Business Plan
Strategy

John Debrincat
Agenda

Business models
Plan to succeed

- Mission
- Strategy
- Technology
- Engagement
- Stakeholders
Business Models
80% of all web-influenced sales are done in offline stores (only 20% actually purchase online)

Web-influenced store sales are growing even faster than online sales (19% vs. 12% CAGR)

53% of all retail sales influenced by the web by 2014
B2C – Business to Consumer

- Companies sell to consumers
- Retail pricing gross tax model
- Payment and shipping standard
- Business branding
- Search and buy
- Traditional retailers – multi-channel
- Mobile is important
- Social media is important
B2B – Business to Business

- Companies sell to companies
- Pricing net tax model
- Payment and shipping standard
- Business branding
- Search and buy
- Tool for business development
- Registered customers
Multi-Channel Online Retail

GET PRICE
Compare Before You Buy

eBay

Google

Facebook

Shopping.com

Amazon.com

Shopzilla

eCorner
Secure eBusiness Solutions™
Private Shopping Networks

- B2C style but social network focussed
- Viral marketing
- Next generation
- Heavily style oriented
- Social commerce
- Referral credits
M (Mobile) - Commerce

- 42% Annual growth in Australia
- iPhone and other mobile apps
- Search, buy and pay from your phone
- All models B2B, B2C and C2C
- Pay via phone
- Special price finders and geo search for smart phones
- QR or Quick Response Code
Mcommerce Growth in 2012

Source: Perception systems @ visual.ly
F (Facebook) - Commerce
or S (Social) - Commerce

- Social plug-ins and like or follow buttons
- Facebook Open Graph API
- Facebook store
- iFrames V Facebook Apps
Channels & Portals

- Online and Off-line sales start with a search
- Looking for more consumer control
- Rapid growth rates
- Going (gone) mobile
- Not always price comparison but USP (Unique Sales Proposition)
- Geo-location targeting
Micro-sites

- Focus on special promotions or periods
- Sell a specific product or service
- Unique domain
- Targeted EDM
Sales & Marketing Event

- Cyber Monday (USA)
- New Year’s Sales
- Click Frenzy
  - Mothers’ Day
  - EOFY
  - Fathers’ Day
  - November 19th – Click Frenzy Day
- Social Media Promotions
Mission

Engagement

Strategy

Stakeholders

Technology

Business Plan & Strategy
Why Businesses Fail

1. Started for the wrong reason
2. Poor management
3. Insufficient capital
4. Wrong geographics or demographics
5. Poor or no plan or strategy
6. Over commit or over expansion
7. Poor use of channels
8. Lack of controlled execution
Mission

▶ The description of the business
▶ The marketing plan
▶ The financial management plan
▶ The management plan
  ▶ executive summary
  ▶ supporting documents
  ▶ financial projections.

TIPS
✓ Banks will ask for a business plan for an online start-up or to support online merchant account application
✓ Business plans identify issues

TRAPS
✗ Failure to plan
Mission

- What you are selling
- How your product or service will benefit the customer
- Which products/services are in demand; if there will be a steady cash flow
- What is different about the product or service your business is offering
- Unique sales proposition

**TIPS**
- SMB focus on the ‘long-tail’
- Look for unique products in demand
- Use your Bricks & Mortar experience

**TRAPS**
- Trying to compete solely on price
- No Unique Selling Proposition
- Products for sale not available
Strategy

- Business & Personal Aims
- Business Objectives
- Business Model
- Tactical Deployment
- Marketing Requirements and Goals
- Content Gathering and Management

TIPS
✓ Socialise the strategy with friends, colleagues, business advisors

TRAPS
✗ Buying an online store package and hosting without a plan and strategy.

- Fulfilment and Logistics
- Financial Management and Payments
- Social Media
- Platform & Technology
- Mobile
- Maintenance & Management
Strategy Tasks

- Make sure you know your market
- Multi/Omni-channel: Use a clicks-and-mortar strategy customer engagement
- Integrate the shopping experience
- How you will deal with
  - Content
  - Pricing & inventory
  - Logistics
  - Service & support
  - Payment & refund/returns
  - Security

- Develop an easy-to-use purchase process
- Consider localisation requirements
- Consider customer relationship management and personalisation
- Make sure that you select a scalable platform or solution
- Make sure you have a team in place
- Marketing Campaigns and requirements
- Integrate to external systems, suppliers or 3PL
Strategy Checklist

**Business**
- What is your business model
- What kind of resources will you need
- What is the demographic focus
- What expertise is available
  - Self managed
  - Need assistance
- Market and demographic shifts occurring
- an ABN/ACN/ABRN ...
- Tax model
- Domain name/s

**Technology**
- Business email addresses
- SSL Certificate (recommended)
- Merchant account and/or PayPal
- Which pricing model
- Shipping and logistics
- Design and user experience
- Requirements for custom development
- Mobile and tablets
- Search Engine Optimisation (SEO)
- Content Marketing
- Search Engine Marketing (SEM)
- Web analytics
- Web-services for integration
Indicative SMB Costs

- Micro (100 SKU)
- Small retail (500 SKU)
- Online Retail (2,000 SKU)
- Multi-Channel (10,000 SKU)

Operational Costs
Human Resources
Technology/Platform
Indicative Enterprise Costs

<table>
<thead>
<tr>
<th>Multi-Channel Retail (10,000+ SKU)</th>
<th>Retail integrated (10,000+ SKU)</th>
<th>Large Retail integrated (50,000+ SKU)</th>
<th>Enterprise (100,000+ SKU)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0.00</td>
<td>$500,000.00</td>
<td>$1,000,000.00</td>
<td>$2,000,000.00</td>
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<td>$1,500,000.00</td>
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<tr>
<td>$3,000,000.00</td>
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<td></td>
</tr>
</tbody>
</table>

Operational Costs

Human Resources

Technology/Platform
<table>
<thead>
<tr>
<th>SKU's (less than)</th>
<th>100</th>
<th>500</th>
<th>2,000</th>
<th>10,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily Visitors</td>
<td></td>
<td></td>
<td>2,000</td>
<td>10,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>50,000</td>
<td>100,000</td>
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<tr>
<td>Software and Maintenance</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>eCommerce Software</td>
<td>Included with SaaS or Free</td>
<td>$10,000.00</td>
<td>$50,000.00</td>
<td>$100,000.00</td>
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<tr>
<td>Reporting / Analytics</td>
<td>$1,000.00</td>
<td>$5,000.00</td>
<td>$20,000.00</td>
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<tr>
<td>ERP / Warehousing (connectors)</td>
<td>$5,000.00</td>
<td>$25,000.00</td>
<td>$50,000.00</td>
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<tr>
<td><strong>Total Annual Recurring</strong></td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Annual Recurring Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domain name/s</td>
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<td>$50.00</td>
<td>$50.00</td>
<td>$100.00</td>
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<td>Business email addresses</td>
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<td>$200.00</td>
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<td>SSL Certificate / Trust</td>
<td>$150.00</td>
<td>$150.00</td>
<td>$150.00</td>
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<td>PCI Compliance Costs</td>
<td>Included with SaaS</td>
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<td><strong>Total Annual Recurring</strong></td>
<td>$150.00</td>
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<tr>
<td>Monthly Recurring Costs</td>
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<tr>
<td>Number of servers</td>
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<td>6.00</td>
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<td>Website package / hosting</td>
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<td>$100.00</td>
<td>$120.00</td>
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<td>Social Media Assistance</td>
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<td>$200.00</td>
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<td>SEM</td>
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<td>$500.00</td>
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<td>$2,000.00</td>
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<td>Analytics / Reporting</td>
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<td>$50.00</td>
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<td>Payment / fraud management</td>
<td>3rd Party Payment Provider - cost per transaction</td>
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<td>$500.00</td>
<td>$1,000.00</td>
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<tr>
<td>Shipping / 3PL</td>
<td>3rd Party Aggregator - cost per shipment</td>
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<td>$1,000.00</td>
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<td><strong>Total Monthly Recurring</strong></td>
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<td>$200.00</td>
<td>$840.00</td>
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<td><strong>Total Monthly (12 months)</strong></td>
<td>$960.00</td>
<td>$2,400.00</td>
<td>$10,800.00</td>
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<td>Content / Order management</td>
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<tr>
<td>Hours per Day</td>
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<td>Order Processing</td>
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<td>1.00</td>
<td>2.00</td>
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<tr>
<td>Pick, Pack, Ship</td>
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<td>1.00</td>
<td>1.00</td>
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<td><strong>Total Estimated Resources (people)</strong></td>
<td>0.38</td>
<td>0.38</td>
<td>0.50</td>
<td>1.00</td>
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<tr>
<td>One time Costs (Optional)</td>
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<tr>
<td>Design</td>
<td>$300.00</td>
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<td>Customisation</td>
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<td>Integration</td>
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<td>$1,000.00</td>
<td>$2,000.00</td>
<td>$10,000.00</td>
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<tr>
<td><strong>Total One Time Costs</strong></td>
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<td>$1,100.00</td>
<td>$3,500.00</td>
<td>$7,500.00</td>
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<tr>
<td><strong>Total First Years Cost Estimate</strong></td>
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<td>$3,800.00</td>
<td>$13,980.00</td>
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<tr>
<td>Time to Implementation (weeks)</td>
<td>1.00</td>
<td>1.00</td>
<td>4.00</td>
<td>8.00</td>
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</table>

NOTE: Indicative costs only
## Indicative total cost

<table>
<thead>
<tr>
<th>SKU's (less than)</th>
<th>100</th>
<th>500</th>
<th>2,000</th>
<th>10,000</th>
<th>2,000</th>
<th>10,000</th>
<th>50,000</th>
<th>100,000</th>
</tr>
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<tbody>
<tr>
<td>Daily Visitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Software and Maintenance</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$16,000.00</td>
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<td>Annual Recurring Costs</td>
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<td>$300.00</td>
<td>$400.00</td>
<td>$400.00</td>
<td>$450.00</td>
<td>$1,400.00</td>
<td>$4,300.00</td>
<td>$12,400.00</td>
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<tr>
<td>Monthly Recurring Costs (annualised)</td>
<td>$960.00</td>
<td>$2,400.00</td>
<td>$10,080.00</td>
<td>$18,000.00</td>
<td>$35,400.00</td>
<td>$61,800.00</td>
<td>$112,200.00</td>
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<td>Total Estimated Resources (people)</td>
<td>0.38</td>
<td>0.38</td>
<td>0.50</td>
<td>1.00</td>
<td>2.25</td>
<td>2.25</td>
<td>6.25</td>
<td>14.38</td>
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<tr>
<td>Total One Time Costs</td>
<td>$300.00</td>
<td>$1,100.00</td>
<td>$3,500.00</td>
<td>$7,500.00</td>
<td>$13,000.00</td>
<td>$13,000.00</td>
<td>$30,000.00</td>
<td>$80,000.00</td>
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<tr>
<td>Total First Years Cost Estimate</td>
<td>$1,410.00</td>
<td>$3,800.00</td>
<td>$13,980.00</td>
<td>$25,900.00</td>
<td>$48,850.00</td>
<td>$92,200.00</td>
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<tr>
<td>Time to Implementation (weeks)</td>
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<td>4.00</td>
<td>8.00</td>
<td>8.00</td>
<td>16.00</td>
<td>30.00</td>
<td>40.00</td>
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</table>

<table>
<thead>
<tr>
<th>Estimate cost / person</th>
<th>$75,000.00</th>
<th>Note: Estimated cost per person includes oncost and averaged</th>
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<tbody>
<tr>
<td>Total people + oncost</td>
<td>$28,125.00</td>
<td>$28,125.00</td>
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<tr>
<td>Total Platform + people</td>
<td>$29,535.00</td>
<td>$31,925.00</td>
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<tr>
<td>Rent, utilities, operational costs</td>
<td>$12,000.00</td>
<td>$24,000.00</td>
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<tr>
<td>Total costs (indicative)</td>
<td>$29,535.00</td>
<td>$43,925.00</td>
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</tbody>
</table>

Note: Indicative costs only and vary depending on the business type, location, size of facility, cost of sales
Hosted eCommerce comparison

Sample Online Business Metrics (AUD$)

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
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<tbody>
<tr>
<td>Orders per month</td>
<td>200</td>
</tr>
<tr>
<td>Value per order</td>
<td>$100</td>
</tr>
<tr>
<td>Monthly revenue</td>
<td>$20,000</td>
</tr>
<tr>
<td>Number of products</td>
<td>2,000</td>
</tr>
</tbody>
</table>

Key Package Differentiators

<table>
<thead>
<tr>
<th>Differentiator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Package cost per month</td>
</tr>
<tr>
<td>Transaction fees on revenue</td>
</tr>
<tr>
<td>Setup fees</td>
</tr>
<tr>
<td>Number of Products allowed</td>
</tr>
<tr>
<td>Number of Categories / Pages allowed</td>
</tr>
<tr>
<td>Data Storage allowance</td>
</tr>
<tr>
<td>Data transfer allowance</td>
</tr>
<tr>
<td>Data transfer excess fees</td>
</tr>
<tr>
<td>PCI DSS Compliance</td>
</tr>
<tr>
<td>Hosting location</td>
</tr>
</tbody>
</table>
Stakeholders - Four Pillars

- Customer service & support
- User experience, interaction & design
- Marketing, sales & unique selling proposition
- Trust & security
Stakeholders - Customers

Feedback & Satisfaction
- Business / web analytics
- Ask for feedback
- Shopping basket abandonment
- Fresh content
- Place test orders
  - Monitor
- SEO / SEM
- Search engine web master tool
  - Google / Bing

TIPS
✓ Offer promotions to shoppers who give you feedback

TRAPS
✗ Set and forget = wasted money
✗ Avoid ads on online shops e.g. Adsense
Stakeholders - Customers

Return Buyers and Fraud
- Contact and access information
- T’s&C’s and Privacy Policy
- Payment provider
- SSL and Site Seals
- Unencrypted content
  - HTTP content on HTTPS
  - Social networks and gadgets
  - Images
- Establish a fraud checking process

TIPS
✓ Check shopping cart pages after any content change
✓ 1300, business email, PO Box
✓ Add a copyright statement

TRAPS
✗ Using personal email, mobile phone, addresses as contacts on your store
Stakeholders - Content & Brands

Content is King

- Keep promotions fresh
- Newsletters with coupons and offers
  - Subscribe / unsubscribe
  - Spam laws
- Shipping as a competitive advantage
  - Free shipping
  - Over $x – free shipping etc
- Social networks and communicate
  - Facebook / Twitter / Forum / Blogs / YouTube

TIPS
✓ Setup connected social networks so that one update goes to all

TRAPS
✗ Buying email lists and sending out newsletters = spam
✗ Copying images and other content from competitors
Stakeholders - Customer Service

Satisfied Customers Return

- My Account (registered)
- Deliver the purchase quickly
  - Parcel tracking
- Communicate / Follow-up / Feedback
- Access to service & support
  - Business eMail
  - Phone (1300 / 1800)
  - Support forum
  - Live chat
  - In store

TIPS
- Use answering service
- Don’t display live chat if unattended

TRAPS
- Using personal contact points for customer support
Stakeholders - Technology Partner

**Company**
- People
- References
- Location
- Commercials

**Technology**
- References
- Integration (Web Services)
- Cross browser/platform

**Infrastructure**
- Location

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**TIPS**
- Talk to references
- Check insurance – professional and product liability

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**TRAPS**
- Not knowing where the work is being done
Stakeholders - Technology Partner

Requirements definition

- Provide a list of what you want
  - Weighted
  - Staged
- Review each requirement
  - Available in technology
  - Custom development
  - Not possible / not recommended
- Third party product inclusions

TIPS
- Ask suppliers what requirements are missing

TRAPS
- Supplier defines the requirements
Stakeholders - Technology Partners

Statement of work

- Matches requirements to effort
- Clarifies cost / component
- Components
  - Project Management
  - Scoping
  - Analysis & design
  - Website design / integration
  - Custom development
  - Implementation
  - Testing
  - Training
  - Documentation
  - Handover
  - Warranty

TIPS
✓ Ask for effort based on each requirement where custom / implementation required

TRAPS
✗ No breakdown of effort provided
Stakeholders - Technical Partners

Technical Support

- Access to support and developers
- Standard price list for services
  - Hourly / daily?
- Methods of access
  - eMail / phone
  - Support forum
  - Knowledge base

TIPS

✓ Get to know your support and ask for a direct contact

TRAPS

✗ No personal support access
Engagement

Multi-channel
Engagement - Customers

Omni-channel Loyalty

- **Big data**
- Customer centric
- Operate across multiple operational “touch” points in the business
- Opportunities: e.g. Click and collect
Omni-channel - engage

Philip Clarke, Tesco's CEO, said: "...we’ve called time on the old retail 'space race'. We’ve recently opened our 1,000th click and collect collection point..."

<table>
<thead>
<tr>
<th>% of online orders fulfilled via collect-in-store</th>
</tr>
</thead>
<tbody>
<tr>
<td>Halfords</td>
</tr>
<tr>
<td>Boots</td>
</tr>
<tr>
<td>Sainsburys**</td>
</tr>
<tr>
<td>John Lewis*</td>
</tr>
<tr>
<td>M&amp;S</td>
</tr>
<tr>
<td>Argos**</td>
</tr>
<tr>
<td>Tesco Direct**</td>
</tr>
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</table>

Source: Red Stock Multi-media Retail Sept 2012
Summary

- Big data / channels / mobile
- Understand your business model
- Channel integration and systems integration
- Develop a business plan
- Develop an eCommerce Strategy
- Choose the right technology

**TIPS**
- Ask questions
- Buy from a few competitors
- Use clicks & mortar
- Set and manage the budget
- Review often

**TRAPS**
- Lack of well sourced products
- Spending too much up front
- Not setting a budget
- Copying an existing business