

Group buying website start up plan



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Group Buying Website Start Up Plan Team Skilful SIX Executive Summary

The Project Initiation Document is aimed at providing a comprehensive document that how the Group Buying Company which named Together Buy will be established and this document would also present the basic information of this company with highly standard such as the market analysis, the financial analysis, the risk analysis etc. This company would adopt the process as follows. To execute this project after all the regulations, the company first contact with the manufacturers to provide goods.

At the same time, we provide a trading platform between international students and the manufacturers. Besides, the company would make profit by setting the price lower than the market price but higher than the initial costs. After the customers paying successful, we will contact the manufacturers to deliver goods to customers. When completing the purchase period, we will transfer money to manufacturers. This process will not only increase the popularity of those companies but also give the international students a chance to access the products which are currently unavailable in Australia.

Finally, we would make profits from our operation. To measure whether the project is viable, it is showed a range of analysis in this document. In market analysis, it shows that, based on the research, numbers of Asian overseas students coming into Australia which means the potential market is large and existed. Besides, the company would adopt different kinds of promotion strategies to attract customers and achieve sales and marketing objectives. In financial analysis, each shareholder donates \$20, 000 into the business and the company borrowed \$50, 000 from Commonwealth Bank with 5. 9% interest rate during the first three years. Based on some financial

assumptions, the company would finally make a profit of \$221, 394. 88 during the first three years. In the risk analysis, several categories are created and low market share and lack of customers are the most serious problems we may face. However, in achieving these goals, the company should also consider various areas such as value proposition, pricing and competitors. Besides, SWOT analysis indicates the weakness and threats which should be taken care of and think over.

We wish to achieve the following objectives during the first three years: * To achieve the annual sales growth of 20 percent per year in the first 3 financial years. * To achieve the average market share of 5 percent during the first 3 years. * To increase the target markets from Melbourne city to the whole Australia. Team member Profile Team member Image| | Yichong Zhang, the leader of our team, majors in accounting. His leadership and organization skills are helpful in completing our sections. He is responsible for the allocation the assignment based on each member's strength and then collected all parts.

He has professional accounting skills and did considerable contribution to the financial analysis in the project. | | Bingda Liu is doing the Bachelor of Business (Accounting). He is talented of quickly looking out significant information from a huge amount of data. As a student in Victoria University, Bingda always has been focusing on the subjects in an effort to improve his expert capacity. Meanwhile, he has participated varieties of voluntary and entertaining activities to know the local culture, as well as building social networks.

He has also joined the VU International Student Association to develop his individual works skills. Up to now, he gradually tries to shift the role from a participant to an organizer. | | Shuo Liu, a hard-working team member. She likes listening to others' ideas and then doing analysis compared with the information she searched. Her good thinking skills help us developing our project to the right orientation. She focuses on the spirit of cooperation and has ability to complete her part in efficient as well. | | Yufeng Shi, an active and energetic girl who always takes active parts in the team activities.

She connected the experienced staff to help us understand the main processes about our project. She is good at communicating with others so that she gets along well with other members and many conflicts are avoided. | | Ninan Qin, a diligence and efficient team member who is good at using computer. He is capable to collect our data and show them by the charts, graphs or tables. His logical thinking helps us design the flow charts about the actions we need to do. | | Mohan Liu, an initiative and creative person who always comes up with some new ideas.

Her widely knowledge helps us solve many practical and feasible problems. She is outgoing and active. She is full of passion to complete the part she undertaken. With her enthusiasm and positive attitude, our team becomes much livelier. | Business Plan Group Buying Website – Together Buy Lowest Price everyday! Prepared By: Team Skilful SIX Yichong Zhang Bingda Liu Shuo Liu Yufeng Shi Ninan Qin Mohan Liu Date Prepared: 21st May 2013

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1. 1 About the Company	

Together Buy (TB) is an Australian group-buying website, which mainly provides products and services that cannot be found in Australia for international students, especially for Asian area. It will operate from 1st Jan, 2014. Asian international students always face the problem that cannot find the goods which they can simply purchase in Asia. Therefore, TB is established to solve this problem by importing some special items from their nations. Besides, TB also cooperates with some relevant suppliers and obtains the product distribution rights in Australia.

The major shareholders of TB are six directors who have the equal shares of investment within the business.

service TB provides is selling particular products that cannot be found in Australia. The clients can simply get whatever they want by linking to the official website of TB to select items from the e-mall. Furthermore, if the customers have any specific requirements that do not display in the e-mall, they can also apply for a special appointment. The TB will provide those services the customers required as soon as possible when there are more than five same applications. . 3 The Market A target market can be defined as a group of clients that the business has determined to focus on its marketing efforts and merchandise (Kotler 1983, p. 6). The target market of Together Buy is providing some particular articles for daily use that can never be found in Australia. The annual sales are estimated as \$120, 837, \$214, 557, \$307, 236. 15 respectively from 2014 to 2016. The primary business can be further segmented as four specific elements such as: *

- * Beauty Products
- * Health Products
- * Clothing
- * Plastic products for daily use

1. 4 The Business Potential

In order to stand out from competitive market, TB requires keeping its own advantages. Specifically: *

- * Proving special individual service to people who have the particular requirements
- * Mainly focus on Asian overseas students.

Making the target market specific will shows the project more professional As the Australian education industry is increasingly developed, a huge amount of annual international students studying in Australia provides more development opportunities for TB. As a result, TB is going to carry on the previous business strategy that mainly concentrates on international students.

For the sake of attracting more customers in the future, TB expects to provide two sales models. * Pay the postage Customers can purchase the products and postage is not included. By selecting this model, customers will collect the TB points. Every product displayed on the interface has a specific value of point. When the points are accumulated to a particular amount, it can be seen as a voucher. * Postage involved Under this model, TB will not support the bonus point system during the purchasing process; however, the postage of products can be exempted for customers.

1. 5 Mission, Goals and Objectives

The estimated customer numbers is around 4300 in the first 12 month. * To achieve the annual sales growth of 20 percent per year in the first 3 financial years. * To achieve the average market share of 5 percent during the first 3 years. * The total cash out will be limited as \$131, 389. 01 in the first financial year and \$156. 587. 24 in the next year. * The net cash from operating activities will be \$-52. 01 during the first 12 month; however, it will sharply increase to \$81, 969. 76 in the year 2. * The revenue amount can be reflected by two aspects such as total sales and advertising to the suppliers.

The total sales (to sum up the cash sales and account receivable, see the details on 5. 3) is expected as \$120, 837 and \$214, 557 in the first and second financial years. The total advertising revenue is forecasted as \$10, 500 in the first 12 month and 24, 000 in the second financial year.

1. 6 Strategy

This table below shows the products range and the price for each of these classifications. TB will gain profits by achieving a high degree of page views. The more daily visits achieved, the more opportunities of merchandise being sold.

Indeed, as a group-buying website, TB is actually an agent which plays a role in promoting the supplier's sales volume of products. Additionally, Together Buy will be known by the masses through medium such as yellow pages, magazine advertisements, newspapers and TV commercials. Products|

Average price | Beauty products| \$ Cost*(1+10%)| Health products| \$ Cost*(1+15%)| Clothing | \$ Cost*(1+6.4%)| Plastic products for daily use| \$ Cost*(1+7%)| Particular demand| \$ Cost*(1+30%)| Note: Cost equals cost of

goods plus tariff 1.7 Business Structure TB is founded as a company which is going to operate as a horizontal organization structure. Executive Director Executive director is responsible for making significant decisions. This involves making out the operating strategies based on the information provided by the financial report, and bringing benefits to the firm. *

Programmer The main obligation of a programmer is the website designing and network maintenance. * Director of Advisory Services All the responses to the consultation from clients is going to be carefully considered by the advisory services director. * Support Services Director Overseeing all sorts of logistics support works * Financial Director

A financial director takes the responsibility of carefully checking the quarterly statement, preparing the financial budget and proving the annual financial report for us. * Administrative Assistant Administrative assistant takes the responsibilities for processing the daily transactions,

communicating with the perspective and current customers as well as formulating the schedule of operation. 1.8 Finance * Forecast turnover The total forecast turnover of the first three financial years is \$642,630.15. *

Forecast gross profit TB will generate approximately \$460,000 of the gross

profit. Sales+advertising income-cost of goods sold, see the profit & loss statement on chapter 5. 4) * Forecast net profit The net profit will be around \$240, 000 during the first 3 financial years. 2. The Market 2. 1 Industry Profile Group-buying provides service and products at a significantly reduced price on the condition which a minimum number of buyers would make the purchase customers get discount prices from retailers when a large group of people were willing to buy the same product. Group buying is a new phenomenon in Australia that has popped up over last 5 years. In 2011, the revenue from group buying market is \$615 million.

The annual growth is 168. 6% from 2008-2012 (IBISWorld, 2012). Nowadays, the products sold by group buying sites can be categorized as follows. From the research of Australia group buying market, nearly half of the customers are aged from 20 -29. These customers account for the largest market share. As the current group buying websites in Australia are mainly selling local products, we aim to establish a new website that focus on overseas students who come from Asia and the products we will sell mainly are beauty products, health products, clothing and plastic products for daily use. . 2 Competition Based on the research, Together Buy mainly has 3 competitors in group buying market. The biggest one is Groupon, a “ deal-of-the-day” website which was established in 2008 in America (Winkler, 2011). Scoopon is a local group buying website that follows the business model of Groupon. Groupgo is also a local group buying website, but the target customers are Chinese who live in Australia. Besides, the local supermarkets are also competitive to our project. Table for competitors of Together Buy | Groupon| Scoopon| Groupgo|

Products| Focus on health, fitness, beauty markets| Have deals of every shape and size| Various areas include food, travel, beauty, education. etc| Price| Nearly 50% discount| Average 70% off| Average 30% off| Promotion| By email or on the website| Direct connect to customer-Facebook, twitter| Internet-Facebook| Target market| -Companies-People have high ability of consuming, especially female| Australia market| China and Australia| Market share| -Have 500 markets around 48 countries-35million registered users| Over 2. million Scooponcers| Largest Chinese group-buying websites in Australia. -Have more than 50, 000 active members. | The barriers to entry the group buying market is not very high, because of online shopping is common today (Stafford, 2012). However, stable and qualified suppliers are the largest barrier for us. Before our company starts up, we will do a series of researches to evaluate different suppliers.

2. 3 Market Segmentation
Overseas students who come from Asia are the mainly target customers of our business. These customers can be segmented into four groups.

Their needs can be listed in the following table. Segment| Needs| Size (based on the first year sales)| Chinese students| * Beauty products * Plastic products for daily use * Clothing| \$60, 418. 50| Japanese and Korean students| * Clothing * Beauty products * Health products| \$18, 125. 55| Malaysian students| * Clothing * Health products| \$30, 209. 25| Other Asian students| * Clothing * Plastic products for daily us| \$12, 083. 70|

3. Sales & marketing plan
3. 1 Customers Our company mainly pays attention on the international students from Asia.

The reason is that the research shows the number of students studying in Australia will increase 30% from 400, 000 to 520, 000 until 2020. About 80%

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of Australia's international students are from Asia. (News King, 2013) That is, we have a lot of potential customers. According to the survey we found that many students hope to get the product they used in their country. The main points the customers pursue could be low price, high quality as well as the speed. As our customers are almost students, they do not have enough ability to afford high price product.

Also, because the products are delivered from overseas, if it takes a long time, we have a risk of losing customers. We list several factors the customers could focus on and rate the importance of them. Price| High| Quality| High| Packaging| Medium| Delivery speed| High| After-sales service| Medium| Friendly Staff (attitude)| Medium|

3. 2 Value Proposition Our website intends to offer the Asian international students a platform to gain the product from their home in order to make them feel warm and less missing hometown. Based on the brand values, TB prefers to provide various products with high quality and low price.

Our staff will upgrade the product constant and communicate with supplier to make sure the product they provide could have a high price performance ratio. In addition, we will give some advices to the customers according to what they bought so that they could get they like at the first time. We aim to provide quality product and service so that the customers satisfy and recommend to their friends.

3. 3 Product and Service The TB website mainly sells the product that unavailable in Australia, such as the hot water bag which is used to warm hands or body.

As different people living in different areas so that the product fit them may be different. People may not adapt the product in the Australia market. Therefore, we also provide some product such as cosmetics because many cosmetics sold in Australia are very oil which is not suitable for Asian's skin and there is little skin whitening product. Currently, many existing group buying websites and supermarkets take up a large share of the market. However, the product they do not have is a market gap which gives us an opportunity to develop our business.

Our business will consider the product expansion and development based on the customer's demand. No matter what changes we do, the key concept is to meet the customer's need. We decide to build a highlight communication system to collect the feedback. For the service, although we have no responsibility if a quality problem exists, we will still contact with the suppliers for the customers. 3. 4 Promotion An excellent promotion strategy will benefit to achieve the sales and marketing objectives. The promotion approach our group chooses includes advertising and personnel selling.

In first months, we employ some staff to send the leaflets in the university. Meanwhile, we determine to do some advertisements on the newspaper, magazines and the internet. In addition, to keep customers' interest, some topics are launched based on different seasons and holidays. When the customers consume certain money, they could become our members and enjoy the member price. Also, it is a good way to do survey about how they know our business regular so that we can change our promotion strategy and select the most efficient way. Actions & budget for promotion|

Action| Timeframe| Budget| Measure standard| Send leaflet and ask feedback| 2014. 1-2014. 6| \$2000| Feedback| Publish advertisements on newspaper& website| 2014. 1-2014. 6| \$8000| Do survey regular about how the customers know our business. | Brochures| Every month since 2014. 1| \$1080/yr| Do survey regular about how the customers know our business. | Yellow pages| Since 2014. 1| \$400/yr| Telephone survey| Web pages| Every month since 2014. 1| \$600/yr| Clicking rate| Development and maintenance of the website| Every month since 2014. | \$800/yr| Clicking rate| Send messages or e-mail about the product information to customers| Every month since 2014. 1| \$500/yr| Do survey regular about how the customers know our business. |

3. 5 SWOT Analysis Strengths| Weakness| -More kinds of product than competitors-Price advantage-High-standard product quality and service-Attractive promotion strategy-Professional and quality management team-Realize the demand of customers| -Lack of awareness because of new built-Limited number of staff-Limited start-up capital-Net profit may be low for the first few years. Opportunities| Threats| -Numbers of students choosing study in Australia is increasing-Attract new customer group-Expand firm| -Some laws may limit the entrance of product-Customers' preference and demand change-Physical shop is more convenient-Economic situation such as interest rate, exchange rate change|

3. 6 Sales and marketing objectives Sales objectives -Sell about 8000 items of product in the first year. -The sales revenue achieves 120, 000 by the end of 2014. -The annual sales increase by 20% -To achieve break-even at the end of 2016.

The table below shows the sales targets in the first year. | J| F| M| A| M| J| J| A| S| O| N| D| Total| Beauty product| 2360| 2888| 3106| 3136| 3311| 3485|

3642| 3817| 3992| 4010| 4185| 4360| 42292| Health product| 1348| 1650|
1775| 1792| 1892| 1992| 2081| 2181| 2281| 2292| 2392| 2492| 24168|
Clothing| 2023| 2475| 2663| 2687| 2838| 2988| 3122| 3272| 3422| 3437|
3587| 3737| 36251| Plastic products for daily use| 1011| 1238| 1331| 1344|
1418| 1494| 1561| 1636| 1711| 1719| 1794| 1869| 18126| Total| 6742| 8251|
8875| 8959| 9459| 9959| 10406| 10906| 11406| 11458| 11958| 12458|
120837|

Marketing objectives -Customers satisfaction rate to our product and services achieve to 90% every year. -By the end of 2014, to keep 20 companies to supply product. -To persuade 10 new companies to join us every year since 2015. -To achieve an average market share of 5% by the year 2016. -To make the brand awareness increase sustainably. 3. 7 Sales and distribution As group-buying website is an e-commerce service which provides a platform for the manufacturers and customers. We are treated as the third party agent. The customers choose our service mainly through the internet.

Therefore, the distribution method of our business is similar with direct distribution. With this approach, the cost of commission and the time of order could be reduced so that we can get more orders and the total cost per order is lower. In a word, internet is the most cost and benefit efficient channel for us. 3. 8 Pricing Our business's price is determined based on the income level of target customers combined with the price of competitors. As our target customers are international students who are only get money from their parents or part-time work. Therefore, they could prefer the product with lower price.

Also, the products we provide are variety so it is a little difficult to set a certain price for every item. We just decide to make a 30%-40% off for the majority. In addition, the members can get more 5% off than others. The market-based prices are almost lower than our competitor's so that we could have a price advantage.

4. Operation Plan

4. 1 Business Model

Our company is a group buying website that selling the overseas students demand products. On the first stage of our business process, we will do a number of researches among Asian students on the topic of what kinds of products are the ones they want to buy from their mother country.

Then, we would like to connect with suppliers in Asia to persuade them to provide their products at a discount price on our website. This is a good chance for them to entry a new market, and helps them to promote themselves in Australia. Next, we put these products on our website. After customers click on the button “ Buy now”, the order is created. If the number of customers achieves the minimum number, suppliers will deliver products from Asia to Australia and distribute them to customers. The payment will be transferred to our account, and then we will pay to suppliers.

The whole buying process is completed. If the minimum number not be achieved, the order would be cancelled. But the record of who is willing to buy this item will be reserved. We will send emails for apology and inform them when the product will be sold again on our website. In addition, if customers have some special demand, they could connect with us. We will provide a special order if the amount of customers is enough.

4. 2 Premises, Plant and Equipment

Together Buy is an online shopping company so we only need basic equipment.

We plan to rent an office with a small warehouse in north areas where numbers of warehouses are located. The rental of an office with a small warehouse will cost about \$1, 625 per month (Realcommercial, 2013). Professional computers and electric equipments are the most important physical equipments for us. We will spend around \$3, 890 to buy these equipments. Furniture like chairs, shelves and tables are also needed. We still need to purchase some basic office products like printer, fax machine, papers and so on. The last on is we need to create a website and register a domain.

The website would cost the company \$95 per month and the domain registration will only cost \$84 for 3 years in Australia. 5. Finance Plan 5. 1 Capital Requirements and Funding Proposal In this project, the capitals include equity investment and loans borrowed from bank. The equity investment is the money issued by the six team members. For the bank loan, based on our research, we would like to choose the BetterBusiness Loan from Commonwealth Bank. In this loan package, it requires the loanee to borrow a minimum \$50, 000 loan with different interest rates over 7 years.

It also requires: * The business details (such as income, the total value of assets and liabilities and monthly expenses) * The account details (name, address, phone number, email address and how much money you like to borrow) | WESTPAC| COMMONWEALTH| ANZ| NAME OF LOAN| Business Loan| BetterBusiness Loan| Business Loan| BUSINESS LOAN RATE (Interest rate p. a.)| | | Variable Rate| 7. 51%| 8. 93%| 7. 91%| | | | Fixed Rate (Terms)| | | 1| 6. 08%| 5. 89%| 6. 25%| 2| 5. 65%| 5. 89%| 6. 30%| 3| 5. 79%| 5. 89%| 6. 49%| 4| 6. 50%| 6. 09%| 6. 67%| 5| 6. 71%| 6. 9%| 6. 88%| 7| 6. 68%| | 6.

83%| 10(Agribusiness)| 6. 97%| | 7. 12%| (Based on Westpac, Commonwealth and ANZ Website) Therefore, the equity investment equals to \$120, 000 (each member donate \$20, 000) and we borrow \$50, 000 from bank with 5. 89% interest rate for the first year. 5. 2 Financial Assumptions Financial assumptions are important and necessary to those companies which have not set up yet. Based on the following financial assumptions, we could estimate the financial income and costs which are related. The Initial Assumption * The whole economy is strong.