

Feasibility Report on Educational Toys and Programs in Australia

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Abstract

This paper is about a feasibility report of educational toy business in Australia. According to personal researches by parents' meeting and teaching experience, I find that parents in Australia pay more and more attention on children's English study, especially the people whose English is a second language. They are keen on English learning and willing to invest on their children's English training. So, recently this is a niche market that can be filled. This feasibility reports focus on four aspects, business feasibility, market feasibility, product feasibility and market strategy (Norman, Douglas & Thomas, 2009, p.174). In business feasibility, we will look at toy industry in Australia both in current trends and future trends, key driving forces and key success factors. Then, market feasibility will be analyzed in target market, product value, major competitors and so on. Next, product description, differences from similar products will be explained in product feasibility. Last, market strategy will be discussed including product price, publicity, and distribution models.

Key Words: business feasibility, market feasibility, product feasibility, key success factors, key driving forces, supplier relationship management

1. Business Feasibility

1.1 Current Trends

- **Growing demand for character licensed products:** In Australia, among the most important factors attracting consumers to product categories such as dolls and accessories and action figures and accessories are the brand and the packaging. During the review period, demand for characters from movies and TV shows increased as Australian children became more aware of global trends. This trend was also thanks to consumer exposure to mass media such as TV programmes, the internet and foreign magazines.
- **Toy sales boost in 2013:** The rapid recovery in current value growth seen in 2013, following a poor performance in 2012, was primarily caused by the fact that Australian consider toys and games purchased at the end of the year to be a very important tradition for their children. Consequently, these products were a priority as disposable income levels rose. Moreover, the availability of imported products at low prices, store credit programmes from chained retailer and the expansion of store-based and non-store-based retailing also helped in boosting sales.
- **Informal sales of traditional toys and games in decline:** Informal retailing is strong in Australia in many industries but traditional toys and games were not among the worst affected industries. Sales of counterfeits of famous brands such as Barbie (Mattel) cause losses of about AU\$100 million, with counterfeits particularly affecting dolls and accessories, action figure and accessories and games and puzzles. However, these losses account for only about 5% of the total sales of Australian producers, with this being a low share compared to that seen in many other industries. This is because the moulds used to manufacture these toys are very expensive, making counterfeits unprofitable for producers due to the short life of many of these products.

1.2 Future Prospect

- **0.5% current value growth from 2009 to reach AU\$3.18 billion in 2014:** The 0.5% current value growth seen in 2010 was lower in comparison to the review period current value of 10%). This was partly due to a natural smoothing in growth rates as the sales base rose.

Manufacturing conditions will remain weak during the year owing to a rise in the Australian dollar making imported goods more affordable compared with domestically produced goods (IBISWorld, 2012, para. 2).

- **Birth rates continue to increase:** Infant and pre-school products recorded the highest current value growth in 2010 over the previous year. This was due to parents being keen to provide educational toys for their children from an earlier age. As birth rates continue to increase in Australia, the per capita expenditure for each child continues to rise, including expenditure on toys and games.

1.3 Key Driving Forces on External Factors

- **Requirement on new product:** Recently, the toy market has been changed by customer tastes, with children choosing for more advanced electronic toys and video games. Children are also becoming used to substituting their toys more frequently (Roarke, 2007, para. 5). This means toy manufacturers have to create new products and concentrate on technological improvement and product innovation.

- **Birth rate increase:** The increasing birth rate and rising demand on the latest toys are also the external factor to boost the toy demand in Australia, including migrants' kids whom English is the second language (Roarke, 2007, para. 8).

1.3.3 More attention on education by government and parents More and more parents pay attention on children education, especially migrants, because they are not native speakers. Hereby, they wish their children can touch English at young age, study unforcedly and be better than their English competence.

In addition, children in the first years of their schooling will be the focus of a reading blitz in new learning measures announced by Gillard government policy (Logue & Veiszadeh, 2013, para. 1). This means improving children's reading and writing levels become very urgent.

1.4 Key Success Factors

- Develop creative, educational, engaging toys.
- Adopt strict financial controls.
- Listen carefully to the customers.
- Endeavour on low-cost, high-differentiation and satisfying-quality products.
- Implement innovation and R&D in long-term strategy.

There are five keys to success to be identified for the sustainable business. The first is to develop educational, creative and engaging toys to attract more and more customers. The second is to listen the customers carefully, creating customer feedback system for product development. The third is to adopt the strict controls on finance to ensure the sturdy and healthy financial conditions. Next is seeking for products in low cost, high differentiation and satisfying quality, which can win the good business reputation. The last one is to execute innovation and R&D to retain the products competitions in the toy markets.

2. Market Feasibility

2.1 Target Market Profile

The target market in educational toys can be covered three major segments as following:

- **Individual customers:** This segment is focused on grandparents or parents, who are willing to purchase the educational toys for their specific kid. Most of these people always buy limited toys every time. The demographics is family with low and middle income but have strong ambitions for their kids in getting start learning and skill development in the early stage.

- **Wholesale purchasers:** This group is identified into education organizations, such as daycare centers, preschools, schools, etc., which can care for the children generally ranges from 2 to 7.

2.2 Product Value for Customers

Roufberg, a senior toy editor who evaluates children books, kid toys and other youngster products for about two decades, claims that a good educational toy arouses a child's curiosity, entices her to discover all the things she can do with it and offers opportunities for more advanced explorations and learning as her abilities grow at any age. The learning toys which are designed by ToyLearn meet what Roufberg say.

These toy products can be used not only to improve children's English reading and writing skills, but also can train a child how to concentrate on their interests and give the parent a appropriate break as well.

In addition, some published studies recently clearly show that a valuable toy can captivate a child's concentration when teaching them constructive knowledge. They teach children about the world and about themselves, send messages and communicate values.

2.3 Major Competitors

The limited niche market of educational toy is consisted of four leaders. They are:

- **Fisher-Price:** This brand is owned by founded by Mattel Inc. Mattel began operating in Australia 50 years ago. In the late-1990s, the company established a dedicated staff for Australia. Mattel Australia is part of international company Mattel Inc, which has its headquarters in El Segundo, California. This strong background reinforces Fisher-price products to be diversified and competitive.

The Mattel Fisher-Price Brands segments compete with several large toy companies, and many smaller toy companies, and several manufacturers of video games and consumer electronics (MarketLine, 2013, para. 8).

- **Playgro:** Established in 1994, Playgro is part of the Denmark-based LEGO Group. Upon arriving in Australia, the company was faced with the country's economic crisis. Despite this, Playgro survived and is now recognised as offering a premium brand for construction toys.

- **Lamaze:** Lamaze is the only company active in the scientific toys niche in Australia and it has no direct competitors. Its chosen niches, however, it not considered lucrative enough to encourage more players to enter. The company's products are distributed via traditional toys and game store with a countrywide coverage. Founded in 1937, the company is focused on showing that education can be fun through scientific toys and games.

- **Disney:** Disney is a top leader in entertainment toys for children in the world. The company offers traditional toys in a wide range, such as Mickey Mouse, Donald Duck, Goofy and Pluto. By the end of 2012, the company has already offered 250 different products. However, they have one major product in phonic currently.

2.4 Comparison on ToyLearn's Products with Competitors' Products

When we look at Fisher-Price, Playgro, Lamaze and Disney, we can find that no company is an expert in educational toy. They have not combined current IT technology into toy design well, especially on English teaching tools. However, ToyLearn's products can fill in this niche market. ToyLearn's toys not only have same advantage as traditional toys, such as training a child how to concentrate on their interests and giving the parent a appropriate break, but also can be a abecedarian for children on English study. Phonic Toy by ToyLearn will integrate multiple languages into design, which means the toys have translation function between users' first language and English to involve children into English study easily.

2.5 Products Substitution

Based on toy market investigation, some products by Fisher-Price and Playgro can substitute Number toys and Letter toys by ToyLearn which will be described in product feasibility part, however, it seems no products can substitute Phonic Toy product line. So this product line will be highly competitive in the market.

2.6 Manufacturer Selection

The various toy requirements and diverse manufacture capabilities make the manufacturer selection crucial for business success. Careful selection is necessary, as this affects the whole product design process and product life in terms of manufacturability, availability, performance and reliability.

To select the right vendors for business, vendor certification program is a foundation of manufacturer selection. The basic choice of manufacturer depends upon the technology involved, the volume required as well as the required quality level, location, complexity, stocking and schedule requirements of the project, not to mention any special preferences and desired the customer may have, which will be a vital part of vendor certification program (Research Solutions, 2008, para. 9) .

The selection process will be carried out on compilation of all gathered tangible and intangible information, cost and quality comparison, prompt delivery, service and assistance provided. However, pricing can not be seen as the lead decision maker. A reputable manufacturer always be willing to freely discuss pricing models and options.

2.7 Supplier Relationship Management

The effective method to ensure that the required products can be provided by vendors in time with high quality is to establish on supplier relationship management (SRM) mechanism.

SRM is an across-the-board approach to manage the interactions and affairs with the suppliers. This includes in-time communications, appropriate negotiations, business practices, relationship software which is applied to set up and maintain a positive relationship with supplier (Tufts University, 2009, para. 3).

2.8 Barriers against Prospective Competitors to Entry

The toy market in Australia is very mature because some strong competitors, which has been already listed in major competitors part, such as Fisher-Price, Lamaze, Disney and Playgro, have sturdy R&D department with well-educated employees to win high market shares against new toy business entry. Hereby, as a fresh small business, patent is a great way to minimize the prospective competitors which make it difficult or impossible for other producer to enter a particular market. Some other action can be used when the business is operated bigger in the future, such as control of key inputs, acquisition and monopoly.

2.9 Sales Target

The toy field is characterized by large numbers of toy manufacturers. Within the larger toy industry, there is a niche of educational toy market estimating 20% of whole toy market, AU\$3.18 billion (IBISWorld, 2012, para. 2).

As a start-up small business in educational toy market, ToyLearn's sales target in first year estimates AU\$100,000. The annual sales target will be set according to ToyLearn's performance in previous year.

3. Product Feasibility

3.1 Product Description

ToyLearn offers three major lines of various educational toys initially. The first product is Number Toy, which is a fun toy and train number skills for children. The second is Letter Toy, which can help children on the alphabet learning. The third is Phonic Toy, which is a device similar as a mini PC and teaches children's math and phonic skills. As all these products are learning tools which develop core skills for the youngster and are fun to play with as well, young users are encouraged to use them often. New products will keep on research and development by the in-house department.

3.2 Benefits on Product Augment

The brand is named as ToyLearn that informs people directly the major function is to help on children learning. In addition, attractive packaging plays a crucial role in shaping purchasing decisions, especially when colourful containers are used that also showcase products' most attractive characteristics. For instance, blister packs can prove very attractive. Instructions for use need to be written clearly on the packages as well as a booklet in the toy containers. Bright toy colour will be design which can catch up users' eye quickly and keep children's interests.

3.3 Difference from Similar Products in the Market

Number toys, as picture 1, will combine number and train, not like number books for kids on the market. While children are driving the train, they are studying numbers at same time.



Picture 1

Letter toys are three-dimensional designed. As the picture 2 shown, users can take out each letters and combine them into different words. It also can train the kids to match the letters into each gap on the toy board.



Picture 2

Phonic toys have multiple functions on language selection, music play, nursery rhyme and phonic skills, which have stronger functions than similar products on the market. So the users can transfer the language between native language and English while they are playing music and nursery rhyme. Most phonic toys currently are lack of language selection.



Picture 3

4. Marketing Strategy

4.1 Product Price on the Market

The market price of ToyLearn will keep 25% lower than congeneric product, which can support ToyLearn to win the market share. But the high quality needs to be guaranteed. Thus, the potential customers have enough financial ability to afford. The margin is aimed at 50% which can cover staff payment and other expenses.

4.2 Product Publicity

ToyLearn will use direct mailings to residents and advertisements in the public, such as shopping centre, high-traffic-flow area and nearby education district, to propagandize the products. In addition, the advertisements will be issued in journals, magazines or correlative websites, which will be specifically recognized who the target customer is. In general, magazines will be targeted for the individual consumers and a combination of journals, magazines and websites will be used for the business segment, which can promote sales by distribution channels. All the advertisements and direct mailing will be with introduction in brief, including attractive benefits for end users, which emphasize truly learning devices for children in early stage and engage children in the product rather than most educational tools.

The direct mailings will be sent once every month and other advertisements will be applied for whole first year in each issue. All the advertisement plans in following year will be adjusted by market feedback in the previous year.

4.3 First-year Promotional Budget

According to Product Publicity Plan, the Promotion Budget in the First Year is Drafted as Follows

Item	First-year Budget (AU\$)
Advertisements in the public area	\$20,000
Advertisements on magazines, journals or correlative websites	\$10,000
Direct mailings to residents	\$6,000
Total	\$36,000

4.4 Distribution Model

ToyLearn adopts both direct and indirect sales model rather than only using the traditional distribution model. The detailed sale distribution as follow,

- **ToyLearn Website:** Shopping online is already a popular way currently. In order to facilitate potential consumers to scan the products online in everywhere at every moment, the website strategy is simple and straightforward. Include the URL on all printed material as well as reference it in communications with customers. In order for as many people as possible to find it, ToyLearn will submit the site to a wide range of search engines so even if a perspective customer is not aware of ToyLearn but knows about the product category, they will still be directed to ToyLearn's site.

ToyLearn's website will be used as the key marketing tool to distribute the products. It will be an inexpensive and effective method of distributing information regarding ToyLearn and its products. The site will have two areas, one for general information, a second for retailers/distributors. The second area will have more information beyond marketing information such as inventory, etc.

- **Distribution Channels:** According to Shorey Consulting, to select the right distribution channel for the business, ToyLearn will consider channels' location and reach, skills and resources, management costs and degree of control, which can build a competitive advantage for businesses of every size.

Location and reach: The channel ToyLearn choose must be easily accessible for customers and prospects. So ToyLearn will choose a retailer or distributor in your area who knows the local market.

Skills: The best possible service is desired not only by customers but also by ToyLearn. This is required that the right channel need to have the skills and knowledge to sell the products, particularly in educational toys.

Control and management: The degree of control and management is another important factor in channel selection. The distribution network needs to operate to the standards of customer service as ToyLearn set. ToyLearn will also allocate a staff to monitor and guide their performance, who can reinforce the relationship between customers and distributions.

The compensation method bases on product gross profit and retains competitive with equity in the distribution channels. The process will have different opportunities to encourage collaboration and carry out different compensation levels at each stage.

5. Conclusion and Evaluation

As mentioned in business feasibility part, the sales of toy market will continue to increase in next years, including educational toys. However, drastic competition always exists. As a start-up small business with limit finance resource, the business operations have to be prudential. According to the feasibility analysis, the niche market on educational market is really a good opportunity for ToyLearn to fill. But the business risk cannot be ignored because ToyLearn needs to face many mature competitors, such as Fisher-Price, Playgro and so on. Thus, low-cost and high quality will help ToyLearn to keep the customer while innovative toys can attract new consumers. Only if ToyLearn business is keen on key success factors which are outlined in business feasibility part, it will be successful in next years.

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