

E-COMMERCE - SELLING ON THE WEB

A large and rapidly growing number of businesses and individuals do their product research and vendor selection on the Web even though they pick up a phone or get into a car when they actually buy. If you aren't on the Web, you may not be considered at all.

Whether or not you make credit card sales on your Web site is another question entirely. It depends on your business model and your customer base. It may be absolutely essential, or it may be a lot more trouble than it's worth.

If you want to establish a "pure play" operation selling only on the Web, be aware that practically everyone doing that on a substantial scale is losing money, lots of money. Some small operations say they are making money, but many of them are working pretty hard to do it.

On the other hand, an e-commerce site could bring in additional income without a whole lot of additional effort for an already established business. It isn't going to be effort free, nor risk free, so proceed with care, but since you have to put up the Web site anyway.

Hazards of Web Selling

Web selling is just a version of catalog selling. The same rules apply and it has the same problems - just more so and it has a few unique problems all its own. It has been estimated that 11% of online transactions involve fraud. That's one in every ten!

- **Competition** : When you offer the same products as your competitors, when you have hundreds of competitors, all only seconds away, when shopping 'bots compare prices from all of them in a matter of seconds, the guy who sets his price too low gets the order. Where's the profit potential here?
- **Advertising Expenses** : Advertising costs have proven to be way higher than expected, much higher than for traditional businesses. In addition, you have to play the Search Engines, because your competitors do.
- **Warehousing and Distribution** : Amazon.com used to boast of having none, but, as they and other industry leaders have found, you really do need all that warehousing and distribution infrastructure and they've had to build it. This gives "brick and mortars" a big advantage when entering e-commerce, they already have that in place.
- **CC FRAUD** : Some e-commerce sites have found they were taking as many fraudulent transactions as good ones and it's put some firms out of business. The risk is all yours. If you get hit by credit card fraud in a "face-to-face" transaction, the bank takes the loss, but if you get hit with credit card fraud in an e-Commerce transaction you take the loss. This is particularly a concern if you deal in goods (computer equipment for example) that are easy to fence. The level of fraud is forcing e-commerce sites to sign up with clearing engines that apply complex rules and tests to detect bad charges. This adds yet another expense.
- **Price Changing** : This fraud has become quite popular, because it's easy to do and many shopping cart programs are vulnerable. On the check out page, the purchaser clicks the "view page source" button, saves the raw HTML to his own computer, modifies the pricing and "publishes" the changed page back. If the shopping cart software accepts the "publish", the purchaser gets a really good deal on your product.

- **Breaking and Entering** : It isn't your merchandise they're after, but your customer information, including credit card information, so they can defraud sites out of their merchandise. Sometimes, though, it's just to vandalize.
- **Turn Around** : Customers often ask the credit card company to reverse the charge because they are unhappy with the product. Not only do you take the loss, but you will be hit with high fees and may need to submit a deposit. If you are in a business that is traditionally high risk for turn around, you will be hit with these fees whether you have a lot or not. The entire porn industry has just been hit in this manner, those with a good record and those with a bad record alike.
- **Returns** : Like a catalog house, you're selling based on descriptions and pictures (unless pictures is what you're selling, or other Web content). You have to be prepared to handle a fairly high percentage of returns.
- **Shipping Costs** : In and out. The biggest cause of abandoned shopping carts is the customer's sudden realization how much the shipping and handling charge is going to be.

SUCCESSFUL SELLING

To succeed in retail e-Commerce, you need an angle, preferably an angle that isn't easy for others to duplicate. Examples where e-Commerce can be successful are:

- Businesses that control the supply of product, eliminating competitors or increasing their cost.
- Businesses that deal in products so obscure nobody else wants to be bothered. For this kind of business, the Web can open a worldwide market.
- Businesses that have specialized knowledge difficult to acquire but necessary to sell the product or for use or enjoyment of the product. This takes careful handling because you can't just place this knowledge on your Website. A competitor will link to your site as his information resource and say "Make your selection here, then come on back to Al's Discount Widgets to get the lowest price!". The round trip takes only seconds.
- Established businesses who operate associated e-Commerce sites as a convenience to customers who already know and trust them.
- Businesses offering immediate gratification through a local presence. For instance, companies with a local delivery service allowing them to deliver your order in a matter of minutes (some of these are already in operation).
- Businesses that have low overhead, deliver nothing but the Web pages themselves or downloaded material and use free or low cost network advertising. The porn industry has this worked out really well.

IMPLEMENTING AN E-COMMERCE WEBSITE

E-Commerce sites are designed and implemented the same way as any other Website, a process explained in our article Building a Commercial WebSite, but involve special considerations.

The top consideration is security. Don't neglect it. Many sites have ended up notifying thousands of customers that their credit card information had been compromised. Not only must you carefully configure the security options in your software (especially for Microsoft products which default to an unsafe state) you must monitor security bulletins for each of the products you use and install patches whenever they are posted.