



Morningstar Multimedia
eCommerce Guide for Small Businesses

eCommerce 101 for Small Businesses

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These days, most companies have websites, but a large portion of them have not invested in e-Commerce capabilities. Why not? For starters, e-Commerce is not for everyone. If we've learned anything from the dotcom bust, we now know that it takes a sound business plan to make selling on the web profitable. That means knowing your market opportunities, your target audience, your competition, etc. It also means having reasonable objectives and targets for budget, marketing, and selling.

The web is an excellent channel for interacting on a one-to-one basis with customers, showing off your products and services, educating visitors, and generating leads. Adding an eCommerce can greatly enhance your customers' experience by allowing them to complete the sale then and there, but there are a lot of things to consider before implementing an eCommerce solution.

Creating a Business Plan

If you're planning to sell anything online, you should start with a business plan. A good business plan will describe what your business does, what makes it unique, what its goals and objectives are, and how it will achieve them.

What to address:

- 1) What your objectives are and how you will measure success?
- 2) What strategies you will use to accomplish those goals?
- 3) What tactics or techniques you will take that will allow you to meet your objectives?

Consider the following:

Audience: Who are you targeting? B2B? B2C? Niche customers? How does that translate to the site's look and feel, features offered, and content?

Brand: How strong is your brand? How much trust does your brand instill? Are you who you say you are in the eyes of your customers? Will you co-brand or partner with an already established online site? Will your website enhance your offline store? What can you do to make your site stand out?

Budget: How much are you willing to spend on implementation of an eCommerce system? Will you host your own site or pay for online hosting? Are you looking for a custom built system or to purchase a quick "out of the box" program? How much will you pay for advertising, brand building, customer relationship management, etc? Other costs include a merchant account to accept credit cards (usually requiring a monthly fee and a per transaction fee), security features such as SSL encryption and digital certificates, taxes, and insurance for potential liability and risks involved.

Competition: Who are your major competitors for each business unit you bring online? How much of the market share do they have? Can you compete, and if so, how will competitors respond? What will you do to stay ahead, providing more value for customers?

Market: What is the state of your current market? Is it high growth? New? Saturated? Where does your business fit?

Products: What kinds of products will you be selling online? Are they worth the cost of paying for shipping (ie. a coffee mug for \$4 with \$3.95 for shipping - will customers buy?) Will you sell in bulk? Require a minimum purchase? Offer a discount for online purchases? Sell advertising on your site? Offer a subscription to the site for a monthly fee? Can your brick and mortar business handle the new business generated online, delivering products when promised?

Projections: Where do you see your business being in a year, 2 years, 5 years? What do you think are reasonable selling goals? What are your costs? How quickly will you see a return on your investment? What are you basing those numbers on?

Selling: How will you sell your products? With a shopping cart setup? An auction? Will you offer electronic distribution such as software downloads or e-books?

Registering a Domain Name

When you register a domain name, you will be registering it for a two year period, after which you will have the opportunity to renew. The cost is usually around \$15-35 per year to register a name depending with whom you register.

To register a domain name, visit Network Solutions (<http://www.netsol.com>) or GoDaddy (<http://www.godaddy.com>).

If the domain name you want is taken, you have two options:

1) come up with another name that isn't taken

2) buy the domain name from the person who owns it

You can find out who owns the domain name by running a WHOIS search on the Network Solutions website. You can also visit Great Domains (<http://www.greatdomains.com/>) to see if the domain you want is listed there.

Web Hosting

There are numerous choices for web hosting out there. Some options you have include:

Hosting the Website Yourself:

You own the server, keep it at your facility, and take care of all the needs such as the high speed connection, security, programming features. This provides you with the greatest flexibility, but also, most likely, the most work.

Leasing a Dedicated Server

With a dedicated server, you lease a server from a company. You usually provide the software, and the company you are leasing from takes care of the hardware, security, trafficking, etc.

Rent Space on a Server

You rent a portion of a server (usually somewhere between 50-200MB, though can be greater) from a web hosting company. They allow you to run scripts and commerce activities from your website and usually set a maximum traffic allowance by limiting bandwidth.

Use an Online Store like Ebay or Yahoo

You rent everything from them for a monthly fee and are responsible only for adding your

products and fulfilling orders.

Other things to consider include accessibility, email, and support. Accessibility means your site is up and running close to 100% of the time. Most web hosting packages allow you a certain number of email accounts with your web space. If yours doesn't, you can go with a company that specifically handles email accounts. Technical support is also an issue to consider - does your host provide 24/7 service?

Building the Website

Front-End Design

The front end is what your visitors see when they click on your domain name. What are they looking for? The rule of thumb is that your design is bad if it confuses your visitors in any way. That can be anything from poor navigation to hard to read text to even a badly chosen color palette. Seriously? Yes... consider this. Your customers choose whether to trust you in those first couple of seconds when your page appears in their browser. That is before they see any of your products or read any of your text. If your website doesn't look professional, you are not going to win your customers' trust nor their sales. (This is true whether or not you have eCommerce implemented on your website.)

Want proof? E-marketer published a study in April 2002 which concluded that a site's color palette was the most important attribute for roughly 39% of those in the younger than 30 age group and roughly 38% for those in the over 40 age group. If you're curious, those between the ages of 30 and 39 concentrated on pop-up windows (at 40%).

So what makes up a good website? Think of the websites you like. Why do you like them? Actually visit several websites and write down a list of likes and dislikes and use that as a basis for how you design your website.

When considering what to put on your own site, the basics include the following:

- 1) Include who you are and what you do on the entry page. This includes your company name, logo, and at least a one sentence description of what you do.
- 2) Allow users to find what they need. Your site should be well organized and contain basic content such as products and services, contact and company information, client information, case studies, frequent updates and news, etc. You should plan out your navigational structure before you even think of creating a design.
- 3) Use attractive images, colors, animations to enhance, not detract from, the website's design. Stick to the same images, colors, and fonts you use in your offline communications to unify your brand image. Yes, your site should look professional, but it should not sacrifice functionality for aesthetics.

Back-End Design

The simplest back-end design links a database to your front-end design. Which database to use depends on the scale of your website, but can include MS Access or MySQL for smaller sites to MS SQL Server, Oracle, or IBM's DB2 for medium to large sites.

The databases are linked to the front-end design by a scripting language such as Active

Server Pages (ASP), Java Server Pages (JSP), or PHP: Hypertext Preprocessor (PHP). Newer versions of ASP are now available with Microsoft's .Net platform. Languages such as Java and Perl can also be used to build applications depending on what capabilities you need.

Your database holds the information you want to present on your website, such as product information, prices, etc. Since you will probably change this information frequently, your eCommerce package should offer you a simple-to-use web interface to change content (which is a pretty standard feature).

You will also want customers to input their purchase information into your database. They will give you their information through a secure server (see below). Their credit card information will be verified by your merchant account and their credit card will be charged for the purchase. The order information will then be inputted into your database, which you will then use to complete the transaction.

Higher level customer relationship management (CRM) systems can be set up to offer suggestions to repeat visitors based on prior purchases, demographics, preferences, and offline interactions. Also, larger-scale sites need to monitor hardware performance and load-balancing to make sure the site is running smoothly. The details of this, however, are beyond the scope of this document.

Accepting Payments

Merchant Accounts and Credit Card Processing

This is a two part action. First, in order to accept credit cards over the Internet, you need to have an Internet merchant account with an acquiring institution (bank). The bank will authorize any purchases made with the credit card and ensure that the appropriate funds are deposited into your bank account.

The second part of this is setting up a Payment Processor, like Authorize.Net. Payment Processors act as a channel for taking the credit card information inputted by the customer, moving it from your website to your bank, receiving the results, and posting them back to your website.

There is usually a setup fee for getting everything up and running with your Merchant account and your credit card processing. In addition, you can expect monthly flat fees as well as transaction fees added on. The monthly flat fees alone will probably run you around \$30-40.

What does this mean? Your customer places an order by selecting items from your website and sending you a list. Your server responds by confirming the order summary, price, and other details. The customer then sends the order, including payment information, to you through your SSL encrypted channel. Your site then requests payment authorization through your Merchant account bank and sends the payment through the Payment Processor. Your request to charge the customer's credit card is then approved by the issuer and you are guaranteed to be paid. You then get the information back that everything is ok with the credit card and you complete the order by shipping the goods/services to the

customer. To request payment, you send a request to the Payment Processor, the transaction is settled, and your Merchant account bank deposits the funds into your bank account.

Other Payment Options:

If you're not sure eCommerce is right for you, there are a few options that do it for you.

PAYPAL

PayPal offers a number of business solutions. You set up your site however you want and then link to their payment system on their website. They charge a set fee per transaction.

Amazon ZShops, Ebay, and Yahoo Stores

Amazon, Ebay, and Yahoo offer a number of options for merchants looking to test eCommerce before they buy. With each of these options, you are co-branding your store with a well known and established partner, and you get an "out of the box" solution ready to go. The downside to each of these is that they tend to be fairly expensive and offer minimal flexibility.

Risks Involved with Accepting Online Payments

Because the internet does not allow person-to-person transactions, it is much more difficult for both customers and businesses to assess the safety of online transactions. Because of this, some security threats have emerged:

Spoofing: When a con artist creates what appears to be a legitimate business website and takes credit card numbers.

Eavesdropping/Data Alteration: If private information is transmitted without security

encryption, hackers can intercept the transmissions en route to obtain or alter data.

Unauthorized action: A third person alters a website so that it no longer functions properly such as denial of service attacks or application hacks.

Online fraud: When a customer gives invalid information to obtain a product.

Unauthorized Action: Hackers are another threat to eCommerce transactions.

Building a secure environment for your website and triple testing your website backend environment for bugs and possible security issues and being prepared can go a long way to prevent unauthorized access.

Securing Your Website

If you will be taking private customer information such as credit cards over the web, you will need to purchase a 128-bit SSL server certificate. The SSL server certificate is a digital credential that allows your customers to verify your site's authenticity and to securely communicate with it. It assures customers that you are who you say you are, and that any information being transmitted is protected.

SSL certificates work through the Secure Sockets Layer (SSL) protocol. SSL is the standard by which websites are authenticated to visitors and communications between visitors and web servers are encrypted. The SSL server authentication allows users to confirm a web server's identity by checking its server certificate and public ID and confirming that they have been issued by a certificate authority (CA). The SSL certificate also ensures that all information sent between a

visitor and a server will be encrypted. 128-bit encryption is the most difficult to break by today's standards. According to RSA Labs, it would take a trillion years to crack a 128-bit transaction.

Fraud Protection

Online fraud is also a concern with online transactions. This Card Not Present (CNP) fraud can range from someone swiping another's credit card information and using it to teenagers who have used their parents credit card to buy something. One thing you should know - in the world of Internet commerce, merchants are responsible for 100% of the risk in a fraudulent transaction. One of the first lines of defense to online fraud is to use an address-verification service. This provides a confirmation of the customer's address against the billing address listed on the customer's credit card account. Another way to prevent this is to not accept orders from free email accounts like Hotmail or Yahoo. If an order looks suspicious, say an international or first time customer that purchases a bunch of stuff and wants expedient shipping, use caution. You can also purchase fraud management software that helps to reducing online fraud.

Shipping and Taxes

So, now you can accept credit card payments online. Great. Now what? Well, for starters, there are taxes - state tax or even taxes from other countries such as the VAT.

There are also shipping charges. One thing online customers hate the most is not knowing exactly what they will be charged for shipping, or even worse, being overcharged for

shipping. Fortunately, both FedEx and UPS both provide integrated tools that allow for real time quotes to be added to any page.

CONCLUSIONS

Just setting up an eCommerce store is far more involved than setting up a couple of pages, registering a domain name, and opening your website for business. This guide has not even addressed the important questions of how to get people to your website, how to get them to buy, and how to make sure they are satisfied with their transaction and will buy from you again.

About Morningstar

Morningstar Multimedia LLC is a marketing communications firm established in 2000 by Krista Baker and James Balaguer in Philadelphia, PA. We specialize in strategic marketing analysis and planning for professional service firms. We also create the marketing tactics such as identity, print, and web design to put that plan into action.

How May We Help You?

Wherever you are with your marketing efforts, Morningstar Multimedia provides a clear, results-driven path that can take your firm to a new level of growth. For a free, no-obligations consultation of how we can help you solve your firm's toughest marketing challenges, contact us today at (215) 546-7940 or by email at info@morningstarmultimedia.com.



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