



**UNIVERSITAT
JAUME·I**

MARKETING PLAN OF



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1 EXECUTIVE SUMMARY

Kamchatka Magic Toys is a toy store with a philosophy and values that differentiates it from other toy stores, since all toys are ecological, original, educational, non-sexist and non-military, which teach values of peace and equality. Most of their toys are made with rag and wood materials, and all materials and dyes used in its manufacture are non-toxic, so they are safe for both children and the planet.

In recent years, it has perceived an increased environmental concern by the population, and this has caused a shift in consumer habits. People are increasingly concerned about the environmental impact of the products they consume and companies have had to adapt to this change.

In this marketing plan, we have conducted an internal analysis to study the resources of Kamchatka Magic Toys, and an external analysis to study the situation of the environment and competitors, as well as analyze the toy market and consumer behavior. Finally, we have established several goals to achieve with this marketing plan, where we can highlight the increase in customer visits in the physical store and on the website and the increase of satisfaction and interaction with customers.

To achieve the objectives, we have proposed a total of 12 actions (adapted to the limited budget and the philosophy of the company). Due to Kamchatka Magic Toys is a small company located in Madrid, the only way to sell toys in the entire national market is through its website, and for this reason most of the actions are focused on promoting the company on the Internet.

Finally, to these actions have been assigned a budget and a schedule, where the start and the duration of actions are indicated. In addition, we have established control guidelines in order to ensure the achievement of the objectives of this marketing plan.



2 SITUATION ANALYSIS

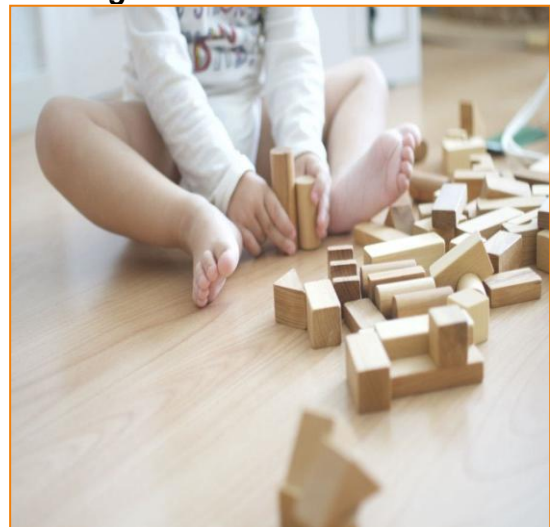
2.1 Internal Analysis

2.1.1 Presentation of the Company

Kamchatka Magic Toys is a company created in Madrid on the 16th of September in 2003 by Nathalie Rodriguez and Raimundo Nieves, which specializes in the sale of ecological rag and wooden toys (no plastic or batteries). Although the store is located in Madrid, people can place orders on its website from Spain, Portugal and Andorra, even from other countries, but with special conditions. This company has a philosophy that distinguishes it from other toy stores, because Kamchatka is an alternative space where toys are a tool used to learn, recognize and relate to a world in which peace, solidarity, equality and creativity exists. Therefore, toys are ecological, original, didactic, encourage creativity and the senses and are non-military and non-sexist toys. Toys to create, grow and dream.

One of the main materials used in their toys is wood (Figure 1), because it is a versatile, regenerative and natural material that stimulates the senses because of their sensory properties (smell, texture and different tones or colors). In addition, the wood has its own temperature and bacteria are not able to reproduce, because is a "living" and breathable material. Moreover, other raw materials used, such as tints and oils used to treat wood, are not toxic, so that children are not at risk if they put the toys to the mouth.

Figure 1. Wood materials



Source: Website Kamchatka Magic Toys

As Kamchatka worries about deforestation, companies with which they work have reforestation environmental policies, and they extract wood from controlled forest by the FSC (Forest Stewardship Council). In addition, most toys have the label "Spiel Gut", which means that the toys are tested by experts who recommend the toy.

Kamchatka Magic Toys believes that "wooden toys are capable of changing the world," and that is why this passion for what they do and say is transmitted to people visiting the store.



MISSION

Kamchatka has as mission to offer children rag and wooden toys, ecological, educational, and original that stimulates creativity and senses, encouraging values such as peace and equality.

VISION

To be a leading company to promote and encourage the use of products that respect and care the environment, and raise public awareness of the importance of sustainability and security for children and the planet.

VALUES

- Respect the environment and children with non-toxic products.
- To promote peace and equality with non-military and non-sexist toys.
- To work with passion, and transmit it to customers.
- To satisfy the needs of customers by offering ecological toys.

2.1.2 Company Resources

2.1.2.1 Human Resources

Kamchatka Magic Toys has only two employees, Natalia Rodriguez and Raimundo Nieves, who in turn are the owners of it. They started the project knowing very little about the business world, but with passion, tips and effort, they have been learning every day. It is a small company and therefore it is not formed by departments, but for the purposes of formalization, Nathalie has the responsibility of serving customers and Raimundo is the administrator of the company (Figure 2).

Figure 2. Organizational chart



Source: Own elaboration



2.1.2.2 Physical Resources

Kamchatka Magic Toys has a physical store of 65 m², located in Madrid on Calle San Agustín nº 18, on the corner of Calle Lope de Vega (Figure 3).

Figure 3. Location



Source: Google Maps

It is one of the stores loveliest toys in Madrid (Figure 4), a shop that when you enter is like coming childhood, with a beautiful decoration full of toys with an ecological conscience, who are far from the typical commercial toys, toys to grow, create and dream.

Figure 4. Inside Kamchatka Magic Toys



Source: Website Kamchatka Magic Toys



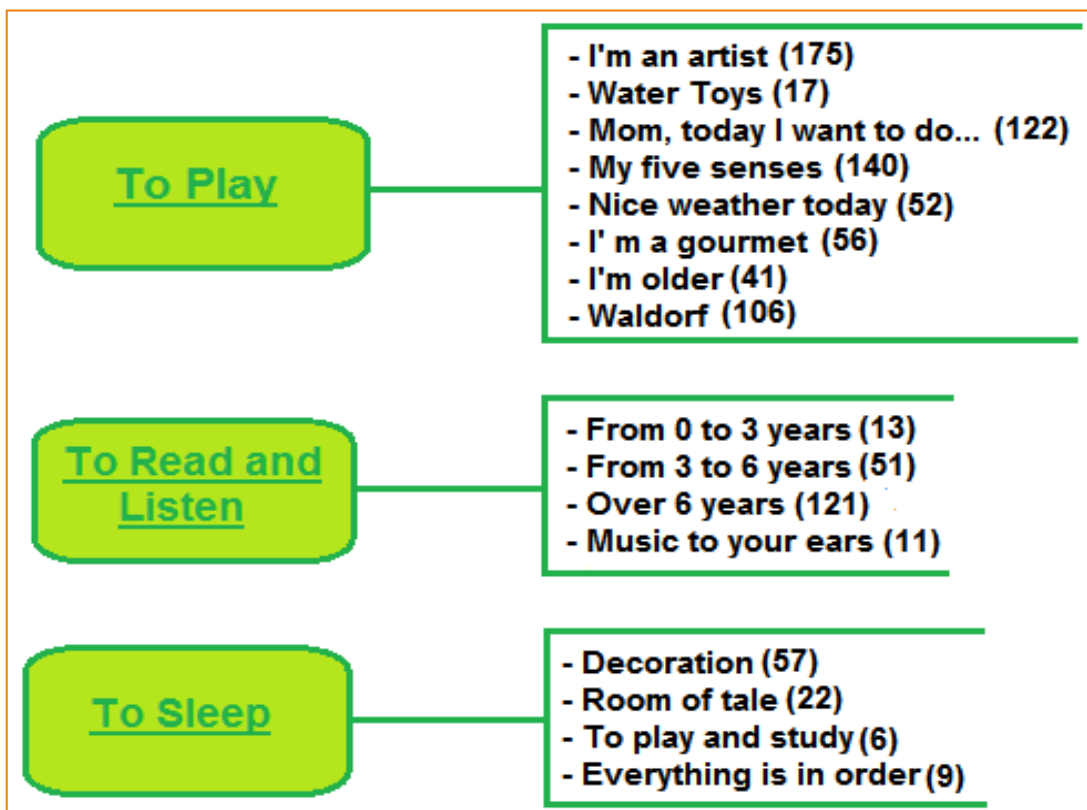
2.1.2.3 Marketing Resources

Product

Kamchatka Magic Toys offers customers products and toys for children of all ages. On the one hand, they are specialty goods, since these toys have unique characteristics that distinguish them from conventional toys and they are not found in all toy stores, because these toys are made from environmentally friendly materials and are non-sexist, non-military and promoting peace and equality, stimulating creativity and the senses. Therefore, these products are directed to families who identify with these values brand. On the other hand, in terms of duration and tangibility, these goods are considered tangible goods and consumer durable goods.

In order to know the product portfolio of Kamchatka Magic Toys, the different lines of products of the company will be analyzed (Figure 5 and Figure 6), as well as the products of each one (only two examples of each product line will be displayed due to extensive number of toys that have the company):

Figure 5. Product Lines and nº of products



Source: Own elaboration. Data: Website Kamchatka Magic Toys



Figure 6. Product Portfolio of Kamchatka Magic Toys

To Play

- 1. I'm an Artist:** Toys that make flying the most creative and artistic side of children.

Musical Bells



Set of Instruments



- 2. Water Toys:** Toys to enjoy during bath time.

Boat Watering Can



Seaplaning



- 3. Mom, today I want to do...** Let fly the imagination of children and let them be what they want: pirates, doctors, gardeners, princesses ...

Indian Headdress



Medical Bag



- 4. My Five Senses:** Toys to develop the senses and toys suitable for children with special needs.

Sign Language



Stackable Balance



To Play

5. **Nice Weather Today:** Toys for children to explore and investigate nature, that is, toys for outdoor fun.

Explorer Suitcase



Wishbone Bike

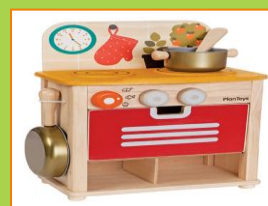


6. **I'm a Gourmet:** Toys for children with culinary skills.

Kitchenware



Kitchen with oven



7. **I'm Older:** Toys for big boys of the house and for adults who still enjoy playing.

Renegade



Buzz it



8. **Waldorf:** The Waldorf toys offer the child agile, natural and organic perceptions. For the Waldorf pedagogy, toys should not be perfect, her curves and irregular lines are an example of this.

Stackable Flower



100 Natural Blocks



To Read and Listen

9. **From 0 to 3 years:** Cloth, hardback or wood books, of manageable size, with little text and many illustrations.

Cloth Book

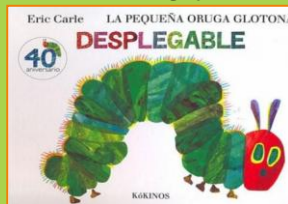


Flashcards

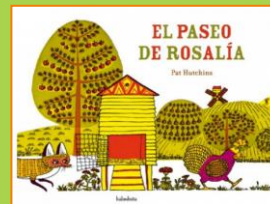


10. **From 3 to 6 years:** Beautiful and simple stories, beautifully illustrated with which children can start in the wonderful world of reading.

The Little Hungry Caterpillar

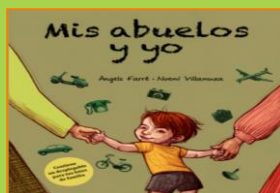


The walk of Rosalia

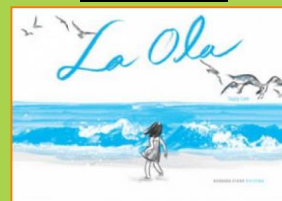


11. **Over 6 years:** Adventure stories, close, intimate and mysterious characters and theme books of interest to children and to promote their hobby of reading.

My grandparents and I



The weaver

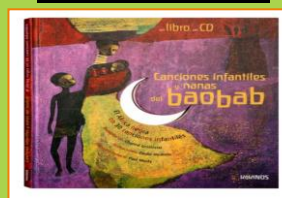


12. **Music to your Ears:** Music for children that transport you to your childhood and it is an excuse to share with your child.

The four Seasons



Nursery Rhymes



To Sleep

13. Decoration: Accessories to transform the children's room into a magical place.

Star Projector



Carpet City



14. Room of Tale: Here you will find room layouts to dream and grow.

Crown's Corner



House Cottage



15. To Play and Study: Tables to work, study or play, and chairs with adjustable height.

Desk Sleeping Beauty



Matti Desk



16. Everything is in Order: Closets, shelves, chests and drawers to store and tidy up the room.

Shelves / Coat rack



Bear Storage Bag



Source: Own elaboration. Data: Website Kamchatka Magic Toys



Price

The price is a marketing instrument that greatly influences in the purchase decision and it has an important psychological impact on the client. The price of the products or toys of Kamchatka Magic Toys vary (sometimes the variation is very large) depending on the type of product or toy concerned, so the average or approximate price cannot be given. These prices are determined through a method based on costs, that is, once calculated all costs associated to the product (office rent, salaries, wrappings, bags, etc.), applies a fixed margin of benefit. Due to the large number of products of the company, in the following table (Table 1), the price of the cheapest and most expensive product is shown, as well as the average price of each one of the different product lines of the company:

Table 1. Min, max, and average price of the product lines

Product Lines	Minimal Price	Maximum Price	Average Price
I'm an Artist	6,95€	105,99€	24,58€
Water Toys	5,90€	34,99€	22,84€
Mom, today I want to do...	8,50€	220,00€	35,57€
My five senses	9,99€	225,00€	31,76€
Nice weather today	5,80€	225,00€	58,44€
I'm a gourmet	8,99€	149,95€	28,89€
I'm older	12,95€	53,95€	25,16€
Waldorf	10,99€	85,00€	30,79€
From 0 to 3 years	6,25€	50,95€	20,81€
From 3 to 6 years	6,99€	30,95€	15,21€
Over 6 years	6,99€	34,50€	15,95€
Music to your ears	15,00€	25,50€	19,83€
Decoration	8,99€	279,99€	91,15€
Room of tale	435,00€	1.750,00€	1.008,00€
To play and study	435,00€	920,00€	669,00€
Everything is in order	19,90€	95,00€	43,44€

Source: Own elaboration. Data: Website Kamchatka Magic Toys



Distribution

Regarding distribution channels, Kamchatka Magic Toys has a wide variety of ecological toys carefully selected from the best European manufacturers (Haba, Green Toys, Kapla, Selecta Spielzeug, Moulin Roty, Djeco, Grimms, Käthe Kruse, Maileg, Asmodee, Vilac, Lilliputiens Plantoys, etc.) which provides directly to consumers, so it is a distribution channel level 1 (Manufacturer, Retail, Consumer). The distribution of their products to the final consumer does so in two ways:

On the one hand, Kamchatka Magic Toys distributes its products through its physical shop in Madrid on Calle San Agustin (Figure 7), where customers can go and buy. The shop is open Monday to Friday from 10:30 to 14:00 and 17:00 to 20:00 and on Saturdays from 11:00 to 14:00. However, the first Saturday of every month (except in August) the store is open continuously from 11:00 to 15:30, since the "*Mercado de las Ranas*" is celebrated in the Barrio de las Letras, where all the shops in this district open their doors and show their products on the street, trying to boost economic development in the neighborhood.

Figure 7. Physical Store



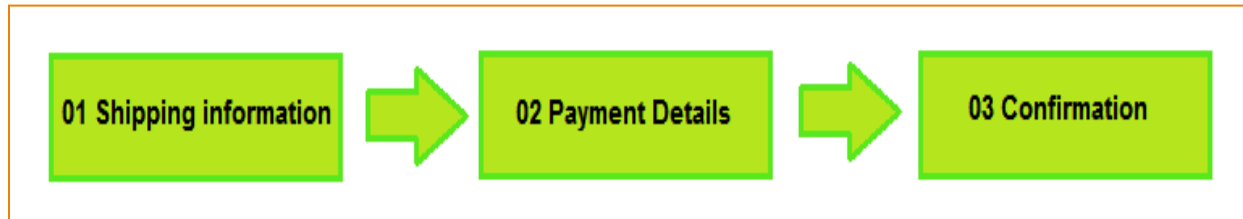
Source: Website Kamchatka Magic Toys

On the other hand, Kamchatka Magic Toys also distributes its products through its website, where orders can be made from anywhere in Spain, Portugal and Andorra (other countries can also place orders but with shipping costs and delivery deadlines specials).



To carry out the order on the website, the user must register (although it is also possible to purchase without registering). After selecting the products to be purchased, the user must perform three easy steps (Figure 8):

Figure 8. Steps to order products



Source: Own elaboration. Data: Website Kamchatka Magic Toys

The company associated with which they work to perform shipments is *MRW*, the delivery term is 24-48 hours and the shipping costs are 6.50€ on the peninsula, 15€ on Baleares and 25€ Canarias (free shipping from 90€). The online store has a security system called SSL, so that customers are assured that third parties will not access to their data (even if customers do not want to provide the data on its credit card for payment they may also pay by bank transfer).

Communication

Kamchatka Magic Toys has used different communication tools during his business career and they are as follows:

In the first place, Kamchatka used *advertising* to be disclosed through different media such as magazines (Mía, Toys B2B, Telva and Conde Nast Traveler), blogs (My Petit Madrid, am now Mom, Tigreteando, The Village letters, etc.), television reports on channels such as TVE, Antena 3 and Telemadrid, as well as an advertising spot on the Internet made by Five Top Five, a company dedicated to promoting small businesses in Madrid.

In the second place, another communication tool used by Kamchatka has been the *promoting sales*, where they try to stimulate the purchase of their toys through discounts of between 10% and 20% in both its physical store and its web page, which they vary throughout each year. In addition, they have an outlet where offer products that are out of season at discounted prices (up 40%).



In the third place, the company also uses *direct marketing* to communicate with existing or potential customers through its website, e-mail and social networks (Instagram, Pinterest, Facebook and Google +).

Figure 9. Social Networks



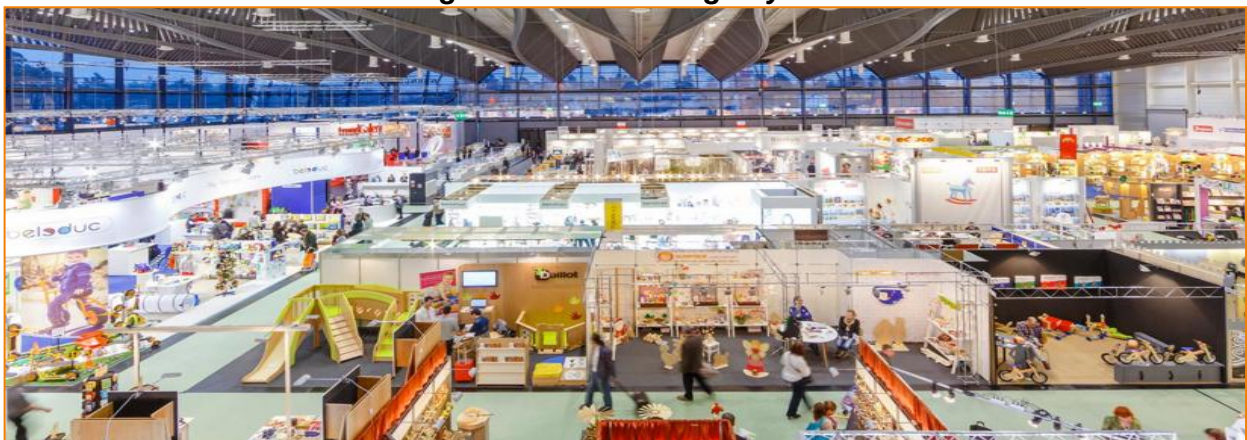
Source: Own elaboration

Finally, Kamchatka uses *interactive marketing* and *events* to have a closer relationship with its customers. On the one hand, on its website they have a blog where they regularly publish news and articles where people can discuss and share their opinions. On the other hand, occasionally they perform events in its magical and adorable shop, where several professional storytellers like Alice Mohíno or Margalida Albertí tell magical and stunning stories both children and adults.

2.1.2.4 R & D

With regard to R & D, in Kamchatka Magic Toys do not perform technological innovations or make new toys, but they attend toy fairs to know where the industry is going, discover new trends and new toys and meet new artists . In this way, they bring new products to its store with which to conquer customers. One of the toy fairs they attend every year is the *Nuremberg Toy Fair* located in Germany (Figure 10), which is the most important toy fair worldwide, held in late January and early February.

Figure 10. Nuremberg Toy Fair



Source: Website Spielwaremesse



2.1.2.5 Corporate Social Responsibility

Corporate social responsibility of Kamchatka Magic Toys goes far beyond of the respect and compliance with rules and laws, since the materials used in their toys are ecological rag and wood, which is good and safe for both children and for planet.

Companies with which Kamchatka work are serious and they carry out strict environmental policies. Therefore, the wood used in their toys is controlled by the FSC (*Forest Stewardship Council*), which promotes appropriate forest management, economically viable and socially beneficial of forests worldwide (Figure 11).

Figure 11. Forest Stewardship Council



Source: Website FSC

In addition, many toys of Kamchatka have the seal of quality "Spiel Gut" granted from the German Association Spiel Gut, meaning "good doll". This association has about 40 specialists who evaluate and recommend the best toys from around the world for its security, its design and their educational properties. Also, their toys have the "LGA Qualitäts Zertifikat" quality certificate and the "CE" label (Figure 12), which is used to be able to trade toys in the EU:

Figure 12. Spiel Gut, LGA Qualitäts Zertifikat and CE



Source: Website Spielgut

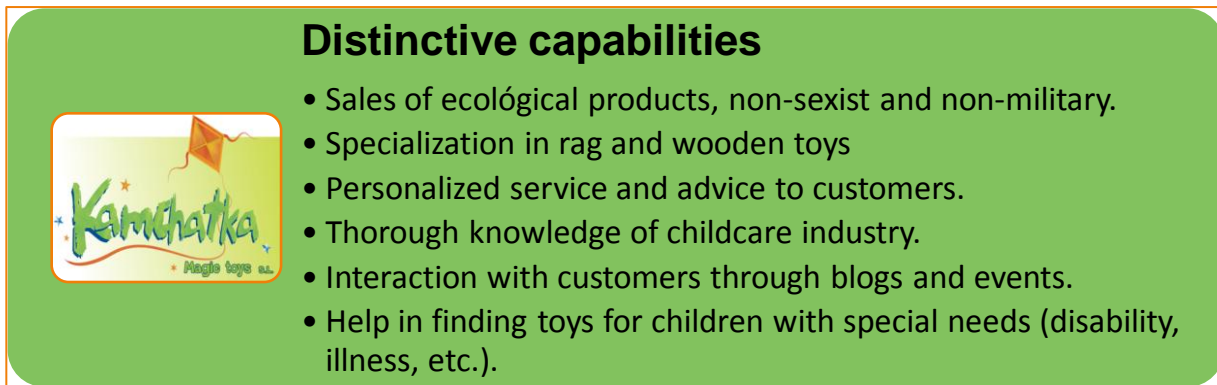


2.1.3 Capabilities of the company

2.1.3.1 Distinctive Capabilities

Kamchatka Magic Toys is a store specialized in toys very different compared to other companies in the toy industry, which they have achieved through their passion, enthusiasm and dedication to what they do. His project is an alternative to typical commercial toys and they have been able to differentiate from competitors (Figure 13):

Figure 13. Distinctive capabilities of Kamchatka Magic Toys



Source: Own elaboration

2.1.3.2 Value Chain

Except for inbound logistics and product development operations, Kamchatka Magic Toys is involved in the entire value chain (Figure 14):

Figure 14. Value Chain



Source: Own elaboration



Support Activities

- **Infrastructure:** In this company only work tow employees, so there are no departments. One employee is responsible for all administrative tasks and the other employee is responsible for serving customers.
- **Human Resources:** Kamchatka is a family business, so they do not carry out tasks of recruitment, selection and hiring of new employees.
- **Technology:** This Company does not carry out R & D, but its employees are always informed about the current market of toys, because they visit each year one of the most important fairs of toys in the world, to find new toys and bring them to its store, Nuremberg Toy Fair.
- **Procurement:** Employees of Kamchatka devote much time to select the toys which they will sell, to be sure that products comply with the values of its wonderful store (ecological, non-sexist and non-military toys) and with quality standards.

Primary Activities

Kamchatka Magic Toys is a retail business, and therefore they do not perform tasks related to inbound logistics and product development operations, so these two sections will be omitted:

- **Outbound Logistics:** This Company is responsible for storing and distributing the finished product to the final customer. For the service of transporting products, Kamchatka is associated with MRV, a company that conducts home delivery services, with a delivery term of 24-48 hours.
- **Marketing and Sales:** Kamchatka sells its products both in its physical store and through its website. Among the marketing tools used by Kamchatka are advertising, sales promotion, direct marketing, interactive marketing and events.
- **Service:** Regarding customer service activities undertaken by the company they include advice for product selection, product returns (7 days), and a minimum 2 year warranty on all toys.



2.2 External Analysis

2.2.1 Macro Environment (PESTEL Analysis)

2.2.1.1 Political Factors

On the one hand, following the general elections held on the 20th of December in 2015, 2016 will be a year full of ambiguities, as the election results have made Spain a difficult country to govern, and therefore both companies and investors are waiting to see how it evolves Spain with the new government. In addition, the Spanish people feel distrust of political parties because corruption is becoming more common in the country, which added to the economic crisis and the existing unemployment, it causes an unstable and uncertain situation.

On the other hand, Spain failed to meet the deficit targets in 2015 agreed with Brussels, so that the new government will have to implement further adjustments in 2016 to correct the Spanish deficit, amounting to 4.8% of GDP (10,000 million euros approximately). This data is more worrying if we add the political uncertainty that the country is suffering today.

Finally, the Value Added Tax (VAT) raise approved by the government in 2012, negatively affected the toys sector (standard VAT rate of 18% to 21%). Although political parties have proposed changes in VAT for 2016, it appears that the standard VAT rate will remain the same.

Figure 15. Products with standard VAT rate 21%



Source: Own elaboration. Data: Website Hogarmania

2.2.1.2 Economic Factors

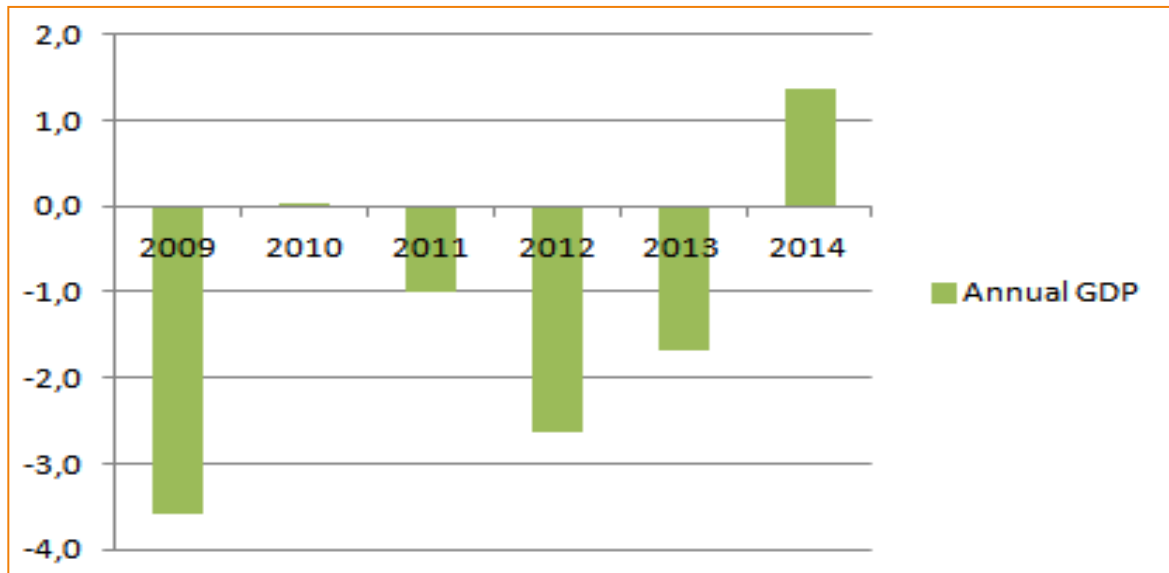
The suffered economic crisis in Spain in recent years has adversely affected all sectors, and it has led to a reduction in economic activity of enterprises and a reduction in jobs. As for the toys sector, both the increase in VAT and the reducing of consumption have led to a decrease in average household spending on their children, especially at Christmas.

One of the most important economic factors to consider is the *Gross Domestic Product* (GDP). In Graph 1 (base year = 2010), we can see that this indicator has been negative since the



beginning of the crisis until 2013. Specifically, in 2009 are registered the worst digits in recent year (-3.6%), in 2010 and 2011 a slight increase in GDP occurs, but in 2012 and 2013 decreased again (-2.6% and -1.7% respectively). Finally, in 2014 the first positive data in recent years are registered with a 1.4% of GDP, which seems to be a sign that the country begins to improve, and this proves the sale of toys, which in that same year rose 3.2% after several years of decline.

Graph 1. Annual rates GDP. Period from 2009 to 2014



Source: Own elaboration. Data: INE

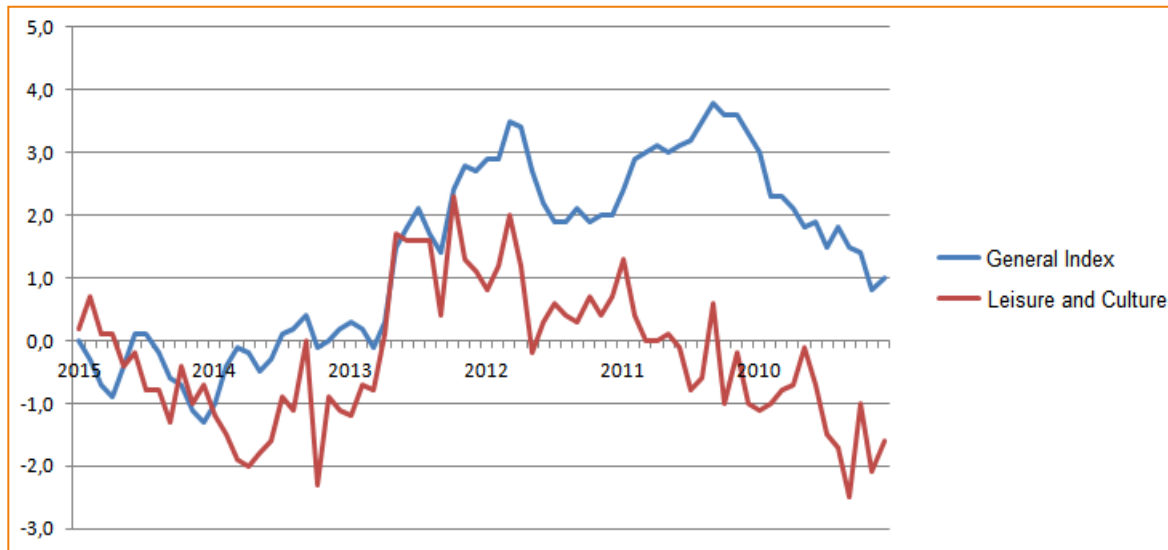
The second economic factor to consider is the *Consumer Price Index* (CPI). As shown in Graph 2, the CPI has been rising due to the economic crisis that has suffered Spain. From 2013 the CPI begins to drop dramatically mainly due to cheaper oil, reaching even -1.3% in 2014. From 2015, the CPI begins to rise, closing the year at 0% due to the increase in oil prices and some food products such as fresh fish.

As for the prices for *leisure and culture* (where toys are included), we can see how over the years it has been a similar trend to the general index. In 2015, it is observed throughout the year an increase in prices, ending the year with 0.2% mainly due to organized trips, and to a lesser extent, due to the price of toys and magazines, which at Christmas they have increased by 25%.

In general terms, prices in 2015 are lower than those in previous years, which mean that families have more disposable income and businesses have lower costs, and this favors, among other things, the toy market.



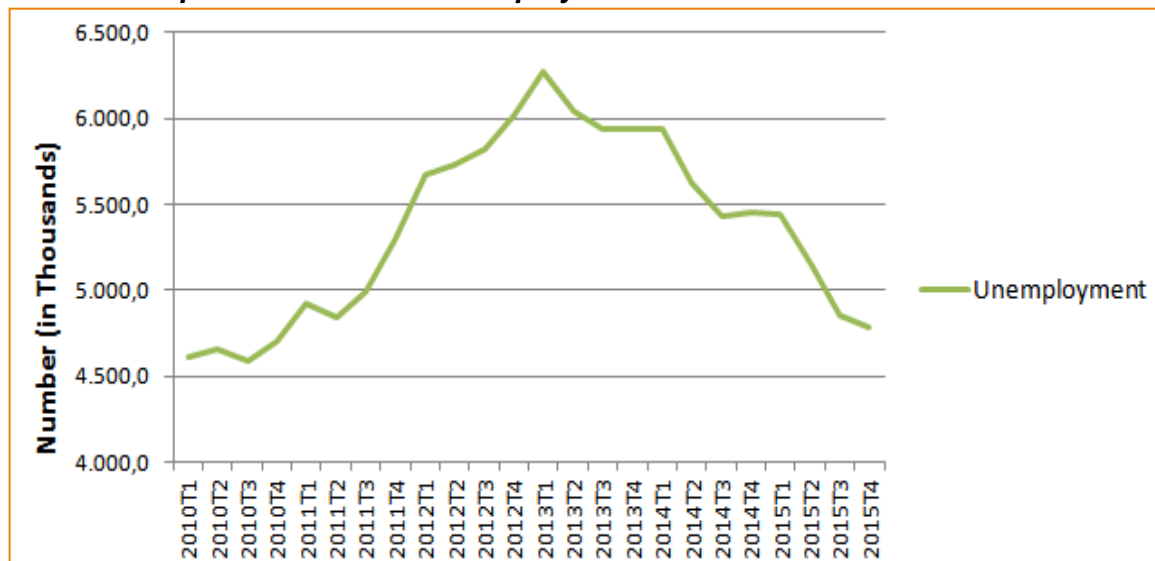
Graph 2. Evolution of CPI. Period from 2010 to 2015



Source: Own elaboration. Data: INE

Finally, Graph 3 shows the effect which the economic crisis has had on employment in Spain. In 2010 unemployment grew slightly, but from the third quarter of 2011, growth was much stronger, reaching more than 6 million unemployed between 2012 and 2013. Since then, unemployment began to drop until 4,779,500 by the end of 2015. Along with the stated above, unemployment has been another factor that has adversely affected the economic situation of Spanish households.

Graph 3. Evolution of Unemployment. Period from 2010 to 2015



Source: Own elaboration. Data: INE

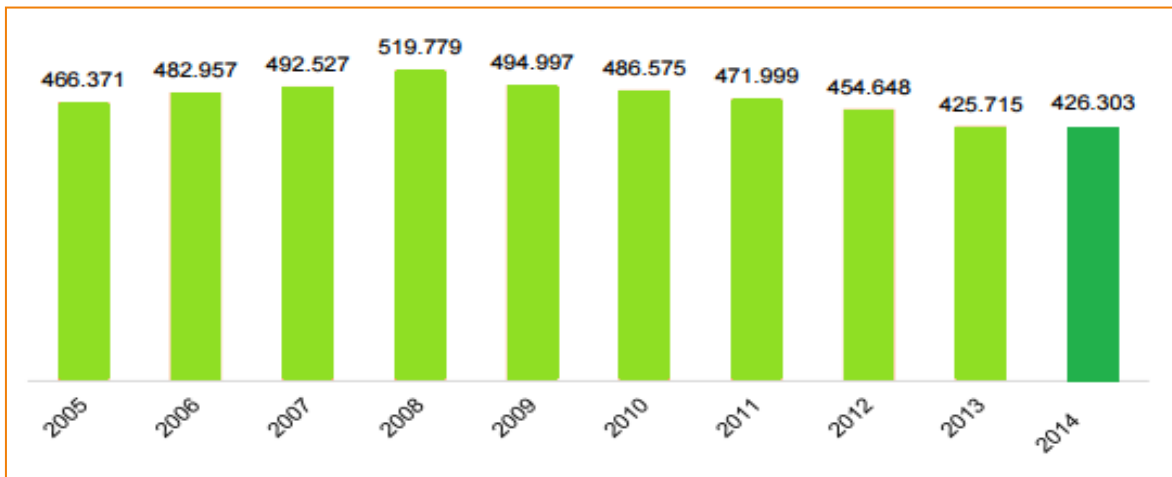


2.2.1.3 Sociocultural Factors

As for the sociocultural factors, we will analyze demographic trends in Spain, since it is one of the factors affecting the toy market, and thus also to Kamchatka Magic Toys:

In Graph 4 we find the evolution of the number of births in Spain over recent years. As we can see, births grow up to 2008, where with the arrival of the crisis, births began to decline up to the present.

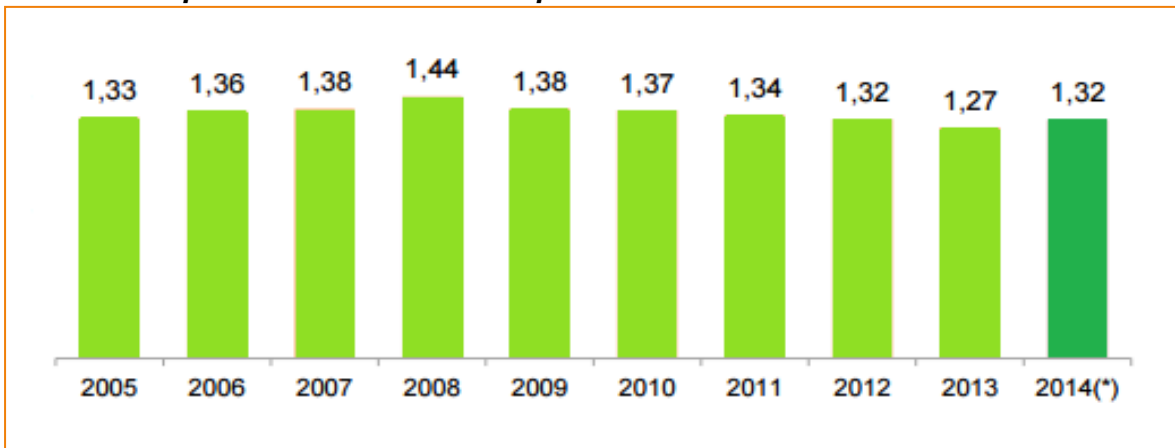
Graph 4. Number of births. Period from 2005 to 2014



Source: INE

This evolution of births in Spain is supported in Graph 5, where the average number of children per woman in Spain appears. This graph shows the same symptoms as above, since it ascends until 2008, and from 2008 it begins to descend to the present, and this is due to the reason mentioned above, the arrival of the crisis.

Graph 5. Number of children per woman. Period from 2005 to 2014

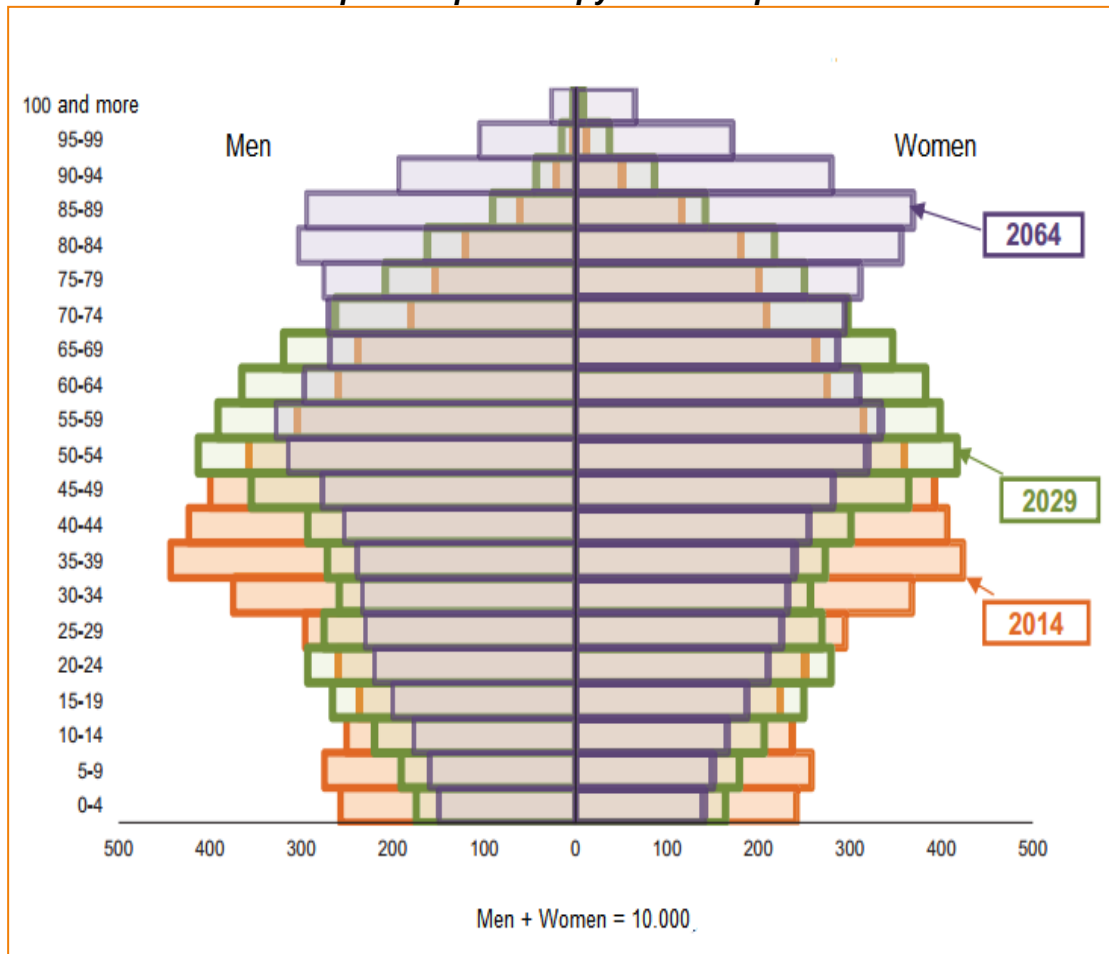


Source: INE



Graph 6 shows the population pyramid of Spain, where we can see the current situation and the future forecast for the years 2029 and 2064. The first feature of the pyramid is that today the population is concentrated in the 35-39 years. However, it is expected that this data change in the future with an increase in the aging population, focusing on the 80-90 years. In addition, it is also expected a decrease in the younger population, which is consistent with the graphs shown above.

Graph 6. Population pyramid of Spain



Source: INE

Therefore, after analyzing the births, the average number of children per woman and the population pyramid of Spain, we can conclude that there are fewer births every year and families choose to have fewer children, which is due to the economic crisis suffered by the country and the difficulty of many families to make ends meet, and this hurts the market of toys and Kamchatka Magic toys because the target audience they are addressed is somewhat smaller year after year and forecasts indicate that this trend is not going to change.



2.2.1.4 Technological factors

In recent years the technology has evolved rapidly, which has benefited substantially all of the companies, in both their productivity and their ability to expand and become known. In particular, companies in the toy industry have benefited from the *Information and Communications Technology* (ICT) for several reasons:

On the one hand, the Internet has facilitated companies the process of gathering information on suppliers, competition, consumer tastes or the appearance of new products to implement in their businesses. All of this has made companies more competitive because of the increased knowledge of their environment and more efficient in terms of time and cost of obtaining information. On the other hand, the Internet has also facilitated the process to announce companies and advertise their products to people from all over the world, and this has been possible thanks to social networks and the website of organizations.

In addition, electronic commerce (also known as e-Commerce) has made businesses not only be able to advertise their products to people around the world, but they can also make purchases and sales of products or services anywhere through different electronic means. This has meant for companies a number of advantages, such as: improvement in distribution (digital products), improvement in commercial communications (company website), greater benefit in operations (errors, time and costs reduced) and easier to retain customers (through communication strategies on the website).

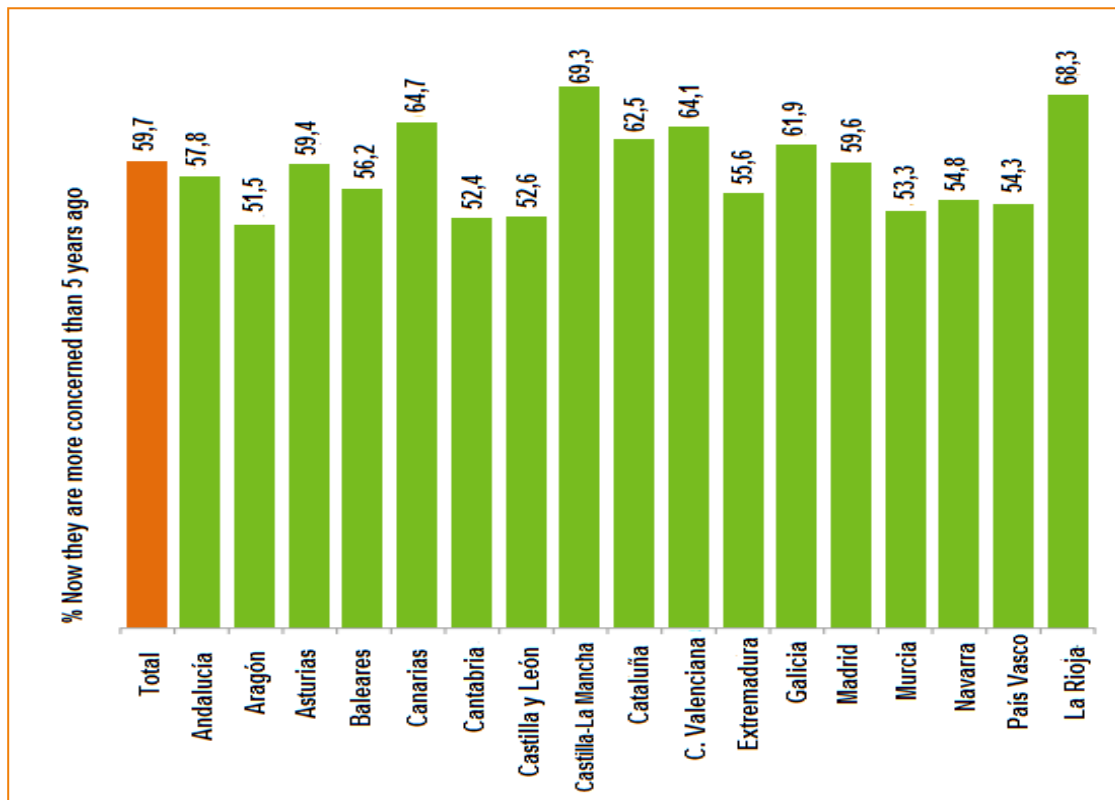
Finally, the evolution of technology has also affected the management model of enterprises, as many management tools have appeared, such as model Customer Relationship Management (CRM). CRM is a business strategy adopted by companies to manage customer information in a structured and orderly way, which helps them to have better information about customers. This can help, for example, that companies submit an offer of suitable products to each customer based on their tastes and interests and to satisfy their needs, so it will help companies to create lasting customer relationships.



2.2.1.5 Ecological Factors

Thanks to a study by Leroy Merlin, we will discuss how environmental awareness has evolved in Spain. As noted in Graph 7, the percentage varies according to Autonomous Community, but overall, 59.7% of the Spanish population is more concerned about the environment now, than 5 years ago. In addition, the study specifies that people between 25-35 years, with children and living in cities between 50,000 and 500,000 inhabitants have a greater environmental awareness.

Graph 7. % of population with ecological awareness



Source: Study realized by Leroy Merlin

In conclusion, this change of mentality in Spanish is a positive signal for both the market of ecological products and for Kamchatka Magic Toys, since people tend to buy more products that are environmentally friendly. Also noteworthy is that people demand these products for three reasons: the first reason is due to savings, such as buying energy saving light bulbs. The second reason would be for a healthy lifestyle, such as buying ecological food. Finally, another reason would be the ethical values of the people, which try as far as possible to respect the environment by buying ecological products of all kinds and through ethical behavior like recycling garbage.



2.2.1.6 Legal Factors

In the market of toys, all toys must go through a series of checks that are legislated by two European Security Directives:

- *Directive 88/378/EEC of the council of the 3th of May in 1988* to ensure the quality and safety of toys.
- In 2009 a new directive which improved its predecessor entered into force, *Directive 2009/48/EC of the European Parliament and the Council of the 18th of June in 2009*.

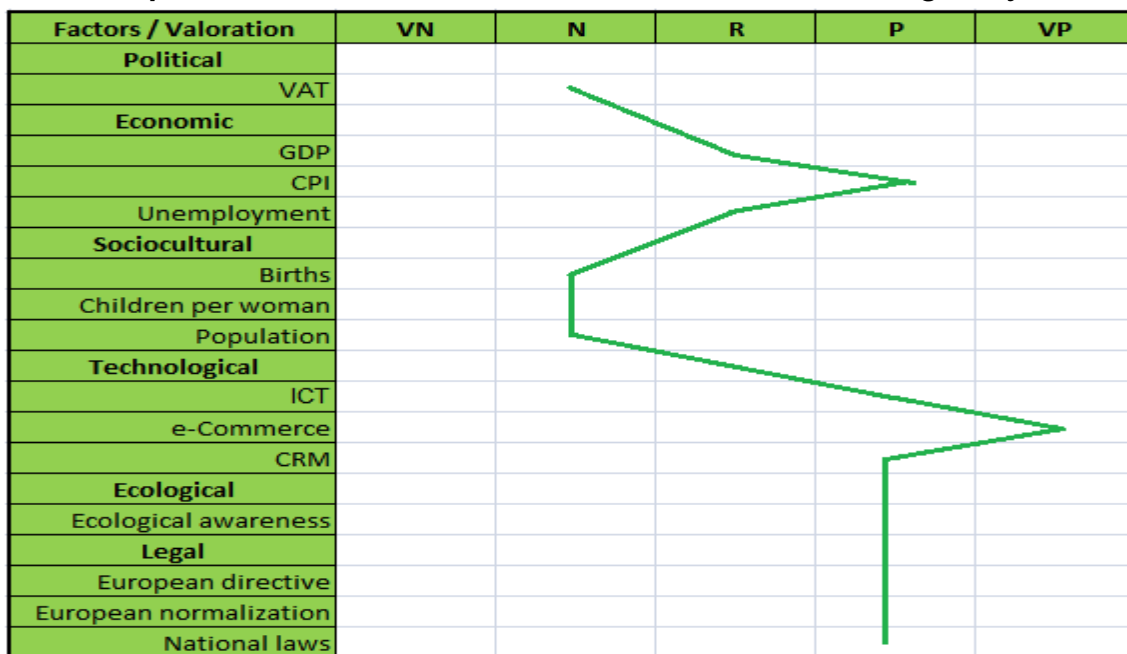
As for European standardization:

- Normative *EN/71.1 and EN/71.2 of the ECS (European Committee for Standardization)*.
- The European standard *EN/71* detailed along its sections, the safety requirements to be met by all toys sold in the EU.

Finally, in Spain there are a number of norms for toys:

- *Royal Decree 1205/2011, of the 26th of August*, on the safety of toys.
- *Royal Decree 1285/2010, of the 15th of October*, where norms relating to mixtures or substances used in the manufacture of toys were approved.
- *Royal Decree 2330/1985, of the 6th of November*, in which toy safety norms related to infantile use and joke products were approved.

Graph 8. Influence of macro-environment in Kamchatka Magic Toys



Source: Own elaboration



2.2.2 Micro Environment

Then, we will use the five forces of Porter to analyze the toy industry and the degree of competition in it. Thus, this analysis will help us to formulate business strategies to take advantage of market opportunities and addressing existing threats (Figure 16).

Figure 16. Porter's five forces model



Source: Own elaboration

2.2.2.1 Bargaining power of customers

The bargaining power of customers is the degree of power they have to get good prices and conditions. On the one hand, if the number of customers in a market is small, their bargaining power is increased because there is little demand. On the other hand, if there are many competitors in a market substitutes, the bargaining power of customers also increase, as it has many options to choose.



Specifically, the market of ecological toys has experienced tremendous growth in recent years in both the number of users and the number of competitors. About 10 years ago, the market of ecological products was relatively small both on the side of supply and demand, but in the last five years in Spain environmental awareness has grown tremendously and has become very popular. The growth of consumers who want ecological toys has made the bargaining power of customers decreased, but the growth of ecological shops toys in Spain has made the consumer has more choices when deciding where to buy ecological toys. In addition, the cost of changing of the customers is reduced because they do not have to travel to buy in other stores, and this is thanks to e-Commerce. Therefore, the bargaining power of consumers has increased in that sense. Finally, it notes that even though there are other stores of ecological toys in Spain, Kamchatka continues to differentiate itself from traditional toy stores (which in Spain are many), so that the bargaining power of consumers is somewhat lower.

2.2.2.2 Bargaining power of suppliers

Regarding the bargaining power of suppliers, when the number of existing suppliers on the market is small, their bargaining power is increased. Also influence other factors such as ease of access to raw materials and the volume of buying of the companies.

Kamchatka Magic Toys offers more than 25 brands that come from different suppliers (Life Time, Brio, Kathe Kruse, Paidi, Sentosphere, Haba, Djeco, among others ...), so the number of suppliers with they work is high. In addition, Kamchatka has long term relationships with most of them, so the bargaining power of suppliers is low. However, since it is a small shop, its purchase volume is reduced and they do not enjoy economies of scale, so that the bargaining power of suppliers increases in that sense.

2.2.2.3 Threat of new entrants

The threat of new entrants is higher or lower depending on the barriers to entry that exist in a market or industry. Specifically, people who want to create a toy store like Kamchatka Magic Toys must consider the following barriers to entry:

- Lack of experience and know-how, which is a big disadvantage when competing with other companies, especially in the beginning, because people do not have the skills and knowledge necessary to perform the various tasks to be performed (suppliers, distribution channels, promotion, pricing, government policies, laws, consumer tastes, etc.).



- Strong customer loyalty with existing businesses. Most consumers will buy their toys at their habitual store, making it difficult to get market share. One way to cross this barrier to entry would be through the differentiation, but it is very difficult in the current toy market.
- Initial financial outlay. People who want to create a toy store will face with the rental costs (local medium-large to provide a good service), local reforms, negotiate with suppliers, etc.

Given that these barriers to entry are quite important, the threat of new competitors is reduced, because the new companies would have a great disadvantage with respect to the competition, which is not attractive to people who want to start a business in this sector.

2.2.2.4 Threat of substitute products

Substitute products are those that cover the same needs but they have different properties or characteristics.

For toys, the threat of substitute products is high, because at present there are many different products that focus on the children's market, such as consoles, video games, movies, books, cell phones, electronic toys, etc. However, toys are still very important in the development of children, especially in early ages, so even though there are substitute products, families continue buying toys for their children. In addition, Kamchatka Magic Toys does not sell only toys and rag dolls, but also they sell products related to reading and music for all ages, table games and costumes among other things. Therefore, even though there are many products that target the children's market, the toys will always have a place in the home, so the threat of substitute products is reduced slightly.

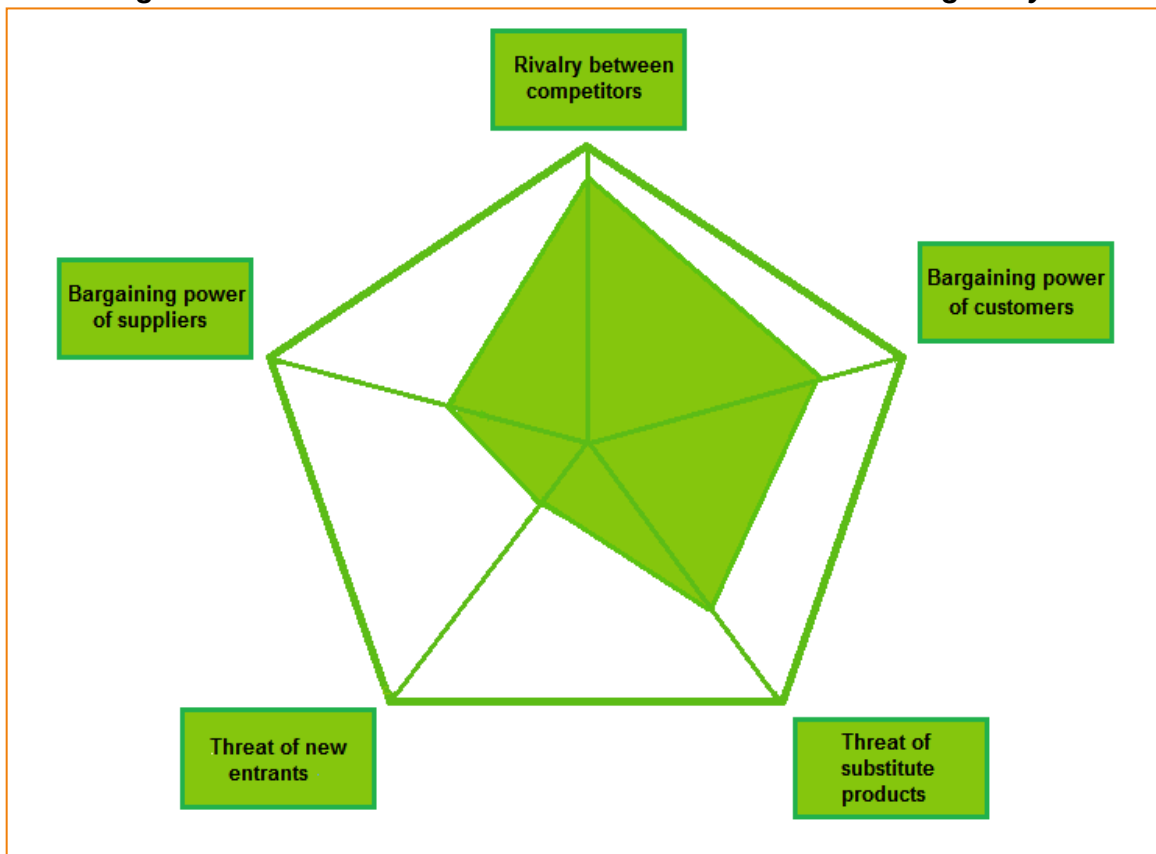
2.2.2.5 Rivalry between competitors

In general, in Spain there are a large number of companies selling toys (some very known as *Toys "R" Us*), so the rivalry between competitors is very high. But if we focus on the market for ecological toys, the number of companies is much lower and therefore the rivalry is also lower. For example, in Madrid, in addition to Kamchatka Magic Toys they are also Hullitoys SC and CucuToys, and we can find other stores of ecological toys like VeoBio, Alupé or Juguetea, among others nationally.



Although toy stores can be located in a particular location, with the arrival of e-Commerce their rivalry has greatly increased, as thanks to their online stores, they can sell their products anywhere in Spain . Furthermore, in the toy market it is very difficult to differentiate, which further increases the rivalry between competitors. Finally, according to the Extremadura Consumers Union (ECU), the price differences in the same toy can vary up to 30% between different establishments (especially at Christmas time), which means that the pricing rivalry between competitors is high.

Figure 17. Influence of Porter's five forces in Kamchatka Magic Toys



Source: Own elaboration

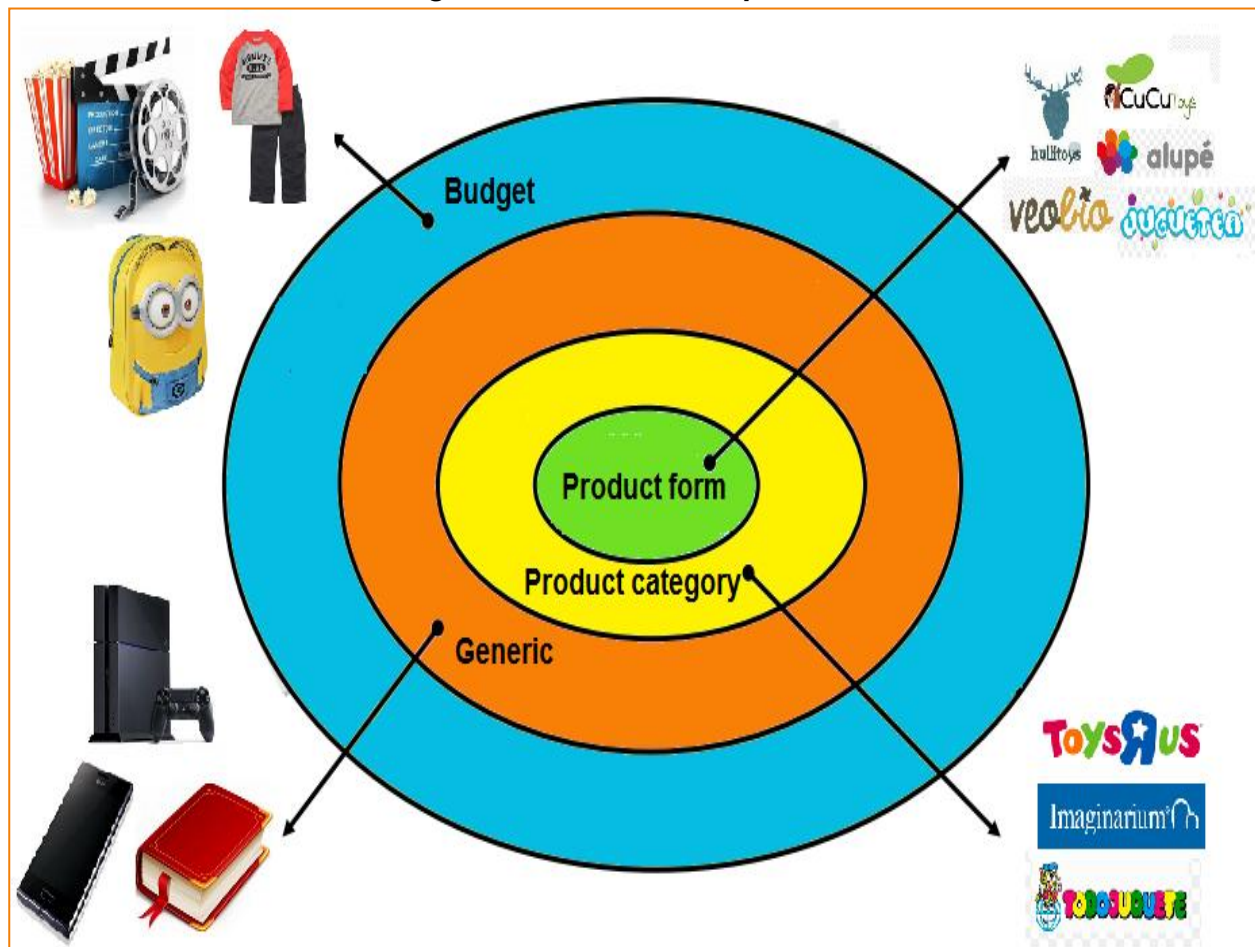


2.2.3 Competitive Analysis

2.2.3.1 Levels of competence

When companies compete in a market or industry, not only have to satisfy the needs of consumers, but they have to do better than the competition. Competitors of Kamchatka Magic Toys are all companies operating in the sector of toys. There are four levels of competition from the customer's perspective (Figure 18):

Figure 18. Levels of competence



Source: Own elaboration

- **Product form:** In this first level of competition we find to all direct competitors of Kamchatka Magic Toys because they also sell the same product with the same attributes, that is to say, ecological toys. Among those competitors are Hullytoys, CucuToys, Alupé, VeoBio and Juguetea.



- **Product category:** In this second level of competition we find to all companies that sell the same product but with different attributes, that is to say, conventional plastic and battery toys, among others. Some competitors of this level of competition are Toys R Us, Juguettos, Imaginarium and Todojuguete.
- **Generic product.** In this third level of competition we find all those products that satisfy the same need, but without need to be toys, that is to say, substitute products such as a console, video games, books, mobile phones, etc.
- **Consumer budget.** Finally, in the fourth level of competition are all products that try to get the same budget from consumers of Kamchatka Magic Toys, that is to say, everything that is aimed at children such as film, backpacks, clothes, etc.

2.2.3.2 Main Competitors

In the toy industry there is a lot of companies that sell these type of products (in 2014 had registered 184 different toy stores), so the competition is very strong. Although Kamchatka Magic Toys has known to differentiate from most competitors by offering ecological toys that are environmentally friendly, it is important to analyze the main competitors that are in the level of competition "Product form", as they offer the same products with the same attributes. In this way, we will know more deeply competitors from Kamchatka Magic Toys and thus find out what are their strengths and weaknesses. The main competitors are:



Hullitoys is a toy store located in Madrid, where most of their toys are made with natural and ecological materials. However, some of their products work with batteries (for example, its product line "Brio Trains"), so it is not a 100% ecological shop. Their philosophy is that children grow up playing with toys lifetime, those who are saved in the loft and inherit from their grandparents. Then we will show the product portfolio of Hullitoys:



Figure 19. Product lines, n° of products and average price of Hullitoys



Source: Own elaboration. Data: Website Hullitoys



As we can see in Figure 19, Hullitoys has a wide variety of product lines. Also, they have about 40 different brands of toys, and all of them carefully chosen to ensure the highest quality and that they have been made with natural and ecological materials, although it is noted that a minority of their toys are electric, which moves away from the philosophy of the company. Regarding the price, the product lines of Hullitoys have very different prices depending on the type of product. The cheapest product line is the line of *Jewelry* and the most expensive is the line of *Brio Trains*.

As for distribution, Hullitoys uses two ways to sell their toys: the first way is through its physical store which is located in Madrid, in the urbanization Pinosol (M600) 28280, with storehouse in the Escorial, and the second way is to through its website, where people can order their toys from anywhere in Spain and some countries such as Germany, Italy, Portugal and UK. The website has daily promotions and delivery times vary between 24 and 96 hours depending on the shipping method and the company that perform the service (Kiala or Nacex), but if the request is from another country, delivery is extended to seven days. Finally, the shipping cost varies depending on the weight and destination, but shipping can be free if the order exceeds 50€ in Spain or 100€ in other countries.

Finally, Hullitoys uses various communication tools, such as trade promotion (discounts and offers in physical store and website), direct marketing (Facebook, Twitter, Youtube, Google +, Pinterest and Instagram) and advertising (interviews in magazines and TV shows such as "*Hoy por Hoy*" by Cadena SER).



CucuToys is a toy store located in Madrid where all toys are made with environmentally friendly and durable materials and also stimulate creativity and imagination. CucuToys knows how important the game is for children and therefore they decided to undertake his great project, so that people can find the right toys for their children and which are responsible with the environment. Then we will show the product portfolio of CucuToys:



Figure 20. Product lines, n° of products and average price of CucuToys



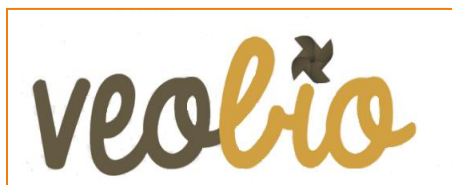
Source: Own elaboration. Data: Website CucuToys



On the one hand, Figure 20 shows the different product lines of CucuToys, which are varied and they are formed by toys with more than 25 different brands. Also, they are made with ecological materials which respect the environment and they are non-sexist toys. The depth of product lines of CucuToys is less than most of their competitors, but nevertheless, they have toys of all types and varieties. As for prices, the product lines of CucuToys have very different prices depending on the type of product. The line with the highest prices is the line of *Vehicles* and the cheapest is the line of *Outdoor Toys*.

On the other hand, CucuToys uses two ways to distribute and sell their products: the first way is through its physical store, which is located in Madrid, in Calle de Sarria nº 52, and the second way is through its website, where orders can be made only from Spain (peninsula and Balearic and Canary Islands). Delivery times are 24 hours on the peninsula and 48-72 hours in Balearic and Canary islands, although it is possible to expedite delivery times in emergency situations calling the company (birthdays or other events). As for the shipping cost, on the peninsula the cost is 4,99€, and in the Balearic and Canary Islands the cost varies depending on the weight (minimum cost 11,29€). The shipping cost can be free if the order is above 80€ (only in peninsula).

Finally, CucuToys uses various communication tools, such as trade promotion (discounts and offers in physical store and website), direct marketing (Facebook, Twitter, Google + and Pinterest), interactive marketing (blogs on its website) and advertising (interviews in newspapers such as “*El Mundo*” and “*ABC*”).



Veobio is an ecological toy store located in a small village in the province of Huesca called Estallo, where is also located the warehouse from where toys are distributed. The connection of Veobio with nature did not start with the marketing of ecological toys, but previously they decided to settle in a natural setting in Estallo. Veobio toys are safe for both children and the planet, and stimulate the ability and creativity. Then we will show the product portfolio of Veobio:



Figure 21. Product lines, n° of products and average price of VeoBio



Source: Own elaboration. Data: Website VeoBio



Figure 21 shows the different product lines of VeoBio, which are similar to the product lines of competitors which we saw earlier. Their products come from 21 different brands and they are made of materials that reduce the environmental impact to a minimum, and if we add that the store is located in a natural setting, the visit to the store becomes a pleasant experience. VeoBio prices are similar to those of competitors (slightly higher or lower depending on each product). The most expensive product line is the line of On Wheels and the cheapest is the line of Crafts.

As for the distribution of products, VeoBio uses two different ways: the first way is through its physical store, which is situated in Calle Única in Estallo, a small village in the province of Huesca. The second way is through its website, where people can place orders from Spain, Andorra and Gibraltar. Delivery times are 24-48 hours in Peninsula and Balearic Islands and up to 72 hours in the other locations mentioned. Regarding the shipping cost, the cost is 5€ on the peninsula (free with orders over 70€) and in other locations the cost depends on the weight of the goods and the distance (customs charges and local taxes as canary IGIC borne by the buyer).

Finally, communication tools used by VeoBio are: trade promotion (discounts and offers in physical store and website), interactive marketing (blogs on the website), direct marketing (Youtube, Facebook, Twitter and Pinterest) and advertising (interviews in newspapers and magazines such as *"La opinion de Murcia"* or *"EducActivate"* and web positioning thanks to the agency *"o10media"*).



Alupé is an ecological toy store located in Bilbao, which born with the aim of boosting the influence of the toys on the development of children. The toys are made of natural materials and the wood used comes from sustainably managed forests. Alupé not only involved in the care of the environment selling ecological toys, but also they perform other sustainable and solidarity activities, such as working with an ethical banking "Triodos Bank" or participate every year in the solidary trade market of Bilbao. Then we will show the product portfolio of Alupé:



Figure 22. Product lines, n° of products and average price of Alupé



Source: Own elaboration. Data: Website Alupé



As we can see in Figure 22, the product lines of Alupé are varied and some of them are different from those seen in its competitors, such as "Fine Motricity" or "Symbolic Play". All products are made from wood that has FSC certification, so that forest management is assured. In addition, toys are free of chemical products (water, oil and glue with certified E-Zero), so that children are not in danger. Regarding the price, the product lines of Alupé have very different prices (similar to those of competitors), where the most expensive is the line of *Constructions*, and the cheapest is the line of *Books*.

To distribute the toys, Alupé uses two different ways: the first way is through physical shop in Bilbao, Calle Andres Eliseo de Mañaricúa nº 5, and the second way is through its website, where people can place orders only from Spain. The website has daily promotions and delivery times are 24-48 hours in the peninsula and in the Balearic Islands, and 72 hours in the case of Ceuta, Melilla and the Canary Islands (subject to customs delays). As for the shipping cost, on the peninsula the cost is 6,50€ (regardless of the number of items in the order) and free in orders over 70€ (only in peninsula). For the Balearic and Canary Islands, Ceuta and Melilla, the cost varies depending on the weight. All orders are made by the courier SEUR.

Finally, Alupé uses various communication tools such as trade promotion (discounts and offers in physical store and website), direct marketing (Facebook, Pinterest, Google +, Instagram and Youtube), interactive marketing (participation in fairs such as "Feria de Ficoba" and blogs on its website) and advertising (interviews in newspapers such as "20minutos" or "La opinión de Murcia" and blogs such as "Tigreteando").



Juguetea is an ecological toy store which is located in Barcelona. This store offers toys that are responsible with the environment (because they are made with recycled materials). Also, they are educational (because they serve to learn and stimulate the senses of children), healthy and safe toys (because they do not contain products or toxic materials and they are non-sexist and non-military toys). Then we will show the product portfolio of Juguetea:



Figure 23. Product lines, nº of products and average price of Juguetea



Source: Own elaboration. Data: Website Juguetea





On the one hand, Figure 23 shows the product lines of Juguetea, which have the least depth compared with competitors analyzed above. In addition, the company offers 37 different brands, but the most important and common brands in Juguetea are eight (Yookidoo, Plantoys, Fem, Kroom, Greentoys, Villa Cartón, Crea Lign and Mindz). All toys are ecological and they help in the mental, physical and emotional development of children. Notably Juguetea has a special section called "*Re-Play*", where with the collaboration of the NGO "*Soñar Despierto*", they sell toys that families do not use to other families who need them, and thus give them a new use. As for prices, product lines are slightly lower compared with their competitors. The most expensive product line is the line of *Skidder / Vehicles* and the cheapest is the line of *Puzzles*.

On the other hand, Juguetea uses two ways to sell their products: the first way is through its physical store, which is located in Barcelona, and the second way is through its website, where people can place orders from Spain, Andorra and Portugal. Delivery times are 24 hours in the peninsula and 48-72 hours in the Balearic and Canary Islands and Portugal. As for the shipping cost, the shipment is free for orders over 60 € on the peninsula (for the Balearic and Canary Islands, Ceuta, Melilla, Portugal and Andorra the order must be greater than € 100). If the order is not free, the cost is 6,70€ on the peninsula, 8,70€ in Balearic Islands, Ceuta, Melilla and Andorra, 10,25€ in Portugal and 15,40€ in Canary Islands. Orders placed on the peninsula and Portugal, the order will be sent through the company Halcourier and other cases through the Post Office.



Finally, Juguetea uses various communication tools, among them: trade promotion (discounts and offers in physical store and website), direct marketing (Facebook, Twitter, Google + and Pinterest), interactive marketing (blogs on the website) and advertising (announced in online magazines such as "*Special Magazine*", "*DeJuguetes*" or "*Le Monde de Yurita*").




Table 2. Table Competition Summary

Competitors	Product Line	Medium Price	Distribution	Communication
	Table Games (118)	16,35 €	Spain, Germany, Italy, Portugal and United Kingdom.	Trade Promotion (discounts and offers in physical store and website).
	Wooden Toys (405)	23,03 €		
	Brio Trains (17)	44,47 €		
	Games Stack / Insert (49)	27,24 €	Delivery Times: 24-96h in Spain and up to 7 days in other countries.	Direct Marketing (Facebook, Twitter, Youtube, Google +, Pinterest and Instagram).
	Costume (160)	24,46 €		
	Dollhouses (66)	40,37 €		
	Castles / Characters (87)	23,95 €	Shipping Cost: Varies depending on the weight and destination.	Advertising (interviews in magazines and TV shows such as "Hoy por Hoy" by Cadena SER).
	Kitchens / Markets (112)	9,45 €		
	Dolls (83)	25,44 €		
	Outdoor Toys (245)	12,96 €	Shipping Cost free if: the order exceeds 50€ in Spain and 100€ in other countries.	
	Waldorf (240)	23,13 €		
	Decor (65)	15,40 €		
	Jewelry (27)	8,56 €		
	Books (138)	15,27 €		
Puzzles (124)	16,88 €			
	Insertable / Stackable (30)	21,51 €	Spain	Trade Promotion (discounts and offers in physical store and website).
	Educational Toys (74)	23,77 €		
	STEM Toys (78)	20,91 €		
	Montessori (10)	28,49 €	Delivery Times: 24h in the peninsula and 48-72h in Balearic and Canary Islands.	Direct Marketing (Facebook, Twitter, Google + and Pinterest).
	Waldorf (11)	51,99 €		
	Playsets (59)	37,57 €		
	Dolls (29)	35,52 €	Shipping Cost: 4,99€ on the peninsula and in the Balearic and Canary Islands the cost varies depending on the weight.	Interactive Marketing (blogs on its website).
	Kitchens / Meals (24)	23,34 €		
	Cars / Trucks (28)	24,36 €		
	Houses / Castles (19)	26,52 €	Shipping Cost free if: the order exceeds 80€ (only in peninsula).	Advertising (interviews in newspapers such as "El Mundo" and "ABC").
	Bath Toys (15)	16,92 €		
	Music / Theater (26)	30,77 €		
	Vehicles (50)	57,52 €		
	Outdoor Toys (66)	16,85 €		
Table Games (78)	21,44 €			



Competitors	Product Line	Medium Price	Distribution	Comunication
	First Discoveries (85)	21,07 €	Spain, Andorra and Gibraltar.	Trade Promotion (discounts and offers in physical store and website).
	Puzzles / Brainteaser (84)	30,07 €		
	Table Games (39)	21,43 €		
	Outdoor Toys (45)	61,48 €	Delivery Times: 24-48h on the peninsula and Balearic Islands and up to 72h in other localizations.	Direct Marketing (Facebook, Twitter, Youtube and Pinterest).
	Constructions (136)	29,89 €		
	Bath Toys (8)	16,44 €		
	On Wheels (25)	119,1 €		
	Kitchens / Shops (19)	49,19 €	Shipping Cost: 5€ on the peninsula and in other localizations the cost varies depending on the weight.	Interactive Marketing (blogs on its website).
	I want to be... (21)	32,00 €		
	Houses / Figures (56)	25,80 €		
	Cars / Boats (35)	25,13 €		
	Dolls and more (59)	16,50 €		
	Music (15)	31,63 €	Shipping Cost free if: the order exceeds 70€ (only in peninsula).	Advertising (interviews in newspapers such as "La opinion de Murcia" and web positioning with the agency "o10media").
	Stories / Books (24)	14,95 €		
Crafts (62)	8,92 €			
	Outdoor Toys (128)	30,58 €	Spain	Trade Promotion (discounts and offers in physical store and website).
	Stackable / Skidders (21)	29,69 €		
	Art & Crafts (31)	17,29 €		
	Baby Toys (42)	18,68 €	Delivery Times: 24-48h on the peninsula and Balearic Islands and 72h in Ceuta, Melilla and Canary Islands.	Direct Marketing (Facebook, Instagram, Youtube, Google + and Pinterest).
	Constructions (37)	41,55 €		
	Experimentation (7)	20,47 €		
	Skill Toys (28)	28,91 €		
	Symbolic Play (66)	34,32 €	Shipping Cost: 6,50€ on the peninsula and in other localizations the cost varies depending on the weight.	Interactive Marketing (participation in fairs such as "Feria de Ficoba" and blogs on its website).
	Table Games (35)	21,97 €		
	Literacy (26)	27,33 €		
	Books (50)	13,77 €	Shipping Cost free if: the order exceeds 70€ (only in peninsula).	Advertising (interviews in newspapers such as "20minutos" and blogs such as "Tigreteando").
	Mathematics (24)	36,36 €		
	Fine Motricity (39)	19,84 €		
	Music (20)	20,57 €		
Puzzles (42)	23,62 €			



Competitors	Product Line	Medium Price	Distribution	Comunication
	Dollhouses (25)	30,43 €	Spain, Andorra and Portugal.	Trade Promotion (discounts and offers in physical store and website).
	Dolls / Teddies (17)	12,39 €		
	Babies (67)	25,05 €		
	Cars / Trains (26)	25,76 €	Delivery Times: 24h on the peninsula and 48-72h in Balearic and Canary Islands and Portugal.	Direct Marketing (Facebook, Twitter, Google + and Pinterest).
	Bath Toys (4)	25,24 €		
	Music (6)	12,90 €		
	Skidders / Vehicles (9)	64,85 €		
	Educational Games (18)	16,07 €		
	Constructions (48)	20,65 €	Shipping Cost: 6,70€ on the peninsula, 8,70€ in Balearic Islands, Ceuta, Melilla and Andorra, 10,25€ in Portugal and 15,40€ in Canary Islands.	Interactive Marketing (blogs on its website).
	Skill Toys (23)	20,28 €		
	Puzzles (17)	11,12 €		
	Outdoor Toys (9)	15,37 €		
	Kitchen (18)	21,24 €	Shipping Cost free if: the order exceeds 60€ on the peninsula and 100€ in the other localizations.	Advertising (announced in online magazines such as "Special Magazine" or "DeJuguetes").
	Table Games (15)	12,77 €		
Imitation Toys (26)	13,38 €			

Source: Own elaboration

2.3 Market Analysis

2.3.1 Sector Analysis

This section will be divided into two parts: first we will explain what the situation of the toy market is, and secondly we will explain what the situation of the market for ecological products is.

The toy industry in Spain is made up of 184 companies (microenterprises represent 46% and the small companies represent 36% of the total) which in 2014 they had a turnover of 1,341 million euros, almost 100 more than the previous year and also they offer work to 3,850 people (Table 3). An important feature of this sector is its high geographical concentration, where the C. Valenciana and Cataluña represent 69% of the activity (42.39% corresponds to the C. Valenciana), according to the Asociación Española de Fabricantes de Juguetes (AEFJ).



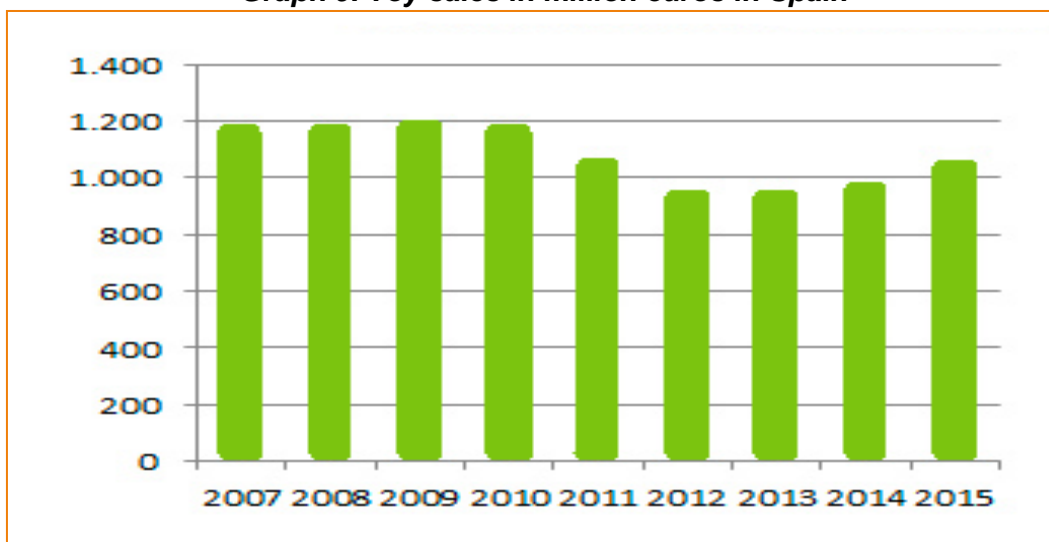
Table 3. Distribution by Company Type in 2014

	N° Companies	Employees	Turnover
Microenterprise	86	370	37.586.942
Small Company	66	1.105	237.910.452
Medium Company	24	1.125	431.466.486
Large Company	8	1.250	634.467.236
Total	184	3.850	1.341.431.117

Source: Own elaboration. Data: AEFJ

One important aspect that has to be analyzed is the sales that have occurred in Spain in the recent years. As we can see in Graph 9, the influence of the crisis in the toy industry came late to Spain, because until 2010 the numbers were stable. From 2011 sales figures fell sharply, but in 2013 and 2014 the trend changed again and it is observed a slight increase. The sales for 2015 are much more positive and they point to a recovery in the sector, because they are similar to sales before the crisis with a growth of 5.8% over the previous year (1.065 million of euros).

Graph 9. Toy sales in million euros in Spain



Source: Own elaboration. Data: AEFJ

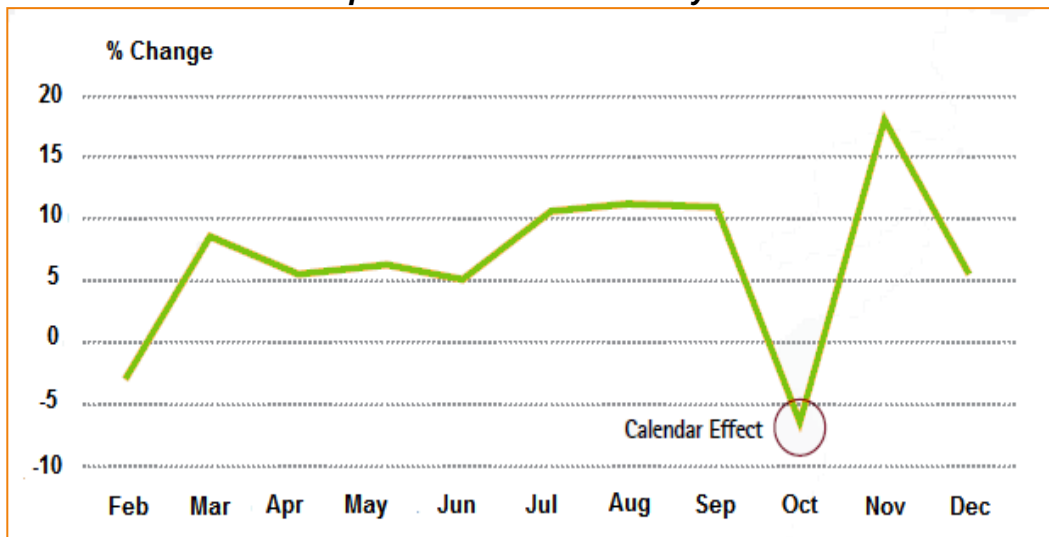


One factor that reflects the recovery in the toy sector in 2015 is the positive trend in most of its categories, since only *Electronic Toys* (-16.8%) and *Vehicles* (-0.3%) have a negative growth compared to the previous year. All other categories showed good growth, being *Constructions* the leader with 26%, followed by *Teddies* (+ 13%). However, if we analyze sales in millions of euros, the categories of *Childhood-Preschool* (182 million euros), *Dolls* (143 million euros) and *Table Games* (94 million euros) continue to lead the ranking of toys best sellers in Spain, as in previous years.

Another factor behind the growth of the toy market in 2015 is *Star Wars*, who leads the top licenses with a market share of 4.3% of the total market (supported by the premiere of the film "*Star Wars: The Force Awakens*"). Also noteworthy are the results of *Frozen*, reaching a market share of 3.5% of the total market, followed by other franchises such as *Minions*, *Paw Patrol*, *Avengers* or *Minecraft*.

If we analyze the seasonality of the toy market, in Graph 10 we observe as November is where most of the sales are accumulated in 2015 due to the proximity of the Christmas season, and people often make their shopping with a month in advance. In the rest of the year, sales remain more or less constant except after Christmas and October, where sales are much lower compared to the rest of the year.

Graph 10. Market Seasonality. 2015



Source: Own elaboration. Data: AEFJ



Regarding exports, in 2015 they grew 20.32% over the previous year (over 530 million of euros). The categories of toys more exported are *Vehicles* and *Dolls*, with a growth of 36.33% and 5.25% respectively. The main destinations of Spanish toys (Table 4) are Portugal, France and Italy, which together they represent more than 50% of the total exports, although it should also highlight the growth experienced on the United Kingdom in 2015, where exports have been doubled in the last year.

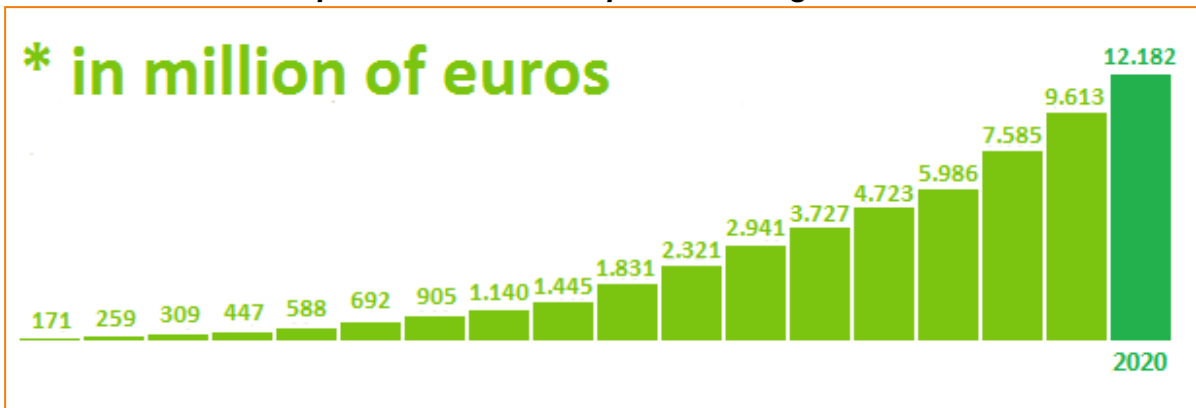
Table 4. Toy Exports from Spain

Country	Exports			
	ene-dic 2014	ene-dic 2015	Variation	% exp. 2015
PT -- Portugal	96.802.972,65 €	109.299.159,08 €	12,91%	20,45%
FR -- France	94.705.780,18 €	106.979.674,45 €	12,96%	20,01%
IT -- Italy	53.382.148,17 €	70.298.474,92 €	31,69%	13,15%
UK -- United Kingdom	23.109.716,84 €	40.651.653,35 €	75,91%	7,60%

Source: Own elaboration. Data: AEFJ

Then we are going to proceed to analyze the Spanish ecological market, where it is expected to be strong growth in the coming years as shown in the Graph 11. Specifically, in the last 10 years the ecological market has grown 25% annually and if growth remains, it is expected that 12.182 million euros will be reached in 2020.

Graph 11. Evolution of Spanish Ecological Market



Source: Own elaboration. Data: everis



In addition, according to a study by *everis*, 65% of the Spanish population wants to consume ecological products, but there are many obstacles that prevent it, such as the high price, ignorance and the difficulty of finding such products outside stores specialized. Note that the ecological market could be multiplied by three if the price differential between ecological products and non-ecological products decreases to a 40% (in Spain this differential is 74% today, well above countries like Germany and Denmark, where the price differential is 9% and 10% respectively).

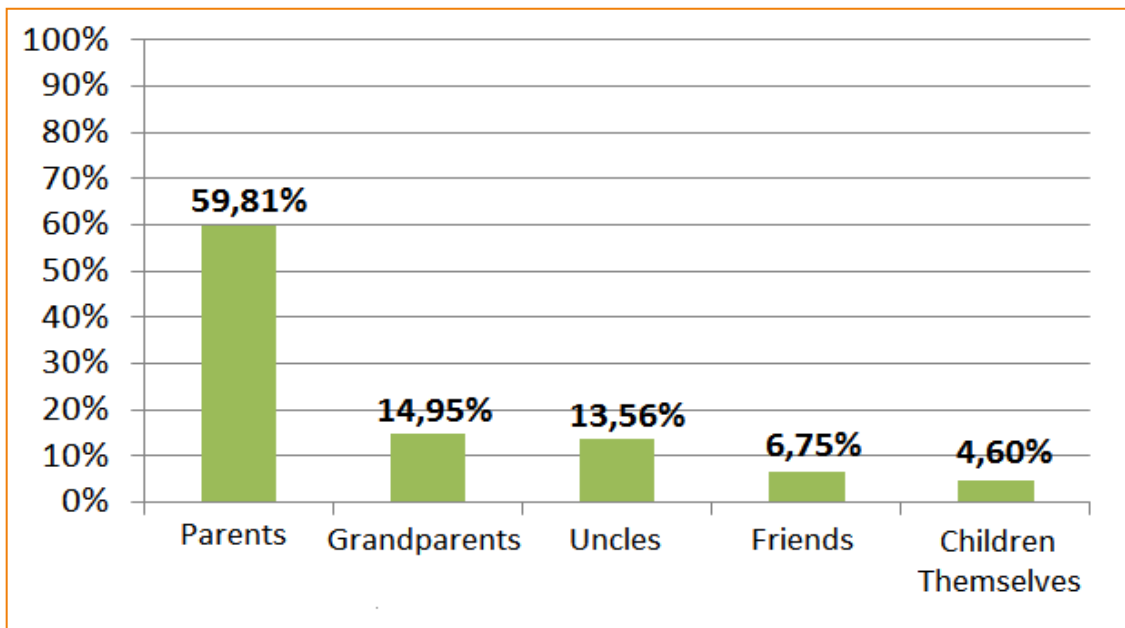
2.3.2 Consumer Analysis

In this section we will describe at both final consumers of toys (children) and people who buy toys (parents and relatives of children). To do this, we will answer the following questions:

¿Who buy?

According to a study by the *University of Valencia* (Graph 12), parents are the ones who usually buy toys for their children (59.81%), followed by grandparents (14.95%), uncles (13.56%), friends (6.75%) and finally, children themselves (4.60%).

Graph 12. Who buys toys?



Source: Own elaboration. Data: University of Valencia

Then, we are going to name some interesting facts about parents who usually buy toys for their children:



- Over 50% of parents who buy toys for their children are above 35 years, as currently people decide to have children in later ages.
- In 46% of cases, the man is who decides go to buy toys, which means that currently both sexes decide to buy toys for their children, considering that a few years ago was the woman who usually bought them.
- 80% of parents use Internet as a source of information about prices, features, pictures or description of the toys before making their purchases. However, most of them tend to complete their purchases in the physical store.
- Parents between 35 and 40 years are who the most toys buy for their children. In addition, younger parents are more likely to buy via online.

¿Why do they buy?

Following with the study by the University of Valencia, parents or relatives of children often buy toys for them mainly for the following reasons:

- Because it's his birthday.
- Because Christmas is coming.
- Because they have got good grades.
- Because they have requested them and they have managed to convince their parents or relatives.
- Because they have saved enough money to buy the toy they wanted.
- Because parents wanted to surprise their children for no reason in particular.

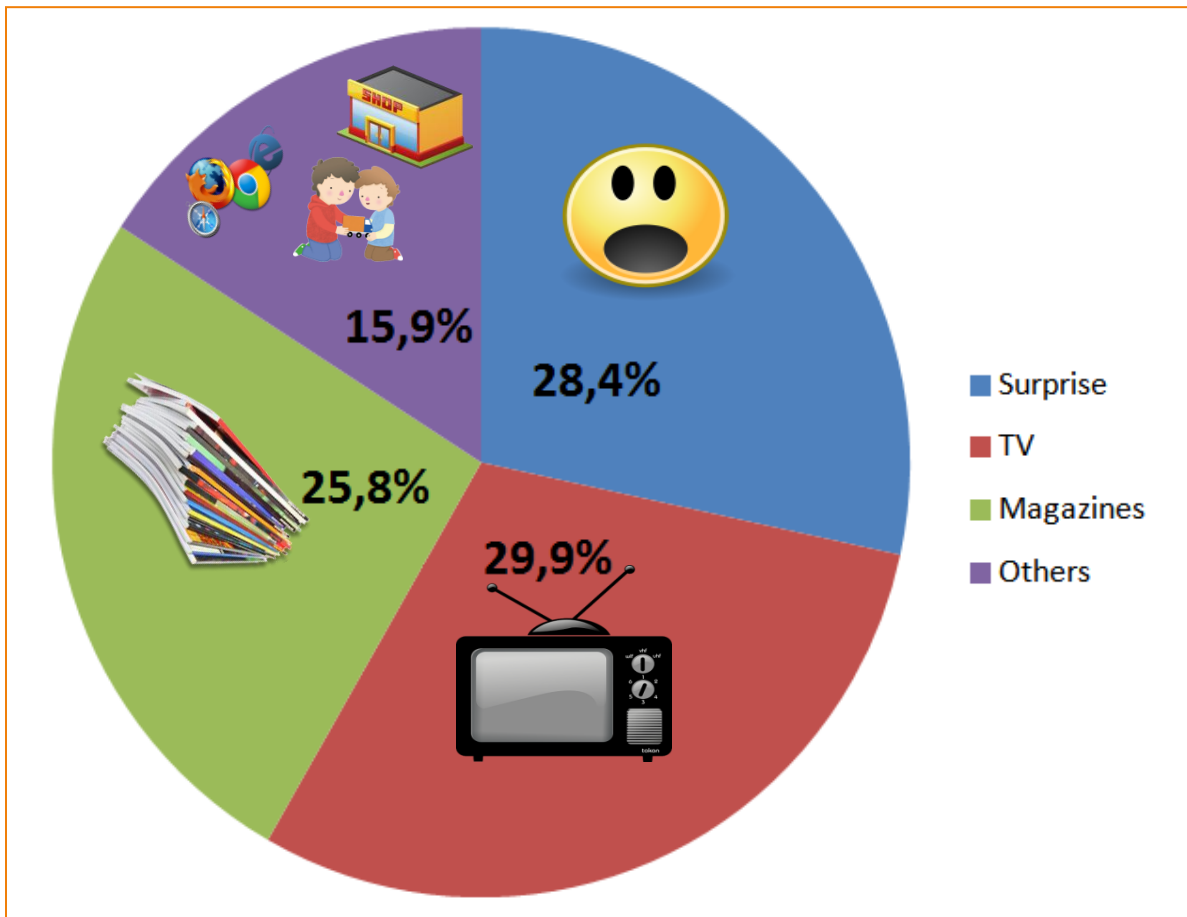
Another important thing to know is where the children saw the toy for the first time before ask for the toy to their parents or relatives (Figure 24):

- 28.4% of children saw the toy for the first time when they received it, which means that they received it by surprise without prior request. This occurs mainly in the early ages of the children, where parents or relatives buy toys according to their tastes and values (ecological toys vs. non-ecological toys). Furthermore, this percentage has another meaning, that is to say, 71.6% of parents buy the toys that request children (no surprise).



- 29.9% of children saw the toy for the first time in a TV advert, being the most widely used platform by children to find the toy they want. This is because TV is a visual medium, children are able to see what the toy do, if it's fun, if children are having fun in the advert, if the toy makes sounds, and all of these aspects attract much attention to the smallest of the house.
- 25.8% of children saw the toy for the first time in catalogs or magazines, being this platform the second most used by children to find the toy they want after television.
- Finally, 15.9% of the remaining children saw the toy for the first time elsewhere such as in Internet, other children or in the physical store. In the future it is expected that children use the Internet more often to search toys, because as the years pass, children use the Internet at younger ages.

Figure 24. ¿Where children saw the toy for the first time?



Source: Own elaboration. Data: University of Valencia

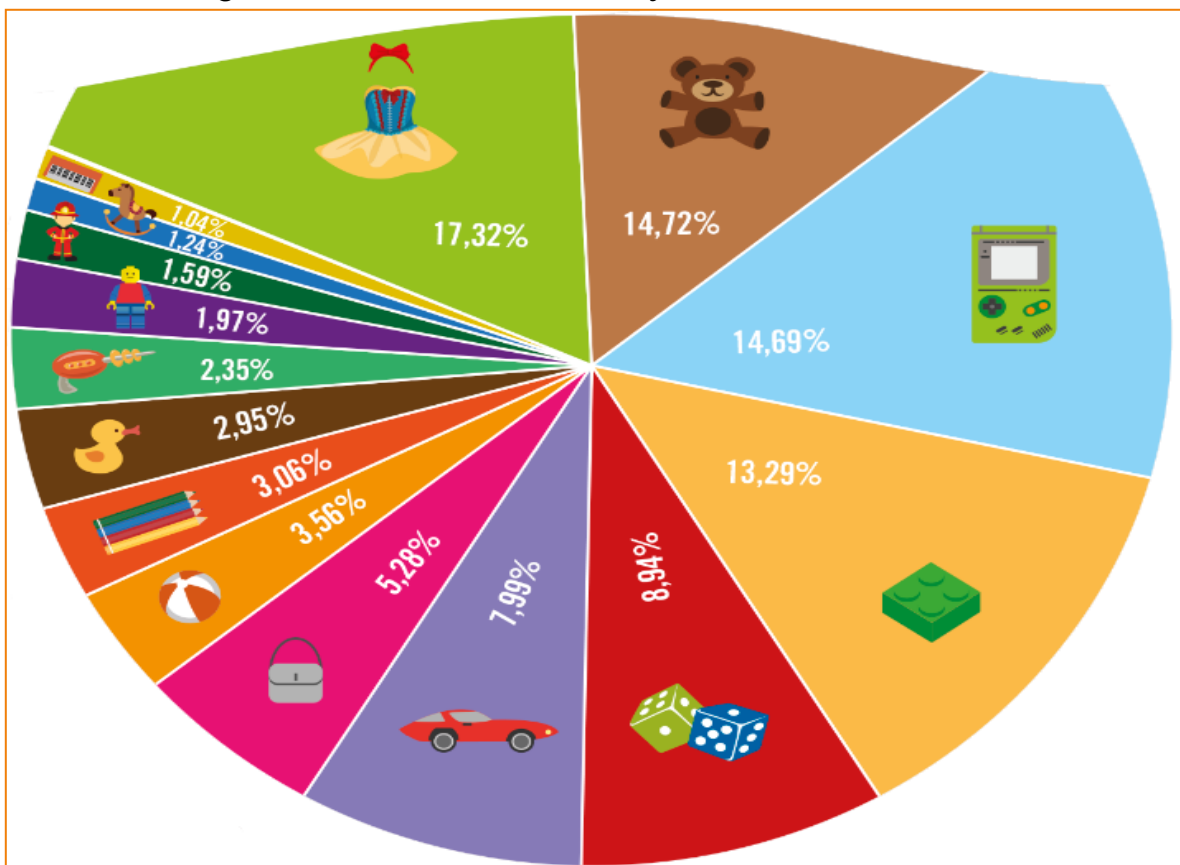


¿What do they buy?

In this section we will analyze three different aspects: most wanted toys online in 2015, categories of toys best sellers throughout the whole year of 2015 and toys best sellers at Christmas 2015:

Online marketing agency eStudio24 has conducted a study on what categories of toys are the most wanted on the internet in 2015 (Figure 25). Then we are going to analyze in depth the categories of toys that top the rankings:

Figure 25. List of most wanted toys on the Internet in 2015



Source: eStudio34 (Online marketing agency)

- In the first place in the ranking we find the category of *Costumes* with 17.32% (190,560 monthly searches), where costumes most wanted by girls are princess dresses (especially Elsa of Frozen) and fairies, while boys prefer superhero costumes, fire fighters and ninjas.



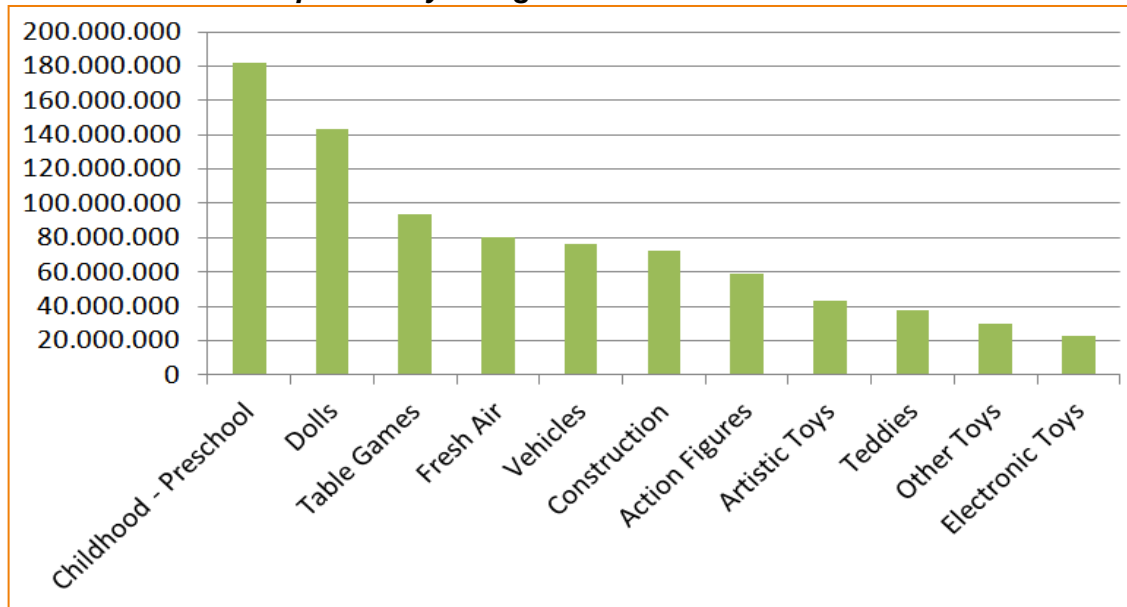
- In the second place we find the categories of *Teddies* and *Dolls* with 14.72% (162,020 monthly searches), where the most popular dolls are Barbie, Nancy, Nenuco babies and Monster High, and finally, the most popular teddies are Furby, Peppa Pig, Paw Patrol, Mickey Mouse, Frozen and Minions.
- In the third place is the category of *Electronic Toys*, which despite they have had a negative growth in 2015 over the previous year, they are still highly wanted on the Internet with 14.69% (161,650 monthly searches). Within this category are included remote control cars, tablets and game consoles.
- In the fourth place in the ranking is the category of *Constructions* with 13.29% (146,290 monthly searches), where the most wanted are the toys of Playmobil (the pirate ship, the set of soccer, the west world and the ark) and Lego (Lego City, Lego Ninjago and Lego Star Wars).
- In the fifth place we find the category of *Table Games* with 8.94% (98,340 monthly searches), where the most wanted on the Internet are puzzles, card games, 3d puzzles and magic games.
- In the sixth place in the ranking is the category of *Vehicles* with 7.99% (87,910 monthly searches), where the most wanted vehicles are bicycles, tricycles, scooters and skates.
- The rest of categories less sought are *Accessories* (5.28%), *Outdoor Toys* (3.56%), *Crafts* (3.06%), *Early Childhood* (2.95%), *Action* (2.35%), *Imitation games* (1,59%), *For the Room* (1,24%) and *Music* (1.04%).

After seeing what were the toys most wanted internet in 2015, we will analyze what were the categories of toys best sellers during the same year, because many people seek toys on Internet only for learn about them, but they don't perform the purchase via online, so there are quite a few differences:

As shown in Graph 13, the category of *Childhood-Preschool* leads 2015 with more than 182,000 million of euros in sales, in second place is the category of *Dolls* (over 143,000 million of euros), in third place the category of *Table Games* (over 94,000 million of euros), followed by *Fresh Air* (80,000 million of euros), *Vehicles* (over 76,000 million of euros), *Construction* (over 72,000 million of euros), etc.



Graph 13. Toy Categories Best Sellers in 2015



Source: Own elaboration. Data: NPD Group

Finally, we are going to analyze toys best sellers at Christmas 2015 (Figure 26), which differs from toys best sellers throughout all of the year:

- **Paw Patrol**: *Paw Patrol* is a very successful American series that began airing in 2013. In November 2015 the third season premiered and as a result, *Paw Patrol* toys have been the most sold in the Spanish market.
- **Frozen**: *Frozen* is an animated film that was released in 2013. Since then, their toys have sold steadily year after year.
- **Star Wars**: With the release of “*Episode VII - The Force Awakens*”, toys of *Star Wars* have been demanded again by the older children.
- **Monster High**: This franchise began in late 2011 and launched Mattel dolls. These dolls are humans and they are inspired by monster movies, and they have been a bestseller in recent years.
- **Peppa Pig**: *Peppa Pig* is a children's cartoon series which began broadcasting in Spain in 2011. Everything about this series is a best seller.
- **Minions**: They are known from the film “*Despicable Me*”, but when the film “*The Minions*” premiered in summer of 2015, they have become in one of the most popular toys in many countries again.



Figure 26. Best Seller Toys at Christmas 2015



Queridos Reyes Magos



Paw Patrol



Frozen



Star Wars



Monster High



Peppa Pig



Minions

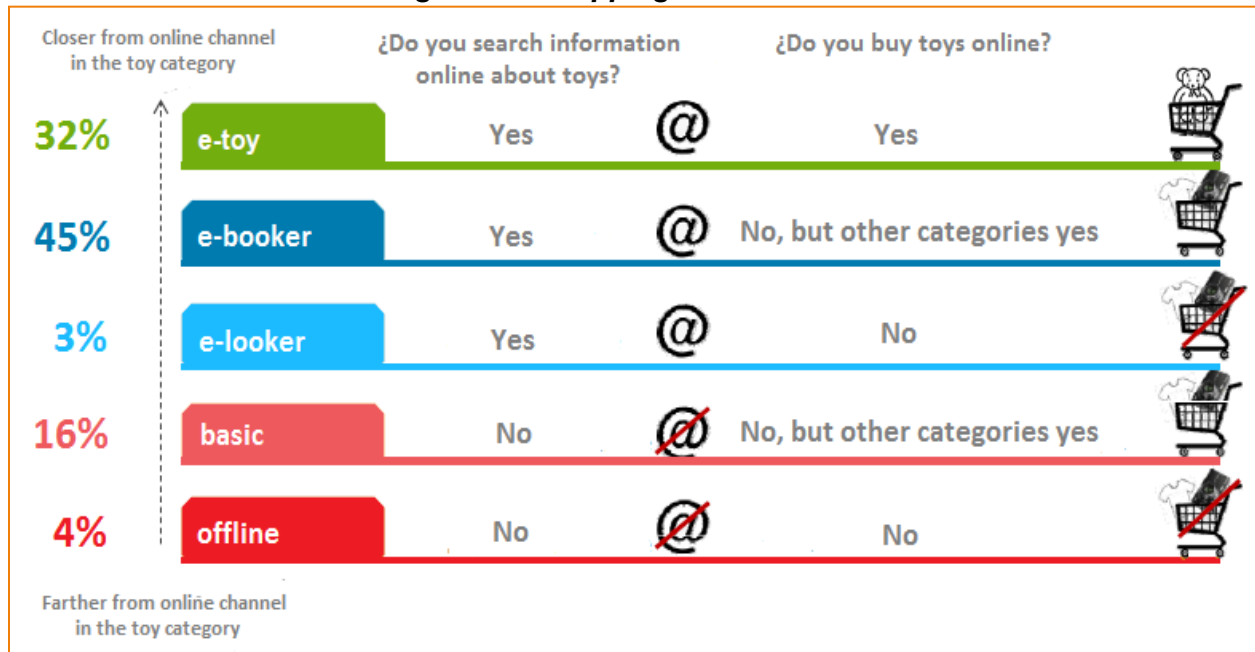
Source: Own elaboration



¿How do they buy?

As the years pass, the buying habits of people are changing, and everything indicates that Internet will be the main channel for purchase in the future. Next, we are going to analyze how people buy toys at present (Figure 27):

Figure 27. Shopping habits in 2015



Source: Own elaboration. Data: AEFJ

On the one hand, 80% of people seek information on the internet about toys (64% in 2012), but only 32% of them end up buying toys online (23% in 2012). Therefore, most people prefer to go to the physical store to buy toys, and this is because parents want to avoid the shipping costs and they prefer see, touch and test toys or that their children see and touch them, and this experience is something that the online channel can never offer. However, despite the added value it can provide the physical store, the online channel is growing year after year and it is increasingly used (especially among younger people) because it is more comfortable and faster.

On the other hand, people who claim to buy toys online say that the information they most value in websites of toys is the classification by price, the classification by categories of toys, educational information and photographs. Moreover, the conditions of purchase most valued by people are free shipping to home and information about the delivery conditions.



¿ How much do they buy?

According to a study by *Fintonic* in 2015, the Spanish people spend 82 euros on toys on average per year, although it is noteworthy that 40% of these expenditures are concentrated during the Christmas season. According to the study, November (58 €), December (72.7 €) and January (67.9 €) are the months that recorded a higher average expenditure (Graph 14):

Graph 14. Average expenditure on toys in Spain



Source: Own elaboration. Data: *Fintonic*



3 SWOT ANALYSIS

Figure 28. SWOT



Source: Own elaboration

Strengths

- **Innovative and high quality products:** All toys of Kamchatka Magic Toys have quality seals such as "Spiel gut", "LGA Qualitäts Zertifikat" and "CE". In addition, every year the owners go to the Nuremberg Toy Fair to bring to his store the latest products.
- **Ecological Toys, non-sexist and non-military:** Kamchatka Magic Toys sells ecological rag and wooden toys (the wood comes from controlled forests by the FSC and they are obliged to reforest). In addition, their toys represent peace, solidarity and equality.



- **Personalized service and advice to costumers:** The owners of Kamchatka Magic Toys are accustomed to dealing with clients and advise them that they may find the toy that best suits your needs.
- **Thorough knowledge of childcare industry:** The owners have spent more than 10 years in the sector of toys and they have a great knowledge and experience everything related to education and child care.
- **Interaction with customers through blogs and events:** Kamchatka publishes blogs and news on its website, where users can comment and share their opinions. Also, sometimes they hold events in his store, where professional storytellers go to tell magical and amazing stories for both children and their parents.
- **Help in finding toys for children with special needs (disability, illness, etc.):** Kamchatka knows how difficult it is to find toys for children with special needs in the market. Therefore, Kamchatka has some of these products in his store and they help customers find the toy they need.
- **Selling toys to any country (with special shipping conditions):** Unlike competitors previously analyzed, Kamchatka Magic Toys sells its products to any country through its website. However, purchases made outside Spain and Portugal have special shipping conditions.

Weaknesses

- **Limited Budget:** As Kamchatka Magic Toys is a microenterprise, their advertising budget is limited. Also, they have a difficult access to economies of scale because they cannot make big orders.
- **Limited offer of toys due to the philosophy of the company:** Because the philosophy of Kamchatka, they cannot offer products that do not respect the environment or products that have been manufactured under poor working conditions (for example child exploitation).
- **Shortage of deals and promotions on the website:** Given that Kamchatka sells on its website more than 600 different products, only about 10 products have a discount, so the percentage of products with discounts is very small.



- **Non-existence of search filters for prices on the website:** The website of Kamchatka not have search filters for prices, and considering that the classification by prices is one of the features most valued for customers on a website of toys, this weakness must be taken into account by Kamchatka.
- **Shipping conditions worse than the competition:** Shipping costs in Kamchatka are 6.50€ on the peninsula, 15€ in Balearic Islands and 25€ in Canary Islands (free shipping from 90 €). Given the competition analysis carried out above, the shipping costs in Kamchatka are higher than those of competitors. In addition, the requirements for the free shipping are also higher than those of competitors

Opportunities

- **Recovery of the toy sector:** The influence of the crisis in the toy industry came late to Spain. In 2011 sales figures fell sharply, but in 2014 there was a slight increase in sales. From 2015 industry sales have grown to levels similar to those seen before the crisis, so we can say that the toy sector has recovered.
- **Increased demand for ecological products:** In the last 10 years the Spanish ecological market has grown 25% annually, so if this growth rate remains in the next years, 2,182 million euros billed in ecological products will be achieved in 2020.
- **Increased use of the online channel to find and buy toys:** Although we have previously seen that people prefer to go to the physical store to buy toys, the search and purchase of toys online has increased. On the one hand, in 2012 64% of people sought information about toys on the Internet, and in 2015 this figure has increased to 80%. On the other hand, in 2012 only 23% of people ended up buying the toy online, and in 2015 this figure has increased to 32%.

Threats

- **Limitation of the Spanish purchasing power:** The economic situation in Spain has improved in the recent years, but still there is a lot of unemployment in the country and there are many families that struggle to make ends meet.
- **Decrease in the younger population (fewer children per woman):** According to forecasts made by INE, the Spanish population pyramid is characterized by an accumulation of population at older ages, resulting in a decrease in the child population.



In addition, women now choose to have fewer children, which may be due to the Spanish economic crisis and the few aid offered by the Spanish State.

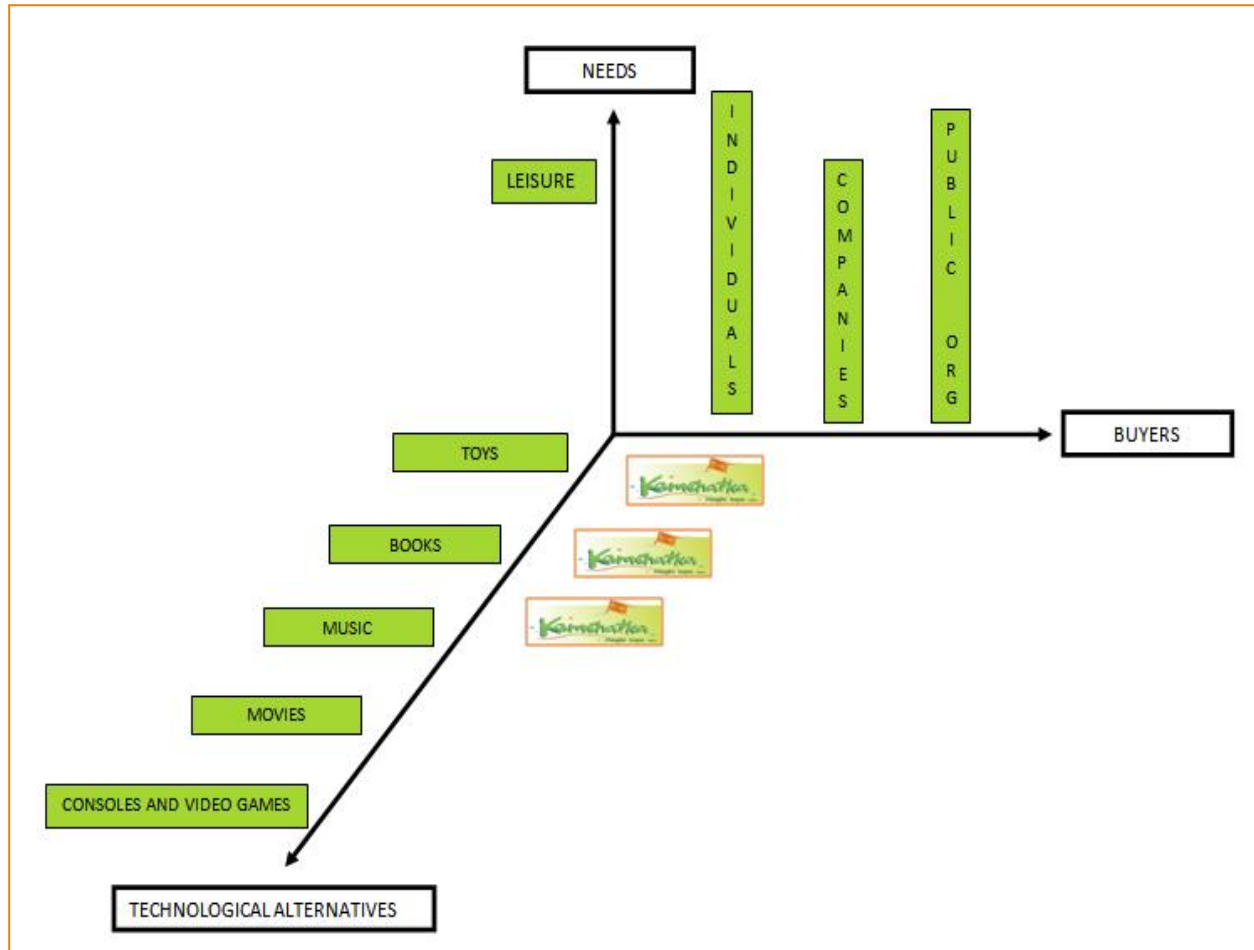
- **Success of toys from brand licensing:** Toys from brands licensing are having great success in the market: Frozen, Minions, Paw Patrol and Star Wars toys, among others, are depleted in all stores, especially at Christmas time.
- **High competition with other ecological toy stores on the Internet:** Because all of the ecological toy stores that are in Spain are microenterprises, their only access to a wider market is through Internet, so there is a great competition between them selling toys via online.



4 MARKET SEGMENTATION

As we can see in Figure 29, Kamchatka Magic Toys addresses to product-market consisting of buyers belonging to the segment of individuals seeking to satisfy the need of leisure by the technological alternatives of toys, books and music:

Figure 29. Product-Market of Kamchatka Magic Toys

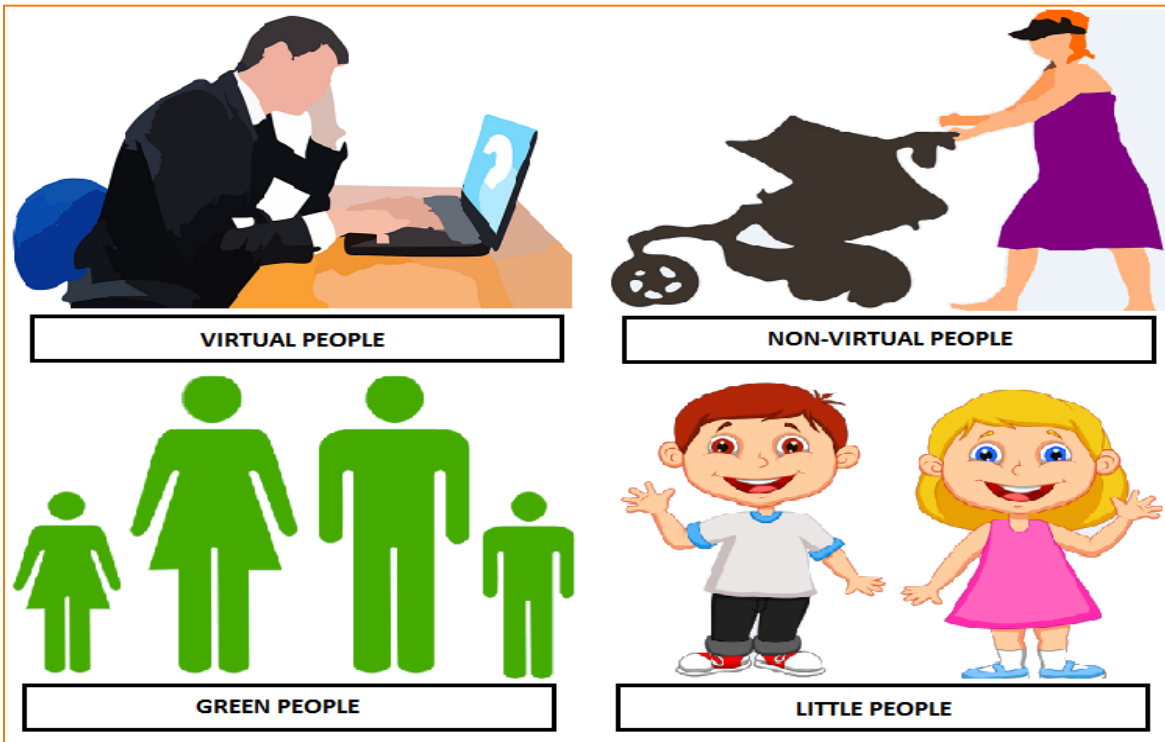


Source: Own elaboration

Then, we will analyze the product-market to which is directed Kamchatka Magic Toys taking into account two criteria segmentation: demographic criterion and psychographic criterion. On the one hand, the demographic criterion is important because Kamchatka addresses at people with a certain age, with a particular family structure and a certain level of income. On the other hand, the psychographic criterion is also important because Kamchatka addresses at people with a lifestyle, values and a very specific personality traits. Given these criteria, we have identified four segments (Figure 30):



Figure 30. Market Segments



Source: Own elaboration

- **Virtual People:** This segment includes people who buy toys for their children on the Internet. Usually they are young parents, middle class and that are accustomed to using Internet (in both the computer and the Smartphone) in their daily life, so it is easy to reach this segment through social networks and website of Kamchatka Magic Toys. They have little free time due to their work and they prefer to make purchases from home. When they buy toys online, they tend to compare prices on different websites looking for the best prices and promotions.
- **Non-virtual People:** People who belong to this segment live in Madrid and are middle class. These people (parents, uncles or grandparents) are older than people of the previous segment and they do not buy toys for their children on the Internet (although usually look for information), because they do not like new technologies and prefer to go walking to the physical store with (or without) their children for see toys personally. When they buy toys, they like be well informed about what to buy and they have not as much sensitivity to prices as the previous segment.



- **Green People:** This segment encompasses people belonging to the two previous groups, that is to say, people of any age, middle class, who buy toys for their children in the physical store or on the Internet, and which can live in Madrid or elsewhere, but they are distinguished because they are people with a lifestyle, values and a very specific personality: they are people who care about the environment. When they make purchases, they are very sensitive to the composition of the products and under what conditions have been manufactured. Also, this is the segment that is less sensitive to prices.
- **Little People:** In this segment we find children from 3 or 4 years, where they already have enough capacity to request their parents the toy they want. To reach this segment is important to call their attention with an audiovisual content. Children love to go to the physical store to see, touch and hear the toys, so the store decoration and storefronts are very important. For the adult children, it is also important get their attention through the website with a very visual content, as children increasingly use the Internet at younger ages and it is possible to reach this segment through the online platform.

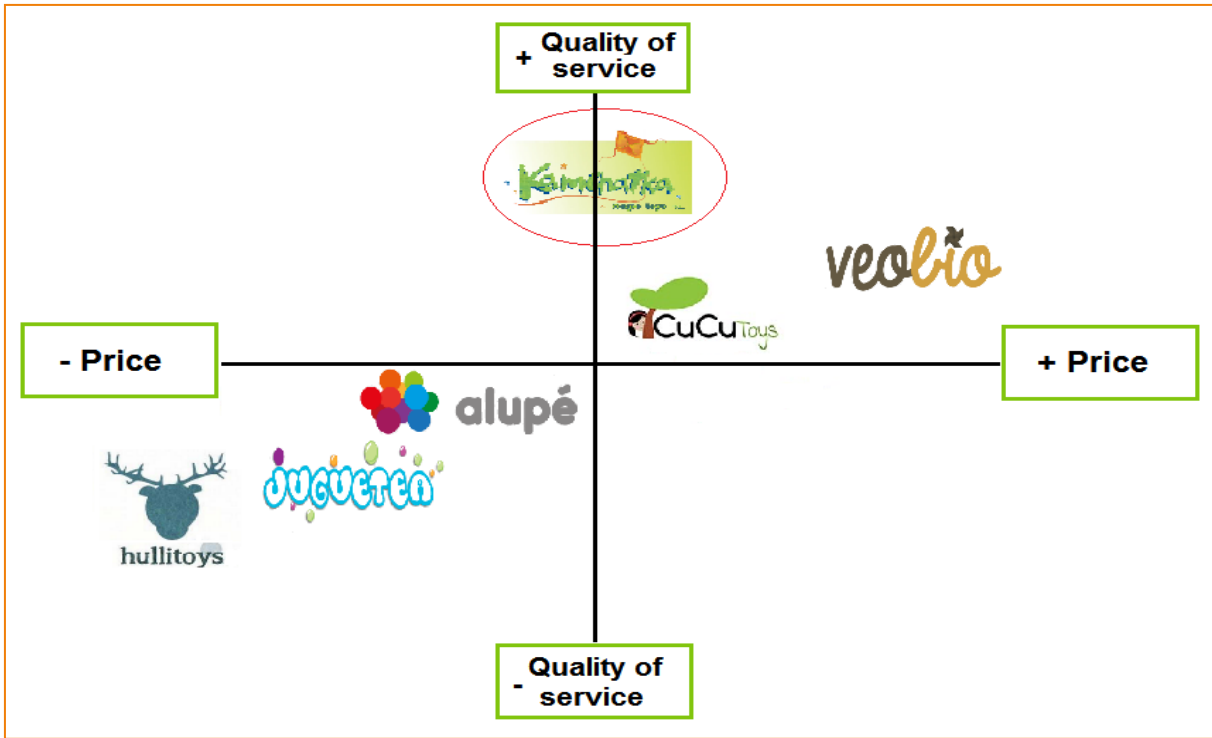
"Green People" is the main segment to which Kamchatka Magic Toys is headed, but they have not to stop worrying about the other segments, because although they have not an ecological mindset, they can also go to Kamchatka Magic Toys to see and buy toys, and even raise their awareness about the added value that have ecological toys for the planet and for their children and maybe, they could have a greater ecological awareness from that time.

4.1 Positioning

Once identified the four segments which Kamchatka Magic Toys is directed, we will perform two positioning maps (Figure 31 and Figure 32) based on the analysis previously performed, where we will place Kamchatka Magic Toys and the five competitors analyzed (Hullitoys, CucuToys, Veobio, Alupé y Juguetea) according to various attributes: the price of toys, quality of service, quality of toys and depth of product portfolio:

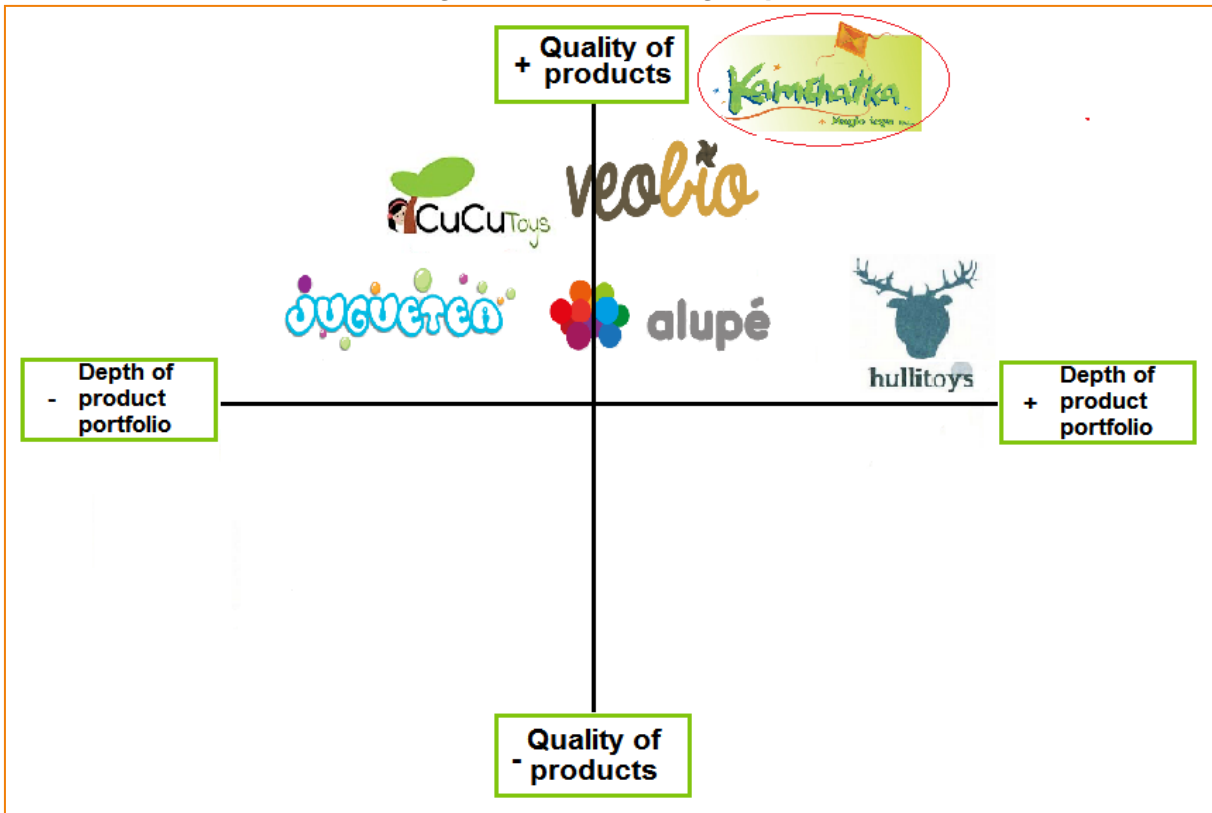


Figure 31. Positioning Map 1



Source: Own elaboration

Figure 32. Positioning Map 2



Source: Own elaboration



5 MARKETING OBJECTIVES

Objectives of commercial relationships

1. Increase visits of new customers by 15% on the physical store of Kamchatka Magic Toys in the next 12 months.
2. Increase visits on the website of Kamchatka Magic Toys by 25% in the next 12 months.
3. Increase interaction with customers over the next year through contests, draws, blogs and social networks, so that the client participates in the company and as a result, relationships will be more durables.
4. Get 95% of satisfied customers over the next 12 months. This objective will be measured through complaints and claims made by customers. If this goal is achieved customers will return to buy in Kamchatka Magic Toys.

Management objectives of marketing activities

5. Increase sales of Kamchatka Magic Toys by 10% (in the physical store and on the website) in the next year.

Business financial objectives

6. Increase profits of Kamchatka Magic Toys by 10% over the next 12 months.



6 MARKETING STRATEGIES

6.1 Growth and diversification strategy

For analyze what growth strategy should carry out Kamchatka Magic Toys, we will use the Ansoff growth matrix (Figure 33):

Figure 33. Ansoff's Matrix



Source: Own elaborations

After analyzing the different strategies of Ansoff growth matrix, Kamchatka Magic Toys should carry out the strategy of *market penetration*, that is to say, they will try to increase sales of existing products trying to increase the existing market share, and this will be achieved by an increasing marketing activities explained in the following sections. This strategy has the advantage that Kamchatka Magic Toys knows the terrain in that moves, which will greatly facilitate them actions to perform.

The choice of this strategy is because of Kamchatka Magic Toys has a philosophy and values that limit the release of new product lines, such as electronic toys or toys from big licenses like Minions, so the strategy of product development is not the most appropriate. In addition, Kamchatka provides toys for both young children and adults children, so the strategy of market development would not be the most suitable.



6.2 Competitive strategies

The competitive strategy that should carry out Kamchatka Magic Toys is the strategy of *specialist niches*, as Kamchatka Magic Toys does not pretend to compete to be the market leader or a follower of the leader, such as Toys R Us, but they want to specialize in a market niche and try to be a leader in that niche.

Kamchatka Magic Toys has a deeper knowledge of its customers and the market to which they address, so they are able to meet their needs better than the competition that serves this niche by accident. All companies that use the strategy of specialist niches are specialized in something specific, and Kamchatka specializes in offering products to market with some particular attributes or characteristics, since all toys provided by Kamchatka are ecological and they are responsible to the environment. Also, toys are manufactured with non-toxic products and this is also safe for children.

6.3 Strategy as competitive advantage

As for the strategy as competitive advantage, Kamchatka Magic Toys should adopt a strategy of *differentiation*. Kamchatka should try to differentiate themselves from competitors through quality, reliability and durability of its ecological toys. Also, they should try to bring to its store the newest toys of the market by going to trade shows and events.

On the other hand, Kamchatka not only should differentiate by the quality of their products (since in Spain there are other ecological toy stores that offer some of the brands that also offers Kamchatka), but they must also differentiate through the service offered and through the shop staff. As for the service offered, Kamchatka should provide an advisory service and adequate customer care, good service of warranty and returns in the case of a defective toy, and a timely and accurate delivery service. Finally, regarding the differentiation of the shop staff, employees of Kamchatka should have the ability and knowledge of the market they target, courtesy, trust and good communication skills (understand the customer and knowing how to communicate with him).



7 ACTION PROGRAMS

7.1 Summary of action plans

Table 5. Summary action plans

Actions	Objectives
Action 1: Restructuration of product lines on the website.	4. Getting 95% of satisfied customers over the next 12 months. 5. Increase sales of by 10% in the next year. 6. Increase profits by 10% over the next 12 months.
Action 2: Pricing based on costs + based on competition.	5. Increase sales of by 10% in the next year. 6. Increase profits by 10% over the next 12 months.
Action 3: Improve shipping conditions on orders placed on its website.	4. Getting 95% of satisfied customers over the next 12 months. 5. Increase sales of by 10% in the next year. 6. Increase profits by 10% over the next 12 months.
Action 4: Create an account on the social network Twitter.	1. Increase visits of new customers by 15% to the physical store in the next 12 months. 2. Increase visits on the website by 25% in the next 12 months. 3. Increase interaction with customers over the next year.
Action 5: Launch an advertising campaign on Facebook.	1. Increase visits of new customers by 15% to the physical store in the next 12 months. 2. Increase visits on the website by 25% in the next 12 months. 5. Increase sales of by 10% in the next year. 6. Increase profits by 10% over the next 12 months.
Action 6: Create a search filter for prices on the website.	4. Getting 95% of satisfied customers over the next 12 months. 5. Increase sales of by 10% in the next year. 6. Increase profits by 10% over the next 12 months.
Action 7: Increase the number of deals on the website and physical store.	4. Getting 95% of satisfied customers over the next 12 months. 5. Increase sales of by 10% in the next year. 6. Increase profits by 10% over the next 12 months.



Actions	Objectives
<p>Action 8: Write a new blog post each month in the website.</p>	<p>2. Increase visits on the website by 25% in the next 12 months. 3. Increase interaction with customers over the next year. 4. Getting 95% of satisfied customers over the next 12 months.</p>
<p>Action 9: Perform a monthly contest in social networks.</p>	<p>2. Increase visits on the website by 25% in the next 12 months. 3. Increase interaction with customers over the next year. 4. Getting 95% of satisfied customers over the next 12 months. 5. Increase sales of by 10% in the next year. 6. Increase profits by 10% over the next 12 months.</p>
<p>Action 10: Perform a monthly raffle in social networks.</p>	<p>1. Increase visits of new customers by 15% to the physical store in the next 12 months. 2. Increase visits on the website by 25% in the next 12 months. 3. Increase interaction with customers over the next year. 4. Getting 95% of satisfied customers over the next 12 months. 5. Increase sales of by 10% in the next year. 6. Increase profits by 10% over the next 12 months.</p>
<p>Action 11: Create an app for Android and iOS.</p>	<p>1. Increase visits of new customers by 15% to the physical store in the next 12 months. 2. Increase visits on the website by 25% in the next 12 months. 3. Increase interaction with customers over the next year. 4. Getting 95% of satisfied customers over the next 12 months. 5. Increase sales of by 10% in the next year. 6. Increase profits by 10% over the next 12 months.</p>
<p>Action 12: Create an advertising poster in the physical store about contests, raffles, deals, social networks and the app.</p>	<p>2. Increase visits on the website by 25% in the next 12 months. 3. Increase interaction with customers over the next year.</p>

Source: Own elaboration



7.2 Product decisions

Action 1: Restructuration of product lines on the website

Objectives to which it contributes:

4. Getting 95% of satisfied customers over the next 12 months.
5. Increase sales of by 10% in the next year.
6. Increase profits by 10% over the next 12 months.

Implementation period: 1 week

Budget: 100€

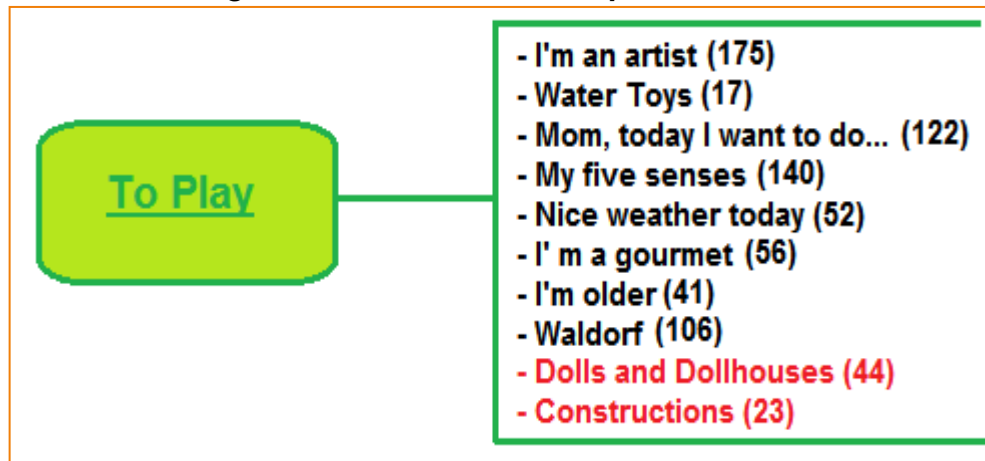
The website of Kamchatka Magic Toys has 3 sections: To Play, To Read and Listen and To Sleep. Within each section there are different product lines that previously were described in the internal analysis of the company, and within each product line we find different subcategories. There are many subcategories across all product lines, and two of them are: subcategory of Constructions and subcategory of Dolls and Dollhouses.

Recall that the category of Dolls is in the second place in the ranking of toys most wanted on the Internet (162,020 monthly searches), and this category is also in the second place in the ranking of toys best seller in 2015 (143,000 million euros). On the other hand, the category of Constructions is in fourth place in the ranking of toys most wanted on the Internet (146,000 monthly searches), and this category is also in fifth place in the ranking of toys best seller in 2015 (72,000 million euros).

Considering all these data, I propose to Kamchatka Magic Toys that these two subcategories become in two main product lines within the section "To play" and they will have a greater role (Figure 34). Thus, dolls and constructions will be more visible to users that visit the website and they will not have to waste time searching them. In addition, I also recommend to Kamchatka increase the depth of these two product lines which are being so successful in Spain. In this way, we will achieve to increase the satisfaction of users that visit the website, increase sales of dolls and constructions and finally, increase profits of the company.



Figure 34. Restructuration of product lines



Source: Own elaboration

7.3 Price decisions

Action 2: Pricing based on costs + based on competition

<p>Objectives to which it contributes:</p> <p>5. Increase sales of by 10% in the next year.</p> <p>6. Increase profits by 10% over the next 12 months.</p>
<p>Implementation period: 12 months</p>
<p>Budget: Free</p>

Currently, Kamchatka Magic Toys sets the price of their toys based on costs. Once calculated all the costs associated to the product (office rent, salaries, wrappings, bags, etc.), applies a fixed margin of profit.

This pricing method has its drawbacks, as it is not taken into account to the competition. The five competitors discussed above offer some of brands that Kamchatka Magic Toys also offers, so some of toys that they offer are the same. If we look at the price of some of these toys (Figure 35), we can see that prices are slightly different, and in both cases Kamchatka Magic Toys has the highest price.

Therefore, I propose to Kamchatka Magic Toys that combines the method of pricing based on costs with the pricing based on competition, so that when people compare prices, they will choose to buy on the website of Kamchatka. Thus, we will achieve to increase sales and profits of the company.



Figure 35. Price comparison



Source: Own elaboration. Data: Website of Kamchatka Magic Toys and CucuToys

7.4 Distribution decisions

Action 3: Improve shipping conditions on orders placed on its website

Objectives to which it contributes:

4. Getting 95% of satisfied customers over the next 12 months.
5. Increase sales of by 10% in the next year.
6. Increase profits by 10% over the next 12 months.

Implementation period: 12 months

Budget: 1.50€ per each shipment (this cost decreases as the volume of orders increases)

Kamchatka Magic Toys works with the package delivery service MRW because it performs solidarity actions through the MRW Foundation. In addition, MRW offers a good price for your business and the best distribution network for small villages. However, the shipping conditions of Kamchatka are slightly worse than the shipping conditions of some of the competitors. Kamchatka makes shipments to the peninsula at a price of 6.50€ (Veobio and CucuToys perform these shipments to 5€) and performs free deliveries from 90€ (Veobio makes free delivery from 70€ and CucuToys from 80€).

Given that the shipping conditions are a very important factor for customers, they always look the company with the cheapest shipping conditions when they want to perform an order, so it is difficult that Kamchatka be the first choice for customers. There are companies with package



delivery services that offer more competitive prices but they also have more problems in shipments to customers, which can negatively affect the image of Kamchatka Magic Toys.

Therefore, I propose to Kamchatka Magic Toys continue working with MRW because despite not being the cheapest company, it offers the best service in home delivery. In addition, I propose to Kamchatka assume part of the shipping costs, namely 1.50€ per shipment, and make free deliveries from 70 €. Thanks to this proposal (and the other proposals), in medium and long term the number of orders placed through the website will increase, and this means that MRW will offer a better rate to Kamchatka Magic Toys in the future (because the volume of shipments influences the offered rates), so Kamchatka will end assuming lower costs in shipments and profit margins will not be so affected.

Thanks to this proposal, customers will be more satisfied with the shipping conditions and they will choose Kamchatka as one of their first choices when ordering online. In this way, we will increase sales and profits of the company.

7.5 Communication decisions

Action 4: Create an account on the social network Twitter

Objectives to which it contributes:

1. Increase visits of new customers by 15% to the physical store in the next 12 months.
2. Increase visits on the website by 25% in the next 12 months.
3. Increase interaction with customers over the next year.

Implementation period: 1 week

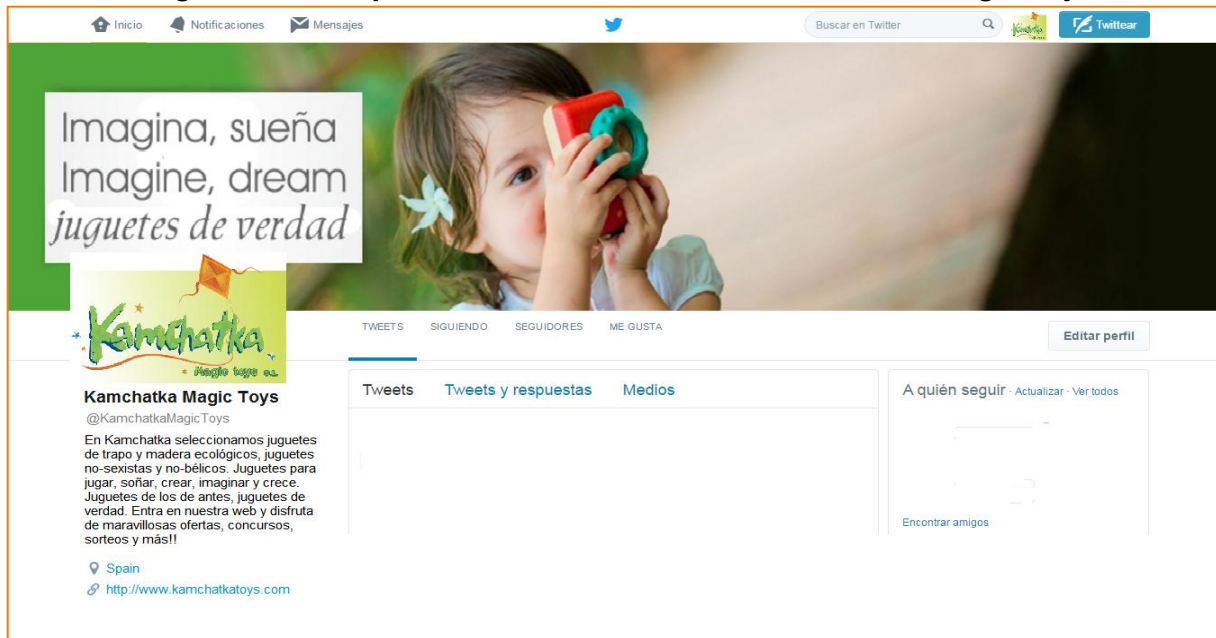
Budget: Free

Twitter is a social network with great potential so that companies to make themselves known, and for free if it is used properly (a simple "Retweet" can do great things).

Therefore, I propose to Kamchatka Magic Toys to create an account on Twitter for be known in this social network and to reach more people. By creating a Twitter account, we will achieve to increase visits in the physical store and on the website and increase the interaction of the company with customers. In the following proposals, we will explain what is the best way to use Twitter to get noticed for free (Figure 36).



Figure 36. Example of the Twitter account of Kamchatka Magic Toys



Source: Own elaboration

Action 5: Launch an advertising campaign on Facebook

Objectives to which it contributes:

1. Increase visits of new customers by 15% to the physical store in the next 12 months.
2. Increase visits on the website by 25% in the next 12 months.
5. Increase sales of by 10% in the next year.
6. Increase profits by 10% over the next 12 months.

Implementation period: 1 month (The advertising campaign duration can vary).

Budget: 10€ per day = 280€ (The budget vary depending on the configuration of the advert).

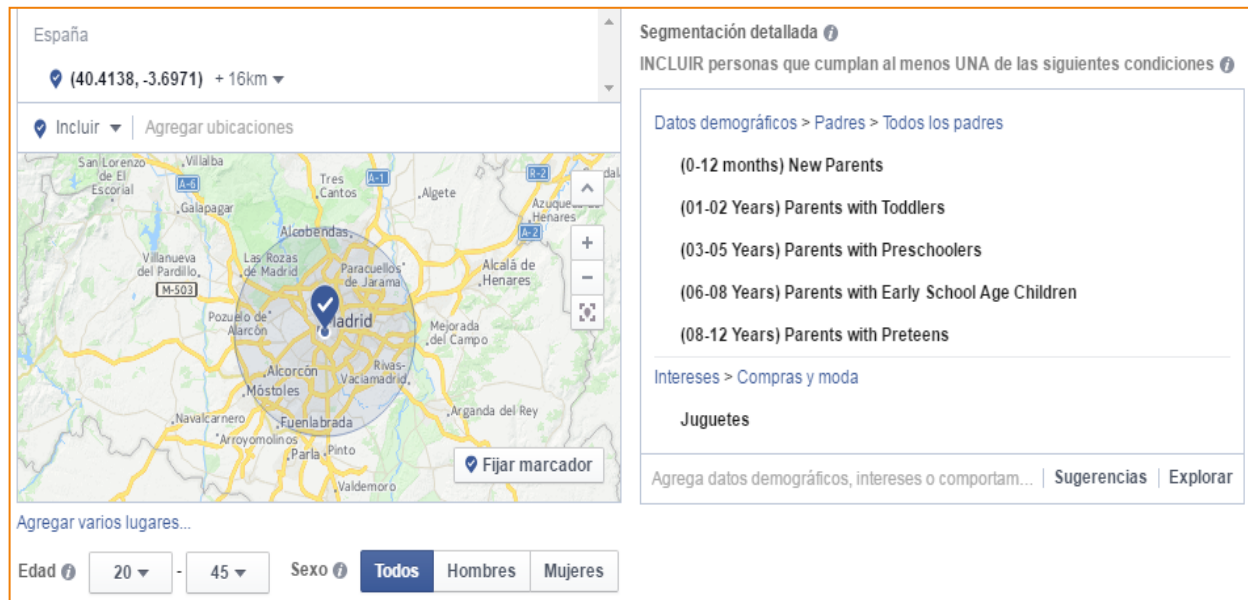
Facebook is a great platform to launch advertising campaigns, as it can segment the audience to which companies want to direct the advertising and specify how much they want to spend every day, so Facebook is adapted to all types of businesses. In addition, the average age of people using Facebook is higher than in other social networks, which means that the possibility of finding people with children is higher.

Therefore, I propose to Kamchatka Magic Toys to launch an advertising campaign on Facebook, specifically at Christmas, where families have a higher average spending on toys. This will increase visits in the physical store and on the website of Kamchatka and sales and profits of the company will increase too.



Since the advertising campaign on Facebook is highly customizable, we are going to take an example of how would this advertising campaign, although this may change depending on needs of Kamchatka Magic Toys:

Figure 37. Example of segmentation in an advertising campaign



Source: Own elaboration. Data: Facebook

In this example, we have added the location of the physical store of Kamchatka Magic Toys and from that spot, we have made a search radius of 16 km. After, we have segmented the public to which the advertising campaign will focus using demographics data and interests data. In demographic data we have selected those parents who are aged between 20 and 45 years, who have children aged between 0 and 12 years. In addition, these parents must have indicated on their Facebook profile that they are interested in toys (Figure 37).

Given this segmentation and this search radius, for example, if Kamchatka Magic Toys spent 10€ each day for a week, the advertising campaign would have an estimated daily range of 1,700 - 4,500 people (Figure 38). These figures vary depending on the budget. With 20€ of budget each day, the daily range would be 2800 - 7300 people, and if the daily budget is 30 €, the daily range would be 4,700 - 12,000 people.

As we have seen in this example, the customization of the advertising campaign is very high and it adapts to all businesses, so if this example is not attractive for the company, Kamchatka Magic Toys can edit information that creates timely.



Figure 38. Example of budget in an advertising campaign

Presupuesto ? Presupuesto diario ▼ €10,00
€10,00 EUR

Calendario ?

Poner mi conjunto de anuncios en circulación continuamente a partir de hoy

Definir una fecha de inicio y de finalización

Inicio

Fin
(Hora de Madrid)

Tu anuncio estará en circulación hasta el: **viernes, 8 de abril de 2016.**

Gastarás €70,00 en total como máximo.

Alcance diario estimado

1700 - 4500 personas en Facebook

de 56 000 ?

Esta es solo una estimación. Los números indicados se basan en el rendimiento promedio de los anuncios dirigidos al público seleccionado.

Duración del conjunto de anuncios: 7 días

Source: Own elaboration. Data: Facebook

Action 6: Create a search filter for prices on the website

Objectives to which it contributes:

4. Getting 95% of satisfied customers over the next 12 months.
5. Increase sales of by 10% in the next year.
6. Increase profits by 10% over the next 12 months.

Implementation period: 2 weeks

Budget: 150€

According to the study by AEFJ about the habits of people who bought toys online in 2015, the price classification is one of the most valued aspects by people, next to free shipping costs and delivery conditions. Given that the website of Kamchatka Magic Toys has not a filter for prices, users are not satisfied with the search of toys on the website and this negatively affects the company.

Therefore, I propose to Kamchatka Magic Toys that implements this feature on its website, so that they could classify prices from lowest to highest, and that these prices could be classified in price ranges of 5€ (example: toys from 0 to 5€, toys from 5 to 10€, etc.). Thus, users will be more satisfied and sales / profits of the company will increase.



Action 7: Increase the number of deals on the website and physical store

Objectives to which it contributes:

4. Getting 95% of satisfied customers over the next 12 months.
5. Increase sales of by 10% in the next year.
6. Increase profits by 10% over the next 12 months.

Implementation period: 12 months

Budget: Free

Currently, Kamchatka Magic Toys has only 6 products with deals between 10% and 20% (Figure 39):

Figure 39. Products with deals on the website



Product Name	Original Price (€)	Offer Price (€)
PINKY QUEENY, Alfombra	160,00	136,00
REGADERA	8,95	8,06
AUTOPINO	33,50	25,20
RAMPA DE COMPENSACIÓN	29,59	18,40
CONSTRUYE TU MOLINO CON RUEDAS	39,95	24,76
DIDI DRACHE MARIONETA DE HILOS	32,50	26,00

Source: Own elaboration. **Data:** Website of Kamchatka Magic Toys

These product deals vary little, and Kamchatka Magic Toys maintained these deals for extended periods. In addition, considering that Kamchatka has more than 700 different toys, the number of deals is very low.

Therefore, I propose to Kamchatka Magic Toys to increase the number of deals and these deals should vary weekly or every two weeks. Thus, we will achieve an increase in customer satisfaction, sales and profits of the company.



On the other hand, increase the number of deals and that they have a weekly rotation is not enough, but Kamchatka must communicate it to customers. To do this, Kamchatka will use their social networks using business-related hashtags and persuasive messages (Figure 40):

Figure 40. Example of deals on Twitter



Source: Own elaboration

Action 8: Write a new blog post each month in the website

<p>Objectives to which it contributes:</p> <ol style="list-style-type: none"> 2. Increase visits on the website by 25% in the next 12 months. 3. Increase interaction with customers over the next year. 4. Getting 95% of satisfied customers over the next 12 months.
<p>Implementation period: 12 months</p>
<p>Budget: Free</p>

Kamchatka Magic Toys has a section on its website where it publishes blog posts, which is good to interact with customers. However, this blog is outdated and it has few publications in the last months.

Therefore, I propose to Kamchatka Magic Toys make a blog post every month on its website, and share it through their social networks (including Twitter). Thereby, we will achieve increase the number of visits on the website and increase the interaction with customers and their satisfaction.

These blog posts can be about topics that are related to the time of year in which they are. For example, when summer is coming, Kamchatka could make a blog post talking about the summer and the beach, and link this issue with the recommendation of outdoor toys and water toys (Figure 41). In this way, Kamchatka can persuade readers to buy toys in the website:

Figure 41. Example of blog post on Twitter



Source: Own elaboration

Action 9: Perform a monthly contest in social networks

Objectives to which it contributes:

2. Increase visits on the website by 25% in the next 12 months.
3. Increase interaction with customers over the next year.
4. Getting 95% of satisfied customers over the next 12 months.
5. Increase sales of by 10% in the next year.
6. Increase profits by 10% over the next 12 months.

Implementation period: 12 months

Budget: Free

Contests can be a good tool to interact with customers (current and potential) and attract the attention of children proposing something fun. The successful execution of contests and the proper use of social networks can be a perfect combination to make known to the company for free.



Therefore, I propose to Kamchatka Magic Toys perform a contest every month. If these contests are held and are communicating correctly, visits to the website, interaction with customers, sales and profits of Kamchatka Magic Toys will increase. In addition, customers will be more satisfied with the company. Contests will be held as follows:

Contests will take place through social networks and participating children will have to make a drawing. The drawings will vary depending to the time of year (Christmas, Halloween, Valentine's Day, etc.) and parents will have to place a photo of that drawing on social networks along with a number of requirements (Figure 42). The requirements for participating are as follows (example on Twitter):

- Follow on Twitter to Kamchatka Magic Toys.
- Retweet the publication of Kamchatka where announces the contest.
- Write a Tweet where people mention to Kamchatka Magic Toys and three friends.
- Put the photo of the drawing in the Tweet.
- Use the hashtag #sorteokamchatka.

Figure 42. Example of contest on Twitter



Source: Own elaboration

Thanks to the Retweet and the mention of 3 friends, a snowball will be created and Kamchatka Magic Toys will be disclosed for free. Contests will run for two weeks. Once the two weeks finalized, the participation will close and the winner will be chosen randomly. To choose the



winner randomly there are websites such as "Easypromos" where people can link their Twitter account and choose randomly one of the people who have made Retweet to the publication. Once chosen the winner, it will be checked that meets the other requirements and the winner will be published on Twitter.

The award will be announced at the beginning of the contest and it will be one of toys of the product portfolio of Kamchatka Magic Toys. These toys can be toys with few sales or new toys, and thus, this will be useful to promote them.

Action 10: Perform a monthly raffle in social networks

Objectives to which it contributes:

1. Increase visits of new customers by 15% to the physical store in the next 12 months.
2. Increase visits on the website by 25% in the next 12 months.
3. Increase interaction with customers over the next year.
4. Getting 95% of satisfied customers over the next 12 months.
5. Increase sales of by 10% in the next year.
6. Increase profits by 10% over the next 12 months.

Implementation period: 12 months

Budget: Free

Raffles are a good way to attract customers and encourage the purchase of products, and if social networks are used appropriately, Kamchatka Magic Toys can reach a lot of people for free.

Therefore, I propose to Kamchatka Magic Toys make a raffle each month, which will have a similar operation to contests. Each month, 10 coupons of 10% discount will be raffled among followers of social networks (on the next purchase made in the physical store or on the website of Kamchatka). To participate (in the case of Twitter), people will have to follow to Kamchatka Magic Toys and make Retweet to the publication of the raffle (Figure 43). Raffles will last two weeks and when completed, 10 winners will be chosen randomly in the same way as was done in contests.

Thus, we will achieve increase the interaction with customers, increase their satisfaction, increase visits to the physical store and website and finally, increase sales and profits of Kamchatka Magic Toys.



Figure 43. Example of raffle on Twitter



Source: Own elaboration

Action 11: Create an app for Android and iOS

Objectives to which it contributes:

1. Increase visits of new customers by 15% to the physical store in the next 12 months.
2. Increase visits on the website by 25% in the next 12 months.
3. Increase interaction with customers over the next year.
4. Getting 95% of satisfied customers over the next 12 months.
5. Increase sales of by 10% in the next year.
6. Increase profits by 10% over the next 12 months.

Implementation period: 2 months

Budget: 1.000€

In recent years, technology has advanced at an incredible rate, which has caused great changes in the world, especially in the business world. Specifically, Smartphones have become a necessity in our society and people use these devices for anything. Thus, people try to link the Smartphone to their businesses and they decide to create an app with which to increase interaction with customers, so that they are informed continuously about everything related to the company.

Therefore, I propose to Kamchatka Magic Toys create an app in which users can access the following functions:

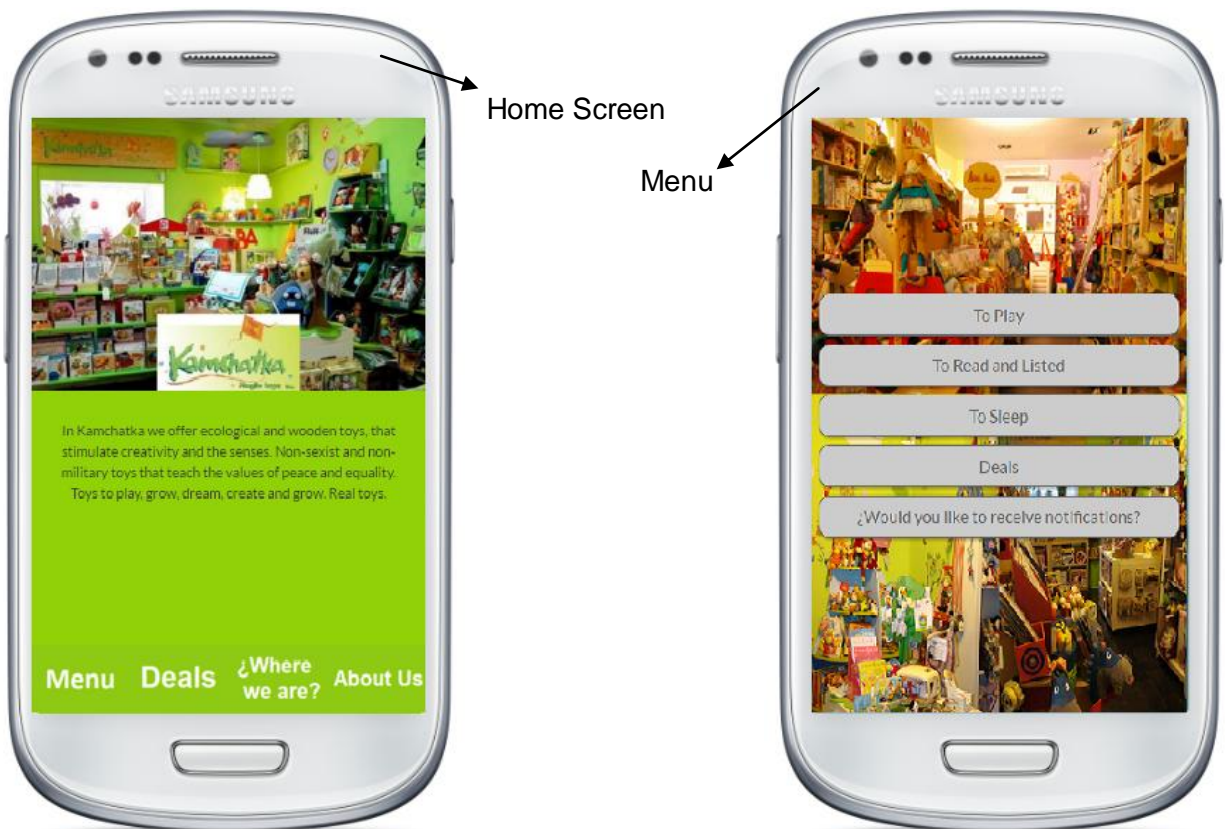


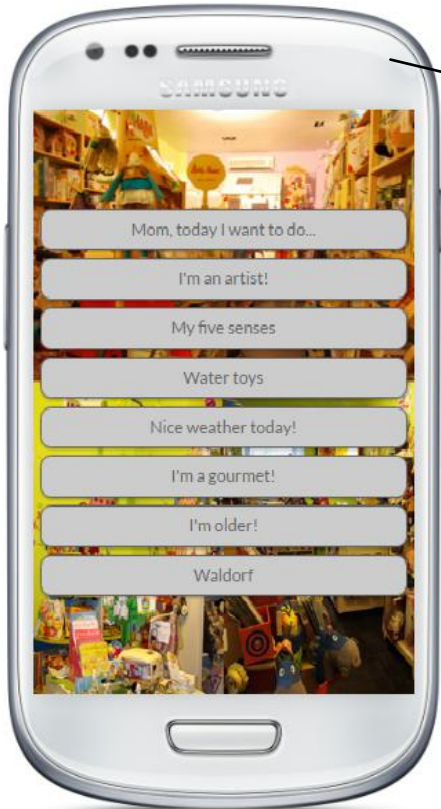
- Consult product portfolio
- Make purchases online
- Products with deals
- Receive notifications about deals, contests, raffles, order status, etc.
- Send inquiries to Kamchatka Magic Toys
- Physical store location
- Redirect to social networks and the website of Kamchatka Magic Toys

In this way, we will achieve increase the interaction with customers, increase their satisfaction, increase visits to the physical store and website and finally, increase sales and profits of Kamchatka Magic Toys.

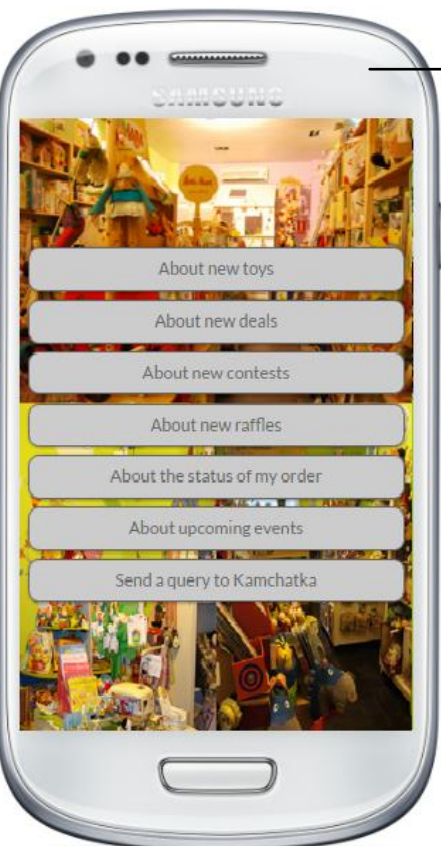
In addition to this proposal, I have developed an app for **Android** (Figure 44) with the online platform "Mobincube". This app is in beta and it will be used to show an example of how would be the design of the app of Kamchatka Magic Toys. (This app can be downloaded exclusively through the following link: <http://mobincube.mobi/3BA9MP>).

Figure 44. App beta version of Kamchatka Magic Toys

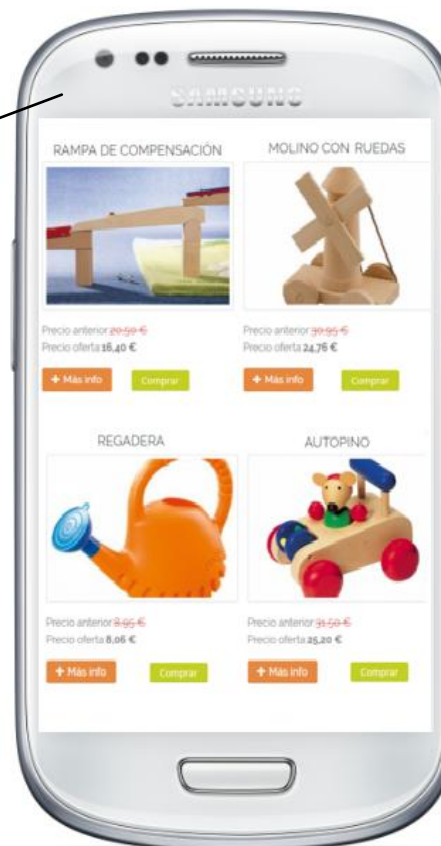




To Play
Today I want to do...

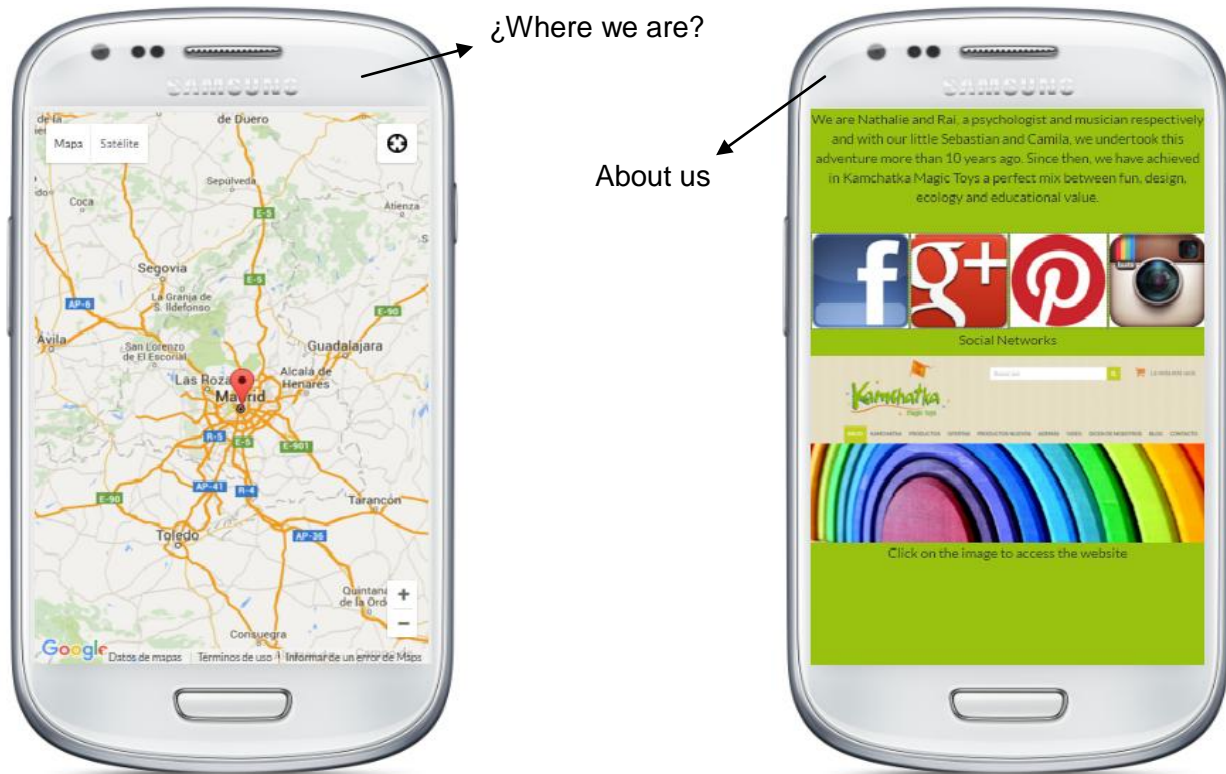


Notifications



Deals





Source: Own elaboration

Action 12: Create an advertising poster in the physical store about contests, raffles, deals, social networks and the app

<p>Objectives to which it contributes:</p> <ol style="list-style-type: none"> 2. Increase visits on the website by 25% in the next 12 months. 3. Increase interaction with customers over the next year.
<p>Implementation period: 2 weeks</p>
<p>Budget: 80€</p>

To intensify the actions proposed above (social networks, deals, contests, raffles, the app, etc.), Kamchatka Magic Toys should communicate such actions to customers who go to the physical store.

Therefore, I propose to Kamchatka Magic Toys create an advertising poster and place it at the entrance of the physical store. This poster should promote their social networks, deals, contests, raffles, the app and the website (Figure 45). Thus, we will achieve increase the interaction with customers and increase visits on the website.



Figure 45. Advertising poster



The poster features the Kamchatka Magic toys logo at the top, with a kite flying above the word 'Kamchatka'. Below the logo, the text reads: 'FOLLOW US ON SOCIAL NETWORKS AND YOU WILL FIND FANTASTIC DEALS, CONTESTS AND RAFFLES.' Three icons represent the offers: a red tag with '.DEALS', a brown shield with 'RAFFLE', and a gold star on a pedestal with 'CONTESTS'. Below these are a smartphone showing the app interface and a cartoon illustration of a smiling man and woman. The website address 'www.kamchatkatoy.com' is displayed. At the bottom, there are icons for Instagram, Pinterest, Facebook, Google+, and Twitter.

Kamchatka
Magic toys

**FOLLOW US ON SOCIAL NETWORKS
AND YOU WILL FIND FANTASTIC
DEALS, CONTESTS AND RAFFLES.**

.DEALS

RAFFLE

CONTESTS

Download our free app

www.kamchatkatoy.com

Instagram Pinterest Facebook Google+ Twitter

Source: Own elaboration



8 TIMELINE

Once we have explained the proposed actions, we will show the schedule in which it is displayed the start and duration of actions:

Actions	1	2	3	4	5	6	7	8	9	10	11	12
Action 1: Restructuration of product lines on the website.												
Action 2: Pricing based on costs + based on competition.												
Action 3: Improve shipping conditions on orders placed on its website.												
Action 4: Create an account on the social network Twitter.												
Action 5: Launch an advertising campaign on Facebook.												
Action 6: Create a search filter for prices on the website.												
Action 7: Increase the number of deals.												
Action 8: Write a new blog post each month in the website.												
Action 9: Perform a monthly contest in social networks.												
Action 10: Perform a monthly raffle in social networks.												
Action 11: Create an app for Android and iOS.												
Action 12: Create an advertising poster in the physical store.												



9 BUDGET

Actions	¿Who does the action?	Budget
Action 1: Restructuration of product lines on the website.	Developed by an engineer	100€
Action 2: Pricing based on costs + based on competition.	Own development	Free
Action 3: Improve shipping conditions on orders placed on its website.	Own development	1.50€ per shipment
Action 4: Create an account on the social network Twitter.	Own development	Free
Action 5: Launch an advertising campaign on Facebook.	Own development	280€ (It can vary)
Action 6: Create a search filter for prices on the website.	Developed by an engineer	150€
Action 7: Increase the number of deals.	Own development	Free
Action 8: Write a new blog post each month in the website.	Own development	Free
Action 9: Perform a monthly contest in social networks.	Own development	Free
Action 10: Perform a monthly raffle in social networks.	Own development	Free
Action 11: Create an app for Android and iOS.	Developed by a specialized company	1000€
Action 12: Create an advertising poster in the physical store.	Developed by a graphic design company	80€

➤ **Fixed budget:** 100€ + 150€ + 1.000€ + 80€ = **1.330€**

➤ **Variable budget:** 1,50€ x n° of shipments + 10€ x days of the advertising campaign on Facebook.



10 CONTROL

In order to ensure the achievement of the objectives of this plan of marketing, we have established the next control guidelines:

Objectives	Measuring Frequency	Control Method
1. Increase visits of new customers by 15% to the physical store in the next 12 months.	Quarterly	People counter device at the entrance of the physical store.
2. Increase visits on the website by 25% in the next 12 months.	Bi-monthly	Counter tool on the website.
3. Increase interaction with customers over the next year.	Quarterly	Number of comments on blog posts and social networks. Number of participants in contests and raffles.
4. Getting 95% of satisfied customers over the next 12 months.	Four-monthly	Number of complaints and questionnaire to customers.
5. Increase sales of by 10% in the next year.	Four-monthly	Review the annual income and compare it with the result of sales from the previous year.
6. Increase profits by 10% over the next 12 months.	Biannual	Review the annual results and compare it with the result of profits from the previous year.



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