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2011

E-Commerce Business Plan

**E-Haat Bazar**

*GROUP C*

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## EXECUTIVE SUMMARY

E-Haat Bazar is a traditional haat bazaar going online. e-Haat Bazar is the connection between farmers and fresh vegetables / foods buyers. Now, one should not wait for Haat Bazar any longer as it will be available online 24\*7 through us. Everyone and anyone who would need fresh goods at their doorstep are our customers. We would like to take all their worries and bring the goods that they demand at their doorways. No more hustling and bustling around the market.

We would have three different targeted markets Bhaktapur, Lalitpur and Kathmandu to start with. We look forward to expand to other locations shortly.

Nepalese market has already realized that the desire growth rate of the National Income along with the per capita income of the citizens will increase only if the local special products are promoted to a maximum with the proper use of technology. We are trying to use technology to provide excellent services to our customers making goods reachable to them easily. Why spend time and energy on something which can be available where you are with few clicks of a button.

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## BACKGROUND REVIEW

Nepal is an agricultural country where 80% of the total population depends on agriculture for their living. Being an agricultural country, it is obvious that most of its income is generated from agriculture. The geographical construction of the country is divided into three regions namely Hilly, Himalayan and Terai. All these three regions of the country produce different types of agricultural products like grains, fruits, vegetables, etc. The most commonly produced agricultural products in country include wheat, rice, maize, pulses, barley, potato, apple, orange, lemon, sugarcane, mango, etc.

Agricultural dependency is high in rural sectors of our nation. Lots of people in rural area still depend on agriculture to meet their two ends. In the rural areas farmers grow grains, fruits and vegetables according to various seasons. In other words different grains, fruits and vegetables are grown according to the season. Farmers sell their produce and obtain cash for the same and that cash is used for buying and meeting of other necessities of their life.

In the past there was no market in the rural areas where farmers could sell their goods. Also there was no practice of use of money to buy and sell goods. As a result, they used barter system where in they used to exchange their goods with that of others without the presence of money. Farmers used to exchange their produce with others according to their necessity. When exchanging commodities this way they would have limited choice as they would exchange commodities with their neighbors only. So the practice of Haat Bazar came into existence where in farmers could exchange commodities as per their interest and choice.

## INTRODUCTION TO E-HAAT BAZAR

The primitive lifestyle of the Nepalese can be best observed in the Haat Bazars. The system of a weekly market is predominant in the various parts of the country mostly in the rural villages. The unique market is a platform from where people can buy and sell goods and commodities.

The Haat Bazar is the business center, which is open only once a week. The tribal people gather in the market to trade their products and to buy their food supplies for the week. The primitive system of exchange of goods or the barter system is prevalent in the markets and most of the dealings are conducted in the traditional fashion. All types of goods are sold in the Haat Bazar. The goods comprise of food products, like vegetables, fruits, meat and dairy products. The Haat Bazars have gained the status of a community gathering.

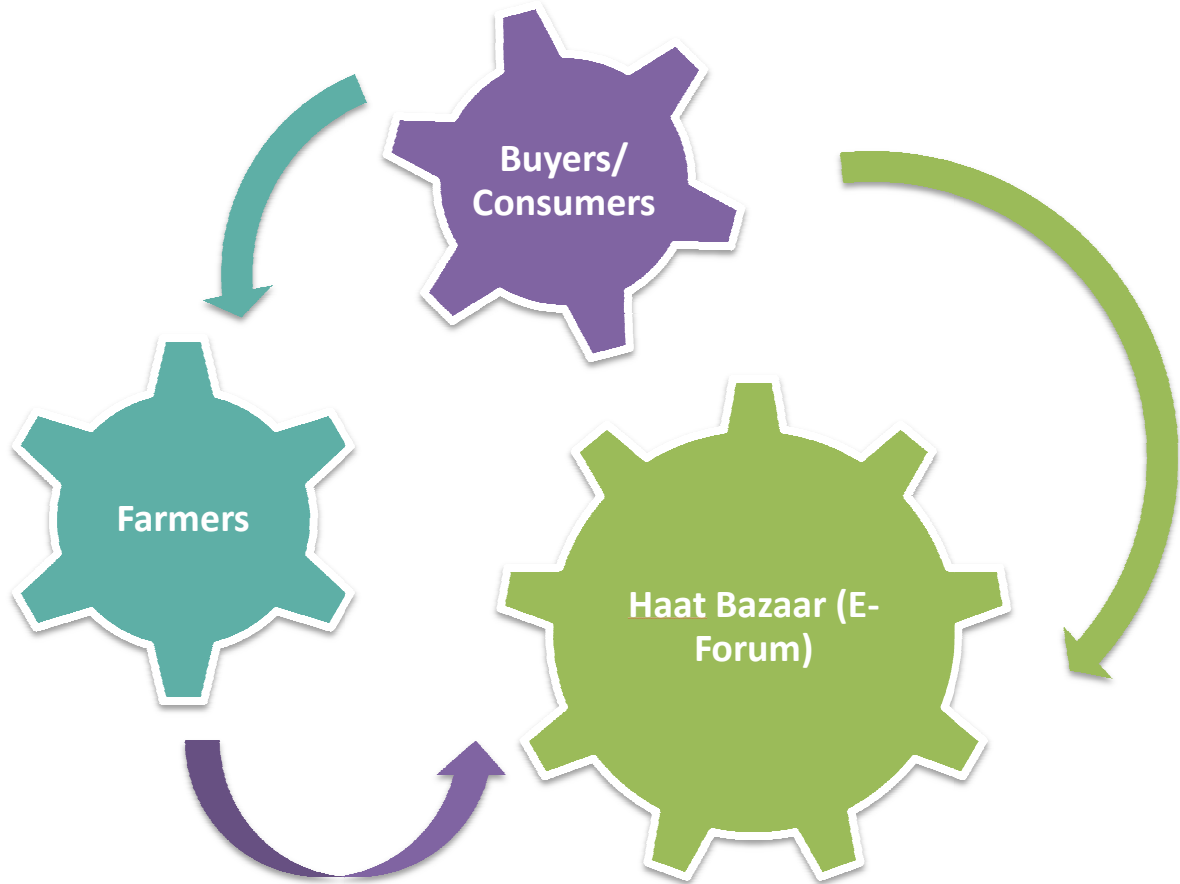
Nepal with a geographical constraint is a fact that all know. In such situation, Haat Bazar is not possible in many more regions. Agro products and local products are bound to market in a limited region due to geographical barriers. This is quite a misfortune to those local farmers and loss to the country as well. With this consideration, we have launched a thought of e-Haat Bazar.

The concept E-Haat Bazar is also a Haat Bazar wherein goods and commodities are bought and sold electronically. E-Haat Bazar is not a facility but a necessity in today's global marketplace. E-Haat Bazar helps promote local products and upgrade local farmers' living standards. E-Haat Bazar helps bring different farmers at different geographical locations together for a unified business motive. In other words, E-Haat Bazar is the national consumer to consumer (C2C) e-Commerce market place as a single electronic gateway to promote the market linkages within the country and with the international markets.

## VISION

- ✓ To change the economy of our country
- ✓ To increase per capita income
- ✓ To enhance living standard of local people
- ✓ To create employment opportunities.

WORKING MODALITIES



Virtual Haat Bazar also known as e- Haat Bazar is a forum for the farmers to sell their products and good directly to the customers maximizing their profit margin and satisfying the customers with quality goods. All the business transactions are going to be electronically via internet, the process is going to be fast and reliable as well. As this Virtual market is going to be a joint collaboration with Nepal Wireless, the internet access will be available to the rural areas of Nepal.

## WORKING OF E-HAAT BAZAR

- ✓ Farmers will register their name in the E-Haat bazar database and with the help of the assigned dealers in the areas; they will update the stock details available for sale in the market.
- ✓ The customers can go through our website and place order for the goods they require on the basis of the stocks available for sale.
- ✓ Then the customers will make the payment online through PAYPAL or E-SEWA or even mobile payment.
- ✓ E-Haat bazar will deliver the goods to the customers as well as money to the farmers deducting a very minimal charge for operating expenses.
- ✓ As this is an online system, the stock details will be automatically updated in the website.
- ✓ The delivery of the goods will take time as per the nature and place of the goods.

## BUSINESS REQUIREMENTS

1. E-commerce website
2. Hosting server
3. Attractive Domain name
4. E-Sewa or PAYPAL or m-banking setup as payment channel
5. Website administrators
6. Delivery Van or Human resources



## MARKETING PLAN

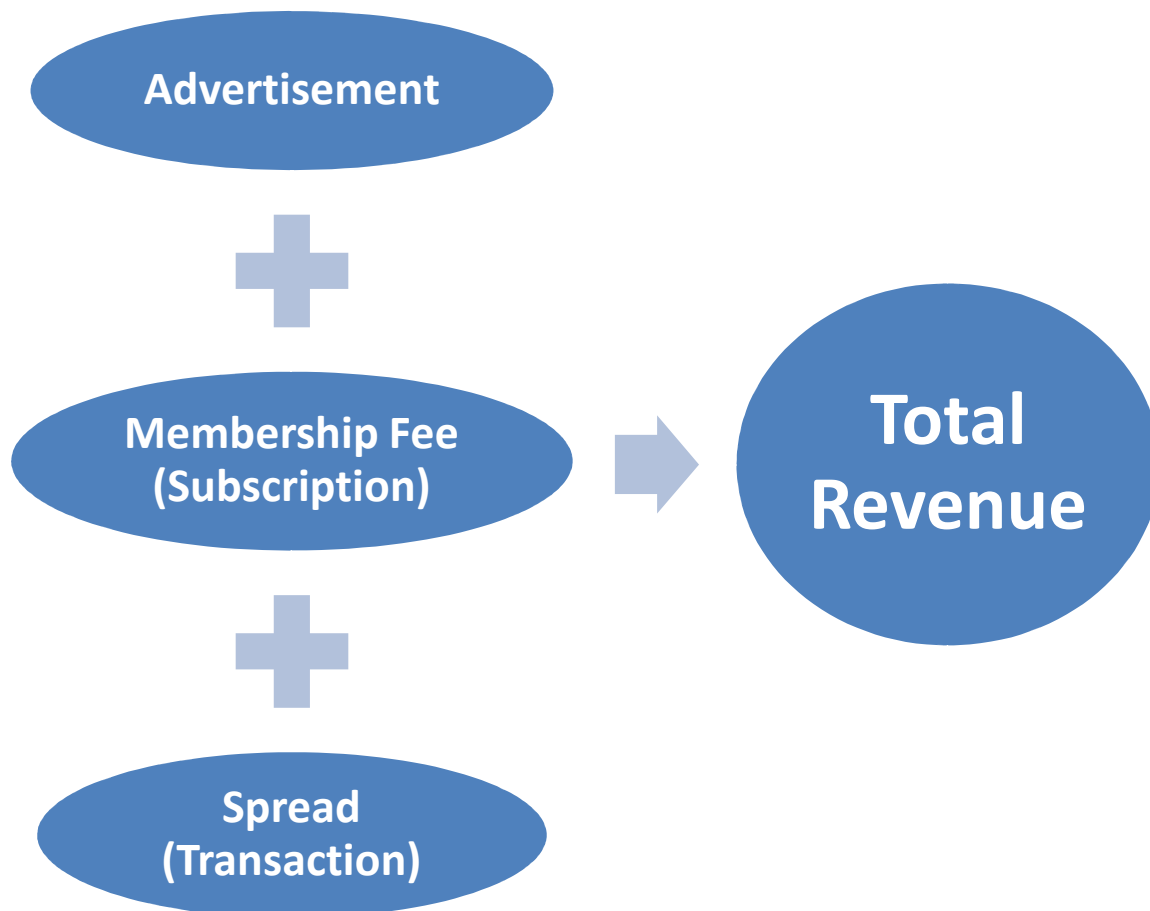
For marketing we will be using e-marketing strategy keeping the basics of marketing i.e. a strategy to deliver right messages to right people, through mobile, internet. As today people are very much aware of facebook so use of facebook marketing would enhance our business to grow to the targeted market of internet users. We can make TV add and radio add as well. We can have awareness program being organized by our dealer in respective rural area. We can also advertise by making good public relationship and having word of mouth advertisement strategy. As various local dealer from various geographical location would gather in our team it would help more public relationship in closer way.

### **We would also have following marketing strategy:**

- a. Pricing objectives: the price will be as cheap as possible because supplier would save money as they don't need to travel looking for place to sell
- b. Discounts: The regular buyer will get somewhat discount.

## REVENUE GENERATION

1. We would also place advertisements on our online portal which is the major source of our income.
2. There will be very minimum membership charges for those who want to sell their products and services through us.
3. There will also be a spread of few rupees on each and every products and services but still it would be cheaper than that of what we get from the market.



## IMPLEMENTATION

The Virtual Haat Bazar is planned out to be implemented or run into action in two different phases. The First phase will start from July 2011 till December 2011 and the second phase will start from January 2012. A feasibility survey has already been done as we will be collaborating our business with Nepal Satellite for the wireless internet connection in the remote areas of Nepal.

### *First Phase Implementation*

This phase basically includes the planning part of the project and making the path for the second part to be implemented. The first phase will start its work from the research and collection of datas regarding the farmers, agro products, location as well as finding and assigning the dealers. It can be explained in the following way:

⇒ First we will assign market researchers to go to the different areas of Nepal so that to find the best and quality products .

For Examples:

- ✓ Oranges from Bandipur
- ✓ Apples from Jhomsom, Mustang
- ✓ Tea from Illam
- ✓ Tika Rice from Dang
- ✓ Potatoes and Sweet potatoes from altitude above 1200m

⇒ Then after as we collect all the datas regarding the farmers and products we search and assign dealers from our company (local people) to help us function properly.

⇒ Make preparations to synchronize the software for E-Business as per the research and our need.

⇒ Along with that we will be registering the names of the farmers for the business.

## *Second Phase Implementation*

After the first stage is successfully completed we move on to the second stage. In this stage we focus more on marketing and running the business. In order to run any kind of business we have to let know the target customers about the products and services we are providing. Similarly we also have to make our target customers who are in search of special agro products that we have made their search easier.

- ⇒ Awareness campaign should be done for the Nepalese Organic Agro Products.
- ⇒ Launching the E- Business software and provide customers and buyers a forum for business.
- ⇒ Maintain a good and strong relation with the dealers in the assigned areas so that proper monitoring can be done and the delivery of goods can be done in time.
- ⇒ A proper stock of goods is to be maintained according to the nature of product as we have a variety of products.

## **BUDGET SUMMARY**

The implementation of Virtual Haat Bazar takes a lot of effort along with some investment. As Finance is one of the major part of the company, its proper utilization and planning should be done in the beginning of the project. We have here estimated the budget for Virtual Haat Bazar for one year on the following basis.

### **Investment**

A total of 2.5 million is expected to be needed in the initial phase which is to be raised on the following categorization:

- a. Share Capital – 60%

Share Capital is to be raised by 5 members of the group contributing Rs 0.3 million each.

- b. Debt Financing – 40%

Debt Financing is to be raised from the bank as a long term loan.

### **Expenses**

- I. Personnel – 15% of Total Investment

- II. Non Personnel – 60% of Total Investment

(The Expenses including the personnel as well as non personnel are the calculations for the whole 1 year starting from July 2011 till June 2012)

### **Reserve**

25% of Total Investment will be kept as reserved by the company for sudden need in future.

**BUDGET SUMMARY TABLE**

<b>I. PERSONNEL</b>	
A. Salaries and Wages	<b>10% of Total Investment</b>
B. Consultants and Contract Services	<b>5% of Total Investment</b>
<b>Total Personnel Expense</b>	<b>15% of Total Investment</b>
<b>II. Non-Personnel</b>	
A. Software Cost including installation, maintenance for 1 year	<b>15% of Total Investment</b>
B. Rental, Lease or Purchase of Equipment	<b>5% of Total Investment</b>
C. Consumable Supplies	<b>2% of Total Investment</b>
D. Travel	<b>5% of Total Investment</b>
E. Telephone	<b>2% of Total Investment</b>
F. Other Costs	<b>5% of Total Investment</b>
G. Maintenance Cost	<b>5% of Total Investment</b>
H. Working Capital	<b>11% of Total Investment</b>
I. Purchase of Computers & Other Equipment	<b>10% of Total Investment</b>
<b>Total Non-Personnel Expense</b>	<b>60% of Total Investment</b>

**FINANCIAL PLAN**

***Initial Cash Outlay***

Number of Shareholders	NPR	5.00
Debt	NPR	1,000,000.00
Equity	NPR	1,500,000.00
<b>Total Collection</b>	<b>NPR</b>	<b>2,500,000.00</b>
<b>Expense</b>		
<b>Personnel</b>		
Staff Expenses	NPR	(250,000.00)
Consultants and Contract Services	NPR	(125,000.00)
<b>Non Personnel</b>		
Installation and Maintenance	NPR	(375,000.00)
Rental, lease	NPR	(125,000.00)
Consumable Supplies	NPR	(50,000.00)
Travel	NPR	(125,000.00)
Telephone	NPR	(50,000.00)
Other Costs	NPR	(125,000.00)
Maintenance	NPR	(125,000.00)
Purchase of Equipment	NPR	(250,000.00)
Working capital	NPR	(275,000.00)
<b>Total expense</b>	<b>NPR</b>	<b>(1,875,000.00)</b>
<b>Cash Reserve</b>	<b>NPR</b>	<b>625,000.00</b>

***Operating Cash Flow***

<b>Cash Flow</b>			
	<b>1</b>	<b>2</b>	<b>3</b>
<b>EBIT</b>	NPR 1,200,000.00	NPR 1,320,000.00	NPR 1,452,000.00
<b>Less Depreciation</b>	NPR (62,500.00)	NPR (62,500.00)	NPR (62,500.00)
<b>EBT</b>	NPR 1,137,500.00	NPR 1,257,500.00	NPR 1,389,500.00
<b>Less Tax</b>	NPR (170,625.00)	NPR (188,625.00)	NPR (208,425.00)
<b>EAT</b>	NPR 966,875.00	NPR 1,068,875.00	NPR 1,181,075.00
<b>Add Back Depreciation</b>	NPR 62,500.00	NPR 62,500.00	NPR 62,500.00
<b>Operating Cash Flow</b>	NPR 1,029,375.00	NPR 1,131,375.00	NPR 1,243,575.00

**Calculation of NPV and Pay Back Period**

Year	Cash Flow	PVIF 15%	PV	Cash Flow	PBP(Yrs)
0	NPR (1,875,000.00)	1	NPR (1,875,000.00)	NPR (1,875,000.00)	
1	NPR 1,029,375.00	0.870	NPR 895,108.70	NPR (845,625.00)	
2	NPR 1,131,375.00	0.756	NPR 855,482.04	NPR 285,750.00	<b>2.35</b>
3	NPR 1,243,575.00	0.658	NPR 817,670.75		
			<b>NPV NPR 693,261.49</b>		

The payback period of E-Haat Bazar is 2.35 yrs.



## JUSTIFICATION OF INVESTMENT

Our life style is being dominated by the technology around us. We cannot imagine our life without internet, mobile, computers etc on these days. They have become important part of life. So to capitalize these technologies using habits of the people we have come with totally internet based organization.

Internet has been dominating factor over the year and will be dominating in coming year too. The user of internet has been increasing day by day in a rapid way. It already has large no of population using it. Our organization is totally internet based, it covers large section of people using internet, so there will not be any difficulty in getting the customer. People have very busy life style, they will find convenient to do transaction through our organization .With this people will be able to shop everywhere from home to office that have access to internet.

The revenue will be generated from the commission of each transaction executed through the organization. With large group of internet using targeted customer it won't be difficult in getting return on our investment.

## **SOCIAL RESPONSIBILITIES**

E-Haat Bazar helps farmers get a right marketplace for their products

As every project, the project E-Haat Bazar has a target market and that would be those farmers and those proactive entrepreneurs who want the best value in return of their investment. We have come across much news that certain agro products at some part of rural area got wasted due to lack of market and buyers. This sort of news is not new to us anymore. This happening has been taken place from time and again. E-Haat Bazar helps those products get market and helps those farmers get a right destination.

### **The initiative gives positive exposure to local entrepreneurs and municipalities and village development committees to the potential of ICTs**

E-Haat Bazar is expected to increase the potentialities of ICTs in rural areas and to local entrepreneurs as well, which indirectly will contribute in literacy of the region. Exposure to ICTs will open more potential projects.

### **Digitally supported C2C business models can be customized to suit small and micro-entrepreneurs**

E-Haat Bazar is the C2C e-commerce market place which is customized to suit small and micro entrepreneurs. Unlike other projects, the E-Haat Bazar will specifically be designed to serve the needs of local entrepreneurs, so that the community can grow locally.

### **Capacity Gap is filled which results in slow uptake in GDP of the country**

The need to grow locally is well served through E-Haat Bazar. Once the country progresses locally, the community and the district will follow. Agricultural dependents will be provided a systematic marketplace for their products. The business will prosper and the GDP is also contributed.

### **Optimum Utilization of local products and local manpower**

E-Haat Bazar is targeted to local agro products, so that they get the right marketplace, for this, local manpower is encouraged.

## CHALLENGES

**Changing Traditional Mindset:** Introducing digitized system has never been that easy to convince the rural people. The foremost challenge for the project would be letting them in the circle of ICTs. Traditional mindset assumes that ICTs will exploit the local culture. So, we consider the introduction of our project as the biggest challenge in our system.

**Complicated Regional Market Linkage:** Nepal with a difficult land topography and cultural diversity, challenges each project as it complicates the communication. Since virtual haat bazaar links different regional staff and market, the proper communication is not as easy as it seems. Lack of technological manpower and communicational infrastructures are considered as the main bottleneck in our project.

**Establishing Trade Linkages:** Virtual haatbazaar promotes e-trade which incorporates distributors, suppliers and trade customers from different location. Finding and establishing trade linkages is considered as one of the challenges.

**Maintaining Database and Governance:** Virtual haatbazaar is based on proper and systematic database. A good database management system and timely updated is most.

**Market Trends and Price analysis:** Market keeps on changing, either its internal or international. Market trend strategy and price analysis must be timely conducted. Virtual haatbazaar must identify market trends using technical analysis, a framework which characterizes market trends as a predictable price response of the market at levels of price support and price resistance, varying over time.

## CONCLUSION

Nepalese market has already realized that the desire growth rate of the National Income along with the per capita income of the citizens will increase only if the local special products are promoted to a maximum with the proper use of technology. The implementation of Virtual Haat Bazar will not only help the farmers to maximize their profit but also it will make a change in the business process in the agricultural field.

It is a great opportunity for all the Nepalese people to have a chance to best utilize their expertise goods and earn a maximum amount of profit. It will bring a revolution in the Nepalese market with the introduction of such a technology in each and every part of nation.