

CHAPTER 1

Developing your business plan

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Introduction

The PayFast Guide to Going Online is a comprehensive ebook to help aspiring entrepreneurs such as yourself turn your hobby into a successful online business.

In this first chapter of the guide, we outline the steps you can take to develop your ecommerce business plan. This includes how to effectively conduct market research, manage your finances and more. Within this chapter you'll also find valuable tooltips and advice from some businesses who are using PayFast to accept payments and other trusted partners.

01

DEVELOPING YOUR BUSINESS PLAN

Before moving your business online it's important to do extensive research to ensure you aren't caught off guard and **have a good understanding of the costs involved in running and maintaining an online store.**

Your research should include ecommerce basics of how to price your products, what shipping options to use and what ecommerce platform is best suited for your business. Then of course there's also a few other important aspects of running a business, such as how you'll finance and market your online store and what technology and equipment you'll require.

Research Tooltips

There are an abundance of free educational resources available online that has valuable information about getting started and running a business. Some of our favourites include:

- **Business.co.za** - a business network built to connect businesses with opportunities, partnerships, service providers and educational resources to help them start, run and grow their businesses. Find out more here: business.co.za
- **Ecommerce.co.za** - a platform that provides news on the latest trends, innovations and best practice. Find out more here: ecommerce.co.za
- **Future Females** - a platform where female entrepreneurs can connect, inspire and collaborate with each other, and access the resources they need to succeed. Find out more here: futurefemales.co
- **Heavy Chef** - an educational platform for entrepreneurs that offers events, workshops, podcasts, books, videos and more. Find out more here: heavychef.com
- **The Insaka eCommerce Academy** - a community where you can learn how to start and grow your online store. Find out more here: insaka.co.za
- **The National Small Business Chamber (NSBC) Africa** - an organisation dedicated to helping SMEs grow, learn and network. For more information, visit nsbc.africa and their news site: thesmallbusinesssite.co.za

The PayFast blog also has an abundance of useful posts that can help in your research – visit the PayFast blog: payfast.co.za/blog

Know your business goals

Starting your own business without a plan is like going on a road trip without a map. **Your business plan should be thoroughly crafted before you begin building your business, otherwise you risk failure.**

It's important to do your research to know what you need to get your business up and running, what your unique selling point (USP) will be, what your goals are and how best to go about achieving them. Your business plan should be your holy grail for organising and running your business.

Tooltip

Questions to ask yourself when developing your business plan:

1. What is the vision of my business?
2. Who is my target market?
3. What is my sales and marketing strategy?
4. What are my short term and long term goals?
5. How much money do I have to invest?
6. What will be the breakeven point?
7. What is my expected burn rate and runway?
8. How will I scale?
9. How will I measure success?
10. What is my exit strategy?

Tooltip: Burn rate and runway

Investors will be interested in a startup's burn rate, which is effectively how much cash the business is spending each month to cover operating expenses without generating its own income. Once you know your burn rate, you can calculate the startup's runway, which is the amount of time the business has before it runs out of cash.

For example: If you have R50,000 in startup capital and you are spending R10,000 a month on your operating expenses (hosting fees, marketing, rent, etc) then you have a burn rate of R10,000 and a runway of 5 months.

[You can download a free burn rate template here](#)

There is no right or wrong way when it comes to creating a business plan, and when you put it together it may be anything from a few pages to over 100 pages. What matters is that you understand what steps you need to take to successfully launch and run your online business so that you can adequately plan for and deal with any setbacks.

Tooltip: Carry out a SWOT analysis

It can be beneficial to do an evaluation of your business through a **SWOT** analysis to highlight your strengths and weaknesses. You can do this by answering the following questions:

- What are your business's **s**trengths?
- What are your business's **w**eaknesses?
- What **o**pportunities are there for your business?
- What are the **t**hreats to your business?

Compile a list of your answers and implement a strategy to address the challenges and areas of improvements you identified.

Tooltip: Register your trademarks

During the planning stage look into trademarking the intellectual property of your ecommerce business to prevent another company from replicating your company name, logo or even product. It's highly recommended to consult a legal professional to find out exactly what your trademarking rights are for your new business.

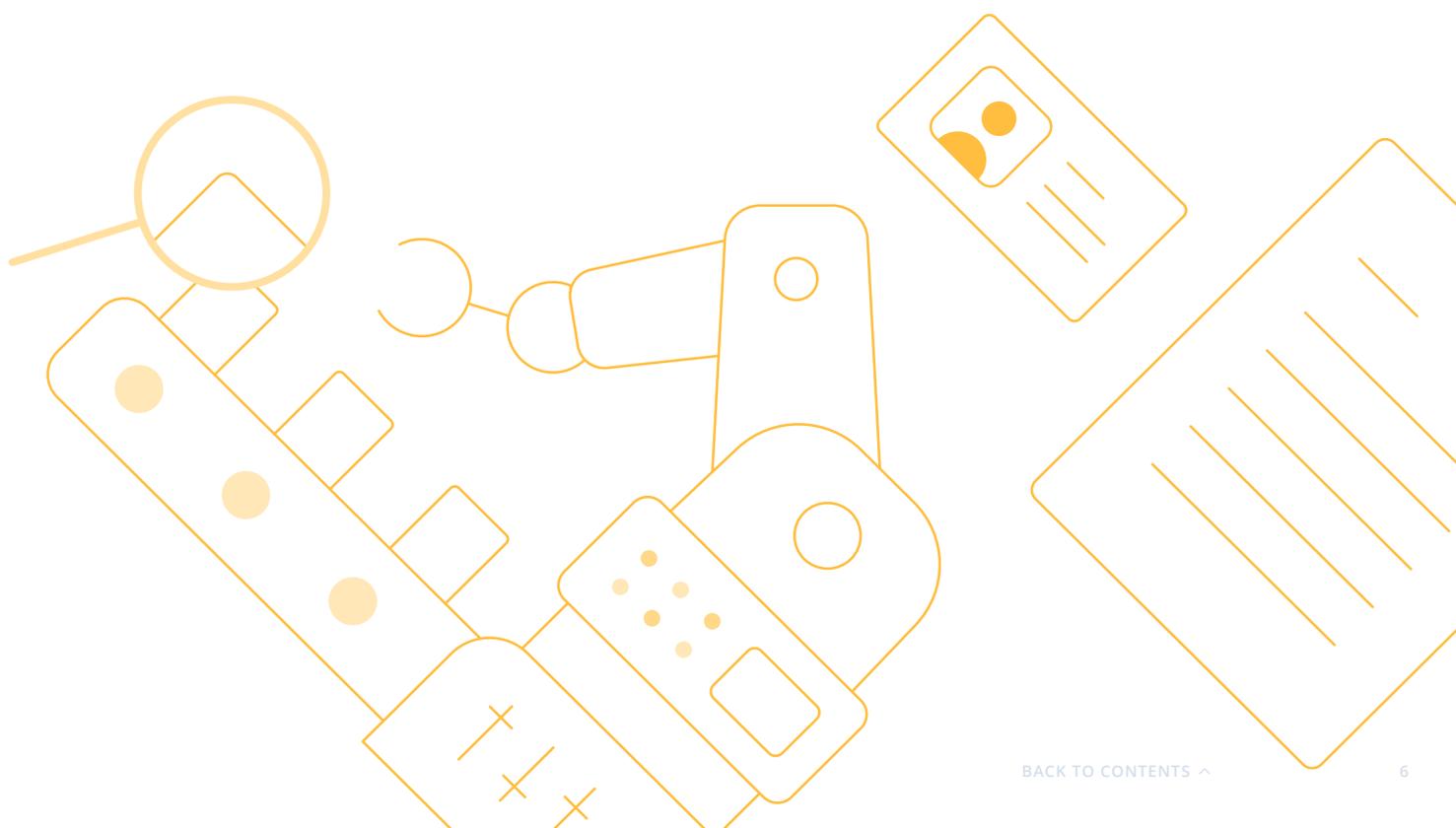
There are a number of great online solutions that can help you register a trademark online, like [Govchain](#). Find out more about Govchain by reading their [case study here](#)

Know your product(s)

When developing the idea for your new business you should have **decided on the product (or service)** that you want to sell online.

During your business planning phase find out absolutely **everything** about your products, from who is manufacturing or supplying it, whether there will be import duties and if you can handle the demand for it.

Also find out whether you need any licenses or permits to obtain and sell them. When you have these facts locked down you'll be able to more effectively establish important things like branding, pricing, shipping and marketing.





CLM Home's top 3 protips to consider when sourcing products for your online store

COVID-19 has bred a lot of new businesses and ideas in South Africa, creating self-starter opportunities and propelled existing companies into the world of ecommerce. Your ecommerce store needs to stand out from the rest. When looking to source products for your online store, keep in mind the following three factors:



1. Quality

It's important to remember that your online store is dealing with real people, so your product should solve real problems and add real value to your consumer's life in order to make it worth their money, time and support. Strive to manage your customer's expectations and offer a product that enhances or contributes in a positive way.



2. Convenience

Staying true to the nature of online shopping, your product has to be convenient to your consumer. From the checkout process to the delivery, assembly/set up and use. Consider lead times, pre-orders, how long delivery will take and how user-friendly it is to use the product - who really reads the instruction manual that thoroughly, anymore? After-sales care and support also play a role in how much your consumer will love and support your product and brand!



3. Innovation

With so many online stores that seem to be popping up overnight, you need to be ahead of the game. By having new and innovative products, you have something that sets you apart from the rest, and you can use that as your USP.



CLM

To find out more about CLM Home, read their [case study](#) and visit clmhome.co.za

Know your competitors

The best way to learn about what does and doesn't work is to look at what your competitors (both local and international) are doing on their online store.

Pay special attention to their website layout, how user friendly it is to navigate, the image quality of their products, the different product categories and subcategories, how they advertise their products and of course pricing.

Know your customers

It's important to have a good understanding of who your intended customer base is so that you can cater to their online shopping needs and adequately market to them and turn them into loyal customers.

Create an ideal customer profile by putting together a document that includes the following information:

- Demographics, specifically their location, age and gender
- Psychographics, that is what their interests, goals and lifestyles are
- Digital habits, such as if they are more likely to shop online with their mobile phone or desktop, and what times are they most active

Use all of this information to shape your ad targeting, your imagery and website copywriting - everything you need to market your ecommerce store online. It's best practice to have one core audience, with perhaps a few smaller audiences that you focus on less regularly.

We'll talk about how best to reach and market to your customers in [Chapter 5. Marketing your store online.](#)

Work out pricing

This is one of the most important things that will determine the success of your online business. You must take into account the manufacturing or purchasing and import costs so that you sell your products for a fair price while making a profit. Seeing how much your competitors are selling their products for is a good indication of what customers are willing to pay. It's good practice to trial and error until you find a price that works for you; if your prices are too high then your customers will go to your competitor who has cheaper products, and if your prices are too cheap then there's a good chance your customers will be distrustful of the quality of your products.

Tooltip: Understand Prospect Theory when pricing your product

Prospect Theory describes how people react to *perceived* losses or gains when offered two or more options, which can have a big influence on their decision to purchase.

Group the pains

Studies have shown that when shoppers were presented with a price and no added shipping cost (e.g. a total payable of R500) versus the same total price but the shipping cost disaggregated (e.g. a total payable of R450 + 50 shipping = R500) that more people checked out with the first pricing option.

Segregate the gains

Similarly research indicates that perceived gains are more effective when they are segregated. For example a single discount of 40% off ($R100 - 40\% = R60$) didn't perform as well as when the offer was segregated across two discounts ($R100 - 25\% - 20\% = R60$).

Manage your finance and operations

Being able to successfully manage your finances can make or break your business. When drafting your business plan you should have gauged what finances you have at your disposal and if you require a business loan or investment to get off the ground. To the best of your ability, predict what your monthly revenue and overheads will be to form a realistic budget.

"I think the biggest obstacle for most entrepreneurs or small business is access to capital, especially during growth phases. One of our values has always been to grow the business organically, so basically sowing business earnings right back into the business."

- Zikhona Tefu, Founder of O'live

To find out more about O'live, read their [case study](#) and visit olivehandmadesoaps.co.za





Tooltip: Questions to answer to make sure you're staying on financial track

Create an ideal customer profile by putting together a document that includes the following information:

- What is your estimated income for the first month, quarter and year?
- What will it cost to run your business?
- What sales volume will you need to make a profit?
- How long will it take to break even?
- What are your total financial needs?
- What funding sources are available to you?
- How long will it take you to pay off any business loan you may take out?

While the best way to plan for this is to research to see **what other online businesses are doing and adapting their processes for your own business**, there are some important points to remember:

- Reinvest profits back into your business.
- Pay yourself a salary, you will run yourself into the ground if you invest all of your money into your business without taking any compensation.
- If you need a loan, apply for it. This extra financial boost could be exactly what you need to get off the ground.
- Keep a good business credit score so that you can take out future loans to expand your business when the time comes, such as hiring more staff and purchasing a bigger warehouse.
- Invest in good accounting software as this will help streamline important processes like invoicing to make sure bills are paid on time.
- If or as soon as finances allow it, hire a bookkeeper to make sure your finances are in order.

Tooltip: Managing your finances with Xero accounting software

Xero is a cloud-based accounting software that you can use to effectively manage your everyday business tasks and finances, including paying bills, sending invoices and claiming expenses. Find out more about Xero here: xero.com/za

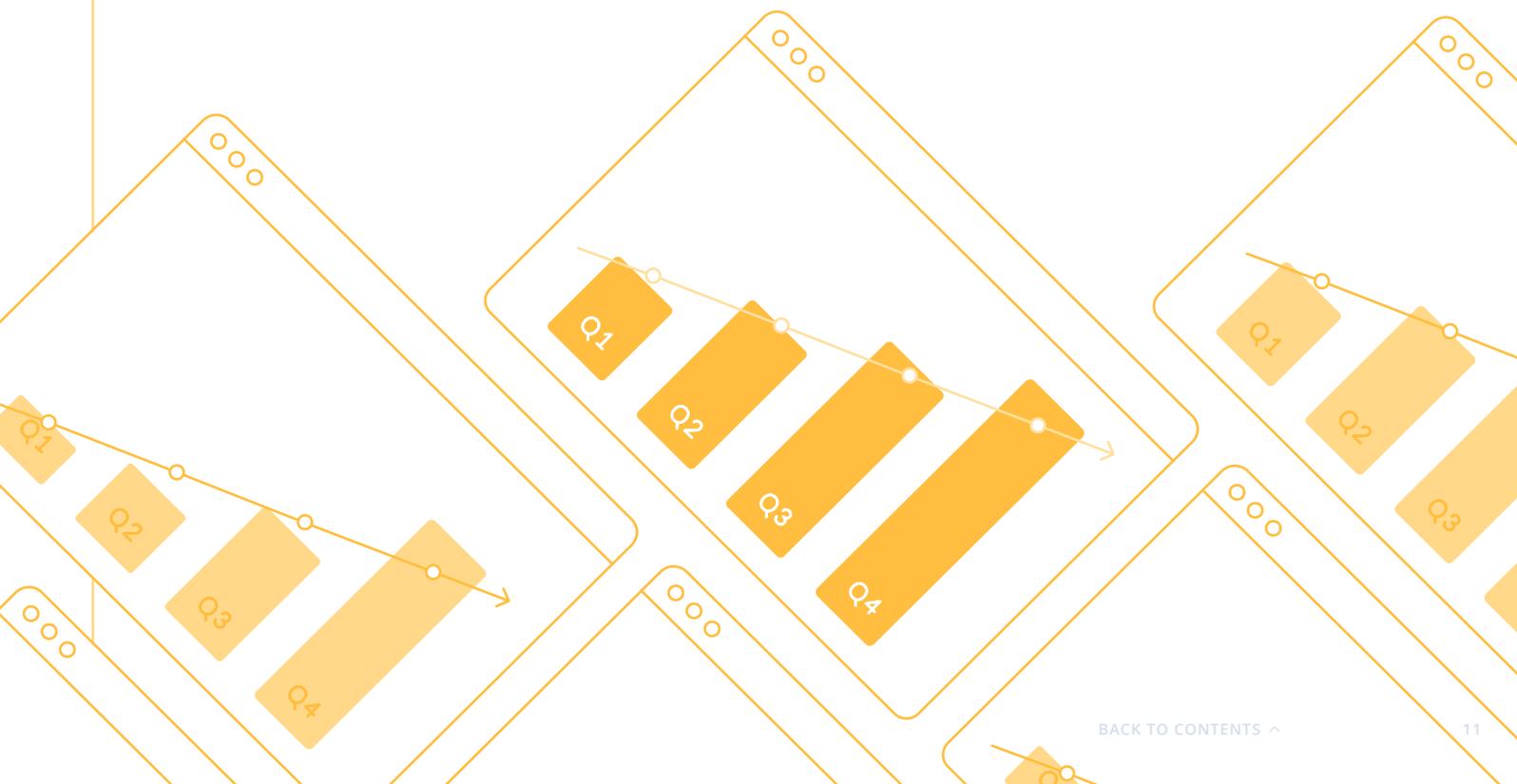
Xero has put together a useful guide on how to [manage your finances and cashflow that can be found here](#).



Measure success

Before you launch your online business, put a plan in place to measure if your online business is meeting your criteria for success. **Set out realistic milestones and determine how best to measure them with clear targets.**

For example, set a certain revenue percentage of what you want to achieve by a certain date. You can also measure success by reviewing customer feedback, evaluating your employee's performance and monitoring the traffic on your ecommerce website (more about this point later on in [Chapter 5: Marketing your store online](#)).





Find out more about going online

To find out more about getting your business online, download the entire PayFast Guide to Going Online or any of the individual chapters that may be relevant to your online business.

[Download the entire PayFast Guide to Going Online](#)

Download the individual chapters:

[Chapter 2: Managing logistics](#)

[Chapter 3: Building your online store](#)

[Chapter 4: Setting up a payment gateway](#)

[Chapter 5: Marketing your online store](#)

[Chapter 6: Converting visitors into customers](#)

[Chapter 7: Capitalising on shopper trends like Black Friday](#)



About PayFast

PayFast is a leading online payment processing solution for individuals, non-profit organisations (NPOs) and businesses of all sizes in South Africa. Over 80,000 merchants from a variety of South African businesses, big and small, have registered with PayFast to process and manage online payments made by their customers.

Visit payfast.co.za and follow us on:

