

# So You Want To Sell Online

A guide to online selling and E-commerce

Head Office: 9 Perclo Place, Te Rapa, Hamilton

**[www.websiteangels.co.nz](http://www.websiteangels.co.nz)**

all prices quoted exclude GST

When you picked up this document, you may have wondered why it is so big. There can't be that much to think about, can there?

In considering selling online, like setting up any business, you are going to invest **many thousands of dollars** and many hours and days of your life in creating it. We want you to be aware of the work involved.

E-commerce takes many forms, from a simple one product buy now button to a full-blown online shop linked to your till and accounting package.

The purpose of this document is to stimulate thought into some areas of e-commerce you may not have considered. It is based on our years of working with clients, helping them to cover all aspects of setting up and running online shops.

By the time you finish reading this, you will have more questions than when you started, but we hope that it helps you to think fully about the work involved before you commit resources to your venture.

Owning an online shop is harder work than a bricks and mortar premises. You need to have the passion to drive the business in the same way as you would in the real world but the difference online is that you are competing with everybody else who does what you do online.

We are more than happy to help you with your plan set up an online shop, we believe in sharing the information we have learned so that you don't make fundamental mistakes with your planning that others have made.

**We are here to help you through the minefield.**



## What is your Why?

Understanding your why is the cornerstone of the future success or failure of your online shop.

- Why do you want to set up this particular online shop?
- What is the passion that is driving you to invest time, money, effort and your soul into selling stuff via the Internet?

Please write your 'Why' here:

## Target market

Very few shops sell to everyone, so unless you are going to open an online supermarket, you need to define who your target market it is.

Who are you selling to?  
(hint – 'Everyone' is not the right answer)

Where do they live?

What are their buying habits?

How are you going to market yourself to them?

Understanding your customers and their potential buying habits and stimulants are essential.



## Unique Selling Proposition - USP

Why you?

- What makes you different from your competition?
- Do you have a unique product?
- Are you selling something that people cannot buy elsewhere?

Your unique selling proposition is the thing that makes you stand out from the crowd. Offering great service and fast delivery is not unique. In the world of online selling, you do need to stand out from the crowd.

We have worked in the past with customers who are setting up sites to sell things that people can buy from 100 other websites. Unless you can compete on the lowest price, this is

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not a very sensible strategy, as there are other people queuing up to go out of business selling things cheaply.

## Competitor research

It is essential if you are planning to sell online that before you spend a single cent planning, building or buying your website that you do extensive research on your competitors. In military terms "Know your enemy". You need to get a thorough understanding of the marketplace you are about to enter. For example, you know where you are going to be buying your stock from, by looking at their websites you can work out their profit margin. You can then use this in your calculations of how much your website could potentially earn you.

When you enter the marketplace how will they react to your competition? Get their company information, work out what they may be making regarding money.

Just a side note about the crystal ball fallacy of spreadsheet cash flows. Banks love them, accountants will help you create them, but they are not worth the screen time they take up. Be very careful not to be over-optimistic about your potential sales. You need to work out your break-even figure; this is the absolute minimum you need for the enterprise to be self-sustaining, with no thought of any profit at that point, but include the cost of the time you are going to need to put in. Too many times I have had customers come and see me, and they have deluded themselves as to the potential sales they will get online.

Understanding your competitors is essential throughout the life of your business. Subscribe to their newsletters, make test purchases to see how they deal with customers, in short, see who you are competing with and understand them.

Many people over the years have said that there is too much competition to research effectively, so they use this as an excuse not to do any and carry on blindly with their idea. The fact that there are many competitors is both a good and bad thing. Good, because it shows a market for the goods and bad as it shows you are in for a fight.

Identifying your main competitors is very, very simple. Go to Google and search for what you want to sell online? Whichever companies are actively using Google AdWords and those in the top 10 spots in the search results are YOUR COMPETITORS.

So, don't make excuses because you are enjoying the activity of thinking about having an online shop, do your homework to make sure you have a potential business.

Now you have looked at your competitors you need to work out how you are going to disrupt the market place to make a name for yourself and generate sales – you have to be a disruptive influence if you are going to change people's buying habits.

## The Real Work of an Online Shop Keeper

The following section is an introduction to the areas you must consider and evaluate before you commit to your venture. We hope this will help you understand the workload you will be committing to with your online shop. The subjects are in no particular order as each has importance in the whole.

### Product range

What are you going to sell? The fundamental question. Have you considered the breadth and depth of the range of products that you intend to offer to your customers? Are you aiming at a specific niche market place, i.e. selling fashionable clothes to very tall people, or is your product range general?

### Continuity of supply

If you are not manufacturing your products to sell online, how reliable will your supplier be? Do you intend to sell the same product ranges for the next two or three years and if so, can you guarantee continuity of supply from your suppliers? If you are manufacturing your products to sell online, do you have the capacity to supply your current real-world customer base and the potential for online sales?

### Website content

The success of your online shop lies very squarely with the quality of the content you put into it. It must engage the potential customer and lead them effectively through the sales process.

You need to consider if you are capable of writing the text that will describe the product, how you operate your shop, and other aspects of your business, or if you need to get a professional writer to help you with this.

Perhaps the single most important aspect of the content of your website is the images. It is a proven fact by many, many researchers that people do not read the text on the website as

much as simply look at the pictures. You need to ensure you have high quality, well lit, well-presented images for your products, and other aspects of the website.

While on the subject of images, we have had instances in the past where shop owners believe they can just help themselves to any images online that relate to the product they are selling. This is not the case. If you do this, you will probably be breaking copyright law and stand a chance of being sued.



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Your supplier may provide you with high-quality professional photography for products, or you will have to do your images yourself. Simply taking images off the Internet breaches copyright law and you are legally liable to prosecution (I know we already said that, but it is a crucial point to hammer home). The other aspect of this is that people will steal your photography and use it to sell products in their shops, which after you've gone to all the effort of taking those images and preparing them for the website can make you quite angry and reach for your lawyer.

The same applies to text. Again, you simply cannot just go on to any website selling the same product that you're selling and copy their text. Your supplier or the manufacturer of your products may have this information available, and they don't mind you using that to sell their product. Do not take other people's text from their website and use it on your own.

One of the main falsehoods that people believe about the Internet is that because an image or some text is published on the website you can simply use it however you wish. This is not true. Protecting the intellectual property that your text and images represented on your website are important. We have had incidences where our clients have seen other people steal images and text and used them on competitive websites. Be very careful.

## Shipping costs

One of the main stumbling blocks that we have seen with clients over the last 16 years is they do not think about how they are going to get the goods to their customers. It is imperative that you understand and have a plan for shipping the product. The shipping costs and companies you will be using are a fundamental part of how your online shop will work. Do you sell products that require special shipping? Are your products going to be considered hazardous items by couriers? Do you have any restrictions in the areas of sale, i.e. geographically? All these aspects and more need to be considered when looking at your shipping costs.



The simplest way to consider shipping is based on the weight of the item you are selling. It may be that you have different rates for different parts of the country, but weight based shipping is by far the most hassle free way of processing orders. Different courier companies offer a variety of different rates. We recommend investigating one that will give you the optimum service, or research the ones that offer the best prices based on your criteria. You can have several companies help you with your shipping; you do not have to stick to just one.

This doesn't mean the cheapest; this means the one that will fit into the way you wish to run your shop. Do you need collection at a certain time? Do your goods need special handling equipment to load on to the vehicle? Are you going to be offering special deliveries that a customer can choose when ordering? What about Saturday and Sunday delivery, are these important?

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There are many aspects of shipping that need to be considered in the planning stage of your website; it doesn't mean that things can't be changed once the site is built. However, if you do a plan of a typical sale from when the person orders the product online through to when the customers get it into their hands and fill in all blanks in between the two, you will have a good idea of how the shipping will work.

## **Packaging costs**

You will need to protect your products during transit. You need to work out how much packaging materials are going to cost you. You then have three options; firstly decide if you are going to build these packaging costs into the products price, add them as a fee at the end of the shopping process, or absorb them and not mention them at all, knowing that they are a cost of doing business.

## **Payment options – getting paid**

It might seem obvious that the reason you have an online shop is for you to get paid for your goods. However, there are at least three main ways of this happening Bank Transfer, Purchase Order and Credit Card. Our shopping cart checkout system offers all three as standard.

## **Bank transfer**

The first is by using a bank transfer system. In this system, once a purchase is complete, the buyer is automatically sent your bank account details and the amount of money they need to deposit. This is the simplest form of e-commerce. However, it does allow the buyer to change their mind because they have to do a second action of transferring money. If they decide not to complete the transfer, there is very little you can do about that. The advantage of a bank transfer payment is that there are no credit card fees as the money is going to be put straight into your bank. A disadvantage is a delay in getting paid (and shipping goods).

## **Purchase order**

If you are selling to customers who already have trade accounts with you, i.e. you already offer them credit that is normally settled on a 20th of the month account, you can use a purchase order system in your shop. This allows the customer to order and when they get to the checkout, they enter their purchase order number into the system. This kind of system can be very handy if you are dealing with people you trust and who you know will pay the bill, it allows them to order without having to have the hassle of finding the credit card or doing a direct bank transfer for each transaction. If you intend to deal with government organisations, schools or hospitals then they may insist on you having a purchase order system for your online shop.

## Credit cards

Payment by credit card online is the norm. There is a wide range of payment providers that you can choose from. However, there are some dominant companies that offer great service and are easy to deal with; we have detailed these later in this section.

Most online shops do not process the credit cards of the customers themselves. The two main reasons for this are firstly the cost of writing a payment system into an online shop is prohibitive for small retailers, and secondly, there are security issues about processing credit card numbers on a local server. For this reason, most online shops have what is known as a payment gateway to process credit cards.



A payment gateway is a third party website that has been set up to process credit card payments, securely and safely.

In its simplest explanation, the way your website interacts with a payment gateway is once the person finishes shopping on your site, they are redirected to the payment gateway, the credit card payment is processed, and then the client is returned to your website.

What is happening from a technical point of view is that when the client is taken to the payment gateway the amount of money that they need to be charged is also sent. The credit card is processed on the secure site of the gateway, and then when the client is returned to your website a signal is sent from the gateway to your website informing it that the payment has been made and it is okay to proceed with the sale.

Using a payment gateway means that you never know, or store, the credit card details of your clients. This is why they are secure and trusted for processing credit card transactions.

## Payment gateway providers

These companies provide secure off-site systems that allow your customers to pay for their purchases from your site. There are two principle providers used by New Zealand businesses. Website Angels has integrated their systems into our Content Management System, which means there are no additional fees to be paid to Website Angels to use these facilities as part of your site.



## PayPal

PayPal has been a trusted online payment provider internationally for more than 20 years. They offer a simple to set up, quick and effective service. You can set up a PayPal account and be accepting credit card payments on your website within about four minutes. The drawback to PayPal is that their fees are slightly higher than the fees of DPS featured below, but they are only slightly higher.



There is a point at which the number of sales and the fees you're paying to the credit card companies means that DPS will offer better value, but if you wish to set your site up and sell quickly, PayPal is ideal. You can use PayPal temporarily while you are applying for your DPS account.

## DPS – Payment Express

This is the most used payment gateway in New Zealand. Almost every online shop you use will use DPS. To have an account and use it online, you will need to talk to your bank about setting up an online merchant account, and then DPS about setting up an online trading account with them.



DPS charge a monthly management fee and a transaction fee which is a combination of a percentage of the sale and a small fixed amount. It takes approximately four weeks to process the paperwork to your bank, and then DPS, so this does need to be done in advance.

Another aspect that DPS can cover is the processing of bank transfer payments in their system. This means just like a credit card, the customer is prompted to log into their bank through the DPS system, and the online transfer from bank account to a bank account is conducted within their system. This reduces the number of people who back out of the sale using the traditional bank transfer process.

## Card providers fees and comparisons

Generally, with New Zealand based web shops, two credit card providers are used. These are DPS Payment Express and PayPal.

Website Angels has integrated both of these systems into our shop content management system. This means if you chose to use one of these providers there will be no extra charges from W3 to add these into your site. Your bank and the service provider may charge fees, but you will need to work this out with them.

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## DPS fees as of April 2018

Establishment Fee - once only (Westpac Fee once only)	\$150.00
Establishment Fee - once only (Direct Payment Solutions only)	\$125.00
Administration Fee - monthly	\$ 25.00
Transaction Fee	\$ 0.20c
Transaction Service Fee (%)	2.8% <15k 2.5% >15k
Minimum Monthly Service Fee	\$20.00

The fees are calculated monthly – there may also be fees charged by your bank in addition to these, you need to check.

## Paypal fees as of April 2018

(costs have been converted from USD)

Set Up Fee	\$0
Transaction Fee	\$ 0.45c
Transaction Service Fee	2.9%

The fees are calculated per transaction – When transferring money from PayPal, you must transfer USD 150 from PayPal to your account to avoid additional fees. There may also be fees charged by your bank in addition to these; you need to check.

## Fee comparison

As detailed above, both providers have pros and cons with regards to their services. The point at which it becomes cheaper regarding fees to use DPS over PayPal is around \$4400 per month of transactions. This chart has been produced using an assumed average order value of \$50.

Total Purchases	Total Costs PayPal	% PP	Total DPS	% DPS
\$ 100.00	\$ 3.80	3.80%	\$ 47.80	47.80%
\$ 500.00	\$ 19.00	3.80%	\$ 59.00	11.80%
\$ 1,000.00	\$ 38.00	3.80%	\$ 73.00	7.30%
\$ 2,000.00	\$ 76.00	3.80%	\$ 101.00	5.05%
\$ 3,000.00	\$ 114.00	3.80%	\$ 129.00	4.30%
\$ 4,000.00	\$ 152.00	3.80%	\$ 157.00	3.93%
\$ 5,000.00	\$ 194.50	3.80%	\$ 185.00	3.70%
\$10,000.00	\$ 380.00	3.80%	\$ 345.00	3.45%
\$15,000.00	\$ 570.00	3.80%	\$ 460.00	3.07%
\$20,000.00	\$ 760.00	3.80%	\$ 605.00	3.03%

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This chart is for guidance only. It is based on historical credit card information and estimated sales. **You must do your calculation based on your transactional value and volume of sales.** Website Angels Limited is not a credit card provider. This sheet is for information and guidance only.

As with shipping costs, the lowest fee payment provider is not necessarily the right one to use. Each has pros and cons, and you need to work out which is best for your business and how you want to run it.

## Current stock control and point of sale systems

You may already run a bricks and mortar shop and have a point-of-sale system that keeps track of your inventory and helps you with reordering stock. It is possible to link most of these systems directly to the website so that the system keeps the website up-to-date with pricing and stock availability. As with all things, some systems are easier (cheaper) to integrate than others, and some have restricted access to their databases so much that you can only use their online shopping system to run your online shop. What this means is they charge quite a high fee per month for using this facility.

Many point-of-sale systems that do allow exporting of data to the website are limited to a part number, price, product, title and stock. This means that you will have to put the images of the product and what is known as the marketing text about the product into the website manually the first time a product is added to your shop. The implication of this is that when you are setting up your shop there is a bit of work to be done to put this information in, but once it is in place, you will only have to add this information to new products in the future.



Please call us to discuss your system. We do have a great deal of experience working with third party systems but need to understand what you want to help you effectively.

## Other aspects to consider

Running an online shop is no different from a bricks and mortar operation. You still need to service the customer and send them their products, deal with complaints and manage your staff if you have them

## Stock control

Do you intend or need to have live stock control on your website? This means every time an item is sold the stock available online diminishes until it reaches zero and then the product is no longer available for purchase.

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If you have products that have limited availability, or your supplier is not as reliable as you may like, you might wish to consider using the stock control to prevent you selling things you do not have. The one thing about online shopping is that people expect fast delivery, just like going into a real world shop, buying and walking out with the goods. So if you know that this may be an issue you might consider only selling the items you have in stock and letting the website control what is shown online via the stock level.

Also, if you have a real world outlet, it is often wise to set the online stock level to be one or two items lower than the real world stock. This means that if, when you are closed, if someone comes online and buys, and then the next morning you open your shop and someone walks in to buy the same items you are unlikely to disappoint anybody.

## Accounts and invoices

Most online shopping systems are not accounting systems. This seems obvious however you will need to track your transactions online within your business accounts. You need to consider whether the volume of sales you expect will take a large amount of time to manually enter into your accounts package, or whether an integrated option (which we can offer for Xero users) that puts sales directly into your accounts package is needed.

## Terms of trade

Many shops and businesses do not have terms of trade. However, terms of trade are your way of protecting yourself from your customers. They are the base contract by which you do business with your customer.

Many people think that they can simply copy the terms of trade from another website or a competitor's website, change the names and addresses on them and this will do. Again, as with taking text or images from another website - this is a breach of copyright.



This does not mean that you should not read other companies terms of trade to see the areas they cover and use this research as a guide when you write your own, it just means you shouldn't steal them whole from another website.

When you do write your terms of trade, get them checked out by a lawyer (or written by your lawyer) to make sure they are legal. Reminder, your terms of trade are there to protect you from your customers and their spurious, malicious, and often false claims that you haven't provided the goods or services you say you're going to do. If a dispute goes to court or disputes tribunal, having written terms of trade will help you to defend yourself.

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## Warranties and guarantees

Under the consumer protection legislation, you have statutory responsibilities to provide certain warranties and guarantees. However, you can choose to extend these as a marketing method. Please research these, so you know your obligations. You may also choose to offer additional protection to your clients in the form of a warranty or guarantee, again like terms of trade these need to be written on the website so that the client knows what they can claim for and you know if a claim is legitimate.

## Human resources

Who is going to do the work? Who is going to write the content for your website? Who is going to keep the stock levels and the product information current? Who is going to process the orders when they arrive? Who is going to ship orders out? Who is going to contact the supplier to reorder as needed?

You need to have a plan of who is going to do what to make your Why happen.

Planning the administrative workload of the transactions on your online shop before you start selling can prevent misunderstandings and other problems occurring later on down the line. It can also allow you to plan if you will need extra staff at certain points when you reach certain levels and volumes of transactions to build this into your cash flow to ensure profitability.

## Holidays!

The Internet is on all the time; your shop is open all the time. However, you are not at work all the time.

You need to plan evenings and weekends, and how you are going to take holidays. Just like running a real-world business you cannot always be available.



## **Last words**

We are often contacted by people who want to sell online but have not fully thought through the process and what is involved as they have never had an online shop. Some think it is easy. It isn't!

The purpose of this document was to allow you to understand more aspects of your website that perhaps you have not considered. It is part of the transparent nature of the way that we conduct business that we freely give this information to potential clients to ensure that they have a greater understanding of what is involved in building an effective website before they start. This document is never complete, it is always revised and fine-tuned, so if we have missed something, please let us know.

**We have built our reputation by offering practical, cost-effective and easy-to-use websites that help our clients to grow stronger businesses.**

We have completed well over 100 online shops. Their failure or success is a result of the effort, thought and planning put in by the shop owner. We are here to help, Website Angels and Website Angels have a small, close-knit team who have a passion for what they do. This passion is reflected in the work we produce for our customers.