



A Guide to a Strategic Plan

Diamondsonweb.com



Prepared for
Professor Dan Geller

Prepared by
James E. Salter

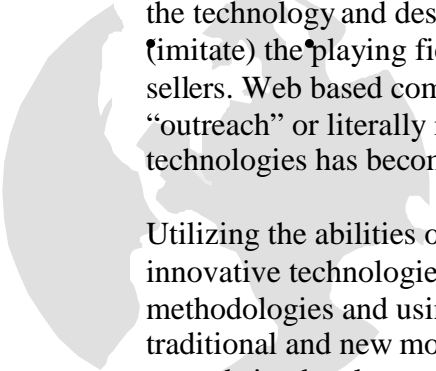
Dominican University
Global E-Commerce

July 17, 2002



Executive Summary


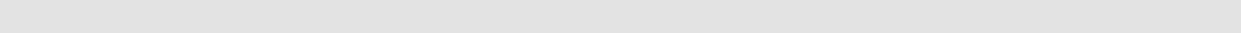
The vision of diamonds on the web is to create a system to revolutionize domestic Internet diamond sales. Through the creative integration of new technologies, we envision a system for selling diamonds that is capable of impacting the process in purchasing and selecting diamonds via the Internet. Through the creative manipulation and interfacing of new technologies, we shall devise a series of highly cost effective and creative website, designed to make diamond purchases more efficient, relevant, cost-effective and therefore more attractive to the consumer in the marketplace.



The Overall concept and assumptions behind “diamondsonweb.com” is that the selection process of diamonds best takes place in a “comfortable environment.” That is, searching for an engagement ring takes place in many stages that can be offered using the Internet. Reducing the occasionally cumbersome adventures of the traditional diamond selection process. Moreover, the technology and design associated with “Diamondsonweb.com” and our ability to simulate (imitate) the playing field of human interaction has transformed the market place for diamond sellers. Web based commerce and the technologies of Internet commerce, in their potential for “outreach” or literally reaching into the home, the maker’s role in offering these cutting edge technologies has become imperative and more accessible.

Utilizing the abilities of various talents within the E-commerce industry, combined with new innovative technologies we will fulfill our vision, by defining and selecting the most advanced methodologies and using appropriate player in order to yield the best possible outcome. Both traditional and new modalities for Internet diamond sales will be implemented via state-of-the-art website development and information dissemination by highly interactive systems. Through access of the Internet and use of the World Wide Web, information will be readily accessible. Interactivity via accessing DOW website will allow the user to experience the convenience and comfort of selecting, educating, and viewing loose diamonds.

The main determinant for success is the design and development of the website technologies necessary to fulfill an innovative website for diamond sales. In addition, our unique business model provides a distinct advantage in the marketplace. Sales and gross revenues in years one through five are estimated at \$3,600,000, \$3,960,000, \$4,356,000, \$4,791,600, and \$5,270,800, respectively. Increases in revenues and profits are expected to increase substantially as the jeweler network, advertising, and private label opportunities continue to grow.



Vision

Desire

Desire can be directly linked to all human activities. Diamonds on the Web's unique platform appeals to the convenience and simplicity of shopping for an engagement ring on the Internet. With more than 1.7 million diamonds engagement rings sold each year in the United States. An emergent need to utilize the convenience and popularity that an Internet interface can provide to consumers across the globe. Research has shown that traditional brick-and-mortar engagement ring retailers create unwanted purchasing pressure that produces an uninviting shopping experience. With Diamonds on the Web the website is specifically directed to fulfilling the users need and value of the targeted audience.

The seven human desires of purchasing a diamond can be directly related to absence of fear, exclusivity, and love.¹ Creating a need for diamonds, either commercially generated or individually created, a desire to purchases diamonds exists. The most important consideration is to combat customer's fear of getting ripped off. The challenge is to eliminate the fear of the buyer buy providing information. Also, building trust and brand recognition are among the appropriate steps to reduce the fear of purchasing diamonds on the web. The use of the GIA certified products is among one example to build trust among consumers. Diamonds on the Web specifically designed their homepage to help users overcome their fears of purchasing on the Internet by establishing links for credibility, assurance, value, confidence, and legitimacy. These specific links help reduce the fears of the customers. Finally, Diamonds on the Web allows the customer to view the GIA laser inscribed identification number on the stone matching it to the GIA certification of the diamond selected.

The second human desire for wanting diamonds is a perception that diamonds are uniquely rare. With purchasing high quality diamonds, gives one a feeling of exclusivity and can be considered a powerful symbol of love. In addition, the size of the diamond is perceived to reflect the size of the ego of the purchaser. The difficulty experienced in purchasing diamonds in traditional locations has lead to the need to provide customers with quality service that is applicable to the Internet. Furthermore, to reduce these traditional problems Diamonds on the Web provides the customers with superior selection at a substantially lower cost.

Diamonds on the Web is targeting a psychographic segmentation of their potential customers. These groups can be broken down into fulfillers, experiencers, believers, achievers, strivers, makers, strugglers, and actualizers. The fulfillers are mature, home oriented, well-educated professionals, characterized by high incomes, and open to new ideas. The experiencers segment is males with an average age of 25. The potential customers are in good physical health and favor new products. The believers are family and community oriented that are brand loyal. Next we have the achievers segment that is work oriented, successful striving for high job

¹ Geller, Dan., The ABC's of E-Strategy, 2002.

satisfaction. This particular segment also demonstrates success through their purchases. The strivers are lower income people, they have values similar to achievers, yet, and their style is important in lifestyle. The makers are characterized as a self-sufficient group that is practical with little interest in most material possessions. Strugglers have very few resources and are brand loyal to the extent possible. And, finally, the actualizers possess both high incomes and self-esteem and enjoy indulging in a variety of self-orientations. Diamonds on the Web's targeted psychographic segmental structure is directed within these groups.

Therefore, Diamonds on the Web is primarily targeting young couples purchasing engagement rings. A majority of the purchasing takes place by men without the influence of their fiancé. In addition, these men range from mid twenties (engagement) to mid-forties (anniversaries) with an average income ranging from 40 to 100 thousand dollars per year. These men are considered to be educated professionals and computer literate seeking the higher end diamonds for engagement or anniversary purposes. Most of the men in the target market learned about diamonds and rings by visiting retail stores. In-store literature, brochures, and videos played an important role in the process, suggesting that in-store educational materials contributed to closing a sale. Diamonds on the Web customers were mainly linked to the site via Google 33%, Yahoo 25% and Ask Jeeves 8%. Once again, reinforcing the level of computer sophistication displayed by customers. The purchasing time leads ranging from zero days (35%), 30 days (13%), and 90 days (16%).

Further purchasing considerations lie in trust and reputation. Building trust was a key element to making a sale. The target market conducted educational research on the Internet; however, very few considered purchasing a ring under this new methodology. DoW email surveys focused on key words including security, face-to-face experience, value, quality, credibility, assurance, real and authentic, product guarantee, legitimacy, security, and trust. Overall, the traditional purchasing process is regarded as a discomforting experience that Diamond of the Web hopes to reverse.

The secondary audience for Diamonds on the Web is the jewelry retailers that DoW is continuously trying to increase the network of jewelers to support the viewing diamonds in person by the customer. On the whole, Diamonds on the Web is targeting engagement purchases with 85% of the market and anniversary purchases with 10% of the overall high-end market.

In order to completely identify the value of selling diamonds on the Internet we must compare the value found in traditional stores to the Internet based locations. Value for a traditional store can be found in a physical location where the customer is aware of the store and is more likely to have the setting at the location. Also, the customer is more susceptible to up saling with the visible inventory on hand to influence the sale. This technique can increase overall revenues and value with a traditional retail location.

In contrast to a traditional store, Internet based stores, have some unique advantages. The most apparent is the larger selection in having more diamonds to choose from. Their ability to carry a larger inventory with no traditional utility, insurance, or rent making Internet diamond retailer's, like diamond on the Web, prices are substantially less than traditional stores. The Internet's 24

hour no pressure system educates, informs, and allows the user to select and view diamonds with ease. All in all, the user is able to revisit the site later at ones convenience. Clearly, a need to utilize the benefits of the Internet capabilities can be desired to accommodate customer's needs. In sum, the values driving the industry both traditional and hybrid Internet stores is designing a strategic plan providing primary information, reliability, reputation, customer services, and personal attention.

Drivers

Diamonds of the Web will address the drivers by looking at connectivity, interactivity, and speed. Connectivity is the ability to connect interested parties with one another. DoW has created an environment allowing anyone with an Internet connection to connect to his or her home page, which can be limitless.² Therefore, their potential market in the United States is 125 million with Internet access. Consequently, this 24-hour cyber business can be available to anyone who has an Internet connection.

The next stage for consideration is interactivity, which can be defined as the ability to interact with a source in real-time.³ The level of interactivity of DoW Internet business allows customers to search for diamonds and educate themselves via the home page. DoW provides the customers the opportunity to ask questions or acquire additional information in real-time thought their website. In addition to providing information customer may ask questions and receive support for selection displaying the high level of interactivity on their home page. After selecting a stone the customer may search or designate a local jeweler, with an appointment, they will be able to view the selection. DoW home page also communicates with the customer by utilizing techniques to display the suggested retail price clearly reflecting the savings of Internet wholesale purchases. Finally, the high level of interactivity of DoW allows the customer to interact whenever they wish to do so directly relating to increased trust.

The final section under driver is the level of speed. Speed is an important consideration because it allows parties to communicate and interact in real-time.⁴ Diamonds on the Web's Internet site allows customers to efficiently conduct comparative shopping. They provide instant access to information at the touch of a bottom, far quicker than information collected through a traditional jeweler. The ability to ship packages within 24 hours is a visible downside in comparison to traditional retail stores where the customer can take home their selected item. However, the 24-hour receivable time is limited to the level of standard mail delivery services. DoW can have a selected stone shipped to a jeweler of your choice within 24 hours. This means that the time between selecting the stone and viewing your selection in person can be completed in a matter of one day. The overall efficiency and convenience of obtaining information for a purchase increases the speed and simplicity of the selection process. Diamonds on the Web provides the customer with a fast turnaround time by shipping ones selection to the local jeweler for viewing.

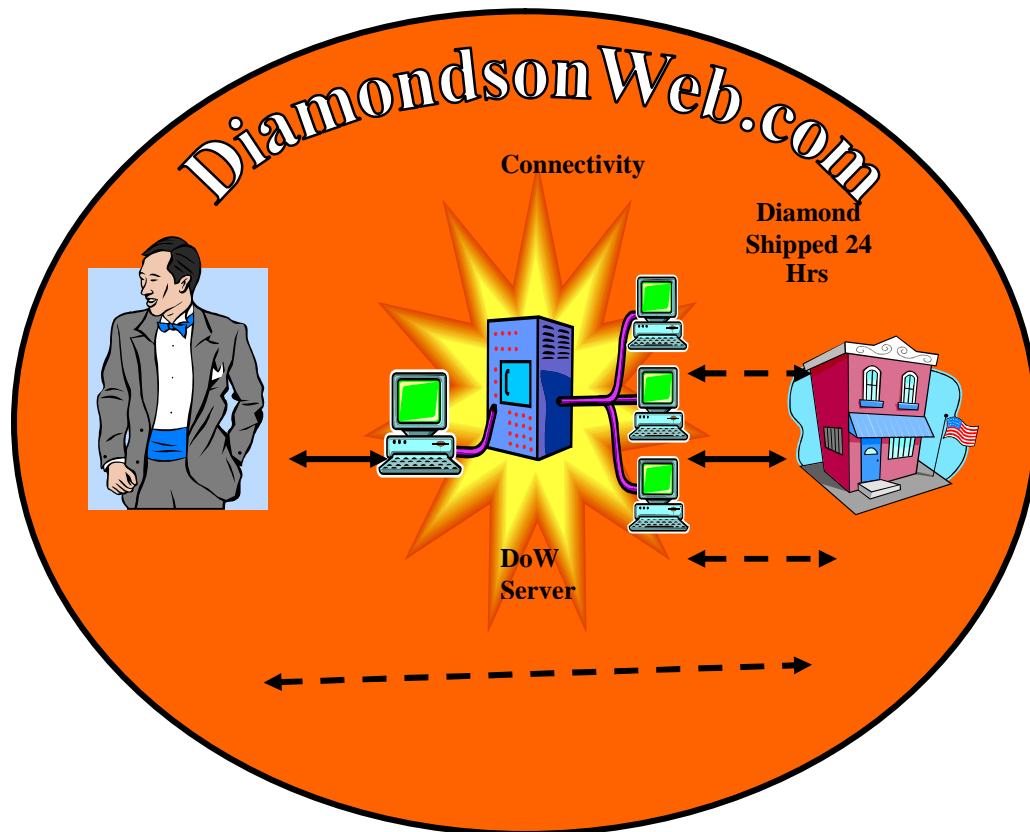
² Geller, Dan., The ABC's of E-Strategy, 2002.

³ Geller, Dan., The ABC's of E-Strategy, 2002.

⁴ Geller, Dan., The ABC's of E-Strategy, 2002.

DoW utilizes the Internet process by providing a more efficient media for comparative shopping, information availability, and a 24-hour product delivery. For this reason, DoW is utilizing the speed of the Internet to provide customer with instant gratification.

Business Model Schematic



Landscape

Landscape is defined as an overview of the market elements directly affecting your business.⁵ The first element that needs to be addressed is the competition. Diamonds on the Web is directly affected by four main competitors. First and most established, is bluenile.com; a public company with a large budget dedicated to establishing the bluenile name. Second, third, and fourth, we have diamonds.com, followed by diamond.com, and Mondera.com. All of which are smaller privately help companies with a substantially less funding. To separate them from the competition Diamonds on the Web has developed a competitive advantage in their ability to

⁵ Geller, Dan., The ABC's of E-Strategy, 2002.

have the diamonds selected on the Internet and shipped within 24 hours to a local jeweler for viewing. This unique strategy develops trust by limiting the risk of Internet purchases. DoW unique business model clearly separates themselves in from its competitors; however, it is important to stay competitive by constantly evaluating the competition.

Competition is a common variable in a free market economy. There are two ways to overcome these competitive forces. One is to fight them directly, and the other is to go around them. The second strategy is the method selected by the smaller less funded organization DoW. Below you can view the competitive matrix illustrating the strengths and weakness of each competitor. From this analysis you can see that DoW emerges in the market given their ability to ship diamonds to a local jeweler for viewing and purchase.

Competitive Matrix

Competitors	Connectivity	Interactivity	Speed	Price/Value	Selection	Simplicity	Trust	Customer Service	High Touch
Bluenile.com	Yes	Yes	Yes	Rapaport Plus 35%	High	Yes	High	Yes	No
Diamonds.com	Yes	Yes	Yes	Rapaport Plus 35%	Medium	Yes	Medium	Yes	No
Diamond.com	Yes	Yes	Yes	Rapaport Plus 35%	Medium	Yes	Medium	Yes	No
Mondera.com	Yes	Yes	Yes	Rapaport Plus 35%	High	Yes	Medium	Yes	No
Diamondsafe.com	Yes	Yes	Yes	Rapaport Plus 35%	Medium	Yes	Medium	Yes	No
Diamondsonweb.com	Yes	Yes	Yes	Wholesale	High	Yes	High	Yes	Yes

The competitive set or collection of the top competitors including bluenile.com, diamonds.com, diamond.com, mondera.com, and diamondsafe.com. These are the competitors that possess the greatest influence on Diamonds on the Web's target market. The analysis concludes that all of the competitors compete on connectivity, interactivity, speed, simplicity, and customer service. However, the most important variables in competition: price, trust, and high touch, demonstrates the differences among the competitors.

DoW closest competitor Bluenile.com competes in a unique way. Bluenile.com extensive marketing campaign has created trust in the mind of the customer. Blue Nile also offers consumers a way to buy diamonds and fine jewelry. Recently named Forbes favorite online jeweler for the third consecutive time, Blue Nile provides a selection of classically styled jewelry selected according to high standards of quality, beauty and value. Cleanly designed and easy to navigate, the site offers the in-depth education necessary to make informed purchases

with confidence.⁶ A characteristic that separates Bluenile.com from Diamonds.com, Diamond.com, Mondera.com, and Diamonds safe.com. However, DoW unique viewing capabilities are superior to Bluenile.com in developing trust.

Diamonds.com, Diamond.com, Mondera.com, and Diamonds safe.com are very similar in their product offerings. With the exception of Diamonds safe.com, Forbes Magazine states that all of these companies provide dependable, high quality products, and very simple for customer's to select items. All of these sites carry a wide range of products and luxury goods. They all provide the customer with information to aid in the purchasing process. Each website also provides additional Forbes rating links as well as press releases. In addition, each company provides GIA certifications and a detailed explanation of the four C's for each product. These companies were able to ship products within three to four days of purchase. They also provide a 30-day money back guarantee. However, a major disadvantage for these companies is that they require customer's to purchase the items by credit card before shipment. This methodology lowers the level of trust in the consumers.

Diamonds of the Web's five competitors all capitalize on different marketing attributes. Bluenile.com strength lies in their selection and consumer trust. Diamond.com, Diamonds.com, Mondera.com, and Diamonds safe.com all attract customers through simple websites providing educational information. Also, many of the websites allow customers to design their own wedding rings. Another clear advantage these companies have is in the ability of customers to view a picture (a detailed digital photograph) of the diamond they are considering to purchase.

DoW posses a competitive advantage in price and value. The wholesale structure of DoW provides them with the ability to sell diamonds at much less cost than their competitors. And, the most important advantage is their network of jewelers that allows customers to view their selections in person. Overall, DoW distinct strengths lie in high touch, trust, and selection. Their closest competitor Bluenile.com, again their strengths lie in providing a large selection, and funding used to established trust. However, some of their disadvantages remain in price/value and high touch capabilities. Overall, DoW has some clear advantages in their competitive set.

Diamonds on the Web has differentiated their business from the competitive set. They have created an advantage in their ability to have customer's view products in person via their extensive jeweler network. Diamonds on the Web must continue to expand this network to maintain there 'sustainable advantage' in the industry. The unique ability of customers to select stones and be able to view within 24 hours is their greatest advantage. For the reason that all Internet based competitors are restricted by standard shipping times. The competitive matrix clearly shows that DoW unique advantage lies in this area. The organizational structure and discount purchasing allows DoW to create a jeweler network that is compensated according to a percentage price of the sale. Duplicating this strategy will be very difficult and expensive for their competitors because of their cost configuration.

⁶ www.hooversnews.hoovers.com

The concept is basic, in order for jewelers to show the diamond, they must be compensated. Companies like Bluenile.com cannot support such a cost structure and remain profitable. Adding an additional 15% on top of the rappaport plus 35% is unrealistic at best. DoW has creativity created an e-commerce business that develops trust by venturing with a traditional brick-and-mortar jeweler. The competitive set will not be able to duplicate this strategy with their current cost structure. Therefore, the ability to view, touch, and purchase the diamond in the store is unrivaled in the industry. This process leads to developed trust by the consumer knowing that they can view and return the product if desired.

Another advantage for DoW is that they do not require a deposit for goods to be shipped. This unique strategy reduces the stress of purchase in a traditional brick-and-mortar business. With no money down the customer feels no fear in the purchase. A legitimate concern for customers is entering their credit card number over the Internet. With this current model DoW has redesigned the interaction between Internet businesses and traditional retail stores. An alternative advantage lies in pricing discussed earlier. However, DoW pricing is so different than their customers it is worth noting again. The Wholesale pricing model allows them to establish the jeweler relationship that potentially has the ability to increase sales and profits. This strategy creates the high touch element that cannot be duplicated under competitors pricing systems.

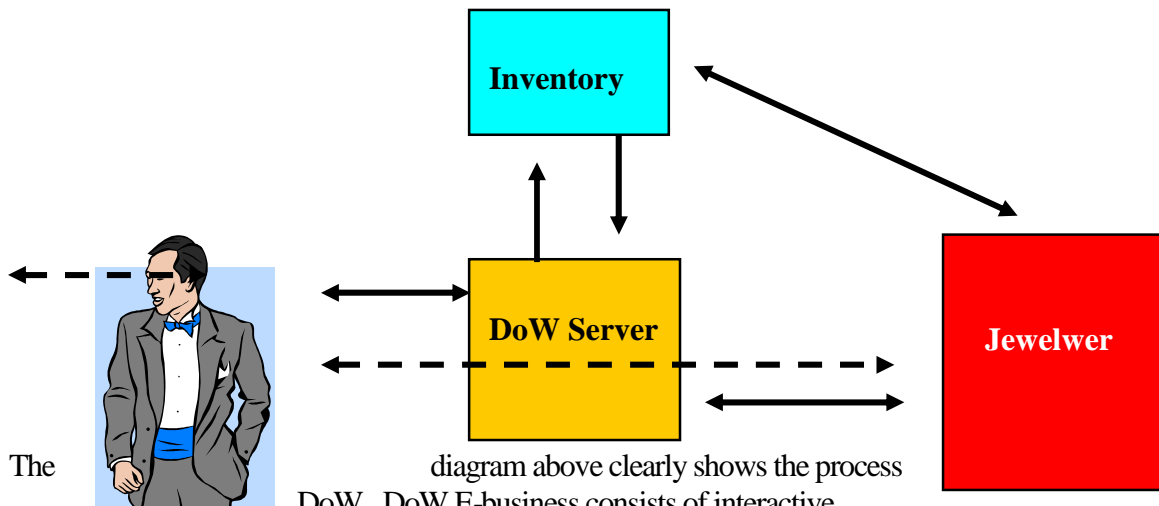
The synergistic relationship between high touch, trust, and price are all part of the interrelated strategy for DoW. This structure allows them to provide customers with large selection of items at no risk. Ultimately, they build trust in an electronic age of commerce that can be difficult to establish. These competitive advantages are not duplicated by any other competitor. For that reason, DoW is established in the market as a unique provider of quality diamonds at a lower price.

Mission

Models

The business model is the first model that needs to be defined. This particular model outlines how you conduct your E-business. Below is a simplified business model that focuses on the processes of DoW.

Simplified Business Model



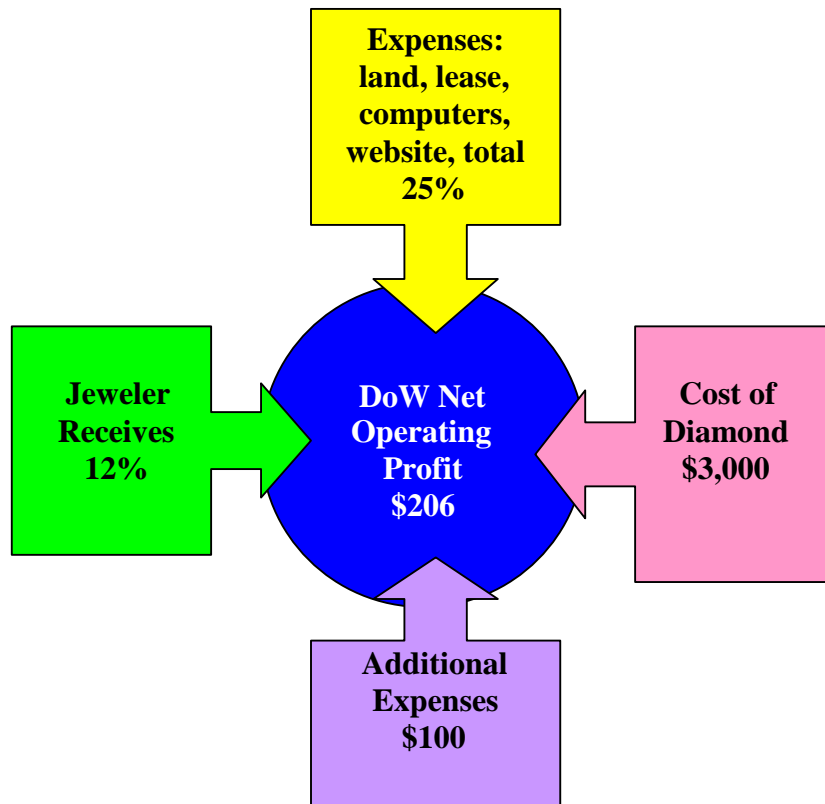
The revenue models consist of revenue streams. Each revenue stream represents one way of generating money that combined with revenue streams form the entire process of your revenue model.⁷ DoW owns their own inventory by purchasing direct from diamond cutters. For example, DoW purchases a diamond for \$3,000 dollars with a percentage given to the jeweler. DoW factors in expenses like labor, lease, computer programming, and website maintenance adding an additional 25% percent to the cost of the diamond. Therefore, bringing the price of the diamond to \$ 3,500. The jeweler will receive 12% of the sell price a profit for the jeweler of \$454.00 dollars. DoW then subtracts the jeweler percentage and additional expenses, generating a profit of \$296.00. It is important to note that DoW business model generates

⁷ Geller, Dan., The ABC's of E-Strategy, 2002.

revenue in an industry where many of the firms cannot support their cost structures. Below is a simplified revenue table expressing the revenue flow for DoW.

Categories	Cost Structure
Price of Diamond	\$ 3,000.00
Labor, Lease, computer, program, expenses. (25%)	\$760.00
Subtotal	\$ 3,760.00
Jeweler Receives 12%	\$ 454.00
New Total	\$ 3,306.00
Original Price	\$ 3,000
Gross Operating Profit	\$ 306.00
Additional Expenses	<100.00>
Net Operating Profit	\$ 206.00

Revenue Model Diagram



DoW revenue model encompasses the expenses, percentage to jeweler, cost of diamonds, and additional expenses. After calculating the multiple areas of costs DoW current revenue model is such to generate profits or incentives for the jeweler to be part of the network and for DoW to stay in business. The potential revenue streams for DoW may be expanded in the future to include possible revenues for website advertising, settings design, international sales, and from strategic alliances. All of which will be further explored in the recommendation presentation.

The next section includes the operating model. This section outlines the main functions of DoW operations-including description of its purpose or responsibility. The following page includes a table listing location of the business, management, finances, sales, technology, equipment, and logistics activities.

Function/Subject	Responsibilities/Function
Location	Our business will be located in a \$2,000-square foot office space available on fourth street in downtown San Rafael. The lease is on a two year renewable basis, and will cost \$3,500 per month.
Top Management	<p>Our top management will consist of the following personnel:</p> <p>James E. Salter, President and CEO, formally president of AIM Consulting. He will be in charge of overall business operations. Holding a degree in computer science and information technology, Mr. Salter is extremely practiced in the field of E-commerce.</p> <p>Donal Manning Jr., VP Marketing, will be in charge of all marketing and selling activities. With Masters degree in Global Marketing and Sales, he is well-informed in Internet business operations.</p>
Finance	George Salter II, CFO (Formally financial advisor for American Express), will be charge of funding and over see the financial aspect of our business. Mr. Salter holds a political science degree and Masters in International business. And, has recently received his law degree from the University of San Diego School of Law.
E-Commerce	George Salter, CTO, will be in charge of all technology issues as well as development. Mr. Salter holds a Masters degree from UC Berkeley in information technology. He is be responsible for web design, programming, and support.
Marketing and Sales	We will hire three sales people, educated in the Internet Diamond Business, to work a flexible office/home environment. This sales team will report directly to the VP of Marketing.
Equipment	We will lease our office space from the City of Marin. The lease structure provides us with the option to purchase space or resume lease on a month to month basis.
Logistics	The office space has DSL phone lines, with T1 outlets located at various sections of the space, and all connections to start operations.

Markets

The first important issue for DoW to determine is the size of the market. Despite a year filled with economic, political and national turmoil, diamond jewelry retail sales in the U.S. through 2001 showed incredible resilience, declining in value only 1% compared to 2000. According to the Diamond Information Center at J. Walter Thompson Co., the U.S. diamond jewelry market

doubled in the past decade, reaching \$22.1 billion in retail sales in 2001. This marked the first time in over a decade that the overall diamond jewelry market experienced a drop in sales on an annual basis.

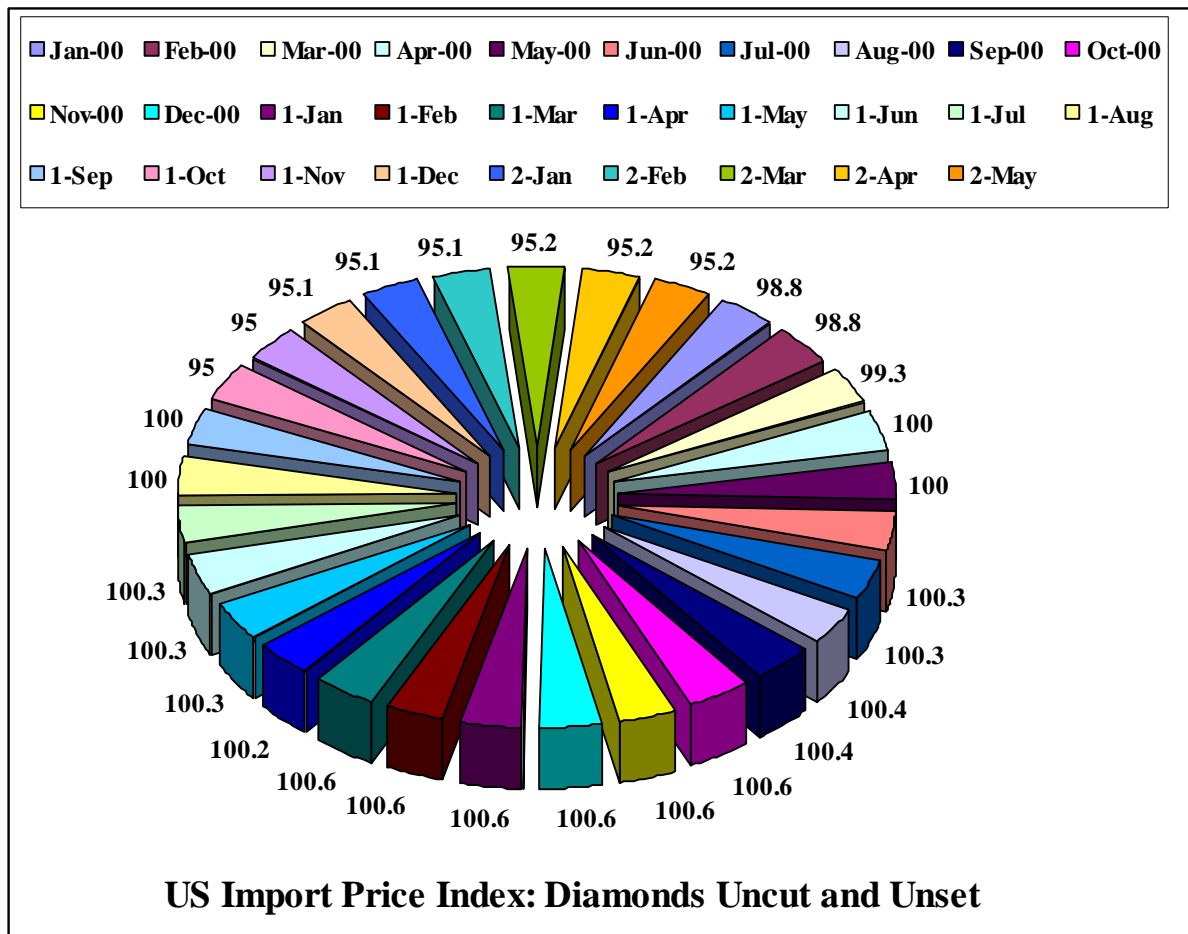
Not surprisingly, the all important diamond engagement ring category continued to hold strong despite the sluggish economy, proving once again that the diamond engagement ring continues to be a cultural imperative in America that can withstand economic and financial hardships. Eighty four percent of all U.S. brides acquired a Diamond engagement ring in 2001, driving retail sales five percent higher than in 2000. Moreover, this major segment did not see a drop in its average price. Given an average of 2 million marriages a year at a average diamond price of 2,000 dollars the engagement market accounted for 4 billion of the 5.5 billion dollar diamond market. Hence, of the 10% of diamonds sold on the Internet is 400 million in Internet diamond sales. More specifically, the target market for DoW is the upper 10% or 400 million dollars segment that will be further analyzed in the preceding section. The table below shows the increase in diamonds imported to the U.S. and the gradual decline in 2001.

5 Year U.S. Import of Diamonds (Polished) Over 1/2 Carat, in U.S. Dollars

Country	1997	1998	1999	2000	2001
Israel	2,394,242,595	2,986,408,125	3,649,033,401	4,633,905,648	4,567,323,621
Belgium	1,474,781,113	1,485,966,210	1,633,846,124	2,170,476,120	1,842,321,315
India	259,822,978	305,722,801	382,620,958	460,507,739	406,924,455
Switzerland	235,042,522	238,988,258	254,243,573	263,311,091	118,302,162
South Africa	105,859,734	91,863,586	66,483,560	139,465,564	160,706,667
Hong Kong	83,041,175	105,332,448	116,595,630	138,987,682	145,422,345
U.K	31,896,449	76,904,489	74,824,241	99,858,854	118,193,838
Russia	41,379,837	56,503,331	44,152,281	61,183,032	111,963,520
Thailand	11,043,441	13,501,520	18,150,830	27,303,798	9,396,622
France	8,307,751	15,748,053	6,162,531	15,930,278	31,113,472
Singapore	4,037,172	14,907,802	7,141,647	13,971,223	7,211,270
Brazil	3,882,203	4,565,612	6,560,795	13,438,708	10,535,576
Japan	17,188,924	8,117,746	6,466,283	13,331,171	13,135,544
Canada	N/A	N/A	N/A	N/A	13,966,130
China	209,329	796,581	6,145,217	11,527,883	709,849
All Other	48,570,804	37,498,262	48,503,347	62,407,041	77,276,746
Total	4,719,306,027	5,442,824,804	6,321,065,418	8,137,146,768	7,635,212,981

The figures above show the shifting in imports of diamonds from the various regions. These figures are also proportional to the increase in engagement rings purchases. Given the fact that in the U.S. alone on average has over 2 million weddings alone. With 85% of the diamond market being loose diamonds the attractiveness of this industry is growing in an age of rapid technology advances likely to position Diamonds on the Web as a front-runner in the Internet diamonds sales market. The shift in diamonds imported and the growth in weddings per year in the U.S. clearly validates that the market is sufficient enough to support DoW current and future business needs. Below is as detailed pie chart illustrating the U.S. price index of uncut and unset diamond in 2000. This pie chart shows the target market for diamonds on the Web, being quality diamonds, unset for optimal quality.

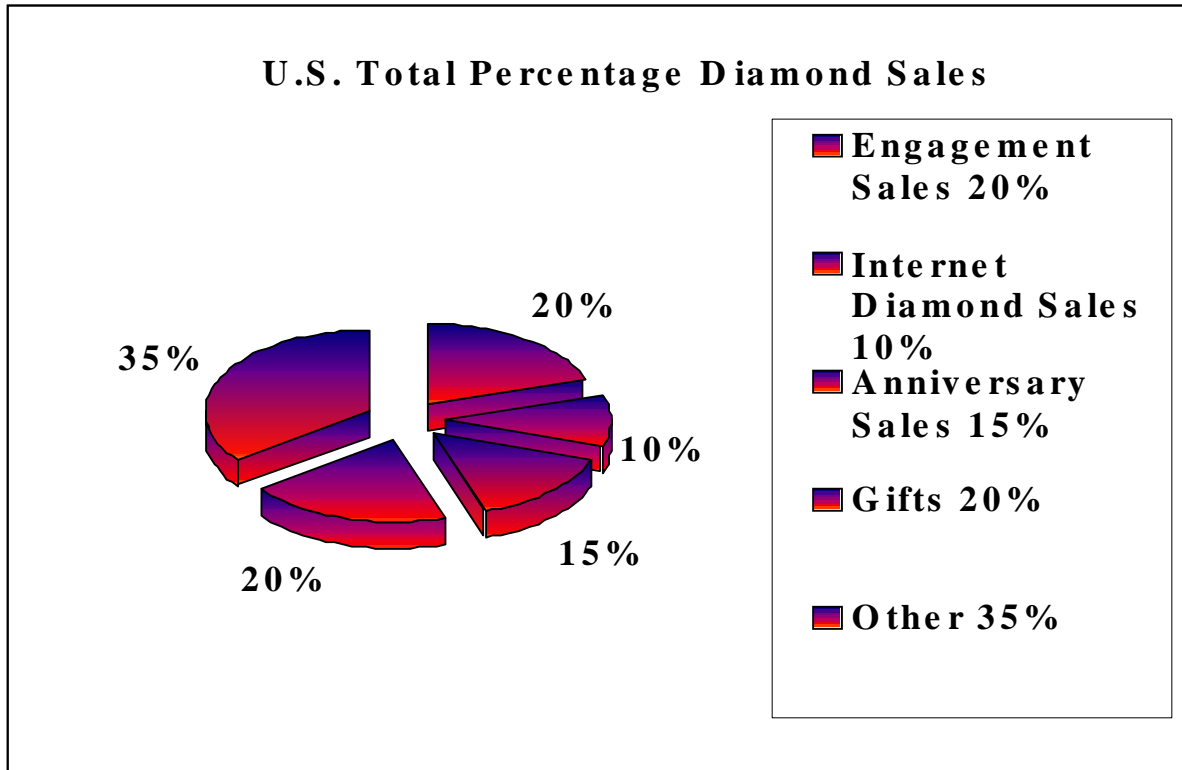
U.S. Import Price Index: Loose Diamonds



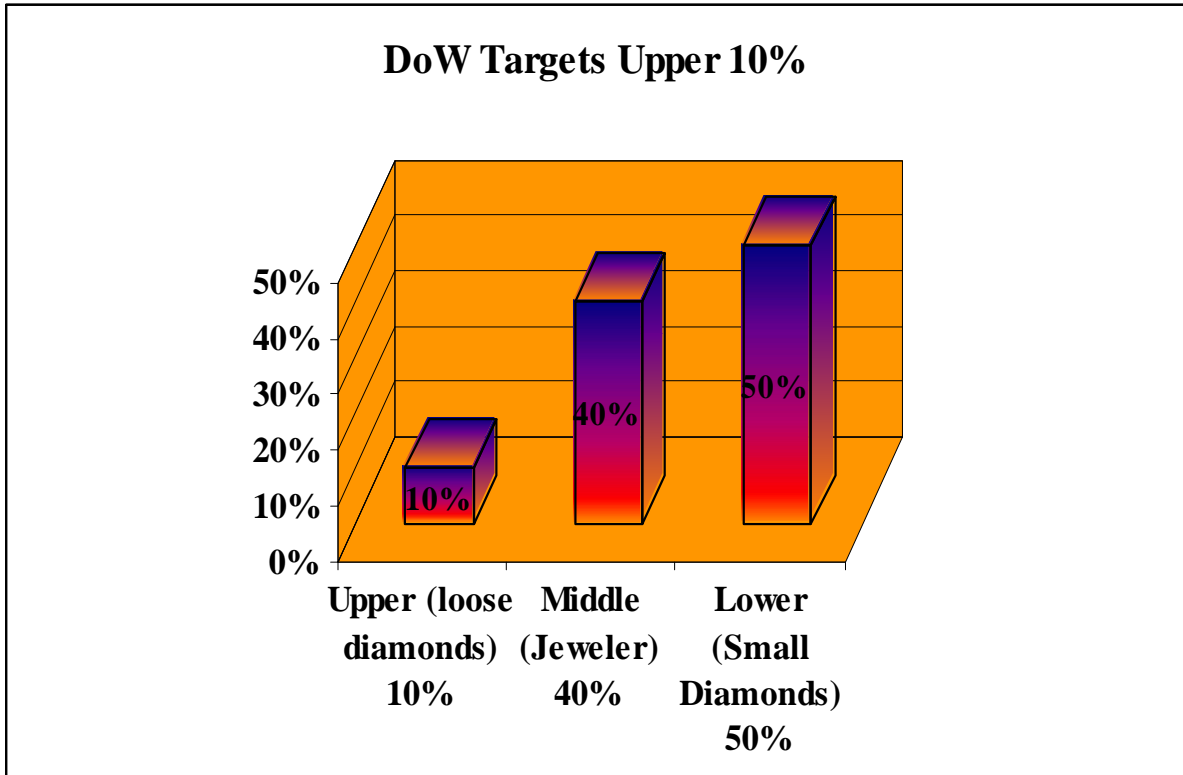
This selection further focuses on the diamond sales in the U.S. but of the percentage of total diamonds sold 50% of those diamonds are loose. And, of the 20% of diamonds that are sold for engagement purposes 10% of the total market were purchased via the Internet. In addition, research shows that the target market is young ranging in age

from 25 to 34, with an average income of 44,000 to 65,000 per year. To further describe the market variables the chart below shows the relationship between the various methods of diamond sales in the U.S. as well a chart showing DoW potential target market.

U.S. Total Diamonds Sales Market Segmentation



Target Market Top 10%



The chart above shows the target market of DoW with engagement purchases around 20% of the upper market with 10% of those purchases coming from the Internet. With this target segment DoW currently controls .01% of Internet diamond sales. In comparison to Bluenile, with over 50 million in total sales equaling around 25 million in just diamond sales, allowing them to capture .10% of the market. The charts above illustrate the attractiveness of the total diamond market. The U.S. imports on diamonds have been steadily increasing in the late 90's, increasing the beauty of the diamond market. Moreover, the number of engagements in the U.S. has been increasing equaling 2 million wedding a year and growing. Lastly, the number of diamonds sold on the Internet is a steady 10% of total diamond sales for engagement purposes. This figure is expected to increase as the attractiveness of Internet purchasing continues to grow. Currently, DoW is reaching sales equal to 3.5 million per year by selling approximately 100 diamonds a month. With only .01% of the overall market DoW has positioned themselves in a market that is in a growth stage. It is forecasted that in three years 15% of all jewelry business will be through the Internet.



The positioning of DoW on the Internet is crucial to the success of operations. On-line business positioning is different from the traditional postings. Marketing your E-business focuses on maximizing your site based on the need and values that you are providing and the market that you are targeting. Therefore, it is essential to position DoW in the mind of the customer. Because DoW is found through search engines it is vital for DoW to research and position themselves via key words. For example, the words diamond, diamonds, and wholesales diamonds, loose diamonds, discount diamonds, and engagement rings are among the group of the most widely used key words for researching diamonds of the Internet. Again, DoW wants to optimize their site based on these words and include them in the text of their website so that the search engine spiders or crawlers can pick up DoW's homepage. They must include key words in such a fashion so that search engines are directed to the website. DoW has obtained research showing the key words that their client will use to search for their services.

This means that DoW must select Meta tags and key words for their site. Some popular methods include: 1) including selected key words in text on your page 2) having an entire website on one server. 3) using Meta tags, 4) including keywords in the heading of your home page. There are many unique features and methods to website optimization. A couple techniques include hosting your entire website on one server so that spiders and crawlers can read the entire site because they cannot jump servers. Another is to use Meta tags, mentioned above, to read the keywords listed throughout the site.

Postings can also include tactics that DoW may develop to increase their search engine postings. With postings it is important to position oneself in the top three rankings for key words diamonds, diamond, and wholesales diamonds, loose diamonds, discount diamonds, and engagement diamonds, discussed earlier. DoW can incorporate a few systems; the first system is to hire an overture or broker of search engines. Under this system if someone clicks on the DoW link from an overture DoW pays a fixed amount for each click. The second system is to purchase the word that will direct the customer to your site via a search engine (Google). The

third system includes listing your company in a directory like Yahoo. Of course, if you are not in the top 10 positions you will have a difficult time attracting customers. Purchasing the number one spot on search engines is 'not' optimal. Given the fact that the number two, less expensive position, will illustrate the results as the number one key word search. Hence, again, it is crucial to optimize the key words throughout your site so that spiders can pick up your site. Also, because DoW business is Internet based all customer locate DoW's site through these mentioned systems. For these reasons, DoW has positioned themselves on all four systems. Purchasing the key words that gives them the number two spot on Google, the worlds most widely used search engine. This is a critical technique to promote your organization on-line because customers simply view the top search results. DoW posts themselves to all the major search engines and directories to optimize website hits.

The next element in marketing is establishing programs that will "push" customers to your website including programs that will promote your website and entice customer's to visit. Therefore, push can be defined as any activity that brings customers to your website. For example, advertising to customers that fit the target profile. This could be advertising in magazines that customers may read that are within your target market. For example, if 80% of the target market reads Fortune Magazine then DoW wants to place advertising in that magazine. Another technique is to purchase customer profiles from research databases. The research databases collect customer purchasing behaviors that can be extremely beneficial in marketing. The databases provide information on customer activities, car they drive, foods they eat, ages, average income, and education. With the profile DoW can then direct advertising towards the mentioned areas that will 'catch' the customer.

The most creative advertising methods can be traced to strategic alliances. If someone purchases a wedding ring they receive two free airline tickets for their honeymoon. Or, another example can be to create an alliance with wedding services provider, offering a discount on flowers, cakes, dresses, and wedding related goods. The main point here is that the alliance must be linked to some tangible benefit to the customer. The examples mentioned are in line with events or activities that will take place for a wedding. The key to advertising is to know your target market.

Equally important is the "pull" marketing activity. Basically, pull is what you do on your site to pull people in. This includes marketing activities that will attract customers. For example, if you purchase a diamond of over 3000 thousand dollars you will receive a discount on the settings. Discounting the setting is a creative advertising campaign that DoW is considering for the holiday months that will benefit the jeweler and total sales. The important element is found in the creativity in the marketing to pull the customer in. It is also crucial to understand that the 'push' and 'pull' techniques are conducted collectively. First, you need to pull the customer into your site, and then you must push the sale as the customer navigates around your site. Lastly, the table below summarizes the differences between the push and pull systems in establishing programs.

Push		Pull	
Push customer into website		Your homepage pulling customer in	
Advertising		Search engine optimization S.E.O.	
Direct mail/ promotions		Free gifts (ex. cleaner kit)	
Private labels		Back door into DoW homepage	

Action

The action phase is a critical element in transforming our previous two phases into a practical and tangible plan. Moreover, the action section will provide a financial perspective useful in checking the feasibility of the strategic plan. The action section also provides a check and balance for our strategic plan.

Activities

The activities section will list and prioritize all the activities that need to be fulfilled in your mission. Below is a detailed chart illustrating the required activities.

Category	Stage/Priority	Activity	Estimated Cost
Technical	I	Business Plan, Funding, Prototype, Pre-Sales, Office, Licensing, & Permits.	\$3K Fund Raising, \$2K Prototype, \$4K Office Setup, \$10K Licensing & Permits

Operating	II	Website Development, Equipment, Hire People, RFP Package, Accounting, Specifications Plan, & Hire Experts.	\$500K Website, \$100K Equipment, \$300K Hire People, \$50K Accounting, \$20K Specifications, & \$200K Hire Experts.
Marketing	III	On-Going: Sales, Promotion, Marketing Material, & Public Relations.	\$ 100K Marketing Activities
Financial	IV	On-Going Accounting.	\$100K Accounting

The Following page further breakdowns the relationship between the category and the costs associated with each activity. The stages represent the order in which the tasks must be completed, also know as the critical path. Whereby the preceding task must be completed before the succeeding task may begin.

Category	Stage/Priority	Activity	Estimated Cost
Technical	I	Prototype	\$2,000 (20 hours @ 100)
Technical	I	Office Setup	\$4,000 (40 hours @ 100)
Technical	I	Licensing & Permits	\$1,500 (15 hours @ 100)

Operating	II	Website Development	\$500,000 (500 hours @ 100)
Operating	II	Equipment	\$100,000 (100 hours @ 100)
Operating	II	Hire People	\$300,000 (6 employees @ 50K year)
Operating	II	Accounting	\$50,000 (50 hours @ 100)
Operating	II	Specifications	\$20,000 (20 hours @ 100)
Operating	II	Hire Experts	\$ 200,000 (200 hours @ 100)
Marketing	III	Marketing Activities (On-going)	\$ 500,000 (500 hours @ 100)
Financial	IV	Accounting (On-going)	\$200,000 (200 hours @ 100)

Personnel

The personal section focuses on assigning specific personnel, accountability, and measurement tools of each of the listed activities.

Activity	Responsibility	Accountability	Measurement
Develop Working	George Salter	Complete Prototype by	Approval by Board of

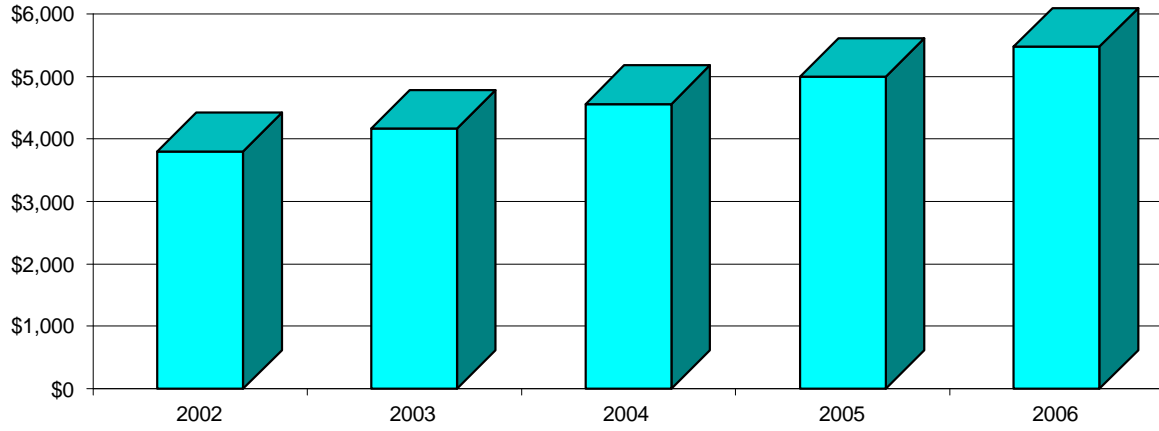
Prototype		July 15, 2002	Advisors
Office Setup	James Salter	Complete Design by July 20, 2002	Design Approval by Department Heads
Licensing & Permits	James Salter	Complete by July 25, 2002	Obtaining Necessary Documents & Forms
Website Development	George Salter	Complete by August 20, 2002	Approval by Board of Advisors
Equipment	George Salter II	Complete Order by August 5, 2002	Selection Review by Board of Advisors
Hire People	Donal Manning	Complete by August 22, 2002	Acceptance by Parent Human Resource Department
Accounting	George Salter II	Complete by July 31, 2002	Review by CEO and CFO
Specifications	James Salter	Complete by July 15, 2002	Approval by Board of Advisors
Hire Experts	Donal Manning	Complete by August 10, 2002	Approval by CTO
Marketing Activities (On-going)	Donal Manning	Present three Versions of Marketing Material by August 30, 2002	Approval by Board of Advisors
Accounting (On-going)	George Salter II	Complete Development by August 15, 2002	Approval by Management Team

Financials

The financial information listed below and in the income statement is listed in \$000. Therefore, to completely understand the financial data simply add \$000 to the end of each number.

5 Year Sales Forecast

(all numbers in \$000)



Income Statement For the Years 2002 through 2006 (all numbers in \$000)					
		2002	2003	2004	2005
REVENUE					
Gross sales		\$3,600	\$3,960	\$4,356	\$4,916
Less Cost of Goods Sold		360	396	435	491
Net Sales		\$3,240	\$3,564	\$3,921	\$4,425
COST OF SALES					
Total Cost of Goods Sold		\$2,000	\$2,000	\$2,000	\$2,000
Gross Profit (Loss)		\$1,240	\$1,564	\$1,921	\$2,425
OPERATING EXPENSES					
Selling					
Salaries and Wages		\$60	\$60	\$60	\$60
Store Commissions		360	396	435	491
Traditional Advertising		10	10	10	10

	Depreciation	55	55	55	55
	Web Advertising	150	150	150	150
	Total Selling Expenses	\$635	\$671	\$710	\$766
	General/Administrative				
	Salaries and wages	\$500	\$500	\$500	\$500
	Employee benefits	100	100	100	100
	Payroll taxes	50	50	50	50
	Insurance	20	20	20	20
	Rent/Mortgage	0	0	0	0
	Utilities	7	7	7	7
	Depreciation & amortization	0	0	0	0
	Office supplies	5	5	5	5
	Travel & Entertainment	10	10	10	10
	Postage	10	10	10	10
	Equipment maintenance & rental	15	15	15	15
	Interest	3	3	3	3
	Furniture & equipment	0	0	0	0
	Total General/Administrative Expenses	\$720	\$720	\$720	\$720

	Total Operating Expenses	\$1,355	\$1,391	\$1,430	\$1,486
	Net Income Before Taxes	(\$115)	\$173	\$491	\$939
	Taxes on income	0	0	0	0
	Net Income After Taxes	(\$115)	\$173	\$491	\$939
	Extraordinary gain or loss				
	Income tax on extraordinary gain				
	NET INCOME (LOSS)	(\$115)	\$173	\$491	\$939