

A Beginners Guide Ecommerce and Online Payments



Electronic commerce, commonly known as e-commerce, is a type of industry where buying and selling of product or service is conducted over electronic systems such as the Internet and other computer networks.

Source Wikipedia

Software

When looking to develop your own online store there are two approaches you can take. Either go down the route of installing and adapting an off the shelf ecommerce software package such as Magento or OsCommerce or by developing a bespoke ecommerce software package tailored to your individual requirements. So which one is right for you?



Off-the-Shelf

Here are some off the shelf ecommerce software packages that we work with:

OsCommerce

Magento

OpenCart

ZenCart

Advantages

- The most cost effective way to get an online store up and running
- Turnaround time is quicker
- They generally come with a range of backend admin features

Disadvantages

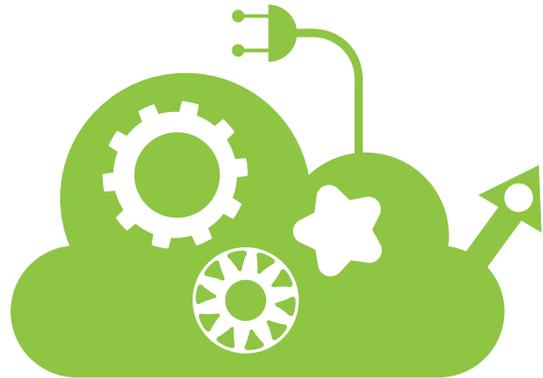


- You have to keep within the parameters of the software programming; this limits what you can do with the design and features;
- They are a “one size fits all” solution - they are cumbersome to maintain and very confusing for the administrator because they have way too many, and complicated, options;
- They are open to virus and hack attacks, as they are built on a publicly available code/platform from which anyone can find development holes;
- They need to be updated frequently because of improvements /issues being fixed in new software releases - which is time consuming;
- Performance and server resource usage - they are quite memory/resource hungry and can slow down the site performance;
- For a professional team to adapt it to your requirements will take double the time it would take them to build your own application if they are not familiar with the platform. This is because they are not the original developers of the software and are unfamiliar with the particular conventions governing its code-base.

For this option we only quote for setting up the website/shop with sample data, adding a nice design theme to it – but without any alterations to original code.

Bespoke or Tailored Ecommerce Software

A bespoke ecommerce solution is a solution built specifically for your requirements, you as the owner of the site can define the parameters of the solution and what it can do, which is really important if you have a specific business process or model which is unique to you.



Advantages

- Tailored specifically to your requirements
- Easier to manage and update – you’ll only have options/modules you need, while off the shelf solutions will offer 90% of what you don’t need
- Easy to add modules at a later stage or integrate into the “main website”
- Because it’s built for you – no one has access to the source code, which means this is much safer against virus’ or hack attacks
- You “own” the software – which is important if you are looking to build the business with a view to making it attractive to sell at a future date.

Disadvantages

- Typically a longer development cycle if the developers are familiar with the off-the-shelf platform – average of 6-8 weeks, longer or shorter depending upon the required functionality and proficiency of the development team
- 20-50% more expensive

Payment Processing

To process payments online you need a Payment Gateway. This is the guy that sits between your bank account and your online store and provides software for your website that takes the customer's credit card details securely.



They collect the card details and transfer the money to you. They also provide real time fraud checking and an administrative area where you can do routine housekeeping tasks like provide refunds, cancel payments and send your profits to your bank account.

So what payment gateway should I choose? Costs can be broken down as such:

- Implementation costs – upfront set up costs, including the cost of integration and set up fees
- Transaction charges – either a fee per transaction or a percentage of the transaction (usually both...)

Beyond this, across all providers the charges and services can become complex and varied, so we'll cover a more detailed breakdown along with ecommerce strategy in Ecommerce: An Advanced Guide.

But given that the vast amount of our customers deal with either one of two providers, this is who we will deal with in this guide.

Realistically, you've got two options: Paypal or Realex... So what's the difference?

Payment Processing



PayPal's main selling point is its low implementation cost, both financially, in development time and in processing your application - simply set up your PayPal account and add some code to your website and your ready to go. But you have to add this code to all of your products, so if you have a high number of products and high turnover, this may not suit.



Realex is far more costly to integrate into your online store as there is no reliable copy/paste code available. Thankfully, at Enhance we've done it all before with a lot different ecommerce software.

Transaction Costs

Note: The charges supplied below do not take into account VAT or your bank/merchant services provider's fees for accepting money from either Payment Gateway. (These rates change over time so if our White Paper is slightly out of date please feel free to inform us via info@enhance.ie)

Paypal operates a sliding scale. For each transaction PayPal charges:

- Up to €2500 per month – 3.4% + €0.35
- Up to 10000 per month – 2.9% + €0.35
- Etc... Full details are available [here](#)

You'll need to register as a PayPal merchant to take advantage of the reduced rates and the discounts often only kick into gear after 90 days if you have built up a good reputation.

Realex has a flat charge up to a specified number of transactions per month.

- Up to 350 transactions per month - €29/month
- Over 350 transactions per month - €29/month + €0.12 for every transaction over 350

(Realex have more favourable options for merchants that sell well over 350 transactions per month. As we deal with them quite often, contact info@enhance for more information.)

Aside: 3D Secure

3D Secure is a free fraud prevention service offered by Realex, the merchant services providers and the credit card companies. It is the equivalent of an online chip & pin and merchants who take payment without it are liable if the customer cancels payment after the product has been shipped. More information can be found on the subject at [Realex' website - here](#).

Comparison

These companies charge in different ways, so this can be the confusing part, but a comparison of three types of companies may be instructive. These figures are all on a monthly basis. The figures also do not account for fees from your merchant services provider, either AIB Merchant services or Elavon, a subsidiary of Bol. These can often double the cost of the Realex option, which requires merchant account. Merchant accounts can also take weeks or months to be approved by your bank, particularly if you are a new online trader.

1) A seller with low turnover and a high level of transactions

Avg Sales	Avg Basket Size	Avg No. Transactions	Avg No. Charges	Realex Charges
€1000	€20	50	€29	€51.50

Note: Due to Paypal's significantly lower setup costs it is the clear winner here.

2) A seller with a small number of expensive products and few transactions

Avg Sales	Avg Basket Size	Avg No. Transactions	Avg No. Charges	Realex Charges
€1000	€20	50	€29	€51.50

Note: With Paypal charging €60 extra per month, you may begin to consider realex at these volumes, but note that the low number of transactions keeps the cost of PayPal down a lot.

3) A seller with high turnover and many transactions

Avg Sales	Avg Basket Size	Avg No. Transactions	Avg No. Charges	Realex Charges
€1000	€20	50	€29	€51.50

Note: At €160 less per month, Realex is the obvious choice.

4) A seller with higher turnover and many more transactions

Avg Sales	Avg Basket Size	Avg No. Transactions	Avg No. Charges	Realex Charges
€1000	€20	50	€29	€51.50

Note: At €420 less per month, you now start to see what level of sales Realex is most suited for.

Conclusion

It is recommended that individuals new to ecommerce start off with a smaller number of products and PayPal, as your monthly volume of sales may be uncertain.

Established higher volume online sellers should switch to Realex as soon as possible.