Darlington Business Venture - Planning for E-Commerce

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Introduction

E-commerce plays an increasingly important role in the way in which products and services are purchased.

The business relationships supported by e-commerce can be split into two main categories:

- **open relationships**, often referred to as "business-to-consumer", where there is no formal relationship between you and your trading partners, as with the conventional customer-supplier relationship
- **closed relationships**, often referred to as "business-to-business", where your business is part of a common trading group with agreed commercial and often technical trading rules

This guide looks at the key issues to consider when planning for the introduction of e-commerce. It provides advice on how best to identify the opportunities for e-commerce within your business and the solutions available. It also emphasises the need to plan for the ongoing development and maintenance of any e-commerce system at the outset.

Identifying e-commerce opportunities

There are a wide range of existing e-commerce models and new opportunities are constantly evolving. By understanding the more common models, you will be in a better position to identify possible opportunities within your own business.

Direct sales

The most common model is the transactional one, where the e-commerce facility is used for the direct selling of goods or services online. For some businesses such as those selling software or music, the actual sale and the delivery of the goods can be made online. However, for most the supply of goods will continue to require a physical delivery.

If you are planning to take the transactional route, you may need to rethink some of your business processes. This is because you will fundamentally change the way in which you interact with your customers. These changes will occur right across the business, including in:

- marketing
- pre-sales advice and support
- invoicing and payments
- deliveries and returns

Pre-sales

This model involves using your website for pre-sales activities - exploiting the widespread use of the Internet to generate sales leads. At its most basic this can be through the use of "brochureware" - having an online version of your promotional materials on your site. Other options include email campaigns or advertising online on other websites, both designed to attract visitors to your own website where you can promote your products.

Post-sales support

The third model uses the Internet to automate aspects of your customer support in order to reduce the number of routine customer service calls. This can be achieved by using your site to make

answers available to the most frequently asked questions, or by putting technical information online.

Whichever model you choose, it is important to define your expectations from the outset. What level of sales are you hoping to make? How many sales leads are you looking to generate? What percentage reduction in customer telephone calls are you expecting to achieve? Ensure that targets are put in place so that you can measure the success, or otherwise, of your e-commerce facility.

Making an e-commerce site easy to use

The ease with which a customer is able to use an e-commerce site is an important part of its success. It's also an important part of your online brand image.

There are three elements of the shopping process that influence how easy and enjoyable the customer finds it to shop on an e-commerce site - the shop front, shopping cart and payment software.

Shop front

The shop front is the interface presented to the customer. This often incorporates an online catalogue that enables them to browse for products and identify those they wish to purchase.

The intention of the shop front is to make sales, and in order to do this it should have certain attributes. Customers should be able to find the product quickly. An eight-second guideline is frequently cited, whereby if they are unable to find the product within that

time, they are likely to go to an alternative site.

It should process the order speedily and, if necessary, send details for it be packed and shipped. There should be a summary of the order generated, together with a printable receipt and a mechanism to send a confirmation email to the customer.

The design of the shop front should make shopping intuitive, with the customer knowing at all times what stage of the buying process they are at.

Shopping cart

This is the software that facilitates easy selection and payment for products purchased by a customer from an e-commerce website. Once the goods have been selected, the customer should find the checkout clearly signposted, so that they can proceed to pay for the goods.

Payment software

Most customers will wish to pay for their purchases with credit or debit cards. There are three options for accepting such payments - you can:

- open a merchant account
- use a payment processing company
- set up an online shop within a virtual shopping mall

See our guide on **accepting online payments**.

Trading partner relationships

As well as offering new ways of doing business with customers, e-commerce also provides new ways of building closer links and improving business relationships with key trading partners.

These Internet-based technologies and processes also allow you to improve your own business efficiency. Some of the key technologies are listed below.

Intranets

These are private internal company networks that use the same browser-based technology and network protocols as the Internet. Intranets:

- are protected from unauthorised use by a firewall
- improve efficiency by enabling employees to search the business' knowledge and information store from their own desktop, regardless of location

Extranets

This is a shared intranet that allows users to share key trading data such as inventory levels and sales trends. Extranets can:

- be made available to selected external partners, such as vendors, contractors, suppliers and key customers
- be used for exchanging data and applications, and sharing specific business information
- improve supply chain management

See our guide on the **benefits of intranets and extranets**.

Supply chain management

The concept of supply chain management

revolves around having the right product in the right place, at the right time, and in the right condition.

The key aspects of supply chain management include the ability of businesses to:

- exchange information on stock levels
- fulfil orders more quickly
- minimise excess inventory
- improve customer service
- use a networking infrastructure to ensure good response times and speed

E-marketplaces

There are many online exchanges that enable suppliers, buyers and intermediaries to come together and offer products or services to each other, according to set criteria. Buyers and sellers work interactively with bids and offers. When a deal is made, it is a match between the buyer and seller on variables such as price, volume and delivery costs.

Reverse auctions are buyer-controlled events and are used to attract bids, with the lowest bid winning. Buyers post details of the goods they want to buy and suppliers compete to provide them.

See our guide on **e-marketplaces, online auctions and exchanges**.

Implementing e-commerce

The key tool for delivering e-commerce services is the business website. This must be specified, designed, hosted and maintained.

Specification

The website specification should clearly identify what the site is trying to achieve and how its various components will contribute to this. An understanding of the intended user audience is required for both technical and marketing purposes.

Domain name

Domain names are an enormous help in the branding of a business. Your domain name should be easy to remember, spell, and should show what your business is all about. If not, then potential customers will surf elsewhere and possibly find your competition.

Check if the domain name you are planning to use has already been taken at the Nominet website.

Website hosting

If you purchase your own domain name you can either host your own website or have an Internet service provider (ISP) host it on your behalf. If you choose to host the website yourself, you will require a fast Internet connection and a suitable PC. However, ISP hosting is relatively cheap and straightforward. See our guide on **website hosting options**.

Connectivity and bandwidth

The type of Internet connectivity and the available bandwidth will be an important consideration, irrespective of which hosting solution is selected. There are several methods you can use to connect to the Internet. Your choice may be influenced by a number of factors, including:

- your budget

- your geographical location
- the speed of connection required

Your choice of the actual type of connection will probably be between:

- telephone line
- ISDN
- broadband
- wireless broadband

See our guide on the **options for connecting to the Internet**.

Software options

An important early decision to consider is whether to use a "shop" package or build the software from scratch.

Shop packages allow you to configure product information and the look and feel of the shop. However, they can provide limited opportunities for tailoring them to your back office processes.

Alternatively you can get a third party to build the software for you, or develop it yourself. See our guide on how to **create an online shop**.

Recognising the ongoing commitment

Even in the planning stages of an e-commerce project, it is important to understand how the website will be maintained on a day-to-day basis. There are also various of marketing and security issues that need to be taken into account.

Site maintenance

Changes in product details, product ranges, special offers, up-to-date advertisements and sales information will all need to be maintained throughout the life of the site. In addition, you should consider redesigning the site on a periodic basis in order to improve the features offered to customers and keep the site looking fresh.

Customer feedback

It is important that the site evolves to meet the needs of your customers. There are a number of actions you can take to encourage customer feedback, including carrying out surveys and putting feedback forms on the site.

Marketing

No matter how well designed your e-commerce site is and how competitive your products and prices are, if the customers are unaware of its existence then you will fail to exploit its potential.

Popular methods of promoting a website include:

- e-mail advertising campaigns
- web adverts
- digital coupons offering discounts

Don't forget to take full advantage of search engines by ensuring that they pick up all of the key terms that you think your customers will use to find your site.

Security considerations

Using the Internet for business purposes is fraught with risks to security. Hackers can attack systems at any time. Whatever your business, there's a real risk that your system may become the target of an attack that

could affect your organisation.

You should recognise the need for effective security controls to prevent your site from falling victim to hackers or fraudsters.

See our guide on **securing your e-commerce systems**.

Contingency planning

The more successful your e-commerce service becomes, the more you will become reliant upon it. You should consider what risks and threats your e-commerce site might be open to and have contingency plans to ensure that you can continue trading should anything go wrong.

See our guide on **managing risk in e-commerce**.

Who is involved in an e-commerce project?

E-commerce impacts upon almost every function within a business. Externally, a variety of suppliers will also need to be involved within an e-commerce project.

The range of specialist skills required will be dependent upon the scale and complexity of the proposed e-commerce system. However, these skills are likely to include experience of:

- servers - Microsoft, Sun, Linux etc
- firewalls and security
- graphic design and production
- HTML and XML coding
- programming languages
- database technologies

The interested parties within a business include:

- board-level management
- purchasing
- inventory management
- manufacturing
- service provision
- direct sales
- sales channel management
- fulfilment
- post-sales support
- marketing and PR
- accounting
- training
- legal

External parties with a potential involvement in an e-commerce project include:

- existing hardware and software suppliers
- specialist Internet hardware and software suppliers
- programmers, web designers and consultants used on an "as required" basis
- Internet service providers
- domain name registrar
- telecommunication providers
- major suppliers
- major customers
- advertising/marketing design agencies
- specialist business media
- accountants/auditors
- solicitors
- training companies

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Manage your personal list of starting-up

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Related web sites you might find useful

Find out about planning and implementing e-commerce at the National Computing Centre website

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