

David Price P131188 E-commerce report

by David Price

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E-Commerce Business Model

E-Commerce Report

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Abstract - The purpose of this report is to look closely at a B2C business called Two Guys from Brussels based in Bangor, North Wales which no longer exists. This report will identify the main technical requirements that are needed to build an e-commerce system and application, the main outcome of this report is to critically evaluate the business and see where they could have improved and what needed to be done to reach said goal.

Introduction

There will be analysis and an in-depth look at how businesses can survive and potentially thrive in the ever-growing market nowadays, by identifying the main attributes of what businesses can offer and the ever-mounting challenges a small B2C business can face when trying to implement themselves into the present marketplace against the giant competitors. "Electronic commerce or business is more than just another way to sustain or enhance existing business practices. Rather, e-commerce is a paradigm shift"[1].

"Consumer e-commerce today is largely driven by price and convenience: a good deal on products that are delivered quickly"[2], a customer wants the most hassle-free experience when purchasing goods/products online. This is where the market is heading, more people are more inclined to buy online than go in-store with ease of convenience. "To many consumers, e-commerce represents an excursion beyond the unknown into the unknowable"[3].

Two Guys from Brussels SWOT Analysis

A SWOT analysis is a framework "that helps business managers to evaluate the strengths, weaknesses, opportunities and threats involved in any business enterprise.[4]" By achieving a well thought out SWOT analysis, this can help recognize the businesses strengths, weaknesses, opportunities and threats. After identifying these factors, it allows the business to take advantage of the situation and minimize threats where there are some and to excel where there are strengths. Gives the business an overview and a clearer idea of what might affect the business with new projects in the future.

Strengths

- Customer loyalty.
- Established Belgium concept store in Bangor.
- Unique in Bangor/North Wales.
- Social media presence.
- A seller of unique goods.
- Venue for hosting multiple events
- Popular in the community and has a strong customer base for all ages.
- A constant supply of customers, popular with students.
- Student meeting and events happen there.
- Pricing of their products are slightly cheaper than the larger chain of coffee shops.
- Make their own goods (chocolates/sauces etc)
- Located on the high street with a lot of pedestrian traffic.

Weaknesses

- Unable to purchase products and goods online.
- Limited financial capital to update their website and other social platforms.

- No catalogue on their website.
- Lack of Wi-Fi.
- Limited space within the store.
- Located in a small city with limited customers.
- The need to continually generate sales in-store than online as unable to make revenue from their website
- Knowledge of latest trend to try competing with the larger business or get ahead of them.
- Smaller business, so lack of funding to expand and improve in certain areas.
- Lack of takeaway coffee only provides a sit-down experience.

Opportunities

- Branch out more as they have a unique platform to work from.
- Advertise better/improve social presence and local presence.
- Partnership with other businesses and sports teams.
- Newmarket with their “Belgian-esque” products.
- The possibility of franchising.
- Ability to attract and work closely with the University of Bangor.
- Hire students which also get the company name amongst students.

Threats

- Nearby similar companies like Costa and Café Nero which sell similar experiences and goods.
- Buyers tend to buy online than go out nowadays (ease of convenience).
- Larger businesses may undercut the price so it could work out cheaper to purchase online.
- Poor website/Site errors.
- Competitive market.
- Price fluctuation (other popular coffee shops nearby).
- Low life expectancy, as bigger companies are usually more favoured.
- Limited income as Bangor is mainly a student city and students aren’t exactly the richest of customers.
- Other big branded coffee competitors, advertise ease of convenience and quick purchases whereas this company offers only sit-down experience. (Students would be inclined the quickness and ease of convenience of bigger chain coffee shops).

User Requirements

As a business, you must always think about what your customers will want and expect to experience when visiting your business, especially when it’s B2C. To achieve an understanding of what the customer must want is to get information from potential clients. In this scenario, there will be an interview with Izabela, 21 years old who is also a student, a prime customer for this business.

Requirements	Possible solutions
Sells variety of coffee	Sell more variety of coffee to fulfil customer needs
Sell food with dietary needs	Have more of a selection for customers with dietary needs
Comfortable place to sit and have a coffee	Provide an experience which is comfortable
Have decent prices	Value for money
Wi-Fi	Provide Wi-Fi
Sofas and low tables	More suitable furnishing
Relaxation	Not a pit-stop, wants to relax when there

From a potential customers stand-point, Two guys from Brussels have ticked most of these boxes for this client in the demographic range, whereas other people who aren't ideal customers for this business might have other opinions on what they will expect.

E-commerce Business Model

A business model “describes the design or architecture of the value creation, delivery, and capture mechanisms it employs.”[5]. By achieving a well-structured and updated business model throughout the businesses lifetime can give a clear path for what company wants to achieve in the future, it gives a better insight of what the target audience is for the service/product and you can adapt from there to keep up with trends.

Pros	Cons
Your target buyers are essentially everyone	Maintaining quality customers can be more fickle
Easier to connect with customers over social media	Harder to initially sell than other models, like B2B
B2C can offer their services as a third party	Lower selling point than other models
Eliminate intermediary (middle man)	Rely too much on the product and customer
Effective relationships with other businesses	
Unlimited market place	
Able to build a relationship with your client base, regular customers etc.	
Niche business	

Figure 1 - Pros and Cons would be for Two guys from Brussels.

Two guys from Brussels are primarily a transaction driven revenue business model, the one-time sale of a product or goods. As stated previously no e-commerce presence, so sales revenue based model is their main source of income and profit. “Revenue model describes how the firm will earn revenue, produce profits, and produce a superior return on invested capital.”[6]

Pros	Cons
Availability of products to choose from	Unsure of what the product will be like (first-time buyer)
No Wi-Fi	Need to continually generate sales in-store
Locally admired and friendly	Small city, limited amount of customers
Make their own chocolates	No Wi-Fi

Figure 2 - Pros and Cons of the Transaction Revenue model for Two guys from Brussels.

Chaffey's Environment factors

Environmental factors are instances where certain influences have occurred that can affect the business on many different levels, these factors are called Micro and Macro. These factors are out of the control of many businesses and owners but will affect the future decisions they make each business must adapt to certain scenarios thrown at them to survive in the current market. "Macro and micro environmental forces are outside of the organization, and cannot be directly controlled." [7]

Micro factors:

- Competitors
- Customers
- Intermediaries
- Suppliers

Macro factors:

- Technology
- Social
- Political
- Economic

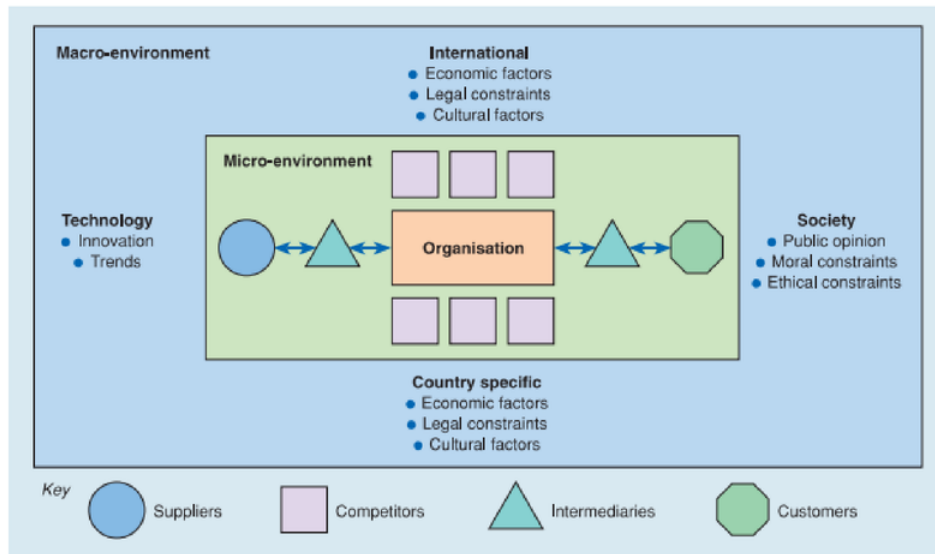


Figure 3 - The internet marketing environment. [8]

Figure 3, it pinpoints the most important elements that will influence the organisation. Strategy development has a major impact considering the environment in which the business operates in. [8].

The macro-environmental factors could have affected Two guys from Brussels more than the micro, as they're promoting themselves as a 'Belgian concept store', they have products and goods/ingredients that have shipped from overseas, mainly Belgium. After the recent referendum, that saw Britain trigger article 50 to leave the EU. "When the UK stops being a member of the EU, sales of goods between the two will become imports and exports for VAT purposes" [9]. This would've and could have potentially been one of the major contributing factors that cause this business to end, "Among western European countries, Belgium, the Netherlands and Germany export significantly more to the UK than they import from the UK." [10]

The import tax on the goods/ingredients from overseas, would have already been a vast amount even before the referendum so afterward the tax on all overseas products would've increased to a certain extent and that this business was unable to adapt and overcome in time. "That means import VAT may be due for payment as goods cross the border travelling either way"[9].

Timmers' 8 key elements

Looking at the 8 key elements for Two Guys from Brussels, the elements are as followed:

- Value proposition
- Revenue model
- Market opportunity
- Competitive environment
- Competitive advantage
- Market strategy
- Organizational development
- Management team

The value proposition is "an offer to a customer that includes elements in terms of target customers, the benefits offered to those customers and the price. Price has a relationship to the competition." [11]. Two guys from Brussels have an ideal business for value proposition as they are attractive to customers and that customers feel valued when going there, they provide a service in which the customer leaves happy and fulfilled.

The revenue model is a model showing how a business mainly makes their revenue, as there are multiple different revenue models to choose from, Two guys from Brussels mainly use a sales revenue model in which majority of their revenue comes from sales to a customer. The sales revenue model is where "companies derive revenue by selling goods, information, or services to customers" [6], in this scenario a customer enters Two guys from Brussels expecting a sale of goods and the business provides the goods, no intermediary is present in this model.

The market opportunity is where the business must situate itself with a market space and identify who their potential customers are, it is also used to find the ideal financial opportunity within this market space, identifying the strongest place to make the most money in the competitive market. "The realistic market opportunity is defined by the revenue potential in each of the market niches where you hope to compete." [6]. In the case of Two guys from Brussels, their market opportunity is in the Belgian-esque goods and beverages, by focusing and promoting this niche could allow them a most successful flow of revenue as they are unique in the market space.

The competitive environment is to look at similar companies that sell the same products or slightly altered versions of those products, "companies considered their competitive environment by looking at the intensity of competition and the number of competitors they have" [12]. Two guys from Brussels are in an over-saturated market with giant companies' worth into the billions, even though this is the case they do have a niche selling point which is the Belgian culture and experience offered.

The competitive advantage can be achieved when the product you are selling is surpassing your competitors in all areas including price and quality, “Organizations must be able to act quickly in response to opportunities and barriers.”[13]. Advantages are made when a business can retrieve a certain aspect of their production line that may make their product more high-grade. Two guys from Brussels have very little competitive advantage when it comes down to the similar goods, as the giant companies’ can gain access to certain ingredients and achieve higher production rate which will in return create more revenue. An advantage could be that they ship international ingredients and use them to create their own produce, this is where they could push all their attention to, “one participant in a market has more resources—financial backing, knowledge, information, and/or power—than other participants” [6].

The market strategy is to give an overview of the business’ plan, an explanation of where the company may see itself in the next few years and how to enter the market as a start-up. Regarding, Two guys from Brussels the “market for the smaller organization is the niche, since it is by definition small, and a focussed effort is easier. A smaller market also fits in well with the skills of a smaller organization.”[14], Two guys from Brussels should focus more of their attention on the niche aspects of their business.

The organizational development is a “plan describes how the company will organize the work that needs to be accomplished”[6], as this is a small business the amount of work that needed to be done or managed is very small and limited. Has the same procedures as other coffee shops when it comes to managing workload and distributing the work amongst its employees.

The management team is mainly responsible for making and maintaining the business model, in this case, is the revenue sales model. “A strong management team gives a model instant credibility to outside investors, immediate market-specific knowledge, and experience in implementing business plans”[6].

E-procurement and E-marketing

E-procurement is how a business might acquire the produce/ingredients needed to make or sell the products. Regarding, Two guys from Brussels they do import goods from Belgium such as chocolates and beers which was mentioned previously. “Current e-procurement technologies are in their developmental infancy and a dominant design is still unavailable”[15]. Ordering goods internationally will mean that business must pay tax and VAT on certain goods, and to check whether they are permitted into the country this can affect your finances as tax and VAT will steadily rise so smaller business will be affected by this change a lot.

E-marketing is taken the basic marketing principles and implementing them electronically, “It is about understanding the competitive marketplace and ensuring you can tap into key trends, reaching consumers with the right product at the right price, place and time.”[16]. Businesses usually consider these elements to pinpoint what’s the best decision for the future, these elements consist of 7 elements, but regarding this business, it’s best to look at 4 of them. The 7 elements are:

- Product
- Price
- Place
- Promotion

- People
- Processes
- Physical evidence

Product

The product is at the core of the marketing exchange, which is what you put forward for the consumer or business. “If the product fails to deliver to customer expectations then all has been in vain. A product is a complex entity consisting of a number of overlapping layers”[17]. The product in this business is their unique Belgian goods, which is very niche and eye-catching to the consumer and something new in the area that consumers might never have tried before.

Price

The price usually determines whether a consumer purchases your product or one of your competitors. “The price needs to be competitive, but this doesn’t mean you have to be the cheapest in your market – small businesses can compete with larger rivals by offering a more personal service, value-adds or better value for money.”[16]. This is exactly what Two guys from Brussels offer that the bigger competitors can’t, an experience to relax and offer a close service that the bigger chains do not. Their prices are in the same area of their competitors but the service and experience they offer can make them stand out in an over-saturated marketplace.

Place

The place is just as important as the product in some scenarios, you might have the ideal product but the marketplace just isn’t within possibilities. “The place where customers buy a product, and the means of distributing your product to that place, must be appropriate and convenient for the customer”[16]. Regarding, Two guys from Brussels they are situated directly on the high street of Bangor which has the most traffic of potential consumers in the city, the store is in an ideal place but like most high streets there are also competitors like Costa and Café Nero quite near.

Promotion

This is where the company must communicate with its consumers and possible business partners, it can vary from branding, social media communication, special offers etc. “Promotion must gain attention, be appealing, send a consistent message and - above all - give the customer a reason to choose your product rather than someone else’s.”[16]. Two guys from Brussels offer special offers and works closely with the university as Bangor is primarily a student town, so it’s main consumers are students and they connect to that demographic by holding events, special offers and branding using mainly Facebook.

Internalization

Businesses, in general, have moved past localization and are now considering internationalization, “Internationalization of the firms is a process in which the firms gradually increase their international involvement.[18]”. As this company is based in North Wales, they are built upon promoting Belgian cuisine and culture in Wales, they have already started off with internationalization by having a product/idea from within one country and expanded into another (Belgium → Wales).

Pros	Cons
Greater Exposure	Financial risk
Work with more developed businesses in the market	Cultural differences (unsure of how the customer would react and if they'd accept the product/service)
Customer expansion	More competition
Visibility of businesses	Language and culture barrier
Sales will typically increase	Currency fluctuations
Business will not come to a halt when new trends and craze appear (Safety net)	Harder to judge and manage different markets abroad

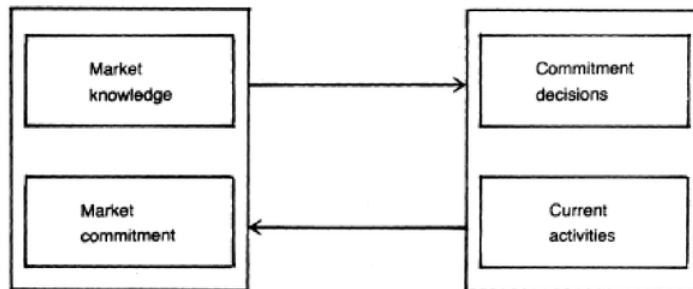


Figure 4 - An overview of the fundamental steps for internationalization.[18]

Conclusion

Site and Business Improvements

As this business has a very limited e-commerce platform to work from, as in they have a functioning website but an incomplete one. They are limiting themselves to a business in a major way by not improving this aspect of the business. The possibilities for this company to achieve another flow of financial revenue is possible but they have not achieved this which dwindles their potential for growth and success in the future, a few improvements would be:

- Having a well-made and structured website for customers to know what they are about and giving them an opportunity to buy their products online.
- More up to date and wider social presence, this company has a Twitter/Facebook/Instagram account but very rarely updated.
- Networking with other local businesses, Bangor is a small town and they are located primarily in a student town but the possibilities are there to start branching out to bigger nearby areas such as Holyhead and Llandudno.
- Improvement of loading times on the site, this will not only improve customers experience when visiting the site but will keep them intrigued to look more into the business
- Unique product/service they are providing, nice business which gives them the advantage to expand.
- Add live chat and video call if need be to customers who have on the spot questions that aren't answered on the site. This allows relationships to be formed with potential customers.

- Increase brand exposure and visibility, this website wasn't the easiest to find as it's not updating often and has had limited work on brand invested into it.

"In order to attract customers to buy online product of ecommerce website, dot-coms are required to improve the product display in terms of aesthetic, attractiveness and interactivity. These three factors are vital in the design of e-commerce web sites." [19]

As more electronic personal assistant become more mainstream with hardware like Amazon Echo and Google Home, these devices have a place within the e-commerce industry. Two Guys from Brussels could take advantage of this by having one of these personal assistants in their business enterprise.

Pros	Cons
Order supplies	Expensive
Voice control	Speaks one language
Plays music for customers in the coffee shop	Need to spend extra for sensors around your office/coffee shop etc for the Echo to acknowledge you
Listing function, add stock to a list	Only able to respond to certain commands
One-time payment, no rolling subscription	Language barrier, might not recognise accent

As more businesses might start to move toward this automated personal assistant, there will always be certain tasks that will be easier for humans to do and that are cheaper in the long run. "Echo devices have, in a short period of time, overtaken all Amazon hardware devices in sales dollar volume." [20].

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Appendix
Presentation slides

E-COMMERCE PRESENTATION TWO GUYS FROM BRUSSELS

BY DAVID PRICE

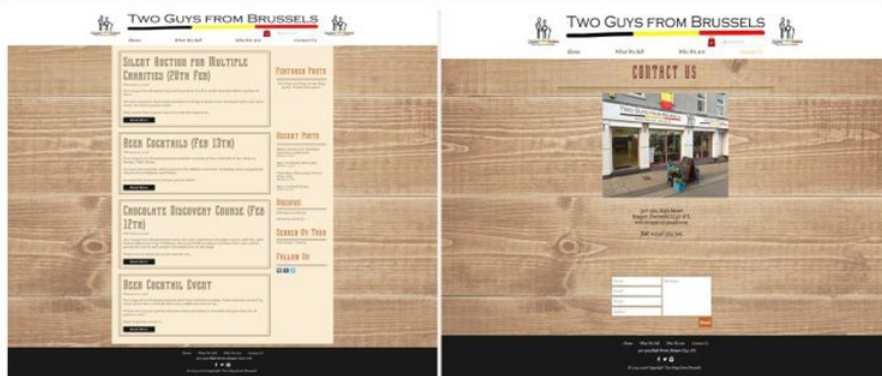
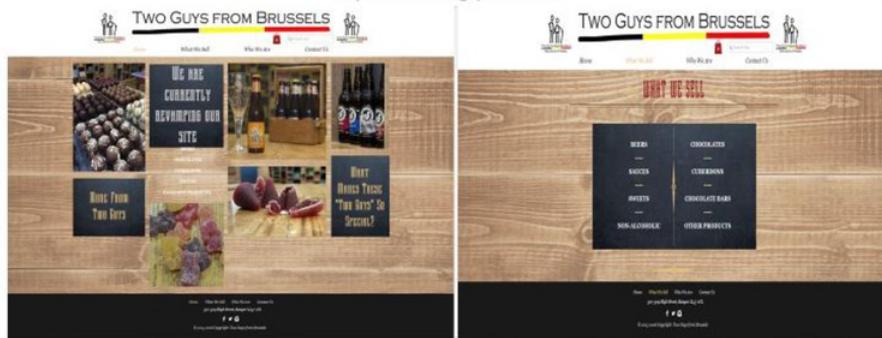


OVERVIEW OF TWO GUYS FROM BRUSSELS

- Two guys from Brussels are a B2C business based in Bangor, North Wales.
- Refer to themselves as a "Belgian concept store" in which they sell:
 - Beers
 - Sauces
 - Sweets
 - Chocolates
 - Coffee/Tea
- Established in 2015.
- Sales pitch is too bring Belgian cuisine and culture to Wales.
- Very popular with all ages, including students.

WEBSITE SCREENSHOTS

<https://www.twoguysbrussels/>



BUSINESS MODEL

- This company is primarily a B2C model, where a customer buys goods/product off a business.

Pros	Cons
Your target buyers are essentially everyone	Maintaining quality customers can be more fickle
Easier to connect with customers over social media	Harder to initially sell than other models, like B2B
B2C can offer their services as a third party	Lower selling point than other models
Eliminate intermediary (middle man)	Rely too much on the product and customer
Effective relationships with other businesses	
Unlimited market place	
Able to build a relationship with your client base, regular customers etc.	
Niche business	

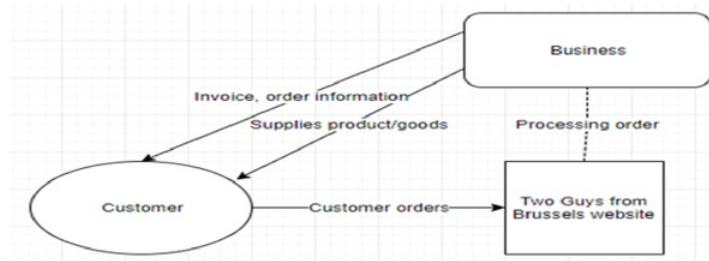
SALES REVENUE MODEL

- This company is primarily a sales revenue business model, which money is exchanged for a one time sale of goods/products.
- No e-commerce presence, main source of income from sales in-store.

Pros	Cons
Availability of products to choose from	Unsure of what the product will be like (first-time buyer)
No Wi-Fi	Need to continually generate sales in-store
Locally admired and friendly	Small city, limited amount of customers
Make their own chocolates	No Wi-Fi

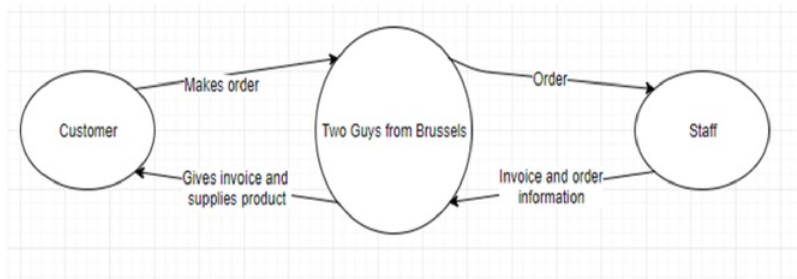
MODEL REPRESENTATION

- How a transaction on their website would look like, if they had a structured e-commerce website.



MODEL REPRESENTATION

- How a transaction in-store would look like, as this is their main source of income.



INTERNATIONALIZATION POSSIBILITIES

- As this company promotes Belgian cuisine and culture in Wales, they have already started off with internalization.
- They have made an product/idea from within one country and expanded into another. (Belgium → Wales)
- Have the potential to expand and sell internationally.(Make their own chocolates/sauces/desserts etc)

Pros	Cons
Greater exposure	Financial risk
Work with more developed businesses in the market	Cultural differences (don't know how customers would react and if they'd accept this product/service)
Customer expansion	More competition

RECOMMENDED IMPROVEMENTS

- Have a structured website that allows customers to buy products online.
- More up to date and wider social presence.
- Network with more local businesses, Bangor is a small town.
- Have a bigger online presence.
- Has the possibility to expand locally and internationally,as they have a unique product in their Belgian cuisine and culture.

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GRADEMARK REPORT

FINAL GRADE

72/100

GENERAL COMMENTS

Instructor

Good introduction and in depth SWOT analysis. Also the interview with the potential customer looks at general requirements as asked but could have also focused on possible on line interaction such as buying luxury chocolates.

Good application of Micro and Macro factors with specific points made.

Some really good points made under Timmer's 8 Key Elements. Under Value Proposition I think the growth in popularity of coffee shops is perhaps selling more than coffee but are selling relaxation, a break and so on. Is there room for working with complementary businesses and perhaps advertising? Good in depth analysis of the competitive environment. Is being a smaller local business a disadvantage for this business?

Would E-procurement be possible given the nature of the products and would it be of benefit? Good application of marketing theory.

Nice set of improvements are proposed and an effective consideration is given to Echo.

Overall a good and thoughtful analysis with good use of references.

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