

# **The Project of Establishment of New e-shop on Amazon Platform in Germany**

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Master's Thesis  
2018

 **Tomas Bata University in Zlín**  
Faculty of Management and Economics

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Tomas Bata University in Zlín  
Faculty of Management and Economics  
Department of Management and Marketing  
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## MASTER'S THESIS ASSIGNMENT

(PROJECT, ARTWORK, ARTISTIC PERFORMANCE)

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Thesis Guidelines:

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Define the objectives and the application methods used in the Master thesis.

#### I. Theoretical part

- Compile the theoretical information about digital marketing focusing on e-commerce strategy.

#### II. Practical part

- Complete the analysis of current marketing situation and marketing environment at Amazon.de.
- Prepare the project of new marketing plan for the years 2018-2019.
- Submit the project to risk and costs analysis.

### Conclusion

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## ABSTRAKT

Lidé se snaží nakupovat kvalitní a moderní výrobky, aniž by utráceli velké částky, nicméně se na trhu nevyskytuje dostatek firem, které mohou zákazníkům poskytnout dobrou kvalitu a moderní styl bez zvyšování jejich ziskové přírážky.

Cílem této práce je analyzovat internetové obchody e-shopy a celkově obchodování přes internet v Německu, a vytvořit značku, která uspokojí zájmy zákazníků porovnatelně nižšími cenami. Můj podnikatelský plán se zaměřuje na vytvoření nové značky hodinek, které budou prodávány na portále Amazon. Hlavním cílem je založit značku vysoké kvality a nízké ceny v porovnání s jinými špičkovými výrobci, a využít internetový obchod Amazonu pro kvalitní služby a rychlé dodání. Moje firma bude využívat sklady Amazonu a jeho doručovací služby pro rychlé a pohodlné dodání. Cílovou skupinou pro tyto hodinky budou lidé jakéhokoliv věku, podnikatelé, sportovci a lidé, kteří mají rádi kvalitu a moderní design, přičemž nekladou důraz na vysokou pořizovací cenu.

Klíčová slova: internetový obchod, obchodování přes internet, podnikání, Ansoff, S.W.O.T., CPM, PDPC

## ABSTRACT

People are willing to have good quality and stylish products without paying big amount of money, this was and is how average customer is willing to do his or her shopping, however there is a lack of those companies who can provide customers with good quality and modern style without increasing their profit margin.

The purpose of this thesis is to analyze the e-shops and overall e-commerce market in Germany and create a brand who will satisfy customers with comparably low prices.

My business plan will focus on creating a brand of watches that will be sold on Amazon platform. Main goal is to establish a brand of watches that have high quality and low prices compared to other high-end manufacturers that is available to most of the customers, use Amazon e-commerce platform to deliver high quality service and fast delivery. My company will use Amazons' warehouses and its delivery services for fast and convenient delivery. The target market of watches will be people with all the ages, businessmen, sportsmen and people who like good quality watches and stylish design, but don't justify high prices of those watches.

Key words: e-shop, e-commerce, business, Ansoff, S.W.O.T., CPM, PDPC

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I hereby declare that the printed version of my Bachelor's/Master's Thesis and the electronic version of my thesis uploaded to IS/STAG system are identical.

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## INTRODUCTION

Establishing a new business has been dream of most of the people who are free minded, initiative and active. Considering me as being one of those people It was always my dream to have my own company, create goods that gives value to people, goods that are appreciated and demanded in the market.

Nowadays establishing and successfully running a business became harder than it was before, there are lots of reasons for this, but I want to mention a few most important ones. One of the difficulties is that markets nowadays are saturated with lot of producers and retailers, which creates strong and competitive environment, which makes new emerging companies harder to get its niche in the market. Second difficulty is that customer became more educated about the market, they have almost all the tools to make their own research and find whatever they want on internet, compare products, prices and so on. Customers don't want to get anymore calls from salespeople trying to sell this or that product, they are less likely to response to those call with favor, because they consider it as a wasting of time.

However, nowadays there are lots of advantages for new businesses. Era of internet has dramatically changed the rules and game of the market, giving companies' ability of going into global markets. Letting new companies to be able to establish and get their market share faster than ever before.

Knowing all this fact and having the desire of crating own business lead me to the idea of creating e-shop which will allow to my business to more easily get it market share.

While looking for opportunities in the global market, I stumbled upon Amazon company, which allows new establishing and already established companies to sell their products using Amazon platforms all over the globe for some fees that must be payed to Amazon. It is a huge opportunity to use Amazon platforms to get recognition and sales. Amazon being one of the biggest companies in the world gives unique chance to all new entrepreneurs to 'get their game started'.

After understanding the opportunities provided for me I started to do my own research and after couple of months reading articles and watching interviews of the entrepreneurs who had their business on Amazon platform I made decision to start an e-shop on Amazon.de,

the German platform for Amazon. The decision to start with Amazon.de was made because of the increasing sales on German e-commerce market every year.

Figure 1. E-commerce turnover



Source: BEVH, 2016

Source: (Ecommerce, 2017)

In the table we can see that Amazon.de market was worth 59700 million of euros in 2015 and 66864 million of euros in 2016. As we can the Amazon.de is steadily increasing

Germany is Amazon's second largest market behind the US – at almost \$14B it accounts for 10.4 percent of the company's total revenue. The German market grew almost 20 percent in 2016(Neile-O'Neile, 2017)

In the internet world it is usually the customer who initiates the contact and is looking for information by searching what they want on a website. It is a “pull” strategy and that is why it is important to have good reachability and visibility in search engines when customers are entering the key words to find what they want. This powerful new technique is called inbound marketing. Google calls this consumer decision making before they visit retailers' web site as Zero Moment of Truth. (Dave, 2015)

The e-commerce approach to buying and selling has been embraced by millions worldwide because it offers substantial benefits over traditional marketing practices. The two-way,

back-and-forth communications enable marketers to supply the precise items desired by their customers. At the same time, purchasers can continue to refine their product specifications until they find a purchase opportunity that fills their precise needs. (L., 2006)

One of the largest online retailers is Amazon.com. Like many other successful internet marketers, it uses a concept called interactive marketing. This approach, which consists of buyer-seller communications in which the customer controls the amount and type of information received from a marketer, has been used by marketers for over a decade. (L., 2006)

e-commerce is referred to as a transaction between buyer and seller on online platforms like Amazon. E-commerce should be understood as whole electronic transactions between an organization and the entity or another organization involved in it. Non-financial transactions like customer support should also be considered as an e-commerce. We can differentiate buy-side and sell-side e-commerce transactions. Buy-side e-commerce refers to actions involved to obtain resources from its suppliers. Sell-side e-commerce refers to actions involved with selling products to organizations customers. (Dave, 2015)

The selling part of e-commerce doesn't only consider selling products online, it is using some techniques in digital technologies for marketing services. There are some types of products that are especially suitable for selling online, as a result the way a website is used to market or sell products will vary according to the type of product. Products which are more suitable for selling online are those products which are small and doesn't weight too much. The reason for this is that the costs of transportation is lower when the products are not big and also handling is also easy.

There are many online marketing techniques and ways which marketers should review as a part of their online business communication strategy.

1. Search engine marketing. It is an online marketing tool which places messages on a search engine to encourage clickbait when the user types a specific keyword. Two key search marketing techniques are: paid placement or sponsored links using pay-per-click, and placement in the natural listing using search engine optimization (SEO)
2. Online PR. Using websites such as social networks or blogs to maximize favorable mentions and cooperation with company's brand name, products or ser-

vices. Social media or blogs must be chosen according to the audience of those networks, if they are relevant for the company.

3. Online partnership. Create and manage long-term cooperation's with third party to promote your online products or services via websites or through email communications. these kinds of partnerships include link building, affiliate marketing.
4. Interactive advertising. Use online advertisement such as banners and rich media ads to achieve brand awareness and encourage clickbait to targeted website.
5. Opt-in email marketing, renting email lists or placing ads in third-party e-newsletters or the use of an in-house lists for customer activation and retention.

Social media marketing. It is an important category of digital marketing which involves stimulating customer active participation on company's own site and social presence such as Facebook or Twitter, blogs and forums. Companies can use Facebook or Twitter to send messages to customers who have selected that option. To use the advantages of social media it is important to take part in customer conversations. It can be related to company products, services, promotions or customer care, these activities must be aimed for learning more about customers and to provide support, by doing so improving the company perception in customers mind. (Dave, 2015)

## **OBJECTIVES AND METHODS OF MASTER THESIS PROCESSING**

The objective of this thesis is to analyze Amazon.de market and establish an e-shop called 'castle' in Germany.

The thesis will focus on establishing a new brand of watches which will satisfy the needs and wants of German population with stylish and good quality watches which will be cheaper than other well-known watch brands while providing similar experience.

The thesis is divided into two parts: theoretical and analytical parts:

- Theoretical part consists of the theoretical knowledge that is used to have an idea of the market, products, marketing mix, financial and managerial knowledge
- Analytical part consists of the analyses and the calculations made to have a successful business

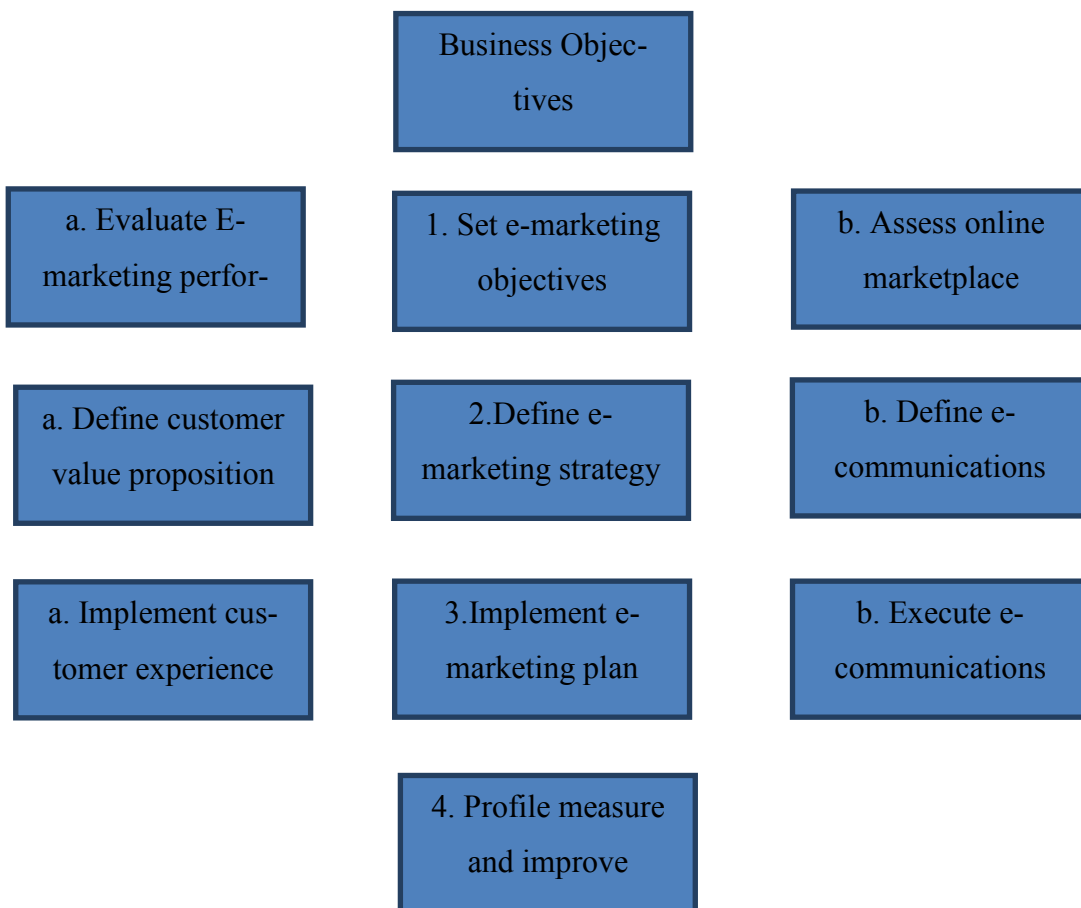
The data needed is collected using Amazon.de competitor company's sales to have an idea about the demand and how well are those competitor's companies are doing.

# 1 THEORY

## 2 A STRATEGIC FRAMEWORK FOR DEVELOPING A DIGITAL MARKETING STRATEGY

In order an organization to realize the benefits of e-marketing and avoid the pitfalls needs to develop planed, structured approach. Table below defines strategic approach to internet marketing which is intended to manage risks and deliver opportunities. In figure 1 there is a process for developing and implementing e-marketing plan. This figure highlights the key activities and their dependencies which are involved for creating digital marketing strategy. (Dave, 2015)

Figure 2. Strategic Approach to Internet Marketing



Source: (Dave, 2015)

In Figure 1 the activities are usually not sequential, but rather inform each other. For instance, activity 1, set e-marketing objectives, is influenced by activities around it but may also influence them.



### 3 DEFINING THE ONLINE OPPORTUNITY

One of the advantages to both B2C and B2B marketers is the internet's global reach, enabling inexpensive communication with consumer in faraway places. A U.S. marketer who wants to contact consumer in Australia, for example, may find overnight mail or long-distance telephone rates prohibitive, but the low cost and speed of such online marketing tools as fax machines and e-mail make global marketing reality. (L., 2006)

Defining plan, objectives is the basics of this phase of strategy development.

Key activities are:

- 1. Set digital marketing objectives. Companies need to set specific numerical goals and objectives for their online business. These objectives should be informed by and influence the business objectives and also following two activities
- 1a Evaluate digital marketing performance. Apply web analytics tools to measure the contribution of leads, sales and brand involvement currently delivered by online communications such as search engine marketing, online advertising and email marketing.

1b Asses online marketplace. It includes analyses of the micro-environment like customers, competitors, intermediaries, suppliers and resources and macro-environment which influences the strategy, such as legal requirements and technological innovation. (Dave, 2015)

#### 3.1 Selecting the Strategic Approach

- 2 Define digital marketing strategy. Select appropriate strategies to achieve the objectives set at stage 1a
- 2a Define customer value proposition. Define value proposition available through the online channel and how it relates to the core proposition delivered by the company. Review segmentation and targeting options, review the marketing mix and brand values to evaluate how they can be improved.
- 2b Define digital communications mix. Select the offline and online communications tools to encourage usage of an organization's online services and to generate leads and sales. Develop new outbound communications and event-

triggered strategies to support customers through their relationship with the company. (Dave, 2015)

### 3.2 Delivering Results Online

- 3 Implement digital marketing plan. The details of the implementation of the strategy.
- 3a Implement customer experience. Build the websites and create the email marketing communications where customers make online interactions with a company. Start online customer relationship management to understand customers' needs, wants characteristics in order to deliver tailor made experience and targeted value.
- 3b Execute digital communications. Manage the continues online marketing communications such as search engine marketing, social media marketing, affiliate marketing, and campaign-based e-marketing communications such as online advertising, email marketing to encourage customers to use the online services and to support customer acquisition and retention.
- 4 Customer profiling, monitoring and improving online activities and maintaining the online activities. look for profile and behavioral data on customer interactions with the company and summaries reports and alerts about performance compared with objectives to increase performance and solve the problems.(Dave, 2015)

Building relationships with consumers is crucial for delivering good online results. Personalization is an important component of online relationship building. If a shopper visits a Web site that sells accessories and buys a dress and a purse, the next time she visits the site, she may be greeted with an attractive ad showing a belt or shoes that can be coordinated with her previous purchase. In this way, marketers create a one-to-one shopping experience that often leads to enhanced customer satisfaction and delivers good results online. (L., 2006)

## 4 WHY EMBRACING SOCIAL WEB

21<sup>st</sup> century is the internet and social era. Today there is an abundance of information. Salesperson want to get in front of customer to make a sale, but buyers don't feel the need to meet a salesperson to have knowledge about the market, they can just search whatever information they need in internet. Face to face meeting takes too much time for average consumer nowadays, they prefer to search the information they need trough internet by doing so saving lot of time. For example, person who is interested in buy some product can do his/her research while on the way to market in a bus. Unlike today before the era of internet people had to make their research about specific product in the market, by meeting salesmen and having face to face conversation try to pick the best product that meet his/her needs and wants. (Leboff, 2016)

Previously people were living in a world where it was not always easy to access suppliers. That is why if suppliers came to customers at an appropriate time, people were often interested in their offerings. Today we can contact almost any array of products and services whenever we like.

In the past people tolerated unexpected sales calls. Usually those sales calls were irrelevant and unexpected for people, but sometimes those calls provided information for the potential customers that they may have been looking for. Today people are less tolerant to this kind of calls, because customers have the opportunity to find the products and services they need and to do so at the time they feel they need it, that is why now people are less likely to respond favorably to these calls.

Figure 3. Sales Funnel



Source: (Spair, 2018)

In table 3 we can observe traditional sales funnel, customers are supposed to go through the standard stages, which are gathering leads, attracting prospects and making a sale. They would enter the funnel through a direct mail campaign, a cold call or some other method.

Figure 4. Sales Funnel



Source: (Spair, 2018)

This single point of communication enabled a smooth transition from lead to prospect, and then maybe to a customer. With very limited engagement channels available, sales reps could easily control the message and carefully tailor it to each of their prospects. And if prospects needed any additional information regarding the company, product or service, they would have to get in touch with the sales rep. (Spair, 2018)

Internet marketing and marketing automation have changed the traditional sales funnel. Nowadays, customers have a lot of ways to get information they need about a company. They can get information through social media, customer reviews, blogs and many other mediums.

Because of all this development starting with the era of internet there needs to be different approach from salespeople side to trying to sell their products and services.

Buyers are doing their research journey before they get into contact with potential seller. After extensive research, the Corporate Executive Board reported in 2012 that the average buyer is 57% of the way through the purchase journey before getting into direct contact with a salesperson. (Leboff, 2016)

In order to show value to customers salespeople still need to influence the buyers' decision-making process. The way this is achieved has changed. Salesperson should enter prospects buying journey later in the process, the only way to do this is to challenge some of the assumptions of the buyer. This technique is not perusable for the prospect, if a salesperson reinforces the assumptions a buyer has already made, then according to prospect the seller did not provide any value. salesperson will be simply another provider like all others, and that is why he will be challenged to decrease the price and other terms. (Leboff, 2016)

To impact the buyers' decision-making process, a salesperson has to challenge the conclusion that the prospect has already made. Conclusion about the product and about the final decision if he/she needs it or not.

We can find out that digital economy has affected the customers in two ways. First one is that consumers no longer respond to the salespeople trying to sell something through phone, email or face to face basic conversations trying to influence buyers' decision-making process. Second way that the digital economy had its impact customers is that customers are inviting salespeople into sales process much later than previously, or they don't welcome them at all. Facts point to an obvious conclusion, salespeople used to be able to influence

the buying decision process because there was a lack of information and difficulty to get whenever customers wanted. It was often useful for buyer to meet with a few salespeople to have good idea of the market and the opportunities he/she has.

Nowadays, salespeople still need to be present in the places where customers are learning and creating their buying decisions. This is happening less in face to face meeting as buyers use internet to obtain information and make purchasing decision, that is why salespeople must be present in all the places where there are prospects, also in internet. If the buyers are spending more and more time for searching products and services, they need on internet then salespeople also should be present there and guide their decisions and generate leads and sales, they must get involved at the point which customer are searching and formulating ideas. This means 'digital selling' is now upon salespeople. (Leboff, 2016)

## **5 TYPES OF SITES**

There are many types of sites, but here are a few most common

### **5.1 Transactional e-commerce Site**

Allows purchasing products online. The main profit of the site is by selling the products. The site is also providing information for customers who prefer offline shopping and by doing so supports the business. For example, online retailer Amazon. (Dave, 2016)

### **5.2 Service-Oriented Relationship-Building Website**

Provides information to promote business, increases purchase and builds relationship. In this kind of website products usually are not available for online purchase. Information is provided through the website. The main business contribution is through encouraging sales offline and crating leads for potential customers. These kinds of websites also help customers by providing them with needed information to support their decision-making process. (Dave, 2016)

### **5.3 Brand Building Sites**

Brand building sites help companies to establish their brand in the market, to get well acceptance by the potential customers. The main orientation for these sites is to create good online experience for the brand.

## 6 HOW THE SALES ROLE CHANGES IN A DIGITAL ENVIRONMENT

The real power of a brand is in the ‘mindshare’ it has among people. For example, if someone is asked to think about a soft drink there is a big chance that Coca Cola will be their answer. Similarly, if asked about car company BMW and Mercedes will two car companies that would be mentioned by the people. These companies have worked on the mindshare of their brand for decades. The power of having significant mindshare among potential customer is that, if the buyer is thinking to buy soft drink most likely Coca Cola will be the brand that will come to their mind first, or if they want to buy a car BMW or Mercedes would be considered as an option. (Leboff, 2016)

There is a big tendency of customers to going online for their search of products and services, that is why salespeople and new brands should be present there and try to attract new customers. Salespeople were and are always there where are the potential customers and nowadays in the age of internet as more and more customers start to prefer online shopping to physical shopping salespeople should be present on digital shopping platforms.

The digital age revolution has changed our society and nowadays everyone has its’ social media page, blog page, YouTube page and so on. New companies, brands and those salespeople need to increasingly change the way they approach to the brand awareness procedure and start to pay attention to digital means to advertise their brand and products and use those platforms to communicate, engage and try to obtain new customers.

Online platforms like YouTube, Facebook, blogs etc. provide the people with the opportunity to have their own content, but from marketing and business perspective those channels are also a potential distribution opportunity. The value in this case creates the content of those videos and blogs, how interesting are they for people.

Producing interesting content and making insightful comments provides salespeople with the opportunity to build credibility and trust among their customers. In the digital world customers have been empowered with the free and available knowledge with almost every kind of product or service that they would be interested in. Their journey of buying decision making process does not start with Yellow or Business pages and call a company representative with the hope to get the information they were looking for, but first they look for the information on internet. This empowers customer, but also gives huge opportunity and chance for starting companies to get into the market make people to recognize their



brand with relatively low cost. The challenge for new companies and salespeople is to have their research undertaken, many of criteria of purchase will have already been stated before a salesperson has any chance to influence their decision. In act being invited by customer to the later stages of buying decision making process may be good thing. As customers conduct research and narrow down their buying decision to few products or suppliers, for the company there is left only a few products or suppliers to compete with and hence it makes easier to influence the customers final decision. (Leboff, 2016)

Internet technology and online experience made us to be active in lot of aspects in our lives. Social media like Facebook allows people to share their experiences, pictures and opinions with other people, who are part of the global online market. the availability of information has allowed people to be able to check the facts, that were almost impossible to check before internet era, it allowed to take control of purchase journey and don't blindly rely on what the producers tell them.

Nowadays products have become better in quality and more accessible than before, which is the result of customers being more educated about the market than it was. For almost every kind of product, computers to smartphones and cars, for almost every price point there will be companies that will provide high quality products with competitive prices. In other words, the differentiation of people who have and who don't have in terms of material possession significantly decreased compared to previous generation.

## 7 PREPARING TO GO ONLINE

Realizing that customers would have little or no opportunity to rely on many of the sense modes like smelling, touching the soft fabric of new cashmere sweater and so on early online sellers focused on offering products that consumers were familiar with and tended to buy frequently, such as books and music. Nowadays it has completely changed. Amazon used to sell only books, but now there is a big list of product types that customers can choose. Marketers and manufacturers frequently turn to online channels to market and sell their products. They turned to online channels as it is faster, less expensive and more efficient to traditional retail stores. (L., 2006)

In addition to marketing and sales departments there is departments that are making use of digital media, such as customer service teams may control and assist purchase using Facebook or Twitter. All these departments should be encouraged to use social media, which is nowadays the biggest platform to communicate with customers and get new deals. The more business has attention, recognition the chance is bigger that while making purchasing decision a customer will choose the company who was actively involved in social platforms. Companies that are famous on internet and have their content shared, increase the probability of being found. (Leboff, 2016)

Companies must also have clear explanation of their content what they do for whom and how for their prospects. Without this, businesses don't have big chance to have a success.

### 7.1 The Purpose of The Business

Nowadays it has become difficult for organizations to differentiate simply by 'what' they are doing. Most of the company's offerings and most of the today's market sector are the same. One thing that a business can differentiate itself from competitors is in its 'purpose' in other words 'why' it does what it does.

When customers have so much choice, the 'purpose' can be undoubted difference and provide way to be seen by the customers as an ultimate choice to make. The 'purpose' of the business will attract customers, letting company to be able to differentiate itself from competitors.

Internet made the world more transparent. Nowadays it is much easier to find almost any information about suppliers or producers than ever before and to compare by choosing the best one suitable. With having so many options to choose from customers demand more than just a good product or quality service. Increasingly, individuals claim companies to share the same values that they do. This being the case, when the ‘purpose’ of the business aligns with particular group of customers, beliefs and values, it allows a business to have high profits and stay in the market for long period of time. For example, the declared purpose of Innocent is to ‘make natural delicious food and drink that helps people live well and die old’ Of course this will resonate with lot of individuals at the beginning. It is likely to make customers more excited about their products than competitors that make equally good drinks, but with no obvious purpose other than to make money. (Leboff, 2016)

Company that has a purpose also must find a way to fulfil it. Without having idea of how the company is going to fulfil its purpose there is a danger that customers will feel that the company has no intention of achieving it. In the transparent world that we are living and world where information is spreading through internet there is a big chance that this would be discovered. At that point company could be ruined.

When a company is clear about its purpose, it attracts people who have similar mindset and values. These are the people who share the same purpose. After sharing the same purpose, people start to live by and underpin the values of the organization, the purpose and values are getting stronger and thus attracting more people who think the same way.

## 7.2 The Value Proposition

A value proposition is a promise of value that will be delivered to customers. It’s the main reason for prospect to make purchase from your business.

Value proposition is a statement that:

- Explains how your product solves customers’ problems or improves their situation, in other words how relevant is your product to customer.
- Delivers specific benefits.

Tells the customer why they should make purchase from you company and not from your competitors, which allows you to differentiate yourself from others. (CXL, 2017)

You have to present your value proposition as the first thing the visitors see on your home page but should be visible in all major entry points of the site.

Many businesses don't truly understand the nature of the value that they provide to customer. In a world where there is so much going on, people are busy with their everyday life, they don't want to listen to newbies in business, they don't trust unknown companies and with the competition level being so high obtaining the attention of prospects and customers is increasingly difficult task to achieve, it is important to be able to deliver core values of your business in a few understandable words.

For value proposition an organization has to have a mission. The mission statement puts into words an organization's overall purpose and reason for being. Ling Chai, a graduate of Beijing University and Princeton, founded Jenzabar, Inc., a small, Massachusetts-based firm that provides Web-based educational software and services to colleges. She describes the mission of her company this way: "every day, we are supporting millions of students, faculty and administrators on campus to connect and improve their productivity, learning experience, and communication with other." Less than a decade since its inception, this company's products are used in one of every five universities in U.S. (L., 2006)

for having fruitful marketing and sales, two objectives must be fulfilled:

- The customer has to see and feel the value proposition from the company in order to continue its purchasing journey and end it with purchase deal.
- The content has to create purchase desire among prospects for company products

The buying journey can be long or short depending on circumstances, but if the content never leads customers for purchase deal, then it is useless. (Leboff, 2016)

The value proposition of my business is: we make products with stylish design and high quality, made for ambitious and confident men who know the journey to success starts with perfection of themselves.

### 7.3 The Emotional Selling Propositions

Emotions play big in decision making process. Our purchasing decisions are largely affected by our feeling, that is why companies are defining what it is selling emotionally. there is a lot of ways to describe the same product or service. Some ways of describing products creates some feelings in us. Specific images also invoke some feelings. That is why marketer and salespeople define their emotional proposition. In other word the feeling customers have when they experience after offerings. If the emotions customers feel doesn't match with the value proposition of the company, then the company will lack trust in the market. Customer will not necessarily understand why, but he won't feel right with company's products. For instance, a company that is selling candles or flowers may decide that its emotional selling proposition is 'romance'. In this case company logo can't be black, because we don't associate black color with romance and love. If the company would make this kind of mistake its emotional selling proposition wouldn't match with value proposition and as a result wouldn't resonate with customers. Because of this conflict of emotions created inside customer makes purchase less likely. (Leboff, 2016)

The emotional selling proposition is not something that must be linked outside of the organization. Emotional selling proposition ensures that there is consistency in company's communication. Rather than telling customers what emotional selling proposition is for the company it is better if the customers can feel it without anyone explaining them.

## 8 MARKET CHARACTERISTICS OF AMAZON.DE

Amazon.de is the German segment of the Amazon company. It is made mainly for German customers. It offers sellers a worldwide known and profitable online selling platform for all the companies and individual sellers who are looking for advancement in their business.

Amazon.com, Inc., incorporated on May 28, 1996, offers a range of products and services through its Websites. The Company operates through three segments: North America, International and Amazon Web Services (AWS). The Company's products include merchandise and content that it purchases for resale from vendors and those offered by third-party sellers. It also manufactures and sells electronic devices. The Company, through its subsidiary, Whole Foods Market, Inc., offers healthy and organic food and staples across its stores. The Company also offers a range of products like whole trade bananas, organic avocados, organic large brown eggs, organic responsibly-farmed salmon and tilapia, organic baby kale and baby lettuce, animal-welfare-rated 85% lean ground beef, creamy and crunchy almond butter, organic gala and fuji apples, organic rotisserie chicken. (Reuters, 2018)

The Company also offers other services, such as database offerings, fulfillment, publishing, certain digital content subscriptions, advertising and co-branded credit cards. The Company serves consumers through its retail Websites and focuses on selection, price and convenience. It designs its Websites to enable hundreds of millions of products to be sold by them and by third parties across dozens of product categories. The Company allows customers to access its Websites directly and through its mobile Websites and applications. It also manufactures and sells electronic devices, including Kindle e-readers, Fire tablets, Fire televisions and Echo. It develops and produces media content. In addition, the Company offers Amazon Prime, an annual membership program that includes access to unlimited instant streaming of thousands of movies and television episodes and other benefits. (Reuters, 2018)

There are two types of account available for sellers: usual one and the Amazon FBA, which mean: fulfilled by Amazon. By having usual seller account, you must pay only some percentage of the revenue that you had while selling each of your products, however all the warehousing and drop shipping has to be done by you. On the other hand, Amazon FBA allows for monthly cost of around 1000czk plus the percentage deductions from revenue

for each product sold to send all your products to the Amazon warehouse and the packaging, shipping to the customers will be done by amazon workers.

The biggest Amazon market is the Amazon.com USA market. Nowadays Amazon in USA is more trusted source of online shopping than eBay.

However, being the biggest with the number of customers and total profit doesn't mean that it is the best market for small sellers and companies, because of the same fact of being the biggest market both in terms of money and customer it attracts a lot of seller to offer their products on Amazon.com platform which makes competition fierce.

There are millions of sellers and companies who are trying to overcome each other and provide better products for customers which most of the time ends in "price war" between sellers. Prices are getting lower and lower in order to eliminate competitors, but as a result most of the seller have very little profit and sometimes even they end up with losses.

However, the German Amazon.de platform doesn't have much competition compared to the number of buyers, which creates good opportunity for new starting companies.

The watch market of Amazon.de is not saturated. There are lot of sellers, but compared to the number of customers it leaves a gap for new companies to create their niche in that market and have a profit.

## 9 RESEARCHING THE MARKET

Every starting business besides knowing all the costs, competition, price and potential customers has to also make marketing strategy, without having good marketing strategy based on latest developments in the market there no or little chance to have a success.

### 9.1 Creating Marketing Mix

After selecting target markets, marketers try to use company's activities for satisfying specific segment of the market. Marketing decision making can be divided into four strategies: product, place(distribution), promotion and pricing strategies. All this four used together are called marketing mix, marketing mix is used to satisfy the needs of specific target market.

#### 9.1.1 Product Strategy

This may be physical product, or it may be your service promotion. The key here is that something is developed that people want to buy. Some business begins with a product and then try to force that on an audience. If there is no demand for your product and no one is interested, then you will not be able to create demand. (Simon, 2016)

The key consideration here from digital perspective are around whether your products can/will sell online. What channels are open to you for your product? Does it provide real value for the customer and is it differentiate from your competitors. (Simon, 2016)

In marketing the word product resembles broad concept that summarizes all customers, need, wants and satisfaction embodied in a product or service. So, product strategy represents more than just decision made of what good or service the company should offer to prospects. It also includes decisions made for customer service, packaging design, brand name, trademarks, warranties, new product development, etc. (L., 2006)



### 9.1.2 Price Strategy

Pricing is the second P and one that can be more of a science than an art. Understanding price elasticity and competitive positioning are angels to consider, but the key factor is whether you are asking for a price that people are willing to pay. The 'willing to pay' element of that does of course have many factors behind it such as your brand value, online reviews, products quality and others. (Simon, 2016)

Pricing strategy deals with the procedure of setting prices that the company can profit from and justify those prices. One of the many factors that can influence pricing strategy is the fact of having competitors in the market. For example, computer market, after years of steady growth markets has been experiencing price cuts because of competition and the saturation of the market with low cost computers, which drove down profit margins even lower. (L., 2006)

A good pricing strategy is a key to create value for customers, building and strengthening their relationship with a company and its products.

### 9.1.3 Place Strategy

Building your shop in the wrong place decreases footfall and ultimately means fewer sales. Having your shop in the right place but not having the stock in the shop is even worse. Having your products in the shop in the right location but then not displaying it correctly it is also factor of 'place'. (Simon, 2016)

Marketers develop place strategy or distribution strategies to ensure that customers can find their products in the needed quantities at the right time and place. Distribution decisions involve modes of transportation, warehousing, inventory control, order processing, and selection of market channels. Marketing channels are made up of retailers and wholesalers. (L., 2006)

Development of technologies allows creation of new distribution channels in many industries. There are lot of products that are bought and sold over the internet. By affecting everything from warehousing to order processing. One of the examples can be Amazon FBA (fulfilled by Amazon) which allows sellers to send their products to Amazon warehouses and the warehousing, packaging and sending products to customer are done by Amazon.

#### 9.1.4 Promotion

Promotion is what most people think of when hear the word marketing. TV campaign, press advertising, display banners. This is often the first time that people will have any relationship with your brand. As we all know, first impressions are very important so getting your promotion right is vital. (Simon, 2016)

Promotion is a link between sellers and buyers that helps them to communicate. Companies are using lot of methods for sending specific messages about their goods and services. They may communicate messages directly through salespeople or indirectly through advertisements and promotions.

In developing a promotional strategy, marketers blend the various elements of promotion to communicate most effectively with their target market. There are lot of companies that are using an approach called integrated marketing communication (IMC) to coordinate all promotional activities so that the consumer receives a unified and consistent message. Consumers can get newsletters, e-mail updates, discount coupons, catalogs and so on. (L., 2006).

## 10 MARKETING PLANNING PROCESS

The marketing planning process starts at the managerial level with the definition of a firm's mission. After it determines its objectives, assesses its resources, and evaluates environmental risks and opportunities. Having all this information, marketers then formulate a marketing strategy, implement the strategy through operating plans and collect feedback. (L., 2006)

### 10.1 Defining Organizations Missions and Objectives

The process of defining organizations missions and objectives starts with definition of firm's mission, it is the important part that differentiates the company from other competitors. The mission statement points out the organization's goals and operational framework and provides general guidelines for future management actions. There also can be adjustments in this statement according to the changes in the market or in the organization.

the mission statement for my business is: To be one of the leading watch manufactures in the world, letting people to choose among diverse types of designs provided, to let them create their own image with our fashion accessories.

An organization formulates its basic objectives in its mission statement. These objectives in turn guide development of supporting marketing objectives and plans. (L., 2006)

The objectives of 'Castle' company are:

- Have 10 percent profit for the upcoming year
- Be one of the leading sellers on Amazon.de for coming two years
- Add one physical store for coming two years

### 10.2 Assessing Organizational Resources and Evaluating Environmental Risks and Opportunities

The next step for marketing planning process involves an assessment of an organization's strengths, weaknesses and available opportunities. Organizational resources include the capabilities of the firm's production, marketing, finance, technology and employees. Managers show companies strengths and weaknesses, strengths help them to set the objectives,

develop plans for meeting those objectives, and take advantages of the opportunities in the marketplace. Environmental effects can emerge both from within the organization and from the external environment. for instance, the technological advancement that was achieved due to internet have transformed the way people communicate and do business around the world. (L., 2006)

### **10.3 Formulating, Implementing and Monitoring a Marketing Strategy**

A marketing strategy is a program which selects a target market and then satisfies consumers needs and wants by using the 4ps of the marketing mix.

In the final steps of the planning process, marketers put the marketing strategy into action; then they monitored the performance to ensure that the objectives are being achieved. If the company's performance does not satisfy the expected results, then the strategies must be modified. When McDonald's introduced its Supersized portions, the firm's marketers certainly thought they had a big hit. Offering consumers more of something they already enjoyed looked like the perfect opportunity to increase the sales. However today consumers tastes have changed-instead of asking for larger fries, they are asking salads and yogurts. (L., 2006)

## 11 FINANCIAL ANALYSES

In order to assess a project, manager must compare its costs to the benefits. Usually, these costs and benefits are spread across time. To evaluate a long-term project, we need tools that allow us to compare cash flows that occur at different points in time. The first tool is a visual representation of cash flows: the timeline. After constructing a timeline, we establish three important rules for moving cash flows to different points in time. Using these rules, we show how to compute the present value and future values of the costs and benefits of the stream of cash flows. By converting all cash flows to a common point in time, these tools allow us to compare the costs and benefits of a long-term project, and thus assess its net present value. The NPV expresses the net benefit of the project in terms of cash today.

### 11.1 Net Present Value

To get present value and then net present value we first have to move cash flows backward in time. Suppose we want to compute the value today of \$1000 that we anticipate getting in one year. If the current market interest rate is 10% then:  $1000/1.10=909.09$ . To move the cash flow backward in time, we divide it by the interest rate factor  $(r+1)$ , where  $r$  is the interest rate. This process of moving a value or cash flow backward in time is known discounting. (Jonathan, 2014)

$$PV=C/(1+r)^N$$

- Where PV is the present value
- C is the initial investment
- r is the discount rate
- N is the number of years

In order to compare cash flows we must value them at a common point in time. A convenient choice is to use present values. We define the net present value (NPV) as follows:

$$NPV=PV(\text{benefits})-PV(\text{costs})$$

In this context, the benefits are the cash inflows and the costs are the cash outflows. We can represent any investment decision on a timeline as a cash flow stream where the cash outflows (investments) are negative cash flows and the inflows are positive cash flows,

thus NPV of an investment opportunity is also the PV of the stream of cash flows of opportunities. (Jonathan, 2014)

Let's consider an example:

We have been offered the following investment opportunities

- If we invest \$1000 today, we will receive \$500 at the end of each of the next three years. If we could earn 10% per year on our money, should we undertake the investment opportunity?

To decide whether we should accept this opportunity, we compute the NPV by computing the present value of the stream:

$$\text{NPV} = -1000 + 500/1.10 + 500/1.10^2 + 500/1.10^3 = 243.43$$

Because NPV is positive, the benefits exceed the costs and we should make the investment. NPV tells us that taking this opportunity is like getting an extra \$243.43 that we can spend today.

To illustrate, suppose we borrow \$1000 to invest in the opportunity and an extra \$243.43 to spend today. How much would we owe on the 1243.43 loan in three years at 10% interest rate. (Jonathan, 2014)

The amount we would owe would be:

$$\text{FV} = (\$1000 + \$243.43) * (1.10)^3 = 1655 \text{ in three years}$$

## 11.2 Internal Rate of Return

In some situations, we know the present value and cash flows of some investment, but we don't know the interest rate that equates them. This interest rate is called internal rate of return (IRR), it is defined as being the net present value of cash flows that is equal to zero.

Let's consider an example:

- We have an investment opportunity that requires a \$1000 investment today and will have a \$2000 payoff in six years.
- One way to solve this example is to know what interest rate,  $r$ , we would need so that NPV of this investment equals to zero.

$$NPV = -1000 + 2000 / (1+r)^6 + 0$$

$$100 * (1+r)^6 = 2000$$

- R is the interest rate we would need to earn on our \$1000 to have a future value of \$2000 in six years.

$$1+r = (2000/1000)^{1/6} = 1.1225$$

- $r = 12.25\%$ . this rate is the IRR of this investment opportunity. Making this investment is like earning 12.25% per year on our money for six years.
- The general formula for finding IRR is:

$$P * (1+IRR)^N = FV$$

$$IRR = (FV/P)^{1/N} - 1$$

- Where P is the amount invested
- FV is the future value
- N is the number of years
- IRR is the internal rate of return

(Jonathan, 2014)

### 11.3 Payback Rule

The payback rule which is also called payback period is the time period when the firm will cover the cost of its investment or otherwise said will pay back all the money invested. It suggests that we should only accept a project if its cash flows pay back its initial investment within a specific period. To apply the payback rule, we should calculate the amount of time it takes to pay back the initial investment. Then if the payback period is less than a specific length of time which is usually a few years we accept the project. Otherwise we should reject the project.

Let's consider an example:

Investor requires all projects to have a payback period of five years or less.

- Project initial investment is \$250 million
- Project will generate \$35 million per year

The sum of cash flows from year 1 to year 5 is  $\$35 \times 5 = \$175$  million, which will not cover the initial investment of \$250 million in five years. Initial investment will not be covered until year 8, at that time initial investment will be paid back ( $\$35 \times 8 = \$280$  million). Because of the payback periods being more than five years, the investor should reject the investment opportunity. (Jonathan, 2014)

### **11.4 Return on Investment (ROI), Return on Assets (ROA), Return on Equity (ROE)**

To have an idea if the investment is going to be profitable, we need to calculate financial indicators such as return on investment, return on assets and return on equity.

Return on investment shows the profit that the investor is going to have on each dollar that he is going to invest, it helps investor to have an idea about their investment in terms of future profitability.

$$\text{ROI} = \text{Net Profit} / \text{Total Investment}$$

Return on asset is a financial measure that shows percentage profit that the company makes in relation to its assets owned. ROA gives investors an idea that how the company's management is using company's assets to generate profit

$$\text{ROA} = \text{Net Income} / \text{Total Assets}$$

Return on equity is a measure of profitability in relation to the shareholders equity. Return on equity measures companies profitability by showing how much profit was made using the money invested by shareholder.

$$\text{ROE} = \text{Net Income} / \text{Shareholder Equity}$$



## 11.5 Profitability Index

Profitability index tries to identify costs and benefits of the project by dividing PV of future cash flows to Initial money invested

$$PI = PV / \text{Initial Investment}$$

If there is a project which has an initial investment of \$1000 and the present value of future cash flows is \$1500 then profitability index will be  $1500/1000 = 1.5$  and the NPV of this investment is  $1500 - 1000 = 500$  which is profitable investment. In this example having  $PI = 1.5$  we can make a conclusion that by investing \$1 will result in \$1.5 revenue.

Profitability index and net present value are interconnected. When there is a positive NPV then the PI should be bigger than 1, and if NPV is negative, PI will be smaller than 1.

PI has also its disadvantages. Let's consider one example: an investment that requires Initial investment of \$50 has present value of \$100 and second one requires \$500 initial investment with \$1000 present value. If we make calculation, first investment's PI is:  $100/50 = 2$  and  $NPV = 100 - 50 = 50$ . Second investment's PI is:  $1000/500 = 2$  and  $NPV = 1000 - 500 = 500$ . As we can see from our example in both cases the  $PI = 2$  is the same, which suggests that both investments should be equally attractive, but in reality, second one has higher NPV which is the more attractive investment.

## 12 PROJECT MANAGEMENT METHODOLOGY

Project management methodology provides a standard, repeatable process to guide project performance from concept to completion. It introduces and applies generally accepted project management techniques and practices that fit within the culture and business needs of relevant organization. It includes identification of the roles and responsibilities associated with each process step, as well as specification of the input and output for the prescribed sequence of process steps. A project management methodology conveys to project managers and project team members what to do and how to do.

The methodology should address five general project management functions:

1. Initiation
2. Planning
3. Execution
4. Controlling
5. Closing

The project management methodology function requires coordination and collaboration with key stakeholders, protobinary project managers in the project management environment. It is imperative that any project management methodology grows to be supportive of technical and business efforts, so it is essential to involve project engineers, products managers, and other technical and business specialists, as simple processes are expanded to life-cycle process. (M., 2008)

### 12.1 Time Analyses: Project Scheduling Based on Expected Activities

#### Time; Critical Path Method

Most of the time managers are responsible for planning, scheduling, and controlling projects that consists of numerous separate jobs or tasks performed by many departments and individuals. Most of the time these projects are so large or complex that the managers can not possibly remember all the information pertaining to the plan, schedule, and progress of the project. In these situations, the program evaluation and review technique (PERT) and critical path method (CPM) are valuable tools. (Ray, 2016)

PERT and CPM can be used to plan, schedule, and control a wide variety of projects.

Common applications include:

- Research and development of new products and processes
- Constriction of plants, buildings, and highways
- Maintenance of large and complex equipment
- Design and installation of new systems

In these types of projects, project managers must schedule and coordinate the various jobs or activities so that entire project is completed on time. A difficult factor in carrying out this task is the independence of the activities; for example, some activities depend on the completion of other activities before they can be started. Because projects may compromise as many as several thousand activities, project managers look for procedures that will help them answer questions such as the following. (Ray, 2016)

- What is the total time to complete the project?
- What is the schedule start and finish dates for each specific activity?
- Which activities are "critical" and must be completed exactly as scheduled to keep the project on schedule?
- How long can "noncritical" activities be delayed before they cause an increase in the total project completion time?

To analyze average time to complete the task, we will use the following formula:

$$t=(a+4m+b)/6$$

where:

t- is the expected time

a- Optimistic time in days

m- most probable time in days

b- pessimistic time in days

## 12.2 Risk Analyses: Process Decision Program Chart

Risk management is an inherent component of project management, and virtually all effective project management offices (PMOs) and project managers acknowledge the need to manage project and business risks. The PMO needs to confirm that perspective by developing the necessary guidance and measurement metrics to facilitate effective project and business risk management. (M., 2008)

In some project management environments, risk is distinguished between events having potential unfavorable impact and those having potential positive opportunities. In the regard, the PMO should develop and implement metrics that address the relevant organization's process and business approach to risk.

Guidance metric for risk management can include such items as specification of standard risk events and responses; frequency of risk examination and analyses; frequency and type of risks encountered on common projects, along with the preferred solution that can be incorporated in the project planning phase; common risk impacts on project performance; costs of allowances per the project classification. The PMO needs to ensure that project managers and risk managers have sufficient guidance to deal with the risks that are identified and the risk events that are encountered. (M., 2008)

The method that will be used in my thesis to identify risk and give solutions will be PDPC chart.

This chart identifies errors that can occur in a plan. PDPC chart is used when the plan has strict deadlines and high costs in case of failure.

In order to use this chart, there needs to be drawn tree diagram with four layers:

1. The objective of the plan
2. That tasks to be completed
3. The possible events of failure
4. What are the solutions if there is a failure?

After completion of this tree diagram it is easy to identify the possible risks and the elimination options.

## **II. ANALYSIS**

### 13 START A BUSINESS ON AMAZON.DE, OVERVIEW

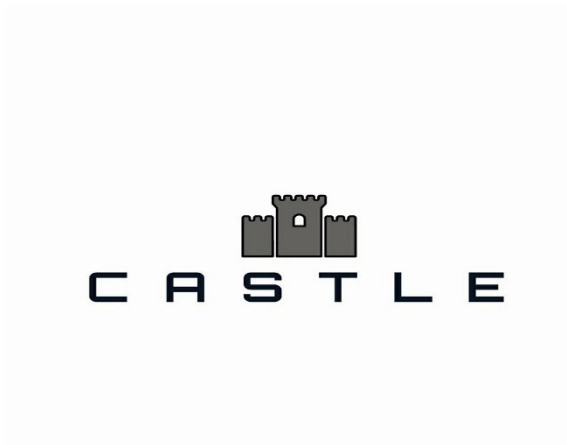
Amazon.de being the second largest amazon market after the Amazon.com and the biggest in the Europe is an appealing option for new businesses providing big opportunity for business development.

One of the difficult stages of starting business on Amazon platform is to choose the right product. There are tons of different categories of products and tones of subcategories, which make a person who want to start a business a little bit confused to with what products to start their business. There are lot of ways that you can and must do your market research to choose the right product, those include like, looking market for competition, looking for sellers that are selling the same or similar products, looking how they are ranked in amazon according to sales they are making, how many reviews do they have under their products, what prices are they offering and so on. Searching the market helps to identify the profitable niches of products that will allow you to profit, one of the indicators of market being profitable and demanded is the number of seller and number of sales they are making. At the same time profitable markets with lot of seller is a sign of fierce competition which gives you little or no chance to have successful business there. The best market to start your business is the market where there are just enough sellers to be seen as profitable but not too much to be too much competitive, but before doing all the necessary research first you have to have an idea of product that you are going to sell. The best way to have an idea is to know what you are passionate about, what makes you feel that it is the right products that you would like to have your own brand on it and that you can see yourself developing it into worldwide known profitable brand. The second thing that can help for having idea about product that you want to sell is to know if you are able to market it. Marketing is essential for sales and the products must be in a category which is not difficult to market, that there is no need to spend a lot of money to market it. Finding something that you know, you can market with little or no money is one of the indicators of having good product idea.

Nowadays social media is everywhere and is available for almost everyone. It is a good and free source for marketing products, which will give you an advantage over your competitors, because most of seller on amazon they don't have social media pages, or those pages are not much appealing for customers to look through, so creating an appealing social media page will put you ahead of your competitors.

Before starting an Amazon, business there are couple of steps that has to be fulfilled. First you have to open a seller account on Amazon platform which is easy, then there needs to be your logo, if you are planning to have your own brand. I have created a simple, memorable logo, which I think is stylish and speaks about the quality that the brand is offering.

Figure 5. Brand



Source: (Created by me)

I have chosen the brand name Castle, because castles are places where people feel excited they feel the wisdom and the power of those people who built it and kept it safe. That is how I want my customers to feel about my brand: excitement, wisdom and power.

Second step is to make a product research and find profitable markets and niches to sell your products. There also needs to be set up the goals that you are going to achieve in specific time period, for example to have 10 products sold weekly with \$10 profit over next year and so on. All of this will be discussed later in my master's thesis.

Next step is to find suppliers who are going to supply your desired products with low prices. The best website to find and contact supplier is Alibaba.com it is the biggest B to B market which lets you to choose among thousands of suppliers that offer low process and good quality. After choosing a product and supplier you contact them and agree on terms and condition. You can ask the supplier to send you a trial version of the product you want to see the quality and design.

After agreeing on the product type, quantity and the shipping terms, the payment can be done through PayPal or Western Union or similar money transferring options.

There are two ways that the supplier can ship your products, first one is shipping by sea, which costs less than other ways of shipping, but it takes quite long time for your products

to arrive, it can take months and you also have to do all the customs, which is waste of time, money and is generally inconvenient. The next type of shipping is air shipping which costs more, but it is the fastest and the customs are done by the supplier and you can get your products on the doorstep of you house without any need for additional work.

After all previous steps done, you have to create listing on Amazon which s what kind of product you are going to sell, description, title and so on. There also needs to be a special barcode, UPC, which can be bought for around \$5 on internet. If you are selling one product one barcode is enough, but if you are selling different products you will need different barcodes. There also needs to be images of your products that you are going to sell. You need to have good product pictures, better to take pictures with professional photo or ask professional photographer to take pictures.

There also needs to be created shipping plan on amazon platform, for amazon workers to know when your products will arrive, from where and how much, for the shipping plan there need to be written box weight, box dimension and how many boxes are you shipping and there should be your UPC code on the boxes which will be provided by Amazon after completing those steps.

Before starting an Amazon, business there is a huge uncertainty about what products to choose, logistics, how are you going to contact seller, how are they going to send the products, fees and so on, about all of this I am going to talk about later in my Master's Thesis.



## 14 ANALYZING THE MARKET

There are a lot of competitors in any of the Amazon's markets. There are sellers and companies that are selling for a long time and have their own loyal customer base and tons of sales. For new starting companies it is a big challenge to compete with them. The key for success like in any other online or physical market is differentiation of your products as well as setting mission and vision for your company to attract like-minded people in order to develop your own customer base.

If the customer wants to buy let's say a watch and he is going to Amazon and searching for watches the search result will bring lots of products that are well-known brands with high prices or just generic watches with a lot of seller offerings. If the products that you are going to sell doesn't have a well-known brand name or really cheap prices compared to other sellers then, there is little or no chance to have a successful business.

On Amazon's markets well-known brands are sold by their producers or by the seller who have long-lasting and profitable relationships with those companies, which is a tough challenge for new starting businesses to establish that kind of relationship with them. The only chance to have a successful business is to have your own brand name and try to market it, which lets you to differentiate yourself from other sellers and to compete not with lowering prices, but by having a different brand name.

As was mentioned before the brand that I am going to establish is going to sell watches on the Amazon.de market. There are around 3000 sellers and companies selling watches on the Amazon.de market, which may seem a lot but when we compare around 13 billion sales that was made on Amazon.de in 2016 and millions of customers, it is obvious that competition is not fierce and there is a huge chance for success if everything is done well.

There are a lot of well-known brands like Casio and Fossil which, obviously, have their own loyal customers and they don't need further representation of their brand and quality, because they are already well-established and known in the marketplace. Those brands are asking for higher prices than the others, those brands have created their own segment of watch market which is a luxurious and expensive watches segment of the Amazon.de market.

There are also Chinese brands that have comparably lower prices but are not established as luxury watches. Most of the sellers are importing their watches from China, which is nowadays the cheapest market for almost any product that we can imagine. As a result,

there are lot of seller selling the same brands of watches thus the only way for differentiation for them is of lowering their products prices which results of low or sometimes no profit made from those products.

My market strategy will be based on differentiating my products with design, features, creating value and establishing my brand rather than differentiating with prices.

## 14.1 Analyses of Competitors Total Costs, Prices and Profits

Table 1. Competitor's prices

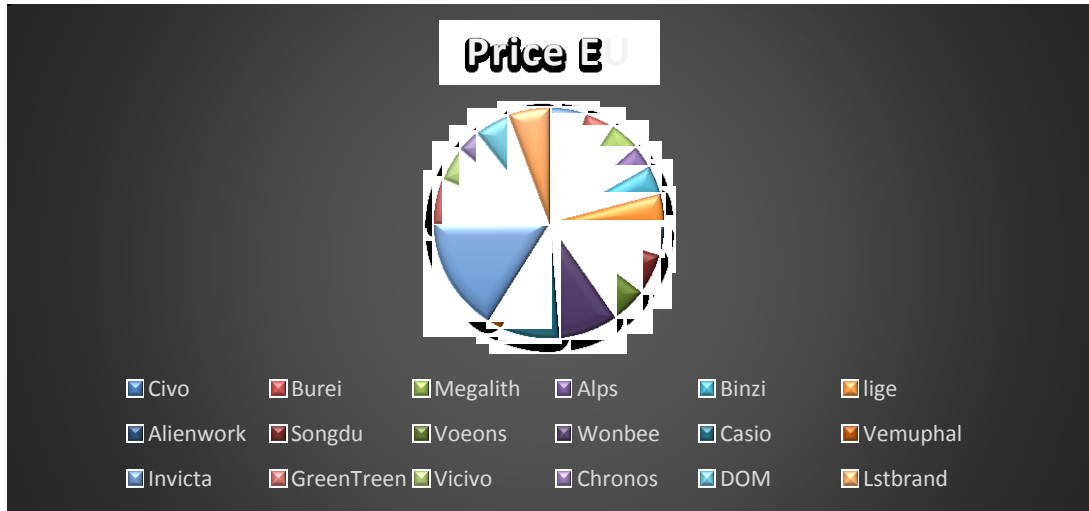
Brand	Price EU
Civo	32.99
Burei	25.99
Megalith	26.99
Alps	19.99
Binzi	24.96
lige	29.99
Alienwork	24.61
Songdu	35.99
Voeons	30.99
Wonbee	52.69
Casio	50.85
Vemuphal	12.99
Invicta	100.08
GreenTreen	39.99
Vicivo	30
Chronos	20.99
DOM	30.99
Lstbrand	34.99

Source: (My own calculations)

In table 1 we can see the brands of watches that are being sold on Amazon.de platform. All the companies I have chosen are operating on Amazon.de for less than two years which means that those companies are comparably new and are considered target competitors to "Castle" brand.

On this pie chart we can see that prices are the highest price has brand named Invictia, which is well established brand and therefore can ask price premium for its products, other products prices fluctuate from 19.99 EU to 52.69 EU

Figure 6. Prices of potential competitor’s products



Source: (my own calculations)

Here we can see brands, their total cost based on the cost of product, Amazon fees, in-bound shipment, outbound shipment, and the packaging costs, their prices and profits. All the calculations are made for one unit of product. No matter to the fact that the seller of Invictia has the highest price, he also has higher cost of product which is the result of selling luxurious brand, which results in having low profits. We can also see that the seller of brand Casio is having losses, it can be result of high initial product cost, or he is using market penetration strategy, by lowering its prices he is trying to get rid of other sellers. On the other hand, we can observe that seller of brand Vicivo has the highest profit margin compared to others. Vicivo is not well-known brand, but as a result of low product cost seller is able to have high profit margins by selling with comparably low prices.

Table 2.Total costs and profits

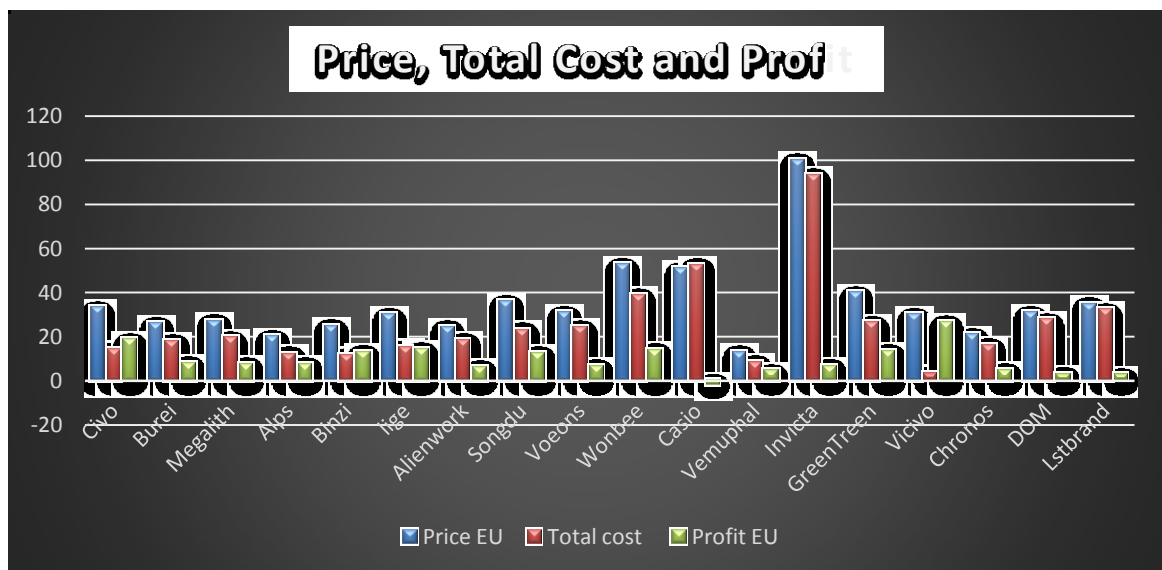
Brand	Price EU	Total cost	Profit EU
Civo	32.99	14.39	18.6
Burei	25.99	18.06	7.93
Megalith	26.99	19.4	7.59
Alps	19.99	12.4	7.59
Binzi	24.96	11.9	13.06

<b>Iige</b>	29.99	15.4	14.59
<b>Alienwork</b>	24.61	18.4	6.21
<b>Songdu</b>	35.99	23.3	12.69
<b>Voeons</b>	30.99	24.4	6.59
<b>Wonbee</b>	52.69	38.8	13.89
<b>Casio</b>	50.85	52.4	-1.55
<b>Vemuphal</b>	12.99	8.4	4.59
<b>Invicta</b>	100.08	93.4	6.68
<b>GreenTreen</b>	39.99	26.4	13.59
<b>Vicivo</b>	30	3.4	26.6
<b>Chronos</b>	20.99	16.1	4.89
<b>DOM</b>	30.99	27.8	3.19
<b>Lstbrand</b>	34.99	32.1	2.89

Source: (my own calculations)

In table 2 we can see competitor brands, the price they are offering on Amazon.de, their total costs and the profit that they make. We can observe that the average profit is around 9 euros.

Figure 7. Prices, total cost and profit of the competitors



Source (my own calculations)

## 14.2 Connection Between Prices, Reviews and Stars

Reviews and stars are quite important indicators for the online customers for making their purchasing decision. Customers rely more to those seller or companies that have higher reviews, and stars closer to 5, considering them trustworthy. So, as a result of that I tried to see the connection between the reviews, stars and the prices that those sellers are offering. I wanted to see if having high number of reviews and stars let the sellers to ask for higher price.

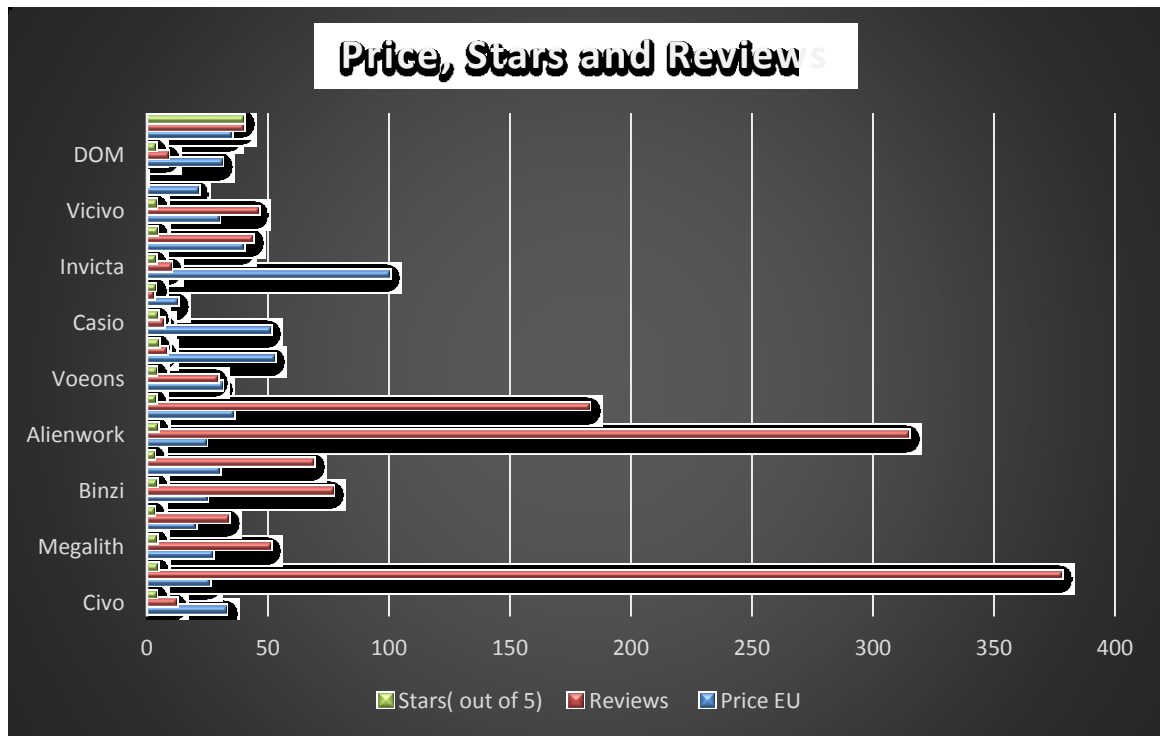
Table 3. Prices, Reviews and Stars of competing companies

Brand	Price EU	Reviews	Stars(out of 5)
Civo	32.99	12	4.3
Burei	25.99	378	4.5
Megalith	26.99	51	4
Alps	19.99	34	3.4
Binzi	24.96	77	4
lige	29.99	69	3.4
Alienwork	24.61	315	4.4
Songdu	35.99	183	3.6
Voeons	30.99	29	4.3
Wonbee	52.69	8	5
Casio	50.85	7	4.7
Vemuphal	12.99	3	3.9
Invicta	100.08	10	3.6
GreenTreen	39.99	44	4.6
Vicivo	30	46	4.1
Chronos	20.99	0	0
DOM	30.99	9	3.6
Lstbrand	34.99	40	4.0

Source: (my own calculations)

Table 3 shows competitor brands prices, reviews and stars that their page has got so far. The maxim average number of star that a page can get is 5. Stars indicate the satisfaction level of overall the customers who made their shopping from that brand. The highest average number of stars has well known brand Casio 4.7 stars. Casio is worldwide known company which almost always provides its customers with high quality products, this is the reason that on average customer are satisfied with the brand according to stars.

Figure 8. Prices, stars and reviews



Source: (my own calculations)

Stars and review have big impact on the pricing strategy, but from our chart we can see that there is no definite impact on this seller’s strategy. It can be result of different pricing strategies that those sellers are making. For example, the seller of brand Burei has by far the highest number of reviews and moderate rate of stars, but the price that he is selling is average, it can be result of dumping strategy or he is trying to keep prices low to have high number of sales and as a result to have higher total profit.

### 14.3 Connection Between Best Seller Rating, Reviews and Stars

Best seller rating is a mean for rate the seller highest being 1 and the low can go as low as the number of seller. The higher the rank (towards 1) means that seller is having more sales. I wanted to see the connection between reviews stars and the rating or rank of the seller, I wanted to know if sellers having higher reviews and stars have more sales or higher ranking.

Table 4. Best seller rating, reviews and stars

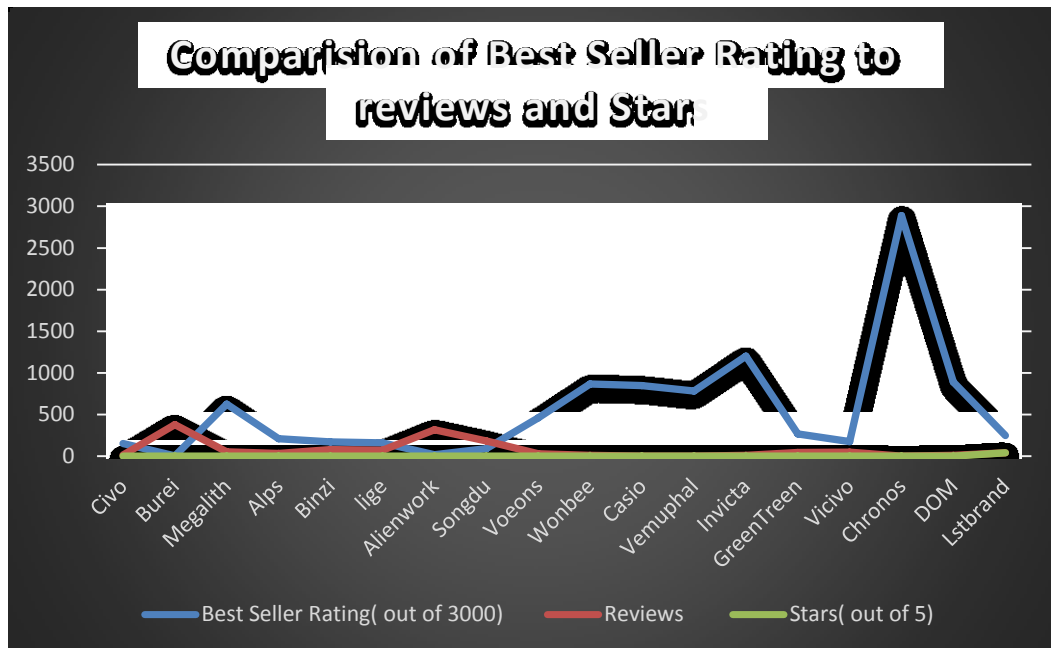
Brand	Best Seller Rating (out of 3000)	Reviews	Stars (out of 5)
Civo	150	12	4.3
Burei	3	378	4.5
Megalith	623	51	4
Alps	210	34	3.4
Binzi	171	77	4
lige	159	69	3.4
Alienwork	15	315	4.4
Songdu	90	183	3.6
Voeons	457	29	4.3
Wonbee	865	8	5
Casio	848	7	4.7
Vemuphal	782	3	3.9
Invicta	1200	10	3.6
GreenTreen	268	44	4.6
Vicivo	174	46	4.1
Chronos	2886	0	0
DOM	890	9	3.6
Lstbrand	248	40	4.0

Source: (my own calculations)

Here in table 4 we can see best seller rating, reviews and stars. Best seller rating is an indicator which tells how much is the brand selling. Having a number closer to 1 indicates that the brand is selling a big amount of its products, which makes competing with that brand almost impossible. On the other hand, as the numbers get higher it tells us that the brand is not fully established in the market which gives opportunity to compete with those brands.

In the table we can observe that no matter to the fact that brand Casio is well known, it has a comparably high number of best seller rating, the conclusion can be that as the watches of brand Casio are expensive the total number of watches sold is lower compared to other brands which leaves Casio on 848<sup>th</sup> place.

Figure 9. Comparison of best seller rating to reviews and stars



Source: (my own calculations)

As we can see from the chart when the line of best seller ranking picks around 2800<sup>th</sup> ranking the reviews move the opposite direction, and vice versa when reviews are high the ranking is higher (towards 1). This shows that there is a negative relationship between ranking of sellers and reviews. The stars don't have noticeable effect on rankings.

#### 14.4 Costs and Profits of Companies Operating on Amazon.de Platform

In the table below are the per unit cost calculations. First costs are the cost that the seller are obtaining their products from manufacturers, it depends on the quality, design and features of the products as well as how reliable is the manufacturer and how experience he is, all this information can be looked in Alibaba.com website which is the website where most of the Amazon seller are obtaining their products.

The next cost is the Amazon fulfilment cost, which includes fulfilment fee which is based on the weight and dimensions of the products and monthly storage fee, the per unit fee for Amazon to store your products in its warehouses. Total Amazon fee in our case or in case of most of the seller who sell watches is 2.5 EU.



There are two type of shipping costs. First is the inbound cost, the cost of manufacturer to send your products to you and the second one is outbound cost, the cost of sending yur products to Amazon warehouses.

There is also packaging costs which is the cost of packaging your product before sending. It fluctuates around 0.1 EU.

All the costs are per unit costs. After having all this information, we can calculate our total cost.

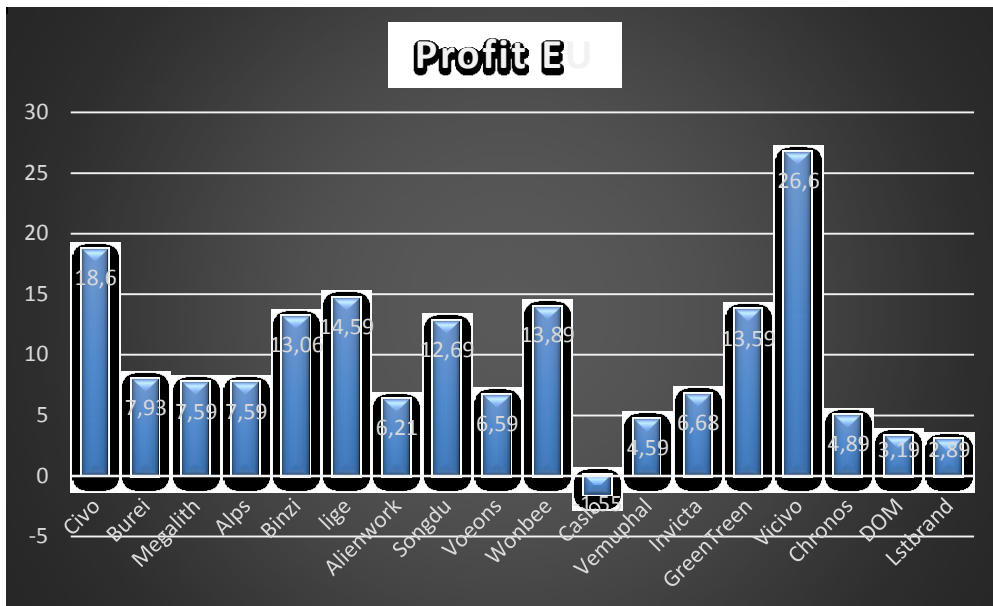
Table 5. All the costs involved during operating on Amazon platform

Brand	Cost EU	Amazon fee (fulfillment fee + monthly storage)	shipping cost(inbound)	Shipping cost (outbound)	Packaging cost	Total Cost
<b>Civo</b>	10.99	2.5	0.3	0.5	0.1	<b>14.39</b>
<b>Burei</b>	14.66	2.5	0.3	0.5	0.1	<b>18.06</b>
<b>Megalith</b>	16	2.5	0.3	0.5	0.1	<b>19.4</b>
<b>Alps</b>	9	2.5	0.3	0.5	0.1	<b>12.4</b>
<b>Binzi</b>	8.5	2.5	0.3	0.5	0.1	<b>11.9</b>
<b>lige</b>	12	2.5	0.3	0.5	0.1	<b>15.4</b>
<b>Alienwork</b>	15	2.5	0.3	0.5	0.1	<b>18.4</b>
<b>Songdu</b>	19.9	2.5	0.3	0.5	0.1	<b>23.3</b>
<b>Voeons</b>	21	2.5	0.3	0.5	0.1	<b>24.4</b>
<b>Wonbee</b>	35.4	2.5	0.3	0.5	0.1	<b>38.8</b>
<b>Casio</b>	49	2.5	0.3	0.5	0.1	<b>52.4</b>
<b>Vemuphal</b>	5	2.5	0.3	0.5	0.1	<b>8.4</b>
<b>Invicta</b>	90	2.5	0.3	0.5	0.1	<b>93.4</b>
<b>GreenTreen</b>	23	2.5	0.3	0.5	0.1	<b>26.4</b>
<b>Vicivo</b>	15	2.5	0.3	0.5	0.1	<b>3.4</b>
<b>Chronos</b>	12.7	2.5	0.3	0.5	0.1	<b>16.1</b>
<b>DOM</b>	24.4	2.5	0.3	0.5	0.1	<b>27.8</b>
<b>Lstbrand</b>	28.7	2.5	0.3	0.5	0.1	<b>32.1</b>

Source: (my own calculations)

As we can see from chart below brand Vicivo no matter to the fact that is not so much known brand is profiting the most, the per unit profit for this brand is 26.6 EU, which compare is 88.6% of its price.

Figure 10. Profit



Source: (my own calculations)

## 15 THE FOUR “P”-S

The way to a successful business plan is to construct good marketing mix. In order to create marketing mix an entrepreneur has to have deep understanding about his or her product, what is going to be sold, what are the prices that the company is going to profit and customer will be willing to pay, where it is going to be sold and what promotion strategies are going to be used to boost sales and for further development of those products.

### 15.1 Product

Product may be physical product, or it also can be a service. The key factor here is that something is developed that people want to buy. Some business begins with a product and then try to force that on a customer. If there is no demand for your product and no one is interested, then you will not be able to sell it no matter what you do.

The product that “Castle” company is going to sell for the beginning will be only men watches with the future goal to establish as men clothing and accessories company.

Core product will be the style and the status that our watches are going to give to their owners with comparably low prices, it will provide value of not only having watch to be able to follow the time, but as well as an accessory that that add an important style detail to overall men’s image.

Channels for the product will be Amazon’s online platform which will provide an opportunity to reach to millions of potential customers.

The watches will be differentiated from competitors with design and with the brand name, which will be completely new that no other customer have ever seen before, which will provide a new base for creating an image of stylish and quality watches.

### 15.2 Price

Pricing strategy that of my products is simple: good quality with stylish design while having lower prices compared to competitors in the market.

Prices of the watches are not going to be high, because watches will be manufactured in China where there is a cheap workforce the end price won’t be high compared to other

companies and sellers. There will be also market penetration strategy to accomplish it initial prices will be low, just a little bit more than the total cost to get market share, after the prices will get to market average point.

Discounts and offers are certainly not new to digital marketing, but they will be used to boost the sales.

Penetration pricing strategy may be used to get some market share first and then prices will gradually increase to its normal level.

### **15.3 Place**

One of the indicators that place has been chosen wisely is if the customers can find it easily. Amazon being one of the biggest online shopping platforms in the world definitely puts those question aside.

Amazon online platform provides all the features for customers to navigate and find their desired products. Amazon is one of the well-known e-shop platform with eBay that don't have big competitors in a global market. Products are displayed in a user-friendly way which lets customers to choose the products they want in a easy and fast way and leads to them to the final purchasing act.

All the items are in Amazon warehouses and are fulfilled by the company

### **15.4 Promotion**

The promotion strategy of my business will be done mainly using social websites, like Facebook, there will be available discounts for big quantity orders, and loyal customers will also benefit from low pricing strategy for them.

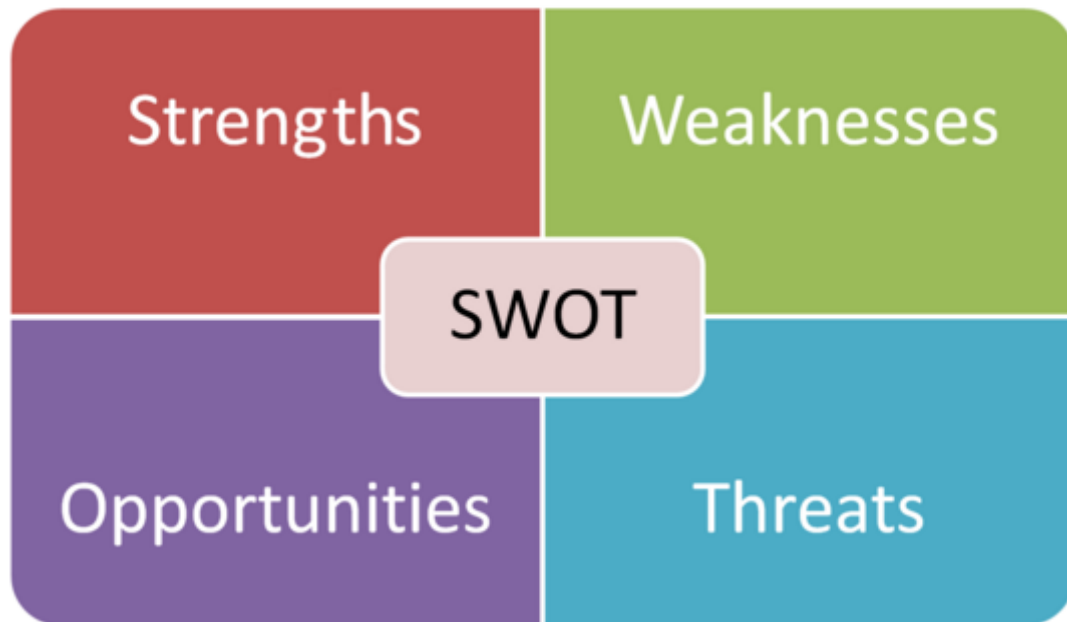
Promotion strategy for 'Castle' company will be based on affiliate marketing, using social web-sites, like Facebook and Instagram. Traditional methods of promotion like TV and newspaper advertisements are outdated, furthermore having an online shop and advertising your products let's say with newspapers is useless, because the potential buyers who do their shopping online tend to read news and generally spend time in internet.

Advertisement of products will be done using Facebook and Instagram channels, where will be all the pictures of the products and discount coupons, also the followers will be able to read special recommendations for improvement of their style, tips and tricks to change their image for better results in their personal and social life.

Advertisements and promotions will be done also using YouTube channels that are presenting contents that are interesting for men, it will be done using pop up advertisement as well as advertisement directly said by the anchor of the YouTube channel during its videos.

## 16 S.W.O.T. ANALYSES FOR ‘CASTLE’ E-SHOP

Figure 11. S.W.O.T. Analyses



(Methodology, 2017)

### 16.1 Strengths

Strengths of the ‘Castle’ e-shop is the stylish design of the watches and the low cost compared to other seller on Amazon platform. Nowadays there is little or no alternative to have a modern, stylish and good quality watch without paying a big fortune, that is why seeing this gap in marketplace, specifically on Amazon I decided to give customer an alternative choice for the other brands which ask a lot of money for their products.

The watches will be high quality, me having the idea to be an entrepreneur, I multiple times ordered trial versions of the watches that I am going to sell under the brand name ‘Castle’ and having those watches for more than two years I came to an conclusion that the manufacturers that I am planning to supply my products from really produce products that comply the requirements I want, requirements of being high quality.

Contrary to popular belief that products from China have low quality, I, personally realized that there are manufacturers who really provide good quality for less money. Saying this I want to mention that the cost of manufacturing the watches are really low, which will allow me to have a competitive advantage over other sellers, at the same time provide good quality and stylish design.

## 16.2 Weaknesses

The biggest weakness for 'Castle' e-shop is the narrow product line. As new starting company and facing lot of risks the product line will consist of only one or two types of watches. This is a weakness, because having only one or two products won't give an big choice for customer, people who won't like the product design won't be able to choose among other models of watches, but there is an simple solution for this problem which will be in increasing product line after couple of years of successful operation on Amazon Market.

The other weakness is the restriction of the investment in business. Being for now the only investor in 'Castle' e-shop I can't invest a lot of money, which will result in limited number of products as mentioned before and other maintenance and running the business issues.

Being a new starting company results in having weak market image. 'Castle' brand is new in market hence doesn't have loyal customers and have the fame and trust of other well-known brands.

## 16.3 Opportunities

One of the most important opportunities of having e-shop on Amazon platform is the millions of customers that are doing their shopping using Amazon. It gives huge opportunity for new starting businesses to reach their customer without investing lot of money in their business.

Nowadays developments of international marketplace are changing, the traditional ways of doing business has changed, starting from the marketing campaign to having physical shops. Customers tend to do their shopping staying in their homes. Online marketplace is getting bigger and bigger, two of the most successful examples can be Amazon and eBay, both providing opportunities for sellers and customers to sell and buy from their homes.

The other strength of having e-shop is the low cost of maintenance and workforce. The fees for having an e-shop on Amazon platform are quite low compared to having physical shop. The workforce is also an advantage, because having e-shop doesn't require of having too many people working, for starting e-shop one or two people working is completely enough.

## 16.4 Threats

There is a threat of new entering companies in the market. The threat is obvious, because having a big opportunity using Amazon market there will be other players who will want to use this advantage.

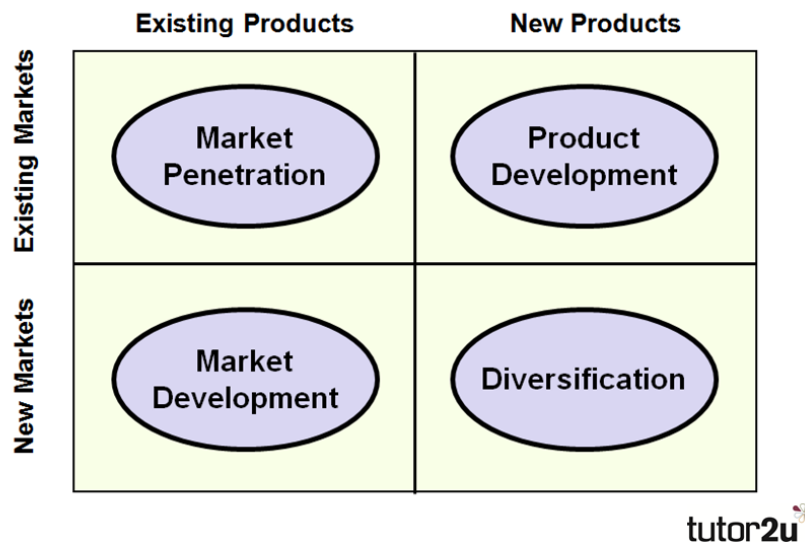
The entrance of new companies to a market can be direct competition and therefore threaten the success of an established or establishing business.

Number one threat for 'Castle' e-shop is the barriers to entry. There are a lot of other companies and individual sellers that are selling watches for already a long time and have their loyal customers, which will make the entry of 'Castle' difficult. Another difficulty is the economy of scale, as new starting businesses are smaller than established businesses and most of new starting businesses are not able to compete with big companies in terms of their pricing policy. This is the reason that I have chosen a manufacturer which is able to manufacture the watches with low cost which will let me to compete with low prices.



## 17 DIVERSIFICATION STRATEGY BASED ON ANSOFF MATRIX

Figure 12. Ansoff Matrix



Source: (Geoff, 2017)

The Ansoff Matrix is a great tool that helps businesses to decide their strategic planning. The Ansoff Matrix is a method to decide how your business is going to attract customers and compete with competitors.

There are four different strategies available: Market penetration, product development, market development and diversification. Strategies are being chosen considering the fact of having new or existing products in new or existing markets.

To choose the strategy you need to know if your products are new or already existing and the market that your business is going to operate is new or existing.

There is no 'Castle' company yet in Amazon market so it is a new product for customers.

There are lot of companies and sellers selling watches on Amazon platform, but as there is no brand name 'Castle' yet it means that the market is also new. So, it means that having new product in a new market we end up being in the fourth quadrant of Ansoff Matrix which is the diversification strategy.

There is lot of risks connected to diversification stagey and it is by far the riskiest one, there is a risk with the new market and the new product. No one can predict what will happen. There are millions of customers who are doing their shopping online, they live in all over the Germany and the data collection of their preferences and wants is connected with

lot of money that need to be invested in market research, it is almost impossible for new starting company to collect data about its potential customers.

With all the risks involved with this strategy I can see big opportunity and hope that the introduction of this new brand will be successful.

## 18 ESTIMATING THE DEMAND CURVE, YEARLY AND WEEKLY DEMAND

Table 6. Price and Reviews/demand

Price EU	Reviews/Demand
0	350
24.61	315
24.96	77
26.99	51
30.99	29
32.99	12
52.69	8
55	0

Source: (my own calculations)

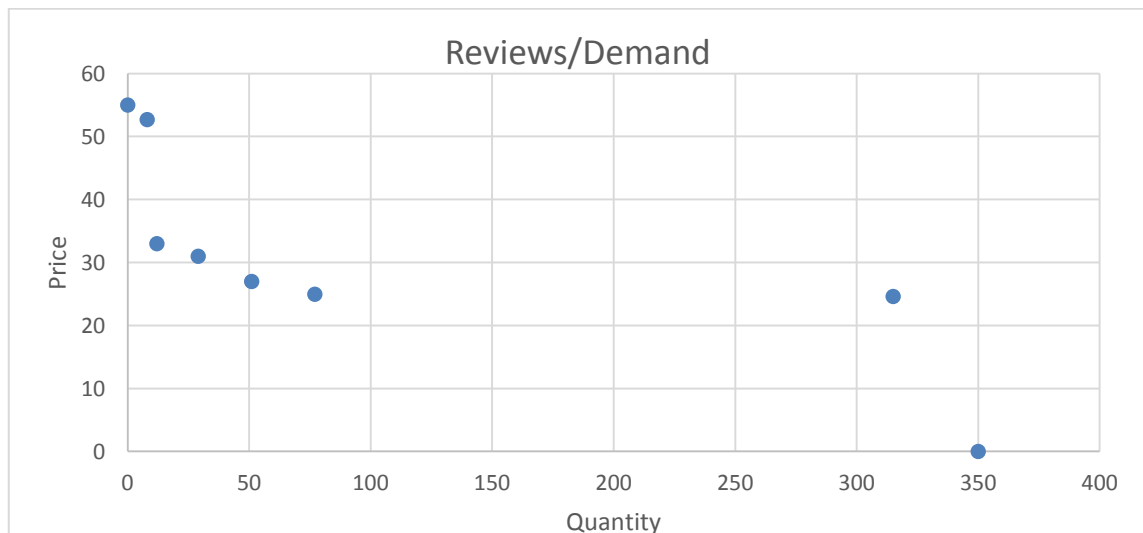
Based on competition in Amazon.de I gathered this data which represents the companies and seller that have similar market share and prices.

The quantity demanded is yearly.

I analyzed the reviews that the customers left after doing their shopping in their shops and got the data above, which basically shows the prices and the reviews which can be also considered as a demand, because the reviews were left after the purchase of the products.

After having this data, we can construct our demand curve:

Figure 13. Demand curve



Source: (my own calculations)

On the Y axis we have the price and X axis is the quantity demanded.

Companies selected for the research are in similar price category as well as all of this companies are operating in Amazon for less than two years, they have similar product lines and all of them are represented on Amazon.de platform which allows us to roughly have an idea about the demand for new starting company.

Having this data and using microeconomic formulas for predicting demand function we can get:

$$Q=B_0+ B_1 \times P$$

Q is the quantity demanded

P is the price

$B_0$  is the intercept

$B_1$  is the slope of the curve: Change in Q/ Change in P

$B_0$  as mentioned before is the intercept which means how much of the product will be demanded if the price was 0, according to our graph when  $P=0$  the demand will be 350. So if the price is ) there will be 350 watches demanded in the market per year.

$$B_1= \frac{Q_2-Q_1}{P_2-P_1}$$

$$B_1= \frac{315-0}{24.96-0}= 12.75$$

So, having  $B_0$  and  $B_1$  we can construct our demand function which is:  $Q = 350+12.75P$

Average demand per year is:  $(350+315+77+51+29+12+8+0)/8=105.25$

Average weekly demand is:  $105.25/52=2.02$

So, the average weekly demand among new seller on Amazon.de platform is around 2 watches.

## **19 ESTABLISHING THE PROJECT**

Until now we made calculations to estimate how the business is going to run. This chapter will be dedicated to project management of the 'Castle' e-shop. To have a successful business plan there needs to be time, risk and cost analyses as well as financial analyses to cover the risks of failing to estimate project time, budget and other risks that were not covered in previous chapters.

### **19.1 Financial Analyses for Establishing 'Castle' e-shop on Amazon.de Platform**

Before establishing any business, it is crucial to calculate the budget. It is important to consider all the costs that the business is going to encounter.

In this chapter we are going to make analyses of investment cost, operating cost, income statement, and investment evaluation techniques such as: NPV, IRR, Payback Period.

#### **19.1.1 Investment Costs and Operating Costs**

As discussed before 'Castle' e-shop will be available on Amazon.de platform as an online shop. It is going to sell one type of watches with different color configurations. The watches will be manufactured and imported from China, hence decreasing the cost of production and importing. After importing that watches to Czech Republic and investigation of the quantity and the condition of watches, they will be sent to Amazon.de warehouses, where Amazon workers will manage further warehousing of the products and delivery of them to customers after the purchase order will be made. All the necessary fulfillment works will be done by Amazon workers for monthly payment of \$40EU. For the first order from manufacturer from China, there will be 100 watches ordered.

Table 7. Investment Costs and Operating Costs

<b>Operating Costs(Fees)</b>	<b>Quantity</b>	<b>Cost Unit(EU)</b>	<b>Per</b>	<b>Total Cost(EU)</b>
Monthly Fulfillment Fee and Monthly Storage Cost	100		2.5	250
Shipping Cost, Inbound	100		0.3	30
Shipping Cost Outbound	100		0.5	50
Maintenance Cost Per Month	1		20	20
Marketing and Advertisement Cost Per Month	1		15	15
Packaging Cost	100		0.1	10
Total Operating Cost				<b>375</b>
<b>Investment Costs</b>				
Printer (HP Sprocket Photo Printer	1		129	129
Scissors	2		2	4
Duct Tape	2		1.5	3
Working Room Rental Per Month	1(45sqm)		157	157
Other Investment Costs	1		30	30
Shipping Big Box	5		1.5	7.5
Men Watch	100		11	1100
Total Investment Cost				<b>1430.5</b>
<b>Total</b>			<b>148.4</b>	<b>1805.5</b>

Source: (my own calculation)

The Table 7 shows all the costs involved for starting a business on Amazon.de platform. The costs are divided into two parts, operating costs, fees, which are all connected to inbound, outbound shipping, packaging costs for each watch, maintenance costs, marketing and advertisement cost and so on.

The next group of costs are investment costs which are all the necessary costs for starting and running the business. There will be a working room around 45 sqm where will be all the tools and appliances for running the business, room will be in Zlín.

As we can see the total investment and operating costs for starting this business is 1805.5 EU. This number we will need later for calculating NPV, IRR and Payback Period for this project.

### 19.1.2 Production Possibility Frontier

Production Possibility Frontier shows maximum possible output or sales when all the resources are efficiently used. For calculating next cost which are operating expenses we need to know how many of watches can be sold per day.

Table 8. Production Possibility Frontier

<b>Total Products</b>	100
<b>Price Per Product (EU)</b>	25
<b>Maximum Amount of Sales Per Day</b>	3
<b>Maximum Amount of Sales Per Month</b>	90
<b>Maximum Amount of Sales Per Year</b>	1080
<b>Maximum Amount of Sales Per year (EU)</b>	27000

Source: (my own calculations)

As we can see in the table the total number of watches that will be imported from China will be 100, price per unit will be 25 euros, the maximum amount of watches that is feasible to sell per day is 3, as a result the maximum amount of sales per month and year are 90 and 1080 units respectively. After this calculation we can get the maximum amount of sales per year in euros which is 27000 EU.

### 19.1.3 Income Statement

We have all the estimation like operating expenses, net sales so, we can construct our income statement for upcoming year 2019-2020

Table 9. Income Statement for years 2019-2020

	2019	2020
	July	July
<b>Net Sales</b>	27000	28189
<b>Operating Expenses + Fees</b>	-1500	-1605
<b>Product Expenses</b>	-13200	-14004
<b>Depreciation</b>	-66.25	-66.25
<b>Earnings Before Interest and Tax</b>	12233.75	12513.75
<b>Earnings Before Taxes</b>	12233.75	12513.75
<b>Taxes(Fees)</b>	-3000	-3210
<b>Net Income</b>	9233.75	9303.75

Source: (my own Calculations)

As our business is an e-shop so I constructed income statement for two years, because all watches should have been sold until the end of second year, so there needs to be made new investment for acquiring new watches from China, hence every two years there need to be a new income statement.

Net sales we have from calculating the Production Possibility Frontier which was equal 27000 euros. As we can see net sales grows slightly in 2020, it is because we plan to grow in sales of around 7% per year.

Operating expenses for one month without Amazon fees equal: 125 euros (The monthly operating expenses without Amazon fees) \* 12= 1500 euros

Product expenses are the expenses incurred while acquiring watches.

Our depreciating assets like printer, scissors Duct Tape and so on equals to 162.5 euros, but during those two years not all of our assets is going to depreciate. The salvage value of our assets after two years will be around 30 euros, so  $162.5 - 30 = 132.5$  euros of depreciation and after doing linear depreciation a divide 132.5 into two years we get 66.25 euros of depreciation per year.

After deducting from net sales, the operating expenses and depreciation we get EBIT. As all the investment will be done by me and friends there is no interest to pay, so EBIT and EBT is the same value.

There are no taxes for having e-shop on Amazon platform, only fees that you need to pay to Amazon for monthly storage and fulfillment of your products. Instead of taxes in our income statement there is the Amazon fees. Total Amazon fees for one month for 100 watches is 250 euros, for a year it will be  $250 * 12 = 3000$  euros.

After deducting from EBT the fees we get the net sales per year which is 22433.75 and 23307.75 for year 2019 and 2020 respectively.

#### 19.1.4 ROI, ROE, ROA

We have the amount of initial investment, assets so we calculate this financial indicator

Our total assets are the watches and equipment's that have been included in calculation of depreciation.



Total assets equal: equity + liabilities. As there is no shareholder, our equity is:  $1100 \cdot 12$  (total cost of watches) + 162.5 (equipment needed for running the business) = 13200 euros. Liabilities is the room where the business will run, rental of which per year equals to:  $157 \cdot 12 = 1884$  euros. Total assets =  $13200 + 1884 = 15084$  euros

ROI = Net Income / Cost of Investment

ROI (for years 2019-2020) =  $\frac{9233.75 + 9303.75}{34332}$ ,  $\frac{18537.5}{34332} = 0.53$  which means we will have 53% return on our investment at the end of 2020, which will be great achievement.

ROE = Net Income / Shareholders Equity

ROE (for years 2019-2020) =  $\frac{18537.5}{13200} = 1.4$  which is 140% return on equity.

ROA = Net Income / Total Assets

ROA (years 2019-2020) =  $\frac{18537.5}{15084} = 1.22$  which is 122% return on assets.

NPV, IRR, PI

To know if we should invest our money in this business there are financial ratios that help with deciding.

We have the investment amount and the cash flows for upcoming two years, we can find out the values of those ratios.

Table 10. NPV, IRR and PI

Discount Rate	0.05%		
Date	Jul-18	Jul-19	Jul-20
Period Number	0	1	2
Cash Flow	-34332	27000	28189
PV	-34332	25714.28	25579.85
NPV	16961.85		
IRR	50%		
Profitability Index	1.5		

Source: (my own calculations)

The discount rate according to Czech Republic Central Bank is 5%.

we know that money now has lower value than in the future, so that is why all the cash flows incurring during next two years were discounted in order to compare our money gains in the future with today's money value.

After discounting present values, we can get net present value, which is sum of present values minus the initial cash outflow. NPV=16961 euros which indicate future cash inflows will bring us revenue of 16961 euros in today's money.

The Other financial indicator which is IRR equals to 50%, it shows the discount rate when the NPV will equal to zero, in other words when there is a break-even point. Decision rule says that if IRR is higher than the discount rate then we should accept the investment. IRR=50% is higher than the discount rate of 5%, which is another indicator of making the investment.

Profitability index is a financial indicator which shows how profitable will be the investment considering the time value of money.  $PI=1+(NPV/Investment) = 1.5$ , higher number than 1 indicates sign for good investment.

**19.1.5 Payback Period**

Table 11. Payback Period

Year	Cash Flow	Discounted Cash Flow	Cash Balance
0	-34332	-34332	-34332
1	27000	25714.28	-8617.72
2	28189	25579.85	16.962.13
<b>Payback Period(year)</b>	<b>1.5</b>		

Source: (my own calculations)

Table shows how much time it is needed to cover our investment.

In the table discounted cash inflows were used to take into consideration the time value of money.

First column represents years, year 0 is the initial year when the investments will be made. Second and third columns are cash flows and discounted cash flows. Last column is the balance, how much money is it left to cover the investment.

Our payback period is 1.5, which means that the initial investment will be covered after one and a half year.

### 19.2 Time Analyses: Critical Path Method

For time analyses we are going to use Critical Path Method. CPM identifies activities that have to be done exactly on time, otherwise said activities that have no float time.

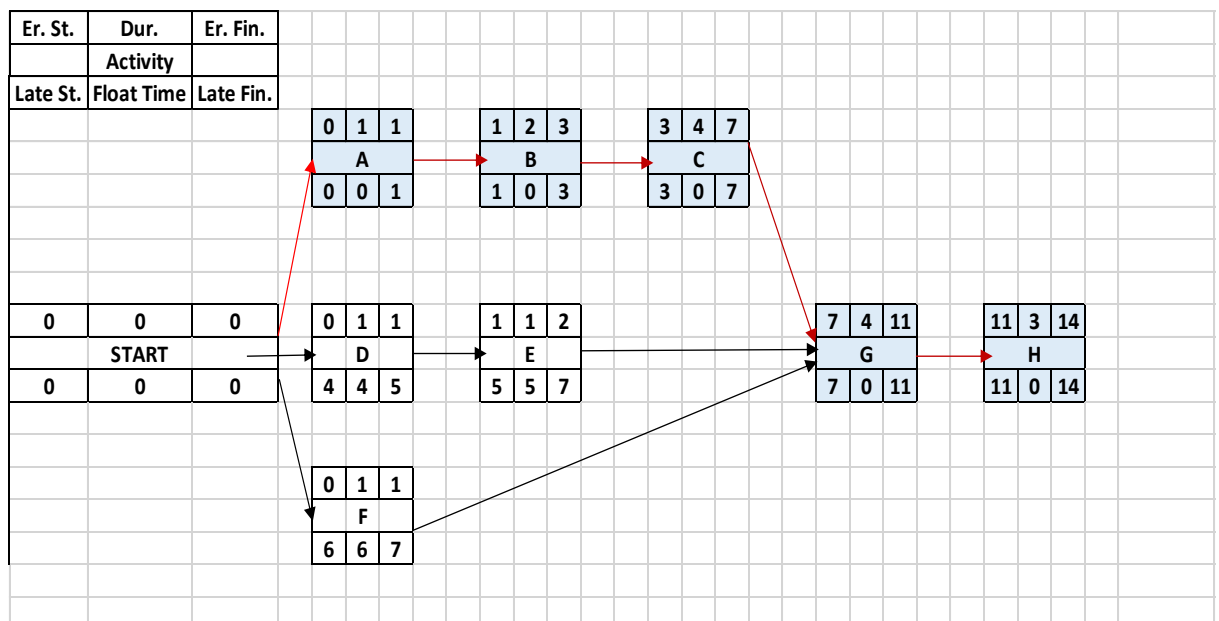
Table 12. Critical Path Method, List of Activities.

Activity	Predecessor	Description of Activity	Duration (weeks)
A	None	Identification of Tasks	1
B	A	Contacting the Supplier, Agreeing on Terms and conditions	2
C	B	Inbound Shipping	4
D	None	Renting Place	1
E	D	Buying Necessary Tools	1
F	None	Opening Account In Amazon.de	1
G	C, E, F	Outbound Shipping to Amazon	4
H	G	Promotional Activities	3

Source: (my own calculations)

In the Table 15 you can see all the activities necessary to be done to finish the project establishment of ‘Castle’ e-shop. Activities include steps that need to be covered starting from identification of tasks, contacting supplier, inbound and outbound shipping.

Figure 14. CPM Chart



Source: (my own calculations)

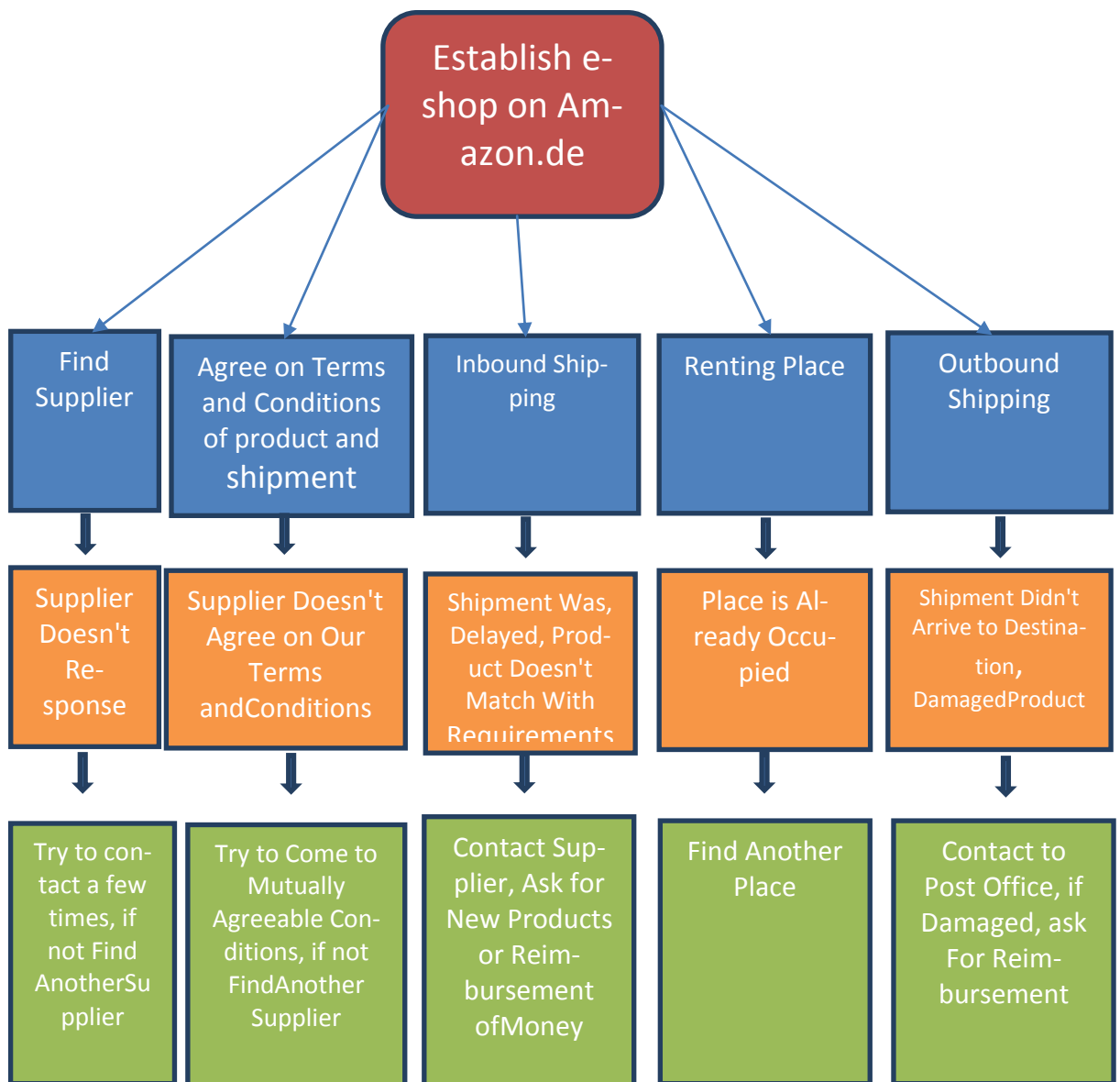
As we can see from the chart there are activities that have no float or slack time which mean these activities must be finished on time.

So, our CPM is: A, B, C, G, H.

The project in total will take 14 weeks to finish.

### 19.3 PDPC Chart

Figure 15. Process decision program chart



Source: (My own calculations)

As we can see from the figure we have five tasks to complete and we have five scenarios when there can be an issue with realizing the tasks. On the last row there are the solutions to potential failures of realization of tasks.

For instance, if we are trying to contact a supplier, but for some reason supplier doesn't reply to us the solution to this problem is to try to find another manufacturer who can supply the watches

After successfully contacting with the supplier we have to agree on the terms a conditioni.e. the price of product, feature, delivery cost etc. if there is no agreement on the terms and conditions the solutions is to find other manufacturer who can satisfy out desire.

There also can be problems with inbound or outbound shipping, there might be delays or after receiving the products we might observe that watches are damaged. The solution to this problem is to contact the supplier or the post office and understand why our products are delayed or damaged, In case if the products are delayed for long time or damaged we can ask supplier or the post office to reimburse the money.

## **19.4 Cost Analyses**

Detailed Costs Analyses are done in Chapter 18.1.1

## **19.5 Project Evaluation**

The aim of this project is to establish 'Castle' e-shop on Amazon.de platform. To be sure that the project will be successful it is necessary to follow all the steps of project management part of this thesis, there is also a need to make inspections of all activities during the lifetime of this project. Only implementation of this project doesn't guarantee to be successful, continuous improvement and monitoring is required to have and successful project.

## 20 CONCLUSION.

The goal of this thesis was to have a business plan for the e-shop on Amazon.de, to establish a e-shop that will deliver high quality and low prices to customers that are struggling in today's market to find a product that has good quality but doesn't cost a fortune. The goal was achieved by researching Amazon.de market, finding potential competitors, analyzing their Amazon pages, analyzing their customer base, reviewing comments and stars that each of those potential competitors have, by making estimations of the demand and costs. We analyzed the connection of the stars that those Amazon pages had with reviews to see if there is a connection between the satisfaction of the buyers and retention of customers, how often they tend to come back and make a new purchase. We tried to see how much those shops are profiting by comparing their prices manufacturers prices from China. We made S.W.O.T. analyses to see our strengths, weaknesses, opportunities that we have by operating in Amazon.de and the threats. Financial analyses were useful to have an idea about our budget, costs, prices and potential profits.

The thesis has a logical structure of the steps that must be done in order to start and successfully run this business. In the theoretical part we discussed the methodology and theoretical knowledge that is needed. Second part was constructed from the practical use of those knowledge to construct plan of steps that must be completed. After doing all the analyses we could see that 'Castle' e-shop can return its investments during second year, having payback period of 1.5. Having ROI of 53% and ROE, ROA all with highly promising numbers, tell us that this business is going to prosper if monitored and improved constantly.

We made project analyses, making time, cost and risk analyses. We made critical path method analyses which showed us all the activities that are critical to finish on time. We did PDPC chart to have an idea of the risks that we might face and the solutions of those risks.

In case all the steps mentioned in this thesis done correctly and with the desire of further development and monitoring 'Castle' brand can be one of the successful brand that satisfy its customers, providing good quality and stylish design with desirable prices.

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**LIST OF ABBREVIATIONS**

CPM	Critical Path Method
PDPC	Process Decision Program Chart
PV	Present Value
NPV	Net Present Value
IRR	Internal Rate of Return
PI	Profitability Index
PP	Payback Period
SWOT	Strengths, Weaknesses, Opportunities, Threats
EU	Euros
PPF	Production Possibility Frontier
B2B	Business to Business
B2C	Business to Customer
FV	Future Value
ROA	Return on Assets
ROI	Return on Investments
ROE	Return on Equity

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