

Entrepreneurship

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Lecture 7

E-commerce and the entrepreneur



Learning Objectives

1

Understand the factors an entrepreneur should consider before launching into e-commerce.

2

Explain the 10 myths of e-commerce and how to avoid falling victim to them.

3

Explain the basic strategies entrepreneurs should follow to achieve success in their e-commerce efforts.

Learning Objectives

4

Learn the techniques of designing a killer Web site.

5

Explain how companies track the results from their Web sites.

6

Describe how e-businesses ensure the privacy and security of the information they collect and store from the Web.

- E-commerce has created a new way of doing business, one that is connecting producers, sellers, and customers via technology in ways that have never been possible before.
- As these companies discover innovative ways to use the Internet, social media, computers, and mobile devices to serve their customers better and to connect with their suppliers, they are creating a new industrial order.
- In short, e-commerce has launched **a revolution**.

The Internet: Changing the Face of Business



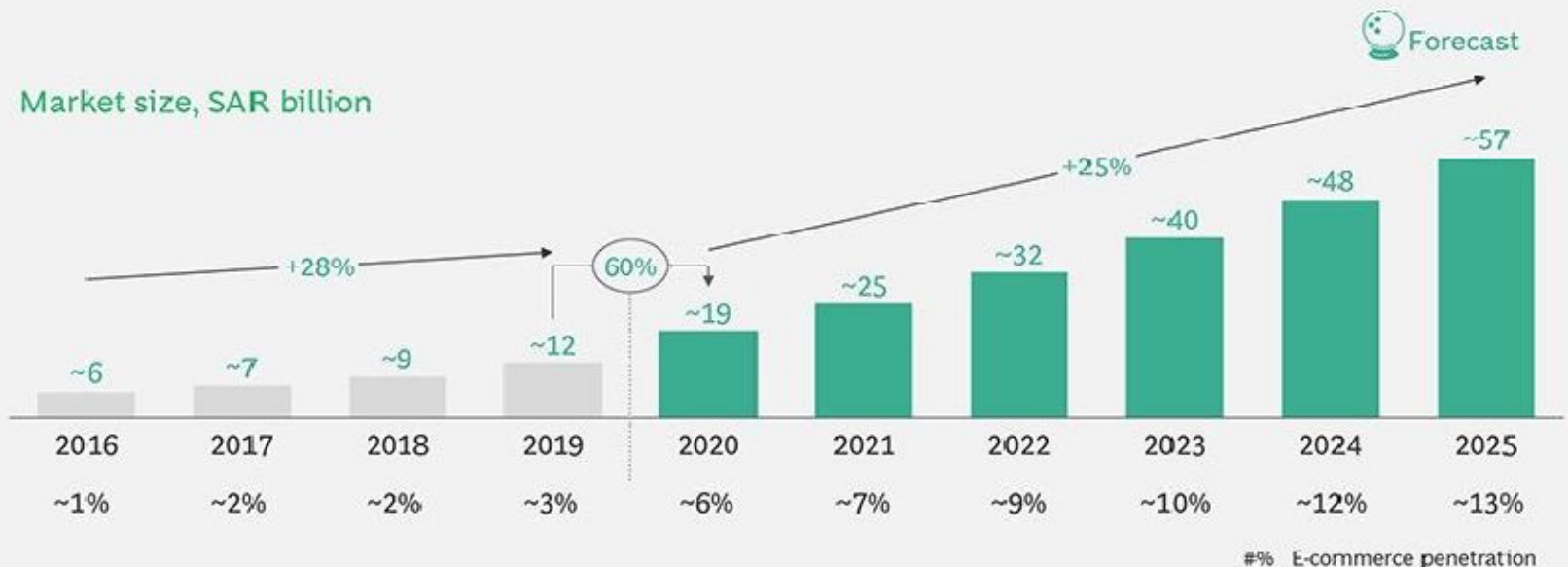
- Successful companies embrace the Internet as a mechanism for transforming their companies and for changing *everything* about the way they do business.
- **Business basics still apply online.**
- In the world of e-commerce, company size matters less than **speed and flexibility.**

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The Internet: Changing the Face of Business

- Saudi Arabia is the 27th largest market for eCommerce with a predicted revenue of US\$11,977.7 million by 2023, placing it ahead of United Arab Emirates. Revenue is expected to show a compound annual growth rate (CAGR 2023-2027) of 13.9%, resulting in 2027.

E-commerce In Saudi Arabia Has Seen Rapid Growth, With A Clear Covid-induced Increase In 2020



Source: Statista, Euromonitor, PRPO; BCG Analysis (data already reflects COVID 19 e-commerce boost)

Benefits of Selling on the Web

- Opportunity to increase revenues and profits
- Ability to expand into global markets
- Ability to remain open 24 hours a day, seven days a week
- Capacity to use the Web's interactive nature to enhance customer service
- Power to educate and inform



- Ability to lower the cost of doing business
- Ability to spot new business opportunities and capitalize on them
- Ability to grow faster
- Power to track sales results
 - ▶ Conversion rate : the percentage of customers to a Web site who actually make a purchase.



1. The way a company exploits the Web's interconnectivity and the opportunities it creates to transform relationships with suppliers, customers, and others is crucial to its success.
2. Web success requires a company to develop a plan for integrating the Web into its overall strategy.



Factors to Consider **Before** Launching into E-Commerce

3. Developing **deep, lasting relationships** with customers takes on even greater importance. Attracting online customers costs money, and companies must be able to retain their online customers to make their Web sites profitable. That means that online companies must give their customers good reasons to keep coming back.
4. Creating a meaningful presence on the Web requires an **ongoing investment of resources** – time, money, energy, and talent.
5. **Measuring** the success of a Web-based sales effort is essential to remaining relevant to customers whose tastes, needs, and preferences constantly change.

1. **Acquiring customers.** The first e-commerce skill that entrepreneurs must master is acquiring customers, which requires them to drive traffic to their Web sites. Entrepreneurs must develop a strategy for using the many available tools, which range from display ads and Google Adwords to social media and search marketing.
2. **Optimizing conversions.** Every online entrepreneur's goal is to convert Web site visitors into paying customers. The efficiency with which an online company achieves this goal plays a significant role in determining its profitability.
3. **Maximizing Web site performance.** Once shoppers find a company's Web site, they should encounter a site that downloads quickly, is easy to navigate, and contains meaningful content they can find quickly and efficiently. A fast, simple checkout process also is essential. Otherwise, shoppers will abandon the site, never to return.

4. **Ensuring a positive user experience** Achieving customer satisfaction online is just as important as it is offline. Visitors who are satisfied with a site are 71% more likely to purchase from the site (and 67 % more likely to purchase in the future) than visitors who are dissatisfied. An above-average bounce rate (the percentage of single- page visits to a Web site) and shopping cart abandonment rate and a conversion rate that is below average are signs that a company's Web site is not providing a positive customer experience.
5. **Retaining customers** Just as in offline stores, customer retention is essential to the success of online businesses. One study reports that increasing customer retention by 2% produces the same financial impact as reducing costs by 10%.
6. **Use Web analytics as part of a cycle of continuous improvement** Entrepreneurs have a multitude of Web analytics tools (many of them free) that they can use to analyze the performance and effectiveness of their Web sites. A Web site is never really “finished”; it is always a work in progress, and analytics tools provide the data for driving continuous improvement.

1. What do you expect a Web site to do for your company?
2. How much can you afford to invest in an e-commerce effort?
3. What rate of return do you expect on that investment?
4. How long can you wait for that return?
5. How well suited are your products and services for selling on the Web?
6. How will the “back office” of your Web site work?

7. How will you handle order fulfillment?
8. What impact will your Web site have on your traditional distribution channels?
9. How will you ensure customer security?
10. How will you handle customer service for the site?
11. How will you promote the site?
12. What information will you collect from visitors to the site?
13. Have you developed a privacy policy?
14. Have you tested your site with live customers?
15. How will you measure success?

10 Myths of E-Commerce

- Myth 1:** If I launch a site, customers will flock to it.
- Myth 2:** Online customers are easy to please.
- Myth 3:** Making money on the Web is easy.
- Myth 4:** Privacy is not an important issue.
- Myth 5:** I don't need a strategy to sell online.
- Myth 6:** The most important part of an e-commerce effort is technology.
- Myth 7:** Customer service is not important.
- Myth 8:** Flashy Web sites are better than simple ones.
- Myth 9:** It's what's up front that counts.
- Myth 10:** Its too late to get on the Web.

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10 Myths of E-Commerce

Myth 1: If I launch a site, customers will flock to it.



10 Myths of E-Commerce

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Promotion Is the Key!

- Include your URL on everything related to your business
- Use social media such as Facebook and You-Tube to drive traffic to your site
- *Network* – build relationships with other companies, customers, trade associations, online directories, and other Web sites to *interact* with customers
- Make your site compatible with mobile devices
- Use QR codes

10 Myths of E-Commerce

Myth 1: If I launch a site, customers will flock to it.

Myth 2: Online customers are easy to please.



Myth 2: Online customers are easy to please.

Experienced online shoppers tend to be unforgiving and quick click to another site if their shopping experience is subpar or they cannot find the products and information they want.

Myth 2: Online customers are easy to please.

To be successful online marketers, small companies must create Web sites with the features that appeal to experienced Web shoppers, such as :

- simple navigation;
- customer reviews;
- an efficient checkout process;
- multiple payment options;
- rock-solid security;
- quick access to product information, videos, and blogs;
- the ability to track their shipments online.
- easy access to customer assistance and support (toll-free telephone number, live chat, click-to-call, live video chat, and texting)

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10 Myths of E-Commerce

- Making money online requires an **up-front investment of time, money, and energy.**
- Success online also requires a sound business strategy that is aimed at the appropriate target audience and that an entrepreneur must implement effectively and efficiently—in other words, the same elements that are required for success offline.
- Many entrepreneurs are earning healthy profits from their Web-based businesses, but doing so requires hard work!

Myth 3: Making money on the Web is easy

Successful e-tailers have discovered that promoting their Web sites enhances their reputations for online customer service. This can be done using:

- Social media
- by providing comprehensive FAQ (frequently asked questions) pages,
- e-mail order confirmations and shipment notices,
- highly visible telephone and e-mail contact information followed by quick responses

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Myth 4: Privacy Online

(continued)

- Tracking tools monitor customers' behavior while they are on a site, giving Internet-based businesses the information, they need to make their Web sites more customer friendly.
- Many sites also offer visitors “freebies” in exchange for information about themselves. Companies then use this information to learn more about their target customers and how to market to them more effectively.
- Pew Internet Report: If online companies were able to alleviate customers' online privacy and security issues, the percentage of online buyers would increase from 66% to 73%.
- A key component of a successful e-commerce effort, especially for small companies that tend to be less well known, is **building trust among customers**.



Myth 5: I don't need a strategy

- An online strategy is critical to success
- Define the target audience
- Understand customers' needs and wants
- Create a strategy to set your site apart from others



Myth 6: The most important part of an e-commerce effort is technology.

- Technology advances have reduced significantly the cost of launching an e-commerce business.
- As important as having the right technology to support an e-commerce business is, **it is *not* the most crucial ingredient in the recipe for success.**
- Understand the underlying business then use technology to develop an online business model that provides customer value in a profitable way.
- The key is seeing the Web for what it really is: another way to reach and serve customers with an effective business model and to minimize the cost of doing business.



Myth 6: The most important part of an e-commerce effort is technology.

“Start with the business and ask yourself what you want to happen and how you’ll measure it. *Then* ask how the technology will help you achieve your goals. Remember: Business first, technology second.”

Kip Martin,

program director of META

Group’s Electronic Business Strategies

Myth 7: Customer service is not important

Study results show that:

- Customers say convenience is more important than getting the lowest prices when shopping online
- 22% of online shoppers expect higher levels of customer service than they do offline.
- The average conversion rate for e-commerce sites is just 3.2%!
- 75% of Web shoppers abandon their shopping carts without checking out.
- Companies that send retargeted e-mails generate an average of \$17.90 in revenue per e-mail sent.
- Including an offer for free shipping to customers who abandon their shopping carts is one of the most effective ways to convince them to complete their purchases.

Reasons for Abandoning Online Shopping

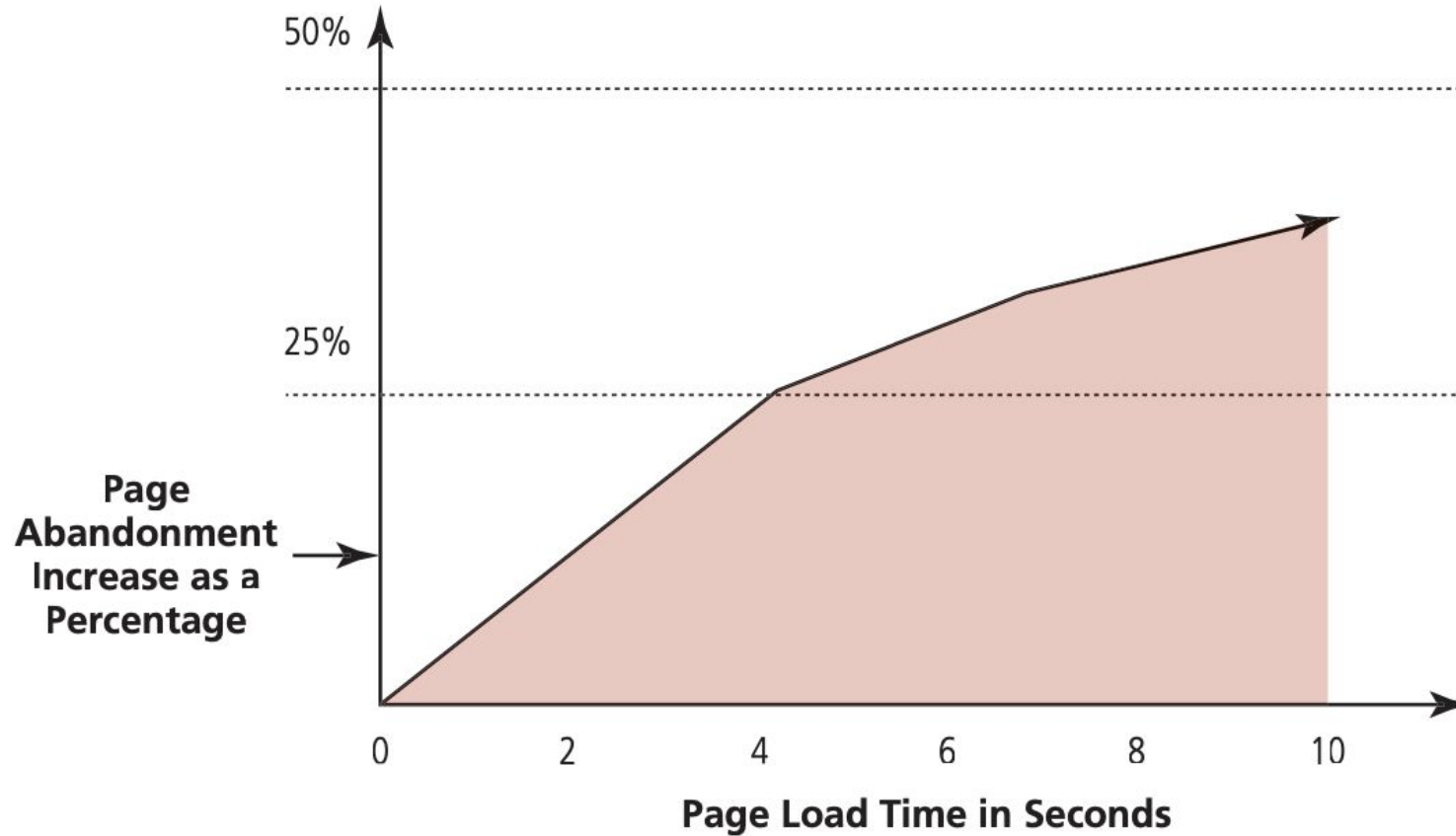


Myth 8: Flashy Web site are better than simple sites.



- ▶ Businesses that fall into this trap pour significant amounts of money into designing flashy Web sites with all of the “bells and whistles.”
- ▶ On the Internet, however, “more” does *not* necessarily equate to “better.”
- ▶ A Web site that includes a simple design, easy navigation, clear calls to action on every page, and consistent color schemes show that a company is putting its customers first.
- ▶ A site that performs efficiently and loads quickly is a far better selling tool than one that is filled with “cornea gumbo,” slow to download, and confusing to shoppers.
- ▶ Fast download times increase sales potential: sites that load slowly have higher bounce rates and lower conversion rates as customers abandon them for faster loading sites

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Page Abandonment Rate vs. Page Load Time

Source: KissMetrics, 2012, <http://blog.kissmetrics.com/loading-time/>.

Myth 9: It's what's up front that counts

- ▶ Designing an attractive, efficient Web site and driving traffic to it are important to building a successful e-business. However, designing the back office, the systems that take over once customers place their orders on a Web site, is just as important as designing the site itself.
- ▶ If the behind-the-scenes support is not in place or cannot handle the traffic from the Web site, a company's entire e-commerce effort will come crashing down.
- ▶ Although e-commerce can lower many costs of doing business, it still requires a **basic infrastructure in the channel of distribution to process orders, maintain inventory, fill orders, and handle customer service**

Myth 9: It's what's up front that counts

- Web-based entrepreneurs often discover that the greatest challenge their businesses face is not necessarily attracting customers on the Web but creating a viable order fulfillment strategy.
- **virtual order fulfillment (or drop shipping):** a fulfillment strategy in which a company forwards customers' orders to a wholesaler or distributor who then ships the product to the customer with the online merchant's label on it. This strategy allows a small business to avoid the cost and the risk of carrying inventory.

Myth 10: Its too late to get on the Web

- ▶ Nearly one in five small businesses does not have a Web site, and many of those that do have sites that lack the ability to make sales online.
- ▶ To online shoppers, especially, these businesses might as well be invisible because doing business online and offline are inextricably connected.
- ▶ Today's shoppers prefer to purchase from companies that offer a multichannel approach, particularly those that offer in-store pick-up for online orders and in-store returns for online purchases.

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- When looking to purchase products locally, 85% of shoppers go online to conduct research first, looking for store hours, directions, maps, and special sales.
- Others prefer the convenience of making online purchases after having a positive encounter with a company's physical location.
- In addition, customers routinely share their opinions online about products and their shopping experience with companies.
- These trends point to the need for businesses to use a multichannel approach to selling their products and services that includes the Internet as one option.





- Focus on a market niche.
- Develop a community.
- Attract visitors by giving away “freebies.”
- Make creative use of e-mail but avoid becoming a “spammer.”
- Make sure your Web site says “credibility.”
- Make the most of the Web’s global reach.
- Use Enterprise tools to attract and retain customers.



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Strategies for E-Success

(continued)

- Promote your site online and offline.
- Develop an effective search engine optimization (SEO) strategy.



- A company's Web search strategy must incorporate the two basic types of search engine results: natural or organic listings and paid or sponsored listings.
- Although shoppers more often click on organic listings (60 % vs. 40 % for paid listings), paid listings generate higher net revenue per visit than organic listings.
- **Natural (organic) listings** arise as a result of "spiders," powerful programs that search engines use to crawl around the Web and analyze sites for key words, links, and other data. Based on what they find, spiders use complex algorithms to index Web sites so that a search engine can display a listing of relevant Web sites when a person enters a key word in the engine to start a search
- **Search engine optimization (SEO)** involves managing the content, key words, titles, tags, features, and design of a Web site so that it appears at or near the top of Internet search results. The reason that SEO is so important is that nearly 92 percent of search engine users click on a link to a site that appears on the first page of the search results.
- Because organic listings can take months to materialize, many e-commerce companies rely on paid listings, giving them an immediate presence in search engines. **Paid (sponsored) listings** are short text advertisements with links to the sponsoring company's Web site that appear on the results pages of a search engine when a user types in a key word or phrase. Entrepreneurs use paid search listings to accomplish what natural listings cannot.

Designing a Killer Web Site

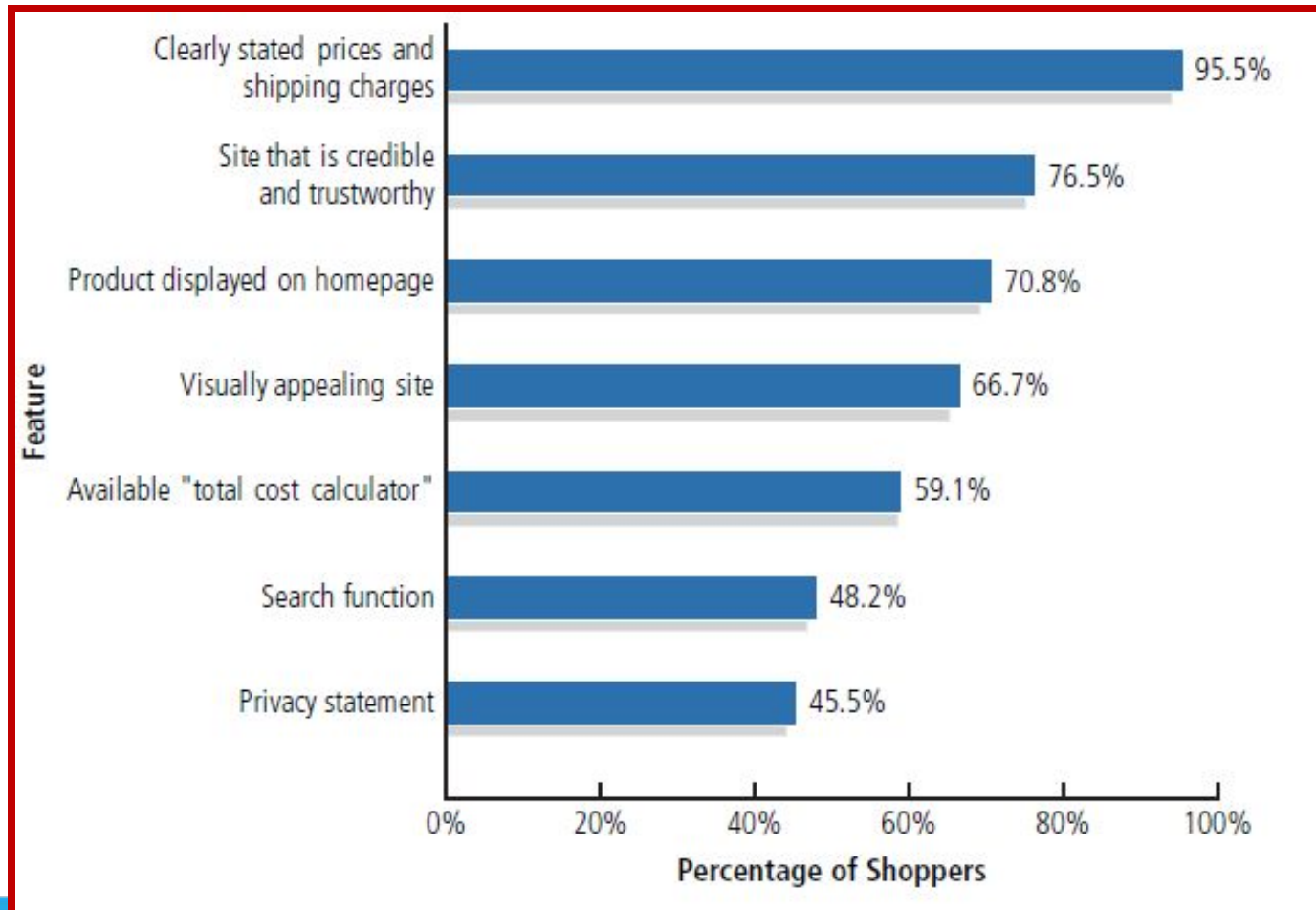
- Understand your target customer.
- Give customers what they want.
- Select an intuitive domain name that is consistent with the image you want to create for your company and register it.
 - ▶ Short
 - ▶ Memorable
 - ▶ Indicative of a company's business
 - ▶ Easy to spell
- Make your Web site easy to navigate.

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Factors That Web Shoppers Say Are Most Important



Designing a Killer Web Site

- Add wish list capability.
- Use online videos.
- Create a gift idea center.
- Build loyalty by giving online customers a reason to return to your Web site.
- Establish hyperlinks with other businesses, preferably those selling complementary products.

Designing a Killer Web Site

- Include an e-mail option & a telephone number on your site.
- Give shoppers the ability to track their orders online.
- Offer Web shoppers a special all their own.
- Follow a simple design.
- Create a fast, simple checkout process.
- Offer suggestions for related products.
- Provide customer ratings and reviews.



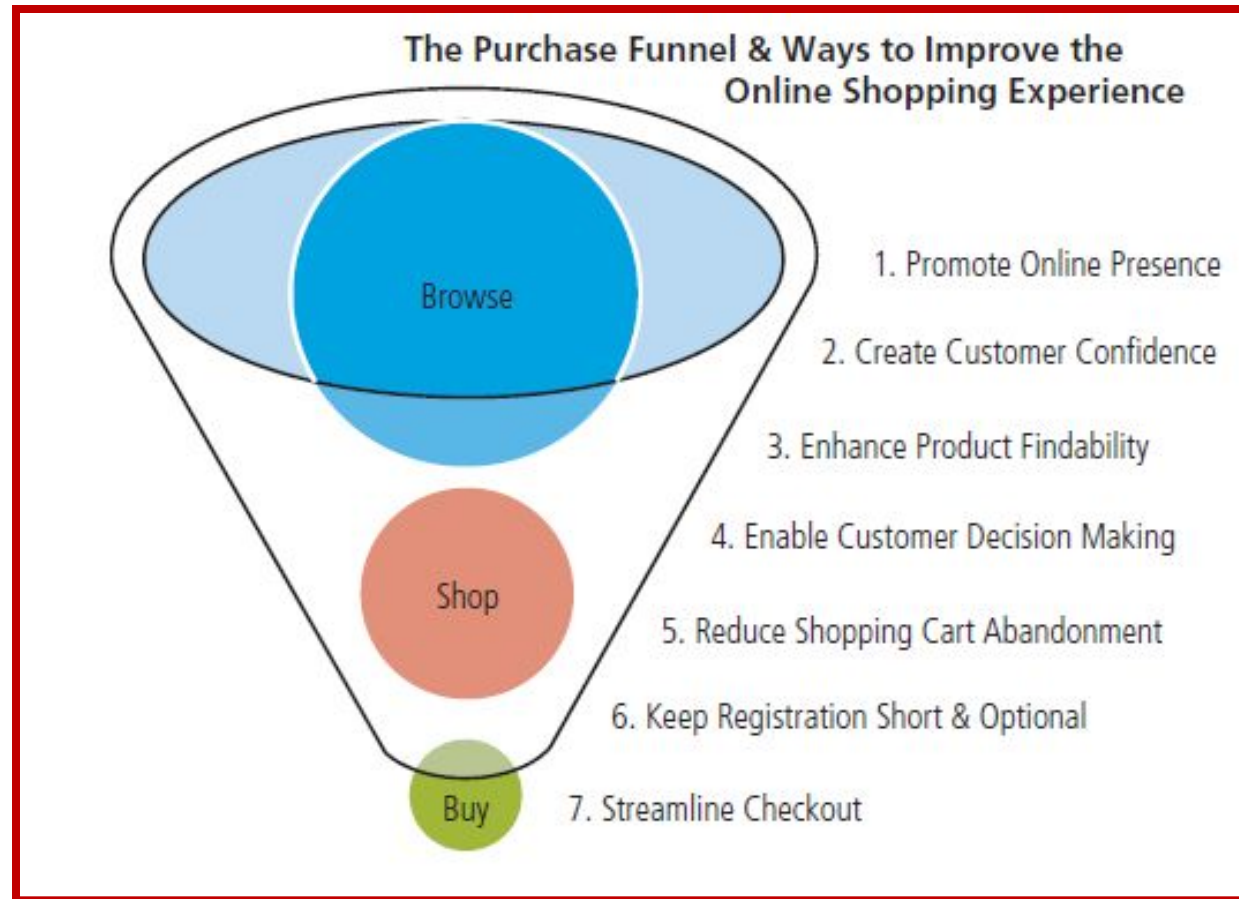
Designing a Killer Web Site

- Establish the appropriate call to action on each page.
- Provide customers with multiple payment options.
- Rely on analytics to improve your site.
- Assure customers that online transactions are secure.
- Establish reasonable shipping and handling charges and post them up front.
- Confirm transactions.
- Keep your site updated.
- Test your site often.
- Consider hiring a professional to design your site

Twelve Guidelines for Building the Credibility of a Web Site

Guideline	Tips
1. Allow visitors to verify easily the accuracy of the information on your site.	Include references, which you should cite, from credible third parties to support the information you present on your site.
2. Show that there are real people behind your site.	List a physical address for your business and post photographs of your store or office or the people who work there. Photos allow shoppers to put faces with the names of the people with whom they are dealing.
3. Emphasize the skills, experience, and knowledge of the people in your company.	Tell visitors about the experts you have on your team, their credentials, and their accomplishments. Is your company or your employees associated with a well-known, respected national organization? If so, mention it and provide a link to its Web site.
4. Show that honest, trustworthy people stand behind your site.	In addition to posting photographs of the owner and employees, include brief biographical sketches that might include “fun” facts about each person, their hobbies, and links to blogs they create. Erik Leamon, owner of The Ride, a full-service bicycle store in Conway, Arkansas, markets the charm of his business on The Ride’s Web site, which profiles the company’s five employees, including Pokey, the shop dog, who serves as the shop’s unofficial customer service representative.
5. Make it easy for customers to contact you.	One of the simplest ways to enhance your site’s credibility is to include contact information in a highly visible location. Be sure to include a physical address, a telephone number, and e-mail addresses. Always respond promptly to customer communications.
6. Make sure your site has a professional look.	Online shoppers evaluate the quality of a Web site by its appearance within the first few seconds of arriving. Pay careful attention to layout, navigation, search tools, images, grammar, spelling, and other seemingly “minor” details because they <i>do</i> make a difference. A professional site does not have to look “corporate” to be professional, however. It should reflect your company’s unique personality.
7. Make your site easy to use—and useful.	Sites that are easy for customers to use and that are useful to them score high on credibility. Resist the temptation to dazzle visitors with all of the coolest features; instead, focus on keeping your site simple and user friendly. Visitors perceive sites that combine useful information with a purchasing opportunity as more credible than those that merely try to sell them something.
8. Update your site regularly.	Visitors rate sites that show they have been updated or reviewed recently higher than those that contain outdated or obsolete information.
9. Prominently display your company’s privacy policy.	Visitors perceive sites that display a meaningful privacy policy—and follow it—as more credible than those that do not.
10. Be vigilant for errors of all types, no matter how insignificant they may seem.	Typographical errors, misspellings, grammatical mistakes, broken links, and other problems cause a site to lose credibility in customers’ eyes. Details matter!
11. Post the seals of approval your company has won.	Seals of approval from third parties such as the Better Business Bureau, TRUSTe, WebTrust, and others give shoppers confidence that an online company is reputable and trustworthy.
12. Make sure customers know their online transactions are secure.	To conduct business effectively online, companies must ensure that customers’ credit card transactions are secure. Online retailers typically use Secure Sockets Layer technology that is verified as secure by a third party such as VeriSign. Be sure to post the secure seal prominently on your Web site.

The Purchase Funnel



Tracking Web Results

- Web Analytics: Are tools that measure a Web site's ability to attract customers, generate sales, and keep customers coming back.
- Only about 21% of small businesses use Web analytics strategically to refashion their Web sites.



- Google Analytics is the most popular Web analytics system on the market
- The most effective ones offer the following types of information, often in real time:
 - These are basic analytics, such as sales revenue generated, number of items sold, and best sellers.
 - These measurements provide valuable information such as: return or new customers, how they arrived at the site (e.g., via a search engine or a pay-per-click ad), which search terms they used (if they used a search engine), where they are located, and what type of device they are using. The number of repeat visitors to a site is important because it is an indication of customer loyalty.
 - This information tells entrepreneurs which products customers are looking for and which pages they view most often (and least often), how they navigate through the site, how long they stay, which pages they are on when they exit, and more. Using this information, an entrepreneur can get an idea of how effective the site's design is.
 - These metrics help entrepreneurs to understand how their Web sites attract visitors and convert them into customers. Does the checkout process work smoothly? How often do shoppers abandon their carts? At what point in the process do they abandon them? These measures can lead to higher conversion rates for an online business.

- **Bounce Rate:** The percentage of visitors to a site who view a single page and leave without viewing other pages.
- **Cart Abandonment Rate (CTR):** The percentage of shoppers who place at least one item in a shopping cart but never complete the transaction.
- **Cost per Acquisition (CPA):** The amount it costs to generate a purchase (or a customer registration).
- **Conversion (browse-to-buy) ratio:** The proportion of visitors to a site who actually make a purchase.

- Know what you need to know before launching into e-commerce
- Assess the basic strategies to follow
- Know what works on Web sites
- Track results and listen to customers



thanks for
listening!