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Shopping, Shipping and Credit Cards

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Shopping

Once customers arrive at your online store, they need to follow a certain procedure to ensure that they place an order. By providing a step-by-step guide that walks the customer through the process of placing an order, there is a better chance of them buying.

The first step is to find the product they want to buy. Directories and searches on your site should make finding products easy. After customers have selected products they are interested in purchasing, the products are placed in a virtual shopping cart. It is important that your store is designed such that customers have easy access to their shopping carts. Shopping carts are crucial to online stores, so they are included in most template packages. Once customers have filled up their shopping cart, they proceed to the checkout. Often visitors place products into their shopping carts but fail to reach the point of sale to complete the purchase.

Why They Won't Buy

There are several reasons why shoppers may suddenly decide not to continue with their Internet purchases. Most revolve around the fact that sometimes customers do not feel comfortable doing business with someone they cannot see. Customers have many questions:

- Do you accept orders from anywhere in the world?
- Are there countries to which you do not ship?
- What forms of payment do you support?
- How long does it take before an order will be shipped?
- Can I cancel my order at any time?
- When will my credit card be charged?
- What name will appear beside the charge on my credit card?

For the most part, concerns are based on security, privacy, and exchange policies. Displaying security guarantees, privacy, return and exchange policies at the beginning of the checkout builds customer confidence. Additionally, displaying a

telephone number for customer inquiries and making sure someone can quickly handle the inquiry will build trust. You can also provide customers with information about the credit cards and forms of acceptable payment. It also helps to let customers know how long it usually takes for your business to process the order once it has been received on your web site.

Security

Almost all transactions at the checkout require payment by credit card. To secure credit card transactions on your web site and minimize fraud, there are two different technologies available: SSL and SET. SSL (Secure Sockets Layer) encrypts credit card information as it passes through the Internet minimizing the chance that the credit card information will be stolen. SET (Secure Electronic Transaction) acts the same as SSL, except it allows verification of the person making the purchase.

Privacy

To address privacy, you can allow customers to register once and keep their mailing address and credit card information on file. This approach will allow customers to make future purchases without having to key in all of their personal information each time. As mentioned earlier, a privacy statement also builds trust.

Exchanges

Commonly, web sites explain all policies related to the purchase. This includes specifying whether or not a time limit on cancellations or refunds exists and whether or not a full refund, with or without shipping charges, will be issued. Do you provide means to return defective products or damaged goods? Less uncertainty means a better chance of completing the sale.

Banks, Credit Cards and the Internet

In the world of e-business, banks allow transactions to be made easily with the help of credit cards and merchant accounts. Banks are hopping aboard e-business, as illustrated by the various virtual malls they are associated with and by their partnerships with software companies.

Merchant Accounts

In order to accept credit cards at your online store, you need to have a merchant account for each credit card brand that you want to accept (Visa, MasterCard, American Express). The major banks in Canada offer different merchant accounts because they are affiliated with different cards. If you already have a merchant account set up for your retail store, banks will ask that you apply for a new number for Internet processing. The merchant account application process usually includes a personal credit bureau report on all company principals. Good personal and company credit history will ensure approval for merchant Internet processing.

Associated with merchant accounts are the various fees for the transactions. Examples of Merchant Account Fees are:

- Set-up fee: Varies from bank to bank
- Transaction or discount fee: Either a percentage on every sale or a fixed fee per transaction that you make through the Internet
- Chargeback fee: Customer request to reverse an online purchase that either was not received or arrived damaged or faulty

Internet Payment Services

An Internet payment service lets you accept credit cards on your online store without the need for your own merchant account. In addition to granting merchant status to online stores, an Internet payment service acts as a transaction-processing company, providing secure real-time credit card authorization services to online stores. The foremost Internet payment service in Canada is InternetSecure (www.internetsecure.com); its service presently costs over $500 per year.[i]

Transaction Processing Companies

Once a merchant number is set for each brand of credit card you plan to accept, it is time to look for a company that can securely process your credit card orders and authorize them for you in real time over the Internet. Transaction processors, via the financial institution, authorize and instantly approve credit card orders made on your online store, so that shoppers with valid credit cards can complete their purchases and shoppers with invalid cards are prevented from placing orders.

Credit Card Transaction Risks and Solutions

The greatest reason why consumers fail to purchase products over the Internet is because they fear their credit card number will be stolen. Responding to this problem, Internet authorities developed a sophisticated process where data are translated into secret code. Information, like credit card numbers, is encrypted and can only be deciphered by authorized sales. Secret keys and passwords, used by Internet service companies, ensure that transactions are secure.

The second risk of online transactions is someone trying to buy a product with a card that is stolen, invalid, cancelled, or over its spending limit. Real-time authorization services provided by transaction processing companies, protect you from accepting a credit card that has been reported stolen, or one whose owner has exceeded the spending limit. It is important to understand that unless a SET type payment protocol is used, you have no assurance about the authenticity of the person using the card.

The final concern surrounds someone trying to use a valid credit card that has not been reported stolen but does not belong to him or her. Authentication can be obtained by requesting personal identification numbers and passwords.

Pricing, Taxation and Shipping

Once an item is placed in the customer's shopping cart and taken to the checkout, the customer is provided with a digital invoice that shows the product's price, the applicable tax, and shipping options.

Pricing

The first decision that needs to be made is whether to price your products in Canadian dollars or include prices in other currencies like US dollars. The approach you take depends on:

- The types of products you sell
- What your competitors are doing
- Where your competitors/customers are located
- What your customers demand

What happens if there is a pricing error on your web site? A policy on pricing and typographical errors should be included in your web site's legal terms and conditions. There have been several cases where products were accidentally listed on web sites at several thousand dollars below the correct retail price. In some instances, retailers have chosen to honour the incorrect prices rather than upset their customers. An outlined policy on your web site should help deal with similar problems.

Taxation

Online taxation is a complex topic and should be discussed with an experienced professional. Generally, the tax due depends on your customer's location. For example, an Alberta customer is only charged G.S.T., but a customer from Ontario will be charged G.S.T. and provincial sales taxes. To simplify the process, template services have a built-in customer identification system to calculate the proper tax automatically.

Shipping

When an order is placed, it is important to send a confirmation e-mail to the customer. A second e-mail should be sent when the product is being shipped, informing the customer that the order has been processed and sent. Confirmations are another important part of building a relationship of trust and credibility.

Like other aspects of your store, customers will have many questions about shipping. Providing a frequently asked questions (FAQ) page can help answer some common questions. Some common questions include the following:

- What shipping options do you offer?
- How much does shipping cost?
- How long do deliveries take?
- Do you ship worldwide?
- Are there any charges for customs duties?
- Do you guarantee that your products will arrive in good condition?
- Can customers track the shipping status of their orders online?
- Do you offer insurance on your shipments?

Besides frequently asked questions, your online store should provide customers with a thorough description of shipping costs, as well as the different shipping methods that you offer. If you intend to use Canada Post to ship your products, you may want to consider using Canada Post's e-commerce module, eParcel (www.canadapost.ca/eparcel).

Other issues with shipping include the different fees that may have to be charged. When calculating how much to charge for shipping, you should consider customs duties and brokerage and handling fees. Brokerage fees may be applicable if you plan to ship to customers in the US or abroad. Make sure that you fully investigate whether or not customs fees are likely to be levied on your products at the border. You may want to charge handling fees, which are fees that cover all the activities that go into preparing a product for shipping. Examples of additional costs are packaging materials, a copy of receipt to be enclosed, wrap and sealing of the package, transportation of the shipment to a local post office or courier depot. You should make sure customers know exactly how much they will be charged before they place their order.

Finally, you may want to offer a value-added service to your customers by posting "You're not too late" banners on your web site, if you sell products that may be gifts for Christmas, Mother's Day, or Father's Day. These banners can remain on your web site until the last possible shipping day.

Summary

Generally, the concerns that customers have over security and privacy are the result of a lack of information. If your site provides information outlining security and privacy issues, customers will be more inclined to buy. Banks are instrumental in providing security for your customers and yourself. The common use of credit cards in e-business has made it necessary for banks and credit card companies to reduce risks. Current security provisions, like encryption, ensure that Canadian businesses can safely do business online.

For the most recent information on government regulation, please see:

http://www3.gov.ab.ca/gs/pdf/tipsheets/shopping_on_the_internet.pdf

For more information on the topics in this chapter, see:

Canada Post, "eParcel," online: http://www.canadapost.ca/eparcel/index.html

Carroll J. & Broadhead R. Selling Online, (Macmillan Canada: Toronto, 1999).

Industry Canada, "Internet Security," Strategis, online: http://strategis.ic.gc.ca/SSG/ng00070e.html.

Tiernan, B., E-tailing, (Dearborn: Chicago, 2000).

Endnotes

[i] D.L. Andrews, "The Cost of Change," *Alberta Venture*, April 2000, p.46.