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**Building Business Online:
Best Practices in E-Commerce**

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ABSTRACT

Great customer service has never been more important than it is today. As recovery begins from one of the toughest economic downturns in history, companies of all kinds are focused on keeping the good customers they have and seeking new ones as business conditions improve. A key strategy in finding and keeping good customers is serving those customers the way *they* want to be served. In the business-to-business world, that task increasingly involves e-commerce, as more and more customers look to add Internet ordering to the variety of ways in which they interact with suppliers. This can be a challenge for traditional businesses such as manufacturing and wholesale distribution, where a sales call and a handshake were for many years the preferred way of doing business (and still may be for some customers). But times change; many large business-to-business organizations have become leaders in e-commerce, and companies of all sizes are looking for ways to boost their online image and funnel new sales through electronic channels.

Of course, e-commerce involves more than just meeting and exceeding customer demands. Done right, a good Internet and e-commerce strategy can help companies streamline their business operations, reach a wider audience, grow sales, and even become thought leaders in their industry. At the same time, e-commerce brings with it a whole new set of business challenges, including data security concerns, market strategy issues, pricing challenges, and a host of new technology hurdles. Indeed, mastering e-commerce involves much more than establishing a site, creating an online store, and then watching the credit card orders roll in. Whether you are just testing the e-commerce waters or are looking to add functionality to an existing system, a good strategy calls for careful consideration of your business needs, a well-developed plan, and the engagement of the right business partners to help you meet your goals.

This paper outlines some best practices in e-commerce. It is not a technical “how to” on developing an e-commerce site. Rather, it makes the case for *building* or *building upon* your e-commerce platform. It begins with a discussion of the key trends shaping the e-commerce landscape, followed by a

discussion of best practices (in terms of system integration, security, Internet strategy, and the like) and concludes with a look at some real-life experiences of companies dealing with e-commerce-related challenges.

INTRODUCTION

Across all industries and businesses, e-commerce activity is growing—a trend most business leaders expect will continue. But it is growing much more quickly in certain segments of the economy than others. For instance, a recent federal government report showed that manufacturers and wholesalers rely far more heavily on electronic commerce than their peers in retail or service businesses. The *E-Stats* report, which provides estimates of e-commerce activity in key sectors of the U.S. economy, was released in May 2010 by the U.S. Department of Commerce and gives data for e-commerce activity in 2008, the most recent year for which information is available. The report shows that manufacturers and wholesalers continue to lead the way in e-commerce, representing 92 percent of e-commerce transactions in the United States in 2008 (this includes sales conducted over proprietary Electronic Data Interchange (EDI) networks, which will be discussed below). By segment, the report shows that:

- Manufacturers led all industry sectors, with e-commerce accounting for 39 percent of their total shipments in 2008—up substantially for the seventh straight year.
- Merchant wholesalers ranked second, with e-commerce accounting for nearly 21 percent of their total sales (again, this includes sales conducted over proprietary EDI networks).
- Retailers ranked third, with e-commerce representing a modest 3.6 percent of sales, up from 3.4 percent in 2007.
- Selected service industries (a special group of service industries created for the *E-Stats* report) ranked fourth, with e-commerce accounting for 2.1 percent of total sales—up from 1.9 percent in 2007.



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These figures highlight the growth of e-commerce in the business-to-business world, in particular. As this trend continues, companies are beginning to investigate the best ways to enhance or bring their businesses online—ways that will make doing business with them easier from a customer standpoint, and that will streamline internal operations, allowing them to better allocate key human resources. By and large, this means integrating Internet ordering with their back-end business systems so that customers experience a seamless transaction—from shopping to ordering to order confirmation to order tracking to shipment notification. It also means freeing up sales and customer service personnel to focus on more value-added activities—such as after-sales service and support, consultative selling, and prospecting, to name a few.

A note on EDI: In the case of merchant wholesalers (defined in the *E-Stats* report cited above as wholesalers who take title to the goods they sell), the majority of e-commerce activity comes through propriety EDI networks. In 2008, roughly 71 percent of merchant wholesalers' electronic commerce was done through EDI transactions. Wholesaler-distributors have long used EDI to improve and streamline business operations, and it continues to be a valid business strategy. Conducted over private, secure, value-added networks (VANs)—most often with high-volume or repeat-order customers—EDI is a tried-and-true method of transacting business electronically. It is also one in which organizations have invested heavily and may be reluctant to give up. Indeed, for organizations that are already doing business this way, experts say EDI should remain part of their "bag of tricks." Here again, it all comes back to offering customers a variety of ways to do business with you. The advent of the Internet has made conducting electronic commerce less expensive and therefore more accessible to a wider audience. The challenge companies face today is in devising an e-commerce strategy that targets the right customers for the right procurement method.

As technology expert Steve Epner of Brown Smith Wallace LLC in St. Louis explains, "It's important that you segment the marketplace and see who will buy from you using [Internet] e-commerce and who will want to stay where they are with EDI transactions."

That is why *strategy* is such an important part of any company's foray into e-commerce. The rest of this paper will deal with *Internet* e-commerce and how companies can develop the right strategy to serve customers on the web.

TRENDS

Before digging into best practices in e-commerce, it is important to investigate some of the trends shaping the discipline. Naturally, these trends dominate discussions about Internet e-commerce and consume business leaders' time and energy—no matter where their company falls on the e-business development spectrum. The first trend is the growing importance of search engine optimization (SEO) and social media. SEO refers to the process of improving a website's visibility in search engines (such as Google and Bing) through "natural" or unpaid search results. In essence, a good SEO strategy helps companies get a top listing when potential customers search online for whatever it is they sell. A top listing online means more customers visit your website, which means the potential for more business—especially if you have an online store where customers can immediately buy products. Social media refers to sites such as Facebook, LinkedIn, and Twitter, where people connect for a variety of social and business purposes. Organizations are increasingly using such sites as advertising vehicles for their products and services.

"The biggest trend for all of the clients we deal with, really, is an awareness of SEO and social media," says Angela Goldsmith, a technology consultant based in Portland, Oregon. "I say 'awareness' because some of them don't understand what those things are, but they know they need them... There's an education process about [SEO and social media]—what they are, what they're intended to do. And each is an area of expertise in its own right within e-commerce."

Goldsmith works with a wide variety of clients—including small to large manufacturing and distribution firms across a range of industries—and notes that many are beginning to hire marketing experts or bring in outside marketing firms to help them navigate the waters of SEO and social media. And it's all in the name of increasing their website visibility and boosting their e-commerce business.



That brings up a second important trend shaping the e-commerce landscape: Organizations are becoming increasingly aware that their online offering must include more than just an order mechanism. Chances are, prospective customers are looking for *information* when they're searching for the products and services you offer. They may be in the very early buying stage, looking to size up who you are and what you offer. Somerset, N.J.-based e-commerce and online marketing expert Bob DeStefano notes that once they have launched their online store, many companies are discovering that only about 10 percent of prospects intend to make a purchase the moment they land on their site. That means the merchant has additional work to do.

"What you want to make sure of is that you don't lose them," says DeStefano. "You want to have more than just the ability to place an order."

DeStefano advocates including a wide range of "calls to action" throughout your website as a way to enhance your e-commerce offering and keep customers engaged—and coming back. Some things to consider include:

- **Presales questionnaires.** These help gather basic information about potential customers.
- **E-newsletter subscriptions.** Providing content in an e-newsletter helps you "get the word out" about your company—and it can also establish your company as a thought-leader by providing news, articles, and other insights relevant to your industry.
- **Online chat options.** This gives customers instant access to a customer service representative online.
- **A very obvious phone number.** The simple act of displaying your phone number frequently and prominently throughout your website invites customers to contact you.

"Really, just inviting people to reach out and ask questions can help you generate immediate sales through your e-commerce [system] and build a marketing database to nurture future opportunities," DeStefano explains.

While SEO, social media, and an enhanced website can all help drive traffic to your e-commerce system, there is another, more technical trend emerging among organizations with existing e-commerce functionality: The need to integrate their online store with their back-end business system. This is a growing issue for many businesses, according to Cherry Williamson, an Atlanta-based IT consultant who works with midsized manufacturers and distributors. She says the problem many companies face is that they've pieced together their web presence—mostly out of necessity—and are now faced with a new set of information technology (IT) and operations-related challenges as a result of having separate e-commerce and back-end business systems. As just one example, a nonintegrated e-commerce solution requires employees to reenter orders received through their Internet store into the company's business system. This wastes time, opens the door for errors, and creates data security problems when credit card information is handled in different formats by different people.

"Integration is key," Williamson says. "You need to think about the logistics of how the order flows through your company once it's ordered on the shopping cart."

From the customer and supplier perspective, simplifying this process is vital. A cumbersome, complex process on either end adds up to frustration and the potential for errors.

"At the end of the day," Williamson adds. "You want to take the customer's order and thank them."

BEST PRACTICES

Whether you are just starting out or are adding functionality to your e-commerce system, there are some important best practices to follow to ensure you accomplish your goals. Oregon-based Goldsmith recommends three general best practices in e-commerce:

1. Ask yourself what you want to accomplish.

"If you don't identify your goal, you're doomed for failure right up front," she says.

"Sometimes I hear, 'I've got to be on the web. I've got to sell my stuff online,'" she adds. "And I have to ask, 'What do you sell?' Sometimes, things are still done on a handshake with a



sales rep. So sometimes, [the web] doesn't work for clients. They have to make sure they're going to get value out of the solution. In other situations, you're dealing with people on the cutting edge of bringing their industry further. So I'm a big fan of asking, 'What do you want to accomplish?'"

2. Interview several IT partners.

When looking for business partners to help you develop or enhance your e-commerce system, don't go with the first company that comes along. That is rule number one.

"Particularly when it comes to social media and SEO, there are a lot of fantastic organizations out there—and there are also a lot of people out there just consuming businesses' resources," Goldsmith explains. "So don't take the first company that comes along. I always ask people, 'Do you like them?' 'Do you think they can deliver on what they're promising?' It's an interview process, much like hiring an employee."

3. Talk to your customers.

Goldsmith advises talking to customers about the features and functionality *they* would like to see on your site. This is especially true in the business-to-business world, where she says there is often a disconnect between suppliers and customers on this important issue.

"Find out what your customers want," she says. "Survey your customers. Invite key customers to be part of the beta testing for a new system. This all circles back to knowing your audience and engaging them in the decisions you are going to make."

Once you have taken these initial steps, you will be better prepared to tackle some of the more tactical and technical issues involved in e-commerce. Of those, there are three key issues:

- Developing an online business strategy
- Ensuring data security
- Integrating your e-commerce system with your business or ERP (enterprise resource planning) system

Each of these will be examined separately.

DEVELOPING AN ONLINE BUSINESS STRATEGY

One of the first things you should do when developing an e-commerce plan is figure out exactly who you are targeting online. This allows you to market to a specific set of customers, which may include a large portion of your customer base or just a small slice of it. Some companies begin by targeting a particular product group or industry, offering only certain items in their Internet store. This allows them to "test the waters" before jumping right in to e-commerce. Others make their entire product catalog available for online ordering.

The next step is reaching out to those target customers; this is where email marketing campaigns and SEO come into play. You have to let customers know about your online offerings (through email and traditional marketing/communications methods) and help them find you quickly and easily on the web (SEO). DeStefano argues that the latter point is especially crucial. Taking advantage of search engines means making sure that your product names, descriptions, and other key information stored on your site reflect the phrases that your customers search on most often. This is where hiring a good SEO firm can help.

For some companies, developing an e-commerce strategy is more complex because they want to use the web to target an entirely new end market—often by selling products at a deep discount online. Goldsmith and Williamson both say they have seen companies take this route, deploying multiple websites under different brand names. In the case of manufacturers and distributors, sometimes this is done to separate consumers from their B2B customers so they don't give the impression that they are competing with those B2B customers for the consumer slice of the market. Other times, it is done to discount certain products under a different brand or feature specific product lines on a given site.

In either case, Goldsmith advises against such strategies, noting that they result in additional overhead and maintenance to keep up multiple sites and their respective data sets—not to mention processing orders internally under different brands and making sure things such as boxes, labels, and packing sheets reflect the correct brand.



“My personal opinion is that these strategies are not as effective as they used to be before search engines became as sophisticated as they are now,” she says. “With good search engine optimization and marketing, the need for this kind of differentiation has become somewhat obsolete. Also, the additional overhead of running and maintaining multiple sites generally does not pay off and becomes a burden on the business.”

Williamson says that more often, she sees wholesaler-distributors taking this route as a way to eliminate old or “last year’s” inventory. For many companies, she says, this is a convenient way to move that inventory and maximize employees’ time.

“Distributors are not used to selling to the public, so they’re circling back around to say, ‘How can I minimize the effort?’” she says. “This way, their internal people are taking care of their customers, and the Internet is taking care of the dead inventory. They’re not trying to do anything to undermine their vendors or customers at that point.”

No matter which route you choose, Goldsmith and Williamson say it is best to decide on your path right up front. Again, knowing your audience and what you want to accomplish online is paramount to a successful strategy.

ENSURING DATA SECURITY

You cannot develop an e-commerce strategy without considering data security; this is most likely your customers’ chief concern and it should be yours, too. No one will do business in a nonsecure environment. Once you develop an e-commerce site on the Internet, it becomes one of your biggest data security risks because an online store is an easy entrance point for “hackers”—people on the outside of your organization who try to gain access to your information for their own personal gain or to harm your business.

On the Internet, your main security task is to protect customers’ credit card data, and you should do this by developing a “layered” approach to security. Start by using a secure web server—one that supports one of the major Internet security protocols, which encrypt and decrypt

messages to protect them against third-party tampering. You also need to be sure you are using current computer virus protection, a firewall (a technological barrier designed to prevent unauthorized or unwanted communication between computer networks), and so on. If customer credit card information is stored somewhere in your business system (a practice you should avoid if at all possible), be sure you use a password system shared by only key employees who need access to the information. Your in-house information technology (IT) staff can help you implement these technologies, often in conjunction with your software system provider or IT consulting firm.

Securing cardholder data has become even more important recently in light of the industry security standard known as Payment Card Industry Data Security Standard (PCI-DSS). This set of standards aims to help organizations that process credit card payments prevent fraud by increasing controls around cardholder data and its exposure to compromise. PCI-DSS addresses security surrounding companies’ management, policies, procedures, network architecture, software design, and other measures created to protect customer account data. The standards were developed by the PCI Security Council, which consists of credit card companies America Express, Discover Financial Services, JCB, MasterCard Worldwide, and Visa International.

All companies that process credit card transactions are expected to be PCI compliant. That means right now. It’s that simple. However, PCI compliance is not a law, though many states are beginning to enact legislation penalizing companies if their customer data is stolen and they have not taken the precautions advocated by the PCI-DSS standard. What’s more, the credit card companies can—and do—impose fines on merchants that do not comply with PCI-DSS and subsequently experience a data security breach at their companies. Merchants can also be subject to card replacement costs, costly forensic audits, brand damage and so on in the event of a security breach. More information on PCI-DSS is available on the PCI Security Council’s site, www.pcisecuritystandards.org.

Williamson says she’s amazed by how many businesspeople are unaware of the PCI-DSS requirement, especially since their software supplier likely has a solution available to address it. She



adds that the compliance issue becomes even more acute for businesses that run separate e-commerce and back-end business systems.

“Typically, all Internet orders are credit card orders, so anyone running an Internet store opens themselves up to PCI compliance issues,” she says.

With a disconnected system, Williamson explains, companies receive the credit card information into their website and then rekey it into their business system. They may be PCI compliant on the Internet end, but once they have rekeyed the information, they are no longer in compliance—primarily because another person has touched the data, opening up the possibility for fraud.

“Companies need to think about these issues,” she adds. “These things need to be integrated, so they’ve got to find a solution that can meet their needs.”

INTEGRATION

This brings us to the last of the three key best practices: Integrating your e-commerce system with your back-end business or ERP system.

“The best e-commerce systems are the ones that are entirely integrated with the back office,” says DeStefano. “The more integrated it is with a company’s normal business processes, the better it is for the customer.”

That’s because an integrated system gives you a seamless process from end to end: Customers place their orders online through a secure web store, they receive an automatic email confirmation that the order was received, followed by another email confirmation when the order has shipped. An integrated system is equally beneficial to the seller. Internally, the customer’s order is automatically entered into the company’s business system, where it goes through the normal channels, as if it were received through customer service, a sales rep, fax, phone, or otherwise. A good system, say DeStefano and others, automates all of these processes, achieving two key goals: Eliminating the need for customer service personnel to reenter the order and manually generate email confirmation notices and streamlining key elements such as product data, pricing, inventory availability, and security on the back end.

“You’ve got to have the plumbing, so to speak, from your system to the website,” notes Williamson, pointing to the importance of having a central database for product information, pricing, security, inventory management and so on. She points to pricing in particular. “In a perfect world, I log in as a returning customer and all of my pricing just fills the screen. From the [merchant’s] standpoint, I’ve set all of my pricing through [my business system] and it automatically goes through to the website. It’s the same thing with your data security [system]. It all comes back to where you’ve touched and managed that account one time.”

Goldsmith agrees, emphasizing system integration as a key topic in your interview process with prospective e-commerce system providers.

“You need to ask questions. Does [the system] integrate with your own merchant system, for example? Is it connected to [your existing] payment solutions program?” she says. “It’s the same thing with sales tax—can you use the same sales tax solution that you’re using in your existing system? Also, can you integrate [the e-commerce system] with your enterprise resource planning system or not, and will it be automated?”

Addressing these issues up front can keep you from having to run multiple, separate solutions. And it can also help you save considerable time and effort later on, Goldsmith adds.

“Often, you start out in the shallow end of the pool and suddenly you’re treading water in the deep end,” she says.

For some companies, the shallow end of the pool is the most logical place to start, however. DeStefano emphasizes the large investment—in time and money—required to prepare a company’s back-end systems to support e-commerce. If a company isn’t ready for that kind of investment—if it represents a small number of products, for example, and is not sure of its potential return-on-investment on the web—the best solution may be to start with an inexpensive, turnkey e-commerce system (offered by an outside development firm) that offers all the bells and whistles of an online store from the customer’s perspective, but requires some manual reentering of information on the merchant’s end.



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“I have some clients that represent many different product offerings in many different vertical markets. What they’ve done is chosen one vertical market in one product offering, creating one storefront that is the destination for a particular product offering—drum handling equipment, for example,” DeStefano explains. “It’s a way to see if there’s an opportunity. They get a site out there quickly and cost-effectively, and if it’s working, then they can ramp things up.”

“Ramping things up” will eventually involve integrating that web presence with your business system—providing you and your customers with a seamless, end-to-end transaction.

CONCLUSION

It helps to bring some of these issues to light by looking at real-life company experiences. For instance, DeStefano recalls two client experiences that illustrate the advantages of running an integrated e-commerce and back-end system.

“We have one company that is using a well-established back-end software system to manage their business,” he explains. “That package has a very robust web services toolkit that allows us to create a website that will integrate with their system.”

“Essentially, their software provider did a lot of heavy lifting that makes this a much easier process for everyone.”

On the other side of the coin, he is working with a client that has a homegrown business system that’s been in place for many years.

“For this company, it will be an expensive undertaking to put e-commerce in place because all the integration needs to be custom developed. And as technologies change, they need to make sure they are updating that technology,” he says. “What happens is, [this company] ends up being in the software development business.”

At the end of the day, many argue that it makes more sense to be focused on your own core competency, leaving the IT challenges to outside experts.

In another example, Oregon-based Goldsmith emphasizes the importance of selecting the right business partners to develop and implement your e-commerce plan. She recalls being in a meeting with a client and its outsourced SEO firm when it became clear that the latter had not done its homework in preparation for the project. The SEO firm asked the client—who maintained a list of 60,000 inventory items (and growing) online—to build individual web pages for each inventory item, a daunting and unnecessary task.

“The SEO [company] had no idea how many inventory items the client had,” Goldsmith explains, emphasizing the poor fit between these two companies. “I have seen clients go through three or four firms until they get what they need—and that’s a lot of money to waste.”

Succeeding in e-commerce means laying the groundwork for what you want to accomplish online and finding the right partners to help you get there. Some key points and best practices to remember when implementing or upgrading your e-commerce program include:

- Start by asking yourself what you want to accomplish with an e-commerce system.
- Develop an online business strategy that targets a specific audience.
- Interview several IT partners before choosing the right firm to help you realize your goals.
- Talk to your customers about what functionality they would like to see on your website.
- Make sure you have the right data security systems and procedures in place.
- And finally, work toward integration; for the best possible results, make sure your e-commerce solution and your back-end business systems can talk to each other.

Following these steps will help you create an e-commerce program that best fits the needs of your company and your customers.



BROWN SMITH WALLACE

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ABOUT THE AUTHOR

Victoria Fraza Kickham is a freelance journalist who covers the distribution industry. She has 17 years' experience in journalism, serving as a general assignment reporter for several Boston-area newspapers before joining *Industrial Distribution* magazine, where she held a variety of roles and served as managing editor for ten years.

Victoria holds a bachelor's degree in English from the University of New Hampshire and a master's degree in English from Northeastern University.

ABOUT BROWN SMITH WALLACE CONSULTING

The Brown Smith Wallace Consulting Group has been serving the distribution community for more than 20 years through the publication of various Software Guides, an online evaluation center and resource center at www.software4distributors.com, and assisting companies who need help selecting the best software packages for their business and maximizing benefits from their investment.

BSW Consulting

10151 Corporate Square Drive
Suite 100
St. Louis, MO 63132

314-983-1200

www.bswhc.com

www.software4distributor.com