

## E-commerce Business Plan for The EcoDepot



### Part One – Executive Summary

#### a. Introduction

I would like to start an online retail sales store, specializing in green, eco-friendly products. We will target teens and young adults with our modern, trendy products, offered at a wide price range. The expanding environmental awareness in the country will allow for such a business to flourish in the upcoming years.

#### b. The Opportunity

As the market for green, environmentally-friendly products expands in the US, the opportunity to start a business in this industry becomes more and more apparent. The recent increased demand for green products, as consumers become increasingly aware of our impact on the environment, has brought growth to this industry and the potential for profit is evident.

#### c. Business Concept

The EcoDepot is a fully online green retail store, which targets teens and young adults. This business specializes in green, or eco-friendly, modern products which appeal to a younger audience and attract environmentalists and main-streamers alike.

#### d. Industry Overview

The green online retail sales industry is very new, as the internet is still relatively new to most consumers and a steady market for green products has only recently developed. The fact that there are so few companies which specialize in this area and the fact that the market for these products, sold through an online venue, is so new, allows for great potential in this green online retail sales business.

#### e. Target Market

Our business markets to teens and young adults, aged 15-34 years, who have access to the Internet. We aim to sell new, modern, environmentally products with a wide price range to target this large age group. Studies show that 94% of teenagers are internet users; this number rises with teens from higher income households. “Young adults between the ages of 25 and 34 in the United States had an aggregate buying power of over \$1 trillion in 2000, with a projected growth to over \$1.2 trillion by the end of 2001.”<sup>1</sup>

f. Competitive Advantage

The EcoDepot will separate itself from the competition, which ranges in size and form, by staying focused on a specific target market and keeping its image and product line concentrated on the green market. This focus and specialization will set the EcoDepot apart from its competitors and will lead to a successful business.

g. Money Needed for Startup

Within the first year, including start-up expenses, I estimate that we will need \$30,145, or approximately \$30,000. This includes our one-time start-up expenses and our estimated expenses for our first year of operation. At this time, it is difficult to estimate expenses beyond the first year, as we will adjust expenses on product purchases and the like based upon our first year’s sales/profits.

Part Two - Market Analysis

**a. SWOT Analysis**

	Idea 1: The EcoDepot	Idea 2: Cakes and More	Idea 3: Bicycles and Beyond
	My company sells eco-friendly products online, targeted toward teens and young adults.	My company sells affordable pastries and desserts online to our target market of households with an income of \$25-50K. A portion of our proceeds is donated to the study of coral reef bleaching and efforts to stop its effects.	This is a small business which rents and sells bicycles and related accessories. A portion of the proceeds is donated to the study of polar bear habitat loss in the Arctic and efforts to stop its effects.
<b>Strengths</b> <i>What are some things that your company does well and on which it can build?</i>	<ul style="list-style-type: none"> <li>~ Strong Green Aspect</li> <li>~ Teens/Young adults are more comfortable with internet use than the older generations</li> <li>~ Wide range of products (water bottles, clothing, furniture, other “essentials”)</li> </ul>	<ul style="list-style-type: none"> <li>~ Attractive product</li> <li>~ Gift-packaging available</li> <li>~ Strong Green Aspect</li> <li>~ Customers know their money is going to a good cause</li> <li>~ Affordable product</li> </ul>	<ul style="list-style-type: none"> <li>~ Bicyclists are in need of supplies</li> <li>~ Strong green aspect</li> <li>~ Donation makes customers feel good about their purchase</li> <li>~ Generally, those who love the outdoors (i.e. bicyclists) will favor a “greener” store</li> </ul>

<sup>1</sup> <http://www.appliancedesign.com/CDA/Archives/f36e2d52ba938010VgnVCM100000f932a8c0>

<p><b>Weaknesses</b>  <i>What are some things that your company does NOT do well and how can you compensate for these?</i></p>	<p>~ Only on the internet, no physical store (limited market)        ** Target market of internet users         ~ May be difficult to promote and get hits on the site        ** Make use of email, online ads, social networking sites</p>	<p>~ Only on the internet, no physical store (limited market)        ** Target market of internet users         ~ Desserts are a vice &amp; not a necessity        ~ No immediate gratification, Product must be shipped</p>	<p>~ We do not ship bikes, so customers may visit the website to view products, but must travel to the store to pick up/drop off        ~ Limited target market</p>
<p><b>Opportunities</b>  <i>What are the opportunities that currently exist for your company? How can you capitalize on these?</i></p>	<p>~ There is a strong green appeal in today's marketplace        ~ Wide variety of products        ~ Opportunity for expansion (no physical store, can easily expand the site at much lower cost)</p>	<p>~ Can easily expand the website        ~ Large target market        ~ Wide range of possible products</p>	<p>~ Can begin shipping, expand market        ~ Can offer pickup of rental bikes and equipment        ~ Can expand to other outdoor sports and recreation products</p>
<p><b>Threats</b>  <i>What threats do you perceive on the horizon? From competitors? Market conditions?</i></p>	<p>~ Just one of many "green" sites        ~ Easy to replicate        ~ Site design is key to attracting customers        ~ Green market may suffer, due to economic recession</p>	<p>~ Other websites that sell gift products or desserts        ~ Lower income families may not want to spend on non-necessities during a recession</p>	<p>~ Many other bike shops (larger companies)        ~ Stores which offer online orders may find a larger target market        ~ Green market may suffer, due to recession (cost of bikes is high, due to donation)</p>

**b. Industry Analysis**

**i. Industries Listed**

- Online Retail Sales
- Green Consumer Products

**ii. Market Information about each industry**

- Online Retail Sales

Online retail sales are projected to rise by 24% in Q4 of 2009, compared to Q4 of last year, with the average consumer spending approximately \$281 during the upcoming holiday season.<sup>2</sup> Forrester Research Inc. projects that online sales for 2009 will rise overall by 11% to \$156 billion, just a small decline from last year's growth of 13%. "Consumers are turning to the Internet for all their shopping needs as it provides a better environment to price-check, ensuring the best bargains at a time when money is tight, along with the convenience and cost-saving elements of being able to shop from home."<sup>3</sup>

- Green Consumer Products

According to a CNN article, buying "green" has taken off over the past

<sup>2</sup> <http://www.reuters.com/article/pressRelease/idUS184555+27-Oct-2009+BW20091027>

<sup>3</sup> [http://www.bizreport.com/2009/01/forrester\\_growth\\_forecast\\_for\\_2009\\_online\\_retail\\_sales.html](http://www.bizreport.com/2009/01/forrester_growth_forecast_for_2009_online_retail_sales.html)

decade. This is evidenced by the soaring sales in hybrid vehicles, up to 200,000 in 2005 from 9,000 in 2002, and by the \$13.8 billion US organic food industry.<sup>4</sup> The recent rise in green sales indicates a high potential for profit in this industry. The compelling facts behind recycling and the purchase of green products are persuasive enough to convince consumers to buy green.

**iii. Industry Niche**

The green online retail sales industry is very new, as the internet is still relatively new to most consumers and a steady market for green products has only recently developed. This means that there is little statistical information about green online retail sales and there is little information about the condition of this specific market sector. A representative from the Eco Depot, an Australian company which deals in the green market, wrote to me that, "It has taken us a lot of hours, a lot of cash and we are still feeling our way into this very tricky market."<sup>5</sup> The market is new and is still shifting; therefore our company must be flexible in its growth, to allow for changes in consumer interests and other factors. The fact that there are so few companies which specialize in this area and the fact that the market for these products, sold through an online venue, is so new, allows for great potential in this green online retail sales business.

**c. Target Market**

**i. Markets Listed**

- Teens, ages 15-17
- Young adults, ages 18-34

**ii. Supportive Data for each market**

Teens, ages 15-17

Studies show that 94% of teenagers are internet users; this number rises with teens from higher income households. It is estimated that 96% of teens from homes with household incomes of \$50,000 to \$74,999 and 97% of teens from homes with household incomes of \$75,000+ are internet users. It is also estimated that 96% of teenagers between the ages of 15 and 17 are internet users.<sup>6</sup> This age group of teens aged 15 to 17 years is the target for our teenage market because this is the age group which our products will appeal most to and younger teens would be less likely to make online purchases. We will be focusing on teens with mid to high household incomes of \$50,000 and over, as these households will have more discretionary spending money. "According to a press release from

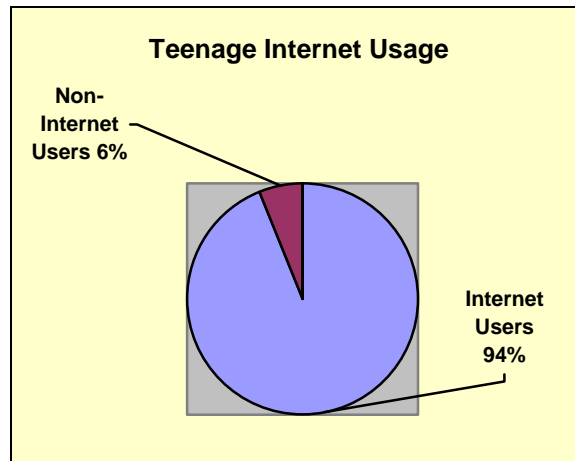
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<sup>4</sup> <http://www.cnn.com/2006/US/10/03/buying.green/index.html> (NEWS SOURCE)

<sup>5</sup> Ben Anderson, Eco Depot, [ben@ecodepot.com.au](mailto:ben@ecodepot.com.au)

<sup>6</sup> <http://www.infoplease.com/science/computers/teen-internet-usage.html>

the U.S. Department of the Treasury's Office of Public Affairs (November 13, 2000), never before in history have children had more money of their own to spend and never before have children had more influence over the spending decisions of their families. Children between the ages of four and twelve influence an estimated \$190 billion in purchases and teenagers spend another \$140 billion of their own and their parents' money.”<sup>7</sup>



#### Young adults, ages 18-34

“Young adults between the ages of 25 and 34 in the United States had an aggregate buying power of over \$1 trillion in 2000, with a projected growth to over \$1.2 trillion by the end of 2001.”<sup>8</sup> Young adults, those between ages 18 and 34, represent 30.9% of all adults in the US and over 70 million customers nationwide.<sup>9</sup> Young adults in the US have been showing a growth in spending power in recent years and also represent the target group for the types of products which this company will be marketing. According to the US Census from 2000, the following age groups make up these portions of the US population: 10 to 14 years (7.3%), 15 to 19 years (7.2%), and 20 to 24 years (6.7%).<sup>10</sup> These combined age groups make up 21.2% of the US population, and assuming these percentages haven't fluctuated greatly since the 2000 census, this percentage would roughly apply to our target market in the present year of 2009 (adding nine years to the age ranges, this percentage represents groups which currently range from 19 to 33 years). This relatively large percentage of the population, with its increasing spending power and our

<sup>7</sup> <http://www.libraryindex.com/pages/1707/Attitudes-Behaviors-American-Youth-SPENDING-HABITS.html>

<sup>8</sup> <http://www.appliancedesign.com/CDA/Archives/f36e2d52ba938010VgnVCM100000f932a8c0>

<sup>9</sup> <http://www.reuters.com/article/pressRelease/idUS145279+26-Nov-2008+BW20081126>

<sup>10</sup> [http://factfinder.census.gov/servlet/QTTable?\\_bm=y&-geo\\_id=01000US&-qr\\_name=DEC\\_2000\\_SF1\\_U\\_QTP1&-ds\\_name=DEC\\_2000\\_SF1\\_U](http://factfinder.census.gov/servlet/QTTable?_bm=y&-geo_id=01000US&-qr_name=DEC_2000_SF1_U_QTP1&-ds_name=DEC_2000_SF1_U)

product appeal, is likely to buy our products and sustain and grow this business.

#### **d. Competition**

##### **i. Overview of competition**

Although online green retail sales is a relatively new industry, there is still a lot of competition out there. There are many other websites which sell green products that will compete with this company over the business of consumers. These other companies range from stores with an online presence, fully online stores, and stores which may not be fully dedicated to green products, but sell this type of product in addition to other items.

##### **ii. Overview of at least four competitors**

Amazon.com – An online retailer, founded in 1994, which operates in North America and internationally. It serves its customers through its retail websites and maintains a focus on selection, price, and convenience. It also offers programs to enable seller customers to sell their products on its websites. Amazon.com Inc. employs over 20,700 full time employees.<sup>11</sup> Amazon sells a variety of products, including many eco-friendly items, which poses a threat to businesses which specialize in eco-friendly product sales. The EcoDepot, specializing in eco-friendly items, will have a greater focus in this area and therefore will be able to concentrate its efforts on selling these products. Amazon may be a larger corporation, but the EcoDepot will have a great ability to expand and will be able to concentrate its efforts in a single area, rather than spreading its energy in a variety of product types.

New Wave Enviro – “New Wave Enviro was established in 1994 with a focus on providing pure, on-demand water at a reasonable price. New Wave Enviro believed in chlorine-free living and litter-free living long before the current media and consumer trends. New Wave Enviro manufactures and distributes eco friendly products such as reusable water bottles and water filtration systems which produce high quality, inexpensive purified water from your own Tap. Every New Wave Enviro product emphasizes Green Living.”<sup>12</sup> The EcoDepot, though new to the market, will be focused on a specific target market of young adults and teens. This will set my business apart from other green online retailers, such as New Wave Enviro, which generally appear to target all age groups.

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<sup>11</sup> <http://finance.yahoo.com/q/pr?s=AMZN>

<sup>12</sup> <http://www.newwaveenviro.com/page.html?id=9>

Target – “Target Corporation operates general merchandise and food discount stores in the United States. The company offers an assortment of general merchandise, including consumables and commodities; electronics, entertainment, sporting goods, and toys; apparel and accessories; and home furnishings and décor. It also sells its merchandise under private-label brands.”<sup>13</sup> Target, like Amazon.com, sells a variety of products, including many eco-friendly products. Unlike Amazon, Target has brick and mortar retail stores in addition to its online presence. The EcoDepot will set itself apart from companies like Target by specializing in the green market. The EcoDepot will focus on this sector and will concentrate its efforts on portraying itself as an environmentally conscious business and on creating an attractive, customer-friendly website.

Eco-Products Inc. – Eco-Products, founded in 1990, focuses mainly on the food service industry, selling environmentally friendly products to companies which operate in this sector. Not only operating as a distributor, Eco-Products developed some of its own plastics to use in manufacturing its products several years ago.<sup>14</sup> The major difference between Eco-Products and my business is that we will cover a much wider market; we will not confine ourselves to a single industry or type of product. We will market a variety of eco-friendly products to the consumer.

### **iii. Summary**

In summary, the EcoDepot will separate itself from the competition, which ranges in size and form, by staying focused on a specific target market and keeping its image and product line concentrated on the green market. This focus and specialization will set the EcoDepot apart from its competitors and will lead to a successful business.

## Part Three – Company Description, Organization, Management

### a. Mission Statement

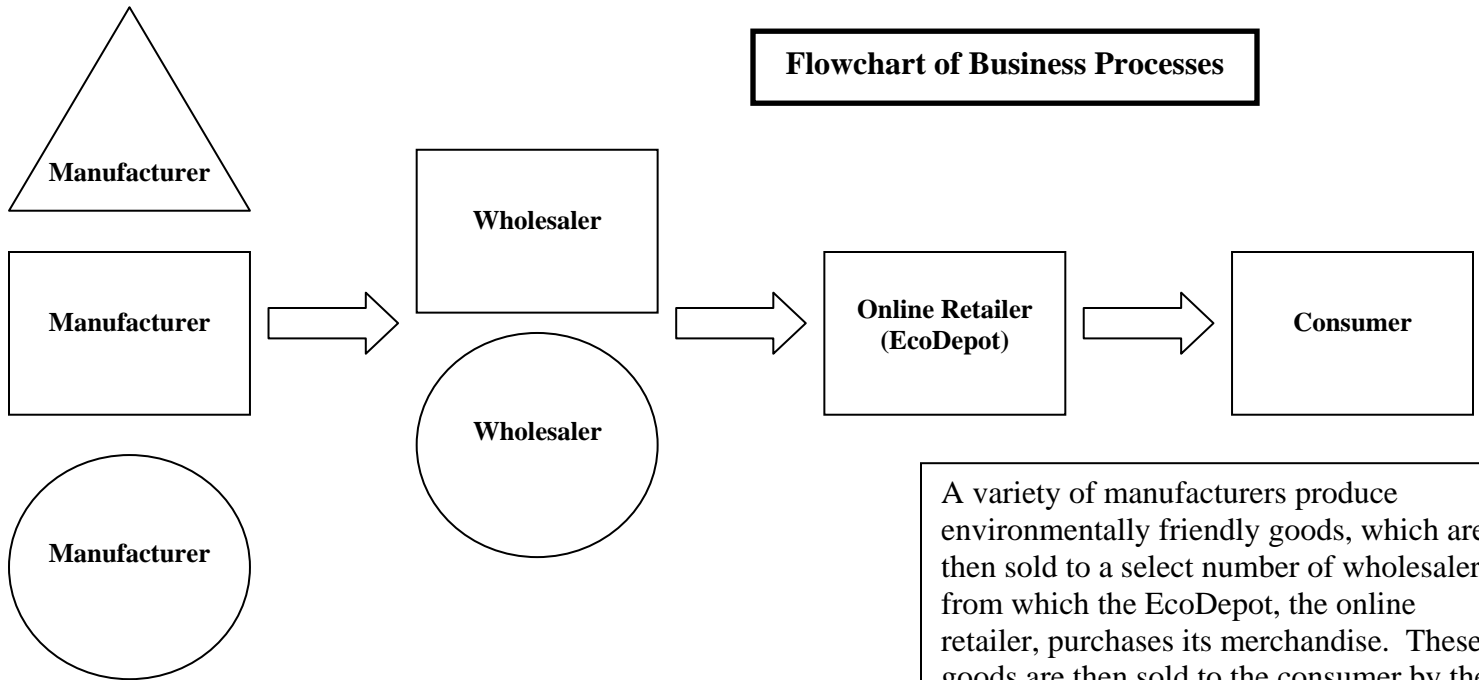
The mission of The EcoDepot is to provide a simple venue for teenagers and young adults, mainstreamers, environmentalists, and individuals alike, to simultaneously improve their lives and the environment by offering a broad spectrum of affordable, green, environmentally-friendly products.

### b. Organizational/Structural Chart

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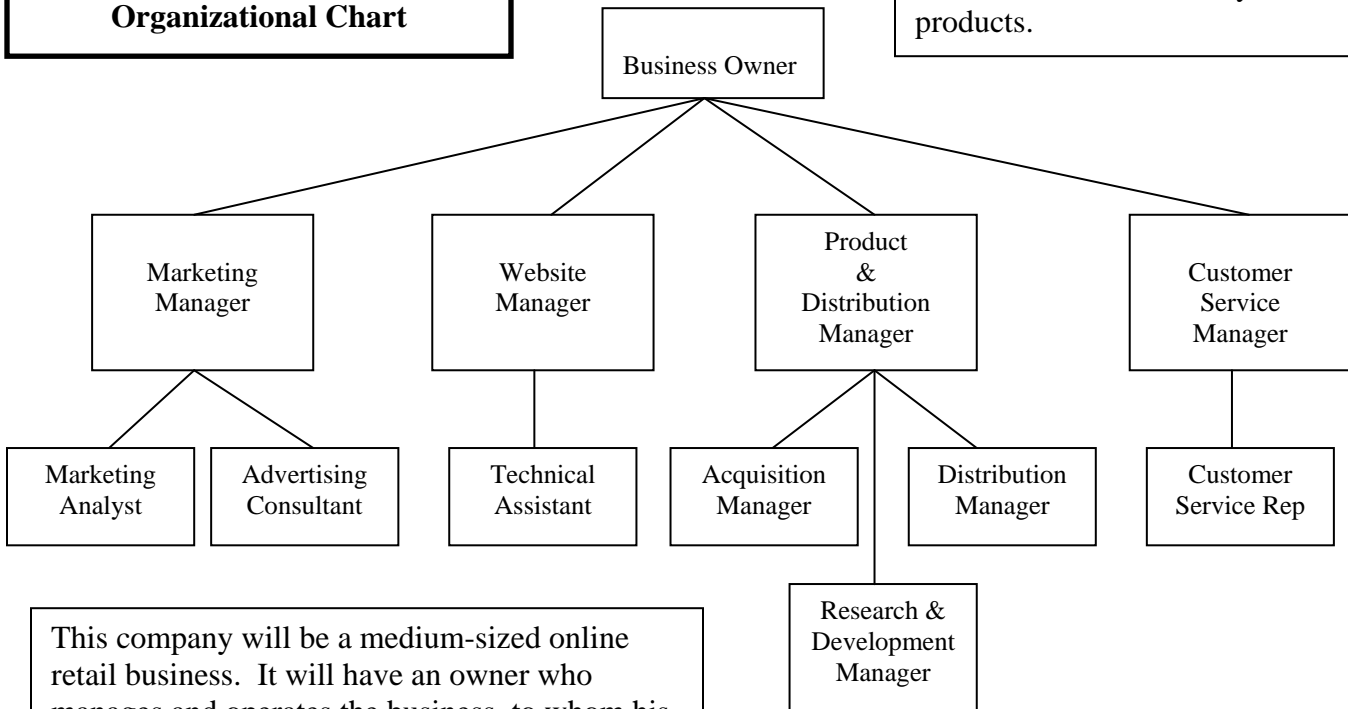
<sup>13</sup> <http://finance.yahoo.com/q/pr?s=TGT>

<sup>14</sup> <http://www.ecoproducts.com/va-cms/history.html>



A variety of manufacturers produce environmentally friendly goods, which are then sold to a select number of wholesalers from which the EcoDepot, the online retailer, purchases its merchandise. These goods are then sold to the consumer by the online retailer. The manufacturers are represented by different shapes, as each will produce [a] different product(s), just as each wholesaler will carry different products.

### Organizational Chart



This company will be a medium-sized online retail business. It will have an owner who manages and operates the business, to whom his four main managers report. Below these managers, employees cover a variety of tasks essential to the operation of the business.



Business Owner – Owns the Sole Proprietorship; Manages employees, Approves all final decisions

Marketing Manager – Controls marketing and advertising of the business (Below Owner)

Marketing Analyst – Researches and analyzes the target market (Below Manager)

Advertising Consultant – Focuses on advertising aspect of marketing (Below Manager)

Website Manager – Controls website design and technical aspects

Technical Assistant – Assists in technical aspects of the website (Below Manager)

Product & Distribution Manager – Controls and supervises purchase of products and distribution to buyers (Below Owner)

Distribution Manager – Focuses on distribution and shipping (Below Manager)

Acquisition Manager – Focuses on wholesale purchases (Below Manager)

Research & Development Manager – Controls research and development of website and products (Below Owner)

Customer Service Manager – Controls customer service/interaction (Below Owner)

Customer Service Rep – Assists in customer service (Below Manager)

#### Part Four – Description of Service

##### a. Product Description

The EcoDepot is a fully online green retail store, which targets teens and young adults. This business specializes in green, or eco-friendly, modern products which appeal to a younger audience and attract environmentalists and main-streamers alike.

##### b. Price

We offer a wide variety of products, and thus, a wide variety of pricing to fit every budget. This ranges from \$0.99 pencils to \$500+ pieces of furniture.

##### c. Customer

Our target customers are teenagers and young adults, ranging in ages from 15-34, who own or have access to computers and the Internet. See “Target Market” in Section Two.

##### d. Distribution

This business is fully online and therefore will fully rely on shipping for its distribution. We will have a large building in which the products are stored and from there, they will be shipped using a third party package shipping service. The costs of this service will be covered by the consumer, unless free shipping is offered on large orders, in which case the business itself will absorb the cost of shipping.

##### e. Promotion

#### **Channels used and why**

To promote my green company, which will be fully web-based, I plan to use online advertising. Online ads will make up the whole of my advertising, as the company is based off of a website and those who are already online would be those who are most

likely to visit the site. These ads will include banner ads on websites and also emails for those who sign up to receive notifications and news from our website.

### **Timeframe**

The development of my business plan and strategy is completed, for the most part, so the purchasing of products, designing of the website, and development and distribution of promotional materials will come next. This will occur over the next two months; the site should be fully functional by March of 2010. Over the course of the first year, I hope to gain a footing in the green online retail sales market and expand our customer base. We will be focusing on getting our company recognized as an everyday name by consumers and increasing the hits to our website. Past the first year, we will use our experience to reassess our target market and products, web design, and other components of our business. Once realigned, we hope to become one of the major green online retail sales companies internationally, and possibly expand into the international market.

The online ads which we implement will be launched as soon as the website is fully functional, within the next two months. These ads will change on occasion, to avoid having their effect on consumers wear out. The costs associated with the development and regular changing of these banner ads are outlined below.

The email advertisements will also begin as we establish our customer base, within the first month or two of the launch of the site. We will begin collecting emails, through registration on the site, as soon as we launch and emails will begin as soon as we collect a substantial number of addresses.

## Part Five – Financials

### a. Money Needed

Within the first year, including start-up expenses, I estimate that we will need \$30,145, or approximately \$30,000. This includes our one-time start-up expenses and our estimated expenses for our first year of operation. At this time, it is difficult to estimate expenses beyond the first year, as we will adjust expenses on product purchases and the like based upon our first year's sales/profits.

### b. Start-Up Expenses

#### **One-Time Start-Up Costs**

Office furniture	\$150.00
Computer hardware and software	\$400.00
Business cards and stationery	\$20.00
Starting inventory, raw materials, tools, etc.	\$600.00
Business licenses, permits, taxes	\$500.00
Advertising and promotion for opening	\$1300.00
Operating Cash	\$500.00
<b>Subtotal</b>	<b>\$3,470.00</b>

The startup costs for my business are listed above, broken down into a variety of categories. We will require minimal office furniture and costs for space, as we will be operating from a home office. Business cards and stationary will be necessary, but most of our communication and advertising will be done online, as we are an online business (hence the high cost for advertising and promotion). We will need to purchase goods at the start and we will need a sizeable operating budget so that we can make additional purchases if necessary.

c. Cash-Flow

<b>Transaction</b>	<b>In (Debit)</b>	<b>Out (Credit)</b>
Sales	\$36,500	
Goods/Materials		\$18,250
Website		\$600
Taxes		\$1,825
Advertising		\$6000
Totals	\$36,500	\$26,675
<b>Total Profit - \$9,825</b>		

We estimate that, within the first year of operation, we will incur approximately \$26,675 in expenses. This includes over \$18,000 on goods and materials, as we will carry a stock of the products we offer, bought from wholesalers, in order to ship quickly and efficiently. Our estimated cost of advertising is \$6000, as we are a fully online business and advertising is the most effective method to attract customers. We estimate that for the \$18,250 we spend on goods, we will earn double our expenses, taking in approximately \$36,500. Our total profit has been estimated at just below \$10,000 for our first year.