

Managing a financial crisis:  
Is e-commerce the answer?





Be it business to business or direct to consumer, the trend to sell online has dramatically increased, due to the implications of Covid-19.

But, like any route to market, business owners need to think carefully about the costs involved in servicing this channel and make sure it makes a profitable contribution to the business model, rather than a drain on precious cash resources. This guide aims to highlight the costs involved to help businesses set a profitable pricing strategy.

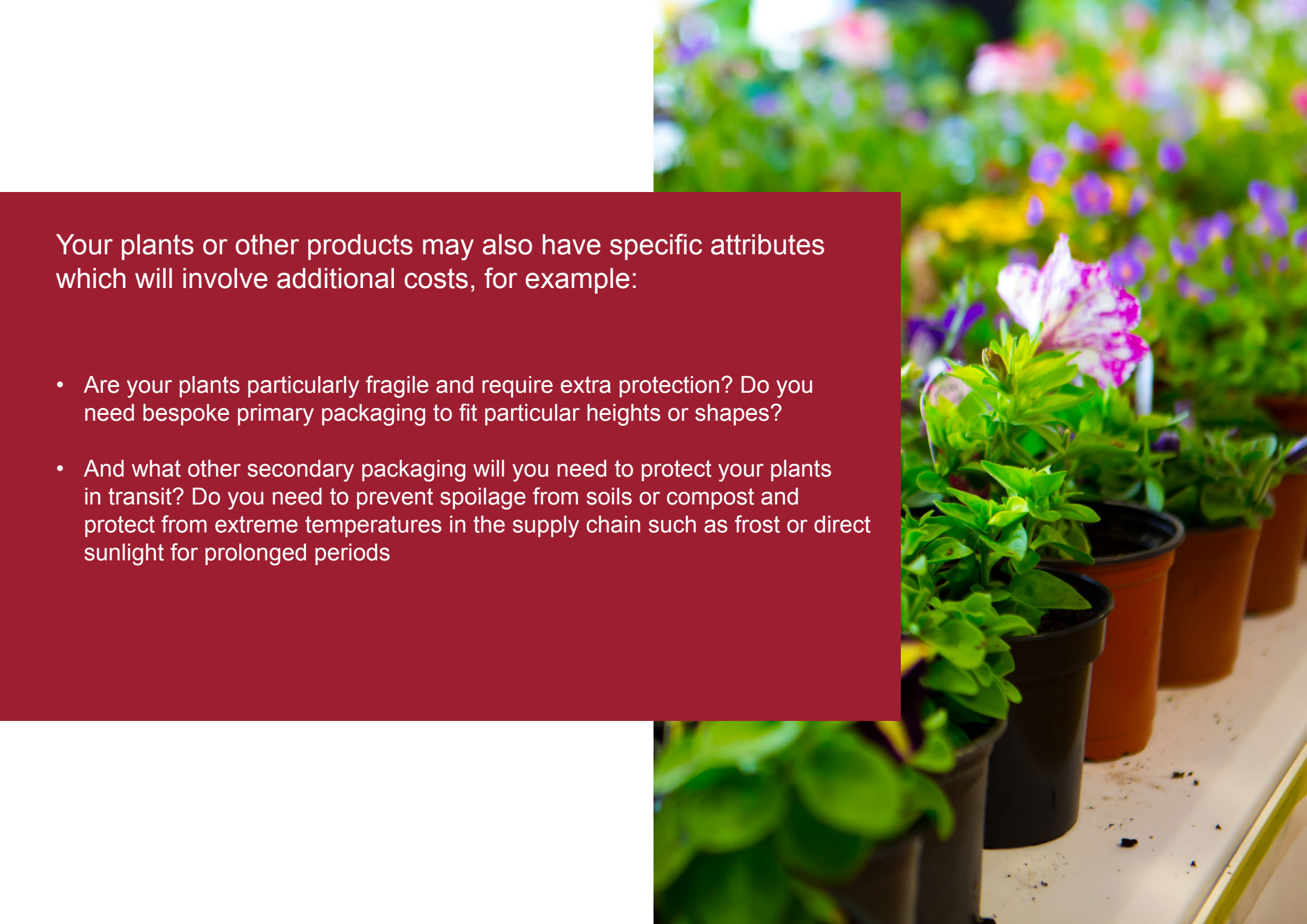


# What is the right e-commerce model for your business?

Before leaping into what might, for some businesses, be a relatively unknown route to market, it's worth considering the two basic models for on-line selling:

- Delivering direct to consumer, by-passing intermediaries in the supply chain
- Using 'aggregators' to reach a far wider number of consumers who can purchase your products through the aggregator's website

Direct to consumer	Indirect via an aggregator
Website origination with e-commerce facility	Listing fee/subscription to sell on the platform
Merchants facility for on-line payments (credit card fees?)	Fulfilment costs either by sending directly from your business or indirectly via a fulfilment service
Secondary packaging to protect goods in transit	Commission charges
Distribution costs eg direct via Royal Mail, courier, temperature controlled, etc, or	Promotional costs
Indirect distribution via a fulfilment centre	

A photograph of a nursery or greenhouse setting. In the foreground, several small potted plants are lined up on a white surface. The pots are in shades of black and brown. The plants have vibrant green foliage and some have bright purple and white flowers. The background is filled with more plants, creating a lush, colorful scene. The lighting is bright and natural, suggesting an indoor or sheltered outdoor environment.

Your plants or other products may also have specific attributes which will involve additional costs, for example:

- Are your plants particularly fragile and require extra protection? Do you need bespoke primary packaging to fit particular heights or shapes?
- And what other secondary packaging will you need to protect your plants in transit? Do you need to prevent spoilage from soils or compost and protect from extreme temperatures in the supply chain such as frost or direct sunlight for prolonged periods



## Setting a pricing strategy for selling on-line

Whilst this is not intended to be a “how to sell online” guide, some consideration needs to be given to how you sell online when it comes to planning your pricing strategy.

You could simply have a website which promotes your business telephone number: you receive telephone orders, take an electronic payment and then despatch orders through your local post office. However, this may not be the most efficient way to sell online. Other ways include:

- Facebook selling pages using Shopify or linking to other e-commerce web sites
- Integrating e-commerce to your website and utilise your merchant card payment system or have a bespoke e-commerce function added
- Listing on an existing aggregator’s site such as Amazon or similar

Whichever method you decide best suits your business, you need to be able to calculate your gross margin as you would if you were considering any other channel.

**Remember:** Tyfu Cymru have further resources on ‘how to sell online’ available on their [knowledge hub](#).

## Some tips on setting your sales price

- If your main sales channel is currently wholesale, be aware of your wholesale customers' retail pricing; don't be tempted to undercut the price they usually sell at – you don't want to upset your existing channel partners/trade customers by appearing to undercut their sales.
- If selling direct to consumers make sure the price and positioning are aligned with your existing products sold through re-sellers. The price should offer equal or better margin especially if you are taking on the role of retailer.
- Seasonal demand and availability are fairly reflected in the price; remember one way to manage demand is to price accordingly.
- Does (or did, pre Covid-19) your wholesale price give you a satisfactory profit? If so, ideally your online price should add further value to your sales.
- Check the online sales “value added” by using this simple template (we have used imaginary figures to illustrate):

a	Proposed online price (equal or slightly more than retail price)	10.00
b	Established wholesale price	6.00
$c=a-b$	Online mark up (the margin you have added for online)	4.00
d	Distribution costs (packaging materials and labour, postage etc)	1.50
e	Platform costs (if used e.g. Amazon or Shopify etc)	1.00
f	Transaction costs (credit/debit cards, Paypal etc)	0.50
$g=d+e+f$	Online costs (The direct costs associated with these sales)	3.00
$h=c-g$	Online added value (The extra value you achieve through this channel)	1.00

Now, estimate your online volumes and satisfy yourself that you have a reasonable prospect of at least recovering your online set-up costs e.g. online shop.

## Finally, a word about risks and regulations

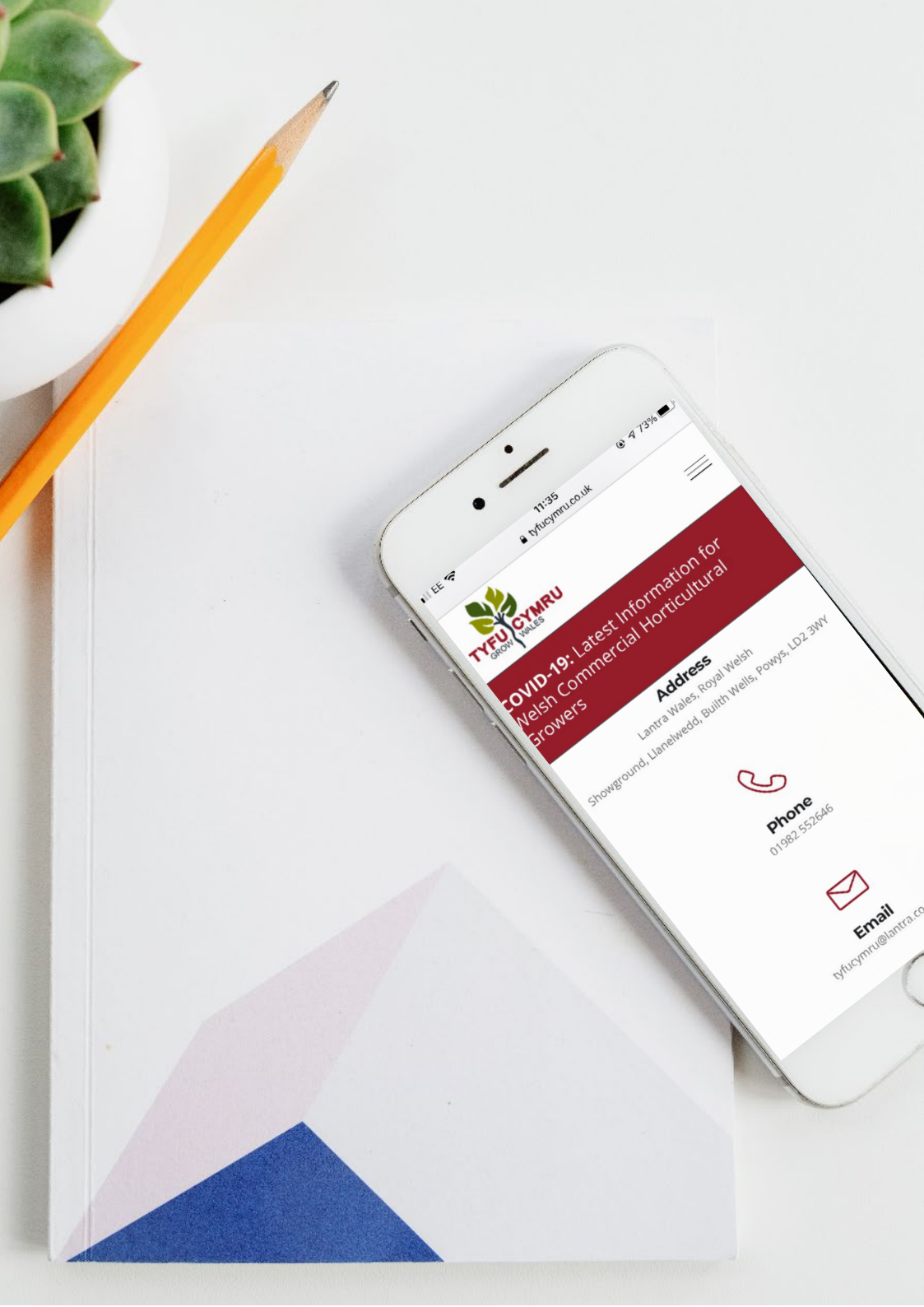
Online selling is covered by a number of regulations, and you should take appropriate advice and guidance. Find out more here:

<https://www.gov.uk/online-and-distance-selling-for-businesses>

Remember, a plant passport is required even to customers buying for personal use if you are supplying through means of sales through distance contract, for example if you're selling online. Find out more here:

<https://www.gov.uk/guidance/importing-and-exporting-plants-and-plant-products-from-1-january-2021>





## What next?

To keep up to date on financial support such as loans and grants provided by government to businesses affected by Covid-19, visit:

<https://businesswales.gov.wales/coronavirus-advice/support/financial-support-and-grants>

**If you would like a confidential discussion on the any financial aspects of your business, please email: [tyfucymru@lantra.co.uk](mailto:tyfucymru@lantra.co.uk)**

**Watch our webinar on Understanding E-commerce:**

<https://www.tyfucymru.co.uk/home/knowledge-hub/webinars-videos/understanding-ecommerce-how-to-make-the-most-of-your-online-offer/>

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