

E-Tailer.com - Everything a Retailer Needs to Know About E-Commerce, But Is Afraid to Ask

The North San Antonio Chamber of Commerce Retail Seminar Series

A Presentation by Jack Landman - [JMAN5](#)

April 13, 2000 AMC Theaters Huebner Oaks

Opening Thoughts for Overview

- **There is no universally accepted definition for e-commerce**
- **To one person it means doing a monetary transaction with a credit card while shopping at a website on the internet**
- **To another, it simply means having a web site that augments usual business and generates a reasonable number of 800 number phone calls and/or email requests for product information.**
- **To General Motors and Dell Computers e-commerce means an entire array of electronic means to deal with customers, vendors, dealers, stockholders and employees.**
- **To others it means B2B - business-to-business, meaning purchase orders, inventory control and automatic manufacturing runs**

[Link to Peter Cohan Interview - Cybercity, April 8, 2000](#)

[Click to order his book](#)

Merriam-Webster's Collegiate Dictionary defines **commerce as follows:**

com.merce n [MF, fr. L commercium, fr. com- + merc-, merx merchandise] (1537) 1: social intercourse: interchange of ideas, opinions, or sentiments 2: the exchange or buying and selling of commodities on a large scale involving transportation from place to place 3: sexual intercourse

Excluding #3 for the moment, **commerce is, quite simply, the exchange of goods and services, usually for money.**

The Different Roles in Commerce

- Buyers - these are people with money who want to purchase a good or service.
- Sellers - these are the people who offer goods and services to buyers. Sellers are generally recognized in two different forms: **retailers** who sell directly to consumers and **wholesalers** or **distributors** who sell to retailers and other businesses.
- Producers - these are the people who create the products and services that sellers offer to buyers. A producer is always, by necessity, a seller as well. The producer sells the products produced to wholesalers, retailers or directly to the consumer.

The Details of Commerce boil down to a finite number of steps.

The following list highlights all of the elements of a typical commerce activity. In this case, the activity is the sale of some product by a retailer to a customer:

1. If you would like to sell something to a customer, at the very core of the matter is the something itself. You must have a **product or service** to offer. The product can be anything from ball bearings to back rubs. You may get your products directly from a producer, or you might go through a distributor to get them, or you may produce the products yourself.
2. You must also have a **place** from which to sell your products. Place can sometimes be very ephemeral - for example a phone number might be the place. If you are a customer in need of a back rub, if you call "Judy's Backrubs, Inc." on the telephone to order a back rub, and if Judy shows up at your office to give you a backrub, then the phone number is the place where you purchased this service. For most physical products we tend to think of the place as a store or shop of some sort. But if you think about it a bit more you realize that the place for any traditional mail order company is the combination of an ad or a catalog and a phone number or a mail box.
3. You need to figure out a way to get people to come to your place. This process is known as **marketing**, (largely by astute and continuous search engine enlistments and enhancements for the small business). If no one knows that your place exists, you will never sell anything. Locating your place in a busy shopping center is one way to get traffic. Sending out a mail order catalog is another. There is also advertising, word of mouth and even the guy in a chicken suit who stands by the road waving at passing cars!
4. You need a way to **accept orders**. At Wal-mart this is handled by the check out line. In a mail order company the orders come in by mail or phone and are processed by employees of the company.
5. You also need a way to **accept money**. If you are at Wal-mart you know that you can use cash, check or credit cards to pay for products. Business-to-business transactions often use purchase orders. Many businesses do not require you to pay for the product or service at the time of delivery, and some products and services are delivered continuously (water, power, phone and pagers are like this). That gets into the whole area of billing and collections.
6. You need a way to deliver the product or service, often known as **fulfillment**. At a store like Wal-mart fulfillment is automatic. The customer picks up the item of desire, pays for it and walks out the door. In mail-order businesses the item is packaged and mailed. Large items must be loaded onto trucks or trains and shipped.

7. Sometimes customers do not like what they buy, so you need a way to **accept returns**. You may or may not charge certain fees for returns, and you may or may not require the customer to get authorization before returning anything.
8. Sometimes a product breaks, so you need a way to honor **warranty claims**. For retailers this part of the transaction is often handled by the producer
9. Many products today are so complicated that they require **customer service** and **technical support** departments to help customers use them. Computers are a good example of this sort of product. On-going products like cell phone service may also require on-going customer service because customers want to change the service they receive over time. Traditional items (for example, a head of lettuce), generally require less support than modern electronic items

You find all of these elements in any traditional mail order company. Whether the company is selling books, consumer products, information in the form of reports and papers, or services, all of these elements come into play.

In an e-commerce sales channel you find all of these elements as well, but they change slightly.

You must have the following elements to conduct e-commerce:

- A **product**
- A **place** to sell the product - in the e-commerce case a web site displays the products in some way and acts as the place
- A way to **get people** to come to your web site
- A way to accept **orders** - normally an on-line form of some sort
- A way to accept **money** - normally a merchant account handling credit card payments. This piece requires a secure ordering page and a connection to a bank. Or you may use more traditional billing techniques either on-line or through the mail.
- A **fulfillment** facility to ship products to customers (often outsource-able). In the case of software and information, however, fulfillment can occur over the Web through a file download mechanism.
- A way to accept **returns**
- A way to handle **warranty** claims if necessary
- A way to provide **customer service** (often through email, on-line forms, on-line knowledge bases and FAQs, etc.)

In addition, there is often a strong desire to integrate other business functions or practices into the e-commerce offering. An extremely simple example -- you might want to be able to show the customer the exact **status of an order**.

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How a Big Guy uses E-commerce - Dell

- What if the sales conducted over the web cost the company less (for example, because the company does not have to hire someone to answer the phone)? Or what if people purchasing over the web tend to purchase more accessories? If the transaction cost on the web is lower, or if the presentation of merchandise on the web is more inviting and encourages larger transactions, then moving to the web is

productive

- What if, in the process of selling merchandise over the Web, Dell lost no sales through its traditional phone channel? That is, what if there just happens to be a percentage of the population that prefers to buy things over the Web (perhaps because there is more time to think, or because you can try lots of different options to see what happens to the final price, or because you can compare multiple vendors easily, or whatever). In building its web site to attract these buyers, Dell may be able to lure away customers from other vendors who do not offer such a service. This gives Dell a competitive advantage that lets it increase its market share.
- There is also a widely held belief that once a customer starts working with a vendor, it is much easier to keep that customer than it is to bring in new customers. So if you can build brand loyalty for a web site early, it gives you an advantage over other vendors who try to enter the market later.

These three trends are the main drivers behind the e-commerce buzz at the big corporation level.

The Lure of E-commerce

The following list summarizes what might be called the "lure of e-commerce":

- Lower transaction costs - if an e-commerce site is implemented well, the web can significantly lower both order-taking costs up front and customer service costs after the sale by automating processes.
- Larger purchases per transaction - Amazon offers a feature that no normal store offers. When you read the description of a book, you also can see "what other people who ordered this book also purchased". That is, you can see the related books that people are actually buying. Because of features like these it is common for people to buy more books than they might buy at a normal bookstore.
- Integration into the business cycle - A Web site that is well-integrated into the business cycle can offer customers more information than previously available. For example, if Dell tracks each computer through the manufacturing and shipping process, customers can see exactly where their order is at any time. This is what FedEx did when they introduced on-line package tracking - FedEx made far more information available to the customer.
- People can shop in different ways. Traditional mail order companies introduced the concept of shopping from home in your pajamas, and e-commerce offers this same luxury. New features that web sites offer include:
 - The ability to build an order over several days
 - The ability to configure products and see actual prices
 - The ability to easily build complicated custom orders
 - The ability to compare prices between multiple vendors easily
 - The ability to search large catalogs easily
- Larger catalogs - A company can build a catalog on the web that would never fit in an ordinary mailbox. For example, Amazon sells 3,000,000 books. Imagine trying to fit all of the information available in Amazon's database into a paper catalog!
- Improved customer interactions - With automated tools it is possible to interact with a customer in richer ways at virtually no cost. For example, the customer might get an email when the order is confirmed, when the order is shipped and after the order arrives. A happy customer is more likely to purchase something else from the company.

Easy and Hard Aspects of E-commerce

The things that are **hard** about e-commerce include:

- **Getting traffic to come** to your web site
- **Getting traffic to return** to your web site a second time
- **Differentiating** yourself from the competition
- **Getting people to buy** something from your web site. Having people look at your site is one thing. Getting them to actually type in their credit card numbers is another.
- **Integrating** an e-commerce web site with existing business data - usually involves office automation and networks.

There are so many web sites, and it is so easy to create a new e-commerce web site, that getting people to look at yours is the biggest problem.

The things that are easy about e-commerce

Especially for small businesses and individuals, include:

- Creating the web site
- Taking the orders
- Accepting payment

UPS and E-commerce

Building an E-commerce Site

The things you need to keep in mind when thinking about building an e-commerce site include:

- **Suppliers** - this is no different from the concern that any normal store or mail order company has. Without good suppliers you cannot offer products.
- **Your price point** - a big part of e-commerce is the fact that price comparisons are extremely easy for the consumer. Your price point is important in a transparent market.
- **Customer relations** - E-commerce offers a variety of different ways to relate to your customer. E-mail, FAQs, knowledge bases, forums, chat rooms... Integrating these features into your e-commerce offering helps you differentiate yourself from the competition.
- **The back end: fulfillment, returns, customer service** - These processes make or break any retail establishment. They define, in a big way, your relationship with your customer.

Implementing an E-commerce Site

Let's say that you would like to create an e-commerce site. There are three general ways to implement the site with all sorts of variations in between. The three general ways are:

- Enterprise computing
- Virtual hosting services
- Simplified e-commerce, These are in order of decreasing flexibility and increasing simplicity.

Enterprise computing means that you purchase hardware and software and hire a staff of developers to create your e-commerce web site. Amazon, Dell and all of the other big players participate in e-commerce at the enterprise level. You might need to consider enterprise computing solutions if:

- You have immensely high traffic - millions of visitors per month
- You have a large database that holds your catalog of products (especially if the catalog is changing constantly)
- You have a complicated sales cycle that requires lots of customized forms, pricing tables, etc.
- You have other business processes already in place and you want your e-commerce offering to integrate into them.

Virtual hosting services give you some of the flexibility of enterprise computing, but what you get depends on the vendor. In general the vendor maintains the equipment and software and sells them in standardized packages. Part of the package includes security, and almost always a merchant account is also an option. Database access is sometimes a part of the package. You provide the web designers and developers to create and maintain your site.

Simplified e-commerce is what **most small businesses and individuals are using to get into e-commerce**. In this option the vendor provides a simplified system for creating your store. The system usually involves a set of forms that you fill out online. The vendor's software then generates all of the web pages for the store for you.

- [Easy Cart](#)
- [Americart](#)
- [Authorize.net](#)

[Marshall Brain's Incredible - "How Stuff Works" - One of the the world's great web sites.](#)

How Some Local Businesses Use E-commerce

You Are Here Maps

<http://urheremaps.com>

The Pill Box

<http://thepillbox.com>

[UPS Tracking](#)

Teftec Mobility

<http://teftec.com>

[search terms](#) for teftec

Arthritis Central

<http://arthritiscentral>

Measuring Results

Search Engines and Directories

The Lifblood of a Cohesive Information Infrastructure

The Cosmic Electronic Ultimate Yellow Pages

There is Yahoo and there is everybody else

[Danny Sullivan's Search Engine Watch - Search Engine Reviews Chart](#)

Behind the Scenes - Inktomi

Hot New Guys - All the Web and Google

Submitting to The Majors

- http://www.ussc.alltheweb.com/add_url.php3
- <http://www.altavista.com/cgi-bin/query?pg=addurl>
- <http://search.aol.com/add.adp>
- http://www.excite.com/info/add_url
- <http://www.go.com/AddUrl?&pg=SubmitUrl.html>
- <http://www.google.com/addurl.html>
- <http://hotbot.lycos.com/addurl.asp>
- <http://express.looksmart.com/?iUS&chan=looksmart>
- <http://www.lycos.com/addasite.html>
- http://magellan.excite.com/info/add_url/
- <http://search.msn.com/addurl.asp>
- <http://home.netscape.com/escapes/search/addsite.html?cp=nsistatic>
- http://www.northernlight.com/docs/regurl_help.html
- <http://dmoz.org/add.html>
- <http://home.snap.com/>
- http://www.webcrawler.com/info/add_url/
- <http://help.yahoo.com/help/url/>

General List

<http://www.searchiq.com/directory/generallist.htm>

Connectivity?

DSL? Cable Modem? ISDN? T1?

"Houston, we have a problem."

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