



UNIT-2

Developing a Business Plan

Learning Outcomes

By the end of this unit the learner will be able to:

- ✓ Define what an online business is
- ✓ Identify opportunities for an online business.

Unit 2

Developing a Business Plan

A Brief History

Over the past several decades, the consumer shopping experience has slowly shifted from bricks-and-mortar style shopping to the Internet. Some stores, like Amazon and Dell, are completely virtual. As well, traditional stores like Walmart and Costco have added online shopping to their business strategy to stay competitive. Online sales are estimated to reach 1.4 trillion dollars per year in 2015, with an average growth of about 19% per year. (Source: <http://www.invesp.com/ecommerce.jpeg>)

Test Your Knowledge

Think of some businesses that are online-only.

Businesses are also using technology to enhance the customer experience, such as by adding QR codes to product tags so that customers can view more information on their smartphone right in the store. Some stores also offer apps that allow consumers to pay with their mobile device, or push information to the user's smartphone depending on where they are in the store.

Although you may think of giant retailers when you think of online businesses, there are a large number of niche and specialty businesses on the Internet as well. The increasing affordability and accessibility of the Internet means that just about anyone can start their own successful online business. For some people, it's a way to make a little bit of extra money. For others, their online venture may eventually replace their full-time job, sometimes generating even more income than they were making by working for someone else.

Benefits of Online Businesses

Online businesses offer plenty of benefits to entrepreneurs. In general, online businesses have a low start-up cost and a low risk. Online businesses also offer more flexibility in terms of time commitment; many entrepreneurs run their online business during evenings and weekends.

The nature of the Internet also offers online business owners more flexibility. For example, let's say that you're a freelance artist and have just purchased your first brick-and-mortar storefront. You design a logo, put up signs, and create expensive artwork to show visitors what you can do. A month after launching, you realize that your logo is hard to read, your samples are too high-end, and the area of town that you're in is hard to reach. Fixing all of these problems is going to be expensive and might mean the end of your business. However, for an online freelance artist, location isn't a factor, and re-designing the website and electronic samples will take far less time and money.

Words of Warning

An Internet business requires just as much dedication and commitment as a traditional business. Despite what you might see in advertisements, starting an online business does not usually mean overnight success and a huge influx into your bank account. However, having a solid plan in place and a clear vision of where you want to go will help you launch a successful online business.

Laying the Groundwork

Who Are You?

Identifying the Possibilities

You don't need a super-cool or highly technical idea to create a successful online business. What you do need is something that you are passionate about and something that other people will buy. A good place to start is products or services that you have wished for or dreamt about. Keep your idea broad so that you can narrow it down once you've done some research.

Consider the history of the Lug brand of travel bags. In 2004, a young couple was travelling from Dallas, Texas to Toronto, Ontario. On their 23-hour road trip they came up with an idea for a line of super-organized travel bags in fun colors. Their idea turned into a multi-million dollar company that has been featured on television shows like Oprah and in magazines like Vogue and Good Housekeeping.

Doing Your Research

Once you have an idea, it's time to find out what the market needs. Look at:

- What other online businesses are doing (and not doing)
- Where customers in your area of interest are shopping and what they are shopping for
- The culture of your area of interest
- How you can create a niche for yourself by offering something that is unique in terms of cost, customization, or use

Outlining Your Ideas

By now, you should have some solid business ideas. Now it's time to outline each idea to help you evaluate what your best option is. Some questions that you should ask yourself include:

- What does my product or service look like?

Creating a Business Plan

Why a Business Plan?

We firmly believe that every business needs a business plan, although the size, complexity, and components of the plan will depend on your business. The business plan requires you to take a close look at many aspects of your plan and commit to them. This, in turn, will clarify the business for you and expose any issues that will need to be resolved before the business is launched. A business plan is also a key element in obtaining funding should it be required.

Some people procrastinate about committing their plan to paper, but having a framework and acknowledging that the plan is going to help you out makes creating the business plan an easier task. In fact, the business plan should not be an intimidating exercise at all.

The One-Page Plan

For an online business, a simple, one-page business plan is usually sufficient. This type of plan usually includes the following elements:

- Company description
- List of products and services
- Marketing and sales strategy
- Financial projections
- High-level design for website, mobile presence, and supporting services

Sample Business Plan

To give you an idea of what the business plan is all about, here is a sample business plan for an online farmer's market.

Test Your Knowledge

As you work through this business plan, take the time to add to it or consider what each section will look like for your business.

Company Description

FarmJam will be a 100% online service serving the greater Acmetown area. It will link farmers and consumers to provide an accessible, easy to use, farm-to-table experience.

Products and Services

Local farmers will deliver produce as it is harvested to FarmJam’s warehouse. All products will be inventoried using a real-time electronic system. Customers can then order the products from a website or mobile app and choose a delivery time within the next 24 hours.

Company Structure

To begin, Norman and Sarah Miller will be the sole employees. They will be able to handle approximately 75 orders per day plus regular business operations. Norman will focus on business operations and marketing, while Sarah will focus on orders and liaising with vendors. A new employee will be required for each 50 average orders per day.

Competitive Analysis

One grocery store at the north end of Acmetown currently carries local produce, but does not offer a delivery service. It is not on a transit route and is a 45-minute trip from other parts of Acmetown.

The southern end of Acmetown offers a farmer’s market during the summer months, weather permitting. This market is on a transit route and is more closely located to urban areas. However, its seasonality and limited parking have caused frustration for customers.

Financial Projections

Income

FarmJam will generate most of its revenue via a 10% markup on all produce. Based on customer surveys, local grocery sales, and a similar service in a similar-sized town, we estimate that FarmJam will sell \$5,000 of produce each day. This will provide revenue of \$182,500 in the first year.

Setup Expenses

We estimate the following one-time expenses to set up the business. These costs will be covered by a \$50,000 grant from the Acmetown business association.

Category	Item	Amount
Software/Hardware	Computers, tablets, and smartphones	\$5,000
	Inventory software	\$10,000
	Accounting software	\$1,500
Online Presence	Development for mobile app	\$10,000
	Website development	\$7,500
Training	Entrepreneurial workshop	\$0 (Business Association)
	Inventory software workshop	\$2,500
Total Expenses		\$36,500

Operational Expenses

We estimate the following expenses for the first year.

Category	Item	Amount
Logistical Expenses	Warehouse lease (2,500 square feet)	\$12,000
	Vehicle lease (Four vehicles)	\$24,000
	Utilities	\$2,500
	Telephone and Internet	\$6,000
	Insurance (Warehouse and vehicles)	\$3,000
	Fuel	\$6,000

Marketing Expenses	Bags for products	\$2,500
	Website maintenance and hosting	\$1,500
	Internet and newspaper advertising	\$1,000
Staff Expenses	Salary for Norman	\$40,000
	Salary for Sarah	\$40,000
Total Expenses		\$138,500

Marketing Strategies

FarmJam will leverage word-of-mouth advertising within the community to generate interest and attract customers. FarmJam will also put on workshops with local community groups to showcase local produce and provide cooking demonstrations.

FarmJam will use Facebook, Twitter, and Instagram to advertise products and keep customers up to date on what products are currently available.

High-Level Online Design

The FarmJam website and mobile app will link directly to the inventory management system to allow customers to see what produce is in stock, place orders, and pay for orders. (Customers can also pay cash on delivery.) Customers will also be able to view profiles of the farmers on the website, suggest products that they would like to see, and submit questions for farmers to answer. Local technology company InDesign will create and maintain the app and website.

Future Growth

If sales reach \$100,000 in the first year, FarmJam will be able to move to a bigger warehouse with increased cooling capacity. FarmJam will also be able to add two larger, refrigerated trucks to the fleet.

These two changes will enable FarmJam to add meat and dairy products to their delivery service. It will also enable FarmJam to pick up produce from farmers and process larger wholesale orders for local restaurants and markets.

Gathering Resources

We highly recommend getting some specialized help when setting up your online business. A small business accountant will help you set up your finances appropriately, including taxes and insurance. Likewise, a small-business attorney will help you complete all the necessary paperwork and ensure that your work is protected.

You may also want to consider finding a mentor with experience in your field. Both types of resources can help you grow in the right way and make your business a success.

Some other specialists that you might consider getting help from (depending on your experience and your business model include):

- Marketing and/or social media specialists
- Website designers
- Software developers

Consider the possibility of bartering with other small companies. For example, if you need a client tracking program, and you know of a software company that offers one and needs the products that you offer, perhaps you can trade services. If you do the job well, this offers the added benefit of getting your name out there and establishing your reputation.

Freelancers and contractors can also offer you specialized support when you need it. For example, you may decide to hire someone to build a mobile app to support your storefront. Websites like eLance and Guru can help you find someone who has the skills that you need. Be sure to ask for samples of the freelancer's work and references before committing to the project. As well, be very clear about what you want and check in frequently with them.

Test Your Knowledge

What resources could you use when starting up your business?
