

## OVERVIEW OF E-COMMERCE

### E-Commerce

E-Commerce refers to the marketing, sale and after sale support of goods and services via electronic means, such as the internet.

The internet can be used for marketing and pre-sales activity. The most basic version of this is an on line version of promotional materials on a website. Other options include e-mail campaigns, and on line advertising to attract visitors to the business' website.

The internet can be used to automate aspects of customer support and reduce routine service calls. This can be achieved by placing Frequently Asked Questions and putting technical information on line.

Many businesses use E-Commerce for direct selling of goods or services on-line. In some cases such as with software or music, the actual sale and delivery can take place on-line. Generally, however, goods will require physical delivery

The E-Commerce site should be designed to make it easy and enjoyable to use. Classically, there is a shop front, shopping cart, and payment software. The shop front is the interface and incorporates the on-line catalogue. The shopping cart facilitates easy selection and payment for products. The checkout should be clearly signposted so that customers can proceed to pay for goods. The system should process the orders speedily and provide a summary, including transportation and dispatch requirements. It should generate a receipt and send a confirmation e-mail.

Payment software will involve payment via debit or credit card. There are three possibilities namely opening a merchant account, use of the payment processing company or set up of an on-line shop.

E-Market places are on line exchanges which enable suppliers, buyers and intermediaries to come together and offer services to each other. Buyers and sellers work interactively with bids and offers. When a deal is made a match is made between the buyer and seller on variables such as price, volume and delivery costs.

Reverse auctions are buyer controlled events that are used to attract bids with lowest bid winning. Prominent examples are E-Bay and Amazon etc.

### **Practicalities of E-Commerce**

A website specification should identify what the site is trying to achieve and how its various components will contribute to this. A domain name is helpful in branding a business. It is possible to verify whether domain names have been taken on the Nominet website. If a domain name is purchased a business can either host its own website or have an internet service provider (ISP) host it.

Purchase of software is key. It is possible to purchase certain packages such as shop packages or alternatively build software from scratch. Shop packages permit configuration, private information and provide the look and feel of the shop.

Popular methods of promotion of websites include e-mail advertising campaigns, web adverts and the use of digital coupons offering discounts. Web tools provided by the search engines can help search engine performance and website rankings. Search engines such as Google, Yahoo etc. provide tips, advice and tools on improving website searchability – see the Google Webmaster Tool. It is useful to take advantage of search engines by ensuring they pick up all the key terms that customers will use in relation to the matter or business concerned.

### **Regulations and On-line selling**

There are general regulations in respect of an on-line shop, details of which are set out below. It is also necessary to consider legal and regulatory requirements applicable to

particular businesses in planning an on-line shop. Certain businesses will have specific additional requirements dictated by regulations affecting it. For example, financial services are subject to specific additional requirements.

- Data Protection legislation makes requirements in relation to holding and processing personal information
- The Distance Selling Regulation require specific information to be given to customers before they place an order. Confirmation of sale must be sent to the buyer and there is also provision for a cooling off period in which the contract can be cancelled.
- The Electronic Commerce Regulations specify what information must be shared with on-line customers. It regulates the advertising and promotion of goods and services on-line. It is necessary that the terms and conditions of a contract are sent to the consumer in a printable form.
- The new UK Companies Act, 2006 requires that a company's website show the following:
  - full name of company or LLP
  - registered office
  - registered number
  - place of registration
  - if the company is being wound up
  - VAT number
  - membership of any trade or professional organisation

### **M-Commerce and Micropayments**

M-Commerce refers to mobile commerce. The third generation of 3G digital phones can support voice and data transmission at greatly increased speeds. Wireless application protocol (WAP) enables mobile devices to browse the internet. It is possible to determine the location of a switched on mobile phone with reasonable accuracy although this depends on the density of transmitters in the area. Location facilities present commercial

opportunities whereby the user of the phone could ask the service provider to suggest e.g. restaurants in the vicinity.

Businesses are increasingly using Bluetooth technology to send out messages to Bluetooth devices. A Bluetooth server can detect devices within a 100 metre range and sends out messages accordingly. A restaurant could, for example, send out coupons during lunch-hour to potential customers.

Micropayments are payments for purchases ranging from about five pence to five pounds using mobile devices such as a mobile phone. Mobile phone users register in advance for this service and pay directly from their phone. Purchases are added on to monthly phone bills or directly to pay as you go accounts. These services make it feasible for businesses to handle a large volume of low value sales without an extensive chain of retail locations. Micropayments are used in the purchase of items like car parking, cinema tickets and vending machines.

The E-money Directive provides a framework for micropayment. The Financial Services Authority (FSA) looks after its regulation in the United Kingdom. Authorisation may be necessary from the FSA to implement micropayment facilities with consideration then being given to the Money laundering implications.

### **Website Hosting Agreement**

The domain name is used to identify the presence on the internet. There are different levels of the types of domain name such as .eu, .com, .org, .info.

Top level domain names are handled by the Internet Corporation for Assigning Names and Numbers (ICANN) and ensure that every domain name is unique.

Domain names are usually registered using a registration agent such as an internet service provider. “.co.uk” domain names and accredited registrars are available on the Nominet website.



In order to register a domain name, certain information is required. Registration of a domain name will generally give rights in respect of the use of that name, subject to compliance with other laws such as trademarks, business names and passing off.

Domain name rights can be taken away if it is proved that someone else has greater rights to the name. It may be possible for a third party to prove it has greater rights to the name. Dispute resolution procedures apply.

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This Guide is intended as an overview and broad outline of the matters covered in it. Its purpose is to inform and raise awareness. We are happy to offer specific legal advice on particular circumstances.

This Guide should not be relied on as a substitute for comprehensive legal advice with reference to the particular circumstances.

While we have taken due care in the preparation of this publication, we do not accept legal liability as a result of any reliance placed on anything in this Guide. The reader should rely only on specific legal or taxation advice.

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