

# ORBITZ HOUSE” PET CARE ON-LINE STORE

**Yifan Ge\*, Chairit Thongrawd\*\* & Weerapun Duangthongsuk**

*\*Graduate School, Southeast Asia University, Bangkok, Thailand,*

*E-Mail: \*S6341B20023@sau.ac.th, \*\*Chairitt@sau.ac.th, \*\*\*weerapund@sau.ac.th*

## ABSTRACT

The purpose of this study was to create a business plan for “ORBITZ HOUSE” Pet Care On-Line Store. The company is marketing products and services for dog by a mobile application – “Bao”. The business plan was written to examine the profitability of the company. There are also intentions of presenting this business plan to the investors. The business plan covers market segmentation, products, marketing, financial and future. Special attention has been paid to keeping the plan as realistic as possible. Some of the problems were encountered during the writing process. Most remarkable of there was how to get the investors to believe this business opportunity. One of the main focuses of the project was an analysis of the present market and potential customers. The SWOT-analysis helps the company to create its strategy. The final part of the business plan focuses on the calculations of various expenses and income, so we estimate the financial statements to show the company potential profitability.

**Keywords:** Application, Pet Products, On-line Store, Mobile Application.

## INTRODUCTION

OrbitZ House is an enterprise for selling pet care products by Internet with high-tech information research and software development. The company's investment amount is 2,000,000 RMB including the existing staff of 12. We plan to produce a mobile application for us and this application will sell dog's products online and also has grooming service in store. “Bao” is the name of the mobile application for people who love dogs which selling dog product, T-shirt, GPS collars online, provide grooming service and also has online donation.

Our company is a limited liability company, and the ownership is based on the proportion of actual shareholders. Our Board of Directors, whose members are 3 natural humans: The founder Mr. Wang will invest RMB 1 million to the business and acquire 51% of the total share. The remaining RMB 1 million will be contributed by local resident (Mr. Li) with RMB 200,000 and another investor (Mr. Zhang) with RMB 800,000. We will employ information specialists as information security consultants for our app.

We divide the pet consumption market into four segments: pet food market, pet medical market, pet consumer goods market and pet service market. Our target market is supplies and services. About our competitors, they are (1) Integrated E-commerce, (2) Independent brand E-commerce, (3) Community E-commerce.

In terms of product promotion, we use multi-channel marketing methods:

(1) making Grooming service based on localization to provide users with a place to relax with dogs; (2) getting income through third-party payment, merchant value-added services, advertising services, market data sales, etc. (3) using social media for marketing. Advertising on social media has become a big channel to reach customers. Many people tread to use and play social media.

We use “Bao” application to sell products and use offline store to give grooming service. We chose Shopping Aera in Shangcheng District of Hanzhou City for our pet store location which costs about 30,000 RMB/M. However, we estimate annual sale amount is about 10

million RMB (the details will show in Section 9), and our company may get 0.7% market share. Our company's Net Present Value (NPV) is 11,944,151 RMB and Internal Rate of Return (IRR) is 143%.

## COMPANY DESCRIPTION

OrbitZ House is an enterprise for selling pet care products by Internet with high-tech information research and software development. The company's investment amount is 2,000,000 RMB including the existing staff of 12. We plan to produce a mobile application for us and this application will sell dog's products online and also has grooming service in store. "Bao" is the name of the application that we are producing, it has the meaning that dogs are the treasure of human that's why it is easy for customers to remember the name of our application. We are selling dog's products online and providing grooming service as the main revenue.

Address: Shangcheng District, Hangzhou City, Zhejiang Province

Registered Capital: 2,000,000 RMB

Legal Representative: Mr. Wang

Established Date: Dec., 2021

Vision: To be a medium and gain credibility in providing information to develop and solve the problem of stray dogs and create a good image of the country.

Mission: We sell dogs products online, T-shirt, GPS collar and also provide grooming service in order to generate profits and after we deduct the costs from selling T-shirt, we will donate some money to foundation where taking care of stray dogs.

Objective: In order to encourage people in the society to consciously help animals.

To help foundations where have problems.

To reduce the risk of rabies in communities.

Our company is a limited liability company, and the ownership is based on the proportion of actual shareholders. Our company name is OrbitZ House. The Orbit means the curved path in space that is followed by an object going around and around a star. We are the company going around pets (Z means Zoo) by providing products and services. Our mobile application name is Bao which means that dogs are the treasure of human that's why it is easy for customers to remember the name of our application.

The management team will include the local resident investor and an additional hired manager to run the homestay business. The divisional structure is good for the company's future development in franchising in different locations. The diagram below shows the organizational chart of the company, which is the CEO is responsible for managing divisions. We have six divisions for business operation under the CEO's command: marketing & Sales Manager, IT Manager, Administration Manager, Accounting & Finance Manager, HR Manager and R&D Manager. The discussion of the management team section will focus on the long-term development stage based on the potential franchising nature. Currently, our team consists of 12 people.

"Bao" is an application for people who love dogs which selling dog product, T-shirt, GPS collars online, provide grooming service and also has online donation. The details are following:

<b>Type of Products</b>	1. Dog foods
	2. Dog snacks
	3. Dog stuffs
	4. Dog accessories

<b>Brand of Products</b>	<ol style="list-style-type: none"> <li>1. Royal Canin</li> <li>2. Smart Heart</li> <li>3. Pedigree</li> <li>4. Alpo</li> <li>5. Buzz</li> <li>6. F1</li> <li>7. Tiffany</li> <li>8. Maxima</li> </ol>
<b>Dog Life Stages</b>	<ol style="list-style-type: none"> <li>1. Elder</li> <li>2. Adult</li> <li>3. Puppy</li> <li>4. Tiny</li> <li>5. All ages</li> </ol>

We chose a famous Shopping Area in Shangcheng District of Hanzhou City (Zhejiang Province) as following table:

<b>Type</b>	<b>Office &amp; Store</b>
Area Size	200 square meters
Rental	30,000 RMB/month
Facilities	24 hours security, CCTV, air Conditioner, fitness, food court, and parking area.
Transportation	5 minutes' walk to subway station, near expressway
Location	Shangcheng District of Hanzhou City

## **INDUSTRY ANALYSIS & MARKET ANALYSIS**

### **2.1 Industry Analysis**

In recent years, the pet market has become hotter and hotter. Pet food and supplies stores and pet beauty shops around us have increased a lot in recent years. Products related to pet food and pet supplies in supermarkets have also expanded from one shelf to a row of shelves. Small supermarkets around the community have also increased pet food and supplies shelves, Major mainstream websites have also opened pet forums, where you can learn all kinds of information about pets. Pets have become a part of residents' life, and the pet market has entered a period of vigorous development.

According to the marketing strategy, pet enterprises seeking development in the market should not only be good at discovering and understanding customer needs, but also do everything possible to find and resume a controllable system to realize this requirement from the aspects of product quality, sales channel, price and promotion. If an enterprise wants to succeed in the fierce market competition, product quality is the first factor, and improving and grasping product quality is the top priority. Colleagues who ensure good product quality should formulate reasonable prices and carry out accurate price positioning according to the market trend.

China's pet industry is in a period of rapid development. Looking back on the history of the American pet industry, the rapid economic growth, the expansion of the number of pets, the change of population structure, the transformation of the role of pets, the upgrading of industrial model, enterprise integration and M & A are the core reasons for industrial expansion, while contemporary China is experiencing a similar process. After 2010, China's pet industry has entered a period of rapid development. The growth of the industry is not only due to the

continuous and rapid growth of the number of pets, but also driven by consumption upgrading.

The pet food industry has the fastest growth, and the growth rate of China's market scale is expected to reach 20%. According to Euromonitor International, from 2010 to 2020, the CAGR of the pet care market in China and the United States were 18.41% and 4.92% respectively. The growth rate of the Chinese market was significantly higher than that of the mature United States. It is predicted that from 2021 to 2025, China's pet care, food and product markets are expected to maintain a compound growth rate of 17.24%, 19.48% and 13.31% respectively, of which the food industry is the best track.

According to the Animal Protection Law of the People's Republic of China, pets refer to pet animals, also known as companion animals, and any domesticated animals owned or intended by people in a home, especially for the purpose of personal entertainment or companionship. Since ancient times, China has been in the habit of raising pets. From the dogs in the picture of the Tang Dynasty to various types of pets represented by cats and dogs, the change in the behavior of pet owners has created the emergence and development of the pet consumption market. At present, China's pet consumption market has gone through 5 stages of development, and has entered a period of rapid development.

In the early stage of the pet market development, pets were mainly dogs and cats, aquarium (fish) and birds. With the increase of the number of pet owners, changing preferences and improving feeding conditions, the pet type has also expanded from cats and dogs to reptiles and rodents. According to the 2019 Pet Population Special Research Report, the largest number of pet dogs occurred in 2019, with about 54% of the pets being dogs, followed by cats, accounting for 43.1%. At present, with the development of the pet market, the consumer products and services around pets basically cover all the needs of pets in their whole life, including survival (food), cleaning (cleaning and beauty), medical care and other services. Data in 2020 show that the main consumption type of pet raising is food consumption, accounting for more than 35%, followed by pet daily necessities and pet health care products, accounting for 20% and 14%, respectively. Pet medical care accounts for about 9%.

## 2.2 Market Analysis

We divide the pet consumption market into four segments: pet food market, pet medical market, pet consumer goods market and pet service market. Among them, the pet food market is the largest market segment, accounting for more than 30%, followed by pet services and other markets, accounting for more than 27%; the pet medical market and pet products market accounted for 23% and 16%, respectively. Relevant data show that since 2010, China's pet consumption market scale has been expanding, and the market scale will reach 231 billion yuan in 2020. With the continuous segmentation of pet services, the consumer market around pet services continues to expand. Our target market is supplies and services.

### Buyer Behavior

Pet owners: at present, raising pets mostly involves the consumption of general daily necessities, toys, food, pet beauty and pet medical treatment, which has gradually changed from the traditional way of "free raising" to "intensive raising".

- living pet shop / Pet Beauty Shop: the two are usually combined into one, that is, selling living pets and driving the sales of pet food and supplies, with different emphasis. Both consumers and sellers, but more than ordinary pet owners.
- pet medical system: it is the main consumption place of medical products, and there are also clinics serving pet beauty and food products.
- stray animal feeders: many caring people will buy food to feed stray animals even if they are not the owner.

## SWOT

### Strengths

- The social platforms are flexible to spread the news thoroughly and up to date regularly.
- To preserve the life of the stray dogs.
- Advertising via social media platforms without any cost.
- We accept only qualified products to sell on our application

### Weaknesses

- Long term maintenance application.
- Easy to imitate.
- Need time to reach full potential.
- Difficult to create reliability and awareness.

### Opportunities

- The number of people who buy products or services online is increasing every year.
- According to China 4.0, it makes people can access to our application easier than before.
- People are more concerned about nonviolence on dogs and stray dogs.

### Threats

- Fast changing and advanced mobile technology.
- Government regulation due to economic recession.
- Changing customer preferences.
- Disease from the dog, especially rabies.

About our competitors, according to the marketing survey, the following are details:

(1) Integrated e-commerce. Online stores (such as: E-pet mall), Taobao store and mobile app are mainly food products and supplies. The main pet objects are dogs and cats. The advantages are large size and high degree of commercialization. Some brands cooperate, but the online evaluation is mixed. At present, some content services are also being developed to provide UGC evaluation, medical guidance, feeding guidance, etc., but they are not mature.

(2) Independent brand E-commerce. Crazy dog: different from the above two, it produces and sells by itself. In the dog pet market, its direct sales model of Online + offline has sprung up in the past two years, taking a high cost-effective & low-end market, and is regarded as the "Xiaomi" brand in mobile phones.

(3) Community E-commerce. There are Community E-commerce brands such as Pet, Whale Pet, Bell Pet which are similar to "Little Red Book" (a mobile app which is most favorite one for Chinese new generation), mainly focus on pet care content. Tiktok app seems to be a niche market segment, but the content flow is still far less than other mainstream platforms.

## 2.3 Marketing Plan

In terms of product promotion, we use multi-channel marketing methods:

(1) making Grooming service based on localization to provide users with a place to relax with dogs; (2) getting income through third-party payment, merchant value-added services, advertising services, market data sales, etc. (3) using social media for marketing. Advertising on social media has become a big channel to reach customers. Many people tread to use and play social media.

### Pricing Strategy

Because we are a newly opened store, there is no large capital flow, so there is no strong economic strength, so our sales price will not be very low, but our price is absolutely fair, and we guarantee absolute No higher prices than other markets. After we have passed the initial stage and accumulated a certain amount of strength, we can take specific price promotions, such as appropriately reducing the prices of pets and pet supplies.

<b>Product</b>	<b>Pet Product</b>	<b>T-Shirt</b>	<b>GPS Collar</b>	<b>Grooming Service</b>
<b>Selling Price (SP)</b>	150	290	1500	497.5
<b>Cost</b>	125	197.5	1000	149.25
<b>Profit</b>	25	92.5	500	348.25
<b>Percentage of Cost</b>	83.33%	68.10%	66.67%	70.00%

### Sales Process and Promotions Mix

When formulating a marketing strategy, we start by being clear about our goals, target audience, and pet shop's specific strengths and how to capitalize on them. The following ideas are to design an effective marketing strategy for us. Make a Great Impression at All Times: The way we treat people in daily life is an important part of our professional and personal brand, and is integral to marketing our pet shop. People who we come in contact with on a daily basis can spread the word about us and our business, so we want that interaction to be positive. Always respond to emails in a prompt, courteous manner, and answer the phone in a warm and welcoming way. Be courteous to people in our community with whom we come into contact on a daily basis.

A great way to market our pet shop is through the internet. Consider using: Blogs: Start a pet blog to determine customer needs and educate them about our products and services. Business listing sites: Include our pet shop on business listing sites to gain exposure. Social media: Use social media to find out about the latest trends, such as National Dog Day or Love Your Pet Day, and use these dates as an opportunity to spread the word about our business. E-mail newsletters: Create a monthly newsletter that can be emailed to customers. Our newsletter can include various sections such as existing and new products and services, as well as special events, holidays, and sales. Even consider presenting a one-page meet and greet featuring pictures of pet owners and their pets from surrounding communities.

### Distribution and Sales

For Dogs Products and other products, we will use WeChat to expand your app. Most of Chinese people use WeChat to communicate and also use it for business purpose. So, we created the WeChat official name "Bao Official" to send the message, sales promotion, and answer any questions from both users and customers. It will attract customers to use our app. For Grooming Service, we will also positively stimulate consumers' demand for pets by adopting business promotion. It can quickly promote sales growth in a certain period. So, we will also look for opportunities to take this approach to promotion. For example, we can hold pet exhibitions to let more and more people know about pets and love them. Or we use event marketing, using a series of events to sell pets to everyone.

## FINANCIAL ANALYSIS

This section will discuss the financial projections of our business operation from 2022 to 2026. The projections are based on the business objectives and development plan to predict future performance. Meanwhile, the macro-environment such as economic trend and pandemic scenario also being considered in the projections. The source of RMB 2 million initial startup fund will come from founder, local resident and shareholders. The founder Mr. Wang will invest RMB 1 million to the business and acquire 51% of the total share. The remaining RMB 1 million will be contributed by local residents with RMB 200,000 and another investor with RMB 800,000.

### Payback Period

Year	Free Cash Flow	Cumulative Cash Flow
0	(2,000,000)	(2,000,000)
1	2,277,801	277,801
2	3,121,151	3,398,953
3	4,203,735	7,602,687
4	5,582,913	13,185,600
5	7,336,109	20,521,709

Calculation:  $( | -2,000,000 | ) / 2,277,801 = 0.88$  Years

### ROI

Year	2022	2023	2024	2025	2026
Return on investment	31.02%	44.19%	56.31%	71.31%	90.18%
Net income	620,301	883,850	1,126,234	1,426,135	1,803,627
Investment	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000

### NPV and IRR

Year	Free Cash Flow	PV of Free Cash Flow
0	(2,000,000)	(2,000,000)
1	2,277,801	1,980,697
2	3,121,151	2,360,039
3	4,203,735	2,764,024
4	5,582,913	3,192,048
5	7,336,109	3,647,343
Weight Average Cost of Capital		15.00%
Net Present Value (NPV)		11,944,151
Internal Rate of Return (IRR)		143%

## FEASIBILITY SUMMARY

From the macro environment perspective, the online pet store has received supportive policy from government because it can increase the job opportunities for local economy and small enterprises. Our company will be able to access various resources and benefit from the policy to expand the business.

From the micro perspective, the financial statements provided in Section 9 show the business is able to achieve business expansion by using mobile applications. As the income statement shown, the net profit could cover the initial investment within three years. The questionnaire response also shows that most of the founder could recover the startup funds within three years of home stay business operation.

The business model of our company required all members of entrepreneur teams as shareholders to join the development of the business, which increased the feasibility of expansion in the future. In addition, our company will further expand the business by using divisional cooperation structure, which makes ORBITZ HOUSE to have a high expansion potential.

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