

# Create an online shop in United Kingdom

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## Contents

Introduction.....	2
Benefits of selling online .....	2
A basic online shop .....	3
The information security management standard .....	4
An intermediate online shop .....	5
A sophisticated online shop .....	6
Planning your online shop .....	7
Formation of online contracts.....	8
Essential terms of a contract.....	9
The law and selling online .....	10
Helping customers find your website.....	11
Avoid online pitfalls .....	12
Target the right people .....	13
Here's how an online shop helped my business.....	14
Security weaknesses .....	16
Here's how I used email marketing effectively.....	17
Summary: Make the most of your IT and e-commerce .....	19

## Introduction

Selling products and services online can have major advantages for businesses, leading to increased profitability and lower costs.

In this paper I will try to explain the advantages of selling online, what you need to consider when creating an online shop and the consequences of getting it wrong. If you choose to work with a third party to build your online shop, this guide will help ensure you ask them the right questions.

My paper also explains some legal requirements and the pitfalls that you should be aware of, as well as how to make sure that customers can find your shop on the web.

## Benefits of selling online

Selling online has a number of advantages over selling by conventional methods, including:

- Making savings in set-up and operational costs. You don't need to rent high street premises, pay shop assistants or answer a lot of pre-sales queries.
- Reducing order processing costs - customer orders can automatically come straight into your orders database from the website.
- Reaching a global audience, thereby increasing sales opportunities.
- Competing with larger businesses by being able to open 24 hours a day, seven days a week.
- Being able to receive payment more quickly from online transactions.
- Attracting customers who would not normally have investigated your type of high street outlet.

- Improving your offerings using the data gathered by tracking customer purchases.
- Using your online shop as a catalogue for existing customers.

Online selling will work best if you have:

- well-defined products or services that can be sold without human involvement in the sales process
- fixed prices for all types of potential customers
- products or services that can be delivered within a predictable lead time

Many businesses can run pilot e-commerce sites without significant investment. However, creating a fully automated online shop tailored to meet your precise requirements could be expensive.

Whatever form of online shop you choose, it's important to take a strategic view. If you launch a website that disappoints your customers or is overwhelmed by traffic, you risk damaging your reputation and losing sales.

### A basic online shop

The requirements for building a basic online shop are fairly straightforward. A simple setup allows you to sell a small range of products, providing photos, descriptions and prices as well as accept orders online.

The equipment and facilities you'll need include a computer, internet access, email, a website and hosting services. Using a broadband connection as opposed to dial-up will ensure fast connection to the internet. However, the 'always-on' connection means you may be susceptible to unauthorised access. Having a firewall will prevent this occurring. A firewall is sometimes included as part of your operating system.

You will also need a **hosting package** for your shop. There are many e-commerce web-hosting specialists and it's worth shopping around for the best deal. While this service is not necessarily expensive, you tend to get what you pay for. It's important to study the service level agreement and the type of technical support on offer. You should be looking for round-the-clock support.

Most customers shopping online will want to pay by debit or credit card. You can create electronic mail-order forms, using one of the various web authoring software packages on the market.

These order forms let customers email their orders to be processed offline. If you already have a website, software can add e-commerce functionality. Some companies offer this free, on the condition that they receive a cut of future transactions.

A basic site is low cost and easy to create for a limited product range. However, be aware that the design and functionality may be restricted and it may be less secure than other more sophisticated options.

If you want to accept card payments online, you will need to invest in a more sophisticated online shop.

## The information security management standard

ISO/IEC 27001 is a standard based on years of practical security experience in real businesses. The main objective of the standard is to help establish and maintain an effective information management system. The standard covers all the main security issues from a manager's viewpoint, and goes into significant depth in explaining good practice.

The standard is divided into ten main sections, each of which is key to maintaining security. These are:

- **Security Policy** - what an information security policy is, what it should cover and why your business should have one
- **Organisational Security** - how information security should be managed in a business
- **Asset Classification and Control** - eg information itself, computers, software and even services are all valuable and need to be managed and accounted for
- **Personnel Security** - eg training, responsibilities, vetting procedures, and how staff respond to security incidents
- **Physical and Environmental Security** - eg protection of equipment and information from physical harm, keeping key locations secure as well as physical control of access to information and equipment

- **Communications and Operations Management** - appropriate management and secure operation of information processing facilities during day-to-day activities, especially computer networks
- **Access Control** - to information and systems on the basis of business and security needs, specifically concerned with controlling who can do what with your information resources
- **System Development and Maintenance** - some businesses develop their own software, and if you intend to do this, you will need to consider the design and maintenance of systems so that they are secure and maintain information integrity
- **Business Continuity Management** - ie the maintenance of essential business activities during adverse conditions, from coping with major disasters to minor local issues
- **Compliance** with relevant national and international laws

### An intermediate online shop

To create an **intermediate level online shop** you will need an e-commerce package. Facilities vary, but broadly you can expect catalogue management, enhanced order processing and a broader range of design templates.

Crucially, you can also expect encryption for secure ordering. Making sure checkout procedures are secure and user friendly are essential if customers are going to feel confident about ordering a product or service. Many people will abandon purchases at the checkout stage if the process is not quick and easy. Using Secure Socket Layer technology to collect card details (denoted by the 'golden padlock' symbol in your browser's status bar) is key to encouraging online sales.

Some e-commerce packages offer a degree of **back end systems integration**, ie they connect to your product database and accounts systems, streamlining the order process and keeping the website up to date. If you update your site content regularly, you will encourage customers to come back to you rather than switch to a competitor.

If you use a broadband connection, you can also receive orders in real time and update your website automatically. Be aware that some internet service providers offer **combined web hosting and software packages**, so it's worth doing some research.

An intermediate-level site can provide you with a professional looking design, full e-commerce and payment functionality and value-added features, eg account information, customer references and customer alerts. However, you should be aware that it may not suit you if you wish to offer more complex products and services.

### **A sophisticated online shop**

A sophisticated online shop offers a huge range of options, including cutting-edge design and functionality, personalised pages and product news. As such, it can provide your customers with a rich, interactive shopping experience.

However, customers should not have to navigate their way past distracting graphics and animations. If they do not find it quick and easy to buy your products and services, they will shop elsewhere. It's important not to ask for personal details too soon - most customers will not be prepared to fill in forms until they are ready to buy.

Having a sophisticated online shop can also make the running of the business smoother. Software can be integrated to trigger order confirmations and automatically dispatch goods and replenish stocks.

You should be aware that you may need the help of a design and development company to define your technical requirements and integrate the website with your existing systems. This could take longer to create, lock you into one service provider and be very expensive.

Alternatively you may want to look at free, open source shopping cart software packages such as Zen Cart, OXID eShop Community Edition, osCommerce, OpenCart and PrestaShop. These programs enable you to set up a sophisticated e-commerce website that has a wide range of options, features and support - even if you have only basic computer skills.

## Planning your online shop

Before building your website, you must create the right processes and procedures to support it and put in place the resources to deal with orders.

You need to work out how to:

- deliver your products or services to fulfil customer orders
- collect payments
- maintain security and demonstrate this to the customer
- let customers contact you
- comply with relevant regulations

You'll need to **deliver** goods or services in a reasonable time. You should be ready to deal with calls, emails and queries about delivery - consider whether you need extra staff. Find delivery methods that keep charges low.

Test your website and processes thoroughly. A soft launch allows you to test it before giving it stronger marketing support.

Customers may be wary of **paying online**. Reassure them by providing a secure area on your website for placing orders and giving debit and credit card details. This can prevent late payment problems and helps to safeguard your cashflow.

You may also wish to offer other payment methods such as invoicing, or paying card over the telephone.

With the use of encryption technology, virus-scanning software and a 'firewall', e-commerce transactions can be as secure as offline ones. It's important to create confidence in your shop. A professional-looking website with an explanation of your **security precautions** will help.

Consider how to:

- handle debit and credit card details safely
- ensure key online information cannot be defaced or altered fraudulently
- preserve the confidentiality of customer data

Customers should be provided with contact details in case something goes wrong including:

- your business name, address, phone and fax numbers
- an email address for enquiries or orders
- the name of the person to contact in the first instance

### Formation of online contracts

If you allow customers to place orders online, you must ensure that the terms and conditions of the contract are set out on the website and can be accessed and downloaded. Even where the website is simply used as an advertising tool, it is still advisable to set out your terms and conditions clearly.

### Are online contracts legally binding?

Contracts that are formed via the internet are legally binding and enforceable providing that the following conditions are satisfied:

- **offer** - one party must contract with the other, eg offer to buy goods
- **acceptance** - the other party must expressly accept the offer
- **intention to create legal relations** - both parties to the contract must intend the contract to be legally binding
- **consideration** - in England and Northern Ireland there should be some consideration being exchanged between the parties, eg money paid for goods

You should note that there is no general requirement for contracts to be in writing or for the parties to actually sign a contract.

### When is the contract formed?

Generally an advertisement on a website will not constitute a formal offer to contract (although care should still be taken when designing an advertisement). A contract would be formed once a customer makes an offer by placing an order and the supplier accepts this offer.

The terms and conditions about when the contract is formed should be clear - for example when the supplier sends back a confirmation email. This will help



to avoid situations where you are unable to meet the customer's expectations for any reason, if commercial circumstances change.

However, automatically generated confirmations of orders can potentially cause confusion about when the contract is formed. So you should ensure that you word them in such a way that they are not legally an acceptance of a customer's offer.

### **Essential terms of a contract**

Any terms and conditions that you use should be tailored to the needs of your business. Generally any contract for goods or services should address:

- the description of goods or services being supplied
- the price and payment structure
- the delivery details, including the time, place and who is responsible for delivery
- the rights of either party to terminate the contract
- limitation of liability provisions
- confidentiality provisions, particularly if the contract is of a sensitive nature
- confirmation of which country's laws apply to the contract

### **Consumer protection legislation**

Consumer protection legislation, including the Unfair Terms and Consumer Contracts Regulations 1999 and the Consumer Protection from Unfair Trading Regulations 2008, extends to cover goods sold over the internet.

Under the Consumer Protection from Unfair Trading Regulations 2008, it is an offence to give consumers misleading price information about goods, services, immovable property, rights and obligations.

### **Limitation of liability clauses**

Clauses limiting one or both parties' liability are usually the most contentious. There are restrictions on the ability of businesses to limit their liability. Generally, clauses limiting liability need to be reasonable in order to be enforceable.

There are stricter rules for businesses dealing with consumers, so that it is more difficult for businesses to impose exclusion of liability clauses.

### **Dealing with consumers and business customers**

For some businesses dealing with both consumers and other business customers, it is usually better to have two sets of terms and conditions - one to use in connection with sales to consumers and the other for dealing with other businesses. Business customers also have similar protections to consumers from misleading advertising under the Business Protection from Misleading Marketing Regulations 2008.

### **The law and selling online**

If you are selling online, there are a number of pieces of legislation you need to be familiar with. These are designed to ensure customers' personal data is kept secure, goods and services meet quality and suitability standards and online contracts are legally binding.

The **Data Protection Act** regulates how you use and protect personal information held about living people, eg in customer records. The Act affects information that you have on computer as well as some paper-based records. To comply with the rules you need to follow the eight data protection principles.

The **Consumer Protection (Distance Selling) Regulations** require you to give your customers specified information before they place an order. You are also required to send the buyer an order confirmation and give them a 'cooling off period' in which they can cancel their purchase if they wish.

The **E-commerce Regulations** are designed to ensure online contracts are legally binding. They specify what information about your business and contract you must share with online customers and sets out guidelines for advertising and promotions.

If your business is a limited company or limited liability partnership (LLP), under the terms of the **Companies Act 2006**, your website must show:

- the full name of the company or LLP
- the registered office address of the company or LLP
- the registered number of the company or LLP
- the place of registration of the company or LLP
- if the company is being wound up
- the VAT number (if VAT registered)
- membership details of any trade or professional association

### Helping customers find your website

For your online shop to be effective, customers must be able to find it easily.

There are a number of things you can do to steer customers towards your website, including:

- Improving your website listing in search engine results.
- Getting your website listed prominently in web directories or through internet advertising.
- Using social media and online communities to engage with your customers build a community around your brand and help improve online visibility for your product or service. If contributing to social media sites remember to link back to your website when appropriate.
- Publicising your site through related websites - many individuals go to sites after seeing a link, an advertisement or a mention on another site.
- Adding your website address to all emails, letterheads, stationery and business vehicles.
- Mailing or emailing your customers with a newsletter.
- Getting into local online business directories, such as those produced by local Chambers of Commerce

When choosing your internet address (URL) or domain name, make it simple and easy to remember.

If you want to build your audience, it is essential you are listed in web directories and search engines. This can be a time-consuming process but you can get your website listed or improve your search ranking by:

- Thinking about how people will look for your site - pick key words and include them in your page title and content. Seek objective feedback.
- Establish reciprocal links - many search engines rank sites according to how many other websites link to them.
- Writing a description of your site and the services it offers and placing it prominently on your home page.

### Avoid online pitfalls

Many e-commerce websites fail because of basic mistakes that are easily rectified.

Customers will be put off by:

- out-of-date or incorrect information
- difficult site navigation and purchasing processes
- poor customer fulfilment and late delivery
- lack of customer support
- lack of business information
- poor visual design

So it is essential to:

- Make sure all information on your website, especially on prices, is up to date.
- Monitor the information you provide on a regular basis.
- Make it easy to find and purchase products.
- Make sure that resources and procedures are in place to support your website. This will ensure that orders can be processed promptly, emails can be responded to quickly and helplines are manned by the appropriate staff at reasonable times.
- Have your website professionally designed.

Remember - when selling through an online shop, you don't normally have any personal contact with your customers, so you need to try harder to find and keep them.

There are further steps you can take to increase the chances of visitors placing an order and to make them **feel more secure about buying from your site**.

These include:

- making your site easy to navigate and user friendly
- giving a 100 per cent no-quibble money-back guarantee if they don't like or want the product
- making sure photographic images on your site are accurate and show products in their best light
- hiring a customer service representative who can give advice on the phone to customers on more complex or expensive products
- making ordering procedures straightforward and quick
- confirming orders immediately by email
- being honest - e.g., telling the customer if you can't deliver on time
- providing a way for customers to track down the progress and availability of their order

## Target the right people

Email marketing is more successful if it focuses on people you know are interested in what you're offering. So for example, if you're running a special offer on computer hardware, it will be more effective if you promote it only to people responsible for buying IT.

People are easily annoyed when they receive an email that's irrelevant to them, and they're likely to delete unsolicited messages - or spam - from your business without reading them. Because spam continues to be a major problem, computer security software can be used to block these emails automatically.

However, an email to an existing customer or contact, who has agreed to receive marketing from you about products or services, may well be valuable to them. Even if they don't buy from you immediately, they may do so in the future.

## **Keeping it relevant**

If you have got a large database of customers and potential customers for your email marketing campaign, it's worth analysing what you know about them, so you can send a more relevant message.

For example, you could send high-spending customers an email about your new loyalty discount. Customers who haven't bought anything from you for six months will be more likely to respond to an update on your products and services, or a special discount to motivate them to make a new purchase.

## **Here's how an online shop helped my business**

Commercial Lamp Supplies, an Exeter-based supplier of light bulbs, lighting and fittings, was enjoying modest success, but owner-manager David Madams wanted to raise sales without embarking on an expensive marketing push. Since launching its online shop, the business has started exporting and boosted turnover by 20 per cent.

### **What I did**

#### **Define how the business will develop**

"Before setting up our online shop we used to sell our products direct to other businesses through catalogues and sales representatives. In order to get the most out of our new sales channel, we drew up a brief covering what we wanted to achieve.

"We decided that raising turnover and opening up new sales channels were the key objectives. But we also wanted the website to help us convert more enquiries into sales. We got so many enquiries by phone and email, which took up a lot of our time to process. We found that we were losing out as we did not have an automated process to capture these potential customers.

"Having identified these areas, the online shop has really helped us to refocus our business plan. Turnover is up by several hundred thousand pounds a year

and we've opened up new sales channels - we got a £70,000 order from South Korea just a week after the site's launch."

### **Integrate business processes**

"Launching the website forced us to review and change how the business operates. Overall, this has benefited the business enormously. By automating our processes, we can track buying habits and use this data to improve our offerings. We've also overhauled our buying patterns, increased our warehousing capability and improved our delivery activities - saving us money. Customer orders now come straight into our database from the website, reducing our processing costs. More importantly, the website has improved our cashflow. Since we've started accepting payments online, we've been receiving them far sooner than before."

### **Use the website to raise the business' profile**

"No matter how good your online shop is, if you don't update it people don't come back. So we've worked hard to ensure the website has a fresh look. By doing this and by using our company name as the URL, [www.commercial-lamps.co.uk](http://www.commercial-lamps.co.uk), we've been able to reach a much wider audience, giving us the ability to increase sales.

"We now sell across the UK and into parts of Europe and Asia. And because our business is effectively open 24 hours a day, seven days a week, we can compete with much larger businesses. In order to maintain this performance, we've registered the website on several search engines, which in turn is generating lots of enquiries."

### **What I'd do differently**

#### **Get full products listing on the website from day one**

"When we launched the website, we didn't put our full product range on the website - we didn't appreciate how big demand would be. This meant we couldn't fulfil all the order requests we were getting on some lines, while the others on the website weren't selling in comparable quantities."

## Security weaknesses

You should put in place measures to protect your systems and data against theft and hackers. There are a variety of ways in which misuse of information and hacker attacks could jeopardise your business, so security must be at the forefront of your e-commerce plans.

Inadequate security could result in the loss of customer confidence or the non-availability of your e-commerce site.

If you already have a merchant account set up, secure socket layer (SSL) technology is used to encrypt transaction data and to send customer and card details to the acquiring bank for authorisation. You should ensure any web hosting solution you consider is capable of supporting the SSL protocol.

### **Hackers gaining access to privileged information**

- Inadequate security controls can enable hackers to gain access to your sensitive business data such as price lists, catalogues and valuable intellectual property. The motives may be malicious or to gain competitive knowledge.
- Hackers may also gain access to the financial information of your business or your customers, with a view to committing fraud.

### **Loss of customer confidence**

- Security breaches can damage the confidence that your customers have in your e-commerce service.
- A lack of customer confidence is potentially fatal to the success of your online venture.

### **Denial-of-service attacks**

- Denial-of-service attacks prevent access to authorised users of a website, so that the site is forced to offer a reduced level of service or



cease operation completely. Some businesses never recover from such attacks.

### **No contingency measures in place**

- There are many possible threats to your e-commerce system, both malicious and natural. Consider the most likely risks and take steps to minimise them, such as virus software, password protection and firewalls.
- Contingency planning puts measures in place that enable your systems to continue operating in a crisis.
- Consider how your own systems would continue to operate in the event of a denial-of-service attack or security breach and the likely effect that this would have on your business.

### **Here's how I used email marketing effectively**

In 1998 Chris Hall, along with Robert Hughes, started his web design business, ICO Solutions. Even though he knew that technology would play a big part in the way the business was run, he never appreciated how powerful email marketing and e-newsletters would be in promoting its services. This has helped ICO Solutions grow significantly and it now employs 14 people.

#### **What I did**

##### **Keep costs down**

"At the outset I looked at all the ways in which we could promote our services. I considered advertising, brochures, newsletters, hiring sales people, building a website, using email, direct mail and PR. I then compared the cost of each and the likely success they'd have. By far the most attractive was using email - it's easy to create and cheap to send. I use some of the other sales methods as well, particularly our website, but email has become the key way in which we promote our services, arrange meetings and keep customers briefed about what's going on.

"When we meet potential customers on a face-to-face basis, we always seek permission for us to email them information about our services. We also direct them to our website where they can review our newsletters and sign-up to receive future issues."

### **Don't spam**

"Over the years I've learnt that there are some common sense rules, as well as legal restrictions, about using email and e-newsletters in the sales process. None of us like our inbox clogged with unsolicited emails. One way to irritate an existing or potential customer is to keep sending emails they don't want. New EU rules seeking to prevent spam have been introduced that cover all marketing messages sent by email, or text, picture or video messages. As a result I always make sure our emails say who they come from and allow people to opt-out from receiving them in the future."

### **Remember existing clients**

"In seeking new sales opportunities it's all too easy to forget existing or past clients. We also use email a lot to keep in touch with people we're currently working with or who we've worked with in the past. Once a month I send a short general update about what we do - particularly highlighting any new products or services we've launched. I find it's a great way of keeping our name in front of people we know and getting more business from existing clients."

### **What I'd do differently**

#### **Think about what is being emailed**

"When I sent my first sales emails I didn't give enough thought to what I was trying to achieve. Now I don't even think about emailing potential customers unless I'm clear in my own mind about what I want to say. First impressions do count and a badly worded email or unclear message can turn people off. Before writing an email I always think about why I'm sending it, what I want to say and what reaction I want. Before pressing send I always review the email and try and put myself in the shoes of the recipient - if I received the email how would I respond? If I feel uncomfortable I re-write it or don't send it."

## Invest in broadband

"Broadband has had a big impact on our business efficiency. If you have a dial-up connection the difference will amaze you. There's no more waiting for dial-up or failed connections, web pages are fast to load, and email messages are sent quicker, even with attachments. I'd recommend broadband to any business that uses the internet or email a lot."

## Summary: Make the most of your IT and e-commerce

To make the most of your IT and e-commerce investment, there are several points you need to observe:

- Focus on the business benefits, not the technology - you may want to make your finance team more productive by eliminating repetitive processes. All you need to know about the hardware and software is whether it will achieve this - its technical specification isn't important.
- Only approve projects when you're confident they support your business objectives - if you're looking to get products to market faster it's worth investing in supply-chain management software. However, if customers are happy with longer lead times there's little benefit to your business.
- Plan to achieve measurable improvements - e.g. if you start an online shop, it's a good idea to set sales targets and monitor their effectiveness.
- Don't leave the planning to your suppliers or consultants - only you know what your business really needs from IT. Suppliers and consultants may have their own interests in mind and suggest you spend more than you need to achieve your goals.
- Recognise the requirement to provide on-going support to your staff to ensure problems are quickly resolved and system performance issues addressed.
- Get your budgeting right - including future expenditure or maintenance, replacement and upgrading. If you have made provision for your IT

systems, you will have the funds when you need to boost your system or take advantage of new technologies.

- Review projects regularly to ensure that the planned benefits are being realised - eg if your finance team are still carrying out repetitive tasks that should have been eliminated, you'll be paying twice, once for the IT and again for the staff costs it was supposed to have replaced.

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