

How to Start a Ecommerce Business

By the BizMove.com Team

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Table of Contents

[1. Determining the Feasibility of Your New Business](#)

[2. Starting Your Business Step by Step](#)

[3. Complete Ecommerce Business Plan Template](#)

1. Determining the Feasibility of Your New Business

A. Preliminary Analysis

This guide is a checklist for the owner/manager of a business enterprise or for one contemplating going into business for the first time. The questions concentrate on areas you must consider seriously to determine if your idea represents a real business opportunity and if you can really know what you are getting into. You can use it to evaluate a completely new venture proposal or an apparent opportunity in your existing business.

Perhaps the most crucial problem you will face after expressing an interest in starting a new business or capitalizing on an apparent opportunity in your existing business will be determining the feasibility of your idea. Getting into the right business at the right time is simple advice, but advice that is extremely difficult to implement. The high failure rate of new businesses and products indicates that very few ideas result in successful business ventures, even when introduced by well established firm. Too many entrepreneurs strike out on a business venture so convinced of its merits that they fail to thoroughly evaluate its potential.

This checklist should be useful to you in evaluating a business idea. It is designed to help you screen out ideas that are likely to fail before you invest extensive time, money, and effort in them.

Preliminary Analysis

A feasibility study involves gathering, analyzing and evaluating information with the purpose of answering the question: "Should I go into this business?" Answering this question involves first a preliminary assessment of both personal and project considerations.

General Personal Considerations

The first seven questions ask you to do a little introspection. Are your personality characteristics such that you can both adapt to and enjoy business ownership/management?

1. Do you like to make your own decisions?
2. Do you enjoy competition?
3. Do you have will power and self-discipline?
4. Do you plan ahead?
5. Do you get things done on time?
6. Can you take advise from others?
7. Are you adaptable to changing conditions?

The next series of questions stress the physical, emotional, and financial strains of a new business.

8. Do you understand that owning your own business may entail working 12 to 16 hours a day, probably six days a week, and maybe on holidays?
9. Do you have the physical stamina to handle a business?
10. Do you have the emotional strength to withstand the strain?
11. Are you prepared to lower your standard of living for several months or years?
12. Are you prepared to loose your savings?

Specific Personal Considerations

1. Do you know which skills and areas of expertise are critical to the success of your project?
2. Do you have these skills?
3. Does your idea effectively utilize your own skills and abilities?
4. Can you find personnel that have the expertise you lack?
5. Do you know why you are considering this project?
6. Will your project effectively meet your career aspirations

The next three questions emphasize the point that very few people can claim expertise in all phases of a feasibility study. You should realize your personal limitations and seek appropriate assistance where necessary (i.e. marketing, legal, financial).

7. Do you have the ability to perform the feasibility study?
8. Do you have the time to perform the feasibility study?
9. Do you have the money to pay for the feasibility study done?

General Project Description

1. Briefly describe the business you want to enter.

2. List the products and/or services you want to sell

3. Describe who will use your products/services

4. Why would someone buy your product/service?

5. What kind of location do you need in terms of type of neighborhood, traffic count, nearby firms, etc.?

6. List your product/services suppliers.

7. List your major competitors - those who sell or provide like products/services.

8. List the labor and staff you require to provide your products/services. _____

B. Requirements For Success

To determine whether your idea meets the basic requirements for a successful new project, you must be able to answer at least one of the following questions with a "yes."

1. Does the product/service/business serve a presently unserved need?
2. Does the product/service/business serve an existing market in which demand exceeds supply?
3. Can the product/service/business successfully compete with an existing competition because of an "advantageous situation," such as better price, location, etc.?

Major Flaws

A "Yes" response to questions such as the following would indicate that the idea has little chance for success.

1. Are there any causes (i.e., restrictions, monopolies, shortages) that make any of the required factors of production unavailable (i.e., unreasonable cost, scarce skills, energy, material, equipment, processes, technology, or personnel)?
2. Are capital requirements for entry or continuing operations excessive?
3. Is adequate financing hard to obtain?
4. Are there potential detrimental environmental effects?
5. Are there factors that prevent effective marketing?

C. Desired Income

The following questions should remind you that you must seek both a return on your investment in your own business as well as a reasonable salary for the time you spend in operating that business.

1. How much income do you desire?

2. Are you prepared to earn less income in the first 1-3 years?

3. What minimum income do you require?

4. What financial investment will be required for your business?

5. How much could you earn by investing this money?

6. How much could you earn by working for someone else?

7. Add the amounts in 5 and 6. If this income is greater than what you can realistically expect from your business, are you prepared to forego this additional income just to be your own boss with the only prospects of more substantial profit/income in future years?

8. What is the average return on investment for a business of your type? _____

D. Preliminary Income Statement

Besides return on investment, you need to know the income and expenses for your business. You show profit or loss and derive operating ratios on the income statement. Dollars are the (actual, estimated, or industry average) amounts for income and expense categories. Operating ratios are expressed as percentages of net sales and show relationships of expenses and net sales.

For instance 50,000 in net sales equals 100% of sales income (revenue). Net profit after taxes equals 3.14% of net sales. The hypothetical "X" industry average after tax net profit might be 5% in a given year for firms with 50,000 in net sales. First you estimate or forecast income (revenue) and expense dollars and ratios for your business. Then compare your estimated or actual performance with your industry average. Analyze differences to see why you are doing better or worse than the competition or why your venture does or doesn't look like it will float.

These basic financial statistics are generally available for most businesses from trade and industry associations, government agencies, universities and private companies and banks

Forecast your own income statement. Do not be influenced by industry figures. Your estimates must be as accurate as possible or else you will have a false impression.

1. What is the normal markup in this line of business. i.e., the dollar difference between the cost of goods sold and sales, expressed as a percentage of sales?

2. What is the average cost of goods sold percentage of sales?

3. What is the average inventory turnover, i.e., the number of times the average inventory is sold each year?

4. What is the average gross profit as a percentage of sales?

5. What are the average expenses as a percentage of sales?

6. What is the average net profit as a percent of sales?

7. Take the preceding figures and work backwards using a standard income statement format and determine the level of sales necessary to support your desired income level.

8. From an objective, practical standpoint, is this level of sales, expenses and profit attainable?

ANY BUSINESS, INC.
 Condensed Hypothetical Income Statement
 For year ending December 31

Item	Amount	Percent
Gross sales	773,888	
Less returns, allowances, and cash discounts	14,872	
Net sales	759,016	100.00
Cost of goods sold	589,392	77.65
Gross profit on sales	169,624	22.35
Selling expenses	41,916	5.52
Administrative expenses	28,010	3.69
General expenses	50,030	6.59
Financial expenses	5,248	0.69
Total expenses	125,204	16.50
Operating profit	44,220	5.85
Extraordinary expenses	1,200	0.16
Net profit before taxes	43,220	5.69
taxes	19,542	2.57
Net profit after taxes	23,678	3.12

E. Market Analysis

The primary objective of a market analysis is to arrive at a realistic projection of sales. after answering the following questions you will be in a better positions to answer question eight immediately above.

Population

1. Define the geographical areas from which you can realistically expect to draw customers.

2. What is the population of these areas?

3. What do you know about the population growth trend in these areas? _____

4. What is the average family size?

5. What is the age distribution?

6. What is the per capita income?

7. What are the consumers' attitudes toward business like yours?

8. What do you know about consumer shopping and spending patterns relative to your type of business?

9. Is the price of your product/service especially important to your target market?

10. Can you appeal to the entire market?

11. If you appeal to only a market segment, is it large enough to be profitable?

F. Competition

1. Who are your major competitors?

2. What are the major strengths of each?

3. What are the major weaknesses of each?

4. Are you familiar with the following factors concerning your competitors:

Price structure?

Product lines (quality, breadth, width)?

Location?

Promotional activities?

Sources of supply?

Image from a consumer's viewpoint?

5. Do you know of any new competitors?

6. Do you know of any competitor's plans for expansion?

7. Have any firms of your type gone out of business lately?

8. If so, why?

9. Do you know the sales and market share of each competitor?

10. Do you know whether the sales and market share of each competitor are increasing, decreasing, or stable?

11. Do you know the profit levels of each competitor?

12. Are your competitors' profits increasing, decreasing, or stable?

13. Can you compete with your competition?

G. Sales

1. Determine the total sales volume in your market area.

2. How accurate do you think your forecast of total sales is?

3. Did you base your forecast on concrete data?

4. Is the estimated sales figure "normal" for your market area?

5. Is the sales per square foot for your competitors above the normal average?

6. Are there conditions, or trends, that could change your forecast of total sales?

7. Do you expect to carry items in inventory from season to season, or do you plan to mark down products occasionally to eliminate inventories? If you do not carry over inventory, have you adequately considered the effect of mark-down in your pricing? (Your gross profits margin may be too low.)

8. How do you plan to advertise and promote your product/service/business?

9. Forecast the share of the total market that you can realistically expect - as a dollar amount and as a percentage of your market.

10. Are you sure that you can create enough competitive advantages to achieve the market share in your forecast of the previous question?

11. Is your forecast of dollar sales greater than the sales amount needed to guarantee your desired or minimum income?

12. Have you been optimistic or pessimistic in your forecast of sales? _____

13. Do you need to hire an expert to refine the sales forecast?

14. Are you willing to hire an expert to refine the sales forecast?

H. Supply

1. Can you make a list of every item of inventory and operating supplies needed?
2. Do you know the quantity, quality, technical specifications, and price ranges desired?
3. Do you know the name and location of each potential source of supply?
4. Do you know the price ranges available for each product from each supplier?
5. Do you know about the delivery schedules for each supplier?
6. Do you know the sales terms of each supplier?
7. Do you know the credit terms of each supplier?
8. Do you know the financial condition of each supplier?
9. Is there a risk of shortage for any critical materials or merchandise?
10. Are you aware of which supplies have an advantage relative to transportation costs?
11. Will the price available allow you to achieve an adequate markup?

I. Expenses

1. Do you know what your expenses will be for: rent, wages, insurance, utilities, advertising, interest, etc?
2. Do you need to know which expenses are Direct, Indirect, or Fixed?
3. Do you know how much your overhead will be?
4. Do you know how much your selling expenses will be?

Miscellaneous

1. Are you aware of the major risks associated with your product? Service Business?
2. Can you minimize any of these major risks?
3. Are there major risks beyond your control?
4. Can these risks bankrupt you? (fatal flaws)

J. Venture Feasibility

1. Are there any major questions remaining about your proposed venture?
2. Do the above questions arise because of a lack of data?
3. Do the above questions arise because of a lack of management skills?
4. Do the above questions arise because of a "fatal flaw" in your idea?
5. Can you obtain the additional data needed?

[Go to Top](#)

2. Starting Your Business Step by Step

Things to Consider Before You Start

This guide will walk you step by step through all the essential phases of starting a successful retail business. To profit in a retail business, you need to consider the following questions: What business am I in? What goods do I sell? Where is my market? Who will buy? Who is my competition? What is my sales strategy? What merchandising methods will I use? How much money is needed to operate my store? How will I get the work done? What management controls are needed? How can they be carried out? Where can I go for help?

As the owner, you have to answer these questions to draw up your business plan. The pages of this Guide are a combination of text and suggested analysis so that you can organize the information you gather from research to develop your plan, giving you a progression from a common sense starting point to a profitable ending point.

What Is a Business Plan?

The success of your business depends largely upon the decisions you make. A business plan allocates resources and measures the results of your actions, helping you set realistic goals and make logical decisions.

You may be thinking, "Why should I spend my time drawing up a business plan? What's in it for me?" If you've never worked out a plan, you are right in wanting to hear about the possible benefits before you do the work. Remember first that the lack of planning leaves you poorly equipped to anticipate future decisions and actions you must make or take to run your business successfully. A business plan Gives you a path to follow. A plan with goals and action steps allows you to guide your business through turbulent often unforeseen economic conditions.

A plan shows your banker the condition and direction of your business so that your business can be more favorably considered for a loan because of the banker's insight into your situation.

A plan can tell your sales personnel, suppliers, and others about your operations and goals.

A plan can help you develop as a manager. It can give you practice in thinking and figuring out problems about competitive conditions, promotional opportunities and situations that are good or bad for your business. Such practice over a period of time can help increase an owner-manager's ability to make judgments.

A second plan tells you what to do and how to do it to achieve the goals you have set for your business.

What Business Am I In?

In making your business plan, the first question to consider is: What business am I really in? At first reading, this question may seem silly. "If there is one thing I know," you say to yourself, "it is what business I'm in." Hold on and think. Some owner-managers have gone broke and others have wasted their savings because they did not define their businesses in detail. Actually they were confused about what business they were in.

Look at an example. Mr. Jet maintained a dock and sold and rented boats. He thought he was in the marina business. But when he got into trouble and asked for outside help, he learned that he was not necessarily in the marina business. He was in several businesses. He was in the restaurant business with a dockside cafe, serving meals to boating parties. He was in the real estate business, buying and selling lots. He was in boat repair business, buying parts and hiring a mechanic as demand rose. Mr. Jet was trying to be too many things and couldn't decide which venture to put money into and how much return to expect. What slim resources he had were fragmented.

Before he could make a profit on his sales and a return on his investment, Mr. Jet had to decide what business he really was in and concentrate on it. After much study, he realized that he should stick to the marina format, buying, selling, and servicing boats.

Decide what business you are in and write it down - define your business.

To help you decide, think of answers to questions like: What do you buy? What do you sell? Which of your lines of goods yields the greatest profit? What do people ask you for? What is it that you are trying to do better or more of or differently from your competitors? Write it down in detail.

Planning Your Marketing

When you have decided what business you are in, you are ready to consider another important part of your business plan. Marketing. Successful marketing starts with the owner-manager. You have to know the merchandise you sell and the wishes and wants of your customers you can appeal to. The objective is to move the stock off the shelves and display racks at the right price and bring in sales dollars.

The text and suggested working papers that follow are designed to help you work out a marketing plan for your store.

Determining the Sales Potential

In retail business, your sales potential depends on location. Like a tree, a store has to draw its nourishment from the area around it. The following questions should help you work through the problem of selecting a profitable location.

In what part of the city or town will you locate?

In the downtown business section?

In the area right next to the downtown business area?

In a residential section of the town?

On the highway outside of town?

In the suburbs?

In a suburban shopping center?

On a worksheet, write where you plan to locate and give your reasons why you chose that particular location.

Now consider these questions that will help you narrow down a place in your location area.

What is the competition in the area you have picked?

How many of the stores look prosperous?

How many look as though they are barely getting by?

How many similar stores went out of business in this area last year?

How many new stores opened up in the last year?

What price line does competition carry?

Which store or stores in the area will be your biggest competitors?

Again, write down the reasons for your opinions. Also write out an analysis of the area's economic base and give the reason for your opinion. Is the area in which you plan to locate supported by a strong economic base? For example, are nearby industries working full time? Only part time? Did any industries go out of business in the past several months? Are new industries scheduled to open in the next several months?

When you find a store building that seems to be what you need, answer the following questions:

Is the neighborhood starting to get run down?

Is the neighborhood new and on the way up? (The local Chamber of Commerce may have census data for your area. Census Tracts on Population, published by the Bureau of Census, may be useful. Other sources on such marketing statistics are trade associations and directories).

Are there any super highways or through-ways planned for the neighborhood?

Is street traffic fairly heavy all day?

How close is the building to bus lines and other transportation?

Are there adequate parking spaces convenient to your store?

Are the sidewalks in good repair (you may have to repair them)?

is the street lighting good?

Is your store on the sunny side of the street?

What is the occupancy history of this store building? Does the store have a reputation for failures? (Have stores opened and closed after a short time)?

Why have other businesses failed in this location?

What is the physical condition of the store?

What service does the landlord provide?

What are the terms of the lease?

How much rent must you pay each month?

Estimate the gross annual sales you expect in this location.

When you think you have finally solved the site location question, ask your banker to recommend people who know most about location in your line of business. Contact these people and listen to their advice and opinions, weigh what they say, then decide.

How to Attract Customers

When you have a location in mind, you should work through another aspect of marketing. How will you attract customers to your store? How will you pull business away from your competition?

It is in working with this aspect of marketing that many retailers find competitive advantages. The ideas that they develop are as good as and often better than those that large companies develop. The work blocks that follow are designed to help you think about image, pricing, customer service policies, and advertising.

Image

A store has an image whether or not the owner is aware of it. For example, throw some merchandise onto shelves and onto display tables in a dirty, dimly lit store and you've got an image. Shoppers think of it as a dirty, junky store and avoid coming into it. Your image should be concrete enough to promote in your advertising and other promotional activities. For example, "home-cooked" food might be the image of a small restaurant.

Write out on a worksheet the image that you want shoppers and customers to have of your store.

Pricing

Value received is the key to pricing. The only way a store can have low prices is to sell low-priced merchandise. Thus, what you do about the prices you charge depends on the lines of merchandise you buy and sell. It depends also on what your competition charges for these lines of merchandise. Your answers to the following questions should help you to decide what to do about pricing.

In what price ranges are your line of merchandise sold

High _____, Medium _____, or Low _____?

Will you sell for cash only?

What services will you offer to justify your prices if they are higher than your competitor's prices?

If you offer credit, will your price have to be higher than if all sales are for cash? The credit costs have to come from somewhere. Plan for them.

If you use credit card systems, what will it cost you? Will you have to add to your prices to absorb this cost.

Customer Service Policies

The service you provide your customers may be free to them, but you pay for it. For example, if you provide free parking, you pay for your own parking lot or pick up your part of the cost of a lot you share with other retailers.

Make a list of the services that your competitors offer and estimate the cost of each service. How many of these services will you have to provide just to be competitive? Are there other services that would attract customers but that competitors are not offering? If so, what are your estimates of the cost of such services? Now list all the services you plan to offer and the estimated costs. Total this expense and figure out how you can include those added costs in your prices without pricing your merchandise out of the market.

Planning Your Advertising Activities

Advertising was saved until the last because you have to have something to say before advertising can be effective. When you have an image, price range, and customer services, you are ready to tell prospective customers why they should shop in your store.

When the money you can spend for advertising is limited, it is vital that your advertising be on target. Before you think about how much money you can afford for advertising, take time to determine what jobs you want to do for your store. List what makes your store different from your competitors. List the facts about your store and its merchandise that your advertising should tell shoppers and prospective customers.

When you have these facts listed and in hand, you are ready to think about the form your advertising should take and its cost. Ask the local media (newspapers, radio and television, and printers of direct mail pieces) for information about the services and results they offer for your money.

How you spend advertising money is your decision, but don't fall into the trap that snares many advertisers who have little or no experience with advertising copy and media selection. Advertising is a profession. Don't spend a lot of money on advertising without getting professional advice on what kind and how much advertising your store needs.

The following work sheet can be useful in determining what advertising is needed to sell your strong points to prospective customers.

Form of Advertising	Size of Audience	Frequency of Use	Cost of a single ad	Est. Cost
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
			Total	_____

When you have a figure on what your advertising for the next twelve months will cost, check it against what similar stores spend. Advertising expense is one of the operating ratios (expenses as a percentage of sales) that trade associations and other organizations gather. If your estimated cost for advertising is substantially higher than this average for your line of merchandise, take a second look. No single expense item should be allowed to get way out of line if you want to make a profit. Your task in determining how much to spend for advertising

comes down to the question, "How much can I afford to spend and still do the job that needs to be done?"

In-store Sales Promotion

To complete your work on marketing, you need to think about what you want to happen after prospects get inside your store. Your goal is to move stock off your shelves and displays at a profit and satisfy your customers. You want repeat customers and money in your cash register.

At this point, if you have decided to sell for cash only, take a second look at your decision. Don't overlook the fact that Americans like to buy on credit. Often a credit card, or other system of credit and collections, is needed to attract and hold customers. Customers will have more buying confidence and be more comfortable in your store if they know they can afford to buy. Credit makes this possible.

To encourage people to buy, self-service stores rely on layout, attractive displays, signs and clearly marked prices on the items offered for sale. Other stores combine these techniques with personal selling.

List the display counters, racks, special equipment (something peculiar to your business like a frozen food display bin or a machine to measure and cut cloth), and other fixtures. Figure the cost of all fixtures and equipment by listing them on a worksheet as follows:

Type of equipment	Number	X Unit Cost	= Cost
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Draw several layouts of your store and attach the layout that suits you to the cost worksheet. Determine how many signs you may need for a twelve month operation and estimate that cost also.

If your store is a combination of self-service and personal selling, how many sales persons and cashiers will you need? Estimate, I will need _____ sales persons at \$ _____ each week (include payroll taxes and insurance in this salaries cost). In a year, salaries will cost: _____.

Personal attention to customers is one strong point that a store can use as a competitive tool. You want to emphasize in training employees that everyone has to pitch in and get the job done. Customers are not interested in job descriptions, but they are interested in being served promptly and courteously. Nothing is more frustrating to a customer than being ignored by an employee. Decide what training you will give your sales people in the techniques of how to greet customers, show merchandise, suggest other items, and handle customer needs and complaints.

Buying

When buying merchandise for resale, you need to answer questions such as:

Who sells the line to retailers? Is it sold by the manufacturer directly or through wholesalers and distributors?

What delivery service can you get and must you pay shipping charges?

What are the terms of buying?

Can you get credit?

How quickly can the vendor deliver fill-in orders?

You should establish a source of supply on acceptable terms for each line of merchandise and estimate a plan for purchasing as follows:

Name of Item	Name of Supplier	Address Supplier	Disc. Offered	Delv. Time(1)	Freight Costs(2)	Fill-in Policy(3)
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____

(1) How many days or weeks does it take the supplier to deliver the merchandise to your store.

(2) Who pays? You, the buyer? The supplier? Freight or transportation costs are a big expense item.

(3) What is the supplier's policy on fill-in orders? That is, do you have to buy a gross, a dozen, or will the supplier ship only two or three items? How long does it take for the delivery to get into your store?

Stock Control

Often shoppers leave without buying because the store did not have the items they wanted or the sizes and colors were wrong. Stock control, combined with suppliers whose policies on fill-in orders are favorable to you, provides a way to reduce "walkouts".

The type of system you use to keep informed about your stock, or inventory, depends on your line of merchandise and the delivery dates provided by your suppliers.

Your stock control system should enable you to determine what needs to be ordered on the basis of: (1) what is on hand, (2) what is on order, and (3) what has been sold. Some trade associations and suppliers provide systems to members and customers, otherwise your accountant can set up a system that is best for your business. Inventory control is based upon either a perpetual or a periodic method of accounting that involves cost considerations as well as stock control. When you have decided what system you will use to control stock, estimate its cost. You may not need an extensive (and expensive) control system because you do not need the detailed information such a system collects. The system must justify its costs or you will just waste money and time on a useless effort.

Stock Turnover

When an owner-manager buys reasonably well, you can expect to turnover stock several times a year. For example, the stock in a small camera shop should turnover four times to four and a half times a year. What is the average stock turnover per year of your line of merchandise? How many times do you expect your stock to turnover? List the reasons for your estimate.

Behind-the-Scenes Work

In a retail store, behind-the-scenes work consists of the receiving of merchandise, preparing it for display, maintaining display counters and shelves, and keeping the store clean and

attractive to customers. The following analytical list will help you decided what to do and the cost of those actions.

First list the equipment (for example a marking machine for pricing, shelves, a cash register) you will need for: (1) receiving merchandise (2) preparing merchandise for display, (3) maintaining display counters and shelves, and (4) keeping the store clean. Next list the supplies you will need for a year, for example, brooms, price tags, and business forms.

Use this format to figure these costs:

Name of Equip./Supplies	Quantity	X Unit Cost	= Cost
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Who will do the back-room work and the cleaning that is needed to make a smooth operation in the store? If you do it yourself, how many hours a week will it take you? Will you do these chores after closing? If you use employees, what will they cost? On a worksheet describe how you plan to handle these tasks. For example:

Back-room work will be done by one employee during the slack sales times of the day. I estimate that the employee will spend _____ hours per week on these tasks and will cost _____ (number of hours times hourly wages) per week and _____ per year.

I will need _____ square feet of space for the back-room operation. This space will cost _____ per square foot or a total of _____ per month.

List and analyze all expense items in the same manner. Examples are utilities, office help, insurance, telephone, postage, accountant, payroll taxes, and licenses or other local taxes. If you plan to hire others to help manage, analyze these salaries.

How Much Money Will You Need

At this point, take some time to think about what your business plan means in terms of dollars. This section is designed to help you put your plan into dollars.

The first question concerns the source of dollars. After your initial capital investments in a retail store, the main source of money is sales. What sales volume do you expect to do in the first twelve months? Write your estimate here _____, and justify your estimate.

Start-Up Costs:

List the following estimated start-up costs:

Fixtures and equipment*	_____
Starting inventory	_____
Decorating and remodeling	_____
Installation of equipment	_____
Deposits for utilities	_____
Legal and professional fees	_____
Licenses and permits	_____
Advertising for the opening	_____
Accounts receivable	_____
Operating cash	_____
Total	_____

*Transfer your figures from previous worksheets.

Whether you have the funds (say in savings) or borrow the money, your new business will have to pay back start-up costs. Keep this fact in mind as you work on estimating expenses and on other financial aspects of your plan.

Expenses

In connection with annual sales volume you need to think about expenses. If, for example, you plan to do sales amounting to \$100,000, what will it cost you to do this amount of business? How much profit will you make? A business must make a profit or close.

The following exercise will help you to make an estimate of your expenses. To do this exercise you need to know the total cost of goods sold for your line of merchandise for the period (month or year) that you are analyzing. Cost of goods sold is expressed as a percentage of sales and is called an operating ratio. Check with your trade association to get the operating ratios for your business's. The following is the format for an Income Statement with operating ratios substituted for dollar amounts.

**Summary of Operating Ratios
of 250 high Profit Hardware Stores**

Sales		Percent of sale 100.00
Cost of Goods Sold		-64.92
Margin		<hr/> 35.08
Expenses		
Payroll and other employee expenses	16.23	
Occupancy expenses	3.23	
Office supplies and postage	0.40	
Advertising	1.49	
donations	0.08	
Telephone and telegraph	0.24	
Bad Debts	0.30	
Delivery	0.47	
Insurance	0.66	
Taxes (other than real estate and payroll)	0.46	
Interest	0.61	
Depreciation (other than real estate)	0.57	
Supplies	0.37	
Legal and accounting expenses	0.31	
Dues and subscription	0.08	
Travel, buying, and entertainment	0.19	
Unclassified expenses	0.64	
Total operating expense	<hr/>	-26.33
Net operating profit		8.75
Other income		1.65
Net profit before income taxes		<hr/> 10.40

Now using your operating ratio for cost of goods sold and your estimated Sales Revenue, you can breakdown your expenses by substituting your ratios and dollar amounts in the Income Statement.

Notice that Gross Margin must be large enough to provide for your expenses and profit.

	Expressed in Percent	Expressed in dollars	Your Percentage	Your Dollars
1. Sales	100	\$100,000	100	\$ ___
2. Cost of Goods Sold	-66	-66,000	___	-\$ ___
3. Gross Margin	<hr/> 34	<hr/> \$34,000	<hr/> ___	<hr/> \$ ___

and continue to fill out the entire Income Statement. Work out statements monthly or for the year.

Cash Forecast

A budget helps you to see the dollar amount of your expected revenue and expenses each month. Then from month to month the question is: Will sales bring in enough money to pay for the store's bills? The owner-manager must prepare for the financial peaks and valleys of the

business cycle. A cash forecast is a management tool that can eliminate much of the anxiety that can plague you if your sales go through lean months. Use the following format.

Estimated Cash Forecast

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
(1) Cash in Bank (Start of Month)	---	---	---	---	---	---	---	---	---	---	---	---	---
(2) Petty Cash (Start of Month)	---	---	---	---	---	---	---	---	---	---	---	---	---
(3) Total Cash (add (1) and (2))	---	---	---	---	---	---	---	---	---	---	---	---	---
(4) Expected Accounts Receivable	---	---	---	---	---	---	---	---	---	---	---	---	---
(5) Other Money Expected	---	---	---	---	---	---	---	---	---	---	---	---	---
(6) Total Receipts (add (4) and (5))	---	---	---	---	---	---	---	---	---	---	---	---	---
(7) Total Cash and Receipts (add (3) and (6))	---	---	---	---	---	---	---	---	---	---	---	---	---
(8) All Disbursements (for month)	---	---	---	---	---	---	---	---	---	---	---	---	---
(9) Cash Balance at end of Month in Bank Account and Petty Cash (subtract (8) from (7)*)	---	---	---	---	---	---	---	---	---	---	---	---	---

*This balance is your starting figure for the next month

Is Additional Money Needed? Suppose at this point that your business needs more money than can be generated by present sales. What do you do? If your business has great potential or is in good financial condition, as shown by its balance sheet, you will borrow money (from a bank most likely) to keep the business operating during start-up and slow sales periods. The loan can be repaid during the fat sales months when sales are greater than expenses. Adequate working capital is needed for success and survival; but cash on hand (or the lack of it) is not necessarily an indication that the business is in bad financial shape. A lender will look at your balance sheet to see the business's Net Worth of which cash and cash flow are only a part. The balance sheet statement shows a business's Net Worth (financial position) at a given point in time, say at the close of business at the end of the month or at the end of the year.

Free Retail Business Plan How To.

Even if you do not need to borrow money you may want to show your plan and balance sheet to your banker. It is never too early to build good relations and credibility (trust) with your banker. Let your banker know that you are a manager who knows where you want to go rather than someone who merely hopes to succeed.

Control and Feedback

To make your plan work you need feedback. For example, the year-end profit and loss (income) statement shows whether your business made a profit or took a loss for the past twelve months.

Don't wait twelve months for the score. To keep your plan on target you need readings at frequent intervals. An income statement compiled at the end of each month or at the end of

each quarter is one type of frequent feedback. Also you must set up management controls that help you insure that the right things are done each day and week. Organization is needed because you as the owner-manager cannot do all the work. You must delegate work, responsibility, and authority. The record keeping systems should be set up before the store opens. After you're in business it is too late.

The control system that you set up should give you information about stock, sales, receipts and disbursement. The simpler the accounting control system, the better. Its purpose is to give you current useful information. You need facts that expose trouble spots. Outside advisers, such as accountants can help.

Stock Control

The purpose of controlling stock is to provide maximum service to your customers. Your aim should be to achieve a high turnover rate on your inventory. The fewer dollars you tie up in stock, the better.

In a store, stock control helps the owner-manager offer customers a balanced assortment and enables you to determine what needs ordering on the basis of (1) what is on hand, (2) what is on order, and (3) what has been sold.

When setting up inventory controls, keep in mind that the cost of the stock is not your only cost. There are inventory costs, such as the cost of purchasing, the cost of keeping stock control records, and the cost of receiving and storing stock.

Sales

In a store, sales slips and cash register tapes give the owner-manager feedback at the end of each day. To keep on top of sales, you need answers to questions, such as: How many sales were made? What was the dollar amount? What were the best selling products? At what price? What credit terms were given to customers?

Receipts

Break out your receipts into receivables (money still owned such as a charge sale) and cash. You know how much credit you have given, how much more you can give, and how much cash you have with which to operate.

Disbursement

Your management controls should also give you information about the dollars your company pays out. In checking on your bills, you do not want to be penny-wise and pound-foolish. You should pay bills on time to take advantage of supplier discounts. Your review systems should also give you the opportunity to make judgments on the use of the funds. In this manner, you can be on top of emergencies as well as routine situations. Your system should also keep you aware that tax monies, such as payroll income tax deductions, must be set aside and paid out at the proper time.

Break-Even Analysis

Break-even analysis is a management control device that approximates how much you must sell in order to cover your costs with no profit and no loss. Profit comes after break-even.

Profit depends on sales volume, selling price, and costs. Break-even analysis helps you to estimate what a change in one or more of these factories will do to your profit. To figure a

break-even point, fixed costs (like rent) must be separated from variable costs (like the cost of goods sold).

The break-even formula is:

$$\text{Break-even point (in sales dollars)} = \frac{\text{Total fixed costs}}{1 - \frac{\text{Total variable costs}}{\text{Corresponding sales volume}}}$$

Sample break-even calculations: Bill Mason plans to open a shoe store and estimates his fixed expenses at about \$9,000 the first year. He estimates variable expenses of about \$700 for every \$1,000 of sales. How much must the store gross to break-even?

$$\text{BE point} = \frac{\$9,000}{1 - \frac{700}{1,000}} = \frac{\$9,000}{1 - 0.70} = \frac{\$9,000}{0.30} = \$30,000$$

Is Your Plan Workable?

Stop when you have worked out your break-even point. Whether the break-even point looks realistic or way off base, it is time to make sure that your plan is workable.

Take time to re-examine your plan before you back it with money. If the plan is not workable, better to learn it now than to realize six months down the road that you are pouring money into a losing venture.

In reviewing your plan, look at the cost figures you drew up when you broke down your expenses for the year (operating ratios on the income statement). If any of your cost items are too high or too low, change them. You can write your changes above or below your original entries on the worksheet. When you finish making your adjustments, you will have a revised projected statement of sales and expenses.

With your revised figures, work out a revised break-even analysis. Whether the new break-even point looks good or bad, take one more precaution. Show your plan to someone who has not been involved in working out the details with you. Get an impartial, knowledgeable second opinion. Your banker, or other advisor may see weaknesses that failed to appear as you went over the plan details. These experts may see strong points that your plan should emphasize.

Put Your Plan Into Action

When your plan is as thorough and accurate as possible you are ready to put it into action. Keep in mind that action is the difference between a plan and a dream. If a plan is not acted upon, it is of no more value than a wishful dream. A successful owner-manager does not stop after gathering information and drawing up a business plan, as you have done in working through this Guide. use the plan.

At this point, look back over your plan. Look for things that must be done to put your plan into action. What needs to be done will depend on your situation and goals. For example, if your business plan calls for an increase in sales, you may have to provide more funds for this expansion. Have you more money to put into this business? Do you borrow from friends and relatives? From your bank? From your suppliers (through credit terms?) If you are starting a

new business, one action may be to get a loan for fixtures, stock, employee salaries, and other expenses. Another action will be to find and to hire capable employees.

Now make a list of things that must be done to put your plan into action. Give each item a date so that it can be done at the appropriate time.

To put my plan into action, I must:

1. Do (action) _____ By _____(date)
2. etc.

Keep Your Plan Current

Once you put your plan into action, look out for changes. They can cripple the best business no matter how well planned. Stay on top of changing conditions and adjust your business plan accordingly. Sometimes the change is within your company. For example, several of your sales persons may quit. Sometimes the change is with the customers whose desires and tastes shift and change or refuse to change. Sometimes the change is technological as when products are created and marketed.

In order to adjust your plan to account for such changes, you the owner-manager, must:

Be alert to the changes that come about in your line of business, in your market, and in your customers.

Check your plan against these changes.

Determine what revisions, if any, are needed in the business plan.

The method you use to keep your plan current so that your business can weather the changing forces of the market place is up to you. Read trade and business papers and magazines and review your plan periodically. Once each month or every other month, go over your plan to see whether or not it needs adjusting. Certainly you will have more accurate dollar amounts to work with after you have been in business for a time. Make revisions and put them into action. You must be constantly updating and improving. A good business plan must evolve from experience and the best current information. A good business plan is good business.

[Go to Top](#)

3. Complete Ecommerce Business Plan Template

Table of Contents

1.0 Executive Summary	28
1.1 Objectives	29
1.2 Mission	31
1.3 Keys to Success.....	31
2.0 Company Summary.....	31
2.1 Company Ownership.....	31

2.2 Start-up Summary	32
Table: Start-up	32
3.0 Services	34
4.0 Market Analysis Summary.....	35
Emerging trends in social networks.....	35
4.1 Market Segmentation	36
Table: Market Analysis	37
4.2 Target Market Segment Strategy	37
4.3 Service Business Analysis	37
4.3.1 Competition and Buying Patterns.....	39
5.0 Web Plan Summary	39
5.1 Website Marketing Strategy	39
5.2 Development Requirements.....	39
6.0 Strategy and Implementation Summary	39
6.1 SWOT Analysis	40
6.1.1 Strengths.....	40
6.1.2 Weaknesses.....	40
6.1.3 Opportunities.....	40
6.1.4 Threats.....	40
6.2 Competitive Edge	41
6.3 Marketing Strategy	41
6.4 Sales Strategy.....	41
6.4.1 Sales Forecast	41
Table: Sales Forecast	41
6.5 Milestones	44
Table: Milestones	44
7.0 Management Summary	46
7.1 Personnel Plan.....	46

Table: Personnel	46
8.0 Financial Plan.....	47
8.0 Financial Plan.....	47
8.1 Start-up Funding.....	47
Table: Start-up Funding.....	47
8.2 Important Assumptions.....	49
8.3 Break-even Analysis.....	49
Table: Break-even Analysis.....	49
8.4 Projected Profit and Loss	51
Table: Profit and Loss	51
8.5 Projected Cash Flow	55
Table: Cash Flow	55
8.6 Projected Balance Sheet.....	58
Table: Balance Sheet.....	58
8.7 Business Ratios.....	60
8.7 Business Ratios.....	60
Table: Ratios	60

1.0 Executive Summary

Introduction

COMPANY NAME develops a photo cataloging system to assist end-users in increasing efficiency through the use of Web based technology. The Company's customers are 1) people who want to upload, organize and document their personal photos and images, and 2) people who want the ease of creating a movie of their images that were uploaded to their account.

COMPANY NAME is a photography / picture capture social networking niche site for families to document growth of a child growing up, a home renovation, photo tracking for weight loss, etc. Because of the time it takes to document any event, the end user will keep coming back making it appealing for advertisers to invest advertising dollars in the site. The technology will make it easy to create movies and slide shows for end users to display to family and friends. Comment areas and communities will be available including a comment area under each photo. **COMPANY NAME** will slightly resemble a scrapbooking type of site with a twist. End users can embellish and personalize each photo.

COMPANY NAME offers the expertise an end-user needs in order to create a personal photo catalogue system. The Company's ultimate service would be an automated photo image management system and hosting relationship with customers, in which the customer only needs a Web browser to log on to the **COMPANY NAME** site customized to their needs.

Secondary services will be focused on advertisers. **COMPANY NAME** will offer other companies the ability to use the site and customer database to advertise products and services to.

The Market

COMPANY NAME's customers can be divided into two groups. The first group is familiar with the Internet and desires a progressive and inviting atmosphere where they can upload photo images, catalog them and display as a movie easily for other members, family and friends. The second group is companies providing products and services that wish to advertise them to members using this debut photo cataloging niche social network website.

Management

The founder, **OWNER'S NAME**, will be managing and operating the day to day activities for the Company.

Initially, everyone will be an independent contractor with the company including outsourced data storage and servers for the website. Later in time, the founders plan to have everything in house, with employees and computer equipment.

Financial Plan

COMPANY NAME will require a \$178,500 investment. Growth will be slow at first, but once the infrastructure is created through branding and positioning, growth will be explosive. **COMPANY NAME** should not need additional funding according to projections, because once advertising revenues are generated, a captive market of media and advertisers will generate a revenue stream that will pay for future acquisition of sales.

1.1 Objectives

The **COMPANY NAME** objectives will evolve in a three-phase concurrent development cycle.

Learning

Knowing the customer, the product and services offered by the company as well as knowing the competition are imperative for success. Planning, research and development are critical procedures for this cycle. Objectives for this phase are:

- Become experts on the social network website market and have a database of competitors, market analysis, and customer needs.
- Have a trial version completed within three months of capital formation.
- Establish good working relationships with web programmers and developers by meeting with them and plotting a mutual plan for success based on trust, reliability and service.

- Get commitments for support, services and products by May 2011 to support the launch of **COMPANY NAME**.

Earning

Marketing, sales, customer support, execution of action plans and continued learning will ensure **COMPANY NAME** a market position that will generate earnings and promote growth, both in new customers and new products and services.

- Establishing brand awareness and brand recognition that positions **COMPANY NAME** as the market leader for safe, simple, creative and reliable web based electronic photo catalogue system to end users of all ages.
- Many end-users are without comprehensive computer knowledge; **COMPANY NAME**'s easy to use Web based photo catalogue system allows customers to manage personal images and internally document management.
- Market metrics for evaluating market penetration success include, a market presence in the top social network markets in the country, market share, customer satisfaction ratings and click through traffic. **COMPANY NAME** will strive to double this metrics semi-annually until the company reaches market dominance.
- Begin generating positive cash flow by the end of 2011.

Returning

Balancing long-term sustainability and profitability with short-term necessities and change will be the Achilles heel of many Internet companies. Therefore, **COMPANY NAME** believes that with a policy of returning or giving back to the community (employees, customers and shareholders) **COMPANY NAME** will ensure apportionment of resources without excessive waste and redundancy. Objectives for this cycle are:

- Developing a mission statement which reflects the values of the founders while providing a mandate for culture creation that will attract and retain the best and brightest talent.
- Develop a comprehensive holistic internal structure that is responsive to market demands and rapid change. This model is predicated on the idea of "a continuous learning organization" with the training and marketing functionality binding the entire organization.
- Develop value-added modules that will launch **COMPANY NAME** from a niche player to the premier photo catalogue social networking site on the Web by 2012. This means creating features that are action oriented, that is, coming up with

solutions that allow end-users to document via imagery, easily allowing them to upload them to the web, organize them and displays them to family and friends.

- A balanced and focused approach of developing products with the customer in mind by enthusiastic and innovative employees will ensure the success of **COMPANY NAME**, ultimately leading to increased shareholder value.

1.2 Mission

COMPANY NAME's mission is listening to our customers' requirements in order to fulfill their individual needs for photo cataloging. In doing so the Company will strive to become the leading provider of secure and simple to use electronic photo filing systems for end-users, using Web technology.

1.3 Keys to Success

The keys to success in this business are:

Marketing:

- Establishing brand name.
- Creating barriers-to-entry by competitors through the building trust based relations between end-users and **COMPANY NAME**.
- Building credibility.

Simplicity:

- Create a system that is simple to use.

2.0 Company Summary

COMPANY NAME develops a photo cataloging system to assist end-users in increasing efficiency through the use of Web based technology. The Company's customers are 1) people who want to upload, organize and document their personal photos and images, and 2) people who want the ease of creating a movie of their images that were uploaded to their account.

2.1 Company Ownership

COMPANY NAME is a sole proprietorship company owned by **OWNER'S NAME** (60%) and **CO-OWNER'S NAME** (40%). The Company plans to file for a limited liability corporation in the State of California shortly before product launch.

2.2 Start-up Summary

After the trial version is completed, salaries, operating overhead and marketing expenses will kick in. **COMPANY NAME** anticipates this happening in the second half of 2011. Seed funding will be sought from angel investors.

Table: Start-up

Start-up	
Requirements	
Start-up Expenses	
Legal	\$4,000
Stationery/Business Cards	\$500
Brochures	\$2,000
Consultants	\$3,000
Insurance	\$6,000
Rent	\$18,000
Research and Development	\$95,000
Expensed Equipment	\$10,000
Website Creation	\$15,000
Total Start-up Expenses	\$153,500
Start-up Assets	
Cash Required	\$25,000
Other Current Assets	\$0
Long-term Assets	\$0
Total Assets	\$25,000

Total Requirements	\$178,500

3.0 Services

COMPANY NAME is a photography / picture capture social networking niche site for families to document growth of a child growing up, a home renovation, photo tracking for weight loss, etc. Because of the time it takes to document any event, the end user will keep coming back making it appealing for advertisers to invest advertising dollars in the site. The technology will make it easy to create movies and slide shows for end users to display to family and friends. Comment areas and communities will be available including a comment area under each photo. **COMPANY NAME** will slightly resemble a scrapbooking type of site with a twist. End users can embellish and personalize each photo.

COMPANY NAME offers the expertise an end-user needs in order to create a personal photo catalogue system. The Company's ultimate service would be an automated photo image management system and hosting relationship with customers, in which the customer only needs a Web browser to log on to the **COMPANY NAME** site customized to their needs.

Secondary services will be focused on advertisers. **COMPANY NAME** will offer other companies the ability to use the site and customer database to advertise products and services to.

A third goal is to not necessarily directly compete with large social networking sites such as Facebook, Twitter, Friendster and MySpace but to partner with them as a specialized extension. **COMPANY NAME** will provide the option to not only post and organize photos and images on the home site; activities can be simultaneously posted to Facebook or Twitter as well.

Description of What **COMPANY NAME Can Do**

When end-users upload a photo to the site the image will also be saved as a frame for a constant ongoing movie. The end-user will have the ability to select the entire image as a frame or just select the child's face. The more ongoing images uploaded, the longer the video will be. Because of this fact, people that become members to the site will have to keep uploading their pics to keep the movie going. Friends and families will encourage each other to continue uploading images in order to continue the movie. No one wants to miss their child or grandchild growing up. Because of this fact, **COMPANY NAME** can expect a high level of return users on a weekly to daily rate.

COMPANY NAME also will be developing an app for smart phones that will enable members to add photos to the site. This will be another added tool to provide convenience for members so that they will keep returning to the site again and again.

The basic membership on the site will be free. Members will be allowed to upload and save photos as well as make the continuous movie from each pic they upload. The Paid Premium site member will be able to embellish pics utilizing the scrapbook aspect of the site as well as offering an e-mail address for members. The Premium Membership will be inexpensive at \$3-\$4 dollars a month, approximately.

4.0 Market Analysis Summary

Web based social network services make it possible to connect people who share interests and activities across political, economic, and geographic borders. Through e-mail and instant messaging, online communities are created where a gift economy and reciprocal altruism are encouraged through cooperation. Information is particularly suited to gift economy, as information is a nonrival good and can be gifted at practically no cost.

Facebook and other social networking tools is increasingly the object of scholarly research. Scholars in many fields have begun to investigate the impact of social networking sites, investigating how such sites may play into issues of identity, privacy, social capital, youth culture, and education

Several websites are beginning to tap into the power of the social networking model for philanthropy. Such models provide a means for connecting otherwise fragmented industries and small organizations without the resources to reach a broader audience with interested users. Social networks are providing a different way for individuals to communicate digitally. These communities of hypertexts allow for the sharing of information and ideas, an old concept placed in a digital environment.

Emerging trends in social networks

As the increase in popularity of social networking is on a constant rise, new uses for the technology are constantly being observed.

At the forefront of emerging trends in social networking sites is the concept of "real time" and "location based." Real time allows users to contribute content, which is then broadcasted as it is being uploaded - the concept is similar to live television broadcasts. Twitter set the trend for "real time" services, where users can broadcast to the world what they are doing, or what is on their minds within a 140 character limit. Facebook followed suit with their "Live Feed" where users' activities are streamed as soon as it happens. While Twitter focuses on words, Clixtr, another real time service, focuses on group photo sharing where users can update their photo streams with photos while at an event. Friends and nearby users can contribute their own photos and comments to that event stream, thus contributing to the "real time" aspect of broadcasting photos and comments as it is being uploaded. In the location based social networking space, Foursquare gained popularity as it allowed for users to "check-in" to places that they are frequenting at that moment. Gowalla is another such service which functions in much the same way that Foursquare does, leveraging the GPS in phones to create a location-based user experience. Clixtr, though in the real time space, is also a location based social networking site since events created by users are automatically geotagged, and users can view events occurring nearby through the Clixtr iPhone app. Recently, Yelp announced its entrance into the location based social networking space through check-ins with their mobile app; whether or not this becomes detrimental to Foursquare or Gowalla is yet to be seen as it is still considered a new space in the internet technology industry.

One popular use for this new technology is social networking between businesses. Companies have found that social networking sites such as Facebook and Twitter are great ways to build their brand image. According to Jody Nimetz, author of Marketing Jive, there are five major uses for businesses and social media: to create brand awareness, as an online reputation management tool, for recruiting, to learn about new technologies and competitors, and as a lead gen tool to intercept potential prospects. These companies are able to drive traffic to their own online sites while encouraging their consumers and clients to have discussions on how to improve or change products or services.

One other use that is being discussed is the use of Social Networks in the Science communities. Julia Porter Liebeskind et al. have published a study on how New Biotechnology Firms are using social networking sites to share exchanges in scientific knowledge. They state in their study that by sharing information and knowledge with one another, they are able to "increase both their learning and their flexibility in ways that would not be possible within a self-contained hierarchical organization." Social networking is allowing scientific groups to expand their knowledge base and share ideas, and without these new means of communicating their theories might become "isolated and irrelevant".

Social networks are also being used by teachers and students as a communication tool. Because many students are already using a wide-range of social networking sites, teachers have begun to familiarize themselves with this trend and are now using it to their advantage. Teachers and professors are doing everything from creating chat-room forums and groups to extend classroom discussion to posting assignments, tests and quizzes, to assisting with homework outside of the classroom setting. Social networks are also being used to foster teacher-parent communication. These sites make it possible and more convenient for parents to ask questions and voice concerns without having to meet face-to-face.

4.1 Market Segmentation

COMPANY NAME's customers can be divided into two groups. The first group is familiar with the Internet and desires a progressive and inviting atmosphere where they can upload photo images, catalog them and display as a movie easily for other members, family and friends. The second group is companies providing products and services that wish to advertise them to members using this debut photo cataloging niche social network website.

Table: Market Table

4.2 Target Market Segment Strategy

The target market for **COMPANY NAME** is the entire social network online community. Referral marketing is the key type of marketing strategy utilized. Maintaining and further enhancing its reputation in the community is crucial to gaining additional market share of this target market.

4.3 Service Business Analysis

Social Networking Statistics as of 2009

MySpace - **345,130,806**

Facebook - **722,434,829**

Hi5 - **8,491,287**

Friendster - **6,896,127**

Orkut - **9,396,000**

Bebo - **14,368,423**

Tagged - **5,100,000**

Perhaps, it can finally put to rest the popular belief by some that only teenagers and adults below 40 of age are keen users of social networking Websites. This is because a UK study has found that almost half of women aged over 55 regularly log on to social networking Websites such as Facebook and Twitter. There are obviously quite a few reasons for this trend, for example, while some appear to use social networks to keep in

touch with family members or research their family tree, others, particularly those who are single, are said to be keen on using these sites as a way of finding new love.

The research, which was conducted by *Mintel*, also found that of the 2,000 participants in the study, more than a third of men and women over 55 also visited Websites such as YouTube in order to watch free videos on the Web. Overall, the study estimates that nearly 100,000 older people have logged on to social networking sites for the first time in the past year and almost a fifth of all Britons who visited these sites for the first time in September were over 55 years old. Also, the results show that when compared to older men, women tend to use social networking Websites more, especially for family oriented reasons.

This provides **COMPANY NAME** the perfect timing to enter into the market and meet the demand. **COMPANY NAME** will offer the ease of not only cataloging images for members but the entertainment of providing the means to make short movies with those images that have been uploaded over a period of time. The Company is excited to provide this unique tool that can help end-users document and track via imagery for a vast variety of uses:

- * Documenting a child growing up
- * Tracking the progress of weight loss
- * Viewing the transitions of a home renovation
- * Documenting a pet growing up
- * Tracking the progress of an art project

The possibilities are endless with the use of **COMPANY NAME**'s soon to debut service.

4.3.1 Competition and Buying Patterns

The data doesn't deny that Facebook has come to dominate social networking in the US, and overtook MySpace in 2009. But MySpace's 57 million US unique users are nothing to sneeze at – it's still a top web property with users who are highly engaged. The second tier networks, such as Tagged, Hi5, MyYearbook and Bebo, still receive an impressive 3-6 million uniques per month, and users spend a fair amount of time on those sites. BlackPlanet users spent 3.6 minutes longer interacting with the site than the average Facebook visitor. MyYearbook and Tagged users were on these sites more than 3 minutes longer than the average MySpace visitor. There is definitely addictive behavior occurring on these other sites.

Nielsen published stats showing that three of the world's most popular brands online are social-media related (Facebook, YouTube and Wikipedia) and the world now spends over 110 billion minutes on social networks and blog sites. This equates to 22 percent of all time online or one in every four and half minutes. For the first time ever, social network or blog sites are visited by three quarters of global consumers who go online, after the numbers of people visiting these sites increased by 24% over last year. The average visitor spends 66% more time on these sites than a year ago, almost 6 hours in April 2010 versus 3 hours, 31 minutes last year.

5.0 Web Plan Summary

The Company website is an opportunity to offer a niche social networking website with premiere online technology for uploading, managing, editing, commenting/tagging, organizing and making short movies of pictures and images for the average internet user.

5.1 Website Marketing Strategy

COMPANY NAME will be working with an experienced and high quality SEO marketing expert to promote the new site online. In addition, **COMPANY NAME** will be contacting a handful of "major" social networking sites, namely Facebook, Twitter, MySpace etc. to offer a possible partnership.

5.2 Development Requirements

The **COMPANY NAME** site will be initially developed with an experienced social network web developer. The Company will maintain a simple, classy yet Internet focused site. The website logos and graphics will be the same artwork throughout the website. A hosting company and development firm will maintain the website. As the website rolls out future development options, an additional technical resource may be required. **COMPANY NAME** will also look into pre-packaged solutions through various web hosting resources.

6.0 Strategy and Implementation Summary

COMPANY NAME will focus on developing and bringing to market the photo catalog-to-movie technology that will set the Company apart from other social networking sites.

6.1 SWOT Analysis

The following SWOT analysis captures the key strengths and weaknesses within the company, and describes the opportunities and threats facing **COMPANY NAME**.

6.1.1 Strengths

- Premiere photo cataloging-to-movie online service; no other social network site offers this to date.
- Strong merchandising and production presentation.
- Good referral relationships with experienced business professionals that have successfully started up and run companies.
- An inviting social network platform that will keep high customer loyalty, keeping them coming back for years.

6.1.2 Weaknesses

A dependence on quickly changing technology. **COMPANY NAME** is a place for people to experience the photo catalog-to-movie technology of the Internet. The technology that is the Internet changes rapidly. Product lifecycles are measured in weeks, not months. **COMPANY NAME** needs to keep up with the technology because a lot of the **COMPANY NAME** experience is technology.

6.1.3 Opportunities

- **Growing population of daily Internet users.** The importance of the Internet almost equals that of the telephone. As the population of daily Internet users increases, so will the need for the services **COMPANY NAME** offers.
- **Social bonds fostered by the new Internet communities.** The Internet is bringing people from across the world together unlike any other communication medium. **COMPANY NAME** will capitalize on this social trend by providing a place for families and friends to share images and short creative photo catalog-to-movie files with each other. **COMPANY NAME** will grow some of these communities on its own by establishing chat areas and community programs. These programs will be designed to build customer loyalty.

6.1.4 Threats

- **Rapidly increase of social networking websites.** The number of social networking sites has been exploding over the last few years. **COMPANY NAME** will have to be sure to market the Company's site as a specialized niche market social network with general appeal.
- **Emerging local competitors.** Currently, **COMPANY NAME** will be enjoying a first-mover advantage in the photo catalog-to-movie market. However, additional competitors are on the horizon, and **COMPANY NAME** needs to be prepared for

their entry into the market. Many of the programs will be designed to build customer loyalty, and it is **COMPANY NAME**'s hope that its quality service and user friendly applications won't be easily duplicated.

6.2 Competitive Edge

Clearly, the Company's competitive edge is the customer service experience and approach that the management team will bring to the table. Technology that is not readily available to the average novice user will now be presented to the world so that anyone, from children to senior citizens, can make a short movie of their photo memories.

6.3 Marketing Strategy

Positioning and branding will be key in establishing **COMPANY NAME** as the online photo catalog-to-movie leader for the general public. This will be achieved through a focused and targeted marketing communications plan. **COMPANY NAME** will focus through a direct sales campaign aimed at building relationships and trust with potential clients for advertising revenue. The second phase of the marketing is to a "drive to the Web" strategy that is designed to automate sales from a very well planned Search Engine Optimization (SEO) campaign. Though this part of the process is automated, **COMPANY NAME** will maintain a one-to-one service model and a mass customization website.

6.4 Sales Strategy

Few social networks currently charge money for membership. In part, this may be because social networking is a relatively new service, and the value of using them has not been firmly established in customers' minds. Companies such as MySpace and Facebook sell online advertising on their site. Their business model is based upon large membership count, and charging for membership would be counterproductive. Some believe that the deeper information that the sites have on each user will allow much better targeted advertising than any other site can currently provide.

Social networks operate under an autonomous business model, in which a social network's members serve dual roles as both the suppliers and the consumers of content. This is in contrast to a traditional business model, where the suppliers and consumers are distinct agents. Revenue is typically gained in the autonomous business model via advertisements, but subscription-based revenue is possible when membership and content levels are sufficiently high.

6.4.1 Sales Forecast

See Sales Strategy.

Table: Sales Forecast

Sales Forecast

	2011	2012	2013
Sales			
Advertising Revenue	\$568,499	\$585,554	\$603,121
Premium Memberships	\$4,061,611	\$4,183,459	\$4,308,963
Total Sales	\$4,630,110	\$4,769,013	\$4,912,084
Direct Cost of Sales	2011	2012	2013
Hosting	\$421	\$434	\$447
Merchant Services	\$575,684	\$592,955	\$610,743
Subtotal Direct Cost of Sales	\$576,105	\$593,389	\$611,190

6.5 Milestones

Detailed milestones are shown in the following table and chart. The related budgets are included with the expenses shown in the projected Profit and Loss statement, which is in the financial analysis that comes in Chapter 7 of this plan.

Table: Milestones

Milestones					
Milestone	Start Date	End Date	Budget	Manager	Department
Incorporation	12/25/2010	1/30/2011	\$2,000	INSERT NAME	Co-Owner
Business Plan	12/1/2010	12/15/2010	\$1,800	INSERT NAME	Co-Owner
Seed Money- For Programming	1/1/2011	2/1/2011	\$15,000	INSERT NAME	Co-Owner
Create Board of Directors	1/1/2011	3/1/2011	\$2,200	INSERT NAME	Co-Owner
Finalize Investment	12/15/2010	1/30/2011	TBD	INSERT NAME	Co-Owner
Investigate Alliances	1/1/2011	4/1/2011	\$1,000	INSERT NAME	Co-Owner
Launch Product	1/1/2011	4/30/2011	TBD	INSERT NAME	Co-Owner
Totals			\$22,000		

7.0 Management Summary

The founders, **OWNER'S AND CO-OWNER'S NAME**, will be managing and operating the day to day activities for the Company.

Initially, everyone will be an independent contractor with the company including outsourced data storage and servers for the website. Later in time, the founders plan to have everything in house, with employees and computer equipment.

[INSERT BIO]

7.1 Personnel Plan

Initially **COMPANY NAME** will offer a standardized pay structure to all its employees. The difference in pay scale will be made up in stock options. This is a performance based incentive system and is designed to elicit equality among all employees and generate ownership among all employees. When the Company does start hiring, an office manager, sales team, and marketing group will be recruited.

Table: Personnel

Personnel Plan			
	2011	2012	2013
CEO	\$36,000	\$37,800	\$39,690
Sales Consultants	\$28,401	\$29,253	\$30,131
Programmers/ Technicians	\$56,004	\$58,804	\$61,744
Customer Service	\$50,004	\$52,504	\$55,129
Total People	6	8	12
Total Payroll	\$170,409	\$178,361	\$186,694

8.0 Financial Plan

COMPANY NAME will require a \$178,500 investment. Growth will be slow at first, but once the infrastructure is created through branding and positioning, growth will be explosive. **COMPANY NAME** should not need additional funding according to projections, because once advertising revenues are generated, a captive market of media and advertisers will generate a revenue stream that will pay for future acquisition of sales.

8.1 Start-up Funding

COMPANY NAME's start-up costs are detailed above, in the Start-up Table. The following table shows how these start-up costs will be funded by investor capital.

Table: Start-up Funding

Start-up Funding	
Start-up Expenses to Fund	\$153,500
Start-up Assets to Fund	\$25,000
Total Funding Required	\$178,500
Assets	
Non-cash Assets from Start-up	\$0
Cash Requirements from Start-up	\$25,000
Additional Cash Raised	\$0
Cash Balance on Starting Date	\$25,000
Total Assets	\$25,000

Liabilities and Capital	
Liabilities	
Current Borrowing	\$0
Long-term Liabilities	\$0
Accounts Payable (Outstanding Bills)	\$0
Other Current Liabilities (interest-free)	\$0
Total Liabilities	\$0
Capital	
Planned Investment	
Investor	\$0
Investor	\$0
Additional Investment Requirement	\$178,500
Total Planned Investment	\$178,500
Loss at Start-up (Start-up Expenses)	(\$153,500)
Total Capital	\$25,000
Total Capital and Liabilities	\$25,000
Total Funding	\$178,500

8.2 Important Assumptions

Since the Company will not be financed by debt, interest rates will not be of great importance to COMPANY NAME. Further, COMPANY NAME will not have a significant Accounts Receivable burden as the Company will, in essence, have cash transactions. Services will be paid for at the time of performance. COMPANY NAME will also assume an economy without further major recession, however, since the service is transaction based and in a sector of the economy that is generally recession proof this is not a major concern for COMPANY NAME.

These factors make this venture extremely attractive, and once a self-sustaining revenue stream through advertising revenue is achieved, the Company could conceivably function as a cash machine.

8.3 Break-even Analysis

The Break-even Analysis is based on the average of the first-year figures for total sales by units, and by operating expenses. These are presented as per-unit revenue, per-unit cost, and fixed costs. These conservative assumptions make for a more accurate estimate of real risk.

Table: Break-even Analysis

Break-even Analysis	
Monthly Revenue Break-even	\$27,913
Assumptions:	
Average Percent Variable Cost	12%
Estimated Monthly Fixed Cost	\$24,440

8.4 Projected Profit and Loss

Current projection shows that **COMPANY NAME** will become profitable by the fourth quarter of its first year. However, this does not mean that **COMPANY NAME** will have recovered any of its investment. While these projections are far from perfect, they do highlight financial trends; for instance, gross margins will increase as direct sales costs fall over time. The captive market of online social network website members is a windfall and helps the Company reach profitability sooner than most other Internet start-ups.

Table: Profit and Loss

Pro Forma Profit and Loss			
	2011	2012	2013
Sales	\$4,630,110	\$4,769,013	\$4,912,084
Direct Cost of Sales	\$576,105	\$593,389	\$611,190
Other Costs of Sales	\$0	\$0	\$0
Total Cost of Sales	\$576,105	\$593,389	\$611,190
Gross Margin	\$4,054,005	\$4,175,624	\$4,300,894
Gross Margin %	87.56%	87.56%	87.56%
Expenses			
Payroll	\$170,409	\$178,361	\$186,694
Sales and Marketing and Other Expenses	\$21,379	\$22,662	\$24,021
Depreciation	\$996	\$996	\$996
Rent	\$18,000	\$18,540	\$19,096
Utilities	\$3,220	\$3,317	\$3,416
Insurance	\$31,392	\$32,334	\$33,304
Leased equipment	\$6,276	\$6,464	\$6,658

Hosting/Data Storage	\$3,481	\$3,585	\$3,693
Web Developer	\$21,287	\$21,926	\$22,583
Telephone/Cell	\$6,651	\$6,851	\$7,056
Travel	\$8,251	\$8,499	\$8,753
Subscriptions and Dues	\$1,932	\$1,990	\$2,050
Total Operating Expenses	\$293,274	\$305,525	\$318,320
Profit Before Interest and Taxes	\$3,760,731	\$3,870,099	\$3,982,574
EBITDA	\$3,761,727	\$3,871,095	\$3,983,570
Interest Expense	\$0	\$0	\$0
Taxes Incurred	\$1,128,219	\$1,161,030	\$1,194,772
Net Profit	\$2,632,512	\$2,709,069	\$2,787,802
Net Profit/Sales	56.86%	56.81%	56.75%

8.5 Projected Cash Flow

The cash flow projection shows that provisions for ongoing expenses are adequate to meet the needs of the company as the business generates sufficient cash flow to support operations.

Table: Cash Flow

Pro Forma Cash Flow			
	2011	2012	2013
Cash Received			
Cash from Operations			
Cash Sales	\$4,630,110	\$4,769,013	\$4,912,084
Subtotal Cash from Operations	\$4,630,110	\$4,769,013	\$4,912,084
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0
New Investment Received	\$178,500	\$0	\$0
Subtotal Cash Received	\$4,808,610	\$4,769,013	\$4,912,084
Expenditures	2011	2012	2013
Expenditures from Operations			

Cash Spending	\$170,409	\$178,361	\$186,694
Bill Payments	\$1,605,033	\$1,947,178	\$1,931,989
Subtotal Spent on Operations	\$1,775,442	\$2,125,539	\$2,118,683
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0
Purchase Other Current Assets	\$10,000	\$0	\$0
Purchase Long-term Assets	\$15,000	\$0	\$0
Dividends	\$0	\$0	\$0
Subtotal Cash Spent	\$1,800,442	\$2,125,539	\$2,118,683
Net Cash Flow	\$3,008,168	\$2,643,474	\$2,793,401
Cash Balance	\$3,033,168	\$5,676,642	\$8,470,043

8.6 Projected Balance Sheet

The following table shows the projected balance sheet.

Table: Balance Sheet

Pro Forma Balance Sheet			
	2011	2012	2013
Assets			
Current Assets			
Cash	\$3,033,168	\$5,676,642	\$8,470,043
Other Current Assets	\$10,000	\$10,000	\$10,000
Total Current Assets	\$3,043,168	\$5,686,642	\$8,480,043
Long-term Assets			
Long-term Assets	\$15,000	\$15,000	\$15,000
Accumulated Depreciation	\$996	\$1,992	\$2,988
Total Long-term Assets	\$14,004	\$13,008	\$12,012
Total Assets	\$3,057,172	\$5,699,650	\$8,492,055
Liabilities and Capital	2011	2012	2013
Current Liabilities			
Accounts Payable	\$221,160	\$154,569	\$159,172
Current Borrowing	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0
Subtotal Current Liabilities	\$221,160	\$154,569	\$159,172

Long-term Liabilities	\$0	\$0	\$0
Total Liabilities	\$221,160	\$154,569	\$159,172
Paid-in Capital	\$357,000	\$357,000	\$357,000
Retained Earnings	(\$153,500)	\$2,479,012	\$5,188,081
Earnings	\$2,632,512	\$2,709,069	\$2,787,802
Total Capital	\$2,836,012	\$5,545,081	\$8,332,883
Total Liabilities and Capital	\$3,057,172	\$5,699,650	\$8,492,055
Net Worth	\$2,836,012	\$5,545,081	\$8,332,883

8.7 Business Ratios

Business ratios for the years of this plan are shown below. Industry profile ratios based on the Standard Industrial Classification (SIC) code 518210, Web Hosting, are shown for comparison.

Table: Ratios

Ratio Analysis				
	2011	2012	2013	Industry Profile
Sales Growth	0.00%	3.00%	3.00%	8.82%
Percent of Total Assets				
Other Current Assets	0.33%	0.18%	0.12%	57.79%
Total Current Assets	99.54%	99.77%	99.86%	87.32%
Long-term Assets	0.46%	0.23%	0.14%	12.68%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	7.23%	2.71%	1.87%	29.39%
Long-term Liabilities	0.00%	0.00%	0.00%	18.55%
Total Liabilities	7.23%	2.71%	1.87%	47.94%
Net Worth	92.77%	97.29%	98.13%	52.06%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	87.56%	87.56%	87.56%	100.00%
Selling, General & Administrative Expenses	105.65%	66.26%	36.95%	76.02%
Advertising Expenses	0.00%	0.00%	0.00%	1.21%

Profit Before Interest and Taxes	81.22%	81.15%	81.08%	2.50%
Main Ratios				
Current	13.76	36.79	53.28	2.10
Quick	13.76	36.79	53.28	1.66
Total Debt to Total Assets	7.23%	2.71%	1.87%	57.58%
Pre-tax Return on Net Worth	132.61%	69.79%	47.79%	11.55%
Pre-tax Return on Assets	123.01%	67.90%	46.90%	4.90%

Additional Ratios	2011	2012	2013	
Net Profit Margin	56.86%	56.81%	56.75%	n.a
Return on Equity	92.82%	48.86%	33.46%	n.a
Activity Ratios				
Accounts Payable Turnover	8.26	12.17	12.17	n.a
Payment Days	27	36	30	n.a
Total Asset Turnover	1.51	0.84	0.58	n.a
Debt Ratios				
Debt to Net Worth	0.08	0.03	0.02	n.a
Current Liab. to Liab.	1.00	1.00	1.00	n.a
Liquidity Ratios				
Net Working Capital	\$2,822,008	\$5,532,073	\$8,320,871	n.a
Interest Coverage	0.00	0.00	0.00	n.a
Additional Ratios				
Assets to Sales	0.66	1.20	1.73	n.a
Current Debt/Total Assets	7%	3%	2%	n.a
Acid Test	13.76	36.79	53.28	n.a
Sales/Net Worth	1.63	0.86	0.59	n.a
Dividend Payout	0.00	0.00	0.00	n.a

[Go to Top](#)

