

INTRO TO ECOMMERCE

THE FUNDAMENTALS

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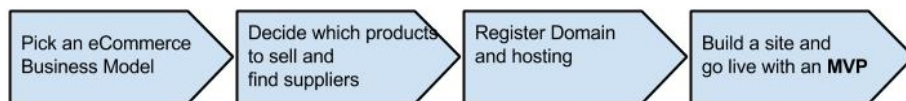
Learn the Fundamentals of eCommerce — Tutorial | eCommerceMVP

How to Plan for an eCommerce Business

When starting a new online business, the goal is to mitigate risk by conserving funds and stretching every dollar as far as it can go. Why spend \$10,000 when you can spend a just \$500 to determine if your eCommerce business is in fact profitable and sustainable? This is called the MVP (minimum value product) model

The key to success in eCommerce is to have a general, outlined plan and to start executing as quickly as possible. Don't get caught up in micro-managing every little detail, just start and learn as you go. . You don't need a unique product, a formal business plan, or a bank loan. Speed is the name of the game! Pick a business model- *fast*. Do some basic product research- *fast*. Register a web domain-*fast*, and launch your site- *fast*. If you're going to succeed, then you'll need to learn on the fly.

The ideal roll-out plan



Minimum Viable Product (MVP)

In eCommerce, MVP means developing a product that has the highest return on investment with the least amount of risk. Essentially, try to sell a product that's just "*good enough*". Here's an example to help illustrate MVP:

Suppose you want to sell luxury brand clothing on your website. Your plan may look something like this:

1. Find suppliers

2. Buy a bunch of shirts, jeans, sweaters and jackets
3. Launch an amazing website
4. Spend money to market the site

That plan looks good on paper, but it's pretty risky. What if you buy all this stock, spend a ton of money to build your website, and no one ends up buying anything? Pretty demoralizing.

On the other hand, here's how you can use the MVP model to mitigate risk and test the market before you go all out and invest your time and money:

1. Find a couple of suppliers
2. Order a few samples
3. Build a website that looks *acceptable*
4. Invest in *just enough* marketing to bring attention to your website
5. Try to get a few sales and/or collect a few email addresses.

The goal is not necessarily to make a profit with MVP. Rather, it's to gauge interest and identify your customer base, what they like and if they're interested in buying your products. If you get a few sales and some positive feedback, then continue to expand and invest in your business. Otherwise, you go back to the drawing board.

Next: The Cost of Running an eCommerce Business

True cost of running eCommerce Business — eCommerceMVP Tutorial



Step 2 - Cost of Running an eCommerce Business

Start up budget

In order to plan out expenses, here's a modest budget I use when launching a new eCommerce site. You can certainly find ways to spend less, but I've found that a budget between \$500 and \$1000 is a good place to start.

Need Cost Domain \$1-\$12/yr Hosting \$40-\$80/hr Hiring a Developer/Helper \$200-\$300 Theme/Template \$60-\$150 Plugins and Apps \$50-\$100 Pictures and Graphics \$50-\$100 Product Photography \$100-\$200 **Total start-up costs (approximate) \$500-\$950**

Domain - Your website's address. example, www.yourwebsite.com. You can register a domain from Godaddy or 1&1 domain. Regular price for a domain is around \$12/yr though you can often find discount codes by searching for them on Google.

Hosting - It's where all your files and software is stored. It's your home base. Selecting a reliable host is critical to the success of your business, so choose wisely! Popular host providers include HostGator and Dreamhost. Average cost for a *shared* hosting plan is around \$4/mo-\$7/mo.

Hiring a Developer/Helper - Unless you have experience with web design and development, you're going to need help creating your website. Fortunately you can hire a freelancer for pennies on the dollar from sites like upwork.com, freelancer.com or elance.com

Theme/Template- Pay hundreds or thousands of dollars for a custom website, OR buy a template from Themeforest.com for around \$75 and use your developer (see above) to customize the theme for you.

Plugins/Apps - A smartphone comes equipped standards features, but if you want additional functionality you need to download/buy an app. Similarly, if you want extra features for your website, you can find and buy an app.

Pictures and Graphics- You can't put a price on high quality images and graphics. Sites like graphicriver.net and photodune offer affordable stock photos for any website. Canva.com is another great resource for creating graphics for websites and social media

Product Photos- Product photos make or break or sale. Hire a professional photographer to take high resolution images of your products. Craigslist is a great place to find affordable photographers.

Next: Picking a Business Model

How to pick an eCommerce Business Model — eCommerceMVP Tutorials



Picking an eCommerce Business Model

B2B (business to business), B2C (business to consumer), drop shipping, direct sales, wholesale: You may be familiar with some of these terms, but what do they actually mean and more importantly, why do they matter?

It is imperative to understand how these models differ from one another and how they impact what and to whom you sell to.

Three basic eCommerce business models

1. **Direct Sales /B2C (Business to Consumer)**- Any product sold directly to the customer is considered direct selling or B2C. This means there are no middlemen between you and your customer. Most eCommerce startup businesses are B2C
2. **B2B (Business to Business) /Wholesale**- Products that are bought or manufactured and then sold in bulk to a distributor are considered those involved in a business to business (B2B) transaction. The company or person(s) your products are sold to (in bulk) will turn around and “distribute” them in smaller quantities directly to consumers (B2C). For example, if you wanted to sell your products to Wal-Mart, you wouldn’t just sell one unit, you would sell large quantities like a 1,000 or 10,000 units. The main advantage of B2B selling is that you don’t have to deal with the

end-user and you are paid up front regardless of the product's success in individual stores. Also, it's much easier to get repeat business from a distributor than from a customer. Challenges of B2B selling include finding a distributor and being able to meet demands such as offering flexible payment options, guaranteeing them an MEP (minimum advertised price) and even potentially giving them exclusive rights to a product.

3. **Drop Shipping** - Drop shipping sounds like one of things that's too good to be true, and this can indeed often be the case. However, if you can find a legitimate drop shipping supplier and beat out the competition, it *can* be a very lucrative business model. In fact, before the market became oversaturated, drop shipping turned a lot of people into overnight millionaires. Here's how it works:

1. Customers visit your eCommerce site and purchase a product. You receive payment
2. You contact your supplier (the drop shipper) and instruct them to ship the product directly to the customer. You pay them using the money you got from your customer.
3. The supplier (drop shipper) puts your company name and logo on the box and ships the product directly to the customer. The customer remains oblivious to the fact that you are simply the middleman in the entire transaction.

Your profit = What the customer paid on your site - What you paid the drop shipper

There's almost no risk involved with drop shipping since you are not required to pre-purchase merchandise. You simply act as the broker who connects the buyer to the supplier- only the buyer remains unaware of this. In fact, if you've ever bought anything from Bestbuy.com, Sears.com, Macys.com, eBay or Amazon, then you've likely purchased from something from a drop shipper.

The problem with drop shipping is that it has become extremely competitive in the past few years and making a profit is quite difficult, especially in the short term. But it *can* be a profitable business model if you find the right source (I'll explain how to find the best drop shipping sources in the following sections)

Summary of eCommerce Business Models

	<u>Direct Selling (B2C)</u>	<u>B2B</u>	<u>Drop Shipping</u>
<u>Startup Capital</u>	Need to buy/manufacture products	Need to buy/manufacture products	\$0-\$100
<u>Risk Level</u>	Moderate	Moderate	None
<u>Potential Profit Margin</u>	Moderate – High	High	Low

Conclusion

Before starting your business, pick the eCommerce business model that best fits your long term objectives.



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Engineer, eCommerce Consultant

About the eCommerceMVP

A Canadian aerospace engineer by trade but an eCommerce enthusiast at heart, I has over 10 years of experience working as a trusted advisor for dozens of online retailers who need help launching, executing and scaling their eCommerce operations.

I've worked with companies of all sizes in a variety of technical roles to help them do everything from eCommerce planning to full scale eCommerce management. Specifically, I've helped clients with:

My Expertise

- | | |
|-----------------------------------|--------------------------|
| ✓ eCommerce planning | ✓ Online Marketing |
| ✓ Business Incorporation | ✓ Social Media Marketing |
| ✓ Product Sourcing | ✓ Google AdWords |
| ✓ UX | ✓ Outsourcing |
| ✓ Business Development and Growth | ✓ eCommerce Development |

