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Business Plan for Online Clothing Store

Elbrus Novruzlu (enovruzlu6425@ada.edu.az)

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KEY CONSIDERATIONS FOR BUSINESS PLAN

According to Galai (2016), a business plan is a crucial document to have when examining a start-up business or making strategic decisions. A successful business plan should be a short document with a page count of 20 to 50. Rather of being static, it is a dynamic document and it important to establish who will develop business plan before getting started. According to Galai (2016), leaving writing to entrepreneur or manager is a mistake. He suggests enlisting help of several corporate divisions or hiring an outside specialist. When second option is selected, it is important to send some draft copies of important information about a start-up being planned to be launched. A main reason behind this is because while expert is skilled at producing business plans, he may lack sufficient expertise of your industry. He is emphasizing importance of a succinct and focused business plan as well. Galai (2016) is attempting to convey that every company strategy is made for a specific reason, such as developing an original product, attracting partners, or achieving a technical breakthrough. When it is a technology product, for example, it should be emphasized that it will be superior to other items; or when it is a new product, proof of concept should be emphasized, and so on. Finally, company strategy should be concise and well-organized. This may appear to be a small matter, but when reviewers are examining business plan, small flaws such as an empty page may give impression that your organization is not serious or wastes money on purpose. Galai (2016) does not advocate a certain structural format for a business plan, but does stress significance of prioritizing certain areas based on plan's objectives. When business strategy is for a new company, he believes first chapter should focus on problem, solution that product provides, and validation of that answer.

In addition, Richard (2012) is stressing significance of remembering reasons behind writing business plan. He is suggesting that plan be kept as brief as feasible. In comparison to Galai, he is

more adaptable when it comes to structuring plan's framework. He offers a unique perspective on developing a company strategy. He is asking three questions and says that a company plan should be formed around them. He asks questions such, "Where are you now?" Where would you want to be? What are your plans for getting your goals? He is emphasizing relevance of second question in terms of determining future company plan's roadmap. Finally, in developing strategy, Richard suggests top-down and bottom-up communication.

Further Pinson (2008) is one of writers that have dedicated a significant amount of questions to questions that must be addressed prior to developing a business plan. Before developing a business plan, Pinson suggests answering a few essential questions, such as "What is purpose of your business plan and reasons that do you need it?" "What should you do in case of no need for financial assistance? What is best way to create an exit strategy?", and "Where do figures for financial plan of business plan are coming from?".

When compare Pinson's (2008) method to Richard (2012) and Galai (2016), it became evident that all three authors are proposing establishing goal of business plan in first place. However, Pinson is differing from previous two writers in that she considers three essential issues from the outset, whereas the others do so at the conclusion. These are the three questions about source of funding, exit routes, and financial assumptions. Pinson's method of examining these concerns from start is more superior. When looking at methodologies described above, it is observed that Galai is one who is mentioning studying problem, finding a solution, and validating generated goods. According to him, when product or service is new, there may be doubts about legitimacy of problems and solutions. As a result, understanding problem, giving a remedy, and presenting proof for confirmation can eliminate any doubts. This technique suits this business plan, and reason is

because this service is new, and its validity might be jeopardized when it is not approached in a way that is required.

Since this section is about concerns before developing a business plan, it will not be discussed in practical discussion part. However, things described in this part will serve as a framework for developing a proper company strategy.

When it comes to financial assumptions listed for this business, it will be important to take some variables into consideration. It is important to build text component of business plan not as a basic notion, but as a plan that will explain ways that this business will earn money and spend costs. As a result, it is important to take some measures listed below. First, it is critical to remember to write each section of business plan in terms of income we intend to make and costs we expect to incur. Second, keeping a piece of paper will be a good idea as making a note of all assumptions have been made when calculate income and expenditure numbers associated with business idea. This will help to include all details on when incomes will be received and when costs will be spent. Third, gather assumptions in one spot and use them as foundation for money amounts will be inputted when building financial plan.

INTRODUCTION

I as author of this current business plan seek to create an e-commerce website in Azerbaijan called “Changing Seasons”, which will allow local Azerbaijani customers to choose fashion items in local "brick-and-mortar", physical clothing stores based on their preferences from this platform, pick those selected items up and having them delivered. They may pick, compare, and evaluate product placed at a variety of local retailers and clothing stores. In today's fast-changing world, globalization, increased competitiveness, technological progress, and endless innovations have all had an influence on businesses and have changed ways that they had been operating for centuries. These aforementioned elements, along with other important factors, have had a significant impact on clothing sector, exposing it to fierce competitive environment among clothing retailers and producers. As a consequences today's consumers have been exposed to a wider range of product options, but due to their busy and active schedules, they are finding it more and more difficult to devote much time to searching for specific products they want without losing their time and making unnecessary efforts. With hundreds of things at clothing stores, finding a certain piece of clothing in a specific color, size, style and type of material might be difficult. When people order from other foreign online shopping platforms such as Amazon, Trendyol, it takes long time for purchased items to be delivered creates difficulties in return and exchange.

These considerations have prompted me as business introducers to go more into this sector seeking for emerging trends and looking for chances to improve existing situation for both customers and stores in Azerbaijan. Fashion business in last few decades with development of technology and internet has moved into becoming more digital-centric as mobile and e-commerce have grown in popularity. Nowadays, a number of various firms and businesses are offering options for selling in shops as well as online. Yet, according to market analysis being conducted and presented below,

there is no integrating platform in Azerbaijani local market that are allowing Azerbaijani local consumers to search for a specific item from various brands, read all of product characteristics, compare them and buying it right away.

Following functionalities will be available on platform called “Changing Seasons”:

- Looking for all clothing items by price, manufacturer, kind, model and quality on website or application
- Filtering all clothing items based on all kinds of parameters listed above
- Having access to inventory visibility (sizes, colors)
- Desktop and mobile mode of website and mobile applications will be available
- Possibility to buy items and return/exchange them through this platform

In addition, this business will help local clothing retailers, producers, and stores maximize their sales, become more profitable, achieve competitive advantage, and compete against well-established clothing brands present in Azerbaijan by getting benefits of this platform and retailing services.

First, a company description will be developed that will detail the vision, mission, goals, products and slogan of this business and make it understandable to the readers. This part will begin with a short problem statement that will explain main motivations behind launch of this unique service provider in Azerbaijan together with explanation of limits, future customers, sales process, stakeholders, and payment process.

Following that, market will be analyzed as a part of this business plan, which will include PEST analysis and Porter's Five Forces analysis to investigate setting in which our business will be operating. SWOT analysis frameworks will be used to build a corporate strategy after the external (market) and internal (organizational) analyses have been completed. Our next step will be to

segment local Azerbaijani market and research our company's potential customers, which will be done using analysis of data on market behaviors of Azerbaijani customers created by various statistics providers. In addition, depending on facts gathered, a marketing mix will be produced. In following sections, we will be discussing our operational plans, marketing strategies, promotion methods, operational structure, financial plan, and chronogram in detail, which are important details of our business plan.

METHODOLOGY

We started developing our business plan with examination and analysis of overall industry and market in Azerbaijan. A multi-method study strategy, including primary and secondary data, was chosen to explore all of factors. Primary data has been collected through quantitative research, while secondary data collected through qualitative research such as desk research and literature reviews. Because of following reasons, qualitative data collecting approach was employed for this purpose. First, since our study was subjective, there was no way to compare it to statistical data. Second, we interviewed a tiny percentage of stores in Baku, which did not reflect full market's thoughts and expectations, because quantitative methods require large samples that should include all perspectives. Third, while quantitative technique is compelling, research methodology was a form of exploration. Secondary data and information gathered by some companies helps their operations in various ways. On one hand, having available data is good since we may utilize it in our projects to find answers to some issues. One of fundamental advantages of using secondary data is that it is saving time and money (Mark Saunders, Philip Lewis, and Adrian Tornhill, 2009). Secondary data, on other hand, is acquired for special purposes that are not related to project's

goals, and we may not be able to discover answers to majority of questions (Ghauri, P., and Grnhaug, K., 2010).

In addition, we have conducted surveys for this particular purpose. One of most important considerations during surveys was to maximize honesty of participants. When it came to direct communication, it took a long time to convey business information to an audience and a group of individuals. Author of this research enlisted help of friends and family members to distribute and gather survey responses as primary data collection, which demands a significant amount of time and efforts. A questionnaire was created and delivered to responders using Google Survey internet tool. A total of 31 feedbacks were collected from clothing shops of various origins and economic levels to evaluate market conditions for analyzing and evaluating current market conditions. Our survey questionnaire was straightforward and simple to complete and it did not ask for any sensitive information. Respondents were asked 10 questions in all for evaluating willingness and potentials of clothing shops in Azerbaijan in cooperating with our business.

CONCLUSIONS

According to results of our survey, 22.6 percent of all our respondents are selling men's wear, 41.9 percent are selling women's wear, 12.9 percent are selling kids' wear, and 22.6 percent are selling mixed wear in Baku, which shows that clothing stores selling women's wear is more than others. Nonetheless, according to our survey, shops selling women's wear are 19.3 percent more than shops selling men's wear as we have chosen target shops on a random selection basis. One of most important findings of survey shows that 64.5 percent of our respondents demonstrated their willingness to sell their clothing items via our website and mobile application, while 16.1 said no and 19.4 percent was unsure about it.

In addition, 50 percent of our respondents who have stock management system said that they will be able to share their stock data and information with us in real-time for making sure that all items on our website and mobile application are updated in accordance with reality while 33.3 percent was unsure and 16.7 percent was against this. It is important to note that we found out that around 80.6 percent of shops did not have stock management while 19.4 percent did have this management.

In addition, when it comes to categorization of clothing shops based on annual revenue, 9.7 percent earns between 10.000 and 20.000 AZN, 29 percent earns between 21.000 and 30.000 AZN, 22.6 percent earns between 31.000 and 40.000 AZN, 16.1 percent earns between 41.000 and 50.000 AZN, 6.5 percent earns between 51.000 and 60.000 AZN, and 16.1 percent earns more than 61.000 AZN, which was a surprising finding for us.

Amongst these shops, 41.9 percent said that they are capable of using our management system and updating items in time , while 25.8 percent was unsure and 32.3 percent was against this.

Further, 41.9 percent of shops agreed to pay 15 percent commission rate in exchange for services that we will provide, while 45.2 said they might pay although 12.9 percent did not agree with this policy. Overall, 80.6 percent of shops that we surveyed has never been a part of this kind of initiative before in Azerbaijan although 19.4 percent was offered this kind of opportunity which failed according to their words.

Overall, on a rating which we asked respondents rank their willingness to join our business, 22.6 percent rated as 5, 51.6 percent rated as 4, 9.7 percent rated as 3, while rest rated 2 and 1. All these demonstrated a great willingness of local shops cooperating with us.

COMPANY DESCRIPTION

Due to a number of advantages of online shopping, such as a quick overview of products, number of products left, less time spent shopping, and delivery options, online shopping websites and platforms selling a wide range of products and services have grown in popularity, causing an increasing number of people to prefer buying things online over looking for those things in physical shops. Online apparel businesses have exploded in popularity in recent decades in a variety of nations, selling to both domestic and foreign clients. Despite fact that these platforms have been implemented in many countries throughout the world, online clothing stores unfortunately have not been introduced in Azerbaijan. A main goal of this start-up is to create an online internet shop that will gather together stocks of numerous clothing brands in Azerbaijan, display all those clothes in a single online platform, and sell apparel directly to customers. Headquarters of our company is planned to be located in Baku. There will be offices in Sumgait and Ganja. Azerbaijan's three major cities was selected to provide a fast delivery and distribution choices across regions of Azerbaijan. "Changing Seasons" will have everything people need, from socks to costumes and outfits, with seasonal special discounts and incentives for local and international clients. Our startup's primary features, characteristics, and aims will be advanced customer service, quick delivery, and recognizing rights of customers to return or exchange products smoothly with flaws and defect.

In last few years, a Turkish online clothing platform called “Trendyol” became a popular destination for Azerbaijani customers who are interested to buy clothing from Turkey with more affordable prices. This means that demand for online shopping has increased in Azerbaijan in last few years but there is no quality online clothing shopping that would meet all needs of local customers living in main cities and regions far away from capital Baku. Therefore, I believe it is a

right time to take this business opportunity and launch this start-up to gain a significant market share as long as there are no potential competitors in Azerbaijani internal market.

1.1 Objectives

This business concept will adhere to a certain business plan in order to achieve a set of specified goals and objectives that will ensure its long-term viability and profitability in an internal Azerbaijani market. First and foremost, “Changing Seasons” will work hard to establish itself as one of most reliable and preferred suppliers for a wide range of partners and apparel brands in Azerbaijan. Rather than seeing e-commerce as a threat, it will work toward a goal of developing an e-commerce business model that will benefit all stakeholders while reducing channels of conflict between different apparel businesses. In other words, by showing their items on online platform, this platform will not threaten market shares of various apparel brands in Azerbaijan by diminishing their sales and profit margins; rather, it will assist those brands and enterprises in increasing their sales. Furthermore, by establishing an e-commerce platform, more foreign brands and clothing companies will become interested in a local Azerbaijani market, and this will encourage them to increase their clothing stocks in order to increase profits by selling more of their products online rather than having to build physical stores, which would require additional financing. Changing Season's popularity as a marketing platform and as one of Azerbaijan's most trusted providers will improve as a result of this achievement. Second, this platform will create a fast-shopping environment that will meet the apparel needs of people living in urban and rural areas who are looking for clothing and quick delivery services, eliminating need of people to travel from regions to larger cities where a wider range of clothing is available than in regions. Third, this online shopping platform will strive to capture more than about 80 percent of the local online

shopping market and establish itself as the leading online clothes platform in Baku, Sumgait, and Ganja, with a name recognition that will extend to rural areas and whole Azerbaijan. Fourth, as a part of this start-up, a service for common stock management will be established in order to ensure that total numbers and quantities of all goods and products offered in this platform will be updated synchronously on a continuous basis keeping customers informed about stocks of all stores. Seventh, generating more revenues and making more profits by maximizing sales through financing online social media advertisements and sponsorships for important events in future and using social media and websites to spread favorable word of mouth will be one of main objectives of this initiative. In addition to all, creating positive customer feedback on delivery, return/exchange, and availability will be general objectives of this business plan for this start-up.

1.2 Vision

Changing Seasons will be the best customer-centric alternative to traditional shopping in Azerbaijan.

1.3 Mission

Make local clothing purchasing as simple, fast and convenient as possible for customers while providing a wide of business possibilities and opportunities to clothing brands operating in Azerbaijan to enlarge their businesses, expand sales, and become more profitable.

1.4 Slogan

Our slogan for *Changing Seasons* will be “A few clicks is all it takes”, which will emphasize ease with which Changing Season makes it possible to explore new styles and convenience of an online shopping without spending time on looking for clothes by walking door to door.

1.5 Products and Services

Changing Seasons will offer a great variety of selection of clothes and apparels with modern, classic, and professional styles for all categories of customers including men, women, elderly, and children through its own website and mobile application. This business will focus on all kinds of clothing in all various sizes, colors, qualities, and prices aiming to target all categories of customers. Products mentioned below are going to be our highlighted products that we are planning to put on sale on our online platform and mobile application:

- Arm wear
- Belts
- Coats
- Dresses
- Gowns
- Shoes
- Sport Outwears
- Sweatshirts
- Headgear
- Jackets
- Shirts

- T-Shirts
- Skirts
- Tops
- Trousers and shorts

Main services provided by *Changing Seasons* will be as following:

- online payment services
- stock management services
- fast delivery services
- refund/exchange services
- customer services

Nowadays, customer services play a strategic as well as an indispensable role in online shopping because customer satisfaction and feedback on services are two of main determinants of profitability and future success of an online business. This customer service will unquestionably be applied in case of business strategy for *Changing Seasons* to make sure that customers can 24/7 access customer help center addressing their questions and problems regarding services and products offered by *Changing Seasons*. A real time chat room as a part of this business strategy will give all customers to contact customer service persons to get some advice, and this service adds a value to customers and help to create a loyal customer basis.

1.6 Customers

Although *Changing Seasons* will meet apparel needs of people from all socioeconomic backgrounds and age categories, our main customer category will people aged between 18 and 65. As *Changing Seasons* will not make distinctions between males and females in terms of number

and quality of products displayed on its website, all male and female customers will be targeted. In addition, targeting specific customer groups within specific demographics would not be a better option for an online clothing store, therefore, we target people with an access to internet all across Azerbaijan.

1.7 Stakeholders

Main stakeholders of *Changing Seasons* online clothing store will be its customers, suppliers, and employees. As we discussed above, our customers will be Azerbaijani customers aged between 18 and 65 with an access to internet regardless of their geographical location. Supplier will be local clothing stores, manufacturers, and foreign brands with enough stocks in Azerbaijan. Lastly, employees will a third category of stakeholders of this start-up as there will about 20 employees for a beginning period.

1.8 Sales Process

Sales process will rely on a standardized system of filtering and finding products and will offer customers an opportunity to save time while looking for clothes they want, add it to a basket, and later on order it by adding user information and payment details. These helps customers register in *Changing Seasons* website with minimal personal information and get maximum specific and detailed information about products displayed on website having a better browsing chance.

1.9 Payment Process

Our customers who will be choosing to purchase products online from vendors will have a few payment choices. One of most important criteria for customers making purchases on internet is

that payment process will be simple and secure for our customers. Changing Seasons will accept two different types of payments:

- Online Payment by credit and debit cards
- Cash Payment at payment terminals (MilliÖn, Emanat etc.)

Using payment terminals such as MilliÖn and Emanat to make payment will be activated making it much easier for customers to make payments without need for registering their bank accounts within our website. By using MilliÖn and Emanat, people who do not have bank cards can pay with cash at these payment terminals. Besides that, this kind of payment process will make customers feel more confident and safer because they will not have to add personal bank details to an online system and will be relieved from concerns regarding their deposits in their bank accounts. Nevertheless, with terminal payment, they will not have to add any personal credentials to an online system to lay an order, therefore, they will feel much safer. In future, additional methods of payment will be considered based on requests, needs, and concerns of our customers.

1.10 Delivery Process

Changing Season will be responsible for delivery of all chosen goods, with following basic rules will be followed:

- Orders will be processed and gathered within 1-2 business days.
- Orders which will be placed before 12 a.m. will be brought on same day, while orders placed before 12 a.m. meaning afternoon and evening will be brought on next day to the central warehouse. After all the items of customer are gathered on the central warehouse, they will be delivered to customer as much as possible.

- Our majority of deliveries will take place during five working days, while weekend deliveries will be available considering that this will be negotiated and agreed with suppliers.

Total delivery process is estimated to be within 1-2 days for Baku, Sumgayit, and 2-5 days for the other regions of Azerbaijan.

MARKET ANALYSIS

Nowadays, fashion is about more than just clothes; it's about expressing one's individuality, creating happiness, embracing creativity, and connecting worldwide communities. Azerbaijan has long had a diversified fashion scene, representing the country's various ethnic groups, faiths, and customs. Azerbaijan fashion business sector has been growing as some new players, exposure, structure, presence, revenues, and training in recent years have entering and changing. Similar to physical apparel and clothing stores and boutiques, online apparel stores are influenced by a number of domestic and foreign economic, social, and political factors while economic variables take larger credit. Overall, we need to adopt external and internal approaches to analysis of market for online clothing store in Azerbaijan encompassing social, economic, and political variables affecting market behaviors of customers from all socio-economic backgrounds.

External Analysis

Macro Environment Analysis (PEST Analysis)

Different external elements have an impact on vitality of our start-up project, and these aspects must be discovered and analyzed in order for our start-up project to design an efficient business strategy and attain maximum financial performance in future. Political, Economic, Social and

Technological (PEST) analysis is used to examine external macro environment, which examines political, economic, social, and technical variables that can impact our start-up.

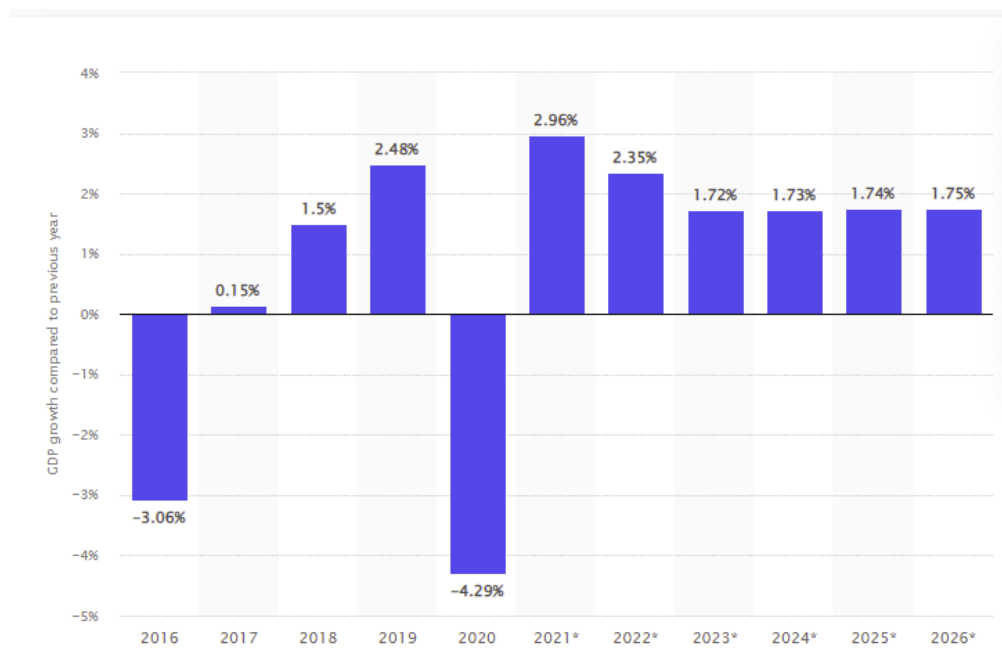
i. Political Variables

This factor examines impact of governmental laws, rules, regulations, and legal difficulties on our start-up's capacity to be profitable and lucrative under Azerbaijan's domestic market conditions. Nowadays, in comparison to past years, there is an emerging entrepreneurial culture in Azerbaijan, which is aided by several Azerbaijani government incentives that make it simpler and more practical for start-ups to establish themselves encouraging more and more entrepreneurs bringing their ideas and dreams into a reality under umbrella and protection of government. Nowadays, ASAN Service, which is a state agency established with decree of president of Azerbaijan, has made registration of start-ups a much easier process for entrepreneurs as services offered by ASAN Service are less bureaucratic and involves completion and filling of few forms to start a business allowing a business to be registered as a legal person under laws of Azerbaijan in one or two days, which is great. In addition, Innovation Agency of Azerbaijan under Ministry of Transport, Communications and High Technologies of the Republic of Azerbaijan was established in 2018 with decree of President of Azerbaijan, Ilham Aliyev, is serving to finance and fund start-up projects in Azerbaijan, which is one of most important political factors for vitalization of our start-up project. In simpler words, political ecosystem of start-ups in Azerbaijan is well-suited to our start-up purposes and objectives.

ii. Economic Factors

This part takes external economic factors into account, which can have a potential to impact on our start-up’s success. Azerbaijani economy, following COVID-19 lockdowns and economic distress, has been recovering its economic health and returning to its previous economic growth following structural measures and recovered global oil prices, constitute for more than 90 percent of Azerbaijan’s exports.

Graph 1. Azerbaijan’s Estimated Growth Rate for Period between 2016 and 2026.

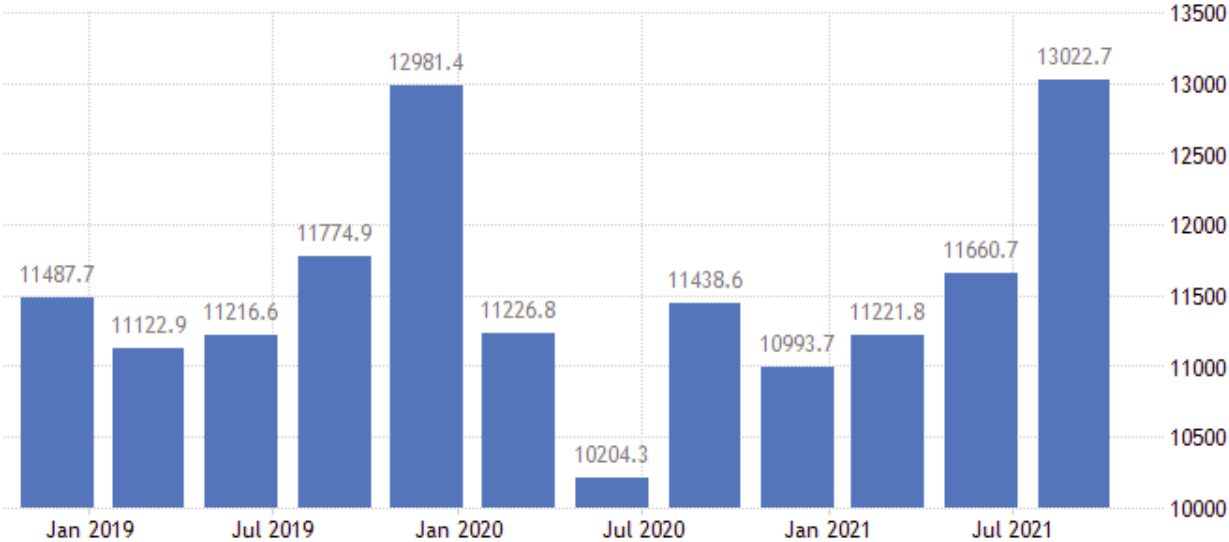


Source: Statista, 2022. <https://www.statista.com/statistics/457489/gross-domestic-product-gdp-growth-rate-in-azerbaijan/>

As seen from graph, during on break of COVID-19 crisis, when all international economic and political system was on pause, Azerbaijan’s economy experienced one of harshest declines in GDP growth, which minus 4.29 percent. However, figures for 2016 demonstrate that 2020 crisis is not a single crisis, as 2016 exchange rate crisis was one of harshest shocks for Azerbaijani economy although starting from 2022 to 2026; GDP growth is believed to increase at a constant rate of

around 1.77 percent growth rate (Graph 1). As oil prices are projected to remain to increase considering current political turmoil between Russia and Ukraine, Azerbaijan’s economic growth rate cannot be expected to go below zero leading to a negative growth rate.

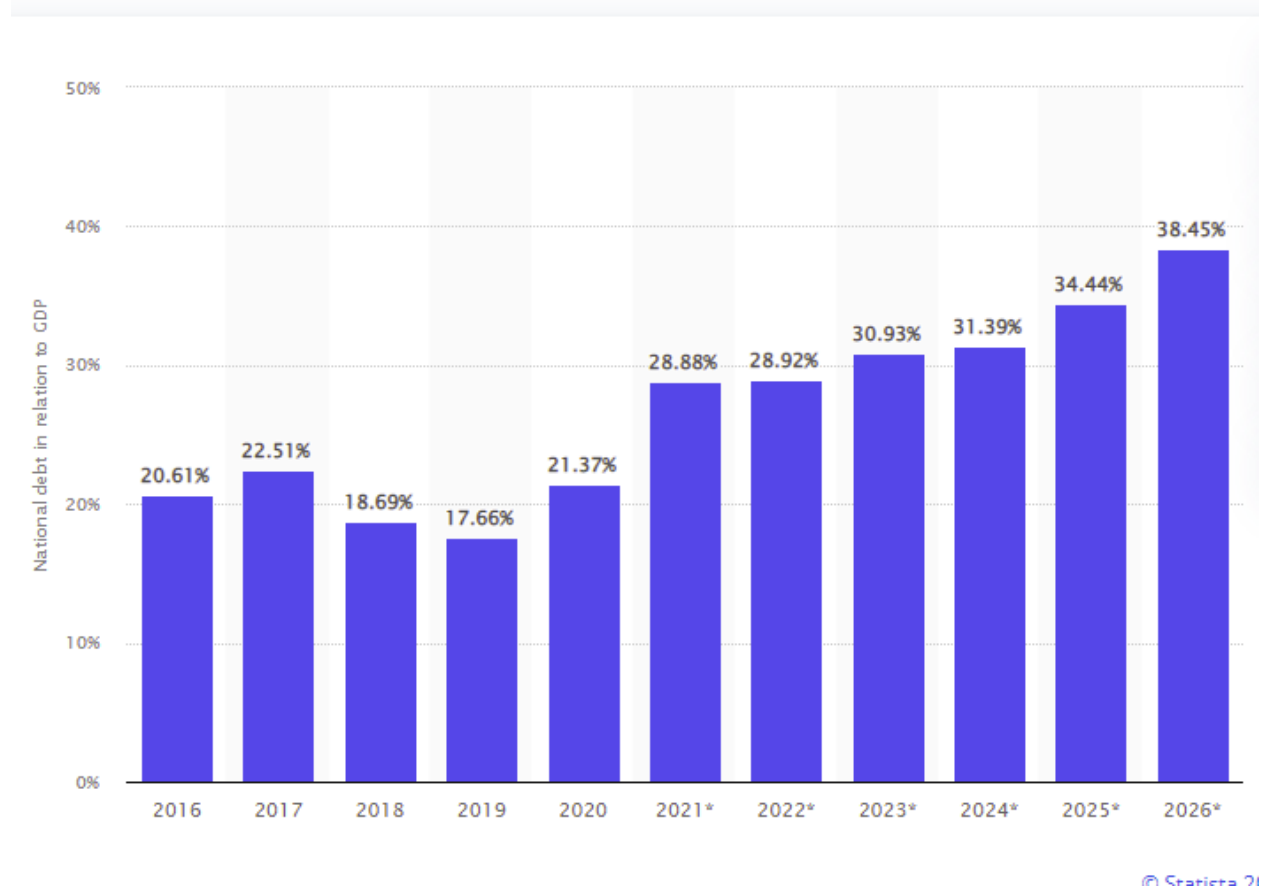
Graph 2. Personal Spending in Azerbaijan between 2019 and 2021.



Source: TrendingEconomics, 2022. <https://tradingeconomics.com/azerbaijan/consumer-spending>

According to latest statistics on personal spending in Azerbaijan, personal spending has experiences lowest rate in July 2020, which was about 10204.3 million US dollars becoming one of lowest rates of growth since 2016. Starting from first quarter of 2020, personal spending in Azerbaijan has been increasing in a linear trending and is expected grow under conditions of ongoing increasing oil and gas prices. As personal spending is increasing, it helps us to make positive projection for future of our start-up.

Graph 3. Public Debt in Azerbaijan between 2012 and 2020.



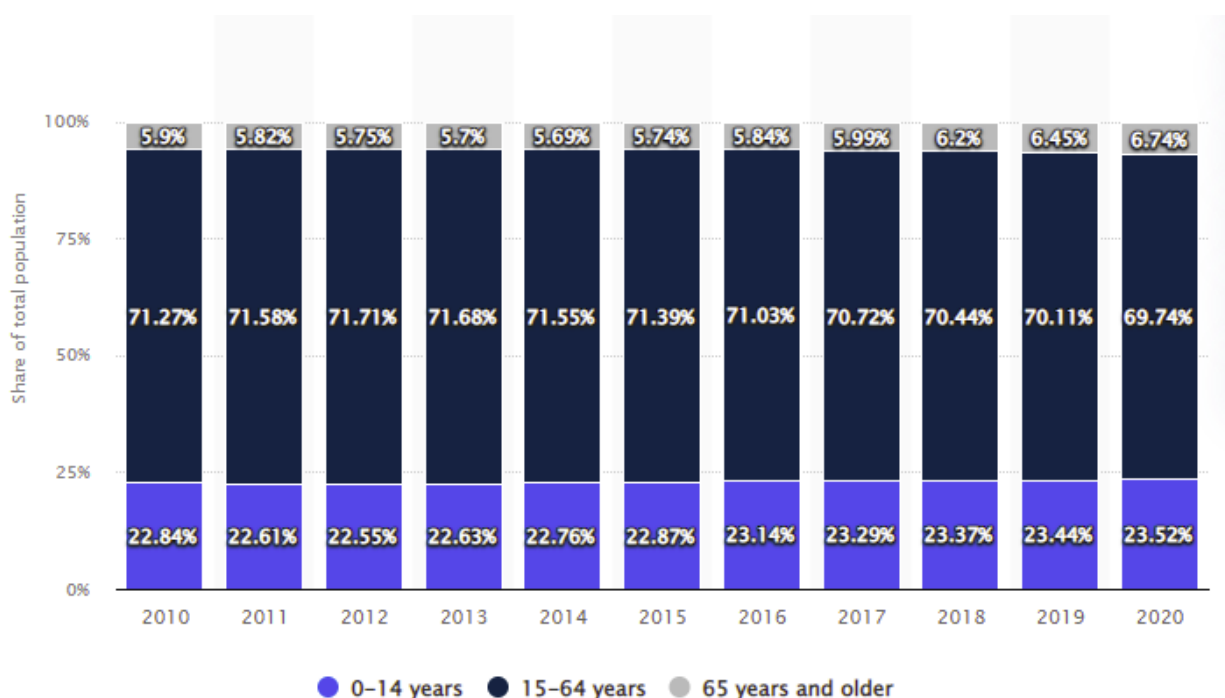
Source: Statista, 2022. <https://www.statista.com/statistics/457545/national-debt-of-azerbaijan-in-relation-to-gross-domestic-product-gdp/>

As seen from graph, Azerbaijan's public debt has been increasing since 2012 in a linear trend although it has experienced a slight decline from 2018 to 2022, within a four-year period (Graph, 2). Public debt of Azerbaijan for 2020 is around 16,000,000 US dollars, which is 28.92 percent of total GDP of Azerbaijan, which is a high rate for a country with 10 million populations.

iii. Social Factors

This component is analyzing Azerbaijani market's demographic as well as socio-cultural elements. Azerbaijan has a population of more than 10 million people, with 69.74 percent of population aged 15 to 64 (Graph, 4).

Graph 4. Azerbaijan's Age Structure between 2010 and 2020



Source: Statista, 2022. <https://www.statista.com/statistics/457568/age-structure-in-azerbaijan/>

Population ageing in Azerbaijan is one of most serious factors that should be considered. According to Azerbaijani Committee of Statistics, by 2030, Azerbaijan's ageing index will have risen from 131 to 150 seniors per 100 young people (ACS, 2022). A myriad of various factors is contributing to population aging, and one of key reasons is that, as a result of technical and medical

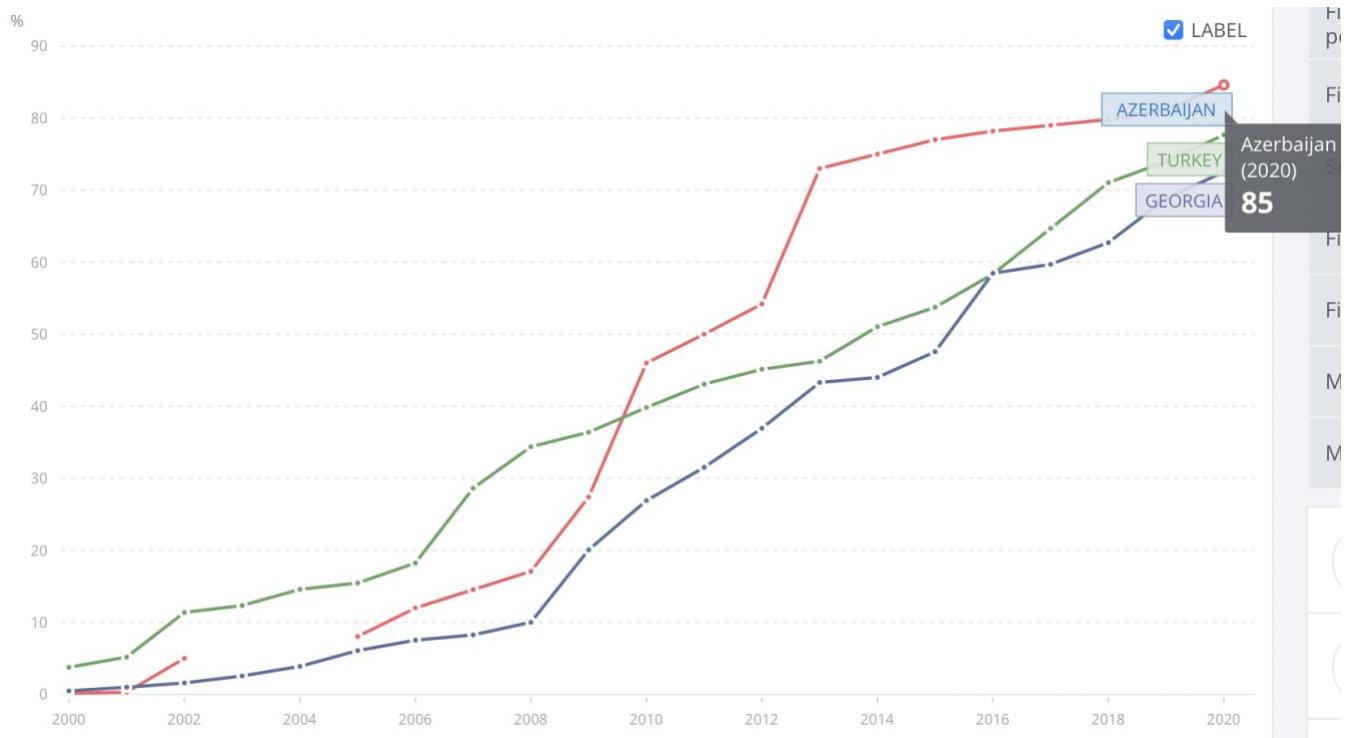
advancements, average life expectancy has been growing in Azerbaijan. Another explanation for declines in birth rates in Azerbaijan is low family income due to unfair distribution of economic resources in Azerbaijan and financial challenges associated with having a kid, as well as a preference for professional growth and job advancement over creating a family.

Another noteworthy tendency is a concept of national sustainable development, which is vital to Azerbaijani society. Recently, public awareness projects in Azerbaijan encouraging people to buy domestic products which have been created, and various government incentives exist to promote local farmers, national footwear industry, wine sector, and so on. As a result, present effort is likely to be well received by Azerbaijani customers, as it promotes local merchants and strives to improve Azerbaijani national economy.

iv. Technological Factors

This element is looking at technological difficulties that would have a potential to affect our start-up, which aims to provide its products or services to market through use of internet and various technological devices. It is no surprise that Azerbaijan has experienced a remarkable technical transformation in recent years. Percentage shares of Azerbaijani population having access to internet and being active users of internet accounted for 73 percent of Azerbaijani population in 2013, while it increased to 85 percent in 2020, which is a milestone development considering that Azerbaijan has 10 million population overall. In 2015, overall population of Azerbaijan had a smartphone penetration rate of 112 percent in first quarter of 2020, which equaled around 11.29 million mobile connections for 2020 (DataReportal, 2022).

Graph 5. Internet Users in Azerbaijan



Source: World Bank. <https://data.worldbank.org/indicator/IT.NET.USER.ZS?end=2020&locations=AZ-TR-GE&start=2000&view=chart>

In addition, in recent years, e-commerce has grown at a breakneck pace. According to Ministry of Transportation, Communications, and High Technology of Azerbaijan, retail e-commerce revenue reached USD 27 million in 2017, growing up by about 180 percent from 2016 to 2017. Azerbaijan is ranked 65th in UNCTAD's B2C ecommerce ranking report published in 2020 (UNCTAD Report, 2020). Moreover, expanding number of ATMs has boosted e-commerce, and a number of B2B websites have been created in last few years leading to massive growth in e-commerce in Azerbaijan. In addition, frequency of credit and debit card transactions has been increasing as well, and many hotels, restaurants, supermarkets, and mid-range stores are accepting credit and debit card payments more than when they were doing a few years ago.

Nowadays, Azerbaijani government is working on a number of crucial topics, including development of online banking, mobile banking, and encouragement of non-cash payments for purchasing all kinds of goods and services, all of which have been helping for pushing an e-commerce growth in Azerbaijan. For example, Ministry of Taxes of Azerbaijan has urged retailers to install point-of-sale (POS) equipment, however, as Azerbaijani economy is centered on cash, retailers have not got a chance to apply point-of-sale equipment for commercial purposes; however, projections demonstrate that Azerbaijan's transition to online payment systems will be increasing in a linear trend in upcoming decades as global technological interconnectedness requires and demands all countries reforming payment systems into an online payment system, which is a global system.

Websites such as elan.az, kontakt.az, lalafo.az, and hepsiburada.com are some of most prominent e-commerce websites in Azerbaijan selling a wide range of products online. Nonetheless, cross-border e-commerce is in its early stages, while mobile phones and computer parts make up great bulk of things purchased from foreign websites, therefore, Azerbaijani government is formulating new measures and designing new approaches for ensuring effective legal e-commerce regulation, according to the Customs Code of the Republic of Azerbaijan (2020, § 2).

Micro-Environment Analysis

Following analysis of macro-environment in Azerbaijan, analysis of micro-environment will be given in this section together with examination of potential or existing competitors of our-start in Azerbaijan. For demonstrating appropriateness of micro-environment analysis, Porter's Five Forces analysis will be used in this section and industry analysis of clothing and apparel sector will be presented.

Porter's Five Forces

In this section, we will be looking at Porter's Five Force model of analysis of a new business and start-up, which encompasses various five factors such as threat of new entrants, threat of substitutes, bargaining power of supplies, bargaining power of customers, and industry rivalry, which are main five variables identified by Porter for analysis of a business, "*Changing Seasons*" in our case.

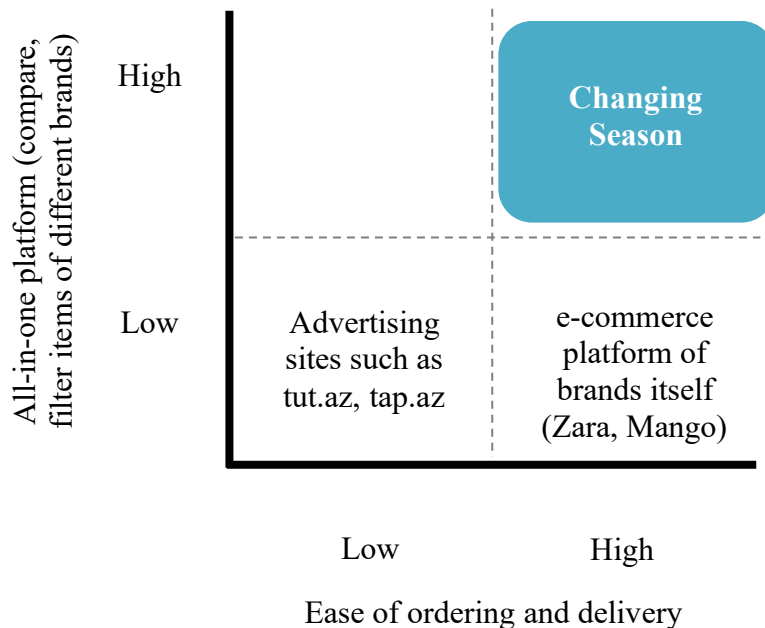
i. Threat of New Entrants

First, it would be critical to examine barriers to entry, as these can have a potential to prohibit a new business from joining a market and locating within a domestic market. As a result, for this analysis, following elements have been identified as main potential impediments to initiation of our start-up. One of first barriers in front of entrance of potential competitors into this sector is a capital requirement because implementing an e-commerce project requires a quite bit amount of money and risk associated with its investment into this start-up. For example, technologies such as a full-stack web service/client, mobile application that combines third-party APIs, as well as web applications, hosting/scalable database, and employing an outside developer to do these chores, are key investments required to set up this sort of business. In general, amount of capital required to start such a firm is quite a bit in Azerbaijan, and as a result, this factor indicates a high entry barrier for new competitors. Second impediment in front of entrance of new competitors is that they will have to make more efforts for making partnerships with businesses, and this challenge would force new entrants to make aggressive spending and promotions in order to overcome existing consumer loyalty. Third barrier is about stock management, meaning that successful implementation of our project will result in strong partnerships with suppliers forcing

them list and structure their inventory and items in accordance with our requirements and this will make it harder for new entrants build better relationships than our start-up. Overall considering a low economic condition, suppliers would not be inclined to incur additional costs for working with another net entrant online shopping company.

ii. Threat of Substitutes

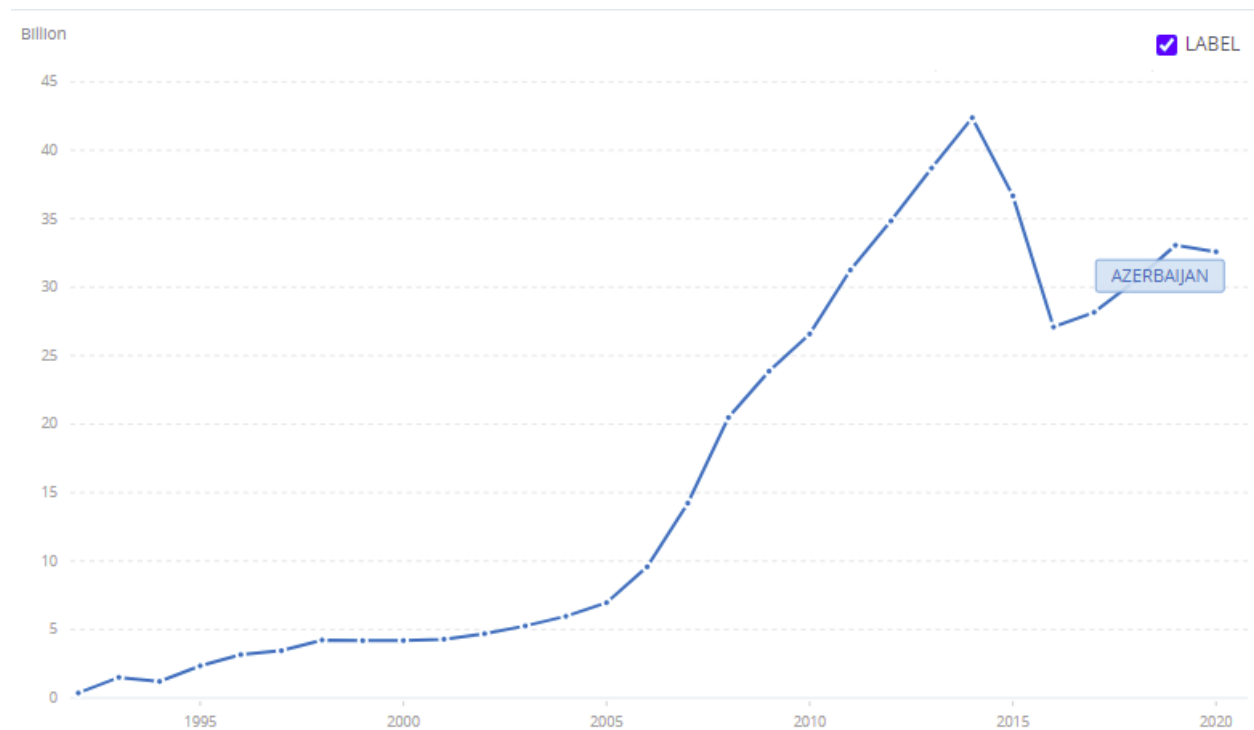
Currently there is not a common platform to connect customers and shops in Azerbaijan. Right now, some advertising sites such as tap.az, tut.az etc. is used to advertise their products. Besides that, there is some brands such as Zara, Mango etc. which provide online sales for their products. However, these brand’s online platform is only for their products so there is no way to compare products of different brands. There are no other services that can replace our start-up in future in same way because it is going to be a service-based business that will provide filtering, comparing, ordering and delivering services.



iii. Bargaining Power of Buyers

Strong purchasing power and capacity of customers in Azerbaijan have a significant influence on our project's profit potential, and more purchasing power of customers means more competitions between retailers in market, which can promote competitions between suppliers by leading to lower price level or better quality or more services as buyers would have more negotiating power due to a wide range of options and availability of alternative products. The buyer group is small, despite the fact that purchases account for a small percentage of total spending.

Graph 7. Azerbaijan's Consumption Expenditure from 1995 to 2020



Source: World Bank, 2022. <https://data.worldbank.org/indicator/NE.CON.TOTL.CD?locations=AZ>

This graph illustrated above demonstrates that Azerbaijan's total consumption expenditure has been declining since 2014 due to a number of reasons, which is a negative indicator for our start-up. When it comes to purchasing behaviors of Azerbaijani customers, brand identification plays a

little influence because consumers choose well-known brands such as Zara, H&M, Bershka, Pull&Bear, LC Waikiki, and Mango switching to lesser-known local brands, which are in their earlier stages. When shopping for clothes, majority of Azerbaijani purchasers demonstrate price sensitive attitudes, which stem from current economic conditions, and lowest alternative in terms of product quality is preferred, but this relies on consumers' socioeconomic position as we have mentioned above. Overall, declining purchasing power of Azerbaijani consumers proves that consumers become more hesitant and reluctant to pay high prices for clothes and apparels by disregarding quality.

iv. Bargaining Power of Suppliers

In addition, existence of powerful and established suppliers in Azerbaijani domestic market reduces earning potential of our start-up project because when suppliers boost industry competitiveness by threatening to raise prices or lower quality of their goods and services. During supplier power analysis, most significant aspects, which need to be evaluated, are supplier dimension and collaboration, as well as switching costs. First one is supplier dimension and cooperation of suppliers. As our present initiative is going to be a service-based firm in which clothing stores in Azerbaijan will serve as suppliers, it will be critical to form solid connections with a variety of suppliers, as future profitability of this start-up concept is dependent on collaboration with high-quality, well-known local companies, therefore, bargaining powers of suppliers will be higher. Second, as we have mentioned above in previous sections, switching fees to participate in this project might be a medium barrier as suppliers need to spend on technological upgrade and portfolio of existing clothing goods.

v. Industry Rivalry

Regarding degree of competition in this e-commerce sector, following factors will be taken into consideration. First one is diverse competitors variable, however, there are no alternative online shopping websites with strong brand competition, therefore, our start-up introduces some of unique features that will make it gain a comparative advantage over all potential competitors in future. Second one is growth of textile and clothing sector in Azerbaijan, as we have mentioned above, during a recovery period from COVID-19. Third one is differentiation of services, and overall, there is not a lot of distinctions between players. There are numerous clothing businesses and physical stores that are identical to one another, and there is a lot of competition between those stores and businesses. Fourth and last variable is a high cost of leaving e-commerce business in Azerbaijan because this sort of start-up is a technology start-up that does require a large amount of initial expenditures; high cost of exiting market reduces competitiveness between rivals.

Critical Success Factors

Following an analysis of industrial aspect of market, some of most essential parameters that a firm must meet in order to overcome competition and become sustainable in e-commerce in clothing sector may be identified. The following are most important success factors:

Innovation and Technology

In this design process, supply chain and distribution, growth into additional goods, and customer interaction, sustainability and ongoing innovation are critical. By investing in modern technology, our business will be able to reduce expenses and increase performance. In addition, effectiveness and speed of distribution and supply chain management all depend on current stage of

technological and innovative practices and systems of local suppliers selling clothes and apparels regardless whether they are foreign or local firms.

Management and Recognition of Brands

In addition, local Azerbaijani consumers are more prone to trusting and buying from well-known, renowned brands because they transmit a variety of marketing messages, including product quality, inventive and original design, and values that customers are more attracted, and in this case, our start-up will be focusing on including clothes from all well-known and established brands in Azerbaijan offering customers a wide range of selections.

Cost-effectiveness

In addition, Azerbaijani market and economy is price sensitive due to a number of economic reasons such as oil-dependency, lack of economic diversification, and underdevelopment, and it makes it critical and important to keep expenses under control. As a result, all significant success elements listed above are considered as a way for our business in this sector to have better financial status and profit margins, allowing it to obtain a competitive edge in comparison to potential market entrants in future.

Threats and Opportunities

There are a number of opportunities which allow us to see a brighter future for our start-up becoming successful and profitable. One of these market opportunities is growing textile and clothing sector of Azerbaijan as government has been paying a special attention to development of this sector as an alternative to oil and gas sector compensating for revenue losses during global

economic crisis and downturns, which result in low oil and gas prices. Growth and development of this sector in Azerbaijan means that there will be more potential for local firms and businesses producing quality clothes and apparels as a lower price and cost and making it more affordable for businesses to deal with. As local products will become cheaper than imported finished textile products and clothes due to customs and taxes on imports of those goods, our business will become more and more functional and profitable. In this sense, growth of textile and clothing sector in Azerbaijan is one of most powerful and important opportunities for Azerbaijan. Second, as this sector is underdeveloped due to low levels of investment and capital into this industry for decades-long, small retailers and producers do not have an experience of promoting and selling their products via internet and online shopping websites, and in this sense, market condition is appropriate for introducing this start-up and makes it work in an intended strategy. Overall, space for innovation and absence of established textile and clothing firms with financial potentials of entering online retailing sector provides another important opportunity for our business to flourish and attain a success. Third, as we have mentioned above, customer attitudes and tastes change in Azerbaijan due to a number of reasons such a growing process of digitalization and an active use of internet and devices in all regions of Azerbaijan making online selling and shopping more accessible and popular, and this is recognized as another significant opportunity of our business to be successful, therefore, this is important to consider this trend as an important factor in this business. Fourth, social responsibility has been one of most positive developments in Azerbaijan, which has led to formation of public support for local brands emerging in clothing and textile industries in Azerbaijan, and this shows that considering economic affordability of our services and products for local population, our chance of getting public support from our customers will be high, and this is critical. In addition, as our graphs demonstrate above, demand and public

expenditure on clothing and apparel has been increasing since 2016, which means that existing demand is sufficient for opening this business.

In addition to opportunities provided by current market conditions in Azerbaijan, there are a number of threats that can impede application of this start-up and can hinder our objectives disrupting our business operations. As we mentioned above, Azerbaijani people in recent years have been shopping from online shopping websites such as Trendyol, a Turkish online selling store, and this means that competitions with Trendyol as an alternative website for Azerbaijan can threaten our business considering lower prices and lower cost of production of clothes and textiles in Turkey, which are important variables to be considered in this sector. In addition, as we noted above, it would be one of the hardest tasks to make all suppliers agree to be a part of this online system because additional switching costs will discourage them from doing this, and this reluctance will result in lower chance for our business to develop and build strong ties with local suppliers making all orders fulfilled as needed. As we know, there are two forms of competition in business, which are direct and indirect competitions. In our case, our business can be considered to be more likely to be exposed to an indirect competition in Azerbaijan, which means competition from businesses providing services and goods different from those we are retailing. However, chances for facing a direct competition would be much lower because this initiative has never been implemented in Azerbaijan on this scale, and this start-up aims to create a new and unique version of service. In addition, Azerbaijan's GDP is increasing due to high oil prices in recent years, however, when it comes to sustainable development, it is one of the most questionable areas of Azerbaijan's growth as large portions of people living in rural areas are isolated from enjoying and getting fruits of economic development and resources, and this decreases their

purchasing potential and harm our customers basis. All these economic factors play an important role in dealing with potential challenges while implementing our business.

In addition, although Azerbaijani local market has not been settled by this kind of initiative, some world-known and established brands have created their own online selling websites, which receive orders from all countries where they have stocks and branches, such as Zara, Mango, and Hennes & Mauritz AB (H&M). Zara is one of world's largest fashion retailers in world, which is focusing on design, manufacturing, distribution, and sales through its unique and huge store network. It is owned by a parent company called Inditex, which holds possession over world famous clothing brands such as Bershka, Pull and Bear Massimo Dutti, and Stradivarius. Nowadays, there are around official Zara 1.830 stores in 79 countries. In Azerbaijan, there are its various physical locations as well as an online store with quick shipping and an easy-to-use layout. In addition, H&M is a Swedish international retail apparel firm, after Zara, is regarded as world's second largest clothing business and its design team develops affordable, long-lasting clothing for everyone. Clothing, shoes, purses, jewelry, make-up, undergarments, and interior and home appliances are among its retail categories, which are delivered to customers from all over world. Further, Mango being one of Zara's major clothing competitors, with over 2.000 outlets in 103 countries, womenswear, menswear, shoes, luggage, and accessories are among products that they are retailing all over world. In addition to its regular physical stores, Mango is operating a Mango Outlet website that sells discounted products and clothes at cheap costs with fast and free shipping. All these firms are delivering to Azerbaijan, and although this does not lead to a strategic threat for our business, this can be considered one of main threats to viability of our business. Moreover, some additional threats can be expected from traditional retailers, and although this can sound strange, it is possible to expect that some traditional retailer shops and stores within living areas

of customers have been able to create some customer loyalty, which discourages some customers from preferring buying clothes and apparels online because it has become one of most questionable things as clothes are bought following customers trying various clothes to see whether they fit on them or not.

Internal Analysis

SWOT Analysis

In this section, we will be conducting Strength, Weakness, Opportunity, and Threat (SWOT) analysis of this start-up for examining its potential to be profitable. As we know, SWOT analysis is used to assist in establishing a corporate plan by taking into account all potential and existing strengths, weaknesses, opportunities, and threats that a new company or business can encounter when it enters market. As we know, some variables such as opportunities and dangers being external to organization are considered external variables, and as a result, they apply to our entire industry. Nonetheless, it is worth noting that strengths and weaknesses are anticipated for a start-up that has not been formed in a local market, meaning that they are hypothetical elements that may change over time.

i. List of Strengths of Our Start-Up

- Legal environment of Azerbaijan is suitable for implementation of this kind of technological start-up
- Have a good chance that this start-up will be successful considering market gaps and absence of existing competitions
- This platform will have strong brand reputation and will be market leader in Azerbaijan.

- Strong local presence.
- High traffic on this platform will attract more supplier and customer.

ii. List of Weaknesses of Our Start-Up

- We are a newcomer in this business in Azerbaijan; our start-up will struggle to gain popularity amongst customers for some time being
- Customers' unreliability will impact company's overall reputation
- Lack of our experience in this business and lack of expertise in this field in Azerbaijan
- All quality issues must be entrusted to suppliers
- Possibility of non-compliance with return policies
- Possibility of delivery delays
- Business partners may neglect their responsibilities at times

iii. List of Threats of Our Start-Up

- Manipulations from the supplier companies are possible
- Cybercrime may cause theft of user's sensitive data such as payment details
- Possibility of miscommunication between our business and suppliers on a variety of topics such as pricing, product, and delivery
- Packaging may be inadequate because vendors make blunders in this area

iv. List of Opportunities

- Currently there is a gap in the market in terms of selling clothing online. There is not a common platform to connect customers and shops.
- Interest toward online shopping increased after technological improvement and COVID-19 pandemic. COVID-19 pandemic created a trend in online shopping in Azerbaijan. People are now more positive toward online shopping. That's why there is an opportunity in Azerbaijan to serve this platform (e-commerce app) to people.
- People's interest in quality and affordable clothing

Market Segmentation

Main goal of this section is to create a market segmentation that is suited for "Changing Seasons" by dividing distinct market groups with comparable demands and goals. Important factors in this market segmentation for notion of an online store selling clothes and apparels are gender, age, and tastes. In a nutshell, target market consists of women and men of all ages. Before developing a company's strategy, it is vital to create segmentation for determining company's primary consumers and ways of appealing to them. Following that, customers' attributes may be defined based on recognized categories, as well as how our business would be positioned for targeting those consumers. First, demographic criteria age of end consumers, as well as geographic criterion kind of location and social criterion class will be examined in this section.

- According to statistics presented by Azerbaijan State Committee of Statistics, around 70 percent of consumers are young male and female people aged between 18-35, which account for around 70 percent of people using online shopping for buying things. Other than that, those people aged 36-45 years old account for 21 percent of Azerbaijani population, while consumers aged

between 46 and 64 account for 8 percent of market, which is low. As these statistics show, people aged between 18 and 45 constitute largest portion of populations which is potential customers for our business.

- Second criterion for our customers is area, and our business aims to concentrate on all local Azerbaijani customers living in Baku and Sumgait for some time being until our business grows and spreads to regions and other main cities of Azerbaijan that will be considered later as popularity and stability of our business grow.
- Third criterion for our business is social class, which means that socioeconomic status of all customers must be taken into consideration. It is obvious that taking advantages of any service, customers must have requisite finances. Nonetheless, our business' service will allow users to compare different things based on a pricing criterion, which might be useful for shoppers seeking for a bargain or trying to save money, and this helps us retain our customer basis regardless of their financial status.

All in all, owing to lack of interest displayed by persons over 55 years old in this business and online shopping, this company's target market will be medium and upper-middle customers living in a capital city Baku, where majority of people are fashion-oriented and aged between 18-55. Nonetheless, because population is aging each year, demographic pattern tends to shift over time. As a result, firm will incorporate older age bracket in its target market in future by ensuring that present target market remains loyal and pleased with this service provided by our business in upcoming time period. In short, all people aged between 18 and 55 who have access to internet and who spend a lot of time in internet are target population of our start-up.

Positioning

According to Blank (2012), a typical model for bringing products to market is disrupted when companies are focusing on building their product more than needed and forcing those products into market, rather than using a predefined strategy and defined process to find out and discover their markets, because "a startup's market type dictates positioning strategy and affects everything company is doing". Understanding three market categories, according to Blank (2012), is first stage in positioning a startup:

- a new product in an existing market
- a new product in a new market
- a new product seeking to re-segment an existing market through cheap cost

Second phase in positioning a new firm is to determine each market's distinctive high-level positioning plan. Because present project is a new product in an existing market, it is vital to focus on why new company's features are better or different than competition.

Our company's service will be aimed at fashion-conscious customers who love shopping and have occasional difficulties of quickly and effectively locating required clothing products in accordance with their tastes and desires. "Changing Seasons" blends advantages of conventional shopping with convenience of internet shopping, allowing customers to buy locally by utilizing online search to compare prices and items and ordering it online. When it comes to positioning of our business, I looked at various online clothing shopping platforms, and I found that there is not an all-in-one platform in Azerbaijan to compare prices of goods offered by different suppliers, and this makes our business unique and more competitive in this, and more suitable for local Azerbaijani market. In addition, some attempts have been made in last few years for entering in this sector, however, all of them have failed and have not become operational due to various reasons. The business idea

adjusted to Azerbaijani market will make entry process in this sector more comfortable and will establish this business platform as a brand in a short period of time.

MARKETING ANALYSIS

One of main goals of marketing strategies and marketing mix in this business is being able to satisfy all requirements and meet all wants or desires of a target audience and target population in most effective and cost-effective way possible. "Marketing mix" refers to a business's foundation model, which has been focusing on product, pricing, location, and promotion. In simpler words, marketing mix is described as "a collection of marketing techniques that a company is using to achieve its marketing objectives in a target market." In general, marketing mix has been confined to the fundamental 4Ps, which are product, price, place, and promotion. However, Jerome McCarthy in 1960 came up with 7Ps model, which referred to product, price, location, promotion, people, process, and physical environment, all 7Ps allow businesses to evaluate and define critical challenges that affect their bottom line. According to this model, business's promotion of its goods and services, and marketing mix's many components must all be defined and modified in accordance with pre-established postures and approaches defined.

Before all, it is important to talk about objectives and goals of our marketing strategies at large, and it is more important to differentiate between goals and objectives. For this purpose, we will be using Cohen's approach to formulation of goals and objectives of marketing strategies. One of his most famous explanations for making differentiations between goals and objectives is that objectives should be determined at first, and later on some small organizational goals can be established based on those objectives. Using Cohen's model of goals and objective, it become

possible to say that our objectives will be about establishing a brand, not a website along with creating a passionate and loyal community as well as enlarging our network in local Azerbaijani market as much as possible through various promotion strategies. Our goals will be making profits by taking advantage of market gaps in Azerbaijan, establishing centralized stock management system for all local store, and becoming resilient and profitable company with a potential of enlarging its spheres of operation and becoming a world-known brand in future.

Product

Business and company's offerings can be both tangible and intangible. Our start-up called “Changing Seasons” will be selling an intangible product since we will be offering our clients a comparative shopping service such as enabling them comparing all products online. Online services provided by “Changing Seasons” will address issues of spending hours in brick-and-mortar stores seeking for a certain item of clothing and being unable to find it. “Changing Seasons” will be offering our customers a simple and fast way to choose a product, compare models and pricing, get more extensive information about a product, and search for a product based on its characteristics. On site, customers can find offers from local brick-and-mortar merchants, who are individually providing up-to-date information on their items and pricing. Our start-up “Changing Seasons” will be on both website and application format which will have following functionalities such as filtering suggestions based on their parameters, searching items by model, kind, material, price, inventory visibility (sizes, colors) and possibility to purchase online. Consumers will also be able to rate different brands and give product feedback. By this way, customer can make decision about brand and product itself, and order from credible brands. Overall, our present concept streamlines shopping experience for consumers by allowing them to have a safe access all

of information and data about various clothing items from various retailers without having to visit them, as well as saving their time, efforts, and energies. In addition, this present initiative intends to assist smaller local merchants in competing with aggressive campaigns of multinational brands and large online retailers by utilizing technology and social media, helping them to grow sales, client numbers, and brand awareness.

Price

In addition, pricing approach of our business concept “Changing Seasons” will be based on services it is offering, as it will not own clothing and apparel items it will be advertising on its website for sale. For this reason, there will be a few options for making money for our business concept. When customers will be choosing a product or products on our website by looking at pictures and sizes of clothing, customers will have an option of ordering it directly through our system. Customers will take actions through “Changing Seasons” website to purchase. As a result, “Changing Seasons” will link all users to merchants in exchange for a share of sale considering that our users are purchasing selected items on website (as commissions will revolve around 15-20 percent commission depending on categories and types of sales). Another approach to make money will be through offering advertising spaces on our website. Our cost will be determined by website's popularity. As a result, more popular our website will be growing, more money we will be able to make from advertising there as firms and businesses in Azerbaijan have turned more interested in paying thousands of manats on online advertising for maximizing their sales and profits is recent few years. From this perspective, our profits from this kind of sourcing will be increasing in an exponential trend in future considering dynamics of economic growth and enlarging customer basis of Azerbaijan.

One of main price goals of Changing Seasons will be twofold, meaning that it will be cost and value based. It is important that our pricing will stay affordable and competitive in accordance with goal statement of our company. As a result, our business will be concentrating on increasing sales via volume pricing and optimizing return on sales. Changing Seasons will be pricing all of items depending on their cost-value. One of reasons is that suppliers prefer to discount wholesale/volume purchases, raw material prices are reduced when a firm is buying in bulks.

Place

Online environment will be a primary location where items will be offered in “Changing Seasons”, which is technological start-up. Our users will be given opportunity to order products through our online platform. Within 1-2 business days, client's order will be delivered across Baku territory. “Changing Seasons” will have its own warehouse. When there is an order, “Changing Seasons” will be one who will be liable for gathering purchased products of customer to central warehouse from the shop and delivery of ordered clothing items to the customer. In addition, our task will be ensuring that all ordered things will be delivered on schedule without unnecessary delays. In addition, an online "place" might be understood in different ways, such as a location where clients have internet connection and can access “Changing Seasons” platform. Customers often use “Changing Seasons” platform from their homes or places of business; however, with widespread use of laptops, tablets, and smartphones, access to “Changing Seasons” can be from anywhere with an internet connection. In other words, although location of our business can be identified as “online environment”, all places where internet connection is available can be identified as physical environment of our business.

Promotion

Promotion is an important part of marketing strategy since it can increase brand awareness and sales on a large scale. Customers are provided with information through promotions and advertisements that might drive them to buy a product or service. “Changing Season” will be a new brand on Azerbaijani market, and it will be in early stages of its life cycle. During this phase, our focus should be directed towards increasing public relations efforts and fostering community building in order to raise awareness and foster a favorable image and attitude among those who would benefit from services of our platform. One of main key message in our promotional efforts will be in keeping with “Changing Seasons” positioning, mission, and vision, as previously defined, highlighting advantages of online buying in one single easy solution.

Our business “Changing Seasons” will not be using traditional advertising outlets such as television, newspapers, or radio to promote our brand for some time being until our business grows and turns into a large business. In other words, because this is a tiny start-up with a limited advertising budget, it is making sense to utilize a more direct marketing approach, which is less expensive and more effective. Search Engine Optimization (SEO), media and social media, posting online material on guest blogs, community management, customer interactions, web design, and other methods will be all part of our online public relations strategy. These are important strategies that need to be defined beforehand.

All of regional schools, universities, and business centers will get sales calls and marketing pamphlets with discount coupons from our firm, which will be giving 10 percent discounts for first purchase orders placed above 100 manats for a limited period. Other than these direct sales strategies, we will create brand awareness by distributing discount coupons and promoting

Changing Seasons at important events in region such as professional sporting events, concerts, and restaurant openings where our target audiences will be congregating.

i. Community Creation

It is important to build a network of fashion customers in order to better market this fashion brand platform. Getting in touch with influencers/fashion bloggers and cooperating with them by publishing material on their blogs or asking them to evaluate things purchased through “Changing Seasons” platform will be one of our most crucial tasks. This will help our concept to increase website and application traffic and attract fashion-conscious customers more. Influencer marketing is a strategy for cultivating relationships with industry leaders and target markets while also enhancing a brand's credibility as a thought leader in the field. Furthermore, while investigating a buying choice, target clients tend to believe the opinions of industry peers regarding the items.

ii. Social Media Marketing

Due to our business' low marketing budget, promotional operations at its early stages will rely on free social media platforms such as Instagram, Facebook, Twitter, and others to direct social media users to our website or application via messages and special offers. In social media profiles, important information will be provided about our social networking activities, offers, and various event sponsorships. Connecting with customers via social media is critical in assisting community development. Facebook has been gaining popularity throughout world as well as in Azerbaijan. According to Eurostat figures from 2016, Azerbaijan has 5.100.000 active social media users, and bulk of Facebook users (24 percent) are between ages of 18 and 24, with 25–34 year-olds (26 percent) and 35-44 year-olds following behind (20 percent) (Trading Economics, 2019). These age

groupings correspond to our business Changing Seasons' target demographic, and Facebook has a lot of promise as a promotional medium. Overall strategy will be about taking advantage of opportunities provided by social networking sites such as Facebook, Instagram, and Twitter, which are a few of most popular social networking web sites used in Azerbaijan by a majority of population, and will be promoting our brand company and connecting with customers, as well as enforcing brand loyalty among existing customers. In addition, using paid search engine optimization marketing solutions such as Google AdWords and AdSense will be another significant step toward promotion. Google Analytics will be used to track the effectiveness of our business' promotional activities and expenditures.

iii. Search Engine Optimization (SEO)

One of most important and critical features of website should be about its findability and accessibility. In other words, it is significant for our e-commerce website to be found and accessible via search engines in an easy way. Majority of consumers looking for information or seeking companies on internet are using Google as a starting point in a frequent way. Effective search engine optimization is helpful in increasing and maximizing visibility and traffic to a website. Search engine optimization is important for aiding in maintenance of a firm's reputation, as it is making it simpler to bury any unfavorable information or reviews about the organization by taking a proactive strategy to prevent problems rather than using a reactive approach after they have occurred. It is important for new businesses, as their first image on the market may influence their future activities.

In addition, controlling a company's reputation may be done by dominating first page of search results for searches that will be involving our company's brand name. Changing Seasons' platform

is planned to rank first in top search results of all customers looking for information. When existing and potential consumers search for our firm's brand name or other associated keywords, this will be allowing them to get greatest possible image of our organization and brand. Understanding and analyzing all possible keywords that will be used to reach our company's website (as well as our rivals' websites) is crucial since it will provide vital insights into our customers' ideas, requirements, desires, and concerns. Users are more likely to trust websites that rank highly for phrases they are looking for, and developing trust is crucial for online success especially for small businesses without a well-known brand name.

Furthermore, there expected to be cooperation with graphic designers and film producers to develop a short promotional video with a viral potential to present idea of our start-up Changing Seasons in a simple and straightforward way for customers from all socio-economic background. "Viral marketing" is defined by Kotler and Armstrong (2015) as "developing a website, video, e-mail message, or marketing event that is contagious that customers will want to share it with their friends." Changing Seasons will be utilizing viral marketing in form of photographs (covering current trends, looks, and so on) or text messaging on social media.

iv. Offline Marketing

Upon permission with the owners, promotional leaflets and brochures can be posted at coffee shops, hairdressers, salons, cultural venues, and other locations to promote the brand. Such flyers may capture the attention of potential clients and increase brand recognition with their eye-catching, innovative, and engaging design.

v. Word-Of-Mouth Marketing

It is critical to deliver consistent and excellent service to consumers and leave them pleased, since this will allow them to recommend our business to their friends, colleagues, and family. Consumers trust referrals from friends and family over all types of advertising, according to Nielsen (2016). Keys to establishing word-of-mouth marketing are to create and keep a solid relationship with clients. This sort of marketing fosters a high degree of trust, which is benefiting our business in a variety of ways, such as increasing sales and gaining new consumers.

People

People are most crucial part of any service since they are directly accountable for quality of services provided by our business. As a result, it is critical to employ competent and enthusiastic individuals who believe in this project's vision. As a consequence, individuals might contribute their own ideas and interests, allowing company to develop and thrive. Highly qualified and motivated personnel can provide our business with an "internal" competitive edge over other rivals, affecting company's standing in Azerbaijani marketplace.

One of most essential things to remember in this service sector is that providing value to our clients in this form of an experience is more efficient than simply delivering a product. Changing Seasons will benefit from both stores with whom it will be developing relationships and customers who will be purchasing all of items promoted. Changing Seasons must guarantee that its suppliers are dependable, that their products are of high quality, and they are placing up to date information about products to give greatest service to its clients. As a result, customer support is required to assess the quality of their job and to respond to any consumer inquiries. Changing Seasons

customer service representatives will have necessary interpersonal skills, attitude, and understanding of internal procedures to give service that customers are willing to pay for.

In this line of work, service quality is critical. Because sales volumes would be low at first, Changing Seasons will rely on conventional human service to deliver more personalized customer care rather than automated online customer service. Changing Season will be carrying out all essential actions to provide highest quality of customer service, such as callbacks, answers to all asked questions in most common asked, support and help during purchasing process, online chat, and e-mail responses, among other things.

Another crucial problem for Changing Seasons is to engage a competent and knowledgeable tech specialist from the start, as this is a technology start-up with many significant technical concerns to consider when putting a project in place. There are lots of smart IT specialists in Baku, who is suitable for this project.

Process

Overall systems and procedures that will be enabling our business to offer our service are referred to as processes in marketing mix. During procedure, three primary categories may be distinguished:

- Pre-sales process: holding communications with suppliers, collaboration with suppliers, portfolio creation and updating, providing consistent availability of all requested goods, ensuring quality of goods sold.
- Sales process: creating an easy ordering process for all, ensuring security of all of our customers and suppliers during transactions, security of private data collected and stored from

customers, creating efficient responses to all requests and enquiries of our customers, ensuring prompt, immediate, and reliable delivery, conducting monitoring of supplier quality.

- After-sales service: quick response to complaints, polite calls.

Physical Evidence

"Physical evidence is customer's confirmation that service has occurred and gives a lasting (or at least semi-permanent) memory of our service quality" according to Blythe (2003). Without it, customer would have to rely on his or her memory, which is notoriously unreliable.

Overall, all customers are accustomed to forming impressions based on their view of service being delivered; therefore, physical evidence will be an important component of our service mix. Physical evidence will be revealing a form that company's service and products are viewed in our Azerbaijani marketplace. Customers can form judgments about our business based on its physical evidence.

In addition, our clients who will be happy and content with all of services will be operating as one of finest and most significant marketing forces for our business and organization. As a result, Changing Seasons will be incorporating all of user evaluations and ratings for various stores and brands on web page to demonstrate consumer happiness to potential clients. Physical proof will be provided via promotional items delivered to clients or potential clients. Small pamphlets featuring important trends, discounts, and special deals, for example, may be used to remind people about Changing Seasons and its services. Finally, our packaging of orders sent to clients can be helpful for enhancing our business image and identity.

ORGANIZATION AND MANAGEMENT

Organizational Structure

Because Changing Seasons is a technology start-up, it will have a basic and flexible organizational structure, which can be defined as a functional organizational structure, in which all employees are assigned a specific role.

Our CEO will be in charge of comprehensive control and quality of operations and will be carrying responsibilities of overseeing all human resources responsibilities as sole proprietor of our company.

The finance & accounting specialist will take care of all accounting and finance activities.

Sales manager and one sales specialist will form relationships with suppliers and contract agreements. Responsibilities and work of suppliers will be overseen by a sales specialist. This is an essential responsibility as well, because there is some reliance on suppliers in terms of placing and updating items on our platform. As a result, it is critical to make regular evaluation of quality of their work, as any errors would reflect on company's reputation.

Company's marketing employees will be carrying responsibilities of our public relations and marketing strategies, forming collaborations with influencers/bloggers. In addition, our social media specialist will be in charge of creating various contents for our website's forum area on a regular basis. One of main responsibilities of him/her will be keeping company's social media accounts updated, preparing visual materials for our website and social media, and having some photo editing skills.

Our IT developer will be in charge of all technical aspects of our application/website's upkeep, integration of supplier data into our system. Because it is an e-commerce platform, this will be a

critical role inside our organization, and our individual for this position must be qualified, informed, and accountable.

Courier will be responsible of carrying purchased goods to central warehouse and deliver gathered goods to customer. Warehouse operators will carry all delivery related issues. In addition, Warehouse operators will be in responsible of responding to any user inquiries and resolving any potential customer concerns.

A freelance fashion photographer will be recruited to produce a portfolio of all of apparel and clothing items of all our suppliers in Azerbaijani local market.

In beginning, we are planning to have around six employees, including business owner, who will be chief executive officer (CEO). Our firm will recruit more marketing, sales, warehouse and engineering personnel to keep up with rising local demand for clothing and apparel.

Below table show detailed info about projected staffing plan of “Changing Season”:

| | | Annual | Year 1 | Year 2 | Year 3 | Year 4 |
|-------------|----------------------|----------|----------|----------|----------|----------|
| | | Salary | | | | |
| Engineering | | | | | | |
| | Programmer | ₸ 24.000 | 1 | 3 | 4 | 5 |
| | Total Eng | | 1 | 3 | 4 | 5 |
| Marketing | | | | | | |
| | Marketing Manager | ₸ 24.000 | 1 | 1 | 1 | 1 |
| | Marketing Specialist | ₸ 18.000 | - | 3 | 3 | 4 |
| | Total Mktg | | 1 | 4 | 4 | 5 |

| | | | | | | |
|--------------------|----------------------|----------|----------|-----------|-----------|-----------|
| Sales | | | | | | |
| | Sales Manager | ₺ 24.000 | 1 | 1 | 1 | 1 |
| | Sales Specialist | ₺ 12.000 | 1 | 4 | 3 | 3 |
| | Total Sales | | 2 | 5 | 4 | 4 |
| Warehouse/Delivery | | | | | | |
| | Warehouse Operator | ₺ 12.000 | 1 | 2 | 4 | 6 |
| | Courier | ₺ 9.600 | 2 | 4 | 9 | 13 |
| | Total Sales | | 3 | 6 | 13 | 19 |
| General & Admin | | | | | | |
| | CEO | ₺ 32.000 | 1 | 1 | 1 | 1 |
| | Accounting & Finance | ₺ 18.000 | 1 | 1 | 1 | 1 |
| | Total G&A | | 2 | 2 | 2 | 2 |
| TOTAL EMP. | | | 9 | 20 | 27 | 35 |

Risk Management Evaluation

When it comes to risk management strategies of our business, avoiding, mitigating, and transferring risk will be a few of most critical strategies to be implemented. Changing Seasons will do its best for not accepting any risk. There are a number of rules that pertain to Changing Seasons, which we will follow our when personnel will be employed. Following are some of those strategies. First, we will observe all labor regulations, pay legislation, and equal opportunity

employment rules while employing our full-time employees. In addition, laws on consumer and environmental protection will be given a special priority meaning that our business will not be engaged in selling any items that are detrimental to customers or environment. Further, insurance will be required to safeguard our company from unanticipated circumstances that might result in financial losses. One of insurances that will be purchased will be an insurance against tort claims and unforeseen property damage that may happen against our business in future, auto insurance for covering all accidents and material damage, and life insurance to cover all expenses paid by our business in case of our owner's death. Overall, one of most important goals of our business will keeping cyber-security and feasibility of our website serving our customers keeping their personal details and information confidential. In Azerbaijan, “Law of the Republic of Azerbaijan on personal data” (2010) regulates the data protection framework. Complying with the law on personal data is a legal obligation as well as an ethical obligation. When all these will be satisfied, risk avoidance and minimization will be possible.

STRUCTURE OF APPLICATION/WEBSITE

About Us

Our readers will discover information about our firm, things and values for it is standing, its principles and philosophy in this part, as well as a promotional movie about company and its services.

Forum

There will primarily be three sorts of social networking choices in this forum area: most common asked questions and answers, conversations, and blogging pieces about current trends. In terms of blogging, there will be collaboration and cooperation with well-known fashion bloggers who will

provide their thoughts on looks, style, and trends. Our users will be able to submit recommendations and complaints in order to help Changing Seasons enhance its service and product assortment. Our goal of this area is to grow Changing Season's networking community — a place where people can exchange ideas, make suggestions, and get information. Creation of a community of devoted and dedicated consumers, as well as development and maintenance of strong customer connections, are significant goals in relationship management.

Contact Us

It is critical, especially in the service business, to maintain contact with users and provide required help if necessary. In this part, there will be many links to Changing Seasons' social networks, as well as a contact form to contact customer support services of our business.

Online Shop Home Page

Casual clothing, formal dress, footwear, and accessories such as undergarments, purses, and belts will be available in this online store. On our main page, there are several shopping categories. Our categories are going to be female, male, girls, boys, babies, and accessorize in accordance with needs our target population and their needs. There will be sub-categories with product lines inside these primary categories. Search option allows visitors to input title of any specific item they are looking for. Following are essential concepts to keep in mind when writing this section:

- Images of products will be provided as pictures will convey a realistic and positive impression of all of products listed on our website. A thorough description of all of products, as well as information on our suppliers, will be provided.
- Interface of our platform(application/website) will be as much as simple to use and browse, with page adjustments for usage on a variety of devices, including personal laptops, computers, tablets, and smartphones.

Online Shop – Browsing Category

When our customers will be choosing a specific category while looking for a variety of clothes and apparels, users will be taken to category page, where information and data about selected items will be provided. Prices and ratings of participating brands will be used to filter all of goods and clothes. Color, product length, style, size, sleeve type, and other criteria will apply to all of products. One of our goals is to make search more specific and accurate, allowing consumers to look for what they want to buy.

Design and Logo

Establishment of our company's visual identity and logo is one of most important and first jobs in this business implementation process. A visually appealing and innovative identity can be helpful for promoting a company's mission and image. For ensuring consistency in design, a trained graphic designer will be recruited to produce all visual identity qualities, including our logo, main web page design, image palette adjustments, promotional materials design, and other visual identity aspects. Our company's name is emphasizing concept of shopping clothes and apparels in all seasons with models and designs in accordance with requirements of all seasons.

CHRONOGRAM

Following actions will be done to create and set up our project:

- Creating financial analysis and a business plan to determine whether our business will be financial feasibility - outlining financial, profitability, and investment requirements.
- Working with a local software development company for building our website and mobile app, as well as providing further technical support in collaboration with our suppliers.
- Forming connections with all local merchants and clothing stores.

- Assisting suppliers with the creation of digital portfolios (by getting help of freelance photographers and designers)
- Hiring more personnel

FINANCIAL PLAN

Changing Seasons will be looking for a significant long-term investment for growing and promoting its apparel line. This investment will be used to cover some operating costs. Changing Seasons will be operating on a quarter bases, with calendar year serving as fiscal year meaning that for managing cash flows, our business will develop budget each quarter that will be compared to actual revenue and spending for that fiscal period as well as Changing Seasons financial documentation and financial statements. Changing Seasons will expand at a moderate rate, with a positive cash balance at all times as we will not be engaged in selling on credit because we will not be owning clothing items and accessories listed on our website as a retail establishment. Cash, checks, and all major credit cards will be accepted. Some check acceptance services will serve as check guarantee system, reducing number of faulty checks that are lost. Marketing and advertising will not account for more than 5 percent of our future total revenues. We will be keeping reinvesting any remaining revenues in development of our company and staff. Our start-up, Changing Seasons, will be requiring some physical investments (technical supplies, delivery truck etc.) because we are planning to want to use computers and software that will help us in keeping our website vibrant and smooth for our customers. However, some steps will be taken for saving costs, which are substantial in outset of our business. In this section, I will be giving a quick

summary of our financial projections and estimations. All computations and projections will be for a period of 4 years.

CAPEX

Funding is one of most important aspects of putting a startup's objectives into action. We estimate that 101.000 AZN will be required to cover the first-year capital expenditure. Following table shows specifics of capital expenditure (CAPEX):

| | Unit cost | Qnt | Year 1 | Qnt | Year 2 | Qnt | Year 3 | Qnt | Year 4 |
|--|-----------|-----|----------|-----|-----------|-----|-----------|-----|-----------|
| Application/website development | ₺ 45.000 | 1 | ₺ 45.000 | | | | | | |
| Tech Supplies | ₺ 4.000 | 2 | ₺ 8.000 | 4 | ₺ 16.000 | 2 | ₺ 8.000 | 2 | ₺ 8.000 |
| Delivery truck | ₺ 20.000 | 2 | ₺ 40.000 | 2 | ₺ 40.000 | 5 | ₺ 100.000 | 4 | ₺ 80.000 |
| CAPEX | | | ₺ 93.000 | | ₺ 56.000 | | ₺ 108.000 | | ₺ 88.000 |
| Cumulative CAPEX | | | ₺ 93.000 | | ₺ 149.000 | | ₺ 257.000 | | ₺ 345.000 |

Table 1: Capital Expenditures

Tech Supplies – Some employees will be given a personal computer to use at work and because this business requires better computers, cost of each laptop is estimated to be around 4.000 AZN. Based on our anticipations, we will have 2 workers in the first year which need computer and that will lead to 8.000 AZN IT equipment for our business. However, in future, these numbers will increase because number of employees will be increased as our business grows.

Mobile App and Website – Mobile application and website will be most expensive portions of our investment and most important parts of cost structure of our business. Based on local market software price levels, cost of our mobile application/website will be around 45.000 AZN.

Delivery trucks – Since delivery of purchased goods will be held by Changing Season, we will need delivery trucks to deliver them. While considering the estimated sales volume, we will need 2 delivery truck in the first year which will cost 40.000 AZN total. Until the end of the 4th year, we are planning to increase number of delivery trucks to 13.

Fixed and Variable Cost

In most businesses, there are two kinds of expenses: fixed and variable costs. Following charges are fixed costs for our business: office rent, internet connection fees, electricity, and phone fees. We make some projections that in our second year of operations, our fixed costs will be rising since we will need to create regional offices. As our company's employment will be growing in its second year, additional costs such as salaries will be rising as well. As number of supplier and customer or the amount of service offered increases, hosting and server cost will increase. Labor costs will be growing since we want to hire additional employees in the next years in order to meet increasing customer base. In this financial prediction, wages, support and maintenance costs, and software update (hosting and server) charges all will be considered variable costs.

Cash Flow Statement

One of most crucial aspects of a company plan is its cash flow statement, which helps business launchers in projecting expected cash inflow and outflow amounts of a business (Harrison, Horngren, Thomas, 2008). For Changing Seasons, shareholders' equity, investment of family/friends and investment of angel investor make up inflow portion of predicted cash flow statement for fist year, while capital expenditures and expenses are projected as outflow. Intended cash flow statement of Changing Seasons is given below:

| | Year 1 | Year 2 | Year 3 | Year 4 |
|------------------------|-------------|-------------|-------------|-------------|
| Beginning Cash | ₺ - | ₺ 114.450 | ₺ 20.450 | ₺ 162.450 |
| Gross Margin | ₺ 12.300 | ₺ 312.000 | ₺ 744.000 | ₺ 1.338.000 |
| Expenses | ₺ (185.050) | ₺ (349.800) | ₺ (494.000) | ₺ (631.750) |
| Investment | ₺ 380.000 | ₺ - | ₺ - | ₺ - |
| Capital Expense | ₺ (93.000) | ₺ (56.000) | ₺ (108.000) | ₺ (88.000) |
| Change in Cash | ₺ 114.450 | ₺ (93.800) | ₺ 142.000 | ₺ 618.250 |
| Ending Balance | ₺ 114.450 | ₺ 20.450 | ₺ 162.450 | ₺ 780.700 |

Table 2: Cash Flow Statement

Expected Revenue

Changing Seasons will build an internet-based brand that will be recognized as a leader in promotion, marketing, and selling of products in an online retail marketplace by apparel and clothing sectors. Our company's income will be coming from two distinct sources: commission fees that will be paid by clothing stores for our e-commerce services and revenues from integrated paid content and banner advertising on our website. As we have discussed above, our business will be creating and selling its own retail service in Azerbaijan. In first two quarter of the first year, development of platform will be held. Besides platform development, sales manager and sales specialist will work on acquiring supplier in that period. That's why, in the first two quarter, there will not be any revenue from sales and advertising. Our projected revenue for our first year will be as following:

| Unit Sales | Unit | Year 1 Q1 | Year 1 Q2 | Year 1 Q3 | Year 1 Q4 |
|----------------------|---------|------------|------------|-----------------|-----------------|
| Number of Supplier | number | - | - | 15 | 35 |
| Sales (AZN) | ₼ 6.000 | ₼ - | ₼ - | ₼ 90.000 | ₼ 210.000 |
| Advertising | number | - | - | 5 | 10 |
| Revenue | | | | | |
| Commision | 15% | ₼ - | ₼ - | ₼ 13.500 | ₼ 31.500 |
| Advertising | ₼ 360 | ₼ - | ₼ - | ₼ 1.800 | ₼ 3.600 |
| Total Revenue | | ₼ - | ₼ - | ₼ 15.300 | ₼ 35.100 |
| Cost of Goods Sold | | | | | |
| Hosting/server cost | 3% | ₼ - | ₼ - | ₼ 2.700 | ₼ 6.300 |
| Support | ₼ 300 | ₼ - | ₼ - | ₼ 300 | ₼ 300 |
| Total COGS | | ₼ - | ₼ - | ₼ 3.000 | ₼ 6.600 |

Table 3: Expected Revenues

To make this sales prediction, some assumptions were done based on literature review.

A1: According to The State Statistical Committee of the Republic of Azerbaijan, there are 82564 retail stores in Azerbaijan in 2020 which 12344 of them are clothing/shoes stores. It can be concluded from the result of the survey, which was sent to suppliers to get info about them and their willingness to join us, that 22.6 percent of suppliers is willing to work with us. However, taking stock management issues and willingness to pay 15% commission (12.9% percent of suppliers) into consideration, we can start to work with a little portion of them. It is planning to work with 35 apparel stores until the end of the first year.

A2: According to The State Statistical Committee of the Republic of Azerbaijan, in 2020 in Azerbaijan, total revenue of retail stores that sell clothing and shoes is 6.262.599.900 AZN. So, average revenue per clothing store is 6.262.599.900 AZN divided by 12344 stores which is equal to 42.278 AZN per month per store. And also, it is conducted from survey that average revenue for the supplier is between 31.000 – 40.000 AZN per month. Based on data about e-commerce in

Azerbaijan, 12.1 percent of total retail sales belongs to e-commerce in 2021 and this share will increase to 19.1 percent until 2025. So, average sales per supplier over our platform is planning to be 4.235 AZN. In the worst case, we estimate that each clothing store will make 2.000 AZN revenue over “Changing Season” platform.

A3: According to GittiGidiyor information center, they take 17.8 percent commission for shoes category and 21 percent for overall Clothing & Accessories category. That’s why, as a starting point we are planning to get 15% commission from the sales.

By comparing some sources, we have been able to make some anticipation for our sales for next 12 months. We expect that our commission revenue from clothing orders will be around 13.500 manats for third quarter of our operations. We are anticipating that our revenue from clothing order will begin with a progressive climb over course of its second quarter increasing by 18.000 AZN. Our total revenues from commission for our first year will total 45.000 AZN according to our anticipations. Sales are expected to expand at a high pace. Note that financial statement for firm is ambiguous. Our cash flow projections, balance sheet projections, profit and loss projections, and sales forecasts will all be planned and improved. However, we are presenting some of our assumptions for our financial position.

In addition, our revenues from advertising will be increasing over time, and as our website will become more and more popular, our revenues from advertising will reach 5.400 AZN for our first-year operations. As our website and mobile app will grow popular, we will increase our advertising charges over years. Our total revenue, which includes revenue from commissions and advertising, will be around 50.400 AZN in the first year.

Projected Income Statement

We are estimating that gross margin for the first full year will be around 40,800 AZN. It is anticipated that our sales will increase, so, our gross margin will increase to 497.700 in year two. In third year, our gross margin is anticipated to increase to 1.083.600 AZN. As seen from table above, our gross margin will reach 1.788.300 AZN in its fourth year.

| | Year 1 | | | Year 2 | | | Year 3 | | | Year 4 | | |
|--------------|------------------------|------------------|-------------|------------------|-------------|--------------------|-------------|--------------------|-------------|--------|--|--|
| Revenue | | | | | | | | | | | | |
| | Clothing | ₾ 45.000 | 89% | ₾ 418.500 | 84% | ₾ 954.000 | 88% | ₾ 1.615.500 | 90% | | | |
| | Advertising | ₾ 5.400 | 11% | ₾ 79.200 | 16% | ₾ 129.600 | 12% | ₾ 172.800 | 10% | | | |
| | Total Revenue | ₾ 50.400 | 100% | ₾ 497.700 | 100% | ₾ 1.083.600 | 100% | ₾ 1.788.300 | 100% | | | |
| COGS | | ₾ 9.600 | 19% | ₾ 84.900 | 17% | ₾ 192.000 | 18% | ₾ 324.300 | 18% | | | |
| Gross Margin | | ₾ 40.800 | 81% | ₾ 412.800 | 83% | ₾ 891.600 | 82% | ₾ 1.464.000 | 82% | | | |
| Expenses | | | | | | | | | | | | |
| | Engineering | ₾ 24.000 | 48% | ₾ 60.000 | 12% | ₾ 96.000 | 9% | ₾ 120.000 | 7% | | | |
| | Marketing | ₾ 38.000 | 75% | ₾ 85.000 | 17% | ₾ 100.500 | 9% | ₾ 116.000 | 6% | | | |
| | Sales | ₾ 43.050 | 85% | ₾ 69.450 | 14% | ₾ 65.700 | 6% | ₾ 55.800 | 3% | | | |
| | Warehouse/ Delivery | ₾ 9.600 | 19% | ₾ 64.950 | 13% | ₾ 143.400 | 13% | ₾ 233.550 | 13% | | | |
| | G&A | ₾ 70.400 | 140% | ₾ 70.400 | 14% | ₾ 88.400 | 8% | ₾ 106.400 | 6% | | | |
| | Operating Exp. | ₾ 185.050 | 367% | ₾ 349.800 | 70% | ₾ 494.000 | 46% | ₾ 631.750 | 35% | | | |

| | | | | | | | | | |
|-------------------------|-----------------------------------|-------------|-------|----------|-----|-----------|------|-------------|------|
| Operating Profit | | ₼ (144.250) | -286% | ₼ 63.000 | 13% | ₼ 397.600 | 37% | ₼ 832.250 | 47% |
| | Amortization of intangible assets | ₼ 9.000 | 18% | ₼ 9.000 | 2% | ₼ 9.000 | 1% | ₼ 9.000 | 0,5% |
| | Amortization of tech supply | ₼ 1.600 | 3% | ₼ 4.000 | 1% | ₼ 6.400 | 0,6% | ₼ 8.000 | 0,4% |
| | Amortization of delivery truck | ₼ 3.000 | 6% | ₼ 13.000 | 3% | ₼ 28.000 | 3% | ₼ 46.000 | 3% |
| | Total amortization | ₼ 13.600 | 27% | ₼ 26.000 | 5% | ₼ 43.400 | 4% | ₼ 63.000 | 4% |
| EBIT | | | | | | | | | |
| | | ₼ (157.850) | -313% | ₼ 37.000 | 7% | ₼ 354.200 | 33% | ₼ 769.250 | 43% |
| | Tax expenses | ₼ - | | ₼ - | | ₼ - | | ₼ (153.850) | 9% |
| | | ₼ (157.850) | -313% | ₼ 37.000 | 7% | ₼ 354.200 | 33% | ₼ 615.400 | 34% |

Table 4: Income Statement

After deducting amortization and tax expenses from operating profit, we will get the net profit of our company. Here we have defined useful life of 5 years to calculate the amortization. Besides this, we assume that we will have 20% tax expenses according to the Tax Code of the Republic of Azerbaijan (2000, § 101.3). Also, according to the § 102.1.31 of Tax Code of the Republic of Azerbaijan, startups are exempt from taxes for a period of 3 years.

I have been able to make some projections on our expenditures, losses, revenues, and profits by constructing all these tables shown above. Our income statement shows our business's net income for next four years. As we can see, despite increasing expenditures, our business will be able to remain profitable for the last three years depicted.

Funding

Based on numbers in the tables, it can be estimated that capital expenditure for the first two year will be 149.000 AZN. And operating expenses for the first year will be around 185.050 AZN. That's why, investment for launching this business is expected to be around 380.000 AZN. In the first quarter of the first year, 210.000 AZN investment is needed to start business and cover expenses since first year will be hard for us in terms of losing lots of money. Last quarter of first year, we will need 170.000 AZN additional fund to grow and start to make profit. All these investments will be met by shareholders, family and friends

Below table clearly shows how the funds will be divided between different areas, namely CAPEX, engineering, marketing, sales, warehouse/delivery, G&A.

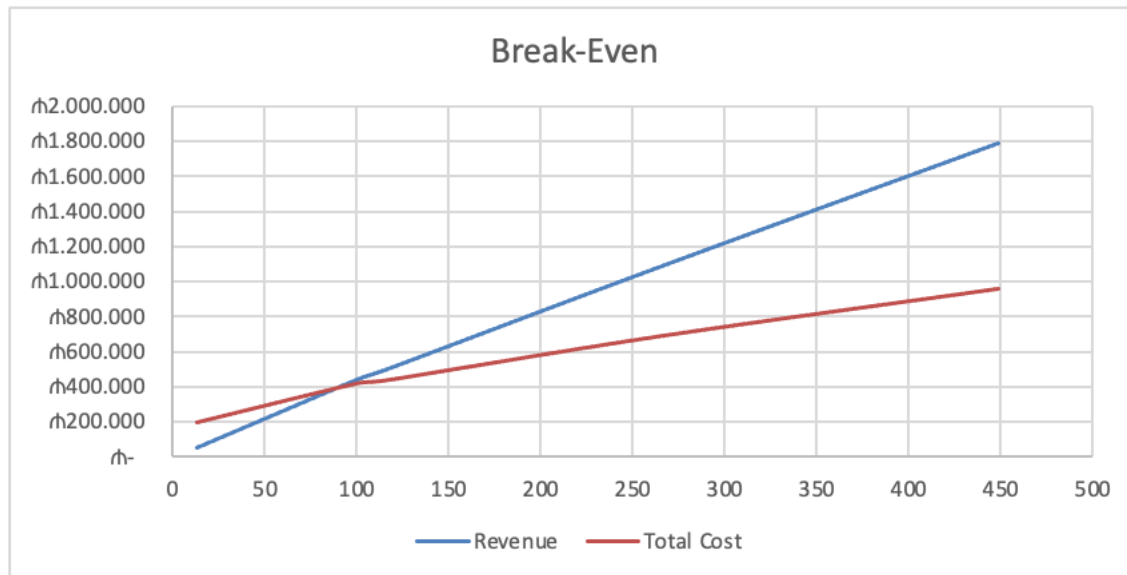
| Area | Year 1 | Details | Year 2 | Details |
|-------------------------|------------|--|------------|--|
| Capital expenses | 93.000 AZN | Product - 45.000 AZN Truck – 40.000 AZN Tech supply – 8.000 AZN | 56.000 AZN | Truck – 40.000 AZN Tech supply – 16.000 AZN |
| Engineering | 24.000 AZN | Salary – 24.000 AZN | | |
| Marketing | 38.000 AZN | Salary – 24.000 AZN Marketing Activities (SM, SEO, Offline) – 14.000 AZN | | |
| Sales | 43.050 AZN | Salary – 42.000 AZN | | |

| | | | | |
|--------------------------------|------------|---|------------|--|
| | | Commission to sales agents – 1050 AZN | | |
| Warehouse/ Delivery | 9.600 AZN | Salary – 5.100 AZN Delivery expenses – 4500 AZN | | |
| G&A | 70.400 AZN | Salary - 50.000 AZN Rent – 18.000 AZN Other – 2.400 AZN | | |
| Total | 278.050AZN | | 56.000 AZN | |

Table 5: Distribution of the fund

Break-Even Analysis

In business and financial accounting, break-even point happens when net income and total expenses of business is equal.



Graph 8: Break-Even Point of “Changing Seasons”

As seen above mentioned chart, when number of suppliers is under 100, revenue is below the total cost, which means loss. In other words, we should work with at least 100 suppliers and make at least 439,200 AZN revenue for covering all of costs and we will be able to make profits in addition to covering our costs.

CONCLUSION

Despite fact that Azerbaijan has been recuperating from previous economic crisis, moments of economic difficulty present opportunity for businesses to stimulate innovation in order to achieve long-term success. As a result, current economic climate of Azerbaijan is offering an once-in-a-lifetime chance for innovative ideas and company strategies. Developing a new business model and strategy is one of most important things when customer habits and lifestyles are changing and there is a large room for innovation in Azerbaijani local market. Because internet is one of fastest growing media, and it is becoming more and more usual to operate enterprises online, our e-commerce model has a lot of promise for business chances. That's why, it is quite attractive and strategic to start.

Our prospective company, "Changing Seasons", service is aimed towards medium and upper-middle Azerbaijani consumers, aged 18 between 55, who will be shopping but will have some difficulties of obtaining required clothing and apparel products. One of main competitive advantages of Changing Seasons will be that it will let customers to compare prices of different shops, search products according to some filters, order them and have them delivered online, and exchanging of products where there are any doubts and problems with products retailed.

Although online shopping websites covering a number of various products and items have been introduced in Azerbaijan, online clothing store has not been introduced in its full terms. I believe that ordering fashion items online and have delivered them fast will help us become profitable and maximize our initial capital in a short period of time.

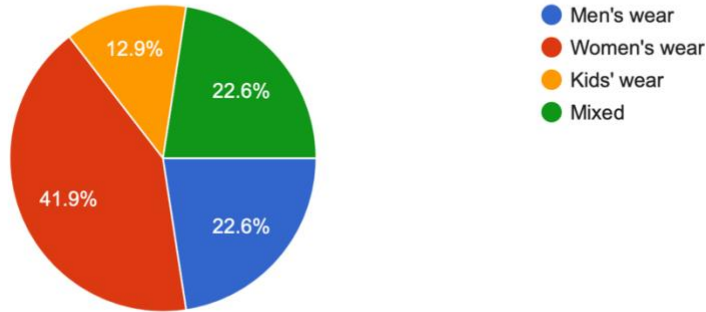
LIMITATIONS

Despite a fact that our study is well organized, following limitations should be considered such as time limit. As our current study is carried out during a defined period of time, this business plan is representing a snapshot of conditions that existed at that time. National economic, political, and social considerations all have an impact on the present project's performance. Taking into account these constraints, there is a degree of subjectivity in current endeavor.

Another important limitation is that we have undertaken survey amongst 31 clothing companies in Baku and we cannot make sure that all of our respondents have been honest and true on their answers and reports. In other words, survey can be considered one of most important weaknesses of our business plan because they contain subjectivity to some extent.

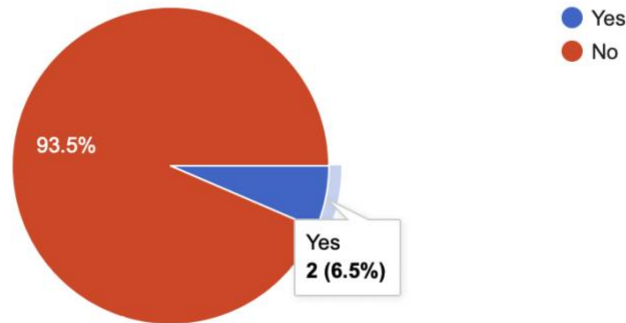
What are different categories of apparel you sell?

31 responses



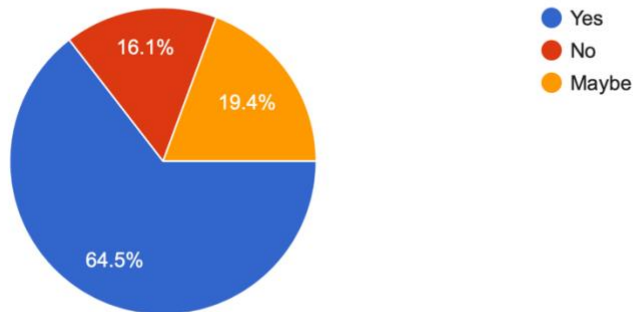
Do you have your own website or mobile application for retailing purpose?

31 responses



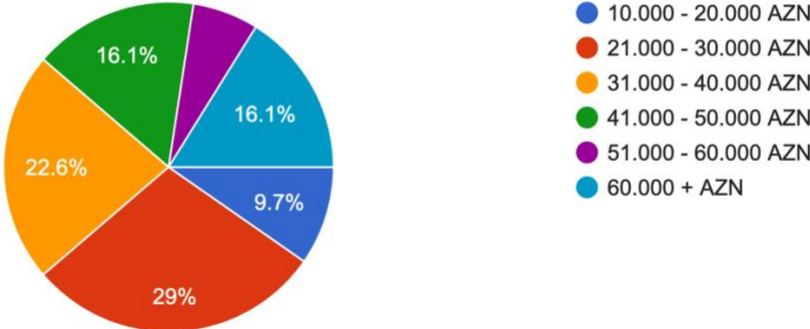
Would you be interested in selling your products via our platform?

31 responses



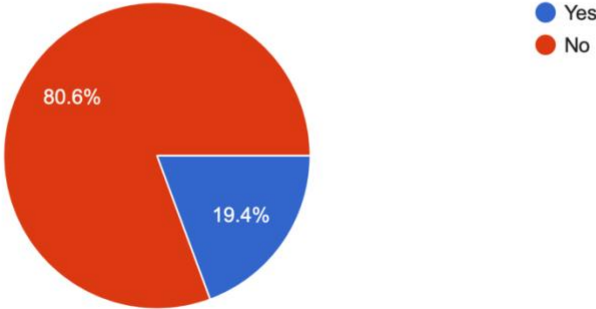
What is your annual revenue?

31 responses



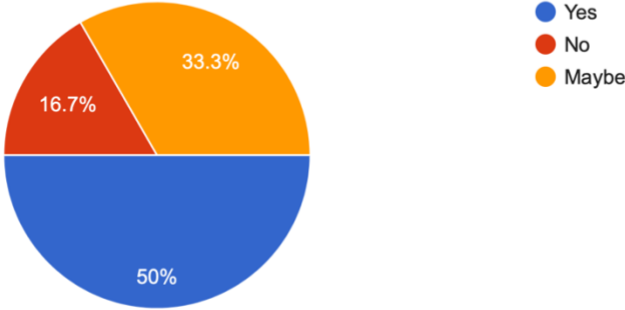
Do you have stock management?

31 responses



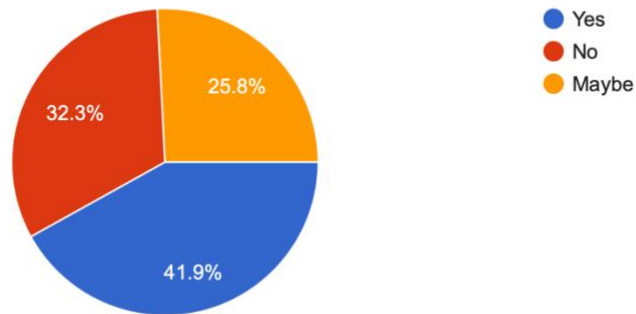
If you have stock management, will you be able to share your stock data with us in real-time?

6 responses



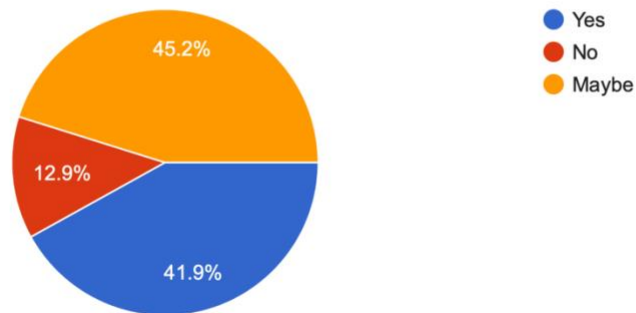
Are you capable of using our stock management system and updating items in time?

31 responses



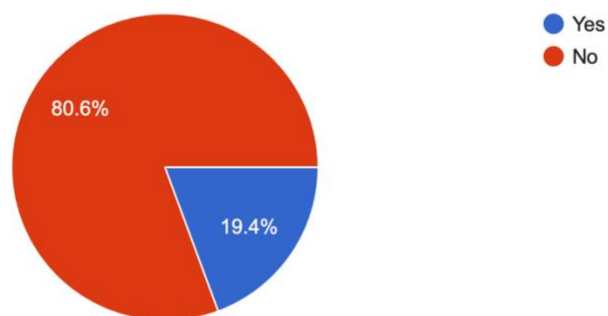
Would you agree to pay 15 percent commission rate of your sales in an exchange for our service?

31 responses



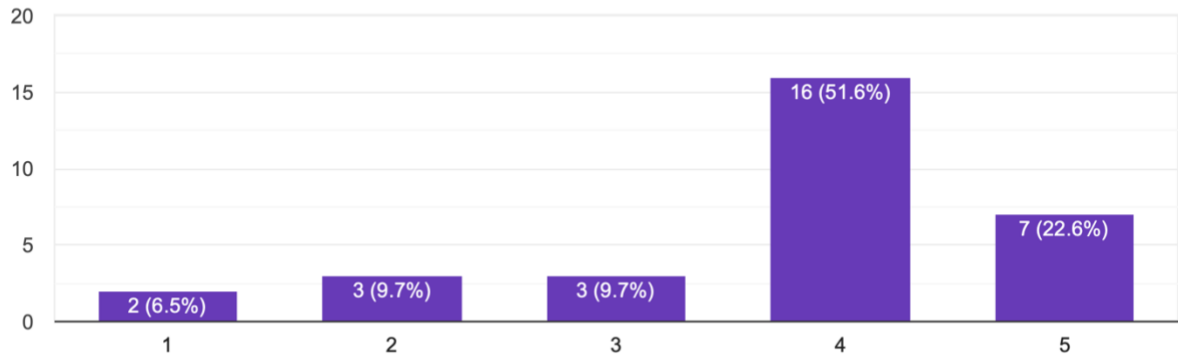
Have you become a part of this kind of e-commerce initiative before?

31 responses



How would you rate your willingness to use our service?

31 responses



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