

Sample of an E-commerce Start-up Business Plan by BraviaResearch.com

“NoHassleReturn.com”

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Executive Summary

NoHassleReturn.com is an e-commerce start-up company positioning itself to become the market leader in offering online merchants and consumers a uniform and trouble-free way to return merchandise purchased online. The company offers a business-to-business solution to online merchants of physical, non-perishable products. The company utilizes a consolidation approach in handling all product returns that allows online merchants to instantly save bad sales, restore customer satisfaction and stimulate repeat sales, while offering consumers a convenient, centralized online location to claim returns. By creating a new service category and utilizing the first-mover advantage, NoHassleReturn.com positions itself for rapid growth and gains a strong opportunity to raise entry barriers for possible competition.

The Market

E-commerce continues to accelerate and the amount of money spent on purchases made through the Internet shows no sign of decline. During the past holiday season (November 20 to December 19), retailers saw online revenues quadruple, jumping 300% to about \$11 billion and far exceeding expectations, according to a study by Shop.org and Boston Consulting Group. The study of 30 retailers in such categories as apparel, books and music, home and garden, specialty foods and electronics showed a 270% growth in the number of orders. The study indicated that online sales were growing at 145% annually and it projected online retailer revenues of more than \$36 billion for last year. An earlier study conducted by Ernst & Young, before the holiday frenzy, already estimated that total revenues for online retail and consumer products for the calendar year just completed were around \$25-30 billion. Currently, the average rate of returns for Internet-based companies is 9%. In the coming year the value of returned merchandise was \$1.5 billion. This indicates an amazing opportunity.

Service Offerings

NoHassleReturn.com's services streamline the entire return process for retailers. They allow retailers to outsource a large part of their business, allowing the retailer to concentrate on their core competencies and not get distracted with activities that add little value. NoHassleReturn.com will reduce capital expenditures of a company that uses their services, increase customer service of the retailer, increase sales opportunities, increase revenues, and improve inventory management. Customers will benefit by having a convenient, easy way to return their purchases as well as the ability to track their returns.

Keys To Success

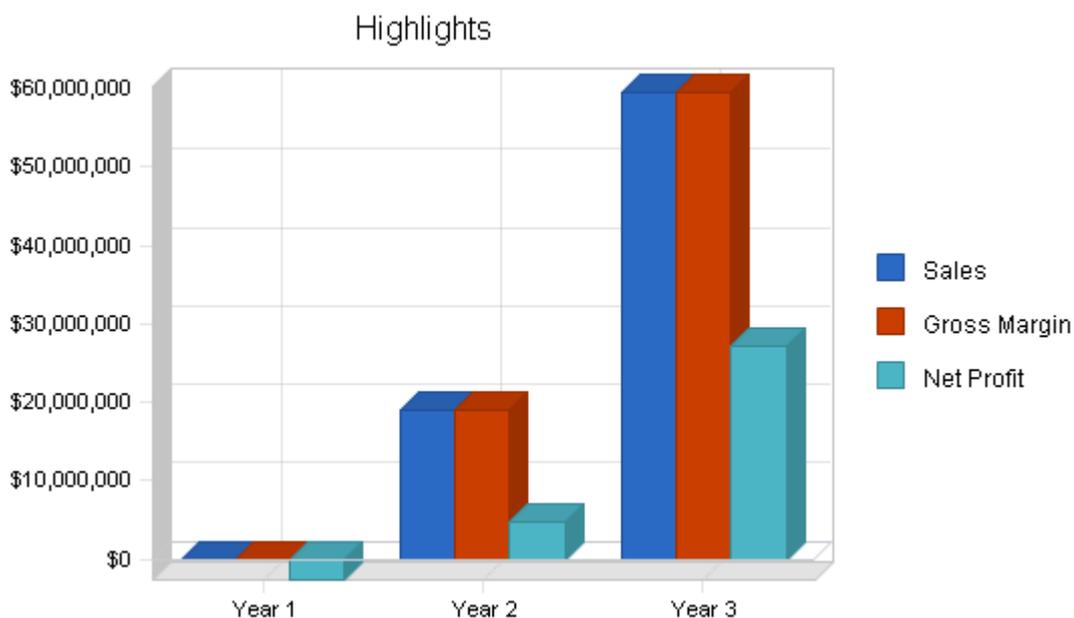
NoHassleReturn.com has three ambitious and obtainable keys to success. The first is the development of a customer service / customer satisfaction software application. This robust software will be NoHassleReturn.com's engine that ensures a seamless management of all of their business activities. Their second key is the formation of strategic relationships with online merchants, shippers, and credit card companies. The relationships with merchants will allow NoHassleReturn.com to quickly grow their customer base of retailers served. Alliances with shipping companies will be formed since the actual cost of shipping is their largest cost driver. Partnerships with credit card companies will allow NoHassleReturn.com to offer the respective cards as the preferred credit card thereby generating an additional source of revenue.

Management Team

There are two principals that are responsible for the idea and the progress of the firm up. They recognize as the companies quickly grows, certain positions such as CEO and CFO will need to be filled. The company was founded by Steve Logic and Dan Codder. Steve has spent the last ten years at Federal Express. While at FedEx, Steve was responsible for their logistics system. Steve has the incredible skill of perceiving business needs and creating a solution to address the need. At FedEx, Steve was the architect behind their benchmarked logistic system that has the ability to track customer packages and share the information with the client. What this meant for FedEx is that they could tell the customer exactly where their package is at any one point. This logistics system is the main driver behind FedEx's exponential growth. Dan Codder is a twenty-year veteran in the computer industry. Self taught, Dan has worked at IBM, Cadence, Tektronix, and several other companies. Dan has the ability to design and write computer code very quickly and accurately. NoHassleReturn.com will leverage Dan's skills for the completion of their customer service software engine.

Financials

NoHassleReturn.com's financials are conservative yet quite promising. Once they are up and running and sign up some merchants as customers, NoHassleReturn.com will quickly gain momentum and generate impressive sales. Revenue for year two will be \$19 million, climbing to \$59 million by year three. Net profit for these years respectively will be \$4.7 million and \$27.3 million. Even more impressive is NoHassleReturn.com's net profit margin. Year two will only see a net margin of 25%, but the following year will see a sustainable 45%. NoHassleReturn.com will be creating a new service category leveraging their first mover status and seizing the incredible market potential of Internet-based retailers.



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1.1 Objectives

The ultimate benefit of the program is that it enhances the overall image of the online merchant. Consumers demand not only convenience but a peace of mind. The proposed program offers both, and it will increase the number of online shoppers, thus causing a market expansion for online merchants. The first retailers who implement the proposed program will also be able to differentiate themselves and capture larger market shares in their respective segments. Once embraced by the majority of retailers, the program will become an industry standard. Due to lack of current competition, NoHassleReturn.com has the first-mover advantage and is well positioned to establish itself as the leader in the newly created service category. NoHassleReturn.com therefore has an enormous upside potential and is poised for rapid growth. By securing agreements with companies such as AOL.com and Yahoo! that host large numbers of merchants, NoHassleReturn.com will raise high entry barriers for possible competition and will significantly minimize the replication factor.

1.2 Positioning Statement

NoHassleReturn.com strives to position itself as a strategic partnership between online merchants, Web hosting companies and portals, shipping companies, and online payment agents such as credit card issuers. Due to demand aggregation, the strategy will produce reduced or totally free shipping of returned merchandise to consumers. This differentiating element will multiply the consumer acceptance factor and will draw more revenues to all participating companies. The proposed program is therefore a win-win solution to all

parties involved. Moreover, the software architecture and website format will be wireless-friendly thus designing the service in such a way that consumers will later be able to easily use it via cellular phones and other personal wireless devices.

1.3 Keys to Success

In order for the company to operate, a number of specific ingredients are needed. Following are things to put in place before the service can be offered.

1. Develop a customer service & customer satisfaction software application that uses order number (of a merchandise item) and merchant's Web address to:

- Retrieve all pertinent information on a participating merchant.
- Match appropriate return procedures against the returning item.
- Present procedures to the consumer in the most concise format.
- Provide reference to the merchant's entire return policies if requested.
- Inform the merchant of the entire transaction as it occurs.
- Gain authorization from the merchant to return merchandise if needed.
- Present the merchant's website to consumer for selling opportunities.
- Provide confirmation emails to the customer of the actions taking place if requested.
- Interact with the merchant's database for further customer details if needed.
- Maintain a record of the transactions for the company's own database.

2. Develop successful relationships with online merchants to facilitate exchange of information.

3. Develop strategic alliances with online merchants, shipping companies, and credit card issuers to negotiate reduction or elimination of the shipping costs to consumers on returned merchandise.

4. Design, maintain, and promote a user-friendly website, the corporate trademark, that offers an easy and trouble-free merchandise return procedure for consumers.

1.4 Mission

Our mission is to enhance customer service of online merchants, boost their customer retention and increase their sales. We strive to improve the overall image of the online merchant and therefore stimulate growth of online shopping. We put our efforts to increase customer satisfaction when consumers deal with retailers, to enhance the interaction process when retailers communicate with consumers, and to streamline the problem resolution order in all possible ways.

2.2 Future Financial Predictions

The company anticipates to start approaching potential investors in February of this year. The first round of finance needs is estimated at approximately \$600,000. The funds will be used to develop the core of the proprietary software program, begin designing the

website, test-market the service, and set up corporate headquarters. Also, recruitment of the key sales representatives will begin and major strategic alliances initiated.

The second round of financing is estimated at \$2 million and should take place in the Summer Year 1. The funds will be used to fully cover the software, systems and website development; test-run and fine-tune the operational process; provide necessary staffing; and start the industrial marketing campaign. The company plans to offer its services right before Thanksgiving of this year. As part of the promotion, and to simplify accounting for revenues, services for the remainder of Year 1 will be offered free of charge and no revenues will be recorded during that year.

According to the financial statements, the company will need to raise \$2.6 million during the two rounds of financing. At the same time, the company may need to have access to additional \$1.4 million to support adequate cash flows during the early stages.

An exit strategy for the primary investors will be the initial public offering. The company may go public as early as Year 2. According to the financial statements, however, the company is capable of supporting growth internally, as well as generating sizable cash flows. It may be prudent to go public at Year 3-end when the company will have substantial revenues that should support a market valuation of more than \$1.4 billion. The funds raised during the IPO will be used to further strengthen the market leader position, raise entry barriers through continuing brand-building programs, establish a more bureaucratic corporate structure, fund expansion initiatives, and to retire any financial obligations created during the first two rounds of financing.

The company has no immediate plans for acquisitions. Neither has it a preferred list of potential acquirers. Although all reasonable offers will be considered, the company plans to utilize the first-mover advantage to establish itself as the market leader and to remain a stand-alone corporation for the foreseeable future.

Services

The service offered by the company simplifies and streamlines the entire product return procedure. By accessing the NoHassleReturn.com website consumers can claim product returns in a quick and trouble-free fashion. The only necessary inputs are merchant's domain name, item's order number, consumer's last name (for verification only), reason for return, and preferred way to resolve the issue (refund, replacement, or exchange). NoHassleReturn.com serves as a centralized online location that matches the return policy of a given merchant against the returning item, obtains authorization if required by merchant, and assists consumers in following the return time frames. The company's website also generates and prints a return label to ease the shipping process for consumers.

3.1 Service Guarantee

It is important to note that during the interaction process with consumers, NoHassleReturn.com does not ask for or tries to obtain consumer's credit card numbers.

The company therefore avoids consumer security concerns and substantially limits its possible liabilities.

Order Process

Only two input variables are needed to easily find the merchant and identify a particular merchandise item. The customer's last name is asked for verification purposes only.

NoHassleReturn.com website serves as a centralized online location for consumers to claim and process returns for participating merchants. As online shopping continues to grow, the added convenience of one single online destination to do returns for multiple merchants will increase. At the same time, participating merchants will place NoHassleReturn.com banner on their pages under return policies so that consumers could access the service directly from there. That way the domain name of the merchant will be pre-entered and the initial step even further simplified.

In case the merchandise was sent as a gift to another person who does not have access to the Internet, a toll-free telephone number will be provided to call in. An operator, with access to the Internet, will use the same exact sequence of onscreen entries and will relay options and procedures to the customer over the phone.

4.1 Order Number

The order number should ensure that the right item is identified. However, it is possible that the customer has ordered a few similar items but only wishes to return one of them, or the order number included multiple items. Hence a modification option is added to address that. In case the order number was assigned to a shipment that included multiple items, all items will be displayed and the customer will be asked to select those they wish to return.

In case a wrong item is identified, the customer will be taken one step back and asked to re-enter the initial information.

4.2 Return Policies

Once the item has been identified, the return policies that apply to that particular item will be retrieved. NoHassleReturn.com will summarize the return policy to the point of available options. This means that based on the item (regular merchandise, on-sale merchandise, etc.) different return options and procedures may apply. The customer will be given the shortest description of what needs to be done and when.

While some merchants have "no-questions-asked" return policies, others require justification to return merchandise. For the purposes of uniformity and the reasons described below, the customer should courteously be asked to provide reasons for return. The answer format is quite simple (check marks and short narrative) and it eliminates much of the ambiguity. The narrative part is also a chance for consumers to "vent out" their concerns or frustrations.

The customer will be given three options to resolve the issue: exchange, refund, or replacement. During this stage the merchant is informed that a particular item is claimed for return and why. In case of exchange or replacement, the merchant receives an invaluable opportunity to instantly sell another item to the customer (the merchant's website will appear onscreen for selection and shopping). Should the reason be incorrect or defective item, the merchant can send the correct/new item right away, thus instantly restoring customer satisfaction and saving the sale. The terms of the new sale are up to the merchant to decide (charge customer's credit card right away, give grace period for the returning item to arrive, etc.)

An option to look up the merchant's entire return procedures will also be given to consumers. A link will be established that brings up the page containing return procedures in a separate window. Once reviewed, the window can simply be closed.

4.3 Return Label

Once the merchant has authorized the return, if required, the customer will be asked to print the return label for shipping. If customer does not have access to a printer, a larger view of the label will be presented onscreen for the customer to copy down necessary information. The customer may also be given an option to make adjustments to certain information on the label before printing it. The label will have the merchant's address (destination where the returning item should be forwarded), returning item's identification (Returned Merchandise Authorization Number), the customer's return address, and possibly tracking and payment information for the shipping company. The customer will also be advised on refund, exchange, or replacement options, and when it will occur.

Since some companies already include pre-printed return labels in all shipments, the printing step may be skipped. But because consumers sometimes lose or throw away enclosed labels, the online print version will always be there as a backup thus adding convenience and peace of mind. More importantly, NoHassleReturn.com will strike strategic alliances with shipping companies to take and deliver all returned items so the printing of the labels will add uniformity to the entire return process. The label can then incorporate the shipper's information, and as a consolidator and demand aggregator of all returns NoHassleReturn.com will be able to negotiate a rate reduction.

As an add-on to its customer service, NoHassleReturn.com will offer an email reminder service to ship the claimed item. It may also offer customers a confirmation email to record the claim. Customer's email address will then be asked for. For its own database purposes, NoHassleReturn.com will record all transactions and details thereof.

Once the customer has finished the online entry process, the merchant's website will appear where the merchant will be able to approach consumers with new sales offers. This will be an additional selling opportunity for the merchant, which is part of the overall NoHassleReturn.com service.

4.4 Sequence of Process

The list below describes the sequence of actions taking place during the return process.

- 1.Consumer claims an item through NoHassleReturn.com.
- 2.NoHassleReturn.com gains merchant's authorization, if required, and alerts the merchant about what is claimed for return and why.
- 3.Merchant tries to save the sale by offering a replacement or other products.
- 4.Consumer makes a new purchase, unless refund is demanded.
- 5.NoHassleReturn.com generates a return label for the returning item.
- 6.Merchant's website appears again to offer new products to the consumer.
- 7.Consumer makes a new purchase.
- 8.Consumer ships back the returning item.
- 9.Shipping company delivers the item to the merchant.
- 10.Consumer buys more from the merchant knowing that the return process is easy and trouble-free.

Benefits Summary

At NoHassleReturn.com, we feel we provide a value-added service to a variety of consumers. By having a safe and easy-to-use return service, the company benefits more people than simply the average customer.

5.1 Benefits to Merchants

- Increase revenues! NoHassleReturn.com turns the systemic problem of product returns into new selling opportunities.
- Enhance customer satisfaction and retention with the quick and easy return process and boost repeat sales! NoHassleReturn.com provides the opportunity to instantly deal with returns, save bad sales, and turn unhappy customers into loyal patrons.
- Improve customer service with a simple, trouble-free way to return merchandise! NoHassleReturn.com makes it easy for consumers to return products and follow return procedures.
- Simplify the shipping hassle for consumers! NoHassleReturn.com provides the option to print a shipping label since pre-printed labels sometimes get lost or misplaced, which provides added convenience and peace of mind to consumers.
- Improve inventory management and logistics! NoHassleReturn.com immediately alerts you when your customer initiates the return process so that you can act on it right then, not when the merchandise arrives at your door.

- Fine-tune your internal efficiencies and product offerings! NoHassleReturn.com provides you with invaluable new data on all your product returns by customer group, product category, etc., so you can analyze your operations better.
- Enhance your image! NoHassleReturn.com underscores your customer orientation, which you can use to promote your business.

5.2 Benefits to Consumers

- Return merchandise with ease! NoHassleReturn.com provides one centralized online location with a simple and trouble-free way to return merchandise in just a few easy steps.
- Buy online, return online! No need to call in or email your merchant if authorization is required--NoHassleReturn.com does the communication for you.
- No need to look up every single merchant for return policies every time! NoHassleReturn.com summarizes it for your particular item and makes sure the return time frames are followed.
- Generate a shipping label! NoHassleReturn.com generates a shipping label for you so that you do not have to worry about misplacing the pre-printed label or spending extra time at a shipping company's counter if the pre-printed label is not included.
- Reduce or eliminate shipping costs! Through strategic alliances, NoHassleReturn.com reduces or completely eliminates the cost of shipping.
- Keep track of your returns! If you would like, NoHassleReturn.com will remind you to ship the claimed item and will maintain a file of your returns for your records.

5.3 Benefits to Online Community

- Increase awareness in the community! NoHassleReturn.com serves as a "returned merchandise credit bureau," providing discrete information to consumers on merchants and to merchants on consumers.
- Cross reference marketing leads! NoHassleReturn.com maintains a database of purchases that help custom-target online buyers in a more efficient way.
- Improve the overall image of the online merchant! NoHassleReturn.com enhances customer service of online merchants and overall customer satisfaction by simplifying and streamlining the return process.

Competition

The company foresees three types of competition for the services we offer:

- 1.Direct

2.Internal

3.Channel

These types of competitors are discussed in the following three sections.

7.1 Direct Competitors

Based on the current intelligence, there is no independent company out there specializing in a "returned merchandise" service to online consumers. No single company is known to be employing a concept of establishing a single point of presence on the Internet for consumers to claim returns. The current situation allows the new company to gain the first-mover advantage and build entry barriers for any possible new entrants.

7.2 Internal Competitors

The first competitors to the new service are the online retailers themselves. Since NoHassleReturn.com will need to strike partnerships and strategic agreements with retailers in order to offer its services, they are classified as internal competitors. Retailers may perceive that their internal return procedures are adequate and fully meet customer demands. However, the discussion under the Need Assessment section of this plan clearly indicated that there are significant drawbacks and shortcomings in the return process across the entire industry. Even companies like Amazon.com that touts a quick and easy return policy now sees its customers go to Barnes & Noble superstores to return books. Partnering with brick-and-mortar retailers may be seen as a solution by some e-tailers. However, from the consumer perspective, there still will not be a centralized location to return merchandise, no quick and easy return procedure, and no savings on shipping costs. Consumers may end up having to go from one physical retailer to another to return various items.

Online retailers may try to partner with carriers and service providers such as UPS, Mail Boxes Etc., or Rite Express. Reportedly, eBay.com is working out an agreement with Mail Boxes Etc. to appoint them as a preferred/exclusive service for product returns. eBay.com may receive rebates per shipment for directing its clients to Mail Boxes Etc., but consumers again will have little or no benefit. The standard shipping rates are applied, the choice of carriers is now limited, and online merchants are not informed about product returns ahead of time so that bad sales could be saved. With NoHassleReturn.com, at least one selling opportunity will be given to retailers while consumer is on the Web--something a partnership with a carrier cannot provide. Moreover, serving as a demand aggregator NoHassleReturn.com should be able to arrange necessary agreements and provide consumers with greatly reduced, or even free, shipping for all returned merchandise.

7.3 Channel Competitors

Thinking in reverse to the previous paragraph, service providers such as Mail Boxes Etc. and PostNet may try to forge strategic partnerships with numerous online retailers to

simplify the return process. But as it was described, online retailers will be shortchanged in overall customer satisfaction, information exchange, total costs, and additional selling opportunities. Consumers, on the other hand, will lose out on the limited number of "exclusive" carriers for particular retailers, and uniform simplicity in the return process will not be achieved. Moreover, both Mail Boxes Etc. and PostNet combined do not have sufficient physical presence in the market.

Carriers such as UPS and FedEx may try to enter the arena. Those organizations have extensive networks of facilities, experience in shipping, and a track record of quality. The U.S. Postal Service has recently started a TV advertising campaign of a service for online merchants that allows consumers to print return labels online. This is a step towards addressing the shipping end of the return problem, but it falls short of saving bad sales and creating new selling opportunities for merchants. No single shipping company can fully provide the range of benefits the proposed company can. NoHassleReturn.com will be able to arrange strategic alliances with numerous carriers and even play one against the other in negotiating rate reductions and preferential service terms for both merchants and consumers. Being a smaller company with a focus on the e-commerce community, it will also have a greater degree of flexibility in adjusting to customer needs.

Business Model and Structure

The company plans to locate its headquarters in a metropolitan area that can provide access to a large pool of high-tech labor force, current e-commerce intelligence, and sources of financial capital. The location should ensure the best logistics when reaching existing and potential clientele, as well as strategic partners. Operations in which the company cannot develop core competencies should be outsourced. A close proximity to outsourcing companies should be maintained. The headquarters will initially host the entire executive team, sales force, and staff. As company progresses through its growth stages, sales regions will be assigned for various parts of the U.S. and either in-field sales representatives be placed or distributors assigned. Presently, NoHassleReturn.com is headquartered in Bala Cynwyd, Pennsylvania.

The company will initially be a privately-held corporation. The state of incorporation will mainly depend on the location of corporate headquarters. The company plans to raise two rounds of venture capital financing before going public.

9.1 Organizational Structure

Those activities that are not crucial to the corporate success (i.e. payroll) will be outsourced or subcontracted. Below are brief summaries of major responsibilities for corporate officers.

- Board of Directors:** oversees the overall strategic direction and progress of the company. Specific areas include operational soundness, financial stability, and long-term well-being of the corporation.
- President:** responsibilities include strategic guidance of the enterprise, exploration

of expansion opportunities, and strategic alliance facilitation and management.

•**Chief Executive Officer:** the main responsibility is to maintain a strategic fit between the corporate resources and external factors. Responsibilities include running of the overall day-to-day operations, technological and operational soundness, and financial stability.

•**Director of Finance and Operations:** responsibilities include financial oversight, safeguarding of assets, and human resources management.

•**Director of Information Technology:** responsibilities include overall technological efficiency, software development, and information control.

•**Director of Sales and Marketing:** responsibilities include sales generation, marketing programs development, and public relations.

ENLARGE 

Personnel Plan

	Year 1	Year 2	Year 3
All Departments	\$200,000	\$1,960,000	\$4,105,000
Other	\$0	\$0	\$0
Total People	5	40	80
Total Payroll	\$200,000	\$1,960,000	\$4,105,000