

**Berg Kaprow Lewis**

Trading on the Internet

The Internet enables you to sell 24 hours a day to customers anywhere in the world and the sales process can be fully automated. Your Internet shop can attract new customers and provide better service for existing customers.

The increasing availability of low-cost broadband connections and increasing consumer confidence in online security means the number of people shopping online is growing rapidly. It is now possible to buy and sell just about anything on the Internet.

This briefing covers:

- The benefits of selling online.
- What makes a site successful.
- The legal implications.
- How to accept payments.
- The costs involved.

1 The business advantage

1.1 An Internet shop provides a **new outlet** that is dedicated to your products or services and is open 24 hours a day.

- You can attract new customers who might stumble upon your shop when using search engines to look for products or information.
- You can improve support and after-sales service for your existing customers.
- Customers without access to a local distributor for your products can order goods direct.
- You can reach overseas customers who can order when it suits them, without worrying about time differences.

1.2 Once you have set up your shop, it can provide an **efficient** selling operation.

- With no rent and no employees needed to man the shop, running costs are low.
- If your suppliers deliver direct to your customers, you do not need to hold stock.
- You can monitor customers' buying habits to make it easier for them to re-order favourite goods.
- If you sell information, software, music, or images, buyers may be able to download purchases direct from your website.

1.3 You can **try out new ideas**, adapt them, and scale them up quickly and cheaply.

- Success can come rapidly, if you identify the right market and make the right offer.

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about the services available to you.

- Feedback comes to you on a daily, or even hourly, basis.
- If your idea for an Internet shop is not working, you can easily pull out without the worry of making staff redundant, getting out of a lease, or writing off shopfitting costs.

Don't get caught out

The international nature of trading online and recent regulations designed to protect consumers mean that you will need the help of an expert to ensure you stay on the right side of the law.

A Selling via the Internet, email or telephone is covered by the Consumer Protection (Distance Selling) regulations.

- You must provide customers with written confirmation of their order, including your name, description of goods and their right to cancellation.

B Contractual agreements created over the Internet or via email are just as binding as any other.

- Make it clear at what point during the transaction the contract is formed.
- Ensure that customers have the chance to check an order (and amend it if necessary) before they place an order.
- Ensure that your terms and conditions are clear and agreed before you accept an order.

C Commercial emails can be a particularly tricky area.

- You must not send emails without the recipients prior consent — unless their email address was gathered in the course of a previous transaction.
- You must make it clear what the purpose of the email is, who it is coming from and any offers contained in your emails must be obvious.
- If an email is sent (or forwarded) to an international recipient, that country's laws may apply to its content.

D Collecting or handling personal data using email or the Internet falls under the Data Protection Act.

- You may be required to register with the Information Commissioner.
- You must not use an individual's details for direct marketing or share their details with others if they ask you not to.

2 What you can sell

The easiest goods to sell on the Internet are items that appeal to Internet users.

2.1 Most Internet users are **young** (18 to 40), technically minded with relatively high disposable incomes.

- Consumer leisure products, such as music and travel, are therefore good sellers.
- Software and computer equipment also appeal to this group.

2.2 The Internet also suits **specialist products** that would normally be difficult to find.

- For example, collector's items or organic meat and vegetables.

2.3 Buyers are attracted by good deals on **commodity items**. Benefits include wide product ranges, convenience and low prices.

For example, some supermarkets allow customers to order items using the Internet, for convenient home delivery.

- Products such as books or CDs do not vary in quality, so people are keen to pick them up cheaply through the Internet.

2.4 You can sell **information**. The Internet provides a ready-made distribution channel.

- There may be a market for a newsletter about a specialist subject.
- The Internet provides a new market for real-time information, such as share prices or auction results.

3 What you need to set up

If you are trading on the Internet for the first time, it is advisable to start on a modest scale so you can see what works — if it does work — before you scale up.

3.1 Your Internet service provider (ISP) will probably provide the **web space** for your Internet shop (see **6.3** and **Internet service providers**).

3.2 You should purchase your own **domain name**, as this will help visitors to your site to have confidence in your business. (See **Going online**.)

3.3 An Internet shop is controlled by **specialist software** that organises the products, allows the customer to browse, and takes orders.

“Even if you provide a service which can not be directly sold on the Internet, a well designed and publicised shop-front can win new customers.”

Rob Pearson,
The Trust Group

“People think e-commerce is all about people sitting at home buying books, managing their bank accounts or downloading software. But look at a company like Farnell, in Leeds. They have an online catalogue of 100,000 industrial and electronic components from around 1,000 suppliers and take orders 24 hours a day (using the Net, email, fax or phone).”

Gary Williamson,
Leeds Chamber

- The most common type of retail package is known as 'shopping basket' or 'shopping cart' software. It creates a virtual shopping basket which holds the customer's provisional purchases until the shopper confirms the order and pays at a checkout page.
- Good shopping basket software calculates the postage and taxes payable in connection with each purchase.

3.4 You will need facilities for **processing payments** (see 5).

3.5 Launching and running an Internet shop will require some **expert input**.

- You will need legal help in adapting contracts and terms of trade for the online environment and to ensure you comply with the regulations controlling distance selling, data protection and electronic communications. See box page 2.
- You will need someone with enough technical knowledge to keep the system running.

3.6 One of the biggest factors in the success of your site is the investment you make in **marketing** your site.

- If you have a limited marketing budget, you will need to make up for this with time, effort and energy.
- You will need to advertise and publicise your site everywhere you can, both online and in the real world.

3.7 You will need to check you can **fulfil** online orders efficiently.

- Put appropriate systems in place to ensure you meet orders and consider the impact on the rest of your business.
- Ensure you have your employees' backing.
- Disappointed customers are unlikely to buy from you again.

4 Setting up a successful site

The most successful online shops concentrate on one type of product and provide plenty of related information.

4.1 Design the shop so that it is **easy to look around** and easy to purchase from.

- A simple design, without large pictures or complex graphics, will load quickly and save customers time. Visitors quickly move on if a site is slow.

- Place a trial order to make sure the system works and that it is easy to use.

4.2 Give visitors **reasons to return** to your site. Get them involved as much as possible. Experts believe that your best chance of a sale is when a person returns for the third or fourth time.

- Make people who visit your shop feel like part of a community. Consider providing news, discussion forums, and reviews.
- Update your site regularly so there is always something new. When you alter pages or input new details, go back and check your work.

4.3 Provide **support pages** that help users get the most from your product or service.

- Include plenty of related background information. For example, case studies, answers to frequently asked questions, product specs, parts lists and user guides.
- Publish news about product revisions, awards and recommendations on the site.
- Provide information about customer rights, delivery times, warranties and exchange policies.

4.4 Include **links** to other relevant sites, organisations and manufacturers.

- Users will start to view your site as a major information source for your product type.

4.5 **Let people know** your shop is there and open for business (see **Marketing on the Internet**).

- Publicise your shop on related sites, either by paying for advertising space or by negotiating reciprocal links with companies selling related products.
- Use targeted email to persuade new people to visit your site (see Email).
- Include the details of your online shop in your stationery, your marketing literature, and any advertising you do.

See **Your website strategy** and **Designing your website**.

5 How do I receive payments?

Anxiety about security on the Internet is lessening all the time and payment by credit card is now firmly established as the usual way to complete Internet consumer sales.

“One of the hidden advantages of trading on the web is that things happen so fast. You're never held up looking for premises or waiting for planning permission.”

Dave Wallace,
Business Link
for London

“Consider applying to join a scheme accredited to and endorsed by TrustUK (www.trustuk.org.uk). This will give consumers added confidence when buying from your site.”

John Owens,
Business Link
Lincolnshire
& Rutland

“Get specialist advice to make Net trading legally safer — the Internet can be a legal minefield if you are not careful.”

Maitland Kalton,
Kaltons solicitors

5.1 You can accept **credit, charge** and **debit** card payments in your Internet shop.

- You will need to apply for 'merchant status' with your current bank or use a specialist company that can process online credit card payments as a bureau service. Your Internet service provider (ISP) may be able to arrange this for you.
- Customers may be unwilling to send card details unless you install a secure area for payment processing. The information can then be processed by your employees or by a specialist Internet agency.

5.2 You can give buyers who place their orders using the Internet the option to **phone** or **fax** through their card details or ask for cash on delivery.

- This avoids the expense of setting up special security features.

5.3 Business-to-business transactions usually take place on the basis of a **monthly invoice** for payment in 30 days, or a customer account.

- Carry out your normal credit checking procedures before setting up an account for a new customer. (See **Credit control**.)
- If appropriate, offer discounts to customers who place orders and make payments using the Internet. This automation reduces your costs.

5.4 Electronic cash allows 'micropayments' to be made over the web for inexpensive products, with very low transaction costs. For example, www.paypal.com.

6 How much will it cost?

Set-up costs can be limited to hundreds, rather than thousands, of pounds. Running costs can also be much lower than for even the smallest traditional shop.

6.1 You will have **set-up costs** for your shop, including any shopping basket software and payment processing software.

- Small shops selling a small range of items can sometimes be set up for a nominal fee. For example, BT's Internet Trader Pack costs £19.99 a month for up to 500 products.
- Most shopping basket products are available to buy or lease. Some are free, but these are often more complex to install and configure.

6.2 Your greatest outlay may be on **marketing** the site, both at the launch stage and on an ongoing basis.

6.3 The main **running expense** will be wages for whoever keeps the site up to date.

- You may also pay a basic charge — up to £50 a month, depending on the space required — to your Internet service provider for your website.

Some specialist ISPs offer small shopping sites free, to generate traffic.

6.4 You will be charged a **processing fee** by your bank or the agency handling your credit card transactions.

- Most of the Internet banks and payment processing companies, such as NetBanx (www.netinvest.co.uk/ncr/netbanx) charge a set-up or annual fee plus a percentage of the value of each transaction. This is typically one to five per cent, on top of the usual percentage fee charged for credit and debit card transactions.
- However, if your average transaction value will be in excess of £12 or so, it will then make more financial sense for you to find a provider that charges a flat rate per transaction with a low monthly fee.
- If you require instant online credit card authorisation, the charges are higher. You will need to use a specialist online credit card processing company and have special shopping basket software.

6.5 There are various '**turnkey solutions**', designed to save you time and effort.

- Some software packages use a template approach that allows you to enter a certain number of products. You normally pay a set-up fee and an annual fee to register for credit card payments.
- You can rent space in a 'shopping mall', alongside other online shops. For example, iShop (www.ishop.co.uk).

The more sophisticated and complicated your website and payment system are, the more it is all likely to cost.

Expert contributors

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Further help

There are other Directors' Briefing titles that can help you. These briefings are referred to in the text by name, such as **Going online**.

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