

Project of Online Coffee Subscription Service in the Czech Republic

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- **Compile the theoretical information about digital business and e-commerce management.**

II. Practical part

- **Analyse the Czech online coffee market.**
- **Develop a business plan for new online coffee shop.**
- **Submit the project to risk and cost analysis.**

Conclusion

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ABSTRAKT

V tomto věku spotřebitelů lidé stále více vyžadují okamžitý přístup k věcem, které chtějí a k věcem, které si neuvědomují, že chtějí. V roce 2016 prodej maloobchodního elektronického sektoru, produktů a služeb objednaných přes internet dosáhl výše 1,915 bilionu dolarů, což představuje 8,7% celkových maloobchodních výdajů po celém světě. EMarketer očekává, že prodej maloobchodního elektronického obchodu se v roce 2020 zvýší na 4,058 bilionu dolarů, což představuje 14,6% z celkových maloobchodních výdajů tohoto roku. Předplatitelská ekonomika, oblíbená společnostmi Graze a Netflix, se stává obchodním modelem, na kterém mnoho značek plánuje svůj budoucí růst. Tato práce se zabývá uvedením nové online kavárny založené na předplatném na českém trhu. Projekt analyzuje trh a cílovou skupinu, na kterou navazuje marketingová strategie pro zavedení tohoto řešení zákazníkům. Projektová část je uzavřena analýzou času, nákladů a rizik.

Klíčová slova: ecommerce, marketingový mix, předplatné hospodářství, online marketing, káva

ABSTRACT

In the age of the consumer, people are increasingly demanding instant access to the things they want, and the things they didn't realize they wanted. In 2016, retail ecommerce sales, products and services ordered via the internet, reached \$1.915 trillion, accounting for 8.7% of total retail spending worldwide. eMarketer expects retail ecommerce sales will increase to \$4.058 trillion in 2020, making up 14.6% of total retail spending that year. The subscription economy, made popular by the likes of Graze and Netflix, is becoming a business model on which many brands are planning their future growth. This thesis discusses the launch of a new subscription-based online coffee retailer in the Czech market. The project studies the market and the target audience and then builds a marketing strategy for introducing this solution to the customers. The project is concluded with time, cost and risk analysis.

Keywords: ecommerce, marketing mix, subscription economy, online marketing, coffee

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INTRODUCTION

Global e-commerce began in 1995 and it has grown from a standing start to €1.96 billion business-to-consumer and a €14.2 trillion business-to-business juggernaut. It caused enormous change in business firms, markets, and consumer behavior. During this relatively short time, e-commerce has itself been transformed from its origin as a mechanism for online retail sales into something much broader. Today, e-commerce has become the platform for media and unique services and capabilities that aren't found in the physical world. There is no physical world equivalent to Facebook, Twitter, Google search, or Spotify. It seems like Internet is about to replace television as the largest entertainment platform.

In 2015 around 1.4 billion consumers worldwide spent about €1.96 trillion, and businesses around €14.2 trillion, purchasing goods, services, and digital content online or via a mobile device. The future holds out exciting opportunities for new and traditional businesses to exploit digital technology for market advantage. Even for society as a whole, the next few decades offer the possibility of extraordinary gains in social wealth as the digital revolution works its way through larger and larger segments of the world's economy, offering the possibility of high rates of productivity and income growth in an inflation-free environment.

OBJECTIVES AND METHODS OF MASTER THESIS PROCESSING

The object of this master thesis is to create a project of marketing strategy for an online coffee subscription service in the Czech Republic. Subsequent objectives of the master thesis are as follows:

- Compile the theoretical information about digital business and e-commerce management.
- Analyse the Czech online coffee market.
- Develop a business plan for new online coffee shop.
- Submit the project to risk and cost analysis.

Both quantitative and qualitative data was used to understand the market and the target audience. During the preparation of the project, to conduct time analysis was used software WinQSB, PERT-CPM Module. Also the tool Google Keyword Planner has been used to perform a keyword research.

I. THEORY

1 INTRODUCTION TO ECOMMERCE

Ecommerce is the use of the Internet, the Web, and mobile apps and browsers running on mobile devices to transact business. More formally, digitally enabled commercial transactions between and among organizations and individuals. Although the terms Internet and Web are often used interchangeably, they are actually two very different things. The Internet is a worldwide network of computer networks, and the Web is one of the Internet's most popular services, providing access to billions of Web pages. An app (short-hand for application) is a software application. The term is typically used when referring to mobile applications, although it is also sometimes used to refer to desktop computer applications as well. A mobile browser is a version of Web browser software accessed via a mobile device. (Laudon, et al., 2016)

1.1 E-commerce VS Digital Business

The scope of electronic commerce (e-commerce) is narrower than digital business. It's often thought simply to refer to buying and selling using the Internet; people immediately think of consumer retail purchases from companies such as Amazon. But e-commerce should be considered as all electronically mediated transactions between an organisation and any third party it deals with. By this definition, non- financial transactions such as customer support and requests for further information would also be considered to be part of e-commerce. (Chaffey, 2015)

Digital business is broader in its scope than e-commerce. The key digital business processes are the organizational processes or units in the center of the figure. They include research and development, marketing, manufacturing, and inbound and outbound logistics. The buy-side e-commerce transactions with suppliers and the sell-side e-commerce transactions with customers can also be considered to be key digital business processes. (Chaffey, 2015)

1.2 Different types of online presence

E-commerce doesn't include just selling products online, but also providing different digital services. Not every product is suitable for sale online, so the way in which a website is used to market products will vary. It is useful to review these five main types of online presence for sell-side e-commerce, each of which has different objectives and is appropri-

ate for different markets. (Laudon, et al., 2016) E-commerce websites usually serve one or more of the following five functions:

1.2.1 Transactional e-commerce sites

These enable purchase of products online. The main business contribution of the site is through sale of these products. The sites also support the business by providing information for consumers who prefer to purchase products offline. These include retail sites, travel sites and online banking services. (Zheng Qin, 2014)

1.2.2 Services-oriented relationship-building websites

Provide information to stimulate purchase and build relationships, particularly where products are not suitable for sale online. Information is provided through the website and e-newsletters to inform purchase decisions. The main business contribution is through encouraging offline sales and generating enquiries or leads from potential customers, known as lead generation. (Chaffey, 2015)

1.2.3 Brand-building sites

Provide an experience to support the brand. Products are not typically available for online purchase. Their main focus is to support the brand by developing an online experience of the brand. They are typical for low-value, high-volume fast-moving consumer goods (FMCG brands).

1.2.4 Publisher or media sites

Provide information, news or entertainment about a range of topics. This is information both on the site and through links to other sites. Media sites have a diversity of options for generating revenue, including advertising, commission-based sales and sale of customer data (lists). (Zheng Qin, 2014)

1.2.5 Social network sites (SNS)

Social networks could be considered to be in the previous category since they are often supported by advertising, but the influence of social networks such as Facebook, LinkedIn and Twitter on company and customer communications suggests they form a separate category. (Vera Hughes, 2015)

1.3 Eight Unique Features of E-Commerce Technology

Ubiquity

In traditional commerce, a marketplace is a physical place you visit in order to transact. For example, television and radio typically motivate the consumer to go someplace to make a purchase. E-commerce, in contrast, is characterized by its ubiquity: it is available just about everywhere, at all times. It liberates the market from being restricted to a physical space and makes it possible to shop from your desktop, at home, at work, or even from your car, using mobile e-commerce. The result is called a marketspace—a marketplace extended beyond traditional boundaries and removed from a temporal and geographic location. (Chaffey, 2015)

From a consumer point of view, ubiquity reduces transaction costs—the costs of participating in a market. It is no longer necessary that you spend time and money traveling to a market. The ubiquity of e-commerce lowers the cognitive energy required to transact in a marketspace. Cognitive energy refers to the mental effort required to complete a task. Humans generally seek to reduce cognitive energy outlays. When given a choice, humans will choose the path requiring the least effort—the most convenient path (Shapiro and Varian, 1999; Tversky and Kahneman, 1981).

Global Reach

E-commerce technology permits commercial transactions to cross cultural, regional, and national boundaries far more conveniently and cost-effectively than is true in traditional commerce. As a result, the potential market size for e-commerce merchants is roughly equal to the size of the world's online population (an estimated 3.1 billion in 2015) (eMarketer, Inc., 2015a). More realistically, the Internet makes it much easier for start-up e-commerce merchants within a single country to achieve a national audience than was ever possible in the past. The total number of users or customers an e-commerce business can obtain is a measure of its reach (Evans and Wurster, 1997).

Personalization/Customization

E-commerce technologies permit personalization: merchants can target their marketing messages to specific individuals by adjusting the message to a person's name, interests, and past purchases. Today this is achieved in a few milliseconds and followed by an advertisement based on the consumer's profile. The technology also permits customization—

changing the delivered product or service based on a user's preferences or prior behavior. Given the interactive nature of e-commerce technology, much information about the consumer can be gathered in the marketplace at the moment of purchase. (Laudon, et al., 2016)

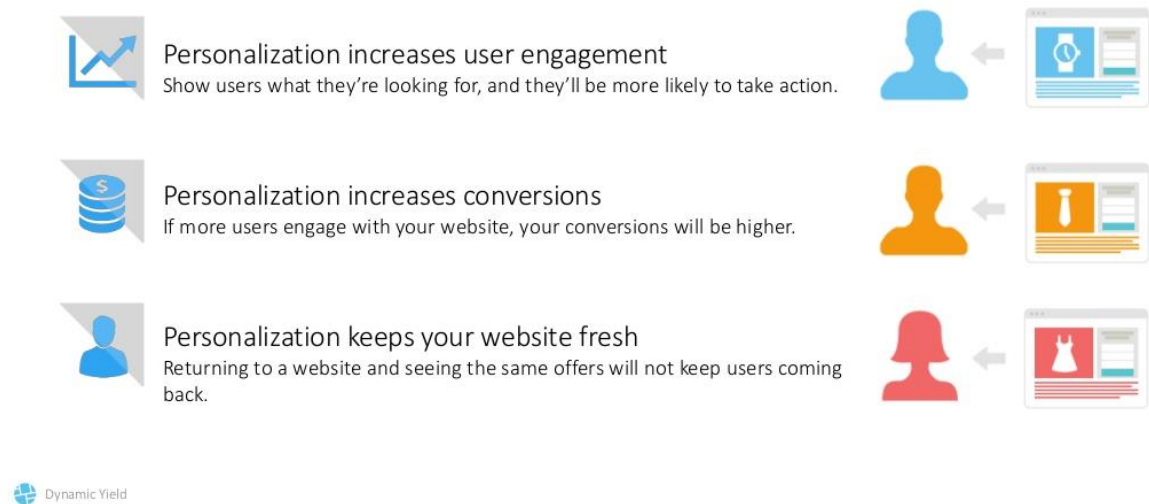


Figure 1: Benefits of Personalization (dynamicyield.com)

With the increase in information density, a great deal of information about the consumer's past purchases and behavior can be stored and used by online merchants. The result is a level of personalization and customization unthinkable with traditional commerce technologies. For instance, you may be able to shape what you see on television by selecting a channel, but you cannot change the contents of the channel you have chosen. In contrast, the online version of the Financial Times allows you to select the type of news stories you want to see first, and gives you the opportunity to be alerted when certain events happen. Personalization and customization allow firms to precisely identify market segments and adjust their messages accordingly. (Chaffey, 2015)

Universal Standards

One feature of e-commerce technologies is that the technical standards of the Internet, and therefore the technical standards for conducting e-commerce, are universal standards—they are shared by all nations around the world. In contrast, most traditional commerce technologies differ from one nation to the next. The universal technical standards of e-commerce greatly lower market entry costs—the cost merchants must pay just to bring their goods to market. At the same time, for consumers, universal standards reduce search costs—the effort required to find suitable products. And by creating a single, one-world

marketplace, where prices and product descriptions can be inexpensively displayed for all to see, price discovery becomes simpler, faster, and more accurate (Banerjee et al., 2005; Bakos, 1997; Kambil, 1997).

Richness

Information richness refers to the complexity and content of a message (Evans and Wurster, 1999). Traditional markets, national sales forces, and small retail stores have great richness: they are able to provide personal, face-to-face service using aural and visual cues when making a sale. The richness of traditional markets makes them a powerful selling or commercial environment. Prior to the development of the Web, there was a trade-off between richness and reach: the larger the audience reached the less rich the message. E-commerce technologies have the potential for offering considerably more information richness than traditional media such as printing presses, radio, and television because they are interactive and can adjust the message to individual users. (Chaffey, 2015)

Interactivity

Unlike any of the commercial technologies of the twentieth century, with the possible exception of the telephone, e-commerce technologies allow for interactivity, meaning they enable two-way communication between merchant and consumer and among consumers. Traditional television, for instance, cannot ask viewers questions or enter into conversations with them, or request that customer information be entered into a form. In contrast, all of these activities are possible on an e-commerce site and are now commonplace with smartphones, social networks, and Twitter. Interactivity allows an online merchant to engage a consumer in ways similar to a face-to-face experience. (Leboff, 2016)

Information Density

E-commerce technologies vastly increase information density—the total amount and quality of information available to all market participants, consumers, and merchants alike. E-commerce technologies reduce information collection, storage, processing, and communication costs. At the same time, these technologies greatly increase the currency, accuracy, and timeliness of information—making information more useful and important than ever. As a result, information becomes more plentiful, less expensive, and of higher quality. (Chaffey, 2015)

A number of business consequences result from the growth in information density. In e-commerce markets, prices and costs become more transparent. Price transparency refers to the ease with which consumers can find out the variety of prices in a market; cost transparency refers to the ability of consumers to discover the actual costs merchants pay for products (Sinha, 2000). But there are advantages for merchants as well. Online merchants can discover much more about consumers; this allows merchants to segment the market into groups willing to pay different prices and permits them to engage in price discrimination—selling the same goods, or nearly the same goods, to different targeted groups at different prices. (Leboff, 2016)

Social Technology: User-Generated Content and Social Networks

In a way quite different from all previous technologies, e-commerce technologies have evolved to be much more social by allowing users to create and share content with a worldwide community. Using these forms of communication, users are able to create new social networks and strengthen existing ones. (Laudon, et al., 2016)

All previous mass media in modern history, including the printing press, used a broadcast model (one-to-many) where content is created in a central location by experts (professional writers, editors, directors, actors, and producers) and audiences are concentrated in huge aggregates to consume a standardized product. E-commerce technologies have the potential to invert this standard media model by giving users the power to create and distribute content on a large scale, and permit users to program their own content consumption. E-commerce technologies provide a unique, many-to-many model of mass communication. (Leboff, 2016)

1.4 Digital Business infrastructure

It's very fundamental to define an adequate technology infrastructure to all start-up online businesses and existing companies making the transformation to digital business. The infrastructure and support of different types of digital platforms directly affect the quality of service experienced by users of the systems in terms of speed and responsiveness. (Laudon, et al., 2016)

Digital business infrastructure refers to the combination of hardware such as servers and client desktop computers and mobile devices, the network used to link this hardware and the software applications used to deliver services to workers within the business and also to

its partners and customers. Infrastructure also includes the architecture of the networks, hardware and software and where it is located. Finally, infrastructure can also be considered to include the methods for publishing data and documents accessed through applications. A key decision with managing this infrastructure is which elements are located within the company and which are managed externally. (Chaffey, 2015)

1.4.1 Domain name

The domain name refers to the address of the web server and is usually selected to be the same as the name of the company, and the extension will indicate its type. Most companies own several domains, for different product lines or countries or for specific marketing campaigns. Domain name disputes can arise when an individual or company has registered a domain name which another company claims they have the right to. This is sometimes referred to as 'cybersquatting'. (Leboff, 2016)

1.4.2 Hosting Providers

While it is possible for companies to manage their own services by setting up web servers within their own company offices, or to use their ISP, it is common practice to use a specialist hosting provider to manage this service. For example, Rackspace is one of the largest providers of managed servers and cloud services for corporate businesses. According to their site, they have delivered enterprise-level hosting services to businesses of all sizes and kinds around the world since 1998 and had grown to serve more than 205,000 customers by 2014. They were rated a leader in hosting by analysts Gartner (2013) who reviewed the capabilities of different hosting providers. (Charlesworth, 2014)

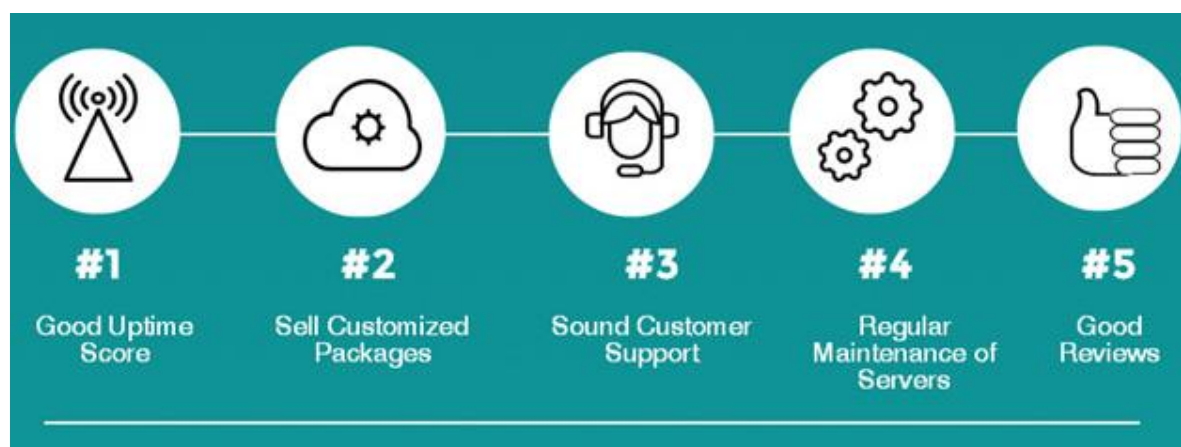


Figure 2: 5 Attributes of a good hosting provider (powerhomebiz.com)

1.4.3 Managing Service Quality

Service providers who provide access to the Internet are usually referred to as 'ISPs' or 'Internet service providers'. ISPs may also host the websites which publish a company's website content. But many organisations will turn to a separate hosting provider to manage the company's website and other digital business services accessed by customers and partners such as extranets, so it is important to select an appropriate hosting provider. (Charlesworth, 2014)

Issues in management of ISP and hosting relationships

The primary issue for businesses in managing ISPs and hosting providers is to ensure a satisfactory service quality at a reasonable price. As the customers and partners of organizations become more dependent on their web services, it is important that downtime be minimized. But severe problems of downtime can occur and the consequences of these need to be avoided or managed. (Charlesworth, 2014)

Speed of access

A site or digital business service fails if it fails to deliver an acceptable download speed for users. In the broadband world this is still important as digital business applications become more complex and sites integrate rich media. Speed of access to services is determined by both the speed of the server and the speed of the network connection to the server. The speed of the site governs how fast the response is to a request for information from the end-user. This will be dependent on the speed of the server machine on which the website is hosted and how quickly the server processes the information. If there are only a small number of users accessing information on the server, then there will not be a noticeable delay on requests for pages. (Chaffey, 2015)

The speed is also governed by the speed of the network connection, commonly referred to as the network 'bandwidth'. The bandwidth of a website's connection to the Internet and the bandwidth of the customer's connection to the Internet will affect the speed with which web pages and associated graphics load. The term is so called because of the width of range of electromagnetic frequencies an analogue or digital signal occupies for a given transmission medium. (Laudon, et al., 2016)

Availability

The availability of a website is an indication of how easy it is for a user to connect to it. In theory this figure should be 100 per cent, but sometimes, for technical reasons such as failures in the server hardware or upgrades to software. (Charlesworth, 2014)

The extent of the problem of e-commerce service levels was indicated by The Register (2004) in an article titled ‘Wobbly shopping carts blight UK e-commerce’. The research showed that failure of transactions once customers have decided to buy is often a problem. As the article said, ‘UK E-commerce sites are slapping customers in the face, rather than shaking them by the hand. Turning consumers away once they have made a decision to buy is commercial suicide.’ (Charlesworth, 2014) The research showed this level of problems:

- 20% of shopping carts did not function for 12 hours a month or more.
- 75% failed the standard service level availability of 99.9% uptime.
- 80% performed inconsistently with widely varying response times, time-outs and errors – leaving customers at best wondering what to do next and at worst unable to complete their purchases.

Service level agreements

To ensure the best speed and availability a company should check the service level agreements (SLAs) carefully when outsourcing website hosting services. The SLA will define confirmed standards of availability and performance measured in terms of the latency or network delay when information is passed from one point to the next. The SLA also includes notification to the customer detailing when the web service becomes unavailable with reasons why and estimates of when the service will be restored. (Chaffey, 2015)

Security

Security is another important issue in service quality. How to control security was referred to in the earlier section on firewalls and is considered in detail in ‘Focus on Security design for digital businesses. (Leboff, 2016)

Intranet applications

Intranets are used extensively for supporting sell- side e-commerce from within the marketing function. They are also used to support core supply chain management activities as described in the next section on extranets. Today, they are typically deployed as web-

based services supplemented by messages and alerts delivered by email or when users log-in to a company network. (Laudon, et al., 2016)

A marketing intranet has the following advantages:

- Reduced product life cycles – as information on product development and marketing campaigns is rationalized we can get products to market faster.
- Reduced costs through higher productivity, and savings on hard copy.
- Better customer service – responsive and personalised support with staff accessing customers over the web.
- Distribution of information through remote offices nationally or globally. (Laudon, et al., 2016)

Extranet applications

Although an extranet may sound complex, from a user point of view it is straightforward. If you have bought a book or CD online and have been issued with a username and password to access your account, then you have used an extranet. This is a consumer extranet. Extranets are also used to provide online services which are restricted to business customers. (Chaffey, 2015)

2 MARKETPLACE ANALYSIS FOR E-COMMERCE

Analysis of the online marketplace or ‘marketplace’ is a key part of developing a long-term digital business plan or creating a shorter-term digital marketing campaign. Completing a marketplace analysis helps to define the main types of online presence that are part of a ‘click ecosystem’ which describes the customer journeys or flow of online visitors between search engines, media sites and other intermediaries to an organization and its competitors. Prospects and customers in an online marketplace will naturally turn to search engines to find products, services, brands and entertainment. Search engines act as a distribution system which connects searchers to different intermediary sites for different phrases, so the flow of visits between sites must be understood by the marketer in their sector. (Chaffey, 2015)

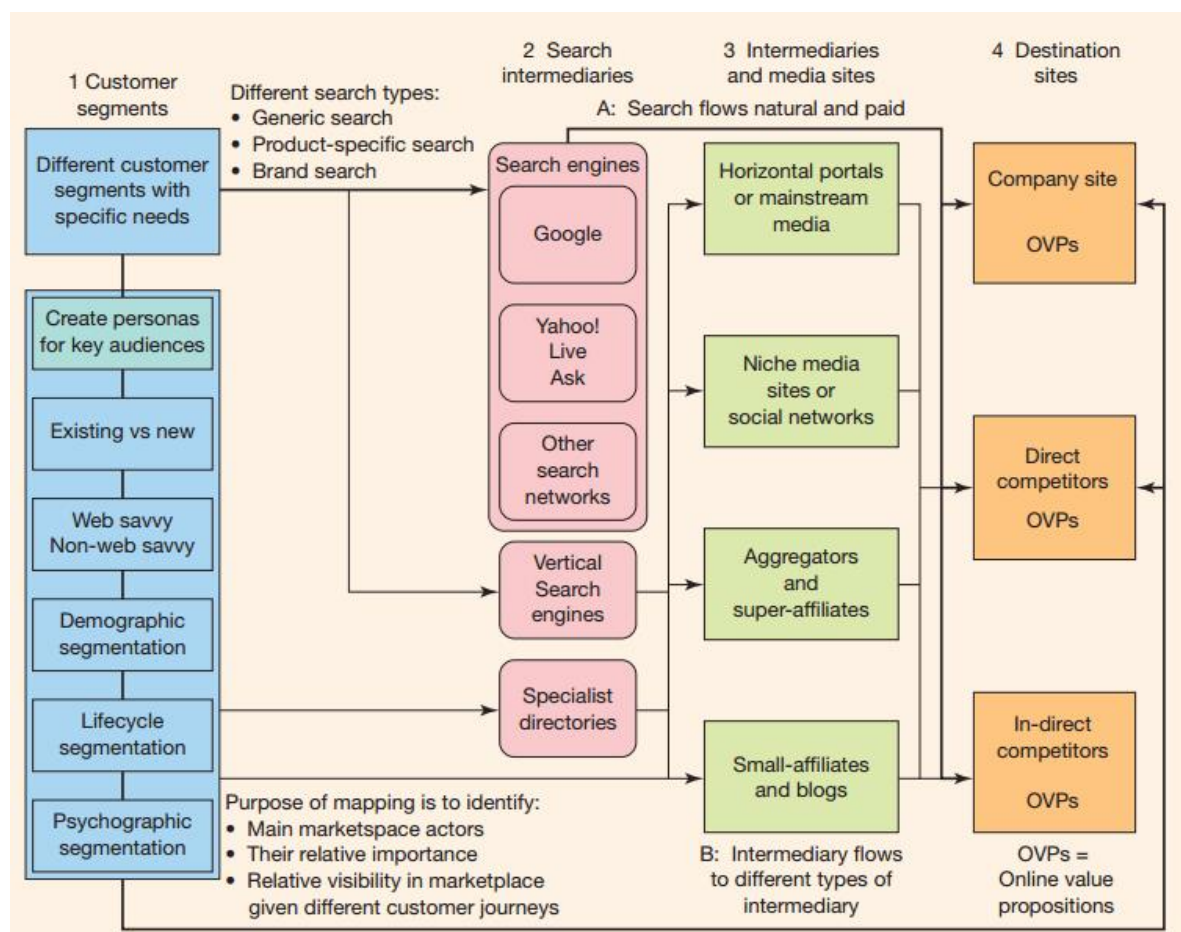


Figure 3: An online marketplace map (Chaffey, 2015)

2.1 Online marketplace analysis

The main elements of the online marketplace map are:

Customer segments

The marketplace analysis should identify and summaries different target segments for an online business in order to then understand their online media consumption, buyer behavior and the type of content and experiences they will be looking for from intermediaries and your website. (Miller, 2012)

Search intermediaries

These are the main search engines in each country. Typically they are Google, Yahoo!, Microsoft Live Search and Ask, but others are important in some markets such as China (Baidu), Russia (Yandex) and South Korea (Naver). You can use audience panel data from different providers to find out their relative importance in different countries. The Google Trends tool is a free tool for assessing site popularity and the searches used to find sites and how they vary seasonally, which is useful for student assignments. (Chaffey, 2015)

Intermediaries, influencers and media sites

Media sites and other intermediaries such as aggregators, affiliates and influencers such as blogs are often successful in attracting visitors via search or direct since they are main- stream brands. Companies need to assess potential online media and distribution partners such as:

- a) Mainstream news media sites or portals. Include traditional, e.g. FT.com or Times, or pureplay e.g. Google news, an aggregator.
- b) Social networks, e.g. Facebook, Google+, Twitter and LinkedIn.
- c) Niche or vertical media sites, e.g. SmartInsights.com, SearchEngineLand.com, ClickZ.com covering B2B marketing.
- d) Price comparison sites (also known aggregators), e.g. Moneysupermarket, Kelkoo, Shopping.com, uSwitch.
- e) Superaffiliates. Affiliates gain revenue from a merchant they refer traffic to using a commission-based arrangement based on the proportion of sale or a fixed amount. They are important in e-retail markets, accounting for tens of per cent of sales.
- f) Niche affiliates, influencers or bloggers. These are often individuals, but they may be important; for example, in the UK, Martin Lewis of Moneysavingexpert.com re-

ceives millions of visits every month. Smaller affiliates and bloggers can be important collectively.

Destination sites

These are the sites that the marketer is trying to generate visitors to, whether these are transactional sites, like retailers, financial services or travel companies or manufacturers or brands. Online value proposition is a summary of the unique features of the site. The OVP is a key aspect to consider within marketplace analysis – marketers should evaluate their OVPs against competitors' as part of competitor analysis and think about how they can refine them to develop a unique online experience. (Charlesworth, 2014)

2.2 Location of trading in the marketplace

While traditional marketplaces have a physical location, an Internet-based market has no physical presence – it is a virtual marketplace. Rayport and Sviokla (1996) used this distinction to coin a new term: electronic marketplace. This has implications for the way in which the relationships between the different actors in the marketplace occur. The new electronic marketplace has many alternative virtual locations where an organization needs to position itself to communicate and sell to its customers. Managers need to understand the relative importance of different types of sites and consumer and business interactions and information flows. (Miller, 2012)

Marketplace channel structures

Marketplace channel structures describe the way a manufacturer or organization delivers products and services to its customers. A distribution channel will consist of one or more intermediaries such as wholesalers and retailers. The relationship between a company and its channel partners can be dramatically altered by the opportunities afforded by the Internet. This occurs because the Internet offers a means of bypassing some of the channel partners. This process is known as disintermediation or 'cutting out the middleman'. (Laudon, et al., 2016)

Location of trading in the marketplace

Another perspective on the configuration of the marketplace relates to the position of trading and relative strength between different players within the marketplace. Berryman et al. (1998) created a useful framework for this, identifying three different types of location. Seller-controlled sites are the main home page of the company and are e-commerce ena-

bled. Buyer-controlled sites are intermediaries that have been set up so that the buyer initiates the market-making. (Leboff, 2016) In procurement posting, a purchaser specifies what they wish to purchase, and a message is sent by email to suppliers registered on the system and then offers are awaited. Aggregators involve a group of purchasers combining to purchase a multiple order, thus reducing the purchase cost. Neutral sites are independent evaluator intermediaries that enable price and product comparison. (Charlesworth, 2014)

Multichannel marketplace models

Online purchasers typically use a combination of channels as they follow their customer journeys. As they select products and interact with brands, they do not use the Internet in isolation – they consume other media such as print, TV, direct mail and outdoor ads. It follows that an effective approach to using the Internet is as part of a multichannel marketing strategy. This defines how different marketing channels should integrate and support each other in terms of their proposition development and communications based on their relative merits for the customer and the company. (Charlesworth, 2014)

Developing ‘channel chains’ to help us understand multichannel behavior is a powerful technique recommended by McDonald and Wilson (2002) for analyzing the changes in a marketplace introduced by the Internet. A channel chain shows alternative customer journeys for customers with different channel preferences. (Laudon, et al., 2016)

Commercial arrangement for transactions

Markets can also be considered from another perspective – that of the type of commercial arrangement that is used to agree a sale and price between the buyer and supplier. Each of these commercial arrangements is similar to traditional arrangements. Although the mechanism cannot be considered to have changed, the relative importance of these different options has changed with the Internet. Owing to the ability to publish new offers and prices rapidly, auction has become an important means of selling on the Internet. A turnover of several billion dollars has been achieved by eBay from consumers offering items such as cars and antiques. (Chaffey, 2015)

Different types of online intermediary and influencers

Identifying different types of online intermediary as potential partners to promote an online business is a key part of marketplace analysis. In this section, we take a more in-depth look

at the different types of intermediaries and the business and revenue models they adopt. (Miller, 2012)

Sarkar et al . (1996) identified many different types of new intermediaries (mainly from a B2C perspective) which we can still recognize today:

- Directories (such as Yahoo!, Excite).
- Search engines (Google, Bing).
- Malls (BarclaySquare, Buckingham Gate).
- Virtual resellers (own- inventory and sell- direct, e.g. Amazon, CDNow).
- Forums, fan clubs and user groups (referred to collectively as ‘virtual communities’).

2.3 Choosing the right E-Commerce Platform

There are many reasons why a pre-built eCommerce platform is better than building one in-house or hiring a web developer to build one for the business. However, the heaviest factor is the ease of use and ability to work closely with a community of other online store owners. The eCommerce platform market includes hundreds of options available. Some of the most famous platforms in the market are Magento, Shopify, BigCommerce and WooCommerce. (Savage, 2016) However, to make the right choose, a business owner must consider the following factors:

2.3.1 Stock Size

It’s important to consider the size of stock when browsing for an store platform to use. In most cases service fee depends on the number of products a store hold. Some platforms are suitable for small stores while others are more cost effective for large stores. (Savage, 2016)

2.3.2 Digital or Physical:

Selling digital goods is very different than physical ones. It makes all the difference when thinking about shipping costs, delivery options, copyrights, etc,. Business owners need to choose the right platform that suits their products. (Roshdi, 2015)

2.3.3 Payment Method:

If a business has got issues with using PayPal, for example, you'll need to look into making arrangements, as not all eCommerce platforms favor 3rd party payment processors. (Shivar, 2016)

2.3.4 Self-Hosted or Hosted:

If planning to modify the look of your online store on regular basis, look for platforms that enable you to have a self-hosted version of the store. Either way, most eCommerce platforms provide the ability to modify your store within a live environment. (Roshdi, 2015)

2.3.5 Payment Plan:

Last but not least, the budget allowance for the platform will have a great impact on the choice of the platform that best suits business strategy. Different platforms provide different types of payments. Some have a monthly subscription model while others rely on a revenue percentage. (Shivar, 2016)

3 E-COMMERCE BUSINESS PLAN

To build a successful e-commerce business, a firm should have a business plan which can make use of the opportunities Internet, the web, and the mobile platform offer. They should provide their clients with unique value, develop highly effective and efficient operations, reach their goals, and produce profitable business results. Additionally, a successful business plan must be scalable. The firm must have the ability to achieve efficiencies as it grows in volume. (Laudon, et al., 2016) A business plan is a written description of a business future. It's a document that outlines the route a company intends to take to grow revenues. There are eight key elements of a business plan:

3.1 Value Proposition

A company's value proposition is at the very heart of its business model. A value proposition defines how a company's product or service fulfills the needs of customers (Kambil, Ginsberg, and Bloch, 1998). A value proposition is a promise of value to be delivered. It's the primary reason a prospect should buy from the business or use its service. Value proposition is a clear statement that explains how a product solves customers' problems or improves their situation, delivers specific benefits, tells the ideal customer why they should buy from a business and not from the competition. Digital businesses should present their value proposition as the first thing the visitors see on home page, but should be visible in all major entry points of the site as well. (Laja, 2016)

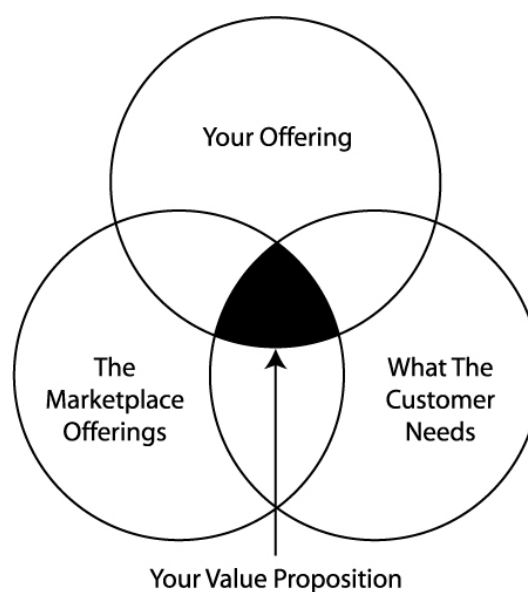


Figure 4: Value proposition (Sumo.com)

3.2 Revenue Model

A revenue model describes how a business generates revenue streams from its products and services. It is one of the key components of the business model. Existing businesses interested in expanding to new areas or adjusting to a new generation of competitors should carefully consider their revenue models. A strong revenue model is also most important for early stage startups; their investors are usually very conscious of monetization. (Porter, 1985). For a firm to be considered successful, it has to generate returns which are higher than alternative investments. Those firms that cannot succeed that test go out of existence (Laudon, et al., 2016) .

There are many models for revenue generation, and the accelerated development of the Internet, social networks and smartphones is expanding the possibilities. Most companies use either one, or some combination, of the following main revenue models: advertising, subscription, transaction fee, sales, and affiliate (Rowles, 2014).

3.2.1 Advertising revenue model

The advertising revenue model is not new. However, the once-straightforward advertisements have become more complex and creative, and the industry evolves constantly. Additionally, due to constant growth in information and its availability, large-scale revenue stream generation requires either great traffic or niche domination. The Internet world has many advertising models: pay-per-views, as well as pay for behavior like pay per click and pay per action (Laniado, 2014).

3.2.2 Subscription revenue model

Recently, there has been a significant shift happening that will impact business leaders. That shift is away from a pay-per-product model to a subscription-based model. It's actually not that new: Businesses have been selling monthly subscriptions for all sorts of goods and services for years—magazines like *Fortune* come to mind. But more recently, all sorts of unexpected industries have started dabbling in subscription-based business models, offering anything from online software to toothbrushes to genome sequencing for a flat monthly fee. (Lev-Ram, 2014)

At the obvious top of the subscription-based model list are cloud software companies like Salesforce.com and Box, which have always charged a monthly per-user fee for their

online enterprise products. Innovators like Netflix, Zipcar and Spotify have certainly proven that subscriptions can work for more than just software. (Rowles, 2014)

In 2013, Adobe Systems (ADBE, -0.30%) decided to transition its software suite for creatives to the cloud. The move was far from flawless—a recent hours-long outage irked users—but the results have mostly been positive. The company says 20% of customers that are purchasing the updated online tools weren't Adobe customers before the switch. And now that the software is cloud-based, Adobe can better track how customers are using it and constantly push updates to individual users. (Lev-Ram, 2014)

3.2.3 Transaction fee revenue model

The Internet and other technological and social developments hurt many intermediaries, and the future of middlemen is questionable. The Internet creates a unique and excellent opportunity to easily connect sellers with consumers: Airbnb enables homeowners to offer accommodation to tourists who are not interested in hotels. Etsy links artists and art seekers. CDbaby does the same with music. The platform manager usually maintains and upgrades the platform and takes care of customer service, payment collection, mediation, etc. Airbnb also offers insurance. Platform managers usually are not involved in creating the product shipment and do not hold inventories (Laniado, 2014).

3.2.4 Sales revenue model

Companies derive revenue by selling goods, content, or services to customers. Companies such as Amazon (which sells books, music, and other products), L.L.Bean, and Gap all have sales revenue models. A number of companies are also using a subscription-based sales revenue model. Birchbox, which offers home delivery of beauty products for a \$10 monthly or \$100 annual subscription price, is one example. (Laudon, et al., 2016)

3.2.5 Affiliate revenue model

Companies that steer business to an “affiliate” receive a referral fee or percentage of the revenue from any resulting sales (Laudon, et al., 2016). Typical affiliate programs, common in internet marketing, from huge players like Amazon to small-scale blogs, include sellers of products/services and parties that drive traffic to the sellers. Some affiliates explicitly state that links to 3rd parties may entitle them to compensation. Affiliate programs often use revenue-sharing mechanisms (Laniado, 2014).

3.3 Market Opportunity

The term market opportunity refers to the company's intended marketspace and the overall potential financial opportunities available to the firm in that marketspace (Laudon, et al., 2016). Market opportunity is potentially favorable condition in which a business can capitalize on a changing trend or an increasing demand for a product by a demographic group that has yet to be recognized by its competitors. For a market opportunity to exist, a company must be able to identify who its potential customers are, the specific needs that need to be met, the size of the market, and its capacity to capture market share (Horne, 2010).

For example, "The market opportunity for netbooks is \$x billion and is expected to grow at y% per year for the next z years." Ideally, business would also have a quantitative handle on the projected market share and profitability when defining opportunity. The overall market can be broken down into smaller market niches. The realistic market opportunity is defined by the revenue potential in each of the market niches where a business hopes to compete (Laudon, et al., 2016).

3.4 Competitive Environment

A firm's competitive environment refers to the other companies selling similar products and operating in the same marketspace (Laudon, et al., 2016). The state of the system as a whole limits the flexibility of your business. World economic conditions, for example, might increase the prices of raw materials, forcing companies that supply your industry to charge more, raising your overhead costs. At the other end of the scale, local events, such as regional labor shortages or natural disasters, also affect the competitive environment (Mack, 2011).

Firms typically have both direct and indirect competitors. Direct competitors provide products or services similar to the business. For example, a small computer repair business competes with other local computer repair businesses, as well as large retail stores that offer computer repair services. In addition to direct competitors, some businesses also face competition from providers of dissimilar products or services. For example, a fine dining restaurant competes with other local restaurants, but it also competes with nearby supermarkets that offer ready-to-eat meals (Mack, 2011).

Having a big number of competitors in one segment is a sign of market being saturated and that it may be difficult to become profitable. On the other hand, a lack of competitors could

signal either an untapped market niche ripe for the picking, or a market that has already been tried without success because there is no money to be made. Analysis of the competitive environment can help you decide which it is (Laudon, et al., 2016).

3.5 Competitive Advantage

In order to achieve a competitive advantage, firms can produce a superior product and/or bring the product to market at a lower price than most, or all, of their competitors (Porter, 1985). Firms also compete on scope. Some firms can develop global markets, while other firms can develop only a national or regional market. Firms that can provide superior products at the lowest cost on a global basis are truly advantaged (Laudon, et al., 2016).

Michael Porter outlined the three primary ways companies achieve a sustainable advantage. They are cost leadership, differentiation and focus (Porter, 1985). Cost leadership means that business provide reasonable value at a lower price. Companies do this by continuously improving operational efficiency. Differentiation means you deliver better benefits than anyone else. A company can achieve differentiation by providing a unique or high-quality product. Focus means you understand and service your target market better than anyone else (Amadeo, 2017).

Another unique competitive advantage is being a first mover. If first movers are able to develop a loyal following or a unique offering that is difficult for other companies to imitate, they can sustain their first-mover advantage for long periods (Arthur, 1996). Amazon is a good example. However, in the history of technology-driven business innovation, most first movers often lack the complementary resources needed to sustain their advantages, and often follower firms reap the largest rewards (Rigdon, 2000; Teece, 1986).

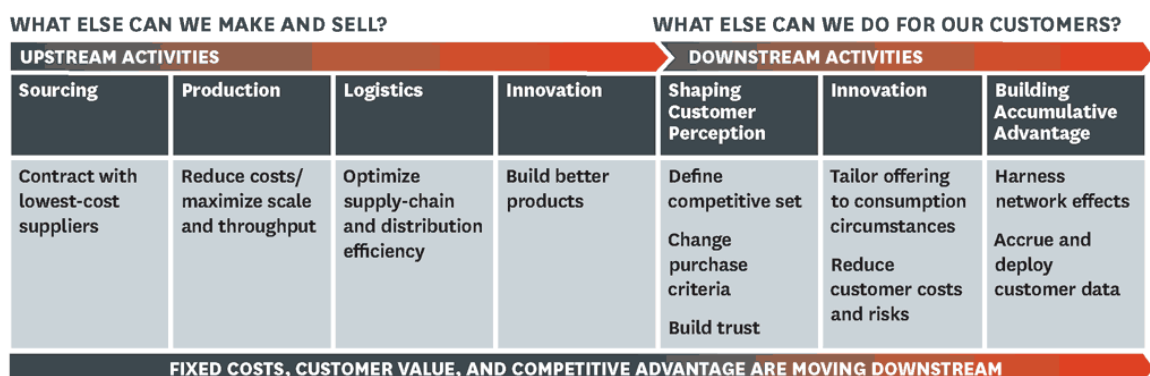


Figure 5: The shifting source of competitive advantage (hbr.org)

3.6 Market Strategy

Unlike a business plan, a marketing strategy plan focuses on winning and keeping customers; it's strategic and includes numbers, facts and objectives. A good marketing plan spells out all the tools and tactics you'll use to achieve your sales goals. It's your plan of action—what you'll sell, who'll want to buy it and the tactics you'll use to generate leads that result in sales. And unless you're using your marketing plan to help you gain funding, it doesn't have to be lengthy or beautifully written. Use bulleted sections, and get right to the point (Entrepreneur.com, 2015).

For instance, Twitter, YouTube, and Pinterest have a social network marketing strategy that encourages users to post their content on the sites for free, build personal profile pages, contact their friends, and build a community. In these cases, the customer becomes part of the marketing staff! (Laudon, et al., 2016)

3.7 Organizational Development

Although many entrepreneurial ventures are started by one visionary individual, it is rare that one person alone can grow an idea into a multi-million dollar company. In most cases, fast-growth companies—especially e-commerce businesses—need employees and a set of business procedures. In short, all firms—new ones in particular—need an organization to efficiently implement their business plans and strategies. Many e-commerce firms and many traditional firms that attempt an e-commerce strategy have failed because they lacked the organizational structures and supportive cultural values required to support new forms of commerce (Kanter, 2001).

Companies that hope to grow and thrive need to have a plan for organizational development that describes how the company will organize the work that needs to be accomplished. Typically, work is divided into functional departments, such as production, shipping, marketing, customer support, and finance. Jobs within these functional areas are defined, and then recruitment begins for specific job titles and responsibilities. Typically, in the beginning, generalists who can perform multiple tasks are hired. As the company grows, recruiting becomes more specialized. For instance, at the outset, a business may have one marketing manager. But after two or three years of steady growth, that one marketing position may be broken down into seven separate jobs done by seven individuals. (Laudon, et al., 2016)

3.8 Management Team

One of the most important elements of a successful business model is the management team responsible for making the model work. Digital teams are responsible for developing, testing, and implementing a strategy to reach and engage target audiences through digital channels like web, mobile, and social. A strong management team gives a model instant credibility to outside investors, immediate market-specific knowledge, and experience in implementing business plans. (Chaffey, 2015)

Eventually, most companies get to the point of having several senior executives or managers. How skilled managers are, however, can be a source of competitive advantage or disadvantage. The challenge is to find people who have both the experience and the ability to apply that experience to new situations. (Laudon, et al., 2016)

	STAGE 1	STAGE 2	STAGE 3	STAGE 4
	Startup	Initial Growth	Rapid Growth	Continuous Growth
FOCUS	develop product	drive sales	lead the market	dominate the industry
ROLE	<ul style="list-style-type: none"> • doer • decision-maker 	<ul style="list-style-type: none"> • delegator • direction-setter 	<ul style="list-style-type: none"> • team-builder • coach • planner • communicator 	<ul style="list-style-type: none"> • strategic innovator • change catalyst • organization-builder • chief of culture

Figure 6: How the role of an executive evolves (drift.com)

4 E-COMMERCE MARKETING AND ADVERTISING

Perhaps no area of business has been more affected by Internet and mobile platform technologies than marketing and marketing communications. As a communications tool, the Internet affords marketers new ways of contacting millions of potential customers at costs far lower than traditional media. (Chaffey, 2015) The Internet also provides new ways—often instantaneous and spontaneous—to gather information from customers, adjust product offerings, and increase customer value. The Internet has spawned entirely new ways to identify and communicate with customers, including search engine marketing, social marketing, behavioral targeting, and targeted e-mail, among others. And the Internet was just the first transformation. Today, the mobile platform based on smartphones and tablet computers is transforming online marketing and communications yet again. (Laudon, et al., 2016)

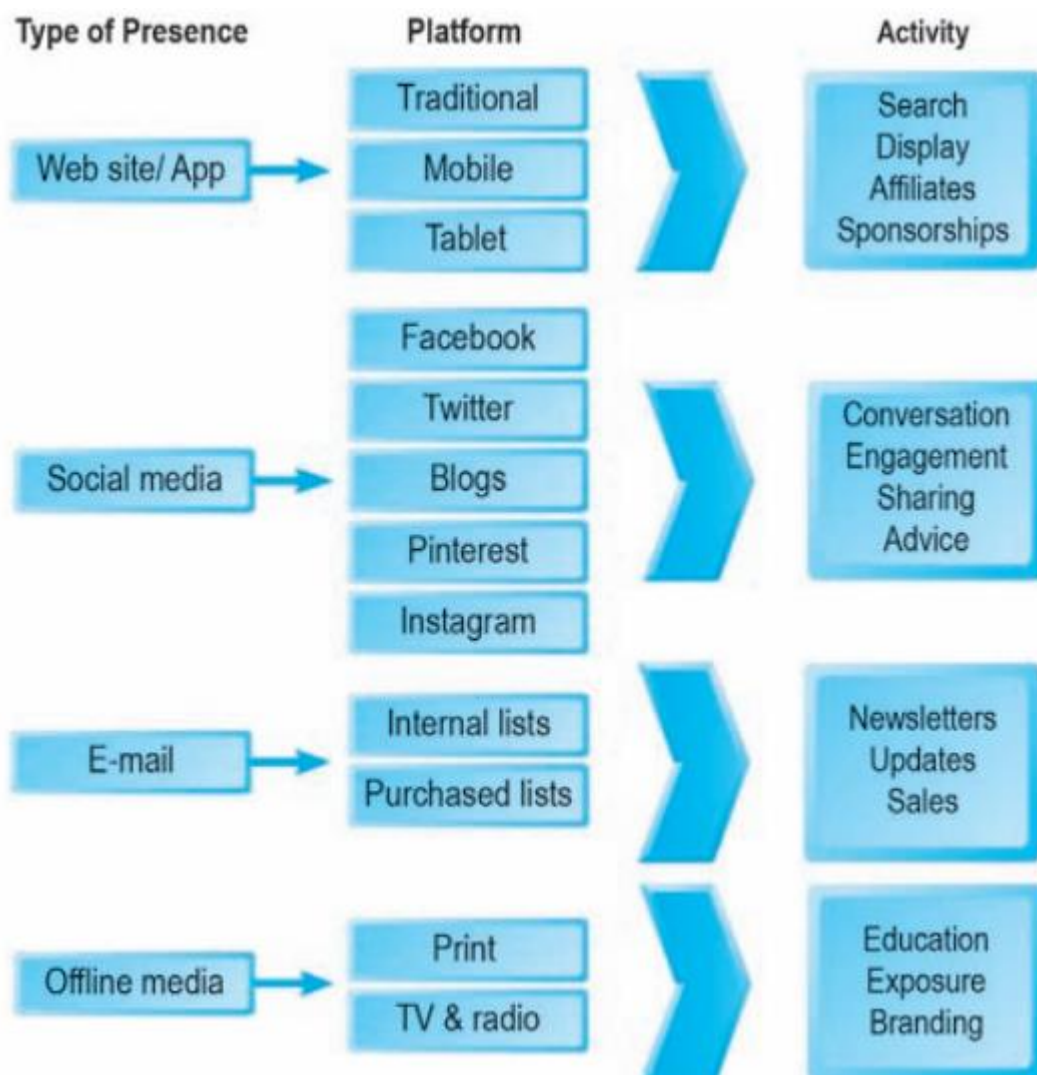


Figure 7: E-Commerce marketing Presence Map (Laudon, et al., 2016)

4.1 Search Engine Marketing and Advertising

Search engine marketing (SEM) refers to the use of search engines to build and sustain brands. Search engine advertising refers to the use of search engines to support direct sales to online consumers. Search engine sites originally performed unbiased searches of the Web's huge collection of Web pages and derived most of their revenue from banner advertisements. This form of search engine results is often called organic search because the inclusion and ranking of Web sites depends on a more or less "unbiased" application of a set of rules (an algorithm) imposed by the search engine. Since 1998, search engine sites slowly transformed themselves into digital yellow pages, where firms pay for inclusion in the search engine index, pay for keywords to show up in search results, or pay for keywords to show up in other vendors' ads. (Charlesworth, 2014)

Most search engines offer paid inclusion programs, which, for a fee, guarantee a Web site's inclusion in its list of search results, more frequent visits by its Web crawler, and suggestions for improving the results of organic searching. Search engines claim that these payments—costing some merchants hundreds of thousands a year—do not influence the organic ranking of a Web site in search results, just inclusion in the results. However, it is the case that page inclusion ads get more hits, and the rank of the page appreciates, causing the organic search algorithm to rank it higher in the organic results. (Chaffey, 2015)

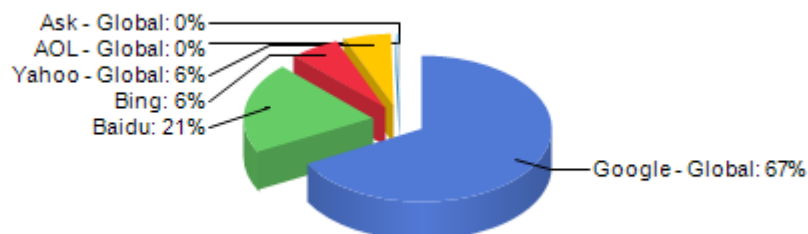


Figure 8: Search Engine market share (netmarketshare.com)

Pay-per-click (PPC)

These Search ads are the primary type of search engine advertising. In keyword advertising, merchants purchase keywords through a bidding process at search sites, and whenever a consumer searches for that word, their advertisement shows up somewhere on the page, usually as a small text-based advertisement on the right, but also as a listing on the very top of the page. The more merchants pay, the higher the rank and greater the visibility of their ads on the page. (Leboff, 2016)

Generally, the search engines do not exercise editorial judgment about quality or content of the ads although they do monitor the use of language. In addition, some search engines rank the ads in terms of their popularity rather than merely the money paid by the advertiser so that the rank of the ad depends on both the amount paid and the number of clicks per unit time. (Laudon, et al., 2016)

Network keyword advertising (context advertising)

It was introduced by Google as its AdSense product in 2002, differs from the ordinary keyword advertising described previously. Publishers (Web sites that want to show ads) join these networks and allow the search engine to place “relevant” ads on their sites. The ads are paid for by advertisers who want their messages to appear across the Web. Google-like text messages are the most common. The revenue from the resulting clicks is split between the search engine and the site publisher, although the publisher gets much more than half in some cases. (Laudon, et al., 2016)

Search engine optimization (SEO)

This is the process of improving the ranking of Web pages with search engines by altering the content and design of the Web pages and site. By carefully selecting key words used on the Web pages, updating content frequently, and designing the site so it can be easily read by search engine programs, marketers can improve the impact and return on investment in their Web marketing programs. (Miller, 2012)

Google and other search engine firms make frequent changes to their search algorithms in order to improve the search results and user experience. Google, for instance, reportedly

makes over 600 search engine changes in a year. Most are small unannounced tweaks. (Chaffey, 2015)

4.2 Display Ad Marketing

In 2015, companies spent around €68 billion on all forms of display ad marketing, about 44% of all spending for digital marketing. Around 6 trillion display ads have been served on desktop and mobile devices in 2015. The top five display ad companies in the United States are Facebook, Google, Twitter, Yahoo, and AOL, and together they account for 51% of U.S. display ad revenue. (Laudon, et al., 2016)

Banner Ads

Banner ads are the oldest and most familiar form of display marketing. They are also the least effective and the lowest cost form of online marketing. A banner ad displays a promotional message in a rectangular box on the screen of a desktop computer or mobile device. A banner ad is similar to a traditional ad in a printed publication but has some added advantages. When clicked, it brings potential customers directly to the advertiser's Web site, and the site where the ad appears can observe the user's behavior on the site. The ability to identify and track the user is a key feature of online advertising. Banner ads often feature video and other animations. (Charlesworth, 2014)

Rich Media Ads

Ads that employ animation, sound, and interactivity, using Flash, HTML5, Java, and JavaScript are referred to as rich media ads. They are far more effective than simple banner ads. For instance, one research report that analyzed 24,000 different rich media ads with more than 12 billion impressions served in North America over a six-month period found that exposure to rich media ads boosted advertiser site visits by nearly 300% compared to standard banner ads. Viewers of rich media ads that included video were six times more likely to visit the advertiser's Web site, by either directly clicking on the ad, typing the advertiser's URL, or searching (MediaMind, 2012a).

Video Ads

Online video ads are TV-like advertisements that appear as in-page video commercials or before, during, or after a variety of content. The most widely used format is the “pre-roll” (followed by the mid-roll and the post-roll) where users are forced to watch a video ad either before, in the middle of, or at the end of the video they originally clicked on. In 2014, the IAB released additional standards for five new in-stream and linear interactive video ad formats that enable advertisers to provide additional opportunities for consumer engagement. (Chaffey, 2015)

4.3 E-mail Marketing

When e-mail marketing began, unsolicited e-mail was not common. Direct e-mail marketing (e-mail marketing messages sent directly to interested users) was one of the first and most effective forms of online marketing communications. Direct e-mail marketing messages are sent to an opt-in audience of Internet users who, at one time or another, have expressed an interest in receiving messages from the advertiser. By sending e-mail to an opt-in audience, advertisers are targeting interested consumers. By far, in-house e-mail lists are more effective than purchased e-mail lists. Because of the comparatively high response rates and low cost, direct e-mail marketing remains a common form of online marketing communications. (Laudon, et al., 2016)

Other benefits of e-mail marketing include its mass reach, the ability to track and measure response, the ability to personalize content and tailor offers, the ability to drive traffic to Web sites for more interaction, the ability to test and optimize content and offers, and the ability to target by region, demographic, time of day, or other criteria.

While e-mail marketing often is sales-oriented, it can also be used as an integral feature of a multi-channel marketing campaign designed to strengthen brand recognition. (Laudon, et al., 2016)

4.4 Social Marketing and Advertising

Social marketing/advertising involves the use of online social networks and communities to build brands and drive sales revenues. There are several kinds of social networks, from Facebook, Twitter, Pinterest, and Instagram, to social apps, social games, blogs, and forums (Web sites that attract people who share a community of interests or skills). Next to mobile marketing, it is the fastest growing type of online marketing. Nevertheless, in 2015, it represents only about 15% of all online marketing and is still dwarfed by the amount spent on search engine advertising and display advertising (eMarketer, Inc., 2015h).

Social networks offer advertisers all the main advertising formats, including banner ads (the most common), short pre-roll and post-roll ads associated with videos, and sponsorship of content. Having a corporate Facebook page is in itself a marketing tool for brands just like a Web page. Many firms, such as Coca-Cola, have shut down product-specific Web pages and instead use Facebook pages. (Leboff, 2016)



Figure 9 : Socia media usage growth (smartinsights.com)

4.5 Affiliate Marketing

Affiliate marketing is a form of marketing where a firm pays a commission to other Web sites for sending customers to their Web site. Affiliate marketing generally involves pay-for-performance: the affiliate or affiliate network gets paid only if users click on a link or purchase a product (Robinson, 2014).

Visitors to an affiliate Web site typically click on ads and are taken to the advertiser's Web site. In return, the advertiser pays the affiliate a fee, either on a per-click basis or as a percentage of whatever the customer spends on the advertiser's site. Paying commissions for referrals or recommendations long predated the Web. (Charlesworth, 2014)

4.6 Mobile Marketing and Advertising

Marketing on the mobile platform is growing rapidly and becoming a very significant part (42%) of the overall €156 billion online marketing spending. Mobile marketing includes the use of display banner ads, rich media, video, games, e-mail, text messaging, in-store messaging, Quick Response (QR) codes, and couponing. Mobile is now a required part of the standard marketing budget. Display ads can be served as a part of a mobile Web site or inside apps and games. Facebook is the leader in mobile display ad revenues, followed by Google and Twitter. Search ads can be further optimized for the mobile platform by showing ads based on the physical location of the user. Mobile messaging generally involves SMS text messaging to consumers offering coupons or flash marketing messages. Messaging is especially effective for local advertising because consumers can be sent messages and coupons as they pass by or visit locations. Video advertising currently accounts for a small percentage of mobile ad spending, but is one of the fastest growing formats. Ad networks such as Google's AdMob, Apple's iAd, Twitter's MoPub, inMobi, and Millennial Media are also important players in the mobile advertising market. (Rowles, 2014)

Apps on mobile devices constitute a marketing platform that did not exist a few years ago. Apps are a nonbrowser pathway for users to experience the Web and perform a number of tasks from reading the newspaper to shopping, searching, and buying. Apps provide users much faster access to content than do multi-purpose browsers. Apps are also starting to influence the design and function of traditional Web sites as consumers are attracted to the look and feel of apps, and their speed of operation. There are over 3 million apps available

on Apple's App Store and Google Play and another million apps provided by Internet carriers and third-party storefronts like the Amazon Appstore, GetJar, and Appia. (SocialMediaToday.com, 2013).

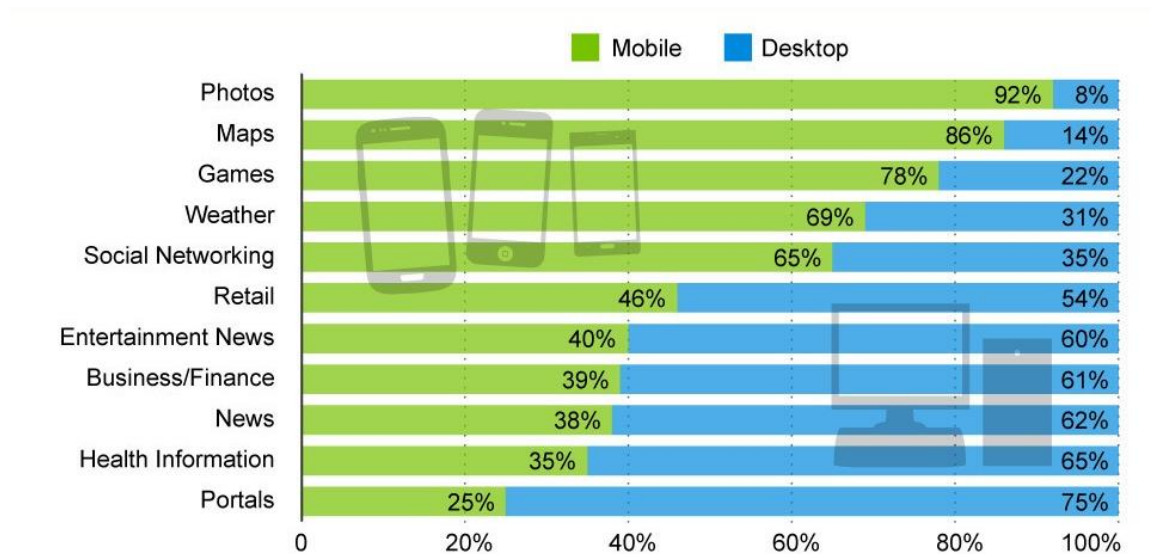


Figure 10: Time spent on online content, by platform (comScore)

4.7 Viral Marketing

Just as affiliate marketing involves using a trusted Web site to encourage users to visit other sites, viral marketing is a form of social marketing that involves getting customers to pass along a company's marketing message to friends, family, and colleagues. It's the online version of word-of-mouth advertising, which spreads even faster and further than in the real world. In the offline world, next to television, word of mouth is the second most important means by which consumers find out about new products. And the most important factor in the decision to purchase is the face-to-face recommendations of parents, friends, and colleagues. (Rowles, 2014)

Millions of online adults in the United States are "influencers" who share their opinions about products in a variety of online settings. In addition to increasing the size of a company's customer base, customer referrals also have other advantages: they are less expensive to acquire because existing customers do all the acquisition work, and they tend to use online support services less, preferring to turn back to the person who referred them for

advice. Also, because they cost so little to acquire and keep, referred customers begin to generate profits for a company much earlier than customers acquired through other marketing methods. (Laudon, et al., 2016)

There are a number of online venues where viral marketing appears. E-mail used to be the primary online venue for viral marketing (“please forward this e-mail to your friends”), but venues such as Facebook, Pinterest, Instagram, Twitter, YouTube, and blogs now play a major role. For example, the most viral video ad of 2014 was a video featuring the singer Shakira that promoted the FIFA World Cup, with over 7.3 million shares and 560 million views as of August 2015 (Koerber, 2014).

II. ANALYSIS

5 INTERNET USAGE

Around 40% of the world population has an internet connection today. In 1995, it was less than 1%. The number of internet users has increased tenfold from 1999 to 2013. The first billion was reached in 2005. The second billion in 2010. The third billion in 2014. The chart and table below show the number of global internet users per year since 2000 (internetlivestats.com):

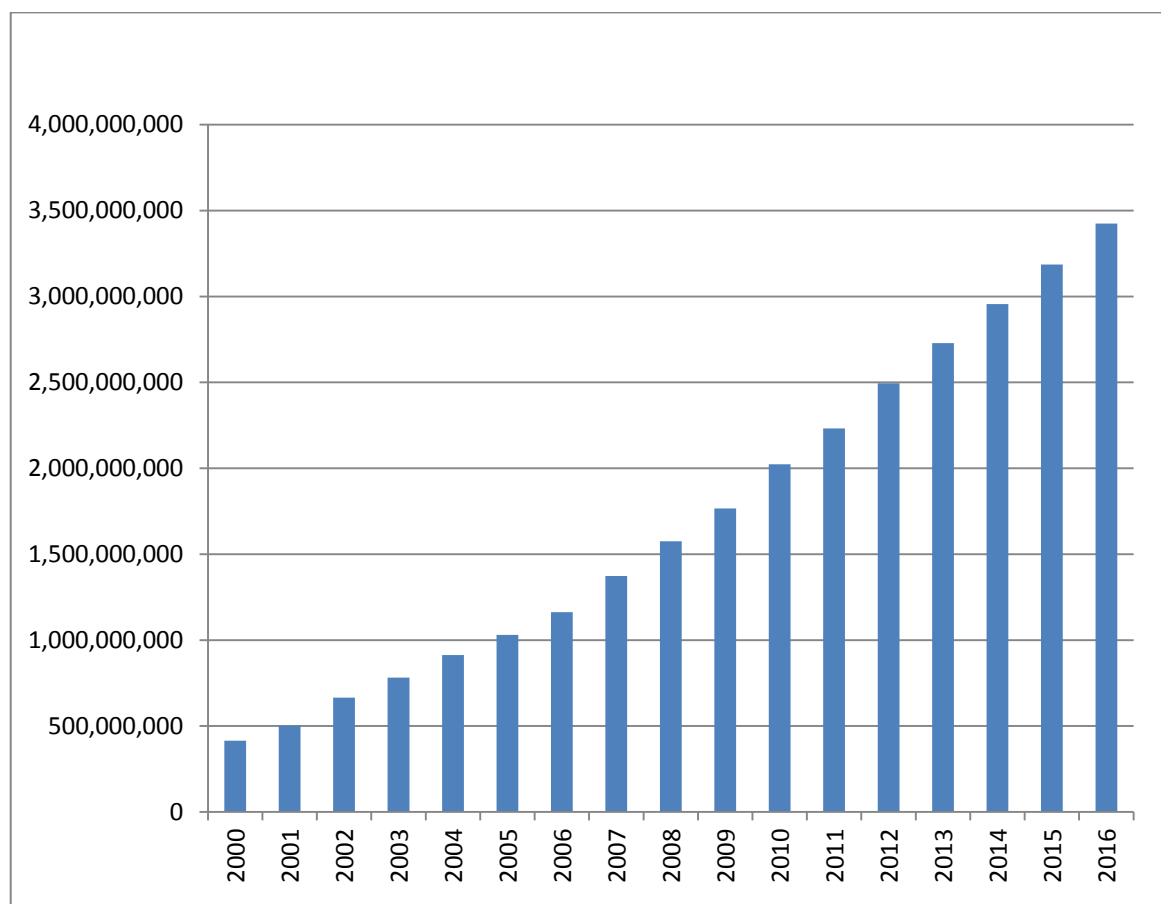


Figure 11: Internet Users (internetlivestats.com)

Table 1: Internet users growth (internetlivestats.com)

Year	Internet Users	Penetration (% of Pop)	1Y User Change	1Y User Change	World Pop. Change
2016	3,424,971,237	46.10%	7.50%	238,975,082	1.13%
2015	3,185,996,155	43.40%	7.80%	229,610,586	1.15%
2014	2,956,385,569	40.70%	8.40%	227,957,462	1.17%
2013	2,728,428,107	38%	9.40%	233,691,859	1.19%
2012	2,494,736,248	35.10%	11.80%	262,778,889	1.20%
2011	2,231,957,359	31.80%	10.30%	208,754,385	1.21%
2010	2,023,202,974	29.20%	14.50%	256,799,160	1.22%
2009	1,766,403,814	25.80%	12.10%	191,336,294	1.22%
2008	1,575,067,520	23.30%	14.70%	201,840,532	1.23%
2007	1,373,226,988	20.60%	18.10%	210,310,170	1.23%
2006	1,162,916,818	17.60%	12.90%	132,815,529	1.24%
2005	1,030,101,289	15.80%	12.80%	116,773,518	1.24%
2004	913,327,771	14.20%	16.90%	131,891,788	1.24%
2003	781,435,983	12.30%	17.50%	116,370,969	1.25%
2002	665,065,014	10.60%	32.40%	162,772,769	1.26%
2001	502,292,245	8.10%	21.10%	87,497,288	1.27%
2000	414,794,957	6.80%	47.30%	133,257,305	1.28%

5.1.1 Internet Users by Region

In 2014, nearly 75% (2.1 billion) of all internet users in the world (2.8 billion) live in the top 20 countries. The remaining 25% (0.7 billion) is distributed among the other 178 countries, each representing less than 1% of total users. China, the country with most users (642 million in 2014), represents nearly 22% of total, and has more users than the next three countries combined (United States, India, and Japan). Among the top 20 countries, India is the one with the lowest penetration: 19% and the highest yearly growth rate. At the opposite end of the range, United States, Germany, France, U.K., and Canada have the highest penetration: over 80% of population in these countries has an internet connection (internetlivestats.com).

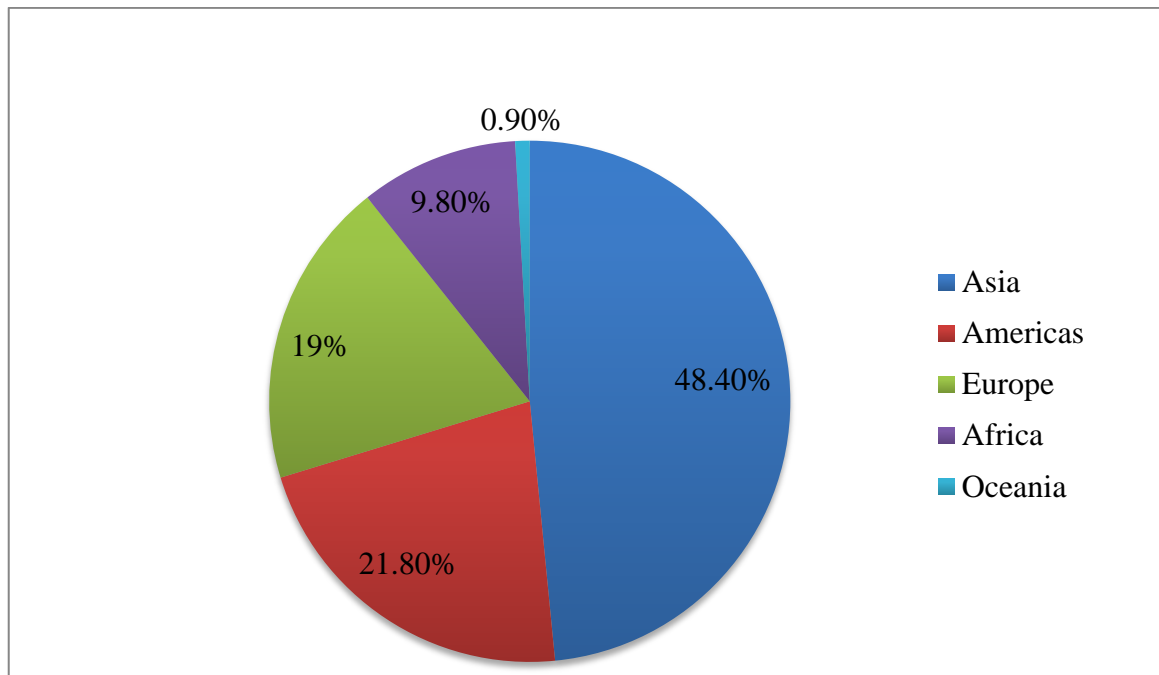


Figure 12 : Internet users by region (internetlivestats.com)

5.1.2 Internet Usage in the European Union

More than four fifths of Europeans used the internet in 2016. It has become important for daily life, education, work and participation in society as it enables people to access information and services at any time from any place. However, internet habits of different countries and age groups vary significantly and 14 % of the EU population have never used the internet (Eurostat).

Table 2: Internet users in the EU (Eurostat)

Country	Population	Internet Users	Penetration
Germany	81,174,000	71,727,551	88.40%
United Kingdom	64,767,115	59,333,154	91.60%
France	66,132,169	55,429,382	83.80%
Italy	60,795,612	37,668,961	62.00%
Spain	46,439,864	35,705,960	76.90%
Poland	38,005,614	25,666,238	67.50%
Netherlands	16,900,726	16,143,879	95.50%
Romania	19,861,408	11,178,477	56.30%
Belgium	11,258,434	9,569,669	85.00%
Sweden	9,747,355	9,216,226	94.60%
Czech Republic	10,538,275	8,400,059	79.70%

In the EU, 71 % of all individuals used the internet every day or almost every day. The share of daily users was the highest in Luxembourg (93 %), followed by Denmark (89 %), the United Kingdom (88 %). Age and level of formal education have a significant impact on the use of internet by individuals: differences revealed the existence of 'digital divide' across generations and educational attainment. 96 % of individuals aged 16-24 were regular internet users against 57 % in the 55-74 age group. Individuals with a higher level of education were almost all regular internet users (96 %), while less than 60 % of individuals with a lower level of education used the internet regularly (Eurostat).

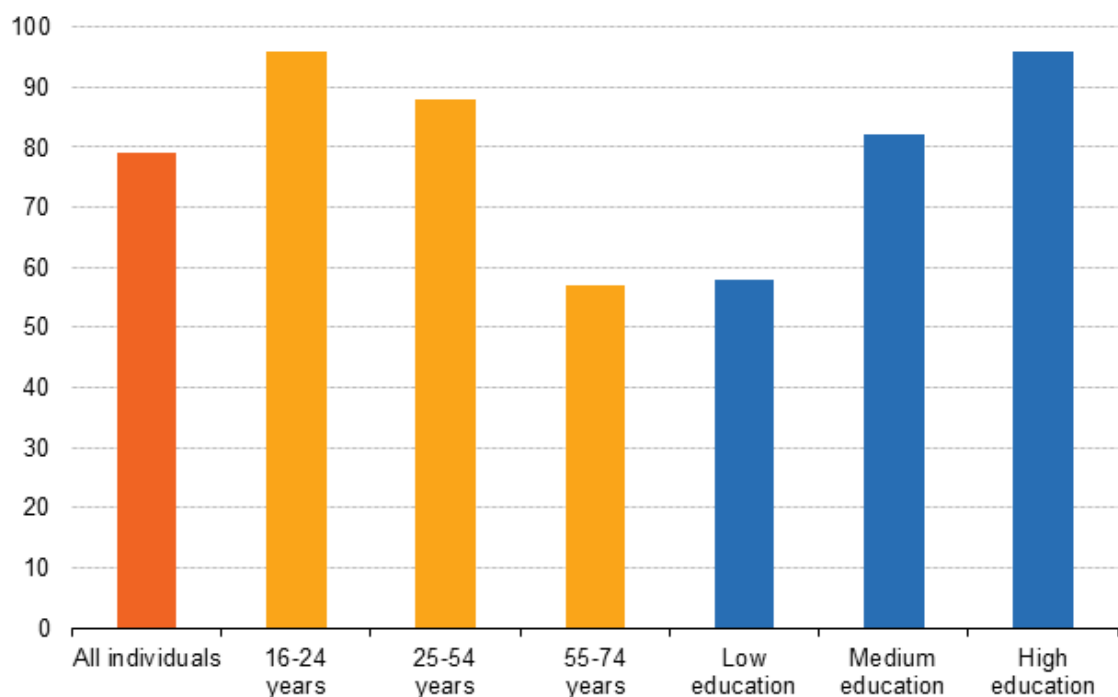


Figure 13: EU Internet users age and education (Eurostat)

5.1.3 Internet Activity

Communication by e-mail and finding information about goods and services are the most popular activities carried out in internet. These activities are more or less equally important for internet users in all age groups. On average, 86 % of European internet users aged 16-74 have sent and received e-mails for private purposes and 80 % have searched for information.

Similar patterns occurred for reading online news, newspapers or magazines: 70 % of European internet users read online without significant differences among the age groups (Eurostat).

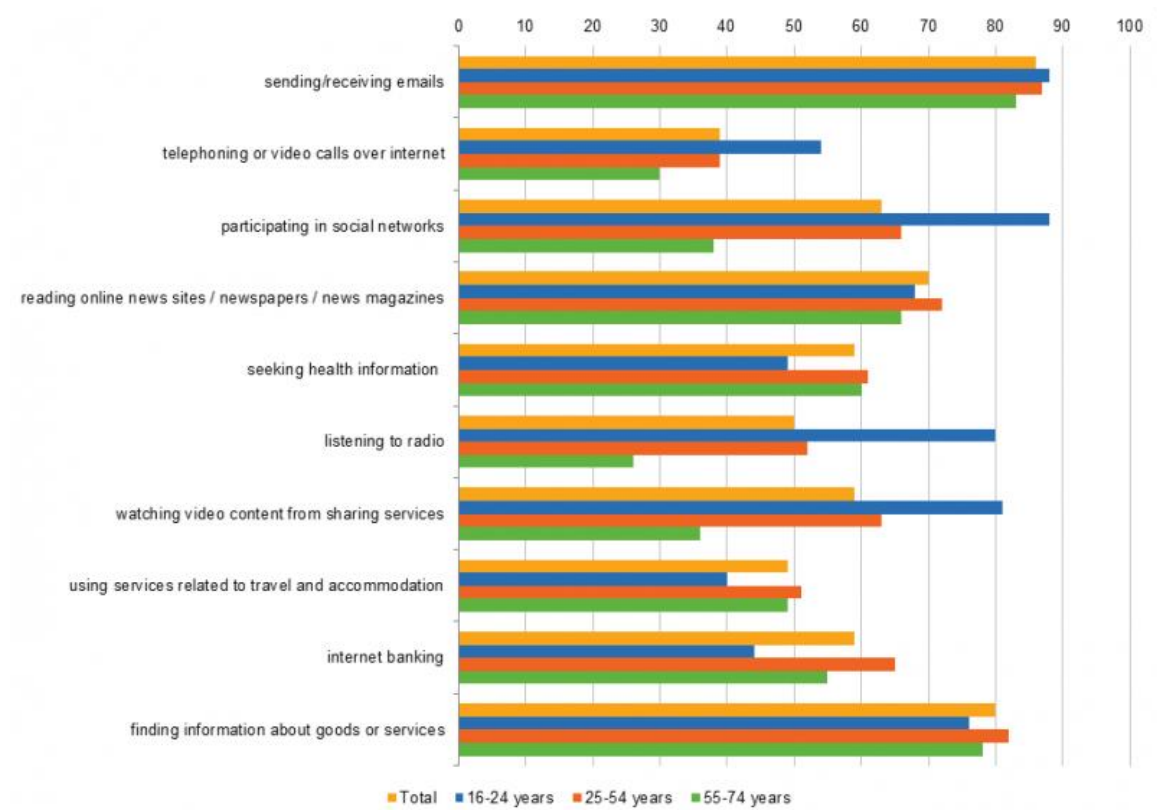


Figure 14: Internet users activities (Eurostat)

5.1.4 Share of turnover from e-sales

During 2015, one out of five enterprises in the EU-28 made electronic sales. The percentage of turnover on e-sales amounted to 16 % of the total turnover of enterprises with 10 or more persons employed.

In the EU-28, during the period 2008 to 2015, the percentage of enterprises that had e-sales increased by 7 percentage points whereas the enterprises' turnover from e-sales increased only by 4 percentage points (Eurostat).

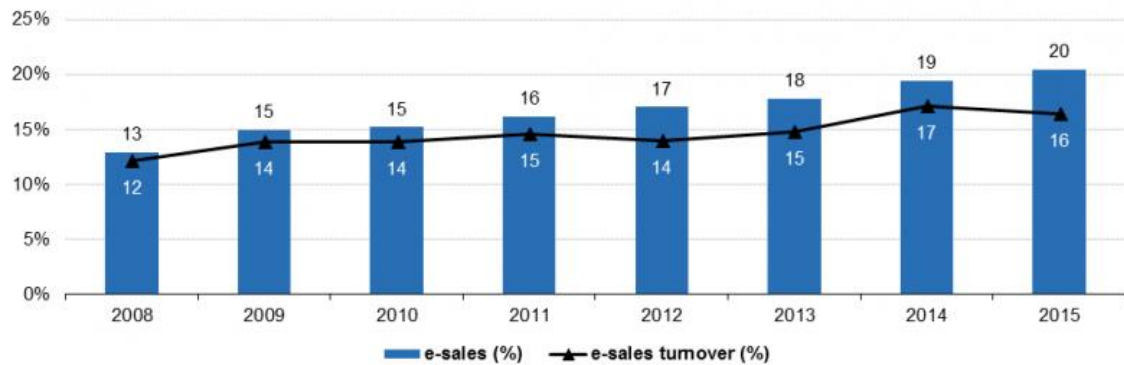


Figure 15 : Share of turnover from e-sales (Eurostat)

5.1.5 Online Shopping Behavior

About two thirds of internet users in the EU shopped online in 2016. Overall, the share of e-shoppers in internet users is growing, with the highest proportions being found in the 16-24 and 25-54 age groups; 68 % and 69 % respectively (Eurostat).

The most popular type of goods and services purchased online in the EU was clothes and sport goods (61 % of e-buyers), followed by travel and holiday accommodation (52 %). E-shoppers aged 16-24 were the top age group when it came to clothes and sports goods purchases (69 %), those aged 25-54 in buying household goods (49 %) and the older age group (55-74) in online purchases of travel and holiday accommodation (57 %) (Eurostat).

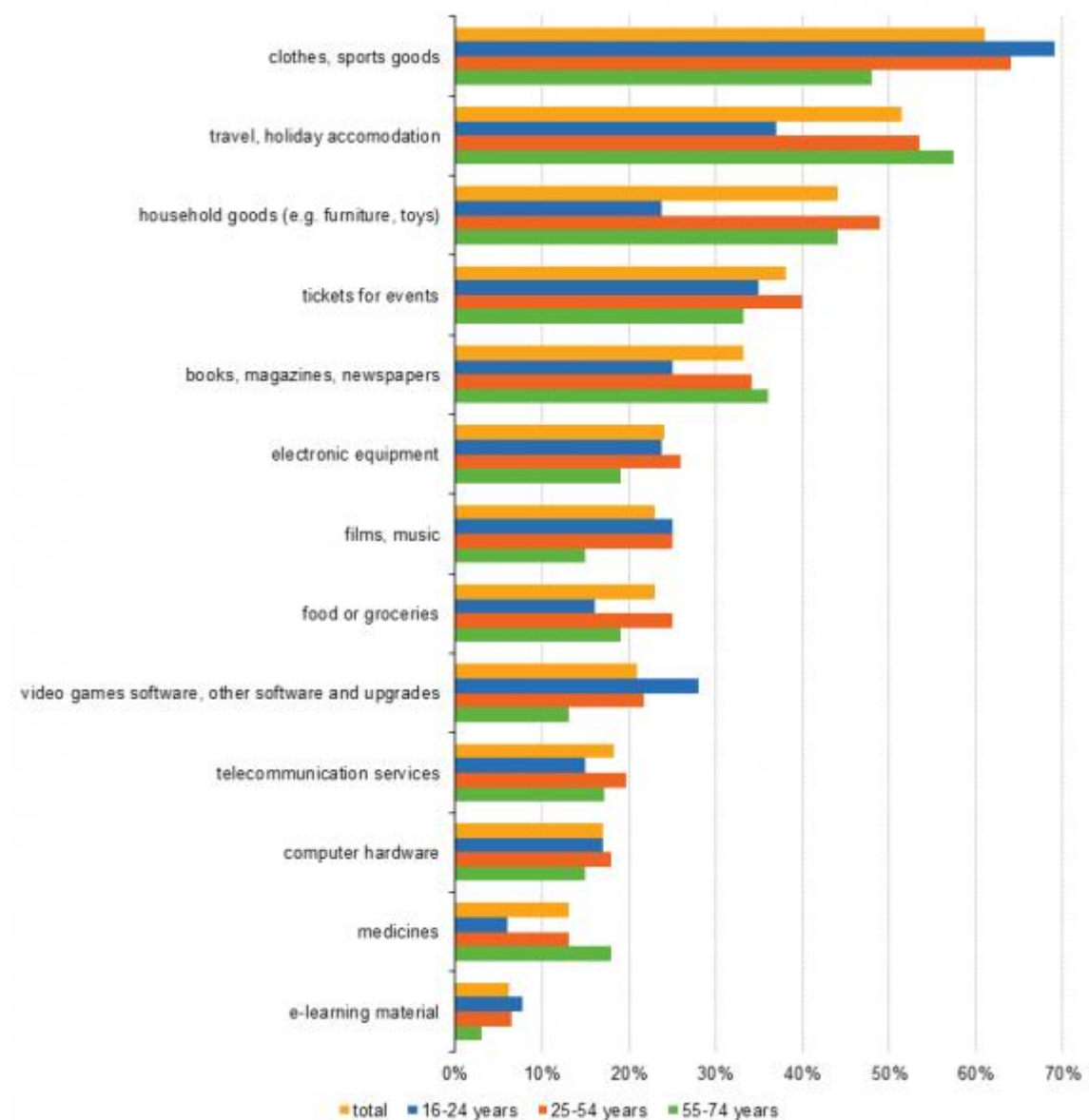


Figure 16: Online Shopping Behavior (Eurostat)

About 35 % of e-shoppers had in the previous three months bought goods or services for private use once or twice and a third had done so three to five times. The proportion of e-shoppers who had made online purchases over 10 times was lowest, at 14 %.

The largest proportion of people buying online once or twice is found among those aged 16-24 (42 % of e-shoppers), followed by individuals aged 55-74 (40 %). People aged 25-54 stand out as making more frequent purchases: 17 % of e-shoppers in this age group bought online 6-10 times in the three months prior to the survey and 16 % did so even more often (Eurostat).

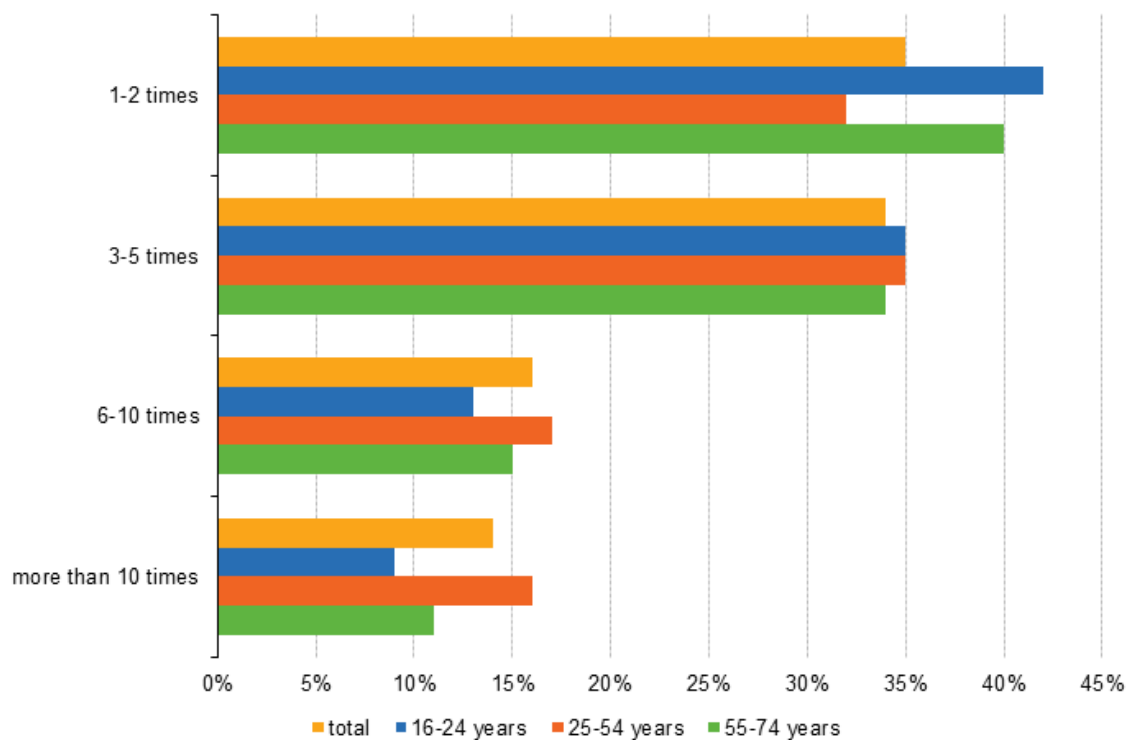


Figure 17: Online shopping frequency (Eurostat)

68 % of e-buyers reported to have no problem when purchasing online. The problems encountered most often by EU online shoppers were related to slower delivery than had been indicated at the time of making the purchase (Eurostat).

32 % of online shoppers bought or ordered goods or services from sellers in other EU countries which is an indicator of the smooth functioning of the single market for e-commerce and the extent to which consumers make use of wider choices and lower prices (Eurostat).

5.1.6 Payment preferences

While paying with a debit or credit card is a popular option in most of the markets, the Germans would rather use PayPal or similar services and the Polish have a preference for direct payments through their banks using services such as DotPay and PayU. (Postnord.com)

PayPal is the second most popular choice in the UK, France, the Netherlands, Spain and Italy, while the second choice for Germans is to pay for their purchases by invoice in arrears. Payment with cash on delivery (COD) is the second most popular choice for the Polish, and the third most popular for the Spanish and Italian markets. (Postnord.com)

5.1.7 Online shopping in czech republic

The estimated amount spent on online shopping by Czechs in 2015 was 81 Billion CZK (3 Billion Euros) as compared to 67 Billion CZK in 2014 and at least 42% of Czech shoppers have shopped online in 2015 as compared to 39% in 2014. (Aktualne.cz)

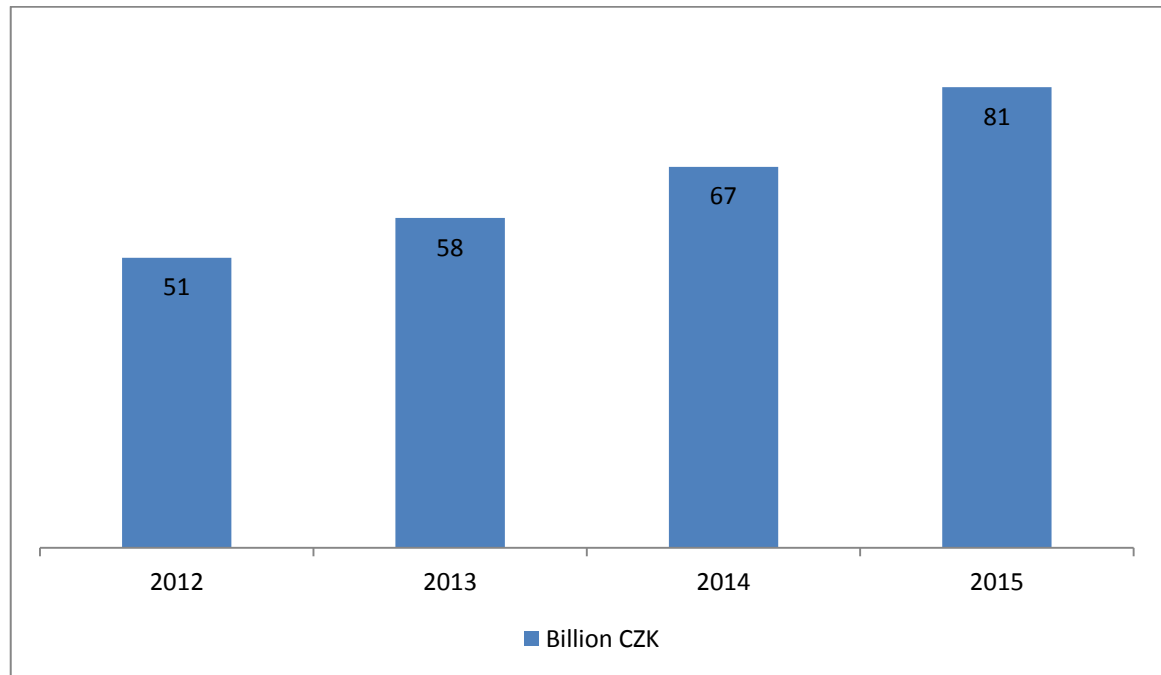


Figure 18 : Amount Spent in online shopping by Czechs (go-globe.com)

Online purchases account for 8.1% of total retail sales in Czech Republic with fashion being number one category accounting for 22% of all sales. When it comes to age, 67% of Czech internet users in the age of 25-34 years-old buy products online while 61% in the age of 16-24 years-old use the internet for online shopping. (go-globe.com)

People who buy on-line (regardless whether regularly or irregularly) buy mostly once in a quarter year (32.3 %). The second rate of buying frequency is once in month (23.9 %). Regular on-line customers purchase on-line mostly once a month (or 2-5 times a month) and irregular on-line customers use Internet for purchasing products and services mostly once a quarter year or once a half year. (Pilík, 2012)

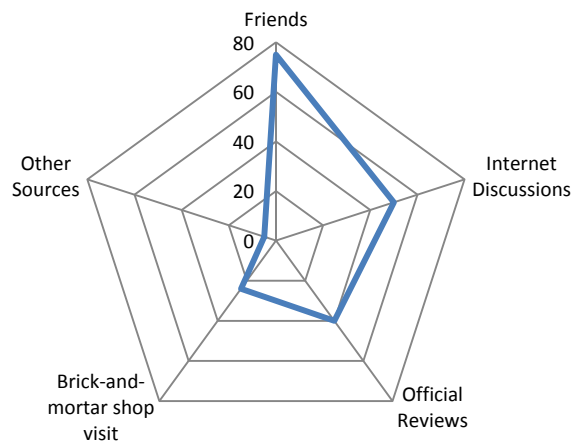


Figure 19: Information sources significant for e-shop selection in % (Pilík, 2012)

Figure 19 illustrates the main information sources which are relevant for e-shop selection. As we can see, references are the most important source of information when looking for the best e-shop. 70 % of respondents use references from their friends as the most significant information source. Positive or negative word-of-mouth influences on-line business more strongly than traditional businesses because it is something intangible for customers and they need to trust this business. Internet discussions are vital for 46 % of respondents. They are similar to word-of-mouth because real customers and users discuss e-shops, products or services and give recommendations to potential customers. Official reviews influence 45 % of on-line buyers. On-line customers are more skeptical to official reviews because they are prepared by professionals and not by real customers and users. (Pilík, 2012)

One of the main reasons for Czechs, and most global users, that influences customer purchasing decisions in Internet shopping is price. As we can see in Figure 20 price is the most important factor for on-line buyers. The second one is convenience and the possibility of online quick comparison of products. Customers can return the products in two weeks after purchasing without any

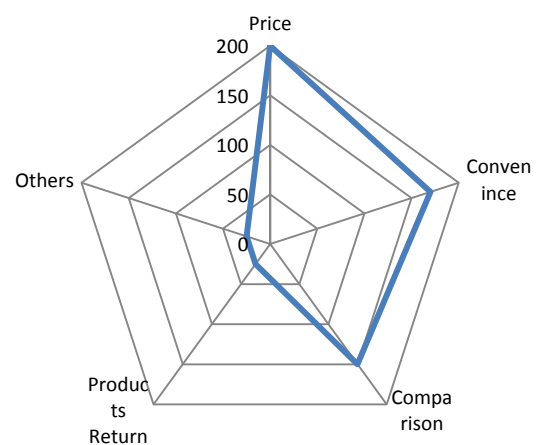


Figure 20: Customers' Main Reasons for Using Online Shops (Pilík, 2012)

reason but this factor is not significant. The other reasons were e.g. wider range of products and possibility of purchasing products from abroad. (Pilík, 2012)

6 COFFEE MARKET

In the 12-month period from June 2013 to May 2014 the total coffee export volume was 6.5 million tons. The European Union is by far the largest importer of coffee, being the destination of some 45% of all exports. In 2013 the EU imported 3 million tons of coffee, part of which was re-exported either as green or processed coffee. (ecf-coffee.org)

Europe has the highest per capita coffee consumption in the world. The EU consumes 2.5 million tons coffee per year, which equates to 4 kilos of roasted coffee per EU inhabitant per year. Every day some 725 million cups of coffee are drunk in the EU. (ecf-coffee.org)

Czech Republic comes in the 33rd place for top coffee consuming countries with 2.3kg per capita. Slovakia comes slightly higher being in the 30th place with 2.5kg per capita. Neighbor countries, which can be potential market for growth, score even higher ranks; Poland 23rd place with 3.1kg per capita, Germany 8th place with 5.2kg per capita, and Austria 5th place with 5.5kg per capita. (Euromonitor.com)

6.1 Coffee market recent trends

6.1.1 The third wave: The experience of drinking coffee

The ‘third wave of coffee’ refers to a current movement involving the production of high-quality coffee and the promotion of coffee as an artisanal product rather than as a commodity. Several current trends are consistent with this ‘third wave’, including individualization of coffee consumption. Single-serving options in a variety of flavors are becoming increasingly available in Europe. Coffee capsules currently account for about 15% of the coffee market (P&A Coffee Newsletter, 2014).

The individualization of coffee is accompanied by an increase in the demand for specialty coffee. Although most consumers in Europe continue to purchase inexpensive (bulk) coffee, the number who would be willing to pay higher prices for coffees of high quality is increasing, thus highlighting exceptional qualities and the importance of origin. (cbi.eu)

The trade in green coffee beans at the consumer level is also increasing in Europe. Although it currently accounts for only a very small fraction of the market, it is following a trend towards home-roasting/on-site roasting, especially in relation to the current increase in the consumption of specialty coffee. (cbi.eu)

6.1.2 Demand for ethical coffee

Increased concern for sustainable sourcing has spurred demand for certified food and beverage items, and it is having a strong impact on the coffee market. Standard-compliant coffee production represented 40% of global production in 2012 (representing an increase of 15%, relative to 2008). Individual coffee consumers and the coffee industry as a whole are demanding increasing traceability within the value chain. Motivations are based on consumer safety and health, as well as on social and environmental concerns and the fact that prices are under pressure. (cbi.eu)

6.1.3 Innovation driven by demand for high-quality coffee

The emphasis on quality on the European market has increased the importance of techniques for cultivation, harvest, sorting, processing and blending. The development of resistant and more productive coffee trees and seeds through genome innovation is an important tool e.g. for sustaining production and reducing the use of agrochemicals. (cbi.eu)

6.1.4 Coffee prices: Influences of a global market

The causes of price volatility for coffee are largely systemic: price speculation, unfavorable weather conditions and climate change. Underlying causes include the prevailing uncertainty surrounding the damage to the Brazilian crop, combined with the higher than usual price volatility (ICO Monthly Coffee Report May 2014; Coffee Market Report May 2015). Price wars between supermarkets have been fierce in recent years. This is becoming increasingly common, as the retail sector is also experiencing a series of mergers and acquisitions. (cbi.eu)

6.2 Coffee industry prospects in the Czech Republic

Coffee is expected to have a compound annual growth of 2% at constant 2016 prices over the forecast period to reach CZK9.3 billion by 2021. Coffee will benefit from rising average unit prices as well as a growing possession rate of coffee pod machines, underlining product premiumisation and the increasing popularity of fair trade and organic products. Retail volume sales are expected to see positive, albeit negligible, growth in the forecast period to reach 21,751 tons by 2021. (euromonitor.com)

6.3 Online Search for Coffee Keywords

The table 3 shows how frequently Czechs use search engines like Google to search for coffee using variations of keywords.

Table 3 : Keyword Research in CZ (own search)

Keyword	Avg. monthly searches	Translation
káva	1,000 – 10,000	coffee
kávovar	10,000 – 100,000	coffeemaker
zelená káva	10,000 – 100,000	green coffee
zrnková káva	1,000 – 10,000	coffee beans
čaj	1,000 – 10,000	tea
kvalitní káva	100 – 1,000	quality coffee
pražírna kávy	100 – 1,000	coffee roaster
druhy kávy	1,000 – 10,000	coffee
káva eshop	10 – 100	coffee shop
prodej kávy	100 – 1,000	The sale of coffee

7 COMPETITOR ANALYSIS

7.1 World Wide Competitors

7.1.1 Craft Coffee

Craftcoffee.com is one of the first to offer subscriptions founded 2010. Craft Coffee is direct-to-consumer, internet-only company initially sourced from various roasters. With the company's success and growth, Craft has taken on the task of roasting its own coffees in Brooklyn. To match Craft coffees to specific consumer tastes, the website guides shoppers through a list of well-known roasters and coffee names like Stumptown's Hair Bender blend, and suggests something similar from the Craft portfolio. Craft keeps the pressure low; there's no commitment to recurring deliveries. Shipping is free and prices are competitive since one of the company's selling points is to offer the same price as a comparable product in a grocery store.

Price: The \$24.99 sampler boxes comes with three 4 ounce sample bags. Meanwhile, 12 ounce bags of Craft Coffee's Flagship blends are available at various roast levels and price points from \$9-\$16. Craft Coffee's single-origin is the priciest of the 12 ounce bags at \$20.

User Experience: CEO Mike Horn counts Craft Coffee's website as the company's greatest asset. Horn recently overhauled it to accommodate an increased demand and highlight its new hybrid roasting/sourcing model. Subscribers can rate coffees upon receiving them.

Freshness: Sampler boxes arrive within seven to nine business, and the beans are usually ten days off-roast, with their Flagship coffees closer to a week off-roast.

7.1.2 MistBox

MistoBox came on to the subscription scene at a fast clip. Connor Riley and Samantha Meis started the company as a senior project at University of Arizona in 2011. The following year they completed a successful Kickstarter campaign. In 2013, they made their mark on the burgeoning subscription scene by winning the favor of investor Mark Cuban along with \$75,000 on ABC's Shark Tank. Since then they've built quite the catalog of roasters, including many third-wave darlings like Verve, Equator, Ruby, Kaldi's and Panther, just to name a few.

Price: All 12 ounce bags are classified on a quality level tiered system. Basic, Deluxe, and Exclusive are priced at \$16, \$19, and \$22, respectively. Shipping frequency can be set from every five to 45 days.

User Experience: MistoBox's site is fairly easy to maneuver, with a clean design and stress-free modulation between value preference and shipping frequency. For one-off purchases, coffees are listed in alphabetical order by roaster, with pictures of various fruits and other foods to signal flavor profiles. While we weren't entirely certain we had successfully ordered the discovery box for our first shipment, the support team was fairly attentive, reassuring us that a discovery box was en route though our account did not specify as much.

Freshness: Discovery box bags do not disclose roast dates, but individual 12 ounce coffees sent by their respective roasters almost invariably show the date a coffee was roasted. All individual bags are sent through drop-shipping, meaning directly from the roaster. The MistoBox teams says subscribers should receive these freshly roasted coffees within three to five business days.

What is your favorite roast level?

Light

LIGHT BROWN WITH NO OILS AND COMPLEX FLAVORS

Medium

MEDIUM BROWN WITH LIGHT OILS AND RICH FLAVORS

Dark

DARK BROWN WITH OILY SURFACE AND ROASTY FLAVORS

Which types of coffee?

You can select more than one option

Single Origin

Coffee grown in a specific place and roasted to highlight its unique characteristics

EXAMPLE: ETHIOPIA ARDI

Espresso

Coffee roasted or blended in a way that makes it ideal for preparing espresso

EXAMPLE: CITY ESPRESSO

Blends

Coffee grown in multiple locations blended together to produce a balanced cup

EXAMPLE: METHOD BLEND

Figure 21: MistoBox Subscription Page

7.1.3 Crema.Co

The upstart went live late last year following a successful Kickstarter campaign in the spring and beta-period in the fall. Choosy subscribers and the surprise-averse will like this one. As opposed to submitting oneself to the somewhat random process of coffee curation, users can search the different coffees available by preferred roast level, geography, or certification status. Upon opening an account, subscribers can create their own brewlist, a coffee wishlist almost like a Netflix queue. As users peruse the available selections, they learn more about the farmers, regions, and roasters attached to a given coffee, and can add desired coffees to their brewlist.

Price: Coffees are priced on bag-by-bag basis ranging from \$16-\$20 for 12 ounces.

User Experience: Whenever a user is logged on, his/her brewlist is always easily accessible, and he/she can pause and resume delivery at any time. A subscriber will receive an email notification when a favored coffee is low, when it is gone, or when a new coffee becomes available.

Freshness: By also using the drop-shipping method, coffees arrive within four to five business days from the moment they are sent from the individual roaster. It maintains its complex flavors for a solid week of brewing.

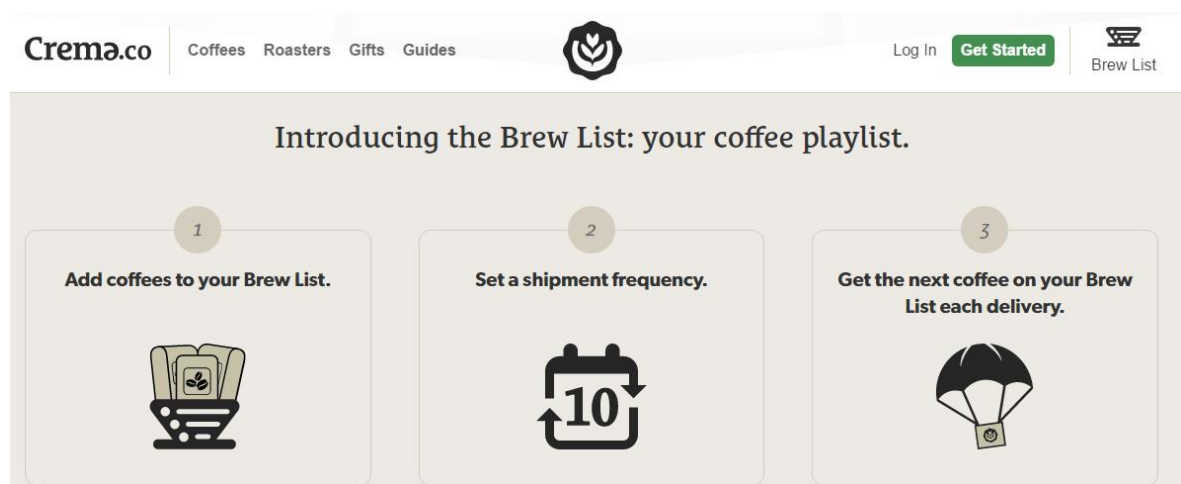


Figure 22: Crema.co Front Page

7.1.4 Angels' Cup

Subscribers can order a single bag of coffee, but the company pushes its sampler packs, which come in two sizes/price points. From there the consumer can select the frequency coffee is received: weekly, bi-weekly, or monthly. Every month the customer receives four different bags of coffee. With two new coffees collected and shipped out every week, Angels' Cup has over 100 specialty coffee roasters on its roster, in spite of only being in business since early 2015.

Price: The Black Box: Four 4 ounce samples at \$22; The Cupping Flight: Four 1 ounce samples at \$9. All Stars: One 12-ounce bag at \$20.

User Experience: Angel's Cup is fairly easy to navigate, as the subscription is virtually on autopilot once it takes off. That said, it's easily the most interactive of the services mentioned herein. Users can also download an application that walks them through either a beginner tasting or an advanced tasting for each coffee without revealing the brew's identity until the end. Subscriber assessments of a given coffee's taste, aroma, and cup profile can be conducted on the app, which is the strongest aspect of Angels' Cup's user experience. If customers like a coffee offered through the flight, they can purchase it on Angels' Cup's website. Alternatively, customers can go straight to the website and see previously shipped coffees complete with Angels' Cup's flavor assessment. These coffees, too, are sold online and shipped direct from the roaster.

Freshness: Angels' Cup cycles in four new coffees every week, showcasing two different roasts from two different roasters. When I placed coffee orders for the sake of this article, I ordered all at the exact same time, and it's worthwhile to note that Angels' Cup was the quickest to arrive—in fact, the only one to do so within a calendar week. The four coffees in the two-roaster flight were just a little over a week off-roast.

7.2 Czech Competitors

7.2.1 Coffee to Home

Coffeetohome.cz is the only online coffee subscription service in the Czech Republic. It was founded by Ondřej Macků and Tibor Kučera as a side business in 2015. Both founders, who are also the only team members, still have their own full time jobs. Their service is targeting the Czech market by providing only specialty coffee serving degustation packages. They have partnerships with various roasters. They ship their products only through Czech post. They also don't accept payment by credit cards and only work through bank transfer. When it comes to promotion, they are currently acquiring customers only through search engine search. Their social media page on Facebook is almost inactive with a post every month. Their package includes three 50 grams bags of coffee for 299 CZK. Customers, who subscribe, receive their package only at the beginning of the month which includes a new specialty coffee every month.



Figure 23: Coffee to Home Front Page

7.2.2 Coffee Brands in the Czech Republic

Foreign companies are dominating 85%-90% of the market. Foreign companies purchased local coffee manufacturers and engaged in aggressive advertising to achieve domination of the market. Nowadays, the Czech market is dominated by three global players: Tchibo Praha with 25.3% market share, Kraft Foods with 24.1% market share, and Douwe Egberts with 20% market share. Marila Balirny then follows with 12.1% on the ground coffee market. Similarly, Nestle company is also competing in only one category, instant coffee, where possess as much as 50% of the instant coffee market. (Proexport)

Tchibo

Tchibo, founded in 1949 and owned by Maxingvest AG, is a German chain of coffee retailers and cafés. In 1991, it was the first international supplier to enter the Czech market. Today, Tchibo leads the roasted coffee market with its international Tchibo brand and the local Jihlavanka brand. Tchibo is represented in all segments of the roasted and instant coffee and instant specialties markets. Distribution nationwide takes place through retail and wholesaling outlets, and it also supplies hotels, restaurants and offices with coffee and coffee products.

Douwe Egberts

Douwe Egberts, a Dutch privately owned company founded in 1753, is a brand of coffee, and company namesake. It has been active on the Czech market since 1992 when it acquired the local company Balirny Praha. It supplies coffee and tea. The most important product range is granular and milled roasted coffee supplied under the international Douwe Egberts brand.

Nestle

Nestle has entered the market in 1992, first as a distribution company. Next to coffee the company produces and distributes a vast portfolio of food and non-food items. Nestle is only active in the instant coffee segment, of which its main marketed brands are: Nescafe Classic, Nescafe Gold, Nescafe Espresso and Nescafe Cappuccino.

8 PROJECT FOR ESTABLISHING ONLINE COFFEE SUBSCRIPTION SERVICE

Coffee is argued to be the second most traded commodity in the world after crude oil. It's also one of the most popular products sold via a subscription model. There is huge demand worldwide for coffee. Subscriptions make inordinate sense: customers don't need to race to find your place when their bean count drops, and repeat business is automated from the comfort of their home. It's a win-win, securing loyalty and ensuring the cupboard is never bare.

The purpose of this project is to establish an online coffee subscription serving the Czech market with potential growth to neighbor countries. The project will cover the marketing strategy to enter the Czech market, implementation of project and overall evaluation of the proposed project by the time, risk and cost analysis.

Firstly, marketing strategy will concentrate on the mission, objective and goals of the business as well as positioning to target audience. It will also go through the legal registration process to start a business in Czech Republic. The marketing mix will be included in detailed analysis of 4Ps for the business and how to implement and control the project in reality.

The project includes the risk analysis, cost analysis and time analysis pointing out the potential risks existing in the market, how to finance the project and the time for implementing all activities.

8.1 MARKETING STRATEGY

8.1.1 MISSION, VISION, AND GOALS

Mission:

The mission of this coffee subscription business is to provide coffee-loving customers with a high quality product and unique experience to their doorsteps.

Vision:

- Become the leading coffee subscription business in the Czech market
- Have a close rapport with customers
- Expand the business and distribution network to other neighbor markets

Goals:

- Achieve 10% conversion rate
- Maintain positive, steady growth each month
- Decrease cost per customer acquisition 8% per year
- Maintain less than 7% annual churn rate
- Improve product quality and customer services

8.1.2 Competitive Advantage and Positioning

The online website is offering customers a subscription based model. Subscribers never have to remember to reorder every month, which gives them the reassurance that they will have whatever they need before they actually need it. Everything arrives to their door like magic; removing the hassle of making a trip to the store or website to place an order. Second, subscriptions offer a flat rate which helps customers stay within their budget.

For this businesses, the value of a subscription is the ability to predict revenue through recurring sales. Recurring revenue is perhaps one of the most compelling factors in a company valuation; the more guaranteed revenue you can offer a potential acquirer, the more valuable business is going to be. This consistency in revenue also allows us to easily calculate the lifetime value of a customer, manage inventory, and offer simple pricing and many other business benefits.

Subscription model allows the service provider to grow a relationship with customers and cater to their needs as they change. It builds a substantial level of trust since the customer knows that business have their best interests in mind and understand their desires. Moreover, it also forces us to be accountable in our client relationships. In a project, the goal is to finish, whereas with a subscription, the goal is to accomplish the objective and continue to provide value over time. The firm will always be pushing for innovation and exploring ways to make a greater impact, to be proactive instead of reactive.

This coffee subscription business differentiates itself by providing customers with a number of advantages that are not offered by competitors in the market. The service is based on a smart, easy to use technology that enables customers to choose the amount of coffee, frequency, and exact date of delivery. Customers are also able to pause their subscription at any given time.

The online website offers customers a secure automatic online payment. Customers don't need to do a bank transfer neither do they need to perform the payment on a regular process. Once they provide their payment card information the first time, the system securely restores the data and charges them regularly accordingly sending them a notification email with the receipt.

The online website is providing customers with the option to choose between whole coffee beans or ground beans. Moreover, according to their preference, they can choose the degree of roasting. The partnership with suppliers enables us to provide such freedom to satisfy customers' desires.

The business is providing a unique platform in which content is utilized to educate prospects on prepare and enjoy every different cup of coffee, thus, positioning ourselves as the go-to authority on that subject within the coffee-lovers community.

8.1.3 Target Customers

A company wouldn't exist without customers so it is essential to have a clear understanding of who they are and what they want. When business narrows its message and audience to a group who values what they are selling, then the rest of marketing system becomes obvious and easy to implement, not to mention the fact that business will save tons of money by only investing in tasks, tools and resources our ideal customers appreciate.

Crafting an accurate customer profile requires us to fully understand our own products, services, mission and goals as an organization. This is an ongoing process, but from the very beginning it's essential to understand who we want our customer to be and how that relates to how our products and services are developed and packaged. The use of our offerings affects what type of people decide to use them and therefore, must be monitored accordingly to ensure our products and services are of the highest value to that audience.

The main target audience is coffee lovers but for the unique distribution channel being using, online, business is targeting a niche segment interested in such service. Ideal customers are males and females who lay in the age range of 25 to 54 years old. According to research, this age segment tends to spend more money on buying food and grocery online. One other important element for focusing on that age range is the fact that we are following a subscription model. This group stands out as making more frequent purchases; 17%

of e-shoppers in this age group bought online 6-10 times in the three months prior to the survey and 16% did so even more often.

The ideal customer has a higher education; a group that 96% of are regular internet users. They have a recurring source of income over 30 thousands czech crown monthly and they participate in online shopping activities on a regular basis. Target audience is the decision maker when it comes to their purchasing power. Business is focusing on customers residing in Prague, the capital city, since they represent the majority of coffee consuming with about 20% and also they are the majority involved in online purchasing activities. Business is targeting both locals and foreigners who represent about 12% of Prague residents.

The website is targeting customers who consume coffee on a daily bases with at least one cup each day. The quality of the coffee is one of their main factors for choosing a brand. They prefer to prepare their coffee themselves. They usually have a coffee machine either at home or at work. The first segment prefers coffee that is aromatic, full, strong and bitter, or slightly sweet. The other segment tends to prefer milky coffee like cafe latte and cappuccino.

The target audience is active online users. They use internet to for finding information about goods and services. They read online news websites and magazines. They are keen, daily social media users which they use for communicating with friends and for finding out about new products and deals. They are avid of online shopping which they use to buy clothes, sports goods, household goods, electronic equipment, food and grocery. They do and online purchase at least once a month. They have an online subscription on services like Spotify or Netflix. They prefer to use payment cards for their online activities.

8.1.4 Marketing Mix

Product

The primary offered product is freshly roasted coffee. There are two forms of coffee; whole beans and ground beans. The whole beans are mainly targeted at customers who have their own coffee machine. Ground beans targeted at customer who are more time sensitive and those who prefer turek coffee which is made from finely ground coffee beans onto which hot water is poured.

The coffee species being offered is Arabica Coffee which represents more than three-quarters of the beans that are sold in the world today. These are the higher quality beans

and are referred to as gourmet coffee. They have half the amount of caffeine as Robusta Coffee and have more pleasing flavors and aromatic properties.




As supplementary products customers are provided with coffee grinders and coffee machines necessary to prepare and consume the primary product being offered.

Price

Since consumer buying habits are trending toward more simple and hassle-free shopping experiences, more and more companies are jumping into the subscription space and seeing incredible growth which encouraged us to follow the same model. Dollar Shave Club, one of most famous subscription-based startups, hit the jackpot when Unilever agreed to buy the online men's razor merchant for \$1 billion in 2016. During their first-year sales were \$4 million, followed by \$19 million in 2013, \$65 million the following year, and \$240 million in the year prior to their acquisition.

Pricing is the most valuable strategic weapon as a subscription business, because it is directly tied to three fundamental growth strategies: acquiring new customers, increasing the value of existing customers, and reducing customer churn. The one-price-fits-all days are over, as this approach turns off downsell opportunities and leaves money on the table from active users. Customers are offered products using a number of pricing strategies. Customers willing to pay per shipping would pay 299CZK for a 150-grams package of our coffee. Those who pay per 6 shipments receive a 15% discount while those who pay for 12 shipments receive 20% discount. The price strategy is based on shipments since our smart system allows customer to receive their packages every week, every two weeks, every three weeks, or every four weeks according to their consumption habits.

Table 4: Price strategy (own source)

		
<p>Per shipment 299CZK</p>	<p>6 shipments 254CZK/shipment Save 15%</p>	<p>12 shipments 239CZK/shipment Save 20%</p>

Markets can evolve quickly, and customers' needs will likely change over time. Competitors may enter with a differentiated offering. It's critical that our pricing and packaging, a strategic weapon for driving growth, is flexible and dynamic. As a subscription business, it's important to rapidly iterate on pricing models to maximize subscriber acquisition and market share.

Placement

For this service, the website is the location. The distribution channel is one of the main assets of our business differentiating us from competition. There is always a higher cost and risk to invest in a traditional store which includes rental, utilities, employment, management and operation costs. On the other hand, the rapid and strong infrastructure development and the growing number of internet usage making it an essential part of customers daily life for many purposes including following news, searching for information, personal and professional communication. Online shopping is not an exception and is growing year per year both worldwide and in the Czech Republic. Online shopping has become a more convenient method for the customers to search products, compare prices among suppliers and order quickly and easily via the internet.

The website is the place where our customers browse and buy the products and also adjust their subscription model whenever they need. Customers will expect the same level of service online as they would get in a store or even better. They are given an exceptional shopping experience through a well-designed, easy to navigate website that provides quick and friendly service in a safe and secure environment. The website is also providing a smart system that help customers to choose the right coffee and right amount they would need through a step-by-step signup process which translate the amount of coffee into the number of cups a customer usually drinks. A big advantage of online over a physical store is that our customer can order at their own convenience 24/7, without us having to keep our doors open. This, though, requires us to use the best service providers to ensure a higher uptime so that our website is always functioning smoothly and serving our customers.

TELL US WHAT YOU NEED.

I'd like...



Delivered to me...

Month

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

One 250g / 8.8oz box of coffee at \$16.

weekly every other week

Figure 24: Website subscription page model (supercrown.coffee)

Promotion

According to Kotler (2005), the advertising plan starts from setting your objective which should be based on identifying the target customers and the primary aim of the company on the market. Promotion is one of the most complementary sales channels to a successful business. It is the tool that grabs the customers' attention and leads to generating sales and increasing brand popularity and loyalty.

Being a solely online service with a defined target audience who are active internet users and keen online shoppers, our promotion is focused on digital marketing. The design and development of our website is the main face of our business and it is a strong promotion tool to increase website awareness, satisfaction, loyalty and word of mouth. Additionally, customers will be approached through various digital channels including search engine optimization, search engine marketing, pay per click advertisements, social media engagement and social media advertising. Promoting the business through these channels is covered in more details in the customer acquisition strategy below.

Despite selling our product online, this product is still a tangible one. Packaging of the product is one other important element of customer experience since it involves the senses missing in online transactions which are touching and smelling. The firm is using a recyclable paper packaging for the coffee which appeals to the target young customers who are more concerned about environment protection. Each package arrives with a brief note that provides customers with tips and ideas about enjoying their coffee. Using packaging as

another tool of promotion increase user loyalty and encourages spreading the word about the unique product and experience.

8.1.5 Customer Acquisition Strategy

To generate revenue and grow a business, a startup needs an escalating customers database. The customer acquisition plan defines the process of bringing new customers to a particular product or service. Startup growth happens in spurts. Initially, growth is usually slow. Then, it spikes as a useful traction channel is unlocked. Eventually it flattens out again as a channel gets saturated and becomes less effective. Then, you unlock another strategy and you get another spike. Therefore, plan must be dynamic by developing a process to acquire customers.

Before taking the decision to introduce the product and service to customers, first, the firm needs to make sure that it is ready for users. That includes making the right agreements and arrangements with coffee suppliers, payment system and delivery companies. The firm needs to check that the website is well-functioning, bug-free and no issues will affect the customer experience. Attracting a number of customers also acquires you to ensure your servers can handle the additional activities and that your team is ready to respond to the questions and concerns of new customers.

A good customer acquisition plan starts with defining our ideal customer, our goals, our customer acquisition funnel, and our metrics. From there, business can create unique growth process from which to fill out and implement the plan.

Goals

Determining goals, milestones and priorities; these three tasks make people more productive. Productivity makes better use of time which is directly related to growth. It is vital to have a goal driven process. Once goals are established, it's possible to create a process or system to work within, and then fill it with strategy and ideas to align with these goals. Lastly, break those down into specific tactics to execute.

Introducing a new concept to the market, buying coffee through an online subscription model, requires having our first goal to increase brand awareness about such new offering. Increase exposure so that more and more people know about our brand, are familiar with

what it does and can recall it, recommend it or think about it later on in their time of need. Brand awareness might not provide a direct return on the financial investment right away, but more often than not, that brand awareness will benefit the brand down the line, turning into a lead, a sale or a referral.

Generating qualified traffic to any online startup is one of the most important goals to sustain the business. Having high quality traffic to the website enables us to show off our brand, value proposition and competitive advantage. The goal is to make sure the firm attracts the right prospects to the website through the different digital channels. Not only are we aiming to attract the right visitors but it's important to have a big pool of potential users from which we can work to convert the highest possible percentage of them.

The monetary goal is conversions. They are the lifeblood of any online marketing campaign. Getting traffic to the website is great, but if that traffic doesn't convert, it's almost useless. Having a good conversion rate is the foundation of high sales volume. In online marketing, a conversion rate is the ratio of total visitors to visitors who perform desired actions. In our case, it's visitors who subscribe to our service. The goal is to achieve a minimum of 10% conversion rate with a close monitoring, analysis and optimization to reach and exceed that target.

Client retention is an enormous factor for the success of any subscription-based business. It means a continuing stream of revenue without the cost or effort of new customer acquisition. Once a customer is not always a customer and it costs five times as much to attract a new customer, than to keep an existing one. The firm is aiming to keep customers to that our churn rate stays below 7% annually.

Acquisition Funnel

From the moment a firm reaches out to prospects, be it a social media post or a display ad or any other form, they go through different steps till they actually turn into customers by paying money to subscribe to our service. This process is often thought of as a funnel where you pour in prospects at the top, and various steps in the process, some percentage of prospects successfully convert to the next stage, making the funnel narrower as the process evolves. It's important to recognize each step as this allows us to identify any leaks in the acquisition funnel and guide us on how to tailor our message accordingly at each step.

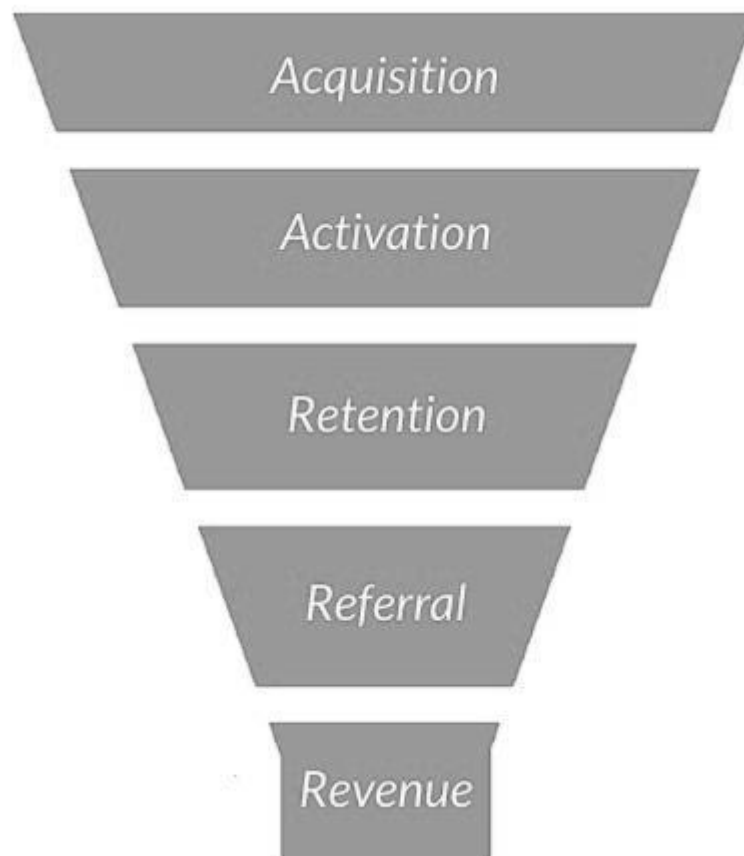


Figure 25: Acquisition Funnel (apptentive.com)

At the top of the funnel (TOFU), specifically the acquisition stage, lays our awareness campaigns as well as traction. At that stage business needs prospects to become aware about our solution. Website will be optimized to appear in search engines result page when customers are searching for related customers to coffee. The firm will also be using social media organic and paid reach to promote our service. Additionally, the firm will make use of both online PR and influencers to get the word spinning our new offering. At this stage, we will be measuring our activities through the number of visitors to our website and the number of searches on our brand name.

At the middle of the funnel (MOFU), activation and retention and referral stages, comes evaluation. Those prospects that move through the awareness stage must now evaluate the various choices available to them, including our competitors. In this stage we drive growth first through the sleek design of our website and the easy navigation. Secondly by easily explaining our service through both visual and text content and allowing the customer to go through the steps of building his subscription without the need to register or provide any personal information upfront. In this stage, we are also using our blog to provide educa-

tional content about coffee to set our self as trustworthy source of information for prospects to keep coming back to. This will be packed by a newsletter subscription form to enable visitors receive all of our new pieces of content. Website will be using re-marketing campaigns to grab the attention of customer who have already been to our website. For the referral stage, we will be, using our blog again, however, this time with entertaining content aiming at creating a buzz. This is paired with easy one-click social share buttons and populated with the help of influencers. Website will be measuring the success of these activities through the number of referrals and the social share and engagement rates.

At the bottom of the funnel (BOFU), happens conversions. Those that move through the evaluation stage are now at the moment of final decision; to purchase. Website is driving growth in this stage through special offers including free samples and special discounts on first months of subscriptions. Business is also going to use loyalty program, a success-proven growth hacking technique, in which customers receives discounts for each friend they refer to use our service. The firm will be measuring the effectiveness of our activities in that stage through the number of conversions, the conversion rate, and the participation in the loyalty program.

The goal is to keep optimizing our strategy to drive customers through the funnel so that the highest percentage possible of those poured into the top of the funnel make it to become paying customers.

Channels

Today the number of online mediums that can be used to attract customer is growing constantly. It's important to choose the right channels where the target prospects are active and engaging.

Search Engine Optimization (SEO)

During the research stage, when customers are looking for information about a product, 72% of buyers turn to Google. The first stage of research begins with general search terms as buyers explore the options at their disposal. Buyers are usually looking for educational material, customer reviews, and testimonials. The search engine optimization strategy starts with doing a keyword research to discover the keywords customers are using. The firm then optimize the website with creating pages targeting the main head keywords. The optimization includes copywriting the meta information, heading, image alt tags and pages

content. In the technical side, it's important to create sitemap xml files and robots.txt file, set the url structure, and build the internal linking design.

Search Engine Marketing (SEM/PPC)

The majority of clicks on any given search engine result page are always acquired by the very top results. With the high competition on the organic results and given the recency of our new website, it's going to take time before securing high organic ranks. Therefore, the use of search engine marketing will be a primary tool to acquire new customers. Following the same keyword research we have already performed, we will create separate Ad Groups for each close related keyword. For each Ad Group we will copywrite ads relevant to the same keyword the user is searching for targeting them to landing pages that answers their queries. This enables us to increase our ad rank and so decrease our cost per click (cpc), increase our click through rate (ctr), and eventually decrease our cost per customer acquisition (cac).

Social Media

According to Nielsen social report for 2016, adults spend more than 5 hours on social media weekly. 41% percent of consumers who spent 2 hours or less on social media spent at least \$500 on online purchases over the past 12 months, while 38 percent of consumers who spent at least 3 hours per day on social media spent \$500 or more. Social media is essential for increasing our brand awareness and acquiring new customers. Currently Facebook and Instagram are among the highest engaging platforms for our target audience. The strategy starts with setting accounts and focusing on generating visual content which generate most attraction. Business will also use social advertising which is also based on the pay per click (ppc) model. The social advertising enables us to have a very targeted audience using not only demographic and geographic targeting but also interest-based. Website will make use of re-marketing technology to reach customers on social media who previously visited our website. This enables us to increase the frequency of showing our brand tackling customer with multi-channel approach.

Email Marketing

According to Quicksprout, 91% of consumers check their email at least once a day and 66% of online consumers made a purchase as a result of a marketing email. Since email marketing is a permission-based marketing, we will use our blog to generate educational content for our target audience. With the use of newsletter opt-in forms, we will collect

prospects email addresses to use it to approach them later. For the email service provider we will go with Mailchimp which can be used for free up to 2000 email addresses. It also include marketing automation features which we will use to send automated personalized emails based on the user behavior on our website which increase the conversion rate.

8.1.6 Registration process for starting an online business in Czech Republic

The best way for starting such new business in Czech Republic is through registering as a self-employed person (OSVČ). The registration process has been fortunately recently simplified. First, one must fill the united registration form. This form, given to the Trade licence office, ensures your registration as a self-employed person for purposes of the Trade office, Health Insurance Company and Social security office.

Another form to be filled is a tax office registration form. Both applications can be submitted in the Trade license office.

Other requirements include proving you haven't committed a crime. That means providing a document about your criminal record from the person's origin country. This document shall not be older than three months and must be issued in Czech language or officially translated. There should also be a written consent of an owner of a place where business will have its place to a registration form. Registration fees are 1000 CZK.

8.2 Time Analysis

An important element of a successful project is appropriate scheduling. It supports to organize necessary tasks in such way that guarantees a high level of implementation and makes it easier to monitor and optimize project activities and achieve the desired goals. Such schedule should be reviewed on a regular basis due to the continuous changes. It can also be revised after the beginning of the project when necessary.

Time analysis of our coffee subscription project is conducted with a help of Program Evaluation and Review Technique (PERT) which is a statistical tool used in project management for measuring time required to complete individual activities as well as the whole project.

Table 5: Project Activities (own source)

Activity	Description
A	Conduct market research of Czech Republic
B	Interview and questionnaire customers
C	Create customer segmentations
D	Build Go To Market Strategy
E	Build User Acquisition Strategy
F	Register as a self-employed person (OSVČ)
G	Research possible suppliers and vendors
H	Meet and arrange agreements with suitable suppliers and vendors
I	Purchase domain name, hosting server, and ecommerce platform
J	Design website structure
K	Prepare visual and text content
L	Integrate recurring payment module
M	Integrate payment gateway
N	Implement design and content
O	Launch promotion campaigns
P	Supply corresponding products

There are various applications that can be used for project scheduling. The most common ones include Microsoft Project, Endeavour software Project Management, GoogleDocs, Eclipse PPM software, Concept Draw Project and WorkPLAN Enterprise. For this project we used the open source software – WinQSB, PERT-CPM Module. The following table represents the above activities and their predecessors with three possible situations – optimistic, most likely and pessimistic times to complete each activity.

Table 6: Project activities duration (own source)

Activity Number	Activity Name	Immediate Predecessor (list number/name, seperated by ',')	Optimistic Time (a)	Most likely time (m)	Pessimistic time (b)
1	A		14	21	31
2	B	A	10	14	21
3	C	B	5	7	10
4	D	A,B,C	7	9	12
5	E	A,B,C	7	9	12
6	F	E	14	21	31
7	G	F	2	3	4
8	H	G	7	14	21
9	I	H	1	1	2
10	J	I	3	4	5
11	K	I	14	21	31
12	L	I	2	3	4
13	M	I,L	2	3	4
14	N	J,K	5	7	9
15	O	N	60	60	90
16	P	N	1	1	2

As seen in table 6, the project starts with conducting a market research of the coffee industry in the Czech Republic to understand main pillars of entering such market. This task is followed by understanding our target audience through actual interviews with the prospects. Upon speaking with the prospects we can build our customers segmentations. Once these three tasks have been accomplished we can start working on both our go to market strategy and our user acquisition strategy. At this point, it's time for business to be legally registered which will be run, initially, under a self-employed license. Soon after, we will start searching for and contacting possible suppliers and vendors. This includes coffee suppliers, packaging companies and delivery services. Upon deciding on the most suitable suppliers and vendors to our business, we will go on to arrange agreements with each of them that enable us to perform the business. The purchase of domain name, a hosting server, and a ecommerce platform is the first step to build our website. It's followed by a number of activities that includes designing the website structure, preparing visual and text content, implementing the design and adding the content, integrate recurring payment module, and integrate payment gateway. Once the website is ready, we can go on with our promotion campaigns and start delivering the products for each order.

The calculation of the critical path according to PERT is shown in table 7 below.

Table 7: Critical path (own source)

04-16-2017	Critical Path 1
1	A
2	B
3	E
4	F
5	G
6	H
7	I
8	J
9	N
10	O
Completion Time	160.83
Std. Dev.	17.16

According to these calculations, the project completion time is about 160 days which about 5 months. The critical project activities are A, B, E, F, G, H, I, J, N and O. Any delays on the completion of activities from the critical path will cause a delay on the project completion minimum by the length of such delay.

8.3 Cost Analysis

When starting an online business selling products or services there are some costs which one can expect before making the first sale. The online store is a sales channel and acts like a sales person for the business. Selling online can be very cost effective as there are less human resource and infrastructure costs compared to a traditional bricks and mortar business. The table below provides a projection of the project costs during the first year of operation.

Table 8: Cost Analysis (own source)

Description	Cost (€)
Collect of Market Research Data	825
Business Registration	35
Insurance	900
Rent & Utilities	6,000
Salaries	25,000

Ecommerce Platform	360
Website Design	150
Recurring Payment Module	240
Online Advertising	24,000
Unexpected Expenses	5,000
Total	62,510

The total expected expenses for the project are around EUR 63 thousands. The most expensive elements are the salaries of the two cofounders and the online advertising which account for about EUR 2000 each monthly. Relatively, the rest of costs are lower. The cost of inventory is not added in this analysis as it will be provided by suppliers only upon purchases by our customers. The majority of the expenses are paid on a monthly basis which makes it easier to launch the project with a minimum required until monthly revenue cover the monthly expenses.

8.4 Risk Analysis

Every business is expected to meet with uncertainty and risks. When planning for a project, it is crucial to analyze potential risks and have a plan in place how to mitigate them in order to avoid extra costs or obstacles. Understanding risks upfront allows us to make better decisions and increases the probability of a successful project completion while decreasing chances to overrun the budget. Founders will perform risk analysis to identify the risks, their impacts and probability of each risk. Then we evaluate the risk so we can prepare actions to minimize or avoid such risks.

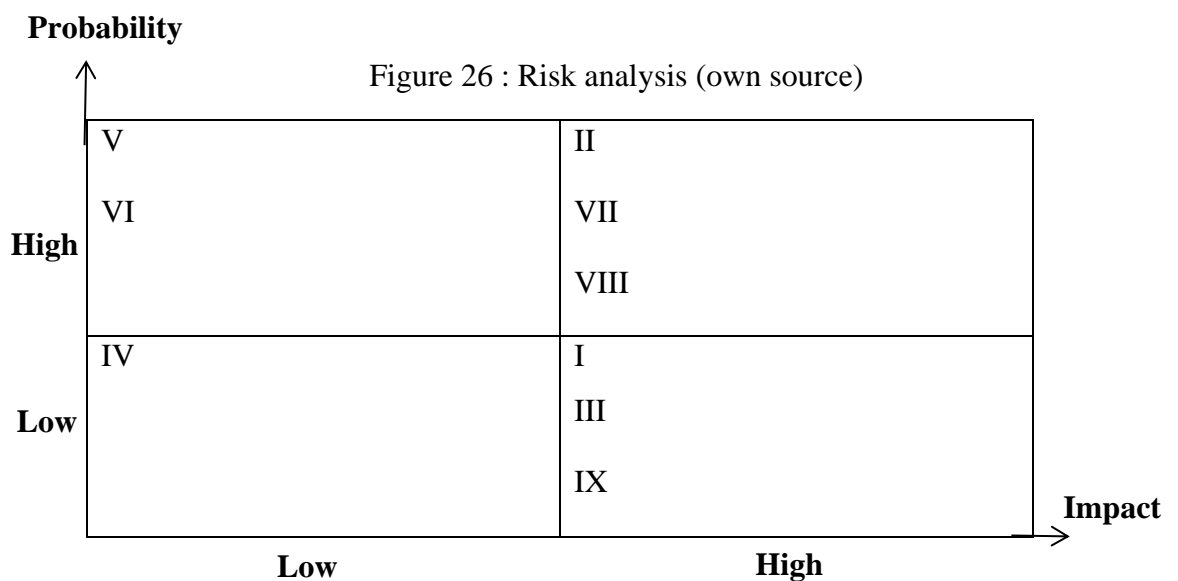
Being an online business we are anticipating the following risks:

- I. Search engine optimization risk
- II. Webpages low loading speed
- III. Website Downtime
- IV. Supplier delays and low quality
- V. Delivery service issues
- VI. Price competition
- VII. Low conversion rate

VIII. High churn rate

IX. Bad PR

By identifying these risks, we can make an overall evaluation for their probabilities and impacts by using Risk Analysis Matrix:



To avoid and mitigate such risks we will follow these guidelines:

- I. Search engine optimization risk. Search engines like Google changes its search engine algorithms regularly. Most websites receive almost half of their traffic via organic medium; that is search engines. A radical change in the algorithm while might cause our website to lose 50% of its visitors which severely affects our sales. This is a low probability risk but it has a very high impact. To avoid such risk it is important that we make sure our website compile with search engines rules and that we only use the so called white-hat SEO techniques to improve our rankings. It is fundamental to keep track of technology new to stay updated with al changes and optimize our website accordingly. In the case that our website is actually affected by a change in search engine algorithm change, we should understand the change in the algorithm, contact the search engine support, and make the necessary changes on our website to remove any penalty and get our pages to their normal ranking.

- II. Webpages low loading speed. A one second delay in page response can result in a 7% reduction in conversions, according to Akami.com. Firstly, we will regularly use page speed test tools like Pingdom and Gtmetrix to ensure that we are on the right track and non-new changes on the website is affecting the load speed of our pages. This is a high probability risk with high impact. To ensure the high speed of the website we will optimize the design of the website by refactoring and simplifying our CSS which will not only save on stylesheet size, but also make the site more maintainable and consistent for visitors. Images are one of the main elements that causes slug in the page load speed, we will be optimizing our images using compression tools. Additionally, we will use the lazy loading technique which involves using a Javascript library to only load images when they should be visible in the user's viewport, improving initial page load times. Lastly, we will concatenate our script and stylesheet files by copy- pasting their contents into one large file.
- III. Website Downtime. If the low loading page of our website is risky, the unavailability of the website is much drastic. This doesn't only affects the acquisition of new customers but it can also cause the loss of current customers. Despite the low probability of such risk it has such high risk. To mitigate such risk, we are using e-commerce platform provider instead of building our own software. This ensures a well-developed and secured infrastructure for or website to perform. The use of social media and email marketing enables us to stay in contact with our customers in case of any downtime.
- IV. Supplier delays and low quality. The core business is based on provided a high quality product, coffee, satisfying high expatiation from customers. Firm is depending on our suppliers for big part of the business. Any loss of quality affects both our brand image and the probability of losing customers. Similarly any delay on the delivery of goods to us will delay our delivery to customers affecting user satisfaction. Since we are dealing with a number of suppliers instead of just one, that makes it a low probability low impact risk. To mitigate the risk of quality we test the quality of each delivery before dispatching it to customers.

- V. Delivery service issues. Another important partner to our business is the shipping or delivery services. They ensure that our customers receive their packages in a timely manner, good shape, and delivered to the right address. Any issue that occurs in any of these elements affects user satisfaction. This is high probability low impact risk. Firm understands how user satisfaction is vital to our growth. That's why to mitigate such risk; we are investing in making a partnership with a premium delivery service. In the case of any issues regarding delivery, we are putting customers first by providing automatic updates regarding their delivery status, and providing them with special voucher or discounts to compensate any issues that might occur to their order.
- VI. Price competition. The success of any new startup encourages current competitors to regain their market share and win their customers back which means taking customers from you. More than often, there approach involves providing products with better pricing. In our positioning, we don't use price as a competitive advantage and thus don't communicate our offering through a good value for your money approach. Company rather focuses on the uniqueness of the service, the quality of the product, and the user experience. That makes it a low probability low impact risk. To mitigate such risk we need to keep a high level of satisfaction and loyalty with our customers.
- VII. Low conversion rate. Any online business thrives to increase conversion rate. Having a low conversion rate means that you are burning your resources; money, time and man power. The lower the conversion rate, the higher the cost of customer acquisition which eventually means a low return on investment. This is high probability risk with high impact on the business. When buying products online, people wants to see what exactly are they buying. They are not able to touch it, smell it or see it in reality until after they purchase the product and wait for it to be delivered. Therefore, it's very important to write a very detailed, yet compelling product description. Additionally, images are considered the grandfather of boosting conversion rates online. An element that many online startups neglect. That is why we will create higher interactivity with product images. Allow users to pinch, zoom, rotate, and scale the image to their liking. Use high-resolution photos while adding white

space around the product photo. In addition to photos, we will use user-generated videos in our product pages which provide a significant lift in engagement and conversions. Company will add users reviews which provides customer with real experiences other are having giving them a proof of quality of the product they are going to buy. When it comes to design and copy, we will be running A/B testing to find out which variants affects customers decision and improve our conversion rate.

VIII. High churn rate. For subscription-based businesses, churn rate is a crucial metric that determines overall performance. Churn rate is the rate at which customers cut ties with our service during a given period. This percentage gives a clear idea about customer retention, which is an important factor defining a company's success. Having a high churn rate is a high probability high impact risk. According to a survey by Oracle, poor customer service is the biggest reasons why customers leave. Company is focused on providing a personal customer services to ensure our customers satisfaction and early trigger any issues that might affect such relation. For the customers who do leave our service we will be approaching them mainly to understand the main reasons for their abandon so we can improve such weaknesses and prevent any customers to leave for the same reasons. Since 40-60% of people who sign up for free software or SaaS application trials will use it once and never again, It's very important to us to improve our onboarding process. Provide users interactive guide on how to use our service and explain the benefits they can get. Lastly, it's important to deliver the competitive advantage that we promised customers since that's the main reasons they choose us over competitors.

IX. Bad PR. The common saying goes that there is no such a thing as bad publicity. This might be true for a celebrity person; a singer or a movie star. However, when it comes to business, especially small startups, a bad publicity can kill the business altogether. This might be a low probability risk but it definitely has a high impact on the livelihood of the business. To mitigate and handle a bad PR, it's important to get the story our first. Most news outlets and web sources gain their details from the first outlet to carry the story. Once a bad story has broken, everything that follows begins to sound like an excuse. It's important to hold responsibility; apologize, admit the error and explain how you're helping the people affected, tell what you've

learned and how you'll prevent problems like this in the future, and state that you look forward to continuing to serve customers with the competitive advantage they are expecting from us. News is always happening, and most people have short memories. Cutting a news cycle short is sometimes the best public relations approach to a bad situation. Knowing when to stop addressing the media and let a newer, more interesting story trend on Twitter and fill column inches is a big part of putting a negative story behind you.

Conclusion

The main purpose of this project is to propose the marketing strategy for an online coffee subscription business to enter the Czech market. The project starts with covering the general theory of e-commerce; its components, technology, infrastructure, and ways of implementation and development. The project then analyzes not only the Czech market but also the European market being a potential expansion for the business. It was important to understand first the total market size; the number of active online users. Then go deeper to understand their geographic, demographic and online behaviors. As an online business, we do through the shopping behavior of our target audience. The project studies the coffee consumption in the Czech Republic putting into consideration the habits and preferences of prospects. When studying competition, the project looks into the international coffee subscription services to understand how they are managing such a unique business. Company dives into the coffee industry in the Czech market looking at the main trademarks and their market share and strategies. The analysis shows us the great opportunity for such new business to emerge with the growing demand for high quality coffee. Consumers, now more than ever, are well educated about product quality and ways to customize the product themselves to satisfy their needs. The ease access to internet, mobile devices innovation, increased number of hours spent online, and the ease of online shopping are altering people behavior to prefer going through the whole process of shopping while sitting at home, or anywhere for that matter. Such prosperity in the market shapes an opportunity to introduce such solution to attract and satisfy this target audience.

The project defines the mission, vision and goals of the business. It defines its competitive advantage and why customers would choose our product and service over other competitors. Since nothing sells itself, the project sets the strategic action plan of acquiring new customers. It first starts with setting our goals, understanding our ideal customers and designing the acquisition funnel. Recognizing each step allows us to identify any leaks in the acquisition funnel and can guide us on how to tailor our strategy accordingly at each step. To reach out to prospects and introduce our offering we will be using different online channels including SEO, SEM, Social Media and Email Marketing. Through time analysis the project is expecting a 5 months completion time which includes promotion campaigns. The cost of launching and operating the business for the first year is estimated at 62,510 euros which might not be required as an advance investment since most of the expenses are monthly expenses that can be covered by the monthly revenue. When it comes to risks, an

online business carries less risk than an offline online. However, the project lists a number of potential risks with their evaluations and the plan to mitigate them.

In conclusion, having an ecommerce focused on providing a highly consumable product with a recurring revenue model in a market like the Czech Republic presents a great opportunity for growth while following a well-structured and regularly updated business plan.

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LIST OF ABBREVIATIONS

SEO	Search Engine Optimization
SEM	Search Engine Marketing
PPC	Pay Per Click
CTR	Click Through Rate
CR	Conversion Rate
CAC	Cost per Customer Acquisition
CPC	Cost Per Click
COD	Cash on Delivery
TOFU	Top of the Funnel
MOFU	Middle of the Funnel
BOFU	Bottom of the Funnel

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