**Case Questions: Minitoys.com**

Name of Student

Institutional Affiliation

Course Name

Instructor’s Name

Date of Submission

**Case Questions**

**Question 1**

To determine MiniToys.com’s total cost of operation in 2019, we have to consider its current warehouse arrangement and the associated costs. Therefore, its annual processing cost, which is defined by the following characteristic - $50,000Y + 6.5F - and the fee it incurs for shipping its customer orders. Therefore, as calculated in the excel file, MiniToys.com incurred $263,795.00 in 2019.

**Question 2**

1. If MiniToys.com keeps its existing St. Kilda large warehouses and all in Melbourne then it will incur a total cost of $494,856.00, $722,304.00 and $830,775.50 in 2020, 2021 and 2022 respectively.
2. If MiniToys.com keeps its existing St. Kilda large warehouses and others in different cities or one large warehouse in Melbourne then it will incur a total cost of $476,940.00, $510,421.00 and $546,006.00 in 2020, 2021 and 2022 respectively.
3. If MiniToys.com keeps its existing St. Kilda large warehouses or they decide to use all the warehouses in Melbourne and rent others in different cities then it will incur a total cost of $434,210.00, $576,076.00 and $608,690.00 in 2020, 2021 and 2022 respectively.

**Question 3**

Based on cost consideration only, MiniToys.com should consider scenario 2. MiniToys.com should keep its existing St. Kilda large warehouses and others in different cities. In this case, the additional warehouses should be one large warehouse in Melbourne. This scenario will result in a 3-year total cost of $1,533,367.00 as compared to the other two scenarios which will cost the company $2,047,915.50 (scenario 1) and $1,618,976.00 (scenario 2).

**Question 4**

The above recommendations would change if the customers borne the cost of shipping. MiniToys.com should consider keeping its existing St. Kilda large warehouses and none in Melbourne (scenario 3). This will result in a 3-year total cost of $286,389.00 as compared to scenario 2 $397,374.00. Scenario 1 seems not to be feasible in this case.

If the fee changes from a flat fee of $15 per shipment to the customers bearing the cost of shipment then it means we can scrape off the shipping cost Mintoys.com incurs when they use Australian Post. As such, the 3-year total cost will change accordingly hence the change in the recommendations made.

**Question 5**

MiniToys.com should consider changing the current shipping arrangement to the one they are considering. This is because the one where customers borne the cost of shipping (3-year total of $286,389.00) is cheaper than the one where MiniToys.com is bearing the cost of shipment (3-year total of $1,533,367.00).