



Planning Your Online Store

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Planning Your Online Store

There are a variety of ways for a business to set up shop online. Whether adding an e-business component to existing services or building an online store from scratch, planning provides the best way for businesses to determine what they need. An e-business plan provides direction for establishing an online presence. Part of the e-planning process is evaluating yourself and your business. Where do you want to take your business? How can the Internet help you? IBM states, "E-business is as much about business vision as technology."ⁱ

Challenges of E-Business Implementation	
Resistance to developing e-business because of uncertainty of its applicability for their business or industry	26%
Initial cost	25%
Trained personnel	21%
Costs to convert will not pay off in the long run	13%
Lack access to high-speed Internet	12%
Security of transmitting sensitive information via the Internet	10%

Solutions to E-Business Problems	
Develop an e-business plan	33%
Educate themselves	22%
Improve technology infrastructure	15%
Funding for training	15%
Improve marketing	9%
Seek assistance / partnerships	8%

Source: Western Economic Diversification Canada, The New Frontier: Enterprise and E-Business in Western Canada, KPMG, 2000.

When Western Canadian small businesses were asked what their greatest challenges were, they were unsure of how their business could use electronic commerce and how much it would cost. The most common solutions to implementing e-business

were business plans and education. Although small businesses identified the importance of having e-business plans, only 24% had specific plansⁱⁱ. The use of a plan can reduce the challenges of e-commerce implementation and provide the solutions to e-commerce problems.

First Steps

Before you start your e-business plan, you should identify your goals, make a commitment, and evaluate yourself.

Identify Your Goals

It is important to clearly understand your business' goals and expectations before setting up your online store. Once a plan is developed and goals are set, it is easier to see the steps involved.

78% of small business owners declare, "the ability to reach new and potential customers" as their primary reason for having a website.

Source: U.S. Small Business Association, "E-commerce: Small Businesses Venture Online," July 1999.

Make the Commitment

Setting up an online store involves a commitment of finances and time. If you want to be successful, you may have to sacrifice personal time to get your online business up and running.

Small businesses that use the Internet have higher revenues, averaging \$3.79 million in 1998.

Source: U.S. Small Business Association, "E-commerce: Small Businesses Venture Online," July 1999.

Evaluate Yourself

You should not only evaluate your business, but yourself. Once you have looked at yourself and your business, you can evaluate trends, voids and opportunities related to the market and competition.

The E-Business Plan

In electronic commerce, business cycles reflect the Internet's speed and efficiency. Bold competitors take advantage of the "wait and see" attitudes of others. An e-business plan can help businesses move quickly and decisively by allocating resources and measuring results. A sound business plan acts as:

- A reality check
- A performance tool
- A message sender
- A Motivational tool
- A management development tool
- A road map

An e-business plan should focus on your target customers. Who are they? How will you attract them? How will you retain them?

Identify Your Objectives

Who is the audience for the e-business plan going to be and what do they need to know about your company? Different details will be required if your objective is to obtain financing, develop an e-commerce site, or provide a roadmap for yourself.

Outline Your Business Plan

Once your objectives are identified, you can prepare the outline of your e-business plan. Outlines can be as general or as specific as you like. The more specific a plan is, the easier it will be to write.

Write Your Plan

A sound business plan includes historical financial information and market research. Financial statements determine which strategies are feasible and market research dictates whether your strategy will succeed.

Review Your Plan

When reviewing, it may be helpful to have someone, other than yourself, review your business plan. If they are familiar with planning and business management, they will be able to provide constructive criticism.

Elements of a Good Business Plan

Business plans will vary from company to company reflecting their different needs. For example, an established business looking at adding an online component will be able to focus on integration between the physical store and the online store. A pure player, a business operating solely on the Internet, will use its business plans to demonstrate its market analysis and seek funding. Regardless of use, good business plans generally consist of an executive summary, a market analysis, a description of the company and its management, a marketing and sales strategy, and a description of products and services offered. If necessary, business plans can include funding requests and necessary financial information.

The Executive Summary

Although it appears first, you should write the summary last. Once the entire e-business plan has been worked through, it will be easier to write a concise summary. An executive summary normally consists of the following:

- Mission statement
- Date business began or will begin
- Description of facilities
- Products and services rendered
- Names of founders and functions
- Number of employees
- Summary of company growth
- Location of business
- Banking relationships and current investors
- Summary of management's future plans

Market Analysis

What is the likelihood that your products will sell online?

Not all products will sell well over the Internet. By understanding the buying habits and preferences of your target market before you jump online, your plan stays focused.

Are there potential sales channel conflicts that you need to be concerned with?

Businesses that distribute their products through retail stores may find their associates sensitive to the fact that they are going to be bypassed through direct sales online.

How will your online store differ from others? Will you focus on a niche market?

Many people believe that one of the keys to success on the Internet is coming up with a business plan that targets a very specific market rather than a broad market. Big businesses who attempt to cover the whole market often leave gaps that can be exploited. By specializing on a particular market, you may have a better chance of success.

The Company Description

This area of your e-business plan includes a look at how your physical store and online store fit together. It is important that you set up your online business so that it aligns with your physical business – bricks & mortar – from an accounting, inventory, and pricing perspective. By integrating, you use a business-proven system already in place and ensure consistency in customer service and accounting. Integration will prevent you from selling products that are no longer in stock or at prices that have changed.

In 1997, small businesses earned an estimated \$3.5 billion in e-business sales. Projections for the beginning of the next decade range from \$2.5 billion to over \$300 billion.
Source: U.S. Small Business Association, "E-commerce: Small Business Venture Online," July 1999.

Organization and Management

Included under this heading are organizational structure and management profiles. Establishing clear and specific roles in a business ensures nothing is overlooked or unnecessarily duplicated. For example, when the orders are placed, a business must be prepared to package and ship the products. It is important to evaluate the skills your organization has available to it and update them when necessary. Companies should be prepared to outsource in areas they cannot adequately address. In e-business, small businesses often outsource the development of their website, the hosting of their website, and the maintenance of their website. Larger companies are increasingly outsourcing order fulfillment processes to third parties.

Marketing and Sales Strategies

E-business plans identify strategies for promoting websites and products. They can also be used to identify retention strategies to ensure customers return. Since there is no single right way to approach a marketing strategy, several ways to market your online store will be suggested in the following chapters.

Products and Services

This section should outline the benefits received by your potential and current customers of shopping online. By focusing on the areas where you have a distinct advantage, you demonstrate an understanding of your strengths and of market opportunities. For example, your business may be able to deliver the widest variety of fishhooks with overnight shipping.

Funding Request

Current and future funding should be included, as lenders will want to know how the funds will be used in relation to short and long-term financial strategies. One study shows that 33% of Canadian businesses have not budgeted any money for e-business initiatives.

To encourage e-business, The Business Development Bank of Canada (www.bdc.ca) has a program called "techno.net", a term loan to implement e-commerce. Under this program, entrepreneurs can cover costs related to implementing a web presence without delay and without straining current operations. The loan can be used to expand markets, increase sales, modernize distribution networks and

become more cost-effective. Financing ranges from \$25,000 to \$500,000 and is determined by the complexity of the technology and the development stage of the company.

How Much is Your E-Budget	
\$0	33%
\$1 - \$10,000	25%
\$10,001 - \$100,000	10%
\$25,001 - \$100,000	22%
Over \$100,000	10%

Source: *The New Frontier: Enterprise and E-Business in Western Canada, KMPG, 2000.*

What is it going to cost to sell your products online?

An online store can cost as much as you want to spend, but a typical online store built with templates will cost around \$2400 a year. On the other end of the spectrum, a custom designed store can cost around \$13,000. In a recent survey, 67% of Western Canadian small businesses have a budget for e-business and 42% have budgeted more than \$10,000.ⁱⁱⁱ With the discrepancy between budgets and planning, many small businesses are budgeting for e-business without formal planning.

Examples of E-Commerce Costs	
Internet Access Fees	Starting at \$25 per month
Merchant Account Fees	Up to \$200
Credit Card Transaction Fees	1% to 4% of sales + fee per sale
Chargeback fees	Varies
Credit card authorization	Varies
Web Site Design	
Template service	\$45 - \$300 per month
Storefront Software	\$450 - \$1000
Custom-built brochure ware	Starting at \$5,000
Custom-built store	Starting at \$13,000
Web Hosting Fees	\$50 to \$600

Domain Name Registration Fees	\$50 per year
Online Marketing Expenses	
Affiliate program	Commissions plus set up
Online shopping directories	No charge
Registering with search engines	No charge to \$400 per year
Banner ads	Up to \$30
Permission Marketing	\$15,000 start-up
Maintenance Expenses	\$200 per month

Source: D.L. Andrews, "The Cost of Change," Alberta Venture, April 2000, p.46.

The Business Link, "E-Commerce: Exploring Your Options," online:

<http://www.cbsc.org/alberta>

Financial Information

Historical and prospective financial data should be included in your plan.

Appendix

What appears in the appendix section is dictated by who your audience is and what you are trying to accomplish. Someone seeking funding for an Internet venture would want to include market studies and a credit history. An appendix, not included in the main body of the business plan, could include the following:

- Credit History
- Resumes of key managers
- Product pictures
- Letters of reference
- Details of market studies
- Relevant magazine articles or book references
- Licenses, permits, or patents
- Legal documents
- Copies of leases
- Building permits
- Contracts
- List of business consultants, including lawyer and accountant

Summary

Once an e-business plan is finished, you have a model from which to focus your energy and ensure nothing is left out. From the plan, you can determine what type of online store to build, who your customers are, and what financial resources are necessary to accomplish your goals. By integrating your online store with your physical store, management will be easier and customers will appreciate the consistent information provided. For Internet-only companies, an e-business plan enables management to stay focused on site development expenditures and realistic revenues. For samples and more information on business plans visit The Business Link or their website (www.cbsc.org/alberta).

For More Information on these Topics, See:

The Business Link, online: <http://www.cbsc.org/alberta>

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Endnotes

- ⁱ IBM, “10 Success Factors for E-Business,” online:
<http://www-4.ibm.com/software/info/st/guide.html>.
- ⁱⁱ Western Economic Diversification Canada, *The New Frontier: Enterprise and E-Business in Western Canada*, KPMG, 2000.
- ⁱⁱⁱ Western Economic Diversification Canada, *The New Frontier: Enterprise and E-Business in Western Canada*, KPMG, 2000.