

The page features a decorative graphic consisting of three overlapping blue circles of varying sizes, arranged in a triangular pattern. The circles are composed of concentric layers of different shades of blue. Thin blue lines extend from the top corners of the page towards the circles. The entire content is enclosed in a double-line black border.

# **Business Model**

Online Retail Store

**3/10/2011**

# **Acknowledgement**

I am very thankful to all who have helped and supported me to carry out research and complete the business model on time.

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### **Abstract:**

Since the business world has entered into globalization mode, the online retail stores have become more popular and successful in the recent years. The growth rate in online retail stores has become one of the key concerns of the business entrepreneurs.

One the main issues in online retail store is the intense competition that restricts not only the new entrants but also the existing players within the industry. In order to ensure that the online store of our company becomes successful and efficiently drives towards the achievement of defined goals and targets, the business model has been constructed to keep the management on track.

It is for sure that once the below constructed business model has been adopted and efficiently implemented, the business will grow faster than the other players in the market.

## 1. Vale Proposition:

It is a fact that there are many online business players that have been offering many services and products for many years. Some of them are very known, reliable and successful and some of them are not. As we are going to be new player in one of the most competitive business environment and we clearly understand that it is very difficult to attract the customers that are already buying products from other websites.

In order to ensure that we attract the potential customers and make them but from us, we are going to follow some basic but most important key principles (Peters, 2009);

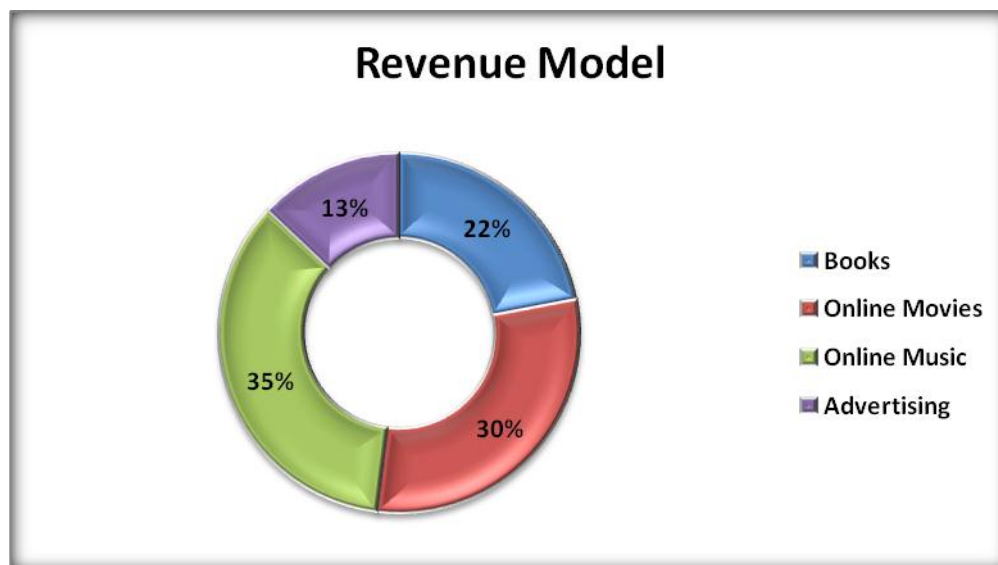
- **We Understand Our Customers:** As discussed above that the company is going to sell the latest books, music Cds and online movies. One of the first things to not here is that there are already many online players that are also working on the products and services. But those websites are sometimes not updated, means it is very difficult for the customers to buy the latest books, Cds and movies from online channels. And the company's main objective is to ensure that it stocks all the latest versions rather than collecting the old ones that are easily available in the market by many players. In order to serve the customers and resolve their issues in finding the latest versions, we have come up with an idea to focus on latest versions of the above products (Gale, 2010).
- **High Security:** A part from this, it is very difficult for the customers to trust on online shops but the customers have to input their confidential data on the company's website. The company has therefore focused on this issue as well and guarantees that all the collected information and data from the customers will be kept highly secured.
- **Unique Selling Point:** We also guarantee that the products and services offered by us are cheaper than any other in the market. It does not mean that we will compromise the quality of service; we will also ensure that all the customers are dealt on priority and all the received orders are dispatches on time.
- **Better Terms:** One of the most important things to note here is that almost every online business offers the 14 days return back warranty. We understand that the online shops sell and dispatch their products across the world. And it is

sometimes very difficult for the customers check the product and if not satisfied, sends back to the company within 14 days. We will therefore allow our customers to check the product and use. In case if the customer is not satisfied, the product can be sent back to us within 21 days, rather than 14 days.

- **Guarantee Stock Availability:** Most of the online shops are unable to keep the products in stock at all times and the loyal customers are disappointed. We also guarantee that all the products listed in our website are always available for the customers to buy. None of the customers will have to search many websites for one product because we are going to have it all the time.
- **Variety & Choices:** The Company is also going to keep vast variety of products i.e. books, online movies and music Cds because we are not specific to only one market and region. The customers will find huge number of books, Cds and movies with all the ideas and topic.

## 2. Revenue Model:

The company's main revenue will be generated through selling the products online. But we will also ensure that our website generate some of the revenue from online advertisements as well.



Once our company starts operating, we aim to generate the 22% of total revenue from selling the books, 30% from online movies, 35% from music Cds and 13% from advertisements that will be posted on our websites from other market players.

The above defined revenue model will keep us focused and ensure that minimum of defined percentages of revenue are achieved from every category. It is to note here is that this model is only for the initial stages because we also have plan in the near future to provide the services of tour operator as well. Furthermore, we will also be focusing on increasing the revenue from advertising activities in the future. Therefore the above revenue model will change with the times because the new departments will also enable us to generate the sales and increase the profitability and market shares (Schneider, 2008).

### **3. Market Opportunity:**

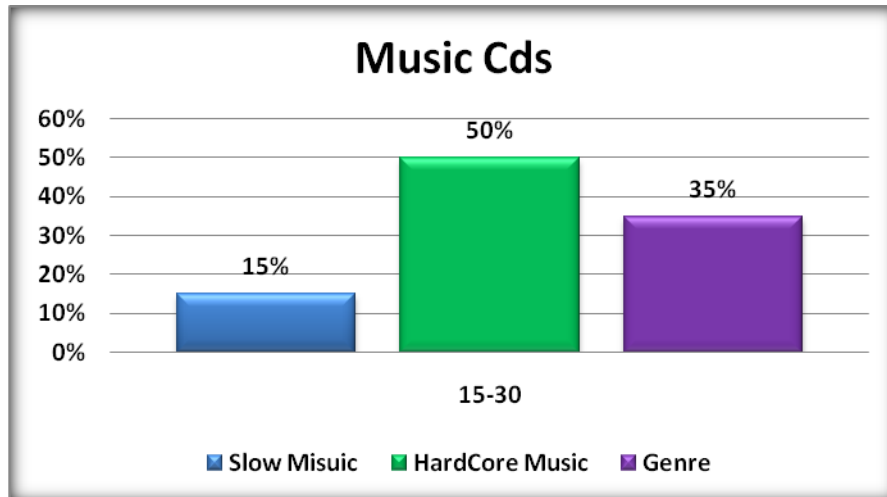
It is understood that there are hundreds of business players that are operating from across the world in many countries. Some of them are focusing on specific products like Cds, Books, Games, Music, Movies and many other products and some of them offer wide variety of products. Some time customers are confused to go to the site that can serve their needs and requirements (Stevens, 2006).

In order to target the right market and potential customers, we have decided to offer the books, music Cds and online movies to young customers. But as stated above we will be offering wide variety of products therefore we have segmented our potential markets into many categories;

- **Music Cds:** As stated above we will keep the latest version of almost all types of music Cds. The music Cds will include classical music, rock music, metal music, hip-hop, trance, and jazz and techno music created by all the top and iconic singers and music creators. For Music our target market will be youngsters between the ages of 15 to 30.

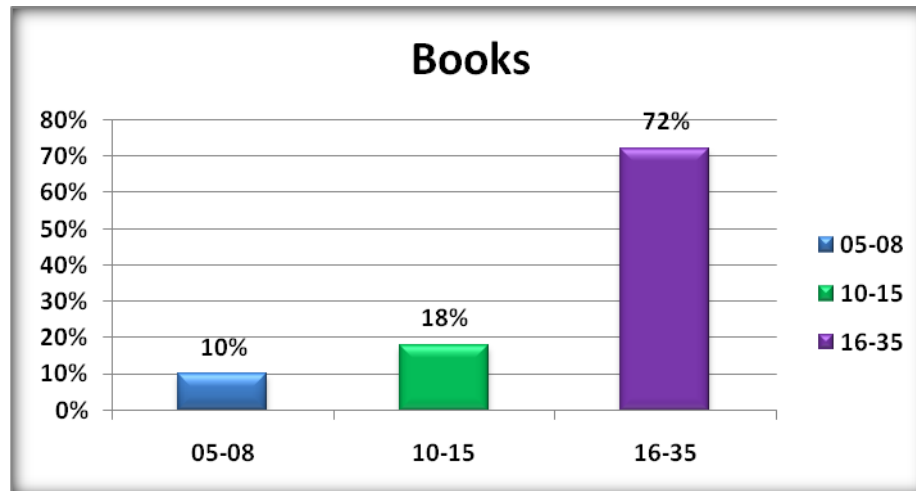
It is a fact keeping all types of music Cds is really a tough job because around the world there are hundreds of thousands of music creators that are launching

their Cds on weekly and monthly basis. And it will be very difficult for us to maintain the all stocks serve all types of customers from any region.



- **Books:** To ensure that all types of books and reading material are available for the customers is not an easy task. For books we will target the customers from the age of 5 – 50. Parents who want to buy some learning material for their children will surely find some basic learning books. But these books will be very basic, and no academic books and journals will be available on our website. These books will be for the children of age 05 – 08 only. For the customers between the age of 10 – 15, we will keep the stock of comic books and graphic novels, Arts & photography and entertainment. Customers between the ages of 16 – 35 can buy the books of computer and internet, entertainment, literature and fiction, mystery and thriller, puzzles and games, romance, religion & spirituality and sports.





One thing to note here is that the books that will be available in our online shop will be for men and women both. We will not be specific in terms of gender but categories. This will enable us to target both genders at same time. Also, our online book shop will only keep the books that are written by known authors and scholars those who have successfully launch their books in the past. Some of the newly published books from known authors are always difficult to find online and in most cases those books are normally out of stock. We will ensure that all the listed books are always available for our potential customers.

- **Online Movies:** For movies, we aim to target the customers between the ages of 17 to 40. We will cover all types of movies on every topic. This age group is the most potential customers that prefer to buy the online movies from online movie shops.

Our main targeted customers will be between the ages of 15 – 35 in every category of our online shop. It is because this age group uses the internet most among all the age groups. Since there is an ongoing advancement in technology, these age groups is the key segment that has given the most business to online shops. We are pretty sure people between the ages of 15 to 40 is one the most potential customers that will surely enable us to drive our business faster. We understand that if the above segments with specific age groups are targeted efficiently, they will be the major source of generating the revenue.

#### 4. Competitive Environment:

In order to understand the competitive environment, below the Porter's 5 forces will discuss all the key aspects;



**Competitive Rivalry:** There are hundreds of websites across the world increasing the awareness of people and selling their goods and products. It is because there is no huge investment required to set up the online shop. A part from this, since the world has entered into globalization mode, the customers find it easy to order the goods that are not available in their region. This has enabled the industry to grow at much faster rate. By looking at the growth rate, today, hundreds of thousands of players across the world has entered into the same kind of business (Abrams & Kleiner, 2003).

Also, there is no need to be physically presented at any locations; no need of huge capital to start this business and also the exit barrier is very low. Anyone can start the business and close whenever he/she wants. These facts are also promoting new entrants to come into this kind of business, making the competitive environment very tough.

**Bargaining power of Customers:** As there are many websites serving the same purpose. Therefore customers have high bargaining power and can easily switch the supplier of the products if he/she does not like the quality or price of the products.

**Bargaining power of Suppliers:** All the business owners in the industry are aware that this industry has become very competitive and they have to offer the product with lowest possible prices. Therefore the prices of all the products must be as low as possible to encourage the customers to buy their products.

**Barriers to Entry (Threat of New Entrant):**

Barriers to entry checklist	Level
Competition	High
Investment requirements	Low
Production Capacity	Low
Regulation and policy	Low
Brand Identity	High
Switching Cost	Low

**Threat of Substitute:** There are many substitutes available in the market. The high retail shops is the major substitutes and customers can easily buy the products and use them without waiting for days and weeks to arrive the product.

## 5. Competitive Analysis:

Online Shops		
Company name	Website Address	Services
Amazon	Website: <a href="http://www.amazon.com/">http://www.amazon.com/</a>	Books, Movies, Music, Kindle, Toys, Sports and Outdoors, Clothing, Computers and many others.
E-Bay	Website: <a href="http://www.ebay.com/">http://www.ebay.com/</a>	Books, Movies, Music, Kindle, Toys, Sports and Outdoors, Clothing, Computers and many others.
HMV	Website: <a href="http://www.hmv.com">http://www.hmv.com</a>	DVDs, CDs, etc

## 6. Competitive Advantage:

The B2C commerce is known as one of the competitive industry, where thousands of entrepreneurs take all the possible steps to attract the customers through creating competitive advantages. Not only for the new entrants but also the existing players are also finding it difficult to create and have competitive advantage over the industry rivals (Porter, 1998).

The business we have planned to enter is no doubt very competitive and there are already known and most successful players i.e. Amazon etc. The loyal customers always prefer to stay with the online shop because to them the online shops they have used are most reliable and valuable to them. But we claim to be one the most valuable online shop for books, music Cds and online movies. In order to attract the customers and give them the advantages and benefits they have never received before, we aim to take the following actions to create competitive advantage;

- **A Free Gift with Every Order:** In order to attract the customers and keep them with us for long term, we aim to offer a free gift with every order we receive. One thing to note here is that we will not be offering the gift for the specific amount of

spending from the customers. From our online shop, whatever the customers chooses to buy, we will dispatch a gift along with the original order. The gift is going to relate with the product that has offered by the customers. For example, if a customer has ordered a comic book then we will dispatch free stickers of the same characters.

This will keep the customers interested buying the products from put websites, because we are sure that none of the other market player has been offering this. Also this is not going to be the promotional activity for short term. This is included in our company's policy and we will keep offering the free gifts.

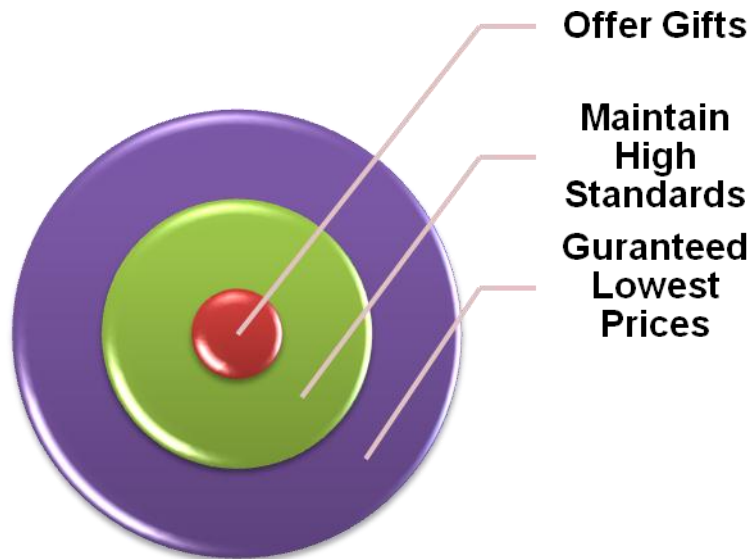
- **Cost Leadership:** Our main aim to create the competitive advantage is to become the cost leader in the current market. The prices we will offer, it is guaranteed that none of the other market player can match our prices. We understand that due to high competitive environment, all the online shops have to keep the prices low but we guarantee that our prices will surely be matchless. Offering the lowest prices, will surely enable us to create the competitive advantage and we are sure that once the customer buys any product from our websites, he or she will surely come back to purchase other products in the future (Ireland, Hoskisson & Hitt, 2007).
- **Service and Product Differentiation:** A part from the above two steps to create competitive advantage; we also guarantee that the books, music Cds and online movies available in our online shop will never be out of stock. In most cases, it can be seen that when the product is short in the market, the prices go up. But we intend to keep the price as same as before and guarantee that the stocks will never be out from our shelves. This will attract the customers those have used our website as purchased any of the product (Sawyer, 1985).

It is a fact that customers do not prefer to visit the shops that do not have full range of products all the time. And once customers find out that we always have complete stock all the time, they will not be visiting any other online shop to buy the products we offer because it will reduce their efforts and rime in looking for the products. On the other side, we also guarantee to offer the lowest prices,

even the products are out of stock in the market. So customers will not have to be worried about this as well.

## **7. Marketing Strategy:**

### **7.1 Value Proposition:**



The core proposition of our company is to ensure that all of our customers are not only satisfied but our company can create and maintain long term relationship with them. The core services and advantages we offer to our customers are to offer gifts, maintain high standards and offer the guaranteed lowest prices.

### **7.2 Branding:**

After assessing the current competitive environment, we also aim to develop the strong image of our brand. In order to ensure that our name becomes most successful, we will target the customers through offering then lowest possible prices without compromising the quality of services (Healey, 2008).

### **7.3 Marketing Objectives:**

In order to ensure that our marketing strategy works efficiently and produce the positive possible outcomes, we have designed some key objectives that will keep us focus all the times and enable us to drive smoothly towards the achievement of organizational

goals and targets. Our key primary objectives of marketing strategy are (Ferrell & Hartline, 2008);

- **Financial Objectives:** The first and most important objective of our marketing strategy is to ensure that all the defined targets of our sales and profitability are achieved. From our marketing strategy and techniques, we aim to maximize the sales, enhance the profits, increase the market shares and keep the customers satisfied all the time.
- **Product and Service Objective:** Due to large numbers of customers, the business players in the same industry sometime cannot provide the high quality of services. We also aim to ensure that we provide the premium quality of services to our customers and make them loyal with us.
- **Growth Objective:** Initially we will start the online shop with limited services and products, but sooner we aim to expand the business and enter into growth stage by introducing the tour operation services. This will help us to grow with significant rate and will surely increase our market shares (Nieman & Pretorius, 2004).

#### 7.4 Strategy:

- **Business Strategy:** Our key strategy is to ensure that we target the most potential customers at right time with appropriate solutions. We understand there is still huge gap in the market that needs to be filled. And our main strategy is to fill the gap and attract the customers that are looking for an entity that can understand their needs and requirements and act accordingly (Botten, 2005).
- **Sales Strategy:** In order to ensure that we achieve all the sales targets, we will ensure that all the products are always in stock and customers are served with high respect on priority basis. We will offer them competitive prices and low margins. These core competitive advantages will surely make us unique to promote our business and products.
- **Future Development Strategy:** Our strategy is not only for the current conditions, but was also look forward and enhance the business and develop the

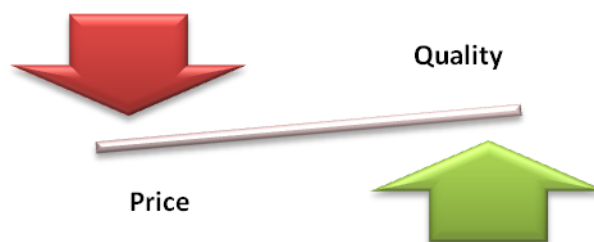
business in the future. In order to do so, we will surely add more product lines and services which will include tour operational services in Maldives.

## 8. Marketing Mix:

- **Product Strategy:** Initially we have planned to introduce the music Cds, online movies and books to our potential customers. It is note here is that there will be huge variety of all the products. Also, we will not target only one gender but our products and services will be suitable for both sex. The main strategy of our products is that we guarantee that none of our listed will ever be out of stock. It means, once the customers visit our websites, they will surely find the all the listed and latest books, music Cds and online movies (Baker, 2008).

A part from this, we will also guarantee the all of our products will be latest released by known authors, artists and musicians. This will enable us to keep attracting the customers because we aim to be unique in terms of serving the customers with their needs and requirements.

- **Price Strategy:** The market we are entering has high potential demand. Therefore the price we have set for the products will definitely encourage the customers to buy. From the start to the peak of our business we have committed to produce the best quality of products and set the price tags very low.



But it does not mean that we will compromise the quality of services at any point. Reduced prices will not affect our pricing policies.

- **Place Strategy:** We have developed a website that can provide the product information and also those products can be bought online. But the customer first need to make an online account and provide his/her debit/credit cards detail for the payment to be processed. We also guarantee that none of the submitted



details of the credit and debit card will be misused because we have developed a system where all the data will be kept in high security. In the start, we will use the website only to sell our products but in future we might open up a retail store on any potential high street.

- **Promotional Strategy:** We have planned to target the customer primarily from Maldives and all other countries across the world. In order to target the potential customers we therefore will use different promotional strategies and channels to promote our brand and products (Gelder & Woodcook, 2003).

We will use both online and offline sources to promote our products;

Online Strategy:

- Website: We have developed a website as a selling point of our products and also to provide information about our company, motto and the products. This is the promotional channel that will attract many customers in Maldives and around the world.
- PR Web: This promotional channel that will help us to increase website traffic and online visibility. Customers can easily find our website and product info through this promotional channel and increase our customer portfolio.

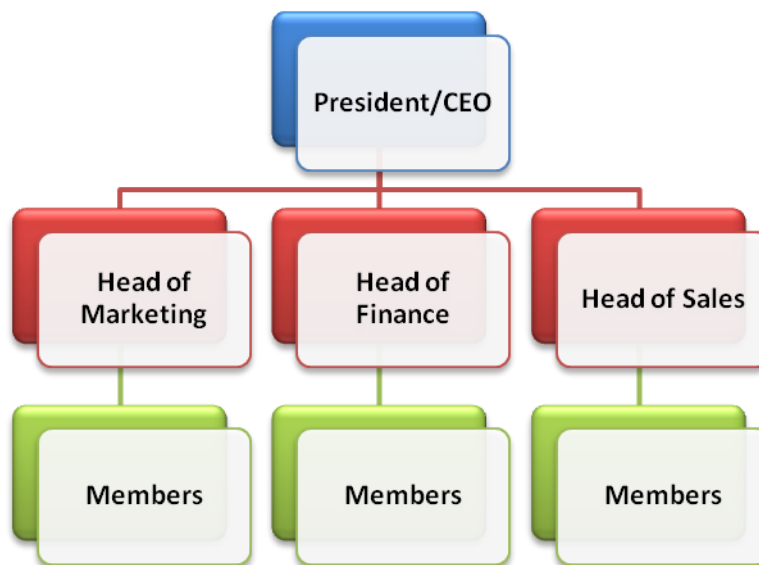
Offline Strategy:

- Local Events: We are also intending to attend all the local events to increase the awareness of people and inform them about our company, its products and services.
- Print Catalog: We will arrange the catalog of products to be printed and distributed at different locations within the Maldives. That will increase the customer traffic on our website and turnover too.
- TV/Radio: These sources will also help us to get more customers.
- Flyer Distribution: We will also arrange the flyers to be delivered door-to-door at various locations around the Island. Through this channel of promotion we can easily target the potential customers and increase our portfolio.

## 9. Matrix Organizational Structure:

As the company has not started its operation and initially it will be very difficult for the team members to understand the complex structure and adopt it. By assessing the current position, the company will initially follow the matrix organizational structure. By adopting the matrix organizational structure, the team members will be able to use all the resources and utilize them to produce the positive outcomes.

Below the matrix organizational structure that will be followed by the company;



By adopting the above matrix organizational structure, the information and knowledge will surely flow smoothly and every team member will easily be able to understand his/her responsibility. We are pretty sure that the above described structure will give the company more control over all the operation and will also enable the company to drive smoothly towards the achievement of desired goals and targets.

## 10. Management Team:

Since the business world has entered into globalization mode, it has become very difficult for the business to sustain in the most competitive environment and create and maintain competitive advantages. As we are going to set up a new online store to sell the products that are already been served by many known and most successful players,

the success of our company will depend on the team members. The stronger the management team is, the efficiently we will drive towards the vision.

Below are some of the key personnel we will require in order to manage all the operations;

- **President/CEO:** President/CEO will be the one who will be looking all the aspects of the overall business. And in order to cope with current business environment, the president must be a leader rather than the manager. A leader is he/she who does not only manage the operations but also looks forward and avail all the potential opportunities to grow the business.

The company will require the transformational leadership that can manage the business and create opportunities for team members to learn and enhance their expertise. By assessing the current market and competitive environment, the company will require the highly self motivated and expert president. She/he must have the technological background because the business will be based on internet. The individual must have leadership background who has already but successfully managed the business, preferably online business. One thing to note here is that the physical retail stores are rather easy to run as compared to online stores. The main reason is that the operational, business, strategic and marketing strategies of online stores are different. Therefore the CEO must have experienced and educational background in regards to the online store.

- **Head of Marketing:** The marketing manager must have clear understanding and professional in regards to the internet marketing. There are various internet marketing techniques and approaches that make the business successful. Also the marketing manger will be responsible to attract the potential customers and show them the incentives to buy the products from our company.

He/she must have clear understanding, previous and strong professional background and educational history to handle and manage all the marketing activities. The individual must be able to adopt the rapid changes in current

competitive market and design the marketing strategies accordingly. It is to note that marketing strategies will be based on online and offline promotional channels. Therefore the marketing manager must have previous experience of working as head of marketing department because the marketing department will enable the company to grow and achieve all the sales targets.

- **Finance Manager:** The finance manager must have clear and deep analytical skills to manage the cash flow and ensure all the financial activities are carried out within the best interest of the company. The manager will be responsible to ensure that appropriate budgets are designed and given to the departmental managers. Apart from this he/she will also have previous experience of managing the firm as the company will expect that at no point the company will face any financial issues either short term or long term.

**Sales Manager:** The sales manager will be responsible to manage all the sales and received orders. The manager is going to be responsible for serving the customers and maintaining them through premium services. Therefore the company will need an individual who has already worked efficiently as a sales manager in any firm. He/she must have clear understanding of how to run and manage the online stores and drive the company towards the success and growth.

## 11. Financial Analysis:

Start Up Cost:	US\$
Website Development	5,000.00
Initial Stock	150,000.00
Rent & Rates - Office and Warehouse	5,000.00
Computers and Software	10,000.00
Office Equipments	5,000.00
<b>Total</b>	<b>175,000.00</b>

### Forecasted Income Statement:

Assumptions		Year 1	Year 2	Year 3 US\$	Year 4	Year 5
Sales		200,000.00	250,000.00	312,500.00	390,625.00	488,281.25
Cost of Sales	(70% of the sales)	140,000.00	175,000.00	218,750.00	273,437.50	341,796.88
<b>Gross Profit</b>		<b>60,000.00</b>	<b>75,000.00</b>	<b>93,750.00</b>	<b>117,187.50</b>	<b>146,484.38</b>
<b>Expenses:</b>						
Marketing	(5% of the Sales)	10,000.00	12,500.00	15,625.00	19,531.25	24,414.06
Salaries		25,000.00	30,000.00	35,000.00	35,000.00	35,000.00
Depreciation on Computers and Software	(10% Annually)	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
<b>Total Expenses</b>		<b>36,000.00</b>	<b>43,500.00</b>	<b>51,625.00</b>	<b>55,531.25</b>	<b>60,414.06</b>
<b>Net Profit</b>		<b>24,000.00</b>	<b>31,500.00</b>	<b>42,125.00</b>	<b>61,656.25</b>	<b>86,070.31</b>

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