

# Kazoo - A toy company

The screenshot shows the Kazoo Toys website homepage. At the top left is the Kazoo Toys logo. Navigation links include HOME, ABOUT US, SHIPPING, and CONTACT US. A 'VIEW CART' button is in the top right. Below the navigation is the tagline 'Toys that play with imagination!' and a search bar with the text 'FIND A TOY...' and a 'SEARCH' button. A phone number '970.343.4808' is also displayed. Below the navigation are three buttons: 'SHOP BY CATEGORY', 'SHOP BY AGE', and 'SHOP BY BRAND'. The main banner features a child in a knight costume, a girl in a superhero costume, and various toys like a helmet and a sword. The text 'Dress Up' is prominently displayed, followed by the tagline 'See what will come from your child's imaginative mind with our play costumes and toys!' and a 'SHOP NOW >' button. Below the banner are three product tiles: 'Gertie' (The World's Most Catchable Ball!), 'kinetic sand' (Squish it! Shape it! Mold it!), and 'Anatex' (Educational Toys Made in the USA).

# A RICH HISTORY OF KAZOO & COMPANY TOYS

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- From: [http://www.kazootoys.com/about\\_us.html](http://www.kazootoys.com/about_us.html)
- “Kazoo & Company -- a full-service toy store and business in Denver, Colorado. kazootoys.com offers a truly unique toy shopping experience. For over 33 years, we provided parents, teachers, and kids with one of the country's largest selections of quality toys, games, puzzles and creative playthings. I want to personally thank you for supporting any privately owned business and for supporting us. We know our toys, we know your kids and we love good customer service. We remain dedicated to providing the best possible tools for your child's healthy play.”
- “Kazoo & Company Toys has a friendly trained staff who can help you find the right toy for the age of your child or grandchild. You will find a fantastic selection of toys for boys and girls of all ages, including educational toys, musical toys, stuffed animals, dolls, blocks, bubbles and more! Thank you for shopping at Kazootoys.com.”
  - Diana Nelson, President



# History (Kazootoys.com web site plus revisions)

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- 1980: Kazoo & Company Toy Store opens its doors
- 1998: Company Acquired by Diana Nelson
- 1999: Launched Kazootoys.com
- 2002: Kazootoys.com/amazon
- 2007: Got exclusive contract with military for Kazoo.
- 2010: Kazoo & Company Toys is ranked #206 out of the Top 250 Private Companies in Colorado.
  - Kazoo & Company has been selected as a finalist in the Consumer Business category of the 2010 Top Company awards program hosted by ColoradoBiz
  - Kazoo & Company Toys is a 2010 Colorado Business Ethics Award finalist by the Colorado Ethics in Business Alliance. CEBA is founded by Daniels College of Business, University of Denver, ColoradoBiz Magazine and The Samaritan Institute.
  - Kazoo Brand Extension Division



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- 2011: Diana Nelson is the Keynote Speaker for the Denver Women's Chamber of Commerce luncheon.
  - 2011 - Watch Kazoo & Company Toys CEBA's Bill Daniels Business Ethics Award
  - Diana Nelson and Kazoo & Company Toys are named the 2011 Honoree by CEBA for the Colorado Ethics in Business Award.
  - Kazoo & Company Toys extends its term for another 2 years for the Advisory Board of Creativity for Kids.
- 2012: Diana Nelson is a return Guest Speaker for the Women's Chamber of Commerce luncheon.
  - CBS LOCAL places gives Kazoo & Company Toys a 5 star rating.
  - Kazoo & Company Toys is a Top 5 Colorado Parent Magazine Family Favorite for 2012.
  - Kazoo & Company Toys' Inc.'s franchising division, Kazoo Brand Extension LLC



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- 2013: Diana Nelson is speaking at the CANCON 2013 Conference as a Keynote Speaker in Loveland, CO.
  - Diana Nelson is nominated for the Small Company of the Year Award by the Colorado Women's Chamber of Commerce.
  - Diana Nelson is nominated for the BBB Torch Award for Ethics in Business Award.
  - KazooToys opens in Atlanta in the Buckhead Shopping District In May.
  - Diana Nelson is a Guest Speaker on NPR.
  - Diana Nelson is managing a South Metro Chamber of Commerce Mentoring Program with like minded business women from January - May.
  - Kazoo Toys Coming to Atlanta!
- 2014: Sarah Vergara takes over Kazootoys.com
  - Sarah brings an extensive creative background of internet site management to Kazootoys.com



# Diana Nelson

- She began her business career by working for corporations –such as Coors Brewing Company, Marshall Fields, and The Gap Company.
  - former account manager and marketing manager)
- Left corporate world and decided she wanted a new challenge.
- A single mother with two sons (ages 13 & 15), she had a passion for the children’s interests. This passion led her to acquire and grow a toy store business for children under 12 years of age.



# Getting Going

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- After looking at a variety of family friendly options from coffee shops to flower shops to franchises, she decided to consider running a small toy business
- Purchased Kazoo and company in 1998-
  - \$500 k bank loan guaranteed by SBA, her retirement accounts, father, credit cards
  - Demonstrates the courage found in most entrepreneurs! **Calculated risk taking!**
- Before jumping into the acquisition of a small toy store, she researched existing toy stores to understand their business models. Then developed a new model!
- “As a result of hard work, diligence, and dedication to children, she led Kazoo & Company, an existing toy store, to monumental heights of brand awareness, professionalism, and community involvement.” -Colorado Women’s C of C



# Business plan

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- How to compete with Walmart, Target, and the other big ones?
  - Don't be anything like them.
  - Don't carry the usual line –Mattel, Crayola, Fisher-Price, etc.
  - Do carry educational toy and unique items
  - Develop close partnerships with manufacturers –and learn from it.



# Key Strategic Decisions

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- One year after the acquisition, she decided that the future of Toy sales was going to be online so she launched **Kazotoys.com** and opened a Yahoo store.
- Kazoo became the US military's exclusive online toy retailer in 2007.
  - contract with the Army & Air Force Exchange Service,
  - Sole toy provider on the Armed Forces website.
- Began Franchising in 2008 with a Denver airport location



# Reason for Success

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- “The firm has a doggedly determined entrepreneur at the helm and it has a good business plan” –Barringer and Ireland

# Challenges

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- Specialty toy manufacturers are now selling in many more markets including the largest retailers.
- Economic pressures are hurting retailers
- Moved her flagship store then had to close it in early 2014.



# Questions

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- When she first bought the store, do you think that Diana Nelson could have convinced an investor that Kazoo & Company could successfully compete against the likes of giants such as Wal-Mart, Target, Toys “R” Us, and Amazon.com? If not, who needed to believe that the business plan would work? How does an entrepreneur’s level of belief in his or her own business plan affect how successful the business is, particularly in the early years?
- To what extent do you sense that Diana Nelson got up to speed quickly on the dynamics of the toy industry when she took over Kazoo & Company in 1998?

# Questions

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- What impact would it have had on the ultimate success of Kazoo if Nelson had spent more time initially focused on the specifics of her business (i.e., store layout, hiring personnel, placing ads in local newspapers, writing press releases, setting up the accounting system, and so on) rather than gaining a complete understanding of the toy industry as part of her work to carefully develop a business plan?
- Based on the information contained in the case, write the one-page executive summary of Kazoo's original business plan.

# Questions

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- What is drop-shipping? What are the advantages and the risks for a company like Kazoo & Company to engage in drop-shipping arrangements with its vendors?
- If you decided to buy a specialty store that competes against Wal-Mart, Target, or another big box retailer, what type of store would you like to own? How would you differentiate your store from your larger competitors?



# References

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