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## Executive Summary

Betterbuy.com is an e-commerce start-up company positioning itself to become the market leader in offering online merchants and consumers a uniform and trouble-free way to return merchandise purchased online. The company offers a business-to-business solution to online merchants of physical products. The company utilizes a consolidation approach in handling all product returns that allows online merchants to instantly save bad sales, restore customer satisfaction and stimulate repeat sales, while offering consumers ease of search with the camera AI we are implementing and a convenient, centralized online location to claim returns. By creating a new service category and utilizing the first-mover advantage, Betterbuy.com positions itself for rapid growth and gains a strong opportunity to raise entry barriers for possible competition.

**The Market**

E-commerce continues to accelerate and the amount of money spent on purchases made through the Internet shows no sign of decline. During the past holiday season (November 20 to December 19), retailers saw online revenues quadruple, jumping 300% to about ₦11 billion and far exceeding expectations, according to a study by Shop.org and Boston Consulting Group. The study of 30 retailers in such categories as apparel, books and music, home and garden, specialty foods and electronics showed a 270% growth in the number of orders. The study indicated that online sales were growing at 145% annually and it projected online retailer revenues of more than ₦36 billion for last year. An earlier study conducted by Ernst & Young, before the holiday frenzy, already estimated that total revenues for online retail and consumer products for the calendar year just completed were around ₦25-30 billion. Currently, the average rate of returns for Internet-based companies is 9%. In the coming year the value of returned merchandise was ₦1.5 billion. This indicates an amazing opportunity.

**Service Offerings**

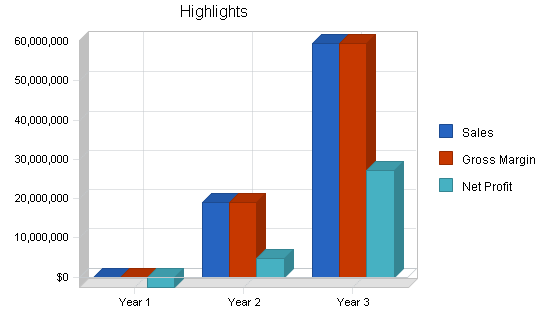
Betterbuy.com's services streamline the entire return process for retailers. They allow retailers to outsource a large part of their business, allowing the retailer to concentrate on their core competencies and not get distracted with activities that add little value. Betterbuy.com will reduce capital expenditures of a company that uses their services, increase customer service of the retailer, increase sales opportunities, increase revenues, and improve inventory management. Customers will benefit by having a convenient, easy way to return their purchases as well as the ability to track their returns.

**Keys to Success**

Betterbuy.com has three ambitious and obtainable keys to success. The first is the development of a customer service / customer satisfaction software application. This robust software will be Betterbuy.com's engine that ensures a seamless management of all of their business activities. Their second key is the formation of strategic relationships with online merchants, shippers, and credit card companies. The relationships with merchants will allow Betterbuy.com to quickly grow their customer base of retailers served. Alliances with shipping companies will be formed since the actual cost of shipping is their largest cost driver. Partnerships with credit card companies will allow Betterbuy.com to offer the respective cards as the preferred credit card thereby generating an additional source of revenue.

**Financials**

Betterbuy.com's financials are conservative yet quite promising. Once they are up and running and sign up some merchants as customers, Betterbuy.com will quickly gain momentum and generate impressive sales. Revenue for year two will be ₦19 million, climbing to ₦59 million by year three. Net profit for these years respectively will be ₦4.7 million and ₦27.3 million. Even more impressive is Betterbuy.com's net profit margin. Year two will only see a net margin of 25%, but the following year will see a sustainable 45%. Betterbuy.com will be creating a new service category leveraging their first mover status and seizing the incredible market potential of Internet-based retailers.



**1.1 Objectives**

The ultimate benefit of the program is that it enhances the overall image of the online merchant. Consumers demand not only convenience but a peace of mind. The proposed program offers both, and it will increase the number of online shoppers, thus causing a market expansion for online merchants. The first retailers who implement the proposed program will also be able to differentiate themselves and capture larger market shares in their respective segments. Once embraced by the majority of retailers, the program will become an industry standard. Due to lack of current competition, Betterbuy.com has the first-mover advantage and is well positioned to establish itself as the leader in the newly created service category. Betterbuy.com therefore has an enormous upside potential and is poised for rapid growth. By securing agreements with companies such as AOL.com and Yahoo! that host large numbers of merchants, Betterbuy.com will raise high entry barriers for possible competition and will significantly minimize the replication factor.

**1.2 Positioning Statement**

Betterbuy.com strives to position itself as a strategic partnership between online merchants, Web hosting companies and portals, shipping companies, and online payment agents such as credit card issuers. Due to demand aggregation, the strategy will produce reduced or totally free shipping of returned merchandise to consumers. This differentiating element will multiply the consumer acceptance factor and will draw more revenues to all participating companies. The proposed program is therefore a win-win solution to all parties involved. Moreover, the software architecture and website format will be wireless-friendly thus designing the service in such a way that consumers will later be able to easily use it via cellular phones and other personal wireless devices.

**1.3 Keys to Success**

In order for the company to operate, a number of specific ingredients are needed. Following are things to put in place before the service can be offered.

1. Develop a customer service & customer satisfaction software application that uses order number (of a merchandise item) and merchant's Web address to:
   * Retrieve all pertinent information on a participating merchant.
   * Match appropriate return procedures against the returning item.
   * Present procedures to the consumer in the most concise format.
   * Provide reference to the merchant's entire return policies if requested.
   * Inform the merchant of the entire transaction as it occurs.
   * Gain authorization from the merchant to return merchandise if needed.
   * Present the merchant's website to consumer for selling opportunities.
   * Provide confirmation emails to the customer of the actions taking place if requested.
   * Interact with the merchant's database for further customer details if needed.
   * Maintain a record of the transactions for the company's own database.
2. Develop successful relationships with online merchants to facilitate exchange of information.
3. Develop strategic alliances with online merchants, shipping companies, and credit card issuers to negotiate reduction or elimination of the shipping costs to consumers on returned merchandise.
4. Design, maintain, and promote a user-friendly website, the corporate trademark, which offers an easy and trouble-free merchandise return procedure for consumers.

**1.4 Mission**

Our mission is to enhance customer service of online merchants, boost their customer retention and increase their sales. We strive to improve the overall image of the online merchant and therefore stimulate growth of online shopping. We put our efforts to increase customer satisfaction when consumers deal with retailers, to enhance the interaction process when retailers communicate with consumers, and to streamline the problem resolution order in all possible ways.

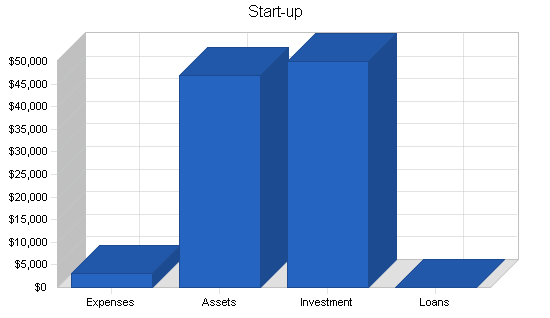
## Company Summary

The vision behind the company is to provide a return service that is safe, convenient, and easy to use.

### 2.1 Start-up Summary

Betterbuy.com is currently looking for early-stage funding and strategic partnerships to execute the program. The company plans to raise up to ₦2.6 million in two rounds of financing during Year 1, along with securing access to additional ₦1.4 million for the cash flow purposes, before making its program fully available to online merchants and consumers. The preliminary rollout timing is set for Thanksgiving this year. Based on conservative financial projections, the company will become profitable from early Year 2. The dual-pricing strategy generates solid net income and nearly eliminates the downside risks. By Year 5-end, the ₦4 million investment will produce ₦150 million in cash flows, all internally generated. The company can go public as early as Year 2. Should an IPO be undertaken at Year 3-end, the financial standing of the company should support a market capitalization of more than ₦1.4 billion.

The table below outlines the start-up expenses.



|  |  |
| --- | --- |
| **START-UP REQUIREMENTS** | |
| Start-up Expenses |  |
| Legal | ₦200 |
| Stationery etc. | ₦50 |
| Brochures | ₦450 |
| Consultants | ₦0 |
| Insurance | ₦100 |
| Rent | ₦500 |
| Research and development | ₦400 |
| Expensed equipment | ₦1,100 |
| Other | ₦200 |
| **TOTAL START-UP EXPENSES** | **₦3,000** |
| Start-up Assets |  |
| Cash Required | ₦47,000 |
| Other Current Assets | ₦0 |
| Long-term Assets | ₦0 |
| **TOTAL ASSETS** | **₦47,000** |
| Total Requirements | ₦50,000 |

.

|  |  |
| --- | --- |
| **START-UP FUNDING** | |
| Start-up Expenses to Fund | ₦3,000 |
| Start-up Assets to Fund | ₦47,000 |
| **TOTAL FUNDING REQUIRED** | **₦50,000** |
| Assets |  |
| Non-cash Assets from Start-up | ₦0 |
| Cash Requirements from Start-up | ₦47,000 |
| Additional Cash Raised | ₦0 |
| Cash Balance on Starting Date | ₦47,000 |
| **TOTAL ASSETS** | **₦47,000** |
| 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 |  |
| Co-owner | ₦25,000 |
| Co-owner | ₦25,000 |
| Other | ₦0 |
| Additional Investment Requirement | ₦0 |
| **TOTAL PLANNED INVESTMENT** | **₦50,000** |
| Loss at Start-up (Start-up Expenses) | ( ₦3,000) |
| **TOTAL CAPITAL** | **₦47,000** |
| **TOTAL CAPITAL AND LIABILITIES** | **₦47,000** |
| Total Funding | ₦50,000 |

### 2.2 Future Financial Predictions

The company anticipates to start approaching potential investors in February of this year. The first round of finance needs is estimated at approximately ₦600,000. The funds will be used to develop the core of the proprietary software program, begin designing the website, test-market the service, and set up corporate headquarters. Also, recruitment of the key sales representatives will begin and major strategic alliances initiated.

The second round of financing is estimated at ₦2 million and should take place in the Summer Year 1. The funds will be used to fully cover the software, systems and website development; test-run and fine-tune the operational process; provide necessary staffing; and start the industrial marketing campaign. The company plans to offer its services right before Thanksgiving of this year. As part of the promotion, and to simplify accounting for revenues, services for the remainder of Year 1 will be offered free of charge and no revenues will be recorded during that year.

According to the financial statements, the company will need to raise ₦2.6 million during the two rounds of financing. At the same time, the company may need to have access to additional ₦1.4 million to support adequate cash flows during the early stages.

An exit strategy for the primary investors will be the initial public offering. The company may go public as early as Year 2. According to the financial statements, however, the company is capable of supporting growth internally, as well as generating sizable cash flows. It may be prudent to go public at Year 3-end when the company will have substantial revenues that should support a market valuation of more than ₦1.4 billion. The funds raised during the IPO will be used to further strengthen the market leader position, raise entry barriers through continuing brand-building programs, establish a more bureaucratic corporate structure, fund expansion initiatives, and to retire any financial obligations created during the first two rounds of financing.

The company has no immediate plans for acquisitions. Neither has it a preferred list of potential acquirers. Although all reasonable offers will be considered, the company plans to utilize the first-mover advantage to establish itself as the market leader and to remain a stand-along corporation for the foreseeable future.

## Services

The service offered by the company simplifies and streamlines the entire product return procedure. By accessing the Betterbuy.com website consumers can claim product returns in a quick and trouble-free fashion. The only necessary inputs are merchant's domain name, item's order number, consumer's last name (for verification only), reason for return, and preferred way to resolve the issue (refund, replacement, or exchange). Betterbuy.com serves as a centralized online location that matches the return policy of a given merchant against the returning item, obtains authorization if required by merchant, and assists consumers in following the return time frames. The company's website also generates and prints a return label to ease the shipping process for consumers.

### 3.1 Service Guarantee

It is important to note that during the interaction process with consumers, Betterbuy.com does not ask for or tries to obtain consumer's credit card numbers. The company therefore avoids consumer security concerns and substantially limits its possible liabilities.

**Order Process**

Only two input variables are needed to easily find the merchant and identify a particular merchandise item. The customer's last name is asked for verification purposes only.

Betterbuy.com website serves as a centralized online location for consumers to claim and process returns for participating merchants. As online shopping continues to grow, the added convenience of one single online destination to do returns for multiple merchants will increase. At the same time, participating merchants will place Betterbuy.com banner on their pages under return policies so that consumers could access the service directly from there. That way the domain name of the merchant will be pre-entered and the initial step even further simplified.

In case the merchandise was sent as a gift to another person who does not have access to the Internet, a toll-free telephone number will be provided to call in. An operator, with access to the Internet, will use the same exact sequence of onscreen entries and will relay options and procedures to the customer over the phone.

**4.1 Order Number**

The order number should ensure that the right item is identified. However, it is possible that the customer has ordered a few similar items but only wishes to return one of them, or the order number included multiple items. Hence a modification option is added to address that. In case the order number was assigned to a shipment that included multiple items, all items will be displayed and the customer will be asked to select those they wish to return.

In case a wrong item is identified, the customer will be taken one step back and asked to re-enter the initial information.

**4.2 Return Policies**

Once the item has been identified, the return policies that apply to that particular item will be retrieved. Betterbuy.com will summarize the return policy to the point of available options. This means that based on the item (regular merchandise, on-sale merchandise, etc.) different return options and procedures may apply. The customer will be given the shortest description of what needs to be done and when.

While some merchants have "no-questions-asked" return policies, others require justification to return merchandise. For the purposes of uniformity and the reasons described below, the customer should courteously be asked to provide reasons for return. The answer format is quite simple (check marks and short narrative) and it eliminates much of the ambiguity. The narrative part is also a chance for consumers to "vent out" their concerns or frustrations.

The customer will be given three options to resolve the issue: exchange, refund, or replacement. During this stage the merchant is informed that a particular item is claimed for return and why. In case of exchange or replacement, the merchant receives an invaluable opportunity to instantly sell another item to the customer (the merchant's website will appear onscreen for selection and shopping). Should the reason be incorrect or defective item, the merchant can send the correct/new item right away, thus instantly restoring customer satisfaction and saving the sale. The terms of the new sale are up to the merchant to decide (charge customer's credit card right away, give grace period for the returning item to arrive, etc.)

An option to look up the merchant's entire return procedures will also be given to consumers. A link will be established that brings up the page containing return procedures in a separate window. Once reviewed, the window can simply be closed.

**4.3 Return Label**

Once the merchant has authorized the return, if required, the customer will be asked to print the return label for shipping. If customer does not have access to a printer, a larger view of the label will be presented onscreen for the customer to copy down necessary information. The customer may also be given an option to make adjustments to certain information on the label before printing it. The label will have the merchant's address (destination where the returning item should be forwarded), returning item's identification (Returned Merchandise Authorization Number), the customer's return address, and possibly tracking and payment information for the shipping company. The customer will also be advised on refund, exchange, or replacement options, and when it will occur.

Since some companies already include pre-printed return labels in all shipments, the printing step may be skipped. But because consumers sometimes lose or throw away enclosed labels, the online print version will always be there as a backup thus adding convenience and peace of mind. More importantly, Betterbuy.com will strike strategic alliances with shipping companies to take and deliver all returned items so the printing of the labels will add uniformity to the entire return process. The label can then incorporate the shipper's information, and as a consolidator and demand aggregator of all returns Betterbuy.com will be able to negotiate a rate reduction.

As an add-on to its customer service, Betterbuy.com will offer an email reminder service to ship the claimed item. It may also offer customers a confirmation email to record the claim. Customer's email address will then be asked for. For its own database purposes, Betterbuy.com will record all transactions and details thereof.

Once the customer has finished the online entry process, the merchant's website will appear where the merchant will be able to approach consumers with new sales offers. This will be an additional selling opportunity for the merchant, which is part of the overall Betterbuy.com service.

**4.4 Sequence of Process**

The list below describes the sequence of actions taking place during the return process.

1. Consumer claims an item through Betterbuy.com.
2. Betterbuy.com gains merchant's authorization, if required, and alerts the merchant about what is claimed for return and why.
3. Merchant tries to save the sale by offering a replacement or other products.
4. Consumer makes a new purchase, unless refund is demanded.
5. Betterbuy.com generates a return label for the returning item.
6. Merchant's website appears again to offer new products to the consumer.
7. Consumer makes a new purchase.
8. Consumer ships back the returning item.
9. Shipping company delivers the item to the merchant.
10. Consumer buys more from the merchant knowing that the return process is easy and trouble-free.

**Benefits Summary**

At Betterbuy.com, we feel we provide a value-added service to a variety of consumers. By having a safe and easy-to-use return service, the company benefits more people than simply the average customer.

**5.1 Benefits to Merchants**

* Increase revenues! Betterbuy.com turns the systemic problem of product returns into new selling opportunities.
* Enhance customer satisfaction and retention with the quick and easy return process and boost repeat sales! Betterbuy.com provides the opportunity to instantly deal with returns, save bad sales, and turn unhappy customers into loyal patrons.
* Improve customer service with a simple, trouble-free way to return merchandise! Betterbuy.com makes it easy for consumers to return products and follow return procedures.
* Simplify the shipping hassle for consumers! Betterbuy.com provides the option to print a shipping label since pre-printed labels sometimes get lost or misplaced, which provides added convenience and peace of mind to consumers.
* Improve inventory management and logistics! Betterbuy.com immediately alerts you when your customer initiates the return process so that you can act on it right then, not when the merchandise arrives at your door.
* Fine-tune your internal efficiencies and product offerings! Betterbuy.com provides you with invaluable new data on all your product returns by customer group, product category, etc., so you can analyze your operations better.
* Enhance your image! Betterbuy.com underscores your customer orientation, which you can use to promote your business.

**5.2 Benefits to Consumers**

* Return merchandise with ease! Betterbuy.com provides one centralized online location with a simple and trouble-free way to return merchandise in just a few easy steps.
* Buy online, return online! No need to call in or email your merchant if authorization is required--Betterbuy.com does the communication for you.
* No need to look up every single merchant for return policies every time! Betterbuy.com summarizes it for your particular item and makes sure the return time frames are followed.
* Generate a shipping label! Betterbuy.com generates a shipping label for you so that you do not have to worry about misplacing the pre-printed label or spending extra time at a shipping company's counter if the pre-printed label is not included.
* Reduce or eliminate shipping costs! Through strategic alliances, Betterbuy.com reduces or completely eliminates the cost of shipping.
* Keep track of your returns! If you would like, Betterbuy.com will remind you to ship the claimed item and will maintain a file of your returns for your records.

**5.3 Benefits to Online Community**

* Increase awareness in the community! Betterbuy.com serves as a "returned merchandise credit bureau," providing discrete information to consumers on merchants and to merchants on consumers.
* Cross reference marketing leads! Betterbuy.com maintains a database of purchases that help custom-target online buyers in a more efficient way.
* Improve the overall image of the online merchant! Betterbuy.com enhances customer service of online merchants and overall customer satisfaction by simplifying and streamlining the return process.

**Competition**

The company foresees three types of competition for the services we offer:

1. Direct
2. Internal

These types of competitors are discussed in the following two sections.

**7.1 Direct Competitors**

Based on the current intelligence, there is no independent company out there specializing in a "returned merchandise" service to online consumers. No single company is known to be employing a concept of establishing a single point of presence on the Internet for consumers to claim returns. The current situation allows the new company to gain the first-mover advantage and build entry barriers for any possible new entrants.

**7.2 Internal Competitors**

The first competitors to the new service are the online retailers themselves. Since Betterbuy.com will need to strike partnerships and strategic agreements with retailers in order to offer its services, they are classified as internal competitors. Retailers may perceive that their internal return procedures are adequate and fully meet customer demands. However, the discussion under the Need Assessment section of this plan clearly indicated that there are significant drawbacks and shortcomings in the return process across the entire industry. Even companies like Amazon.com that touts a quick and easy return policy now sees its customers go to Barnes & Noble superstores to return books. Partnering with brick-and-mortar retailers may be seen as a solution by some e-tailers. However, from the consumer perspective, there still will not be a centralized location to return merchandise, no quick and easy return procedure, and no savings on shipping costs. Consumers may end up having to go from one physical retailer to another to return various items.

Online retailers may try to partner with carriers and service providers such as UPS, Mail Boxes Etc., or Rite Express. Reportedly, eBay.com is working out an agreement with Mail Boxes Etc. to appoint them as a preferred/exclusive service for product returns. eBay.com may receive rebates per shipment for directing its clients to Mail Boxes Etc., but consumers again will have little or no benefit. The standard shipping rates are applied, the choice of carriers is now limited, and online merchants are not informed about product returns ahead of time so that bad sales could be saved. With Betterbuy.com, at least one selling opportunity will be given to retailers while consumer is on the Web--something a partnership with a carrier cannot provide. Moreover, serving as a demand aggregator Betterbuy.com should be able to arrange necessary agreements and provide consumers with greatly reduced, or even free, shipping for all returned merchandise.

**Strategy and Implementation Summary**

The company will utilize a dual-pricing approach to ensure a recurring revenue model. Online retailers will be charged a flat annual or quarterly program fee based on their sales volume, product categories, and specific return conditions ("no-questions-asked" or prior authorizations required, etc.). The company will also collect payments in a form of a fixed percentage charge on all items claimed for return through its website.

Before getting into details about pricing, an important perception issue needs to be discussed. Presently, only few online retailers offer free shipping with purchases. For the returned merchandise, in most cases the retailers reimburse shipping costs only if an incorrect or defective item was delivered. (Sephora, a retailer of beauty products, offers free returns on all online purchases regardless.) In many instances shipping and handling costs represent a large percentage of the selling price. Most retailers therefore may not see free shipping of returned merchandise economically possible. However, it is financially feasible to offer free returned merchandise shipping to consumers at a nominal cost to retailers. The following table displays four sample companies in different product categories that differentiate in average price per unit sold and average shipping cost.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Book/CD/Video | Toy/Game | Electronic | Computer |
| Total Sales | ₦10 million | ₦10 million | ₦10 million | ₦10 million |
| Avg Price/Item | ₦12 | ₦35 | ₦180 | ₦1,000 |
| Items Sold | 833,333 | 285,714 | 55,556 | 10,000 |
| Returned Item Rate | 9% | 9% | 9% | 9% |
| Items Returned | 75,000 | 25,714 | 5,000 | 900 |
| Avg Shipping Cost | ₦4.50 | ₦6.00 | ₦15.00 | ₦60.00 |
| Total Shipping Cost\* | ₦337,500 | ₦154,286 | ₦75,000 | ₦54,000 |
| TSC as % of Sales | 3.38% | 1.54% | .75% | .54% |
| Markup Per Item | ₦.40 | ₦.54 | ₦1.35 | ₦5.40 |

\*Total Shipping Cost (TSC)

The amount of total sales is set at ₦10 million for each company and any change in the amount would not influence the important percentage and absolute figures. The average price per unit is based on general observations and is a simple representation of various prices in an increasing order. The average shipping cost is the actual UPS ground rate for the corresponding product category on average.

According to the previous table, for online retailers that sell books, CDs and videos to cover shipping costs of all returned merchandise will only cost 3.38% of their total sales. For a toy company, the cost will only be 1.54%. Companies such as Beyond.com and eToys were recently spending over 80% of total revenues on sales and marketing programs alone. Even if most of the marketing budget is dedicated to customer acquisition, a customer satisfaction and retention program can still be easily allocated for. Even if an online toy merchant decides not to allocate any of the marketing budget money to this program, to fully cover the shipping costs it will only have to raise the average price of an item by 54 cents. An online computer retailer with an average unit price of ₦1,000 will only have to add ₦5.40 to the list price. Or it only has to allocate an equivalent of 0.54% of total sales to cover the total shipping costs. In the majority of cases the retailers will have to reimburse the shipping costs to consumers anyway. According to a study conducted by PC Data Online, 30% of all returns were due to the item being broken, 28% because of an incorrect item was shipped, and only 22% because the customer did not want the item.

**8.1 Pricing**

The following table presents the proposed allocations to cover the shipping costs so that consumers could enjoy free returned merchandise shipping.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Books/CD/Video | Toys/Games | Electronics | Computers |
| Average Price Per Item (API) | ₦12 | ₦35 | ₦180 | ₦1,000 |
| Average Shipping Cost (ASC) | ₦4.50 | ₦6 | ₦15 | ₦60 |
| Merchant's Share of ASC, 65% | ₦2.93 | ₦3.90 | ₦9.75 | ₦39 |
| Shipping Company's Share of ASC, 20% | ₦.90 | ₦1.20 | ₦3 | ₦12 |
| Credit Card Company's Share of ASC, 5% | ₦.23 | ₦.30 | ₦.75 | ₦3 |
| Total Shares of ASC, 90% | ₦4.05 | ₦5.04 | ₦13.50 | ₦54 |
| Betterbuy.com Rebate, 4% of API | ₦.48 | ₦1.40 | ₦7.20 | ₦40 |
| Total Allocations | ₦4.53 | ₦6.80 | ₦20.70 | ₦94 |
| ASC Coverage Ratio | 101% | 113% | 138% | 157% |

Betterbuy.com will strive to eliminate the shipping costs to consumers by means of strategic agreements with online merchants, shipping companies, and credit card companies. As stated in the last quote, 58% of all product returns were due to merchants' faults, hence merchants will have to reimburse shipping costs to consumers in those cases. Betterbuy.com therefore proposes that 65% of a given shipping cost should be allocated to corresponding merchants. Due to demand aggregation, the company will be able to negotiate a shipping rate discount with companies such as UPS or FedEx. Hence 20% of shipping costs should be allocated to shipping companies in a form of a discount. Credit card issuers such as Chase and BancOne currently offer a 5% rebate to consumers on purchases with selected online merchants. It is therefore feasible to arrange an agreement with credit card companies and/or issuers to include a 5% shipping cost rebate on all returned merchandise. Since product returns are only 9% of all purchases, it will not represent a large cost to credit card companies to add this differentiating feature to their products. These allocations in total will cover 90% of the shipping cost. The remaining 10% will be absorbed by Betterbuy.com via a special "instant rebate."

Betterbuy.com will charge merchants a program fee that will average only 0.5% of a given merchant's total sales. Also, the company will charge a low per-claim fee of 12% of each item's listed price (each item that has been claimed through the company's website). However, of the 12% charged per item, up to 4% will be instantly given back to merchants to cover the remaining portion of the shipping cost. The previous table indicates that the 4% rebate is sufficient to cover the remainder of the shipping cost in the first product category. It is actually far more than sufficient in other product categories (refer to ASC Coverage Ratio). Betterbuy.com can then decide whether to offer merchants a reimbursement of the remaining portion of shipping costs only or a flat 4% "instant rebate" regardless of shipping costs. For the purpose of this business plan and financial projections, a flat 4% "instant rebate" was used thus reducing the per-claim fee from 12% to 8% across the board.

As it was stated in a prior chapter, retailers should see an average sales increase of at least 15% due to the service offered by the company. On the other hand, based on the proposed pricing structure the service should not cost merchants more than 1.5% of their total revenues. The cost-benefit ratio of 10 will be a strong promotional point for Betterbuy.com.

While it is a possibility to charge merchants commissions on all sales made through the company's website (when consumers claim their returns), it would not capture all sales stimulated by the company. The program will increase consumer satisfaction and loyalty. However, when consumers start buying more due to the program's effect but dealing directly with the merchant, the company will not receive any commissions and will in effect be giving its services away for free. Hence both fees charged should fully reflect the benefits of the easy-return procedure, early information on all returning items, restored customer satisfaction, selling opportunities created during the claim process, and all repeat sales thereafter.

The company also plans to draw revenues from advertising on its website, but for the purpose of this business plan advertising revenues will be considered negligible. A fee/rebate agreement may be arranged with such companies as UPS and Mail Boxes Etc. for bringing customers to them for shipping needs. Other revenue generating activities such as affiliate programs with VISA, American Express, or Citibank can be arranged to promote certain credit cards as a preferred method of payment online. Those revenues will also be omitted in the financial projections. Once the company has generated a sufficient customer database, it may also market information to retailers and other organizations for a fee. Any fees and payments Betterbuy.com could generate from consulting activities in the field of product returns will not be included in the financial projections either.