E-Commerce:
What You Need to Know

Beginning at the Beginning
In the last ten years, we’ve been immersed in a world where just about everything has an electronically enabled variation, designated with the letter “E.” Since it’s become so commonplace, it’s sometimes unclear what “E business” is all about. What is e-commerce, anyway?

Originally, “electronic commerce” referred to the electronic facilitation of commercial transactions. Electronic Data Interchange (EDI) and Electronic Funds Transfer (EFT) were introduced in the 1970s to support the electronic transfer of commercial documents such as purchase orders or invoices. The early days of e-commerce involved better, faster ways of doing business, without changing the basic business model. E-commerce as we know it today has revolutionized the way businesses interact with their customers. In the world of e-commerce, your company can offer its products and services to anyone with an Internet connection. Physical geography is no longer the key determinant of the marketplace.

Most e-commerce sites require the security of HTTPS, a special server protocol that encrypts confidential ordering data for customer protection. However, smaller companies may opt to outsource that activity to payment processing houses. And while e-commerce bears some functional similarity to the traditional world, making use of credit cards for payments and incorporating metaphors such as the “shopping cart,” it’s really a new way of conducting business.

It’s clear that people like e-commerce, even though the business is still evolving. In the latest American Customer Satisfaction Index (ASCI), the e-commerce industry received a score of 80 on ASCI’s 100-point satisfaction scale. E-commerce has not meant the end of the “brick and mortar” retail sector, which some were predicting before the dot.com boom went bust. In fact, a number of well-established companies have adapted to the web and some now sell more on-line than they do through traditional channels. Earlier this year, L. L. Bean reported that for two years in a row, e-commerce has been its largest sales channel, exceeding the company’s long-standing catalog business.¹

E-commerce as we know it today has revolutionized the way businesses interact with their customers. In the world of e-commerce, your company can offer its products and services to anyone with an Internet connection. Physical geography is no longer the key determinant of the marketplace.

L.L. Bean is considered an e-commerce star, with its success credited to a strategy of simple and steady expansion of web operations.

Selling on the Web
Starting an online business is the same as starting any business; first, you need to do some homework. You should check on the requirements for forming a business in your area, and be clear about local sales taxes. (Generally speaking, web purchases are taxed on the “purchasing end” – you need to collect taxes on sales made within your tax jurisdiction, but probably won’t need to on sales made to people elsewhere.) You should outline a business plan, with some targets for growth, and then design, build and launch your website.

The key to a successful e-commerce site is a design that provides an enjoyable and rewarding experience for your customers. People expect the web to provide value above and beyond the merchandise, in terms of information, service and performance. Prospects and customers alike want to know something about the goods, and the web gives you an opportunity to say something about your company, too. A good web site is an incentive for customers to buy, and to come back and buy again. A company’s web site should be a self-service environment, easy to use without assistance. It can also be a tool for collecting information about your customers’ preferences, and can provide a sense of community, allowing customers to post comments or interact via live chat tools.
For start-ups, there are some things to remember. You should pick a web host with e-commerce experience, and with a credible track record of up time and performance. Consider using an out-of-the-box, commerce-enabled site template, which will save you the time and trouble of building one from scratch. The most important thing is to be sure your site is easy to use; customers spend more time on sites that offer clear choices and simple options.

You also need to consider the best approach for payment processing. To accept payments directly, you need a Merchant Account Provider (MAP) designation, as well as a credit card clearinghouse service that will support it. You’ll also need to understand the various rules and fees that apply to Merchant Accounts (regarding reserve accounts, interest, refund policies, etc.). If you don’t opt to handle payment processing directly, there are alternatives. Electronic payment services like PayPal can bring e-commerce to any web site, for a nominal fee. Depending on your business model, you could also use a site to accept orders, and handle payments and fulfillment with traditional process models. That is, you might take an order at the site, collect the customer’s telephone number, and call them back to settle the details. That was a fairly common approach in the early days of the Web, although many satisfied customers might find it a little unsatisfying today.

Promoting Your Web Site
Most of your prospects will find you through some kind of search engine. Search Engine Optimization (SEO) refers to the process of creating a site which the automated search engine crawlers will consider to be of high value. The perceived value of a site determines where it will appear in the search engines’ results. You can pay for search engine ads that will place your business near the top of the list, and the pricing arrangements for such “sponsored links” varies depending on the search engine involved. SEO is actually a very complicated area, both an art and a science, and will be addressed in a future article.

You should also promote your site directly, in various ways. You should include your URL in any printed collateral, and be sure to tell all your existing customers that the site exists. It’s a good idea to include some capability for collecting email addresses at the site, so you can advise people of special offers or new products. You might want to consider some direct marketing as well, either electronic or physical, to attract new customers.

Remember that your web site is only one component of your electronic business model. In addition to the “pull” exerted by the site, develop some “push” tools (such as an electronic newsletter) to keep in touch with your customer base. Make effective use of email marketing, to create sales opportunities, but be sure you understand the legal requirements related to spam, and be absolutely sure you comply with them.

In Closing
E-commerce opens terrific opportunities for small businesses. With the World Wide Web, any company can be a global enterprise. E-commerce can free your business from geographic constraints, and let you reach entirely new territories. Bringing your business on-line means the whole world is your customer.

Success in e-commerce is a matter of both technical and organizational factors. You still need a good management team, good post-sales service and a well-organized business structure. You also need good technical support, the right hosting provider and a secure, well-designed website. Finally, you need a solid business plan, based on a realistic assessment of the laws of supply and demand. If you can bring those things together, you’re ready to try your hand at e-commerce.

Sources

For more information contact your AT&T Representative or visit us at www.att.com/business.