KATHMANDU UNIVERSITY

SCHOOL OF ENGINEERING

DEPARTMENT OF COMPUTER SCIENCE AND ENGINEERING

Business Plan On

"KUMart e-commerce Business"

On partial fulfillment of

MGTS 402

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1. Executive Summary

1.1. Nature of Product

KUMart 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, non-perishable 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 a convenient, centralized online location to claim returns. By creating a new service category and utilizing the first-mover advantage, KUMart positions itself for rapid growth and gains a strong opportunity to raise entry barriers for possible competition.

The Product "KUMart" will mainly be a service-based product. An e-commerce website provided for the Consumers, distributors and the production houses to conduct a commercial transaction.
Mainly we would be providing 4 types of services to our consumers:

i)Featured Items

This will be a great service for production houses and distributors to showcase their items. Whereas the buyers can use the featured items service to buy the relevant items.

ii)Design Yourself

This service will be the first of its kind in the e-commerce scope. Consumers can design something they want and forward the design idea to us and we would contact the respective production houses for the construction of that item.

iii)Mail Service

We will be providing a mail service to the consumers. Consumers can order their item from us with a home delivery option. They can also ask us to bring something from a location to them using our mail service.

iv)Second-hand Items

        Consumers can sell their used products using our platform.

1.1.1. Vision

- Gain a good reputation, through affordable prices, fast delivery and great customer service.
- Accomplish a steady cash flow and long term business partners.

1.1.2. Mission

- To be a trusted and reliable e-commerce company, known throughout Nepal.

1.2. Online Shopping in Nepal

There is no denying that the usage of internet has been growing exponentially in the context of Nepal. With this growth in numbers, People have been slowly turning towards the world of internet. A place where everything can be bought via internet.

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 (Ashoj 1-karthik 15), retailers saw online revenues quadruple, according to a study by Shop.org. This indicates an amazing opportunity.

2. Marketing Plan

2.1. Marketing Strategy

In order for KUMart to be successful, it will need a functional marketing strategy. Since KUMart is a startup business, We will do the marketing strategy for only the first year, which is the most crucial year, because it is the year that the company has to penetrate the market. There is no telling in how the first year will go in reality, so there is no point of making a multi-year marketing strategy straight from the beginning. The marketing strategy for the upcoming years can be done later on when the company has experienced the first year of operation.

2.2. Marketing Segmentation

The purpose of this section is to establish the division of different market groups with similar needs and wants to a market segment, which is suitable for "KUMart". For the concept of an online store, the key elements in this market segmentation are: Distributors, Production houses and Buyers(gender, interests, age, and geographical location). In short the users of our website will be the distributors, production houses and all-inclusive customers.

Distributors and Production houses

The services provided in the website can be used by distributors or production houses of any type of products. They can use our mail service to reach the customers with their products. Our featured items service can be used to verify the quality of their products.

Buyers

Buyers of all age, gender, interests and from any geographical location will be categorized by our web-algorithm to provide a relatable e-commerce experience.

2.3. Competitor's Market

There are mainly 3 types of competitors   for the services we offer:-

2.3.1. Direct Competitors

Based on the current intelligence, there is no independent company out there specializing in a "Design Yourself" service to online consumers. No single company is known to be employing a concept of establishing platform for consumers where they can ask us to create anything based on their design.

But for our other services, there are direct competitors of our service namely Daraz and Hamrobazzar. Hamrobazzar also provides the Second-hand Sell service on their website. Whereas the Featured items service is also provided by Daraz which recently got acquired by Alibaba. Acquisition of an already successful e-commerce website by a giant like Alibaba can be thought as our biggest competitor.

2.3.2. Internal Competitors

The first competitors to the new service are the online retailers themselves. Since KUMart 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,   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 retailers. 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.

2.4. User Traffic Forecast

With proper marketing about our website to the public, we must be able to grow the number of users to 1000 in the first month. Various schemas needs to be employed to reach a number of 1000 in the first month like Heavy discount on items, Items in sale, wholesaling items etc.

The targeted number of users for a viable business is 20,000. We will probably reach this estimated numbers in 6 months.

2.5. Pricing Strategy

The goal of the price policy at KUMart is that the prices will be smaller than the retail prices at regular sport stores. This can be made possible by skimming the expenses, which are minimal in an online store.

There will be volume discounts or package deals for example on packages, which contain all of the equipment that a person need. It is also quite usual in an online store that if you purchase products worth over a certain amount of money, the shipping of the products will be free of charge. There will be no cash or early payment discounts, because this is a retail store and the sales are B2C.

Some of our pricing strategies will be:-

- skim, penetration, etc.

- Suggested retail price

- Volume discounts and wholesale pricing

- Cash and early payment discounts

- Seasonal pricing

- Bundling

- Price flexibility

2.6. Promotion

Promotion is an important part of the marketing mix, because it covers the communication that is done between the company and the customer or the marketer and the marketplace. Promotional strategies such as the "push and pull" strategies are a bit extreme for this company. The promotional strategy will be based on advertising in several different portals, which will access the target market as efficiently as possible. The following section will be about advertising and will discuss this issue in a more detailed matter.

Public relations are also an important issue that needs to be taken in to concern. The public relations consist of matters, such as sponsorship deals, fairs and events.

2.7. Logistics

Logistics and the delivery of the products is a large challenge in e-business. Delivery is key service phases, in customer service, in which the customers discover whether the company fulfill their promises. The customer finds out if the products arrive in the schedule and time, and weather the products meet the customer's expectations. The customer also has to have an option to return the products if it differs from the one they ordered, if the product is damaged or if, for example, the size is incorrect.

2.7.1. Delivery

The main issues in delivering the product to the consumers are time and money. Delivery of the products is quite costly and the delivery takes a few days to reach its destination, even if you keep it inside the country. The main delivery options are digital delivery, postal and courier services and van delivery.

The cost of Our mail service depends on the weight, bulk, the distance that the product has to travel in order to reach the specific location and the time that it takes to get there. For example if the customer wants that the product is delivered by a courier to his home on the next day costs more than if the product would be delivered by mail, during the next week and to a postal office.

2.7.2. Warehousing

Warehousing is an important part of logistics. The goods that come from the importer or the manufacturer are stored in a warehouse for further delivery. First the products are checked for any damage during that may have happened during the transportation. When the products are checked, they are stored. Now the products wait to be sold and sent to their next destination. For a smaller company it might be smarter to outsource the warehousing activities, because warehouses and all the equipment and personnel you need to run a warehouse, do not come cheap. Of course for a company like KUMart, where the products are not too big, a smaller space could work as a warehouse and it could be possible to be operated by only one person. By renting a warehouse, we can minimize the costs.

3. Production Plan

The website kumart.com won't have its own production for goods and items. We sell the items from our distributors as featured items on the website. However, we will have the mail delivery service that will be our own. We will have a store room for our featured goods and items. We will have a starting office for our business in Dhulikhel. In the future, we will expand our business to several other locations.

3.1. Fixed Costs

Our office room should consist of about two to four rooms. It should be at a convenient location but not somewhere too expensive. Around Rs 15,000 per month should cover the office rent. We will have a store that will consist of two to three rooms and the estimated amount of money per month for the store is Rs 8,000.. The connection speed on our servers should be 100 mbps (megabits per second). We will also have daily backups of your content. In the future we will have many datacenters nationwide. We will need furniture for our office. We will have 5-6 working tables and chairs. We will need a printer and a projector later for meetings and presentations. We will also have shelves in the office and store with the amount of two to three in each. Then we will have computers for staffs. At starting phase we may need only up to two computers which may increase in number gradually. Each one should cost around Rs 60,000. For our mail delivery service we will need a vehicle big enough to store delivery goods which should cost around Rs 40 lakhs. Even through maintenance the equipments will be almost useless after certain years. The life and annual depreciation of the assets mentioned above is shown as single line depreciation below:

Fixed Asset	Life	Annual Depreciation
Server	3 years	30%
Computers	4 years	30%
Furniture	6 years	20%
Vehicle	8 years	20%

The assets should be maintained in regular intervals. The vehicle should be serviced once a month and furniture should be maintained. We will need to

upgrade the server and computers occasionally to fulfill increasing demands. The overall maintenance cost is estimated to be Rs 20,000 annually.

3.2. Capacity

The server of our website utilizes 100 percent of its capacity. So, it will be up and running 24 hours a day and 7 days a week except in rare cases of server down, virus attacks and hacks or ISP problems. The working computers will be running for eight hours a day. Our mail service will be available 12 hours a day. If at any time, the mail service is not available then it will be delivered as soon as it is available.

3.3. Labor

At the starting of the website, we won't need any engineers in office. The need for new staffs will gradually arise. We will need semi-skilled and unskilled labor too. A driver is needed for the vehicle and two porters are needed to help with heavy goods and items. We will need electrical technician to maintain the equipments. For skilled manpower like managers we need to offer good amount of money to each person. Workers won't be around in public holidays .The mail delivery service will still be available but not on strikes and roadblocks.

3.4. Delivery Cost Per Unit

All of the items displayed on our website are the featured items from our distributors who will offer us a good amount of commission for it. We are actually resellers and service providers rather than a production house. But we still offer our own mail delivery service. The delivery service will be available for a charge. The charge is based on distance and at beginning it will be Rs 60 per kilometer and may vary based on oil costs. For our featured items, delivery will be freely available.

For the driver,
1 worker * 12 hrs/day * 7 days/week * 4 weeks = 336 hrs

The cost per month is Rs 10,000.
So, the hourly rate of the labor is $10000/336 = $ Rs 29.76 per hour
For the porters,
2 workers * Hourly rate = $2*6000/336 = $ Rs 35.71 per hour
For the technician,
Hourly rate = $10000/(10*7*4) = $Rs 35.71 per hour

3.5. Overhead Expenses

Our website kumart.com will also include many overhead expenses in terms of administration, selling, delivering, and maintaining. They may also include unanticipated expenses in some cases. Administrative overhead includes the expenses related to the administration and general operations of the business that can cost around Rs 6,000. Examples include office supplies, etc. Selling overhead includes marketing materials, advertising, packaging and many more which will be around Rs 14,000 per month. For a company to make a profit, it is crucial to accurately determine overhead expenses. Assuming the short number of staffs at first, around Rs 2,000 per month should cover the overhead expenses of our website. The overhead expenses will be kept at the minimum.

3.6. Future

We must remain on top of the new technologies, because this is our bread and butter. For online service providing, we need to gain better knowledge of cross platform technologies. Also, we are under pressure to improve our understanding of online purchasing services. In the future the locations will be expanded to all the major places in nation. We will need to produce enough revenue in the beginning as possible to enter the second phase of our business early.

4. Organizational and Management Plan

The company plans to locate its headquarters in a metropolitan area that can provide access to a large pool of high-tech labor force, current e-commerce intelligence, and sources of financial capital. The location should ensure the best logistics when reaching existing and potential clientele, as well as strategic partners. Operations in which the company cannot develop core competencies should be outsourced. A close proximity to outsourcing companies should be maintained. The headquarters will initially host the entire executive team, sales force, and staff. As company progresses through its growth stages, sales regions will be assigned for various parts of the U.S. and either in-field sales representatives be placed or distributors assigned. Presently, KUMart is headquartered in Butwal, Rupandehi. The company will initially be a privately-held corporation. The state of incorporation will mainly depend on the location of corporate headquarters. The company plans to raise two rounds of venture capital financing before going public.

Our management team will be comprised of people with few years of experience. Our philosophy is laser-like focus on the customer's needs. We have four partners with equal partnership. positions staffing the customer support desk will be filled as needed. The business will be owned by four partners with equal partnership.

4.1. Technical department

The technical department consist of the people who will ensure the proper maintenance and upgrades of the total e-commerce system .The whole department will follow scrum model as the base of operation. SCRUM is an agile framework for managing work with an emphasis on software development. It is designed for teams of three to nine developers who break their work into actions that can be completed within time boxed iterations, called sprints (30 days or less, most commonly two weeks) and track progress and re-plan in 15-minute stand-up meetings, called daily scrums.

4.2. Managerial Department

The managerial department will consist of a manger, sales manager, accountants. If other branches are opened regional managers will be employed with a set of other peoples needed to run a branch office. the manger will be at the head of all the branch managers. The branch manager will be the head of that branch. he will assisted by the sales team and accounting department to send a regular updated to the main branch.

4.3. HR department

A human resources department is a critical component of employee well-being in any business, no matter how small. HR responsibilities include payroll, benefits, hiring, firing, and keeping up to date with state and federal tax laws.

Any mix-up concerning these issues can cause major legal problems for your business, as well as major employee dissatisfaction. But small businesses often don't have the staff or the budget to properly handle the nitty-gritty details of HR. Because of this, more and more small businesses are beginning to outsource their HR needs. HR outsourcing services generally fall into four categories: PEOs, BPOs, ASPs or e-services.

4.4. Delivery department

The delivery department is a very important part of our business as we deliver products to customers own doorsteps. For the delivery department we will need a supervisor , driver, porter. The delivery of the product is estimated to be done in 24 hour. As an order is placed by the customer. The supervisor gets the product and marks the address to be delivered the porter keeps the product in the van and they deliver the product as fast as they could.

The important thing that the HR department should know about the drivers and porter are they both should have a clear police record and a charming personality, as no we don't want customers to have a band experience.

4.5. Department of Research

The development of the website is done by the four owners of the site during the launch of the website .a website basically needs a frontend (i.e. the view seen by customer) and a backend (i.e. a detailed view of data that backs the system). when the site gets a steady income flow a department to see the working of the website becomes necessary. this department will look for the necessary upgrades and implementation of new ideas and techniques needed to keep the site in competitive market. The main job of this department will be to bring additional features to the customers. To provide the users with more user friendly features, making the human computer interaction more exciting, fun and easy at the same time. build optimization techniques so the system will run efficiently.

4.6. Pre operating expenses

The pre-operating expenses for our site will be server and hosting cost. when a website is made domain and hosting are the two important things.

Getting a domain is a onetime cost where as maintaining cost is a regular expense.

5. Financial Plan

This segment of the business plan will deal with the financial aspects of our business. This budget is the budget for the first 12 months and it is based on assumptions and predictions. It is hard to predict the sales of a startup company, because the amount of variables is large. This budget will roughly demonstrate on how much sales need to be made in order for KUMart to be profitable after the first 12 months.

The basic costs are previously mentioned in the plan . In this section we will list out all the costs and the revenue generated in the process.

5.1. Total Capital Requirement

5.1.1. Marketing Costs

After setting all the marketing activities which KUMart is going to carry out, the next step is to set the whole marketing budget with a following detailed budget on each single activity. These considerations are reflected in previous portions.

Activity	Cost Per Year, Rs
Maintaining the main web-page, improving its design and working on its content	52000
Working on the content of KUMart groups in social media	37500
Improving commercial texts	15000
Uploading webinars about KUMart activities and its crucial information	6750
Negotiation with potential partners	30000
Printing of the paper marketing media (leaflets, coupons, business cards, corporate money)	100000
overhead expenses	45000
Total	**245750**

5.1.2. Production and Organizational Costs

Activity	Cost Per Year, Rs
Rent	360000
Delivery service	500000
Packaging equipment	360000
Accounting	135000
Salary	600000
overhead expenses	45000
Total	**1136000**

Total capital requirement= Rs (245750+1136000)

=Rs 13,81,750

5.2. Loan

In the initial phase of the website where the main focus will be in increasing the web-traffic in our website, there is no requirement of loan from any sources. The total cost will be divided among the four partners and so will the profit. Later in the business we will be using the profit for further investment in the project. We may need to borrow some loan from family and friends for a larger funding. The Interest rate will be 12% compounded annually.

5.3. Revenue Sources
i)Featured Items

We start by finding a product We like and would recommend. Then on our website, we endorse the product and promote it to our website visitors and email subscribers. If the product or service resonates with these people, they'll click on our featured Items, purchasing the product (while we get a split of the sale price).

The commission might be anywhere from 30% of the product or service price, up to as high as 70%. For example, if the split is 50% and we promote an e-book that costs Rs100, we'll get $50 for simply *referring* the buyer. The percentage depends

on our negotiation capacity with the suppliers. For a safe calculation lets say the commission is 20%. Monthly, we must be able to generate rs 67000 from featured items.

ii)Mail Service

We will provide a mail service between the consumers and the suppliers. we can charge the cost of delivery as per the distance from our warehouse. The longer the distance, larger will be the cost of the mail service. Monthly, we must be able to generate rs 10000 from Mail Service.

iii)Create your own Design

A new concept in the world of e-commerce. we will be doing a create your own design service for the consumers. suppose the consumer can design themselves the furniture they want and we will make it for them. Monthly, we must be able to generate rs 67000 from Design Yourself feature.

iv)Pay Per Click Advertising (Google Adsense)

AdWords are the advertisements that show up on the top of Google search result pages. We get paid each time someone clicks on the ad. We usually get somewhere from $0.50 to $5 per click. When our site has enough traffic, We can make thousands of rupees each month. Monthly, we must be able to generate Rs 30000 from Google Adsense.

5)Sell Ad Space

Incorporating Google's AdSense on our website is just one way to make money from online advertisements. Another is to simply sell our own ad space directly to companies looking to sponsor different blogs. The good thing about this approach is that if our site gets a ton of traffic from different sources, our simple banner ad pricing can go up to as high as Rs500,000 per month! The obvious downside is that if our site doesn't get a lot of traffic, we can't expect to earn much either. Monthly, we must be able to generate Rs 30000 from Sell Ad space.

6)Selling our own product

Later in the business after a year or so, we can build our own production houses focusing on our design yourself platform. Monthly, we must be able to generate Rs 15000 from selling our own products.

5.4. Profit/Loss and ROI

From the above estimations we can calculate the total revenue generation from our website in a year:

Total Income per year =Rs(804000+120000+8040000+360000+360000+200000)

$$=Rs\ 2648000$$

Tax Amount=30%

Total Revenue=0.7*2648000

$$=Rs\ 1853600$$

Profit = Total Income-Total Investment=1853600-1381750=Rs. 471850 per year

Return on Investment(ROI) =(471850/1381750)*100%

=34.15%

6. Feasibility

From our estimation with a good goto market strategy, the e-commerce site KUMart is feasible.