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BUSINESS PLAN

CONSULTME Web Service
Providers

EXECUTIVE SUMMARY

ConsultMe is an online portal (website) offering several services including web designing, consultation, social media marketing, SEO services and other such similar work. The website will be working from two small offices in Melbourne and Sydney while other three main offices working offshore in Dubai and India. The Web Design Services Industry has low level of market concentration where the industry is mostly dominated by the numerous small businesses and key players. In Australia, each player generates no more than 5.0% of the industry revenue which is primarily due to low barriers to entry.

Market concentration of the industry is expected to consolidate and remain stable rather than increasing over next few years. The industry is more likely to become less fragmented where the mid-sized companies will aim at gaining scale and acquiring the operations of smaller operators. 16% of the small businesses have high level of digital engagement and use internet for search engine optimization and search engine marketing. Of all the small businesses with high level of digital engagement, 9 out of 10 of the companies use SEO and display advertisements. The small businesses will be targeted by giving them opportunity to grow and market themselves through increased digital engagement.

ConsultMe will be outsourcing all of its marketing operations and programming operations into offshore offices in India and China. This will be done as it is felt that the Sopantech (Indian web application Development Company) will be able to effectively manage the programming and web application processes. While Milletech will be chosen as the marketing offshore company to carry out all the marketing related work of ConsultMe website. ConsultMe has decided to set the pricing based on competitor's pricing. Penetration pricing will be used where a price just below the competitor's price will be selected

The company can fund its requirements through equity or debt. However, equity can dilute the ownership structure of the company, so it is decided to use debt as a prime source of fund. \$90,000 will be obtained from ANZ bank at 5.21% per annum which would mean that the total amount of \$94,689 will be paid back by ConsultMe in one year time to the ANZ bank

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INTRODUCTION

ConsultMe is an online portal (website) offering several services including web designing, consultation, social media marketing, SEO services and other such similar work. The website will be working from two small offices in Melbourne and Sydney while other three main offices working offshore in Dubai and India.

MARKET FEASIBILITY

WEB SERVICES INDUSTRY:

The firms in the web designing services industry in Australia is based on provision of main activities that include web development, search engine optimization, graphic designing, integration, social media marketing and programming. However, the industry does not include the development of software applications (IBISworld, 2016). ConsultMe will be operating in the web designing services industry in Australia while offering services like SEO, marketing and other similar work.

ONLINE WEB SERVICE INDUSTRY TREND:

The web designing services industry in Australia has been growing rapidly due to society's increasing reliance on mobile web browsing activity and increased internet usage. The improved speed of internet and availability of unfettered GBs have caused a surge in website traffic significantly. These factors have prompted the online businesses to expand and improve their online presence and offer the various services related to internet including web designing and SEO services (IBISworld, 2016).

ONLINE WEB SERVICES INDUSTRY GROWTH RATE:

Growth in the website traffic has jumped recently due to increasing use of smartphones and tablets for viewing the online content (IBISworld, 2016). This trend of smartphone users have pushed the demand growth for web designing services as clients need both desktop as well as mobile formats of their websites. According to recent Ibis World Report (2016), the industry revenue is predicted to grow at annual rate of 4.2% and touch \$1.0 billion over the next five years through 2016-17.

KEY PLAYERS AND MARKET CONCENTRATION

The Web Design Services Industry has low level of market concentration where the industry is mostly dominated by the numerous small businesses and key players. In Australia, each player generates no more than 5.0% of the industry revenue which is primarily due to low barriers to entry (IBISworld, 2016). The industry is highly labor intensive which makes it difficult for the industry players to build scale from standpoint of production. Much of the economies of scale is extracted from carrying huge marketing campaigns and brand awareness efforts. There are

around 3,108 online web design services businesses operating in Australia with total employees being around 9,381 (IBISworld, 2016).

Market concentration of the industry is expected to consolidate and remain stable rather than increasing over next few years. The industry is more likely to become less fragmented where the mid-sized companies will aim at gaining scale and acquiring the operations of smaller operators (IBISworld, 2016). Apart from other components of this industry, legal services, management consulting and marketing services are the ones that are heavily used by the users. The industry is mostly comprised of several small firms that are hiring less than 20 people and are working as sole owners or in partnerships. The whole industry incorporates 56,154 businesses with management consultants and advertising services holding around one fifth of the whole business (Innovation & Business Skills Australia, 2015).



Figure 1: Revenue Generated (\$b) in Services Business Sector (2014-15)

Source: (Innovation & Business Skills Australia, 2015)

Geographically, the services businesses are more concentrated in the capital cities with about more than two thirds being located in Victoria and New South Wales. However, 25% of the call centers business was concentrated in Queensland in 2014 that rose from 17% in 2011 (Innovation & Business Skills Australia, 2015). The communications and marketing sector of websites comprises of about 8,000 businesses in advertising area while 3,000 are in market research and consultancy services and 400 businesses are operating in public relations. Other segments are highlighted by brand development, logistics, SEOs, customer relations, positioning and digital engagement of businesses (Innovation & Business Skills Australia, 2015).

WEB MARKETING SERVICES BUSINESSES

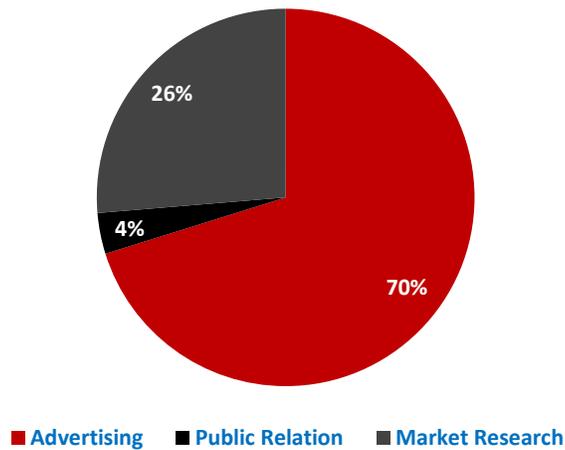


Figure 2: Web Marketing Businesses

TARGET MARKET

ConsultMe will be targeting small businesses who are willing to get the services offered by ConsultMe.

SMALL BUSINESS: As internet has become a backbone of businesses' infrastructure, so companies use it to set up their homepages and describe their projects online. This allows them to get an excellent way of advertising their products. The graph below shows that most of the small businesses have digital presence, high usage of internet as well as digital marketing. According to Deloitte (2013), 16% of the small businesses have high level of digital engagement and use internet for search engine optimization and search engine marketing. Of all the small businesses with high level of digital engagement, 9 out of 10 of the companies use SEO and display advertisements (Deloitte, 2013). The small businesses will be targeted by giving them opportunity to grow and market themselves through increased digital engagement. A 2012 survey by MYOB of small business concluded that the companies with website or online presence has more chances of getting more sales than their targeted three-month pipeline (Deloitte, 2013).

The figures below show how small businesses have low, medium and high digital presence and it can be observed that most of the small businesses have presence on social networks, use digital marketing for promoting their products and use internet for reaching new customers. These small businesses will be the prime target market of ConsultMe as it will offer wide array of web services including search engine optimization to make their product first in search engines.

		Very low	Low	Medium	High
Digital presence	A business email address	● ● ●	● ● ●	● ● ●	● ● ●
	A website		● ● ●	● ● ●	● ● ●
	A presence on social networks		●	● ●	● ● ●
Use of the internet	To communicate internally	●	● ●	● ●	● ● ●
	To market or advertise the business		●	● ● ●	● ● ●
	To reach new customers in existing markets			● ● ●	● ● ●
	To reach new customers in local market			● ● ●	● ● ●
Use of digital marketing	Search Engine Marketing (paid search ads)				● ● ●
	Search Engine Optimisation				● ● ●
	Display advertising online			●	● ● ●

Few small businesses ● Some small businesses ● ● Most small businesses ● ● ●

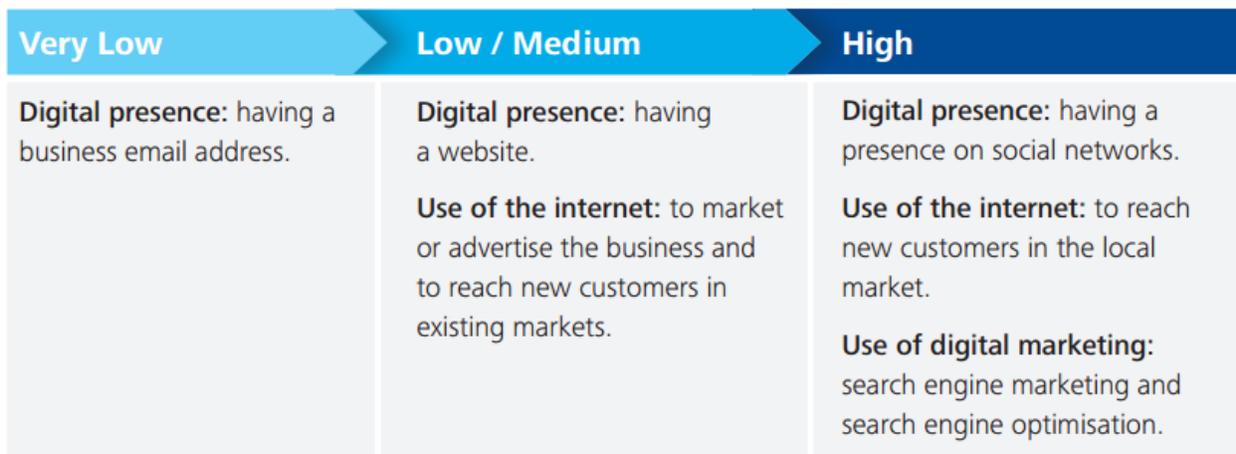


Figure 3: Digital Presence of Small and Medium Firms in Australia

Source: (Deloitte, 2013)

Another report by Kruijinga (2014), shows that 16% of small businesses have high digital engagement, 25% of them have medium digital engagement, 24% have low digital engagement and 35% have very low or no digital engagement.

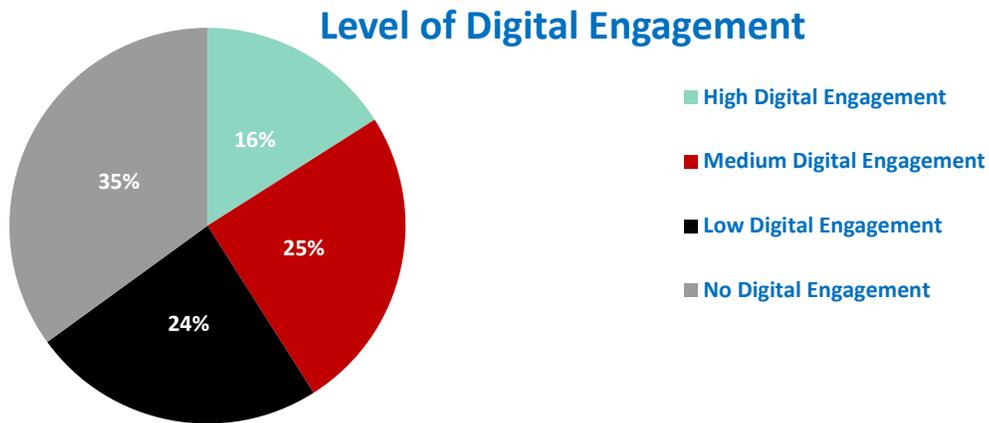


Figure 4: Level of Digital Engagement of Small and Medium Businesses in Australia

The total small businesses in Australia were 2,045,335 in 2013 with the most of them concentrated in New South Wales (see figure below) (Australian Government, 2012). Since, the number of small firms are rising, there is big opportunity for ConsultMe to capture their attention by targeting them.

	NSW	Vic.	Qld	SA	WA	Tas.	NT	ACT	Unknown	Australia
Agriculture, forestry and fishing	57 957	45 084	44 370	19 503	19 426	6011	1011	522	77	193 961
Mining	1492	787	1743	471	2764	138	83	22	9	7509
Manufacturing	24 968	21 864	16 190	5957	8650	1453	463	573	166	80 284
Services industries	580 266	442 769	340 462	113 497	176 262	28 592	11 716	22 704	741	1 717 009
Not classified	15 373	12 392	9196	2748	5103	583	356	556	236	46 543
TOTAL SMALL BUSINESSES	680 056	522 896	411 961	142 176	212 205	36 777	13 629	24 377	1229	2 045 335

Data source: ABS Cat. No. 8165.0 and DIISRTE calculations.

Figure 5: Number of Small and Medium Firms (State Level and Country Level)

Source: (Australian Government, 2012)

TECHNICAL FEASIBILITY

ConsultMe will be outsourcing all of its marketing operations and programming operations into offshore offices in India and China. This will be done as it is felt that the Sopantech (Indian web application Development Company) will be able to effectively manage the programming and web application processes. While Milletech will be chosen as the marketing offshore company to carry out all the marketing related work of ConsultMe website. The company plans to form strategic alliances with Sopantech and Milletech to further refine the services offered by ConsultMe. The offshore companies will be paid 10% of the revenue after first year of operations. The services will be commission and percentage based.

SKILLS REQUIRED:

In order to formulate the business, required resources include worker's skills, suppliers, capital requirement and other facilities needed to establish business. The most important resource required by ConsultMe is human resource with technical expertise in telecommunication engineering, search engine optimization, technical writing, surveying, and researching, programming and graphic designing. Other resources include the place for furniture, computer machinery, furniture and other utilities.

According to report by Australian Government Department of Employment (2015), there are large number of IT professionals available for hiring. On average, the employers tend to have an average of 5 suitable applicants to choose from for their vacancies. Employment trend for IT profession is expected to rise in future by 14.9% till November, 2020 (Australian Government, 2015). The labor market for IT professionals is large with almost 250,000 employed number of professionals (Australian Government, 2015). On the basis of this analysis, it can be considered that, ConsultMe will face no difficulty in hiring web developers, administrators, content engineers, designers, GUI programmers and web application developer.

LAWS AND REGULATIONS

The web services industry is scrutinized under Australian Intellectual Property Rights laws covering patent protection, trade mark protection, registration of domain name, designing protection and copyright protection (Bolt, 2014). The copyright and trademark laws are strict and stringent in this industry as it prohibits using the designs or content of others. In case of copyright infringement or trademark infringement, a huge financial liability can occur and cause losses for the firm that hired the web designing team (Australian Government, 2016).

FINANCIAL FEASIBILITY

PRICING

ConsultMe has decided to set the pricing based on competitor's pricing. Penetration pricing will be used where a price just below the competitor's price will be selected. Many of the web designers and service providers have different packages ranging between \$250 per year to \$600 per year (plus a setup fee that varies) (Site Fresh, 2016). Based on this analysis, ConsultMe will set its price at \$200 per year for Gold packages, \$150 per year for Silver Packages and Copper package will be sold at \$100 per annum plus a different setup fee of at one time. The automatic upgradation and product enhancement features will not be affecting the price of any service provided by ConsultMe. Users will have three payment options as set below:

Package Name	Duration	Services	Price
Gold	12 Months	SEO, Website Designing and Graphic Designing Services. Package of 3 months social media marketing	\$200(p/a) + \$300 startup cost
Silver	12 Months	Website Designing, SEO	\$150(p/a) + \$250 startup cost
Copper	12 Month	SEO	\$100(p/a) + \$200 startup cost

The budgeted expenses statement and income statement is based on the following criteria:

- Hiring 10 IT professionals at different wage rates. The minimum wage per week is \$673, so ConsultMe will give rate of \$700 per week.
- Space rent of two offices at 70m² with \$400m² p/a to be of \$2,500
- Miscellaneous expense rising at 5% rate yearly
- Number of new small businesses growing at 10% per year
- Minimum number of small businesses hit are 1500.
- It is assumed that service packages will be sold in following ratio (2:1:1 as Gold: Silver: Copper) as half of the businesses will buy gold package while 1/4th will buy silver and 1/4th will buy copper package.
- 10% of revenue will be dedicated to marketing expenses
- 10% of revenue will be shared with offshore companies in India and China (5% each)
- 5% of revenue is dedicated to computer and phone expenses.

CONSULTME Web Services					
Budgeted Income Statement (Five Years) (\$)					
Heads	2016	2017	2018	2019	2020
Gold (Half)	750	825	908	998	1,098
Silver (1/4th)	375	413	454	499	549
Copper (1/4th)	375	413	454	499	549
Total Packages	1,500	1,650	1,815	1,997	2,196
Gold	375,000	412,500	453,750	499,125	549,038
Silver	150,000	165,000	181,500	199,650	219,615
Copper	112,500	123,750	136,125	149,738	164,711
Total Revenue	637,500	701,250	771,375	848,513	933,364
Expenses					
IT Professionals (\$700 per week for 54 weeks and 10 employees)	378,000	378,000	378,000	378,000	378,000
Marketing	63,750	70,125	77,138	84,851	93,336
Computer and Phones	31,875	35,063	38,569	42,426	46,668
Office Space	30,000	30,000	30,000	30,000	30,000
Commission to offshore Companies	63,750	70,125	77,138	84,851	93,336
Total Expenses	567,375	583,313	600,844	620,128	641,341
Profit	70,125	117,938	170,531	228,384	292,023

Profit Projections

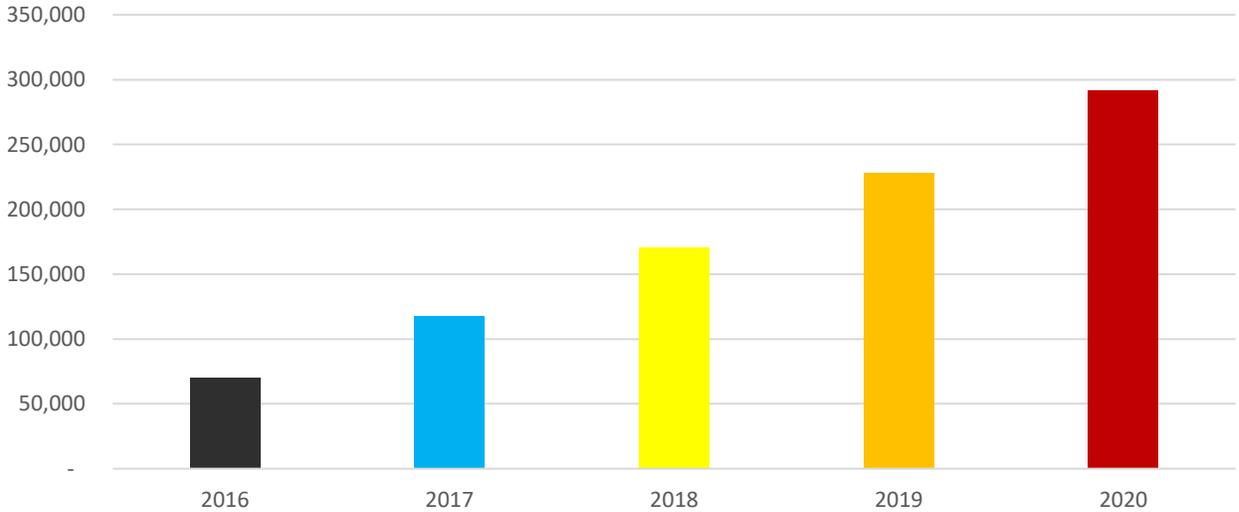


Figure 6: Projected Profit Year By year

The above graph shows the growth rate with which ConsultMe will be increasing its revenues. From first year to 2020, ConsultMe will have grown by more than 316%. This positive outlook of ConsultMe is due to its increasing number of anticipated sales that is expected to grow by 10% each year. The expenses graph below is also indicating a steady rise in expenses due to commissions being paid to offshore companies in India and China.

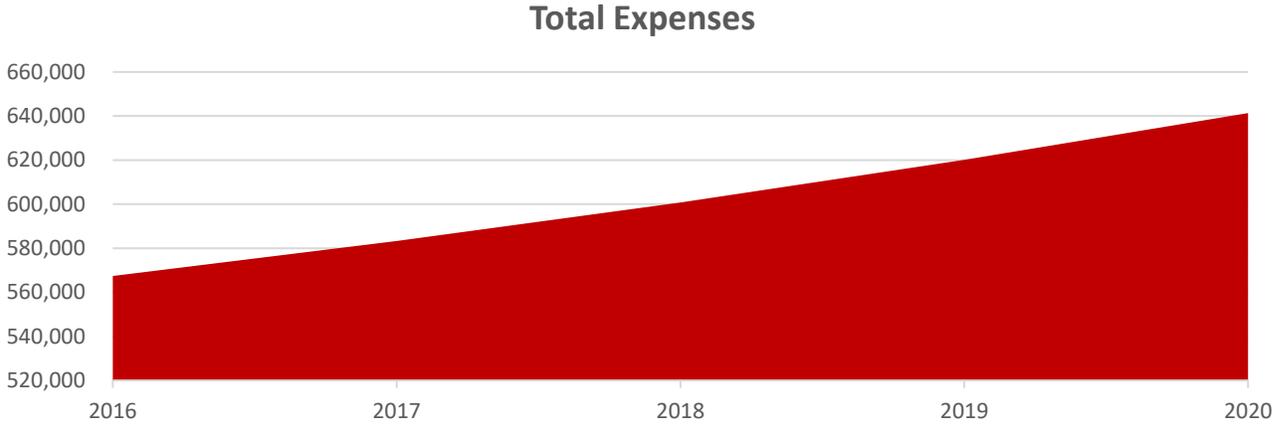


Figure 7: Projected Expenses year by year

STARTUP COST:

The startup cost that is given below is the snapshot of cost that will incur in initial or start of business. The required investment for the offices and running of Consult Me business in Melbourne and Sydney is given below:

Establishments	Cost
Deposit Rental of Two Offices (\$2,500 each)	\$5,000
Bank Guarantee (first three months' rent)	\$15,000
Desktop PC	\$1,320
Laptops (5 at \$2000)	\$10,000
Electricity Deposit	\$3,000
Telephone Installation	\$1,000
Internet Access	\$190
IT Professionals	\$28,000
Miscellaneous Startup Cost	\$1,500
Total Startup	\$65,000

A total of \$65,000 will be required for setting up the business, while \$25,000 will be maintained as a buffer cost that can involve any fulfillment of legal obligations or requirements if required. So total fund needed is \$90,000.

FINANCIAL RISK

ConsultMe recognizes that it is facing both market and industry risks. It believes that the risks are as follows and can be addressed with appropriate risk management strategy:

STARTUP COMPANY: The Company is facing a risk for being a startup company. For quickly establishing a desired relationship with the small businesses, it is important to develop a good reputation first.

SECURITY: Being a web services company, ConsultMe have to keep in mind the security of the data that it has been provided by the customers. The company can become liable for security flaws including data breaches. Security of designing services and other services is needed to remain at top priority and enough counter security tools must be intact to keep the customers' data away from malicious cyber-attacks. It can cause bad reputation as well as legal claims by the customers resulting in huge financial losses.

FUNDING OPTIONS

The company can fund its requirements through equity or debt. However, equity can dilute the ownership structure of the company, so it is decided to use debt as a prime source of fund. \$90,000 will be obtained from ANZ bank at 5.21% per annum which would mean that the total amount of \$94,689 will be paid back by ConsultMe in one year time to the ANZ bank (ANZ, 2016).

HUMAN RESOURCE

TECHNICAL EXPERTISE

ConsultMe will hire ten professional IT experts each specialized in designing, programming, GUIs, interfaces, SEOs, writing and content engineering. These IT professionals will be responsible for fulfilling the requirements of the project shared by the client. The technical knowhow of Java, Oracle and Wordpress will be preferred.

ROLES AND OWNERSHIP STRUCTURE

MR. ROBINHOOD FERREL– PRESIDENT AND CEO

Mr. Robinhood has over fifteen years' experience in Information Technology industry. He, after graduating from Devry University of Technology, started working as a website content engineer in HP. He will retain 50% of the company's shares.

MR. EDWARD RIMMEL – COO/CFO

Mr. Edward graduated from Harvard University with a degree in business management. He has a vast experience in technology industry as he has been working for BBC for several years. He will also retain 50% of the company's shares.

IT PROFESSIONALS

Other manpower required will be in form of IT Professionals with special skills in web programming, web designing, GUIs and web content development. They will be hired at fixed rate of \$700 per week and will retain no share in company.

GROWTH STRATEGY

The company's strategy for growth is to provide high quality services at lower rates to the small businesses so that many of them can become visible online. By offering services at reduced prices and in deals, small businesses can increase their sales and improve their financials as discussed above. The company expects to grow orders at 10% each year.

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