Market Research Report

E-Commerce
This report is provided by the Kutztown University Small Business Development Center.

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There are numerous services available to assist in developing an e-commerce presence for your business. When considering what solution will best fit your needs, there are generally some questions that will help you narrow down an option for you.

**Time:** Time is a major concern because there is a limited supply of this asset.

**Development:** Consider how long it will take to get the e-commerce page up and running. Some third party e-commerce platforms like eBay can have you ready to start selling online within minutes. Professionally developed sites can take a few weeks or even longer.

**Photography:** Beyond getting the site technically ready to handle e-commerce transactions, time and energy must be spent to prepare the inventory to be displayed and sold online. This means that accurate and detailed descriptions of the product must be developed. Quality photography is critically important when selling online. Some items that are common like coffee beans do not require the same level of photography as unique items like jewelry do. Consider the products you intend to sell online and invest in photos that match the expectations.

**Website traffic:** Building and maintaining your own website for e-commerce can help build a strong brand identity in the mind of your customer. By keeping them on the site through the entire e-commerce transaction, your site is highly visible. There is considerable cost associated with doing this, however. Beyond the security and maintenance issues discussed in the next section, there are concerns about website traffic.

Many small websites have minimal traffic which makes it hard to generate significant online sales. Websites like eBay and Etsy have built in searches and users of those sites are using those services to locate and purchase items. It is like locating in a shopping mall that has significant foot traffic. Not everyone is there for your store but they are usually there to purchase something. Being in that space can make your store more visible than if it were isolated.
Budget: Almost anything can be built in the digital world as long as your budget is big enough. Usually this is not the problem business owners have. Budgets should be reviewed in at least the following three areas.

Website Development/Coding: Having an e-commerce system that is integrated into your existing website helps to maintain the brand presence throughout the transaction. It can also create the perception that your business and website are large and capable. This does not come without cost, however.

Building your own e-commerce platform will likely require time from a developer, costs for security certificates, and ongoing maintenance costs. It will still require some connection with a merchant account to process the credit cards. This will carry a percentage fee and sometimes a per transaction fee depending on the processing party.

Upfront costs

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<td>High</td>
<td>Custom designed and fully integrated</td>
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E-Commerce
**Per Transaction Costs:** By building and maintaining your own e-commerce platform, transaction fees are not removed from the cost of doing business. The percentage per transaction is smaller if your website developed and maintained the entire e-commerce transaction.

Services like PayPal, Amazon Webservices, and e-commerce platform sites like eBay and Etsy have higher per transaction costs but there are usually little to no upfront costs to use their e-commerce platforms. For many sites with limited budgets or uncertain e-commerce sales volume, these services allow for transactions to occur in trusted online spaces without having the upfront development costs. The perception of business size and capability may be impacted by transferring clients away from your main website to a third party to handle the transaction but the upfront cost savings may be worthwhile.

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**Ongoing Maintenance and Security:** There are many concerns with security to handling any information online. This is particularly true when handling personal and financial data like credit card numbers. Maintaining your own e-commerce system requires you to keep up with security standards and may mean that the website code will need to be updated periodically.

With so many credit card breaches, shoppers may be looking for transactions that are highly secure, particularly online. Maintaining your own ecommerce website means that you carry quite a bit of accountability. It is also your responsibility to maintain and update your transaction standards to keep your customers safe. Third party solutions will be taking this responsibility for you, at a price.

When utilizing a third party service, the cost of maintenance and upgrades is typically their responsibility. The costs of this are transferred to the client through the per transaction fees. Due diligence should still be exercised when using a third party to make sure they are keeping your customer’s online information safe and secure.

**Maintenance Costs**

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**Trust:** Building on the security issue, trust is important in creating smooth online transactions. Having a third party process your financial transactions can help build trust, particularly for first time online customers. Sites like Amazon can make this process easy, but it does come at a cost. Customers may view online retailers that transfer to third party vendors for transactions as small and untrustworthy. Additionally, third party processors carry higher per transaction fees.

**ADDITIONAL MATERIALS**

Selecting an eCommerce Platform for your Online Store


How To Choose the Ecommerce Platform for Your Small Business

https://www.kabbage.com/blog/how-to-choose-the-ecommerce-platform-for-your-small-business#

Amazon’s Webstore

http://webstore.amazon.com/
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