 2 it will increase to 16.04% due to the further market penetration of independently owned toy stores. In Year 3, we increase our penetration into independently owned toy stores to become 22.38%. In addition, we will also enter small-chain stores, such as Learning Express and Munchkins Inc., which will account for 5.11% of sales. By the end of Year 3 we will have a total ACV of 19.93%. See *Marketing Exhibit 9* for breakdown.

	Mass Merchandisers	Large Chains	Small Chains	Independent Stores	Online	Total
Year 1				2.30%	12%	14.30%
Year 2				4.04%	12%	16.04%
Year 3			2.56%	5.37%	12%	19.93%
Year 4		4.45%	3.58%	4.30%	12%	24.33%
Year 5	6.38%	15.21%	2.86%	2.58%	12%	39.04%

*Marketing Exhibit 9 - ACV Breakdown*

In Year 4, we will enter various large-chain toy stores, including Buy Buy Baby, Williams Sonoma, and Pottery Barn. This channel roughly represents 34.57% of sales in the toy market. The total projected ACV for Year 4 is 24.33%. While adding large-chain toy stores is great for our business, various channel conflicts will begin. We will begin to decrease our market presence in various independently-owned toy stores, which will decrease that channel's ACV by 1.07%. This will be further explained in the section regarding "Channel Conflicts" (Page 20).

Lastly in Year 5, we will expand into mass merchandisers, such as Target and Wal-Mart; these stores make up a portion of 31.92% of sales. The channel that is going to be increasing gradually throughout the years is independently owned toy stores. As mentioned above, its expansion is 22.38% at Year 3; it is going to be around 27.75% of sales in Year 4; then it will increase up to 32.05% in Year 5. The total ACV that we have for Year 5 is 39.04% and the significant increase happens because we enter mass merchandisers.

For more a more detailed ACV breakdown see *Appendix L through P*.

### **Purchase Intent**

We collected 152 surveys from our target market, 84 of them having a purchase intent of either "definitely will buy" or "probably will buy". The customers' highest willingness to pay ranges from \$49.99 to \$59.99. Therefore, we priced our product at \$59.99, which is within the acceptable price range and gives us the highest profit. The Techno Babes are much more price sensitive to our product's price than Silver Foxes. For Years 1 through 3, the Techno Babes' purchase intent will be 15% and the Silver Foxes' purchase intent will be 4.50%, excluding the CSR adjustment. We expect a higher willingness to pay with the addition of our CSR initiatives, which account for a total increase of 2.08% in our forecasted purchase intent. This CSR boost allows our cumulative purchase intent to rise to 16.2% for the Techno Babes, and to rise to 5.16% for the Silver Foxes in these years. Even if our price drops over time as more competitors enter the market, we will still make a profit and maintain our market share (see *Appendix Q through R* for more details)

### **Price & Margin**

In Years 1 and 2, we plan to retail our product in independent stores and online at a retail selling price of \$59.99. The manufacturer selling price for independent stores remains at \$30 for all 5 years. The online manufacturer selling price is \$38.99 for all 5 years as well; the online retailers are able to retain a 35% margin. We expect that the average weighted manufacturer's

selling price will be \$38 for Year 1 and \$37 for Year 2. In Year 3, we will sell our product to small-chain stores at a price of \$33. In Year 4, the Zzz' Mobile will be sold in large chain stores at a retail selling price of \$58. By Year 5, our product will be sold to mass merchandisers at a manufacturer selling price of \$29, enabling these stores to achieve a 40% retailer margin. Although we will have a larger channel of distribution at mass merchandise retailers, our price will decrease to \$53 as a result of these retailers driving down our price. All the aforementioned prices, margins and volumes in each channel can be found in *Appendix S*.

### **Sales Volume**

In our forecast for our projected sales volume, our sales revenue comes largely from independent sales in Years 1 through 2. As seen in our breakdown of sales by distribution channel, we will generate sales in independent stores of \$68,164.86 in Year 1, which will more than double into Year 2 due to increased penetration. Sales from this distribution channel peak in Year 3 at \$359,759.28, and begin to slowly decrease in Years 4 and 5 due to a necessary competition adjustment and channel conflict.

For our online channel, the sales volume driven by our e-commerce will be \$462,734 in Year 1, and will gradually increase to a peak of \$1,946,761 in Year 5. Sales volume shifts when we enter small-chain toy stores in Year 3, generating \$188,278 in revenue. Sales in small-chain stores are the highest in Year 5 at \$392,932. Increasing sales volume in this channel, is crucial to our business in order to achieve more brand recognition. However, our sales volume in Years 4 and 5 is the driving factor of our company's growth.

Large-chain stores and mass merchandisers will make the bulk of our sales volume in Years 4 and 5. In large-chain stores, we will generate a revenue of \$342,144 in Year 4 and \$1,822,744 in Year 5. Upon entering mass merchandisers in Year 5, the sales volume will be \$764,734. These two retail outlets greatly help with the sales growth of the Zzz' Mobile, which will lead to steady growth over time. As sales volume, along with increased penetration in mass merchandisers, continue to grow, more money can be invested into more large-scale marketing campaigns and market research.

### **Channel Conflict**

Due to the fact that independently-owned toy stores carry more unique and niche products, we will begin to adjust for channel conflict in Year 4. When we enter large chain toy stores, such as Buy Buy Baby, Pottery Barn, and Williams Sonoma, we will begin to realize a

channel conflict in our independently-owned toy stores. In order to account for this, we will begin to lower our ACV in the independently-owned toy stores by 20% in Year 4 and by 40% in Year 5. At the same time, we still sell our products online with no channel conflict. Even with this channel adjustment, we will still have growth in ACV due to the sheer magnitude of the large chain toy store locations. The ACV in independently-owned toy stores lowers from 5.37% in the third year to 2.58% in the fifth year. This channel conflict does not pose any risk to the Zzz' Mobile's growth, as we migrate to larger size stores their larger consumer base begins to propel rapid growth. For more information see *Appendix S*.

### Sales Force

Our company decides to pay for the salespeople fully by commissions fee. Due to the fact that the amount we are paying in commission never surpasses \$500,000 until year 5, we at Zzz' Mobile have decided that we will use an external team to sell our product to retailers. We will be paying these marketing representatives 10% of all total sales they make for our company. This generous amount will provide an incentive for them while also helping the Zzz' Mobile grow into a large, well-known toy manufacturer. See *Marketing Exhibit 10* for more.

Sales Representative Expenses	
Year 1	\$53,089.89
Year 2	\$84,793.80
Year 3	\$159,278.78
Year 4	\$224,992.07
Year 5	\$524,894.67

*Marketing Exhibit 10 - Sales Representative Expenses*

### BASES Model Analysis

Our 5-Year BASES Model forecast summarizes the projected profitability of our company. When designing our BASES model, we created two individual models for each of our target markets, the Techno Babes and the Silver Foxes. For a more detailed analysis on the BASES Model see *Appendix T and Appendix U*

#### **Techno Babes BASES Model Analysis**

For the Techno Babes, our primary target market, which consists of pregnant women and mothers of children under one year old, has a population of 6,894,758. At our retail selling price of \$59.99, there is a cumulative purchase intent of 16.42%, which demonstrates how receptive our primary target market is to our price. We have been able to create awareness between 7.82% of consumers through our IMC plans and have our product in 14.30% of retail outlets, as seen in our ACV breakdowns. All of these factors combined together gives us an estimated 12,664 trial units in Year 1, which is small yet respectable. Because our market is somewhat niche and

requires a large presence on retailers' shelves, this number is a conservative estimate of what we should expect in Year 1.

Throughout Years 2 and 3, there is steady growth for the Techno Babes in the areas of Awareness and ACV. Their general awareness of the product jumps from 7.82% in Year 1 to 21.35% in Year 3, which equates to a 173% increase in awareness for our product. Also, the number of store shelves our product is on grows from 14.30% in Year 1 to 19.93% in Year 3. While purchase intent stays stagnant due to a lack of price reductions, our sales grow by 214% in three years, from 12,664 units in Year 1 to 49,779 units in Year 3. This number could be much higher, but due to the expected risk of increased competition, we have reduced the size of our estimated trial units by 20%, to 39,823 Zzz' Mobiles.

In Years 4 and 5, with our product's entry into large-chain toy stores and mass merchandisers, we see drastic changes in our purchase intent, awareness, and ACV. With Year 4 comes our entry into large-chain toy stores, which drops our retail selling price to \$57.79, driving our purchase intent up from 16.42% to 18.92%. That entry into large-chain toy stores also drives our ACV from 19.93% to 24.33%. Also, with this entry into the large-chain toy stores comes with an increase in our adjustment for competition; we have decided to only take 73% of our total projected units sold. Yet even with this increase in competition, because of changes in ACV and purchase intent, driven by our new retail outlet entry this drives our product awareness up to 23.74%, which brings our projected total units sold in Year 4 to 57,138 units.

For Year 5, the last year in our projections, we see an almost 200% increase in sales due to a myriad of factors. Due to our larger presence in large-chain toy stores and the entry to into mass merchandisers we see our retail selling price drop to \$53, which drives our cumulative purchase intent up to its highest point of 23.17%. That equates to a 41% increase in our purchase intent which is a primary driver in creating sales. These added toy stores add to both our ACV and our competition adjustment. The addition of these stores raises our ACV from 24.33% to 39.04% which is a large driver for sales, but we mitigate this growth by raising our competition adjustment to only account for 65% of our BASES model. In Year 5, we launch a new advertising campaign in *Parents Magazine*, the second largest parenting magazine in circulation, allowing us to generate an awareness of 34.30%, which is a 44% increase from the previous year and a 338% increase from our Year 1 numbers. All of these numbers drive our estimated sales for that year to its highest peak, a whopping 146,612 units sold.

All of this growth over the 5 years for our primary target market, the Techno Babes, means that we can increase our sales from Year 1 to Year 5 by 1058%. This large growth in the first 5 years of our company helps drive us out of the red and into the black and allows our factory to operate at near 100% capacity.

See *Appendix T* for more information.

### **Silver Foxes BASES Model Analysis**

For the Silver Foxes the story is quite similar for our older, secondary target market. Consisting of grandparents with grandchildren under one or those expecting to become grandparents, this target market has a smaller purchase intent for our product by definition. Our survey respondents were not as receptive to our product, and at our price of \$59.99, they have a cumulative purchase intent of 5.16%.

In Year 1 the estimated total units sold to this target market are much lower than our primary target market, the Techno Babes. Due to our more mom-focused marketing campaign, only 6.86% of consumers are aware, which is slightly less than the Techno Babes 7.82%. Having the same ACV of 14.30%, the Silver Foxes estimated trial units calculates to 1,476 units.

For Years 2 and 3, the Silver Foxes have steady growth in their awareness and purchase intent. Their purchase intent stays constant with no change in price, but their awareness increases from 6.86% to 18.76% and their ACV grows from 14.30% to 19.93%. This demonstrates that the estimated units sold to this target market in Year 3 comes to 5,838. We expect to experience a competition adjustment of 80%, which will reduce our estimated BASES model units to 4,670 units sold in Year 3.

For Years 4 and 5 just like the Techno Babes, the Silver Foxes experience large scale growth due to new retail outlets and a lower retail selling price which allows for higher purchase intent. Dropping our retail selling price from \$59.99 to \$57.79 allows for the Silver Foxes purchase intent to grow to 6.41% in Year 4. The new marketing campaigns boosts our awareness by 3.62% to 22.38%, and our ACV increases by 5% to 24.33%, but with this growth comes a larger competition adjustment of 27%.

In Year 5, just like with the Techno Babes, we experience tremendous growth within the Silver Foxes target market. Our average retail selling price drops again to \$53.35 which drives our cumulative purchase intent up to 7.66% for the Silver Foxes. Also with a higher ACV of

39.04% and a higher awareness of 26.03%, our units reach a peak of 93,120, which includes a competition adjustment of 65%.

The sales growth within our Silver Foxes target market increases significantly over the years. Our awareness over the 5 Years goes from 6.86% to 26.03%, representing a 279% increase over the 5 years. Additionally, our ACV jumps from 14.30% to 39.04% which represents a 147% increase over those same 5 years. This all equates to a 971% increase in sales over all 5 years, which helps drive our company into becoming a profitable toy manufacturer. Our BASES model shows that our cumulative target market is slightly under 10 million people. Overall, by looking at our sales as a proportion of our total target market, we only capture about 1.5% of mothers and grandmothers. While this may not sound like a lot, this is a sizeable portion of the industry that we are very confident we can capture in 5 years.

See *Appendix U* for more information.

## Conclusion

The Zzz' Mobile's unique selling proposition is its greatest asset in its advertising. Being able to record your own voice on the mobile and play it back remotely with a Bluetooth application allows busy and working parents to connect with their newborn like never before. While our projected sales growing over 1048% in a 5-year period is quite optimistic, but with our aggressive marketing campaigns, deep store penetration, and attractive price point we believe that this product will quickly become a household name in the infant toy market.

The Zzz' Mobile's aggressive marketing campaign allows it to experience rapid growth. By assessing our marketing campaigns using various tools such as ROMI and CTR analysis, we will understand the effectiveness of our campaigns. By advertising in various high circulation magazines, and high density cities across America, consumers will become familiar with the name of our product. With our unique "With Parental Love" Hospital Awareness campaign, we blend our marketing initiatives with our CSR outreach; this will let our potential consumers know that Zzz' Mobile really does care about connecting newborns with their relatives.

Our two BASES models (*Appendix T* and *Appendix U*) strongly indicate how our marketing plans will translate into profits. With our high purchase intent, growing awareness and large ACV, the Zzz' Mobile will start off as a non-profitable company in the beginning years. As we grow in the first 3 years, we will see our first profit in Year 4 which then grows by 922% in

Year 5. This will allow us to retain a large portion of earnings for future growth and also enable us to pay back dividends to our investors.

We believe that the Zzz' Mobile will be the future of baby mobiles and our marketing plans help make that a reality.

## Operations

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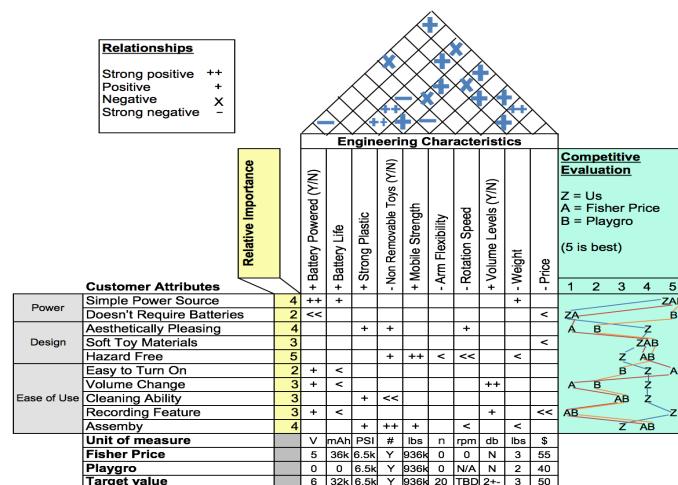
## Product Design

### Initial Product Design and Changes

After analyzing customer feedback, we made many alterations to the product design (see *Appendix SS* for most recent product design) until finally coming to a final version. Initially, the Zzz' Mobile came with a remote control in order to start, stop, and change the music. We have eliminated this component and have developed a mobile application instead, making the activation of the mobile more convenient. Because of this addition, costs of production increased, as the price of remote was \$.50 versus the Bluetooth at \$1 per unit. We will incur an initial fixed cost of \$15,000, plus a fee of \$1,500 per month for application development and maintenance. Furthermore, this change reflects the plan to market the mobile with an emphasis on technology. It then makes the mobile more attractive to our primary target market, the Techno Babes, since customers said they preferred having a product that is more technology oriented. We added these features to complement the voice recorder which creates more options for the consumer, so they do not rely solely on their recorded message. Having an app to remotely control the mobile becomes more of a necessity with the incorporation of selecting different music.

### House of Quality

The House of Quality for the Zzz' Mobile demonstrates the interconnection between our consumers' preferences and engineering characteristics. Gathered from initial research from our two target markets, we have identified the most important customer attributes for the Zzz' Mobile to be hazard-free, aesthetically pleasing,



*Operations Exhibit 1 - House of Quality*

easily assembled, have a simple power source, and have a personalized voice recorder. In order to ensure we incorporate these attributes into our design, we decided to make the mobile battery-operated, manufactured with strong ABS plastic, have a voice recorder, and have the plush toys

rotate. In *Operations Exhibit 1*, you can see these correlations between the customer attributes and engineering characteristics in greater depth.

### Target Cost

The Zzz' Mobile is priced at \$59.99 in order to indicate to customers that our product has a competitive advantage. The average price of a mobile on the market ranges from \$40 to \$70. In addition, from our market research we have gathered that our consumers' willingness to pay for Techno Babes ranges from \$30 to \$50 while the willingness to pay for Silver Foxes is \$50 to \$60. Based on this information, we decided to price the Zzz' Mobile at \$59.99, since it includes special features, like the voice recorder and mobile application, that differentiates our product from our competitors'.

In addition to pricing based on competition, we also have to make sure that our actual costs are less than our target cost. With a \$59.99 retail value, we estimate the gross margin and channel margin to both be 50%. This gives us a target cost of \$15. Our retail price does not change from Years 1 to 3, so the target costs stays the same. In Year 4, the retail price decreases to \$57.79 which decreases the target cost to \$14.45. In Year 5, our retail price decreases to \$53.35, decreasing the target cost to \$13.34. By decreasing our retail price over time, we can achieve economies of scale, thus lowering our costs. For a visual aid of our target cost model, see *Operations Exhibit 2*.

*Operations Exhibit 2 - Target Cost Visualization*



### Facility Location, Layout & Design

#### Lease Vs. Buy

Our manufacturing center is located at 450 NW 77th Street, Boca Raton, Florida.<sup>33</sup> We chose to lease our facility because we will not be responsible for upkeep, repair and maintenance

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<sup>33</sup> (LoopNet 2016)

of the buildings, or for real estate taxes and utility costs to be added to the lease. If we were to buy instead of lease, it would be much more expensive, and would require a larger initial investment.

### Facility Location and Utilities

Boca Raton is located in the southernmost city of Palm Beach County, Florida, and is about 45 miles north of Miami. Two important features about our location is that it is right off of Interstate-95, one of the largest highways on the east coast, and is located just 45 miles away from the Miami port. Our proximity to the port will reduce our overall shipping costs of our raw materials. The Boca Raton industrial park is upscale, and is the town's only Class A industrial park. Being located in an industrial park is crucial because it allows for expansion of our facility as demand for our product increases over the years. Our facility currently includes one loading dock which will be sufficient for our business in the beginning years due to low demand. In the later years when demand increases, we have two options. The first is to have a second truck that can wait until the other truck is finished loading or unloading. The other option would be to expand our space, and since we are located in an industrial park, this is a viable option. The space is also equipped with many amenities including Class A buildings, upgrades, meeting and conference spaces, security and swipe card access, and janitorial services.



*Operations Exhibit 3 - Aerial View of Warehouse*

As for the basic functions and interior aspects of our facility, the building has power, light, and an independent HVAC system.<sup>34</sup> Because we are utilizing plastic molding machines, we understand that there may be toxic fumes circulating throughout the facility. We researched into this possible harmful effect on our employees on the floor. To deal with this, we have

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<sup>34</sup> (LoopNet 2016)

installed an independent HVAC system that filters the air better, and we use high quality air filters. Additionally, the molding machines have exhaust hoods on top of them to combat the circulation of the harmful fumes.

## **Security**

One of the most prominent types of theft in businesses is called shrinkage. This occurs when a business experiences a loss in inventory because of factors such as employee theft, shoplifting, administrative error, and vendor fraud. Essentially, it is the difference between the inventory recorded in the financial statements and the actual inventory on hand.<sup>35</sup> For our business, we aim to reduce the risk of shrinkage<sup>36</sup> by implementing certain processes and procedures. First, is surveillance. Our facility is equipped with security cameras on the interior and exterior of the warehouse. These security cameras will be monitored daily by the Industrial Park security from dawn to dusk, thus reducing the chance of theft. In addition, a swipe system is installed into the warehouse so only executives, managers, and factory workers have access.

More often than not, theft is caused by internal employees. For this reason, we encourage transparency throughout our entire facility. Our employees will be well-trained and aware of the implications they may face if they were to be caught with theft. This employee training will make the employees aware of what will happen to the business if shrinkage occurs. The loss on inventory not only hurts the bottom line, but also increases the chance of employee layoffs, and decreases the chance of promotions and pay increases. We will also encourage employees to report theft if they see it. Employees can report theft anonymously, or receive a monetary reward for reporting bad behavior. Lastly, our production facility will undergo random audit checks, to ensure that the facility is running smoothly at any given point in time.

Finally, our production facility will comprise of an inventory checking schedule, called an ABC system. Under the ABC system, materials that are assigned the letter “A” are the most valuable, and require the most amount of care and security. Materials assign the letter “C” are of little value, and any material in between is assigned the letter “B.”<sup>37</sup> For the Zzz’ Mobile, materials with an “A” classification are the ABS plastic, the speaker/recorder, and Bluetooth

<sup>35</sup> (Investopedia 2015)

<sup>36</sup> (Rodericks 2016)

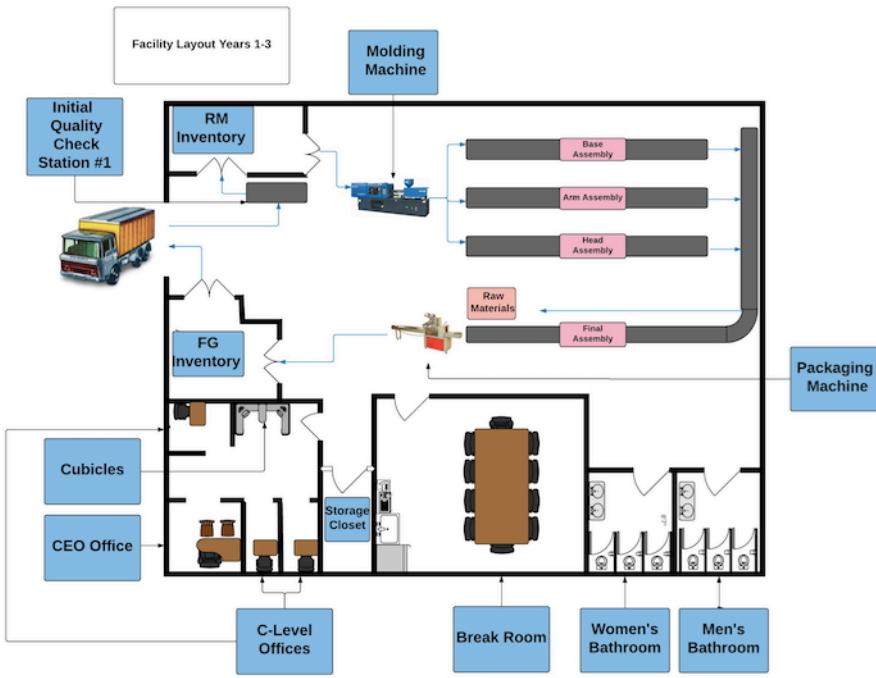
<sup>37</sup> (Questrom School of Business 2016)

chips. When these raw materials are shipped to the warehouse, we will keep them in locked areas where only the production floor manager will have access, limiting the chances of theft of our materials with highest value. “C” classifications include the knit acrylic, screws, and power button. Everything else in between receive a “B” classification including the circuit box, LED buttons and

packaging. Under this ABC System, we will periodically check inventory to make sure the actual inventory on hand is equal to the amount in our financials.

## Facility Layout

We have allocated space in our facility for offices, cubicles, break rooms, and rest



*Operations Exhibit 4 - Facility Layout Years 1-3*

rooms for our employees to utilize. Currently, we have one large office for the CEO, and 3 smaller offices for the CMO, CFO, and CTO. There are 2 cubicles available for any other white collar positions such as our floor manager and a possible future assistant floor manager. As seen in our facility layout (see *Operations Exhibit 4*) that there are no doors for any of the offices. This is because we will incorporate an open-door policy in our facility, which encourages open communications between all levels of management. Furthermore, the same breakroom will be used by managers, office employees, and factory workers. We see this as the best strategy to develop and encourage communication within our business. Our break room is equipped with a refrigerator, a sink, a coffee maker, and a microwave. It is large enough to act as a conference room for board meetings, as well as for employees to eat and relax during their breaks when a meeting is not in session. By having a multifunctional room like this, we are able to save space in our facility for other activities. Furthermore, our layout is designed to prevent any interferences

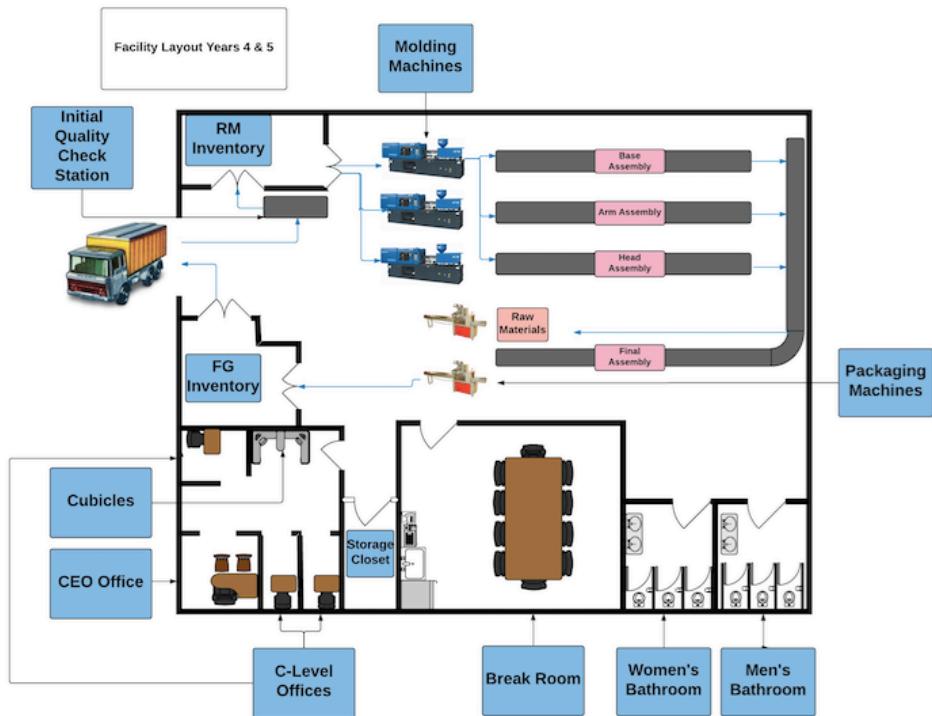
of the production of our product from occurring. As shown in the facility layout (see *Operations Exhibit 4*) the offices, breakroom, and restrooms are all on one side of the building. This prevents any administrative employees from walking through the production line to get to the bathroom/breakroom and interfering with the manufacturing process. This keeps the employees that are on break or not working on the Zzz' Mobile in a centralized area.

### Facility Manufacturing Design/Layout

We have designed the layout for the manufacturing process of the Zzz' Mobile to have a "U" shape formation. The raw materials and fixed goods storage units are both located right next to the loading dock, but on opposite sides. Raw materials will ultimately make a "U" shape by the time they are processed into finished goods and ready to be shipped out. When the raw materials come in, they will be checked for quality insurance (see *Operations Exhibit 4* above) and then placed inside the storage unit. There will be 3 horizontal assembly lines for the base, arm, and head of the mobile, and an assembly line for the final packaging of the product that is shaped like an "L." When raw materials leave their storage unit and are used for manufacturing, they will go onto the final assembly line and ultimately end up back where they started. This can be shown by the blue arrows in the (see

*Operations Exhibit 4* above) or on page

28. The ending location for the product is adjacent to the finished goods storage unit to minimize the distance of transporting the finished goods from production to the finished goods storage. There is also



*Operations Exhibit 5 - Facility Layout Years 4-5*

a storage unit for raw materials next to the packaging machine to hold the materials that are not part of the assembly process, such as the screws. The screws will go straight into the final packaging process since they are a component of our mobile. Our layout will remain the same for Years 1 to 3 but in Years 4 and 5 it will change slightly when we have to increase capacity to meet demand. We will be adding 2 more molding machines and 1 more packaging machine to do so. The molding machines will then have their own assembly lines, and the packaging machine will be adjacent to the other machine. This can be seen in *Operations Exhibit 5*, above, and will be further explained in the “Capacity” section.

### Process Flow

#### **Years 1 – 3**

As you read through our process flow description, you can follow the blue arrows in the (*Operations Exhibit 4*) which visually shows the movement of the raw materials through the facility. It can also be explained by *Appendix V* which shows our actual process flow diagram. The initial step before our official process flow begins, is receiving the raw materials from the suppliers. When the materials are received, they go to their first quality checkpoint (Quality Check Station #1). This checkpoint is located right outside the Raw Materials inventory storage room, as described previously. If the materials pass the quality check, they get stored into the RM inventory for future use. The initial step is for an employee to gather the raw plastic from inventory and then proceed to mold the plastic into the base of the mobile. After the base has been formed, it is checked for quality. If the base passes the quality inspection, it is moved on to the “base assembly” line. If it does not pass the quality check, it is then scraped and the process of molding another base will commence. Once the base moves on to the “base assembly” line, two process begin to occur simultaneously -- assembling the base and molding the arm of the mobile. Once the base has been molded, the molding machine worker will switch the molding template from the “base” template, to the “arm” template.

Then, the process of molding the arm will begin. On an assembly line with 5 workers, the base is assembled. First, a worker puts the Bluetooth chip into the circuit box, next another worker puts the circuit box into the base, then a third worker puts the voice recorder and speaker into the base and attaches the Bluetooth to the voice recorder and speaker. After, a fourth worker attaches the LED buttons to the circuit box and places it into the base; and lastly, a fifth worker attaches the buttons to the base and checks the final base for quality. If it is not up to standards, it

is scrapped or reworked. If it passes its quality inspection, it moves on to the “final packaging” assembly line.

After the arm is molded and passes quality inspection, another worker moves the arm to the final packaging assembly line. At same time, the same molding machine worker switches the molding template from the “arm” template, to the “head” template and proceeds to mold the plastic into the head of the mobile. After it is molded and passes quality inspection, it is moved on to the “head assembly” line. At the “head assembly” line, the acrylic strings are attached to the head of the mobile, which are then attached to the plush toys. After this is completed and passes quality inspection, it is then moved to the “final packaging” assembly line. At the “final packaging” assembly line all of the finished, assembled products are wrapped and packaged into a box. Raw materials that are not a part of the assembling process, such as the screws, will be stored in a small storage unit next to the assembly line, which will then be packaged as well. The amount of these raw materials to be stored there will be enough to meet daily demand. At the end of the line, the packaging machine will tape the boxes and finalize the packaging process. The packages are then checked for quality by the worker that moves the package to finished goods storage. The total throughput time for this process is approximately 10.25 minutes; this describes the interval of time it takes to transform the raw materials to a finished good.

For a more detailed diagram see *Appendix V*.

## **Years 4 – 5**

Due to a need to increase capacity from an increase in demand, we have to change our process slightly for Years 4 and 5. In Years 1 through 3, there is one molding machine that is used 3 times with a worker switching the templates. However, as demand increases in Years 4 and 5, we must purchase 2 more molding machines and an additional packaging machine. Therefore, each part will be made by their own separate molding machine. Once the parts are finished molding, they will go to their respective assembly line. By purchasing another packaging machine, we can satisfy demand and have 2 boxes being packed at once rather than going 1 by 1, which may slow down the process. The total throughput time for this process is shortened slightly to 10.08 minutes. While the throughput time did not decrease by much, our capacity output increases greatly with the added equipment. By purchasing 2 additional molding machines, we are able to reduce the bottleneck time of 2.167 min to 0.7223 minutes. Although

the purchasing of these new machines will cost us an additional \$70,000, this will ultimately enable us to optimize our revenue by meeting the forecasted demand.

For a more detailed diagram see *Appendix W*.

### **Process for Order Fulfillment**

When an order is received, there are a few extra steps to the normal process. The first step is to receive the order and process it. The order is then transmitted to a pick and pack employee, where they start the normal process flow as explained previously. After the product is finally packaged and passes the quality check, it is then moved to finished goods storage. When the loading truck is ready, a worker labels the order, and another worker will move the packages to the holding area for pick-up. The total throughput time for the order fulfillment process is approximately 13.78 minutes in Years 1 through 3, and 13.62 minutes in Years 4 and 5. This complete process can be seen in *Appendix X & Appendix Y*.

### **Capacity, Staffing, and Peak/Non-Peak Periods**

#### **Capacity**

Our capacity for Years 1 through 3 remains the same due to our consistent bottleneck time of 2.167 minutes and process flow. Our output capacity remains the same at 50,325 units per year, for Years 1 through 3. This output enables us to sufficiently meet our forecasted demand over the course of these 3 years (*see Appendix T and Appendix U for more*). However, with the addition of 2 molding machines in Year 4, the bottleneck decreases to 0.722 minutes. We derived this by dividing the previous bottleneck by 3, which is the number of machines we will have for Years 4 and 5. The decrease in our bottleneck allows us to increase the annual capacity output of our manufacturing plant to 151,031 units for Years 4 and 5. However, it is likely that we will be unable to meet our forecasted demand in Year 5, and as a result, this will require the use of overtime workers. This is further detailed in *Appendix GG*.

#### **Staffing**

Our executive employees in Years 1 and 2 include a CEO, CMO, CTO, and Floor Manager/Head of Operations. In the first two years, our CEO will also act as our CFO. These employees will be based in the manufacturing facility and have their own offices to manage the manufacturing plant and the company. We will outsource our webmaster, Human Resources employee, and the Call Center employee, who will handle the need for customer service. In Year 3 we will hire another executive to be our CFO because of increased responsibilities for the CEO

and growth of the company. At this point, the CFO and CEO position will then split into two separate positions.

In Years 1 through 3 we have a total of 15 factory workers. Of these 15, there will be 1 person operating the molding machine, 9 assemblers, 4 fulfillment workers, and 1 call center worker. However, the call center worker will be outsourced and not on the floor with the rest of the employees. We have decided to staff our workers as part-time for Years 1, 2, and 4 due to our capacity utilization in those years, which can be seen in (*Operations Exhibit 6*)

Factory Cycle Time (minutes)	2.17	2.17	2.17	2.17	0.72	0.72
Factory Capacity (Units/Yr)*	50,733	50,733	50,733	50,733	152,257	152,257
Capacity Utilization	2.31%	25.88%	45.51%	90.61%	42.63%	98.52%

#### *Operations Exhibit 6 - Capacity Utilization Years 0-5*

As you can tell in the exhibit, in Years 1 and 2, our demand is low and if we were to work our plant at full capacity with regular-paid workers, we would overproduce by 36,594 units and 27,644 units. Thus, this would evidently lead to incurring unnecessary costs. We use the Chase Method for all 5 years because our capacity can handle it and it is the most cost effective. If we were to produce the same number of units as demand requires with regular workers, our employees would only have to work 2 hours a day for 250 days. Their total working hours for Year 1 would be 511 hours (see *Appendix HH*). In order to be more efficient, save money, and combat this issue, we have decided to have part-time employees that who work 5 hours a day, twice a week, for the first 2 years. This can be seen *Appendix CC and Appendix DD*. In Years 4 and 5 our demand increases to surpass the capacity output from Years 1 through 3. To meet this demand, we have added 2 more molding machines and 1 more packaging machine. Thus, we have increased our total number of employees by adding 2 molding machine operators and 1 packaging machine operator. In Year 4, with our increase in capacity, our employees would only have to work 3 hours a day because their total working hours for the year would be 782, as shown *Appendix HH*. Therefore, to decrease costs and maintain an efficient use of time, our employees will work 5 hour days for 3 days per week in Year 4. In Year 5, our demand exceeds our capacity, and we have allocated overtime working hours in the last month of the year to handle this; for more detailed description see *Appendix GG*.

#### **Call Center Staffing**

Assuming that 5% of sales require support, we expect to service 2.91 calls per day in Year 1, 4.7 calls in Year 2, 8.98 calls in Year 3, 13.06 calls in Year 4, and 32.57 calls in Year

5. Each call takes on average 3 minutes from start to finish with a maximum wait of 5 minutes. When we break down the daily calls into the average hourly calls, we expect to service 0.36 calls/hour in Year 1, 0.59 calls in Year 2, 1.12 in Year 3, 1.63 in Year 4, and 4.07 in Year 5. Due to this low volume in service calls, we have decided that 1 person can operate the call center. Having a single server system would make the longest wait time in Year 5 with a wait time of .04 minutes on average. If there is an average of 4 calls an hour in the year of our highest demand, it would make sense to have just 1 person handle the phone calls and decrease our costs. This would also keep customer satisfaction high because the customers would not be waiting longer than 2.5 minutes on average.

### **Direct Sales Fulfillment Staffing**

In regards to sales, 50% of our orders are processed internally, while the other 50% is handled by Amazon. Any orders received during the day will be batched, and then shipped out at the end of the day. An order placed on non-working hours will be processed the morning of the next workday and fulfilled at the end of the day. When an order is placed, the total throughput time for the order is slightly longer due to fulfillment requirements and tasks for processing the order. The total throughput time in Years 1 through 3 for orders is 13.78 minutes and for Years 4 and 5 it is 13.62 minutes. See *Appendix Y* for a more detailed diagram.

### **Peak & Non-Peak Time Periods**

Due to seasonality, we expect peak periods of demand to occur at the end of each year, which can be seen in *Error! Reference source not found.* through *Error! Reference source not found.*. Research also shows that more babies are born in August. Therefore, we have expected our demand to be greater during that particular month.<sup>38</sup> The fall and winter seasons have high demand because of large sales such as Black Friday, Cyber Monday and various religious holidays. As stated previously, our aggregate demand plan uses the Chase method to satisfy peak demand periods. As orders come in, we produce the units for that time period to satisfy demand. In Year 5, our employees must work overtime to meet seasonal demand. (See in *Appendix BB* through *Appendix GG* for more information).

The non-peak periods occur at the beginning of each year. Again, this reduced demand is due to seasonality. Because there are less births during the months of January through July, we

<sup>38</sup> (Servick 2013)

anticipate there to be a lower forecasted demand for these months. Our capacity is sufficient enough to satisfy all demand in each period, especially in the non-peak months.

### Bill of Materials

In order to manufacture the Zzz' Mobile, the most important materials are the speaker/recorder, felt toys, Bluetooth, and packaging. The full list of materials is provided in *Appendix Z*.

#### **Speaker/Recorder**

The speaker<sup>39</sup> and recording part of the Zzz' Mobile is one of the most important aspects because this is what gives the product its competitive advantage. We decided to use Alibaba to find our supplier, which is Hangzhou Jingxin Electronics Co. This company specializes in manufacturing loudspeakers and music integrated speakers. We chose this well-established and innovative company because we want to ensure the best quality products to our customers. This company also greatly emphasizes their commitment to quality customer service and on-time delivery. This is an important aspect to our company because it is imperative to receive our shipments on time in order to distribute our product to customers in a timely manner. The per unit cost of the speaker/recorder is \$1.05 and will be shipped to the Miami seaport, and then transported to the manufacturing plant in 22.5 days. Shipping to the Miami seaport provides us with easy access and delivery to our manufacturing plant in Boca Raton, FL.

#### **Felt Toys**

The felt toys<sup>40</sup> are a crucial part of the Zzz' Mobile because they give our product its appealing and kid-friendly look. The felt toys in our sky-theme will attract the interest of parents and grandparents with its aesthetically pleasing design. We found our supplier, Xingtai City Ruiyuan Import and Export Trade Co., through Alibaba. They are an expert in the manufacturing and exporting of felt products. We chose this company for their low prices, customer recognition for high quality materials, and for their attractive felt toys. The felt toys per unit cost is \$0.58 and can be conveniently shipped to the Miami port, and will be received at the Boca Raton plant in 25 days.

<sup>39</sup> (Hangzhou Jingxin Electronics Co. 2016)

<sup>40</sup> (Alibaba 2016)

## **Bluetooth**

Shenzhen Wellcore Technology Co.<sup>41</sup> manufactures the Bluetooth pieces. They offer a cheap simple device that enables the Zzz' Mobile to connect to a smartphone. Wellcore has existed for 10 years and emphasizes quality for all of their products. They have thorough knowledge of SSD & Flash memory technologies that range from simple tech components to advanced military applications, demonstrating that they are more than qualified. The Bluetooth is important to the revised product design. It is vital that the Bluetooth and memory components function properly with a parent's smartphone. If not all features including remote operation will be rendered useless. The per unit cost of a Bluetooth chip is \$1.00, and the most likely lead time is approximately 1.5 days meaning it will be transported to the facility in Boca Raton, Florida by plane.

## **Packaging**

Boxes Etc, Inc.<sup>42</sup> to supply our boxes for the Zzz' Mobile. The packaging supplies, including boxes and packaging tape, are the only materials sourced domestically. This supplier is located in Orlando, FL, making it an easy shipment to our manufacturing plant in Boca Raton. The cost per unit is \$0.86 for one box. This company allows us to select the Zzz' Mobile's color scheme for the boxes, and allows us to include our logo on the box. Most importantly, we designed custom boxes with dimensions to properly fit the unassembled mobile as tightly as possible. Packaging is often an unnoticed or undervalued element, but we designed one that uses space efficiently and is appealing to customers.

## **Inventory**

### **Managing Inventory**

In order to secure the correct amount of inventory to keep up with demand throughout the 5 years, we found the Economic Order Quantity (EOQ) for each of the raw materials. For example, we must make 16 orders for the voice recorder in Year 1. The number of orders steadily increases throughout the 5 years because of the direct relationship between the need for raw materials and demand. Thus, we must place 21 orders Year 2, 28 orders in Year 3, 34 orders in Year 4, and 54 orders in Year 5. The complete number of orders for each raw material can be

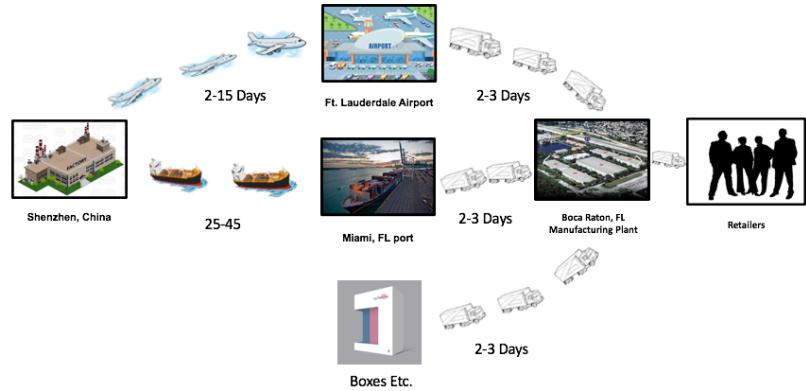
<sup>41</sup> (Alibaba 2016)

<sup>42</sup> (Boxes Etc. 2016)

further examined in *the Appendix AA*. We maintain a 94% service level in the Year 1, and reaches a 96% service level by Year 5. Because we have a high service level, there is a relatively low probability that we will experience a stock-out. This is preferable because our cost of shortage is much higher than our cost of excess. (See *Appendix AA*)

### **Supplier Analysis**

The Zzz' Mobile requires a total of nine components to make one finished good. All materials are sourced from Shenzhen, China, a major manufacturing region with the exception of packaging, which is sourced locally. Purchases are made through Alibaba via their website. Materials come either by cargo shipping or airplane depending on their lead time. Items with a lead time greater than two weeks, will be flown to the Fort Lauderdale Airport. From there, the raw materials will be shipped by truck to our manufacturing plant in Boca Raton, Florida. However, if the raw materials come by ship, it will be delivered to Miami Seaport, and transported again to the Boca Raton manufacturing plant by truck. This idea is demonstrated in *Operations Exhibit 7*. Furthermore, as you can see in *Appendix Z*, each raw material is listed along with individual lead times and type of transportation required.



*Operations Exhibit 7 - Supply Chain Diagram*

### **Quality**

#### **Customers & Quality**

Zzz' Mobile customers will judge our product based on their individual expectations. That is, if the actual performance of the mobile meets our customers' expectations, our customers will be pleased. In order for customers to judge the overall quality of the Zzz' Mobile, they may base their decisions on specific classifications of the product. For the Zzz' Mobile, we predict our customers to be concerned with the nine dimensions of quality: performance,

aesthetics, special features, conformance, reliability, durability, perceived quality, serviceability, and consistency.<sup>43</sup>

Performance includes the main characteristics of the baby mobile – the product must function correctly. For the Zzz' Mobile, it must be easily assembled and attached to the crib. It also must properly turn on and off, the music must play clearly, the volume adjustment must function correctly, and the mobile must rotate when the music is played. These are elements of the mobile that must function correctly to meet our customers' most basic expectations.

Unique special features help attract customers to purchase a product. For the Zzz' Mobile, these special features include the personalized voice recorder, Bluetooth functionality, and the mobile application. Because the Zzz' Mobile includes these extra features, customers may perceive our product to be of higher quality than our competition. The aesthetics of the baby mobile is also a significant factor. Consumers may purchase a mobile based on appearance, or to simply fit into their baby's nursery theme. For this reason, our mobile must be attractive, appealing, and have a soothing effect on their baby.

Next, the baby mobile itself must conform with design specifications in the manufacturing process, but also must conform with toy safety standards to ensure not only high quality, but a safe product as well. The baby mobile must also be reliable. Parents should be able to easily activate the music without any problems, and be able connect to Bluetooth and the mobile application at any given time.

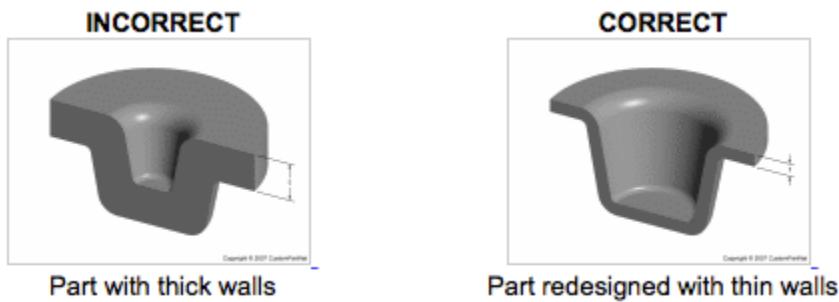
It should also be durable – the Zzz' Mobile is meant to transform into a music box as the child grows older, which then extends the life of the mobile. This means durability is an important factor and must be designed accordingly. The quality of each mobile must also be consistent. Every mobile must be of equal quality and must not vary from mobile to mobile. Lastly, our customer service call center must have excellent serviceability. The workers must address any issues or complaints in a friendly, considerate, and professional manner. If these characteristics are carefully taken into consideration, the Zzz' Mobile should and will meet or exceed our customer's expectations.

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<sup>43</sup> (Questrom School of Business 2016)

## Internal & External Costs of Quality

Our company strives to give our customers the best quality mobile for several reasons. First and foremost, the happiness of our customer is of top priority. On the production side, the costs of quality has the potential to be detrimental to our business. For the Zzz' Mobile, the costs of quality results from both internal and external failures. One of the most prominent internal failures occurs in the manufacturing process of the mobile itself, specifically in the molding stage. If a malfunction were to occur during this stage, it may result in a defective mobile. As seen in *Operations Exhibit 8*, some of these defects include flashes, warping, bubbles, unfilled defects, sink marks, and ejector marks, all of which affect both the look and quality of the finished good result.<sup>44</sup> The leading cause of these defects is a non-uniform cooling rate in the injection molding machine. These non-uniform cooling rates are caused by variations in thickness of the plastic parts. When there is a variation in the thickness of the plastic wall, each part would require different cooling times, resulting in defective mobiles, the *Operations Exhibit 8* below, illustrates an example of a malfunction in the wall thickness. In order to limit the number of defects, it is imperative that we design our mobile with this in mind. The costs of these internal failures are high and include corrections such as scraping defective parts, costs of reworking, material costs, and downtime.



*Operations Exhibit 8 - Example of Quality Rejected and Quality Approved Part*

For our product, in particular, external failures have the potential to be a higher cost because of the potential loss of business. Because the Zzz' Mobile is intended for infants ages newborn to one year, safety is of utmost importance. Liability claims are not only extremely expensive, but also results in a negative brand reputation. In order to assure our customers that

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<sup>44</sup> (CustomPart 2016)

our product is safe and non-hazardous to children, it will undergo third-party testing. According to the Consumer Product Safety Commission, the Zzz' Mobile is required to be third-party tested because it is considered a toy intended to be attached to a crib or playpen, and is also battery-operated.<sup>45</sup> Product testing, certification, and compliance with the toy safety standard will reduce the potential cost of liability claims.

### **Implementing Total Quality Management Company-Wide**

In order to ensure quality to our customers, our company has implemented the Total Quality Management Approach. This approach to quality management “includes everyone in [our] organization [working] in a continual effort to improve quality and achieve customer satisfaction”.<sup>46</sup> This approach first begins with evaluating what our customers actually want. During our initial primary and secondary research, we examined our consumers’ preferences, and altered the design of our mobile to better fit the needs of the consumer. Based on feedback from our specific target markets, we added additional features like the personalized voice recorder, mobile application, and Bluetooth connectivity. After finalizing the design of the mobile, we must translate this quality assurance into the supply chain. We specifically designed our supply chain to ensure quality and have included various quality assurance checkpoints throughout the entire manufacturing process. This process will both limit the number of defective mobiles and guarantee that no customer receives a poor quality mobile.

### **Operations and CSR**

#### **“With Parental Love” Campaign**

“With Parental Love,” our campaign that is dedicated towards donating baby mobiles to maternity wards in hospitals around the country, has a small impact our company’s inventory and aggregate plan within our Operations sector. Donating units on a yearly basis requires us to have that much more finished goods in our inventory. Though it is a small number of units per year, it is imperative that we account for these units in our inventory calculations so that we do not fall short. Likewise, it is important for us to account for the units that will be donated in our aggregate plan, as it schedules the number of units we will need to produce on a monthly basis. Because we plan to make each donation in January of each year, this means that we must

<sup>45</sup> (United States Consumer Product Safety Commission 2016)

<sup>46</sup> (Questrom School of Business 2016)

produce the units in the December prior. Our aggregate plan in Year 0 reflects the units that we will need to donate for January of Year 1 as well as the units needed to satisfy demand in January of Year 1. (See *Appendix BB*).

### **Cradle to Grave Assessment**

The Zzz' Mobile company seeks to minimize our contribution to waste. When our product is no longer useful to our consumers, we advise them to donate it to a local toy charity or return it back to us. All returned mobiles will be donated to Second Chance Toys as part of our CSR policy. Although this is not the main focus or a sponsored campaign by our company, we, as environmentally-conscious individuals, are of a common mind to reduce the footprint we create.

### **Conclusion**

The final design of the Zzz' Mobile has been carefully crafted and reassessed to satisfy the preferences of our consumer. The Zzz' Mobile requires a total of 9 components. It costs \$14.99 to make Zzz' Mobile and retails for \$59.99. The manufacturing of the Zzz' Mobile will take place at our facility in Boca Raton, Florida with materials coming from China by both plane and sea. The industrial park we have chosen gives us room for expansion with the changing production needs throughout the 5 years. In addition, our facility layout aims to achieve efficiency through open communications between all employees. In the earlier years, managers must perform multiple tasks until it becomes economically viable to hire more managers. More factory and fulfillment workers are added as needed. Lastly, we aim to provide quality at every necessary step in the production line.

## Finance

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## Introduction

In this section, we incorporated sales information from marketing, and product costing from operations in order to assess the overall profitability of our business. Through detailed analysis of our financial statements, we were able to derive our company's projected Net Present Value (NPV), Internal Rate of Return (IRR), and Terminal Value. Furthermore, by exploring where we break-even, including the margin of safety and the impact by units sold, we are able to fully comprehend the underlying meaning behind our various financial statements. From our analysis, we forecast that our business is not only profitable, but it has a high likelihood of growth in the years to come.

## Funding

### **Funding Needed for Project**

For the first five years, we request an investment of \$1,871,714 in order to be able to operate, advertise, and expand the business. In the *Finance Exhibit 1*, located to the left, you can see a detailed breakdown of the various amounts of paid-in capital the Zzz' Mobile will require in its first 4 years of operation. After receiving the total amount of \$1,871,714 our company will be able to operate independent of additional investor funding.

Paid In Capital Breakdown	
Year 0	\$392,692.75
Year 1	\$580,904.41
Year 2	\$485,481.37
Year 3	\$317,028.68
Year 4	\$95,606.83
Year 5	\$ -
Total Paid in Capital	\$1,871,714.04

*Finance Exhibit 1 - Paid in Capital Breakdown*

### **Fixed Start-Up Costs**

The funding request to launch our product will be heavily allocated towards fixed costs totaling \$250,076. This includes the manufacturing facility in Boca Raton, FL, the injection molding machine, a packaging machine, and information systems technology. Due to increased demand in later years, and in order to not be constrained by our capacity, we must purchase two more molding machines in Year 4. The same model will be used costing \$35,000 each. We must purchase a second packaging machine also in Year 4. Other expenses include costs related to the production of units for sale and donation. IS&T hardware costs roughly \$80,000 for an office printer, laptops, ERP, productivity software, photocopier, router, website development, application for the mobile development, and maintenance. All of the previously mentioned costs occur start-up period in Year 0.

## **Marketing Start-Up Costs**

Marketing costs in Year 0 total \$195,862, which are geared towards advertising in public relations magazine such as *Mama*, *Infant*, *Red Tricycle*, as well as the trade magazine *Toybook*. This also includes initial cost of \$6,000 towards shipping mobiles in the “With Parental Love” Campaign. In Years 2 and 3, exterior bus ads in New York City are added to our outdoor/transit marketing costs at \$150 each year. Our marketing costs and locations remain consistent in pricing throughout the first few years with the exception of Year 5; marketing costs increase by over \$100,000. This increase in costs though generates more sales than it does cash outflows. This cost comes from the placement of a half-page ad in *Parents* magazine, the largest parenting-focused magazine in circulation. We believe it is an important placement for our product, which will also create an awareness of 9% amongst Techno Babes and 4.2% amongst Silver Foxes. This advertisement will help drive our factory into full capacity which will help drive growth for the future years after Year 5.

## **Variable Costs**

We will need \$215,624 to cover materials and labor costs needed to create the first round of mobiles with the associated labor. The manufacturer sales representative receives a 10% commission on all units sold. For Year 1, our projected sales numbers of 12,000 units totals a sales expense of \$48,000. Our various hospital and CSR donations will cost \$15,000 per year. We will see a substantial doubling of our revenue in Year 4, due to our entry into large-chain toy stores.

Despite our higher revenue in Years 4 and 5, growth for our company does not come without added expenses. With the added machine purchased in Year 4, we will also be hiring an additional employee to work the machine at the same cost as the other machine operator. There is also a need for the addition of one more fulfillment employee in Year 4 to help package all of the boxes. In the end these variable costs still leave us a large margin of profit on each Zzz’ Mobile.

## **Funding Coming from Founders & Investors**

A majority of the necessary funds for operations will be contributed by the founders. Among the ten partners, each individual plans to invest \$75,000. While investments from founders are substantially lower than the cap of \$250,000 per person, we seek an investment to offset the risk held by the partners.

Further funding will come from a Kickstarter campaign with a goal of \$50,000. Using a Kickstarter also helps generate online awareness for the mobile. By selling the mobile for a price of \$50, \$9.99 lower than our retail selling price, we will be able to generate PR and create a base of early adopters. Also, the early cash injection of \$50,000 will help us make our beginning steps to open our factory doors.

After receiving funds from the two former sources, we request \$1,071,714.04 to supplement the deficit. This cash will be paid-in overtime as mentioned in *Financial Exhibit 1*. We expect the paid-in capital to peak in Year 4. Starting in Year 5, we begin paying dividends. (For more details see *Appendix II*)

### **Revenue & Profit Growth**

While we first earn profits in Year 4, our company realizes 368% growth from Year 1 to Year 5. As a startup, we will start to donate products for free as part of our “With Parental Love Campaign”. We will also donate 1% of our earnings to Second Chance Toys as our CSR Initiative. This will help to generate awareness in order to increase demand throughout the 5 years. Revenue will grow gradually, starting from Year 1. Part of revenue growth is linked to the fact that we are spending money on our marketing strategies. For example, we will begin to advertise at fairs and events, through word of mouth, at outdoor events, and through our hospital awareness campaign which will gradually boost awareness. In Year 2, we are increasing our advertising expenditures by adding more fairs and events, as well as more hospitals under our hospital campaign. To gain more awareness in Year 3, we will focus on spending more on advertisements in magazines and through the addition of our shopping malls campaign. We will begin to expand our distribution into more channels in order to get a higher ACV, which will also help drive revenue growth through Year 5. By Year 5, our revenue reaches \$5.2 million.

On the other hand, due to our high expenses, our profit will be negative until Year 3. However, starting from Year 4, we begin to show profit (see *Appendix II* for more) The reason for this is that our revenues are rising rapidly, as are our variable costs, but our fixed costs are not going up. Due to our fixed costs being very high, we have a lot of operating leverages. This means that our profit rises much more rapidly than our revenue. We have stabilized our variable costs throughout the years which allows us to maintain high revenues in order to generate high profits. As the company grows, we should benefit from economies of scale, where our costs will not rise as much as our revenue.

When compared to Mattel, the Zzz' Mobile requires far fewer days to process accounts receivable and payable. As seen in *Finance Exhibit 2*, on the left, our accounts receivable stays at 36.5 days per year because we assume receivables to be 10% of sales. The same assumption is made with accounts payable, that accounts payable would be 12% of cost of goods sold, resulting paying off accounts in 44 days. As compared to Mattel's inventory days of 68, our inventory days are 72. This is because the Zzz' Mobile's operations team is holding a large amount of raw materials due to high order costs and shipping expenses. As our cost of goods sold decreases from Years 1 to 5, we can see a gradual decrease in inventory days.

	<b>Mattel</b>	<b>Zzz' Mobile</b>
<b>A/R Days</b>	67	37
<b>A/P Days</b>	52	44
<b>Inventory Days</b>	68	72
<b>Cash Conversion Rate</b>	83	65

*Finance Exhibit 2 - Cash Conversion Cycle*

Our assets for Year 0 are \$153,648 and they are forecasted to increase up to \$1,569,668 in Year 5. Also, cash reserves are increasing from \$37,162 at Year 0 to \$393,671 at Year 5. As far as net fixed assets are concerned, they increase from \$40,077 in Year 1 to \$240,134 in Year 5. The only liabilities the Zzz' Mobile faces is its accounts payables. (See *Appendix JJ* for more)

### **EBIT Break-Even & Investor Payback**

As previously mentioned, we expect to start paying back our investors in Year 5. Dividends will be paid back to both our investors and founders evenly each year. The payback derives from our net income only after taking into account our CSR initiative, as we have decided to donate 1% of profits towards the charity Second Chance Toys. Our Earnings

Before Interest & Taxes (EBIT) is slightly above zero in Year 4. While this results in a positive net income, we still need additional paid in capital to finance our growth and keep our balance sheet in line.

Our break-even point can be specified in both dollar amount and units. The break-even point changes each year due to our gradual increase in demand. The accounting break-even point in units is calculated by taking the fixed cost and dividing it by the contribution margin per unit. As seen in *Finance Exhibit 3*, the break-even points in units will be 39,783 in Year 1. It will increase slightly in Year 2, and almost double in Years 4 and 5. *Finance Exhibit 3* shows how our negative net income, in Years 1 through 3, is caused because we do not sell enough units to cover our costs.

The number of units actually sold will rise above the breakeven units in Year 4. As a

Break-Even Analysis					
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Fixed Costs</b>	\$ 862,052.84	\$ 919,041.79	\$ 1,085,946.93	\$ 1,302,718.87	\$ 1,848,975.13
<b>Contribution Margin per Unit</b>	\$ 21.67	\$ 21.21	\$ 20.55	\$ 22.56	\$ 20.34
<b>Units Sold</b>	14549	23499	44903	65333	162830
<b>Revenue</b>	\$ 530,898.89	\$ 847,937.97	\$ 1,592,787.82	\$ 2,249,920.68	\$ 5,248,946.75
<b>Break Even Units</b>	39783	43324	52847	57736	90904
<b>Break Even Revenue</b>	\$ 1,451,630.49	\$ 1,563,306.17	\$ 1,874,555.08	\$ 1,988,278.12	\$ 2,930,357.98
<b>Margin of Safety Units</b>	-25233	-19825	-7943	7598	71926
<b>Margin of Safety %</b>	-0.63427	-0.45760	-0.15031	0.13159	0.79123

*Finance Exhibit 3 - Break Even Analysis*

result, the margin of safety will become positive in Year 4. The margin of safety increases very rapidly in Years 5, with a rapid increase in total units sold.

### Projected Internal Rate of Return

The projected Internal Rate of Return (IRR) is 40.84% (See *Finance Exhibit 4*). Our internal rate of return is based on the cash flows that will be generated by the project over the course of our 5-year projection. The IRR's function is to tell us how much our company is earning on the money that has been invested in the project. If actual cash flows are higher than

what we projected, then the IRR will be higher. On the other hand, if our future cash flows are lower than projected, then the IRR would

become lower. Because of our negative cash flows in Years 1 to 3, our IRR is will be negatively

*Finance Exhibit 4 - IRR*

impacted and reduced by that negativity.

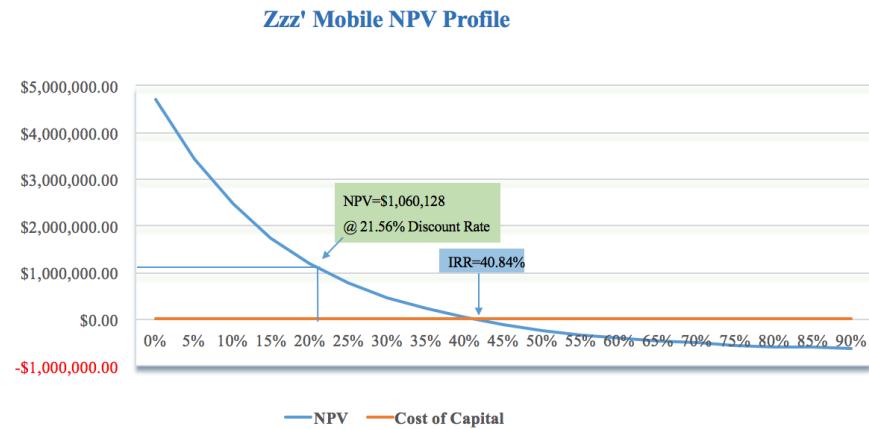
Internal Rate of Return: including TV	
Project	40.84%

However, the terminal value at Year 5 is \$6,340,679, which represents the present value of all the future cash flows, and works to boost the IRR.

### Net Present Value Profile

For our Net Present Value (NPV) profile, we selected a range from 0% to 90%. We decided on these rates after we determined our discount rate of 21.56%. The profile shows that at a 0% discount rate, the NPV of our project will be rough \$4.7 million. However, as the NPV decreases, the discount rate increases. As seen in *Finance Exhibit 5*, our estimated discount rate of 21.56%, results in an NPV of \$1,060,127. If we were to use our IRR as our discount rate, we would realize an NPV of \$0, due to the inherent correlation between NPV and IRR. Our NPV becomes negative once the discount rate exceeds a 40.84% IRR. At the highest discount rate that we used of 90%, our NPV would be -\$620,655.

All of these NPVs would only be accurate under a very limited set of circumstances which we will discuss later on in the Risk Analytics section of the paper. In our foreseeable future, we see no instance where our NPV will drop below 0, or our discount rate will exceed 40.84%.



*Finance Exhibit 5 - NPV Profile*

### Terminal Value

Terminal value, or the projection of the value of all future cash flows for the Zzz' Mobile, totals to \$6,340,679 (See *Appendix KK*). Our terminal value comes to this result for a myriad of reasons; the most important of these financial contributors is our rapid growth from Year 4 to Year 5. The terminal value works to increase the cash flows evaluated in our NPV, by allowing the NPV to account for value that cannot be seen beyond our 5-year projections. Our terminal value has fluctuated throughout our various iterations of calculations while creating our 5-year projection. We noticed that a major reason as to why we have a high terminal value

for our company is due to the fact that our cash flows in Year 5 are significantly higher than the other 4 years. This, along with a discount rate of 21.56%, paves the way for our company to experience large-scale growth in the future years.

## Competitors

### **Mattel**

Mattel Inc.,<sup>47</sup> founded in 1945, designs, manufactures & markets a large range of toy products worldwide. The company has three primary regions of operation: North America, Europe & Asia. They have a large roster of well-respected brands such as Barbie and Hot Wheels. Mattel is also the official manufacturer for all Disney branded toy merchandise. They are also the owners of the American Girl doll, and have many other products deemed popular amongst consumers. With their headquarters in El Segundo, California, they are one of the largest companies in toy manufacturing and have a large sense of brand recognition amongst consumers.

We have decided to use Mattel Inc.'s industry ratios as a benchmark for our financial calculations, due to their constant innovation and tendency to take risks. In Exhibit 11, we decided to use Mattel's Beta 1.3 to calculate our CAPM. Although our ROE, ROA and ROS are all significantly higher than Mattel's, our early volatility from our rapid growth reflects a similar sense of risk faced within the toy industry. As we begin to enter more stores and become a more well-known brand, we believe we will reach similar operating levels as Mattel's.

	<b>Mattel</b>	<b>Hasbro</b>	<b>Zzz Mobile Inc.</b>
<b>Beta</b>	1.3	0.82	1.3
<b>ROE</b>	1.1%	11.6%	27.98%
<b>ROA</b>	2.8%	32.3%	32.97%
<b>ROS</b>	6.4%	10.2%	14.81%

*Finance Exhibit 6 - Beta Comparisons*

### **Hasbro**

Hasbro Inc.,<sup>48</sup> located in Pawtucket, RI, works to provide children and family leisure time products and services worldwide. Founded in 1923, they operate throughout the US and Canada,

<sup>47</sup> (Bloomberg 2016)

<sup>48</sup> (Bloomberg 2016)

and have a large international presence. They make toy products for children of all ages, but recently have been involved in the mobile application development market, making hit mobile games such as Dragonvale.

Their beta is slightly smaller than Mattel's, but they have much higher ROE, ROA and ROS, which is resulted from their recent successful foray into the mobile gaming segment. Because their numbers align closer with ours, we have decided not to consider them as our closest competitor. While they have various apps like the Zzz' Mobile does, theirs are much different than ours and represent a very different market than what we are getting into.

### Beta & Return on X

After analyzing the differences between Mattel and Hasbro, we decided that Mattel was a closer fit to our company with their beta of 1.3. To calculate our required rate of return, we had to calculate some assumptions on which rates to use to calculate this. As seen in *Finance Exhibit 7*, we decided to use a 5-yr Treasury Bond as our risk-free rate and the 10-yr return on the S&P500 as our growth rate. We decided on these two rates due to their relative history: the treasury bond being a relatively "risk-free" asset and the S&P500 being a standard of growth.

Risk Free Rate	1.2%
Growth Rate	9.37%
Beta	1.3
Required Rate of Return	11.82

*Finance Exhibit 7 - Required Rate of Return Table*

After running the calculations, we found our required rate of return to be 11.82%. We believe that our company can achieve this required rate of return of 11.82%, especially because our internal rate of return is projected to be 40.84%.

### Conclusion

#### **What Makes NPV Positive**

Zzz' Mobile's unique selling proposition allows for personalized voice recordings that can be played back with the use of a Bluetooth connected mobile app. This combination of a classic infant toy with 21<sup>st</sup> century technology, allows our product to penetrate a market that has remained relatively unchanged in the past 20 years. Parents always want the best for their children. As children begin interacting with technology at a younger age, the Zzz' Mobile acts as the perfect bridge between and classic. Due to the severely fragmented nature of toy industry, no matter how hard we advertise and position our product with a low price, it all comes down to one factor: getting the Zzz' Mobile on store shelves.

Achieving our projected NPV of \$1,060,127 takes a lot of work from both our Operations and Marketing teams (See *Finance Exhibit 8*). As seen in Years 4 and

*Finance Exhibit 8 - NPV*

<b>Net Present Value: Including TV</b>	
<b>Project</b>	<b>\$ 1,060,127.88</b>

5, when our company reaches a positive net income, the growth we are able to have is determined by our large presence in large chain toy stores and mass merchandisers. These mass merchandisers, such as Babies R' Us and Target, allow us to grow rapidly in Years 4 and 5, and help us to begin paying back our investors and founding contributors.

Our unique baby mobile product is a commodity that our focus groups and survey respondents all agreed as a revolutionary and very-much-needed addition to the infant toy market. With all of the financial information previously aforementioned we once again ask you, as our potential investor, to invest \$1,071,714.04 to help make the Zzz' Mobile a reality.

## Risk Scenario Analysis

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## Analytics Introduction

In conducting a break-even analysis for our Zzz' Mobile, we expect to breakeven in Year 4 when we realize a positive net income. From our various analysis, we have identified a variety of risks that could impact our company. Our sensitivity analysis outlined our most sensitive variables as follows: ACV, purchase intent, awareness, and the competition adjustment.

However, after conducting our @Risk simulations, we discovered an increase in competition to be our greatest risk, followed by overestimated ACV, decrease in purchase intent due to an economic recession and finally, a lawsuit that would impact all operations of the company. To combat these risks, we established a variety of mitigation strategies that we believe will salvage our business. Together, we believe we have appropriately assessed the greatest risks we anticipate to face in the creation of our company, and have developed reasonable strategies to withstand these risks.

## Break-Even Analysis

Due to low forecasted demand and high manufacturing overhead costs in Years 1 through 3, we are able to finally achieve breakeven in Year 4. During Years 1 through 3, we have a negative margin of safety because our fixed costs greatly exceed our gross margin. However, in Year 4, we project to have a positive margin of safety of 7,598 units, with our break-even revenue being \$2,249,921. We are able to further increase our margin of safety in Year 5 to 71,926 units, giving us a 79.12% margin. For a more in-depth analysis of our break-even point over the years, see the *Analytics Exhibit 1*.

Break-Even Analysis					
	Year 1	Year 2	Year 3	Year 4	Year 5
Units Sold	14549	23499	44903	65333	162830
Revenue	\$ 530,898.89	\$ 847,937.97	\$ 1,592,787.82	\$ 2,249,920.68	\$ 5,248,946.75
Break Even Units	39783	43324	52847	57736	90904
Break Even Revenue	\$ 1,451,630.49	\$ 1,563,306.17	\$ 1,874,555.08	\$ 1,988,278.12	\$ 2,930,357.98
Margin of Safety Units	-25233	-19825	-7943	7598	71926
Margin of Safety %	-63.43%	-45.76%	-15.03%	13.16%	79.12%

*Analytics Exhibit 1 - Break Even Analysis*

## Sensitivity Analysis

In order to gauge how changes in our company's parameters affects our NPV, we conducted a sensitivity analysis. For our sensitivity analysis, we ran simulations on seven

variables including purchase intent, awareness, ACV, competition adjustment, variable cost per unit, manufacturing overhead per unit, and the terminal value of our company. To select the variables for this analysis, we first tested purchase intent, awareness, ACV, and the competition adjustment taken from the base case, which we anticipated to have a significant influence on our forecasted demand, as well as variables that reflected major costs within our company, such as direct cost per unit and manufacturing overhead per unit. We assessed the combined effect of direct costs instead of analyzing the two variables, direct materials and direct labor, separately because there was a negligible increase in direct materials over the years. We felt that both the direct cost per unit and manufacturing overhead per unit would be important in predicting NPV, as together, they make up almost 50% of our total cost and expenses. Finally, we assessed the sensitivity of our Terminal Value, as this has a direct effect on our cash flows and NPV.

Amongst all of the variables that we ran for sensitivity, ACV for our Techno Babes target market was the most sensitive. As demonstrated in *Analytics Exhibit 2*, by decreasing our ACV for our Techno Babes market by 19%, the value of NPV went to 0. Additionally, by decreasing our IRR by 133%, this would result in a NPV value of 0. As we found ACV to be the most sensitive variable, it would have the largest impact on NPV when it increases by 1%. For a 1% increase in ACV, NPV will increase by \$55,244.79. Because ACV has a direct correlation with forecasted demand, as illustrated in the bases model, any change in this variable would have a critical effect on net income, and therefore NPV.

Variables	Target Market	NPV - 0	IRR - 0	Change in NPV - 1% Increase of Variable	Change in IRR - 1% Increase of Variable	IRR at 0
Purchase Intent	Techno Babes	-21%	-37%	\$ 49,667.82	0.772%	0.02%
	Silver Foxes	-186%	-326%	\$ 5,576.72	0.087%	0.03%
Awareness	Techno Babes	-21%	-37%	\$ 49,658.51	0.772%	0.02%
	Silver Foxes	-186%	-326%	\$ 5,576.36	0.087%	0.03%
ACV	Techno Babes	-19%	-33%	\$ 55,244.79	0.859%	0.08%
	Silver Foxes	-186%	-326%	\$ 1,065,704.60	0.087%	0.03%
Competition Adjustment	Techno Babes	-23%	-38%	\$ 46,706.14	0.698%	0.06%
	Silver Foxes	-203%	-347%	\$ 5,148.32	0.078%	0.02%
Variable Cost Per Unit		23%	42%	-\$ 45,308.64	-0.730%	0.04%
Manufacturing Overhead Per Unit		71%	146%	-\$ 14,768.18	-0.277%	0.00%
Terminal Value		-44%	-74%	\$ 23,886.30	0.349%	0.07%

*Analytics Exhibit 2 - @Risk Sensitivity Results*

Next, we found purchase intent and awareness for our Techno Babes target market to be the second most sensitive variables for our company. By decreasing both variables by 21%, the

NPV went to 0. Additionally, IRR falls to 0 when both of these variables decrease by 137%. There is a negligible difference in the change in NPV when you increase both of these variables by 1%. When purchase intent increases by 1%, NPV increases by \$49,667.82. When awareness increases by 1%, NPV increases by \$49,658.51, which is only \$9.31 dollars less than the change in NPV for purchase intent. Similar to ACV, these variables have a direct effect on our forecasted demand, and therefore have a correlate to the NPV output of our company.

## Risk Simulation

### **Assumptions**

For each of the simulations conducted, we used simulations that ran 1,000 iterations to achieve a more accurate result by accounting for the added randomness.

### **ACV**

For ACV, we assumed a minimum of 0.9, a most likely of 1, and a maximum of 1.1 for the parameters. We decided to use a triangular distribution because it would give a more realistic probability. We also used 1000 iterations to gain a more accurate result<sup>49</sup>.

### **Purchase Intent**

A normal distribution was used when running the Purchase Intent simulations for both target segments. Because the purchase intent is based on population, we thought a normal distribution was best. We assumed a random parameter, and used the mean from the base case as well as a standard deviation of 0.2<sup>50</sup>.

### **Awareness**

For awareness, we also used a triangular distribution to run the simulation on both target markets. In terms of the parameters, we inputted a minimum value of 0.5, a most likely value of 1, and a maximum value of 2. When deriving these numbers, we took 50% of the minimum base case value, the most likely value from Year 1, and doubled the maximum value in Year 1. We also assumed a 0.9 correlation between our two target segments.<sup>51</sup>

<sup>49</sup> (Hibbard n.d.)

<sup>50</sup> (Hibbard n.d.)

<sup>51</sup> (Hibbard n.d.)

## Competition

A triangular distribution was used for accuracy when running the competition simulation for both target segments. We set the lower limit of the competition distribution to be 0%, the mean to be the value from the bases case, and the upper limit to be 50% more than the bases case value.

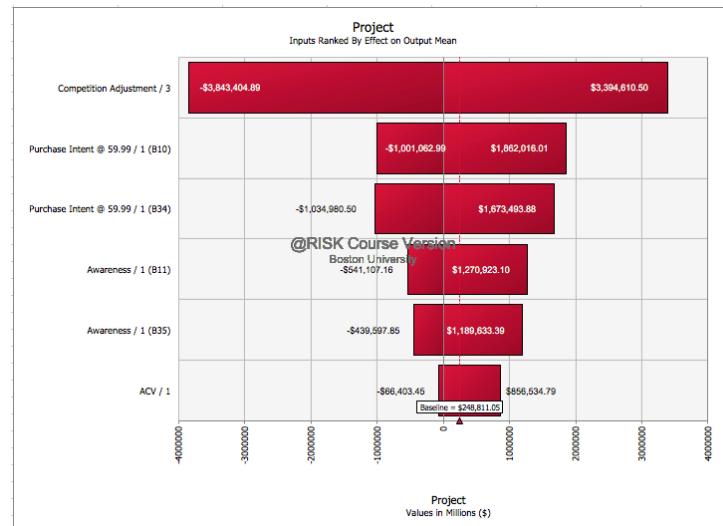
## Risk Simulation Analysis

Following the sensitivity analysis, we decided to take a closer look at our four most sensitive variables: ACV, purchase intent, awareness, and competition. Although these were our most sensitive variables, we felt that it was important to understand the *likeliness* of these variables fluctuating. For example, although we found ACV to be the most sensitive variable, it might have a decreased likelihood in varying, and therefore would not be as great of a risk to our company as we anticipated. We ran simulations on each of our four variables, as well as a fifth simulation that combined the effect of all four variables changing at once. To learn more about our simulation analysis, see the summary of our results below in *Analytics Exhibit 3*,

As a brief overview, the NPV Max is the maximum value of the NPV, given the variable is at its highest possible value. Likewise, the NPV Min is the minimum value of the NPV given the variable is at its lowest possible value. The NPV Mean is the average value of the NPV and the NPV St. Dev. is the standard deviation of the distribution of the NPV. Finally, the NPV 5th percentile and NPV 95th percentile reflect the value of the NPV at both the upper and lower percentiles of the distribution.

Based on our simulation results, the variables with the largest probability of fluctuation appear in order of competition, purchase intent for each target segment, awareness for each target segment, and finally ACV. To view a more detailed analysis of the risk impacts, see *Analytics Exhibit 3 – Tornado Chart*

Although ACV had the highest level of sensitivity in our



*Analytics Exhibit 3 - Tornado Chart*

previous analysis, our simulations explained that competition is our main concern. Competition has the highest likelihood of impacting our business because it has the largest range in NPV as illustrated in our Tornado chart (*Analytics Exhibit 3*). The simulation for competition had the lowest minimum NPV value at -\$19,728,298 and the largest standard deviation of \$3,986,141, illustrating that depending on the competition adjustment, the competition will have a tremendous impact on our NPV. Additionally, it also had the lowest mean across all simulations and we achieve a positive NPV at roughly the 45th percentile for this simulation. Compared to the other variables, this is relatively high. Because of the nature of the industry and its high barrier of entry, it's evident that competing companies would be likely to impact our sales more than other variables, such as ACV. With companies like Mattel and Fisher Price dominating the market share, it is crucial that we maintain our competitive edge by highlighting our product's unique recording feature. (*See Analytics Exhibit 4*)

Simulation Variables	ACV	Purchase Intent	Awareness	Competition	All Variables
NPV Min	\$825,588.31	-\$1,984,968.03	\$287,135.75	-\$19,728,297.66	-\$6,048,014.09
NPV Max	\$1,294,905.41	\$3,522,627.51	\$2,571,704.50	\$3,986,140.92	\$7,374,964.81
NPV Mean	\$1,060,093.36	\$1,052,465.98	\$1,324,785.20	\$2,931.75	\$239,792.97
NPV St. Dev.	\$100,087.35	\$827,752.62	\$491,435.07	\$2,118,102.28	\$2,294,690.31
NPV 5th Percentile	\$891,771.28	-\$365,025.05	\$564,474.18	-\$3,906,532.25	-\$3,850,033.01
NPV 95th Percentile	\$1,226,879.30	\$2,379,591.41	\$2,195,114.65	\$2,978,048.14	\$3,888,270.00

*Analytics Exhibit 4 - NPV Simulation Table*

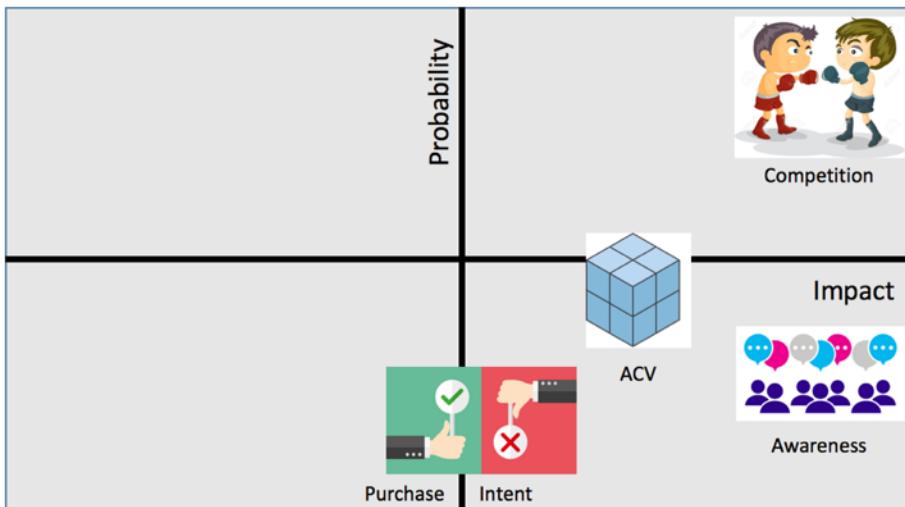
Purchase Intent proved to be our next largest concern in regards to our simulation analysis. Our purchase intent simulation had a minimum NPV of -\$1,984,968, and a maximum NPV of \$3,522,628. Additionally, it had a mean of \$1,052,466 and a standard deviation of \$827,753. Though this was not the next largest standard deviation out of all four variables, purchase intent had the second largest range on our tornado chart, illustrating that a change in purchase intent or consumer behavior would have a large impact on our company as well. Taking into account the random variety in purchase intent, we are able to achieve a positive NPV at roughly the 10th percentile. This is a much lower percentile in comparison to competition,

demonstrating that it is more likely that we will achieve a positive NPV, regardless of our accumulated purchase intent. In addition, although our marketing questionnaire results were based on a sample of 152 potential target consumers, this sample size might be too small for estimating an accurate purchase intent for a population of 9,811,771. (See *Appendix MM*)

In contrast, the @Risk simulations for ACV and awareness illustrated that they are not as impactful in establishing the NPV of our company. For both simulations, we would be able to garner a positive NPV at all times. The value at risk for the ACV simulation is \$891,771, and the value at risk for awareness is \$564,47. These numbers reflect that even lowest end of each distribution, the Zzz' Mobile will still generate a positive value for investors. (*See Appendix NN and Appendix OO*)

After doing further analysis, we found that our NPV will be positive 54.5% of the time.

Though this was a higher percentage than we expected, we are confident that we will be able



*Analytics Exhibit 5 - Scenario Analysis Probability Chart*

to achieve a positive NPV. From the simulation that incorporated all four variables, we found the minimum value for our NPV was -\$6,048,014 and our maximum value for our NPV was \$7,374,964. This illustrates that the NPV has a very large distribution, with a range

of \$13,422,979, when we take into account ACV, awareness, purchase intent and competition. However, because we are a startup company, this variability in NPV was to be expected from the very beginning. Although we anticipate that we will be profitable in Years 4 and 5, we realize our sales projections are still subject to fluctuations due to high competition and economic volatility within the industry.

## Risk Analysis

We anticipate that we might face a steeper competition within the toy industry, a lower purchase intent due to an economic recession, unreliable retailers that will diminish our ACV, and potential lawsuits that will impact our bottom line and overall profitability of our company.

### **Competition**

The first risk we identified for our company is the underestimation of our competition within the toy industry. Currently we anticipate that we will lose 20% of our sales to competitors in Year 3, 27% in Year 4, and 35% in Year 5. Due to the competitive nature of the toy industry and the fact Mattel and Fisher-Price maintain 40% of the toy market<sup>52</sup>, we believe there is a risk of having an even fiercer competition. Considering all the factors, we assigned a 25% risk probability of having a 30% competition in Year 3, a 35% competition in Year 4, and a 42% of competition in Year 5. This estimation would significantly decrease our demand for the Techno Babes to 31,112 units in Year 3, 40,982 units in Year 4, and 102,628 units in Year 5.

Additionally, our forecasted demand for the Silver Foxes would significantly diminish as well: for Year 3, we would expect a demand of 3,648 units; for Year 4, we would expect a demand of 5,584 units; for Year 5 we would expect a demand of 11,066 units. This increase in our competition adjustment would ultimately drive our break-even up, as we would achieve a negative net income of -\$165,508 in Year 4. Additionally, this adjustment would lower our NPV to -\$478,916, and our IRR to 9.20%.

### **Decreased Purchase Intent Resulting from an Economic Recession**

When assessing the fluctuation of our market demand, we also considered the idea that a potential economic recession would lead to a declining purchase intent within our target markets. Fortunately, our research on the toy industry illustrated that an economic recession would have a subtle impact on toy expenses since parents would prefer to keep their children happy by continuing to purchase toys for them.<sup>53</sup> As a result, we assumed a 33% risk probability of 2% decrease on each year's purchase intent for our two target segments. With this adjustment, we expect to achieve a decreased net income of \$2,093.20 and \$761,799.40 for Year 4 and Year 5 respectively, and a NPV of \$442,612.50. At this NPV, our IRR would be valued at 30.26%.

<sup>52</sup> (Bhatnagar 2015)

<sup>53</sup> (Bhatnagar 2015)

## Decreased ACV Resulting from Unreliable Distribution Chain

Another risk we have assessed relates to the unreliability of distribution channels. As a startup company, Zzz' Mobile still lacks strong relationships with different distribution chains and is exposed to the risk of meeting unreliable retailers. We researched the chances that a toy retailer will fail, and assigned accordingly a 33% risk probability of encountering a 5% decrease in ACV for each year compared to the current ACV forecast.<sup>54</sup> Taking into account this risk, we would expect to see a negative net income for Year 4 at -\$70,593 and our company would realize its first year of positive income of \$723,618 in Year 5. Even with this lower net income and having to receive a total of \$2,363,297 in paid in capital, we would still have a positive NPV of \$192,357 and an IRR of 25.36%.

## Potential Lawsuits

Being a toy company, potential safety hazards are a huge concern. Since our company does not plan to employ any full-time lawyers, we would incur additional expenses including lawyer salaries and litigation fees, should we face any lawsuits. These costs would vary, mainly due to the fact that we cannot project what kind of legal issues may arise. While legal issues are never good news, it is true that bad publicity is still publicity. The negative exposure our company would receive could create an increase in awareness. However, the lawsuit would significantly diminish our purchase intent. We expect our purchase intent to decrease by 7.5% while having our awareness rise by 5% in the event of a lawsuit.<sup>55</sup>

We found the negative effects of the Techno Babes' purchase intent to have the largest risk impact. If this event were to occur, the Silver Foxes purchase intent would remain at 0.0% for the first 4 years, and will only rise to 0.03% in Year 5. The negative PR our company would receive from a lawsuit would drive us deep into the red for the first 4 years of our company's existence, while finally realizing a profit of \$432,871 in Year 5. Not accounting for the actual costs of these lawsuits, we would need to have a total amount of \$2,678,541 over the course of 5 years to keep this company in operations. Although this risk is quite large and very damaging to our company, our NPV, while negative, is not disastrous; coming in at \$679,189 with an IRR of 4.62%.

<sup>54</sup> (Bhatnagar 2015)

<sup>55</sup> (Trading Economics 2016)

By multiplying the effect on NPV and the risk probability for each risk described above, we found that competition has the largest expected impact on our NPV. The expected impact of fiercer competition in the toy market of similar product at similar price is \$384,761 on NPV. The second largest risk impact comes from unreliable distribution channels, which leads to a decreased ACV for our company and results in a \$286,364 risk impact on NPV. The third largest risk we are facing is an economic recession, which has a expected impact of \$203,780.08 by decreasing the potential intent throughout the years within both of our target markets. An interesting finding we get is that, though a potential lawsuit would have enormous impact on our financials, it would have the smallest expected impact of \$122,056 if it happens in the first year, and an expected impact of \$93,699 if it happens in the fourth year, due to its relatively low risk probability.

## Risk Mitigation Strategies

### **Competition**

In order to mitigate the effect that competition has on our business, we will drop the retail price to match our competitors. We will also increase our marketing expenses by \$100,000 in order to create more awareness for our product, and to differentiate the Zzz' Mobile even more from its competitors. If we were to enact these changes, we would be able to return to profitability in Year 4 and have an ending NPV after Year 5 of \$599,223 with an IRR of 32.28%. Lastly, another option we can explore, is hiring more salespeople and implementing better training programs so that they will have a higher success rate of getting or product into more retail stores, ultimately increasing our ACV.

### **Decreased Purchase Intent Resulting from an Economic Recession**

To mitigate the chance of this happening, we must increase marketing expenses. We will reissue our marketing survey to make sure we maintain approximately the same purchase intent percentage as before. In addition, we can conduct more market research, specifically focus groups, to ensure that we understand what our customers really want. By increasing our marketing expenses by \$100,000 and leaving our price constant we would see an NPV of \$12,048 with an IRR of 21.80%. If we were to lower our price by \$5 to \$54.99 we would see a higher NPV of \$304,473 with an IRR of 27.28%. We have two viable options to explore in the event of an economic recession happening during the first 5 years of our business.

## **Decreased ACV Resulting from Unreliable Distribution Chain**

In order for our company to account for the likeliness of this happening, we must allocate more marketing expenses to our sales force. Taking into account this risk, we would expect to see a negative net income for Year 4 of -\$70,593, but our company would realize its first year of positive income in Year 5 of \$723,618. Even with this lower net income and having to receive a total of \$2,363,297 in paid in capital, we would still have a positive NPV of \$192,357 and an IRR of 25.36%. In order for our sales force to be more effective, we can offer bonus commissions of 15% for our salespeople to give them an incentive to do well. Furthermore, we can also decrease our manufacturing selling price, which will prompt more retailers to want to carry our product.

## **Potential Lawsuits**

We have no mitigation tactics if we were to encounter a lawsuit in Years 1 through 3. Despite awareness increasing by 5%, through negative press an our Techno Babe's purchase intent will decrease from 15% to 3.02%, while simultaneously driving the Silver Foxes purchase intent to 0%. All of these effects on our financials will cause our NPV to plummet to - \$683,531 with a corresponding IRR of 4.48%.

However, if a lawsuit was filed against the company in Years 4 through 5, we would have a concrete mitigation plan. By implementing a more detailed quality control station costing \$0.25 per unit, spending \$100,000 a year on PR campaigns, and exploring changes we can make with price, will allow us to recover from lawsuits. Before exploring any mitigation simulations, the results, we found on our NPV and IRR if a lawsuit were to occur in years 4 through 5 to be - \$278,434 and 14.35%, respectively.

When exploring options, we were able to realize how the changing the price of our product can drive positive earnings. With our first mitigation simulation, we kept our price constant at \$59.99 while adding an additional \$0.25 per unit for quality expenses and added \$100,000 to our marketing budget; this plan did not result in a positive outcome with our NPV still being negative at -\$397,530 with an IRR of 11.33%. With our second option of dropping our price by \$5 to \$54.99, we realized that this was our best bet at mitigating any negative effects from a lawsuit; our NPV resulted in \$520,772 with an IRR of 32.08%. In exploring our third option of raising our price to \$64.99, we found that the other mitigation tools were not enough to handle

this increased drop in purchase intent and found our NPV was valued at -\$937,767 with an IRR of -8.79%.

### Regular Business Risks

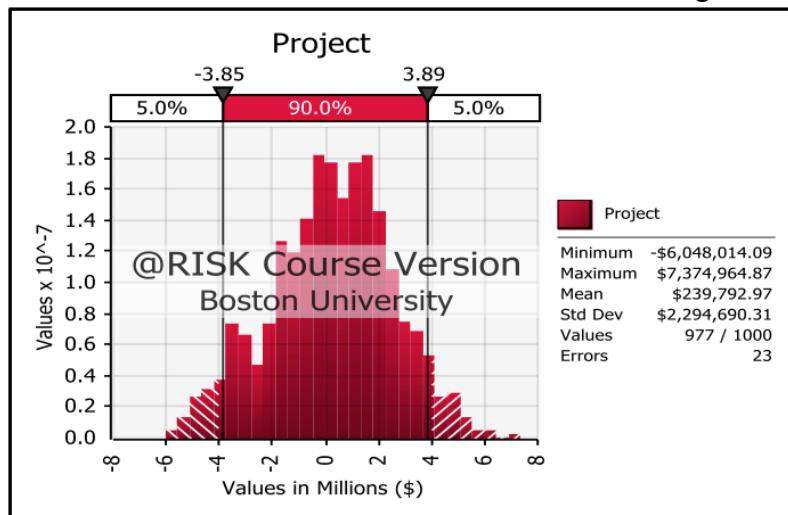
Being a company headquartered in Boca Raton, FL, we expect to face a number of weather and security risks. Mitigation plans for these are more straight forward than others, being that purchasing insurance is the simplest and most cost effective.

Our company already has purchased an insurance package with coverage for break-ins and other forms of theft. We expect this insurance plan to act as our mitigation plan for theft. Our coverage for this issue is already built into the COGS for each of our units.

Weather is an event that effects all portions of the country, but hits Florida unusually hard. We do not have any form of natural disaster insurance, which is something that our company considered heavily but ultimately decided against. Also in the past 12 years, Florida hasn't seen a severe natural disaster. Due to the low amount of on-hand inventory we hold, any product that is lost to a natural disaster will be written off as a deductible tax expense. We as a company have decided that if a weather-related issue happens within our first year, we will purchase insurance immediately.

### “Worst Case” NPV Analysis

In determining our “worst case” NPV for our company, it is imperative that we consider the effect that our sensitivity and simulation variables have on our NPV. When looking at the @Risk simulation output that incorporates the four most sensitive variables for the Zzz’ Mobile, including Competition, Purchase Intent, Awareness and ACV, we found the Value at Risk to be -\$3,850,033. According to Investopedia, the Value at Risk “determines the potential for loss in the entity being assessed, as well as the



*Analytics Exhibit 6 - @RISK Output for "Worst Case" NPV Scenario*

probability of occurrence for the defined loss.” We believe that the worst case of our NPV is reflected by the Value at Risk for the simulation that takes into account the potential loss of our company as well as the likeliness of this occurring. This risk simulation is different from the others because integrates the top four most sensitive variables, not just the isolation of each one of them. The VAR for this simulation is far lower than the VAR for each of the simulations that were conducted on one single variable. This is because when you run the simulation with all four variables, it reflects the effect that each of them have on each other. Not only does this simulation reflect when ACV is at its lowest, but when all other parameters, including competition, purchase intent, and awareness are at their lowest values as well. Ultimately, we predict the “worst” case NPV for our company to be -\$3,850,033.

## Conclusion

From our statistical analysis, we determined that we will break even in Year 4, and achieve a margin of safety of 7,598 units. Although our break-even units are negative in Years 1 through 3, we expect that our margin of safety to stay positive and grow in the years to come. Our sensitivity analysis identified ACV as our most sensitive variable, reflecting that a 1% change in this variable would have a significant impact on our NPV and IRR. Despite its sensitivity, ACV does not represent the risk that has the highest variability and likelihood of occurring. Instead, after running @Risk simulations, adjusting for competition proved to be the most volatile parameter that could affect our business at large. From both the risk simulation and risk analysis, we constructed mitigation strategies to help alleviate the repercussions these risks may have on our company. Although this may involve increasing our expenses in SG&A or altering our manufacturing and retail selling price, we believe that the potential benefits of these strategies will still help to sustain our company in the long run.

## Conclusion

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While baby mobiles are not necessarily the most sought after baby products in the market, we believe the Zzz' Mobile revolutionizes the benefits of this product. Its unique features of a voice recorder and mobile application distinguish itself from any mobile on the market. We are committed to creating meaningful connections with our consumers by encouraging familial relationships between them and their most prized possessions. At the end of the day, good business derives from strong relationships between a company and their customers.

From our strategies, we have created through marketing and operations, we are confident that our product will develop into a sustainable business that will expand overtime. This positive performance can easily be reflected in our financials with an NPV of \$1.06 million, where we hope to fully payback our investors by year 6 for their initial investments of \$1,071,714. Although we are entering an extremely competitive industry with high barriers to entry with, many potential risks involved, we as a company believe that this is a profitable investment and have prepared strategies to alleviate any shortfalls, should they occur.

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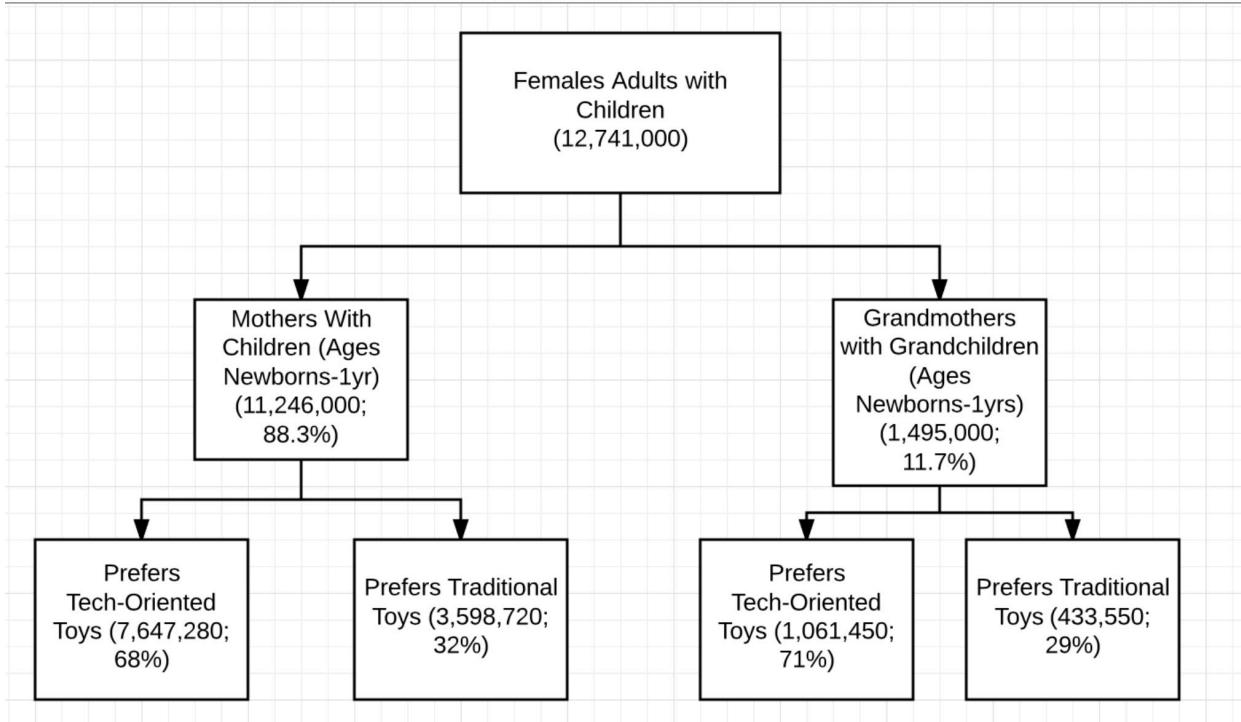
*Appendix A - Units Sold With CSR Purchase Intent Adjustment*

<b>UNITS SOLD</b>						
Units into independent retailers		2,273	5,820	11,994	11,469	10,728
Units online		11,867	17,269	26,793	32,024	49,925
Units into chain retailer		-	-	5,706	9,549	11,909
Units into mass merchants		-	-	-	11,882	63,300
Units into grocery stores		-	-	-	-	26,558
Units Donated	160	410	410	410	410	410
<b>Total Units Produced</b>	1,170	14,549	23,499	44,903	65,333	162,830

*Appendix B - Units Sold Without CSR Purchase Intent Adjustment*

<b>UNITS SOLD</b>						
Units into independent retailers		2,066	5,292	10,905	10,579	
Units online		10,789	15,703	24,361	29,541	
Units into chain retailer		-	-	5,188	8,808	
Units into mass merchants		-	-	-	10,961	
Units into grocery stores		-	-	-	-	
Units Donated	160	410	410	410	410	410
<b>Total Units Produced</b>	1,170	13,266	21,405	40,864	60,300	

### Appendix C - Segmentation Tree



### Appendix D - IMC Schedule Year 0

Year 0 IMC Schedule	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total Cost	CPM	Awareness Target Market 1	Awareness Target Market 2
Pull Marketing																
WOM															0.00%	0.00%
Online													\$ 15,000.00	n/a	2.00%	2.00%
Hospital Awareness Campaign													\$ 6,007.56		1.29%	1.03%
80 Units to Top 3 Boston Hospitals													\$ 3,003.78		0.63%	0.50%
80 Units to Top 3 NYC Hospitals													\$ 3,003.78		0.66%	0.53%
PR Magazines & Blogs													\$ 5,000.00		0.50%	0.00%
Infant(10.662), Mama OT, Red Tricycle, The Wise													\$ 5,000.00			
Creative Expenses @ 5% of Total Budget													\$ 16,475.00		0.00%	0.00%
<b>TOTAL PULL</b>													<b>\$ 36,475.00</b>		<b>3.79%</b>	<b>3.03%</b>
Push Marketing																
Trade Magazine Ads													\$ 45,900.00		n/a	n/a
ToyBook										3x	3x	3x	\$ 45,900.00			
<b>TOTAL PUSH</b>													<b>\$ 45,900.00</b>			
<b>TOTAL IMC SCHEDULE</b>													<b>\$ 82,375.00</b>		<b>3.79%</b>	<b>3.03%</b>

## Appendix E - - IMC Schedule Year 1

Year 1 IMC Schedule	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total Cost	CPM	Awareness Target Market 1	Awareness Target Market 2
<b>Pull Marketing</b>																
Fairs/Events (representative sample listed)													\$ 15,810.00		1.26%	0.76%
DroolBaby Expo (Boston, MA)													\$ 5,270.00			
California Toy Day (Sacramento, CA)													\$ 5,270.00			
Mother Of All Baby Showers (Davie, FL)													\$ 5,270.00			
<b>POP</b>													\$ 20,000.00	n/a	1.00%	1.00%
<b>WOM</b>													\$ 31,250.00	n/a	2.00%	2.00%
<b>Online</b>													\$ 6,300.00		0.25%	0.25%
<b>Outdoor/Transit Events</b>													\$ 6,000.00		0.24%	0.24%
Anaheim, California-BILLBOARD													\$ 150.00		0.01%	0.01%
Subway Ads (Boston, MA)													\$ 150.00		0.01%	0.01%
Train/Trail Ads (San Francisco, CA)													\$ 150.00		0.01%	0.01%
<b>Hospital Awareness Campaign</b>													\$ 12,007.61		2.31%	1.85%
80 Units to Top 3 Boston Hospitals													\$ 3,001.90		0.63%	0.50%
80 Units to Top 3 NYC Hospitals													\$ 3,001.90		0.66%	0.53%
80 Units to Top 3 Chicago Hospitals													\$ 3,001.90		0.46%	0.36%
80 Units to Top DC Hospitals													\$ 3,001.90		0.56%	0.45%
<b>PR Magazines &amp; Blogs</b>													\$ 10,000.00		1.00%	1.00%
Magazines: Advertising Age, The Toy Book, KidStuff Public Relations, Adweek,																
Infant(10.662), Mama OT, Red Tricycle, The Wise Baby, Nanahood, Project Nursery, Lucie's List, BuyModemBaby															0.50%	0.00%
<b>Own Website</b>													\$ 10,000.00		0.00%	0.00%
<b>Creative Expenses @ 5% of Total Budget</b>													\$ 52,500.00		0.00%	0.00%
<b>TOTAL PULL</b>													\$ 157,867.61		7.82%	6.86%
<b>Push Marketing</b>																
<b>Trade Shows</b>													\$ 22,514.00		n/a	n/a
ToyFest - West - Las Vegas, NV																
ToyFair - East - NYC, NY																
SuperCon - South - Ft. Lauderdale, FL																
<b>Trade Magazine Ads</b>													\$ 15,300.00		n/a	n/a
ToyBook													\$ 15,300.00			
<b>TOTAL PUSH</b>													\$ 37,814.00			
<b>TOTAL IMC SCHEDULE</b>													\$ 195,681.61		7.82%	6.86%

## Appendix F - IMC Schedule Year 2

Year 2 IMC Schedule	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total Cost	CPM	Awareness Target Market 1	Awareness Target Market 2
<b>Pull Marketing</b>																
Fairs/Events (representative sample listed)													\$ 26,350.00		2.11%	1.26%
DroolBaby Expo (Boston, MA)													\$ 5,270.00			
California Toy Day (Sacramento, CA)													\$ 5,270.00			
Mommy and Me Baby Fair (Monterey, CA)													\$ 5,270.00			
Mother Of All Baby Showers (Davie, FL)													\$ 5,270.00			
Big Top Toy Collectibles Expo (Tampa, FL)													\$ 5,270.00			
<b>POP</b>													\$ 20,000.00	n/a	1.00%	1.00%
<b>WOM</b>													\$ 31,250.00	n/a	2.00%	2.00%
<b>Online</b>													\$ 6,600.00		0.26%	0.26%
<b>Outdoor/Transit Events</b>																
Anaheim, California-BILLBOARD													\$ 6,000.00		0.24%	0.24%
Bus Ads-exterior (NYC, NY)													\$ 300.00		0.01%	0.01%
Subway Ads (Boston, MA)													\$ 150.00		0.01%	0.01%
Train/Trail Ads (San Francisco, CA)													\$ 150.00		0.01%	0.01%
<b>Hospital Awareness Campaign</b>													\$ 15,048.28		4.81%	4.31%
80 Units to Top 3 Boston Hospitals													\$ 2,936.18		1.13%	0.91%
80 Units to Top 3 NYC Hospitals													\$ 2,936.18		1.19%	0.95%
45 Units to Top 3 SF Hospitals													\$ 1,651.79		0.10%	0.18%
80 Units to Top 3 Chicago Hospitals													\$ 2,936.18		0.82%	0.66%
45 Units to Top 3 Dallas Hospitals													\$ 1,651.79		0.56%	0.81%
80 Units to Top DC Hospitals													\$ 2,936.18		1.01%	0.81%
<b>PR Magazines &amp; Blogs</b>													\$ 10,000.00		1.00%	1.00%
Magazines: Advertising Age, The Toy Book, KidStuff Public Relations, Adweek,																
Blogs: Cool Tech Mom(19.846), Incredible Infant(10.662), Mama OT, Red Tricycle, The Wise Baby, Nanahood, Project Nursery, Lucie's List, BuyModemBaby															0.50%	0.50%
<b>Own Website</b>													\$ 10,000.00		0.00%	0.00%
<b>Creative Expenses @ 5% of Total Budget</b>													\$ 52,500.00		0.00%	0.00%
<b>TOTAL PULL</b>													\$ 171,748.28		11.19%	9.84%
<b>Push Marketing</b>																
<b>Trade Shows</b>													\$ 17,514.00		n/a	n/a
ToyFest - West - Las Vegas, NV																
ToyFair - East - NYC, NY																
SuperCon - South - Ft. Lauderdale, FL																
<b>Trade Magazine Ads</b>													\$ 15,300.00		n/a	n/a
ToyBook													\$ 15,300.00			
<b>TOTAL PUSH</b>													\$ 32,814.00		0.00%	0.00%
<b>TOTAL IMC SCHEDULE</b>													\$ 204,562.28		11.19%	9.84%

## Appendix G - IMC Schedule Year 3

Year 3 IMC Schedule		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total Cost	CPM	Awareness Target Market 1	Awareness Target Market 2
<b>Pull Marketing</b>																	
<b>Magazine Ads</b>														\$ 12,365.00	\$355.71	1.28%	3.02%
Magazine 1: Pregnancy & Newborns (1, 1/2 Page)														\$ 12,365.00	\$355.71	1.28%	3.02%
<b>Fairs/Events (representative sample listed)</b>														\$ 26,350.00		2.11%	1.26%
DroidBaby Expo (Boston, MA)														\$ 5,270.00			
California Toy Day (Sacramento, CA)														\$ 5,270.00			
Mommy and Me Baby Fair (Monterey, CA)														\$ 5,270.00			
Mother Of All Baby Showers (Davis, FL)														\$ 5,270.00			
Big Top Toy Collectibles Expo (Tampa, FL)														\$ 5,270.00			
<b>WOM Online</b>																0.07%	0.16%
<b>Outdoor/Transit Events</b>														\$ 29,907.25		6.00%	6.00%
Anaheim, California-BILLBOARD														\$ 6,600.00		0.25%	0.26%
Bus Ads-exterior (NYC, NY)														\$ 6,000.00		0.24%	0.24%
Subway Ads (Boston, MA)														\$ 300.00		0.01%	0.01%
Train/rail Ads (San Francisco, CA)														\$ 150.00		0.01%	0.01%
<b>Hospital Awareness Campaign</b>														\$ 14,668.54		7.72%	6.29%
80 Units to Top 3 Boston Hospitals														\$ 2,862.08		1.53%	1.23%
80 Units to Top 3 NYC Hospitals														\$ 2,862.08		1.61%	1.20%
45 Units to Top 3 SF Hospitals														\$ 1,610.10		0.54%	0.51%
80 Units to Top 3 Chicago Hospitals														\$ 2,862.08		1.22%	0.97%
45 Units to Top 3 Dallas Hospitals														\$ 1,610.10		4.45%	1.65%
80 Units to Top DC Hospitals														\$ 2,862.08		1.37%	0.65%
<b>Mall Campaign</b>														\$ 9,000.00		2.91%	0.76%
Natick Mall														\$ 2,700.00		0.87%	0.23%
Mall of America														\$ 6,300.00		2.04%	0.53%
<b>PR Magazines &amp; Blogs</b>														\$ 10,000.00		1.00%	1.00%
Marketing, Advertising Age, The Toy Book, KidStuff																0.50%	0.50%
Public Relations, Adweek																	
Infant(0-62), Mama OT, Red Tricycle, The Wise Baby,																	
Nanahood, Project Nursery, Lucie's List,																	
BuyModernBaby																	
<b>Own Website</b>																	
<b>Creative Expenses @ % of Total Budget</b>																	
<b>TOTAL PULL</b>														\$ 162,890.79		21.35%	18.76%
<b>Push Marketing</b>																	
<b>Trade Shows</b>														\$ 17,514.00		n/a	n/a
ToyFest - West -- Las Vegas, NV																	
ToyFair - East -- NYC, NY																	
SuperCon - South - Ft. Lauderdale, FL														\$ 15,300.00		n/a	n/a
<b>Trade Magazine Ads</b>														\$ 1,500.00		0.00%	0.00%
ToyBook														\$ 34,314.00		0.00%	0.00%
<b>TOTAL PUSH</b>																	
<b>TOTAL IMC SCHEDULE</b>														\$ 197,204.79	\$355.71	21.35%	18.76%

## Appendix H - IMC Schedule Year 4

Year 4 IMC Schedule		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total Cost	CPM	Awareness Target Market 1	Awareness Target Market 2
<b>Pull Marketing</b>																	
<b>Magazine Ads</b>														\$ 12,365.00	\$355.71	1.28%	3.02%
Magazine 1: Pregnancy & Newborns (1, 1/2 Page)														\$ 12,365.00	\$355.71	1.28%	3.02%
<b>Fairs/Events (representative sample listed)</b>														\$ 26,350.00		2.11%	1.26%
DroidBaby Expo (Boston, MA)														\$ 5,270.00			
California Toy Day (Sacramento, CA)														\$ 5,270.00			
Mommy and Me Baby Fair (Monterey, CA)														\$ 5,270.00			
Mother Of All Baby Showers (Davis, FL)														\$ 5,270.00			
Big Top Toy Collectibles Expo (Tampa, FL)														\$ 5,270.00			
<b>WOM Online</b>														\$ 29,907.25		6.00%	6.00%
<b>Outdoor/Transit Events</b>														\$ 6,600.00		0.24%	0.24%
Anaheim, California-BILLBOARD														\$ 300.00		0.01%	0.01%
Bus Ads-exterior (NYC, NY)														\$ 150.00		0.01%	0.01%
Subway Ads (Boston, MA)														\$ 150.00		0.01%	0.01%
Train/rail Ads (San Francisco, CA)														\$ 150.00		0.01%	0.01%
<b>Hospital Awareness Campaign</b>														\$ 14,200.09		9.98%	7.88%
80 Units to Top 3 Boston Hospitals														\$ 2,770.68		1.86%	1.48%
80 Units to Top 3 NYC Hospitals														\$ 2,770.68		1.95%	1.56%
45 Units to Top 3 SF Hospitals														\$ 1,558.69		0.88%	0.77%
80 Units to Top 3 Chicago Hospitals														\$ 2,770.68		1.54%	1.23%
45 Units to Top 3 Dallas Hospitals														\$ 1,558.69		2.16%	2.32%
80 Units to Top 3 Seattle Hospitals														\$ 2,770.68		1.60%	0.52%
<b>Mall Campaign</b>														\$ 7,200.00		2.33%	2.42%
King of Prussia														\$ 3,600.00		1.16%	1.21%
The Florida Mall														\$ 3,600.00		1.16%	1.21%
<b>PR Magazines &amp; Blogs</b>														\$ 10,000.00		1.00%	1.00%
Marketing, Advertising Age, The Toy Book, KidStuff																0.50%	0.50%
Public Relations, Adweek																	
Infant(0-62), Mama OT, Red Tricycle, The Wise Baby,																	
Nanahood, Project Nursery, Lucie's List,																	
BuyModernBaby																	
<b>Own Website</b>																	
<b>Creative Expenses @ % of Total Budget</b>																	
<b>TOTAL PULL</b>														\$ 160,622.34		23.74%	22.38%
<b>Push Marketing</b>																	
<b>Trade Shows</b>														\$ 11,676.00		n/a	n/a
ToyFest - West -- Las Vegas, NV																	
ToyFair - East -- NYC, NY																	
SuperCon - South - Ft. Lauderdale, FL														\$ 15,300.00		n/a	n/a
<b>Trade Magazine Ads</b>														\$ -			
ToyBook														\$ 1,500.00		0.00%	0.00%
<b>Firm Website</b>														\$ 28,476.00		0.00%	0.00%
<b>TOTAL PUSH</b>																	
<b>TOTAL IMC SCHEDULE</b>														\$ 189,098.34	\$355.71	23.74%	22.38%

## Appendix I - IMC Schedule Year 5

Year 5 IMC Schedule	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total Cost	CPM	Awareness Target Market 1	Awareness Target Market 2
<b>Pull Marketing</b>																
<b>Magazine Ads</b>													\$ 141,665.00	10.32%	7.30%	
Magazine 1: Pregnancy & Newborns (1, 1/2 Page)													\$ 12,365.00	\$355.71	1.28%	3.02%
Magazine 2: Parents Magazine													\$ 129,300.00	\$31.13	8.04%	4.27%
<b>Fairs/Events (representative sample listed)</b>													\$ 26,350.00		2.11%	1.26%
DroolBaby Expo (Boston, MA)													\$ 5,270.00			
California Toy Day (Sacramento, CA)													\$ 5,270.00			
Mommy and Me Baby Fair (Monterey, CA)													\$ 5,270.00			
Mother Of All Baby Showers (Davis, FL)													\$ 5,270.00			
Big Top Toy Collectibles Expo (Tampa, FL)													\$ 5,270.00			
<b>WOM</b>													\$ -		0.78%	0.52%
<b>Online</b>													\$ 29,907.25		6.00%	6.00%
<b>Outdoor/Transit Events</b>													\$ 6,600.00		0.26%	0.26%
Anaheim, California-BILLBOARD													\$ 6,000.00		0.24%	0.24%
Bus Ads-exterior (NYC, NY)													\$ 300.00		0.01%	
Subway Ads (Boston, MA)													\$ 150.00		0.01%	0.01%
Train/rail Ads (San Francisco, CA)													\$ 150.00		0.01%	
<b>Hospital Awareness Campaign</b>													\$ 13,242.08		11.79%	9.15%
80 Units to Top 3 Boston Hospitals													\$ 2,583.76		2.11%	1.69%
80 Units to Top 3 NYC Hospitals													\$ 2,583.76		2.22%	1.78%
45 Units to Top 3 SF Hospitals													\$ 1,453.53		1.16%	0.98%
80 Units to Top 3 Chicago Hospitals													\$ 2,583.76		1.79%	1.43%
45 Units to Top 3 Dallas Hospitals													\$ 1,453.53		2.73%	2.85%
80 Units to Top 3 Seattle Hospitals													\$ 2,583.76		1.78%	0.41%
<b>Mall Campaign</b>													\$ 6,300.00		2.04%	0.53%
Universal City Mall													\$ 2,700.00		0.87%	0.23%
The Perimeter Mall													\$ 3,600.00		1.16%	0.30%
<b>PR Magazines &amp; Blogs</b>													\$ 10,000.00		1.00%	1.00%
Advertising Age, The Toy Book, KidStuff															0.50%	0.50%
Public Relations, Adweek																
Infant(10,682), Mama OT, Red Tricycle, The Wise Baby, Nanahood, Project Nursery, Lucie's List, BuyModernBaby													\$ 10,000.00		0.50%	0.50%
<b>Own Website</b>													\$ 1,500.00		0.00%	0.00%
<b>Creative Expense @ 5% of Total Budget</b>													\$ 52,500.00		0.00%	0.00%
<b>TOTAL PULL</b>													\$ 288,064.33		34.30%	26.03%
<b>Push Marketing</b>																
<b>Trade Shows</b>													\$ 11,676.00		n/a	n/a
ToyFest - West -- Las Vegas, NV																
ToyFair - East -- NYC, NY													\$ 15,300.00		n/a	n/a
<b>Trade Magazine Ads</b>																
ToyBook								3x								
<b>Firm Website</b>													\$ 1,500.00		0.00%	0.00%
<b>TOTAL PUSH</b>													\$ 28,476.00		0.00%	0.00%
<b>TOTAL IMC SCHEDULE</b>													\$ 316,540.33	\$355.71	34.30%	26.03%

## Appendix J - Example of Online Ad



*Appendix K - Example of Billboard Ad*

Dear Son,  
You're so beautiful  
when you sleep. We hope  
you enjoy listening to  
daddy's favorite song!

Love,  
Mom & Dad

**Zzz Mobile**  
Fall Asleep to the Voices You Love



*Appendix L - ACV Breakdown Year 1*

Y1 Retailers ACV	% of Sales	Target %	Acceptance	Penetration	Total ACV
<b>Independent Owned Toy Stores</b>	9.58%	80.00%	30.00%	24.00%	2.30%
Total	9.58%				<b>2.30%</b>
<b>Small Chain Stores</b>					
Learning Express	3.31%				
Munchkins Inc.	1.80%				
Total	5.11%				<b>0.00%</b>
<b>Large Chain Toy Stores</b>					
Babies 'R Us	25.66%	0.00%	0%	0.00%	
Buy Buy Baby	3.99%	0.00%	0%	0.00%	
Pottery Barn	4.92%	0.00%	0%	0.00%	
Total	34.57%				<b>0.00%</b>
<b>Online</b>					
Amazon	6.00%	100.00%	100.00%	100.00%	6.00%
Fat Brain Toys	3.00%	100.00%	100.00%	100.00%	3.00%
YoYo.com	3.00%	100.00%	100.00%	100.00%	3.00%
Total	12.00%				<b>12.00%</b>
<b>Mass Merchandisers</b>					
Target	12.77%	0.00%	0.00%	0.00%	
Walmart	19.15%	0.00%	0.00%	0.00%	
Total	32%				<b>0.00%</b>
				<b>Total ACV</b>	<b>14.30%</b>

### Appendix M - ACV Breakdown Year 2

Y2 Retailers ACV	% of Sales	Target %	Acceptance	Penetration	Total ACV
<b>Independent Owned Toy Stores</b>	9.58%	80.00%	30.00%	24.00%	2.30%
Additional for Year 2	7.28%	80.00%	30.00%	24.00%	1.75%
<b>Total</b>	<b>16.85%</b>				<b>4.04%</b>
<b>Small Chain Stores</b>					
Learning Express	3.31%				
Munchkins Inc.	1.80%				
<b>Total</b>	<b>5.11%</b>				<b>0.00%</b>
<b>Large Chain Toy Stores</b>	0.00%				
Babies 'R Us	25.66%				
Buy Buy Baby	3.99%				
Pottery Barn	4.92%				
<b>Total</b>	<b>34.57%</b>				<b>0.00%</b>
<b>Online</b>					
Amazon	6.00%	100.00%	100.00%	100.00%	6.00%
Fat Brain Toys	3.00%	100.00%	100.00%	100.00%	3.00%
YoYo.com	3.00%	100.00%	100.00%	100.00%	3.00%
<b>Total</b>	<b>12.00%</b>				<b>12.00%</b>
<b>Mass Merchandisers</b>	0.00%				
Target	12.77%				
Walmart	19.15%				
<b>Total</b>	<b>31.92%</b>				<b>0.00%</b>
					<b>Total ACV</b>
					<b>16.04%</b>

### Appendix N - ACV Breakdown Year 3

Y3 Retailers ACV	% of Sales	Target %	Acceptance	Penetration	Total ACV
<b>Independent Owned Toy Stores</b>	9.58%	80.00%	30.00%	24.00%	2.30%
Additional for Year 2	7.28%	80.00%	30.00%	24.00%	1.75%
Additional for Year 3	5.53%	80.00%	30.00%	24.00%	1.33%
<b>Total</b>	<b>22.38%</b>				<b>5.37%</b>
<b>Small Chain Stores</b>					
Learning Express	3.31%	50.00%	100.00%	50.0%	1.66%
Munchkins Inc.	1.80%	50.00%	100.00%	50.0%	0.90%
<b>Total</b>	<b>5.11%</b>				<b>2.56%</b>
<b>Large Chain Toy Stores</b>					
Babies 'R Us	25.66%				
Buy Buy Baby	3.99%				
Pottery Barn	4.92%				
<b>Total</b>	<b>34.57%</b>				<b>0.00%</b>
<b>Online</b>					
Amazon	6.00%	100.00%	100.00%	100.00%	6.00%
Fat Brain Toys	3.00%	100.00%	100.00%	100.00%	3.00%
YoYo.com	3.00%	100.00%	100.00%	100.00%	3.00%
<b>Total</b>	<b>12.00%</b>				<b>12.00%</b>
<b>Mass Merchandisers</b>					<b>0.00%</b>
Target	12.77%				
Walmart	19.15%				
<b>Total</b>	<b>31.92%</b>				<b>0.00%</b>
					<b>Total ACV</b>
					<b>19.93%</b>

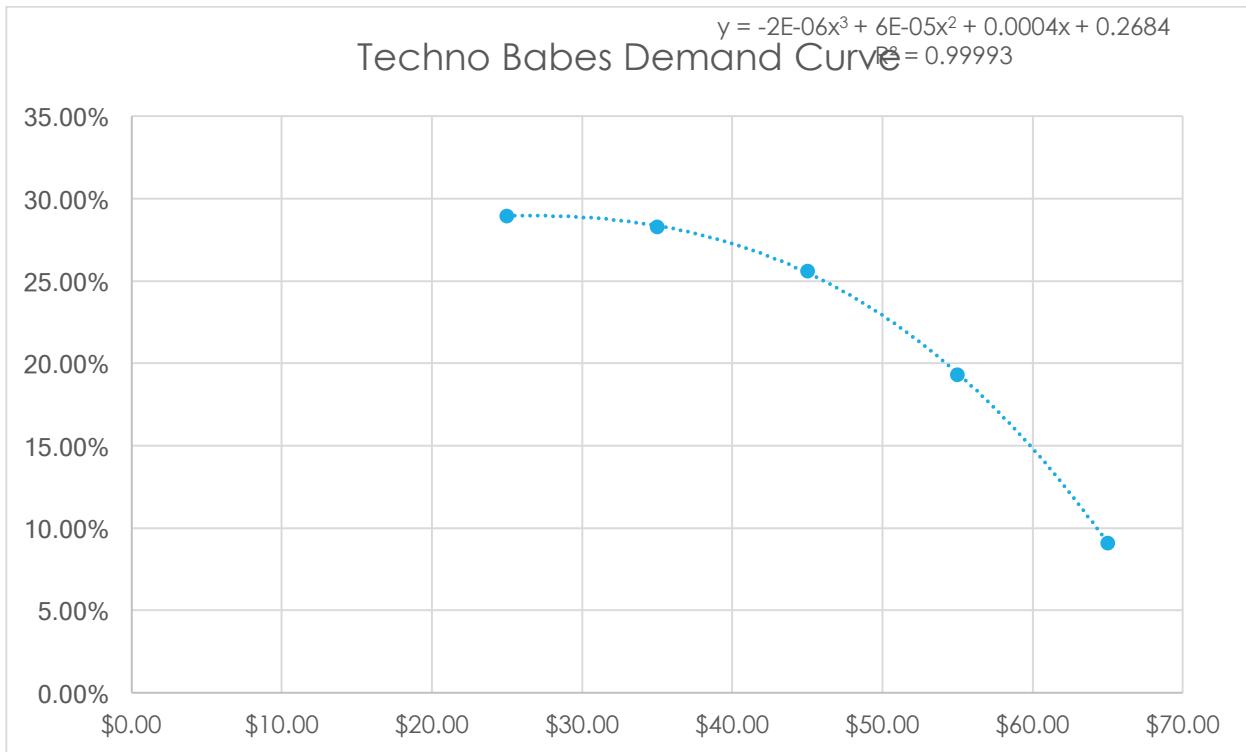
## Appendix O - ACV Breakdown Year 4

Y4 Retailers ACV	% of Sales	Target %	Acceptance	Penetration	Total ACV
<b>Independent Owned Toy Stores</b>	9.58%	80.00%	30.00%	24.00%	2.30%
Additional for Year 2	7.28%	80.00%	30.00%	24.00%	1.75%
Additional for Year 3	5.53%	80.00%	30.00%	24.00%	1.33%
Channel Conflict for Year 4	5.37%		-20.00%		-1.07%
<b>Total</b>	<b>27.75%</b>				<b>4.30%</b>
<b>Small Chain Stores</b>					
Learning Express	3.31%	70.00%	100.00%	70.0%	2.32%
Munchkins Inc.	1.80%	70.00%	100.00%	70.0%	1.26%
<b>Total</b>	<b>5.11%</b>				<b>3.58%</b>
<b>Large Chain Toy Stores</b>					
Babies 'R Us	25.66%				
Buy Buy Baby	3.99%	100.00%	50.00%	50.00%	1.99%
Williams Sonoma	4.92%	100%	50.00%	50.00%	2.46%
<b>Total</b>	<b>34.57%</b>				<b>4.45%</b>
<b>Online</b>					
Amazon	6.00%	100.00%	100.00%	100.00%	6.00%
Fat Brain Toys	3.00%	100.00%	100.00%	100.00%	3.00%
YoYo.com	3.00%	100.00%	100.00%	100.00%	3.00%
<b>Total</b>	<b>12.00%</b>				<b>12.00%</b>
<b>Mass Merchandisers</b>					
Target	12.77%				
Walmart	19.15%				
<b>Total</b>	<b>31.92%</b>				<b>0.00%</b>
					<b>Total ACV</b> <b>24.33%</b>

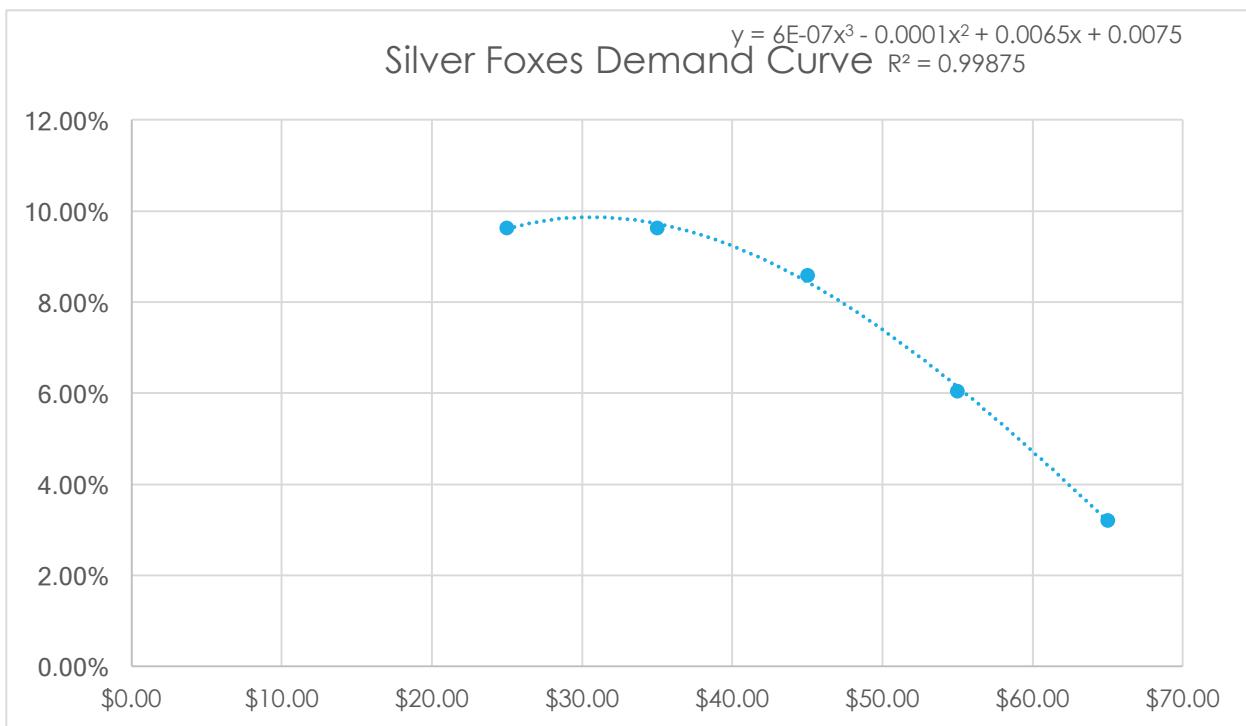
## Appendix P - ACV Breakdown Year 5

Y5 Retailers ACV	% of Sales	Target %	Acceptance	Penetration	Total ACV
<b>Independent Owned Toy Stores</b>	9.58%	80.00%	30.00%	24.00%	2.30%
Additional for Year 2	7.28%	80.00%	30.00%	24.00%	1.75%
Additional for Year 3	5.53%	80.00%	30.00%	24.00%	1.33%
Channel Conflict for Year 4	5.37%		-20.00%		-1.07%
Channel Conflict for Year 5	4.30%		-40.00%		-1.72%
<b>Total</b>	<b>32.05%</b>				<b>2.58%</b>
<b>Small Chain Stores</b>					
Learning Express	3.31%	70.00%	100.00%	70.0%	2.32%
Munchkins Inc.	1.80%	70.00%	100.00%	70.0%	1.26%
Channel Conflict for Year 5	3.58%		-20%		-0.72%
<b>Total</b>	<b>5.11%</b>				<b>2.86%</b>
<b>Large Chain Toy Stores</b>					
Babies 'R Us	25.66%	100%	35%	35.00%	8.98%
Buy Buy Baby	3.99%	100.00%	70.00%	70.00%	2.79%
Williams Sonoma	4.92%	100.00%	70.00%	70.00%	3.44%
<b>Total</b>	<b>34.57%</b>				<b>15.21%</b>
<b>Online</b>					
Amazon	6.00%	100.00%	100.00%	100.00%	6.00%
Fat Brain Toys	3.00%	100.00%	100.00%	100.00%	3.00%
YoYo.com	3.00%	100.00%	100.00%	100.00%	3.00%
<b>Total</b>	<b>12.00%</b>				<b>12.00%</b>
<b>Mass Merchandisers</b>					
Target	12.77%	100.00%	50.00%	50.0%	6.38%
Walmart	19.15%				
<b>Total</b>	<b>31.92%</b>				<b>6.38%</b>
					<b>Total ACV</b> <b>39.04%</b>

*Appendix Q - Techno Babes Demand Curve*



*Appendix R - Silver Foxes Demand Curve*



### Appendix S - Average Weighted Manufacturers Selling Price

<b>Year 1</b>				
	% of Total Units	Manufacturer Selling Price	Retailer Margin	Retail Selling Price
Units into Independent Stores	16.07%	\$ 30.00	50%	\$ 59.99
Units Online	83.93%	\$ 38.99	35%	\$ 59.99
Units to Small Toy Stores	0% of Total Units	\$ -	0%	\$ -
Units to Large Toy Stores	0% of Total Units	\$ -	0%	\$ -
Units to Mass Merchandisers	0% of Total Units	\$ -	0%	\$ -
Average WEIGHTED manufacturer's selling price to channel		\$37.55		
Average WEIGHTED retailer selling price				\$59.99
<b>Year 2</b>				
	% of Total Units	Manufacturer Selling Price	Retailer Margin	Retail Selling Price
Units into Independent Stores	25.21%	\$ 30.00	50%	\$ 59.99
Units Online	74.79%	\$ 38.99	35%	\$ 59.99
Units to Small Toy Stores	0% of Total Units	\$ -	0%	\$ -
Units to Large Toy Stores	0% of Total Units	\$ -	0%	\$ -
Units to Mass Merchandisers	0% of Total Units	\$ -	0%	\$ -
Average WEIGHTED manufacturer's selling price to channel		\$36.73		
Average WEIGHTED retailer selling price				\$59.99
<b>Year 3</b>				
	% of Total Units	Manufacturer Selling Price	Retailer Margin	Retail Selling Price
Units into Independent Stores	26.96%	\$ 30.00	50%	\$ 59.99
Units Online	60.22%	\$ 38.99	35%	\$ 59.99
Units to Small Toy Stores	12.83%	\$ 32.99	45%	\$ 59.99
Units to Large Toy Stores	0% of Total Units	\$ -	0%	\$ -
Units to Mass Merchandisers	0% of Total Units	\$ -	0%	\$ -
Average WEIGHTED manufacturer's selling price to channel		\$35.80		
Average WEIGHTED retailer selling price				\$59.99
<b>Year 4</b>				
	% of Total Units	Manufacturer Selling Price	Retailer Margin	Retail Selling Price
Units into Independent Stores	17.66%	\$ 30.00	50%	\$ 59.99
Units Online	49.33%	\$ 38.99	35%	\$ 59.99
Units to Small Toy Stores	14.71%	\$ 32.99	45%	\$ 59.99
Units to Large Toy Stores	18.30%	\$ 28.80	40%	\$ 47.99
Units to Mass Merchandisers	0% of Total Units	\$ -	40%	
Average WEIGHTED manufacturer's selling price to channel		\$34.66		
Average WEIGHTED retailer selling price				\$57.79
<b>Year 5</b>				
	% of Total Units	Manufacturer Selling Price	Retailer Margin	Retail Selling Price
Units into Independent Stores	6.60%	\$ 30.00	50%	\$ 59.99
Units Online	30.74%	\$ 38.99	35%	\$ 59.99
Units to Small Toy Stores	7.33%	\$ 32.99	45%	\$ 59.99
Units to Large Toy Stores	38.97%	\$ 28.80	40%	\$ 47.99
Units to Mass Merchandisers	16.35%	\$ 28.80	40%	\$ 47.99
Average WEIGHTED manufacturer's selling price to channel		\$32.32		
Average WEIGHTED retailer selling price				\$53.35

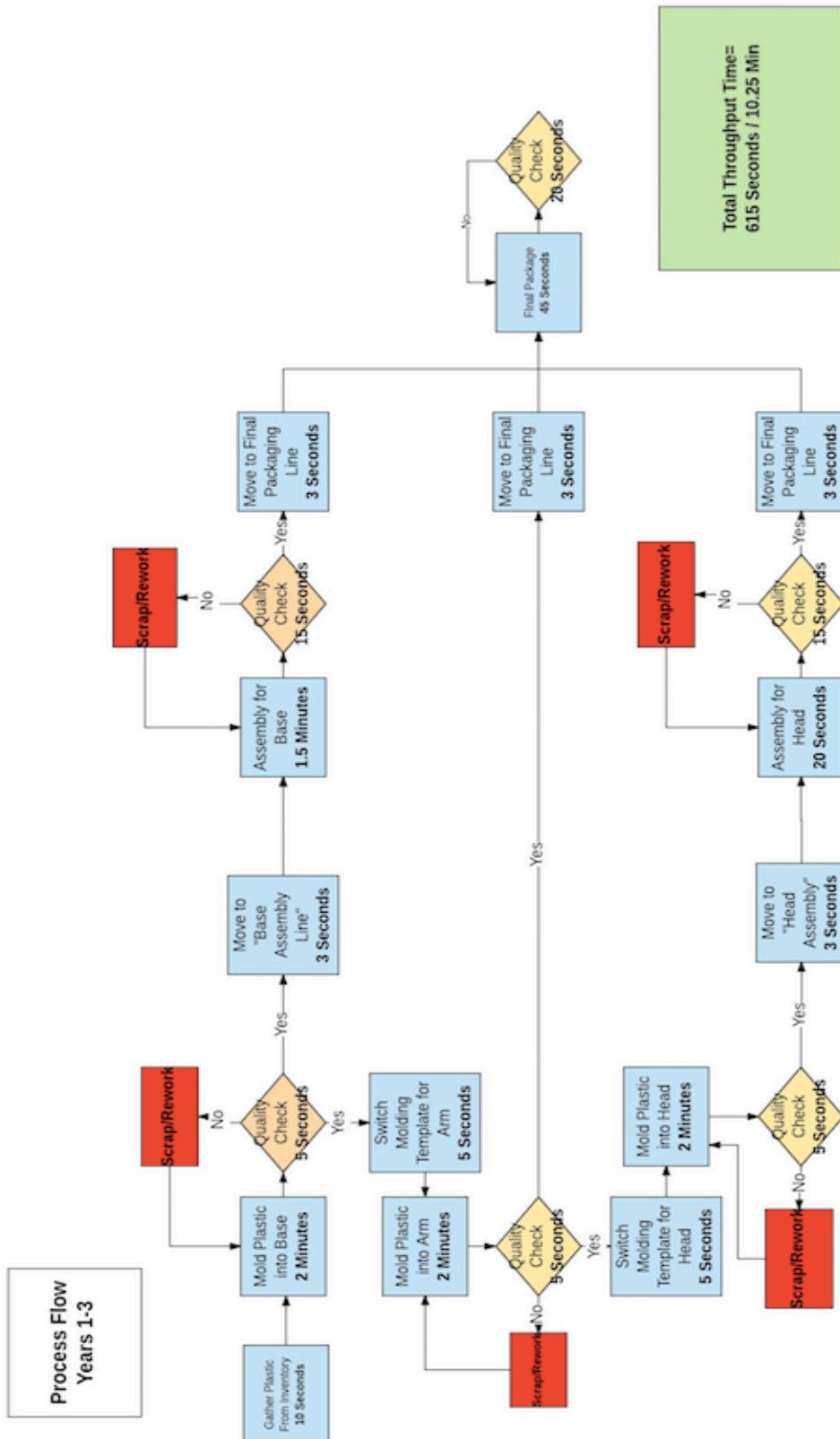
*Appendix T - Techno Babes BASES Model*

<b>BASES Model - Techno Babes (TM1)</b>					
Year	1	2	3	4	5
Target Market Size	6,894,758	7,013,095	7,125,676	7,211,285	7,269,488
Purchase Intent @ 59.99	16.42%	16.42%	16.42%	18.92%	23.17%
Awareness	7.82%	11.19%	21.35%	23.74%	34.30%
ACV	14.30%	16.04%	19.93%	24.33%	39.04%
Trial Households	12,664	20,668	49,779	78,811	225,557
Competition Adjustment	0%	0%	80%	73%	65%
Purchase Units	1.00	1.00	1.00	1.00	1.00
Trial Units	12,664	20,668	39,823	57,138	146,612
<b>TOTAL UNITS</b>	<b>12,664</b>	<b>20,668</b>	<b>39,823</b>	<b>57,138</b>	<b>146,612</b>
Retail Selling Price	\$ 59.99	\$ 59.99	\$ 59.99	\$ 57.79	\$ 53.35
Weighted Average Manufacturer Price	\$ 37.55	\$ 36.73	\$ 35.80	\$ 34.66	\$ 32.32
Manufacturer Sales	\$475,482.23	\$759,024.70	\$1,425,606.69	\$1,980,138.55	\$4,738,072.94
Retail Sales	\$759,687.87	\$1,239,855.82	\$2,388,993.04	\$3,302,262.28	\$7,822,055.07
Mean Demand of Toy Packages	12,241.46	19,978.78	38,495.75	55,233.72	141,724.70
SD of Demand of Toy Packages	1,266.36	2,066.77	3,982.32	5,713.83	14,661.18

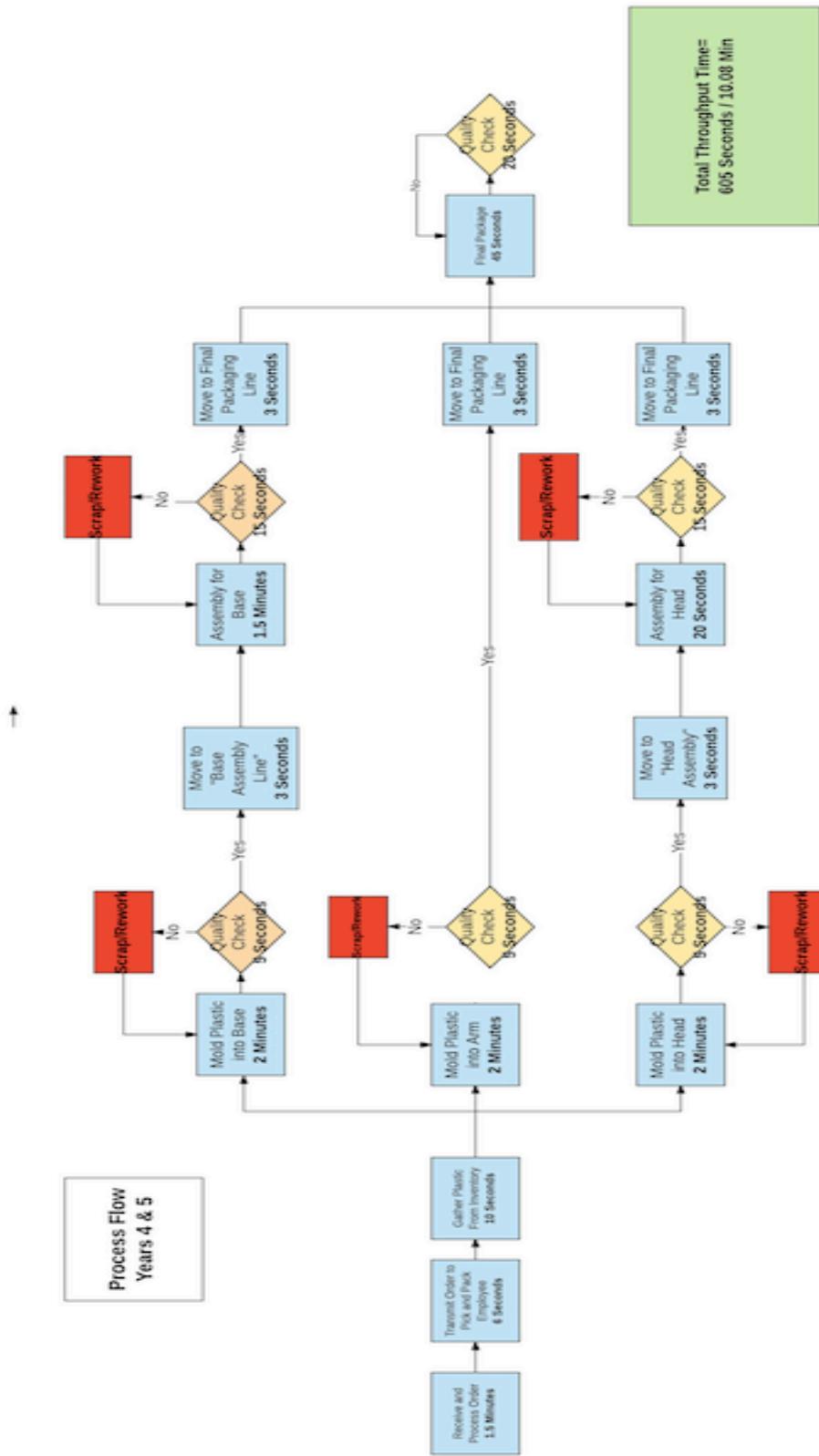
*Appendix U - Silver Foxes BASES Model*

<b>BASES Model - Silver Foxes (TM2)</b>					
Year	1	2	3	4	5
Target Market Size	2,917,013	2,970,960	3,024,988	3,076,625	3,124,343
Purchase Intent @ 59.99	5.16%	5.16%	5.16%	6.41%	7.66%
Awareness	6.86%	9.84%	18.76%	22.38%	26.03%
ACV	14.30%	16.04%	19.93%	24.33%	39.04%
Trial Households	1,476	2,421	5,838	10,738	24,320
Competition Adjustment	0%	0%	80%	73%	65%
Purchase Units	1.00	1.00	1.00	1.00	1.00
Trial Units	1,476	2,421	4,670	7,785	15,808
<b>TOTAL UNITS</b>	<b>1,476</b>	<b>2,421</b>	<b>4,670</b>	<b>7,785</b>	<b>15,808</b>
Retail Selling Price	\$ 59.99	\$ 59.99	\$ 59.99	\$ 57.79	\$ 53.35
Weighted Average Manufacturer Price	\$ 37.55	\$ 36.73	\$ 35.80	\$ 34.66	\$ 32.32
Manufacturer Sales	\$55,416.66	\$88,913.27	\$167,181.14	\$269,782.12	\$510,873.81
Retail Sales	\$88,540.36	\$145,238.54	\$280,157.61	\$449,913.64	\$843,398.39
Mean Demand of Toy Packages	1,426.72	2,340.34	4,514.40	7,525.27	15,281.20
SD of Demand of Toy Packages	147.59	242.10	467.01	778.48	1,580.81

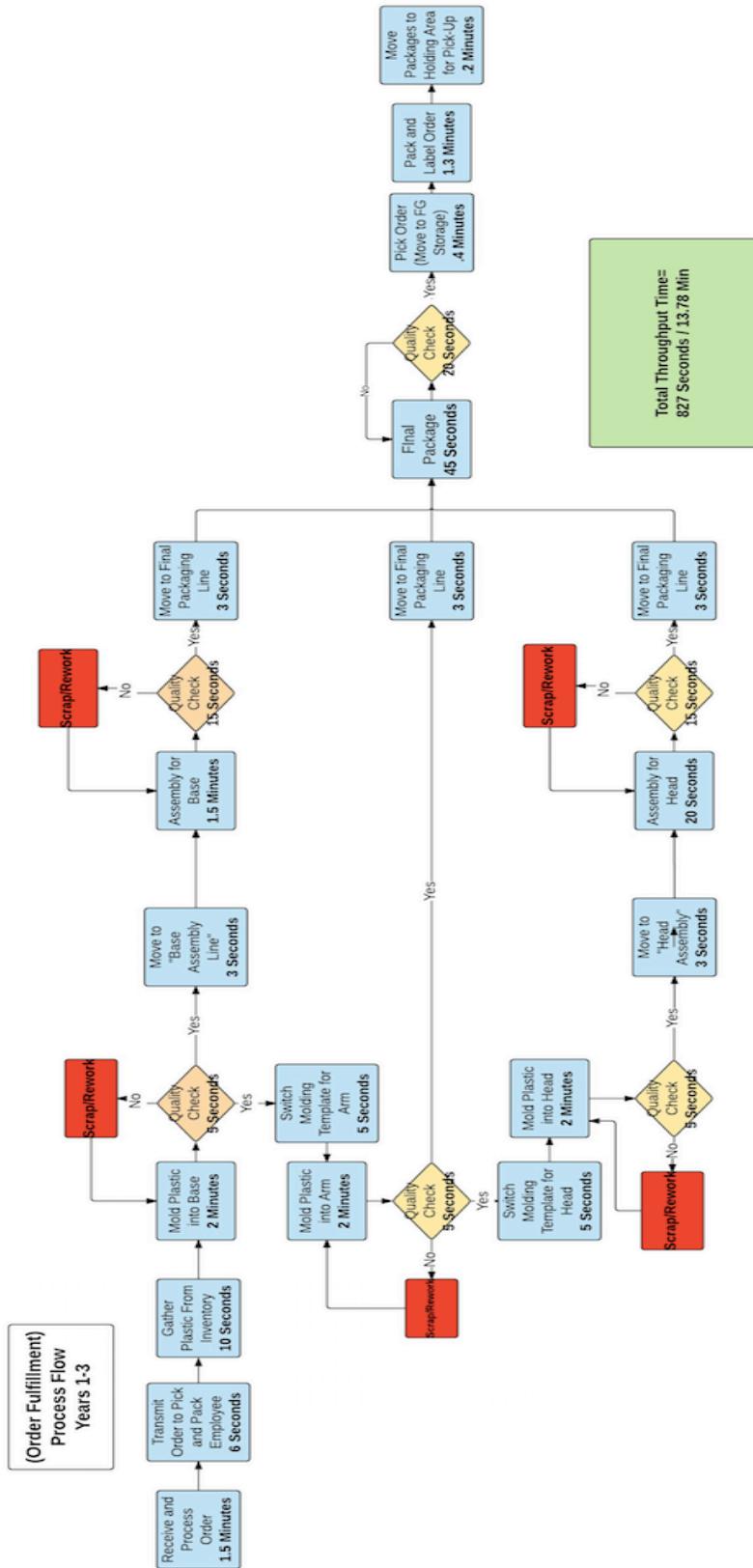
*Appendix V - Process Flow Years 1-3*



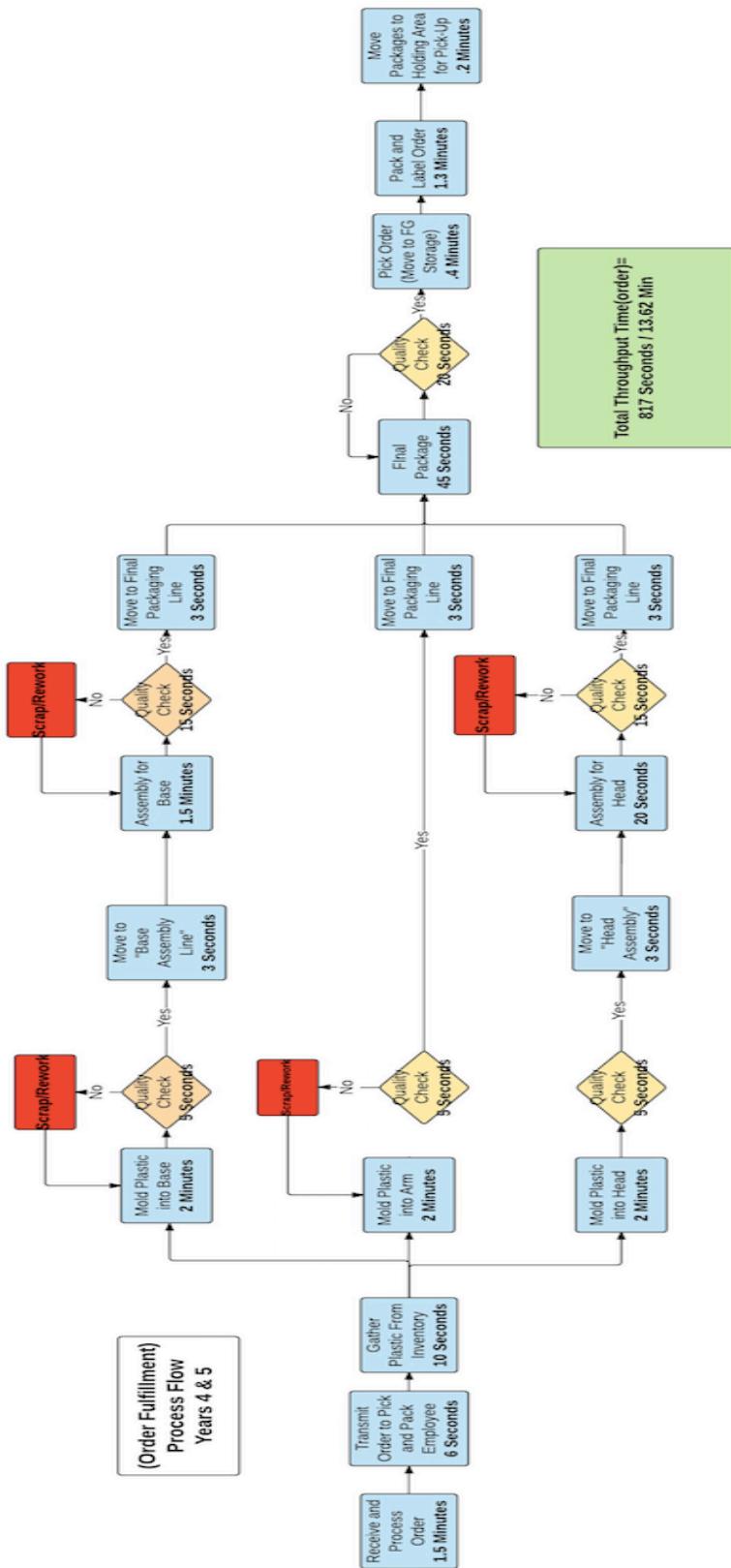
*Appendix W - Process Flow Years 4-5*



### Appendix X - Order Fulfillment Process Flow Years 1-3



*Appendix Y - Order Fulfillment Process Flow Years 4-5*



## Appendix Z - Supply Chain and Lead Time Chart

Raw Material	Supplier	Most Likely Lead Time	Transit Type
ABS Plastic	Shenzhen Fuxinhua Insulation Material	10.5 days	Airplane
Knit Acrylic String	Shanghai Shingmore Bridge Imp/Exp Co.	1 day	Airplane
Screws	Ningbo Oukailou Hardware Co	25 days	Ship
Power Button	Fujingsheng Electronic Technology	3 days	Airplane
Speaker / Recorder	Hangzhou Jingxin Electronics Co.	22.5 days	Ship
Circuit Box	Focan Electric Factory	10 days	Airplane
Felt Toys	Xingtai City Ruiyuan Import and Export Trade Co	25 days	Ship
Bluetooth	Shenzen Wellcore Technology Co	1.5 days	Airplane
LED Buttons	Yueqing Abbeycon Electric Co	21.5 days	Ship
Packaging	Boxes Etc, Inc	7 days	Airplane

## Appendix AA - Inventory Investments

Inventory Investment						
Raw Materials						
Product	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
ABS Plastic	\$ 574.36	\$ 4,668.29	\$ 7,226.67	\$ 13,158.35	\$ 18,530.15	\$ 43,250.45
Knit Acrylic String	\$ 18.89	\$ 67.13	\$ 87.06	\$ 124.02	\$ 152.66	\$ 256.72
Screws	\$ 62.41	\$ 219.18	\$ 279.74	\$ 388.21	\$ 467.99	\$ 738.78
Power Button	\$ 3,758.06	\$ 13,737.45	\$ 17,473.57	\$ 24,273.03	\$ 29,083.01	\$ 45,821.99
Speaker / Recorder	\$ 10,835.71	\$ 39,113.15	\$ 49,418.95	\$ 67,853.33	\$ 80,541.76	\$ 123,031.21
Circuit Box	\$ 950.88	\$ 3,540.09	\$ 4,550.93	\$ 6,347.72	\$ 7,716.00	\$ 12,855.57
Felt Toys	\$ 5,246.45	\$ 18,981.48	\$ 24,047.99	\$ 33,158.80	\$ 39,515.12	\$ 61,079.66
Bluetooth	\$ 230.76	\$ 1,005.73	\$ 1,377.55	\$ 2,105.76	\$ 2,748.99	\$ 5,538.45
LED Buttons	\$ 243.71	\$ 893.96	\$ 1,166.02	\$ 1,679.29	\$ 2,082.46	\$ 3,579.32
Packaging	\$ 142.82	\$ 667.15	\$ 937.57	\$ 1,512.29	\$ 2,016.13	\$ 4,200.79
Total	\$ 22,064.05	\$ 82,893.61	\$ 106,566.05	\$ 150,600.82	\$ 182,854.26	\$ 300,352.93
WIP Investment						
Product	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Weekly Demand Units	\$ 22.50	\$ 271.91	\$ 444.01	\$ 855.64	\$ 1,248.52	\$ 3,123.46
DM per Unit	\$ 9.67	\$ 9.67	\$ 9.67	\$ 9.67	\$ 9.67	\$ 9.67
DL per Unit	\$ 5.16	\$ 5.15	\$ 5.20	\$ 5.25	\$ 2.20	\$ 2.22
MOH per Unit	\$ 91.17	\$ 12.54	\$ 7.78	\$ 4.27	\$ 2.96	\$ 1.20
Total WIP Investment	\$ 275.71	\$ 3,329.86	\$ 5,448.73	\$ 10,522.05	\$ 13,450.42	\$ 33,683.27
FG Investment						
Product	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Weekly Units	\$ 22.50	\$ 271.91	\$ 444.01	\$ 855.64	\$ 1,248.52	\$ 3,123.46
Safety Stock	\$ 36.94	\$ 463.09	\$ 747.13	\$ 1,422.31	\$ 2,037.19	\$ 4,905.39
Cycle Stock	\$ 11.25	\$ 135.96	\$ 222.01	\$ 427.82	\$ 624.26	\$ 1,561.73
DM per Unit	\$ 9.67	\$ 9.67	\$ 9.67	\$ 9.67	\$ 9.67	\$ 9.67
DL per Unit	\$ 5.16	\$ 5.15	\$ 5.20	\$ 5.25	\$ 2.20	\$ 2.22
MOH per Unit	\$ 91.17	\$ 12.54	\$ 7.78	\$ 4.27	\$ 2.96	\$ 1.20
Total FG Investment	\$ 714.94	\$ 8,877.86	\$ 14,412.05	\$ 27,608.70	\$ 31,602.47	\$ 76,932.09

## *Appendix BB - Aggregate Plan Year 0*

## *Appendix CC - Aggregate Plan Year 1*

## *Appendix DD - Aggregate Plan Year 2*

## *Appendix EE - Aggregate Plan Year 3*

## *Appendix FF - Aggregate Plan Year 4*

## *Appendix GG- Aggregate Plan Year 5*

### Appendix HH - Direct Labor Hours Breakdown

Year 0					
Position	Direct Labor				
	Salary	# of people	Total Hrs.	Total Salary	With Benefits
DL Machine Operators (hourly)	\$10.00	1	42	\$424	\$530
DL Product Assemblers	\$8.00	9	42	\$3,052	\$3,815
DL Product Fulfillment	\$8.00	4	42	\$1,357	\$1,696
<b>Total</b>					\$6,041
<b>per unit total</b>					\$5.16

Year 1					
Position	Direct Labor				
	Salary	# of people	Total Hrs.	Total Salary	With Benefits
DL Machine Operators (hourly)	\$10.00	1	511	\$5,108	\$6,385
DL Product Assemblers	\$8.00	9	511	\$36,778	\$45,973
DL Product Fulfillment	\$8.00	4	511	\$16,346	\$20,432
<b>Total</b>					\$72,790
<b>per unit total</b>					\$5.15

Year 2					
Position	Direct Labor				
	Salary	# of people	Total Hrs.	Total Salary	With Benefits
DL Machine Operators (hourly)	\$10.10	1	834	\$8,424	\$10,530
DL Product Assemblers	\$8.08	9	834	\$60,650	\$75,813
DL Product Fulfillment	\$8.08	4	834	\$26,956	\$33,695
<b>Total</b>					\$120,037
<b>per unit total</b>					\$5.20

Year 3					
Position	Direct Labor				
	Salary	# of people	Total Hrs.	Total Salary	With Benefits
DL Machine Operators (hourly)	\$10.20	1	1607	\$16,394	\$20,492
DL Product Assemblers	\$8.16	9	1607	\$118,036	\$147,545
DL Product Fulfillment	\$8.16	4	1607	\$52,460	\$65,575
<b>Total</b>					\$233,612
<b>per unit total</b>					\$5.25

Year 4					
Position	Direct Labor				
	Salary	# of people	Total Hrs.	Total Salary	With Benefits
DL Machine Operators (hourly)	\$10.30	3	782	\$24,163	\$30,204
DL Product Assemblers	\$8.24	9	782	\$57,992	\$72,490
DL Product Fulfillment	\$8.24	5	782	\$32,218	\$40,272
<b>Total</b>					\$142,967
<b>per unit total</b>					\$2.20

Year 5					
Position	Direct Labor				
	Salary	# of people	Total Hrs.	Total Salary	With Benefits
DL Machine Operators (hourly)	\$10.41	3	1956	\$61,047	\$76,309
DL Product Assemblers	\$8.32	9	1956	\$146,514	\$183,142
DL Product Fulfillment	\$8.32	5	1956	\$81,397	\$101,746
<b>Total</b>					\$361,197
<b>per unit total</b>					\$2.22

*Appendix II - Income Statement*

Income Statement (In US Dollars)	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Toy revenue	\$ -	\$ 530,898.89	\$ 847,937.97	\$ 1,592,787.82	\$ 2,249,920.68	\$ 5,248,946.75
<b>TOTAL REVENUES</b>	<b>\$ -</b>	<b>\$ 530,898.89</b>	<b>\$ 847,937.97</b>	<b>\$ 1,592,787.82</b>	<b>\$ 2,249,920.68</b>	<b>\$ 5,248,946.75</b>
Variable Costs	\$ -	\$ 215,623.83	\$ 349,449.29	\$ 670,071.24	\$ 775,773.74	\$ 1,937,006.00
Manufacturing Overhead	\$ -	\$ 212,235.27	\$ 219,028.02	\$ 202,158.12	\$ 347,963.00	\$ 444,746.00
<b>TOTAL COST OF GOODS SOLD</b>	<b>\$ -</b>	<b>\$ 427,859.10</b>	<b>\$ 568,477.31</b>	<b>\$ 872,229.36</b>	<b>\$ 1,123,736.74</b>	<b>\$ 2,381,752.00</b>
<b>GROSS PROFIT</b>	<b>\$ -</b>	<b>\$ 103,039.79</b>	<b>\$ 279,460.67</b>	<b>\$ 720,558.46</b>	<b>\$ 1,126,183.94</b>	<b>\$ 2,867,194.75</b>
<b>Initial Start-Up Expenses</b>	<b>\$ 250,075.85</b>					
<b>SG&amp;A</b>						
Manufacturer's Sales Reps Commission Expense (10%)	\$ -	\$ 53,039.89	\$ 84,793.80	\$ 159,278.78	\$ 224,992.07	\$ 524,894.67
Salaries	\$ -	\$ 344,209.00	\$ 353,779.08	\$ 462,332.06	\$ 475,403.39	\$ 488,860.51
<b>TOTAL SG&amp;A EXPENSES</b>	<b>\$ -</b>	<b>\$ 397,298.89</b>	<b>\$ 438,572.88</b>	<b>\$ 621,610.84</b>	<b>\$ 700,395.46</b>	<b>\$ 1,013,755.18</b>
<b>OPERATING EXPENSES</b>						
Product Development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Marketing Expenses Excluding Sales Force	\$ -	\$ 195,681.61	\$ 204,562.28	\$ 197,204.79	\$ 189,098.34	\$ 316,540.33
IS Expenses	\$ -	\$ 51,871.07	\$ 51,873.73	\$ 59,968.29	\$ 59,968.29	\$ 59,968.29
Depreciation on PP&E	\$ -	\$ 4,996.00	\$ 5,004.89	\$ 5,004.89	\$ 5,293.78	\$ 13,965.33
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ -</b>	<b>\$ 252,518.68</b>	<b>\$ 261,440.90</b>	<b>\$ 262,177.97</b>	<b>\$ 254,360.41</b>	<b>\$ 390,473.95</b>
Earnings Before Tax	\$ (250,075.85)	\$ (546,777.77)	\$ (420,553.10)	\$ (163,230.35)	\$ 171,428.07	\$ 1,462,965.62
Less: Donation for Second Chance Toys	\$ -	\$ -	\$ -	\$ -	\$ 1,714.28	\$ 14,629.66
Less: Donation for Hospitals	\$ -	\$ -	\$ -	\$ -	\$ 14,119.45	\$ 13,216.67
Taxes at 35%	\$ -	\$ -	\$ -	\$ -	\$ 54,458.02	\$ 502,291.75
<b>NET INCOME</b>	<b>\$ (250,075.85)</b>	<b>\$ (546,777.77)</b>	<b>\$ (420,553.10)</b>	<b>\$ (163,230.35)</b>	<b>\$ 101,136.32</b>	<b>\$ 932,827.54</b>

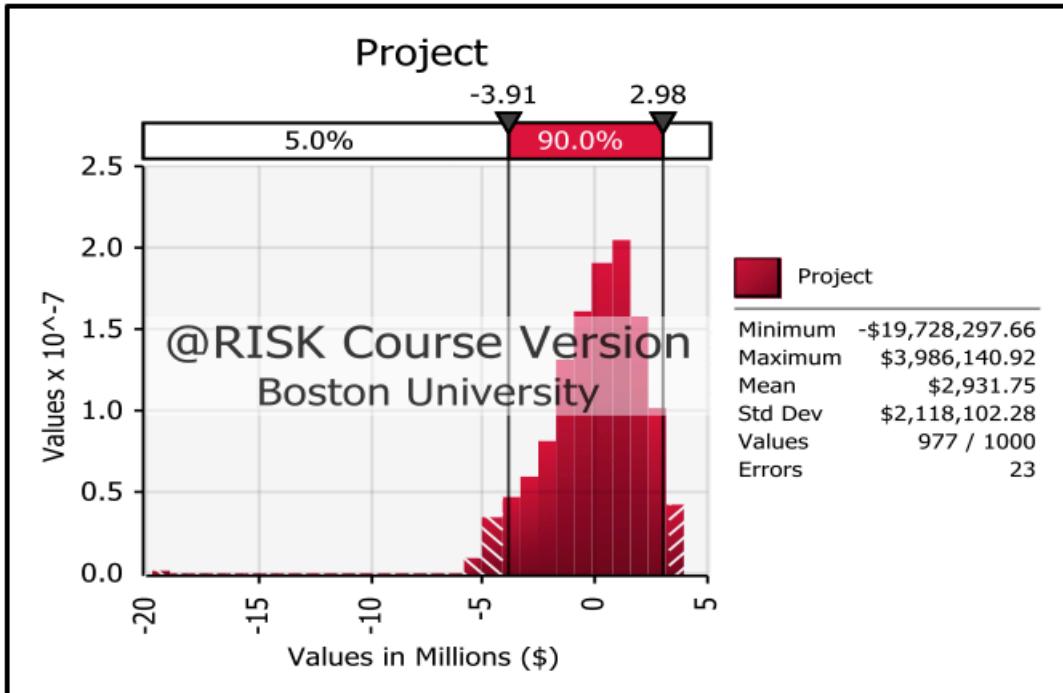
*Appendix JJ - Balance Sheet*

<b>Balance Sheet (In US Dollars)</b>	<b>Year 0</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>Current Assets</b>						
Cash reserves	\$ 37,162.92	\$ 39,817.42	\$ 63,595.35	\$ 119,459.09	\$ 168,744.05	\$ 393,671.01
Accounts Receivable	\$ -	\$ 53,039.89	\$ 84,793.80	\$ 159,278.78	\$ 224,992.07	\$ 524,894.67
Raw Materials	\$ 22,064.05	\$ 82,893.61	\$ 106,566.05	\$ 150,600.82	\$ 182,854.26	\$ 300,352.93
WIP	\$ 832.46	\$ 3,329.86	\$ 5,448.73	\$ 10,522.05	\$ 13,450.42	\$ 33,683.27
Finished Goods	\$ 48,895.48	\$ 8,877.86	\$ 14,412.05	\$ 27,608.70	\$ 31,602.47	\$ 76,932.09
<b>Total Current Assets</b>	<b>\$ 108,954.92</b>	<b>\$ 188,008.63</b>	<b>\$ 274,815.97</b>	<b>\$ 467,469.44</b>	<b>\$ 621,643.27</b>	<b>\$ 1,329,533.97</b>
<b>Fixed Assets</b>						
Gross Fixed Assets	\$ 44,694.00	\$ 45,043.99	\$ 45,043.99	\$ 47,643.98	\$ 125,687.97	\$ 274,369.76
Accumulated Depreciation	\$ -	\$ 4,966.00	\$ 9,970.89	\$ 14,975.78	\$ 20,269.55	\$ 34,234.88
<b>Net Fixed Assets</b>	<b>\$ 44,694.00</b>	<b>\$ 40,077.99</b>	<b>\$ 35,073.10</b>	<b>\$ 32,668.20</b>	<b>\$ 105,418.42</b>	<b>\$ 240,134.88</b>
<b>TOTAL ASSETS</b>	<b>\$ 153,648.92</b>	<b>\$ 228,036.62</b>	<b>\$ 309,889.07</b>	<b>\$ 500,137.65</b>	<b>\$ 727,061.69</b>	<b>\$ 1,569,668.85</b>
<b>Current Liabilities</b>						
Accounts Payable	\$ 11,032.03	\$ 51,343.09	\$ 68,217.28	\$ 104,667.52	\$ 134,848.41	\$ 285,810.24
<b>Total Current Liabilities</b>	<b>\$ 11,032.03</b>	<b>\$ 51,343.09</b>	<b>\$ 68,217.28</b>	<b>\$ 104,667.52</b>	<b>\$ 134,848.41</b>	<b>\$ 285,810.24</b>
<b>Equity</b>						
Paid in Capital (Cumulative)	\$ 392,692.75	\$ 973,597.16	\$ 1,459,078.53	\$ 1,776,107.21	\$ 1,871,714.04	\$ 1,871,714.04
Retained Earnings (Accumulated Deficit)	\$ (250,075.85)	\$ (796,853.63)	\$ (1,217,406.73)	\$ (1,380,637.08)	\$ (1,279,500.76)	\$ (587,855.43)
<b>Total Equity</b>	<b>\$ 142,616.90</b>	<b>\$ 176,743.53</b>	<b>\$ 241,671.80</b>	<b>\$ 395,470.13</b>	<b>\$ 592,213.28</b>	<b>\$ 1,283,858.61</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 153,648.92</b>	<b>\$ 228,036.62</b>	<b>\$ 309,889.07</b>	<b>\$ 500,137.65</b>	<b>\$ 727,061.69</b>	<b>\$ 1,569,668.85</b>

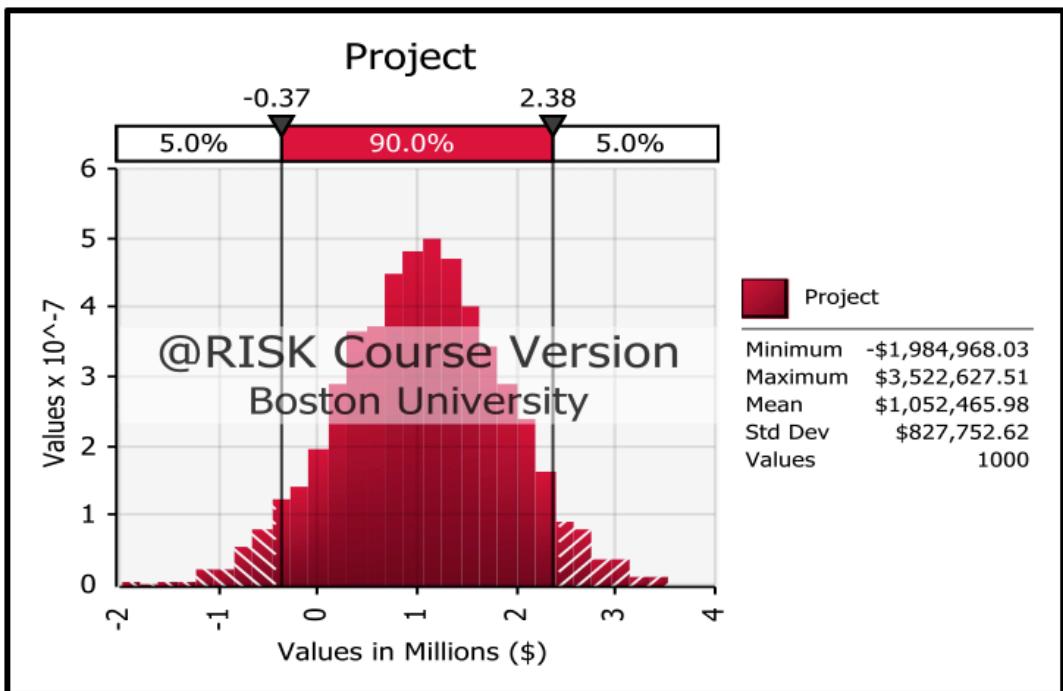
## *Appendix KK - Statement of Cash Flows*

Statement of Cash Flow (In US Dollars)		Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Initial Investment in Fixed Assets							
Net Income	\$ (250,075.85)	\$ (546,777.77)	\$ (420,553.10)	\$ (163,230.35)	\$ 101,136.32	\$ 932,827.54	
+ Depreciation	\$ -	\$ 4,966.00	\$ 5,004.89	\$ 5,004.89	\$ 5,293.78	\$ 13,965.33	
- Change in Net Working Capital	\$ 97,922.90	\$ 38,742.64	\$ 69,933.16	\$ 156,203.23	\$ 123,992.94	\$ 556,928.87	
- Capital Expenditures	\$ 44,694.00	\$ 349.99	\$ -	\$ 2,599.99	\$ 78,043.99	\$ 148,681.79	
Net Free Cash Flow*	\$ (392,692.75)	\$ (580,904.41)	\$ (485,481.37)	\$ (317,028.68)	\$ (95,606.83)	\$ 241,182.21	
Terminal Value of Business *							\$ 6,340,679.66
Total Cash Flow	\$ 392,692.75	\$ (580,904.41)	\$ (485,481.37)	\$ (317,028.68)	\$ (95,606.83)	\$ 241,182.21	\$ 6,340,679.66

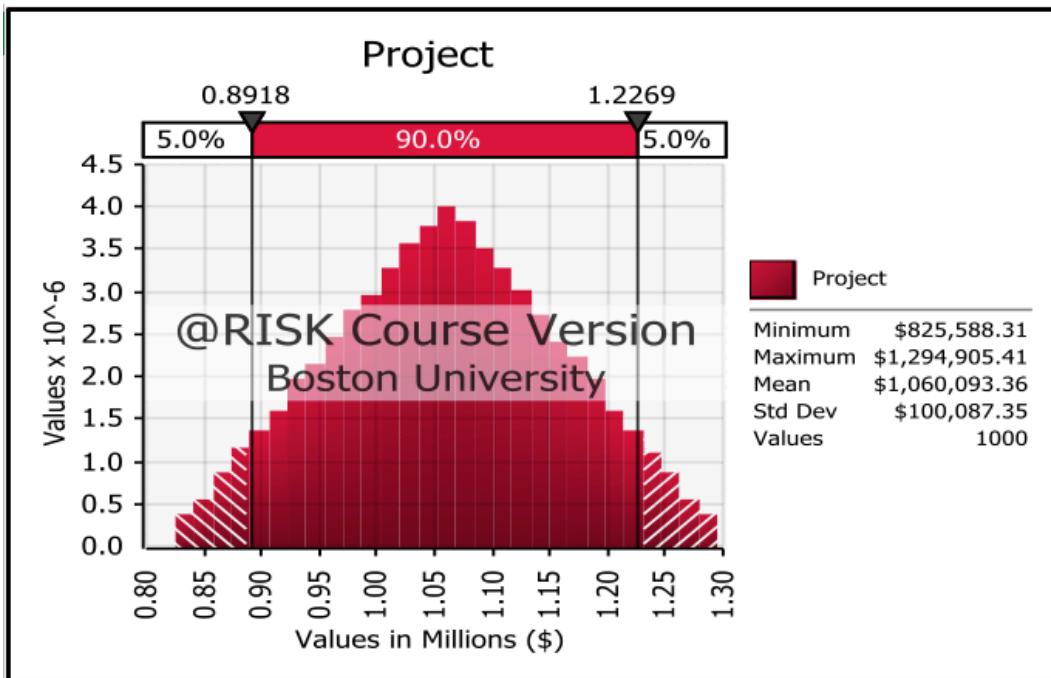
*Appendix LL - @RISK Competition*



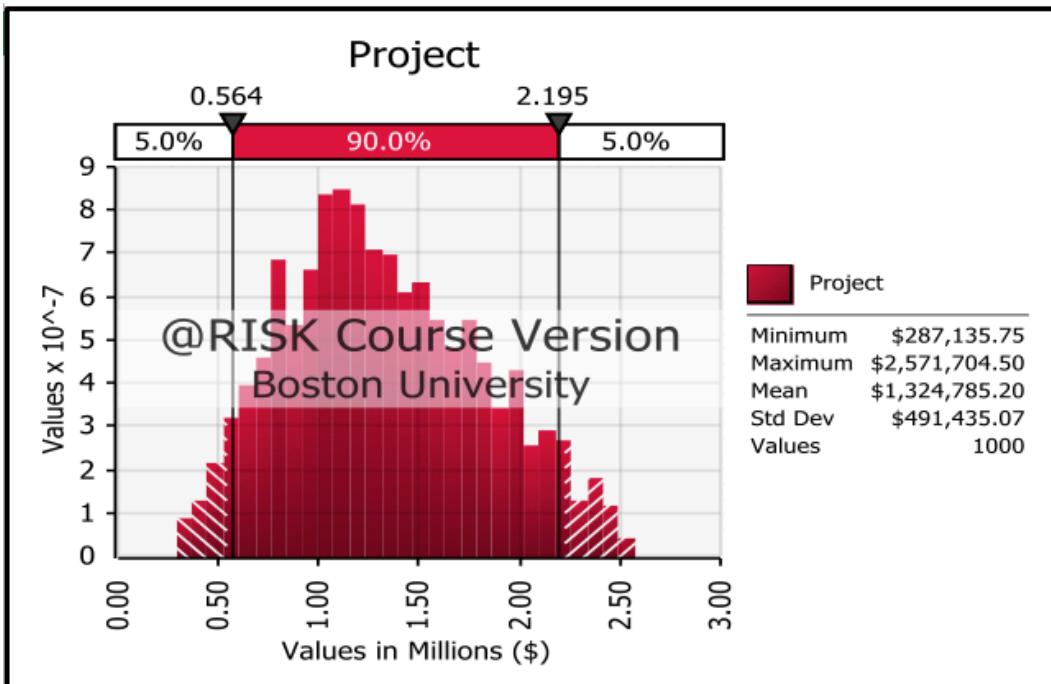
*Appendix MM - @RISK Purchase Intent*



*Appendix NN - @RISK ACV*

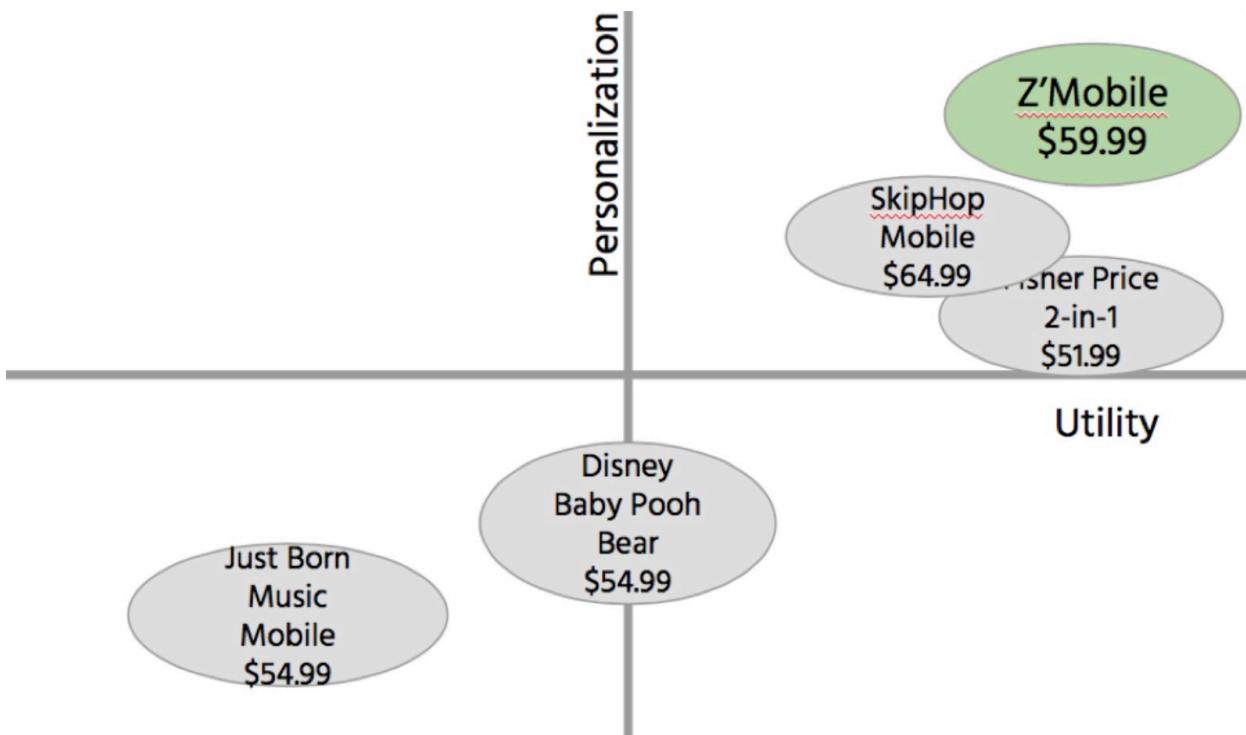


*Appendix OO - @RISK Awareness*

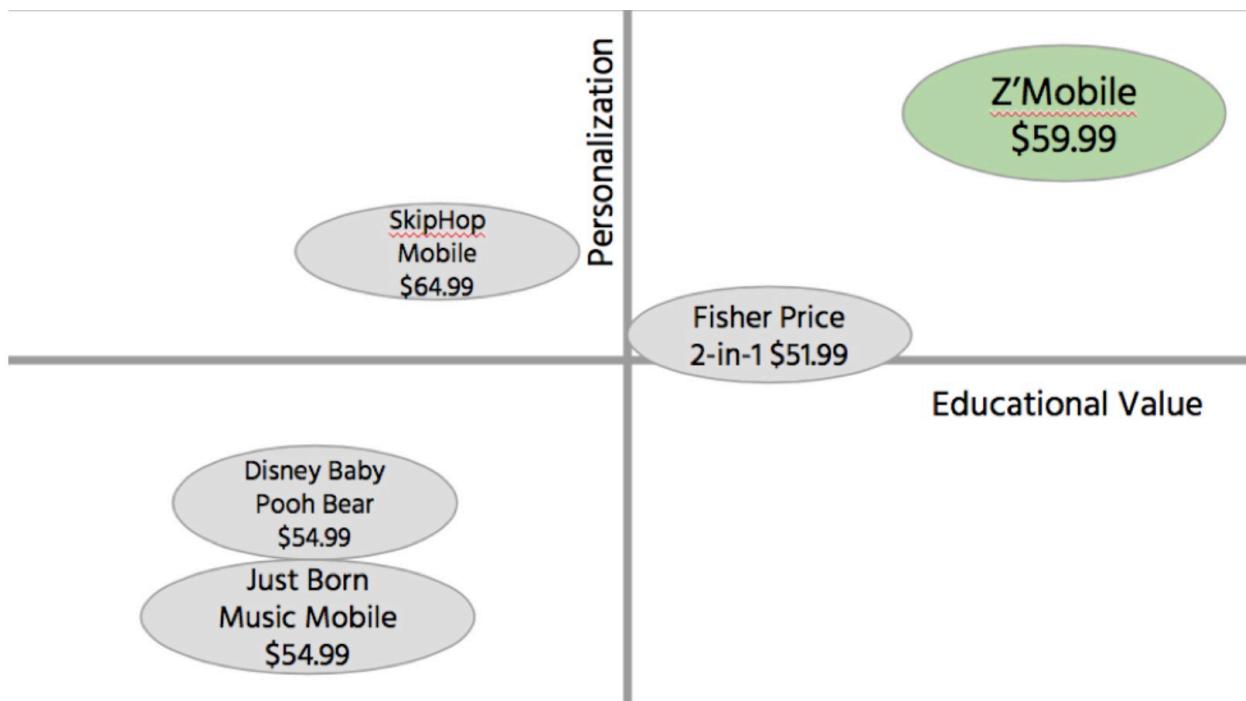


*Appendix PP - Mockup Box Design*

*Appendix QQ - Segmentation Grid Usefulness on Personalization*



*Appendix RR - Segmentation Grid Educational Value on Personalization*



*Appendix SS - Product Mockup*

## Additional Resources

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*Additional Resources 1 - Non-Qualtrics Survey*

**Survey Question for Z'Mobile**

Hello, we are a team of business students at Boston University and are currently in development of a new product called the Z'Mobile. Please answer the following questions as honestly and accurately as possible. All responses will be kept confidential.

1. Are you a parent or grandparent to a child from newborn to one year of age?

Yes       No

2. If you answered yes to the question above, please indicate your relationship to the child.

(Choose all that apply).

Mother       Father       Grandmother       Grandfather

3. How important to you are the following attributes when you choosing an infant mobile

(assume safety is a given)?

Attributes	Not at all Important	Not Very Important	Somewhat Important	Very Important	Extremely Important
Price	<input type="checkbox"/>				
Durability	<input type="checkbox"/>				
Aesthetic	<input type="checkbox"/>				
Modern / technology-Oriented	<input type="checkbox"/>				
Environmentally friendly Materials Used	<input type="checkbox"/>				

**Product Description**

The Z'Mobile is a baby mobile meant for children of newborn to one year of age. What makes our product unique is that it contains a recording feature that enables parents to record a special message or song for their child and play it at any point of the day. This high tech baby mobile also has a list of preset songs and lullabies that can be activated at the press of a button. The mobile will also rotate when the recordings and songs play. The Z'Mobile is also equipped with a timer that allows you to select how long the preset music will play. The maximum amount of time the mobile will play is for 15 minutes. Should you desire to continue to play music or replay your personal recording for your baby, you can activate the sound with a remote control. This will allow you to continue to sooth the baby without going into his or her room and disrupting their sleep.

4. Now that you have reviewed our product concept, how interested would you be in buying the product if it became available?

Not at all interested	Probably not interested	No preference	Probably interested	Very interested
<input type="checkbox"/>				

5. How much would you be willing to pay for our personalized voice recording infant mobile?

Under \$30	\$30-\$40	\$41-\$50	\$51-\$60	\$61-70	Above \$70
<input type="checkbox"/>					

6. At the price you just indicated, how likely are you to purchase this product?

Definitely not buy	Probably not buy	Not sure	Probably buy	Definitely buy
<input type="checkbox"/>				

We would now like to ask you some questions on certain product features and attributes:

7. How long would you prefer the voice recording option to be?

15 seconds     30 seconds     1 minute     >2 minutes

8. Which method of the following would you prefer for activating the mobile?

Button on Mobile     Remote Control     Motion-Sensor

9. Do you prefer toys that are considered “tech-savvy”?

Yes     No

10. Below are music options that the mobile is capable of playing. Please rank the options in the order that you most prefer (1= most desirable, 6= least desirable, use each number only once).

- \_\_\_\_ Lullabies
- \_\_\_\_ Sounds of Nature
- \_\_\_\_ Classical Music
- \_\_\_\_ Nursery Rhymes
- \_\_\_\_ Jazz Music
- \_\_\_\_ Ambient Music

11. If this product were made of 100% recyclable materials, I would be:

- definitely more likely to buy this product.
- probably more likely to buy this product.
- indifferent
- probably less likely to buy this product.
- definitely less likely to buy this product.

12. If we were to donate 1% of our profits to a Second Chance Toys, I would be:

- definitely more likely to buy this product.
- probably more likely to buy this product.
- indifferent

- probably less likely to buy this product.
  - definitely less likely to buy this product.

13. Where would you go to shop for this product?

Big box stores  Toy stores  Boutique Toy Stores  Online  Other \_\_\_\_\_

14. On a scale of 1-10 (10 being the highest), to what extent do you consider yourself a musical person?

1      2      3      4      5      6      7      8      9      10

15. Who in your household is most likely to purchase this product?

Mother       Father       Grandmother       Grandfather       Other

16. What's your gender?

Male       Female

17. What's your age?

<25                  25-35                  36-45                  46-55                  56-65                  66-75                  >75

1

1

1

1

1

1

1

## *Additional Resources 2 - Focus Group Notes*

### **EXAMPLE OF SM323 FOCUS GROUP SUMMARY**

Moderator: <u>Tara Nelson</u>	Observer: _____				
Location: <u>Tara's house (Medway, MA)</u>	Date: <u>10/3/2016</u> Time: <u>7:00</u> to <u>7:30</u>				
Number of Participants: <u>5</u>					
Name	Phone #	Relationship to team/interviewer	Name	Phone #	Relationship to team/interviewer
Lyn Zinchuck					
<input checked="" type="checkbox"/> Laura Whalen	(508)468-6477	Mother's friend/coworker	/		
<input type="checkbox"/> Liz Kaplan		Mother's friend/coworker	/		
<input type="checkbox"/> Melanie Dawson		Mother's friend/coworker	"/		
<input type="checkbox"/> Jen Daly		Mother's friend/coworker	"/		
<input type="checkbox"/>			•		

In space below provide a summary of:

- Demographics, Psychographics and Product Segments represented in the focus group
  - All from Medway, MA.
  - All work at a daycare
  - Most of the mothers with children 0-2 product segment
    - some have children who are a little older (elementary and middle school) but they all work with infants at a daycare.
- Participants' likes and dislikes for current products in the category
- Participant likes and dislikes for your product concept
- How do participant think this product would be used?
- Participants likely to be in your segment
- Changes (if any) the target segment(s) would like to see in your product
- Price that the target segment(s) expects to pay for your product
- Outlets where our segment expects to buy it

- Names suggested for the product
- Other insights gleaned from this focus group

- Remote control is a great idea- don't like the kid to see the parent and you never want to go back into the room in case of waking them up.
- One mother was taking a Child Psychology class- Learned that a mother who read to their child Cat in the Hat for example à the kid has a love for that story right off the bat- you can read any story so that your child knows your voice. Studies show that the kid responds so much better this way.
- When asks what songs they would you want to record, the mothers responded with poems, songs, and stores, mainly talking calmly and telling them they're loved and OK
- How long of a recording? 5 minutes, at least 3 minutes – repeats automatically, can stop when you want it; 20 minute timer
- How long does it take a baby to go to sleep? Depends on the kid à but usually newborns are quick, 5-10 minutes
- Target market is too old. Should be newborn-18 months because by 9 months they will be able to stand up and pull on it
- Maybe think about multi use – put on a changing station but a stroller would not be a good idea
- Safety concerns?- needs to be sturdy, securely on the crib, 2 years old are too old, needs to be able to not pull it down.
- Chip- have a chip to record anything, and then use the chip for a music box—willing to pay more money if it was willing to more versatile. Then, you can record more stories and extend the life of the product.
- What types of parents would buy this? Price tag, middle-upper class, nice gift, lower economic won't be priority. It would be great for grandparents to buy!!
- Purchase Intent?
- How much are you willing to pay?
- Mobile- \$40-50.
- Id pay up to 75 if I could use it later (ex a music box etc)
- Who do you think would buy this?
- Parent/grandparent/aunt/registry want list
- Where do you think this should be sold?
- Babies R US, box stores, Buy Buy Baby, Target, amazon,
- What kinds of plush toys?
- Black and white only- geometric shapes because babies only see black and white- more focused to faces and curve lines vs a teddy bear
- Animals with cute faces
- Think adding an app would be a good idea
- What types of toys do you buy for your children?
- o stacking toys, colorful toys, make sounds, lost of pieces, textures, books
- What types do your kids play with?
- o Price age appropriate, price, safe, not made in china,
- Brand names?

- o Fisher price, matel, playschool, educational, chico toys → higher price toy stores, TJ MAX marshalls, great place to get toys for books and toys
  - Likes/Dislikes about current toys you own?
- o everything is plastic, easily clean, don't link things that dent. Get sick of the noisy toys. → kept saying things to keep the kids calm. Row row row your boat-- play music to soothe, lullaby CDs-- put them down and leave the room.
  - Is there anything you wish you could buy that is not on the market?
- o like weather rain, white noise.
  - Remote control is a great idea- don't like the kid to see the parent and you never want to go back into the room in case of waking them up.
  - One mother was taking a Child Psychology class- Learned that a mother who read to their child Cat in the Hat for example à the kid has a love for that story right off the bat- you can read any story so that your child knows your voice. Studies show that the kid responds so much better this way.
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    - Animals with cute faces
    - Think adding an app would be a good idea
    - What types of toys do you buy for your children?
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- What types do your kids play with?
- o Price age appropriate, price, safe, not made in china,
  - Brand names?
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- Is there anything you wish you could buy that is not on the market?
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