

E-commerce

The internet enables you to sell 24 hours a day to customers anywhere in the world through a fully automated sales process. Having an online shop can attract new customers and enable you to provide a broader service to existing ones.

The increased availability of low-cost broadband and internet-enabled devices, and improving confidence in online security, means the number of people shopping online is continuing to grow. It is now possible to buy and sell just about anything online.

This briefing covers:

- The benefits of selling online.
- What makes a site successful.
- The legal implications.
- How to accept payments.
- The costs involved.

1 The business advantage

1.1 An e-commerce site gives you a **new outlet** that is dedicated to your products or services and is open 24 hours a day.

- You can attract new customers who discover your online shop when using search engines to look for products or information.
- You can improve support and after-sales service for your existing customers.
- Customers can order your products direct.
- You can reach overseas customers who can order when it suits them.
- If you sell niche items to a widely-dispersed market, the web is ideal to reach those interested in your products.

1.2 Once you have set up your shop, it can provide an **efficient** selling operation.

- With no rent or employees needed to man the shop, running costs are low.
- If your suppliers deliver direct to your customers, you do not need to hold stock.
- If you hold stock yourself, you may be able to operate with a relatively low stock level.
- You can monitor customers' buying habits to make it easier for them to re-order favourites or see and buy related items.
- If you sell information, software, music or images, buyers may be able to download purchases direct from your website.

1.3 You can **try out new ideas**, adapt them, and scale them up quickly and cheaply.

- Success can come rapidly, if you identify the

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right market and make the right offer.

- Feedback comes on a daily or hourly basis through web statistics and sales figures.
- If your idea for an internet shop is not working, you can easily pull out without the worry of making staff redundant, getting out

Don't get caught out

The international nature of trading online and regulations designed to protect consumers mean that you will need the help of an expert to ensure you stay on the right side of the law.

- A Selling** via the internet, email or telephone is covered by the Consumer Protection (Distance Selling) regulations.
- You must provide customers with written confirmation of their order, including your name, description of goods and their right to cancellation.
- B Contractual agreements** created over the internet or via email are as binding as any other.
- Make it clear at what point during the transaction the contract is formed.
 - Ensure that customers have the chance to check an order (and amend it if necessary) before they place an order.
 - Ensure that your terms and conditions are clear and agreed before you accept an order.
- C Commercial emails** can be a particularly tricky area.
- You must not send emails without the recipient's prior consent — unless their email address was gathered in the course of a previous transaction.
 - You must make it clear what the purpose of the email is, who it is coming from and any offers contained in your messages must be obvious.
 - If an email is sent (or forwarded) to an international recipient, that country's laws may apply to its content.
- D Collecting or handling personal data** using email or the internet falls under the Data Protection Act.
- You may be required to register with the Information Commissioner.
 - You must not use an individual's details for direct marketing or share their details with others if they ask you not to.

of a lease, or writing off shopfitting costs.

2 What you can sell

Internet use in the UK has reached such a level that you can find customers for almost anything online.

2.1 Many internet users are **young** (18 to 40) and technically minded with relatively high disposable incomes.

- Consumer leisure products, such as music and travel, are therefore good sellers.
- Software and computer equipment also appeal to this group.

2.2 The internet also suits **specialist products** that would normally be difficult to find.

- For example, collectors' items, niche products or specialist foods.

2.3 Buyers are attracted by good deals on **commodity items**. Benefits include wide product ranges, easy price comparison, convenience and low prices.

- For example, some supermarkets allow customers to order using the internet, for convenient home delivery.
- Products such as books or CDs do not vary in quality, so people are keen to pick them up cheaply through the internet.

2.4 You can sell **information**. The internet provides a ready-made distribution channel.

- The internet provides a new market for real-time information, such as share prices or auction results.
- However, people are accustomed to receiving information online for free, so you must offer something with real value which is unavailable elsewhere.

3 What you need to set up

If you are trading on the internet for the first time, it is advisable to start small so you can see what works before you scale up.

3.1 Your web-hosting company will be able to provide the **web space** for your internet shop (see **6.3**).

3.2 You should purchase your own **domain name**, ie `www.yourcompany.com`, as this gives your business a professional appearance.

3.3 The easiest way to set up an e-commerce shop is to use a 'turnkey' package. These solutions give you everything you need to start trading.

- Packages include a design template which you can insert your products and information into, plus payment facilities.
- You do not generally need any additional technical expertise.
- Most web-hosting companies offer packages which include everything.

3.4 If you want your e-commerce site to be fully customisable, you can use '**shopping-cart**' software.

- This creates a virtual shopping basket which holds the customer's provisional purchases until the shopper confirms the order and pays at a checkout page. You can build your site around this functionality.
- You will probably want to hire a designer to build an e-commerce site which is driven by the shopping-cart.
- Using a shopping-cart package will give you more flexibility than a turnkey solution, but will also generally cost more and take longer to set up.
- Most web-hosting companies offer shopping-cart software for a modest cost.

3.5 Launching and running an internet shop will require some **expert input**.

- You will need legal help in adapting contracts and terms of trade for the online environment and to ensure you comply with the regulations controlling distance selling, data protection and electronic communications. (See box page 2.)
- You will need someone with technical knowledge to keep the system running.

3.6 One of the biggest factors in the success of your site is the investment you make in **marketing** your site.

- If you have a limited marketing budget, you will need to make up for this with time, effort and energy.
- You will need to advertise and publicise your site everywhere you can, both online and in the real world.
- Many small online retailers have built a customer base through Twitter, Facebook and other free social media.

3.7 You will need to check that you can **fulfil** online orders efficiently.

- Put appropriate systems in place to ensure you meet orders and consider the impact

on the rest of your business.

- If you sell a physical product, choose a shipping company you can trust to be sure items are delivered when promised.
- Offer customers a choice of delivery options and enable them to track their delivery online.
- Ensure you have your employees' backing.
- Disappointed customers are unlikely to buy from you again.

4 Setting up a successful site

The most successful online shops concentrate on one type of product and provide plenty of related information.

4.1 Design the shop so that it is **easy to look around** and easy to purchase from.

- A simple design, without large pictures or complex graphics, will load quickly and save customers time. Visitors swiftly move on if a site is slow.
- Test your site thoroughly, placing trial orders and acting out different scenarios.
- Do not overload customers with too much information at any one time, but make it easy for them to check details if they wish.

4.2 Give visitors **reasons to return** to your site. Get them involved as much as possible. Experts believe that your best chance of a sale is when a person returns for the third or fourth time.

- Make people who visit your shop feel like part of a community. Consider providing news, discussion forums, and reviews.
- Update your site frequently so it is always new. Try to change promotions and add new products regularly.

4.3 Provide **support pages** that help users get the most from your product or service.

- Include plenty of background information. For example, case studies, answers to frequently asked questions, product specs, parts lists, and user guides.
- Publish news about product revisions, awards, and recommendations on the site.
- Provide clear information about customer rights, delivery times, warranties, and exchange policies.

4.4 Include **links** to other relevant sites, organisations and manufacturers.

- Users will start to view your site as a major information source for your product type.

4.5 Let people know your shop is there and open for business.

- Publicise your shop on related sites, either by paying for advertising space or by negotiating reciprocal links with companies selling related products.
- Use targeted email to persuade new people to visit your site.
- Use social media such as Twitter and Facebook to engage with potential customers and promote offers.
- Include the details of your online shop in your stationery, your marketing literature, and any advertising you do.
- Consider using pay-per-click advertising through search engines to target people who search for particular things online.

5 How do I receive payments?

Payment by credit card is now firmly established as the usual way to complete internet consumer sales.

5.1 You can accept **credit and debit card** payments in your internet shop. You can also allow your customers to send you money using online cash transfer services like PayPal.

- You will need to apply for 'merchant status' with your bank or use a specialist company that can process online credit card payments as a bureau service. Turnkey packages and shopping-cart software often include payment processing services.
- Customers may be unwilling to send card details unless they are sure your website is secure. You should set up a secure area for payment processing and advertise your security credentials.

5.2 You need to give internet buyers the option to phone through their credit card details.

- It may be advisable to offer this option alongside other payment methods, to capture customers who are unwilling to enter their card details online.

5.3 Business-to-business transactions usually take place on the basis of a **monthly invoice** for payment in 30 days, or a customer account.

- Carry out your normal credit checking procedures before setting up an account for a new customer.
- If appropriate, offer discounts to customers who place orders and make payments via

the internet. This automation reduces your costs.

- You can use online invoicing services to manage customer accounts and payments.

6 How much will it cost?

Set-up costs can be limited to hundreds, rather than thousands, of pounds. Running costs can also be much lower than for even the smallest traditional shop.

6.1 You will have **set-up costs** for your shop, including any shopping-cart software and payment processing software.

- Small shops selling a limited range of items can sometimes be set up for a nominal fee. For example, turnkey e-commerce packages start from around £10 a month.
- Most shopping-cart products are available to buy or lease. Some are free, but these are often more complex to install and configure.

6.2 You may wish to spend money on marketing and advertising, although social media can offer a free route to customers.

6.3 The main **running expense** will be wages for whoever keeps the site up to date.

- You may also pay a basic charge — up to £50 a month, depending on the space required — to your web-hosting company to cover space for your website. This charge is usually included with turnkey packages.

6.4 You will be charged a **processing fee** by your bank or the agency handling your credit card transactions.

- Most of the internet banks and payment processing companies, such as NetBanx (www.netinvest.co.uk/ncr/netbanx), charge a set-up or annual fee plus a percentage of the value of each transaction.

- However, if your average transaction value will be in excess of £12 or so, it will make more financial sense for you to find a provider that charges a flat rate per transaction with a low monthly fee.
- If you require instant online credit card authorisation, the charges are higher. You will need to use a specialist online processing company and have special shopping-cart software. The more sophisticated and complicated your website and payment system are, the more it will cost.

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