E-Commerce: Purchasing and Selling Online –
What You Need to Consider

Small businesses that are considering purchasing or selling online will find this a useful resource for help in identifying and selecting appropriate e-commerce options. Tips and strategies for attracting and keeping online customers are also presented. While the booklet focuses on selling online via your own website, other options for purchasing and selling online are highlighted such as e-marketplaces and online auctions.

What is E-Commerce?

E-commerce refers to the process of buying or selling products or services over the Internet. Online shopping is becoming increasingly popular because of speed and ease of use for customers.

E-business activities such as selling online can be directed at consumers or other businesses. **Business to Consumer (B2C)** involves the online sales of goods, services and provision of information directly to consumers. **Business to Business (B2B)** refers to the online exchange of products, services, or information between businesses.

Why E-Commerce for Small Businesses?

Selling online can help your business reach new markets and increase your sales and revenue gains. If you are interested in selling to other businesses, you can use the Internet to find sales leads, announce calls for tender, and to offer products for sale (either through your own website or through an e-marketplace site).

Searching for products and services online can save you time and money by allowing you to find the best prices without having to do all the legwork. You can use the Internet to find new suppliers, post buying requests or search for products and services. The benefits of effective B2B e-commerce include lower costs associated with selecting suppliers, establishing prices, ordering, and finalizing transactions. Online trading networks can also be used to support efficient information exchange between buyers and sellers.

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Selling Online Using Your Own Website – Setting Up An Online Store

The first section of this booklet describes what is involved in selling online vis-à-vis your own website. In order to process an online sales transaction three things are needed:

1. Shopping Cart

2. Secure Server

3. Payment Processing

These three requirements are described in more detail below.

1. Shopping Carts

Shopping cart software keeps track of what the user selects to buy from the website before proceeding to the "checkout". An online shopping cart consists of three parts:

- Product Catalogue
- Shopping List
- Checkout System

The **product catalogue** is made up of all the information needed to present any product to the customer and to complete a sales transaction online. Information to be included in the product database generally includes the price, identification number (SKU), image or other multimedia information, product options or choices.

A **shopping list** (i.e. list of selected products) allows users to track the items they want to purchase. A shopping cart image is generally used to show what items the shopper has selected for purchase. In order for the shopping cart to function properly the user's computer must be set to allow "cookies".

The **checkout** system allows customers to select products by clicking an "add items to cart" button and then enables them to pay for these products.

2. Secure Server

The secure server helps provide protection against the loss or modification of personal information. Secure Socket Layer (SSL) is the most commonly used technology for secure online transactions. SSL encrypts (or codes) all data between the shop's server and the customer's computer. This makes it very difficult for third parties to decode any information exchanged such as credit card numbers.

The following diagram shows how a secure server can protect information passed between the consumer and the merchant.

Shopping carts do not deal with the entire transaction. They pass information (i.e. what the user has ordered) to a **payment gateway**. A payment gateway is a separate service – it links the shopping cart to the financial networks involved with the transaction. When you are choosing a shopping cart package, ensure that the payment gateway service is compatible. Check with the gateway service provider to see which shopping cart packages it supports. Payment gateways link transactions to an ID, so there is no need for merchants to know their customers' credit card numbers.

Cookies are small pieces of software that websites store on users' computers. They have a very wide variety of uses, but an important one is to track how people arrive at the website and how they use the website. If your website uses 'cookies', you should explain to the website visitors how and why this information is used.

Servers. Servers are the backbone of the Internet – they are computers linked by communication lines which "serve up" information in the form of text, graphics, and multimedia to online computers that request data.

Source: Expedite Media Group, Inc.

Figure 1: Protecting Transaction Information Through a Secure Server
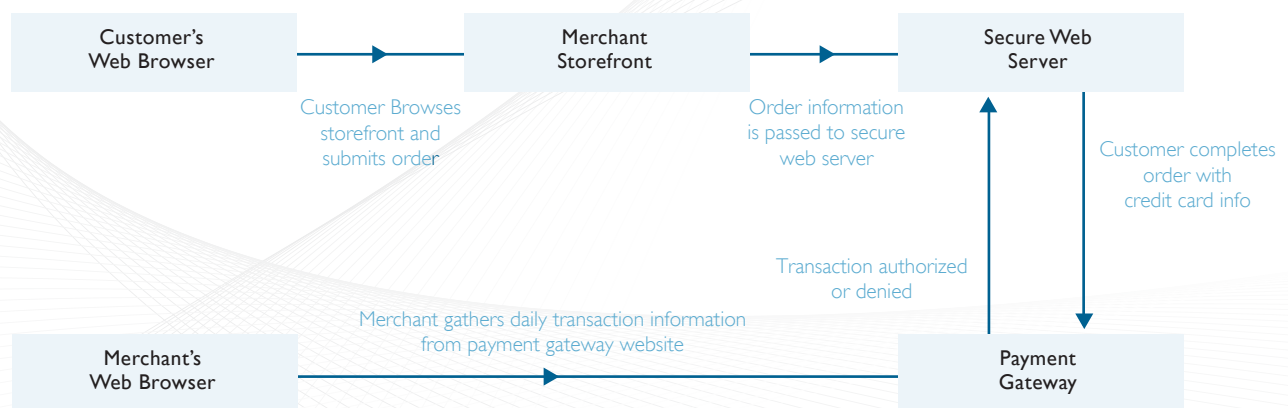
If you are planning on selling online you will need a **Digital Certificate** for SSL technology to work. A Digital Certificate is an electronic ID that helps to show the credibility of a website.

If you want to buy online how do you know if a website has a secure server?

Look for the following:
1. A URL address that begins with **https://** as opposed to http://

2. A browser that notifies you that you are on a secure site. Many browsers use a symbol (e.g. lock icon) or a message

3. Payment Processing Options

There are three payment processing options:

> A. Third Party Payment Processing Software.

> B. Internet Merchant Account.

> C. Manual (Offline) Payment Processing.

What You Should Consider when Choosing a Payment Option:

- ⚥ Costs associated with the payment option (consider transaction fees, setup fees, monthly fees).
  - Take the time to understand the features offered by each option and the pricing model.
  - Also consider that there are different fees and features associated with merchant accounts.
  - Also consider chargeback fees.
  - Also consider the fees associated with fraudulent transactions.
- ⚥ Privacy of the transaction data.
  - If you are considering leasing software through a service provider, check the service provider's policy for disclosure and sharing of information.
- ⚥ Fraud protection.
  - Review fraud protection tools. Merchant accounts typically have a number of customizable fraud filters that identify and track suspicious transactions. The transaction can be placed on hold while the bank notifies the business of the suspicious activity.
- ⚥ General credibility of the service provider.
  - Internet merchant accounts have greater credibility.

A. Third Party Payment Processing

These services offer an alternative to obtaining an Internet Merchant Account. The advantage of this alternative is that it is possible to start selling online more quickly and easily. There are registration, transaction, and monthly fees attached. There may also be a longer holdback period before the balance of a sale is turned over to the merchant.

> Another way to sell online is through **E-Marketplaces and Online Bidders Auctions Websites**. These are discussed later in this booklet under the heading – Other Options for Purchasing and Selling Online.

According to Wikipedia (www.wikipedia.org), PayPal (www.paypal.com) is the most popular third-party online service provider. According to www.canadaone.com small businesses use third-party credit card processing companies such as PayPal (www.paypal.com), CCNow, (www.ccnow.com) PsiGate (www.Psigate.com), Beanstream (www.beanstream.com) and InternetSecure (www.internetsecure.com).

Both PayPal and merchant accounts charge transaction fees, including a percentage of the sale plus a flat fee per transaction. Charges based on the number of transactions may be appropriate for micro businesses or where the number of transactions is limited.

How does this type of processing work? The money from the transaction is deposited in a special account controlled by the service provider. To obtain your money, the merchant is usually required to initiate the transfer. If there is a dispute over the transaction, the service provider may hold these funds for longer periods.

B. Internet Merchant Accounts

An Internet Merchant Account is an account issued by a financial institution that enables a business to accept credit card payments online. Businesses must obtain a separate Internet Merchant Account for each type of credit card they wish to accept (e.g. VISA, Mastercard, American Express).

How do You Obtain an Internet Merchant Account?

You will need to open a business account with a bank. The bank will conduct a **credit risk assessment**. You may want to consider preparing a business plan in advance. You may also be required to submit a large security deposit.

With this type of account, the process of transferring money to the right account is automatic and occurs quickly.

Merchant account fee structures include one-time fees, monthly fees and transaction fees. The merchant account provider should clearly outline the fee structure. Review any additional fees carefully and make sure you include all set up fees when doing comparison shopping.

There are some companies that are authorized by the banks to issue merchant identifications. InternetSecure (www.internetsecure.com) and PsiGate (www.psigate.com) are two examples of Canadian merchant account providers that are authorized by the Canadian banks to issue Internet merchant identifications, and process sales for merchants with their own Internet merchant identifications (as cited in www.about.com - Small Business Information).

C. Manual Credit Card Processing

You can set up an e-commerce website where users can order online, but you process credit cards manually rather than rely on online payment processing options. With this option, credit card information can be obtained through a secure server and the transaction can be processed manually. This option is feasible when you have a limited number of online orders.

Security and Privacy Issues

It is important to be aware of security and privacy issues associated with e-commerce. Some common security threats include fraudulent use of credit cards, computer viruses, spam (unsolicited e-mail messages), and theft of computers or information. Phishing is another type of security threat that involves an e-mail message that looks like it comes from an official source but links in the message go to a fake website where you may disclose personal information. Common threats to privacy include theft of personal information, and inadequate protection of private information.

The following are tips for minimizing security and privacy risks.

Tips for minimizing security and privacy risks associated with e-commerce
☐ Review the security features/services offered by your web hosting service, Internet Service Provider, web design and software company.
☐ Pay attention to security alerts and install security patches as needed.
☐ Regularly update software and scan for spyware and viruses.
☐ Regularly backup systems and information.
☐ Design of an e-commerce website should minimize security threats. For example, once the consumer presses the "buy" button the "back" button should then be disabled.

Tips for minimizing security and privacy risks associated with e-commerce

☐ Obtain a digital certificate for your website. The digital certificate shows that any personal data submitted to your site will be encrypted (coded). Two of the largest certificate authorities on the Internet are: Verisign at http://www.verisign.com and Thawte at http://thawte.com (source: www.canadabusiness.ca).

☐ Avoid storing customer credit card information in your systems. If you are storing customer information make sure it is secure from access by employees or computer hackers.

☐ Develop a privacy policy. The policy should outline how information will be collected and used, and the security procedures that will be used to protect information from being lost, stolen or tampered with. You may want to post this policy on your website. You may also want to apply for a privacy seal. The privacy seal icon is displayed on the website and can increase consumer confidence. According to www.entrepreneur.com, two leading privacy seal programs are TRUSTe and BBBOnline.

☐ Ensure you have SSL technology that encrypts all confidential information during transmission and authorization of transactions.

☐ Ensure you have appropriate security features for storing information. For example a PCI (peripheral component interconnect: hardware) card is often added for protection. Another approach is SET (Secure Electronic Transaction) that has been developed by Visa and MasterCard. With this approach, sensitive information is not seen by the business and is not stored on the company's website. Firewalls should be used to protect the network and computers from viruses and computer hackers. You should also restrict access to information, particularly sensitive information to authorized employees.

☐ Review other fraud prevention tools and assess if they are right for you. For example, Address Verification Service (AVS) compares the information in the customers' addresses with records stored by card-issuing banks. Major credit card companies also have verification systems. Three-digit codes printed on the back of major credit cards can help you assess if customers have legitimate cards.

☐ Always verify customer addresses.

☐ Be suspicious of large orders or requests for multiple copies of the same product, especially if the customer asks for rush delivery.

☐ If you are selling valuable products that are easily resold consider whether you need advanced fraud protection services provided through gateway providers (e.g. fraud filters to screen for suspicious activity).

Options For Selling Products on Your Website

If you are thinking of selling online on your own website consider the following:

• The type and number of products you want to sell online.

• Whether selling online will make up a significant portion of your sales.

• Customer needs and preferences.

The following diagram shows the four main options you have with respect to selling your products and services on your website.

Figure 2: Options for Selling Products on Your Website

Option 1 Hosted Solution with Bundled E-Commerce Package	Option 2 E-Commerce Licensed Software/ Application (Templates)	Option 3 E-Commerce Open Source Software (Templates)	Option 4 Customized E-Commerce Solution
Considerations for Choosing Hosted Solution	**Considerations for Choosing Licensed Software**	**Considerations for Choosing Open Source Software**	**Considerations for Customized Solution**
Service provider takes care of installation and management.	Can provide you with a professional looking storefront at a relatively low cost.	Freely available software.	Most expensive option.
Typically offer a wide range of features and different types of plans to meet your needs.	Involves monthly fees and/or sales commission.	Read the fine print for other costs (additional features, upgrades may have associated costs).	Most appropriate when e-business is a critical part of your business.
Can offer custom-built or template solutions.	Less flexibility in store layout and design as compared to customized solution.	Likely to be professional fees associated with setting up and modifying to suit your needs.	High control over the website.
Identify what services and features you need (hosted solutions offer a wide range of packages and features).	Can choose from a wide range of features and plans.	How mature is the product?	
	Ensure compatibility with hosting environment and other software.	Ensure compatibility with hosting environment and other software.	
	Your business's level of technical expertise. Will you require professional assistance in setting up and managing the software?		

Choosing An E-Commerce Solution For Your Website

The following table highlights key considerations when choosing an e-commerce solution.

Considerations for Choosing An E-Commerce Solution
☐ How many products do you want to sell? Does the solution have sufficient capacity to handle your products?
☐ Does the solution provide room for growth (i.e. growth in number of products, sales)?
☐ Do you already have a website that you are satisfied with? If so, you may want to consider software/ applications that are compatible with your present hosting environment. You can also check to see what your present host offers in terms of e-commerce packages. Make sure that the software package you choose is compatible with your present hosting environment.

Considerations for Choosing An E-Commerce Solution

☐ Is the solution compatible with other applications? (e.g. payment processing options, payment gateway, orders, inventory, accounting, shipping).

☐ If choosing a template option, are there a sufficient variety of templates and designs to choose from?

☐ Can you easily import/export (i.e. transfer) data? If you have an existing product catalogue will it be easy to integrate into the new software? If you change hosts can you export your data without having to manually re-enter all your information?

☐ How easy will it be for you to update and change the website and product catalogue?

☐ Have you looked at various software products? You can browse e-commerce websites to assess products and features. Service providers usually provide a trial period to test the software. Consider the look of the online store, how easy is it to find products, and how easy is it to make a purchase.

☐ Do you need an automated sales tax and shipping cost calculation feature (depends on the extent of your e-business and your customer base)? You may need a solution that allows you to outline detailed shipping costs, particularly if you have international customers.

☐ Does the solution support a sufficient range of payment options?

☐ Are tracking tools such as Google Analytics easy to integrate into the solution?

☐ What level of technical support do you need? What level of technical support is being provided?

☐ Is the hosting company or e-business provider behind the e-commerce package reputable? How long have they been in business? What work have they done in the past? Have you checked their work and references? Is the technical support provided directly by the company or do they outsource?

☐ If you are thinking of an open source solution - Is it compatible with your hosting environment and other software? Is the product well established? Can an e-business provider easily modify it to meet your needs?

Choosing E-Commerce Features

Software packages or e-commerce plans include a broad range of e-commerce features to choose from. Prices can range from a few hundred dollars (e.g. basic template software) to several thousand dollars and more (e.g. customized solutions).

Make sure you have a clear understanding of your business needs. Check other e-commerce websites to build your understanding of what you like and do not like.

The following table summarizes many of the basic and advanced features and services you should consider when setting up an e-commerce website.

You may not need all the bells and whistles included in some of the more deluxe e-commerce packages. Your e-commerce solution should fit with your current needs, but there should also be room for your online business to grow.

E-Commerce Features and Services

☐ **Store Design**. Consider whether you are ready to design your own store (using a template) or whether you will need professional assistance to design the store. Many of the design templates are relatively easy to use, but may not be a good option for you if your time is limited. Licensed software packages may include online technical support and step-by-step guidance to help you with design.

E-Commerce Features and Services

☐ **Shopping Cart**. Shopping carts vary considerably. Features may include progress indicators to help customers understand where they are in the transaction process, automatic calculation of tax and shipping, customizable design and layout.

☐ **Product Catalogue**. Check to see how many products the online catalogue is able to manage. Consider how easy it is to add products, and to upload an existing product database.

☐ **Payment processing options** (e.g. third party payment processing, merchant account, cheques, money orders).

☐ **Security Features** (e.g. Secure Socket Layer (SSL), password protection, access privileges for site administration, data centre security, risk tools that can help flag fraudulent orders, etc.)

☐ **Product Promotion**. Features can include discounts or coupons, gift certificates, discount pricing, volume pricing, autoresponders (automatically sends out offers by e-mail). Some packages offer cross-selling functions (e.g. similar or complementary products are recommended when the user selects a product).

☐ **Affiliate Marketing Module**. A low cost way to advertise is through an affiliate program. Affiliates advertise your store on their website and they earn a commission on each sale they generate. All traffic, sales and earnings are tracked by the system.

☐ **Order Processing**. The service provider or software package may provide a number of ordering features such as viewing new orders by email, online, or fax, automatic notification to customers alerting them to any changes in the status of orders, etc.

☐ **Integration with Back-Office Business Processes**. If e-business is a critical part of your business you may want more advanced integration features that link your e-business to your regular business operations (inventory, ordering, shipping, accounting).

☐ **Website analytics and reporting features**. Can help you keep track of your sales, pages viewed by customers, referring sites and keywords customers use to find your product.

☐ **Level of Support**. Consider what level of support you will require. Will you need support 24-7?

Top Five Tips for Minimizing 'Shopping Cart Abandonment'

Make purchasing as easy and stress-free as possible for the customer – this will help avoid "**shopping cart abandonment**" – a term used to describe customers who select items to buy, but then decide not to purchase.

1. Show your customers that you are a reputable business. Consider using third-party endorsements. Clearly show how you will protect the customer's personal information. Let them know about transaction security features and services used by your e-commerce website.

2. Make sure visitors know where they are in the checkout process. Progress indicators on screen let visitors know where they are in the checkout process.

3. Keep the checkout process streamlined. If the checkout process is too long and there are too many steps you will lose customers.

4. Provide clear instructions for how to proceed through the product selection and checkout process. Make sure the shopping cart buttons clearly indicate the next steps (e.g. Continue with Checkout, Finalize Purchase, etc.). Make sure that an "add to cart" button is clearly visible on the product page.

5. Provide warranties or guaranties for your product. Make sure warranties or guaranties are clearly visible, particularly during the last steps of the checkout process.

Resource List of E-Commerce Products

Note that these examples are only a few of the many licensed and open source software e-commerce products available on the Internet. You should investigate whether these products are suitable for your needs. There are general directories that reference e-commerce products such as www.wikipedia.com , www.opensourcecms.com (open source products), and www.cmsmatrix.org. You may also want to look at various blogs and forums for product comparisons and reviews.

Examples of E-Commerce Software Products

Licensed E-Commerce Solutions

Fortune 3: http://www.fortune3.com/	Can choose a number of features – shopping cart software, program to design e-commerce websites. 30 day free trial. Will also provide hosting services. *Source: http://www.bizfive.com/articles/web-design/choosing-e-commerce-solutions/*
ProStore: http://www.prostores.com/ (formerly Kurant StoreSense)	Hosted application or you can do it yourself. A more complete e-commerce package. Allows setting up for online stores as well as subscription sites. *Source: http://www.bizfive.com/articles/web-design/choosing-e-commerce-solutions/*
Volusion: https://www.volusion.com/	A more complete e-commerce package. Allows setting up of a whole e-commerce website. *Source: http://www.bizfive.com/articles/web-design/choosing-e-commerce-solutions/*
Shopify www.shopify.com	Shopify is a hosted application that allows you to set up an online store to sell your goods. It lets you organize your products, customize your storefront, accept credit card payments, track and respond to orders. Shopify.com lets sellers choose from the free design options, the one they like the most for their shop or they are allowed to build their own shop with the style they want. *Source: http://www.killerstartups.com/Web-App-Tools/shopify--A-Business-For-Life/*
ClicShop: www.clicshop.com	Products and services to help you build your online catalogue and shopping cart solutions. All packages include e-commerce hosting services. *Source: Search using key words – Canada Shopping Cart*
Canada Post Sell Online: www.canadapost.ca/cpo/mc/business/solutions/sellonline.jsf	Solutions for building online stores, adding shopping carts to online stores, and adding shipping to online store. *Source: Search using key words – Canada Shopping Cart*

Open Source E-Commerce Solutions

osCommerce Online Merchant www.oscommerce.com	osCommerce Online Merchant is an Open Source online shop e-commerce solution that is available for free under the GNU General Public License. It features a set of off the shelf online shopping cart functionality so that storeowners can setup, run, and maintain online stores. *Sources: www.ecommerce-guide.com and www.bizfive.com*
Zen Cart www.zen-cart.com	Free shopping cart software with a variety of features. *Source: www.ecommerce-guide.com*

cont'd

Examples of E-Commerce Software Products	
AgoraCart www.agoracart.com	Free shopping cart software with a variety of features. *Source: www.ecommerce-guide.com*
NOP shopping Cart www.nopdesign.com/freecart/	Free shopping cart software. *Source: www.ecommerce-guide.com*
Processing Payments Examples	
PayPal www.paypal.com	The most popular third party payment processor. *Source: www.wikipedia.com*
BeanStream www.beanstream.com	One of Canada's leading providers of authentication and electronic payment processing solutions, including merchant account services, credit card processing and Interac Online. *Source: www.canadaone.com*
InternetSecure www.internetsecure.com	Provides payment processing solutions with respect to merchant accounts, credit card processing, payment gateways, and security features. *Source: www.canadaone.com*
Psigate www.psigate.com	Provides payment processing solutions with respect to merchant Accounts, payment gateway, and fraud protection. *Source: www.canadaone.com*
Level Ten: http://www.leveltendesign.com/services/ecommerce-websites	Level Ten is a processing payments option through credit cards. Allows for real time transactions. It is based on OsCommerce (open source shopping cart software). *Source: http://www.bizfive.com/articles/web-design/choosing-e-commerce-solutions/*

Considerations for Setting-Up and Maintaining Your E-Commerce Website

If you are thinking of adding an electronic storefront you will need to carefully consider a number of issues such as resources, security and privacy, shipping, tax and customs, payment settlement, maintenance, marketing and more.

Considerations for Setting-Up and Maintaining Your E-Commerce Website
Privacy and Security Issues
☐ Do you have a secure server and SSL (Secure Socket Layer)?
☐ Does your website have a full description of your company? (e.g. the amount of time you have been in business, address, phone numbers, email, etc.). It is advisable to provide a brief description on your home-page. You can provide a more detailed description in the "about us" or "company info" web pages.
☐ Have you clearly explained your policies and procedures with respect to security and privacy?
☐ Have you included a description of your policies on returns and shipping?

Considerations for Setting-Up and Maintaining Your E-Commerce Website

E-Commerce Website Design

☐ Is your e-commerce website easy to navigate? Is it easy to find information on your website? Is it easy for customers to purchase online?

Product / Service Catalogue

☐ Is the catalogue easy to use? Are the choices easy to identify?

☐ Is it easy for buyers to add or remove selected items prior to purchase?

☐ Will you need the catalogue to expand, as your business needs change?

☐ Will you need to include flexible pricing options? (e.g. discounts, customized price lists)

☐ Do you want to be able to cross-sell? (i.e. suggest other related products depending on the buyer's choices)

Payment Options

☐ Have you set up a **payment option** (if you will be accepting online payments)? Payment options include either setting up a merchant account or going with a third party payment option such as PayPal.

Transactions

☐ Has a system for capturing orders and validating payments been established?

☐ Have you determined how the order will be fulfilled?

☐ Have you determined how receipts will be issued?

Shipping

☐ Have you set up procedures for shipping? Will you be offering shipping? Will local pickup be required?

Inventory Management Systems

☐ Have you considered automating your **Inventory Management System** to help minimize human error and to provide up-to-date stock availability to your website customers. You can try existing software packages or have software packages custom tailored to your business and integrated into your website by a professional.

Taxes

☐ Have you considered what taxes apply, particularly if you are shipping to other jurisdictions?

Maintenance of E-Commerce Website

☐ Have you determined how your website will be maintained and updated? A webmaster can help you maintain and update your website.

Considerations for Setting-Up and Maintaining Your E-Commerce Website
Marketing your E-Commerce Website
☐ Have you identified the online and offline marketing strategies you will use to bring people to your website?
Tracking your Progress
☐ Have you identified what information you will collect to track your progress (e.g. number of sales, what products sell the most? The number of abandoned carts?).

Tips for Attracting and Keeping Online Customers

Effective marketing techniques and good customer service will help you attract and retain online customers.

Tips for Attracting and Keeping Online Customers

- Offer in-store returns.

- Offer special incentives and discounts to online customers.

- Utilize both on and offline marketing strategies to boost your online sales.

- Ensure orders are accurate.

- Ensure timely shipping of products.

- Respond to customer queries in a timely manner.

- Make purchasing as easy and stress-free as possible for the customer.

- If possible, use the same merchant name on the website and transaction receipts. "If not possible, inform customers how the payment will be recorded on their credit card accounts".

- Provide online receipts for all transactions.

- Clearly display total costs including shipping costs.

- Show stock availability and estimated delivery times.

- Disclose country of business operations, transaction currency, and any export conditions on your website.

- Inform the customers of all the steps your business has taken to ensure the security and privacy of their information.

- If possible, provide customers with alternate methods of purchasing products online.

- Remind users of the products they have ordered when they are checking out.

- Make sure that your website is professional and that product information is easy to find.

- Practice good customer service. Customer relationship management software can offer regular customers extra support and service. It can also assist first time buyers in making a purchase and help infrequent buyers become regular customers.

Ensuring Timely Shipping – Is Drop Shipping a Solution For You?

One solution for addressing shipping delays (short of stocking the entire inventory of your online store) is to have your supplier ship the online products for you. When a sale is made, both you and the supplier are notified, the supplier ships the product and bills you for the wholesale costs. This solution requires you to find a credible supplier that offers drop shipping.

Other B2B and B2C Options for Purchasing and Selling Online

Purchasing and selling online can take place through the Internet through individual business websites (as already mentioned), through other websites offering storefront services, through business portals, or through auction websites.

E-Marketplaces

E-marketplaces (websites that link buyers and sellers to exchange information, products, services and payments) are an important way to conduct **B2B as well as B2C transactions**. They can be focused on particular products, services or industries. E-marketplaces may be operated by a third party (e.g. distributor) or by a business or a network of companies. There is a trend towards **private e-marketplaces** where one organization links to its business partners (referred to as 'one to many') to improve business processes. There are also e-marketplaces for specific industries and regions.

Examples of e-marketplace websites include:

- www.gov.pe.ca/business/directory

- www.covisint.com

- www.freemarkets.com

- www.etsy.com - A popular e-marketplace to buy and sell craft items (source: www.askingfortrouble.com).

- www.rfpsource.ca/E/index.cfm? RFPSource.ca - A free e-marketplace that matches Canadian products and services with thousands of business opportunities posted by domestic and foreign corporations and governments (Source: www.exportsource.ca).

Setting Up Online Storefronts on Other Websites

An easy, low cost option for selling online involves setting up an online storefront on other websites. For example, Yahoo! (http://shopping. yahoo.com/stores/sd.html), Ebay (www.ebay. com), and Amazon (www.amazon.com) all offer this service.

Finding E-Marketplaces for Specific Industries

You can find an e-marketplace for a specific industry by using a search engine (e.g. Google or Yahoo!) and searching for a specific industry. For example, if you enter the terms steel industry product directory (or e-marketplace), you should find steel specific e-marketplaces.

Auction Websites

Most auction sites act as hosts or intermediaries for other businesses or individuals. Auction websites are a way of conducting both B2B and B2C e-commerce. Generally the host of the website organizes the site, provides product information, and displays the product and processes payments online. A fee is charged to list the product or service. Buying and selling processes vary across auction sites; so make sure you familiarize yourself with these techniques by visiting these websites. If you are a buyer, some auction sites have a feedback system allowing buyers to rate products or services. Keep in mind that there may be limited opportunities to return goods or obtain refunds. If you are a supplier, select an auction site that has a track record for obtaining high prices and for attracting potential customers. Examples of auction websites are:

- www.uBid.com (general auction site)
- www.eBay.com (general auction site)
- www.dovebid.com (global provider of capital asset auction, valuation, redeployment, and management services)
- www.alibaba.com (general auction site)
- www.liquidation.com

Source: Index of the web.com www.indexoftheweb.com/Shopping/Auctions.htm and Emarket Services www.emarketservices.com

Auction Website Tutorials

Many of the auction websites, such as www.ebay.com have tutorials to help you learn how to use the website to buy or sell.

Listing Fees

E-marketplaces and online auctions may have listing fees. This involves a payment to list an item regardless of whether it sells.

Reverse Auctions

A reverse auction is a type of auction in which the role of the buyer and seller is reversed (i.e. the buyer elicits offers from the seller), with the primary objective to drive purchase prices downward. The product or service required is clearly specified to enable a selection of a bidder (usually based on the lowest price). Prices in a reverse auction decrease as potential suppliers underbid each other.

While reverse auctions have a number of challenges (e.g. the buyer can dominate the process), there are a number of benefits. These include: reduced negotiation time, short procurement cycle and increased transparency of competing bids.

Examples of reverse auction websites include:

- www.priceline.com
- www.oltiby.com

Source: http://en.wikipedia.org/wiki/Reverse_auction.

Participating in a Reverse Auction as a Supplier

If you are participating in a reverse auction as a supplier, make sure you ensure you understand the following:

- How the auction works and the potential pitfalls.
- The terms and conditions of the auction to see if they are acceptable or not. The terms and conditions should clearly define, among other things, the winning bid, and whether the buyer can split the contract or is obligated to award the whole contract to the winner.
- Your bidding strategy.
- The costs of the product or service (to avoid losing money).

Acknowledgement

This booklet is part of a series on advanced e-business topics which supplements an introductory handbook *How You Can Profit from E-Business*. For more information on those publications, visit the Innovation PEI website at *www.innovationpei.com/ebusiness*.

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