

Costs & Issues Starting an eCommerce Online Business

For the Small to Medium Sized Business

Prepared by:
eCorner Pty Ltd

ABN – 25 107 795 568

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How much does it cost to sell online?

There are many people right now thinking of selling online due to the current economic issues. What are the real costs associated with starting an online business or adding an online shop to an existing business. This is a question we are hearing often and the answer is not always as clear as there are many different views and opinions in the market place. There are a number of options to sell online here are some of the common ways we see:

1. Use an existing service like eBay there you will pay fees to list your products and also a "Final Value Fee" which is a percentage of the sale price. If you are selling your old books or stuff eBay is a great solution. Many businesses also sell on eBay as Power Sellers however costs can get high and there are limitations on what you can do.
2. Buy some open source online shop software, have a developer build a store and find somewhere to host it. There are pro's and con's but it is NOT FREE. The initial costs maybe lower but the longer term costs of maintenance and management can be very high.
3. Get your "friends, friend", who happens to be a web developer, to build you a website and shopping cart. This is failure waiting to happen and is the least recommended solution.
4. Use a fully hosted eCommerce Solution such as eCorner. There are many to choose from and a quick Google search on "hosted ecommerce solution" will find many companies that offer a package. My tip is that if you are based in Australia or New Zealand make sure that the hosted solution is here and not in the USA or Europe. The hosted solutions in general are based on some proprietary software but the setup and maintenance is much easier. These systems are in general also upgraded in features and functions free in the hosting environment and with a maintenance agreement if in a dedicated server.

General eCommerce and eBusiness Costs

When starting an online business selling products or services there are some costs which you can expect before you make your first sale. Your online store is a sales channel and acts like a sales person for your business. Selling online can be very cost effective as there are less human resource and infrastructure costs unlike a "bricks and mortar" business. But don't be fooled selling online is not free and your results will be directly dependant on your investment, quality of service and products.

There are many costs which will not be covered in this article such as cost of products, warehousing, logistics, traditional marketing, business taxes and accountancy fees. All these traditional costs still exist and don't magically vanish if you sell online.

If you are reasonably technically capable and don't mind doing some work yourself then the budget can be less than \$100 a month for the online store. If you have a professional designer and web developers create a design and add content then your budget will need to start around \$2,000 + \$100 / month. The more design and functional complexity the more cost and therefore budget required.

But you can start small and add functionality later so the online store and your budget grows with your business. Successful selling online requires as much business acumen and planning (maybe

more) as any traditional business. Getting started is not hard but there are so many opinions on the technology that can be confusing to a non-technically minded person. There are also many technical terms and issues which often just confuse. eCorner and all our partners use ePages which is world leading online shop software with all the features for successful online selling. It is a proprietary solution meaning that you pay a monthly fee to use the software or you can buy a license if you are a larger business with the need for dedicated servers. Following is a quick summary:

- You need a domain name
- You need a business email addresses
- You need a website with a shopping cart or you can use eBay (or similar) or both
- You will need to have a design and some development for your website
- You will need some Search Engine Optimisation (SEO)
- When your website is live you will need to do Search Engine Marketing (SEM) – pay per click (PPC) with Google Adwords as an example
- You may need an SSL Certificate (recommended if you accept credit cards)
- You will need a payment gateway or payment provider and maybe an online merchant bank account.
- You will need a shipping company - like Australia Post to deliver products
- Don't forget the traditional business costs, taxes, charges etc.
- You will need some human resources - maybe that is just you. But if you have a full time job remember that the online business will not look after itself.
- Web analytics to track visitors and business conversion data.

eCommerce Technology Costs Estimates Tools

Annual Recurring Costs	Small	Medium	Large	Over 5000 SKUs
domain name	\$ 99.00	\$ 99.00	\$ 99.00	\$ 99.00
business email address	\$ 99.00	\$ 99.00	\$ 198.00	\$ 198.00
SSL Certificate		\$ 260.00	\$ 260.00	\$ 260.00
Total Annual Recurring	\$ 198.00	\$ 458.00	\$ 557.00	\$ 557.00
Monthly Recurring Costs	Small	Medium	Large	Over 5000 SKUs
website	\$ 99.00	\$ 120.00	\$ 170.00	\$ 250.00
SEO Assistance			\$ 99.00	\$ 99.00
SEM			\$ 100.00	\$ 200.00
payment integration		\$ 10.00	\$ 10.00	\$ 20.00
shipping integration		\$ 10.00	\$ 10.00	\$ 20.00
Total Monthly Recurring	\$ 99.00	\$ 140.00	\$ 389.00	\$ 589.00
One time Costs (Optional)				
design	\$ 600.00	\$ 600.00	\$ 2,000.00	\$ 4,000.00
customisation			\$ 1,000.00	\$ 5,000.00
Total One Time Costs	\$ 600.00	\$ 600.00	\$ 3,000.00	\$ 9,000.00
Total First Years Cost Estimate (from)	\$ 1,986.00	\$ 2,738.00	\$ 8,225.00	\$ 16,625.00

Includes Everything You Need

Unlike Open Source solutions when you use a Hosted eCommerce Store from eCorner everything is included. Open Source refers to products that you can get and then host yourself or through a provider. The problem is you never know all the costs. Our solution is managed, maintained and upgraded regularly by eCorner. You hear a lot about how cheap open source may be but be aware there are hidden costs which are often not made very clear. Read an independent view of Open Source from the eCommerce-Guide.com

Domain and eMail

To run a successful website you might need a domain name and business email addresses. Visitors who come to your website may want to send you messages and we highly recommend that you do not use a personal email address. So you may need a sales and an info email address at least. Expect to pay around \$99 per year for 5 email boxes, the more you get the cheaper they get. To set up a .com.au domain name you need a registered business with an ABN or ACN in Australia. You can expect to pay \$99 for two years. Domains for .com will cost less but for Australia we recommend you get the .com.au domain. You can get cheap domain names but the service provider may not provide the DNS hosting which is necessary and will be an extra cost so check carefully. We have found with some of the really cheap overseas domain providers that the domain name is not transferrable for 12 months and is basically not usable. Check the T&Cs. There are many good Australian domain providers here are a few:

- www.netregistry.com.au
- www.tppinternet.com.au
- www.melbourneit.com.au
- www.webcentral.com.au

SSL Certificates

The SSL or Secured Socket Layer is about providing security and confidence in your online shop. It is highly recommended that you have your own SSL if you expect to be really successful online. Many hosted solutions will come with shared SSL which means that it is secured. However when your visitors go to secured pages the URL (or your domain name) will change to that of the SSL Certificate owner who will be the payment provider or hosting company. This can cause concern and basket abandonment (or potential buyers that add a product to your shopping cart but do not complete the sale). SSL Certificates from companies like COMODO will start around \$150 / year and you may have to pay a fee to your web developer to add it to your website.

Online Store Package

There is a large range of online store providers and prices range from \$50 per month up to \$100's per month. So do not be afraid of shopping around and trying out different solutions and suppliers.

eCorner provide a number of different levels of packages that vary in price and capability. Packages are scalable up to 10,000's of products online. The four most popular packages key difference is the number of products that are for sale on the website although the packages will vary in functionality. These are perfect for small to medium sized businesses. Our online store packages include hosting and data as part of the package. That is not the same with all providers so you should always make sure of the total cost of hosting, data and website. Our Starter+, Merchant and Professional Packages all integrate with Payment Gateways such as PayPal and eWAY that allow you to accept Credit Cards Online. All of our Payment Partners comply with the Payment Card Industry Data Security Standards (PCI DSS)

- eCom Starter Pack - 100 Products: \$77 / Month
- eCom Starter Plus Pack - 100 Products + PayPal: \$98.50 / Month
- eCom Merchant Pack - 1000 Products + Newsletters: \$120.50 / Month
- eCom Pro Pack - 5000 Products + All Features: \$170.50 / Month

Graphic Design

With a Hosted eCommerce Solution like eCorner Store Plus you generally don't need to spend anything. If you have something special in mind for a custom logo or banner then it might need to be designed by a professional graphics designer. In general we would recommend that you get started with the designs available from eCorner. These are very flexible and you can change colours, add logos and banners. If you want a special design then we can help by working with you to refine your requirements but take a look at what is available from eCorner for free first. A custom design can cost as little as \$600 - \$1,200 to produce and add to the online shop.

Custom Functionality

The packages that eCorner provide come with just about anything you will ever need to run an eCommerce store. If you are starting a new eCommerce business we would recommend that you use as much of the out-of-the-box or standard functionality as possible and our stores have it all. Your online business will start to make money for you then you can look at expanding and adding new functionality.

Web development can cost over \$150 per hour but varies by provider. We recommend that you ask for a full proposal with specification and a work order that identifies the work and time for each task for your approval so you know what you will get. You should always look at the Terms & Conditions and ensure that there is a warranty period. Expect to pay some part upfront but you should always hold some part of the payment back to ensure completion as you expected. Check if the development company has product and professional indemnity as a mistake may cost you a lot of money online.

Payment Gateway

If you want to accept credit cards online we recommend that you use a Payment Service Provider and process the credit cards via a Payment Gateway. There are strict regulations around the use and storage of credit card information which are regulated by the Payment Card Industry via their Data Security Standards you can find more information at their website www.pcisecuritystandards.org or through your bank.

All eCorner Stores are PCI DSS compliant. Payment Gateways have to be integrated into your website. eCorner has already integrated a number of leading Payment Gateways including:

- PayPal (Standard, Express and Payflow),
- eWAY,
- Dialect Solutions,
- DPS,
- Netregistry,
- Camtech,
- SecurePay
- Worldpay.

These are made available as part of the package from eCorner. You will need to setup an account with the Payment Service Provider (and maybe also an online merchant account with your bank) to take online payments. Setup costs vary dramatically from nothing at PayPal up to \$500 for some providers. Some Payment Providers will also charge an annual fee between \$200 - \$500. You will pay transaction fees for each payment that you accept again these vary greatly but expect from 1.1% + 30 cents up to 4.5% or more depending on the Payment Service Provider.

So check this out carefully. Your bank will also charge you some fees to setup your Online Merchant Account these do not vary greatly from bank to bank but shop around and ask questions. eCorner does not charge any separate transactions fees.

Shipping and Logistics

eCorner provide a wide variety of shipping methods built in which you can setup on your website. These handle just about any possibility. We also provide integration to Australia Post for calculating shipping cost in the shopping basket. The actual shipping cost to send your packages is not part of the eCommerce package and you need to make sure that you calculate and add shipping cost correctly.

As a tip - free shipping is a great incentive for buyers so we would recommend that your pricing absorb the shipping cost when possible and you offer free shipping. You can tie that to the value in the shopping basket which is always a good idea.

SEO and SEM

Search Engine Optimisation and Search Engine Marketing can cost a lot of money. Luckily if you have decided on eCorner you will find that the websites have SEO capabilities built in. You really just need to follow the guidelines and advice in our FAQs and your website will be search engine friendly. Search Engine Marketing is a cost you need to consider carefully. We have seen good web

businesses fail because they spent too much on Cost per Click (CPC) programs which were not targeted. Again we have some good advice in our FAQs.

The actual cost of programs like Google Adwords and Yahoo Search Marketing will vary dramatically based on the types of products you sell and the geography that you target. As a broad guideline for an Australian targeted retail website, a \$50 / day budget will get you about 25 clicks. But this varies greatly based on the cost of each keyword and the quality of your ads and website. Remember the way this works is when someone clicks on your ad it cost you money if they buy or not. So the best result is a very targeted set of ads and keywords.

A good tip is to make sure your webstore is complete before submitting it to the search engines. You need to submit to search engines like Google, Yahoo, MSN and also take a look at the directories like Yahoo Directories, Hotfrog and Cooeonline and expect to pay a small listing fee. The price comparison engines are great if you are selling retail so check out Getprice and Shopping.com, again there are small fees involved. There is again lots of advice in our FAQs. Remember it may take 4 - 6 weeks for the search engine crawlers to go to your website.

We help our customers SEM by listing them on our marketplace at www.ecornerstores.com.au. If you want professional Search Engine Marketing (SEM) results we recommend that you engage an SEM specialist company like Hot Goanna.

Web Analytics - Visitor and Page Tracking

A good online shop can often fail because the owners don't know what is really happening on the website. In order to understand the activity on the website you need to collect information about what visitors there are and what they do. This is collected by a web analytics program like etracker or Google Analytics. Every eCorner store comes already integrated with etracker but there is a cost for the etracker service. However you can also use free analytics like Google Analytics on your online store. There are obviously many differences but the key issue is that you must, at a minimum, track activity like:

- visitors
- return visitors
- geographic location
- page impressions
- entry and exit pages

Analytics costs can vary and be more than the cost of the store in large and complex ecommerce environments but if you use Google Analytics it is free and for a service like etracker, which provides real time data as it happens, the costs start at \$10 / month.

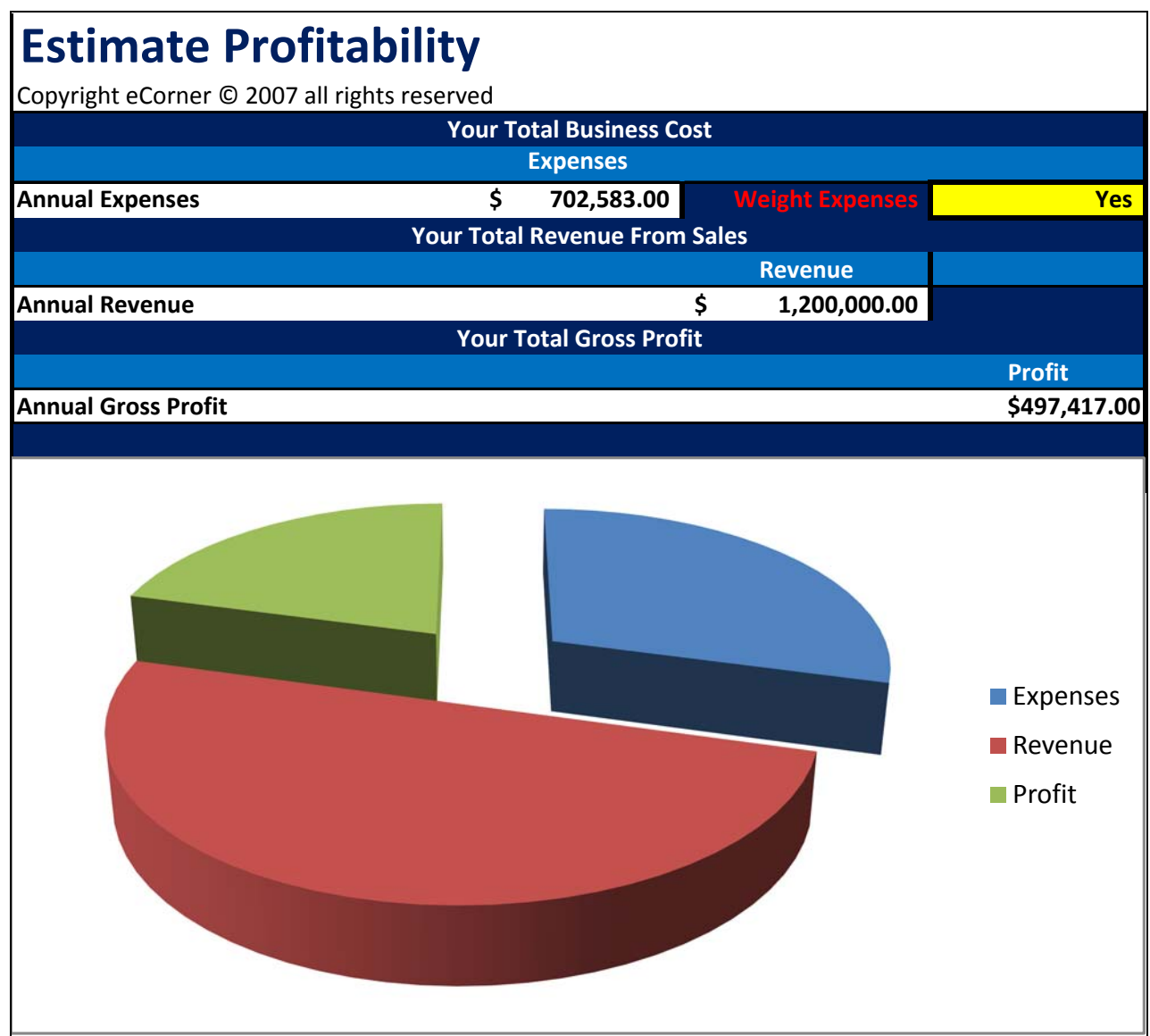
Try Before You Buy

We recommend trying the online shop software that you want to use before you sign up for a plan. Most of the reputable companies will provide some obligation free trial period. Do not provide credit card information in order to start any free trial. You can trial the ePages online shop software for free for 14 days at www.ecorner.com.au/trials.

Automated eCommerce Estimates Tool

If you contact us we will work with you to calculate a budget that works or we can send you a free excel spreadsheet eCommerce Estimates Tool that can help you understand how much you need to budget to start, your monthly cost and your subsequent annual costs. Just send us a request and we will send you the tool by email.

Sample Chart from Estimates Tool



Sample Table from Estimates Tool

Annual Budget Estimates					
	Expenses	% Weight	Revenue	Profit	
Month 1	\$ 747.50	0%	\$ -	-\$747.50	
Month 2	\$ 13,983.71	2%	\$ 24,000.00	\$10,016.29	
Month 3	\$ 35,061.20	5%	\$ 60,000.00	\$24,938.80	
Month 4	\$ 70,190.35	10%	\$ 120,000.00	\$49,809.65	
Month 5	\$ 70,190.35	10%	\$ 120,000.00	\$49,809.65	
Month 6	\$ 70,190.35	10%	\$ 120,000.00	\$49,809.65	
Month 7	\$ 70,190.35	10%	\$ 120,000.00	\$49,809.65	
Month 8	\$ 70,190.35	10%	\$ 120,000.00	\$49,809.65	
Month 9	\$ 70,190.35	10%	\$ 120,000.00	\$49,809.65	
Month 10	\$ 77,216.18	11%	\$ 132,000.00	\$54,783.82	
Month 11	\$ 77,216.18	11%	\$ 132,000.00	\$54,783.82	
Month 12	\$ 77,216.18	11%	\$ 132,000.00	\$54,783.82	
Annual	\$ 702,583.00	100%	\$ 1,200,000.00	\$497,417.00	