

# **Toys International.de GmbH**

**Thema: Aufbau eines Spielwarenversand-  
handels in Europa**

# New Opportunities in Pan-European E-commerce

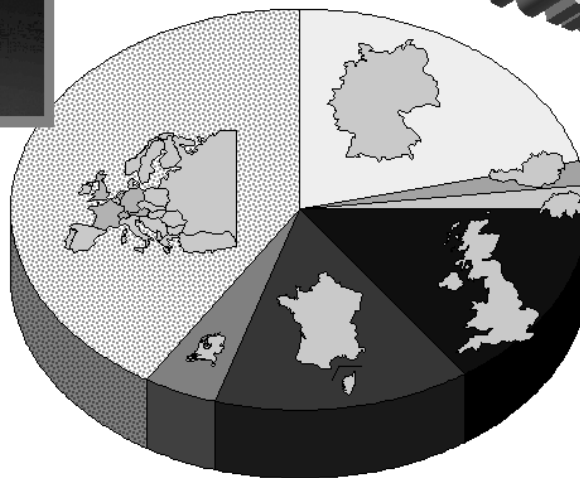


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Europe



## 300 Million consumers



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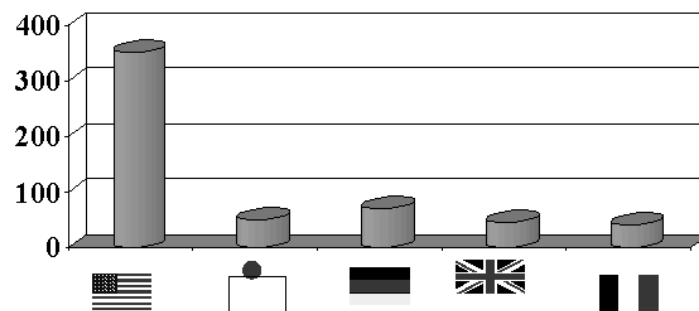
Map of Europe showing the distribution of agricultural land in 1990. The map is shaded in four levels of gray, representing the percentage of agricultural land. A legend on the right indicates the following ranges: 125+ (darkest gray), 100-125 (dark gray), 75-100 (medium gray), and -75 (lightest gray). A scale bar at the bottom left shows distances up to 1000 km. A circular inset map shows the location of Europe within the world.



A 3D pie chart illustrating the distribution of the EU budget among member states. The largest slice is Germany, followed by France, the UK, and Italy. Smaller slices represent Ireland, Greece, and Spain. An inset image shows a hand holding a flag with the EU stars.

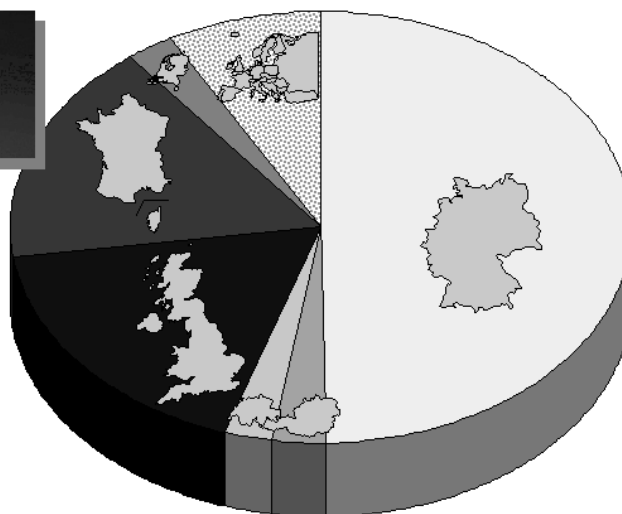


## No. of mailpieces per capita



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## The European Mail Order pie

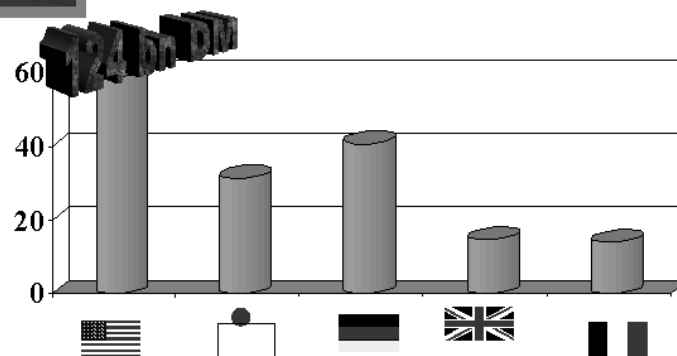


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## The highlights of the European market



Annual Mail Order sales in bn. DM

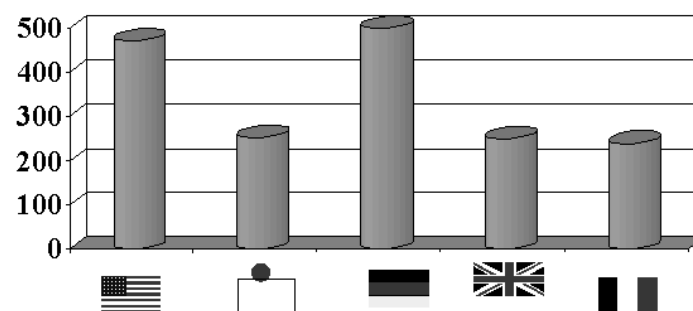


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## The highlights of the European market



Mail Order turnover per capita

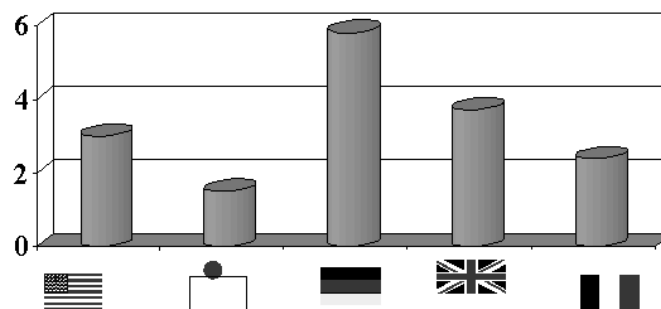


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## The highlights of the European market



Mail Order percentage of retail sales

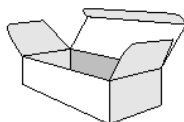


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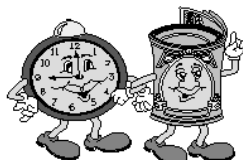
## Germany - reasons/ explanations for the outstanding figures



Restricted Retail opening hours



Ease and anonymity of returns



Bill-me-later system helping to attain higher order-values



A highly reliable Postal Service



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## Until now the handling of international business was the obstacle



15 Consumer Languages



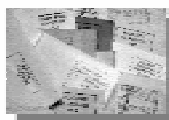
International Customer Service



Hundreds of delivery options



Rules & Regulations



International order taking



Pan-European Currencies-handling



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## 3 essential steps ensure the success of internationalisation



Local Look



“Native“ Order Processes



Appropriate Logistics



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## Local look



In order to give customers the impression of a local presence on all pieces of correspondence



- a local return and reply address is used



- a pan European creative concept is applied



- in each country a local copywriter creates the copy

- local currencies and payment systems are offered



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## „Native-language“ Order Processes



- local correspondence/order addresses are provided



- local free-phone numbers are installed



- local Fax-No.'s are made available



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## Local Payment Germany



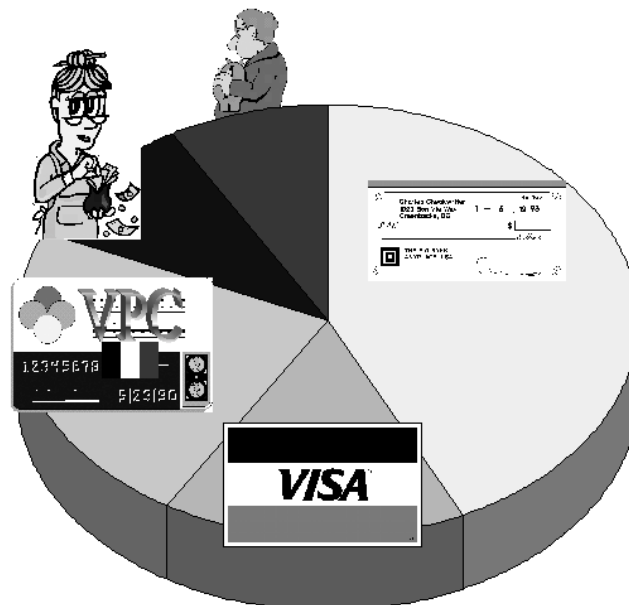
**85% of all Mail Order Sales  
are done on open credit**

- 8% Cash on delivery
- 3% Cheque up front
- 3% Direct Debit
- 1% Credit Card



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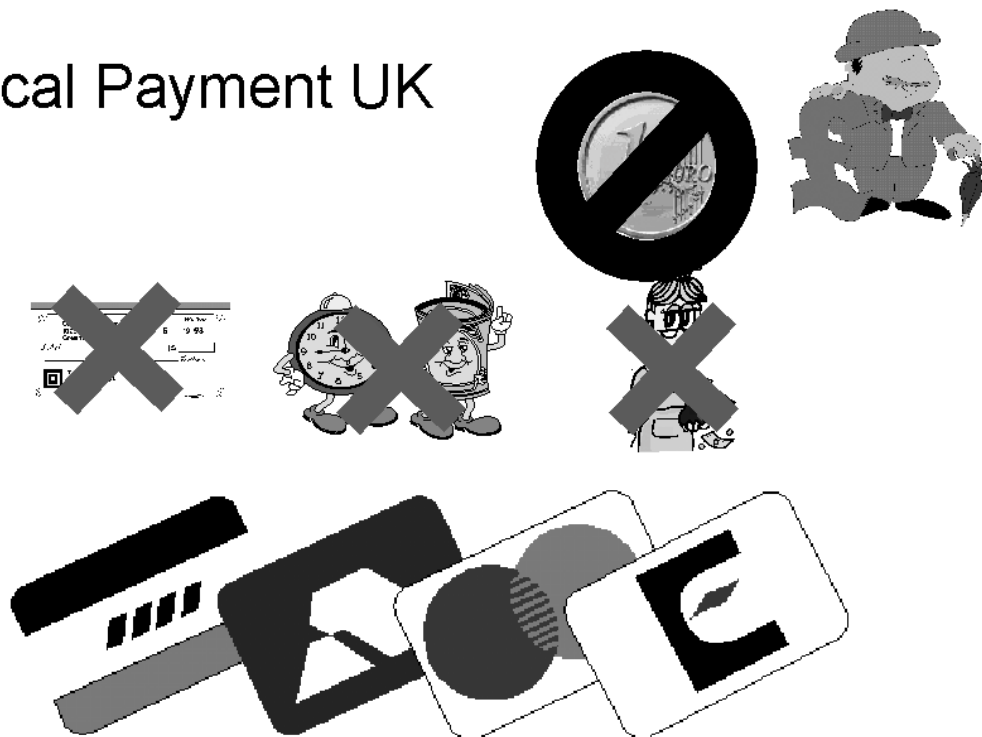
## Local Payment France



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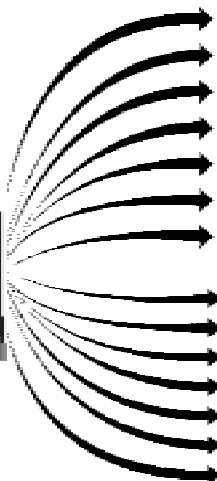


## Local Payment UK



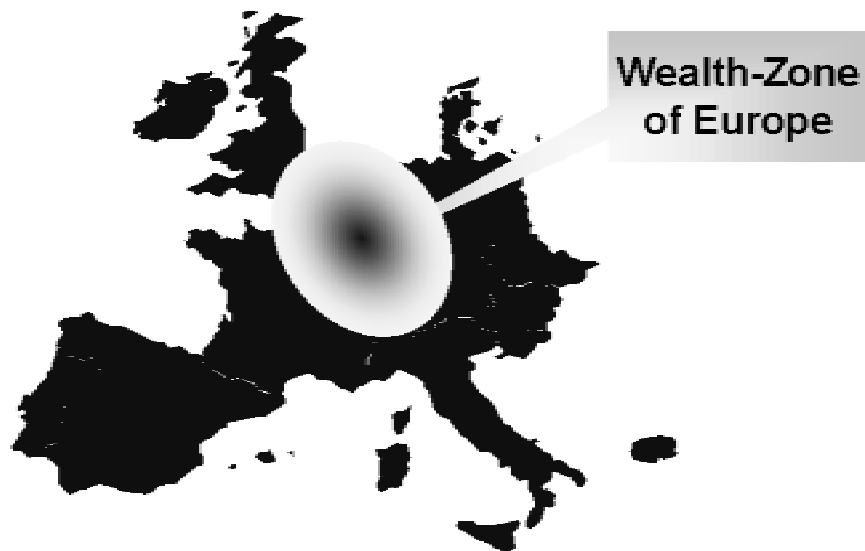
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## Centralised Parcel Logistics B-t-C/B-t-B



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## Centralised Parcel Logistics B-t-C



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## The Businesscase

**FINANCIAL TIMES**

**“I believe the combination of bricks and mortar and the internet will be the solution.”**

Walter Loeb, Loeb Associates  
in *Financial Times* 8/28/99



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## German Web Site

**www.webjumbo.de went live on  
October 8th, 1999.**



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## History I

- ◆ **Play Co. Toys & Entertainment Corp, Toys International's parent company, was founded in 1974 by Richard Brady.**
- ◆ **In January 1997, Play Co. acquired the Toys International chain of toys stores.**



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## History II

- ◆ In 1997, Play Co. began rolling out Toys International's concept of educational and specialty toys combined with traditional toys. Play areas, miniature movie theatres and libraries for children are also introduced into the stores.
- ◆ In 1998, the Company began developing its Internet business strategy.
- ◆ In October 1999, the Company launched its webjumbo.de website.



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## Key Investment Considerations

- ◆ First to market in Europe
- ◆ High up-side potential, relatively low risk
- ◆ First company to efficiently combine internet and store strategy
- ◆ High profitability of traditional retail business
- ◆ Buying power makes the company a leader in low pricing on the internet
- ◆ Retail stores insulated from market trends due to prime locations
- ◆ Experienced management team



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## Market Summary

### Retail Toy Market

- ◆ Worldwide
- ◆ United States and German Markets

### E-Commerce Market

- ◆ Overall
- ◆ Toy Segment



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## Market Summary



### Retail Toy Market



- ◆ Worldwide the retail toy industry in 1998 was a \$67.8 billion market (*International Council of Toy Industries*).
- ◆ In 1998, the U.S. retail toy industry was a \$27.2 billion market (*Toy Manufacturers Association/NPD*).
- ◆ In 1998, the German retail toy industry was a \$4.5 billion market, the largest in Europe.



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## Market - Overall E-Commerce Market

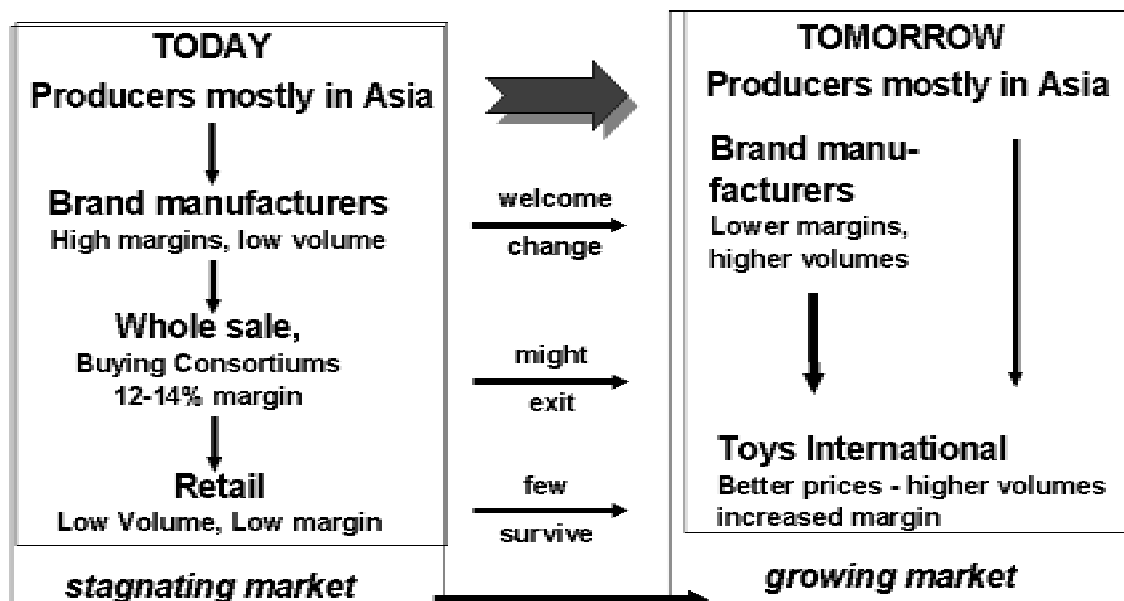
◆ The E-Commerce market is expected to grow rapidly.

	<u>1998</u>	<u>2003</u>	<u>Source</u>
<b>No. of web users:</b>			
Worldwide	160 million	>500 million	IDC
U.S.A.	70 million		IDC
Germany	12 million		Euromedia
<b>Expected Online Sales</b>			
U.S.A.		\$708 billion	IDC
Western Europe		\$430 billion	IDC
Online Toys Market	\$68 million	\$1.5 billion	Forrester



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## Market - Germany Toys International will impact



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## Market Summary - Trends

- ◆ A growing percentage of certain retail is shifting towards e-commerce.

amazon.de

eToys<sup>®</sup>



Deutsche Bank 24

- ◆ Entertainment in buying (both in retail stores and online) is becoming ever more important.

*Watch this space!*



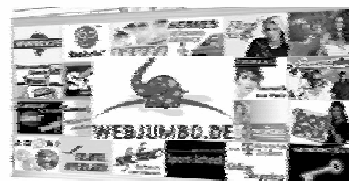
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## Business Strategy - Internet I

- ◆ First to market in Europe ([www.webjumbo.de](http://www.webjumbo.de))
  - Starting in Germany, Internet market No. 1 in Europe.
  - Set up receiving/warehousing/packaging and distribution through Deutsche Post



- ◆ 2nd website designed for the U.S. market [toys-why-pay-retail.com](http://toys-why-pay-retail.com)
- ◆ Created an Internet brand that can be opened to a variety of children related products



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## Business Strategy - Internet II

- ◆ **Cost leadership**
  - Buying power due to store volumes
  - Close out potential
  - creates the ability to include additional features such as:  
free shipping >150 DM, gift wrapping, surprise free gift
- ◆ **Customer Base - 5 million plus base of customers in its stores**
- ◆ **Direct mailing to every German Household with an affinity towards shopping on the Internet**



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## Business Strategy - Stores

- ◆ **The Company currently has 28 stores in 7 states in the U.S. and will open 8 additional stores this year.**
- ◆ **Strategy is to continue rolling out its now proven strategy of locating new stores in shopping malls/areas with high foot traffic.**
  - Tourist areas
  - Entertainment oriented shopping malls (Mills)
  - Exclusivity at most new locations



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## Business Strategy

### Combination of Internet & Stores II

#### ◆ The combination of stores and the Internet give the Company the following advantages:

- 📖 A feel for the “pulse” of consumer interest in specific items - reduces risk of write-offs.
- 📖 Stocking - lower prices, greater availability especially in holiday season.
- 📖 Increased buying power on regular merchandise.
- 📖 Special Buys - Can buy better based on volume
- 📖 Far higher profit margins compared to “pure” Internet sellers.
- 📖 Any slow moving Internet merchandise can be sold through promotional floor stacks in stores.
- 📖 Can leverage off of an existing store customer base of 5 million+
- 📖 Due to the company structure, there is no conflict between store- and Internet strategy



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## Market Entry Barriers

#### ◆ Prime Locations



#### ◆ First to market -- Europe/International Strategy

#### ◆ Strong Knowledge of Toy Industry Worldwide

#### ◆ Size of website(s)

#### ◆ Advertising



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## Crucial Factors

- ◆ Acceptance of Internet Sites
- ◆ Acceptance of Products
- ◆ Fulfillment (Deutsche Post)
- ◆ Dependence on Suppliers
- ◆ Management of Growth
- ◆ Competition



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