

dti

**ACHIEVING BEST PRACTICE
IN YOUR BUSINESS**

Building an
e-commerce website





The DTI drives our ambition of 'prosperity for all' by working to create the best environment for business success in the UK. We help people and companies become more productive by promoting enterprise, innovation and creativity.

We champion UK business at home and abroad. We invest heavily in world-class science and technology. We protect the rights of working people and consumers. And we stand up for fair and open markets in the UK, Europe and the world.

Achieving best practice in your business is a key theme within DTI's approach to business support solutions, providing ideas and insights into how you can improve performance across your business. By showing what works in other businesses, we can help you see what can help you, and then support you in implementation. This brochure focuses on these solutions.

E-commerce is about using the internet to buy and sell goods and services online.

British consumers now spend over £1 billion a month online – six per cent of all UK retail sales¹. And, last year, half of all UK firms bought goods and services online, spending £23 billion in the process².

Obviously these figures do not tell the whole story – some industries have been quicker to adopt e-commerce than others and some firms have benefited more than others. What is certain, though, is that e-commerce represents a real opportunity for businesses to find new markets and serve existing customers more efficiently.

This brochure is for: Any business that could benefit from creating an e-commerce website in order to buy and sell goods online.

It covers: How to decide whether an e-commerce website is right for your business, what options are available and how to build one.

¹DTI, December 2002

²Office of National Statistics, August 2002 – figure excludes companies in the financial sector.

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An e-commerce website offers enormous potential benefits to businesses, whatever their size. The benefits include:

- **Access to a global market** – the internet allows businesses access to a huge market of potential customers worldwide.
- **Cutting out the middleman** – businesses can sell directly to end-users.
- **A level playing field** – a small business can show itself to be as professional and credible as its larger competitors.
- **24-hour business** – with a website that accepts payments online, you are always open for business to customers even if your office is closed.
- **Greater customer satisfaction** – an e-commerce website can be a powerful tool for building customer loyalty. A well-designed website puts the customer in charge of the relationship – they can buy, browse, ask for help or track the progress of their order when they want.
- **Reduced marketing costs** – word of mouth can be incredibly powerful on the web through e-mail recommendations and search engine ratings. You can achieve a great deal through organic growth by treating customers well, keeping them informed about your activities and benchmarking yourself against competitors.
- **Better customer information** – giving online customers passwords to your site saves them having to re-enter their details every time they shop. But it also gives you information about buying habits to refine your marketing, pricing and purchasing strategies.
- **Streamlined business processes** – increasingly companies are integrating their business processes. Orders come in to their website, card details are processed, goods dispatched and stock re-ordered seamlessly, dramatically reducing the cost of each sale.

The benefits



Express Cleaning Supplies' founders recognised the opportunity for the company to sell its products online and compete with its larger rivals. After being the first UK company of its kind to set up an e-commerce site, the internet has become a fundamental part of the business. Express Cleaning Supplies now works with firms across the globe, including countries such as Hong Kong, Portugal, Cyprus and Spain.

The options

The basic requirements for an e-commerce site are not onerous and many companies will be able to run pilot schemes without significant investment. However, a strategic approach is essential. If you launch a website that disappoints your customers or, conversely, is overwhelmed by traffic, you risk damaging your reputation and losing sales. You have three options when building a site:

- basic
- intermediate
- sophisticated.

BASIC

Facilities

- At the most simple level, all you need for an e-commerce website is a computer, internet access, e-mail, a website and hosting services.
 - You will be able to handle a small range of products – with photos, descriptions and prices – and accept online orders.
-

COSTS

- DIY – using web authoring software like FrontPage or Dreamweaver, you can build the electronic equivalent of a mail order form for nothing. Customers e-mail their order and payment details to you, you process these details offline like a normal credit card payment and then e-mail confirmation to them.
 - If you already have a website, you can get software to add e-commerce functionality. Companies like Shopfitter.com and qghost.com offer this free in return for a cut of future transactions, typically £1 on transactions above £10.
-

PROS

- Low cost.
 - Simple to set up.
 - Fine for a small range of products.
-

CONS

- Design and functionality will look slightly limited.
- Payment information will be e-mailed to you – this can worry some customers concerned about security as most e-mail does not use protective encryption.

INTERMEDIATE

Facilities

- These will vary from package to package, but you can expect catalogue management, enhanced order processing, encryption for secure ordering, and a broader range of design templates.
 - Others will offer a degree of back-end systems integration, ie they will connect to your product database and accounts systems streamlining the order process and keeping the website up-to-date. This software should be more straightforward to use.
-

COSTS

- Something like Actinic and EROL will offer all of the above features for around £600.
 - If you have a broadband connection, you will be able to receive orders in real time and update your website automatically. Broadband costs from around £30 a month upwards.
 - Some ISPs, like Claranet and Business Serve, offer a web hosting and software package all-in-one from about £1,000.
-

PROS

- Full e-commerce and payments functionality.
 - Professional-looking design.
 - Value-added features like account information, customer references and mechanisms to alert customers when goods are available.
-

CONS

- Products such as technical equipment that require sophisticated options or user configuration may be too complex for this type of off-the-shelf system.

SOPHISTICATED

Facilities

The range of options is huge and limited only by your budget and your ability to maintain the site.

- On the site itself, you could have a product configurator allowing users to specify their exact needs.
 - Intelligent cross-selling features can select and promote related products.
 - Personalised pages can recognise previous visitors and display content, like product news, that they are most interested in.
 - Back-end systems can be integrated to trigger order confirmations, and to automatically dispatch goods and replenish stocks.
-

COSTS

- At this level of sophistication, you will certainly need professional assistance from a development company to scope your technical requirements and build a website that integrates your existing systems.
 - You may also want the services of a professional design agency.
 - To custom design and build a sophisticated e-commerce website will cost well over £10,000.
-

PROS

- Cutting-edge design and functionality.
 - Site can be built to integrate with your existing systems.
 - Provides a rich, interactive shopping experience for your customers.
-

CONS

- Takes longer to create than buying off-the-shelf.
- Bespoke software can lock you into one service provider.
- Cost can be prohibitive for smaller businesses.

FULFILMENT

Taking orders and payments online is just the first step. You have got to have a fulfilment process that means you can dispatch and deliver goods or services in a reasonable time. There is a danger of being overwhelmed if your site attracts a large number of orders before you are geared up for them.

It is essential to test your site and processes thoroughly. Start with a soft launch – perhaps just to existing customers – and see how the website beds down before you begin to give it stronger marketing support.

SECURITY

It is still a relatively common myth that the web is insecure. In fact, with the use of encryption technology, virus scanning software and a 'firewall', e-commerce transactions can be much more secure than offline ones. For example, your customers are more likely to have money stolen from their credit cards in a restaurant than on the internet. Half the battle here is creating confidence. If you have a professional-looking website, explain your security precautions, and consult with larger customer prior to launching your site, customers will respond positively.

For more information on security, visit www.dti.gov.uk/bestpractice/infosec

Issues to

Building an e-commerce site isn't simply a matter of getting the right technology. There are a number of other important issues that you need to consider before you begin selling online.

REGULATION

If you are selling online, there are a number of pieces of legislation and regulation that you need to be familiar with. These include:

- **The Data Protection Act** – which governs how you use and store customer information.
- **The EU's Distance Selling Directive** – which covers cooling off periods, returns and the information you must display on your site.
- **The Electronic Communications Act** – which sets out how the government is reforming the law to support e-commerce.

Another major consideration is that, if you are selling overseas, you will be subject to other countries' regulatory regimes.

PAYMENT OPTIONS

Most goods bought on the internet are paid for by credit or debit card. There are several methods for accepting card payments – each with different set-up costs, pricing structures and technology requirements. The two most common are:

- Getting an Internet Merchant Service (IMS) from a bank, to let you accept credit and debit card payments, and a Payment Service Provider (PSP), which is a piece of software that collects card numbers and passes them to your bank.
- Using a Payment Bureau. These bureaux, like WorldPay or Netbanx, collect and process card details for you without the need for an IMS or a PSP.

For more details on electronic payments, visit www.electronic-payments.co.uk where you'll find a comparison tool to help you choose the most appropriate method for your business.

consider



DIRECT NAVIGATION

- The best way of generating web traffic is also the cheapest to implement – simply make sure you include your web address on all printed material: business cards, letters, flyers, newsletters and posters – and even on your company's commercial vehicles.
- If you have chosen a simple web address (also known as a URL), it will also make it easier for people to remember from television and radio adverts or personal recommendations.
- If you operate exclusively in the UK, choose a .co.uk address. If you trade abroad, you might want to consider a .com address as well. To make it easy for someone to find your website, avoid hyphens or other punctuation in your web address.

WEB REFERRALS

Over a fifth of web visits come from web referrals. There are number of ways you can generate these:

- Include your web address as a standard part of all e-mail footers.
- E-mail marketing/targeted electronic newsletters and offers to customers can be very effective. If the offer is interesting, it is also very easy for people to pass the e-mail on to colleagues.
- Online advertising – the use of banner and pop-up adverts on other websites to drive people to yours is a contentious issue. Response rates tend to be very

low, however the amount of money spent on them continues to increase. If you are considering paying for online advertising, it is essential to have a clear idea of your objectives and to take advice from an agency on the best way to reach your audience.

- Reciprocal marketing – this involves finding sites with complementary content and agreeing to have links or banners to each other's sites, such as your trade association.

SEARCH ENGINES

- While search engines are far outstripped by direct referrals, they can still prove useful for attracting customers if you are in a very price sensitive market or you provide a niche product.
- Over 90% of all referrals to e-commerce sites come from the four largest search engines: Google, Yahoo, MSN and AOL¹. Competition for a high ranking on these sites is intense because only 10% of web users look beyond the second page of results².
- Different search engines rank websites in different ways – some by a site's popularity, some by relevance and some by quality. Many also offer the option of paying for a place on the first page.

¹CyberAtlas, November 2002

²WebSide Story, June 2002

Promoting your

Once you have your website up and running, you need to promote it effectively. There are three main ways that people arrive at websites: direct navigation; web referrals; and search engines.



website



Swotbooks

A sophisticated e-commerce website has enabled Swotbooks to offer excellent customer service and make huge savings on stock management.

Swotbooks sells academic textbooks to students online at discounted prices. Whilst other online booksellers had proved successful and students were receptive to e-commerce, campus bookshops still accounted for most sales of textbooks. Swotbooks realised that e-commerce would enable them to sell cheaper than campus stores, while specialising in academic books would give an edge over the larger online booksellers.

Selling online enables Swotbooks to strip away all but its core functions and focus on offering value-added customer service, whilst electronic links to suppliers provide the cost savings to undercut competitors. As David Taylor, Chairman and Founder of Swotbooks, says: "We don't physically touch any books, so we don't have any costs associated with holding stock or hiring premises."

The company and its suppliers have access to each other's systems and have automated a huge amount of the stock ordering and payment processes. "Our connections are completely online," says David. "We send orders through electronically every 15 minutes, 24 hours a day, 7 days a week. The wholesaler then locates the book, packages it and sends it direct to the customer."

If Swotbooks was a bricks and mortar bookstore, it would only be able to stock about 200,000 titles. Its ingenious business model allows it to offer over 1.2m titles in the UK alone, without having to store or package a single book.

The company is also able to manage customer service far more efficiently than other bookstores. By automating all manual tasks and ensuring that an order can be progressed electronically, it has been able to migrate staff towards customer-focused roles.



Rock+Run

In a competitive market, Rock+Run is using web technology to change its business model, cut overheads and increase margins.

Rock+Run sells specialist equipment to mountaineering enthusiasts through a shop in Cumbria and a website. Originally, the company had a second retail outlet, but with its website producing impressive sales and lower overheads, it took an important strategic decision: to integrate its online and offline operations and grow the business through web sales.

Customers who buy online are offered e-mail updates; prices in a choice of currencies; trackable orders; and next day delivery at a time of their choice. Each product is also displayed next to links to climbing discussion sites so browsers can seek unbiased advice from other climbers. This attention to detail has helped create a loyal customer base and dramatically reduced the number of customer service enquiries.

As Rock+Run was started by a mountaineer, it has real insight into its customers habits and behaviour. Using this knowledge, it has forged links with other mountaineering businesses and enthusiast sites. Each partner hosts banner ads directing users to the other sites, ensuring that traffic is pushed around the network of sites. "We have a niche market, and we know how to find our customers," says Andy Hyslop, Director of Rock+Run.

Because the internet operation has far lower overheads than a bricks and mortar shop, and can be promoted more cheaply, Rock+Run makes profits of 10% on online orders – impressive for a retailer.

Web sales are now valued at £350,000, which represents a 50% increase on the previous year and a larger volume of sales than the retail outlet. In fact, a third of Rock+Run's business now comes in via the website.



Troubleshooting

Not all businesses have found their sites to be as successful as hoped. Sometimes this is due to underlying strategic problems. However, because web users are impatient and have high expectations, minor easily-repaired flaws can often be enough to scupper a sale.

TIPS FOR A SUCCESSFUL E-COMMERCE SITE

- **Your contact details** – phone numbers, e-mail and postal addresses (or a prominent link to them) should be on the homepage.
- Ensure you put **current, accurate information** on your website – especially when it comes to prices.
- **Navigation needs to be clear** – this doesn't necessarily mean that you have to reorganise your whole site; sometimes renaming pages can be enough.
- **Conduct some user testing** – ask a group of people to find and buy a product, and get their feedback on how easy it was to do.
- **Make sure text is easy to read** – web users rarely read whole pages. So write more simply than you would in print publications. Break text up with headings and bullet points. Remember also that English is a second language for millions of potential customers.
- **Registration puts some users off** – it is best used in the purchase process or in return for something people might value, like exclusive content. In these circumstances, users don't mind giving out personal information because they can see what they get in return.
- Make your **checkout procedure** as quick and simple as possible – between 60-75% of shopping carts are abandoned. One of the main causes is slow or unclear checkout procedures. A simple remedy is to have some text about the buying process explaining how long it will take and how many stages there are.
- **Download times are key** – users expect pages to load in less than eight seconds. If your site is slow due to sheer weight of numbers, you have little choice but to upgrade it. However, if it is slow due to the size of individual pages, you can speed it up by removing large images, graphics or animation from key pages like the homepage.
- Regularly check **internal links** on your site. If they don't work, or a page has been removed, it reflects very poorly on your site.
- **Users like links to other sites** – but there is a balance to be struck, if there are too many links, you risk sending customers away from your website.
- **Give people a reason to return** – news, product launches or a promotion keeps your site looking fresh and encourages repeat visits.
- **Benchmark your site** – check the functionality and performance of your sites, against your competitors but also against the biggest names on the web. Amazon and eBay, for example, are praised for their innovation and ease of use, while the BBC site is renowned for its presentation of information.

Implementation checklist

- ✓ This checklist will help you implement an e-commerce website in your business. To keep track of your progress, tick off each area as you work through it.

RESEARCH & ANALYSE

SET TARGETS

- Set goals for your e-commerce website: for example, to bring in new business or cut the cost of each sale.
- Agree specific, measurable objectives for what you want to achieve, such as a percentage increase in sales or new customers.

COST-BENEFIT ANALYSIS

- Compare the costs of an e-commerce site, like design, software and maintenance, with benefits like improved sales, greater order handling capacity and global representation.

CONSULT

If you lack the skills in-house, contact your Business Link advisor (or equivalent in Scotland, Wales or Northern Ireland) in the first instance, for help on how best to:

- outline your requirements
- establish how much you can afford to pay
- scope the project
- advise on implementation
- provide training and software support
- design your website.

PLAN & TEST

EVALUATE OPTIONS

There are three broad approaches to consider:

- Basic** – using simple software you can create your own site – but will it have sufficient functionality for your and your customer’s needs?
- Intermediate** – you can buy an off-the-shelf package from many providers that will give you a professional looking site with online payments advance functionality. But you need to be sure that your product lends itself to the generic purchasing and checkout procedures of these solutions.
- Sophisticated** – using a software company you can build a bespoke site to match your needs. The costs can be high and you need to be sure that they are justified by the increased flexibility and functionality of this approach.

PLAN THE ROLLOUT PHASE

- Will you have a soft launch to existing customers?
- How will you market the site?
- Look at training implications:
 - Will staff need to be shown how to update the site?
 - Who will handle customer orders and queries?
 - Decide which staff will require training and allow time for them to adjust to the new system.

ACT

IMPLEMENT YOUR E-COMMERCE WEBSITE

- Roll out any necessary training.
- Encourage staff involvement and feedback, this will help smooth implementation, as staff buy-in can make or break a technology project.
- Consider setting up a cross-departmental taskforce to manage the implementation process – it will help with staff buy-in and ensure that implementation works company-wide.
- Launch the site:
 - Encourage existing customers to use it.
 - Make sure you promote the web address (URL) and make the site easy to find on search engines.

EVALUATE

- Monitor and review the impact on your business and against your objectives.
- Continue to benchmark your site against competitors and market leaders.
- Get feedback from staff, customers and suppliers on the changes.
- Evaluate the impact after six months and one year. Have you achieved your objectives? Establish how you could improve things further.

Further help and advice

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ACHIEVING BEST PRACTICE IN YOUR BUSINESS

To access free information and publications on best practice:

- Visit our website at www.dti.gov.uk/bestpractice
- Call the DTI Publications Orderline on 0870 150 2500 or visit www.dti.gov.uk/publications

SUPPORT TO IMPLEMENT BEST BUSINESS PRACTICE

To get help bringing best practice to your business, contact Business Link – the national business advice service. Backed by the DTI, Business Link is an easy-to-use business support and information service, which can put you in touch with one of its network of experienced business advisors.

- Visit the Business Link website at www.businesslink.gov.uk
- Call Business Link on 0845 600 9 006.

BASIC SOLUTIONS

- www.microsoft.com/frontpage
the website for Microsoft's FrontPage software.
- www.dreamweaver.com/software/dreamweaver
the website for Macromedia's Dreamweaver software.
- www.Shopfitter.com
an e-commerce web hosting company.
- www.qhost.com
also an e-commerce web hosting company.

INTERMEDIATE SOLUTIONS

- www.actinic.com
sells e-commerce packages.
- www.erol.co.uk
also provides e-commerce packages.
- www.claranet.co.uk
provides e-commerce hosting packages.
- www.businessserve.co.uk
also provides e-commerce hosting packages.

SOPHISTICATED SOLUTIONS

- www.4-ecomm.com
provides bespoke e-commerce solutions.
- www.networthsolutions.co.uk
provides bespoke e-commerce solutions.
- www.coastdigital.co.uk
provides bespoke e-commerce solutions as well as design, marketing, multimedia and hosting solutions.
- www.dynamicwebs.co.uk
provides bespoke e-commerce solutions as well as design, marketing, multimedia and hosting solutions.

PAYMENT OPTIONS

- www.electronic-payments.co.uk
a DTI-Scottish Enterprise site that sets out your options and includes a price comparison tool.

LEGISLATION

- www.dataprotection.gov.uk/principi.htm
the principles of data protection, as set down in the Data Protection Act.
- www.dti.gov.uk/industries/ecomunications/regulation.html
details of the Electronic Communications Act.
- www.oft.gov.uk/Business/Legal+Powers/distance+selling+regs+enforcement.htm
guidance on the Distance Selling Directive from the Office of Fair Trading.

Examples of products and companies included in this leaflet do not in any way imply endorsement or recommendation by DTI. Bear in mind that prices quoted are indicative at the time it was published.

GENERAL BUSINESS ADVICE

You can also get a range of general business advice from the following organisations:

England

- Call Business Link on 0845 600 9 006
- Visit the website at www.businesslink.gov.uk

Scotland

- Call Business Gateway on 0845 609 6611
- Visit the website at www.bgateway.com

Wales

- Call Business Eye/Llygad Busnes on 08457 96 97 98
- Visit the website at www.busesseye.org.uk

Northern Ireland

- Call Invest Northern Ireland on 028 9023 9090
- Visit the website at www.investni.com

