

BUSINESS OF THE WEB

CPNT-265

ECOMMERCE

GRADING

Activity	Points
Business justification group presentation	40%
Shopping cart system design and implementation	60%

ECOMMERCE CONCEPTS

WHAT IS ECOMMERCE?

- Buying and selling products or services online
 - Web
 - Email
 - Mobile applications
- Products include physical or digital products, or services
- Can involve complex chain of inventory control, warehouses, shipping, receiving, couriers, etc.
- Or can be as simple as online payment and download of digital files.

ECOMMERCE VS EBUSINESS

- Ecommerce is the sales subset of Ebusiness
- Ebusiness covers all aspects of using electronic systems to conduct business
 - Purchasing
 - Receiving
 - Shipping
 - Order processing
 - Customer service
 - Accounting
 - more

BRICK AND MORTAR BUSINESSES

- Existing business starting online sales
- Has physical locations, infrastructure, customer, and supplier relationships

QUESTIONS TO ASK

- Will it improve customer support, or get good publicity?
- Will it bring more customers or sales?
- Does the site support business goals or hurt them?

ONLINE ENTREPRENEUR

- New venture, strictly online
- Doesn't need store-front locations and most infrastructure
- What is needed depends on type of product/service

QUESTIONS TO ASK

- How can we differentiate from competitors?
- How should we handle orders, payments, returns, warranties, service, support?
- Will suppliers be up to the job?
- Is product easy/economical to deliver?
- How will we build it? What size site? What will it cost?

ADVANTAGES OF ECOMMERCE

- Market research indicates that it is needed
- Customers want it!
- Makes businesses more efficient, profitable, etc.
- Makes the customer experience better
- Helps to provide information/support to customers
- Products and services can reach a wider audience

DISADVANTAGES OF ECOMMERCE

- Not all business plans support it
- Products can be too difficult or expensive to ship globally
- Customers may prefer physical interaction with the product when shopping
- Not useful for businesses that are locally focused
- Need the staff, resources, and knowledge to do Ecommerce properly
- Not useful for a customer demographic that isn't online

SITE ESSENTIALS

You can't just open an online store and expect customers to flock to it.

You must have:

- Products and services that customers need and want
- a solid delivery infrastructure
- Order tracking
- Customer service
- Customer loyalty rewards
- Relationship management
- Support (files, technical help, information, etc.)

ECOMMERCE MODELS

- There are 8 basic ecommerce models.
- Many websites combine several models.
- Each of the 8 basic models has unique characteristics that distinguish it from the other models.

BROCHUREWARE SITE

- a marketing site that electronically aids in the buying and selling process
- Sometimes provides additional information to support customers
 - online documentation
 - software downloads
 - FAQ
- Generates revenue indirectly by creating awareness of the business' products and services
- Transactions occur offline.

ONLINE STORE

- A website where customers can buy products or services.
- Customers browse an online catalog
- You can add products to an online shopping cart
- Checkout process
 - Payment processing
 - Inventory update
 - Shipping notification
 - Capture customer information

SUBSCRIPTION SITE

- Targets a specific niche market that places a value on expert information, service, or a digital product delivered in a timely manner.
 - Technical newsletters
 - Access to research information
 - Graphics
 - Music
 - Computer game downloads, etc.
 - Removing ads
- Selling for a monthly fee, an annual subscription, or a small per transaction fee
- An account login is important

ADVERTISING SITE

- Content-heavy site that gets revenue from banners, sponsorships, ads, and other advertising methods.
- Traffic to the site is the measure of its value.
- Very few sites can be supported entirely through advertising dollars.
- Google and Facebook use an advertising model

ONLINE MALL

- Simple and easy way to sell products/services online, especially when you're starting out
- Offers turnkey solutions for store creation, payment processing, and site management.
- Handle the marketing and all the technical requirements
- Etsy, for example.

BUSINESS-TO-BUSINESS

- Built to serve other businesses
- Selling directly to other businesses (wholesale operations)
- Integrating systems with vendors/suppliers for automated ordering

AUCTION SITES

- Person offers an item for sale and potential buyers bid on the item.
- Bidder willing to pay the highest price for the item wins.
- Can create your own auction site or use another to build a business
- If you use an established auction site, they provide the site infrastructure, reputation tracking, notifications, etc.

BLOGGING

- Provides a news/editorial service to draw in customers
- May be integrated with other models as a "value added" service
- May have advertising revenue

DESIGNING YOUR ECOMMERCE WEBSITE

ECOMMERCE DETAILS

- We've already covered designing websites, but lets talk about features needed for ecommerce
 - Domain Name
 - Digital Certificates
 - Merchant Account

DOMAIN NAME

- Catchy easy-to-remember name that makes people remember your business
- Make sure it's actually available
- Register your domain

DOMAIN NAME REGISTRY

- Governed by Internet Corporation for Assigned Names and Numbers (ICANN)
- Registration conducted by registrars for an annual fee (1 to 10 years at a time)
- For business use, choose a .com domain but also register the other top-level domains
 - Prevents competitors or disreputable parties from hijacking your company name

DIGITAL CERTIFICATES

- AKA SSL certificates
- the key to providing customer transaction security
- Obtain a digital certificate from a "Certificate Authority"

SSL

- Secure Socket Layer
- Standardizes the way web browsers and web servers communicate with each other using encrypted data
- Digital certificate is used to authenticate the server and initiate the encryption process
- You can get certificates through your web hosting or obtain one directly through a certification authority
- Must be installed on your server
- Options include Verisign (paid) and Let's Encrypt (free)

MERCHANT ACCOUNT

- Allows you to process a credit card
- A business account at a financial institution that functions as a clearing account for credit card transactions.
- Transfers money to business bank account
- May involve physical credit-card readers (Point-of-Sale – POS) and/or online payment gateway

Examples:

- Mastercard
- Moneris Solutions
- TD Canada Trust

ONLINE MERCHANT ACCOUNT

Requires:

- Application for account
- Proof of the establishment of your company
- Setup fee
- Transaction fees (depends on volume)
- Monthly and possibly annual fees

Paypal offers some services that avoid the need for a merchant account as they are accepting the CC payment (however, you need a PayPal Business account instead)

ONLINE MERCHANT ACCOUNT

Issues to watch for

- Authorization fees
- Transaction fees
- Monthly fees
- Annual fees
- Equipment rental fees
- Chargeback or Bill Backs
 - Customer cancels credit card transaction
 - Customer claims goods or service not provided
 - Merchant account provider takes money back from vendor
 - Six months in U.S., 3 months in Canada

ECOMMERCE SOLUTIONS

ECOMMERCE SOLUTIONS PACKAGES

- Ecommerce Solutions Packages provide the "shopping cart" functionality
- Options:
 - Ecommerce Solution Packages purchased for site development
 - Can be expensive!
 - Can use open-source packages
 - Can use Content Management Systems with plugins
 - ASP (Application Service Provider) tools for site development
 - Shopify, Etsy
 - Monthly fee + per transaction fee (varies according to store size and features)

EXAMPLES

- Shopify - online platform
- Magento - open-source
- Yo!Kart - specifically designed for startups and small and medium-sized businesses. Specializes in multi-vendor stores.
- BigCommerce - best for large or fast-growing businesses
- Opencart
- Prestashop
- Squarespace Commerce
- WooCommerce on WordPress

HOW TO SELECT THE RIGHT ONE

Evaluate:

- How easy is it to set up?
- Will the software integrate easily with your existing software?
- Is scalability limited to what is offered by the hosting service or can you integrate new software products?
- How are orders processed?
- Is the software difficult to administer?
- Can it import product data from a database?
- How thorough and responsive is the documentation and support?
- Will your website operator have limited technical knowledge?

OTHER THINGS TO CONSIDER

- Can I use my domain name?
- What type of credit card processing is offered and is there an additional charge for this service?
- Am I required to host ads and/or other types of branding?
- What is free and what do I have to pay for? Read the fine print and get down to specifics or you might find yourself with an unpleasant surprise at the end of the month.
- How will they help drive traffic to your site?
- Does the service offer special promotional features?

CHOOSING HOSTING FOR YOUR ECOMMERCE BUSINESS

HOSTING MODELS

- Sub-domain - okay for development, but usually not for a commercial site
- Dedicated web hosting
 - Shared-server/dedicated server
 - Highly scalable
 - Servers may be located in another country
- Free web hosting (yeah, no....)

TYPES OF HOSTING ACCOUNTS

- **Virtual** - lets you run your website as if you had your own in-house web server but with the advantage of the web-hosting service's pipeline to the Internet
- **Your Own Server**
 - Business buys, installs, and maintains own server
 - Need dedicated tech support staff, secure location, internet access, etc.
- **Co-location**
 - Server is stored at a co-location site
 - Offloads costs of having to build own facility
 - You put your own computers in the server cabinet and service them yourself by obtaining access to the hosting facilities. This arrangement usually includes, for a fee, some kind of limited maintenance and back-up service.

ACTIVITY: ASSIGNMENT 1

- Work in teams
- Develop and present a business justification for using E-Commerce for a small business
- Select a small business that might benefit from E-Commerce
- Put together a short presentation to show us the plan tomorrow morning

(More details in Assignment 1 on Brightspace)