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What to Consider Before Starting an E-Commerce Site

E-Commerce businesses have grown at an impressive rate in the past couple of years, propelled by increased internet activity and smartphone usage. As businesses look forward to taking advantage of the opportunities presented by the increased popularity of E-commerce there are a couple of factors to consider before setting up your online store.

Business Licenses & Permits – Depending on your entity type, location, and what you're selling, you can face a range of costs for licenses and permits. It is advisable to consult an attorney, an accountant, and an insurance agent to ensure that your business is legally setup with all the necessary licenses and permits, as well as acquiring adequate insurance coverages, such as product liability insurance depending on your products.

E-Commerce Platform – These software applications enable a business to sell products and services online. They are broadly categorized as either Software as a Service (SaaS) platforms or Opensource platforms. Saas platforms provide all-in-one packages that can have website hosting, online store development, marketing, sales, etc. Opensource platforms let you customize everything on your own. Some of the key features to look for when selecting a suitable E-commerce platform include:

- **SEO/URL Structure** – Having the ability to customize your URL with your name and your products will help boost your search engine optimization (SEO) which makes your store easier to find. Additionally, some platforms offer more SEO tools in their plans to enhance website visibility.
- **Scalability** – A platform should be adaptable to your business size without charging you exorbitant fees for doing so.
- **Mobile Friendliness** – It is important that an online store has a mobile responsive design as mobile devices account for a substantial and rapidly increasing amount of E-commerce traffic and sales.
- **User Experience (UX)** – A good platform should make it easy for business owners with little to no programming experience build stores, including easy to navigate features that help customers find products.
- **Software Integration** – An E-commerce platform should enable to addition, or substitution, of built-in features with third-party software integrations and plugins.

- Support for Multiple Payment Options - Allowing customer to pay via their preferred payment method further enhances the convenience of your online store.
- Security - A good platform should go beyond the basics with features such fraud protection and monitoring against hackers.
- Analytics Functionality - This allows you to capture data on product and transaction information such as average order value, conversion rate, time to purchase, etc., which can be later analyzed to improve your product offering and website optimization.

Domain Name & Hosting - In order to have an E-commerce site, you will need to purchase a domain name and domain hosting services. Some E-commerce platforms will include a domain name and/or hosting within the cost of the platform, and some will allow you to purchase your domain name through them at relatively affordable prices.

Payment Processing - To accept payments online, you'll need to choose a credible credit card processor as a trustworthy processor that not only converts more visitors but also adds an element of authority to your brand. Once again, some E-commerce software solutions will include their own payment processing, whereas others will allow you to integrate your preferred system. The best E-commerce credit card processors offer secure transaction processing as well as competitive transaction charges.

Taxes - Equally important when considering starting an online store is an understanding of your sales tax obligations. Failure to collect and remit taxes as required can lead to negative audit findings along with stiff penalties and interest. Whether you need to collect sales tax on an online transaction hinges on a variety of factors, including the location of the sale and the product or service being sold. It is prudent to consult an accountant to ensure you are compliant with all relevant tax laws.

Shipping & Returns Policy - Shipping and returns can make or break your e-commerce business as consumers are demanding faster delivery times. Additionally, consumers expect to easily return a product if they are unsatisfied with it. Here are a couple tips to keep in mind when you're getting started with online shipping:

- **Research Your Competition** - You may uncover some really great insights on what works and what doesn't in your industry simply by researching others in your industry.
- **Have Clear Shipping Policies** - This will prevent confusion and surprises, making it more likely your potential customers will follow through with their purchase, and return to shop with you again.
- **Offer Multiple Shipping Options** - How quickly a shopper gets their product can be just as important as how much they pay for shipping, give them options and let them choose.

Marketing & Advertising - Lastly, you must consider an appropriate marketing plan for your online store in order to attract the right audience. A good marking plan will consist of a mix of the below methods:

- **Email Marketing** - Still popular despite the rise of social media, this method is effective for re-targeting past customers and increasing conversions.
- **Social Media** - Create accounts on popular platforms frequently visited by your target audience, and then use those accounts to engage your customers. Also, you might consider sponsoring a few social media influencers to run advertisements for you.
- **Word of Mouth** - Use referral promotions to encourage your current customers to bring their friends to your website.
- **Physical Storefront** - If you currently operate a brick and mortar location, you can use signage at your store to tell customers about your new online ordering options.
- **Online Advertisements** - PPC, or pay-per-click advertisements, on search engines such as Google, can be effective in attracting traffic to your online store immediately.

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Connect with a Michigan SBDC Consultant for more insight about what e-commerce platform might be right for your business!

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