How small businesses can do business on the Internet

Expert knowledge means success

Contents

Introduction

In the mid-1990s, it would have cost the average small business thousands of ££s in software and programming services to set up an online storefront[1]. But an influx of inexpensive solutions since the start of 1998 has made it possible to take your products or services online for as little as £10 a month.

In the UK, the clamour for faster online access has resulted in BT reducing the ADSL cost to a very affordable level – with free unmetered access[2].

The Internet not only enables businesses to offer customers an additional level of service, but also opens up a sales channel through which they can reach new customers. Small businesses in the UK can use the Internet to offer speciality products, from foodstuffs to clothing, to a worldwide audience of expatriates and Anglophiles. The Internet also serves as a platform for entirely new ventures; the best-known example is the Amazon bookshop, which was created purely as an Internet sales outlet and in a very short time became a world-leader in book sales.

The term electronic commerce (or e-commerce) is the most common name for the practice of doing business over the Internet. There are other terms such as Internet- or Web-trading, Internet business, online business, e-business, Internet commerce, Web commerce, and so on - they all refer to selling products and services to customers using a Web store (or cyberstore) over the Internet.

With Internet Trading, you have money over to spend on advertising and promotion

Whether you're considering taking a business online or starting an Internet business, you now have the advantage that a low-entry cost means that you can spend more money on advertising and promoting the service. Simply putting up a well-designed store with attractive products isn't necessarily going to do the trick if people don't know about it. Amazon managed to gain a mountain of press coverage by being the first in its field, but for a long time it had to spend more on promoting the service than it did on running it.

Obviously, you need to advertise your presence in the places where your customers congregate - and that's not only on the Internet. While it's important to have your store indexed in as many Internet search engines as possible, you should not neglect the traditional promotional methods. If you already run a mail order operation and advertise in periodicals, be sure to list your Internet address (URL) along with your telephone number and address.

Mail order businesses are ideal candidates for taking online because you already have a database of products in a paper catalogue that can easily be presented as web pages as well. At its most basic, a web store is simply a web-based (HTML) catalogue with an associated ordering system.

Another important benefit of already having a mail order system is that you have the experience of fulfilling orders. Calculating sales taxes and shipping charges and delivery for an international audience takes quite a bit of organisation, as do the handling of returns and multiple currencies and the thorny question of customer support.

Remember that handling customer service calls from a worldwide audience implies a 24-hour service. If you haven't previously sold through mail order, it's probably advisable to begin by restricting your service to the UK.

Advertising, product promotion and order fulfilment are fairly similar business issues for any sales operation, whether on the Internet or not. But a difference arises when it comes to the catalogue of products - an Internet catalogue can be much more dynamic than a paper equivalent. This is one area where it is important to choose your electronic commerce software carefully.

A warning - the mistakes made by other companies

Research carried out by Shelley Taylor (Shelley Taylor & Associates, (UK) 0207 243 3438, (US) 110 650 473 6514, http://infofarm.com) on behalf of ICAEW, indicated that most Global 1000 companies have developed their websites for the following reasons, all based on strong business arguments:

- To attract customers and sell products;
- To provide information (mostly annual reports) to investors;
- To build brand recognition.

The five big mistakes made by companies in their website, are as follows:

- Assuming that website visitors have a level of technology (knowledge, hardware and software) or browser version that is beyond what visitors actually have;
- Failure to provide key contact information;
- Failure to organise the website and user-paths on the Home Page according to key audiences;
- Failure to provide global and local navigation;
- Failure to provide management information.

Making your on-line shop a unique experience for your customers

Some of the less expensive products are quite basic and may not appeal to you if your aim is to make your online store a unique experience. On the other hand, an all-singing, all-dancing store that can only be experienced by a minority of web browsers will drastically reduce your potential customer base. An online store needs to load pages quickly to draw customers in, and it needs to have a smooth buying process too. Asking people to register their details before they browse the store, for example, is a sure way to turn away custom.

There are basically two ways of arranging payment online:

- Sticking to the mail order pattern and allowing people to order online but asking them to confirm their payment details by fax, phone or post. Many Internet stores offer this option because it is familiar, and most people have no problem with giving their credit card details over the phone or via fax. But the system creates potential problems in matching up orders and payments and it may not be a satisfactory way of dealing with international orders;
- A much better system is to take payment online so that customers can make their purchase in one convenient process.

Getting paid on-line

Got an e-commerce service that meets your needs and a perfect store design? It's useless if you don't provide your customers with simple, secure ways to pay online. Payment processing, VAT, order fulfilment, and customer service are key components of establishing a successful Internet business.

Before you even start thinking about counting your money, decide how you want to receive your orders. Do you want to pull orders down manually, have them e-mailed to you, or have them faxed to you? First see which options the commerce service you're interested in supports. And second, if you have orders e-mailed to you, make sure any credit card information is transmitted securely.

Next, think about how you're going to let people pay for the goods. For online shoppers, credit card payments are the most convenient. However, enabling credit card purchases means special provisions on your end. You'll need a mail order/telephone order (MOTO) merchant account, which lets you accept credit card orders without having to swipe the physical card. But a merchant account will cost you so watch out for all the costs you'll have to pay.

If you do want to accept credit card payments, processing them online introduces another wrinkle. You need payment transaction products like PayPal, which verify and process credit card payments in real time online. But make sure your MOTO merchant account is established with a bank that accepts these payments.

You can rely on other payment methods as well - COD, pre-delivery, offline payments,

or a mix of options. But these add time and complexity to the shopping experience. After all, you don't want your customer to be forced off your site to call an 0800 number. Every minute counts.

To take payment online you need a payment processor and a merchant agreement that enables you to accept credit card payments. There are several payment processors and finding one is not difficult. If you already have a regular merchant agreement, for mail order sales perhaps, then it should be easy to extend that to deal with online payments. If, however, you are starting from scratch, you will have to provide a great deal of information about your business plan.

Once you have obtained your merchant status and an agreement with a payment processor, taking online payments is easy. When a customer decides to buy from your online store, a secure link is set up between the customer and your payment processing service. The customer's credit card details are passed across to the payment processor over this link and verified. If the payment is authorised, it is debited from the customer and transferred into your account. The payment processor advises the customer and the merchant that payment has been accepted. Simultaneously, the details of the order are passed to you and you can go ahead and process it, knowing that payment has been received.

This process varies in operation according to the level of service you provide. With entry-level software, you have to be sure that your stock level is sufficient to meet demand; whereas with more sophisticated packages, you can integrate your back-office systems with your online store so that customers can check stock levels online before ordering. You will also need more advanced software to implement backorder and part payment systems.

Current payment systems are based on credit cards, and cash payment schemes are still being thrashed out. Barclays and BT both have cash payment schemes that are in their early stages, so it's only a matter of time before they become more widely available. The advantage of electronic cash is that a formal agreement is not needed to process it.

If you have a large selection of products and a sales process that is already computerised, you'll want to integrate an Internet operation into your order processing system. An example might be a business selling artists' supplies. The stock list will be large with few main categories (pens, inks, papers), several sub-categories (types of paper, pen) and many different attributes in each sub-category (colour, size). For such a project, you would be well advised to approach a professional Internet commerce service provider.

E-Commerce Products

The diagram below (from a US web-hosting company called AnaServe) illustrates how an online transaction occurs using the electronic commerce process. Electronic commerce service providers usually work with a range of software products to meet the varying needs of their customers. The essential quality is that they have the ability to build a complete service, from creating, hosting and maintaining the site to order and payment processing. It need not be horrendously expensive, either.

You can be up and running for a few thousand pounds, which is probably less than you will need to spend on advertising. At the other end of the scale are online stores with a handful of products or perhaps even a single product, for example a specialist newsletter or a range of half a dozen topical T-shirt designs.

A number of inexpensive entry-level products and subscription-based services would meet the needs described above (the following list isn't comprehensive or necessarily up-to-date as the e-commerce world moves very quickly):

- Actinic Catalog (E-Commerce software) www.actinic.co.uk
- Microsoft Small Business Software www.microsoft.com/en-us/server-cloud/Windows-Small-Business-Server/trial.aspx
- CompuServe Interactive Services (software) http://webcenters.netscape.compuserve.com/menu/about.jsp
- WebPlus from Serif (E-commerce software) www.serif.com/webplus/
- Volusion (E-commerce software) http://www.volusion.co.uk/?gclid=CJu-8478iq4CFaEntAod-gJb3w
- Intershop (E-commerce software) www.intershop.com)
- NetBanx (all-in-one payment processing) www.netbanx.com
- ShopSite (shopping cart software) www.shopsite.com
- WebGenie Shopping Cart (mobile shopping cart) www.webgenie.com
- WorldPay (payment processing service) www.worldpay.com
- Yahoo Store (web store design software) http://smallbusiness.yahoo.com/ecommerce/

Practical advice about your e-commerce shop

You'll also need to think about how costs will change as your shop grows. For example, most services simply scale up the monthly charges as the number of items in your store increases. Another consideration is space: Don't sign up with a service that places limitations on server space if you plan to have a graphics-heavy storefront.

Also, you need to think about the software that the service provides for creating the site. You want it to be easy to use but flexible enough to give you options as your storefront grows.

There's plenty more to take into account:

- Do you have a domain name yet, such as www.bizezia.com? If not, you'll need help to register your domain name. That's if someone else hasn't already used it - remember that the Web is a worldwide shop! Here are a few domain name registration companies:
  - www.godaddy.com
  - www.123-reg.co.uk
  - www.123-reg.com
  - www.1and1.com
  - www.easily.co.uk
  - www.register.com/
  - https://register.ie/
  - www.europeregistry.com/
  - www.marcaria.com/
  - www.americaregistry.com
  - www.domainregistration.com.au/
  - www.austdomains.com.au/
  - www.nzreistry.co.nz/
  - www.asiaregistry.com

- Want to belong to a group of on-line merchants? Here are a few sites with a built-in community:
  - www.pikaba.com/
  - http://smallbusinessonlinecommunity.com/index.jspa
  - www.imamerchants.org/
  - http://community-analysis.com/default.aspx
  - https://www.paypal-community.com/t5/US-PayPal-Community/ct-p/US

- Need helpful tips and links to small-business, commerce, and marketing sites that may give you ideas to make your business more profitable – if so, here are a few suggestions:
  - www.wilsonweb.com/articles/checklist.htm
  - www.myownbusiness.org/s9/
  - http://www.entrepreneur.com/

What will your e-commerce shop look like?

You'll have to decide what your e-commerce shop is going to look like and what information you want it to hold. You wouldn't have dusty shelves and 30-year-old merchandise populating your shop or showroom, so you don't want your online store to be known for typos, fuzzy or slow-loading images, and cheesy graphics. The best way to guarantee success is to keep it simple.

In addition to having a clean-looking, easy-to-follow site, you want your business to be quickly identified. Strategically placing your company logo is a must but keep the size of the file small so the store's opening page will download quickly. You don't want potential customers taking off before they ever see your fabulous merchandise.

High-quality images of your offerings will make or break sales. If you don't have digital images, invest in a digital camera. It instantly gives you digital files of your products in Web-compatible formats. Your other option is to scan traditional photos. You can buy a solid scanner for less than £50 that will take care of your text and graphics like a pro.

At last you're ready for the orders to start rolling in. And you had better be. Just as you wouldn't leave a live customer waiting at the cash register while you sip a cup of coffee out back, you shouldn't keep your online shoppers waiting.

Rule No.1 is be accessible. Make sure contact information is highly visible on your site. Put e-mail addresses and contact phone numbers front and centre. Also, check and double-check that your posted inventory is accurate - if you're out of something, let people know when it will be back in stock. Building and maintaining an online store is a big commitment. Your store has to remain fresh, and your customer service must be beyond reproach. Finally, provide clear service guarantees. Word travels fast in cyberspace.

Marketing - getting hold of customers

Get people into your on-line shop and they'll drop the cash. The best way to draw shoppers to your storefront is by registering with search engines such as Google, Yahoo, Excite, and Lycos. Your commerce service may automatically register your site with a Search Engine (Yahoo Store, Virtual Spin Electronic Store 4.5, and CompuServe Interactive BusinessWeb all do this), but if it doesn't, use Submit It (www.submit-it.com), which for a one-time fee of under £50 will register your site with all the Web's search engines. Once people start shopping at your store, keep them coming back with targeted e-mails announcing sales and promotions and offering special coupons to keep your name in the minds and in-boxes of your customers. Try using affiliate programs, pioneered by e-commerce powerhouse Amazon.com. If you establish an affiliate relationship with another online store, the affiliate gets a percentage of any sale made by a shopper coming from the affiliate's site to yours and vice versa.

Recommended Reading

Books

- E-Commerce: Business, Technology, Society, by Kenneth Laudon and Carol Traver Published by Prentice Hall, ISBN-10: 0131735160, ISBN-13: 978-0131735163

- The Complete E-Commerce Book: Design, Build and Maintain a Successful Web-based Business, by Janice Reynolds, published by CMP, ISBN-10: 1578203120, ISBN-13: 978-1578203123

- Business Information Systems: Technology, Development and Management for the E-Business, by Paul Bocij, Dave Chaffey, Andrew Greasley and Simon Hickie, published by Financial Times/ Prentice Hall, ISBN-10: 0273688146, ISBN-13: 978-0273688143

- E-Business and E-Commerce Management, by Dave Chaffey, published by Financial Times/ Prentice Hall, ISBN-10: 1405847069, ISBN-13: 978-1405847063

- Internet Marketing, by Dave Chaffey, published by Financial Times/ Prentice Hall, ISBN-10: 0273694057, ISBN-13: 978-0273694052

- E-commerce Get It Right! Essential Step-by-Step Guide for Selling & Marketing Products Online. Insider Secrets, Key Strategies & Practical Tips - Simplified for Start-Ups & Small Businesses, by Ian Daniel, published by NeuroDigital, ISBN-10: 0956526209, ISBN-13: 978-0956526205

- Starting an Online Business All-in-One For Dummies, by Shannon Belew and Joel Elad, published by For Dummies, ISBN-10: 1118123190, ISBN-13: 978-1118123195

- Get Rich Click!: The Ultimate Guide to Making Money on the Internet, by Marc Ostrofsky, published by The Razor Media Group, ISBN-10: 0982769601, ISBN-13: 978-0982769607

Further Information

The potential rewards from e-commerce trading are huge - the market for online goods is growing exponentially. Your competition may not come from the shop or office or factory across the road - it may come from the other side of the world and it's going to open 24-hours a day, every day.

Are you ready to handle the opportunities and threats of this new way of trading?

This guide is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

References:

[1] This publication was originally inspired by an article which appeared in Personal Computer World, October 1998.

[2] November 2007.