A Business Development Plan to set up an Online Grocery Business in Malaysia

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Executive Summary

Online grocery shopping is considered as a new way of buying the desired grocery products for household consumption. The concept of online grocery shopping was first evolved from Malaysia where local grocers begun to increase their presence through entering online channel for grocery retailing. This research study is based on the development of business plan with regard to opening an online grocery business in Malaysia. The name of new venture is given "Groctail" which is a combination of both grocery and retail. This plan discussed industry background of online retailing and grocery shopping in Malaysia. The report also highlighted business review by describing factors that can affect the new venture. Many factors contributed to the success or failure of online shopping such as security, convenience as well as design and features of website. The third chapter described the research design. Questionnaires were designed to analyse the consumer's opinions of whether they prefer online grocery shopping over physical grocery retailing. A total of 200 participants were included that were surveyed in different regions of Malaysia that also were internet users. The fourth chapter has analysed data that was gathered from questionnaire survey through internet. It was found that majority of people prefer online shopping because it allows them to order items in bulk. It was also found that if business will only charge annual subscription fee other than repeated delivery charges, more consumers will prefer to buy groceries online. The fifth chapter represented business model where business model canvas and its elements are described. The 3-year business plan of Groctail is highlighted in chapter six consisting of business mission, vision, objectives and marketing plan. The marketing plan described the segmentation, targeting and positioning, marketing mix and Ansoff matrix of Groctail business. It is concluded that there are increased chances for business success if it enters Malaysian online grocery industry.

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Chapter 1: Introduction

1.1 Industry Background

Retailing is a set of such activities of business that tend to add value to the services and products which are sold to consumers for their personal use (Alexander & Doherty, 2009, p. 32). Grocery retailing is considered as one of the important sectors of any country's economy (Coe & Wrigley, 2009, p. 13). With regards to Malaysia, this segment has witnessed minor slowdown during the year 2013; however the indispensible nature of grocery retailers have extended support to the performance of this sector. It was evident that soft economic conditions in Malaysia during the year 2013 has severely impacted the confidence of consumer to spend as a result of which retail sentiments became low (Mohd Roslin & Melewar, 2008, p. 334). That is why retailers in grocery market of Malaysia started to engage in numerous price promotions to attract customers and to gain their trust in such a competitive landscape. In 2013, GCH Retail in Malaysia was the leading grocery retailer with 11% market share and it has managed to retain its market share in face of intense competition (Abu & Roslin, 2008, p. 57). With regard to online retailing in Malaysia, it has gained popularity among consumers because of convenience.

According to Wei, Osman, Zakaria and Bo (2010, p. 142), online shopping in Malaysia has become a critical aspect of consumer's daily life as it has joined a list of options in grocery retailing. It is also seen that local grocery stores have now expanded their services for online purchases for the urban residents of Klang Valley. As products are available 24/7 through online, customers can shop any time. They have a benefit of that they do not need to rush at stores before their closure (Ahmed, Ghingold & Dahari, 2007, p. 339). It is also seen that many of the consumers shop through internet for grocery shopping as they see price savings online. Amazon was the leading player in online retailing that has gained 26% market share during the year 2013.

There have been many online groceries shopping business in Malaysia such as Tesco, RedTrick, Pretso, Foodworld, Markaide and others (Haque, Sadeghzadeh & Khatibi, 2011, p. 4).

1.1.1 Business Opportunity/Concept

The development of new business solutions and strategies seemed very critical for industry players especially in the retail industry. The choice of new products in addition to additional service could serve as one strategy in this development (Laudon & Traver, 2007, p.236). Hansen (2008, p. 132) stated that the maneuver of online grocery store business that could offer a wide range of food and beverage products is considered as the core of this business. As there is a growing trend of developing online grocery stores that could serve more customers as compared to physical stores (Breugelmans, Campo & Gijsbrechts, 2007, p.125), setting up an online retail store is taken as a business opportunity. The focus of this business would be placed on the development of creative, innovative and new strategies for online store that deliver significant value to the customers. The concept of online service delivery would be considered so as to provide broad range of services to customers. However, the central goal of grabbing this opportunity is to develop own corporate identity. By providing a range of products, the business will develop solid growth potentials. Building personal corporate identity would help gaining customer loyalty and competitive advantage in the new market.

1.1.2 Purpose and Rationale

As discussed earlier, the major purpose of setting up an online grocery store in Malaysia is to develop separate corporate identity. Previous researchers are more highlighted towards online shopping, but extensive researches are required with regard to online grocery retailing

(Lim, Widdows & Hooker, 2009, p. 846). The rationale to set up this business is to provide such products and services that currently are profitable in the Malaysian grocery industry. On the other hand, the purpose of developing this business research is to analyse whether the proposed business will be successful in grocery market of Malaysia. Through conducting this research, prefrences of customers with regard to online grocery will be identified.

1.1.3 Terms of Refrence

1.3.1 Research questions

As this study will attempt to understand the success or failure of developing online grocery store in Malaysia and also understand the factors that contributed to the acceptance of online grocery store, following research questions are developed:

- How does cost affect the development of online grocery shop in Malaysia?
- What are the perceptions of consumers for online grocery shop in Malaysia?
- How can we make the business successful while setting up an online grocery store in Malaysia?

1.3.2 Research Objectives

The idea of online shopping is not new in this modern era. However, it is seen that the business of e-grocery shopping in Malaysia is underdeveloped and is still in emerging state. This business offer extraordinary opportunities that are why it is very challenging too. Although many researchers have conducted and explore online shopping retailing in Malaysia, not much of the research was done with regard to grocery retailing. So, the objectives of this study are to:

- Examine the online grocery industry of Malaysia

- Develop a business plan for new online grocery store in Malaysia

- Explore how consumer prefrences affect online grocery shopping

- Assess whether e-grocery store would provide consumers with convenience

1.3.3 Research Framework

This study has followed the below mentioned research framework.

Chapter 1 - Introduction

This part of study gives overview of the research work. It highlights background of retail industry in Malaysia with regard to grocery shopping. The section also covers business concept and opportunity and highlight study rationale and objectives. This part also discusses research questions and objectives.

Chapter 2 - Business Review

This is the second chapter of this study that presents thorough review of business. This chapter highlights and review factors that underlie the development of online grocery store in Malaysia.

Chapter 3 - Research Design

A research design describes the detailed outline of the research in regards to how the investigation for this research will take place. This is the important chapter of this study. This chapter covers research methodology which includes sampling method, sampling unit, and survey location, and sample size, method of data collection and ethical issues of research.

Chapter 4-Data Analysis

This chapter presents a detailed analysis of the research data that has been collected throughout the research process. This section of study highlights primary data analysis which is then followed by business implications.

Chapter 5- Business Model

This chapter is the important chapter of this study, as it highlights and explains the business model for developing an online grocery store in Malaysia. Through detailed analysis, this chapter presents business model canvas and elements of the business model.
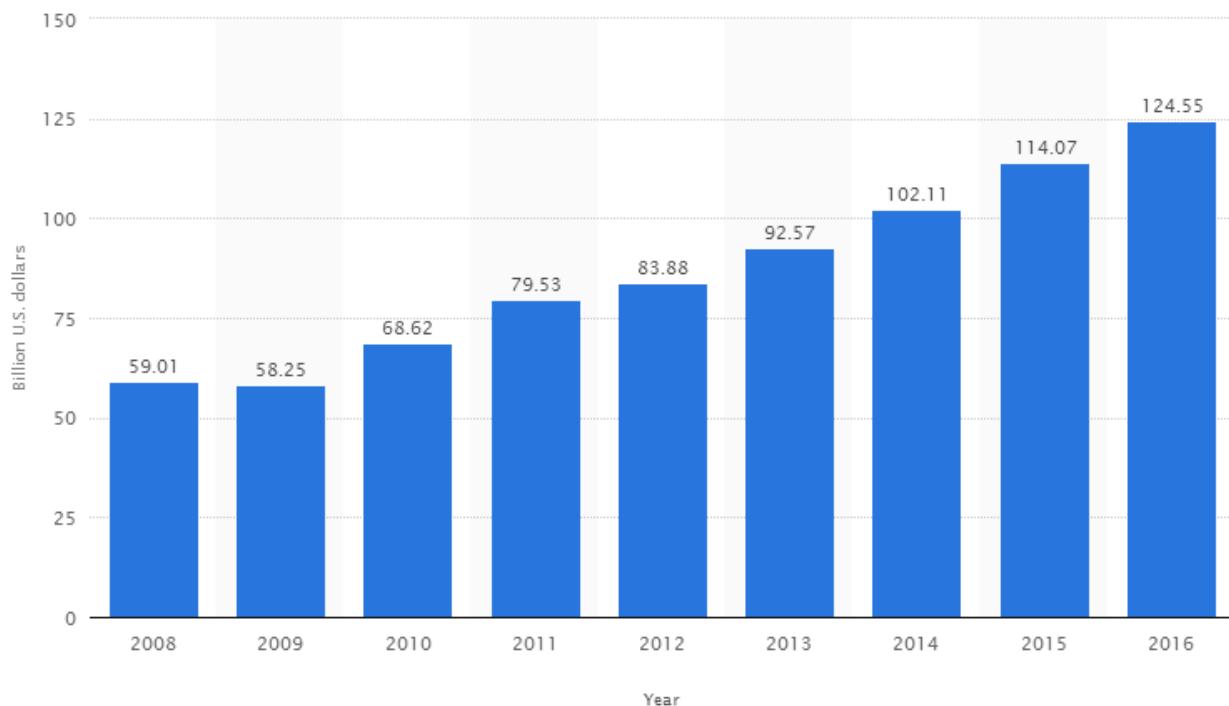
Chapter 6- Business Plan

This is the final chapter of this research which is most important section of this study. After thorough analysis of data and developing a business model, this chapter highlights business objectives, mission and vision as well as marketing plan, operational plan and financial plan for developing online grocery store in Malaysia.

Chapter 2: Business Review

2.1 A Brief Overview of Online Retail in Malaysia
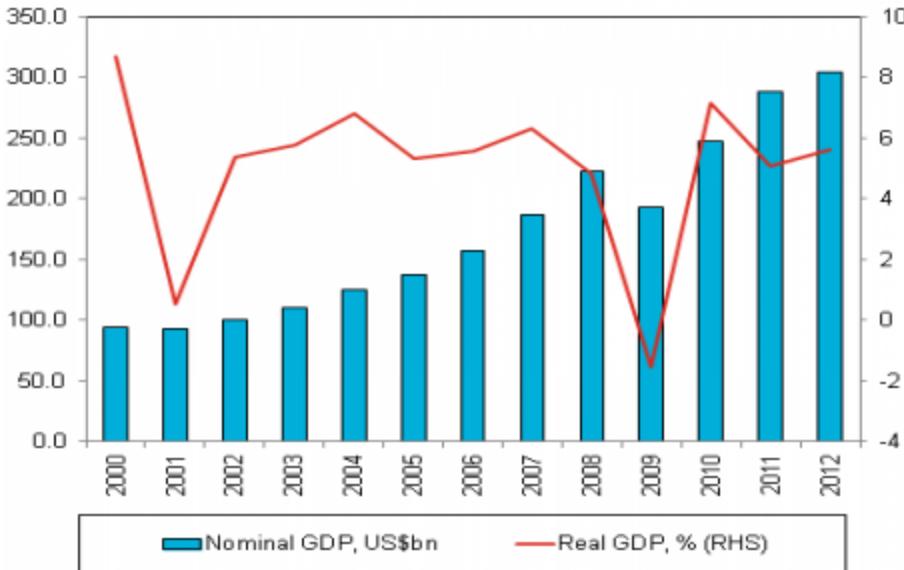
The population of Malaysia is over 28 million. The country has around 106% mobile penetration rate and 30% broadband in the year 2009. In top 10 internet countries, Malaysia stands at number 9 in Asia as the country has more than 16.9 million internet users (Parveen & Sulaiman, 2008, p. 6). It can be seen that more than half of the internet users in Malaysia buy and transact online. This figure was approximately more than 8 million in the year 2009 (Lallmahamood, 2007, p.13). Dividing this figure into categories, it can be seen that most of the number were from airline tickets. However, other goods sold online were general consumer goods, books, gadgets of technology and others.

Forecast for Malaysia's retail sales from 2008 to 2016 (in billion U.S. dollars)

Source: Statistics (2014)

The Malaysian online retail industry has now been serving as an important part in the economic growth of country (Shah Alam & Mohd Yasin, 2010, p. 81). If one looks at the total number of retailers who have started operations online as well, regardless of which category they are operating in retailing, it can be seen that approximately 40 retailers are now offering their products online in Malaysia (Delafrooz, Paim & Khatibi, 2011, p. 2840). In Malaysia, online business is not considered as a threat for traditional brick and mortar stores. As the president of The Malaysian Retailers Chain Association (MRCA) stated that the "*association does not see the emergence of online shopping as the threat towards their brick and mortar businesses*" (Harn, Khatibi & Ismail, 2006, p. 237). It can also be seen that out of 40 online businesses in Malaysia, 16 of them have set up their own online presence. However, seven of these businesses have joined the local online marketplace (Delafrooz, Paim & Khatibi, 2011, p. 2841). It is also seen that many of the big merchants in Malaysia mostly tend to prefer B2B2C model rather than C2C or B2B for their businesses to succeed. According to a research conducted by Euromonitor International (2014), it was found that only 0.8 percent of the overall retail market in Malaysia was done online during the year 2011. However, the market is expected to grow at 1.4 percent in the year 2016. With regard to grocery retailing, it can be seen that there are three main giants in the grocery market of Malaysia. These are Tesco, Aeon Bug and Giant. Out of these three giants, only one of them has its own online presence and that is Tesco.

Malaysia GDP and Current Account

Source: Business Monitor International (2014)

2.1 Review and analysis of factors

With regard to the business, there are many factors that can impact the new venture especially in case of new market. In case of Groctail business, this part will discuss factors with respect to two areas, situational factors through PESTLE analysis and those factors that influence consumer towards buying groceries through online.

2.1.1 PESTLE Analysis of Online Retail Industry in Malaysia

Luthans and Doh (2009) described that a Pestle analysis is a strategic tool that allows the firm to identify which factors can impact the business whether the business is going in new market or operating in existing one. The Pestle framework describes which factors can affect Groctail when entering into the new market of Malaysia with regard to online retailing, and which can serve as favourable means of operating the business in Malaysia.

2.1.1.1 Political Factors

Political factors are related to the policies of government that include the degree of government intervention in the country's economy (Cadle, Paul & Turner, 2010, p. 142). With regard to online business, political decision can have major impact on the business such as quality of firm's infrastructure of website and other factors. In case of Malaysia, it ranks at 47 out of a total of 180 countries in Corruptions Perceptions Index (Lee & Oh, 2007, p. 105). This means that corruption is present in the country that can impact foreign businesses to enter the market and can cause problems. With regard to online business, corruption can lead to diminished environment of business at it places trust of people at risk (Chang & Chu, 2006, p. 264). When resources of business are used improperly and inefficiently, the efficiency of online business badly suffers. Other than inefficient use of resources, corruption can have other impact on Groctail business such as loss of valuable human resources. It is obvious that any online business require an efficient workforce as all work is done by staff at back-end that help to better understand customers, other than service delivery which is done at front-end (Hill & Jain, 2007, p. 142). Loss of trustable and valuable human resources can cause severe loss for online business. Other factor that is favourable to foreign business is the ruling party in Malaysia that has been in power for over 25 years. This party favours foreign investment in the country that provided the country with high degree of stability (Tan, 2008, p. 54). Business stability is very much important for any business especially when business is entering a new market. All the factors can impact positively as well as negatively to Groctail business.

2.1.1.2 Economic Factors

There are also many economic factors that can impact the operation of Groctail business in Malaysian online retail industry. Such factors include the country's interest rate, tax rate, inflation rate as well as exchange rate. Other factors also impact the business such as rate of unemployment in the country and intervention of government in the free market. Sumiani, Haslinda and Lehman (2007, p. 898) stated that it is estimated that exports of Malaysia accounted for 37% of country's GDP. Also, Malaysia has achieved a healthy current account surplus. These factors provide favourable means of doing business in the country. One of the most significant factors that need to be considered is the geographical location of Malaysia that makes it more attractive for foreign businesses to engage in international trade. Malaysia has also been experiencing increased growth rate in retail sector that has lead to increase in consumer incomes and demand also. This has attracted more retailers to start business in the country. With regard to interest rate in Malaysia, the central bank of country has raised the key interest rate for first time in three years because inflation is rising faster in the country than it is expected (Amran & Devi, 2008, p. 394). Previously, the interest rate was 3% but after it was recorded as 3.25%. Increasing interest rate might have moderate affect on online business such as Groctail to operate in Malaysia. On the other hand, the government also has posed some taxes on foreign owned businesses. These taxes are also implied online business that is held by foreign entity. Whether a business is resident or non-resident business in Malaysia, they require appointing a licensed tax agreement so as to prepare a tax file to Inland Revenue Board of Malaysia (Sapiei & Abdullah, 2008, p. 2224). The businesses operate under the Income Tax Act (ITA) of 1967 which poses that tax must be submitted to the responsible entity within seven months from the date of closing the financial year of company. For resident companies, tax rate is 19% if net profit is below RM.

500,000. However, for Non-residents Company, the tax rate is 25% (Malaysia Business Advisory, 2014, p.1). As Groctail will be a non-resident company, so it has to pay high tax as compared to resident businesses in Malaysia.

2.1.1.3 Social Factors

Social factors in a country include the demographics of people, structure of class, country's culture, education of people, their attitudes towards a product leisure issues. Changes in these factors can affect the products and services of business. With regard to Malaysia, the country is predominant religion in the country is Islam, but rest of the people are also free to practise any religions (Papaioannou & Siourounis, 2008, p. 371). The mix of religions and population has given Malaysia a vibrant country culture as a result of which it is seen as racial harmony because different groups of people existed there peacefully for many years. However, the population of country consisted on three major groups that are Malay (60%), Indian (10%) and Chinese (30%) (Noor, 2009, p. 324). The differences in culture mean that that business that will enter the Malaysian market will need to adapt the business practices and products that best suit the needs of population. This can have impact on online business of grocery as the business will have to take care of consumer's choice and prefrences in terms of what is prohibited to eat in their religion. Such as Pig Fat is forbidden in Islam, so Groctail require taking into consideration that its major products do not contain this element especially in its food products. With regard to social classes, it can be seen that Malaysia has typically five categories of social classes (Stenson, 2011, p. 241). These are capitalist class, upper-middle class, middle-class and lower class. Majority of the people belonged to middle class and lower class of the economy. That is why Groctail will have to provide products and services at low prices compared to its

competitors. Additionally, most of the customers perceive buying groceries at lower prices as there is high competition in this industry whether the company operates physically or online. This has an impact on online business of Groctail.

2.1.1.4 Technological Factors

For any new business, technological factor plays key role in determining the success or failure of any business. This is because new technologies tend to create opportunities for business as it enhances the operations of business. Such as bar coding and online shopping are all major improvements to the way companies do business with better technology (Jafari, Osman, Yusuff & Tang, 2006, p. 128). Technological factor is of significant importance for Groctail as it can improve the quality of operations, reduce costs and ultimately lead to innovations in web designing. If Groctail will adopt new technology and align itself with existing technology, it can have increased presence in the new market. With regard to Malaysia, the country still needs to develop its technological infrastructure in order to compete in international markets. Cheng, Ho and Lau (2009, p. 318) stated that Malaysian government is investing high levels of investment in education and training and has created a number of Smart Schools with adequate infrastructure. The technological infrastructure of Malaysia consist of a brand new town, known as Cyberjaya, that is a self-contained intelligent city consisting of world class IT infrastructure. This technological support has made Malaysia a more attractive place for foreign businesses (Raman, Stephenaus, Alam & Kuppusamy, 2008, p. 9). This factor is favourable for Groctail business as the business will conduct its activities online. Without sufficient presence of web based technological infrastructure in the country, it might be possible that business will lose its profits.

2.1.1.5 Legal Factors

These factors are related to the legal environment of country in which the business operates. With regard to Malaysia, the legal system of a country is based on British common law. However, Islamic law is also applied to the Muslim population of a country (Ang & McKibbin, 2007, p. 220). Groctail would require being familiar with all the laws of the country if it wants to be successful. The elements of British law can be seen as an advantage to the foreign firms that invest in the country. There are many laws that are applied to the economy of Malaysia such as The employment act 1955, The wages council act 1947, The trade unions act 1959, The industrial relations act 1967, The employment (restriction) act 1968 and other laws. The laws that can impact Groctail will include The employment act 1995. This law is enforced by labour department in Malaysia that has set minimum labour standards for workers and seeks to protect them from exploitation (Kaur, 2008, p. 14). Another law is the Employees Social Security Act 1969. This law is enforced by Social Security Organization in Malaysia that aimed to provide protection to the workers who might involved in an accident. Groctail will be liable to follow this law if the sales personnel might incur some physical injury while delivering products to consumers (Kaur, 2007, p. 15). As the Malaysian legal system is partly based in British legal system, matters that are brought before the high court are appealed to the Court of Appeal in Malaysia. However, matters related to Islamic law are tried by Shariah courts which are then set up by the respective state governments (PricewaterhouseCoopers, 2013, p.10).

2.1.1.6 Environmental Factors

In a grocery retail business, environmental factors play a key role as the grocery retailers have to buy products in bulk to keep in warehouses. Such environmental factors include climate

change and weather conditions, such as environmental footprint and greenhouse gas emissions (Story, Kaphingst, Robinson-O'Brien & Glanz, 2008, p. 265). People in almost any country desire to protect their environment as they will to buy those products that are environment friendly. That is why; this factor has now become significant issue for many firms to consider. With regard to online grocery business, climate change is one important factor that Groctail require to consider when starting its new online venture in Malaysia. This is because the business does not have any physical location to sell goods; instead it will directly buy products from suppliers that will be kept in the warehouses. Because of climate change, the perfection of goods, in terms of its freshness, might be placed at risk (James & James, 2010, p. 1950). Different projects in Malaysia that impact environment include green buildings, biofuels, water and waste management that have created business opportunities for foreign firms in Malaysia as a result of green initiative. Although online business will not have any environmental impact in Malaysia, but delivery of products through transportation service might impact environment and thus impact the business. So, Groctail will use green vehicles by delivering products to customers through energy efficient vehicles that can have minimum impact on environment.

2.1.2 Factors that Influence Customers to Buy Groceries Online

Although there have been many factors that can influence Malaysian consumers to buy groceries online through Groctail web store, but four major factors are considered important which needs to be addressed before the business launch its operations in online retail market of Malaysia.

2.1.2.1 Time Saving

Saving time is among the most important factor that can influence online shopping of groceries. It is evident that customers searching for catalog online save their time and patience. Customers can reduce the time as well as effort through shopping online for groceries. It was argued by Hand, Riley, Harris, Singh and Rettie (2009, p.1210) that buying online totally eliminate time that is required for travelling to visit the traditional store. However, it was also argued by some other researchers that when a customer buys goods over the internet, it takes time for delivery of goods. According to Huang and Oppewal (2006, p. 340), time saving is not such a factor that can stimulate consumers to shop online since receiving and delivery of goods takes time. However, Strauss, Frost and Ansary (2009, p. 84) also stated that time saving factor was reported as main reason among those consumers who had earlier bought groceries through online. On the other hand, Soopramanien and Robertson (2007, p.75) have emphasized the existence of discrimination between the online shoppers and non-online buyers in which he stated that online buyers are more troubled concerning the convenience and selection as well as time saving. Additionally, the non-online buyers are troubled with regard to delivery of products, privacy and security.

2.1.2.2 Security

Security is considered as equally important factor that can affect consumer's attitude towards online grocery shopping via Groctail website. Most of the users on internet are prohibit of doing online shopping because of credit card fraud, privacy factors, and services of post purchase and risk of non-delivery of products. The security of transaction in online shopping has now been given sufficient attention by companies who operate online. If Groctail will be

successful in conducting safe and secure transactions of customer information and cash, it is possible that business will gain customer trust shortly which can decrease the transactional risks involved. Kukar-Kinney & Close (2010, p. 245) also stated that those businesses who provide a trustworthy channel of shopping experience frequent buying from customers. Other researchers also argued that many of the users have experienced severe security concerns that are why they do not engage in online grocery buying. It is evident that security of website is the major hindrance for such people who wish to have online transaction. Perceived risk related to web security has already been identified as a belief of consumer related to the transaction that has uncertain negative outcomes.

2.1.2.3 Convenience

Decisions of consumer to shop online or not are also influenced by customer perception towards online shopping. Researchers who conducted studies on this issue previously found out that online shopping do effect perception of consumers with regard to its usefulness (Davis,1993; Venkatesh, 2000), convenience (Childers et al., 2001; Kare-Silver, 2001) as well as trust and customer's perceived risk (Kini and Chobiah, 1998;Wee and Ramachandra, 2000). The factor of convenience means that it is easy for customers to browse or search information online if compared to traditional stores. Customers can browse the catalog of product with easiness if they buy grocery goods through online. It is stated that convenience has been constantly a major factor that influence consumers towards online shopping of groceries. Horrigan (2008, p. 36) also argued the benefits that online shoppers get when shopping online. Such benefits include less effort, flexibility as well as consumption of less time. Many researchers have also argued the importance of convenience factor in online shopping. Groctail will require considering that it

must provide its customers with convenience as it serve as main stimulus with regard to online shopping as customers receive items at their doorstep. A study conducted by Forsythe, Liu, Shannon and Gardner (2006, p. 64) stated the importance of convenience in which he stated that convenience provides main merit of online purchasing. If Groctail fails to deliver its customers with sufficient convenience to buy groceries online, it might be possible that it will lose its share particularly in new market of Malaysia as convenience factor can severely impact the operations of business.

2.1.2.4 Design and Features of Website

Design of website is an important factor that can impact online shopping of consumers. However, other factors such as privacy and security of website, its reliability and consumer service of website also impact perception of consumers towards buying groceries (Hassanein & Head, 2007, p. 694). It was stated by Bai, Law and Wen (2008, p. 396) that the higher quality of website leads to higher intention of customer to buy goods online. Ganguly, Dash, Cyr and Head (2010, p. 325) also described that more than 100,000 consumers who do shopping online have rated website design as the significant factor to shop online. Another research by Kim, Kim and Park (2010, p. 1211) stated that design features in website serve as significant factors that influence satisfaction or dissatisfaction of customers with regard to a particular website. The effective design of website with attractive features helps to direct the consumers in meaningful transactions especially in retailing and also attract them to return to the website. So, Groctail need to consider that website with bad quality designs can interfere with online grocery shopping in Malaysia. Therefore, it impact online shopper to buy goods online. This factor can have significant impact on the business if it enters the new market. Groctail will require that it must

design an attractive website with enhanced features that can better gain customer attention,

thereby increasing transactions.

Chapter 3: Research Design

3.1 Data Matrix

A data matrix is defined as the grid that store and locate data in a computer format. As questionnaires were designed for this research, responses of respondents were coded in a data format using Statistical Package for Social Science (SPSS). Each respondent was given a particular number in the data sheet. On the other hand, questions were also coded in SPSS and each question was given a variable name that differs from one another.

3.2 Research Methodologies

Bryman (2004, p. 27) defines the research method as a system for collecting data which is needed for the analysis of the issue under investigation. The following part presents which method of research that the researcher has used, the sampling unit or target respondents, sample size as well as location where survey data was collected. This part also presents the method of data collection. Some ethical issues are also highlighted to provide thorough understanding of this study.

3.2.1 Research Method

According to Myers, Well and Lorch (2010), a research method describes the detailed outline of the research as how the investigation for the research will take place. It typically include what instruments researcher would employ, how the data would be collected and how the instruments for the research would be used to better analyse the research data that was collected (Mitchell & Jolley, 2012, p. 32). There are two types of research methodologies that can be used, i.e. qualitative and quantitative research. Qualitative research is an unstructured and exploratory

methodology based on small data to provide insight and understanding. However, quantitative

research is aimed to measure data and used some form of statistical analysis (Zikmund, Babin,

Carr & Griffin, 2012, p. 164).To explore the information regarding the research topic, this study

has used quantitative research method as means to gather data for research. Quantitative data is

collected through primary data collection. The quantitative research design was used for

assessing the opinions and views of the individuals through quantitative means where numbers

were assigned to the responses of the participants (Barrett & Bolt, 2007, p. 19).

3.2.2 Sampling unit (Target Respondents)

As discussed earlier, the targeted respondents were those who lived in Malaysia. The

researcher has not selected any particular region; instead several regions of Malaysia were

covered in this study. On the other hand, the targeted respondents were those who habitually buy

groceries for their homes. These included housewives, working women, working males who

lived alone and all those persons who buy for their home groceries.

3.2.3 Sampling Method

For the sampling method, non-probability sampling technique was used. Non-probability

is preferred because it is faster than technique of probability sampling and is cheaper in both

terms of commodity and capital. With regard to types of non-probability sampling, this study

utilized two types that are snowball sampling and convenience sampling. These two methods are

used to acquire targeted respondents in a most convenient way. However in a snowball sampling,

the survey questionnaire was distributed on a friend to friend basis to gather data for the study.

Besides this, convenient sampling was chosen due to advantage of cost-efficient; it consumed

least time and is more convenient if compared to other sampling techniques available. On the

other hand, random sampling was chosen because it can estimate exceptional characteristics of

respondents.

3.2.4 Sample size

The participants of the study for the questionnaire survey were those individuals who

lived in Malaysia and frequently shop for grocery. The questionnaire survey was filled with

participants living in different regions. These participants were approached through the internet.

However, survey was also distributed on a friend-to-friend basis through internet. The sample

size for questionnaires was 200. The participants for survey questionnaires were selected by the

researcher based on convenience and snowball sampling method. Convenience sampling method

is a non-probability based method which saves time and money in selecting the sample of the

study. The researcher has aimed to collect the primary data through questionnaire survey with

the consumers.

3.2.5 Survey Location

The survey data was collected from different regions of Malaysia such as Kaula Lumpur,

Penand, Melacca City, Johor Bahru, Petaling Jaya and Kuching. Respondents from other cities

were also included, but the major portion of respondents was from the cities stated above.

3.2.6 Collection Method

For this study, primary data was collected through questionnaires. Primary data is raw

data which has not been collected earlier (Malhotra, 2008, p. 186). Primary data was collected

through questionnaire because this method is more reliable, accurate and easier to obtain data. Also, this method determines such results that tend to directly reflect the true behaviour of consumers. The researcher has collected this first hand data through the field research with the participants of the study. The questionnaire survey was used to collect primary data from consumers living in Malaysia.

3.2.7 Ethical Issues

In conducting this research study, ethics was given significant importance. In this research study, the process integrity was managed by following different precautionary measures. Moreover, ethical issues, while conducting a research study may be related to confidentiality, non-malfeasance and fidelity. Ethical consideration related to informed consent is given significant importance in every research process. Same attention was also required in conducting research study. In this type of research study, the researcher has used his judgment and expertise in using the data from already published articles. An important aspect that was considered in using original studies in quantitative analysis is that, it has not violated any agreement that was established between the "participants" and the "primary researcher". The judgments and expertise of the researcher, in using already existing data, were required.

The research study has adhered to the ethical aspects of the research by ensuring that the study is objective and there is no biasness in the data. Also integrity and carefulness was maintained during the research. The respect for confidentiality, legality and hence participants details were not disclosed to a third party. Participants were fully informed about the nature and purpose of the research. Each participant was given a right to decline at any particular time and

they were given maximum opportunity to ask questions during the interview and at the end if

interview. They would be given a copy of final report if need be.

3.3 Questionnaire Design

To determine whether the business plan of opening an online grocery business in

Malaysia will prove to be successful, questionnaire was designed so as to obtain opinions of

respondents that mostly shop for grocery. The questionnaire consisted of 10 questions that

contain variety of questions regarding online grocery shopping. The first four questions were

related to demographics of participants, while the rest questions deal with people's opinions

of online grocery. Before filling the questionnaire, participants were given a consent form to

avoid any inconvenience regarding participant's confidentiality.

Chapter 4: Data Analysis

4.1 Primary Data Analysis

As the questionnaire was filled by respondents living in Malaysia, data is analyzed using primary data analysis. For this business research, primary data is analyzed through frequency tables and calculating the mean of each questions included in the questionnaire. The following part analyzed primary data through using figures and tables.

4.1.1 Gender

The first question in the questionnaire was related to gender characteristics of respondents.

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
	Male	81	40.5	40.5	40.5
Valid	Female	119	59.5	59.5	100.0
	Total	200	100.0	100.0	

Table 1 Gender Characteristics

From the above table, it is clear that majority of the respondents were females that showed a total percentage of 59.5%. On the other hand, the questionnaires were also filled by many males that represented 40.5% of total survey respondents. It was taken into consideration the avoidance of any gender bias when gathering data to develop business plan. It can also be said that females represent a large portion of survey respondents as most of the females are considered responsible to buy grocery items for their homes.

4.1.2 Age

The second question in the survey questionnaire was related to the age characteristic of respondents. The following table shows age characteristics of survey respondents.

Age

	Frequency	Percent	Valid Percent	Cumulative Percent
18-25	19	9.5	9.5	9.5
26-30	37	18.5	18.5	28.0
Valid **31-40**	57	28.5	28.5	82.0
41-50	51	25.5	25.5	53.5
Above 50	36	18.0	18.0	100.0
Total	200	100.0	100.0	

Table 2 Age Characteristics

From the above table, it is clear that the first dominant group with respect to age was related to 31-40 years of age. This means that majority of respondents for survey population were aged from 31-40. However, 25.5% of respondents were aged from 41-50 that has represented the second dominant group in the study with respect to age characteristic. It was also found that 19 respondents were aged between 18-25, while 37 respondents out of 200 respondents were aged between 26-30. During the course of data collection, it was considered that people that were aged below 18 were refraining to participate in this study.

4.1.3 Monthly Income

The third question in the survey questionnaire was related to the monthly income of survey respondents. This is an essential question to consider in this study as grocery shopping

requires a certain percentage of household income to shop for home. The following table

describes the monthly income of survey participants.

Monthly Income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	RM. 10000 - RM. 15000	34	17.0	17.0	17.0
	RM. 15000 - RM. 20,000	57	28.5	28.5	45.5
	RM. 20,000 - RM. 25,000	65	32.5	32.5	78.0
	RM. 25000 - RM. 30,000	26	13.0	13.0	91.0
	Above RM. 30,000	18	9.0	9.0	100.0
	Total	200	100.0	100.0	

Table 3 Income Characteristics

The above table shows the income characteristics of survey participants. It was found that

majority of respondents have a monthly household income between RM. 20,000- RM. 25000. It

has represented 32.2% of the survey respondents. On the other hand, income range of 15000-

20,000 represented second dominant group of respondents that were 28.5% of the total survey

participants. A very few number of respondents have a monthly household income of above RM.

30,000, however 26 respondents earn between RM. 25000-RM. 30,000 on monthly basis. These

figures clearly indicated that most of the participants were belonged to middle class or upper-

middle class in Malaysia.

4.1.4 Occupation

      The fourth question deals with the identification that from which group of occupation that survey respondents belonged to. The following table shows the occupational characteristics of survey respondents.

Occupation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Salaried Employee	57	28.5	28.5	28.5
	Business Owner	30	15.0	15.0	43.5
	Housewife	65	32.5	32.5	76.0
	Student	31	15.5	15.5	91.5
	Other	17	8.5	8.5	100.0
	Total	200	100.0	100.0	

Table 4 Occupation Characteristics

      From the above table, it is clear that there is a mix of respondents with respect to occupational characteristics. As the researcher has also avoided this bias while conducting study, it was found that 65 out of 200 individuals were housewives, while 57 out of a total of 200 respondents were salaried employees. The participants of survey also included business owners that represented 15% of the total 200 respondents. Students also represented 15.5% of survey results while 17 respondents were belonged to other occupational groups. The majority of respondents were housewives as females represent the large portion of this study.

4.1.5 Frequency of Using Internet per Week

      Respondents were also asked about frequency of their usage of internet whether they use social media networking sites, or use internet for other purposes such as news, entertainment,

media etc. The following table shows opinions of consumers as how frequently they go online

per week.

How many times per week do you go online (email, Internet, etc)?

		Frequency	Percent	Valid Percent	Cumulative Percent
	1-2 times	25	12.5	12.5	12.5
	3-4 times	19	9.5	9.5	22.0
Valid	5-6 times	77	38.5	38.5	60.5
	Daily	79	39.5	39.5	100.0
	Total	200	100.0	100.0	

Table 5 Frequency of using internet per week

From the above table, it is clear that a large ratio of respondents said that they use internet

or go online on daily basis. 39.5% of total respondents use internet daily, while 38.5% of survey

respondents viewed that they use internet or go online 5-6 times per week. It can also be seen

that a very few number of respondents go online 3-4 times per week. However, 12.5% of total

respondents go online 1-2 times per week. To open an online grocery business, it was important

that frequency of internet usage by respondents should be determined because the whole

business will revolve around online purchasing. So, determination of this aspect would serve as

significant factor in the success of any online retail business.

4.1.6 Consumers' Opinions of Buying Grocery

Respondents were also asked about whether they tend to buy grocery from supermarket

or online retailer. The table below shows responses.

Where do you tend to buy your groceries from, an online retailer or a supermarket store?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	I go to Supermarket store	43	21.5	21.5	21.5
	I buy from an online grocery store	60	30.0	30.0	51.5
	I buy from an online grocery retailer and a supermarket store	86	43.0	43.0	94.5
	I do not do any grocery shopping	11	5.5	5.5	100.0
	Total	200	100.0	100.0	

Table 6 Consumers' opinions of buying grocery

The above table indicates that majority of respondents would tend to buy their groceries from online retailer as well as from supermarket store. However, 60 respondents would tend to buy groceries through online stores. 21.5% of respondents tend to buy grocery through supermarket stores.

4.1.7 Consumer's Opinion of Convenience of Online Grocery

Respondents were also asked about their prefrence of online shopping in comparison to in-store shopping. The table below shows the findings through frequency distribution.

Do you think that navigating through grocery shopping website and
finding right products is easier than in-store grocery shopping?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	89	44.5	44.5	44.5
	No	50	25.0	25.0	69.5
	Maybe	61	30.5	30.5	100.0
	Total	200	100.0	100.0	

Table 7 Consumer's opinion of convenience of online grocery

It was found that 44.5% of respondents think that navigating through online grocery shopping is easier than in-store grocery shopping. 25% of total respondents posed negative feedback regarding convenience of online grocery shopping. However, 30.5% of respondents held neutral. This might be because they do not have done grocery shopping through online.

4.1.8 Consumer's Opinion of Risk or Reliability of Online Grocery

This is one of the important questions for this research. This question revealed opinions of consumers a show they perceive online grocery business.

I perceive online grocery shopping as

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Risky	83	41.5	41.5	41.5
	Reliable	117	58.5	58.5	100.0
	Total	200	100.0	100.0	

Table 8 Consumer's opinion of risk or reliability of online grocery

It was indicated that majority of people think that online grocery shopping provide more reliable means to shop for. However, 41.5% of total respondents perceive online grocery shopping risky. This might be because of such concerns as security and internet viruses.

4.1.9 Consumer's Opinion of Membership Fee/Delivery Charges of Online Grocery

The second last question in the survey questionnaire deals with the consumer's prefrence to buy grocery online if the business charges annual subscription fee, but not delivery charges. The following table shows the results.

How likely would you be to buy groceries online and have them delivered if there were an annual membership fee but not delivery charges?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very Unlikely	25	12.5	12.5	12.5
	Unlikely	32	16.0	16.0	28.5
	Neither likely nor Unlikely	21	10.5	10.5	39.0
	Likely	77	38.5	38.5	77.5
	Very Likely	45	22.5	22.5	100.0
	Total	200	100.0	100.0	

Table 9 Consumer's opinion of membership fee/Delivery charges of online grocery

The above table clearly indicates that most of the consumers would like to shop grocery online if the company does not charge delivery charges while charging annual subscription fee. This shows that majority of customer would buy grocery online if business do not charge delivery fee as consumer might refrain from online shopping if delivery charges are involved per transaction. Instead, paying annually can lead to cut costs for customers to deliver products at their doorstep.

4.1.10 Consumer's Opinion Regarding Use of Online Grocery Shopping

The last question was related to the reasons that best describe prefrences of consumer to buy groceries online. Participants were given a chance to select multiple options that best describe their reasons. It was found that an average of 149 participants viewed that online shopping allow them to order items in bulk. The second best reason was that those individuals who work such as businessman or salaried employee viewed that online shopping allows them to deliver goods at their doorstep that significantly save their time. The third best reasons was that online shopping provide easiness to them as they consumers do not have to carry big bags for grocery.

Figure 1 Best Reasons to choose for online shopping

4.2 Business Implications

The data gathered from questionnaires implied that there opening an online grocery business might be successful in Malaysia as majority of the respondents support online grocery retailing as shown through the frequency tables. Also, most of the respondents viewed that they will buy grocery items through online if company would not charge delivery charges. So, Groctail will only charge annual subscription charges that will also cover delivery charges too.

Chapter 5: Business Model

5.1 Business Model Canvas

The business model canvas is one of the template of lean start-up or strategic management of business in order to develop new or documenting the existing business model. It describes the business model through a visual chart that consists of elements which describe value proposition of firm, its customers, and infrastructure as well as business assets. A business model canvas assist firm as it illustrates potential trade offs for business so as to align the activities of firm. As a new online grocery store is to be set up in Malaysia, a business model canvas is developed that would assist to realise potential tradeoffs as well.

Key Activities
Home delivery, production and design, online order and payment, details about every product

Key Partners
Suppliers and manufacturers of all products, network of sellers, online media

Key Resources
Reliable suppliers, physical warehouses and storage place, transportation facility, web and application development

Value Proposition
Time saving, free home elivery, covenience, bulk order offers

Customer Relationships
Reminder for shopping via email, feedback form, telephone service, providing discount plans for customers that have more transactions

Channels
Home delivery door to door delivery pick up, Website

Customer Segments
People Living in cold areas, Students, People with high work load, People with disabilities, people that do not have personal cars, working professionals, offices, old people

Cost Structure
Cost of incorporating the business Website, initial purchase capital, transportation costing, storage costing , Cost of customer services personnel

Revenue
Transaction fee that brands would pay to our business for bringing more customers to them ,advertisement or promotion fee when the brands want to advertise their products in our website, margin over product sales, prime annual subscriptions

Figure 2 Business Model Canvas of Groctail

5.2 Business Model Elements

A business model provides the justification of how a firm creates, captures and delivers value to its customers. This model mainly covers all the matters of interest and encompasses sufficient and necessary condition for a company's operation. A model proposed by Osterwalder and Pigneur recognized nine basic building blocks or elements of business model. These

elements were also used in the business model canvas for this project. Following are the nine elements of business model which describes the overall concept and orientation of setting up an online grocery business in Malaysia.

1. *Customer Segments*

A customer segment is one of the important elements of business model that describes who the business would target or to whom it wanted to target its products. As the business of Groctail is a retail business, so it would target mass market rather than targeting a particular segment of customer by dividing them into segments. The mass market would include working students, people who have high load, people who have disabilities, people who do have their own cars to go to a supermarket for grocery shopping, offices as well as old people and housewives who want buy more goods in less time.

2. *Key Resources*

The key resources in any business model describe what resources Does Company employs that assist to achieve goals or serve an important part in completion of any business operation or activities. For Groctail, the key resources of business are its suppliers who are reliable, storage place and physical warehouses to keep goods, facility of transportation and development of web and application. All these resources are considered as key resources in this business as these would help the business to successfully meet business goals. Lack of reliable suppliers might lead to shortage of adequate goods in warehouses as a result of which customer complaint might increase. Transportation facility is of utmost importance to deliver goods to customers on time. Lastly, the effective development of applications and web would allow easy

navigation of goods on website. Web and applications development is done by human resources, so they are also key resources to run Groctail business.

3. *Value Propositions*

A value proposition is an attractive statement of business that convinces customers to buy a product or use a service. It is a promise of value of what the company will deliver. This statement tells customers that a particular service or product would add more value than other similar offerings. The clarity of value propositions is important element in business model. The value proposition of Groctail consists of four elements:

Time Saving: By shopping online for groceries, customers can save their time. Those people who have shortage of time to buy for grocery items can save their time by shopping through online.

Free Home Delivery: Groctail will provide free home delivery to its customers. It serve as an important value proposition as a very few retailers have been offering free delivery only in few cases, such as if the place at which goods to be delivered is near, then they provide free delivery. However, Groctail will provide free delivery to all of its customers whether they live near or far of the business warehouse.

Convenience: Groctail will provide customers to conveniently shop for their groceries via internet. The customers would not have to carry big bags instead just a click will make their life easy as Groctail will deliver their goods at their doorstep.

Bulk Order Offering: Groctail will also provide its customers with an opportunity to order products in bulk quantity. This will add value to the company's offerings if customers order products in bulk quantity.

4. Customer Channels

Customer channels is defined as the channels by which company offer its products or services to customers. The only channel of Groctail through which it will offer its products is its website as it is solely based on online retailing and do not have any physical store or location.

5. Key Partners

The key partners in business model encompass the description of all those individuals and parties that make the successful operations of company and help to achieve end goals. With regard to Groctail, its key partners are suppliers and manufacturers of all products that the business would sell to its customers. An enlarged network of sellers is also key partners they will deliver goods to customers. Lastly, the online media also serve as a key partner as it would help the business to effectively conduct business promotions and advertisements.

6. Cost Structure

The cost structure in business model describes the overall cost that the business would incur at the course of its operations. Groctail cost structure will comprise of cost of website incorporation, cost of transportation, cost of initial capital purchases, customer service personnel costs and cost of storage. All these costs will form the major cost structure that will incur when Groctail start its operations.

7. Customer Relationships

In a business model, customer relationship is very important element that describes how a company would maintain relationships with its customers through adopting different strategic tools and techniques. Grocktail business will develop relationships with its customers through

reminding them via email, providing telephone service to customers to assist them. It will also use feedback forms that would help to determine what the customers want, thus building strong relationships. Grocktail will also provide discount plans for those customers that buy frequently so as to build relationships with them.

8. *Key Activities*

For Grocktail business, key activities will include designing and production of website, to provide goods via home delivery, online order and payment as well as knowing the details about each and every product that it will sell. However, business key activities would also include marketing and promotion of its business. All these activities would help the grocery business to achieve its goals.

9. *Revenue Streams*

In a business model, the revenue streams describe the sources from which the business will get profits or revenues. For Groctail, there are four key revenue streams that will help business to grow. The first is the transaction fee that different product owners would pay if Groctail brings more customers to them. Second is the promotion and advertisement fee. This will be achieved through advertisements of brands when they chose to advertise on Grocktail website. Another one is the profit margin from sales of products through website. However, the main revenue stream for Grocktail business would be prime annual subscriptions of customers. As it is offering free home delivery, so annual subscriptions would better attract customers by paying a onetime fee per year that will be the foundation of business revenues.

Chapter 6: Business Plan (3-Year Business Plan)

6.1 Vision and Mission

       A mission statement describes the short term objectives or goals of firm that it wants to achieve. On the other hand, a vision statement is a long term strategic objectives of a business which describes how a firm sees itself in the long run (Kantabutra & Avery, 2010, p. 40). The following part describes the mission statement and vision statement of Groctail business.

6.1.1 Mission Statement

       Following is the mission statement of Groctail business:

    "We will deliver best quality products to our customers in a more convenient way through fast delivery with broadest selection of goods at affordable price and will focus on priorities that would better make a difference in our online retail"

The mission statement of Groctail comprises of mainly five elements. These elements are described below:

- Delivering best quality products: Groctail will aim to deliver best quality products by providing fresh groceries to customers that will also add value to the business.

- Providing convenience: Operating an online retail store is a most significant means of providing customers with convenience. Groctail will provide easy access to its website, thus providing convenience of shopping to customers by ordering online.

- Fast delivery: Groctail's mission is to provide its customers with fast delivery of goods at their doorstep. It will do so by enlarging its base of transporting goods to customers.

- Providing broadest selection of goods: It is one of the important elements of mission statement. The web store of Groctail will provide its customers with wide range of product selection. The selection of its goods will contain fresh fruits, meat items including beef, chicken, pork and seafood, vegetables, snacks, medicines, toiletries and all related items of everyday grocery shopping.

- Affordable price: Groctail will not only provide free delivery to its customers, but also provide customers to buy goods at affordable prices than the market. It will also provide great customer service that will gain customer trust.

- Focus on priorities: Groctail will gain a good reputation in the initial first 3 years of its operations by focusing on customer priorities.

6.1.2 Vision Statement

As the vision statement defines the picture of company bin the future, it serves as strategic framework for a business. Following is the vision statement of Groctail business for three years.

"To be the favourite local online grocer in Malaysia that provides helpful and friendly service to its customers by providing quality products and building strong presence by offering competitive prices and to help people to live and eat better"

The vision statement of Groctail business captures the essence of business by describing what the business will achieve in the future. Everything that the business would do flow from its

vision. The vision statement of Groctail represents how it will meet needs of consumers by offering them healthier, easier and convenient part of life. Its vision has also captured the significance of health and wellness.

6.2 Objectives

In developing a business plan for a new venture, objectives are critically important as they provide a direction to the mission and vision of a business. Objectives in business plan provide a clear indication of where the business wants to achieve or where it is heading. To develop successful objectives, a business plan must consist of such strategies that can ultimately be turned into operational objectives of business.

With respect to Groctail business that is going to enter the Malaysian market of online retailing, following objectives are set that will help to achieve business goals and mission for the initial three months of its launch.

6.2.1 Providing customers with fast delivery

One of the main objectives of Groctail for the initial 3 years of its operations is that it will provide customers with fast delivery service that can differentiate itself from competitors. To achieve this, the business will acquire approximately 100 transportation vehicles that will help to minimize the time of delivery of goods to the customers. Groctail will employ such distribution channel that will help the company to achieve this goal.

6.2.2 Profitability objective

The objective related to profitability is considered as critical objective in planning business activities. Profitability objective in a business plan describes how much the firm is

expected to attain profits within a specified time period. The profitability objectives of Groctail are as follows:

- To earn at least $200,000 (RM. 630,173) through grocery sales by year 3.

- To start paying dividends to loyal customers by third year of business operations.

- To achieve at least 10% profitability of all business sales by the end of second year, and achieve 15% of profits of total sales by the end of year 3.

6.2.3 Increasing web presence over competitors

It is one of the important objectives as the nature of business is online retailing. So it is important to give special consideration towards this objective. Groctail will increase its web presence through effective designing of e-commerce website for sales o grocery items. To increase web presence over others in the market, Groctail will launch such marketing campaign that is laser-focused in a measurable and controllable market of online retailing. This will drive the customers towards the website of Groctail that will increase web presence too.

6.2.4 Keep customers updated

Another objective is to keep the customers updated of what the company is currently providing or what it will provide. The objective is to continually make customer aware of any business policy that can affect customers. Groctail will do so by delivering a newsletter with every delivery of its products that would better keep the customers aware of the business.

6.2.5 Improved customer experience

As an online business, customer experience serve as major factor in determining whether company will retain customers in the long-run. Customer experience could also stand on its own if companies create an innovative platform or online world (Schmitt, 2010: 165). To achieve this, Groctail will provide its customers with a better experience by designing a pleasant website and providing customers with an opportunity to easily navigate grocery items that will enhance their shopping experience.

6.2.6 Improving customer satisfaction

Improving customer satisfaction is the foundation objective of any business whether the business is operating physical or online. It sin obvious that all online retailers know that they require to continually optimizing their storefront in order to attract more customers. Groctail will increase customer satisfaction by through its customer feedback surveys. The business will conduct four customer satisfaction surveys per year so that possible flaws can be determined. The business will then focus on those flaws so as to make its customers more satisfied.

6.2.7 Introducing new product portfolio

During the initial one year or on year and six months, the business will offer grocery items to its customers. When the business will experience growth and market presence, it will introduce a new product portfolio that will not only offer additional grocery items, but also offer non-grocery items such as clothes, shoes and related accessories. The business will employ a product diversification strategy that will help to achieve business mission.

6.3 Marketing Plan

The marketing plan is an important element in a business plan that tells who the company will target and position its products in the minds of customers. The following part describes the segmentation, targeting and positioning, marketing mix and Ansoff matrix of Groctail business.

6.3.1 Segmentation targeting and positioning

6.3.1.1 Segmentation

If one defines market segment, it is a subgroup of people who share one or more similar characteristics that enable them to acquire similar products. In the process of market segmentation, a company divides market into significant group of people that are relatively identifiable and similar. However, the main purpose of segmenting market is to enable the marketer to tailor the marketing mixes in order to meet the particular needs of specific market segment. The following table shows how Groctail will segment its customers in new market of Malaysia.

Demographic Segmentation	Socio-Cultural Segmentation	Geographic Segmentation	Psychographic Segmentation
Age Groctail will segment its market based in age by offering products to people aged from 18 above that will include persons from all ages above 18 **Income** Groctail will also segment its market based on income characteristic. It will offer its products to those people that have income greater than RM. 1000. However, those people that have less than RM. 1000 can also buy products online, but mainly Groctail will segment its market to particular income group **Occupation** Groctail will segment its market based on people who are working students, housewives, old people, working professionals and self-employed	Social Class Groctail will typically target its products to those who belongs to middle class and upper middle class as well as upper class	Region and Location The business will provide its products based on geographic segmentation as it will target people of Malaysia who lived in regional and capital cities of Malaysia.	Lifestyle With respect to lifestyle of people, it will target those people who have leisure time to sought products on the internet. It will also target those whose lifestyle is fast moving i.e. people who do have sufficient time to buy grocery items and sought convenience in buying them

Table 10 Market Segmentation of Business

6.3.1.2 Targeting

Targeting involves which selected segment the company wishes to target its products that is the most attractive to the business and can provide it with maximum profit. As the business will operate in online retail market, it will use a mass marketing targeting strategy. A strategy of mass marketing defines such a business strategy that ignores differences in market segment and

target the whole market with one offer. The retail business require that companies should provide a same offer to the all of its customers as there is increased competition in this segment globally. Groctail will focus on targeting the common needs of consumers instead on what is different. This means that Groctail business will not differentiate its market segments. However, among all the market segments that are described above, the most attractive market segment for Groctail is working professionals and housewives. Working professionals seek time saving to buy grocery items, while housewives also seek convenience and wide range of product selection under one roof.

6.3.1.3 Positioning

Positioning is defined as the process of designing the offering and image of company in order to occupy a distinctive place in the minds of customers who the company is targeting its products. The major goal of positioning is to locate a brand in customer's mind that would maximize the potential benefits of firm. With regard to Groctail, it will position itself as a low price grocery online retailer that provide free delivery of goods to all of its customers regardless of the delivery location. Following is the positioning statement of Groctail business.

"For World Wide Web users who want to purchase groceries more conveniently, Groctail is a retail online business solution that provides 24 hour delivery of your goods on priority. Unlike other e-grocers, Groctail provide free home delivery with an extraordinary convenience of ordering your goods with comprehensive selection and at low price"

Other than that, Groctail will also provide discount to its regular users after a specific time period when the business will achieve its breakeven. When customers frequently buy through the website, the business will offer discount coupons based on the points that they get on

the total amount they purchase. Groctail will use this strategy as its positioning strategy that enables the customers to keep shopping with the website of company.

6.3.2 Marketing Mix

6.3.2.1 Product

Groctail will aim to offer best quality grocery items which include fruits, meat, beverages, toiletries and all related grocer items. All these items will bear the logo and slogan of brand. The business has researched the most popular colours for each category items and also gives those names so that consumers will enjoy while shopping, such as cactus green for vegetables and river red for meat and others. After one and a half year of its operations, the business will expand itself into non-grocery items such as clothing and shoes, accessories etc. at the beginning, there would be new logos and slogans for each category product, however business will also introduce new ones with the additional items. This would prevent the business strategy to be diluted and will keep the concept fresh.

6.3.2.2 Price

As discussed before, Groctail will provide its products at relatively low prices as compared to its competitors in the online retail market. The business has taken into consideration the existing competition in the online retail market in Malaysia and then priced its products. Additionally, the business is not concerned with setting high prices to signal the prestige in the minds of customers. On the other hand, the business will not also attempt to achieve goals of low pricing strategy by selling high quantities of products. To achieve this, Groctail will employ value pricing strategy so as to make customers feel comfortable purchasing groceries at their doorstep.

6.3.2.3 Promotion

Groctail will communicate with its customers by adopting different promotional strategies. The information about the business in addition the product range which it will offer will be available via internet. The business will employ different tools such as advertising on social media about the company and its products. It will advertise on Facebook, Twitter and LinkedIn so that customers become aware of the business. Additionally, business promotions will also be made via direct mailings during initial 6 months of its operation. Direct mails will be sending to customers via internet. In this way, the promotional efforts of Groctail seek to differentiate its products from those of its competitors. The promotional strategy will also include public relations. Effective public relations will be achieved through good customer service.

6.3.2.4 Place

With regard to place, Groctail will provide its products and services regional and capital cities in Malaysia. It is a complete online business that has not any physical presence in Malaysia, regardless of its storage locations. Over the initial three years, Groctail will expand its business to physical stores in different regions of Malaysia if the business will get enough profit to set up a physical store. On the other hand, Groctail will also expand itself through online by offering customized product line via internet.

6.3.3 Ansoff Matrix – Product and Market Development for 2-3years

Ansoff's Matrix is a marketing tool that allows business managers to analyse the degree of risk within a certain time period. With the help of using Ansoss Matrix, managers can apply

different techniques of decision making that would assess the potential costs and benefits of business. There are two main variables that describe the overall matrix. These are the market in which the firm is going to operate, and the price at which firm will offer its products. The following table describes the Ansoff Matrix and the strategies that revolve around this matrix.

PRODU

EXISTI   NEW

EXI

MARKET PENETRATION	PRODUCT DEVELOPMENT
MARKET DEVELOPMENT	DIVERSIFICATION

NEW

Figure 3 Ansoff Matrix

With regard to the business of Groctail, it is currently in the market development phase of Ansoff's Matrix. This is because the business is entering into the new market of Malaysia with existing product. This will pose medium risk to the business which also requires embracing marketing and promotional strategies.

6.4 Organisational/ Operational Plan

The organizational plan of a business describes the structure of organization as well as organization chart, its human resources that it employs top conduct various business activities.

On the other hand, the business plan describes the firm's business processes through the use of different business models. However, in this case Porter value chain is used to describe the processes and activities of Groctail business.

6.4.1 Organization structure and Chart
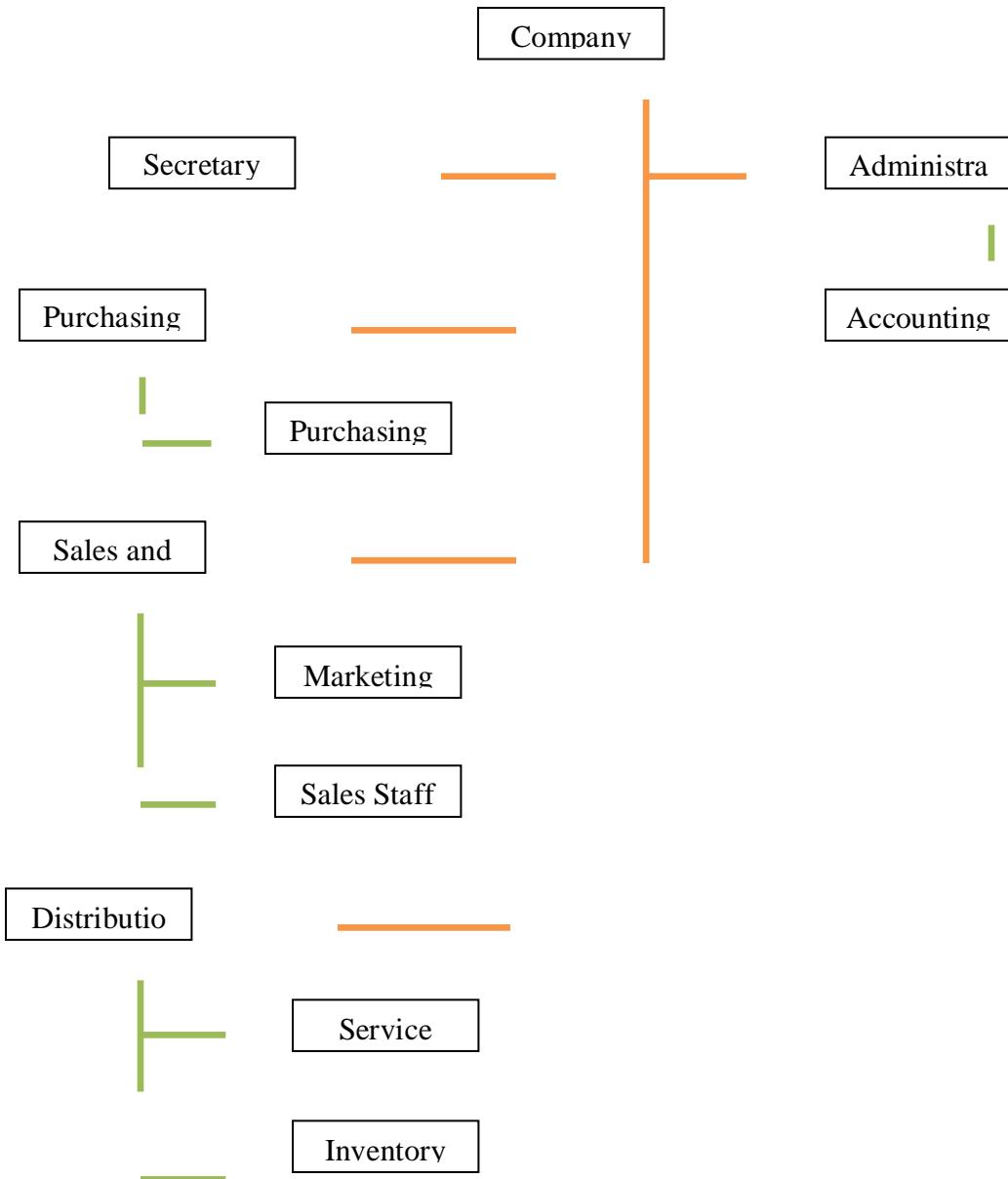
Figure 4 Organisational Chart of Business

The above chart shows the organizational chart of Groctail business. It shows hierarchy through organizational structure. It is clear that the organizational hierarchy of Groctail business is divided into two main hierarchies, administration and secretary. The administration staff consists of accounting staff to keep an eye over all of the accounting operations of business. As the business will solely operate online, the accounting staff is responsible for merchandising of business operations. The second level of hierarchy that is secretary staff consists of three major levels. They are purchasing, marketing and sales and distribution. The purchasing department consist of purchasing staff while the marketing and sales consist of marketing and public relations staff, and sales staff. The distribution staff consists of inventory staff and service staff.

6.4.2 Human Resources

The human resource is a very important part of a business as this resource is the one who make company operational. The following part describes the summary of management at Groctail as well as personnel plan that also include cost structure for hiring them and also cover the staff qualification.

6.4.2.1 Summary of Management

As it was described before, Groctail will be a single owned business by one owner not operating as a joint venture. The CEO of the company will be the owner of Groctail business who will control all the departments under his supervision. As the company is newly entering the Malaysian online retail market, it might be possible that there will be no formal structure at first which also contain a few employees. The above structure is according to the three years forecast of business. The below table describes the key staff of Groctail management and description of their qualifications, age and experience.

Management	Age	Minimum required qualification	Minimum Experience (in years)
Secretary	22-30	GCSE	2
Accounting Staff	25-40	A Levels	4
Purchasing Staff	30-45	Master's Degree	1.5
Marketing and PR Staff	25-35	Master's Degree	3
Sales Staff	28-35	Professional Cerificate in Education/Master's Degree	2
Service Staff	22-35	Intermediate/Graduate Certificate	1
Inventory Staff	24-32	Intermediate/Diploma	6 months

Table 11 Summary of Management

6.4.2.1 Personnel Plan

Initially, the business will comprise of small number of staff. The following personnel plan highlights the cost of each hierarchy with respect to the three years forecast.

Personnel	Year 1	Year 2	Year 3
CEO	$42000	$48000	$53000
Secretary	$20000	$25000	$30000
Accounting Staff	$25000	$30000	$35000
Purchasing Staff	$25000	$28000	$30000
Marketing and PR Staff	$28000	$31000	$36000
Sales Staff	$24000	$26000	$31000
Service Staff	$20000	$26000	$32000
Inventory Staff	$21000	$28000	$35000
Total Payroll	$205000	$242000	$282000

Table 12 Personnel plan of Business

6.4.3 Business Process – Porter Value Chain

In a business model, the value chain describe the activities of firm that link key value added activities of business with the interface of support activities. Businesses imply value chain as a tool for their strategic evaluations that distinguishes their weaknesses and strengths in value adding activities. In short, value chain consists of those activities that firm undertake to deliver

differentiated products in the market. The model consists of primary and support activities of business. The following diagram shows the primary activities of Porter's value chain.

```
┌─────────────┐
│   Inbound   │
│             │
└─────────────┘
       ↓
┌─────────────┐
│ Operations  │
└─────────────┘
       ↓
┌─────────────┐
│  Outbound   │
│             │
└─────────────┘
       ↓
┌─────────────┐
│Marketing and│
│             │
└─────────────┘
       ↓
┌─────────────┐
│  Services   │
└─────────────┘
```
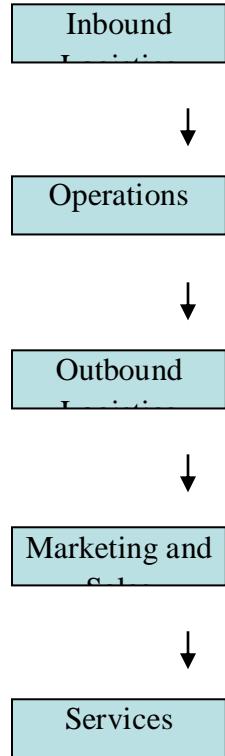
Figure 5 Primary Activities in Porter's Value Chain

Through value chain, businesses tend to create value by transformation of input into more refined outputs. In case of Groctail business, a number of single products will be put together in order to create a total order. However, the total value chain will include the order of entry through using website and then picking the order. The order is then delivered to the customer and then after sales service is given to the customer if the order that was placed has any defect.

6.4.3.1 Primary Activities

With respect to primary activities the inbound logistics of Groctail will consist of building relationships with suppliers of products. The business will also receive inputs (products) in inbound activities which will be stored in the Groctail warehouses. On the other hand, the operations consist of all activities that transform input into outputs. Here, the customer will place order through company's website which will then tracked by the staff so that it can be delivered to them. The business will then provide product delivery to final customer which will include in outbound logistics of Groctail. With regard to marketing and sales, Groctail will market its products through web advertisements as well as providing discount to initial customers that will induce them to buy products. The service aspect of primary activities of Groctail will consist of all those activities that will keep the business working effectively.

6.4.3.2 Secondary Activities

The secondary activities of business include human resource management, technological development, firm's infrastructure and procurement. In procurement, Groctail will acquire grocery products as the input items from the contracted suppliers of grocery items in Malaysia. The business will recruit and train its staff also during its operations as secondary activity of business. If the business sees that some personnel are not working accordingly, it can also dismiss or lay off those personnel. One of the most important secondary activities of Groctail will be its technological development. As the business will operate online, acquisition of technologically developed and updated tools for website is of critical importance. Lastly, the business infrastructure will consist of various heads and departments that are also highlighted before.

6.5 Financial Plan

A sound financial plan serves as a key factor for successful start-up of business. Besides the importance of financial needs of business, the plan also require to ensure than business remains liquor and profitable. The following part describes the financial plan of Groctail which consist of balance sheet and income statement based on a three years forecast. This part also discusses various assumptions, analysis justifications of the figures that included in both income statement and balance sheet.

6.5.1 3-Year Forecast Income Statement

The income statement is a profit and loss statement of business. It highlights the fixed costs, variable cost and net profit of business. The below table shows income statement of Groctail business for 3 years forecast in terms of Malaysian Currency (RM).

	Year 1	Year 2	Year 3
Revenues/Sales	254,800,000	293,825,000	337,89800
Variable Costs			
Purchases	182,500,00	209,875,00	241,356,25
Gross Margin	72,300,00	83,950,00	96,541,75
Fixed Costs			
Salary	205000	232000	282000
Rent	12,000,00	12,000,00	12,000,00
Marketing	7200,00	7200,00	7200,00
Accounting	900,000	900,000	900,000
Equipment	2400,00	2400,00	2400,00
Web Page designing	4000,00		
Web Page Service	300,00	300,00	300,00
Delivery Service	400,00	400,00	400,00
Total Fixed Costs	3735000	3362000	3412000
Gross Profit	3795000	5033000	6242175

Table 13 3-Year Forecast Income Statement

6.5.2 3-Year Forecast Balance Sheet

	Year 1	Year 2	Year 3
ASSETS			
Current Assets			
Cash	RM. 62,715	RM. 135,771	RM. 243,806
Inventory	113,365	17,375	22,586
Other Current Assets	0	0	0
Total Current Assets	76,080	153,146	266,393
Long Term Assets			
Long term assets	0	0	0
Accumulated depreciation	0	0	0
Total Long Term Assets	0	0	0
Total Assets	76,080	153,146	266,393
LIABILITIES AND CAPITAL			
Current Liabilities			
Accounts Payable	15,762	20,491	26,426
Current Borrowing	0	0	0
Other current liabilities	2000	2000	2000
Sub-total current liabilities	17,762	22,491	28,426
Long term liabilities	13,400	10,100	6,800
Total Liabilities	31,162	32,591	35,226
Paid-in Capital	51,00	51,00	51,00
Retained Earnings	(9416)	(39,818)	(115,455)
Earnings	49,234	75,637	110,612
Total Capital	44,918	120,555	231,167
Total Liabilities and Capital	76,080	153,146	266,393
Net Worth	44,918	120,555	231,167
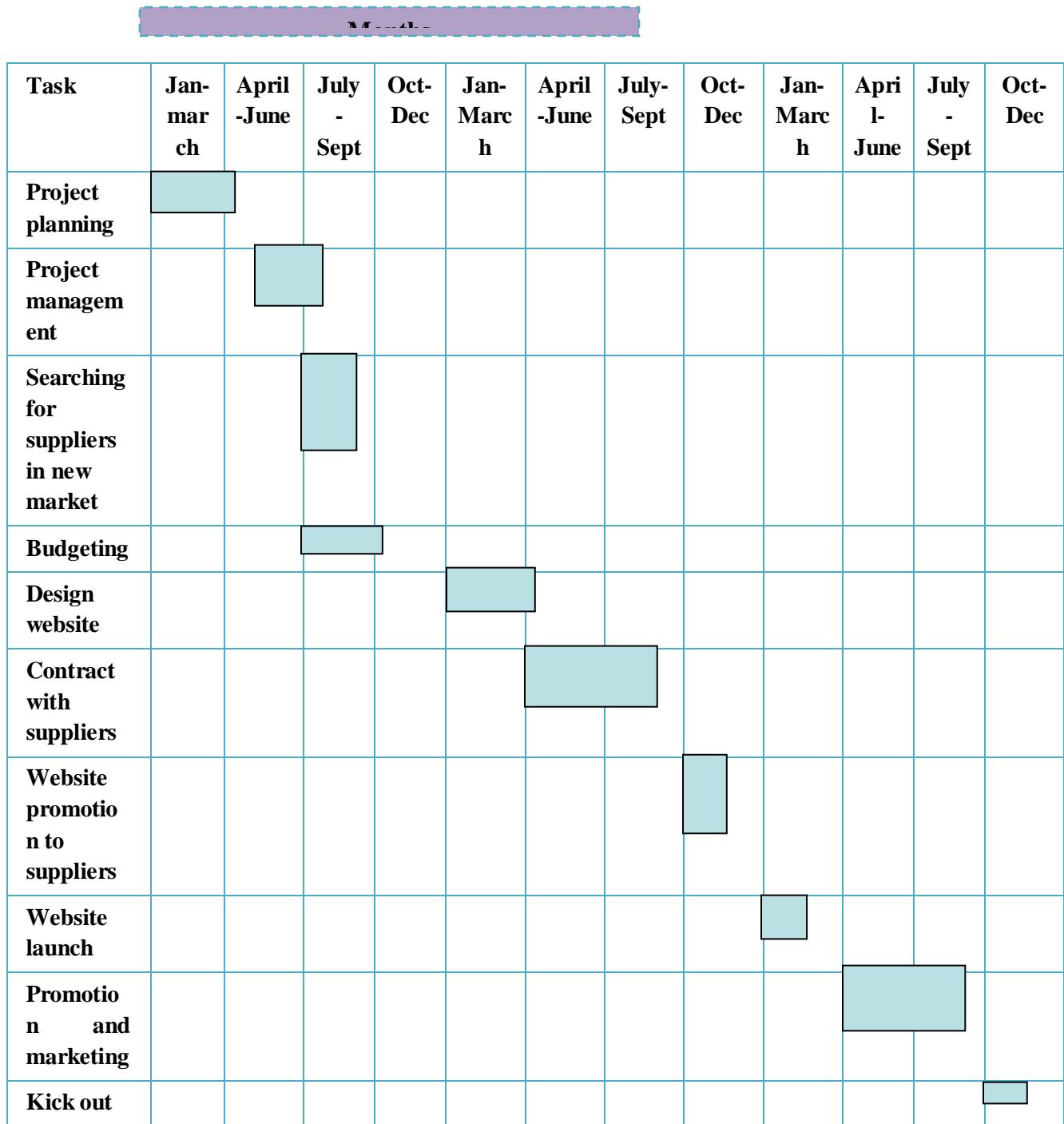
Table 14 3-Year Forecast Balance Sheet

6.5.3 Assumption, Analysis and Justifications

It is obvious that revenue stream for first year is surely less than next two years of company's operations. This is because business will enter the new market, and as the business has not already built brand name in other markets, so it will take time to establish the business through extensive promotional campaigns. The costs that will vary consist of business purchases

and gross margins. While the costs that are fixed will be equipment, rent, salary, marketing, accounting and other fixed costs. In the year 1, the business is expected to gain a gross profit of nearly RM. 3795000 which will increase in further two years. With regard to the balance sheet, it can be seen that there is no long term assets of business because the firm will operate online. However, customers can be long term assets for business that are intangible. The expected net worth of business in first year will be RM. 44918 which will further increase in next two years. The grocery retail business is profitable so it is expected that business net worth will grow 3% annually.

6.6 Implementation Schedule – Gantt chart

Months

Task	Jan-march	April-June	July-Sept	Oct-Dec	Jan-March	April-June	July-Sept	Oct-Dec	Jan-March	April-June	July-Sept	Oct-Dec
Project planning	▨											
Project management		▨										
Searching for suppliers in new market			▨									
Budgeting			▨									
Design website					▨							
Contract with suppliers						▨						
Website promotion to suppliers								▨				
Website launch									▨			
Promotion and marketing										▨		
Kick out												▨

6.7 Critical Success Factors

The success of Groctail will depend on multiple factors that require to be taken into consideration before undergoing actual launch of the business so as to avoid any negative impact on the entire business. Following will be the critical success factors for to set up an online grocery store in Malaysia.

- The company will undertake strong branding and promotions of its website through different channels.

- The business will have a unique merchandising in its operations.

- The business will add value to the customers by providing discount packages to regular customers.

- Prices of products sold through Groctail will be competitive in Malaysian online grocery market.

- The company will have better efficiency of distribution as it will provide fast delivery to customers.

- Groctail will have a soothing design of its website that will enhance customer experience.

- The business website would provide ease of navigation with fast site load times to its customers.

- Multiple language option will be provided on the website that will enhance customer experience.

- Groctail will not hide any additional costs associated with the products, it will clearly display all additional costs (if present) with easy edition of customer's shopping cart. It will also provide thorough product information.

- Groctail will also provide its customers 7 day money back guarantee if the product does not meet their need or is defected (in rare cases).

6.8 Risk Mitigation/Contingency Plan

A contingency plan defines the businesses' proposed implementation plan which is triggered by some emergency or event. Such event may be liable to create notable business problems or potential real liabilities if the business does not respond to it quickly. With regard to Groctail, it can experience many risks as operating an online business is not an easy task. Such risks include financial risks, operational risks and technical risks as well as member risk. The technical risk might occur if the business experience failure in system functionalities. This can affect business performance. Moreover, operational risk can occur if the information to customer is not delivered on time. Financial risk can occur if the business's projects do not follow according to the planned budget. Lastly, the member risk might occur if staff or personnel fail to meet customer requirement. Following table describes the contingency plan for Groctail business with regard to these risks.

Type of Risk	Possible Event	Priority	Impact on Business	Solution to Deal with the Risk	Expected Time Duration
Financial risk	Any project undergoing behind the schedule	2	high	Add more project members or recruit new one	5-7 days
Operational risk	Supplier fail to deliver adequate products	3	medium	Search for new supplier	3 days
Technical risk	Security issues, virus in systems	1	Very high	Update systems and resolve for issues	2-4 days
Member risk	Customer not getting information on what he want to get	4	medium	Train customer service staff or hire new one	3 days

Table 15 Contingency Plan of Business

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Appendices

A- Participant Consent Form

Westminster
INTERNATIONAL COLLEGE

Participant name or Study ID Number:

Title of Project:

Name of Researcher:

_____

Participant to complete this section: Please initial each box.

1.   I confirm that I have read and understand the information sheet for the above study.
     I have had the opportunity to consider the information, ask questions and have had
     these answered satisfactorily.   ☐

2.   I understand that my participation is voluntary and that I am free to withdraw at any
     time, without giving any reason.   ☐

3.   I agree to take part in the above study.   ☐

                                                                                     ☐

4.   I agree to the use of anonymised quotes in publications

_____   _____

Signature of Participant   Date

_____   _____

Name of person taking consent   Date

_____

Signature of person taking consent

B- Questionnaire

This survey is designed to know your preferences regarding online grocery shopping. It will take 5-10 minutes to complete. Your participation for this survey will highly be appreciated. Please read all the questions carefully and answer the entire questionnaire in the specified order. Your information will be strictly confidential.

1. Gender

   - Male

   - Female

2. Age

   - 18-25

   - 26-30

   - 31-40

   - 41-50

   - Above 50

3. What is your approximate monthly household income

   - RM. 10000- RM. 15000

   - RM. 15000- RM. 20,000

   - RM. 20,000- RM. 25,000

   - RM. 25,000- RM. 30,000

   - Above RM. 30,000

4. What is your occupation?

- Salaried employee

- Business owner

- Housewife

- Student

- Other

5. How many times per week do you go online (email, Internet, etc)?

- 1-2 times

- 3-4 times

- 5-6 times

- Daily

6. Where do you tend to buy your groceries from, an online retailer or a supermarket store?

- I go to supermarket store

- I buy from an online grocery store

- I buy from online grocery retailers and supermarket stores

- I do not do any grocery shopping

7. Do you think that navigating through grocery shopping website and finding right

    products is easier than in-store grocery shopping?

- Yes

- No

- Maybe

8. I perceive online grocery shopping as:

- Risky

- Reliable

9. How likely would you be to buy groceries online and have them delivered if there were

an annual membership fee but not delivery charges?

- Very unlikely

- Unlikely

- Neither likely nor unlikely

- Likely

- Very likely

10. Which of the following reasons describe your reasons for grocery shopping online? (You

can tick multiple options)

- Online shopping is easier for me as I don't have to carry heavy bags

- My preferred supermarket is too far away

- Online shopping allows me to order items in bulk

- It is difficult for me to visit my local supermarket as I have health related

  problems

- My local shopping centre does not meet my needs

- I work and online shopping allows me to deliver my goods at a time suitable for

  me

- Other (please specify)