

SUNNY BUNNY INTERNATIONAL: EXPANSION PLAN

Capstone Project Report

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B. EXECUTIVE SUMMARY RESUME

Sunny Bunny (tm), local Ukrainian producer for stuffed toys and home décor (est. 2012) with the aim to deliver custom handmade products in Ukraine and abroad.

Current budgeting model describes business development for 2020-2025 through the sales on international eCommerce platform Etsy.com, the online market place for buyers and sellers to sell goods primarily in the United States, United Kingdom, Canada, Australia, France, Germany and other 60 countries.

Etsy offers approximately 60 million items in its various retail categories to buyers. It also provides various seller services, including Etsy Payments, a payment processing service; Promoted Listings, an on-site advertising service; Etsy Shipping Labels for purchasing discounted shipping labels; and Pattern, a service that allows sellers to create custom Websites.

Sunny Bunny plans to sell two core categories of goods with YoY growth in pcs of 50% and reach Net Income of 55,000 USD at the end of 2025 with 30% of NI margin and cumulated RE of 107,000 USD

C. INVESTMENT OFFER

Upon reaching planned financial targets by 2025, business will be ready to expand with own production capabilities to build strong delivery model within a pipeline of renewed products.

Additional financing will be required to support growing PPE and rent costs, as well as extra headcount.

Investment details are the subject of adjusted business plan by the end of 2025.

D. IMPLEMENTATION ROADMAP

Implementation roadmap for the first year of operations contains core steps to help the Business to start sales on international platform Etsy.com.

Phase	Task	Step	Work Business Stream	Activity	Start Date
I Initiation Phase					15.05.2019
	A	1	Initiation	Collect preliminary business expectations	
		2		Formalize received expectations	
	B	1	Project design in draft	Suggest Project plan in draft	
		2		Suggest Project Budget in draft	
	C	1	Prepare Pre-Project documentation	Prepare Pre-Project Form document in draft	
		2		Prepare Project presentation	
	D	1	Risk Assessment	Discuss and formalize possible risks	
		2		Prepare Risk Matrix document in draft	
	E	1	Kick-off meeting	Present project plan and budget	
		2		Handle workshop and idea exchange	
	F	1	Budget validation	Allocate budget to project	
		2		Set-up budgeting and payment phases	
	G	1	Go/No Go meeting: Phase I	Review project plan and steps, if necessary	
		2		Sign contracts with developers and vendors	
II Requirement Definition Phase					01.09.2019
	A	1	Product List approval	Review sales reports from past periods	
		2		Analyze competitors' details	
		3		Validate initial list of products	
	B	1	Vendor Selection	Select core materials for toys	
		2		Find appropriate vendors and agree on volumes	
	C	1	Finalize Listings on Etsy	Prepare product description and photos	
		2		Create product cards and fill product profiles	
	D	1	Production Team meeting	Review current assortment	
		2		Provide trainings on sewing technology	
		3		Agree on monthly production volumes	
	E	1	Go/No Go meeting: Phase II	Review project plan and steps, if necessary	
		2		Confirm to move to next phase	
III Design/Build Phase					01.10.2019
	A	1	Design and Build Chatbot	Set up and test chatbot logic	
		2		Integrate with the website and FB	
	B	1	Set up payment mechanism	Set up bank and PayPal accounts	
		2		Set up connection between accounts	
	C	1	Develop first batch of toys	Receive first samples of toys	
		2		Receive final sample of toys	
	G	1	Go/No Go meeting: Phase III	Review project plan and steps, if necessary	
		2		Confirm to move to next phase	
IV Acceptance Phase					01.01.2020
	A	1	Promotion	Prepare product promotion plans	
		2		Execute promotional activities	
	B	1	Competitors' review	Use market information from subscription	
		2		Read market trends	
	C	1	Performance analysis	Adjust sales strategy	
		2		Adjust pricing, if necessary	
	D	1	New models creation	Start design of new models	
		2		Create supporting materials	
	E	1	Prepare next year cycle	Adjust product mix	
		2		Prepare production plan	

Module E. High-level Implementation Roadmap. Table 1

1. COMPANY DESCRIPTION

1.1. Resume of the section

Current section describes general characteristics of the business of Sunny Bunny company and all the pre-requisites for successful extension to international markets through the mix of available eCommerce platforms, social media and direct channels of distribution.

Section contains general information about operational and business models, strategic plan and customer problem definition and provides the logic of strategic movement from “as is” status to desired “to be” position.

Described strategy is expected to be valid even during unpredictable times of global pandemic and growing financial crisis.

1.2. Description of company’s business

Sunny Bunny is the private small family company, run by the owner and family members. Mrs. Nataliia Hoizhevska ¹ is the single proprietor of the business and receives all dividends from the financial results of the Company. Business is concentrated on production of original hand-made fabric toys, travel accessories and indoor/outdoor teepees for kids. Assortment is well balanced between categories and regularly renewed, based on analysis of client preferences and switch between seasons.

With almost 8 years on the market, company did two rebranding activities, managed three upgrades of corporate website, runs Facebook and Instagram pages, hosts its products on few online platforms, both local and international. Company owner regularly attends online and offline events and trainings on digital promotion and business development, so extension of online sales sounds very promising and better organized with time and practice.

Production is organized through the network of private entrepreneurs, who are sewing required models in their premises in different parts of Ukraine. All materials, design and other components are provided by the company owner, same as she drives the production planning cycle and materials’ distribution. Company also uses external services from outsourced SMM specialist and accountant.

As strong sides of the business, the Company has available assortment on stock, quick delivery, all unique models, branded packaging and personal attitude towards every customer. Company also has a name, which is easy to remember, and recognizable logo.

Customers’ feedback is mostly positive, underlying warm and respectful behavior of the company representatives, who show understanding of customer situation and needs. Most of

¹ <https://www.facebook.com/nataliya.goyzhevskaya>

the customers are retained for more contacts and sales in the future, recommend with pleasure Sunny Bunny brand for friends and relatives, return every season for New Year gifts. Business development plans contain steps to get new clients online to balance better direct sales segment, introduce new models for the Christmas season 2020 and go for more projects with corporate accounts. Those channels require a lot of personal commitment and time, which is another argument for more organized and intensive online sales through various digital channels.

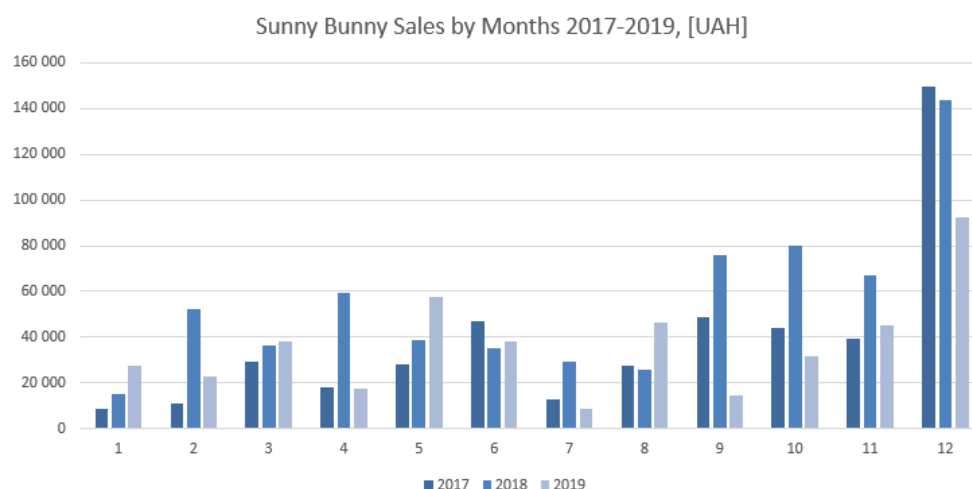
In regards of products itself, the core features, which are very well accepted by the customers, are unforgettable design, high quality in sewing, healthy and hypoallergenic materials and very good correspondence to customer expectations. All products are made with passion and goodwill to please and warm-up clients over years, build good memories about special moments and deliver the emotions from the person, who make a gift, to a person, who receives.

1.3. Description of current state

According to sales results for 2018/2019, the business could be categorized as highly volatile, season-driven, which depends a lot in the current model on direct, face-to-face distribution.

For example, up to 50% of turnover was done through direct sales channel, mostly through participation on Vsi.Svoi markets, where sales volumes are highly dependent on weather conditions (some people prefer to stay at home), parallel events in the city (running and bike marathons, concerts and shows, alternative marketplaces), vacation periods and other factors. Moreover, participation in markets could cost up to 25% of margin, so direct sales only are considered like a risky way of doing business.

In regards of fluctuation between different months, Christmas sales period is supposed to be more profitable, while company needs to be prepared for it in advance, both in assortment and quantities. Sales in 2018Q4 were also strongly supported by surprisingly good October and November events. In general, for the moment, numbers help to conclude, that any forecasting attempts in regards of volumes, assortment and customer preferences were not precise enough, since no concrete trends were caught during years in business.



1.3. Sunny Bunny Split of Sales by Months, 2017-2019. Graph 2

Turnover figures for 2018Q1/2019Q3 shows, that three digital channels together bring 25% of total turnover, while generating more margin vs traditional sales. Due to existing Facebook and Instagram restrictions in Ukraine, person can't sale directly through those platforms, but can use forward clients to his website with sales engine or use embedded messengers to interact with customers and take direct orders to be processed elsewhere.

Business requires high-level targeting of audience in social media and wise investments in advertising.

1.4. Customer problem definition

Customer problem definition stays as one of the major tasks for marketing teams worldwide in most of businesses. In the specific case of Sunny Bunny handmade products, most of attempts are lying in the field of finding proper target audience in social networks and making dedicated advertising for them through different digital channels.

Customer problems, or so-called pains, could depend on social and demographic characteristics of target audience, which we assess as following:

Geographic		Demographic		Psychographic		Behavioral	
Country	U.S.	Age	25-45	Lifestyle	Active	Benefits	Eco, durable
City	Any	Gender	Female	AIO	Hobby	Purchase	Impulse
Density	Any	Income	Average+		Family	Usage	Long-time
Language	English	Education	Higher		Education	Intent	Warm emotions
Climate	Any	Social Status	Achieved	Personality	Individual	Occasion	Birthdays
Area	Any	Family	Yes	Values	Family, health	Buyer Stage	Consideration
Population	Urban	Life Stage	Adulthood/midlife	Attitudes	Positive	User Status	First time/regular
		Occupation	White-collar			Life Cycle Stage	Growth
						Engagement	Medium

1.4. Target Audience. Table 3

The business focuses mostly on female audience of 25-45 yo, who has higher education and developed taste in unique products. Most of these ladies have families and kids, for whom they are in position to bring toys and present on regular basis.

They are looking at warm emotions, generated by their presents to beloved ones, and those presents should keep those emotions over time.

Those people are in constant need to find perfect gifts, which are unique, safe and educational to some extent, at the same time. They are sharing their private values through their careful selection of what to present and, most probably, will stay loyal to the brand for a long time, if the business will cover their needs as expected, from the very first contact.

1.5. Resume of Company strategic plan

The business is conscious in the implementation plan steps to reach the desired market and profit positions. On the way to achieve those, management needs to take into account few key pre-requisites, as described in the table below.

Pre-requisites and background	Comments
Condition 1: Company has unique products with individual design	Actual trends in handmade industry should be monitored and product range updated
Condition 2: Easy and fast access to non-differentiated market and customers through marketplace Etsy.com	Business must be ready to meet high competition from the start
Condition 3: New market with high growth potential, both on volumes and margins	Etsy.com turnover shows huge annual growth from 2005
Condition 4: Entry in the new market requires limited investments	Affordable environment for a small private business. Only advertising expenses for promotion online @5% of revenues

1.5. Business Pre-requisites. Table 4

While acting on non-differentiated market, the business must support the uniqueness of the product lines and maintain individual design to stay different against numerous competitors. This is possible mostly through fast and relatively easy access through available eCommerce platforms, like Etsy.

Etsy shows tremendous growth in turnover, increase in number of sellers and buyers, so stays the preferred choice for product listing there and requires limited investments to enter.

1.6. Analysis of business model

Modern approach requires effective business model, which fits growing competition on handmade products market to reach expected profits on international online market.

The model below reflects actual business environment and embedded in Business Model Canvas.² All elements are critical for business continuity and efficiency and need to be properly managed.

ETSY eCommerce platform, as well as materials' providers and handcraft experts stay as key partners for the business, so owner needs to keep this domain under constant focus. Any significant issues in one of listed areas could bring potential business disruption. For example, business needs to do regular follow-up of online platform press releases and changes in selling or advertising policy, check for the changes in pricing of competitors and partner fees. With all materials' vendors firm contracts should be signed to ensure availability of components for planned production volumes.

² https://en.wikipedia.org/wiki/Business_Model_Canvas

KEY PARTNERS: <ul style="list-style-type: none"> - Etsy platform - Other eCommerce - Handcraft experts - Fabrics' providers - Chatbot platforms - FB, Instagram, own site 	KEY ACTIVITIES: <ul style="list-style-type: none"> - Advertising on site - Creation of new models - Forming of client taste 	VALUE PROPOSITION: <p><u>BUYERS:</u></p> <ul style="list-style-type: none"> - Custom handmade products - Handcrafts from Ukraine - To pay online - Worldwide shipping <p><u>SELLERS:</u></p> <ul style="list-style-type: none"> - Direct sales by vendor 	CUSTOMER RELATIONSHIP: <ul style="list-style-type: none"> - Social media - Chatbots - Web customer support - Delivery tracking - Individual approach 	CUSTOMER SEGMENTS: <p><u>BUYERS:</u></p> <ul style="list-style-type: none"> - Who like custom items - Who like handcrafts - Who like stuffed toys <p><u>SELLERS:</u></p> <ul style="list-style-type: none"> - Direct sales by vendor
COST STRUCTURE: <ul style="list-style-type: none"> - Production expenses - xRate changes - Delivery expenses - Advertising costs 			REVENUE STREAMS <ul style="list-style-type: none"> - Net Income margin @ 33% average - Low inventory of finished goods and materials <ul style="list-style-type: none"> - No AP, short-term AR only - No credits from banks, own capital only 	

1.6. Business Model. Table 5

Keeping key activities up and running, the Company needs to support continuous advertising, always keep new models in the production and design pipelines and tirelessly work with clients to form constant demand and loyalty.

To achieve this, the following key resources are required, such as Etsy community (social media group of sellers and buyers, who are potentially influencing Etsy commercial policy, as well as share actual news and trends), availability of custom products for regularly changing demands of buyers and regular expenditures for advertising.

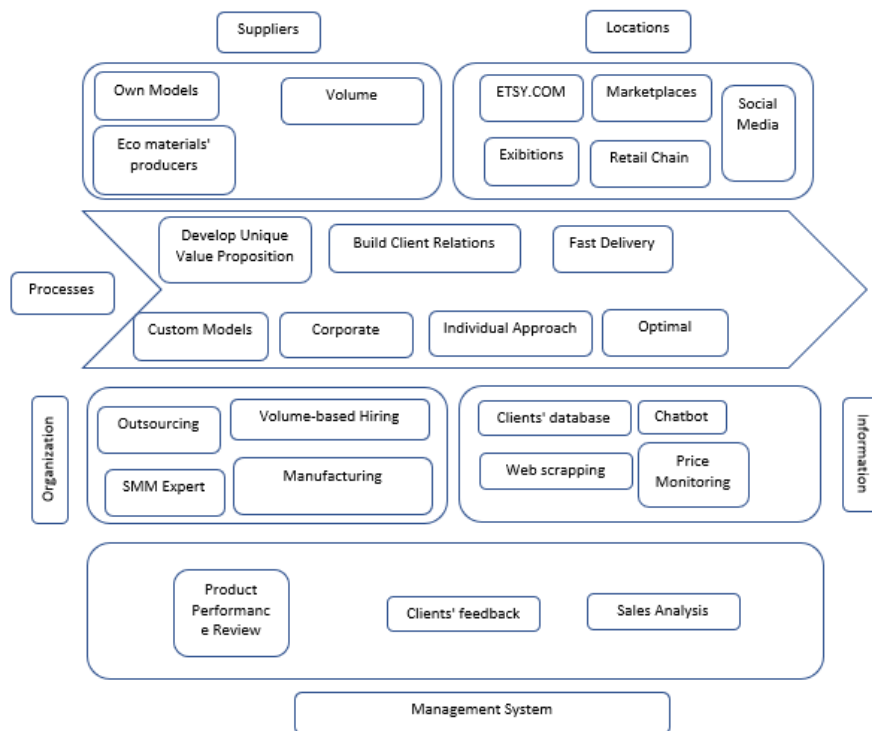
As the unique value proposition, Sunny Bunny could offer custom handmade products from Ukraine, available worldwide through international shipping and use of modern payment systems, such as PayPal and some others. The Company, acting as directly delivering seller, could offer the best price and possible discounts for the variety of customers, keeping price affordable and trade costs under control.

The fight for the customers should be supported by massive campaigns in social media with the use of chatbots. On top, Company needs to offer individual approach where possible, provide delivery tracking and post-sales service through available online channels and eCommerce platform.

The cost structure comprises of production expenses, including currency exchange rate component for imported materials, and outbound delivery costs. Another big block is advertising expenses, which could vary depending on commercial policy of the eCommerce provider and business plans for sales and promotion.

1.7. Analysis of operating model

The operating model (POLISM type) below defines how the Company will deliver capabilities and financial outcomes required by the strategy, covering six elements (Processes, Organization, Locations, Information, Suppliers, Management).



1.7. Operating Model. Scheme 6^{3 4}

Suppliers' domain contains three main parameters for the business: self-supplying with own models of toys, producers of eco-friendly materials and volume-based orders for remaining needs.

Keeping own models is important to be unique among others, but requires constant pipeline of new toys to be developed. This is definitely the key success factor for the Company to be successful and attractive. As an additional advantage, company uses hypoallergic, natural materials for its products, as if those toys are given mostly to kids, so it is important for parents to ensure safety. For most of material supplies the Company is looking for volume-based discounts to ensure cost optimization in production cycle.

Locations are split between different places to sell company products: some of them are requiring regular physical presence (retail chains, marketplaces, exhibitions), but the most growing and promising segment is Internet (including eCommerce platforms, like Etsy.com, and various social media, like Facebook, Instagram, plus websites).

Direct sales are performing worser over time, while corporate orders become more interesting, while challenging, because it is not easy to get corporate orders. Keeping these trends in mind, growth of sales in Internet segment becomes the key target for the business.

Organizationally, Sunny Bunny requires an optimized structure to ensure efficiency in personnel and cost management, so most of positions are planned to be outsourced, which is

³ <https://www.hult.edu/en/executive-education/programs/strategy/operating-models/>

⁴ https://en.wikipedia.org/wiki/Target_operating_model

important for dedicated use of such resources, when and where needed. Finally, less personnel costs directly positively affect price for customers and increase operating margins.

Very important aspect is to retain all information up to date, starting from client database, because personal and tight relations with customers are required for customer retention and continuous sales. A customer database should be used through chatbot, regular emailing and kind of CRM analytics.

Another thing to do in regards of information, is regular web scrapping for updates in pricing policy of competitors and changes in prices of suppliers. Price follow-up is the key for better profits.

Management system requires regular product performance analysis to take in-time decision, which products to delist and which products to keep in promotion. Another thing to keep in mind is the customers' feedback, based in direct or indirect inquiries, emails and sms received etc. This is directly linked with sales analysis and business intelligence, which should be in constant focus of the management.

Finally, all processes must be as efficient as possible. First of all, there should be unique value proposition, which helps to distinguish Company products from ones by competitors. This unique proposition must remain actual and attractive, so business will be on the edge of innovations and up-to-date with the trends. Some other processes, like building client relations and maintaining individual approach should be also kept in focus, because client is always in the center of the business.

1.8. Five Forces analysis

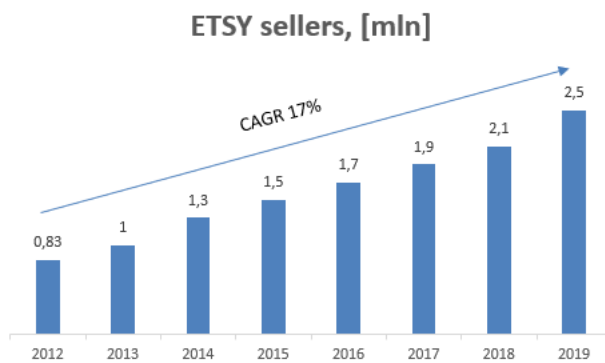
Competition in the Industry: according to the information from ETSY database, the number of sellers on this resource rapidly grown from 0,83 mln in 2012 to 2,5 mln in 2019.^{5 6} Competition takes place in 43 different categories, offering 60 mln different products. According to Porter, the larger the number of competitors, along with the number of equivalent products and services they offer, the lesser the power of a company. In regards of Sunny Bunny, it means, that Company has low power within rivalry on the more or less equivalent products, so business needs to look for competitive advantages to win more sales.

Potential of new entrants into an industry remains high, as it shown in the graph below. Besides the huge turnover, when only 13% of sellers stay in business for four and more years, number of new producers keep growing. Most of new entrants are private households, representing at about 95% of all vendors on Etsy, so there is a chance to compete more effectively, being the larger handcraft company.⁷

⁵ <https://www.investopedia.com/terms/p/porter.asp>

⁶ <https://expandedramblings.com/index.php/etsy-statistics/>

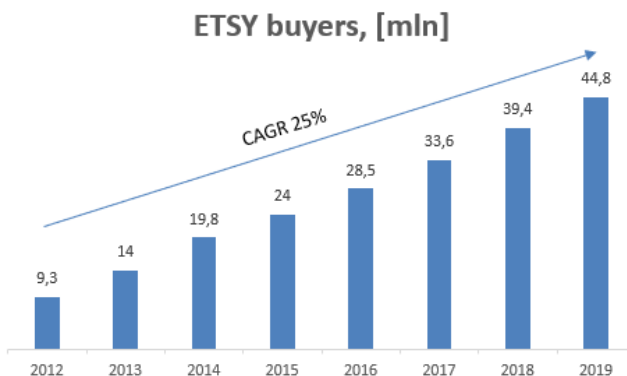
⁷ <https://expandedramblings.com/index.php/etsy-statistics/>



1.8.1. ETSY Sellers. Graph 7

Power of suppliers remain high or even critical, since business sometimes suffer from out of stock for materials, furniture or other components. Some materials are hard to substitute, for example, like cotton fabrics or wooden elements for teepees. As another example, one of the severe factors is global situation with coronavirus, which limits imports from China. The Company doesn't have enough power, as well, to influence on supplier pricing policy, as if they set up their prices, according to their commercial policy, currency exchange rate and other factors.

Power of customers seems to be low, as if there are 44,8 mln buyers for 2,5 mln sellers (almost 18 buyers per seller), but, in fact, those customers creates the turnover for ETSY and those vendors, which reached 3,93 USD bln in 2018. Current situation means, that many individual buyers influence many individual sellers, which are obliged to compete, also on the price level.



1.8.2. ETSY Buyers. Graph 8

Customers can't negotiate better deals individually, but they put a pressure on the market and sellers, in general. From another hand, there are many opportunities to play with the list prices for successful individual sellers, as if they have a chance to hide behind many different offers.

Threat of substitutes remains high, according to the reasons, stated above. Huge competition for the same type of products brings new rivals mostly on an hourly basis and it is close to impossible to follow-up those changes too often and adjust pricing and manufacturing strategy accordingly. Keeping in mind the turnover of sellers, the main mitigation step will be to continue product promotions and regular monitoring.

1.9. Situational SWOT analysis with conclusions

Actual SWOT analysis should include all valid elements from the market, in general, any specific points from business niche of toys market, marketing channels, as well as positive and negative internal factors.⁸

	Positive Impact	Negative Impact
Internal	Strengthes Fast implementation Ready made stock High quality products Custom models Individual approach	Weaknesses No own production facility Use of freelancers Processes are not structured
External	Opportunities Trend for custom handmade toys Less imports from China Corporate orders	Threats Materials often not available Strong competition Seasonality Delivery issues

1.9. Swot Analysis. Scheme 9

Starting from list of strengths, business can count on the following, such as fast implementation with custom models, ready-made stock and high-quality products, built on individual approach.

Fast implementation means designer capabilities to provide custom toy designs during limited period of time, which is definite advantage vs other competitors with fixed product matrix. Available stock guarantees fast delivery on demand, which is regular customer expectation.

Negative internal factors include absence of own production facilities, use of freelancers and processes, which are not yet structured.

Own production facilities could simplify production logistics and inbound delivery costs, provide understanding of production capabilities for better planning. Process structure is still weak due to tight headcount, when one person handles many business roles.

In fact, listed reasons could be also considered as positive for business, if well managed, for example, could be considered from cost optimization standpoint.

External positive factors include actual trends on handmade market, less imports from China and space for big corporate orders.

Industry analysts concluded on few key trends at this moment, including globalization (cross-border sales and strive for unique products), rapid change of trends, contemporary minimalism (consumers know exactly what they want), differentiation (be unique), growth in online (eCommerce, own websites), environmental controls (health and safety, starting from

⁸ https://en.wikipedia.org/wiki/SWOT_analysis

production cycle and materials up to final use) and, with no surprise, growing competition with Asia producers.⁹

In parallel, analysts underline the drop of imports from China, which is much stronger supported by current coronavirus epidemic, which could be use as an advantage for our products, as if people are afraid of products from there.^{10 11} From another hand, business could also suffer from absence of some imported materials to produce toys.

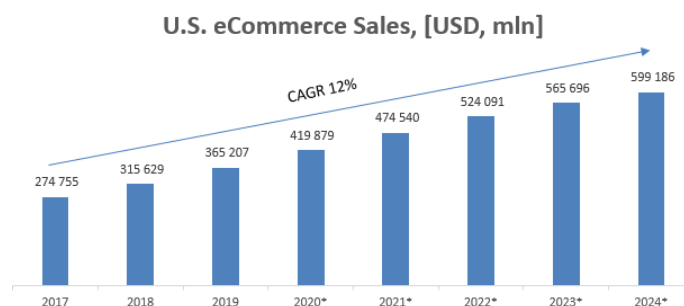
Main threats are the unavailability of materials, strong competition, seasonality effect and delivery issues.

Materials' out of stock (including the reason, stated above) disrupts the business cycle, put under risk available stocks and push for changes in bill of materials and ready product look. Competition is really heavy, since business fights against millions of individual rivals at the same time (2,5 mln sellers as per end of 2019).¹²

In regards of delivery, business can't control international delivery networks, so some parcels could be lost. At the same time, seasonality is quite a tense factor, but could be managed through better production planning.

1.10. PESTEL analysis

The eCommerce industry has grown a lot in the recent years and regardless some fluctuations in the global economy. The US e-retail market stays the largest one in the world and while in-store sales still account for nearly 90% of total retail sales, the total market share of online U.S. retail sales is now higher than general merchandise sales for the first time ever^{13 14}.



1.10. U.S. eCommerce Sales. Graph 10

⁹ <https://wunderlabel.com/blog/p/craft-handmade-industry-stats-and-trends/>

¹⁰ <https://www.cnbc.com/2020/02/18/coronavirus-tense-times-for-small-business-owners-who-import-from-china.html>

¹¹ <https://www.businessinsider.com/wuhan-coronavirus-us-china-trade-state-maps-2020-2>

¹² <https://expandedramblings.com/index.php/etsy-statistics/>

¹³ <https://www.digitalcommerce360.com/article/us-e-commerce-sales/>

¹⁴ <https://www.statista.com/statistics/272391/us-retail-e-commerce-sales-forecast/>

There are a lot of political threats in relation to eCommerce market. While those threats may not be the same for the e-retailers vs physical stores, there are several risk factors affecting the e-businesses. For example, for the global leaders, like Amazon and E-bay, the growth in Asia Pacific region can be difficult due to red tape (or bureaucracy) and, as result, it can influence Etsy operations as well.

The political and regulatory challenges for the e-businesses are keeping to rise in EU too, where the growth of eCommerce has also been challenged by political factors. EU has kept targeted by technology giants from US and such politics can be a threat for the growth of eCommerce in Europe and that's why several sources predict that the growth rate of eCommerce there is going to be low. As a result, potential EU customers could be reached through American eCommerce platform, including Etsy.

If the relationship between China and US get worth again and delivery of China product is restricted, it will influence on supply of products on US market, including toys. As the result, demand on products from other geographies will increase.

Economic factors play huge role in terms of business, whether it is an online business or physical, economic factors can have a significant effect on it, affecting tax level, profits, etc. Also, economic changes directly influence on consumer behavior: when economic situation is decreasing, consumer starts to save money and spend less on goods, which are not in the first need, for example, on handmade toys.

At the present moment, with the rise of global crisis and spread of coronavirus many markets are in panic, businesses and education centers are temporarily closed, but it could bring some possibilities to sell more toys, because parents could have troubles to entertain kids at homes during long mandatory quarantine.

Social effect on eCommerce is also significant: according to Verto Analytics data in 2018, the vast majority of consumers, who shop online, are under the age of 75: 95% of online shoppers are between the ages of 18-74. Millennials (those between the ages of 18-34) are slightly underrepresented, accounting for only 30% of the online shopping population. Meanwhile, members of GenX (ages 35-54) account for 34% of the online shopping population, trailed by Boomers (ages 55-74), who are 31% of the online shopping population¹⁵.

One more social effect is demographical: for the toy market the decrease of the birth rate directly decreases potential audience. In recent years, a rise in the popularity of interactive and multi-functional toys and games has been observed among children, which has been positively impacting the toys and games market.

Choice of children in regards of the toys is influenced by popular cartoon, comics and movies: when children are in the shop, he or she prefers to buy some hero of the favorite cartoon vs

¹⁵ <https://vertoanalytics.com/chart-week-e-commerce-demographics-shops-online/>

some unknown stuffed animal toy. Permit to produce licensed toys is very expensive and requires huge production capacities, so the business can't compete with such market and loses sales vs these products.

In regards of technology, hi-tech toys may cause negative influence on the business. More and more parents prefer to by their children toys for development, so it is the big shift in preferences from classical toys. Additional efforts to be placed to add developing features for current and future toy assortment.

Environmental factors are mostly connected with trends, which are started about 15 years ago in regards of pollution control, ecological materials to use, resource saving. In the niche of handmade toys these factors are not fully applicable, but should be kept in mind and applied in production cycle, for example, to put remaining parts of fabrics inside the toy to stuff it instead of other filling ^{16 17}.

Another aspect is the responsible consumption expectations, so the business needs to underline in advertising and product descriptions, that toys are durable, easy to care and will last long with your kids and safe in play.

Evolution of eCommerce all over the world also changes in regards of legal aspects. Most of these questions are treated in a different way by the different jurisdictions or have not been yet regulated so far. Companies are facing the significant uncertainty about international transactions, which are the part of eCommerce operations often.

The focus in 2019 has been on data protection and privacy, which directly affects eCommerce, either by improving GDPR compliance and following up on consumer requests or by preparing for new privacy laws such as the California Consumer Privacy Act (CCPA) in the United States and the Lei Geral de Proteção de Dados (LGDP) in Brazil. Approximately 76% of online consumers consider data privacy and security as very important factors, when deciding where to buy, according to the 2019 global online shopping survey from 2Checkout ¹⁸.

EU is developing e-Privacy regulation that intended to protect the privacy of electronic communications, involving residents of EU members states. The regulation will include following areas: messaging service providers such as WhatsApp, Facebook, and Skype; natural or legal individuals conveying direct marketing communications, website owners. Another huge aspect is the legal framework for AI application in the business and consumer behavior analytics.

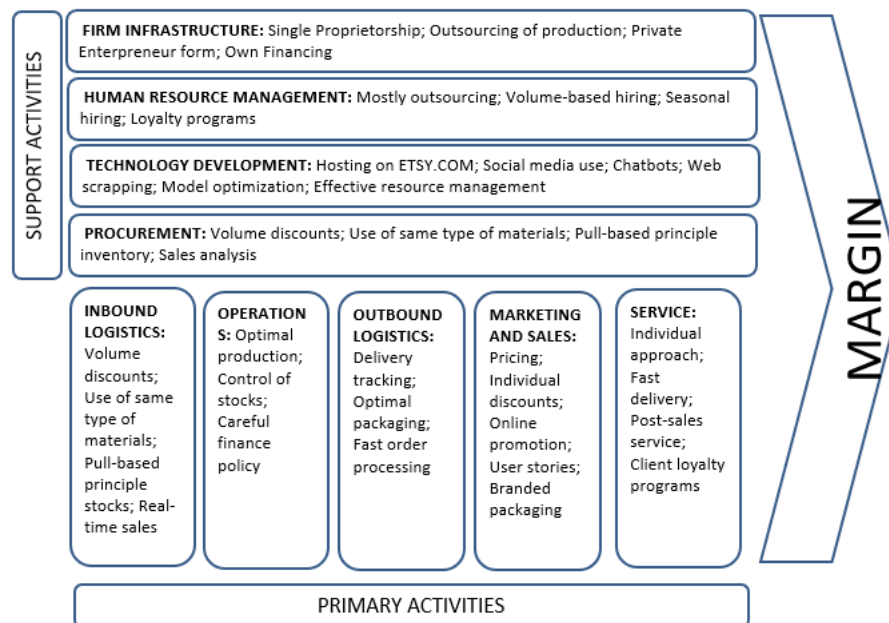
¹⁶ <https://www.hubbub.org.uk/blog/main-environmental-trends-for-2020>

¹⁷ <https://trends.sustainability.com/>

¹⁸ <https://www.2checkout.com/press/press-single/2019-online-shopper-survey-2019.html>

1.11. Value chain analysis

The value chain analysis below represents actual business management for the Company both for primary and support activities to create value for its customers.¹⁹



1.11. Value Chain Analysis. Scheme 11

As a part of primary activities, the Company can use advantages of inbound logistics through better volume discounts for materials due to use of the same type of them in most of products. In terms of production, stock control is important through constant control of remaining goods, sales analysis and production orders, based on pull principle (which is also applicable for operations domain). In regards of outbound logistics, the margin drivers will be fast order processing and delivery tracking, which is very important for customers.

Marketing and sales activities should start from thorough pricing control, balanced with competitors' offers. Business establishes proper pricing and applies individual or promotional discounts, according to market situation and sales performance. Through user stories and feedbacks in social media Company will increase customer satisfaction, leading to higher sales volumes. Servicing function includes support loyalty programs, individual approach and post-sales service as additional advantages.

The Company is planning to use only own financing to minimize use of credit from commercial banks, which is feasible in current business model. Single proprietor form helps to optimize administration costs and decision-making process for business, as well as outsourcing of production and desire to use own financing.

¹⁹ <https://moonwelfarefoundation.blogspot.com/2018/12/what-is-value-chain-analysis-value.html>

Technologically, the Company will also use cloud-based and outsourced platforms to acquire resources only when needed and in the volume needed, which brings to model optimization and effective resource management.

1.12. Overview of company's development plan

The development plan is highly dependent on seasonal changes and trends, so is mostly concentrated about festive periods. Thus, more calm months are dedicated for product reviews and updates, marketing plan adjustments and other preparational activities as described in the matrix below.

	SEASONS											
	LOW		NORMAL			LOW			HIGH			
	1	2	3	4	5	6	7	8	9	10	11	12
PRODUCT ACTIVITIES												
Design of new models												
Performance review												
High season production run												
PRICING ACTIVITIES												
Price decrease												
Price increase												
Price review												
PROMOTION ACTIVITIES												
Etsy.com												
Facebook												
Marketplaces												
DISTRIBUTION ACTIVITIES												
Stock consolidation												
Seasonal stock release												
PEOPLE ACTIVITIES												
Production training												
PROCESS ACTIVITIES												
Re-assess product stage												
Review marketing plan												
Review customer database												
Review advertising statistics												
Improve dedicated soft skills												

1.12. Company Development Plan. Table 12

Product-related activities are focused on the design of new models, performance reviews of the sales during past periods and on preparation of high season rush. Based on such analysis, pricing policy should be adjusted accordingly, depending on changes in COGS and marketing activities of competitors in the same area. If some seasonal products left on stock, we need to release this extra stock through special promotional campaign to improve cash flow.

Promotions should be kept active in social media all over the year, depending on the season, while direct sales through the marketplace participation should be carefully planned to avoid extra costs. Marketing activities are the subject of constant attention for product life-cycle reviews, marketing plan adjustment and customer database works. Management should spend enough time to develop soft skills of the teammates to include recommendations and customer feedback from past periods.

2. TECHNOLOGY

2.1. Resume of the section

Sunny Bunny products will have three main channels of distribution: Etsy eCommerce website, social media, and privately owned website in Ukraine, but the common will be chat bot. This interconnected ecosystem supposed to be comfortable for our customers in:

- Product search
- Getting full and useful information
- Receiving Customer support 24/7 to cover different time zones
- Make fast orders
- Perform easy payments

In particular, the use of chatbot looks very promising in regards of boost of sales, customer retention and additional brand awareness for Sunny Bunny through digital channel of Facebook messenger. Hundreds of potential customers are still out of scope of targeted campaigns or may experience difficulties while navigating through the website. With the extension of product lines and growth of sales in other channels, support of this business development activities will require much more time, so chatbot function will be helpful and time saving for autonomous work.

The data, which can be extracted from chatbot, is very important for business development. Thanks to this data, the business knows our customer service level better, same as stay in the position to more realistically assess current weaknesses, on which we may react faster. By increasing customer satisfaction level, the management may increase sales, which is the major business axioma. Chatbot also helps to be aware on customers' preferences and adjust the strategy accordingly.

The use of machine learning (ML) and Artificial Intelligence (AI) will also evolve our position on the market against our competitors, and market trends, in general. It was also very important exercise for the management itself, since many aspects and indicators of the business were revisited during project work, including marketing strategy, targeting, website and internet page organization, etc. Commercial data will be normalized, reviewed and processed in Power BI, providing additional visualization capabilities for decision-making.

On the later stages, business could consider switching to Pro version of ManyChat to involve additional commercial modules of the platform, but it should be aligned with production capabilities and general readiness to evolve on the next level. Business may also require help from developers to apply for more sophisticated version of chatbot with additional program coding.

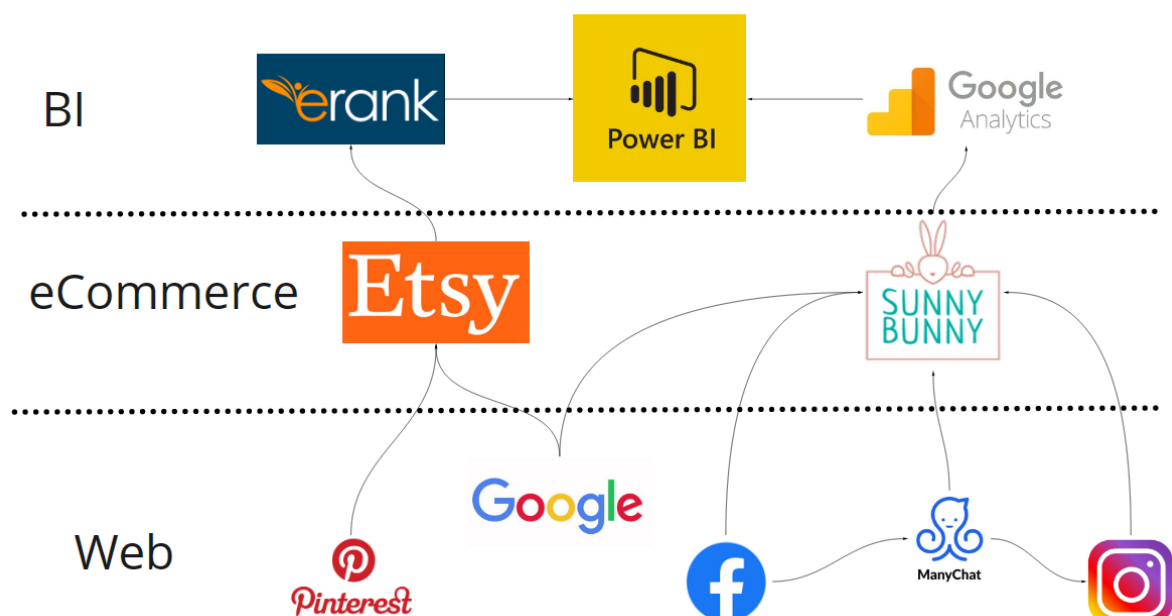
2.2. Technology description and technological solution

Technologies in use are concentrated in several core directions: production, social media and eCommerce. The Company needs to be on the edge of innovations in every activity to ensure planned revenues and profitability.

Production process is mostly hand-made, which requires high level of skills and accuracy by production experts. New model of the toy is designed, based on author's imagination and preferences or on client's mock-up. On annual basis, the Company also offers set of toys for Christmas period, based on the symbol of incoming year. New products are available in three sizes: small Christmas tree decoration, medium size and medium complexity toy, and more complex and expensive gift for adults. Complex model has moving parts and replaceable clothing.

Every new model is placed on paper, first, going through several versions. Final version of design gets single-color pattern, so the product will have initial 3D look, which could also require few iterations and updates. Approved model receives final exterior and additional details. This first sample is used as a template for the production experts.

Custom toys are ordered by clients directly and are based on their design and expectations, then, created from real materials and should be approved by the customer. Most of such toys require additional partner services, like print on fabrics, embroidery works and some other, to get the client logo on the toy. Adobe Illustrator software is used for designing such additional graphics.



2.2. Internet Technology Used. Scheme 13

Social media play the huge role in the business of the Company, because most of the clients, including international customers are located there in dedicated groups and could be reached

through targeted advertising and regular posting on interesting related topics. Key social media platforms, like Facebook and Instagram are the most popular for such types of interest in handmade products. Etsy.com works with both of them and started to offer new promotion type, when seller pays only for effectively reached target audience and not for massive spam with ads.

SMM specialist of the Company spends a lot of time for placing posts, stories and ads on few corporate pages in social media and also runs several activities on Pinterest (main transfer gate to Etsy.com), Etsy Buyers & Sellers group on Facebook and on Etsy itself. Customers are expressing the need to see, that the business is alive in social media, that there are a lot of news on regular basis and new products appear often.

Chatbot support for Facebook is also the important task to manage, because chatbot helps to redirect customers to the right resource or even directly to the required products, especially, during non-working hours and/or for international customers from different time zones.

2.3. Overview of technological process

Technological process contains few groups of tasks:

- Design
 - Developing of new idea for the product
 - Creation of few test models
 - Application of different materials to try
 - Creation of final patterns
 - Creation of final samples
- Pre-production
 - Preparing of video tutorials for production experts
 - Skype trainings on production process for specific models
 - Order of materials
 - Distribution of materials, according to production plan
 - Distribution of final samples
- Production
 - Delivering of production schedule
 - Quality control of the first sample
 - Regular quality checks
 - Regular controls of production schedule alignment
- Logistics
 - Collecting of ready products on central stock
 - Placement of new products on web platforms and sites



2.3. Technological Process. Picture 14

2.4. Overview of production capabilities, technological equipment and constraints

Production capabilities in regards of personnel are depending on the personal capacity of production expert on site to deliver approximately 100 pcs of toys per month. Production expert is personally in charge to follow individual production cycle, support parcel exchange activities and provide technical maintenance of sewing and supporting equipment.

For embroidery operations the business has one machine of such kind in central location, but for more massive or complex tasks, the Company takes outsourced services on professional equipment.

The Company doesn't have yet own pattern cutting machine, so most of such operations (except for teepees) are done manually, which takes additional time and generate extra costs as the part of COGS. Such delays plus any unforeseen ones could create the situation, when delivery deadlines are not met.

2.5. Production plan

The production plan is different for regular business in country and for international on-line sales. As if assortment is pretty much the same, the Company could mix production plans to ensure safety stock of every model, depending on actual level of demand.

In-country production planned is based on the schedule of dedicated open markets Vsi.Svoi, which remain the ones to attend for direct sales activity and meetings with customers for the business. Another high season is Christmas holidays, which is normally the peak of annual sales and requires good approach in assessment of possible volumes and assortment. Risk of overproduction or underproduction is high, because some corporate customers may order big volumes at the very last moment and, by this, pick the stock for direct sales or, vice versa, some products may stay in inventory. This is very risky for specific assortment, related to the symbol of the next year.

Year-end assortment is started to design early spring of the current year and is actively producing during summer to compensate sudden big corporate and other orders. Main focus is on small- and middle-sized products.

The production plan for international online sales will be corrected, based on actual sales statistics and customer reaction in social media and online platforms. Production will be realized, based on the “pull” model of stock replenishment.

2.6. Software development status

Three main software platforms are in the core of the current business: Etsy eCommerce, social media (Facebook, Instagram, Pinterest plus interconnected chatbot) and corporate website ²⁰.

Etsy is the eCommerce website for artisan products, which exists from 2005 and constantly develops every year, having the annual increase of sellers and buyers. The Company can't develop or directly influence this platform, but can use this site to promote our product at best effort, to present product to other countries and extend our market. Nowadays, Etsy buyers live in 83 countries and it is huge opportunity for the Company.

The second way to promote our business is the chatbot. Chatbot already exists on the site and interconnected with the Facebook page. Consumer may create order, ask question and receive reply in a short time. There is also an option to make quizzes via chatbot to interact, amuse and educate consumers how to visit our site. The business plans to use chat bot to analysis customers feedbacks and all proposals or demands to improve our services.



2.6. Chatbot Subscription Statistics, 09/19-04/20. Figure 15

With the further use of artificial intelligence (AI), we may analyze major trends in toys production, what people like, what they want, what colors of toys they prefer. Preferences are changed daily, which means that there is a challenge to predict such trend changes.

The analysis of competitors' environments is also become possible due to AI, scratching sites of competitors we may get useful information to become stronger. For example: price

²⁰ www.sunny-bunny.com.ua

monitoring on the sites of main competitors. This function also helps to discover their weakness and strength for our next using and prediction of sales and losses.



2.6. Possible Application of AI. Scheme 16

2.7. Uses and purposes

As the result of proper chatbot campaign, system will collect and aggregate subscriber database, which can be used for additional marketing activities, sequenced message deliveries and other profile features. An advantage of the subscriber database is in more loyal customers, because they provided their contact details voluntarily with the wish to be contacted later by Sunny Bunny.

SMM expert and the owner should constantly extend keyword database for better customer routing and better customer intention analysis upon appearance of new product lines, seasonal promotions and sequence activation. New keywords should be recorded from messenger threads and from contacts with customers in person.

Regular review of chatbot design is very important, because the users will be interested to open and use chatbot window more often to discover new things and, probably, less talk to sales operator on phone without real need. In case of direct contact, the operator should try to spend some time to get valuable client feedback about his experience with chatbot, Facebook page and website.

Educational and amusing activities should be also in key focus of the owner, since customers shouldn't consider our resources as those, who are trying to make sales with them, while we could try to place useful and interesting links to different resources to help kids and their parents discover more about dinosaurs, traditional lifestyle of Indians and other related topics.

There is also a space to introduce interactive text games through chatbot, covering the same areas of interests, in a form of a quiz, when winner could get a discount, if provided chatbot with the correct answers.

2.8. Overview of the team

The team is composed from professionals of the different profiles, led by the owner, Mrs. Nataliia Hoizhevska. Nataliia is in charge of:

- General administration of the business
- Taking key business decisions
- Design and upgrade of toys and other products
- Developing sales plan
- Developing supportive production plan
- Coordination with other team members
- Development and realization of the marketing plan
- Perform general accounting activities
- Continuous development of personnel
- Final quality check
- Customer relations and PR
- SMM and SEO
- Postal delivery and follow-up
- Customer feedback, product returns
- Purchasing activities

Senior production experts (toys category, 2 persons, 6+ years of partnership) are in charge of:

- Coordination of subordinate production experts
- Development of subordinate production experts
- Production of her part of the sales plan

Teepee production lead (4+ years of partnership) runs her own atelier, where creates planned quantities of teepees together with one helping production expert.

Outsourced accountant, driver and SMM expert cover remaining types of business activities.

2.9. Overview of technologies used

All production technologies are mostly handmade, which requires special sewing skills only. Nevertheless, production process and materials are specially designed to ensure safety (both for vendor and buyer).

As if all toys are handmade, the production process doesn't require special technologies. At the same time, the whole task is split by processes to optimize time spent on every step, for example, preparing material cuts for the whole batch, then making first sewing steps

everywhere, second steps etc. This allows to avoid technological delays in sewing machine set up, changing lines or making other adjustments.

Some manual operations (like silicone gluing) were also replaced by embroidery operations, which are done centrally before manual sewing steps. By this hint, final products become safer and will have better look.

2.10. Overview of risk mitigation

Current list of estimated risks contains the following elements:

- Drop in sales volumes (probability: high; impact: high)
- Exchange rate fluctuation (probability: high; impact: low)
- Raw materials' unavailability (probability: medium; impact: medium)
- Drop of sales for specific models (probability: medium; impact: low)
- Changes in local tax legislation (probability: low; impact: high)
- Changes in eCommerce fees (probability: low; impact: high)
- Departure of production specialists (probability: low; impact: high)
- Losses of products during postal delivery (probability: low; impact: low)
- Problems with quality, customer complaints (probability: low; impact: low)

The most severe risks are related to external macroeconomic factors, which could influence the spending power of buyers on the handmade toys and gifts category. The business can't directly influence that risk, but can try to arrange the range of models and pricing according to the changes in environment.

Type of Risk	Description / Details	Probability / Likelihood	Impact	Total ranking	Priority	Mitigation
Strategic	Drop in sales volumes	5	5	25	High	Regularly monitor sales of competitors and trends
Financial	Exchange rate fluctuation	5	2	10	Average	Keep an eye on exchange rate forecasts
Operational	Departure of production specialists	2	5	10	Average	Maintain employee support programs
Operational	Raw materials' unavailability	3	3	9	Low	Keep safety stock of the most applied materials
Strategic	Drop of sales for specific models	3	1	3	Low	Perform sales analysis and follow trends
Financial	Changes in local tax legislation	1	5	5	Low	Consult the accountant and read legislation updates
Financial	Changes in eCommerce fees	2	4	8	Low	Participate in sellers' groups for monitoring of changes
Operational	Problems with quality	1	2	2	Low	Check every product before sending
Operational	Losses of products during delivery	1	1	1	Low	Guarantee product replacement in case of loss

2.10. Risk Mitigation Matrix. Table 17

For the next big risk of exchange rate fluctuation, the mitigation is rather easy due to pricing in USD, which compensates the possible growth of costs of exported materials.

Group of medium risks is presented by possible absence of materials and drop of sales of few models: as a possible mitigation, the business could regularly review the stock of raw materials (especially, for core positions such as plush and fabrics for teepees) and check the product performance to replace declining models by the offers from the pipeline.

Few risks with low probability and high impact, such as changes in local tax legislation and possible changes in partner fees by eCommerce platforms, could be mitigated only by final price adjustment, meaning the offset of tax burden to the customer, at least, partially. From

another hand, all competitors will, most probably, do the same, so the price change will be natural for all players. If the business will decide, that this change could be considered as positive and bigger volumes with the same price could compensate COGS and taxes increase, the Company could decide to remain the same pricing approach.

Low-level risks could be mitigated by careful personnel policy and attentive customer care, where the business could re-send products, lost during postal shipment, or replace any quality issues with products, identified by the customer.

Possible exit strategy is expected to be simple and contains the following steps:

- Minimize stocks of raw materials
- Cancel promotional subscriptions
- Cancel planned investments until sales volumes are back
- Take all cash from partner accounts
- Suppress Etsy account
- Inform production specialists about decrease of volumes
- Push sales on internal market from the existing stock

3. MARKET ANALYSIS

3.1. Resume of the section

This section discovers actual trends in eCommerce, especially, in regards of market of handmade toys. eCommerce operations constantly increase all over the world, more and more people prefer to make purchases in Internet, that help to save time and money. This trend will have positive influence on our business, while we can expect, that also our competitors will increase in sales and will be more aggressive in marketing.

Our analysis was built for the business environment of the end of 2019 and beginning of 2020, while need to be adjusted due to economic crisis in 2020, additionally boosted by pandemic of coronavirus. There are many different scenarios of development of world's economy and economy of every country, in particular, and all of them are not firm.

We may conclude now, that eCommerce will develop faster due to quarantine and this situation will attract new consumers into online shopping. Increase of eCommerce will positively influence our market niche. Anyway, we need to take into account that crisis will cause increasing of unemployment and decreasing income of consumers, so the toys as not the products of the first need are supposed to decline progressively.

After crisis, market appear completely different, so our main task will be to react fast, when world economy will start to recover.

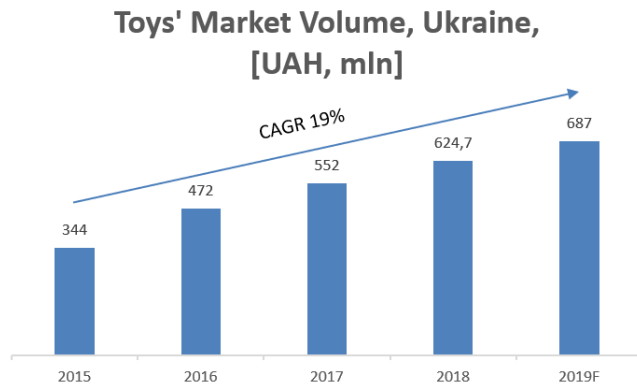
3.2. Market overview (Export, Import, Production, Local Market Sales)

Based on macro-indicators, right vector where to extend the export from Ukraine to more stable and bigger market, like US.

Macro Indicators, Ukraine							
	Unit	2015	2016	2017	2018	2019	CAGR
Population	mln	42,93	42,76	42,58	42,39	42,15	0%
GDP	UAH, mln	1,988,544	2,385,367	2,983,882	3,560,596	4,223	28%
Avg salary (month)	UAH	3 455	4 362	6 008	7 711	9 223	-7%
Birth	thousand	412	397	364	336	308	0%
Population (0-17)	thousand	7 614	7 614	7 615	7 609	7 580	32%
Min salary (month)	UAH	1 378	1 600	3 200	3 723	4 173	

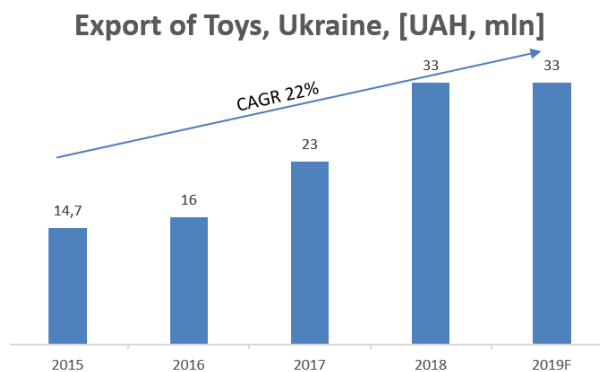
3.1.1. Macro Indicators, Ukraine. Table 18

The situation with the population (the birth rate is falling, the number of adolescents is decreasing, the total population is going down) may negatively affect the toy market in the future. One of the promising factors for this niche could be urbanization of the population, next one is a positive dynamic of growth in salaries and GDP, in the near future purchasing power will grow, which will positively affect the toy market.



3.1.2. Toys Market Indicators. Graph 19

Internal toys' market is growing from year to year, bringing CAGR of 19% between 2015 and 2019F (actual figures are not yet available for the moment of this report). Having more or less stable exchange rate for USD, this growth shows stable and increasing demand.



3.1.3. Export of Toys from Ukraine. Graph 20

The export of toys as well as the toy market also show growth and there are no prerequisites for the dynamics to change. The export market for toys can be greatly affected by the spread of the virus (coronavirus) in China, because the Chinese toy market may be closed to the world. This aspect strengthens the already great potential of the export market.

Instability in the exchange rate will also affect the export market for Ukraine. The market expects a weakening of the Ukrainian national currency, which will positively affect the export of goods. Actual statistics support the growth of the export of toys from Ukraine.

Macro Indicators, United States

	Unit	2015	2016	2017	2018	CAGR
Population	mln	320,74	323,07	325,15	327,17	1%
GDP	USD, mln	18 219	18 707	19 485	20 544	4%
Median household income (year)	USD	59 901	61 779	62 626	63 179	2%

3.1.4. Macro Indicators, United States. Table 21

The mature market in the USA is more stable with low level of CAGR (1% for population, 4% for GDP), but the risk of global crisis is more and more with the time.

3.3. Market statistics for 3-5 years with conclusions

Market statistics shows, that there is a globalization of online sales: more and more sales are going through large market players and it becomes increasingly difficult for small players to stay in the market. Based on the preferences of Ukrainians, we can identify trends in the near future, for example, educational toys.²¹

Market share, Internet Stores, Ukraine

	Unit	2017	2018
Rozetka	%	14,6%	16,4%
Panama	%	9,8%	13,1%
Baby plus	%	9,0%	9,2%
Antoshka	%	5,1%	8,8%
Pampik	%	4,3%	4,9%
Budynok Igrashok	%	2,7%	3,1%
Social Networks	%	2,4%	2,7%
Mamin Dom	%	2,0%	2,2%
Igrushki7	%	2,0%	2,5%
Other	%	48,1%	37,1%

3.3.1. Market share for toys, Internet Stores Ukraine. Table 22

Parents and family friends started to prefer shopping in Internet, which is more convenient to select the desired toy. Rozetka is the leading eShop with 16,4% of market share, followed by Panama, Baby Plus and Antoshka. Very important fact, that retail prices of those network in physical shops are the same to Internet ones, so the customer is free to select the way to choose and buy the gift, but is not worrying about the price. The presence of the Company's products in Internet shops is much more cost-efficient, because the business can control stocks and payments come almost immediately.

Market share, Internet Stores, Ukraine (Respondents could choose 3 options)

	Unit	2017	2018	2019
Education		53,0%	59,0%	72,4%
Holiday		58,0%	50,0%	44,8%
Encourage		35,0%	38,1%	40,6%
Kids wish		20,0%	31,9%	39,7%
Spontaneous purchase		10,0%	10,2%	11,1%

3.3.2. Reasons to Buy Toys, Internet Stores Ukraine. Table 23

The desire of the children starts to prevail over the desires of the parents, which is very interesting trend. The main aspect here is that the toy should be approved, first of all, by the child, which also explains the increase in toy purchases to encourage successes and achievements. Another important vector is the spontaneous, impulsive purchases, so it is important for the products to be visible for children's eyes and feasible for their hands.

The analysis, how much people are willing to spend money on toys in Ukraine, shows that the toy should cost between 300 UAH and 1000 UAH, if this is not for the holiday. In case, if the child has a birthday, a gift can cost up to 2000 UAH, but, at the same time, the marker price is 1000 UAH. 70% of respondents are willing to give less than 1000 UAH for a birthday present.²²

²¹<https://sostav.ua/publication/obzor-rynka-igrushek-ukrainy-i-issledovanie-potrebitelskikh-predpochtenij-80165.html>

²²<https://delo.ua/business/vzroslye-ukraincy-gotovy-tratit-bolshe-deneg-na-360588/>

Sum, spent for toys (Oct, 2019 data)

Amount, UAH	Unit	Without Holiday	Holiday Occasion	Birth day
<100 UAH	%	23,3%	6,7%	1,9%
<300 UAH	%	37,2%	32,0%	11,6%
<600 UAH	%	22,5%	18,2%	24,0%
<1000 UAH	%	11,7%	29,1%	30,4%
1000-2000 UAH	%	4,7%	10,6%	23,4%
>2000 UAH	%	0,6%	3,4%	8,7%

3.3.3. Sum, Spent on Toys. Table 24

Combined price preferences and the selection of gifts help to distinguish two main niches. These are toys, which kids wish immediately, when seen (spontaneous) and cost of this toys should be up to 300 UAH. The second niche: gifts for the holidays (birthday, other occasions) worth up to 1000 UAH.

3.4. Relevant segments overview

The statistics of the Ukrainian toy market provides enough ground for making assumptions in regards of sales in other countries through eCommerce platform Etsy.

Place of purchase, Ukraine

	Unit	2017	2018	2019	CAGR
Chain Kid's Stores	%	34,27%	37,60%	35,90%	2%
Internet stores	%	32,11%	29,40%	33,80%	3%
Small toy stores	%	14,88%	15,30%	17,10%	7%
Supermarkets	%	7,12%	6,90%	7,40%	2%
Market	%	7,02%	6,00%	4,10%	-24%
Foreign internet stores	%	1,07%	2,10%	3,40%	78%
Social networks	%	1,04%	2,80%	2,50%	55%

3.4.1. Place of Purchase, Ukraine. Table 25

According to the data above for places of purchase in Ukraine, small toy stores and supermarkets keep low market share (7 and 17% with the CAGR of 2% and 7%), while open markets are constantly declining at almost two times over three years. This shows the impossibility for good sales volumes for small custom toy producer, who can't supply huge quantity of physical stores with variety of toys on shelves under profitable commercial conditions.

Chain stores could be more stable and promising channel, but it also requires huge investments into ready stocks with the negative effect on accounts receivable and cashflow. Economy volatility generates high risks for partnership with big chains in big volumes, having expensive credits from commercial banks.

At the same time, internet sales are booming, especially, for the international internet stores, showing the CAGR of 78% and CAGR of 55% for sales in social media. Local internet stores keep high market share and are also attractive for drop-shipping business model.

Sales by channels, Ukraine

	Unit	2017	2018	2019	CAGR
Toy stores	%	68%	66%	63%	-4%
Network Supermarkets	%	9%	15%	15%	27%
Internet stores	%	13%	9%	8%	-22%
Other (gas stations, book stores)	%	9%	10%	14%	23%

3.4.2. Sales by Channels, Ukraine. Table 26

Interesting to underline, that sales of toys by channels look different in terms of trends, where internet stores are declining in market share, while other types of shops are increasing (this could be explained by impulse sales in the outlet).

3.5. Overview of substitute products or services

Handmade industry counts up to 20 categories of different craft products within three big groups, including home décor (furniture, curtains, blankets, paintings, pillows, etc.), accessories (soap, hair accessories, scarves, hats, clothes, pins, etc.) and toys (wooden toys, stuffed toys, paper/carton toys, felt toys and much more).^{23 24} Those types are directly competing with Company's assortment and offers in handmade niche.

Moreover, there are a lot of mass market toys available, such as interactive animals, action figures, superheroes. Such indelible madness, like the slime kits, are still in demand this year, and LOL Surprise dolls and iconic brands (like Playmobil and Lego) remain top picks for cool toys. Fun and new tech toys like Osmo, Lumies and #Snapstar are must-haves for lots of kids and the Star Wars is always a force to be reckoned with.²⁵

As if parents are the ones, who decide about the purchase in most of cases, they could buy books, clothes, décor elements for kids' room, house appliances for kids, baby carriages or bikes, developing toys and other goods.²⁶ Other people or relatives, who plan to visit homes with children could consider toys as the secondary, complimentary gift, while going to give the main one for the adult owners. Same approach could be seen with the toys, sold an addition to the bouquet of flowers for the partner.

Other companies could offer similar services, as well, such as post-sales support, customer loyalty programs, toys refurbishment and repair, custom models offer, special design for regular models.

²³ <https://smallbiztrends.com/2016/06/handmade-items-you-can-sell.html>

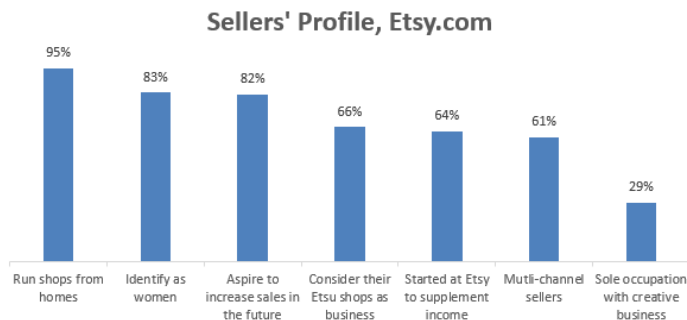
²⁴ <https://www.trendhunter.com/slideshow/techfree-toys>

²⁵ <https://www.cnet.com/news/top-kids-toys-2020-cool-toys-for-boys-and-girls/>

²⁶ <https://www.buzzfeed.com/mallorymcinnis/best-amazon-prime-day-2019-deals-parents>

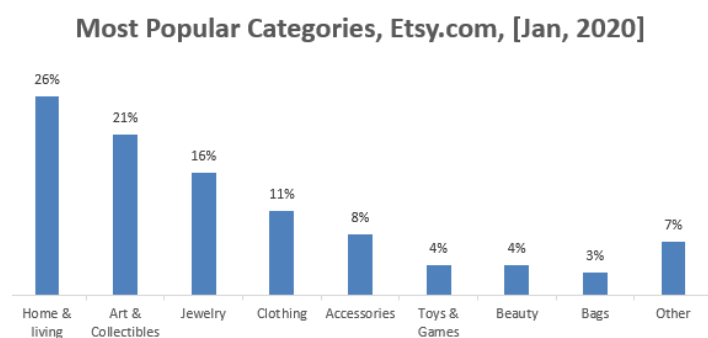
3.6. Overview of competitors

Generally speaking, most of competitors in handmade niche fit to several common characteristics, describing the starting point for the business, growth factors, financing requirements and expectations, based on their self-identification assessment²⁷.



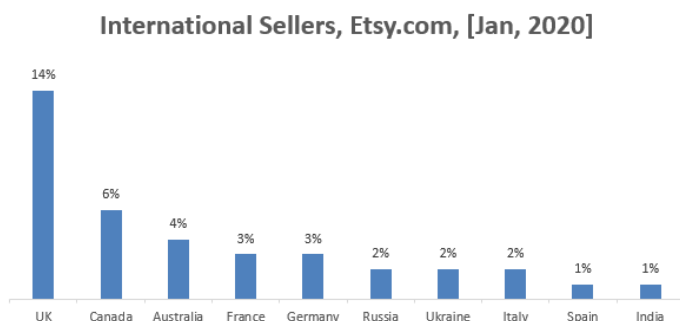
3.6.1. *Etsy Sellers' Profile. Graph 27*

Sunny Bunny business on Etsy.com perfectly fits this pattern, which means that the Company runs on the same principles and expectations. Home-based, intended to have supplementary income, selling through several channels, the Company enters the non-differentiated market with the millions of rivals of the same size and capacity.



3.6.2. *Etsy Handmade Categories. Graph 28*

The Company makes its business in three categories: “Home & living” with teepees (26% among sellers), “Toys & games” with toys/teepees (4%) and, possibly, in “Bags” category with the products for kids²⁸.



3.6.3. *International Sellers by Country. Graph 29*

²⁷ <https://www.statista.com/statistics/290521/self-identification-and-motivation-of-etsy-sellers/>

²⁸ <https://www.statista.com/statistics/1019956/global-leading-categories-handmade-etsy-sellers/>

In regards of geographical origin of international sellers on Etsy.com, Ukraine keeps 2% of share, which is the same volume as Russia and twice as more as India, which is surprisingly high, if to keep in mind the size of population in those countries. From another hand, such evident visibility of Ukraine shows the stable international interest towards the craft products from Ukraine, including expectations on affordable price of the final product and kind of exotic emotions from having products from our country abroad²⁹.

Typical seller profile on Etsy.com has the following characteristics³⁰:

- 86% are females
- Only 13% are active for 4 and more years
- 48,1% used at least one Seller Service
- 16,7% used Promotional listing
- 40,2% used Direct checkout
- 81% of sales are done by repeat buyers

Such information provides few insights on aggressive promotional strategy for the Company's products and careful customer retention policy.

3.7. List of competitors

List of identified and most relevant top three competitors from Etsy.com platform consist of such companies: Andrea Vida (Hungary) and Creepy and Cute (Netherlands) for toys and MayabelKids (Poland) for teepees.

Andrea Vida is one of the most famous individual sellers on Etsy³¹. Opening her webshop in 2011, she managed to arrange more than 5800 sales from that moment. Andrea says, that sewing is her hobby from her childhood and she started to sew later for her kids, so when they grown up, she decided to switch this hobby to business.

She has small studio, where she and two colleagues create toys, which are full of character and personality. Her shop offers around 100 different models of original toys, from more primitive design with smaller price (30 USD) to bigger size models with more details and higher price (77 USD).

Model range is not directly overlapping with one from Sunny Bunny, but her shop page is very popular and price category is comparative.

Creepy and Cute managed to deliver toys to 3300 customers from their start in 2013. The owner and sole designer, Maike, is creating creepy, but very cute creatures, which brings a lot of

²⁹ <https://www.statista.com/statistics/1019917/share-of-international-etsy-sellers/>

³⁰ <https://expandedramblings.com/index.php/etsy-statistics/>

³¹ https://blog.etsy.com/en/featured-shop-andrea-vida/?_ga=2.146836337.736018071.1581677847-1405730529.1549266417

diversity for his products vs competitors. Her fantastic fluffy beasts are unique and immediately take your attention³².

Current assortment is pretty much concentrated around 25 actual models, having the price from 41 USD to 90 USD with overlapping on bats, pandas, foxes and bunnies. Price is relatively high vs Sunny Bunny, but shop rating and sales record are high as well.

Offers of teepees are massive on Etsy: search request shows 14,500 results, starting from 54 USD. Teepees are

Mayabel Kids (Poland) proposes more than 150 different products for kids' room, including teepees, toy storage, mats, teepee décor and bed décor³³. They managed to sell almost 1,500 pcs from 2017, but it is hard to judge, if those were mostly teepees and which products are the most popular.

All products are made mostly from local available Polish cotton fabrics, which are colored by manufacturer during production cycle, so such teepees require less handmade décor. Accordingly, COGS is much smaller, so the final price is much less: 100 to 160 USD. From another hand, cotton fabrics itself is very thin (like bed linen) and not very durable under heavy use by kids and regular machine washing, but customers are in position to buy such colorful products and only later get their opinion, based on the use experience.

3.8. Overview of best practice approaches in the market/segment

Best practices and recommendations could be divided in two directions: actual business and marketing trends and practical recommendations in the handmade industry.

General trends are moving towards better customer servicing from pure product selling ³⁴:

- Attention to the customer: concentrate on the client and not only on technology (what client thinks about the brand, if the service is important for him, if there is an emotional connection with the brand)
- Services are more important, than products: consumption is less in focus, emotions and experience are in trend (better have access to what you want, than own it)
- Culture is more important, than customer: client journey is not the client experience, but also focus on employees and company culture (you can't propose anything competitive before you create internal values)
- Synergies: with partners and client feedback for more intuitive products
- B2B companies to focus on customer experience and new instruments

³² https://www.etsy.com/shop/CreepyandCute?ref=ss_profile

³³ https://www.etsy.com/shop/MayabelKids?ref=shop_sugg

³⁴ <https://www.forbes.com/sites/blakemorgan/2019/12/17/5-predictions-for-customer-experience-in-2020/#554399092ec7>

At the same time, handmade industry trends could count up to 30 techniques and ideas ³⁵:

- place your product in front of as many people as possible
- be passionate about your work and believe it is unique
- promote your goods as handmade and custom
- build with the best quality, know your customer
- participate in donations and charity
- find the right words to describe your products online
- stay present on open markets in person
- form and properly use customer database
- good presentation and packaging
- focus on social media and eCommerce
- tell your story

3.9. Overview of trends (technological, innovation, etc.)

Artisan products industry, more known as handmade, was existing from the beginning of times and remains very promising in the globalization and high-tech era of today. Showing impressive turnover of USD 4,7 billion in 2019 just on the dedicated eCommerce platform Etsy.com, at about 2.1 million sellers offer their unique products in many categories (home decor, jewelry, accessories and scarves, stuffed toys, goods for kids and pets, soap products, etc) to almost unlimited number of individual buyers. To those, who keep dictating the trends for the industry, in fact.³⁶

Evolution of trends keeps the fast pace, if we take the history outlook from 2006, when Etsy.com just recently established. Industry analysts concluded on few key trends at this moment, including globalization (cross-border sales and strive for unique products), rapid change of trends, contemporary minimalism (consumers know exactly what they want), differentiation (be unique), growth in online, environmental controls (health and safety, starting from production cycle and materials up to final use) and growing competition with Asian producers.³⁷

Within almost 14 years from that point, industry trends evolved into pretty different scope of options: stay along with color trends of the year, conscious consuming (next level of minimalism), all-inclusive service (with no worries from the order up to the consumption), stress-reducing expectations (life is so heavy now), cherishing pets more than kids, get crazy on common themes (from unicorns to cactuses everywhere).

With four different generations, living at the same time, individual craft producers need to solve the complex task to properly target their audience, trying to understand initiators, buyers, influencers and so on among them, deliver right message and to remove their pains. In fact, it

³⁵ <https://www.launchgrowjoy.com/sell-handmade/>

³⁶ <https://expandedramblings.com/index.php/etsy-statistics/>

³⁷ <https://www.madeurban.com/blog/craft-trends-2019/>

would be hard to guess, for example, if the lady of the age of 35-40 y.o. buys the stuffed toy for her personal home collection.

At the times, when customers are in troubles to find yet another way to indulge and surprise themselves, the offer of custom and unique products could be the answer for both parties, which brings us to the first key external factor to innovate: customers are looking for fresh emotions.

You are to know what are these emotions, you need to be in time next to your customer with the product he wants. One day he will order something from your online shop, next day he wants to build it himself, so be ready to provide with web guide “how to” and supporting materials at his desk. Online training products is the new vector in e-learning and craftsmanship, if you are skilled enough to design, publish and sell them.³⁸

According to Porter’s Five Forces model, any up-to-date vendor needs to constantly scroll the market for actual competition drivers on: substitutes to his products, buyers to look for those products, any new entrants to arrive, and rivalry from already existing firms. Artificial Intelligence (AI) comes on the stage here to speak about the second key factor: Scrap the Web.

This has two-sided implication, in particular. On one hand, there is no way on mature markets to sell your products, look like the most popular heroes (Baby Yoda, for example), as if the copyright owner will push the eCommerce platform to delist this product, at least. On another hand, the business may need to scroll the web regularly, applying image recognition, NLP for product descriptions and keywords on Twitter, web-scraping to know pricing models of your competitors or new products issued.

Third key trend requires, that the business should know its competition better, than the business itself. Management must understand the market niche and with whom you really compete. For example, there could be the understanding, that the business is fighting with stuffed toys against this kind of product from others, while you may compete with original gifts indeed. You may not consider, that your toys could be serious player in household and home decoration domain, but they are. You may be sure, that you have millions of potential clients, while you are competing with millions of other individual producers.

Statistics shows, that usual artisan production is mostly individual (up to 3 people max), so we need to define our competitive advantages through brand awareness, improved production cycle, regularly reviewed products list, always new models in design pipeline and very efficient targeting of clients, providing expected personalization for their needs.³⁹

³⁸

<http://www.acmu.com.ua/presscenter/articles/201/?fbclid=IwAR1Z4rR2lRZqxZAYGglnZlwfLj5arJnt4Z57VoE8Z6iykLK8mMf4wpI5qdo>

³⁹ <https://wunderlabel.com/blog/p/craft-handmade-industry-stats-and-trends/>

3.10. Overview of alternative uses of company's product/service on the market

As if the current extension of the business is targeting international online markets, the Company may focus free resources on other activities, such as custom toys design for individuals and corporate clients.

There are additional sales channels, which are underdeveloped at the moment, such as educational toys for kindergartens and schools, home décor elements, sales through toy retail chains and fuel stations' shops, some minor eCommerce platforms in Ukraine.

The Company could also propose its production capacities for outsourced development of sewed products for other brands, provide owned website and Facebook/Instagram pages for co-promotion with partner brands and/or their products.

The business also wants to utilize its designer qualities to produce dedicated e-content to be sold online, such as masterclasses, webinars on sewing, posting of prepaid user stories, selling custom patterns and semi-ready toy kits and much more⁴⁰.

⁴⁰ <https://www.youtube.com/watch?v=UMNXufh7jlA>

4. SALES AND MARKETING

4.1. Resume of the section

The home-made toys and plush toys are always good present both for kids and adults. The main task is to make Sunny Bunny brand considered as more than brand of toys, but the brand of good memories. Thus, one will present to his kids or girlfriend not just a toy, but part of happiness. Your daughter's dream about plush friend will always accompany her.

On top, our products are safe for kids, which is the most important while choosing toy for any child. This message we should be delivered right to our consumers, which will be described later in this section.

The new way for product promotion, which the business did not use in the past, may attract new consumers. Our performance indexes for next five years are based on this assumption, but the owner should keep in mind current crisis worldwide, so our indicators may be adjusted negatively.

As a part of marketing mix, we describe price strategy, which is very important benchmark for eCommerce market. Price strategy is divided on two categories: for toys and teepees, which are quite different. Price strategy of competitors and cost of production are also taken into account within this section, split by product size and target audience.

Seasonality also plays huge role, focusing sales mostly around Christmas times and requiring special attention to festive promotional approaches.

4.2. Description of marketing mix

Current product lines are requiring a lot of focus around following suggestions:

- emphasizing on product uniqueness
- use of the power of social media
- talking to the right audience
- keep competitive pricing
- mind postal expenses to deliver abroad
- talk about the brand
- sell whenever possible

Marketing mix, based on 4P approach, contains the following blocks:

Product	Promotion	Price	Place
Unique custom design, mascots for everyone	Popular blogs, vlogs managed by opinion leaders	Higher, than the average price in the same segment	Order from the Company's web site
Wide range of products, good for collecting	Power of social media, including precise targeting	Higher, because product is hand-made	Order through social media (FB, IG, chatbot)
Good as daily gift w/o special reason	Context advertising and search	Price should be affordable, indeed	Specialized retail chains for kids
Hand-made	YouTube channel	45 USD max	Marketplaces
Safe for use	Company website		Direct sales
Easy to care	FB & IG pages		Etsy.com

4.2.1. Marketing Mix, 4P Model. Table 30

The new product lines will enter the concentrated market, requiring focused approach on specific target audience as a part of marketing strategy: in-depth customer understanding (needs of mothers for their kids' mood, new toys quite often, good emotions and safe play), consumer journey (forming of heartfelt attitude towards the product, perception of safety and quality, making the toy the part of the life of the child).

Product should be very well presented in Internet (website, ecommerce platforms, social media), so the customers will get the understanding about product size, application, safety, how to care about and much more. Advertising should be precisely set up to reach target audience, based on preferences, hobbies, age and gender, geographical location. Product should be associated with happy moments of the childhood, long walks outside and as affordable gift in the eyes of parents, relatives and friends.⁴¹

Communication mix supports marketing mix by the following means:

ATL	BTL	PR	Promotion
Context advertising	Participation in special exhibitions	Popular bloggers and KOLs speak about the product	Special promotion offers
Targeted ads in SM	Participation in dedicated markets		Special offers for collection
Promo in YouTube			
Product placement			

4.2.2. Communication Mix. Table 31

The idea to promote new products is to reach proper audience in a more precise way, for what the Company needs to use dedicated communication channels, where there is a concentration of customers, interested in childcare and products for kids. Most of communication efforts should be focused on product characteristics, which differentiate it from competition: human touchpoint (from the hands of craft expert to the hands and the life of the child), emotionally engaged experience (love to the nature, nature loves you) and positive thinking (friendship, warmth, care, proximity).⁴²

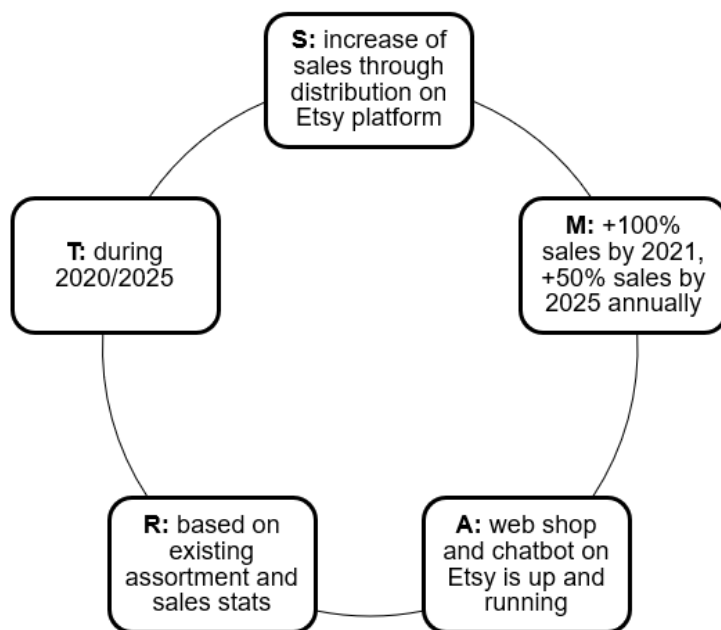
⁴¹ <https://www.brafton.com/blog/strategy/how-to-create-a-strategic-marketing-process-5-steps-for-success/>

⁴² <https://smallbusiness.chron.com/growth-strategies-business-4510.html>

The Company should embed new products among other products to be aligned with general product mix, promotional strategy and design of toys. This approach must ensure customer loyalty, continuous interest and brand awareness, should help with the understanding of the Sunny Bunny products as first choice custom toys, affordable, safe and regularly renewed.

4.3. Other marketing business matrices

SMART analysis assumes major pillars for the business growth during analyzed period of 2020-2025:



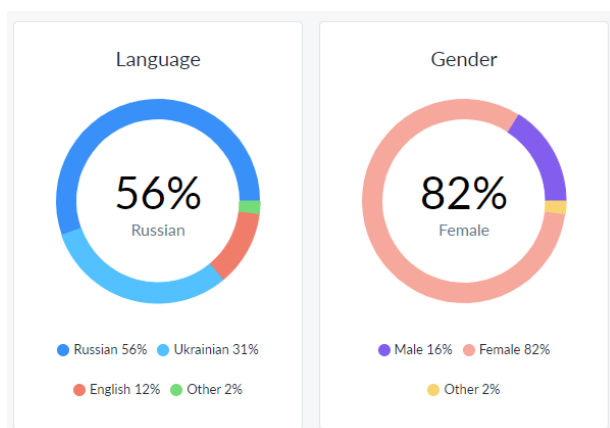
4.3. SMART Analysis. Scheme 32

The business is planning to focus most of the efforts on selected platform, Etsy, where the most of desired clients are concentrated. Sunny Bunny could also offer supportive products, like e-patterns to let our customers try to sew some toys themselves at home.

Reasonable sales plans should support expected business growth within defined marketing strategy with the application of interconnected digital instruments, like social media advertizing and chatbot use.

Solid assortment should be regularly refreshed to follow seasonal trends and changes in customers' preferences, according to defined timelines. Those changes are the subject for constant monitoring by the management to adjust the strategy accordingly.

Actual statistics also shows split of current chatbot subscribers between native languages (origin) with 56% of Russian settings in Facebook and 21% of Ukrainian settings, so there is a space to grow to reach more international customers.



4.3.2. Chatbot Subscribers' Mix. Graph 33

From another hand, more statistics support our assumption, that the most of clients are female subscribers.

4.4. Resume of strategic positioning

Proper market positioning, good marketing mix, supported by communication mix, bring significant advantages vs competitors of the same type and pricing. New product line of hand-made toys, most probably, should target the niche of small-sized products, where cheap and massively produced toys are dominated, as well as a lot of artisan products offered.^{43 44 45}

Who	Sunny Bunny company
Does what	creates unique handmade toys and teepees
For whom	for smart and active females 25-45 yo with kids worldwide
Their need	to answer the need in safe play with ecological and custom toys.
Against whom	In comparison to private producers selling online,
Difference	our customers are loyal to us and what we offer,
Benefit	which makes their daily life full of joy and warm feelings.

4.4. Positioning Statement. Table 34

Small-sized toys, built from ecological materials and safe parts, are intended to make children happy on daily basis, because kids could take this toy everywhere with them. Little tiny plush friend is always with you, bringing the joy and feeling of being at home, while you are out.

Those toys have several significant differences, comparing to other offers on the market. Their size allows to take them everywhere, because other toys mommies do not allow to take out of the home. It is small enough to be kept securely by small palm of the child, same as convenient enough for the mothers to carry everywhere and wash, if needed. Very important aspect is also, that these toys are fully playable, even if kids are collecting them.

⁴³ <http://springmeblog.com/2018/market-positioning-strategy-guide/>

⁴⁴ <http://powerbranding.ru/pozicionirovanie/osnovy-metody-strategii/>

⁴⁵ <http://powerbranding.ru/pozicionirovanie/primer-razrabotki/>

Product advantages, based on the intangible expectations from handmade toys, include three core directions: 1) simplify interaction; 2) be flexible in personification; 3) emotional appealing. Small toy and his young owner are always together, having tight emotional links between them.

The kid could be invited to communicate with other people through the questions about the toy, its meaning, its characteristics, given name, which is good for socialization of the child. If properly placed, such toy could be more attractive vs well-known brands, as well as against unnamed cheap mass market products. Wide range of products will help to personalize the child, his mood of the day or be a part of personal collection to play alone or share with the friends.

Target audience consists of young females 25-35 years old, who are, most probably, the mothers of kids 1 to 6 years old. Those ladies are interested in children's health, family lifestyle, cooking, psychology, childcare, modern ways to raise the child, safe pregnancy. As if Sunny Bunny toys have emotional, playful background, young mothers are supposed to buy these toys with pleasure.

From another hand, such symbolic product, which also has affordable price, could be easy choice for impulse purchase by fathers, grandparents or guests on family venues. Social media, eCommerce platforms, dedicated sites and forums could deliver the information about the product and its characteristics.

Positioning statement should include up to six criteria, such as desired position, differentiation from competitors, added value, long-term use, clear message and focus on the product. The desired position is to lead in small size toys niche, meaning, the product is considered as a toy, not as decoration for backpack or key ring. It is hand-made, which ensures the quality and durability, done from safe and hypoallergic materials, which is suitable for small kids, and easy in handle, care and machine washing.

Keeping in mind the information above, the key message sounds like "Lovely toys, always next to your child, bring the luck and warm feelings".

4.5. Sales plan

The Company plans to deliver stable growth in all categories, starting doubled turnover (in pcs) of 2021 vs 2020 and with 50% increase year on year from 2021. The base of sales in 2020 is calculated on real sales statistics of the business in Ukraine for 2016-2019.

Sales		YoY Growth Rate							
		100%	50%	50%	50%	50%			
Category	Product (or similar)	Units	2020	2021	2022	2023	2024	2025	CAGR
Adults	Racoon	pcs	10	20	30	45	68	101	58,88%
	Bat	pcs	30	60	90	135	203	304	58,88%
	Fox	pcs	20	40	60	90	135	203	58,88%
	Moose	pcs	10	20	30	45	68	101	58,88%
	Flamingo	pcs	10	20	30	45	68	101	58,88%
Boys	Dyno	pcs	30	60	90	135	203	304	58,88%
Girls	Unicorn	pcs	30	60	90	135	203	304	58,88%
	Bunny	pcs	20	40	60	90	135	203	58,88%
	Koala	pcs	10	20	30	45	68	101	58,88%
	Elephant	pcs	10	20	30	45	68	101	58,88%
	Chihuahua	pcs	15	30	45	68	101	152	58,88%
Home	TeePee	pcs	20	40	60	90	135	203	58,88%
Newborns	Deer	pcs	20	40	60	90	135	203	58,88%
	Puppet	pcs	20	40	60	90	135	203	58,88%
Seasonal	Mice/other	pcs	10	20	30	45	68	101	58,88%
Travel	Travel Pillow	pcs	10	20	30	45	68	101	58,88%
	Bags	pcs	20	40	60	90	135	203	58,88%
	TOTAL	pcs	295	590	885	1 328	1 991	2 987	58,88%

4.5.1. Sales Plan. Table 35

The business plan follows the idea to provide wide variety of products at the same time, to keep the eShop offer more competitive vs individual producers. Bigger turnover in pcs makes positive effect on the shop indexing and rank, which is the good sign for customers and helps to receive money, paid by them, from eCommerce account to Company account, according to their rules.

Sales Indicators	Units	2020	2021	2022	2023	2024	2025
Total gross sales, incl. VAT	USD	14 270	29 967	47 198	74 337	117 081	184 402
Gross Sales YoY	%		110%	58%	58%	58%	58%

4.5.2. Sales Indicators. Table 36

Sales indicators show constant growth of revenues, reaching the level of 184,402 USD by the end of 2025. The calculation includes special assumption of annual price increase of 5% to compensate possible inflation.

4.6. Pricing analysis

The Company offers products in two main different categories (stuffed toys and teepees), which are also different in regards final price. For example, prices for stuffed toys varies from 25 to 45 USD per pcs in 2020 (31,91 and 57,43 USD accordingly in 2025). In comparison with teepees, having the price increase from 197 USD to 251 USD over five years period, toys are 4 to 7 times cheaper.

Price difference in regards of COGS are driven by the complexity of given model (quantity of details, volume of work, size of the toy, materials required), quality of materials used and production geography itself, if the final product was made by few specialists in different locations (includes postal and shipping costs).

Prices Analysis (current)								
Category	Product	Unit	2020	2021	2022	2023	2024	2025
Adults	Racoon	USD	39,00	40,95	43,00	45,15	47,40	49,77
	Bat	USD	27,00	28,35	29,77	31,26	32,82	34,46
	Fox	USD	39,00	40,95	43,00	45,15	47,40	49,77
	Moose	USD	39,00	40,95	43,00	45,15	47,40	49,77
	Flamingo	USD	39,00	40,95	43,00	45,15	47,40	49,77
Boys	Dyno	USD	40,00	42,00	44,10	46,31	48,62	51,05
Girls	Unicorn	USD	45,00	47,25	49,61	52,09	54,70	57,43
	Bunny	USD	39,00	40,95	43,00	45,15	47,40	49,77
	Koala	USD	39,00	40,95	43,00	45,15	47,40	49,77
	Elephant	USD	31,00	32,55	34,18	35,89	37,68	39,56
	Chihuahua	USD	42,00	44,10	46,31	48,62	51,05	53,60
Home	TeePee	USD	197,00	206,85	217,19	228,05	239,45	251,43
Newborns	Deer	USD	26,00	27,30	28,67	30,10	31,60	33,18
	Puppet	USD	25,00	26,25	27,56	28,94	30,39	31,91
Seasonal	Mice/other	USD	42,00	44,10	46,31	48,62	51,05	53,60
Travel	Travel Pillow	USD	41,00	43,05	45,20	47,46	49,84	52,33
	Bags	USD	53,00	55,65	58,43	61,35	64,42	67,64

4.6.1. Price Analysis. Table 37

Prices may vary with time, depending on commercial policy of suppliers, fluctuations in exchange rate and different expectations in regards of salaries of production specialists. Other cost drivers form straight approach, based on flat components, e.g. commission of 17% (site listing, money transfer, other embedded services, related to sales and distribution).

Cost Drivers						
Category	Product	Unit	COGS, Y0	Site & Other Commission	Cost of Delivery	Product Margin per pcs, %
			USD	%	USD	
Adults	Racoon	USD	7,40	17%	11,00	31%
	Bat	USD	5,20	17%	6,00	37%
	Fox	USD	7,20	17%	11,00	31%
	Moose	USD	6,60	17%	11,00	33%
	Flamingo	USD	7,00	17%	11,00	32%
Boys	Dyno	USD	7,00	17%	11,00	33%
Girls	Unicorn	USD	7,40	17%	11,00	37%
	Bunny	USD	7,20	17%	11,00	31%
	Koala	USD	6,28	17%	11,00	34%
	Elephant	USD	5,80	17%	11,00	24%
	Chihuahua	USD	8,00	17%	11,00	33%
Home	TeePee	USD	46,00	17%	50,00	29%
Newborns	Deer	USD	4,76	17%	6,00	37%
	Puppet	USD	5,60	17%	6,00	32%
Seasonal	Mice/other	USD	7,08	17%	11,00	35%
Travel	Travel Pillow	USD	7,64	17%	11,00	33%
	Bags	USD	8,40	17%	11,00	41%

4.6.2. Cost Drivers Analysis. Table 38

Product margin is planned at 35% in average for stuffed toys, while for teepees this indicator stays on the level of 29%, while delivering more margin in USD. The Company needs to keep the price for teepees competitive, keeping in mind extra costs for shipping vs local players on US market.

Starting from 2016, when Etsy obliged all sellers to make delivery costs free for buyers, sellers were pushed to include delivery costs into the final price. Analysts say, that this step was

provoked by the decision of the US tax authorities to establish additional income tax for the whole price of product (including delivery costs), so Etsy decided to avoid extra costs and transfer this tax pressure on sellers by providing shipping free of charge. This is not possible for some categories of goods and also for international deliveries. In case of the current Company, shipping costs vary from 6 to 11 USD for stuffed toys (depending on the weight and size of packaging) to 50 USD for teepees. The business needs to keep an eye on these characteristics of the final product to effectively manage delivery costs.

4.7. Pricing benchmarking with competitors

Pricing benchmarking is process of comparing your prices to the prices of the competition in a specific market segment – handmade toys, in case of this report. Understanding the pricing and a position among your competition is of critical importance to a thriving business, which is effectively positioning itself in the marketplace so that the target audience is thus willing to choose and pay for its products.⁴⁶

Pricing benchmarks is important in case of business expansion to international market through eCommerce platform and we need competitive pricing strategy vs popular offers from competitors, which will help to increase market share and ensure stable sales figures. Pricing strategy should fit profit expectations in regards of business model, operational efficiency and production capabilities. Price benchmarking is a rather valuable tool in determining prices to achieve greater value, which enables to assess the competitiveness of market rivals, identify any performance gaps in their operations and accentuate their strengths and weaknesses.

Price benchmarking can be done in two core categories: stuffed animal toys and teepees.

Stuffed animal toys, average price comparison @ etsy.com

Producer	Price, USD	Origin	Diff vs			Price Ranking
			Diff vs Max, %	Average, %	Diff vs Min, %	
			51	39	25	
Andreavida	49	Hungary	-4%	27%	97%	2
CreepyandCute	51	Netherlands	0%	33%	106%	1
Lesne	49	Poland	-6%	25%	94%	3
MylovelyHomeStudio	25	Russia	-51%	-36%	0%	11
Sunny Bunny	36	Ukraine	-31%	-8%	42%	6
AngelinaLily	47	Ukraine	-9%	21%	88%	4
TrandyBrandyToys	45	Ukraine	-13%	16%	79%	5
KroseDesign	27	USA	-47%	-30%	9%	10
Limpobagsbutik	31	USA	-39%	-19%	25%	9
MamaandBabyBears	32	USA	-37%	-17%	29%	8
WildRabbitBurrow	34	USA	-33%	-11%	37%	7

4.7.1. Competitors' Analysis – Stuffed Toys. Table 39

Main competitors are originally from six countries (USA, Ukraine, Russia, Poland, Hungary, Netherlands) with ten most comparative rivals. Average price in this category of stuffed animals varies from 25 USD per pcs (Russia) to 51 USD per pcs (Netherlands). Close competitors from Ukraine keep higher prices (45-47 USD), which can be explained by shipping

⁴⁶ <https://www.intelligencecode.com/blog/pricing-benchmarks-stand/>

costs included. Shipping costs for local US producers are supposed to be lower vs international deliveries.

Rank	Shop	Category	Country	Sales
1	FairyToysByInnaChi	Toys & Games	Ukraine	478
2	LenaMarketCrafts	Toys & Games	Ukraine	167
3	lillyBlytheDress	Toys & Games	Ukraine	160
4	FavoriteChess	Toys & Games	Ukraine	158
5	ElizToysStore	Toys & Games	Ukraine	141
6	BabysSmileGifts	Toys & Games	Ukraine	112
7	BrainUp	Toys & Games	Ukraine	109
8	LuckyBabyByNatalie	Toys & Games	Ukraine	83
9	SmittDesign	Toys & Games	Ukraine	82
10	ActiveWood	Toys & Games	Ukraine	72
11	WoodAxe	Toys & Games	Ukraine	71
12	Babycarestudio	Toys & Games	Ukraine	70
13	KnittedEmotion	Toys & Games	Ukraine	58
14	KiddyBusyToys	Toys & Games	Ukraine	48
15	Savinenplushtoy	Toys & Games	Ukraine	47
16	CustomGiftWithLove	Toys & Games	Ukraine	46
17	oxoxotoys	Toys & Games	Ukraine	37
18	MyKindToys	Toys & Games	Ukraine	36
19	MASSIMAworkshop	Toys & Games	Ukraine	22
20	KnittingForEmotions	Toys & Games	Ukraine	21
21	AnnaSushkoTildaDolls	Toys & Games	Ukraine	21
22	TagirasWorkshop	Toys & Games	Ukraine	21
23	SunnyBunnyWorld	Toys & Games	Ukraine	18
24	CrochettoysStudioCo	Toys & Games	Ukraine	18

4.7.2. Ukrainian Producers on Etsy. Table 40

Prices in that category are highly dependent on types and costs of raw materials, labour costs and production complexity (how many details and elements a toy has, composition of handmade vs machine operations, etc.) and also on the size of the toy. Middle-sized toys (about 25 cm high) are optimal from production efforts and materials used proportion. Size and weight of toys are also directly affecting delivery costs, for example, for UkrPoshta, the delivery cost difference between 500 grams and 501 grams parcel is 5 USD already.

The table above shows, that Sunny Bunny products in category takes the sixth place out of eleven (with nine competitors selected), keeping in mind, that delivery costs are much less for

local producers in USA. From another hand, production costs themselves could be higher for developed markets, so producers could have smaller margins.

Sunny Bunny products are 8% cheaper vs average price in dataset, 42% more expensive vs smaller price and 31% cheaper vs maximum price, which confirms proper pricing strategy in that category.⁴⁷

In case of specific product subcategory, plush bats, the competition looks very heavy:

Teepees, average price comparison @ etsy.com

Producer	Price, USD	Origin	Diff vs			Price Ranking
			Diff vs Max, %	Average, %	Diff vs Min, %	
			205	159	113	
ShopLittleWanderer	152	Canada	-26%	-4%	35%	8
MyteepeeGermany	186	Germany	-9%	17%	65%	2
Rainbomkids333	157	Germany	-23%	-1%	39%	7
NunuNukids	169	Poland	-18%	7%	50%	3
MayabelKids	113	Poland	-45%	-29%	0%	11
MamaPotrafi	162	Poland	-21%	2%	43%	6
MasandraKids	129	Poland	-37%	-19%	14%	10
OhhDarlingDesign	135	UK	-34%	-15%	19%	9
Sunny Bunny	167	Ukraine	-19%	5%	48%	5
CocoonGift	169	Ukraine	-18%	7%	50%	3
TeepeeMonster	205	USA	0%	29%	81%	1

4.7.3. Competitors' Analysis – Teepees. Table 41

Teepees in our dataset are produced in USA, Poland (in most of examples), UK, Germany and Canada. Teepees, which is more complex and expensive product, show the bigger difference between the lowest (113 USD) and the highest (205 USD) prices. Cost difference is mainly caused by the shipping costs (depending on the size and weight of the product) and raw materials used.⁴⁸

For example, Polish teepees are designed from local colorful cotton fabrics, which looks more visually attractive, but less durable vs other types of materials. At the same time, those materials are much cheaper, which directly affects the price, so the customer without experience may choose the product with shorter useful life and only take a look on more solid products during next purchases.

Sunny Bunny teepees are 5% more expensive vs average price in dataset, 48% more expensive vs smaller price and 19 % cheaper vs maximum price, which gives the fifth place out of eleven.

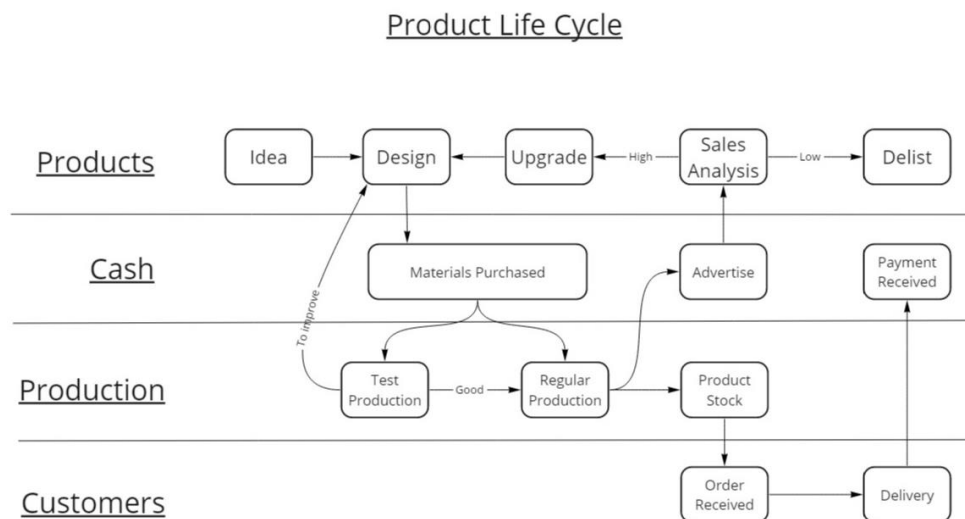
⁴⁷ <https://www.etsy.com/c/toys-and-games/toys/stuffed-animals-and-plushies?ref=catnav-11049>

⁴⁸ https://www.etsy.com/search?q=teepee%20tent&ref=auto-1&as_prefix=teepee

Our pricing strategy here is affected by delivery costs (due to average weight of parcel of 5,2 kg, including packaging), a lot of handmade décor elements and more expensive raw materials.

4.8. Sales approach on each product

Products in the current mix are split into two categories: stuffed animal toys and teepees, which requires different sales approach for every type of product. The product life cycle in the business seems to be the same (see the scheme below).



4.8.1. Product Life Cycle. Scheme 42

The sales cycle for stuffed animal toys could be shorter, as if their models could be renewed almost every year, depending on the season, current trends and sales volumes. The sales approach for small toys should be based on short-term marketing campaigns, online advertising and price monitoring.

Starting from the idea, new model is designed, then built in few different versions during test production and compared with substitutes. Finally, approved version goes to production in planned volumes. Business creates marketing campaign for this new model, making product photo session for posting on website and eCommerce.

Small-sized toys have less price, comparing to teepees, and also have different reason to buy and different target audience. Smaller toys are good for gifts on different occasions and do not require dedicated space at home. Main focus with such toys – to change the assortment while underlining, that every product is new and fits to the current trends. Models, which are not showing good performance or expected to drop in sales soon, should be delisted.

Alternatively, sales approach to teepees should be completely different. Seller must deliver the message, that this product is solid, will work for many years without issues and built from ecological materials. Normally, for teepee buyers, selection process took much longer time, as

Teepees should be present in limited variety of colors over longer period of time. Marketing specialist is in position to get customer feedback through user stories, posts in social media and other means of communication, as if for teepees durability and safety are the key success factors for sales.

4.9. Overview of products' format

Stuffed animal toys have the height range between 22 and 50 cm, depending on the model and the targeted customer pool. Product size directly impacts the price of the product itself, packaging and the shipment costs, which is important for the product to be attractive for dedicated purposes of use.



Company designer role is to create also the range of specific products for annual Christmas sales, based on Chinese horoscope symbols, in three sizes: large (24 cm), medium (20 cm) and small (12 cm, for Christmas tree decoration). These specific products have short and limited time of sales, so the sales and production plan for them should be accurate in order not to have product stocks after seasonal sales.

Most of products have variety of colors and designs within one single product line (bat, moose, deer, dogs, foxes, unicorns, etc.). Some products have interchangeable elements of cloth or décor, which is very interactive for kids' play (dogs, unicorns, etc.).



4.9.2. Product range within one model. Figure 45

Most of products have unified branded packaging for better sales attractiveness and safe shipment needs. Packaging is made from plain carton without chemical components, glue and paint.



4.9.3. Packaging example. Picture 46

Teepee category is represented by six most popular designs of the one model as the result of continuous R&D process over first two years of production and sales. Different décor is intended to answer the different preference of boys, girls or mixed groups and fit kid's room design.

Teepee has 1,20 m x 1,20 m size (of carpet) and 1,50 m height, available inside the tent. Current size was approved based on customer feedback (both for experience of existing customers and expectations of potential ones) to provide enough space for the kid(s) inside and save the space for the parents in the apartment.



4.9.4. Example of teepee design. Picture 47

Travel pillows are not pretending to be high-tech product from the modern materials, but designed to bring emotions during travels and be different from the other passengers. Pillows have different animal-like styling and available in 7 colorful varieties. The Company decided to keep single size for all models to target kids and female users.



4.9.5. Travel pillow example. Picture 48

4.10. What has been done so far and what's planned

Massive application of AI makes a lot of sense to ease many operations in planning, production, advertising and sales, keeping in mind tight company headcount. The area of application is wide, starting from design and productions phases to steps in promotion and distribution, where regular performance controls are applied.

Focus on promotion should be constant, due to following reasons:

- Indirect (Internet) channel definitely underperforming
- Indirect channel contains close to unlimited number of customers
- Sunny Bunny presence in social media, especially, Facebook, could be more effective
- Further digitalization of sales could be quick win for the company and customers
- Consider additional web platforms (Etsy, other partners) and channels in the nearest time

Deeper data analysis, done in few directions (financial figures, sales by channels, Google Analytics, target audience analysis) gave clear view on current issues and guidance how to proceed with next steps:

- Enhance chatbot for Facebook messenger, update its content regularly
- Improve targeting for proper audience
- Enhance indirect communication through chatbot
- Extend working hours through chatbot
- Minimize costs and administrative efforts

Target audience analysis by gender, for example, shows, that, in most of cases, Sunny Bunny products are not reaching final customers through male audience in social media. Possible male customers (both adults and boys) are much less interested in Sunny Bunny products, not aware about the brand or not reached by targeted advertising.

Because current assortment is mostly female-oriented, the Company needs to pay more attention to male clients by providing clear message delivery to them online and proposing more models, dedicated for boys, in most of product categories.

On other hand, female audience is reacting better and more actively on advertising and assortment itself, both in direct and indirect modes. They are much intended to make impulsive purchases, collect most of company products for personal needs and for gifts to friends, share and communicate with others about their positive experience with Sunny Bunny. For more expensive products, like teepees, which are also the matter of household and apartment design, female customers are keen to consult with their partners, so men's voice is very strong with this category of goods.

Thus, the need to develop and improve indirect, digital sales through more strong presence in social media and more structured messaging platform is pretty much evident, so idea behind is to find, select and apply cost-effective and effort saving chatbot solution for Facebook to lead clients to Etsy and other web platforms, offering Sunny Bunny products.

4.11. Personnel requirements for sales development

The Company needs specific type of experts in sewing, based on the following expectations:

- outsourced, home-based
- registered as a Private Entrepreneur

- specific geography is not crucial, but rural areas (with high level unemployment and lower costs of living) are more preferred
- 5+ years of experience in sewing production
- personal sewing machine with required functionality
- professional sewing machine for teepee production
- personal interest in the toy production operations
- capability to produce 100 toys per month in average
- ready to be paid, based on produced volumes
- understanding of business seasonality (peaks and droughts of production cycles)
- accurate, attentive to details, focused on quality, respect deadlines

Such requirements help the Company to reach planned level of profitability, while having affordable and competitive final prices, timely production, high quality of ready products and controllable level of inventories, based on pull model of sales and distribution. Concentration of specific expertise among dedicated producers helps with better controls of raw materials and product quality, allows to extend production locally under supervision of these specific experts.

From the social responsibility and personal standpoint, the business offers new workplaces for the regions with lower level of employment and salaries with the occupation in funny and friendly activity of toys production. Production partners also receive the advantage of non-formal working schedule, which is positive for work/life balance and looking after kids and homes, because they can plan their time.

4.12. Financial requirements for sales development

Based on the calculation in the Part 6 of this document, the Company requires limited external financing in two directions to support sales development: advertising expenses and capital expenditures for transportation purposes.

Advertising expenses are planned on the level of 5% of annual sales revenue to support stable growth for promoted products and dedicated categories. The Company needs to highlight seasonal goods and support total counter of sold products through the web shop on Etsy.

Technologically, the business will need to invest into sewing equipment and vehicles, starting from 2022. These investments will be mostly financially supported by internal cashflow.

5. ORGANIZATIONAL PLANNING

5.1. Resume of Corporate management

Corporate management approach is mostly based on the use of freelancers' work, which gives many advantages and disadvantages at the same time⁴⁹. As for advantages, those could be listed:

- defined cost of labor per hour or per pcs
- flexible schedule
- comfortable working environment
- easier to communicate
- no office distractions
- no commuting
- saving money
- more time with beloved ones

At the same time, many disadvantages arise:

- possible delays
- lack of willpower
- hard to stick to routine tasks
- missing important contacts
- boredom
- working slowly
- lack of resources
- long waiting for an answer

The mix of those factors of outsourcing pushes the owner to manage on individual basis almost all activities, including:

- finding new production experts
- explaining how to produce new models
- send/receive by express mail materials and semi-finished goods
- dispatch sold goods to clients
- developing individual production plans
- etc.

Nevertheless, outsourcing approach stays the most economically profitable, according to the calculations, given in other modules of this document.

⁴⁹<https://www.clicktime.com/blog/top-10-advantages-disadvantages-working-from-home/>

5.2. Organizational structure

Company is built for optimal organizational structure to ensure high net income and, at the same time, to provide an adequate payment level to involved employees.

Organizational Chart and Salaries

	Units	2020	2021	2022	2023	2024	2025
Total	HC	4	4	5	7	8	9
	USD	1 000	3 000	3 000	4 800	4 800	4 800
Administration							
Business Owner	HC	1	1	1	1	1	1
	USD	600	1 800	1 800	1 800	1 800	1 800
Driver (ext.)	HC				1	1	1
	USD				1 800	1 800	1 800
Finance							
Accountant (ext.)	HC	1	1	1	1	1	1
	USD	120	360	360	360	360	360
Marketing							
SMM Specialist (ext.)	HC	1	1	1	1	1	1
	USD	280	840	840	840	840	840
Production Specialist (outsourced, OpEx)	HC	1	1	2	3	4	5

5.2. Organizational chart. Table 49

The Company is mostly driven by the owner, who plays several key roles in sales, marketing, design and production supervision. With the current business size and turnover, such approach will make sense for few coming years to support business growth in regards of expansion to USA market through Etsy platform. As if the business is the extension of existing one, the owner is not looking for high salary, but for profits in several years.

Marketing function is represented by an outsourced SMM specialist, invited occasionally to support active promotions in social media. Finance (tax) part is covered by part-time outsourced accountant, who helps to make fiscal reports and different inquiries to tax inspection. Actual prices for outsourcing are more than acceptable for single business, since these specialists could support few businesses at the same time.

The quantity of production specialists is calculated, based on monthly production capability, estimated as 100 pcs per person per month. Such production rate allows to comfortably develop final products with expected level of quality.

5.3. Personnel management and HR policies

Personnel management is not expected to be very complex task for the business, taking into account volume-based professional relations between the owner and production experts.

Most of coordination required on the initial steps of any new model, planned to be produced soon, because production specialist must obtain required skills for the given model and deliver couple of first samples to the business owner for quality check and minor adjustments.

On the later stages, most of contacts in regards of production activities are related to delivery deadlines. Production specialists are informed in advance about production schedule, especially, in case if some product batches must be produced in more tight terms.

Once per year, after Christmas sales season, the owner calculates individual annual bonuses for performance and incentives' completion, for any ideas in optimization of the process, management of raw materials, regular high quality in production.

5.4. Overview of personnel recruitment needs and sources

Personnel needs are defined, based on sales plan and associated production schedule. In average, one production expert should be able to produce up to 100 toys per month, working from home.

According to production plan, needs in personnel will grow from 2020 to 2025 from one to five outsourced people on monthly basis. These employees must be retained, because every of them, most probably, is specialized in production of few types of toys. Departure of any production expert will directly hit the productive capacity of the brand and will cause possible delays in deliveries and available stock.

From professional standpoint, the partnering production expert should have professional education in sewing, possess 3+ years of experience in the given area and should be interested in sewing of products of kids. This expert will need to have enough space at his/her location to store materials and develop final products. In regards of equipment, the Company is not going to provide those outsourced experts with sewing machines centrally, so the expert should have her own machinery. In case of device failure, the Company will provide temporary replacement.

Depending on the sales results, the Company is in the position to consider opening of production facilities from 2026, which will require different financing and different sales planning.

5.5. Legal overview (bylaws, incorporation, other)

Current form of the Company is defined by the legal form of its owner – Private entrepreneur (PE)⁵⁰. Legal background of entrepreneurship is very complex in Ukraine and regulated by the main legal documents ⁵¹:

- Law of Ukraine «About state registration of legal entities, private entrepreneurs»
- Tax Code of Ukraine
- Customs Code of Ukraine
- Civil Code of Ukraine

⁵⁰ <https://studfile.net/preview/5081964/>

⁵¹ <https://studfile.net/preview/5081964/>

- Business Code of Ukraine
- Law of Ukraine «About international activities»
- Constitution of Ukraine (main rules for entrepreneur activities)

There are also laws in place, regulating international shipments and custom clearance^{52 53 54}.

PE is the physical person, which is registered as entrepreneur for business activities without opening legal entity, and now is one of the most popular legal forms in Ukraine for individuals, which is also applicable for the Company and partners. Advantages of PE form:

- No contributed capital required
- Short registration procedure
- Limited controls by the state authorities
- Start-up PE works for himself
- Simplified tax reporting
- No need for special bank account

PE is financially responsible by all his assets and can hire employees, needed for business activity. PE is autonomously acting on the market, signing contracts with other market players and can make any business decisions, which are not prohibited by law. PE should manage P&L Book (form #10) and have all supporting documents about origin of goods sold.

PE can select one of the tax systems:

- Unified tax (most popular, % depends on annual turnover)
- Fixed tax
- General tax system

Business activities, tax systems and other laws are applicable for international buyers on the territories of their inhabitation.

5.6. Overview of ownership structure

The business was established in 2010 by the one founder, Mrs.Nataliia Hoizhevskia, and still has a form of single proprietorship. Mrs.Hoizhevskia is registered as the Private Entrepreneur (3rd tax group, 5% tax).

Nataliia is solely in charge of the Company operations, possesses all decision-making power and has all rights for receiving dividends, based on annual results.

⁵² <http://www.visnuk.com.ua/ua/pubs/id/7423>

⁵³ <https://www.epravda.com.ua/rus/columns/2018/12/12/643303/>

⁵⁴ <https://zakon.rada.gov.ua/laws/show/2759-14>

6. FINANCIALS

6.1. Resume of the section

In this section we describe our financial indicators for nowadays. Also, we predict futures needs and our financial possibility to cover it. On this stage of business development sunny bunny will not need any significant credits and external lenders. The nearest long-term credit is planned to have in 2023 on logistic to buy a car.

The main channel of distribution is Ecommerce (site, Etsy, social media). These platforms do not need significant budget for product placement. Cost on advertising is 5% from revenue. Sales revenues are expected on stable basis with double growth for period 2020-2021 and 50% increase in volumes every next year during forecasted period, which gives 67% CAGR over 5 years, all predictions were made without taking into account economic crisis. We predict growth of Net income from 294 USD in 2020 to 55,133 USD in 2025, Net Income Margin is growing from 2% to 30%.

All financial indicators should be reviewed every quarter. Taking into consideration economic crisis and changes, which can occur market changes, these indicators should be reviewed more often.

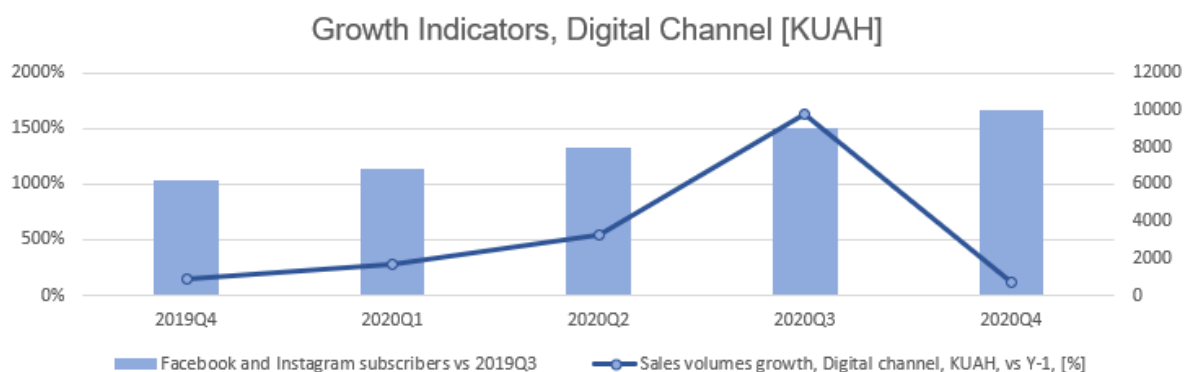
With the current approach the cost of chatbot implementation itself is free, if we exclude time and efforts of business representatives for design, support and follow-up of the results. On the later stages, we can consider Pro version with the subscription costs effective at this moment and for that level of need, which is out of scope for current project.

Based on the actual implemented chatbot pattern, we plan to reach following results:

	Period							ChatBot GoLive				
	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4
Facebook and Instagram	4100	4200	4400	4500	5300	5630	6230	6800	8000	9000	10000	11000
Investments, UAH	0	0	0	0,5	0	0	2,6	7,8	7,8	7,8	7,8	7,8
Sales volumes, Digital channel,	17	15	24	51	11	10	4	75	30	55	65	93
- Soft toys	4	4	10	30	2	2	2	45	15	30	45	55
- TeePees	13	11	14	21	9	8	2	30	15	25	20	38

6.1.1. Chatbot Subscribers Evolution. Figure 50

From the chatbot go-live, business plans to get 1000 new followers every quarter and initiate massive targeted promo campaign on them to promote products and chatbot itself more aggressive. Special focus will be set on mid-season volumes to prevent drop in sales and disconnect from fluctuations in direct channel (open markets and shops). Some categories, in fact, were never really promoted by purpose, so owner could make additional efforts there too.



6.1.2. Digital Growth Indicators. Chart 51

This well describes ambitious goals to achieve significant and sustainable growth over 2020, if all the strategy elements will be properly applied and regular status monitoring will be done.

Business will need to assess production capabilities and cycles to supply sufficient stocks and packaging to answer these challenging plans and satisfy both new and existing customers.

6.2. Purposes of financing for first year and forecasted period summary

The Company has limited requirements in terms of external financing, realized through short-term credit in 2020 and the longer credit in 2023. First credit is needed to support business kick-off phase in regards of initial stocks of raw materials and production costs. After the moment, when sales are started and first cash is returned, the Company is in position to return credit body and interest to external lenders.

Credit Planning							
Cash Out							
	Units	Dec 31 2020	Dec 31 2021	Dec 31 2022	Dec 31 2023	Dec 31 2024	Dec 31 2025
Credit taken during ye.	USD	2 000	-	5 000	-	-	-
Remaning credit body	USD	2 000	-	5 000	4 000	3 000	2 000
Interest to pay	USD	200	-	500	400	300	200
Credit principal to pay	USD	2 000	-	1 000	1 000	1 000	1 000
Cash Out	USD	2 200	-	1 500	1 400	1 300	1 200
Credit 1							
Credit terms							
Credit body	USD	2 000					
Period	years	1					
Credit principal to pay	USD	2 000					
Interest rate, %	USD	10% annual					
	Units	2020	2021	2022	2023	2024	2025
Remaning credit body	USD	2 000	-	-	-	-	-
Interest to pay	USD	200	-	-	-	-	-
Credit principal to pay	USD	2 000	-	-	-	-	-
Cash Out	USD	2 200	-	-	-	-	-
Credit 2							
Credit terms							
Credit body	USD	5 000					
Period	years	5					
Credit principal to pay	USD	1 000					
Interest rate, %	USD	10% annual					
	Units	2020	2021	2022	2023	2024	2025
Remaning credit body	USD	5 000	-	5 000	4 000	3 000	2 000
Interest to pay	USD	-	-	500	400	300	200
Credit principal to pay	USD	-	-	1 000	1 000	1 000	1 000
Cash Out	USD	-	-	1 500	1 400	1 300	1 200

6.2.1. Credit Structure. Table 52

Forecasted structure of Accounts receivable estimates 45 days of delay, concentrated around Christmas holidays period. This delay is the regular contracted requirement of eCommerce platform provider and associated financial partners. Based on monthly sales volume analysis, average annual DSR is expected on the level of 36,5 days.

Forecasted Accounts Receivable								
	Days	45						
	Units		2020	2021	2022	2023	2024	2025
Accounts Receivable	USD		1 427	2 997	4 720	7 434	11 708	18 440
Changes in AR, YoY	USD		1 427	1 570	1 723	2 714	4 274	6 732

Forecasted Accounts payable								
	Days	Units	2020	2021	2022	2023	2024	2025
		15						
Accounts Payable	USD		71	150	236	372	585	922
Changes in AP, YoY	USD		71	78	86	136	214	337

Inventories									
	Days	Units	15	2020	2021	2022	2023	2024	2025
Inventories		USD		714	1 498	2 360	3 717	5 854	9 220
Changes in inventories, YoY		USD		714	785	862	1 357	2 137	3 366

6.2.2. AR, AP, Inventories. Table 53

Accounts payable is fully controlled by the Company with the intention not to keep this indicator high, so all debts to suppliers and producers are paid within 15 days, which gives annual ratio of DSP at 3,5 days.

6.3. Overview of budgeting process

On a regular basis, the budgeting process starts in February every year, when Christmas sales peak is over. Budgeting process includes the following steps:

- sales data clean-up for Y-1 (error lines, not fully filled records, other mistakes)
- sales data verification (thorough check of sales by key customers, sales channels, periods)
- sales data analysis (performance of products, seasonality, growing/declining models, discounts, product contribution)
- COGS data clean-up for Y-1
- COGS data verification
- COGS data analysis
- expenses data clean-up for Y-1
- expenses data verification
- expenses data analysis
- analysis of stock of final products
- inventory of raw materials in stock
- analysis of raw materials availability
- review of major market changes, legislation, taxation updates
- preparation of relevant assumptions for next year
- analysis of trends on the market for the next year
- review of current assortment, based on performance in Y-1
- preparation of sales plan by SKU in pcs and USD

- preparation of production plan by months and production experts
- estimation of COGS, expenses, taxes
- estimation of need in production capabilities
- split of sales plan between channels and partners
- preparation of team development plans

Budgeting process is expected to be realistic, cover different possible aspects and changes on the market, business environment, customer expectations and trends, which is crucial for reaching planned business goals.

6.4. Main assumptions made in the budgeting process

During project report preparations, several key assumptions were identified, which are directly influencing business environment and estimated financial results.

#	Category	Assumptions
1	Business	Sales of stuffed toys and other hand-made products through US eCommerce platform Etsy
2	Business	No credit money planned, only internal re-financing from turnover
3	Business	Internet extension of existing business Sunny Bunny with same products and production, but with different pricing and distribution
4	Production	Production is made by home-based experts in hand-made
5	COGS	Materials, salary and production costs embedded into COGS of every given product
6	Commission	Commission @17% (site listing, PayPal partners, Privatbank commission)
7	Delivery	Every product price contains individual shipping costs to the USA
8	Tax rate	@5% from the amount, arriving at Privatbank corporate account (product price minus commission 17%)
9	Efficiency	No need for office or production premises foreseen
10	RE	RE stay in Company during analyzed period, owner is ready to receive monthly salary only

6.4. Business Assumptions. Table 54

International eCommerce platform Etsy is selected as the core sales instrument for international expansion of sales. Etsy stays as a stable partner for niche sales of handmade products and shows significant growth in turnover, product listing and number of buyers. Such model doesn't require significant expenses on product placement and partnership, when the Company is in the position to apply all modern practices and instruments, available through the platform.

Production of final goods is organized through the network of home-based, outsourced experts in sewing. Their work costs are embedded in COGS together with raw material costs and inbound logistics expenses. There are also included delivery costs, bank and partner commissions, because those costs are directly associated with every product sold.

Taxes at 5% are applied on Company revenue, because owner is registered as Private Entrepreneur and pays fixed rate on incoming cash on business account. Owner will not distribute Retained earnings until the year of 2025 to support continuous business growth and positive cashflow.

6.5. Overview of forecasted Capital Expenditures

Business does not require massive capital expenditures, but to cover some basic needs (see the table below).

Capital Expenditures (CapEx)							
	Units	2020	2021	2022	2023	2024	2025
Grand Total, USD	63 500	0	0	2 500	24 000	3 500	33 500
Cars	50 000	0	0	0	20 000	0	30 000
Minivan	USD				20 000		
Owner's car	USD						30 000
Office Equipment	1 500	0	0	1 000	500	0	0
Laptops	USD			1 000			
Printers	USD				500		
Sewing Equipment	12 000	0	0	1 500	3 500	3 500	3 500
Sewing machine	USD			1 500	1 500	1 500	1 500
Embroidery machine	USD				2 000	2 000	2 000

6.5.1. Capital Expenditures. Table 55

The Company will need to acquire minivan in 2023 to cover growing needs in deliveries of ready goods to post offices and supply materials from vendors. Later in 2025, business needs new office car for owner. Total investments in cars – 50,000 USD.

Some minor office equipment will be needed to replace outdated devices in 2022/2023.

From another hand, to provide growing business turnover with proper production capacities, Company will need professional sewing equipment to supply external specialists and/or replace own depreciated machinery.

Depreciation							
	Units	2020	2021	2022	2023	2024	2025
Grand Total, USD	14 480	-	-	-	400	4 640	9 440
Cars		Accumulated Annual Depreciation (PL)					
Minivan	USD	-	-	-	-	3 200	6 400
Owner's car	USD	-	-	-	-	-	-
Office Equipment		Accumulated Annual Depreciation (PL)					
Laptops	USD	-	-	-	160	320	480
Printers	USD	-	-	-	-	80	160
Sewing Equipment		Accumulated Annual Depreciation (PL)					
Sewing machine	USD	-	-	-	240	720	1 440
Embroidery machine	USD	-	-	-	-	320	960

6.5.6. Accumulated Depreciation. Table 56

Planned capital expenditures will generate associated depreciation, based on 5 years linear method.

6.6. Overview of Operating Expenses forecast

Operating expenses of the Company are composed from several expense lines with straightforward cost drivers.

Operating Expenses (forecast)							
	Units	2020	2021	2022	2023	2024	2025
Payrolls	USD	1 000	3 000	3 000	4 800	4 800	4 800
Office rent	USD		800	900	1 000	1 100	1 200
Bills	USD	600	1 200	1 200	1 200	1 200	1 200
Stationery	USD	300	300	300	300	300	300
Office maintenance	USD	600	600	600	600	600	600
Advertising	USD	714	1 498	2 360	3 717	5 854	9 220
Insurance	USD	500	1 000	1 000	1 000	1 000	1 000
Diesel	USD	600	1 200	1 200	1 200	1 200	1 200
Others	USD		500	500	500	500	500
Total	USD	4 314	10 098	11 060	14 317	16 554	20 020

6.6. Operating Expenses. Table 57

Payroll costs include all outsourced employees and the salary of the owner. Salary of production experts is excluded from OpEx, because it is calculated as the part of COGS for ready products.

Expenses, like bills, stationery, office maintenance and some other, are expected to be flat, which has positive effect on EBITDA. Same for fuel and reserve costs line of OpEx.

Advertising is expected on the level of 5% of revenue to support continuous growth of sales, that's why this line has increasing trend. Fixed percentage of advertising should be enough, if the business will closely monitor product performance and apply proper promotion campaigns for the most promising positions.

6.7. Overview of Profit and Loss Statement

In the current business set up, P&L analysis shows the following trends, caused by changes between major P&L lines and YoY. Main target: to keep Net Income positive from Y0 with the stable annual growth through cost control and accurate sales policy.

Sales revenues are expected on stable basis with double growth in USD between 2020 and 2021 and 50% increase in volumes every next year during forecasted period, which gives 67% CAGR over 5 years. Additional assumptions include 5% annual price increase.

	Units	2020	2021	2022	2023	2024	2025	CAGR
Forecasted profit and loss statement								
Sales	USD	14 270	29 967	47 198	74 337	117 081	184 402	67%
Site & other commission	USD	2 426	5 094	8 024	12 637	19 904	31 348	67%
Delivery	USD	3 675	7 350	11 025	16 538	24 806	37 209	59%
COGS	USD	2 769	5 538	8 308	12 461	18 692	28 038	59%
Gross profit	USD	5 400	11 984	19 842	32 701	53 679	87 806	75%
Gross profit margin	%	38%	40%	42%	44%	46%	48%	5%
Sales general and administrative expenses	USD							
Payrolls	USD	1 000	3 000	3 000	4 800	4 800	4 800	37%
Office rent	USD	-	800	900	1 000	1 100	1 200	
Bills	USD	600	1 200	1 200	1 200	1 200	1 200	15%
Stationery	USD	300	300	300	300	300	300	0%
Office maintenance	USD	600	600	600	600	600	600	0%
Advertising	USD	714	1 498	2 360	3 717	5 854	9 220	67%
Insurance	USD	500	1 000	1 000	1 000	1 000	1 000	15%
Diesel	USD	600	1 200	1 200	1 200	1 200	1 200	15%
Others	USD	-	500	500	500	500	500	
Total SG&A	USD	4 314	10 098	11 060	14 317	16 554	20 020	36%
Operating profit	USD	1 086	1 886	8 782	18 384	37 125	67 786	129%
Operating profit margin	%	8%	6%	19%	25%	32%	37%	37%
Depreciation	USD	-	-	-	400	4 240	4 800	
EBIT	USD	1 086	1 886	8 782	17 984	32 885	62 986	125%
EBIT margin	%	8%	6%	19%	24%	28%	34%	35%
Interest rate	USD	200	0	500	400	300	200	0%
EBT	USD	886	1 886	8 282	17 584	32 585	62 786	134%
EBT margin	%	6%	6%	18%	24%	28%	34%	41%
Taxes	%	5%	5%	5%	5%	5%	5%	0%
Taxes	USD	592	1 244	1 959	3 085	4 859	7 653	67%
Net income	USD	294	642	6 323	14 499	27 726	55 133	185%
Net Income margin	%	2%	2%	13%	20%	24%	30%	71%

6.7. P&L. Table 58

COGS (59% to 71% from list price, depending on SKU), including site and bank commissions (17% of list price), delivery costs, labor costs and raw materials, are supposed to be proportional to sales volumes and product mix.

Gross Profit Margin is expected at 48% at the end of 2025 with CAGR of 5% over five years.

The business is highly seasonal (40% of sales are concentrated around Christmas and New Year holidays), all the operations and allocated should be equally distributed to ensure smooth operations, especially, in regards of fixed monthly costs. SG&A CAGR is evaluated at 36% at the end of 2025, where Operating Profit Margin is calculated at 37% (vs 8% at Y0).

Due to planned investments into PPE, increase of depreciation is expected during next years, so EBIT margin varies from year to year.

Tax rate at 5% is stable on annual basis, until government will keep this rate for private entrepreneurs.

With current approach, Net Income is expected to grow from 294 USD (2020) to 55,133 USD (2025) with CAGR of 185%. By this, Net Income Margin is growing from 2% to 30% (CAGR 71%) over forecasted period, which confirms the business state as healthy.

6.8. Overview of forecasted Balance Sheet

The business model is built on outsourcing of production and eCommerce platform and minimizes credits, inventories and other optimization steps, major conclusions should be done around cash collection and investments.

Balance Sheet								
	Units	2020	2021	2022	2023	2024	2025	CAGR
ASSETS								
Current assets								
Cash & Cash Equivalents	USD	225	-3 409	2 916	-11 120	10 147	25 819	158%
Accounts Receivable	USD	1 427	2 997	4 720	7 434	11 708	18 440	67%
Inventory	USD	714	1 498	2 360	3 717	5 854	9 220	67%
Prepaid expenses	USD	0	0	0	0	0	0	
Total current assets	USD	2 366	1 086	9 996	30	27 710	53 479	87%
Fixed assets (non-current assets)								
Gross Plant, Property and Equipment	USD	0	0	2 500	26 500	30 000	63 500	
- Accumulated Depreciation	USD	0	0	0	400	4 640	9 440	
Net Fixed Assets	USD	0	0	2 500	26 100	25 360	54 060	
TOTAL ASSETS		2 366	1 086	12 496	26 130	53 070	107 539	115%
LIABILITIES								
Accounts payable	USD	71	150	236	372	585	922	67%
Short-term-liabilities	USD	0	0	0	0	0	0	
Total Current Liabilities	USD	71	150	236	372	585	922	67%
Long-term liabilities	USD	2 000	-	5 000	4 000	3 000	2 000	0%
TOTAL LIABILITIES	USD	2 071	150	5 236	4 372	3 585	2 922	7%
Shareholders' equity								
Contributed capital	USD							
Retained Earnings	USD	294	936	7 260	21 758	49 484	104 617	224%
Total Shareholders' equity	USD	294	936	7 260	21 758	49 484	104 617	224%
TOTAL LIABILITIES AND SHAREHOLDER	USD	2 366	1 086	12 496	26 130	53 070	107 539	115%

6.8. Balance Sheet. Table 59

Annual growth of sales contributes to current assets both with PPE increase give CAGR of 115% over five years for Total Assets and CAGR of 224% for Retained Earnings.

Ratio analysis								
	Units	Operational years						CAGR
		2020	2021	2022	2023	2024	2025	
Liquidity								
Current ratio	times	0,0	0,0	-10,6	-70,2	-43,3	-58,6	
Quick ratio	times	0,8	-2,8	1,5	-0,8	6,1	15,1	80%
Cash ratio	times	3,2	-22,8	12,4	-29,9	17,3	28,0	55%
Net Working Capital	USD th	2,294	0,936	9,760	-0,342	27,124	52,557	87%
Long-term solvency (financial leverage)								
Equity multiplier	times	8,0	1,2	1,7	1,2	1,1	1,0	-34%
Turnover ratios								
Receivables turnover	times	10,0	10,0	10,0	10,0	10,0	10,0	0%
Days' sales in receivables	days	36,5	36,5	36,5	36,5	36,5	36,5	0%
Payables Turnover	times	124,3	120,0	115,9	112,0	108,3	104,8	-3%
Days sales in payables	days	2,9	3,0	3,1	3,3	3,4	3,5	3%
NWC turnover	times	6,2	32,0	4,8	-217,7	4,3	3,5	-11%
Total asset turnover	times	6,0	27,6	3,8	2,8	2,2	1,7	-22%
Profitability ratios								
Profit margin	%	2%	2%	13%	20%	24%	30%	71%
Return on assets (ROA)	%	12%	59%	51%	55%	52%	51%	33%
Return on equity (ROE)	%	100%	69%	87%	67%	56%	53%	-12%

6.8. Ratio Analysis. Table 60

Investments into PPE, starting 2022, are unavoidable due to business complexity increase.

With almost immediate payments from the customers, Accounts Receivable stays on the level of 10% mostly due to seasonality peak of sales during Christmas holidays with 36.5 days of DSR. On another hand, Accounts Payable is concentrated over debts to suppliers and payments to outsourced producers with 3.5 days of DSP in average.

6.9. Overview of forecasted Cashflow Statement

Cash Flow statement represents stable growth of the cash at the end of every period over 5 years and reflect cash-out Investing activities, starting 2022. Related depreciation is recorded, according to 5-year linear basis.

Cashflow statement								
	Units	2020	2021	2022	2023	2024	2025	CAGR
Net Income	USD	294	642	6 323	14 499	27 726	55 133	185%
Depreciation	USD	-	-	-	400	4 240	4 800	
+ or - changes from Accounts Receivable	USD	-1 427	-1 570	-1 723	-2 714	-4 274	-6 732	36%
+ or - changes from Accounts Payable	USD	-71	-78	-86	-136	-214	-337	36%
Cashflow from Operating Activities	USD	(1 204)	(1 006)	4 514	12 049	27 478	52 865	-313%
Capital Investments (CapEx)	USD	0	0	-2 500	-24 000	-3 500	-33 500	
Gain or loss from investments made	USD	0	0	0	0	0	0	
Cashflow from Investing activities	USD	0	0	-2 500	-24 000	-3 500	-33 500	
Credits from commercial banks	USD	2 000	-	5 000	-	-	-	-100%
Credits returned	USD	-2 200	0	-1 500	-1 400	-1 300	-1 200	-11%
Proceeds from IPO	USD	-	-	-	-	-	-	
Equity financing	USD	-	-	-	-	-	-	
Dividends to the shareholders	USD	-	-	-	-	-	-	
Cashflow from Financing Activities	USD	-200	0	3 500	-1 400	-1 300	-1 200	43%
Total Cashflow	USD	-1 404	-1 006	5 514	-13 351	22 678	18 165	-267%
Cash at the beginning of the period	USD	0	-1 404	-2 410	3 104	-10 247	12 431	
Cash at the end of the period	USD	-1 404	-2 410	3 104	-10 247	12 431	30 595	-285%

6.9. CF. Table 61

The Company minimizes external financing, running mostly on turnover capital, with credits regularly returned.

6.10. Overview of Investment Valuation

Working Capital with stable CAGR of 67% composed from Accounts receivable, Accounts payable and Inventories, which are based on regular seasonal peaks over year-end and Christmas holidays. On a normal pace, the business usually generates 10% of annual turnover as AR with 30 days payback, 10% of AP with 15 days payback and 5% of inventories.

Working capital								
		2020	2021	2022	2023	2024	2025	CAGR
	Units	1,356	2,847	4,484	7,062	11,123	17,518	66,83%
Accounts Receivable	USD th	1,427	2,997	4,720	7,434	11,708	18,440	66,83%
Inventories	USD th	0,714	1,498	2,360	3,717	5,854	9,220	66,83%
Accounts Payable	USD th	0,071	0,150	0,236	0,372	0,585	0,922	66,83%

6.10.1. Working Capital. Table 62

Net Working Capital shows significant growth as the result of investments, starting 2022. Current Assets shows CAGR of 207,25% at the end of year of 2025, while Current Liabilities remain low, based on Accounts Payable scenario.

Net Working capital								
		2020	2021	2022	2023	2024	2025	CAGR
	Units	0,294	0,936	4,760	-1,842	50,624	80,557	207,25%
Current Assets	USD th	0,366	1,086	4,996	-1,470	51,210	81,479	194,86%
Current Liabilities	USD th	0,071	0,150	0,236	0,372	0,585	0,922	66,83%

6.10.2. Net Working Capital. Table 63

Dividend payout is not planned for the forecasted period, because business owner wants to reach expected level of profitability and other ratios, first. Retained Earnings show stable growth from 294 USD in 2020 up to 104,617 USD at the end of 2025.

All figures are in USD th

STATEMENT OF RETAINED EARNINGS AND INCOME DISTRIBUTION						
	2020	2021	2022	2023	2024	2025
DIV payout	0%	0%	0%	0%	0%	0%
Dividends	0,000	0,000	0,000	0,000	0,000	0,000
Retained earnings	0,294	0,642	6,323	14,499	27,726	55,133
Cumulative retained earnings	0,294	0,936	7,260	21,758	49,484	104,617

6.10.3. Retained Earnings. Table 64

6.11. Investment offer

As described above, current business model doesn't require significant investments before the moment, when sales volumes and demand for new products will require the extension of production facilities, use of additional machinery, rent of bigger office and warehouse spaces.

99. SUPPLEMENTS

99.1. Questions

- Why Etsy.com?
- Customer behavior
- Marketing strategy
- Competition overview
- Logistics model
- Pessimistic scenarios
- Exit strategy

99.2. Market research data table

Tag analysis example for “bat” word:

Tags	Tag Occurrences	Average Searches (US)	Average Clicks (US)	Average CTR (US)	Etsy Competition
bat	28	2,157	311	14%	50,100
plush	10	4,042	891	22%	50,100
plush toy	3	166	65	39%	50,100
animal plush toy	2	0	Unknown	Unknown	50,100
crochet plush	2	96	11	11%	40,211
bat gift	3	0	Unknown	Unknown	39,980
handmade plush	2	175	60	34%	38,853
bat halloween	4	< 20	Unknown	Unknown	36,209
black bat	10	0	Unknown	Unknown	34,807
halloween bat	23	64	8	13%	33,510
bat decor	7	203	Unknown	Unknown	27,015
cute plush	8	199	Unknown	Unknown	26,014
white bat	1	349	13	4%	19,395
plush pattern	3	2,834	550	19%	17,871
kawaii plush	11	100	Unknown	Unknown	10,833
handmade bat	5	0	Unknown	Unknown	10,700

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99.4. List of abbreviations used

AI – Artificial Intelligence

AP – Accounts Payable
AR – Accounts Receivable
BI – Business Intelligence
BS – Balance Sheet
CCE – Cash and Cash Equivalents
NLP – Natural Language Processing
P&L – Profits & Loss Statement (Income Statement)
PPE – Property, Plant, Equipment
SKU – Stock Keeping Unit
YoY – Year on Year analysis

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Notes