



# The Toy Company

*Understanding The Marketplace*



## What do toy companies do?

You have been to stores where toys are sold. But before these toys arrive on a store's shelves, they have to be made by toy companies. FunCo is a toy company in which many employees invent, test, advertise, and prepare toys for delivery to stores. FunCo also has a **factory**—a place where toys are manufactured, or made. FunCo employees work together to create many kinds of toys that children will enjoy.



1. What are the different jobs people have at FunCo? (*scanning*)



2. How do the different departments help a company? (scanning)

3. How is FunCo like your company?  
How is it different?  
(comparing and contrasting)

SET 1

Slide 2







# What does it take to run a business?

All businesses sell either **goods** (things like toys) or **services** (providing help, such as repairing toys). Some businesses offer both goods and services. Producing goods and services costs money, and, like all businesses, FunCo has many **expenses**. Expenses are things a company must pay for, such as materials for making toys. Another expense is the cost of **labor**, or the employees who need to be paid for their work. To go into business, the company purchases special machines and tools for making toys. These machines and tools are **capital resources**. The company also pays for things like rent and electricity.



1. **What are FunCo's expenses?** (*scanning*)



## Expenses Worksheet

SET 2

Slide 2

This is a list of what FunCo owns. These items are called **capital resources**, and they can also include buildings and equipment that help the company make products.



Items	Cost
<b>Offices</b>	
Computers	\$40,000
Telephones	\$1,000
Desks and chairs	\$20,000
Meeting tables	\$5,000
<b>Design</b>	
Computers	\$60,000
Machines for making prototypes	\$80,000
Drafting tables	\$3,000
<b>Factory</b>	
Manufacturing machines	\$750,000
Inspection machines	\$50,000



2. What are FunCo's capital resources? (scanning)





With all of these expenses, how does FunCo stay in business? It stays in business by selling goods—in this case, toys! FunCo hopes that its toys will make a **profit**. Profit is the money left after paying all the expenses. In FunCo's business offices, people are busy taking orders for toys and keeping records of the money the company spends and earns.

**3. How does a company make a profit?** *(making inferences)*





## How do companies plan for a new product?

A **product** is something a company makes and sells, like computer programs or dolls. A company introduces a new product to increase its sales and earn a profit. Designing and making a new product cost a company a lot of money, though.

FunCo wants to make a new toy, but it needs to do some research to decide what to produce. First, FunCo will look at company sales to see what kinds of toys have the highest sales. Then FunCo needs to see what themes are most popular.





FunCo also needs to consider the **opportunity cost**. When a company puts its resources of money and time into one kind of toy, they give up the opportunity to make another kind of toy. What the company gives up is called the opportunity cost. There is an opportunity cost partly because companies don't know for sure what **consumers**, or customers, will buy.

**1. What does a company need to consider when deciding on a new product?** *(scanning)*

**Marketing:**

The marketing department gathers information about what consumers like.

**Manufacturing:**

The manufacturing department explains which toys are easiest to make.

**Design:**

Inventors suggest ideas for new toys.

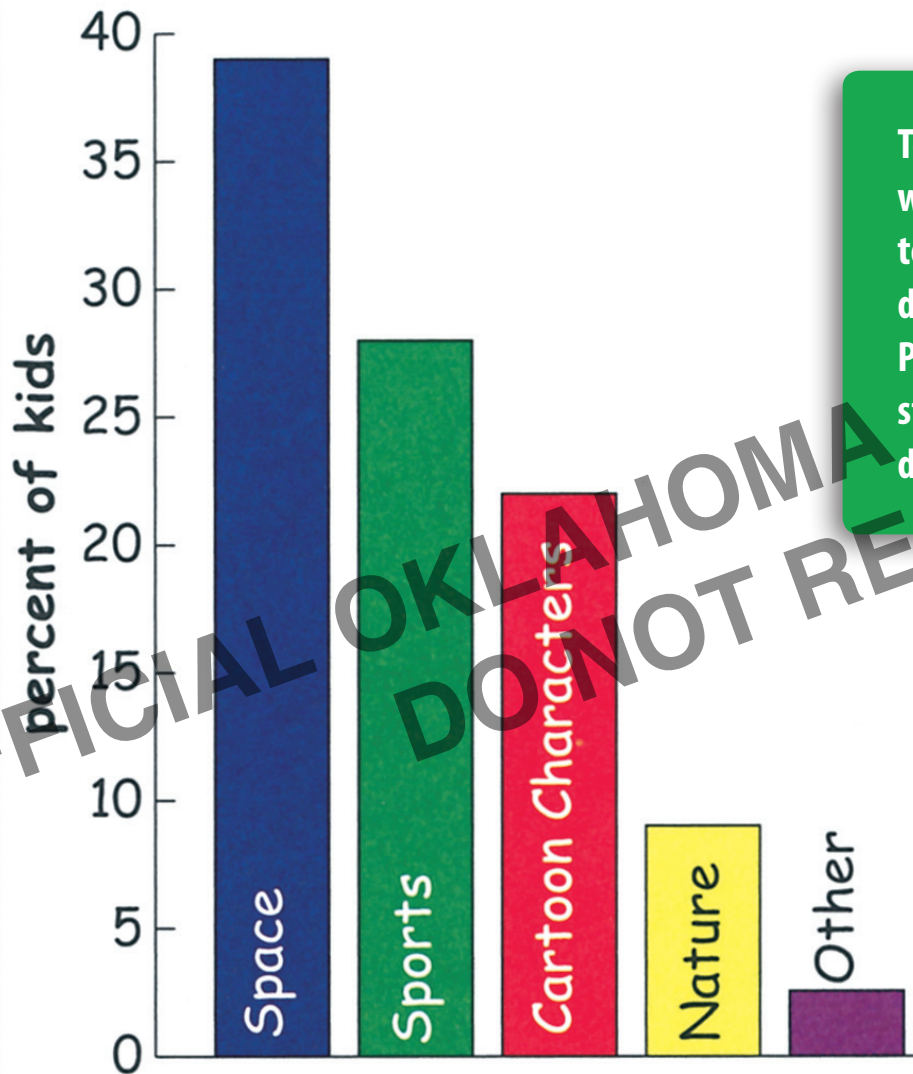
**Company President:**

She listens to suggestions, analyzes information, and decides which toy to make.





Themes That Kids Like



To decide what new toy to produce, FunCo workers from different departments come together. Based on their research, they decide on a plush toy with a space theme. Plush toys are made with soft fabric and stuffing. They have made the first important decision about a new product.



2. **Look at the chart. Do you agree with FunCo's choice for a new toy? Explain.**  
(understanding visuals)





## What does a toy inventor do?

FunCo has decided to make a new plush toy with an outer-space theme. Now the company will ask **inventors** in the design studio to develop a few toy ideas. After FunCo reviews all the toy ideas, the company makes a decision about which one it wants to make.



1. **Who are the different people involved in designing a new toy?** (*scanning*)



1

This inventor starts by making sketches of her ideas. Then she will make color pictures to present to other employees. She also has a name for the toy: the Space Baby!

2

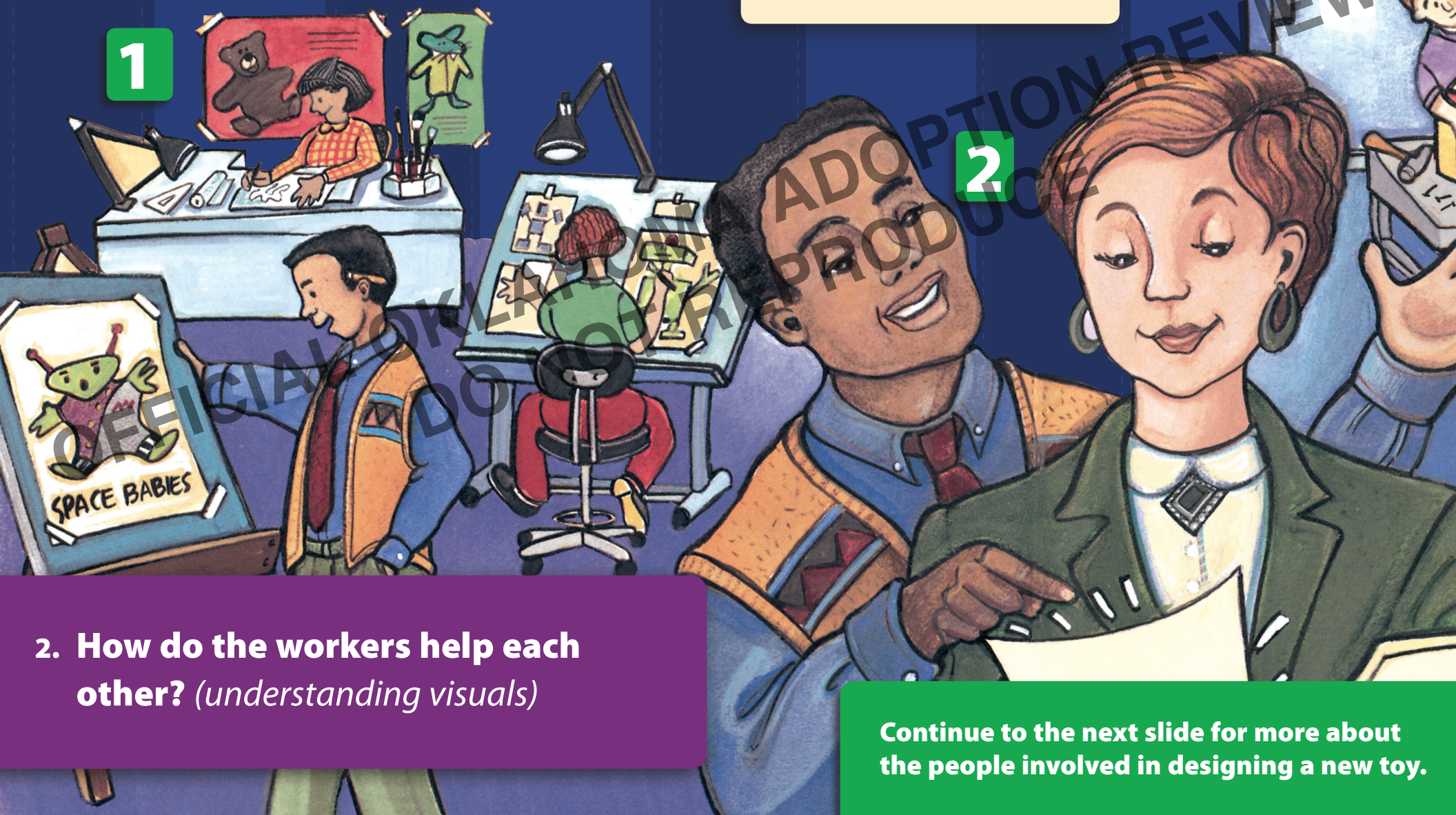
The company president listens to suggestions from different departments and then decides which toy idea will be best for the company to develop.

SET 4

Slide 2

1

2



**2. How do the workers help each other?** (*understanding visuals*)

**Continue to the next slide for more about the people involved in designing a new toy.**





SET 4

Slide 3

3

The president likes the inventor's idea! But she wants to see a prototype to get a better idea of what the toy will be like. A prototype is an original model of the toy. The company will use the prototype to decide how to manufacture the Space Baby.

3



3. What is the purpose of a prototype? (scanning)



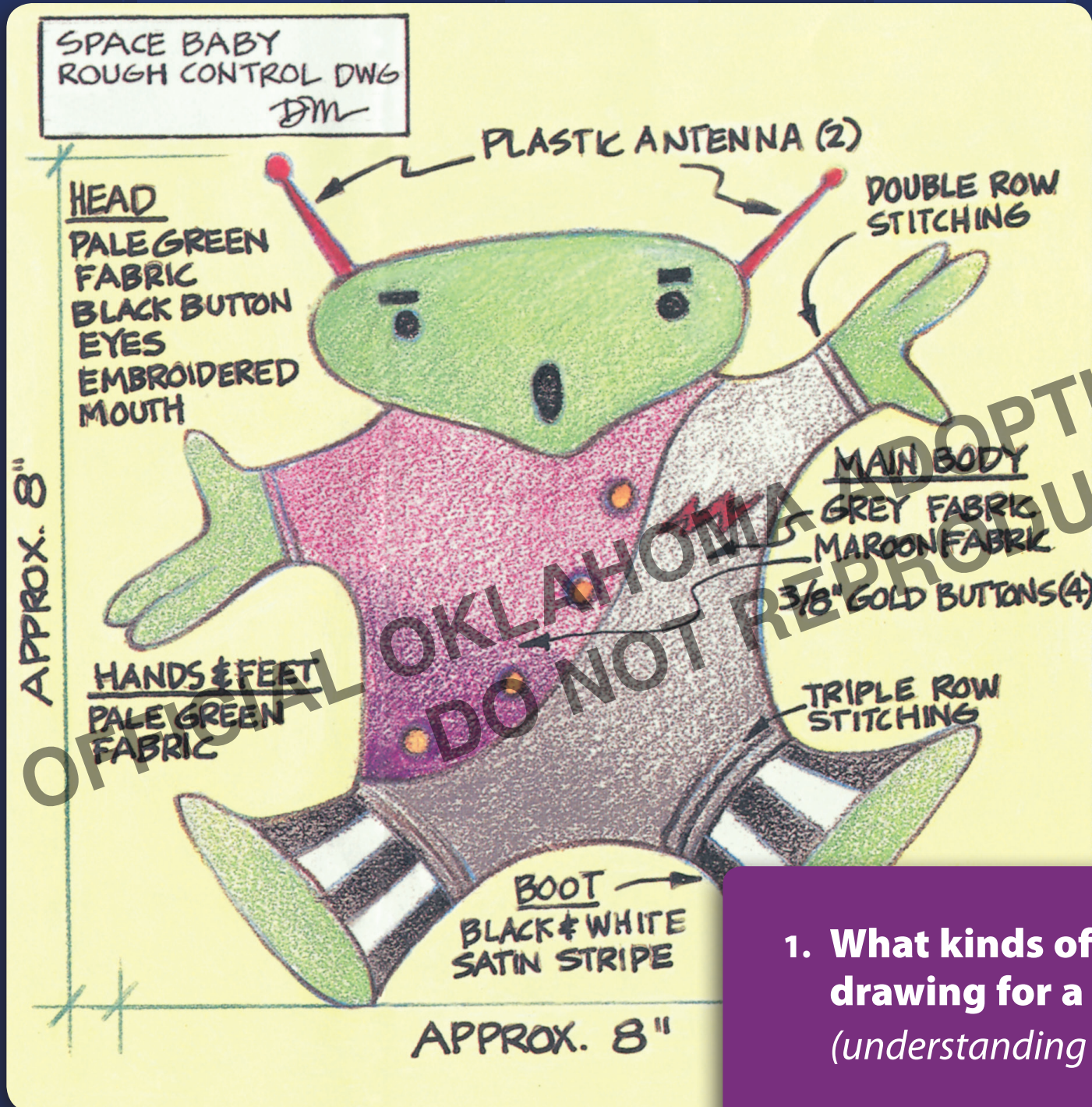


## How do companies design and price a toy?

Once the inventor's **prototype**—the original model—is approved, FunCo needs to figure out how it can make the Space Baby on its machinery. The **design** department makes drawings and sewing patterns that show how the Space Baby can be made in the factory.







This design drawing shows measurements for all of the Space Baby's parts. The Health and Safety Department will review the designs to make sure that no materials or parts are toxic, dangerous, or too small for young children.

1. What kinds of details does a design drawing for a new toy need to include?  
(understanding visuals)





# Product Analysis

SET 5

Slide 3

**Toy:** Space Baby

**First Production:** 30,000 toys

Costs	Price per toy
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## Materials

Body: fabric, stuffing, thread	\$0.30
Clothing: fabric, buttons, thread	\$0.15
Head: fabric, eyes, antennas, thread	\$0.55

## Labor costs

Sewing	\$0.50
Adding features	\$0.50
Assembling the toy	\$0.50

## Other expenses

(electricity, factory maintenance, and so on)	\$2.00
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<b>Cost of packaging</b>	\$2.50
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<b>Total cost of Space Baby</b>	\$7.00
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<b>Selling price of Space Baby</b>	\$10.00
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<b>Profit for each Space Baby</b>	\$3.00
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FunCo must decide what kind of materials to use, how the toy will be packaged, and how much it will cost. When pricing the toy, the company has to consider the prices of materials and labor and any other expenses involved in making the toy.

2. What do companies need to consider in deciding on a price for a new product?  
(scanning)
3. Why might a company choose a lower price for a new product rather than a higher price?  
(making inferences)

## How do companies test their products?

Before FunCo manufactures the Space Baby, it wants to test the toy with children to see if they like it. The marketing department does this testing at FunCo's Fun Lab. They know that people won't buy a toy that's not fun or exciting. The test results will help FunCo improve the Space Baby to give it the best chance to be a success.





## 1. Why would a company want to test a new product? (main idea/supporting details)

To test the toy, marketing employees give Space Babies and some other toys to children to play with. By watching children play with the toys, the company can get a good idea of how popular the Space Baby will be with most children.

This type of information is called **market research** because employees ask the market (customers) to comment on their product (the Space Baby).





SET 6

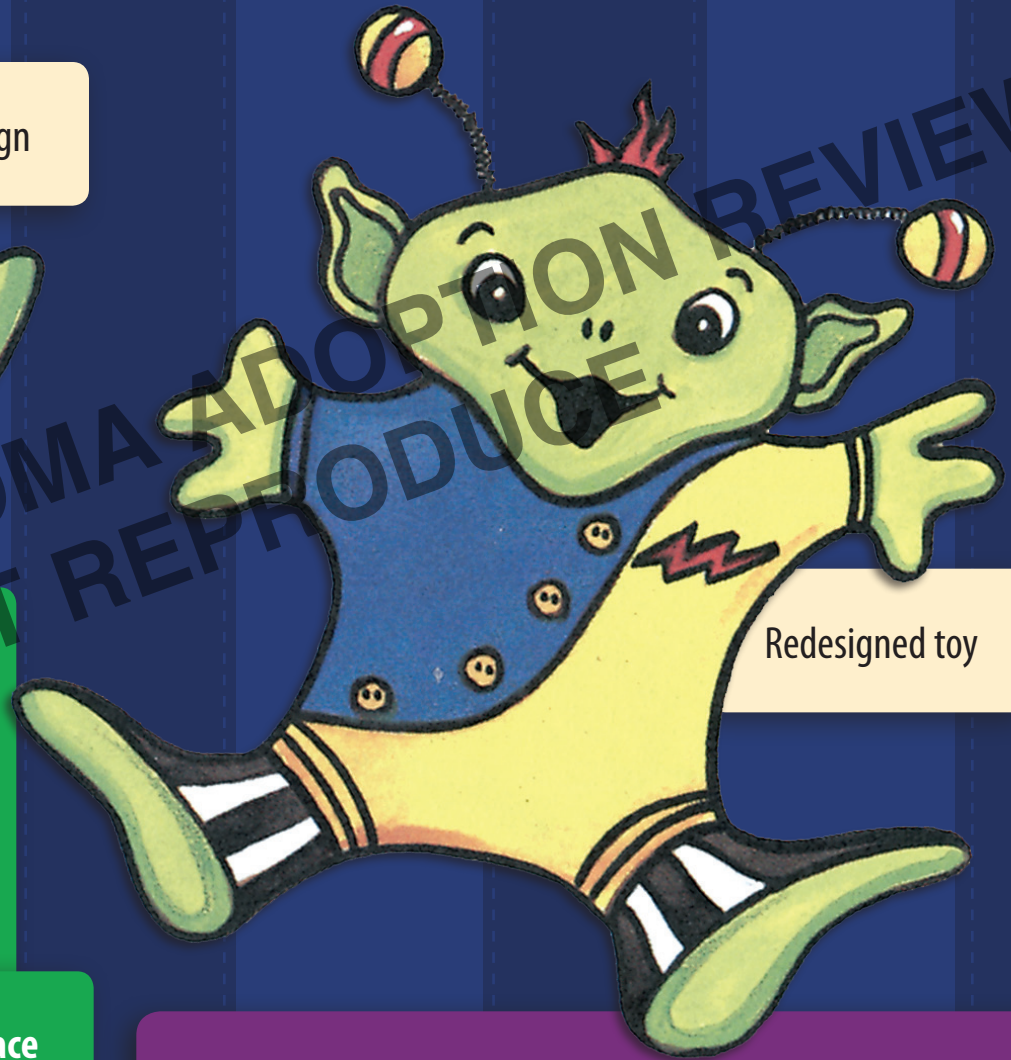
Slide 3



Original design

The Space Baby did not test well. Children thought it was too scary. The Space Baby will go back to the design studio, where designers will make changes to improve the toy. Otherwise, they may have to start over with a new idea.

The redesigned toy has a friendlier face and brighter colors. This redesigned Space Baby tested successfully!



Redesigned toy

2. **Why might the redesigned product be more successful on the market?**  
(scanning, understanding visuals)



Children have been a part of the toy-making process for years by showing and telling companies what they like. But some kids have come up with toy inventions of their own. One such kid is Richie Stachowski, who invented a walkie-talkie that works underwater.

Richie got the idea when he was snorkeling with his dad and they weren't able to talk to each other. He did some research on the Internet and found that sound travels better underwater than out of water. He invented a device that has a mouthpiece similar to one on a snorkel, but with a protective membrane to keep water out. It took Richie about 30 days to perfect his product, called Water Talkies, and he now sells them nationwide.

One reason kids might have success inventing toys is that they know what they like, and they're not afraid to try new ideas. What ideas do you have for inventions of your own?

Source: *Chicago Tribune*



**3. What is the role of children in the success of a toy?** *(making inferences)*



## What steps are involved in manufacturing a toy?

Once the design and research are complete, FunCo is ready to **manufacture**, or make, the Space Baby. Many toy companies send their toys to be manufactured outside of the United States where labor is cheaper. But FunCo makes all of its toys in its own factory. FunCo's assembly line completes the many steps of the manufacturing process. An **assembly line** is a place where many people work together—usually with machines—to make a product quickly. When all the steps are completed, FunCo knows it will have a safe and well-made toy for children to play with.

1. **Why do factories use assembly lines?** (*scanning*)
2. **Why might a company want to send their products out of the country for manufacturing? Why might a company want to keep the manufacturing in its own community?** (*making inferences*)



1

The fabric for the toy is cut to the right size and shape, and the pieces are sewn together.

2

The toy's parts are stuffed with material to give them the right shape.

3

Additional features and clothing are stitched onto the body.

SET 7

Slide 2

1

2

3

Continue to the next slide for more about the steps involved in manufacturing a toy.

Bodies



LOADING  
DOCK

6

SET 7

Slide 3

4

The toy's parts are assembled, or put together.

5

The Quality Control Inspector checks the final toys for defects, or flaws.

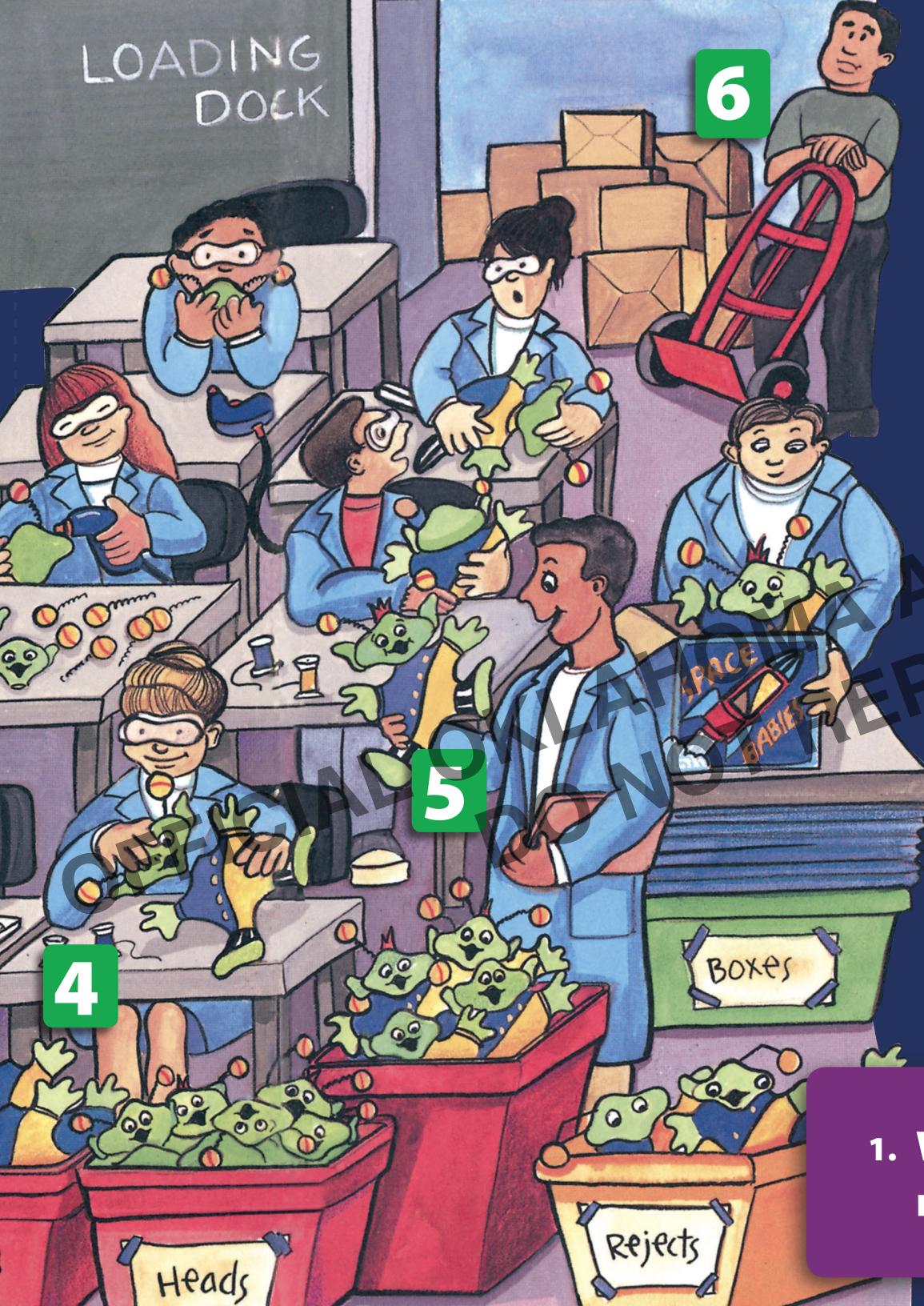
6

The toys that pass inspection are ready to be packaged and shipped to stores.

5

4

1. What are the steps involved in manufacturing a plush toy? (*scanning*)







## Quality Control Inspection

The Quality Control Inspector makes sure that the toys are as safe and sturdy as they were designed to be. Special machines pull and stretch the parts to see how easily they break. If there are too many defective toys, the assembly line will be shut down until the problem is fixed. If the problem cannot be fixed on the assembly line, the toy will have to go back to the design studio to be redesigned.



Inspectors check every product to make sure that it will not break easily.

# How do companies market their products?

SET 8

Slide 1

Now that FunCo has created and tested the Space Baby, it's time to sell the toy. The marketing department is in charge of finding the **market**, or people who will be interested in buying Space Babies. It does this by creating a **marketing plan**, which suggests ways to inform people about the toy and get them excited about buying it.

To make this plan, the marketers identify potential customers and examine what people buy. They also look at **trends**, or toys that are currently popular. The company will use the plan to try to sell more toys than the **competition**—other companies that make similar products.







### Market Analysis of U.S.

#### U.S. Plush Toy Sales:

Toy companies sell about \$900 million of plush toys every year. This is a popular category for children ages 5–9.



#### Bob's DISCOUNT

TOYS FOR LESS



#### Where Toys Are Sold:

Seventy percent of toys are sold in discount stores and toy stores. FunCo wants to sell their toys in these kinds of stores.

#### Population:

More than 20 million children between the ages of 5 and 9 live in the U.S.



#### Science-Fiction Movies:

Three of the top five moneymaking movies of this year are science fiction.

#### Popularity of Space:

NASA's website received 40 million "hits" after the Mars Pathfinder landed.



1. **Look at the market analysis. What do you think are the most important factors for FunCo to consider?** *(making inferences)*



# Marketing Plan

SET 8

Slide 3

**Toy:** Space Baby

**Target Audience:** boys and girls, ages 5–9

**Price of Product:** \$10.00

**Where will we market the toy?**

Space Babies appeal to our target audience and their parents. We should sell the toy across the United States and even worldwide.

**What is the competition for the toy?**

**How will we address it?**

Many other companies make plush figures, but none of them are aliens. We can appeal to children who like space and science fiction.

**How can we make more sales in the future?**

The Space Baby product line can be expanded to include clothing and accessories, such as a model spaceship and an all-terrain rover.

**Besides advertising, how else could we let people know about this toy?**

FunCo can work with other companies to make Space Baby lunch boxes and comic books.



**2. What is included in a marketing plan? Why does a company create a marketing plan?** (*scanning, making inferences*)



## How do companies advertise their products?

When the marketing plan is complete, FunCo uses it to determine where and how to **advertise** the Space Baby. The company may choose to advertise only in specific regions, or geographic areas, of the United States. It must decide if it will advertise on radio and television as well as the Internet. A colorful and exciting toy package or display placed in stores can also work like an advertisement. FunCo will also look at how the competition is advertising and decide if it should advertise in the same way.

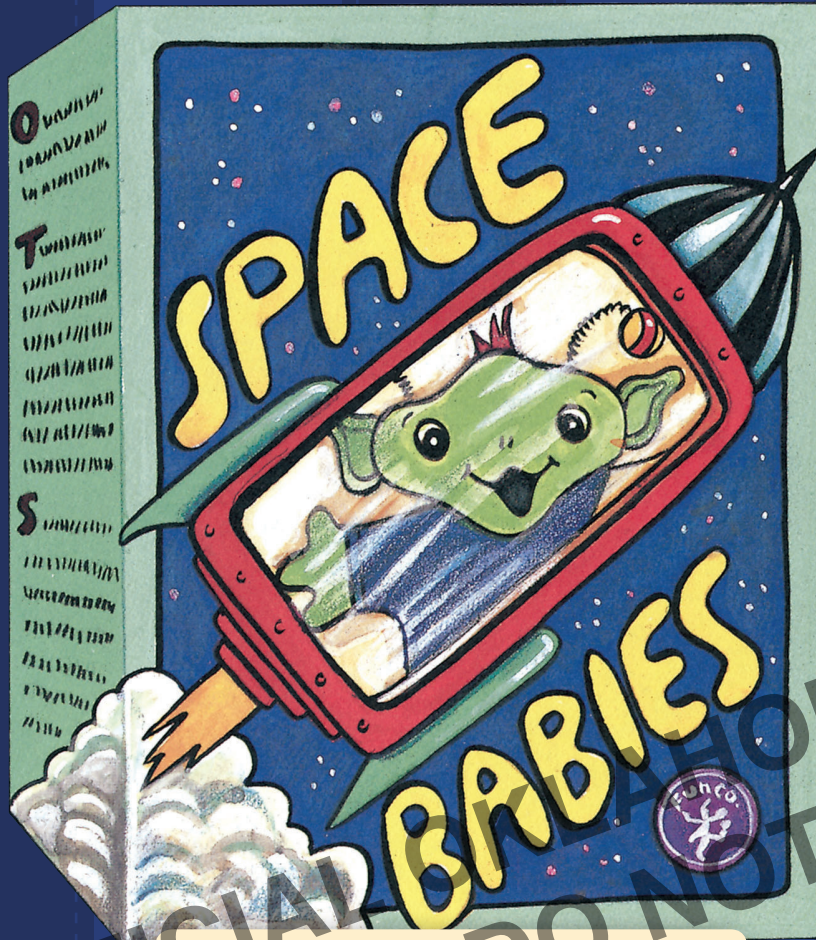
1. **What do companies need to consider when they make decisions about advertising for a product?** (*making inferences*)





SET 9

Slide 2



The Space Baby's box is so big that it looks like an ad in the store.

### Advertising Guidelines for Toys

Advertisements and commercials should

- show what the toy really looks like;
- show the toy in a safe situation;
- tell how the toy is operated;
- tell any assembly requirements;
- tell if the toy needs batteries;
- show how much fun the toy is.

Toy companies spend their advertising money in the following ways:

Television	89 %
Magazines	9 %
Newspapers	1 %
Radio	1 %



**2. How would the newspaper advertisement and the packaging for the Space Baby increase its sales? (making inferences)**



## Blast from the Past



When the Slinky was introduced in 1945, people thought it looked like something that should be in a hardware store instead of a toy store. How could Slinky's toy company get people to buy this toy? The Slinky's inventors, Richard and Betty James, set up a display in a toy store to show how the Slinky could walk down stairs. Once people saw this display, 400 Slinkys sold in 90 minutes.



SET 9

Slide 3

**3. What other ways could FunCo advertise the Space Baby? Why would those be effective?** *(main idea/supporting details)*



# What is a toy fair?



Now that FunCo has designed and manufactured the Space Baby, it plans to **promote** the toy, or generate interest in it, at a toy fair. A toy fair is a type of **trade show**, or place where businesses gather to display and explain new products. Thousands of **buyers**—the people who decide which toys their stores will carry—come from all over the world to look at the toys.

A toy fair can mean success or failure for a toy. If buyers like Space Babies, they will carry the toy in their stores. If the buyers don't carry Space Babies in their stores or on their websites, the toy company will have a hard time selling them. That's why companies like FunCo will do lots of creative things—wear costumes, play loud music, dress up like the toys, or present speakers—to attract attention at a toy fair!





# What is an entrepreneur?



ASSESSMENT

An entrepreneur is a person who thinks about a great idea for a product and takes a risk to start a new business.

J. K Rowling had an idea for a story. She wrote a book about Harry Potter. Children (and adults) everywhere loved the book, so she could publish all seven books she had plotted. Then her stories were made into movies and theme parks. She took a risk and started writing, and then she built a business around Harry Potter and his adventures.

SET 10

Slide 2



Vernon Rudolph started Krispy Kreme in 1960. He learned how to make donuts from his uncle. He decided that people everywhere would like his donuts, so he worked with others to create Krispy Kreme.

Jacob Miles had a dream. He wanted to make toys that represented our multicultural society, so he started a toy business. Now children can find toys such as dolls that look like them.



**Pretend that you are going to be an entrepreneur. What business might you start?**