

**FEASIBILITY STUDY:
BESTOYS ONLINE PRESENCE**

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1. EXECUTIVE SUMMARY

BESTOYS is a leader in the sales of toys throughout the Eastern United States. BESTOYS's products are sold from 50 stores throughout the country and maintain a reputation for superior taste and quality. BESTOYS's sales have been flat over the past 3 years. The company's IT system is dated and not currently capable of supporting a secure online presence. BESTOYS's sales occur only in its brick and mortar facilities and the company is losing current and potential customers to competitors who provide online services. BESTOYS is in a position to capitalize on this online marketplace by leveraging existing online technologies, industry best practices, and an aggressive marketing and sales campaign to ramp up the company's growth projections for the future.

2. DESCRIPTION OF PRODUCTS AND SERVICES

BESTOYS is considering a move to create and provide a secure online presence from which to sell its existing product line of 850 toys. Until now, BESTOYS has only sold its products from its chain of brick and mortar facilities located in the Eastern part of the United States. By doing so, BESTOYS has not been able to capitalize on the growing tendency of customers to make purchases online. By offering its products through an online platform, BESTOYS can market its products to all parts of the world, increase revenue and growth projections, and allow customers to purchase our products from the convenience of their own homes or mobile devices.

There are no proposed changes to BESTOYS's current product offerings. Online sales will include only current products and any changes to this product line must be considered outside of the purpose of this document.

3. TECHNOLOGY CONSIDERATIONS

BESTOYS will need to scale up their IT infrastructure to move toward offering an online marketplace from which customers may purchase our products. Customers demand a simple and easy way to securely conduct online transactions. BESTOYS maintains an informational web site with product lists and descriptions. This basic web site does not allow customers to purchase BESTOYS products online. This functionality must be integrated with our current web offering. Additionally, new online marketing functionality must be considered in order to target existing and potential customers through methods such as e-mailing lists, promotional advertisements, and loyalty discounts.

While BESTOYS maintains a small information technology (IT) group, the expertise does not currently exist internally to design, build, and implement the sort of extensive online platform required for this effort. Therefore, the recommendation is to contract this work out to GoDaddy.com, LLC is a wholly-owned subsidiary of Desert Newco, LLC. GoDaddy.com, LLC can work with BESTOYS to meet its needs within the determined timeframe and budget. It should be noted that while BESTOYS does not have this expertise internally, the technology exists and is in use throughout the marketplace, which lowers the risk of this concept considerably.

BESTOYS currently maintains a high speed internet connection, web server, and the latest software. With the addition of an e-commerce portal it is expected that there will be an overall cost increase of 5-10% for web server operations and maintenance costs.

4. PRODUCT/SERVICE MARKETPLACE

The online marketplace for toys rose 10% for Toys 'R' Us in 2012. In FY2012 ecommerce sales accounted for approximately \$289 billion US dollars, which 186.2 billion US dollars accounted for online retail shopping. While toys are available in almost every store, our primary offering consists of specialty toys. All of BESTOYS's current major competitors already have an established online presence of at least 3-5 years. The top 3 competitors are currently: eToys.com, Amazon.com, and KBToys.com. A large majority of BESTOYS's customer base are returning customers and referrals from existing customers. By providing a more convenient means of purchasing our products online, it is expected that we will retain these customers while conducting an online marketing campaign for new customers as well.

BESTOYS will distribute online purchases via direct shipping from the nearest store location. This will allow BESTOYS to provide timely shipping, reduce shipping costs, and eliminate the need for a central warehouse/facility from which to store and ship its products. Such a facility would require a significant capital investment as well as increased operation and maintenance costs. However, based on anticipated growth projections, BESTOYS must ensure that all store locations maintain adequate inventories on hand to satisfy customer demand.

5. MARKETING STRATEGY

In order to be successful, BESTOYS must differentiate itself from competitors in order to appeal to customers in the online marketplace. To do this, BESTOYS will utilize its practice of personalizing its product packaging which it currently offers in-store customers. During the final stage of the checkout process, the customer will have the ability to select personalized product packaging. Current competitors do not currently provide any personalization of packaging. Customers will have the ability to create personalized messages cards to attach to the package or be placed inside of product, request specific color-based wrapping paper, or tailor packaging for special occasions.

BESTOYS will implement a customer emailing list in order to send product promotions, sales advertisements, and other special offerings to customers who register. Additionally, BESTOYS will offer referral incentives to customers who refer our products to friends and family in order to provide additional incentives. BESTOYS will also maintain a customer database in order to determine its target customer groups and geographical regions. BESTOYS will research marketing intelligence providers to determine the benefits and costs of purchasing customer information for bulk email campaigns as well. Another important consideration of BESTOYS's online marketing strategy is cost. Electronic marketing communication costs are very small in comparison to direct mail marketing which BESTOYS currently utilizes. Email marketing with Godaddy.com is scalable and provides an array of features. However, we expect the additional revenue from online sales to outweigh these additional electronic marketing costs.

It is important to note that BESTOYS's current marketing and sales staff will require training in online marketing and sales practices. This training will need to be contracted to a training provider as part of our startup costs and schedule.

6. ORGANIZATION AND STAFFING

The BESTOYS online sales campaign is not anticipated to significantly affect the organizational structure of the company. The current Sales Manager and Marketing Manager will receive training to utilize the real time tools offered by GoDaddy.com, LLC to successfully implement the online sales campaign.

7. SCHEDULE

The BESTOYS online sales campaign is expected to take six months (180 days) from project approval to launch of the e-commerce platform. Many of the foundations for this platform, such as high-speed internet and web server capability, are already available. The following is a high level schedule of some significant milestones for this initiative:

January 20, 2014: Initiate Project
February 3, 2014: Project kickoff meeting
March 3, 2014: Complete online sales site design
April 1, 2014: Complete testing of online sales site
May 5, 2014: Complete beta testing trials of online sales site
July 18, 2014: Go live with site launch

Upon approval of this project a detailed schedule will be created by the assigned project team to include all tasks and deliverables.

8. FINANCIAL PROJECTIONS

The financial projections for the addition of an online sales platform for BESTOYS are highlighted in the table below. These figures account for projected online sales, additional staffing requirements, shipping, material, and insurance costs, contract support for IT and training needs, and web server and hosting costs.

The assumptions for these projections are as follows:

- In store sales projections remain unchanged
- All milestones are performed in accordance with the schedule
- All transactions are closed yearly with no carry-over to subsequent years

Measure	Year 1	Year 2	Year 3	Year 4	Year 5	5 Year Total
Online Sales Projections	\$1,000,000,000	\$1,100,000,000	\$1,200,000,000	\$1,300,000,000	\$1,400,000,000	\$6,000,000,000
Additional Staffing Costs	\$0	\$0	\$0	\$0	\$0	\$0
Projected Material, Shipping Insurance Costs	\$25,000	\$38,000	\$50,000	\$68,000	\$71,000	\$252,000
Additional Web Server and IT Hosting/Maintenance	\$22,000	\$25,000	\$30,000	\$35,000	\$40,000	\$152,000
Training for Sales and Marketing Staff	\$65,000	\$0	\$0	\$0	\$0	\$65,000
Contract for Design, Build, and Implementation of Online Store	\$135,500	\$0	\$0	\$0	\$0	\$135,500
Total Additional Costs for Online Sales	\$247,500	\$63,000	\$80,000	\$103,000	\$111,000	\$604,500
Cash Inflow	\$999,703,500	\$1,099,888,000	\$1,199,871,000	\$1,299,848,000	\$1,399,840,000	\$5,999,346,500

9. FINDINGS AND RECOMMENDATIONS

Based on the information presented in this feasibility study, it is recommended that BESTOYS approves the online sales initiative and begins project initiation. The findings of this feasibility study show that this initiative will be highly beneficial to the organization and has a high probability of success. Key findings are as follows:

Technology:

- Will utilize existing technology from GoDaddy.com, LLC which lowers project risk
- Ecommerce infrastructure will be contracted out to GoDaddy.com, LLC which allows BESTOYS to share risk
- Once we initiate this technology it is simple to operate and maintain for a relatively low cost

Marketing:

- This initiative will allow BESTOYS to reach large number of target groups electronically at a low cost
- BESTOYS can expand customer base beyond geographic areas where stores are currently located
- The marketplace for online toys sales is in a steady state of growth
- BESTOYS is able to differentiate itself from its competitors and will utilize incentive programs to target new consumers
- BESTOYS will seek to reach additional customers via social networks and email campaigns

Organizational:

- Minimal increases to staffing are required with no changes to organizational structure
- No new facilities or capital investments are required

Financial:

- Five year projections show online sales accounting for 35% of total sales
- BESTOYS will be in position to capture greater market share by maintaining both an in-store and online presence