

# WHAT YOU NEED TO KNOW ABOUT OUTSOURCING YOUR ONLINE STORE

There is an increasingly popular alternative to the do-it-yourself online store. While many product providers choose to handle all or part of their online store on their own, there are many moving parts to the seemingly simple act of putting a store online. Inevitably, an internally managed online store requires more resources and is subject to greater risk than originally anticipated.



For many years, point solutions have solved certain aspects of supporting online stores.

For example, hosting services have provided secure servers with 24/7 access. Software companies have provided shopping carts. However, these point solutions, by definition, involve significant integration resources and a multiplicity of relationships to manage.

As an alternative, end-to-end solutions are emerging that enable store owners to outsource significant portions of their online store operation, or in some cases the entire online store operation. These solutions are increasingly popular as the complexity, risks and expense of internally maintaining an online store continue to escalate.

## THE COMPONENTS OF A FULL ONLINE STORE SOLUTION

<b>WEBSITE DESIGN, HOSTING AND MANAGEMENT</b>	<b>4</b>
<i>Do you need a corporate website or only a link from it to your store?</i>	
<i>How hard is the integration?</i>	
<b>DIGITAL CONTENT HOSTING</b>	<b>4</b>
<i>If you sell digital content, do you want to host your own content or do you want someone to do it for you?</i>	
<b>ORDER PAGE (STORE) DESIGN AND HOSTING</b>	<b>5</b>
<i>Do you want your order pages on your corporate site or do you want them with the shopping cart?</i>	
<i>Can the order pages look like your website? Or are there templates?</i>	
<b>TOOLS FOR ORDER PAGE (STORE) MANAGEMENT</b>	<b>5</b>
<i>How quickly can you make changes to your store? Is HTML knowledge required?</i>	
<b>SHOPPING CART SOFTWARE</b>	<b>6</b>
<i>What are the functions you need for your shopping cart?</i>	
<b>MERCHANT ACCOUNT(S)</b>	<b>6</b>
<i>What do you need in a merchant account?</i>	
<i>What if you already have a merchant account?</i>	
<b>PAYMENT PROCESSORS</b>	<b>7</b>
<i>What do you need to know about payment processors?</i>	
<b>GATEWAY SOFTWARE TO CONNECT SHOPPING CART AND PAYMENT PROCESSOR</b>	<b>7</b>
<i>What do you need to know about gateway software?</i>	
<b>ANTI-FRAUD SYSTEMS AND PROCESSES</b>	<b>8</b>
<i>What should you know about anti-fraud systems?</i>	
<b>SPECIFIC PROTECTION TOOLS FOR DIGITAL CONTENT AND SOFTWARE</b>	<b>8</b>
<i>If you have digital content, how can you protect your content from piracy?</i>	
<b>CONTENT AND SOFTWARE DELIVERY</b>	<b>9</b>
<i>What can an online store provider do to help you?</i>	
<b>PROCESSES TO COLLECT NON-CREDIT CARD PAYMENTS</b>	<b>9</b>
<i>Why do you care about non-credit card payments?</i>	
<b>LOCALIZATION — LANGUAGE TRANSLATION FOR BUYER TOUCH POINTS</b>	<b>9</b>
<i>What helps a buyer buy?</i>	
<b>CURRENCY CONVERSIONS</b>	<b>9</b>
<i>What keeps you from being effective in global markets?</i>	

<b>ACCOUNTING AND BACK OFFICE FUNCTIONS (SALES TAX, ROYALTIES, COMMISSIONS...)</b>	<b>10</b>
<i>What is the most frustrating part of running an online store?</i>	
<b>MANAGEMENT OF REFUNDS AND CHARGEBACKS</b>	<b>10</b>
<i>What do you need to know to keep refunds and chargebacks low?</i>	
<b>BUYER CARE</b>	<b>11</b>
<i>What is buyer care and how does it help you?</i>	
<b>REPORTING</b>	<b>11</b>
<i>How will you track sales?</i>	
<b>SUPPORT FOR SALES AND PROMOTIONS</b>	<b>11</b>
<i>How will you grow your business?</i>	
<b>SUPPORT AND INFRASTRUCTURE MANAGEMENT</b>	<b>12</b>
<i>Who is minding the store?</i>	

## WEBSITE DESIGN, HOSTING AND MANAGEMENT

*Do you need a corporate website or only a link from it to your store?*

Online store providers will not typically take on the design and hosting of your primary corporate website. In most cases, you will need to link your corporate site to the online store. However, there are notable exceptions:

- While many online store providers do not directly create primary websites, they often have a number of standard templates that you can use for simple websites.
- For larger or more distinctive sites, providers often have a number of web designers as partners. The use of one of these partners assures a smoother integration into the online store.
- A few online store providers let you use your order page as your website. This is good both for very small store owners who don't want to have a corporate website per se and for very large store owners whose brand is so distinctive that they want shoppers to come immediately into a store. The "corporate headquarters" site is then maintained elsewhere.

Look for an online store provider who gives you the option you need, whether it is to integrate with your current corporate site or develop a new site.

*How hard is the integration?*

If you are linking from your current site, check out the complexity and technical expertise needed to do the integration. Some integrations are as simple as one line of HTML and a few minutes of work while some require API and scripting knowledge and weeks or months of work.

## DIGITAL CONTENT HOSTING

*If you sell digital content, do you want to host your own content or do you want someone to do it for you?*

Hosting of the actual digital content, whether it be music, video, text, graphics or other may be left to the content owner to figure out or it may be hosted for a fee by the online store provider. The latter option is attractive if you can't or don't want to manage a 24/7 availability infrastructure.

## ORDER PAGE (STORE) DESIGN AND HOSTING

*Do you want your order pages on your corporate site or do you want them with the shopping cart?*

Often store owners have their products listed on the corporate website and link to a shopping cart for payment processing only. However, it is best if your online store provider allows you to place your products on their hosted order pages. This is advantageous for several reasons:

- Order pages allow the buyer to view products easily and allow creative merchandising to augment website messaging
- Hosted pages are behind a secure server and are available 24/7
- Order pages should be accessible and changeable via a software wizard tool. This means that if you want to change prices or add products, you can do it quickly and easily, without the hassle of scheduling scarce corporate resources or knowledge of application code.

*Can the order pages look like your website? Or are there templates?*

If you do choose to have order pages hosted by the online store provider, be sure to ask how easy it is to make the order pages look like your website. This extends your branding and provides a seamless interface to your buyers. Alternatively, if you are looking for a quick, no muss, no fuss setup, ask if there are order page templates available.

## TOOLS FOR ORDER PAGE (STORE) MANAGEMENT

*How quickly can you make changes to your store? Is HTML knowledge required?*

As discussed above, many online store providers provide you with a wizard tool to make changing your store fast and easy, with no HTML knowledge required. But be sure to look carefully. Some online store providers say no programming required when you do have to know HTML to make changes in their store software. This is because many technical people do not consider HTML to be a programming language. So, if you don't want to work in HTML, ask the question directly.

## SHOPPING CART SOFTWARE

*What are the functions you need for your shopping cart?*

Many people are familiar with shopping cart software and know that it collects purchase information. However some other items that you may want to look for in your shopping cart are:

- Ability to customize the cart to your website look, have custom terms for your industry (for example: a “Join Now” button rather than a “Buy Now” button), or show promotional material
- Ability for the cart to automatically display prices in the buyer currency based on their location (IP address)
- Automatically determine the cart display language or currency based on browser settings and/or explicit selection

## MERCHANT ACCOUNT(S)

*What do you need in a merchant account?*

Look for worldwide payment processing, so that you have access to the greatest available market.

All payments have to be processed through a merchant account. Therefore, either you or your online store provider must have one or more accounts. The advantage of using your online store provider’s merchant account is that the online store provider is probably already activated for more credit cards in more currencies than you are. And the fees are usually lower from a third party because the volume is aggregated. And more ways to pay means you are attractive to more buyers and therefore are likely to make more sales.

A simple merchant account, if you acquire it on your own, will have only MasterCard and Visa U.S. activated. To get additional credit cards and additional currencies you must go to different banks and be approved for each currency. You may also have a selling limit placed on your account. If you are outside the United States, getting a merchant account in the United States is more difficult. A good online store provider gets you past all those complications. You are immediately active on their entire range of credit cards and currencies and you don’t have a selling limit.

*What if you already have a merchant account?*

If you already have a merchant account, you have some options. If you wish to use your account and use the online store provider's other services, a few providers will allow you to do that. Also, you may wish to use your merchant account for some things, like MasterCard and Visa in the United States, for example, but use the online store provider's merchant account for American Express, EuroCard, JCB, and other bank cards, currencies and other payment types (some online store providers process other payment options, such as cash, checks, wires, etc.).

Look for a provider that gives you the flexibility you need, whether it is full merchant account services, support for your own merchant account or a combination.

## PAYMENT PROCESSORS

*What do you need to know about payment processors?*

Payment processors are the companies that do the back office processing that moves credit card funds from buyer to merchant. If you use a full service online store provider, that is all you need to know. The online store will take care of all the technical and relationship issues.

## GATEWAY SOFTWARE TO CONNECT SHOPPING CART AND PAYMENT PROCESSOR

*What do you need to know about gateway software?*

Gateway software allows communication between the online shopping cart and the payment processor. If you manage your own online store, technical setup and testing of the gateway are required. If you have different credit cards that have different processors, then you may have to have a number of different gateways. In contrast, if you have an online store provider, you don't have to do anything; the gateway is handled for you.

## ANTI-FRAUD SYSTEMS AND PROCESSES

*What should you know about anti-fraud systems?*

Anti-fraud systems stand between you and the people who want to steal your money. The credit card companies are increasingly requiring ever more stringent controls to stem the rising tide of fraud and identity theft. If you are a large merchant with your own merchant account, you are subject to these requirements, which exact a significant toll in terms of time and money on your corporate resources. If you are a small merchant doing your own store, you are not subject to these controls, but may have few protections standing between you and the fraudster.

On the other hand, online store providers have the advantage of already using credit card company mandated controls as well as their own independent fraud filters. The value of these filters may be significant, especially if the online store provider has been active for many years. Ask what kinds of filters are available.

At minimum, you should be able to block and/or hold purchases for your approval based on country or dollar amount. For example, you may wish to review orders from well known fraud countries or orders that exceed your average order size. You may also be able to specify custom fraud filters based on your business model.

## SPECIFIC PROTECTION TOOLS FOR DIGITAL CONTENT AND SOFTWARE

*If you have digital content, how can you protect your content from piracy?*

While there is no perfect solution to the issue of piracy, there are products that some online store providers offer that help. For downloadable items such as music and eBooks, there are products that automatically provide a unique web address (URL) to each buyer and limit the active life of the link based on limits that you set on the number of days and/or number of downloads.

Software products can be protected with license codes. Some online store providers insist that you use their licensing methodology, while others allow you to use their licensing products, your own or a third party product with equal ease. The weakest licensing methodologies are those that require all users to use the same licensing method, raising concerns that one hacker could expose all products. Make sure you ask for what you want. Online store providers who offer licensing services also usually offer an automated way for legitimate buyers to retrieve the code again if it is lost, thus significantly reducing your support costs.

## CONTENT AND SOFTWARE DELIVERY

*What can an online store provider do to help you?*

Online store providers can automatically deliver digital content and software with an email. This changes what can be a work intensive routine task into an exception based process. Your buyers are happier and so are you, as you deliver your product more quickly and easily.

## PROCESSES TO COLLECT NON-CREDIT CARD PAYMENTS

*Why do you care about non-credit card payments?*

Non-credit card payments make your products more accessible to more buyers. Buyers outside the U.S. and Canada, where credit cards are less prevalent, may be especially attracted to other payment methods such as cash, checks or wires. High priced items may require wires. Government buyers may require purchase orders. Look for an online store provider that offers a variety of non-credit card payment alternatives suited to your market.

## LOCALIZATION — LANGUAGE TRANSLATION FOR BUYER TOUCH POINTS

*What helps a buyer buy?*

A buyer is more likely to buy if the order pages, shopping cart and other buyer facing web pages and materials are in his native language. However, creating your own translations can be an expensive and daunting task. Look for an online store provider who has pre-translated the areas that are visible to buyers.

## CURRENCY CONVERSIONS

*What keeps you from being effective in global markets?*

If you are not deterred from global markets due to a lack of language translations, chances are that you are deterred by the effort required to manage foreign exchange transactions. Online store providers make it possible to go global effortlessly with automatic currency conversion management. Look for a provider who can offer guaranteed conversion rates to you and your buyer at the time of purchase. Some services only offer an estimated conversion rate, which can cause controversy and confusion.

## ACCOUNTING AND BACK OFFICE FUNCTIONS (SALES TAX, ROYALTIES, COMMISSIONS...)

*What is the most frustrating part of running an online store?*

Some people would say that the accounting functions are the most frustrating. With sales tax, royalties, commissions, affiliate payments and miscellaneous payment splits, you can keep an accountant busy constantly. Or you can find an online store provider to do it all for you. Some online store providers compute, collect and file all the sales taxes, including VAT. They can also do just about any payment split related to the product you are selling, as well as notify and pay all parties. So, if you want to trim back your accounting work, look for an online store provider who is strong on the back office functions.

## MANAGEMENT OF REFUNDS AND CHARGEBACKS

*What do you need to know to keep refunds and chargebacks low?*

Although refunds are a fact of life in retail sales, refunds can be reduced by such measures as providing clear 'buy' links between your website and order pages and by clear presentation of products on the order pages. Buyers often get confused if order pages are not well organized. Look for order page software that is flexible enough to accommodate multiple pages and linking between pages. Simplistic order page software may not provide you with enough capabilities to help keep refunds low. Also, look for online store providers who provide buyer support. This service can help reduce refunds by communicating with buyers and helping resolve disputes.

A chargeback occurs when a buyer requests that the credit card issuer reverse (remove) a charge on the account. This usually occurs due to the charge being disputed or unrecognized. Chargebacks are expensive as there are added fees for their processing. In the worst case, credit card companies can drop store owners due to high chargeback rates.

Online store providers are experienced in working with payment processors and credit card companies and can therefore often flag and prevent fraudulent activity before you would be aware of it. They can also sometimes intervene with the credit card companies to get chargebacks dropped or reduced to the less expensive return status. Ask online store providers about their chargeback rates. Industry leaders have chargeback rates below one-third of one percent, have specialized fraud prevention filters and have long-standing relationships with payment processors to act on your behalf should any problem arise.

## BUYER CARE

*What is buyer care and how does it help you?*

Buyer care is the sum of personnel, web pages and tools that provide information on order status, assistance with lost registration keys, questions on sales tax, refunds and more that are required to support sales. Ask if your prospective online store provider has automated and/or live agent support for these tasks. See if the buyer support pages are translated into other languages. Ask what your online store provider does to take away the burden of answering buyer calls.

## REPORTING

*How will you track sales?*

The key thing that you must know to stay in business is how your sales are doing. Online store providers have a variety of ways for you to do this. Look for a provider who has, at minimum, an online sales query capability for current information and a monthly summary report. Some providers also have real time sales notification systems and custom reporting capabilities.

## SUPPORT FOR SALES AND PROMOTIONS

*How will you grow your business?*

Online store providers have expanded beyond technical expertise to provide more assistance to sellers with marketing and distributions issues. At the most basic level, an online store provider needs to offer a way to manage discounts and coupons. Other offerings include integrated marketplaces — where the online store provider already has a significant number of buyers coming to the provider website to shop, search engine optimization assistance (SEO), autoresponder integration, and support for expanded distribution channels. Additionally, providers may offer articles, design advice and other services to boost product uptake. Look for a provider who offers a variety of ways to gain more traffic and visibility for your product offering.

## SUPPORT AND INFRASTRUCTURE MANAGEMENT

*Who is minding the store?*

If your store jumps from a few sales to a few million, who in your organization is going to spec, buy, install and manage the infrastructure to do that? If you have an email server problem and can't deliver your content or if you have a tricky web design problem, how will you handle that? If you need to figure out how to deploy stores in Australia, Germany, Japan and Great Britain in 30 days, in native languages and native currency, how will you deal with that?

If you have an experienced online store provider, you have at your disposal a range of experts at the ready who can navigate you through the white water of complex deployment scenarios, web design issues, technology, explosive growth and more. Online store providers are becoming ever more adept at making your online experience a success while you focus on your core competencies.

---

### WHO IS KAGI?

Kagi is a full service online store provider with 13 years of experience in helping content providers, software developers and physical goods providers make their businesses more profitable. We pride ourselves in being the most accessible, flexible and supportive people in the industry. We are always interested in hearing how we can be of more service to you. Visit us anytime at [www.kagi.com](http://www.kagi.com) or write to us at [ProductMarketing@kagi.com](mailto:ProductMarketing@kagi.com). We'd love to talk to you about your online store needs.