E-COMMERCE: PURCHASING AND SELLING ONLINE

Small businesses that are considering purchasing or selling online will find this a useful resource to help them identify and select appropriate e-commerce options. Tips and strategies for attracting and keeping online customers are also presented. While the booklet focuses on selling online via your own website, other options for purchasing and selling online are highlighted such as e-marketplaces and online auctions.

What is E-Commerce?

E-commerce refers to the process of buying or selling products or services over the Internet. Online shopping is becoming increasingly popular because of speed and ease of use for customers.

E-commerce activities such as selling online can be directed at consumers or other businesses. **Business to Consumer (B2C)** involves the online sales of goods, services and provision of information directly to consumers. **Business to Business (B2B)** refers to the online selling of products, services, or information between businesses.

Why E-Commerce for Small Businesses?

Selling online can help your business reach new markets and increase your sales and revenues. If you are interested in selling to other businesses, you can use the Internet to find sales leads, announce calls for tender and offer products for sale either through your own website or through an e-marketplace site.

Ontario

Searching for products and services online can save you time and money by allowing you to find the best prices without having to do all the legwork. You can use the Internet to find new suppliers, post buying requests or search for products and services. Online trading networks can also be used to support efficient information exchange between buyers and sellers.

Benefits of B2B E-Commerce Solutions

- Purchasing supplies – By creating an online account for your business with supply stores you can purchase office supplies and equipment online and save time and money by automating the purchasing process.

- Purchasing direct materials – These are materials that go into the production or manufacturing of your products. Establishing a relationship with a vendor and purchasing online may help reduce costs.

- Selling products or services to new vendors – Having an online e-commerce presence opens up more opportunities to extend your reach and gather new vendors beyond your bricks and mortar offerings.

- Leveraging your existing web presence – If you already have B2C operations, you can extend them to business clientele – perhaps by providing private areas for special pricing, delivery options, etc. However, this additional functionality is not trivial and could require rebuilding your online store at a significant cost.

Benefits of B2C E-Commerce Solutions

- Better customer service – Businesses can transact directly with their customers 24/7.

- Elimination of intermediaries – Businesses, particularly manufacturers, can offer lower and more affordable goods to consumers by selling products directly, eliminating distributors and retailers that add to the cost of the products.

- Flexibility in pricing – Price tags can be adjusted easily and instantly, benefitting the business and the customer. You also have the ability to strategically cross-sell, discount, and provide coupons and other online/offline specials.

- Professional image – Even if you have a small business, your e-commerce site can enhance your reputation by projecting a larger picture and allowing you to compete on a level playing field.

- Extended reach – Opening up an online storefront can effectively extend your presence to a great number of prospects, particularly those unable to access your local bricks and mortar store.

FAST FACTS ABOUT E-COMMERCE IN CANADA

- There were 26,960,000 Internet users in Canada as of March, 2011.

- In 2010, 51% of Internet users ordered goods or services for personal or household use. In total, Canadians placed nearly 114 million orders, valued at approximately $15.3 billion.

- When it came to paying for their purchases, 89% used a credit card online, and 31% used an online payment service.

- Growth rates of e-commerce spending are predicted to grow significantly between 2011 and 2015. The percentage of B2C online revenue compared to all retail revenue is expected to reach approximately 10 % by 2015.

- Retail e-commerce spending was slightly below CAD$20 billion in 2011, with strong increases forecast until 2015.

- Security and privacy remain a key concern for selling and purchasing online.

Sources: http://www.canadabusiness.ca/eng. Statistics Canada. Survey of Electronic Commerce and Technology (2007) and http://www.villagegamer.net/2012/03/09/ research-and-markets-canada-b2c-e-commerce-report-2012

Ranked from most purchases to fewest, here is what shoppers are purchasing online.

E-COMMERCE, TOP 10 TYPES OF PRODUCTS ORDERED IN 2010

1. Travel arrangements (e.g. hotel reservations, travel tickets, rental cars)
2. Tickets for entertainment events (e.g. concerts, movies, sports)
3. Books, magazines, online newspapers
4. Clothing, jewellery or accessories
5. Memberships or registration fees (e.g. health clubs, tuition, online television subscriptions)
6. Music (e.g. CDs, MP3)
7. Software
8. Consumer electronics (e.g. cameras, stereos, TVs, DVD players)
9. Videos or DVDs
10. Toys and games

Source: Statictics Canada

Planning for E-commerce

Moving your sales operations online requires that you look at your business needs and information technology (IT) requirements and the options available to you in order to formulate an e-commerce implementation and fulfilment strategy. Here are some questions to consider:

1. Is e-commerce really the right option for my business? If so, why?
2. Who are my competitors online and how well established are they?
3. Can my existing business system processes in my bricks and mortar storefront be brought online? How do I integrate them?
4. What do I need the website to do – i.e. are there straightforward categories and sub-categories or do I need additional functionality?
5. Do I need the shopping cart to be able to do anything beyond taking payments?
6. What resources or knowledge base do I need to set up an online store?
7. How will I drive traffic to my online store?

Setting Goals and Objectives

Goal Setting Examples	Examples of Objectives
Use Internet to expand business	• Within 60 days, be able to communicate my company name, its benefits, prices, customer list, products and services to new prospects.
Expand sales outside local area	• Build international presence by creating listings in international directories within 6 months. • Create national sales affiliate teams to help promote e-commerce website within 45 days.
Sell $xxxx per month to existing clients	• Design a cross-sell program and referral reward program to existing clients, assess in 9 months.
Reduce direct marketing expenses from flyer distribution and promo catalogues	• Introduce last minute alert program through text messaging or email campaigns.
Enhance customer service	• Implement a live chat service from the e-commerce site to be accessible 24/7.

Choosing a Web Developer vs. Do-It-Yourself (DIY) Options

Should you choose to work with a web developer or try to create your own e-commerce enabled website? For those just starting out in business with a limited budget, there are many site builders (for example, Shopify www.shopify.ca, Canada Cart www.canadacart.ca) that allow you to create a storefront to sell your items online, to set up security for credit card transactions, and to outsource shipping. As your business needs grow, you may want to consider hiring a professional to take you to the next level.

Either way, you need to do some research before you invest your time and money in e-commerce. These are basically the same things to consider if you were planning to start a bricks and mortar store and they are equally important in the virtual world.

• Research your site builder or developer choice options.

• Complete a Strengths, Weaknesses, Opportunities, Threats (SWOT) analysis of your marketplace/industry, both on and offline.

• Conduct a marketplace analysis – Who are your customers and competitors?

• Consider marketing and sales strategies – How suitable is your product or service to Internet marketing?

The purpose, style, scope, domain name, hosting and security of your website are all areas to think about when planning e-commerce. Understand all that is involved in developing an e-commerce online presence and the timing for each step along the way. Here are some items to consider:

• Evaluation and Metrics: Determine in advance what metrics and method of evaluation you plan on implementing.

• Logistics: Develop pricing, payment choices, delivery choices and return policies.

• Review and Update: Set some review dates; schedule in regular updates to keep your site fresh and current. Always address visitor needs.

• Upfront Costs: Understand what upfront costs are involved in order to start selling online, whether that is to buy a program or have a developer customize one for you.

• Ongoing Costs: Be aware of ongoing costs, including those related to cost of goods sold, shipping, hosting, charge backs, web maintenance and site updates.

See *Creating a Dynamic Web Presence* booklet for more on developing an effective website.

Selling Online Using Your Own Website – Setting Up an Online Store

This section describes what is involved in selling online vis-à-vis your own website. In order to process an online sales transaction three things are needed:

> 1. Shopping Cart
>
> 2. Secure Server
>
> 3. Payment Processing

These three requirements are described in more detail below.

1. Shopping Carts

Shopping cart software keeps track of what the user selects to buy from the website before proceeding to the "checkout". An online shopping cart consists of three parts:

• Product Catalogue

• Shopping List

• Checkout System

The **product catalogue** is made up of all the information needed to present any product to the customer and to complete a sales transaction online. Information to be included in the product database generally includes the price, identification number (SKU), image or other multi-media information, product options or choices.

A **shopping list** (i.e. list of selected products) allows users to track the items they want to purchase. A shopping cart image is generally used to show what items the shopper

has selected for purchase. In order for the shopping cart to function properly, the user's computer must be set to allow "cookies".

The **checkout** system allows customers to select products by clicking an "add items to cart" button and then enables them to pay for these products.
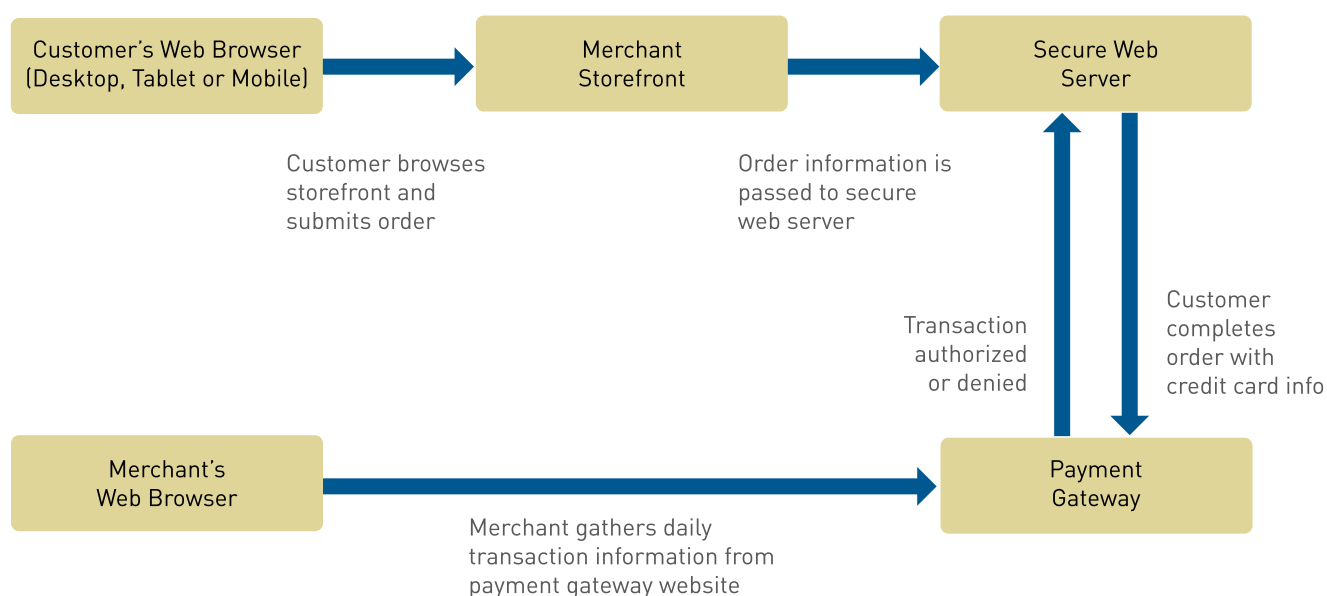
2. Secure Server

The secure server helps provide protection against the loss or modification of personal information. Secure Socket Layer (SSL) is the most commonly used technology for secure online transactions. SSL encrypts (or codes) all data between the shop's server and the customer's computer. This makes it very difficult for third parties to decode any information exchanged such as credit card numbers.

The following diagram shows how a secure server can protect information passed between the consumer and the merchant.

Protecting Transaction Information

| Customer's Web Browser (Desktop, Tablet or Mobile) | → | Merchant Storefront | → | Secure Web Server |

Customer browses storefront and submits order

Order information is passed to secure web server

Transaction authorized or denied

Customer completes order with credit card info

| Merchant's Web Browser | → | Payment Gateway |

Merchant gathers daily transaction information from payment gateway website

Shopping carts do not deal with the entire transaction. They pass information (i.e. what the user has ordered) to a **payment gateway**.

A payment gateway is a separate service—it links the shopping cart to the financial networks involved with the transaction. When you are choosing a shopping cart package, ensure that the payment gateway service is compatible. Check with the gateway service provider to see which shopping cart packages it supports. Payment gateways link transactions to an ID, so there is no need for merchants to know their customers' credit card numbers.

Cookies are small pieces of software that websites store on users' computers. They have a very wide variety of uses, but an important one is to track how people arrive at the website and how they use the website. If your website uses 'cookies', you should explain to the website visitors how and why this information is used.

Servers are the backbone of the Internet—they are computers linked by communication lines which "serve up" information in the form of text, graphics, and multimedia to online computers that request data.

Source: Expedite Media Group, Inc.

If you are planning on selling online, you will need a **Digital Certificate** for SSL technology to work. A Digital Certificate is an electronic ID that helps to show the credibility of a website.

> If you want to buy online, how do you know if a website has a secure server?
>
> Look for the following:
>
> • A URL address that begins with **https://** as opposed to http://
>
> • A browser that notifies you that you are on a secure site. Many browsers use a symbol (e.g. lock icon) or a message

3. Payment Processing Options

There are five payment processing options:

> A. Third Party Payment Processing.

> B. Internet Merchant Account.

> C. Manual (Offline) Payment Processing.

> D. EBPP and On-Demand Payment Gateways

> E. RFID & NFC Mobile Commerce

What You Should Consider when Choosing a Payment Option:

• Costs associated with the payment option (consider transaction fees, setup fees, monthly fees).
  – Take the time to understand the features offered by each option and the pricing model.
  – Also consider that there are different fees and features associated with merchant accounts.
  – Also consider chargeback fees.
  – Also consider the fees associated with fraudulent transactions.

• Privacy of the transaction data.
  – If you are considering leasing software through a service provider, check the provider's policy for disclosure and sharing of information.

• Fraud protection.
  – Review fraud protection tools. Merchant accounts typically have a number of customizable fraud filters that identify and track suspicious transactions. The transaction can be placed on hold while the bank notifies the business of the suspicious activity.

• General credibility of the service provider.
  – Internet merchant accounts have greater credibility.

A. Third Party Payment Processing

These services offer an alternative to obtaining an Internet Merchant Account. The advantage of this alternative is that it is possible to start selling online more quickly and easily. There are registration, transaction, and monthly fees attached. There may also be a longer holdback period before the balance of a sale is turned over to the merchant.

According to Wikipedia (www.wikipedia.org), PayPal (www.paypal.com) is the most popular third-party online service provider. According to CanadaOne www.canadaone.com, small businesses use third-party credit card processing companies such as PayPal (www.paypal.com), CCNow, (www.ccnow.com) PsiGate (www.Psigate.com), Beanstream (www.beanstream.com) and InternetSecure (www.internetsecure.com).

Third party payment processing providers charge transaction fees, including a percentage of the sale plus a flat fee per transaction. Charges based on the number of transactions may be appropriate for micro businesses or where the number of transactions is limited.

How does this type of processing work? The money from the transaction is deposited in a special account controlled by the service provider. To obtain your money, the merchant is usually required to initiate the transfer. If there is a dispute over the transaction, the service provider may hold these funds for longer periods.

B. Internet Merchant Account

An Internet Merchant Account is an account issued by a financial institution that enables a business to accept credit card payments online. Businesses must obtain a separate Internet Merchant Account for each type of credit card they wish to accept (e.g.VISA, Mastercard, American Express).

How do You Obtain an Internet Merchant Account?

You will need to open a business account with a bank. The bank will conduct a **credit risk assessment**. You may want to consider preparing a business plan in advance. You may also be required to submit a large security deposit.

With this type of account, the process of transferring money to the right account is automatic and occurs quickly.

Merchant account fee structures include one-time fees, monthly fees and transaction fees. The merchant account provider should clearly outline the fee structure. Review any additional fees carefully and make sure you include all set up fees when doing comparison shopping.

There are some companies that are authorized by the banks to issue merchant identifications. InternetSecure (www.internetsecure.com) and PsiGate (www.psigate.com) are two examples of Canadian merchant account providers that are authorized by the Canadian banks to issue Internet merchant identifications and process sales for merchants with their own Internet merchant identifications (as cited in www.about.com – Small Business Information).

C. Manual (Offline) Payment Processing

You can set up an e-commerce website where users can order online but you process credit cards manually rather than relying on online payment processing options. With this option, credit card information can be obtained through a secure server and the transaction can be processed manually. This option is feasible when you have a limited number of online orders.

D. EBPP and On Demand Payment Gateways

Electronic Bill Presentment and Payment (EBPP) is a process that allows bills to be delivered and paid over the Internet. EBPP is convenient and time-saving for customers and, for the business owner, it means faster payment capabilities. There are three ways for small businesses to utilize EBPP:

- **Consolidation service** is when large organizations like banks or the post office allow you to pay multiple types of bills via their website. For the average small business, this is more of a convenience as a user of this service rather than as a way to implement an EBPP service for their customers.

- **Biller Direct** allows small businesses to offer their customers the opportunity to visit their site to pay their bills electronically.

- **Direct Email Delivery** enables small businesses to provide their customers the ability to pay their bills via e-mail, which is convenient and time-saving.

E. RFID & NFC Mobile Commerce

Near field communication (NFC) is wireless technology using radio frequency identification (RFID) that allows devices to send data between each other for mobile commerce and payment. For example, you can now pay for your meal by just waving your smartphone in front of a wireless card reader in the restaurant. Mobile payments using NFC are projected to grow to $50 billion worth of transactions by 2014. Market leaders like Google and Apple are working to improve mobile commerce capabilities with NFC-enabled phones. The largest obstacle for most retailers is switching over their Point of Sale (POS) terminals to this new technology. There is also a learning curve for staff. But more and more consumers are looking for convenient purchasing and payment options that fit into their increasingly mobile lifestyle.

Security and Privacy Issues

It is important to be aware of security and privacy issues associated with e-commerce. Some common security threats include fraudulent use of credit cards, computer viruses, spam (unsolicited e-mail messages) and theft of computers or information. Phishing is another type of security threat that involves an e-mail message that looks like it comes from an official source but links in the message go to a fake website where you may disclose personal information. Common threats to privacy include theft of personal information and inadequate protection of private information.

The following are tips for minimizing security and privacy risks.

TIPS FOR MINIMIZING SECURITY AND PRIVACY RISKS ASSOCIATED WITH E-COMMERCE

- Review the security features/services offered by your web hosting service, Internet Service Provider, web design and software company.

- Pay attention to security alerts and install security patches as needed.

- Regularly update software and scan for spyware and viruses.

- Regularly backup systems and information.

- Design of an e-commerce website should minimize security threats. For example, once the consumer presses the "buy" button, the "back" button should then be disabled.

- Obtain a digital certificate for your website. The digital certificate shows that any personal data submitted to your site will be encrypted (coded).Two of the largest certificate authorities on the Internet are: Verisign at www.verisign.com and Thawte at http://thawte.com (source: www.canadabusiness.ca/eng).

- Avoid storing customer credit card information in your systems. If you are storing customer information, make sure it is secure from access by employees or computer hackers.

- Develop a privacy policy. The policy should outline how information will be collected and used, and the security procedures that will be used to protect information from being lost, stolen or tampered with. You may want to post this policy on your website. You may also want to apply for a privacy seal. The privacy seal icon is displayed on the website and can increase consumer confidence. According to Entrepreneur www.entrepreneur.com/article/171506, two leading privacy seal programs are TRUSTe www.truste.com and BBBOnline www.bbb.org/canada/business/bbbonline.

- Ensure you have SSL technology that encrypts all confidential information during transmission and authorization of transactions.

- Ensure you have appropriate security features for storing information. For example, a PCI (peripheral component interconnect: hardware) card is often added for protection. Another approach is SET (Secure Electronic Transaction) that has been developed by Visa and MasterCard. With this approach, sensitive information is not seen by the business and is not stored on the company's website. Firewalls should be used to protect the network and computers from viruses and computer hackers. You should also restrict access to information, particularly sensitive information, to authorized employees.

- Review other fraud prevention tools and assess if they are right for you. For example, Address Verification Service (AVS) compares the information in the customers' addresses with records stored by card-issuing banks. Major credit card companies also have verification systems. Three-digit codes printed on the back of major credit cards can help you assess if customers have legitimate cards.

- Always verify customer addresses.

- Be suspicious of large orders or requests for multiple copies of the same product, especially if the customer asks for rush delivery.

- If you are selling valuable products that are easily resold, consider whether you need advanced fraud protection services provided through gateway providers (e.g. fraud filters to screen for suspicious activity).

Options for Selling Products on Your Website

If you are thinking of selling online on your own website, consider the following:

- The type and number of products you want to sell online.

- Whether selling online will make up a significant portion of your sales.

- Customer needs and preferences.

The following table shows the four main options you have with respect to selling your products and services on your website.

OPTIONS FOR SELLING PRODUCTS ON YOUR WEBSITE

OPTION 1 **Hosted Solution with Bundled E-Commerce Package**	OPTION 2 **E-Commerce Licensed Software/Application (Templates)**	OPTION 3 **E-Commerce Open Source Software (Templates)**	OPTION 4 **Customized E-Commerce Solution**
Considerations for Choosing Hosted Solution: • Service provider takes care of installation and management. • Typically offers a wide range of features and different types of plans to meet your needs. • Can offer custom-built or template solutions. • Identify what services and features you need (hosted solutions offer a wide range of packages and features).	Considerations for Choosing Licensed Software: • Can provide you with a professional looking storefront at a relatively low cost. • Involves monthly fees and/or sales commission. • Less flexibility in store layout and design as compared to customized solution. • Can choose from a wide range of features and plans. • Ensure compatibility with hosting environment and other software. • Your business's level of technical expertise. Will you require professional assistance in setting up and managing the software?	Considerations for Choosing Open Source Software: • Freely available software. • Read the fine print for other costs (additional features, upgrades may have associated costs). • Likely to be professional fees associated with setting up and modifying to suit your needs. • How mature is the product? • Ensure compatibility with hosting environment and other software.	Considerations for Customized Solution: • Most expensive option. • Most appropriate when e-commerce is a critical part of your business. • High control over the website.

Choosing an E-Commerce Solution for Your Website

The following highlights key considerations when choosing an e-commerce solution.

CONSIDERATIONS FOR CHOOSING AN E-COMMERCE SOLUTION

- How many products do you want to sell? Does the solution have sufficient capacity to handle your products?

- Does the solution provide room for growth (i.e. growth in number of products, sales)?

- Do you already have a website that you are satisfied with? If so, you may want to consider software/applications that are compatible with your present hosting environment. You can also check to see what your present host offers in terms of e-commerce packages. Make sure that the software package you choose is compatible with your present hosting environment.

- Is the solution compatible with other applications? (e.g. payment processing options, payment gateway, orders, inventory, accounting, shipping).

- If choosing a template option, are there a sufficient variety of templates and designs to choose from?

- Can you easily import/export (i.e. transfer) data? If you have an existing product catalogue, will it be easy to integrate into the new software? If you change hosts, can you export your data without having to manually re-enter all your information?

- How easy will it be for you to update and change the website and product catalogue?

- Have you looked at various software products? You can browse e-commerce websites to assess products and features. Service providers usually offer a trial period to test the software. Consider the look of the online store, how easy is it to find products, and how easy is it to make a purchase?

- Do you need an automated sales tax and shipping cost calculation feature (depends on the extent of your e-commerce and your customer base)? You may need a solution that allows you to outline detailed shipping costs, particularly if you have international customers.

- Does the solution support a sufficient range of payment options?

- Are tracking tools such as Google Analytics easy to integrate into the solution?

- What level of technical support do you need? What level of technical support is being provided?

- Is the hosting company or e-business provider behind the e-commerce package reputable? How long have they been in business? What work have they done in the past? Have you checked their work and references? Is the technical support provided directly by the company or do they outsource?

- If you are thinking of an open source solution—Is it compatible with your hosting environment and other software? Is the product well established? Can an e-commerce provider easily modify it to meet your needs?

Choosing E-Commerce Features

Software packages or e-commerce plans include a broad range of e-commerce features to choose from. Prices can range from a few hundred dollars (e.g. basic template software) to several thousand dollars and more (e.g. customized solutions).

Make sure you have a clear understanding of your business needs. Check other e-commerce websites to build your understanding of what you like and do not like.

You may not need all the bells and whistles included in some of the more deluxe e-commerce packages. Your e-commerce solution should fit with your current needs but there should also be room for your online business to grow.

The following summarizes many of the basic and advanced features and services you should consider when setting up an e-commerce website.

E-COMMERCE FEATURES AND SERVICES

Store Design. Consider whether you are ready to design your own store (using a template) or whether you will need professional assistance to design the store. Many of the design templates are relatively easy to use, but may not be a good option for you if your time is limited. Licensed software packages may include online technical support and step-by-step guidance to help you with design.

Shopping Cart. Shopping carts vary considerably. Features may include progress indicators to help customers understand where they are in the transaction process, automatic calculation of tax and shipping, customizable design and layout.

Product Catalogue. Check to see how many products the online catalogue is able to manage. Consider how easy it is to add products and to upload an existing product database.

Payment Processing Options (e.g. third party payment processing, merchant account, cheques, money orders, debit card, RFID). Applying the RFID (radio frequency identification) technique in e-commerce logistics can raise the efficiency of the e-commerce logistics operating process and can monitor the whole logistics management process in a dynamic way.

Security Features (e.g. Secure Socket Layer (SSL), password protection, access privileges for site administration, data centre security, risk tools that can help flag fraudulent orders, etc.)

Product Promotion. Features can include discounts or coupons, gift certificates, discount pricing, volume pricing, autoresponders (automatically sends out offers by e-mail). Some packages offer cross-selling functions (e.g. similar or complementary products are recommended when the user selects a product).

Affiliate Marketing Module. A low cost way to advertise is through an affiliate program. Affiliates advertise your store on their website and they earn a commission on each sale they generate. All traffic, sales and earnings are tracked by the system.

Order Processing. The service provider or software package may provide a number of ordering features such as viewing new orders by email, online, or fax, automatic notification to customers alerting them to any changes in the status of orders, etc.

Integration with Back-Office Business Processes. If e-commerce is a critical part of your business, you may want more advanced integration features that link your e-commerce to your regular business operations (inventory, ordering, shipping, accounting).

Website Analytics and Reporting Features. They can help you keep track of your sales, pages viewed by customers, referring sites and keywords customers use to find your product.

Level of Support. Consider what level of support you will require. Will you need support 24/7?

Top Five Tips for Minimizing 'Shopping Cart Abandonment'

Make purchasing as easy and stress-free as possible for the customer – this will help avoid "**shopping cart abandonment**" – a term used to describe customers who select items to buy, but then decide not to purchase.

1. Show your customers that you are a reputable business. Consider using third-party endorsements. Clearly show how you will protect the customer's personal information. Let them know about transaction security features and services used by your e-commerce website.

2. Make sure visitors know where they are in the checkout process. Progress indicators on screen let visitors know where they are in the checkout process.

3. Keep the checkout process streamlined. If the checkout process is too long and there are too many steps, you will lose customers.

4. Provide clear instructions for how to proceed through the product selection and checkout process. Make sure the shopping cart buttons clearly indicate the next steps (e.g. Continue with Checkout, Finalize Purchase, etc.). Make sure that an "add to cart" button is clearly visible on the product page.

5. Provide warranties or guarantees for your product. Make sure warranties or guarantees are clearly visible, particularly during the last steps of the checkout process.

Resource List of E-Commerce Products

Note that these examples are only a few of the many licensed and open source software e-commerce products available on the Internet. You should investigate whether these products are suitable for your needs. There are general directories that reference e-commerce products such as www.wikipedia.com, www.opensourcecms.com (open source products), and www.cmsmatrix.org. You may also want to look at various blogs and forums for product comparisons and reviews.

Examples of E-Commerce Software Products

LICENSED E-COMMERCE SOLUTIONS

Fortune 3 • www.fortune3.com

Can choose a number of features – shopping cart software, program to design e-commerce websites. 30 day free trial. Will also provide hosting services.

Source: www.bizfive.com/articles/web-design/choosing-e-commerce-solutions/

ProStore • http://www.prostores.com/ (an eBay company)

Hosted application or you can do it yourself. A more complete e-commerce package. Allows setting up for online stores as well as subscription sites.

Source: www.bizfive.com/articles/web-design/choosing-e-commerce-solutions/

Volusion • www.volusion.com

A more complete e-commerce package. Allows setting up of a whole e-commerce website.

Source: www.bizfive.com/articles/web-design/choosing-e-commerce-solutions/

Shopify • www.shopify.com

A hosted application that allows you to set up an online store to sell your goods. It lets you organize your products, customize your storefront, accept credit card payments, track and respond to orders. Shopify.com lets sellers choose from the free design options, the one they like the most for their shop or they are allowed to build their own shop with the style they want.

Source: www.killerstartups.com/Web-App-Tools/shopify

ClicShop • www.clicshop.com

Products and services to help you build your online catalogue and shopping cart solutions. All packages include e-commerce hosting services.

Source: Search using key words – Canada Shopping Cart

Canada Post Sell Online • www.canadapost.ca/cpo/mc/business/solutions/sellonlinedetails.jsf

Solutions for building online stores, adding shopping carts to online stores, and adding shipping to online store.

Source: Search using key words – Canada Shopping Cart

OPEN SOURCE E-COMMERCE SOLUTIONS

osCommerce Online Merchant • www.oscommerce.com

An Open Source online store e-commerce solution that is available for free under the GNU General Public License. It features a set of off the shelf online shopping cart functionality so that storeowners can setup, run, and maintain online stores.

Sources: www.ecommerce-guide.com and www.bizfive.com

Zen Cart • www.zen-cart.com

Free shopping cart software with a variety of features.

Source: www.ecommerce-guide.com

AgoraCart • www.agoracart.com

Free shopping cart software with a variety of features.

Source: www.ecommerce-guide.com

NOP shopping Cart • www.nopdesign.com/freecart/

Free shopping cart software.

Source: www.ecommerce-guide.com

PROCESSING PAYMENTS EXAMPLES

PayPal • www.paypal.com

The most popular third party payment processor.

Source: www.wikipedia.com

BeanStream • www.beanstream.com

One of Canada's leading providers of authentication and electronic payment processing solutions, including merchant account services, credit card processing and Interac Online.

Source: www.canadaone.com

InternetSecure • www.internetsecure.com

Provides payment processing solutions with respect to merchant accounts, credit card processing, payment gateways, and security features.

Source: www.canadaone.com

Psigate • www.psigate.com

Provides payment processing solutions with respect to merchant Accounts, payment gateway, and fraud protection.

Source: www.canadaone.com

Level Ten • www.leveltendesign.com/services/ecommerce-websites

A processing payments option through credit cards. Allows for real time transactions. It is based on OsCommerce (open source shopping cart software).

Source: www.bizfive.com/articles/web-design/choosing-e-commerce-solutions

Considerations for Setting-Up and Maintaining Your E-Commerce Website

If you are thinking of adding an electronic storefront, you will need to carefully consider a number of issues such as resources, security and privacy, shipping, tax and customs, payment settlement, maintenance, marketing and more.

PRIVACY AND SECURITY ISSUES

- Do you have a secure server and SSL (Secure Socket Layer)?

- Does your website have a full description of your company? (e.g. the amount of time you have been in business, address, phone numbers, email, etc.). It is advisable to provide a brief description on your home page. You can provide a more detailed description in the "about us" or "company info" web pages.

- Have you clearly explained your policies and procedures with respect to security and privacy?

- Have you included a description of your policies on returns and shipping?

E-COMMERCE WEBSITE DESIGN

- Is your e-commerce website easy to navigate? Is it easy to find information on your website? Is it easy for customers to purchase online?

PRODUCT/SERVICE CATALOGUE

- Is the catalogue easy to use? Are the choices easy to identify?

- Is it easy for buyers to add or remove selected items prior to purchase?

- Will you need the catalogue to expand, as your business needs change?

- Will you need to include flexible pricing options (e.g. discounts, customized price lists)?

- Do you want to be able to cross-sell (i.e. suggest other related products depending on the buyer's choices)?

PAYMENT OPTIONS

- Have you set up a payment option (if you will be accepting online payments)? Payment options include either setting up a merchant account or going with a third party payment option such as PayPal.

TRANSACTIONS

- Has a system for capturing orders and validating payments been established?

- Have you determined how the order will be fulfilled?

- Have you determined how receipts will be issued?

SHIPPING

- Have you set up procedures for shipping? Will you be offering shipping? Will local pickup be required?

INVENTORY MANAGEMENT SYSTEMS

- Have you considered automating your Inventory Management System to help minimize human error and to provide up-to-date stock availability to your website customers. You can try existing software packages or have software packages custom tailored to your business and integrated into your website by a professional.

TAXES

- Have you considered what taxes apply, particularly if you are shipping to other jurisdictions?

MAINTENANCE OF E-COMMERCE WEBSITE

- Have you determined how your website will be maintained and updated? A webmaster can help you maintain and update your website.

• Have you identified the online and offline marketing strategies you will use to bring people to your website?

TRACKING YOUR PROGRESS

• Have you identified what information you will collect to track your progress (e.g. number of sales, what products sell the most, number of abandoned carts)?

Tips for Attracting and Keeping Online Customers

Effective marketing techniques and good customer service will help you attract and retain online customers. Some examples include:

• Offer in-store returns.

• Offer special incentives and discounts to online customers.

• Utilize both on and offline marketing strategies to boost your online sales.

• Ensure orders are accurate.

• Ensure timely shipping of products.

• Respond to customer queries in a timely manner.

• Make purchasing as easy and stress-free as possible for the customer.

• If possible, use the same merchant name on the website and transaction receipts. If not possible, inform customers how the payment will be recorded on their credit card accounts.

• Provide online receipts for all transactions.

• Clearly display total costs including shipping costs.

• Show stock availability and estimated delivery times.

• Disclose country of business operations, transaction currency, and any export conditions on your website.

• Inform the customers of all the steps your business has taken to ensure the security and privacy of their information.

• If possible, provide customers with alternate methods of purchasing products online.

• Remind users of the products they have ordered when they are checking out.

• Make sure that your website is professional and that product information is easy to find.

• Practice good customer service. Customer relationship management software can offer regular customers extra support and service. It can also assist first time buyers in making a purchase and help infrequent buyers become regular customers.

• Continuously ensure that usability matches customer expectations as well as their online capabilities.

Ensuring Timely Shipping – Is Drop Shipping a Solution for You?

One solution for addressing shipping delays (short of stocking the entire inventory of your online store) is to have your supplier ship the online products for you. When a sale is made, both you and the supplier are notified, the supplier ships the product and bills you for the wholesale costs. This solution requires you to find a credible supplier that offers drop shipping.

Other B2B and B2C Options for Purchasing and Selling Online

Purchasing and selling online can take place through the Internet, through individual business websites (as already mentioned), through other websites offering storefront services, through business portals, or through auction websites.

SETTING UP ONLINE STOREFRONTS ON OTHER WEBSITES

An easy, low cost option for selling online involves setting up an online storefront on other websites. For example, Yahoo!, Ebay, and Amazon all offer this service.

E-Marketplaces

E-marketplaces (websites that link buyers and sellers to exchange information, products, services and payments) are an important way to conduct **B2B as well as B2C transactions**. They can be focused on particular products, services or industries. E-marketplaces may be operated by a third party (e.g. distributor) or by a business or a network of companies. There is a trend towards **private e-marketplaces** where one organization links to its business partners (referred to as 'one-to-many') to improve business processes. There are also e-marketplaces for specific industries and regions.

Examples of e-marketplace websites include:

- Covisint – Collaborative portals and data exchange, as well as a third-party application marketplace (www.covisint.com)

- Etsy – A popular e-marketplace to buy and sell craft items (www.etsy.com)

- RFPSource.ca – A free e-marketplace that matches Canadian products and services with thousands of business opportunities posted by domestic and foreign corporations and governments (www.rfpsource.ca/E/index.cfm?).

Finding E-Marketplaces for Specific Industries

You can find an e-marketplace for a specific industry by using a search engine (e.g. Google or Yahoo!) and searching for a specific industry. For example, if you enter the terms "steel industry product directory", you should find steel specific e-marketplaces.

Auction Websites

Most auction sites act as hosts or intermediaries for other businesses or individuals. Auction websites are a way of conducting both B2B and B2C e-commerce. Generally the host of the website organizes the site, provides product information, and displays the product and processes payments online. A fee is charged to list the product or service. Buying and selling processes vary across auction sites, so make sure you familiarize yourself with these techniques by visiting these websites. If you are a buyer, some auction sites have a feedback system allowing buyers to rate products or services. Keep in mind that there may be limited opportunities to return goods or obtain refunds. If you are a supplier, select an auction site that has a track record for obtaining high prices and for attracting potential customers. Examples of auction websites are:

- www.uBid.com (general auction site)

- www.quibids.com (online auction)

- www.alibaba.com (general auction site)

- www.liquidation.com (surplus inventory)

- www.dovebid.com (global provider of capital asset auction, valuation, redeployment, and management services)

Source: Index of the web.com www.indexoftheweb.com/Shopping/Auctions.htm and Emarket Services www.emarketservices.com

AUCTION WEBSITE TUTORIALS

Many of the auction websites, such as www.ebay.com have tutorials to help you learn how to use the website to buy or sell.

LISTING FEES

E-marketplaces and online auctions may have listing fees. This involves a payment to list an item regardless of whether it sells.

Reverse Auctions

A reverse auction is a type of auction in which the role of the buyer and seller is reversed (i.e. the buyer elicits offers from the seller), with the primary objective to drive purchase prices downward. The product or service required is clearly specified to enable a selection of a bidder (usually based on the lowest price). Prices in a reverse auction decrease as potential suppliers underbid each other.

While reverse auctions have a number of challenges (e.g. the buyer can dominate the process), there are a number of benefits. These include: reduced negotiation time, short procurement cycle and increased transparency of competing bids.

Examples of reverse auction websites include:

- www.priceline.com
- www.ziinga.com
- www.machinerymax.com
- www.oltiby.com

Source: http://en.wikipedia.org/wiki/Reverse_auction

Participating in a Reverse Auction as a Supplier

If you are participating in a reverse auction as a supplier, ensure you understand the following:

- How the auction works and the potential pitfalls.
- The terms and conditions of the auction to see if they are acceptable or not. The terms and conditions should clearly define, among other things, the winning bid, and whether the buyer can split the contract or is obligated to award the whole contract to the winner.
- Your bidding strategy.
- The costs of the product or service (to avoid losing money).

E-Commerce Best Practices

Structure and usability	• Keep it simple and easy to navigate. • Consider special callouts of "related items", or "top 5 sellers".
Engagement	• Consider offering zoom capabilities, especially if details make the sale. • Ask for reviews and even ask customers to submit videos using the product/service. • Encourage product sharing with friends/colleagues. • Offer wish lists or sales alert.
Product images and descriptions	• Images sell. Make sure they are professional and large enough to view the product. • Offer various image positions and consider adding related item images for possible cross-sell opportunities. • Provide visual cues throughout the transaction process – e.g. colour choices, appropriate images to reflect size of product in relation to another object so people can understand sizing.
Customer service	• Implement ways to reach your prospects, clients and those interested during pre-sales through applications, like forums, live chat or FAQs.

Future of E-Commerce

Here are some online retail trends to watch for, according to Forbes.com.

1. **In-store pick up.** Major retailers are adding new services such as in-store pick up and even delivery to the car, further blurring the lines between online only retailers and bricks and mortar retailers. Merchants are trying to come up with different tactics to differentiate themselves from competitors. Small business owners are also looking for unique ways to address customer service in more personal ways to attract and retain customers. This trend will continue to expand with more and more novel ideas arising.

2. **Mobile apps.** Businesses will be increasingly driven to apply full-featured e-commerce apps to mobile devices and to add location based services and augmented reality to enhance buying experiences. Smart phones are

considered to be dominant in the mobile marketplace and applications for all platforms are growing. The most in-demand apps allow for price comparisons or for sending out coupons and are garnering good reviews. This trend will continue to grow with businesses becoming wiser about offering more unique mobile site offerings.

3. **Video.** Look for more user-generated videos on retail sites. Retailers are letting customers upload video clips to model new clothes or use a new purchase. This form of free advertising will continue to grow.

4. **Social networking.** Twitter, Facebook, Pinterest and Pose are all great examples of sites where people draw inspiration and consciously or unconsciously decide where to buy things, which means there is a strong affiliate marketing opportunity.

5. **Daily deals and flash sales.** This may seem like a very crowded playing field but deal sites like Ruelala www.ruelala.com and OneKingsLane www.onekingslane.com are growing at a rapid pace. And based on how quickly many items sell out, often within minutes of e-mail notifications being sent out, more businesses will jump on this popular trend.

6. **Deal aggregators.** In addition to deal sites like Groupon, Living Social and Wag Jag, there are now deal aggregator sites like Deliver the Deals www.deliverthedeals.com that list searchable deals gathered from multiple online sources to bring consumers only the information they are interested in. In Canada, there are now over 120 group buying sites http://directory.groupbuyingcanada.com/.

7. **Seamless experience.** Consumers increasingly want a seamless and personalized experience. The whole transaction process you provide should be smooth, right from capturing customer names through to product/service fulfilment. With increasingly high customer expectations and fierce competition, there will be no room for basic usability errors.

8. **Online Debit Cards.** Online usage of debit cards has been introduced in recent years allowing consumers to use their debit cards to pay for purchases over the Internet. Online debit cards require electronic authorization of every transaction and the debit transactions are reflected in the purchaser's account immediately (Source: Wikipedia).

Further Considerations

For existing retailers, new online initiatives must complement and build on already existing storefront bricks and mortar business processes and technology systems. Priority should be assigned to opportunities that reduce operational costs or drive highly differentiated, value-added offerings.

Below are just a few examples of these e-commerce opportunities:

- **Mobile service offerings.** Growing consumer adoption of mobile devices opens the doors for e-commerce site owners to be accessible to the consumer literally 24/7. Mobile devices can do everything from accessing promotional coupons and scanning QR codes to researching products, comparing prices and making a purchase. Consider offering real-time order status tracking, recommendation widgets and interactive product and service catalogues. (*See Integrating Mobile with Your Marketing booklet*).

- **Social.** Providing social coupons, status discounts, location based services, community platforms for customer support, and integrating social and customer relationship management data collection from Twitter, Facebook, Pinterest, etc. are all important elements of supporting your e-commerce efforts. (*See Social Media for Small Businesses booklet*).

- **Cloud.** Consider choosing cloud computing to provide flexibility in scaling technical resources for busy periods. For example, use of the cloud makes it easier to address demand during "holiday season sales" and to rapidly scale your technology resources to accommodate the load. (*See Cloud Computing booklet*).

Related Topics Covered in Other Booklets

- *Creating a Dynamic Web Presence*

- *The Legal and Privacy Issues of Doing E-Business*

- *Internet Auctions and Virtual Malls*

To view or download these booklets visit Ontario.ca/ebusiness.

Glossary of Terms

Authentication: An e-commerce technique by which access to Internet or Intranet resources requires the user to identify him/herself by entering a username and password.

Authorization: Process of granting or denying user access to a secure system. Usually a two-step process beginning with authentication to ensure the user requesting access is who they claim to be and then authorization to allow access.

Auto responder: Auto-responders allow you to automatically return a pre-set message whenever a selected mailbox receives a message. It can also notify a selected mailbox of the receipt and response for a transaction that just took place.

B2B: Business to business – Transactions that occur between two companies, as opposed to a transaction involving a consumer.

B2C: Business to consumer – The conducting of commerce by companies, government agencies, and institutions with consumers over the Internet.

Digital certificate: An electronic "credit card" that establishes your credentials when doing business or other transactions on the web. A certificate usually contains a name, a serial number, a public key, an expiration date and the digital signature of the SSL Certification Authority.

Encryption: The scrambling of data in such a way that it can be unscrambled and read only by those for whom it is intended. In Radio Frequency Identification (RFID) systems, encryption is used to protect information store on a transponder's microchip or to prevent the interception of communications between the tag and reader.

Merchant account: The type of account a business obtains from their banking institution that allows one to accept credit card payments. Merchant accounts are usually required for a retailer or e-tailer to accept customer credit cards and electronic payments.

NFC (Near Field Communication): Radio Frequency Identification (RFID) reader antennas emit electromagnetic radiation (radio waves). If an RFID tag is within full wavelength of the reader, it is sometimes said to be in the "near field" (*See RFID in Glossary*).

Open Source: Any computer software program in which the source code is available to the general public for use and/or modification from its original design free of charge.

Payment gateway: A service provided by a third-party organization that automates a payment transaction between the shopper and merchant. A payment gateway is actually a system of computer processes that process, verify, and accept or decline credit card transactions on behalf of the merchant through a secure Internet connection.

Phishing: Sending an e-mail to a user and falsely claiming to be an established legitimate enterprise in an attempt to deceive the user into surrendering private information that will be used for identity theft.

Radio Frequency Identification (RFID): Any method of identifying unique items using radio waves. Typically, a reader communicates with a transponder, which holds digital information in a microchip. There are also forms of RFID tags that have no chips and use material to reflect back a portion of the radio waves beamed at them.

Set-up fees: Fees charged for establishing a merchant account, including application fees, software licensing fees, and equipment purchases.

Shopping cart: Part of the e-commerce platform that acts as an online store's catalogue and ordering process. Shopping carts can be sold as independent pieces of software to be integrated into existing e-commerce platforms or offered as a part of an e-commerce Web store or e-commerce hosting package.

Shopping cart abandonment: Refers specifically to those visitors who add items to the online shopping cart, but exit without completing the purchase.

SSL (Secure Locket Layer): The technology used to secure transactions on a website. SSL provides the unique identification and data-encryption facilities in the connection between a browser and a web server. Most e-commerce applications on the Internet use SSL.

Storefront: It refers to either a website in one of the e-commerce malls, or an offline physical premise of a retail shop, or B2B purchasing area.

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This publication is part of an **E-Business Toolkit** which includes a series of booklets on advanced e-business topics and an introductory handbook *How You Can Profit from E-Business*. The entire Toolkit is available at ontario.ca/ebusiness.