HOW TO START AN ECOMMERCE BUSINESS

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Thinking of starting an eBusiness?

An eBusiness is essentially a business that leverages technology and the online environment. So many of the requirements and aspects to consider when setting up an eBusiness are the same as for any other business.

This brochure provides some general suggestions and tips about what to consider if you are thinking about becoming an eEntrepreneur in Bermuda. Please note that the information provided is not intended as comprehensive advice and readers are advised to do their own due diligence and seek professional assistance before making any important business decisions. Most of the material contained here is targeted to Bermudian-based business. Those interested in establishing a foreign owned ebusiness should seek further advice as an international business in Bermuda would be subject to additional requirements.

What you need to start:

An eBusiness idea and goals

First, take the time to brainstorm and identify what you would like to do with your eBusiness. Consider your interests and do some research in the marketplace.

- Is there a market for your goods or services? After this is accomplished, it is important to set some goals.
- Will your eBusiness be your full time or part time employment, and therefore how much money will you need to make to run the business and pay yourself?
- How will you fund your business? Exploring the answers to these and other questions will allow you to decide whether starting an eBusiness is right for you.

An eBusiness plan

Every successful business starts with a good, solid and viable business plan. Your business plan should include a description of your business and the products or services you will be offering for sale.

Additionally, it should present a market and competitive analysis, key personnel, projected financial statements, etc.

A legal structure

It is important to consider the type of legal vehicle you wish to use for your business.

There are three main types:

Sole proprietorship – You operate as yourself. All income comes to you personally. All contracts that you enter into will be in your name so all liabilities will be your responsibility alone. This will mean your creditors will be able to sue you personally and look at any assets that you own (if the debt is big enough). For a low-risk business with little income this may be acceptable.

Partnership –You set up a business with a partner(s) and you wish to operate as private individuals, but to share the business profits and risks. You should have a legal partnership agreement just so you both know what your rights and responsibilities are.

Company – Companies reduce personal risk as they are the legal entity that contracts on behalf of the business and assumes the risk for liabilities. All contracts will be with the company's and all income should be booked through the company's bank accounts. With most businesses a limited liability company will be the preferred vehicle because of this.

The risks of operating over the Internet and the potential for large losses due to credit card fraud and other financial risks make this the prudent choice although there are additional operating costs. Another potential benefit is that it is often easier to raise money using a company as your business vehicle as you can issue shares to investors. Structuring a business while it is growing is often easier as well due to the ability to bring additional people in at appropriate levels and provide incentives etc.

Financial statements and compulsory benefits

Your eBusiness, like all other businesses, requires that you keep your financials in check. Your financial statements let you know how your business is doing and can help you raise funds when approaching banks or investors. You can hire an accountant or handle your own accounts. There are numerous accounting software packages that are beneficial to business owners.

There are four benefit obligations with which you must comply to run a business legitimately. Payroll tax, social insurance, health insurance and private pension are payable regularly but if your eBusiness is a part-time endeavour and you work full-time elsewhere at the same time, payroll tax would be the only obligation payable.

An eBusiness website

Domain name
A domain name is an important part of an online business. A domain name is an address that you are leased for a period of time.

Many eBusinesses have some indication of what they do in their domain name, or URL. You can get additional information about registering a '.bm' from BermudaNIC.

Website development
There are many options to create your website. You may have access to templates contained in software packages or decide to design the website on your own. Many eBusiness owners hire web developers to help them bring their vision to fruition.

Here are some recommendations to keep in mind no matter which avenue you choose:

- It is critical that you provide the developer with a specification for the website that is as detailed as possible. Get the specification right before you speak to anyone.

- Choose a developer on recommendation (if possible). Ask for references and see sites they have built. Make sure they have the right skills (coding language, etc.) and that you like them. Chances are you will be spending a lot of time with them, so this helps.

- Get a legal agreement in place. It needs to discuss quality of the services, what will happen if there are errors, when work must be done by, dispute resolution procedures, delivery dates and milestones, payment, ownership of code, who owns the graphics and design, etc. Have something in the agreement saying that there must be no time locks or any unpleasant bombs in the code that can be triggered if you upset your developer.

- Try and agree a fixed fee. If it's a complex site this will not usually be acceptable.

- Never, ever pay the money up-front. Pay in installments on delivery of the agreed milestones.

- Make sure you own the code or have sole rights to it. This can sometimes be difficult as coders often reuse code but special material produced for you should have ownership passed or should be limited in its reuse.

- On each milestone and on final delivery the developers should give you both the executable code and the source code with details of compliers and the environment in which it is complied. Source code is the human readable code that they write when building the website. If you don't get this then you are bound to the same developer forever unless you have someone build you a completely new website.

Cybersecurity

According to the UK-based National Cybersecurity Centre, the following five steps below could help you protect your business and your business data, whether financial, personal, or otherwise. While they can't guarantee protection from all types of cyberattacks, they can significantly reduce the chances of your business becoming a victim of cybercrime.

- Step 1 - Backing up your data
- Step 2 - Protecting your organisation from malware
- Step 3 - Keeping your smartphones (and tablets) safe
- Step 4 - Using passwords to protect your data
- Step 5 - Avoiding phishing attacks

SEO Optimisation

Search engines (such as Google) have become the main way that customers look for solutions. And when they look for your business online, they should find it. You need to make sure that your website appears at or close to the top of relevant search results. That's why it is important to speak to your web designer about Search Engine Optimization (SEO). SEO refers to actual actions that, if taken, help your website appear.

Legal considerations
Terms and Conditions – All e-commerce websites should have some legal language stating what the terms and conditions of use are.

You can see such terms and conditions on any e-commerce website. Don't copy those terms (as that would be copyright infringement and may not be relevant to your business.

Privacy – The Personal Information Protection Act 2016 (PIPA) is a law that addresses how organisations use personal information. An Ecommerce business must not only comply with the law, but must be able to demonstrate that compliance. To demonstrate your accountability, consider your business practices and use of personal information and ensure that you document decisions that are made.

An Ecommerce business that "uses personal information in Bermuda" is captured by the PIPA. PIPA requires that all organisations provide a Privacy Notice. Any time an Ecommerce business uses personal information that usage must fall under at least one of a list of conditions. Many Ecommerce businesses use hosting companies and other third-party providers. You must ensure that such providers provide a level of protection 'comparable' to the PIPA. You must ensure you identify the correct condition for use of personal information in every situation. Finally, ensure that you have processes that allow individuals to exercise their rights according to the PIPA (within the statutory time frame etc.).

Electronic Transactions Act 1999 (ETA) – The ETA has a Code of Conduct that provides that e-commerce service providers should follow certain minimum standards. They have the force of law.

They are fairly high level and include:
- Observe business integrity
- Know your customer
- Know your own business
- Protect personal data

- Avoid abusive usage
- Advertise truthfully
- Deal fairly and openly with customers
- Settle complaints and disputes quickly and fairly

Also remember that any Bermuda-based website accessible to the public must include:
- the trading name, name of incorporation and any other name reasonably necessary to identify the business;
- the address of the registered office and domicile;
- the e-mail and mailing address for contact; and
- a statement that they are obliged to comply with the Standard for Electronic Transactions.

Hosting
You will need to choose a reliable, fast and scalable hosting platform. Shop around for appropriate hosting services and get input on whether hosting on-Island or overseas is best for your situation. Do your research. Get references. Check back-up and redundancy services. Check out their legal agreements and see the levels of service they are willing to provide.

Merchant account
If you intend to accept credit cards, you will need a merchant account. Contact your bank for information about their merchant services. Shop around as there are a few providers in Bermuda. Depending upon the credit cards that you will accept, you will usually be charged a fee based on a percentage rate. This is often not a one size fits all calculation, so get information from multiple sources before making a decision.

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Search engines (such as Google) have become the main way that customers look for solutions. And when they look for your business online, they should find it. You need to make sure that your website appears at or close to the top of relevant search results. That's why it is important to speak to your web designer about Search Engine Optimization (SEO). SEO refers to actual actions that, if taken, help your website appear.

Also, please note that many US-based services are not options for Bermuda-based eBusinesses due to banking and credit card association rules. There may also be US tax implications.

Payment gateway

A payment gateway connects your eBusiness site to your merchant account, allowing you to process credit cards in real time. You will find that the payment gateway providers often charge a monthly rate based on the amount of transactions that go through the system. If transactions are below a certain level, a minimum monthly amount is charged. Again, contact the local banks and e-commerce payment providers for additional information.

- **First Atlantic Commerce**
- **Authorize.net**
    - **Fireminds**

SSL certificates

Secure socket layer (SSL) certificates increase security by encrypting information as it travels across the Internet and identifies the owner of the website. When dealing with customer personal data and credit card details, it is imperative that you keep information secure. For more information on SSL certificates, please visit **www.quovadisglobal.bm**.

Shopping cart platform and infrastructure

As with the design of your website, you can integrate an existing shopping cart into your site or have one custom built. No matter your direction you should plan for flexibility, the ability to handle traffic, and scalability.

The Payment Card Industry Data Security Standard (PCI DSS) is a set of requirements designed to ensure that **ALL** companies that **process** , **store** or **transmit** credit card information maintain a secure environment. Essentially any merchant that has a Merchant ID (MID). PCI DSS applies to **ALL** organizations or merchants, regardless of size or number of transactions, that accepts, transmits or stores any cardholder data. Said another way, if any customer of that organization ever pays the merchant directly using a credit card or debit card, then the PCI DSS requirements apply. The Standard can be found on the PCI SSC's **website**.

Website analytics

Using website analytics can help you to see how effective your marketing and advertising strategies are in attracting visitors and customers to your site. There are many options, such as Google Analytics.

Inventory and order fulfillment

Decide how you will handle your inventory and fill customer orders. Whether you track it manually or have a computerized system tied into your website, you must support the demands of your customers through fast order fulfillment of merchandise that is in stock.

Marketing and advertising

There are many ways to drive traffic to your website. Once you have identified your market and have developed a plan (usually following from your business plan), use offline and online strategies can bring visitors, who will hopefully become customers to your site. Consider online advertising, social networking, print ads, radio ads, press releases, blogging and other creative avenues. And remember, spamming is not allowed under the Standard for Electronic Transactions (Code of Conduct).

Customer service and retention

You are only as successful as your customers make you. Ensure that you keep in touch with your customers (although you should always permit them to opt out of your marketing communications) and encourage them to become frequent shoppers. In addition to providing excellent service through ease of shopping, availability of merchandise and rapid fulfillment, also ensure that you have a retention strategy in place. Newsletters, sales, coupons and awards are a few ways to keep customers loyal.

Resources

There are many resources on the web providing advice on starting an eBusiness, entrepreneurship and e-marketing. Additionally, we encourage you to look to local business associations such as the Bermuda Chamber of Commerce and the Bermuda Economic Development Corporation for guidance and mentoring.

Local resource websites

- **BEDC**
- **Department of Consumer Affairs**
- **Bermuda Chamber of Commerce**
- **Office of the Privacy Commissioner**

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