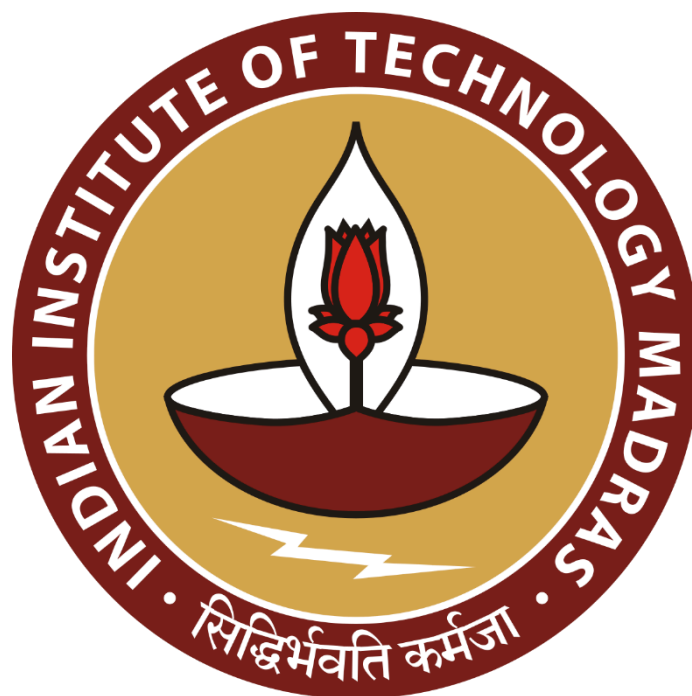# Enhancing Profitability by Combining Online Sales with Traditional Vendor Channels

A Proposal report for the BDM capstone Project

Submitted by

Name: Aaditi Menon

Roll number: 24F1002623

IITM Online BS Degree Program,

Indian Institute of Technology, Madras, Chennai

Tamil Nadu, India, 600036

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Declaration Statement

I am working on a Project titled "**Enhancing Profitability by Combining Online Sales with Traditional Vendor Channels**". I extend my appreciation to **Ms. Sanhita Badki,** owner of **Kamalai Organics**, for providing the necessary resources that enabled me to conduct my project.
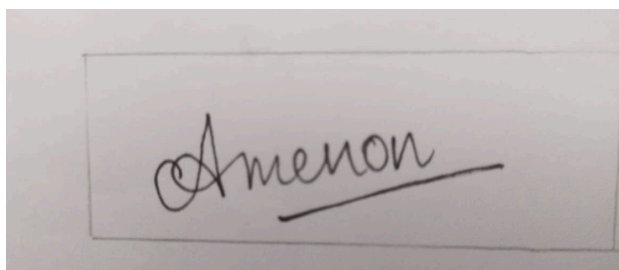
I hereby assert that the data presented and assessed in this project report is genuine and precise to the utmost extent of my knowledge and capabilities. The data has been gathered from primary sources and carefully analyzed to assure its reliability.

Additionally, I affirm that all procedures employed for the purpose of data collection and analysis have been duly explained in this report. The outcomes and inferences derived from the data are an accurate depiction of the findings acquired through thorough analytical procedures.

I am dedicated to adhering to the principles of academic honesty and integrity, and I am receptive to any additional examination or validation of the data contained in this project report.

I understand that the execution of this project is intended for individual completion and is not to be undertaken collectively. I thus affirm that I am not engaged in any form of collaboration with other individuals, and that all the work undertaken has been solely conducted by me. In the event that plagiarism is detected in the report at any stage of the project's completion, I am fully aware and prepared to accept disciplinary measures imposed by the relevant authority.

I understand that all recommendations made in this project report are within the context of the academic project taken up towards course fulfillment in the BS Degree Program offered by IIT Madras. The institution does not endorse any of the claims or comments.

Signature of Candidate:

Name: Aaditi Menon

Date: 11th July, 2025

Executive Summary

Kamalai Organics, located in Yavatmal, Maharashtra, is a small-scale business that sells coconut oil infused with herbs like Bhringraj. It mainly operates in the B2B segment, with a portion of as small as 2% of the total sales in the B2C market. The business primarily serves people in beauty salons, grooming-wellness companies, and home-based sellers.

The owner shared that the business's main difficulty is irregular ordering frequencies from vendors and fluctuating demand across seasons. Moreover, the business heavily depends on a limited vendor network and platforms like Amazon. Online sales on Amazon are completely unavailing if prior advertising and marketing are not done. All these factors guide production planning and cash flow, making it difficult for the business to be sustainable.

The core purpose of this project is to help Kamalai Organics reduce its dependency on vendor networks and improve its direct customer engagement strategies, which can be done by exploring a direct-to-consumer (D2C) website. By collecting and analyzing past data on sales, production expenses, and vendor orders using tools like Excel and PowerBi, the project aims to stabilize demand and order frequency.

Through the use of these measures, the business may lessen its reliance on vendor networks and overcome fluctuations in demand and order frequency. The main objective is to strengthen direct customer interaction and boost profit.

Organization Background

Kamalai Organics, based in Yavatmal, Maharashtra, is a small business that offers coconut oil added with organic herbs like Bhringraj. It was founded in September 2023 by Ms. Sanhita Badki, a first-generation entrepreneur. The brand is well known locally for its organic hair oil.

The business supplies its products to salons and home-based sellers, mostly women vendors, operating primarily in the B2B segment. The pricing of each bottle of hair oil is kept affordable for resale, making the product more economical.

The business has built a loyal customer base among local vendors who value natural and chemical-free products. The business is currently run by Ms. Sanhita, who is trying to explore ways to grow the business and promote sustainable and eco-friendly ways to sell organic hair oil.

Problem Statement

Although the owner has an understanding of vendor demand cycles and market trends, the business still faces some challenges. The following are the main areas where problems are identified:

1. **Analyzing the excessive reliance on vendor networks and limited direct customer reach:**
   - Heavy dependence on about ~20 vendors and little to no direct customer sales has impacted limited brand growth.
2. **Acknowledge the effects and related expenses of platform dependency:**
   - Selling on platforms like Amazon adds platform fees to the expense, but it does not guarantee sales if not advertised properly.
3. **Evaluating irregular ordering patterns and fluctuating demand:**
   - Vendors place orders according to their customer demands, which might be seasonal.

Background of the Problem

Overdependence on Vendor Network: One of the major challenges the business faces is relying too much on a small network of vendors. It does not have other channels to diversify its sales. The orders placed by vendors are irregular which makes production planning difficult. Change in customer preferences and market saturation adds to the unpredictability.

Platform Dependency and Cost: Platforms like Amazon charge additional fees which can affect the overall profit. Amazon sales remain minimal if prior advertising is not done, resulting in limited brand visibility in the market. Not only does this give limited sales, but it also reduces the opportunities for building connections with the customer.

Irregular Orders and Fluctuating Demands: Seasonal variations in customer demand and inconsistent vendor orders lead to improper production planning. Stockouts and excess production are also often to happen in such conditions impacting overall profit margins. Delays in delivery may also contribute to this challenge further.

All the above factors affect the business's profitability and growth. To solve these problems, a strategic solution based on analyzing past sales and demand trends and exploring channels like D2C websites is necessary. This would not only improve profit margins but also help the business become more visible in the saturated environment.

Problem Solving Approach

1. **Methods Used:**
   - **Cost-Benefit Analysis:** Compare current Amazon platform fees with the maintenance fee of a D2C website for a small-scale business. This will highlight potential monthly savings.
   - **Demand Pattern Analysis:** Examine monthly sales and vendor order frequencies of the past few months and understand those trends to plan production better.
   - **Break-Even Analysis for Website:** Estimate additional monthly cost required from a D2C website to cover its maintenance charges. This will help set realistic sales targets for the business while connecting to the customer base.
2. **Intended Collection of Data:**
   - **Monthly Sales Data:** Collect monthly figures like quantities sold and vendor order sizes. This data will help identify demand patterns and peak months.
   - **Expense Details:** Gathering data on processing, labor, packaging, and delivery charges. This also includes advertising expenses. This would help in calculating profit and cost optimization.

- **Vendor order records:** Collect average order sizes and frequencies from each vendor. This will help the business plan better and diversify the customer base through direct sales.

3. **Tools Used:**
   - **Microsoft Excel:** It will be used to organize the data which includes cleaning and later performing the calculations for cost-benefit analysis. Pivot tables can help in summarizing sales and monthly expenses.
   - **Power BI:** It can help in the visualization of sales trends and demand spikes. Moreover, they would contribute to a clear understanding of the entire format of cost distributions.
   - **Website Development Tools (HTML, CSS, JavaScript, React)**: These would help in developing a basic prototype of a D2C website, aiming to reduce its dependency on platforms like Amazon. The website can share the brand's story increasing its visibility in the saturated market.

Expected Timeline

Work Breakdown Structure:
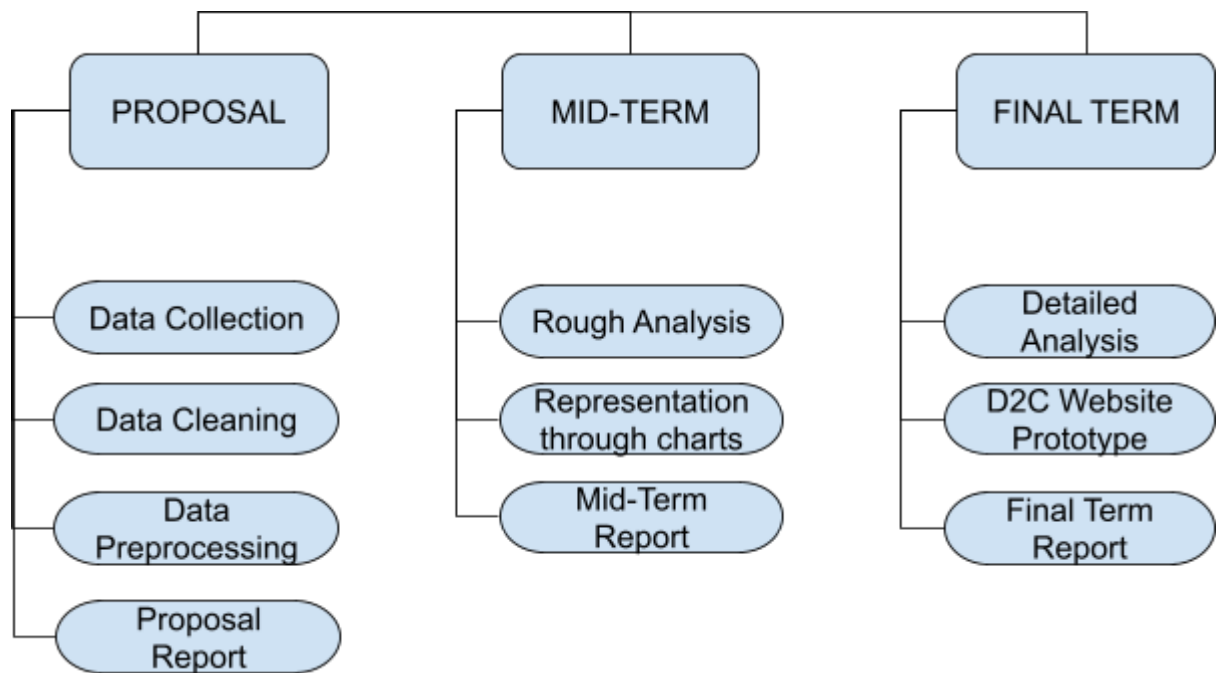
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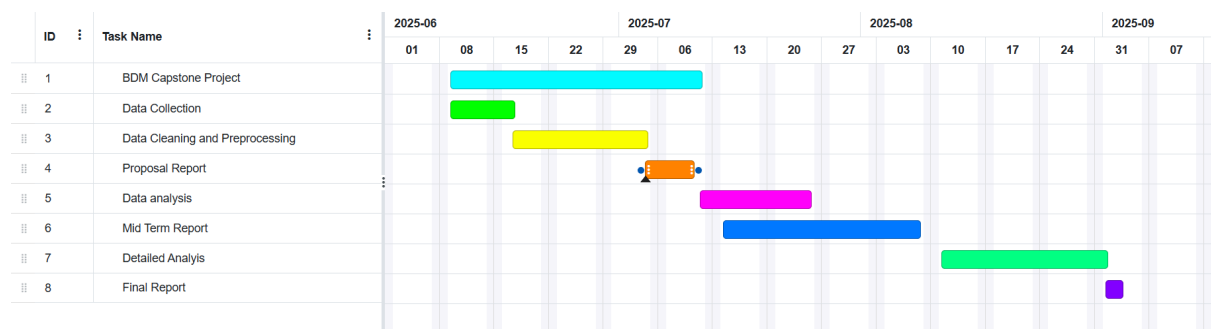
Expected Outcome

This project aims to provide Kamalai Organics with practical tools and insights to strengthen its business. By analyzing the data and vendor order trends, the owner will gain a clear understanding of seasonal demand fluctuations. We will also highlight the profit margin on

using a D2C website. Developing a website prototype will create a new opportunity to interact with customers and reduce the dependency on vendor networks and Amazon.

Overall, the project aims to stabilize demand and improve profit margins by saving external platform fees and rather focusing on reaching new consumers directly. Increase in direct consumers would help establish brand awareness.