

BUSINESS PLAN: FRESHFOODS.COM

ONLINE GROCERY STORE



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A TEAM

Alessandra Usman

Brad Belcastro

Mo Han

Xiaodi Hu

Haw Ron

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1. EXECUTIVE SUMMARY

FreshFoods.com focuses on the online grocery retail business. It plans to connect millions of household customers with distributors. FreshFoods.com is an online portal available 24 X 7 to the Internet customers. It is a virtual online market place facilitating easy buying and selling of groceries as well as completely overthrowing the traditional groceries shopping experience.

The company summary talks about the company information in terms of Vision, Mission, Objectives, and Values. The products part describes the basic business model describing the categories of business, details of the processes and salient features.

The market analysis gives us the clear picture of the present situation and how we handle the situation for our benefit. How we form a brand and spread the awareness customers. The marketing also segregates the customer segment and how we reach them. It also talks about the advertisement strategy.

The strategy and implementation summary together with web plan summary describe the operations, logistics involved and the SCM in details. How we optimize it to give best value to the customers. It also talks about the inventory management and type of operations model we use.

The financial plan discusses about the capital estimation, breakeven analysis, and profit estimation. It also talks about the fund sourcing, fund distribution and growth strategies. The financials also include the exit strategy.

We believe FreshFoods.com as a disruptive technology destined to replace the traditional way of trading with fresh and direct groceries shopping experience in Greater New York area.

Well done

2. COMPANY SUMMARY

2.1. Vision

FreshFoods.com focuses on customers' wants and preparing customer data base on daily, weekly and monthly on regular basis. FreshFoods.com is a start up E-commerce Company aligns all its strategies keeping in mind the following:

- To make FreshFoods.com available in Greater New York area.
- To be the largest e-Commerce marketplace for groceries in New York City area, then expanding its business all over United States.

2.2. Mission

Our mission is to provide high quality with lowest price grocery products along with doorstep delivery. FreshFoods.com taps the unattended needs of the people who do not find traditional trading convenient due to many unavoidable reasons. Our foremost mission is to provide convenience to the customers followed by best value for money backed by quality and satisfaction.

2.3. Objectives

The main objectives of FreshFoods.com are as follows:

- To flawlessly serve fresh food with low cost and quick delivery to our customers.
- To built a stable and effective network between the distributors, wholesalers, retailers and the household customers.
- To build an effective sustainable technology.
- To give our customers the best value for money and quickest service.

3. PRODUCTS

Freshfood.com is The Internet grocery shopping service delivers a wide variety of high quality perishable products, prepared meals, and basic grocery items in Greater New York area. Freshfood.com enables a greater market reach to the suppliers and convenience to the customers. It provides an online platform for household customers to choose from a wide variety of products listed by the suppliers (distributors, wholesalers, retailers). It also allows the suppliers to enlist their products to ramp up their sales by increasing their reach. This portal also acts intermediately between the distributor and wholesalers or retailer to supply goods that are unavailable locally.

3.1. Categories

The main model of business can be categorized into two major divisions according to the customer segment and the type of their interaction with the suppliers.

- **Business to Customers (B2C)**

This is meant for household customers. This model is built around providing convenience, quality and best value for money to the end users. The customers can browse through the catalogs and see the different items listed by the suppliers. The customer orders the selected items and we deliver the product on their doorsteps. This is our main focus and we concentrate all of our initial resources at this.

- **Business to Business (B2B)**

This model is meant for the wholesalers and retailers who need some items that are unavailable in the local market. This is for bulk shipments and we charge the customers for the shipment.

3.2. Revenue Model

The revenue model of FreshFoods.com is very simple. It does not charge any customer for browsing. The browsing is made free of cost. The revenue model can be segregated onto the following categories.

- **Registration Fee**

Manufacturers or Distributors pays annual rent for registering to FreshFoods.com. In order to enlist their products or to put any kind of advertisements the companies must be registered.

- **Listing Fee**

Manufacturers or Distributors pays annual rent for listing each product. This is a variable rent calculated keeping the cost and various other factors in mind.

- **Service Charges**

Service Charges are in terms of the following:

- Shipment – FreshFoods.com charges a nominal amount for shipment of products to the door step. This depends on the distance and amount gradation.
- Maintenance – FreshFoods.com also charges a percentage of the order for maintenance of its business.
- Discounts – FreshFoods.com offers discounts to all of its deals depending on the time and volume of orders.

- **Advertisements**

FreshFoods.com allows different advertisements, which is also a source of revenue.

4. MARKETING

Freshfood.com targets a niche category of customers with specific needs. The needs of the market which was unattended by local practices are needed to be catered. First there must be an awareness spread across the population for converting the needs to demands. The marketing strategy is made to sustain the business. The marketing strategy will be aligned with the vision and mission to reach our objectives.

4.1 SWOT Analysis

4.1.1. Strength

- FreshFoods.com has strong financial assets.
- FreshFoods.com guarantees to sell product with high quality at lowest price
- FreshFoods.com uses advance food technology software system.
- FreshFoods.com has strong relationships with local stores and its distributors.
- FreshFoods.com approach is very innovative; its products have differentiation.
- FreshFoods.com has excellent customer services.
- FreshFoods.com has extremely high standard for cleanness, health and safety.
- FreshFoods.com will refrigerate loaded trucks that keep their foods fresh

4.1.2. Weakness

- Since we're new, so we might need some time and cost for entering the market.
- We focus on competitive advantage (differentiation) not cost leadership by selling perishable products. This could make us slow to diversify into other sector (un-perishable products).

4.1.3. Opportunities

We can get the sweet spot in the market. Market opportunity analysis is complicated. There are many competitors and even some technology which are not right technology currently running in the market. We clearly differentiate our business in the eyes of our potential customers or clients. We focus our team on delivering the promise of the previously unmet promises by our competitors, helping to improve our internal performance.

4.1.4. Threat

- **Peapod** is the largest online grocer in US. The fact that the company is profitable makes it one of the most successful online grocers in the world. the company has found the way to success. Each wareroom-location starts with delivering in a short-mile radius. When this is established, the company increases the radius and starts to grow. Each location will become increasingly more profitable by increasing the density of its customer network.
- **FreshDirect** is very well-known in New York. They have good innovation for the production cycle and very loyal customers.
- **YourGrocer** was created with a bulk buying strategy, believing customers would order large, economical quantities
- **Giant Amazon.com** Online has entered the dry goods grocery delivery business, posing a threat to other online retailers because of its existing loyal customer base and legendary customer service
- **Safeway** began an ambitious online grocery venture by establishing Grocery Works, an online shopping system that included a series of warehouse dedicated to filling online orders.

4.2. Market Segmentation

We have identified the customers for our business:

- Customers are aged between 23years and above.
- Customers whose house hold income is > \$4000 Per Month.
- If any customers are having dual income households.
- Customers / households with children.
- Customers with education level above Bachelors, since they have to be educated about internet and its usage.
- Consumer who are looking for convenience; that means they do not want to invest time in traveling and shopping.
- Average commute time to work of customers.
- Customers number of households with internet access and its awareness.
- Customers & adults with credit cards access.

So we can justify our market segmentation by Segmentation Type Variables. We have defined our market segmentation to get a meaningful approach to the market. We have encountered that the customers who are within our segment will behave in different as compare to the others. The segments we have designed provide motivation to the customers in the sense of price, quality product and timeliness. Apart from the traditional purchase, through our segmentation, customers get the ease to shop in price as well as time.

- Engage in Web-based marketing for the next year to generate awareness of the company and service information. Because Internet based advertising has declined in recent quarters, the prices for advertising have consequently significantly dropped making the expenditure more cost effective. The ads should appear in both major websites and mobile apps.
- Engage in outdoor advertising providing general awareness to the public at large and direct individuals to the company's website.

4.6. Sales Strategy

FreshFoods will process 90% of it's sales online through a secure socket layer (SSL), and secure Internet connection. All orders will be charged to Visa, Mastercard, American Express, or Paypal. By ensuring that the website is easy to navigate as well as simple to order from, FreshFoods will be ensuring that people who make it to the website will end up purchasing something. This last point is key. FreshFoods should list merchandise that people most want and prevent the order outside of the metropolitan area to keep the high customer satisfaction.

5. BUSINESS STRATEGY

5.1 The General Environmental

5.1.1. PESTEL Analysis

(Source: Johnson et al., 2008)

PESTEL Factors	Strategies
Political	FreshfFoods.com plans to increase delivery charges from customers to financial coupe, and sort out the parking violation problems.
Economical	Safe management cost, keep balance pressure on customers.
Social	Creating full-time private-sector jobs. FreshFoods.com will make sure that surplus food will be giving to New York's 'homeless' and those who need.
Technological	FreshFoods.com will maintain its advanced technology and also seek innovating technology to keep better technology the competitors
Environmental	Use eco-friendly production system. (paper bag packaging, etc)
Legal	FreshFoods.com products are tested by in-house laboratory, which ensured the facility adhered to USDA guidelines. FreshFoods.com will disclose its financial statement publically and pay the taxes regularly, not taking any step against the regulations.

5.1.2. Porter's 5 Forces

It is important to analyze the competitive nature of the online grocery industry in order to assess the position of FreshFoods.com. The Porter's 5 Forces tool will enable to make strategic decisions.

Forces	Strength
<u>Threat of New Entrants</u> The e-commerce grocery entrants require a big capital, experience understanding the advance technology system, learning online grocery and access to suppliers and distributors .	Low
<u>Threat of Substitute</u> The local suppliers, distributors and corner stores are other options of customers to buy fresh foods. Bu FreshFoods.com is convinced that customers will get the best shopping experience with FreshFoods.com compared to other competitors	Low

<u>Power of Suppliers</u> FreshFoods.com's supplier has good brand in market, so they can easily access with the product producers.	Medium
<u>Power of Buyers</u> In the modern era, especially in New York City area, customers have easy access to everything with internet so the information of price and products is opened widely.	High
<u>Competitive Rivalry</u> The strongest competitor in FreshDirect. FreshDirect have advanced online technology. It's also well known and leading in the market. However, they sell their products at quite high cost.	Medium

✓ a good and comprehensive Analysis

5.3 Competitive Advantage

According to the traditional market and its approach, we are not having any direct competitors, even if they are provider of same products. Since we are providing, approaching & attracting with something new strategy. In the mean time we are providing the facility in new but easily available & handled technology & platform to do business with us. Even if there are huge competitors, we are providing the best and secure services to the customers at their ease. Ever since customers seeks specific benefits, so by assessing the current players performance in meeting the customer standard will provide an indication of the potential for our company to move in and win.

6. OPERATION

Our operations are carried out according to two approaches:

Business to Business (B2B)

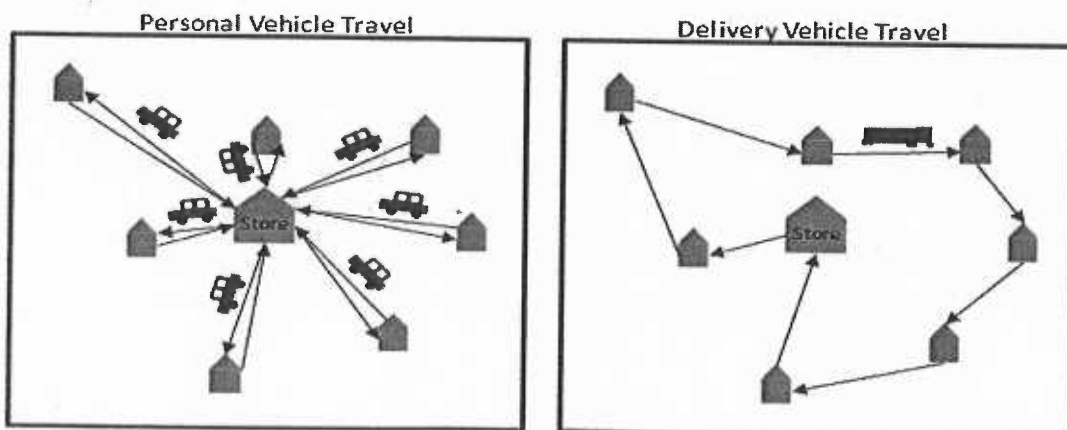
- In this category we are developing one to one customer relationship. Here customers are the wholesalers & retailers. When it comes to a business it does not account for a single decision making unit, because there is a great difference between selling to an individual and selling to a business. Our business is composed of a number of distinct individuals and many different people will likely to have an influence on the decision making process.
- We are maintaining our relationship with the wholesaler, as a customer to go deeper to maintain relationships with individual decision makers. We are not viewing our success just in terms of how many new customers we can acquire but in terms of how deeply we can penetrate our current customer accounts. Through this approach we are directly connecting the manufactures to wholesalers and retailers and being as an intermediary service provider we are gaining our share. We are reducing our inventory by establishing a closer communication process with the suppliers in terms of input needs and procurement time frames.

Business to Customers (B2C)

- As in this category our consumers do not care how the order is fulfilled so we have designed our own supply chain. In this category we are selling hundreds of thousands, so we are keeping our eye on statistical analysis of our customer base to figure out what's going on at any point in time with any particular type of customer.

6.1. Value Proposition

Value proposition that FreshFoods.com has is the go-green campaign. The delivery truck-route reduced CO2 emissions by at least half in their model compared to car trips.



Source: <http://vator.tv/news/2013-04-12-relay-foods-raises-825m-for-online-grocery-shopping>

6.2. Milestones

FreshFoods will have several milestones early on:

- Business plan completion. This will be done as guidance for the organization. This will be an indispensable tool for the ongoing performance and improvement of the company.
- Office and warehouse set up.
- Website completed.
- Complete hiring of the initial company personnel.

6.3. Business Model

Since our company is selling foods to the customers, it is a B to C model. We do need pay attention in detail when we are doing retailing on the website. If we make the process too complex and inconvenient for the customers, we do step out the first step in a wrong direction.

As in this category our consumers do not care how the order is fulfilled so we have designed our own supply chain. In this category we are selling hundreds of thousands, so we are keeping our eye on statistical analysis of our customer base to figure out what's going on at any point in time with any particular type of customer. We keep recording how many inventories we sold out monthly to figure out how many inventories we should keep in hand. What is more, we decide to release some survey online to analysis our customers consuming preferences. It helps us with how we should keep our supply chain. People do like different food in different seasons. After taking the survey, we think we can improve better service and more suitable choices for our customers.

6.4. Inventory Management

This is a key term in terms of cost effectiveness. It is the direction and control of activities with the purpose of getting the right inventory in the right place at the right time in the right quantity in the right form at the right cost. We optimized our supply chain by keeping the inventory level very low by using certain techniques such as fluctuation inventory, lot size inventory & cost of placing orders. We are maintaining lower inventories from the 2 hour & 6 hour time slots because these orders are smaller in quantities and carry lower inventory costs.

6.4.1. Fluctuation inventory

This is introduced in our inventory management with a purpose of preventing disruptions in deliveries to customers. We have maintained a buffer stock, which will protect against fluctuations in supply and demand and lead-time and it will also remove

stock out situation.

6.4.2. Lot size inventory

We are purchasing items in quantities greater than needed to take advantage of quantity discounts, to reduce shipping and setup costs. This portion of our inventory depletes gradually as customers' orders come in and is replenished cyclically when new orders are received.

6.4.3. Cross docking

In this strategy we are moving our goods directly from our warehouses to consumers. This distribution strategy we have applied in which the customers and distributors are supplied (in case of B2C & B2B) by central warehouses which act as coordinators of the supply process and as transshipment points for incoming orders from distributors and consumers but in this strategy we are not keeping any stock. We are moving goods from one truck to another set of trucks. In some cases we take off pallets or boxes containing items from incoming truck and move directly to outgoing truck to avoid inventory cost. This technique is mainly used for the larger time slots that are 1 day & 2 day.

6.4.4. Refresh inventory

We are constantly refreshing our inventories through the received orders and products coming from the distributors. When a new lot of product comes to the warehouses then we send those products to the customers who are already present in our warehouses and through the various time slots we are continuously refreshing our inventories.

6.4.5. Transportation cost

This includes the cost of moving the items from the warehouse to warehouse and warehouse to consumers. As seen from the diagram given below we have two slots for the transportation costs. The overall transportation cost is thirty one percent of the total capital estimation:

6.4.6. Warehouse to warehouse

It includes cost of moving the items from one warehouse to other. This will mainly occur when the cost of moving goods from distributor to warehouse is high than the cost of moving products among the warehouses. Example, when one consumer demand for any variety of products and it's not available in the nearby warehouse, then we order the product from the nearby warehouse to avoid the high cost of ordering product from the

distributor.

6.4.7. Warehouse to customer

This includes the cost of shipping the products from the warehouse to the customers. As shown in the graph we have warehouses in the areas where the demand is high and if some item will not be available in the nearby warehouse then we will ship that item from the next nearby warehouse. If the time slot is in 1 day or 2 day then we will ship the items directly from the distributors using the cross docking strategy.

6.5. Operation Model

6.5.1. Stock it yourself model

In this we are maintaining our integrated warehouses that are able to handle shipments to web customers, so by keeping the warehouses we are fulfilling the orders. Through this we have full control over the fulfillment process. As we are starting a new business, so we have kept limited number of warehouses in limited cities and in limited areas.

6.5.2. Outsourcing warehouse model

- In this we are using logistics specialists Federal Express (FedEx) which do the work of stockpiling and shipping web orders. So once an order comes into our site it is automatically transmitted to its warehouse and directly shipped to the customer through FedEx.
- We also have fulfillment intermediaries that will take care of all back office operations such that they process orders, direct orders to suppliers, keep updating customers on their order progress and handling product returns and cancellations.

6.5.3. Time slots for delivery

We have different time slots depending upon the demand of the customers. They are categorized as:

- 2 HOUR

This is the best time slot provided by us and it will deliver the products within 2 hour after the order is placed. In this category we will not provide any discounts as the service level is highest in this category. This will target mostly the working people who don't have time and they just order when they want any product.

- 6 HOUR

Customers will get a certain minimal amount of discount in this time slot. This will

target the family based customers who plan to make something few hours later and need the products in a few hours of time. They will be generally middle-sized customers.

- 1 DAY

Quite a good amount of discount would be given to these customers as they are just directly reducing good amount of transportation cost i.e. from warehouse to warehouse or from warehouse to consumers. These customers are also the family based customers but their demand is slightly flexible than the previous time slot. This will target customers who are middle-sized and above.

- 2 DAY

This will mainly target the upper segments that are used to keep product stock. They will be benefited maximum discounts as the transportation costs are least here because time to deliver products is too large. In this much time several orders can be seen in the places round the ordered places.

7. WEB PLAN

FreshFoods will use their website as their catalog and ordering device. The website will be a complete product offering as well as to provide company information. The website will be designed with simplicity in mind. It is imperative that customers are able to navigate throughout the site with no problems. FreshFoods will have both full website and mobile site for mobile devices. The superfast delivery should be obvious on them. And a kind reminder for customer outside the metropolitan area should be shown. A 24-hour hot line will be offered on the website to remedy and problems that customers encounter.

7.1. Website Marketing Strategy

The website will be marketed through search major engines such as Yahoo! and Google. In addition to advertisements on search engines, FreshFoods.com will advertise with websites that have similar customer demographics like Seamless and Grubhub, online food delivery websites. The cost of Internet advertising has dropped significantly with the collapse of so many dot-coms that it has become quite cost effective.

7.2. Development Requirements

We hire the expert web design agency, Blue Fountain Media. Blue Fountain Media is one of the top 10 best digital media agencies in the world. Their clients include P&G, AT&T, Canon, NASA, NFL, and many more. They will be responsible for site development including strategy & consulting, online marketing, web and mobile apps designs.

7.3. Web Design

7.3.1. Web Design Plan

- Selling groceries online is different from selling electronics or apparels. Groceries are 'needs' while electronics/apparels etc. are 'wants'. This is the reason why "groceries" are least sold in e-commerce model compared to other products. We should find out why.
- Innovative front end design which would revolutionize the front end design of e-commerce websites.
- Innovative options like 'You might have ran out of' and 'Most ordered by you' makes shopping very quick.
- A striking feature in this website would be "multiple products search". Customer can enter whole list of items he/she would like to buy. The site will be designed to show the search results for these items one by one. This makes the shopping hassle-free unlike other e-commerce websites. The search will be designed for giving

- Build social media like twitter, pinterest, instagram. Placing Facebook profile pictures to increase the loyalty factor. It gives a feel of being a part of the store. It depicts and validates the actual presence of the customer on the site.

https://www.facebook.com/pages/Freshfoods.com/1434031093482880

Mail: Email from G MyNYIT - Welcome (14485 unread) - al CHASE Bank - Credit Bank Mandiri - Inter YouTube

f Freshfoods.com

You are posting, commenting, and liking as Freshfoods.com -- Change to Alessandra Usman

[Freshfoods.com](#)
[Timeline](#)
[Recent](#)

Promote Page


[Maria Agnes Bong](#)
[Invite](#)

Promote Page

Recent





Freshfoods.com

Be the first person to like this.

[Update Page Info](#)
[Like](#)

Community

Freshfood.com delivers a wide variety of high quality and fresh products!! fast delivery with lowest cost!

About

Photos

Highlight

[Status](#)
[Photo / Video](#)
[Event, Milestone +](#)

What have you been up to?

Invite Your Friends to Like This Page

See All

Type a friend's name

Invite

This should go for your C,

Figure 2: FreshFoods.com Twitter account
(https://twitter.com/FreshFoods_NYC)



7.3.2. Web design

We did a small research and came to the following conclusions:

- Groceries are something that people buy on a regular basis and they are a necessity for daily life (needs) unlike products like t-shirts, perfumes, books etc. (which are wants). Therefore, people do not tend to spend so much time on buying groceries as they spend on other products.
- When it comes to groceries, people are well aware of what they want to buy and do not really prefer to compare the features of a product. We just buy. To explain it in a better way, suppose customers want to buy a t-shirt. Customers browse many websites; check out various designs, colors, costs etc. and finally order one. So, this means the shopping experience to the user has to be as quick as possible.
- If we implement a regular ecommerce website design for the groceries, it will give a very bad user experience. Why? Because the total number of products on the website and the number of products purchased per order are too high and people have to search for all the items all the time.
- Many people enjoy going to a super market just for the experience of *shopping*. But if customers are buying online in a regular E-commerce model, customers would get lost in searching for the right product because sometimes you

don't know the name of the product, sometimes you don't know the product category, sometimes you don't know the quantity unless you see it etc. So, we want to give a real-life shopping experience on the website.

Categorization of products is necessary for easing the burden of searching a product, but in the current design we could not categorize the products to significantly simplify the search. We realized that there are about 4 levels of product categories in groceries.

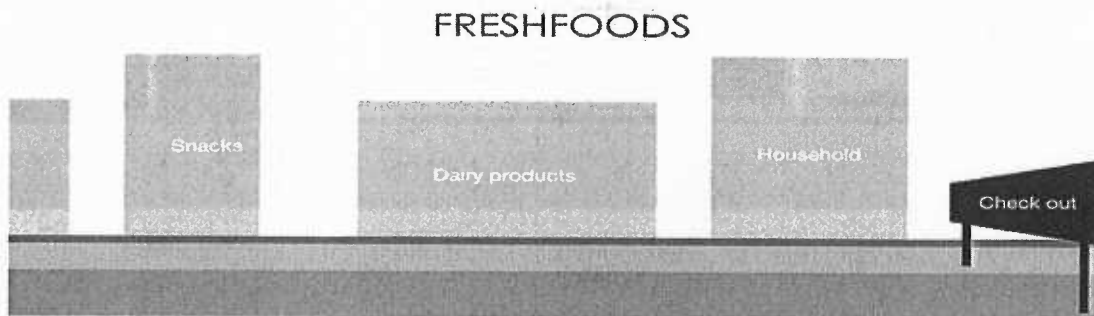
Parent category -> Sub category -> Product type -> Product;

After a rigorous brainstorming session on the user interface and attractiveness of the front-end designs, I came with a great idea of creating an online virtual super market that has the potential to revolutionize the design of E-commerce websites.

What will this design solve?

- Trying to bring back the “fun” factor in shopping, which is lost in other E-commerce sites and even in offline shopping.
- Mimicking a real supermarket has lots of advantages. The design is close to being a virtual store than a random website.
- In the pop-up, we also included the links to other subcategories in that parent category so that the user need not switch back and forth frequently, again increasing the speed of purchase.

This is how our web design will look like:





8. FINANCIAL PLAN

Freshfood.com is a great online food shopping website. We do have 3 warehouses over the whole New York City to make sure we can provide the efficient service for our customers. What's more, we also have the great workmate with some professional delivery companies to save our investment.

8.1. Capital Estimation

8.1.1. Fixed Asset:

1. Our initial setup would be based on renting official spaces rather than buying it or building our own setup. This adds to our flexibility. We plan to have the official site around the fifth avenue. The rental of the official site at Fifth Avenue will cost about 600,000 dollars per year.
2. To provide better service with our customers, we need to get a research and development center for our company as I mentioned above. We are going to have a center like this in New Jersey. It will technically serve as the development, technological setup, server location and also maintenance site.
3. Warehouse: We do have 3 warehouses in Manhattan, Brooklyn and Queens.
4. Transportation: We are outsourcing this business to Fast Delivery Company. Nowadays, since we can save our capital investments by this way, we are in this way.
5. Human Resources: We plan to have a CEO, CFO, CMO, CSO, COO, CTO all posted in the corporate centre comprising the top management team. We have 5 workers at each site to receive the orders ordered by the customers. They will get all the products ready and give that to the delivery company to deliver our food.
6. Technology Setup: Since we are in the E-commerce business, we need to set up our website and search for our customers. We need to have a good SEO to satisfy our customers. We have bought the system from Dell Company.
7. Miscellaneous: this includes other costs, maintenance inventory etc.

Investment	Number	Time (month)	Total (dollars)
Corporate Office	1	12	\$300,000
Warehouse	3	12	\$1,000,000
Service Center	3	12	\$70,000
Transportation			\$2,000,000
Warehouse manager	3	12	150,000

Employees	200	12	4,000,000
CEO	1	12	200,000
CFO	1	12	150,000
CMO	1	12	150,000
CIO	1	12	150,000
COO	1	12	150,000
CSO	1	12	150,000
Human Resources (recruiting & compensation)			200,000
Server	3	1	120,000
Terminal	3	1	1,400,000
Network	5	1	250,000
Internet	10	1	420,000
Software	1	1	1,000,000
Telephone	1	1	50,000
Misc	1	1	1,000,000
IT setup			5,320,000
Maintenance			1,000,000

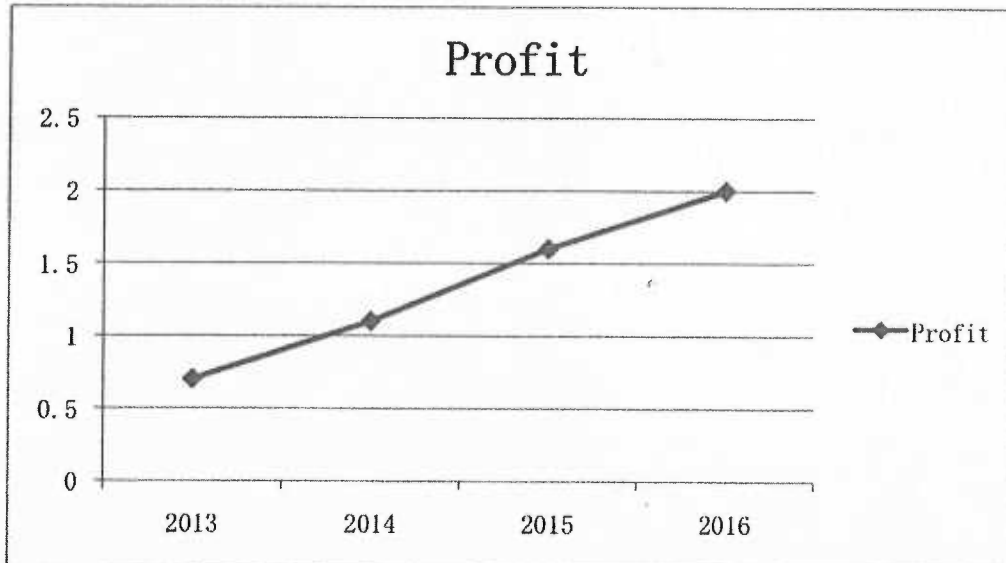
Inventory			1,000,000
Total			\$20,230,000

8.1.2. Fund Sourcing

We plan to go for bank loans, venture capitalists and individual contribution for risk mitigation.

- Individual Contribution and Partnership = \$10,230,000
- Bank Loan = \$10,000,000

Profit estimation: In million dollars



8.1.3. Future Growth Strategy

We plan for constant growth by putting the part of the profit constantly for future growth for sustenance.

8.1.4. Exit Strategy

We can plan for the following exit strategies.

- 1) IPO – Initial Public Offering
- 2) Merger with an existing online retail business in a different vertical such as Amazon.
- 3) Acquisitions – by some other online retail business in the same domain. Example: Peapod.

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