

CAPITAL and SOURCING
for your online trading.

ECOMMERCE 102

Each and every expectation will be requiring different capital outlay:

Participation Fee for Ecom102 Course is a consideration, part of your business capital exposure. It should be a consideration as your initial investment for your online business. Depending on what course or batch you are enrol, your participation as investment will vary.

Your course expectation is actually your e-commerce business model

▶ 1) Possible Sales Revenues -

Capital Consideration: Quantified time, well develop website as your online store, items to sell, and marketing activities/ marketing budget online.

▶ 2) Possible Compensation from Job Contracts or Service Outsource-

Capital Consideration: Quantified time, Education/ Fast Track, VA for eBay and/or other courses.

▶ 3) Possible Sales proceed from your case-study website-

Capital Consideration: Quantified time, Cost of Time (time from site development to the time you will sell your site), Content (Information, Subscribers, Inventories)

SO HOW MUCH IS MY POSSIBLE CAPITAL?

To Answer that, you need to qualify first what type of an online practitioner you are.

1)Hobbies- If there is only an opportunity to sell or to earn something online.

2)Passive Income/ Part Time- You take advantage of what is around you given that extra time allowed.

3) Merchant- Full time career/ Looking for a trend or you set the Trend.

...All three categories of sellers have their own rewards.

You would know the type of an online business practitioner you are, you would also know what level of capital you need to start on online business.

▶ 1) Hobbies-

Capital Consideration: Time to source out what you already have. Normally a hobbies do not cash out capital. She/He leverage on what she/he already have. Hobbies leverage on personal contact.

▶ 2) Passive Income Earner/Pastime-

Capital Consideration: Time to source out what you can actually take advantage around you. Your online business adjust to your personal or other business routine. Sometimes no cash out depending on arrangement or minimal cash out to make the supply adjust to your existing routine.

▶ 3) Online Merchant -

Capital Consideration: Quantified time, well developed website as your online store, items to sell, marketing activities expense, marketing online budget.

Sourcing for Products to Sell Online

INVENTORIES = BUSINESS CAPITAL ONLINE

- ▶ Trading (Buy and Sell)
- ▶ Manufacturing (Producing your own products)
- ▶ Drop shipping (Online Product Sourcing or Remote Fulfilment)

Sourcing for Products to Sell Online

▶ Trading (Buy and Sell)

- 1) Source item that is in demand/ Source items that is SELLING.
- 2) Market Study use your 8th Sense.
- 3) Capital - for CASH BASIS

Learn the art of negotiation.

- a) Use the Power of Cash (haggle price of inventories because you are paying cash)
- b) Discounts on Quantity (haggle price of inventories because you are buying more)
- c) Buy in Bulk (haggle price of inventories because you are buying more than usual for resale)
- d) Accumulate Purchase (haggle price because you will always buy. Repeat orders open result to term/consignment agreement and/or credit facility to a supplier)

The Art of Negotiation in Sourcing (Trading Buy/Sell)

3-d) TERM and Consignment Arrangement.

1) Dealers Contract for distributions.

(Company with initial cash out for subscription)

2) Term Arrangements - (Negotiation Measuring Time)

a) With or without PDCs 15-30-45-60 days term

(price of inventories change depending on length of terms). Normally PDCs are rediscounted.

b) With Down Payment plus PDCs 15-30-45-60 days term.

c) With CASH security against sold items and leeway for returns.

3) Consignment basis- (Unsecured stock-Selling Pictures)

Note: Entering in to such arrangement consider your cost in securing one sold item for delivery. I do not consider this as a profitable option especially if item sold is low ticket priced items. The mark up might not be enough to cover the cost in securing one sold item.

4) Consignment basis- (Secured stock/remit proceed from sold items with or without return.)

Consignment basis with returns. Note: Probably items are not fast moving or over stock (returns are low)

Consignment basis with out-returns. Note: (study the market first if you can flip the stock easy/ price in acquiring should be lower in consideration for unsold and storage cost. Go for longer terms of payment arrangements).

.....Everything can be a combination of one or two negotiation approach.

Sourcing for Products to Sell Online

▶ Manufacturing (Producing your own products)

1. Produce a product that is in demand/ items that is SELLING.
2. Produce item that is invented/uniquely your own and sell to your immediate. (marketing strategy)
3. Market Study/ Marketing Study/ Your 8th Sense.

Capital- Manufacturing Cost:

- A) Space - Building, operational space to produce.
- B) Materials - Raw materials (product) to create a new product.
- C) Labor - Compensation, Management
- D) Machine- Acquisition, Maintenance, Depreciation
- E) *Government-(depending on the size of operation and production).*

Manufacturing (Producing your own products)

Consideration:

- ▶ Cost in manufacturing of products will base on what type of product are you producing and the size of manufacturing activities your operation are capable of.
- ▶ In business you should differentiate manufacturing operations from marketing activities. Normally it is not a good practice for e-commerce as a merchant you do both the manufacturing and marketing for the business.

Why?

- 1) Time is currency online.
- 2) Your inventories needs to be consistent online.
- 3) Marketing online is repetition.

Sourcing for Products to Sell Online

► Drop shipping (Online Product Source/ Remote Fulfilment)

Note:

1. You do not dropship digital products, physical products that needs delivery.
2. Dropship is different from affiliate marketing business although a tin line can be drawn to differentiate and compare.
 - **In drop shipment**, you may not have the goods in your hands, but as a retailer, you own those goods (in theory, and legally), you take all responsibility for whatever may transpire in the course of delivering those goods to the customer. You create your own brand ownership, take control of the mark-up to make a more desirable profit. Commission, or profit share arrangement is possible depending on the customized agreement between supplier and you. Minimum orders and discounts are always determine before any dropship arrangements.
 - **In affiliate marketing**, you are a third party who markets and sends potential customers to the retailer through affiliate marketing programs. You carry other brand and sell them online. You don't have to bother yourself with any matter concerning payment, delivery, inventory, warehousing or aftersales service. You are a digital marketing.
3. Dropship is an arrangement for supply chain either for B2B or B2B2C or both. Dropship is Logistic management, it can be customized. Terms and ways to earn may vary depending on the platform and the providers.

CAPITAL- CASH EXPOSURE

As a potential online merchant - it is ideal to start business with the first 100 items.

Product Profitability/ Pricing and Profit

Will be discuss in-depth on Session 4.

- ▶ Use the Power of Cash in sourcing
 1. Trading (Buy and Sell).
 2. Manufacturing (Producing your own products).

- ▶ Quantified time (your time).
- ▶ Quantified time (Assist/Labor/Outsource).

- ▶ Well develop website as your online store
- ▶ Marketing activities/ marketing budget.

- ▶ Space for inventory stock. (case to case)

Source of Cash for E-commerce Capital Outlay

- ▶ Personal Savings
- ▶ Savings of your Family (Family Fund)
- ▶ Angel Investors
(Create a Feasibility for your Online Business/ Cash Flow and RIO. Expect Equity Share for the Angel Investor).
- ▶ Bank Personal Loan or business loan/ Financing House/ Cooperatives/ Government Programs.
 - *Between P5K to P2M with monthly 1.25% to 50%. Case to case interest premium for the loans depending on their compounding formula.
 - *Expect processing fee estimate between P2000 to P2500.
 - *Documentations and requirements are stricter usually your business or employment is 12 months establish.
 - *You need clean credit background (in the Philippines no record w/ CREDIT INFORMATION BUREAU, INC)
(In USA, CANADA, Australia, Japan you must have a high credit score evaluation)
- ▶ Credit Card P15K to P350K monthly 3.2% interest compounded. (Use CC to buy inventories.)
- ▶ Credit Card P100 to P350K for cash advance expect 5% monthly interest compounding.
Processing fee eg., between P1000 or 2% (depending on CC/Bank)

Source of Cash for E-commerce Capital Outlay

Courtesy of Batch 4

- ▶ Dividend from your Investment - cash value from insurance, stocks, bonds and others.
- ▶ Liquidation of other investment - stocks, currency savings (forex), property, bonds, paintings, antiques, other valuable.
- ▶ Loan against your own investment - life insurance, pension other pre-needs etc.

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