Getting Started in eCommerce

An overview to selling products online

There are many ways to sell products on the Internet. There are classified ad websites, where one can advertise, say, a bicycle for sale, and then list a phone number or email address for a prospective buyer to reach the seller. There are auction websites, where one can list the same bicycle, complete with photos and a description, and then sell it to the highest bidder. The bidder would then pay the seller and the seller would, in turn, ship the bicycle to the buyer.

And then there are ecommerce websites. An ecommerce site could offer a complete line of bicycles for sale. It could be for, say, Mary's Bike Shop, and the site could be found online at, perhaps, www.marysbikeshop.com. It could list dozens of bicycles, with multiple photos and descriptions for each bike. It could provide an easy method for customers to choose a bike, arrange for its shipment and pay for it all online.

At first glance, the creation of an ecommerce site, such as Marysbikeshop.com, may seem complicated. You'll have to locate a company to host your website and another company to process your customers' credit card payments. You'll have to decide how the site will actually look, how the products will be displayed and how they will be shipped once a customer purchases them. You'll have to enact steps to prevent the acceptance of stolen credit card numbers and steps to prevent thieves from stealing your customers' legitimate credit card numbers. You'll also have to develop systems to respond to queries quickly and efficiently. And you'll need to market your website: You'll want to make certain the major search engines can locate your site (so prospective customers who search for your products can find them), and you'll likely want to email your past customers when you've acquired new products or services.

In spite of this complexity, thousands of entrepreneurs have established successful ecommerce businesses without any related experience. And with *Getting Started in eCommerce*, we hope to help you launch an ecommerce business, too. We encourage you to learn as much as you can in advance, but, more importantly, accept the fact that you'll likely never become an ecommerce expert without actually launching a site and learning from experience. You'll be amazed, we suspect, at what you'll learn during your first year. Instant Internet millionaires, contrary to the popular myth, almost never

occur, and we therefore urge you to be realistic: Growing your ecommerce business will likely take time and will not occur quickly. During this first year, in fact, you'll probably make many mistakes. Learn from these mistakes and correspond with other ecommerce professionals about them.

But first, use this guide to help get you started.

An Entrepreneur's First Year

"I started the site by hiring a designer whose work I loved and who was very reasonable in price. She put out a bid for site development, and the estimates were far out of reach for my small start up (we were launching the bricks and mortar store concurrently, so there wasn't much "left" for ecommerce). We decided that we could do the site on our own, working together. At the time I didn't really understand the difference between web designers and web developers, and figured that between my research and her designing and programming capabilities, we could cover all of the bases. This means that the site launched without either of us having much of a clue about SEO, conversion, usability, analytics, or something as basic as the disadvantages to having a Flash intro page (pretty, but they have no text for search engines to grab onto). After about six months of gaining very little traction in the market, I started revamping everything, top to bottom, in order to correct for oversights. By the end of the first year we were gaining visitors, page views, search engine results pages, and most importantly, customers. On the upside, our first year in ecommerce was profitable, due to our low launching costs."

Kristen Taylor, Owner
JuvieShop.com
A Retailer of Children's Clothing

Opening an Online Store: Key Components

The software that displays your products online, allows for their descriptions and prices and then facilitates payments from your customers is called a shopping cart. There are hundreds of private companies offering shopping cart software, but you first must decide what type of cart is appropriate for your business.

One option is to purchase a shopping cart license. This is similar to purchasing, for example, a word processing software package: Once you buy it, you can do with it what you choose. For a licensed shopping cart package, you'll first decide on the features you need, and then you'll start piecing together other components you'll need to launch your ecommerce site. You'll need to locate a hosting company to hold, on its computers, your licensed shopping cart software. To protect thieves from stealing your customers' credit cards, you'll need to purchase an SSL certificate, which encrypts the transmission of credit card information over the Internet. You'll need to set up a credit card merchant account, which collects credit card proceeds from your customers, and then locate a credit card payment gateway company to connect your shopping cart software to your customers' credit card companies.

Alternatively, instead of a licensed cart, you could choose an all-in-one, hosted package. An all-in-one package eliminates many of the decisions that come with purchasing a shopping cart license. You don't actually own the software (you pay monthly fees to rent it), but the convenience, for many smaller ecommerce businesses, is worth it. An all-in-one package will host your website and provide both the shopping cart software and an SSL certificate. It will, typically, help facilitate the creation of a merchant account and a payment gateway. It will offer free support, typically, for all of these components and otherwise help guide you as you get your store up and running.

For both the licensed shopping cart software and the all-in-one solution, you'll want to make certain it includes key features you'll need for your store. These features can include, for example, language options (for non-English speaking customers), volume-pricing capability for your products, an on-site search feature and more. If you are not sure of the features you need, consult with another online merchant or a web developer.

Additionally, for both licensed shopping cart software and all-in-one solutions, you'll want to study how products are actually displayed on the site for customers to see. Multiple photos of each product and the ability to segment products by categories are common merchandising features.

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You'll also want to make sure the administrative section of the cart (which customers don't see) is easy for you to use and contains features such as inventory management, shipping tools, tie-ins to popular accounting packages and more.

Online Payment Processing

An ecommerce site would not function without the ability to collect online payments from customers. But, for many merchants, that payment process is confusing.

The ideal method would be for a shopping cart to link directly with the companies who issue customers' credit cards. When a customer paid with a credit card, your shopping cart would collect from the company that issued the card and then deposit the money into the merchant's checking account. However, there are thousands of credit card issuers and hundreds of shopping carts. They cannot possibly all sync with each other, and an industry has evolved to facilitate it all.

Payment gateway companies have developed in the past 10 years to link shopping cart software (including all-in-one providers) to the companies that actually process the credit card payments. Merchant account providers collect the money received from the credit card payments and then deposit that money into your checking account. Most of this happens almost instantly when a customer purchases a product from an online store.

That is, the customer types-in a credit card number, and the shopping cart transmits that number via the payment gateway to the company who issued the card. That company confirms the card is valid and otherwise issues the funds back to the gateway, which deposits the funds into the merchant's checking account (via its credit card merchant account) within a couple of days.

There are, additionally, private, non-bank-related companies who facilitate the transfer of monies online. The largest of these non-bank companies is PayPal, and the process works like this. Anyone can apply for a PayPal account by supplying checking account information (or a valid credit card number) to PayPal. The PayPal account holder can then direct PayPal to transfer monies to another PayPal account, which occurs when PayPal pulls

monies from a customer's checking account (or, charges the customer's credit card) and then deposits that money into the seller's PayPal account. This transfer occurs outside of the credit card process, and it allows individuals and merchants to transact online commerce without having a credit card or, in the case of a merchant, without a merchant account or a payment gateway.

Merchandising Basics

Merchants who operate physical, brick-and-mortar stores are careful to present their merchandise to prospective customers. Similarly, online merchants must carefully display their products on their ecommerce sites.

Quality product photos are key. Professional photographers suggest close-up views of each product from, if applicable, different angles. Professionals also encourage merchants to emphasize adequate lighting for their product photos. Many professionals believe that poor lighting is the primary cause of weak product photos, and these professionals suggest that merchants who take their own photos invest in portable light studios before investing in a high-end, expensive camera. There are several makers of portable light studios (which set on tables, desks or are contained in portable boxes), and prices start at just few hundred dollars.

More advanced merchants can consider purchasing sophisticated product imaging software that allows customers to rotate a product image on screen and zoom into its details and features.

Videos and downloadable PDF documents are also popular among online merchants. Videos are increasingly easy to produce, and many consumers find them helpful to evaluate products. A bicycle retailer, for example, could produce a video demonstrating the features of a particular bike, or even captures the bike in a race or other event. PDFs, too, are easy to produce and they can include manufacturer specifications, owners' manuals, rebate information and more. Most popular word processing and graphic programs allow for the easy creation of PDF documents, and merchants can utilize them as downloadable options for their prospects.

In short, sophisticated merchants use a myriad of online merchandising tactics in addition to photos, videos and PDFs. These include onsite product search, cross-selling of related products or add-on products, coupons, gift certificates, free shipping, exclusive offers and many other specialized ideas and promotions

The Importance of Clear Product Photos

"Product photos are key to capturing your customer's interest. It is difficult to judge how something looks when you can't touch and feel it. Your photos need to show the size, shape and beauty of your products. They are a virtual tour of what you are selling and need to look as good as the real thing if you want to close that sale. We have taken our own photos in the past but we are lucky in that our manufacturers offer many beautiful professional photographs for free. We evaluate each product photo and if we feel it doesn't show what our customers need, we take our own. For some items, we show multiple photos of that one product. For example, a cosmetic bag needs to be shown both opened and closed, and both filled and empty. It gives customers a better idea of how the product works and how it can be useful to them. We also use a 'click to enlarge' feature for our photos. We would like to add video at some point."

Kara English, CEO
CandlesAndSuch.com
A Retailer of Wedding Favors and Supplies

Email Strategies

Many merchants consider email communications to be their most cost-effective marketing tool. Email marketing, properly done, is not spam. It is legitimate communication to existing customers and prospects who are interested in your products and have otherwise signed up to receive emails from you.

Merchants send emails to existing customers about sale items, new product arrivals and other promotions. Many merchants believe that existing customers are their best form of additional business. Many of these merchants also provide a prominent email sign-up for prospective customers to stay current with the merchant's promotions.

There are many well-respected, self-service email vendors. These vendors typically charge a monthly fee and provide the online interface to allow you to compose attractive emails yourself without any knowledge of HTML or other programming languages.

There are, also, many ideas for legitimately growing an email list. These include cross-promoting your email newsletter to another merchant's customers (called co-registration), offering monthly give-aways for new email subscribers and promoting newsletter-only sales and special offers.

Marketplaces and Other Selling Channels

Many online merchants sell products on other, larger sites in addition to their own ecommerce site. There are many websites to sell your products (in addition to your own site), and the process of offering your products across multiple sites is called multi-channel selling.

One of these additional channels is auction websites. eBay is the largest auction site, but there are other specialized sites and the traffic for each of these can be huge. Recognizing this, many merchants automatically upload their products to eBay and other auction sites and sell the products in an auction process or, alternatively, as a "buy it now" fixed price.

There are other online channels to sell your products. These include shopping comparison sites, such as Shopping.com, which list products from many merchants so that consumers can compare merchants and their products, and then purchase from the one that most appeals to them. These shopping comparison sites, also, can have large traffic volumes.

As multi-channel selling has grown, several vendors have created software tools to help merchants monitor and manage sales activity across various websites. These tools help identify which of these sites generate the most sales and which are the most profitable. These tools also contain inventory and order management help and also frequently connect to a merchant's accounting software.

Customer Service for Online Businesses

An ecommerce business is similar to a physical, brick-and-mortar business in many ways. One similarity is customer service. A successful brick-and-mortar merchant would presumably never ignore a customer who walks into his store. Likewise, an ecommerce merchant should never ignore a customer's query. In fact, successful ecommerce merchants should encourage customer communication, and many merchants provide multiple ways for a customer to contact them and for them to contact a customer.

These customer service tools can include toll-free phone numbers, Skype and other Internet phone addresses, email addresses, instant messaging capabilities and more. Live chat, which is software that allows customers to instantly query a merchant, is another popular tool. Many successful merchants prominently post these communication tools throughout their site and, more importantly, quickly respond to questions and comments from customers.

Merchants should notify customers, usually via email, when a product has shipped, when it should arrive at the customer's destination and the shipment's tracking number.

Many online merchants also follow up with these customers and encourage their feedback. Online surveys and other tools can solicit frank responses from customers as to their experience with that merchant. There are many online survey tools available and virtually all of them are modestly priced.

Importance of Search Engines

The major online search engines are Google, Yahoo!, MSN and Ask.com. These search engines are, collectively, the most popular sites on the Internet. Google alone is among the two or three most popular websites. Millions of visitors go there daily to search for products and services that interest them. Successful online merchants must know and understand this. Merchants must take steps to ensure these search engines can locate their ecommerce sites and identify their products.

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Search engines automatically scour the Internet to locate each and every website. The automated software that does this is known as a "robot" or "spider" and can occur as often as daily. These search engine robots/spiders read domain names (e.g., Marysbikeshop.com) and the text within the website itself to determine the content on that site. The search engines also monitor the number of inbound links to a site (where one website has referred visitors to another by providing the Internet link to that other site). With all of this information, search engines will determine the ranking of websites when visitors search for products and services.

The process of preparing your website for the search engines is called search engine optimization (SEO). It's big business, and large ecommerce companies spend millions of dollars on SEO efforts. The goal is for a merchant's website to appear near the top of the search engine listings when prospective customers search for a merchant's products. These listings are called free (or "organic" or "natural") listings because a merchant does not pay the search engines for them.

Many merchants, conversely, choose to advertise on the search engines. These merchants bid on certain words and phrases relevant to their business, so when prospects type-in those words, the merchant's ad appears near the free listings. Merchants pay the search engines each time their ad is clicked upon (the ad links to the merchant's site). This is known as pay-per-click advertising, and it, too, is a major Internet industry. Virtually all of Google's revenue, for example, comes from this type of advertising.

For most ecommerce merchants, search engines are the major source of new customers and merchants should, accordingly, take steps to thoroughly understand search engines and their relationship to a merchant's site.

Paid Listings

Screen capture of Google search results for the phrase "soccer equipment."

Free, "Natural" Listings
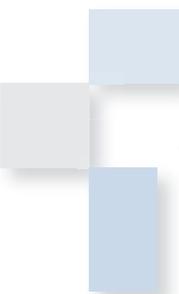
More Online Marketing

Successful online merchants use additional efforts to promote their business. One of these is the use of blogs (short for "web logs"), where merchants can offer opinions on their products, services and the best method for consumers to utilize them.

Many merchants have established themselves as industry leaders and purveyors of helpful consumer advise through their blogs. Marysbikeshop.com, for example, may write a weekly blog on bicycling tips, safety ideas and upcoming races and rallies. This blog, if properly done, can attract visitors to that ecommerce site who may not otherwise have seen it. Blogs are also helpful SEO tools in that the blogs usually contain words and phrases that are associated with the ecommerce site itself, so that a search engine robot/spider can identify such words when visitors search for them.

Affiliate marketing is also popular with online merchants. This is the process of signing up other websites to refer prospects to your site. When those prospects become customers, you pay the referring sites a commission, which is usually a percentage of a sale. The referring websites are called affiliates, and many large ecommerce merchants have thousands of them.

Smaller ecommerce merchants can establish their own affiliate networks, or they can become affiliates of larger merchants. There are affiliate brokers who match merchants with affiliates, and merchants can hire one of these brokers to find affiliates, or the merchant can review lists of other merchants that offer affiliate commissions. The largest affiliate brokers are Commissionjunction.com, Linkshare.com, Performics.com, Kolimbo.com and Shareasale.com.
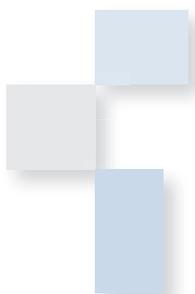
Product Sourcing

Many online merchants seek additional products to sell on their sites. These merchants seek wholesalers, distributors and manufacturers who offer attractive goods. There are many middlemen and brokers who sell

lists of these product sources, but new merchants are advised to be wary of them. Research the company that is selling the lists and ask it for references. However, legitimate companies do exist to help you find direct sources of new products, including suppliers who will ship products directly to your customers (called "drop shipping").

Selling Internationally

The primary concerns of selling internationally are the acceptance of international credit cards and the ability to ship products to overseas customers. There is a large, thriving, international market for stolen credit card numbers. Illegal websites exist that broker stolen credit card numbers, social security numbers, birth dates and other confidential data. Most all of these sites are outside of the United States, and merchants should take precaution when accepting credit cards from other countries.

Experienced merchants, having lost money on international shipments, will frequently develop a list of countries from which they refuse to sell or ship goods. These merchants frequently telephone every international customer to confirm his/her validity. Credit card issuers and payment gateway companies offer affordable tools to reduce a merchant's risk of credit card fraud, and new companies should investigate these accordingly.

Merchants who ship products internationally offer varied experiences. Many of these merchants believe shipping via the U.S. Postal Service is the most cost effective, but it requires the interaction of the U.S. Postal Service with postal services of other countries, which, these experienced merchants advise, can be difficult. Private carriers such as UPS, DHL and FedEx also offer international deliveries, and new merchants should consult with each of these carriers and the U.S. Postal Service to determine which method (taking into account a merchant's products and the products' weight and volume) is best. The websites of these private carriers and of the U.S. Postal Service contain free tips and instructions for shipping products internationally, as well.

In spite of the risks involved, most experienced merchants say international sales are worth the additional effort.

Gardening Supply Merchant Closely Manages International Orders

"We've sold internationally since we began our business, in 1998. We've probably shipped to less than 10 different countries, primarily Canada, the U.K., and a few other European countries. We primarily ship by U.S. Postal Service when we ship internationally. Until about two years ago, it was much cheaper to send by the Postal Service, versus UPS or FedEx. Today, that's not necessarily the case anymore. But it's still easier. We don't ship to Vietnam, Nigeria, Indonesia, or any of the other countries that are almost always sources of fraud. I feel sorry for any legitimate people in those countries who try to order over the Internet. An obvious red flag is when you receive a generic sounding email about "your products" that don't even mention a specific item. If the email sounds even slightly suspicious or vague, we just ignore it."

"Our biggest lesson (other than avoiding fraud) has been to not chase every single international order that comes in. There just isn't enough profit for us in many products to bother with all the paperwork and hassle."

Lars Hundley, Founder
CleanAirGardening.com
A Retailer of Lawn and Gardening Supplies

Resources to Learn More

There are many resources to help new and existing online merchants. Perhaps the best suggestion is to search online with relevant terms and phrases, and then investigate the sites that are listed in the search results. Networking, too, is beneficial to many merchants, and we encourage new merchants to contact other merchants for ideas and help. For assistance in locating specific vendors for your ecommerce site, we suggest searching online vendor directories, including the directory at Practicalecommerce.com.

There are, also, other resources to assist merchants. The list below is not all-inclusive, but it should help.

Magazines
> Practicalecommerce.com
> Internetretailer.com
> Btobonline.com
> Multichannelmerchant.com
> Dmnews.com
> Webmarketingtoday.com

General Marketing Tips
> Marketingsherpa.com
> Sethgodin.typepad.com
> Webmarketcentral.com
> ClickZ.com
> Imediaconnection.com
> Marketingvox.com
> Chiefmarketer.com

Search Engine Optimization & Marketing
> Netconcepts.com
> SEO-news.com
> Searchengineland.com
> Searchenginewatch.com
> SEObook.com
> SEOmoz.org
> Marketingpilgrim.com
> Payperclickuniverse.com
> Payperclickanalyst.com

Reporting and Monitoring
> Google.com/analytics
> Digitalpoint.com/tools/keywords
> Urltrends.com