How to use e-commerce in SMEs

Industry Development Augmentation Division of III.
Carrie Lai / Director
2016/08/06 carrie@iii.org.tw

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Why do SMEs need to use e-commerce?

All transactions will be performed online in the future!

Physical retail stores will eventually turn into a showroom!
According to Forrester's report, 20% of adults in the United State use their mobile phone in stores to compare prices online, and 33% of these adults will purchase the product they enquired either online or from other stores.

Consumer behavior is changing!
1. Consumers use their mobile phones wherever and whenever, rendering the channel they visit more fragmented. 2. The online world is becoming more realistic, thanks to SNS such as Facebook and Line.

All enterprises will be e-commerce enterprises in the future!
Founder of Alibaba Group, Jack Ma, believes that, "10 years later, China will have no e-commerce because e-commerce will be entirely infused into the blood of all enterprises, becoming an integral portion of their daily operations.
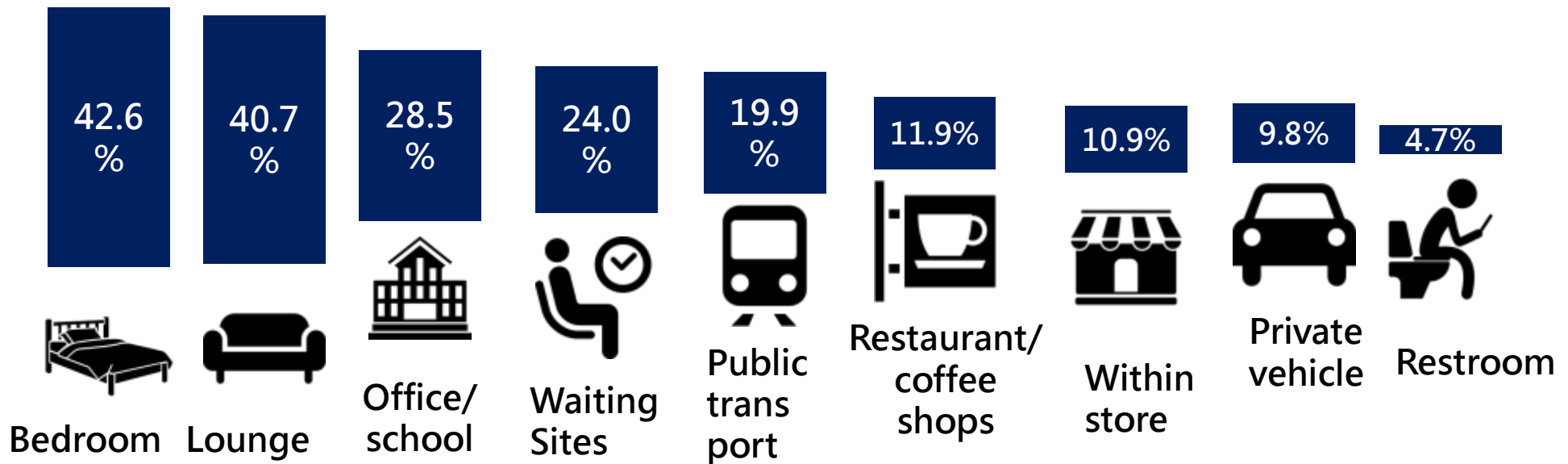
Online shopping penetration in Taiwan is high.

- In Taiwan, 86.1% of Internet users shop online, of which 85.2% shop online using a PC and 63.3% have mobile shopping experience.
- Almost 50% of Internet users (48.5%) have both PC and mobile online shopping experiences (cross-monitor shopping).

■ Have online shopping experience ■ No online shopping experience

| 86.1% | 13.9% |

M : 63.3%

| Only PC online shopping experience 36.7% | Have both PC and mobile online shopping experience 48.5% | Only mobile online shopping experience |

PC: 85.2%

Note: N=1,114
Source: MIC, 2016 Jan
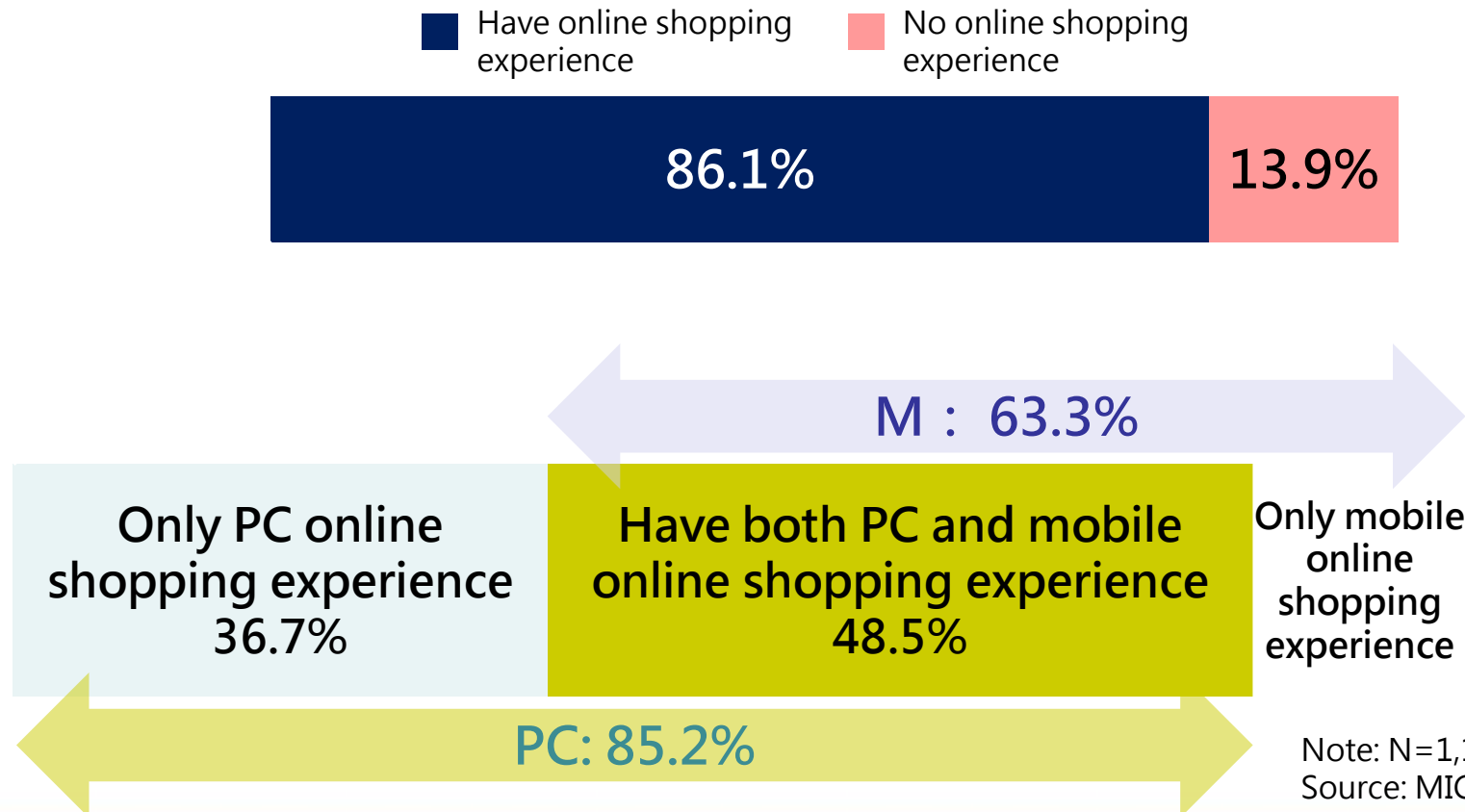
Mobile phones increase the chances of product browsing and purchasing.

- Internet users in Taiwan typically shop online with their mobile phones in their bedrooms (42.6%), lounge (40.7%), and office or school (28.5%), indicating that mobile shoppers primarily shop online in living spaces.
- In addition to living spaces and office or school, approximately 20% Internet users shop online with their mobile devices in sites with greater mobility (e.g., queuing or public transports). This phenomenon was absent before the prevalence of mobile shopping, suggesting that mobile devices enable Internet users to shop wherever they desire.

42.6%	40.7%	28.5%	24.0%	19.9%	11.9%	10.9%	9.8%	4.7%
Bedroom	Lounge	Office/school	Waiting Sites	Public transport	Restaurant/coffee shops	Within store	Private vehicle	Restroom

Source: III, MIC

Reduced online store platform threshold and more options!

Category	Platforms
Social networking websites	facebook
Group-buying websites O2O	17Life, GOMAJI, iher go 愛合購
Bidding websites C2C	YAHOO!奇摩 拍賣, 露天拍賣, Shopee, carousell, KKtown 手上最大跳蚤市場
Shopping street B2B2C	PChome ONLINE, momo 購物網, 東森購物 EHS, 博客來 books.com.tw, P@YEASY, udn 買東西
Shopping street B2B2C	PChome ONLINE 商店街!, YAHOO!奇摩 超級商城, 樂天 ICHIBA, momomall.com.tw, momo 摩天商城
Brand websites B2C/APP	91APP 官網·APP·門市, bemy 行動開店, meepShop, QDlii, 架EZ CyberBiz, 開店123 SHOP123, shopify, SHOPLINE

What is the most challenging aspect of SMEs using e-commerce?

Challenges

Over 80% of online stores manage their business on an online platform

- The current survey showed that most of the online stores choose using online store platform as their sales channel, and this ratio is greater than that two years ago.
- The ratio of online stores choosing shopping websites to supply products has increased on a yearly basis; the ratio was ranked No. 2 this year.
- The ratio of online stores using apps as sales channels has also increased on a yearly basis, indicating the prevalent use of apps.

	2014		2013		2012	
	Ratio	Rank	Ratio	Rank	Ratio	Rank
Online store platform	86.10%	1	81.60%	1	84.80%	1
Bidding websites	42.46%	3	54.10%	2	40.90%	2
Self-owned websites	38.74%	4	41.90%	3	34.60%	3
Product supply to shopping websites	45.40%	2	34.70%	4	27.00%	4
Product supply to group-buying websites	16.63%	5	16.90%	5	-	-
Mobile version websites	9.58%	6	10.70%	6	3.30%	5
APP	9.58%	6	4.80%	7	2.00%	6

Clothing, shoes, and bags remain the primary products sold

- Clothing, shoes, bags, and accessories remain the products primarily sold by online stores, with their ratio increasing from 20.5% to 30.9%.
- Ratio of food specialties remained roughly the same as last year, ranking No. 3 this year.
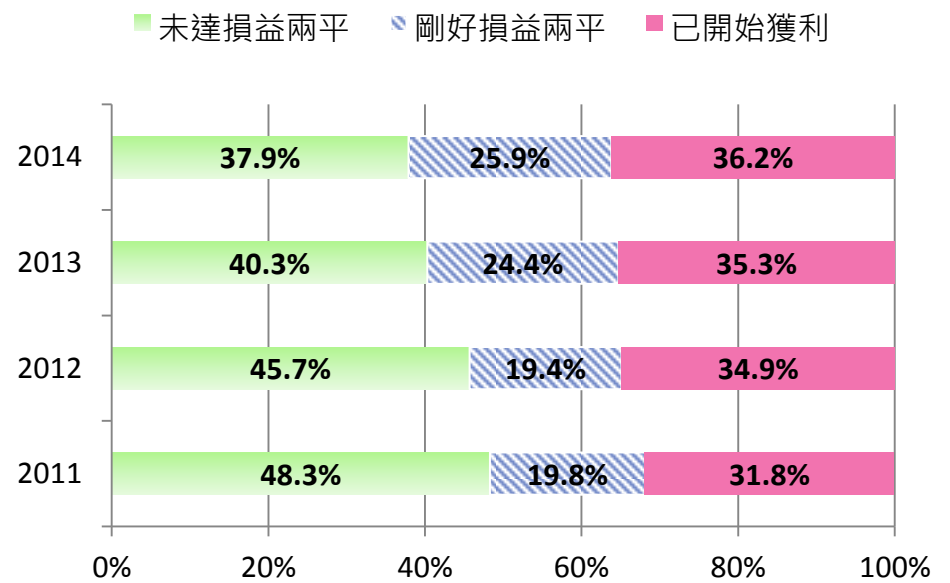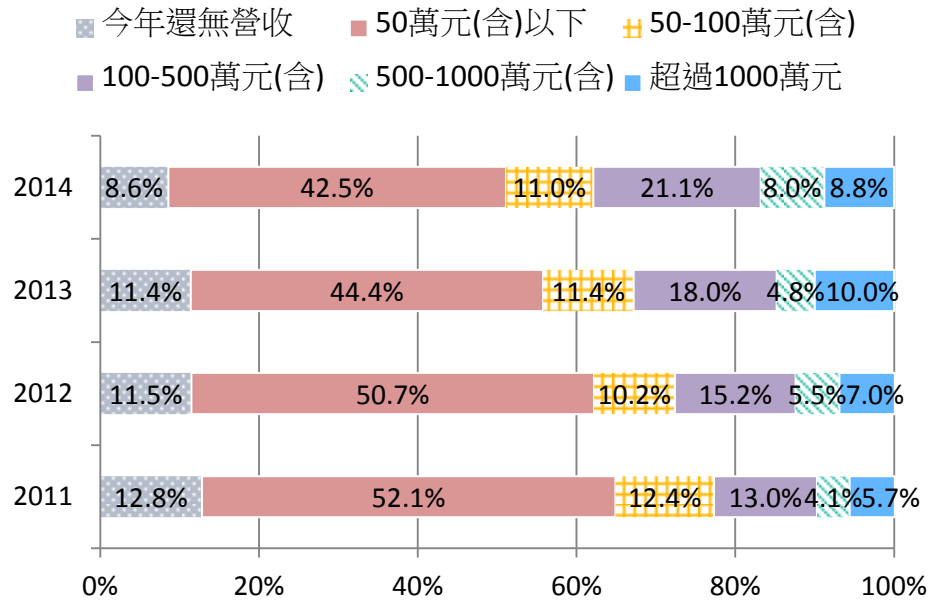
2014			2013		
Rank	Category	Ratio	Rank	Category	Ratio
1	Clothing and accessories	30.9%	1	Clothing and accessories	20.5%
2	3C and electronic appliances	20.9%	2	Food specialty	20.0%
3	Food specialty	19.0%	3	Beauty and cosmetics	17.8%
4	Beauty and cosmetics	16.2%	4	Computers and peripherals	14.9%
5	Daily necessities	13.5%	5	Miscellaneous furniture	14.1%
6	Health care	11.1%	6	Daily consumables	12.6%
7	Furniture decorations	10.0%	7	Mothers and children	11.4%

* Ranked No. 2, 3C products and electronic appliances, which include computers, peripheral computers, communication products, and household electronic appliances, registered a ratio increase to 20.9% this year.

Source: eCommerce Cloud Innovation and Infrastructure Plan

Over 60% of online stores achieved break-even

- Compared with last year, in 2014, the annual revenue increased as stores with zero revenue dropped below10%for the first time and stores with revenue of over NT$500,000 dollars increased.
- In 2014, the ratio of stores that achieved break-even or better exceed 60%for the first time, and profits also increased.
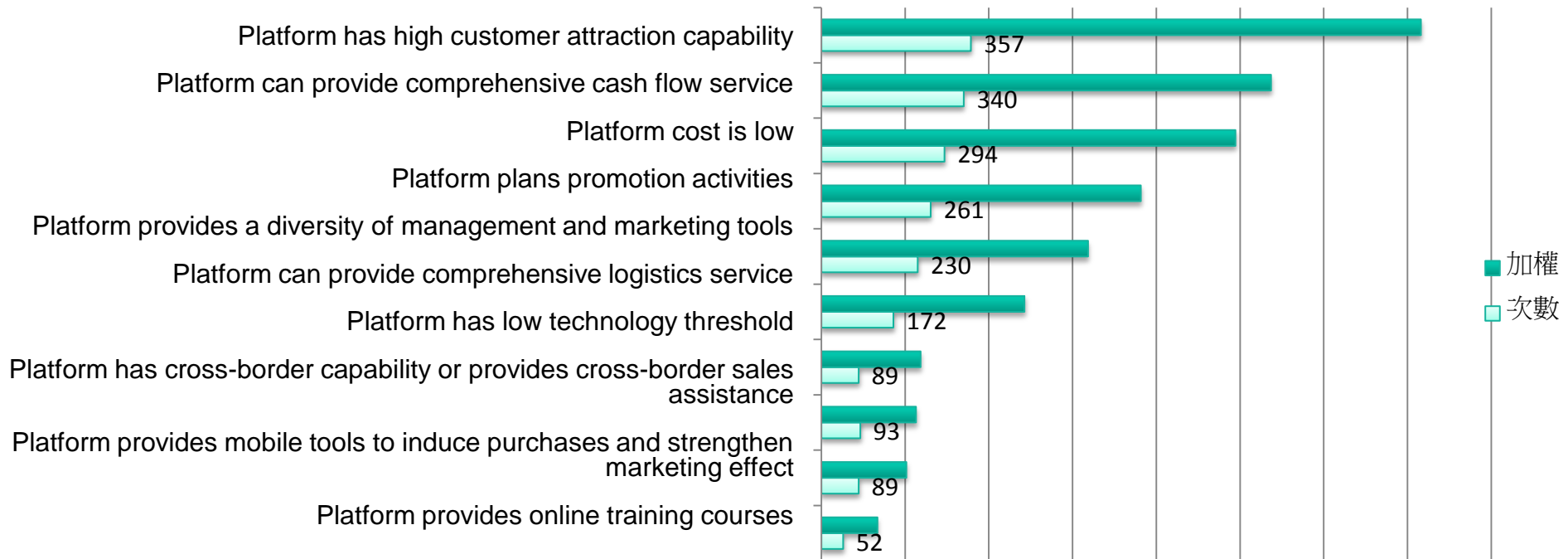
Legend (left chart): 今年還無營收 | 50萬元(含)以下 | 50-100萬元(含) | 100-500萬元(含) | 500-1000萬元(含) | 超過1000萬元

年份	今年還無營收	50萬元(含)以下	50-100萬元(含)	100-500萬元(含)	500-1000萬元(含)	超過1000萬元
2014	8.6%	42.5%	11.0%	21.1%	8.0%	8.8%
2013	11.4%	44.4%	11.4%	18.0%	4.8%	10.0%
2012	11.5%	50.7%	10.2%	15.2%	5.5%	7.0%
2011	12.8%	52.1%	12.4%	13.0%	4.1%	5.7%

Legend (right chart): 未達損益兩平 | 剛好損益兩平 | 已開始獲利

年份	未達損益兩平	剛好損益兩平	已開始獲利
2014	37.9%	25.9%	36.2%
2013	40.3%	24.4%	35.3%
2012	45.7%	19.4%	34.9%
2011	48.3%	19.8%	31.8%

Source: eCommerce Cloud Innovation and Infrastructure Plan

Considerations of online stores to choose online store platform

- According to 70% of store owners, platform customer-attraction capability is the priority consideration, whereas cost is the third factor of consideration, indicating that business owners attach greater importance to profitability.

Consideration	Value
Platform has high customer attraction capability	357
Platform can provide comprehensive cash flow service	340
Platform cost is low	294
Platform plans promotion activities	261
Platform provides a diversity of management and marketing tools	230
Platform can provide comprehensive logistics service	172
Platform has low technology threshold	89
Platform has cross-border capability or provides cross-border sales assistance	93
Platform provides mobile tools to induce purchases and strengthen marketing effect	89
Platform provides online training courses	52

■ 加權
□ 次數

Source: eCommerce Cloud Innovation and Infrastructure Plan

The chief source of pressure is price competition.

- In an open market where online information is transparent, online store owners are still under the pressure of price competition. How to increase visibility among so many competitors is also another biggest challenge.

Challenge	Value
Intense market competition, price competition influences revenue	425
Difficult to increase website and online store visibility	331
Seven-day return policy causes consumer malicious conduct	260
Shortage of e-commerce experts	141
Numerous online transaction safety problems	134
Excessive legal limitations on selling products online	119
Unknowledgeable about legal regulations	67
Lack of logistics management and distribution mechanism	59
Lack of cash flow tool and transaction mechanism	53

Source: eCommerce Cloud Innovation and Infrastructure Plan

Summary: Opening a store is not difficult.

Opening a store is not difficult

Existing platforms are typically used to open a store because platform technologies have a low threshold, are able to attract customers, provide comprehensive range of cash flow and logistic services, are low in cost, and offer marketing tools and training courses.

Challenges in opening a store

- Intense market competition, price competition
- Difficult to increase online store visibility
- Consumer malicious conduct (e.g., return a product on purpose)
- Shortage of e-commerce experts

Things that need to be considered before using e-commerce…

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Things that need to be considered in e-commerce management...

What do you want to sell?	→	Market positioning
How is your product different from others' products?	→	Product features
Where are your customers?	→	Target users
How do you setup an online store?	→	Online store assessment/tools
How to attract customers? Who are your competitors?	→	Flow volume/ competition analysis
Which marketing methods are the most effective?	→	Marketing + sales
How to run a business?	→	Model and business focus

The most important things to do before e-commerce management

Market positioning

- Brand e-commerce? Community e-commerce?
  - Transaction based
  - Content based
  - Service based
- Are there this type of website in the market?
- How do they manage it?
  - Pricing/sales channel/brand positioning/profiting model

Product features

- Product appeal?
  - Product value
  - Producers' story
  - Price and product packaging
- How do consumers find products
  - SEO
  - Keywords
  - Search engines
  - Group word of mouth

Target users

- Who are the target users
- How to find the target users
- Consumer needs
  - Are consumers willing to pay more to buy your products?
  - Consumers' acceptable price range
  - None or unknown

How to choose the appropriate method of opening a store?

Way of setting up an online store?

Facebook

Line

Online Store Platform

Bidding Platform

Mobile app store

Comparison of online store models

Type	Operating model	Subjects	Level of difficulty	Cash flow and logistics
Social networking websites	Consumer<-> Intermediary platform	Advertising store	●○○	(none) For advertising and marketing purpose
Pan-group buying	Consumer-> Intermediary platform-> Supplier	Popular stores in the service industry (restaurants, B&Bs, etc.)	●○○	Cash flow is provided by a platform; logistics is generally transported to the destination by the platform and the group buyer distributes the product onsite
B2C supplier	Shopping website-> Consumer	Purely supply product to a platform and the platform sells the product	●○○	Platform takes charge of cash flow; the platform and supplier share responsibility in handling logistics
C2C Personal to personal transaction platform	Seller-> Bidding website-> Buyer	Personal auction Supplier auction Increase sales channel	●●○	Cash flow provided by the platform Logistics negotiated between seller and buyer
B2B2C SME platform	Online store-> Online store platform-> Consumer	Small suppliers open their own store	●●○	Platform provides cash flow service; platform service can be used or suppliers can choose their own way to handle logistics matters
B2C brand website or APP	Website-> Consumer	Business with own brand	●●●	Website with product shelf management, transaction, cash flow and logistics, and marketing functions

Choose a method suitable for you

- Better to setup a store yourself? Or setup a store through other channels?

	Using a platform	Independently
Website	None	Independent website **WIN**
Online store system	✓PChome ✓Yahoo mall ✓Rakuten ✓Momo mall	✓ Online store system (Shop123, Shopline, Wei Mon, etc.) ✓ Customized setup (information service provider) ✓ Mobile app (91app) **WIN**
Cash flow	✓Platform already connected **WIN**	✓ May connect yourself ✓ Can use third-party cash flow service (allPay, Neweb, Funcashier, etc.)
Logistics	✓Platform already connected **WIN**	✓ May connect yourself (President Transnet, Pelican, FamiPort)
Flow volume	May participate in platform activities and pay advertising fee to attract flow **WIN**	Must rely on keyword advertising, FB advertising, or management to attract flow
Member	Does not provide member information	Can management own members and brand loyalty **WIN**
Setup cost	Lower and can be duplicated faster **WIN**	Higher at the initial stage

Stages and steps to online store operations

Planning stage	Introduction	Operation
Target users	Confirm store model	Marketing scheme
Product positioning	Product shelf/webpage design	Sales channel establishment
Market survey	Link cash flow and logistics	Flow conversion rate
Competitors	Supply Chain Management	Report analysis
Pricing strategy/ business model	Business management	Customer experience/repurchase rate

Cycle diagram: Website → Marketing → Brands → Team → Supply Chain → Market positioning → Products/services → Website

Source: Organized by CDRI and III.

Introduction to online store setup tool (1/2)

PChome ONLINE 商店街!

- Taiwan has 22,500 online store platforms, with 72,630,000 products and 13,000,000 members and ranked No. 38 in flow volume.
- Provides online store platform and cash flow service; owners can decide for themselves product shelf items, quantity, price, marketing model, logistics, customer services before and after product sale.
- Introduces various convenient sales and management systems and tools to help owners more easily sell their products online and to collectively create sales performance.

全台唯一上櫃
開店平台
股票代碼 **4965**

No. 1 online store choice

商品數　店家數

Number of products/number of stores rank No. 1 in Taiwan

Multiple payment methods

Provides diversified marketing tool such as EDM/discount vouchers

Next-day delivery service Store owners are free to choose

First cross-store shopping cart Convenient check-out procedure

Support mobile devices and other shopping interface Make purchases anywhere and anytime

Easy!

Self-developed system is easy to operate

- One of the earlier online store platforms established in Taiwan; the number of owners using this platform to setup a store exceeded 20000
- Possess multilingual front and back stage with powerful functions
- Has branch offices in the United State, Japan, China, Malaysia, Vietnam, and African countries
- Has links to cash flow or logistics of different countries; suitable for cross-border e-commerce operators
- Provides e-commerce college and has links to Family Mart, Hi-Life, OK, and other kiosk systems

- The first platform to offer online store app system platform; currently has approximately 3000 online stores
- Provides cross-device online store system so that store owners can setup mobile shopping websites and apps all in one go
- Provides responsive web design, pinterest interface design, push notifications, branch information and GPS navigation, location-based service for customer attraction, real-time coupon O2O integration, community management synchronization, and other functions.
- Easier to manage own brand and branch store, uses mobile characteristics to increase member loyalty

- From Hong Kong, provides brand e-commerce and multifunctional online store platform
- Website provides simple, easy-to-understand instructions and offers a number of information on online store setup
- Front and backstage supports bilingual interface and overseas cash flow; suitable for cross-border e-commerce sellers
- Cash flow options can support overseas credit cards and Alipay service to facilitate purchase transactions between buyers and sellers
- Integrates Google Analytics and SEO optimization functions to help sellers analyze and optimize their flow volume; with Facebook store function, sellers who manage online community can therefore maximize their exposure

What is the most challenging aspect Successful Cases

Successful Cases

Funding — 透過群眾募資的鮮乳坊
https://ilovemilk.com.tw/

Contents — 會說故事的直接跟農夫買
https://www.buydirectlyfromfarmers.tw

Online community — 分享購買經驗的486先生
http://www.486word.com/

Logistics — 自建物流的東稻家居
www.hdlife.com.tw/

Milk House as a bridge to connect small farmers and consumers

The exposure of a series of food safety incidents in 2014 has induced consumer panic and severely affected innocent dairy farmers. Nonetheless, dairy farmers are not at fault, the fault falls on large manufacturers.

Large manufacturer problems

To produce consistent flavor in milk, large manufacturers unanimously adjusted the nutrient content and therefore lost the natural flavor of fresh milk, which made consumers question the safety of such milk products.

Producer problems

Raw milk purchase price in Taiwan is defined by large manufacturers. To retain dairy farmers, manufacturers prolong the contract period, causing monopolization.
Raw milk purchase price in winter is so low it cannot even cover the cost.

Consumer problems

Japan has numerous brands competing with each other, giving consumers different choices. By contrast, Taiwan has only a few options of dairy products and these products are not clearly labelled.

產業状況

鮮乳品質不一

台灣鮮乳
市場現状

大動物獸醫
人才斷層

市場產品種類
無法分辨

收購機制
不合理

Innovation, Compassion, Effectiveness

Crowd-funding to gain consumer support

◆ Position: Consumers place orders online, and products are delivered to members at a regular interval in fixed quantity; dairy farmers can therefore take care of their cow and produce safe, high-quality milk products

◆ Appeal: Have vets standby on-site to care for the cows; no content adjustment to ensure product naturalness; product is made of 100% local dairy resource to support the sustainable development of dairy farming

◆ Contribution: Skip intermediary to profit the place of origin; single dairy source, farm brand, and small farmers can co-exist and prosper together; contribute earnings to cultivate and develop vet students

◆ Raised the highest amount of funding through the FlyingV fund-raising project, shipping over 27,000 milk products every month; established a company in March 2015, earning an annual revenue of approximately NT$40,000,000, which is expected to reach NT$120,000,000 by 2016 and the products will be sold in 3000 stores across Taiwan.

◆ A second fund-raising event was held in May 2016, inviting consumers to adopt new farmlands; within a month after the event went online, over 60000 preorders were received, increasing to almost 120000 at the end of June; such a substantial order stabilized the first two months of income for new farmlands.

Increase sales through group buying and event sponsorship

- Refine single product line (audio and video+story+social enterprise)
- Strengthen logistics distribution method (cold chain logistics and special low-temperature bags)
- Promote group buying to save on logistics cost (welfare committee, office, product supply to beverage stores)
- Sponsor events by providing small-packaged products to increase visibility (New Taipei City Wan-Jin-Shi Marathon, Mini Socar...)
- Develop peripheral products and new farms that produce single dairy product to increase product line (Chiaming fresh milk)
- Cooperate with enterprises that hold the same business philosophy (Milk House X Morning Shop, Milk House X OKOGreen, etc.)

From place of origin to the dining table: Buy directly from farmers

Business philosophy: Revolution of 2300 people! Support 100 farmers and village restructuring plan!

- The community organization initiated in 2010 successfully transformed into a social enterprise in 2014, building a BuyDirectlyFromFarmers platform.
- Cooperate with 100 farmers, use each product page to delineate the story of farmers and their land, and provide online transaction functions to help farmers gain access to an ideal way of living and teach them how to farm and market their products at the same time.
- Internet channel: Independently setup official website and manage fan groups (number of fans: 126,017 individuals)
- Operating model: Marketing→packaging→pricing→cash flow→sales model
- Profitability: Revenue exceeded NT$15,000,000 and achieved break-even within a year
- Benefit and impact: The income of 70% of farmers increased by more than 20%, and the income of a fifth of farmers increased by more than 50%. Buying directly from farmers and cooperating with over 60 farmers for one year resulted in a one-fold increase in the revenue of the past two quarters compared with the revenue last year.

Capitalize on story marketing: Deliver true feelings

惜福版
謝謝米的地瓜

有些疤
有些斷
有些裂
有些歪

Use large photographs and let pictures tell stories

- Farmers' seasonal crops: Provide seasonal fruits or ingredients; get to know the person who planted them for you; and feel the actual weight of the products.
- Farmers' signature products: The authentic taste of sauces, vinegar drinks, dried fruits, etc.
- On sale: This area is designated to help farmers resolve urgent sales problems and discounted prices are offered to sell products that are about to expire and thereby prevent food wastage
- Mix-and-match: Products under this category can be mixed and matched; transport fees are included
- Pre-orders: Using contract method to pre-order farm products consumers desire to help farmers achieve stability and sustainability

Sharing his shopping experience: Mr. 486, a group-buying expert

486的大丈夫週記
一個讓女人心碎、女孩流淚，已婚的帥老男嘮叨。
文章歡迎各界轉載、連結於您部落格。請著明出處。
婆婆媽媽都在看的超人氣Blog！

- A popular blogger who loves to share his stories and has written over 400 articles on product recommendations
- In 2006, Mr. 486 purchased the world's first iRobot Roomba and shared his experience in using it. His blog motivated a large number of Internet users to group-buy the product. To date, over 60,000 machines have been sold, making a total of NT$900,000,000 in sales.
- The blogger, John Chen first buys a product and then writes an article to recommend it, the manufacturer sees the article and negotiates on a group-buy price, and a purchase hyperlink is provided in the article. The profit earned from selling the product is divided. Currently, a monthly average of 100 manufacturers seek to cooperate with John.
- John selects his product carefully, tells the truth, excludes paying advertisements in his article, and focuses on services. For this reason, his blog attracted 18,310,000 readers and over 20,000 views per day; he has 380,000 fans on FB.
- He earned a revenue of NT$190,000,000 in 2014 and NT$460,000,000 in 2015, a growth rate close to 200% and attracted 76% repurchase rate.

Carefully select product and word of mouth: Building customer trust

486 Group Buying

Multifunctional charger for mobile phones and tablet computers

R2D2 Humidifier

- Recommends only a few products, primarily focusing on household appliances and daily necessities.
- Mr. 486 typically buys a product first and then describes his usage experience in an article to help consumers find products with the highest price/performance ratio before they purchase them. Thus, marketing expenditure and inventory cost can be reduced.

- Introduces products that are popular in Japan, South Korea, United Kingdom, Spain, United States, and Germany.
- Introduces products to attract readers and explores products consumers are interested in before trying out the product, recommending it, and encouraging group buying.

Home & Deco (H&D) creates Taiwan's largest fashion furniture platform

- Established in 2003 and began online operations in 2006
- Has 70 employees and four physical stores; operating revenue is estimated at NT$400,000,000 in 2015
- Won the Top 100 Power Seller by Business Next as well as Yahoo Auction Golden Award in 2014
- Pays attention to website analysis figures and adopts various marketing means to achieve physical and virtual integration
- Then, cooperated with other e-commerce experts in creating the OBIS brand and achieved break-even and started profiting within as short as four months. This year, H&D sets its annual revenue goal to NT$300,000,000.

H&D core competencies

Quality evaluation/warehouse team (product power)
- Use export quality and quantity-based pricing to create a fast fashion lifestyle
- Change packaging to enhance customer trust

Product power

Marketing power

Service power

Professional attitude/customer service team (service power)
- Use service to strengthen customer loyalty
- Provide 24/7 service to resolve customer enquiries and logistic-related problems

Increase scale/logistics team (service power)
- Establish logistic service to raise threshold for peer industries
- Wrap advertising is also a form of marketing

Studio/professional photography (marketing power)
- Each product is a home-based project
- Display material property, dimension, and product context

Use SEO tools to surpass IKEA

- Use existing SEO tools and understand current status from five dimensions: ease of use of search engines, search experience, content quality, and content message delivery capability, to make adjustments
- Leverage your understanding on SEO to achieve top 10 ranking
- Through tool testing, adjust website META, h1, keywords, and other textual content; meanwhile, work with the company's R&D department to revise SEO-related deficiencies that would increase website score from 49 to 94 points

IKEA's SEO Condition

H&D's SEO Condition After Improvement

H&D's score increased from 49 to 94 points

Source: http://product.awoobros.com/archives/174/seo-tool-success-case

Conclusion

- SMEs have limited resources. Internet and e-commerce are cheaper than are physical store costs and are easily accessible to customers

- Introducing e-commerce applications is easy; numerous online store platform schemes are available. You can first test those that are simple, inexpensive, or require monthly subscription to find ones that meet your needs

- Setting up an online store requires a long-term plan, continual refinement, and maintenance; therefore, enhancing relevant knowledge or recruiting professional talents is necessary

- Online store is not only a virtual channel, but also yields more accurate data and effectively predicts and determines an enterprise's next step in product development as well as its business decisions, or customer satisfaction

- Similar to buying a fund, setting up an online store does not guarantee flow volume, orders, or profits, but you will never the know the benefit of it if you do not establish one

THANK YOU