E-commerce Tutorial

Introduction to e-commerce

In the past, selling online was the preserve of consumer-facing retail businesses. Now, a broader range of businesses are investing in e-commerce – particularly those trading with other businesses.

This document will outline how e-commerce could work for your business, along with the associated benefits of selling your products and services online.

Throughout the document, we'll look at different online marketplaces and assess which best suits your business need, as well as launching your own e-commerce website. We will explore digital marketing and the many platforms available to promote your online offering. Finally, we will cover some basic legal and security issues to protect your business from the hazards and pitfalls of the online world.

But first, let's look at the importance of laying a firm foundation for your e-commerce business by conducting thorough research.

E-commerce Research – a firm foundation

In this section, we'll look at the importance of laying a firm foundation by conducting thorough market research.

Selling your goods online is a cost-effective way to access new customers both locally and internationally. You may feel the impulse to create a website straight away, but a successful push into e-commerce is based on planning and research. With your research in hand, you will be better prepared to make critical business decisions. But what should your research consist of?

Your research should consider five facets of your business, namely your:

- competitors
- products
- markets
- human resources
- internal processes

Competitors

The first step is to look at your competitors to find out how they are selling online. Search the web using keywords that relate to your products or services and then identify some of the top sellers.

Take a look at the websites of the companies you have identified. How do they organise their products or services? How much do they charge? What do they offer in terms of shipping? What is their returns policy? How do they offer customer service?

In addition to researching their business model, explore the design of their website. How do they display their goods? What website functionality do they offer?

It is good to learn best practice from these sites. E-commerce has a well-defined business model, so there is no need to re-invent the wheel. However, it is worthwhile to consider how you will differentiate your business online.

Products

Secondly, look at your own products and services and see if they lend themselves to being sold online. You may need to make some adjustments to prepare for online sales. For example, you may have to change the way you price, package and deliver your products. If you have traditionally sold to businesses, you may need to make some adjustments before you can sell to the public. Consumers typically buy goods in small quantities, so with this in mind, you may need to review your pricing and shipping costs. You do not need to be the cheapest seller, but your prices and value proposition need to be competitive.

You may decide that you need a new range to complement your existing stock, specifically to sell online. This is often a good idea, but it will tie up cash within the business. Make sure you have enough working capital to build your website and market your new offering.

Resist the temptation to put your entire range online immediately. Start with a small selection and see what sells. You can always add more later.

In reviewing your products, there's a danger of trying to perfect your offering before you start to sell. It's often better to start selling early and implement a process of continual improvement – optimising your offering and pricing in response to sales and customer feedback. Collect the information you need to list your products and services online, such as descriptions, imagery and video. Creating these digital assets will incur an upfront cost, but can be used across different online channels. Spend time writing your descriptions using good quality, original copy. If you use a third party provider, make sure that they understand your business, customers and products. You can always have someone inside the business write the content first, then let a copywriter refine it.

Markets

Next, consider which markets you want to target. Selling online into Great Britain and the Republic of Ireland from Northern Ireland is relatively straightforward and provides access to a large potential customer base. Shipping costs are reasonable and transit times are short.

Look into postage costs. Get an idea of the size, weight and volume of the goods you will be shipping and approach several different postal and courier companies. Costs can vary significantly between carriers. You'll be in a better position to negotiate prices with couriers and shipping companies as your e-commerce business matures.

Selling internationally could be extremely beneficial for your business, but it does require more thought and research. Make sure that you research overseas markets thoroughly to understand any additional requirements and cost implications. It may be necessary to translate your product descriptions and other key parts of your website. You may need to test your website in different in-market search engines and understand the local nuances of search key words. All of which may require a third-party consultant and additional unforeseen costs. Getting the measure of these costs early is a good idea. You will also be required to comply with financial regulations such as country-specific VAT and other local legislation. Different countries have different customer returns regulations and consumer protection rights, so it is important to understand how each of these could affect you when selling overseas.

Human Resources

You will need to ensure that you have experienced people to answer customer enquiries, process orders, liaise with key personnel and deal with any complaints. Assign someone to regularly review your online content to ensure it is up-to-date. Filling all these roles in a small business can be a challenge. Individuals within small to medium sized businesses may be required to hold multiple roles. Make sure your employees' skills and experience are being utilised in areas where they can be most productive.

Internal Processes

You may need to make changes to your internal processes to facilitate online sales. You will need to ensure that you have efficient processes for managing stock, fulfilling orders, dealing with enquiries and processing returns. Assign staff to pick and pack products to get your orders ready for dispatch. As the business owner, it will be up to you to review and approve all opportunities such as new online marketplaces or the sourcing of new products. It is your responsibility to ensure that all revised and new processes are completed in a professional and timely manner.

A firm foundation

Initial planning is important to the success of your online business. E-commerce is multifaceted. You will need to consider marketing your products in the digital world, putting new processes in place, giving timely responses to enquiries, and designing a seamless purchasing experience. Researching the key areas we have outlined will give your business a much better chance of success when it comes to selling online.

The Online Marketplace

In this section, we'll look at online marketplaces and consider some common ways to get your product or service in front of your customers.

When it comes to selling online, the easiest places to get started are marketplaces such as Amazon and eBay. Setting up your online shop on either platform is straightforward and does not require high upfront costs or technical expertise.

You will, however, need some key business information to hand such as your:

- personal identification documents such as a passport or drivers' licence
- business bank account details
- tax details
- company registration information (if applicable)

It can take time to build up sales on an online marketplace. You may need to persevere for several months before knowing if selling online is a successful endeavour for your business. Customer service is a key requirement on both platforms, and you will need to understand the individual marketplace rules for providing it.

Amazon and eBay operate in slightly different ways.

Selling on Amazon

Amazon is an enormous marketplace, and your offering may already exist in the online catalogue. If so, you may be able to list against them without creating a new listing. If your products are not currently for sale on Amazon, you will need to create one in the catalogue. This will require key information such as:

- a product description
- product images
- barcode information

Amazon will charge you a percentage of each sale, and this rate will vary depending on the category. Some of Amazon's categories are gated, which means you will need to apply to sell within them. Amazon's "Seller Central" vendor support pages provide the information you need to do this.

Amazon allows certain products to be stored in their warehouses by marketplace sellers. This is known as "Fulfilment by Amazon", or FBA. It means that you can leverage their large order processing and dispatch capabilities, and it can be a great way to scale your business.

Selling on eBay

The process for selling on eBay is slightly different. New sellers face restrictions on the number of products they can sell until they build up a trusted reputation based on their sales performance. You will need to create a listing for each product and upload your own images and descriptions. Like Amazon, eBay charges a percentage of each sale.

Paid promotions

You can pay to promote your products on both Amazon and eBay, using advertising campaigns specific to each marketplace. More customers will see your products, but be careful, you will need to account for this extra spending when calculating the cost of your sales. Balancing the cost of each sale against the profit of each one you make is an important consideration when selling online.

Ebay

Amazon
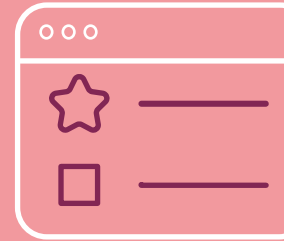
Building an e-commerce website

Online marketplaces are a great way to gain insights into the mechanics of online selling, but in time you will probably want to build your own e-commerce website, to potentially increase your profitability.

Choosing a domain name

When the time comes to create your own website, one of the first things you should do is think about your domain name. This is your website's address. It will also be used for your business email address, so make sure that it reflects your business. It must be unique and must not infringe any registered trademarks. You can search for registered trademarks on the gov.uk website.

There are many companies who can register your domain for you. Search for "register domain" to see your options. When you come to register your domain, you will be asked to choose a domain name extension such as "dot com", "dot net" or "dot org". Most local businesses choose "dot com", "dot co dot UK", or "dot IE".

Domain names are rented on an annual basis. The cost is low, but it is something you must budget for.

Setting up your site

The next step is to build your e-commerce site. There are many ways of doing this, but a straightforward option is to use a hosted e-commerce platform to manage the technical aspects.

Popular choices include:

- Shopify
- EKM Powershop
- Big Commerce

Each has great features and provide the ability to scale up as your business grows. They allow you to plug in your domain name and start selling quickly. Running costs will vary depending on your setup and volume of transactions, and there may be an additional cost if you choose to purchase a website template or theme.

Hiring a developer

You might consider hiring a web developer to help you set up your online store. Make sure that you get several quotations and to ask for their portfolio of work — it's important to see what they've done for other businesses.

They should have specific expertise in working with e-commerce platforms and integrating them with other systems. Costs for these services vary, but it's important not to over-spend on setting up your website. The priority is to ensure that it is on a good quality platform that can scale up as your business grows.

Using a specialist developer will allow you to choose from an even wider range of potential e-commerce platforms, including:

- Magento
- Woo Commerce
- Prestashop
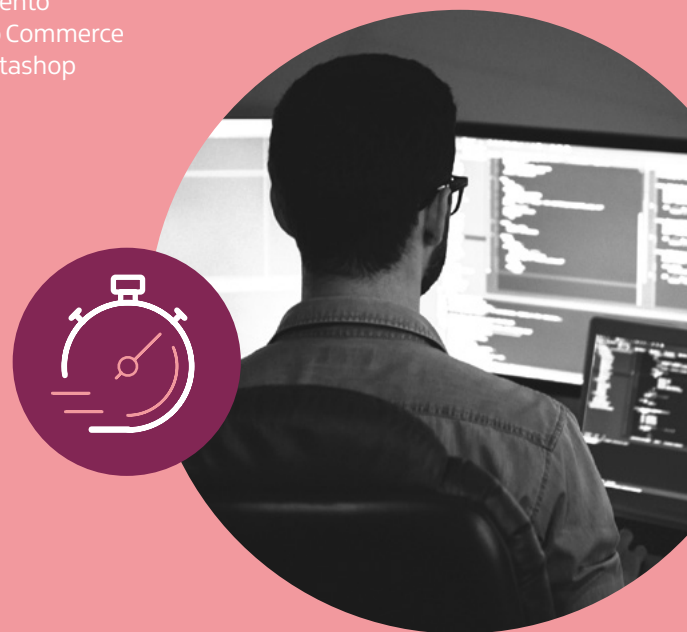
Processing payments

You will need to investigate a combination of payment processors that allow you to take credit and debit card payments. Amazon and eBay use their own payment processors, but you will probably need several solutions. This is because customers in different parts of the world have different payment preferences.

Common providers include:

- PayPal
- Stripe
- SagePay and
- WorldPay

All essentially do the same thing — process credit and debit card payments and deposit them in your business bank account. Each one offers different rates. Try to anticipate which types of transactions you will be doing to help you choose the best one.

Shipping

Shipping is a big consideration for e-commerce. When you are starting out, and sales are low, it may not be practical to sign a contract with a courier. There are plenty of other options available for booking small batches of parcels without a contract including:

- MyHermes
- Parcel Monkey or
- Parcel Hero

Royal Mail is a good option for small parcels and padded envelopes.

These providers will allow you to upload orders and automatically create shipping labels. This can be a real time-saver if you are shipping many parcels each day. Once you have a better understanding of your shipping volumes, you will be in a better position to negotiate a contract with a courier.

Selling internationally

You may want to sell internationally. This requires some extra considerations, such as setting up appropriate courier services, researching international tax implications and looking at translation costs. Marketplaces such as Amazon, eBay and others will help you access these new markets and automate many of the common functions such as paying duties in advance or storing stock in a particular country to improve dispatch and shipping times.

Automation

Software can help you grow your business by speeding up repetitive and time-consuming tasks. You may need to consider implementing multi-channel management software. This will help manage your stock across a number of online sales channels. It allows orders to be processed together without logging into several different platforms and prevents overselling stock. It can link into your chosen couriers, automatically print labels and provide picking and packing information to help with dispatch. Tracking information for shipping can be automatically sent to each online sales channel and customer enquiries can be collated into a central place for easy follow-up. Costs for this kind of software will vary depending on the size of your business and the sales you generate.

Selling online is a great way to get your products in front of a much broader potential customer base. With careful planning and an eye to costs it is possible to sell in volume, both locally and internationally.

Digital Marketing

In this section, we'll explore the vital role of digital marketing in selling online.

Understanding digital marketing is essential when it comes to selling online, and is the best way to reach customers and drive online sales. Marketing spend will add to the cost of each sale, so it's important to ensure you have enough margin built in to make a profit.

It's tempting to jump straight in and start using the first ad placement technology you find, but taking the time to plan and lay out a plan will lead to greater success. The first step is to create a digital marketing plan, this will form part of your overall business marketing strategy. Your marketing plan should look at each aspect of your online business and outline the tactics you will use to drive sales, anticipate costs and set targets.

Preparing for digital marketing

Measuring success

Setting clear goals will help you to understand how successful your online marketing campaigns are.

Some important metrics include:

- Cost per click (CPC) is the cost charged by an online ad network each time a user clicks on one of your ads.

- Conversion rate is the percentage of visitors to your site who buy something.

- Cost per acquisition (CPA) measures what it costs you to make a sale.

- Return on investment (ROI) compares the profits you make to the money you spent on a marketing campaign.

Website optimisation

It is important to lay a solid foundation before you launch a marketing campaign. You should optimise your website from both sales and marketing perspectives. What's it like to use your website? Review your website's user interface and ensure that your products are organised logically and intuitively. Check that your website's search function performs well at returning relevant results.

Make sure that your site includes trust indicators – markers that reassure your users that your site is a genuine shopfront. Your customers will look for independent customer reviews, a secure website certificate (SSL), visible contact and business details, a privacy policy, and shipping and returns information.

The checkout process can be a particularly frustrating part of a customer's journey. Make sure that it is simple and logical. Too many steps will put a customer off. Include a variety of recognised and trusted payment options such as debit and credit cards from major carriers, and digital options such as PayPal.

Strategic options

Each of the options for your marketing strategy comes with a cost – even if it is just your time. It is important to keep track of these expenses to ensure that your sales are profitable.

Search engine optimisation

Search engine optimisation (SEO) covers an array of activities that will help your website rank high in search results. Unfortunately, search engines such as Google and Bing are reluctant to share how their search engines work. The most important factor is unique content that answers the questions that searchers are asking. Receiving high-quality links from other websites will demonstrate that your website is trusted and worthwhile. A whole industry of consultants has emerged to help businesses identify the things they are looking for, consider hiring an SEO specialist to help you with these techniques.

Paid advertising

Paid online advertising is the most popular and visible form of digital marketing. There are a host of online advertising vendors, including search engines and social media platforms, who draw on their users' data to help you target your advertising. Paid advertising incurs upfront costs – even if you don't make sales – so it's important that your website has a good user experience, relevant products and competitive pricing before you begin. It also requires expertise to set up and monitor. Many businesses choose to outsource this service to an external provider with specialist experience. If you do, make sure you set clear sales objectives to help understand if you are getting an acceptable return on your investment.

It is possible to use marketplace-specific online advertising campaigns. Amazon and eBay allow sellers to increase sales by delivering advertising campaigns on their platforms. Unfortunately, the trend in digital marketplaces is toward fiercer competition. It is almost essential to use advertising campaigns to compete in some markets and categories. This will drive up the cost of each sale, and you will need to monitor your spending closely.

Social media marketing

Social media marketing is a great tool for reaching your customers, generating awareness, developing leads and starting conversations. It can also be used to direct potential customers to your e-commerce platform. It does, however, require a significant amount of time and a feel for social media etiquette. If you are serious about marketing through social media, make sure that you resource your efforts properly. Customers will contact you directly and expect you to reply quickly.

Done well, social media can be hugely beneficial for your business. It can raise your profile and help you discover new customers. It can turn previous customers into advocates for your business, helping to answer questions about the products you offer. It can also help you gather feedback and refine your products over time.

Analytics

There is a lot to monitor in digital marketing. A good analytics package is vital to help measure the success of your campaigns. Google Analytics will help you understand how your site is performing. The analytics packages included on social media and in online marketplaces will help you understand those parts of your customer journey. Analytics platforms provide a wealth of information, but make sure that you focus on the metrics outlined earlier.

It may be a good idea to see if an existing staff member can manage your digital marketing. This may require extra training, but it is important to get someone who is flexible, good at problem solving and who you know can perform the task well. Even if you choose to outsource aspects of your digital marketing, it is important to have someone within the business to coordinate your activities.

Marketing is an important tool for driving online sales. Resourcing, planning and monitoring are the keys to success. Make sure that you monitor the cost of your sales to ensure your e-commerce venture remains profitable.

Legal and security issues

In this final section we will review a range of issues relating to the legal and security measures required when selling online.

As there are multiple regulations relating to e-commerce, we're focusing on providing a starting point to assist you in implementing policies and procedures to protect your business, your brand, and your customers.

Let's look at legal issues first. There are several pieces of legislation that may be relevant to your e-commerce activity. These include:

- E-commerce Regulations
- Consumer Contracts Regulations
- General Data Protection Regulation
- Intellectual Property Law
- Cybersecurity

E-commerce Regulations

E-commerce Regulations set out the minimum information you need to give customers when they are shopping online. Under the regulations, you must supply certain details on your site such as your business's name, address and contact details. The regulations also outline the information you must supply throughout the online sales and ordering process.

The regulations provide guidelines for marketing and advertising and covers unsolicited commercial communications, often known as "spam". They also set rules for the ways in which you can store and use customer data.

It is important that you familiarise yourself with these rules to avoid common pitfalls. They will also help you to create a better online experience for your customers, which will boost sales and garner positive customer feedback.

Consumer Contract Regulations

You might not realise it, but you make a contract with each of your customers every time you sell something. The Consumer Contracts Regulations covers goods that customers buy online. They stipulate the information that customers must receive before making a purchase – such as price and delivery information. They also outline the minimum guarantees that you must offer in relation to returns and refunds.

Many online marketplaces will assist sellers to comply with consumer rights laws – particularly their obligations in regard to returns, refunds and disputes. Sellers often have policies that exceed the requirements of legislation such as extended return times or free postage on returns. Offering such terms is a good trust indicator and helps to build your reputation with customers.

General Data Protection Regulation (GDPR)

The General Data Protection Regulation (GDPR) requires that customers consent to how their data is used. For example, they will need to opt into email marketing communications. GDPR relates to many areas of online selling. A privacy policy, set out in Plain English, is a good way to inform your customers on how their data will be collected, stored and processed. It should outline how your website uses analytics data and provide the essentials of your tracking cookie policy.

Intellectual property (IP)

Intellectual property (IP) is another essential area for online selling, and relates to many areas of the business. In the first instance, you will need to be mindful of IP when selecting a business trading name or domain name. You must ensure that you do not infringe on any existing registered trademarks. It might be worth getting an IP search done professionally before spending money on your product packaging and other branded materials. Remember, a potential infringement is not always obvious.

Selling online makes it much easier for trademark holders to spot infringements against their brands, and correcting breaches will incur unforeseen costs. You will face legal fees and potential damages on top of the changes you will need to make to your branded materials, websites and packaging.

Infringing copyright rules can be distressingly easy. Make sure not to use images from the internet that do not belong to you, or copy someone else's product description. It might be a simple mistake, but the penalties can be severe. Using your own product pictures and writing original copy is the best way to avoid these problems. Not only that, original content will help your website stand out from the competition in web searches.

Cybersecurity

Another area where breaches can cost you dearly is cybersecurity. Your website is an important asset. You could lose sales, stir up customer distrust and incur fines if your site is hacked or compromised. Make sure that it is regularly updated with the latest security patches and back up your key data regularly. Run tests to ensure that your website is secure. You may not have the technical skills to do this well, so engaging a web developer to do it for you is a good idea.

Cybersecurity is much broader than just securing your website. You will need to make sure that you have policies and procedures in place to combat cybersecurity risks. For instance, many attacks begin with deceptive emails asking for usernames and passwords.

Make sure that you have the right policies and training in place to prepare your workforce for such attacks. Using a framework such as Cyber Security Essentials can help guard against the most common threats, educate your staff and demonstrate your commitment to robust security to your customers. Many insurance companies offer cybersecurity insurance – a vital safety net if your business is caught in a cybersecurity breach.

Legal and security issues such as these sound daunting, but don't let them put you off selling online. The risks of selling online are well understood and there are well-established mitigation measures to help you combat them. The regulations for selling online may require new processes and procedures, but are easy to maintain once they are in place. Once you do, you will have a strong foundation for launching your e-commerce business.

Conclusion

That wraps up our brief exploration of e-commerce. We've looked at researching and setting up your own e-commerce website, delved into online marketplaces, discussed the benefits of digital marketing, and explored the legal and security requirements when launching an e-commerce website.

For more information on e-commerce and other support available, contact your Client Executive or visit investni.com.

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