

BUSINESS PLAN: BOUTIQUE 0

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ABSTRACT

This project consists in the development of a business plan to launch “BOUTIQUE 0”, an e-commerce outlet dropship business that helps Portuguese fashion manufacturers destocking, by selling Portuguese designs and brands at discount prices. “BOUTIQUE 0” aims to digitalize the Portuguese fashion outlet market’s landscape, giving Portuguese manufacturers and brands access to an all year long solution to sell their held stocks, and provide buyers the chance of accessing high quality fashion products from Portuguese manufacturers at low prices.

The main objective of this project is to assess the viability and implementation strategy of “BOUTIQUE 0”, defining a plan to bring this new business to market, including strategic, marketing, technological, organizational and financial considerations. To support this business plan, a literature review on E-commerce, Business Plans and Dropship Logistic Models was conducted. Also, to analyze the opportunities and difficulties of this market and decide on the implementation strategy of “BOUTIQUE 0”, a deep research was carried out on the fashion e-commerce market in Portugal, the online outlet competition and best practices, technologic solutions and possible partners, amongst others. Following this research and reflection, the implementation policies were defined, and, in the end, a financial evaluation was developed to conclude on the viability of this project.

Key words: E-commerce, Dropshipping, Fashion, Business Plan.

JEL Classification: L81 - e-Commerce; M13 - New Firms.

RESUMO

Este projeto consiste na elaboração de um plano de negócios para o lançamento da empresa “BOUTIQUE 0”, um negócio online de venda de stocks de produtores e marcas portuguesas a baixo preço. “BOUTIQUE 0” pretende trazer o mercado de moda outlet portuguesa para o online, apresentando aos produtores e marcas portuguesas, uma solução que lhes permita escoar os seus stocks durante todo o ano sem estarem dependentes dos pontuais stock markets e proporcionando aos consumidores a oportunidade de comprar produtos portugueses de elevada qualidade a preços baixos.

O objetivo deste plano de negócios é analisar a viabilidade e estratégia de implementação da “BOUTIQUE 0”, elaborando um plano de lançamento deste novo negócio, incluindo considerações estratégicas, de marketing, tecnológicas, organizacionais e financeiras. Para dar suporte a este plano de negócios, foi realizada a revisão de literatura de conceitos chave como Comércio Eletrónico, Planos de Negócio e o Modelo Logístico de Dropshipping. Para além disso, como base à análise de oportunidades e dificuldades neste mercado e decisão da estratégia de implementação, foi efetuada uma análise aprofundada do mercado de moda online em Portugal, da concorrência online de moda outlet e melhores práticas, soluções tecnológicas e possíveis parceiros, entre outros. Após esta análise e reflexão, foi definida a estratégia de implementação e no final, uma avaliação financeira para comprovar a viabilidade do projeto.

Key words: Comércio Electrónico, Dropshipping, Moda, Plano de Negócios.

JEL Classification: L81 - e-Commerce; M13 - New Firms.

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EXECUTIVE SUMMARY

The Portuguese manufacturing industry of leather goods has a proven track record of quality which is recognized worldwide. It is not only a well-developed industry but it's also booming nowadays, having almost tripled the value of its exports since 2011, achieving historic maximum volumes which are expected to keep increasing.

“BOUTIQUE 0” intends to answer to the inexistence of a platform to connect consumers with high quality Portuguese leather goods manufacturers and brands, who have exceeding products to sell-out and do not have capability of having their own outlet store, having to resort nowadays to physical outlet markets. It also comes to answer to the fact that, in spite of having played an important role in the industry - by offering brands and manufacturers a chance to sell-out their excessive stocks - these traditional outlet markets are now showing signs of becoming obsolete as large brands start to open their own outlets and the Portuguese consumer is increasingly demanding for quality and diversity, which are nowadays easily accessible through the internet.

“BOUTIQUE 0” will digitalize the Portuguese outlet market industry, offering several benefits for suppliers, who will now have a solution that enables them to monetize their inventory all year round as they need, and also to consumers, who won't need to pay or move to enter these markets and will be able to buy these high quality products at any time at the low prices that characterize the traditional stock markets.

In Portugal, this is a non-saturated market, with good growth perspectives as the substitute businesses show signs of decline and the relationship with suppliers is complex to achieve by new entrants due to limited stock availability to sell. “BOUTIQUE 0” will differentiate itself from its competitors by trying to obtain better factors of production than its competitors, such as getting favorable conditions from suppliers, reducing the complexity of the operations and in the medium term, being able to build a strong and well-established brand.

In order to ensure profitability, “BOUTIQUE 0” is idealized to be an extremely efficient business by operating through a dropshipping model, in which this e-commerce platform will be inventory

free, being responsible to generate traffic to the website and ensure sales, directly transmitting purchasing orders to suppliers who will then be responsible to fulfill the orders placed, at the exchange of a fee.

It is envisioned as a self-sustainable business from the start, financed from its operational earnings. As this is an online dropshipping business, there will be no need for a storage warehouse or large distribution facility, the business will initially be operated from home and is going to be developed using online website hosting and building services that do not require technical skills or large initial investments. Only in year 2 an office will be rented, the team will grow and there will be investment in office material and working equipment such as cameras, mobile phones and laptops.

As the sales potential is dependent on the traffic levels achieved, the communications strategy designed follows the growth and financial capability of the business to ensure its self-sustainable growth through a blend of organic and paid channels, which will progressively alter its relative weight in the mix through time and according to the objectives to achieve.

The goal is to keep good efficiency levels that ensure the business is lean and profitable from the start, keeping a Net Profit Margin ratio above 3% in the first years, growing it up to 10% in year 5. “BOUTIQUE 0” will be launched in 2019, it is expected a sales volume of 79.600€ on that year, achieving by 2023 the expected sales volume of 397.005€.

To ensure the efficiency and growth intended, the recruitment strategy adopted ensures the integration of the most needed skills and workforce for the business to grow at each moment and simultaneously that a stable and sustainable growth is kept, ensuring a consistent annual ratio of sales per capita of approximately 32.000€. The priority for the first years will be to ensure enough personnel to keep up with growth in operations, which are core to the business. Starting to be run by the founder only, it will integrate 9 other employees until the end of 2023.

1. THE BUSINESS OPPORTUNITY

1.1. Outlet Markets in Portugal

There can be found hundreds of outlet markets in Portugal alone just by searching online, these are organized across the country, in multiple exhibition centers and venues, some examples can be found in this website: <http://montra.me/lowcost/tag/feira-stocks/>. These outlet markets consist of physical marketplaces that bring together many brands, renting them stands in the market space where they attempt to sell their excessive stock of products at discounted prices. The products sold in these markets can be existing stocks, past collections, defective products, sell-out due to insolvency, products produced to sell-out excessive materials inventory, product samples originally made to present to clients, collections that didn't leave the company due to non-payment issues from clients, etc. (Olhamar, 2018)

The business model of outlet markets consists in organizing short term fairs, usually taking place for 3 days, charging participant brands and companies a fee for renting a temporary marketplace to them, and then charging an entrance fee to consumers who must pay to access this market space (Stockmarket Lisboa, 2018). Being the fair organizers, they basically manage the venue space, and then have the responsibility to communicate the event and attract the local population to this limited period flash sales event. Traditionally, in order to achieve this, outlet markets try to focus its offering and promotions on large global brands whose name has the capability of being recognized by consumers, grabbing its attention and attracting people to the physical space where then they might also have small vendors that can benefit from this traffic.

Outlet markets have always kept successful in attracting brands to participate and attracting consumers with the promotions offered. This happens for several reasons, on one hand, people visit the market to find products at a discount price, on the other hand, this is only possible because manufacturers and retailers want and need to take one last opportunity to sell-out their inventories and try to make some money out of it, even if close to production cost in order not to lose the money invested in those items. This happens because manufacturers and retailers are susceptible to many inventory management challenges such as demand fluctuations, distressed stocks, and other issues related to managing products and keeping count of the inventory (Patil & Divekar,

2014). These markets might also be important to brands, because brands might not have stocking capacity or because holding inventory is expensive, the same holds true if we talk about minimal defect products, companies are not be able to keep them, sell them and want to take any chance to cover as many costs as possible, also, these products might soon lose its commercial value, which needs to be registered in accounting books (Olhamar, 2018).

1.2. The Problem

There are some insights that show that these offline markets are not able to sustain their business model anymore, which is slowly becoming obsolete. One of the main factors for this to happen, is that larger brands are starting to promote their own outlets, this leads to a negative impact in the organized stock markets, who start having trouble recruiting these larger brands to participate, this leads to less traffic to their sites, which in the end results in less interest from consumers to pay such high price to access the promotions (Nomad Bubble, 2017).

As this larger outlet markets seem to be decreasing relevance in the outlet landscape, the market is evolving towards fragmentation, becoming more favorable to smaller outlet markets who gain popularity as an alternative channel for smaller brands who cannot afford and do not have space to sell their stocks, and answer to the increasing need for diversity and quality that the Portuguese consumer demands nowadays (Nomad Bubble, 2017). Plus, these smaller markets are cheaper for consumers to access.

As an example, we can see that there are new markets appearing with a focus exclusively on Portuguese brands, brands which are an opportunity as well in the outlet market:

<https://nit.pt/vanity/lojas-e-marcas/lisboa-mercado-marcas-portuguesas-2>

1.3. Business Proposal

This new business answers to the inexistence of a platform to connect consumers with high quality Portuguese manufacturers and brands who have exceeding products to sell-out and do not have capability of having their own outlet, having to resort to physical stock markets. Also, it answers to some of the limitations that characterize the physical outlet markets to which these companies resort to, such as:

- brands must pay high prices to have a stand inside these markets;
- consumers need to pay to enter the market and be able to access low prices;

- physical outlet markets, having a specific location, can only attract consumers close enough to be willing to go there;
- most markets have a very short and limited duration;
- the number of participating companies is limited to the number of available stands;
- the assortment offered by each brand is limited to the area of the stand.

This business will have benefits for both end consumers and suppliers. It will not have restrictions to the number of manufacturers or brands participating and instead of having to pay high fees in advance to be within the limited number of companies accessing the fair and renting the stand just for a few days, they will have a solution that enables them to monetize their inventory all year round as they need, paying as they sell. Also, the use of an online dropshipping model will offer the manufacturers an alternative channel for destocking, which presents several benefits as they might not possess yet a secondary sales channel through an online store (Yu, Cheong and Sun, 2017). Consumers won't need to pay to enter the marketplace, won't need to move to the physical space, will be able to buy from these companies all year round, will have a higher number of manufacturers to choose from and will still benefit from the low prices provided by the traditional stock markets.

As we will analyze in further detail in the next chapters, "BOUTIQUE 0" follows a different approach to any other online outlet retailer existing in Portugal. Firstly, it will focus solely on Portuguese manufacturers and brands, it will have a quality and "made in Portugal" orientation with priority to emerging brands instead of focusing in global leader brands. Secondly, it proposes a different business model orientation, one of closer cooperation with these smaller suppliers. It will be an online outlet stock market retailer with a consumer direct fulfillment (dropship) model in which this e-commerce platform will be responsible for the marketing, sales and order processing functions of all its clients, in exchange for a direct dispatch of the products ordered from the source directly to the consumer, being the supplier responsible for managing the operations incurred in order fulfillment and delivery.

In short, this e-commerce platform will set its own prices, attract customers to purchase to ensure profitability and be inventory free, directly transmitting purchasing orders to suppliers, being charged a shipping and handling fee from them (Rabinovich, 2005).

2. LITERATURE REVIEW

The starting point to this project was the compilation and understanding of the fundamental business concepts encompassing the scope of the project to be developed, such as the concepts of “E-Commerce”, “Dropshipping Logistics Model” and “Business Plan and Business Model”. At this point, the main objective of this literature review is to understand these concepts, to define and support the strategy of implementation of this online business.

2.1. E-commerce

2.1.1. E-commerce and E-business

E-commerce can be defined as “the use of the Internet, the Web, and apps to transact business” (Laudon and Trevor, 2014: 10). The way this business is conducted, is by using the internet, to purchase, sell, transport or trade data, goods, or services (Turban, 2015; Chaffey, 2009).

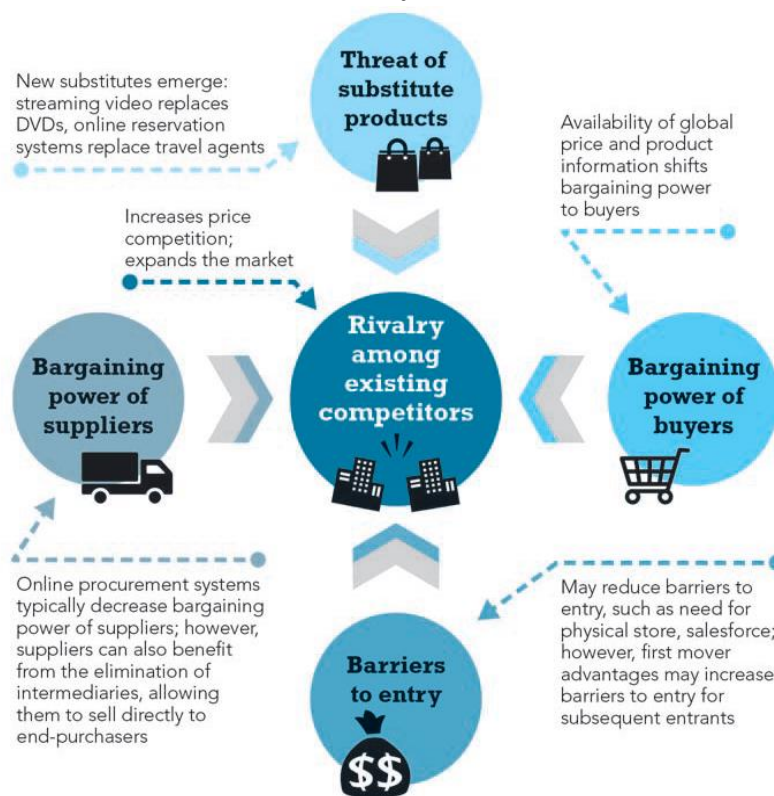
This concept is often confused with the concept of e-business (Laudon and Trevor, 2014; Turban *et al.*, 2015). The difference between the concepts of e-commerce and e-business lies in the fact that e-commerce can be described as a subset of e-business (Turban, 2015). While many authors generally refer to e-commerce as describing only the buying and selling transactions conducted between business partners through the web (Laudon and Trevor, 2014; Turban *et al.*, 2015; Chaffey, 2009; Combe 2006), e-business refers to a broader definition of e-commerce, which includes not only the buying and selling of goods and services, but also takes into consideration internal transactions within an organization. These include transactions relating to procurement, logistics, supply chain management, payments, stocks and inventory and order fulfillment and tracking (Combe, 2006).

2.1.2. E-commerce influence in a firm’s processes, relationships and competitiveness

As e-business transactions involve any information systems under the control of the firm in the scope of its activity (Laudon and Trevor, 2014) and enable for electronic execution of all kinds of business online, such as servicing customers, collaborating with business partners and conduct any business process within the firm (Turban, 2015), it becomes clear that the use of e-commerce technologies has an impact on a firm’s business processes and its relationship with external

stakeholders. Laudon and Trevor (2014: vii) mention that “E-commerce has a direct impact on a firm’s relationship with suppliers, customers, competitors, and partners, as well as how firms market products, advertise, and use brands.”, this means that digital technologies and e-commerce affect the levels of competitiveness and the structure of industries itself, which is composed by five forces: rivalry among existing competitors, the threat of substitute products, barriers to entry into the industry, the bargaining power of suppliers and the bargaining power of buyers (Porter, 1985). It is very important to perform an industry structural analysis when considering a business model and its profitability potential on the long-term (Porter, 1985; Laudon and Trevor, 2014), the pictures below show us the perspective of these authors on the 5 Forces Model and how E-commerce has the potential to change the relative strength of these competitive forces:

Figure 1 - How e-commerce influences industry structure



Source: Laudon and Trevor (2014)

2.1.3. Benefits of e-commerce

When comparing with traditional commerce businesses, the use of e-commerce technologies might represent great benefits for companies and customers. As highlighted by Turban (2015), some of the benefits for businesses are:

- **Global reach:** quickly locating customers and suppliers worldwide at reasonable cost;
- **Cost reduction:** lower cost of information processing, storage, and distribution;
- **Facilitate problem solving:** solving complex problems that have remained unsolved;
- **Supply chain improvements:** reducing delays, inventories, and cost;
- **Business always open:** 24 hours per day, all year, without any overtime or other cost;
- **Customization/personalization:** tailor made orders for each customer preference;
- **Competitive advantages:** through new business models and innovation opportunities;
- **Lower communication costs:** internet is cheaper than private lines;
- **Efficient procurement:** saves time and reduces costs by enabling e-procurement;
- **Improved customer service and relationship:** direct interaction with customers;
- **Help small and medium companies to compete:** e-commerce may help small companies to compete against large ones by using special business models;
- **Lower inventories:** using customization, inventories can be minimized;
- **Lower cost of distributing digitizable product:** delivery online can be 90% cheaper.

These authors also consider that the use of the unique features of e-commerce has benefits to consumers, such as:

- **Inventory:** large selection of businesses and products to choose from;
- **Ubiquity:** can shop any time from any place;
- **Self-configuration:** can self-customize products;
- **Find bargains:** can use comparison engines;
- **Real time delivery:** can download digital products;
- **Enable telecommuting:** can work or study at home or any place;
- **Social interaction:** in social networks;
- **Find unique items:** using online auctions, collectible items can be found;
- **Comfortable shopping:** shop at leisure times without a sales person bothering.

As this business plan refers to a company operating exclusively online, it's also important to analyze the strategic challenges that these types of companies might face, according to Laudon and Trevor (2014), some of them are:

- The need to build a business and brand name from scratch quickly, to tackle established competitors;
- Operating solely online removes the high costs associated with opening physical stores, but the costs for building and maintaining a brand, acquiring customers and building a website that enables for order fulfillment capabilities might be high;
- As gross margins might be low, they need to preserve profit by achieving highly efficient operations;
- Customer acquisition costs are high, but they must attract sufficient customers to cover their costs of operations;
- Need to ensure customers receive what they ordered as fast as possible, most businesses adopt low-cost and convenience strategies, coupled with extremely effective and efficient fulfillment processes.

2.1.4. E-commerce Types

According to the nature of the relationships and the transactions conducted among participants, in other words, who is selling to whom, there are several types of e-commerce that can be identified (Laudon and Trevor, 2014; Turban, 2015; Combe, 2009). Below are listed some of the main types of e-commerce identified by these authors:

- Business-to-business (B2B) e-commerce: online businesses selling to other businesses;
- Business-to-consumer (B2C) e-commerce: online businesses selling to individuals;
- Business-to-business-to-consumer (B2B2C): online businesses selling to another business and own individual customer;
- Consumer-to-business (C2B) e-commerce: consumers selling to individuals and organizations;
- Consumer-to-consumer (C2C) e-commerce: consumers selling to other consumers.

2.1.5. E-commerce Business Models

A business model describes the way business is done to generate revenue and create

Value (Turban, 2015). Using a business model, businesses can identify where and how in its value chain they can create value and profit, and analyze the environment more effectively, exploiting the potential of the markets, better understanding its customers and increasing the entry barriers complexity for possible new entrants. (Combe, 2009).

Chaffey (2009), considers that a business models are a summary of how a company will generate profits. It identifies the company's value proposition, target customers in different markets, the competitiveness of the market and the business projections for revenue and costs.

There are several different business models, that make use of specific revenue models, which according to Chaffey (2009) are the methods and techniques of generating income for an organization. Focusing on B2C, Laudon and Trevor (2014) identifies 7 different business models and how they generate profit, as listed below:

- **E-tailer:** online version of retail stores where consumers can shop at any time of the day and from anywhere they have an internet connection. E-tailers make money through the sale of goods online;
- **Community provider:** website that creates an online environment where people with similar interests can meet to communicate, share interests, photos, videos, and buy or sell goods. Community providers make money by charging advertising, subscription or affiliate referral fees;
- **Content provider:** provider of entertainment and information content that distributes and transacts content such as news, music, photos, video, and artwork. Content providers make money by charging advertising, subscription or affiliate referral fees;
- **Portal:** offers users an integrated package of tools, content and services in one unique place. These might include search engines, e-mail service, social networks, news, chats, music, video streaming, calendars, etc. Portals make money by charging advertising, subscription or transaction fees;
- **Transaction broker:** site that processes transactions for consumers that are normally handled in person, by phone, or by mail, to help them get things done faster and more efficiently, for example, online travel agents or stockbrokers. Transaction brokers make money by charging transaction fees;

- **Market creator:** business that uses internet to create a digital market environment to bring buyers and sellers together. In these markets, they can meet, display products, search for products, and establish a price for products. Market creators make money by charging transaction fees;
- **Service provider:** company that offers services online. Service providers make money through the sale of services.

For the development of this Business plan, which refers to an online retailer, we are going to focus on the E-tailer business model, which according to Laudon and Trevor (2014) has four main types:

- **Virtual Merchants:** operate exclusively online in one single channel, generating their sales revenue via online sales;
- **Multi-channel Merchants:** also called bricks-and-clicks, are online retailers that operate primarily via their physical stores but have also an online store;
- **Catalog Merchants:** catalog merchants are companies that have an offline catalogue operation, but who have also developed online operations;
- **Manufacturer-direct:** manufacturer-direct businesses are manufacturers that sell directly online to consumers without the intervention of retailers.

The online business this business plan refers to consists of an online retailer making money exclusively through the sale of goods online, an e-tailer virtual merchant business.

Because of all the fundamental business issues in e-commerce analyzed above that show us how it can influence the business at several levels, such as marketing and sales, information systems, finance and logistics, and “given the continued growth and diffusion of e-commerce” (Laudon and Trevor, 2014: vii), it’s important to take into consideration how can we leverage on e-commerce technologies in the development of this business plan, to reduce supply chain costs, increase efficiency and tighten the relationship with customers and suppliers. (Laudon and Trevor, 2014). For this purpose, we are taking a closer look to one specific logistics model called dropshipping, a consumer direct fulfillment model in which the procurement sources are usually responsible for managing and paying expenses incurred in transportation operations and, in return, they charge the e-commerce retailer a shipping and handling fee. This way, according to Rabinovich (2005) the e-

commerce platform can solely focus on marketing, customer acquisition, and order processing functions, which helps achieving this efficiency goal.

2.2. Dropshipping Logistic Model

2.2.1. Concept of dropshipping

Dropshipping is a logistic model used in E-commerce in which an e-tailer sells a product and then buys it from the supplier, who packs it and sends it directly to the buyer. (Turban *et al.*, 2018). It involves the shipment of goods directly from the warehouse of the manufacturer or distributor to the end client without the need for the e-commerce vendor to have a warehouse (Zajac, 2014). This model allows stores to focus on acquiring customers as the processes of storage of products, taking orders and completing them, issuing sales documents and shipping packages to customers are avoided (Kawa, 2017).

2.2.2. Main Participants in Dropshipping

The main participants in the process of dropshipping, according to Turban *et al.*, (2018) are **the seller**, which is the e-tailer who sells products to individual customers through the website; **the buyers**, which are individual people who look for the products online and make the purchase; **the suppliers**, which can be manufacturers, wholesalers or other third party fulfilling the orders placed; **the directory providers**, which are entities or platforms who help the seller finding suppliers and products.

If the seller intends to develop a website, then **the website builder** is also a relevant participant, it can be an external organization this service is outsourced to, or an online service the seller might choose to use. One example of a website builder specializing in supporting dropshipping is Shopify, which also has its directory service, Oberlo, which is a good example for sellers that want to dropship goods from suppliers listed in AliExpress (Shopify, 2018).

2.2.3. Strategies and Processes of dropshipping

There are two main dropshipping approaches adopted by e-commerce retailers (Ayanso, Diaby and Nair, 2006):

- **Pure dropshipping:** online store that does not have a warehouse and aligns its activity with external firms for implementing order fulfillment processes;

- **Partial dropshipping:** companies which hold part of the offering in own warehouses and leave the rest to be handled by external parties.

In this project, the aim is to implement a pure dropshipping model.

In order to better understand what dropshipping involves in practical terms, Turban *et al.*, (2018) describe what the order fulfillment process looks like, from finding the right supplier to product delivery:

1. The seller finds a product to sell, and identifies a supplier to buy it from;
2. The seller advertises the product to be sold online;
3. The buyer searches for a product online;
4. The buyer finds the product online;
5. The buyer orders the product and pays for it to the seller;
6. The seller transfers the order to the supplier, paying the wholesale price or price agreed;
7. The supplier receives, prepares and ships the order to the buyer.

This 7-step process identified by Turban *et al.*, (2018), is represented in the following figure:

Figure 2 - 7 Steps of dropshipping order fulfillment process



Source: Turban *et al.* (2018)

2.2.4. Advantages and disadvantages of dropshipping

According to Turban *et al.* (2018), the main benefits of dropshipping as an alternative to other traditional retail or inventory holding e-commerce models are:

- Less capital required and low overhead, which increases cash flow;
- Easy to get started and to scale the business, expanding or contracting;
- Good earning potential;
- Very little resources and space needed;
- Paying suppliers only after getting paid from buyers;
- Flexible location;
- No need to fulfill the orders or keep inventory;
- Enables to increase lifetime value of customers
- Enables expansion to new markets, including global markets;
- For existing businesses, enables easy access to another sales channel.

These authors, as well as Kawa (2017) and Khouja (2011) have also identified some of the disadvantages and challenges dropshipping businesses might face:

- Low control over the supplier shipment in terms of quality and speed.
- The seller takes responsibility for eventual problems in order fulfillment;
- Easy entry for competition;
- Returns from customers can be a complex process to manage;
- Special need for good customer service, which might be costly when having very large number of customers;
- The difference between the prices charged and wholesale price paid can be small. To succeed the seller needs to find the right products, and make sure the price differential between the retail and the wholesale is large enough (Kawa, 2017);
- Orders made up of products originated from multiple suppliers simultaneously might increase complexity, costs and originate communication problems (Kawa, 2017);
- Requires developing appropriate procedures for the flow of information, packaging, payments and returns (Khouja, 2011).

2.3. Business Plan

2.3.1. E-commerce and E-business

A Business Plan is an essential plan to structure and present a new business idea. It should focus on the main points of the project, defining how resources will be allocated and focusing on the implementation of the idea and the challenges that might be faced. This document results from the organization of studies, analyzes and reflections, accompanied by sustained quantitative and financial data, in a proper and well-written document (IAPMEI, 2016).

According to Laudon and Trevor (2014), a business plan is a structured document that describes a firm's business model. These authors consider the business model as the center of a business plan, the set of planned activities or processes designed to result in a profit in a marketplace.

According to Magretta (2002), a good business model remains essential to every successful organization, whether it's a new venture or an established player. It is the rationale of how an organization creates, delivers, and captures value (Osterwalder, 2010).

The business plan of a company has three major functions, identified by IAPMEI (2016):

1. To help the entrepreneur understand the various aspects of the business, including variables and data about the market, product, financing model, business model, growth drivers and business risks;
2. To guide the development of the company in the short, medium and long term, as a planning and management tool that allows the team to focus on the correct implementation of the project through a set of previously established objectives and guidelines;
3. To be a support to present the company to other interested parties, such as investors and partners.

2.3.2. Types of Business Plans

Depending on the goal of the business plan and the nature of the project, there are different types of Business Plans. IAPMEI (2016) highlights 3 main types of Business Plans: **Early Stage Plans** refer to businesses which do not exist yet and are still an idea being planned; **Later Stage Plans** refer to existing businesses that want to expand. **Internal plans** can be strategic or operational and refer to internal plans of improvement within a company.

As this business plan refers to a new business idea, we will focus in the analysis of the Early Stage Plan. It defines the general ideas of a new business, including topics such as the type of company, the product or service, the market, implementation strategies, some considerations on the management team and financial analysis.

2.3.3. Business Plan Structure

We are going to take in special consideration the business plan presentation structure built by IAPMEI (2016) in the “Manual do Empreendedor”, which is very complete and takes into consideration all the relevant elements for presenting and analyzing a business idea. It focuses in introductory and strategic aspects to assess and the idea, market and opportunity, but it also takes into consideration operational elements more related to implementation policies and analysis, that involve for instance technology, marketing, financial and management team considerations. Nevertheless, the format of the business plan might be subject to change and adaptation accordingly to this business specifications, since “No single way of preparing a business plan is required” (Haag, 2013:28) and following the advice of Richard Branson (2015) not to follow a strict business plan structure but, instead, to set it accordingly to the business and its needs.

The IAPMEI (2016) structure we are going to use as a basis for the development of this business plan is as follows:

1. **Title:** proposal of company name, logo and positioning sentence. Website if applicable.
2. **Executive Summary:** global vision, concise and motivational.
3. **The Problem:** what is the problem the idea comes to solve.
4. **Business Proposal:** the business idea, and its advantages.
5. **Market Opportunity:** market analysis, dimension and business evolution perspectives in the market.
6. **Technology:** how will the idea be developed and delivered to the market.
7. **Unique Selling Proposition:** what makes the project unique.
8. **Competitive Environment:** competitors in the market, their differences, advantages and disadvantages.
9. **Marketing:** what will be the approach to tackle the market.
10. **Financial Projection:** financial analysis of the project.

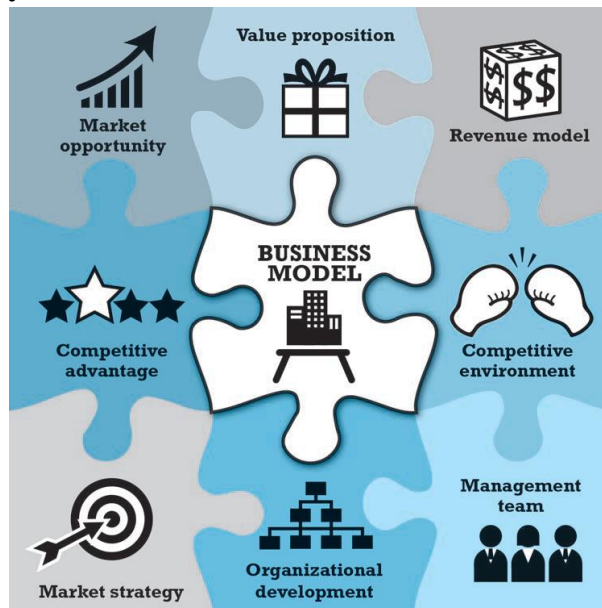
11. **Current Situation:** current development state of the project.
12. **Project Team:** required team and competencies.
13. **Summary of the Project.**
14. **Acknowledgements.**

During the development of this business plan, several authors and models were used as source for complementing, guiding and structuring each chapter.

2.3.4. E-commerce Business Model

As analyzed in the above literature, the business model is a core component of the business plan. When referring specifically to the development of an e-commerce business plan, Laudon and Trevor (2014) refer to the concept of “e-commerce business model”, a business model that aims to use and leverage the unique qualities of the internet, as illustrated and further explained below:

Figure 3 - The Eight Key Elements of a Business Model



Source: Laudon and Trevor (2014)

Value Proposition: the value proposition defines how a company fulfills its clients needs (Laudon and Trevor, 2014, 59). To clearly and successfully define a business value proposition, it must be clear why customers will opt to buy from the business instead of buying from others (Laudon and

Trevor, 2014, 59). Concerning e-commerce value propositions, consumers generally value: personalization and customization of product offerings, reduction of product search costs, reduction of price discovery costs and facilitation of transactions by managing product delivery (Kambil, 1997; Bakos, 1998).

Revenue Model: the aim of the revenue model is to describe how a business will earn revenue, generate profit and produce a superior return on invested capital. According to Laudon and Trevor (2014), the main types of revenue models are:

- **Advertising model:** refers to companies that offer content, that are able to attract the greatest viewership in order to charge advertising rates.
- **Subscription model:** refers to companies that offer content or services, charging a subscription fee to grant access to some or all of the offering.
- **Transaction fee model:** companies using this revenue model make money by receiving a fee for enabling or executing a transaction.
- **Sales model:** in a sales revenue model, companies make money online by selling goods, content, or services to customers.
- **Affiliate model:** this revenue model reflects companies that use affiliates to generate business, receiving a referral fee or percentage of the revenue from any resulting sales.

Market Opportunity: according to Laudon and Trevor (2014), the market opportunity refers to the company's intended marketplace and the financial opportunities available to the business in that marketplace. These authors consider that a market can be divided into smaller market niches, and that the market opportunity is defined by determining the revenue potential in each of the market niches where the business hopes to compete.

Competitive Environment: supporting the model defined by (Porter, 1985), Laudon and Trevor (2014) also integrate the analysis of the competitive environment in the Business plan, which refers to other businesses selling similar products in the same marketplace, the rivalry among existing competitors, the threat of substitute products, barriers to entry into the industry, the bargaining power of suppliers, and the bargaining power of buyers. According to Laudon and Trevor (2014), the competitive environment is influenced by several factors, such as the number of active

competitors, how large their operations are, their market share, how profitable they are and how they price their products. These competitors can be direct competitors (selling very similar products and services into the same market segment) or indirect competitors (possibly operating in different industries but still competing because they offer products that might be substitutes).

These authors consider that if a market has many competitors it can be saturated, being perhaps harder to make profits. If a market has few competitors, the opposite is considered, it could mean that it is possibly untapped market niche.

Competitive Advantage: companies achieve a competitive advantage when they can offer a product that is superior to others or bring the product to market at a lower price than most the competitors (Porter, 1985). Apart from the competitive advantage that can be achieved through product or price, companies can also compete on scope, some opt to develop global markets, while others choose to operate only national or regional markets.

There are several factors that might enable companies to achieve competitive advantages, they might have somehow been able to obtain better factors of production than its competitors, such as getting favorable conditions from suppliers, shippers, or sources of labor, having more experienced, knowledgeable, and loyal employees than its competitors, having a brand, image or patent on a product that others cannot imitate or having access to investment capital through a network of former business colleagues that other firms cannot duplicate (Barney, 1991).

Market Strategy: this section of a business model details exactly how the business intends to enter a new market and attract new customers, it consists in defining the actions and business strategies to promote the company's products and services to potential customers (Laudon and Trevor, 2014).

Organizational Development: in this section, there must be explained how the business will organize the work to be done, the business needs an organization to efficiently run and implement the business actions and strategies that need to be accomplished (Laudon and Trevor, 2014). Many e-commerce firms that attempt an e-commerce strategy have failed because they lacked the organizational structures and supportive cultural values required to support new forms of commerce (Kanter, 2001).

In the setting up of a new e-commerce business, work is typically divided into functional departments, such as production, shipping, marketing, customer support, and finance (Laudon and Trevor, 2014). These authors mention that jobs within these functional areas are defined, and then recruitment begins for specific job titles and responsibilities and that typically, in the beginning, generalists who can perform multiple tasks are hired and as the company grows, recruiting becomes more specialized.

Management Team: this section of the business model describes who are the employees responsible for making the business model work. The right team will give instant credibility to outside investors, will also bring market knowledge to the business and experience to implement the business plan (Laudon and Trevor, 2014).

Apart from this model, other authors and models were used as reference to structure and complement each chapter of this business plan. As referred already in the above literature, Porter's 5 forces Model were used to assess the competitiveness of the market, also a PESTEL analysis will be conducted in the market analysis stage, and to develop the marketing strategy stage, some fundamental marketing concepts by Philip Kotler were taken into consideration.

3. BUSINESS PLAN

3.1. Market Opportunity Analysis

3.1.1. PESTLE Analysis

Political

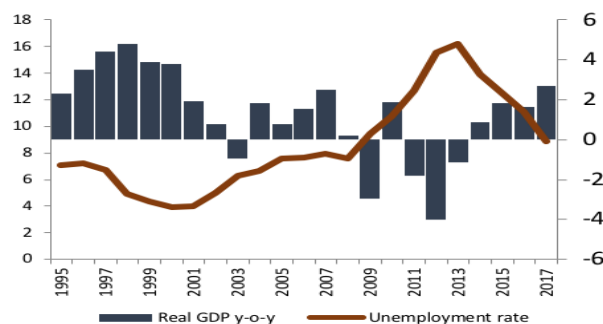
Investment and Entrepreneurship incentives: to boost entrepreneurship, the Portuguese government has set up an investment agency named “Portugal Ventures”, a €450 million fund. Moreover, it has announced a new strategy called “Startup Portugal”, that encompasses an ambitious program of investment tax incentives and matching funds for business angels and venture capital, with a strong focus on accelerators and incubation networks and incentives for startups and innovation. These factors, as well as the fact that setting up a new business can be done in one day only, make Portugal a very attractive country for new businesses as it constantly shows effort to incentivize and support entrepreneurs.

Job Creation and Hiring: the Portuguese government has some incentives in place to job creation and hiring, such as co-funded professional internships, contract-employment measure and social security tax reduction. These can be helpful incentives to new born companies.

Economical

Economic Recovery: after several years of economic hardship, the Portuguese economy has re-emerged with a newfound strength. The several reforms implemented over the past decade to improve the country investment, skills, export orientation, labor market, financial intermediation, and public finances and demand reignition are now showing some of its effect of the positive recovery, for example in GDP and unemployment rates, as a representation of this results.

Figure 4 - GDP Growth and Unemployment



Source: Centeno, Coelho (2018) for Vox CEPR Policy Portal.

Consumer Confidence: The Portuguese consumer confidence is growing, as well as its adherence and trust in online shopping. It is now willing to pay more for quality products.

Startup Scene: Portugal is witnessing a real entrepreneurial boom, as more young people are choosing to start their own business. This has resulted in an explosive growth in the number of startups.

Social

Nowadays, it is important to take into consideration that the Portuguese consumer spends great part of its free time online. The consumers between 15 and 44 are the heaviest users of the internet, being more active than the average consumer in Europe. According to a study conducted by Media post and Sonae, a Portuguese internet user spends a daily average of 780 minutes online, this is a great opportunity for e-commerce businesses to reach more people.

Technological

Social media and the internet represent easier ways for companies to create and promote businesses. There are several new tools online to build websites that accelerate this process and do not require the user to have high technical skills.

From the consumer point of view, technology allows them to find, compare and buy products from the comfort of their homes, an easy and comfortable solution to access the best deals.

Legal

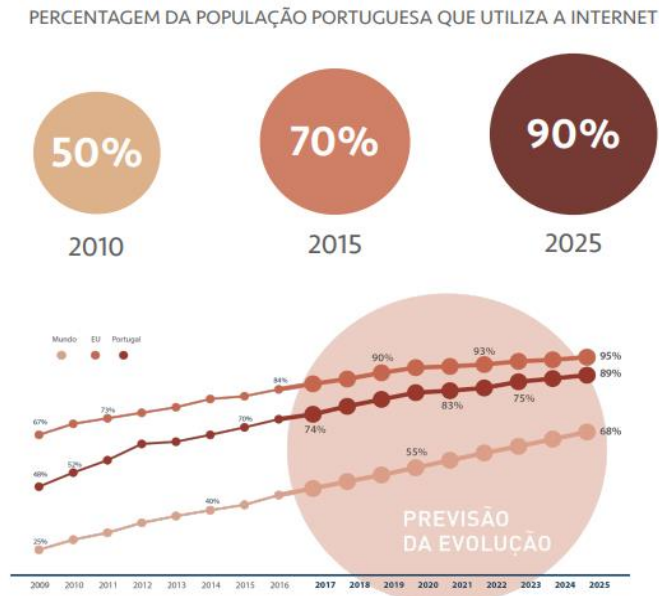
Data Protection: Since 25th May of 2018, every EU organization needs to ensure its operation is compliant with the General Data Protection Regulation (GDPR), which means taking a series of measures to protect any personal data and to prevent any unlawful forms of processing. Each organization needs to ensure compliance with GDPR standards for data record keeping, transparent policies, consent management and privacy impact assessments.

3.1.2. Internet usage in Portugal

Internet usage in Portugal is growing, just as it is in other European and global markets. In 2016 70% of the Portuguese population were already using the internet, and this number is expected to

continue growing, as the number of internet users in Portugal alone is predicted to increase to 90% of the population by 2025. (ACEPI & IDC, 2016).

Figure 5 - Percentage of Portuguese population that uses the internet



Source: ACEPI & IDC (2016)

3.1.3. Online shopping in Portugal

From the 8,7 million Portuguese above 15 years old, 70% are internet users (6,1 million), from which 3,1 million buy online (35%). This number is expected to grow to 60% of the population by 2025, which presents a big opportunity of market growth for companies currently selling online in Portugal (Ecommerce Foundation and ACEPI & IDC and Eurostat, 2016).

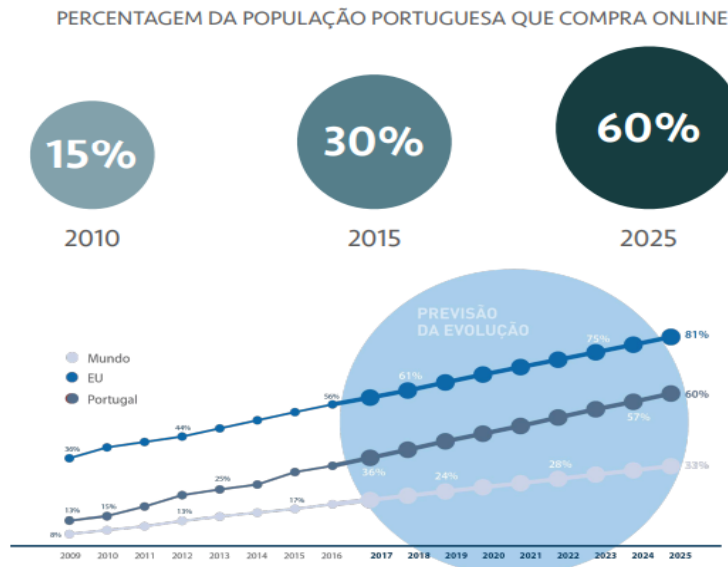
In Portugal in 2016, e-commerce moved around 4,203 million euros, and it is expected to more than double, growing 119% until 2025, where it will have an approximate value of 9,194 million euros (ACEPI & IDC, 2016).

The amount each person spends online is also increasing each year, which proves the adherence to online shopping, the average revenue per user in 2017 was €487.70 and it is expected to keep rising (Statista, 2017).

The marketing techniques more likely to incentive the Portuguese consumer to buy online are returns possibility, free delivery, product descriptions, order tracking.

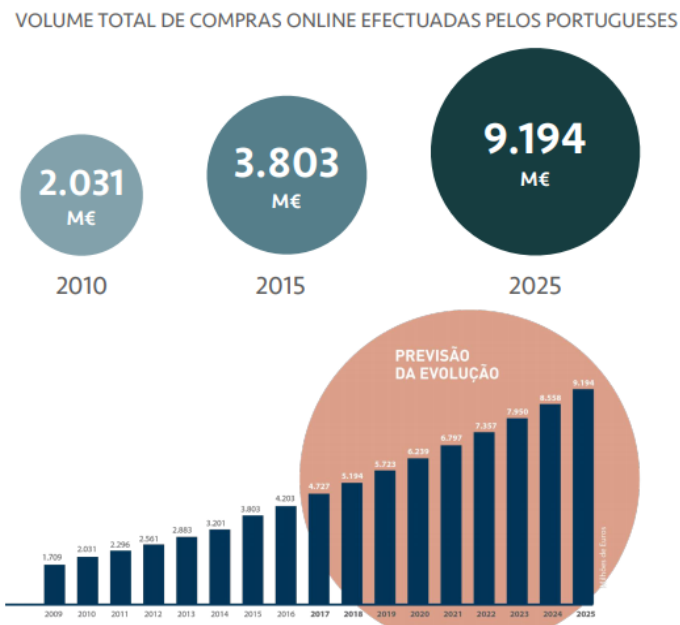
The Portuguese consumer is now willing to pay more for quality products, accepting that its economic condition has improved (Nielsen, 2016).

Figure 6 - Percentage of the Portuguese population who buy online



Source: ACEPI & IDC (2016)

Figure 7 - Total value of online shopping from the Portuguese



Source: ACEPI & IDC (2016)

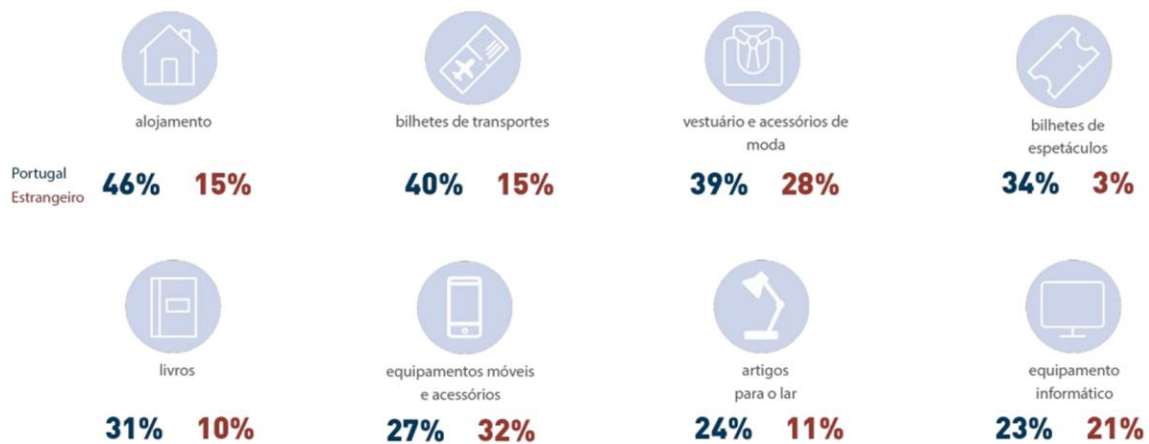
3.1.4. Fashion E-commerce in Portugal

Excluding online services, the product category that the Portuguese buy online the most is the category of fashion clothes and accessories. 39% already buys clothes and fashion accessories online, which shows that the market is well developed and that the Portuguese consumer and online user is willing and comfortable to buy this type of product category online (Ecommerce Foundation and Statista, 2016).

According to the Ecommerce Foundation (2016), the fashion category can be divided into the following segments:

- Clothing: Underwear & Upperwear, Children's wear, Swimwear & Sportswear, Nightwear & legwear Bags.
- Shoes & Personal lifestyle: Shoes, Jewelry, Bijoux, Watches & others fashion accessories (e.g. sunglasses) , wallets, suitcases.

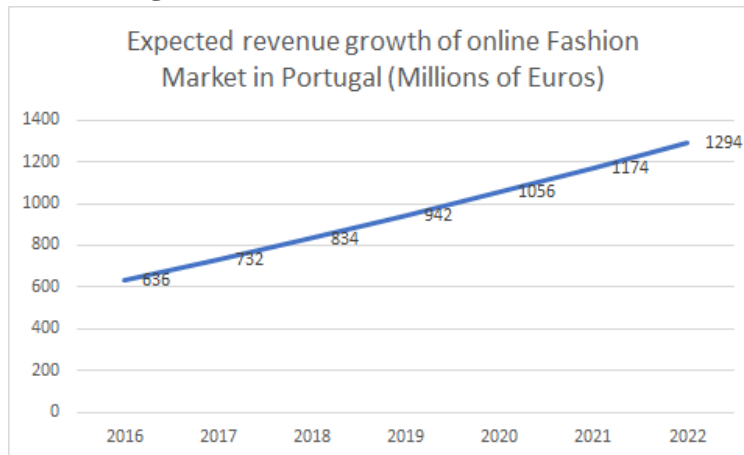
Figure 8 - Products and services Portuguese buy the most online



Source: ACEPI & IDC (2016)

Fashion is the largest segment in the products e-commerce market in Portugal, with an expected market volume of 732 Million euros in 2017 and double-digit growth in the following 5 years, until it reaches 1.294 Million Euros in 2022 (Statista 2017).

Figure 9 - Expected revenue growth of the Online Fashion Market in Portugal



Source: Statista (2017)

3.1.5. Portuguese Leather Goods Industry

The Portuguese leather goods industry is living a boom phase, having almost tripled the value of its exports since 2011, ascending to 178 million euros in 2016, an historic maximum that is expected to keep increasing (APPICAPS, 2018). High quality, premium service and efficient responsiveness seem to be the powerful arguments of the Portuguese suppliers.

The leather bag's sector is the most representative, with a higher growth, 240% since 2011, reaching an amount of 92 million euros by the end of 2016. In the same period, the number of companies has also increased, growing 60% to 120. The same for the sector's employment, reaching a total of 1546 people by the end of 2016, a growth of 58%. (APPICAPS, 2018).

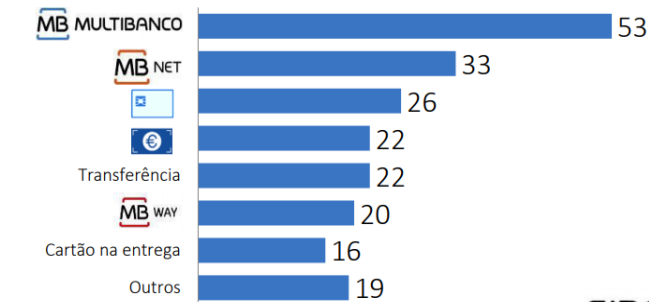
3.1.6. Online Payment methods in Portugal

The main factors contributing to the choice of an online payment method are its safety and the comfort they provide (SIBS, Markttest. 2016). The methods that are used the most in Portugal, according to SIBS and Markttest (2016) are Multibanco, MB Net, payment by credit card, bank transfer and MB way.

Figure 10 - Online payment methods used by the Portuguese consumer

Os métodos de pagamento domésticos transmitem conforto segurança ao consumidor

Qual a forma de pagamento que costuma utilizar para compras *online*?



Fonte: Inquérito ao consumidor SIBS/Marktest, Jul-16

SIBS

Source: SIBS, Marktest (2016)

3.2 Competitive Environment

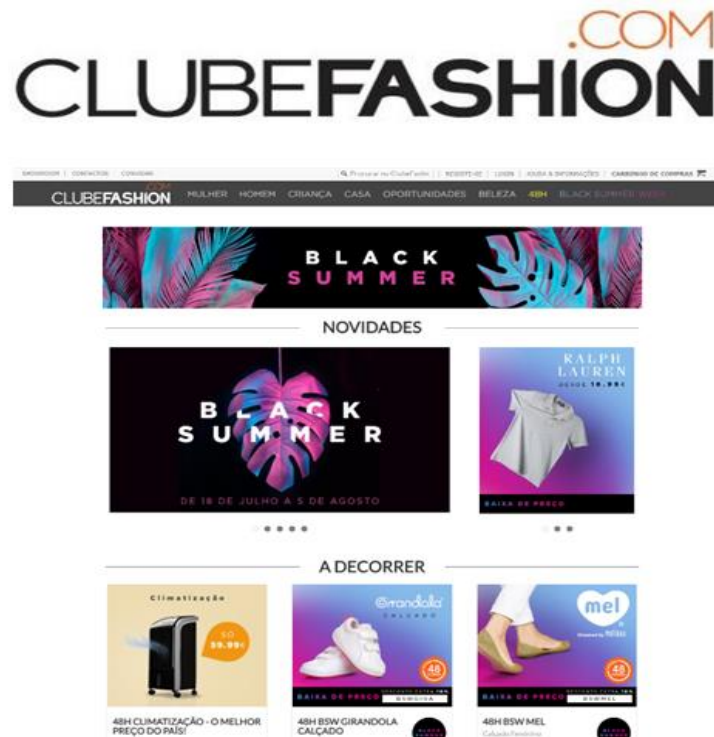
3.2.1. Direct Competitors

Online Outlets in Portugal

Apart from the physical outlet markets, there can be found very few players in the online Outlet business in Portugal. The main players have different approaches, the main competitors of “BOUTIQUE 0” are pure online players that have a focus on promoting discounts in global leader brands, then, there are players who also sell outlet online, but as a secondary channel to sell-out stocks from their retail physical stores. The 3 most relevant competitors are Clubefashion.com, Showroomprive.pt and Zori.pt, that will be analyzed in further detail.

Clube Fashion: Online retailer that offers big discounts in the top global brands, it works as a private promotions club, that is always on hard-discount available to its members, up to 90% discount. Its assortment is mainly composed by fashion articles but also the categories of “home deco”, “beauty” and “travel and holidays”.

Figure 11 - Clube Fashion Logo and Homepage



Source: Retrieved from Clubefashion.com on 04.08.2018

The website claims to transform distance selling, which is based on relationships of trust and transparency, in a safe, innovative, comfortable and quality shopping experience. In order to strengthen user's trust on cheap products that could be precepted as not being authentic, the website claims that all the products on sale in the website are original and authentic. The suppliers of Clube Fashion are authorized to manufacture, sell or represent the brands offered, being the products the same as those that can be found in an official store.

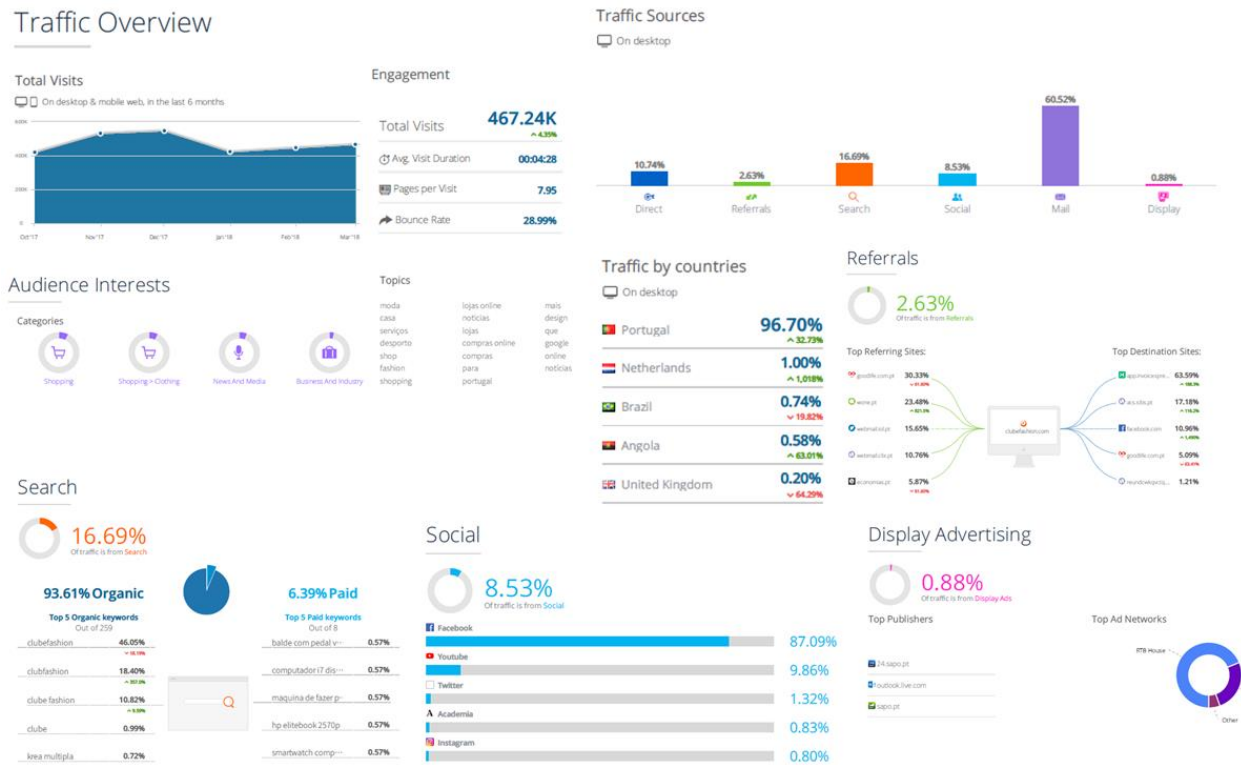
Top Brands: working with more than 1000 brands, from the most varied segments, Clube Fashion launches campaigns every day, with the most diverse brands and articles.

Features:

- **Shipping:** is free in Portugal mainland, except for articles whose size does not allow it;
- **Return policy:** customers are given a period of 14 days to return or exchange an item with the original receipt, the items to be returned must be properly packed in their original unopened packaging with no signs of use. The exchanges of articles are subject to the availability of stock by the supplier. Customers need to attach a copy of the invoice and the completed return / exchange form;

- **Payment:** users can pay with credit and debit cards, Multibanco or MBnet;
- **Customer Service:** users can contact Clube Fashion by chat on the website or via telephone;
- **Access:** it is a member exclusive website, users need to register the website to view and access the promotions. The registration is free;
- **Ratings & Reviews:** users can leave a review after each purchase, the website claims the reviews are trustworthy, being certified by: www.opinioes-verificadas.com/;
- **Online Presence:** the company offers a native smartphone app and uses Facebook to update customers on trends and promotions. It runs a blog where it publishes recommendations, news, tips and campaigns that are released and closed in real time. Instagram is also used, but to reveal more about the backstage of the company:
 - Facebook: www.facebook.com/clubefashion/
 - Twitter: twitter.com/clubefashioncom
 - Pinterest: www.pinterest.pt/clubefashion/
 - Instagram: www.instagram.com/clubefashion/
 - Appstore: itunes.apple.com/pt/app/clubefashion/id1315954485
 - Google Play: play.google.com/store/apps/details?id=com.clubefashion
 - Blog: www.figuradeestilo.pt/
- **Buy online, collect offline:** it offers the possibility of getting the purchased products from a physical location. Users can collect the products from Clube Fashion's showroom in Carnaxide. If they use this option a 5€ voucher is offered in future purchases. Clube Fashion also have partnerships with many retail companies that work as pick-up location for the website clients.

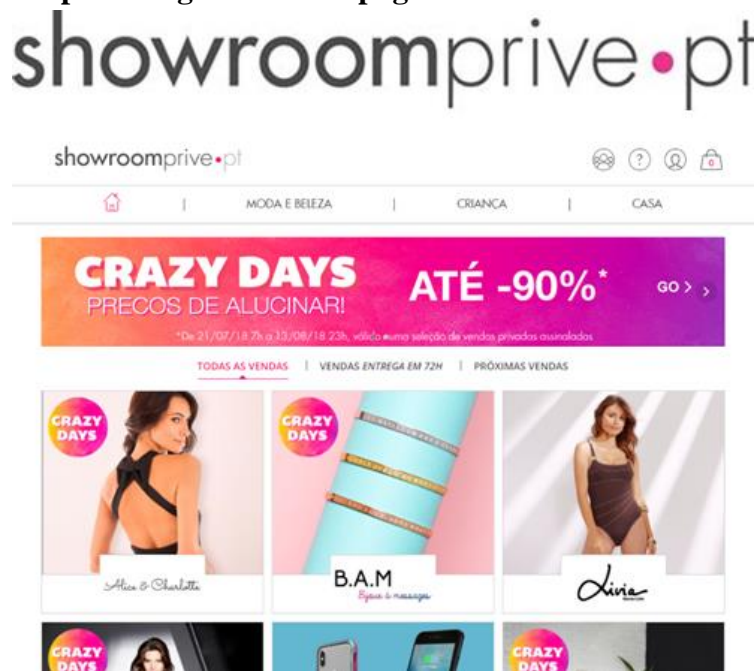
Figure 12 - Clube Fashion Website Audit Analysis



Source: SimilarWeb March 2018 Report

Showroomprive: it is an European player in the online private sales industry, specialized in fashion but offering home products as well. Showroomprive offers a daily selection of more than 2,000 brand partners on its mobile apps or online, it is dedicated to sell the outlet collections of top of mind brands with promotional campaigns to its members. It is present in nine countries. In Portugal, showroomprive.pt was launched in 2013, with products on offer that cover different categories, such as “Fashion”, “Furniture & Appliances” as well as “Toys, Hobby & DIY”. Showroomprive sales have a limited duration and have great discounts from -30% to -70% on the price charged in stores. The products sold are mostly from previous year's collections: overproductions, unsold products or last items.

Figure 13 - Showroomprive Logo and Homepage



Source: Retrieved from Showroomprive.pt on 04.08.2018

To be more efficient, Showroomprive limits to the maximum all operating expenses (storage, logistics ...) and only market products via the internet. As receiving orders by multiple suppliers might bring complexity in order fulfilling, the website does not allow the user to buy simultaneously from products that are not compatible, according to the criteria they have established.

Net Sales (Annual report 2016): US\$24,1m

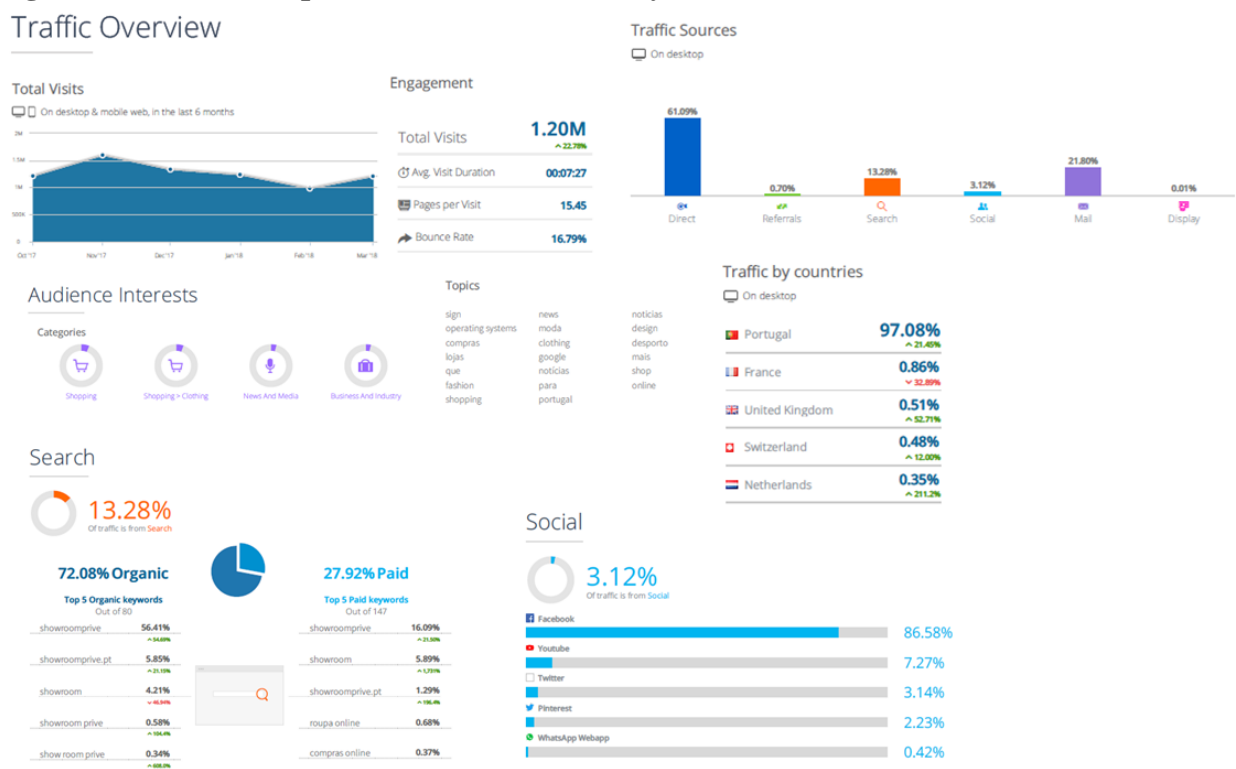
Features:

- **Shipping:** paid by the user, on top of the value of the products. The website promises delivery in 72h in a selection of products;
- **Return policy:** in case the order does not match what users wanted, they have 14 days from delivery to return it;
- **Payment:** users can pay using debit and credit card, Paypal and Multibanco;
- **Customer Service:** users and professionals can contact showroomprive via telephone or the e-mail form in the website;
- **Access:** promotions are only visible and accessible to registered members;
- **Ratings and Reviews:** ratings and reviews are available, certified by www.trustedshops.fr/;

- **Online Presence:** Showroomprive is present in many social media platforms, it offers mobile apps and uses e-mail marketing as a main communications tool:
 - Facebook: www.facebook.com/Showroomprivept
 - Twitter: twitter.com/PTshowroomprive
 - Instagram: www.instagram.com/showroomprive_portugal/
 - Youtube: www.youtube.com/user/ShowroomprivePT
 - Google Play: play.google.com/store/apps/details?id=com.holosfind.showroom
 - Appstore: itunes.apple.com/pt/app/showroompriv%C3%A9/id426414466
- **Business Area:** offers a specific form for suppliers to contact with the company;

Showroomprive Website Audit

Figure 14 - Showroomprive Website Audit Analysis



Source: SimilarWeb March 2018 Report

Zori

Figure 15 - Zori Logo and Homepage



Source: Retrieved from Zori.pt on 04.08.2018

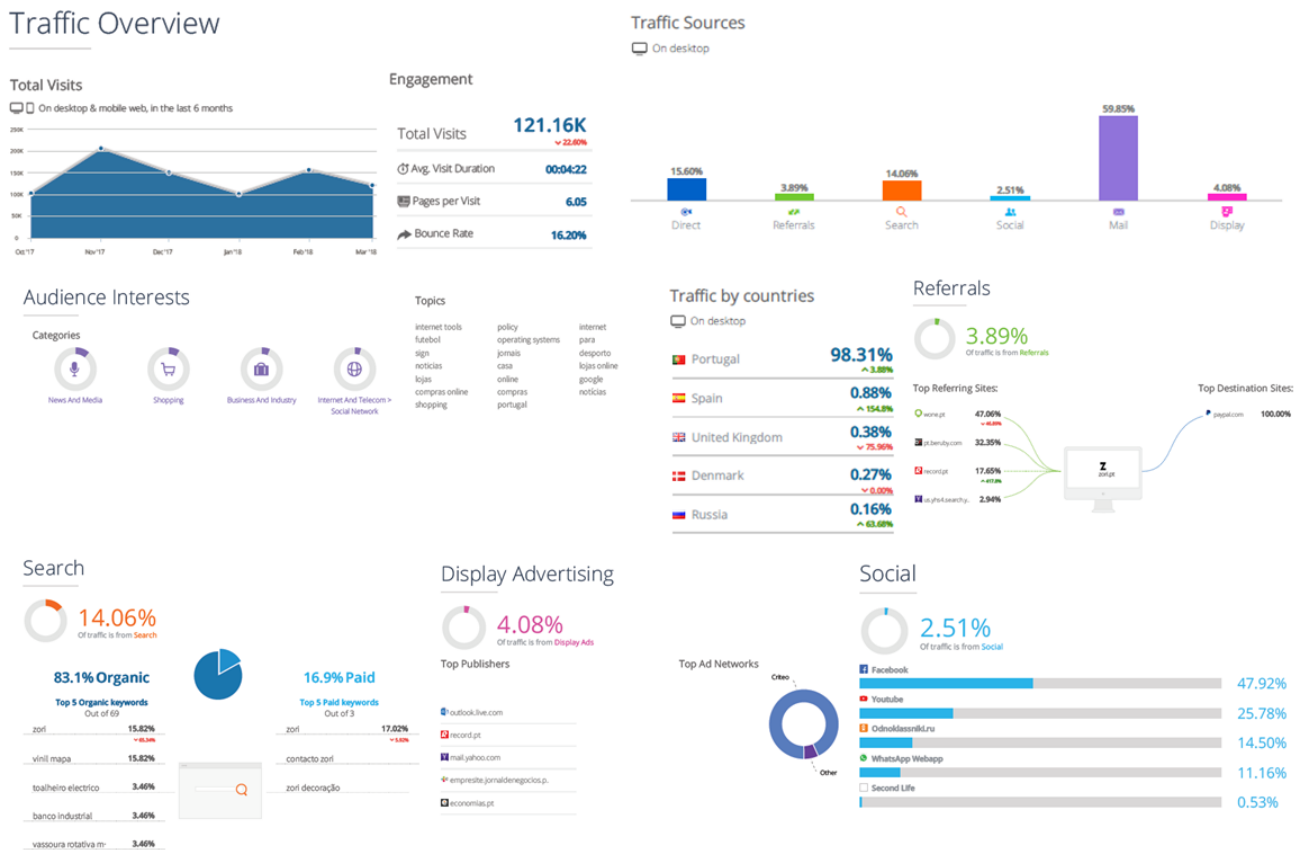
About Zori: Portuguese player focusing on selling large fashion and home brands. Its mission is to provide its customers access to products and bargains with the best price and service in the market. Offers a wide assortment that includes the categories of “Home”, “Fashion”, “Furniture”, “Mattresses”, “Perfumes” and “Watches”.

- **Shipping:** shipping is paid by the user on top of the price of the products on sale;
- **Return policy:** returning is possible providing that the product is in the original packaging and without being used or manipulated. Zori gives the user 14 days to request the exchange of the product;
- **Payment:** customers can pay with Multibanco, credit card, debit card and Paypal;
- **Customer Service:** Customers can contact Zori via the form available on the website and the customer service telephone number;

- **Access:** It is a member's exclusive website, the promotions are visible to everyone visiting the website, but to access the promotions and buy, users need to register the website. The registration is free;
- **Ratings and Reviews:** ratings and reviews not available;
- **Online Presence:** Zori is present in Social Media and has a Newsletter:
 - Facebook: www.facebook.com/zori.pt/
 - Instagram: www.instagram.com/zori.pt/

Zori Website Audit

Figure 16 - Zori Website Audit Analysis



Source: SimilarWeb March 2018 Report

3.2.2. Indirect Competitors

Outletinn

Outletinn is an outlet retailer who sells the outlet articles of the Tradeinn Group, a Spanish multichannel merchant highly focused in sports retail, outdoor and casual brands.

Offline Outlets in Portugal

There are many physical outlets in Portugal, these are limited duration events that take place in specific locations across the country. In most cases, these are organized by companies dedicated to event organization, such as Nomad Bubble or TC Media, who plan and run some of the biggest outlet fairs in Portugal, like “STOCKMARKET” and “FLASH MARKET” in Lisbon. These fairs usually take place for a 3-day period and receive thousands of visitors. “FLASH MARKET”, a 3-day annual event, for instance, brings together an average of 220 sellers in one place, receiving an average of 60 thousand visitors per edition.

3.2.3. Competitive Environment

To assess the competitive level of the market, PORTER’s 5 forces model can be applied:

Threat of Substitutes: Medium

- Offline markets are showing signs of declining;
- There are still several substitute options for consumers to opt from, such as any regular offline or online non-outlet shops. Nevertheless, the cost of moving to another substitute is high because they might need to pay more for the same products.

Threat of New Entrants: Low

- Entrance costs are low;
- The network and agreements to be set with suppliers is complex;
- First mover advantage might benefit the relationship and the rights to sell existing stocks;
- Hard to achieve economies of scale since supply is limited to supplier stocks.

Competitive Rivalry: Low

- Few direct competitors.

Bargaining Power of Suppliers: Low

- High number of suppliers;
- Majority of the suppliers will be small manufacturers;

- Not very costly to switch suppliers, the sourcing relationships will in any case be very dynamic shifting between different suppliers, depending on the existence of stocks to sell in each one at a given time.

Bargaining Power of Buyers: Medium

- High number of buyers;
- High price sensitive, looking for promotions online;
- Changing to competition might be costly, since they won't find the same products and promotions, but there are plenty of alternatives they can look for online.

Conclusion: This is a non-saturated market, with good growth perspectives as the substitute businesses decline and the relationship with suppliers is complex to achieve by new entrants due to limited stock availability to sell.

3.2.4. Competitors Website Audit Analysis

In order to understand the potential traffic, audience and strategies to market "BOUTIQUE 0", real data from the websites of the already established competitors was used, this data can be analyzed in further detail in the "Direct Competitors" chapter above.

As a benchmark, it was used Similar Web to extract the competitor's website analysis reports from March 2018. March 2018 is not only recent but also shows intermediate traffic levels vs the 6 previous months for all the three websites, making it a good basis to analyze each of them in the scope of this business plan.

The data of the three websites was compared for a clear view of each website's performance and profile and take conclusions from the whole picture to be applied in this business plan.

Mobile-Friendliness

All the three websites are mobile friendly. Tested in Google Mobile-Friendly Test on May 31, 2018, results can be seen in the following links:

Zori.pt: search.google.com/test/mobile-friendly?id=44eMvz7eNcz8CMOz10cgmw

Clubefashion.pt: search.google.com/test/mobile-friendly?id=nbxn7VI0tDYabe6ePUkY8g

Showroomprive.pt: search.google.com/test/mobile-friendly?id=EwagBij8ZAXtPSUSis1Hg

Traffic Overview

From the websites analyzed, Showroomprive.pt is the one with the highest traffic, about 1,20 million visits in March 2018. It's the player who managed to keep users the longest in the website (7,27 seconds), with an average of 15,45 pages per visit. This is the biggest player of all three. In second comes clubefashion.com with about 467,24 thousand monthly views, and Zori with around 121,15 thousand monthly views.

Traffic Sources

By analyzing the traffic sources, it becomes easy to understand the traffic strategy of each player and take some conclusions on where the efforts of “BOUTIQUE 0” should be focused on. For Showroomprive, the main source of traffic is direct visits, this happens because it has built already a strong brand awareness in Portugal during the years and people access their website directly without needing to search for a market place online. After this, the main sources are mail, search and social. For the other players, which do not have such a strong brand, direct visits assume a lower weight, being the main traffic sources mail and search.

In all 3 players it is noticeable that there is a clear focus in generating leads to convert to e-mail database with the goal of making this traffic source grow, which has clear advantages as a “owned” communications channel. Apart from this, the effort of generating traffic is very much dispersed, recruiting from social media, search and display and referrals assuming also an important role.

Referrals: these players maintain a strong relationship with promotions websites such as discounts and coupons compilers and cashback programs for online shopping. Most of the sources that bring referral traffic to these websites are Wone, Beruby and Goodlife;

Search: From the data available, it is easy to understand that search is an important channel in this sector, websites like Showroomprive get 30% of its traffic out of paid search, mainly for brand keywords due to their high awareness but with a paid search strategy in place which accounts for approximately 150 paid keywords.

For the smaller players, SEO becomes extremely important, as organic searches account for 80 to 90% of their search visits, but they still use paid search as a compliment to it.

Social: Social media channels are also a very important channel, they are “own” communication channels and a great way to keep close to the consumer, building awareness and most importantly generating visits, potential clients or leads. The competitors analyzed

achieve most of their social traffic from Facebook and Youtube, but they also use other social networks such as Instagram. Zori.pt for example, uses social networks to penetrate and get traffic in specific markets, such as the Russian social network Odnoklassniki, from which it gets a very significant number of visits.

Display: these players don't use it much, but it is a complimentary traffic source, they recur to national publishers like Sapó. From the data analyzed, it seems that they use it via programmatic ads, not only to target customers visiting relevant topic sites related to fashion, but mainly to retarget users that visited their website.

Audience Interests

Generally, the audience of these players are interested in Shopping, Clothing, News and Media, Social Networks and Business. They also visit other online shopping websites in parallel, like the above-mentioned promotion compiler websites, so we can see that these websites grab the attention of people looking for cheap products. Some of the topics that interest their audience search the most are related to fashion, online shopping, sports, news and Portugal.

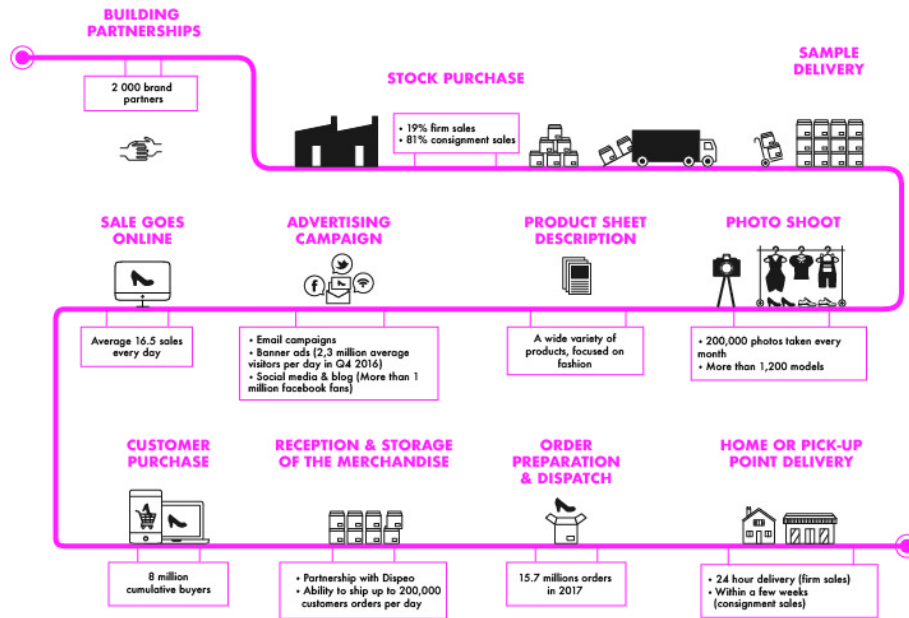
3.2.5. Competitors Order Fulfillment Process

To study the promotions process in more detail, Showroomprive's 6-step process until sale completion was taken as an example:

- 1. Private Sales Announcement:** Every day users receive an invitation by email that shows them the next brands that will be on sale. Users are informed about the opening and closing dates of each sale and can see a sample of the articles that will be on sale.
- 2. The D-Day:** When the day of the sale arrives, users can connect to the site as soon as they can, as the promotions are limited on a first come first serve basis.
- 3. The Order:** When users enter the sale, they select the items and add them to the shopping cart, then proceed with payment. After this, an order confirmation e-mail is sent to each user, summarizing all the information about the order.
- 4. Order preparation:** The logistics team prepares the order as soon as possible. Once it is ready, it is transferred to the selected carrier and another e-mail is sent to the user updating the order status.

5. **Delivery:** The order is delivered within 7 days after sending the e-mail. With the tracking number provided by the carrier, users can easily track their order until delivery.
6. **After the sale:** In case the order does not match what users expected, they have 14 days to return it.

Figure 17 - Showroomprive order fulfillment process



Source: Showroomprive (2015)

3.3 SWOT

3.3.1. Strengths

- High quality genuine leather goods at a low price;
- Differentiation and exclusive variety of local brands and designs;
- Free Delivery;
- Assortment “Made in Portugal”;
- Online 24/7, all year long;
- Low complexity of supply chain processes.

3.3.2. Weaknesses

- No awareness in the market;
- No global brands in the assortment;
- Narrower assortment than competition, focusing only in fashion and no home categories.

3.3.3. Opportunities

- Offline stock markets in decline;
- Portuguese consumer more acceptive to online shopping;
- Growing trend of Made in Portugal;
- Offline Stock markets only happen in specific times and locations;
- Increasing demand for novelty and variety from the Portuguese consumer;
- High number of well-established Portuguese leather goods suppliers and manufacturers.

3.3.4. Threats

- Large brands starting to promote their own outlets;
- Increasing trend of niche street markets in Portugal;
- Dependence on supplier’s stocks;
- Competition with greater disposable investment means, as they belong to large established enterprise groups;
- Possibility of high competition on online advertising channels, which might increase costs.

3.4 Implementation Strategy

3.4.1. Naming and Branding

The term “Boutique” was incorporated in the naming to strengthen the business recognition as a specialty shop selling a special selection of fashionable clothes and accessories, a term that not only contributes for a better recognition of what the business is, but also to a more credible association to the high-quality assortment that “BOUTIQUE 0” intends to offer.

The number zero, “0”, is intended to easily link the above to a discount reality, since “BOUTIQUE 0” will sell high quality fashion items at discount prices.

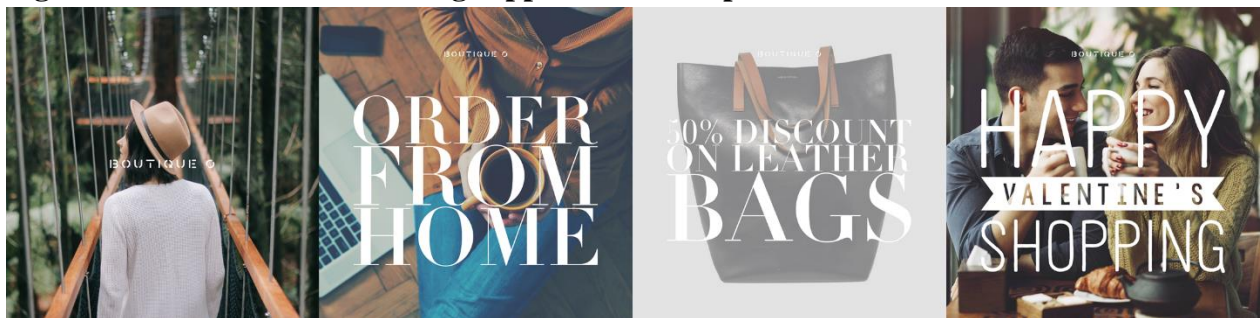
Logo and its application

“BOUTIQUE 0” will have a name-based logo, taking advantage of its strong naming to build brand awareness, the goal is to keep it simple, easy to read and assimilate. The logo design envisions to keep a good balance between the 2 naming elements, with the number zero slightly highlighted in color, shape, position or any other way. In the long term, the iconic “0” might become a distinctive and proprietary element of the brand. See below the logo and some mock-ups of its application in communication materials for website or other digital channels.

Figure 18 – “BOUTIQUE 0” Logo

B O U T I Q U E 0

Figure 19 - “BOUTIQUE 0” image application examples



3.4.2. Value Proposition

“High quality Portuguese designs and brands, at discount prices.”

The tagline of “BOUTIQUE 0” will be very much straight forward to help consumers understand the concept and build awareness at an initial stage, it offers consumers the chance of buying high

quality Portuguese leather accessories and other fashion products and brands, at a price they would not normally find.

3.4.3. Revenue Model

“BOUTIQUE 0” will have a Sales Model, making money by selling goods to customers. From the price of sale, “BOUTIQUE 0” will pay a fee to the supplier, encompassing the cost of goods sold plus the delivery cost for each order, retaining a margin from the purchase (more detailed can be seen in the Appendix 3 - Support Calculations). The pricing strategy defined below will reflect this model.

3.4.4. USP and Competitive Advantage

The competitive advantage of “BOUTIQUE 0” resides in the offering of distinct, high quality products at a lower price than others could achieve selling the same products. This is only possible due to the better factors of supply and operation efficiencies achieved by the dropshipping model associated with the sale of stocks of specific exclusive suppliers.

3.4.5. Objectives

“BOUTIQUE 0” is envisioned as a self-sustainable business from the start, financed from its operational earnings. The goal is to keep good efficiency levels that ensure the business is lean and profitable from the start, keeping a Net Profit Margin ratio above 3% in the first years, growing it up to 10% in year 5.

Table 1 - Net Profit Margin

Net Profit Margin				
2019	2020	2021	2022	2023
3%	3%	5%	8%	10%

As the sales of “BOUTIQUE 0” will depend on the levels of traffic achieved, this business plan and all the forecasts were conducted taking in to consideration the objective of achieving 1/6th of Zori’s approximate yearly traffic by year 5 (using Similar Web’s March 2018 Report data as benchmark). This objective is an ambitious and reasonable target, considering the following facts: “BOUTIQUE 0” will have a limited promotion budget, that will imply that most of the traffic that

powers the website will be generated by organic search, with paid traffic increasing gradually with time; “BOUTIQUE 0” has a narrower assortment than Zori, with less product categories. Taking this into consideration, only the real expected demand for the most relevant keywords of “BOUTIQUE 0” assortment categories were considered.

3.5 Technology

The website will be the core of “BOUTIQUE 0” business, being the front store consumers access to buy products. As the goal for “BOUTIQUE 0” is to be a low operating costs business, able to sustain its own growth, it becomes important to choose a cheap and easy to use technological solution that does not require complex developments and easily enables good integration of order processing and returns, data security, flexibility of integration with other platforms and apps that enable for easy implementation of website features, good customer service solutions, a customizable flexible look and scaling opportunities in the medium long term.

According to the analysis conducted by websitebuilderexpert.com (Appendix 2 - Comparison of website builder platforms), which considered several e-commerce website builders, Shopify ranks highest as the best website building tool for e-commerce startups. Not only that but also came up first as the solution for Dropshipping based e-commerce businesses.

Shopify is the platform that will serve as a basis for the website development, as it offers the following, extremely relevant features:

- Quick and easy to set up and use;
- Low startup costs;
- Not much technical expertise is needed to build and maintain the store, all software and hosting is provided by Shopify;
- Secure and reliable: dealing with sensitive customer information, it is important to work with a reliable and compliant solution, this is one of the big advantages of a hosted solution such as Shopify, which offers a free security certificates;
- 24/7 customer support: Shopify support team is instantly available 24 hours a day, via phone, email or web chat. On top of that there is a large support community online;

- Mobile readiness: Building a website via Shopify means it is automatically mobile responsive with a personalized tailor-made shopping experience in any mobile device; On the business side, there are free iPhone and Android apps that enable for easily managing the website on the go;
- Easily customizable: Shopify has lots of professional store themes, enabling to create a beautiful and unique online shop that fits the brand identity;
- Integration with Facebook, Instagram and Amazon;
- Free and paid apps – enables the integration of hundreds of apps to the website, which means hundreds of functionalities, such as reviews, loyalty programs, customer wish lists, in-depth analytics, print labels and packing slips, integration with accounting software, shipping programs and social media sites, plus all the marketing tactic apps available;
- Marketing and Search Engine Optimization: Shopify offers many tools that enable the website to position high in search results. It also offers advanced analytics to analyze the consumer path as input for tailoring the marketing strategies accordingly. It also offers social media, product reviews and email marketing integration. As standard, Shopify allows you to create discount codes.
- Abandoned cart recovery: Shopify offers an abandoned checkout cart recovery service, an easy way to potentially generate more revenue.
- Payment gateways: Shopify has integrated with dozens of payment gateways and services.

3.6 Marketing

3.6.1. Product

“BOUTIQUE 0” success will significantly rely on its assortment, not only in terms of fit to market but mainly in the ability to source a selection of products which can easily provide good margins even with a discount price.

Sourcing from Portuguese suppliers, “BOUTIQUE 0” will try to achieve its goals by focusing in Portuguese leather manufacturing products, which can be compared with that of luxury production powerhouses from France or Italy in what concerns to its heritage and quality, but still offer a significantly lower cost. This will also be the guiding principle for “BOUTIQUE 0” first steps in selecting sourcing partners, taking advantage of the potential of this industry is the priority.

Portugal's leather shoe and accessories industry, represents 3.8 percent of the global leather goods trade.

The assortment strategy of "BOUTIQUE 0" will be to have little quantity of each products, but a high number of references, to be able to use the held stocks of clients, and rotate the promotions on the website, bringing fresh promotions and novelty regularly.

Product Categories:

Taking a first step in building leather goods assortment, we will focus on selling products, for men and women, such as:

- Wallets
- Backpacks
- Business Bags
- City Bags
- Gift Sets
- Belts
- Cover & Cases
- Pocket Accessories
- Travel Bags
- Key Rings

Sourcing and Selection

"BOUTIQUE 0" will partner with a selection of Portuguese manufacturers or retailers of leather goods to build its assortment. Some of the suppliers operating in this industry and related relative industries can be found in the links below, from a selection of directory providers:

Leather Goods Manufacturers and Suppliers:

- http://old.apiccaps.pt/pt/assoc_pesquisa.asp
- <https://www.europages.co.uk/companies/Portugal/leather%20goods.html>
- <https://www.gmdu.net/join-14-join-29-p1.html>
- <https://www.sewwand.com/suppliers-list.php>

In order to have a clearer perception of this process and gather data to support the calculations of business viability, a large and well reputed leather goods Portuguese manufacturer was contacted. From this supplier, the following scenario would apply:

“BOUTIQUE 0” would count with the supply of this manufacturer for 3 main product categories: leather belts, leather bags and leather wallets.

This supplier could supply “BOUTIQUE 0” with the following quantities, at the time of the contact:

Leather Belts:

- 836 belt references, varying in materials combination and type, designs, colors, up to 10 units of each.

Leather Bags:

- Large Size: 30 references, 3 units of each;
- Medium Size: 50 references, 3 units of each;
- Small Size: 70 references, 3 units of each.

Leather Wallets:

- **Men:** 2 references, 100 units of each.
- **Women:** 4 references, 10 units of each.

Figure 20 - Example of supplier inventory of belts to stock out



Supplier Related Up-selling Strategy:

One of the strategies that will be used in “BOUTIQUE 0” is the offering of promotions and packages from the same supplier, consisting of complementary products (such as wallet and bag). This will enable “BOUTIQUE 0” to up-sell and increase the order value, but also enable for economies of scale, since the products sold will be sent from the same supplier, diluting the transportation fee between all the products purchased.

3.6.2. Pricing

Considering the assortment sample analyzed from the supplier contacted, “BOUTIQUE 0” expected Average Order Value amounts to €40,46. The pricing strategy targets the objective of maintaining an average yearly discount level of 30% on the Recommended Retail Price for the product sold, in order to achieve an average gross margin of 56%, which represents an average gross profit of €22,53 per order.

The price of each product will depend on the negotiated deal with the suppliers prospected. For the supplier analyzed, the price is composed by the delivery costs and the cost of the goods sold. The delivery cost fee is a fixed value of 3€ per orders up to 1kg (this cost will be integrated in the retail price, so that free delivery is provided in Portugal). If the consumer chooses to pay on delivery, the fee is 6€ (this option will add an extra fee on the pricing of the order). On top of this the Value Added Tax of 23% needs to be considered, which in Portugal amounts to 23%.

Pricing calculations can be analyzed in more detail on Appendix 3 - Support Calculations.

3.6.3. Place

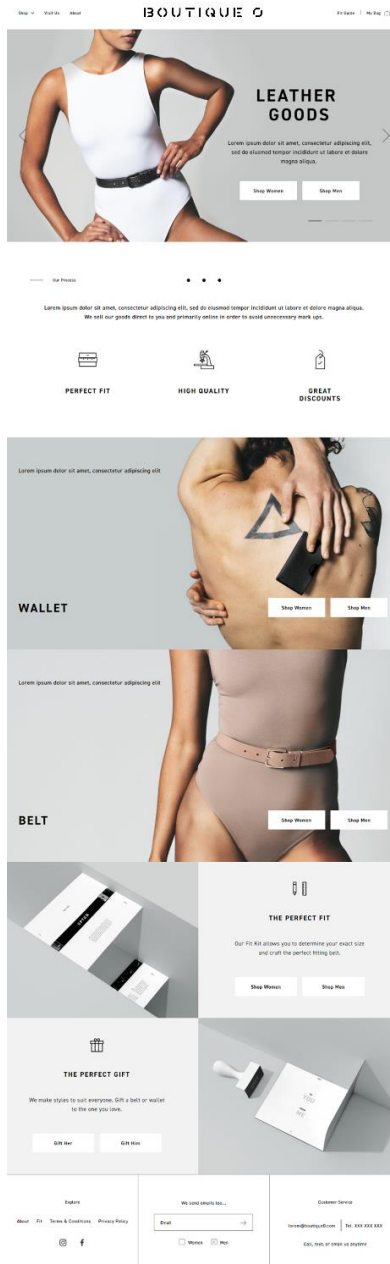
Website Structure and Look

Still to be developed, “BOUTIQUE 0” website is meant to be a modern looking easy to use platform, with clear visual hints that make it easy for users to find what they are looking for. Below are 3 example mock-ups of the 3 main page levels the website will have:

Home Page: The Home Page will have a navigation tab to provide fast access to any page intended, by product category or promotion. On the main header there will be highlighted the main discount campaigns on sale at each moment. Below, there will be highlighted specific campaigns targeting each product, and a banner which explains how we work from order to delivery and how we ensure

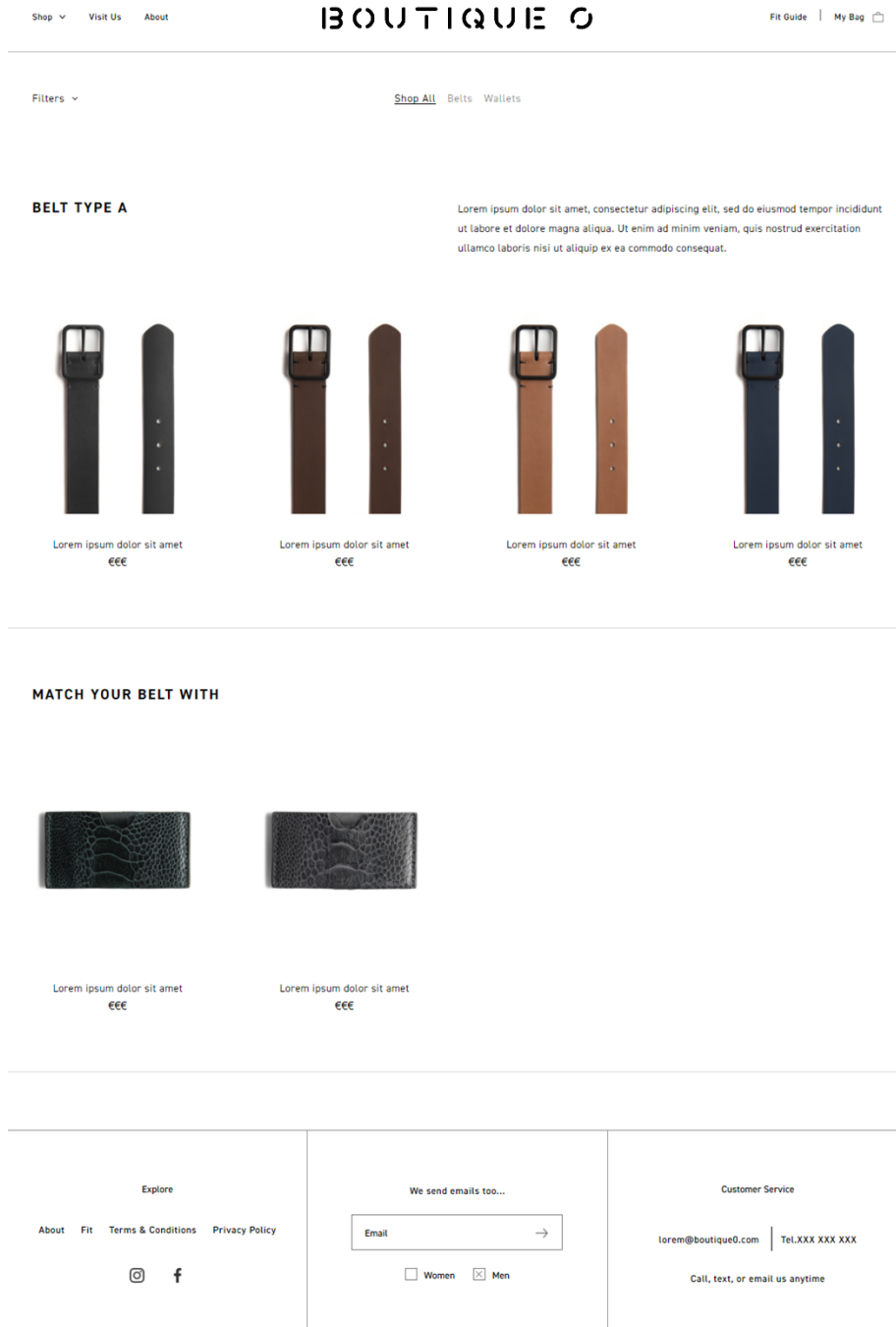
such low prices. The structure will be flexible, changing to adapt and optimize the consumer flow at any given point in time. Some other modules might be added to this page, such as providing a guide for measurement of our belts or a gift purchase option for any festivity happening. At the bottom, a registration field will be presented, for users to get access to campaigns and our newsletter as well.

Figure 21 – Home Page Look and Feel Example



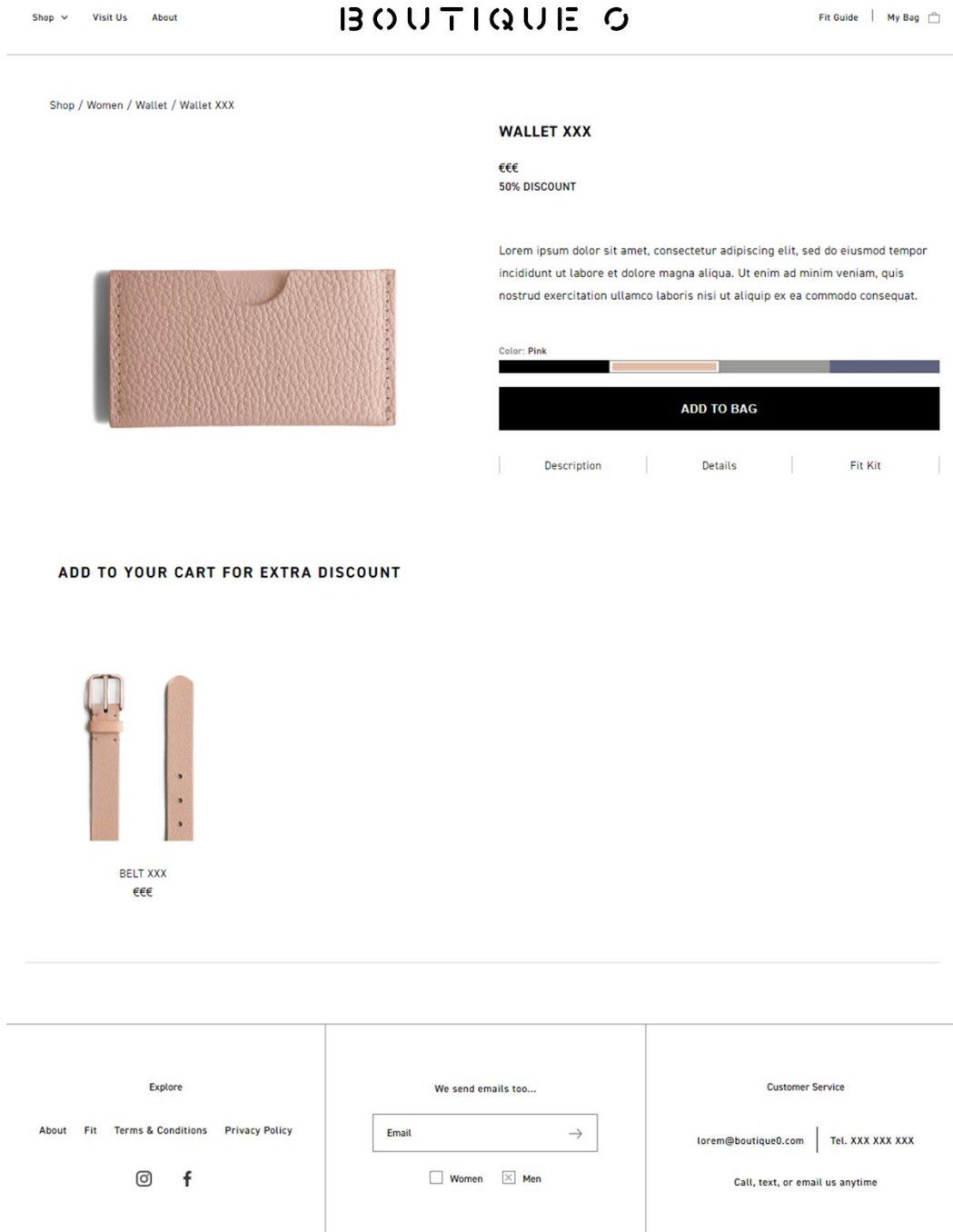
Promotion/Category Page: Each promotion page will have presented in a clear and consistent way each product in promotion within a certain category, a clear identification of the discount and suggestion of other promotions that people are also interested in that might be interesting for each user.

Figure 22 – Promotion Page Look and Feel Example



Product Detail Page: Each product detail page will provide clear descriptions with any relevant information about the product, size guide, materials, colour, discount value and payment methods. It will be complimented with product suggestions that maximise the opportunity when bundled and at the bottom, if the user does not buy, there's a conversion tab for registration.

Figure 23 – Product Detail Page Look and Feel Example



3.6.4. Promotion

The expected visits will be generated through various channels, being the effort split according to the below table. One important note is that in year 3 and 4 there will be budget allocated to invest in social media channels, so this target might alter proportion.

Table 2 - Expected visits by source

Expected Visits by Source	
Display	4%
Paid Search	3%
Organic Search	12%
Referral	0%
Mail	63%
Social	1%
Direct	16%

CRM: One of the key success factors for “BOUTIQUE 0” will be to ensure a solid client database that are interested in the regularly updated promotions, this “owned” communications channel will allow the collection of accurate information about each client, making more tailor-made communications possible and make it easy to ensure more regular conversation with each client, as well as visits. There will be an ambitious CRM strategy in place, as this will be the key focus of traffic generation for “BOUTIQUE 0”, targeting more than half of the total of the visits through the initial 5 years. A marketing automation platform such as Mailchimp will be used to manage and grow the database and optimize the CRM strategy.

Consumers will be able to access the promotions that are opened on the website, but in order to buy or simply to be regularly informed about upcoming of new promotions they will need to be registered. The website will be continuously optimized to ensure the maximum efficiency of the conversion path and traffic of the website, the main goal is to optimize conversion rates and in second resort to generate new leads that can be impacted in a second posterior moment.

Search: The second most relevant traffic generating channel for “BOUTIQUE 0” will be search. Organic search will make up to 83% of the search visits expected so one of the key relevant aspects to take into consideration is the SEO friendliness of the website, each page will be carefully optimized in detail to ensure that it gradually becomes highly ranked on Search Engines for the

most relevant search queries. In order to maximize the full organic potential of the website, a fashion blog will be created, with the goal of attracting visits and converting to product page views. Apart from this, traffic will be boosted by a paid search investment, that will represent 3% of the total visits of the website, the investment will target specific keywords related with the specific products and assortment on sale at a given time.

Display: This will be one of the channels used to generate traffic to the website. Expected to represent 4% of the annual visits to “BOUTIQUE 0”, this channel will be tested on an interest-based approach, investing in websites that target relevant audiences, impacting ad groups interested in various areas and topics, such as “Handbags & Purses”, “Fashion Designers & Collections”, “Clothing Accessories”, “Wholesalers & Liquidators”, “Discount & Outlet Stores”, “Fashion & Style”.

Social Media: Facebook and Instagram will be the main social media channels for “BOUTIQUE 0” communications. In the first years, the communications in this platform will have an organic approach to start building brand presence and communicate the promotions active on the website. This channel is intended to represent 1% of the website visits, but on year 4 and 5, there will be budget to invest on this channel to attract new clients and leads and this might become a more representative channel for the brand.

Plans of action for the Future

Influencers and affiliate programs: One way to promote the business will be through implementing an Affiliate Program, taking advantage of fashion influencers to generate business, paying them a referral fee for any resulting sales.

Communication partners: One alternative way to generate traffic will be to develop partnerships with promotion compiler websites, which will promote the offers present on “BOUTIQUE 0” such as “wone.pt”, or websites that review or promote Portuguese products, such as “deportugalcomamor.pt”.

3.6.5. Service

From the literature review, market and competitor's analysis, it became notorious that there are some must-have features for an e-commerce business to succeed. Some are naturally expected and provide more confidence to the consumer, others are features that might bring a competitive advantage or exist as a marketing technique in order to increase over value, frequency or improve business in general.

“BOUTIQUE 0” will be optimized and improved on a regular basis, the need and timing of each feature implementation will be set by the needs or opportunities identified during business performance assessments over time. These features will be implemented by using the add-ons enabled by the website builder platform and marketing automation tools, on a later stage if needed, as the web development and IT team is integrated, more complex developments might be studied, such as the integration of financial and sourcing processes automation. At the moment of launch, the expected features and properties of the online store will encompass the following:

Free Shipping

Free Shipping will be offered for orders made in Portugal. An extra fee will be added to the price if the consumer opts to pay on delivery, urgent offers or shipment abroad.

Customer reviews

Consumers will be able to leave and consult reviews on the products purchased.

Returns and refunds

Consumers will be given the chance to return the products purchased up to 14 days after delivery date, as long as if not showing signs of usage. They will be refunded if the product does not correspond to the product purchased, subject to evaluation of the situation/justification given.

Customer support

Consumers will be able to contact “BOUTIQUE 0” via online chat and e-mail.

Membership & Registration

A newsletter and registration tab/form will be introduced in the website, so that consumers can register to receive news on upcoming and present promotions.

Blog

The website will incorporate a Blog with fashion related articles and content that they can follow to keep up to date with trends. This will be an SEO optimization component as well.

Mobile friendly/responsive

The website will be mobile friendly, ensuring a great user experience across any device.

Detailed product pages

Every product and promotion on the website will be illustrated with high quality photos that give the consumer a clear view of the product on sale. These will be accompanied by clear descriptions of the product, materials, prices, etc.

Suggested Products

When visiting specific promotions and products on “BOUTIQUE 0”, the consumer will be presented similar or complementary products to buy.

Online Payment

Payment will be allowed via “Multibanco”, MBNet and Credit Card, other options might be added at a later stage.

FAQ

A section with frequently asked questions will be added to the website to clarify any doubts the consumer might have.

Navigation and Search

The website will be organized in a way to facilitate navigation and ensure that consumers find what they are looking for as fast as possible. They will be able to visit the promotions on sale directly, or consult the navigation menus, that will allow product assortment views by product category, such as “Belts”, “Bags” and “Wallets”. A search tab will also be available.

Shopping Cart

Consumers will be able to fast track the check-out process by adding products directly to the shopping cart.

Order Confirmation and Invoices

When buying from “BOUTIQUE 0”, consumers will be notified by e-mail that the order was confirmed, and the invoices will be sent.

4. ORGANIZATIONAL DEVELOPMENT

4.1. Business process overview

“BOUTIQUE 0” will have 4 simple steps process, cutting steps out from the analyzed processes of competitors, in order to maximize efficiency:

1. **Building the Partnership:** After identifying potential Suppliers, we will approach them presenting this great opportunity of an alternative sales channel for their assortment in stock;
2. **Preparing the Online Sale:** Data collection of the products that will be on sale, as well as photo shooting will be conducted. After that, the online store is updated according to the product specifications and existing stocks;
3. **Generating Traffic:** The products are online, it’s time to bring customers in store through varied marketing techniques;
4. **Order Processing:** When a customer purchases the products, information is sent to the supplier, who then prepares the order and sends it to the address provided by the customer.

To efficiently run the operations mentioned above, the below key areas of responsibility will be created.

4.2. Project Team

These will be needed as the business evolves in the main work streams that are anticipated due to the nature of the work required, this will not necessarily happen from start, but in the medium to long term:

Sourcing and Partnerships Manager: this will be the person responsible for the sourcing research and development, it is extremely important to find the right partners, which add value in terms of assortment and which can be potential partners. The person will also be responsible to close the deals and manage the follow up processes of developing the relationship with the suppliers and operationalizing the related tasks, such as closing deals, managing samples for content creation, and collecting data for content optimization.

Content Manager: the content manager will be the person responsible for the management of the online store, responsible for strategizing the website architecture and optimizing the store and

webpages for a great shopping experience, including all the hygiene mandatories for SEO and website functionality. This person will also be in charge of working the data collected from the suppliers, optimizing it for web page creation, producing the copy and image content that is needed.

Digital Marketing Manager: as a great amount of sales are dependent on the traffic attained, it will be mandatory to constantly implement, measure, analyze and refine online marketing techniques that ensure the conversion goals. This person will be responsible to improve and generate traffic to the website. Taking care of the stores online presence, being it search, social media, display, etc.

Customer Service Manager: being most of the dispatch and supply processes of the responsibility of the supplier, it will be extremely important to pay extra care to customer care, to solve any issues that might arise. This will be the person responsible to handling any question submitted by our customers, as well as managing all the activities related to it, including order processing issues or any other related to returns or refunds, etc.

Finance and Accounting Manager: as the business grows it will be important to study the integration of accounting people and software systems to the platform, to attempt the automatization of the processes. At an initial stage, these will be handled by the founding members.

Web Developer: despite of starting this business using a website builder and hosting platform, the website is the core of the business and it is essential to incorporate a team responsible for the development and maintenance of the e-commerce platforms, to keep them updated and solve any informatic problems that may arise.

5. FINANCIAL PLAN

To assess the viability of “BOUTIQUE 0” and the intended implementation strategy for the achievement of the defined goals, it was used the financial plan model created by IAPMEI.

This model will consist of a 5 years analysis for the period 2019 until 2023, with the development of a Sales Forecast prediction, using the expected number of orders and average weighted order value to assess the sales potential and annual growth. It also includes the development of 5 years financial projections of the Cost of Goods Sold, Expenditures Forecast, Personnel Expenditure, Investment Forecast, Income Statement, Financing Sources, Cash Flow and Balance Sheet. During the development of this plan, several supporting calculations were conducted, that might be consulted in Appendix 3 - Support Calculations.

5.1. Sales forecast

In order to forecast sales for this period, an assortment sample was analyzed, using 3 product categories (Leather Belts, Bags and Wallets) and taking into account the different types of products available in each category from a given supplier. Important to notice that the variations in gross margin of each product and category were weighted proportionally to their contribution to each category margin, and consequently to the general margin achieved by the website. This relative contribution of each category for the average order value was calculated using real expected demand according to industry average conversion rates and real expected demand using data from Google Keyword Planner.

Table 3 - Sales Forecast

Sales Forecast * **	2019	2020	2021	2022	2023
Sales Forecast	64 715	129 431	194 146	258 214	322 768
Yearly Orders	1599	3199	4798	6381	7977
Growth		100%	50%	33%	25%
Avg. Order Value	40	40	40	40	40
Total	64 715	129 431	194 146	258 214	322 768
VAT (23%)	14 885	29 769	44 654	59 389	74 237
Total + VAT	79600	159200	238800	317604	397005
*Considering Average 30% Discount level from Recommended Retail Price of the selected assortment					
** Product Categories Weighted in proportion to real expected demand (Google Keyword Planner Data) and considering an average conversion rate of 3% (Smart Insights, 2018)					

With an average order value of 40€, the business is expected to generate a sales volume of 79.600€ on the first year, achieving 397.005€ by 2023. The goal is to keep good efficiency levels that ensure the business is lean and profitable from the start, keeping a Net Profit Margin ratio above 3% in the first years, growing it up to 10% in year 5.

5.2. Cost of Goods Sold

“BOUTIQUE 0” operates through a dropshipping model, not holding any inventory. The cost of goods sold will be the fee paid to the supplier of that product to send it directly to the consumer once this is purchased online. This fee, encompasses the cost of goods, and a transportation fee.

Table 4: Cost of Goods Sold

Cost of Goods Sold	Gross Margin*	2019	2020	2021	2022	2023
Sales Forecast	56%	28689	57378	86068	114470	143087
VAT	0,23	6599	13197	19796	26328	32910
TOTAL CMVMC + IVA		35288	70575	105863	140798	175997
* Average margin per order, considering the weighted contribution of each product, according to real expected demand (Google Keyword Planner Data).						

5.3. Expenditure forecast

The expenditures expected for the implementation of “BOUTIQUE 0” include the costs related with the implementation and maintenance of the website and its related features like online payments. As the sales objectives of “BOUTIQUE 0” are dependent on the traffic generated, there will be also a special effort to invest in various marketing channels, these were analyzed in detail to estimate the required investment for the 5-year period (Appendix 3 - Support Calculations). Furthermore, the growth objectives can only be achieved by integrating several team members in the company progressively during the 5-year period, the costs related with the operations, materials and physical space needed were also taken into consideration.

Table 5 - Expenditure Forecast

Expenditure Forecast	2019	2020	2021	2022	2023
Payment Services	1566	3064	4563	6061	7559
Website and Hosting	305	305	305	305	305
Office and Material					
Rent		6000	6000	6000	6000
Electricity		480	600	720	840
Water		60	78	102	120
Administrative Material		200	200	200	200
Cameras, Laptops, Mobile Phones		1200	1200	1200	1200
Marketing					
CRM	2208	3672	4728	6036	7092
Search	136	273	409	546	682
Display	20	40	59	79	99
Social				1500	1500
Travelling Expenses	500	500	1000	1500	1500
Total	4735	15794	19142	24249	27098

5.4. Personnel expenditure

As mentioned, in order to achieve the proposed growth objectives, a recruitment strategy is needed from the start. The approach taken envisions simultaneously the integration of the most needed skills and workforce for the business to grow at each moment and the capacity to keep a stable and sustainable growth, ensuring a consistent annual ratio of sales per capita (approximately €32 000). The priority for the first years will be to ensure enough personnel to keep up with growth in operations, which are core to the business, involving website and content maintenance and promotion. The human capital will need to ensure many of the tasks and jobs to be done and should not be seen in silos. Sourcing and partnerships and customer service, as well as financial tasks will at an initial stage be conducted by the board and other members.

Table 6 - Amount of Personnel

Personnel	2019	2020	2021	2022	2023
Board	1	1	1	1	1
Sourcing and Partnerships			1	1	1
Content	1	1	2	2	2
Digital Marketing		1	1	1	2
Customer Service				1	1
Finance and Accounting				1	1
Web Developer/IT		1	1	1	2
Total	2	4	6	8	10

Table 7 - Personnel Expenditures

Personnel Expenses	2019	2020	2021	2022	2023
Salaries	22400	42000	63000	82600	105000
Social Security	5320	9975	14963	19618	24938
Insurance	224	420	630	826	1050
Meal Subsidy	528	1056	1584	2112	2640
Total	28472	53451	80177	105156	133628

5.5. Investment forecast

As this is an online dropshipping business intended to reduce any investment and financing needs from its operations from the start, there won't be need for initial investment as the business will not hold inventory. This means that there will be no need for a storage warehouse or large distribution facility. The business will initially be operated from home, until year 2 when an office will be rented, the team will grow and there will be investment in office material and working equipment such as cameras, mobile phones and laptops. All the investment is intended to be retargeted from the operational earnings at each moment.

Table 8 - Investment Forecast

Investment Forecast	2019	2020	2021	2022	2023
Tangible Assets					
Office Material		200	200	200	200
Cameras, Laptops and Mobile Phones		1200	1200	1200	1200
Total Tangible Assets		1400	1400	1400	1400
Intangible Asset		0	0	0	0
Total Investment		1400	1400	1400	1400
VAT (23%)		322	322	322	322
Depreciations and Amortizations (25%)	2019	2020	2021	2022	2023
Total Depreciation and Amortization		350	700	1050	1400
Accumulated Depreciation and Amortization		350	1050	2100	3500
Total Asset Value		1050	1750	2100	2100

5.6. Financing

The objective of this project is to keep it a self-financed project, running from the operational results.

Table 9 - Financing Sources

Financing Sources	2019	2020	2021	2022	2023
Operational Results	2114	2343	6745	11017	14567
TOTAL	2114	2343	6745	11017	14567

5.7. Income Statement**Table 10 - Income Statement**

Profit & Loss	2019	2020	2021	2022	2023
Sales	64715	129431	194146	258214	322768
Cost of Sales	28689	57378	86068	114470	143087
Services Rendered	4735	15594	19142	24249	27098
Personnel Expenditure	28472	53451	80177	105156	133628
EBITDA	2819	3007	8760	14340	18956
Amortization/Depreciation	0	350	700	1050	1400
EBIT	2819	2657	8060	13290	17556
Taxes	705	664	2015	3322	4389
Net Profit	2114	1993	6045	9967	13167

As mentioned before, accompanying the growth sales objective for the five-year period there's the intention of keeping the business efficient, reducing the services rendered to the minimum required and ensuring just the right personnel costs to achieve such growth targets, keeping a consistent annual ratio of sales per capita of approximately €32 000.

Reflecting the strategy adopted to keep its operating and financial stability from the start, the forecast shows that the business will achieve a €2114 net profit by year one, keeping a steady growth until 2023, when a €13167 net profit is expected. Depending on the strategic growth decisions to follow, the business might at this point keep reinvesting and as well start distributing dividends.

5.8. Cash flow

Table 11 - Cash Flow Statement

Cash Flow	2019	2020	2021	2022	2023
Net Profit	2114	1993	6045	9967	13167
Depreciation/Amortization	0	350	700	1050	1400
Sub Total	2114	2343	6745	11017	14567
Working Capital	6203	6533	6054	6084	6033
Cash Flow	8317	8876	12799	17102	20600
Investment in Fixed Capital		-1400	-1400	-1400	-1400
Free Cash Flow	8317	7476	11399	15702	19200
Acumulated Cash Flow	8317	15793	27192	42893	62093

As “BOUTIQUE 0” does not require investment in inventory or physical infrastructure for its growth and is able to maintain efficient operations by using a consumer direct fulfillment model, it is able to keep its liquidity. The forecast shows that the business keeps healthy throughout the period, managing to keep a positive operating cash flow, with enough liquidity to keep investing on its website and the communication strategy that enables the business to generate more traffic, more sales and keep growing. In 2023, the business achieves a free cash flow of €19200, which represents an accumulated cash flow of €62093.

5.9. Balance sheet

Table 12 - Balance Sheet

Balance Sheet	2019	2020	2021	2022	2023
Non-Current Assets					
Investment		1050	1750	2100	2100
Current Assets					
Cash	9022	16457	29207	46216	66482
Total Assets	9022	17507	30957	48316	68582
Equity					
Retained Earnings		2114	4107	10152	20119
Net Income	2114	1993	6045	9967	13167
Total Equity	2114	4107	10152	20119	33286
Liabilities					
Current Liabilities	6907	13400	20805	28196	35296
Accounts Payable	3335	7181	10417	13754	16925
Taxes Payable	3572	6219	10388	14443	18371
Total Liabilities	6907	13400	20805	28196	35296
Total Equity + Liabilities	9022	17507	30957	48316	68582

The forecasted figures reflect the strategic decision to play efficient from the start. The debt to equity ratio of 1,06 achieved by 2023 clearly reflects the low investment strategy, which limited the financing needs of the business to its operational liquidity and shows positive signs that the amount of equity is approximate to the amount of debt. Also, the current ratio of assets to current liabilities on year 5 (1,94), shows that the business generates enough cash to run its operation and has the capability to invest in its assets, such as equipment required for the business to grow.

6. CONCLUSIONS

The goal of this business plan was to assess the viability and implementation strategy of “BOUTIQUE 0”, a new business idealized to fulfill the market opportunity identified and the author’s personal desire and to develop an efficient and low investment innovative business, capable of digitalizing the Portuguese outlet market industry.

The whole process of developing this business plan enabled for the collection and deep reflection on the relevant conceptual topics, industry data and business strategic decisions that support the strategy assessment and implementation considerations for “BOUTIQUE 0”.

The market research and analysis conducted made clear that there is an opportunity in this market, a market that can benefit from the growing tendency of online fashion in Portugal, the growing appetency of the Portuguese consumer to buy online and choose to buy quality and diversity, and the golden era the Portuguese leather goods market is going through.

“BOUTIQUE 0” not only takes advantage of this market trends, but also compliments a gap in the market, creating an all year long solution for held stocks to be sold. This market has shown good growth perspectives and limited appetency for new entrants.

The main competitive advantage of the business is intended to be achieved by the supply terms and the efficiency of the operations conducted. For this, a dropshipping business model is envisioned, which is a key feature for the achievement of the proposed goal: “BOUTIQUE 0” to be started from home, ensuring a steady growth, based on a conscious and self-sustainable investment, financed exclusively from its operational growth. In order to achieve this, all the strategic considerations for the implementation of the business were designed to follow its growth and organic investment capacity. On top of this, the business potential was determined by using real expected sales and supply terms. The business was proven to be viable.

Due to the limitations in terms of scope of the project, the fields of research and detail in the development of the business plan were inevitably limited. It is expected, though, that the content here developed can also be a source for inspiration or a useful research basis for other authors considering innovating in the online business world.

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8. APPENDIXES

Appendix 1 - VAT information in EU markets

Pais (EU28)	Capital	VAT	Moeda	População	EU28
Austria	Vienna	20%	Euro (EUR)	8.6mi	EU28
Belgium	Bruxelas	21%	Euro (EUR)	11.3mi	EU28
Bulgaria	Sofia	20%	Lev (BGN)	7.2mi	EU28
Croatia	Zagreb	25%	Kuna (HRK)	4.2mi	EU28
Chipre	Nicosia	19%	Euro (EUR)	0.8mi	EU28
República Tcheca	Praga	21%	Koruna (CZK)	10.5mi	EU28
Dinamarca	Copenhague	25%	Krone (DKK)	5.7mi	EU28
Estonia	Tallinn	20%	Euro (EUR)	1.3mi	EU28
Finlândia	Helsinque	24%	Euro (EUR)	5.5mi	EU28
França	Paris	20%	Euro (EUR)	66.4mi	EU28
Alemanha	Berlim	19%	Euro (EUR)	81.2mi	EU28
Grécia	Athenas	23%	Euro (EUR)	10.9mi	EU28
Hungria	Budapeste	27%	Forint (HUF)	9.9mi	EU28
Irlanda	Dublin	23%	Euro (EUR)	4.6mi	EU28
Itália	Roma	22%	Euro (EUR)	60.8mi	EU28
Letônia	Riga	21%	Euro (EUR)	2.0mi	EU28
Lituânia	Vilnius	21%	Euro (EUR)	2.9mi	EU28
Luxemburgo	Luxemburgo	17%	Euro (EUR)	0.6mi	EU28
Malta	Valletta	18%	Euro (EUR)	0.4mi	EU28
Holanda	Amsterdã	21%	Euro (EUR)	16.9mi	EU28
Polônia	Varsóvia	22%	Zloty (PLN)	38.0mi	EU28
Portugal	Lisboa	23%	Euro (EUR)	10.4mi	EU28
Romenia	Bucareste	20%	New Leu (RON)	19.9mi	EU28
Eslováquia	Bratislava	20%	Euro (EUR)	5.4mi	EU28
Eslovenia	Ljubljana	22%	Euro (EUR)	2.1mi	EU28
Espanha	Madri	21%	Euro (EUR)	46.4mi	EU28
Suécia	Estocolmo	25%	Krone (SEK)	9.7mi	EU28
Reino Unido	Londres	20%	Pound (GBP)	64.9mi	EU28

Source: Worldbank, IMF, PwC and Ecommerce Foundation (2016)

Appendix 2 - Comparison of website builder platforms

#1	 <p>shopify</p> <p>✓ Best eCommerce Website Builder</p>	 <p>5.0</p> <p>"Top Choice"</p>	<p>Template Design ★★★★★</p> <p>Ease of Use ★★★★★</p> <p>Features & Flexibility ★★★★★</p> <p>Popularity ★★★★★</p> <p>Pricing ★★★★★</p>	<p>\$8.10</p> <p>\$26.10</p> <p>\$71.10</p> <p>\$269.10</p> <p>Free Trial Available</p>	<p>Visit Website</p> <p>Read Shopify Review</p> <p>Compare Features</p>
#2	 <p>WIX</p> <p>✓ Best Small Business Website Builder</p>	 <p>4.5</p>	<p>Template Design ★★★★★</p> <p>Ease of Use ★★★★★</p> <p>Features & Flexibility ★★★★★</p> <p>Popularity ★★★★★</p> <p>Pricing ★★★★★</p>	<p>\$17.00</p> <p>\$25.00</p> <p>Free Trial Available</p>	<p>Visit Website</p> <p>Read Wix eCommerce Review</p> <p>Compare Features</p>
#3	 <p>B</p> <p>✓ Best Large Business Website Builder</p>	 <p>4.5</p>	<p>Template Design ★★★★★</p> <p>Ease of Use ★★★★★</p> <p>Features & Flexibility ★★★★★</p> <p>Popularity ★★★★★</p> <p>Pricing ★★★★★</p>	<p>\$26.95</p> <p>\$71.95</p> <p>\$179.96</p> <p>Free Trial Available</p>	<p>Visit Website</p> <p>Read BigCommerce Review</p> <p>Compare Features</p>
#4	 <p>weebly</p>	 <p>3.8</p>	<p>Template Design ★★★★★</p> <p>Ease of Use ★★★★★</p> <p>Features & Flexibility ★★★☆☆</p> <p>Popularity ★★★★★</p> <p>Pricing ★★★★★</p>	<p>\$8.00</p> <p>\$12.00</p> <p>\$25.00</p> <p>Free Trial Available</p>	<p>Visit Website</p> <p>Read Weebly Review</p> <p>Compare Features</p>
#5	 <p>SQUARESPACE</p>	 <p>3.5</p>	<p>Template Design ★★★★★</p> <p>Ease of Use ★★★★★</p> <p>Features & Flexibility ★★★☆☆</p> <p>Popularity ★★★★★</p> <p>Pricing ★★★★★</p>	<p>\$12.00</p> <p>\$18.00</p> <p>\$26.00</p> <p>\$40.00</p> <p>Free Trial Available</p>	<p>Visit Website</p> <p>Read Squarespace Review</p> <p>Compare Features</p>

Also see our [Comparison Chart of eCommerce Online Store Builders](#) for more detailed differences

Footnotes:

[1] Template Design – In addition to providing you with free themes, Shopify and Bigcommerce also sell premium themes if you want to pay for a more comprehensive, advanced theme. [Click here to see a collection of professional ecommerce themes from online store builders above.](#)

[2] Ease of Use – Score is based on how easy it is to learn to use the website builder (even if you have no technical skills). This rating give you an idea which website builder is the easiest to use.









[3] Features & Flexibility – Refers to the number of features, apps and type of website (hotel, music, ecommerce, and etc) the website build will support. Some website builders have app stores that allow you to integrate third party tools and features with a simple click of a button. Shopify, Bigcommerce, Wix (inWix Arena) & Squarespace have a group of freelance experts who can help you setup and customize your store. This comes in very handy if you ever want hire help who are very familiar with their platforms to save yourself time, or to make modifications to suit your business.

[4] Popularity – The popularity of a website builder is determined by the number of users. This does not necessarily equate the number of active websites or number of paying customers, but will give you a broad indication of its popularity. If you're unsure how to find the right website builder for you, here are 9 simple questions to ask yourself to help you choose.

[5] Pricing – Monthly pricing based on annual plans. Monthly price will be a bit higher if you enrolled on month-to-month payment plans. Please read our detailed review for each website builder for further details. We also have more discussions about the cost of building a website here. Most ecommerce website build have transaction fees that is additional to the monthly fees. If you use Shopify Payments to process payments, there will be no transaction fees. If you choose not to use Shopify Payments, transaction fee is 2% for the Lite & Basic Plans, 1% for the Pro Plan and 0.5% for Unlimited Plan. Shopify Payments allow you to manage your payment gateway directly in Shopify's user dashboard, so it's very convenient as you don't have to log into your payment processor to manage your transactions.

Source: Web Site Builder Expert (<https://www.websitebuilderexpert.com/ecommerce-website-builder/>)

Appendix 3 - Support Calculations

Product Categories	Avg. Margins and Product Category Contribution									
	Leather Belts			Leather Bags			Leather Wallets			
										
Illustrative Example Product Type	Classical	Jeans	Strap	Large	Medium	Small	Men	Women		
Recommended Retail Price	27,40 €	27,40 €	32,50 €	149,90 €	119,90 €	69,90 €	49,90 €	59,90 €		
Wholesale Price	11,00 €	11,00 €	13,00 €	59,90 €	47,90 €	27,96 €	20,00 €	24,00 €		
Stock Market Price	8,00 €	8,00 €	10,00 €	44,90 €	32,90 €	14,90 €	10,00 €	12,00 €		
Delivery Cost (up to 1Kg)								3,00 €		
Fee (Stock Market Price + Delivery Costs)	11,00 €	11,00 €	13,00 €	47,90 €	35,90 €	17,90 €	13,00 €	15,00 €		
Price with 20% on Recommended Retail Price	21,92 €	21,92 €	26,00 €	119,92 €	95,92 €	55,92 €	39,92 €	47,92 €	Profitable in all categories	
Price with 30% on Recommended Retail Price	19,18 €	19,18 €	22,75 €	104,93 €	83,93 €	48,93 €	34,93 €	41,93 €	Profitable in all categories	
Price with 40% on Recommended Retail Price	16,44 €	16,44 €	19,50 €	89,94 €	71,94 €	41,94 €	29,94 €	35,94 €	Not always profitable	
Price with 50% on Recommended Retail Price	13,70 €	13,70 €	16,25 €	74,95 €	59,95 €	34,95 €	24,95 €	29,95 €	Not profitable	
Avg. Cross Category Discount Expected	30%									
Total Profit 30% Discount	8,18 €	8,18 €	9,75 €	57,03 €	48,03 €	31,03 €	21,93 €	26,93 €		
Avg. price per product category at 30% discount				20,37 €				71,68 €	40,64 €	
Avg. Profit per Product category at 30% discount				8,70 €				41,84 €	26,01 €	
Avg. Margin per Product category at 30% discount	43%			58%			64%			
Avg. COGS	57%			42%			36%			
Online Demand in Portugal and Portuguese Language										
Avg. monthly search volume of relevant keywords	33673			21429			45258			
% of demand amongst categories	34%			21%			45%			
Avg. Margin and Avg. Order Value (1 product per order and relative profit contribution of each category)										
Avg. Order Value									40,46 €	
Avg. Margin per Order									56%	
Avg. Profit									22,53 €	
Avg. COGS %									44%	
Avg. COGS €									17,94 €	

Overview of Expected Visits by Source					
	2019	2020	2021	2022	2023
Visitas Display	1977,33	3954,66	5931,99	7909,32	9886,66
Visitas Search Total	6814,04	13628,08	20442,12	27256,15	34070,19
Visitas Search Pago	1151,57	2303,14	3454,72	4606,29	5757,86
Visitas Search Orgânico	5662,47	11324,93	16987,40	22649,86	28312,33
Visitas Referral	76,92	153,84	230,75	307,67	384,59
Visitas Mail	29005,70	58011,41	87017,11	116022,82	145028,52
Visitas Social	496,31	992,62	1488,93	1985,24	2481,55
Visitas Direct	7560,38	15120,77	22681,15	30241,54	37801,92
Expected cost of Search (Google Keyword Planner 13.08.2018)					
	2019	2020	2021	2022	2023
Traffic potential of relevant keywords	16932,12	16932,12	16932,12	16932,12	16932,12
Expected cost for traffic potential	2 006,44 €	2 006,44 €	2 006,44 €	2 006,44 €	2 006,44 €
Expected paid visits	1151,57	2303,14	3454,72	4606,29	5757,86
Cost of Expected Visits	136,46 €	272,92 €	409,38 €	545,84 €	682,30 €
Expected cost of Display (Minimum CPC 0,01; Google Display Planner 13.08.2018)					
	2019	2020	2021	2022	2023
Click Forecast of relevant adgroups	3176856,00	3176856,00	3176856,00	3176856,00	3176856,00
Cost Forecast of relevant adgroups	31 768,56 €	31 768,56 €	31 768,56 €	31 768,56 €	31 768,56 €
Expected paid visits	1977,33	3954,66	5931,99	7909,32	9886,66
Cost of Expected Visits	19,77 €	39,55 €	59,32 €	79,09 €	98,87 €
Expected cost of paid visits					
	2019	2020	2021	2022	2023
Expected Cost of Search	136,46 €	272,92 €	409,38 €	545,84 €	682,30 €
Expected Cost of Display	19,77 €	39,55 €	59,32 €	79,09 €	98,87 €
Total Cost	156,23 €	312,47 €	468,70 €	624,93 €	781,17 €
Expected cost of CRM (4 e-mails per month per user)					
	2019	2020	2021	2022	2023
Expected visits	29005,70	58011,41	87017,11	116022,82	145028,52
Avg. CTR (Smart Insights 2018)	2,07	2,07	2,07	2,07	2,07
Number of e-mails (4x per month)	1401241,739	2802483,478	4203725,217	5604966,957	7006208,696
Number of Users	29192,53623	58385,07246	87577,6087	116770,1449	145962,6812
Cost of CRM (Mail Chimp)	2 208,00 €	3 672,00 €	4 728,00 €	6 036,00 €	7 092,00 €
Expected cost of Website and transaction orders					
	2019	2020	2021	2022	2023
Shopify	305,16 €	305,16 €	305,16 €	305,16 €	305,16 €
Payment Fees	1 565,98 €	3 064,30 €	4 562,63 €	6 060,96 €	7 559,28 €

