



Fragrance Distributor on the Internet
(www.aromatica.com)

by
Mr. Choosak Prakongsant

A Final Report of the Three-Credit Course
IC 6997 E-Commerce Practicum

Submitted in Partial Fulfillment
of the Requirements for the Degree of
Master of Science
in Internet and E-Commerce Technology
Assumption University

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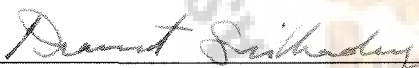
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ABSTRACT

Aromatica.com is a wholesale and retail distributor of the perfume industry which has the objective to be the market leader and gain the highest dividend of market share in this industry.

This website project has been developed in order to fulfill the customer's need and desire for having the brand perfume at a reasonable price. Nevertheless, it has been conducted in order to extend marketing channels which will be used to increase income and customers, awareness and reliability. It also aims to improve the work efficiency, capability, control, decision making and increase customer services regarding fragrance purchasing easier.

Furthermore, this project is designed with the purpose of providing all potential buyers with necessary information. Although this web site is just the information provider web site, it now has an online payment. But it will answer the needs of this company. Creating online shop is not easy but the most difficult part is analyzing and planning to manage it effectively. This website will be created and developed as usual to maintain the regular and prospected customers, and find new customers to expand the sales volume of the company. Everything from the experience, knowledge from marketing team and management merge to be "Aromatica.com"

Finally, this project would be described in detail about financial analysis and marketing strategies which have been used to create and plan for Aromatica.com (our website). And then it would be useful for updating future trend for perfume issues in the website as well.

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I. INTRODUCTION

1.1 Internet and E-Commerce

Internet technology has become an important factor for the business, lifestyle, and so on. One of the most significant changes is the way in which business is concluded, especially managing the marketplace and commerce. The Internet technology offers an alternative for commercial as E-Commerce. E-Commerce can improve marketing, customer service, and sales.

The Internet is a channel of Electronic Commerce (EC) that is a part of electronic business for. Not only selling or buying, but also marketing, advertising, promotion, and so on. Electronic Commerce provides a convenient way in shopping, price comparison, and product searching. As the Internet benefits are so huge, many cyber shops have emerged. However, not everyone would be successful in developing the Electronic Commerce. To be successful, people must offer the right products to the right persons at the right time to make the online sales. Also, the company should respond to customers' needs and know how to capitalize on those needs.

E-Commerce provides convenient ways in service, shopping, price comparison, and product searching. Since the Internet benefits are so huge, I would like to do business online. Internet is an open system. Therefore, I would like to operate B2B (Business to Business).

Such a revolution brings both opportunities and risks. There will be high competitions in this field because of not just competing with local but with international markets. The competition today is not among products but among business models. The hottest and most dangerous new business models are on the Web.

1.2 Why web site was created

Aromatica Company is a trading company that sells variety kinds of brand name perfumes which come from everywhere in the world. The main products are Brand name Perfume such as Gucci, CK, Armani and etc. This main product is fragrance and cologne for men and women. Actually, we have got customers' orders directly by walking into our shop, and then we have created a new convenient way for them by using the Internet to be the intermediary of purchasing transaction. Furthermore, lack of communication and marketing strategies are the big problems of this company. So the web site project was created to increase more income and higher margin of revenue as well. Our target groups are people who are working and would like get better feeling of granted. They are approximately 18 years old and over of every gender. The purposes are to maintain the current customers and try to find more customers every day in order to generate revenue from selling all brands of perfume, to enable consumers to visit the site 24 hours a day, to reduce cost i.e. lower cost in printing, brochure, order taking, market research, to open new markets and to reach new customers, to be able to offer more products to the customers than they could ever find an ordinary catalog or in a traditional trade. Of course, they must be able to get the information from the Internet and E-Commerce. Before creating an online store, Aromatica Company set up a business plan, product strategies, marketing and sales strategies and how to manage marketing mix and customer delivered value. There are analysis by SWOT analysis, competitor analysis, and cost and benefit analysis and so on to find the best way to manage the online shop.

Aromatica.com was created by this project to fulfill the requirements and solve the problems of lack of communication. Lots of strategies from marketing business, and design were used into the web site. Although this web site is just the information

provider web site, which does not have online payment. But it will answer the needs of this company. Creating online shop is not easy but the more difficult part is analyzing and planning to manage it effectively. This web site will create and develop the sales volume of the company. Everything from the experiences, knowledge from marketing team and management merge to be “aromatica.com”.

The objective of the project is to create a web site to be the communication channel to the global market. The main reason for our company to expand business internationally is to ensure long-term growth and profitability. Another reason is the need to respond to new market opportunities and to face existing market realities. The company has had a lot of experience in importing brand name perfume for selling transactions.

The sales information system provides visitors the business data similar to the way they will find products in the web site as in a showroom. Customers receive 24 hours online information service and are able to contact the firm by e-mail. It is convenient for customers to view goods and get services provided on the web and electronically request the quotation any time from private places.

1.3 Scope of Project

“Fragrance or Perfume” is now acted as decorated clothes for working women and men who would like to get more confidence while on duty. It is also specialty goods, which makes a person who is using it to be fascinated as well. Therefore, sufficient and several of information is the most important factor for buying a fashionable or trend perfume on line. Buying a bottle of perfume requires many factors to make a decision and it will be worth if the buyers get the product at a reasonable price and favorite odor, the best services at the same time when they buy it.

The entire process may not seem overwhelming to prospective buyers because of the product characteristic is not complicated.

This project is designed with the purpose of providing all potential buyers with the necessary information. We are an intermediary between customers who would like to buy the fashionable perfume and the famous brand name and fragrance producers who manufacture regarding to customers' needs and desires. Not only good information but also marketing strategy and computerized system are important to achieve our company's goal and targets.

1.4 Objectives of The Project

The objectives of this project are as follows:

- (1) To provide full range of service related to all brand name fragrance at one point including pictures of designed bottle, odors, prices, and all necessary information which could be beneficial to customers' decision.
- (2) To provide convenience, flexibility, and effective information to select a preferred or favorite perfume for the most worth.
- (3) To provide research and reports to all level of management in order to plan the target group and facilitate the ways to achieve the goals.
- (4) To assist both parties of perfumes manufacturers in order to distribute their products and the end customers (users) for giving the useful information in order to make a better decision.

1.5 Deliverables

- (1) Website of Aromatica Shop
- (2) Project Report

II. LITERATURE REVIEW

2.1. What is E-Commerce?

Electronic commerce is an emerging concept that describes the process of buying and selling or exchanging of products, services and information via computer network including the Internet. The term commerce is viewed by some as transactions conducted between partners. Therefore, the term electronic commerce seems to be fairly narrow to some people. Thus, many use the term e-business. It refers to a broader definition of business partners, and conducting electronic transactions within an organization. According to Lou Gerstner, IBM's CEO: "E-business is all about time cycle, speed, globalization, enhanced productivity, reaching new customers and sharing knowledge across institution for competitive advantage."

2.2 The Benefits of E-Commerce

Few innovations in human history encompass as many potential benefits as E-commerce does. The global nature of the technology, low cost, opportunity to reach hundreds of millions of people (projected within 10 years), interactive nature, variety of possibilities, and resourcefulness and rapid growth of the supporting infrastructures (especially the Web) result in many potential benefits to organizations, individuals, and society. These benefits are just starting to materialize, but they will increase significantly as E-Commerce expands. It is not surprising that some maintain that the E-Commerce revolution is just "as profound as the change that came with the industrial revolution".

Benefit to Organizations

The benefits to organizations are as follows:

- (1) Electronic commerce expands the marketplace to national markets. With minimal capital outlay, a company can easily and quickly locate more

customers, the best suppliers, and the most suitable business partners worldwide. For example, in 1997, Boeing Corporation reported a savings posted on the Internet. A small vendor in Hungary answered the request and won the electronic bid. Not only was the subsystem cheaper, but it was delivered quickly.

- (2) Electronic commerce decreases the cost of creating, processing, distributing, storing, and retrieving paper-based information. For example, by introducing an electronic procurement system, companies can cut the purchasing administrative costs by as much as 85 percent.
- (3) Electronic commerce allows reduced inventories and overhead by facilitating “pull” type supply chain management. In a pull-type system the process starts from customer orders and uses just-in-time manufacturing.
- (4) The pull-type processing enables expensive customization of products and services which provides competitive advantage to its implementers.
- (5) Electronic commerce reduces the time between the outlay of capital and the receipt of products and services.
- (6) Electronic commerce supports business processes reengineering efforts. By changing processes, productivity of salespeople, knowledge of workers, and administrators can increase by 100 percent or more.
- (7) Electronic commerce lowers telecommunications cost – the Internet is much cheaper than VANs.
- (8) Other benefits include improving images, improved customer service, newly found business partners, simplifying processes, compressing time, increasing productivity, eliminating paper, expediting access to information, reducing transportation costs, and increasing flexibility.

Benefits to Customers

The benefits of E-Commerce to customers are as follows:

- (1) Electronic commerce enables customers to shop or do other transactions 24 hours a day, all year round, from almost any location.
- (2) Electronic commerce provides customers with more choices; they can select from many vendors and from more products.
- (3) Electronic commerce frequently provides customers with less expensive products and services by allowing them to shop in many places and conduct quick comparisons.
- (4) In some cases, especially with digitized products, E-Commerce allows quick delivery.
- (5) Customers can receive relevant and detailed information in seconds, rather than days or weeks.
- (6) Electronic commerce makes it possible to participate in virtual auctions.
- (7) Electronic commerce allows customers to interact with other customers in electronic communities and exchange ideas as well as compare experiences.
- (8) Electronic commerce facilitates competition, which results in substantial discounts.

Benefits to Society

The benefits of E-Commerce to society are as follows:

- (1) Electronic commerce enables more individuals to work at home and to do less traveling for shopping, resulting in less traffic on the roads and lower air pollution.
- (2) Electronic commerce allows some merchandise to be sold at lower prices, so less affluent people can buy more and increase their standard of living.

- (3) Electronic commerce enables people in third world countries and rural areas to enjoy products and services that otherwise are not available to them. This includes opportunities to learn professions and earn college degrees.
- (4) Electronic commerce facilitates delivery of public services, such as health care, education, and distribution of government social services at a reduced cost and/or improved quality. Health-care services, for example, can reach patients in rural areas.

2.3 The limitations of E-Commerce

The limitations of E-Commerce can be grouped into technical and non-technical categories as follows:

Technical Limitations of E-Commerce

The technical limitations of E-Commerce are as follows:

- (1) There is a lack of system security, reliability, standards, and some communications protocols.
- (2) There is insufficient telecommunication bandwidth.
- (3) The software development tools are still evolving and changing rapidly.
- (4) It is difficult to integrate the Internet and E-Commerce software with some existing applications and databases.
- (5) Vendors many need special Web servers and other infrastructures, in addition to the network servers.
- (6) Some E-commerce software might not fit with some hardware, or may be incompatible with some operating systems or other components.

As this passes, these limitations will lessen or be overcome; appropriate planning can minimize their impact.

Non-technical Limitations

Of the many non-technical limitations that slow the spread of E-Commerce the following are the major ones, according to a survey conducted by *Internet Week* (1998)

- (1) **Cost and justification** (34.8 percent of the respondents). The cost of developing E-Commerce in-house can be very high, and mistakes due to lack of experience may result in delays. There are many opportunities for outsourcing, but where one must deal with some intangible benefits (such as improved customer service the value of advertisement), which are difficult to quantify.
- (2) **Security and privacy** (17.2 percent). These issues are especially important in the B2C area, especially security issues which are perceived to be more serious than they really are if appropriate encryption is used. Privacy measures are constantly improved. Yet, the customers perceived these issues as very important, and, the E-Commerce industry has a very long and difficult task of convincing customers that online transactions and privacy are, in fact, very secure.
- (3) **Lack of trust and resistance** (4.4 percent). Customers do not trust an unknown faceless seller (sometimes they do not trust even known ones), paperless transactions, and electronic money. So switching from physical to virtual stores may be difficult.
- (4) **Other limiting factors**. Lack of touch and feel online. Some customers like to touch items such as clothes and like to know exactly what they are buying.

- (a) Many legal issues are as yet unresolved, and government regulations and standards are not looking for a stable area before they enter into it.
- (b) Electronic commerce, as a discipline, is still evolving and changing rapidly. Many people are looking for a stable area before they enter into it.
- (c) There are not enough support services. For example, copyright clearance centers for E-Commerce transactions do not exist, and high-quality evaluations, or qualified E-Commerce tax experts, are rare.
- (d) In most applications there are not yet enough sellers and buyers for profitable E-Commerce operations.
- (e) Electronic commerce could result in a breakdown of human relationships.
- (f) Accessibility to the Internet is still expensive and/or inconvenient for many potential customers. (With Web TV, kiosks, and constant media attention, the critical mass will eventually develop.)

Despite these limitations, rapid progress in E-Commerce is taking place. For example, the number of people in the United States who buy and sell stocks electronically increased from 300,000 at the beginning of 1996 to about 5 million in fall 1998. As experience accumulates and technology improves, the ratio of E-Commerce benefits to cost will increase, resulting in a greater rate of E-Commerce adoption.

The potential benefits may not be convincing enough reasons to start E-Commerce activities. Much more compelling are the business drivers that may force companies to engage in E-Commerce, such as the case of Egghead Software.



III. BUSINESS CONCEPT

3.1 Background of the Company

Aromatica was started in December 1978 by two brothers who, through hard work and determination, were able to bring their dream of an online beauty store alive. The company's goal is to satisfy each customer by providing personalized service and great prices. Aromatica does have the big bucks of other online retailers, and must rely on repeat customers and word of mouth, making us a very customer-oriented company. If you like our site and service, feel free to **tell a friend**.

Our shop's name is Aromatica and it had launched our products via www.aromatica.com that you could see in the charmingmall.com and we would proudly present and offer different kinds of perfumes in both women and men's featuring. Our shop gains high level of market share, approximately 45% and retain market potential for 50.2% in this year 2002.

The company provide the customers the most reliable welcome to the world of on-line Fragrance and skin care store. Aromatica is dedicated to those professionals in the perfume and flavors business that produces fragrances and flavors that go into the products that they use every day. Our website does also provide they extensive catalog which would be updated in order to give highest satisfaction to all type of consumers.

It has the following mission:

- (1) To promote perfumery as an art form.
- (2) To assist those considering a career in perfumery.
- (3) To maintain commercial independence.

The company's products would be generated normally in various types of consumers such as women's, men's, kid's perfume and de toilet because of nowadays people who have used perfume. It would also be used as different activities and

feeling such as sport perfume and working perfume. Even men have more interesting to find our perfume to make them more elegant and fabulous in working day and playing sports.

Company Logo:



3.2 Company Product

With the continued growth and advances in the fragrance production, new launch and update of series issued, creating a website is another option that will help to achieve the company's goals, and increase annual sales income. Since there is only one office in Bangkok and no branch, it would be hard to serve whole customers on nationwide best. The company's main product is perfume and fragrance of variety kinds of brand name fragrance which the company has imported from abroad such as Gucci, Armani, Lancome, CK, Tommy, Chanel and etc. and then we resell it through the company target group later on. The company's products are normally kind of luxury goods and it might have a bit high price for the customers, and then we have well defined the company target market into middle to high class of income, age, and etc. Therefore, it would be interesting to post successful emphasizing more on gaining market share by distributing on website and Internet market in order to support current and future growth so the customers order directly via the company's website from Aromatica.com at a competitive price. Moreover, it is very convenient for customers in order to get the right perfume via the company website, and then they don't have to

go the shop directly. Actually, our shop would be linked to any order via by website and then all transactions of shipment and payment would be handled respectively well.

Nowadays, there are many fragrance distributors online and they have tried to compete with the price only, but the company shop would emphasize higher standard of service and seasonal discount to attract customers' interests every period according to the festivals and ceremonies. Then, this is another critical way for the end customers to get their favorite perfume by not wasting their time and energy to go directly to the shop as well.

3.3 How to Generate Revenue

Profit Margin

- (1) Aromatica Shop will gain profit of selling all brand name perfumes around 15% of selling prices by using website
- (2) Aromatica Shop collects 20% of revenue profit from walk-in customers directly into our shop

Advertising

Actually the revenue from advertisement is another source of company revenue but not the main one. There are different rates of advertising which depend on the position of the website and also the different rates of the size of advertising by the fragrance distributors will absorb those costs.

IV. STRATEGIC AND MARKETING PLAN

4.1. Industry Analysis

Actually, the fragrance industry begun improving in late 1950s, led by the steady recovery in the middle to high-class market. The foundation of fragrance production was created by the customers' desire to eliminate the human strong odor off. Then, the new brand names are still continuing launching in very high competitive market.

The perfume market is now varied according to the customers' preferences and their favorite brand name as well. The fragrance producers are attempting to contribute fashionable perfume in every period launching because of there are very high competitions among the perfume producers. Even the member of fragrance wholesalers and retailers might be increasing more and more everyday. There are the competing prices which is the main competitive point of this perfume market and then there are the quality of services which have been adjusted in order to attract the customers as well.

Furthermore, every fragrance distributors has eventually realized how to set the market strategies and tactics to compete with direct perfume shops and counters, even the indirecting by website. The reputation and trust which comes from the target market is a very important factor because customers will come again when they rely on the company products and services.

4.2 Competitor Analysis

With the current market situation, there is a both direct and indirect competitor at this moment. Then, we could classify our competitors into 2 main categories as follows:

(a) Direct Competitors: All website fragrance distributors online

(1) Strengths: 1.1 Low price

- 1.2 New promotion launching
- 1.3 Variety of perfume catalog updated
- (2) Weaknesses:
 - 2.1 Many newcomers
 - 2.2 Quality of shipment is not standard

(b) Indirect Competitors: All actual shops and counters

- (1) Strengths:
 - 1.1 Test of perfume
 - 1.2 Promotion launching every period
 - 1.3 Brand awareness (well known)
- (2) Weaknesses:
 - 2.1 Wasting times to go to the shops or counters
 - 2.2 Specific brand name, not variety of brand name perfume in one counter.
 - 2.3 Higher price

4.3 Target Market

Aromatica.com divides target group into 2 categories:

- (1) Individual customers: people who would like to buy the perfume for their own use or end customers' use
- (2) Wholesalers and Retailers: a shop or store which would like to buy in bulk volume for reselling to the end customers. Actually, the company would give them more discount and credit term for business condition.

This project will focus on selling the brand name perfume on website www.aromatica.com based on 2 main target groups, which are:

- (1) The **customers** who would like to purchase the perfume on line
- (2) The **perfume manufacturers** who produce the perfume and would like their products to be distributed on line as well. (Wholesaler and Retailers)

Moreover, the project will include the design of the database to gather all information for customers to process (purchase) any transaction via the websites. The project also includes strategic and marketing plans, future plans and recommendations.

4.4 Market Segmentation

Indeed, Aromatica Company would segment the market according to 3 main categories which have geographic segmentation, demographic segmentation and psychographic segmentation.

(a) Geographic Segmentation

Indeed, we have segmented the market into Thailand area section because they are our current customers and have much purchasing power. The company sold to them almost five years back and still contact. The company would like to keep very good relationship with our current customers first for short-term period. We would like to give them our best support with different opportunities to use the Internet to be a medium for exchanging information each other.

In the long term, we would like to promote our web site and products to wider group of customers to other countries in Asia, North America, South America and also in South Africa. We also would like to expand our market to main dealers in each country within a few years.

(b) Demographic Segmentation

Aromatica.com considers many functions for demographic segmentation. We believe that consumers at different places have different demands. This segment would be beneficial for web design, selecting services and contents of our limited target group. Income segmentations will be considered to know the purchasing power of our consumers. It will be beneficial for selecting the services and the products for e-commerce and pricing strategy. The functions are as follows:

- (1) Age of consumers: This is one important factor which could define the right target market of our consumers because people who normally use perfume are around 18 years old and above.
- (2) Income: Actually our perfume might have a bit high price around 1,500 Baht up, and then people who could afford our products must have middle to high income.
- (3) Usage Rate: Our target group is normally using perfume every day, then the usage rate might be a bit high and have to repeat business again and again. Not only that, they might want to change the odor when they would like to try a new launch or fashionable brand name as well.

4.5 SWOT Analysis

Strengths

- (1) Provide all brand name perfume within a competitive or cheaper price from our own 5 years reputation in the market.
- (2) Provide the quotation online to our member customers, offers customers with displays of wide range of products catalog.
- (3) We provide activities of customer service to enhance customers' mail as a tool of customer service in the communication to disseminate information; we send services and products information and conduct correspondence regarding any topic, but mostly inquiries from customers.
- (4) Our web is designed on an easy-to-use concept due to effective navigation. All information will be grouped and categorized efficiently. Audience will never get lost visiting our web site because contents will be arranged

systematically and are easy to find. General information will be presented in the beginning page and deeper details would be shown on the click.

- (5) All information and contents are selected and translated from reliable sources to create “trust” from visitors.
- (6) With the Internet technology, we can observe the consumers’ behavior by using the Internet data collectors. As a result, we will have precise information of our target group.
- (7) Our services presented on the site are priced effectively. We provide special price for member customers if the customers request and buy products through our web site.
- (8) The information would be updated frequently.
- (9) We provide E-catalog for customers who can download, print out our products. We can save cost of catalog sending by mail.
- (10) Our products could be used as souvenir or gift set for various occasions, because of its good quality, uniqueness, neatness, and beautiful designs which are the strengths of our products.
- (11) Our company has a flexible on management scheme by being an SME.

Weaknesses

- (1) Fragile products need to be packed carefully for transportation.
- (2) Not worldwide distributing over the world because we have first emphasized on selling in Thailand, then will be distributed to many other countries later on.
- (3) Limited capital and fund
- (4) High delivery cost if we send by aircraft because of the weight of products.

Opportunities

- (1) Economic outlook is recovering. Purchasing power is growing
- (2) It will be able to expand to the global market
- (3) E-marketplace expansion. Internet technology is rapidly growing.
Customers have more knowledge of Internet technology.
- (4) Increased Internet usage
- (5) Efficient information handling, comprehensive selection and easy comparison.
- (6) The government supports SME business by loaning large capital. This is an the opportunity for our web site to promote these products to international market using marketing and logistic knowledge with E-commerce. It can be one channel to encourage our economy.
- (7) Building international brand image
- (8) Building company and web site awareness
- (9) No hassle, no pressure from salespeople
- (10) Higher technology for perfume production both package and odor

Threats

- (1) New market channel establishment
- (2) Easy duplicate by competitors
- (3) Domain name – providing the mean to access a particular web site
- (4) People could not have a test of particular odor via the web site

After finding out the strengths, weaknesses, opportunities, and threats, we set up the strategies by using SWOT Analysis as follows.

Strengths vs. Opportunities

Strengths (S): Many new brand names and existing brand names try to launch updated odor every time and it will be good for us and customers. The perfumes' price might be in a competitive range, not as high as before.

Opportunities(O):

- (1) Be able to expand to the wider market and target group
- (2) E-marketplace expansion
- (3) Increase demographic segmentation by income and age

SO Strategies (use strengths to take advantage of opportunities)

- (1) More perfume series launching for buyers
- (2) Sales promotion
 - (a) E-catalog available
 - (b) "Pull" and "Push" technology
 - (c) Nice packaging for gift and souvenirs

Weakness vs. Opportunities

Weaknesses (W): Fragile perfume bottle or package itself

Opportunities (O): Better and higher technology for packaging and odor

- (1) Support tools, even technology to make more effective in transportation
- (2) Well planned for preventive maintenance and set up emergency plan in advance in case of some accidents.

4.6 Marketing Mix (4Ps)

Product

Aromatica.com provides well known brand name perfume such as Gucci, Armani, CK, A/X, Lancome, Red Earth, and etc. Actually, the products have their own uniqueness by themselves because the perfume manufacturers have tried to launch

them according to the customers' needs. Then, the package might be one critical point which could attract the buyers as well. Our listed brand name perfume would be classified by alphabetical system for visitors in order to search it easily and it would have two main target groups which are categorized below:

- (1) Individual Customers: people who would like to buy the perfume for their own use.
- (2) Wholesaler and Retailers: group of people who buy in bulk or high volume of perfume in order to resell to the end consumers.

Price

Aromatica.com has defined the perfumes' price according to the volume of purchasing at one time and the price which the perfume manufacturers have set by themselves for each item, and then we have marked up for it by percentages. Furthermore, we have set the price according to our two main target groups as follows:

- (1) Individual Customers: The price would be posted by our marked up 20% from the manufacturers' selling price (the price will be rely on each item as well)
- (2) Wholesaler and Retailers: The price would be a bit lower for them because they buy in bulk and sometimes we might give them more credit term for business relationship. We will also offer them a period discount for buying more and more in sense of strategic marketing plan.

Place

As the Internet has grown in less than a decades from a limited research tool into a global network consisting of millions of users, the Internet is an increasingly significant medium for communication, information and trade. Aromatica.com is another option that will achieve the company's goals, and increase annual sales income

or profit. The name of Aromatica.com is the same name as the company's name. It is easy to remember and reduce conflict and confusion. Then, we have normally settled the actual shop in Bangkok for walk-in customers as well.

Promotion

To persuade our customers to buy more on Aromatica.com, here are some major methods to be used:

- (1) Convince them by giving **"Discount"** for membership (buying more than 5,000 at one time) and will reward every 2 months for who have bought to reach our collection points by offering them more free vouchers and accumulative points for the end of year free gift sets.
- (2) For wholesale and retail, we would give them more discount and get free trail premium for distributing to their end consumers to reach the point.
- (3) Using **banner exchange**, the most commonly used from of advertisings on the Internet because of banners are everywhere. A major advantage of using banners is the ability to customize them to the target audience.

4.7 Key to success

The key to success is to maintain customers' satisfaction by giving them their specific favorite perfumes and shipment in time. Updating every week of new perfume launching is the key to update customers about the company. We have received the customers' feedback for good and bad comments in order to adjust our web site and quality of services for both giving sufficient information (price, catalog, how to pay via account number bank, and etc.) and in-time shipment. All these services are keys to customer satisfaction and make customers loyal to Aromatica.com for a long-term relationship. And the more customers satisfaction with the website, the more income and revenue would be generated to our company as well.

Critical Success Factor

- (1) Building awareness : To join promotion with Thailand Export Center Guide of Thailand Export Day, Perfume Manufacturers Exhibitions and etc. in order to make a market recognition
- (2) Web Hosting : To engage with the foremost portal sites which are able to help in campaign and promotion
- (3) Delivering Cost : Basically using sea and airline freight as a main delivery service, and other courier express service would be the choice in case of urgent needs and sample sending.

4.8 Competitive Advantage

- (1) Competitive price
- (2) Value added to the users' image
- (3) High quality of packaging for shipment
- (4) Many well known brand name perfumes to choose

4.9 Business Plan

(A) Short Term Business Plan (1-2 years)

- (1) Create Web Site
 - (i) Determine what products will be sold on web
 - (ii) Set up domain name
 - (iii) Find information & create web site
 - (iv) Create E-Catalog
- (2) Find customers and sell products
 - (i) Create product catalog
 - (ii) All documents attach URL name
 - (iii) Contact export department of Thailand

- (iv) Find Thai representative in abroad
- (v) Advertise via E-Mail
- (vi) Contact business via Mail
- (vii) Remind customers by sending greeting card in special Occasions

(3) Collect all information and review plan

(B) Long Term Business Plan (3-5 years)

- (1) Analyze information and revise first business plan
 - (a) Create more complex and attractive web site
 - (b) More product categories, more online catalogs
- (2) Add more useful information on the Web
- (3) Advertising
 - (a) In Search engine
 - (b) In Well known related website
 - (c) Promotion via e-mail
- (4) Abroad exhibition
- (5) Add more marketing activities

4.10 Current Situation Analysis : There are 2 main elements regarding environmental analysis below:

(a) Microenvironment Situation

Social and Cultural Factors

In the past, we have noticed that only women would use perfumes to make them more confidence. Nowadays, according to the trend or market has already changed men are using the perfume and cologne as well, even kids too. Men are more emphasizing their dress and try to make themselves look very elegant and neat.

So, our market would totally change according to consumer behavior and market segment is more divided by men and kids respectively. Then we have seen how to expand our distribution channel by changing the target market of our consumer.

Economics and Business Conditions

Based on our survey, Thailand's real GDP growth was 4,905 billion Baht in 2000 and 5,099 billion Baht in 2001. It is expected to be 5,200 billion Baht in 2003. Its GDP per capita was 80,291 Baht in 2000 and 82,109 Baht. The unemployment rate was 4.5 percent with the expected inflation rate of 2.5 - 3.0 percent in 2003. Actually, the consumer price index increased from 127.8 in 2000 to 128.2 in 2001.

.All women's and men's perfume are imported from U.S., Europe and France mainly because Thailand's technology doesn't suffice for the production. The brand name perfume have just become popular during this decade and received welcome response from women, men and kids. Specifically, females are more responsive; males count for 20 percent whereas females 80 percent.

Political and Legal Environment

Political Instability substantially affects the economic growth. Economic policies are unknown and unpredictable; therefore it could slow down the economy. Individual and business expenditures would plummet. Also it would affect the sales of luxurious goods like brand name perfumes.

Technology

The production of fragrances requires high technology. Normally technology paves the way for cost advantage and product differentiation. With technology and amount of defects will be reduced and it will save the cost. Then the products can enter the markets at competitive prices. At present competition is intense in both price

and non-price factors. So technology is significant in order to improve the market position of the products.

Laws and Regulations

Thai Laws states that imported fragrances must be controlled under the packaging control, label control and quality control. For packaging control, package of fragrances itself must be strong and can protect the product from damage that can happen during transportation from one place to another place. For label control, it must say the information in Thai and English language. The shows information in Thai language containing importer and location, age of customer, etc.

(b) Microenvironment Situation

Market potential

After we have estimated the market potential, 1,706,451,426 baht as come out has the market potential which covers 1,061,818 persons in all ages level. The total population of Bangkok metropolis and vicinity that we use to calculate is from 18-50. It covers 1,061,818 persons.

Method of Calculating Market potential

We estimated the market potential from the people who are interested to buy fragrances within one year. From the survey, we found that there are 72 persons who are interested to buy. We classified them according to their age. After that, we calculate the percentage of people who are interested to buy each by age by dividing them with the allocated number of people of each age level according. Next we use the above percentage to find the market potential of each age level by multiplying it with the population of each age level. Then we sum up the each market potential of each age level. We will get the total market potential. Finally we calculate the market potential in baht by using each age level market potential by multiplying with the

average price desired to spend by each age level. The result will come out as the market potential in baht of each age level. After that we sum up market potential in baht of all age levels, we will get the total market potential in baht.

Customer's needs, perceptions, and buying behavior based on the survey's findings

From the survey's findings, we can divide customer's needs, perception, buying behaviors of customers into 2 main groups. They include the factors that influence the decision making of buying fragrance and colognes.

(1) The general aspect of factors that influences buying decision of Fragrances.

The most important factor that influences the decision making of buying is **the suitable price** for consumers. It means that customer focus on the price of fragrance as the most serious factor when they decide to buy perfume and cologne. Other factors play minor roles in customer's buying decision e.g. odor, packaging design, brand name, period of smell, and etc. Besides, we have known that the display of product acts as the least affecting factor in buying decision of consumers.

From the survey's findings, we have also found that the experience obtained by friends and reliable person is the greatest source of information and influence the buying decision of fragrances. Also the most popular channel most consumers who buy perfume and fragrance is the cosmetic section in the department store.

(2) The general aspects about customer who to buy Fragrances.

Most consumers to buy perfumes and would come back to buy it again and again because they are so familiar with the odor and use it as normal clothes. Then, some high income level might not consider much about the price and desire to try a

new odor when it's launched. Then it depends on the using rate which is more or less as well.

Also there are many other factors of consumers' perception that influence their buying behavior. For example, country that imports the perfume, price comparison, size, and etc. The most important factor is the price of products. It means that consumers are still concerned about the price very seriously. However consumers will take other factors of products when influence buying decision as well.

Product Situation

In this part, we have to analyze product quality levels and position of existing brands in the industry.

For product quality aspect, we have identified and selected the most important factors that influence consumers' brand choice decision. Then we use the questionnaire in order to find important factors that influence consumer's decision. We have found that the *price and favor odor* are very important factors for product quality levels but others factors like characteristics, size of bottle, packaging design, and are also important as well.

We will discuss and consider position of each brand as when the customers think when they would like to use the perfume. Which is the first brand and odor in our customer's mind. We have just ranked the brand for clearer image such as Channel, Clinique, Lancome, Armani, Kieven Klien and etc.

V. WEB DESIGN AND DEVELOPMENT

5.1 How to create a Web Site

Creating a Web home page is a relatively direct process. Here are the steps to create a home page.

- (1) Determine the goal of the home page. Will it be used to sell products, create an image or serve as a library for company information?
- (2) Create the outline of the web that is related to the concept and goal of marketing.
- (3) Create content and design web pages to take advantage of interactive tools to make files accessible.
- (4) Import the file into an HTML (Hypertext Markup Language) program by using Macromedia Dream weaver applications.
- (5) Input the content, picture, link, and any orders in the web site by using the navigation and outline of the web. We assign font attributes, display pictures, link to other pages and allow forms and e-mail to be sent.
- (6) Load the home page onto a computer server.
- (7) Check errors and time for downloading.

5.2 Planning Web Site Development?

It is important to be able to answer these key questions readily:

- (1) What does the company sell?
- (2) How provides useful functions for our members?
- (3) How can the company be contacted?
- (4) Are there any special offers available currently?

In addition to answering theses questions, we have to concern about customers' needs, emotion, and profitability to visit our web site. We have to update information

on products, prices or the market and add more special promotions for special members.

5.3 Web Site Designing

Aromatica.com

The site structure of Aromatica.com starts with a home page, serving as a clear entrance to other pages. The home page is linked with every page such as:

- (1) Home
- (2) Products
- (3) About Us
- (4) Contact us
- (5) Site Map

These five menu bars are set on every page of the web site for easy navigation. Visitors can go to every page and come back to the home page easily, but in the members' patch, members can get more useful and clear information, and will get more profits from this path.

To understand clearly how Aromatica.com organizes the site, its site structure, is shown in Figure 5.1.

Aromatica Company (Site Map)

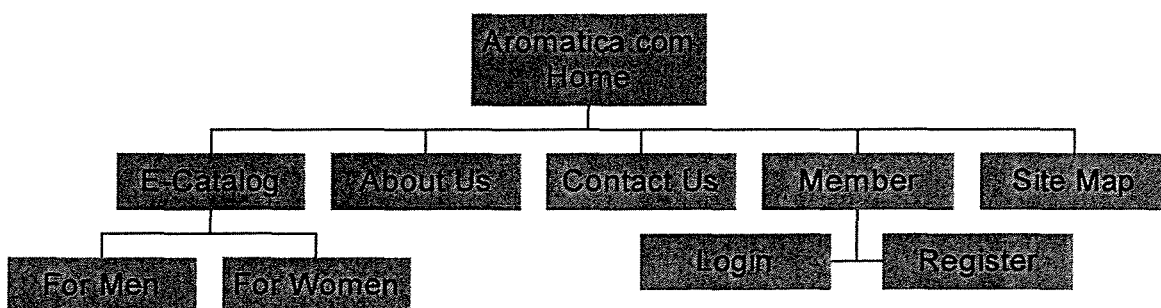


Figure 5.1. Sales Information System.

Sales Information System

This project designs the sales information system similar to the current function of business. The system provides information relevant to the business such as business establishment and transaction, and product and service. Users enter our web site, click links provided in each page and look for the required information. If the provided information does not meet their requirement, users will use e-mail to contact us.

In the system, we provide system for taking orders from customers' offline or via e-mail. Customers can check price, picture and information from catalog online pages. After that they can send request quotation, delivery date, and request from our company. From every page, users can click link to main menu or returning to the site or leaving the site. This saves time, creates fewer mistakes and reduces expenses so officers have more time to achieve other related tasks.

The operation of Aromatica.com; we gather certain types of information about aromatica.com users, and we would like to explain the types of information we gather and what we do with it.

Aromatica.com collects personally identifying information from users that are special data (such as names and e-mail address). Personal data is collected when users provide it to aromatica.com during registration of membership and other promotional opportunities provided by aromatica.com. Also, we collect the e-mail addresses of users when the in-charge person contacts our sales department.

Use of Information Collected by Aromatica.com

Aromatica.com uses both the personal and the aggregated information that we collect for multiple purposes. The information is used to improve contents of the aromatica.com site, to customize the contents and/or layout of the site for each

individual user and to notify users about updates to the site or promotional offers or opportunities that we believe our customers will be interested in.

Aromatica.com will provide membership status for our customers and provide useful information, privilege rights, special promotion, and information that others will not get from our company. Customers will get special information from member's page after logging on to our web site. In addition, in the events that our web site, aromatica.com plans to any such information on the site, aromatica.com will either notify them of this possibility when they provide the information and/or, if possible, when the information is posted.

5.4 Payment System

We prefer to use the offline payment, because of security for our business. We would like to deal with businesses only and we would like to sell in huge lots, therefore, we don't want to take risks about payments from customers. We prefer to ask our customers to use letter for credit or other transfer methods between banks by transferring to our account.

5.5 Web Content

Before creating web pages, we must design and create web contents first which will appear in each web page. The following are web contents of each web page.



Figure 5.2 Aromatica.com home page.

Home Page

In the home page, we set up the menu bar on the top of the page for convenient use and easy to navigation. We have put the logo of the company on the top and the picture of our products are on center of the page. This page shows good quality products for customers. The design is quite simple but easy to use and understand. Each photo can link to its category of product line. Customers can click the short cut to the good quality products' pictures immediately when they visit the web site. This page was created in a simple but clear style. Everyone who visits this web site can operate and see good quality products and get useful information as well.

Product

We are one of the best fragrance distributors on line. We have offered the high quality brand name perfume for men and women. For this page, we provide each category of product on its own page, such as page Perfume for Men and Perfume for Women. We provide E-Catalog for every visitor who visits our web site. Pictures are reduced resolution for faster downloading. Customers can zoom up pictures by clicking at the picture, the new page will be opened and it will show the big and clear pictures.



Figure 5.3 Product (E-Catalog).

About Us

Aromatica.com provides customers useful information and our company's goal and vision. We would get a lot of information from the brand name fragrance manufacturers.

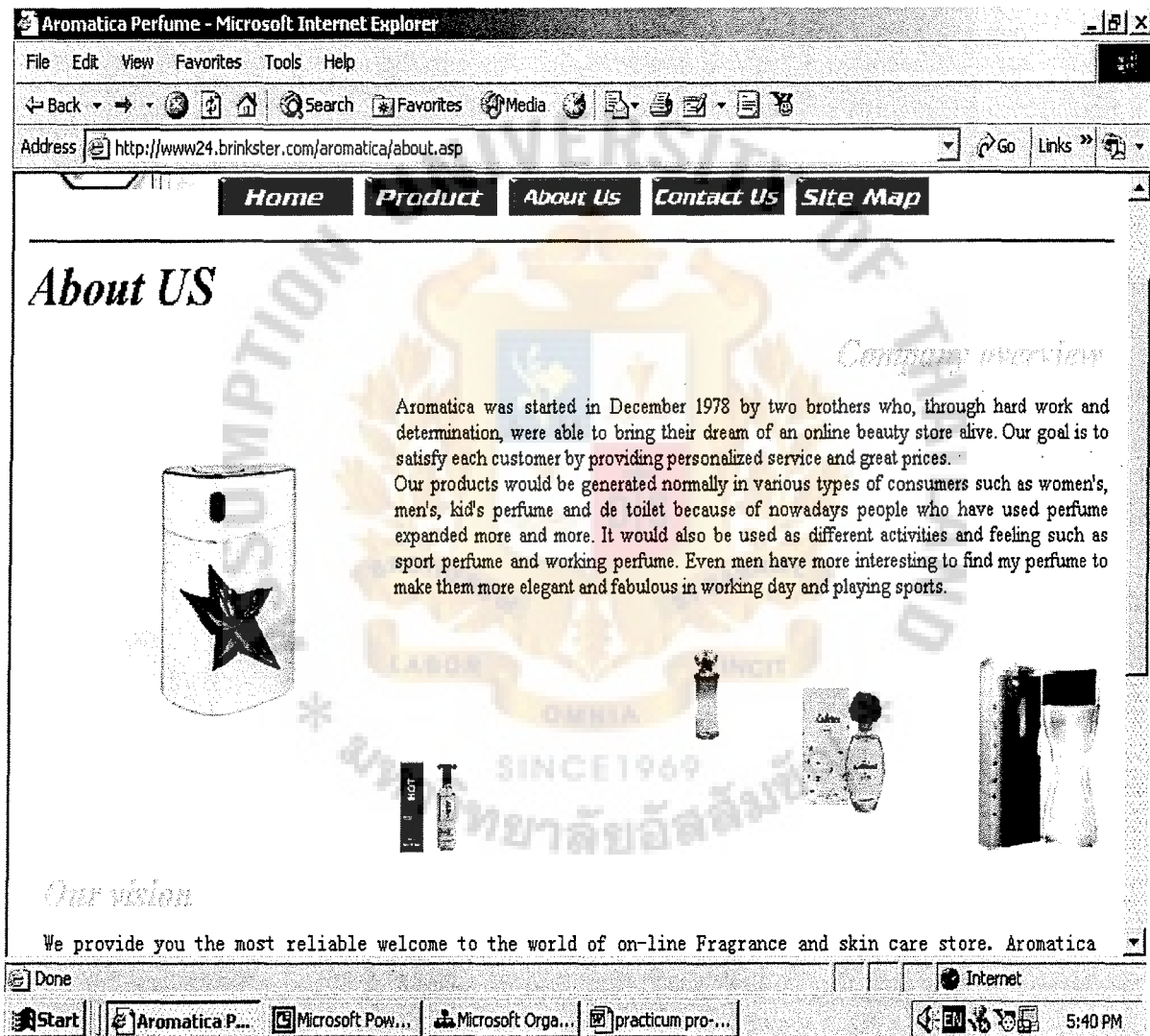


Figure 5.4 About Us.

Contact Us

This page will link to e-mail application of users who visit our web site. When customers click the menu contact us button, that means “mail to” function is operated and customers can send e-mail easily.

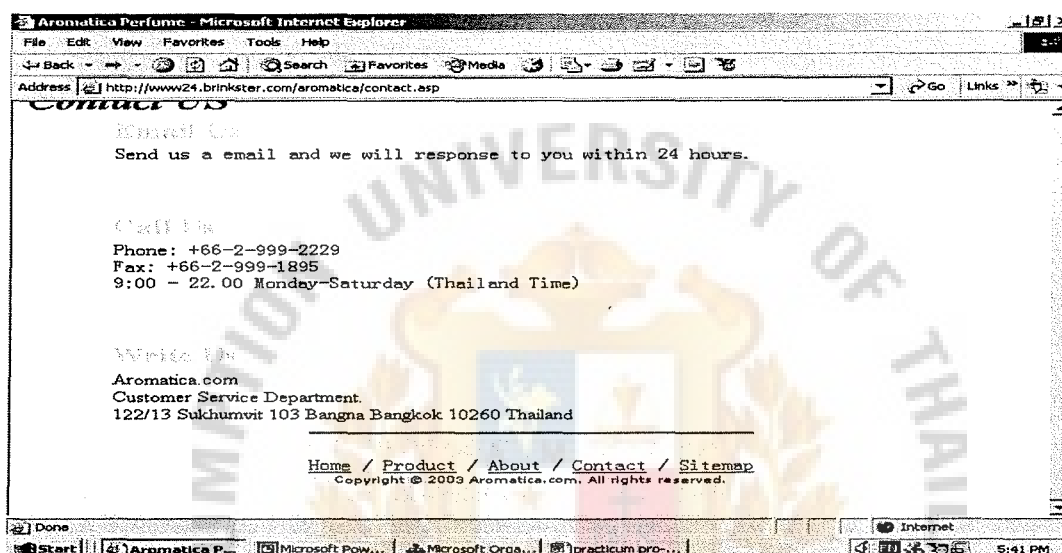


Figure 5.5. Contact Us.

Site Map

This page provides for customers who want to know about the direction of this web site. This page will show the direction in the format of organization chart.

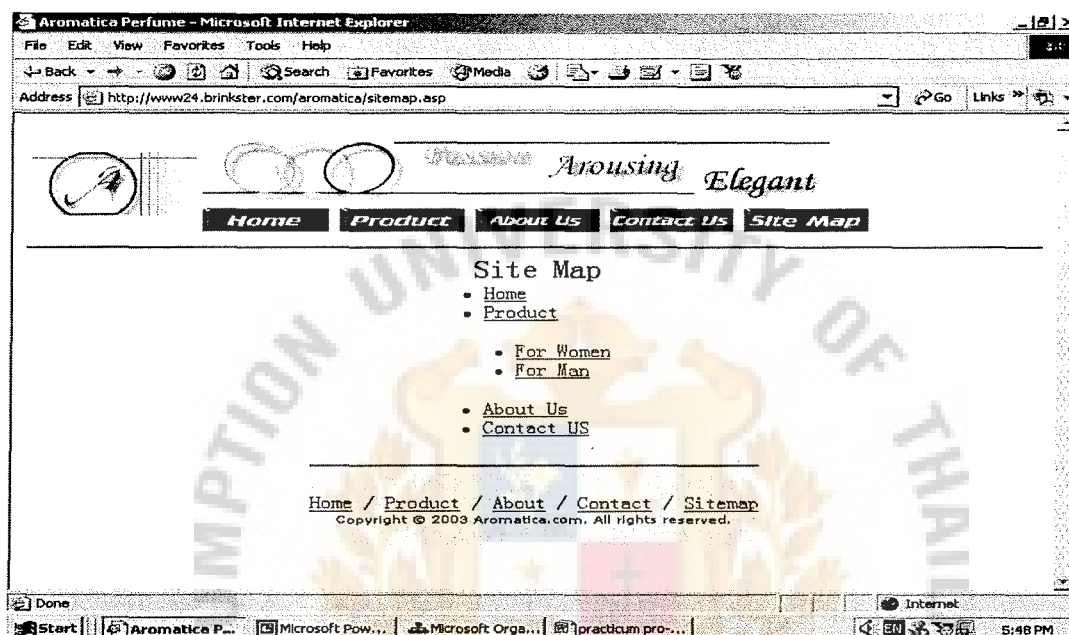


Figure 5.6. Site Map.

5.6 Security and Control System

Security

Web pages are launched in the World Wide Web using the Internet as a tool to communicate with all business partners. The web is composed of a number of servers around the Internet. Each server has web pages displaying information and links to other pages. These pages are written primarily using Hypertext Markup Language (HIML), and are identified by Uniform Resource Locators (URLs). Users require Hypertext Transfer Protocol (HTTP) to access the web pages. To secure the system, the Secure HTTP (S-HTTP) is provided for security service through the use of

cryptographic algorithms. The S-HTTP is used to protect HTTP traffic while the lower layer protocols such as TCP/IP also requires security. There is Socket Secure Layer or SSL to secure the lower-layer protocols.

To have online communication, data security is a necessity to create confidence in doing electronic commerce. The data transmitted through the channel is sent in the form of plain text that can be read by anyone; therefore the SSL is brought to secure the system. SSL protocol will encrypt the information before being transferred to receivers. In the process of SSL protocol, a server is asked to authenticate it to a client, and both machines are established by the encrypted connection creating both the establishment of the private communication and the performance of client/server communication.

SSL provides major strengths to users. The key length generated in every encryption that is long for 40-bit and 128-bit causing the difficulty in breaking the encryption code during the transmission. Lastly, most browsers support the 40-bit SSL session while the recent browsers enable users to encrypt transaction in 128-bit session that is stronger than 40-bit session. In addition, the utilization of S-HTTP and SSL protocols in the systems providing authentication, integration and confidentiality to cyber users.

Aromatica.com uses Secure Sockets Layer (SSL) to compatible encryption that secures all transactions through Netscape Navigator, Microsoft Internet Explorer, and many other browsers. As customers enter personal information (such as password, address, phone number, order inquiry, account number, and etc.), SSL encodes it so that is available only to them and aromatica.com. Encryption makes doing business over the Internet as secure as making a purchase by telephone.

Control

The control of valid input is provided to check whether users input the valid information. Each data field has a control to check if the type of data keyed in matches the type of data required. For instance, the numeric data will not be accepted in an alphabetical field.

Due to archive storage, the new clippings dated more than two years old will be kept in back up HDD and CD ROM. By doing this, the hard disk space on database server is prevented from being overload. The other is backup facility. Data and system files are backed up daily so they can be restored to the system whenever the file is lost or corrupted.

5.7 System Specification

The requirements of this system are as follows:

Hardware Requirement

Aromatica.com online shop uses client-server structure client located on any personal computer which meets the basic requirements while server side locates any web-site on the Internet around the world. In my project, I have used free web hosting server for the purpose of test.

Table 5.1. Hardware Requirement.

HARDWARE	DESCRIPTION
CPU	Intel Pentium IV 1.8 Ghz
Main Board	Chipset i845E
Memory	Double Data Rate Sdram 256 Mb
Hard Disk	Maxtor 30G / ATA133
Graphic Card	ATI Mobility M6 16 Mb
Sound	Sigma Tel Codec

Table 5.1. Hardware Requirement.

Floppy Disk Drive 1.44	Default
CD-Writer	Matshita UJDA340
Monitor	ATI Mobility M6
Modem	Lucent Internal Modem
Printer	HP DeskJet 640C

Software Requirements

Free web hosting service is used; it is not necessary to consider the installment of the web server. It is maintained by providing to the service for the free service because of it is easy to use with high compatibility. Aromatica.com is using Access and ASP because it has provided high compatibility.

SOFTWARE	DESCRIPTION
Operating System	Microsoft Window XP Professional Edition
Web Server	IIS Microsoft Internet Information Server
Database Server	Microsoft Access
Server-side Scripting Tool	ASP(Active Sever Page)
Web Development Tool	ADOBE Golive 6.0 Edit Plus 2.11
Flash Animation Development Tool	Macromedia Flash MX Swish
Screen Capture Tool	ANFY 2.0
Graphic Tool	ADOBE Photoshop Version 7.0.1

5.8 Techniques to Keep Customers Coming Back to Visit Our Web Site

We have to concern about repeating visits of customers. We have to create the strategies so that customers would like to visit to our website more often. The strategies are:

- (1) **Update web site more often:** we plan to update aromatica.com 2-3 months per time in the beginning, and monthly within 1 year.
- (2) **Do marketing by using customer database:** we get customers' database from registration, then we will use database to do the marketing such as sending e-mail when the web site is updated, send the greetings cards special occasion, send the invitation cards for visiting the exhibition that we will join, send sample products for potential customers when it is launched, and etc. We will always keep contact with customers as much as possible.
- (3) **Promote in the Internet:** such as put URL in search engine i.e. www.yahoo.com, www.google.com, and also the Thai search engine i.e. www.mweb.com.
- (4) **Banner exchange with well-known web sites:** we will exchange the banner with export organization web site i.e. www.depthai.go.th
- (5) **Easy access to information:** we will provide the useful information that can be accessed and read easily. We will send the header of any related news to customer e-mail and let customers come to read full news in the web site. Customers will get the information more easily.

5.9 Site Structure

5.9.1 Fragrance Database Designing

The database was corrected in access application. The database's purpose is to keep all records of product details sold in our web site. We apply the

normalization method for designing this database and lastly the database is classified into 8 tables which contain products' information as follows:

5.9.2 Database Table and Description

Table 5.3. Database Table and Description.

Table Name	Description
PRODUCT	Table contains product details.
BRAND	Table contains full perfumes' brand name
TYPE_MODEL	Table decrypts maximum speed level of each symbol shown on fragrance product
PRICE	Table contain price of products.
ORDER_DETAIL	Table contains the product information in each order translation
ORDER	Table contains the summary product data that customer already order.
CUSTOMER	Table contains existing customers

VI. FINANCIAL ANALYSIS

Aromatica Company Limited had generated the Profit and Loss Statement in order to show the real figure that we have done for 4 years.

6.1 Financial Analysis for 4 years operation

Table 6.1. Figure of Analysis.

	1999	2000	2001	2002
Sales	51,186,372.31	42,790,112.64	31,627,329.74	41,780,130.14
Sales Growth (%)		-16.40%	10.09%	11.02%
COGS	28,758,352.33	29,005,611.89	21,378,130.22	21,259,140.88
COGS Growth (%)		0.86%	3.30%	1.25%
COGS/Sales (%)	56.18%	67.79%	67.59%	68.25%
Gross Margin	46.08%	34.12%	37.22%	38.98%
SGSA/Sales (%)	14.18%	12.47%	15.07%	16.11%
Net Income (NI)	15,829,251.02	8,931,098.85	6,975,013.19	7,895,156.20
NI Growth (%)		-43.58%	-21.90%	-18.88%
NI/Sales	30.92%	20.87%	22.50%	28.97%
Avg. Inventory	2,452,808.50	4,011,579.27	3,852,879.54	4,021,981.64
Inventory Turnover	11.72	7.23	5.55	6.11
Ave. days of inventory	31.13	50.48	65.78	67.03

(a) Sales & Growth

Sales volume of Aromatic Company was declining in year 1999 and 2000 because we have much invested in the first year operation and it would take the time for turnover, even many perfume manufacturers have launched new perfume series in every period and then we have gained more market share recently. Then, we have increased the sales volume in year 2000 because of the prospective customers are

aware of our brand and have given more trust to our company to purchase perfumes via our web site.

(b) Cost of Goods Sold (COGS)

The rate of COGS/Sales in year 2000 and 2001 becomes higher because the NG rate and return goods from customers. The various kinds of brand name perfume products are difficult for packing and it is also costly. Damage can happen while in transit to customers. The company has to consider these two points. The COGS rate increased a lot in 2000 and kept increasing in 2001. Aromatica Company met the high competitive situation, so we have to reduce cost and try to give more discounts to customers to maintain the market share.

(c) Gross Margin

Company's Gross Margin rate is quite instable but it is in the range that satisfies the management. We can increase the rate of Gross Margin by reducing cost of goods, packing and shipping cost.

(d) Selling, General and Admin. Cost (SG&A)

SG&A rate of the company should be decreased because the total sales in 2000 and 2001 was decreased. The factor that made SG&A rate in 2001 increase was that the company rents a new space for a warehouse and inventory. So it has increased administrative costs.

(e) Interest Coverage Ratio

Aromatica Company has the ability to pay interests because it has not borrowed any loan since 2000, so investment is enough to pay for cost. Actually, our company is a family business which has its own source of capital.

(f) Net Income (NI)

Net income is a bit decreasing in the same direction of sales even we had the high competitive situation but we have tried to add more market strategies in order to convince customers to buy more. Then, the rate of damaged items and returned goods are reduced because we could solve those problems.

(g) Inventory Turnover

Inventory Turnover of Aromatica Company is decreasing because of high competitive market. The customers could buy the same quality of perfumes from other suppliers who have usually connected before.

(h) Average days of Inventory

The average inventory increased from 30 days to be 52 days in year 2001 because we had to check the quality of products before shipping to customers and the rate was higher in 2002 to be 65 days stocks because of the competitive the situation in the market. The performance of manufacturing is growing and the sale is a bit growing.

From the analysis, we have to find better ways of marketing strategies in order to increase the sales volume. If we don't do anything, the bargaining power that we have with our perfume manufacturers and suppliers would decrease. So Aromacitc.com is the alternative for marketing activities and we can provide useful information for customers, keep contact and reduce the cost of communication and promotion than the past somehow.

6.2 Cost and Benefit Analysis

Cost Analysis

To establish the system, the Aromatica Company has considered the total cost analysis. There are one time costs (development cost, sets of PC and related software) and recurring cost (maintenance and data storage).

Estimated of Income per Year (Year 1-2)

Sales margin (average sales margin is 35 percent) 12,250,000 Baht

(At estimate sales volume is 35,000,000 Baht/year)

Total Income/Year (Year 1-2) 12,250,000 Baht

Estimated Income/Month (Month 1-24) 1,020,833 Baht

Estimated of Income per Year (Year 3-5)

We have estimated the income to increase 20 percent because our company and its web sit are well known for customers and we have got more member customers.

Total Income/Year (Year 1-2) 12,250,000 Baht

Ratio of Income Expected to be Increased 20 Percent

Total Income/Year (Year 3-5) 14,700,000 Baht

Estimated Income/Month (Month 25-60th) 12,250,000 Baht

Initial Investment Cost

(1) Web site Implement and Services 250,000 Baht

(2) Hardware and Software 200,000 Baht

(3 sets of PC, Printer, Accessories and related software)

(3) Leased line and hosting installation 30,000 Baht

(4) Miscellaneous 25,000 Baht

Total Investment Cost 505,000 Baht

Operating Expense (Per Year)

(1)	Sales, Marketing and Promotion Programs	600,000	Baht
(2)	International Campaign with Perfume Suppliers	2,500,000	Baht
(3)	Salaries for Staff and OT	2,000,000	Baht
(4)	Hosting Fees and Domain Name Fee	60,000	Baht
(5)	Miscellaneous	<u>100,000</u>	Baht

Total Operating Expense/Year 5,260,000 Baht

Estimated Operating Expenses/Month 438,333.33 Baht

We have expected our web site would help in marketing plan in order to maintain income to be about 1,020,833 Baht per month in the first two years with for 20 % growth in the next 3 years.

6.3 Break-even point Analysis

Once the break-even point was met, assuming no change in selling price, fixed and variable cost, a profit in the amount of the difference in the selling price and the variable cost will be recognized. One important aspect of break-even analysis is that it is not normally this sample. In many instances, the selling price, fixed costs or variable costs will not remain constant resulting in a change in the break-even. And these changes will change the break-even. So, a break-even cannot be calculated only once. It should be calculated on a regular basis to reflect changes in costs and prices in order to maintain profitability or make adjustments in the product line.

Break-even Formula

The Basic Equation for Determining the Break-even Unit:

$\text{Break-even unit} = \frac{\text{Average Annual Fixed Cost}}{(\text{Average per Unit Sale Price} - \text{Average Per Unit Variable Cost})}$
--

The Basic Equation for Determining the Break-even Sales:

$$\text{Break-even Sales} = \text{Annual Fixed Cost} / (1 - (\text{Average per unit variable cost} / \text{Average per Unit Sales Price}))$$

Aromatica Company would like to know how many units that will get the break-even points in each month. Assume.

Average per Unit Sales Price:	2,000	Baht
Average per Unit Variable Cost	12,000	Baht
Average Annual Fixed Costs:	100,000	/month

Finally, we should have average 10 units; sales price per unit is 2,000 Baht. We will get the break-even point in each month. On the other hand, we should sell 120,000 Baht, in each month.

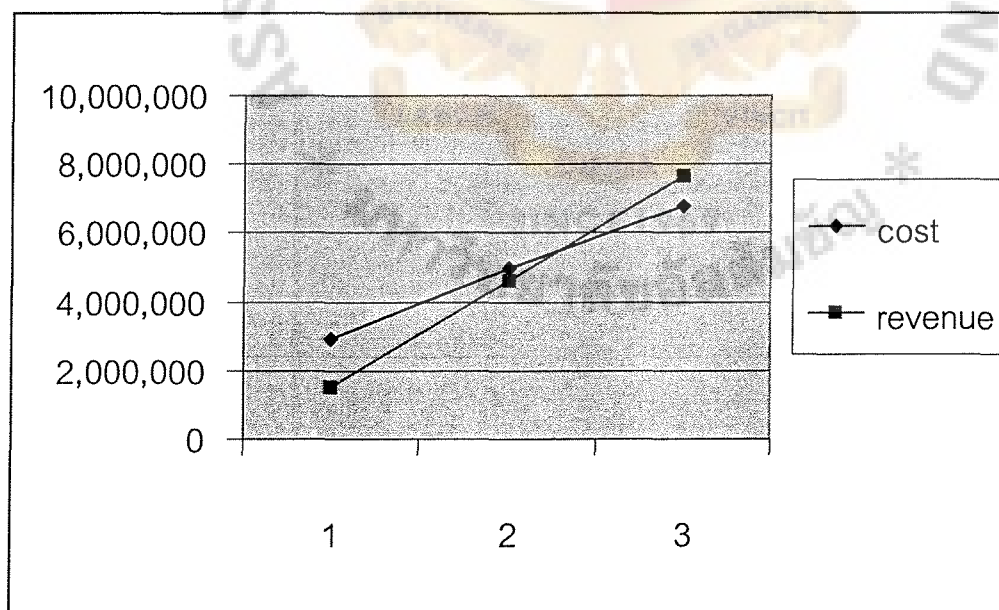


Figure 6.1. Break-even Point.

6.4 Return on Investment

A measure of the net income a firm is able to earn with its total assets. Return on investment is calculated by dividing net profits after taxes by total assets. Or in the new meaning is what do I get back (return) for the money I am being asked to spend (investment)?

Return on investment will be calculated by subtracting revenue with integrating capital investment cost as well as pre-operation cost. The annual fixed cost and variable cost every year are included.

6.5 Net Present Value

Net Present Value criterion is an important assessment, which calculates the current value of a future cash flow. NPV is a very useful tool for corporations and governments alike in that it allows for a comparison of current costs to undertake a project versus the potential benefits, in this case revenues that the project will yield sometime in the future.

Net Present Value (NPV) is the method of comparing present's value of money with the future's value of money. Aromatica.com needs to use these calculations to prevent the loss that will possibly occur by the unknown business's crisis especially for the changing rate of interest.

According to today's economic situation, the interest rate for a loan is about 1.25%. This interest rate is a good signal of all businessmen to do investment. Actually, this 1.25% of interest rate will be flat for approximately 3 years.

Therefore, this interest will be used for calculation for net present value for the next 5 years.

$$\text{Net Present Value} = \text{Present Value of Cash Inflow} - \text{Present Value of Cash Outflow}$$

Present Values of Cash Flow

Assumption: The payment is paid at the beginning of the year.

Present value of cash outflow for the first year = 53,000

Present value of cash outflow for the second year = $41,000/1.0125 = 40,493.83$

Present value of cash outflow for the third year = $35,500/1.0125^2 = 34,141.14$

Present value of cash outflow for the fourth year = $30,500/1.0125^3 = 31,311.10$

Therefore, present value of cash outflow = 158,946.07

Present value of cash inflow.

Assumption: The money is obtained at the beginning of the year.

Present value of cash inflow for the first year = 175,000

Present value of cash inflow for the second year = $180,000/1.0125 = 177,777.80$

Present value of cash inflow for the third year = $260,000/1.0125^2 = 253,619.90$

Present value of cash inflow for the fourth year = $300,000/1.0125^3 = 250,488.84$

Therefore, present value of cash inflow = 856,886.54

Net Present Value = Present Value of Cash Inflow – Present Value of Cash Outflow

Net Present Value = **856,886.54 - 158,946.07 = 697,940.47**

As seen from the calculation, the net present value is negative at the beginning and then will be positive in at last 2 years estimation.

From the analysis, return on investment is 3 years which is reasonable in today's economic situation. Net present value is positive for 697,940.47 Baht.

VII. CONCLUSION AND RECOMMENDATION

7.1 Conclusions

In the world of technology with high competition, having only actual dimensions has less opportunity to succeed as it should be in an industry. Nowadays, E-Commerce technology and operations are constantly evolving. Changing in technology frequently introduces opportunities to refine or create new services.

At present, the company is ready to use the advanced technology now available to create a better relationship between buyers and perfume manufacturers of large wholesalers online. The company should be found to be advantages both to buyers and sellers using e-commerce. Since the company would like to expand and enlarge its distribution channels, using e-commerce best fits the company's goal and will help to increase the customer's satisfaction.

Aromatica.com will reach its break-even point in year 3 with a continuous growth income rate from online sales commission, advanced statistics and advertising. With the growth of the perfume industry and efficient marketing strategies applying into, Aromatica.com plans to capture coverage at 15 percent in the first year, blocking actual competitors who may have planned to launch the same services.

7.2 Recommendations

Our online business is the alternative of marketing tool that will support business to recover and grow. We have to use this web site to be the channel of marketing and communications with the existing business system. So in the next step, our project has to be improved by the following.

- (1) Review and improve our web site at least once a year to make it more attractive, useful and to meet customers' needs as much as possible.

And let them to visit web site as usual.

- (2) Set up the promotions at special occasions as on Christmas day or New Year by offering a special package sets at special prices.
- (3) Serve customers with the quick reply customer service.
- (4) Catch up the IT technology that may be used to improve our online business.
- (5) Collect and keep customers' database such as information, e-mail address, and manage the database with the marketing strategies to keep relationships and satisfy customers. We can send some special gifts, invitation cards for exhibitions, sample products, and others. Things that we have sent to customers will remind them of our company and web site.
- (6) Provide improved service of packaging and delivery.
- (7) Increase production lines and product categories with more attractive designs.
- (8) Effectively use e-mail and the web to keep customers informed of their orders status.
- (9) Exchange our banners with other sites.
- (10) Follow up with an enquiry and questionnaire about products, company, and web site to improve our products, service and satisfaction.

Furthermore, our company has established the Aromtica.com website for improving and expanding the company's product awareness and sales volume in order to gain more perfume distributing market share. We have been improving in the following areas:

- (1) Providing service in the perfume transaction online
- (2) More function online to capture more target market groups



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