



personal specs

name _____

company _____

e-mail _____

url _____

theguide

letter from the editor

The Internet today affords merchants an opportunity to expand their customer base, increase revenues and reach out to global marketplaces. Over the past 5 years, the e-tailing group has worked with many merchants from traditional retailers and catalogers to virtual retailers with no bricks and mortar. I have had the great fortune to become part of the ClearCommerce Advisory Board and clearly the board saw a great void in the online space where merchants were not able to define and articulate their e-commerce needs and expectations.

Out of this void grew a most exciting project which subsequently became the e-guide. We believe it is the first of its kind and hope that as merchants, both business to consumer and business to business, financial institutions, Commerce Service Providers (CSPs) or suppliers to merchants you will find this a valuable tool. Our goal is that merchants use this guide as a workbook to build a well-defined e-commerce strategy. We have chosen to include a series of

resources in the second section that makes it easier to answer some of the questions, while simultaneously providing information from companies with specialized areas of expertise. Lastly, we have included a glossary of terms that will give us all a definition of the words we hear so often, but don't know their real meaning.

We have been fortunate along the way to work with Visa and ClearCommerce who have made possible the printing and distribution of the e-guide.

We hope you will use this guide, mark up the sections, and share it with senior management and your colleagues in the industry. We welcome your feedback and insight.

Happy Online Marketing!

A handwritten signature in blue ink, appearing to read 'L. Freedman', with a long horizontal flourish extending to the right.

Lauren Freedman, the e-tailing group, inc.,
lf@e-tailing.com; Editor, the e-guide

letter from Robert J. Lynch,
CEO of ClearCommerce Corporation

ClearCommerce Corporation is committed to the development of an environment for universal electronic commerce. It is the goal of our company to support industry initiatives that fulfill the needs of all merchants as they plan their strategy to go online.

We have formed an advisory board that brings together many of the most influential and informed players in the electronic commerce marketplace to help guide the industry in to its next phase of business development. As the industry continues to evolve rapidly, we felt it was important to provide a forum to discuss critical issues with a strategic core of opinion leaders and offer feedback to the whole industry to help promote good electronic commerce practices.

This e-guide is the first deliverable from our efforts with the advisory board. We and the board felt it was important to provide a simple, yet compelling, vehicle to help bring clarity to a situation

that can be very confusing—namely the steps in the decision to go “online” and transact business electronically.

I would like to personally thank the members of the ClearCommerce E-commerce Advisory Board and also our customers for their contributions to this guide. I would also like to express my thanks to VISA for sponsoring the first printing of this guide.

Look to ClearCommerce for additional contributions to the industry in the future. We see exciting times ahead for merchants throughout the world as the industry undergoes a transformation equal in magnitude to that of the Industrial Revolution.

I and every member of ClearCommerce welcome your feedback and insight as you complete this guide. I am sure that you will find it useful in progressing your strategy for the Internet and Electronic Commerce.

Best Regards,

A handwritten signature in blue ink, appearing to read 'R. Lynch', is enclosed in a black rectangular box.

Robert J. Lynch, President and CEO
ClearCommerce

board members

Carolyn Brackett

VP Internet Commerce for
Electronic Funds Services
First Data Corporation

Arthur Cinader, Jr.

VP New Media
J. Crew Group, Inc

Riss Estes

VP Business Strategy
Co-Founder and Director
ClearCommerce Corporation

Julie Fergerson

Chief Technology Officer and Co-Founder
ClearCommerce Corporation

Don Hutchinson

SVP and General Manager
@Work, a Division of @Home Network

Robert Lynch

President and CEO
ClearCommerce Corporation

Alan Philips

VP Internet Operations
and Technology
ZDNet

Steve Saltwick

VP Marketing
ClearCommerce Corporation

Jimmy Treybig

Chairman of the Board
ClearCommerce Corporation

Janet Wynn

VP Corporate Electronic Commerce
Chase Manhattan Bank

Dear Reader:

The growth of the Internet as a valuable channel for merchants is one of the most exciting developments in retailing in the last century. No longer are companies bound by geography or time. Electronic commerce provides anytime, anywhere access to customers, significantly expanding a merchant's opportunities to satisfy demand for products, services and information tailored to meet the unique requirements of each customer.

Visa is actively promoting the development of Electronic Commerce with innovative programs targeting consumers, businesses, merchants and financial institutions. As the leading payment card system with over 600 million cardholders worldwide, Visa plays a critical role in the adoption, acceptance and usage of this channel. Marketing, advertising and systems are all being developed to help increase the use and efficiency of the electronic channel for merchants, cardholders and Visa's financial institutions.

As the nature of retailing changes dramatically under the influence of Electronic Commerce, Visa is working with leading companies to provide tools, resources and information helping the merchant community develop a comprehensive approach to this market. This guide will provide prospective and existing merchants with a framework to develop their Electronic Commerce strategy and information that should prove useful to begin implementing that strategy. Visa is pleased to be working with several leading companies and organizations to bring this resource to the merchant community.

Sincerely,

A handwritten signature in blue ink, appearing to read "Joe Vause", is displayed on a white rectangular background.

Joe Vause, Vice President
Electronic Commerce, Visa U.S.A

Dear e-guide readers:

As the association where leading online retailers meet to share experiences and expand the consumer interactive shopping market, we welcome the addition of e-guide as a useful resource for merchants to develop their online retail strategy. The e-guide helps make the complexity of creating and operating an online shopping site more manageable.

With Internet retailing still being a relatively young business, shop.org was founded, in part, to help online retailers share their experiences and have access to sound information based on experiences to date. For example, shop.org has initiated a landmark research effort with the Boston Consulting Group to survey leading online retailers in order to develop valuable, industry-wide performance benchmarks in customer traffic, conversion and loyalty. These benchmarks will help online retailers better judge how effective their own sites are performing.

Shop.org also organizes events and other programs to enhance networking among members and the entire online retail industry which in turn encourages the sharing of experiences. Such events and programs are both in-person and online and include breakfast forums, full conferences, and an online membership directory.

The business of online retailing is growing at an incredible rate. To keep up with the pace of change, resources such as shop.org and the e-guide help online merchants keep pace. For more information on shop.org, please go to www.shop.org or contact me at bob@shop.org.

Good Selling!

A handwritten signature in blue ink that reads "Robert L. Smith, Jr." The signature is written in a cursive style and is contained within a white rectangular box.

Robert L. Smith, Jr.
Executive Director
shop.org

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specs

introduction: specing out your e-commerce strategy

Attention: Prospective eMerchants
Consider the Facts

- Internet commerce grew 370% in 1997 vs. 1996¹
- The average annual spending of a frequent online shopper is \$672²
- Just under 20 million people have shopped online through 3Q98³
- Amazon.com spent \$20M in 1Q98 building their brand online and their \$5 billion market value exceeds the combined capitalization of Barnes and Noble and Borders Group⁴
- Online consumer sales will reach \$20 billion, an increase of 233% over this year's estimated \$6.1 billion⁵

E-commerce is a reality and as industry leaders we believe it is important for companies to address this new way of shopping

¹ Forrester Research

² *Chain Store Age*

³ NY Times

⁴ *Time Magazine*

⁵ Gartner Group

Asking the right questions?

- Is your company web enabled?
- Will your product category sell online?
- Is your customer shopping online today and are you missing an opportunity to reach them 24x7?
- Are you facing the likelihood of numerous competitors online both virtual and traditional within your category?
- Can you improve the productivity of your business through web transactions?
- Will your cost structures likely be impacted by e-commerce?
- Are you concerned about your market cap without an Internet presence?
- Can the Internet deliver your company a global presence likely to increase overall revenues and market share?
- Is selling your e-commerce strategy internally a daunting task and are you looking for solutions to simplify that deliverable?

The key question

- Q. Do you find yourself pondering these issues but still haven't taken action to address the e-commerce opportunity?
- A. If you answered yes, then we believe that you will find the e-guide for merchants a most valuable tool for you and your company.

The e-guide for merchants

Based on past experience we too understand that there is a dearth of information readily available to merchants on building an e-commerce strategy and as a result of the efforts of the ClearCommerce E-commerce Advisory Board we have conceived the e-guide.... Together we hope to bring clarity to a complicated and confusing process for merchants.

Who should read the guide

The following people are best suited to work with the eguide. We recommend that as many people as possible add their input into the guide, as this is the optimal way to start any e-commerce initiative.

- CEOs
- Senior Marketing or IT Officials
- E-Commerce Managers or Directors
- Senior Merchants and Buyers
- Venture Capital Firms looking to invest in e-commerce companies

How to use the guide

The guide is broken down into three sections and our goal would be for multiple individuals within an organization to complete appropriate sections and utilize this guide as a starting point from which to build an e-commerce strategy.

1. The spec

A series of yes/no, multiple choice and fill in the blank questions in seventeen broad sections that cover e-commerce development from company assessment and opportunity through online advertising.

2. The resources

A starting point in terms of resources and contact information that includes guides and provided by leading industry experts detailing everything from fulfillment to privacy and security.

3. The glossary

Definitions of e-commerce terminology that allow all the players to leverage the same vocabulary within any organization.

It's time to get on the e-commerce track

Find your company in the e-commerce continuum

First locate your company's status, and should you find yourself in one of the "no site" scenarios you may want to check out the e-guide today. If your company has progressed further, there will always be room for improvement and we recommend looking within individual sections where your e-strategy can be enhanced.

Check the box that applies

no site			selling online						
strategy in progress for near term launch	looking to develop strategy for long term launch	don't believe e-commerce is a viable business for our company	Sales <\$.5M	Sales .5M-1M	Sales 1-5M	Sales 5M-25M	Sales 25-50M	Sales 51-99M	Sales 100M+
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Congratulations

You are now on the right track towards building an e-commerce strategy. We look forward to your thoughts and feedback on the eguide as we hope to continue to improve on its value add as time goes on.

1. Company Assessment and Opportunity



It is important as you begin to assess the online potential for your products, your company and your services that you answer these preliminary questions. The accompanying resource information on the state of the industry should give you some perspective as you determine the real potential of e-commerce for your company.

spec questions

1. Which best describes your company (check all that apply)

- direct marketer
- retailer
- virtual retailer
- ISP hosting multiple sites
- single store serving as your own hosting engine
- single entity hosting multiple departments or channels

2. Our categories are (check all that apply)

- Accessories
- Apparel
- Appliances
- Auto
- Books
- Cameras
- Collectibles
- Electronics
- Flowers
- Fragrance
- Gifts
- Home Furnishings
- Home Improvement
- Luggage
- Movies
- Music
- Office Supplies
- Software
- Sporting Goods
- Toys
- Video Games

3. Current daily activity on your site is

Number	Visitors	Shoppers	Hits	Page views
0-5K	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5-10K	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10-20K	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20-50K	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
50-100K	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
100-500K	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
500K-1M	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1M	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. Current demographics of my customer are

- Gender _____% female _____%male
- Income under 25K 50K-74K
 25K-34K 75-100K
 35K-49K 100K+
- Education High School College
 Graduate School
- Children in House 0 1 2 3 4 5+

5. Our average online order is bigger or smaller than our traditional business (catalogers/retailers)

- bigger smaller about the same

6. Our projected business opportunity online is

- 0-\$100K \$500K-1M \$5-10M \$50M+
 \$100-500K \$1-5M \$10-50M \$100M+

7. The time frame in which we expect to make a profit is

- 0-6 months 1 year 3+ years
 6-12 months 2 years

8. If currently online, how successful has our site been in achieving our current business goals?

- very successful not very successful
 successful not successful at all
 not applicable

If you answered "Not very successful" or "Not successful at all" why not?

How successful within the following areas/dimensions of your site have you been?

Check the boxes that apply

	Extremely Successful	Moderately Successful	Not Very Successful	Not Successful at All	Notes
Advertising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Product Information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Account Information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Report Generation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Applications	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Customer Service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Alliances/ Partnerships	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Communities of Interest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Transactions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Targeted Content	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Lead Generation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
Targeted Marketing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

2. Strategy: Internal Resources, Outside Partners



It is important to consider who is best suited to run this project factoring in existing personnel from both a marketing and technical perspective while simultaneously understanding where external resources may add value.

Spec Questions: Our People

1. The group best suited to take the lead in this project at your company
 - marketing
 - IT
 - shared leadership
 - requires outside personnel
2. If you answered IT above, IT department will handle this or will you need an outside integrator
 - IT Department
 - outside integration expert required

Partners

1. We will look to develop this project
 - internally
 - externally
 - both
2. Initially we might consider working with the following types of partners (*check all that apply*)
 - strategic consultants
 - web development agencies (see resource guide)
 - PR
 - technical solutions providers
 - hosting companies
 - no partners needed
3. We plan to prepare an RFP (request for proposal) for these partners?
 - yes
 - no
 - both

Person responsible for
Check the boxes that apply

	Internal IT Department	Marketing Department	Web Developer	Technical Solutions Provider
Purchasing hardware	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Purchasing software	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Delivery of graphic files and related production description/images	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Production of front-end design, graphics, and textual content	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Content Management

1. Is it possible for the Web site host to deliver the graphics to the solutions provider in a digital format?
 yes
 no

3. Site Merchandising



Merchandising is one of the key ingredients for any web site. Through an exploration of features and functionality, you will be able to understand the complexity and costs that may be associated with such an undertaking.

Describe the look and feel of your store in ten words or less

The following is important to our site

1. Our merchandising resources have the capacity to fully back up our e-tailing efforts

- yes
- no

2. We will leverage our existing transactional capabilities

- yes
- no

Spec Questions: Merchandising

1.

Number of skus	Initially	After one year
0-99	<input type="checkbox"/>	<input type="checkbox"/>
100-499	<input type="checkbox"/>	<input type="checkbox"/>
500-999	<input type="checkbox"/>	<input type="checkbox"/>
1000-4999	<input type="checkbox"/>	<input type="checkbox"/>
5000-9999	<input type="checkbox"/>	<input type="checkbox"/>
10K+	<input type="checkbox"/>	<input type="checkbox"/>

2. Projected number of skus to be added in year one

- 0-100
- 100-499
- 500-999
- 1K-5K

3. The following will be important to our site searching experience
(check all that apply)

- keyword
- price
- product number
- category
- brand

Features and Functionality

The following features are important to our site:

1. Offer a point rewards/affinity program yes no
2. Affiliate programs yes no
3. Downloadable products yes no
4. Products that require unlocking capabilities yes no
5. Require special order distribution links yes no

Checkout

1. We will use the same checkout functionality from our existing business

yes
 no

2. We will require custom checkout screens

yes
 no

Spec Question

1. We will require the following functions in our checkout area (*check all that apply*)

multiple ship to addresses opt-out/e-mail notification options
 upsell on order form
 gift wrap

4. Technology



It is important to guarantee that your site is flexible, scalable and modular, so that as technology evolves, you are in a position to evolve accordingly. For traditional companies, an understanding of your existing schematic will be important prior to determining integration or new system development. Resource guides in the technology area include guides to hosting, personalization and a list of ISPs for reference purposes.

Existing Schematic
(please fill in the blanks)

Hardware

Software

Database

Order Management

Server

Unix

NT

Other

Current Hosting Service

Integration

We intend to integrate the following system with our e-commerce effort:

- 1. Order Entry yes no
- 2. Fulfillment yes no
- 3. Customer Files yes no
- 4. Payment System yes no
- 5. Order Processing yes no
- 6. Customer Service yes no

The following features are important to our site:

	Very Important	Somewhat Important	Not Important
1. Dedicated Internet or extranet link	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Web site scaleable to accommodate increases in sales, skus, and traffic	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Centralized database	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. One-to-one relationship marketing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Spec Questions

- 1. Predisposition towards particular commerce solution
 - ClearCommerce Microsoft Site Server Proprietary Solution
 - IBM Open Market Net Dynamics
 - iCat Pandescic

2. Hosting solutions will be based on:
 - single store with low traffic initially
 - single store with medium traffic projected
 - single store (currently an existing brand) where traffic projections are high
 - single store leveraging portal traffic or traffic from other high trafficked sites
 - multichannel affiliate programs plus destination traffic
 - hosting site with multiple departments

3. Shopping basket software will be
 - bought
 - built from scratch
 - both

4. Orders will be captured from
 - multiple web sites
 - service bureaus
 - telemarketers
 - other

5. Backend data transfers will be integrated so the web site host's back office systems remain untouched?
 - with the web site
 - exchange will occur using flat files

6. We currently track (*check all that apply*)
 - total purchase dollars
 - categories purchased from
 - source of visit
 - catalog requests
 - customer data
(ie: Browser, visits, time spent, items viewed, etc.)

7. From a customer perspective, we intend to... (*check all that apply*)
 - leverage our existing customer file
 - build a parallel system
 - none of the above

8. From a personalization perspective, we intend to...(*check all that apply*)
 - leverage existing personalization tools
 - develop proprietary systems
 - none of the above
 - don't know yet

5. Backend Fulfillment



Subsequent to defining front-end functionality, it is important to understand your backend requirements, starting with fulfillment, in order to assure that the customer receives an overall satisfactory experience. We understand that many companies outsource this functionality, thus we believe it is crucial to know their partners and their respective systems along with their ability to integrate with existing systems. Conversely, for virtual merchants, drop shipping through vendors and distributors has many advantages particularly when there is little or no inventory ownership, but lends itself to different development issues that must be factored into the mix.

Spec Questions

1. Our fulfillment is handled

internally

externally

a. If external, our partner is Internet-savvy yes no

b. If internal, our systems need to be customized yes no

2. Orders will be fulfilled through

single location

multiple locations

If multiple, we wish to integrate into all locations yes no

3. Our fulfiller handles inventory forecasting

yes

no

6. Order Processing



Processing your orders can be handled internally or through outside contractors and most businesses apply internal rules and requirements that will affect their web strategy.

Order Processing Needs

1. Will accept partial shipments yes no
2. Product is allocated prior to credit card authorization yes no
3. Fulfiller can handle FTC notifications yes no
4. Will use call centers yes no
5. Will have multiple partners handling order processing functions yes no

Spec Questions

1. Integrate with the following order processing systems
(*check all that apply*)
 - order confirmation
 - tracking
 - customer file
 - customer service
 - inventory
 - a. Automate above system as part of order process yes no
2. If orders will be batched, the frequency of the process will be
 - hourly
 - daily
 - other (*please specify*) _____
3. Orders will be delivered to fulfillment houses via
 - e-mail
 - fax
 - EDI
 - telephone
 - other (*please specify*) _____

7. Payment



There are numerous options that merchants employ to receive customer payment. As the web has also made new payment possibilities available to merchants, having a thorough understanding of payment processing is significant for optimizing web performance.

Payment Needs

- 1. Will get credit card authorization prior to confirming inventory availability yes no
- 2. Will be able to handle alternative payment methods (ie: digital receipts) yes no
- 3. Will require our system to handle account numbers and purchase orders yes no
- 4. Will use micro-payments yes no
- 5. Currently have non face-to-face merchant account yes no
 - a. If yes, with whom ?

b. Is that company internet-ready? yes no

Spec Questions

1. Communication methods

- dial-up
- leased-line
- other (*please specify*) _____

2. Number of credit card authorization locations

- 1
- 2
- 3
- other (*please specify*) _____

3. Required types of credit card processing

- real-time
- batch

4. We will use

- purchase cards
- proprietary cards
- gift certificates
- coupons
- none of the above

5. Who will process your online payments

- internal
- third party
- unsure at this point

8. Shipping



As shipping gets more sophisticated and the Internet enables users to track almost everything through order status, you will need to consider how you currently ship product or deliver information and how you will enhance your current offering by leveraging new technology.

We offer the following functionality

- 1. Integrated shipping yes no
- 2. Drop ship yes no
- 3. International shipping yes no
- 4. Fulfilling by zip code yes no
- 5. Shipping notification/status update from our fulfillers yes no

Spec Questions

- 1. We require our fulfiller/distributor to ship products within:
 - 24 hours or less
 - 2-3 days
 - 3-4 days
 - 4-5 days
 - 5-6 days
 - one week
 - two weeks

- 2. Third party external shippers who will be linked include
(check all that apply)
 - USPS
 - UPS
 - FedEx
 - DHL
 - other *(please specify)* _____
 - does not apply

9. Security



Supplying security requirements is one of the most important areas for any company on the web. Please complete and express any concerns that may apply.

Security Issues

- 1. We have an existing security policy and procedure yes no
- 2. We will utilize SET standards yes no
- 3. We will utilize SSL standards yes no
- 4. We will have centralized access to services yes no
- 5. We will enforce password protection education yes no
- 6. We have performed a risk analysis yes no
- 7. We have a formal process to grant/terminate access yes no

Spec Question

- 1. Encryption requirements include

- 2. The resources we are trying to protect are:

- servers
- files
- accounts
- all of the above
- other (*please describe*) _____

10. Fraud



Minimizing fraud is in all merchants' best interest. As some categories typically attract greater fraud problems, understanding your needs and category issues will also play a role in e-commerce development.

Fraud Issues

- 1. We anticipate a high rate of fraud yes no
- 2. We have an existing fraud policy yes no
 - a. If yes, integrate fraud policy and procedure yes no
- 3. Will you use the address verification service offered by your payment processor yes no
- 4. Will you accept orders from Asian or European markets yes no

Spec Questions

- 1. Our level of concern regarding fraud is
 - extremely concerned
 - moderately concerned
 - not concerned

- 2. Our average dollar amount per order is
 - 0-\$24 \$50-\$99 \$500-\$1K \$3K-\$5K
 - \$25-\$49 \$100-\$499 \$1K-\$3K over \$5K

- 3. Our typical write-off percentage is
 - 0-0.25% .5-1.0% 1.5--2.0% 3-5%
 - 0.25-.5% 1.0-1.5% 2.0-3% >5%

11. Privacy



Privacy is of vital concern to consumers shopping online. Defining and articulating a policy for your company will be important to its success.

Privacy Policy

1. Do you have a privacy policy yes no
2. Is your site typically used by children yes no

Spec Questions

1. If you have an existing privacy policy, how do you inform your customers of these policies

(check all that apply)

- Home page
- Navigation bar
- Integrated within site
- all of the above
- other *(please describe)* _____

12. Customer Service



Customer service is the cornerstone of all business and certainly even more crucial when one operates in the virtual space. The following considerations should be taken into account for existing businesses moving into the virtual world as well as for companies looking to only operate in cyberspace. We have included the e-tailing guide to customer service online as part of the resource section.

Our customer service requirements are

1. Integrate existing customer service yes no
2. Use a third party customer service call center yes no
3. Online order tracking yes no
4. Store own data on customer profiles and orders yes no

Spec Questions

1. Our typical backorder percentage/inventory verification is
 0-2% 6-9% 16-20% > 30%
 2-5% 10-15% 21-30%

2. The following special features will be available
(check all that apply)
 virtual shopping cart live customer service interface
 virtual POS terminal real-time inventory
 electronic coupons

3. We want online acknowledgement of order
 immediately within 48 hours
 same day

4. We will notify consumers on their order status via
 e-mail phone call letter/post card
 combination
of the above

5. Customer will be notified of *(check all that apply)*
 backorder order total date of shipment
 order number tracking link

13. Accounting



Understanding your existing accounting systems or how you intend to structure your virtual business is another key component of any e-commerce offering.

Accounting requirements are:

1. Integrate existing accounting system yes no
2. Our financial reporting and other existing reporting systems can keep pace when we move to online purchasing yes no
3. Will you be employing third party software in an accounting capacity yes no

14. Tracking



Reporting and tracking of results will be the way in which you can measure the success of your business and the method you will employ to improve your e-commerce offering.

Tracking Issues

1. Integrate tracking system yes no
2. Will use internet cookies yes no

Spec Question

1. How will you look to update the site based on tracking results
(check all that apply)
 - change product
 - remerchandise site
 - redesign site
 - other (please describe) _____
2. We will require the following reporting information
(check all that apply)
 - referring URL
 - page view usage
 - traffic
 - session tracking
3. What type of information about web site visitors would you like to capture to support your marketing/business strategy efforts?
(check all that apply)
 - customer demographics (e.g., age, income, profession)
 - site usage patterns
 - referring site details
 - technology capability (e.g., browser version, operating system platform)
 - other (please describe) _____
4. How [do you/will you] measure the success of your web site?
(check all that apply)
 - visits
 - click-through rates
 - inquiries
 - applications generated
 - applications approved
 - products/services purchased
 - other (please describe) _____

	Extremely Important	Moderately Important	Not Important
1. How important is the registration of customers using your web site (i.e., capturing specific information about your customers)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. How important is personalization of your Web Site (i.e., ability of users to customize Chase's Web Site)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. How important is profiling the users on you web site (i.e., tracking user movement throughout site)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. How important is authentication of customers using your web site (i.e., identity verification)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

15. Returns



As merchants have come to know that returns are part of any commerce offering, it is important to have exemplary systems in place that ensure proper processing and tracking of such activity.

General Questions

Refunds will need to be handled as follows:

Returns will be processed based on

- existing procedures
- standard online best practices
- to be determined

1. RA number will be required

- yes
- no

Spec Question

1. Customer will receive the credit information via

- e-mail
- postcard

16. Marketing/Promotion



A great web initiative with no traffic is not an optimal situation. Considering how you will make people aware of your company and its products and services is critical as this is something that often gets left behind in early strategy and planning efforts.

Spec Questions

- | | Internally | Externally |
|----------------------------------------------------|--------------------------|--------------------------|
| 1. Marketing and promotion will be handled | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Company URL will be submitted to search engines | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Advertising decisions will be made | <input type="checkbox"/> | <input type="checkbox"/> |

Advertising Issues

- We plan to advertise online
 yes no unsure
- We will use targeted e-mail as a means of promotion
 yes no
- Traffic will be generated through (*check all that apply*)
 search engines banner placements
 targeted strategic alliances advertising networks
 portal relationships unsure at this time
 online malls
- Our ad budget for keywords and banner ads will be?
 0-\$1K \$5K-10K \$25K-50K \$100K+
 \$1K-5K \$10K-25K \$50K-100K

resources

We understand that e-commerce offers many questions and fewer answers and thus our goal with the Resource Section is to build a place where you can turn for valuable information that is required to build a viable online strategy. In order to facilitate that process, we have included a series of resource guides from a range of resources covering issues from strategy to fraud. You will find a list of *Top Interactive Agencies* along with a *Guide to Choosing A Fulfillment Partner* written by one of the industry's leading consultants.

As you begin to work through the spec, we hope you will take the time to review the respective Resource Guides and that you will return often when questions arise for a specific category or need. It is our goal to update these resources quarterly on the web, so we welcome any ideas you might have or suggested resources that may add value to the e-guide.

1. Company Assessment and Opportunity



Mini State of the Industry

Number of Users	1998—45 million US
Number of Shoppers	3Q98—just under 20 million US
Today's Hot Categories	books, music, travel, trading, videos, autos, flowers, apparel
Tomorrow's Projected Winners	office supplies, sporting goods, toys, replenishment products, and specialty foods

Shopper Types

Shopper	Definition
Directed Shopper	Knows what they want and likes to shop quickly. Believed to be a majority of today's online shoppers
Category Shopper	A customer who tends to purchase certain categories frequently with the exclusion of others
Gift Giver	In the business of buying many gifts; visit flower and specialty gift sites often.
"Gotta Have It" Impulse Buyer	Typically buys the latest and greatest, though few sites have made this feature and respective functionality fun for shoppers.
Browser	"Just visiting mindset" where merchants must look to turn browsers into buyers.
Bargain Hunter	Those price sensitive shoppers in the market for a bargain. Sale shoppers permeate the web culture and according to studies, many people believe product should be less expensive online.
Information Seeker	"Hungry for information" consumers headed online due to lack of information at retail. The trick here is converting these browsers into buyers online where cost savings for merchants can be significant and upsell a true reality.

Shopper Demographics

Average Age	32
Household Income	\$50,000+
Households with Kids	68%
Male/Female	51%/49%
College Education	41%

Revenues and Projections

1997	\$2.5 billion; 10-12 million shoppers
1998	\$5 billion; 20-25 million shoppers

Retailers Selling Online

3Q98	20% of Top 180 General/ Specialty Retailers ¹
12/98 projection	24% of Top 180 General/ Specialty Retailers

Catalogers Selling Online

3Q98	54% of Top 100 Catalogers ²
12/98 projection	58% of Top 100 Catalogers

¹ *Chain Store Age* and American Express for revenue ranking source

² *Catalog Age* for revenue ranking source

Note: Sources for above information include the e-tailing group, inc., GVU, *Business Week*, Jupiter, ActivMedia and *Time Magazine*

Additional Web Resources

Business	URL
ActivMedia	www.activmedia.com
ZDNet	www.zdnet.com
Interactive Week	www.interactiveweek.com
Jupiter Communications	www.jup.com
Cyber Atlas	www.cyberatlas.com
Find/SVP	www.findsvp.com
News.com	www.news.com
Internet Shopper	www.internetshopper.com
Forrester Research	www.forrester.com
IntelliQuest	www.intelliquest.com
Zona Research	www.zonaresearch.com
Relevant Knowledge	www.relevantknowledge.com
Ernst & Young LLP	www.ey.com

2. Strategy



E-commerce Product Requirements

by Mike Jacobs, VirtuComm, mjacobs@virtucomm.com

Images and Data

To meet these requirements, specific database design elements must be incorporated into the back-end. Once that is complete and the site is ready to receive product records, the following elements are needed:

- Product images
- Descriptive copy and other product information
- Database search elements

Selling Features Not all product information can be put into the descriptive copy. Some search engines allow key word entries that search selling features and return relevant product records.

Age and Gender Appropriateness Gift givers want to make the selection process quickly and easily. The ability to view products specific to an age or gender is dependent upon the existence of these fields in all of one's product selection.

Psychographic Interest While categories and sub-categories perform an excellent job of displaying more relevant product selection, the ability to enter a life style interest and view relevant products is a powerful marketing tool. An example of this would be the gift search for a child interested in role playing, outdoor play, etc.

Product vs. Non-Product Content

There is a distinct difference between product content and non-product content. Virtucomm believes a site is branded by the graphics, color and tone used in the database templates that surround product images. The company's logo, color scheme and other components of the corporate identity program support that brand. Individual product records, although important to the buy process, do not necessarily define the brand.

Once the database templates are designed and created, the site must be filled with product images and information that will enable the online user to see, read and buy desired products. This process is vaguely similar to catalog advertising where good product representation and an efficient order process are required. It is very important that every component of the product record support the buying decision. This is especially important as multiple online sites offer crossover products on other sites. What makes the customer buy from a particular site? Is it name recognition of the URL and brand awareness? Price? Convenience? Trust? Selection?

Important Questions to Consider

How will you capture product records?

Many online retailers use some of the least efficient production workflows possible. Some turn to digital photography, copywriting and data entry of specification sheets—often realizing that production components in print advertising are not the same for online media. Others turn to product manufacturers for help—with little success. Still others attempt to pick-up thousands of product records from previous print advertising, only to realize the numbering systems for print advertising do not meet what is required for online commerce.

How many products will be offered at launch?

How many products will be added during each quarter?

Many online merchants initially focus all resources on the important process of building the site only to complete it and be left with the huge task of filling it with product data. A product record production process must be defined during the build-phase of an e-commerce launch. If that process is not defined and implemented at that time, significant delay in the planned launch will occur.

What are the image specifications?

Will the site display thumbnails and a zoom capability?

Early participants in online commerce focused on product elements that created excessive download time lags. Today, many sites display product names or thumbnails on the primary category page and enable a zoom feature that enhances the browsing experience with faster download speed. Image specifications and naming conventions must be defined for each product view. Will it be UPC, SKU, item number or a combination? How will the product records be defined?

What production workflow makes sense for the online retailer?

Will the new workflow include expanding existing resources in the advertising department? Will the outside advertising agency be responsible for product record production? Will they charge the same rates for product records as they charge for site creative?

SKU, UPC, Manufacturer Item Number?

What numbering system will be used to define product records?

The typical retailer uses a SKU based system to define a product. That SKU can represent multiple associated products. Even though point-of-sale systems recognize UPC, they feed data back to a SKU defined record. Catalogers are well aware of this process and have implemented a UPC based system to identify product from the point of customer order to the fulfillment of that order. Incorporating the UPC from start to finish can prove challenging for a typical retailer because established systems, including accounting, ordering and inventory systems are now SKU based.

What role will the merchandising department play in product record creation and approval?

Since the merchandising department is responsible for product mix, does that also mean they are responsible for product record quality and accuracy? What about product record creation? The merchandising department is closest to the product manufacturer. Should the role be expanded to now acquire product information for e-commerce?

Will the MIS department or advertising department control product content?

Often the MIS department defines product identification requirements for the backend. Will they select a record identification system that can be met internally? Will the field limitations meet online product requirements defined by the business community?

Some online merchants incur production costs of \$100 - \$200 per record. As those web sites increase product selection to 10,000 or more, the cost of production will exceed \$1-2 million. Clearly, the cost of product records can easily exceed the initial investment in web site infrastructure for many retailers. Is this cost budgeted on an annual basis? Are there any revenue generating opportunities to help off-set production costs? What about cooperative advertising or online banner sales? Can special feature shops be sold to specific product manufacturers similar to how an end-cap is sold at the retail level?

These are the important questions an online retailer must ask in order to be prepared for the product record requirements of online commerce. If they are not asked and answered at the time infrastructure questions are posed, the online retailer will suffer the consequences of higher costs and long delays.

Mike Jacobs is president of Virtucomm, an e-commerce production and consulting organization based in Minneapolis. The company designs and implements efficient production workflows for large retail organizations. At this time, Virtucomm is creating a manufacturer-funded production process that delivers customized product records to online retailers at no cost.

Top 50 Interactive Agencies¹

Last 4 Quarters

Agency / Headquarters	Revenue through March '98 **
1 AGENCY.COM, New York† <i>includes Online Magic, Spiral Media, others</i>	60,000*
1 iXL, Atlanta† <i>includes BoxTop, Digital Planet, others</i>	60,000*
3 Modem Media.Poppe Tyson, Westport, CT† <i>reflects Poppe Tyson and Modem Media merger</i>	50,000*
4 Grey New Technologies, New York	42,000*
5 THINK New Ideas, New York† <i>includes Interweb, BBG Online, others</i>	40,500
6 CKS Group, Cupertino, CA†† <i>quarter ends in April</i>	36,800
7 c2o Interactive Architects, Dallas <i>owned by EDS</i>	35,000*
7 Organic Online, San Francisco	35,000*
9 Strategic Interactive Group, Boston	33,000
10 USWeb, Santa Clara, CA† <i>includes Ikonik, Online Marketing, others</i>	32,483
11 Brand Dialogue, New York	27,000*
12 Thunder House Online, New York	24,000
13 TMP Worldwide, New York	22,534
14 Eagle River, Chicago	22,100
15 OgilvyInteractive, New York	20,700
16 Razorfish, New York† <i>includes Avalanche, others</i>	20,000
17 APL Digital, New York	19,500
18 Studio Archetype, San Francisco	13,200
19 US Interactive, New York† <i>includes Digital Evolution</i>	13,000
20 R/GA Interactive, New York	11,750
21 Siegel & Gale Interactive, New York	10,500
22 Magnet Interactive Communications, Washington	9,700
23 Messner Vetere, New York	9,500
24 IllusionFusion/Media Circus, New York†	9,400

25	K2 Design, New York	9,370
26	Darwin Digital, New York <i>reflects nine month activity</i>	9,000*
27	Blue Marble ACG, New York	9,000*
28	Nicholson, New York	8,500
29	Macquarium Intelligent Communications, Atlanta	8,300
30	DDB Interactive, Beyond DDB, Chicago	8,067
31	Stein Rogan + Partners, New York	7,700
32	Novo/Ironlight, San Francisco <i>reflects Novo Media Group and Ironlight merger</i>	7,500
33	Anderson & Lembke, San Francisco	7,300
34	Giant Step, Chicago	7,200*
35	Meta 4 Digital Design, Livingston, NJ	6,700*
36	EURO RSCG Dahlin Smith White, Salt Lake City	6,600*
37	Criterion, King of Prussia, PA	6,500
38	Frontier Media Group, Malverne, PA	6,400
39	Quantum Leap, Chicago	6,000*
40	i33 communications, New York	5,300
41	CyberSight, Portland, OR <i>MDC Corp. acquired 75% interest</i>	5,260
42	The Jack Morton Company, New York <i>acquired by Interpublic</i>	4,600
43	Frankfurt Balkind Interactive, New York	4,500*
44	Vivid Studios, San Francisco	4,400*
45	Red Sky Interactive, San Francisco	4,400*
46	JWT Digital, New York	4,140
47	Multimedia Resources, Larchmont, NY	4,000
48	Left Field LLC, San Francisco	4,000
49	Genex Interactive, Culver City, CA	4,000
50	Rare Medium, New York <i>acquired by ICC Technologies</i>	3,900*

¹ *Ad Week*, July 20, 1998

*Estimated numbers. **Figures in thousands. † Includes mergers/acquisitions after March 31, 1998.

†† Interactive revenues only. Chart compiled by Jim English.

3. Site Merchandising



A Merchant's Checklist

by *Melissa Pins, Senior Analyst, the e-tailing group, inc., mp@e-tailing.com*

- Create **impulse buys** on the home page and throughout the site to encourage early shopping
- Provide customers with multiple **search options** to make shopping as easy as possible based on their needs
- Incorporate **seasonal promotions** such as Back-to-School, Mother's Day, etc. that speak to the way real shoppers shop
- Leverage **contextual integration** that allows for selling throughout the site with relevant content
- Personalize** the offer by creating a **sense of belonging** such as *My Account* or *My Stuff* where customers can have ownership of information and accounts they have created
- Build loyalty programs into your offer through a **Gift Reminder service** and **Address Book** that keep shoppers coming back
- Think **gifting!** Include use of Wish Lists, Express Gifts, Gift Certificates, Gift Search/Finder, Corporate Gifting, Gift Registry functionality and Gift Wrap
- Create **contests** with a registration component that provide excitement and encourage shoppers to register on your site
- Use **targeted e-mail** to promote repeat shopping with links to special offers and unique merchandising
- Build a **frequent buyer program** to create customer loyalty by rewarding shoppers with special discounts and incentives to shop often
- Sporadically **survey** customers to learn more about their psychological composition, demographic make-up, wants, and needs
- Offer **interactive features** that are fun and make shoppers feel involved which keeps them on your site longer
- Provide a sense of **community** for users to make them feel like they are "a part" of something such as relevant chats and bulletin boards
- Build an **affiliate network** that allows you to generate additional revenues leveraging merchandising programs and search functionality that exists on your site
- Don't compromise **customer service** for beauty. In fact, use customer service to turn dissatisfied shoppers into return visitors
- Most importantly **update** your site frequently especially for the benefit of regular customers as the expectation is that you are delivering a new experience daily

the e-tailing group is a Chicago-based consultancy that provides e-commerce strategy and solutions to catalogers and retailers.

4. Technology



Characteristics of Recommendation Engines

by George Nader, Regional Director of Net Perceptions,
gnader@netperceptions.com

Real-Time Performance

- Architected for high performance
- Real-time recommendations and predictions
- Real-time user correlation
- High performance database included

Powerful Scalability

- Supports from hundreds to millions of users
- Supports from hundreds to millions of products
- Supports centralized or distributed servers

Accurate And Tunable

- Multiple algorithms for utmost accuracy
- Support for implicit ratings from user behavior
- Ability to partition domain data
- Support for using known user demographics
- Support for using known product attributes
- Tools to evaluate and tune recommendation quality

Implementation Simplicity

- Engine runs on UNIX and Windows NT
- C/C++, JAVA, ActiveX and Perl APIs
- Support for CGI, ISAPI, NSAPI
- ODBC database support
- Excellent documentation and technical support

Technology That Adds Value

- Support for both recommendations and predictions
- Support for two-customer recommendations
- Support for affinity groups
- Support for push broadcasting

Establishes Your Brand

- Toolkit model adapts to your site
- Security for your proprietary customer data

The Company Behind The Product

- Company has strong financial backing
- Company has strong commitment to research & development
- Company has great customer references

Net Perceptions is the leader in advanced Recommendation Engine technology. We are committed to providing tools that allow online businesses to learn more about their customers' individual tastes and preferences, and use that information to develop stronger, more profitable customer relationships.

Choosing Your Hosting Partner

by Deana Bergquist, Product Manager for Commercial Hosting Services,
@Home Network, deana@corp.home.net

So now that you have decided to put your business on the web, who do you turn to to host your web site?

With the multitude of service provider options available to a business today, it can be a difficult decision.

The first question that a business will usually ask itself is whether to buy a server and host their web site in-house or to outsource the whole operation to a service provider.

"Seventy percent of SBs (small businesses) with web sites indicated that their web site(s) were hosted by an outside provider", according to The U.S. Small Business Internet Survey by cyberdialogue/findsvp and C+C Data. According to Forrester Research, Inc. the hosting market will "continue its blistering growth, nearly quadrupling last year's revenues to \$1 billion in 1998, on its way to over \$10 billion in 2002" (January 1998, Sizing Internet Services).

For most businesses the choice to outsource hosting to a service provider is the best decision for a number of compelling reasons. With top service providers you can expect to be up and running with your web site on the same day.

The time to get your own operation set-up could be several months. With @Work's commercial web hosting service, you can be uploading web pages to your own private space on a high performance server within 30 minutes.

Running a web server operation can be complicated and time consuming.

A lot of important questions need to be addressed. Who will reboot the server if it goes down at 2:00 am? Who will keep up with emerging new hosting technologies? Additionally, the cost savings of outsourcing can be significant. Relying on a top provider to maintain the server, network connections, and security of your site on a 24-hour basis relieves you of the need for additional equipment, connectivity, and technical personnel. As you know, all of these can be expensive costs which impact the bottom line of your business' web operations.

Finally, you want to provide your customers with the best possible experience when they visit your site.

By outsourcing to a Tier 1 service provider (nationwide network with full Internet routes through public and private peering), you lower the amount of time that it will take for a customer to "download" and view your page. If you hosted your web site at your corporate

location, your customers' experience wouldn't usually be as good since your customers would need to take additional "hops" on the Internet to get to your web site. Slow web sites are sites that usually will not be visited again.

Once you've decided to outsource your web site hosting the next question is who you should partner with for this important part of your business operations.

You will find that prices vary considerably and often providers try to paint apples-to-apples comparisons when major differences in quality are at play. According to Forrester Research, Inc. (Business ISP Evaluation, May 1997) the top five criteria that businesses look for in selecting a service partner are:

- network architecture
- service and support
- price
- reliability
- features

Some of the most important considerations that you should look for are included in the following matrix.

What to Consider When Comparing Hosting Providers

What To Look For From Your Hosting Service Provider

Network Architecture

- Tier 1 network—to ensure the best performance to your customers, your provider should run their own network rather than simply buy network connections from other providers
- Distributed network architecture—for optimized traffic routing to your customers
- Robust caching technology built into their network—web pages download more quickly to your web customers
- Robust public and private peering relationships for better routing of your web site to web customers

Service & Support

- 24x7—do you have knowledgeable support personnel available anytime day or night?
- Phone Support—can you call and talk to someone?
- E-mail—can you e-mail someone with questions?

- Web-based support—do you have a robust web interface that allows you to look at the status of your account, add services, monitor traffic, change your account information and get online help?
- Does your provider scale with your growing needs? Can you upgrade easily to a new plan?
- Can you purchase other services such as connectivity from this provider? It's easier to work with one company for all of your networking needs.
- Does the provider have consulting services available if you need additional technical help in getting your site up and running? Do they have recommended solutions partners?

Price

- Does your provider compete competitively on price with other Tier 1 providers?

Reliability

- Service Level Agreements—What is the provider's guaranteed network uptime?
- Does your provider have a disaster recovery plan which includes daily backup of your site content? What happens if the server goes down? Is there automated failover to another server?
- Does the provider have a standard policy for upgrading their network when traffic becomes high?

Features

- DNS services—Does your provider help you set-up your domain name with the InterNIC? Do they help you with the tricky process of transferring your existing name from another provider?
- Security—Does your provider have special security features that protect you against security violations on their server, including CGI's created by other people sharing the server? Do they offer robust SSL capabilities and the ability for you to easily download sensitive data that has been captured and stored on the server?
- CGI's—Can you upload custom CGI's without any special approval procedures?
- Disk & Bandwidth—Do you get ample disk and monthly bandwidth quotas to support your site? Can you upgrade this easily if your site becomes popular overnight?
- Reports—Do you get daily reports to help you analyze your site's success?

- Mail Services—Can you add e-mail services with your domain name to your site, e.g., info@yourcompany.com? Can you add more mailboxes easily?
- Publishing—Does your provider help you build your web site? Do they give you wizards, design partner recommendations?
- Microsoft Front Page—Does the provider have Front Page extensions installed and do they allow you to easily use Front Page functionality without having to change to another plan or pay extra?
- Commerce—Can you easily make your web site commerce-enabled with real-time processing with banks?

Deana Bergquist is Product Manager for Commercial Hosting Services, @Home Network / @Work Division (www.work.com)

Popular Internet Service Provider (ISP) Companies (Listed Alphabetically)

1 @Home Network	14 IBM.net
2 Ameritech	15 Icanect
3 AOL	16 M-Soft
4 AWS	17 Netcomm
5 BBN Planet	18 On Ramp
6 Best Internet	19 PSI
7 Bluesky	20 Rocky Mountain Internet
8 Cable and Wireless	21 Sprint
9 Cerfnets	22 SWB Internet
10 CRL	23 US Interactive
11 Crossroads	24 US Web
12 Earthlink	25 Verio
13 Flashnet	26 Worldnet.att

Popular Web Hosting Companies (Listed Alphabetically)

1 9NetAvenue	14 Hiway Technologies
2 Advanced Web Creations	15 HostPro
3 Affinity Hosting	16 Hurricane Electric
4 Alabanza Web Space	17 LexiConn Internet Service
5 CI Host	18 Media3 Technologies
6 Clever Computers	19 Netcom
7 ConcentricHost	20 Superb Internet Corp
8 DataRealm Internet	21 TABNet
9 Dev-Com	22 Tierranet
10 DeZines Web Hosting	23 Tri Star Web
11 Dynamic Web	24 WEB 2010
12 E-Access	25 WebAxxs
13 Exodus	26 Worldwide Internet

URL's to investigate when looking for a hosting company for your site:
www.tophosts.com
www.webhostlist.com

5. Backend Fulfillment



Virtual Fulfillment: Outsourcing E-Commerce Operations

by William J. Spaide, Spaide, Kuipers & Company, spaide@earthlink.net

Outsource vs. In-house

For the start-up Internet marketer, the outsourcing of the fulfillment function represents a sound processing approach. The basic rationale for outsourcing is that, to the maximum extent possible, a business should concentrate on the "soul" or core of the business and leave non-core functions to outside specialists with trained staffs and sophisticated systems and equipment.

The decision to outsource the fulfillment function, invariably, comes down to a relatively simple financial proposition known as the "present value of pain". Simply stated, the start-up company must determine if it has resources and confidence in its new business to be willing to invest both the capital and management necessary to establish a fulfillment operations at the time of launch. If it is unwilling to make the investment, it will employ an outside contractor, believing that it can always bring the operation in-house if and when the business proves successful. Obviously, the decision to outsource only delays the investment. In fact, the subsequent establishment of an in-house operation will cost more, both financially and in terms of increasing risk, as the business will have grown significantly in the years following the launch.

Outsourcing Benefits

- The fulfillment contractor can supply start-up programs with an overall level of mail order expertise that is difficult for a new venture to duplicate.
- They can implement a new program quickly. Typically, once selected a contractor can install a full service program in one to three months.
- Management can focus on strategic issues of launching a business rather than day-to-day operating problems.
- The service fees are primarily variable in nature with only minimal installation charges and on-going fixed costs, thereby minimizing one-time and capital expenses.

Outsourcing Adverse Considerations

- There are few qualified contractors that specialize in Internet fulfillment.
- No matter how flexible the contractor, the client will have to accept some level of processing conformity.

Selection Process

The identification, selection and installation of a fulfillment contractor for an e-commerce business is a complex undertaking that requires careful planning to ensure that the best vendor is employed at an acceptable cost, with minimum risk and on schedule.

Basically, there are four steps in the selection process:

1. Determine the processing and service requirements of the business.

This initial step is necessary to clarify the fulfillment needs of the enterprise and to establish the caliber of service and type of assistance required. This process should include:

- Establishment of estimated order and other relevant transaction volumes, including: shipments, returns, e-mail inquiries, telephone calls, backorders, etc.
- Description of the physical characteristics of the merchandise, such as: number of SKUs, inventory levels, product size and type.
- Development of system support requirements for order processing, customer service, inventory control, physical fulfillment, management reporting and integration with the e-commerce platform.

2. Identify potential suppliers.

The selection process can best be accomplished by pre-screening potential contractors prior to the distribution of a Request for Proposal. (As a starting point, a listing of service contractors that offer Internet fulfillment services are included at the end of this article.) By reducing the universe of potential suppliers, the final selection will be accelerated. The screening should be done by telephone and, to the extent possible, so should weighing the vendor's:

- Interest in the project
- Applicable experience
- Internet connectivity capabilities
- Processing capacities
- Installation time-frame
- General pricing information

3. Prepare and distribute a Request for Proposal.

A Request for Proposal (RFP) should be prepared and distributed to the limited number of vendors identified in the pre-screening process. The RFP should contain the desired format for the

vendors' response; the processing volumes and operating requirements documented in the initial step; and, detailed vendor information that will be needed for evaluation. This additional vendor data should include:

- Description of systems, staff, space, equipment and expertise
- Client references
- Sample contract
- Installation process and timetable
- Vendor financial information
- Audit and security arrangements

4. Evaluate vendor proposals

The vendor proposals should be evaluated on the following criteria:

- Costs
- Direct experience with similar e-commerce businesses
- Processing capabilities
- Systems functionality
- Capacity

The objective of this evaluation is to obtain sufficient information from each proposer to identify the two or three more viable candidates. Visits to the sites of these finalists should then be scheduled. It would be advisable that all involved management personnel undertake these visits to see first-hand the organization, facilities and general level of competence of the contract fulfillment services being considered. During the site visit the following should be ascertained:

- Quality of management and staff, in particular middle managers and client account staff
- Physical appearance of the facility
- Processing flow and controls
- Best pricing

Following site visits, the company should be in position to select the most suitable vendor. Client reference checks and a financial "due diligence" on the selected candidate should be performed before finalizing the arrangement.

E-commerce Fulfillment Services:

- AB&C (Ranson, WV)
- ASD Catalogs (Dallas, TX)
- Catalogs Resources Inc. (Dover, DE)
- Harrison Fulfillment Services (Chattanooga, TN)
- Gage Marketing (Minneapolis, MN)
- Interactive Marketing Services, Inc. (Ridgley, MD)
- Keystone Fulfillment (Hanover, PA)
- Progressive Distribution (Grand Rapids, MI)
- Quality Fulfillment Services (Roanoke, VA)

Mr. Spaide is a partner in the management consulting firm, Spaide, Kuipers & Company. The firm provides operations management and information technology solutions to the direct marketing industry in the United States, Europe and the Far East. The firm has offices in New York, New Jersey, and Pennsylvania. Mr. Spaide is based in the Philadelphia office and can be reached at 610/668-8296 or spaide@earthlink.net.

6. Order Processing



Order Processing with Internet Online Transaction Processing (OLTP)

by Rob Lynch, President and CEO, ClearCommerce, robert@clearcommerce.com

Consumers shop at a merchant's storefront and place the items to be purchased in a virtual shopping cart. Online transaction processing (OLTP) software is first engaged at the time the consumer has filled his or her shopping basket and wants to purchase the goods or services. This type of software provides encryption between the "storefront" server and a commerce engine. Public and private keys are used.

OLTP products contain an application programming interface (API) that connects to the storefront. The software provides for secure processing through APIs. The APIs encrypt the transaction to secure credit card account data.

Secure Sockets Layer (SSL) is a data encryption technique that allows for secure transactions across the Internet. This software will encrypt a consumer's credit card and purchase information as it is sent over the Internet to the OLTP software. There is another copy of similar software which will decrypt the transaction data as it enters the commerce engine.

The next function performed is extensive Internet fraud checks. Credit card fraud is a major problem facing participants in electronic commerce. The OLTP software has been uniquely designed to address this industry-wide problem. The fraud feature in the engine check for such things as randomly generated credit card numbers. If a card number is not valid, the merchant has the option of instructing the engine to block the card and the IP address from which the transaction was generated.

Shipping and taxes can be defined according to each merchant's requirements and are calculated and added into the purchase amount for display to the consumer. Assuming the consumer still wants to complete the purchase once they have been notified of the additional charges, the OLTP software routes the transaction to the merchant's bank for real-time authorization. Because the merchant's virtual storefront transactions use the same banking relationship as sales made through his physical store, the merchant's existing banking relationship remains intact and unchanged.

Merchants elect to add **real-time payment** to their web sites for many reasons, the most compelling of which is the **reduction of internal costs**. When transactions are authorized in real-time, the need for manual tracking of invalid credit card numbers deliberately entered by web pranksters and hackers is eliminated. Less staff is

required to service the exceptions as they arise in the merchant process. Another benefit of real-time payment is that sale proceeds from credit card transactions are automatically deposited electronically to the merchant's account.

The transaction can be sent to the bank by either dial-up connection, leased line, or the Internet "wrapped" in SSL. Transactions may also be sent via the Internet "wrapped" in the SET protocol, provided a merchant is currently engaged in a SET pilot. If the transactions are transmitted to the credit card processors via the Internet, there are similar APIs to protect the consumer's information between the OLTP software and the authorizer.

Currently, most online merchants will want their virtual storefront transactions routed to the bank via leased line. This is because leased line is the most reliable solution available on the market today to handle high transaction volumes.

Once the transaction has been approved, the OLTP software passes a confirmation to the consumer by way of the storefront. At this time, if the consumer has purchased a "soft good" vs. a hard good, the soft good is immediately available for download to the consumer's PC. Soft goods are products of digital nature (that is, are in machine-readable form) and include such goods as software, text, graphics, movies, pictures, sound, etc.

Some OLTP software solutions allow for integration into existing business rules. These products provide an API to link into accounting systems, fulfillment systems, call center systems, etc. Built-in integration into legacy systems allows the merchant to reduce expense (human labor and mistakes) related to re-entering Internet sales information into existing business systems.

ClearCommerce Corporation, 1998

7. Payment



Summary of MasterCard Interchange Requirements

Merit I

- Zero Floor Limit
- Deposit and clear through MasterCard within three days
Hotels, Car Rental and Cruiselines and Non Face to Face are exempt from the Timeliness edit
- Enriched data in authorization and settlement records
- Authorization code must be provided in settlement record
- Authorization and clearing amounts must be within applicable tolerance (25% Restaurants and Bars – 10% everyone else)
Hotels, Car Rental & Cruiselines, Non Face to Face, Automated Fuel and Airlines are exempt from the Tolerance edit
- Banknet reference number and Banknet authorization date must be present in clearing/settlement record

MasterCard Interchange Fees

MERIT I 1.71% + \$0.10

MasterCard Assessment Fee

(based on gross sales volume) .095%

8. Shipping



Insuring a Quality Experience for the Customer

by Arthur Cinader, Jr., VP New Media, J. Crew, acinader@jcrew.com

Quality and timeliness of product delivery is a key component of the customer experience with a direct marketer. Arguably the most important step to ensure quality delivery is to establish a solid working relationship with several shippers. Share projections and explore pricing options. The shipping business in the United States is moderately competitive with large variation in delivery time, cost and services.

For an internet merchant, international shipping is low-hanging fruit—the United States Post Office maintains reciprocal agreements with hundreds of foreign countries, so it is a good choice as a shipping vendor. The Post Office processes custom and duty export taxes for your shipments and provide appropriate data to make tax and duty calculations.

Important systems considerations are:

- provide for quick changes between shippers as prices change—the shippers don't give much advance warning
- use of internet tracking allows a user to track his/her delivery from order to front door

Shipping Vendor URL's

UPS	www.ups.com
Fed Ex	www.fedex.com
USPS	www.usps.com

9. Security



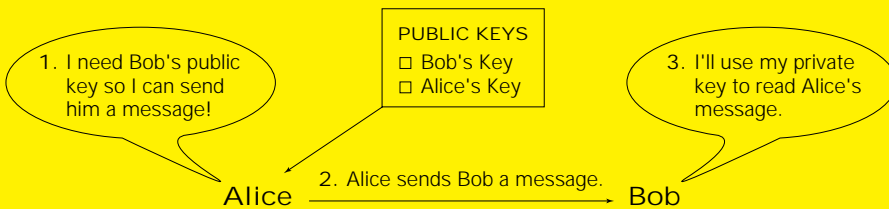
Security Standards and Resources

by Bob Barron, Director of Technology Development, ClearCommerce,
rbarron@clearcommerce.com

The most widely accepted security standard that deals with e-commerce transactions is Secure Socket Layer (SSL). This is an encryption standard created by Netscape Communications. In contrast, the single largest misconception about web security is that SSL is a complete security solution once a web session has been established.

SSL is based on a public key that can be used by anyone to encrypt data meant for an individual that possesses the private key. The private key is used to decrypt the data for legible viewing. The misconception is that as long as there is at least one SSL key that the data traffic is secure. Actually, both parties must possess their own SSL certificate (or keys) to enable bi-directional communication between them.

Sending a one-way encrypted message



For example, to perform a sale on the web, the merchant's key is used to encrypt the credit card number and other confidential information before sending it to the merchant's web server. Without a key from the buyer, only non-confidential information can be returned to the buyer.

Another area that can be overlooked is the fact that once the sale data is sent to the merchant, it is no longer protected by SSL.

Other methods must be used to protect the sale data such as:

- Network Firewall—prevents unwanted network access.
- Encrypted data files (such as PGP)—prevents unintended viewing
- User access management—prevents unauthorized snooping

For more information on this subject matter:

<http://www.cert.org> Information on Internet security issues

<http://www.verisign> A leading Certificate Authority Company

<http://www.pgp.com> Vendor of data protection (such as PGP)

<http://www.eudora.com> Vendor of data protection (such as PGP)

<http://www.ncsa.com> National Computer Security Association

10. Fraud



Avoiding Fraud Online

by Bob Barron, Director of Technology Development, ClearCommerce,
rbarron@clearcommerce.com

When your e-commerce system is functioning properly, you won't know that you have fraud detection running. This system will automatically detect the occurrence of fraud and quietly deny service to the offender. This isn't a valid reason to take issues of fraud lightly — fraudulent practice in the U.S. amounts to 200 to 300 billion dollars per year.

There are three basic components are required in a good e-commerce system:

- Basic Fraud Engine
- User Customization
- Activity Reports

The fraud engine is the "24x7" security guard that watches each financial transaction and automatically prevents fraud attacks such as:

- Excessive credit card frequency or over-purchasing limits
- Purchasing from an unauthorized location or illegal billing address
- Fake credit card number generators

These provide the building blocks of prevention. However, the type of business you run has a unique set of fraud checking requirements. Based on the type of customers you have, other more specific methods will need to be implemented. Your system should have the ability to customize fraud checking based on sales and fraud reports activity. New methods can then be created to prevent sales under questionable circumstances. It may be your choice to block sales by Internet address, geographic location, or possibly time of day.

Other methods of fraud prevention are being created to guarantee the confidentiality of the sale and the identity of those involved in the transaction. Among these are:

- Secure Electronic Transaction (SET)
- Virtual cash systems such as Cybercash or DigiCash
- Smart Cards

For more information on this subject matter:

http://www.fraud.org	Great site for current fraud issues
http://cism.bus.utexas.edu/	UT's Center for Research in Electronic Commerce
http://www.mastercard.com/set/	Information on SET
http://www.visa.com/cgi-bin/vee/nt/main.html?2+0	Information on new payment technologies
http://www.smartcrd.com	Smart Card forum

11. Privacy



Marketing Online— Privacy Principles and Guidance

by *The Direct Marketing Association*

The DMA Web Site Privacy Policy

For years the DMA has developed guidelines and programs to meet consumer privacy expectations through notice of its information practices to consumers and by offering consumers the ability to remove their names from marketing lists. As interactive media evolve, the DMA renews its commitment to notice and opt out in this new medium.

The DMA's Web site is maintained by the Direct Marketing Association, Inc. 1120 Avenue of the Americas, New York, NY 10036-6700. You can reach us by phone at 212-768-7277.

To help marketers and other organizations create their own Privacy Policy Statements, consistent with The DMA's Marketing Online Privacy Principles, The DMA created a special section on its Web site.

The site enables Webmasters and administrators to draft and post a privacy policy online, tailored to the specific practices of the company or organization. When marketers respond to several questions based on their site information policies, the resource tool automatically takes answers and creates a privacy policy document, which can be edited and posted directly to a Web site. The address of The DMA's private policy tool is: (<http://www.the-dma.org/policy.html>).

Online Notice and Opt Out

All marketers operating online sites, whether or not they collect personal information online from individuals should make available their information practices to consumers in a prominent place. Marketers sharing personal information that is collected online should furnish individuals with an opportunity to prohibit the disclosure of such information.

The Online Notice

The notice should be easy to find, easy to read, and easy to understand.

- A marketer should post its notice so as to readily enable the consumer to learn about the marketer's information practices in a manner that permits a consumer effective choice over the collection and disclosure of personal information.
- The notice should identify the marketer, disclose an e-mail and postal address at which it can be contacted, and state whether the marketer collects personal information online from individuals.

If the marketer collects personal information online, the notice should contain disclosures about:

- The nature of personal information collected with respect to individual consumers.
- The nature of uses of such information.
- The nature and purpose of disclosures of such information, and the types of persons to which disclosures may be made.
- The mechanism by which the individual may limit the disclosure of such information.

The Means of Opting Out

All marketers sharing personal information that is collected online should furnish consumers with the opportunity to opt out from the disclosure of such information. The notice and opt-out process should enable consumers to request that their personal information not be rented, sold, or exchanged.

Unsolicited Marketing E-Mail

1. Online solicitations should be posted to newsgroups, bulletin boards, and chat rooms only when consistent with the forum's stated policies.
2. Online e-mail solicitations should be clearly identified as solicitations and should disclose the marketer's identity. Marketers using e-mail should furnish consumers with whom they do not have an established business relationship with notice and mechanism through which they can notify the marketer that they do not wish to receive future online solicitations. Marketers using e-mail should furnish consumers with whom they have an established business relationship with notice and a mechanism through which they can request that the marketer suppress their e-mail addresses from lists or databases rented, sold, or exchanged for online solicitation purposes.
3. Any person who uses for online solicitation purposes e-mail addresses or screen names collected from online activities of individuals in public or private spaces should see to it that those individuals have been offered an opportunity to have this information suppressed.
4. Marketers who operate chat areas, newsgroups, and other public forums should inform individuals using these spaces that information they voluntarily disclose in these areas may result in unsolicited messages to those individuals by others.
5. All persons involved in the use, rental, sale or exchange of lists and data for online solicitation purposes should take reasonable steps to ensure that such sharing of lists and data adheres to these industry principles. Industry groups should take appropriate steps to encourage their members to follow these principles.

CARU Guidelines for Interactive Electronic Media

contact: Elizabeth LaScoutx, CARU, elascoutx@caru.bbb.org

Self-Regulatory Guidelines for Children's Advertising

The Children's Advertising Review Unit (CARU) of the Council of Better Business Bureaus was established in 1974 by the National Advertising Review Council (NARC) to promote responsible children's advertising and to respond to public concerns. The NARC is a strategic alliance of the advertising industry and the Council of Better Business Bureaus (CBBB). Its Board of Directors comprises key executives from the CBBB, the American Association of Advertising Agencies (AAAA), the American Advertising Federation (AAF) and the Association of National Advertisers (ANA). The NARC Board sets policy for CARU's self-regulatory program, which is administered by the CBBB and is funded directly by members of the children's advertising industry.

The basic activity of CARU is the review and evaluation of child-directed advertising in all media. When children's advertising is found to be misleading, inaccurate or inconsistent with the Guidelines, CARU seeks changes through the voluntary cooperation of advertisers.

Guidelines for Interactive Electronic Media (e.g., Internet and Online Services)

The guidelines contained in this section highlight issues unique to Internet and online advertising to children under 12. They are to be read within the broader context of the overall Guidelines, which apply to advertising in all media. They are intended to provide minimum, voluntary standards for the protection of children and their parents, and are to be taken as an interim approach to a new and unfamiliar marketing venue.

Just as these new media are rapidly evolving, so in all likelihood will this section of the Guidelines. Advances in technology, increased understanding of children's use of the medium, and the means by which these current guidelines are implemented will all contribute to the evolution of the "Interactive Electronic Media" section. CARU's aim is that the Guidelines will always reflect the latest developments in technology and its application to children's advertising.

Further, these children's Guidelines must be overlaid on the broader and still developing industry standards for protecting and respecting privacy preferences. These industry standards include disclosure of what information is being collected and its intended uses, and the opportunity for the consumer to withhold consent for its collection for marketing purposes. Thus, in the case of data collection from children, reasonable efforts should be made to establish that notice is offered to, and choice exercised by a parent or guardian.

The availability of hyperlinks between sites can allow a child to move seamlessly from one to another. However there is no way to predict where the use of successive links on successive pages will lead. Therefore, advertisers who maintain sites for children should not knowingly link their sites to pages of other sites, which do not comply with CARU's Guidelines.

In keeping with CARU's Principle regarding respecting and fostering the parents' role in providing guidance for their children, advertisers who communicate with children through e-mail should remind and encourage parents to check and monitor their children's use of e-mail and other online activities regularly.

The following guidelines apply to online activities, which are intentionally targeted to children under 12, or which appear within online areas specifically designated as children's areas. For purposes of this section, these activities include making a sale or collecting data, and do not include the use of "spokescharacters" or branded environments for informational or entertainment purposes, which are addressed in the "Endorsement" and "Disclosure" sections of the Guidelines.

Making a Sale

Advertisers who transact sales with children online should make reasonable efforts in light of all available technologies to provide the person responsible for the costs of the transaction with the means to exercise control over the transaction. If there is no reasonable means provided to avoid unauthorized purchases of goods and services by children, the advertiser should enable the person responsible to cancel the order and receive full credit without incurring any charges. Advertisers should keep in mind that under existing state laws; parents may not be obligated to fulfill sales contracts entered into by their young children.

1. Children should always be told when they are being targeted for a sale.
2. If a site offers the opportunity to order or purchase any product or service, either through the use of a "click here to order" button or other on-screen means, the ordering instructions must clearly and prominently state that a child must have a parent's permission to order.
3. In the case of an online means of ordering, there should be a clear mechanism after the order is placed allowing the child or parent to cancel the order.

Data Collection

The ability to gather information, for marketing purposes, to tailor a site to a specific interest, etc., is part of the appeal of the interactive media to both the advertiser and the user. Young children however,

may not understand the nature of the information being sought, nor its intended uses. The solicitation of personally identifiable information from children (e.g., full names, addresses, e-mail addresses, phone numbers) triggers special privacy and security concerns.

Therefore, in collecting information from children, advertisers should adhere to the following guidelines:

1. Before asking children for information about themselves or others, advertisers should remind children to ask a parent for permission to answer the information gathering questions (e.g., "You must ask your Mom or Dad if you can answer these questions").
2. The advertiser should disclose, in language easily understood by a child, why the information is being requested (e.g., "We'll use your name and e-mail to enter you in this contest and also add it to our mailing list.") and whether the information is intended to be shared, sold or distributed outside of the collecting advertiser company. Reasonable efforts should be made to offer parents the opportunity to exercise choice and control.
3. If information is collected from children through passive means (e.g., navigational tracking tools, browser files, etc.) this should be disclosed to the child and the parent along with what information is being collected.
4. Advertisers to children who collect identifiable information online should make reasonable efforts, in light of the latest available technology, to ensure that parental permission is obtained.
5. Even if a child is asked to register at a site using his or her full name, advertisers should encourage the child to use a "screen name" (e.g., "Bookworm", "Skater", etc.), first name, initials, or other alternative to full names for any activities which will involve public posting.
6. If the information is optional, and not required to engage in an activity, that fact should be clearly disclosed in language easily understood by a child (e.g., "Tell us your name if you want to", or "You don't have to answer to play the game"). The advertiser should clearly disclose what use it will make of this information, if provided, as in #2 above).
7. Since e-mail addresses can be used to learn other, personally identifiable information about the owner, e-mail addresses should be solicited on secure sites, when available. If a secure site is not yet available, an advertiser who solicits an e-mail address from a child should make reasonable efforts in light of the latest available technology, to ensure that parental permission is obtained.
8. The interactivity of the medium offers the opportunity to communicate with children through electronic mail. While this is part of the appeal of the medium, it creates the potential for a

child to receive unmanageable amounts of unsolicited e-mail. If an advertiser communicates with a child by e-mail, there should be an opportunity with each mailing for the child or parent to choose by return e-mail to discontinue receiving mailings.

CARU's "Reasonable Efforts" Standard

CARU's Guidelines for Interactive Electronic Media require that "reasonable efforts" be made to provide notice and choice to parents when information is collected from children online. CARU interprets these reasonable efforts as follows, depending on the type and sensitivity of the information collected:

In all cases, the information collection or tracking practices must be clearly disclosed, along with the means of correcting or removing the information. The disclosure notice should be prominent and readily accessible before any information is collected. For instance, in the case of passive tracking, the notice should be on the page where the child enters the site.

- For real world, personally identifiable information, which would enable the recipient to directly contact the child offline, the company must obtain prior parental consent, regardless of the intended use.
- When personally identifiable information (such as e-mail addresses, screen names) will be publicly posted so as to enable others to communicate directly with the child online, or shared with third parties, the company must obtain prior parental consent.
- For other identifiable information, such as e-mail addresses, first names, hometowns, the company must directly notify the parent of the nature and intended uses and offer the opportunity to remove or correct the information.
- For all other anonymous or aggregate information, whether gathered directly or through passive means, the company must clearly disclose the nature and intended uses of the information.

The complete *Self-Regulatory Guidelines for Children's Advertising* can be found at <<http://www.bbb.org/advertising/caruguid.html>>. For more information call 212.705.0111 or write to CARU at 845 Third Avenue, 17th Floor, New York, NY 10022.

12. Customer Service



the e-tailing group's Top 10 Customer Service Recommendations

by Lauren Freedman, President, the e-tailing group, inc., lf@e-tailing.com

1. **First Time Visitors icons** are a great way to welcome new users by giving them that in-store salesperson feeling that help is just around the corner.
2. Provide easy to locate **800 customer service** phone number, fax number, and customer service hours.
3. Make **user registration** an option instead of a requirement.
4. Ensure that the shopper can purchase on their first try as **time is of the essence**.
5. Specify **bill to and ship to** on the order form at the beginning of the ordering process, so the customer doesn't have to go back and re-do.
6. Be sure to include item price, shipping/handling charges, all taxes, gift wrap costs, and the grand total for a quick read, as the **order summary** is an essential part of the ordering process.
7. Deliver a **real-time order confirmation** so the customer has a confirmation number at the end of the ordering process should they not receive their item or need to change their order.
8. Send an e-mail **confirmation** including relevant shipping information and/or order status.
9. Make **gift wrapping** a service as opposed to another step in the process, as harried, last minute shoppers are especially fond of this service.
10. Be sure the **shipper** includes a return label, a gift card (if applicable), return receipt information, and instructions to facilitate good customer service.

Lauren is President of the e-tailing group, inc. is a Chicago-based consultancy that provides e-commerce strategy and solutions to catalogers and retailers. E-mail your suggestions and thoughts to: lf@e-tailing.com

13. Tracking



Tracking for E-Commerce Sites

by James Healy, President and CEO, IN2, james@in2.com

Tracking your marketing efforts effectively is a crucial success variable for any online commerce endeavor.

Tracking and analyzing the data associated with the online brand and customer acquisition effort varies greatly between function and purpose, and there still is a great deal of ambiguity as to what is possible to track and what is crucial for those efforts.

Tracking and the data collection can be categorized as follows:

Site / Sales Performance Data

Log File Analysis

For aggregate analysis of log files and site usage data, merchants have opted for either home grown solutions or third party analytical products such as Andromedia's Aria or Accrue.

Products, such as these, offer powerful data mining capabilities, including trend analysis on sales and site usage, referring url (where a user came from) and whether or not that user converted to a sale (in some cases). In addition tools of this nature can measure brand loyalty through retention (repeat usage) tracking, typically accomplished through setting a permanent cookie. These products provide important analysis for aggregate data views.

However, it is more difficult to apply these tools to manage and optimize a detailed point of entry through sales efforts at the level of granularity required to build effective online campaigns. These tools typically track origination point by referring url, and unless unique variables are passed through that url denoting details on marketing creative units and media placement specifics, such as keywords and host site subsections, it is difficult to measure at the required level of detail. In addition, these tools need a level of customization for obtaining data such as dollars spent or items purchased if values such as those are important measures.

Sales Tracking

Most e-commerce solutions provide detailed sales reports but usually do not relate that data to any originating points of entry. Typically the e-commerce engine resides on a server separate to the server hosting the pages with product information and other content. In other words, once a user clicks on the "add to bag" or "buy it" button the user interacts with a separate server and tracking the original path becomes more difficult.

Tracking a User's Path

Two methods are commonly used for tracking where a user goes on a site, and whether or not and how often they return.

Sessional and permanent cookie scripts set on the client site can track both the clickpath of that user's visit (session) and how many times and where that user went on return visits (permanent). Cookies are a debated tracking technique, with privacy and users not accepting cookies being important issues to consider.

Another form of clickpath tracking involves cgi scripts that pass unique variables from a particular point of entry and then set that same variable from page to page, tracking where a user went from the starting point. One potential drawback for this could involve server performance issues do to multiple cgi actions on highly trafficked sites.

Ad Tracking

Impressions and Clicks

Impression and click data (clickthrough) was one of the first measures of a successful advertising campaign, but as many e-retailers know, a true campaign is not judged correctly unless it is judged by its ultimate goals on the client site. While ad serving solutions offer real-time clickthrough data, these tools tend to be used to more for pooling and managing impression data over a large buy, and for the real-time capability to swap creative.

Many e-retailers still collect impression data weekly from the host sites to check delivery guarantees and over/under delivery, while checking data from the click on daily. The creative and media array is then adjusted every 3-4 days.

Invisible Pixel Calls / Tracking "ROI"

In addition, many services have begun to offer and track basic conversion and other criteria by placing a server side include or call of an invisible gif to key pages on the client site to track conversion to sale or lead generation, for example, back to specific banners and sites. Typically, these solutions offer general data about the conversion of an action without specifics on dollars, items, or products.

Complete Path/ Closed Loop Solutions

As Jim Nail, advertising analyst with Forrester Research was quoted in a recent online marketing article, "With the different formats of ads and the different kinds of objectives that campaigns have, it's going to be hard to have a shrink-wrapped product." For example, a savvy online toy store will want to know what products are selling, what

customers are buying the most per purchase, and even what customers have lowest credit card decline rate for those purchases, by site and by banner or other individual marketing effort. That is what is key to the success of it's online customer acquisition effort and ultimately that venture's business model.

To collect, track, and analyze the most meaningful data in a near real-time environment requires custom integration work at all levels of the critical path, passing variables into e-commerce applications and legacy systems, while developing an efficient way to pool and analyze all relevant data coming from multiple sources.

This is beginning to be accomplished by a short list of hybrid agency/technology companies and in some cases by the sites themselves.

James Healy is CEO of IN2 (www.in2.com), an online audience, brand, and customer development agency located in New York City. Part of IN2's approach has been to develop proprietary closed loop reporting and analytical tools for the agency's clients, some of which are iVillage, Columbia House, RR Donnelly, Simon and Schuster, and the Children's Television Workshop. Before IN2, James was Director of Web Development for iVillage, and a web designer for Pathfinder's children's content. James is a graduate of the Georgetown MBA program.

14. Returns



The Reality of Returns

by Arthur Cinader, Jr., VP New Media, J. Crew, acinader@jcrew.com

Direct Marketing relies on the trust that a customer places in a merchant to deliver a product the customer wants. Despite the best efforts of a merchant, customers are often disappointed with the product they receive for any number of reasons. A no-hassle, generous return policy is a key foundation for a customer's trust in a merchant.

Returns, bad credit, and customer cancels make up the difference between Gross Sales and Net Sales. In the apparel business, it is common for return rates for most classifications to run between 15 to 25%. Some classifications may run as low as 5 to 10% (such as accessories) and others run as high as 30-35% (for such high volume classifications as fine women's clothing).

It is important to distinguish between all returns and the subset of returns that can be returned to good stock—commonly referred to as "Return of Good Stock" or RSG. Depending upon the return rate of the product, returns to good stock can be a significant component of planning an item's demand coverage. The return-to-good-stock rate can be influenced by a well conceived and implemented refurbishment and quality control process.

Properly anticipating the timing and volume of returns can reduce your inventory requirements and control overstocks. If requested, customers will usually provide a reason for return. Aggregate return data can be used in the merchandising process to identify problems and opportunities.

Returns processing operations should be handled by a direct marketer's fulfillment center to minimize product handling costs. All customer service systems must be designed to handle returns. The Internet can be used to allow a customer to notify a merchant of a pending return, provide a reason, and track the returns processing through the merchants system.

15. Marketing/Promotion



Getting Buyers to Your Internet Location

by Laura Berland, Executive VP and Co-Founder, Orb Digital Direct,
lberland@orb.net

There are a host of advertising and marketing options to get the right traffic to your Internet commerce site—visitors who not only browse, but open their wallets and buy. We recommend starting with a comprehensive media plan that intelligently tests a number of placements, and then constantly fine tuning your marketing activities to get the best response. Get used to testing, testing, and testing again. The great banner that worked yesterday may already be overexposed, and you'll need new ones to breath life back into your campaign.

Also keep in mind that this is a real-time medium, and your creative messages should exploit the real-time opportunity to run ads at 11 AM for a lunch-time special, or themed promotions for events and holidays, just as merchants do in the physical world.

Leverage your existing advertising and promotion budgets, and integrate your Internet address and special offers wherever possible. Building an Internet audience through off-line media can be just as effective, and sometimes more cost efficient, than building one through online marketing.

Remember, its not just how many people click to your site, but whether or not they buy! Make sure your tracking capabilities are in place before starting any campaign, so you'll be able to measure who bought how much, and where they came from, key to your Return on Investment.

Use this handy checklist of marketing options to consider when developing your media plan:

- Registration with search engines, directories, and award sites
- Reciprocal links with relevant content and related commerce sites
- Banner exchange services such as LinkExchange
- Online and off-line public relations: releases, events, newsletters
- Postings to newsgroups and Internet mailing lists without spamming
- Web promotions: sweepstakes, games, contests, trivia hunts
- Direct e-mail solicitations to respectable lists, usually people opt-in
- Evaluate the benefits of joining an online shopping mall

- Get placement/certification on the shopping channels of major portals
- Develop an affiliate program: sites refer users to your destination for a fee
- Online advertising: banners, sponsorships, keywords
- Tenant relationships, sharing a percentage of sales for placement
- Strategic relationships that drive traffic
- Integration with off-line marketing activities to leverage spending

ORB Digital Direct is an award-winning e-commerce and direct marketing company that helps clients optimize transactions, track from banner to sale in real-time, and pay for media based results. Clients include Publisher's Clearinghouse, Clinique, Random House and Disney.

terms

access provider

A company which provides its customers a service whereby they can access the internet. The user normally connects to the access provider's computer via a modem using a dial-up connection.

ActiveX

ActiveX is a model for writing programs. ActiveX technology is used to make interactive Web pages that look and behave like computer programs, rather than static pages. With ActiveX, users can ask or answer questions, use push buttons, and interact in other ways with the web page.

ad clicks

Number of times users click on an ad banner.

ad click rate

Sometimes referred to as "click-through" this is the percentage of ad views that resulted in an ad click.

address verification

Method whereby a third party verifies ordering address matching predetermined criteria.

ad views (impressions)

Number of times an ad banner is downloaded and presumably seen by visitors. If the same ad appears on multiple pages simultaneously, this statistic may understate the number of ad impressions, due to browser caching.

affiliate relationships

Site offers partnerships to grow revenues exponentially: Site builds an interface with linking to third party for searching and store functionality. Host site shares revenue with partners based on category margin.

affinity/point reward program

Program that rewards shoppers/visitors with predetermined rewards for purchases and other activity.

archive

A backup copy of data designed to be kept long term-often for security or audit reasons.

backend system

All functionality that runs the operation of the store and related accounting systems.

bandwidth

How much information (text, images, video, sound) can be sent through a connection.

banner

An ad on a web page that is usually “hot-linked” to the advertiser’s site or internally for messaging purposes to shopper.

browser

Short for web browser; it’s the tool (program) that allows you to surf the web. The most popular web browsers right now are *Netscape Navigator* and *Internet Explorer*.

chat room

A place on the Internet where people go to “chat” with other people in the room. Actually there are thousands of these Chat Rooms. The rooms are usually organized by topic. (For example in a Michigan Room you would expect that most of the participants in the room are probably from Michigan or a Sports Room would target sports enthusiasts.) When you’re in a Chat Room you can view all of the conversations taking place at once on your screen. You can also get into a private chat room where only you and one or two others may talk. This can be an inexpensive way to keep up with friends and relatives who are online.

check guarantee service

An online service that verifies availability of funds utilized for check approval based on predetermined criteria. Typically merchant pays on a per transaction basis.

commerce server

Server that maintains all commerce functionality from a transaction standpoint.

commerce solution

Packaged set of tools which merchants/developers can use to build a Web site.

counter

A number on many web pages that will count the number of hits. Basically it counts the number of people that have visited that page.

CPM

CPM is the cost per thousand impressions for a particular site. For example, a Web site that charges \$15,000 per banner and guarantees 600,000 impressions has a CPM of \$25 (\$15,000 divided by 600).

cross promotion

Promotion of site via multiple platforms beyond the Web, which might include print, TV, radio, etc.

cyberspace

The space where all of the information available through computer networks is found; term used to describe the Internet. This term was coined by science-fiction novelist William Gibson in 1984 in *Neuromancer*.

database

A collection of data organized and designed for easy access. For example, a collection of customer names and addresses may form the content of a database. Particularly significant for search and find purposes.

distribution channel

Means by which product is sold. Typical distribution channels include retail, catalog, internet, and TV shopping.

domain name

The unique name of an Internet site; for example **www.cyberatlas.com**. There are six top-level domains widely used in the US: .com (commercial), .edu (educational), .net (network operations), .gov (US government), .mil (US military) and .org (organization).

download

The transfer of information from the Internet to your computer. Every time you instruct your computer system to retrieve your mail, you are downloading your mail to your computer. You may also download programs to your computer. However, be careful about downloading files or programs from a site in which you are not familiar. You could download a virus and never know it until it's too late.

drop ship

Product shipped directly from manufacturer typically without retailer inventory ownership.

EDI (Electronic Data Interchange)

Information sent and shared electronically between two parties.

e-mail

Electronic Mail is usually provided by your ISP. Electronic form of communication which allows one to both send and receive messages from anyone who has an e-mail account.

e-mail confirmation

Confirmation sent upon receipt of customer order.

ESD (Electronic software distribution)

Software that can be downloaded or sent via electronic means.

external development

Utilization of a third party to develop Web site or build any related functionality.

FAQ

Frequently Asked Questions is a term used in magazines and by software companies to provide users with answers to those questions we all have to ask.

feature shops

Custom themed shopping that features a related group of merchandise.

file

Data is stored in the form of a file. Files can be program files-contain instructions that allow the PC to perform various tasks under the control of the user or data files, which contain information only.

FTC notification

Compliance with FTC requirements, to notify shoppers after thirty days if merchandise is not available, offering customer next step options.

FTP

The File Transfer Protocol that allows transferring of files over Internet.

fulfillment

Sending products to customers through internal or external facilities.

gopher

Invented at the University of Minnesota and named after its mascot, this is the direct precursor, in both concept and function, to the **World Wide Web**.

graphic

A picture or non-text item

hardware

The physical components of a computer including peripherals.

hit

Each time a Web server sends a file to a browser it is recorded in the server log file as a "hit." Hits are generated for every element of a requested page (including graphics and interactive items). For example, if a user views a page containing two graphics, three hits will be recorded-one for the page itself and one for each graphic.

Home Page

The page by which the user normally enters a Web site.

host

A computer than runs a service such as a Web sites.

HTML

Hypertext Mark-up Language is the language used to construct www pages and is interpreted by Web Browsers.

http

Hypertext Transfer Protocol. A protocol that tells computers how to communicate with each other.

hypermedia

Text on a web page that links the user to another web page. The hypertext, or links will usually be a different color than the other text on the page and is usually underlined.

hypertext

Text on a Web page that links the user to another Web page. The hypertext, or links will usually be a different color than the other text on the page and is usually underlined.

internal development

Building of Web site within the organization.

internet

A collection of approximately 60,000 independent, interconnected networks that use the TCP/IP protocols and that evolved from ARPANet of the late 60's and early 70's.

inventory forecasting

Forecasting of future inventory needs based on past performance; a prediction of future sales usually based on historical performance.

IP address

Internet Protocol address. Every system connected to the Internet has a unique address, which consists of a number in the format A.B.C.D where each of the four sections is a decimal number from 0 to 255. Most people use Domain Names instead and the resolution between Domain Names and IP addresses is handled by the network and Domain Name Servers.

IRC

An acronym for Internet Relay Chat. Worldwide real-time conferencing on the Internet, There are hundreds, maybe thousands of IRC channels, also called chat rooms.

ISDN

Integrated Services Digital Network is a digital network that moves up to 128,000 bits-per-second over a regular phone line at nearly the same cost as a normal phone call.

ISP

Internet Service Provider. This is your connection to the Internet. You use an ISP to connect onto the Internet every time you log on.

Java

Java is a modern programming language first seen in 1995 and is used to bring Web pages to life. It was designed to enable cross-platform software.

keyword

Words that can be secured through search engines or an individual site that web users frequently employ when searching for information on products, etc.

link

A link will transport you from one Internet site to another with just a click of your mouse. Links can be text or graphic and are recognizable once you know what to look for. Text links usually will be underlined and often a different color than the rest of the text on your screen. A graphic link usually has a frame around it.

Listserv

The most widespread of mail lists. Listservs started on BITNET and are now common on the Internet.

load

Short for download and upload. If someone asks how long did the page take to load? He/she is referring to the time it takes a page to appear on your screen. If a web page is loading slowly it means that it's taking a long time to fully appear on your screen. You can often scroll through a page and look at the parts that have loaded while the rest of the page continues to load. Also, you can usually click a link on the page you are loading and link to another page without waiting for the current page to fully load.

location

An Internet address which allows users to navigate directly to a site by typing in the respective URL (or web) address.

merchandising

Display of product through creative means that delivers a point of view shopping experience based on brand. The art of constructing an offering of merchandise for potential customers.

modem

Short for Modulator-demodulator devices. Modems allow computers to transmit information to one another via an ordinary telephone line.

network

In its simplest form a network is a computer connected by a wire. Data is exchanged between computers via these cables.

newsgroups

Also called Usenets, are ongoing discussion groups among people on the Internet who share a mutual interest.

“non face-to-face” merchant account

An account that allows merchants to process credit cards in a non-retail environment.

online

Having access to the Internet. Often people will say they are online meaning they have access to the Internet and have an e-mail address, but may not necessarily be connected to the Internet at that moment.

order management system

Functioning system that takes orders and processes them through shipment of goods.

page impression

A page impression occurs every time someone using the Internet displays a particular Web page.

partial shipments

Merchant shipping anything less than customer’s complete order.

post-order confirmation

Order confirmation sent via e-mail after order has been shipped.

processor

The processor is basically the brain of a computer, which carries out all of the low level processing that the CPU needs to do.

protocol

A set of rules that lets computers agree on how to communicate over the Internet.

RA number

Return Authorization number required by merchant to return product.

real time credit card processing

Online processing of credit card delivering authorization.

real time inventory

Ability to check inventory when customer adds a selection to an order.

RFP

Request for Proposal utilized to secure outside services.

scroll

Allows users to view areas on a web page that extend beyond the computer screen page.

search engine

Online directory utilized by visitors to locate information, sites, and a host of services.

site

A place on the Internet. Every web page has a location where it resides which is called its site. And, every site has an address usually beginning with "http://." (See definition of location.)

site development

Creation of site from a visual and functional point of view.

skus

Stock keeping units that a merchant offers including color and size of product.

spam

The act of unauthorized solicitation via e-mail; this is usually done in mass quantities to promote a product.

surfing

The process of "looking around" the Internet.

T-1

T-1 is a leased line traditionally used for twenty-four telephone lines but now also used to move data. Federal Government sets price.

T-3

T-3 is a leased line. The speed at which data can be transmitted is forty-five megabits per second. Federal Government sets price. It is faster and has more capacity than a T-1.

third party customer service center

Outsourcing of customer service including telephone center for handling orders and related customer service questions.

toolbar

The toolbar sits across the top or down the side of a particular window. The toolbar allows the user to perform certain tasks such as opening a file or submitting a document to be printed.

trojan horse

Like the Trojan horse of mythology, Trojan horse viruses pretend to be one thing when in fact they are something else. Typically, Trojan horses take the form of a game that deletes files while the user plays.

upload

The process of transferring information from your computer to another computer through the Internet. Every time you send e-mail to someone you are uploading it.

URL

Uniform Resource Locator is how documents on the www are referenced (ie: <http://host/path>).

Usenet

Usenets are ongoing discussion groups among people on the Internet who share a mutual interest.

user ID

This is the unique identifier (like your logon name) that you use to identify yourself on a computer.

vendor

Organization from which a merchant secures product.

virus

Your computer can get a virus just like your body can be invaded with a virus making you (or your computer) sick. A virus can wipe out information on your computer and create major havoc. Viruses usually originate from malicious people. You can unintentionally download virus from a web site or get it from a disk that someone has lent you. There are virus-checking programs, but there are new viruses popping up every day. So the best defense against a virus is to be very careful not to download programs or data from a site you're not familiar with.

web page

Every time you are on the Internet, you are looking at a web page.

www

World Wide Web is the Internet facility that allows the user to browse linked Web pages.



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