



European Digital Learning Situation: Setting up an online store

Target Group	Students in vocational training	
Subject/Bundling subject	Economics	
Learning Area		
Learning situation	Setting up an online store	
Entry scenario Online shopping has become increasingly popular. Many customers nowadays expect retailers to be accessible online at all times. <i>Weltladen</i> (Fair Trade store) of Kuniberg Berufskolleg is therefore planning to set up an online store.	Learning outcome/product -	
Essential competences The students ... <ul style="list-style-type: none"> - calculate the profit for order while taking shipping costs into account - write a product text - rank the payment methods according to the costs they incur and their security 	Specification of content <ul style="list-style-type: none"> - Determining the distribution of shipping costs - Designing a product text - Determining the payment procedures for the customers 	
learning and working techniques -		
Teaching materials -		
Organizational information <i>Technical requirements</i>		



European Digital Learning Situation:

Setting up an online store

Online shopping has become increasingly popular. Many customers now expect retailers to be accessible online at all times. *Weltladen* (Fair Trade store) of Kuniberg Berufskolleg is therefore planning to set up an online store.

For this, some decisions have to be made in advance.

1. Will shipping costs be charged?
2. How should the product descriptions in the online store be designed so the goods are presented as attractively as possible, but at the same time all legal requirements are met?
3. What payment options should be offered to customers?

1 Determining the distribution of shipping costs

A key feature of e-commerce is that products are shipped to customers. The typical online buyer expects delivery to be as fast and error-free as possible. For this purpose, the online retailer usually commissions a shipping service provider, such as DHL, UPS or Hermes. For large and heavy deliveries, a shipping company is often used.

Different agreements can be made with the shipping service providers regarding the **transport price**.

The following arrangements are widely used:

- A fixed price **per shipment**. Regardless of size and weight, the shipping service provider receives a fixed price. For example, the service provider charges €3.50 per shipment.
- Price calculation according to **weight** or according to weight classes (e.g., up to 10 kg, 20 kg, 30 kg).

Weltladen must now consider who should bear the shipping costs incurred.

The following three options are available:

- The customer is **not involved** in the shipping costs. This regulation is more and more frequently to be found and represents an important advertising argument.
- The customer is charged flat-rate shipping costs **up to a certain order value**. If the order value is exceeded, the online retailer delivers free of shipping costs.
- The shipping costs are calculated **per order** and regardless of the order value.

As an example, *Weltladen* considers the **product "Organic Gourmet Coffee: Recklinghausen Coffee"**. In a first step, it is to be examined, how the obtained profit of the product changes, if the **customers** are charged **4.00 € per order** independently of the ordered number of pieces.



A difference calculation of the coffee without the computation of forwarding expenses results in a profit of 1.80 € (see calculation opposite).

It is to be examined now, how the forwarding expenses affect the calculation.

For this purpose, three orders with 1, 5 and 10 packages of the coffee are to be compared as examples.

The purchase price and gross sales price per unit are to remain unchanged.

Difference calculation	€
Purchase price	3.05
+ handling cost surcharge 60 %	1.83
= cost price	4.88
profit	1.80
Net selling price	6.68
Value added tax 19 %	1.27
Gross selling price	7.95

Task 1

Decide on the distribution of shipping costs.

Suggestions on how to proceed

1. Calculate the profit for orders of 1, 5 and 10 packages of coffee.
2. Take into account the results of your calculation and determine a shipping cost scheme for the online store. Decide on one of the three options or determine a combination of several options.

Quantity	1	5	15
	€	€	€
Purchase price			
+ handling cost surcharge 60 %			
= Cost price I			
+ shipping costs			
= Cost price II			
Profit			
Net sales price			
Value added tax 19			
Gross sales price			

2 Designing a product text

Ms. Dehn, the manager of *Weltladen*, is thinking about the presentation of goods in the online store. If customers come directly to the store, they can touch the goods and sometimes even try them out. If they have any questions, a member of staff is immediately on hand to provide information on all product characteristics. None of this is possible in an online store. That's why the product presentation here must be particularly meaningful and appealing. The attractive design of the product catalogue is crucial for the success of an online store.

When creating the product catalogue, Ms. Dehn starts again with the "**Organic Gourmet Coffee: Recklinghausen Coffee**". The following manufacturer information are available to her for the product description:

Organic Gourmet Coffee	
Part Number:	44070101
Product Name:	Organic Gourmet Coffee: Recklinghausen Coffee
Contents:	250 g
Delivery:	Within 3-4 days
Features:	<ul style="list-style-type: none">• ONE OF OUR BEST SELLERS, Organic Columbian coffee is mild and flavourful with sweet, smooth notes of pear and sugar and a clean nutty finish.• SINGLE-ORIGIN FROM COLUMBIA. El Puente Guaranteed Fair Trade Organic• MOLD AND MYCOTOXIN TESTED - This coffee has undergone a full screening and has been declared toxicologically safe and compliant. Third-party testing was not able to detect any trace levels of mold, Aflatoxin or Ochratoxin in these sampled coffees.

Ms. Dehn immediately recognizes that the manufacturer's unattractive product description cannot simply be adopted for the merchandise catalogue. Moreover, it could be that exactly this text is also used by many other stores. Not only does this not seem very original, but in addition search engines "punish" text repetition by placing it lower on the results pages.

Weltladen must therefore design its own product texts for the online store's catalogue of goods.

The following must be taken into account:

- The text must contain the correct **keywords** that customers use to search for the product and that search engines (e.g. Google) use to find the product.

Example: Product text for egg warmer „Penguin“



Egg warmer „Penguin“

Material: Felt from sheep wool
without fragrances and
preservatives
delivery within 3-5 days

9.95 €

Price including VAT plusl. 4.99 €

**Shipping from 60.00 € free of
shipping costs**

Weight: 102 g

Details

- * handmade, egg warmer "penguin" made of felt, a fun companion for the first meal of the day.
- * Height: approx. 15 cm
- * Diameter: approx. 6.5 cm
- * Color: grey, white-beige, orange
- * Material: 100% wool
- * is meant to beautify and liven up your egg cups on the table

Keywords customers would probably use when searching for the product in a search engine (highlighted in yellow in the text) have been included in the text. The search engine would select suitable products based on these keywords and ideally present them at the top of its list of results.

- The Price Indication Ordinance requires the **total price** to be indicated. This is made up of the gross sales price and all other price components. (The gross sales price of the "**Organic Gourmet Coffee: Recklinghausen Coffee**" is **€7.95**).
- It must be expressed in the text that the price includes sales tax.
- The basic price (e.g. 1 kg = €70.07) must also be stated if goods are offered by weight, volume, length or flat.
- Product texts must be formulated in a way that promotes sales. The following rules should be followed:
 - emphasize product advantages
 - be brief and to the point
 - express yourself in an understandable way
 - stimulate the desire to buy with words such as "your" and "their"
 - inspire confidence in the product

Task 2

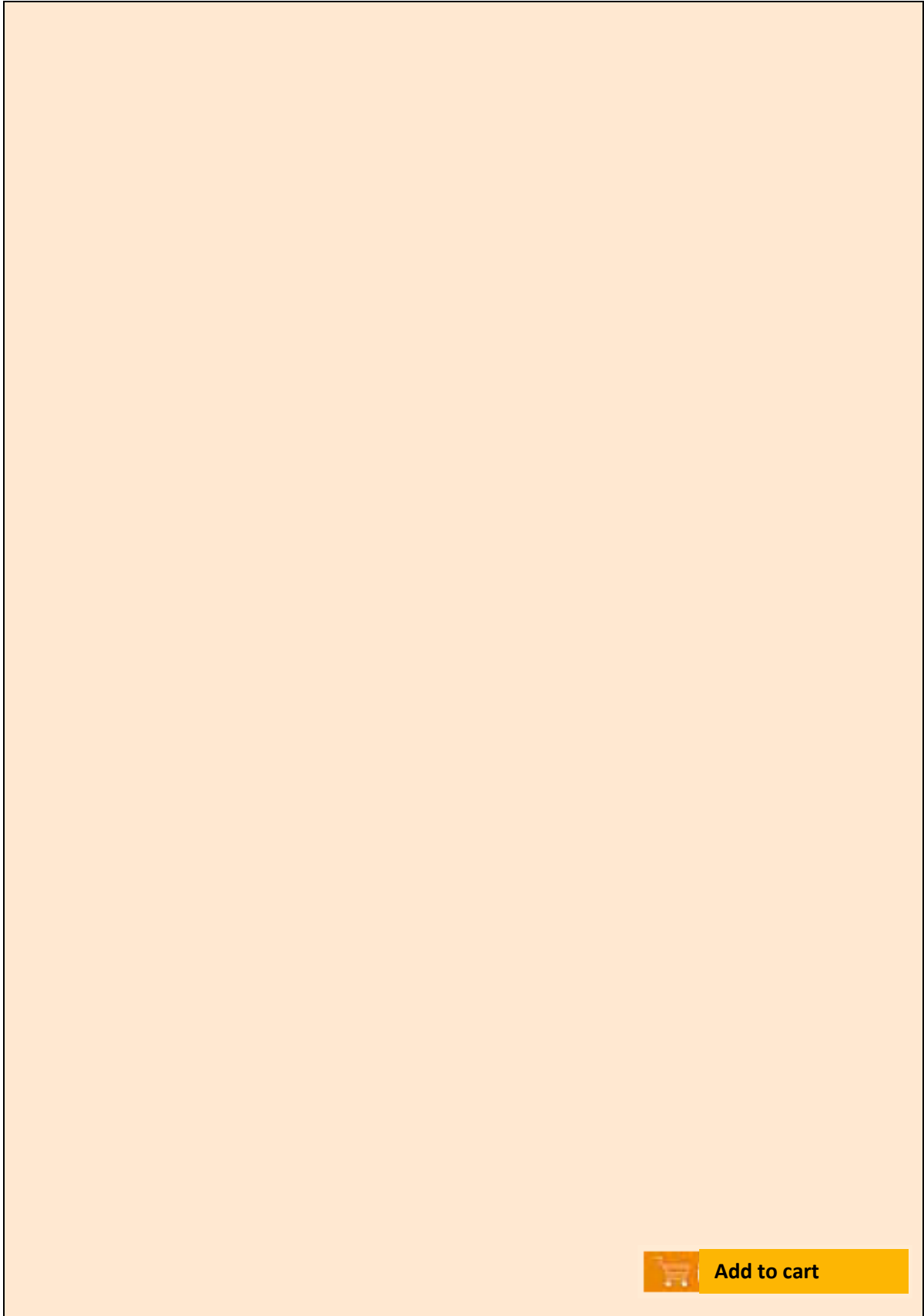
3. Draft the product text for the "**Organic Gourmet Coffee: Recklinghausen Coffee**"

Suggestions on how to proceed

- 1) Define the keywords for the product.
- 2) Draft the text and fill in the text frame below.



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Add to cart

3 Determining the payment procedures for the customers

For the online store, it still has to be decided which payment procedures should be offered to customers. Based on information of her bank and different publications Mrs. Dehn had found out that customers select above all the adjacent payment procedures.

Mr. Wobig, another employee of *Weltladen*, believes that one should only offer the procedures that the customers particularly like to use.

Mr. Wobig: "All customers want to purchase on account, but there are regularly particularly high payment defaults there."

Ms. Dehn: "That's bad."

Mr. Wobig: "We also have to pay attention to what costs we incur through the procedures. The cost differences are huge."

Ms. Dehn: "Okay, we have to find some middle ground."

Mr. Wobig: "And the procedures have to be technically integrated into the online store. That is often not so easy. So I don't think we should offer more than five payment methods. For the customers, that's always enough."

Ms. Dehn: "Good, let's agree on five payment methods, which are customer-friendly, but with as few payment defaults as possible and with manageable costs."

Mr. Wobig: "You'll have my carefully reasoned proposals by tomorrow."

Mrs. Dehn: "I can't wait."

Mr. Wobig will now rank the payment methods in question (see above right), according to the security they offer and the costs they incur. He will also take into account the ranking of the payment methods from the customer's point of view (customer demand).

From this, he will create a list of payment methods to be offered in the online store. For this purpose, he has designed a mask as it might appear later in the store.

Payment method	
Customer demand	
➤ Invoice	
➤ PayPal	
➤ SEPA direct debit	
➤ Prepayment	
➤ Credit card	
➤ instant bank transfer	
➤ paydirekt/giropay	

Payment method		Payment method		Payment method	
Costs		Security		Customer demand	
high	1.	low	1.	1.	Invoice
	2.		2.	2.	PayPal
	3.		3.	3.	SEPA direct debit
	4.		4.	4.	Prepayment
	5.		5.	5.	Credit card
	6.		6.	6.	instant bank transfer
low	7.	high	7.	7.	Paydirect/Giropay

Choose a payment method

i _____

i _____

i _____

i _____

i _____

Task 3

Determine which five payment methods should be offered to customers in the online store.

Suggestions on how to proceed

1. Rank the payment methods according to the costs they incur. Before you do this, read the "Costs" chapter on page 8 in advance.
2. Rank the payment methods according to the security of the incoming payment for the store provider. To do this, read the chapter "Processing and security of payment procedures" on pages 9 to 12 in advance.
3. Decide which five payment methods you want to offer your customers in the online store, taking into account the costs and security aspects. Then enter them in the mask for the online store.

Costs

When a payment is made online, the retailer incurs various costs that have to be paid to the parties involved in the process (banks, service providers). The costs can be roughly divided into direct and indirect costs.

cost type	Examples
direct costs types	monthly basic fees, costs for individual payments (e.g. as a percentage of sales)
indirect cost types	Checking the creditworthiness of the customer and their address, interest losses due to late

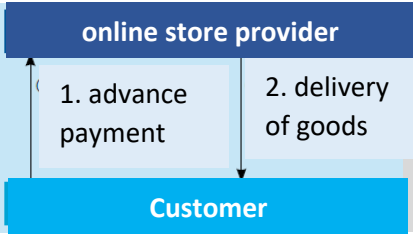
The following overview refers to an average purchase on the internet with an order value of 92.09 €.

Payment procedures	Direct costs	Indirect costs	Total costs
	€	€	€
Invoice	1.08	6.10	7.17
PayPal	2.10	3.96	6.06
Direct debit	0.57	2.75	3.32
Prepayment	0.62	2.38	2.99
Credit card	1.74	2.51	4.25
Instant bank transfer	1.31	0.99	2.30
Paydirect/Giropay	1.21	0.42	1.63

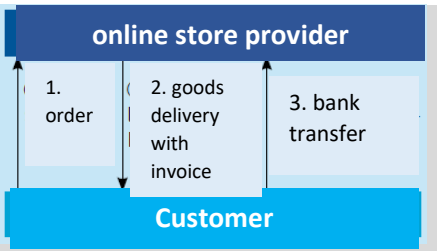
Source: ibi research an der Universität Regensburg GmbH: Gesamtkosten von Zahlungsverfahren im deutschen E-Commerce 2019, S. 40. In: <https://ibi.de/veroeffentlichungen/gesamtkosten> 2019, [01.07.2021], [verändert] The data for paydirekt/giropay was determined for the paydirekt procedure. However, the costs for giropay are comparable.

Processing and security of payment methods

Prepayment (advance payment)

Procedure	After ordering the goods in the online store, the customer transfers the purchase price in advance by bank transfer. The goods are delivered as soon as the amount is received on the account of the retailer. This causes a delay in delivery of a few days.	
Dealer	This procedure is risk-free for the retailer and technically very simple. He waits for the payment to be received and can then ship the goods. Only the banks of the parties involved are involved. There are no intermediary service providers, who all cost money.	
Customer	The customer cannot check the products before payment. For him, it is an insecure payment method. In addition, there is the delay in the delivery of goods. On the other hand, it is very easy for him to handle. At the latest with the order confirmation he can arrange a normal bank transfer.	

Invoice

Procedure	Based on an order, the online merchant arranges the shipment of the goods together with an invoice. Within the payment period (often 30 days), the customer transfers the invoice amount. Here, the retailer makes an advance payment. With prepayment, the customer makes the first step (bank transfer).	
Dealer	This procedure is very risky for the retailer because he has given the goods out of hand and now has to wait for the customer to pay. The risk can be transferred to payment service providers (e.g. PAYONE) who guarantee the payment and take over the collection. This results in additional costs. A check of the ability to pay (creditworthiness) by special service providers has a risk-reducing effect.	
Customer	For customers, this payment method is ideal: they receive the goods immediately and can take their time with the payment.	

SEPA Direct Debit

<p>Procedure</p>	<p>After the customer has placed an order, the retailer debits the customer's bank account for the purchase amount (by direct debit). Previously, the customer has sent his account details to the online retailer together with a direct debit authorization (direct debit mandate). As soon as the amount has been received in the retailer's account, the goods are shipped.</p>	
<p>Dealer</p>	<p>Here, too, there is a delay in delivery of a few days until the payment procedure is processed. If the customer has a good credit rating (known, punctual payer), the goods can be shipped earlier. Because the customer can revoke a direct debit within eight weeks, this procedure is risky for the retailer.</p>	
<p>Customer</p>	<p>For a customer, the payment procedure is easy to handle. He only has to give permission once for his account to be debited. Everything else runs automatically. Since the customer provides the online merchant with his bank data, there is a risk of data misuse if criminals are able to spy on the data.</p>	

Credit Card

<p>Procedure</p>	
<p>If a customer has decided to pay by credit card, he is asked to enter his credit card data (card number, expiration date of the card and the security number on the back of the credit card). The online store now establishes a connection to the card company via the Internet and transmits the card data and the purchase amount. The credit card organization checks the data for correctness and the customer's financial availability limit (authorization). If everything is correct, the online merchant receives a positive response. The credit card organization thus guarantees payment of the purchase amount. During the verification process, the credit card company still sends the customer a TAN code, e.g., on his smartphone. The online merchant can ship the goods. The credit card organization settles with the retailer, e.g., weekly (accumulated purchase amounts minus commission for the credit card organization). The customer usually receives a monthly statement from the card organization, which debits his bank account with the accrued payment amounts.</p>	

Dealer	For the online merchant, this payment method is relatively secure because the payment promise of the credit card organization is available. However, the involvement of an additional service provider (credit card organization) leads to higher costs.
Customer	Customers appreciate the largely simple handling and deferred payment through monthly billing.

PayPal

Procedure	
	<p>After selecting the product and determining the purchase amount, the buyer selects the payment method "PayPal" on the online store page. This requires that the buyer is registered with PayPal, has an account there and his bank details are stored. The online store now forwards the payment amount to the payment page of the e-payment provider, where the customer confirms the payment. This confirmation is forwarded back to the online store. At the same time, the online store operator receives a message that the payment has been made.</p> <p>The store provider is credited with the amount after deducting a fee for the e-payment organization. In the background, the e-payment provider takes care of the payment settlement, e.g. by charging the customer's bank account with the purchase amount via direct debit or credit card.</p> <p>Ultimately, PayPal is only a money broker from the customer's account via the account at PayPal to the retailer's account.</p>
Dealer	The retailer receives a payment from PayPal still during the purchase process. The online store can deliver the goods without any risk. PayPal is known worldwide and very popular, especially among young customers. For the services PayPal takes a fee.
Customer	Many customers see PayPal as a secure and trustworthy payment method, especially because the online store cannot see the customer's bank details and they do not have to be deposited with them. Misuse of this data is therefore impossible.

giropay/paydirect

Procedure	<p>Giropay is a payment method that allows you to pay for your online purchases directly from your bank account. The procedure is similar to "immediate transfer". However, the customer does not have to deposit his bank details with a service provider. Instead, the customer is immediately redirected from the store to his bank. There he logs in with his normal access data and initiates the transfer of the purchase amount to the account of the store operator. To do this, he needs a TAN from his bank. Finally, a normal transfer procedure is integrated into the online store. The store operator receives a notification of payment and can ship the goods immediately. After completing the payment, the customer returns to the online store.</p> <p>The existing giropay and paydirect processes will be merged into a joint "giropay" brand.</p>
Dealer	<p>The procedure is very secure and inexpensive. The online merchant receives an irrevocable payment confirmation while the customer is still shopping. The amount is credited on the next banking day.</p>
Customer	<p>The handling is simple because the online store only connects to the customer's bank account and initiates a bank transfer. The customer's bank details remain secret.</p>

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European Digital Learning Situation:

Aspects of sustainable procurement

Possible Solution

Task 1.1

Quantity	1	5	15
	€	€	€
Purchase price	3,05	15,25	30,50
+ handling cost surcharge 60 %	1,83	9,15	18,30
= Cost price I	4,88	24,40	48,80
+ shipping costs	4,00	4,00	4,00
= Cost price II	8,88	28,40	52,80
Profit	-2,20	5,00	14,01
Net sales price	6,68	33,40	66,81
Value added tax 19	1,27	6,35	12,69
Gross sales price	7,95	39,75	79,50

Task 1.2

The trainees have to make an individual decision about the customers' contribution to shipping costs.

Example: uniform flat rate for shipping costs of € 4.00, free shipping from an order value of € 40.00.

Task 2.1

Individual student solution

Task 2.2

Individual student solution

In addition to the necessary information in the upper part, the product advantages and benefits of the item are described to customers in a personalized manner.

Task 3.1 and 3.2

Payment method		Payment method		Payment method	
Costs		Security		Customer demand	
high	1.paydirect/giropay	low	1.Prepayment		1. PayPal
	2.instant bank transfer		2.giropay/paydirect		2. SEPA direct debit
	3.prepayment		3.credit card		3. invoice
	4. SEPA direct debit		4.instant bank transfer		4. Prepayment
	5.credit card		5.PayPal		5. Credit card
	6. PayPal		6.invoice		6. instant bank transfer
low	7.Invoice	high	7.SEPA direct debit		7. Paydirect/Giropay

Task 3.3

For trainees (and for any store owner), a dilemma arises: a form of payment that is very popular with customers, the invoice, is disadvantageous for the retailer.

Proposal:

- Invoice
- giropay or instant bank transfer
- PayPal
- credit card
- prepayment