



Toy Company

BUSINESS PLAN

TOYS FOR A NEW GENERATION INC.

557 University South
Copper Harbor, DE 57842

January 19, 1991

With two lines of "Do-it-Yourself educational cards for young people already on the market, Toys for a New Generation expects to increase its market and product ranges significantly. The following plan details the new card ideas and outlines the manner in which they will be introduced .

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MISSION STATEMENT

To develop, manufacture, and market high quality products for children that are enjoyable for the child, have educational benefits for the child, and are a good value for the purchaser.

EXECUTIVE SUMMARY

Purpose of Plan

Toys for a New Generation Inc. is currently financed by personal funds of the founder and a line of credit from First Bank of Boston. However, our rapid growth has exhausted funds from these sources. Since 15 products are currently developed and being sold, we feel confident enough in our products and concepts to look for outside sources. This plan has been written to summarize our history and to state our goals and plans to achieve them.

The Company

People buying items for children want value for their dollars. They want products that are both enjoyable to children and worthwhile. Toys for a New Generation is committed to supplying products that fulfill these requirements.

We currently have 15 products that are being sold nationwide. These have been introduced in phases.

Phase I Box O' Cards, is a line of kits that include everything children need to make their own greeting cards -

Источник бизнес-плана: <http://www.referenceforbusiness.com>



pictures to color, envelopes, colored pencils, a pencil sharpener, and stickers in a plastic travel case: We currently have seven kits in this line.

Phase II products, Card Facts, are a set of collector cards rather than greeting cards. The front of each card has a picture to color while the back has six questions about that subject. The answers are in small print, upside-down. Once the child has colored the picture and mastered their facts, they then affix their "I Know My Facts" blue ribbon sticker. We have eight sets of cards, including a custom product. Many more sets of cards are planned on various subjects. There are also many opportunities to customize sets for tourist attractions and market them as the "ideal souvenir."

Market Analysis

The products need to be designed to appeal to children between the ages of four and ten. However, the actual purchasing will be done by adults, so they must be presented in a manner that conveys value to the adult. A network of manufacturer's representatives is being established, and home office sales efforts concentrate on identified niche markets. Current plans target the continental United States, but international opportunities are being evaluated as they are received. Currently, we have been approached about a possible licensing arrangement for Europe, and inquiries have been received from distributors in Canada, Mexico, and Australia.

Organization

Toys for a New Generation Inc. was created in February, 1987 by a sole proprietor. In May, 1988, the business was incorporated in the State of Delaware. The daily operation is managed by a supervisor with an educational background in marketing, including a Bachelor of Business Administration degree from Boston University and graduate work on the MBA program at the University of Connecticut. Her work experience includes 18 years of commercial and industrial marketing and one and a half years as a Project Manager.

Additional office and sales support personnel are used on a part-time basis as needed. All other functions are contracted out to other firms. Most of the printing and some assembly of the kits are done by a workshop for mentally retarded citizens.

Financial Data

Three years of history and two years of projections are available upon request for reference, as well as proposed programs for 1991 and their impact on future financial performance.

Additional information may also be requested.

PROCEDURES

Company Description

Nature of the Business

As a parent of three young children, personal experiences have helped me to identify various product opportunities. The products help strengthen children's skills and also represent a good value to the purchaser. The products are being grouped together into related families and are being introduced in phases. The phases already in production are:

Phase I, Box O' Cards, has everything children need to make their own greeting cards: cards to color, envelopes, colored pencils, a pencil sharpener, and stickers for decorating.

Phase II is a series of collector's cards, known as Card Facts, that children color and use to learn facts about the



subject in order to earn a blue ribbon sticker. These kits also come with colored pencils and a pencil sharpener. Several additional phases for future product lines have also been identified and are described later in this plan. While the products are designed for children, it is recognized that adults will do the purchasing in most cases. Most adults are potential customers, not just parents of young children. Between 70 and 80% of the adult population have children on their gift lists. This is the group that will be the purchasers. We must target our marketing efforts at the buyers and wholesale distributors that will make our products available to these purchasers.

Distinctive Competencies

Toys for a New Generation products are distinct in that they present items that children enjoy in a manner that encourages skill development, while giving the purchaser a quality product.

An additional unique factor about our products is that many are printed and assembled by a sheltered workshop where mentally retarded citizens learn skills to help them find jobs in local industry. The purchaser usually feels that they are helping a worthy cause while they get a good product. Use of a sheltered workshop also conveys a sense of cost containment.

Using this facility does help keep the costs down, but it also gives us greater flexibility and quick turnaround on new products. This will be even more important as we get into more customized products.

Product Description, Background and Parameters

Products currently in production and being distributed nationwide:

Phase I: Box O' Cards

Description

Each kit, packed in a plastic travel case, contains everything children need to make their own greeting card: six cards with outline drawings to color, six mailable envelopes, six coordinated stickers for decorating, six colored pencils, and a pencil sharpener. The seven kits currently in our line are:

- Clown Birthday
- Clown Thank You
- Clown Get Well
- Balloon New Brother
- Balloon New Sister
- Merry Christmas
- Happy Hanukkah

Background

Like most young children, my son and two daughters enjoy making things and they enjoy giving their creations to friends and family. At birthdays and holidays they spent a great deal of time creating that "special card." The only one who dreaded these artistic sessions was me. I would always hear "Mom, where are the scissors?" "Mom, what should I draw?" "Mom, I'm done." "Do you have an envelope?" One day the thought came to me that it would be nice to have everything in one place for my children to make their own cards. Maybe some kind of a kit... Thus, Phase I was born.



Parameters

Each kit is to meet the following parameters:

Give the child a head start by including a drawing for them to color. The different skill levels of the children should be recognized by having pictures with varying degrees of detail. There should also be plenty of open spaces for children to add their own words and decorations.

Include colored pencils in the kit. Children really enjoy them more than crayons and the finished products are much nicer. Colored pencils are also not as subject to breakage in shipping and are not as sensitive to temperatures in storage. Including a pencil sharpener completes the kit while giving added value.

Stickers are very popular with children to decorate the card as well as the envelope. Including the stickers adds color to the product to make it more attractive and eye-catching to the purchaser. This added value also gives our product a competitive edge.

There must be an envelope for each card. The envelopes are to be mailable and of high quality paper so children can color and decorate them as well.

The end-user target price should be 85 to 95 cents a card to make it an attractive value to the purchaser.

All of these parameters have been met with the current line of kits.

Phase II: Card Facts

Description

A pack consists of six collector cards with pictures to color on the front. On the back of the cards are six questions about that subject. The answers are provided at the bottom, in small print, upside down. Once the child has mastered all the facts and has completed coloring the picture with the colored pencils provided in the package, they can affix their blue ribbon sticker that says "I Know My Facts." The eight packs currently available are:

- Dinosaurs
- History of Aviation
- Birds in Your Yard
- Our Solar System
- Zoo Friends
- Spacecraft of the U.S.
- Woodland Animals
- Ellis Island

Background

As a family with three small children, we are always going on outings where souvenirs are offered for sale. I am amazed at the prices charged for items that I find are usually of poor quality and little value. The question always comes to my mind, "Why don't they offer something that the children will enjoy and at the same time get some benefit from it?"

During the normal search for customers for the line of card making kits, I contacted Sea World and offered to do a customized kit for them using their characters. The buyer was interested and asked for a prototype to be put together. While working on it I ran into several problems:

- Should the cards be Birthday, Thank You, Get Well, or a nonspecific note card?
- When talking to my children about the possibility of a Sea World kit they all were excited about coloring Shamu, but they did NOT want to send him to anyone. They wanted to keep the card for



themselves. This defeated the purpose of a greeting card of any kind.

- To do a custom sticker (and in the future for all customized kits) would raise the per unit cost because of low volume runs for the custom stickers.
- Then one night on the way home from seeing a movie with my children, I was asking them questions about the story and characters. When one of them got an answer correct, my daughter gave them a pretend sticker. The concept fell in place.

Parameters

Each kit will have six different cards in it and each card will have six questions on it. The questions will teach the child some basic facts about the subject, but in a fun way. To present them as a "school lesson" would discourage children from wanting to complete it and from wanting to do other sets.

A standardized Blue Ribbon sticker will be used for all sets of cards. The sticker will be printed on clear material so that no matter where the child places the sticker on the picture, the picture will show through and the ribbon will simulate a prize such as given at a fair.

The sets are packaged in a manner similar to the card making kits so customers will know they come from the same company. This will help to increase brand awareness and hopefully create in purchasers of one line a desire to try other products.

The cards will be printed on heavy stock so they will be durable. The cards will have rounded corners to give them a finished look and to keep them from fraying while children complete and collect them.

Children will be encouraged to collect all the different packs. A collector's album as an accessory is being considered as a future product.

Flexibility must be maintained so that we can provide quick turn around and low minimum order quantities to encourage customized kits.

The current line of Card Facts meets all these parameters.

There is a large potential for customized Card Facts. We have just completed our first one, which was done for the company that has the concession contract at Ellis Island. Product was shipped in time for the re-opening. Sales so far have pleased the buyer, who is considering customized sets for some of their other tourist locations. Every major tourist attraction is a potential candidate. While we cannot sell the Ellis Island cards to anyone else, we can show it as an example of our customizing capabilities. In fact, we have recently done a press release on this product and are contacting major tourist attractions to show them what we can do.

Other programs currently in varying stages of development.

Phase III: Young Artist Cards

Description

This will be an expansion of the collector card line. These packs will feature a particular famous artist. Five cards will be outline drawings of the artist's most famous paintings, while the sixth card will be a portrait of the artist. The higher skill levels needed to master these cards should increase the target age range to 12 or 14 years of age.

Background

Visits to art exhibits are always fun for children, but they can be overwhelming. There is really no way they can comprehend all that they see and understand the significance of it. Some type of souvenir that would let them become involved in the artist and his subjects would be fun for them and help to reinforce what they saw at the museum. If a child can learn six facts about an artist, and then become familiar with five of their works,



any teacher or parent would feel the experience was worthwhile.

Parameters

The general concept will follow the format of the existing collector card sets to allow for use of standard items. If this channel proves to be successful, a general set on art will be created for the younger children so that there will be something in this series for all age ranges.

Our standard collector card sets are currently doing well with science and natural history museums. We have had preliminary conversations with some representatives and some art museums, all of whom are excited about these proposed products. We have had offers from some curators and educational staff members to help in the product's development.

Phase IV: Licensed Characters-Description

The rights to use certain characters on our products is being pursued. If obtained, some will be used in our existing product families. Others will open up new product opportunities for new items. Due to the early stages of negotiating and the confidentiality of some of the potential products, identification of the characters is being withheld from this plan.

Phase V and Phase VI: Other Products-Description

Two other lines of totally different products have been identified and prototypes have been assembled. Since there are possible patent and copyrights involved, no further information can be provided at this point.

Market Analysis

General Market Analysis

Phase I products fall into the greeting card product market, which is a \$3.6 billion a year business in the US. However, many of the sales outlets carrying our cardmaking kits serve the toy market, which is another \$12.5 billion market a year in the US. Toys for a New Generation sales projections represent only a fraction of 1% penetration. Such a low level of penetration means that even if the total markets maintain or even decline, it is such a large market that we could meet the forecasted sales and possibly even gain market share. We are after a very small piece of a very large market.

The end-users of our products are children ages four to 12 years. Phase III products may increase this target age range to 13 and 14 years. However, it would take resources far beyond our current abilities to develop product awareness in children to the point that they request our products be bought for them.

Our products will be purchased by adults who buy products for children. They will make the final purchase, but in most cases this purchase will not be made directly from us. We will be making sales to retail stores and wholesale distributors. This is where we must concentrate our efforts. Our products must be presented to them in a manner that will convey our dedication to providing quality products, in attractive displays, at a price that allows stores to attain their customary mark-up. We must also be committed to supply a flow of new products. New sells — and we want the stores to sell.

We want stores to sell - but what stores? The general gift and toy market is so vast that our limited resources would not be able to make much impact. Instead, we are identifying niche markets where we can make an impact. The markets identified and current plans are as follows:



Hospital Gift Shops (\$1 billion per year)

We have advertised in, and had several free write-ups in, Get Well Soon Magazine, a management guide for hospital gift shop owners. Results have been good. We exhibited at a hospital gift shop show in New York in June, 1989, and wrote orders for 33% of the hospitals attending.

We have recently participated in a card deck mailed out to the 7000+ recipients of Get Well Soon Magazine. Response was very good, with a fair number of inquiries converting to orders.

Souvenir Market

- Zoos (112 nationwide)
- Museums (8411 nationwide)
- Amusement parks (8549 nationwide)

Zoo and museum gift shops have responded well to our standard products, plus they are all likely candidates for a customized Card Facts featuring their own displays.

The same card sent in the hospital mailing has been sent to the 10,000+ recipients of the U.S. Museums Magazine. Responses were even better than with the hospital mailing.

An ad for Card Facts has run in Souvenir Nationwide, Amusement Park Gifts Magazine, and Souvenir. A large quantity of inquiries were received but a disappointing number of these converted to orders. The reason for low conversion needs to be addressed before more ads are run.

Premium Market

We had an inquiry from a large manufacturing company that contacted us to develop a new product for them to use in a promotion. A prototype was developed. There is also interest by this company for a customized Card Facts for another program. So far, we do not have a commitment for either program, but the quantities requested for each program are more than double our entire 1991 forecast. This is an indication of the size of the premium market that is out there.

Completion of either of these will be used as a basis for a campaign to let other companies know what we can do for them with a specialized product.

School Supply Wholesalers (315 nationwide)

While exhibiting at various gift shows, there has been interest expressed for use of our Card Facts in schools. Teachers could use the cards as part of their study plan. However, they do not need to have the pencils and expensive packaging. To serve this market we need to bulk pack the cards and stickers only.

Fund Raiser Program

Elementary and pre-schools are always looking for unique fund raiser programs; everyone is tired of selling magazines, candy bars, and cookbooks. The intensive one-to-one exposure to lots of people who have young children offered by this market could lead to a great response for our products. The organizations could earn over 50% of sales while giving our products tremendous exposure. Gathering information on this channel has begun.

"One-on-One" Campaign

Since Card Facts were first started, articles from newspapers and trade journals have been saved covering potential customers for our products. These articles often give the buyer's name and detail their goals and objectives. The information in the article is then used to write a "one-on-one" letter to that buyer stating how



our products help fill their needs. A sample of a product and a catalog is also sent. For under \$10, we get a direct "sales pitch" to the person who can take action. So far, we have been successful with this campaign twice. These two accounts have already given us orders for many thousands of dollars.

Military Exchanges

Since our products are ideal for children away from family and friends and who have idle time, we feel there is a place for them in the military exchanges around the world. All major buying operations for all the branches of the armed services have been sent catalogs and a sample. We also included a letter of certification that is a woman owned enterprise. Since Federal agencies are required to take affirmative action in support of businesses owned by women, this may give us an edge on getting product placed in the military exchanges. The initial results have been disappointing. More attention must be given to this potentially large channel. We are also looking for a representative sales organization that specializes in this channel.

Mail Order Catalogs

There are literally hundreds of mail order catalogs in existence. Of these, about 50 have children's items in them and can be considered potential outlets for our products. Each of these potentials is being contacted as time permits. So far, we have made sales to, and are in, three catalogs.

Free Publicity

Trade journals as well as consumer publications are always looking for new items to tell their readers about. So far we have had many free write-ups, and continuous efforts are made to get as much free publicity as possible.

Trade Shows

The proposed trade show schedule includes the American International Toy Fair and the International Stationery Show. Both take place in New York City. While these are the shows selected as the most appropriate to achieve our goals, no commitments have been made, pending availability of resources.

Competitive Analysis: Greeting Cards

Several similar products are currently on the market:

Creative Art Co.

Christmas card kit sold through Abbey Press mail order catalog. Each kit contains 12 cards (two each of five different designs and two blank cards), 12 envelopes, six small tubes of paint, and one paint brush. The cost is \$9.95 (.829 cents per card), including shipping and handling.

The card designs are very poor, and while the package stated 12 cards, the kit received only had 10 in it.

Create-A-Card

Purchased at Imagination Toys in St. Louis, MO. Each kit contains eight cards, eight envelopes, and five markers, and are available in either Party Invitations (four different versions), Christmas cards, or assorted all occasion cards that include two blank cards. The cost is \$5.00 (.625 cents per card).

The card designs are very simple. The kits are packaged in a very large sectioned plastic bag so that the whole package is about 16" by 12".



Cards for Kids

Distributed in gift shops, mass merchandise stores, and some mail order catalogs. The cards come with child-like pictures already drawn and colored on them. Inside are blank spaces for children to fill in, such as: "Dear_____, Thank you for my_____. Love,_____." There is no room for the child to add any personal message or picture.

The Birthday and Get Well cards come eight to a pack and include envelopes. These wholesale for \$2.25 a pack. Thank You notes, Invitations, Birth Announcements, and Moving Announcements are fold-over type cards that seal with a Cards for Kids sticker. These wholesale for \$2.00 a pack. The end-user cost has been seen at prices ranging from \$3.99 a pack to over \$5.00 a pack via mailorder.

We do not feel that these are truly competitive to our products because they do not allow the child any opportunity for creativity of their own; nor do they come with markers or decorative stickers. However, buyers who are familiar with this line do compare us to it. This is usually negative for us since we have not found any stores that have done well with this line.

Hallmark Make-Your-Own-Greeting Cards

Hallmark has recently introduced a line of "do-it-yourself" cards. The entire line takes up the end of an aisle display. A kit is available that includes four cards with printed messages but no pictures, four envelopes, and a piece of red foil to cut apart and use for decorating. The card stock is very good and the cards are a little larger than ours. The cost is \$4.50 (\$1.125 per card).

Individual cards are also available in a variety of styles. The individual card looks like a standard tri-fold four color card. When it is opened, the other side has an outline drawing to color. Some are designed for the person receiving the card to color; others are designed for the sender to color. In addition each card comes with a coordinated color envelope.

The quality of the individual cards is very good, and they are the same size as the cards in the kits.

The display also has Crayola crayons and markers that can be purchased to go along with the cards. The crayons are \$.10 each and the markers are \$.50 each.

Color Cards, for Kids

Literature has been received on this line, but we have not seen the actual product. Nor do we know how the makers are distributing their products.

Each kit contains 6 different card designs, 6 envelopes, and 4 crayons. The kits are available in Thank You, Every day, Christmas, Valentines, and Easter. The cost is \$5.00 (\$.833 per card).

The drawings are rather detailed to complete with crayons, and the packaging is very simple.

In general, having these competitive products on the market should not hinder our sales but, in effect, should help promote the concept of creating individualized cards. Our quality is equalled only by the Hallmark products where we have a large cost advantage. To have a comparable quantity of cards and markers from Hallmark the purchaser would spend between \$8.75 and \$9.50 and they still would not have any stickers. Our kits, including stickers, are retailing between \$4.95 and \$7.99.

After reviewing all the competitive greeting card products currently found on the market, we feel confident that we have the best value available.

Competitive Analysis: Card Facts

We have found nothing on the market that combines all the elements in our Card Facts. The closest has been several card quiz games on dinosaurs that ranged in price from \$3.50 to \$8.95. Our CardFacts are retailing



between \$3.95 and \$5.99.

Product Life Cycle

Box O' Cards

The general kits should be consumed within six months of the child receiving it. The holiday series will be used within one to seven days of the child being given the kit to start preparing for that holiday event.

Card Facts

The kits should be completed within a week of the child receiving it. Once they are completed, the child will keep them as collectable items among their possessions for a minimum of six months to a year or more.

Both product families are designed to appeal to a child at the age of four. The skill level of the products vary so that as the child matures and gains better fine motor skills, there are products that still appeal to them. Currently products appeal to children up to 10 or 12 years old. The Young Artist Series (Phase III) should extend this to 14 years or older.

As a child grows out of our targeted age bracket, other children will just be growing into it. Hopefully, some of those new candidates for products will be in families with older children who are already familiar with our products. The adult would then just continue to buy products that they have already purchased and been satisfied with over the years.

The designs on the cards and stickers and the subjects for the general Card Facts have been chosen to have a long range and universal appeal. While additional designs may be added, there is no reason not to foresee the current kits still in our line 5 years from now.

Copyrights and Patents

Name searches have been conducted on Box O' Cards, Card Facts, and Toys for a New Generation. The Trademark symbol is used on our products with all these terms.

There is nothing unique about any of our current products that merits a patent. However, all our artwork and printed material has the copyright symbol. The Card Facts line is in the process of being federally registered.

Research and Development

Market Research: Box O' Cards

Research for Box O' Cards was conducted by a team from Cleveland State University. They conducted focus groups and did personal interviews. The major points of their findings are:

- Mothers encourage their children to make their own cards but do not like to help their children step-by-step in the process.
- Children do not like writing thank you notes. A picture to color was much more interesting for the child.
- Reaction when shown the products was enthusiastic.
- Some thought the packaging should be more colorful, but did like the clear plastic bag so they could see what was inside. (A package re-design program was completed in early 1990 that resolved this issue.)
- Cards were thought to be of good quality and designs were not faddish and will hold the child's attention.
- There was some concern that the upper end of the retail price range was too high and that a price of over \$4.00 would keep them from buying it.



- Several members of the focus group said they would choose a card made at a workshop for mentally retarded citizens over a card from Hallmark because it was helping a worthy cause.
- Interviews with teachers were very positive. They liked the varying degrees of difficulty and the open spaces for children to add their own words or pictures.
- Interviews with medical professionals were unanimous in that they thought the products were of excellent quality and of therapeutic value to patients.

Market Research: Card Facts

Research for Card Facts was done in house by showing prototypes to prospective buyers, customers, distributors, and representatives. General comments received were:

- The package is very colorful and professional.
- The possible subjects for additional Card Facts were endless. Most people immediately had one or two ideas for a new line of Card Facts.
- Reps and distributors were very interested in the potential for customized Card Facts.
- Not one comment was received that a \$1.98 wholesale cost, with a suggested retail of \$3.95, was too high. Any comments on price were that it was a great price and should sell well.

New Product Development: Box O' Cards

The only new Box O' Cards in active development is the specialized product for the promotion previously mentioned. Depending on the outcome of the licensing negotiations, there is the possibility of two or four new Box O' Cards with the licensed characters on them.

We are also in the very early stages of negotiation with a firm to put their copyrighted art on a line of greeting cards for them to sell through their zoo and tourist attraction channels.

Another current customer recently talked to us about doing these two kits in Spanish. If they decide to go with the items, we will also be able to sell them through our normal channels of distribution as well.

Other Box O' Cards kits that are under consideration but for which no resources have been committed are:

- Ethnic Birthday: Hispanic and African-American
- Ethnic Thank You: Hispanic and African-American

New Product Development: Card Facts

Many new Card Facts are being considered and are in various stages of development:

Sea Animals and Aquarium Life - We have received requests from several aquariums and sea animal parks. The University of South Florida has already contributed to research on the questions. The next step is to commit for artwork development.

Musical Instruments

A prototype has been completed in response to a request from the American Symphony League. We still need to follow with the league's members for commitments before going ahead with final development.

American Indians

Our western reps have accounts that are interested in this one. In addition, the Smithsonian Institute is constructing a new American Indian Museum due to open soon, so American Indians will be a "hot" subject in the next few years.



Pond Pals and Interesting Insects

These both fit in well with the park, zoo, and museum channels, as well as the educational distributor channel.

Farm Animals

This would be a super-easy Card Facts and could be the first in a Card Facts Series to interest the younger children. It would be of interest to the zoo channel since many have children's petting zoos. The educational distributor channel could also approach the pre-school customers.

Ballet and Gymnastics

These would add products attractive to girls. The gymnastics one would be in position to benefit from the next Olympic Games.

Jewish Holidays

A request was made for this by a distributor of Jewish products who is selling a lot of Hanukkah Box O' Cards sets. Research on questions is complete. Commitment has not been made on the artwork.

Biblical Stories

To be introduced as the "partner" to the Jewish Holidays Card Facts. This would also open up religious book store and school channels.

Young Artists Series

A program of the first four types has been put together but no commitment to artwork has been made, pending availability of funding.

Operations

Sales Force

We are developing a network of manufacturers reps and wholesale distributors across the country to supplement our home office activity. Most reps carry both of our lines and call on gift shops, card shops, drug stores, toy shops, zoos, museums, and hospital gift shops. Some rep organizations have showrooms at the major gift marts. We have found that it is not a prerequisite to do well with our products. Just being displayed in various showrooms does not generate many orders. We need rep organizations that are out on the road calling on the stores, telling them about our products.

We started out with most of our representatives in the gift industry. Since adding the Card Facts to our offerings, we have picked up many representatives in the toy channel. While the majority of their orders are for Card Facts, they do write some Box O' Cards orders. Since the toy and gift channels are so separate, we have some areas where two different reps cover the same territory.

We are always evaluating the rep organization, looking for additional coverage and replacing the unproductive reps.

To assure we maintain a good flow of communication with this increasing family of reps, a newsletter has been established and is sent out as needed.



Home Office

Concentrates efforts on certain functions:

Trade Shows

General gift shows as well as specialized shows have been done. All shows have been successful in that direct orders were written, new reps were located, and contacts were made with media reps that lead to free write-ups. We have worked with reps who exhibit at shows and have arranged to have our lines exhibited at some regional shows. Results were marginal.

Answering Inquiries

Advertisements that have run and free write-ups have generated many inquiries. All are promptly answered with a flyer, and in some cases, a sample. The leads are then passed on to the appropriate representative for follow-up.

Direct Mail Campaigns

While our original, unsuccessful attempt at direct mail was aimed at the end-user, we feel there is an opportunity to do some direct mail at the wholesale level. Many of our channels are niche markets that can be covered well by direct mail. Programs have been developed for a hospital direct-mail campaign and an art museum campaign for introduction of the Young Artist Series. However, none of these have been committed to at this time.

One-on-one Campaign

We generate individual letters to various potential customers that we read about in papers and magazines. This has been very successful and will be continued in the future.

Production Planning

All our cards were originally printed at Automated Industries, a sheltered workshop in Chesterland, Ohio. Turn around on printing can be three to four days in a rush situation. Normal lead time is two to three weeks. Due to the quick turn around, we can allow inventory of cards to get low before re-ordering.

Recently, however, our volume is exceeding the ability of AI to keep us in full supply. The printing of Card Facts has been contracted to a commercial printer. This requires a larger run which, in turn, increase the cash outlay. Turn-around time is still two weeks. We have also gone to an outside printer for several versions of Box O' Cards where we needed additional volume.

The components that are supplied by other firms have longer lead times and larger minimum order quantities. New suppliers are always being investigated to assure we are getting the best possible quality, price, terms, and service. Cost trade-offs are reviewed before an order is placed to evaluate the advantages of larger run sizes versus the larger cash outlay and cost to carry in inventory. Since so many of our items are printed materials, the cost per unit can vary greatly depending on the size of the run. Our pricing structure was established using existing costs, so future cost reductions due to longer runs will greatly enhance our profit level.

Many of our kits are assembled at Automated Industries. They can currently assemble our needs with their existing staff. As our volume grows, they are prepared to add additional people. There is a backlog of people waiting for positions there, so they will be able to handle our volume for the near future. When volume exceeds their capability there are three possible actions:

- Workshop Industries, another employer of mentally ill residents, has already quoted on assembly and are competitive.



- Automated packaging would increase the per worker output at Automated Industries. There are several levels of automation that could be introduced as needed. The equipment would be purchased and donated or leased to AI, where it would be located and maintained. Their staff would operate it.
- Bring production in-house. An on-going volume is necessary to assure continual flow of production.

Lead time

Currently we ship orders within 48 hours of receipt. The response by reps and buyers that "Everything is in stock, ready to ship" has been excellent. They usually mark on their orders to ship complete, backorders will not be accepted. Current staffing levels can handle this volume with room for a lot of growth before additional personnel are needed. When order rates are particularly heavy, three temporary staff people are identified and trained to fill orders.

Packaging

Our original plans were to open a mail-order business. Packaging is not significant with that type of business because the product is purchased before it is shipped. Once we decided to concentrate on the wholesale channels, packaging became much more important. When Card Facts were first introduced, we used a nationally known design firm to create our package. Feedback from reps and buyers was very positive. We then converted the Box O' Cards line over to similar packaging. However, within six months it became apparent that our re-order rate was below an acceptable level. By interviewing buyers, reps, outside consultants and even other toy manufacturers, we learned that our package was too compact. While reps and buyers liked it and we continually received positive letters from people who had purchased our products, they were getting lost on the store shelves.

In early 1990 a new package was developed and introduced in New York. This appears to have solved the problems and the re-order rate is much better. There is still about \$10,000 of old type packaging in stock that is being sold to unique channels where the packaging is not an issue.

Legal Structure

Toys for a New Generation was started in February, 1987, as a sole proprietorship. Then, on May 11, 1988, it was incorporated in the state of Ohio. Officer positions include President, Vice President, and Secretary/Treasurer.

Management and Staffing

The founder of the company and author of this business plan has an educational background in marketing, with a Bachelor of Business Administration degree from Boston University, and graduate work in the MBA program at the University of Delaware. I have over 18 years of work experience in various product planning and program management positions. I then spent 1 1/2 years doing extensive work in advertising, public relations, trade show planning, and product sourcing.

I currently handle all product development, advertising, public relations, establishment of distribution channels, and home office sales contacts.

During the first three and one-half years I have not drawn a salary. During 1990, in lieu of a salary, monthly payouts on the "Loan Payable" have been taken. The amount targeted for 1991 will be \$1000 a month, but will be adjusted as the available funds of the company dictate.

One employee is currently working 20 to 24 hours a week in customer service, handling all the order activities. She has extensive background in service and is available for increased hours as the volume builds.

Another employee is active in the daily operation. He handles inventory, shipping, and responding to inquiries.



received. He contributes about 10 to 15 hours a week to the operation while still maintaining outside employment. There are no plans at this time for him to join the operation on a full-time basis.

Our final regular employee is available on an as-needed basis. He averages five to ten hours a week filling in wherever he is needed.

Other part time personnel to help fill orders are trained and available on an asneeded basis.

There are other services that are contracted out, such as graphic designing, computer programming and updating, and accounting. We have identified a pool of workers we are tapping into that is very efficient for us...mothers. There are many mothers available who want to work, but do not want to commit to a full-time position due to a desire to spend more time with their children. They have talents and skills that are going unused. We are using them whenever possible. This allows us a great deal of flexibility. Even when our volume reaches the point of needing more permanent staffing, part-time and job sharing will be programs that we will use heavily.

Future Additions The next staff addition needs to be someone to concentrate efforts on sales, both through direct action and by overseeing the representative network. We will look for someone with strong sales abilities and pay a base salary plus a commission program. Time of addition will depend on sales volume building to handle the additional expense for a three month time frame while this person gets up to speed. After the initial three month time, their salary should be covered by the incremental sales that they generate.

Funding: Current

Personal funds of the owner, a line of credit at the First Bank of Boston, and extended terms by many of our suppliers have brought our business to this point. We can continue to operate with no changes in the financial structure. However, we cannot implement any new programs at this time, nor can we commit to any of the trade shows for the coming year. To accomplish quicker growth by adding new products and gaining the exposure from the trade shows, we are looking for outside investors.

In addition to funds for the 1991 growth programs, we are interested in additional investment dollars to replace some of our existing debt. Our current interest payments could then be used for additional marketing efforts.

Financial Data

Historical data for the last year and a projection for 1990 year-end has been prepared, as well as our forecasts for the next four years. The forecasts have been done showing results with current resources. There is also a presentation of programs that we would like to do over the next year. Most of these programs are quick to implement once funds are available.

\$100,000 WISH LIST

If we had access to \$100,000 in equity funding, we would do the following:

- Implement our programs for the upcoming year
- Purchase a van
- Reduce outstanding debt by \$62,050

Implementation of Upcoming Year's Programs

Development plans for the upcoming year consist of five areas. Each area will be detailed below. Furthermore, a chart is available upon request for each of the five areas, as well as in summary form for the entire year's plan.



Direct Mail Campaign

Both our Box O' Cards and Card Facts products have a real niche market in hospital gift shops, especially hospitals with maternity units. Many hospitals use a service from First Pic Inc. which takes pictures of the newborns in the hospital. Then the new mothers order a picture package by mail. In the catalog describing the different picture packages available, they also offer other "new baby" related merchandise. For the last two years, our Box O' Cards kits have been included in their catalog. As a result, First Pic has continuously ordered Box O' Card kits totaling several thousand units.

There are, however, many hospitals that do not use this service. Instead, they handle taking the pictures and selling them to the new mothers. In those cases, the gift shop is a prime target to carry our Box O' Cards.

While we are developing an extensive network of sales representatives across the country, many of them do not call on hospitals. The best way then to access this market is by a direct mail campaign. This program addresses this potential market by developing a direct mail piece for this market, purchasing a mail list of all hospitals in the U.S. with maternity wards, and doing a bulk mailing to them. This should result in a new customer base with continued reorders that are not seasonal and may extend to the gift shops carrying our other products as well.

Toy Fair Exhibit

Toys for a New Generation Inc. has exhibited at various gift shows, the Dallas Toy Show, and twice at the International Stationery Show, but never at Toy Fair, the biggest toy show in the country.

At the International Stationery Show this last May, the new deluxe product lines were shown. While we received orders from many different types of accounts, we consistently received orders from those customers that were in the toy business. It became evident that we must be at the next Toy Fair.

While the show is not until February, 1991, commitments to exhibit must be made by late 1990. The show traditionally sells out of exhibit space.

Stationery Show Exhibit

Toys for a New Generation Inc. has been able to sub-lease a small section of a booth for the last couple of Stationery Shows. That opportunity should be available to us for the next show as well, but we must commit to taking the space before the end of this year.

By sub-leasing the booth space, we can save a great deal of money while still getting exposure at the show. The display itself can be a modification of the display used earlier in the year at Toy Fair.

Exhibiting at both the Stationery Show and Toy Fair is not duplication. While some toy and children's stores attend both, Toy Fair is attended by stores in the toy channel while the Stationery Show is the gift and card market channel. They are very separate markets. Our Card Facts line predominates in the toy market, while our Box O' Cards line is featured at the Stationery Show.

Card Facts: Young Artist Cards Four New Products

Toys for a New Generation Inc. does very well in the museum channel. Currently, we have nothing for the art museum channel. To fill this product void, we plan to do a Young Artist Cards of Card Facts. Each kit would have five of the major works of that particular artist and the sixth card would be a portrait of the artist, with questions on that artist.

To introduce this series we will do the following artists: Michelangelo, Leonardo da Vinci, Raphael, and Donatello.

The theme of the introduction would be "Don't let this generation grow up thinking Michelangelo, Leonardo, Raphael, and Donatello are deformed creatures living in the sewers." A rough direct mail piece has already



been developed showing a bunch of turtle figures with Michelangelo in the middle. The headline is "Will the real Michelangelo please stand up?"

By using these four particular artists, we can draw on the momentum of the turtle characters and get a lot of press coverage in the trade journals. Not only will this help with sales of the Young Artists Series, but should pull through to our other products as well.

The Young Artist Cards, while designed for the art museum niche market, has appeal for the general educational toy market as well. It would be a good series to introduce at Toy Fair in February. Preliminary research has been started, so if artwork can be started by mid-December, product should be available by Toy Fair. The "turtle" theme could then be the basis for the booth display and should attract a lot of attention.

Card Facts: Aquarium and Sea Life Two New Products

One of our target markets is the tourist attraction channel. We are trying to position Card Facts as the ideal souvenir. A large segment of the tourist business is in aquariums and sea life parks. We currently have no products to serve this market.

This market is a concise, niche market that can be approached by a direct mail campaign to get right at the primary target market. In addition, there is a strong secondary market through general toy and gift channels.

Preliminary research has been started. If artwork is started by mid-December, product should be available for Toy Fair in February.

Purchase of a Van

The personal van of the founder is currently being used. It has approximately 90,000 miles and is not dependable for long trips. A van is necessary for picking up materials, transporting them to Automated Industries, and bringing finished goods back for shipment.

Reliable transportation would also allow us to participate in regional trade shows which can be done economically by driving. Due to outstanding debts incurred to establish the business, personal purchase of a new van is not an option.

Reduction of Current Line of Credit

While most investors do not like to hear of using investment money to reduce existing debt, we need to do so. The amount of interest currently being paid is significantly hindering our growth; currently over 14% of our expenditures are interest. Converting some outstanding debt to equity would help us reduce our interest payment so that more of our income can be re-invested in growth programs.

FINANCIAL DATA

A comprehensive review of financial data is available upon request through various charts and graphs. The following is a general breakdown of what is available:

- Sales summary for the past five years
- Balance sheet of both assets and liabilities and equity
- Company income statement
- Breakeven analysis for the current year, including a chart
- Projected operating statements chart for the next 3 years
- Cash flow forecast for the next 3 years
- Income statement and balance sheet from the original Box O' Cards product