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Assignment: Drop shipping Business Plan for
Homeware4U



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Executive Summary

Fast Facts:

Business name: Homeware4u

Founded: 2021

Headquarters: Birmingham, United Kingdom

Founders: Olivia Reid, Abdul Bakid, Marius Lulian Ignat

Target Market: Homebuyers, Homeowners, Interior Designers, DIYers, Property Developers

Quick Description:

Homeware4u is an online store that was started by 3 friends while at university. Homeware4U sells premium homeware products such as bedding, sofas, lighting, chairs, frames at a competitive price. Our employees are highly talented and have a background in ecommerce and have the mindset to make Homeware4U to become highly profitable.

Our Mission:

Our business mission is to make your dream home become a reality. We aim to make our customers home look stunning, while helping them make homes smarter. We want Homeware4U to become a leading home decoration company in the UK and want to compete with the best in the industry when it comes to pricing. Our employees are talented and have a background in ecommerce.

Our Vision:

To become the Amazon of homeware.

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Business/ Company Overview

Our business Homeware4u is planning to go live with www.homeware4u.com on the 1st of January 2022. Homeware4u focusses on homeware related merchandise from furniture, ornaments, bedding, kitchen appliances etc.

The business would operate by drop shipping. Drop shipping is a retail agreement scheme in which a business does not keep the products it offers in stock; the business would only outsource the item from a third-party retailer once the item is sold, the third-party retailer will also ship product directly to the customer (Hayes and Youderian, 2013). Homeware4u has agreement in place with retailers from AliExpress and Alibaba to dropship the homeware items sold on the website. Drop shipping has many benefits such as capability to offer a broad range of products to the market with minimum costs involved, retain profitability without the need to hold stock resulting in saving on storage costs which means less start-up costs for the business.

The legal structure of the business will be a partnership amongst the three partners: Abdul, Marius and Olivia. Each partner having a 33.3% of the business. This business model was best suited due to the limited liability and the low risks we will acquire from drop shipping when it came to starting up the business.

Business History and Vision

Homeware4U was started as a passive income which doesn't require a lot of legwork. Three partners met during university and decided to go down this business route as a collective. We realised how profitable the homeware business is becoming and how the impact of COVID-19 has resulted an increase in online shopping, this pushing the growth of online businesses. We identified the profitability we can achieve from homeware due to the working from home trend, it meant the workforce needing furniture items for their work which will help our target market.

Homeware4u mission is to make your dream home a reality. Our vision is to be a customer centric company; to build a website that is user friendly to help people find their dream homeware needs. Our future is to expand our website into the garden and toy market using the same method of drop shipping.

Product and Services

Homeware can be described as: “crockery, furniture, and furnishings where a house, room, etc, is furnished” (Collinsdictionary, 2021).

At Homeware4u we sell a wide range of premium homeware merchandise which include:

- Sofas
- lighting
- Wallpaper
- Ornaments
- Artwork frames
- Lamps
- Chairs
- Beds
- Bedding
- Curtains
- Tables
- Chairs
- Kitchen appliances

Homeware4u aim to provide excellent customer service and make homeowners dream become a reality giving customers easy access to products all in one place. We have witnessed the rise of online shopping, specifically with companies such as Amazon and eBay benefit due to the COVID-19 impact and we aim to be the Amazon of homeware. Our flagships products are our sofas, lighting, and artwork frames which we expect to be our main sellers. Homeware4U will take advantage of the current circumstances and our goal is to allow customers to get their desired homeware products at a competitive rate with the same quality of what they would pay on the high street.

Since the Covid-19 pandemic, online businesses have become the main source for shopping safely. There is a small market of online homewares business, therefore we see this as a great advantage for a business and our customers.

Market Audit – Competitor’s analysis

Factors	Your company Homeware4u	Competition A Amazon	Competition B Wayfair	Competition C Dunelm
Industry	Online shopping via drop shipping	Online shopping	Online shopping	Homeware store and online
Products & services	B2C	B2C & B2B	B2C	B2C
Key success factors	Allows customers to purchase homeware products all in one place	Brand awareness. Global reputation. Allows sellers to connect with customer and provide everyday homeware products	Allows sellers to advertise their products and sell on the wayfair platform	Brand awareness been open since 1979. Allows customers to buy online and in store
Market share	New business	2.6 billion (Retail Economics, 2021)	1.15 billion (EcommerceDB, 2021)	1.3 billion (Internet Retailing, 2021)
Past strategies and current strategies	SEO, online paid advertising through different social media platforms, leaflets door to door.	Online ads via different social media platforms, television advertising.	Online ads via different social media platforms. Looks at buying habit data on social media sites so that ads are targeted at existing and potential customers	Online ads via different social media platforms, television advertising.
Strengths and weaknesses	Advertising through social media platforms to draw customers to the website. Don't have the capital power as rival competitors. Business does not have a physical store.	Global company with massive client base. Brand awareness. Business does not have a physical store.	Brand awareness in the homeware field. In business since 2002. Business does not have a physical store.	Business has a physical store. Been open for over 40 years Brand awareness in the homeware field.
Distribution	Dropshipping method, through alieexpress and alibaba. Online website.	Have warehouses with some stock but some sellers deliver direct using other delivery companies	Sells from the "warehouses" and deliver to consumer via delivery companies	Instore and in warehouse
Threat?	Online only	Online and some physical presence in major cities worldwide	Online presence only	Online and physical presence
How does their strategies affect your business?		Advertising power and their reputation can influence the sales our business can make.	Advertising power and their reputation can influence the sales our business can make.	Advertising power and their reputation can influence the sales our business can make.

During our market audit as shown in the diagram above, we came to realise we would like to be similar to Amazon in terms of their market share and they are seen as the go-to place for homeware products.

Amazon does not specialise in a wide range of homeware in comparison to a company like Wayfair, therefore, we aspire to bring great quality but at a much more appealing price point. Dunelm offers customers the in-store experience, as well an online experience so they cater to a much wider audience.

With Homeware4u our advertising strategy will be through search engine optimization, so when someone enters an article of homeware in the search engine, we will be one of the top results (Dover, and Dafforn, 2011). We have seen this type of strategy used by all 3 of our competitors but in addition they use data from social media platforms to target people who have recently searched for items in this category.

A key success for Homeware4u which will differentiate from the competitions will be that we will sell on our website, but also sell our merchandise on other social media platforms such as

Instagram, Facebook Market Place, eBay and Gumtree. Social media selling has seen a rise in sales due to the increase in time usage spent on social media platforms by consumers.

As far as distribution goes, as we are a drop shipping business, we will not hold the stock, this will be held by suppliers like AliExpress, and Alibaba and they will ship the items direct to the customer rather than ship to us and Homeware4U re-ship it out again to the customer.

One weakness of Homeware4u compared to the competitors is that they have brand awareness and have been around for a long time. We plan to overcome this issue by spending a lot of our budget on advertising on social media platforms and website development to make sure our brand Homeware4u is known to the public. The effectiveness of social media platforms tools will allow us to place cookies to help us find our target market, being homeowners and interior designers. Cookies allow social media platforms to know when an individual has looked for specific items and can categorise adverts specifically for them, benefitting Homeare4u.

SWOT Analysis

We conducted a SWOT investigation to recognize Homeware4U internal strengths and drawbacks the business will have, as well as its external prospects and risks (Sarsby, 2016). The SWOT analysis can be seen below:

<u>Strengths</u> • Low start-up costs with dropshipping which means low risk for partners. • You don't have to make your own products when it comes to drop shipping. • Each partner has experience in website development and customer service, which. • Need few members of staff to run the business as we're the "middle-man" • No physical location so running costs would be low as need domain and email to connect with customers. • We offer worldwide shipping. • By starting solely with homeware products, there is room to expand to other products over time once established. • Quality of products are checked by our drop shipper retailer before going on sale. • Having an online business, it can be run anywhere, at home or on the go.	<u>Weaknesses</u> • Reliance on the supplier, if the product goes out of stock before the site is updated, would need to have a streamlined refund process. • For homeware products, need a lot of knowledge and stay up to date on fashion trends so the business can stay profitable. • Due to only having 3 employees, if someone goes off sick, this could cause delays with customer engagement. • Quality control can only be checked by supplier and not every product comes out perfect or to the consumers expectation. • The items could be outsourced directly from Alibaba and AliExpress for a cheaper price if customers investigated it.
<u>Opportunities</u> • Growth opportunities once established to sell other products via dropshipping, such as opening websites in the garden, toy, and clothing market. Due to not having to pay for any stock until an item is sold, the possibility to open to other markets are endless if we have the research in place to see what items are popular. • With growth comes more capital, which means we can employ extra staff to help grow the business and make it more profitable • Employ extra staff to help with the customer experience to reduce the stress load on partners. This will free time for the owners to implement new ideas to help the business grow.	<u>Threats</u> • Should the dropshipping idea become mainstream, could lose business as everyone will be doing it. • If consumers go to other places for their products, would need to invest more in marketing • Housing shortages and recession could cause a lack of interest in homeware products.

PESTLE Analysis

Another market audit tool Homeware4U used is a PESTLE analysis. A PESTLE analysis is used to identify external factors that can impact the business. PESTLE stands for political, economic, social, technological, legal, and environmental (Perera, R. 2017).

Political	Economical	Social	Technological	Environment	Legal
• Brexit – shipping delays • Political instability between EU & UK	• economic growth / downturn • Inflation • Disposable income of customers • COVID19 impact on expenditure	• Income distribution • Population growth rate	• working from home – need for comfortable homeware to help with productivity	• Emissions from shipping worldwide • COVID19 – could cause delays in warehouses thus delaying shipments	• Tax policies • Customs charges for worldwide shipping

As shown above, Homeware4u may be impacted by microenvironment factors that will be out of the business control.

Political factors such as Brexit and tension between the European Union and UK can cause complications to Homeware4u when it comes to shipping delays and customs charges.

Economic factors can also impact our business. Covid-19 and lockdowns could mean a decrease in disposal income of our customers which can result in our sales to reduce. If the UK has economic growth this could also benefit our sales and profitability, whilst if a downturn occurred this could have a negative impact on the business.

Social factors such as the population growth rate is on the increase as there are better medication and medical equipment then in the past. Having a higher population rate means more potential customers to target.

Technological factors can also potentially benefit Homeware4U. The realization of business allowing workers to work from home means they might need office furniture which Homeware4u specializes in.

Environmental factors like Covid-19 could also cause shipping delays to Homeware4U, but we have a contract with our suppliers to deliver items within 1-2 weeks. Homeware4U would also need to be cautious of emissions from shipping worldwide.

Legal factors can also impact Homeware4U, custom charges and VAT charges may differ for different country which the business would need to be aware of.

Target Market

Homeware4U have outlined our main target market to sell to which are as followed:

- Homebuyers
- Homeowners
- Interior designers
- DIYers
- Property developers

We see these audiences as our key customers due to the fact they will want items for home. Homeware4U aims to target this customer by advertising through different channels such as social media platforms and leaflets to navigate customers to the website.

Marketing and Sales Plan



We have used the 4P's tool to help us in marketing our products. The 4P's are product, price, place, and promotion of a good service. The four Ps are compelled by inner and external factors in the overall business upbringing (Hommeus, 2013). The 4 Ps are used by businesses to recognize what shoppers want from them, how their product convenes or disappoints to meet individual needs. It is also a tool to help how they stand out from competitors.

The business sales plan focuses on price and promotion which can be seen on the diagram above. Having the right price point is imperative to succeed. Homeware4u will use effective techniques such as psychological pricing, bundle pricing and discounts to encourage customers to buy from the website (Caldwell, 2015). For example, pricing an item for £49.99 instead of £50.00 can potentially encourage a customer to buy. Offering a flexible payment can also help customers afford items such as sofas, kitchen appliances displaying a high pricing point. Promotion will be a key point for the business to succeed; we aim to spend a lot of our budget on advertising to bring the customer to the website. Having a well-

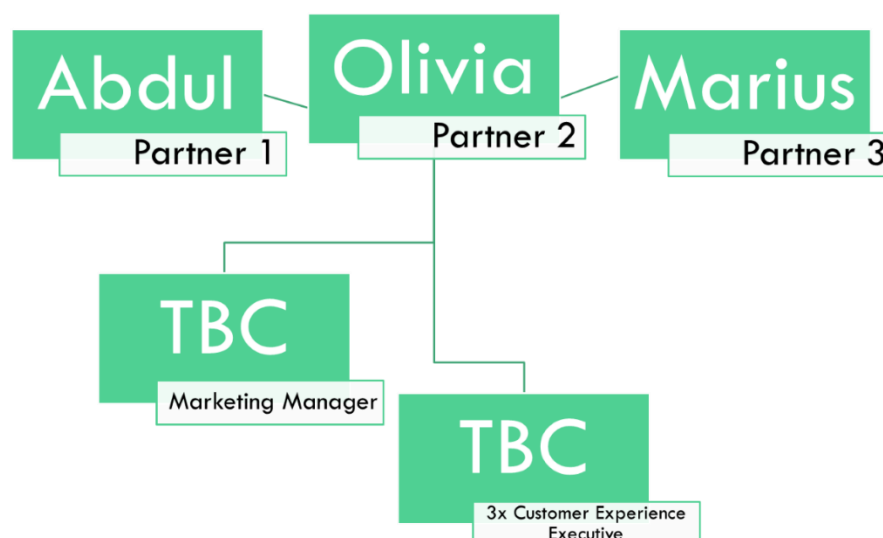
designed website with effective search engine optimization is fundamental to our sales plan of getting traffic to the website which will increase our sales. Selling and advertising on different platforms such as eBay and Instagram will also help bring us brand awareness.

Competitive advantage

Where we differ from other drop shippers? Our partners specialise in website development understanding what items are high on demand. Our e-commerce background will make the website visually appealing for customers and advertisement of our website on another platform to come visit the website and potentially buy from us.

The low risk when it comes to capital when drop shipping gives us an advantage over competitors that must buy stock and pay for warehouse storage costs. Having contracts in place with Alibaba and AliExpress, will not need to worry about stock, packaging, and manpower to distribute to customers, as everything will be done by them. Whilst other competitors such as Dunelm would have these factors as expenses to their businesses.

Management Team



As the business has no physical headquarters, we have a simple management structure. We have 3 partners who will oversee the operations of the business and attract investors, build relationships with drop shippers' companies.

When the business becomes established, we will invest a marketing manager to help run the business. To attract the customers, we need a dedicated person to oversee our website and social media outlets like Instagram, Facebook and TikTok.

With more customers, we will need dedicated people to communicate with our customers who are chasing their delivery, or if there is a problem with their order/delivery. In the future we will employ 3 customer service executives, should there be sickness the customer interaction is not delayed or passed to the partners to deal with.

This organisational structure will continue to grow with the business when there is the need for expansion.

Financial plan: Cashflow Forecast

	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Totals
Sales Income	£15,000.00	£8,000.00	£8,000.00	£8,000.00	£15,000.00	£6,000.00	£4,000.00	£4,000.00	£8,000.00	£10,000.00	£16,000.00	£14,000.00	£116,000.00
Grants	£10,000.00												£10,000.00
Investment by Owners	£5,000.00												£5,000.00
Any Other Income	£0.00												£0.00
Total Incoming	£30,000	£8,000	£8,000	£8,000	£15,000	£6,000	£4,000	£4,000	£8,000	£10,000	£16,000	£14,000	£131,000.00
Stock/ Materials													£0
Rent & Rates													£0
Profit Sharing		£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£11,000
Drawings and N.I.C													£0
Utilities	£100.00	£100.00	£100.00	£100.00	£100.00	£100.00	£100.00	£100.00	£100.00	£100.00	£100.00	£100.00	£1,200
Phone/Internet	£70.00	£70.00	£70.00	£70.00	£70.00	£70.00	£70.00	£70.00	£70.00	£70.00	£70.00	£70.00	£840
Advertising	£1,000.00	£416.00	£416.00	£416.00	£416.00	£416.00	£416.00	£416.00	£416.00	£416.00	£416.00	£416.00	£5,576
Print/Stationery	£500.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£500
Miscellaneous													£0
Bank Charges	£0.00	£0.00	£7.00	£7.00	£7.00	£7.00	£7.00	£7.00	£7.00	£7.00	£7.00	£7.00	£70
Accountancy Fees	£30.00	£30.00	£30.00	£30.00	£30.00	£30.00	£30.00	£30.00	£30.00	£30.00	£30.00	£30.00	£360
Domain	£170.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£170
Hosting	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£600
Total Outgoing	£1,920	£1,666	£1,673	£1,673	£1,673	£1,673	£1,673	£1,673	£1,673	£1,673	£1,673	£1,673	£20,316
Incoming less outgoing	£28,080	£6,334	£6,327	£6,327	£13,327	£4,327	£2,327	£2,327	£6,327	£8,327	£14,327	£12,327	£110,684
Opening Bank Balance	£0	£28,080	£34,414	£40,741	£47,068	£60,395	£64,722	£67,049	£69,376	£75,703	£84,030	£98,357	£669,935
Closing Bank Balance	£28,080	£34,414	£40,741	£47,068	£60,395	£64,722	£67,049	£69,376	£75,703	£84,030	£98,357	£110,684	£780,619

Cash flow forecasting contains prophesying the future flow of money in to and out of a business bank accounts (Jury, 2012). We'll use investment by owners and the grant given by The Lottery Company UK to start up the launch of the business which will cost around £15,000 which can be seen by the cashflow forecast table above. The business forecast sales income to be higher at launch due to money we spent on advertising on January. Also, November and December we forecast sales to increase due to Christmas and New Year's. July and August we expect sales to be lower than previous months due to the summer holidays, families tend to go out more and spend money elsewhere such as activities, holidays and eating out. The business expects to make sales of £131,000 for the whole year of 2022. We expect our expenses to cost around £20,316 for the year, most of our expenses coming from advertising amounting to £5,576. We forecast to have £110,684 in the bank at the end of the calendar year once we calculate incoming less outgoing. The business would have no stock or rent costs due to drop shipping method.

Profit and loss

Business: Homeware4U		
Period: 1st January 2022 to 31st December 2022		
Sales:		£116000
Less direct (variable) cost:		
Materials	£0	
Direct wages	£0	
Grants	£10000	
Other	£0	
Investment from owners	£5,000	
Total direct costs:		£0
Gross profit:		£131000
Fixed cost (overheads):		
Wages/profit sharing	£11000	
Stock	£0	
Rent	£0	
Utilities	£1200	
Advertising	£5,576	
Accountancy fees	£360	
Telephone/Internet	£840	
Domain/hosting	£770	
Bank charges	£70	
Total fixed costs:		£20316
Net profit:		£110684
Less drawings or dividends:	£90000	
Profit retained in the business:		£20684

The profit and loss account displays the net profit or loss your company has made within an accounting period after subtracting all expenses from the income (Nash, 2017).

Homeware4U projects to make £131,000 gross profit for the year 2022. After expenses subtracted expected to make £110,684 net profit. The partners will take out £90,000 in dividends between each other at the end of calendar year and will retain £20,684 in the business. The money retained in the business will be used towards advertising cost, expansion of the business and recruiting a customer service representative to help with the workload.

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