

# INTERFACE FOR A GLOBAL B2B NETWORK



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Master of Science in Engineering

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SAN JOSE STATE UNIVERSITY

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## **ABSTRACT**

Our project is about Bizzglo LLC which is a business model, set up to channel the consumers and the retailer together. The literature survey addresses the mission statement and the hypothesis. The background, legal issues, market survey and the ecommerce logistics are rationalized to test the hypothesis. The market analysis and financial analysis are conducted in order to justify the hypothesis. The report also incorporates a brief structure of the project schedule, committee details, and team members.

## **ACKNOWLEDGEMENT**

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# 1. Executive Summary

This paper illustrates a business model of a B2B portal, which would primarily operate in North and South America and Asia, while targeting regional, national and international trade. With Business- to-Business networks, emerging to be one of the most successful industries in the market, especially with the economic crisis on hand, businesses are looking for the most cost and time-effective method to do trade. Bizzglo LLC will primarily concentrate on small and medium size businesses. We as a company are trying to reduce and eliminate the chain of middlemen, by providing a web based portal where businesses, individuals, traders can come together to browse, advertise, buy and sell their products in large volumes, hence cutting down one or many middlemen in the process.

Market Analysis is conducted in the form of a survey to identify the requirements of customers and in order to identify the response from the customer; a questionnaire was prepared for the local businesses and wholesalers for their feedback, to improve our product/service. With the help of this survey, we could identify the target market. According to the market survey we could understand the customer needs, and now it's time to understand our own capabilities and the environment in which the company should operate.

Supply Chain Management is the key source of competitive advantage in an enterprise, particularly for those enterprises where it plays a vital role for the core business, or is relatively the major function of the enterprise. When it comes to a B2B network, apart from having a good online marketplace with a large number of buyers and sellers, supply chain or logistics of this network plays an important role in the entire business flow. An optimized supply chain is the solution for having an edge over your competition.

Advertising plays a vital role in providing our business a competitive advantage. As a new company in the market, Bizzglo LLC needs to come up with a very effective advertising campaign. Media planning, such as planning the marketing communications for the launch of the website, starts with setting media objectives. Media objectives usually consist of two key components: target audience and communication goals.

To become a successful company, Bizzglo LLC is developed as a privately-owned company. Initially it will be formed as a partnership with five managers of the company as co-owners. Each of the co-owners will have divided control and thus divided liability. We believe that innovative design and strategic approach is worth the potential of success. Not only will the website developed by Bizzglo become a global platform, but also will assist various traders in different sectors of market across the world.

### **1.1. Objective**

- Distributing competent leads, concentrating on proper advertising of the brand and being aware of the web traffic
- Incorporating various online listing, catalogs, and registers, billboard advertising, e-newsletters, and pay-per-click programs
- Determine a variety of products, services, technical information, and components
- Providing a lot of attention to networking with friends, competitors and colleagues

### **1.2. Corporate overview**

#### **Mission:**

Getting together the various MSME companies, retailers/traders and the consumers using Bizzglo as the business platform

**Vision:**

Choosing ecommerce as a gateway to build a global interface or portal, our organization concentrates on wiping out the diversity and obstacles in the trading industry.

**Purpose:**

Bizzglo offers the consumer a vast variety of goods to choose from, promoting them to not only choose the exact same product they are looking for but also letting them buy it in bulk. This is not only beneficial for the consumer but also for the company as it promotes the easy transfer of the products to the consumers, limiting the chain of middlemen faced otherwise.

## **2. Introduction**

Bizzglo LLC is a business model which is set up to channel the consumers and the retailer together. It is a Business to Business network that sanctions the retailers to advertize their products such that the consumers are at ease when it comes to the browsing for the items they are interested in and to buy the same at a cheaper price.

Our company focuses on users, either to publish their products to sell or browse various products of a better quality, to buy at a cheaper price. This company is designated to cut down on the cost variation of a product from the point of its production till it reaches the customer.

### **2.1. Background**

Thanks to the internet, the globalization of business has become a reality. There are several different internet based e-commerce models that have emerged or continuing to emerge. The biggest indicator of the explosive growth of e-commerce with respect to the global economy is the rapid growth of the internet over the last decade.

Electronic commerce or E-Commerce is the buying or selling of services and goods over electronic systems such as the internet and other networks. Ecommerce includes business to business (B2B) and business to consumer (B2C). B2B is the exchange of goods, services and information between businesses. B2C is the electronic commerce that is conducted between the businesses and the consumers.

The exponential increase of online users in the US has increased the potential market size for E-Commerce on an annual basis. A large share of the expected growth in Internet commerce can be attributed to the increase in the online population:

- Worldwide there are about 1.5 billion people using the internet. China has the highest number of internet users, at an estimated 300 million. The U.S. online population is estimated to increase nearly 7.4%, from 210.8 million in 2006 to 227.63 million in 2009 (CAGR of 8.2%).
- U.S. online retail sales will grow from \$130.3 billion in 2006 to an estimated \$156 billion in 2009.
- There are 2.3 million small companies in the U.S. With 16% of these in the retail trade, the potential market size for our service is upwards of 300,000 companies.

## **2.2. Problem Statement**

Choosing ecommerce as a gateway to build a universal interface or portal, our organization concentrates on wiping out the diversity and obstacles in the trading industry. Also getting together the various retailers/traders and the consumers. Promoting the company globally is expected shortly but the spotlight remains on providing facilities to farmers around the world encouraging them to initiate trading in various markets on the regional, national, and international level. This not only gives them a chance to broaden their horizons but also gives a boost to the profit incurred by the complete chain of commodities, helping them progress in the standards of their daily life.

## **2.3. Hypothesis**

In today's time, most of the consumers look forward to acquiring products at a lower cost, and with the existence of such a search, the consumers are inclined towards getting the maximum information on each product which lowers the average selling price and variance in the prices become higher.

This indicates that the consumers end up looking for better or more alternatives. In a case like this, the alternative that the consumer selects is of a better quality which in turn decreases the costs of the total process of product selection. Approving e-markets and our company Bizzglo LLC for benefits like lower pricing and search costs of product information are a few main benefits expected by the consumers.

## **2.4. Emergence of B2B**

The majority share of e-commerce is conducted as business to business (B2B) e-commerce. According to the U.S. Census Bureau E-Stats report, “B2B e-commerce totaled \$2,716 billion representing 93% of online sales in 2006. Most of the remaining 7% was in the form of business-to-consumer (B2C) e-commerce. In 2006, B2C e-tail (electronic retail) sales totaled \$107 billion dollars. In 2007, B2C e-tail sales totaled just over \$127.7 billion or 3.2% of total retail sales.”

The B2C sector was the first to attract the attention of the general population. However, the B2B sector is the most significant, in terms of financial impact. “The B2B e-commerce provides the greatest advantage when it comes to the supply chain, where B2B activity is concentrated. B2B e-commerce capitalizes on the deficiencies in the traditional supply chains and internal operations, as well as imperfect competition. As a result the B2B e-commerce is the fastest growing business model. It has become the dominant model on the basis of its financial volume and impact alone.”

The main ways that can be used to identify the potential sources of value of a B2B e-commerce is to carefully analyze the number of ways in which a company interacts with both its suppliers and its customers. There are three categories in which B2B e-commerce has a definite advantage:

- Reduced transaction charges
- Enhanced supply chain benefits
- Improved market efficiencies

## **2.5. B2B Growth Trends**

According to IDC Research, “global B2B revenues have increased from \$282 billion in 2000 to \$4.3 trillion by 2005. This is equivalent to a compound annual growth rate (CAGR) of 73 percent in B2B revenues during this period, with the majority still coming from the U.S., where the B2B revenues reached \$1.56 trillion by 2005 (IDC Research 2001).”

This is a strong sign of the expected possibility of the global B2B market. One thing which is clear from all these facts is that there will be continuous growth in the B2B sector for the next several years.

### **3. Literature Review**

The literature review examines and identifies the present B2B e-commerce logistics, researches the economic and market surveys and explores the various legal issues and regulations in the United States.

#### **3.1. Market Survey**

Global business has always been an important factor for a company's success. Considering the facts and graphs from the market it can be observed that retailers like Wal-Mart, Target, and Home Depot have grown their strength pushing the small and medium scale retailers out of the market. Wal-Mart solely has built its empire in market with about 6200 stores and 1.6 million employees.

“There is plenty of anecdotal evidence that a new Wal-Mart in town spells doom for local pharmacies, sporting goods stores, grocery stores, et cetera” said Economist Emek Basker, Ph.D. Her study observed that when a Wal-Mart opens in a typical United States city or town three to five retailers close their business within three years of impact.

#### **3.2. Giant Retailers Strategy**

All the established retailers in the market are giving a hard time to the small and medium scale industries with their advanced built up strategies. They have built a strong supplier-retailer bond across the world and are able to push the manufacturer or supplier into selling the same product at lower and lower prices by ordering their stock in bulk. There are four main concepts that have put Wal-Mart, Target, and Home Depot in a strong market hold. They are:

- Low Prices
- Quality

- Quantity
- Logistics

So, the question that arises in every small and medium business retailer is how to compete with the giants in the market? What is the strategy they have to build to make a mark in the market? It is not an easy task to make the manufacturer supply at low cost and neither they can order their products in bulk, nor adopt an easy low cost logistics.

On the other hand, there are places across the world where people are still willing to sell their products at a very low price. But the problem for them is they can hardly find the buyer with their amount of cost. They would end up supplying their product 2-3 times lesser than their desired amount of cost on an average.

Our survey found that on either side of the product supply chain, people are not satisfied; with the money they are getting or spending. Our team believes that designing a platform that could bring the supplier and consumer together would ease the process of supply and build a competitive spirit in the market. The consumer in this case is the typical retailer.

### **3.3. Growth of B2B Portals**

With the advancement in the ecommerce technology, many users started buying their products online. There have been an increasing number of B2B websites or portals in China since 1995. Our survey finds that the massive reform in China is because of the growing B2B portals and their competitive market strategies. China has reached the position of being the highest exporter in the world. Many well established companies in US and EU are outsourcing to China.

Our survey conveys that the huge boom in China is because of the sophisticated communication system. And this happened to be with the development of various B2B global

portals. They created a platform for supplier and consumer by listing out many small and medium scale industries in their databases and thus making available for global trade. These portals have become a common marketplace to various companies across the world.

Although there have been several Business to Business platforms in the earlier decades, they were limited to a region or particular products with vertical supply chain. Most of these B2B platforms from earlier decades are redundant and doesn't satisfy buyers with low cost supply. Additionally, buyer neither has much choice of products based on their quality nor different range of product types.

### **3.4. B2B in China**

China has become a place of outsourcing with their growing trend of B2B global portals wherein the buyer has the flexibility to choose different type of products with different ranges also. Here are some of the top competitive B2B portals in China that have changed their domestic marketing style.

- [www.alibaba.com](http://www.alibaba.com)
- [www.chin.cn](http://www.chin.cn)
- [www.ecvv.com](http://www.ecvv.com)
- [www.diytrade.com](http://www.diytrade.com)
- [www.dhgate.com](http://www.dhgate.com)
- [www.globalsources.com](http://www.globalsources.com)
- [www.globalspec.com](http://www.globalspec.com)
- [www.madeinchina.com](http://www.madeinchina.com)
- [www.mainone.com](http://www.mainone.com)
- [www.busytrade.com](http://www.busytrade.com)

From the above B2B portals from China, Alibaba is the largest B2B portal not only in China, but is expected to be the largest in the world. It is making waves in the business market with their advanced strategies. It is noted as the firm with largest stock price in a year next to Google Inc.

### **3.5. B2B in United States**

There are also several growing B2B industries in US, most noted are:

- [www.tradekey.com](http://www.tradekey.com)
- [www.tradeholding.com](http://www.tradeholding.com)

There are many other minor websites those require marketing. Tradekey has been showing tremendous increase in the users registered with their innovative marketing strategy.

### **3.6. Latest B2B Opportunities**

Although all the above mentioned B2B companies are well built, our survey finds that they are limited mostly to their region or country and are struggling to emerge into other countries. They are facing problems with the diversified culture, government policies and different market trends. So it is hard for them to penetrate into the market. So our team hopes that building a feasible business model for these kinds of markets would build a strong platform for buyers and sellers globally.

Most important of all, India is a developing country which is on par with the China's development in the global marketplace. But there is not an effective B2B portal to benefit both the buyer and seller in India. So, we would like to implement our company's principle "Benefit of Cost" which means satisfying the users on either end of the product supply chain with a competent price rate.

By implementing our business model in US and India simultaneously, we hope to understand the diversified marketing trends in both these countries and implement a compatible business model. In addition we have the opportunity to change or improvise our business model according to the markets since ours is a starting company.

### 3.7. Ecommerce Frauds

It is a known fact that although how successful your model is, it would have a minor loop hole and your further success depends on the way you hide it or eradicate it. So the ecommerce B2B portals have a loop hole when it comes to the money frauds. There are few registered fraud cases on Alibaba.com and Tradekey.com. Usually problems faced are those of the buyer and seller, when they agree upon a price and are willing to make a payment through their banking accounts directly. There would be a situation wherein seller may not send the shipment after receiving the money or buyer may not transfer the money after getting the shipment. In most cases like this, buyers and sellers are observed to have a gold membership that is expected to be trusted and verified users by their websites.

Our business model would like to eradicate this kind of situation by making the seller and buyer to sign the privacy and legal documents which warn them not to make business dealings directly by providing secure online payment or banking accounts.

Our basic concept to eradicate frauds is shown graphically below:



**Figure 1: B2B concept**

### **3.8. User Registrations**

Many B2B websites limit their users from accessing excess information, publishing more products, product priority and advertising for a free membership. They keep harassing the users to upgrade their membership to gold supplier for \$3000 which of course has its benefits with trusted members and serious users, but it equally has its losses. Some of the extra features provided with gold supplier membership are:

- Authentication & Verification
- Experience in Global trade
- Unlimited Product Listings
- Detailed Company Information
- Genuine Business attitude

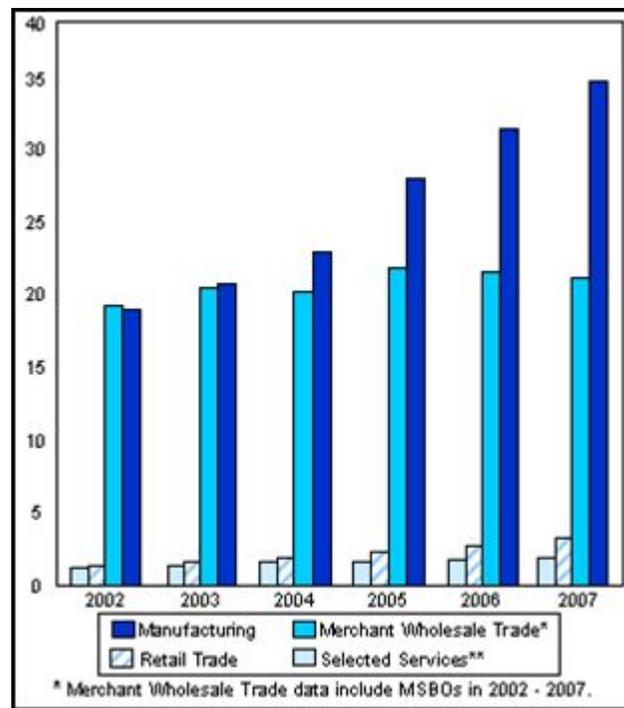
But the main concept that has to be observed here is, with \$3000 dollars worth of membership, only medium to high scale industries would show up. This would further pull down small industries. Starters or entrepreneurs wouldn't be in a position to spend more money for membership and then for advertising on the website initially.

There are few claims made on Alibaba customer's website by the users stating that pulling off the 'trust pass' membership and acclaiming only gold supplier membership for high price would keep small scale industries out of the market competition.

So, we would like to implement our business model on a percentage basis so that it benefits each and everybody visiting the website. There is no registration fee or membership fees, supplier is open to put his product on the website, add his product features. He can also put as many products he wants on the website. Even the advertising on the website is based on the points earned from transactions through our website.

### 3.9. Economic Survey

Economic activities have reached a peak in the case of ecommerce. Many online organizations are earning high profits with huge volumes of online business transactions. According to US Census Bureau E-stats, “Ecommerce has grown faster than economic activity in three of the four sectors in United States.” Out of the total ecommerce business, B2B accounted for 93% which include mostly manufacturers, wholesalers, service and retail business. The following graph shows the merchant wholesale trade for B2B ecommerce:



**Figure 2: Merchandise Wholesale Trade** [C. Harvey Monk, 2009]

Due to an increase in the B2B portals, exports and imports across countries have increased tremendously. In 2007, B2B ecommerce accounted for 1.9 trillion manufacturing shipments. In 2007, US retail trading have increased to \$127 billion which was \$107 billion in 2006. The following table shows the volumes of trade in 2007.

Description	Value of Shipments, Sales, or Revenue				Year to Year Percent Change		% Distribution of E-commerce	
	2007		2006		Total	E-commerce	2007	2006
	Total	E-commerce	Total	E-commerce				
<b>Total *</b>	<b>21,847</b>	<b>3,333</b>	<b>20,797</b>	<b>2,972</b>	<b>5.0</b>	<b>12.1</b>	<b>100.0</b>	<b>100.0</b>
<b>B-to-B*</b>	<b>11,088</b>	<b>3,082</b>	<b>10,542</b>	<b>2,761</b>	<b>5.2</b>	<b>11.6</b>	<b>92.5</b>	<b>92.9</b>
Manufacturing	5,306	1,856	5,016	1,567	5.8	18.4	55.7	52.7
Merchant Wholesale	5,782	1,226	5,526	1,194	4.6	2.7	36.8	40.2
Excluding MSBOs <sup>1</sup>	4,150	689	3,881	639	6.9	7.8	20.7	21.5
MSBOs	1,632	537	1,645	555	-0.8	-3.2	16.1	18.7
<b>B-to-C*</b>	<b>10,759</b>	<b>251</b>	<b>10,255</b>	<b>211</b>	<b>4.9</b>	<b>19.0</b>	<b>7.5</b>	<b>7.1</b>
Retail	3,995	127	3,870	107	3.2	18.4	3.8	3.6
Selected Services	6,764	124	6,385	104	5.9	19.7	3.7	3.5

Figure 3: U.S. Shipments, Sales, Revenues and E-commerce: 2007 and 2006 [C. Harvey Monk, 2009]

Therefore, from the above data it can be observed that there is a high level of economic profitability from this sector provided an innovative business model is designed.

### **3.10. B2B E-commerce Logistics**

Supply Chain Management is the key source of competitive advantage in an enterprise, particularly for those enterprises that Supply Chain plays a vital role for the core business, or is relatively the major function of the enterprise. When it comes to a B2B network, apart from having a good online marketplace with a large number of buyers and sellers, Supply Chain or logistics of this network plays an important role in the entire business flow. An optimized Supply Chain is the solution for having an edge over your competition. Advanced technology in communication and tools and software's which make the Supply Chain transparent, to both the buyer and seller, which in turn enhance the quality and productivity of the Supply Chain of the enterprise.

“Over the last year, valuations of many Internet business-to-business (B2B) e-commerce companies have declined significantly. Is this drop an indication that B2B e-commerce can provide little value in a supply chain? Should companies decrease their e-commerce efforts? As they consider these questions, senior executives face a serious dilemma. On the one hand, dropping all e-commerce efforts can leave them at a serious disadvantage if their competitors are able to exploit the benefits of the Internet. On the other hand, unwise or over-investing can be costly if the perceived value is not realized.” (“Evaluating B2B e-commerce opportunities in a supply chain,” Supply Chain Management Review, May-June 2001 By Sunil Chopra, Darren Dougan, and Gareth Taylor).

The above article sheds light on the time period, when the online marketplace took a hit, because of the repelling effect of bad and insufficient business strategies. But since then, there has been a transformation in the online marketplace and/or B2B e-commerce to become one of

the most profitable, time-effective, cost efficient and viable options for volume or mass trade for small and medium size companies. The emphasis here is on what has and is being done for the increasing success of B2B networks is the past few years. One of the factors here is that the decline in the economy has driven traders to more cost-effective methods, and with international transactions made as easy as a mouse click, B2B e-commerce needed only time to be the next billion dollar industry. Most B2B and B2C networks relay on their supply chain for customer satisfaction apart from the brokerage percentage and other incentives, which in turn states that a good Supply Chain is the ticket to competitive advantage.

## **3.11. Legal Issues**

### **3.11.1. Import Requirements in the United States**

For the efficient working and to make sure that the customer clearance is rapid, the “Import Community and the Customs Services have created the Customs Automated Commercial System (ACS).” This helps in providing the information on cargo disposition, processing the documentation entry that is received electronically. This is especially helpful for the “Cargo Carriers, Custom Brokers, and Importers,” reducing their time taken for clearance to a few minutes.

People who are interested in the trade of importing find this method helpful. For those who are interested in importing goods for personal purposes or for business may take the help of a customs broker. It provides help using the “Automated Broker Interface (ABI) in combination with ACS.”

- “It is mandatory that all the goods entering the United States clear the Customs
- The clearance process involves a number of steps such as: entry, inspection, appraisement, classification and liquidation
- The U.S. Customs Service does not require an importer to have a license or permit
- Other agencies may require a permit, license, or other certification, depending on what is being imported
- Customs entry forms do ask for your importer number
- This is either your IRS business registration number, or if your business is not registered with the IRS or you do not have a business, your social security number

- All the importers must declare the dutiable value of their merchandise and the final appraisal is fixed by the Customs
- The factors that add to the dutiable value of the goods are: Transaction Value, Packing Cost, Selling Commissions, Royalty or Licensing Fees etc
- There are classification numbers allotted to every type of product (e.g., Vegetables, Herbs, Textile) and every importer is liable to determine this number when the goods are being imported
- Ad Valorem rates are used to assess the Custom duties and a percentage of this is applied to the dutiable value of the merchandise imported. Articles are either dutiable at a specific rate or at a compound rate of duty

It is necessary for the importer to comply by the admissibility requirements of the United States like the safety standards, appropriate marking etc.”

### **3.11.2. Import Tax**

“Import tax is the tariff that is collected by the US Customs on every import that comes into the US. It is a source of income for the US Government and is a way to restrict or facilitate the import of certain commodities.”

An import tax is expected to be paid by the importer from each commodity at the time of importing. In most cases it is difficult to determine the amount owed till the arrival of the shipment is pending. It is very necessary for the importer to purchase a copy of the “US Harmonized Tariff Schedule” cataloging their products as this helps in not getting overcharged at the US Customs. The main elements that decide the Import Tax are the kind of commodity and its place of arrival.

### **3.11.3. Regulations and Government Concern**

#### **Government Management:**

The United States is very lenient towards the electronic commerce industry. There are a few standards which are available in the “White House Document on Global Electronic Commerce which was published in 1997.”

These standards require:

- “The private sectors to be in charge
- The undue restrictions on the ecommerce to be stay away from the Government
- A legal environment which is reliable, discreet, obvious and clear-cut should be provided for commerce where the participation of the government is desired
- The Government to be familiar with the distinctive qualities of the Internet
- Ecommerce over the Internet should be made easy and available on global market”

### **3.11.4. Anti-trust Laws**

The accord in the economic regions can be disrupted by the anti-trust laws which in turn have an effect on the e-markets. It can be a major hassle in the union of various sets of organization with the same business interests. These laws aim at guarding the citizens from illegal procedures such as “price fixing, big rigging, and any other anticompetitive behavior.” “The anti-trust laws in the United States are enforced by the Bureau of Competition of the Federal Trade Commission (FTC) and the Antitrust Division of the Department of Justice (DOJ).”

In the United States, the competitor collaboration for the e-commerce industry was distributed with detailed guiding principles. These were brought out in April of 2000 and consisted of two critical rules namely “the per se rule and the rule of reason.”

These rules are explained below:

- **“The per se rule:** The alliance treaties between various contenders will be considered illegal if it involves fixing of prices and or outputs, rig bids or try to share or divide markets by they fix prices/outputs, rig bids, or share/divide markets by dealing out with the ranks of commerce or the suppliers or the customers.”
- **“The rule of reason:** It is important that the agreements between the contenders be evaluated so as to determine if they are correlate with each other and rational to attain. There should be a check on whether the accomplished economic efficiency balances out with any anti-competitive effects.”

Since the maximizing of economic efficiency of each venture is brought about by the involvement of the chief corporations, it is not possible to dodge the anti-trust laws. This is because the features of the endeavor requires them to share, exchange and put up vulnerable information and probably make joint verdicts when it comes to pricing of the products and various other decisions.

It is the duty of the FTC to keep a check on these exercises as they do not promote a healthy competition. It is fairly possible that the B2B projects trim down the capability or motivation to contend autonomously which in turn causes anti-trust alarm.

### **3.12. Market Analysis**

Market Analysis is conducted in the form of survey to identify the requirements of customers and in order to identify the response from the customer; a questionnaire was prepared

for the local businesses and wholesalers for their feedback, to improve our product/service. With the help of this survey, we could identify the target market. The questionnaire, response and market analysis report can be found in the appendix.

### **3.13. Company Analysis**

According to the market survey we could understand the customer needs, and now it's time to understand our own capabilities and the environment in which the company should operate. The main frameworks or methods that can be used to add structure to the market analysis are:

- 5C Analysis
- PEST Analysis
- SWOT Analysis

#### **3.13.1. 5 C Analyses**

The 5C analysis is a useful framework for performing a situational analysis. The company must be able to understand its external and internal situation, the market environment and the firm's own capabilities. This is an environmental scan, for areas such as internal, the micro-environmental and macro environmental. The 5C Analysis is as follows:

1. Company
2. Collaborators
3. Competitors
4. Customers
5. Climate

#### **Company:**

Bizzglo LLC is an ecommerce company established to bridge the gap between the buyer and the seller. It is a Business to Business network that allows users, either to publish their

products to sell or browse various products of better quality, to buy at a cheaper price. This company is designated to reduce the price difference of a product from production to when it reaches the customer.

It allows the buyer to choose from a different range of products, they are interested in and also allows them to buy in bulk. This makes the products easily transferrable to the destined buyers hence cutting down a chain of middlemen. This helps both the parties in not incurring a great deal of price difference to the middlemen.

**Collaborators:**

- Mentor Company                      [www.neurall.com](http://www.neurall.com)
- IT Infrastructure Support              Dhrusya Private Limited
- Logistics                                 IntlMOVE

**Competitors:**

China has become a place of outsourcing with their growing trend of B2B global portals where in the buyer has the flexibility to choose different type of products with different ranges. Here are some of the top competitive B2B portals in China; those have changed their domestic marketing style.

- [www.alibaba.com](http://www.alibaba.com)
- [www.chin.cn](http://www.chin.cn)
- [www.ecvv.com](http://www.ecvv.com)
- [www.diytrade.com](http://www.diytrade.com)
- [www.dhgate.com](http://www.dhgate.com)
- [www.globalsources.com](http://www.globalsources.com)
- [www.globalspec.com](http://www.globalspec.com)

- [www.madeinchina.com](http://www.madeinchina.com)
- [www.mainone.com](http://www.mainone.com)
- [www.busytrade.com](http://www.busytrade.com)

**Customers:**

Bizzglo LLC will cater to a wide customer range, with relatively different needs. Since Bizzglo LLC is a global network and will initially be based out of North America, South America and India, and what they have in common is a huge import and export trade.

Apart from concentrating on international trade, Bizzglo LLC will concentrate on regional and national trade as well. This will encourage our users to go international, in spite of the logistics involved.

**Climate:**

The climate or macro-environmental factors are:

- Political & regulatory environment - governmental policies and regulations that affect the market
- Economic environment - business cycle, inflation rate, interest rates, and other macroeconomic issues
- Social/Cultural environment - society's trends and fashions
- Technological environment - new knowledge that makes possible new ways of satisfying needs; the impact of technology on the demand for existing products.

**3.13.2. PEST Analysis**

“The PEST analysis is a useful tool for understanding market growth or decline, and as such the position, potential and direction for a business. A PEST analysis is a business

measurement tool. PEST is an acronym for Political, Economic, Social and Technological factors, which are used to assess the market for a business or organizational unit.”

### **Political**

- Ecological/Environmental Issues
- Current Legislation Home Market
- Future Legislation
- European/International Legislation
- Regulatory Bodies and Processes
- Government Policies
- Government Term and Change
- Trading Policies
- Funding, Grants and Initiatives
- Home Market Lobbying/Pressure Groups
- International Pressure Groups
- Wars and Conflict

### **Economical**

- Home Economy Situation
- Home Economy Trends
- Overseas Economies and Trends
- General Taxation Issues
- Taxation Specific to Product/Services
- Seasonality/Weather Issues
- Market and Trade Cycles

- Specific Industry Factors
- Market Routes and Distribution Trends
- Customer/End-User Drivers
- Interest and Exchange Rates
- International Trade/Monetary Issues

### **Sociological**

- Lifestyle Trends
- Demographics
- Consumer Attitudes and Opinions
- Media Views
- Law Changes Affecting Social Factors
- Brand, Company, Technology Image
- Consumer Buying Patterns
- Fashion and Role Models
- Major Events and Influences
- Buying Access and Trends
- Ethnic/Religious Factors
- Advertising and Publicity
- Ethical Issues

### **Technological**

- Competing Technology Development
- Research Funding
- Associated/Dependent Technologies

- Replacement Technology/Solutions
- Maturity Of Technology
- Manufacturing Maturity And Capacity
- Information And Communications
- Consumer Buying Mechanisms/Technology
- Technology Legislation
- Innovation Potential
- Technology Access, Licensing, Patents
- Intellectual Property Issues
- Global Communications”

### **3.13.3. Project SWOT Analysis**

SWOT analysis is a tool for auditing an organization and its environment. It is the first stage of planning and helps marketers to focus on key issues. SWOT stands for strengths, weaknesses, opportunities, and threats. Strengths and weaknesses are internal factors. Opportunities and threats are external factors.

- **Strengths**

Bizzglo Inc’s mission is to improvise the method, small and medium size businesses trade. This strategy is unique which makes it our strength. As we are reaching out not to individual consumers, but traders only, we need not concentrate on how this would grow, because traders would exercise their resources to get more traders onto the network which will make the network self sustained down the line.

- **Weaknesses**

As we are a new and relatively inexperienced in this field, we might face certain hurdles such as initial user growth in the network and financial issues. A major issue would be the growth rate of the first year or the first fiscal year, which is critical for any organization, which will predict the coming years to come.

- **Opportunities:**

Since the market is still recovering from the economic crisis, traders and small businesses are looking for feasible and cost-effective methods to trade in regional, national and international markets. Since we are a global network, we can provide this service to all our users to buy or sell in any of these markets.

- **Threats:**

The major threat would be our best competitors, who have an edge over us in time and experience, because they would have prior and current expertise on the subject area. Most vital aspect here is the changing market trends which are unpredictable, for any industry sector.

### **3.14. Marketing Strategy**

The marketing department aims to identify the customer wants and needs and fulfilling their requirements. Marketing activities identify the market segment of customers by which we can satisfy their needs better than our competitors. The market planning in our company involves:

- Market research on customers
- Analyzing their needs
- Making strategic decision about product design
- Pricing
- Promotion
- Distribution

There are two primary aspects of marketing, firstly establishing the nature and characteristics of the product to be made by means of market research, keeping the users need in context. Secondly, the marketing of the final product, distribution, service, etc; which are all part of the marketing or selling activity.

The five key questions that the company should consider prior to marketing are:

- Who are the customers?
- How large is the market?
- How many units do you expect to sell on a weekly/ monthly/ year basis?
- How is the product going to be advertised?
- What distribution channels will be more appropriate?

### **3.15. Marketing Summary**

The market for a Business to business network has grown enormously in the past few years, because of the bad economic condition, or the economic crisis, which has affected the small and medium size businesses. Unable to compete with the giants in the market, most small and medium size businesses have either sold out or gone bankrupt. Having said that, the remaining businesses are looking for a easy and cost-effective method or portal to trade.

By registering themselves in a B2B network, the individuals/company will have access to hundreds of thousands of other individuals/companies, who are looking to buy or sell products/services. Since this system has worked for various sectors such as: commodities, electronics, textile, plantations, etc. TrabeB.org is targeting the kind of users who are small and medium scale and would want to trade in relatively large volumes directly to their customer, eliminating one or more middlemen, which in turn makes it time and cost effective.

### **3.16. Advertising Strategy**

Advertising plays a vital role in providing our business a competitive advantage. As a new company in the market, Bizzglo LLC needs to come up with a very effective advertising campaign. Media planning, such as planning the marketing communications for the launch of the website, starts with setting media objectives. Media objectives usually consist of two key components: target audience and communication goals. The target audience component of the media objectives defines who the intended target of the campaign is.

In this case as our target audience is going to be small scale businesses and wholesalers. Hence in order to make sure that they know about our service, we set up communication goals. Therefore the largest category in our advertising budget will be devoted to our media costs. Media costs include ads in newspapers, magazines, television, radio and the internet.

The different types of mediums which we will be using to advertise our design is as follows:

- **Newspapers**

As newspapers are read by almost everyone and as is the most effective media of communication, we decided to publish advertisements in major newspapers.

- **Internet**

As we are a web based company, our primary focus is to target the internet audience. Hence we will be focusing heavily on creating innovative advertisements on the internet.

- **Magazines**

We will place advertisements in the trade magazines and business journals.

- **Flyers**

Distributing flyers is a very cheap and effective way of advertising and will be used by us.

- **Radio**

Though classical, it is one of the most powerful ways of promoting a product. As radios are used everywhere and as majority of the population listens to them, it is a good vehicle for promotion.

We have decided to allocate an amount of \$100,000 dollars to our advertising budget. That money will be spent in the following manner:

<b>TYPE OF MEDIA</b>	<b>AMOUNT ALLOCATED</b>
INTERNET	\$40,000
NEWSPAPER	\$20,000
MAGAZINES	\$20,000
RADIO	\$15,000
FLYERS	\$5000

**Table 1: Total Amount Allocated for Advertising**

## **4. Economic Justification**

### **4.1. Executive Summary**

The main objective of the project is to build an interface for a global B2B network that would facilitate easy and secure trading across boundaries. The team members of the project would like to do it in real time under the hood of Bizzglo LLC. Upon doing market research and working out a few statistics online, Bizzglo believes that there is a huge price difference in the product/service from conception to the reach of the customers. Bizzglo wishes to bridge this gap with its innovative strategy. Although there are many competitive websites like Bizzglo, they are all confined to only high end industries. They don't have many options for entrepreneurs, micro and small scale industries. The price difference still holds high in the market in spite of such websites. Therefore Bizzglo aims to target entrepreneurs, micro, small and medium scale industries. The foremost interest of Bizzglo is to present transparency in the market.

The entire project "Interface for a Global B2B Network" is to design the necessary parameters that are required to build a user friendly website that acts as a platform for both the buyers and sellers. Fortunately the team has been successful to build the website on schedule. The team engages in marketing for the rest of this year, which includes web marketing, bill board advertising, meeting company officials in person to demonstrate the website, email marketing, etc.,

It is expected that by the end of the year 2010, Bizzglo will be fully operating both in India as well as the USA. We plan to implement it in the European and South American markets in the coming years. Bizzglo was started by five master's students implementing their project in real time with an estimated investment of one million dollars in the USA and four hundred thousand dollars in India. The money is spent strategically as planned by the group for

the year 2010. Bizzglo estimates its breakeven point in the month of November 2011, provided it has registered at least 20,000 users on the website.

## **4.2. Problem Statement**

In many countries, there is a huge price difference of products from conception to the reach of the customer. Also in many commodity related products, farmers & production sources are exploited by a chain of middlemen. To address these problems Business to Business (B2B) websites have been formed. There are several B2B websites who claim to have the largest business databases in the world. But all of them are concentrating only on high scale industries that can fetch them money through memberships. The problem still exists for the lower sized companies. Also they are limited by the boundaries and are not providing much of global trading. There are deviating from their main purpose of serving the micro and small scale industries. Price difference still exists high in the market. Bizzglo addresses all the issues in the market and also will improvise its model when required.

## **4.3. Solution and Value Proposition**

Bizzglo has proposed a solution to bridge the gap between the buyer and the seller, replacing several middlemen. Its user friendly website and features enable even a farmer to obtain the best benefits by selling his commodities. It emphasizes more on cutting down the costs of the products in the market benefiting both the buyer and seller. It is to be noted that comparison of products always reduces prices. So buyers are exposed to a wide variety of products based on their price range and quality on the Bizzglo website. They can make a wise choice by selecting their desired product.

There are so many features on Bizzglo.com that facilitates easy trading for the users. Bizzglo categorized them as three different services. They are:

#### 4.3.1. Bizzglo Agent Service

For the first time in India and the USA, a business oriented service is provided to company officials to reduce the stress and exertion, to sell their products. Agent service is one of the best features of Bizzglo, which facilitates an easy and secure product buying and selling for the customers. Since every customer doesn't have the access to internet, agent service gives them the opportunity to do their business over phone by giving and taking orders. Since all the agents are picked and verified carefully, you do not have to worry about any kind of fraudulent activities. Bizzglo takes complete responsibility for any such circumstances. Therefore the sellers have the opportunity now for selling their products at their desired price through our trained agents. They will also help get the buyers the least price in the market for their desired products.

#### 4.3.2. Bizzglo Online

This is a B2B solution to those who wish to operate their trading by themselves or through their sales department. There are many features on the website that can help a common man can to conduct his trading easily. In case of any problem, users have 24/7 technical support as well as tutorials showing how to do secure trading. A few of the main features of Bizzglo Online are:

- **Buy Now:** It is a default option made available to all the users who register their products online.
- **Bid Now:** Unlike many B2B websites, Bizzglo provides the opportunity to let the buyer bid for their desired products.
- **Messaging Service:** This is a service that can be used to negotiate with the buyer. This option is advisable to many sellers because most buyers prefer to talk to the seller before they buy the product.

- **Request a Quote:** This service is displayed at the seller's product page, so that buyer can request a price quote for his desired number of products. This way it is easier for both the buyer and the seller enabling a more professional way of doing the trading.
- **Generate Quote:** Once the buyer and the seller agree upon a price after thorough negotiations, the seller can generate a quote by clicking on 'Generate Quote' button which gives all the price and quantity details which is then transferred to the buyer for making the payment.
- **Website Advertising:** The seller has the opportunity to advertise his products on specific WebPages for more visibility and higher recognition of his product. He is provided with a user friendly advertising tab in his account. This gives him the complete information about the charges and the advertising space available. Normally each advertising space on the webpage has a price listed based on the webpage traffic and its visibility. To avail this option the seller needs to have points purchased in his account.

#### **4.3.3. Premium Membership**

Premium membership is the supreme membership option available for the sellers on the Bizzglo website. To obtain a premium membership, the seller needs to pass some mandatory requirements of Bizzglo.com. Then they are verified by the Bizzglo officials to obtain a trusted seal on their products. All these necessary procedures are considered in the best interest of the buyer and the seller to process secure transactions. Premium membership gives the seller and the buyer an opportunity to do sincere and professional business. Following are the various advantages with premium membership:

- Premium seller's products get the first preference on the website.
- All the online paid features on the website are unlocked except advertising.

- The seller can create a separate webpage under Bizzglo.com for his products. Say if the company is 'sentor', the seller gets [www.sentor.bizzglo.com](http://www.sentor.bizzglo.com) as his webpage.
- This way the seller gets more recognition and a greater opportunity to build their brand name.
- Product sales increases on a larger scale.
- The seller can give complete details about his company like the phone number, address and the e-mail address. He can also give his company URL on his product page to redirect to his homepage.
- Facilitates secure business trading with quality products/services and authentic transactions.
- No additional charges are made to the seller. (i.e., *No brokerage charges*)
- Obtain buyers interest with a displayed seller's experience alongside trusted seal.
- Premium membership shows a genuine business attitude towards the buyer. It also shows your seriousness in conducting a quality business.
- Gives you the opportunity to do business anywhere, anytime. Your way of global business happens through Bizzglo.com.

#### **4.4. Market Size**

In India and the USA, market size for B2B websites is pretty much high, since many trading transactions between parties which are at a far distance from each other are observed to take place through an online business website. The market size of B2B portals is measured in terms of the number of users using them. Bizzglo concentrates mainly on MSME (Micro Small and Medium enterprises), entrepreneurs, and farmers. Since there would be an abundant number

of transactions between these industries, Bizzglo is estimating a market size of 50,000 users by the end of the year 2010. Following table shows the market size of Bizzglo competitors.

	<b>COMPETITORS</b>	<b>COUNTRY</b>	<b>MARKET SIZE (thousands)</b>
1.	Alibaba.com	China	35,000
2.	Tradekey.com	United States	4,190
3.	TradeIndia	India	1,393
4.	Indiamart.com	India	920
5.	China.cn	China	908
6.	EC21.com	Korea	19,480
7.	KOMPASS.com	China	2,780
8.	Mainone.com	China	180

**Table 2: Competitors**

Considering the market size and features of the competitor’s websites, Bizzglo believes to build a customer base of at least 50,000 by the end of 2010, with the help of its market strategy.

#### **4.5. Competitors**

There are so many B2B portals in the market, especially in China there are more than 100,000 B2B portals operated globally. But yet they still lag in the website optimization and product customization. In countries like India, Brazil, and other South American countries, there are not many business portals. Bizzglo wishes to implement its model first in India and the USA and then further proceed to Europe and South American countries. Having considered different business models of B2B portals and their market existence in the market, Bizzglo came up with a combined business model that we believe is far better than all the existing models. Bizzglo has many features that other portals don’t have.

The following table shows its superiority over the top web portals in the present market.

	<b>BIZZGLO</b>	<b>ALIBABA</b>	<b>TRADEKEY</b>	<b>INDIAMART</b>
Instant Buy Option				
Bid Now Option				
Messaging Service				
Company Advertising				
Premium Membership				
Agent Service				
Webpage Hosting				
Product Video				
VOIP Service				
Video Service				
Easy Product View				
Company Rank				
Product Rating				
User Friendly Advertising				
Product Optimization Techniques				
Membership cost	\$ 2460	\$ 3999	\$ 3100	\$ 2990

**Table 3: Available Options**

From the above table it can be observed that Bizzglo has so many features that other portals don't have except one feature i.e., VOIP solution. This is a feature that enables the buyer to talk directly to the seller through the internet. Bizzglo didn't consider it because there are a few complications with enabling VOIP service over internet. Also it negates the basic purpose of a B2B portal. This feature is available only with Indiamart.com. Based on our research, it is observed that only 4 out of 100 buyers are using this feature. All the remaining features will put Bizzglo on the top, ahead of other web portals.

#### **4.6. Customer**

Bizzglo targets Micro, Small and Medium scale industries mostly in the global picture. It requires an advertising strategy that would reach the higher management of a company, since they are the key members who take a decision about putting their products on the website. In some cases the marketing department is enough to propose to put their product on the website. In other low end cases like farmers and very small businesses, agents would do the marketing on the website. So all together the customers for Bizzglo are:

- Micro Scale Industries
- Small Scale Industries
- Medium Scale Industries
- Resellers
- Wholesalers
- Import/Export Agencies
- Business Service Providers
- Farmers
- Brokers

Bizzglo operates many categories that range from a needle to the automobile industry and from seed to the commodities. All the above customers can be from any of the categories and also, have many sub categories under it. Following is the list of categories that Bizzglo operates:



**Table 3: Bizzglo Categories**

#### 4.7. Cost

Bizzglo operations depend mainly on three things; agent services, marketing, and website control. Therefore, Bizzglo should put sufficient money on them to provide the best service to the users. Bizzglo would have the following fixed and variable costs:

#### 4.7.1. Fixed Cost

Fixed costs include all the initial pay outs needed to set up the company. Following shows the list of all such costs.

<b>START UP COSTS</b>	<b>INDIA</b>	<b>UNITED STATES</b>
Website & Database design	\$7,500	
Company Registrations	\$1,500	\$900
Legal Issues	\$3,400	5,000
Market Research	\$5,000	\$14,000
Office Setup	\$ 3,800	\$12,000
Initial Call Center Setup	\$3,500	5,000
Laptop/ System Costs	8,000	16,000
Search Engine Optimization	\$6,500	12,000
Transport Vehicles	\$18,000	\$22,000
Cash Required	\$12,000	\$22,000
<b>TOTAL</b>	<b>\$62,700</b>	<b>\$108,900</b>
		<b>\$171,600</b>

**Table 4: Detailed Investment list**

All the costs put above are an approximate estimation. All the Indian costs taken in dollars are with respect to Rs.46.5 per each dollar.

#### 4.7.2. Variable Cost

Variable cost is the cost that keeps changing upon time, in case of Bizzglo variable costs are as follows:

	Q1		Q2		Q3		Q4	
<b>Rent</b>	\$1,200	\$ 4,000	\$ 4,500	\$ 4,500	\$5,200	\$6,200	\$7,000	\$7,000
<b>Administrative cost</b>	\$1,000	\$2,000	\$1,500	\$2,500	\$3,000	\$5,000	\$5,000	\$7,000
<b>Agent Salaries</b>	\$4,000	\$9,000	\$7,000	\$9,000	\$8,000	\$12,000	\$10,000	\$15,000
<b>Overheads</b>	\$500	\$700	\$8,000	\$1,000	\$1,000	\$1,200	\$1,200	\$1,500
<b>Miscellaneous expenses</b>	\$500	\$700	\$700	\$700	\$1,000	\$1,000	\$1,500	\$1,500
<b>Website managing</b>	\$1,000		\$1,000		\$1,000		\$1,000	
<b>Dedicated Web Server</b>	\$3,000		\$3,000		\$3,000		\$3,000	

**Table 5: Distribution of Variable Cost Over Four Quarters of 2010-2011**

The above table shows the distribution of variable cost over four quarters of 2010-2011.

First Quarter (Q1) is from April 1<sup>st</sup> to June 31<sup>st</sup>, Second Quarter (Q2) is from July 1<sup>st</sup> to September 30<sup>th</sup>, and Third Quarter is from October 1<sup>st</sup> to December 31<sup>st</sup>, followed by the Fourth Quarter which is from January 1<sup>st</sup> to March 31<sup>st</sup>. All the operations are considered with respect to the financial year model. Also the operations of Bizzglo start from April 1<sup>st</sup>. All the work done before April 1<sup>st</sup> is considered as a research investment.

#### 4.8. Price Point

Bizzglo falls under the category of the services industry. Therefore, prices vary based on the services it offers. The revenue of Bizzglo depends mainly on Bizzglo memberships, Bizzglo brokerage percentages, and online advertising. The following list shows the percentages and prices for the services Bizzglo offers.

- **Buy Now:** It is a default option available to all the users registered online and is free of charge. Although the following brokerage charges are deducted on the transactions made.

<i>(Transaction brackets)</i>	<i>(Brokerage Charges)</i>
(A) $0 < T \leq \$10,000$	$\Leftrightarrow 6\%$
(B) $\$10,000 < T \leq \$12,000$	$\Leftrightarrow 6\%$ of \$10,000 (\$600)
(C) $\$12,000 < T \leq \$24,000$	$\Leftrightarrow 5\%$
(D) $\$24,000 < T \leq \$30,000$	$\Leftrightarrow 5\%$ of \$24,000 (\$1200)
(E) $\$30,000 < T \leq \$44,000$	$\Leftrightarrow 4\%$
(F) $\$44,000 < T \leq \$60,000$	$\Leftrightarrow 4\%$ of \$44,000(\$1,760)
(G) $T > \$60,000$	$\Leftrightarrow 3\%$

**Figure 4: Pricing Derivatives**

For example if a transaction worth \$20,000 is made, then it would fall under bracket C and 5% of \$20,000 is deducted as brokerage charge.

- **Bid Now:** To enable this option, the seller needs to possess ‘points’ in his account (*Each point is worth 5 cents*) which he is required to buy on the website. Once the seller has sufficient points in his account, it is up to him to activate bidding for his product. For each bid made by the buyer, the seller is charged a ‘point’. Once the bidding is finished and the buyer has agreed upon a price, the above brokerage charges are debited accordingly on the sold price.
- **Messaging Service:** Each message made to or from the seller charges 5 points to the seller (*each point is worth 5 cents*) which he is required to buy on the website. To enable this option the seller needs to have points in his account. Please note that any kind of address specifications in the message are truncated automatically.

- **Request a Quote:** This service is similar to ‘Messaging Service’ but this option assists the buyer to send his interest about the product to the seller in a systematic order. Each quote requested by the buyer charges 5 points to the seller.
- **Advertising:** Seller has the opportunity to advertise his products on specific WebPages for more visibility and higher recognition of his product. He is provided with a user friendly advertising tab in his account which gives him complete information about the charges and the advertising space that is available. Normally each advertising space on the webpage has a listed price based on the webpage traffic and visibility. To avail of this option, the seller needs to have points purchased in his account.
- **Premium Membership:** This option is available to users who provide appropriate documents to support their company’s existence. This service is offered at \$2,460.

#### 4.9. SWOT Assessment:

SWOT analysis helps us understand Bizzglo’s strengths and weaknesses and assists us in planning the market strategy accordingly. SWOT assessment for Bizzglo is shown below:

<b>STRENGTHS</b>	<b>WEAKNESS</b>
1. Management skills 2. Resources 3. User Friendly Website 4. Profitable	1. Startup Company 2. Financial Recourses 3. Sales Channels 4. Competitive Vulnerability
<b>OPPORTUNITIES</b>	<b>THREATS</b>
1. Need in the Market 2. High Price Difference 3. Viable company growth	1. Changing Govt. policies 2. Changing trading policies 3. Economic Downturn

**Table 6: SWOT Analysis**

#### **4.10. Investor’s Capital Requirement**

The investment needed to sustain Bizzglo to Breakeven point is \$1,453,000. Although an initial investment of \$1,800,000 (*Dollars One Million Eight Hundred Thousand only*) is made to provide flexibility in higher investments when required. In the total investment a sum of \$ 900,000 is invested by Bizzglo Group, and remaining Nine Hundred Thousand dollars is taken as a loan from Wells Fargo Corporate Bank. Bizzglo reaches breakeven point in the last quarter of second year. Bizzglo has further plans to invest on few necessary services like designing payment gateway, website security, building a fast server, and VOIP to hold Bizzglo strong in the market. But these require an investment more than \$2000000. Therefore, it would be the first step after Bizzglo reaches break-even point. Bizzglo reaches breakeven point in the Last quarter of second year 2011-2012. The success of Bizzglo can be measured in the fifth year. It has an ROI of 119% for the fifth year.

#### **4.11. Personnel**

Bizzglo is a Partnership Limited Liability company registered in India and USA as of 2010. Its primary management officers are:

- |                        |  |
|------------------------|--|
| Nidhin Rao Polasani –  | CEO ( <i>Takes the lead in managing the firm, executes the company internally, takes active part in all the meetings, decision maker</i> ) |
| Maichel Reddy Thunga – | CFO ( <i>Manages the cash flow of the company, takes care of financial meetings, assigns money to the project</i> )                        |
| Sadaf Syed –           | Head of India Operations ( <i>Takes care of data gathering, assigning agents to the regions in India, order processing</i> )               |
| Devi Charan Kosaraju – | Head of US Operations ( <i>Takes care of data gathering, assigning agents to the regions in the USA, order processing</i> )                |

Nikhil Injeti –	Marketing Head ( <i>Builds an effective way of marketing, proposes advertising techniques and implements them</i> )
Dhrusya Solutions –	Website Manager ( <i>Takes care of website designing, technical issues, improvising the website modules, building effective database, online technical support, quality control</i> )
Uday Mandadi –	Relationship Manager ( <i>Manages operations in agricultural and pharmacy categories, processes the contracts offered from companies</i> )
Abhinay Dandu –	Relationship Manager ( <i>Manages operations in Electrical and Electronics category, markets the services subsequently</i> )
Srinivas Kuknoor –	Technical Manager ( <i>Quality Control, Addresses technical issues, processes error free online transactions</i> )
Sajesh Erabelli –	Marketing Manager ( <i>Markets Bizzglo services in Andhra Pradesh, also provides agent services to the farmers</i> )
Naveen –	Marketing Manager ( <i>Markets Bizzglo services in Andhra Pradesh, also provides agent services to the customers</i> )
Baji Sheik –	Software Engineer ( <i>Proposes advertising designs, creates animations, designs Email marketing templates</i> )

#### **4.12. Business and Revenue Model**

Bizzglo has done a lot of research to understand the nature of the business networks. It reviewed several business statistical data sheets available on the government websites. It conducted a survey on the local small scale industries with a set of questions to check the satisfaction of the customers towards online trading (*in the month October 2009*). It is observed

that most of the industrialists, resellers, wholesalers do most of their trading online, but are not satisfied with the prices they are getting. Therefore Bizzglo has designed a combined user friendly model that is above all other B2B websites. Bizzglo has done a sales forecast based on online trading growth, competitors existence in the market, its design model, competitors growth over years, trading fluctuations due to change in government policies.

### 4.13. Sales Forecast

We hope that our website will be used widely over time. With the increased number of subscribers and transactions, our revenue is built. Our revenue is based on three main things.

- **Supplier:** 6% of the transaction is charged from suppliers once the order is placed in the US. But in India, 10% is charged to the supplier since service in India is given over phone.
- **Logistics:** 6% is charged from the logistics providers for providing business with such a large clientele.
- **Advertising:** Advertising on the website by the suppliers is based on the points system. Each webpage from the website is given a minimum number of points, from where bidding by the suppliers start, then whoever bids higher takes the advertising space on the specific webpage. Following table shows the estimated number of users, transactions and revenue over five years.

Year	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Registered Users	50,000	500,000	1,300,000	2,500,000	4,000,000
Estimated Transactions	1,500	20,000	120,000	250,000	400,000
Revenue (\$)	\$225,000	\$3,800,000	\$22,800,000	\$47,500,000	\$76,000,000

**Table 7: Estimated Number of Users, Transactions and Revenue Over Five Years**

From the above table it is observed that by the end of the fifth year, Bizzglo Inc. will have revenue of \$25,600,000. This increase in revenue is due to the additional features added to the user's account like having their own add on the website. Also, implementing more add on features to the website like online B pay ( users can affiliate their bank account to the online Bizzglo account for easy transactions), fast pace customer service through B assistance (helps the users to query doubts with online chat and phone support), B logistics (complete door-to-door logistics support).

#### **4.14. Strategic Alliances/ Partners**

Bizzglo definitely needs alliances and partners for its main operations. It has alliances with the following companies:

**Dhrusya Solutions** – It is an Indian based web developing company. Bizzglo website is designed and developed by them. Bizzglo signed a contract of one year with them to finish the entire design modules proposed. It also checks the quality of the website for the entire year. It takes the responsibility to provide an error free website. The contract is being made with the Managing Director of Dhrusya Solutions, Mr.Venu Gopal. His company is required to take care of most of the technical operations of Bizzglo. If Dhrusya solutions effectively perform these services for Bizzglo, then the contract would be extended for another year.

**VRL Logistics** – VRL is a logistics company with the largest supply network in India. Their network spans the length and breadth of the country and supported by large number of transshipped hubs. VRL logistics operates through a network of 2629 locations & 911 branches. Logistics is an important parameter for

Bizzglo operations. Since Bizzglo is a startup company it doesn't want to spread its operations to various departments from the beginning. So it has formed an association with VRL logistics. All the supply chain operations of Bizzglo in India are operated by VRL logistics. The option for the sellers on the website is provided with VRL as Bizzglo logistics partner. Also more interestingly, VRL also provides courier and package services which eases the sample service operations of Bizzglo. VRL Vice President Mr. Hari Hara Rao has signed the contract with Bizzglo to facilitate logistics to Bizzglo customers. And the contract holds for one year. If Bizzglo likes VRL services, it will extend its contract.

**Genesis –** Genesis Logistics, Inc. is a solution driven company providing logistics and transportation services to a variety of customers. Genesis provides various transportation services like Truckload and LTL transportation, Genesis Express-Expedited Service, Temperature protective service, Warehousing and fulfillment, third party transportation services across various states in USA. Bizzglo wishes to take their help for its customer's transportation needs.

**Agents –** Bizzglo is providing a percentage based profit distribution to those who market Bizzglo services, registers sellers on the website, and brings buyers to the website. All the agents who actively take part in the Bizzglo sales are considered as Bizzglo partners. Automatic accounts are set on the website for easy and faster profit sharing between Bizzglo and the partners. This

way Bizzglo is providing opportunity to brokers & agents, and extending its market size.

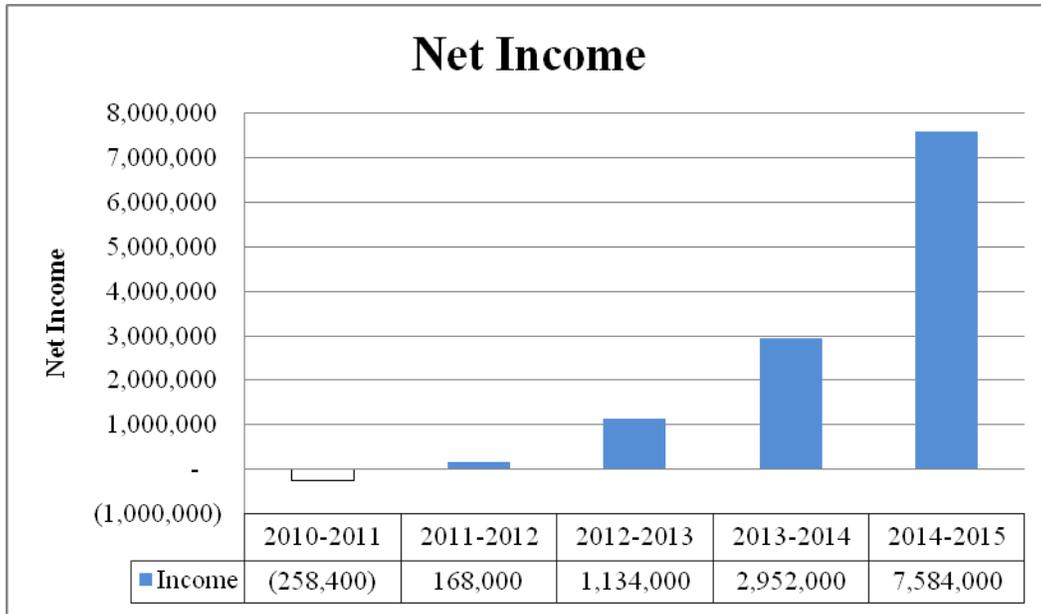
## 4.15. Financial Statements

### 4.15.1. Pro-forma Income Statement

Following income statement shows the flow of income from sales into the organization and costs of producing those sales:

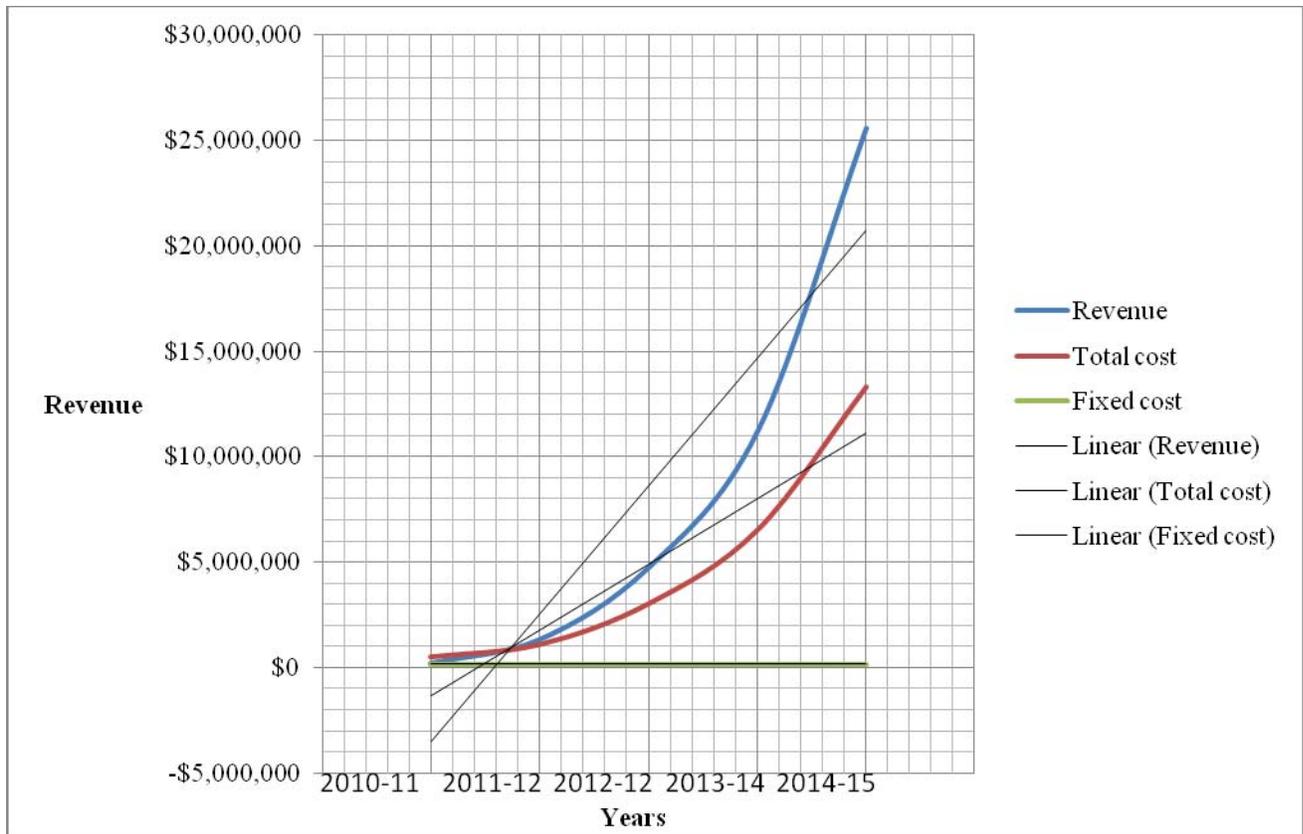
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Revenue	\$225,000	\$3,800,000	\$22,800,000	\$47,500,000	\$76,000,000
Cost of Revenue	(30,000)	(180,000)	(800,000)	(2,400,000)	(5,500,000)
<b>Gross Profit</b>	<b>195,000</b>	<b>1,170,000</b>	<b>3,950,000</b>	<b>8,800,000</b>	<b>20,100,000</b>
Sales and Marketing Expenses	(230,300)	(430,000)	(1,200,000)	(2,100,000)	(5,200,000)
Administrative and Support Costs	(211,600)	(320,000)	(800,000)	(1,700,000)	(2,100,000)
Other Operating Income	-	-	40,000	70,000	90,000
<b>EBIT</b>	<b>(246,900)</b>	<b>420,000</b>	<b>1,990,000</b>	<b>5,070,000</b>	<b>12,890,000</b>
Interest Expense	(11,500)	(140,000)	(200,000)	(300,000)	(500,000)
<b>Pretax Income</b>	<b>(258,400)</b>	<b>280,000</b>	<b>1,790,000</b>	<b>4,770,000</b>	<b>12,390,000</b>
Tax (40%)	-	(112,000)	(716,000)	(1,908,000)	(4,956,000)
<b>Net Income</b>	<b>(258,400)</b>	<b>168,000</b>	<b>1,074,000</b>	<b>2,862,000</b>	<b>7,434,000</b>
Dividends			(100,000)	(250,000)	(1,000,000)
<b>Retained Earnings</b>	<b>(258,400)</b>	<b>168,000</b>	<b>974,000</b>	<b>2,612,000</b>	<b>6,434,000</b>

**Table 8: Income Statement**



**Figure 5: Net Income Over Five Years**

The figure and table above show the variations in the net income for Bizzglo Inc. over five years. It can be observed that breakeven point occurs almost in the last quarter of second year 2011-2012. First year incurs a loss of \$258,400, followed by a substantial increase in profits. Although the revenue is high for years 2012 and 2013, the net income is less because of the investments made by the company for future development. The following graph helps for better understanding of revenue and cost variations and the Break-Even point.



**Figure 6: Revenue and Cost Graph of Bizzglo Inc. For Five Years**

#### 4.15.2. Financial Ratios

“Financial ratio/accounting ratio is the ratio of two selected numerical values taken from an enterprise’s financial statements.” It helps the management and owners in diagnosing the financial health of their company. This helps managers to make quick decisions at odd circumstances also. Let us consider some of the ratios that analyses Bizzglo’s stability in the market.

#### Return on Investment (ROI):

$$ROI = \frac{\text{Gain from INVESTMENT} - \text{Cost of INVESTMENT}}{\text{Cost of investment}} = \frac{\text{Profit}}{\text{investment}}$$

Considering values from the above income statement,

$$\text{ROI} = \frac{6,584,000}{5,500,000} = 119\%$$

This shows that each dollar spent for the company produces \$1.19, which is very high compared to the industrial average of 60-70%. So, Bizzglo is going to be a high value company in the market with high return of investment.

- **Rate of Return on Sales:**

$$\text{ROI} = \frac{\text{Net Income}}{\text{Total Sales}}$$

Considering values from above income statement,

$$\text{ROI} = \frac{\text{Net Income}}{\text{Total Sales}} = \frac{7,584,000}{25,600,000} = 29.6\%$$

This shows that each dollar sale gives a profit of 29.6 cents to the company. Bizzglo is fetching good profits with increase in its services.

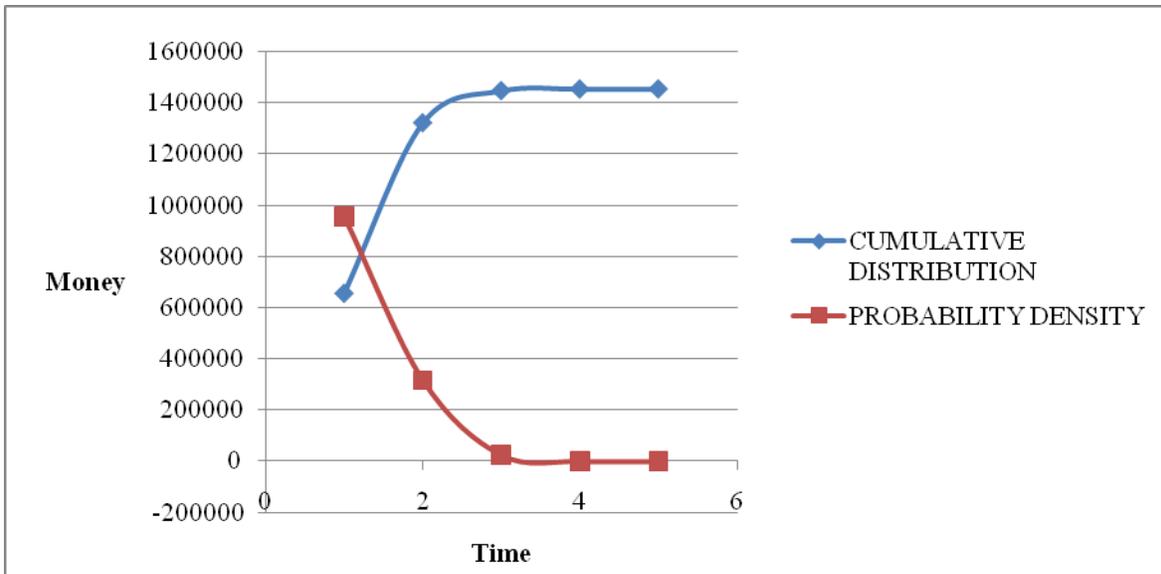
Norden Rayleigh Funding Profile helps us to identifying the financial flow of the project.

<b>Cost Driver</b>	<b>A</b>
Technical Experience	0.6
Technical Complexity	0.3
Market Research	0.7
Market Implementation	0.8
Contracts	0.6
<b>Average</b>	<b>0.6</b>

- **Technical Experience:** As all the team members are from management background the technical aspects of the project (website development) has been outsourced to an Indian web development company Dhrusya Solutions. Hence, 'a' is given as 0.6.
- **Technical Complexity:** By outsourcing the technical part of the project, technical complexity associated for this project is low. Any how it is required for the management to understand the administrative model of the website. Hence, the value of 'a' is given as 0.3.
- **Market Research:** Entering into the market, that is more diversified demographically has higher risk to operate and requires professional sales people to handle the marketing. Hence, the value of 'a' is given as 0.7.
- **Market Implementation:** Implementation of Bizzglo market plan is complex and requires large sales force and requires high investments. Hence, the value of 'a' is given as 0.8.
- **Contracts:** Bizzglo operates only one the concept of E-Commerce. To facilitate easy and secure trading, it is required to have payment gateways, logistics, technical support, etc. Since; Bizzglo is a startup company, we don't believe in being involved in the non-integral elements of business. So, it has formed an association by signing contracts with the required groups. This makes Bizzglo vulnerable to contract terms. Hence the value a = 0.6.

The formulae used to calculate Cumulative Funding Over Time is  $V(t) = d(1 - e^{-at^2})$ ,

The value of d is taken as 1,453,400 with time period of 5 years, where  $t = 1, 2, 3, 4, 5$ . The following shown is the graph for the cumulative funding over time.



**Figure 7: Rayleigh-Curve**

#### **4.16. Exit Strategy:**

Bizzglo with its above features in the market, and innovative market strategy believes to be a pioneer in the market by the end of fifth year with at least a customer base of two million customers. The company has very good value proposition and a potentially high customer base. This helps Bizzglo in developing good relationships with companies, and thus building huge database of customers with their company profiles. We can use all the data we have to propose new business models, like Bizzglo has plans to start payment gateway, logistics, financial institution (*providing credits to the customers to do their business*), and capital investments for new innovative projects.

Bizzglo has good Return on Investment over years. It keeps increasing because there is growing awareness about doing online business from any corner of the world. Bizzglo estimates that there will be more competitors joining the market in the sixth year, So Bizzglo is planning to implement above mentioned strategies before year 2013. By doing so, Bizzglo should be able to capture majority of the market to become the market leader.

Following are the future strategies Bizzglo will consider to improvise its services over time.

- Will add Bulk SMS service to the sellers account, so that whatever messages received will be forwarded as messages to the Users mobile number.
- Will provide user friendly advertising tool to facilitate the user to design his/her own add upon interest.
- Will design a user friendly quotation generator module to facilitate instant total costs to the buyer.
- Will add pinpoint map citation for all the users on Google. This eases the user to understand the product location.
- Bizzglo Payment Gateway
- Bizzglo Logistics
- Capital investment on innovative projects
- Financial investment to give credit to the buyers and sellers.

## 5. Conclusion

Upon survey, our team believes that designing a business model with high level of compatibility in the diversified markets across countries will make our website “www.bizzglo.com” successful. Considering all the loop holes, frauds and membership options from other B2B portals, we are improvising our business model. Few things that should be considered to improvise the model are:

- 1) Membership options
- 2) Free User registration
- 3) Advertising based on points
- 4) Improving Quality
- 5) Proving Innovative Logistics
- 6) Eradicating online fraud
- 7) User Friendly web interface

Therefore, our project is basically based on implementing the above concepts effectively, providing online website tools for them creating their own website under www.bizzglo.com. The website also provides different categories easing the buyers search on the website. A new marketing strategy is used on the website which uses points to advertise on the website, and users obtain points by making transactions through the website.

Our survey finds that there is a high requirement for B2B portals in the various developing countries other than China. So, we hope that our project will be very successful with our innovative business strategy. Bizzglo will be the new dimension of online business and product marketing.

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