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INFORMATION

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Webshop

How to open a webshop

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Webshop

– How to open a webshop

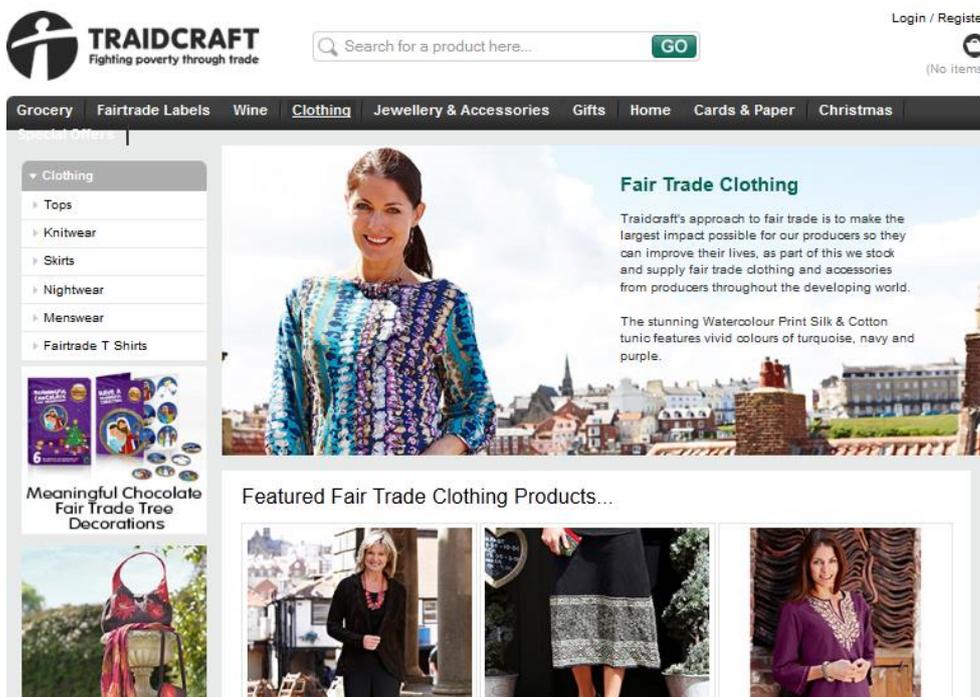
To be online and to shop online is increasingly getting common. In the Scandinavian countries 90 % of the population is online. In the years to come a considerable part of the world population gets access to the online possibilities. And they will use them.

Being online means that you can buy your jeans, order tickets to a theatre show, make an appointment at the hairdressers or register your new address with the local municipality. Many customers – especially the younger ones in the major cities – expect to do much of their shopping online.

Almost any consumer goods can be sold online. Only obsolete ideas about distribution of goods limit this type of business.

New companies as well as old ones ought to consider how they could benefit from online sale. Cooperatives could sell directly to consumers, and retailers could expand their market area. Service providers like beauty salon could offer online booking and education institutions could sell e-learning products and relevant books.

After reading this booklet you will know where to start to become a businessman on the internet.



(www.traidcraftshop.co.uk – a fairtrade web shop)

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Foreword

This booklet is written by Mogens Thomsen, Thomsen Business Information, a Scandinavian company that on a worldwide basis delivers basic core knowledge about starting and running small businesses.

The booklet is aimed at entrepreneurs or established businesses that wish to open a web shop but lack knowledge about this issue. The booklet provides an overview of what to do to run a webshop. Hopefully the booklet gives you sufficient knowledge to decide whether or not to start a webshop.

If you need detailed knowledge about one or more of the items in the booklet you must go for more specialised books than this.

Mogens Thomsen
December 2014

What do you want to sell?

To sell goods and services from a webshop is in many ways similar to sales from a shop in a shopping street:

- Do you have the possibility to produce or purchase your product or service?
- Can you get enough customers who will buy your product or service?
- Do you make enough money by selling your product or service to cover expenses and give yourself a profit?

Without investigating the above basic business questions thoroughly it would be a risky business to open a webshop.

Distribution

The biggest difference between sale from a physical shop and a webshop is the way in which the product is distributed. The customer no longer gets to your shop and asks: 'Could I have a look at that one over there?' The customer sits behind a computer in a somewhere in your country. Or maybe in another country if you have created your shop in such a way that it appeals for international customers.

The direct contact to the 'no name and no face customers' around the country or around the world gives the webshop owner an interesting challenge – but also unlimited possibilities.

Old knowledge in new surroundings

Those who grew up in a time when personal contact was a key element in a sales situation should learn to use their 'old knowledge' in our new internet/mobile times. If they do they will find some brand new possibilities for reusing their knowledge.

An example is the elderly car sales manager for a well respected automobile firm. He had profound knowledge of the car market and knew that the car purchase price in his country was lower than in the surrounding countries. He also knew that car dealers in the country had difficulties selling old models when new models were introduced.

With this knowledge he used the internet to sell yesterday's car models to surrounding countries at a very good price. His country's car dealers were happy to get rid of their old models, the customers were happy because they got a nearly new car at a good price and the elderly car sales manager got a profit for each sold car.

If people with a solid knowledge from 'yesterday' could learn to think positively of the possibilities of the internet, many new and viable webshops can be opened.

To think global

If you live in a small country, in a limited language area or you only consider your home town as your market you will have a limited number of customers. The internet opens up to the world. Often it is not anymore difficult to send your product to other parts of the world than to your neighbouring town.

When you plan your webshop you should consider whether you want to target your webshop towards customers in your province, in your country, to your language area, your continent or to the whole world.

Everything can be sold

If you are a bit creative and have the courage to change deep-rooted habits many different kinds of products can be sold over the internet. Also products and services that might be too specialised for your local market.

Below you see examples of goods and services that are sold through webshops. What can you sell?

- Software to map the human genes
- Pieces of jewellery made in your own home
- Phonetic notation on Italian operas
- Software to be used with sound productions
- Self made paintings, lithography, and illustrations
- Fair-trade product from fair-trade cooperatives
- Translations
- Print on t-shirts
- Mail postcards with pictures taken by yourself
- Download of books / documents in specific line of trade
- Copies of paintings
- Nationally known sweets like liquorice
- Chocolate produced by 15 children from a school
- Forum of 150.000 computer programmers ready to act on assignment from a customer
- Local rock band selling own CDs and downloads of pieces of music
- Translated texts for karaoke singers
- Songs and speeches for weddings and funerals

Commercially viable

A good idea to start a webshop is only a good idea if you are able to make enough money to live the life you want.

When you get an idea for a webshop it will in most instances have to be developed and looked at from different angles, before it can be a commercially viable idea. If your idea is not commercially viable it is not a good idea to start a business on full time.

This does not mean that you can not start a webshop with low income but great pleasure. You just have to make an income somewhere else.

Who are your customers?

When you sell from a web shop, a large number of the world's population have access to your shop. But it is impossible to reach all three billion people who have the possibility to visit your shop. As a matter of fact it is very difficult to attract customers to your webshop. It is not unusual to get only 5-10 visitors per day in the first month after opening.

Therefore you have to focus on a specific target group. Doing this makes the marketing of your web shop much easier. It also helps making your webshop more visible for potential customers searching on Google.

Your target group could be:

- Mothers with children in your province
- Mothers to overweighted children in your country
- Mothers with visually handicapped children
- Opera singers in Asia
- Sitar players worshipping to Baba Allauddin Khan
- Doctors specialised in kidney diseases
- Dedicated fans of Mali music
- Restaurant guests in your home town

How does a webshop function?

In order to understand how a webshop works technically it can be an idea to visualise it as divided in three areas:

- The shop area
- The shopping cart
- The payment area

The shop area

The shop part is the first you see when you enter a webshop. It is more or less the same what happens when you open a door to a shop situated in a shopping street. It must be nice and tempting for the customers to look at. If not, the customer will just walk away and go to another and nicer shop.

Therefore you have to create a design, a user platform and a lay out that pleases the customer.

The customer must feel welcome in the shop. Beautiful pictures, relevant text and no waiting times when uploading new pages in the webshop are some of the things a customer likes about a webshop.

The shop must be so "cleverly" designed that the customer at any given time intuitively knows how to put the product he wants in to the shopping cart. No detours and difficult login. The product must be easy to buy.

The shop area can be built in any web site system. In principle you can do it with just one web page saying: "Click her to buy this nice product".

The shopping cart area

When a customer "picks up" a product from your shop, this product has to be registered as a product the customer wishes to buy from you. The handling of "picked up products" is done by the shopping cart.

Example

The shopping cart works this way: When a customer clicks a button in front of a product saying: "BUY THIS", the product will be registered as put in the shopping cart. If the product costs 10 \$ the shopping cart will "remember" this. When the customer picks up another product that costs 15 \$ the shopping cart will add this new product and add the total price to 25 \$.

If you have defined that the shipping cost will amount to 5 \$ on top of the selling price, the shopping cart will add this to the price the customer has to pay.

When the customer is in the shopping cart area he has the possibility to click the button: "CONTINUE TO PAYMENT". If he does, he will be passed on to the payment area.

The payment area

When you do your shopping in a super market you walk around in the shop and collect the goods you wish to buy and you put it to in the physical shopping cart. In the webshop you have put your goods in to the virtual shopping cart.

When you have collected the goods you want to buy, you go to the cash register to pay. It is the same way in a webshop. First you collect your goods and then you go and pay. It is in the payment area the payment transactions are organised.

Payment with credit card

If you want your customers to pay by credit cards you must contact a professional supplier of payment solutions.

A payment solution makes your webshop use a "secure line". On the secure line your customer can enter name, address and credit card number. The amount of the sale will first be transferred to your "credit card company" and within a day or two the amount will be transferred to your account.

Choose a webshop system

A web shop system is a system that can handle all the three areas: Shop, Shopping cart and Payment. Generally speaking there are two systems you can choose among:

- A pre-defined webshop ready to use
- A webshop developed by the web shop owner

A pre-defined webshop

Most systems are developed in such a way that you can buy the shop area, the shopping cart area and the payment area separately. The major part of those who sell the shop area have also developed a shopping cart and a payment area which fits with the shop area.

Shop area

The shopping area is often build in such a way that the shop owner just have to fill content in a template. A bit like putting the groceries on the selves in an ordinary shop.

The looks of the webshop must be chosen from different pre-defined designs – this means that the webshop company gives you different choices of background colour, size and form of the letters, top/left/right navigation and so on.

The contents you have to fill in the webshop are:

- Description of the goods you want to sell
- Photos of the goods
- Prices
- Cost of transportation, tax etc.

Shopping cart

When you have filled in the different contents in the webshop, the shopping cart will often have all the information it needs to register the picked up goods.

When you buy a pre-defined webshop system you should make sure that it gives you tools to monitor your sale. It should make it possible for you to see all your sale for a month, what is the most sold product, where did your customers come from and an identification number for each transaction.

The shopping cart area ends when the customer clicks the button: “Continue to payment” Read later about the different ways of paying online.

Pros and cons

The advantage of buying a pre-defined webshop is that you can get started with online sale very quickly. You get access to a template and you are up and

running. The shop will appear professional to the customers – if you have chosen a proper design.

If you have chosen a quality webshop system you will seldom experience any technical errors. If you do, the web shop company will correct them at their expense.

The disadvantage of a pre-defined webshop is that graphically and web technically you have to follow the template developed by the web shop company. When you get new ideas for a special feature or an advanced design this cannot be put into action. You can be creative only within the borders defined by the standard web shop system.

If you know that you have special needs for your shop then you should hire good web technicians to help you make your visions come through with tailor made web shop system. And remember it is going to be expensive and you will run into a lot of errors in the first six month of its existents.

Price

It is quite normal that you pay a start fee and a monthly “rent” for using the pre-defined webshop. The webshop will physically be placed on a server owned by the webshop company. The prices vary a lot. From a few dollars to maybe 100 dollars per month.

The payment area

There are different ways for a customer to pay for the product chosen from your webshop:

- Cash on delivery
- Bank transfer
- A national credit card solution
- An international credit card solutions
- PayPal and other all-in-one solutions

Cash on delivery and Bank transfer

If you do not want to aim too high or have doubts whether your web concept can sell sufficiently products, you could choose the cheapest - and the less customer friendly-way to pay for the products.

You could state on the webshop that you demand Cash on delivery. Normally the mail company will charge the receiver for this service.

Bank transfer

You could also give the customer the account number for a special bank account and ask him to deposit the agreed amount of money. As soon as you see the amount in your account you will send the product to the customer. Doing this you will not need to purchase a web module to handle your transactions.

Depending on country there might be other solutions to this kind of money transfer.

A national credit card solution

If you make it possible for customers to pay via credit card you make it much easier to buy goods from your website. The customer just enters his credit card number, you are almost certain to receive the money so you send the goods on the same day it is bought. That is the best way to run a webshop.

If your webshop is only targeting a national audience there might be payment solutions that are specific for your country. Maybe the biggest bank or a large cooperation has gained a kind of monopoly on online transaction. Find out how it works in your country.

If you use a national oriented payment solution you have to take into consideration that foreign customers are unable to buy from your webshop.

International credit card solutions

If you want to sell to the world market you need to let customers use internationally known credit cards like Visa, MasterCard, AMEX and others. The way to handle multiply credit cards is the same as mentioned for the national oriented credit cards.

The price for using international credit cards is often higher than for a national one.

Price structure with the use of credit card

It costs money to use online payment. This goes for all companies selling "online payment solutions". The price is often structured like this:

- A start fee
- An annual fee
- A fee per transaction
- A percentage of the transaction amount

The start- and annual fees are usually around 100 US \$. You have to pay this whether you sell anything or not.

The fee per transaction (one payment) differs from company to company but you shall expect 0,20 to 0,50 US\$ per transaction. This figure might depend on the percentage they charge per. transaction.

The percentage they charge per transaction also differs. Expect variations from 1,5 % to 6 %.

The webshop owner often pushes these transaction costs over on the customer. Many shopping carts calculate the transaction fee and show it on the bill.

Which is cheapest?

To find out which online payment company is cheapest for you, you can try to estimate how customers will use your webshop during a month.

Maybe your webshop has 50 transactions with a total sale of 1.000 US \$. With these two figures you can calculate how much you will have to pay the online payment company. Use the same figures for different companies and find out which is the cheapest for your webshop.

Which is best?

It is easy to find the cheapest one. It is a bit trickier to identify which is the best one. You have to browse the market, maybe ask friends who have a webshop or call a webshop owner and ask what system he uses. Then you have to decide for yourself.

PayPal and others

PayPal is an American company that “manage online transactions” They have created a fairly easy and inexpensive systems for new web shop owners to start introduce online payment.

With a little knowledge of the technique behind your website system you can set up the payment system yourself.

1. First you create an account on PayPal. By doing this you get “your own” spot on the PayPal web site.
2. Then you create a link from your own website to your “PayPal spot”
3. On your PayPal spot customers can pay for the goods your are selling using all major credit cards
4. The money paid by the customers will automatically be transferred to your PayPal account

There are a lot of different features at PayPal to optimise your sales and administration of sold goods. Among other thing you can install a shopping cart. To use these features you might need a qualified web technician to help you.

- Read more about PayPal at www.paypal.com

Price

PayPal charges no start, monthly or annual fee. They charge per transaction. At the moment the rate is 2,9 % + 0,30 US\$ per each sale. It means that if you sell for 100 US \$ PayPal will charge you \$3.20 US\$.

There are other good companies like PayPal that makes it easy to introduce online payment. Investigate and find the one that suits your need.

Develop your own webshop

If you want a webshop that can do more than just collect goods in a shopping cart, pay the collected goods and send you an e-mail when the transaction is finished you need to develop your own webshop.

Some goods or services demand a tailor made system in order to attract customers or to handle the logistics involved in a sale.

Examples

www.mypacifier.com sells dummies / pacifiers with the name of the customer’s baby engraved. The owners developed their own webshop because they wanted instant confirmation of the name showed on the dummy. They also expected to

sell thousands of dummies so they had to make a system to handle the billing, engraving of names, packaging and labelling letters as efficient as possible.

www.sumisura.com sells socks in a box with 10 pairs. They have developed a very entertaining shopping area. A lot of innovative thoughts have been put into making the shopping area interesting. This could not have been done in a pre-defined webshop. They have chosen to use a pre-developed shopping cart and payment system – though designed to fit their “square look”

www.britishparts.co.uk sells Jaguar and Land Rover Parts. They have a pre-defined webshop with shopping cart and payment. To be able to organise the hundreds of different spare parts, the “shopping cart” collects all the online information (price, picture of spare part, stock, discount etc.) from the company’s computer based accounting system (an ERP solution). This means that purchase, stock and sales are registered one as transaction.

Combined systems

As seen in the above examples the self made webshop systems follow the same structure as the pre-defined ones. There are three areas:

- The shop area
- The shopping cart area
- The payment area

You can develop just one of the areas, because it makes best sense for the shop you want to develop. Then you can choose the two other areas as standard software.

Hire software developers

When you chose to develop your own system or combine self developed and pre-defined solutions you need to hire web software developers. There are at least two types:

- Designers of web solutions
- Software programmers

The designers of web solutions are professionals who can help you describe your wishes in such a way that they can be understood by software programmers. Normally they will be the first ones to talk to. It will take some time to describe the functionality you want for your shop. Remember that nearly anything can be developed by the software programmers. Thus, you should consider carefully what kind of facilities you think the customers actually need in your webshop.

The software programmers are professionals who can write in special web code language. If they are told what functionality your webshop needs they can make it. They do what they are told. It is therefore important that you or your web designer write down exactly what you want the programmers to do.

You could compare creating a webshop to building a house. The architect is like the web designer – he draws the structure. The carpenters and brick layers are the software programmers – they build the house / webshop.

Pricing

It will often be much more expensive to create your own webshop than to buy a pre-defined one. It is expensive to hire web professionals. The price depends on the number of work hours involved in the assignment.

Marketing of the webshop

There are millions of webshops around the internet. Just in your country thousands of interesting webshops are opened. Therefore you have to do a great job in order not to be drowned in crowd. Which shops will float and be visible for the customers depend on many factors. The more factors you manage to optimise the better chance to become a lighthouse among webshops.

Factors that can be optimised:

The product in the webshop

The more different products you sell the more difficult it is to be found by a search engine. It also becomes difficult to communicate to the public what it is that you sell. If you have a webshop that sells children's clothes, marmalade and screw drivers, you have to profile your web pages in many places. You must be known to the mothers of young children, to people who loves marmalade and to handymen.

If possible, chose one product or one concept that targets one type of customers. For instance DynamicBusinessPlan.com sells "Tools and examples so you can make a professional business plan" The target group is entrepreneurs / skilled persons who want to start a business.

Domain name

When you chose your domain name it is a plus if the domain name is identical with the product your sell in the webshop. Sometimes it is obvious to use the name of the product or the concept as domain name sometimes it will be misleading.

If you produce CDs and DVDs instructing people how to dance jive, and if you are resident in India, a proper domain would be **www.jivedance.co.in** or **www.jivedance.com** if you want to sell world wide.

A name that sounds good or is easy to remember might also be a good choice, for instance **www.aaa.co.in** or **www.google.com**.

Can Google/ search engines find your web site?

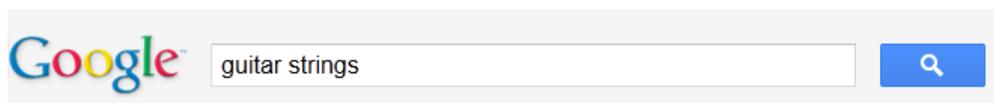
If Google cannot find your web site you will not reach your potential customers. Google is the search engine that most of all internet users use to find their

information. Few countries have search engines that are more powerful than Google.

You cannot buy yourself a top rating at Google. You have to earn the top rating. When you design your webshop there are fundamental rules you must have to follow:

- Decide which words your customers most likely will write in the “search window” when they are looking for the kind of products you sell. Choose the most important ones. The most important words / product descriptions - for instance “**guitar strings**” must have its own web page.
- <Title> which is a web code and the title of the web page must be called “strings for guitars”
- The headline of the web page must also include “guitar strings”
- The text beneath the headline should also include the important text “strings for guitars”
- Get other web pages to link to the “guitars strings” web page

You have now made it possible for the search engine to find your web page when someone writes “guitar strings” in the search window.



Even more specific

If you are a guitar enthusiast, you know the name of your guitar strings – for instance “Elixir Nanoweb Acoustic” or “Rotosound RS66L”. These specific guitar strings should also have their own web page. The more specific you are about the product the easier to find it for the customers.

Even though you may have done all the right things it is still difficult to be among the 10 first web sites shown on Google. If you sell a common product there is a huge competition to be number one on Google. If you sell very rare products like “gene counting software” it is easier to get at the top.

Books about Google

Optimizing your webshop to Google and other search engines is a task in itself. If you want to learn more about this you can buy books about the issue or have a Search Engine Optimizing (SEO) company help you do the work.

Link exchange

It is important that Google can find your web site but it is also important for Google that other web sites link to you. Google is built in such a way that it will rank your web site higher if other web sites link to you. It indicates that others than yourself think that your web site is good.

You should contact other web sites and webshops that might want to link to your site. Maybe your webshops sell accessories for coffee and tea drinkers. If you do you could contact webshops that sell coffee and tea and ask if you should exchange links. If you link to their web site they should do the same to your site.

Google AdWords

When you make a search on Google you see small text ads in the right side of the page. These ads are called AdWords. To use AdWords is an effective way to get customers in your webshop.

AdWords pops up when someone uses Google to search by specific word and this word has also been defined in the AdWords ad.

Example

You have decided to use AdWords as a marketing tool. In your web shop you sell guitar strings. In AdWords you define that if an internet user searches for “guitar strings” your AdWords ad will be shown at the right side of the screen.

Price

You only pay for the ad if an internet user click on your ad. You do not pay for being shown. The price per click depends on the popularity of the product you sell. If you are marketing a hotel in Beijing the price per click will be high because there many hotels in Beijing that want to be shown. But if you sell “gene diagnostic equipment” the price per click will be less because few sell this type of equipment.

You can open and close your ads as you like. You can also decide how much money you will spend per month. If you decide you will spend 60 \$ per month your ad will stop being shown when the 60 \$ is spent up. AdWords always uses the local currency so you do not need to pay in US\$.

Directories

Directories are web sites that list a lot of different web sites – a kind of telephone book for web sites. Some directories are free to get listed in others you have to pay to get listed. Each country or region has different directories. Find these ones and decide if you want to get listed.

Some large directories are:

- **www.dmoz.com** – different countries
- **www.yahoo.com** – USA
- **www.qq.com** – China

Newsletters

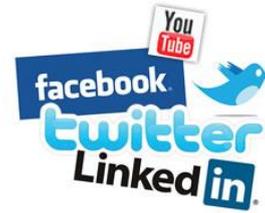
A cheap and efficient way of keeping in touch with your customers or visitors of your web site is to make them sign up for an electronic newsletter. On your web site you can insert a special “Newsletter module” where visitors can sign up.

If you also have a physical shop you can ask your costumers for their e-mail, because if you get it “they will be the first to know when you have some especially good offers in your shop”

The problem with newsletters is that they must have to be written. Often it is difficult to find the time to write and send a newsletter.

Social Media

Some companies have success using social media to communicate to their customers. If you want to use the social media to get contact to your customers you have to talk to the customer person to person. That means that you as the owner of the small business must talk directly and friendly your customers. The more personal it becomes the better.



Send to a friend

On your web site you add the feature: “Send to a friend”. By this you make it easy for a visitor to tell a friend about your nice web site. A small percentage of your users might use it but it might add up to many people in the long run.

Be referred to in the press

The best marketing by far is to be mentioned in a newspaper, magazine, online media or TV. It can make the difference between success or no success.

A minor editorial announcement in the biggest woman magazine in the country stating that you sell the best dummies engraved with your sons name and your web site address is **www.mypacifier.com** will boost your sale enormously.

The announcement might give you 1.500 visitors a day the first weeks after the magazine has been published. Hopefully the traffic will generate more traffic and some will press the button “Send to a friend”

Also other journalists will read the announcement and be inspired to write about your webshop.

You will only get an announcement in a magazine or in the newspaper if there is something interesting to tell. The fact that yet another children cloth web shop has opened – number 256 in the country – will not make the journalists interested.

Analysing your effort

A web shop is unique in the sense that your can trace all the information about the traffic on your web site. This means that you can “spy” on your visitors’ behaviour on your web site. You can see what region or country he comes from, the time of day, which pages he has visited, the web site he came from and maybe which company he works for plus many other interesting data.

By analysing these data you can draw conclusions on how to change your web site to fit your visitors’ needs.

The more you follow the visitors’ needs (potential customers) the more sale from your web site.

A great and free analysing programme is www.google.com/analytics

80 / 20 rule does not apply for web shops

When selling on the internet the universal rule that 20 % of a shop's goods accounts for 80 % of its income are not valid. It is because many potential customers who are looking for "yesterdays products". Because of the amount of potential customers the internet gives access to, there are sufficient customers who buy "the less selling products".

Amazon.com has experienced that there is a big sale on "less selling goods". About 25 % of Amazon.com's turnover comes from products that are not on their top 100.000 list.

Distribution of sold products

Many new owners of webshops often forget that it is very time consuming to pack the sold products and have them transported to the place of shipping. For a long time focus has been on developing the web site, finding the best product for sale and marketing the webshop. Suddenly one day you receive an order.

From one to 10 orders

If you only receive one order per day you have enough time to find a cardboard box that fits your product and fill the empty space with old newspapers. If you receive 10 orders per day you have to be a bit more effective and organised in your "shipment department".

You have to purchase cardboard boxes that fit your products, envelopes or nice boxes for jewellery. It is an expensive and time consuming task.

Distribution is a sales parameter

If your distribution does not work effectively there is a big risk that your customers will not be very pleased doing business with you.

If they receive their product 10 days late and it is packed in an oversized re-used cardboard box it will influence the customer's feeling of quality in relationship to your product and they will certainly tell their friends about this bad part of the experience.

If on the other hand they receive their product one day ahead of the promised delivery date in a well designed box or envelope they will be positively surprised. Maybe you even have enclosed a personalised letter or put in a small gift in the shipment. In this case there is a big chance that the customer will tell about his positive experience doing business with you. In this way you have got yourself a sales ambassador free of charge.

Make it easy for yourself

Always consider how you can save time. Even two minutes per sold product is worth working for. If you send 1.200 packages a year the two minutes saved per

package will give you 35 hours of more time to improve your business – or spend time with your children.

Are you able to digitalize any of your services? Why send sheets of music, drawings or photos with the postman if the customer could have downloaded them from your webshop? You will save money, increase sale and give yourself more time.

Budget for a webshop

Establishing a web shop that sell traditional products like computers, hi fi, videos, children's cloths, CD, cameras and other electronic equipment appeal to many entrepreneurs. This means tough competition and little earnings per sold product. Especially in these cases it is important to draw up a budget in order to estimate if you as an entrepreneur is able to earn enough money to make a decent living for you and your family.

Establishing budget

Before you start it will be a good idea to make an establishing budget. This budget shows how much money you need before you can declare your shop open. The establishing budget provides an overview of necessary expenses in preparation of business start. Only after start you will be able to gain an income. You need to find this money to establish your webshop from your own savings, from your family, investors or a financial institution.

This establishing budget it is aimed at starting a webshop that are selling children clothes and other children's products:

Example of establishing budget	\$
Purchase of webshop – technical	1.200
Development of layout and usability	3.000
Put warehouse and office space in order	300
Logo, business card, sign and other things	800
Computer, software and other hardware	2.000
Stock of products to sell	6.000
Cost to register company	800
Marketing and PR	4.000
Total	18.100

You can download a template in a spreadsheet to make your own budget at www.dynamicbusinessplan.com

Start-up Budget App

Find Start-up Budget her:

<http://itunes.apple.com/us/app/start-up-budget/id469752001?mt=8>



Operating budget for a year

In this operating budget it is assumed that you will start a webshop that sell children's clothes and other children's products.

The basis for the budget is:

- An average of 5 customers per day place an order
- The average purchase is 75 \$ per customer
- 50 % of the turnover is used to buy new goods
- The customers pay for the transport themselves
- Customers are paying transaction costs on credit card
- The budget is not including VAT or sales tax

Example of a budget for 12 months:

Turnover	\$
Children's Clothes: 360 days x 75\$ x 5 customers	102.600
Variable Costs	
Purchase of goods: 50 % of turnover	51.300
Packaging: 0,60\$ x 360 days x 5 parcels	1.080
Variable Costs	52.380
Gross Profit: (Turnover - Variable Costs)	50.220
Contribution Ratio (Gross Profit in %)	49%
Regular costs	
Wages	2.500
Rent for office and warehouse	2.000
Electricity, heat, water	1.000
Renovation and maintenance	500
Car service/mileage allowance	1.000
Office equipment and telephone	800
Internet-connection	480
Web site subscription/hosting and upgrading	1.200
Marketing/advertisement/advertising	5.000
Computer equipment	800
Optimizing of Webshop - content and technique	1.300
Insurances	400
Bank interests and bank fees	1.300
Accountant	1.000
Unexpected costs 5% of costs	964
Total Regular Costs	20.244
Profit (Gross profit - Regular costs)	29.976

Make your own operating budget.

How many orders do you think you will receive? How big is the gross profit on your products? What regular costs do you have in your webshop? Is the profit high enough for you to make a living? If not, how can you make a higher turnover? – Or save on your regular costs?

In the developing phase the operating budget is a dynamic budget. This means that you have to change the figures often. If for instance you find out that you can buy your products much cheaper from another producer you will have to alter the figures in the “Variable costs”

You can download a template in a spreadsheet to make your own budget at www.dynamicbusinessplan.com

Good luck with your new webshop.

*Mogens Thomsen, CEO
Thomsen Business Information
December 2014*

Read more about how to start a business in at www.dynamicbusinessplan.com. Here you also will find 100 pages of free business plan information in English, Chinese, Portuguese, French, Spanish and Vietnamese.

www.dynamicbusinessplan.com:

Business Plan Writing

This website gives you the tool to write a business plan.
If you want to start a business, you must be able to communicate to other people what kind of business you want to start. The business plan is the tool that collects your ideas in writing.

When you have your ideas described in a document, you can persuade banks, friends and investors to back you up.

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