



Selling Online

E-BUSINESS

For more information, contact:

The Business Link

Edmonton:

100 – 10237 104 Street NW
Edmonton, Alberta T5J 1B1

Calgary:

250 – 639 5 Avenue SW
Calgary, Alberta T2P 0M9

Tel.: 1 800 272-9675

Fax: 780 422-0055 (Edmonton)
403 221-7817 (Calgary)

E-mail: buslink@canadabusiness.ca

Website: www.CanadaBusiness.ca/alberta

Going from a web presence to selling online is usually not as simple as adding a picture of your product to a web page.

Taking the Leap

The global reach of the Internet has enticed many retailers – from home-based businesses to large corporations – to sell their products online. Going from a web presence to selling online is usually not as simple as adding a picture of your product to a web page. If you have decided to take the leap and sell your products online, this guide will provide a common-sense approach to the world of business-to-consumer (B2C) e-commerce.

Planning for Success

As with most things in life, e-business success requires thorough preparation and hard work. Prudent business plans involving e-commerce usually approach online retailing in following stages:

1. Establish a web presence for information and marketing purposes.
2. Offer a subset of inventory for sale online, often with reduced functionality.
3. Publish most (if not all) of their products online with real-time payment processing, inventory control, and other advanced e-business tools.

Your e-commerce strategy may differ from this example, but the point is that you actually *have* a plan. “I’m going to sell (fill in the blank) online” is not a business plan.

There are many hard questions you have to ask yourself before you begin to sell online, many of which are common to traditional retailing:

- Is there a market online for my products?
- Are my customers willing to purchase over the Internet?
- What makes my products different from those of my competitors?
- How will I attract customers to my website?
- Will my full product catalogue be available from the start?
- Will there be any customizations required for goods sold online?
- Are my expectations realistic?

All business ventures involve risk, but the better you can answer these questions, the better your odds are for success. Taking a phased approach will let you test the e-commerce waters while minimizing your financial investment.

Development, Design, and Hosting

There are three types of people who can help you create your site:

Web designers handle the look of your website; developers make it function.

1. A web designer who creates the look of the site.
2. A web developer or programmer who develops the functionality of the site.
3. Someone skilled in both areas.

Know what you need and who you are hiring. Your web designer is probably not the best person to program the e-commerce portion of your site, because the programming involved to implement an online store may be something that your web designer or developer is incapable of doing.

Always ask to see recent e-commerce websites that the developer has completed. Get a quotation for the work, and find out what technology they will use to create the site. While it is not necessary for you to understand all the technical issues involved in creating the website, it is essential that your web hosting company be able to support the proposed site. This last statement is true of any type of web presence, but it becomes extremely important when the site involves e-commerce.

Here are some other tips:

- Don't get discouraged if you are not sure which solution is best, such as whether a "database-driven site" is more appropriate than a "static HTML site." That is why you are hiring someone. It is their job to provide you with the pros and cons of various options.
- Use common sense. If you are only selling ten products online, you don't need a costly solution that is scalable to thousands of products.
- Get quotations from more than one company and ask for references.
- Avoid companies that use jargon or try to talk over your head. You are looking for a company that explains things in a way that is easy to understand.

A professional image is very important when it comes to online retailing.

Professional Image

The greatest challenge that faces online retailers is convincing their customers they are trustworthy and reputable. A clean, polished, and professional-looking e-commerce website is the first step to gaining that trust.

How you present your products is also important. Product images should be clear and appealing, with larger images available for closer inspection. In the world of online sales, clients cannot physically touch, try on, smell or taste your products. So anything you can do to provide additional information to buyers can make all the difference in generating more sales.

Domain Name Registration

Most businesses have a unique domain name, such as www.businessname.com or www.businessname.ca for their website. Without a registered domain name, your website's address is typically www.hostingcompany.com/~yourcompany or something similar. This is not the most professional image to present to prospective customers, so a unique domain name for your company is mandatory.

Electronic Storefronts

An electronic storefront refers to a template-based environment that provides many pre-built e-commerce components that a merchant can use to set up an online store. These storefronts offer merchants the ability to build an online store using only their browser. Basic storefronts are typically offered at an inexpensive price, but the more advanced e-commerce components, such as online payment processing, tax calculation, and advanced shipping options, can be significantly more expensive.

Electronic storefronts can be a cost-effective approach for small businesses that are new to e-commerce and want to test the waters. There are definite drawbacks to using an electronic storefront, however. You are responsible for creating and maintaining the site yourself, which can be time consuming and involve a steep learning curve. The ability to customize the look of your storefront may be limited. Basic services may be inexpensive, but optional components may be quite costly. Finally, you are usually limited to using the payment processing or fulfillment services that come with the storefront, which may not be offered at a competitive price. As with most aspects of setting up an online store, you

should carefully examine the costs, benefits, and options associated with various storefronts before making a final decision.

Security and SSL Certificates

Whenever customer information is required on a website it should be entered through a secure SSL connection.

Customer data security is one of the biggest perceived barriers to consumer confidence in e-commerce. For many years, SSL encryption has been the standard to protect information that is sent over the Internet. Businesses can purchase an SSL certificate, often called a Server ID, which is bound to their domain name and installed on the web server by their hosting company. A Certificate Authority (CA) issues a certificate that attests the company is who they say they are when customers visit their website. While VeriSign is the largest and best known CA, there are a few others. SSL certificates cost approximately \$500, and need to be renewed every year or two.

Do you *need* an SSL Certificate? It depends. Some e-commerce solutions use a third party to collect sales information, in which case the third party would provide SSL encryption. If your site collects personal data, you should seriously consider purchasing a certificate (with the help of your hosting company). Providing customers with a secure method for entering their personal information can go a long way in improving customer confidence.

Privacy Policy

As of 2004, all businesses in Canada became subject to the Personal Information Protection and Electronic Documents Act (PIPEDA). It is highly recommended that your business draft a Privacy Policy and post it on your website. This policy should outline how your customers' personal information will be gathered, used, and retained. Displaying your privacy policy online can foster trust between you and your customers. We encourage you to examine other Canadian companies' online privacy policies to assist in drafting your own. For more information on PIPEDA, contact the Office of the Privacy Commissioner of Canada at www.privcom.gc.ca.

For more information on the Personal Information Protection Act (PIPA) in Alberta, visit the Office of the Information and Privacy Commissioner at www.oipc.ab.ca/pipa.

Payment Processing

There are three general ways to process payments:

1. Manual or offline processing
2. Processing through an online third-party payment processor
3. Providing real-time credit card processing through your financial institution

Manual payment processing is the simplest method – and usually the least expensive to implement. Many e-commerce providers refer to this method as “order capture,” because the order and payment information is “captured” online and then processed offline. This method is satisfactory when you expect to receive only a small number of orders from your website. It would become increasingly difficult to manage as order volumes increase.

Real-time payment processing through your bank can be a complex solution that requires a lot of time and money.

Real-time processing through your financial institution can be a technically complex solution that requires a significant amount of time and money to implement. Your website becomes responsible for collecting all payment information that is securely submitted behind the scenes to the bank. This type of payment processing is sometimes referred to as Virtual Point of Sale (vPOS), and is quite similar to having an actual POS device in a physical store. Unlike American banks, Canadian banks have been slow to provide and promote these services directly. They usually outsource these services to other companies. Banks also tend to make it difficult for new businesses to obtain credit card merchant accounts, sometimes requiring companies to post a significant cash bond as a guarantee against fraud.

A popular middle ground between these two approaches is to process payments through a third-party, online processor. These companies often follow a “master merchant” model whereby all stores use the processor’s merchant account. The payment processor collects customer payments, processes the transactions, and deposits the payments, less a transaction fee, into your account usually on a monthly basis. Integrating this service into your website should not be too complex, and most web developers should

be able to do it quickly and inexpensively. PayPal is a well-known example of this type of third-party processor.

While this last approach takes much of the payment processing out of your hands, there are some definite drawbacks. When a master merchant account is used, buyers will see the payment processor's name, instead of your business name, on their credit card statements. This could cause confusion and lead to more chargebacks. Also, transaction fees are often higher than dealing directly with a bank using your own merchant account. Finally, some services require the buyer to establish an account with the payment provider, which could possibly scare off or frustrate potential customers.

Taxation and Duties

Taking orders over the Internet does not relieve you of your responsibility to collect appropriate sales taxes. Consult both provincial and federal taxation authorities to determine what taxes, if any, should be applied to goods and services sold online.

In general, goods sold from a Canadian company to a foreign customer are not taxable. Duties become the responsibility of the buyer and are usually outside of your control. As you are essentially exporting, consult Canada Customs to be aware of any export regulations that may affect your products.

Here are some other very useful resources:

- Export Link
www.cbsc.org/alberta/exportlink
- Team Canada Inc.
www.exportsource.ca

Effectively managing shipping and returns often provides the greatest increases in online customer satisfaction.

Shipping and Order Fulfillment

You have received the order and successfully processed the payment. Now you must ship the product. Small businesses with limited inventory often handle all shipping themselves. For operations with large inventory, partnering with a fulfillment house is often the preferred solution. Canada Post, FedEx, and UPS, among others, offer advanced methods for electronic shipping and tracking.

Merchants often obsess about being able to charge the exact shipping costs for all international orders automatically. Developing such a system is possible, but is it appropriate? Should you accept orders from all corners of the globe? If so, it might be easier to charge a flat rate for international orders that covers typical shipping costs, plus a little extra to cover the odd remote or more expensive location. Is free shipping an incentive that will appeal to buyers? Should you hide the cost of shipping within the prices? These are some of the questions to consider as you price your product and set your shipping fees.

Return Policy

As with traditional business, providing exceptional customer service on the web is crucial. While good business practices like quickly responding to customer inquiries should go without saying, the way your company handles disputes and returns also impacts overall customer satisfaction. Disputes and returns are inevitable in business, so you should decide how you will deal with them in advance. Make sure your customers are aware of your return policy before they make their purchase.

Summary

Try not to let the technology cloud what are essentially business issues. Fill a defined need, deliver excellent customer service, provide a secure and trustworthy buying environment, market your products, and your e-commerce venture is more likely to be a success.

Resources

- Alberta E-Future Centre
www.e-future.ca/alberta
- Canada Business Service Centres
www.cbsc.org
- Canada Revenue Agency
www.cra-arc.gc.ca
- Alberta Finance
www.finance.gov.ab.ca
- Office of the Privacy Commissioner of Canada
<http://www.privcom.gc.ca>
- Office of the Information and Privacy Commissioner
www.oipc.ab.ca
- Export Link
www.cbsc.org/alberta/exportlink
- Team Canada Inc.
www.exportsource.ca
- Retail Interactive
www.retailinteractive.ca
- Retail Council of Canada
www.retailcouncil.org
- Retail Alberta
www.retailalberta.ca
- CIO - The ABCs of B2C
www.cio.com/ec/edit/b2cabc.html
- Shop.org
www.shop.org

Contact Us:

The Business Link
Business Information Line: 1 800 272-9675

Edmonton: 100 – 10237 104 Street NW, Edmonton, Alberta T5J 1B1
Tel: 780 422-7722 ***Fax:*** 780 422-0055

Calgary: 250 – 639 5 Avenue SW, Calgary, Alberta T2P 0M9
Tel: 403 221-7800 ***Fax:*** 403 221-7817

E-mail: buslink@canadabusiness.ca ***Website:*** www.CanadaBusiness.ca/alberta

This guide was originally prepared by the former Manitoba E-Future Centre

Disclaimer: The information presented in this document is intended as a guide only, and while thought to be accurate, is provided strictly "as is" and without warranty of any kind. ***The Business Link***, its employees, its directors and members, its agents or contractors will not be liable to you for any damages, direct or indirect, or lost profits arising out of your use of information provided within this document, or information provided within ***The Business Link's*** websites.

This material may be used, reproduced, stored or transmitted for non-commercial purposes; however, ***The Business Link's*** copyright is to be acknowledged. You may not use, reproduce, store or transmit this material for commercial purposes without prior written consent from ***The Business Link***.

© 2008 ***The Business Link***