



eCommerce in Ireland – an overview

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So you want to start your own online business? Here are eight points that you will need to consider before you start selling on the Internet.

1. Know your sales process, market and product

Think about your product and your target markets. Determine your sales process, mapping out how the customer will purchase from you. Here are some example questions which can be of relevance:

- Consider if the Internet is a suitable channel for sales of your goods. People will certainly buy clothes and books online, but will they buy your product?
- Research the competition – is the market saturated, who are the big players, what do they do that you like?
- What information will you need to collect from the customer? For example, do you need a telephone number for confirmations?
- Are there quantity/shipping restrictions? Will weights and dimensions affect shipping costs?
- How many currencies and territories will you need to support?
- Are transaction fees and shipping costs included?
- What is your VAT exposure? This will depend on the origin and destination of the product and whether it is classed as goods or services.

The sales process also includes the following:

- Your returns policy
- Your fulfilment strategy – who is dispatching orders and how?



- Your security policy (i.e. where/if to store members logins, passwords, etc., if any of these are relevant)
- Your privacy policy

Although it is not necessary to formalise these processes in the early stages, you should walk through each item in your mind and ensure you understand what you are aiming to achieve.

2. Consider your brand

If you are in business already, you will already have a logo, corporate colours and you may have a website or sales literature and an Internet domain for email (such as *yourcompany.ie*). Your new eCommerce system should incorporate the look and feel of this existing corporate style.

On the other hand, if you are starting a whole new business, or revamping an existing one, it is good to start thinking about branding early on: if there are lots of different stakeholders, each with different opinions, branding can soon find itself on the critical path towards launching your new site.

3. Payment Systems

There are two main approaches to taking payments on the Internet. These are:

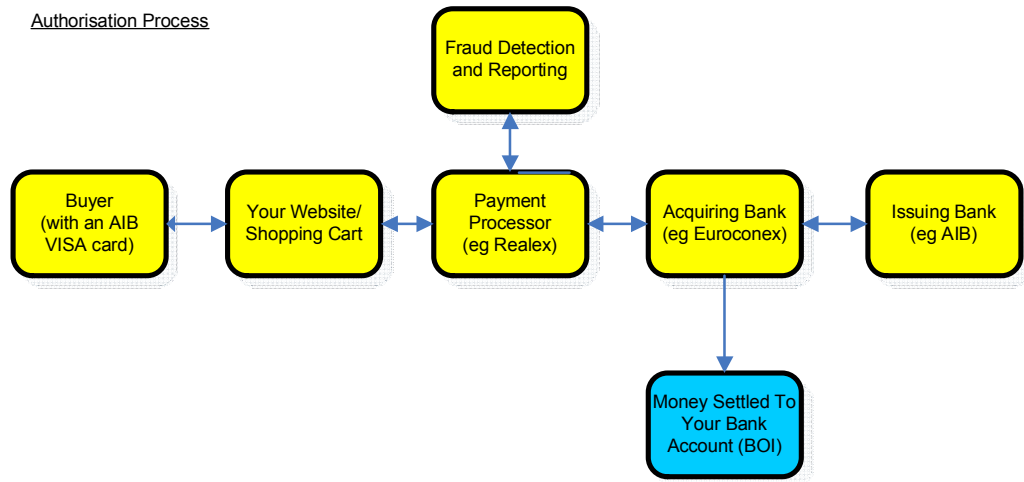
- Direct to your bank account
- Using Third Party Processors (including PayPal)

Direct to your bank account

If you want payments to go directly into your bank account, you need a special kind of merchant account that will allow you to trade online. If you are expecting high turnover this is the best option for you. Money will go directly into your bank account within three days. Transaction fees are generally lower than those for Third Party Processors.

To trade with credit cards (either offline or online) you need a Merchant Account (also called a Merchant Services Agreement). To obtain one of these, you contact your local branch and they will put you in contact with their Merchant Services Department or their “Acquiring Bank”. It is the acquiring bank which provides retailers with the ability to process credit and debit cards.

The following diagram shows how a transaction on your website gets through to your bank account. It depicts a buyer with an AIB card purchasing from a vendor who has a BOI account.



The following table shows who provides acquiring in Ireland:

Bank	Acquirer
AIB	AIB
Bank of Ireland	Euroconex
NIB	Streamline
Ulster Bank	Streamline/Worldpay

Even if you already have a merchant account from your bank for retail or mail-order channels, you will still need a merchant account for the Internet.

This Internet Merchant Account provides you with the ability to accept online payments and the mechanism to settle them directly to your bank account.

The types of credit and debit cards you can accept from shoppers, and the currencies in which you can trade, depend on your agreement with the acquiring bank.

Bear the following points in mind when you considering your Internet Merchant Service Agreement:

- All potential customers must fill in an application form prior to the granting of a Merchant Services Agreement. This questionnaire elicits comprehensive information on your business which is passed on to a Risk Assessor. The process of obtaining an Internet Merchant Agreement has been known to take up to four weeks and it is not guaranteed that the bank will give you an agreement.
- Pricing is *completely* individual but sample charges for Irish banks are:
 - 1.75-2.75% per credit card transaction
 - 25c per debit card transaction
- Please note that the amount your business pays will depend on a number of factors including turnover, average transaction value and market sector. Market sector is particularly important as this impacts the assessment of risk.



- You *may* be asked for a deposit to secure your account – do not over-hype your turnover in order to get a better deal on charges, as the bank may turn around and ask for a deposit based on the inflated price!
- If you wish to take Internet *and* telephone orders into the same bank account (even if your internal staff and your online customers are using the same computer systems to take the orders) then you will need two Merchant agreements, one for Internet and one for Mail Order/Telephone Order (MOTO). (MOTO transactions are not charged by the bank as heavily as Internet transactions, again because they are considered less risky).



Payment Processors

Your “payment processor” will provides you with a facility to accept both credit and debit cards on your website and will allow you to process these in real time. Your payment processor also helps you manage your exposure to fraud by employing automated detection. (See point 8.)

This section is by no means an exhaustive review of the operators in the Irish market but it does highlight some of the most prominent solution providers.

Realex – Payment Processor

Realex Payments are Ireland’s leading Payment Service Provider processing for some 1,500 online traders across all the major banks. Realex Payments are highly recommended and have an ‘Online Trader’ package that caters for small to medium sized businesses who wish to transact via the web.

Fees:

- Realex charge a set up fee of €250 to Online Traders
- Transaction fees for online traders will depend on volume but will range between 25 cent and 21 cent.

Notes:

- Realex charges are in addition to your acquiring bank charges.
- Realex are Irish-based and have excellent customer service. They offer a web-enabled console allowing you to view and download your transaction history.
- For telephone/postal sales, Realex rent out a “console” application for fast payment processing.
- Realex has a comprehensive fraud-detection system built into its processing system.
- Realex can deposit money directly into your NIB, Ulster Bank, AIB or Bank of Ireland bank account.
- Realex also offer full enterprise solutions for corporates with extensive requirements across multiple payment methods and channels.

Worldpay

Associated with the Royal Bank of Scotland, Worldpay is an alternative to the Realex partner selection, and it is an Acquiring Bank and a payment processor combined. If your start-up has difficulty obtaining a Internet Merchant Service Agreement through AIB or Bank of Ireland, then Worldpay (based in the UK) is a fallback. They claim that 90% of applicants are signed up.

- If you have an Ulster Bank account (which is a subsidiary of RBS), Worldpay can deposit directly into your account. If you bank with any of the other an Irish banks, you will need to transfer your money into your bank account.
- Worldpay is UK based and support is not in Dublin.
- Commissions can be high (one Worldpay customer I spoke to last week is paying approximately 3.9%). But again, pricing will vary – it is based on your merchant profile, and will depend on the risk associated with the sector you operate in and your trading history and background.



- Monies may not be transferred to your account as quickly – you are initially paid one month in arrears, then up to 4 weeks in arrears from then on.
- Worldpay offers a console for telephone orders.

Third-Party Payment Processors

If you do not want to go through the hassle of obtaining an Internet Merchant Account, you could opt for a Third Party Payment Processor. Many of these provide full shopping carts and are quick and easy ways to get your shop online.

There are many Third Party Providers on the Internet which get around the necessity for you to have an Internet Merchant Account by acting as a middle-man in the transaction. It is illegal for them to use their Merchant Account on your behalf (termed “factoring”) so instead, they effectively buy the goods from you and sell them on to the end customer.

There can be significant delays in receiving payment from Third Party Payment Providers. Furthermore using a third party processor is often very expensive – 5% (or more) commissions not being unusual.

PayPal

PayPal is the eCommerce wing of eBay and using it is a fast and cheap way of getting your payment systems up and running.

To get a PayPal merchant account you simply sign up on the website, providing your credit card number. Once you get set up, all payments received from your customers will now go into your PayPal account and you will have to transfer this money to your bank account..

PayPal has its detractors: On a practical note, PayPal does not take Laser cards, which is important if you are selling to an Irish market. Other issues exist with PayPal’s perception: Until recently, you had to be a PayPal member before you could purchase from a PayPal-based site. This extra hassle turned people away and, though it has now been addressed, PayPal can still evoke a negative reaction from the potential buyer. Customer confidence is another issue – it is so easy to set up an account, many people will simply not buy from a PayPal-only site.

On the plus side, PayPal is widely used in the United States and if this is one of your markets, it is definitely worth adding a PayPal option to your site. Because of the fast setup and low fees, PayPal is ideal if you are a small trader or if you want to test the market.

	Standard Rate	Merchant Rate (qualification required)			
Monthly Received Payment (EUR)	€0.00 EUR- €2,500.00 EUR	€2,500.01 EUR- €10,000.00 EUR	€10,000.01 EUR- €50,000.00 EUR	€50,000.01 EUR- €100,000.00 EUR	> €100,000.00 EUR
Fees per transaction (EUR)	3.4% + €0.35 EUR	2.9% + €0.35 EUR	2.7% + €0.35 EUR	2.4% + €0.35 EUR	1.9% + €0.35 EUR



*Taken from www.paypal.ie 23/05/06

Choosing your eCommerce partners is very much a function of how your business will operate – how many transactions do you expect, what is the average cost of these transactions, how quickly do you need the money to go into your bank account and what territories you are operating in.

4. Backend systems

Ecommerce

The public ordering system is only one part of a potential eCommerce solution. Depending on your turnover, product set and staffing levels, you may need other business process support systems for the “backoffice”.

Most hosting providers now offer an off-the-shelf eCommerce package, and other alternatives are eBay (particularly if you are using PayPal) and Yahoo Shop. *Buy.ie* is an Irish turnkey shopping cart provider.

As well as providing a customer-facing shopping cart, off-the-shelf eCommerce systems generally provide facilities to perform the following operations:

- Stock Levels/Special Offers
- Catalogue changes – prices, descriptions, photographs
- Sales order processing
- Sales Tax /Shipping configuration

You must consider the features, functionality, expandability and general “fit” of such an off-the-shelf solution compared with that of a bespoke development. All businesses are unique, but most have core common practices.

Sacrificing desired business processes and protocols and accepting a generic solution can save you money at start-up, though may cost you in efficiency as the system may not do things exactly as you may like. Some businesses are so different that no off-the-shelf solution will exist (specifically, any system that encodes your unique business processes or interfaces with third-party or legacy systems). In this case an entirely bespoke system will have to be written by a development house.

A mixture may appeal as a compromise: buying an off-the-shelf system and getting a developer to tweak it to your needs. This is not necessarily any more cost-effective than building from the ground-up, however, as a developer can be much slower amending someone else’s code.

Whether you are building your own system or using an off-the-shelf package, you should *never* store credit card numbers in your database. If you do need access to credit card numbers (for recurring fees or for customer convenience) then your Payment Service Provider will provide you with a solution.

Content Management System

If your website also stores a lot of textual copy, which changes regularly, you may need to invest in a CMS, which will allow you or your staff to alter web pages,



without having to learn HTML. Such systems range in cost and complexity: simple webpage editors can be a few hundred Euro; large complex publication engines can cost hundreds of thousands of euro.

Book-keeping

A backend accountancy system, such as Sage or Pegasus, may be needed in order to keep your books. Ideally, you would like your sales system to automatically interface with this package, but such functionality will depend on your budget and choice of software.

5. Hosting

Your website will need to be hosted and, if you are taking in credit card details, will need a Secure Sockets Layer Certificate. An SSL Certificate is a file which is stored on the server and which ensures that the website belongs to who it is claiming to belong to (the padlock icon appears in the browser when SSL is on). It also provides security by encrypting any information that the user submits.

Budget €300-€500 euro for year one, €200 for ensuing years for this (depending on how many emails you need, how much disk-space, if it is Windows or Unix, if there is a database, etc. – your developers will tell you more when the system is sized).

If you do not want a the expense of a secure server, your Payment Processors may offer an alternative. Instead of taking in credit card details on your site, you can redirect the customer to a secure page on the Payment Processor's site. One disadvantage of this is that the URL in the address bar will change to the URL of the Payment Processor. Another is that you may not have full control over the data that is collected or the look and feel of this secure page.

The physical location of your hosting company could be important: if your primary market is Ireland, you should host your site in Ireland as search engines can prioritise local websites when executing a search. If you are registering a new domain name use a *.ie* domain if you are targeting Ireland.

6. Internet Marketing

Finally, your website is up and running and your stock is ready to be sold. Now you need to attract the customers.

Internet Marketing is a complex job and there many Irish companies who specialise in this area such as Inspiration Marketing, Martec, 2bscene. Unless you get visitors to your site, you won't do any business, so it is a good idea to set aside a budget of at least €1,000-€3,000 at the beginning of your project.

The four major methods for attracting visitors to your site are now explained.

SEO

Appearing high in search engine rankings can make a monumental difference to your site's revenue potential.



Search Engine Optimisation (SEO) is the process of gearing your website content and structure so that it appeals to the ranking algorithms of common search engines. Generally, target keywords are repeated in prominent parts of the HTML page copy, the theory being that a search engine will return your page when those keywords are used in a search.

SEO also includes a strategy for getting links to your site. Incoming links – particularly from popular sites and sites which are related to yours – will greatly increase your site’s “page rank”, particularly if the text on the incoming link includes your target keywords.

Note that the ranking algorithms used by search engines are not in the public domain and may change at any time, so any SEO strategy employed at one moment in time cannot be guaranteed to succeed or to last.

When people in Ireland mention search engines, Google most often springs to mind. Ireland is indeed Google-centric and countries like the US and UK have large Google usage however this does not mean Google is the only option and if you are drawing customers from around the world you will be able to attract people from a multitude of engines and directories more easily than spending endless hours trying to crack Google.

We recommend that good HTML, good copywriting and good content are the best principles to adhere to when optimising your site for search engines. The technologies applied by the major search engines are improving constantly and it is now more difficult and more dangerous to attempt to fool (or “spam”) them: what is a nifty trick today may get your site “blacklisted” as spam tomorrow. Good copy, good content, good referrers and good code all add up to a good site, which will, by its own popularity, end out high in the rankings. So ancillary informational content should be sourced, which will complement your shopping portal, bulk up your site, drive inward links and bring in new visitors.

Pay-Per-Click (PPC)

PPC or "Pay Per Click" refers to the text-based advertising you commonly see on the sides of search result pages and blogs. If your advertisement appears, and the surfer clicks it, you will be charged for the click.

Where you appear on this advertising strip, and how often you appear is down to how much you are willing to pay for the “keywords” which trigger your advertisement. Be warned that you must monitor and restrict your spending carefully when you set up a PPC campaign, as costs can spiral rapidly.

Banner advertising

The most popular form of advertising on the Internet's World Wide Web is currently banner advertising. This is the clickable graphic that you see along the top and sides of most popular web sites. Rates vary depending on the target websites and are usually quoted in CPMs (cost per thousand).



Many banner advertising companies (such as *SalesOnline.ie*, Doubleclick) offer a portfolio of websites over which your ads will run. Your banner advertising partner should provide “click-tracking” so you can monitor your campaign and ensure you are getting what you paid for. Banner advertising can be expensive and there are concerns by marketers regarding the over-exposure and effectiveness of this type of advertising.

Email marketing

Your existing customers are already “warm leads” – they are obviously interested in your products so you should keep them abreast of additions to your catalogue, any special offers you may be running, and general news about your business.

To do this, ask your site visitors to opt-in to receive newsletters from you, then periodically (but not too frequently) send an email to those who have subscribed. Keep the newsletter concise and always include call-to-action links (“click here for more”).

Make absolutely sure that all your recipients have explicitly consented to receive emails from you and always include an “unsubscribe” option, or you could potentially be prosecuted for sending unsolicited commercial emails under EU and Irish law..

Special software is available which will allow you to monitor the success of your email marketing campaigns – how many people opened the mails, how many clicked each link. Your Internet Marketing partner will be able to provide more details.

Conversion

After spending all that effort getting someone to your site, you really want to convert this potential customer. Thought must be put into the site design, its message, its style and its ease-of-use in order to ensure that baskets are not abandoned and customers are not driven away by a confusing site. Every page, even informational, should at least try to elicit an email address off a visitor, so at least the lead does not simply die.

7. Data Protection Commission

As you will be keeping personal information in your order database it is highly likely that you will have to register with the Data Protection Commissioner as a data controller.

According to the Data Protection Commissioner, you must register as a data controller if you can answer “yes” to the following question: “Do you keep or process any information about living people?”

If you are unsure if you should register, please review the Data Protection Commissioner website at www.dataprotection.ie.

Costs are as follows:

number of employees

registration fee



1 to 5	€25.37
6 to 25	€63.49
26 or more	€317.43

8. Trading

Once your shop is up and running, there is still plenty to do!

Fraud

Your payment processor has sophisticated fraud-detection systems which engage every time someone makes a purchase on your site. But fraud is unfortunately a fact of life on the Internet and at some stage it will reach you.

Always apply common-sense to orders you receive: if something looks wrong it probably is. If you receive an order for five hundred sweaters from a third-world nation, you shouldn't dispatch the order, you should rebate the transaction and notify your bank.

Fraud prevention techniques

Your payment processor applies a multitude of sophisticated fraud detection techniques, searching for patterns of usage which indicate suspicious card activity. There are also some security measures built into the card itself. The CVV/CVN code (the 3 or 4 digit code on the back or front of the card) provides an extra check and you should ask your Payment Provider to enable this .

3D Secure (3D) is a new initiative by all the major credit/debit card players and it is good news for merchants. At the moment if a merchant dispatches goods for a fraudulent order, the real owner of the credit card can query the transaction, forcing a chargeback, and the merchant is out of pocket for the dispatched goods. Once 3D is implemented, it will put the responsibility for fraudulent transactions with the originating cardholder and the issuing bank. The liability has now moved from you and your bank to the purchaser and their bank. During a 3D transaction, the customer will have to enter a personal ID code (a PIN or a passphrase) which is known only to the customer and their credit card company. It is the responsibility of the issuing bank and the consumer to ensure that the personal ID code is kept private.

Chargebacks

Chargebacks occur when your customer queries a payment with their credit card company. It can be very frustrating as a vendor when you have fulfilled an order and then the payment is taken back from your account.

When a chargeback occurs, you will be notified by post, so be very diligent about opening all correspondence from your bank. To reverse a chargeback, you will have to go through a tedious process of contacting the buyer, getting them to contact the credit card company, possibly getting a signed letter from the customer, compiling the original invoice/receipt and then persuading the bank that the transaction was legitimate.



To keep chargebacks to a minimum, you should ensure that the reference on the credit card statement is the same as the brand name used for the purchase – even if you are using a Trading-As name. For example, your company may be ACME Ltd, but your website may be IrishGoods.ie. Make sure IrishGoods.ie appears on the customers' credit card statements. Set up IrishGoods.ie as a Trading-As name through the CRO and ensure that you specify this name when you are applying for your Internet Merchant Account. If you are using a Third Party Provider you should ensure that it will not be the Provider's name that appears on the customers' statements.

Internet Marketing Redux

Sales on the Internet is much like sales on the High Street – it is one campaign after another. When you are over the busy time at Christmas, you will be planning for Valentine's Day, then Easter or Mothers Day. You will be monitoring your PPC statistics, trying to reduce abandoned baskets while increasing visitors through further SEO and newsletter campaigns. You will expand and experiment with your catalogue, set up an affiliate scheme, a loyalty scheme, a referral system and perhaps even try viral marketing. You will be surprised how quickly you learn new tricks and techniques and one year into your new online business, you'll be an expert on trading on the Internet.

Martin Wallace is a Director of Dovetail Technologies, a Dublin-based business solutions and software company. Dovetail Technologies has built custom eCommerce systems for many Irish businesses including RPA/LUAS, GiftVouchersNow.Com, Highlife Adventures and dozens of Irish hotels and restaurants. Other clients of Dovetail include EI, MPO Ireland and ERC.

martin.wallace@dovetail.ie

Note for editors:

Contact 086 805 1828, 01 4100774, martin.wallace@dovetail.ie