

LEARNING MADE EASY



7th Edition

Starting an Online Business

ALL-IN-ONE

for
dummies[®]
A Wiley Brand



9
Books
in one!

Shannon Belew
Joel Elad

In-demand authors and leaders in
e-commerce strategy and development



Starting an Online Business

ALL-IN-ONE

7th Edition

by Shannon Belew and Joel Elad

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dummies[®]
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Starting an Online Business All-in-One For Dummies®, 7th Edition

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Contents at a Glance

Introduction	1
Book 1: Start-Up Essentials	5
CHAPTER 1: Starting from Scratch	7
CHAPTER 2: Turning Ideas into a Viable Internet Business	17
CHAPTER 3: Getting Real: Creating a Usable Business Plan	31
CHAPTER 4: Funding Your Online Business	39
CHAPTER 5: Creating Policies and Managing Compliance to Keep It Real	57
Book 2: Legal and Accounting	71
CHAPTER 1: Minding the Law	73
CHAPTER 2: Choosing the Right Foundation: From Partnerships to Corporations	83
CHAPTER 3: The Trademark-and-Copyright Two-Step	93
CHAPTER 4: Accounting for Taxes (and Then Some)	101
Book 3: Website Functionality and Aesthetics	125
CHAPTER 1: What's in a (Domain) Name?	127
CHAPTER 2: Designing for User Experience	141
CHAPTER 3: Serving Up Your Site	161
CHAPTER 4: Developing Content That Satisfies Visitors and Search Engines	171
CHAPTER 5: Going Beyond Beta and Launching Your Site	185
Book 4: Online and Operating	195
CHAPTER 1: Determining Your Revenue Model	197
CHAPTER 2: Making Money with Affiliate Programs	217
CHAPTER 3: Paying with the Right Payment Options	229
CHAPTER 4: Putting the (Shopping) Cart before the Horse	241
CHAPTER 5: Taking Inventory	255
CHAPTER 6: Fulfilling Expectations and Orders	265
Book 5: Managing Security Risks	283
CHAPTER 1: Understanding Security and Your Risks	285
CHAPTER 2: Developing a Plan: Security and Business Continuity	293
CHAPTER 3: Spotting and Thwarting Bad Actors, Hackers, and More	307
CHAPTER 4: Locking Down Your Site and Your Business	329

Book 6: Online Marketing Basics	337
CHAPTER 1: Jump-Starting Traffic and Driving Sales	339
CHAPTER 2: Influencing for Attention and Customers	357
CHAPTER 3: Web Marketing at Work	371
CHAPTER 4: Analyzing and Monitoring Your Customers	393
CHAPTER 5: Mastering Search Engines, Optimization, and Rankings	411
Book 7: E-Commerce Fundamentals	429
CHAPTER 1: Starting Up with E-Commerce Functionality	431
CHAPTER 2: Web-ify Your Store with Shopify	443
CHAPTER 3: Making eBay THE Way	459
CHAPTER 4: Posting Pictures for Profit	477
Book 8: E-Commerce Trends and Market Opportunities	495
CHAPTER 1: Discovering Niche Markets	497
CHAPTER 2: Becoming a Social Influencer for Real Dollars	505
CHAPTER 3: Evaluating the SaaS Model: Selling Software and Apps	521
CHAPTER 4: Generating Efficiencies and Opportunities with AI, ChatGPT, and More	533
CHAPTER 5: Building a POD (Print-on-Demand) Business	547
CHAPTER 6: Growing Beyond Borders: The International Marketplace	563
Book 9: E-Commerce Advanced	575
CHAPTER 1: Mapping the Digital Buyer's Journey	577
CHAPTER 2: Getting Personal with Content Marketing	587
CHAPTER 3: Overhauling an Aging Online Business	605
CHAPTER 4: Expanding Products to Increase Stagnant Sales	623
CHAPTER 5: Transitioning a Small Site into Big Business	633
Index	643

Table of Contents

INTRODUCTION	1
About This Book	1
Foolish Assumptions	3
Icons Used in This Book	3
Beyond the Book	4
Where to Go from Here	4
BOOK 1: START-UP ESSENTIALS	5
CHAPTER 1: Starting from Scratch	7
What Are You Waiting For? Start Your Business Now!	9
Choosing Just the Right Business	10
Creating online businesses for today and tomorrow	11
Finding a business that's your type	11
Getting Started	14
CHAPTER 2: Turning Ideas into a Viable Internet Business	17
Thinking Like an Online Entrepreneur	17
Putting Your Business Idea under the Microscope	20
Using informal research to verify your idea	20
Applying a SWOT analysis to your idea	22
Creating a feasibility study to validate an idea	24
Identifying Your Market and Target Customer	27
Classifying your customer	27
Going to the source	28
Competing to Win: Analyzing Your Competition	29
CHAPTER 3: Getting Real: Creating a Usable Business Plan	31
Understanding the Value of a Plan	31
Recognizing That the Parts of the Plan Make a Whole	33
Getting Help to Write the Plan	35
Determining when to hire a professional	35
Knowing what to expect from a business plan consultant	36
Using a Business Plan Today, Tomorrow, and Always	38
CHAPTER 4: Funding Your Online Business	39
Bootstrapping the Low-Cost, No-Cost Site	40
Making the leap to the bootstrapping lifestyle	40
Saving money to make money	40
Getting resourceful	42
Looking at the pros and cons of bootstrapping	43

Finding the Perfect Investor	44
Turning to your friends and family	44
Finding angels	45
Venturing into the world of venture capital	47
Checking Out Alternative Financing	49
Taking a Shortcut: Purchasing an Existing Site	52
CHAPTER 5: Creating Policies and Managing Compliance to Keep It Real	57
Taking Care of Customers	57
I pledge to you	58
Put it in writing	58
Delivering on Your Promises	59
Putting Policies in Place	60
Privacy policy	60
User agreement or terms and conditions	61
Shipping policy	62
Return policy	63
Safety for young users	64
Other online policies	65
Complying With the Law	66
Let's talk about GDPR	67
The importance of ADA	68
Lesser known policies that could incur fines	70
BOOK 2: LEGAL AND ACCOUNTING	71
CHAPTER 1: Minding the Law	73
Keeping Your Business Legal	73
Federal tax identification number	75
Resale certificate	76
Business bank account	77
Employee forms	77
Zoning for Business (at Home)	78
Obtaining Business Licenses	81
CHAPTER 2: Choosing the Right Foundation: From Partnerships to Corporations	83
Strategizing for the Best Organization	84
Operating Alone as a Sole Proprietor	85
Fictitious name registration	85
Marriage and the sole proprietorship	86
Sharing the Load with a Partnership	86
Limited Liability Company	88

	Making It Official with Incorporation	88
	Different flavors of corporations.	88
	The choice to incorporate	89
	Changing Your Organization as It Grows.	90
CHAPTER 3:	The Trademark-and-Copyright Two-Step.	93
	Understanding Why Trademarks and Copyrights Matter	93
	Making Your (Trade)Mark.	94
	Protecting Your Investment with Copyrights.	95
	Establishing Registration Yourself.	97
	Getting your trademark	98
	Filing for copyright.	99
	Retaining Professional Assistance.	100
CHAPTER 4:	Accounting for Taxes (and Then Some)	101
	The Tax Man Cometh — Again and Again	102
	Income tax	102
	Employment tax.	102
	Sales tax	105
	By the Numbers: Accounting Basics	106
	Determining periods and methods.	106
	And now, your balance sheet	108
	A quick glimpse: The P&L	109
	Choosing Software to Make Your Tasks Easy	112
	Going online?	113
	What size are you?	113
	How much do you want to pay?	113
	Do you need support?	114
	Hiring a Professional.	115
	Recognizing that it takes all types.	115
	Knowing what to expect from your tax professional.	117
	Finding likely candidates	118
	Choosing the best person for you.	119
	Following the Rules of Recordkeeping.	120
	Dealing with all the paper	120
	Storing records: How long is long enough?	121
	BOOK 3: WEBSITE FUNCTIONALITY AND AESTHETICS	125
CHAPTER 1:	What's in a (Domain) Name?	127
	Basics of URL Structure and Why It Matters	128
	Approaching your domain name carefully	129
	Optimizing your domain name for SEO	130

Registering the Perfect Name	132
You have a choice: Domain registration options	132
Let's make it official.	133
Finding Out What to Do When Somebody Gets There First	134
Exploring your domain name options	135
Negotiating what you want — at a price	135
All the Good Ones Are (Not) Taken.	136
Varying the extension	136
Getting creative	139
CHAPTER 2: Designing for User Experience	141
Mapping the Customer Experience	142
Basic functionality	142
Interactive functionality	144
Enhanced functionality	144
Maximizing Performance for Profitability	146
Establishing Page Goals	148
Mapping Your Route to a Successful Site.	150
Avoiding common holdups in developing a site plan	152
Putting Your Best Site Forward	154
Following design trends and UX principles	154
Testing Your Design Assumptions	156
CHAPTER 3: Serving Up Your Site	161
Determining What Makes the Difference for High-Performance	
Hosting	162
Putting Your Site in the Cloud	166
Serving Yourself: Don't Overlook Other Server Options	168
Keeping Your Customers and Your Site Secure	169
CHAPTER 4: Developing Content That Satisfies Visitors	
and Search Engines.	171
Words Are Words — Right? Wrong!	172
Words that are “key” to search	172
Beyond keywords	174
Getting Ready to Write for the Web	175
Understanding buyer personas.	176
Tracking the buyer's journey	176
Getting organized	178
Mapping content where it counts.	180
Moved to Purchase: Turning Words into Action.	181

CHAPTER 5:	Going Beyond Beta and Launching Your Site	185
	Some Things to Know Before You Start Uploading	185
	Taking the Compatibility Test: Testing Screen Resolutions, Browsers, and Platforms	187
	Checking it out	189
	Testing on Mac, Windows, or whatever	189
	Keeping people in mind	190
	Taking a Trial Run	190
	Three, Two, One — Takeoff!	192
	BOOK 4: ONLINE AND OPERATING	195
CHAPTER 1:	Determining Your Revenue Model	197
	Selling Tangible Products	197
	Projecting how you'll make a profit	198
	Manufacturing and selling your own goods	199
	Buying tangible goods and selling them online	200
	Selling Your Professional Services	203
	Understanding the pros and cons	205
	Building credibility	206
	Selling Thought Leadership — Your Own Information Product	208
	Finding hot topics	210
	Researching the information	211
	Analyzing Opportunities	212
	Choosing an Affiliate Advertising Program	213
	Putting It All Together: Multiple Revenue Streams	215
CHAPTER 2:	Making Money with Affiliate Programs	217
	Looking at How Affiliate Programs Work	218
	Understanding some affiliate terms	219
	Types of affiliate payments	220
	Finding an affiliate program	221
	Avoiding Scams and Questionable Content	224
	Illegal affiliations	224
	Questionable affiliations	225
CHAPTER 3:	Paying with the Right Payment Options	229
	Accepting Credit Card Payments	230
	Securing a merchant account	232
	Choosing a payment gateway	233
	Reading the fine print: Fees	235
	Offering Alternative Payment Options	236
	Managing the Payment Process to Protect Your Income	238

CHAPTER 4:	Putting the (Shopping) Cart before the Horse	241
	Not All Carts Are Created Equal	242
	Back-end management	243
	Customer-centric elements	244
	Integration and maintenance	245
	Promotion and marketing	246
	Shopping Around for the Best Hosted Solution	248
	1ShoppingCart	249
	Foxy	249
	Shopify	251
	Finding Stand-Alone Shopping-Cart Software	251
	Designing a Custom Cart	253
CHAPTER 5:	Taking Inventory	255
	Finding Out What's Popular	256
	Putting Together All Your Research	258
	Pricing Your Products	259
	Building Your Inventory	261
	Stocking up as a low-price leader	262
	Becoming all things to all people with trial-and-error inventory	262
	Specializing with limited inventory	263
CHAPTER 6:	Fulfilling Expectations and Orders	265
	Figuring Out the Logistics of Shipping	266
	Developing an In-House Fulfillment Model	267
	Deciding to Outsource Fulfillment	268
	Finding an outsourcing partner	269
	Establishing your outsourcing relationship	271
	Operating with an outsourced fulfillment house	272
	Assessing the quality of the fulfillment work	273
	Shaping Up and Shipping Out	274
	Giving your customers shipping options	275
	Creating online postage and labels	276
	Having items picked up for delivery	277
	Shipping international orders	277
	Maintaining the Backend	279
	Deciding on a database	279
	Using handheld scanners and bar codes	280
	Developing a shelving inventory system	281
	Feeding orders into the shipping department	281

BOOK 5: MANAGING SECURITY RISKS	283
CHAPTER 1: Understanding Security and Your Risks	285
Legal Responsibility: The Merchant and the Customer	286
Avoiding chargebacks	286
Protecting privacy: GDPR and growing compliance concerns	289
Keeping Your Website Secure	290
CHAPTER 2: Developing a Plan: Security and Business Continuity	293
Making a Plan	294
Policies and procedures	294
Inventory and skills assessments	297
Risk analysis	299
Existing security measures	301
Action plan and backup alternatives	302
People, resources, and follow-up communications	303
Creating a Budget for Your Plan	304
Finding Security Resources	305
CHAPTER 3: Spotting and Thwarting Bad Actors, Hackers, and More	307
Fending Off Attacks	308
Deterring Bad Actors	310
Avoiding Common Threats	312
Keeping Your Domain Name Safe	314
Staying Away from Scams	317
Social engineering	317
Extortion	320
Insider threats	321
Mobile Security Risks	322
Understanding How a Wireless LAN Works	323
Establishing Barriers	326
Following your common sense	326
Setting up a virtual private network	327
Keeping an eye on your connection	327
CHAPTER 4: Locking Down Your Site and Your Business	329
Protecting against Personal Data Loss and Credit Card Fraud	329
Minimizing your financial losses	330
Protecting customers' privacy and financial data	332
Backing Up Your Data	334
Adding Firewalls	335

BOOK 6: ONLINE MARKETING BASICS	337
CHAPTER 1: Jump-Starting Traffic and Driving Sales	339
Defining Key Elements for Digital Marketing Success	340
Getting to Know Your Buyers — Really Well	342
Developing buyer personas.....	342
Defining buying stages	343
Calculating Your Site's Conversion Rate.....	344
Figuring Out When You Get the Most Traffic.....	347
Leading Customers to the Right Web Pages	350
Enticing Customers to Convert	352
Purchasing right now: The instant customer.....	353
Nurturing the indecisive (or not-yet-ready to convert) site visitor	355
CHAPTER 2: Influencing for Attention and Customers	357
Writing Reviews	358
Finding the best places to post reviews.....	359
Writing the review, section by section	360
Becoming an Online Influencer.....	362
Speaking out with video	362
Defining your specialty	364
Establish consistent schedule, output, and technology.....	366
Setting up your video channel.....	368
Interact with your growing audience	369
CHAPTER 3: Web Marketing at Work	371
Developing a Marketing Strategy	372
Devising your brand	372
Working the brand	373
Gaining a Following with Social Media	375
Using social media properly.....	375
Determine who will administer your social media accounts	376
Create and maintain your social media activity calendar	378
Reeling in Customers with Newsletters	379
Decide what content belongs in your newsletter.....	380
Decide on a design format for your newsletter	381
Decide how to distribute your newsletter	382
Decide the “call to action” of your newsletter	383
Automating Routine Tasks.....	383
Searching for Traffic with Search Engine Advertising	384
Signing up for Google Ads	386
Deciding when to use pay per click.....	390

CHAPTER 4:	Analyzing and Monitoring Your Customers	393
	Tracking Trends	394
	Measuring Website Traffic	395
	Defining the terms of traffic analysis	396
	Referring to your user acquisitions	398
	Examining viewer behavior	399
	Measuring traffic against activity	401
	Analyzing Your Traffic Analysis Software	402
	Basic analysis software	402
	Detailed analysis software	403
	Enterprise or big business	404
	Collecting the Correct Information	404
	Storing data using cookies	405
	Adding information to your links	406
	Studying the path analysis	406
	Getting to Know Your Customer	408
CHAPTER 5:	Mastering Search Engines, Optimization, and Rankings	411
	Navigating the Ins and Outs of Major Search Engines	412
	Getting Your Website Noticed by Search Engines	414
	Placing Keywords in Key Spots on Your Website	416
	Keywords that are invisible	417
	Keywords that are visible	420
	Arranging Your Pages Strategically	422
	Watching Your Rankings	423
	Moving Up in the Rankings	424
	Knowing where you stand	425
	Seeing what your competition is doing	426
	Creating your own referrals	427
	BOOK 7: E-COMMERCE FUNDAMENTALS	429
CHAPTER 1:	Starting Up with E-Commerce Functionality	431
	Knowing What You Want: Features	432
	Performance	432
	Product merchandizing and marketing	435
	Administration features	437
	Realizing What You Can Have: Cost	438
	Shopping for E-Commerce Solutions	440

CHAPTER 2:	Web-ify Your Store with Shopify	443
	Why Open a Shopify Store?	444
	Setting Up Shop	445
	Managing Your Shopify Store	448
	Constructing your catalog	449
	Opening the doors	453
	Selecting a Plan	454
	Basic Shopify package: Starting out	454
	Shopify package: Moving up	455
	Advanced Shopify package: Building on solid ground	455
	Breaking Down the Fees.	455
	Growing with Your New Business Partner.	456
	Marketing programs	456
	Customer relationship management	457
	Sales reports	458
CHAPTER 3:	Making eBay THE Way	459
	Understanding How eBay Works	460
	Getting Started on eBay	460
	Setting Up an Item for Sale	464
	Maintaining your item listings	468
	Leaving feedback for your buyer.	469
	Opening an eBay Store.	472
	Setting up shop	473
	Managing your store.	474
CHAPTER 4:	Posting Pictures for Profit.	477
	Establishing Your Instagram Account.	478
	Enticing Customers to Your Instagram Offering.	483
	Publicizing your Instagram presence	483
	Displaying your online goods in your Instagram feed	484
	Providing Great Content and Community for Your Instagram Feed	486
	Focusing on pictures first	487
	Adding comments and hashtags.	488
	Following the right people	489
	Harnessing the power of video	490
	Creating Instagram stories for your business.	491
	BOOK 8: E-COMMERCE TRENDS AND MARKET OPPORTUNITIES	495
CHAPTER 1:	Discovering Niche Markets	497
	Deciding to Sell a Niche Product.	497
	Finding Your Niche	501

CHAPTER 2:	Becoming a Social Influencer for Real Dollars	505
	Setting the Virtual Stage for Success	506
	Understanding How to Profit	508
	Revenue sources	510
	Legal obligations	512
	Developing Your Fan Base	513
	Choosing the Right Platform	514
	Instagram	514
	Facebook	515
	Pinterest	516
	Creating Your Own Video Channel	517
	Vloggers and video gamers	518
	Instructional and premium content videos	519
	Gathering, Networking, and Promoting: Online Communities	519
CHAPTER 3:	Evaluating the SaaS Model: Selling Software and Apps	521
	Deciding to Deliver Online Services	522
	Putting the Software in the SaaS	523
	Understanding the SaaS Model for Making Money	525
	Creating Apps for the Mobile Customer	528
	Budgeting and building apps	529
	Uploading apps for sale	530
CHAPTER 4:	Generating Efficiencies and Opportunities with AI, ChatGPT, and More	533
	Understanding the Basics of the Technology	534
	Creating with Artificial Intelligence	535
	Using AI to simplify or advance your business	536
	Opportunities to earn with AI	537
	Legal considerations	539
	Using ChatGPT to Your Advantage	541
	Shortcuts enabled by ChatGPT	542
	Building apps and service opportunities	543
	Identifying What's Coming Next	544
CHAPTER 5:	Building a POD (Print-on-Demand) Business	547
	Avoiding the Inventory Trap (the Basics of POD)	548
	Choosing Customized Products	551
	Typical product offerings	552
	Sourcing design ideas	554
	Selecting a POD Partner	556
	Printify	557
	Printful	557

	Zazzle.	558
	Gelato	558
	Amazon Merch.	559
	Know Your (Cost) Margins	559
	Building a Customer Base	560
CHAPTER 6:	Growing Beyond Borders: The International Marketplace	563
	Understanding the Scope of a Global Opportunity	564
	Focusing on Target Countries	564
	Making Operational Decisions.	566
	Translations	566
	Local payment options	567
	Shipping and handling	569
	Global partnerships.	570
	Developing Cultural Awareness	572
	BOOK 9: E-COMMERCE ADVANCED	575
CHAPTER 1:	Mapping the Digital Buyer's Journey	577
	Deconstructing the Path of an Online Buyer.	578
	Monitoring the Flipped and Fluid Digital Sales Funnel	580
	Putting It All Together: The Buyer, the Conversion, the Channel.	582
	Modeling buyer behavior.	583
	Mapping critical conversion points.	583
	Triggering the social influencer.	584
CHAPTER 2:	Getting Personal with Content Marketing	587
	Delivering the Goods with the Right Content Approach	588
	Developing Buyer Personas.	589
	Creating Content for Storytelling and Consumption	592
	Content framework.	593
	Content segments	594
	Content types.	595
	Aligning content to intent.	596
	Launching the Personalization Effort Online.	598
	Integrating systems.	598
	Categorization: One thing is not like the others	600
	Choosing personalization tools.	602

CHAPTER 3:	Overhauling an Aging Online Business	605
	Paying Attention to the Signs	606
	Using VOC to Understand What Your Customer Really Thinks	610
	Types of customer feedback that matter	612
	Tools for collecting and analyzing VOC data	612
	Listening and Taking Action: Time to Redesign	613
	Qualifying for a Makeover from Lagging Sales	615
	Increasing the number of visitors to your site	616
	Converting more visitors to (repeat) buyers	618
	Reengaging Customers to Spend with You, Again	620
	A tailor-made offer	621
	A targeted offer	622
CHAPTER 4:	Expanding Products to Increase Stagnant Sales	623
	Figuring Out When to Expand Your Product Line	624
	Limited appeal products	626
	Limited-use products	626
	Technology-based products	626
	Product marketing	627
	Product positioning	627
	Price points	627
	Conversion rates	628
	Replacement or Expansion: The Art of Culling Your Inventory	628
	Replacing one product with another	629
	Expanding your product line	629
	Finding Alternatives to Spur Growth	630
CHAPTER 5:	Transitioning a Small Site into Big Business	633
	Seeking Out the Next Level of Your Business	633
	Expanding the business	634
	Acquiring other sites	634
	Going global	635
	Bringing in financial partners	636
	Create a succession plan and retire	637
	Selling your site	638
	Purposefully Making the Next Move	640
	INDEX	643

Introduction

Online businesses have finally found a permanent foothold in today's marketplace, leaving little doubt that the Internet is not only the conduit for a viable online-business model, but is often a necessary tool for building, managing, and growing any type of business. Even traditional retailers are increasingly seeing their e-commerce sales eclipse in-store sales throughout the year, and especially during major shopping holidays, such as Black Friday.

We are excited about the potential that an online business holds and the fact that e-commerce and digital marketing are now thought of as necessary components of almost any business. Since beginning our own online endeavors, we have had the privilege of meeting and working with a variety of entrepreneurs — people who, much like you, share a dream of finding economic independence by running their own businesses. As you might have guessed, many of them found success on the Internet.

The Internet provides not only a legitimate resource for starting a business that will offer a steady source of income for your family, but also a nearly endless source of ideas and opportunities to market and grow your company. It can even give you the flexibility to work from home, the freedom to work part-time, or the ability to earn an additional source of income to help make your life more enjoyable. And maybe your online business could be the next Amazon, eBay, or Facebook! Almost anything is possible with the Internet, but the pursuit of success starts with a good idea, a solid business foundation, and an endless amount of determination and hard work.

In this book, we help get you started by sharing with you the knowledge and tools we've picked up along the way and by providing you with a few shortcuts to help further your own online endeavors.

About This Book

Much has changed since we wrote the first edition of this book in 2006, but much has stayed the same. Our number-one goal for the book — to cover the many ways you can start or expand a business by using the Internet — is still the same. Likewise, many of the basic principles for starting your online business are still tried-and-true methods. For this seventh edition, we took great care to update all

the key information that has remained valid in the past few years. Our second goal for the book is to expose you, the reader, to new trends and tools that can be utilized by all types of businesses from nonprofit organizations to traditional retailers. We searched out many of the new opportunities that have recently evolved. For example, the expanding use of artificial intelligence (AI), ChatGPT, print-on-demand (POD) capabilities, and an ever-expanding international marketplace, all of which are forever changing the way businesses must operate online.

Artificial intelligence alone has affected almost every area of online businesses, from developing and refining content for your business to downloading mobile applications and updating the logistics backend of how you organize inventory and ship packages. AI can help businesses look at their data and give the business owners some insight into how to approach potential customers with AI-written personalized communication to convert them into buying customers. AI programs called *chatbots* can help businesses reduce customer support costs by answering user questions. In addition, the increased sophistication and reduced costs of making goods in a “print-on-demand” environment change the game and enable aspiring entrepreneurs to respond quickly and nimbly to trends and fads and carry a dynamic assortment of relevant and timely products. And as the world becomes more connected and technologically advanced, an online business has even easier access to a global audience of potential customers. While the complexities and regulations of offering your products to a truly international audience may seem intimidating to some, for entrepreneurs it all leads to new ways to make money online, which we delve into a little deeper in this edition of the book.

Similarly, another change that continues to gain momentum and provide online-business opportunities is social commerce. Newer social media networking sites, such as Instagram, YouTube, and TikTok, have joined X (formerly Twitter), Facebook, and Pinterest in becoming necessary staples for both promoting your business and making money. There is an entire industry of “influencers” that is not only guiding consumers on what to buy, but has also become a new job path or business plan for some people to develop a following and monetize their reviews and guides for potential customers. Nonprofit organizations are realizing significant boosts in fundraising dollars thanks to the power of donations through social media. Powering all these platforms and online businesses is the use of content to help drive website traffic (customers). Google continues to emphasize the importance of quality content and rewards those online businesses that follow suit and produce with better search engine rankings. Knowing what type of content visitors want to see and understanding how to deliver it for the best results are now critical parts of managing and growing an online business. It may seem like a lot of information, but don’t worry! All these changes (and more!) are captured in this newest edition of our book.

The book also provides you with details regarding specific online-business strategies and moneymaking opportunities but also covers basic offline information. It’s the stuff that every small-business owner needs to understand, such as how

to apply standard accounting principles and keep up with the legal side of running a business.

Of course, using this book doesn't guarantee that you will make a lot of money — or any money, for that matter. We provide you with just enough knowledge and inspiration to keep your online-business dreams on track. Running a business is hard work and requires persistence, dedication, and perhaps an equal mix of patience and luck.

Foolish Assumptions

While we wrote this book, we assumed a few things about you:

- » You're a smart, inquisitive person who is seeking information about running a business on the Internet.
- » You have an entrepreneurial spirit and are a bit of a risk taker — at least in the area of starting a business.
- » You may be looking for ways to use the Internet to build an existing bricks-and-mortar business or to increase online donations for a nonprofit organization.
- » You're comfortable using computers and browsing the Internet.
- » You use email regularly.
- » You're willing to find out about new technologies.
- » You want to use websites and online technologies to build a brand.
- » You're open to the idea of reaching out to others on the Internet using social media, such as Facebook, LinkedIn, Instagram, and Snapchat.
- » You want to use the Internet to make money.
- » You've bought items online and maybe even sold a few things.

Icons Used in This Book

Throughout the book, icons call attention to important details.



REMEMBER

This friendly reminder serves up important information. Whenever you see this icon, know that this information is something worthwhile to keep in mind as you move forward.



TECHNICAL
STUFF

You can usually understand an idea without having to know its behind-the-scenes details. Even when we point them out with this icon, feel free to skip them and move on.



TIP

Check out this helpful hint. We picked up this information somewhere along the way.



WARNING

Pay special attention when this icon appears. It could save you from making a fatal error — at least in your online business!

Beyond the Book

In addition to what you're reading now, this book also comes with a free access-anywhere Cheat Sheet that gives you even more pointers on how to build a loyal online customer base and promote your business through social media. Also check out our list of web resources for online businesses as well as our handy checklist when launching your online business. To get this Cheat Sheet, simply go to www.dummies.com and type **Starting an Online Business All-in-One For Dummies Cheat Sheet** in the Search box.

Where to Go from Here

You can start reading any section of the book that most interests you or that you think is helpful to you and your business. For example, if you're starting a business for the first time, you might want to begin with Book 1. For those needing a boost in marketing or expanding an existing business, you probably want to go directly to the books that discuss those specific topics. However, you should at least browse through *every* section of this book.

Even if your e-commerce skills are more advanced, it never hurts to have a refresher course on some business basics. Considering that the Internet touches many different aspects of people's lives, you never know what unexpected tidbits of information you might discover.

If you have questions or comments, you are welcome to share them with us on X (www.twitter.com/shannonbelew and www.twitter.com/joelelad) or connect with us on LinkedIn.

1

Start-Up Essentials

Contents at a Glance

CHAPTER 1: Starting from Scratch	7
What Are You Waiting For? Start Your Business Now!	9
Choosing Just the Right Business	10
Getting Started.	14
CHAPTER 2: Turning Ideas into a Viable Internet Business ...	17
Thinking Like an Online Entrepreneur	17
Putting Your Business Idea under the Microscope	20
Identifying Your Market and Target Customer	27
Competing to Win: Analyzing Your Competition.	29
CHAPTER 3: Getting Real: Creating a Usable Business Plan ...	31
Understanding the Value of a Plan	31
Recognizing That the Parts of the Plan Make a Whole.	33
Getting Help to Write the Plan.	35
Using a Business Plan Today, Tomorrow, and Always.	38
CHAPTER 4: Funding Your Online Business	39
Bootstrapping the Low-Cost, No-Cost Site	40
Finding the Perfect Investor.	44
Checking Out Alternative Financing	49
Taking a Shortcut: Purchasing an Existing Site	52
CHAPTER 5: Creating Policies and Managing Compliance to Keep It Real	57
Taking Care of Customers	57
Delivering on Your Promises	59
Putting Policies in Place	60
Complying With the Law.	66

- » Recognizing when the time is right
- » Understanding the different types of online businesses
- » Gathering your thoughts and getting started

Chapter 1

Starting from Scratch

It's sometimes difficult to remember a time when we didn't have instant online access to almost anything desired, from finding a phone number for a new business (no phone book necessary!) to ordering groceries from Amazon and having them delivered to your doorstep within hours (without ever leaving the comfort of your sofa!). The Internet has replaced or supplemented trips to the mall, library, bank, gym, auto dealership . . . the list is almost endless. You name it; there's little you cannot find, access, or buy online. Behind each of these unique and convenient online retailers are entrepreneurs that started out just like you — with a good idea for an online business and the motivation to turn it into a reality.

Of course, it doesn't hurt that everyone from consumers to investors now recognizes the legitimacy of online businesses. It was once considered risky to shop online. But an Internet-based business model has proven to be a worthwhile investment time and time again, with the same potential risks and rewards as any other type of business. Add to the mix that technology has also come a long way, and shopping online using everything from a desktop computer or laptop to a tablet or a web-enabled mobile phone (smartphone) is as easy as ever. Online-shopping options don't stop there. It's now common to shop by voice using Alexa or similar devices. And “smart” appliances, such as refrigerators, can sync with a mobile app or have a built-in screen to restock or order groceries online.

For anyone who remained skeptical, their attitudes likely changed during the global COVID-19 pandemic, which forced consumer buying habits to shift online

out of necessity. A world of home-bound shoppers resulted in a 43 percent increase in e-commerce sales in the first year of the pandemic. (E-commerce, or *electronic commerce*, is a type of business activity conducted over the Internet, such as sales or advertising.) According to a report from the U.S. Census Bureau, online sales skyrocketed to \$815 billion in 2020! And the confidence in online buying as a legitimate (and necessary!) business model has not only remained steady, but has continued to see double-digit increases in sales, year-over-year — for all types of products and services in almost every industry.

Individuals are not the only ones spending more on online transactions. Increasingly, businesses of all sizes are also buying products and services online. Those same companies are also spending money to advertise on the Internet and reach their customers through traditional websites and social media sites. All these interactions represent a business opportunity by which people earn a living on the Internet. Why shouldn't one of those people be you?

Even during challenging economic conditions and the most extreme world health crisis, when traditional retail stores have struggled with growth, online retail sales continue to surge. Traditional retailers continue to see more revenue come from their websites, accounting for more than 15 percent of total retail sales in 2023, according to the U.S. Department of Commerce. Even more staggering is that the same report noted that total e-commerce sales in 2023 generated more than \$1.8 trillion. By comparison, when U.S. government agencies first started tracking e-commerce sales in 1998, annual sales were only \$5 million. That's considerable growth across only two decades, and further speaks to the stability and opportunity offered from an online business. With all this growth, you may wonder if it's too late to profit. The answer is — no! Research and economic forecasts from multiple sources predict strong, continued growth of e-commerce sales globally. Even social media sites are providing an avenue for making and increasing online sales, thanks to 107 million buyers who collectively drove more than \$67 billion in social commerce sales in 2023, according to the *Insider Intelligence* report from eMarketer, an independent market research company.

Though all of these facts and figures are impressive, these numbers are from the United States, and North America represents only a small portion of potential online consumers. The international market is expected to exceed \$5 trillion in sales by 2027, for the B2C (business-to-consumer) segment and \$36 trillion by 2026 for the B2B (business-to-business) segment, as forecast by the International Trade Administration (ITA). Much like the United States, countries across Europe and the Asia-Pacific region are seeing steady increases in sales, but the most substantial opportunity for e-commerce sales is in Latin America and the Middle East. No matter where you are geographically located, there is potential to increase your online revenue through international sales. We discuss that in more detail in Book 8, Chapter 6. Isn't it time you join this generation of online

entrepreneurs and take advantage of these rapidly growing markets and start an online business? In this chapter, we describe the kinds of businesses that exist online and motivate you to get started.

What Are You Waiting For? Start Your Business Now!

You might have dreamed for years about starting an online business. Or perhaps you woke up just yesterday with a brilliant idea. What are you waiting for? The truth is that the most difficult part of beginning a new endeavor is making the decision to do it. You can easily get bogged down with excuses for why your business won't happen. To keep you motivated and on track, here's a list of the top reasons to start an online business now:

- » **You can gain financial freedom.** One major incentive for owning any business is the potential for a better income. The Internet offers the opportunity to create your own wealth.
- » **You have unlimited customer reach.** No geographical boundaries exist when you run a business over the Internet. You can choose to sell your products or services in your community, in your own country, or to the entire world.
- » **It's affordable.** You can now create a website inexpensively and sometimes for free. The cost to maintain your site, secure products, and cover related expenses is often relatively low. This low start-up cost is especially evident when you compare the start-up costs of an online business and a traditional *bricks-and-mortar business* (a physical building from which to sell retail merchandise).
- » **Your schedule is flexible.** Part-time, full-time, year-round, or seasonal: Your schedule is up to you when you operate your virtual business. You can work in the wee hours of the night or in the middle of the day. An online business affords you the luxury of creating a schedule that works for you. (Of course, the more time you invest, typically the greater your earnings potential!)
- » **Novices are welcome.** As the Internet has grown, e-commerce applications have become increasingly simple to use. Although you benefit by having experience with your products or services, the process of offering those items for sale online is easy to understand. You can set up shop with little or no experience under your belt!

- » **You can start quickly.** From online auction sites such as eBay to storefronts powered by Shopify.com, the tools that can help get you started are readily available, essentially overnight. Many of these sites (such as Shopify) handle all the details for you — they set up the website infrastructure, manage the payment and shopping-cart system, and may even provide easy access to merchandise or provide information on how to get your products.
- » **You can expand an existing business.** If you already own a business, the Internet provides you with the most economical and most efficient way to expose your business to a huge new group of customers and increase sales.
- » **No age barriers exist.** You might be retired and itching for extra income, or perhaps you're a teenager who's only beginning to consider career opportunities. Online businesses provide economic opportunities for entrepreneurs of all ages.
- » **A variety of ideas qualify.** As proven time and again, the Internet supports a broad range of business concepts. Although some ideas are better suited to long-term success, almost all your ideas have potential.
- » **Niche markets hold unlimited potential.** Thanks to the reach of the Internet, unique or custom products and services have a potentially lucrative home in e-commerce. These products and services may not generate a large enough demand in a local market to sustain an offline business, but can find a significant niche customer base through the broad reach of an online audience.
- » **Everyone else is doing it.** Okay, maybe your parents wouldn't approve of using this logic. It's certainly true, though: People around the world are finding success and more financial freedom by starting businesses online. It's one leap you should be proud to take!

If you're still hesitant, consider this bonus reason: The information you need to take your business online is *right at your fingertips* — literally. This book gives you most of what you need to get started. Whatever else you require, such as information about conducting business in your specific state or country, or regulations for your specific industry, is on the Internet (put there by some other enterprising entrepreneur, no doubt). You have no more excuses!

Choosing Just the Right Business

After you decide to start your own online business, you should look at the different categories of online businesses from which you can choose. In this section, we conveniently provide those categories.



REMEMBER

Not all online businesses will explode like Amazon, eBay, YouTube, or Facebook. But even if your business never grows into a megabrand, you need to plan for the long haul. You want your business to succeed and survive. Also, selecting the right type of online business is just as important. Losing interest or lacking an understanding of your chosen business area can hinder the growth of your new online business. Putting some thought into the type of online business you want to pursue pays off.

Creating online businesses for today and tomorrow

The secret to e-commerce success is to create a business that will stand the test of time. Sure, some people take advantage of relatively short-lived trends and make a mint (from Hoverboards to fidget spinners, for example). The odds that you could create the same magnitude of buying hysteria with a product or service, however, are small. Instead, hundreds of thousands of entrepreneurs are quietly and steadily making a respectable living by using the Internet, and their ideas will find a market for many years. They're not making millions of dollars a month, but they're paying their bills and making a profit.

The widely used term *online business* can be used in different ways. It sometimes refers to a company that operates only over the Internet and has no other physical location from which to sell goods or services. It can refer to a traditional bricks-and-mortar business that also sells over the Internet. And we sometimes use it to reference a segment of revenues generated from the web for traditional businesses or organizations. In this book, an online business is any entity (or person) using the Internet, in whole or part, as a source of income for itself, its business, or its organization (such as a club or a nonprofit agency).

Finding a business that's your type

You can pursue a variety of businesses to earn money online. Almost all types of income-generating opportunities fall into one of two categories:

- » **Business to consumer (B2C):** Customers are typically the individual consumers who make up the general public. They buy products or services designed for personal use.
- » **Business to business (B2B):** Customers are most likely other businesses. They might buy hospital equipment, steel by the ton, employee uniforms, or anything that would be used primarily by a company.

Crossover between the two categories can occur. Sometimes, either type of customer can use the products or services you offer, as is the case with office supplies. And with more businesses now shopping online, this crossover occurs frequently.



TIP

Knowing whether your primary customers are individuals or businesses helps you to create more effective marketing campaigns. Typically, these two groups buy from you for very different reasons. By marketing to each individual group, you can better target your advertising messages for increased sales. You may find that your primary customers require (or respond better to) one type of marketing and that your secondary customers require another type.

Within the two primary categories, you find the different types of businesses you can operate. Here are a few examples of the ways in which you can generate revenue online:

» **Online retail:** When you have a bricks-and-mortar (or traditional retail) store and offer your products for sale online as well, you enter the world of online retailing. You're responsible for hiring the resources and purchasing the tools needed to sell your wares over the Internet. One example of an online retailer is the Barnes & Noble bookstore — you can buy your books online or visit the bricks-and-mortar store. As mentioned, most traditional businesses now have some component of revenue that comes from online sales.

» **Pure e-commerce:** E-commerce is a broad term used to describe the transaction of business via the Internet. E-commerce can also refer to any website where you sell merchandise and may lack a physical location for customers to visit in person (bricks-and-mortar store). For years, the term commonly used for this type of online business has been an e-commerce *storefront*. (Offline, the retail industry uses this term to describe the outside of a building, which includes its signage, front door, and overall image.) As online businesses, and e-commerce, have matured, the term *storefront* isn't used as often. Instead, you may hear someone simply refer to a business as an e-commerce site (regardless of how it's structured) or online merchant. In this book, we continue to use *storefront* to refer to a one-stop shop for setting up an online presence to sell products. Etsy (www.etsy.com) is an example of a storefront. The storefront site provides you with a custom page that displays all your wares. Etsy allows you to customize the page from which you sell your handcrafted or vintage wares. Think of it as a flea market or one of those small kiosks you see in the mall — you get your very own little shopping area that you can customize, and visitors to your page see your merchandise and can learn a little about you if you choose to include personal information about yourself or your business.

We discuss e-commerce fundamentals, including simplified solutions for storefronts, in more detail in Book 7. For now, you need to know that good storefront providers offer the following:

- *Templates for your website:* You don't need to build a site from scratch. Many storefront providers offer wizards or HTML files that you can customize for your storefront. Website builder WIX (www.wix.com) is also an easy tool that uses drag-and-drop functionality to make it simple to build a site.
- *Hosting options:* Many storefront providers have a variety of options for you, some free and some for a fee. These options might include shopping-cart systems, phone support for your storefront, and discounts on fees if you pay rent by the year rather than monthly.
- *A shopping-cart solution:* When selling items on your website, online customers need a place to hold items as they shop, and then complete the purchase process. This virtual shopping cart is actually a back-end solution that customers use to buy products from you.
- *Payment options:* The capability to accept online payment (credit card or debit card) is an absolute must. But other options allow payment to be deferred or even allow financing of purchases.
- *Products (in some cases):* Your preferred storefront solution may offer you everything but the kitchen sink, as the saying goes. Increasingly, you have the option to use a provider that also supplies the product. Your contribution is providing unique artwork or content, or simply providing traffic, or customers (as with an Etsy storefront).
- *An auction (in some cases):* The way your customers buy products is somewhat different when you auction items. Your customers can bid on the final purchase price, as opposed to buying at a price you set. (eBay, the daddy of all online auction sites, has become so popular, however, that it has blurred the lines among auction, storefront, and online retail. We discuss eBay in Book 7, Chapter 3.)

» **Service business:** You don't have to sell products to have an online business. From doing taxes to writing brochures, most professional services can be sold online, just like physical products. Web-based services or applications, also called software as a service (SaaS), is another type of service business and is often sold B2B.

» **Content site:** Charging a fee for content and information products has become an accepted business model, provided the content has sufficient perceived value, whether informative, educational, or entertaining. And as a content site becomes more popular with visitors, options such as paid advertisements on the site can also generate income. Savvy entrepreneurs,

like those who founded Patreon (www.patreon.com), have built platforms that make it easy for content creators to build a community of online fans and sell their digital content. The growing use of electronic readers and Apple's iPad are also helping create more acceptance and demand for paid content of all types, from e-books to podcasts. Similarly, the popularity of YouTube and other social media sites is driving interest in video. When you consider types of content to offer for sale, include video as an option for your paid content offerings.

» **Social commerce:** A growing online moneymaking opportunity is found in a category labeled *social commerce*. People are discovering ways to earn revenue from Facebook, TikTok, Instagram, and other *social sites* (online venues that connect and engage consumers). Whether it's selling games and apps through social media sites, opening an online boutique on Instagram, or boosting online sales of products and services through engagement in social networks, one thing is certain: Social commerce is a real opportunity for a viable online business.

» **E-commerce applications:** If anything lends itself for sale over the Internet, it's technology. E-commerce applications continue to provide lucrative growth for innovators. Think of e-commerce as any type of technology product that makes doing business online (and offline) easier. Inventory programs, shopping-cart solutions, and payroll management software are all examples of innovations that fit nicely in this category.



TIP

In Book 4, we explain how to create a revenue model for your business; you can apply this model to any of the types of businesses in the preceding list.

As you can see, you have no shortage of opportunities to satisfy your urge to start a business. After you officially decide to take the plunge, you can narrow the field and get started.

Getting Started

Even after reading this entire chapter, you might still consider having an online business to be a dream — a vision for your future. You might want to take small steps, testing the water to see whether an online business is right for you, just as you dip your toe into a pool before diving in. At some point, though, you have to decide to go for it. To that end, this checklist describes what you need to do to begin wading into your own online business:

- » **Make the decision to commit.** Although you don't have to quit your day job, you need to acknowledge that you're ready to pursue your goal. Say aloud, "I want to start an online business!"
- » **Set clear goals.** Write down *why* you want this business and what you expect to gain from it. These goals can be related to financial objectives, lifestyle goals, or both. If you know what you're looking for, you can also more easily choose the right business to meet your needs.
- » **Talk with your family.** After you commit to your idea and establish your goals, share your plan. If you're married or living with a partner, talk about your vision for the future. After all, your dream for an online business affects that person's life too. Discussing your plans with family is also a helpful step in making your business a reality.
- » **Create an action timeline.** Unlike the broad goals you set in the first item in this list, writing down specific action steps can help you realize tangible results. From researching business ideas to obtaining a business license, assign a targeted date of completion to further ensure that you make each step happen. (Figure 1-1 shows an example of an action timeline to use with your business.)
- » **Identify a business.** As we show you in the preceding section, you can choose from different types of businesses to operate online. Before going any further, however, you have to decide which business to pursue. Narrow your choices by thinking about what you enjoy doing or which specific qualifications you already possess. Consider your professional experience and your personal desires. You might even have a hobby that can be developed into a moneymaking business.
- » **Develop your business idea.** Define your idea and determine how you will turn it into a profitable online business. (Read Book 1, Chapter 2 when you're ready to evaluate whether your idea is feasible.)

After you make it through this checklist, you're ready to go to work and transform your dream into a legitimate business.

(Sample) Start-Up Action Timeline for Your Online Business

Start date: January 15

Estimated start-up date: June 30

Action	Completion Date	Status/Comments
Finalize/validate business idea	1/30	
Write formal business plan	2/15	
Select business name	1/30	
Register business name	2/15	
Choose domain name	1/30	
(if different from corporate name)		
Register domain name	1/31	
Identify business location	2/01	
Check zoning laws (if home-based)	2/05	
Set up office (computer, telephone, and so on)	2/15	
Decide organization status of company	1/30	
(sole proprietor, corporation)		
Legalize business structure	2/28	
(file incorporation papers)		
Obtain business license	2/05	
(and other necessary permits)		
Set up business bank account	2/05	
Meet with accountant to review tax requirements	2/10	
Obtain Employer Identification Number (EIN)	2/15	
Secure business insurance/health insurance/other	2/28	
Secure funding (if using outside sources)	3/31	
Apply for sales tax certificate (if applicable)	3/01	
Select:		
Hosting service	3/02	
Web developer	3/02	
Distributor or drop shipper (if applicable)	3/30	
Create content for website	4/29	
Select products, or finalize services, or both	5/20	
Develop website	6/10	
Add shopping cart or other e-commerce applications	6/15	
Obtain merchant account	6/15	
File trademarks and/or copyrights	6/16	
Submit site to major search engines	6/17	
Initiate marketing plan	6/20	
Test (and correct) all site functions	6/28	
Launch site to public!	6/30	

FIGURE 1-1:
A timeline for
starting your
online business.

IN THIS CHAPTER

- » Training yourself to think like an online entrepreneur
- » Evaluating your business idea's chances for success
- » Scrutinizing your future customers
- » Picking apart your competitors

Chapter 2

Turning Ideas into a Viable Internet Business

Congratulations! After you make the emotional commitment to get started, you have to shift gears and concentrate on the next set of actions that will make your Internet business a reality. From evaluating the potential success of your idea to identifying who will buy your products, in this chapter you gain the tools to help get your idea off the ground. In the process, you begin thinking like an online entrepreneur and find out how to start your business on the right track.

Thinking Like an Online Entrepreneur

Using the Internet to conduct business is similar in many ways to operating a traditional company. In fact, many traditional offline businesses now conduct part of their business online. Today, consumers research products and services online and expect to be able to buy products or services online, even from bricks-and-mortar stores. For those reasons, the lines between online and offline businesses are increasingly blurred.

Profitability (or how much money you make after subtracting your expenses), taxes, marketing, advertising, and customer feedback are other examples of factors that affect your business whether it's online or offline. However, some exceptions set apart an online business, particularly in regard to how you deliver products and service your customers. Even the most experienced entrepreneur can get caught in the trap of forgetting those differences. Your attitude and how you approach the business as an online entrepreneur can make a huge difference in how successful you are online.

Adjusting your attitude slightly and viewing business from behind the lens of an online entrepreneur isn't difficult. Doing so is simply a matter of recognizing that the Internet changes the way you can and should operate your online business.

When you think like an online entrepreneur, you

- » **See the invisible storefront.** Although the doors, walls, and even the salesclerk for your online business might be invisible, they definitely exist. In fact, every part of your web business leaves a distinct impression. Yet rarely do you hear or see the response to your storefront directly from customers. Consequently, and contrary to popular belief, a website demands your continual care and attention — adding products, fixing bugs, replying to email, and more.
- » **Understand who your customers are.** Even if you don't personally greet your online visitors, don't be fooled: The Internet offers the unique opportunity to learn and understand almost everything about your customers. You can learn where else they shop, how much time they spend on your site, what products they're interested in, how they prefer to shop (on a desktop computer or on a mobile device, for example), what triggers or offers they respond to best, where they live and work, how much they earn annually, and on what other websites and social media networks they spend their time. Online entrepreneurs collect and use this information regularly in an effort to increase sales and better serve their customers. (When you're ready to meet your customer, turn to Book 6, where we explain the basics on how to get and use this wealth of customer information. We go into even more detail on understanding the online buyer's journey in Book 9.)
- » **Respond to fast and furious changes.** The way people use the Internet to buy, sell, or search for products and services changes rapidly. Also, the rules for operating an online business as imposed by both the government and the business world in general are modified almost daily. Sustaining success online means that you must take the initiative to keep up with new trends, laws and regulations, safety and security concerns, technology, and even marketing and social media tools.



REMEMBER

- » **Speak the language.** Communicating to your customers through a website can be challenging. Your buyers want and expect quick and easy access to information. Because attention spans are limited, content should always be relevant, easy to find, and to the point.
- » **Communicate visually.** Equally important to the words you choose are the images and videos you incorporate into your site. Whether you use purchased stock photos or pictures that you take yourself, you want images to be crisp and clear. Videos, whether professionally produced or ones that you film yourself, are best when the quality is good, the video length is short, and the content is relevant to the message you are communicating. In addition, product images and videos should be of the best quality possible.

As an entrepreneur, you must choose your words, images — and even music — carefully. Your site's content, including the words and pictures you use on your web, will

- Help sell your products or services to visitors.
 - Serve as interesting and useful content to share on social media, which is an important method of marketing your online business.
 - Play a big role in *search engine optimization (SEO)*, or the way you can increase visits to your site by placing higher on the list of rankings by Internet search engines. (Yes, images, like words, are searchable and can help increase your rankings in search engines!)
- » **Know when (or whether) to innovate.** You might be able to develop a new or different method for doing business online, although it's probably not necessary. Innovative tools already exist, and you can often find them on the Internet quickly and cheaply. You don't need to reinvent the wheel — you just have to know how to find and apply the tools that are already out there.
- » **Reap repeated rewards.** Establishing multiple streams of revenue or maximizing a single source of revenue is a common practice online, whether as part of a side hustle or an extension of an existing business. For instance, you might have an outstanding information product for sale on your site. The same product can just as easily be sold on other websites in exchange for a small percentage of earnings. Or you can choose to add a product from another website to your site and pay that site a percentage of earnings. (To begin increasing your earnings, read about affiliate programs in Book 4.) Similarly, you may decide to sell cloud-based or web-based services to other businesses on a monthly basis. This software as a service (SaaS) online-business model provides recurring revenue for your online business.

Putting Your Business Idea under the Microscope

Every successful business begins with that first idea. From fast-food restaurants to selling cosmetics from home, Ray Kroc first dreamed of hamburgers at McDonald's and Mary Kay visualized selling makeup door to door. When the Internet first provided similar opportunities, Jeff Bezos visualized a way for consumers to buy everything from books to clothing and have it delivered straight to their doorsteps through Amazon. Your dream for an innovative new business is no exception — and the Internet has continued to make it easier than ever to launch a successful business. Maybe you have several unique concepts to choose from or are firmly set on a single one. Either way, how do you decide whether you should quit your day job and focus on your brilliant idea? You have to pick apart the idea, observe closely, and determine whether it merits a full-time (or part-time) business.

One question often asked is whether or not the idea has to be original. Innovative, never-before-broached ideas for an online business certainly exist. But being the first to have and implement an original idea is not a guarantee of success. Likewise, there may be exceptional opportunities for updating or modifying an existing business to an online format. Consider that Netflix became an online streaming version of bricks-and-mortar video rental stores. The video rental concept was not new, but Netflix took video rental online and eventually became part of the reason for the demise of the leading offline video rental giant, Blockbuster. Ultimately, your concept for the business, whether it's a new idea or a twist on an existing idea, must be well thought out to increase your probability of success. This section describes the three methods you can use to decide whether your idea has potential.

Using informal research to verify your idea

The best place to begin gathering information is from sources closest to you. Be prepared to receive varying opinions — both positive and negative. Use this input as a general gauge of whether to continue reaching out to the next source of information. You and your idea are in the center, surrounded by three rings from which to collect input, as shown in Figure 2-1. If the ring closest to you provides mostly positive input, proceed to the next ring.

Three Rings of Decision

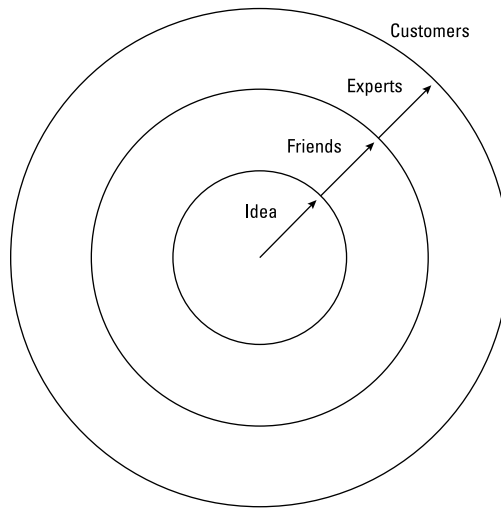


FIGURE 2-1:
Using your close contacts and moving outward is a good method for gathering information.

Ring 1 consists of your friends, family, and coworkers. Ask them these questions:

- » Have you ever heard of this type of product or service?
- » Would you buy this product or service?
- » Do you think it's a good idea?
- » What challenges do you think I will encounter?
- » What are the benefits?
- » Can you envision me selling this product or service? Why or why not?

In Ring 2, seek input from industry professionals, investors, other entrepreneurs, and organizations that offer support to small businesses. Ask questions similar to those listed for Ring 1. Because of the experience of the people in Ring 2, you should give more weight to their responses. Small-business support resources include the following:

- » **Small Business Administration (SBA) (www.sba.gov):** The SBA, a government-sponsored organization, helps small-business owners with loans, paperwork navigation, free seminars, and other services.
- » **Small Business Development Center (SBDC) (www.sba.gov/sbdc):** The SBDC is a partnership between the SBA and universities. Together, they provide support, mentoring, training, and educational services to both new

and established small businesses. SBDCs are available through local branches, often located in a partnering university or Chamber of Commerce.

- » **Chamber of Commerce (www.uschamber.com):** From small towns to large cities, all local chambers help owners develop their small businesses.
- » **SCORE (www.score.org):** This network of retired executives matches small-business owners with business-exec retirees who volunteer their time to help small businesses develop and prosper.

In Ring 3 are your potential customers. Ask them these questions:

- » Would you use this product or service?
- » Have you used something similar?
- » How much would you be willing to pay?
- » How often would you use it?
- » Where would you normally go to buy this product or service?
- » Would you order it over the Internet?

If you find that you're receiving a majority of positive feedback from sources in all three rings, you can consider your idea worthwhile. Or at least you have enough validation to continue to the next phase of your evaluation process. Later, you may want to return to this list of friends and customers and ask them to "beta" test, or try out an early version of your product or service before it is fully available to the general public.

Applying a SWOT analysis to your idea

Another popular method for determining the pros and cons of an idea is referred to as *SWOT analysis*. (SWOT is short for strengths, weaknesses, opportunities, and threats.) Companies use it for several reasons, including as a decision-making tool for product development. The simple process also lends itself to a more thorough investigation of your business idea. This section covers how you can put your idea to the SWOT test!

Create your own SWOT chart by following these steps:

- 1. On paper, draw a cross (or a box divided in half both horizontally and vertically) to create four quadrants, and label them as shown in Figure 2-2.**

After you draw and label the chart, you can begin to fill in the details.

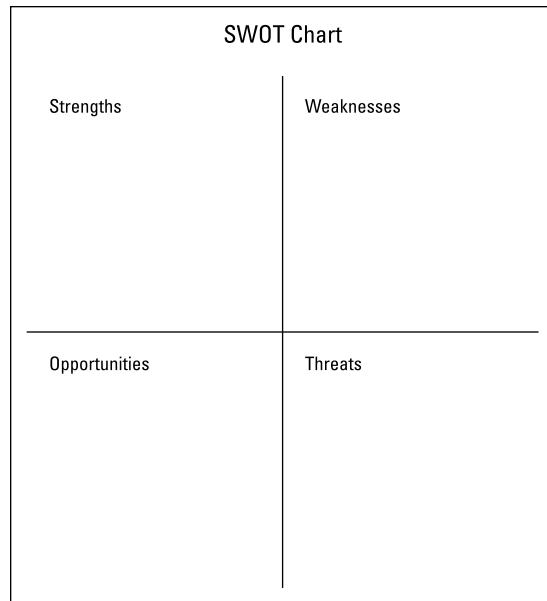


FIGURE 2-2:
Start your SWOT
chart to help
investigate your
business idea.



TIP

2. In each quadrant, write down the factors that influence or contribute to each of your four SWOT categories.

Strengths and weaknesses are considered *internal* factors that control or specifically contribute (good or bad) to the business concept. Opportunities and threats are *external* factors that are influenced to some extent by the environment or are otherwise outside of your control.

3. Analyze the information you filled in. Ask yourself the following questions to start developing your SWOT analysis:

Strengths

- What advantages does the product or service offer?
- Do I have expertise in this business or industry?
- Can I get a patent to protect the idea?

Weaknesses

- How much does developing the product cost?
- Is getting suppliers difficult?
- Am I learning a new industry from the ground up?

Opportunities

- Does my idea take advantage of a new technology?

- Is my product or service in demand?
- Have changes in policies or regulations made my idea necessary?

Threats

- Does my product or service have established competitors?
- Do my competitors sell the product or service for less than I can?
- Will changes in technology make my product obsolete?



TIP

Use the feedback you receive from your informal research (during the Three Rings exercise) as factors in your SWOT quadrants. Combining other people's opinions with your own provides a more comprehensive — and useful — SWOT analysis.

4. **After you fill in the categories of your first SWOT analysis, take a look at which quadrants contain the most factors or the most significant factors.**

The listed strengths and opportunities indicate the advantage you might have in the marketplace. If you're lucky, they outweigh your weaknesses and challenges. Perhaps you can now see what you must do to offset those disadvantages if you really want your idea to work.

Whatever the outcome of your analysis, you should have a better feel for the value of your business idea after viewing the completed SWOT analysis.

Creating a feasibility study to validate an idea

After your idea gains a nod of approval from friends and family and the SWOT analysis indicates that your product has merit, your idea must jump through one more hoop for complete validation. A *feasibility study* is a somewhat formal, written process that helps you determine whether your idea is realistic. The goal of the study is to provide you with final proof that your business concept is viable.

A feasibility study answers these basic questions:

- » Will the product or service work?
- » How much will it cost to start?
- » Can your idea make you money?
- » Is the business concept *really* worth your time and energy?

CHOOSING THE BEST IDEA FOR YOU

Perhaps you have no trouble dreaming up new ideas for a business. Instead, your challenge is deciding which one to pursue. Unlike the SWOT analysis or feasibility study, no established test determines which of your many pursuits is best suited for you. This decision is much more subjective and personal. When deciding which idea is best for you, consider the following questions. Use your answers to help gauge such things as how passionate you are about a particular idea or which ideas may be better suited for your current skills or lifestyle.

- Does this idea interest you?
- Does this product or service *excite* you?
- Do you have experience with this product or service?
- Does it require a large investment?
- Do you have money readily available to fund the concept?
- Will starting this business require you to alter your lifestyle?
- Are you willing to change your lifestyle for this idea?
- Does this business reflect your personal goals?
- Does this idea reflect your professional goals?
- Can you imagine owning this same business in 10 years?

A feasibility study kicks your analysis up a notch. It relies on in-depth research to provide more detailed answers to questions in five primary areas:

» Your product and service

- What is the product or service?
- How will my customers use it?
- Where or how will my customers buy it?
- How is it designed, and how is it delivered to my customers?
- Am I testing to ensure that my product works correctly? (Describe these tests in detail.)

- » Your experience (including your management team's experience)
 - Who is my management team?
 - What experience do I (and my employees) have?
 - What are my specific skills and credentials?
 - Which skills am I missing, or in which areas am I weak?
 - How much time can I devote to my business?
- » The market in which you're competing
 - What is the demand for my product?
 - Who are my customers? (What is the target market?)
 - How big is the market I'm selling to?
 - What is the status of the market? Is it growing or stagnant?
 - Where and how can I reach those customers?
- » Your competition
 - Who are my primary and secondary competitors? (Describe each of your competitors in detail.)
 - How do my competitors market their products or services?
 - What makes me different from or better than my competitors?
 - Is my product easy to copy? How can I prevent copycats?
- » Your costs
 - How much does it cost to make my product or produce my service?
 - What other business costs do I have?
 - How much money do I need to start?
 - Do I have access to funding?
 - When will I make a profit?

Now you know how much information you have to gather in your feasibility study. As you answer all these questions, make sure that you back up those answers with detailed research. Then write your results in a one-page summary that discusses what you discovered. Your summary should answer all the questions in each category and provide proof of whether you have a viable idea. After the validation process is complete, you can turn your attention to the next piece of the business success puzzle: potential customers.

Identifying Your Market and Target Customer

The terms *target market* and *target customer* are defined as the entities that buy your product or service. Although these phrases are sometimes used interchangeably, *market* is often used to describe a collection of individual target customers. The term *buyer persona* is also used as a way of providing a detailed description (or persona) of your typical customers. You most likely have several types of customers, each with a unique persona — and you mostly likely have several buyer personas that make up your target customers.

Classifying your customer

Knowing your target customer is an important advantage when you begin marketing. As we explain in earlier sections in this chapter, recognizing your primary customers lends credibility to your business concept. The more you know about your target customers, the more easily and cost-efficiently you can build your business and market to these folks.

How do you decide who this person is or who the groups of people are? You can create buyer personas by describing or segmenting your customers based on different traits or classifications. The two most common classifications are

- » **Demographics:** Age, income, gender, and occupation are examples of common factors used to describe your customers.
- » **Psychographics:** Music choices, hobbies, and other preferences make up this category. Usually, psychographics reflect lifestyle choices.

You can describe your customers in other terms as well, such as these categories:

- » **Benefits:** Describe why customers use your product or service. For example, customers might need it for medical purposes. Or they might receive a luxury benefit, where they don't *need* the product or service but choose to invest in it for perceived benefits.
- » **Geographic preferences:** Point out where people live. The location can include a specific neighborhood, city, state, region, or even country. Customers can also be segmented according to home (or residential) locations versus business locations.



Technology has made it easy to target your customers by location. Knowing where your customers are in terms of geography can be a critical competitive advantage.

- » **Use-based preferences:** Specify how frequently customers want or need your product.

Typically, your target market includes customers described by a mixture of the terms and categories in this list, which you use to develop your buyer persona. For instance, if you sell trendy men's clothing at discounted prices, one buyer persona for your target market might be described this way:

Male

Age 25 to 30

Professional

Owns home or rents high-end apartment, with a total annual household income of \$75,000 or more

Lives in urban area or major metropolitan city

Buys clothing at least monthly and updates style seasonally to enhance appearance



Depending on what type of product you sell, your target market most likely includes a wider mix of customer types — not just one.

Going to the source

In the preceding section, we talk about the components of a market description. Where do you get the information to build this type of description, though? You can use any or all of the following methods to gather information for your customer profile:

- » **Survey potential (or existing) customers.** Conduct a focus group in which you interview a small group of likely customers. Or distribute a survey or registration form online to gather the data.
- » **Observe competitors' customers.** Stake out your competitors by visiting them online. You can often discover exactly what competitors think about their own customers by reading through their sites. (This information is often readily available on competitors' websites in sections labeled About Us or Company Information.) For competitors with retail locations, visit their stores and observe the customers and their habits in person.

- » **Use published market research.** To identify the types of customers most likely to buy your products, read about trends in reputable market reports. You can find much of the research for free online. Larger research firms charge a fee (which can range from several hundred dollars to several thousand dollars per report) for detailed reports. If this type of research interests you, start with companies such as eMarketer (www.emarketer.com), Gartner (www.gartner.com), or IDC (www.idc.com).

Use this information to pinpoint who your customer is.

Competing to Win: Analyzing Your Competition

If you're serious about developing a successful online business, you need every advantage possible. That means getting to know not only who your customers are but also who else is after their business. Start by writing down a list of your top three to five competitors.

Keep this list on hand, and document basic information, such as

- » Website address
- » Physical address (if they have one) and number of locations
- » Annual sales (if publicly available)
- » Number of employees
- » Types of products or services offered (with full description)
- » Strengths and weaknesses
- » Copies of ads, flyers, and brochures
- » Special promotions (especially online offers)
- » Pricing information for products or services similar to yours



TIP

As a quick and easy way to keep up with your competition, visit their websites and sign up to receive marketing notifications, newsletters, and other promotional offers by email. You can also follow them on social media sites such as LinkedIn, Instagram, and X (formerly Twitter).

Be sure to maintain a list of your secondary competitors, too. These companies don't sell your exact products or services but come close enough to compete for your customers' dollars.

Hooray! You completed your due diligence and have a fat file of information about your stiffest competition. What now? This kind of data does you no good when it just takes up space in a filing cabinet. Use it to your advantage.

Sift through your collected information again to refresh your memory (because you probably have lots of information), and then follow these steps:

- » **Compare apples to oranges.** Using the information you collect, compare both your strengths and weaknesses to that of the competition. (You can even do a complete SWOT analysis on each of your competitors!) This comparison identifies where you fit in the marketplace relative to other players in your area of interest.
- » **Plan your marketing strategy.** You have access to your competitors' marketing material, so use it to define your own marketing strategy. Play up your company's strengths in ads; advertise in markets that your competitors missed; and plan to educate your customers on the benefits that separate you from your competition.
- » **Create a competitive pricing model.** Maybe you discovered that you could beat a competitor's price. Or perhaps your research shows that you *must* price lower to survive. Use a competitor's pricing data to map out the best pricing model for your product or service.
- » **Determine growth models and financial requirements.** Suppose that a major competitor is ready to partner with a big distributor. Although you might not be able to compete immediately, this information helps you plan for growth. Use this knowledge to better understand your competitor's growth and financial strategies, and then adjust yours accordingly.



REMEMBER

The old cliché is still accurate: Knowledge is power. Don't let good information go to waste. Use what you learn to differentiate yourself and win points with your customers.

IN THIS CHAPTER

- » Understanding the purpose of a business plan
- » Organizing the pieces of your dreams into tangible goals
- » Determining when you need help and what to expect
- » Getting long-term value from the plan you make today

Chapter 3

Getting Real: Creating a Usable Business Plan

One big complaint from entrepreneurs, especially those running small companies, is “Why do I have to write a business plan?” Quite honestly, you don’t. Some entrepreneurs who choose to forgo a business plan do just fine, but others struggle. In this chapter, we tell you why having a business plan is a good idea and show you the benefits you can reap from not only having one but also reviewing and updating it regularly.

Understanding the Value of a Plan

Starting and managing a business without a business plan is, like it or not, the same as searching for a buried treasure without a map: Although you know that the gold is in the ground somewhere, you’re wasting an awful lot of time by randomly digging holes in the hope of eventually hitting the jackpot. Without a plan, the odds of success aren’t in your favor.

Why, then, do people resist using this tool? They resist it for two reasons:

- » **Having a plan involves a great deal of work.** Don't despair: You can minimize the amount of work involved, which we get to momentarily.
- » **They don't understand the importance of having a plan.**

To help you overcome your business plan angst, we provide these reasons for having a plan — you can decide whether to take another step without one:

- » **You can more easily secure money.** This goal is probably the most common reason for the creation of a business plan. If you decide to ask strangers to lend you money, whether those strangers are bankers or private investors, they want to see a plan. Lenders have a better chance of protecting (and recouping) their investments when a formal strategy documents your projected income and profits. Even if you're counting on family members for a loan or are using your own funds, having a business plan confirms that you have thought about how to use the money wisely.
- » **A plan creates a vision that gives you a well-defined goal.** Coming up with a great idea and transitioning it into a viable business opportunity can be challenging. Having a written plan forces you to fully develop the long-term vision for your product or service. With those clearly defined goals in place, you stand a much better chance of accomplishing your vision.
- » **A plan can provide timeless guidance.** Done correctly, this document provides a concrete plan of operation for your business — not only during your start-up phase but also for three to five years down the road. Keep in mind that the plan might need occasional tweaking (as discussed at the end of this chapter). However, investing the time now to create a strong foundation ensures that you have a barometer to help you make decisions for managing your company.

Chances are that at least two of the three reasons on this list are valuable to you. Even if you don't plan to attract investors, you're already forming a picture of what your company looks like, and you're setting goals to make sure that you get there. The only remaining step is to make your thoughts more permanent by writing them down in a business plan.

Recognizing That the Parts of the Plan Make a Whole

A traditional business plan is sectioned into seven or eight major parts. At first, that number of parts might seem a bit overwhelming. Consider, however, that most experts recommend keeping a finished business plan to fewer than 20 pages. (You can usually get by with many fewer pages.) When you break down that recommendation, each section becomes only two or three pages long, which translates to five or six paragraphs per page. It's not so much after all.



REMEMBER

Each part plays a critical role in your overall plan. Although each section can almost stand alone, the sections work together to present a complete picture, or vision, of your business. Don't even think about omitting one of them.



TIP

Depending on your main purpose for having a business plan, you can develop sections with more diligence. For example, if you're seeking outside funding, make sure that the financials section is as thorough and accurate as possible.

Before you start writing, get a sense of the scope of your plan by reading these brief descriptions of the basic parts you need to cover:

- » **Executive summary:** Although this part comes first in your plan, you typically write it last. This brief page does just what it says: It highlights the major points from each of the other parts of the plan. This page is usually the first one that investors and other advisors read, and how well it's written can determine whether they turn the page or show you the door.
- » **Business or product description:** This section provides a detailed description of your overall business and your product or service. You should include a *vision statement* (or *mission statement*), which summarizes your goals for the business. When you describe your product or service, don't forget to pinpoint what makes it a unique and viable contender in the marketplace.
- » **Market analysis:** Provide a thorough description of your target market. In this case, discuss both the overall industry in which you're competing and the specific customers to whom you're marketing. Don't forget to include a description of any market research you conducted.
- » **Competitive analysis:** In much the same way as you describe your target market in the market analysis, in this section you provide an in-depth view of your competitors in that market. The more detail you can provide, the better, to show exactly how well you understand (and are prepared for dealing with) your competition. Address your competitors' weaknesses and also state how you can counter their strengths.



TIP

Don't double up on your work. Use information you gather during your SWOT analysis and feasibility study (see Chapter 2 of this minibook). Adapt the research and results of both to include in the market analysis and competitive analysis sections of your business plan.

- » **Management team:** Whether you're flying solo on this operation or working with a team, highlight the expertise that you and your executives bring to the table. Include summaries of your key professional experience, educational and military background, additional certifications and completed training programs, and all other relevant accomplishments. Remember to include a copy of your full résumé.
- » **Operations:** Here's where the "rubber meets the road." Use this section to describe your marketing and operations strategies. Then detail *how* you plan to implement these strategies in your business. Think of the operations section as your chance to prove that you know how to convert innovative ideas into a successful business.
- » **Financials:** Start talking money. In this section, you include projections (or estimates) of how much money the business will earn and your expenses, or costs of doing business. This combination is typically referred to as a *profit-and-loss (P&L) statement*. For the first year, break down this information for each month. (This listing demonstrates how far you must proceed into your first year before you start making money and indicates where seasonal slow points might occur, with smaller amounts of income coming in.) After the first year, show your projections annually. (See Book 2 for complete descriptions of legal and accounting requirements.)



TIP

When you're pursuing outside funding, try to be optimistic about your financial projections. Don't be unrealistic, but don't be too conservative, either. If you're using the plan only internally, you can play it safe and estimate your future profits toward the lower end.

- » **Appendix:** Consider this area a catchall for important documents that support portions of your business plan. Place copies of your loan terms, patent or copyright documentation, employee agreements, and any other contracts or legal documents pertaining to your business.

You might wonder whether you can use an easier, or shorter, business plan format with an online business instead of the traditional format. No, not really. As you can see from the descriptions in the preceding list, each part or section of the plan is generic. You can use almost any business plan template, tailor it slightly to your specific type of business, and achieve the same results.



TIP

Having a sample plan written for an organization similar to your online business is helpful. Check out one of the business-planning resource centers on the web, such as Bplans (www.bplans.com) or LivePlan (www.liveplan.com), to locate a sample plan specifically for online businesses to use as a guide, available for a fee. Free resources and tips are also available to help create your e-commerce business plan from online resources such as the HubSpot blog (<https://blog.hubspot.com/marketing/ecommerce-business-plan>) or from the Shopify blog (www.shopify.com/blog/business-plan-template).

Getting Help to Write the Plan

Even though you will probably feel better about writing a business plan after you read the rest of this chapter, more options can help make writing one easier. When creating a plan feels like more than you can handle alone, the solution is to hire a professional to write it for you or purchase business plan software that walks you through the process.

Don't think that a business plan template or other software package is cheating. Your goal is to get your business off the ground — don't close any doors or turn away any help. The money you spend on your business plan is an investment that has the potential to pay back many times. The time you spend on your business plan can likewise shorten the time you must spend later in preparing your business for success.

Determining when to hire a professional

Not everyone needs outside help to construct a solid business plan. If you're starting the business part-time or you plan to be a one-person company for a while, the plan doesn't necessarily have to be lengthy and complicated.



TIP

As a *sole proprietor* (one-person company), part-time operator, or home-based business owner, you might write a condensed version of the business plan, with the same sections but less detail. Rather than use a 20-page document, you might be able to achieve the same objective in only 8 pages.

Alternatively, if you need to secure a large amount of money for your online-business start-up, it just might pay (literally) to get help — especially if you plan to *pitch* (sell) your business idea to savvy investors, such as venture capitalists. Bringing in a seasoned business plan writer helps you

» Add polish to your plan

- » Remember to include pertinent information
- » Phrase the wording of your business plan in the best possible way so that you speak the language of investors

If you're pressed for time, getting assistance might also speed the process for you. Additionally, if you commit to using the business plan to its full potential (as a long-term operational guide), hiring an experienced consultant almost guarantees that your plan is a top-notch piece of work.

Knowing what to expect from a business plan consultant

After you decide to seek assistance with your plan, you might be surprised to find that you're still expected to contribute information. Business plan writers are often referred to as consultants, and for good reason: You consult these folks to get advice and guidance on how to make the most of your plan.



REMEMBER

A consultant translates your thoughts into the final written document. Consultants aren't mind readers, though: You're still responsible for providing all the initial information, often in written form.

You might be wondering how much this service costs. After you realize that you're still doing a good bit of the work, your expectations of price might change. Regardless of the amount of work you must contribute, however, writing the plan still takes a great deal of time, and you're paying for the consultant's expertise. Expect to pay the minimum national average of \$1,500 to \$5,000 for a business plan written by a professional, with consultants' fees ranging from \$100 to \$250 per hour, on average.

Keep in mind that wide variations might still exist, on both ends of the price scale, for this service. Much of the final price depends on

- » Your requirements for the plan
- » What you can contribute (to save the consultant time)
- » The consultant's experience level
- » The complexity of the business concept
- » The amount of research required to substantiate the plan

Although more knowledgeable consultants might charge a higher hourly fee, they could complete the project much sooner because of their experience. A consultant who lowballs the price of the project might not fully understand the amount of time involved and might try to increase the quoted price later.

When you're working with a professional, the length of time to complete your plan depends on several factors. Here are some examples:

- » How much information you can provide versus how much research you need the professional to complete
- » How quickly you can provide the information
- » How extensive a plan you need
- » The availability and accessibility of the facts about your business



TIP

If you decide to hire a professional, check first with experienced advisors who offer free assistance. Your local Chamber of Commerce or SCORE, an organization that offers guidance to new and established businesses, might provide enough to support writing the plan yourself. In addition, the SBA offers an online guide for writing a business plan called "Write Your Business Plan." You can access it at www.sba.gov/business-guide/plan-your-business/write-your-business-plan.



TIP

When you're ready to hire a professional, keep these points in mind:

- » Look for someone with experience in your product or service industry.
- » Find a consultant who's comfortable with, and knowledgeable of, online businesses.
- » Review samples of other business plans the consultant has written.
- » Ask for written testimonials and references you can contact.
- » Get a firm price quote.
- » Agree on a reasonable timeline for completing the plan.
- » Put your final terms into a written contract, including specifics of what you're responsible for providing.

Using a Business Plan Today, Tomorrow, and Always

Ignoring your business plan or forgetting to maintain it is the same as failing to plan. To ensure that your business plan passes the test of time, consider these suggestions for ways to use it:

- » **As reference material:** Refer to your plan often. Rereading your original plan is a good way to make sure that you're staying on track.
- » **As a decision-making tool:** When major operational issues occur or expansion opportunities arise, turn to your business plan. Decide whether the issue at hand fits your original goals and timeline before taking action.
- » **As a troubleshooter:** When problems surface, minimize your frustrations. Use your own words of wisdom to resolve your problems. Take a look at your plan to see where the hiccup is. More than likely, you addressed potential problems in the operations section of your business plan.
- » **As a hiring tool:** When you're ready to expand your executive team, or add any other key staff positions, a business plan can show prospective employees that the company's course has been carefully charted. Having proof of a game plan for growth and showing you have been sticking to it is particularly important when trying to hire executives or recruit advisors and a board of directors.
- » **As a vision guide:** After your business is running, you can easily lose sight of the big picture. Concentrating on daily tasks and problems can derail your overall progress. Check your plan frequently and refocus your vision.



TIP

Every January, schedule at least two business plan preview sessions for the coming year. If necessary, pencil in a date and time on your calendar. (Block out 3 or 4 hours.) Do this task semiannually or quarterly, depending on whether you made, or will make, significant changes to your business.

IN THIS CHAPTER

- » Getting started with little or no money
- » Selling others on your idea
- » Searching for alternative money sources
- » Avoiding start-up costs with an upfront investment in an existing business

Chapter 4

Funding Your Online Business

One of the most important choices you make when you're creating a company is how to fund your brave new endeavor. The amount of money you have available and where it comes from truly helps you begin defining the rules by which you must operate the business.

If you borrow \$25,000 from a bank, for example, right away you know what's at stake. Each month you *have* to come up with at least enough money to cover that loan payment or else you risk jeopardizing your personal credit record (if you're a sole proprietorship and aren't incorporated). On the other hand, if you borrow \$5,000 from your in-laws, you're potentially inviting additional decision-makers into your business because there's no such thing as "silent" in-laws.

Whether you need \$500 or \$500,000 to get your business going, this chapter shows you various financing options and describes what each one means to the future of your business.

Bootstrapping the Low-Cost, No-Cost Site

We won't lie to you: Just like starting a political campaign, starting a business is easier if plenty of money is available. Fortunately, having a lot of money isn't a requirement to start an Internet business. If you don't have access to megabucks, you can always *bootstrap* your new business. (The term comes from the idea of pulling yourself up by your own bootstraps, or making your own way.) In the case of financing your entrepreneurial dream, bootstrapping is a matter of making a little money go a long way.

Making the leap to the bootstrapping lifestyle

One of the first rules of bootstrapping is to hang on to other sources of income for as long as possible. In other words, keep your day job! You might have to design your website during lunch breaks or work past midnight to prepare customer orders for shipping. Although keeping a regular job while starting a business can mean a grueling schedule, it provides you with much-needed financial security in the early stages of building your company.



TIP

Try something between maintaining a full-time job and starting a business. Many entrepreneurs worked part-time jobs at night so that they could dedicate themselves to their new businesses during the day.

If you're the all-or-nothing type, perhaps you want to throw yourself completely into the business. Or maybe you're confident enough in your idea that you just *know* success (cash!) will materialize. However, you should still plan for alternative sources of income. Look for freelance work, short-term consulting jobs, or whatever else it takes to keep money coming in while building your business.

Saving money to make money

Making sure that cash is coming into your business is only your first step. Learning to conserve your cash is the second rule of bootstrapping. Controlling the *outflow* of money, or how that money is used, is quite important.

Here are some ways that any good bootstrapper can conserve cash:

» **Become frugal.** Spend only when absolutely necessary, and then buy on the cheap. Rather than buy brand-new office furniture, for example, find what you need by shopping garage sales, thrift stores, and eBay.

- » **Budget wisely.** Create a financial plan that helps you track income, expenses, and projected sales. By monitoring the money you have coming in and going out every day, you're less likely to get into trouble. Book 2 shows you how to establish this type of budget and set up your accounting procedures.
- » **Use other people's money.** Rather than borrow money from banks or investors, "borrow" money from your suppliers and customers. You can negotiate terms with vendors that allow you to pay for supplies 30, 60, or 90 days out (in other words, after you receive them). Then ask customers to pay for your product or services upfront or in net 15 days. This strategy lets you use your customers' money, rather than cash out of your pocket, to pay your expenses.
- » **Sacrifice for the business.** The cash coming into your business should be just that — money for your business. If you're using revenues to support your personal lifestyle, the business doesn't stand a chance. Bootstrappers commonly forfeit luxuries and even downgrade their living circumstances while growing a company. Could you live in a smaller house for a while or drive a less expensive car?
- » **Inspire, don't hire.** The early stages of building your company can be overwhelming, with lots of hats for you to wear. Rather than hire full-time employees, inspire others to work with you *gratis* (for free). Not everyone wants or needs immediate compensation, so sell people on your skills as a leader and get them excited about where your company is headed. College interns and retired professionals are a good source of free or inexpensive labor for your business. Out-of-work or under-employed professionals are also often willing to accept internships in an effort to improve or expand their marketable skills. The promise of a job (after you're on more stable financial ground) may be enough to get someone working 5 or 6 hours a week right now. Some individuals are also willing to work for free, in return for a recommendation from your company. For example, a lot of people design complementary websites in exchange for using those websites as client referrals. By seeking out this type of synergistic swap, you can avoid hiring employees in the beginning.
- » **Find a mentor.** Hiring a consultant can break the bank before you even open your doors for business. Mentoring is an alternative way to get advice from established professionals that costs you absolutely nothing. These experts probably won't do the work for you, but they can advise you on critical decisions, introduce you to other professionals and suppliers, and sometimes even help you find your first customers. People are generous with their time, especially when you ask them to share their personal expertise with you.

Getting resourceful

In addition to locating experts or finding cash, you need to identify other means of getting what you need. Check out these resourceful alternatives to help you jump-start your online business:



TIP

» **Barter and trade:** One way to keep a lid on your spending and still acquire supplies and services is to trade with other companies. Rather than pay a professional to write copy for your web pages, for example, barter with a writer for their service. *Barter*, or trade, is a method of paying for products or services without using cash. When you barter, you exchange your services or products for those of another person (or company). There are formal barter-exchange organizations that you can join and membership is usually free. You can find barter organizations online that serve your specific state or region or find one that has a national reach. You can learn more about bartering and find organizations near you from the International Reciprocal Trade Association (IRTA; www.irta.com).

The Internal Revenue Service (IRS) doesn't mind bartering, as long as you record on your taxes whatever you receive as income. Any transaction involving the exchange of a product or service that doesn't involve cash changing hands is considered "barter" by the IRS. The IRS has guidelines and reporting requirements for individuals and formal barter exchanges. For example, barter amounts should appear as income for both parties when you complete Form 1099. You can read the complete guidelines for how to report bartering as income on the IRS website (www.irs.gov).

» **Try out trial versions before you buy.** When you stock up on necessary software for your online business, don't rush to buy expensive off-the-shelf products, which can cost several hundred dollars. Instead, use free demonstration (demo) versions that are good for a specified period. Eventually these free trials run out of time, so budget accordingly if you anticipate needing to make a more permanent software purchase.

» **Use free tools.** Lots of free business-related software (called *freeware* or *open-source software*) and free or almost-free applications are accessible over the Internet. Independent software developers and small companies typically offer software applications, graphics, games, and developer tools at no cost to you, and with no strings attached. Other apps cost just a few dollars. And even if you don't find a recognizable brand-name product, you might find one that has similar features. Be aware that freeware and free business apps may have no technical support or very limited support. If you are using open-source software, there is usually a community of developers on forums who help answer questions, but it is not support in the traditional sense of the term.



If you find a software solution you really like, but there's not a free version publicly available, consider contacting the company directly. Sometimes you can get a 2-week or 30-day trial with all features enabled if you ask for it!

Looking at the pros and cons of bootstrapping

Bootstrapping may sound like you're flying by the seat of your pants (or your boots), but it's quite the opposite. It requires adopting a rigorous thought process that includes detailed and innovative planning.

Although bootstrapping may seem painful, consider the alternative of bringing in other investors or borrowing money. Is it worth the sacrifice? Take a look at how a bootstrapping approach can affect your business now and down the road, and then decide for yourself:

- » **You retain ownership.** Keeping full ownership or controlling interest of the business is one of the most important benefits of bootstrapping. You get to make all the decisions, without having to run them by investors or shareholders or even lenders first. You also choose how and when the company grows. And if you need to bring in capital (money) down the road by selling shares of your company, you don't jeopardize your control. You can sell off a minority interest and maintain controlling interest.
- » **You can make quick decisions.** Typically, you don't have layers of departments or managers in a bootstrapper organization. You can make decisions without getting bogged down by bureaucratic red tape. The ability to make agile decisions is an important advantage over competitors, especially when you're heavily into the research-and-development (R&D) process. Your organization can offer new products or make other changes much faster than many of your competitors can.
- » **You assume minimal risk.** Without putting much money on the line, your risk (or what you can afford to lose) is greatly reduced. You also have the most to gain because your investment and your risk factor are small. This motivating aspect can spur you to success.
- » **You maintain a cash-is-king mindset.** Being frugal pays off now and later. Initially, your conservative decisions will assist you in building a positive cash flow for your business. As a bootstrapper, you'll tend to hold on to those same decision-making philosophies in an effort to maintain your cash reserves as the company expands. This mindset may help to keep your online business debt free.

Finding the Perfect Investor

Not everyone has what it takes to grow a successful company from nothing or while operating on a shoestring. Or maybe your business concept requires a significant injection of capital right from the start. If so, you have other alternatives to bootstrapping. The most popular approach is to find an investor.

Investors, either individuals or a group of individuals, buy into your idea and provide the money you need in exchange for stock (or a percentage of ownership) in your business. You can choose from several types of investors; each type comes with its own pros and cons, of course. The trick is to find the best type of investor for your needs.

Turning to your friends and family

You're probably familiar with the idea of turning to your friends and family (F&F) network for start-up funds. A major advantage of this strategy is that you have a lot of flexibility in how you structure the terms of the agreement.

The simplest method is to simply ask for a loan. You need a certain amount of cash, and your mom or best friend is happy to oblige. As a bonus, the interest amount on the loan is usually minimal or nonexistent, and the time for repaying the money is often more flexible — not a bad deal.

An alternative is to take on your friends and family as investors. In other words, you give up a percentage of shares or stock in the business for the amount of money they agree to provide. On the upside, you don't repay that money. However, if you no longer want those people to own a piece of your business, you have to buy back their stock to get rid of them.



TIP

Websites that offer free or low-cost legal documents, such as Nolo.com (www.nolo.com), sometimes offer promissory note templates or other sample loan agreement documents that you can use to define lending terms when borrowing money from friends and family.

Here are some advantages of acquiring investors from your F&F network:

» **You can easily obtain the money.** You have an established circle of friends and family members who already know and trust you. Sometimes, you don't even have to sell them on your business idea — let alone show them your business plan. They just want to help you.

- » **You can get cash quickly.** Unlike going to a bank or venture capitalist, you don't have to jump through any lending hoops or participate in a series of drawn-out meetings. Friends and family may be able to get their hands on cash quickly and hand it over to you sooner.
- » **You have a potentially large pool of investors.** You can easily find small amounts of money from lots of different sources. If you need \$50,000, you can get ten friends to contribute \$5,000 each rather than try to find one person who can contribute the entire amount.

This method has a few disadvantages too, of course:

- » **You can have problems with unstructured terms.** Because you know each other, you tend to keep things informal. That opens the door to uncertainty and inconsistency and big misunderstandings. Be wary of taking on friends and family members as investors without structured, written agreements that clearly define the terms of their investments in your company or the payback terms of your loan.
- » **You may give up too much stock.** You want to gratefully reward those who take a chance on you, especially when you're close to them. For that same reason, however, you can end up giving away too much interest in your company. Or if you turn to a large group of friends to invest, you may have to ante up a large block of stock for a small amount of cash. This uneven exchange can put you in a precarious position as the company grows.
- » **The business can interfere with relationships.** Taking on your most trusted circle of friends or family as investors can lead to heated disagreements, hurt feelings, and your fair share of misunderstandings. Damage to these friendships or to relationships with family members isn't easy to repair.

Finding angels

If the uncertainty and lack of structure of the F&F network bothers you, turning to an angel may be more appealing. An *angel* investor can be an individual investor or a group of investors who are willing to put money into start-up or young companies.

Several important differences separate angels from other types of investors. Angels are private investors and usually bridge the funding gap. Raising more than \$100,000 or \$200,000 from friends and family is tough, yet a venture capitalist usually isn't interested in investing less than a million dollars, especially in a company without a track record. An angel meets midlevel funding needs.

Another important difference is that an angel investor typically doesn't take an active role in a company. An angel wants to provide capital, not run the business, although that person sometimes becomes a member of an advisory board or board of directors. (We discuss the board of directors as part of your formal business structure in Book 2.) In addition to taking this hands-off approach toward your business, an angel is less likely to demand an immediate return on an investment. Whereas your father-in-law may expect to recoup his money in a couple of years, an angel's target return may be five years.

This network of investors has become more careful and savvy, performing due diligence and examining every aspect of proposed businesses. As with any type of investor, angels invest in businesses they believe will give them a good return on their money. For that reason, angels are influenced by fluctuations in business trends, or what's considered hot at a given time. One year it could be something as general as social media networks (like Snapchat and Instagram) and the next year it could be mobile apps for the healthcare industry. Regardless of what types of businesses are popular investment targets, generally angels are more willing to take risks on new, unproven businesses. But keep in mind that the overall requirements for investing are increasingly the same as those used by venture capitalists (as outlined in the next section).



WARNING

A hands-off approach to long-term lending sounds great, right? It's not all roses, though. Among the negative factors in seeking money from angels is that they often require a larger stake in a business. Having a higher percentage of ownership in a company offsets their risk. When the return on investment comes, it equates to a significant amount of money for your angels. Also, acquiring money from angel networks is getting tougher. Increasingly, angels are using the same or similar funding guidelines as those of venture capitalists. Angels expect you to have a polished business plan, an experienced management team, and an *exit strategy* (a way for the angels to recoup their initial investment and then some).

If the negative side of working with an angel doesn't bother you, how do you locate one? Examine your own network of colleagues, friends, and family — ask if they have any contacts that might be interested. If that strategy doesn't provide any leads, search for angels at the regional or national level. Here are some places to begin your search:

- » Chamber of Commerce or other local business-support organizations
- » Professional associations (local and statewide) focused on technology
- » Your accountant, banker, or attorney (who often works with or knows angels)
- » Investment clubs

Online resources for angel networks and entrepreneurs, including crowdfunded sites that match entrepreneurs with prospective angel investors, include

» **EquityNet:** www.equitynet.com

» **Funded.com:** www.funded.com

» **Gust:** <https://gust.com>

Venturing into the world of venture capital

Venture capital (VC) funding isn't the easiest route for securing money for your business. Maybe you remember the stories of the dot-com era when millions of dollars were thrown haphazardly into Internet start-ups. Even so, the consistent upward financial trends from today's e-commerce businesses mean venture capitalists are still out in force, although overall investments have declined in some industries. In 2023, \$138 billion of VC funding was raised in the United States (the largest start-up investment market), according to data from Crunchbase. While this may seem like a lot of money, it's down nearly 40 percent from 2022. Even though VC money is being successfully raised, getting their money is still challenging.



TIP

To be honest, we don't recommend even considering venture capital as a resource for a brand-new e-commerce company. This type of funding is designed for businesses that need an aggressive (or very large) amount of money to support the next level of business growth. Venture capitalists are institutional investors (professionally managed funds) that invest anywhere from \$500,000 to \$10 million or more in a company. Most often, this investment is made in preparation for an initial public offering (IPO) on the stock market, a sale, or a merger with another company.

Suppose that you're thinking big and are intrigued by venture capital as a funding source. How do you know whether your company is ready to pursue VC money? Although the funding criteria vary among venture capitalists, most of them generally expect the following from your company (and you):

- » **The company has already used seed money.** Your company is long past the point of obtaining money from friends and family as part of its start-up stage. Seeking money from a venture capitalist means that you have already received additional rounds of financing from angel investors and are now ready for a more substantial investment boost.
- » **The company has a proven track record.** Establishing a history of success is a necessity for venture funding. Investors expect your company to have

experience under its belt and proof of the underlying business concept. Having an offline (bricks-and-mortar) business that has verifiable financial records greatly increases your success of finding funding.

- » **An experienced management team is in place.** Being the sole employee of a company isn't a good thing when you're seeking venture capital. Instead, you *must* have a seasoned team of executives with the experience to take your company to the next level.
- » **The company is in a hot industry.** Venture capitalists invest in more than a company — they invest in an industry. And some industries or markets are hotter than others at any given time. Your business doesn't have to be in the top three industries of interest, although it certainly improves your chances for funding.
- » **The company is in a high-growth stage.** Securing venture capital means that your company is no longer in an early growth stage. It's now positioned for significant earnings. Although the amount can vary, a good rule is that your company can achieve annual revenues of \$25 million within a five-year time frame.
- » **You're willing to relinquish control.** If you don't have in place a top-notch team of heavy hitters (including yourself), relinquishing executive control may become a condition of funding. If you previously held the title of CEO and president, you can expect to be replaced by an outsider of the venture capitalist's choosing.

If you're serious about pursuing venture capital, you should do a few things first:

1. Start making connections early.

Go to seminars on venture capital funding (usually sponsored by professional organizations in your community) and meet the venture capitalists involved in giving the presentations.

2. Contact other companies that have recently secured funding.

Seek out other small businesses and ask for referrals to VC firms. In addition, ask questions and get a general understanding of what the process may be like for a company similar to yours.

3. As you're building these networks, start your own form of recordkeeping.

Securing venture capital is a tedious, time-intensive process. It's worth the investment of time to log or track all connections you make, general notes, and specific interactions, such as any asks or follow-up requests that result from conversations or meetings.

4. Begin making a list of potential venture capital firms.

Keep track of the companies in which they invest, how much they invest, and in which industries they most actively invest.

When you're ready, two established resources can assist you in learning about venture capital firms that might be a good match for your business:

- » **Guide to Venture Capital & Private Equity Firms, 2024 Edition:** This extensive guide, at www.greyhouse.com/guide-to-venture-capital-and-private-equity-firms, offers direct access to more than 3,600 venture capital and private equity firms worldwide. In addition to presenting basic overview information about each firm, the guide also lists extensive contact information, including phone numbers and email addresses. Grey House Publishing, the publisher, offers a softbound copy (\$395) and includes free access to an online version.
- » **National Venture Capital Association (NVCA):** This member-based, nonprofit association advocates for future generation of venture capitalists to ensure funding continues for start-ups and other stage companies. While the NVCA is also focused on impacting government policies and regulations, it also provides plenty of educational content about the world of VCs. For information, visit the NVCA website at <https://nvca.org>.



REMEMBER

During times of a weakened economy or when borrowing money is generally more expensive, both venture capitalists and angel investors become increasingly selective about where and how they invest, and how quickly they expect a return on those investments. Having a solid business plan with a strong road map to a return on investment becomes even more important.

Checking Out Alternative Financing

When all else fails, a diligent online entrepreneur still has a few alternative financing options, although they are not necessarily your best choice. These options can help you open your doors for business, so to speak. Many times, you end up combining a variety of these sources to fund your great idea:

- » **Credit card:** For better or worse, a credit card is a popular choice for funding a business. More than 80 percent of small businesses have used personal and business credit cards as a source of money, according to the Small Business Administration (SBA). Especially during economic periods when lending tightens from banks and other traditional resources, credit cards can

sometimes provide the only source of fast cash for a new or growing business. Although credit cards may be a quick and easy alternative, they can also be expensive. Some credit card companies charge interest at 25 percent or more during times of high-interest rates. Just the same as working with venture capitalists, when it's generally expensive to borrow money, lending conditions from credit card companies, banks, and other financial institutions become less favorable. In addition, credit card companies can slap you with hefty fees for late payments or for exceeding your credit limit. Financial advisors also caution that fully paying down the balance of your credit cards can take decades when you're making only the minimum monthly payments.



TIP

Consider moving balances with high-interest terms to another card. Credit card companies often offer limited introductory low- or no-interest rates for transferring your balances from other cards. If these offers don't come in the mail, don't be afraid to call credit card companies (including your existing one) to negotiate for a better rate.

- » **Crowdfunding:** A successful online fundraising alternative that quickly grew in popularity in recent years that helps generate money for individuals, businesses, and nonprofit organizations. *Crowdfunding* works as its name indicates and allows almost anyone to invest in a creative project or business. Establish how much funding you want to raise and a period of time in which the project must be funded. You can allow people to fund anywhere from a few dollars to a few thousand dollars. Funding investments are typically paid out only if the project is fully funded in the specified time period. You may also provide a return on the investment based on the funding level, such as a product prototype, early access or beta access to a solution, or even a small number of shares in the company.



REMEMBER

Crowdfunding sites make it easy to set up funding projects, and two popular sites geared toward entrepreneurs are Kickstarter (www.kickstarter.com) and Indiegogo (www.indiegogo.com). Typically, the site takes a small percentage of your total funds raised if the project is successfully funded and may charge additional processing fees. Keep in mind that both of these sites allow you to fundraise for a project or product, but not for a general business idea. However, it's still a great way to generate start-up funds for a product you want to sell online. The other catch is that it is up to you to promote the funding campaign through your social networks. That means crowdfunding, while a terrific alternative source of funding for your online-business product, is largely dependent upon your ability to promote the campaign.

- » **Retirement cash:** A personal savings plan, such as a 401(k), has long been a source of money for someone opening a start-up business. Before draining your account, consider the penalties for early withdrawal and seek advice from your accountant on the pros and cons of this source of funding.



WARNING

- » **Home equity loan:** Depending on the state of the housing market and interest rates on various types of home loans, you may be able to use your home as a funding source for your business. As a homeowner, you can cash out the equity in your house, use it for other purposes, and pay it back at a fixed interest rate over 5, 10, 15 or more years. Similarly, you can refinance your home and use the additional funds for starting the business. Another option is to open a home equity line of credit, which gives you a fixed amount of money that you're approved to borrow. You take out the money only as you need it, rather than in one lump sum. As is the case with any type of loan, you must have solid credit scores, among other things, to qualify.

Borrowing money against your house is always risky! Many business experts hesitate to recommend this method as an option because you could lose your home. Consult with your accountant, or other financial advisors, before making this decision.

- » **High-interest loan:** Some specialized lenders finance loans (even high-risk ones if you have poor credit) at high-interest rates. These rates are usually similar to, or higher than, credit card rates. When all other options fail, this method may be a possibility; be cautious, though, about taking this route.
- » **Microloan:** If you're looking for a smaller amount of capital, the SBA has a microloan program for amounts up to \$50,000. The average loan size is approximately \$13,000. The loans are backed by the SBA but are distributed and managed by local, approved community lenders. As with any loan, there are collateral requirements, but funds can be used for working capital, equipment, inventory, and supplies. To find out who offers loans in your area, contact your state or regional SBA office or visit www.sba.gov.
- » **Online lenders:** There are a host of nontraditional lenders now offering loans online to new and existing businesses. These lenders are known for having quick, easy application processes with flexible terms, and are thought to be generally open to working with start-ups and e-commerce businesses. Lenders like OnDeck (www.ondeck.com) provides loans to businesses that have been around at least a year, and need larger amounts of capital. PayPal's Working Capital program (www.paypal.com/workingcapital) allows businesses flexible terms for borrowing money without a credit check, but you must be a PayPal business.
- » **Grant or award:** If your business concept is innovative, you may want to search out grant opportunities or contests offering financial rewards. *Grants* are monetary awards that you don't have to repay. Some organizations — such as business magazines, office-supply chains, and other large retailers — sponsor business-plan-writing contests with financial payoffs or award cash and prizes as part of their general business contests. No all-in-one resource tracks all sources of grants and awards. You have to do your homework by diligently searching the



WARNING

Internet and thumbing through business publications for opportunities. However, the shot at free money may be well worth your time.

Be wary of websites that charge for a list of “free money” resources from government grants. Although legitimate grants are available, you don’t have to pay for them: You can obtain a list for free from the Catalog of Federal Government Assistance at the U.S. government’s grant site (www.grants.gov). You can download a free app from the site to easily track grants from your mobile device.

» **Incubator:** This type of entity or organization, established to support entrepreneurial development, usually provides shared resources for businesses. Sometimes, a *shared resource* refers to a physical location (such as an office building) or access to volunteer or hired professionals who are shared by the organization’s entrepreneurs. Although incubators don’t traditionally provide start-up money, they’re still considered an alternative funding source because they provide your business with a range of tools, resources, and services. Many types of incubators with different levels of services are available. Examples range from offering free support (such as educational workshops and training for entrepreneurs) to providing shared workspaces or office space for a reduced fee. Depending on the arrangement, incubators may require a small percentage of ownership in your business, ask for stock options, or charge a small fee for services. In most cases, this situation results in a nominal expense to you compared to other funding options. The amount of savings and the invaluable assistance (which can accelerate the growth of your business) translates into a wise investment of your start-up dollars.



TIP

Locate technology and small-business incubators in your area by contacting the International Business Innovation Association at <https://inbia.org>.

Taking a Shortcut: Purchasing an Existing Site

Securing financing for an online business takes time and persistence — no doubt about it. If you’re interested in a completely different path, you can take a shortcut. Have you considered purchasing an existing website? Don’t get excited — you don’t have to march up the virtual steps of Amazon or eBay and put an offer on the table. (To be realistic, you’d be laughed right out the door.) Somewhere between the people dreaming of starting a business and the giants dominating the Internet, hundreds of thousands of other mom-and-pop businesses have already established a small presence online. Many of them are doing quite well, others are struggling, and some just don’t have any sense of direction. Those latter

categories provide you with the largest opportunity to jump-start your online dreams. Check out the following sites, which provide lists of online businesses for sale:

- » **BizQuest (www.bizquest.com):** Claiming to be one of the original business-for-sale websites, BizQuest has a healthy number of business listings in all categories. To get the most relevant list of available online businesses, use its search tool to search for the term *Internet*. Last time we checked, this search term returned more than 900 results for available Internet businesses for sale.
- » **Website Properties (<https://websiteproperties.com>):** Unlike traditional business brokers, Website Properties specializes in just that — websites. You can search a list of available sites directly from its site, and you can easily and immediately view a great deal of information about available sites, without having to request access to the details from a broker.

WHAT MAKES AN EXISTING SITE A SMART PURCHASE?

Buying an existing online business is basically the same as purchasing any other type of business: You have to do your homework and determine whether the purchase is a wise one. Find answers to these questions about a business before you sign on the dotted line:

- Is the online business a viable business model?
- Does the purchase include existing inventory or customer contracts?
- Even though the site is established, does its concept pass your feasibility test?
- Is the site generating revenue? How much? (Ask for financial statements verified by a certified public accountant.)
- What expenses does it incur?
- Can you reduce the amount of overhead by making different management decisions?
- Can you increase the percentage of profit by making different management decisions? If so, how long would it take to implement these changes?
- When was the site established?

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- What is the annual percentage of revenue growth? (How much more money does it make over the previous year?)
- How many people visit the site each day? (Ask for verification.)
- Does the owner maintain any logs or records verifying the number of visitors and other stats?
- What are the site's popularity rankings in all the major search engines?
- What, if anything, has the owner previously done to increase rankings?
- Has the site been featured in any magazines or other websites?
- How many other websites link to this site, and vice versa?
- If a product is being sold, does the site use a dedicated supplier? Are other supplier sources available?
- If the site sells an information product or is a service business, do you have the skills and staff to duplicate it?
- Does the site have a poor reputation or many unhappy customers?
- Is the site in good standing with the Better Business Bureau and other organizations?
- Does it have a current business license?
- Are its taxes current?
- Has its URL expired, or is it about to?
- Does it have a valid Secure Sockets Layer (SSL) certificate to allow protected, properly encrypted transactions over the Internet?
- Which hardware and software, if any, are included with the sale?
- Do you gain any proprietary software in purchasing the site?
- Why is the current owner willing to sell?
- Can you create your own site and generate similar results in a short time for less than the selling price?

Stop dreaming, and take a look at the benefits of scooping up an existing site to launch your business. You can

» **Override start-up costs.** Finding an existing online business means that you don't have to worry about all the initial costs and hassles of getting the site



TIP

started. Maintaining or building an existing site is usually cheaper than starting from scratch.

» **Eliminate time to market.** Although you may have a business up and running in just a few weeks, establishing yourself in the market and gaining a presence in the search engines takes much longer. Buying a ready-made site (even a fledgling one) removes at least some of this concern.

» **Gain established customer base.** The “build it and they will come” theory has repeatedly been disproved when applied to websites. Purchasing an online business with existing customers is a definite perk.

To make sure that the site you’re considering buying has real value when it comes to customers, ask to see proof of a current email list or database of customers or members (not just a log of daily visitors).

» **Get a site for a steal.** Do your homework and you can purchase a site for little money. Look for businesses in which the owners

- Are tired or bored of the site
- Have no time to maintain it
- Ran out of money after putting the basics in place
- Are in a cash crunch

These factors don’t necessarily mean that the business is bad — just that it was under poor management.

» **Negotiate payment terms, with no out-of-pocket costs.** Even if you end up with a large (but reasonable) price tag, you still have a money-saving alternative. For instance, offer to make a small down payment on the site. Then let the owner know that you will make monthly payments until the balance of the sale price is paid in full. (If the site is producing revenue, you can use a portion of that income to cover the payments, so only the deposit comes out of your pocket.)

» **Lease to own.** In this strategy, the seller retains ownership of the site and you manage it. You pay the owner a set monthly fee, plus a percentage of the profits, until the sale price is paid.

- » Establishing a customer service pledge
- » Developing policies for operating your business
- » Understanding legal requirements and consequences

Chapter 5

Creating Policies and Managing Compliance to Keep It Real

Customers are the reason you're in business. All too often, though, their role in your success is an afterthought. Even though you spend a great deal of time thinking about what they can do for you, sometimes you forget about what they expect of you, until a problem surfaces.

In this chapter, we show you how to invest the proper time into the “care and feeding” of your most important business asset — your customer, while also being mindful of the legal obligations you have as an online-business owner.

Taking Care of Customers

Consider the process of starting your business. You think about your future customers, right? You anticipate who will buy your product. You research their needs and painstakingly detail how to meet those needs in your business plan. You develop a marketing plan that explains how to reach your customers, and

you calculate, dollar for dollar, how their spending translates into profit for you. Something is missing, though: Where in all that research and planning is your pledge to your customers — your vow of how you will treat them? Most business plans don't include this type of pledge, unless one of your company's competitive advantages is defined as an unprecedented level of customer service.

I pledge to you

What is a customer pledge, and how do you develop one? A *pledge* to your customers is a *written* guideline of what they can expect when doing business with you. The pledge should be the basis of your overall customer service philosophy.

Start your customer service pledge internally, and make it something used only by you. From there, you can create an external (public) customer service pledge.

Put it in writing

How do you create a customer pledge? Here are a few simple steps you can follow to get going:

- 1. Answer a few general questions about how you really feel about customers (be honest!):**
 - How do you view your customers? Do you know them personally or speak with them on the phone, or are they anonymous?
 - How important are customers to you and your business?
 - How important is repeat business?
 - What are you willing to do for customers every single day?
 - What are you *not* willing to do for your customers?
- 2. Define realistic parameters of how you plan to communicate with your customers every day, as shown in these two examples:**
 - *How can customers contact you? Can they*
 - Send email 24 hours a day?
 - Call a toll-free phone number and leave a message 24 hours a day, or call a long-distance number during set business hours?
 - Send or post a message on any social media platform 24/7?
 - Write a letter and send it by snail mail (through the U.S. Postal Service)?
 - *When and how will you respond to customers?*

- Immediately when you respond by email?
- Within 24 hours (or less) when you respond by phone or email; or within 30 minutes when you respond on social media?

3. Identify what, if anything, is special about the way you treat customers.

For example, do you call customers personally to make sure that they received their orders? Or do you invite them to regular online sessions to discuss how your products or services could improve?

4. Draft a written document detailing your customer service pledge for your internal use.

The document can consist of a short list of bullets or several paragraphs based on your previous answers. This guideline is your personal reminder of how you incorporate customers into your business every day.

5. Write a pledge to your customer.

The pledge, which can be as general or specific as you choose, should reflect your internal customer service philosophy but be a written document that can be read and judged by the customer about how your business responds.

Delivering on Your Promises

After you establish your basic principles of operation, you have to deliver on them. *Executing*, or following through, on a customer pledge you create isn't always easy, but it's essential for several reasons. These policies represent promises to your customers and determine what customers come to expect from you. Failing to meet these expectations compromises your reputation and, ultimately, eats away at your sales.

Equally important are the consequences when you fail to deliver. Not only is the goodwill of your company at risk, but pledges, policies, terms of service, and other customer-facing commitments could be considered binding legal obligations and incur legal liability. The government mandates and monitors many such policies, which we discuss in the next section of this chapter. And even a small oversight can land you in hot water with both your customers and federal laws.

Nobody's perfect, and you might fail to deliver on a promise now and then. If you fail, be sure to follow these steps:

- 1. Notify your customer immediately.**
- 2. Apologize for your mistake.**

3. **Correct the problem.**
4. **Offer a partial or full refund, a free gift, or a discount on future purchases.**



TIP

You can get help creating a privacy policy for your website, including shipping and return guidelines, using the privacy policy generator tool from Shopify (www.shopify.com/tools/policy-generator).

Putting Policies in Place

As you might expect, creating your customer service pledge is only the beginning of the customer care policy. To manage your online business successfully and legitimately, you have to put several policies in place. The government mandates some policies, and others are the result of common sense to minimize confusion for yourself, your employees, and the people with whom you do business. For example, when working with franchise organizations, one of the most critical components of doing business is the *policy manual*, a small booklet filled with written policies establishing an unwavering set of guidelines and procedures for operating. The policy manual serves as an easy reference tool when you have questions about how to operate.

Policies are equally important to customers, employees, and vendors. Although you don't have to create a formal manual filled with your policies, you must write them down somewhere. In many cases, you should also publish them on your website, to protect yourself from misunderstandings and reassure your customers about how you do business.

Privacy policy

A *privacy policy* details how you collect, treat, and use the information you receive from customers and from other people who visit your website. This policy not only covers information that customers knowingly provide but also applies to the use of *cookies*, or the information files that web servers create to track data about people and the online sites they visit.

In some cases, online businesses are opting to blatantly expose the fact that the website tracks cookies so there is no misunderstanding that data is being collected. For example, the very first time the user visits the site, a pop-up message appears, explaining that the site is tracking cookies and what that means. The visitor must exit out of the message before continuing to the website. This type of mechanism — a pop-up that forces visitors to opt in or opt out of

communications and manage cookie preferences — is also an important part of compliance with data and privacy laws such as GDPR (which we discuss later in this chapter).

Regardless of the type of tactic you choose to use, your privacy policy should clearly state your commitment to customer privacy and data security. It should also include information about options or choices visitors and customers have in how their data is used. When operating a contest or any type of prize giveaway, the rules of the contest would be added to your privacy policy.



REMEMBER

A privacy policy is a requirement for your online business if you're based in the United States. The U.S. Federal Trade Commission (FTC) mandates this policy. The policy must be properly labeled on your website and easily accessible within your site.

Your privacy policy should include these elements as well:

- » A description of *how* you collect information from your site visitors and customers
- » Details of *what* information you collect
- » An explanation of what you do with the information and how and where you store it
- » A disclosure of with whom you might share customer information
- » Instructions for how visitors or customers can change their information or remove it from your records



REMEMBER

Your policy on how you handle a customer's credit card data should be in line with the requirements of the Payment Card Industry Data Security Standard (PCI DSS). As an online retailer, you're required to comply with certain regulations for handling and storing sensitive customer data under the PCI DSS, or else you could face a steep financial penalty. The PCI Security Standards Council provides up-to-date information for online retailers. To find out more, visit www.pcisecuritystandards.org.

User agreement or terms and conditions

Increasingly, sites are implementing user agreements. Just like a written contract, this agreement specifies terms or conditions by which you allow visitors or customers to use your site. You might choose to post on your site a static (unchanging) page that simply lists these points. A more legally binding version of this agreement, however, requires visitors to acknowledge that they have read

the terms and agree to abide by them. Usually, before visitors are allowed to go to certain areas of your site, download an application, register for a service, or make a purchase, they're forced to click a button verifying that they agree to the terms.

When you're creating your site's terms and conditions, you should include this information:

- » **How visitors or customers can or cannot use your site:** Rules that apply to not only your customers but also your employees, such as posting personal information (phone numbers or physical addresses, for example) on a discussion forum
- » **Who is allowed to view your site:** Whether visitors meet age or U.S. citizenship requirements, for example
- » **Which other policies are in place:** Shipping, returns, or complaint procedures, for example
- » **Legal and liability issues:** For example, details of responsibility by you and third parties for providing information and taking actions, and for specifying geographic location where legal disputes will be settled

Shipping policy

Your shipping policy should clearly explain the details of how and when customer orders are handled and shipped. Although you can determine some conditions of this policy, you must also comply with the FTC's mail or telephone-order merchandise rule.

According to the FTC, your online site must

- » Ship an order within the time frame you promised at the time of ordering or as stated in your advertising or on your website.
- » Ship a product within 30 days after it's received, unless you specify an earlier time frame.



REMEMBER

Additional shipping requirements may be imposed by a marketplace (like Amazon or Etsy) or a storefront provider (like Shopify). When selling through any of these sites, it's important that your published shipping policies accurately reflect the shipping process that occurs through these partner sites.



REMEMBER

Most online retailers ship products within five to seven business days at the longest. The exception is when a product is on back order, out of stock, or available for pre-order (in which case, an approximate shipping date is given). The FTC rule sets the maximum limits of what's acceptable for shipping products.

- » Give notice to a consumer as fast as possible whenever you cannot ship that person's product when promised.
- » Include a revised shipping date in the delay notice you send to a customer.
- » Allow a customer to agree to a delay or to cancel an order and provide a description of the time required for a refund.

Return policy

Include in your return policy the conditions under which you allow customers to return a product or decline a service. Will the customer receive a full or partial refund from you? A good policy should protect both you and your customers. Be specific about your return policy so that customers clearly understand (and aren't surprised by) your rules. When selling through other sites or marketplaces (like Etsy), you may have to use their suggested or required language versus creating your own policy from scratch. Generally, your policy should include these elements:

- » **Time limit:** Set the maximum number of days within which a return will be accepted.
- » **Conditions of use:** Maintain the right to reject a return if an item shows obvious signs of use, for example.
- » **Restock fee:** Explain any fees incurred by restocking a returned item.
- » **Exceptions:** Specify any items that cannot be returned.
- » **Shipping responsibility:** Determine who pays for the cost of shipping when a product is returned.
- » **Refunds issued as cash or credit:** Decide whether to issue store credit rather than give cash back.
- » **Third-party rules:** Direct customers to consult the return policies of third-party vendors if you sell their items.



TIP

As e-commerce grows, so does the problem of customers taking advantage of online retailers. Let your return policy protect you by limiting the number of days you agree to accept returns. Customers must have enough time to evaluate products (three to five days is a reasonable length of time) but not use it indefinitely before demanding their money back.



When you're selling products through a third-party vendor, such as a storefront or an auction site (for example, Etsy or eBay), be sure to check whether the company has a mandated return policy. The vendor site's policy can override your internal return policy. Additionally, some countries mandate return policies for e-commerce sites. Always check legal requirements in all countries in which you conduct business.

Safety for young users

Whether or not you plan to sell to children, establish a policy about minors. If your site is targeted to children under 13 years old, has a separate section for kids, or is a general site but you know kids access it, your website must comply with the FTC's Children's Online Privacy Protection Act, or COPPA. The policy was updated in 2013 to expand the definition of the types of sites and businesses that must comply, and again in 2015 to specify additional permissions that must be obtained from parents, especially involving the use of video, social media, and online games or apps.

As of early 2024, there is another review process underway to expand what is covered under COPPA, including push notifications on the site and through other devices, increased data protection and more guidelines around advertising rules that target children. As you see, COPPA is an evolving standard and it's up to you (and it's absolutely critical) to ensure your website continues to meet all guidelines and legal requirements. See compliance details and a FAQ from the FTC at www.ftc.gov/business-guidance/resources/complying-coppa-frequently-asked-questions.

As a general guideline, if you have one of the following two types of websites, COPPA applies to you:

- » **Children's site:** You have content, products, or services specifically designed for children. Your site also
 - Is a *for-profit*, or commercial, website
 - Collects personal information from children under the age of 13
- » **General site:** Your online business can offer any type of product or service, but COPPA applies if you
 - Have a section on your main site targeted to kids or specifically designed to appeal to kids or have content types (such as video) targeted to kids
 - Knowingly collect personal information from a visitor under age 13

Generally, you have to follow seven basic requirements for communicating with preteens, using the COPPA rule:



REMEMBER

- » **Post your privacy policy.** Make your site's policy on protecting a child's personal information easy to spot on your home page. Don't be afraid to use a little extra real estate to make this policy stand out.

No matter which type of site you run, always clearly post a privacy policy on your site for customers to read.



TIP

- » **Notify parents.** When children want to receive fun stuff from your site (or you want information about them), obtain parental permission first.

You're allowed to collect a child's name and their parent's email address to request parental consent. Check the Q&A portion of the Federal Trade Commission's COPPA site for businesses (www.ftc.gov/business-guidance/resources/complying-coppa-frequently-asked-questions) for the lowdown on getting parental consent.

- » **Protect data.** Any information you collect must remain private, secure, and protected. It's your obligation!
- » **Offer a choice.** After you notify parents that you want to collect information about their children, make sure they know they can say no.
- » **Provide access.** At any time, a parent can request to take a look at the information you have on file for their children. Be sure to open those files if a parent asks!
- » **Keep in touch.** Stay in contact with parents. Give them the opportunity to *opt out*, or discontinue receiving information.
- » **Allow participation.** No matter what, you can't restrict a child's access to your site if a parent doesn't want to give up personal information.



WARNING

If you fail to comply with COPPA, you and your site can be penalized by the Federal Trade Commission (FTC). If you make the necessary changes, you still have to pay a fine.

Other online policies

Following are other policies you may want to include on your website:

- » **Forum or chat room policies:** In these areas of your site, visitors and customers can share their opinions, ideas, and concerns. If your site offers these communication options, set up some basic guidelines for how you operate each one. Your policy should specify such items as who can participate and whether someone must register (or sign in as a member) first. Also, indicate who is monitoring these activities and in what manner. The policy should clearly specify which type of material is inappropriate for posting, and how and when you might remove it.

- » **Social media:** When you ask customers to engage with you through social media sites, such as Facebook and X (formerly Twitter), or even on your blog, these external sites should be considered an extension of your business presence. After all, on these sites you might obtain information about your customers, such as contact information upon registration for contests and polls. We recommend that you develop a social media policy that explains how your customers' personal information will or will not be used after it is collected.
- » **Exporting:** If your site sells to customers outside the United States, you might be subject to special government regulations by the Commerce Department and Defense Department and possibly other departments. What you sell (or export) and to which countries you sell might be tightly regulated. If you believe that this is the case with your business, seek advice from your attorney about developing an exporting policy.
- » **Spam:** Depending on your type of business, you can include a spam policy in your privacy policy. This policy states whether or not your site distributes marketing email and how you respond to it.
- » **Endorsement and linking to other sites' policies:** Whether you sell products or services from other sites, provide links to sites not owned by you, or allow other sites to link to yours, you're smart to notify customers about it. Your linking policy should simply state how external links are used and whether you endorse the information found on these linked sites. Provide customers with a way to notify you of problems with external sites or violations of your policy.

Complying With the Law

When you're tackling compliance and legal concerns, you should consider two goals as an online merchant: Do everything possible to make your site secure and safe for both you and your customers, and promote buyer confidence by taking all necessary precautions to keep the online-shopping experience safe while also creating the best possible user experience. There are several areas where your obligations as an online merchant also fall under the legal oversight of government agencies — resulting in rules, regulations, and policies. Your data compliance efforts must also confirm to legal requirements issues by regulatory agencies, which have expanding oversight into how companies use consumers' personal data.

Let's talk about GDPR

As privacy laws increase, countries outside the United States are often leading the way in protecting consumer data, but states such as California are quickly following in the steps of European countries. Regardless of where your e-commerce business is geographically operated, you are responsible for understanding and complying with privacy laws that protect your visitors and customers. For example, in 2019, the European Union (EU) implemented the General Data Protection Regulation (GDPR), which gives consumers more power in how and when their personal data can be used.

GDPR is a law designed to protect the personal data of EU citizens. However, companies around the world, including the United States, are required to follow the policy, and violators can expect steep financial penalties. What is the policy? Basically, it outlines a standard for how companies can use and store an individual's personal data, including identity information (such as name, address, birth date, and so on) and online tracking data (such as location, IP address, and website data captured by online cookies). The list of personal data included in the registration is much longer, but these two buckets of personal data are often what most concerns your online business.

How do you comply with GDPR? First, it's important to understand that GDPR is a complex policy with a lot of latitude in how it should be interpreted, so it's important to seek clarity from legal professionals. But we give you a general overview of what you must do to be in GDPR compliance. You must be aware of your website visitors and online customers that are EU citizens (including those who live or work in countries outside the European Union) and clearly communicate when and how you use their personal data; and you must ensure that they have agreed to receive your marketing and communications efforts. One common example of this is email. EU citizens must opt in or choose to receive almost all types of email communications, especially those that are promotional. And you must track and monitor the data you collect, even when they opt in, and keep records of this information. As part of GDPR, at any time an EU citizen has the right to request a full report from your online business of what personal data you have of that person and how it has been used and stored. And you must be able to provide this information!

You may be thinking, "I don't plan to sell products to people outside the United States, so this doesn't concern me." We're here to tell you that it *does* concern you, for two important reasons:

- » You may have customers living in or visiting the United States but who are still EU citizens, so you must adhere to the policy. And you may have customers who are living in the European Union and also visit or shop from your site — which means you must comply with the regulations.

» Data protection and consumer privacy laws that are equivalent to the GDPR are already being adopted in states such as California, Colorado, and Virginia. While those are new laws and not yet as strictly enforced as the EU's GDPR, it's only a matter of time before sites are more heavily policed and fines enforced. And it's expected that the United States will increasingly see similar laws go into effect across the country. An important factor regarding the current state laws is that each one has revenue and data processing thresholds that are fairly large. That means if you are a very small online business, you may not be subject to compliance. Again, due to the complexity of each state's law and that of the European Union, we advise that you check with an attorney who specializes in data privacy law to ensure you are not unintentionally violating any of the laws.



TIP

To start understanding GDPR and get more information and guidance on what it is, how to maintain compliance, and what to expect in penalties and fines, you can check out the GDPR website at <https://gdpr.eu>. While on the site, you can also view its online “GDPR checklist for data controllers” to get a better idea of how to prepare for GDPR compliance.

The importance of ADA

An area of compliance that is not always considered by online entrepreneurs is the need to comply with the American Disabilities Act (ADA). Many people think of ADA compliance as being specific to a storefront, such as a restaurant, and the need to provide unencumbered access to that physical location (as example, a ramp instead of steps, or a bathroom stall with wider accommodations to fit a wheelchair). The United States Department of Justice eventually determined that people with disabilities should “not be denied equal access to information,” which includes content found on websites open to the public. The steady growth of e-commerce, and the increasing dependency upon online content for basic information (voting registration, for example), highlighted the need to expand coverage of the ADA to websites.

Consider the different ways people with disabilities may access online information: screen readers that verbally read text for those who are blind; closed-captioned videos for the hearing impaired; and even voice recognition software to aide those who cannot physically use a keyboard or mouse. Think about how a site needs to be set up to make each of those scenarios more accessible.

The Department of Justice has identified specific examples of barriers on websites that may hinder access, including:

- » **Lack of video captions:** For people who cannot hear, it is imperative that videos include text or closed-captioned alternatives to allow the video content to be read versus heard.
- » **Poor color contrast:** This occurs when there is not enough difference between the color of the text and the background color (for example, very light grey text on a white background).
- » **Inaccessible forms:** Websites often use forms to collect user information for marketing purposes and to process a sale. To be fully accessible, forms must have clear instructions.
- » **Lack of keyboard navigation:** Offering online navigation only by use of a mouse or trackpad is limiting to some people with specific disabilities. Keyboard navigation should always be an option.
- » **No “alt text” on images:** To make images more accessible, they should have written descriptions to convey the purpose or intent of the image. This is called “alt text” and it applies to photos, charts, illustrations, and any other types of images, provide error indicators or alerts if all required form fields are not completed, and include text labels that allow screen readers to convey the form information (such as credit card numbers).

Given the need for ADA compliance, what specifically does that mean for your website? Like many online policies, the guidelines continue to evolve, and the penalties vary. Even so, the Department of Justice is clear in stating the following: *“Even though businesses and state and local governments have flexibility in how they comply with the ADA’s general requirements of nondiscrimination and effective communication, they still must ensure that the programs, services, and goods that they provide to the public — including those provided online — are accessible to people with disabilities.”*

More information on the ADA is available from the United States Department of Justice Civil Rights Division at www.ada.gov. And for a complete list of technical standards that must be incorporated in your website to ensure you are complying with the ADA, refer to the Web Content Accessibilities Guidelines (WCAG) from the United States federal government. You can find it by visiting www.w3.org/WAI/standards-guidelines/wcag.

There are also free tools available to help you check whether or not your website meets ADA and WCAG compliance requirements:

- » **Accessibility Checker:** www.accessibilitychecker.org
- » **Audioeye:** www.audioeye.com

» **Accessibleweb:** <https://accessibleweb.com>

» **UserWay:** <https://userway.org/scanner>

Lesser known policies that could incur fines

Of course, compliance doesn't end with ADA and GDPR. There are many other regulations that specifically apply to e-commerce sites or impact an online business based on how you choose to market to customers or where you or your customers are physically located. Here are a few additional policies that may apply to your site:

» **Consumer Review Fairness Act:** This law was put into effect to protect the right of consumers to write, post, or share honest product and service reviews about a company, including e-commerce businesses. The law covers online reviews, social media posts, videos, and photos that may be uploaded as part of a review. The law was in response to some businesses that included restrictions in their terms and conditions or contracts preventing customers from posting negative reviews. You can learn more about the Consumer Review Fairness Act from the Federal Trade Commission at www.ftc.gov.

» **PCI DSS:** The Payment Card Industry Data Security Standard is intended to protect and secure customers' credit card data. It applies to all businesses that process, store, or transmit credit card data, including e-commerce sites. Failure to comply with PCI can result in significant financial penalties. We review more information about how to comply with the standard in Book 2, Chapter 1.

» **Quebec's Charter of the French Language:** One of the most obscure policies, in our opinion, applies to businesses that sell into Quebec, Canada. The Charter requires that products and marketing materials, including websites and social media accounts, be available in both English and French, even if you do not have a physical place of business in Canada. This is an example of the many considerations when choosing to sell products and services outside the United States. We discuss more pros and cons of doing business internationally in Book 8.

As we have said before, as revenue from web-based businesses continue to grow, you can expect that state, federal and international governments and agencies will increase regulations in an effort to protect both consumers and businesses. It's important to stay up to date on the changing policies that apply to your online business.

2

Legal and Accounting

Contents at a Glance

CHAPTER 1:	Minding the Law	73
	Keeping Your Business Legal	73
	Zoning for Business (at Home)	78
	Obtaining Business Licenses	81
CHAPTER 2:	Choosing the Right Foundation: From Partnerships to Corporations	83
	Strategizing for the Best Organization	84
	Operating Alone as a Sole Proprietor	85
	Sharing the Load with a Partnership	86
	Limited Liability Company	88
	Making It Official with Incorporation	88
	Changing Your Organization as It Grows	90
CHAPTER 3:	The Trademark-and-Copyright Two-Step	93
	Understanding Why Trademarks and Copyrights Matter	93
	Making Your (Trade)Mark	94
	Protecting Your Investment with Copyrights	95
	Establishing Registration Yourself	97
	Retaining Professional Assistance	100
CHAPTER 4:	Accounting for Taxes (and Then Some)	101
	The Tax Man Cometh — Again and Again	102
	By the Numbers: Accounting Basics	106
	Choosing Software to Make Your Tasks Easy	112
	Hiring a Professional	115
	Following the Rules of Recordkeeping	120

- » Keeping your business within the law
- » Determining whether you can legally work from home
- » Obtaining the necessary licenses to operate your business

Chapter 1

Minding the Law

One of the first things you discover in owning a business is that you cannot avoid certain specific legal requirements. An Internet business is subject to not only traditional laws imposed on any company but also further regulation. These rules change quickly, and the burden to keep up is on you. In this chapter, we review the basic laws so that you can start setting up shop.



REMEMBER

We're not lawyers, and laws differ from state to state. So, if you're the least bit concerned, consult a local attorney to answer any of your questions.

Keeping Your Business Legal

Whether you have an online business or an offline business, you must do certain things to set yourself up and operate legally. If you already have a business that you're taking online, this advice is probably old news. But if you're starting your online business from scratch, read on.

Admittedly, quite a few business-related laws exist. As an online business, you must comply with any government regulations specific to e-commerce, as determined by the Federal Trade Commission (FTC). In addition to all federally imposed regulations, you're also subject to any applicable state, county, and city laws. If you're selling to companies or individuals outside the United States, you must also comply with International Trade Law and country-specific laws. On its website, the U.S. Small Business Administration (SBA) provides good information

about business law and regulations, including specific legal requirements when launching your business and then ongoing requirements after you're up and running. You can find this information as part of the site's many resources, including the "Business Guide," when you visit www.sba.gov/business-guide. Be sure to check the section titled "Stay legally compliant" for details on state and federal requirements, including information about licenses and permits that may be required for your online business.

At first pass, these legal obligations can be a bit overwhelming. Like everything else in business, though, you take one step at a time and, before you know it, you have a handle on the situation. The same is true with the legalities of operating an online business. Start out on the right foot by getting up to speed with these basic requirements.



TIP

Depending on the type of business you're conducting over the Internet, additional laws or regulations might apply to you. Several good sources to help you research this information include

- » A trade association in your industry
- » Your local Chamber of Commerce
- » State and local government websites

HEALTH DEPARTMENT PERMIT

If you manufacture, package, or distribute food-related products as part of your online business, you need a permit from the health department. The permit (along with any necessary on-site inspections) is handled by your city or county health department. There may be additional regulations or restrictions concerning the type of facility from which you make and package your food, including home kitchens. Sometimes regulations are based on sales volume of the food product. The legalities of selling food are specific. It is important to complete your due diligence and adhere to the requirements.

You might also be subject to certain regulations of the Food and Drug Administration (FDA). For instance, if you're making homemade jelly and selling it over the Internet, you might be required to meet certain labeling standards that detail ingredients and nutritional information. You can obtain a complete food-labeling guide, along with other information about starting and operating an online food business on the FDA website (www.fda.gov/food/food-industry/how-start-food-business).

You can get a small-business food-labeling exemption if you don't exceed certain annual sales levels or if you don't make nutritional claims in your advertising.

Federal tax identification number

If you have employees or your business is a corporation or partnership, you need a federal tax ID. Officially known as an employer identification number (EIN), this 9-digit number is used to identify a company whenever its owner files certain forms and tax returns.



TIP

You can apply for a federal tax ID via the online EIN application at the Internal Revenue Service (IRS) website at www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online. As long as your business is located in the United States (or U.S. Territories) and you have a valid Taxpayer ID (such as a Social Security number), you can apply online. It's free to apply and you get an EIN immediately — no waiting! Or if you prefer, you can download the required Form SS-4 and submit the application by fax or regular U.S. mail.



REMEMBER

The EIN is requested on many different types of business documents, from bank accounts to loan applications. If you don't have a federal tax ID number, you can use your Social Security number instead.

THE \$500,000 QUESTION: HOW DO YOU PROTECT CUSTOMER DATA?

The Payment Card Industry Data Security Standard (PCI DSS) is a set of guidelines for all merchants who accept credit cards, including e-commerce merchants. PCI DSS helps ensure that merchants keep customer data secure when they're collecting, processing, and storing personal and financial information.

The release and continued maintenance of this standard is in response to the ongoing increase in identity theft and stolen credit card numbers obtained from Internet sites. Credit card companies, under pressure to tighten security measures, collaborated to issue this worldwide security standard.

Failure to comply with the standard can result in some outrageous penalties, including fines of up to \$500,000 per incident or possible cancellation of your merchant account. Overall, the measure to increase the protection of your customers' data is a good one. Unfortunately, it's one more regulation that even very small companies must comply with to avoid penalties. Among the basic requirements of the standard, companies must

- Install and maintain a firewall configuration to protect data

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- Not use vendor-supplied defaults for system passwords and other security passwords
- Protect stored data
- Encrypt the transmission of cardholder data and sensitive information across public networks
- Use and regularly update antivirus software
- Develop and maintain secure systems and applications
- Restrict business access to data based on job description and needs
- Assign a unique ID to each person who accesses the computer used for financial data
- Track and monitor all access to network resources and cardholder data
- Regularly test security systems and processes
- Maintain a policy that addresses information security

The PCI Security Standards Council (www.pcisecuritystandards.org) manages and publishes the most current guidelines for compliance with the standards, including guidelines for small merchants. Regardless of the size of your business or number of payment transactions you process, you must comply with PCI standards. Typically, smaller online merchants have less complicated technology and data environments, which make it easier to comply with PCI DSS. However, each of the major credit card companies, including Visa, MasterCard, American Express, and Discover, have their own compliance program, so it's important to ensure your business also meets their requirements.

As a merchant, and as part of the validation process, you might have to complete a PCI DSS Self-Assessment Questionnaire (SAQ). You can access the questionnaire and learn more about specific compliance requirements by visiting www.pcisecuritystandards.org/merchants.

Resale certificate

If you sell any type of product, your state might require that you collect and pay a sales tax on every sale. If so, you need to apply for a resale certificate (often associated with buying wholesale). Be aware that the amount of sales tax to collect, the dates the tax is due, and the rules of collection vary by state. For that reason, you should check the regulations for the state in which your business is physically located. Because exceptions to the rules often exist or other details can be difficult to understand, also consider talking with a certified public accountant.

Business bank account

When you first begin to operate a business, you might be tempted to run all your money through an existing personal account. Trust us: This technique happens quite often and is rarely a good idea. Why do people do it? If you're just testing out your business idea, opening a separate account might seem unnecessary. Or perhaps you view it as a way to save some money on bank fees. Unless you plan to maintain your idea strictly as a hobby, however, you need to open a business bank account immediately. Otherwise, it becomes too easy to commingle personal and business expenses. How can you possibly separate them if they share a bank account?

When you open a business account, the bank needs specific information, such as a copy of your business license, your federal tax ID number or Social Security number, and, possibly, proof of incorporation if you want your legally incorporated business name on the account. Some banks also require a signature from each individual listed as an officer of your incorporated business.



TIP

Consider opening two bank accounts: one for all your daily transactions and the other for dealing with sales tax, employee withholding, and other regular tax payments. Keeping these items separate and using simple money transfers from one account to another can help you keep your payroll and employee finances separate and easier to manage. Meet with your bank's manager to find out what perks may be available when opening one or more business accounts.

Employee forms

When you hire others to work for your company (even if you are your only employee), the IRS wants to be in the know, and that involves forms, of course. You should be familiar with several forms required by the IRS:

- » **Form W-9:** When you hire independent contractors (nonemployees), consultants, or self-employed individuals to perform work, have them complete IRS Form W-9. This form provides you with the information you need to report earnings to the IRS and generate a Form 1099 (see the next bullet point) that reports their earnings at the end of the year.



TIP

When you're hiring independent contractors, be sure to check the IRS definition of what constitutes a contractor (versus an employee). For instance, if you have workspace available at your office for the contractor or require the person to work a set schedule, you could cause an independent contractor to be considered an employee. If that's the case, you're responsible for withholding taxes. You can even be fined (with interest) if you don't withhold wages and the mistake is discovered later.



REMEMBER

» **Form 1099:** If you hire someone (other than an employee or a corporation) to do work for your company, you need to send that person a Form 1099 at the end of the year. (You are legally mandated to provide a copy of the form to the recipient by January 31 of the following year.) You're required to complete this form only if you made one or more payments to the individual totaling \$600 or more within the tax year. If you're not incorporated and provide a service for another company, you receive a Form 1099.

If you barter or trade services or products with another company, the IRS expects you to report the value of that trade as income on Form 1099.

» **Form W-4:** If you have employees, they must fill out Form W-4s so that you can withhold, report, and deposit their correct amount of employment-related taxes. You're responsible for *withholding*, or taking out, money for income tax, Social Security, Medicare, and federal unemployment taxes (FUTA).

» **Form W-2:** By the last day of January following the end of each calendar year, you're responsible for sending this form to your employees. A W-2 reports the total income an employee earned from you during the preceding calendar year, along with the amount of money you withheld for various taxes during the year.

Zoning for Business (at Home)

Your home is the ideal place to start an online business. Working out of your house makes business setup quick and easy, and it equates to low overhead. Before you convert that spare bedroom into an office, however, you need to determine whether you're allowed to operate a business from your home.

The answer typically comes down to a single word: *zoning*. Most cities and towns have zoning ordinances that define how a particular piece of land or group of properties can be used. They further specify which types of activities can occur there. For example, some neighborhoods are zoned for residential, which means that only single-family homes can be built in that area. Other areas might allow multifamily (apartments) residential. In the area of commercial or business use, the zoning becomes more complicated because businesses are often separated by types of industry. An area might also be labeled *mixed use*, which allows both residential and some types of limited commercial activity.

The good news is that zoning requirements for home-based businesses are far more favorable since the COVID-19 pandemic. As individual employees and business owners were all forced to work from home during the pandemic, local

ordinances were less likely to be enforced or were updated to accommodate the new way of working. Regardless, it's still important to check local laws.

How do you decide whether your residential neighborhood is zoned for business? Check with your city's licensing or planning department. When you provide your address, the city clerk can tell you whether your neighborhood has any restrictions that would prevent you from opening your business.



TIP

Some cities and counties make zoning maps, along with a detailed list of city ordinances, available online. If your city has a website, start there first.

Assuming that all goes well and you find no restrictive ordinances, you'll be in business quickly. But sometimes this isn't the case and your home-based business or specific type of business isn't allowed. Then you have to ask for a *variance*, or an exception to the zoning ordinance. Fortunately, because millions of people are working from home now, many cities have already established criteria for such exceptions. Even if your neighborhood isn't specifically zoned for business, your city might allow small home-based businesses if they meet certain conditions.

To grant a variance, cities and counties want assurance that your business doesn't have

- » High-volume street traffic
- » Increased activity (by customers) in and out of the home
- » Large trucks on-site (delivery trucks or company vehicles)
- » Required additional parking
- » Exterior signage
- » The use or storage of harmful chemicals
- » Warehousing of a large number of products
- » The on-site sale of products to the public (such as what takes place at retail locations)
- » Employees (usually more than three or four) working on-site

These conditions are in place primarily to ensure that your business activities do not adversely affect your neighbors nor have an effect on residential property values. Luckily, most Internet-based endeavors don't create such nuisances. Be sure to reiterate this point with city planners when you're pursuing a variance request for your business.



TIP

If your business involves storing and shipping large numbers of products, you might want to lease an off-site storage facility or arrange to have your products shipped from a distribution facility. It not only eases concerns from city officials initially but is also a good preventive measure to keep your neighbors happy.

Increasingly, zoning isn't the only concern when you're starting a home-based business. Many cities are now requiring home occupational permits. If you want to operate from your home, you're required to have this permit — no matter what your business. The good news is that certain occupations or business types are often automatically granted permits (and computer or Internet-related businesses are almost always included). However, you might have to qualify for a permit based on a long list of conditions that are similar to the criteria used in seeking a zoning variance (noise, traffic, on-site sales, and employees, for example). When you apply for a home occupational permit, you might also be asked to provide a list of all your neighbors and their addresses. The city then sends notice of your intent to operate a business from your home and gives your neighbors an opportunity to object. Even with this caveat, obtaining a home occupational permit can be much easier (and faster) than having to get a zoning variance granted. When you apply for the permit, expect to pay a small fee, ranging from \$1 to \$75.



WARNING

A home occupational permit doesn't take the place of a business license. To operate legally, you must have both. See the next section to find out how to obtain the all-important business license.

Is that all you have to do? Not quite. Even if your home clears municipal zoning ordinances and home occupational permits, other obstacles can stop you from operating a home-based business, or alter the way in which you operate:

- » **Your homeowners' association:** Residents of subdivisions, condominiums, and some neighborhood communities often have homeowners' associations. If you're in this group, some restrictive covenants (or rules) probably govern your home and what you do to it, with it, and in it. The rules might also cover operating a business from your house. Read your covenants or bylaws carefully because even if your city doesn't restrict your business use of your home, these covenants might. If a problem exists, you can always go to the board of directors that manages your homeowners' association and try to obtain an exception.
- » **Landlords:** If you lease an apartment or house, the rental agreement might prohibit you from conducting any business activity on the property. Review your lease thoroughly for clauses that specify how you can use the property.



WARNING

If you choose to ignore legal restrictions concerning how your property can be used, you're taking a considerable risk. If your business activity is discovered, city officials could shut down your business, your homeowners' association could impose steep fines (and even put a lien on your home), or your landlord could evict you.

Obtaining Business Licenses

Regardless of where your business is located, you need a license to operate it. A *business license* is a piece of paper granting you the right to do business within a city, county, or state. Licenses are typically valid for a one- or two-year period and are nontransferable. (If you sell the business, the license is void.) You have to pay a fee when you apply for your license. The amount is often based on the type of business you operate and can range from \$25 to several thousand dollars.



TIP

You (and not a city clerk) should specify which business category you fall under when you apply for your license, because a category specifically for an Internet-based, or *e-commerce*, business might not exist. Instead, you have to select a broad category based on the specific activity conducted through your site. Some categories can require steep licensing fees and might not, in fact, apply to you. Scour the entire list and the accompanying fees. Then choose the one most related to your business and with the lowest fee.

In addition to obtaining a city-issued license, you might be required to have a license for the county in which you're operating your business. This license is similar to a city license but is often less restrictive and less expensive. Be aware that some occupations (building contractors, realtors, and other professional service providers, for example) might further require that you obtain a state license. Although you probably don't need a state license to operate your online business, you can double-check by visiting your state's website.



TIP

To help you find out where to go for your city and county licenses, the SBA offers an online list for all 51 states, plus Puerto Rico, Guam, and the U.S. Virgin Islands. You can find the Where to Obtain Business Licenses list at the SBA.gov site: www.sba.gov/business-guide/launch-your-business/apply-licenses-permits.

IN THIS CHAPTER

- » Deciding which business form is best suited to you
- » Establishing yourself as a sole proprietorship
- » Evaluating alternative legal structures
- » Operating by the rules of incorporation
- » Modifying your ownership structure

Chapter 2

Choosing the Right Foundation: From Partnerships to Corporations

At the top of every start-up checklist is a line item that reads “Establish the formal structure of your business.” This line means that you start by deciding how you want your company legally organized. You can be the sole owner or have two partners or 50 shareholders. Each form of business has definite advantages and disadvantages, depending on your goals for the business.

Read the information we provide in this chapter about all these options before making your final decision.

Strategizing for the Best Organization

Choosing how to set up your business is easier than you might think. Considering that you have only four primary choices, the odds of narrowing the selection quickly are in your favor. Yet one of the most frequently asked questions when someone is starting a business is “Which structure is best for me?” To get started, you need to resolve four key issues:

- » **Ownership:** Deciding who ultimately owns or controls your company is a primary influence on your choice of legal structure. A second factor is the number of people who control the business. Some forms of business are limited by both the number of owners and the type of owner (individual or corporation) it can have.
- » **Liability:** You must choose where you want the legal responsibility for the business to reside. Deciding whether you’re comfortable accepting full liability for the actions of the company or whether you need the protection (or veil) of a corporation is an important choice.
- » **Taxes:** Each of the business structures is subject to various forms of taxation. For instance, you might pay a self-employment tax based on your earnings. Or you could be taxed on the dividends paid out to all owners from the business. In the case of one type of incorporation, you might even experience *double taxation* — paying tax as the business and again as an individual stockholder.



TIP

Because the tax issues are so complex, talk with a tax attorney or certified public accountant to determine which option best fits your specific circumstances.

- » **Funding:** The way in which you finance the growth of your company can play a significant role in determining its structure. If you’re *bootstrapping* (self-financing) the company, any of the structures might work for you. However, if you seek outside financing from angel investors or venture capitalists, you need the option of having stock available for distribution. If another business entity plans to own stock in your company, your choice of business structure is severely limited. See Book 1, Chapter 4 for more info on how to fund your business.

Now that you understand these four primary areas of concern, you should have a better idea of where your specific requirements fit in. To make your final decision, read the detailed descriptions in the following sections for each business entity.

Operating Alone as a Sole Proprietor

If you're interested in simplicity, look no further. A *sole proprietorship* is recognized as the quickest, easiest, and least expensive method of forming a business. The main caveat is that only one person can operate as a sole proprietor. You and the business are literally the same entity. The upside of that arrangement is the ease of getting up and running. With the mere act of conducting business (and obtaining a license), you're considered a sole proprietor.

The downside of being a sole proprietor is the potential legal ramifications. Because you and the company are one, you're fully accountable for the losses of the business along with any legal matters. Whether the business is involved with lawsuits or problems with creditors, you're personally liable. No corporate protection is available — your personal assets (such as your home) can be sold and your personal bank accounts used to pay off creditors.

As a sole proprietor, you're also responsible for all taxes. The profits and losses of the business are listed on Schedule C on your personal tax return. And you pay self-employment tax (Schedule SE), which is a combined Social Security and Medicare tax. The self-employment tax is calculated as a percentage of your earnings, provided you earned more than \$400. As of the 2024 tax year, the percentage is 15.3 percent (12.4 percent for Social Security and 2.9 percent for Medicare). Up to \$168,600 of your self-employment income is subject to the Social Security tax, and all your income is subject to the Medicare tax. You can typically deduct half of your self-employment taxes on your personal tax return, but always check with a professional accountant or tax advisor to confirm rates and deductions.

In addition to obtaining a business license and paying taxes, you must address two other topics if you're considering operating as a sole proprietor:

- » Registering your company name
- » Forming a sole proprietorship with your spouse

We discuss these topics in the next two sections.

Fictitious name registration

Unless you choose to operate your company under your exact legal name (or use your last name), you need to register a *fictitious* name with the state. The name of your company is different from that of its legal owner (you). Suppose that your name is John Smith and you decide to name your company Online Information Services. By registering that fictitious name, you become John Smith *dba* (doing

business as) Online Information Services. Your business name should then appear on your checking account, business license, and any other legal documents.



TIP

Check with your city and state governments to determine how you should register your fictitious name. Some states require only that you submit an application and pay a small filing fee. Others mandate that you publish in a newspaper your intent to use the fictitious name before you begin to use it.

Marriage and the sole proprietorship

Togetherness is a wonderful thing, as you and your spouse might have found out when you got married. You and your spouse might even want to operate a business together. Does this mean that you no longer qualify for the simplified structure of a sole proprietorship? That depends.

The IRS legally recognizes a sole proprietor as having only one owner. If a spouse is working for the company, the IRS expects you to treat that person as an employee (which means that you have to pay payroll taxes). Alternatively, if your spouse has an active ownership role in the company, the IRS treats the business as a partnership (which means that both of you are taxed separately on the income). However, some tax advisors suggest that you can still file as a sole proprietor even if your spouse participates in the company. When you file a Schedule C on your joint tax return, all business income is viewed as one sum for both of you, although the IRS still views your business as belonging to a single owner.

To avoid paying payroll taxes, you may be able to classify your spouse as a *volunteer* in your sole proprietorship. Your spouse is then only occasionally active in the business and doesn't get credit toward Social Security.



WARNING

If the IRS determines that your spouse works regular, consistent hours, it could mean instant classification as an employee. At that point, you might be responsible for paying a hefty sum of back taxes and penalties. Always consult a professional tax advisor to ensure that you're operating within the allowable classifications designated by the IRS.

Sharing the Load with a Partnership

In some ways, a *general partnership* is similar to a sole proprietorship: It's relatively simple and inexpensive to form. Issues of liability and taxes reside fully with its owners. The primary difference with a partnership is that it allows you to have multiple owners.

Although the terms of this type of partnership can be based on a verbal agreement, you should spell out the conditions in writing, for two reasons:

- » **Dispute resolution:** Having the specific details of your original agreement in writing is handy if a dispute arises between you and your partner (or partners).
- » **Proof of partnership:** If something happens and a written document cannot be produced, you and your partners are assumed to share equally in all aspects of the business. Proving otherwise in a court of law, or to the IRS, could prove difficult.

When you define your partnership, the basic agreement should address these areas:

- » **Structure:** Shows what percentage of the company is owned by each partner
- » **Control:** Defines which partner is responsible for which part of the daily management of the company
- » **Profits:** Details the division of profits and losses and the time frame for distributing profits to the partners

A partnership arrangement brings up certain questions that you must consider at the beginning of a partnership:

- » How much money and time will each partner contribute, and how will decisions for the company be made?
- » What happens if one partner stops contributing, can no longer be actively involved, or wants out of the partnership?
- » Can you buy out the interest of another partner, or will the partnership be dissolved automatically when a dispute cannot be settled?
- » How will ownership be transferred if one partner dies or is involved in a divorce (especially if the partners are married to each other)?
- » How will an owner's share in the company be redistributed?

These questions are tough to answer. You probably don't want to believe that anything will go wrong between you and your partners. Unfortunately, for one reason or another, partnerships go sour all the time.

The most successful partnerships are those in which issues such as these were openly discussed and agreed on upfront. Likewise, individual owners who have survived a failed partnership have done so because a written agreement was in

place. Considering that you and your partners are personally liable for the actions of your company, a formal partnership agreement is your best chance for avoiding problems.

Limited Liability Company

If you prefer entering into a business using an entity that offers a bit more legal protection to you and your partners than a partnership, a *limited liability company (LLC)* might interest you. (Although some states also recognize a limited liability partnership, or LLP, the LLC is more common.)

The LLC combines the flexibility of a partnership with the formal structure and legal protection provided by a corporation. As in a general partnership, income is passed through to the individual partners, and profits can be distributed according to your agreement. (Note that profit doesn't have to be split equally among partners.) An LLC allows you to have an unlimited number of partners, and permits you to raise money for the business by taking on investors (including other corporations) as members. Additionally, members or partners of the LLC aren't personally liable for the actions of the corporation.

If you choose to form an LLC, you have to file with the state, although the requirements typically aren't as stringent as they are in a corporation. (You're not required to maintain bylaws or keep minutes of annual board meetings, for example.) However, the requirements for forming an LLC vary by state, so you have to research those requirements for the state in which you file.

Making It Official with Incorporation

One option to consider when you're establishing a business is whether to incorporate. A *corporation* is a legal entity that's separate from the individuals who create or work for it. Stock in a corporation is issued to individuals or to other business entities that form the ownership of the company.

Different flavors of corporations

Depending on your situation, you can choose one of two types of corporation:

- » **C corporation (or C corp):** This traditional form of a corporation typically offers the most flexibility when you're seeking investors. A C corp is allowed to have unlimited shareholders, usually with no restrictions on who they are. The downside is the way in which this status of corporation is taxed. In a concept commonly referred to as *double taxation*, the business is taxed first on its income and then its individual shareholders must also pay tax.
- » **S corporation (or S corp):** Electing to have Subchapter S status, or to become an S corp, is an option for your company if you have a limited number of shareholders (as few as just you and usually no more than 100). The shareholders must all be individuals (they cannot be corporations or other business entities), and they must be legal U.S. residents. You also have to agree to operate the business on a calendar year for tax purposes. The advantage of becoming an S corp is that you avoid double taxation. (Profits and losses are passed through to shareholders.)

The choice to incorporate

The biggest advantage to incorporating is that it offers legal protection to its owners. As an individual shareholder, you're not personally liable, as you are with a sole proprietorship or general partnership. You might find that a corporation offers significant tax advantages, too. If you're seeking investment capital or plan to take the company public with an initial public offering (IPO), a corporation gives you the most flexibility to do so. Even if you have no plans to go public, being incorporated provides the opportunity to build your personal wealth in the form of an individual or one-participant 401(k) plan, which is also referred to as a solo 401(k) plan. Saving for retirement using a traditional 401(k) plan can be a big advantage of incorporating as an S corp.

Incorporating has a few disadvantages, too. For starters, you must file or register your corporation with your state. This process involves a large amount of paperwork, which takes some time. To file, you have to submit articles of incorporation that state (among other information)

- » The purpose of your business
- » The name of the company
- » The name of the owner
- » The company's location

You also have to submit bylaws, which describe how the company is run, and a list of officers, or the people who direct the company in its daily decisions, such as a president, secretary, and treasurer.

After your corporation is approved by the state, your responsibilities don't end there. To maintain the corporation's status, you're required to issue stock, hold annual board meetings (with its officers), and record minutes of these meetings. These formal requirements of a corporation can be cumbersome for you, especially when you're starting a new business. In addition, a corporation has to file separate tax forms, which are typically more complicated than an individual return. You could be doubling your efforts — and your expense — while trying to comply with taxes.



WARNING

If the corporate veil is pierced, you can be held personally responsible for the debts and legal concerns of your corporation. This situation happens when you don't properly uphold the requirements of your corporation. Any protection offered by the corporation is therefore forfeited.

Forming a corporation isn't the cheapest method of starting a business, either. If you hire an attorney to file the necessary paperwork with the state, expect to spend a minimum of \$1,500 or more in legal expenses and filing fees. Even if you elect to incorporate yourself or do it through an online service, it can still cost several hundred dollars. You pay, at the least, an initial filing fee with the state and then an annual fee to maintain your status.

Changing Your Organization as It Grows

Just because you select one form of structure when you're starting your business doesn't mean that you're stuck with it forever. As with other decisions you make along the way, you might find that your growing company warrants a different legal structure at some point. The ideal situation is to select a structure that gives you the most flexibility at the time you start up. Sometimes, though, that's not reasonable. The next-best plan of action is to understand when and how you should change your organization.

Perhaps the best indicators are those related to money and ownership. As a small-business owner, if you use your money better through different tax strategies, waste no time making the transition. Many businesses start out as sole proprietorships because that option is simple. When the owner hits a certain level of income, however, it makes sense to incorporate based on the amount of self-employment taxes being paid. The advantage of saving several thousand dollars outweighs the compliance burden of incorporation. As they say, it's a no-brainer!

Then there's the matter of owner status. As a sole proprietor, if you take on an additional owner, you have to convert to a partnership or some form of corporation. Similarly, if you're operating a general partnership and then decide to seek out other owners for investment purposes, forming a corporation and offering stock might make sense.



REMEMBER

You can much more easily switch from a sole proprietorship or partnership to a corporation than vice versa. After you incorporate a business, you're expected to meet payroll and wage-related tax requirements as defined by the IRS, and you're expected to hold shareholder meetings. If you decide that you cannot maintain a formal corporation or that it's no longer the best structure for your company, you cannot simply stop meeting these requirements. Instead, you must follow certain procedures to legally dissolve the business.



REMEMBER

Before changing the status of your business, *always* consult with your certified public accountant, attorney, or other trusted business advisor. Consider your options carefully!

IN THIS CHAPTER

- » Understanding trademarks and the law
- » Establishing copyrights and your right to be covered
- » Registering your work
- » Hiring lawyers instead

Chapter 3

The Trademark-and-Copyright Two-Step

Your business is important to you, and protecting your hard work and assets is probably high on your list of concerns. From your company logo to your business documentation to your website, making certain your intellectual property (IP) is protected from improper use, plagiarism, and defamation is a never-ending process.

In this chapter, we show you how to protect your investment by registering for trademarks and filing your copyright.

Understanding Why Trademarks and Copyrights Matter

Creating a distinctive name, symbol, or phrase for use in your business can involve a lot of work. After all, branding companies are paid tens (or hundreds) of thousands of dollars to come up with the right names for new products or services. The same hard work and amount of time invested applies to a written work of art, a clever body of text used on your website, or an original piece of artwork: If you

go to the trouble of developing unique content, it's probably worth protecting it as your own.

To understand how to protect yourself, you have to enter the Land of Legalization. Start by wrapping your brain cells around some extremely important words, as defined by the U.S. government:

- » **Copyright:** A form of intellectual property law that protects original works of authorship, including literary, dramatic, musical, and artistic works, such as poetry, novels, movies, songs, computer software, and architecture. The Library of Congress registers copyrights, which last for the life of the author plus 70 years.
- » **Patent:** A property right granted by the government of the United States to an inventor that excludes others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States, in exchange for public disclosure of the invention when the patent is granted.
- » **Trademark:** Protects words, names, symbols, sounds, or colors that distinguish goods and services from those manufactured or sold by others and that indicate the source of the goods. Trademarks can be renewed forever, or as long as they're being used in commerce.

Obtaining one of these legal stamps to claim something as your own is a fairly painless process. Taking this precaution can eventually translate into dollars gained. Not having a product or logo protected makes it easier for someone to copy or steal your idea. That's money out of your pocket. Although having a trademark or copyright might not prevent others from infringing on your work, it certainly makes it easier to go after them in court if they do.



REMEMBER

Although the rules for these protective marks are the same whether you're conducting business online or off, the Internet has increased the stakes in some instances. Having your information readily accessible by millions of people around the globe makes it much easier for others to "borrow" from your hard work. That's all the more reason to make the effort to officially protect your information.

Making Your (Trade)Mark

Do you have to register your work to be protected? No. You might be surprised by this answer, but a federal trademark isn't a necessity. Suppose that you design a symbol to be used as the logo for your online business. By placing that logo

on your site, and using it there and on any other business materials, you have established rights to it. So, why bother to officially register it? Obtaining federal registration acts as a notice to the public that you own the mark. It can also assist you if you decide to take action in a federal court to stop someone else from using your work. Also, if you want to register your logo outside the United States, the official registration provides the basis for you to do so.

Even if you choose not to formally register your work, you can use the trademark symbol anyway. After you establish that brilliant tagline or artistic logo, go ahead and place the trademark symbol (TM) near your work. However, you cannot use the symbol showing that the work is officially registered until you apply for registration and receive final notification that your mark is registered. At that time, you can use the registered symbol (®).



REMEMBER

Having a registered trademark doesn't prevent others from infringing on its use. After your work is registered, it's up to you to enforce it. This means you may have to pay an attorney thousands of dollars to prove your trademark was violated. It's up to you to decide whether it's worth the investment of your time and resources to fight infringement. If you don't fight the illegal use of your trademark, you may wonder why you should bother trademarking at all. It's similar to having a lock on your door. A trademark helps thwart a thief, but it doesn't always stop them!

Protecting Your Investment with Copyrights

As with trademarks, you don't have to file for copyright protection to claim your written work as your own. Copyright protection is in place at the time you create your work. However, if you choose to file a lawsuit against someone for using your information, the U.S. Copyright Office advises that you need the formal certificate of registration as proof of ownership.

The good news is that copyrighting your information yourself isn't expensive. Online-filing fees for a basic registration at the time of this writing are \$45 to \$65 per work. And the standard paper-filing fee is \$125. The fees can escalate depending on the type of work and the amount being registered. A group or work of published content can be registered for as much as \$95, for example. You may also require a copyright search for a fee of \$200 per hour. The purpose of a copyright search is to identify whether anyone else already owns the right to the content. However, copyright searches are sometimes tricky because not all files have been digitized and made available online (a current digitization project is underway, but not yet complete). This means that searches of copyrights prior to 1978, approximately

45 million cards of information, must be sorted through the old-fashioned way — offline, in the U.S. Copyright Office in Washington D.C. You can learn more about the copyright search process online at www.copyright.gov/circs/circ23.pdf.

If you choose to register, certain rules pertain specifically to websites and other material distributed online (such as documents you offer for download). For instance, you can copyright any original information you include on your site.

Here are some other variables:

- » You can protect computer programs you have written.
- » You can protect entire databases.
- » You *cannot* copyright your domain name for your site (such as www.mysiteisgreat.com).
- » If you decide to send out an electronic newsletter to your customers each week, it's protected under copyright laws, as long as the information is original.

THE DIGITAL MILLENNIUM COPYRIGHT ACT

The Digital Millennium Copyright Act (DMCA) became law in 1998. This legislation provides enhanced copyright protection, specifically within electronic media (the Internet). Generally, the DMCA makes illegal the use of technology to copy or pirate digital material, such as software, music, and video. The DMCA further prohibits you from selling or distributing technology that could permit this type of activity.

How does the DMCA affect you? The answer depends on your type of business. If your website distributes music in any way, this law requires that you, as a webcaster, pay appropriate licensing fees for that right. If you're a nonprofit organization, a library, or an Internet service provider (ISP), you gain some added protection if someone uses your system to distribute copyrighted material. If you're the owner of copyrighted material and discover an infringement, you can report it to the ISP that's transmitting the information and request that the material be removed. Other than in these situations, the DMCA might not be a concern for you. You should be aware of it, though, especially if your online business uses, creates, or sells the digital material specified earlier.

The rules become more complicated when you discuss the period over which a work is protected or the amount of work that can be copyrighted. For instance, the original words on your website pages are protected. However, if you make updates to any of your pages and change that information, it isn't protected. In other words, you aren't given an unlimited copyright to your site's content. If you change the information (which you should do to keep your site fresh and current), you must file another application and pay another filing fee.

Here's an exception to this rule: An online computer program may be treated separately. Online work that's continuously updated can be classified as an automated database, which can have a single registration that covers updates over a three-month period (in the same calendar year). Or if you have material, such as an e-newsletter, that's updated daily or weekly, you might qualify for a group registration (or a single registration that covers multiple issues).

For more flexibility when allowing others to use and share your online content, such as blogs, website copy, and images, consider a Creative Commons license. Creative Commons is a nonprofit organization that provides different types of licenses for digital content used worldwide that extend the way your copyrighted content is used while remaining within the legal boundaries of copyright law. You can, for example, grant users the right to share, edit, remix, or build upon your content based on certain conditions. You choose to extend licenses based on the types of attribution and whether it is for commercial or noncommercial use. A Creative Commons license works alongside a legal copyright and is not a replacement or an alternative to copyrighting your work. Copyright laws can be inflexible, but a Creative Commons license allows widespread digital sharing while enabling you to retain ownership of your work. You can learn more at <https://creativecommons.org>.



TIP

For complete details about copyrighting your online work, specifically as it applies to your website, check out the official site for the U.S. Copyright Office and its information about electronic content, "Copyright Registration of Websites and Website Content," at www.copyright.gov/circs/circ66.pdf. As with all advice in this book, when it comes to legalities, we highly advise you to consult an attorney if you have any questions or concerns about any actions you need to take.

Establishing Registration Yourself

As we point out in the preceding section, establishing your work as your own is as simple as creating it and using it. When you're ready to take the extra step to obtain proof of ownership, you can easily file for a trademark or copyright yourself.

Getting your trademark

You can apply for a federal trademark all on your own. Follow these steps to work through the registration process:

1. **Go to the website of the U.S. Patent and Trademark Office (USPTO) at www.uspto.gov.**

The main page of the site lists current news and information about trademarks and patents. In the upper-right section of the page is a Find It Fast drop-down menu with a list of topics from which you can choose more information.

2. **Under the Trademarks category in the main site navigation, click the Apply Online (TEAS) link.**

This step takes you to the Trademarks Electronic Application System (TEAS) Online Filing page. The left side of the page contains links to detailed information about enhancements to the system and important notices. The center of the page contains important warnings (such as current wait times for new trademarks), along with descriptions of filing options and links to the application forms.



TIP

Midway down the page is a First Timers link, which can also be accessed by visiting www.uspto.gov/trademarks/basics. The First Timer page walks through the essentials of a trademark, including what protection is provided and why it is important to register. It also covers the information you need to get trademark approval, expected costs, and common issues you may encounter during the application process. You should visit these links before you start the registration process to ensure you have all required material ready for the application.

3. **Back on the previous page (go back if you visited the First Timer page) under the Apply Online section, click the Initial Application Forms link.**

A new page opens with information about form options and filing fees. It also has links to begin the filing procedure.

4. **Click the Start your application in TEAS link to start the application process.**
5. **Complete all steps.**

After you complete the application tutorial, your mark is officially submitted for approval.



TIP

Have your credit card ready when you file online. A filing fee, ranging from \$250 to \$350 per item, must accompany your online application.



REMEMBER

Filing for a trademark can be tricky. You must be precise in the information you provide, follow instructions to the letter, and complete the process within a specified time frame. The USPTO prefers that you get professional help and issues a warning from the start, encouraging you to hire an attorney. If you are uncertain about the filing process, it may be worth paying for a few hours of time for a trademark attorney.

When the online registration is processed, you'll receive a serial number for your application. Use this serial number to check the status of your application by calling 800-786-9199 or by using the Trademark Status and Document Retrieval (TSDR) system at www.uspto.gov/trademarks/apply/check-status-view-documents.

Filing for copyright

To file an application for obtaining a federal copyright of your work, follow these steps:

1. **Go to the website of the U.S. Copyright Office at www.copyright.gov.**

The home page shows you a list of choices to get information.

2. **Click the Registration drop-down menu in the gray menu bar at the top of the page.**

3. **Select Register Your Work: Registration Portal.**

This page shows a list of the type of work that can be registered. Below that information is a link to the electronic registration system.

4. **Click the Log in to the Electronic Copyright Office (eCO) Registration System button and continue to the next page where you will be required to register as a new user.**

Once you complete the registration and have an eCO user account, you will automatically be taken back to the login page.

5. **Login with the User ID and password you created and then follow the three steps as outlined on the site.**

These steps include completing an online application, paying the filing fees, and uploading your work using an accepted file format. Tutorials for each stage help you complete the filing process successfully.



TIP

If you have trouble filing electronically, you can instead send the completed application and copies of your work, along with the designated filing fee, to this address:

U.S. Copyright Office
101 Independence Ave., S.E.
Washington, D.C. 20559-6000

After your registration is approved, you receive a certificate of registration (usually in four or five months).

Retaining Professional Assistance

Hiring an attorney who specializes in trademarks, patents, or copyrights can be a good idea if your situation is complex or you're not comfortable handling the applications on your own. If you're pursuing registration in foreign countries, hiring an attorney who's familiar with international laws is invaluable. Because U.S. copyright and trademark laws are recognized in some, but not all, countries, using an attorney can ensure that you're fully protected.

You can expect to pay big bucks for the expertise of a professional. An experienced attorney might charge anywhere from \$175 to \$350 (or more) per hour for their service. This money is in addition to any filing or application fees you might have to pay. For this fee, you can expect a trademark attorney to conduct a thorough search of existing and pending marks that might conflict with yours. The attorney should also complete all forms on your behalf and act as the primary point of contact with the U.S. Patent and Trademark Office or the U.S. Copyright Office.



TIP

To protect your investment, follow these tips when you're hiring a professional:

- » Look for an attorney who specializes in intellectual property or trademarks, copyrights, and patents.
- » Get referrals from others you know who have used attorneys to register their businesses.
- » Clarify which portion of the work is conducted by the attorney and which part is handled by legal aides (or junior partners).
- » Discuss the attorney's rate and whether you're billed upfront.
- » Ask for a written statement or estimate of how much you can expect the process to cost.
- » Confirm that the attorney is licensed.



TIP

You can search for an attorney in your area by using the referral guides on these websites:

- » **American Bar Association (ABA):** Visit www.americanbar.org to locate attorneys in your area who can help you with your specific legal needs.
- » **FindLaw:** FindLaw, at www.findlaw.com, can also help you locate local attorneys who specialize in various legal subjects, including trademark policies.

IN THIS CHAPTER

- » Keeping up with IRS expectations
- » Tracking your profits and losses
- » Finding software to make accounting a snap (or as close as it gets)
- » Choosing a professional to protect your pocketbook
- » Deciding what paperwork stays and what goes

Chapter 4

Accounting for Taxes (and Then Some)

Unless you have a penchant for numbers, along with a love of crunching them, accounting is probably the least fun part of owning a business. Even so, we also recognize that it's one of the most necessary business functions. Why? It boils down to these two issues:

- » **Taxes:** The Internal Revenue Service (IRS) demands that you keep accurate records of the monetary side of your business. That way, you're sure to contribute your fair share of taxes to Uncle Sam.
- » **Profitability:** IRS aside, *you* need to understand how well (or not so well) your business is doing financially. Then you can make good strategic decisions for its future — and yours!

Dread it as you may, you have to embrace accounting. Okay, perhaps not embrace it, but you can at least learn to appreciate its value and commit to keeping up with it. To help prepare you for that financial road ahead, we start by introducing you to some basics of accounting. Before long, you may even look forward to balancing your checkbook. (Hey, anything is possible.) If you find that you just can't hack

the accounting life, check out our advice on how and when to choose a professional to help you out.

The Tax Man Cometh — Again and Again

You’ve probably heard the saying that nothing in life is certain except death and taxes. Suffice it to say that the latter is at least predictable. As a business owner, you can count on the tax man regularly showing up on your doorstep. Rain or shine, without fail, taxes come due at certain times of the year whether you like it or not.

In Book 2, Chapter 2, we give you a glimpse of what to expect of the tax man when we discuss the pros and cons of various ownership structures for your business and how each form is taxed. Regardless of which type of business structure you choose, you face many tax-related requirements when you run an online business.

For starters, several types of federal and state taxes are likely to apply to you, as we describe in the next few sections.

Income tax

You pay income tax on the money your business earns. Almost every type of company has to file an annual income tax return. (The exception is the partnership, which files only an information return.)

The important thing to know is that federal income tax is a pay-as-you-go system — the IRS doesn’t want to wait until the end of the year to receive its cut of your money. Instead, you must pay the amount of taxes that are due every quarter. Because you don’t always know the exact amount to pay in time to file by the IRS deadline (maybe an overdue invoice comes in at the last minute or a refund has to be issued), you can *estimate* the tax amount for each quarter and then submit that dollar amount. Table 4-1 lists the appropriate IRS form to submit when you’re estimating taxes, along with many other forms that the IRS says you need, according to the type of organization you create.

Employment tax

Your tax responsibilities don’t end, of course, with reporting your income. Employees play a role, too. Whether you have one person (even if that’s you!) or 100 people working for your company, if you hire employees to work in your

online business, you're responsible for paying certain taxes on behalf of those employees. Even if they work only part-time, you still have to keep up with the paperwork and pay up.

TABLE 4-1 **IRS Tax Forms Based on Business Type**

Organization Type	Potentially Liable for This Type of Tax	Form or Forms Required
Sole proprietor	Income tax	1040 and Schedule C1 or C-EZ (Schedule F1 for farm business)
	Self-employment tax	1040 and Schedule SE
	Estimated tax	1040-ES
	Employment taxes: Social Security and Medicare taxes and income tax withholding	941 (943 for farm employees)
	Federal unemployment (FUTA) tax	940
Partnership	Annual return of income	1065
	Employment taxes	Same as sole proprietor
Partner in a partnership (individual)	Income tax	1040 and Schedule E
	Self-employment tax	1040 and Schedule SE
	Estimated tax	1040-ES
Corporation or S corporation	Income tax	1120 (corporation) 1120S (S corporation)
	Estimated tax	1120-W (corporation only)
	Employment taxes	940, 941, or 943
S corporation shareholder	Income tax	1040 and Schedule E
	Estimated tax	1040-ES

These obligations are commonly referred to as payroll taxes. You must file *withholding forms* (along with the accompanying payment) to both the IRS and your state treasury department. The types of taxes you pay on behalf of your employees include

- » Medicare and Social Security taxes (as part of the Federal Insurance Contributions Act, or FICA)

- » Federal income tax withholding
- » Federal unemployment tax (FUTA)

Calculating the withholding amount can be complicated. You start with the information submitted by your employee on a Form W-9 and then use the tables in IRS Publication 15, *Employer's Tax Guide* (Section 9), which is available at www.irs.gov/publications/p15. Withholding guidelines are updated sometimes, so it is important to review the tax guide. If you are still not sure how to calculate this amount or are uncertain of changes to requirements and how they might apply to you, your financial advisor (bookkeeper or accountant) can easily make the calculations for you and confirm any extensions or updates to withholding guidelines for 2024 and beyond.

With calculated withholding amounts in hand, you need to fork over payroll taxes every quarter. You must file Form 941, *Employer's Quarterly Tax Return*, by the last day of the month that follows the end of the quarter. When the due date falls over a weekend, the IRS moves the date to the following Monday, immediately after the weekend. Table 4-2 shows the payroll due dates for both paper filing and electronic filing.

TABLE 4-2

Due Dates for Payroll Taxes

Quarter Ends	Normal Due Date	Extended Due Date
March 31	April 30	May 10
June 30	July 31	August 10
September 30	October 31	November 10
December 31	January 31	February 10

In addition to providing payroll dates, the IRS website for small businesses offers easy access to almost every other type of tax form you need to submit. The site even contains an online learning center so that you can further educate yourself about all tax and business start-up issues. You can see instructional videos online at www.irs.gov/businesses/small-businesses-self-employed.



WARNING

The rule of filing quarterly has some exceptions. Always check with your accountant or CPA to confirm that you're filing properly. Otherwise, the IRS can slap you with hefty penalties and interest (never a good thing).



TIP

If you believe that your employment taxes are \$1,000 or less, you may be eligible to submit payroll taxes annually. To do so, request Form 944.

You might want to file electronically. (Come on — if you're running an online business, you ought to be set up for filing online, right?) Although the process is fairly easy, some paperwork is involved. In other words, don't assume that you can wait until the day before your taxes are due to sign up.

To start making online payments, go to the official Electronic Federal Tax Payment System (EFTPS) website at www.eftps.gov/eftps. EFTPS is a free service to business and individual taxpayers. Before you can file your taxes electronically, however, you must enroll online. Click the Enroll button at the top of the page and then follow the instructions to submit your information. Getting set up to make electronic payments generally takes a few days. You must make payments the day before the due date in order to be on time.



REMEMBER

Before you can complete the online application, you must have an employer identification number (EIN) and provide your bank account number and bank routing number.

Sales tax

Another tax responsibility is that of tracking and collecting sales tax from your customers and then submitting it to the appropriate state and local agencies. If you sell (or manufacture) products, you probably have to deal with this issue.

You may be wondering whether you can avoid sales tax because you're selling products online and not in a particular state. Generally, online businesses have always followed this guideline:

If you sell to people in any state where you have a nexus, or physical presence (a store, a warehouse, and sometimes that can also be the tiniest remote office), you must collect tax from customers originating from that same state.

Increasingly, individual states are becoming more aggressive about collecting sales tax from Internet-based companies, often referred to as an *economic nexus* or *remote seller nexus*, and that means the current ruling on when to collect tax is changing on a state-by-state basis. For example, states that have enacted economic nexus standards require online businesses to collect sales tax if they have any connection to a state, such as using a warehouse or drop-shipper within the same state where the customer resides. Other states have enacted similar economic nexus standards that are based on reaching gross revenue thresholds within the state. The remote seller nexus requires online merchants to pay state sales taxes (regardless of any physical location or affiliated association in the state) or provide information about in-state customers who made purchases from the online site. Keep in mind that some states do not collect any sales tax and it may not ever be an issue.



TIP

Bottom line: It's complicated, and the laws are changing quickly! Our advice is to stay on top of the most current information at both the state and federal levels and to have your accountant continually keep you updated. Using a good shopping-cart solution (which we discuss in Book 4) for your website may also help make it easier to keep up with which online customers to tax and when. You can also see a listing of states that have a remote seller nexus from the Sales Tax Institute at www.salestaxinstitute.com/resources/remote-seller-nexus-chart.



REMEMBER

You're also liable for filing and paying other state-related taxes (not just sales tax). Because the amount varies greatly across states, check with your accountant to find out which taxes apply to your online business. Or you can contact your state's revenue department to learn more.



TIP

The Federation of Tax Administrators (FTA) website has a direct link to the appropriate agency websites for each state. Find the link at <https://taxadmin.org/fta-members>.

By the Numbers: Accounting Basics

Although we freely admit that accounting isn't our favorite activity, some elements of it are enjoyable. For example, at the end of every month, you have the opportunity to look at the profit-and-loss (P&L) statement to see how well your business is doing — on paper. It's like getting a checkup (for better or worse) and viewing a summary of every activity you performed during the month, as it relates to the bottom line of your business. If all is well, yippee! If you encounter problems, a P&L statement is bound to expose your points of weakness.

If you're still not sure what a P&L is, let alone what it means to your business, don't worry. You'll soak up the idea of a P&L in no time, along with several other important pieces of financial information in the following sections.

Determining periods and methods

Before you can walk, you have to crawl. When you're starting a business, one of the first things you have to do is select your *tax year*, or the defined period that you use to provide an annual snapshot of the financial state of your business.

You can choose from several types of tax year:

- » **Calendar year:** This method is defined by the wall calendar you buy at the beginning of every year. The 12 months start January 1 and end December 31.

Your calendar-year accounting system follows the same pattern: Move from month to month and then start all over again on the next January 1.

- » **Fiscal year:** Although this type of tax year also has a fixed 12-month period, it never ends on the last day of December — any other month, but not that one. For example, you could choose to run from October 1 to September 30 of the following year. Why bother? If you have a seasonal business, this method provides an opportunity to adapt your operational schedule to an accounting and tax schedule. If your peak season is at the end of the year, having to worry about reporting or paying taxes can be cumbersome.
- » **52 or 53 weeks:** In this variation of the fiscal year, you operate on a 52- or 53-week period rather than on a 12-month schedule. The catch is that your tax year must always land on the same day of the week (close to the end of a calendar month), thus requiring that an extra week be added to the period to end on the same calendar date each time.

A calendar year is probably the easiest reporting method for you to adopt. Depending on which type of business you form (an LLC or S corporation, for example), you may have difficulty getting the IRS to approve anything other than a calendar year. The IRS refers to it as a *required tax year*.



TIP

If you have good reason to think that the calendar year is a problem for your business, you must file a request with the IRS to change your tax year. For this request, you want to use the Application to Adopt, Change, or Retain a Tax Year. Unless an IRS code provides for automatic approval, be prepared to pay a filing fee for the change request.

Your next decision is to choose an *accounting method* for your business. You use this method to arrive at your income and expenses. Just as you choose your tax year, you select your preferred accounting method when you start your business. You're then expected to stick with it, unless the IRS approves a change.

Here are the two most common accounting methods for a business:

- » **Cash basis:** Simply put, you report earnings when they're received and report expenses when they're incurred. It is the most basic of accounting methods. The IRS says that you *cannot* use the cash method if you have earnings of \$26 million in any three-year period. The following conditions also apply:
 - You're a corporation (other than an S corporation) with average annual gross receipts of more than \$26 million.
 - You're a partnership that has a corporation (other than an S corporation) as a partner, and the partnership has average annual gross receipts of more than \$26 million.



REMEMBER

- You're a tax shelter.
- You have inventory. There are some exceptions based on smaller inventory levels. Consult your tax attorney to confirm whether your business still qualifies for cash-basis accruals.

Special circumstances and exceptions to the rules always exist. Be sure to check with your CPA regarding which basis is best for your business.

» **Accrual basis:** In this method, your revenues can be reported when you earn them rather than when you receive the money (cash). Likewise, your expenses can be reported on the date they're owed, as opposed to the date on which you pay them. If you produce items or have inventory, accrual is considered the best way to provide an accurate picture of your financial status from year to year. Of course, that rule has some exceptions! You can use another method, even if you deal with inventory, if you are

- A qualifying taxpayer who passes the gross receipt test (with less than \$1 million in gross sales for each year of the test period)
- A qualifying small-business taxpayer who passes the gross receipt test (with less than \$10 million in average annual gross receipts for each year of the test period)
- An eligible business as determined by the IRS

Also, you must *not* be

- A tax shelter
- Prohibited from using the cash method



TIP

As your business grows, there is an option to use a combination of the two standard methods. It's called the *modified cash-basis method* and allows you to record both short and long-term transactions for the most favorable view of your business.

And now, your balance sheet

No matter which accounting method you choose, you need to know how to make sense of your company's financial statements. A *balance sheet*, which is one of those statements, is a detailed summary of your business's financial status.

To understand your balance sheet, here are some terms you need to know:

» **Assets:** Everything of value that your business owns. Assets typically include

- *Cash:* Available money in your bank accounts
- *Accounts receivable (A/R):* The money that your customers owe you

- *Inventory*: The monetary worth of whatever merchandise you have on hand
- *Fixed assets*: Land, buildings, furniture, and equipment
- *Miscellaneous*: A catchall term for anything that doesn't fit into any other category

» **Liabilities**: All the debts of the business. Liabilities can include

- *Accounts payable (A/P)*: The money that you owe suppliers, vendors, or credit card companies
- *Accrued expenses*: Wages, payroll taxes, and sales tax, for example, that have been collected but not yet paid
- *Non-current*: Notes payable to shareholders and the portion of long-term debt that isn't yet due, for example

» **Net worth or capital**: The amount of your ownership or equity or the amount you invested in your company

» **Revenue or sales**: All the income your business has earned, usually recorded over a specific period

» **Expenses**: Everything spent by your business, typically recorded (or totaled) for a specified period

Now you know all the essential terms that relate to a balance sheet. The next important point is that when a balance sheet is put together correctly, the bottom line must “balance” by using the following equation:

$$\text{Assets} = \text{liabilities} + \text{net worth}$$

That's it. See? It's not that confusing! To help you grasp how a balance sheet should look, check out the sample shown in Figure 4-1.

A quick glimpse: The P&L

Unlike a balance sheet, an *income statement* (commonly referred to as a profit-and-loss statement, or P&L) provides a quick snapshot of your revenues and expenses. It's made up of *line items*, a sequence of items providing a monetary total for every category of revenues or expenses. When you compile the statement, you can see how much money your business earned (or lost) for that specific period.



TIP

You can create P&Ls on a quarterly basis. Looking at P&Ls monthly is more useful, however, because you can more easily spot any unusual fluctuations in your sales or expenses.

Balance Sheet Ending December 31, 2024	
	<u>2024</u>
ASSETS	
Current Assets	
Cash	\$2,500
Accounts receivable	2,800
Inventory	5,500
Total Current Assets	\$10,800
Fixed Assets	
Buildings	\$ 0
Land	0
Furnitures and fixtures	1,200
Equipment	7,000
Accum. depreciation	(200)
Miscellaneous	0
Total Fixed Assets	\$8,000
TOTAL ASSETS	\$18,800
LIABILITIES AND SHAREHOLDERS' EQUITY	
Liabilities	
Accounts payable	\$3,300
Taxes payable	500
TOTAL LIABILITIES	\$3,800
Net Worth	15,000
TOTAL LIABILITIES & NET WORTH	\$18,800

FIGURE 4-1:
A sample
balance sheet.

Suppose that you earn \$750 in a month, which is deposited in your checking account. Then you withdraw (or spend) \$800 that month. The bank also charges you \$40 in overdraft fees for two bounced checks that were paid from your account. You have lost \$90 for the month (you were short \$50, plus \$40 in overdraft fees).

Your P&L shows you the same type of information as your bank statement. If you pull up a record of your bank account online, you can see a list showing where your money went that month. By looking at your initial balance, and the checks you wrote against your deposits, you see whether you ended up with a positive balance (a profit) or a negative balance (a loss) over that period.

Check out Figure 4-2 to see what a P&L statement looks like.

Income Statement (P&L)		07/31/24
For month ended July 31, 2024		
Income:		\$9,115.00
Gross Sales:		(0.00)
Less Returns		(0.00)
Less Other Discounts		
		<u>\$9,115.00</u>
NET Sales		
Cost of Goods Sold:		
Beginning Inventory	\$500.00	
Add: Purchases	250.00	
Freight	<u>50.00</u>	
		800.00
Cost of Goods Available		
Less: Ending Inventory	(400.00)	
		-400.00
Cost of Goods Sold		
		<u>\$8,715.00</u>
Gross Profit (Less)		
Expenses:		
Advertising	150.00	
Amortization		
Bad Debts		
Bank Charges	50.00	
Commissions		
Credit Card Fees	55.00	
Depreciation		
Dues, Subscriptions (Books)	15.00	
Insurance	145.00	
Interest		
Loans		
Maintenance		
Miscellaneous	40.00	
Office Expenses – General	137.28	
Operating Supplies	124.56	
Payroll (Wages & Taxes)	2,800.00	
Permits and Licenses		
Postage	95.00	
Professional Fees	275.00	
Property Taxes		
Rent	650.00	
Telephone		
Landline	289.00	
Cell	150.00	
Training/Workshops	20.00	
Travel		
Utilities	280.00	
Vehicle Expense		
Gas/Mileage	42.14	
Maintenance		
Web Site Fees	<u>355.00</u>	
Total Expenses		5,672.98
Net Operating Income:		<u>3,042.02</u>
Other Income:	0	
*NET INCOME (LOSS):		<u>\$3,042.02</u>
*This is pre-tax income.		

FIGURE 4-2:
A sample income
(P&L) statement.

In the example shown in Figure 4-2, notice two important characteristics of a P&L:



TIP

» **The dollar value for each line item is shown as a percentage of your gross revenues (total earnings before anything is deducted).** Using percentages gives you a clearer picture of how much (or little) you're spending from your total earnings. For example, if you find that you're spending 32 percent for banner advertising and only 5 percent on keywords, consider whether that's how you intended to spend your advertising budget.

Regularly review your P&L statement to track whether you're staying within your budget for the year.

» **The total dollar amount and percentages from the preceding month and for the year to-date are included.** It's all on the same page. If the line item shows that your company's water fee jumped 50 percent in one month, you might want to investigate. It could indicate a leak or other problem. Or the reason might be as simple as you having accidentally made a double payment. Don't laugh: You might be surprised at how easily events like these can slip past you.

Think of a P&L as a tool for keeping track of your business. Like the balance sheet, it provides an important glimpse of your business, over a specific period. If you review your financial statements regularly, you can catch mistakes and identify positive trends and then use that information to make critical decisions about the financial well-being of your online endeavor.

Choosing Software to Make Your Tasks Easy

Accounting software allows you to enter your daily financial activities, press a few keys at the end of the month, and — voila! — print your balance sheet and P&Ls. It's just a matter of picking the right software.

QuickBooks, the accounting software from Intuit (<https://quickbooks.intuit.com>), is a favorite among many small-business owners because it simplifies the recordkeeping process for your business and is *extremely* easy to learn and use. Many people are already familiar with it, simply because they use it for personal accounting, too. Popular brands such as QuickBooks and Sage (www.sage.com/en-us) offer many versions of accounting software based on size, industry, and specific features.

Our purpose isn't to sell you on a particular brand of software. Instead, we want to help you understand which benefits and features to look for so that you can choose the best accounting software for your online business.

Going online?

The first consideration for choosing software is whether you want to use a web, or cloud-based, service provider. Many vendors provide online accounting services. FreshBooks, Zoho Books, and Xero are some of the popular cloud-based options available today. Traditional accounting software providers also offer online versions of their products especially for smaller or start-up businesses, including QuickBooks (Simple Start and Solopreneur versions) and Sage (Sage 50).

One big advantage of a cloud-based product is that the data is stored off-site and is easily accessible from any computer. Why does this matter? Well, if something happens to your office (such as a fire or a flood), you can still access your data from another location. Or if you travel, you can manage your accounting details while you're on the road.

Another perceived advantage is pricing. Rather than pay several hundred dollars out of your pocket in one whack, you pay it out every month (sometimes as little as \$10 a month). After a full year or two, of course, you've paid almost the full price of a box of software. But that monthly fee can also include support and other benefits that over-the-counter accounting software might not offer. Additionally, you have a pay-as-you-grow option. In other words, you can easily upgrade to the next level of service as your business grows or choose certain add-on services, as your needs change — instead of investing upfront for services that you may not need yet.

What size are you?

Speaking of a growing business, when you're shopping for accounting software, one size doesn't fit all. The amount of revenue your business pulls in, along with the number of employees you hire, has a lot to do with which accounting program you should choose. For that matter, solo entrepreneurs may not have any employees! If you run a small business, you'll want to find entry-level software that is designed for very small businesses. If you have a larger company, you may need an enterprise edition that has more robust features.

How much do you want to pay?

Ah, it's everyone's favorite question: How much do you want (or are you willing) to invest in your accounting program? You probably prefer leaning toward the

lower side of the price scale. Again, cloud-based or online versions provide the least expensive options for the amount of features and support, but the monthly billing pricing model adds up, quickly. Luckily, most over-the-counter software packages suited to truly small businesses range from \$30 to \$400 for single users. The price fluctuation largely depends on these factors:

- » **Brand:** As with most business products, you usually pay more when you're using a more widely recognized brand of software. Our experience is that QuickBooks and Sage are a little pricier than the Bookkeeper brand of software (by Avanquest Software), for example.
- » **Features and users:** Price is affected by not only the number of features offered with various accounting software programs but also the complexity of those features. The number of licenses you need, or number of users with access to the program, often affects price. Keep these questions in mind:
 - Do you want software that easily integrates with your online banking system, even if it costs more?
 - Must the software communicate with your offline point-of-sale system, your online inventory system, or your payroll service? Or do you just want to track your invoices and expenses and spit out occasional reports to pass along to your CPA?

The more you expect from your accounting software, the more you can expect to pay for it!

- » **Industry:** Similar to the issue of the type of features that are offered, some accounting software is designed for your particular type of *industry*. Consultants, manufacturers, retailers, and construction businesses are examples of some of the most common industries that use specific software. If you want accounting software designed for your kind of business, you can probably expect to pay closer to \$400 (or higher).

Do you need support?

Another important part of your purchasing decision is the issue of support. One advantage of choosing software that has been around for a while is that the company is usually capable of providing decent support, both online and by phone. Access to support is also an advantage of using a cloud-based solution. Not all versions of a particular product or solution include the same level or type of support, so it is important to understand what is included with your monthly fee.



TIP

Before purchasing your software, find out the terms for receiving ongoing support and compare the product across brands. Some software comes with unlimited online support, and others offer only 30-day support and then charge a fee after that.

In addition to being able to turn to your software vendor for support, you should know that your accountant and other financial advisors are better prepared to help you when you use software that they know how to use. For that reason, don't hesitate to ask for their advice before making your final purchase.

Hiring a Professional

Regardless of the type of accounting software you install or your own ability to number-crunch, at some point you might need or want to hire outside help. An array of tax and accounting professionals are available. In the following sections, we tell you how to determine which one is right for you.

Recognizing that it takes all types

Start by reviewing the types of professionals who can help you. They include

- » **CPA:** These initials after a person's name, which stand for certified public accountant, indicate that the person has passed a state-regulated exam and is recognized by the IRS as a paid preparer for submitting your tax returns. Typically, a CPA fully understands accounting methods and is well versed in tax regulations. Because tax laws are cumbersome and continually changing, a CPA might even specialize in a particular area. Examples of industry-based specialization are government, retail, and small business. Specialization can also be classified according to function, such as a CPA who specializes in mergers and acquisitions. Additionally, a CPA can legally conduct audits, whereas other accounting professionals cannot.
- » **Accountant:** Except for the lack of a state-issued license or certificate, an accountant has the same basic skills as a CPA. Even so, an accountant can assist in preparing your taxes and file them, too. And like a CPA, a reputable accountant can advise you about financial decisions and should be up to date on changing tax laws.
- » **Bookkeeper:** Someone in this category can manage the basic recordkeeping activities for your small business, including these tasks:
 - Make deposits

- Log in accounts receivables
- Handle account payables
- Manage payroll
- Send out appropriate forms, such as W2s and 1099s, to employees and contractors

In addition to being able to keep the books, this person should be comfortable with creating an income statement and a balance sheet each month. Of course, bookkeepers come with all levels of experience and education. (Some are professionally certified with a college degree, and others aren't.) A basic bookkeeper is usually the most affordable outside help.

» **Tax consultant:** This catchall term includes both independent advisors (who can range from accountant to CPA) and tax preparers, such as the folks at your neighborhood H&R Block office at tax time. Similar to a bookkeeper, this person's range of experience, knowledge, education, and certification varies.

» **Enrolled agent:** This type of federally licensed professional understands both state and federal tax laws. In addition to completing an exam issued by the U.S. Department of Treasury, an enrolled agent has also passed a federal background check. They can also gain licensure after having worked for the IRS for at least five years. An enrolled agent is certified in the eyes of the IRS to

- Prepare your taxes
- Assist you in long-term financial planning
- Represent you in dealing with the IRS

» **Tax attorney:** Most tax attorneys don't handle general accounting functions. Instead, you hire an attorney specifically to deal with issues pertaining to the tax law — for example, to handle an audit requested by the IRS or to file corporate bankruptcy (which we hope you never do). Larger corporations might also keep a tax attorney on retainer or hire one in-house, if the company continually deals with complex tax issues. Your small business is less likely to need the services of a tax attorney regularly.



REMEMBER

Attorneys, enrolled agents, and CPAs are the only professionals authorized to represent you with the IRS.

As a general rule, you need a full or part-time bookkeeper. If you're up to the task (and many small-business owners like it this way), you can wear that hat, too. If you aren't adept at follow-through or if numbers just plain scare you, consider hiring someone.

Depending on the experience (or inexperience) of the professional and the market rate in your community, you can hire a basic entry-level bookkeeper (often referred to as a *bookkeeper clerk*), for a fairly low hourly rate. (The rate can start in the range of \$10 to \$20 an hour, depending on experience and your geographic location.) A more experienced person, such as a professional full-time bookkeeper or a professionally certified bookkeeper, charges a much higher hourly rate — or a mid-to-upper-end management-level salary if you hire the person full-time.



TIP

When you interview bookkeeper candidates, use the free Bookkeeper's Hiring Test, available from the American Institute of Professional Bookkeepers, to qualify them. You can find and print the test at <https://aipb.org/bookkeeping-hiring-test>.

Knowing what to expect from your tax professional

In addition to having someone handle your daily financial recordkeeping, you should establish a relationship with a CPA, an accountant, or an enrolled agent. This type of professional should be available to assist you with these tasks:

- » Prepare and file your taxes
- » Set up your accounting system
- » Advise you on the legal organization of your company (and other start-up issues)
- » Compile (or review) financial statements
- » Assist you in long-term financial planning for your business
- » Address specific tax-law questions and concerns as they arise
- » Ensure that the proper amounts and types of taxes are being filed
- » Guide you in the completion of (or submit on your behalf) all quarterly tax documentation and other forms that might be required annually
- » Answer questions and advise you about other general tax- and finance-related concerns



REMEMBER

These professionals typically charge a high hourly rate. (A CPA's rate can start at \$125 an hour.) Make sure that you clarify how you're charged for time. (Some professionals don't charge for questions asked by way of email, and others do, for example.)



TIP

Before you consult with an outside professional advisor, make a list of the specific questions or issues you want addressed. This list keeps you on track and ensures that you maximize the time spent with your advisor while avoiding running up steep bills.

Finding likely candidates

After you decide which type of professional you want to hire, your next step is finding one. Fortunately, you have lots of places to turn to for a head start on this task:

- » **Referrals:** Ask business peers and family members whom they use or recommend. Ask for specific information, such as
 - What do you like about the way this person does business?
 - What expertise does the professional have?
 - How long have you known this person or used their services?
 - How much does this person typically charge?
- » **Local organizations:** Area Chamber of Commerce chapters and other local business associations often make their membership databases available to the public. Although the organizations typically don't endorse one member over another, they can suggest which professionals might be best suited for your specific requirements and tell you whether any complaints have been registered against them.
- » **Professional associations:** Industry or professional groups are a terrific place to start your search for a CPA or other accounting professional. You can check out this list of organizations to get started:
 - American Institute of Certified Public Accountants: <https://us.aicpa.org/forthepublic>
 - National Association of Enrolled Agents: www.naea.org
 - American Academy of Attorney-CPAs: www.attorney-cpa.com
 - American Institute of Professional Bookkeepers: <https://aipb.org>
- » **Job Postings:** When you're hiring a bookkeeper or an accountant, feel free to place a job listing on online career or job sites, such as LinkedIn or Indeed, and share with your personal network on social media sites. These are all good resources for finding the best candidate.

Choosing the best person for you

After you create a short list of possible candidates, how do you decide which one is best suited for your business? In addition to checking for proper accreditations and confirming hourly rates, you have to consider a few other issues when you're choosing a CPA, an accountant, an enrolled agent, or even a tax attorney:

» **Experience:** You want to know whether the person specializes in particular areas of accounting or tax law. You should also find out, however, what type of work now takes up the majority of the professional's time and also the type of work performed in the past. Two critical questions to ask are

- What areas do you most enjoy handling?
- In which areas do you have the most up-to-date knowledge?



TIP

Because definitive rules of taxation and the Internet are still somewhat up in the air, you're not as likely to find a professional who specializes in this area. Instead, look for someone who's eager and willing to stay informed on new issues and changes to the tax law. Preferably, choose someone who's committed to tracking down the answers to difficult or lesser-known tax questions.



REMEMBER

Ask your CPA about changes in the tax law to determine whether you're affected. The IRS provides a quick summary of those yearly changes on its website at www.irs.gov.

» **Availability:** A highly qualified independent professional often has a waiting list of clients. Although that's a helpful situation for the accountant, it doesn't help you. You need a professional who can work with you now. No matter what, it doesn't hurt to ask what the person's client schedule is like. For example, some professionals work part-time or have a four-day workweek. Others are eagerly growing their businesses and are available to answer your questions seven days a week. Nothing is wrong with either schedule; just find the one that you can live with as a client.

» **Firm size:** Size does matter, and sometimes a smaller firm is the better option. Even though some folks think that a large, recognizable accounting firm is the way to go, that's not always the case. If you have a small company, you might find yourself at the bottom of the totem pole when the firm prioritizes its clients. Your company's needs might get passed off to a junior accountant or other staff person. Unless your business is large enough to support individual departments (HR and marketing, for example), working with a large firm may mean less attention and higher rates. A smaller firm or an independent professional may give you more dedicated attention and be available immediately to answer your questions.

» **Philosophy:** Your financial advisors are ultimately your partners in business. Their professional views *must* complement yours. We're referring to not only

ethics but also strategic philosophies. For example, if you're an aggressive risk taker in business, you may think that a conservative accountant will hold you back. Alternatively, you may prefer a conservative outlook as a means to provide a system of checks and balances to your liberal financial outlook.

» **Work style:** This term refers to how professionals interact with you and service your needs. For example, does the CPA insist that their firm file all required paperwork with the IRS, at a steep hourly rate? Or does the CPA prefer to help you get started and then encourage you to take care of everything yourself to keep your expenses in check? What are the CPA's preferred methods of communication? If your tax professional isn't a fan of email, they might respond to your questions only by phone. Or an assistant might serve as a middleman, so the tax professional is rarely available to talk with you unless you schedule a formal appointment. Again, none of these issues has a right or wrong answer. Find a style that best meshes with your preferences.

Spending the time to determine these concerns means a lot to the future of your online business. After all, this professional plays an integral part in your business as a trusted financial advisor. That's why we suggest taking your time to select the best match for you and your new business.

Following the Rules of Recordkeeping

After you find a CPA or another financial professional, that person no doubt instructs you on the rules of good recordkeeping. In the meantime, take our crash course to help you get started doing things right!

Dealing with all the paper

When we refer to *records* in the remainder of this chapter, we don't mean your account logs. Instead, we're talking about the physical records (the dreaded *paper trail*) that the IRS expects you to maintain. The thought of accidentally throwing out the wrong receipt or losing a copy of a questionable invoice can send chills up the spine of any well-meaning entrepreneur if the IRS comes calling. At the same time, your office space probably doesn't come with unlimited storage space.

How do you balance the need to hang on to important receipts with the need not to be overrun by the growing mounds of paper? The good news is that the IRS now recognizes electronic versions of financial records. You can therefore scan copies of receipts, invoices, logbooks, and other proof of financial transactions and save them as files on your computer or, better, back up these files online (in the cloud).

Then you get to throw out the hard copies! That's the easiest way to avoid the clutter that builds up with months and years of business transactions.



WARNING

If you lose the electronic file and are audited, the IRS isn't sympathetic. The loss could cost you thousands of dollars — and possible jail time (in the worst-case scenario). We highly encourage you to make multiple copies and store one or more sets at another location or in a fireproof safe, or have a backup copy saved online but off-site.



TIP

You can avoid the time it takes to scan and save critical documentation by hiring a company to do it for you. In addition to making electronic copies of your paper trail, these digital documentation specialists store the electronic files for you. You can also purchase digital documentation software that makes scanning records yourself easy.

Storing records: How long is long enough?

Whether or not you “go digital” with your recordkeeping, one critical question remains: How long should you keep records? We should have a straightforward answer for you, but we haven't found one yet. That's because the IRS states (in Publication 583):

You must keep your records as long as they may be needed for the administration of any provision of the Internal Revenue Code. Generally, this means you must keep records that support an item of income or deduction on a return until the period of limitations for that return runs out. The period of limitations is the period of time in which you can amend your return to claim a credit or refund, or the IRS can assess additional tax.

Huh? Well, the IRS says that you should keep records for as long as there's a possibility that it might audit you. We always heard that seven years is a safe bet. However, the true issue isn't the type of *documentation*; rather, it's the type of *situation* you encounter with the IRS.

For example, if you have employees, the IRS says that those tax records must be kept for at least four years from the period the tax becomes due or is paid, whichever is later. On the other hand, records about assets, such as property, should be kept until the period of limitations expires for the year in which you dispose of the property. Even tangible guidelines such as those, however, could be null and void if you're audited for a fraudulent tax return. In that case, all bets are off and you had better have ready access to *all* your records, from the beginning of time!

KEEP THESE EMPLOYEE RECORDS SAFELY FILED AWAY

The IRS advises that you retain any information related to employee taxes. Even if a record relates to someone who no longer works for you, keep the following documents for at least four years:

- Amounts and dates of all wage payments (including annuity and pension)
- Amounts of tips reported by your employees and records of allocated tips
- Fair market value of in-kind wages paid to your employees
- Employee information, including name, address, Social Security number, job title, and dates of employment
- Copies of Forms W-2 and W-2c that were returned to you (undeliverable, if mailed)
- Records of sick pay or other pay due to injury or absence (including the amount and weekly rate of payments that you or a third-party payer made)
- Copies of employees' income tax withholding allowance certificates — Forms W-4, W-4P, W-4(SP), W-4S, and W-4V
- Dates and amounts of tax deposits you made, along with confirmation numbers for deposits made by Electronic Funds Transfer Protocol (EFTP)
- Copies of filed returns, including 941 TeleFile tax records and confirmation numbers
- Records of any fringe benefits provided to employees, including expense reimbursements paid

All these situations make up what the IRS refers to as a *period of limitations*. Table 4-3 gives you an overview of the rules for these time restrictions, as defined by the IRS.



TIP

To play it safe, embrace the philosophy “When in doubt, hang on to it.” This technique is especially manageable if you have limitless storage capacity for electronic documentation.



REMEMBER

Businesses of all sizes may be eligible for certain deductions or tax breaks, specifically those designed to provide monetary incentive to help stimulate the economy through job growth and expansion. Tax incentives may be available for a limited time period or have exclusions and other stipulations. Take the time to discuss available deductions or incentives with your accountant or tax advisor.

After all, these types of tax breaks could mean additional money in your business bank account!

We hope that you never have to worry about an audit from Uncle Sam (the U.S. government). The thought that it's always a possibility, though, is certainly incentive enough to keep all your records in order!

TABLE 4-3**IRS Periods of Limitations**

If You Do This	The Period Is This Long
Owe additional tax and the next three situations listed in this table don't apply	Three years
Fail to report legitimate income that's more than 25 percent of the gross amount on your return	Six years
File a fraudulent return	Unlimited
Fail to file a tax return	Unlimited
File a claim for credit or a refund after filing your return	Two to three years after tax is paid
File a claim for a loss from bad debt or worthless securities	Seven years

3

Website Functionality and Aesthetics

Contents at a Glance

CHAPTER 1:	What's in a (Domain) Name?	127
	Basics of URL Structure and Why It Matters	128
	Registering the Perfect Name	132
	Finding Out What to Do When Somebody Gets There First	134
	All the Good Ones Are (Not) Taken	136
CHAPTER 2:	Designing for User Experience	141
	Mapping the Customer Experience	142
	Maximizing Performance for Profitability	146
	Establishing Page Goals	148
	Mapping Your Route to a Successful Site	150
	Putting Your Best Site Forward	154
	Testing Your Design Assumptions	156
CHAPTER 3:	Serving Up Your Site	161
	Determining What Makes the Difference for High-Performance Hosting	162
	Putting Your Site in the Cloud	166
	Serving Yourself: Don't Overlook Other Server Options	168
	Keeping Your Customers and Your Site Secure	169
CHAPTER 4:	Developing Content That Satisfies Visitors and Search Engines	171
	Words Are Words — Right? Wrong!	172
	Getting Ready to Write for the Web	175
	Moved to Purchase: Turning Words into Action	181
CHAPTER 5:	Going Beyond Beta and Launching Your Site	185
	Some Things to Know Before You Start Uploading	185
	Taking the Compatibility Test: Testing Screen Resolutions, Browsers, and Platforms	187
	Taking a Trial Run	190
	Three, Two, One — Takeoff!	192

- » Finding your web name
- » Following the rules of registration
- » Expanding the limited nature of domain name options

Chapter 1

What's in a (Domain) Name?

In the offline world, the mantra of success for business is “Location, location, location!” It’s not much different for your online business. Rather than use a numerical address on a building, though, you now use a virtual address or *domain name*. Usually, your online address includes your company’s name or initials or some other derivation. Whereas your traditional business address was once listed in the Yellow Pages, your online address is now listed with search engines.

As you might guess, securing the best possible domain name is an important piece of your overall online strategy. The name you select can provide an indication of what your company does, give a hint of your brand personality, and potentially influence how easily customers can find you.

How do you get the perfect name to drive customers to your online place of business? Not to worry: After using the information in this chapter, you’ll find that choosing and registering your address is only a few clicks away.

Basics of URL Structure and Why It Matters

Let's start with the basics. A *URL*, or *uniform resource locator*, represents the unique address for each page on a website or document posted online. Your website might be made up of several web pages, each with a unique URL.

Before you start creating web pages, your first order of business is to determine your domain name, or the part of the URL that specifically identifies the name of your website. We break down a typical URL in Figure 1-1.

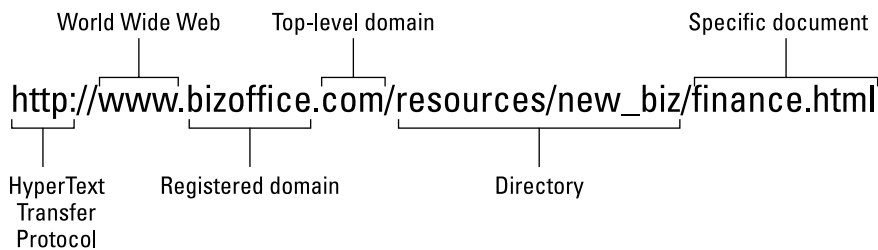


FIGURE 1-1:
A URL,
deconstructed.



REMEMBER

Although your website usually has only one domain name, it has more than one URL. The URL for the *home* page, or *entrance* page, of your site often looks the same as your domain name. Every page of your site, however, has a unique URL, such as

- » `www.myveryfirstwebsite.com`: The home page
- » `www.myveryfirstwebsite.com/index.html`: Also, the home page (the same as omitting the `index.html` portion of the URL)
- » `www.myveryfirstwebsite.com/services.html`: The web page that contains information about the services you offer



REMEMBER

As an online business, it's beneficial to get a valid SSL Certificate. This ensures your website is secure and that data is properly encrypted when a visitor's web browser is communicating with your site. In this case, the URL will contain `https`, which translates to *HyperText Transfer Protocol Secure*. In addition, there is also a small icon that shows up next to the URL in the web browser's address bar where you can click to see security details for that. We discuss this further in Book 5, Chapter 1.

Approaching your domain name carefully

You can take one of several opposing approaches when you select your domain name:

» **You have an existing business or have already named your start-up.**

If that's the case, you usually should match (as closely as possible) your company's name to the domain name. Using your existing business name is simple, straightforward, and often quite effective. It's possible that your exact name is not available, in which case you have to use some form of the name or add descriptors to the name.

» **You want to gain traffic by matching popular search phrases.** This was once considered an effective domain naming strategy because it served as a shortcut for directing organic (or free) search traffic to your website. Referred to as an *Exact Match Domain (EMD)*, this is a domain name that's a duplicate of an exact phrase that lots of people use to search for a product or a service. For example, if you sell running gear for women, you might use the domain name `www.bestrunningshoesforwomen.com` because you know a lot of people type in "best running shoes for women" when searching for that product. With your domain name matching this exact phrase, your site will show up higher in search engine results because it is the best match for that search query. Due to the popularity of EMD, it's often difficult to find a domain that's not already in use. Other popular phrases for EMD are available for sale, but they're typically very expensive. But if you find an available EMD that works for your business, it can be helpful in gaining traffic.

However, Google consistently updates its search engine algorithms (how search results are determined). It has since determined that some EMDs are "spammy" and don't always have the best quality content, despite the domain name (in other words, Google realized some people were trying to scam the system to get more traffic, even if the actual sites weren't completely relevant to the search phrase). You can still try the EMD strategy to gain some boost in traffic, but if Google determines the content on your page isn't top quality or truly an exact match of the search phrase, this domain naming strategy might not pay off at all (and could instead hurt your rankings).

» **The success of your online company benefits from the domain name itself.** Maybe you're starting an Internet company that sells e-books (electronic, downloadable information) telling readers how to start a business. In that case, your legal company name might be irrelevant. A more important consideration is to find a domain that clearly indicates your type of business or the customers you're targeting. In this scenario, your company name might be John Smith dba JS Enterprises. A more effective domain name for your business, however, might be `www.bizstartuptips411.com` because it tells visitors exactly what you do. This approach is different from EMDs in that you



WARNING

What's in a (Domain) Name?

may use one or more keywords, or specific search terms, in your domain name, but you do not try to exactly replicate a phrase someone might use in search, such as “helpful business tips for start-ups.”

Optimizing your domain name for SEO

How much does your URL matter when it comes to *search engine optimization* (SEO)? This topic is always hotly debated by SEO experts. Most agree that your URL once had a big impact on a website’s search engine ranking position. But Google is constantly adjusting the algorithms it uses to rank websites in search — and that means the weight it gives to a URL in search results has changed, and may likely change again!

A factor that always seems important is having HTTPS in the URL to verify that the site is secure. The value of using keywords in the URL and the length of the URL may vary in the future. We recommend that you take SEO strategy into account when picking a primary domain name and the URL naming structure for your *subpages* (pages other than the home page) but don’t get too wrapped up in determining the perfect searchable URL. Instead, also consider what makes sense in a URL to your customers. No matter what approach you take to choosing your online-business name, consider the following list of common denominators in determining the best possible domain for you. A good domain name should generally have these characteristics:

- » **Easy to spell:** As anyone who depends on a computer’s spell checker can testify, the average person doesn’t do well in a spelling bee. That’s why we’re firm believers in avoiding hard-to-spell words in your domain name. Although `www.BriansBodaciousRibs.com` seems harmless enough, it’s fairly easy to flub. Why not try `www.briansgoodribs.com` or `www.goodeating.com`? The easier your domain name is to spell, the more likely customers are to find you without a hassle. (And, when they do find you, the more likely they’ll be in the mood to buy some of your bodacious eats!)
- » **Simple:** Your domain name doesn’t have to be catchy or trendy to work. Simplicity goes a long way in our crowded, overhyped world.
- » **Relatively short:** A shorter name is easier for customers to remember than a longer one, and shorter URLs often have some benefit in search engine rankings. Consider the (fictitious) law firm Brewer, Mackey, Youngstein, Yale, and Associates. Its URL might be

```
www.BrewerMackeyYoungsteinYaleandAssociates.com
```

Wow! That name takes a while to type, not to mention that you have to spell everybody’s name correctly. Instead, consider the name `www.BrewerandAssociates.com`. See the difference?

» **Contains important keywords:** This characteristic is generally important for two reasons:

- Using descriptive words in the domain clearly says what you do and is helpful to your customers.
- Using relevant words in your domain that reflects content on your site could help improve your domain authority, or how credible Google considers your site. Just like writing content for your site, never stuff too many keywords in there. One or two is plenty! (We explain keyword stuffing and other factors of search engine optimization in Book 6, Chapter 5.)

The law firm used in the preceding example can easily use *keywords*, or words that might be easily associated with the type of business, to create one of these domain combinations:

- www.legalfirmforhire.com
- www.breweryounglawyers.com
- www.bmyassociates.com

» **Intuitive to customers:** You want a domain name to provide, ideally, a sense of who you are and an indication of the type of products or services you're selling. You don't need a *literal* translation, such as www.isellbooks.com — depending on your business, that approach could be detrimental to sales. What if you're selling to a highly targeted or specialized market (such as teenagers or radical sports fans)? A straightforward domain name is labeled as boring and undermines the image of your company, whereas an edgy or more creative name can win customers. For example, a bookseller specializing in romance novels might use a domain name such as www.romancingthepages.com or www.steamyreads.com. The point is that your customer base, whoever it consists of, should be responsive to your domain name.



TIP

In the examples we use, you notice that the domain names usually end with `.com`, but that *domain extension* isn't your only option. Today, you can choose from a long list of specialized domain extensions that reflect your type of business (an LLC, for example), type of organization (such as a nonprofit), or even your specific industry (like technology or auto dealerships). This is an alternative way to get a name that is already taken, but it may not significantly help with search engine rankings. We discuss these options in more detail at the end of this chapter.

Registering the Perfect Name

Congratulations! You chose your domain name, and you're ready to make it official. The next step is to register the name with a domain registrar. You can sign up using any company that specializes in domain registration. The registrar takes care of all the paperwork that's required to activate your new domain name, including these tasks:

- » Submitting contact information
- » Determining the duration of the registration period
- » Listing your domain in the official Internet list of domains maintained by the Internet Corporation for Assigned Names and Numbers (ICANN) at www.icann.org



TIP

If you're launching an e-commerce store, the storefront solution you use may include free domain registration, in which case it's best to register through that solution provider.

You have a choice: Domain registration options

Who registers domains? Your ISP (Internet service provider) might do it because many now provide this service along with hosting options. Or you can use any other company or website that acts as a third-party affiliate for registrars. If you're creating a website or blog in WordPress, you can register your domain there. In other words, now you can register a domain name with almost anyone!

Although finding a place to sign up is a piece of cake, the annual price for a domain registration varies from a single dollar to more than \$30. Several factors influence pricing, including the number of years for which you're registering the domain, the provider, and the type of extension (such as .com, .net, .biz, or .tv). If you add features such as private registration (which restricts the registration details available to the public), the price goes up. Or you can wind up paying nothing for domain registration if you buy several services at one time. (Most domain registrars also offer services such as hosting, email, websites, and blogs.)



TIP

Most domain registration sites regularly offer discount domain pricing. Shop around for the best deal.

Let's make it official

After you make a decision about where to register, it's time to get down to business. The registration process is similar regardless of the service you use. To show you how painlessly you can reserve your domain name, we walk you through the process using the GoDaddy service. Note, though, that we aren't recommending GoDaddy over other services.

Follow these steps to quickly register your domain name:

1. **Go to the GoDaddy website at www.godaddy.com.**
2. **Enter the name you want to register in the domain search box on the home page of the site.**

Type only the name you want, and don't preface it with *www*. The registrar adds that part automatically. (Some registrars' domain search boxes place the *www* in front of the search box to remind you that typing that part isn't necessary.)

3. **To the right of the search box, click the Search icon.**

A page appears listing the results of a search for the default extension, *.com*, along with additional options.

4. **If your domain name isn't available, start over at Step 2.**

Read the rest of the chapter first for tips on finding a domain name.

5. **If you want to register an additional name, select the Make It Yours button next to each name you want.**



REMEMBER

You can have multiple working domains even when you have only a single website. Simply *forward*, or redirect, the domain by pointing all other extensions to the designated domain of your choice.

6. **If you want to register an extension other than *.com*, select it from the list.**



TIP

When you're registering a *.com* extension, you may also want to register the matching *.net* or *.biz* version if it's available. These extensions are still among the most common, even though there is an ever-growing list of alternatives. If your site is successful, a savvy competitor is more likely to snatch up the *.net* version over any other. This statement is especially true if the domain name is descriptive with a wide appeal (such as *partygoods.com*) or falls in a popular search category (such as *starwarsfans.com*). If the *.com* version of your domain isn't available and you're registering another extension, one domain is plenty for starters. After your site grows, you can determine the value of registering other names.

7. Click the Cart icon at the top of the page.

You see a list of add-on products, including private registration, hosting, and email. At any point, you can skip these add-on suggestions and continue with the registration process.



WARNING

During the process of registering your domain, GoDaddy tries to get you to buy other services, from privacy protection to web hosting. If you do not want any of these additional services, you can skip the offers by scrolling down to the bottom of each page and clicking the Continue to Cart button.

8. Select the term, or number of years for which you want to register the domain.

Your order's total appears.

9. Log in to an existing account (as a returning customer), or set up an account as a new customer.

If you're a new customer, you provide basic information (your name, address, and email address) to set up your account.



TIP

To set up your account, the information you provided in the initial domain registration process is automatically used by GoDaddy to fill in your technical, administrative, and billing contact information, unless you specify otherwise. Use these default settings for now. You can always change this information later.

10. Click the Continue button.

You see a page summarizing your order information.

11. Review your information and place your order.

A thank-you page appears. Congratulations — you now have a domain name that's all yours!

Finding Out What to Do When Somebody Gets There First

We hope that the domain you want is the one you get when you register. Sometimes, though, your first choice for a domain isn't available. Nothing bursts a bubble faster than having this sort of event happen. Don't let it frustrate you, though. You still have several options.

Exploring your domain name options

When you initially search for your domain (as described in the preceding section), the registrar might tell you that it isn't available. Below that notification is typically a box containing a list of suggested alternative domains that the registrar has available. Don't be surprised if the automated system returns a few decent alternatives. At this point, you can choose one of the suggested runners-up generated by the registrar.

If you don't find a perfect match on the suggested list, the next-less-appealing choice takes you right back to the drawing board. Yep, you can start a brand-new search for an entirely different name.



WARNING

There may be a charge for some of the suggested names that are automatically shown to you if your first choice is not available. Read carefully when alternatives are displayed to determine if that alternative is “available” only for a set fee or as part of a domain auction. Some alternatives shown to you are available — but only if you pay hundreds, or even thousands, of dollars!

Negotiating what you want — at a price

Starting from scratch again usually isn't your preference. After all, you might have fallen head over heels for a domain name and no substitute will work. In that case, you should know that you can pursue that domain name, even though it's already taken.

Here are the ways you can go in hot pursuit of your dream domain name:

- » **Put the name on back order.** Think of this strategy as the official waiting list of domain names. A registrar keeps your name on file and notifies you when the domain you want expires and becomes available. The back-ordered domains go to auction, and you can bid for the opportunity to buy (or register) it. You usually pay a nonrefundable fee for this service.
- » **Make an offer.** You might be too impatient to wait and see whether a domain expires. The owner can decide to renew it, and then it's gone for at least another year. That's why several registrars will contact the owner on your behalf and try to confirm whether they are interested in selling, and if so, negotiate the purchase of the domain name. For this service, you pay a flat fee plus commission. Using this technique makes sense for a couple of reasons:
 - *You can find out quickly whether an owner is willing to give up a domain name.* The seller must respond within a specified time.

- *Your name and personal information are kept private.* If the offer is accepted, you pay the registrar by credit card and the money is transferred to the seller. The registrar handles the entire process, including the transfer of the domain name.

» **Contact the owner.** If you prefer to negotiate directly, contacting the domain owner in person is another option, provided the owner's registration information is open to the public. Even though you lose your anonymity in this process, you avoid paying service fees. Better yet, direct contact provides the opportunity to plead your case and use personal charm to try to get a good price for the name. (Okay, that's not always enough to sway a seller, but it might help.) Many companies have negotiated directly with sellers with much success. One domain owner, who no longer had an active site for the URL, gave away the domain. The moral of this story: It never hurts to ask.



TIP

If a domain owner has chosen a private registration, you may still be able to locate them. If the website for the domain is *active* (you can view it), search the pages for contact information (a phone number or an email address). If you find a name, you may also be able to find the person on social media, such as LinkedIn, and make contact that way.



REMEMBER

Finding the owner of a domain name is easy to do when you use the WHOIS feature sometimes offered by registrars after a name is shown as already taken. Or, you can go directly to the source and conduct a search for a domain owner via the Internet Corporation for Assigned Names and Numbers (ICANN) WHOIS lookup service at <https://lookup.icann.org>.

All the Good Ones Are (Not) Taken

You might think that all the good domain names have been taken (or are being held hostage for a huge ransom). Not true! Plenty of great domain names are available. The continued popularity of the Internet has prompted lots of acceptable and creative alternatives for domain registration.

Varying the extension

One of the easiest ways to find a good domain name is to use an alternative extension, although we can't deny that the old favorites .com, .net, and .org (for nonprofits) remain the most recognizable. Thousands of extensions, referred to as general top-level domains, or gTLDs, including specific country codes, are now

in use and growing in popularity. Using these alternatives is no longer considered a stigma.

In fact, ICANN (the organization responsible for domains) occasionally releases new gTLDs that are based on business industries and professions (such as .accountants) and other recognizable categories (such as .TV and .coupons). Expanding domain extensions also helps ensure more people globally can access the Internet in local languages. The decision to offer new extensions is made in an effort to address both accessibility and demand overflow for domain names such as the .com and .net extensions, and make it easier to get the right domain name for your business or organization. Because ICANN understands that new gTLDs may also soar in popularity, business owners with trademarked names get preference for reserving or obtaining the domains over owners without a trademarked name. So, if you own the trademark name “Crazy Cats,” you can get first rights for reserving the domain name `www.CrazyCats.pet` instead of someone who may want to have a site that shows videos of crazy cats submitted by pet owners.

How do you get one of these new domains? It’s no different than the registration process for any other domain. You simply choose the extension you prefer when registering for a domain name (in keeping with our previous example, you choose .pet instead of .com). The exception to this rule is for any new gTLD that is not yet publicly available. If you want to weigh in on future extensions, the next round of consideration takes place in 2026 as part of ICANN’s New gTLD program. Learn more about the process at <https://newgtldprogram.icann.org>.

Table 1-1 lists some of the most common extensions, plus additional extensions by country (but note that more are available, including the popular .asia, for example). Don’t shy away from any of these. Looking through the list is a simple way to find the domain name of your choice.

TABLE 1-1

Sampling of Extensions Used in Domain Registration

Extension	Generally Used For
.com	General business (.com stands for <i>commercial</i>)
.net	Internet business (.net stands for <i>network</i>)
.org	Nonprofit and trade association (.org stands for <i>organization</i>)
.info	Resource
.biz	Small business
.tv	Entertainment, media

(continued)

TABLE 1-1 *(continued)*

Extension	Generally Used For
.me	Personal use, typically freelancers and consultants
.mobi	Mobile business sites
.travel	Travel industry use
.media	Magazines, reality channels, digital publishers, graphic designers, and so on
.author	Writers and published authors
.shop	Retailers
.ai	Organizations specializing in artificial intelligence (AI)
.io	Technology companies and start-ups
.co	Business use, represents “company” or “corporation”
.us	United States
.vg	British Virgin Islands
.co.uk	General business in United Kingdom
.org.uk	Nonprofit and trade association, United Kingdom
.de	Germany
.jp	Japan
.be	Belgium
.at	Austria
.com.mx	General business, Mexico
.com.nz	General business, New Zealand
.ly	Country code for Libya, also used by tech start-ups
.xyz	Open for general use
.site	Open for general use
.edu	Educational institutions, universities, and colleges

Getting creative

Acquiring the domain name you view as most suitable for your business may involve a little creativity on your part. As you have probably seen, most general names (applying to wide or popular categories) were scooped up during the first Internet craze of the 1990s. All the gems — `Business.com`, `Politics.com`, `SportsFan.net` — are long gone.

Don't let this information stop you. Keep in mind that plenty of domain names are as effective as those first category-busters. Here are four creative ways to find an outstanding domain name:

- » **Make the domain name specific.** One recent trend is that of niche (or specific) sites. You can find out more about growing a niche on the Internet in Book 8. For now, we want you to know that the same trend applies to domain names. Creating a more specific and telling name, rather than one that's broad, serves you well in search engine rankings and with your customer base. For example, `www.ilovecheese.com` is specific about its subject and audience.
- » **Make the domain name creatively telling.** Ever hear that saying about thinking outside the box? Even though it's a cliché, it holds true with domain names: Sometimes, you're trapped into seeing only one way to describe something, and that usually means being literal. If you sell food and toys for cats, you're tempted to find a domain that says exactly that: `cattoys.com`. Rather than continuously circle around the same type of name, think about other ways that your products, services, or target audience are viewed. Make a list of terms and phrases that people use when they talk about these items. You can still be specific but with a more creative tone. That cat site may do extremely well using a domain name like `mouseloveronly.com` or `thescratchingpost.com`.
- » **Make the domain name perfectly meaningless.** Have you ever stumbled across a website with an outrageously different but perfectly applicable name? Google and Yahoo! were some of the first companies to use this approach, which is now fairly common. Websites with extremely odd, fun, or funky domain names can grow a following like any other site.
- » **Use add-ins.** If your domain name uses common words, finding an exact match available isn't all that easy. Not to worry: Just mix it up a bit. Abbreviate your words or use a few initials rather than spell out the whole thing. You can also add *inc* or *corp* to the end of your company name (only if you're incorporated, of course) or add another word that indicates the industry you're in — for example, `SmithJewelersInc.com` or `SmithPearlsandDiamonds.com`. Another trick is to include words such as *official*, *favorite*, *original*, or *popular* to the domain name (`FavoritePearlEarrings.com`, for example).

IN THIS CHAPTER

- » Understanding customer-friendly design
- » Planning a well-structured website for more sales
- » Gauging goals and traffic flow
- » Testing design theories

Chapter 2

Designing for User Experience

You might have put most of your efforts into dreaming about and planning for your business. As you begin designing your website, though, you see your ideas come to life for the first time. Creating that first site is exhilarating! You have to stay focused, though. Otherwise, you risk becoming distracted by bells and whistles that can waste your time and money and diminish the effectiveness of your site. One of the best ways to avoid a low-performing website is to design it with the user (your customer!) in mind and then add structured design principles that support the ideal buying journey for your customer. Taking this approach is part of designing for user experience (also referred to as UX).

Taking a user-centric approach has taught us that you can easily avoid certain common mistakes. The key is to develop a goal-oriented site plan, keep it simple, get user feedback, implement necessary changes, and then repeat as needed! If you follow these ground rules, you're rewarded with a website that's functional, timeless, and customer friendly.

Mapping the Customer Experience

Think back to one of your recent visits to a website. Maybe the site is one of your favorites or one you visited for the first time. How would you rate your experience? Did you find what you wanted quickly and easily? Did you glean the information you needed? Did your browsing lead to a purchase? Or were you frustrated by the whole thing and chose instead to move on to another site? Well, guess what? Your customers think about the same issues every time they visit your site. Even if they don't set out to rate or judge your website on these issues, customers' behavior while visiting the site — and whether or not they complete the actions you intend for them to — is a vote for a positive or poor user experience.

Ultimately, user experience leads them to make two important decisions:

- » Whether to make a purchase from you
- » Whether to return to your site

When it comes to creating the best possible user experience, it's important to map out the journey your customer will take and then test to confirm that the end result you're looking for is achieved. The key to mapping an ideal UX is focusing on functionality as a critical part of the website design process. Below, we point out several examples of functions (such as quick-loading pages, a site search function, and live customer service) that make a difference in user experience.

Basic functionality

When you consider what's at stake with your business when you design your own site, you have to figure out how to use function, or the way the site operates, to influence customer decisions. We suggest attacking function at three levels.

At the first level are *basic operational functions*, which include these features:

- » **Quick-loading pages:** Customers don't have the patience to wait for pages to load. Both Internet connectivity speeds (which you can't control) and page design choices impact the performance, or speed, of your site. If you don't anticipate this level of performance in your web design, you just missed a potential sale.

Customers aren't the only ones who benefit from fast load times. Google also likes pages that are fast, and it rewards that behavior with a potential boost in search engine rankings! We discuss on-page performance and how to optimize your site for search engine rankings in Book 6.



REMEMBER

- » **Ease of navigation:** When customers go from page to page in your site, the navigation tools you provide should allow customers to
 - Readily find and identify navigational buttons and links.
 - Immediately return to the home page, regardless of what page they're on.
 - Return to the preceding or last-visited page by clicking a link.
 - See pages and sections they have visited on the site by using a link history, usually found at the top of the page.
- » **Working links:** All internal and external links to pages on your site should be valid and working. In other words, customers don't want to click a link only to find a *Page Not Found* message. Broken links that go nowhere also diminish the credibility of your site and indicate that you don't update or maintain it.
- » **Viewable images:** When you include photos and graphics on your site, be sure that the images — especially product images — load correctly and quickly. Additionally, avoid using grainy pictures or tiny images that are difficult for customers to see.
- » **Mobile-ready:** Today, more websites are viewed on a mobile device than on a desktop computer! That may not come as a surprise to you if you are as attached to your smartphone as we are, but it does come with special considerations when designing your website. In addition to customers using mobile devices to research, compare, and buy products, mobility is also increasingly important in search results. Google penalizes your site's rankings if it does not meet its mobile-friendly requirements!

As a result of this changing emphasis on mobile from search engines and consumers, your website *must* look good and function well on all types of mobile devices, including tablets and smartphones. The best way to approach this is to make sure your website is *mobile responsive*, which means your site automatically (with the use of the right code) resizes itself to fit the type and size of screen your customer is on — whether that's a desktop, a laptop, smartphone, or a tablet. As a part of responsive design, for example, the site's navigation bar may shift from running across the top of the page when viewed on a desktop to being viewed as a drop-down menu on a phone; or images may appear smaller; or the text may be repositioned to make it easier to read on a smaller screen by scrolling vertically versus horizontally. In the world of UX, the idea is to take a device-agnostic approach to design. Assume that your website could be viewed on *any* device!

Interactive functionality

At the second level of site operations are *interactive functions*, which actively engage customers with your site. Although this type of functionality isn't necessary to place an order, it can increase value and sales for your site. Samples of interactive functions include

- » **Site search:** Give customers a tool that enables them to quickly search for information on your site. This function might not be as useful if your site is small. However, if you have a site filled with products or layers of data, customers appreciate having search capability.
- » **Reviews:** Consider offering your visitors the option to review or rate the products and services you offer. This feature is particularly helpful, and almost expected, if you have an e-commerce site. Research shows that customers' buying decisions are heavily influenced by online reviews.
- » **Community forums:** *Forums* (or types of discussion areas) provide options that let visitors interact with you and with one another. Many people consider forums a free form of technical support; if your community area or forum boards stay active and updated, this added function might keep customers coming back to your site.
- » **Blogs:** These extremely popular online journals provide another opportunity for customers to interact with you and others.
- » **Member registration:** You can make registration free or make it a condition of accessing certain sections of your site. In return for signing up as members, visitors can choose to receive newsletters, site updates, or email messages announcing new products. Registration provides members with benefits and provides you with customer contact information — a win-win situation for both parties. If you incorporate this into your site, consider that gating access to a lot of content on your site can also irritate site visitors, so strike the right balance.

Enhanced functionality

The third level of a site's operational functionality is reserved for tools and features that offer customers an *enhanced* experience on your site. Items of enhanced functionality often include

- » **Video, online demonstrations, and tutorials:** Depending on the complexity of the products or services you sell, online demos and web-based tutorials can be useful. Customers receive the value of trying out the product or discovering how it's used, which often increases the likelihood of a purchase. Offering

online learning options is easy and affordable by using videos (especially through YouTube). And videos of any type, from customer testimonials to interviews with employees, can be a simple way to add value and increase visitor engagement on your site.

- » **Live or 24/7 customer support:** The Internet never sleeps, and neither do some of your customers. Your customer service is greatly enhanced if you can offer unlimited support. Although it isn't necessarily *technical* support, your customer might need to ask a question before making a decision to buy your service or product. Some research indicates that offering live or 24/7 support can increase online sales and customer satisfaction by more than 20 percent.



TIP

You don't have to set up a full customer call center to offer live or 24/7 support. Several companies have developed the service for even the smallest online retailers. And more of these solutions are using artificial intelligence (AI) to expand the capabilities even further. We discuss AI solutions for your website in Book 8. For now, try the Conversational Cloud solution from LivePerson (www.liveperson.com) to add customer support to your website.

- » **Geographic locators:** Okay, if you have physical locations in addition to your web presence, geography-related tools are a plus. Your customers appreciate access to maps and driving directions, store locators using interactive maps of the United States (or other countries), and even product-locator searches based on zip codes.



TIP

Customizing a map for your site is easy with the Google Maps API. Visit <https://developers.google.com/maps> to get started. This free tool lets you create maps and driving routes that you can add to your site immediately.

- » **Second-language viewing options:** Not all your customers speak fluent English. Savvy website owners offer customers the option to view sites in other languages. (For example, Spanish is one of the most popular alternatives in the United States.) Translation tools and plug-ins such as Weglot (www.weglot.com) can make translation on your site simple. We talk more about opportunities for international e-commerce in Book 8.
- » **Podcasts:** Giving access to information by using several different forms of media is much more common than ever before, yet it is still considered an unexpected bonus. Try adding *podcasts* (self-published broadcasts over the Internet) as a helpful way to share more information about your products or services. You can also use podcasts to conduct short interviews with authors, designers, trend watchers, analysts, or anyone else your site visitors might find interesting (as they relate to your site). Because podcasts are available through third-party providers, such as Apple iTunes, Google Play, and others, you have a chance to reach visitors through your podcast who might not otherwise know about your website.

As you see, understanding the value of functionality and the subsequent choices you make regarding function are major parts of developing a customer-friendly site. Building off functionality is also an opportunity to set yourself apart from your competition. You just need to take the time to plan.

Maximizing Performance for Profitability

When thinking about website design, you (or a designer) can suffer from tunnel vision and focus only on creating a beautiful site that pleases visitors. Let's not forget you're in business to make a profit; so how does your website fit into that goal? Although the answer to this question might seem obvious, you can easily forget that your website is both a marketing tool and a vehicle for obtaining profits. The common denominator between those two points is a site that's functional for customers. As we discussed, when you maximize your customer's ease of use and experience with your site as part of UX design, everyone wins. But part of knowing how to make a site functional for visitors also requires that you understand what it is you need a customer to do while on your site. Defining those user actions starts with identifying which online actions lead to revenue.

To get the most from your site, we recommend creating a *profitability plan*, which is all about efficiency. Start by strategically identifying the features, technologies, services, and products for sale that increase revenue and enhance profitability — and getting rid of those that don't. You may be asking, "What if I don't have an e-commerce site with products sold online?" If your sales are indirect or generated offline, it's still important to prioritize your revenue streams and identify which pieces of online content and calls to action (such as Schedule a Consultation or Contact Sales) best support and lead to offline sales.



TIP

Ideally, you want to develop this plan before your first site goes up. Then you can address profitability on every page of the site as it's built. Not to worry, though: You can apply the same methodology to an existing site. The process just might take a little more time if you need to restructure the flow of your site, or the pathway you want visitors to take to meet your goals. Either way, maximizing your profit is worth the effort.

When you're ready to create a plan that maximizes your potential for profitability, follow these steps:

1. Define the purpose of your site.

The purpose should reflect your site's role in your overall business. Voice that purpose in only one or two sentences. If you have trouble getting started, try answering these questions:

- My website exists because _____.
- I am creating (or planning) a website because _____.
- When my site is complete, I want it to _____.

2. Evaluate your revenue streams by listing all the ways in which you earn, or plan to earn, revenue from your site.

Be specific when you list the ways in which your site contributes to your revenues. For example, divide the list into two categories: direct revenue and indirect revenue.

3. After you list your profit sources, assign a numeric value to them.

The numeric value is based on both sales volume and profitability. Of course, if your site isn't developed, you don't have a sales history. Instead, you rank items according to expected profitability. (You can go back later and cross-reference them by both profitability and bestsellers.)

4. Determine which applications or functions on your site contribute most to your revenue sources and which indirectly support revenue growth.

This step helps you not only understand the purpose of each site element but also prioritize where to spend your time and resources. Some components are essential to building sales, but others are just nice to have. For instance, a shopping cart or payment-processing method directly affects sales because customers use it to purchase products. Similarly, call-to-action buttons (to register for a free trial), forms (to contact sales), or links (to download a white paper) are important because they prompt a desired transaction. Social media sharing buttons, and a registration box to sign up for a newsletter or get the latest blog articles are examples of indirect contributors. (Although social sharing and the newsletter don't lead to immediate purchases, they help future sales by creating continued awareness.)

5. Compare your remaining list of products, services, and features with your site's purpose (as defined in Step 1) and omit the ones that don't directly contribute to it.

Items that don't directly reflect your site's original intent can cannibalize it down the road and eat away at your profits. By streamlining your revenue sources, you keep the site tightly focused on its target customer.

You should understand now what adds value to your site (and to what degree).

6. Strategically place features and revenue sources on your site, which becomes your profitability plan.

In this step, you're simply creating a visitor pathway based on profitability. In other words, specify where you want those "opportunities to purchase" to be placed on pages in the site. Is your largest revenue generator promoted or

clearly visible from the top of your home page, or do customers have to click through five pages to see it? Which of your pages are top *landing pages* (pages other than your home page where visitors are likely to enter your site)? Do these landing pages contain the right information or calls to action to lead to a purchase? If you receive indirect revenue when customers agree to submit a form page for more information, can they access the form from your home page or from the top landing pages?

With your profitability plan in hand, you have a guide during the technical stage of building your site, or creating your official site map. The profitability plan helps make clear your objectives for the site based on revenue. Next, you want to define specific goals and conversion points on your website pages to determine how visitors should move through your website and ultimately buy from you.

Establishing Page Goals

In the past (and we mean years ago, when businesses first started going online), websites had a very simple structure. There were usually three to five main sections of a site (Home page, About Us, Products, Services, Contact Us) with few total pages — usually less than a dozen. Today, websites, especially e-commerce sites, can have hundreds of pages, or more, which is another reason you need a well-structured site map. Before getting to that final map, there's one more consideration — the goal or purpose of each page on your site.

Consider all the different ways people can find or enter your site — directly (by typing your domain name in a web browser), through a link in social media, by responding to an online ad from Google Ads, in response to a call to action in a video on YouTube, or through organic search (because they're searching for information or products and your site shows up in search results). Not to mention, new visitors can start their experiences with your site from your home page or from any other page in your website (this is considered a *landing page* because visitors "land" on it first).

With so many different pages and options for what and when (or where) a visitor first sees on your site, it's critical to help define the path you want visitors to take. Just as you want a profitability plan for your site, you need to map out and control, or heavily influence, how traffic flows through the pages of your website. Ultimately, you want that traffic flow or "visitor pathway" to result with an action — making a purchase, requesting a quote, watching a video, downloading a white paper, registering for a webinar . . . the list of actions is nearly endless and totally dependent upon what you want your visitor to do.

Let's start by defining exactly what we mean by website goals and conversions. A "goal" is an end result you want to achieve, and it must be specific and measurable. You might have a goal to increase traffic to a particular product page on your website by 20 percent over the previous 30 days and have a bounce rate (whether or not visitors immediately leave or *bounce off* that page) of 40 percent or less. A "conversion" is the completion of an action, such as clicking a call-to-action button or actually buying a product.



REMEMBER

We sometimes talk about conversion rates to determine how successful an online offer is on a particular page. One way to calculate the rate is by dividing the number of clicks on a call-to-action button by the number of visitors on the page over a certain period of time. A Buy Now button on a product page may have a 2 percent conversion rate, for example. We go over conversions in more detail in Books 6 and 9.

Before you can map out how you want traffic to flow through your website, you need to define the goals and conversion points for each page of your website. And all these decisions are critical to successful website design! Obviously, you cannot physically control what actions website visitors take and which pages they view, or in which order. However, knowing the goal of a specific page helps you determine which calls to action you need on the page, and further helps you determine what type of content you need on that page. Figure 2-1 shows an example of a visitor pathway based on goals and conversions.

FIGURE 2-1:

Guide the traffic flow through your site based on defined goals and conversion points.



TIP

Use the information from the profitability plan you create to determine what type of conversions you need on each page. This ensures you are directing visitors to click on offers that help generate the highest possible revenue for your online business.

Each page of your website should have a goal associated with it. What is the purpose of the page? What do you want visitors to do when they are on that page? Where do you want visitors to go next? For example, the goal may be for visitors to read information about a common problem they may be having and learn more (which could be measurable by the bounce rate and time spent on the page). The conversion point may be to click a link within the text to a product or service page that solves the common problem they just read about; or it might be to watch a video for more detailed information. Knowing the goal for each page also helps

you determine the most appropriate conversion points on the page. (Yes, you can have more than one conversion point!)

Once you have goals, conversions, and visitor flow mapped out, you have a good starting point to determine your site's structure.

Mapping Your Route to a Successful Site

The best sites aren't dreamed up by eccentric designers and thrown together quickly. Good sites require a clear road map from the people who run the business — that's you! You must ensure that the site functions at its best from an operational or performance level, while also ensuring the goal, or purpose, of the business is never lost.

As you consider the type of customer experience you want to offer, and the functionality that can enhance that customer's time on your site, the next step is to think about how the site is structured. It's putting all the pieces of function, purpose, profitability, and experience together into a *site map plan*. Start by answering these questions:

- » **What kinds of products do you want to sell?** Use your profitability to help answer this question. The number and organization of pages you have on your site depends on the makeup and complexity of your products or services. For example, you should have at least one page for each type of service you offer.
- » **How many distinct categories of products will you sell?** You might need a separate page for each product category. Think about splitting up categories such as consumer electronics and computer products, for example.
- » **Will customers be able to create an account on your site?** If so, you need to provide a page where customers can log in, update their personal information, view their orders, and enter payment information.
- » **How will customers pay for their orders?** You need to be able to take credit card orders, as well as consider popular online payment methods such as PayPal, Venmo, or Google Wallet.
- » **Will you tell people about you and your business mission?** Some companies think that having a web page about their mission statement isn't important, whereas others use this page as a way to connect with customers.
- » **Will you provide instructions for using your website?** It has been a common practice for websites to create a page for frequently asked questions (FAQs) to help their customers use the site properly and find everything that's available.

After you come up with your list, the next step is to draw a map showing the web pages you need and showing how the pages relate to one another. At this point, don't even think about how the website or the individual pages will look; just identify the different pages that need to exist on your site. Assign each page to a box on your map, and check off the function, or purpose, that the page will handle. When you're done, you should have a map of your site that looks like a flowchart.



TIP

There are plenty of free and low-cost online tools that make it a snap to build a site map. FlowMapp (www.flowmapp.com) and Lucidchart (www.lucidchart.com) are both terrific visual site map generators. And most e-commerce platform providers like Shopify (www.shopify.com) automatically create a site map for you. A popular web development company, WIX (www.wix.com), now offers an AI-based (artificial intelligence) website builder tool that uses your prompts to create your online site, complete with site map. Even though these services and tools are readily available, we think it's important to understand the basics of creating a site map — from scratch! — even if you use a tool in the future.

SITE MAP-BUILDER CHECKLIST

Most e-commerce websites have a basic list of pages that they provide to their customers. As you're designing your own site, take a look at the functions most sites provide and decide which types of pages are right for your business:

- Home
- Catalog
- Customer account
- Order information
- Privacy policy
- Frequently asked questions
- Website and social media content
- Map and directions (if you have a retail site)
- Checkout
- Payment processing
- About us or company history (describes mission, purpose, or employees, for example)

At the top of your map is the *home page*, which is your launch pad to the rest of the website (see Figure 2-2). This page answers all the basic questions customers may have about your business, just like the friendly receptionist in the lobby of a 50-story building. Whether this visit is the first — or the fiftieth — for your customers, the home page has to answer their questions in a clear, concise, organized way or be able to point them in the right direction quickly.

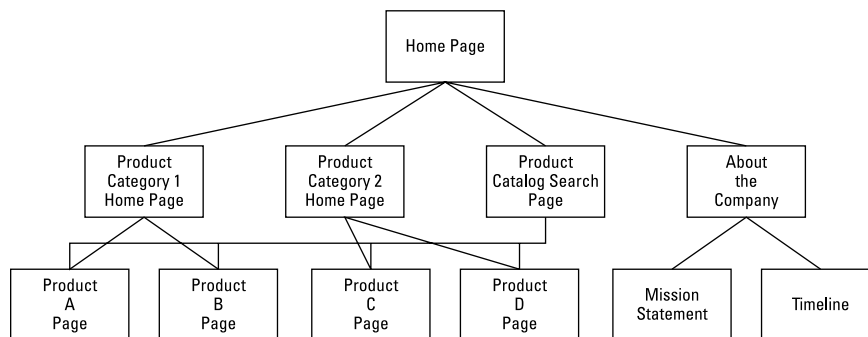


FIGURE 2-2: The home page on your website leads into all your categories.



TIP

You can build a web page that holds a text version of the map you created and make it available to your customers. Just like a road atlas helps drivers follow their route, this *site map* helps your online customers find anything available on your site without taking a wrong turn — or, in this case, a wrong click.

Below the home page are your main category pages. Although your first draft might look like the one shown in Figure 2-2, the beauty of such a simple map is that your site plan can expand and grow from that basic model. As you design more complex and function-intensive websites, you can add more levels to your website map. When you build your site map this way, you can visualize how your entire site operates, because you capture how your pages support each other.

Avoiding common holdups in developing a site plan

The last part of any website design process involves looking at the site map and page count and then estimating how much time you need to create the site. Expert designers typically estimate a number (of hours, days, or weeks, for example), and then pad that number by adding extra time to complete the project. You might ask, “Why pad the estimate?” After all, if someone is just implementing your well-structured plan, what can go wrong?

Developing your site can take longer than you expected for a variety of reasons. As you move from website design to implementation, beware of these traps:

- » **Trying to design and build the site at the same time:** People like to dive in with only a few pages on their maps (*before* the design is complete) and then add pages as they build out their sites. The constant starting, stopping, and thinking about which extra pages are needed can not only slow you down, but also disrupt the ideal site experience you are creating for your customers.
- » **Not having the right capabilities for your site:** Some people envision having a graphics-rich, interactive, advanced website and then find out in the design process that their Internet service provider (ISP) can't support certain programs or supply bandwidth to display video properly. In other words, you may make choices for an over-the-top user experience that isn't practical to implement to keep your site functioning at its best — which also diminishes the experience for your customers!
- » **Not updating the entire site when you make a change:** Even the most carefully laid website plans can require some modification when you implement them. Remember that good sites link back and forth between different sections. The last thing you want is to update one section without updating the links in the rest of your site. If this happens, your customers can get lost while surfing around — and might leave for good.
- » **Forgetting about the message:** As your website grows and expands, you can easily lose focus on what the site should accomplish. At any time, you must be able to go back to your home page — or any other page — and determine the site focus by viewing the page for a few seconds. If you spend longer than 10 or 15 seconds interpreting the message, you're off track.

No matter how many changes you make, never let the message of your site get lost or obscured.
- » **Not having the content ready:** You can have the plan built and promise to deliver your data or content to your website developer by a certain date. If you miss this date for some reason, you throw the developer's plans — not to mention the project's workflow — into chaos.
- » **Not having a reliable developer:** The best-laid plans are just *plans* until someone turns them into a website. If you're depending on someone with specialized skills, make sure that they have the time available to deliver your site when you need it.



REMEMBER

Putting Your Best Site Forward

Now that you have a structured plan for how your site is organized, it's time to consider how the site should look and feel. After all, first impressions are lasting ones, or so the old saying implies. In the first few seconds of viewing your site, visitors first decide what they think about it. Often, a favorable impression is based entirely on the design elements you use. From classic to vintage or from plain Jane to modern, establishing that look sets the tone for your entire site. Design options are also part of the UX process because it influences customers' response to your site and can directly impact their buying behavior.

Following design trends and UX principles

When you're thinking about site design, consider the following major elements that contribute to a winning look:

- » **Structure:** The foundation of your site's design is its structure, or *layout*. This is in part the overall site structure you completed, but we're also now considering the structure of layout of the individual pages of your site. Determining the layout of your site requires that you make decisions about these elements:
 - *Placement of the navigational toolbar:* The series of buttons or links that people use to visit different areas of your site — referred to as a toolbar, navigation bar, or menu bar — is commonly placed along the left (or right) side of the site, along the top, or in both places. Making your site *responsive*, or adaptive to viewing on mobile devices, is a critical part of site design today. Simple, fixed menu bars or drop-down menu bars are popular style choices when building a responsive website.
 - *Buttons, tabs, and links:* Buttons you can use on the navigation bar come in unlimited designs, shapes, and colors (depending on the software you use). Additionally, you can use text, rather than a button, as a link.
- » **Color:** An influential design element is the color scheme for your site. Do you go bold and bright or soft and understated, or do you stick to plain white or neutral colors? Another consideration is how to incorporate those colors (or lack thereof) into the site. You can use a color as a background for your entire site, to highlight sections of text, or to separate segments within your site.
- » **Font:** The font type and size you use throughout your site makes a statement. And with thousands of font styles to select from, you can send a variety of messages to your customers in the blink of an eye. Additionally, the text size you use contributes to not only the look of the site but also its readability.

For example, text that's too small might not be easy to read. *Serif* fonts, which have hooks and loops on the letters, are also difficult to view when used online. Sans serif fonts remove the extra detail and can be more easily viewed online. Easy-to-read font types is also an important part of being in compliance with the American Disabilities Act (ADA), which we discuss in Book 1, Chapter 5.

In addition to legal compliance, the popularity of mobile devices continues to influence font styles and design choices in general. For readability with mobile responsive design, easy-to-read fonts is a must. No matter which style you choose, it's important to find a design that works for your brand and to be consistent across the site.

- » **Images:** The use of photos and graphics (animated or otherwise) can complement your site if they're used correctly. The style and type of images that are on trend for UX changes from year to year, but using images has become a design staple. Images draw readers' eyes to specific areas of your site and can help illustrate information and ideas. High-quality images have always been a necessity if you're selling products. But now images are must-have elements for *all* types of sites — not just e-commerce. When you're designing your site, think about how many images you'll use, their size, and which location will produce the best effect.
- » **Social media:** Social media gets your customers more involved with your brand by encouraging them to comment and share information, which in turn could lead to more customers and more sales. To promote this type of activity, a decent amount of space throughout the website is used to persuade customers to "like" you on Facebook or "follow" you on Instagram, or share images and product pictures from your website. You need to consider where and how you place these opportunities on your site.
- » **Media:** Video has become a common element that you should consider in the design of your website. The continued popularity of YouTube, its influence in search engine rankings, and the amount of times it is shared through social media have contributed to the widespread acceptance and use of online video for all sorts of purposes. For some sites, this capability becomes an intricate design element. For others, it may be considered only as a marketing tool. Research supports the idea that video increases customer engagement (how the customer interacts with your site and brand) and can increase product sales (when using video for product reviews or testimonials, for example). You must weigh the pros and cons of video and decide where and when it will be used across your site, along with how to use it in a way that supports, rather than detracts, from your site's usability.

DOES YOUR SITE DESIGN WORK?

Before finalizing your site's design, ask yourself these questions to determine whether your site makes a winning first impression:

- Does the design reflect your defined purpose for the site?
- Will the look of the site appeal to your customers and encourage them to buy from you?
- Does the site's design (especially colors and fonts) allow information and products to be easily seen? Or do your eyes strain to look at text and images?
- Does the choice of layout, specifically the navigational bars, make it easy to locate information and move between pages?
- Is the site consistent with all other marketing and promotional tools you use?
- When customers first view the site, will it promote the image you want them to have of your company?

Testing Your Design Assumptions

In case your head is filled with hot design ideas, we should mention that a good site doesn't function by design alone. In fact, sometimes you can make your site even better by sacrificing trendy design elements. As we always say, sometimes it pays to put function first! The question is how can you tell if your site is going to achieve the ultimate goal of making you money?

Lots of factors play into the monetary success of your site, some of which you have little or no control over. The good news is that when it comes to designing the best possible site for success, UX is an area where you have ultimate control. The challenge is deciding what you *think* is good design and functionality versus what your customer actually experiences. This is why you should always test your ideas (and design).



TIP

How do you test your site for a good user experience? You probably guessed it: You get feedback from your users! UX testing can be as simple or as complicated as you want. Here are the steps you should take when conducting a test:

1. Involve customers and visitors.

If you have an existing site, or an existing business, create a *focus group* (a group of testers) that consists of the following:

- **Customers:** Customers are able to give input that's specific to their prior experience with your products and services, as well as your website (if you've had one for a while). Their responses to the design choices for your site are important because they already have certain expectations as to how they need your site to function in order to enhance their buying decision.
- **Noncustomers:** These folks may know absolutely nothing about your business. They may provide unexpected feedback. For example, you may use certain descriptive language on your site's navigational bar that is specific to your business but may not be commonly used in the industry or by your competitors. To you and your customer, it may make perfect sense. To a prospective customer, who knows nothing about your business, it may read like jargon that is meaningless or confusing as they try to search your site. Understanding this is an issue may lead you to use descriptions that are in line with your industry to make it helpful to everyone who visits your site, and in turn help you build sales with new customers.

2. Identify buyer personas for test groups.

Not only is it important to solicit feedback from customers and noncustomers, but you also want to identify different types of customers, or *buyer personas*. After all, not all personas (or customers) need the same information or pathway through your site to make a purchase. The buying experience could be quite different for each persona or for a group of personas. Having these various customer types represented in your UX testing helps you determine whether your site is meeting the needs of your most important groups of customers.

3. Design your test.

This may seem obvious, but to create a test, you need to understand exactly what you want to test. You can test many different things on your site, but it's best to limit it. We like to test for no more than 10 to 12 items at a time. These test items, often referred to as *tasks*, may be actions like, "Can the user find how to buy a specified product when coming to our site on the home page?" or "Can the user discover how or where on the site to watch a tutorial video or demo on how to use our most profitable product?" Developing this list of critical actions is one of the first steps in designing an effective UX test.

4. Determine test metrics.

In addition to defining the types of tasks you want a user to test, you need to decide which metrics to use to measure success. It's one thing to test whether a user can find a certain video, but it's another to understand how long it takes the user to find that video. Make a list of *metrics* (or measurements) that are important. Common UX task metrics include

- Time to complete a task
- Goal fulfillment (did they accomplish what you asked)
- Task performance (the way the task or goal was accomplished)

We also like to provide an opportunity for testers to give open-ended feedback or general comments (written or verbal) to their experience with each task. Some testing software uses video and allows you to capture verbal and nonverbal feedback from the user. This is helpful in that it lets you document users' thoughts as they try to complete the task (provided they verbally express those thoughts!).

5. Implement the test.

There are a couple of ways to administer or give a test to a focus group, and you're not limited to only one method. You may prefer to have a focus group of five to seven users who come together in person to answer interview questions. This is a great way to get open-ended feedback on your website. A focus group may also perform designated tasks while you watch and take notes. In this setting, you ask them questions about the site, or give them instructions and watch as they complete the task from either (or both) a desktop or mobile device.

You may also choose to offer site visitors (or others) an online survey to answer questions about your site's performance or ease of use. In the past, this has been a popular method for existing websites by showing a pop-up window that asks the site visitor to participate in the survey. Although this has proven an effective method, especially if you offer a small incentive (such as a product discount) for taking the test, we think website users are becoming used to seeing these offers and they may become distractors from actually buying products on your site. A controlled testing environment may yield more meaningful results.

One other testing option is to use software that administers the test and uses keystroke capture, video, and even eye-tracking to record the users as they complete the tasks. Some vendors not only provide the tool, but can also recruit users (noncustomers) to take the test and then provide a summary of the results.

6. Analyze your results.

It's not much of a test if there aren't measurable results that can be observed and reported. Perhaps the most important part of testing, next to the test itself, is deciphering the results and summarizing key take-aways. This means you sort through all the raw data and look for common responses or behaviors to tasks to find meaningful trends. For example, if 60 percent of your test takers couldn't complete a particular action, or if it consistently took them a long time to complete, then that's an indicator that you need to change something on your site, either in design or functionality, that's making it difficult to achieve the intended goal.

As you can see, there are many things to consider when you undertake UX testing. The results can be incredibly useful, but that's dependent upon a standardized approach to the test. UX testing may not be something you want to do on your own. Not to worry! There are plenty of companies that can assist you with it, but it can get expensive. Alternatively, here are some online tools to help with UX testing:

- » Loop11 (www.loop11.com)
- » UserTesting (www.usertesting.com)
- » Datadog (www.datadoghq.com/product/real-user-monitoring)



TIP

There's lots to understand about user experience and usability testing, and it can be overwhelming if you're new to the topic or don't have a background in it. Whether you want to learn a little bit more to help make your site better, or you truly want to dig in to the details of UX, check out the resources available from the Interaction Design Foundation at www.interaction-design.org. The membership-based organization offers a range of UX design and testing classes, along with articles and best practices.

- » Understanding the different types of hosting
- » Breaking down the pros and cons of various hosts
- » Reading the legal fine print
- » Deciding whether you're ready to be your own host
- » Paying attention to security

Chapter 3

Serving Up Your Site

One of the many decisions you make when you're starting a website is where to host it. You might be wondering what a host does and why you even need one. A *host* site provides a place (a *server*) for your website and all the files that make up your site to reside. That host provides an address so that others can access it by using the Internet.

There are many different options available when choosing how to host your website, including doing it yourself (not advised!). The biggest concern usually comes down to the amount of access you want or need to the server and the additional services provided. An increasingly critical part of any hosting solution is the security of the server. It's essential that your website's host, your business, and your customers are protected from cyber intrusions and other vulnerabilities (such as a natural disaster that could take down your host — and your website!). This is just one of the many reasons to understand hosting and find the best way, or place, to host your site.

In this chapter, you discover what to look for in a powerful hosting service, the different types of hosting options (including the popular choice of cloud hosting and the less common option of becoming your own host) and the security concerns you must address with any host.

Determining What Makes the Difference for High-Performance Hosting

When you're gearing up for a high-performance website, you must decide how much horsepower — er, *hosting* power — you really need for the site. Horsepower translates into fast loading speeds, video and sounds playing without interruption, and images loading quickly. Most reputable hosting services include most, if not all, of these items for top-of-line hosting, but there may be variations that impact the price you pay for those services. Before weighing your options, it's good to understand these common requirements in a hosting plan and how it affects your site. Consider the following hosting options:

» **Disk space:** The size of your website files dictates how much disk space, or storage, you need from a host. If you plan to have a lot of pictures, self-hosted videos, or graphics, count on needing more storage space. Typically, disk space is measured in megabytes (MB). While most hosts now offer unlimited or unmetered storage (or disk space), there are often clauses in contracts that allow the service provider to charge for space should a large site begin impacting server performance.

» **Bandwidth:** This capability controls how much data, or information, a server can send and receive at any given moment. The higher the amount of bandwidth your host's server has, the more traffic (visitors) your site can support at one time.

There are plenty of examples of celebrities (such as Lady Gaga and Taylor Swift) and high-profile events (like sporting events and concert ticket sales) creating so much demand within a small space of time that they took a website offline. In other words, there was too much traffic and not enough bandwidth to service all the traffic, resulting in a bandwidth blackout and many unhappy customers. Your site most likely won't hit this amount of bandwidth squeeze (yet!), but it's good to understand the constraints it can put on your site.



TIP

Web hosting is an extremely competitive business. Now, many top hosting providers offer unlimited disk (or storage) space and unlimited bandwidth. These services often throw in free domain name registration, too. Take the time to shop around for the most benefits at the lowest monthly price — the time you invest will be worthwhile.

» **Data transfers:** Every time someone views information from your site (including text, images, and video), that's considered to be a transfer of data. Think of it as traffic (or data) leaving your site. Hosting plans used to allow for a specified number of transfers per month and then charged additional fees if you consistently exceeded the limit. Now, most plans no longer mention data

transfers in their service description because it is unlimited. To be on the safe side, confirm that data transfers are unlimited.

- » **Allowable languages and plug-ins:** Depending on which scripting language you use to create your site, you might have to find a host that supports that specific type. For instance, support of HTML5 (HyperText Markup Language 5) is standard for all hosting services these days, as is the PHP: Hypertext Preprocessor scripting language. However, if you use Ruby on Rails or Python, you might want to confirm that they are supported. Similarly, plug-ins, or a software addition that enhances or customizes how a site or program works, may not be supported or allowed by a hosting provider. Sometimes this is because the plug-in is considered a security risk. It's common to use plug-ins for e-commerce sites especially, so it's a good idea to get a list of unallowed plug-ins or ensure your plug-in is supported without hassle or without an extra fee.



TIP

If you hire an outside developer to create your website, be sure to ask which scripting language and plug-ins are being used for the site. Or ask whether you can specify which ones are used. Although an entire site is rarely built in a scripting language not supported by your hosting provider, we have seen it happen. And while there are usually comparable plug-ins you can find as a substitute, it can delay progress. Always ask upfront. Better safe than sorry.

- » **Database access:** If you plan to incorporate a database on your site (for inventory management, for example), the server must allow for it. Typically, you should ensure that SQL (Standard Query Language) or MySQL is available, which means that the server is set up to use this language to access and transfer information from your database. Don't be surprised if you're asked to pay extra for this feature or if it's free only to a certain extent.

- » **E-commerce enabled:** Save yourself a headache later and confirm that your hosting plan supports e-commerce software, such as a shopping-cart program, and that it supports the one you want to use. Many companies bundle hosting with a specific e-commerce solution (because they get a cut of the fees from those merchant programs). Either way, you're likely to pay more in hosting fees when you add an e-commerce feature to your site.



TIP

In addition to obtaining e-commerce software, you need a Secure Sockets Layer (SSL) certificate. It ensures that you can safely transmit data over your website when customers make purchases. Check to see whether your hosting plan offers a *shared* SSL certificate, which covers all websites located on its server — in which case, it's probably free. Otherwise, expect to shell out more bucks to purchase an individual SSL for your site. If the hosting company doesn't offer the option, you can purchase your own SSL from companies such as GoDaddy, Cloudflare, and others. Several kinds of SSL certificates are available, so weigh all your options before making a final decision.



REMEMBER

- » **Operating system:** Similar to your desktop computer, a server has an operating system, too. Deciding which one is right for you depends on what operating system you're using for your website. Two popular server options are:
- *Windows:* When you're using Microsoft Access, Active Server Pages (ASP), or any Microsoft-specific scripts, a Windows-based server is more suitable.
 - *Linux:* This server software supports almost any type of scripting language. It's definitely a better match for your website if you use MySQL, PHP, or Perl.

The type of operating system you have on your own computer doesn't influence which server is best suited to host your website.

- » **Redundancy and backups:** Let's get straight to the point — if your server crashes, you're up a creek without a paddle. You must back up your website, which means that your data is copied and saved to another location so that if one server goes down, your data is still available from the second source. The physical locations of the primary and backup servers can also make a difference, so it's always worthwhile to ask where the servers are located (West Coast, East Coast, or even outside the United States). The main point is that your hosting plan should include frequent, and preferably daily, backups to derail any impending crisis. We discuss this critical component of web hosting in more detail at the end of this chapter.

- » **Web analysis:** To understand who your customers are and how they're using your site, chances are good that you need to know how many people visit your site each day, which parts of the site they frequent, and maybe even which other sites these visitors came from (based on IP addresses). To find out, you need some type of web analysis software. If this feature isn't included with your hosting plan, ask whether any restrictions exist on the type of software you can use with the site, and whether you pay an additional charge for using it.



TIP

You can embed a small bit of HTML code into your home page (and other pages) and use Google Analytics for free. Google also has a terrific resource center, including online tutorials, for using analytics. Visit the center at www.google.com/analytics.

- » **Support:** No matter who you are, there comes a time when you need a little help. Although it's not easy to determine the quality of a host's support until you experience it, you can compare some basic features. Is support offered 24/7 (24 hours a day and 7 days a week)? If not, what are the hours of the host's customer service center? Are both online support and phone support available? If online support is offered, make sure that it offers access to answers in real time, as opposed to waiting as long as 24 to 48 hours for a response to email. All of these details are usually considered part of the SLA,

or service level agreement, of the hosting provider and is detailed in their contracts. If your account is large enough, you may be able to negotiate for better support terms. At a minimum, always confirm whether you're charged for tech support, especially live or real-time support, and clarify whether the charge is based on use by the minute, hour, or month. Those bills can rack up fast, even for a seemingly simple question.

» **Other:** A host can choose to make *beaucoup* (lots of) extra features available with your plan. If all other factors are equal, don't hesitate to compare this assortment of small prizes to find the host with the most. For example, mailboxes (for your email) are always included, although the number of mailboxes offered varies greatly. However, mailboxes might not be a big deal to you. Some competitive hosting plans offer free tools that allow you to set up a blog; easy content-management programs; polling or voting features that allow you to take surveys of your customers; calendars; access to free stock photos, and more — lots more!

Although comparing features and choosing a hosting plan can be overwhelming, after you begin researching all the options, you find that most hosts make it easy to understand the differences. To ensure competitiveness, hosts often break down their plans into several categories and offer month-to-month agreements, which means you don't have to sign a long-term contract!



TIP

The monthly pay-as-you-go plan for services such as web hosting is now standard, and you can usually get a price break for paying a full year ahead or for signing a multi-year contract. We don't advise the latter, because the price break isn't usually large enough to warrant staying with a service provider for two or three years. It's more important to have flexibility and be free to switch providers if something goes wrong. However, paying upfront for 12 months of service is a great compromise.

With a quick glance, you can determine whether a plan has all the elements you want. For example, most hosting solutions offer a basic or starter package with bare-bones necessities — enough to get, and keep, a simple site with minimal images up and running. You may even find some free hosting options that include very minimal features but could get your basic site up and going! However, when this level is all you need, you end up making your decision strictly on price. (We see it happen all the time.) Another consideration is when you require e-commerce capabilities. Today, most mainstream hosting providers, such as GoDaddy, offer e-commerce functionality as an add-on to hosting plans or as a separate e-commerce plan. And many shopping-cart providers, like Shopify, automatically include hosting as part of their overall e-commerce plans. We discuss Shopify and similar options in Book 4, Chapter 4. Ultimately, when you're selecting among providers, your decision comes down to price and which e-commerce program is partnered with (or offered by) each host. Other hosting plans include a mid-tier

level (which we think is usually the best option for starting an e-commerce site) and a premium level that is typically loaded with more features than you need.



TIP

The difference in price between a basic plan and a midlevel plan is often only a few dollars.

Ultimately, your best bet is to look for hosting providers that distinguish themselves based on reliability, support, and security. Those that offer extra features or buying incentives (such as free advertising credits on Google or Facebook) are nice, but you really want a provider that will help keep your business up and running — and secure.

Putting Your Site in the Cloud

An important factor in choosing a host is considering *where* the server is hosted. A traditional option is having a single server that hosts your site or that can be divided and shared with other websites — for simplicity, think of this as a physically located piece of hardware. Increasingly, the more popular option, especially for start-ups and small to mid-size online businesses, is a hosted service in the cloud. A cloud-based solution is a grouping of servers that are virtually connected together, and there are multiple clusters of these servers. Those clusters are what make up the cloud. You may wonder why this is a big deal. Cloud-based hosting has several advantages:

- » **Scalability:** In the cloud, it's easy to access additional features, including bandwidth. If your site grows quickly, you can quickly turn on or expand the new tools you need to support enhanced requirements or demands on the server (because you now have access to multiple clusters of servers, not just a single server). The scalability benefit also works in the opposite direction. Let's say your website or a product you sell is featured on the *Today* show as a "must-have" holiday gift. You're likely to quickly see an extremely high influx of site traffic! On a traditional server, it would take a lot of time and effort to provide the amount of bandwidth you need to support the new volume of traffic. A cloud solution can scale at lightning-fast speed to handle the spike in traffic. When the holiday season ends, your site's traffic volume is reduced. A cloud solution makes it simple to shift resources back again, or scale down.
- » **Security:** Just as a cloud-based solution can shift resources to accommodate changing traffic requirements, it can also take advantage of the clusters of different servers to protect against cyberthreats, such as distributed

denial-of-service (DDoS) attacks. If a cluster of service is under siege, it shifts to a different cluster. Similarly, it offers protection from natural disasters and other threatening events (like hardware failures or fire) that could destroy or severely impact a physical location. In other words, data can quickly be virtually moved to or pulled from a different cluster of servers, without requiring any downtime for the transfer of resources. That means your customers never even know that you've experienced a problem — they get to your site with no interruptions!

- » **Performance:** When your site is hosted in the cloud, it may realize the benefits of increased speeds (website load times) and overall better performance, so there are no lag times in serving up large image files and data-hogging videos. That's not to say that traditional server sites can't be fast and reliable, too. Cloud solutions just have more options to load-balance or shift the resource needs to various server clusters.
- » **Pricing:** Typically, cloud solutions are somewhat less expensive than other service offerings. As we mention earlier, hosted cloud services also provide affordable monthly plans with no contract commitments. If you need to scale services up or down, it's cheaper and easier to do so in the cloud.
- » **Reliability:** Another potential benefit of a cloud solution is that the hosting company may offer a guarantee of service or protection against an outage. Sometimes you see this described as "uptime" and "availability" of the cloud service. When cloud-based solutions first became available, providers sometimes struggled to keep their servers from going down or being unavailable; this was called a *cloud outage*, and it's one of the reasons that cloud hosting services used to be considered unreliable. Today's leading cloud providers have gotten much better and are now thought to be more reliable and secure than traditional server options. Even so, cloud services began offering a guarantee of service uptime. In some contracts or terms of service agreements, you find a clause that says a refund of a specified amount is provided if a cloud outage exceeds a certain time period (this can be anywhere from several hours to a couple of days). An outage of any sort is still a disruption to your business and equates to lost revenue, but having an uptime guarantee clause is a small way to offset the loss.



REMEMBER

Whether you sign a contract or legally accept an online Terms of Service agreement, *always* read the fine print. You may find that some contracts limit what you can and cannot do on a website, or you may be financially penalized for some actions related to the operations of your site.

Serving Yourself: Don't Overlook Other Server Options

Cloud-based hosting options are popular, but they aren't your only option. You may want to skip a hosting plan and rent your own dedicated server. To help you better understand what you might be getting into, we explain the different types of server options.



WARNING

We don't recommend these options, especially if you are new to owning a website, or if you have a very small online business. As your business expands, these options may be more feasible as a consideration.

- » **Shared server:** The hosting plans we explain earlier in this chapter are examples of how you use a shared server. In essence, you're using the same computer (or server) along with many other websites. Although that arrangement translates into lower costs, you have less flexibility in the types of applications you can run, because the server is configured with the same settings and applications for all who use it.
- » **Dedicated server:** Gaining complete control over the type of server you use and the programs you install on it requires that you have a dedicated server. As its name implies, the bandwidth, memory, and storage space on this computer are dedicated entirely to *you*. You also typically gain root access, which means that you can configure the server to your specifications. This more expensive option is often used when you need to run special programs or when you have multiple sites or extremely high-traffic sites. The downside of using a dedicated server (in addition to the expense) is that you're usually responsible for installing software, handling regular maintenance, and fixing any unexpected problems or system failures that occur. We recommend tackling this server arrangement only if you're an experienced webmaster or computer technician.
- » **Colocation:** You might like the idea of owning a server but aren't in a position to manage or repair any problems that arise. If that's the case, colocation might be the answer. You provide the hardware (or the computer) and lease space (*rack space*) for it with a host company. The host company then installs the server and ensures that you have consistent access to the Internet, which is a big advantage of colocation. Depending on your physical office space, this situation is ideal for another reason: A server requires certain environmental conditions, such as being kept in a dry, cool (or temperature controlled) room, and colocation providers maintain data centers that meet or exceed these conditions. Because you own the equipment and are responsible for all other aspects of maintaining it, this option also requires that you have advanced skills.

- » **Managed server:** Sometimes referred to as a *virtual server*, this option is a compromise to a dedicated server. Unlike with colocation, with a managed server you lease the equipment and the hosting company takes care of most server functions, including installing software and updates, handling security and maintenance, and acting as a troubleshooter for problems. If you have specific needs for your site and aren't proficient in maintaining a server, managed servers work well.
- » **Virtual dedicated server:** Another take on limited maintenance but increased flexibility is what some hosts refer to as *virtually dedicated*. As with shared hosting, others use the server with you, but access is limited to a small number of customers. You gain dedicated space and control because the host uses walls or partitions on the computer to separate it into several virtual dedicated servers. Although your site is on a shared server, it has been configured to appear as a stand-alone, dedicated server with no other users.



TIP

As with hosting, the price and services offered with each server package vary. You're usually required to sign a long-term lease agreement, so make sure that you understand what the price covers and the responsibilities for both you and the host company. Also, make sure that cancellation terms are clearly spelled out so that you can get out of the agreement if you're unhappy with the provider.

Keeping Your Customers and Your Site Secure

Regardless of how you choose to host your website, you're still responsible for the safety and security of your company's data and that of your customers. When you own an online business, you don't get a free pass on culpability when it comes to the privacy and security of data, from personal information (such as birth dates and passwords) to financial data (such as credit and debit card numbers and expiration dates). How do you best protect against data vulnerabilities?



TIP

It's critical to have a Secure Sockets Layer (SSL) certificate for your site. This certificate enables data to be securely encrypted when transferred or exchanged across the Internet. Basically, it helps prevent hackers and other cyberthieves from accessing sensitive data. Some hosting plans offer an SSL certificate at a reduced price, but you don't have to purchase it through the provider of your hosting plan or the company that provides your server. We explain how to purchase an SSL certificate in detail in Book 5, Chapter 1.

Another security concern is simply making sure your website data is properly backed up. In other words, you need to know if the files that make up your website get compromised or destroyed, there is a way to access duplicate copies of the files. If not, you could lose your entire online business in a flash! Of course, to prevent backups from becoming necessary in the first place, you need a reliable server — not to mention a responsible host. When you're purchasing a hosting plan, determine which precautions a provider has in place to prevent its server from going down. Don't forget that the problem isn't always a matter of equipment failure. Power outages, maintenance checks, and other man-made or environmental conditions (such as severe weather incidents) can cause a server — along with your website — to go out of commission. Redundancy, as we mentioned earlier, is the best contingency plan because it means that your host has dual systems in place that allow information to remain accessible from a secondary source, even if the primary source goes out. (If you want to know more about redundancy and business continuity for your site, we discuss these issues in detail in Book 5, Chapter 2.)

- » Recognizing the value of *keywords*
- » Mastering the words that get searched
- » Preparing web-ready content
- » Turning words into gold — er, cash

Chapter 4

Developing Content That Satisfies Visitors and Search Engines

Content is king! This mantra remains popular (and accurate!) when discussing what it takes to shine the spotlight on your website. The words you choose, and how and where you use them, are critical to the online sales process. Now, thanks to Google, the value of content is at an all-time high for helping your website rank well in search engines, too.

Content was officially promoted to royalty when search engines (specifically, Google) began placing significantly increased importance on it as part of *search engine optimization*, or SEO. In short, Google decreed a site's search results ranking is affected by the quality of the site's content and its relevance to website visitors.

To achieve that goal of a good ranking, business owners often depend on someone else to find the right words for their websites. Don't worry: When you're creating content for your own site, you don't have to hire a professional writer. You do have to understand what turns ordinary words into good web copy, which is why we devote this chapter to choosing the right words. In addition, knowing how to write good web content helps you perform well in searches — and get more sales.

Words Are Words — Right? Wrong!

How do you know what works when it comes to describing your products, welcoming your customers, and engaging in any other communication that requires the written word? Effective web copy helps you accomplish these five objectives:

- » Help search engines notice your site
- » Convince customers to visit your site
- » Educate customers about your products and services
- » Elicit in your customers a desire to act (to buy stuff!)
- » Entice customers to come back and do it all over again (buy more stuff!)

When discussing content for the web, you might often hear another term, *content marketing*. This popular term encompasses all five of the preceding objectives as well as the development of lots of different types of content (from website copy and white papers to infographics and videos) and the way you promote and distribute that content to attract customers to your site. In this chapter, we focus on a segment of content marketing, specifically the words or copy used on your website pages. In Book 6, we discuss in more detail how to create various types of content and how to use content as part of a marketing strategy.



REMEMBER

The wider term *content marketing* includes more than just words or text. The broader definition of content in the world of digital marketing includes images, presentations, video, and just about any type of information that can be consumed by online customers.

Words that are “key” to search

Now that you understand the five objectives that help earn the official stamp of approval on your web copy, it’s time to introduce another important term when writing for the web: *keywords*. As we mentioned, the first objective of online writing is to get the attention of search engines so that they can direct traffic to your website. More important, you want the search engines to send you the *right traffic*, or rather the people who are most interested in your products and services or the problems they solve. Fortunately, search engines want this, too — especially Google.

As we mention throughout this book, Google has come a long way in how it prioritizes and matches the content on websites to the search queries it receives. Without getting into the nitty-gritty details of Google’s search algorithms (or as much as Google reveals about those algorithms!), essentially what Google wants

to do is understand the *intent* of the search and match that to the best possible *quality* content. One way search engines accomplish this is by depending upon clues in the form of keywords, or specific words that help indicate what the site and content are about. If someone is searching for bicycles and you sell bicycles, you want to use keywords and keyword phrases related to bicycles, such as bicycle helmets, men's bicycles, racing bikes, peddles — you get the idea. In the past, the more times you used a particular keyword in your content that matched those same words used in search queries, the better chance you had of ranking high in the search engine results.

Google wants you to focus on writing the best quality content possible that matches the searcher's intent — the information your potential customers need to make a buying decision. Keywords and keyword phrases are still important, but Google doesn't want you to stick keywords in your sentences simply for the sake of having keywords in your content (as we just did in this sentence using the word *keywords*). Having your keywords appear four or five times in one sentence does not make the sentence better; rather, it makes it sound forced and awkward. Instead, write your content using natural sentences that reflect the way people actually talk or explain things. Mastering this technique is a big deal because Google continues to get better at not only understanding the *intent* behind the search query but also *predicting* the type of content the searcher wants to see or will find useful.



WARNING

Some website owners and SEO specialists learned ways to trick the search engines by doing something called *keyword stuffing* — adding lots and lots of keywords to their content just to rank higher in search results. Today, Google penalizes you for these types of tricks, and your website could completely fall out of the rankings!

Rather than focusing on a single keyword, use other strings of words that people are more likely to use in search: complete questions or more lengthy descriptions (called *long-tail keyword searches*). For example, if you want to learn about keywords, it's doubtful you will enter only the word "keywords" in Google search. You are more likely to enter phrases like "using keywords to improve search engine rankings," or "how to choose the best keywords when writing for the web." When writing content for your website, it's important to think about what someone really wants to know (intent) and answer that question with useful information (quality content).



TIP

Search engines such as Google evaluate and consider both the quality and usefulness of your content. Using good grammar, proper punctuation, and well-constructed sentences is all part of what earns your content the search engine's seal of approval. It's also important that you not duplicate sentences or paragraphs — search engines want to see that you have original content throughout.

When you're ready to gain a thorough understanding of how to master search engines, check out Book 6, Chapter 5. For now, we simply want to make you aware of the importance of thinking about search engine rankings while you're writing the initial content for your site.

To review, when you're writing content that's search-engine friendly, remember these two rules:

- » **Think like a customer.** Include content that provides answers to the type of questions your customers are asking.
- » **Avoid saturation.** Keywords should be a natural part of your content, not overly obvious.



TIP

Before writing your content, do your own search using a popular search term for your product or service. Then visit the top five sites in the returned rankings. Note which words or phrases your competitors use, and consider finding a logical place for them in your content.

Beyond keywords

You won't find us downplaying the importance of keywords and keyword phrases, but we would be remiss if we overlooked other important types of words to use when writing online content. After all, not all words are created equal. Some words pack a wallop when they're delivered. Others hang in the air unnoticed.

With millions of words in the English language, choosing the *right* ones for your website might seem daunting. Not so. Writing for the web is easy if you use words, phrases, and sentences that are

- » **Attention-getters:** *Bad writing is killing your online sales!* A strong headline or phrase, like the one we just used, is critical in helping spark an immediate interest from visitors to your site. Also referred to as a "hook," you see this often in traditional media (such as on covers of magazines and in news programs on TV). Visitors to your website are unforgiving. If you don't catch their attention quickly (and keep it), they desert you in a heartbeat. Choose words, especially in headlines, that command attention and pique interest — all in a blink of the eye.



REMEMBER

The average person looks at a web page for less than a minute (as little as 8 seconds, according to some research) before deciding to move on. The decision your customer makes to stay or leave depends on the information you provide. Make that information



TIP

- *Meaningful*: Don't waste words. Be brief and choose words that matter and that reflect the customer's needs.
- *Easy to read*: Use short sentences. Don't bog down readers with too much detail.

Give customers a choice in seeking more in-depth information. If someone wants *all* the details, you can provide either a hypertext link to another page or an expanded viewing window. There, visitors can find complete product descriptions, case studies, tips for using the products, or other background research.

- » **Self-explanatory**: It's best to avoid using abbreviations, catchy product names, and industry lingo. If you can't avoid using jargon, keep in mind that customers may not understand what you mean on the first read-through. Similarly, if your company "speak" isn't how your customers talk about the same products or topics, then there's a good chance Google won't rank them well either. If you must use these types of words, define them in parentheses or offer an expanded view that contains the complete information. Be *clear*.
- » **Simple**: Say what you mean. Don't make your customers read between the lines or try to guess what you intended.



TIP

Although this chapter is about choosing the right words, we would be remiss to overlook the value of images as part of your content. Using images and videos is critical today. Images and graphics support your web copy and even help draw attention to it. Videos can bring your web copy to life and give customers an alternative way to consume information. Plus, images and videos can also help in search engine rankings.

Getting Ready to Write for the Web

Words are catalysts that move people to action. With that in mind, what do you want your customers to do when they visit your website? If you said, "Buy stuff," think again. That's a given. You need to be more specific: On each page of your website, determine which *action* or series of actions you want customers to take to lead to the decision to make a purchase (as we discuss in Chapter 2 of this minibook). If you can answer that question, you can write words that sell.

Understanding buyer personas

To start writing for the web, you have to determine these factors:

- » **Your audience:** Before you write a single word of copy, take a moment to understand to whom you're writing and why. Content marketers refer to this as your *buyer personas* (we show you how to create personas in Book 9). For now, consider: Who are your potential customers? Why are they visiting your site? What are they searching for — information or products? Specifically, what problem are they trying to solve, and how can you help them solve it?
- » **Your customers' motivation:** In addition to knowing about your customers, you need to understand what motivates them to take action. Do they want to be entertained? Educated? Are their purchases based on emotional decisions? Or do they simply want enough facts to validate their buying decisions? To some degree, their motivation might be dictated by what type of product you're offering, the age of your target customer, or the standard offering in your industry. Even so, understanding motivation helps dictate your writing style and the words you use. It also guides the tone of your writing. Your tone can be serious, whimsical, or no-nonsense. Your tone itself can motivate people to action.
- » **Your customers' solution:** When you understand your customers' desires, needs, and motivations, you can provide a solution. Simply naming your product or showing a picture of it doesn't do the trick. You need to explain *how* your specific product solves your customers' specific problem and tell (or show) *why* your product provides the best solution. If it's the most efficient, cost-effective, or reliable one on the market, let the customer know. These benefits are all part of the solution you offer to influence a customer's final decision to buy.

Okay, so you're convinced that your product answers the needs of your customers, and you're pretty sure you know which features move customers to action. The next part of the equation is packaging the information in a way that customers can easily absorb and mapping it to how they buy.

Tracking the buyer's journey

The first part of what we refer to as content packaging is *specifying the outcome* you want. The next part is matching your content to a particular stage in the buying process, which is referred to as *content mapping*.

Let's start by taking a look at content packaging. Every single page of your website serves a specific purpose. For example, a home page might convince a visitor

to stay long enough to click a specific product link. Or it might provide a source of information that prompts your customer to register as a member of your site. You may have a testimonial or case study page that shows how a product solved another customer's problem or compares your product to that of a competitor. A product page on your site has a very clear goal: getting the customer to purchase the product. After you define the expected outcome or goal for a page, it becomes easier to determine whether your content serves that purpose.

Another key to packaging your website information is making the content skimmable. Designing *skimmable* text simply means that you allow a customer to look over chunks of data rather than have to read every single word to get your message. People have short attention spans when surfing the web. The growth of social media sites, such as Facebook and Instagram, has only shortened the already-short attention span. The increasing use of mobile devices for viewing websites makes short copy even more important. Customers reading your content on mobile phones want to get to the specific details, quickly. In short, folks are now used to super-abbreviated communications.

By using a few simple tricks, you can still draw customers' eyes to details, even if they're speed reading.

Follow these suggestions to make your text skimmable:

- » Use short paragraphs.
- » Highlight, or **boldface**, important words and phrases.
- » Use bullets (like the ones in this list) to call out details.
- » Include hypertext links to draw attention to a source of more information.
- » Increase the font size of text to put emphasis on certain words.
- » Incorporate graphics or images that complement the text and call attention to it.



REMEMBER

Not all visitors start their journey on your website on the home page, especially if they are using search engines to discover your content. For example, Google may rank a product page higher than your home page based on the search terms used. And, that page may be the first experience a new visitor has with your site. That's why it's important to pay attention to the words you use on every page and make it easy for visitors to navigate throughout your site, regardless of what page they first discover.

Getting organized

After you create killer copy that's skimmable, you might think that you're ready to transfer your final thoughts onto your web page. Wait! You must complete one more step: Organize the information on the page in a way that makes sense. Your message should be simple, concise, and easy to understand. The most important factor is the order in which the information appears on a page. The text should lead visitors to take action (the specific outcome you identified earlier).

You can find high-ranking examples of sites that use effective content strategies to drive traffic. Figure 4-1 illustrates how one site, Constant Contact, incorporates some of these content strategies. The desired outcome on the page shown in the figure is to have customers create a free trial account. The bottom of the page provides options to direct visitors to other pages of the site based on their self-identified experience level with digital marketing. This is also a great example of using audience personas to provide the appropriate type of content, in this case by experience, and increase engagement. All of the content on this page, and throughout the site, is organized in a way that leads customers to that final action — clicking to create a free account.

FIGURE 4-1:
This site organizes its content to lead viewers to create a free account.

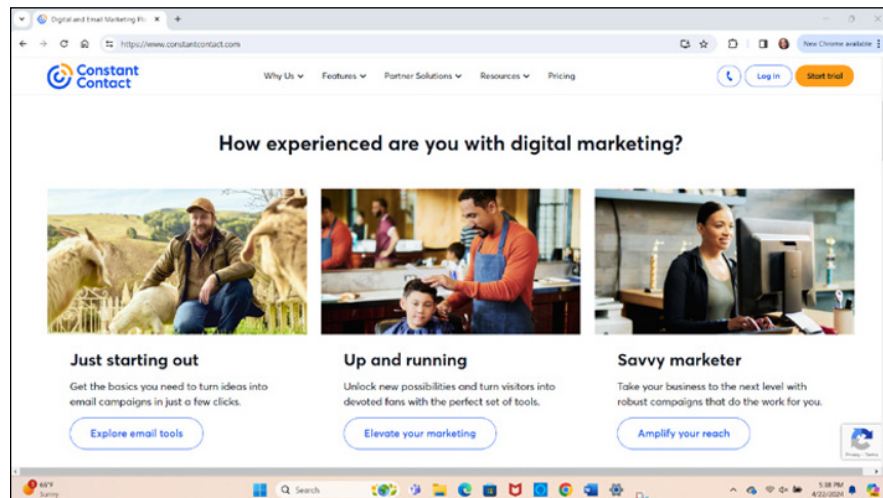
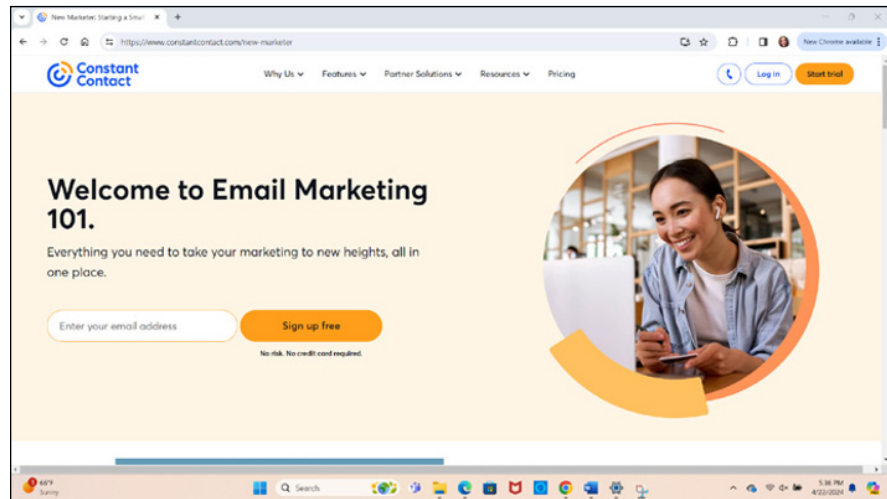


Figure 4-2 shows the next page a customer might click to dig deeper for information. The first features page about email marketing uses a similar strategy as the home page, by first encouraging visitors to get started with the free trial. It also uses bold words that reinforce how its product solves its customers' needs. In this case, the company addresses the desire a customer has for a simple, easy solution.

FIGURE 4-2:
Choose headlines
and content
that match your
customers'
specific needs
and show how
your product
helps solve their
problems.



Now that you see how to organize your content on different pages, the next step is to map your content and web pages to the stages of a buyer's journey. When mapping content, we like to bucket content into one of these key buying stages:

- » **Awareness:** In this stage, the buyer is realizing that they have a problem that needs to be solved and is exploring ways to address their pain point. Content in this stage should be very high level or talk to a specific issue.
- » **Consideration:** In the next stage, the buyer is ready to compare solutions or products from various companies and learn more about specific features. Your content at this stage needs to discuss the product in detail, or provide videos and case studies that also show how other customers have used your product to solve similar problems.
- » **Decision:** The final stage is where the buyer is making a decision. Usually this is when the buyer wants to know specific things about your company, the reliability of delivering the product or service, and detailed pricing information. The content at this stage must convince the buyer to get off the fence and take that final step and officially become your customer.



TIP

As your online business matures, you want to think about one more stage of the buyer's journey — loyalty. The loyalty stage is about keeping and growing existing customers. This may include making it easy for customers to access support via your site, to re-order or log in to an existing account with pertinent information, or to simply reward loyalty with special promotions and referrals. We discuss how to expand an existing site in Book 9.

Mapping content where it counts

A single web page can have an unlimited amount of information and choices — filled with lots of links, buttons, and page sections. Your visitors can then choose from several possible actions on that one page. What do you do then?

You have to make a choice: Decide which actions take priority. You can do so by following these simple steps:

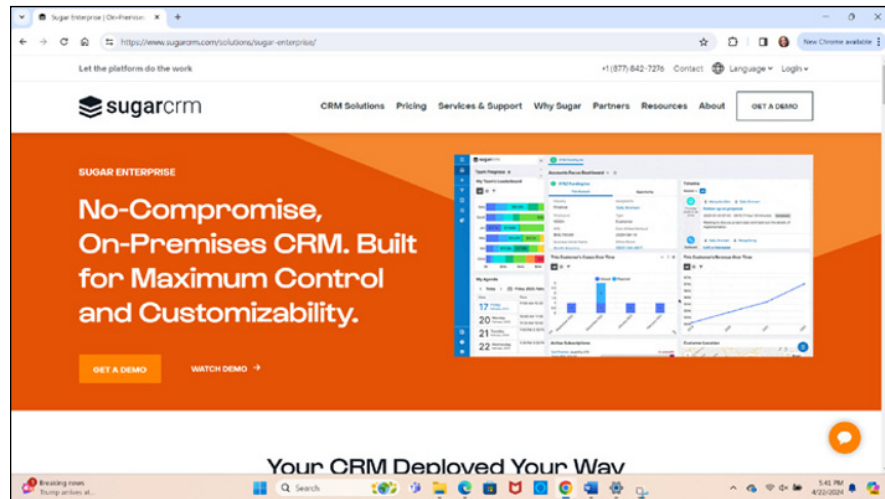
- 1. Make a list of all possible decisions visitors can make when they're viewing your web page.**
- 2. Prioritize the different choices or actions, from most to least desired.**

For example, it might be more important for visitors to click a page filled with products than to click a link to sign up for a newsletter.
- 3. Map the content on the page in such a way that customers view the information in your preferred order (according to your prioritized ranking).**

Our next example, shown in Figure 4-3, is from SugarCRM, a high-ranking business solutions site, which organizes its content in one of two ways, depending on the page and desired outcome. The first goal of the products page is to encourage visitors to request a personal demo of the solution. To support this goal, there is also an offer to first *watch* a free demo. This call-to-action (CTA) button is clearly showcased at the top of the page in the main navigation. The other goal of the page is to educate site visitors (who aren't ready for a demo or pricing) about product features. To support this goal, visitors can scroll down the page and see short descriptive content blocks with more information about the product's features, as well as link to learn more about each particular feature. The site does a good job of balancing images, offers (or calls to action), and content. The information is easy to understand and site visitors can readily see their options.

The site also provides more detailed information targeted to a specific type of user, or customer. It maps each solution offering to the different parts of a business, such as marketing, sales, and support. This content strategy enables visitors to see information on how to use the product based on their specific needs and provides the option to click through to certain pages to learn more through case studies and feature examples. The goal of this type of content is to educate a particular customer segment, giving visitors enough detailed information to make them comfortable with taking a *buying* action (request a demo or contact sales, for example).

FIGURE 4-3:
Prioritize and
organize your
content using
short descriptions
and images
that support
your words.



REMEMBER

Visitors to a website read information by starting at the top of the page and moving downward. As they do with printed offline text, they also read from left to right. Therefore, content you place at the top and to the left of your pages often is noticed first, unless images or large calls to action are used to draw attention elsewhere on the page.

Moved to Purchase: Turning Words into Action

After you identify the actions you want customers to take, it's time to choose the words that elicit those responses. Choose words and phrases that accomplish these tasks:

- » **Evoke a feeling:** Decisions to make a purchase are often influenced by emotions. Words that help conjure those emotions and feelings are more likely to get a response. Keep in mind, however, that someone shopping for plain paper napkins isn't emotionally connected to the purchase. In this case, a straightforward explanation of the product or its primary benefit (inexpensive cost, for example) probably works best.
- » **Grab attention:** Some words naturally cause people to momentarily pause when they read them. *STOP! Don't go further until you read the next sentence*, for example, is an effective way to get your customer's attention long enough to introduce the next level of information. And don't forget *FREE!* — one of the most popular attention-grabbers.

- » **Identify a problem:** Customers are looking for products and services that answer a need. They're drawn to words that describe the problems or needs that they too are trying to solve.
- » **Boost credibility:** Offering short customer testimonials or reviews on a page, showing names or logos of other customers using your products, or providing statistics related to your business (years in business, number of satisfied customers) can reinforce your business credibility and increase buying confidence, which often helps speed up the purchasing decision.
- » **Contain known buzzwords.** Every industry and consumer market has keywords or key phrases that are part of that market's lingo, such as *cross-platform* or *solution-driven*. When you talk the language, your customer is more likely to hear what you're saying and respond. However, these should be known phrases that are familiar to your customers, and not terms or lingo used only by your company. And when possible, avoid using confusing abbreviations or acronyms. If you must use acronyms or highly technical terms that are not common, be sure to define the terms.
- » **Offer assurance:** Customers want to feel good about their decision to buy your products or use your services. When you use words that offer comfort or reinforce the buying decision, customers are often encouraged to make a purchase.
- » **Request a purchase or action:** If you don't ask customers to make a purchase, your chances of them doing so are greatly diminished. The same goes for any type of action you want the customer to take, such as requesting a product demo, downloading a guide, or watching a video. The type of wording used to get a customer to do something is often referred to as a *call to action* or *CTA*, as we reference throughout this book. The words or phrases ask the customer to make a decision at that point. A call to action is particularly effective when it immediately follows words that offer assurance.

EYE-CATCHING WORDS

Use the following list of words and phrases to grab a customer's attention, provide assurance, or ask a customer to take action.

Grab Attention	Provide Assurance	Take Action
Stop	Guaranteed	Buy now
Listen	Trial version	Order here

Grab Attention	Provide Assurance	Take Action
Urgent	Risk free	Click to order
Sale	No risk	Get more information
Half off	Free sample	Request information
Clearance	No obligation	Contact us
Reduced	Money-back guarantee	Email us
While supplies last	Success stories	Join today
Almost sold out	Testimonials	Subscribe
Secret	Loyal customers	Buy now, pay later
Confidential	Quality	Act now
Hot	Validated or tested	Request a demo
Limited time only	Approved	Get a quote
Connect	Referrals	Like us on Facebook



WARNING

Making unsubstantiated or false earnings claims or false promises about products or services can subject you to fines and prosecution. For more information and legal guidelines, visit the Federal Trade Commission at www.ftc.gov.



TIP

Instead of using commands such as *Click here* or *Next* to get folks to click your links, use descriptive terms that are also useful in search engine rankings. For example, use *Learn how to incorporate your business now* or *Get started planning your own water garden* as the link text. Even in your CTAs that appear as buttons, you can get creative with the text.

- » Figuring out what you must know before publishing your website
- » Testing your site for form and function
- » Trying before flying
- » Launching the site

Chapter 5

Going Beyond Beta and Launching Your Site

After taking the trouble to design a site, fill it with quality content, and find the perfect place to host it, you would think that that's the end of the story. We don't want to disappoint you, but you have to deal with another major phase before you launch.

In this chapter, we break this final stage into smaller segments to make it easy to follow. For one moment, let us summarize what all those segments mean in layman's terms: Test, test, and test again. Then, and only then, blast off!

Some Things to Know Before You Start Uploading

Both *launching* and *uploading* your site are terms used to represent the point when you finally make a site viewable by the public over the Internet. Before you upload your site for the world to see, though, it should be fully functional. Keep in mind, there may be some plug-ins, features, or backend functionality that may not fully work until your website is live for the universe to see, but these components

should be the exception, not the rule. Your site design and content should be complete, your navigational tools should work properly, and all parts of your website, even the smallest parts and pieces, must be in place and working (or ready to start working!).

Okay, you can throw caution to the wind and launch an incomplete site. We don't advise it, though. Why not? Doing so isn't professional, and your customers will become easily frustrated when form falls short of function.



REMEMBER

An incomplete site diminishes your business's credibility.

A haphazardly constructed and prematurely launched website can cause you to lose customers. If a section or feature of your site isn't fully developed or functional, frustrated customers may never bother coming back again.

If you take away anything from this chapter, remember these two points:

- » Fully complete your site before launching it.
- » Make darn sure that every element works.

You should know about a few other helpful concepts before launching:

- » **Little details count.** Bring out the magnifying glass when you're reviewing your site for mistakes before launching. Check for misspellings, broken links, malfunctioning applications and widgets, and other problem points.
- » **Some functions are limited until after the launch.** As we mention, a few features might function *fully* only after your site is live. For instance, forms frequently can be activated only after the site is up for good. These components should still be in place and ready to test once you launch. Remember to check all forms after the site goes live and correct problems immediately.
- » **Third-party data takes time.** If your site must integrate with any third-party applications or widgets, or you use a newsfeed or syndicated content or another type of data from outside sources, the application might not be instantly available when the site launches. Your site might have to wait several hours or even a full day before it is entered into a customer database, the switch is flipped, and the site goes live. If the information isn't accessible after two business days, contact the service provider to report the problem.
- » **Rankings aren't immediate (or guaranteed).** After your site goes live, you can submit it to be reviewed and possibly included in various search engines. (We go into the art of optimization in detail in Book 6, Chapter 5.) Right now, all we ask is that you remember that it takes a while for a search engine to scan and rank your site after it's up, so don't expect it to show up in the search

engines right away. Even after your site is *spidered*, or reviewed, by the search engines, it may not appear anywhere near the top 100 listings. Outside of any advertising or promotion, initially, only people who type your URL in the address field or your company name in a search engine may be able to find your site.

» **Automated web builders are different from designers.** If you launch (or your web designer launches) your site, it's immediate. In other words, all the files are uploaded to the server at one time. Within minutes, you're finished and the site is online. With some automated web builders or template programs, you might be required to publish your site page by page to the Internet rather than upload a complete file — although this is less common, today.

Here's one last thing you should know: Sites look different to different people. We're not talking about personal style preferences. Instead, realize that the code or language used to design your site appears differently when it's viewed with various browsers. Your job is to test your content with every browser you can get your hands on and minimize the differences so that the site looks its best in any browser. In the next section, we suggest ways you can test for optimal conditions before launching your site.

Taking the Compatibility Test: Testing Screen Resolutions, Browsers, and Platforms

Compatibility testing is the fun part of launching a site — if the process doesn't require code changes to improve the way your site is displayed on various devices. Otherwise, this testing might be tedious because any slight variation between code and the way each browser interprets the code can make a noticeable difference on the screen. Even small differences can lead to big issues when it comes to website usability and customer experience.

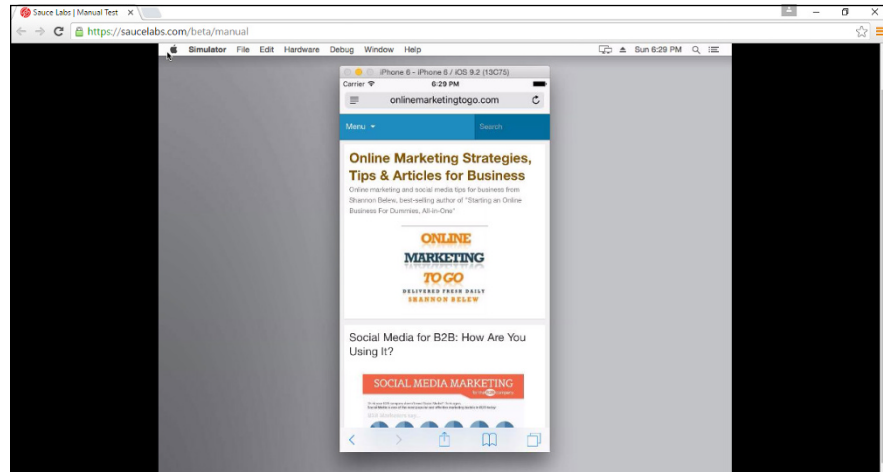
People can view your site in many ways, and it's up to you to make sure that it looks good and functions well in the most popular browsers and devices. Many free and low-cost tools make it easy to check your site's compatibility in different versions of various browsers and devices, including mobile devices, such as Android, iPhone, and the iPad or other tablets. For example, we used the testing tools at SauceLabs to test how a website appears in a popular browser (see Figure 5-1) and on an Android phone (see Figure 5-2). Sometimes the differences

can be subtle, such as how much information appears on a typical screen. If your site is not optimized (or responsive) for mobile devices, however, the differences can be extreme. If it isn't responsive, then instead of having the content fit or adapt to the screen of a mobile device, the site will look exactly as it does on a larger screen and appear small and hard to read.

FIGURE 5-1:
Compare your site in more than one browser and device.



FIGURE 5-2:
When testing for mobile compatibility, don't forget to check both iPhone and Android displays.



TIP

It's critical that your website is designed to be compatible with mobile devices. As mobile commerce, or online buying from your mobile phone, continues to skyrocket, you should ensure that customers have the same buying experience when shopping from either a desktop computer or a mobile phone. This includes considerations such as how fast your site loads on a mobile phone, the way content

and navigation appears, and the ease of checking out and paying from a phone. In addition to a good user experience, search engines, like Google, have typically used mobile performance as part of their methodologies for ranking websites. When your site is ready, there are online tools to check your site's mobile experience and performance. Try SmartBear (<https://smartbear.com>), which has a free trial for its mobile testing tool.

Checking it out

How do you check for browser discrepancies? The obvious answer is to install every possible browser (or at least the mainstream ones) on your computer and run a trial version of your site on each one. Because you can download browsers for free, the only cost to you is your time. However, you could spend weeks manually checking hundreds of different browser editions. Instead, use a testing tool. Tools such as Datadog (www.datadog.com) and BrowserStack (www.browserstack.com) test for browser compatibility and other functionality important to the overall user experience, such as links, downloads, and forms. Free tools, such as Browserling (www.browserling.com), also quickly test for browser compatibility.



REMEMBER

No matter which tool you use, look for glaring inconsistencies that make your information difficult to read, prevent images from loading, or omit information completely.

Another issue to test for is screen resolution, or how your site looks in different resolution settings. (Don't confuse this term with the physical measurement of your monitor's screen.) By *resolution*, we mean the number of pixels (or miniscule dots) that make up an image on the computer screen. The current most commonly used resolution setting is 1920×1080 , but there are many more that must be considered. Within each resolution is a designated amount of viewable space, which can affect how your website looks on a computer. Computer users can choose which resolution to use on their computers.



REMEMBER

With the emphasis on mobile-friendly design and the need to meet viewer's preferences no matter what type or size of device they use, many websites now use *responsive design*. This involves a type of code that allows the website to automatically "respond" to the type of device it's being viewed in and essentially resize itself to fit the device.

Testing on Mac, Windows, or whatever

If checking for browser compatibility and screen resolution isn't enough already, another major element is involved in testing your site. You have to test your site

on different operating systems. For example, you might wonder what your site looks like using Macintosh OS X when you designed it on a PC using Windows 10. And we haven't even mentioned Linux!

Keeping people in mind

Even if you know the basic information to test when you're launching your site, you always have to consider a growing list of issues. For instance, your site should be accessible for viewers with disabilities, according to the World Wide Web Consortium (W3C) Web Content Accessibility Guidelines (WCAG) and other government regulations. Complying with these guidelines involves using slightly different coding, color contrasts, and text options for images, for instance. We discuss accessibility and general compliance in detail in Book 1, Chapter 5.

Although you might not want to hear this advice right now, you should routinely test your site for these and other issues, long after you pass the initial launch stage. Keeping your site current and easy to use for the largest possible number of people is standard in the world of online business.

Taking a Trial Run

When a major company releases a software program, game, or website, it often has a limited distribution in a beta version. *Beta* means that the work is in test mode and is subject to change. A beta test, or a product in *beta mode*, is typically released to a large segment of the general public. As for *your* site, we suggest showing a beta version to a limited group of users in a trial run.

YOUR SITE LAUNCH CHECKLIST

Before you click that last button to make your website live, be sure to check off each box (as it applies to you) on this list:

- ☐ My site map (or the layout and structure of all my web pages) is complete.
- ☐ The site map matches my web pages — exactly.
- ☐ Each website page is displayed and is fully accessible.
- ☐ Each link works properly and takes me to the appropriate page.

- ☐ All graphics and photos are loaded quickly and completely, and the images are crisp and clean.
- ☐ My content is free of misspellings and grammatical errors.
- ☐ Pricing information and product or service descriptions are correct.
- ☐ Pages with online forms or registration information function when I click the Submit button, and the information is sent (in the specified format) to the designated point of contact.
- ☐ Text boxes or drop-down boxes on forms and other pages work correctly.
- ☐ Buttons for top-level menus function properly on every page.
- ☐ Special commands that are spelled out with coding language (HTML, CSS, or PHP, for example) show up properly when the site loads.
- ☐ My credit card processor or other payment service option is in place and working.
- ☐ All functions related to e-commerce, such as my shopping cart, operate correctly.
- ☐ I've included any appropriate membership icons, logos, or emblems (such as the ones used by members of the Better Business Bureau or Chamber of Commerce).
- ☐ I tested the site for browser compatibility and screen resolution.
- ☐ I tested the site using a broadband connection.
- ☐ My contact information (email address or phone number) is clearly displayed and easy to find.
- ☐ The copyright symbol and current year, as well as a link to my privacy policy and website terms, are prominently displayed at the bottom of every page.



REMEMBER

You can push your trial site *live* (make it available to the public) and not worry about lots of people finding it because it takes search engines a little bit of time to index the site. However, to be safe, you may prefer to keep the trial version a bit more private and difficult to find so that you can continue testing and making changes. Simply place all the HTML files for your site under a subfolder of your domain, such as `www.mysitenamehere.com/testing/index.html`. Google also provides some great tools and information on when and how to index your site, how to remove a URL from the search engine, and generally how to optimize your site for search; check out Google Search Central at <https://developers.google.com/search>. Or try Bing Webmaster Tools at www.bing.com/webmasters/about.

These users include (ideally) friends, family members, and a few prospective customers who are willing to provide you with honest feedback. Upload the site and run a live trial version for a day or two. Everyone then has a chance to visit the site several times before you take it down again for final changes.

Your beta users should be on the lookout for common errors you might have missed, features or links that don't work correctly, videos and graphics that load improperly — or not at all — and the general appearance and overall ease of use of the site. (For instance, the site should be intuitive to visitors, and the names of the page links and buttons must make sense to other people, not just to you.)

Three, Two, One — Takeoff!

NASA used to launch its space shuttle missions at certain times of the day and under the most forgiving weather conditions. Although we guarantee that the weather outside isn't a concern for your launch, certain times are better than others for sending your site out on the Net.

Particularly when you're using a freelance website designer, you should have input about when your site launches. Because that person usually sends the files to the server on your behalf, request that your site be launched early in the week. That way, if a problem surfaces, you have plenty of time during the workweek to fix it. Frustration is quick to set in when you launch a site on Friday afternoon and shortly thereafter you discover a problem that you have to live with for the entire weekend.



REMEMBER

When you use an outside developer, you're asked to sign a waiver when the project is finished. The waiver says that your site is accurate and that all requested changes were made. You get a sense of finality when your site comes off a project-management list. Sign the waiver only when you're completely satisfied. The web developer is then released from additional work after the site is launched. If your provider charges for maintenance (or changes) to the site, the signed waiver signals that the provider can switch you from the development stage to the web maintenance stage, which can cost you.

Avoid launching the day before a long holiday weekend, regardless of whether you or someone else designs your site. Of course, larger websites might find that launching a site over a holiday is advantageous. The slower period gives the company an extended shot at a trial run — and one more opportunity to correct errors. If a site has been well marketed, the opposite effect can occur: It can be a hit by a large amount of traffic because more people are home and spending time online. However, unless you spend a lot of money and effort investing in prelaunch

publicity and advertising, high-traffic flow shouldn't be an issue for you at the beginning — holiday or not.



REMEMBER

Nothing has to be forever on the web. If you discover a mistake after your website goes up, don't panic. You can easily make a correction. The web is certainly not static, so updates are usually a snap.

Plenty of excitement should accompany your site's sendoff to the web. This major accomplishment is the start of something potentially lucrative. Celebrate!

4

Online and Operating

Contents at a Glance

CHAPTER 1:	Determining Your Revenue Model	197
	Selling Tangible Products	197
	Selling Your Professional Services	203
	Selling Thought Leadership — Your Own Information Product	208
	Analyzing Opportunities	212
	Choosing an Affiliate Advertising Program	213
	Putting It All Together: Multiple Revenue Streams	215
CHAPTER 2:	Making Money with Affiliate Programs	217
	Looking at How Affiliate Programs Work	218
	Avoiding Scams and Questionable Content	224
CHAPTER 3:	Paying with the Right Payment Options	229
	Accepting Credit Card Payments	230
	Offering Alternative Payment Options	236
	Managing the Payment Process to Protect Your Income	238
CHAPTER 4:	Putting the (Shopping) Cart before the Horse	241
	Not All Carts Are Created Equal	242
	Shopping Around for the Best Hosted Solution	248
	Finding Stand-Alone Shopping-Cart Software	251
	Designing a Custom Cart	253
CHAPTER 5:	Taking Inventory	255
	Finding Out What's Popular	256
	Putting Together All Your Research	258
	Pricing Your Products	259
	Building Your Inventory	261
CHAPTER 6:	Fulfilling Expectations and Orders	265
	Figuring Out the Logistics of Shipping	266
	Developing an In-House Fulfillment Model	267
	Deciding to Outsource Fulfillment	268
	Shaping Up and Shipping Out	274
	Maintaining the Backend	279

IN THIS CHAPTER

- » Acquiring and reselling tangible products
- » Finding revenue-sharing opportunities with affiliate sites
- » Selling your professional services
- » Distributing information for profit
- » Creating a mix of revenue streams

Chapter **1**

Determining Your Revenue Model

Face it: Whenever you start an online business, you must answer one question before you answer any others — how will you make money?

You can have the most brilliant, original, or quirky idea ever conceived, but the concept doesn't hold water if you don't have a viable plan to bring in dollars. The good news is that, as the Web continues to mature, a number of viable ways to make money have emerged. In this chapter, we break down the various revenue models on which you can base your online business.

Selling Tangible Products

A natural choice for making money online is to sell some sort of product. You might already have a fantastic product, or you might need to search for a mix of products that you can buy and resell to others over the Web. Either way, selling a tangible product over the Internet has proven to be a successful online earnings model ever since e-commerce began taking off in the early 1990s.

Projecting how you'll make a profit

When you deal in tangible goods and services, the question of how to make a profit often boils down to a simple four-word phrase: “Buy low, sell high.” As entrepreneurs have always known, you have to sell something for more than you originally paid for it to make money. Even if you're able to catch fish from the sea and sell them to big food suppliers, or if you're able to create works of art with the fruit of your talent, you still incur business expenses. A fisherman has to pay for a boat, fuel, and equipment. An artist has to buy paint, brushes, and canvas. No matter what you sell, you have to project how much you're going to spend in acquiring or producing the product, and how much you can reasonably get for it in the marketplace. The difference is your profit.

Before you even spend your first penny buying or producing tangible products to sell, take a moment and ask yourself some basic questions that will help you project your potential revenue:

- » What does it cost to produce or purchase my product?
- » How much is my overhead: the cost for utilities, rent, salaries, and transportation, for example?
- » Can I price the product in such a way that it covers my overhead and purchasing costs and still remains competitive with similar products?
- » Will added shipping costs skew (or diminish) that competitive price point?
- » What volume of products do I need to sell each month to reach my desired profit margins?
- » How much traffic (how many visitors) must I drive to my site *and* convert to customers in order to reach those sales goals?
- » How much do I need to spend on marketing to attract that level of traffic?

Write all the projected expenses and income on a piece of paper or using your computer. Do some in-depth thinking about whether you can make your business plan (that's what this is, after all) work successfully. If your profit isn't enough to make a living or at least make enough for your immediate needs, make adjustments now. That might mean finding more products, raising prices, reducing expenses, or all these. Run the numbers past any experienced businesspeople among your family or friends who can serve as mentors.



REMEMBER

Knowing for certain whether a product-based revenue model will meet your financial needs is difficult — a lot depends on the product itself. In Chapter 5 of this minibook, we show you how to research and further test your product ideas — whether you created the item or are buying products for resale.

Manufacturing and selling your own goods

In terms of sheer profit margin, you can rarely do better than creating your own products for little money and selling them online. If you're creative and enterprising, you can sell your own work by using e-commerce sites, auction sites such as eBay, and social media channels such as Instagram. Websites set up to act as an online marketplace specifically for artisan wares are also available, such as Etsy (www.etsy.com) and Amazon Handmade (www.amazon.com/handmade). Though Etsy permits the resell of vintage works or goods, Amazon Handmade is strictly for professional artists and craftsmen and you must apply for the program.

The kinds of items you can sell online is limited only by your imagination. You might sell delicately smocked dresses for children or funky, hand-strung beaded jewelry. Or maybe you want to develop an original board game or peddle custom-designed iPad covers. Rest assured that all these products have a place on the innovative Internet.

As you might expect, a few characteristics give your personal handiwork a leg up on the competition, including

- » **Quality:** Without exception, consumers expect a product that's worthy of its price tag. When you're creating your own products, you have total control over quality. Make sure your designs are finished and your workmanship is of a high level before you put items up for sale.
- » **Originality:** If your handmade product is a unique twist on a mass-marketed type of product, you can have rewards. Internet shoppers are always looking for products that are slightly different from the items available in most retail stores.
- » **Appeal:** Maybe your handmade product isn't unique but is part of a specialized, hard-to-find or popular group of products (such as personalized cellphone or Android phone cases). Narrowing your product's appeal by audience is a good way to increase revenue potential. We discuss niche markets more in depth in Book 8.
- » **Built-in customer base:** Perhaps your product is designed to appeal to a specific group of people, such as a religious group that makes woven altar cloths for churches. Having a clearly identifiable existing customer base that you can market to makes selling your product that much easier.

When you're making a product from scratch, the way in which you earn money can vary. If your product meets one or more of these descriptors, chances are good that you will do well. At least you're off to a good start!

Buying tangible goods and selling them online

Even if you don't have the creative ability to craft your own products, you still have plenty of options for making money online. The overwhelming majority of online entrepreneurs are people who buy tangible goods at low prices and sell them online for a profit. You can either sell directly from your own website or allow another website to market your products.

Selling directly online means that customers come directly to you (by way of your website) to buy an item. There's no middleman. The marketing, publicity, and fulfillment are up to you — in other words, it's a lot of work, but the rewards can be great. If you don't have any experience selling, it makes sense to allow other websites, such as eBay, to market your products. The website brings you customers and provides you with systems for creating sales descriptions and receiving payments. Your host website charges fees for its services, but you don't have to do all the work.

Whether you sell directly or sign up with another website to sell your goods, you have to find a source for your products. Three of the most popular options — finding your own merchandise, finding a wholesale supplier, and finding a drop-shipper — are described in the sections that follow.

Finding your own merchandise

Many people who sell online begin at home or close to home. They clean out their closets, their garages, and their attics, and then sell the extra merchandise. Then they move on to the homes of their relatives.

Others scour flea markets, estate sales, garage sales, secondhand stores, dollar stores, and many other marketplaces, looking for treasures they can sell online at a profit. Sellers who are lucky enough to find a reliable source of desirable merchandise can make part or perhaps even all of their income. The problem is that the time spent searching, hauling, and bringing home the items to sell is considerable. Not only that, but there's the question of where to store all the products and the boxes used to ship them: You either have to delegate a room in your house for this purpose or rent warehouse space. It's hard to build up a sufficient inventory to make a living at selling online.

Buying wholesale

Owners of traditional retail stores are accustomed to buying their inventories wholesale or becoming distributors for particular products or brands. The same option is available for your online store. When you buy wholesale, you purchase

products at a discounted price and then resell them to your customer base at a marked-up price. You're responsible for ensuring that these tasks are completed:

- » **Purchase inventory in bulk.** You can't buy just one hair dryer. You have to commit to an entire case (or several cases) to get a discount.
- » **Warehouse the inventory.** Wholesalers don't let you keep all those cases of products at their place. You're expected to store the inventory you purchase for your site, even if you have to keep it around for several months. You have to find space for it in your home or rent a warehouse, and because online merchants tend to buy higher quantities of merchandise at wholesale than they do scouring flea markets, this proposition can turn into an expensive one.
- » **Ship the products to your customers.** Because you keep the merchandise at your place of business, you have to handle packaging and shipping each item (unless you hire employees to help you).
- » **Handle returns and exchanges from customers.** If a customer is unhappy with a product or the item is damaged, it has to be shipped back to you to be dealt with accordingly.

The drawbacks for a small online business are probably obvious. Among the biggest is that your out-of-pocket cash commitment is hefty. If you're just starting out, you take a financial hit right off the bat.

Of course, you have to have a place to store all these products, too. A garage or spare bedroom might suffice for some, but others will eventually need to rent storage space. That overhead expense certainly eats into your profitability. Many online merchants find that the third option listed for sourcing merchandise to sell — drop-shippers — enables them to market their products without having to deal with having to store and handle inventory.



REMEMBER

When you purchase merchandise from a wholesaler, you typically must provide some form of proof that you're a legitimate business (and that you're not buying for personal use). Wholesalers might ask you for a state-issued reseller's certificate or a federal tax ID number. And if the wholesaler doesn't require these items, you might not be paying true wholesale prices.

Going inventory-free: Drop-shipping

For many online entrepreneurs, the ideal setup is working with a *drop-shipper*, a company that sells you merchandise at wholesale prices but only when you sell to a member of the public at a retail price you specify. You don't need to spend lots of money building inventory with a drop-shipper; you're billed only when you make

a sale. And the drop-shipper stores the inventory for you and ships your products as you sell them. Drop-shippers are ready to provide you with a steady stream of merchandise, and you don't even have to worry about warehouse space. When you use drop-shipping, you can select products from other manufacturers, set a price for each item, and then turn around and offer the products for resale on your site. You're able to focus on presenting and marketing the products while the drop-shipper handles fulfillment.

The factor that makes this model especially attractive is that you don't buy or hold any inventory. Instead, you wait until a customer places an order from your site. After the payment has cleared, you forward an order to your drop-shipper and pay for the product. (You're charged a wholesale or discounted price, whereas your customer pays you full retail price.) The drop-shipper then sends the product directly to your customer. You make money on the difference between your cost for buying the product from the drop-shipper and the price you charge your customer. As far as your customer knows, the merchandise is coming directly from you. Other perceived benefits include being able to offer excellent customer service and concentrate on marketing, rather than on manufacturing, the product. You don't have to deal with the headaches of managing inventory and shipping products. You can focus on the front end — the sales process.

What's the downside? Lots of companies claim to be reputable drop-shippers, but many aren't trustworthy. You have to scrutinize certain issues to create a realistic picture of your income potential:

- » **Lack of control:** When you work with a drop-shipper, you don't control how the merchandise is packed or shipped or how quickly it arrives. Discuss with the drop-shipper which shipping method should be used.
- » **Possible inventory problems:** You depend on your drop-shipper to have the inventory in stock when someone purchases it. If it's not there, you have to explain delays to your customers.
- » **Return policies:** Make sure your drop-shipper accepts returns. If the drop-shipper doesn't, you'll be stuck with the bill when the customer expresses dissatisfaction and wants to send something back.
- » **Dealing with a lack of volume discounts:** Because you're not purchasing products in bulk, the discounted retail price is typically higher than when you buy wholesale. This price difference can translate to lower profit margins for you. If you sell consistently, you may be able to negotiate a lower price eventually, but at first your profit margin is less than if you purchase at wholesale and sell directly to the public.
- » **Handling less-competitive pricing:** To offset lower profit margins, you might be tempted to mark up the product's price significantly. The risk is that your

product might not be price competitive in the marketplace. That's not a bad thing — as long as you can balance it with another value proposition (such as excellent customer service or a huge product selection).

- » **Balancing demand and value:** With profit margins a little tighter, you might search for drop-shipped products sold at the deepest discounts. Although your profit margin can rise because of this factor, the product won't sell if it doesn't have mass appeal.
- » **Driving traffic:** When you pay more for a product (in exchange for the convenience of on-demand ordering), your profit becomes a true numbers game. You have to attract a much larger number of visitors to your site and increase the rate of conversion to realize the same, or similar, profit margins as a site that's buying wholesale (see the preceding section) or selling custom products.

Identifying drop-shippers and wholesalers is the first step when using this strategy to earn revenues online. Several reputable resources for product sourcing, or locating a drop-shipper, are available — at a price. For access to a directory of drop-shippers and wholesalers, you may pay a one-time fee or a monthly fee that also includes access to various support and marketing tools. Some drop-shipper resources also allow you to integrate with your eBay store, letting you push product descriptions and listings directly to the site. The same type of integration is sometimes available for e-commerce solution providers and storefronts, such as Shopify (www.shopify.com), 1ShoppingCart (www.1shoppingcart.com), and BigCommerce (www.bigcommerce.com). You can learn more about using storefronts in Book 7. Here are a few good resources for finding suppliers that drop-ship products:

- » Doba (www.doba.com)
- » Zendrop (<https://zendrop.com>)
- » Inventory Source (www.inventorysource.com)
- » SaleHoo (www.salehoo.com)
- » Worldwide Brands (www.worldwidebrands.com)

Selling Your Professional Services

Sometimes the issue isn't which types of products you have to offer. Instead, you have to ask, "What can I do for you?" Another source for making money online is selling your services. There is a rising movement of using independent contractors or freelancers for a wide variety of jobs.

Freelancing, or selling professional services, is not a new concept, but it has never been as prolific or accepted as it has been in recent years. Originally dubbed as the “gig economy” this group of workers have largely been associated with drivers for ride-share apps, food delivery, and other errands. In terms of growth, it’s a segment of the economy that once skyrocketed and quickly receded due to conditions related to the global pandemic and government regulations. Regardless, there is still a large demand and knowing how to get your services online is a pertinent part of being successful. Another segment of the market is made up of *side giggers*, or freelancers, and it’s an area that economists predict will see steady growth for the foreseeable future, even when there is a very healthy job market for permanent, full-time employees. There are several popular sites that promote hiring side giggers, and help to connect the demand for services with a supply of quality resources (side giggers!). Here are a few popular sites:

- » Upwork (www.upwork.com)
- » Toptal (www.toptal.com)
- » SupportNinjas (www.supportninjas.com)
- » Freelancer (www.freelancer.com)

Most online services fall into one of five key areas:

- » **Creative:** These products are delivered as a service. For example, you might be a graphic artist who develops logos, a writer who is paid to create ad copy, or an artist who paints portraits from photographs that customers upload to your website. An example of a site that specializes in promoting creative services by side giggers is Fiverr (www.fiverr.com).
- » **Organizational:** If your site is an organization based on paid memberships, we consider it a service website. Typically, your members pay for access to a group of services in exchange for a renewable fee. MasterClass (www.masterclass.com) is a site that charges a membership-based fee in order to access its instructional content.
- » **Hospitality and labor:** You may rent out your apartment as part of the online marketplace for vacation rentals using sites such as Airbnb (www.airbnb.com). Or you may compete with cab companies and offer your services as an independent driver through mobile apps such as Uber (www.uber.com) or Lyft (www.lyft.com).
- » **Professional:** These folks are accountants, attorneys, public relations agents — you get the idea. Whatever the service, not only do you market it online, but your customers can purchase the service over the Internet. Meltwater (www.meltwater.com), as an example, originally specialized

solely in online media monitoring and has expanded to offer a full range of digital PR services.

- » **Software-based:** A variety of websites provide software online that their visitors can use with their web browsers or access via a mobile app. Sometimes called an application service provider (ASP) or software as a service (SaaS), it's almost a hybrid of a service and a product. A company uses a website to sell software or a process that's delivered or managed as a web-based service. Some examples are an online payroll-processing firm, a website-hosting service, and a shopping-cart program. Monday (www.monday.com), a productivity app, and Dropbox (www.dropbox.com), a cloud-based file storage solution, are both examples of SaaS models.

Whatever service you want to promote online, you need to have a clear picture of the benefits and downsides so that you can maximize your chances of success.

Understanding the pros and cons

You gain a distinct benefit, geographically speaking, from offering any type of service-driven revenue stream online. For example, if you're a graphic artist living in a small rural town, the number of people who regularly need your service is limited. By selling your services from a website, you can quickly broaden your prospective customer base.

Selling your professional services online has a downside, too. As you know, revenues from most service-based business are limited by the products you can produce — there are only so many hours in a day! Your final output (and income potential) is based on your, or your staff's, available billable hours. You can take the following actions to minimize this type of effect on your revenues:

- » Increase your hourly rate
- » Hire additional staff
- » Replicate your service as a web-based deliverable product
- » Add complementary sources of revenue (other services or products)

For many professionals, the added visibility that comes with a website outweighs the disadvantages. And these days, professionals need to be on the Web just to keep up with the competition.

Building credibility

One of the most important issues for anyone who sells their services online is *credibility*. What experience or credentials do you have that help you stand out from the crowd? Although you can reach a larger number of prospective clients on the Web, you're also up against more competitors. And when people purchase services over the Internet, they look for indications that you're legitimate and skilled.

Unlike meeting with a potential customer in your offline business, you don't always have the opportunity to establish a direct relationship with a prospective client. Your website serves as that introduction and relationship builder. If information about your service isn't available (or obvious), your potential customer will click through to a competitor's site. Similarly, there are more opportunities for customers to use online reviews to rate the quality of your service (and your attitude, timeliness, and other factors). Reviews and ratings are also visible within mobile apps. Before you have a chance to make an impression on a new customer, you can bet a previous customer has rated you. Customer reviews can boost up or bottom out your revenue-generating potential.

Establishing your credibility isn't difficult. Your website can feature any or all of these items, to help solidify your reputation and put potential customers at ease:

- » **Degrees or certifications:** Adding this information to your bio on the About Us page gives prospective customers a sense of security. If you have certifications in niche areas, this information is especially effective for building credibility.
- » **Company history:** The issue of the number of years you've been in business is especially important if your website services are new but you've been in business offline for quite some time.
- » **Clients:** Even if you don't have any heavy-hitter clients on board, a short list of named clients illustrates your legitimacy (and the fact that people hire you).
- » **Case studies:** Describing how your service was used to help solve a customer's problem is an effective way to communicate a success story. A case study demonstrates the different ways your services can benefit someone.
- » **Testimonials:** Whenever you finish a project that has gone well, ask your client to provide a testimonial or online review. One or two sentences (or four or five stars flagged in a star rating system) are plenty to let others know that you did a good job.



TIP

When developing your own client testimonials and case studies, consider delivering the information by using videos, which continue to increase in popularity. The most effective videos are short (under 90 seconds) and easy to consume. Plus, you don't have to pay high production costs — with inexpensive equipment, you can easily make low-budget but professional videos.

- » **Social media endorsements:** Sites such as LinkedIn offer the opportunity for clients and customers to recommend you. The process is simple and is much like a traditional testimonial that happens to be accessible online. Don't hesitate to ask for that recommendation.
- » **Recognition:** Any awards or kudos you receive definitely build confidence in your capabilities.
- » **Press clippings:** Don't be shy. If you appear in a newspaper or magazine article, shout it from the rooftop or from your home page. Links to this type of publicity serve as validation from a third party.
- » **Reviews:** Unlike testimonials vetted by you and posted on your website, you can't control the public reviews left on third-party sites (such as Angi) and within mobile service apps (such as Uber). Don't let that stop you from encouraging happy customers to take a minute to leave a positive review on these sites. Often these external reviews show up in search engine rankings ahead of, or in line with, your website. These reviews often are considered to be more credible than those posted to your website or in your marketing materials because you haven't controlled them. For that reason, it is particularly important to have good reviews floating out in cyberspace, so don't hesitate to ask for a positive rating.
- » **Referrals:** Similarly, if other experts, service providers, or organizations tout your skills, let site visitors see that you're considered a leader in your field.



TIP

Add a link to your membership organizations at the bottom of your website's home page. Making these elements highly visible on your front page can encourage a new visitor to your site to hang around a little longer.

Adding the items in the preceding list to your site also helps you deal with another issue: When you run an online service company, you have to *market yourself*, just like you would market any product. Being hesitant about promoting your talent affects your earnings.



TIP

If you're not comfortable blowing your own horn or you just don't have time, hire a professional. Count it as part of your marketing expenses, as you would when you buy banner ads or Google Ads.

Selling Thought Leadership — Your Own Information Product

The Internet holds so much information that simply finding the data you need the most is a time-consuming process. Some of the most successful businesses on the Web got their start by simply organizing the mountain of online content and making key information easier to find. The two most notable examples are Yahoo!, which developed one of the first indexes of websites, and Google, which created one of the most effective search engines ever. Both companies have been around for approximately two decades and continue to successfully use information and profit from it online — but in very different ways. Whereas Google has dominated the pay-per-click ad market (with Google Ads) and moved into video (purchasing YouTube), social media, voice services, and more, Yahoo! has been a news and media platform generating most of its revenue from ad sales. The point is that developing and profiting from information is still a viable online-business money-maker — and it's a matter of choosing which type of information provides the best opportunity for you.

When it comes to content, *almost anything* can be converted and packaged into some sellable format. Especially if you're already a subject matter expert, or you have a professional services business and you've already built up credibility, you have the opportunity to develop valuable content based on your expertise and insight. Some experts create exclusive membership-based organizations and charge a subscription fee for accessing some or all of their articles. It's possible to charge money for articles (such as white papers and how-to guides), research data, training programs, video how-to series, mobile applications, and, well, you name it.

Whether you create a website that organizes information or you sell articles or other information online, developing marketable content requires only four initial steps:

1. **Originate.**

In this step, you create the product. Converting and saving your words, music, or images to a media format is a fairly simple and straightforward process.

2. **Replicate.**

After you have an information product, your next step is to package it for resale by converting the content into a type of downloadable file distributed over an Internet connection. The file might be a PDF document, an image file, or even a link to a password-protected website that contains the information.

3. Disseminate.

After the content is stored in the preferred format, you're ready to put it up for sale. You have lots of ways to make the content available for download: You can use standard shopping carts that integrate with content products, or you can use web-based services that distribute content on your behalf. You may prefer to deliver your content through popular social media channels, such as Instagram, and profit not from the sale of the content itself, but from selling *sponsorships* of your content brand, or by becoming a social media influencer. (We discuss this idea further in Book 8.)

4. Update.

Making minor revisions or updating content is a matter of returning to the original document or file. After the corrections are made, you save the changes and then replace the old media with the most recent version.

Ease of production aside, you're probably curious about how much you truly can earn. That number is hard to pinpoint because you can charge in several ways and because getting consistent numbers for this new industry is challenging. That said, from year to year, analysts gauge a steady increase in revenues from paid content, with totals reaching several billion dollars. As Google's changing rules for online search results put more and more emphasis on quality content (in order to rank high in results), and as audiences worldwide can't seem to quench their thirst for online content (especially videos), there doesn't appear to be a ceiling for revenue generated from some form of content. There have been significant acquisitions and purchases of content-heavy sites that prove content is king! HuffPost, essentially a news-style blog site, was sold for \$315 million. Re/Code, a website filled with content for technology enthusiasts and developers, was purchased by Vox (another online media conglomerate) in a deal valued at nearly \$20 million. And LinkedIn spent \$1.5 billion to buy Lynda.com, an online training resource, which continues its success as a leader in training content for individuals and corporations.

Perhaps responding to growing preferences, content distributors big and small are also offering content in single quantities. One of the best-known examples is the Apple iTunes Store, which struck a chord with fans when it started selling downloadable songs for 99 cents apiece. Online bookstores, such as Amazon and Barnes & Noble, also offer paid content that's immediately downloadable for use with their respective media or e-readers. Note that your price point and potential revenue for this model largely depend on three factors:

- » The type of content you're offering (and how it is traditionally packaged)
- » The popularity of your content
- » The way your content is being sold by your competitors

Still not sure what we mean by sellable content and how to create the final product? The best example of an information product is something you probably have (or used to have) in your car: a map. A map is simply a physical representation of highways, streets, intersections, and landmarks that gives you details about a specific topic: how the roads in a certain area are laid out and intersect with each other. You then read and interpret the map to solve a specific problem — namely, how to move from point A to point B. Your information products should work in a similar manner. You simply organize a complete set of specific information about a given topic, present it in a clear fashion, and collect money for distributing the information.

Finding hot topics

Which information should you sell? The answer varies, depending on your knowledge, experience, and goals. The topic of your information product is essential, so ask yourself a few questions to get started:

» **What am I good at?** Suppose that you're at a party or get-together and a friend or an acquaintance hears about your job and life story and asks, "Hey, how did you do such-and-such?" or "What did you need to know to get that opportunity?" That's a source for your information product.

If your life experience has trained you to excel at a difficult topic, such as assembling a complicated piece of equipment or laying out an interior design for a new home, you can capture and record that experience to help others and profit from the experience. People pay for experience all the time — if they didn't, every consultant in the world would be out of a job!

» **What are people having problems with?** If you notice that a number of people are having the same problem in one area, an information product to help solve that problem can be quite profitable.

Sometimes, the information is out there but it's hard to find, it's packaged poorly, or it isn't explained well. For example, someone who had attended driving school for a traffic violation found out how to legally challenge traffic tickets in court, exploit the most common loopholes that cause tickets to be dismissed, and inform drivers of all their legal rights when investigating and disputing traffic tickets. This person wasn't a born expert, but learned what they needed to know and made money by presenting that information in an organized and clear fashion.

» **What areas of service does my business provide?** Sometimes, the best way to explain what your business does is to transfer some key functions or knowledge areas of your business into an information product, and use it to introduce clients to your business or get noticed in your community.

Real estate agents commonly package small information packets describing the top-ten things new homeowners should look for in new homes. By distributing this packet, an agent can provide instant value to a potential client, show experience in an area, and, hopefully, gain some business beyond what the packet explains.



TIP

Put together a focus group consisting of your family members and friends. Ask them which books they bought recently, which magazines they subscribe to, and which television programs they watch. It doesn't hurt to expand your reach by talking to your customers or people in your field and asking them similar questions. Understanding your market is critical for any product, including information products.

Researching the information

After you know what area you want your information product to focus on, you have to research the information. In some cases, even though you may know everything you want to say, that doesn't mean you're done with this step. You should always start by making a list of everything you need to complete this product, even if the only thing you need is your experience.

As you prepare your list, you may want to start by creating the outline of your information product and matching up your research with sections of the product. For example, if you know that part of your product will include a contact list of professionals, one research item should be "Compile list of professionals." Every section of your product should have at least one research task, even if that task is "Think about it and write it down."

Before you finish your list, make sure that you cover the three Cs:

- » **Current:** Make sure that your information is current. Even if you're an expert in a certain area, the rules may have changed since you last looked into it. If you're writing a guide for self-employed people doing their own taxes, for example, brush up on the new tax laws. If you're writing a guide to hot travel sites, revisit those sites and make some phone calls to make sure that everything is still open and accessible. Add a task to your research list to do follow-up, or *fact checking*, as they call it in the media.
- » **Competition:** See what else is out there, and read up on other information products in your area. Find out what areas are covered, the length of the product (in pages), how much is being charged, and the means of distribution to sell it.



Don't copy other people's paragraphs word for word. Just get an idea of the scope that they cover, and make sure that your product is competitive with (and, you hope, better than) those other products.

- » **Content:** What's the meat of your information product? What's the substance of the information you will charge for? Sure, you might copy some background information, some examples, and some information from a third-party source (such as the address, phone number, and mission statement of a business that someone needs to call as part of your product), but the specialized information you're adding is the reason that people are buying your product. Sometimes, the value of a product consists of the random pieces of information gathered into one document; at other times, the value lies in a streamlined set of instructions that nobody else has provided.

Analyzing Opportunities

The question you eventually want to ask is, where is my best opportunity to earn revenue online? To find the ballpark amount of what you can eventually earn, we recommend researching your closest competitors. Although this method is far from scientific, it's a start.

Begin by checking out your competitors' products, including pricing. It doesn't matter what type of product you're selling, this technique applies across almost all the areas we review in this chapter, from selling thought leadership content to selling handmade wares on social media. The goal is to look for companies or individuals that are having success online and determine what's contributing to their revenue models. Then, look at ways you can replicate a similar approach, or look for gaps in their offerings where you can become the leader in an area that your competitor is missing.



When researching competitors to analyze your best opportunities, look for or study competitor information, such as the following:

- » **Website or online shop:** What does the site look like and how easy is it to navigate or find products? Pay attention to special offers and other indicators of what's selling (or not!).
- » **Social media accounts:** Become a follower and monitor their activity and the types of information or products they promote. Also take note of comments and likes from their other followers to see what's getting positive feedback.

- » **Pricing and fees:** Whether you're selling tangible products or packaged content, it's usually important to be price competitive, so keep a record of similar offerings and what the viable price range seems to be for those items you want to sell.
- » **Reviews and customer feedback:** One of the best places to get competitor intel is from other customers! Read online reviews and comments in social media posts to better understand what a competitor is doing well or where they're stumbling. This is also a good place to collect feedback on specific products and get a feel for what interests your shared target market of customers and where there are opportunities for related product offerings.

When building an online revenue model, you shouldn't base *all* your decisions on what a competitor is or isn't doing. But it's a good data point as you're analyzing what is and isn't working in the marketplace. Especially if you're trying something for the first time and have limited experience or knowledge about the product or service you're developing, you can learn a lot from those with similar business models.

Choosing an Affiliate Advertising Program

One of the most effective ways to take advantage of online advertising to enhance your income online is to set up an affiliate program. An *affiliate* agreement enables other sites to refer traffic to your website, usually in exchange for a small commission on each sale that originates from its referral traffic. You can set up an affiliate program based on one of these methods:

- » **Pay per click:** You pay each time a link to your site or product is clicked.
- » **Pay by lead:** You pay whenever a referred customer completes an online form, for example.
- » **Pay by flat rate:** You pay a set fee as opposed to a percentage of each sale.

You might be interested in becoming an affiliate for others as a way to earn revenue, too. In Chapter 2 of this minibook, we show you how to start adding existing affiliate programs to your website.

A big benefit of establishing your own affiliate arrangement is that you maintain control over how your product is distributed to your customers. You're still the one handling and shipping the product, even though both you and your affiliate are likely to have contact with the customer. Another inherent benefit is that

affiliate programs serve as a cost-effective marketing tool for building awareness about your product or website.

Setting up an affiliate program isn't complicated, although you're responsible for keeping up with some critical functions:

- » **Create and review affiliate guidelines.** You establish your terms and conditions as part of a legally binding affiliate agreement. You also must review affiliate sites to make sure that they comply with your guidelines for affiliates.
- » **Track affiliate sales.** Providing working links for routing and tracking affiliate traffic is an essential part of your offering. You also need to keep up with ongoing totals of affiliate sales.
- » **Report affiliate income.** In addition to providing regular earnings reports to your affiliates, you have to report their income for tax purposes. That process requires sending 1099 forms to affiliates each tax year and reporting their income to the IRS.
- » **Offer marketing materials.** An affiliate program is more effective when you provide your resellers with enthusiastic support, including everything from banner ads to electronic newsletters advertising special promotions.
- » **Keep in touch.** Affiliates are like any other type of customer: If you want them to keep doing business with you, you have to service them. Your job is to communicate with your affiliates to keep them interested in, and (you hope) successful in, your particular program.

Setting up and maintaining any one of the preceding items for your affiliates can appear daunting at first. Dozens of legitimate companies are available, however, to manage affiliate programs for you. These pay-for-performance marketing firms not only run your program but also actively solicit and qualify new affiliates on your behalf. Of course, they also take a cut of your sales in exchange for this service.

If you prefer to manage an affiliate program in-house, plenty of software programs can make your job quite easy. The affiliate-management software available from Post Affiliate Pro (www.postaffiliatepro.com) has lots of features, and installation support is included when you purchase the software license. Its software starts at \$129 per month. An alternative is iDevAffiliate (www.iddevdirect.com), which offers a hosted plan (run on its servers) for as little as \$39 a month.



WARNING

Affiliate programs have come under a lot of scrutiny, and there are increased regulations for running this type of business model. Especially as social media makes it easier to spread unsubstantiated earnings claims, regulators are paying close attention to the claims being made of success and earnings potential. For online entrepreneurs running a legitimate business and offering real products, this shouldn't be an issue, but it does add complexities and expenses to generating this type of revenue. We discuss this topic more in Chapter 2 of this minibook.

Putting It All Together: Multiple Revenue Streams

Who says that you have to choose only *one* source for earning the big bucks online? Merging different online-business models is smart business. The catch is deciding when and how to add different revenue streams to the mix. In our experience, you start by striking the right balance between your core customer base and your primary earnings strategy. At the same time, remember not to bite off more than you can chew. Also focus on the sales strategies that you can handle comfortably so that you don't become overwhelmed.

Begin by identifying your *earnings anchor*. This primary moneymaker provides you with a steady source of income and is the type of business most closely linked to the identity of your site — and your target audience.

After you establish an anchor, you can look for *complementary* products or services. These items extend the value of your site and increase your earnings potential.



TIP

When you're determining what revenue streams to add to a site, and when, we recommend these two philosophies:

- » **Any added sources of income should complement, rather than take away from, your core business model.** Always remember your target audience, and make sure that you're appealing to their preferences or needs.
- » **Although a single earnings source might be necessary initially, it pays to diversify.** For example, try not to depend on one revenue stream (or product or service) for more than 60 percent of your total sales. If one of your sources suddenly takes a nosedive in its earnings potential, the rest of your revenue mix can compensate — at least temporarily.

- » Setting up affiliate programs that match your site's objectives
- » Recognizing and avoiding rogue revenue streams

Chapter 2

Making Money with Affiliate Programs

Affiliate programs, or revenue-sharing plans, have been around for quite some time, both online and off. Online versions became more than a passing fad when companies such as Walmart, Target, and Best Buy started offering them. A big-box retailer doesn't set up this type of program unless it has something to gain — usually, money. As online ads and paid searches became more competitive, the door for affiliate programs was opened even further. Affiliate programs, in a nutshell, pay you to send them customers. If a purchase is made by one of your referrals, you receive a small percentage of the profit or a one-time flat referral fee.

Brand-name retailers aside, some affiliate programs are good, some are (admittedly) a little cheesy, and others are an outright bust. In this chapter, we help you sort out the winners from the losers so that you can earn affiliate income from your own website.

Looking at How Affiliate Programs Work

Revenue-sharing programs are simple to set up and easy to run as a sideline to your existing website. No kidding: Earning money through an affiliate program boils down to five steps:

1. Find a program that offers a product or service you like.
2. Sign up online by completing the affiliate agreement.
3. Place links to the program on your existing website.
4. Actively promote the affiliate program through banners, newsletters, and other suggested online marketing tactics.
5. Collect revenue.

On the surface, these steps are exactly what's required of you. Revving up the revenue stream takes a little more of your time and energy, of course. The amount of effort is minimal, though, compared to other online moneymaking strategies you might try.

Affiliate marketing can also be more than an add-on revenue stream for an existing site. As with any type of website, your success as an affiliate marketer depends on your ability to drive traffic to your site. A serious affiliate marketer may build and maintain multiple sites. These sites are often product review sites with lots of product comparisons and reviews and affiliate ads or links to the products or product trials. Serious affiliate marketers also spend thousands of dollars on pay-per-click advertising (such as Google Ads), but the return on the investment can be well worth it. As the popularity of the concept has grown, it's become a competitive (but still extremely profitable) industry.

Whether you want to be an aggressive affiliate marketer or just use affiliate marketing for a secondary revenue stream for an existing website, here are the secrets to building a lucrative affiliate-marketing program:

» **Find a good match.** Think about your site's audience and the type of information they're looking for. Finding affiliate programs that offer products and services that appeal to your built-in customer base gives you a head start toward success. Similarly, if you plan to create a website around affiliate programs, match your marketing efforts to that prospective customer. If your site is marketed to business owners, an affiliate program for a toy store doesn't go over well with your customers. However, a site created to appeal to the demands of working mothers or home-based working moms is a much better fit with a toy store. Matching the products and services to your site is especially important because the type of content on your website is a tool for

driving traffic. The people searching for your content should be the same target customer for the affiliate products and services you choose to add to your site.

- » **Drive traffic.** One reason why the affiliate program creator offers the opportunity is to increase the number of potential customers who see its offering. How? By driving website traffic from one site (your site) to another (its site). For you, making money as an affiliate marketer depends on your ability to create large continual streams of qualified visitors to the affiliate link by using a variety of marketing activities.



Notice that we didn't mention one word about finding a *quality* product or service. Sadly, that's because a lot of people have made good money with lowbrow programs. We're not saying that the programs were illegal or even deceptive. Rather, a few e-books weren't well written or were filled with old, outdated information. For a few software products, you could have found shareware equivalents and downloaded them for free. Still, all these items appeared to sell like hot cakes.

For whatever reason, quality isn't always a critical factor in the world of affiliate marketing. Or at least it's something that can be overlooked. That said, there are also thousands of legitimate, quality products and services that have strong affiliate programs and even depend on affiliate marketers for not only outright sales, but also leads. This is especially true in the business-to-business (B2B) market where it is highly competitive and expensive to generate quality online customer leads. For the record, we believe that finding an affiliate program with a product or service that you would personally buy is important. Selling something that you believe in is so much easier than selling something you don't like.

Understanding some affiliate terms

When you're shopping for affiliate programs, you run into words or phrases associated with the affiliate process. Some you may recognize, and others are probably new to you. Become familiar with these concepts so that you can understand what's involved in participating in a successful affiliate program:

- » **Advertiser:** A company or site that wants other sites (affiliates) to sell its merchandise
- » **Affiliate:** An individual, a company, or a site that's paid money to promote another company's products or services
- » **Affiliate network:** A single company that oversees affiliate programs for multiple vendors and then recruits and approves affiliates on behalf of the companies it represents

- » **AutoRenew:** A feature that automatically renews an affiliate's account upon expiration of the original term or length of time
- » **Cookies:** Technology used in coordination with web browsers to store information about a specific user
- » **Cost per click (CPC):** An amount of money an advertiser pays a site each time a visitor responds to an ad (specifically, by clicking a link or an ad)
- » **Creatives:** Advertising material (usually such items as banner ads, links, email content, and pop-up ads) that you, the affiliate, use to promote items to visitors
- » **Merchant:** Another term for advertiser
- » **Pay-for-performance:** The process of rewarding a company or website (usually with money) for driving traffic to another site
- » **Publisher:** The company or site that wants to be an affiliate
- » **Qualifying link:** An approved link given to an affiliate to place on a website to earn commissions
- » **Required URL:** The specific website address where affiliate links must point to earn commissions for referred traffic, or visitors
- » **Subaffiliate:** Another site that's managed under a single affiliate account; anything other than your primary website that's added to your account
- » **Tracking tag (or tag):** A device, usually a link, given to an affiliate to keep up with the success of a campaign; allows visits to be tracked
- » **Unique visitors:** A specific number of individuals who visit a site within a certain period, usually counted in a daily or monthly time frame

Types of affiliate payments

Not all affiliate income is equal. You can add different types of links or offers to your website, and each translates into a different level of payment. In other words, some actions are worth more money to advertisers. Here is a breakdown of the common affiliate payment types:

- » **CPA (cost per action):** Just like it sounds, CPAs are determined by some sort of predetermined action that a visitor takes in relation to the affiliate promotions you offer on your website.
- » **CPC (cost per click):** This payment is based on the amount of traffic you send to the advertiser's or merchant's website after the visitors clicked a link on your site.

- » **CPL (cost per lead):** Often associated with product trials, you are paid when someone completes a form and becomes a lead for the merchant. Leads are particularly important for B2B (business-to-business) companies and, depending on the type of offer, CPLs can have a high payout.
- » **CPS (cost per sale):** You are paid when someone purchases a product or service after clicking a link or an ad from your website. CPS payments are also usually higher because they result in a sale.

Finding an affiliate program

Affiliate-marketing programs are broken into three common sources, or places where they originate:

- » **Retail sites:** Plenty of traditional retailers offer bona fide affiliate programs. Among some of the bigger names are Target, Nordstrom's, and Lowe's. Of course, each one is using an affiliate program to drive sales of its *online* business, not its bricks-and-mortar version. One way to locate stores with affiliate programs is simply to make a list of your favorites and do the research. The process takes time, but it's worth it. Alternatively, you can search for your favorite retailers in an affiliate network (which manages affiliate programs for many different businesses). Most major retailers use an affiliate network to manage their program.



REMEMBER

A store with an affiliate program may identify the opportunity on its website. Look for the Affiliates tab on a site's home page, or sometimes on the About Us page. However, some large retailers may not publicly promote their affiliate program. For those, you'll have to depend on finding them listed in an affiliate network site — keep reading to learn more about these.

- » **Established online vendors:** Many branded names that are best known for delivering products through their Internet presence cater to affiliates. Topping the list are e-commerce giants Apple iTunes and Dell (computers).
- » **Pay-for-performance networks:** In addition to searching independent sites, all-in-one sites can save you time. Pay-for-performance networks have assembled hundreds or thousands of affiliate-marketing programs under one roof.

An advantage of using a network is that you can apply for multiple programs at one time, and you can manage an unlimited number of your affiliate accounts in one place. Because major retailers often use networks to handle their affiliate programs, you're privy to exclusive promotions reserved only for the networks' affiliates. Networks are also a good way to locate category-specific programs, such as security software or gardening supplies, or to find

lesser-known products and services, such as e-books targeted to small businesses or coupon offers for pregnant women.

The networks on this list offer affiliate programs for just about everything under the sun:

- *CJ Affiliate*: www.cj.com
- *Amazon Associates*: <https://affiliate-program.amazon.com>
- *Rakuten Advertising*: <https://rakutenadvertising.com>



TIP

When you're signing up as an affiliate, visit any community message boards set up for affiliates. Find out what tools other affiliates found successful. If you're assigned to an affiliate-marketing manager, don't hesitate to drop an email and ask for suggestions based on your site's core audience.

After you locate a specific program or an affiliate network that appeals to you, you can sign up. The process typically takes less than 5 minutes and varies by program. Approval time may require patience and take some time. Every legitimate program has criteria for eligibility, although some are more lenient than others. For example, many affiliate programs don't process your application unless you have an active, or live, site. Other programs also require a minimum number of unique visitors. Completing an application also doesn't guarantee you'll be accepted into the program. Plan to apply to more than one affiliate program.

SCOURING FOR DETAILS

When you're perusing an affiliate-marketing program that interests you, note the following before signing up to participate.

- **Commission structure:** Review the payout system for the program. Commission is usually calculated as a percentage of sales or as a flat dollar rate. However, the amounts may be based on minimum sales levels, which isn't a best-case scenario. Alternatively, programs that reward you with larger commissions as your volume increases are beneficial. Or if a product requires a recurring fee (such as a monthly subscription), you may receive a one-time payment rather than residuals. Knowing the payout rates comes in handy for comparing programs.
- **Method for payment:** You may get to choose how and when to receive payment. Look for details, including the currency used for payment; a set dollar amount accumulated before being paid (often, a \$25 minimum); monthly or quarterly distributions; and the option for direct deposit into your account.

- **Refunds:** Find the program's policy for handling customer returns or refunds. Understand how and when that money is taken out of your account.
- **Recordkeeping:** Established affiliate programs typically offer a simple but sophisticated accounting system. You can view your complete commission history in addition to what's in your account. Always confirm that the program provides this type of account review, and find out how frequently it's updated (in real time, daily, or only at month's end).
- **Tracking:** One frustration occurs when an affiliate program doesn't provide an effective way to track statistics for your affiliate link. The best programs make it easy to understand how many click-throughs you get in addition to final purchases.
- **Cookies:** For well-known sites that receive plenty of traffic on their own, having a cookie tracker in place for affiliates is important. You know that someone will inevitably go to a site after clicking your affiliate link and then leave without buying anything. The following week, that person might be ready to go back and make a purchase. With affiliate link cookies in place, the site can monitor the visits and offer credit for your original referral. Most cookies are good for 10 to 14 days.
- **Limits or exclusions:** Larger programs may have restrictions on what products or services are included in an affiliate program. Or you may have to follow strict guidelines for promoting certain products or using product images. Always read the fine print so that you're not caught off guard.
- **Penalties:** Even an unintentional violation can lead to a slap on the wrist (such as a small monetary fine or a scathing letter) or to having your account turned off. Read the terms and conditions document carefully to understand how and when you may be penalized.
- **Restrictive marketing strategies:** Affiliate marketers commonly specify how affiliates can and cannot market their programs. Most restrictions refer to emailing strategies that can lead to trouble for the affiliates as violations of anti-spam laws. Companies are cracking down on this issue because they're the ones being held responsible (legally) for your (the affiliate's) actions. To avoid having your account closed over a simple mistake, look closely at which marketing strategies are prohibited or considered offensive.
- **Logos, banners, and content:** Affiliate programs want you to do well, so they typically provide you with marketing tools. Before signing up for a program, peruse the marketing collateral that's at your disposal. Is it enough? Is there a variety? Are they quality pieces? Would you, or could you, really use them? This issue is important because you may be restricted from creating your own marketing materials and have to use theirs.

Some affiliates review your site in detail and may take several days before approving your application. Other programs provide immediate electronic approval as long as you meet basic requirements, such as

- » An active website
- » A valid Social Security number or employer identification number
- » Verification that your site doesn't violate any of the network's terms and conditions

After your approval with an affiliate network is confirmed, it's easy to apply for as many individual programs as you like. Typically, the merchants are separated by categories. After you select the boxes of the programs that interest you, your application is submitted automatically. You then receive notification of acceptance (or not) in your email.



REMEMBER

You can join multiple affiliate programs as well as programs run by different affiliate networks.

Avoiding Scams and Questionable Content

As you now know, even something as popular as online poker can come with serious legal strings attached. After you join an affiliate program for something like that, you're at risk of paying the price if things aren't on the up-and-up. Last time we checked, claiming ignorance doesn't get you a Get Out of Jail Free card.

Illegal affiliations

Participation in any illegal affiliate programs is limited by the governing laws of your home state or country. You must know the law and then abide by it. To avoid becoming an outlaw, follow these safety tips:

- » **Always read the terms and conditions of the affiliate agreement.** Affiliate programs might disclose legal caveats to you in easy-to-find warnings on their sites, but more than likely you find them in the fine print. Read agreements carefully to determine your potential liabilities for participating.
- » **Look for clues to the country of origin.** Affiliate programs run from foreign countries, or without a U.S. base of operations, may be a sign that the activity isn't permitted stateside. Or when you sign up for an affiliate program, you may be asked to enter your country of origin. After doing so, watch for a

message or special instruction that serves as a disclaimer about doing business in particular countries.

- » **Conduct a search.** Although this tip isn't foolproof, you can start verifying the legitimacy of a program by doing a simple search. Enter in a search engine the name of the company you want to do business with or the type of program (online games, for example). Especially if it's a hot topic, you quickly find any red flags.
- » **Investigate the company.** Although some specific products or subjects may be off-limits, sometimes you run into blacklisted companies. Participating in an affiliate program with one of these companies can label you as "aiding and abetting." If something seems questionable, don't hesitate to check out the company further. Start with the Better Business Bureau at www.bbb.org.
- » **Check with authorities.** The U.S. Department of Justice has information on a handful of questionable Internet activities, including online gambling and selling prescription medication online. Visit the site at www.justice.gov. The Federal Trade Commission is another source for validating illegal affiliate operations. You can access it at www.ftc.gov.

Questionable affiliations

Affiliate programs that are technically legal but considered somewhat shady or distasteful are a sore spot. The "shady or distasteful" part of that description may sound like a line from the *Leave It to Beaver* generation, but it holds true.

These affiliate-marketing programs aren't completely on the up-and-up because of the validity of their offerings or their operational practices. For example, if a program has a long list of complaints registered by unhappy customers and affiliates, this company is skirting disaster. Or maybe the program is connected to obscene or pornographic products and there's a question about how the material is being distributed.

For lots of reasons, think twice before affiliating with these types of organizations. Be aware that your site's name and reputation become linked with any program you promote. With that advice in mind, here's a list of red flags to watch for when you review affiliate programs:

- » **No money-back guarantee is offered.** Be wary of programs that don't provide product guarantees or some form of money-back guarantee to customers. As a prospective affiliate, this one definitely presents a red flag. You can get stuck holding the bag and taking the blame when your referred customers get burned.



WARNING

- » **Returning a product is especially complicated.** Nobody likes to deal with returns, but reputable companies offer return policies. Usually, you don't need an act of Congress to make the exchange!
- » **Corporate information isn't readily available or verifiable.** Legitimate companies place contact information prominently on their websites. You can also cross-reference and verify company information by using domain registration services and other affiliations.
- » **Affiliates or customers are unhappy.** Monitor the parent site's message boards, or other community message boards, for tales of broken promises and disastrous customer service.
- » **No support is offered.** The purpose of an affiliate program is to use other sites to drive more traffic and customers to your product. A company with that goal in mind provides resources and support to help affiliates be successful. Newsletters, contact information for technical support, links, banner ads, and other marketing materials are the norm in legitimate affiliate programs. If these items aren't mentioned, trouble might lay ahead.
- » **A sign-up fee is required.** Signing up for most affiliate programs is free. If you have to pay to join or have your application "screened," run!
- » **Scam associations are obvious.** You may find a company with no complaints that promotes the type of material that is often labeled as a scam or shows up on consumer watchdog lists. Work-at-home programs and business opportunities are often among the list of top offenders (although plenty of legitimate ones exist, too).
- » **Legal proceedings have been initiated.** Although you might not have any concrete information, check for lawsuits that have been filed against a company or any pending legal proceedings that might point to fraud in the making. You can check with the Better Business Bureau online or call your state's attorney general's office. This information might also show up in an Internet search.

Another source of telling information is a company's affiliate agreement, along with its policy for accepting affiliate marketers.

Look for affiliate programs that adhere to strict guidelines. A legitimate program typically turns down approval of a site or cancels an affiliate agreement that has any of these characteristics:

- » **Inactive URL:** Because your site cannot be verified, the domain may not match what you entered or your site may be under construction.

- » **Trademark infringement:** You have references to registered names or logos on your site.
- » **Mismatched information:** The information you provide doesn't match your tax information, business license registration, or domain registration from other, legitimate resources.
- » **Questionable content:** Your site contains pornography or obscene information; contains hate-oriented information; distributes or links to illegal substances; promotes gambling activities; or is otherwise deemed questionable.
- » **Questionable recruiting:** Affiliates who plan to market a program by using aggressive email campaigns can violate anti-spamming laws.



WARNING

Laws related to affiliate disclosure notices and taxation by state are increasing, and if you aren't aware of them or don't abide by them (unknowingly or otherwise), it could result in serious penalties and fines. The Federal Trade Commission oversees and enforces strict guidelines covering endorsements of products, which covers affiliate programs. To understand the regulations you must follow, visit www.ftc.gov/business-guidance/resources/ftcs-endorsement-guides. To learn more about the tax laws that determine how taxes are collected by state in the United States for online product sales, including those sold through affiliate programs, see our discussion of the topic in Book 2, Chapter 4. In all cases, we always recommend consulting a professional accountant or attorney for specific guidance on these types of matters.

- » Taking credit cards
- » Obtaining a merchant account
- » Setting up your gateway and payment processor
- » Offering payment options beyond credit cards
- » Avoiding fraudulent charges and other online credit risks

Chapter 3

Paying with the Right Payment Options

One indisputable fact about running an online business is that you can't very well sell products over the Internet if you don't have a way to accept money from customers. Fortunately, you have a bevy of options.

One common solution is to accept credit cards, just as any retail store does. With credit and debit cards most commonly used for online shopping, customers expect to be able to pay this way. Fortunately, the acceptance and growth of e-commerce have simplified the process for online merchants. In less than a week (and sometimes within 48 hours), you can be ready to accept your first online credit card order.

Then again, not all customers have credit cards ready at their fingertips. Or perhaps they don't want to use credit cards online for security reasons. As an e-commerce merchant, you should provide those customers with an alternative payment solution.

In this chapter, we tell you about all the payment options available to your online business, and we show you how to start setting them up on your site.

Accepting Credit Card Payments

Enabling a website to accept credit cards is one of the most misunderstood functions of e-commerce. Shoppers understand that they have to type their credit card number into a box on the computer screen and then click the Purchase button. And they know that, after a few seconds, they'll receive an approval (or not) for their purchase. Although everything that happens between these two points comes across as a mystical unknown occurrence, not a drop of magic is involved in this simple process (see Figure 3-1).

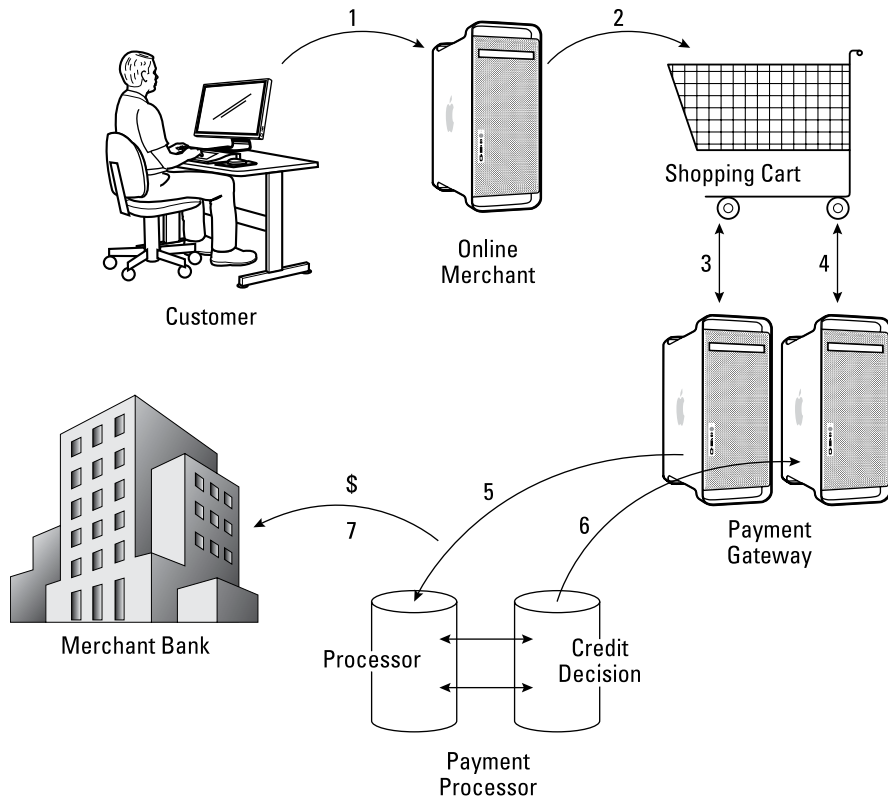


FIGURE 3-1:
Processing credit
cards online.

Here's how it works:

1. A customer goes shopping on your site and puts products into a virtual cart. Shopping-cart software that you add to your site allows customers to select products for purchase. When customers are ready to check out, the shopping cart starts the process of ringing up the sale.

2. The customer pays for the product by using a credit card.

Your shopping-cart program should provide an online form for the customer to complete, including personal information, shipping details, and a credit card number with expiration date and, possibly, a verification code from the back of the card. (An expedited checkout process may be used for returning customers.)

3. Your site sends that credit card information to a payment gateway.

The *gateway* is a virtual gate through which information is transmitted, or passed between your site and a credit card processing site. The gateway, like the little box you use to swipe your card when you're shopping in a traditional store, is a tool for communicating information between the store and the credit card company.

4. A payment processor receives and verifies your customer's information.

The processor's job is to talk with the company or bank that issues the credit card. The processor ensures that the card is valid and that it has enough credit to cover the purchase.

5. The processor sends a credit decision back to the gateway.

The processor finds out whether your customer is approved or declined for the purchase and transmits that data right back to the payment gateway.

6. Your gateway passes along the approval decision (approval or denial) to your shopping cart and finalizes the shopping transaction.

Your customer sees a final message saying that the purchase is approved (or not). From there, your shopping-cart program can provide a receipt, shipping details, and an invitation to shop again.

Steps 2–6 take only a few seconds, and then your customer's purchase is complete.

7. While your customer is receiving an approval message, the processor is sending the money to your bank account.

After the credit card issuer says that credit is available, the processor makes sure that money is sent to your bank and deposited into your merchant account.



REMEMBER

Although this process is happening within milliseconds of the approval process, you might not see the money in your account for two to three business days.

Securing a merchant account

Now that you better understand the process, you're ready to get it set up on your site. The first step is to secure a merchant account. You can choose from several resources:

» **Bank:** You can turn to your local bank to set up a merchant account. After all, your business checking account resides there. Most banks now offer e-commerce merchant services as part of their standard small-business service packages. However, be aware of a few issues. Banks often

- Have a more rigid approval process for online businesses because they're still considered high-risk ventures
- Pass your application to a third-party company for approval (as opposed to processing and managing it internally)
- Increase your costs for a merchant account because the bank is essentially a middleman and receives a commission on the referral of your account

» **Direct provider:** You can access many of the same direct merchant account providers that your local bank might use. By going directly to a processor to set up a merchant account, you can cut out some of the initial costs. There is no shortage of reputable options, and many processors now offer specific solutions for an e-commerce business. Here are a few well-known providers where you can set up a merchant account:

- *Chase Merchant Services:* www.chase.com/business/payments/online
- *Flagship Merchant Services:* www.flagshipmerchantservices.com/processing-solutions/online/e-commerce
- *National Bankcard:* <https://nationalbankcard.com/business-types/e-commerce>
- *TSYS:* www.tsys.com/platform#platform=payment-processing

» **Third-party processor:** This type of company or independent agent offers the following types of merchant account services:

- *Broker:* This person is usually an independent sales rep who makes a commission from brokering or signing up new customers. A broker who represents more than one company can help you compare and find the best rates available. (Brokers are not as common as they once were, given the increased access to so many online options.)
- *Online service:* Companies that once offered a primary service, such as a shopping-cart program, are now including bundled access to multiple companion services. Setting up merchant accounts is among those services.

Network Solutions, originally best known as a domain registrar, is an example of an online company expanding its e-commerce service offerings to include merchant services (www.networksolutions.com). Similarly, hosting providers, like GoDaddy (www.godaddy.com) and storefronts or e-commerce solutions, such as Shopify (www.shopify.com), offer third-party processing for their customers, so all your back-end operational and processing functions are tied with your online store — in one place.

- *Online specialist:* Possibly considered an online service provider, PayPal (www.paypal.com) is slightly different because the company specializes in online payments. Through its PayPal Online Checkout solution, it offers online retailers a variety of options to accept payments, including traditional credit card processing. An alternative or nontraditional service, such as Stripe (www.stripe.com) takes just minutes to get started and does not require the setup of a separate merchant account. Stripe is unusual, in that it bypasses the payment gateway — to accept payments with Stripe, all you need is a Stripe account. If you need payment processors outside of the United States, Adyen (www.adyen.com) and GoCardless (<https://gocardless.com>) are popular payment gateways that offer local payment options popular in specific countries.



TIP

If you deal with one of the larger online services or online specialists, you can take advantage of their economies of scale and find a better deal on some items. For example, these sites may have inexpensive flat monthly service fees and no set-up fees or application fees. They also tend to have lower rates as well as higher approval and acceptance rates for online businesses because they target that customer base.

Choosing a payment gateway

As soon as you receive the go-ahead to accept credit cards, your next action is typically to choose a payment gateway, unless you're using an alternative online specialist that doesn't require a gateway.



REMEMBER

The gateway talks to the credit card companies, your banks, and your website. Needless to say, the gateway plays an important role in your e-commerce equation.

If you're receiving bundled services from one source, your merchant account provider might already have a designated gateway for you to use. That's good news because it indicates that a relationship is already established. Both ends know how to successfully come together in the middle, so to speak. Alternatively, the provider might have partnerships set up with several gateways. They simply let you select the one you want to use. Or you might be left to search for a payment gateway on your own.

You can choose from hundreds of payment gateways, and hooking up with the wrong one can bring your sales to a halt (sometimes before they get started). Don't worry, though: You should have no trouble finding the right match. Look for a payment gateway that has these characteristics:



REMEMBER

- » **Diversity:** To be effective, your gateway needs to work with all major credit cards, including MasterCard, Visa, and American Express.
- » **Compatibility:** One of the most important requirements is that the gateway integrates with your shopping-cart software. Although major gateways are already set up to talk with the majority of off-the-shelf shopping carts, it never hurts to verify that your gateway is compatible.

If your shopping cart is custom designed or is a lesser-known software, you might have to do a little programming to make your gateway communicate with your site.
- » **Timely payments:** Each gateway has its own rules for when and how to make payment to your bank. Choose a gateway that deposits your money within a few days at most (as opposed to once a month or so).
- » **Support:** As with any service provider, make sure that your payment gateway has customer service support, including tech support available at any time of the day or night.
- » **Accessibility:** You should be able to view the status of your transactions in an online report, along with other management tools.
- » **Feature-rich:** Payment gateways have a surprising number of features you can use (or add for a fee). Allowing for recurring billing and additional payment options on your customer accounts and fraud-protection tools for you are desirable features. Even though these options might not be a big deal now, you want them available as your site grows.



TIP

With the increasing demand for mobile payments, look for payment gateways that offer secure payment processing from mobile devices.

Today, you can choose from dozens, if not hundreds, of payment gateways. When you're ready to get started, here's a list of some better-known payment gateways you can contact:

- » **Authorize:** www.authorize.net
- » **Cardstream:** www.cardstream.com
- » **Verifone:** www.verifone.com



TIP

When you're comparing the cost of payment gateways, be sure to look at gateway resellers, too. Some offer a limited number of transactions for free when you sign up. In some cases, you don't have to pay additional fees on your first 1,000 transactions.

Reading the fine print: Fees

When you're applying to become an authorized credit card merchant, be sure to compare service providers. Although base rates might remain similar, other unexpected fees could swing the pendulum in favor of one over another. To compare apples to apples, you need to understand the different types of fees you might encounter:

- » **Application:** Some agents charge a nominal fee for processing your application. Expect to pay at least \$100.
- » **Setup:** This fee covers the cost of establishing your merchant account and can range from \$200 to \$1,000 or more. A typical fee is \$200 or \$300.
- » **Discount rate:** Each time one of your customers make a purchase with a credit card, your merchant account provider takes a cut of the sale. The amount varies based on the type of card that's used but is usually between 2 and 4 percent.



REMEMBER

Your account should specify Internet, mail order, or telephone sales. Because you can't swipe an actual credit card, rates for these types of transactions are typically higher (sometimes by as much as a full point) than those for offline retailers. Fortunately, more providers now offer solutions specifically for e-commerce, which have more competitive rates.

- » **Terminal cost:** Online businesses may not need traditional terminals (to accept a physical card), but you may want a mobile device or app to accept payments while at a pop-up tent or festival, for example. There may be additional charges for this type of option.
- » **Statement:** This monthly fee covers the merchant account provider's cost of compiling, printing, and mailing a monthly statement of your account. The fee can be several dollars.



TIP

You might be able to eliminate this fee by choosing to access your reports online rather than on paper statements you receive by postal mail. When you ask your provider whether you have this option, also confirm how long online statements are available for viewing. (You print your own copies to serve as a permanent record, if needed.)

- » **Transaction:** You pay a small processing fee for each credit card transaction. This nominal amount is usually less than 25 cents per transaction. And yes, it's in addition to your discount rate.
- » **Monthly minimum:** If you expect to have a limited number of sales (maybe your business is new or you just don't expect a lot of traffic early on), your merchant account provider might establish a minimum charge level. If your sales, number of transactions, or combined discount rate and transaction fees don't exceed that minimum, the company tacks on an additional charge. In other words, the company is counting on you to process lots of orders so that it makes more money. You pay for it either way, though.
- » **Chargeback:** Whenever a customer disputes a purchase with the credit card company, the dollar amount of that purchase is taken from your bank account. Your merchant account provider might also charge you an additional fee for processing this transaction. Online orders that don't require signatures (or the physical cards to process) are especially susceptible to chargebacks.
- » **Termination:** Whether you're switching merchant providers or closing up shop, your original contract might contain a termination fee. Sometimes this fee can be as much as \$1,000 or more.



TIP

Before signing any agreement, seek out the clause that details the steps you have to take to cancel the agreement. If early termination is expensive, make sure that a companion clause specifies that you can upgrade when new features are released. Today's version of the latest and greatest feature can be quickly usurped in a few months. You don't want to get stuck paying big bucks for features that don't keep pace with your growing business. Some competitive providers don't lock you into long-term contracts, so take the time to compare the pros and cons of each provider.

Offering Alternative Payment Options

You might think that credit cards have a hold on the online-shopping market. Indeed, the majority of customers are accustomed to paying that way. Yet as online and mobile shopping continue to grow, so does the demand for flexibility. An increasing expectation of fast and easy online buying and concerns over credit card fraud are driving the need for alternative options.

Online stores that offer only credit cards as a payment source can still get a substantial number of their visitors to purchase something. But recent studies have shown that by offering multiple payment options, e-commerce sites can boost conversion rates by as much as 30 percent. Part of this is due to impatience. A survey by Primer.io showed that shopping-cart abandonment rates increased to

41 percent if the online checkout process took more than 4 minutes! Alternative payment options can greatly reduce that buying friction.

Gaining more customers by being flexible is a no-brainer, as they say. As luck would have it, you can offer customers more than a handful of alternative payment solutions:

» **PayPal:** One of the most popular alternatives is allowing customers to pay by using a PayPal account. As we mentioned when discussing merchant accounts, PayPal specializes in online payment processing. It offers many options, including paying by Venmo and Pay Later. It is a one-stop shop for all your e-commerce payment needs, and is widely recognized. To start using this option, go to www.paypal.com.

» **Digital wallet:** A growing payment method both online and off is the digital wallet, or a virtual place where multiple payment methods are stored in one location, typically on your mobile device. Also called a *contactless* payment option, you can make purchases directly from your smartphone or smartwatch by tapping the device on the payment terminal in a store. Truly like a wallet, it stores credit cards, coupons, gift cards, tickets and more — all in one place. Because it stores these types of payments, it's now also accepted online. Most leading payment processors enable digital wallet purchases, or QR codes can be used (your customer scans the QR code with the camera on their mobile phone to make payment from their device's digital wallet). Why should you consider this alternative payment option? Consider that e-commerce studies show that there will be over 4 billion users of digital wallets by 2025. Visa also conducted a survey that revealed that 16 percent of Visa customers said they use digital wallets exclusively as a payment method. Here are the most commonly considered digital wallets you should consider accepting for online transactions:

- *Apple Pay*: <https://developer.apple.com/apple-pay>
- *Google Pay*: <https://pay.google.com/about/business>
- *Amazon Pay*: <https://pay.amazon.com>

» **Electronic checks:** This service, also called *Automated Clearing House (ACH) processing*, allows a customer to use funds taken directly from a personal or business bank account. The funds are then deposited directly into your bank account. For you, this service represents lower processing fees per transaction than with credit cards. Fees can range from 30 cents per transaction to more than a dollar for each check. Increasingly, payment gateways are making electronic check processing available for your website. Or you can use a third-party e-check provider, such as

- *iChex*: www.ichex.com
- *eCheckPlan*: www.echeckplan.com
- *PaySimple*: www.paysimple.com

- » **Gift cards:** Offering gift certificates or gift cards on your site is an easy way to extend payment options while increasing your sales.
- » **Instant credit:** If your customers could buy now and pay later, don't you think that it would help prevent shopping-cart abandonment? Well, companies are now providing online retailers a way to do just that. At the time of checkout, your customer essentially receives approval for the dollar amount of the purchase. This process usually takes no more than 15 seconds. Then the customer has a set amount of time to make the payment. Don't worry: You receive the funds immediately, as you would with any other type of payment. A third-party company handles everything for you. PayPal's Pay Later option (www.paypal.com/us/business/accept-payments/checkout/installments) is one of the most commonly used. Here are some other well-known providers:
 - *Affirm*: www.affirm.com
 - *AfterPay*: www.afterpay.com
 - *Klarna*: www.klarna.com
- » **Offline payments:** An option that's sometimes overlooked is allowing customers to send in payments by using a less technically advanced method. A small percentage of shoppers may use these options. We think it is important to be aware of all your choices as an online-business owner, but we don't typically recommend accepting offline payments due to time delays in receiving payments, security, and compliance risks, and increased operational and processing time. However, if you do want to provide offline buying, here are the most common options:
 - Send payment through Western Union.
 - Mail checks through the U.S. Postal Service.
 - Pay by phone (requires a credit card, but some customers feel safer this way).

Managing the Payment Process to Protect Your Income

Believe it or not, one day you will receive a fraudulent chargeback from a customer. You lose the money, plus handling fees charged by the credit card company. Of course, a chargeback is only one type of online fraud you have to worry about. Dealing with stolen credit cards is another common headache.

Don't despair yet. Credit card companies, payment gateways, and processors are working diligently to help protect your online business from thieves. All you have to do is choose to implement their protective services. To help minimize your risks, search out these standard security features from your payment gateway provider:

- » **Address verification service (AVS):** Each time an order is placed, the physical street address on file with the credit card issuer is compared to the billing address the customer gives you with an order.
- » **Card code verification (CCV):** Customers must enter both a credit card account number and a special three- or four-digit code called the CCV. The code is usually on the back of the credit card.
- » **Filtering:** You can use several security filtering tools. One type allows you to set a monetary limit for additional security checks on orders that exceed that amount. Other filters screen for suspicious orders and identify IP addresses that have excessive amounts of purchases within a short period.
- » **Address blocking:** By using this tool, you can block IP addresses from your site. In this case, the addresses are known sources of earlier fraudulent orders.
- » **Authorized AIM IP:** When you submit Advanced Integration Method (AIM) transactions, you can designate a server's specific IP addresses that are allowed to transmit transactions.



REMEMBER

As a smaller online business (generating less than \$5 million in annual sales), you typically have a lower fraud rate than large online retailers. That's because smaller businesses process fewer transactions, validate orders manually (usually), and fight chargebacks by calling customers personally.

- » Identifying must-have shopping-cart features
- » Using hosted shopping carts
- » Finding software for your server
- » Developing a customized solution

Chapter 4

Putting the (Shopping) Cart before the Horse

Do you absolutely need a shopping cart? No. If you sell only a few items, you can easily get by with using an online order form. Customers making a purchase can print the form and then fax it to you (yes, some people still do that). Or, after customers fill out designated boxes on the online form and click Send, the results arrive in your inbox for manual order processing.

With that in mind, here's the real question: Do you *want* a shopping cart for your website? Absolutely — especially if you sell more than a handful of items. We encourage you to use a shopping cart regardless of how many products you plan to sell.

Assuming that you're serious about making money online and growing a viable e-commerce business, a shopping cart is an essential tool. For starters, it speaks to the credibility and security of your website. From a customer's point of view, using an antiquated, form-based process on a website can give the impression that the site is a small, mom-and-pop type of business. A lack of a fully functioning shopping cart may also cause concerns about the site's security. If customers think their credit card information won't be handled properly, you could lose sales.

Additionally, a good shopping cart makes doing business with you easier — and makes managing and growing your online business easier as well. In other

words . . . a shopping cart is an absolute necessity for your online e-commerce business! This chapter helps you sort through all the latest options so that you can start selling like a real pro.

Not All Carts Are Created Equal

Today's sophisticated applications have grown into more than simple shopping baskets for online customers. You can also incorporate quite a few tools into your shopping-cart program. Your job is to figure out which features you need most, right now — and which features will serve you best in the long run. Before you can do either, you have to understand what's out there and what's important to use. Changes in shopping behavior and the e-commerce market make this knowledge critical to your business success.

A shopping cart with mobile commerce enabled, for example, is now more than a nice-to-have marketing feature. According to a report from eMarketer (www.emarketer.com), mobile commerce (or m-commerce), is forecast to reach nearly \$560 billion in 2024, and account for 45 percent of all U.S. e-commerce sales. Global m-commerce sales is expected to reach \$4.5 trillion by 2025. Regardless of location, there's no sign that mobile purchases are slowing, so a mobile-ready shopping cart is a must. Speaking of international online shoppers, global sales are increasingly responsible for driving a great deal of business for all types of e-commerce sites. If you plan to sell internationally, choosing a shopping cart that handles multiple currencies and integrates with payment gateways from countries beyond North American borders is critical. We discuss the opportunities of selling online to an international market in Book 8, Chapter 6.

As you can see, you have a lot to consider about the necessary functionality and features of a shopping cart. To make this process easier, we divide the most sought-after features into four standard categories:

- » Back-end management
- » Customer-centric elements
- » Integration and maintenance
- » Promotion and marketing

Back-end management

Each shopping-cart program has a set of administration tools. Although the specifics vary among types of software, ultimately these tools give you control of your shopping cart. Here's a list of features to look for in admin tools:



TIP

» **Administrative functions:** Passwords, pricing changes, and options such as font size or number of items to display on a page are examples of the most basic settings that an administrator controls. Other admin functions should allow for easy management of order processing, inventory, shipping, returns, and more.

If you're not the type to be tethered to a desk, or you travel a good deal and don't have staff to stay behind and manage your business, look for shopping carts that can be managed from mobile devices. You may need an app for your iPhone, iPad, or Android device that gives you mobile-ready access to the administrative features in your shopping cart.

» **Customization:** Choices, choices — this factor is important when you're using a shopping-cart program. The more you can change colors and fonts, for example, the more likely you are to create a shopping cart that melds with the rest of your site. Some shopping carts offer ready-to-use templates for simplicity, but you still want the capability to make small changes.

» **Exporting:** Always confirm that you can export your products from the shopping cart. This feature is critical if you end up using a different shopping cart down the road and need to transfer your inventory.

» **Importing:** Having to enter your products into a shopping cart one by one is the last thing you want to do. If you have dozens of product numbers (similar to bar codes), you would be typing at your keyboard for several days. Look for programs that allow you to import your products from an Excel spreadsheet (or a similar method).

» **Inventory:** If your shopping-cart feature is integrated with your inventory system (if you already have one), you can easily manage your offline stock from your website.

» **Taxes:** A critical component of an e-commerce business is proper tax calculation on orders. The shopping cart needs to be easily configured to calculate local and state taxes.

» **Currencies:** Can the shopping cart handle more than one or two currencies? If you're selling internationally, you want to be able to accept money in multiple currencies.

» **Shipping:** You'll probably use more than one type of carrier, such as UPS and FedEx, for your shipping needs. The shopping cart should not only integrate

with multiple shipping carriers but also give you flexibility in determining and calculating shipping rates. For example, you may want to offer flat-rate shipping for some items but tiered or location-based shipping rates for others. Some shopping carts can also get automated shipping rates calculated directly from the shipping carriers.

- » **Recurring billing:** Do you sell web-based services in the B2B (business-to-business) market that are charged monthly? Or perhaps you offer membership-based product sales, such as a cheese of the month club, in the B2C (business-to-consumer) market? If you offer a subscription-based service, you may need a shopping cart that can handle *recurring billing*, or the capability to process payments more than once over a period of time. Look for shopping carts with a recurring feature that allows you to set time intervals (such as every month) and terms for billing your customers.
- » **Payment gateways:** Hundreds of payment gateways exist, so make sure that your shopping cart integrates with and supports the gateway you selected to process credit cards. This capability can be especially important if you're selling internationally. If a list of supported payment gateways is not readily available for the shopping cart you're considering, talk with a salesperson and get written confirmation of the gateways supported.
- » **Wizards:** Use these tools to customize your shopping cart and integrate it with your website. The wizard walks you step by step through the entire process. You may also see a wizard referred to as an easy or simple GUI (graphical user interface).

Customer-centric elements

Which features are most important to your customers? When you're test-driving a shopping-cart demo, try to view the experience from the eyes of your shoppers. Does the cart help your customers process their orders quickly? Or does it leave them frustrated and stick your site with a bad case of shopping-cart abandonment? Here are some additional elements or features you can include that can benefit your customers (sometimes these features are considered add-on features or widgets and you must pay more to have them included in your shopping cart):

- » **Product views:** Customers can't touch or feel your products when they're shopping online. The only qualities on which customers can base their purchasing decisions are the images and descriptions you give them. Be sure to use a shopping cart that allows you to upload multiple images for one product.



TIP

The use of 3D and virtual reality tools are increasingly providing an important option for e-commerce retailers to show products. Online retail sites are using the virtual reality technology to provide more realistic views of products and to show product placement or how an item, like a sofa, might look in a customer's home. Look for shopping carts that offer a 3D Viewer or that allow integration with a 3D Viewer app.

- » **Save settings:** Can your customers save products in their shopping carts and then return later to make purchases? The capability to save these settings and others makes the shopping experience more pleasant. Similarly, customers want products saved in a shopping cart when they move from shopping on a mobile device to a desktop, or vice versa. This seamless shopping experience is important as users increasingly use multiple devices to complete online purchases.
- » **Store data:** Does the cart give your customers the option to store their data? This feature prevents returning customers from having to reenter account information repeatedly. Having the option to save the data (especially credit card information) is equally important, however. Some customers would rather not sacrifice possible security risks in favor of convenience.
- » **Wish list:** Some customers like to be able to designate products of interest that they're not ready to buy. Try to find a shopping cart that lets customers save favorite products to wish lists that can be shared with friends and family.
- » **View order:** Your customers should be able to view complete orders as they shop or when they check out. Having to view a series of pages before they can see their total shipping costs, for example, is particularly frustrating.

Integration and maintenance

For your shopping cart to work optimally, it has to become a seamless part of your overall site. If it doesn't work, you need to be able to get help. Along these lines, you have to consider several critical integration and maintenance factors:

- » **Access to support:** When and how is support available if you have trouble with your shopping cart? The best-case scenario is to have access to live support seven days a week. If you have to wait to get help, *your customers* also have to wait, and they aren't fond of waiting. Don't forget to ask whether you pay an extra fee for all that technical support.
- » **Accommodation of other customer accounts:** Your shopping cart should have the flexibility to handle all types of orders — from wholesale orders to affiliates. Even if you don't need the flexibility today, you want to know that it's already built into your cart for use as you grow.



TIP

» **Communication with shipping and handling:** In addition to integrating your shopping cart with major shipping providers (such as UPS), you have to look closely at how orders are relayed for shipping and handling. Can you customize how and where the order requests are sent? For example, each time an order request is forwarded to your shipping department, can you have a duplicate copy emailed to another department?

» **Integration with third-party applications:** Your shopping cart needs to fully integrate with the other components of your business, including accounting- and inventory-management systems and your CRM (customer relationship management) software. One of the stickiest points of integrating any type of third-party business system with your shopping-cart software is how well your shopping cart can relay information to the other system. If these two programs can't function together (or integrate with each other), your workload doubles.

Some shopping carts may offer an API (application programming interface) or a set of APIs that allow you access to the shopping cart for further customization or integration. Keep in mind that using APIs may require hiring or contracting with a software developer (or someone with development or coding skills).

Promotion and marketing

Of all the benefits a shopping cart can offer, the area of promotion and marketing usually receives the least amount of scrutiny before the purchase. Your first inclination is probably to look at how many products a shopping cart holds. Then you find out how much it will cost you. Marketing is one of the last items you consider, perhaps because you don't realize a shopping cart can offer that feature.

Think again! The following list of marketing and promotion functions is a small sample of how your shopping cart can help you increase sales. See how many features are built into your shopping cart of choice:

» **Bundled products or services:** Based on a customer's buying preferences, put together groups of products offered at a slight discount from what your customer would spend to purchase each item separately.

» **Shopping-cart abandonment deterrence:** Customers often add products to a shopping cart only to leave the site before finalizing their purchase. Many reasons exist for this behavior — everything from a complicated check-out process that frustrates the customer to the customer simply changing their mind and leaving the site. Look for shopping-cart abandonment features that not only capture the data of the lost sale but also let you easily send automated or customized email to try and reengage the customer.

- » **Coupons:** Set up coupon codes to be entered by customers at the time of purchase.
- » **Cross-selling:** Suggest similar or complementary products that customers might like when they view certain products or check out.
- » **Data feeds:** Your shopping cart should communicate your product information with other comparison shopping sites, including Google Product Search, Shopzilla, and others.
- » **Discounts:** Set up different types of customer groups (such as wholesale or frequent buyer) to give a discount based on buying behavior. Or offer limited-time discounts by product.
- » **Email communications:** Send newsletters or specials to your customers by email. You would do this in addition to emails used as a result of shopping-cart abandonment.
- » **Featured products or specials:** Highlight certain products or limited-time offers throughout your website.
- » **Free-shipping option:** Offer free shipping as a marketing special. This feature can be an important competitive advantage during busy shopping seasons.
- » **Gift certificates:** A helpful seasonal (or year-round) tool is to offer the option of purchasing and using gift certificates, or virtual gift cards.
- » **On-site search capability:** A good search tool helps customers easily find products based on several search criteria, such as brand name, category, or generic product name.
- » **Product reviews and ratings:** Feature additional information on product pages to increase credibility and boost the potential for purchase.
- » **Search engine friendliness:** Use the built-in features to better market your products in major search engines. A shopping cart might offer the ability to edit <TITLE> and <META> tags for every product page or <ALT> tags with keywords. Increasingly there is more SEO (search engine optimization) functionality built into shopping carts, but it's always good to confirm what options exist.
- » **Social commerce:** Integrate with social networking sites such as Facebook, Instagram, and TikTok. This type of feature provides a way to sell in the social channel; promote specials, coupon offers, and other discounts; to share customers' purchases with their friends; and to spread positive reviews of your products and customer service.
- » **Survey tools:** Find out what customers are thinking by displaying a brief survey before checkout or whenever a customer abandons a shopping cart.

- » **Tell-a-friend functionality:** Enable customers to pass along product pages to friends and family members.
- » **Upselling:** Offer an incentive to purchase more products by upselling — for example, “Buy one, get one at half price” or “Buy two and get one free.”

You don’t have to use all these marketing tools. They might even feel overwhelming at first. Don’t worry: That’s perfectly natural. However, we recommend using a shopping cart that has a variety of promotional features. Then, as you become more comfortable, start testing the waters and increasing your sales.

Shopping Around for the Best Hosted Solution

Marketing features and administrative tools aren’t the only features that can sway your decision in selecting a cart. You can make your decision based on how the cart is delivered to you (or set up for use). For instance, one easy alternative is to use a *hosted* solution. The shopping cart is stored on someone else’s server and you pay to have access to it. A cloud-based solution is by far the most common option today.

Hosted shopping carts have four specific advantages:

- » **Cost:** A hosted solution is a more affordable option, especially for a first e-commerce endeavor. For a small monthly fee (sometimes for less than 10 bucks), you gain access to an extensive set of shopping-cart features.
- » **Simplicity:** Because most shopping carts easily integrate into existing websites, theoretically they should be easy to get up and running.
- » **Support:** You get access to customer and technical support, usually around the clock. When your learning curve is still steep, it’s nice to know that you have a place to turn for help, any time of the night or day.
- » **Flexibility:** When you use a hosted solution, you don’t have to make a long-term commitment. Try it and see whether you like it. If you’re on a monthly plan, you can terminate the agreement fairly easily. As long as the shopping cart has a good exporting feature, you can move your products to another solution if your current one isn’t working.

As we mentioned, most people go with a hosted shopping cart (probably without even thinking about it as an option) because it is the prevailing method for

delivering most e-commerce services. Start-up online retailers find it easy to turn to a single hosted vendor for everything from their domain name and hosting to a shopping-cart and payment gateway. In this section, we describe a few popular shopping carts to start you on your search for the perfect hosted shopping-cart solution.

You might instead decide to use a *storefront*, an all-in-one e-commerce solution. If you do, a hosted shopping cart is included with your storefront as part of the complete package. If you go this route, remember that each storefront has its own shopping cart with different features. We include a popular storefront shopping cart in this section, too, to give you an idea of what to consider. If you want to know more about using storefronts, you can discover all the details in Book 7.

1ShoppingCart

The 1ShoppingCart (www.1shoppingcart.com) shopping cart has been around for a long time and has a large fan base. The company has moved beyond operating as only a hosted shopping cart and now offers marketing automation (email marketing and contact management) and other promotional services. We like 1ShoppingCart because its shopping-cart functionality remains a powerhouse in the e-commerce industry. You can choose from three plans, which all include the company's email marketing tools, and post-sale upselling services as part of the package. The basic plan, called Plus, is \$59 per month for a single user (but promotions are sometimes available). You can also choose from the Premium plan for \$119 per month for five users, or the Ultimate plan for \$249 per month, also for five users. Besides the number of user licenses, the biggest difference between the monthly plans is the number of products allowed and variance in transaction fees for credit card payments; the Premium plan also includes a free domain name and an SSL security certificate.

1ShoppingCart has an extensive set of shopping-cart features, with great flexibility and choice. For example, 1ShoppingCart supports up to six shipping methods, in addition to international shipping, and provides a variety of ways to calculate shipping (including the option for free customer shipping). It also has a robust recurring billing feature and an impressive set of upsell features customized to the buyer's shopping history.

Foxy

Foxy (www.foxy.io) has several things that make this solution unique. For starters, Foxy began as only a secure e-commerce platform — *not* a jack of all trades or a turnkey solution.

Unlike many typical shopping-cart solutions, Foxy does not attempt to include other back-end functionality, such as accounting, CRM (customer relationship management), or affiliate marketing. However, it is built so that the Foxy e-commerce functionality can be integrated with almost any platform or application through an API (application programming interface). Although we usually suggest that start-up online retailers choose a shopping cart with more functionality, Foxy is an exception. It is set up as a solution for developers to use on behalf of online retailers. Yes, this means you need to work with a developer if you do not have certain programming skills. Again, this seems contrary to our typical advice, but in certain circumstances, Foxy makes it worthwhile to pay someone.

If you need a fully customizable shopping cart and the ease of a hosted product once customization is complete, Foxy is the ideal fit. It is fully customizable and can integrate with just about any third-party software, from QuickBooks to Salesforce. The shopping cart features one-page checkout, guest checkout, coupons and discounts, international shipping, tax calculations, and unlimited shipping options, including multi-shipping (shipping to multiple addresses from a single order), free in-store pickup, and free ground shipping. Foxy also supports integration with nearly 100 payment gateways and allows for alternative payment methods. The most important take-away when considering choosing Foxy for your shopping cart is remembering that it is a fully customizable, hosted solution.

How much does it cost? Foxy uses a combination of monthly and per-transaction fees. The standard plan is just over \$21 per month, plus a transaction fee of 20 cents each, with the first 100 transactions free. A custom SSL certificate is also included. The advanced plan is \$250 per month with a transaction fee of 5 cents each, with the first 1,000 transactions free. In addition to the free custom SSL certificate, priority support is also included at no charge. If your needs are particularly extensive, Foxy offers an Enterprise plan for \$2,000 per month. In terms of cost, we've saved the best part about Foxy for last. It offers a free trial, no credit card required, and you can use the trial as long as it takes to get your store up and running. You only start paying a monthly fee when you are ready to make your store live and start accepting payments! This gives you plenty of time to get your online store set up without the pressure of paying fees while knowing you're not ready for customers.



REMEMBER

SSL stands for *Secure Sockets Layer*, and an SSL certificate is a means of authenticating a website and encrypting sensitive information (like credit card numbers) that passes between the site and a user. You can learn more about SSL certificates in Book 3, Chapter 3.

Shopify

Shopify (www.shopify.com) is not only a hosted shopping cart but also a complete e-commerce solution that has received rave reviews since launching in 2006. With Shopify, you get access to a long list of shopping-cart features at a price ranging from \$29 to \$299 per month, billed annually. In addition to the number of user accounts you get, the biggest difference between monthly plans comes down to credit card processing fees, shipping rates, and custom reporting. For more robust online stores, there is also a Plus plan, at \$2,300 per month, that allows for unlimited user accounts, up to 200 inventory and PoS locations, and a fully customizable checkout. It also lets you sell wholesale (B2B).

If your e-commerce needs don't fit the standard mold, Shopify has designed two other unique pricing plans. A super basic version is available if you want to sell only on Facebook. Dubbed Shopify Lite, it costs only \$5 per month. A second option is for retail, which provides in-person selling tools for \$89 per month. You can find more information about both of these options by clicking a link found on the Pricing page. And if you are a very large business with requirements for a heavily customized solution, there is an Enterprise package that includes lots of bells and whistles. Pricing varies for this option so you'll need to get on the phone and talk with a Shopify salesperson. (Although most e-commerce start-ups don't need to even think about this level of service, we still like to mention the availability of enterprise plans for existing, large e-tailers who are considering different back-end options for their online stores.)

Because Shopify is a complete e-commerce solution, we have dedicated an entire chapter to it in Book 7. If you are looking for a simple way to launch an online store with all the functionality and features you need available from one place, Shopify might be your best bet. You can also learn more about the features included with each Shopify shopping-cart plan by visiting www.shopify.com/blog/ecommerce-software.

Finding Stand-Alone Shopping-Cart Software

Before so many hosted shopping carts flooded the market, stand-alone or off-the-shelf software was your best bet for a quick, inexpensive solution. The software was available from an Internet service provider (ISP), or you could license the product yourself. A stand-alone shopping cart allows you to add the software to your own server. Many web developers pursue this option and then become resellers of their particular shopping-cart programs.

When you use this type of shopping cart, one big advantage is that you aren't tied to a specific web host. In theory, that feature makes managing your store easier if you switch service providers. However, with importing and exporting functions now a common tool in most shopping carts, where your site is hosted is less of a concern. Other advantages include control and price. For larger stores, the price issue is particularly important. Whereas you might pay \$250 to \$2,500 per month (or more) for a hosted shopping cart that supports an unlimited number of products with complex back-end and feature requirements, you might find that paying a little more upfront makes it easier on you as your company grows.

In general, we recommend stand-alone shopping carts for larger retailers who have an existing website. If you're just starting out or are a small online retailer, it's hard to beat the convenience, support, and savings of either a hosted or an all-in-one e-commerce solution. In fact, many stand-alone shopping-cart software providers are now hosted or storefront solutions.

If you want to get your hands on one of the remaining stand-alone shopping carts, you can approach it in two ways:

- » **Purchase:** You can buy software outright. Depending on the shopping cart, the price can range anywhere from \$499 for a basic program to more than \$2,000 for a more dynamic software product.
- » **License:** More often than not, software vendors require that you license the use of their products. The process is like leasing a car: You pay a monthly or an annual fee for the right to use the software, but you don't own it.



REMEMBER

When you're purchasing or licensing a shopping cart, technical support may or may not be included in the price. You might have to purchase a separate technical support package, which adds to your overall cost for the product.

Here are two remaining providers:

- » **ShopFactory** (www.shopfactory.com): Provides the capability to create ready-to-go storefronts with shopping-cart systems included (or sold separately).
- » **X-Cart** (www.x-cart.com): A robust e-commerce software that you can buy and download, it includes many standard shopping-cart features, is mobile-ready, and can be customized.



TIP

If you run your website using WordPress, the popular (and free) website software, you can use a free WordPress plug-in, such as WooCommerce, to add a simple shopping cart to your site. For a complete list of plug-ins, simply search the WordPress plug-in directory at <https://wordpress.org/plugins> using the term *shopping cart*.



REMEMBER

Before purchasing an off-the-shelf shopping cart, find out whether your preferred payment gateway is supported by the shopping cart. Conversely, after you buy the software, know which gateways are compatible before selecting one for your store. If you happen to choose one that's not supported, extra programming might be required.

Designing a Custom Cart

Custom cart development takes place when you program (or someone you hire programs) a shopping cart unique to your needs. You are truly building a shopping cart from the ground up!

On the bright side, you can get a program that meets your specifications in every way. And if you know how to program or have someone willing to donate the time (or give you a steal on the price), this option can be less expensive than an off-the-shelf, or hosted, solution.

Then again, hiring someone can get expensive fast, especially if you require a good amount of customization. (Remember too that you can get an incredibly robust hosted shopping cart for less than a few hundred dollars per year.) Another problem is that a customized solution can be difficult to integrate with payment gateways or will involve at least some additional coding. Perhaps the biggest drawbacks are the limitations on support and ease of scalability. Every time you hit a snag, you have to go back to the developer for help. If your needs change or you discover a feature you want to incorporate, you're again dependent on your developer, which can get expensive.



REMEMBER

If you do hire someone to build a custom solution, you'll have a wide variety of options. With access to developers around the world, you may find some good deals by outsourcing the work to firms in other countries, such as India. The cost of a custom project can vary widely (as can the level of skill or customer service you get from contractors), so shop around for the best option. Be sure to compare the details between multiple quotes for your project, so that you understand what is or is not included in the bid. Also ask for a few customer references. If you have a large enterprise, these issues might be small deterrents. For a small online business, your money and time might be better spent elsewhere.

If you decide to delve into the custom route, you will need to take the following actions:

- » **Get bids and quotes.** Gather at least three bids before selecting a developer. Then ask for a final quote delivered in writing before you begin the project.



TIP

To ensure that you can compare apples to apples, provide each prospective programmer with the same list of specifications. Ask each company to develop a bid from *your* list.

- » **Define support.** Discuss what types of setup and ongoing support are available, including when support is available and how soon a support issue will be addressed. (Support might be available only during weekdays, for example, and processing your request might take three business days.) The cost of the support should also be included in the final quote.
- » **Determine the timeline.** Be specific about the length of time involved for any type of software development project. Set a series of targets or objectives that should be completed by a certain date. This guidepost ensures that the project stays on track.
- » **Get the details.** The more nitty-gritty specifics you can nail down, the better. Find out how many programmers typically work on a project. More programmers can result in faster delivery of your system but can also add to its overall cost.



REMEMBER

Lots of reasonably priced hosted and off-the-shelf shopping-cart solutions are available, with impressive lists of features. With so many options at hand, consider whether custom features or unique needs are really worth the delay in time and the amount of out-of-pocket cash necessary to implement a custom cart.

IN THIS CHAPTER

- » Taking stock of the items you should make available for sale
- » Using your research to validate decisions
- » Choosing price points that move merchandise
- » Creating a winning selection with the right number of products

Chapter 5

Taking Inventory

You probably know someone who is a fantastic salesperson. Usually, this person is described as being capable of “selling anything to anyone.” Well, the Internet is similar to that top-notch salesperson. It can sell just about anything to almost anyone around the world — with your help, of course. As any good salesperson understands, however, you have to know a few tricks of the trade. The same statement holds true for selling online: To do well, you have to know a few tricks. In the case of choosing inventory, you simply need some additional information to give your business a boost.



REMEMBER

How do you decide what to stock up on to give your business a leg up? To create the ideal inventory for your online business, always keep in mind these three points:

- » **Product:** The goods or services you sell should be readily available for you to purchase and stock and reflect items of interest to your customers.
- » **Pricing:** The amount you charge for your product must make it attractive to customers while providing you with a reasonable profit. Or, your products must be unique or truly upscale to warrant a higher price. We discuss the advantages of a niche market in Book 8, Chapter 1.
- » **Selection:** The range of products you offer your customers is more than a matter of quantity. Offer variations of the same product so that your customers can choose from alternative sizes, colors, and styles.

Fortunately, deciding which type of product to promote — and at which price — isn't complicated. In fact, several useful tools and methods can help you determine potential sales chart-toppers.

Finding Out What's Popular

One thing is certain, the world loves data — and there's plenty of it to be had. You may have heard terms such as *business intelligence (BI)* and *big data*. Both involve tracking, collecting, and analyzing all sorts of metrics or data points to form a more detailed picture about what's happening in a particular area, such as what items are selling well during a specified time period. You can access this type of information from various sources, and sometimes it's free. One place to turn for high-level sales data on a wide range of product types is Amazon. The mega online retailer moves a lot of products and readily shares which ones are selling best at any given time, and the Amazon Best Sellers list is updated frequently. Using Amazon's list, you can explore any of its product categories to see which individual products are climbing up or down the chain of most-wanted items. Although you can't access specific sales figures, you can see the following information:

- » Numeric ranking of 1 to 100 in the top sellers list
- » Product rating by customers
- » Sales rank by product categories

Within each product category, you can also access a list of top 100 sellers based on subcategories. For example, looking at the Amazon Best Sellers list of Games, in the Toys and Games category, you can sort by the top 100 products. Within the category, you could drill down to something even more specific in this category, such as Games or Learning and Education.

Although this view has limitations, you can still get a good sense of what people are buying because of the amount and diversity of products sold. Part of what makes Amazon a terrific resource for this information is that the mega retailer has more than three dozen product categories from appliances and jewelry to pet supplies and beauty. Within each main category there is also a detailed breakdown of subcategories. This allows you to be specific in your research. And if you dig into the buyer reviews for the top sellers, you can possibly get more granular product detail and why people bought the product or why they like it. Granted, it takes a good bit of time to read product reviews, but the task is worthwhile when you're building an inventory of online products for your business.

HOT TIPS FOR CHOOSING THE RIGHT PRODUCTS

When you're deciding which products to offer for sale online, ask yourself these questions:

- Will shipping the product be difficult? Large, bulky products can add to your shipping woes.
- Will larger products, which are expensive to ship, deter customers from making a purchase online?
- Are you selling perishable food products? If so, do they meet federal food handling, storage, and shipping guidelines?
- Is the product fragile, and does it require special handling?
- How much product does a supplier require you to buy at one time to receive the best price?
- Where will you keep the inventory? Do you have suitable storage facilities, or do you have to pay for (rent) additional space?
- If you have to store the inventory, is it important to you that smaller products, flat products, and information products take up less room?
- If you're making custom products by hand, how long do you spend fulfilling an order? Can you keep up with demand?
- Are you familiar with the product?

Two other popular websites can provide a glimpse of the types of products that are selling well. Etsy (www.etsy.com), an online marketplace for handmade and vintage items and craft supplies, and eBay (www.ebay.com), the online auction site, attract lots of buyers for a variety of products. Both sites are good sources for helping you decide what types of products should be in your inventory.

A third-party site called EtsyHunt (<https://etsyhunt.com>) claims to have the largest database of products sold on Etsy. Using that data, the tool sorts and ranks Etsy stores by total product sales, reviews, and favorites across various time periods. EtsyHunt also provides product sales trends by week and month for best-selling products and those products that are becoming more popular. You can get a view of this data for free to start, and then subscriptions are available for as little as \$4 per month (billed annually). If you are selling on Etsy, the paid version of the tool also has other functionality to help you, such as keyword analysis research and listing optimizers. Even if you don't have an Etsy store, if you happen to sell

similar types of goods — from apparel to home goods — this type of tool could prove to be a good source for beefing up your store inventory.



TIP

Other large online-shopping communities, like Shopify, also provide insights into popular or trending product sales. As of 2023, nearly 5 million e-commerce stores in 175 countries used Shopify to sell its products. That's a lot of data to provide telling insights into what people are buying! While Shopify doesn't reveal specific sales information from its hosted stores, it does often share annual and quarterly trends by categories and growth percentages on its blog at www.shopify.com/blog.

To research a much wider variety of products, you can turn to eBay. The online marketplace mega-giant had 18 million active sellers in 2023, and produced approximately \$10 million in revenue. Although detailed sales and trending product data is not publicly available, eBay sellers have access to some powerful research tools, including Product Research and Sourcing Insights. The Product Research tool shows you the top performing products and other selling trends. It also allows you to analyze competitors and different markets. The Sourcing Insights tool (formerly a third-party tool called Terapeak) provides a more detailed view into the most popular products selling on eBay over a given period of time as well as shows which listings are resulting in sales.

The tool also provides seasonal trend data and pricing recommendations. You can even identify selling categories on eBay where the demand is really high but inventory is low, or what eBay refers to as a “Great Opportunity.” Although Sourcing Insights is designed for current eBay sellers, it is also a source of insightful data for building a sought-after inventory of products for your online store. Plus, the tool is free to eBay sellers with a Basic (or above) subscription, so for just under \$30 per month, it may be worth signing up as an eBay seller to get access to all of these tools and then cancelling the subscription when you have enough data to inform your inventory choices. If you're interested in selling on eBay, you can learn more about starting an eBay store in Book 7, Chapter 3.

Putting Together All Your Research

When you're starting a new business, it's comforting to be able to validate your decisions. That's exactly what market research allows you to do. If your searches show that a potential product or service is in high demand, it's a signal that you're on the right track. Or if you're having trouble selecting products to stock your Web inventory, the popularity listings in your research can spur your imagination.

Some established companies specialize in market research. Their background work is summarized in concise reports that forecast trends and buying behaviors. For the best results, search each company's data bank of reports for titles or topics such as e-commerce, online retailing, and e-business. Although some resources provide free information, others are paid services. Reports can range from several hundred dollars to more than a thousand dollars. For that reason, take extra care to read the descriptions and the date of the report to make sure they have the most accurate and current information for your purpose.

The following companies specialize in market research:

- » **eMarketer** (www.emarketer.com): Specializes in providing data and analysis on trends in e-business, online marketing, and emerging technologies. The site also offers free articles for limited periods, so check it frequently.
- » **Forrester** (www.forrester.com): Offers information specifically about technology and business. Product areas and services include data and research reports, consulting services, and community programs.
- » **Digital Commerce 360** (www.digitalcommerce360.com): Provides a series of guides about top online retailers in the United States and Europe, and offers a complete e-commerce database. These are pay-to-access and usually cost \$2,000 or more per report. Don't worry! Digital Commerce 360 also offers free trend charts, articles, and other types of reports detailing online trends and news. For the best access, you can purchase a membership starting at \$695 (annual fee).

Pricing Your Products

After you decide which products or services you're most interested in selling, it's time to price your merchandise. Having delved into the results of your research, you probably have a good idea of which items have the best chance of selling. However, no matter how trendy or in demand your products are, setting the wrong prices might leave you with unsold inventory. In this section, we take a look at some pricing strategies and considerations to make sure that you move the merchandise directly into your buyers' hands.



REMEMBER

When you're tagging your merchandise, the following factors are the most probable *price influencers*, or factors that affect your sticker price:

- » **Demand:** Whether customers are seeking out your product because it either meets a need or is thought to be a desirable or trendy item.

- » **Competition:** Not only who, but also *how many* competitors you have, and what *prices* they have established for the same or similar products you're selling.
- » **Market position:** How you want your business to be perceived by customers in the marketplace. For example, an upscale store with high-end products might influence pricing strategies in one direction while a larger, warehouse-type of image might warrant a more competitive pricing strategy.
- » **Cost:** How much you pay (your expense) to create or purchase the product before reselling it to your customer.
- » **Profitability:** How much money you want to make each time an item is sold, after you've considered all expenses or costs associated with selling the item.

Product pricing is one of the most critical business decisions you make. Researching all the advice and pricing models offered in textbooks or by economists, however, can leave your head spinning. Keep it simple. The basic number for you to grasp is the product's cost, which incorporates every expense associated with your item, including the wholesale price you paid (the raw costs of materials to make the product); overhead costs ranging from utilities to Internet service fees; commissions; and packaging and shipping costs to deliver the product to your customer.



REMEMBER

Costs or expenses that don't fluctuate are *fixed costs* and are often considered overhead (such as rent). Expenses that might change periodically are *variable expenses*. The price of your product should cover all variable expenses and help contribute toward your fixed costs.

After you understand the cost of what you're selling, you can begin making pricing decisions. Use one of the following common pricing strategies:

- » **Cost-plus:** This method requires you to total the costs of your expenses associated with the product and then add an amount you want to make as profit. The resulting dollar amount represents the pricing *floor*, or the lowest price you should charge.
- » **Value-based:** With this strategy, you're setting a price that reflects the highest amount you believe your customers are willing to pay for the product. Unlike the cost-plus method, this one considers market conditions, such as demand, competition, and the perceived benefits (or value) of your product's features.

For example, if your cost for selling a coffee mug is \$4.50, should you turn around and try to sell it for that same price? No, you have to make a respectable profit. That amount depends on how much you want — within reason, of course. If you

decide that you have to clear \$5.50 on every mug, for example, your price is set at \$10.00 per item (cost-plus pricing).

By using value-based pricing, you might be able to set a higher price based on consideration of other factors. For example, how much are customers *willing* to pay for a coffee mug? In other words, what cost does the market bear? Perhaps, in the case of an Elvis mug, its perceived value is much greater than the perceived value of other styles of mugs. You might be able to sell each mug for \$15.00 or more. Of course, even if your customers are willing to pay that much, they might find a better deal elsewhere. Your next consideration is to find out how much your competitors are charging for the same or similar products. If \$9.99 is the top price on other sites, it might be unreasonable for you to expect to set a much higher price.

Now that you have the basic information needed to determine a baseline price for your product or service, you have to consider one more factor: your inventory.

Building Your Inventory

Choosing the best products and prices for your online business is certainly an important factor in starting your new business. You have to consider another issue too: Exactly how much inventory you should keep on hand, or how many different products you should have available for sale. The answer depends on not only the type of products you're selling but also the type of business strategy you want to execute.



REMEMBER

Savvy online shoppers are accustomed to an endless array of choices because they can easily jump from one website to another. These customers are quick to make a decision about whether your site's inventory meets their expectations.



REMEMBER

To keep the attention of most online shoppers, have a clear strategy for the type and amount of product you choose to offer.

We don't mean that you have to carry hundreds, or even thousands, of products to find success online. But you can follow a few distinct strategies for building an appropriate online inventory. Each one comes with its own advantages and disadvantages, as discussed in the following sections.

Stocking up as a low-price leader

Competing based on price can be a tricky situation, although it's certainly one option for an inventory strategy. If price is the primary decision-making factor in whether your customers buy, keep this advice in mind:

- » **Provide many choices.** Offer lots of choices. Your customers are looking for good deals, and might not even have a specific item in mind when they're shopping. You have to stock up.
- » **Change products often.** Another consideration with this type of inventory is how often you need to change out products. Even if your site doesn't see large volumes of traffic, returning customers expect a revolving inventory. If they discover that your inventory stays pretty much the same after several return visits, they'll stop coming back.



REMEMBER

To help avoid the *click-through syndrome* (customers quickly view all your products without stopping to make a purchase), make sure your site offers a large variety of products that are rotated or switched out often.

Becoming all things to all people with trial-and-error inventory

This strategy is a category that swallows up many first-time online entrepreneurs. You don't truly have a strategy. Instead, you end up offering a little bit of everything, until you can form a better idea of what sells. This trial-and-error method, often referred to as offering a *chaotic* variety of products, can be cumbersome but necessary. To reduce stress and quickly try to find the best products to keep in stock, consider these tips:

- » **Showcase a variety of products but in limited supply.** Nothing is wrong with offering a large variety of products. To keep expenses and storage issues to a minimum, maintain a relatively low level of inventory on all products.
- » **Rotate featured products often.** Because you're testing the waters with customer preferences, highlight different products daily or weekly. Featuring or spotlighting select items helps you quickly narrow which products your customers respond to most.
- » **Track your results to find out inventory needs.** You want to see which types of products your customers respond to most, so maintain thorough sales records. After you have more information about your visitors' buying habits, you can begin scaling down the number of products and adjusting your inventory to provide a better selection.

Specializing with limited inventory

Specializing in a field usually leads to the best inventory strategy. And doing so provides the most likely chance for success when you're building your online business. You might decide to deal exclusively in English teapots or maintenance supply parts for the army. Artists and craftspeople are usually in this category, too. They typically work in only one medium, such as black-and-white photography or high-grade wood carvings. If specializing sounds like your cup of tea, consider the following advice when building your inventory:

- » **Offer a select number of products.** Focus on the quality or uniqueness of the products rather than on mass quantity. You can afford to keep relatively low levels of inventory, as long as you're always searching for new items to replenish your stock.
- » **Position yourself as an expert.** Because you deal in a narrow type of product, visitors are more likely to seek you out for your expertise. You can keep inventory levels low and charge a finder's fee or consulting fee to help customers locate similar products on request.



TIP

Keep inventories low and establish an active network with others for quickly locating similar products. Being able to direct customers to other resources, or locate special pieces in a timely manner, provides a valuable service that can also keep customers returning to your website.



TIP

If you're an artist selling handmade goods or crafts, you can test market conditions by first selling on Etsy. With this strategy, you don't have to invest in your own full-scale e-commerce website with lots of inventory. Or you can maintain an Etsy shop in addition to your full website, and test new inventory on Etsy.

IN THIS CHAPTER

- » Planning the logistics of your operation
- » Setting up an in-house fulfillment system
- » Outsourcing your shipping area to someone else
- » Learning the rules of shipping and handling
- » Maintaining your information as you pack up and ship out

Chapter 6

Fulfilling Expectations and Orders

Setting up your online business can be full of excitement and milestones. The true payoff, though, is best realized when that first payment rolls in for something you sold. Seeing an electronic payment receipt or deposit right in front of you helps cement the idea of what you're doing and provides validation of the business you created. Even though you may feel satisfied when you see the money, don't think you're done.

After the order is completed and the payment has cleared, you still need to handle one area of the sale. *Fulfillment*, or filling the order, is simply the practice of delivering the product to the buyer after payment has been received. In a retail store, fulfillment is easy: You hand your customers a shopping bag with the purchase and the sales receipt, and they walk out the door. In an online business, you need to perform a few steps to make order fulfillment happen. Thankfully, with all the advances in Internet technology and shipping services, achieving this goal is easier than ever.

Of course, planning for order fulfillment doesn't start when the money comes through your door. In this chapter, we talk about the elements that can affect fulfillment, starting with how you set up your business. We talk about strategies you can implement to handle your product storage and organization, and how to pack and ship your items. In some cases, the best step you can take is to turn shipping over to another company and pay it to deliver your products to the right customers.



REMEMBER

The moment you receive that payment, the clock is ticking and your customer is eagerly awaiting the item. A customer who experiences a bad fulfillment process will remember nothing else about your business, even if your website is well designed and the ordering process was easy to complete.

Figuring Out the Logistics of Shipping

How do you set up the entire flow of your business? Start by thinking about the operations and daily tasks that make your business work. Then lay out everything and decide how the business can best operate. To help you plan all these tasks, ask yourself these questions:

- » Does my online business operate from my home or a dedicated office space?
- » Should I buy products for resale or have someone else ship the goods?
- » Does a physical store or presence have to work with my online business?
- » How many employees need access to the merchandise and system?

Track the flow of one of your items for sale from beginning to end:

- » Receive the product from your supplier.
- » Prepare the product for sale.
- » Store the product while it's up for sale.
- » Pack the product after it's sold.
- » Ship the product after it's packaged.

Think about when and where these events take place, so you can plan the logistics of your business. *Logistics* simply refers to how you manage the operations of your business. You might need to dedicate a room in your house, or you might need to coordinate products and shipments through a warehouse that has different vendors and manufacturers.

The key is to set up a model that fits your business. You have no reason to buy an expensive software inventory program if you sell 10 or 20 items per month. Likewise, don't expect to run a multimillion-dollar venture with a pencil and pad of paper. Choose a system that lets you know at any given time where your inventory is in the process, whether it's receiving, photographing, listing, packing, or shipping.

Developing an In-House Fulfillment Model

Many small businesses take care of their own fulfillment, which means that they pack and ship their own products and send them out the door. Doing so allows these businesses to control the quality of their shipments so that they know that their customers are being served. Typically, doing so makes sense: Because the inventory is on-site, orders can be packed at the source and sent out rather than relayed to some far-flung warehouse.

Setting up an in-house fulfillment model requires first having enough inventory on hand and available at your location. In the beginning, you need to estimate orders and decide how many different products to carry in your store. Be sure to have enough on hand to fill initial orders. After you're in business a while, you'll know from your average order level how much inventory to have. After you know how much inventory you need to have in stock, you can plan for the space required to hold this inventory.



REMEMBER

Don't let a lack of available space be the reason that you don't carry more inventory. Different fulfillment models, both in-house and outsourced, allow you to hold more products than your current available space allows.

Your relationships with your vendors help determine the amount of space that's required. If you receive shipments in batches, make sure that you have enough space available to take in a shipment and hold it until sales for that order come in. If you have a responsive vendor that can ship items in a just-in-time approach, your space requirement can be much lower.



TECHNICAL
STUFF

In *just-in-time* inventory management, vendors deliver their products to you just before you need them for listing or shipping out. If you're receiving shipments just in time, you don't need to have a big warehouse to store upcoming orders. However, if your just-in-time vendor is late with a shipment, you have nothing to sell or send out to your customers.

If the space you require is more than the available space at your location, either look at temporary storage, such as a storage locker, or rent dedicated industrial or

warehouse space for your inventory. If you acquire additional storage away from your location, make sure that you keep at least one sample of each product close at hand, so you can take photographs, write descriptions for your website, and refer to the item when necessary to answer customers' questions.



TIP

If you rent a storage locker to hold inventory, ask the management team whether it can accept packages for you and place them in your unit. This way, you don't have to be present when your shipments come in or worry about sending them to storage from your home.

After your space requirement is resolved, think about labor: Who will pack and ship your products? The number of orders to be packed and shipped can help determine the number of fulfillment workers required. If you're packing only a few orders a day, you or one of your employees might handle the task. As the number of orders continues to grow, consider hiring a dedicated employee to perform the fulfillment or reassign someone to focus only on fulfillment.

Deciding to Outsource Fulfillment

Most people have a passion for the businesses they want to create. Whether someone is turning their knowledge of, and experience with, a hobby into a business or solving a need and providing a product that people want, a business owner dreams of turning a business idea into a reality. A business owner usually doesn't dream, however, of a massive shipping-and-warehouse operation (unless that person is in charge of UPS or FedEx). Therefore, many business owners choose to outsource their fulfillment operations to someone else so that they can focus on the most important element: their businesses. After all, just because you're good at selling widgets doesn't mean that you're good at packing and shipping them.

Contrary to popular belief, you don't need to have a Fortune 500 corporation to outsource fulfillment. Small businesses around the world outsource this process. This action not only reduces the amount of space you require but also frees you and your employees to work on other aspects of your business.

Enter the *fulfillment house*, a business whose sole job is to handle the packing and shipping of other people's goods. By grouping multiple clients' shipping operations, a fulfillment house can employ fewer people to handle the volume of goods than individual companies who hire their own staffs. These fulfillment companies create state-of-the-art, computerized inventory-management systems and train their employees to be efficient in this process.

Outsourcing companies also offer specialized and enhanced service in these other areas that affect your business:

- » **Customer service:** Every time a customer calls to ask a question about an order, make a special request, or have a product returned, someone has to handle the call. Fulfillment houses typically employ their own customer service teams to manage these calls. The houses worry about hiring, training, and maintaining the calls and about handling the request so that you don't have to.
- » **Reporting:** As your business grows, you need to keep track of how many orders go out for each product line and then analyze that data. Most fulfillment houses have some sort of tracking and reporting capability built into their systems so that they can deliver reports and let you know what's going on, to help you plan for your next phase.
- » **Scalability:** Suppose that you operate a seasonal business, such as stocking Christmas gift items, and you have to quickly grow and expand your inventory space to meet demand. Doing it yourself means worrying about reserving temporary space in September that you need to give up in early January. If you use a fulfillment service, you can draw on its resources and let it worry about finding the space. If your business grows quickly, a good fulfillment partner accommodates that growth easily.

Finding an outsourcing partner

When you're ready to outsource the fulfillment process, you're probably wondering what the first step is. Your first inclination may be to open a Google search window and type in "outsourcing," but then what do you do when you see millions of search results? Every business magazine and talk show discusses the effect of outsourcing for bigger corporations, but what about small businesses? Some outsourcing companies are targeted to small-business accounts, especially online businesses.

After all, these companies know that if they can pool several inventories of small businesses, they can manage those accounts with a smaller team of trained personnel and one warehouse. In other cases, your outsourcing partner can be a similar business that has its fulfillment process down to a science and has decided to use that expertise to make money for other companies by solving their fulfillment headaches.

OUTSOURCE SOME AND KEEP THE REST

Many online-business owners dive into the fulfillment outsourcing question by giving up only a part of the fulfillment process and keeping the rest in-house. After all, their business reputations are on the line. Start with a test situation (one small function), and see how your outsourcing partner handles it.

Consider hiring a college student to help you a few times a week to pack and ship orders. It's a quick way to bring on some additional help and free up some of your time. If things work out with the student, you can bring them on board for more hours per week. Additionally, you can hire more students or part-time help and soon have your own shipping department filled with extra help.

As you look for a fulfillment partner, keep a few guidelines in mind:

- » **Know your budget.** Some companies can complete a part of your fulfillment process, and others assume control of your entire shipping department. Know how much you can afford to spend, to guide yourself to a partner that's right for you. Understand that you're saving employee labor time and salary when you're outsourcing your fulfillment, so factor those into your budget.
- » **Shop around.** Just like shopping for any other type of service professional for your business, get two or three estimates. Develop a feel for the service levels each offers, and see whether one company is willing to match another's price.
- » **Factor in all the costs.** You can easily see a price quote from a company and think that it shows the total cost. Before you sign anything, make sure that you understand all the requirements you will have to provide to the fulfillment partner and factor in all the costs. One quote might be cheaper because your company is still handling part of the fulfillment process, for example.

When you're ready to look for a partner, start by asking around: Ask your vendors, manufacturing partners, and even fellow business owners in places such as Chamber of Commerce get-togethers, small-business workshops, and online forums. Internet searches on Google and Yahoo! will turn up lots of leads, so do your research. See what other business owners say on message boards and in forums.

Here are some Internet companies to get you started:

- » **eFulfillment Service:** www.efulfillmentservice.com
- » **ShipBob:** www.shipbob.com

- » **ShipNetwork:** www.shipnetwork.com
- » **Strategic Fulfillment Group (SFG):** www.sfgnetwork.com/business-solutions/ecommerce-fulfillment

Look for a company that specializes in your area (such as ShipBob for e-commerce) or provides the reporting features you need, such as eFulfillment Services' Fulfillment Control Panel system.



TIP

You can even turn your shipping company into your outsourcing partner. UPS Supply Chain Solutions, for example, helps businesses around the world coordinate their supplies, orders, and product flow. The company's range of supply chain services and business technology services help take care of your fulfillment headaches. Go to www.ups.com/us/en/supplychain/Home.page for more information.

Establishing your outsourcing relationship

After you find the outsourcing partner you want, it's time to create an agreement and determine the terms of your relationship. You have to agree on terms such as service level and the rate of customer response. You need to know how quickly the company ships your products, what materials it uses to pack them, and how quickly it responds to customer requests.

Here are the factors in this relationship that should concern you:

- » **Reputation and service level:** Even though the outsourcing company is doing the work, *your* name and reputation are on the line with your customers. If something goes wrong, guess who gets blamed? Yep, you do! Make sure that your partner is willing to commit to a service level that doesn't embarrass you or annoy your customers.
- » **Scalability:** As you grow, your outsourcing partner must be able to grow with you. After all, you're turning to your partner to smoothly handle a part of your business so that you can expand the operation. If the company is struggling to keep up the pace of your business, you run the risk of your whole operation falling apart.
- » **Experience:** Your outsourcing partner's management team needs to have the right experience in the right areas to lead that company. You're paying for experience, so make sure that team members are well versed in controlling
 - Back-end computer systems
 - Customer service

- Inventory management
- Logistics

» **Subject matter knowledge:** A product is a product is a product. It helps, though, to find a partner that can understand your specific product line, whether it's computer chips or dried fruit. See whether this partner has ever handled an account similar to yours and understands some of the nuances of your product line, to better anticipate any problems or questions that might arise.

Operating with an outsourced fulfillment house

When you're ready to start working with a fulfillment house, don't just sign the lowest-price contract and begin transferring inventory to it. You need to talk about how your relationship will work, what expectations you have for the company, and — believe it or not — what expectations it has of you. After all, even though you might have hired the fulfillment house to do “all the work,” you, as the client, still need to provide these items:

- » **Inventory:** Most fulfillment houses take on your inventory and warehouse it at their locations. Decide how much inventory to transfer, when to do it, and when and how replacement inventory should funnel in. Make sure that you carefully assess your inventory before it leaves your business, and double-check the inventory list when it arrives. Some fulfillment companies provide the trucks and labor to move inventory; others need you to make the arrangements.
- » **Order information:** When orders come in, find a reliable and automated way to move that order information over to your fulfillment house. Depending on how you capture orders and which computer systems your fulfillment house uses, you can transfer orders as they occur or as a group of orders every day (in a *daily batch*). In some cases, you can have the fulfillment company operate the order-collection part of your business so that the order goes directly from the customers' computer screens to the company's databases.



REMEMBER

If the fulfillment house is taking your orders, make sure that you receive a detailed report containing all customer data and order information. After all, customer orders are the building blocks for a customer list that helps your business thrive.

- » **Payment:** Fulfillment houses don't pack and ship your orders out of the goodness of their hearts, so they need to get paid. You have several options for handling this cost:

- Build the extra cost into the shipping amount of your orders, and have that money transferred each time the company fills an order.
- Instead of transferring money each time an order is filled, have the company invoice you for a couple of months' worth of orders as a reserve or retainer. (You may be required to pay a reserve amount anyway to cover initial orders.) As you see the costs accumulate, you should begin to estimate the monthly cost better and can arrange payments that better fit the cash flow of your company.
- If the company is taking your orders and payment, it can keep its portion of the shipping amount and pay you for the goods it ships out.

After a certain length of time, you should receive a report detailing the activity your fulfillment house has performed. Never just file the report without looking it over. This report gives you a revealing look at the flow of your business and shows you how products are moving out the door. If you're concerned about the quality of the fulfillment house's work, compare the ship dates of those orders to the times you received them, and calculate how quickly this company is processing your business orders.

As your inventory level goes down at the fulfillment house, you need to have an event that triggers the transfer of more inventory. This *inventory replenishment level* is the point at which the inventory on hand is projected to drop to zero before the next delivery from your business would usually occur. Many fulfillment houses can help you calculate this number because they use sophisticated computer tracking systems that monitor shipment levels and predict how long it takes to ship all inventory in their possession. They usually factor in some time to cover unexpected delays in inventory transfers or unusual bumps in your orders. When you negotiate this cushion of products with your fulfillment house, choose a level that keeps orders flowing but doesn't back up the warehouse.



TIP

If your fulfillment provider is far away from the location of your products, calculate the cost of transferring inventory versus storing that inventory at the warehouse. Reducing a long, expensive inventory transfer by one per year can save you more money than the storage fees you pay at a warehouse.

Assessing the quality of the fulfillment work

When you get a sense of the quantity of work that your fulfillment partner is performing, look at the quality of its work also. Most important, determine whether your customers are happy with the packages they receive. Were the items well packed? Did packaging materials withstand the pressures of being shipped

cross-country? Did your customers receive their orders in a reasonable amount of time?

The easiest way to find this information is to provide a phone number that your customers can call to report any problems. In some cases, the fulfillment house can also be your customer service partner. This way, if a problem with a customer's order occurs, a fulfillment person can go into your inventory on-site, pull a replacement set of products, ship it immediately, and let the customer know that the replacement is on its way. Make sure that you receive a monthly report of any customer service calls, and see whether that number goes up or down.

You can also go one step further: Rather than wait to hear whether a problem has occurred, reach out and ask your customers in the form of a survey. You don't want to bother them too much, but sometimes a simple survey packaged into each order can elicit some helpful feedback. Give prizes (such as gift certificates) or guaranteed discounts (such as free shipping on future orders) to customers who respond. You can partner with a company such as BizRate Insights (www.bizrateinsights.com) that coordinates online surveys of customers and gives you the results. This way, you can uncover any problems before they get out of control.

If you notice a problem, talk to your fulfillment partner. Be direct, not confrontational. Find out the cause of the problem, see whether it can be fixed, and inquire about how your partner will ensure that it doesn't happen again. You can never prevent all problems, but you can help make sure that they don't happen as often.

Shaping Up and Shipping Out

The immediate gratification that customers feel when they order something from your business applies also to the fulfillment of those orders. Customers want to hold a product in their hands as soon as possible, and some customers are willing to pay even more to receive their order faster. Customers often have a favorite shipping carrier, or a carrier that they don't want you to use.

When those same people hear the term *shipping and handling*, they usually envision you performing these basic steps:

1. Pull an item off the shelf.
2. Put that item and a packing slip or invoice in the box.
3. Add packing material to fill up any empty space in the box.

4. Seal the box with tape.
5. Put the customer's name and address and your business return address on top of the box.
6. Ship the box.

Even though these steps demonstrate the basic flow of the shipping process, you can make it happen in many ways. If you're handling the shipment of your business orders, you can take advantage of some existing systems to make your life easier.

Giving your customers shipping options

In the end, the best way to satisfy both your business goals and the customer's shopping goals is to offer multiple shipping options to your customers.

Giving customers options can mean that you offer a variety in

- » **Shipping carriers:** You're willing to ship something by using FedEx, UPS, or the U.S. Postal Service.
- » **Shipping methods:** If your only carrier is FedEx, for example, customers can pay for Next Day Air, 2-Day Air, or Ground (with an average delivery time of one or two weeks).
- » **Order mixing:** A customer who orders multiple items can choose which items get which type of shipping. For example, a customer who orders a heavy computer system and a light book about computers can have the book delivered to start reading the next day, and have the heavy computer system delivered by ground in two weeks.

When you offer customers these options, you (as either an in-house or outsourced business) have to be ready to use each service whenever it's needed. You have to know the common rates and link to their websites to find updated pricing quotes based on different weights and sizes. You also have to update your shopping cart with these different options so that customers can pick and choose.



REMEMBER

The rewards of these efforts are best expressed in terms of customer satisfaction. Giving your customers shipping choices is like giving them product choices; they feel more in control of the shopping experience and that your business is willing to cater to them. Often, an online business charges a flat fee for the lowest shipping rate and slowest delivery service. Although that strategy might work for some customers, you're missing the customers who need items immediately or by a guaranteed date.

The best example of the power of multiple shipping options is Amazon. To spur sales, it offers free shipping if you spend at least \$35 on an order, and it ships items with its own fleet of delivery options. However, customers can specify all or part of their orders to be sent a certain way, and they can pay the appropriate rate for either faster shipping, such as Next Day Air or 2nd Day Air, or to bundle a week's worth of orders to ship out on a single day, for example.

Creating online postage and labels

One of the best developments in Internet technology over the years (especially if you're in the fulfillment field) is being able to print postage from your computer and create your own shipping labels. Although you can still stand in line at the post office, now you can prepare packages at home or at your business and drop off addressed packages with your carrier.

If you need to buy postage for various sizes of letters or packages, you can print postage by the package or join a service such as Endicia and pay a monthly fee to print all the postage you need. You sign up for an account and provide a credit card number. When you print postage, these services charge your account and send to your printer a special coded label that acts as your stamp. Every month, you pay for only the stamps you print.

Here are some of these services:

- » **Endicia:** www.endicia.com
- » **Pitney Bowes:** www.pitneybowes.com
- » **ShipStation:** www.shipstation.com
- » **USPS Click-N-Ship:** cns.usps.com/labelInformation

For example, rather than print the stamps for a customer's order, you print a pre-paid label that has all the customer's address information, your return address, and the postage paid. You stick this label at the top of the package and hand off the package to the shipping company. Every month, your account is charged for the shipping costs of all the labels you prepared. As your business grows, you can invest in a thermal label printer that is more efficient and less costly on a monthly basis to operate. Some of the top brands, as of this writing, include DYMO, Zebra and Brother.

Virtually every big shipping company can now generate these shipping labels from their websites, including FedEx, UPS, and the U.S. Postal Service. You simply log in to a company's website with your account number and then start specifying customer addresses and the weights and dimensions of each order.



TIP

If you're using these online shipping tools to create labels, invest in an accurate scale that measures as close to the ounce as possible. Make sure that the scale's capacity can accommodate a large order. If you're selling only light items, such as stamps and coins, a scale that measures by the ounce, up to 25 pounds, is fine. If you sell electronics and computers, buy a scale that can measure up to 150 to 300 pounds instead.

Having items picked up for delivery

After you do all the work to prepare your packages, they still have to move from you to your shipping company. In the past, you had to load your car or company van, drive down to the shipping company's office, fight for parking, and then stand in line to unload your vehicle.

Almost all the big shipping companies now come to you to get your items:

- » **U.S. Postal Service:** If you print your shipping labels in advance and pay for your postage online, a postal employee can pick up the item on their normal route. When you schedule a pickup, someone picks up all your Express Mail and Priority Mail packages in a 2-hour period that you specify.
- » **Other carriers:** Carriers such as UPS and FedEx work more on demand. If you're receiving a package from one of these carriers, you can hand off your completed packages when the driver arrives, but you have to know that the shipment is coming. For business accounts, these carriers typically offer weekly or daily pickup, based on the needs of your business. If you have a low-volume account, you're charged for this feature, and the rates vary. Depending on how many orders per month you can guarantee, however, one item you can request during your account setup is a free daily pickup. Ask your shipping company for more details.



TIP

If you're printing labels online for a given company, you can usually ask for a pickup when you create the label.

Shipping international orders

Customers around the world are communicating with each other instantaneously by using the Internet, cellular data networks, and smartphones. These methods have allowed online businesses to reach millions of new potential customers. Shipping companies have responded by beefing up their international shipping options, which gives you more options for servicing your customers.

The only U.S. shipper that reaches most countries in the world is the U.S. Postal Service. The U.S. Postal Service offers air-mail service, which can take at least a week to reach its destination country. Although the USPS offers insurance for packages to most countries, it typically doesn't provide any tracking capability. The only service it offers that guarantees a tracking number and insurance is its Priority Mail Express International service, which is expensive.



TIP

To see a list of countries and services that the USPS delivers to internationally, go to pe.usps.com/text/imm/immctry.htm.

If you want to use UPS, FedEx, or other carriers to ship packages, you have to send them by some form of air mail, which can be quite expensive for heavy items. Although these services automatically issue tracking numbers, in some cases their tracking capabilities end when the packages enter their destination countries. Each country also places specific limits on package weight and dimensions. Consult each company's website for specific information about country-specific limits.

In all cases, you're required to fill out a customs form to document the following information about an item:

- » The country of origin
- » The quantity
- » An item description
- » The value of each product in the package

In some cases, the destination country requires you to complete a certificate of origin or a signed affidavit that certifies the origin country of an exported item. Some countries also require that you

- » Have your goods inspected by an independent, third-party organization
- » Include a certificate of inspection with your label and customs forms

For more detailed information on how to send large shipments overseas, consult the International Chamber of Commerce website (<https://iccwbo.org>).

For smaller shipments that you send directly to customers, you typically need to classify your shipment in one of five categories:

- » **Commercial sample:** Samples or free product trials
- » **Documents:** Catalogs and paperwork

- » **Gift:** Products that customers didn't pay for
- » **Merchandise:** Products you are shipping that they ordered from you
- » **Other:** Most other types of shipments



WARNING

An international customer might ask you to classify a package as a gift and specify a lower amount for the value. Be aware that you can insure a package for only the value you state and that falsifying a customs document can result in fines and penalties levied against you and your customer.

Maintaining the Backend

As you expand your business, keep track of how your fulfillment operation works so that it can grow with your business. Investing in good recordkeeping enables you to not only provide customers with tracking numbers and copies of invoices but also see what's working and what's not so that you can make necessary improvements.

Deciding on a database

You have several choices for storing your business information. Many online businesses create one or more databases to store these types of data:

- » Customer information
- » Order information
- » Payment information
- » Product information

Sometimes a business owner chooses a database solely because it can “talk to” the shopping-cart or website software that the business uses. At other times, the database was installed first and the business owner wants to ensure that all other products can communicate with it. Other small-business owners organize their information by using spreadsheets in a financial program such as Microsoft Excel.

The key for you is that your database — in whatever form — needs to be accessible and searchable. You and your employees need to be able to see your data easily. You use your database to answer questions about your business (such as “How many customers do we have?” or “Which orders are ready for shipment?”)

or “Who still owes us money?”) and to store information about how your business is doing financially.



REMEMBER

Your order-information database should list not only the products that someone ordered but also these items:

- » Carrier name
- » Internet link, if possible, to monitor the shipment
- » Invoice number
- » Order-packing date
- » Shipment date
- » Tracking number

As you're setting up your business, here are some questions to help you determine which database program to use:

- » Is a database program in your budget?
- » Which programs work well with your other software systems, such as your web server or electronic shopping cart?
- » How many people need access to the database? Are all the people in one building (or on one internal computer network), or are they spread out around the world?
- » Which software programs do you have access to?

Using handheld scanners and bar codes

Inventory tracking is a process that even a small online business can afford to implement. You don't have to be Walmart or Home Depot to use technology to help organize your inventory. You just have to spend some time setting up the equipment and codes to make it work. You can use handheld scanners (or newer smartphones that support the RedLaser app, such as the Apple iPhone) to read bar codes identified on your products to help keep track of your overall product inventory.

Here's how inventory tracking works:

- 1. Make sure that each individual product for resale has some sort of bar code on its box.**

The bar code can be either the Universal Product Code (UPC) that comes with the product or one you provide by using an inventory-management program.

2. **Decide where in your warehouse or inventory area you want to store the product.**
3. **Scan a special bar code that represents the shelf or rack number.**

Use a handheld scanner (like the ones used in grocery stores or by delivery personnel) or a smartphone equipped with the RedLaser app and an inventory app.
4. **Scan the bar code of the product.**
5. **Sync your scanner and inventory-management software.**



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Syncing occurs when two sources of information “talk” to each other electronically to ensure that both sources have the same up-to-date information.

Developing a shelving inventory system

Many online businesses buy industrial-strength racks and shelving systems for organizing their products. You can find these systems at most hardware stores, such as Home Depot and Lowes, for a couple of hundred dollars apiece (with some assembly required). After you buy and set up these racks, label each shelf properly and start storing your products on these shelves. Then, whenever you need a product, you can just walk over to your shelves and look to find the product you need. If you keep similar items together, locating and retrieving the product you need is that much easier.



TIP

Some popular ways of organizing your shelves involve grouping items by category, size, or color on one shelf or in one area. Keep different items that look similar far away from each other so that you don’t mistakenly grab the wrong item for order fulfillment.

Feeding orders into the shipping department

You might think that when you receive an online order, red lights should start flashing and sirens should sound to announce its arrival. Although that level of drama isn’t necessary, you need to make sure that your orders are being properly funneled to your shipping area so that they’re packaged and sent in a reasonable length of time. You can

- » **Print orders from a printer automatically.** Then, whoever is in charge of fulfillment can grab the printout and start pulling the inventory.
- » **Print manifests or invoices (known as *pick-and-pull sheets*) from the preceding day's orders.** Items are picked off the shelves in your warehouse area and pulled into the packing area.

If you're outsourcing your fulfillment operation, you can specify that customers receive an email every time they place an order. A duplicate of that email is sent to a specific email account for new orders at the fulfillment house, and the employees monitor and print an order every time an email is received or print a batch of email at certain times during the day.

After an order is prepared and packed, the last pieces of information to capture on the backend are the package shipment date and tracking number. If you're using online postage creation tools, that information is already captured. If you're creating your own postage and labels, be sure to keep a copy of every tracking number and shipping date and then feed that information into your order database.

5

Managing Security Risks

Contents at a Glance

CHAPTER 1:	Understanding Security and Your Risks	285
	Legal Responsibility: The Merchant and the Customer.....	286
	Keeping Your Website Secure.....	290
CHAPTER 2:	Developing a Plan: Security and Business Continuity	293
	Making a Plan.....	294
	Creating a Budget for Your Plan.....	304
	Finding Security Resources.....	305
CHAPTER 3:	Spotting and Thwarting Bad Actors, Hackers, and More	307
	Fending Off Attacks.....	308
	Deterring Bad Actors.....	310
	Avoiding Common Threats.....	312
	Keeping Your Domain Name Safe.....	314
	Staying Away from Scams.....	317
	Mobile Security Risks.....	322
	Understanding How a Wireless LAN Works.....	323
	Establishing Barriers.....	326
CHAPTER 4:	Locking Down Your Site and Your Business	329
	Protecting against Personal Data Loss and Credit Card Fraud... ..	329
	Backing Up Your Data.....	334
	Adding Firewalls.....	335

- » Recognizing your liability
- » Establishing written guidelines
- » Setting up secure ordering
- » Gaining third-party approval

Chapter 1

Understanding Security and Your Risks

Internet-related fraud cost consumers and businesses \$37.4 billion in financial losses in the five-year period from 2019 to 2023, as reported by the Internet Crime Complaint Center (IC3), which is a joint effort between the Federal Bureau of Investigation (FBI) and the National White Collar Crime Center that was established to track cybercrime. Founded in 2000, the government-based organization receives more than 750,000 complaints from U.S. consumers each year, or approximately 900 complaints every day. These complaints represent only a small percentage of actual incidents, as most go unreported, according to the IC3.

As both a consumer and an e-commerce merchant, you are vulnerable to becoming a victim of cybercrime. Each year the IC3 receives a large number of complaints involving identity theft, extortion (including ransomware attacks), data breaches, and nondelivery of payment or merchandise, including credit card chargebacks. Complaints from both buyers and sellers continue to grow. Technology has advanced to help protect against fraud, and both consumers and merchants are doing more than ever before to combat fraud. Unfortunately, e-commerce continues to breed opportunities for online thieves in areas that include credit card fraud, phishing scams, personal and business email scams, identity theft, and personal data breaches.

In recent years, it has become almost commonplace to hear news of large-scale security attacks and data breaches from all types of businesses and organizations, including retailers such as AT&T, credit card companies such as Capital One, and even from financial and credit monitoring companies, such as Equifax. Even the IRS has fallen victim to a major security breach that exposed the personal data of millions of U.S. taxpayers. In each case, some type of malware or intentional online breach was suspected in the compromise of customers' credit card data, Social Security numbers, and other valuable, personally identifiable information that translate into estimated financial losses in the billions for each incident. The 2024 AT&T breach impacted 73 million current and past customers. By comparison, the 2017 Equifax breach is considered one of the largest in the United States, affecting more than 150 million people. In 2019, the company finally settled investigations from federal and state agencies and agreed to pay nearly \$700 million in claims to those consumers impacted (with some eligible for as much as \$20,000 each). It's not only the "big guys" that have to pay the price of a data breach. Any type and size of merchant (and its customers) is susceptible to cyber-related crime. The burden *always* falls on you, the online-business owner, to provide a safe, secure shopping environment for your customers while protecting both your customers and yourself from potential financial losses.

In this chapter, we talk about what you can do to keep your customers as safe as possible so that they continue shopping with you.

Legal Responsibility: The Merchant and the Customer

As the owner of your business, you're responsible for protecting not only your data but that of your customers as well. With identity theft and fraud continuing to rise at alarming rates, credit card companies and regulatory agencies are saddling e-commerce merchants with the bill (including shipping fees and the costs of the goods). You can prevent your customers from being victims of identity theft and fraud — and stay in business yourself — by being vigilant about the credit card payments you accept and keeping your customers' information as private as possible.

Avoiding chargebacks

Most of the time, fraud comes in the form of *chargebacks*. Customers using credit cards and other online forms of payments (that access credit cards and bank accounts) can request that charges be removed. The Fair Credit Billing Act (FCBA) allows consumers to dispute purchases.

A customer can request that a charge be removed for two reasons:

- » The card is stolen or otherwise used without the legal cardholder's permission.
- » The customer doesn't believe that you fulfilled your obligation in delivering the product. (You either didn't deliver it or delivered a different product from what you promised.) Mistakenly delivering an incorrect product isn't a true case of fraud, but it does lead to chargebacks. It becomes fraud if you did indeed ship the correct product but the customer insists that you did not. Often referred to as "friendly fraud," the purposefully deceitful act represents the largest portion of e-commerce chargebacks.

Chargebacks happen frequently, and proving a customer wrong is difficult — and expensive — for an online business. Online fraud is rising nearly 30 percent year over year. A report from MasterCard and Chargebacks911 estimated 238 million chargebacks in 2024, with an average transaction value of \$76. When you add in all costs associated with a chargeback, the total loss is over \$54 billion! Because you simply don't have the same ability to authenticate or verify a cardholder's identification as you do in a bricks-and-mortar environment, you get stuck not only with the cost of the merchandise, but also the shipping fees (possibly), and the processing fee that your credit card vendor charges for every transaction. Those amounts add up quickly. Another concern lies in the fact that fraud prevention is advancing in traditional retail stores with the increased use of EMV or "chip" technology in credit cards and debit cards. Many industry analysts anticipate these renewed efforts to prevent offline theft will drive fraud attempts away from bricks-and-mortar stores and toward online stores.

It may seem like a gloomy time for the e-commerce landscape, but don't despair! Being educated about online fraud is the best way to fight it. Fortunately, you can minimize your risk of excessive chargebacks. To avoid them, use some basic security strategies for your site:

- » **Verify the cardholder's address.** Credit card merchants offer an address verification service (AVS) that compares the billing address a customer provides with the cardholder's name. You're notified immediately if the billing address and name don't match the information associated with the account. You can also make this comparison manually if AVS protection isn't included with your online merchant account.
- » **Get the card verification value.** When you're completing an order from a customer, make sure to ask for the card verification value (CVV2). Because this set of numbers appears only on the customer's credit card, the customer must have physical access to the card to see the numbers. This set of

numbers appears as four digits on the front of an American Express card or as three digits on the back of a Visa, MasterCard, or Discover card.

- » **Use 3D Secure.** The 3D verification process is just as it sounds. It uses multiple sources to help identify the validity of the payment method for an online transaction. Online merchants have hesitated to use this approach in the past because it requires the consumer to leave the merchant's website for a moment and validate the payment on a third-party site, such as that of the credit card issuer (Visa or MasterCard). This interruption to the purchase process is thought to contribute to shopping-cart abandonment. However, improvements have been made to the verification process, making it less cumbersome to the buyer when checking out.
- » **Process only approved transactions.** If a card is declined for any reason, don't process it. Although this advice seems obvious, you might be tempted to believe that the message is a mistake and try to process the order anyway.
- » **Scrutinize email addresses.** Always ask for a customer's email address at the time of purchase. If the address looks suspicious, don't hesitate to call the customer and verify the order.
- » **Be wary of excessive orders.** Buyers using stolen or compromised credit cards sometimes purchase extremely large orders or purchase several units of the same item. Call the number on the billing address to verify unusual orders.
- » **Maintain good records.** Keep copies of an online order transaction, verification emails, and records of any other communication you might have with the customer.
- » **Keep your end of the bargain.** If you experience a delay in shipping the product or the product is out of stock, notify the customer immediately and do not make any charges until the product ships.
- » **Clearly post your return policy.** Preventing or fighting a chargeback is tough if you're not clear about your return and shipping policies. Having this information readily available to customers makes it difficult for customers to use the lack of information or lack of a formal policy as a reason to decline a payment to you.
- » **Follow merchant-issued policies.** Whether you use PayPal or a credit card vendor to process customer transactions, be aware of its chargeback policy. The newer chargeback policies from many credit card vendors often limit what types of charges are protected (for example, excluding charges to crowdfunding sites because of an increased risk). If you deal in those types of transactions, you are excluded from protection. Always make sure you're following the vendor's recommendations for the prevention and dispute of chargebacks.



TIP

You can dispute any chargeback by contacting your credit card vendor directly. Before calling, be prepared to show how you complied with verifying the card's authenticity at the time of purchase. Hang in there because you might have to wait several months for a claim to be settled.



TIP

The Federal Trade Commission and other agencies offer information to help your business comply with e-commerce policies. You can access the information from its website at www.ftc.gov.

Other private organizations are dedicated to helping protect you and your customers from all types of online fraud. You can join a membership-based group, such as the Merchant Risk Council (<https://merchantriskcouncil.org>). It provides access to articles, tools, and vendors that help you secure your site.

Protecting privacy: GDPR and growing compliance concerns

When you're tackling security concerns, you have two goals as an online merchant: Do everything possible to make your site secure and safe for both you and your customers, and promote buyer confidence by letting visitors know that you take all necessary precautions to keep the online-shopping experience safe. Your data compliance efforts must also confirm to legal requirements issues by regulatory agencies, which have expanding oversight into how companies use consumers' personal data. One of the most wide-sweeping policies is the General Data Protection Regulation (GDPR) policy that went into effect in May 2018.

GDPR is a law that originated in and most impacts consumers in the European Union (EU), because it's designed to protect the personal data of EU citizens. However, companies around the world, including the United States, are required to follow the policy and violators can expect steep financial penalties. And it's no longer only Europe that focuses on GDPR. Some states in the United States, such as California, are also implementing this data policy. What is the policy? Basically, it outlines a standard for how companies can use and store an individual's personal data, including identity information (such as name, address, birth date, and so on) and online tracking data (such as location, IP address, and website data captured by online cookies). The list of personal data included in the registration is much longer, but these two buckets of personal data are often what most concerns your online business.

It's still early to tell how strictly GDPR will be enforced and how much organizations may be penalized, but it's critical that your online business understand GDPR and make it part of your compliance efforts. We discuss how to ensure your business complies with GDPR and provide more detailed information about the policy in Book 1.

Of course, compliance doesn't end with GDPR. One of the best ways to stay ahead of the security game in general is by being clear about your online policies. Other regulatory agencies, not just those in the EU, usually want confirmation that you're looking out for your customers' best interests. Here are two types of policies you can institute:

- » **Security:** A security policy should explain what protection is in place when you're processing customers' orders. You want to educate visitors on how information is collected, stored, and protected.
- » **Privacy:** This type of policy was once best known for letting customers know whether their email addresses were shared with or sold to third parties. Similar to GDPR, privacy policies are now much more inclusive: They include details on which information is collected and why; how customers can update, change, or delete stored information; and how they can notify you if they believe that their information has been breached. When you develop your policy, consider these three categories, which can be areas of concern:
 - *Personally identifiable:* Information that connects your customer to your site
 - *Sensitive:* Information that's private to customers, such as transaction histories or email addresses
 - *Legally protected:* Information protected by law, including credit card numbers, financial accounts, medical records, and even education-related details

Privacy and security policies are the two types most prevalent to your site. Don't forget that online fraud and chargebacks are always at issue, too. You need to include or refer to other types of policies, especially when a customer makes a purchase. Don't hesitate to direct buyers to policies that spell out conditions relating to shipping, back orders, returns, and even customer disputes. (Book 1, Chapter 5 covers these policies in depth.)

Keeping Your Website Secure

No matter how much online security and privacy policies are heightened, buyers are still uncertain about their online security and privacy. Research shows that people are hesitant to give out personal information or credit card numbers to websites, even though e-commerce has become accepted as a viable alternative to storefront shopping. The risk of online fraud and identity theft are two big factors that make consumers skeptical, but lots of other issues keep online shoppers frustrated. The Federal Trade Commission (FTC) tracks top complaints of online shoppers. You probably aren't surprised to know these complaints include things

such as never receiving merchandise, not having refunds honored, and other misrepresentations by online merchants.

The FTC also keeps track of which online products or industries warrant the most complaints. Shop-at-a-home or catalog sales account for close to a fifth of the complaints each year, while Internet auctions typically comprise only a small percentage of the complaints. Although these complaints don't seem to keep people from buying online, they provide another reason to go out of your way to make your site secure. One of the easiest and, possibly, most expected ways to do this is by using *Secure Sockets Layer* (SSL) certificates.



SSL is a protocol, or method of communication, for scrambling information as it travels across the Internet. Any type of data, whether it's a medical record or credit card number, can be encoded so that only the authorized sender and receiver can view it. Without this protocol, the sending process would be similar to stuffing all your private information into a clear plastic bag, sealing it, and passing it around a crowded room. Even though the bag is tightly closed, anyone who has access to it can see everything inside.

Having an SSL certificate for your website lets customers know that their confidential information is protected when they send it over the Internet for you to process.

Using SSL is just a matter of licensing the right to use the protocol through an approved vendor and having it installed on your server. You can get a certificate directly from your web-hosting or domain registration company or from other trusted providers. Some e-commerce and shopping-cart providers, like Shopify, now offer basic SSL certificates for free as part of their monthly or annual service plans. If buying one directly, prices vary greatly. Some are advertised for less than \$10, but a more typical range is \$300 to more than \$2,000 annually. The difference in price depends on the type of certificate you choose and the level of validation attached to it. For instance, the SSL certificate on the low end of the range may validate only your site's domain name. The more expensive certificates often provide financial warranties of varying amounts and validate these factors:

- » Domain name registration
- » Business owner's identity
- » Company identity and address (possibly requiring copies of business licenses and incorporation documents)

The more expensive SSL certificates also claim to provide a higher level of encryption. The industry standard is 128-bit encryption, and an advanced 256-bit version

is available. A higher level of encryption just makes compromising (or hacking) data a little more difficult.

After you purchase your SSL certificate, you're given instructions on how to activate it on your site's server. However, in many cases, your web-hosting company or a professional website developer can install the encryption certificate for you.



REMEMBER

If you use an e-commerce-enabled server that's shared by others, or use a third-party merchant like PayPal, you might not have to purchase an individual SSL certificate. Some companies provide encryption service to all their customers by using a single server.

- » Forging a realistic plan
- » Making an investment in security
- » Tapping into the experts

Chapter 2

Developing a Plan: Security and Business Continuity

Each year, businesses suffer millions of dollars in loss due to unexpected events ranging from security breaches to natural disasters. The first step in protecting your business from a costly computer invasion or minimizing the impact from a catastrophe is developing a plan. Your plan doesn't have to be complicated or expensive. However, you do need to give your business continuity plan (how you respond after disaster strikes) and security strategy (how you prevent issues from occurring) more than a passing thought. In fact, put your plan on paper so that you and your employees have a written plan of action.

As an online business, it makes sense to invest time into protecting you and your customers from hackers and cybercrooks with top-notch online security. Equally important, even if you don't have a bricks-and-mortar location, is preparing for events that can compromise your network infrastructure, disrupt product deliveries, destroy inventory, and more. Trust us, there is a lot that can go wrong (think blizzards, earthquakes, and fire). The fun of doomsday daydreaming doesn't stop here, though. After all, what good is a plan if you don't implement it? You also have to invest in a decent online security system (or two) and maybe even bring

in a few professionals to ensure that you're properly prepared. If these upfront considerations are ones you've thought about — but haven't gotten around to accomplishing — this chapter has your name on it.

Making a Plan

Coming up with a plan is easier than you might think. It really comes down to making a few lists and checking them twice. Where do you start? Whether you rework an old plan or build one from scratch, the six major components to an effective business continuity and security plan are

- » Policies and procedures
- » Inventory and skills assessments
- » Risk analysis
- » Existing security measures
- » Action plan and backup alternatives
- » People, resources, and follow-up communications

In the following sections, we guide you through the details to include in each of these components for your plan.

Policies and procedures

If you're part of a larger online business, you might already have a book of policies and procedures carefully spelled out, tightly bound, and neatly filed away in every employee's desk. The reality for a smaller online company, though, is that you probably haven't had time to think about formal procedures. If you're working solo, you might still be skeptical about needing to write these types of policies.



REMEMBER

As an online-business owner, the purpose of your business continuity and security plan is to protect both you and your customers. By establishing and implementing written policies, especially a detailed security policy, you reduce the risk of overlooking holes or flaws in the plan.

Honestly, the amount of information that has been published about how to write a security policy could fill a small room. No wonder the task of writing one has become cumbersome. However, in a smaller company, you can concentrate on the basics.

Here’s a baseline rule for establishing your security policies: The magnitude of how much policy you need should fit the breadth of your organization and the depth of the risk factor you want to protect.

In other words, IBM might require several hundred policies whereas you might need only five policies. At the end of the day, if either you or IBM suffers a substantial security breach because a policy wasn’t effectively in place, you’re both in the same boat. And we don’t mean in a good way.

With that in mind, follow these steps to create your own policies (however many you might need):

- 1. Write your overall goals or objectives for your security policy.**
Break down the big-picture goal of protecting your online business into a few smaller chunks of information or goals. Maybe you’re more concerned with outside threats or establishing guidelines for employees. Or you might be most interested in protecting yourself legally and need written policies in place to set precedents.
- 2. Create a list of areas in your organization that require protection.**
After each item, make a notation of which ones are better served by the implementation of a formal policy. Use the checklist in Table 2-1 as a guide to the areas that are open to possible security risks.

TABLE 2-1

Security Coverage Checklist

Security Risk	Currently Secured	Requires Formal Policy
Desktop computers	☐ Yes ☐ No	☐ Yes ☐ No
Laptop computers	☐ Yes ☐ No	☐ Yes ☐ No
Employee devices	☐ Yes ☐ No	☐ Yes ☐ No
Mobile devices	☐ Yes ☐ No	☐ Yes ☐ No
Email	☐ Yes ☐ No	☐ Yes ☐ No
Bank or financial information	☐ Yes ☐ No	☐ Yes ☐ No
Server	☐ Yes ☐ No	☐ Yes ☐ No
Wireless network	☐ Yes ☐ No	☐ Yes ☐ No
Firewall	☐ Yes ☐ No	☐ Yes ☐ No
Internet provider	☐ Yes ☐ No	☐ Yes ☐ No

(continued)

TABLE 2-1 (continued)

Security Risk	Currently Secured	Requires Formal Policy
Software subscription services	☐ Yes ☐ No	☐ Yes ☐ No
Customer data and credit card numbers	☐ Yes ☐ No	☐ Yes ☐ No
Social media accounts	☐ Yes ☐ No	☐ Yes ☐ No
Passwords	☐ Yes ☐ No	☐ Yes ☐ No
Database	☐ Yes ☐ No	☐ Yes ☐ No
Cloud-based applications and services	☐ Yes ☐ No	☐ Yes ☐ No
Inventory	☐ Yes ☐ No	☐ Yes ☐ No
Products	☐ Yes ☐ No	☐ Yes ☐ No
Back-end system	☐ Yes ☐ No	☐ Yes ☐ No
Offices or other facilities	☐ Yes ☐ No	☐ Yes ☐ No
Other physical properties or facilities	☐ Yes ☐ No	☐ Yes ☐ No
Files or other miscellaneous	☐ Yes ☐ No	☐ Yes ☐ No
Intellectual property	☐ Yes ☐ No	☐ Yes ☐ No

3. Determine the *scope* (number of policies) that is legitimately warranted for the size and need of your organization.

In reviewing your list of goals in Step 2, you might find that it makes sense to combine several components into a single policy. Conversely, other areas might produce larger or more frequent risks and require a stand-alone policy.

4. Starting with your first policy, write its purpose and provide an overview of its importance to the organization.

For instance, you might create a policy about who can access your primary email account. Your goal might be to restrict usage to only designated personnel — and doing so is important so that confidential communications aren't compromised.

5. Detail the scope of your policy.

Specify which employees or level of employees the policy applies to. Also indicate which locations, systems, and data are affected by the policy. Refer to your list in Step 2 to make sure that you include all areas that might be affected.

6. Write the operational guidelines of the policy.

The guidelines are the cold, hard facts. Be specific about which actions and behaviors can and cannot happen under the policy.

7. After the guidelines are in place, write a paragraph about how the policy should be implemented.

In this part of the policy, provide information such as how employees are to be notified of the policy as well as specific penalties for not enforcing the rules.

8. Document the date when the policy was created.

Every time you update the policy, add the next revision date. Leave the earlier version dates so that you have a running history of the document.

9. (Optional) Add details to the policy.

You might include a glossary of terms or cross-reference additional procedures and policies that might also intertwine with this one.

10. Repeat Steps 4–9 for each policy.

After you finish writing all your security policies, you’re ready to place them in the front section of your written business continuity and security plan.

Inventory and skills assessments

One helpful component for your overall plan is to create a catalog, or *inventory*, of your equipment and the information that you’re protecting. Table 2–2 serves as an inventory assessment guide, and we tell you in this section how to fill it in.

TABLE 2-2 **Equipment Inventory Assessment Guide**

	Description or MAC Address of Computer	Registration	Username	Travels Off-Site? Y or N	Security Risk: High or Low	Other Information
Hardware						
Software						
Peripheral components						
Servers						
Cloud-based applications						
Documents						

When you're filling in the guide, your final inventory list should capture the following information:

- » **Hardware:** Record a complete list of your laptops and desktops, including supplemental information, such as their serial numbers and the names of people who use each machine. Also list any warranty information per machine. For laptops, note whether the equipment is carried off-site.
- » **Software:** Log an inventory of your company's software. Include details such as user registration information, licensing restrictions (single or multiple user), and registration numbers. If possible, note which software is loaded on the computers.
- » **Peripheral components:** This list might include data drives; printers; cameras; tablets, iPhone, Android, and other smartphones and mobile devices; handheld devices; portable memory storage devices; extra monitors or keyboards; networking equipment; and even plain old cellphones.



TIP

Break out your inventory by each individual piece of equipment or software program. That way, you can compile serial numbers and registration numbers or other unique identifying factors for each piece. This is an important part of business continuity planning and may be required by insurance companies when filing claims for damage or loss.

- » **Cloud-based applications:** Make an inventory of any cloud- or web-enabled programs and services that your business uses, whether for delivering customer surveys, printing online postage, managing customer relationships, or providing business phone service. Detail which computers maintain licenses for each application or have access to web-based solutions. Make a note of any cloud-based applications or licenses that do *not* include automatic renewals or version upgrades, so you know to track required upgrades and security patches, for example.



WARNING

When creating an inventory of applications delivered over the Internet, don't overlook instant-messaging programs and music or video-related applications. You might not use them, but your employees probably have them installed. Increasingly, these programs are becoming an easy delivery method for viruses, worms, and other malicious activity. You want these programs accounted for in your inventory so that proper security measures can be applied.

- » **Social media:** Although social media is not a tangible or hard asset, we recommend including a detailed log of all your business social media accounts as part of your inventory list. Social media accounts have increasingly proven to be vulnerable to security threats, especially if passwords are used across multiple accounts. As part of your inventory assessment, keep track of which

platforms you use, associated passwords, and those in your organization who have access to the accounts.

- » **Documents:** This group includes not only critical files but also your intellectual property, promotional materials stored on your computer, financial data, customer data (contracts and invoices), and current and archived email messages.

After you complete this equipment assessment, turn your attention to a skills inventory. (You can add it to the bottom of your inventory assessment.) Compose a paragraph or a complete list of the security expertise that you and your employees have. You can include certifications or other applicable training, too. By conducting a skills assessment, you can see when you need to call in outside security consultants — or how much of that expertise you might need.



TIP

A skills inventory can further help you determine points of educational training needed for you and your staff so that you can develop more internal expertise.

Risk analysis

One of the most important pieces of your plan is the *risk analysis* portion, in which you identify possible threats, determine your greatest vulnerabilities, and calculate the potential impact should your business not be able to function for a period of time. This important exercise forces you to evaluate the factors that hold the most potential for harming your online business. Your first action is to make a list of all potential threats that can compromise your security and your ability to operate. Classify these security occurrences, or disruptive *events*, under the following categories:

- » **External threats:** Include any risk that originates outside your business. You typically have no control over these events (other than being prepared to combat them if they occur):
 - *Viruses and worms:* Also group Trojan horses and other harmful programs in this category.
 - *Malware:* Include any type of malicious software that can be unknowingly installed on your computer from an outside source, such as spam, adware, and spyware.
 - *Phishing/smishing:* Add this popular method of tricking and defrauding employees to your analysis. A phishing scam is an email that looks like it comes from a legitimate source but is from a fake company. While phishing has been around a long time, it continues to be a popular and easy method for tricking users. With the increasing use of mobile devices

and mobile commerce, phishing has extended from email to text-based (or SMS) scams referred to as *smishing*. Whether in texts or email, this type of scam can add up to millions of lost dollars if an employee reveals sensitive data (credit card number, password, and more) to an online scammer.

- *Malicious intruders:* Consider any type of activity originating from another individual that's meant to harm you. Include hackers, former employees, competitors, and thieves. Don't forget that theft can occur on-site (at your place of business) or off-site (such as at airports and coffeehouses). Comparatively, hackers steal intellectual property and data by way of an Internet connection. Hackers can also do damage by shutting down your network or your website.
- *Outages:* Power outages, or any type of disruption to water or utility services, is a serious consideration when operating an online business. Network outages from cloud-based service vendors (from your hosted phone service and website server to your online accounting software and inventory program) can also wreak havoc to your operations for a few minutes to several hours (or longer).
- *Weather:* It may not qualify as a complete disaster, but think about weather-related incidents that impede normal operations to you or your customers. For instance, a snowstorm may cause delays to already time-sensitive holiday delivery schedules. Or, extreme heat in the summer may interfere with storage and delivery of perishable food items you sell online.
- *Disasters:* Address floods, tornadoes, hurricanes, and fire as possible external risks. As part of business continuity planning, you should also consider the risks if one of these events happens not only to your business location, but to that of a key vendor. If your primary vendor is hit with disaster, is it still able to provide you with products or services? If not, do you have a backup vendor?



REMEMBER

A critical part of business continuity planning is to consider any and all potential threats to your business, both on-site and off-site. Vendors, delivery services, and online service providers are all critical parts of your chain of operations that could disrupt your online business should their businesses experience a disaster. You cannot prevent these events from occurring, but you can control how you respond to them by having a plan B in place and ready to go in order to minimize the damage.

» **Internal threats:** Although not always intentional, these incidents occur from within your own operations. Internal threats can do serious damage as well as expose your vulnerabilities:

- *Malicious intent:* Employees or other people might have somewhat unlimited access to your assets. Unfortunately, not everyone is as nice or honest as you want to believe. Consider the possibility that a serious — and intentional — breach of security can occur right under your nose.
- *Accidents and user error:* Think of any accidents or human errors that can occur. Coffee spills on laptop computers, accidentally deleted data, dropped monitors — the list is endless.
- *Failures:* Specifically, these failures are system failures. Whether your computer crashes, your software bombs, or your Internet connection or server goes down, these failures are all part of an unwanted security risk.

After you put on your doomsday hat and identify all possible threats that can take you down, go one step further and prioritize each one according to its level of risk. You can do this by using a hierarchical ranking system. Or you might prefer to assign a low, medium, or high risk value for each of your items.



REMEMBER

Ranking your risks is a subjective process that requires you to be open-minded and honest in evaluating the security of your business. If you don't feel that you can be objective, consider bringing in outside help.

If you find that a risk analysis shows your business to be at a medium- to high-level risk for attacks, accidents, or failures, consider inviting a paid technology or business consultant to evaluate your business and offer solutions. The costs of improving your security and beefing up your disaster-recovery plans will be paid back in the long run by reducing the odds of your losing data, damaging your reputation, putting customer information at risk, and shutting down your ability to operate.

Existing security measures

Unless you're in the planning phases for a new business, you probably already implemented some level of security. Here's the appropriate place in the plan to specify which actions to take.

You want to describe firewalls, antivirus software, and other basic security measures that provide some level of protection. However, you can add any routine security-related systems or functions you conduct. For example, you should plan to

- » Change passwords regularly (some apps and subscription software services require you to do this on a regular basis).
- » Back up your data regularly.

- » Perform routine system maintenance and software updates.
- » Implement physical security measures, such as alarm systems or fireproof safes.
- » Minimize access to servers and business-critical computers by storing them in a secure location, such as a controlled server room or lockable closet.



REMEMBER

No matter what, be honest. If the last time you backed up data was several months ago, don't include it as a security measure that you can check off your list.

Action plan and backup alternatives

To some degree, you can consider the action plan the meat of your document. After all the assessments, inventories, and analysis, you're ready for a true plan of action.

The first part of an action plan is creating a communications tree. No, we're not talking about a tree with leaves, but rather a phone tree! It's a diagram that has branches (or lists) of critical people to call or communicate with in case of disaster or other critical business disruption. A communications tree should start with you, as the business owner, and may include a list of the most important employees, public relations contact (if it requires external or public notice), vendor contacts, legal contacts, insurance agent . . . the list can be as extensive or brief as required. The important part of communications is just that — you need to be able to quickly communicate important information to the people in your organization and make sure the appropriate information is also communicated to customers. Be sure you have backup phone numbers, email, and emergency contact information for your employees.

Once your communications tree is in place, you can turn your attention to the rest of your action plan. Based on the information you collected (see the earlier sections of this chapter), you can readily spot your strengths and weaknesses in the realm of security and business continuity. And now you can focus on what we like to refer to as your *points for improvement (PFI)*, or the specific areas where you find weaknesses that should be corrected.

By concentrating on your PFI, you can create a step-by-step plan of action to beef up your security and business operations. In each step, be specific. Here are examples of some of the steps that you might include in your own plan of action:

- » Purchase and install external security locks for all laptops.
- » Turn on the Automatic Update feature on all desktop computers to activate a fixed schedule for installing all new software updates.

- » Purchase a password generator and choose quarterly dates for changing passwords.
- » Implement redundancy (or backup) for service and system failures that occur on-site or off-site.
- » Identify secondary sources for key products and services offered by primary vendors.
- » Create a scheduled backup, specifically for customer data such as order histories.



REMEMBER

Find an online service for an additional backup so that your data is stored off-site yet still readily accessible if your on-site files and backups are destroyed.

Your plan of action might include a couple dozen steps or only a few. You have a thorough action plan when all your Pfi are accounted for and the security holes are plugged.



TIP

Compare your action steps with the security policies and procedures you already created. Your plan of action for security should consider those policies and contribute to each one being effectively implemented.

People, resources, and follow-up communications

The final component of your security and business continuity plan addresses the resources (and budget) that are required to put your plan into action. Make a list that identifies all the purchases you need to make to fulfill your plan, especially the security component of your plan. Include a price estimate for each item. If your total is hefty, prioritize which ones fall under the must-have category as well as which ones can wait.

In addition to the resources that require cash, you should include all other resources used in your plan. For instance, budget the time for yourself or employees to attend an Internet security class. Even if a vendor offers this type of training session for free, attendance still requires a small investment in human resources capital.

The last piece of this section should include a timeline for change. Assign both a reasonable date for completion and a person who's responsible for each action item. Schedule a recurring date for reviewing the progress of your plan's implementation, too.



No matter how many action items you develop or how many pages your security plan turns out to be, its true worth is measured in one way: Does it work? If your plan is thorough and realistic, your answer should be a resounding “Yes!”

Creating a Budget for Your Plan

Developing a written security document is an investment in itself. If nothing else, it bears the cost of your time. But as the resources and follow-up section of your security and business continuity plan indicates, that step is only the beginning when it comes to paying the price for peace of mind and preparedness. You probably already put down a fair chunk of change but haven’t tallied your investment. The typical places in which you probably already spent money include business insurance for your computer, office equipment and other material structures, antivirus software, a good firewall for your network, and other backup and redundancy services.

Determining how much more you need to spend depends on your circumstances. As an online business, the bulk of your budget is likely to go toward security. The ongoing threat of cyber-related crime, in addition to the number and magnitude of actual incidents, has kept businesses spending an expanding portion of their IT budgets on security. Spending on IT security exceeded \$185 billion (globally) in 2023, and is forecast to rise to \$287 billion by 2027 according to Gartner (www.gartner.com).

To come up with a reasonable and effective budget for your business, take another look at your resources list from your security plan and determine the total value of the resources you’re protecting.

Figure out how much a security breach can cost if you *don’t* make that investment. Roughly calculate the value of your equipment: all your hardware, software — everything. Then assign a value to the intellectual property you need to protect. It’s probably a whopping number. For e-commerce sites, another financial factor is identity theft. You have to consider the potential dollar value of your loss if a hacker gains access to your customer information. Lawsuits and insurance aside, consider it from another perspective: If your site has a major compromise of customer data, those customers must be notified. That situation can be a public relations nightmare — and can result in the loss of future orders.



When determining your security budget, be sure to include the cost of compliance. As the owner of an online business, you may be required to implement and maintain additional security procedures to protect customer data as part of government regulations or private industry standards. Examples of these compliance issues include the Health Insurance Portability and Accountability Act (HIPAA) and the Payment Card Industry Data Security Standard (PCI DSS).

No one can tell you how much you need to spend, or should be willing to spend, on security. When deciding how much to invest for security, ask yourself these two questions:

- » What's the value of the assets I'm protecting?
- » Is that amount worth the cost of security?



TIP

After you list the value of your assets, give this detailed inventory list to your insurance company to verify that you have the proper type and amount of coverage for your business. Don't forget to save a copy of this list for yourself in case disaster strikes.

Finding Security Resources

After you commit to your security budget, you can find plenty of outside resources that are happy to assist you in spending it. And you have lots of do-it-yourself opportunities, too. You have to decide when — and whether — an outside source is warranted for both security resources and business continuity consultants. Then you should determine which resource is the best one for you to use.

When searching for help with security issues and business continuity planning, you have many choices. More than likely, they fall into one of these categories:

- » **Consultants:** Often specializing in a particular area of security or business planning, a consultant can be hired to offer an initial assessment or to assist with the complete solution. Most consultants bill in one of two ways:
 - *Hourly:* Some consultants charge by the hour, which typically ranges from \$80 to \$300 (or more) per hour, depending on your geographic location and on the consultant's specialty.
 - *Flat fee:* A consultant can also bill you a flat fee based on the scope of the project. As a general rule, the more complicated your issue — or the more specialized the expertise of the consultant — the more you can expect to pay.
- » **Experts:** Experts can be individuals who work in a technical support environment or who have full-time jobs in a related subject area (and advise informally or on a part-time basis). You can find experts in your vendor relationships or in community service programs for businesses (such as Service Corps of Retired Executives, or SCORE). The cost of an expert's time varies widely but usually is on the lower end of a consultant's fee. You might even find volunteers.



REMEMBER

When paying for an expert or hiring a consultant, check out the person's certifications and ask for references. You should ask even if you're getting help for free (although it's more difficult to be selective if you aren't paying someone).

- » **Training programs:** Call them seminars, training programs, or webinars, these resources provide information from a classroom perspective. Rather than provide individual support, these types of programs are targeted for a large group of people. Cost for this type of instruction varies. A one-day seminar might range from several hundred dollars to more than \$1,000; a webcast or an online class might be free.



TIP

When attending a vendor-sponsored training program or seminar, the solutions that are offered tend to focus on that particular vendor's products. If you want unbiased guidance, make sure that someone other than a vendor or distributor teaches the session.

- » **Self-help:** As in a training program, you can go the self-help route to seek out the knowledge base you need to educate yourself. The cost ultimately is a result of your time and any resources you purchase.

You have to decide which solution is right for you, and knowing when to go somewhere else is usually pretty clear. It's determined by these four key factors:

- » **Budget:** You might have the money to spend on outside assistance, or you might be particularly budget conscious. As with the issue of time, hiring someone else and spending your labor dollars on other projects might make more sense.
- » **Expertise:** Either you have the knowledge to resolve the issue or you don't. If you don't have the expertise, you must have the ability and the time to learn.
- » **Scope:** Determine how serious the problem is and whether it's limited to your immediate network or reaches outside it.
- » **Time:** If the issue is critical or you're reacting to a problem that already occurred, you probably want immediate action. Or you might be taking preventive measures. If so, time is on your side. Even if you have the time, consider whether it's best spent somewhere else. You might prefer to call in the experts.

- » Shutting down your site
- » Breaking through security barriers
- » Avoiding bad actors
- » Being anti-social and locking out data-nappers
- » Putting the brakes on mobile scammers

Chapter 3

Spotting and Thwarting Bad Actors, Hackers, and More

In 2023, nearly 5.4 billion people, or approximately 67 percent of the world's population, used the Internet worldwide. More than 92 percent of all Internet users go online using a smartphone or other mobile device. Consider there's also an increasing number of voice-enabled devices, such as Alexa, and AI (artificial intelligence) apps, like ChatGPT, that are providing more ways to communicate over the Web. With so many people and businesses online today, especially using Wi-Fi with smart devices, the Internet has provided a unique opportunity for cybercriminals, or what we refer to as *bad actors*. Global losses from cyber-related crimes are predicted to surpass the \$24 trillion mark by 2027, according to the World Economic Forum. And online thieves continue to find new and sneaky ways to rob you of money, data, and a sense of personal security.

Given that figure, if you haven't been on the receiving end of an online security threat, consider yourself lucky. As an online-business owner, your vulnerability to cyberattacks increases. Studies show that companies suffer from multiple security incidents per year from hackers, viruses, worms, spyware, and other malicious

efforts. And when companies are suffering from Internet-related attacks, they can lose an average of a few hundred dollars per attack in small incidents, and potentially millions, or even billions, of dollars in revenue in larger, more severe attacks.

As an online-business owner, you need to minimize the opportunity for any type of security interference that threatens your success. Before you can defend yourself and your computer, though, you need to know what to expect. In this chapter, we review the security threats that are most likely to take a bite out of your business if you let your guard down.

Fending Off Attacks

If you think only large businesses are vulnerable to online crime, think again. Approximately half of all cyberattacks are geared toward businesses with fewer than 1,000 employees. As an online-small business, you have to be extra vigilant against cyberthreats, especially malware intrusions, DoS attacks, phishing scams, and even ransomware attacks. If you're not familiar with these types of vulnerabilities, don't worry — we explain them in this chapter and help you understand how to keep your online business safe.

Let's start with DoS attacks, and the more harmful DDoS attack. Any time a bad actor can prevent you or your customers from accessing websites and other online information or applications, it's a *denial-of-service* (DoS) attack. Not to get too technical, but it's important to understand how this works. A DoS attack comes from a single source of origin (a server) to send requests to a single server, essentially overwhelming the server so that it isn't able to allow any more web traffic to access it. That means your site appears shut down or offline!

Now, consider a *distributed DoS* (DDoS), which ups the impact considerably because it comes from multiple sources or devices (at the same time), all working together to attack the same victim — you! DDoS attacks are now more common and, as you may imagine, much more effective in bringing down a website. Okay, maybe you don't think that your website is large enough or popular enough to interest someone in disrupting it. Think again! DDoS attacks are considered one of the top Internet security threats. According to their records, the Internet security firm Cloudflare deflected 4.5 million DDoS attacks for their customers in the first three months of 2024. That's a 50 percent increase from the prior year! And many of those attacks were targeted at smaller websites. Why should savvy cybercriminals be interested in a small online business like yours? Some research indicates that your small business is a target because you typically have less sophisticated online security and are easier to breach.

Even if your site is fairly secure, consider this: What if the company your business uses for online payment transactions is attacked? Or maybe your online banking site is hit? Worse, what if the company that hosts your website falls prey to a DDoS attack? You and hundreds of other small sites can be wiped out for several hours — or an entire day or more. Each of these is a real possibility and is an example of how easily a DDoS attack can prevent you from being productive or possibly even hurt your company financially.

Plus, DDoS attack-launching tools are now fairly cheap and easy to come by, so instigating an attack has become easier. An intruder can divert legitimate traffic away from your site and drive it to other sites. The attacker may be paid every time your customers visit the rogue site, whether or not they intended to go there. With lots of dollars at stake, you can understand why the frequency of DDoS attacks has spiked.

Fending off either a DoS or DDoS episode isn't easy. After you're under attack, your choice of responses is limited. However, you can take certain steps to reduce the chances of an attack occurring and to minimize the damage that can be done if your site suffers from any DoS attack:

- » **Know your host.** When selecting a hosting company for your website, understand which security measures it has in place. Ask how your host would work with you if your site experienced a DoS or DDoS attack as well as whether security experts are part of its support staff. The more prevention at the network level, the better.
- » **Update the basics.** Individual users and their computers are also responsible for creating security holes. The best defense is to continually update antivirus and spyware programs as well as download the most recent patches (or fixes) for your computer systems. Keep your browsers updated, too — especially Internet Explorer, which has proven to be quite susceptible.
- » **Report attacks.** If your site comes under a DDoS attack, report it to the FBI. A special division of the FBI, the Internet Crime Complaint Center (IC3), was created to address these concerns. You can access the division at www.ic3.gov. Additionally, the U.S. Computer Emergency Readiness Team (US CERT), which is part of the U.S. Department of Homeland Security, monitors, tracks, and responds to cyberthreats. You can report attacks on the US CERT website at <https://complaint.ic3.gov>.
- » **Block traffic.** You can work with your host company to block traffic coming from suspicious or malicious IP addresses. Although you run the risk of also blocking legitimate users, this choice might be your best option.
- » **Be aware.** As DDoS attacks increase in frequency and type, you must stay up to date on security issues. Your best defense against any attack is to be aware



TIP

and knowledgeable of current threats and recommended preventive measures.

To stay ahead of potential cyberthreats, get tips to keep your business secure by visiting the tip site from US CERT at www.cisa.gov/news-events/cybersecurity-advisories.

Deterring Bad Actors

Behind every DoS or DDoS attack or any other harmful Internet-related threat is usually a single person or group of people (called *bad actors* or *hackers*) responsible for starting the malicious activity. While these terms for cybercriminals are often used interchangeably, there is a difference. Bad actors always have intent to do harm or profit from the crime, whereas hackers may want to solve a problem or have political motivations unrelated to money. Generally, anyone not authorized or given permission to intrude on or gain access to your information systems is considered a bad actor. It's not easy discovering the identity of these electronic thieves. Consider that most incidents originate from outside the United States (which is responsible for less than 2 percent of known attacks).

For most online businesses, the threat is simply based on the possibility of making money from your site. The rewards for this type of action can be enormous. There have been several notorious hacking incidents that have targeted retailers and restaurants, including AT&T, Capital One, Target, Yum! Brands (parent company of Taco Bell and KFC), and many more. In each case, the bad actors responsible for the attack obtained customers' personal data, including online passwords and credit and debit card information stored by the businesses, and stole millions of dollars from unsuspecting customers. Similarly, when Sony's online game network, PlayStation, was breached a few years ago, it resulted in millions of Sony customers having their credit card numbers and passwords compromised. The network was shut down for 23 days and for a staggering financial loss of more than \$171 million. Again, big or small, online companies have a lot to lose to a hacker.

Among the most popular methods of hacking-for-pay are stealing these elements:

- » **Keystrokes:** This kind of attack might not seem like a big deal, but even inexperienced bad actors can monitor and record the keystrokes on your computer. By using a keystroke logger tool, hackers capture your data, making it a snap to gain access to your system.
- » **Sales:** Bad actors divert your traffic to a rogue site (which might even look like yours), where customers spend money, in the belief that the site is legitimate.

- » **Data:** By obtaining access to your or your customer's secure data, such as passwords, bad actors can build a lucrative business and gain access to pertinent information, such as bank accounts, birth dates, and Social Security numbers.
- » **Credit card numbers:** Bad actors relish the chance to obtain your customers' stored credit card numbers. These days, those numbers can easily be resold for cash — and before anyone realizes that the accounts have been compromised.

As we've shown, your data is worth a lot of money. Sites that fall prey to this type of incident are vulnerable because they're easy targets. Think of this type of breach in terms of your home's security: Although locks and alarms don't always stop thieves, they deter them. Given the choice, most bad guys break into places that are easier to get into and out of without being noticed.

If bad actors determine that you're sloppy with security, they won't waste any time taking advantage of you. These days, computer programs allow online thieves to scan the Internet and look for vulnerable sites.

Implementing firewalls and antivirus software certainly helps deter a bad actor. You can take some additional measures to irritate a cybercruok:

- » **Use uncommon passwords.** Yes, using uncommon passwords is good ol' common sense, yet most people choose passwords that are easy to remember or have special meanings, such as birth dates and anniversaries. Many people also use a simple string of numbers, such as 1234, or other combinations that are easy for a cybercriminal to decipher. Instead, use a nonsensical or complex mixture of words and numbers. Be sure to create a different password for each application or program that you access.

For added security, you can get help creating unique passwords by using a *password generator* and *password manager*. This software creates random passwords for you and then helps store and auto-fill passwords when you log into online services and apps. Free password-generator and manager programs are available (including within Google Chrome or through your mobile device), or you can purchase more robust programs for business use.

- » **Change passwords frequently.** Merely creating good passwords isn't enough. You have to create them repeatedly. Generate new passwords every 3 months (depending on the sensitivity of the information being accessed) for applications you use all the time. Change other passwords annually for low security-risk applications or websites.
- » **Keep data out of site.** Hackers can originate close to home. Whether you're working from home or an office surrounded by employees, get into the habit



REMEMBER

of protecting your information. Don't leave account numbers, passwords, and other pertinent data out in the open. Thieves lurk everywhere.

» **Use two-factor authentication.** Also known as 2FA, this method provides multiple layers of security when logging onto a website, app, or online service (like your bank). Think of it as similar to putting multiple locks and alarm systems on your house. Before opening the front door, you have to enter a special code into a security system, and then you have to put a physical key into the door. With two-factor authentication, you have to know the password to the site, then you may receive a numerical code via text on your mobile phone or through email (referred to as a *token*). You must enter that code before you can access the protected area of a site, such as your online checking account from your bank's website.

» **Update your computer system automatically.** Configure your computer for automatic updates to your operating system.

Avoiding Common Threats

Malware, viruses, trojans, botnets, and ransomware are examples of programs (or attack methods) that put our online security at risk. This is only a small sampling of all the threats that exist. Before we go into details of all the cybersecurity threats that keep us up at night, let's start with a look back at one of the original bad guys — the virus. Named for the germ-like nature of an illness that rapidly spreads, viruses were originally a nuisance more than anything else. Similar to thwarting hacking, programmers face the challenge of preventing the spread of irritants from one computer to another.

A *virus* is a program or piece of programming code that is most commonly spread by way of email attachments, such as Word documents, photos, games, or other types of applications. By opening the attachment, you unknowingly unleash the virus onto your computer and possibly help spread it to others. Viruses are almost impossible for you to detect without using some type of antivirus software.

The capability to hide a virus combined with its ease of distribution continues to make these attacks a threat to the health of your computer and your online business. While viruses are still around, the bad actors who unleash them have only gotten more sneaky. Today, the more common threats are variations of *malware*, short for *malicious software*. Malware activity continues to experience year-over-year increases and is the most common type of attack on small businesses, according to the cybersecurity firm StrongDM.

Here are some other types of malware, viruses, and annoyances to be aware of:

- » **Worms:** Unlike most viruses, worms don't need your help to spread. You don't have to open an attachment or accidentally launch a harmful program. A *worm* simply replicates itself and then spreads to other computers over a shared network. Worms have been known to go after specific computer hardware, such as routers. After compromising the router, it scans for other vulnerable devices on the network and replicates itself to infect those devices. Other well-known worms have caused havoc (and major inconvenience to users) by continuously shutting down infected computers.

Worms have also been used to infect mobile phones, and other smart devices, including smart speakers, such as Alexa. Worms are not only infectious but also potentially costly because they can be used to capture personal data and credit card numbers.
- » **Trojans:** A computer Trojan employs the same type of subterfuge as the Greek Trojan horse. Delivered in a seemingly harmless package (usually by email), it sneaks onto your computer system. Then, without your permission, it opens and performs some type of unwanted activity, such as shutting down your computer. Unlike some other threats, Trojans do not replicate themselves.
- » **Ransomware:** This type of malware is used by hackers to access your computer files and hold the data hostage. Imagine opening your computer to find a hostage note appear on the screen. You cannot get to anything on your computer; the note instructs you to deposit money into an account within a certain amount of time or lose all your files, photos, tax documents, invoices — whatever you have stored on your computer! This is ransomware and it's a popular form of malware used by hackers and cybercriminals.
- » **Adware:** This phenomenon started out as annoying pop-up windows that disrupted your computer surfing with unwanted ads. Adware has been around for a long time, but it continues to be big business. Someone makes money every time this advertising software displays ads.
- » **Spyware:** Much like adware, spyware is a type of malicious software that plants itself deep into your computer system, posing as a legitimate program. It wants to stay around as long as possible so that it can collect information about you. Spyware can redirect you to certain websites or track and record your personal information and send it back to the spyware's originator — without your knowledge.
- » **Botnets:** When your computer is infected with malware, it can also become the unknown host that helps spread malicious software to other computers. Essentially, your computer becomes part of a robot network called a *botnet*, which is made up of thousands of controlled computers that instruct your computer (and other vulnerable computers now in their network) to send out infected emails, without your permission.

» **Hoaxes:** It isn't unusual for rumors about false virus threats to circulate around the Internet. Although these little pranks don't infect your computer, they waste your time. You can tell whether a threat is real or a hoax by noting these characteristics:

- *Source:* If an email alert came from your antivirus software provider or another trusted source, it's probably real. If it's part of a chain of emails being circulated by friends and family, it's more likely to be a fake.
- *Participation:* An email alerting you to this latest threat and prompting you to send it to everyone you know to spread the news is a classic sign of a hoax.
- *Authority:* If the email contains a link to a recognized antivirus software vendor or a legitimate Internet security source, it's probably real. If not, you might be participating in a virus hoax.

Keeping Your Domain Name Safe

Ever since the Internet started gaining in popularity, devious minds with a creative bent have found ways to cause problems. In addition to the other methods that hijackers use to derail your sales and your business — such as virus and DDoS attacks — a determined bad actor has one more trick: stealing your domain.

Domain slamming occurs when you're tricked into moving your registered domain from one registrar to another. In this scenario, you receive an email saying that it's time to renew your domain. It even appears to be from your legitimate registrar. Unfortunately, a competing registrar has gained your information and is waiting to collect a domain renewal fee from you. Although domain slamming might be more economically detrimental to your originating domain registrar (they lose your business), it's still a hassle for you, too.

Somewhat more disturbing is the opportunity for a hacker to take over your domain by using the registration process. When a thief takes possession of your domain, you can spend years trying to get it back. Some documented cases show that small e-commerce companies never recover ownership. Whether your domain is hijacked for a day or an eternity, here are some common problems that occur when your name is stolen out from under you:

» **Reselling:** Your domain name can be resold to an unsuspecting third party. Popular names can fetch millions of dollars, making domain hijacking a lucrative career for a thief.

- » **Lost sales:** If you have an active e-commerce site that's taken over, you lose sales during the time it takes to regain ownership. Some companies have lost thousands of dollars in sales, not to mention the legal expenses involved in recovering the domain name.
- » **Damaged reputation:** Even if you regain your site domain, you might be stuck convincing customers that it's safe to shop with you again. In some cases, stolen domains are used to redirect visitors to sites that download adware or spyware onto computers. Unsuspecting customers might be hard-pressed to return to your site.

Here's how domain stealing happens: If hackers can find enough personal information about your account, they can transfer your registered domain into their name and basically take ownership of your domain in a few short hours. Most of the information needed to achieve this process can be found by simply viewing the public records of the WHOIS directory.



TIP

To prevent having personal or business information readily available for public viewing, choose to make your contact information private. The WHOIS directory then shows a third-party vendor — a *proxy* — as the point of contact and lists its information rather than yours. Your domain registrar offers the private registration service for a small annual fee.

Here are some other tips you can follow to minimize the risk of domain hijacking:

- » **Lock down:** Registrars offer the simple and free service of *locking down* (restricting others from changing) your URL. When registering your domain, select the checkbox indicating that you want to lock the domain name. If you have an active domain name, you can change its lockdown status by using account-management tools or sending a lockdown request by email (or phone) to customer support.
- » **24/7 support:** Use domain registrars that offer 24-hour support or give you access to support after business hours. This strategy is important so that if you discover that your domain has been hijacked, you can start the investigative and recovery process immediately.
- » **Standard notification:** Choose domain registration services that state standard methods of contacting you for changes or that will agree to contact you by using multiple methods (such as by both phone and email).
- » **Review status:** Frequently check the WHOIS directory to ensure that you're still listed as the owner of the domain and that your contact information is current and correct.

GLOSSARY OF SECURITY THREATS

Do you recognize all the threats that can pose a hazard to your computer and your business? Test your security knowledge by checking out this list:

- **Adware:** This type of software displays ads and pop-up windows on your computer. More than just annoying, adware includes code that tracks your personal information and shares it with third parties without your knowledge.
- **Blended threat:** Just like it sounds, this attack incorporates several types of threats to maximize the damage in one shot. For example, a virus might be distributed by email while a Trojan horse hides in an attached file to cause further damage to your computer.
- **Botnet:** This form of malware is unknowingly placed on your computer, which then becomes part of an army of thousands of computers that are controlled and instructed when and where to send infected emails to other computers, without your permission or knowledge.
- **Data-driven attack:** Seemingly harmless, this threat is encoded with data that you, the user, unknowingly execute to launch an attack. This type is dangerous because it can sneak through your firewall.
- **DNS spoofing:** This process happens when a hacker assumes the DNS (Domain Name System) name of another system but redirects you to an unauthorized site. The domain name of the legitimate site appears just as it should, but you're now on a different site.
- **Flooding:** Flooding happens when a large amount of information is directed to a particular system, contributing to a denial-of-service (DoS) attack.
- **Identity theft:** In this method, a Net-thief uses any number of security threats to gain access to your personal information, or that of your customers, for their own financial gain. Most commonly, the type of information consists of bank records, credit card numbers, Social Security numbers, and any other data that would allow someone else to assume your identity for financial gain.
- **Pharming:** This strategy tries to obtain personal data, such as credit card numbers, by using domain spoofing. Pharming poisons your DNS server by infusing false information that then redirects your customers elsewhere. As far as the customers know, they're still on your website because the domain doesn't change. Any information they provide during the visit is pharmed by the attacker.
- **Phishing:** In this ploy, you receive what looks like a legitimate email from a large, recognizable site, but the email is actually from unknown sources. The hope is that you respond to their request to update and verify personal and financial information.

- **Smishing:** Similar to phishing, except this threat occurs via text (SMS) over your mobile phone. One increasingly common example is referred to as the “boss scam” or the “CEO scam.” An employee receives a text that appears to be from their boss (claiming to use someone else’s mobile phone) and asks the employee for an urgent favor, such as buying gift cards to send to someone. When the employee obliges and sends the ‘boss’ the access numbers and codes from the card, the bad actor can then use all the cards.
- **Spyware:** Any software that uses your Internet connection without your knowledge or permission is spyware. It’s usually distributed by using free or unknown programs that you download from the Internet. After the spyware is installed, it watches your activity on the Internet and transmits that information to other Bad Guys.

To discover more security-related terms and find information on protecting your computer, visit the National CyberSecurity Alliance at its website, <https://staysafeonline.org>.

Staying Away from Scams

You should be familiar with two schemes that affect the way you handle email and keep your business safe: phishing (“fishing”) and pharming (“farming”). Both methods use unscrupulous means to find personal or private account information about you and then use it for a hacker’s personal gain. Both scams have been around for a long time, and they are simple and easy for bad actors to deploy. Email scams remain a popular method for tricking people into giving up lots and lots of money! But the number and sophistication of online scams have expanded beyond only email. Mobile phones, text messages, and voicemails are all common ways your online security is being threatened. And the common denominator in almost all of these scams is the most exposed, vulnerable target of all — you!

Bad actors are counting on taking advantage of your weaknesses, including fears and uncertainties, to bypass passwords and other security measures and gain access to your data and your money. If you’re feeling scared, that’s exactly what these bad actors are counting on to get what they want. The best protection against these types of scams is to stay aware and be educated on techniques that are being used. Let’s take a look at some of common scams.

Social engineering

The combination of enhanced technology, such as artificial intelligence (AI), and the increasing cleverness of hackers and bad actors has resulted in a wider range

of cyberthreats, especially to online businesses. One of the most common types of threats today is called *social engineering*. While this technique uses advanced cyberthreats, its success depends on the ability to exploit our vulnerabilities as humans. In other words, social engineering banks on the use of fear and uncertainty to trick us into making hasty decisions and ultimately revealing sensitive data, compromising security protocols, and even giving away our money.

According to many security experts, social engineering accounts for well over 70 percent of known cyberattacks. It's expected that this type of threat will continue to be one of the fastest growing and expensive, particularly to businesses of all types and sizes. Because employees are the weak link with this type of threat, your online business has to be particularly vigilant in educating people on social-engineering attacks.

Because these attacks typically use email, text, and voice (phones) to reach victims, there is some basic information you should be aware of when it comes to malicious communications:

- » **Account verification:** Most legitimate emails from a member-based company or financial institution now include the last three or four digits of your account number. If the email doesn't have any highly personalized or account-specific information, it might be a fake.
- » **Contact information:** Email contact information should come from the company's primary URL, such as `support@paypal.com` — not `support@paypalsecurity.com`, for example. Similarly, texts and calls should reference a credible URL or support number. However, because it's now easy to make it look as if the link is legitimate, it's best not to click any link provided in the email or text and instead go to the main website and contact a representative or support team directly from the site (instead of using links sent to you).
- » **Collecting data:** A legitimate request should not ask you to submit, update, or verify private and confidential information by completing an email-based form or replying to that email. You should be able to visit the company's website (without using a link in the email) to update account information.
- » **Notice of urgency:** Most social-engineering scams insist that you reply right away or act immediately. Bogus emails, texts, and calls scare you into thinking your information is being compromised and that you must act right now.
- » **Contact customer support:** If an email or text looks legitimate but you're still not certain, play it safe and call the toll-free number listed on the back of your credit card or the one listed on the company's website.

In the sections that follow, we describe some of the most common types of social-engineering threats.

Phishing

Phishing occurs when you receive an email that seems to be from a legitimate source, such as PayPal, Amazon, or even your bank. The email usually requests that you immediately update your account information because it has been compromised or needs to be verified for other reasons. When you click the link (included in your email notice), a bogus site opens that captures your personal information as you “update” the account. Legitimate companies have done a good job of alerting users to potential phishing scams and making it easier for you to spot emails that don’t originate with the company.

Smishing

SMS phishing, or *smishing*, is just what it sounds like. It’s a social-engineering method that uses text messages over your mobile device to entice you into giving up sensitive data, such as passwords and account numbers. It may seem like an easy scam to detect. After all, wouldn’t you recognize the number sending you the message? Not necessarily! One of the most common types of smishing is a text message that appears to come from a customer support number of UPS or another shipping company. The message says that a package has been shipped to you but cannot be delivered due to missing information. The text then sends you to a bogus website and tricks you into providing account passwords or credit card information. This type of threat is often used as a way to get around two-factor authentication to access accounts.

Pharming

You also have to worry about pharming (pronounced like “farming”). Suppose that you visit a favorite shopping site. You type the domain name, and the site pops up momentarily on your screen. You log in using your password, enter your credit card information to buy products, and perhaps fork over some personal information as part of an online giveaway. Everything seems normal. What you don’t realize is that a hacker has rerouted you to a website that looks like the one you intended to visit, but this one is bogus. In the meantime, all the passwords and personal information you entered into the site are *pharmed* out and the data is used for malicious purposes.

The best protection against pharming attacks as an individual user is to

- » Keep your firewall updated
- » Keep antivirus software current
- » Install patches and updates to your browser

In your Internet business, protecting your site from becoming a victim of pharming is much more difficult. In fact, no sure way to avoid it exists. The best defense is to talk with the company that hosts your site, to ensure that its servers are running the latest updates of DNS software and that all patches are installed. If you have an in-house server, you or your IT manager should be responsible for the same thing.

Vishing

Vishing, or voice phishing, uses phones and mobile devices to convey messages that scare the victim into action. One of the most common versions of vishing are messages that claim there was an unauthorized purchase on a credit card or that your bank account has been compromised. The bad actor then tricks you into revealing full account numbers, passwords, or other sensitive data so that they are able to steal money from your bank account or make charges on your credit card.

Vishing is getting even more clever with the use of AI or artificial intelligence, which uses technology to capture voices that are familiar (whether someone you know personally or a recognizable public figure). One recent example is when an organization used AI to mimic President Joe Biden's voice and called voters in New Hampshire, instructing them not to go to the polls and vote in one of the state's elections. By the way, there are plenty of positive and profitable ways for online entrepreneurs to take advantage of AI. We discuss how to put AI to work for your business in legal ways in Book 8.

Scareware

You're familiar with adware, those annoying and sometimes malicious pop-up ads that appear while browsing online. In this version, the ads use scare tactics to urge you into taking action. As an example, you may get a scareware message that says your cybersecurity software is out of date or that there has been a security breach of your computer data. You are then prompted to take some type of action, such as buying updated versions of software (that is actually fake). Like all social-engineering tactics, the bad actors rely on the use of fear and uncertainty to trigger hasty and poor decisions that ultimately result in revealing sensitive data or handing over your money to these cyberthieves.

Extortion

When it comes to being the most vulnerable in your business, *extortion*, or holding you for ransom, is at the top of the list. In particular, a ransomware attack is one of the biggest and most costly online extortion threats. While ransomware is considered a kind of malware, we think it's significant enough to call it out separately for extra emphasis. In the most simple of terms, a ransomware attack

allows your data to be taken hostage, and the bad actor masterminding the plan will not release the data until you pay a ransom, or fee.

The more technical version of how this works is that a bad actor gains access to your network and encrypts all the data it can find (everything from customer invoices and contact data to inventory details and product photos). The intruder typically gains access by using other common cyberthreats, such as phishing emails that contain harmful links, or by brute force attack and exposed vulnerabilities that allow passwords to be detected or bypassed entirely. Then, when you attempt to log into your network, you are denied access and instead receive a threatening message, or ransom note. Typically, you are given a very short amount of time to come up with a lot of money to regain access to your data. If you pay, then the bad actor sends you instructions for decrypting your data. If you don't pay, then the data is destroyed!

How much is your data worth? Consider that the average cost of a ransomware attack was \$5 million, according to security experts. And in 2023, businesses paid out more than \$1 billion in ransom fees, which was nearly double the amount of the prior year. Small businesses are often targets of ransomware attacks, but companies and government organizations of all sizes have been targets. Recent attacks have been made against school systems, utility companies, and large financial organizations. Anyone deemed to have data that's important to the community, to customers, or to doing business in general is a potential target.



REMEMBER

Protecting against ransomware attacks comes back to following all the other advice we have shared about keeping systems and software updated, changing passwords frequently, and being diligent in maintaining and enforcing security plans and policies. Another simple strategy for reducing your vulnerability if you are attacked is to ensure your data is regularly backed up to the cloud, or even stored offline to a separate hard drive that's not connected to the rest of your network.

Insider threats

While there are a lot of external cybersecurity risks, sometimes the most unexpected threat comes from within your business. Disgruntled or malicious employees can use some of the common techniques we've discussed in this chapter to unleash havoc from the inside. The risk of loss could potentially be even greater given they are most familiar with your organization and its security vulnerabilities. Not to mention, current or former employees may also have direct access to password-protected business tools and systems you use, know where and how pertinent data is stored, or even have the necessary credentials to your primary network and databases.

As a solo-entrepreneur or very small business, you may think the lack of employees or a large team makes you immune to insider threats. However, using contractors or consultants can equally put you at risk. Consider the freelancer you might hire to design and deploy your website. That person likely has super administrative privileges, or access to the backend of your website and to your hosting provider. It would be very easy for the freelancer to take the site down without your knowledge or permission. Anyone who works within or alongside your business or has access to sensitive data should be considered a potential risk.

Just like other bad actors, malicious insider threats are often after the ultimate payday — your money. But financial gain isn't the only motivator. Unhappy employees or those who think they have been wronged may be more interested in doing reputational damage to your business, such as accessing company social media channels and posting embarrassing or damaging remarks and content. Or, they may want to disrupt your day-to-day operations by taking websites and accounting systems offline, or going into your marketing and sales tools and destroying customer data.

Another risk from insider threats is not at all malicious but instead rooted in ignorance or laziness, which could expose vulnerabilities. Employees may unknowingly put your online business at risk by not following processes, or unintentionally sharing confidential information through social-engineering attacks.

Protecting against both unintentional and malicious bad actors on the inside of your business comes down to three key issues:

- » Ongoing cybersecurity training and education
- » Established security policies that are consistently enforced
- » Maintaining updates to IT systems, business tools, and software version control



TIP

To ensure you are managing all of these, check out Chapter 2 of this minibook where we discuss establishing security plans and policies.

Mobile Security Risks

The continuing popularity of mobile devices, from smartphones to smart speakers, has only increased the appeal of the wireless world to not only users, but also to opportunist cybercriminals. Many e-commerce applications and solutions used to manage all areas of your online business now come with the capability of using the app or service via a mobile device. That means you can run your online business from almost anywhere.

Freedom of that nature comes with a price, of course — *security risks*. Like it or not, if you're using a wireless connection, you're vulnerable. The increase of mobile applications is undeniably at the center of many wireless security concerns. Whether you use an iPhone, an iPad, or an Android device, you are at risk to data breaches that can occur right under your nose.

Another business and consumer trend that is raising the bar on mobile security risks is the growing popularity of cloud-based computing. Also referred to as software as a service (SaaS), cloud solutions are essentially the use of subscription-based or pay-for-use service over the Internet in real time. This type of computing has become an affordable way for businesses of all sizes to expand their capabilities. For example, a business can host its phone system in the cloud and use cloud-based shopping carts. Most business services can be delivered from and managed in the cloud. Although cloud computing isn't strictly wireless, this "outside the network" approach to conducting online business introduces the opportunity for increased security risks.

Still another pervasive trend is called IoT, or the Internet of Things. IoT, in simple terms, allows a collection of unrelated devices to communicate to one another — this is a network of devices that each use unique identifiers to help transmit data without the need for people to be involved. For example, you may recall seeing a commercial for a new refrigerator that can send information directly to your smartphone about what items you need replenished. IoT is also enabling lots of other "shortcuts" in the home and office, but the wireless transmission opens up the opportunity for interference by the Net-thief or simple mischief makers.

With mobile usage skyrocketing and technology advances allowing more services to be consumed *in the cloud*, it's important to understand as much as you can about wireless security.

Understanding How a Wireless LAN Works

Before you can protect against a security breach of any kind, consider how a wireless network operates. In short, a *wireless local area network* (WLAN) provides access to the Internet without the need for cables or other wires hooking directly into your computer. Instead, an access point (AP) connects other wireless devices to your local area network (LAN). Then high-frequency radio waves transmit the signal from the LAN to your mobile computer. Figure 3-1 shows you an overview of this process.

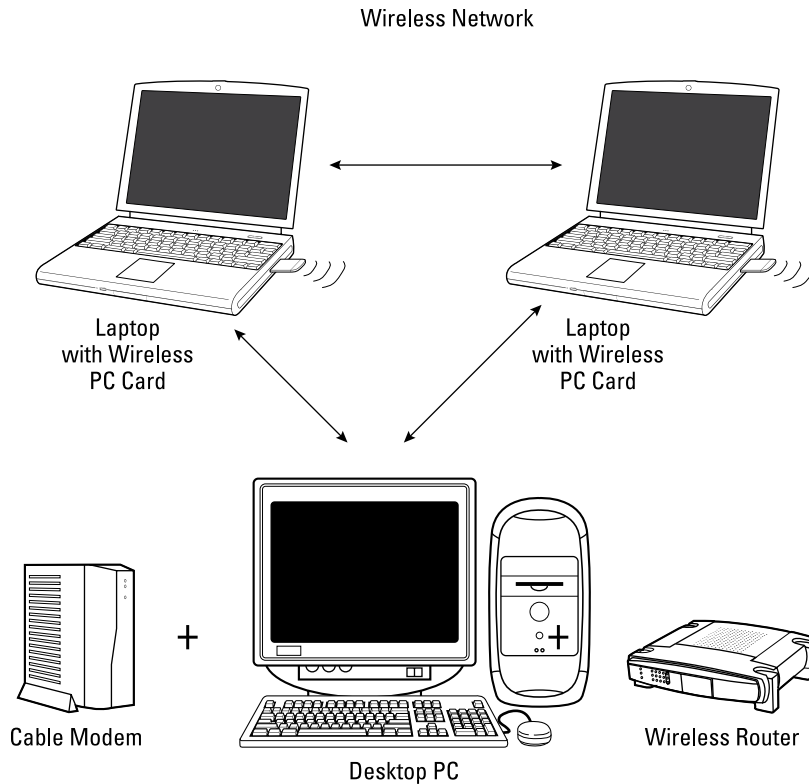


FIGURE 3-1:
Overview of a
wireless network.

Keep in mind that whether the wireless LAN is set up in your home, in a hotel, or at a city park, the result is the same: You share a signal that's broadcast over public airwaves. Why does this matter to you? Think about your house as it sits in the middle of your neighborhood. Now imagine that your house has no walls. If you don't mind neighbors — or perfect strangers, for that matter — being able to walk through your house and root around in your drawers and file cabinets, you don't have a problem. However, if you have things you would rather not share (such as credit card numbers, passwords, and other sensitive data), being exposed to that degree can be harmful.



REMEMBER

This might seem like a far-fetched example. However, someone using a laptop or any other wireless device (portable gaming devices come to mind) can pick up and use your wireless signal from outside your home or office — without your even knowing it.

Any type of security measure is only a deterrent. If someone really wants access to your network, they will find a way. In most cases, though, online thieves and hackers take a more random approach. They look for someone who is careless or naive and then take advantage of that opportunity to intrude.

Unfortunately, wireless networks can leave plenty of doors unlocked to usher in a roaming thief. Check out some of the threats that leave your wireless network exposed:

- » **Sniffing:** Hackers use software programs called *sniffers* that scan the activity (or traffic) on a network. When a sniffer detects a vulnerability, it grabs data that's being sent across the wireless network connection.
- » **Man-in-the-middle (MITM) attack:** Essentially anyone can use an open Wi-Fi connection in a public facility to take advantage of another user in that same Wi-Fi environment. In this case, MITM is when the communication is interrupted between two parties (such as between you and another website) and then the transaction is interrupted or altered. For example, an unsuspecting user logs into a website, such as Amazon, and upon the verification of the user's name and password, the bad actor performing the MITM attack intercepts the session cookie, directs the user to another site, and then proceeds to assume the identity of the original user and buy things under that name or account.
- » **Rogue access points:** With this threat, a bad actor can gain access to a user's network by setting up an unauthorized Wi-Fi access point. Because it often appears legitimate, the user's data is compromised once the user connects to the fake access point.
- » **Brute force:** This is the old-school version of compromising a Wi-Fi network. In this threat, the bad actor counts on the network password being simple, short, and therefore easy to guess. And that's exactly what happens; the attacker continues to try out possible combinations until the password is revealed. At this point, the network is completely vulnerable since having the password gives complete control to the attacker.
- » **Snoopy:** With this threat, mobile phones and any other wireless devices with Wi-Fi enabled are at risk of being compromised by drones. It sounds like something out of a spy novel, but drones armed with computers programmed to track and profile wireless devices and intercept or spoof a network can capture your data. The attacker gains access to all types of data (such as passwords and credit card numbers) shared between the mobile device and the intended network.

Obviously, the real problem with these and other wireless network threats is that your bottom line is at risk. For online thieves, it's not a harmless hobby: It represents money in their pocket and out of yours. That's why investing in precautionary security measures is worthwhile.

Establishing Barriers

When protecting your wireless network, you can choose from a range of services, applications, and common procedures that can lower the risk of being compromised.

Following your common sense

Here are some basic rules you can follow to minimize your risk:

- » **Shut down.** As silly as this method might sound, simply turning off your laptop when you're not using it reduces the chance for intrusion on your network. This technique also includes cutting the power to your cable or DSL.
- » **Limit sharing.** Allow your networked computers to have shared access to only limited files or directories rather than to hard drives. In fact, you might want to disable file and print sharing.
- » **Add a personal firewall.** A personal firewall installed on your laptop or on other individual computers provides another layer of protection between you and the wireless world.
- » **Configure WPA3.** Ensure that all devices on your network are configured or set up to use WPA3, the enhanced version of wireless encryption, which provides more protection against Wi-Fi eavesdropping, or listening. This version of encryption also addresses some of the vulnerabilities in the previous version, WPA2.
- » **Disable broadcast.** You can turn off the broadcast SSID feature that automatically searches for and logs on to a wireless connection. In other words, don't leave the Wi-Fi setting of your wireless device always turned on.
- » **Change the SSID.** Wireless network devices that you buy are supplied with a preset SSID, which makes access convenient for thieves. Because this preset SSID identifies your network, you should immediately create a new SSID after installation of the wireless device. Create your SSID by following suggested guidelines for creating any password:
 - *Characters:* Combine letters and numbers.
 - *Length:* Use the number of characters allowed. (If the limit is 12, for example, use all 12 characters.)
 - *Uniqueness:* Your SSID should be different from any of your other passwords.
 - *Updates:* Change your SSID every three to four months.



REMEMBER

To change your SSID, disable the broadcast feature, or configure devices for WPA, refer to the owner's manual supplied with your particular wireless router or access point.

- » **Update your OS and apps.** Make sure you always install OS (operating system) updates, as well as any updates to applications you use, as soon as the updates are available. The updates frequently include patches or fixes to security flaws.



REMEMBER

The increased use of social media networks, virtual games, cloud-based services, and other apps on wireless devices provides plenty of opportunity for security vulnerabilities. One of the best ways to fight it is to install the most recent updates, as soon as they are available.

Setting up a virtual private network

When you use a *virtual private network* (VPN), you create a protective tunnel around your wireless connection. The VPN keeps your transmission secure and also keeps out anyone not specifically granted access. To set up a VPN for your home office or small business, you can purchase a wireless VPN firewall from companies such as Netgear (www.netgear.com).

If you plan to work frequently at hotspots, consider signing up for a subscription-based VPN service. As we mentioned, one of the biggest threats when working from free Wi-Fi hotspots is the man-in-the-middle attack where you are vulnerable to having sensitive information compromised over a public network. One of the best protections against this type of attack is having a VPN. You can connect to a VPN for added protection in restaurants, hotels, airports, or any other Wi-Fi hotspot. Check out providers such as Private Internet Access (www.privateinternetaccess.com), which costs as little as \$12 per month. TorGuard (<https://torguard.net>) offers a few options for VPN services starting at \$10 per month.

Spotting and Thwarting Bad Actors, Hackers, and More

Keeping an eye on your connection



REMEMBER

No single method is best for protecting against wireless crimes. Instead, use a combination of security measures and common sense. You can never be too secure — the more the more measures you take, the better off you are.

- » Securing customer data
- » Backing up your own data
- » Adding a firewall for additional protection

Chapter 4

Locking Down Your Site and Your Business

If you've spent any time on a computer, you know most of the security drills about spam, viruses, and other unwanted intruders. (If not, turn to Chapter 2 of this minibook to create a top-notch security plan for fending off online predators.)

As an online-business owner, your responsibility to run a secure site is now increased in magnitude. In addition to watching out for your best interests, you must realize that your customers depend on you to take the appropriate precautions. In this chapter, we show you good security measures and provide information and tools so that you can increase protection for yourself and your customers.

Protecting against Personal Data Loss and Credit Card Fraud

Operating an Internet business means that you're likely collecting, processing, and storing (or safeguarding) credit card data regularly. Additionally, you are a gatekeeper for lots of personal data, from passwords to Social Security numbers.

You therefore have to look at data breaches and potential credit card fraud from two points of view: yours and the customer's.

Minimizing your financial losses

E-commerce sites lose billions of dollars to online credit card fraud every year. In the United States, the FBI reported more than 800,000 complaints of credit card fraud in 2023, which represented possible losses of more than \$12 billion. E-commerce-related fraud was on track to top \$48 billion worldwide in 2023, according to Juniper Research. By 2025, Asia Pacific is expected to experience the most online payment fraud, followed by the United States and Europe. The losses don't stop there. Data breaches caused by hackers or malicious intent cost businesses \$4.5 million (on average) *per breach* worldwide in 2024, according to the annual data breach report from IBM. Included in that financial loss is the actual cost of the lost data, recovery, and mediation costs, and the estimated cost to the company's reputation.

As an online business, your vulnerability to these types of losses is real. We don't say this to scare you, but to illustrate how quickly costs add up from what might seem like a minor, one-time security slip. And consider that while protection against credit card fraud is tightening offline, with the required use of new data chip credit and debit cards, fraud experts anticipate this will only drive up fraud attempts online. Shoppers may be more willing to buy online than ever before, but security concerns over credit card and personal data loss still worry consumers. All these consumer fears and fraud statistics add up to potentially less revenue for your online business.

You want to be aware of potential security problems so you can combat them and protect your prospective revenue. Here are just a few of the ways that your online business can get hit with fraudulent transactions — and end up losing merchandise and money:

- » Customers buy a product but then claim that they didn't order it (or file a similar complaint), and the credit card company deletes the charge.
- » You unknowingly process stolen credit cards.
- » You process invalid credit cards or cards that you should have declined.

Although you might think that the big online retailers are most at risk, smaller sites are often more likely targets because smaller sites usually have less sophisticated resources for detecting fraud. Fraudulent credit card orders increasingly account for a larger percentage of all processed online orders. Although the percentage is still relatively small (less than 10 percent), that doesn't help if you're the one suffering a loss.

Protecting against online crime means that you have to stay alert, cautious, and informed. As with any security concern, seek ways to reduce your risk:

- » **Validate credit cards.** Whether you process manually or in real-time, confirm that the credit card is approved. If a card is declined or shows up with a questionable item, resist the urge to process it anyway.
- » **Verify suspicious orders.** Don't hesitate to contact a customer by email or phone to confirm an order to validate a card number. If everything is okay, your customer will be impressed that you take this degree of precaution.
- » **Fight excessive charge backs.** Even if a card is valid, a customer can steal from you by refusing to pay for the product or service after receiving it. If the customer gives a valid reason (such as the product was damaged or appears to have been used or refurbished), the credit card company removes the charge. Because you have no signature on file for an online transaction, you're stuck paying the bill — plus a chargeback fee from your credit card company. You can challenge the claim by responding to the chargeback complaint that the credit card company sends you. You need diligence and patience to fight this type of complaint, and you won't win them all. Still, you can recover some losses, making your time invested worthwhile. (For more information on fighting chargebacks, see Chapter 1 of this minibook.)



TIP

If you suspect a problem or perhaps an honest mistake, call your customer directly to work it out. Keeping good records and documenting follow-up calls go a long way toward fighting chargebacks.

- » **Add fraud protection.** Online payment processors sometimes offer fraud protection programs for e-commerce sites. These services add screening features as well as links to fraud alerts to minimize the acceptance of bad orders. This service is considered an add-on, so expect to pay a monthly fee, plus a small transaction fee on every order.
- » **Use card codes.** As part of your ordering process, ask for the credit card verification code, which usually appears as a three-digit number on the back of a Visa or MasterCard credit card, or a four-digit number on the front of an American Express card. Asking for this information requires that the user has the physical card in hand (or at least knows the number).



TIP

Work directly with your online payment processor to see how to further protect yourself. When selling on eBay or other third-party sites, always read the fraud policies to understand your rights as a merchant — before a sale goes wrong.

Protecting customers' privacy and financial data

Luckily, only a small percentage of customers — if any — turn out to be thieves. A bigger challenge is protecting your customers' data from online crooks and potential carelessness. One of these violations can land your customers' data in the wrong hands — and also land you in a lot of hot water:

- » **Online security breach:** A lone successful hacking attempt can leave your online database of records as open game. Names, addresses, passwords, and credit card numbers — some of the most sought-after information — is easily left at risk.
- » **Offline theft:** Someone can break into your office and access customer files filled with personal financial data. Don't discount *internal theft*, where the thief is someone you knowingly invite into your office space.
- » **Sloppy disposal:** Okay, maybe you have extra copies of customer data or you decide that the statute of IRS limitations has passed and you can now get rid of old files. How you dispose of this information can leave customer records vulnerable.
- » **Vendor carelessness:** Your security and data storage practices aren't the only factors that can lead to a mishap. Any vendor that you partner with — and who has access to your customer data — can cause a security mishap. (Think about scandals in which credit card companies and delivery services have mishandled or lost customer information.) How they handle — or mishandle — data can affect your site's reputation.

The preceding list gives you some good ideas about how easily a problem can occur. Now all you have to do is make sure it doesn't. Take these precautions to minimize your risk:

- » **Store data properly.** You probably have two basic methods of keeping data — hard copy files and online databases. Make sure that each one is tightly secured:
 - *Hard copy:* Paperwork and hard copies of backup files that contain sensitive customer information must be kept in locked file cabinets or in rooms and storage facilities with locks and limited access. Make sure that any data you keep and store always meets regulatory requirements and laws, such as the Payment Card Industry Data Security Standard (PCI DSS) for credit card compliance!
 - *Online:* Online information should be password protected and have the added protection of a firewall.



TIP

» **Dump your data properly.** When it's time to get rid of hard copy documents, these files must be thoroughly shredded. You can even hire a professional document disposal service that will come to your location to shred documents. How convenient is that?

Before getting rid of old computers or disposing of any electronic files, erase or overwrite the machine or files (as opposed to simply deleting individual files). It's also worthwhile to completely remove the hard drive from the computer before disposing of or selling the equipment.

» **Add layers of security.** Be sure to protect any type of company information, not just customer data. Showing that you have multiple layers of security processes is important. Having only one type or layer of security can become a compliance issue if your data is compromised. Include these items in your layers, as shown in Figure 4-1:

- *Antivirus:* Keep antivirus software updated.
- *Backups:* Back up data regularly.
- *Checks:* Conduct regular security checks.
- *Encryption:* Use encryption tools to code information in case your data is compromised. Encryption lets you hide your data from hackers and other unwanted eyes. Only someone with the proper password can decrypt the information for proper viewing.
- *Firewalls:* Maintain active firewalls on your computers and servers.
- *Inventory:* Keep an inventory of your files.
- *Offline security:* Lock up data that's stored offline.
- *Security policy:* Write an official security policy to ensure that you cover your bases (see Chapter 2 of this minibook).
- *VPN:* Use a virtual private network (VPN) when sending information over a wireless connection.

» **Institute a notification policy.** Taking preventive measures also involves planning for the worst. Follow up your privacy policy with an internal policy describing how you will handle a security breach as well as the process for notifying authorities and customers.



WARNING

You might be a one-person show when you're starting your online business, but the stakes for messing up are the same as they are for the big guys. Mishandling, losing, or compromising customer information can cost you thousands of dollars in fines, possible jail time, and untold damage to your image as a reputable online store.

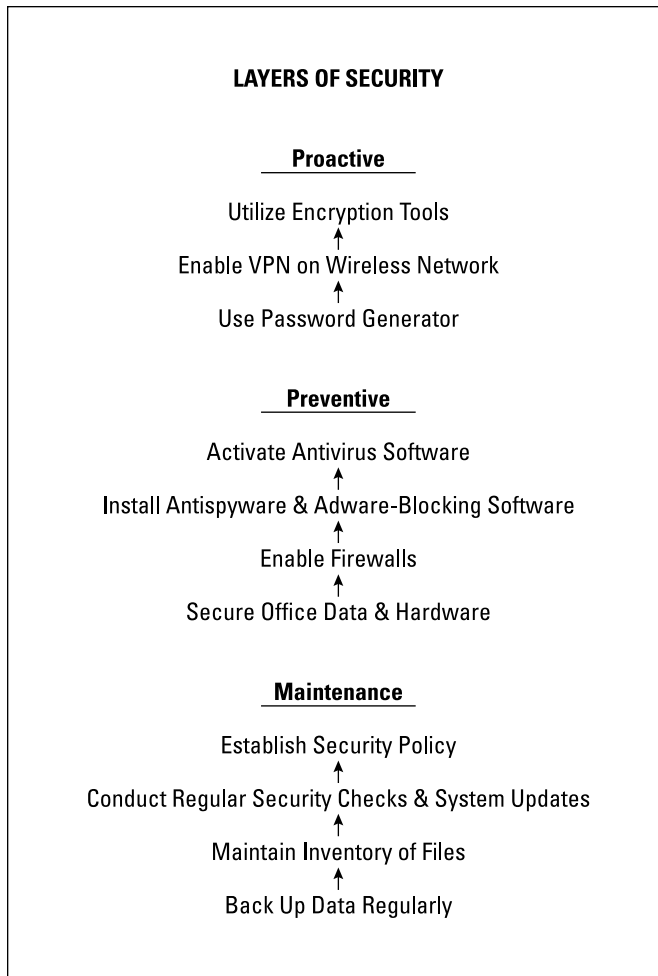


FIGURE 4-1:
Layers of security.

Backing Up Your Data

Stop. Take a moment and think about the information you store on your computer. Consider the amount of time you spend creating, updating, and maintaining your website. Now imagine that all that information disappears in a blink of the eye. Yikes!

Most of us go through our business day assuming that nothing really bad will ever happen. That's followed by the assumption that the contents of your website and your computer files are perfectly safe and always at your disposal. Guess again. You can lose data through human error (coffee splashed on your laptop, for example) or natural disasters, such as hurricanes.

You can prevent disasters from becoming cataclysmic by properly backing up and storing your data. Try these methods:



REMEMBER

- » **Store data on a removable storage device.** A common way to back up data is to save it to an external hard drive. You can also use a flash drive, as long as it has enough memory.

One goal of backing up data is to have your information available in case of a disaster, such as hurricanes, tornadoes, and flooding — which we've seen plenty of in the last few years. If your computer is stolen or destroyed in a fire, having data backed up on a hard drive doesn't do much good. You can make a duplicate copy that's not backed up as often but is saved to disk and stored in a fireproof safe or in a safe-deposit box. Or you can keep your information backed up in a cloud solution for a few dollars a month.

- » **Use a cloud-based or remote backup service.** One advantage of using a hosted or cloud-based backup service is that your data is stored off-site. If anything calamitous happens at your location, you can retrieve a copy from your backup provider and immediately restore your data. Backup services can cost as little as \$10 per month and increase to several hundred dollars per month depending on the features you want and the amount of storage space required. Shop around for the best deal.

- » **Back up your operating system.** If you operate Windows, Microsoft includes a few options to back up files and recover your PC, depending on which version of Windows you operate. You can find out about your options at <https://support.microsoft.com>.



REMEMBER

If you're using an Apple Macintosh, Mac OS X includes Time Machine for free, which allows you to automatically back up your system. You can get the details, along with other options, at <https://support.apple.com>.



REMEMBER

In addition to the data you keep on your computer, make sure that the web pages stored on your server are also backed up. Check with your hosting service to determine how and when backups are made and also what you must do to access them.

Adding Firewalls

One of the best lines of defense against viruses and intruders is having a firewall installed on your computer. Think of a *firewall* as a security guard standing watch at all the doors and windows of your computer. The firewall monitors the traffic, decides what's safe, and then gives permission to enter. If the firewall detects a threat, it shuts the door and blocks the intruder.

Firewalls are particularly important because hackers are aggressive creatures. They actively search for networks that are unprotected or have disabled firewalls. To a Net-thief, that situation is the equivalent of having an open invitation to browse through all the files on your computer. The lack of firewalls also makes it easy to install harmful programs that infect or shut down your computer or — worse — scoop up and send out to the hacker pertinent information (such as passwords and bank account numbers) without your knowledge.



WARNING

If a pesky virus manages to break through your front lines of defense, a firewall cannot remove or quarantine infected files. You still need to run antivirus software in addition to installing a firewall.

For added security, we recommend that you do the following:

- » **Enable individual firewalls.** When your computer is part of a local area network (LAN), most routers have a firewall installed. For the best defense, though, enable a personal firewall on each computer.
- » **Add an enhanced firewall.** Install a second dynamic firewall to gain protection from both incoming and outgoing traffic and to provide an additional layer of security. You can buy firewall software, often combined with antivirus software or other security tools, for as little as \$50. One popular product is ZoneAlarm, which also offers anti-ransomware. You can check out both solutions at www.zonealarm.com.

6

Online Marketing Basics

Contents at a Glance

CHAPTER 1: Jump-Starting Traffic and Driving Sales	339
Defining Key Elements for Digital Marketing Success	340
Getting to Know Your Buyers — Really Well	342
Calculating Your Site's Conversion Rate	344
Figuring Out When You Get the Most Traffic	347
Leading Customers to the Right Web Pages	350
Enticing Customers to Convert	352
CHAPTER 2: Influencing for Attention and Customers	357
Writing Reviews	358
Becoming an Online Influencer	362
CHAPTER 3: Web Marketing at Work	371
Developing a Marketing Strategy	372
Gaining a Following with Social Media	375
Reeling in Customers with Newsletters	379
Automating Routine Tasks	383
Searching for Traffic with Search Engine Advertising	384
CHAPTER 4: Analyzing and Monitoring Your Customers	393
Tracking Trends	394
Measuring Website Traffic	395
Analyzing Your Traffic Analysis Software	402
Collecting the Correct Information	404
Getting to Know Your Customer	408
CHAPTER 5: Mastering Search Engines, Optimization, and Rankings	411
Navigating the Ins and Outs of Major Search Engines	412
Getting Your Website Noticed by Search Engines	414
Placing Keywords in Key Spots on Your Website	416
Arranging Your Pages Strategically	422
Watching Your Rankings	423
Moving Up in the Rankings	424

IN THIS CHAPTER

- » Knowing what it takes to succeed in digital marketing
- » Breaking down the online buyer's journey
- » Calculating the visitors-to-sales ratio at your site and during your high-volume traffic periods
- » Getting customers to make the decision to buy

Chapter **1**

Jump-Starting Traffic and Driving Sales

You've probably heard the old saying "Build it and they will come." And you probably know by now that this particular theory doesn't necessarily apply to your website. Instead, your site is competing for visitors with hundreds of thousands (if not millions) of other sites. If that's not intimidating enough, consider that you have to not only figure out how to get people to come to your website, but also entice them to stay long enough to explore your site, and then convince them to buy something from you.

These challenges are common to all online businesses. An effective digital marketing strategy can help drive interest and traffic to your site, while a solid content strategy should keep your website visitors engaged longer. Then, it all boils down to your conversion rate — how many browsers become buyers. In this chapter, we introduce you to the concepts you need to know to attract and engage visitors, then we show you why your site's conversion rate matters and describe some strategies for increasing it, even for those visitors who aren't quite ready to buy yet. After you master the basics in this chapter, you're prepared to take a closer look at specific online marketing tactics to boost traffic and convert visitors

to buyers as discussed in the rest of the chapters in this minibook. Let's get started with the basics!

Defining Key Elements for Digital Marketing Success

Now that you have an online business, you'll need a cohesive digital marketing strategy to find and win over prospective customers. What is digital marketing? It's really no different from traditional marketing — except that all the channels you use are, well, digital! Instead of a printed newsletter that you mail to prospects, you have blog articles and e-newsletters that you send out in an email. Instead of placing an ad in a magazine, you create online ads that are distributed through Google Ads, YouTube, Facebook, or other online ad and social networks.

The *strategy* part of digital marketing is simply putting all the individual components together into a cohesive plan and then monitoring and measuring the results. As part of your long-term digital marketing strategy, you'll develop short-term online marketing campaigns with specific goals in mind. For example, one goal may be to increase sales of a new product line you're offering. Once you create an offer to entice prospects, you'll use content and promotional offers (coupons, for instance) to advertise through multiple digital channels.

To determine whether the campaign is a success, and whether you need to tweak your overall strategy, you track the campaign metrics (how many people saw your offer online, how many visitors flowed through to a specific page on your website, and how many people took advantage of the offer and actually became leads, or customers). Then you do it all over again with a new campaign — according to your strategy! Here are the basic channels and components that go into a digital marketing strategy:

- » **Website:** Okay, this one may seem obvious because you have an online business, but all your website properties (main site, micro-sites, landing pages, e-commerce store, and blogs) should all be considered under this category. You want to think about the role each site plays (along with specific, individual pages) in your digital strategy and online marketing campaigns. Each page of your site has a specific purpose, and you should identify the goals and conversion points for each page.
- » **SEO:** Search engine optimization encompasses all the activities you do to promote organic traffic. Sometimes referred to as *natural search*, it's basically the "free" traffic you get as a result of showing up in search engine results on

Google, Bing, and other search engine sites. There are certain actions, or optimization efforts, you can take to improve your rankings. (We discuss this in more detail in Chapter 5 of this minibook.)

- » **SEM:** Search engine marketing includes all your paid activities. SEM includes PPC (pay-per-click) ads, display, and retargeting ads. This term also encompasses any paid ads you run in social media. (You learn more about SEM, including Google Ads, in Chapter 3 of this minibook.)
- » **Social Media:** Facebook, X (formerly Twitter), LinkedIn, TikTok, Instagram . . . one or all of these social media platforms is likely to have a role in your digital marketing. You use these channels to share content, find and interact with potential buyers, and identify industry influencers. Want to know more about social media marketing? We cover it in detail in Chapter 3 of this minibook.
- » **Marketing automation:** This is a fancy term for your email marketing solution. It's the system that lets you create and send email communications to your visitors and customers. You can also build landing pages and track important metrics tied to your email campaigns. There are easy solutions designed specifically for small businesses, like MailChimp (<https://mailchimp.com>), HubSpot (www.hubspot.com), and Emma (<https://myemma.com>). Or, for more complex needs, you might consider Marketo (www.marketo.com) or Marketing Cloud by Salesforce (www.salesforce.com/products/marketing).
- » **Mobile:** We cannot express enough the importance of mobile devices in driving traffic and sales for your online business. When it comes to digital marketing, mobile phones and tablets are critical channels for all types of communications and ads (and as a traffic source).
- » **Metrics:** A big advantage of digital marketing over traditional marketing is that there are lots of ways to track all types of success indicators, from website traffic sources and bounce rates to email click-through rates and CTA (call-to-action) conversions. The trick with digital marketing is remembering to step back and look at the complete story that data provides you, and not get stuck on one single piece of the data pie — which can be misleading. We give you more information on metrics in Chapter 4 of this minibook, and show you how to clearly define what constitutes success of an online campaign so you can track those success indicators from start to finish.
- » **Video:** Once thought to be a piece of your content strategy that was nice to have, video has become an integral part of a smart digital strategy. One reason is because customers like a quick way to consume content, especially on social media platforms. Another reason is because YouTube has become the second-largest search engine behind Google! Yes, that means that your prospective customers are going to YouTube and searching for information, just as they do on Google. Having video that can be found in YouTube, and then drive traffic to your site, is now a must.

» **Content:** What's the common denominator across all digital marketing tactics and campaigns? Content, of course! Just about every piece of written content and visual media gets grouped into the category of content — from website copy and white papers to videos and graphics. In digital marketing, content is what helps drive traffic and convinces visitors to buy your products and services.

Getting to Know Your Buyers — Really Well

You may not realize it, but online buyers know a *lot* about you before you even realize they exist. In B2B (business-to-business) companies, approximately 70 percent of online buyers have already made a buying decision before they reach out to your sales team. In business to consumer (B2C), as much as 90 percent of online buyers have decided upon the product or service they want to buy before they finally hit the Buy Now button on your website. That's because buyers invest a good amount of time in researching competing products and services, and even your online business.

Where are they getting all the information? Online shoppers do thorough searches on Google and YouTube, read online reviews, visit online communities and social media sites to ask others for opinions, watch video demos, and look to independent third-party sites and articles for information. This is all part of the *online buyer's journey* — or the actions buyers take before they make a final buying decision. How do you reach these buyers before they go to your competitors? You need to know who they are, what motivates them, and provide them with the right information (at the right time) to guide them through their journey and to your Buy Now button! The following sections tell you what you need to know about your buyers to provide them with the best possible content.

Developing buyer personas

A *persona* is a detailed description of a buyer. It describes who the person is, what problem that person wants to solve (that would bring them to your website), and gives details on what makes this person tick. Your online business likely has several different types of buyers, so you want to create a different persona for each one of those buyers. For example, if you're selling specialty cakes online, you may have a buyer persona of a bride (or groom) who wants a wedding cake; a woman who buys special-occasion cakes; an administrative assistant who buys birthday cakes for quarterly employee celebrations; and a business owner who sends gourmet cakes as thank-you gifts to special customers.

Each of these personas has a story that includes who they are, what they do for a living, what they do in their free time, what they like (their interests), and so on. The more details you have available for a persona, the more you understand what makes them a good match for your product. In our specialty bakery example, each persona also has very different reasons for why they would buy a gourmet cake and when they need it. The more you know about these personas, or prospective buyers, the better you understand how to talk to them and convince them to buy from you instead of other online specialty bakers. Where do you get this information? You research and talk to your existing customers! Create personas based on your actual customers and let them help you fill in the details for your fictional personas.

Defining buying stages

Once you have created buyer personas, you should know more about when each type of persona is likely to look for your products, and then you can create content and offers that are most likely to interest them and attract them to your site. But there's one other piece of information you need to understand — the various stages of the buying process. As we mentioned, online buying is a journey that has different stages. Each stage represents a general time period based on the buyer's level of interest and knowledge. Here are the three primary buyer stages:

- » **Awareness:** In this early stage, a buyer may not yet fully realize they have a problem or a need to solve. They are just beginning to realize that they aren't as productive as they could be at work, for example. But the buyer doesn't realize that there are technology products or services that could make them more efficient. In this stage, the buyer is researching very general problems or symptoms, but is not yet aware of a specific brand and how it resolves the problem. They're reading blog posts and online articles and participating in group chats on social media and online forums commiserating with other people who are having the same problems.
- » **Consideration:** Once a buyer knows they have a problem, they want to find a solution. But they've not yet made up their mind as to which solution is best. For example, maybe the buyer is a young professional, a millennial, who needs a better razor, but doesn't want to pay a lot or have the inconvenience of going into stores. This buyer already knows they want to buy their razors online, but isn't sure what type is best. They also know they might be interested in buying from a subscription-based online buyers' club, but they don't know which one is best or cheapest. In this stage of the buying process, the buyer is doing a lot of detailed research about specific products and vendors, reading online reviews, watching product videos, and comparing one type of razor to another.

» **Decision:** In the final stage of the buyer's journey, your prospect has decided what they want to buy and has narrowed the decision of where or from whom they want to buy. In this case, they're spending a lot of time on your website watching branded webinars or product tutorials, comparing prices, and trying to understand the specifics of your product or service. The buyer has a need, but is still dependent upon getting the right information from you to convince them they're making the best decision.

If you can match the best content or offer to the buying stage, you are more likely to keep prospective customers interested. Then you can guide them all the way to that final decision to buy.



TIP

Keep in mind that there is a fourth stage called “loyalty,” which focuses on the buyer once they become your customer. This is also an important part of any digital plan, and we discuss more about the loyalty stage of the funnel in Book 9.

Calculating Your Site's Conversion Rate

In any retail business, the goal is to *convert* a window shopper to a real buyer. And now that you understand who your buyers are, what's important to them, and where they are in the buyer's journey, well, it's much easier to convince them to take an action and convert! For e-commerce businesses, there are many different types of conversion rates you care about, but for now let's look at a simple formula to determine generally how successful you are at converting shoppers to buyers. The basic formula, called your *conversion rate*, is the number of visitors who come to your site and then buy from you for a given period of time. For example, suppose that on one day, 15 people buy something from your website and you get a total of 1,500 unique visits to your site that same day. You calculate your conversion rate by dividing 15 by 1,500, for a 1 percent conversion rate for the day. That's simple enough. The concept becomes complicated, though, when you try to pin down exactly which number represents a good conversion rate.

Before we try to identify a healthy conversion rate, recall that we said that many types of conversion rates are worth tracking, and lots of factors influence the final number. For starters, in this book we often talk about conversion rates in terms of e-commerce, or B2C sites, but B2B sites must consider conversion rates, too. What's the difference? In B2C, the ultimate conversion is visitor-to-checkout (completing the online purchase of the product you're selling). You probably want to know the visitor-to-cart conversion rate (visitors who put products in their shopping carts but didn't complete the purchase). The difference between visitor-to-cart and visitor-to-checkout conversion rates reveals shopping-cart abandonment rates. Whereas in B2B, you may have a more involved sales process where

customers buy from a salesperson, instead of online. In that case, your conversion rates may track your online lead generation (submitting a web form or downloading a white paper, for example). Similarly, nonprofits may also measure different conversion rates — percentage of people registering for a fundraising event, clicking to make a donation, signing up to become a volunteer, or sharing a promotional video. Whether you're a nonprofit, an online retailer selling B2C, or you have a B2B website that needs to generate leads, here are some other conversion rates that may matter to you:

- » **Format:** An action, or conversion, occurs not only in a shopping cart but also on a non-e-commerce web page, on a landing page (that may reside off your primary website), or in an email. You'd need to monitor conversion rates for all these types of pages or conversion points in an online buying journey.
- » **Device:** Conversions and what they mean or how they are made may differ by the type of device from which they originate, such as a desktop computer, a tablet, or a mobile device (smartphone). Note that the mobile device category may include both smartphones and tablets. Smart-home devices, like Alexa from Amazon, are expanding the places (or devices) where conversions are happening. This is particularly important because it's leading to an increasing volume of *search by voice* (as opposed to typing search queries), and this new category of search also impacts conversion rates and influences how customers buy online.
- » **Visitor or source:** You may have one ideal conversion rate for North American website traffic and a separate rate for international traffic. Depending on your data's *granularity*, or the level of detail you have available about your website traffic, you might be able to track conversion rates in more specific ways. For example, you might have a conversion rate by customer type (new customer or returning customer), or by visitor type (new site visitor or returning visitor), or by industry, or even by referral source (affiliate sites, social media sites, Google ads, organic search, other third-party websites), or by promotion.

Understanding that a one-size-fits-all conversion rate does not exist is important — and necessary when evaluating how to improve that rate! When you dig deeper, the details or data behind a single conversion rate number can reveal very different information.

Experts cite different acceptable conversion rate percentages. You often hear an average conversion rate of 2 to 4 percent for e-commerce sites. We've seen everything from .05 percent to nearly 8 percent, depending on the type of site and time of year. For established, larger online brands, a conversion rate of 20 percent or more is not unusual. With B2B sites, conversion rates are often cited as being even higher, sometimes close to 30 percent for some conversion types. Additionally,

these average conversion rates differ by channel, too. Not only do channels such as organic search, paid media, social and direct traffic each have different conversion rates as part of their own performance in-channel, but when those channels send traffic to your website, each one can convert at a different rate. For example, you may see a high conversion rate of 18 percent for offers on Instagram (where the customer doesn't have to leave Instagram to "convert" on the offer), but when traffic from Instagram is sent directly to your website, that conversion rate may be very low.

Before benchmarking any of these conversion rates against your site, make sure you know exactly what those percentages represent. Is the percentage an across-site average or does it apply only to shopping-cart conversions or to a particular type of offer? Is the percentage for a particular day, for one event, or across a year? For example, a popular e-commerce conversion rate for researchers to track surrounds Cyber Monday (the Monday following Thanksgiving), which is typically thought to be the busiest online-shopping day of the year. In the past, for this one day, conversion rates for new customers have tracked close to 5 percent for online retailers, but these numbers don't always reflect Cyber Monday conversion rates for small online retailers with less than a million dollars in revenue.

When researching conversion rates, use industry data that most closely matches your type of online business and know exactly what type of conversion is being tracked. For our purposes, let's consider 2 percent a good conversion rate for first-time visitors to your e-commerce site throughout the calendar year.

What if your site has 500 visitors per day? At a 2 percent conversion rate, that's about 10 sales ($500 \times .02$) per day. That number seems a little depressing — unless you have some incredibly high profit margins! Based on this equation, one way to drive up sales is to drive more traffic to your site.

To figure out how many visitors you need for a healthy 2 percent conversion rate, follow these steps:

1. **Determine the number of sales you need per day to stay in business.**
2. **Divide the number of sales by .02 (the 2 percent conversion rate).**

This number becomes your targeted goal. For example, if you want 100 sales per day, your target goal is 5,000 visitors per day.

Before you get too comfortable, keep in mind the following factors that influence your true conversion rate:

» **Qualified traffic:** If you're shooting in the dark for traffic, that conversion rate becomes a sliding scale. However, by identifying visitors who are most likely to

become buyers (a higher quality of site visitor), you can put your efforts into targeting this demographic. Theoretically, you attract fewer visitors, but more of them buy.

- » **Site construction:** Everything from the layout and navigation of your home page to your search feature and shopping cart affect the probability that your visitors will be converted to buyers. The more intuitive, attractive, and useful your site, the better your likely conversion rates.
- » **Quality product or service:** If you have a product or service that nobody wants, the number of visitors you can attract to your site doesn't matter. The conversion rate will be zero!
- » **Content:** Your website pages may be designed to attract visitors but not designed to immediately convert buyers. A blog, for example, may be written to gain exposure for your brand or website, but you don't expect first-time visitors to your blog to become buyers. A sitewide conversion rate (based on total number of visitors) can be misleading; tracking conversion rates for specific pages may be preferable.
- » **Price point:** You can drive up conversion rates by using pricing strategies. Unless you can maintain price-based leverage in the marketplace, however, consider these rates falsely inflated.

Considering all these factors, another method for increasing sales is to increase your site's rate of conversion. We address that topic in a moment. First, let's look at what you can do to increase your traffic.

Figuring Out When You Get the Most Traffic

In addition to increasing the sheer volume of traffic, you have to look at the whole picture to increase your sales numbers. Part of navigating that landscape involves figuring out what time of day you're driving the bulk of your traffic to your site.

The average day is divided into several important time segments, called *dayparts*. This concept is important if you happen to own a business — even an online business that's open 24 hours a day, every day.

For example, a restaurant typically receives the majority of its sales at three specific times during the day: breakfast, lunch, and dinner. It works in a similar way

with the Internet, but these are typically accepted dayparts that we like to use to represent patterns of online traffic:



REMEMBER

- » **Early morning (6 a.m. to 8 a.m.):** Fewer people shop during these hours. Research indicates online retail buying drops by half in most cases.

If you sell to an international audience, you may have customers who are buying during a daypart that is considered slow for your location. Typically, this customer segment or daypart should be a very small percentage of your overall site visitors. For example, recent studies have shown that online shoppers in Germany tend to buy late in the evening, whereas buyers in the United States prefer earlier times to shop.

- » **Daytime (8 a.m. to 5 p.m.):** This period is often one of the busiest online times, especially for B2B e-commerce sites. Conversion rates for online B2C retailers often peak between 10 a.m. and 1 p.m. That's right: Your customers typically spend their lunch hours checking out your site. Not only that — they're also willing to make a purchase.
- » **Evening (5 p.m. to 8 p.m.):** Between the time folks arrive home from work and the time they go to bed, they apparently have enough downtime to do a little more online shopping.
- » **Late night (after 8 p.m.):** This period isn't a busy one. Sure, some night owls are still looking for deals, but they're in the minority.
- » **Weekend:** Yes, Saturday and Sunday get their own daypart! The conversion rates vary for the weekend daypart, but you can count on the peak periods being somewhat similar to weekday buying habits.

Does all this mean that you should close shop during the wee hours of the dayparts? Of course not! This data may not reflect daypart activity and buying patterns for your particular site. Plus, the Internet is always open and you can potentially have customers during any daypart. To make the most of marketing to your prime dayparts, here are some strategies you can explore:

- » **Balanced ad spending:** If you know when your customers are most receptive to your ads, that's when you want to spend the largest amount of money to get your ads shown. Similarly, you may want to decrease spending amounts during downtimes.
- » **Increased ad revenue:** Alternatively, if you sell advertising, you may be able to make more money per impression during busy dayparts.
- » **Targeted specials:** Don't just run more ads during your slow periods. Create offers and time-sensitive pricing specials targeted to the frenzied shoppers

from your busiest dayparts, too. With the right offer, you may be able to bump an already strong conversion rate into an outstanding conversion rate. You can also use a retargeting strategy to target ads to site visitors no matter what time of day they visit your site. Retargeting is a way of continuing to show ads to visitors even after they leave your website (tracking capabilities allow the ads to follow your visitors to other sites and be displayed on those sites).

You should also think about your specific site and to whom it appeals most. If the majority of customers are teens, for example, the likelihood that they will buy from you during the weekday lunch hour drops. Evening and weekend dayparts may be busier for you because your customers aren't in school during these periods. However, lunchtime may present an opportunity to reach out to their parents (or to other secondary customers). Consider promoting your site's gift cards to this customer.

Balance the daypart information with what you already know about your customers. Always ask these questions:

- » Who are my primary customers?
- » Based on their lifestyles, when will my customers most likely visit my site?
- » How can I serve my customers better during the specific dayparts when they're most likely to be ready to shop?
- » What new, or secondary, customer base can I reach by taking advantage of peak dayparts?
- » What type of offer or incentive can I create to attract new customers?
- » How can I better serve my customers during the least-busy dayparts?
- » What can I do to improve traffic and buying during nonpeak dayparts?



REMEMBER

While breaking out daypart activity might provide some interesting information, it's designed to help point you in the general direction. You should always look to your own data, especially as your online business matures, to understand trends and behaviors specific to your customer base. There might be other factors that are stronger indications of buying behaviors or other areas where you have more ability to influence. When analyzing data, remember to take a step back and try to see the entire picture, and don't base your marketing decisions on a single slice of the data pie.

Leading Customers to the Right Web Pages

Getting prospective customers to stand up and take note of your website isn't difficult, but you have to be consistent, thorough, and unrelenting. First, take a multipronged approach that includes both online and offline marketing efforts. Second, consider the best place, or specific page on your website to drive traffic. You can get started by using the following techniques to generally increase traffic and bump up conversion rates:



TIP

- » **Keyword searches:** Paid keywords, such as Google Ads, can be a cost-effective method of driving targeted traffic to your site, if you budget wisely and target the right kinds of keywords. Although the cost-per-click (CPC) rate has gone up significantly in the past few years for popular search terms, plenty of keyword search phrases are still affordable — especially long-tail keyword phrases. For example, the term *flower pots* is a broader term and may therefore be more expensive than *container gardening with terracotta flower pots*. (Check out Chapter 5 of this minibook to find out more about paid keywords.)

Google offers lots of resources to help you learn everything from the basics of using Ads to mastering advanced user strategies and tips. These resources are available in the Google Ads overview at <https://ads.google.com>.
- » **Organic search:** Considering web shoppers' dependency on Google, Bing, and others for getting your site to rank high remains an important way to drive traffic. Search engine optimization is a critical strategy when driving *organic* (unpaid) search results. To gain organic traffic, you must optimize your site with the right content and appropriate keywords. We show you how to reach that all-important rank in Chapter 5 of this minibook.
- » **External links:** Increasing the number of sites that link to your site is usually a safe bet for attracting qualified visitors. Similarly, getting link referrals from online custom reviews and blogs can greatly increase traffic to your site.
- » **Affiliate traffic:** Setting up an affiliate program can also help direct traffic your way. (Of course, you may not want to take on this task until your site is more established.) See Book 4, Chapter 2, where we discuss affiliates in more detail.
- » **Advertising:** Paid banner advertising, display ads, retargeting (showing ads in other websites or social media sites to people who have already visited one of your web pages or landing pages but did not convert), and even direct-mail campaigns can generate just enough interest to make a visit worthwhile.
- » **Offline efforts:** Everything you do doesn't have to take place online. Promoting your site offline (such as on business cards and by networking) can help drive traffic, too.

- » **Content:** Building content on your site gives customers a reason to check out your site and then hang around long enough to buy something. Content is also a critical part of driving organic search traffic to your site. We cover the different content that you can provide (such as reviews) in Book 3, Chapter 5.
- » **E-newsletters:** Whatever the method you use to reach customers, the idea is to connect with them. After they form a relationship with you or define a need that you can answer, they will follow your lead — right back to your site.

As we discuss throughout this book, it's not just about *how* you drive traffic to your site, but *where* you drive traffic. Not every page on your site serves the same purpose. And as mentioned in this chapter, depending on your buyer persona and what stage the buyer is in the buying process, you want to send them to the right spot to match their intent.

Consider our example of the specialty bakery and the buyer persona of the administrative assistant. Let's call him Adam. You know that Adam is responsible for buying cakes on special occasions such as employee birthdays and promotions. An upcoming event is National Boss's Day, and Adam is likely looking for a way for the team to recognize their boss. In this case, you know the persona, the reason he wants to buy, and that he needs to make a purchasing decision (in this case, place an order for a cake!) by a specific date.

Let's say you run a Facebook ad campaign for National Boss's Day. Where is the best place on your website to send Adam (or drive visitors similar to Adam) from the ad? You could send him to your bakery's home page, but that's very general. It tells a lot about the bakery and different types of cakes you offer, but it may take him a while to click through to the right page to place an order for the cake, or he may get sidetracked looking at other types of cakes and never follow through with an order for the boss's cake. A better option is to send him directly to a landing page that's all about celebrating National Boss's Day with a cake designed specifically for his boss and offers an incentive or discount for calling to place a custom order. Or, you could send Adam to a product page on your website that showcases different types of designs for National Boss's Day and allows Adam to immediately click an order button to buy one of the standard cakes.

By matching the buyer's intent (stage) and persona to a specific page that has a clear goal, you're more likely to get the designated conversion you want, whether that means the buyer orders a product or watches a product demonstration.

Enticing Customers to Convert

Driving traffic is certainly one approach to increasing your rate of success. After all, if converting visitors to buyers is indeed a numbers game, the more site visitors, the more buyers you *potentially* will convert. Your actual conversion rate may remain the same, but if you now have 4,000 visitors per day (instead of the 500 we used in our earlier example), your 2 percent conversion rate should bring in 80 sales. Right?

Statistically, your odds of making more sales should increase with a greater number of visitors. But consider the cost of increasing those odds. Using paid keyword searches and online advertising, you could end up spending thousands of dollars (or more!) for that increased traffic count. A different approach is to increase your rate of conversion by getting more of your visitors to buy. For example, by increasing your conversion rate to 4 percent with your existing website traffic, you essentially double your sales, without spending the money required to double your traffic.

How do you get people to click that Buy button more frequently? One part of the answer requires attracting more of the right type of visitors to your website — those visitors who have signaled they are more interested in buying based on the personas and stages of the buyer's journey. The second part of the answer is focusing on site functionality that may deter conversions. According to research, the following factors influence the conversion of browsers to buyers:

- » **Your site's security:** Buyers prefer to make a purchase from the site that is most secure and has credibility. This means keeping your SSL certificate updated and clearly displaying privacy policies and recognizable trust seals, such as those from the Better Business Bureau.
- » **Multiple options for payments:** Customers want and need choices when it comes to making a purchase. These options include credit cards, debit cards, PayPal, and extended payment option programs.

In addition, increasing conversion rates may also be a matter of making buying easier:

- » **Decrease clicks.** Reduce the number of clicks required to get from your home page to a product page, or from the product page to completing the purchase transaction.
- » **Minimize buying headaches.** Some research shows the rate of shopping-cart abandonment at 60 percent to 75 percent! You can reduce that

percentage by requiring only a few steps to complete a purchase, or by increasing the functionality of your shopping cart.

- » **Incentivize buying now.** Offer reasons for a customer to buy on the spot, such as a small discount, a freebie that comes with the purchase, or free shipping — but only if the customer makes a purchase on that day's visit to your site.
- » **Add online chat.** Include the opportunity for guests to receive real-time support using online chat. Having the ability to get product questions answered immediately can speed up a customer's decision to buy.
- » **Guarantee it.** Whether you offer a money-back guarantee or the manufacturer of a product offers a full or limited warranty, make this information readily available to your shoppers. Also include a link to your store's return policy. These pieces of information can put customers at ease and make them more willing to purchase an item from you.
- » **Display customer reviews.** It's no secret that as consumers, almost all of us are influenced by others' experiences and opinions, which is one reason why product reviews by customers are so popular. Your online customers may be more inclined to make a purchasing decision if they can see that other customers were satisfied with the product.

In addition, you should think like a customer. When making changes to your site, consider what factors influence your own decision to buy when shopping with an online retailer. Chances are, the things that encourage or discourage your buying behaviors are the same as for your customers. And addressing these concerns is the first step to boosting your site's conversion rate. Understanding how site design and functionality influence buying behaviors is part of designing for user experience (also referred to as UX). We discuss how to improve UX design of your website in Book 3.

Purchasing right now: The instant customer

The best scenario for any online business is having every single visitor who stops by your website make a purchase. Not only would you have a phenomenal conversion rate, but hitting your desired revenue goals would also be a slam dunk! Given that we've already shared the fact that conversion rates are often on the lower side, a 100 percent conversion is probably unlikely.

You can increase the likelihood that a visitor becomes a buyer by using some of the strategies in this chapter, but there are also some visitors who are more likely to buy sooner, rather than later. How do you know if they're ready to buy right away?

It goes back to understanding your buyer personas and defining what makes them tick, or in this case, buy.

Here are some of the most frequent types of instant buyers. We're betting you'll have few of these that frequent your website, or can be convinced to stop by and spend money, today!

- » **Repeat customers:** As an existing online business, you're sitting on a gold mine of data, including customers who keep coming back to buy more. Figure out how often they buy, when they buy (time of year, time of day, and so on), and why they buy or what prompts a purchase (such as a special offer or discount coupon). These are the buyers who it makes sense to invest time and dollars to target with ads and email or anything that brings them to your site.
- » **Spontaneous buyers:** There's a reason that grocery stores and traditional retailers put a lot of effort into displaying merchandise at or near the checkout register. These areas are often stocked with splurge items, or treats that don't always make it on a shopping list. That's because it pays to tempt shoppers with one more quick purchase while they wait in line to pay. The same goes for your online buyers. Some types of buyers are likely to make a quick decision based on a tempting offer. In e-commerce, social media is an ideal place to target these spontaneous buyers. For those visitors who make it to your website and have already made a purchase, you can increase the average purchase by offering a price discount to add a complementary product to their shopping cart, or offer free shipping if they buy another \$25 worth of product.
- » **Engaged buyers:** Some visitors to your website give off buying signals, or strong indicators that they're ready to make a purchase. Perhaps they have visited a specific, typically high-converting landing page, or visited lots of pages on your site over a short period of time. Or, maybe they've initiated online chats and asked detailed questions about a product. Equally engaging is that they've responded to an email or social media ad with a time-sensitive offer. These are all signals that this visitor is highly likely to buy, soon.
- » **Occasion-driven buyers:** As in the examples we use in this chapter, there are some buyers who have a specific timeline, or deadline, for buying — like the administrative assistant who needs a cake for National Boss's Day. There are lots of types of occasions or events that may force an online buying decision. Think in terms of holidays, weddings, proms, graduation, or anything that has a hard end date associated with it. Even B2B buyers have similar deadline-driven occasions, especially around the end of the quarter or

end of the year when a buyer may be in a crunch to show progress on a goal or meeting budget and spending deadlines for new tools. Attracting these buyers to your site at the time they need to make a purchasing decision often results in a shorter sales cycle than is typical.

Nurturing the indecisive (or not-yet-ready to convert) site visitor

Not all site visitors are as easily convinced to make a purchase but that doesn't mean you give up on them. You never know, these more cautious shoppers may just become some of your most loyal customers. After all, they've taken a lot of time to get to know you, research your products, and read online reviews. In fact, these seemingly indecisive visitors have probably decided they *want* to buy from you, or at least they're seriously considering it — they just need a little more convincing. This is the perfect type of website visitor for you to spend time nurturing, or giving them a bit of TLC (and a lot more information) to lead them to a final purchase. Here are two ways to reach and nurture this hesitant buyer.

- » **Email:** This is when it pays to have a good marketing automation platform, like HubSpot. When you can identify your site visitors (you know their email addresses and they give permission for you to send them emails), add them to an email marketing campaign. Usually, this means emailing them on a regular schedule over a certain period of time. For B2C, this cadence may be once every two weeks for six months. For B2B, it may mean emailing once a month for a full year. The idea is to stay in touch and send emails that contain interesting or helpful information to nudge them a little further down the buyer's journey. They may need to see videos showing ways to use the product, or maybe they want more customer testimonials. As they respond to the emails and engage with the content, this provides information back to you as to what additional content or information they need to finally pull the lever and make a purchase.
- » **Retarget:** Another way to stay in front of indecisive buyers and make sure they're getting helpful content is to use paid media (such as Google Ads and social media ads) to retarget your site visitors. *Retargeting* is basically following would-be buyers after they leave your site and showing them ads in the places they visit next. For example, maybe you have a visitor who looked at one of your product pages for waffle irons but left before buying one. Then they went to Facebook to check out their newsfeed. You can retarget this visitor or show them more ads about your waffle iron. You may even prompt

a sponsored video to show up that takes a humorous approach to why waffles are better than pancakes. The point is that you keep your product and your website in front of visitors after they leave your site.

The goal of nurturing visitors who don't make an instant buying decision is to simply keep top-of-mind awareness about your website and the products or services you offer. Sometimes, these buyers need more education on why it makes sense to buy from you, and email is the perfect vehicle for this. Other times, you may need to just keep popping up in front of the site visitor and give a little nudge to encourage a purchase, which is where social media ads and retargeting come into play. Want to learn more about this approach to online marketing? We discuss using social media and Google Ads in Chapter 3 of this minibook.

- » Writing product reviews
- » Being an online influencer
- » Building a connection as an influencer with your audience

Chapter 2

Influencing for Attention and Customers

Many years ago, a traditional way to draw attention to your business was issuing a press release. Today, publicity and attention can come in many forms, and by using the Internet, you can differentiate yourself and your company to attract customers in lots of ways. You've probably heard the saying, "There's no such thing as bad publicity." Well, if your customers are unhappy and advise everyone they know to avoid your business, we're sure such publicity won't help your bottom line.

You must be out among the community you depend on to build a relationship for customers to connect and use your business. You not only gain a sense of what customers want and need in their lives, but also connect with the community to help sell the story of you and your business. Consider the time you spend online reaching out to your community as an investment. You're building intangible relations, the goodwill that a positive company can generate, and the reason why these customers should shop with you and not someone else.

In this chapter, we focus on gaining attention that revolves more around you and your product knowledge. We explore different ways in which you can indirectly promote your company while demonstrating your expertise and competence in your product's subject area. If you establish yourself as a leader or expert, customers will consider your business.



Every time you give, you receive in return. When you contribute information, opinions, reviews, or specific knowledge, people see that it's coming from the owner of Business X, not just from an individual. They believe that they can get to know both you and, through you, your business. Customers are looking for a connection, a bond, a reason to go with a particular business. Give it to them.

Writing Reviews

Most shoppers are used to seeing positive and glowing comments about a product clearly printed on the product box. They more highly value third-party independent reviews, however. After all, what company would slap the label *Worst Product Ever* on its product packaging? However, if thousands or millions of people are rallying because they're not happy with a product, consumers will give that action much more weight than a company's endorsements.

The independent testing organization Consumer Reports (www.consumerreports.org) rates everything from automobiles to computers to garden equipment. It has more than 6 million member subscribers to its services and an estimated 11 million visitors to its website each month, where thousands of reviews, statistical test data, and evaluations are available for members to see. When customers are shopping online, they don't have the option to ask their local shopkeeper what they think about an item or to hear about how that shopkeeper helped a customer with an item that worked well (or not so well) at home. Customers turn then to reviews written online about the product, which is where you can make your entrance.

As someone with access to these products, and a history with them, you likely know more than the average person about some of the products you sell. Although you might not have used everything you sell, you have a better idea about how to evaluate a product or you gathered enough customer comments to form an opinion based on a fact.

When you write reviews, readers typically can access your profile and find out more about you. You might be surprised at the number of people who take the time to do so. Maybe they were impressed or intrigued by your comments about a product and want to learn more. Or maybe they're impressed by your depth of knowledge and want to know what else you approve or disapprove of. After customers identify you as knowledgeable, your opinion takes on greater weight, and so does your business.

In this section, we show you how to put those thoughts together and write some reviews of the products you sell.

Finding the best places to post reviews

The most valuable place your reviews can be posted is on your own website. After all, you're contributing this value to help your online business succeed and empower your customers to make better decisions. Therefore, you should incorporate any reviews you write to appear alongside the products you're selling on your own website.

After that, you want to spread the word about your knowledge and demonstrate to the larger community your experience with, and the professionalism of, a given product, to raise your profile as a product expert and expose new potential customers to your company. Start by doing some investigating online, and look for websites that offer reviews of products you carry.

These major online sites offer reviews:

- » **YouTube (www.youtube.com):** We're living in the era of video, where people use their smartphones to record quick, sometimes amusing, mostly helpful reviews of things they use and love. (There's a whole industry of people recording their efforts to unbox products!) You can search on YouTube to find the best or most relevant reviews based on the products or specifics you want, and learn from other people's analysis and recommendations on what to buy, in categories that range the entire spectrum.
- » **Amazon (www.amazon.com):** The world's largest online retailer offers a wealth of reviews for its growing catalog of items. These reviews and comments are some of the drawing points for customers to this site.
- » **Yelp (www.yelp.com):** The world's largest review-centric site focuses more on the service industry, but when people want to use a specific vendor or try a specific business, odds are, they're going to Yelp to see what other people say about the business. Encourage your customers and partners to provide reviews, but be careful not to explicitly bribe or coerce any reviews from them. You want natural, organic reviews from happy customers to encourage future business.
- » **Google Reviews (<https://business.google.com/reviews>):** The king of search engines allows businesses to create their own profile, which means that customers can then review any business with a Google business page. The importance here is that these reviews will show up anytime a business is part of a Google search result.
- » **Facebook (www.facebook.com):** Every page that you can like, whether it's for a local business, brand, event, or almost any organization, has a Reviews section where its users can input their reviews. These reviews are summarized on the main page, but you can click through and read what other users think of the business or brand behind their Facebook page.

Other places cater to different niches, such as CNet Reviews (www.cnet.com/reviews) for computers and consumer electronics and G2 (www.g2.com) for computer software. If necessary, ask some of your customers where they do their research before they buy. For truly unfiltered reviews, check out Reddit (www.reddit.com) and see if there is a subchannel for your product. Lots of different consumers create threads on a daily basis about everything.



REMEMBER

Every once in a while, you should check up on your product reviews to see what other readers are saying in response. Reader feedback can provide invaluable advice about whether your reviews are hitting the mark or are too confusing. Keep an open mind about their comments, and treat this strategy as another learning exercise.

In the end, you should be persistent and not overbearing. Allocate a specific amount of time per week to contribute reviews so that you don't spend all your time filling up page after page. Stay current, and approach new avenues as you have time. If you deal in new products, make sure that you're one of the first people to review a product. That way, you lend greater authority to your opinion and provide your own helpful early warning if you review an item you sell that customers have a frustrating time using properly.

Writing the review, section by section

After you know where to post your review, it's time to write one! You don't need an English degree to write reviews, and you don't have to carefully research, document, and stamp each one for approval. Most people are looking for honest, candid, easy-to-understand information that breaks down the essentials about a product. The best way we have heard someone describe how to write a review is this: "If friends asked you what you thought about product X, you could hand them your review as the answer."



TIP

Have the product in front of you when you start writing. Being able to hold up the product, scan its box, read its specifications, and experiment with the product can trigger thoughts and confirm suspicions when you're writing a review.

When you're ready to write a review, make sure that it has these basic sections:

- » **Initial impressions:** Start by writing your initial impressions of the product. What were your initial thoughts the first time you saw the product? What did you think about the first time you used the product? What were you hoping the product would provide, and what did you expect it to be?



REMEMBER

Don't worry about immediately assigning a product a number between 1 and 10 or coming up with a title. These issues should be the last ones you write about, because writing the rest of the review can lead you to the ultimate ranking answer.

Your initial impressions should provide a quick summary of the product, your impressions, and a sense of whether you favor it. Someone reading only your first paragraph should see all the basic information and know whether you approve or disapprove.

- » **Pros:** Write the reasons you like the product, no matter how big or small the issue. Include the ways that this product is better than similar products on the market, and describe its best features.
 - » **Cons:** Write the reasons you dislike the product. Think of the features you're not happy with or that you wish could be changed. Note whether the problem prevents you from using the product correctly or just bothers you individually. Obviously, rank the problems that affect your usage higher than your personal opinion.
 - » **Experience with the product:** Regardless of whether you love the product or hate it, does it do what it's supposed to do? If it's a digital camera, for example, does it take high-quality photos? Even if the camera is hard to use and its battery life is low, does it perform its main functions? Most products have a purpose or a use, and people want to know how this product can help them. A great-looking item might be completely useless, or an item that solves a big problem might be difficult to use.
- Talk about your experience with your product in a positive, nonconfrontational way. Don't say that you love it because it sells well. Say that you love it because the product is so solid that your customers love it and that's why it sells well.
- » **Recommendations:** Would you buy your product? Would you recommend it to someone? Would you recommend it only for a specialized need or a certain kind of user?



TIP

After you complete all these areas, you should have a good idea of how you would rank the product on a scale from 1 to 10. You might be asked to rank certain individual characteristics on some websites, so consider them last too, after you think about the good, the bad, and the ugly.

The title of your review should be a one-sentence summary that captures the essence of what you're saying. The easiest titles to write are for products you absolutely love ("This product is the best thing since sliced bread!") or absolutely hate ("Don't buy this product, even if they're giving it away!"). For most reviews that lie between these two ends of the spectrum, choose a good point and a bad

point, and emphasize the one you most agree with. For example, say something like “Good product for the money, but don’t expect full features!” or “Product X: Adequate but in need of improvement.”



TIP

Make sure that your reviews are sincere and honest. Don’t rave about a product just because you sell it and hope that a good review will boost sales. Readers will see through an insincere review, and your plan could backfire because they will go online and warn other consumers not to trust you or your reviews, opinions, or business.

After you have completed your written review, you can also turn it into a video review. Record yourself in front of a computer webcam, a handheld video recorder or tablet device (such as an Apple iPad), or even certain smartphones, and then upload the product review to popular video-sharing sites such as YouTube. Don’t forget to brand your review by embedding a link to your website. Video allows you to visually demonstrate a physical product, which will only add to your review’s effect. If and when you do a number of video reviews, you can set up your own YouTube channel where people can subscribe to you and see your most recent postings.

Becoming an Online Influencer

Building a business is not only time-consuming, but also rewarding and educational. Your work, however, doesn’t end with your own website. Interaction with the community is essential for any business, whether you hang a shingle or code a web page. On the Internet, you have ways to participate as a business owner that lend credibility and raise the collective energy of your community, who will remember those qualities when it’s time to buy. Your expertise can help you become an *influencer*, sharing your knowledge with others in the hopes of gaining a following that will listen to you and perhaps check out your business.

Speaking out with video

In the past, you could make connections with potential customers by agreeing to speak at their Rotary Club or Chamber of Commerce meetings about your chosen subject area. The Internet and high technology have combined to create different ways for you to deliver that same information — without the rubber chicken and the echo from the borrowed sound system. The two most popular ways to communicate online are through graphics and videos, and Instagram and YouTube are the top sites to post and communicate this information.

The old adage is that a picture speaks a thousand words. Today, online culture values the use of pictures so much that a site like Instagram was born, simply to post and display images that matter to you (and hopefully other people), whether it's on a personal or professional level. Other Instagram users decide who they want to follow, and those people's pictures make up a person's Instagram feed, which most Instagram users monitor on a daily (or more frequent) basis.



TIP

Because your “followers” are choosing to follow you, the pictures you post need to convey a certain purpose. If all you do is post one boring product picture after another, with very little information in the caption/comment section, you won't gain many followers. Instead, focus on the newest and greatest products that hit your inventory, sale images of specific promotions, behind-the-scenes photos of what's going on within your business, or how customers or employees are actually using the products you sell. You want to offer a careful balance of information and entertainment through Instagram. We recommend looking at existing Instagram accounts from your competitors or people in your product space to see what the prevalent strategies are that matter to your industry. And check out *Instagram For Business For Dummies*, by Jennifer Herman, Eric Butow, and Corey Walker (Wiley), for tips and tricks.

When you prepare and deliver a webinar, you control the message, the delivery of that message, and all the accompanying information that goes with the message. The formatting of your presentation is always the same with a webinar, and your presence cannot be deleted, because your image, voice, and slides drive the presentation. One leading service that produces webinars is WebEx Event Center. You can read about WebEx Webinar services and prices by going to www.webex.com/suite/webinar.html.

In the past, many people learned through in-person seminars or web seminars (known as *webinars*), but today many people learn through shorter videos, and one of the leading websites that hosts and promotes this content is YouTube, which is owned by Google. YouTube is considered the second most popular search engine based on number of requests, as people now type their queries into YouTube to get an answer delivered to them with video, not just with plain words with Google. Instagram (owned by the parent company of Facebook) is another popular channel for people to post their short videos, and TikTok is exploding in popularity but may not be available in every country.

Whether you use your smartphone, laptop webcam, or professional video equipment to record your videos, the key is to focus on a clear delivery of information, something that can take a few minutes (on average) to illustrate. As you record more and more videos, you may want to consider getting your own YouTube (or other) channel so that all your videos are accessible in one spot to all your current and potential customers.

Given the volume of educational videos on YouTube, YouTube organized this information into a dedicated YouTube channel called YouTube Creators (<https://youtube.com/ytcators>). Your focused educational videos can be a part of this system and help potential customers learn more about areas where you can offer useful information.



TIP

Given the shorter time frame with a YouTube video, organize your thoughts for a video like you're delivering one precise lesson, not an entire classroom lecture.

Defining your specialty

Given the immense amount of information and options for consumers, the easiest way for them to cut through all the noise and presentations of the high-tech world to find what they're looking for is to rely on the low-tech, time-tested tradition known as *word of mouth*. Most customers make their decisions based on recommendations from family members and friends. In the absence of a friend or family member, however, online consumers look for an expert or "influencer" in that area. That's where you come in.

Expertise or influence isn't a degree that a university can confer on you; it's the real-world experience you build up in a given subject area or product category. It's up to you to share that information in a constructive way so that customers see you as the expert. After customers start asking you for advice, they also find out about your business. When it's time for them to buy a product, they're much more likely to choose someone they consider an expert over a nameless, faceless website with a slightly lower price.

To become an influencer, you should first spend some time in the places where your potential customers congregate and ask questions about your proposed area(s) of expertise. Four of the most popular places to frequent are X (formerly Twitter), LinkedIn, discussion groups, and mailing lists. Follow these general steps:

- 1. Identify the discussion groups, LinkedIn Groups, Facebook groups, or topics on X that pertain to your area.**

Dig around, do some research, and use search engines or your favorite websites to see where people are gathering online to discuss topics.

- 2. Join the designated groups, and find out how to participate correctly.**

Take the time to complete the registration processes at each of these sites, and choose usernames that advertise you, not your business. If people see that a corporate name is contributing information, they might see it as an invasion for sales only. (For X, see what topic names, or *hashtags*, are used consistently, and be sure to use the relevant hashtag in your reply.)

3. Set up your profile and signature file.

Make sure that your business and website address are clearly mentioned at the bottom of your signature file and X Profile Bio field, so that people can follow up if they're interested.



TIP

In your profile and signature page, always reference one landing page, or a web page that will consistently reference all your online posts, websites, and online references.

4. Start looking for discussions and questions that you can contribute to easily.

Start by monitoring conversations to develop a sense for the tone that people use in their responses. Don't feel that you have to dive in right away. Start by providing a comment here and there, and take some time in the beginning to observe the atmosphere and get to know the major contributors.



WARNING

Don't use these places for blatant self-promotion. Participate in a healthy manner, and make sure that your signature file contains a line or two about your web business.

5. Set up a regular schedule to contribute to one or more discussions.

Include this process in your weekly routine so that you don't forget about it as time goes on. Maybe you spend a half hour each Tuesday logging in to see the most active discussions. You can spend a few minutes each day looking for the most relevant discussions for your area. Find something that fits your schedule so that you have the time to participate without feeling rushed.



TIP

Make sure that each posting is free of any obvious spelling and grammatical errors. Use a word processing program, such as Microsoft Word, to write your post so that you can easily check and correct mistakes. Then copy and paste your words into the listing.

Once you have a deeper understanding of the potential topics you can serve as an influencer, the next step is to think about how you want to present this information in a way that customers will find helpful, clear, and entertaining or pleasant. As a business owner, you're already looking to stay ahead of the curve to see where your market is heading. Now you get to use that knowledge to help tell customers what to expect. You can choose from a variety of angles for your influencer videos, including these:

- » Provide straightforward, concise explanations and examples of a new technology.
- » Provide "the personal touch" by describing how you got through a certain situation and what you learned from it.

- » List four or five nonobvious ways that a product or service can be beneficial.
- » Create a step-by-step guide for accomplishing a specific task.
- » Describe how to improve a (popular) way of doing something.
- » Specify what not to do in a given area.
- » Create a fun angle to demonstrate your knowledge or product expertise.
- » Create a case study showing someone's right and wrong actions, and then explain why.

You can also use existing data to help you develop the videos that should appeal to your customer base. Websites like NinjaOutreach (<https://ninjaoutreach.com>) crawl social media sites in your industry to help you understand who you're trying to reach and which current influencers are doing the best job, so you can learn from their output.

One point to consider is the length of your article because that may influence the topic. If you're looking for a "quick hit," then a popular type of article is the *listicle*, which is basically a step list or top-ten list that can be easily scanned. If you want to write a long-form post about a bigger topic, make sure it's something that you can write about at length and not something you have to struggle to complete. Many Internet users are interested in both types of articles, and everything in between, to the point that sites like Facebook now help estimate how many minutes it'll take to read a linked article.

The best topics, sometimes, are about issues you just faced with your business or your personal online adventures. Think about how you handled a given situation. Did you learn a new trick or two along the way? Did the recommended solution pan out? Did an unorthodox method (or even the tried-and-true method) produce measurable results? If so, ask yourself this question: "Would other people benefit from what I just learned?" If so, and if you're not revealing a competitive advantage, start making notes to turn into an article.

Establish consistent schedule, output, and technology

When you're getting started in thinking about influencer videos, don't be afraid to brainstorm and jot down ideas to revisit later. Look at what other influencers do in terms of content, and pay attention to their schedule and frequency of posting videos. Spend some time honestly thinking about the amount of time you will be able to spend in this area, which will help determine the schedule you can set for creating, editing, and posting these videos.



REMEMBER

The key is to be consistent. If you can only post one review or video per month, as long as you communicate that frequency and stick to it, then you can gain an audience. Viewers and customers get rattled when output comes in a haphazard manner. One week, someone posts ten videos, and then doesn't post anything for three to four months. People want to know what to expect when adding your videos to their pile of videos to watch. You convey trust and reliability by sticking to a consistent schedule, so it's always better to aim low but deliver on time, over time, and keep extra videos "in the bank" and roll them out on a consistent basis. You may think, "Oh, one video per week is easy." But when you're slammed, tired, and behind on your other duties, it is very easy to miss your goal and eventually lose your audience if you can't stay on track.

When planning the videos, think about the type of videos you want to create. In almost all cases, these videos are going to be short enough to keep people's attention and convey the core message. There are a number of quality issues you should decide regarding your output that are best determined before the first video is even recorded, including:

- » Are all the videos going to be in the same setting, such as outdoors, behind a desk, or in a staged environment?
- » Do you have your "title card" graphics ready at the beginning and end of every video?
- » Are you the only person who will be speaking in these videos, or do you rely on other people for an interview-style video, reaction video, or something else?
- » Are you going to be holding the actual products in each video, and/or what kind of visual aids will you need with you when filming each video?

Once you've planned out your output and start recording your videos, the editing and refinement process will be important for maintaining consistent output.



TIP

Another way to be consistent is to add a level of quality control to your videos. Try to get a trusted friend, employee, or favorite customer to help review your videos before you post your video, just to get a second pair of eyes on it in case they'll see something you don't catch that can be fixed before you upload your video.

You will need a baseline of equipment to record, edit, and distribute your videos on the Internet. Some of the basics include:

- » A computer with good video editing software
- » Digital camera or good webcam for your computer to record video clearly

- » Digital microphone to record audio clearly
- » Lighting source attached to your recording device

There are a lot of recommendations on the Internet for the equipment that you can use to make your videos. Start by finding out what you already have in your possession, and what you can access through your friends, family, and fellow employees. If you're going to be hiring someone to help you record, edit, or post your videos, get their thoughts and input as well, as professionals in this area will already have most, if not all, the necessary equipment in this area.

Setting up your video channel

Once you have done your due diligence and developed a plan of action for your influencer videos, you need to join one or more video channels to start posting your videos and gaining followers. When you go to sign up, it's recommended to have everything ready in advance, from at least one finished video to your channel name, profile picture, any logo files, and profile description. This way, once you start registering your account(s), you don't have to stop and start as you gather necessary elements on the fly.

When you sign up for your channel, keep a few things in mind:

- » **It's all in the name.** You want your channel name to be catchy, but also give the viewer a clue as to the focus or what industry/product line your channel is related to cover.
- » **Descriptions matter.** You need to convey the purpose of your channel as quickly, concisely, and precisely as possible. People's attention spans are not what they used to be, so be efficient but also readable. While placing keywords in the description are important, you want the description to be clear for the human beings reading the description as well.
- » **Craft your own look.** Take advantage of elements that you can afford to design, like a custom banner, profile picture, icons, and associated artwork for the channel. Think about the color scheme and font types you use when designing these elements, as you want them to reinforce your brand, not confuse people.

Once you've created at least one channel, upload your videos in a consistent manner. Be sure to pin or highlight a good video that'll be associated with your channel as new subscribers will see that featured video when they first arrive on your channel page. As mentioned earlier, you'll want to keep the consistent schedule that you planned for, so try to have some videos already completed

or done ahead of time so that you're not scrambling to hit your schedule once you've started rolling out your videos.



TIP

In some cases, you will have to create a regular account on these services, such as YouTube and TikTok, and after you've achieved a number of statistics (like a certain amount of subscribers, watched videos, and so on), you will be able to upgrade your account where you can actually earn money in the form of advertising and/or sponsorship for your videos. See Book 8, Chapter 2 to learn how to develop your own income stream through social influencing.

Interact with your growing audience

After you've created your video channel and started to post consistent videos to build up your channel, it's time to interact and grow your audience by interacting with the community, not just presenting yourself. The easiest way to start is to use the channels easily available to you — specifically, your social media pages, a blog (if you have one), or content from your online-business website. Share your videos and add comments to give it context when other people share your videos. You gain publicity and reinforce the image you're presenting to your audience. Every reference to a new video shows how you're working to keep the community informed and gives you a great reason to implicitly plug your business or perhaps a well-timed promotion tied to the newest video.

After those initial steps, see whether your customers, employees, or network at large would be willing or interested in sharing your videos with their own communities. Good information is valued over a simple sales pitch all the time, and the spread of information will only enhance your ability to be an influencer and to help your online business.



TIP

Keep an eye on your videos and associated social media mentions, and make sure to reply to any comments, re-shares, or tweets, even if it is just to say thank you for their support. Starting dialogues with interested parties who watched your videos only increases your authenticity and increases the visibility of those videos because the algorithms naturally promote those videos with more “interactions” than just views. These sites assume that if people are interacting with each other about the video in question, it's more relevant than the other videos that are simply being viewed.

Add to the conversation by using your social media channels to ask open-ended questions to your audience about their interests and opinions, and even reach out directly to your biggest followers to ask them what kind of content they would like to see you create. Repost content by your followers and fellow influencers in your niche to broaden the conversation and deepen that connection to your base.

- » Implementing a total marketing strategy
- » Creating a long-term conversation with customers by using social media
- » Offering newsletters to lure in potential customers
- » Advertising through a pay-per-click strategy

Chapter 3

Web Marketing at Work

Regardless of how big your online business is or will become, the power of the Web is a far-reaching and low-cost way to effectively turn people on to what you provide. One reason for the effectiveness of web marketing is the power of *one-to-one marketing*. Rather than create TV ads that speak to tens of millions of people during a popular sitcom, for example, web marketing speaks directly to your interested customers and builds a one-to-one connection between a potential customer and your business. These first-time buyers can become repeat customers who spread the word about your company to new customers; your business continues to grow with each wave. Online sites such as Craigslist, NextDoor, and Discord grew in popularity because people came together not just to buy and sell stuff but also to find jobs, apartments, romance, and events in their geographical areas.

Many people believe that web marketing works for only the big companies that can rent banner ads and host lavish websites with large email distribution lists. The truth is that small businesses and entrepreneurs, just like you, can benefit from the same techniques that the larger companies employ, by investing time and effort along with dollars. In this chapter, we show you how to use these marketing techniques to reach potential customers.

Developing a Marketing Strategy

In the early days of the Internet, you could build a website, get mentioned in the right places, and instantly receive a stream of customers, whether you sold sweaters or homemade apple butter. You didn't have much competition, and a hungry audience would soak up whatever they could find. Now, websites and online commerce companies sell everything that's legal (and a few things that aren't), and competition is fierce and ever-present. The days of building a website and receiving instant traffic are mostly over. In this section, we show you how to use branding and a targeted advertising strategy to spread the word about your business.



REMEMBER

Hit the right concept at the right time, however, and you might find early success. When people heard of Google, a search engine that provided relevant results, they started using it more and more. When anyone could create a video file and share that video on the Internet with other users, who could rate and comment on those videos, YouTube jumped to the top of the charts of the social networking trend.

Devising your brand

To get your business noticed, you need to come up with a basic, all-encompassing strategy. This strategy defines and drives your marketing efforts. Always send the right message from the start so that you don't confuse your customers and waste your money.

The first part of your strategy is to create your brand image. Your *brand image* is the message that your company portrays in everything you do, from telling people about your business to treating its customers a certain way to providing value through your products and services. It's not one piece, but rather the overall sense that customers and your general audience get when they think of your business. Your brand is shaped by the successful combination of a memorable logo, a catchy slogan, a distinctive color scheme, and more. These elements all influence how your customers view your business, but individually, these elements are not your brand. Your brand is the impression your customers have of your business, and that impression is triggered by seeing the memorable logo, catchy slogan, distinctive color scheme, and more.

What should your brand be? Consider these points to get you started as you devise your brand:

- » **Competitive prices:** Because you have an online business, you're not paying for expensive retail space and a carpet for customers to trip on as they walk through the front door. Therefore, you could potentially offer lower prices than your offline competitors.

- » **Convenience:** Your customers can interact with the business even when they're wearing pajamas.
- » **Customize requests:** You can provide each customer's specific request or match people with similar interests.

Although we could give you more examples, the lesson here is that you have options. Choose the brand that fits with your company.

Working the brand

After you have an idea for an appropriate brand, it's time to share it with the world. Because your business operates online, you can easily promote your business online. Billions of dollars are spent each year on web advertising (just look at Google's numbers), and the numbers increase each quarter.

Rather than pay for a billboard that you hope people see on their way to work, make your web advertising stare customers in the face — literally. You're speaking to a captive audience because the advertising is part of the screen, built into the web page in a variety of ways. In addition, you have a better chance of having the right ad reach the right customer because you can better target who receives which ad.

Because many companies offer advertising opportunities, you want to find the markets that best push your brand. Think about whom you want to reach with your brand. If your brand involves power tools and improving the home, maybe a website that offers cooking tips isn't the right place for you to advertise. If your company appeals to the teenage consumer, YouTube, chat applications like WhatsApp, and social media websites are good places to start.

You can reach out through the Web and advertise your brand and company in many ways:

- » **Paid advertising:** Many sites offer options, such as banner ads, center ads, and paid-placement spots where you can rent space based on how many people click through to your website. This way, you can track the *click ratio* to see how effective certain sites are to your brand, and pay only when someone who wants to find out more clicks your link.

Click ratio refers to the percentage of people who click a specific ad based on the total population who saw that ad. You calculate the click ratio by dividing the number of times someone clicked an ad by the number of times the ad was displayed. On average, click ratios can range from 0.5 or 1 percent to 5 or 10 percent on specialized sites.



- » **Social media:** Businesses of all sizes are using social media websites, such as Facebook, X (formerly Twitter), Instagram, YouTube, TikTok, and Discord, to reach out where their customers are hanging out. These businesses use the sites to stay relevant, broadcast important information, and create a long-term connection with potential and existing customers instead of just trying to sell one product. With social media, you're selling the customer on your business, not a particular product.
- » **Partnerships:** Rather than pay outright to be on someone's website, come up with a partnership deal in which you and another company promote each other to your users. You can make
 - *A simple deal:* You and the other company put each other's banner ads on your own site.
 - *A complex deal:* You and the other company create joint promotions and provide links back and forth.
- » **Classified advertising:** Rather than place banner ads that advertise your company, you can take out classified ads that market a specific product or sale item. Many sites allow you to post free ads, such as Craigslist (www.craigslist.org), Facebook Marketplace (www.facebook.com/marketplace), OfferUp (<https://offerup.com>), and even some local community social network online classifieds sections.
- » **Product placement:** In this form of advertising, you arrange to get your products mentioned and your website referenced by someone else. You can do it through a blog, or someone can feature a review of your product on a website after you send a sample.
- » **Keyword searches:** Search engines offer advertising that can appear on the same web page as search results. You can bid on the right to have your ad appear for a given keyword that someone types. See "Searching for Traffic with Search Engine Advertising" later in this chapter, for more information.

Big advertising campaigns don't necessarily mean big budgets. You need to think about every move that you make online, and the best campaigns start at home. Your own website needs to reflect the brand that you want to present to your customers. Every email you send should mention your business and website address. When you contribute to any online discussions, chat rooms, or groups, make sure that your business and website are carefully displayed at the bottom of any posting you make. Small actions like these can lead to name recognition, which can lead to customer recognition and acquisition.

Gaining a Following with Social Media

Someone once said, “Go where your customers are.” When people started using social media websites such as Facebook to keep in touch with each other and share updates, businesses quickly followed, building their own presences and business pages where fans of that business could stay in touch with that business; hear about contests, promotions, and sales; and have direct communication when there was something they liked (or disliked) about the business.

Today, websites use social media for various purposes. Some websites maintain Facebook, Instagram, and X accounts simply to broadcast upcoming sales, specials, and Facebook-only or Instagram-only discounts or deals. As mentioned earlier in this chapter, other websites have an expanded presence that includes social media sites such as YouTube, TikTok, and Discord, where they share photos and new content, host unique contests, gather feedback on new products, and handle customer service inquiries immediately to prevent a backlash when something goes wrong. Some businesses go one step further and create original content for their social media presence or partner with other companies via social media to promote nonprofit causes or to create media events.

Using social media properly

A common mistake many businesses make with social media is to sign up for an account with these websites, set up some basic information initially, and then ignore or forget to use or update these accounts on a regular basis. Social media requires a long-term commitment, not a short-term promotion window. The most successful social media presences for businesses are updated regularly and contain useful, interesting, and helpful information not necessarily tied to the specific products or services of that business.

The other big mistake that businesses make with social media is to treat this avenue like other forms of advertising (such as search engine paid advertising) and try to make sales immediately from their social media audience. These companies talk only about products and specific sales on specific SKUs, and answer every question with “Well, we recommend the XJ9000 for that, because . . .”

When businesses understand that their social media presence needs to be a long-term, non-sales-focused, ongoing discussion between them and their customers, they begin to see the following benefits:

- » **Build trust and connections.** People like to shop with companies they know and trust. As your social media users interact with you on an ongoing basis, they get a feel for your company, see updates from your company, and begin

to include your company in their daily activities. They gain a higher sense of trust because they know you're a real company with real people instead of some "faceless" website that treats them like a number.

- » **Put some humanity in your posts.** Although you are a business, your customers will want to see the "human" side of the business, whether it's through showing a sense of humor, sharing employee pictures and likes/dislikes, or describing life at the company behind the scenes. Keep the content product-free, and you increase the likelihood of new and current customers increasing their bond with your company.
- » **Learn about problems before they explode.** Social media is immediate, so customers can write on Facebook or tweet about your product as soon as they receive it. When you have an ongoing presence, your customers can contact you immediately or you can monitor discussions regarding your brand. If some dissatisfaction or trouble is brewing online, you can respond right away and try to resolve open issues before letters are written and angry mobs show up on your doorstep.
- » **Turn customers into ambassadors.** The real power of social media comes from people passing along links, pictures, and information to their own networks immediately. When you announce something through your Facebook, X, Instagram, or other accounts, your current users can send the announcement to their own networks, so their friends see your updates as well. Information can be rebroadcast multiple times on multiple networks — suddenly, your update can go viral and gain exposure to thousands or even millions of potential customers overnight, mainly because the update came from a friend, not from some anonymous business.

Social media has other benefits as well, but we hope the core message is clear: Social media allows you to create an ongoing, one-on-one connection with your customers so that they can interact with you whether or not they're shopping, which leads to greater loyalty and more frequent purchases. As we discussed, the best way to proceed is to first do some planning, which we discuss in the next section.



TIP

If you want a guide for a detailed social media marketing strategy, check out *Social Media Marketing All-in-One For Dummies* by Michelle Krasniak, Jan Zimmerman, and Deborah Ng (Wiley).

Determine who will administer your social media accounts

When you decide to use social media for your business, your first job is to determine who will administer the social media accounts for your business: perhaps

someone in marketing, sales, public relations, IT, or a dedicated social media coordinator. You want to be consistent, so rotating the responsibility to different staff members is probably a bad idea.

When trying to decide who will administer the accounts, you should keep a few things in mind:

- » **Technical ability:** You will want someone comfortable with using technology, even for things as simple as writing and posting a Facebook update. As you grow your portfolio of social media accounts, you'll want someone who can handle video uploads, social media management software, and the ability to learn new social media sites.
- » **Consistency:** Whoever is managing the accounts needs to be able to give some time to this on a daily basis. If you pick someone who can only log on one hour a week, you miss out on the timeliness of social media and risk not responding to problems that could explode in your face.
- » **Writing ability:** While some social media sites, such as X (formerly Twitter), don't require a lot of language skills to craft a lengthy message, other sites, such as Facebook, require someone who can write an appropriate post and answer questions in a clear and responsible fashion. This person will be "representing" the company online, so pick someone who can craft a message quickly, as you won't always have time to proofread everything this person posts online.
- » **Access to different divisions:** To represent all elements of your business, you want a social media coordinator who can, at minimum, get information from the different departments of your company.

Once you determine who will monitor your social media accounts, you can decide whether you want to set up the individual accounts yourself or have your social media coordinator establish your accounts. At least two or more people should know and/or have access to your social media accounts for your business, as it'll be hard to gain control if only one person has access and knows the passwords and then something happens to that person.

After your social media accounts are established, add links to them from your website. Many companies use clickable buttons to signify their different social media accounts like Facebook, X, and Instagram. Use any other means of communication with your customers — a newsletter, email marketing, marketing literature, or a sign in your store — to let them know about your social media accounts.

Create and maintain your social media activity calendar

As you open your social media accounts, it is smart to do at least one introductory post, perhaps to announce your business, feature the people who are in your business, highlight early partnerships you are doing with established brands, or maybe just make an old-fashioned grand opening announcement of your online business. After that initial phase, though, you should start to plan your social media activities to occur on a regular basis, just like you would plan the placing of advertisements, or schedule your upcoming inventory purchases.

Many businesses have found it helpful to develop a *social media activity calendar*, where all the various posts across all your social media accounts are inventoried, assigned a day and time of day to be posted, and can be easily reviewed and updated by the necessary people within your organization. If you or your social media manager is already planning to coordinate your social media efforts with a management tool like Sprout, HootSuite, or Buffer, then your tool becomes the “keeper of the calendar” so to speak.

You may be wondering, “Why do I need to schedule my posts?” Here are a few reasons:

- » **Setting customer expectations:** When customers follow you on social media, your frequency of posting is one way customers are judging whether to add you to their feed of information. There is no one right answer on how often to post, except to say that you should be *consistent*. If you’re going to post a handful of times per week, that is fine, but don’t do ten posts one week, and then wait three or four weeks before your next post. Organizing your posts in a calendar format enables you to ensure you are making regular posts to your networks.
- » **Timing can be everything:** Given the constant use of social media, and the competition to be front of mind to your consumers, you want to make sure your posts are happening at optimal times of the day, and days of the week, when your target customers are viewing their social media. Over time, social media tools (even built-in tools like the Meta Business Suite for Facebook and Instagram) will advise you of optimal times to make a post, but a safe generic bet is to post during the day when it’s accessible to as many people as possible. That’s why a number of businesses in the United States, for example, post in the middle of the day, when people on both the West Coast (like Los Angeles) and East Coast (like New York City) are awake and online.
- » **Allows for advanced planning and review:** If you’re a one-person business that handles everything, then you could create your posts in the moment and just type and post. A better plan is to schedule and think about your posts in

advance. That way you have time to get a graphic designer to make your graphics ahead of time, and have them reviewed and approved by all key decision-makers in your business. Also, if something happens right when you wanted to post, and the post was not scheduled, then your posts don't go up until the emergency dies down and you have time to post. By setting things up in advance, your posts will go out at the intended time regardless of how busy or chaotic you find yourself in your business.



REMEMBER

Of course, there will always be posts that cannot be scheduled, like a response to something said on social media, or a breaking news item that you want to put online once you learn about it. There should always be a little flexibility, but the majority of your social media posts should be considered and planned at least a little bit in advance.

Reeling in Customers with Newsletters

You enticed someone to visit your site and maybe even buy something. What you really want, though, is a repeat customer. Studies have shown that getting an existing customer to return to your site is as much as six times more effective than getting a brand-new customer. You have to give people reasons to come back, and a newsletter gives them an added benefit of shopping with you and a reason for them to consider your business for their next purchase.

Newsletters are quickly becoming one of the most popular ways to promote a business. Customers are relying on regular communication, like newsletters, to keep companies at the top of their mind on a constant basis. Most newsletters are a combination of articles and information, with definite *plugs* for, or mentions of, specific products, sales events, or company news.

A regular newsletter to which people can subscribe has many benefits. You can

- » **Communicate with your customers.** Newsletters give you the opportunity to share why you're in business and what you can offer your customers. Although most people have trained themselves to skip pure advertisements, reading stories or tips can break down customer defenses so that they listen and find out more.
- » **Share information.** The products you sell have a specific use, so helping customers use the products more effectively gives your business an added value. If you sell cooking supplies, provide recipes and describe how your products help make different foods, for example. If you sell books in a specific genre, post customer reviews of the newest releases so that customers can



WARNING

decide whether they want to buy the latest Stephen King horror novel or “ripped from the headlines” legal thriller. Add pictures from your Instagram account, plus links to video clips to expand your multimedia capabilities.

Don't just fill a newsletter with product announcements, sales offers, and discounts because then you have a flyer, not a newsletter. Carefully balance the content and promotion that goes into each newsletter. Although some people recommend a specific balance, such as 30 percent sales and 70 percent information, the key is to provide enough good information to make the newsletter worthwhile to the customer. In addition, don't load your newsletter with too many large files, like embedded video files.

» **Build a connection.** If consumers become accustomed to receiving from you a regular newsletter that they find helpful, they build a connection in their minds that you're now a trusted source and will consider your business more carefully. They might think, “Oh, yeah, that's the company that sends out the Top 10 Tips that I read every week. Those people know what they're talking about, so I'll use them to order my next batch of supplies.” In addition, by tying in customer stories or feedback that they shared via social media, in the newsletter, you create another bond by featuring the customer and giving your business a human face.

Creating your newsletter doesn't have to be a large and complex project full of deadlines and drama where you yell “Stop the presses!” whenever a new idea comes in. You do, however, have to do some planning, be consistent, and follow some guidelines. In the following sections, we discuss the planning you need to do.



TIP

You can also check out the excellent *Digital Marketing For Dummies* by Ryan Deiss and Russ Hennebenny (Wiley) for more information on developing and distributing your newsletter.

Decide what content belongs in your newsletter

You need to provide different, fresh, and relevant content every time. Stay current on the issues affecting your industry by reading industry-relevant news websites, niche magazines, and social media feeds in your subject area to help generate ideas.

The best newsletters combine interesting content, useful tips, sales information, and sometimes a little extra . . . something. Your customers need to receive some value if they are going to interrupt their day to open and read your newsletter, so keep that concept in mind as you pull together your newsletter. A pure sales

message will be considered spam and highly ignored or flagged, which defeats the purpose of a newsletter.



REMEMBER

Don't forget about your customers. They can help you write your newsletter. You can include a Letters section, where customers get to share their experiences, ask questions (that you can answer in the newsletter), or be honored by you, the business owner, for reaching a certain milestone. Customers love to see themselves in print, and it shows potential customers that real people use your business. As mentioned earlier, perhaps look through your social media channels for customer feedback and see if it's appropriate to feature in your newsletter.

Possible sections of your newsletter can be:

- » News pertaining to your product category
- » Announcement of new products or services
- » Promotional or sales offers
- » Customer reviews and testimonials
- » News or stories from inside the company
- » Tips and tricks for using the products you sell
- » Social media roundup of interesting and helpful posts
- » Highlighted item or a newsletter-specific promotion



WARNING

Don't include any stories from other sources in your newsletters without their express consent. If you or someone on your staff creates the content, you can refer to quotes or statistics from articles, as long as you cite the source in your content.

Decide on a design format for your newsletter

You can use a number of different services to create a newsletter, but the predominant format for building and distributing your newsletter is the HTML format. Newsletters in this format have words, graphics, and design elements that look exactly like a web page. HTML newsletters can look cool and sophisticated and almost every current email program can interpret and display them properly.

The easiest way to create an HTML newsletter is to use something called a *template*, which is a pre-programmed set of instructions that provide formatting and graphic support. In a template, you can simply input your specific information into sections of the template, and the result looks professional and polished

to the reader. Many newsletter and email management tools offer free and paid templates that you can use to create your newsletter, and a simple Internet search should turn up newsletter templates you can download if you are managing your newsletter manually.

Decide how to distribute your newsletter

The easiest way to create your newsletter is to use the tools provided by the email distribution service you plan to use to get your newsletter to your readers. After your customer list grows beyond a few people, you can't just open an email window, insert your newsletter, and send it to thousands of people at one time. Your Internet service provider (ISP) will most likely see the increased traffic and block the email from going on, fearing that you have been hacked and bots are spamming the Internet using your identity. In addition, there are rules in place, like the CAN-SPAM Act, that require anyone sending a newsletter to offer an easy way for readers to unsubscribe and stop receiving your newsletter. Unsubscribe options are hard to manage manually and are best suited for an email distribution service.



WARNING

Send your newsletter only to people who specifically request it. Don't just spam everyone you've done business with in the past.

Thankfully, you can contract a company to manage the newsletter distribution for you. This way, its computer systems handle the mailing of your newsletter and can coordinate the automatic subscriptions of new readers or the *unsubscriptions* (removals) of customers when they want to stop receiving the newsletter. Table 3-1 lists a few of these companies.

TABLE 3-1

Email Newsletter Distribution Services

Name	URL
Constant Contact	www.constantcontact.com
HubSpot	www.hubspot.com
MailChimp	https://mailchimp.com
Substack	https://substack.com
Marketo Engage by Adobe	https://business.adobe.com/products/marketo/adobe-marketo.html



TIP

On your website, maintain an archive of all past newsletters, which simply adds more content for your customers. Not only can new and existing customers read your newsletter online, instead of relying on an email program, but the search engines scan your newsletters, which can lead to more customers finding your website. Just make sure the archive is easy to find on your website.

Decide the “call to action” of your newsletter

Before any newsletter is sent out to your mailing list, you should be able to answer a simple question: What is the specific *call to action* for this newsletter? Yes, a newsletter is a routine way for your business to stay in touch with your customer base, so the act of reminding your customers that your business exists is a valid reason for sending a newsletter. Specifically, though, there should be at least one action that you are hoping your customers will perform when opening and reading each newsletter.

While this answer is surprising to some, the goal of selling a particular product is not always the call to action you may want. Perhaps you’re launching a presence on another social media network, and you want to build up your followers or subscribers on this new platform. (“Hey, check out this new line of YouTube videos we’ll be posting weekly. Please like and subscribe!”) Maybe you’re asking for feedback from your customers before deciding on a new product line or change in business direction. It can be as simple as alerting people to new practices or policies, like a change to your business hours, return policy, or payment method.

Once you know what your specific call to action is for any given newsletter, you can make sure that this item is prominently and strategically placed within your newsletter layout. Perhaps it’s mentioned in the headline or near the top of the newsletter, with a reminder or closing message at the bottom of the newsletter, to drive the point home. The subject line is also a good place to give customers an indication of the focus for that newsletter beyond the name of your company.

Automating Routine Tasks

How many times in the past had you tried to reach a company through a toll-free hotline only to be put on hold or made to listen to an endless array of recorded messages? Had you pressed a number on the keypad so many times that the number has now rubbed off the button? If you’re like us, you hung up and never did business with that company again.

Guard against this situation when customers interact with your online business. If they can't quickly add or delete themselves from your newsletter mailing list or respond to an email or banner offer, they get frustrated and leave. They might never come back, no matter how many offers and deals you throw their way.

Enter automation. By setting up automatic processes, your marketing campaign can go 24/7. And with automation handling routine tasks, you're free to handle more business deals (such as finding the right merchandise, analyzing your sales numbers, or hiring the right staff to increase your business).

Here are some tools you can use to automate parts of the process:



WARNING

» **Autoresponders:** This tool automatically generates an email response based on an incoming request, such as when someone joins your newsletter mailing list. An autoresponder can add that person's name to the database and send them a welcome message (full of information about your company) and maybe even an introductory newsletter issue.

Don't abuse the autoresponder with every process you have in customer interaction. The last thing customers want is form letters every time they send you email, especially if the form letter response has nothing to do with their original question. Reserve the autoresponder for situations that have only one expected response, such as addition to or deletion from a mailing list.

» **Ticklers:** Send out *ticklers* (automatic reminders or updates) every few weeks by using contact managers such as HubSpot CRM or Salesforce. Include a variety of offers in your tickler to slowly but surely encourage these contacts to try out your company and your products.

» **Archived information:** Sometimes, the best way you can help your customers is to enable them to help themselves. Dedicate a portion of your website to hold all your marketing collateral and information. Put the most frequently asked questions (FAQs) in this help section, and make sure that it's accessible from any page of your website.

Searching for Traffic with Search Engine Advertising

If you were building a gas station, would you have it on a rural country road or a freeway off-ramp? The answer is simple: You want to position your business where your customers are located. The best businesses in the world can't succeed

if their customers can't find them. That's why location and access are so important, even for an online business.

You want to position yourself where the traffic is, and nowadays most people find websites through search engines. Therefore, set up shop right on a search engine page with advertising, and benefit from that “drive-by” traffic.

After all, one big benefit of search engine advertising is that you know in advance what the target consumer is looking for. Search engine advertising works like this: You tie your products or website to specific keywords. When someone types those keywords in the search page, your ad is displayed. Suppose that a potential customer is doing a search on Google for a certain brand of golf clubs. If your business sells that brand, your ad can appear as *Sponsored* at the top of the search results, as shown in Figure 3-1. Because the ad is targeted only to people who demonstrate that interest, your rate of return is higher than in a generic ad.

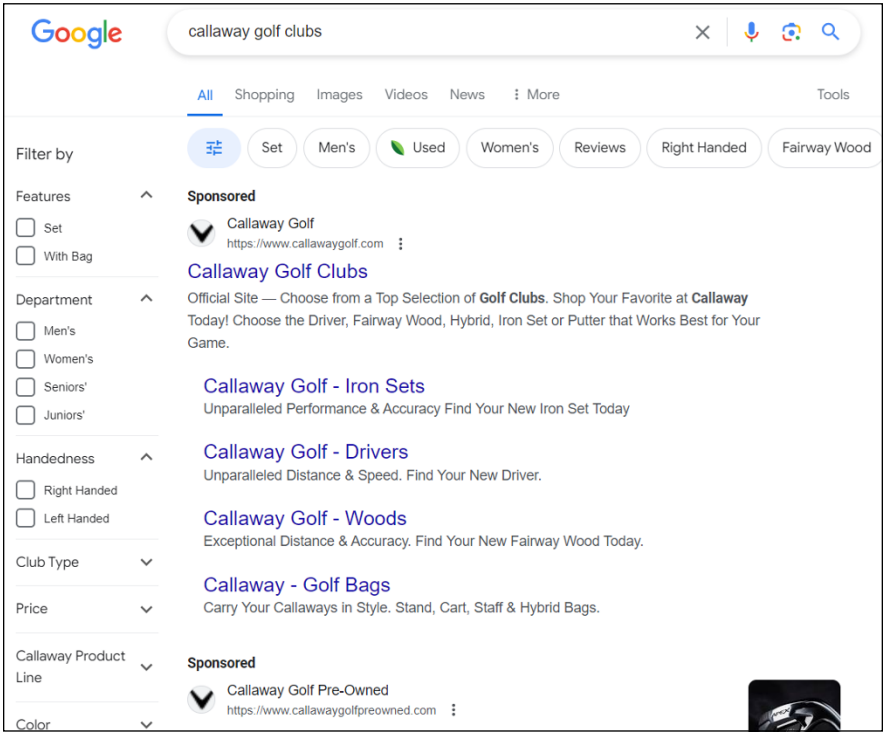


FIGURE 3-1: Google displays ads alongside its search results.

Google and Bing (Microsoft) are the two biggest companies in the area of search engine advertising, but they are not the only games in town. Table 3-2 lists the major companies that offer search engine advertising, which include social media

sites like YouTube, which many people consider the second most popular search engine after Google. We show you in the following section how to sign up for Google Ads.

TABLE 3-2

Search Engine Advertising Companies

Company	Service	URL
Google	Google Ads	https://ads.google.com
Microsoft	Microsoft Advertising	https://ads.microsoft.com
Yahoo!	Yahoo! Advertising	www.advertising.yahooinc.com
YouTube	YouTube Advertising	www.youtube.com/ads



TIP

If your products appeal to a certain niche audience, check to see whether news or portal sites that cater to that industry also accept search advertising on their sites. Although some of these websites have outsourced their advertising to companies such as Google or Yahoo!, the sites still control the ads that are displayed and are usually open to a partnership or paid arrangement.

Signing up for Google Ads

The leader in search engine ads is Google Ads, formerly Google AdWords. You can use this program to create your own ads and to bid on keywords that trigger the display of those ads. When a Google user types your keywords during a search, your ad appears as part of the results screen, with a Sponsored or Ad identifier as part of the ad (refer to Figure 3-1).

You pay only for the times your ad is clicked, not the number of times your ad is displayed on the screen. Like other services, Google Ads lets you set a budget, so you pay only for the ads you can afford. When your budget is used up, your ad doesn't appear any more. You even specify a daily budget so that your ad campaign can't be spent in the first day.



**TECHNICAL
STUFF**

A Google Ads *campaign* doesn't refer to a politician's run for office; it means running a specific ad for a given budget. Your ad campaign might consist of one ad running on Google until you spend \$100, or a series of ads running for several weeks to promote a new product.

Your customization of the campaign isn't limited to just the keyword. Using Google Ads, you can choose your target area (a city, territory, or country), and Google targets where the search user is from, whether it's from the search itself,

the specific IP address of the computer, or the preferences that the user has set up. By using this targeting, you can show different ads to different territories, offer specific ads and promotions to specific areas, or even create your own test markets where only a specific group of computer users is presented with a given ad.



REMEMBER

We discuss Google Ads because it's popular and easy to use. All the services work similarly, so just choose the one that works best for you.

Setting up a Google campaign

If you're interested in setting up your own Google Ads campaign, type your keywords and look at the ads that already appear on Google for your targeted subject area. Get an idea of the ads that you're competing against and the words they use to craft their ads. This strategy should give you some ideas for your ad.



REMEMBER

Write your ad copy and have two or three people proofread it before building your campaign. Also take the time to think of the right keywords to use in advance so that you're not guessing when it's time to build the campaign.

When you're ready to build a Google Ads campaign, just follow these steps:

1. **Go to <http://ads.google.com> and click the Start Now button.**
2. **Tie your Google Ads account to an existing Google account or create an account, and then click Continue.**

To create a Google account, enter an email address and a password plus some key personal data.

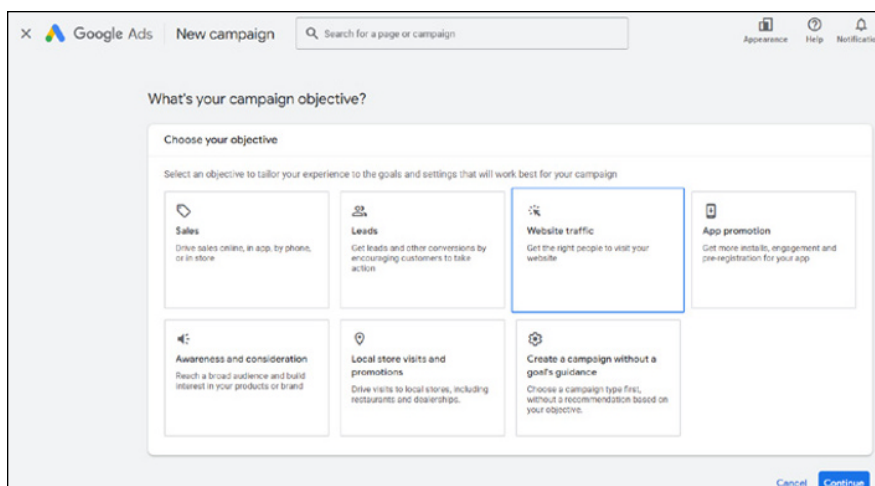
3. **Click the Create (+) sign to start a new ad campaign.**
4. **Tell Google Ads about your campaign objective (in other words, your advertising goals) so it can help build your first ad campaign.**

First, click the advertising goal that best aligns with what you're trying to do, as shown in Figure 3-2. When you click your goal, the screen will expand to ask further questions about the campaign you are building. Continue making choices about your campaign from the prompts provided.

5. **On the Campaign Settings screen, start setting up the parameters for your campaign:**

- a. *Decide on the locations for your ad.*
- b. *Select the networks that can display your ad.*
- c. *Select the languages that your customers speak.*
- d. *Select the audience segments that you are trying to reach with your campaign.*

FIGURE 3-2:
Tell Google Ads
some info about
your business.

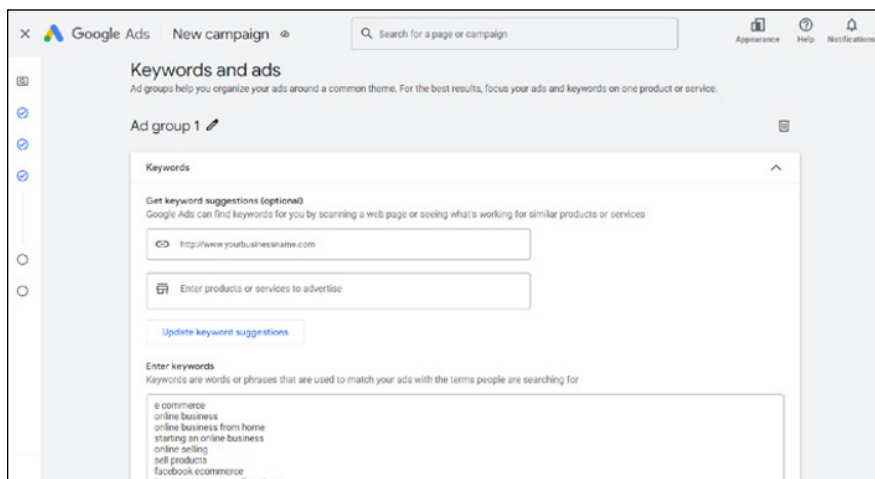


- 6. After completing the Settings page, click Next.**
- 7. In the window that appears, specify the keywords that will trigger your ad (see Figure 3-3), and then scroll down to the next section.**

Specify one or more keywords related to the product you want to advertise. Google Ads will fill in some of the more popular keyword phrases related to the website that you specify to Google in the web page link field, and offer you additional choices. You can remove any of its choices and add your own keyword phrases to the list.

- 8. Scroll down to the section titled Ads.**

FIGURE 3-3:
Choose the
keyword phrases
to associate
with your ad.



9. Compose your ad:

- a. Click inside the Final URL text box and define the Final URL of the website being promoted by your ads.
- b. Use the text boxes in the Display path section to define a subsection of your website (if applicable) that will be the destination folder for your ads' link.
- c. In the Headline 1 box, enter up to 30 characters.
- d. If you are going to be designing multiple versions of your ads, use the additional Headline boxes to enter up to an additional 30 character headline per line.

You do not have to enter a display URL, as Google will use the beginning of your Landing Page URL to display in the ad.

- e. In the Description boxes, enter up to 90 characters per Descriptions box. (You have to write at least one description; the others are optional.) You can also complete the Callouts and Business name and logos sections to fill out your ad.
- f. In the Sitelinks section, enter the URL(s) that will take your new customer to your website.

Make sure you put any promo codes or tracking words in your URL.

- g. Click the Next button.



TIP

You don't have to link your ad to your home page. Instead, you can specify a web page on your website that presents a special offer to only those people who click your ad. In this way, you can track the number of people who view that page.

10. On the Budget screen, shown in Figure 3-4, set up the daily budget parameters for your campaign:

- a. Google will offer you three potential daily budgets. You can click any of those links if you're okay with setting the budget to one of the suggestions.
- b. You can also click Set custom budget and set your bid price manually.
- c. Click the Next button.

11. Review your campaign settings, and then provide your billing information.

Enter your billing country, account type, and payment information.

12. Read the terms of the Google Ads program, by clicking the appropriate link above the Submit button.

13. Review everything you've entered and then click Submit.

FIGURE 3-4:
Set your daily ad
budget here.

Your ad begins to appear on Google within a short time period. Go to the main Google page and perform a few searches to see where your ad ends up on the results page.

Deciding when to use pay per click

Search engine advertising is one popular way that you can drive traffic to your storefront, although it's not necessarily the right way for every business. You need to consider a few elements of your business that will affect your advertising efforts:



TIP

» **Your marketing budget:** If you have an unlimited marketing budget, pay per click is an ideal solution to generate subscribers and sales. If your budget is small, you might be better off sticking to other marketing techniques and adding pay-per-click ads to your strategy as your budget increases.

Dedicate a small portion of your budget to experiment with pay per click, and be ready to analyze the results after your test to see whether the results justify the cost. See the nearby sidebar, "Doing the math on pay per click," to figure out how to interpret the results.

» **Your product:** Are the products you're selling in demand and hard to find? Or are they steady products with a limited audience? If your products sell well to anybody who can find you, pay per click is the way to go. If the awareness of your company is already high, however, pay per click might be effective only during limited promotional periods in which the combination of a pay-per-click ad sending a user to your website and a special sale greeting can result in customers who place an order.

- » **Your product margin:** If your product sales are slower but with a high profit margin, a pay-per-click ad can be effective as long as you get a decent conversion of browsers to buyers. Basically, if you make enough money from the sale of a product, you can afford to go find ten leads, for example, if one of those ten decides to buy. If you're operating on a razor-thin profit margin, however, you need quantity, not quality, and a targeted approach such as pay per click might cost too much in the long run.
- » **Your competitors:** Keep an eye on your competition, and see how they're attracting customers. If your customer base is more of a niche than a mass market, you definitely have to adopt similar marketing techniques to divert those customers to your website rather than to someone else's. If your competitors are using pay per click, you might find that outbidding them is worth the price to convert a potential customer.

DOING THE MATH ON PAY PER CLICK

One way to determine whether a pay-per-click ad campaign will be effective is to study certain numbers related to how your online business now operates. You need to know three numbers:

- **Your average profit margin per sale:** The difference between the price the customer paid for a product and the price you paid to obtain the product.
- **Your site's conversion ratio:** The percentage of people who order something from you, based on your site's total number of visitors.
- **Your site's click-through ratio:** The percentage of people who have clicked a link to get to your website, based on the total number of people who saw that link.

Suppose that your average profit margin is \$20, your conversion ratio is 5 percent, and your click-through ratio is 4 percent. If 20 people click through from an ad, one person should order and generate \$20 in profit. Each click-through visitor is then worth \$1 to you (or $\$20 \times 5$ percent); if you can achieve that click-through rate for \$1 or less, you should have a profitable campaign.

If you're paying for the total number of ads displayed, you can calculate the value of getting 1,000 impressions (a common measurement for these types of ads) by using these numbers again:

- $1,000 \text{ impressions} \times 4 \text{ percent click-through ratio} = 40 \text{ visitors}$

(continued)

(continued)

- $40 \text{ visitors} \times 5 \text{ percent conversion ratio} = 2 \text{ paying customers}$
- $2 \text{ paying customers} \times \$20 \text{ profit margin} = \$40 \text{ profit}$
- $\$40 \text{ profit} / 1,000 \text{ impressions} = \$40 \text{ CPM (cost per thousand — M for the Roman equivalent of a thousand)}$

These results demonstrate why you need to know how your online business is performing before the ad campaign, and why monitoring the results after the campaign tells you whether to continue doing campaigns.

- » Monitoring your website traffic
- » Interpreting the records gathered by your web server
- » Using Google Analytics to assemble reports on website usage
- » Asking your customers the right questions
- » Updating your website to correct or improve performance

Chapter 4

Analyzing and Monitoring Your Customers

After you build your website, your next step is to ask, “How can I make my site better?” Your initial version is rarely your current version. You create your site, watch how users interact with you, make changes, watch how users react to those changes, make more changes, watch some more, and then repeat the process. This process is ongoing as you evolve your site to meet the changing needs of your customers.

Analyzing your website can tell you a lot about your business that other metrics (measurements) — such as sales volume, average order amount, and repeat customers — cannot tell you. You can figure out exactly which web pages on your site are the most and least popular. You can see how many people start with your home page, and then calculate the average number of pages a user sees before leaving. You can even find out where users come from when they arrive at your website and determine the last thing they see before they leave.

In this chapter, we look at the field of website analysis, from traffic monitoring to gathering customer feedback. We help you break down the massive amount of raw data you have on your site and turn it into useful statistics that can change your business — mainly with sophisticated but easy-to-use software. You find out which pieces of information are more important than others and how to focus your analysis to study individual user behavior. You can then use this data to make useful updates to your website and study the immediate and lasting effect of your changes.



REMEMBER

The best changes that come from website analysis are gradual, or *evolutionary*, changes. Look at how sites such as Amazon and Facebook handle changes. Their interfaces don't radically change every week, although subtle and gradual changes are always being introduced, to respond to customers and enhance the experience.

Tracking Trends

If you sit at an outdoor café and watch traffic drive by, you begin to get a sense of patterns. You can estimate the number of cars that drive by; determine the most popular makes, models, and colors; establish whether the cars are zooming past or crawling by; and ascertain whether they're coming in groups or as a continuous stream.

You can apply the same techniques to monitoring your website traffic. If you want to understand the behaviors of the traffic, you need to know basic information and understand the trends that are occurring:

- » The number of visitors coming to your website
- » The number of *unique* visitors coming to your site
- » Which websites are referring viewers to your site
- » Which web pages are the most frequently viewed and the least frequently viewed
- » The number of web pages that the average visitor sees in one visit

You can track this usage without monitoring direct website traffic, although this method mainly involves direct customer interaction. You can contact a research group to find sample visitors and perform *usability testing*, where the research group introduces visitors to your website, asks them to interact with it, and then studies their activities to see whether they can intuitively find their way around your website, place an order, and perform basic functions. Based on these user

interactions, the research group makes recommendations to you about changes you should make to your website to make it more user friendly or easier to use.

You can also solicit direct customer feedback through surveys, follow-up phone calls, or email response forms. Many websites gather this feedback by contacting past customers or people who have just ordered something from the website, and then getting their opinions about a variety of issues. This method is useful for identifying issues that need correcting or promoting, or to add insight or qualitative information to the level of your website's usefulness, beyond what the quantitative information is telling you through trend analysis. Find out more about adding qualitative information in the section "Getting to Know Your Customer," later in this chapter.

Measuring Website Traffic

Every time your web server receives a request from a visitor and displays a web page for that visitor, it creates an entry for the request in a log file on the web server. The log file records all the activity your website experiences. The server captures a lot of information in this file that you can then use to get a better idea of how your website is being used and operated by visitors and customers.

Thankfully, instead of reading log files to gain this information, there is website software that will read this information and present it to you in an easier-to-follow format, as well as provide reports and charts to give you an idea of trends, highlights, and important information that require your action. Called *traffic analysis* software, these software programs build a summary of your website traffic criteria and can

- » Break apart each log file entry
- » Group together similar entries
- » Factor out known entries, such as search engine bot programs
- » Calculate totals and averages

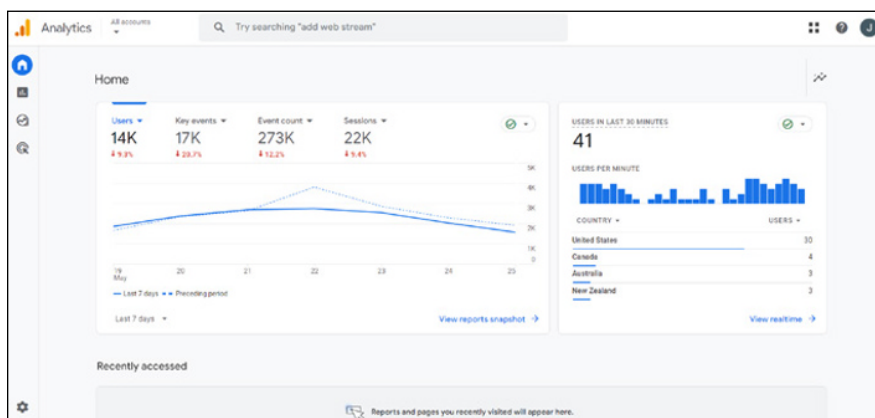
While there are different traffic analysis software options to choose from, we are using Google Analytics in this chapter. Consult with your technical staff or web administrator to see if your particular website comes with analytics software you can use.

When you study website traffic, statistics can help you improve your online business in at least three key areas. These three areas can be described in an easy-to-follow ABC fashion:

- » **Acquisition:** How do you acquire or get people to your website?
- » **Behavior:** What are your users doing on your website after you acquire them?
- » **Conversion:** How are you turning the casual viewer into someone who buys something (or does a direct action on your site like joining a newsletter)?

In Google Analytics, the Home section gives you a clear idea of the traffic you are receiving to your website (see Figure 4-1). Google Analytics offers a number of reports that let you analyze different statistics. Just click the Reports icon under the Home icon along the left navigation bar to access these reports.

FIGURE 4-1:
Your analytics reports shows you all the visitors and how much they used your site.



Google Analytics can tell you a lot about your website:

- » The average length and number of pages visited on your site
- » The *stickiness* of your site, or how long people stay to look around
- » The demographic types of visitors who come to your site
- » The capability of your site to present your web pages effectively

Defining the terms of traffic analysis

Your website measures a *hit* whenever a piece of your website, whether it's a web page or a graphics file or another object, is sent over the Internet to someone's web

browser. You might hear this activity described as “My website got a million hits last month.” That statement is saying that your website handled a million different requests for everything from text to images to audio tracks.

Although some people think of hits purely as visitors, a web page might have nine different graphics and generate ten hits every time it’s accessed. Why? When a visitor wants to view the web page, the web server sends out the HTML code of the page as the first request, and then the server sends nine separate graphics files, one by one, and records each of those transmissions as a separate hit.

This process is the reason that measuring hits isn’t as important as other metrics, although it does give you a good baseline to understand the level of demand. When you’re talking to advertisers, finding funding, or planning a marketing campaign, a high hit count doesn’t spell success on its own.

A *page view*, on the other hand, happens when a visitor views a particular page. This number, which is independent of the number of elements that might be present on a web page, usually correlates to the number of visits to a particular page, especially on your home page.

Because most websites have multiple pages, you should be more concerned with the unique number of visits, or *unique visitors*, to your site. Your analytic software will look at the log files for some identifying information, such as an IP address, and correlate that information to your page views. If the software sees the same IP address viewing multiple pages, it will get an idea of the average number of pages viewed per user.



An *IP address*, or *Internet Protocol address*, is a series of four sets of numbers (in a range from 0 to 256) defining a computer’s location on the Internet. An example of an IP address is 99.84.168.103 (which belongs to Dummies.com). Each IP address is unique to one computer at a time. Many users are assigned an IP address *dynamically*, which means that they’re assigned a unique set of numbers the moment they sign on to the Internet, and they lose the right to those numbers when they’re done. Some people, like those using cable modems or university computers, have the same IP address, or *static IP address*, all the time.

Most investors, suppliers, and employees, including you, are interested in knowing the number of unique visitors to your website. One of the easiest ways to figure out that number is when your website software implements a system where it places a text file (a cookie) on each visitor’s computer. Turn to the later section “Storing data using cookies” to find out how to use cookies.

PUBLIC COMPUTERS SKEW THE DATA

Shared (or public) computers, like those you find at public libraries, Internet cafés, schools, and even some workplaces, are always on and always connected to the Internet, and they always use the same IP address to access the Internet. For this reason, your website log file shows every request coming from a shared computer as the same user. If you see 50 page views coming from the same IP address, you don't necessarily know, therefore, whether the page request is coming from one person or ten people.

As a result, your analytics software has to look at other elements, such as the length of time a page is served, to figure out the average number of page views per visitor. Typically, these software programs take into account some calculated averages, and then they can break apart a heavily used IP address to represent an average number of users. For example, if the software can see that an average visitor to your site views, on average, five web pages, and the software sees 50 page views from one IP, it assumes the IP address represents ten unique visitors.

Referring to your user acquisitions

In some cases, a separate file on your web server (sometimes known as a *referrer file*) contains the sources of all your web page requests. In Google Analytics, this area is called User Acquisition, or how you are getting your incoming users. You can see an example of an acquisition report in Figure 4-2. The sources you see are mostly other websites that link to you or search engine links where a visitor has typed certain keywords and found your site as one of the results.

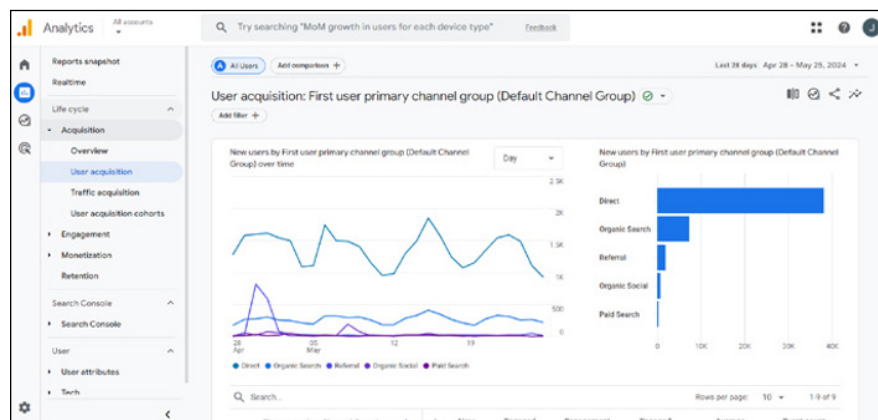


FIGURE 4-2:
See where your
website visitors
are coming from.

For example, organic search means that someone typed keywords into a search engine such as Google and then clicked a link from the search results screen (not an advertisement on that screen, but a link inside the main section of the results screen) to arrive at your website. The beauty of organic search is that, sometimes, the referrer file will capture a link that contains the keywords the visitor typed to eventually end up on your site. This information alone can be invaluable when you're planning web-marketing campaigns. (See Chapter 3 of this minibook for more information on conducting a web advertising campaign.) If you see specific keywords or phrases in your reports for organic search results, you know that those words are powerful terms that bring people to your site.



TIP

If you're running a web-marketing campaign, you should distinguish search result referrals from sponsored ad referrals. If you include a keyword at the end of the link you provide for the sponsored ad, the keyword shows up correctly in the referrer file. For example, if you're linking to your home page and creating a Google Ads campaign, you can add the link `www.yourwebsite.com?GoogleAd11` to help interpret your results.

You should also see "direct" as a source of traffic, which could be links that come from your website where you're linking people from one page to another page on your website.

Direct traffic can also mean that users just typed your URL directly into their web browsers or have your website set up as a bookmark in their browsers so that they can go directly to your site. This entry is a good thing to see because it indicates that people are being drawn naturally to your website without having to find it from another website.

Examining viewer behavior

Getting viewers to your website is step 1. Once they arrive to your website, the next question is how they are using the site or which web pages (and how many) they are viewing before they leave the website.

One key metric that you will see with analysis software is something called the *bounce rate*. The bounce rate (for any given "entry" or starting page on your website) is the percentage of viewers who, after arriving at that given page, leave the website (or "bounce") without viewing any other pages within that website. This rate is used by many website owners to gauge the effectiveness of their website. After all, if people arrive and immediately go somewhere else without clicking in deeper, that's a lot of "wasted traffic" that isn't earning the owner any sales or loyalty from the user.



WARNING

You should also be aware of your most popular *exit* pages, which represent the point in a customer's path when the person gives up and goes somewhere else. Sometimes, it's the final order confirmation screen, which is what you want to see. Most times, however, you see another page, which should encourage you to investigate why that's the case. Maybe that page gives a negative impression of your website. Perhaps you're encouraging your customer to check out another website and they're following that link rather than continuing with you. A page on your site might contain invalid, outdated, or useless information and links. The report shows you the *where*, and you need to determine *why* it's an exit page.

- » **Site speed:** It's not always whether the web page is correct, but also how fast it loads for the user. In the era of fast connections to the Internet and instant gratification, users want their pages to load and display quickly or they could move onto a competitor. Analytics software helps show you how quickly users got their web pages and how quickly they navigated through the site. If you are noticing a particular web page that is loading more slowly than others (perhaps due to too many images, too many website or database queries, or special technology like Flash or video files), you may consider optimizing or fixing that page to improve loading time.
- » **Site search:** No website should be complete without an internal search engine, and keeping track of what keywords your viewers are typing into your own search engine will tell you what products or pages need to be front and center and easily accessible.

Measuring traffic against activity

Your website traffic data shows you a lot of information. To give these numbers some perspective so that you can make higher-level decisions, especially when it comes to conversions, you have to match the traffic with other indicators of activity on your website:

- » Number of orders
- » Average order size
- » Number of registered customers (if you offer registration)
- » Total sales volume
- » Average number of products per order
- » Most common search terms (if you have your own site search engine)

The reason to compare these numbers is to give you an idea of how much your traffic is influencing your sales. Suppose that your website gets 1,000 unique visitors one month and you see that you're getting 250 orders from 200 unique customers that month. Theoretically, if you can double the number of visitors you receive in a month, you should see a similar increase in your orders and unique customers. Perhaps it doesn't double, but if you can estimate the benefit of bringing in more people, you can estimate the amount of money you can spend to increase traffic.

Putting together all this information gives you a complete picture of how your business is operating. Knowing these factors helps you make dozens of decisions that affect your entire business.

Analyzing Your Traffic Analysis Software

As we mention earlier in this chapter, it's not recommended that you attempt to manually analyze your website information (from areas like your log files) to get your website statistics. Therefore, we highly recommend using traffic analysis software such as Google Analytics, which you can find at www.google.com/analytics. However, there are varying levels of software available in the marketplace. You can choose from different versions and levels of traffic analysis software: basic, detailed, and enterprise or big business.

Basic analysis software

When you're using a basic analysis tool, you're looking for a program to create summaries of traffic information for a given period. Some tools, such as Angelfish Digital Analytics software (<https://analytics.angelfishstats.com>), run on your self-hosted server. Others, such as Clicky (<https://clicky.com>), Matomo (<https://matomo.org>), or Hotjar (www.hotjar.com), present data in both columnar and graphical formats for easy viewing.

Here are some statistics that every program should produce or estimate:

- » Total number of visitors and unique visitors
- » Average number of daily visitors
- » Total and average number of page views
- » Total and average number of hits
- » Average length of a visit (in minutes or number of page views)

Although the software you use might produce additional results, you can usually count on these categories being calculated. As an example, if you're using a free tool that creates a text summary and you requested a summary for your May 2024 traffic data, you might see results like this:

```
Period: Wed-1-May-2024 12:00 to Fri-31-May-2024 23:59 (31 days).  
Total successful requests: 2,221  
Average successful requests per day: 72  
Total successful requests for pages: 948  
Total failed requests: 75  
Total redirected requests: 349  
Number of distinct files requested: 42  
Number of distinct hosts served: 618  
Number of new hosts served in last 7 days: 72  
Total data transferred: 25,349 kbytes  
Average data transferred per day: 844,967 bytes
```

This data gives you some important numbers for future demand. By looking at the total and average amount of data being transferred, you get an idea of the bandwidth you need to purchase for your website. You can see how many different web pages are being looked at on your site. In this example, 42 different web pages were requested. If your website has only 50 or 60 total pages, your customers are using a wide range of your site. If you have 200 or 300 pages, you need to see which pages are being loaded and figure out what to do with the rest.

Detailed analysis software

At some point, you want to see more advanced information about how your website operates so that you can make targeted changes and updates to improve performance. At this stage, you should look into buying a tool such as WebTrends (www.webtrends.com) or SmarterStats (www.smartertools.com/smarterstats) to analyze your log files and provide more defined criteria, such as

- » A detailed breakdown of page views
- » The most common referral links used by your visitors
- » The pages from which users are most often exiting your site
- » The number or percentage of return visitors
- » The most popular web browsers used by your visitors
- » The most popular search engines that deliver your traffic
- » The amount of nonhuman traffic (such as search engine programs)
- » The busiest and slowest parts of the day for your web traffic

These tools come with a number of predefined reports that help you understand your visitors' and customers' sophisticated interaction with your website. As you change the dates of the period you want to analyze, the graphs are updated automatically. This way, you can compare traffic levels for different weeks, months, or even seasons.



TIP

Upload your log files or grant access for these analysis software programs to read your log files automatically. You might have to install these programs on your web server to get them to work properly. Follow the set-up instructions and talk to your web-hosting provider if you need specific path or filename details.

Enterprise or big business

As your business grows, you might want to move up to an enterprise-level solution, such as one of these programs:

» **Adobe Analytics:** <https://business.adobe.com/products/analytics/adobe-analytics.html>

» **Zap:** www.zapbi.com

» **IBM Cognos Analytics:** www.ibm.com/products/cognos-analytics

In this case, you want to install the service on your web host. The key to using these programs is being able to write your own queries to the database, which means that you come up with your own specific requests for summary data.



WARNING

Some programs require that you know a specific computer language, such as SQL, to create your own reports. If someone in your business is focused on information technology, have that person help you develop the language necessary to build these reports.

Collecting the Correct Information

After people start taking advantage of website traffic analysis, they sometimes fall into the trap of believing that the software does all the work of collecting the right data. You have to realize that although your web server collects some types of information, you can collect other types yourself. In this section, we discuss how you can use your website to reach out and collect more specific information without your customers having to cough up their Social Security numbers.

Storing data using cookies

Any web server can create a standard file on a visitor's computer, to keep track of that visitor's activity and interaction with the web server. That file is known as a *cookie* because it leaves “crumbs” of information that the web server can access when the user visits that website. A cookie is a website owner's friend in many respects because it can show them what an individual user is doing on the site. You can track individual behavior and calculate unique visitors and session length much more precisely than by using log files. You can focus on one user for any length of time, from a few days to a few months, to see what the user does on every visit. You can see which web pages the user looks at and the order of those pages and then correlate that information to the user's orders and sign-up activity.

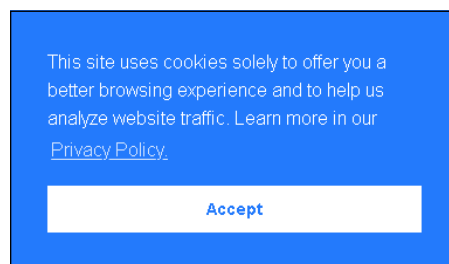
Cookies help move your focus from a site-specific level to a customer level. When you add cookies to your server log files, you can gauge the efficiency of your marketing campaigns with precision. You can judge for yourself how effective your campaigns are so that you're not relying solely on your advertiser reports.

To turn on the use of cookies, ask your web-hosting provider to enable them for your web server. After you do that, tell your provider which basic fields you want to use and capture in your cookies, such as

- » The visitor's IP address
- » The visitor's username or account name
- » The date and time of the visits

Because of laws like the EU's General Data Protection Regulation (GDPR), websites are required to get the consent of their users before storing a cookie on their computers. You must provide a pop-up (as shown in Figure 4-4) or built-in message on your website home page informing any users that you use cookies to collect data, and they must click an Accept button to allow you to store a cookie on their computers.

FIGURE 4-4:
Ask your customers to agree to your placing cookies on their computers.





REMEMBER

Your customers can refuse to have cookies stored on their computers, or they might use public computers, so their cookies won't be consistent. Even if you don't get a 100 percent view of your traffic, using cookies is much more precise than just analyzing your log files.

After you enable cookies on your web server, your last step is to ensure that your traffic analysis software can access the cookies that your web server leaves. That way, the software can incorporate that information into its reports and update its figures accordingly.

Adding information to your links

When you're looking at your website data, you see keywords in the string that represent a referral URL. Sometimes, these keywords are search terms used by visitors when they're using search engines. At other times, however, those specific terms were created for the purpose of communicating information.

You can *tag*, or add special keywords referred to as *UTM codes*, to your URL to track the success of a marketing campaign. For example, you can tag your URL with different UTM codes specifically for your different social media posts, an email newsletter, and other marketing materials, which can help you judge the efficiency and reach of each announcement separately. Add the UTM code after the name of the HTML file by typing a question mark (?) and then the UTM code, like this:

```
<a href="http://www.yourwebsite.com/index.html?GoogleAd1">
```

This way, when someone uses your targeted URL, the traffic analysis software can determine the number of times the UTM code (GoogleAd1, in this example) was sent in the URL as a percentage of the total number of requests and then calculate a percentage.

If you continue to include this UTM code throughout the ordering process, your analysis software can determine the conversion rate of browsers to buyers by studying how many buyers used a UTM code as a percentage of the number of the browsers who came to your website.

Studying the path analysis

Your customers eventually follow a path of specific web pages that take them from start to finish on your site. Although individual customers might check out different parts of your website along the way, they need to visit a minimum number

of web pages to go from a browsing customer to a paid customer. This minimum number of pages is sometimes called the *critical path* of your website.

Suppose that your website targets different levels of customers and has a special section for small-business customers. Your critical path might look like this:

Home page → Small-business home page → Small-business catalog page →
Order review page → Order checkout page

When you identify the critical path for your customers, you can combine this knowledge with the traffic analysis you already completed to determine when and where people are dropping out of the order process. If you improve this process for your users, you should see an increased number of completed orders and a decreased number of abandoned shopping carts.

Suppose that you're studying the order checkout path. Here are some ways you can integrate all your research:

- » If your report of the most common exit pages shows the order review page as a common exit page, something in the order review process might be confusing or counterintuitive to your users.
- » If your referrer report indicates that a number of people are jumping to your frequently asked questions (FAQs) page or privacy policy page from your order review page, your customers most likely need or want more information before they check out. When they jump out of the critical path, a percentage of them never come back to the review or checkout phase. Therefore, you can integrate some of this content into your order review page and see whether fewer people exit before completing the review page.
- » An order checkout page that involves multiple steps and shows people linking back and forth to the same pages could indicate that users are caught in a loop and can't break out to finish their orders. You might need to combine certain steps on one page or provide more clearly labeled links to convince customers to move forward.

Besides keeping your customers from dropping out of the order process, the other reason for studying your paths is to help you decide to redesign your website. Your customers eventually make their own path through your website, despite any warnings or guidelines you post. You can either continue to try to steer those customers or study their paths and incorporate that information into your site design so that the most common paths are recognized and supported by your website links and structure.



Just as a river cuts its own path through the countryside, your customers will cut their own path through your website. You should always support that path and optimize your site around it rather than fight it and prevent customers from moving around the way they want.

Getting to Know Your Customer

If you've ever walked into a store to buy batteries, you know that sometimes, the store wants to know a lot about you. The clerk might ask for your zip code, and sometimes your address, even if you're paying cash. The people who run the company do this so that they can get an understanding of the customers who walk through their door and how those customers shop. Although you may find this process annoying or off-putting, you probably accommodate the request. The store can then accurately predict, for example, which customers from which zip codes will order the most batteries.

Gathering customer information is a delicate but ultimately profitable venture because analyzing that information gives you razorlike focus on how your customers interact with you. Just like supermarkets that encourage their customers to use loyalty cards when they shop, websites are now gathering information on a customer level, independent of the traffic information that their web browser leaves with your website. Because the customer is now signed in to the website, every activity is recorded and assigned to a customer account, which can be analyzed and aggregated without worrying about issues such as IP addresses and cookies.

As you understand your individual customers better, you move the focus of your data from your overall website statistics to your customers, where the common factor isn't your entire website but rather the average customer and what they do on your website. Begin by having your traffic analysis program identify a unique visitor and then summarize information, such as average length of a visit or session.

Your goal is to find customer-specific patterns, not overall site trends. Collect data from your customer interactions that allow you to gain insight into customers' browsing and buying behavior. At this point, you should add tags or information on pages that matter to your customers, whether it's the order process screen or customer login screen.

Your existing customers have already told you a lot about themselves, including their

- » Names
- » Mailing address(es)
- » Credit card information
- » Order lists of products

At some point, consider signing up users when they arrive at your website or when they want to learn more or do more on your website. Then tie that information into both the traffic and order statistics, to give yourself a true customer focus on your website activity.

When a customer has to log in to your website to use it, you can track every movement and tie those movements to a specific user ID number. Typically, users need some sort of incentive to reveal their personal information and complete a sign-up process. Some websites offer their members exclusive, premium content that casual browsing customers cannot access. Other sites require accounts to be created before products can be added to their shopping carts. You need to determine which special features you want to give to people who sign up with you.



When you use a sign-up process, you lose a certain percentage of browsers who could have become buyers. If you see a big drop-off in activity after instituting a sign-up process, consider assigning a guest account to your procedures. A user who wants to shop can convert a guest account to a permanent account.

Most websites ask for basic information whenever someone signs up for an account:

- » User's name
- » Address
- » City, state, zip code
- » Phone number
- » Email address

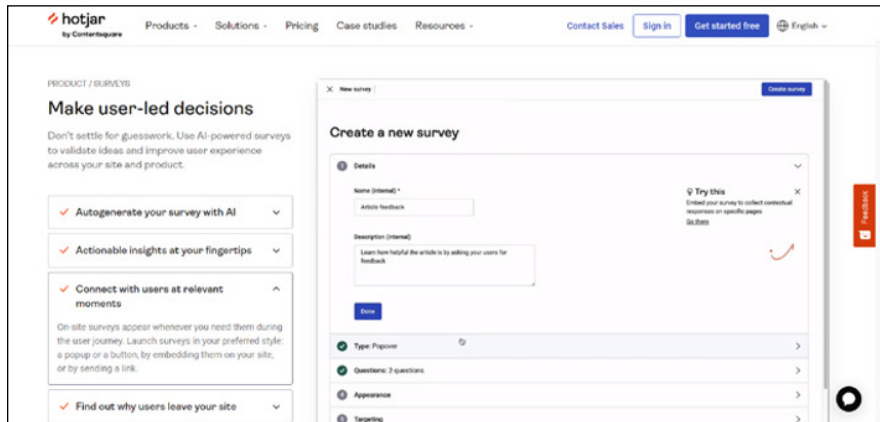
However, if you think beyond these basic fields, you can ask users additional questions to draw a better picture of your customers, and even to gather ideas that can influence your website, such as these examples:

- » **Demographic information:** Gender, ethnicity, age, marital status, kids
- » **Psychographic information:** Likes, brand recognition, purchase reasons

- » **Lifestyle information:** Income, housing status, types of cars
- » **Interests and preferences:** Favorite subjects, products, and people

Use the data to better understand what customers want and to customize content to them. You can use analytics software like Hotjar to help you create the survey, as shown in Figure 4-5, to ask the right questions for existing customers.

FIGURE 4-5:
Ask customers
what they like to
buy and use that
information.



WARNING

The options you present can be limited if your customers don't contribute information; if you make it required, however, you can lose a substantial number of potential and actual customers. Make this information-gathering process optional so that customers who don't want to reveal their information aren't blocked from using your website.

IN THIS CHAPTER

- » Understanding how search engines operate
- » Convincing other businesses to link back to your website
- » Updating your web pages with the right keywords
- » Arranging your web pages strategically
- » Moving up in the search engine rankings

Chapter 5

Mastering Search Engines, Optimization, and Rankings

If you earn prominent placement for your business where traffic is flowing, customers are more likely to stop by, look around, and buy something before they leave. Now, with the ever-growing and ever-changing nature of the Internet, many people are using search engines as their on ramp, or premier starting point for web browsing. After all, if potential customers think that they are going to end up at a search engine to find something, why wouldn't they start there? As a consequence, search results are becoming the gateway to the Web, which is exactly where you want to be, offering your products.

In Chapter 3 of this minibook, we talk about marketing yourself in the sponsored ads that are part of the standard search results page. In this chapter, we put the more valuable real estate — the search results themselves — front and center and show you how to improve the quality of your search engine placements.

We also discuss the inner workings of these search engines and then show you how you can influence those engines in your favor. Nothing about these tricks is illegal — you’re just increasing your presence in the right areas to get noticed more easily. We also show you how to stay near the top and describe more direct ways to “wave people down” in those search engine results.

Navigating the Ins and Outs of Major Search Engines

When you open a search engine web page and type some words in the search box, do you ever wonder how the search engine produces your search results? Do you imagine a blindfolded person tossing darts at newspapers spread over a wall? Maybe a chicken is let loose to peck its way to a few sites that are then transmitted to you. Although the true answer isn’t as comical, search engines use different procedures and methods to compare information against similar sites to come up with the all-important rankings.

Companies that figure out these procedures are the ones that continually find themselves near the top of the rankings. Other businesses, which might have well-designed websites that are chock-full of information, could get buried on page 10 or page 20 of the results. Many years ago, human intervention could elevate worthy sites to the top and give them featured placement. Now, however, the placement process is basically computerized — and because computers follow rules, logic dictates that if you follow the rules, the computers will follow you.



REMEMBER

The full set of rules that search engines use to order all their results are tightly guarded secrets because those rules, known as *algorithms*, set companies apart in this area. Google, in particular, uses complex rules.

These rules do change, but there’s a core set of principles we focus on in this chapter that will help you the most as you work to improve your search engine results position:

- » You need to make sure the important **keywords** (for your website) are found on the pages within your website, with importance assigned to their placement, frequency, and association with web links.
- » You want as many **incoming links** to your website as possible. Your ranking is assessed by both the quantity and quality (Google PageRank or equivalent “trusted website” gauge) of those incoming links.

- » The more **useful content** found within your website, the better. Sometimes, there is a favorable bonus given to frequently updated content such as a blog or social media.
- » In the end, your content needs to be “**human-friendly**,” which means it should be readable to a human being and not engineered to impress a search engine computer, easy to find within your website, and marked with the correct HTML tags to tell the search engine what the content represents.

We cover each of these points throughout the chapter, so let’s start with keywords. The words you enter into a search engine typically aren’t ordinary words. They’re *keywords*, or specific words tied to a particular subject you’re interested in. When you go to a search engine, you should give that engine the keywords, or most targeted words, that describe your search.

Search engines work like this:

1. You go to your favorite search engine, type a search term (a keyword) in the text box, and click Search to see the results.
2. Your search engine matches your search term against its database to look for relevant mentions of that keyword and relevant pages that are interpreted as the best “answers” for your search terms.

The database is made up of countless entries of different web pages that were gathered by either computer programs (known as *bots* or *spiders* in the technical world) or human editors.

The search engine doesn’t analyze entire web pages by scanning every word in a page against the keyword you specified. Instead, the search engine looks through *notes*, or a shorthand representation of that page. These notes (which summarize the page) are taken from such elements as

- » The name of the website and particular web page
- » Words used in the *title* (or *head*) of the web page
- » Words used in the *name* of the web page (keyword.html for example)
- » The first paragraph or two of the web page
- » Words assigned by the web page to represent the title and description (by using the <META> tag, which we discuss in the section “Creating META tags,” later in this chapter)
- » Internet web links present on the web page
- » Words used by other web pages that offer a link to the web page

In fact, the first page of the search results lists web pages that contain your search term. We discuss how to insert your keywords into these various places on your web pages later in this chapter, in the section “Placing Keywords in Key Spots on Your Website.”



REMEMBER

You’re not limited to a single keyword. You can have multiple keywords or even phrases of keywords. However, you have a better chance of promoting a handful of keywords or phrases than trying to be the website that offers everything to everyone. Think about the most important or valuable phrases that your customers will use when they search for the products you sell.

Getting Your Website Noticed by Search Engines

Whether people are waving their hands in front of a crowd or smiling for TV cameras, they like to be noticed. To succeed in business, you’re always told, “Stand out from the rest and be noticed.” As business owners struggle with the notion of getting noticed on a finite budget, creative measures come into play.

As we discuss in the preceding section, increasing your website’s visibility on search engines involves knowing the rules they use and ensuring that your site follows those rules. Search engines don’t solely base their rankings on keywords. If they did, a web page that mentions the same word a thousand times would be at the top of their rankings. Instead, search engines look primarily at incoming links and amount of content.

Incoming links, or *references*, are simply how many other websites offer a link to a given web page on your website. The more links that point to a particular page, the higher that page appears on the search engine rankings, especially on Google. The generic reasoning by the search engine algorithms is that, if other websites are pointing their visitors to a particular page, that page must have more relevant content than other, nonlinked pages. Think of an incoming link as some other website “vouching” for the usefulness of your website.

Having other websites link to your web page is the next step in search engine optimization (SEO). Greater weight is given to a web page whose referring links use the main keywords for that page in the text for that link. Suppose that you’re trying to promote a web page for Arctic Technology Solutions. You have the best URL you can get for the keywords in your company name, www.arctictechnology.com, and leading IT consultants link to your website. Now, tell these consultants to build the link this way:

```
<a href=http://www.arctictechnologiesolutions.com> Talk to Arctic  
Technology Solutions! </a>
```

Notice that the clickable text that points to your website contains the same keywords as your URL. The search engines receive a double message that your website contains the text *Arctic Technology Solutions* because its computer programs read the keywords in both the HTML command and the clickable words.

Search engines look not just at the link itself but also at the website from where the incoming link is originating. Therefore, here are a few additional issues to keep in mind:

- » **The more reputable the website, the higher value the link brings you.** Search engines typically assign a higher value to links from websites that are highly respected. Therefore, an incoming link from Google, Yahoo!, or one of the top ten sites on the Internet helps your search engine rankings much more than a link from your friend's toy review website. Aim for known websites, educational institutions, if possible, or even government agencies when applicable.
- » **Reprioritize new content whenever possible.** As your business progresses, and you continue to generate new content, whether it's for the website or your business social media channels, you need to make sure that new content is easily available on your website and receives the highest priority. Search engines are giving a higher priority to new content, so make sure any new content is highlighted and focused on when optimizing your website.
- » **Make sure that the referring website is relevant to your business.** Getting reputable websites to link to you is important, but search engines also look for relevance. Does it make sense for them to link to you? Do your sites have something in common or something complementary? For example, having a technology review site link to your organic garden business may not be relevant, but having *Better Homes and Gardens* magazine link to your garden business is relevant.
- » **The age of the website name may be a factor.** Search engines check for a website's age by looking at the date the domain name was created in the main domain name database. For example, a website created in the late 1990s has obviously been in the database longer than a website whose domain name was first registered two weeks ago. Therefore, aim for incoming links from websites with some history. Check WHOIS Domain Lookup (www.whois.com/whois) to find the age of a website.
- » **The best links are incoming only, not reciprocal.** When two websites link to each other in the hope of raising each other's search engine ranking, the links are *reciprocal*. However, reciprocal links carry a lower ranking weight than

incoming only links. If several websites create a looping chain of links, where Site A links to Site B, Site B links to Site X, and Site X links back to Site A, Google will lower the weight of all those links. If a website links to you without a link back to it, that incoming link helps your ranking a lot more.

More and more, search engines are evaluating your search engine ranking by the amount of useful content, or how much quality information, you offer on your website. Websites with more content — articles, social media content, reviews and guides, or plain text — are more useful to someone searching for information and are typically given higher search result rankings than sites with little content. That content, however, should be unique to your website, not just reprinted from other sites.

Some people have a goal of writing an article a day for their sites. In a year, you can turn 10 or 15 minutes of writing into 365 articles! Or you could hire someone to create content for you. Just make sure the content is readable and not simply packed with the keywords you think you need on your site. Search engines penalize sites that are overloaded with keywords, also known as *keyword stuffing*.

As mentioned before, search engines look for “fresh” or recently added content to your website, and one of the best ways to ensure a steady stream of new content is by linking your social media channels, such as Facebook, X (formerly Twitter), YouTube, Instagram, and others, to your website, so that information will count toward your website’s overall standing in search engine rankings. As an example, if you search for a specific person (instead of a product or service), many times the first page of search engine results will contain the person’s profile on social media networks like Facebook, LinkedIn, or X.

Placing Keywords in Key Spots on Your Website

Content is important, but people also search the Internet with words, so understanding and using keywords is still an important part of preparing your website for search engine traffic, especially the placement of those words and information that makes it useful to search engines but also readable by human beings. You can use different methods to incorporate on your web pages the keywords that will be viewed as the most relevant and important words that represent your page and still preserve the “readability” and usefulness of the content. The keywords must appear in multiple locations so that the search engine bots know that those keywords represent the content of your page.

The most important factor is, as they say in real estate, location, location, location. Sure, you can write a web page about the hundred greatest uses for a ball-peen hammer and use the words *ball-peen hammer* repeatedly in the body of the web page. But you can find better locations than the body of the web page to attract the attention of search engine bots more reliably and consistently. Some locations are invisible to the web browser, and others are hiding in plain sight.

Keywords that are invisible

Web pages are built in *HyperText Markup Language*, or *HTML*. Commands aplenty identify the information contained in a web page. For keyword purposes, the most important tag to use in your web page is `<META>`, which stands for *metadata*, or simply put, information about your data, which is your web page. It defines the name, purpose, author, and other elements of a web page. Search engines read this tag to catalog web pages more efficiently.

Because of this command's purpose, search engine bots are interested in knowing what information is assigned to `<META>` tags. They take that information with a grain of salt, however, because they know that the `<META>` tag info is being written by a biased source — the author of the page. Nevertheless, the `<META>` tag information is added to the formula for reading and interpreting web pages.



REMEMBER

If you're having someone design your web pages, be sure to ask specifically whether he's defining `<META>` tags for every single web page on your site. These optional tags are commonly forgotten because they don't affect the performance of the web page on the server.

The `<META>` tag is specific to only the individual web page where the tag resides. Therefore, the information in the `<META>` tag for your home page is (and should be) completely or significantly different from an interior web page that focuses on one product line.

Creating META tags

For each web page, insert at least two `<META>` tags into the HTML for the page. More options are available, such as defining the author of the page or the last revision date of the web page. Although you might want to define these fields for other reasons, they're not as helpful for targeting search engines.



REMEMBER

Include these `<META>` tags as part of the head of each web page, not the body section.

META TAGS CAN SPEAK FOREIGN LANGUAGES

In this global era of the Internet, your audience is no longer restricted to one region or country. Similarly, your keywords are no longer restricted to one language. The <META> tag has the capability to assign keywords to a particular language set, so you can have a different tag for Americans who speak English, Britons who speak English, and almost everyone in Central or South America and in Spain who speaks Spanish.

You can define an attribute of the <META> tag known as *lang* (short for *language*). The search engines implement a filter if they see the *lang* attribute defined and then assign the correct keywords to the specified language in the web surfer's preferences.

If you sell soccer jerseys and sweaters, for example, your <META> tags might look like this:

```
<META name="keywords" lang="en-us" content="soccer, jersey,
sweater">
<META name="keywords" lang="en" content="football, jersey,
jumper">
<META name="keywords" lang="es" content="futbol, Jersey,
sueter">
```

The syntax of a <META> tag works in two parts: You define which type of <META> tag you want to use by assigning a name to it, and then you assign the content for that <META> tag. For example, if you want to assign the keywords *Arctic*, *Technology*, and *Solutions*, your <META> tag would look like this:

```
<META name="keywords" content="Arctic, Technology, Solutions">
```

Unlike in other HTML commands, a closing tag isn't necessary. This line of code is sufficient. You need a separate <META> tag, however, for each type of information you want to define. Figure 5-1 shows how to separate the definition from the keywords by using two <META> tags.

The two <META> tags you need to include are keywords and description. For added effect, some people repeat their keywords as part of their descriptions. The search engines, though, are reading the <META> description and looking for context. A laundry list of keywords in the <META> description tag, therefore, doesn't improve your results. A creative integration can help your efforts, though.

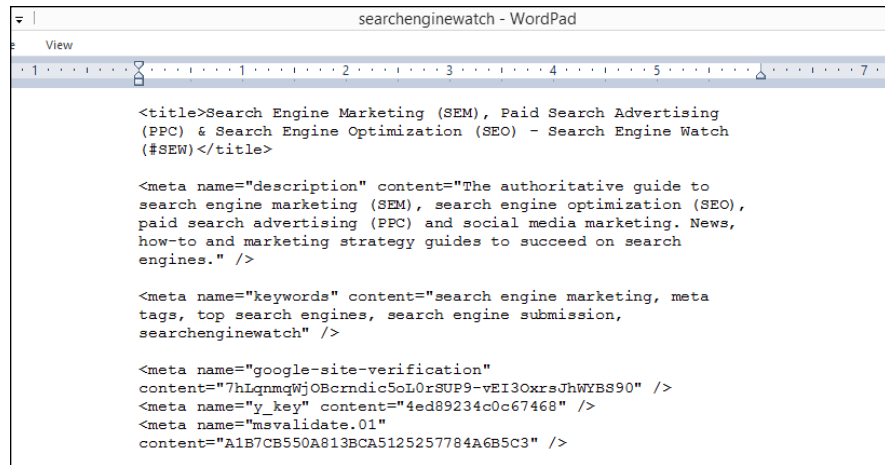


FIGURE 5-1:
Use separate
<META> tags for
different types of
information.

If you're selling gourmet artichoke sauces, your <META> tags might look like this:

```

<META name="keywords" content="Gourmet, Artichoke, Sauces">
<META name="description" content="Our gourmet chefs have picked the freshest
artichokes to create gourmet artichoke sauces sure to liven up
any artichoke recipe!">

```

Note the repeated use of the targeted keywords as part of the context of a readable, legible sentence. Although the <META> description tag doesn't have a hard limit, using more than one or two sentences dilutes any meaning you hope to get from using the tag in the first place. Simply put, if you overload the description tag, you water down your results to the point that the search engines don't know any more what's particularly meaningful.

Adding ALT attributes

A valuable addition to the HTML image tag is the ALT attribute. This attribute is assigned to image files loaded onto a web page. The ALT attribute is a description of the graphical image that's displayed on the web page if the web browser cannot load the image properly on the screen. In the past, a user using certain web browsers like Internet Explorer could hover the cursor over the image to see the information assigned to the ALT attribute. With today's updated web standards, that is no longer possible, but you can assign the TITLE attribute a value that will display when a user hovers their mouse over the image.

Because search engines cannot read text that's part of a graphical image, they read the ALT attribute, if it's defined, and give it some weight. Like the <META> tag, the optional ALT attribute is easily forgotten when a website is being designed.

You should always take the opportunity to define your ALT attributes for your images; otherwise, you're missing an opportunity to promote your keywords.

The ALT attribute is added to the tag that includes an image on the web page. If you're using a big logo image of your business that represents gourmet artichoke sauces, the command to insert the image looks like this:

```
<IMG SRC="logo.jpg" ALT="Gourmet Artichoke Sauces Logo">
```

Keywords that are visible

Although search engines rely on HTML commands such as the <META> tag to gain an understanding of the purpose of a web page, their computer programs are more interested in divining the “natural” meaning of a web page, by interpreting the text visible on the page and understanding what the page itself is trying to convey to users. Therefore, make sure that the keywords that best identify your web page are clearly used in some visible — but not obvious — locations:



TIP

- » **Page name:** Every web page is simply a file containing HTML commands and text, and each file has to have a name. The last three or four letters of the filename after the period must be htm or html because of web standards. Everything in front of the period in the filename is up to you. If you set up a page to sell tennis equipment, for example, don't use an abstract name, such as order.html. Instead, name this special page tennis.html or tennis-equipment.html.

If you're designing your website for optimal search engine recognition and one web page offers two or more categories of products, divide the product line and dedicate a single page for each one. This way, you can gear everything on each page toward the specific product the page represents.



REMEMBER

- » **Page title:** Every web page on your website should have a title, regardless of the purpose of the page. Search engines pick up this valuable space.

The worst thing you can do is leave an empty title. The second-worst thing you can do is use a vague or meaningless title, such as “Welcome to my website!” or “Stuff for you.” Make sure that each title has the important keywords for that page.

- » **Page headings:** Human eyes pick up headlines quicker than any other text on the page. Computer programs read headlines and assign a greater weight to them than to the text on the page. You can be more specific in the headings than in the title — just focus the headings on the page content, not on your overall site.

- » **First sentence:** The first sentence on the page is typically a summary or an overview of what the page offers. Because some search engines don't index an entire page of text, make sure that the first sentence draws a clear picture of your intentions for the page.
- » **Text inside links:** Search engine bots are hungry for web links, so make sure that any clickable text (also known as *anchor text*) contains the right keywords for that link. The bots assign weight to those keywords because they're being referenced by the link.

In addition to adding keywords in these locations, you should still fine-tune your pages to mention your keywords throughout the text, as shown in Figure 5-2. Work these keywords into the flow of the text in a way that isn't jarring to readers. Don't just offer strings of keywords that don't form complete sentences. Search engine bots pick up on context, so they flag as nonessential any out-of-place lists of keywords they find.

FIGURE 5-2:
See how
important
keywords are
used throughout
the page.



WARNING

Don't display any valuable keywords as graphics files on your web page. Search engine bots can scan only the text in the HTML file (or the ALT attribute for an image) — not the contents of a graphics file. If you have to use graphics, for a navigation menu or header, for example, complement that menu with a text menu at the bottom of the page. This way, you're using the keywords as text and the keywords are clickable text, which improves your site's ranking.

Arranging Your Pages Strategically

Your website is simply the collection of various web pages that make up your overall business. Therefore, you want every web page in your business to be well defined and serve a specific purpose. You don't want to create web pages whose only goal is to attract search engines with keywords and defined tags. Instead, you want pages that make sense to users and search engine bots.

Keep the following rules in mind when you're constructing the web pages in your business:

- » **One page, one focus.** If one web page contains two or more product lines, consider breaking up that page so that each line has its own page. You can still have a category index page, which you can optimize with your overall business mission, and each product page can then be a launching pad for that subset of your business.
- » **Define your page.** Make sure that all your definitions, tags, and keyword mentions are at the top of your HTML source code for your web page. Some search engines limit the number of characters per page they take, and you don't want to lose out because you added a lot of comments or web-specific programming code first.
- » **Think about keyword density.** Focus each web page to target a select group of keywords and phrases. This technique increases the weight of each of these phrases more than when you try to use every keyword in every page (a practice known as *keyword density*). When the same words are used repeatedly, search engines see this density of words and assign greater weight to the few words that are used than does an average website that tries to be popular for every popular keyword.
- » **Put away the data-intensive bells and whistles.** If your web page excessively uses elements such as large file graphics, animation, and video or audio files on the same page as valuable product information, separate the extra features into their own section of the website or create two versions — one with mostly text and basic graphics and one with all the extras. The search engine bots give up on loading a page if it takes too long, and so will your customers. As of this writing, what can be helpful for optimization is integrating the use of AI and functions like ChatGPT. Do your research and work closely with any developers or consultants that you use for your website to properly implement some of the cutting-edge features that AI programs can contribute to your website optimization

Watching Your Rankings

Although website pages might last forever in a search engine's database, the website's importance or relevancy doesn't carry over. As website owners try to figure out ways to improve their positions in search engine results, search engines update their systems and algorithms to reduce the effect of specific popular tricks.

One such practice is *keyword stuffing*. Website owners would repeatedly use the same keywords throughout a web page's title, <META> tags, URL file names, anchor text words, and even the ALT attribute description text for images on a web page, in hopes of ranking those keywords higher on the search engines. While we discussed using these various sources to mention your important keywords in the previous section "Keywords that are visible," the key is to balance your keyword usage so that it doesn't read (or be detected) as forced to the end user.

Previously, search engines would rely on these mechanisms to determine importance of keywords. Search engines today consider context, comprehensiveness, and what the user's search intent is at the start. These engines now consider keyword stuffing as spam and when you violate their spam policies, your search results will suffer greatly. This practice isn't as common nowadays but it's important to advise against it in case someone recommends you try it.

As a business owner, you need to stay informed of the changes the search engines make to their programs, and then update your website accordingly to take advantage of whatever the new rules enforce. The last thing you want is to optimize your website based on one set of rules and then have your website ignored because the rules changed and you didn't update your site.

A variety of websites provide news, updates, columns, and information about major and secondary search engines. If you want to stay up to date with search engine techniques, follow some of these sites:

- » **Search Engine Watch:** This site calls itself "one of the longest-running search industry resources," and many users agree. SEW, which is part of the Contentive Media Group, uses a variety of mechanisms — such as news articles, resources, and new products like Tech Talks — to spread the word about search engine marketing. It offers a wide variety of free content, an extensive archive of information, and a newsletter. It even sponsors various search engine optimization/strategies conferences in different cities around the world to promote the same concepts as the site. Visit www.searchenginewatch.com.
- » **Digital Point Forums:** If you're looking for a particular discussion area that covers either a general search engine (such as Google, Yahoo!, or Bing) or a

discussion about a particular topic (such as link building), Digital Point's Forums (forums.digitalpoint.com), is the place for you. It has a number of discussion boards — including a section dedicated to e-commerce — that provide help and discussion for online-store professionals or the graphic design or database work that your website requires.

- » **Search Engine Journal:** What better way to find out what search engine optimization professionals are thinking than to keep up with their journal? Search Engine Journal provides in-depth guides by subject, reports breaking news, and has expert guest contributors review and comment on the newest and most popular events in the SEO space. They even provide perspectives targeted to entrepreneurs, ad agency professionals, content marketing professionals, and more. Visit their site or subscribe to their newsletter at www.searchenginejournal.com.

Moving Up in the Rankings

The key isn't always to be in the top spot. Considering the enormous amount of new information that becomes indexed every day — not to mention the continual updating of search engine algorithms — you can waste a lot of time trying to stay on top by retaining the top search engine result for your important keywords.

You should have two goals for your ranking in the search engine results:

- » A position that's high enough on the list before a potential customer sees your competitors.
- » A position among the first page or two. (Keep in mind that a person using a smartphone to conduct a search will have fewer results per page, making a high placement even more important.)

Most people who are presented with multiple pages of search engine results typically skim the first page and try a few links. A few of them then go to the second page and try more links. After the second or even third page of results, however, if the destination sites aren't close to what the user is looking for, that person typically enters a new string of keywords, sees a different set of results, and tries again.

You can earn a prominent spot by using keywords in the right spots or partnering with a business to link to your website. If you're interested in staying ahead of your competition, though, read these next few sections. We show you how to find your rankings and then how to keep an eye on your competition.

Knowing where you stand

You can't know where you're going unless you know where you are. Your first job is to understand what the search engines know about your website. Search engines provide a growing number of tools that can open a window into their databases and show you what they know about you.

Internet company Moz offers the Link Explorer tool, which shows you all the information it can find about a specific website. Some information this tool provides is available by creating a free account, but you can get more information by subscribing to Moz's services, such as its Moz Pro program. Follow these steps to use Link Explorer:

1. **Go to `https://moz.com/link-explorer`.**

The opening page for Link Explorer appears.

2. **In the text box, enter the URL of the website you want to analyze, and then click the Analyze button.**



REMEMBER

You don't need to enter the `http://` part of the URL.

After you enter the domain, click the button, and create a free account to use the website, the results screen is displayed.

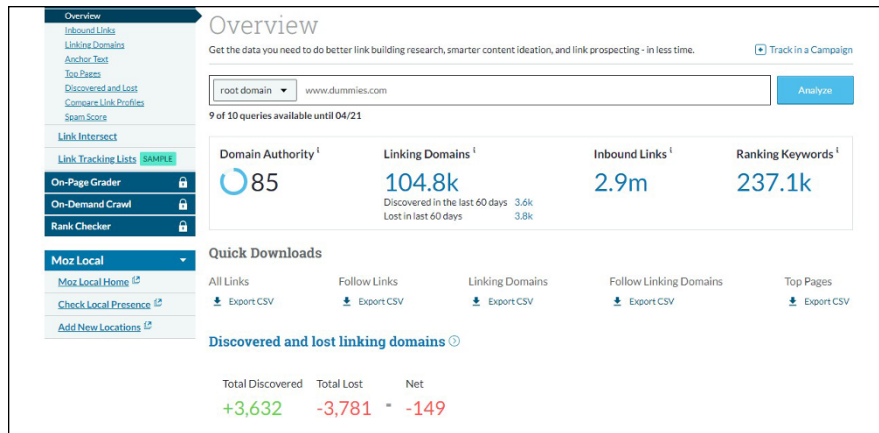
3. **Click the Inbound Links section to view all the inbound links for that website, displayed in their natural search order.**

After we entered `www.dummies.com` in Step 2, we saw a page similar to the one shown in Figure 5-3, where you can review the general summary of statistics for your chosen website. (The website adds the `http://` part when the screen is displayed.) When you click the Inbound Links section, you get a new page where the results include the first 50 links of the 2.9 million links from 104,800 root domains (or unique websites) that link to `Dummies.com`. You can click the title and URL of the linking page to see the page where the link exists.

4. **Click the Top Pages menu item from the left navigation bar of options to see which pages on your site are the highest-ranked pages for your specified domain.**

The Top Pages view shows you which web pages in the specified domain have the highest ranking, based on a combination of factors, including inbound links, the amount of linking domains, and content on that page.

FIGURE 5-3:
See the overall
statistics of
a website.



Seeing what your competition is doing

No analysis of your website is complete without looking at your competition. If your website is the only one in your given area, this step is unnecessary. Chances are, however, that you have more than one competitor and you're trying to figure out how to steer customers to your site and away from the others. You have to recognize the difference between these two types of competitors:

- » **Direct:** These businesses are the same size as yours and offer a similar (or almost identical) product mix to your target set of customers.
- » **Indirect:** This type of competitor happens to sell some of the same products you sell (divisions of a big retailer, for example).

You can learn about your competitors by visiting their websites to see their web page design and find out what they offer to customers. Also ask yourself these questions about your competition:

- » Which keywords are they using in their website names?
- » Which keywords are showing up in their web page titles and headings?
- » Which <META> keywords and descriptions are they using? (In your web browser, choose View → Source to see the HTML source code.)
- » How many other links point back to their websites?
- » Where does their content (website, social media sites, blogs, and so on) appear?

**WARNING**

Don't cut and paste any info from a competitor's website. That site has an automatic implied copyright the minute it's created and posted on the Internet. Although you can observe and apply techniques or concepts, you cannot plagiarize the text or reuse a site's graphics or photos without permission.

As you're reviewing your competitors' websites, note the techniques they use that you don't implement. Then compare their search engine results to your results on multiple search engines. Concepts that work well on one engine might not be picked up on another site. Find out what works, and avoid what doesn't.

Creating your own referrals

Some website owners have decided that if they can't get other websites to offer a link to them, why not build their own links? The sole purpose of some websites is to serve as part of a newly built network to promote a central site. When you go to these referral sites, it's obvious in some cases that they're built for only one reason. As search engines have adapted their rules, they ignore sites whose only purpose is to link to someone else.

The right way to achieve your own network is to build a series of targeted, focused content sites, each of which feeds into your main e-commerce business. Suppose that you sell pet supplies. Rather than add original content solely to your e-commerce site, you can set up targeted websites about dogs, cats, birds, fish, gerbils, and hamsters. You can then focus on building up these websites by becoming an authority or expert in these areas. After you have fellow enthusiasts hooked on your information, you can refer those people to your e-commerce site when they're ready to buy something.

Getting another website to cross-promote with you is easier when you're exchanging links with a content site, not with an obvious potential competitor. You can always offer excerpts of your content on the e-commerce site in case your repeat customers come straight back and want to read something first.

**TIP**

You can promote your products on sale at places such as Facebook, X (formerly Twitter), Instagram, YouTube, TikTok, and other social networking, blog, or profile web pages. Each third-party website has its own restrictions, so you may want to check the terms and conditions for these websites if you launch something with a questionable link.



E-Commerce Fundamentals

Contents at a Glance

CHAPTER 1:	Starting Up with E-Commerce Functionality	431
	Knowing What You Want: Features	432
	Realizing What You Can Have: Cost	438
	Shopping for E-Commerce Solutions	440
CHAPTER 2:	Web-ify Your Store with Shopify	443
	Why Open a Shopify Store?	444
	Setting Up Shop	445
	Managing Your Shopify Store	448
	Selecting a Plan	454
	Breaking Down the Fees	455
	Growing with Your New Business Partner	456
CHAPTER 3:	Making eBay THE Way	459
	Understanding How eBay Works	460
	Getting Started on eBay	460
	Setting Up an Item for Sale	464
	Opening an eBay Store	472
CHAPTER 4:	Posting Pictures for Profit	477
	Establishing Your Instagram Account	478
	Enticing Customers to Your Instagram Offering	483
	Providing Great Content and Community for Your Instagram Feed	486

- » Exploring standard e-commerce features
- » Determining the price for storefront convenience
- » Analyzing your e-commerce building options

Chapter **1**

Starting Up with E-Commerce Functionality

One of the easiest ways to get started selling your products online is through an e-commerce solution. This type of online storefront, or e-commerce-in-a-box, provides all the components necessary to build, manage, and promote your store in one convenient location.

Selling products online has increasingly become the norm for all types of businesses, both new and established. As a result, e-commerce solutions have become more diverse, offer increased functionality and are much less expensive. You might ask, “How does e-commerce differ from other ways I might sell online? What’s special about it?”

Think of an online storefront as a shortcut to selling online because you can use one e-commerce solution for almost all your online selling needs. For example, you may have an existing website and you want to add a shopping-cart solution so you can sell items from the site. There’s no point in redesigning your entire site; you are simply adding functionality.

However, if you are starting from scratch and don't already have a website, there are e-commerce solution providers that help you build your site, host your site, add or create products, accept payments and sell the products, ship the products, track inventory, market your products . . . Whew! You get the idea — an e-commerce solution is truly a *one-stop shop* for everything you need to put a business online and start selling. This chapter explains the most popular — and most necessary — features available in e-commerce solutions and helps you make a decision about which all-in-one storefront would work best for your online-business goals.



REMEMBER

Some e-commerce solutions have recognizable names. In this minibook, we cover Shopify in Chapter 2, and eBay in Chapter 3.

Knowing What You Want: Features

When choosing your online store, make sure that the following three essential elements are included. Together, these functions help qualify the storefront as a true all-in-one solution:

- » **Shopping cart:** This back-end feature allows customers to browse for, select, and purchase products. (If you want to know more, Book 4, Chapter 4 compares specific shopping-cart features.)
- » **Payment processor:** This feature is a virtual cash register. Of course, customers need a way to pay you during checkout for the products they want. A storefront solution should give customers multiple options.
- » **Hosting solution:** You need a place to host your actual store. Your hosted shopping cart, however, doesn't have to share the service you use for your primary website. But one of the benefits of a storefront is that hosting is included in the deal, eliminating additional website hosting fees.

These bare necessities are just the tip of the iceberg when you're selecting features for your storefront. Most e-commerce solutions provide a long list of additional features and functionality. These features typically fall in three areas: performance; product merchandizing and marketing; and administration. All three are described in the following sections.

Performance

Unfortunately, performance is the area of a storefront that you don't always think about until something goes wrong or isn't what you expected, but it is truly the

backbone of your operations. Paying special attention to these performance-related issues when selecting your storefront is ultimately worth your time:



TIP

» **Speed:** A lot of factors contribute to the speed of a storefront, and determining how the site's functionality will fare isn't always easy. For example, there are factors you can control, such as file types, code used on the storefront, and the sizes of images and videos. Things you can't control are often related to where or how the storefront is hosted, including the location of the server. The best way to determine if speed could be an issue with a proposed storefront vendor is to visit some of its featured sites and see for yourself whether a lag in processing time occurs.

You can also sort through a storefront's community forum section to see whether other store owners have complained about the storefront's *processing speed*, or the load time for pages.

» **Storage:** You want adequate disk space and bandwidth transfer available for your site. Even if your storefront starts small, you need room to grow without being immediately penalized with a higher rate. At a minimum, you should start with 1GB or 5GB capacity. The good news is that increasingly, the leading e-commerce solutions are offering unlimited storage and bandwidth in some, or all, pricing plans.

» **Security:** Proper security is an essential part of e-commerce. Before purchasing your storefront, understand what type of services or protections are offered to guard your store, and check for issues related to PCI (Payment Card Industry) compliance (we discuss these issues in detail in Book 2, Chapter 1).

» **Product quantity:** Some e-commerce solutions still place limits on the number of products you can sell under certain pricing plans. Which storefront you choose may turn into a price-based decision. Even with limitations on quantity, your monthly fee typically supports a substantial number of product listings (usually 50 to 100 products at the least expensive plan). And, much like what is occurring with storage limitations, more e-commerce solutions are moving away from this type of pricing plan. Unless you are an enterprise (or very large business) with thousands of products, you can have hundreds of products across all plan options. The difference in pricing plans is instead based on differences in features, functionality, and support options.

» **E-product delivery:** If your storefront supports electronic products (e-books, for example), they can be delivered by way of customer-initiated downloads. You can also sell *membership* (a service with recurring fees) electronically. The capability to download some products in digital format (such as PDF files, music files, or video) or access digital services is growing, and you should definitely consider offering these kinds of products because they require no warehouse space and can offer substantial profit margins.

- » **Import and export tools:** This feature lets you transfer large numbers of products into or out of the storefront. E-commerce solutions with this feature commonly let you dump products into the storefront from an Excel spreadsheet, for example. This feature can be a time-saver if you have a lot of inventory.
- » **Third-party integration:** Your online business will most likely use a number of different tools or software, from accounting to customer relationship management (CRM) solutions. Ideally, you want many of these tools to integrate, or work with one another, to maximize results. In particular, your storefront should work with as many of your other business tools as possible. Many APIs (application programming interfaces) can provide access and integration to even more features and tools.

In addition to integrations with your other marketing tools, most storefront solutions and hosting platforms keep a list of integration tools and third-party solutions that are “disallowed.” Sometimes solutions end up on the disallowed list because of perceived security vulnerabilities or because they don’t have in-house expertise to maintain or support the solutions. When choosing an e-commerce solution, be sure to check which ones it supports as well as the diversity or expansiveness of its library of APIs.

- » **Support:** Having access to the e-commerce solution provider’s technical support team can be your only lifeline at times. In the best possible situation, full tech support is available 24 hours a day, 7 days a week. As we mentioned previously, some pricing plans vary based on the level of support you want or need. Paying an additional \$20 or \$30 per month to get increased support may be worthwhile, especially if you’re a small-business owner with limited tech support knowledge or resources.
- » **Templates:** One benefit of turning to an e-commerce solution is that you have access to templates for building out pages of the site. If you aren’t a savvy web developer, predesigned web page templates are supposed to make it easy to open your store. To truly be of value, the e-commerce solution needs to offer an extensive array of template styles to choose from and should also allow for some level of customization. However, note that even popular templates that have been out in the market for a long time may not have been updated to account for newer design or functionality issues. Scanning through Community sections, where customers gather to discuss shared topics of interest, you can sometimes find whether or not a template is as good as you think it is. In addition, you may find templates set up by categories or industries, such as sports or clothing store themes. This approach takes into consideration current design and color trends specific to that business type, so getting started is even easier.



TIP

When reviewing website templates, be sure to confirm there are options for mobile-ready or responsive templates. If your storefront cannot be built so that it's easily viewable and searchable on mobile devices, like smartphones and tablets, that's problematic. In fact, Google will penalize your website in the search engine rankings if your site doesn't pass its mobile-friendly requirements.

- » **Simplicity:** Speaking of making things easier, sometimes less is more. When starting a site, you may not need all the bells and whistles that are offered. The plethora of unnecessary functionality can add complexity, expense, and, yes, potentially impede performance. Consider looking for more basic offerings from platforms like BigCartel (www.bigcartel.com), which even includes a "forever" free plan for a very basic e-commerce site. You can always upgrade or add features as your online business grows.
- » **Wizards:** The e-commerce solution should offer a Setup Wizard to guide you through the process of building and customizing your storefront. Ideally, the wizard takes your store setup from start to finish without any major headaches. A non-intuitive wizard or one that is difficult to work with negates one of the biggest advantages of using a storefront — simplicity!



TIP

Spend time on the storefront's demo section and tinker with the wizard before making your final decision. If the demo isn't fully functioning, contact a sales representative. Ask the person to give you live access (sometimes referred to as a "sandbox" instance) to the store-building tools for a week or so. This access gives you a chance to test-drive the real wizard.

Product merchandizing and marketing

A stellar storefront solution should provide a host of tools that assist you in promoting products (offering ideas based on past purchase histories, for example), and marketing them (by offering promotion codes, for example) to your customer base. After all, these features ultimately help you move more products and bump up your sales revenue:

- » **Product images:** Ideally, customers should be able to view multiple images of a product, including an upclose or enhanced view, before making a purchase. To make several images of a product available on your site, the store's product gallery has to allow for more than one image to be uploaded and viewed per product listing.
- » **Customization component:** One major online trend is letting customers customize products. You can customize a product by adding a monogram, engraving a message, or modifying a color or style, for example. Because customizing is potentially a persuasive purchasing feature, your storefront's

shopping-cart program should allow customers to add customizing instructions.

- » **Cross-selling (or upselling):** This feature allows you to promote similar products on a single page. In other words, when customers add one product to the cart, you can then recommend or suggest another product. Also referred to as *suggestive selling*, cross-selling occurs during the checkout process, where you recommend additional products or services to the customer, based on the existing purchase. Cross-selling is a standard technique to raise the amount a customer spends in one visit to your store.
- » **Discount pricing:** You may want to be able to set up special groups that can be assigned different prices. For example, you may want to offer a 10 percent discount in February to active military members and their families. Or you may want to allow certain resellers to receive a different price than your public customers. This feature lets you distinguish among types of customers and charge them different prices.
- » **Promotions:** Coupon codes, gift certificates, loyalty and reward programs, and any other special offers can be set up as incentives for your customers. The complexities of this feature vary, so take a close look at what each storefront solution can and can't do. As an example, some storefronts allow you to deduct only a certain percentage rate or a flat dollar amount. Other programs allow promotions such as buy-one-get-one-free (or half price).
- » **Email marketing:** Staying in touch with your customer base is a surefire way to drive up sales. E-commerce solution providers offer wide variations of this feature. Some solutions may offer their own email function, while others may integrate with a third-party solution, such as MailChimp or iContact.
- » **Search engine friendly:** Search engine optimization (SEO) is being continuously integrated into e-commerce features. Having your individual product pages (or the images) tagged or optimized with special meta descriptions is an increasingly important element to helping your pages show up in search engine results. See Book 6, Chapter 5 to find out more about search engine optimization.
- » **Shopping feeds:** Similar to search engine marketing, your e-commerce store needs a way to hook into Google Shopping (formerly known as *Product Search*, Google's shopping comparison site) and other popular shopping sites. You use something called an *XML-data feed* to pull results from these types of sites into your own in the blink of an eye.
- » **Mobile commerce ready:** Increasingly, online customers want to shop for and buy your products by using a smartphone or tablet, so your storefront should be accessible by mobile devices and *optimized* for (easily viewed on) an iPhone, an Android phone, and any type of tablet. This functionality is growing in popularity, but not all e-commerce solutions offer this level of

functionality — or it may cost more for you to have access to this type of feature.

- » **Social marketing:** Facebook, TikTok, Instagram, YouTube, and LinkedIn are among some of the popular social media sites today. Your customers want to interact with your brand using these sites; but how they do this is rapidly changing. Online customers now use social media to communicate with and about your business, receive special promotions and coupons, make purchases from your business, and even help sell your products to friends in their networks. Often customers want the opportunity to “like” companies on Facebook or follow them in Instagram. An e-commerce solution should offer the functionality necessary to make most, if not all, these interactions possible. The types of social media sites and the ways in which they’re used to reach different customers constantly evolve.

Administration features

To do your job properly, you have to manage some behind-the-curtain activity. Access to administrative tools lets you oversee these processes. The following list shows the most common features that you’ll be grateful to have included with (or added to) your storefront:

- » **Inventory management:** You need, at the very least, to keep track of your inventory levels and ensure that your existing inventory systems work cohesively with your storefront. Ideally, you should use real-time inventory tracking.
- » **Accounting system integration:** Look for e-commerce solutions that can sufficiently communicate data between your storefront and your accounting package. If this option is available, it’s typically set up to integrate specifically with QuickBooks (a financial software package).
- » **Reporting functions:** Ah, the sales reports — and more. Your e-commerce solution should be able to track sales, returns, invoices, and more to provide you with the most *insight*, or business intelligence, possible.
- » **Payment system:** Not only do you need a payment gateway, but perhaps equally important, a good e-commerce solution should also offer a range of payment gateways, including everything from PayPal to Stripe (and international gateways, if you require it). Make sure the gateway you choose accepts multiple forms of payment because payment options can combat *shopping-cart abandonment*, the phenomenon that occurs when visitors leave your site without purchasing the items they placed in their carts (virtually abandoning their shopping carts).

- » **Tax calculation and reporting:** Like it or not, you probably have to deal with taxes online. Taxes can be a complicated issue because amounts vary by county and state. By identifying e-commerce solutions that are already set up to add taxes when required, you can save yourself much trouble.
- » **Multiple currencies:** You can use a feature that allows customers to make purchases with any type of currency. If you are selling internationally, this functionality is a must-have for your storefront.
- » **Integrated shipping tools:** UPS and FedEx are among the most popular U.S. delivery systems for packages. And to get your customer's product delivered, you need to ensure that your storefront can talk to one or more of these organizations. Your storefront doesn't have to integrate with all these shipping options, but it should work with at least the one your site uses most.
- » **Analytics software:** Along with other tracking and reporting functions, your e-commerce solution should offer tools to help identify your traffic patterns and data on how your customers use the pages of your site. A good analytics program built in to the storefront can give you many of those answers.

Realizing What You Can Have: Cost

Most e-commerce solutions claim that the sky is the limit on functionality and scalability. They're not far off. But as you probably realize, your budget ultimately becomes either the enabler or the deterrent.

Figure out what you can afford. After you do that, you have to decide which elements you can't live without. As you consider what's most important, keep in mind the way that storefront solutions are typically priced:

- » **Monthly fee:** Most often, you're provided a monthly price for using the service, which should include your monthly hosting cost, too. You can cancel most monthly agreements at any time, as long as you follow the store's termination procedures.
- » **Annual fee:** You have the option of prepaying for a year or more of service. You usually receive a slight discount for paying annually rather than monthly.



WARNING

When you sign up for an e-commerce solution's annual account, you're typically prepaying for a year of service in advance. You can always cancel your agreement before the 12 months end. But in most cases, none of your money is refunded, so you lose the money that you prepaid for the remaining months.

- » **Tiered pricing:** Storefronts typically use a tiered pricing structure to suit all levels of need. They group benefits and features into different types of pricing plans. For example, if you need fewer features, or are fine with basic support, choose a basic plan for a lower monthly fee. But if you want the whole shebang, choose the more expensive plan (often called a gold or premium plan).
- » **Product capacity pricing:** Similar to tiered pricing, some e-commerce solutions still set pricing plans based on the number of products you want to support. If you have a smaller inventory, you may be able to get the benefit of all features in every plan and pay only according to the number of product listings.
- » **Activation fee:** You may have to pay for some sort of set-up or activation fee when you sign up for the service. Nowadays, this fee is not as common but check the fine print to be sure.



TIP

Activation and other service fees may be waived when you sign up for an annual account or premium account. In addition, you can sometimes convince someone to waive these fees by signing up over the phone rather than online. Let the customer service rep know that you're willing to sign today if they can drop some of the upfront fees. It never hurts to ask!

When deciding how much you can afford to pay (and the way you want to pay for it), determine what you need. Start by considering how many products you want to sell and the amount of disk space you may need. After that, choose the features that are most important to you.

You can also break down the numbers another way. Look at how many products you have to sell on a monthly basis to cover the cost of the e-commerce solution. For example, suppose you choose a midlevel plan that costs \$149 per month, includes an extensive list of features, and supports as many as 10,000 products. You have only 75 products, and your average amount of profit for each one is around \$9. That means you have to sell at least 17 products per month just to cover the cost of your storefront.

On the flip side, you might choose an entry-level plan that some providers offer to help get you started. These plans often support less than 25 products and have fewer features, but may cost only \$5 to \$10 per month. Using the same profit margins, you now have to sell only three products each month to cover your e-commerce costs.

So, if you're just starting out in e-commerce and don't have any built-in traffic, the lower fee means fewer monetary risks. Choosing the right e-commerce solution (and the appropriate plan) is often a matter of figuring out what's most important to you.

Shopping for E-Commerce Solutions

After you know which features you want and figure out what you want to pay, you're ready to find a storefront solution. Here are some possibilities to look into:

- » **Online Store:** You might not know it from its name, but Online Store is a complete e-commerce solution from GoDaddy. This all-in-one solution starts at \$21 per month (billed annually), including hosting and no caps on bandwidth, and it supports an unlimited number of products. Mobile-optimized storefronts are included, too. This is a good basic plan to start. For a more robust option, GoDaddy also offers a Managed WooCommerce Store solution. WooCommerce is the e-commerce plug-in that enables shopping on WordPress sites. If you already have a website built on WordPress and you want to add e-commerce, this GoDaddy solution would make it easy to do so. The Managed WooCommerce Store is more comparable to a Shopify solution and ranges from \$25 to \$130 per month. Get the full scoop on each of these GoDaddy storefront options by visiting www.godaddy.com/websites/online-store.
- » **Volusion:** This e-commerce solution offers four pricing plans with the basic plans ranging from \$35 per month for unlimited products and storage to \$300 per month, and a "Prime" plan, which is similar to Enterprise pricing and designed for very large storefronts. This storefront is somewhat different in its approach to pricing as each plan does have product limits and also includes a cap on each plan based on your annual gross merchandise volume (GMV), or dollar amount of the products you sell. You can check out this solution and the range of specific features offered across price plans at www.volusion.com.
- » **Shopify:** Launched in 2006, Shopify has moved from being a solid contender in the world of e-commerce solution providers to being one of the undisputable category leaders. It claims to have a 15 percent higher shopping-cart conversion rate than other e-commerce solutions. As Shopify has grown, so has its number of solutions and pricing plans, making it more complex to choose what's right for your business. Each plan supports an unlimited number of products and provides most of the basic functionality, such as mobile commerce, and some level of 24/7 support.

There are four primary plans, each with the option to pay monthly or pay annually and save a few dollars. The monthly plans range from \$39 to \$2,300 per month. There are three additional "alternative" plan types, including a *Starter* for \$5 per month that allows you to sell only through social media, a *Retail* plan for \$89 per month that allows in-person selling, and an *Enterprise* plan that has custom pricing (you must talk to a sales representative to get a quote) that is based on highly customized store needs. To sign up for

a free trial or explore all the pricing plans and features offered by this e-commerce solution, visit www.shopify.com.

- » **BigCommerce:** BigCommerce is an industry leader in e-commerce that has evolved its business to focus on very large, complex enterprise storefronts and retailers. It's no surprise that its list of customers include many megabrand e-commerce retailers. It has maintained options for smaller e-commerce business as part of its BigCommerce Essentials brand. Plans range from \$29 to \$299 per month and all plans include an unlimited number of products, unlimited storage and bandwidth, no transaction fees, no limit on the number of staff (or user) accounts, and 24/7 "live agent" technical support.

The list of features that apply across plans is impressive. Given the competitive pricing with so much advanced functionality across plans, it is clear that BigCommerce wants to be a market leader for all sizes of online businesses. We think BigCommerce could be a good solution for small businesses that have aggressive growth plans, and for retailers that have more e-commerce complexities. In both cases, BigCommerce would make it easier to scale as your storefront requirements evolve, without having to worry about changing solutions. See the full list of features and pricing at www.bigcommerce.com.

- » **WordPress e-commerce plug-in:** As we mentioned previously, if you use WordPress to build your site, you may also choose to use a plug-in for your e-commerce solution, such as WooCommerce, ShopWP, and Ecwid. Did we mention these are often free (or super cheap)? The downside of using a WordPress plug-in is that it may have fewer features and payment gateway options than the non-free solutions and may require more work on your part for setup or customization (with limited, if any, technical support available). On the flip side, the ShopWP plug-in is designed to let you use Shopify with your WordPress site, so you get the best of both worlds. The best way to explore your options for a plug-in solution is to do a search for *ecommerce* in the WordPress Plugin Directory at <https://wordpress.org/extend/plugins>.

IN THIS CHAPTER

- » Setting up a Shopify e-commerce store
- » Adding products to your store catalog
- » Comparing package solutions
- » Calculating the fees for using Shopify
- » Using marketing systems to bring in more customers

Chapter 2

Web-ify Your Store with Shopify

One big advantage of using Shopify is how it enables you to easily create your own store. Shopify walks you through the steps necessary to create, design, fill, and maintain your own store. Over the years, smaller companies have folded or changed or were acquired by other companies, so customers of these companies aren't sure what to expect. With Shopify, though, you know that your website will be fully functional and available because Shopify's popularity ensures that Shopify professionals will provide the technical expertise to keep all its websites running smoothly.

In this chapter, we talk about the many features that Shopify e-commerce stores offer you, the basic platform of the small-business solution, and how you perform basic navigation and item creation. We cover the different packages and describe how Shopify makes its money with this service. Finally, you discover how you can make more money with your Shopify store through marketing, customer relationships, and data analysis.

Why Open a Shopify Store?

Although you can order different levels of solutions with Shopify, a powerful base platform comes with every solution. Here are ten functions that every Shopify store can enjoy:

- » **Built-in shopping cart:** You can put an unlimited number of products into your Shopify store. Its shopping-cart software presents those items to your customers and lets them add them to, or delete them from, their own shopping baskets. Then the software interfaces with shipping companies and tax tables to show customers their costs when they check out.
- » **Detailed sales reports:** Shopify provides a set of detailed reports so that you can see what's selling, what's being clicked, and what's being searched. You even see which websites send you the most traffic and which web pages on your site are the most viewed.
- » **Inventory tracking:** If you don't want to sell out of your hottest product or you need an alert when your available inventory gets too low, Shopify has you covered. It manages your inventory and automatically stops selling a product if inventory drops to zero.
- » **Unlimited space and bandwidth:** If you have large image files or audio or video, you can relax. You get an unlimited amount of storage with each account and an unlimited amount of bandwidth to send those massive files each time a customer comes a-knockin'.
- » **Mobile app and support:** Not only does Shopify ensure that your store is optimized for customers using a mobile device, but also its mobile app allows you to manage your store operations on the go, as all your data is synced between your store and your mobile device.
- » **Secure technology:** With Shopify, your customers can enter information safely because you can create secure web pages by way of Secure Sockets Layer (SSL) technology (with a free SSL certificate) that encrypts sensitive data (such as credit card numbers) when customers transmit that info to you. Shopify will make sure your store is Level-1 PCI-compliant, which will protect your customers' data.
- » **Search engine optimization tools:** Shopify lets your customers leave SEO-friendly product reviews on your website, as well as help you customize important SEO practices like your meta tags, titles, and headers.
- » **Social media integration:** Shopify gives you the ability to have your website integrate with your different social media channels, from Facebook and Instagram to Pinterest and Tumblr. Shopify provides options such as

Facebook Buy buttons, where customers can buy products while staying on your Facebook page.

- » **Automatic backups of your website:** Shopify takes a snapshot of your website every day and lets you go back and forth between those versions. If you accidentally lose data, you can restore the last version quickly. Shopify makes the backups without even asking or reminding you.

Setting Up Shop

When you're ready to set up a Shopify store, follow these steps:

1. **Go to the Shopify home page at www.shopify.com, and click the Start Free Trial button.**

You can also click the Start Free Trial button in the top-right corner of the screen.

Shopify prompts you for an email address, or you can set it up to log into Shopify with your existing Apple, Facebook, or Google account. (If you use your email address, Shopify will ask you to choose a password.) Later on in the process, you will pick your store name, as well as the plan that best suits your needs. (The standard and advanced Shopify plans are recommended for established e-commerce or offline businesses.) We discuss the prices and benefits of these packages later in this chapter, in the "Selecting a Plan" section.



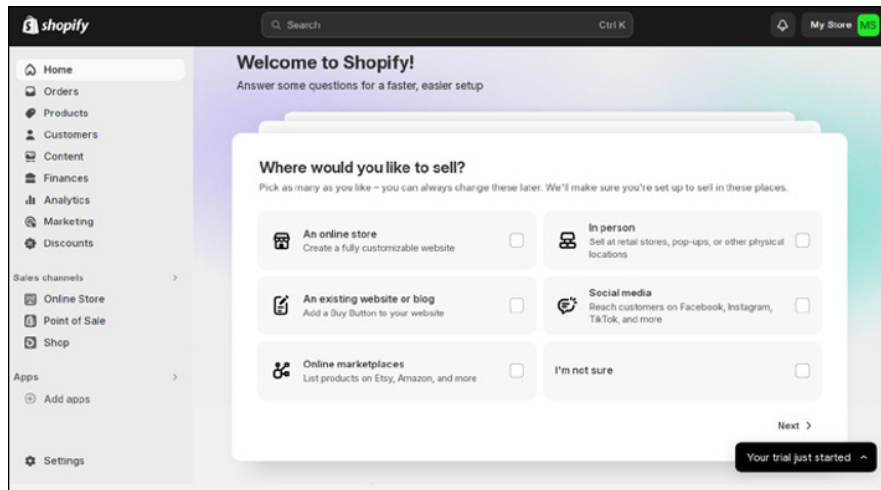
REMEMBER

2. **Answer some additional questions about your business goals (see Figure 2-1) and then click Next.**

Shopify will want to know several categories of information to help set up your store for you:

- *Where you want to sell products:* Beyond the obvious answer of an online store, Shopify wants to know if you also plan to sell on an existing website or blog, other online marketplaces (like eBay or Etsy), in person, or on a social media site.
- *Whether you are a new or existing store owner:* Shopify will ask if you are "just starting" or whether you've already been selling online or in person.

FIGURE 2-1:
Tell Shopify which
platforms your
business will use.



- *Existing platforms you're on (if you're already selling):* Shopify would like to know which existing platforms you're already on so that Shopify can help coordinate your sales with your upcoming Shopify store. You are prompted with all the main options, such as Amazon, eBay, Etsy, Square, WordPress, and other big website creators.
- *What type of product you want to sell first:* You can choose between products, drop-shipping products, print-on-demand items, digital items, or services.

Based on your answers, other options may show up, so you can answer as much as possible to help Shopify offer you the correct options. Just click Next to move forward throughout this process.

3. Click the Get Started button to finish initializing your account.

Shopify starts your free trial and takes you to your newly created Account page, as shown in Figure 2-2. The left menu contains all the major sections you will need to run your online store, so pay attention to all these options.

4. Click the white Select a Plan button to pick your Shopify plan.

You are taken to the page to select a plan for your store. You could also click Settings from the left menu and then click Account to get to the same plan page.

5. Review your options (see Figure 2-3), and click the appropriate Select button to sign up for that particular plan.

You are prompted to provide your billing information and leave a credit card on file for when your Shopify trial ends. Fill out the prompts as labeled and then pick a billing cycle (month by month or annual payment for \$10/month in savings).

6. To finalize your order, click the Subscribe button.

You need to provide Shopify with your business address and select the check-box to agree to Shopify's terms of service.

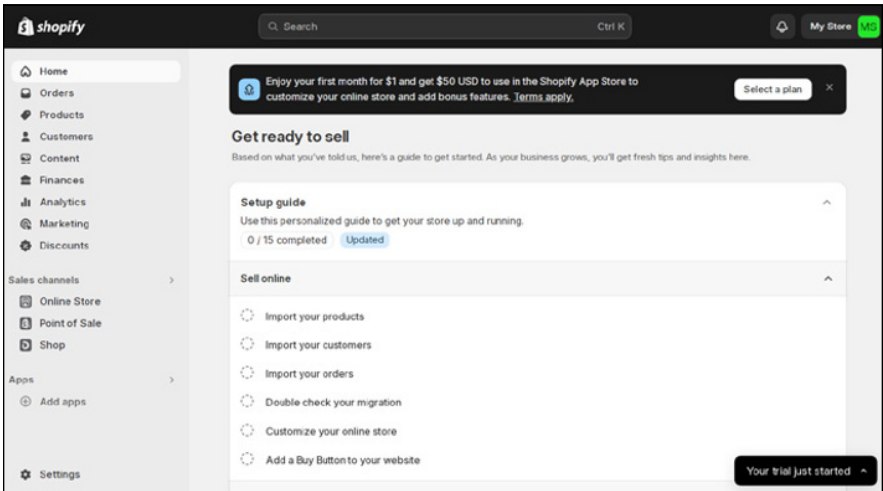


FIGURE 2-2:
Shopify creates
your account.

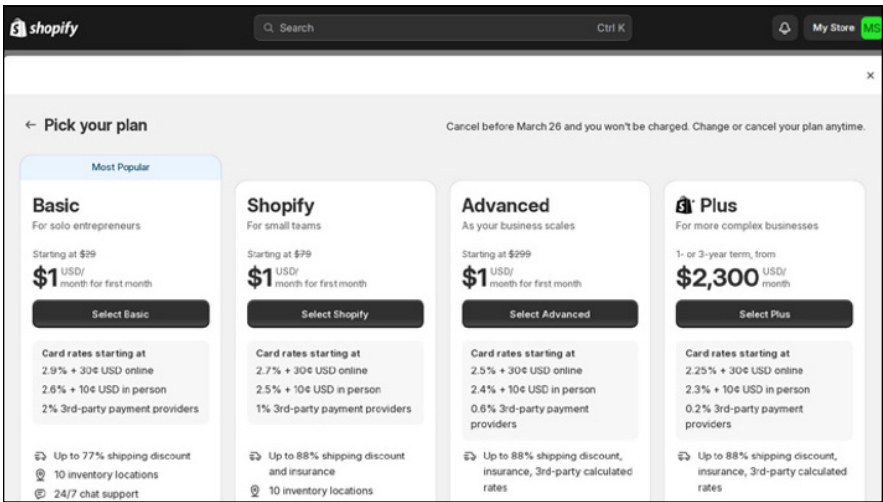


FIGURE 2-3:
Review the
Shopify plans
offered.

Managing Your Shopify Store

After you sign up with Shopify, you can control all aspects of your account. Go to www.shopify.com and click Log In at the top right of the screen. Enter your email address and password that you created when you signed up with Shopify, and that will bring you to your account home page, as shown in Figure 2-4.

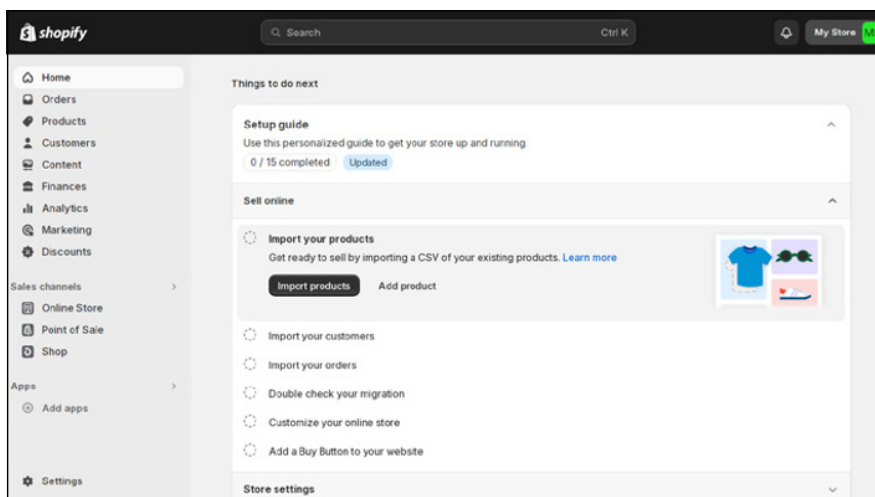


FIGURE 2-4:
Access all your
account controls
from one screen.

From the home page, you have access to the main parts of your account:

- » **Orders:** Review all the orders your store has received, and use the tools to fulfill those orders with steps like printing shipping labels.
- » **Products:** Review the catalog of products you have for sale in your store. Here you can make updates, add and delete products, and review your inventory (if you set up Shopify to help keep track of your inventory count).
- » **Customers:** Here you get a better picture of the customers who shop at your store. Shopify stores all customers' information when they place an order with your store. You can also add or import existing customers into your Shopify customer records.



TIP

If you don't want your customers to have to create accounts to use your online store, you can disable customer accounts, making this section not that helpful. You need to decide whether you want your customers to take that extra step to create accounts, and whether they (and you) will benefit more or less from this.

- » **Content:** Set up all the metaobjects and files (such as images, videos, and 3D objects) that will be a part of your Shopify store.
- » **Finances:** From here, you can manage your finances, apply for a credit card that you can use against your Shopify balance, coordinate Bill Pay options for your bills, and review the Payout options for getting your store revenue from Shopify.
- » **Analytics:** From here, you can manage all the reporting features to see how your store is performing. The standard and advanced Shopify packages offer more robust analytics features, but those are designed for well-established stores that could benefit from deep customer analysis.



The Settings page is at the bottom of the left menu and will be your most used section at the beginning as you configure many elements of your store during the entire set-up process.

Constructing your catalog

Before we talk about designing your site, we want to focus on the core element of any vibrant e-commerce store, your “catalog” or list of products for sale. What’s a store without products? Shopify has a central section entitled Products, which lets you enter your products for sale and also offers you the capability to track the inventory level as people place orders. You can update your inventory at any time, organize your inventory by different product data fields, and even import your entire product catalog at one time.

When you want to add a product to your store, follow these steps:

- 1. From the Store home page, click the Products link.**

The main Products page is displayed. The first time you go to your Products page, you see the option to add your first product or set up an import of products, as shown in Figure 2-5. For this example, we go through the steps of adding a product directly.

- 2. Click the Add Product button to get started.**

The one-page Add Product form appears.

- 3. Complete the following information fields, as shown in Figure 2-6:**

- **Title:** Enter the name that you want your customers to see as the name of your product.

FIGURE 2-5:
Shopify wants
to help you add
your first product
to your store.

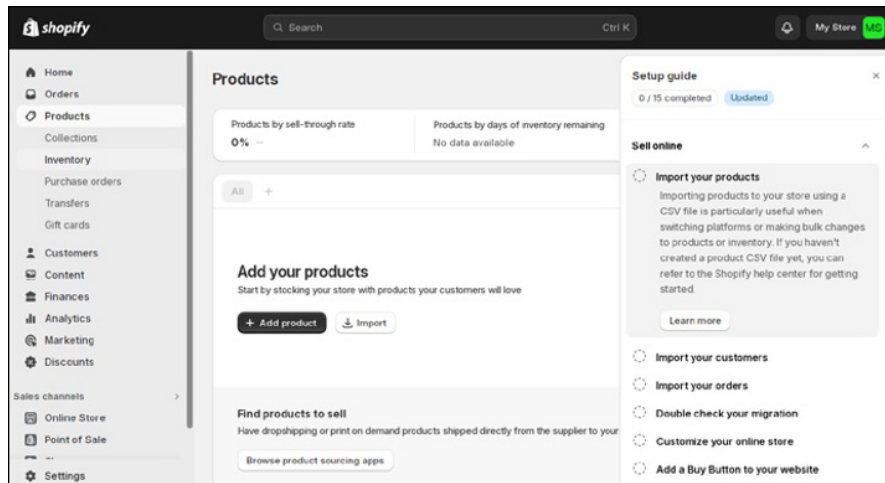
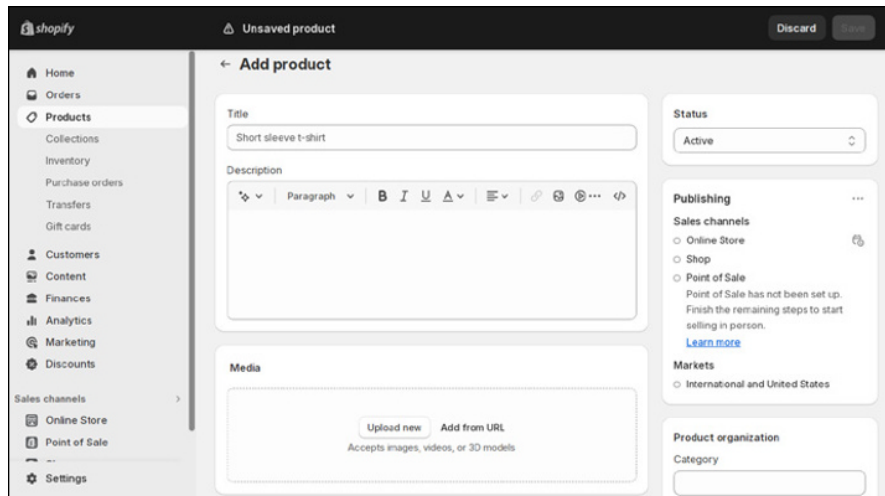


FIGURE 2-6:
Enter key details
about your
product.



- **Description:** Enter the item description in this field. Write a description for your product that you want customers to see when they're looking at your item on your store page. Use the command buttons at the top of the text box (similar to Microsoft Word) to format your description so that it will show up on your store with specific font sizes, alignment, and so on.
- **Media:** Click the Upload New link to specify the path where the digital image or video of your product is stored on your computer and upload it to your store.
- **Category:** In this field, you select a category from a list of possible choices, like Apparel, Electronics, Home & Garden, Sporting Goods, Toys & Games, and many more.

4. Scroll to the pricing and shipping section and enter more details about your product (see Figure 2-7):

- *Price:* Every product must have a numeric price.
- *Compare at price:* Think of this field as the “original retail price” and the price field as your sales price. When you use this field, your customers see both prices, with a line through the “Compare at price” number and the price highlighted.
- *Cost of item:* If you record your item cost in this field, later on the Analytics reporting will help you calculate profit, not just revenue, for your sales.
- *Stock Keeping Unit or Barcode (ISBN, UPC, GTIN, and so on):* If you click the checkbox for This product has a SKU or barcode, you’ll see a new field where you can either create a unique identifier for each product or use the identifier that came with the product, like a manufacturer’s UPC number, ISBN number, or a GTIN (Global Trade Identification Number).
- *Inventory policy:* If you click the checkbox for Track Inventory, a field is enabled where you can assign the initial quantity of units for this product. (As orders are received, Shopify keeps track of the inventory level and decreases the quantity accordingly.) If you do not click the checkbox for Track Inventory, no quantity information will be assigned to your product entry.
- *Product type:* In this field, you assign a type to your product based on the category of the item (for example, shirts, pants, socks, shoes, and so on, if you picked Apparel as the category).
- *Vendor:* Enter the manufacturer or brand name of the product in this field.

FIGURE 2-7:
Complete
the pricing
and shipping
information for
your product.

The screenshot shows the 'Unsaved product' form in the Shopify admin. The left sidebar contains navigation links: Home, Orders, Products (selected), Collections, Inventory, Purchase orders, Transfers, Gift cards, Customers, Content, Finances, Analytics, Marketing, Discounts, Sales channels, Online Store, Point of Sale, and Settings. The main content area is divided into three sections:

- Pricing:** Includes fields for Price (\$ 0.00), Compare-at price (\$ 0.00), a checkbox for 'Charge tax on this product' (checked), Cost per item (\$ 0.00), Profit (--), and Margin (--).
- Inventory:** Includes a checkbox for 'Track quantity' (checked), a 'Quantity' field (0), and a 'Shop location' dropdown (0). Below this are two unchecked checkboxes: 'Continue selling when out of stock' and 'This product has a SKU or barcode'.
- Product details:** Includes fields for Product type, Vendor, Collections, Tags, and Theme template (Default product).

At the top right of the form are 'Discard' and 'Save' buttons.

- (Optional) *Collections*: If you want to create a special collection (think custom category, for example) to assign your product to, this field is where you type in the collection name tied to the product. For example, you could create a Clearance collection, a New In Stock collection, or a themed collection like Movie Heroes.
- *Tags*: In this field, you can define tags, or “keywords,” to be associated with your item for search capabilities. These tags won’t be displayed to your shoppers on the Products page.
- *“This is a physical item”*: Check the box if the product you’re adding is a physical item. If you’re selling a digital item, uncheck this box.
- *Weight*: Put the numeric weight of your item in this field. You can define the unit of measurement in the drop-down list next to this field.
- (Optional) *Country/Region of Origin*: If you ship overseas, you can assign the country that’s the origin country for your product, and Shopify will include this when the customs paperwork is prepared.
- (Optional) *Harmonized system code*: If you ship overseas, you can assign an internationally recognized harmonized system code for your product, and Shopify will include this code when the customs paperwork is prepared.
- *Fulfillment service*: This option is mainly for the Advanced Shopify users, who have more real-time shipping options. For everybody else, the service is Manual as you fulfill your product sales. Make sure the “This product requires shipping” checkbox is selected for any product that’s a physical product you have to mail out.
- *Variants*: If you offer the same product in different sizes or colors or other options, don’t create individual product entries for each option. You simply click the Add Variant link and assign an option name and option values, one line at a time, like this:

Option name	Option values
Size	Small, Medium, Large
Color	Red, Blue, White, Black



TIP

Do not use any other internal punctuation, such as a colon or semicolon, between the options. Shopify is looking for a comma between each option.

5. Click **Save to store the item**.

When you save the product, Shopify takes you back to the Products page, confirms that the product was saved, and offers you links to view (the product) in your online store or create another product.

6. Repeat Steps 2 to 5 for any additional products.

Opening the doors

Before you decide that your store is going to go live and be open for business, we recommend that you research and plan your store first. See what you like and dislike on other websites and come up with a plan for your website.

When you're ready to open your store for business, you should first think about the following steps:

1. Design your store.

You need to create the web pages that display your products. You can add pages and then define the navigation of your store by creating a main menu and organizing the pages you create into a simple navigation structure between a main menu and a footer menu at the bottom of the screen. Building the actual store requires some design work, and Shopify provides you with hundreds of free and premium web templates that you can use to build your pages. You can also hire a Shopify Expert to create a totally custom design. These Experts are preapproved professional designers, marketers, and developers who can help build your store.

2. Add products.

We cover adding products to your catalog in the previous section, "Constructing your catalog."

3. Set up payment methods.

You need to decide how you want to handle payment processing for your store. Shopify integrates with over 70 payment gateways around the world, from services like PayPal or iDEAL to systems like Bitcoin. Shopify also offers its own gateway, which offers competitive rates and allows you to accept credit cards. You can find more about payment processing in Book 4, Chapter 4.

4. Set up tax rates.

In today's age of Internet sales, you need to be aware of tax-collection policies. They vary from state to state, and new legislation is being considered as this book goes to press. Currently in most states, you need to collect sales tax from customers who live in the same state as your business. And in a growing number of cases, you may need to collect sales tax from customers outside your business state. Consult your local Chamber of Commerce, accountant, or state government's business office for specific information. At a minimum, you need to set up the tax rate for your local business area.

5. Set up shipping rules.

You need to define shipping methods and rates for your store. You can choose from vendors such as USPS, UPS, and FedEx. If you define shipping weights for

each product in your store, Shopify can calculate shipping rates for each customer based on the weight of the items in the customer's shopping cart. You can also set flat shipping rates independent of the number or weight of items in the customer's shopping cart.

When you have gone through these five steps, you should also take a look at the other settings and capabilities Shopify offers you as a shop owner. You can set up notifications, custom domains, and even specific apps that your customers can download and use with your store. You can choose from 100 free and professional themes to make your store look great. You can add a fully functioning blog to help communicate and market to your customers. You can build a robust About Us page to let your customers know about your business and why you started this store, in order to help better connect with your customer base and distinguish yourself from the competition.

Selecting a Plan

Shopify offers different levels of its e-commerce service to coincide with the size and scope of your business. As your company grows, your plan can grow with it as you move up the scale to a more robust set of services.

With other services, you have to choose your features *à la carte* by cobbling together a plan. Shopify gives all its merchants a strong foundation, offering enhancements for its larger clients to fulfill the needs of a growing customer base. Shopify has years of experience in offering different tools — such as e-commerce, retail POS, even social media Buy buttons or pins for sites like Facebook, Instagram, or Pinterest — and those refined tools help make these packages that much more accessible.

Basic Shopify package: Starting out

Don't let the name fool you — the Basic Shopify package isn't a stripped-down, bargain-basement tool that holds only a few products. This package provides a rich set of features and is an excellent jumping-on point for new e-commerce retailers.

With the Basic package, you get the capability to build your own store, host any number of products, and design your site by using the Shopify tools. Some of the more advanced marketing and reporting techniques are reserved for more expensive packages, but most small businesses don't need them.

Shopify package: Moving up

The medium solution is the Shopify package, which contains all the features of the Basic Shopify package, but also offers more advanced features that bigger e-commerce stores need to run their enterprises.

Some of the benefits you receive in this standard package include

- » Five unique staff accounts (compared with two accounts with the Basic package)
- » Better shipping label discounts
- » The capability to view real-time advanced professional reporting tools
- » The capability to offer gift certificates/cards for your website
- » The capability to recover abandoned shopping carts

Advanced Shopify package: Building on solid ground

As e-commerce websites grew, Shopify needed a solution for its biggest customers. Although rich functions are important to bigger websites, you should care mostly about *scalability* — the ability to grow your website's capability to match an increased number of customers or demand. Therefore, Shopify created the Advanced Shopify package.

The Advanced Shopify package focuses on providing the right amount of capabilities to make sure that the customer's website brings in lots in sales just as smoothly as if they were bringing in their first few orders. This is enhanced with an advanced report builder option and real-time carrier shipping options.

Breaking Down the Fees

With Shopify, you incur fees the moment you sign up and decide to use the system, after your free trial. Whereas some companies charge a one-time fee for creating an e-commerce site or provide free tools in exchange for ad placements or ownership, Shopify works on a subscription model with no set-up fee. You pay

every month that you use its solution. Your payment to Shopify consists of only two types of fees:

- » **Monthly fee:** Shopify charges a fixed monthly subscription fee for using its solution. You can save 25 percent on an annual plan if you pay for that term upfront. The month-by-month price varies by plans:
 - *Basic Shopify:* \$39 per month (25 percent discount when you sign up and pay for 12 months)
 - *Shopify:* \$105 per month (25 percent discount when you sign up and pay for 12 months)
 - *Advanced Shopify:* \$399 per month (25 percent discount when you sign up and pay for 12 months)
- » **Transaction fee:** Shopify offers you the choice of using its built-in Shopify Payments gateway system, or using an external payments gateway system to handle your online payments. There is no additional fee for using Shopify Payments, and its online credit card processing rates are reasonable. If you use an external payment gateway (such as Stripe or PayPal), Shopify charges you a transaction fee. The transaction fee is a percentage of your sales, depending on the package you select. As your sales go up, the percentage goes down:
 - *Basic Shopify:* 2.0 percent
 - *Shopify:* 1.0 percent
 - *Advanced Shopify:* 0.6 percent

Shopify provides a number of functions with its e-commerce packages, but the company charges extra for some added services. Check out the various options at www.shopify.com to see if they make sense for the business you are planning to operate.

Growing with Your New Business Partner

After you use Shopify to build and run your webstore, you're probably ready to expand and grow your business further. That's why Shopify offers you tools to help your online business grow.

Marketing programs

You can spread the message of your business in many ways through the Internet and in the physical world. Most people find that their biggest limitation is time

because there are many more programs than there are hours in the day. That's where technology comes in. Shopify provides several ways to improve important merchandising features, such as the following:

- » **Built-in search engine optimization:** Shopify provides total support for a lot of SEO best practices, like making sure your title and meta tags get filled in correctly for your website pages. They also update your sitemap.xml files so the search engines can detect any website updates automatically.
- » **Discounts and coupons:** Shopify builds in functionality where you can provide specific discount codes as well as coupon codes to appeal to different customer bases and encourage repeat business.
- » **Social media integration:** Shopify builds in buttons and functionality into its themes to allow your customers to share your products and store with their friend networks.

Customer relationship management

You can build connections with your customers in lots of ways. The power of an online business is that you can reach your customers directly, one by one, rather than rely on a network of distributors, middlemen, and retailers to connect products with customers.

Shopify's Standard and Advanced packages allow you to offer features on your store such as gift certificates. You can also provide automatic discounts to your customers, whether it's a one-time promotion, a reward for their first purchase, or an incentive to come back for a new order. Shopify keeps track of the logistics so that you can provide a simple code to your customers that acts as a gift certificate or discount coupon and also update your customers' orders when needed.

After you get to know your customers, you can follow up with one of over 400 email marketing apps from the Shopify app store, like MailChimp (www.mailchimp.com), and they will help you build and execute an email marketing campaign. You can easily view your customer history with Shopify and organize customers into specific groups that you can market to directly. You can have the capability for customers to buy gift cards for your store to give to other people, and encourage those customers to write product reviews that would be stored and displayed on your store.



REMEMBER

Some of these features are available only with the Standard and Advanced Shopify packages.

Sales reports

You must think that we love reports, the way we talk about them repeatedly in this book. We are fans of reports for one basic reason: You don't know where you can go if you don't understand where you've been. Shopify offers a number of sales reports to help you track what's succeeding and what isn't, so pay attention to these reports and make smart decisions about how to increase your business.

Simply click the Analytics link from the main Shopify menu to see the different reports under the dashboard. Your sales reports give you a useful picture of how your website is doing overall. You can analyze sales by a number of factors, including time of day, customer, channel, and where the traffic is coming from. You can also analyze your visitors by location, landing page, or advertising campaign. You can use these reports if you subscribe to the Standard or Advanced Shopify subscription plan. You can even export that data to Microsoft Excel if you want to do further number crunching.



TIP

If you're interested in doing your own data analysis with Excel, check out *Excel Data Analysis For Dummies* by Paul McFedries.

After you see your customers' orders, you can then see how they found you in the first place. There is a report that analyzes sales based on the traffic referral source of the customer. For each visit, you see the *referring URL* of that customer, which is the web address your customer was viewing before coming to your website. Shopify even ties together the orders that came from these links so that you can see the revenue per visit. This information gives you an idea of how valuable a new customer can be — so that you know how much to spend to get that new customer to return.



TIP

If the referring URL is from a search engine, pay attention to the URL closely. You see the exact search terms the visitor typed in the search engine to find you. Knowing these words should definitely influence your SEO marketing campaigns.

Finally, let's talk about information you can learn that isn't actual sales or visits. Your customers can type search words and try to go directly to the Products page they need. To track this type of customer, Shopify also shows the most frequent words in your own website's search engine. You see a ranked list of the top search terms your customers use every day to find your specific products. You can then compare this list with your inventory. Investigating the search terms used by customers can help you match the right product with the right customer. More important, you see a report of top search terms with no product results. This indicates a list of products your customers are looking for that you don't currently stock, which shows you what new products you should consider carrying in your store.

- » Figuring out the basics of eBay
- » Gaining eBay experience
- » Starting an eBay item listing
- » Opening an eBay store

Chapter 3

Making eBay THE Way

During the past three decades, eBay has grown from a quiet, small online bazaar into the most powerful consumer trading platform on Earth. Although other Internet companies grew overnight into sensations and burned out of existence just as quickly, eBay has remained profitable from the first month it started charging users.

eBay is an effective way to gain customers, establish cash flow, and turn over some inventory. The beautiful part of eBay is that it takes care of many routine tasks that you need to handle by using e-commerce: the trading platform, website, and software needed to transact the sale. The one thing that eBay can't provide on its own, however, is a guaranteed stream of customers or income. Building an eBay business requires some work and effort, combined with a number of strategies and tactics.

In this chapter, we show you how to get up and running on eBay with auctions and fixed-price sales. Then, when you have your feet wet, we detail how to advance to the big leagues with a dedicated eBay store.



REMEMBER

Running an eBay business doesn't require that you focus all your efforts on eBay. eBay can simply be one channel for selling goods and making money, or you can use eBay to start your business before you launch your own website. In this chapter, we present a plan for building steady, constant sales through this channel. You decide how you want to use eBay, based on your total online-business strategy.

Understanding How eBay Works

Online sales usually involve four key elements: product, price, seller, and buyer. On eBay, buyers can pay a fixed price or compete with one another to win the item in a bidding system. If you've ever been to a live auction, you know that buyers raise their bid price until one bidder remains, and then that highest bidder pays the top price and receives the item. On eBay, members place a bid electronically rather than raise a paddle.

Here's the basic flow of an eBay transaction:

1. List an item for sale on eBay. See the "Setting Up an Item for Sale" section, later in this chapter.
2. If you list your item with a fixed price, a buyer who is interested in your item at that price will click the Buy It Now button to purchase the item, and eBay sends an email to you and the buyer.
3. If you list your item as an auction, a buyer places a bid on eBay for your item, indicating the highest price they are willing to pay. The buyer with the highest bid at the end of the auction's time period wins the item, and eBay sends an email to you and the highest bidder.
4. You send the buyer an invoice, indicating the total for the item sold, including shipping, handling, and sales tax (when applicable) and the buyer will pay eBay directly, who will then pay you directly through your bank account.
5. The buyer sends eBay payment. In a growing number of cases, buyers are setting up AutoPay options with eBay when they buy or make offers on seller's items.
6. You mail the item to the buyer. See Book 4, Chapter 6 for info on shipping products to your buyers.
7. You and your bidder can leave comments about your transaction, known as *feedback*, on eBay. See the "Leaving feedback for your buyer" section, later in this chapter.

Getting Started on eBay

Signing up for eBay is easy and free. Your account can be used to browse, bid, and sell on eBay. The main requirement is that you have to be 18 years or older. Just fire up your Internet browser and go to www.ebay.com and follow these steps:

1. Click the Register link in the top-left corner.

The Create an Account page appears, as shown in Figure 3-1.

2. Enter your personal information in the fields provided.

You're required to give your full name and email address, which eBay keeps on file if it needs to communicate with you. Your password must be at least eight characters long and must contain at least one letter and either a number or a symbol. Choose a password that no one can randomly guess.

If you are registering a business account, you simply provide your business name, email address, password, and the country where your business is registered. Once you enter that information and click the Create account button, eBay will send you an email to verify your email address.

3. Click the link from your email to verify your email address, then choose your eBay User ID to continue.

Your eBay user ID is the name you use to do business on eBay. It can be a variation of your own name (such as johndoe1), the name of your business (mybusiness.com), or the name of a category where you plan to sell (buddysselectronics). Simply type your desired User ID into the box provided and if your user ID is available, you will see a message confirming your choice is available, as shown in Figure 3-2.

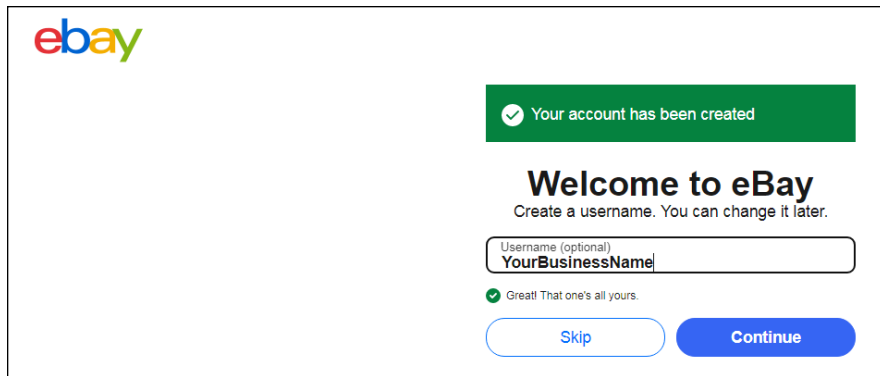


TIP

You aren't stuck with your assigned choice. eBay allows you to change your user ID once every 30 days, which does not affect your user rating. Simply go into My eBay, click the Account tab, and then select Personal Information to change your ID.

FIGURE 3-1:
Enter your
information here.

FIGURE 3-2:
Decide on your
unique eBay ID.

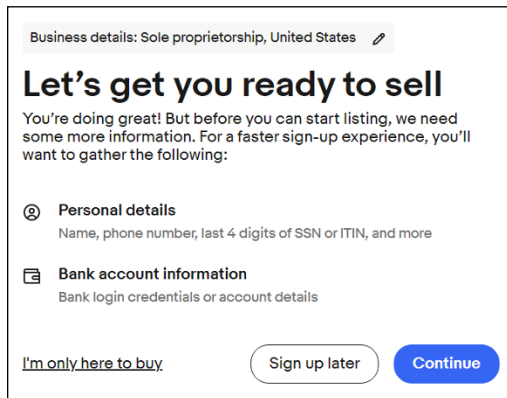


The screenshot shows the eBay account creation process. At the top left is the eBay logo. In the top right, a green banner with a white checkmark icon says "Your account has been created". Below this, the text "Welcome to eBay" is displayed in a large, bold font, followed by "Create a username. You can change it later." in a smaller font. A text input field is shown with the placeholder text "Username (optional)" and the entered text "YourBusinessName". Below the input field, a green checkmark icon is followed by the text "Great! That one's all yours." At the bottom, there are two buttons: a light blue "Skip" button and a dark blue "Continue" button.

4. Click Continue to confirm your eBay user ID.

Fill out any remaining prompts for information. If you are registering a business account, eBay will ask you what kind of business you have (Sole Proprietorship, Registered Business, or Nonprofit) and then it will want your remaining personal information and bank account information, as shown in Figure 3-3. Once you provide all the details or click Sign Up Later, the eBay home page appears with a message ("Hi") and your first name in the upper-left corner of the screen. Your eBay account is now active.

FIGURE 3-3:
eBay needs your
personal and
bank account
information.



The screenshot shows the eBay account creation process. At the top, it says "Business details: Sole proprietorship, United States" with a pencil icon to the right. Below this, the text "Let's get you ready to sell" is displayed in a large, bold font, followed by "You're doing great! But before you can start listing, we need some more information. For a faster sign-up experience, you'll want to gather the following:" in a smaller font. Below this, there are two sections: "Personal details" with a person icon and the text "Name, phone number, last 4 digits of SSN or ITIN, and more", and "Bank account information" with a bank icon and the text "Bank login credentials or account details". At the bottom left, there is a link "I'm only here to buy." At the bottom right, there are two buttons: a light blue "Sign up later" button and a dark blue "Continue" button.

Check your email for a message from eBay with links to pages explaining what you can do next.

After you register on eBay, you have to perform some additional details before starting your first auction or opening a storefront:

» **Download the eBay app for your smartphone.** While you can handle all aspects of your eBay business from your home computer or laptop, it is highly

advised to install the eBay app on your smartphone so you can have access to eBay all the time. You can handle almost any buying or selling activity within eBay by using the app, which can be very handy if you need to work on your eBay business when you're not at home.

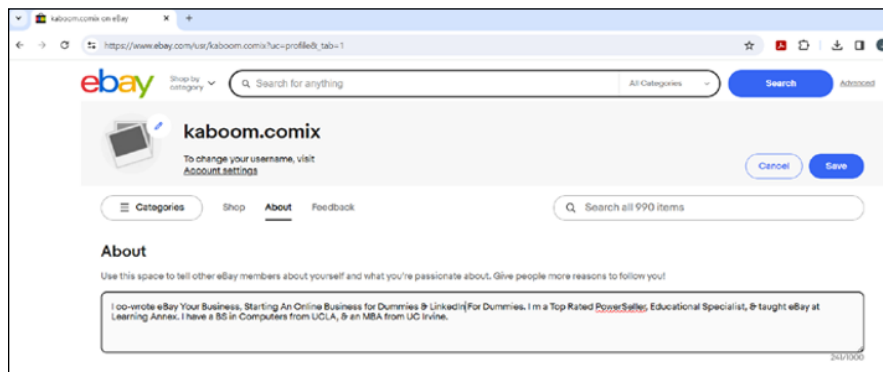
» **Set up a dedicated bank account.** eBay requires you to provide a credit card number and your bank account information to create an account. We recommend setting up a second bank account at a smaller bank and getting a Visa or MasterCard debit card through this account so that you can keep track of your eBay activity separately from your main banking transactions.

» **Set up your profile page.** eBay allows you to have a profile description, photo, and cover photo to help advertise your own eBay store, talk about your online sales activities, and detail your reputation for doing business on the auction website. Your profile photo can be an image of your retail storefront, your company logo, or one of your products.

To edit your profile information, go to <http://www.ebay.com/usr/your ebayusername/uc=profile> and click the Edit Profile link along the right side of the page to be able to update the description, profile, and cover photo (see Figure 3-4). You can post a description up to 1,000 characters and attach a profile photo if you like. Simply click Save to save all your changes.

» **Research your competition.** You can find out how to price your items, see which items are selling well, and determine which ones to stay away from. In the Search box, which is at the top of every eBay page, type the words that describe the item you want to sell and click Search. To see past sales, select the Sold Listings or Completed Listings checkbox after you perform your first search. You can then sort these past sales by price, from highest to lowest, and see a snapshot of how your item has sold on eBay in the past 90 days. You can also sort by distance to see how nearby competitors are doing, or sort by oldest or newest listings to get a sense of price levels over time.

FIGURE 3-4:
Edit your eBay
profile page.



Research not only shows you what to expect as a price for your item but also gives you the following useful information:

- Which keywords to use in describing your item
- Which category on eBay to place your item in
- Which features you should mention about your item
- The current level of supply and demand for this item on eBay

Here are the main questions you should answer while doing research:

- Are the items I want to sell doing well on eBay?
- Are the prices the items are selling for enough for me to make a profit?

If the answer to either question is no, you may want to find other items to sell instead, before you invest time and money on a product line that's wrong for eBay.



TIP

You can take advantage of lots of other eBay features and options that we don't cover here. Check out *eBay Business All-in-One For Dummies*, 4th Edition, by Marsha Collier (Wiley), for an authoritative and complete reference to using eBay.

Setting Up an Item for Sale

Some sales on eBay are auctions. You know the kind: *1, 2, 3, Sold to the highest bidder!* But rather than wave their hands enthusiastically, bidders place a bid on your auction by using their electronic devices. On eBay, you have the choice of offering your item for sale as an auction or for a fixed price, so the buyer can click and buy immediately.

Either way, you set up an item listing by getting an item or a product you want to sell, writing a description of the product and taking photos of it, and creating an eBay listing with all the basic information about that product.

When you're trying to decide whether to list your item as an auction or at a fixed price, here are some of the top reasons to consider an auction:

- » **Auctions attract people's interest.** Shopping on eBay has become more than a matter of buying items. It's a form of entertainment, with bidding, competing, and winning. After people bid on an item, they're more likely to follow the auction to its completion and stay emotionally invested in acquiring the item.

- » **Auctions move merchandise faster.** When you sell items on your own store or by using an eBay store, it can take days, weeks, or even months to find the right buyer. With an eBay auction, you can sell an item in five to ten days, on average, and find your high bidder, and some interested underbidders, more quickly. Think of the auction as a call to action, where the buyers decide to respond.
- » **Auctions cost the seller only money per item, not per month.** When you operate an eBay store, you're paying a monthly fee regardless of how many items you sell. In an eBay auction, you pay a small fee to list the item for sale, as low as 10 cents, and another fee if the item sells.
- » **Auctions let you test the water.** Rather than launch a full-blown store for your items, you can run a few eBay auctions and gauge the interest of the buying community. You can get an idea of success before investing in website design and programming.

Of course, auctions have some drawbacks. The fees involved in running auctions can add up if you're continually trying to sell something that receives no bids. Although the short time frame of the auction helps move inventory, it's also quickly forgotten in the minds of the buyer. You have to run a lot of auctions to build the constant presence needed to remind buyers of who you are. Without repeat buyers and the constant flow of goods, it's hard to build a sustainable flow of revenue by putting up random auctions every week. Still, auctions provide a piece of the overall e-commerce business plan.

The easiest way to get started on eBay is to plunge ahead and set up an item for sale. Look around your business inventory for something that you want to sell and follow these steps:

1. **Click the Sign In link at www.ebay.com.**
2. **Enter your user ID and password, and then click the Sign In button.**
3. **Click the Sell link at the top right of any eBay page.**

If you're a new seller, eBay may ask for additional information, such as your address, postal code, and phone number, before you can sell an item. You will be taken to the eBay Seller Hub page, specifically the Manage Active Listings page.

4. **Click the blue Create Listing button to start a new listing.**

You will be prompted to choose between options like Single Listing and Multiple Listings. For the purposes of this example, I will assume you click Single Listing.

5. **Type a few words that describe your item, and then click the Search button, which includes an icon of a magnifying glass.**

eBay then prompts you with a list of similar products from its catalog.

6. **If you see your item among the list that is presented, click that item to proceed.**

Based on the words you entered, eBay searches its catalog and offers up the items that most likely match the words you entered. You can always click the See Details link next to the item to learn more before selecting it. If eBay doesn't offer any appropriate items, you can click Continue without selecting a product button at the bottom of the page.

7. **Click Continue.**

You will be taken to the Complete Your Listing page, and depending on whether you selected an item from eBay's catalog, you will see some of these fields already prefilled with information.

8. **Add photos to your auction as follows:**

- a. *Click the Add Photos link.*

A second window opens, asking you to identify where on your computer the pictures for the auction are located.

- b. *Select the pictures.*

You can attach up to 24 photos per listing, so don't be afraid to show off every angle, defect, or unique quality of the item.

- c. *Click the Open button to send the pictures from your computer to eBay.*

eBay requires at least one photo per listing, with a minimum pixel size of 500 x 500 pixels. Make sure your main picture is large enough to use in your listing.



WARNING

9. **Enter these elements:**

- *Title:* Incorporate the most frequently used keywords about your item so that buyers who search eBay's database for an item like yours can find it.
- *Subtitle:* This is an optional option for you to use, if you want to add a second line of text that will appear underneath the eBay listing title when buyers are browsing the site. There is an extra fee to use the subtitle, and the cost depends on whether you are listing your item as an auction or fixed-price listing.
- *Category:* eBay organizes all its products under an extensive catalog system, so pick the category and subcategories that best fit where your product should reside.

10. Scroll down to the Item Specifics section and complete as many fields as you can.

These fields allow you to assign specific details to your product listing depending on what you're selling. (For example, every shoe has a size, width, and color.) The more details you enter in the boxes provided, the more easily buyers can find your item because eBay allows buyers to search based on Item Specifics.

11. Scroll down to the Item Description section and enter a description.

Remember to add not only a description of the item but also all your policies about payment and shipping methods, as well as a return policy. Use the buttons that eBay provides above the Description window to add bold, italic, or underlined text as well as bulleted or numbered lists.

12. Decide whether you want to sell your item in an auction or with a fixed price:

a. *Scroll down to the next section, Pricing, and, next to Format, click Auction or Buy It Now from the list provided.*

b. *Enter your starting bid or a fixed Buy It Now price.*

You can either enter the starting price of your auction (and assign a Reserve price or Buy It Now price or both) or click the drop-down arrow next to List As and select Buy It Now to sell your items for a fixed Buy It Now price. With a fixed price, you can choose to receive Offers, in which buyers can offer you a price below your fixed price and you choose whether to accept, counteroffer, or decline their offer.

c. *Set the duration and number of items in your lot.*

If you want to sell more than one lot at a time, you must use the fixed-price listing. eBay does not allow multiple identical lots to be auctioned at the same time.



WARNING

13. Scroll down to the next section and choose your shipping options (see Figure 3-5), and then scroll down to choose your preferences like return options.

For shipping options, you can sell your item to customers in the United States and around the world. eBay created an International Shipping option where you send your item to an eBay center in the United States, then they handle all the international shipping duties to get your product to an international buyer. If you don't want to ship something (such as a heavy or fragile item), choose the Local Pickup Only: Sell to buyers near you option for your shipping method.



TIP

You must enter a flat price for shipping or select Calculated from the drop-down list and let eBay calculate your postage costs based on the weight and the buyer's zip code.

FIGURE 3-5:
You give eBay the details on how you're willing to ship your item.

14. When everything looks good, scroll to the bottom of the page and click the List It button.

Your listing goes live on the eBay site. If you want to fix something, go to your listing page and click Revise Your Item to return to the listing page and make corrections.



TIP

If you want to sell an additional similar item, you can click the Create a Similar listing link to create a new eBay listing, with all the information fields already filled in. You simply make the changes necessary for your second item and submit the new listing in a fraction of the time it took you to complete your first listing.

Maintaining your item listings

My eBay is your personal dashboard for monitoring your eBay buying and selling activity. You can get to that page by clicking the My eBay link, which appears at the top right of any eBay page. Instead of clicking that link, however, roll your cursor over it to view an expanded list of the various sections on the My eBay page, including Bids/Offer, Purchase History, and Selling. Click the Selling link to display the Seller Hub page. Depending on how eBay customized your Seller Hub page, you may or may not see distinct sections, the most popular of which are the following:

- » **Tasks:** Your to-do list showing what to complete
- » **Sales:** Your summary of sales
- » **Orders:** The status of all your current orders to fulfill and recent completed orders
- » **Listings:** Your items for sale, now or scheduled, on eBay
- » **Shortcuts:** Easy links to the most popular tasks for a seller

When you click the Active listings link (either on your main selling page or under the Listings header), you see a live snapshot of all items you have for sale on eBay: auction and fixed-price inventory items. This page shows you a lot of information about each item you're selling:

- » Current high bid
- » Number of bids that have been placed
- » Amount of time remaining in the auction
- » Number of people watching your item
- » Number of questions people have

When your item has completed the bidding stage, it appears on another page in My eBay's Seller Hub: Orders. This page provides a checklist of tasks you need to complete after the winning bidder has been determined. This way, you know what needs to be done for each item you sold.

Leaving feedback for your buyer

eBay buyers typically don't meet sellers, so these buyers require a level of trust to buy something sight unseen. eBay builds this trust by maintaining a feedback score, allowing the buyer to see the trading reputation of any eBay member instantly. Buying on eBay gives you a way to build a trading history and a positive reputation, which can help you as you start to sell on eBay.

For every transaction you participate in on eBay, whether you buy or sell, you're allowed to give feedback to the other party when the sale is completed. This feedback is aggregated into a numerical score for every eBay user, along with detailed seller ratings and a feedback record made up of comments from other users, as shown in Figure 3-6.

SUCCESS ON eBay

Follow these guidelines to become successful on eBay:

- **Complete all fields to list your item on eBay.** Try to answer as many of the fields offered, from item specifics, to shipping and return policies, so eBay can properly display your item to all interested buyers. Select the condition of the item, the payment methods you accept, how you plan to ship the item, any return policies you offer, and any other item specifics you can provide. This improves the searchability of your item and increases the likelihood of a sale.
- **Write clear, concise descriptions.** Over half the shoppers on eBay are now using a mobile device to browse and buy, so a concise description is more key nowadays. Be sure to provide the key information your buyers want to know when they're making a decision about whether to buy your item. Therefore, use the Item Specifics fields to indicate the condition of the item (its functionality, make, manufacturer, brand name, and model number) and its physical characteristics (color, size, and weight), so your description doesn't have to repeat that information.
- **Define your shipping and return policies clearly.** eBay requires all sellers to specify defined shipping costs for all auctions, a defined handling time to process the auction, and a defined return policy for each auction. Therefore, think about your policies in advance, research the items your competitors are offering, and ensure that every auction you create has all its policies defined.
- **Add quality photos to your listings.** If a picture is worth a thousand words, it's worth even more on eBay because the buyer doesn't get to see the item until the bidding is over. Therefore, you want the best pictures you can produce: Blurry or dark photos just scare buyers away, and pictures that are too large or take too long to appear can also turn buyers away.

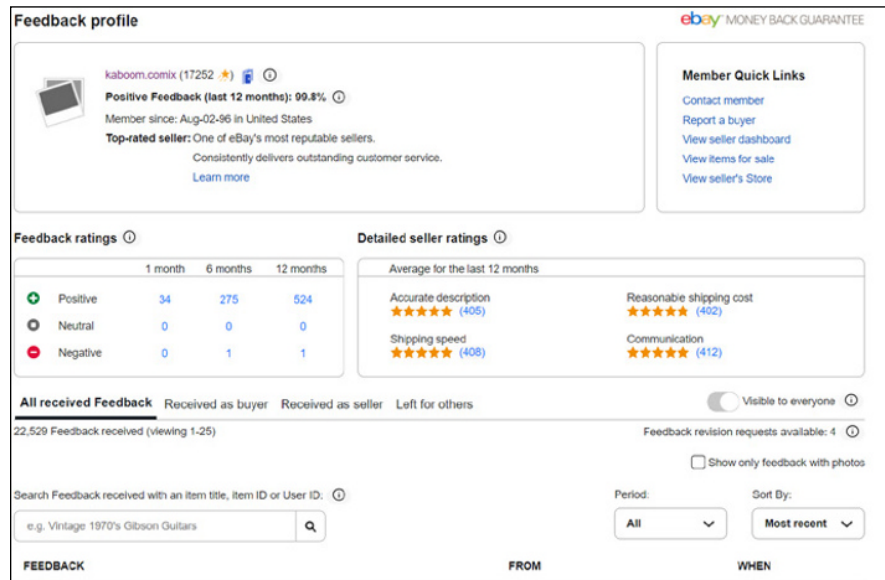
As a buyer, you can leave three kinds of feedback for a seller:

- » **Positive:** Increases the feedback score by 1
- » **Neutral:** Doesn't affect the feedback score
- » **Negative:** Reduces the feedback score by 1

The seller is allowed to leave only positive feedback for the buyer or to report the buyer for not paying for the item. The feedback system is a way to report whether people complete transactions reasonably and fairly. It isn't supposed to be a complaint or vendetta forum, although some users see it that way. Positive feedback

is left when the transaction was handled satisfactorily or if both parties worked out an agreement to resolve the transaction. Neutral or negative feedback should be reserved for only those transactions where sellers grossly misrepresent themselves and do absolutely nothing to correct the situation.

FIGURE 3-6:
Feedback
becomes your
instant reputation
on eBay.



In addition, buyers can rate their sellers on four different dimensions of the transaction, using a scale from 1 to 5. These detailed seller ratings, or DSRs, are designed to weed out bad sellers and reward good sellers. The buyer can rate the seller based on these criteria:

- » **Item as described:** How closely does the item resemble its description in the auction? (A score of 5 means the same item, and 1 means grossly different.)
- » **Communication:** Did the seller communicate with you, as the buyer, sufficiently during the process? (A score of 5 means yes, and 1 means silence.)
- » **Shipping time:** How quickly from your payment (as the buyer) did the item arrive to you? (A score of 5 means a quick turnaround time, and 1 means that you waited a long time.)
- » **Shipping-and-handling charges:** Did the seller charge you a fair price to package and ship the item to you, based on the category average? (A score of 5 means that it was reasonable, and 1 means that it was outrageous.) If the seller offered free shipping, this option is not available to the buyer.

Every buyer's rating is then aggregated and shown on the seller's feedback page as a set of stars, from 1 to 5, as long as ten buyers have responded in the past 3 or 12 months. Seller status and benefits are partially based on maintaining very high DSRs in all four dimensions.



WARNING

Feedback is rarely altered after it's given, so think carefully before giving feedback. If you're having a dispute with the other party, try to work out the situation before leaving feedback.

Every member's feedback score is represented next to their user ID, along with color-coded stars after the score reaches 10. Multiple feedback from the same person in the same week increases the score by only 1, so if Aunt Sally buys ten items from you at one time, it raises your score by only 1 point. If she buys one item per week, you receive multiple feedback credit for multiple sales, even if it's to the same buyer.

Opening an eBay Store

An eBay store is an interesting combination of eBay sales and your own e-commerce store. Think of owning an eBay store as owning a small shingle under eBay's massive marketplace.

With an eBay store, you benefit from these features:

» **A dedicated e-commerce storefront:** You can direct your customers to one place, which you can advertise on any printed material you send to customers worldwide. Then you can see exactly which pages, which items, and which deals your customers looked at the most, so that you can see what's working and what's boring.

An eBay store can significantly increase your sales because it gives you another mechanism for reaching customers. Every time you sell an item on eBay, you can point the winner (and all your other bidders) to your eBay store to buy additional merchandise.

» **The chance to sell many items on eBay with a lower fee structure:** You can list thousands of items in your eBay store at a lower insertion cost than listing each item without an eBay store. In addition, you're charged a lower sales fee (or final value fee) when an item sells in your store.

» **Sales and marketing tools to sell your items:** If something doesn't sell right away, you can use a program called Markdown Manager to put an item (or an entire category of items) on sale by temporarily discounting the price by a fixed or percentage amount.

eBay Stores give you a place to sell your products online under a fixed address, but they also come with many other features to make your business more successful. Here's a look at five features that can assist you with running your eBay store:

- » **Sales reports:** On a month-by-month or three-month basis, review key numbers such as average sales price per item, sold items percentage, and repeat buyer percentage.
- » **Cross Promotion tool:** You can specify which of your items for sale is shown to potential customers when they're looking at one of your items. For example, if someone looks at a pair of your skis for sale, you can use the Cross Promotion tool to display boots, poles, and goggles.
- » **Advertising templates:** You can download these templates to create business cards, stationery, envelopes, flyers, and more.
- » **Coordinating active customer lists with email marketing:** The email newsletter function also helps you handle the mass email of marketing items, such as your monthly newsletter or sales announcements.
- » **Traffic reports:** Find out exactly which pages in your store receive the most traffic, which search words are used most often in store searches, and which inventory items are selling most quickly.

Have we sold you on running an eBay store? Well, before you do so, you need to know that you have to pay eBay some additional fees for the glory. Your very own eBay store ranges in price from \$7.95 to \$349.95 per month on average, depending on its functionality and placement. If you're running a small business, you can do quite well with the Starter or Basic package or the slightly more expensive Premium package, which includes bonus features for marketing and tracking your store. If you want to list 25,000 (or more) for sale at any time and want the lowest insertion fee structure, you may want to consider the (pricey) Anchor store plan. After you pay for a store subscription, you can add a set amount of items to your store for no insertion fee. (If you exceed your set amount, adding more items to your store costs 5 to 30 cents per listing per month that it's listed.) When the item sells, you pay a commission to eBay based on the category of the item.

Setting up shop

You retain a lot of control with your eBay store. Plus, you can study your customers' shopping habits. If you're ready to have your own eBay storefront, here's what you need to know.

Before you open your store, make sure that you have these items lined up:

- » A good name chosen for your store; this name can be (and usually should be) different from your eBay user ID
- » A store inventory sufficient to make having a store worthwhile
- » The knowledge that you can handle the extra work of selling merchandise at any given time

When you're ready, go to `stores.ebay.com`, and follow these steps to open your store:

- 1. On the Stores home page, click the Open a Store link.**
- 2. Click the Subscribe Now button.**
- 3. If necessary, log in with your user ID and password.**

A Subscription Level page opens.

- 4. Choose your subscription level.**

Your buyers won't know your store subscription level because all the core functionality comes with the Starter platform. Most sellers who are starting out choose the Starter (\$7.95 per month) or Basic option (\$27.95 per month) and later move up to the Premium level when they want to do more online marketing with their stores.

- 5. Scroll down the page, and enter your store name in the box provided, and then click Continue.**

You can use as many as 35 characters for your store name, so choose wisely. Don't infringe on any copyrighted name, especially the word *eBay*, but make it memorable.

The Review and Submit page opens.

- 6. Agree to the terms and click Subscribe.**

Your store is live!

Managing your store

After you sign up for an eBay store, it's time to get in there, spruce it up with some colors, logos, and products, and open it for business. At any time, you can manage your eBay store by clicking one of two links:

- » From your store's home page, click the blue Manage my Store button.

- » From the Seller Hub home page, click the Store menu header, and then click the Edit Store link.

The Edit Store page opens, as shown in Figure 3-7. From here, you have access to the main features of your store, including but not limited to the ones in the following list:

- » **Store design:** Use the various options to add logos, billboard images, featured listings and categories, and even a store video, to add to your eBay store design. You can define as many as 300 custom store categories, such as Top Picks of the Month or Gifts Under \$10.
- » **Store marketing:** You can control any store newsletter campaigns you want to run for your eBay store. eBay helps you build store ads through their Promoted Display program on the website, and they are allowing you to use your social media channels like Facebook, Instagram, and Pinterest, to help promote your eBay listings.
- » **Subscriber discounts:** Use this function header to see what offers and discounts are available to you as an eBay Store owner, like free shipping supplies and a special deal on a Seller Capital loan.

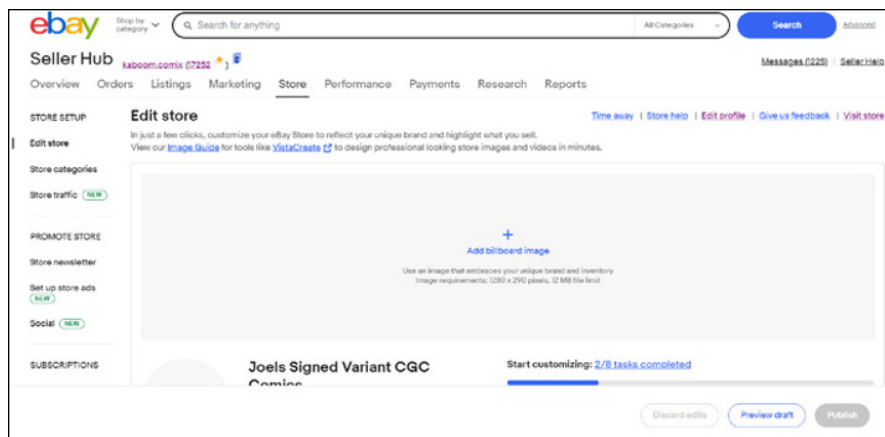


FIGURE 3-7:
The central hub
for updating your
eBay store.

- » Setting up your Instagram account and followers
- » Integrating your business into the Instagram community
- » Curating and posting great types of content for your Instagram profile
- » Building commerce through comments

Chapter 4

Posting Pictures for Profit

As social media has developed over the years, along with improved technology to support larger and larger flows of data (especially from smartphones and tablets), you’ve probably noticed the shift to more pictures and videos being shared instead of just words and web links. If the old adage is true — “A picture is worth a thousand words” — then the amount of communication has gone way up with the times. One of the most popular uses of social media was the sharing of photographs, and from that desire, a new social media website was developed. Instagram was developed specifically to allow people to easily share their favorite pictures with whomever is interested, at any time.

Today, Instagram is one of the most heavily trafficked social media sites out there. It helps users share photographs, videos, curated stories, and even live streaming. Every Instagram user has a feed that contains everything they post to the site. When an Instagram user opens up the app, they can see a collection of posts from everyone they’re following on Instagram. (Because of the growth in usage, Instagram now uses an algorithm to decide which posts show up on a user’s screen, so users can’t see every post in chronological order like they did in the early days of Instagram.) Instagram became so popular that Facebook acquired it but had Instagram operate with its own identity and user base, separate from

Facebook's main service. Mainly, users interact with Instagram strictly on their mobile devices (though some access from a laptop or desktop computer is possible).

Naturally, when businesses (of all sizes) see lots of potential customers getting together and communicating, they become interested in joining the conversation and either sharing information about their businesses or even making some money from direct product sales. Instagram understands that desire and has the capability for you to create a professional profile that comes with extra features geared for the needs of business owners, from extra contact options for customers, to increased analytic capabilities to improve business performance while on the service.



REMEMBER

If you want to get more in depth on the power of Instagram, you can always check out *Instagram For Business For Dummies* by Jenn Herman, Eric Butow, and Corey Walker (Wiley).

In this chapter, we cover the basics of Instagram and what you need to know as an online-business owner. Specifically, we cover building your profile, developing a community around your account, the different types of content you can post (from pictures to videos and more), and the direct commerce elements that could benefit your product sales.

Establishing Your Instagram Account

When you're ready to use Instagram, you'll need to have a mobile device handy, because the registration process needs to happen on that device, not a laptop or desktop computer. Setting up your account starts with a trip to either the iOS App Store (for Apple iOS devices) or Google Play Store (for Android users) to download the Instagram app. After you've downloaded the app, open it and follow the instructions to create a new account.



WARNING

You can log into Instagram using an existing Facebook account, but it's recommended that you create a new Instagram account so you can take full advantage of all the features that come with an Instagram account.

When you go to create your account, here are some tips to keep in mind when completing your Instagram profile:

- » **Your username should reflect your business's name, not your personal name.** Instagram will show your business name along with your username, but it's important that your username be relevant and memorable to people who are interacting with your business. The web



TIP

address (officially known as a URL) of your new Instagram account is simply `www.instagram.com/yourusername`, so you want to brand this URL for your business, not yourself. Like many other websites, your username has to be unique, so if someone else already took the name you wanted, you'll need to make your username unique. If you pick the same username as your X (formerly Twitter) handle, when your content is tagged and shared on X, the username will link to your X bio.

Because your Instagram username is just going to be one long string of characters, make sure that it's readable. If your business were named Joel's Comics, you could go with `joelscomics`, `joels.comics`, `joels_comics`, and so on, because you are allowed to incorporate periods, underscores, and numbers into your Instagram username.

- » **Have the web link in your bio go straight to your online business.** You're allowed to include one web address as part of the bio for your Instagram account. For an online store, point people directly to your store. Try to customize the link so you can later learn how much traffic is coming from Instagram to your main online store. (We discuss analytics more in Book 6, Chapter 4.)

TECHNICAL
STUFF

You can use a website called a *link shortener* to create a unique URL for your Instagram bio. Two of the more popular choices are TinyURL (<https://tinyurl.com>) and Bit.ly (<https://bit.ly.com>).

- » **Your personal and business Instagram accounts should be separate.** Your online store can (and should) have a personality and interact with people for fun, as well as commerce, but if you like to use Instagram personally, have a separate account for your personal use. The last thing you need is for a potential customer to be offended or confused by the personal photos and interactions that would show up on your personal feed.

Whether you're going to convert an existing personal account to a professional account, or you're signing up for Instagram for the first time, here are the steps to make sure you have a business account:

1. **Log into Instagram or, if you haven't created an account yet, follow the steps to create a new account until you get to the Welcome to Instagram home screen.**
2. **Click the People icon in the lower-right corner of your screen to go to your Profile screen.**
3. **From the Profile screen, click the three-lines icon to bring up a menu of options, as shown in Figure 4-1.**

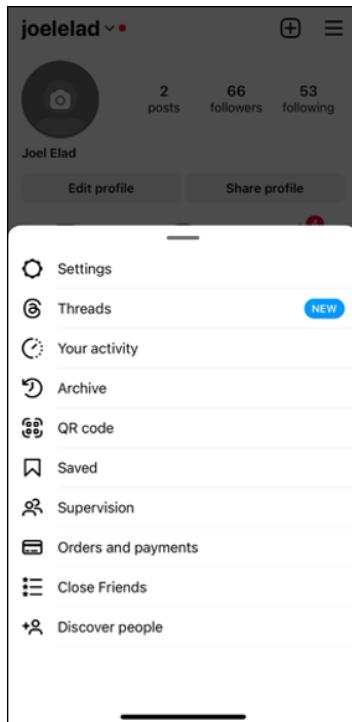


FIGURE 4-1:
The menu
options
available from
the Instagram
Profile screen.

4. Tap Settings.

The Settings menu appears.

5. Tap Preferences.

You see a list of options, as shown in Figure 4-2.

6. Tap the Switch to Professional Account link.

Instagram displays some of the features that come with a professional account, and then asks what category best describes you. Instagram shows a dozen or more sample options, including Product/Service, Shopping & Retail, Grocery Store, and Entrepreneur.

7. Use the search function to find the category closest to your business, select that option from the results screen, and then click Done.

Instagram then asks if you're a Creator or Business.

8. Tap Business and then tap Next.

Instagram informs you about the Insights functionality.

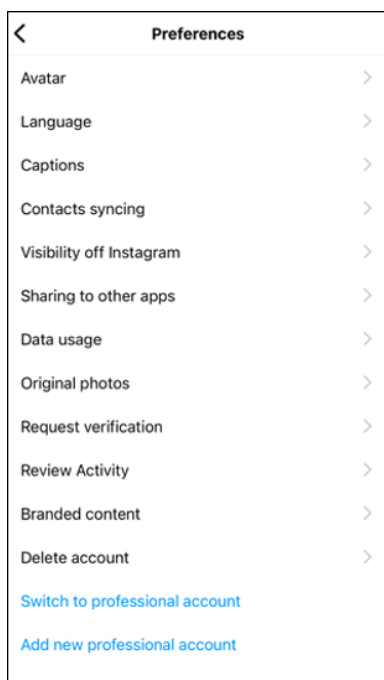


FIGURE 4-2:
The Preferences
screen.

9. Provide your business contact information on the new screen that appears, as shown in Figure 4-3, and then tap Next.

Instagram business accounts allow you to have a contact phone number, email address, and physical address for your Instagram followers to learn more about your business and reach out to you directly. Especially if you have a bricks-and-mortar store, it's advantageous to complete as much of this information as you feel comfortable providing.

10. On the next screen, decide whether you want to connect your Instagram account to your Facebook page.

If Instagram detects your Facebook account on the mobile device, it prompts you to connect your Facebook page. If it doesn't, Instagram will ask you if you want to Connect to Facebook, as shown in Figure 4-4.

If you're ready to connect your Facebook page, select the radio button next to the correct page (if you have more than one page) and tap Next to associate your Facebook page with your Instagram account.

If you don't want to connect to Facebook, tap the Skip link to proceed.

11. Tap Done to complete the process.

FIGURE 4-3:
You can provide contact information for customers to find on Instagram.

<

Review your contact info

This information will be displayed on your profile publicly so people can contact you. You can edit or remove this information at any time.

Public business information

✉ joelelad@yahoo.com

📍 Business address >

📞 US +1 Business phone number

📷 Instagram audio calling >

Next

Don't use my contact info

FIGURE 4-4:
Instagram is able to connect your business account with your Facebook page.

<

Connect a Facebook Page



Connect to Facebook

Connecting to a Facebook Page is optional, but doing so will allow you to share Instagram posts on Facebook and use features such as ads and shopping tools.

Login to Facebook

Skip

Congratulations! You've now got an Instagram business account and you're ready to move forward. Instagram will prompt you with recommended steps it thinks you should take to truly set up your professional account. Be sure to complete your profile and bio, add a profile photo, and start following people before you really start posting on Instagram.

Enticing Customers to Your Instagram Offering

As you build it, it's not automatic that "the customers will come." You'll need to market and promote your efforts on Instagram, because you're competing with hundreds of millions of other users for people's attention. Thankfully, Instagram is one of the most popular sites and its visual nature creates an addictive way to stay "top of mind" with potential customers and buyers, so using the site correctly will help you reach your goals.

However, there are other steps you should consider as you build your account and grow your following on Instagram. Depending on the type of business and your specific goals, you won't have to follow every single tip, but any new or thriving Instagram account should keep the following in mind to gain success on the platform.

Publicizing your Instagram presence

Make a big deal about your presence on Instagram by showing off the name of your Instagram profile — and the web address of your Instagram profile — when you talk about your business. Adding a social media button for Instagram to your website, alongside your Facebook, X, and any other social media accounts, is a natural first step. We're not saying that you have to draw six-foot letters on the wall or plaster the windows with your Instagram address, but you should definitely incorporate your online store name and URL in all your store literature and promotional space.

This opportunity to promote your e-store includes items such as

- » **Business cards:** If you've got the space, consider adding the Instagram icon and your profile name or complete URL as part of the info on your business card. You could even include a business card in the box with every existing customer's purchase.

- » **Sales flyers:** Integrate your Instagram profile address into every flyer, usually along the bottom. Add a blurb on the flyer that says “Check us out on Instagram at . . .” On the flyer, perhaps you can include any special “Instagram-only” discount codes that allow the customer to shop with you through Instagram at the same discount.
- » **Offline (in-person) counter displays and physical receipts:** If you have a bricks-and-mortar store alongside your online store, in addition to keeping your business cards or flyers prominently displayed next to the cash register or check-out area, put a sign on your cash register, and perhaps add a small counter display with a brochure or one-page flyer that someone can pick up and read while waiting to check out or take home.
- » **Invoices or receipts:** Customers may throw away your order boxes, your business cards, and your sales flyers, but they’re likely to look at their invoice receipts again — at least once. Include your Instagram web address on the receipt.
- » **Live events:** When you set up at a convention, exhibition, or local event, your booth signage (along with dedicated literature handouts) can direct people to your Instagram presence as one way to connect to you.
- » **Print media:** Some people say that print is dead, but niche magazines and newspapers still cater to specific markets. Whether you run an advertisement in these media, write a guest article, or contribute to a “vendor directory” or other list, mentioning your Instagram address is another great way to move potential customers online.

Mentioning your Instagram profile’s name isn’t limited to including it on literature and promotional materials. Train your sales associates to casually mention your Instagram account when talking with customers. This reference can be a simple statement made to customers during checkout — for example, “Hey, you can also follow us on Instagram at *@YourInstagramName*.” Or when a customer asks about an item, have your employees say, “You know, we just featured that item on our Instagram account with a special sale. You can go check it out at *@YourInstagramName*.”

Displaying your online goods in your Instagram feed

Although promoting your Instagram presence is the first step, it surely isn’t the last. One of the benefits you enjoy as an online store owner is that you’ve already got pictures of your online goods for your website, many of which can (possibly) be reused for your Instagram account! Given Instagram users’ expectation of high-quality, eye-catching pictures, you may want to create new images

or enhance current images to make them more appealing to this discerning audience, but with any luck, you won't have to start from scratch.

The most important thing to remember when adding photos to your Instagram account is this: You will *not* be simply adding product images, as is, on a regular basis and expect any measure of success. Some products may sell themselves, but there will need to be some level of customization or thought that goes into how you present yourself and get your customers excited about products you're promoting or selling through your Instagram account.



TIP

One of the best ways to get an idea of how you want to use photos on your Instagram account is to look for similar accounts that are already on Instagram and study how they position their products and get their customers excited or ready to buy through Instagram. Later in the chapter, in the section "Following the right people," we talk about studying other accounts for potential plans of action.



TIP

Before you post your first picture, come up with an overall strategy or purpose to your Instagram account. Look around, pretend you're a potential buyer, and see what your competition is doing. Then ask yourself whether you consider their actions appealing or unappealing. Decide on the tone and theme you want to take that will best fit with your business model and the products you're hoping to sell through Instagram.



TIP

Here are some specific ideas to keep in mind as far as what appeals to Instagram users interacting with businesses on the platform:

- » **Show them something they haven't seen, like behind the scenes content, sneak previews, or bonus information.** Any catalog can list the title, price, and stock image of a product. Instagram users are looking for more, specifically things they haven't seen before or can't see on a regular basis. That's how you'll keep them hooked! By including them in the process, they're not just an average shopper — they're part of the process and more emotionally invested in your brand. They consider themselves "insiders" and build a relationship with your brand, which encourages purchases when they're ready to buy. Consider announcing sales or promotions on Instagram before your other social media channels or website, to give your Instagram users a sense of importance or priority.
- » **Use video or Instagram stories to make a product come to life for the viewer.** Previously, a static image of the product was the main way a product was "sold" to a potential buyer. Today, with the use of video clips and Instagram stories, you can demonstrate a product in use or a slideshow of images that tell the story much better than one or two static product images. We discuss video and Instagram stories in more depth in the section

“Providing Great Content and Community for Your Instagram Feed,” later in this chapter.

- » **The visuals need to be striking, beautiful, or dynamic.** On Instagram, you’re judged solely on the visual appeal of the pictures you post, so posting the highest-quality photo possible should pay off for you. Anything you can do to enhance the visual appeal is important, even if it means hiring a professional to either take or tweak the images you have to work with on Instagram. There are also filters and other tools available to enhance or differentiate your pictures before posting them to Instagram.
- » **Get your users involved.** Many companies feature customers using or wearing the products that the company is trying to sell, which comes across as more “authentic” to other users seeing this content — user-generated content is a positive endorsement for your brand. If other people are excited to use or wear your products, new buyers are more likely to try them.



TIP

One way of adding content to your Instagram feed is to repost any images from your Instagram followers. This practice, known as *regramming*, indicates that you’re responsive to your audience and encourages those followers to continue to promote your brand to their followers. Just make sure you acknowledge credit of that image to the follower you’re reposting images from first!

- » **Don’t forget to include some form of a call to action.** It may be easier to focus on excitement and inclusion, but at the end of the day, you need to remind people of your goals by including some form of a call to action, whether it’s reminding them to click the link in your bio for more information, including a promo code with information on how and where to buy an item, or asking for a reshare, like, or comment on the post. Not every post has to end with an actual sale, but the more engagement and promotion you can generate, the better your long-term future on Instagram.

Providing Great Content and Community for Your Instagram Feed

Now that you’ve thought about your strategy and prepped your Instagram account and list of users that you’re following, it’s time to start posting some content. In the subsequent sections, we cover the most popular types of content that you can post on Instagram, with some specific thoughts and tips for each category.

But in general, when posting content on Instagram, regardless of type, keep these points in mind:

- » **Be consistent.** Many successful brands post once or twice per day, and that's it except for a rare special event or promotion. The key is to be consistent without flooding your users' feeds. You may experiment with the time of day you post to find an optimal time, but regular, consistent content posting is the way to win people over. It's quality over quantity, every time.
- » **Your imagery needs to be uniform and match the color palette of your business.** Think about the color scheme of your logo, website, even the profile photo you use for your Instagram account, and the content you're posting. The actual photos or videos will change, but you want them to appear similar enough to match your branding effort. This creates a visual cue for your followers — when they see your color scheme, fonts, and so on, they'll instinctively know it's your brand, and not just some random post.
- » **Set some goals or objectives.** In the beginning, your main goal will probably be learning the power of Instagram, building your initial following, and trying out different content. After a while, don't be afraid to set some specific goals, whether it's to increase followers, increase engagement on your posts, or some other metric that matters to your business. Trial and error will be a part of your plan, but random content posting, or throwing that proverbial spaghetti against the wall is not a good long-term strategy.

Focusing on pictures first

When Instagram started in 2010, it was a way for users to share pictures with each other, and that core mission hasn't disappeared. Instagram has over two billion monthly users, and combined, they're posting billions of photos on a daily basis. According to Pew Research, about half of Instagram users (47 percent) check their account at least once a day, and the average user spends about 33 minutes every day on the site.

Many times, whether it's for minutes or hours, users are mindlessly scrolling through their feeds, checking out all the cool photos that people they follow have posted on Instagram. The visual element is more important than the caption or comments. Many users have to like or feel a connection to a particular photo to stop and interact with it.

Given the importance that photos have on Instagram, and users' desire to see cool, interesting, and beautiful things, there has been a growth in the use of specific tools to enhance and customize the photos for maximum attention. The most popular tool, called a *filter*, changes or enhances a photograph before it's posted

on Instagram. Today, there are hundreds of filters, from the simple filters that auto-correct the zoom, brightness, shading, background color, and other image effects, to Snapchat filters that can add animal elements to your face, or animated effects that make your picture literally pop on the screen and become more playful, cute, and likely to be clicked!

Altering your photo doesn't have to stop with filters. There are lots of image-editing software options out there that you can use to help achieve that consistent branding we discuss earlier, and to make sure the photos are distinctive and eye-catching. Consult a graphic designer or photographer for more advice in this area, if needed. Because many of the photos you use will be captured on your mobile device and posted directly to Instagram, adding other photo-editing apps to your device, such as VSCO, Lightroom Mobile, or Snapseed, could be a smart move.

Finally, based on your goals and the story you're deciding to tell, make sure the photos you post help tell that story, whether it's a designed infographic sharing some statistics, a posed photo of your product or employees, or reusing design elements like flyers, advertisements, or other graphics that are part of your online store or business.

Adding comments and hashtags

Words still matter on Instagram. People will hopefully be commenting on your posts. And you should be using hashtags to get your content noticed and help people find your content when they're searching for something interesting on Instagram.



REMEMBER

You can only include letters, numbers, and emoji in a hashtag if you want it to work, so avoid any non-numerical characters, such as &, !, ?, __, and more.

Instagram allows up to 30 hashtags per post or comment. This way, you can include general hashtags and then add more specific hashtags when necessary. You don't have to use 30 hashtags every single time — many posts only require a few hashtags to communicate their relevance. If you flood every post with popular hashtags to gain visibility, you run the risk of getting attention for one picture that earns likes but won't lead to followers of your brand or product sales.



TIP

Some tips to keep in mind when creating hashtags:

» **Brainstorm keywords and phrases** that are important to your brand and are most used by your customers and competition.

- » **Check your online store analytics** to see which search terms are the most popular when customers are looking for your online store, as those terms should carry over as relevant hashtags for your products.
- » **Use specific or niche hashtags** to draw a more focused, targeted, and relevant user base that will be more receptive to your content. (That said, a popular hashtag used sparingly on the most important posts shouldn't hurt you either.)
- » **Create unique hashtags when appropriate**, especially if you want to track specific campaigns or initiatives around a promotion, contest, or sale.
- » **Add the hashtags in the first comment of the post**, so it doesn't overpower your caption.
- » **Be consistent and use the same hashtags between your Instagram, Facebook, X, and other social media accounts** to create a cross-platform synergy.

After you've tagged your photos with hashtags and posted your content with a caption, you're not necessarily done. When an item is posted, you can immediately start adding comments to the post, for a variety of reasons. As mentioned earlier, you might add the hashtags in the first comment, so it doesn't overpower the caption. Or, you may want to tag or highlight other Instagram users to see the post, or acknowledge their effort or contribution.



TIP

Make sure the other users get notified when you mention them, by making sure you include their *@username* in your response. That way, Instagram will notify them of your comment.

Following the right people

As you grow your Instagram following, it's important to recognize that it's just as important for you (and your business) to figure out who you plan to follow on Instagram yourself. Following the right people can help you do research and advance your own goals. Plus, it gets you out there with people who may follow you back and grow your following.

There are three core demographics you should follow on Instagram as you start out:

- » **Your closest competitors:** Odds are, you won't be the only business in your space to have an Instagram account. The good news is that you can follow your competitors and gain firsthand knowledge of what's working for them on the platform. Keep an eye on what kinds of content they're posting to Instagram, how often they post, and which of their posts receive the most



REMEMBER

likes and comments. It's good research that can pay off as you perfect your own content strategy and posting schedule.

When deciding on a potential competitor to follow, look at a number of factors — from its length of time on the site, to its total number of posts, regular posting schedule, and use of hashtags and captions with its content.

» **Potential customers:** Take a look at what Instagram users are posting and the hashtags they're using to mark their posts. See if there are potential customers who enjoy or use the products in your space, and follow their accounts. Similar to following your competition, following potential customers gives you an idea of what they like and comment on, and what they ignore or don't do. In addition, a number of Instagram followers will follow you back after you follow them, which just helps grow your own following with people already targeted to the interests you want in a following.



TIP

When you follow potential customers, don't forget to actually like and comment on their posts as well. Approach this interaction as trying to get to know them, not a hard sell. Comment on their recent posts, and especially their least active content to show you care. Positive interaction will help encourage them to check out your account and follow you back.

» **Influencers who could help promote you in the future:** *Influencers* (people with a large following who have a lot of sway, or influence, over what their audience likes and buys) can be a huge asset. Start by following them to get an idea of how they operate and the interactions they get from their following. Later, if you want to pursue some advertising or advanced strategies, and they're open to being hired, approach them for a potential marketing campaign for your business.



TIP

One other approach that a number of businesses have used for their Instagram accounts is to get other people to contribute to their content feed, which is normally referred to as having *guest contributors*. Highlighting your current or potential user base is a great way to generate excitement amongst your followers. Having established experts or influencers contribute some content that somehow features your business or product line can provide a fresh alternative to the normal business content you're posting. As you build up your list of who to follow on Instagram, keep in mind which of these people might make a good guest contributor to your own business account.

Harnessing the power of video

If a picture is worth a thousand words, it stands to wonder what the worth is of a video file, which is, in essence, a sequential collection of individual photo stills that tell a story. With the growth of Instagram, YouTube, Facebook Live,

and many other streaming options, along with better technology and advanced smartphones and tablets, video has quickly become a preferred format for communication. Therefore, Instagram allows you to share video content, as well as regular pictures, but there are some restrictions to keep in mind. As of this writing, Instagram will only stream the first 60 seconds of any video you post to your feed, so keep that in mind when creating and posting any video. If you add a video to your Instagram story, Instagram will split up the video into four different 15-second “story cards” and then not upload anything after the first minute.

One option for posting videos to your Instagram feed is called Instagram Live, which is exactly what it sounds like: You post a live video file from your Instagram app in real time. You can’t edit these files, and they’re only available for 24 hours after you post the video, similar to Instagram Stories. However, because there’s no editing, it’s easy to implement: You just point, shoot, and record, and the file gets posted to your feed when you’re done.

If you want to use longer video files up to 60 minutes to promote your business or product sales, there is a feature that you can use to post these longer video files and gain attention: Instagram TV (IGTV). While IGTV had its own app for viewing these videos, today this is embedded in the Instagram app for viewing. There are a number of marketing avenues you can use with IGTV, from hosting Q&A sessions about your business, to posting how-to demonstrations, to interacting with the people behind your products and brand, and much, much more. You can edit your video files in advance and include enhancements like embedded stickers, polls, and other interactive elements.

Creating Instagram stories for your business

There’s a special kind of content that Instagram has created that can provide a lot of exposure for your business when followers go to their feed, and it’s called Instagram Stories. In essence, Instagram Stories is a curated collection of photos and/or short video files (along with some creative captions and special overlays you can add) that you share to your story file, not the normal feed of content. You can share to your story at various times, or put it together all at once. It sits at the top of the screen and is only available to other Instagram users for 24 hours after you post content to the story.

This kind of ephemeral content is appealing to Instagram users for a number of reasons, including but not limited to the following:

- » Instagram Stories show up at the top of user’s feeds in a circle, so it’s easy to access.

- » It's considered "fresh" because it's only temporary, so users may feel that it's urgent and want to check it out so they don't miss out.
- » You can share your Instagram Story as a message to another user, which can increase the likelihood of that person not only viewing the story, but replying or responding to it, which drives up engagement.
- » You can time your Instagram Story to promote an upcoming event, sales promotion, or breaking news that affects your industry.



REMEMBER

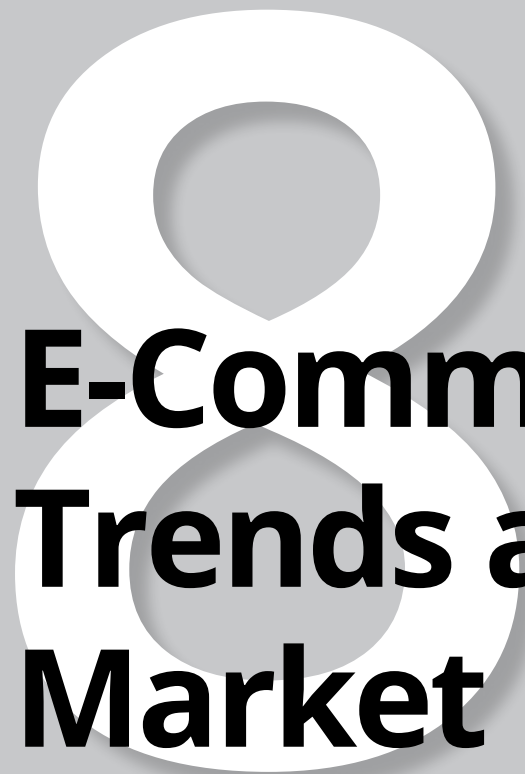
Although Instagram Stories disappear 24 hours after you post them to your Instagram feed, you can store the files locally, and retool them for future use. You can also save them as Highlights on your Instagram profile, so people can view them later.

As of 2023, Instagram said that more than 500 million Instagram users were enjoying Instagram Stories on a daily basis, making it one of the most popular features on their platform. When you add to your story, Instagram will add a purple circle around your profile photo, which is another signal to other Instagram users that you've added to your story and encourage them to check it out.

So, now that we've covered the popularity and usefulness of Instagram Stories, the natural next question is what kind of content makes a good Instagram Story? Although there is no one correct answer, here are some of the popular ways that other businesses have used Instagram Stories:

- » **To provide product demonstrations or tutorials:** Because you can attach one or more video files that are 15 seconds in length, you can create step-by-step guides or show off the actual use or operation of a product you're selling. Many users enjoy watching videos of how a product works so they can learn how to properly use it.
- » **To run a contest or giveaway:** *Free* is a very powerful four-letter word for people. You can use an Instagram story to establish a contest or giveaway for your followers, by setting up the rules, showing off the prizes, and asking for engagement with various requirements (such as following your account or tagging their friends in the comments section) in order to participate in the contest or giveaway. If done correctly, a contest or giveaway can generate engagement (which Instagram will favor when deciding what content to feature) and expand your list of followers.
- » **To promote limited-edition or timed sales:** Because Instagram Stories are temporary, it's a perfect avenue for promoting a limited-time sale or product offering to your followers, which you can enhance with defined deadlines for the end of a sale. It can reinforce the need for your Instagram followers to pay attention to your stories for future specials and offers.

- » **To provide slice-of-life or in-the-moment videos that demonstrate the human side of your business:** Your Instagram feed should be more than just product sales and pure business. If you can capture a certain moment with a video or photo that shows customer interaction; something behind the scenes before, during, or after a special event; or even a day in the life of your employees, partners, or customers, you show something natural, organic, and exciting to attract attention and please your audience so they enjoy interacting with you on Instagram, which can lead to better engagement when you go for the sale.



E-Commerce Trends and Market Opportunities

Contents at a Glance

CHAPTER 1:	Discovering Niche Markets	497
	Deciding to Sell a Niche Product	497
	Finding Your Niche	501
CHAPTER 2:	Becoming a Social Influencer for Real Dollars ...	505
	Setting the Virtual Stage for Success	506
	Understanding How to Profit.	508
	Developing Your Fan Base	513
	Choosing the Right Platform	514
	Creating Your Own Video Channel	517
	Gathering, Networking, and Promoting: Online Communities ...	519
CHAPTER 3:	Evaluating the SaaS Model: Selling Software and Apps	521
	Deciding to Deliver Online Services	522
	Putting the Software in the SaaS.	523
	Understanding the SaaS Model for Making Money	525
	Creating Apps for the Mobile Customer	528
CHAPTER 4:	Generating Efficiencies and Opportunities with AI, ChatGPT, and More	533
	Understanding the Basics of the Technology	534
	Creating with Artificial Intelligence	535
	Using ChatGPT to Your Advantage	541
	Identifying What's Coming Next	544
CHAPTER 5:	Building a POD (Print-on-Demand) Business ...	547
	Avoiding the Inventory Trap (the Basics of POD)	548
	Choosing Customized Products	551
	Selecting a POD Partner	556
	Know Your (Cost) Margins	559
	Building a Customer Base	560
CHAPTER 6:	Growing Beyond Borders: The International Marketplace	563
	Understanding the Scope of a Global Opportunity	564
	Focusing on Target Countries	564
	Making Operational Decisions.	566
	Developing Cultural Awareness	572

- » Narrowing your product focus
- » Figuring out which niche market has your name on it

Chapter **1**

Discovering Niche Markets

When you start an online business, the Internet offers plenty of untapped markets for you to explore. These markets are segments within existing industries that have a lot of potential because they haven't yet become saturated by sellers. You can certainly find this potential in *niche markets*, which are smaller, more defined segments of an existing market. Or in some cases, a niche market represents a new, untapped area of opportunity based on developing technologies, as an example. In this chapter, we provide a few basic guidelines for identifying new areas to explore, working with a niche product, and also show you how you can access these niche markets and sell to their loyal (and prospective!) customers.

Deciding to Sell a Niche Product

When thinking about a niche market, imagine the market in terms of a pie. The whole pie represents an entire market — one that's usually well established. But cut out one piece of that pie, and that piece becomes a smaller market on its own. Instead of concentrating on selling the entire pie, you narrow your focus to that single slice.

The pet industry serves as a real-world example. It's one we have been following closely for over a decade and it continues to surprise us with new, niche opportunities within the broader market. Consider that as of early 2024, nearly 87 million homes in the United States have at least one pet. That's up more than 50 percent since the late 1980s. As you may imagine, that number adds up to a lot of potential when it comes to pet-related expenditures. Pets do indeed represent a multibillion-dollar industry, with a record-breaking spend of more than \$147 billion in 2023, according to the American Pet Products Association (APPA). Of that amount, the largest subcategory is food and treats, followed by vet care services. The subcategory of pet services, which includes everything from dog walking and pet sitting to grooming and training, continues to show steady growth, although the food and treats subcategory continues to show the largest amount of revenue growth year-over-year.

Unless you are a huge animal lover, you may still be asking, "So what?" Within the pet industry, e-commerce sales continue to increase by double digits, hitting nearly \$36 billion in 2023. And while industry experts expect overall pet expenditures to level out or slow after hitting an all-time high during the global pandemic, there are still niche areas within the industry that are begging for attention from innovative online entrepreneurs. Thinking of the pet industry as that whole "pie" we referenced earlier, let's look at some industry data that points to smaller, but potentially lucrative pieces of the pie.

According to the APPA's 2024 pet owner's survey, millennials represent the largest segment of pet owners by age group at 33 percent. With Gen X and Baby Boomers, the next closest groups of pet owners, each make up approximately 25 percent of the ownership pie. And, as you may expect, dogs and cats make up the far largest number of pets owned. Yet, there are other types that represent a healthy and growing part of pet ownership, including birds, fish, and exotic animals (think snakes!).

Next, let's take a look at a few trends that have been identified as having potential within the pet industry:

» **Affordable and nonessential pet products:** Coming out of the pandemic and into an era of higher inflation, pet owners have indicated they will spend slightly less on their pets in the foreseeable future. When they do spend, they are looking for more affordable (not cheap!) products and services. And while they must continue to pay for food and pet care, pet owners are looking for ways to cut the rising costs of these necessities. When it comes to nonessential products and services, such as custom collars, pet clothing, grooming, and dog walking services, there's still a desire to buy these quality products and services, especially if there are lower-cost alternatives. Other related opportunities are apps for pet owner's phones that identify dog parks, self-service

grooming stations (like car washes for dogs!), or that compare prices of products and services, provide coupons, and offer loyalty rewards — all to help save costs.

- » **Aging and anxious pets:** As greater numbers of households began adopting pets in the past two decades, there are waves of aging pet populations. Vitamins and supplements, along with hygiene-type products such as mouth wash, wipes, and deodorizers are all sought after to ease the transition of aging pets. In fact, the global sale of pet vitamins is anticipated to top \$1 billion by 2027, according to Grand View Research. Similarly, there's a rising number of pets that experience anxiety, whether through aging or other factors. Both of these facts have led to an uplift in spending on products that soothe pets, such as jackets that calm a dog during a thunderstorm. One of the biggest trends is in CBD products, or hemp-based or hemp-infused products, that have calming effects and can also aid in digestion and other ailments of both aging and anxious pets. This niche market is expected to see annual growth of 15 percent in the next seven years, adding up to more than \$3 billion, as noted by pet market analysts.
- » **Specialty foods:** Increasingly, pet owners are turning to freeze-dried and dehydrated foods and treats. The desire is based on having the benefits, such as nutritional factors, of raw food while offering the convenience of being easier to store. Expected to reach more than \$12 billion in sales by 2027, this type of food feeds into other pet-related trends, such as affordability, easy to store, and the use of simple, “clean” ingredients that are healthier for aging pets. A recent success story is The Farmer's Dog, which offers “human-grade” food that's customized for a dog's unique needs. The food is made fresh and then delivered frozen to dog owners across the United States using a monthly, subscription-based online-business model. Started by two dog parents in 2015, in less than five years the team had raised \$49 million in funding — a record amount for a start-up pet company. By 2023, the company experienced sales of more than \$800 million — a 60 percent increase in the prior year! Talk about growing a niche market; The Farmer's Dog is now a category leader.

Given these insights, you may be ready to jump into an online pet business that serves one of these niche areas. Even if it's not your thing, what is more important is that this is just an example of the same approach you can take with any larger industry to uncover a micro-trend.

As a small online business, you can enjoy the following advantages in a highly targeted market, especially if you identify the niche market opportunity early:

- » **Defined customer base:** If you do your homework, you usually have no trouble identifying your customers. And because you're dealing with a narrow

focus, you can get to know your customers extremely well. You can respond to their needs and wants much more easily, thereby creating loyal customers.

- » **Customized messaging:** With a narrowly focused customer base and product or service type, creating highly customized content is easy. You can craft website articles, blog posts, videos, emails, and ads that have specific and highly relevant content matched to your audience or customer. Creating this type of customized content not only helps in marketing to potential customers but also can pay off with SEO (search engine optimization) because Google displays results with content specific to the search someone conducts. We explain this concept in more detail in Book 6, Chapter 5.
- » **Bigger bang for your buck:** Because you're selling to a target group of people, you can stretch your marketing dollars further. Rather than invest in mass advertising, you can place less expensive banner ads on smaller websites that attract your particular audience. You also pay less for Google Ads because you can use specific key phrases that may be less costly than general keywords (for example, *low-cost vet bills* versus *pets*). Reaching a specific group of people using social media ads on Facebook or Instagram is also easier and less costly. Targeted emails and podcasts are definitely budget-friendly for sites of all sizes.
- » **Pursued specialty:** When you provide products that are hard to come by, your customers often seek you out. In niche markets where there is less competition, the likelihood of people finding you online through organic searches increases. In other words, you can spend less in pay-per-click (PPC) advertising on search engines because your website may rank very high in search engine results.
- » **Positive word of mouth:** Word-of-mouth marketing (WOMM) is powerful, especially in a tight-knit community of customers. When these niche buyers find a quality provider of products or services, you can bet that they will talk to everyone else in their circle of like-minded friends.

Not to burst your bubble, but you should consider these few disadvantages, too:

- » **Limited customer base:** You're marketing to a much smaller group of potential customers. If the number of prospective buyers is too small, you can quickly reach market *saturation*, in which the pool of sellers is enough to satisfy the pool of buyers. Reaching market saturation levels is especially risky if you have a product or service that is likely to result in a one-time purchase.
- » **Restricted product expansion:** Finding new products to sell that complement your niche can be challenging. In a specialty market, you may find yourself stuck with the same product, even as sales begin to taper.

- » **Dreadful word of mouth:** Suppose that you make a few mistakes as you start growing your niche business. The same word-of-mouth marketing that could have been quite advantageous now becomes a killer. Because your customer base is small, negative comments can do a lot of damage to your site's sales. And the widespread use of blogs and community boards makes it especially easy to spread the negative online word to a connected community of buyers.



TIP

To offset bad word-of-mouth marketing, be even more aggressive in quickly resolving customer complaints. Follow up every order with a personalized email. Invite customers to share the results of their online-shopping experience with you. Become active on social media and engage with and respond to followers to create positive (and public) customer interactions. If a customer has a problem, your attention to them (even after the fact) mitigates the damage, and this attention often redeems you in the eyes of your customers.

The disadvantages shouldn't deter your plans for a niche business. The benefits far outweigh any of the minor risks involved. But those risks give you all the more reason to be thorough in selecting the right niche to pursue. After all, if the interest hadn't been there, pet insurance could have bombed. Instead, the timing was right, and this niche has left animal lovers begging for more.

Finding Your Niche

Almost every established industry has a single piece of pie waiting to be divvied up, just like our example of the pet industry. When searching out your online niche, here are some general guidelines to follow (to help you remember them, notice that the first letter in each term spells out the word *niche*):

- » **Notice:** All too often, niche markets are in plain sight — ripe for the picking. Some people see them, and others walk right by. So, stop and pay attention to your personal interests and those of your friends and family. After all, you're consumers. Take a look at which services or products you want or need that larger companies aren't providing. Watch for new trends, too. Find out what people are talking about, and determine what's hot and different right now. Trends are often predecessors to an emerging niche.
- » **Investigate:** If you think you've hit on a great idea, it deserves an adequate level of attention. Research the larger market from which your niche originates, and determine whether it's a growing market. Check annual sales and identify top performers (the large companies) in that market. Find out what analysts and researchers are saying about possible spin-off segments of the

market, and determine whether these industry experts have spotted the same niche that you noticed.

- » **Competition and customers:** As with any other market, you have competitors in a niche. Do a little digging to uncover how many others are already servicing the market. If you have zero competition, you may want to reevaluate the demand.

Put your prospective customers under the microscope, too, and find out who they are. Be specific. Note whether they're single men with dogs, for example, or working mothers with young children. Figure out their preferences, current buying habits, and available income. The more you know about the people you're serving in this niche, the better chance you have of successfully marketing to them down the road.



TIP

Find out whether your competitors are catering to only that particular niche or whether it's just one more piece of their overall businesses. If your niche is only a piece of the competitors' pie, you have a possible advantage. You can specialize in the niche and become the expert.

- » **Hypothesize:** Before you launch your niche-focused site, you need to test your theory. Maybe you developed the perfect product. It answers a definite need, and research shows that there's money to be made. To be sure, you have to test, test, test. Conduct small samples to find out whether people are truly interested. You have to know whether they're willing to pay for it, whether it answers their needs, and whether they're ready to buy from a new online resource.
- » **Execute:** Create a solid plan for selling to your niche market. Sometimes, reaching this type of customer proves to be more difficult than marketing to a broader customer base. After all, you're talking about highly targeted and specific customers. Not only do you have to work harder to locate them, but one misstep in your marketing efforts can also destroy your credibility. An effective selling strategy clearly communicates how your product answers a specific or unique need for that niche customer.



REMEMBER

Niche customers are often quite knowledgeable and passionate about the niche that your product or service addresses. Can you speak their language? Talking the talk means being up to speed on current terminology, hot topics, and issues of importance.



TIP

Draw in your customers by providing timely, informative content on your website that supports the products and services you offer for that particular niche.

The Internet definitely provides an exciting opportunity to sell to a niche market, and often the opportunity is right under your nose. Many online entrepreneurs stumbled onto a niche market out of sheer necessity. In some cases, the market

lacked a product that provided a much-needed solution. In other instances, a niche market started because an existing industry or market changed as the Internet matured. To stay ahead of the game, entrepreneurs identified smaller segments within their markets that weren't being served.

Tutor (www.tutor.com) is another shining example of how a need for a product can carve a healthy niche from a larger existing market. The e-learning, or online, self-paced learning market has sustained impressive year-over-year growth, delivering over 26 million one-to-one tutoring sessions in early 2024, and estimated to have similar annual revenue — over \$20 million. Within that larger online learning market are lots of subcategories, including the kindergarten through 12th grade (K through 12) market. Both consumers and governments spend billions of dollars for products and services that focus on K through 12 students. And within that category is another emerging niche — online tutoring. Given the market size, the rising cost of college, and an increased emphasis on students obtaining academic scholarships to offset tuition, there are lots of reasons to be in this segment of the educational market. Tutor is a company that entered the market early and continues to take advantage of that niche demand by providing online tutoring services for students. The website sells its online learning and tutoring services, in blocks of time, to parents and students all over the United States. Students aren't the only ones benefitting; Tutor has learned the value of launching an online business in a lucrative niche market!

How can you follow the example of companies like Tutor and The Farmer's Dog and identify early emerging market trends? The following companies offer e-newsletters and other online resources that track trends and future niches to help get you started carving a nook for yourself:

- » **Gartner Business Insights and Trends:** www.gartner.com/en/insights
- » **Pew Research Center:** www.pewresearch.org
- » **Small Business Trends:** www.smallbiztrends.com
- » **TrendWatching:** www.trendwatching.com

IN THIS CHAPTER

- » Connecting: The (virtual) reality of social commerce
- » Bringing in the money through social
- » Finding your (right) social stage for the spotlight
- » Getting ready for your close-up with video
- » Gathering, sharing, and making a profit in communities

Chapter 2

Becoming a Social Influencer for Real Dollars

Social networking and online communities continue to fuel opportunities in online niche markets. These social media platforms are no longer “only” another advertising channel for your online business. The surrounding niche opportunities that have sprouted up as a result of those first fertile sites have also proved lucrative, launching interesting new business models.

If you’re naturally a social butterfly, or have already honed your offline networking skills, you may be surprised to discover how easy it is to transition those same attributes to a blooming social commerce endeavor. In this chapter, we introduce you to the most popular social networks and take a look at some of the money-making trends that have emerged from these platforms, specifically around becoming a social influencer.

What is a social influencer? For the purpose of this book, we define *social influencer* as a type of professional or paid role in which you profit by sharing content over social media platforms in order to persuade, or influence, your audience to try a particular product or service. These products could be for other brands — or for your own! Here are just a few examples of the types of content you might share:

- » Tips and tutorials (how-to's)
- » Reviews of food, restaurants, or travel destinations
- » Professional advice
- » Blog posts and podcasts
- » Entertainment

Setting the Virtual Stage for Success

It helps to first understand the economics behind some of the biggest social media platforms, and which ones offer the best opportunity to fuel a niche business. Before we drill into the platforms most used for profit by social influencers, let's take a quick look at the core social media platforms, or channels, that we consider responsible for helping prove social media is about more than sharing pictures of your last meal or sounding off with political rants. These include:

- » **Facebook:** www.facebook.com
- » **LinkedIn:** www.linkedin.com
- » **X (formerly Twitter):** <https://x.com>
- » **Pinterest:** www.pinterest.com

Some of these are better suited for promoting a business as opposed to serving as a vehicle for creating a revenue stream as your business or as the role of influencer, but all of them play a role in social commerce. In addition, to this core group of platforms, several others are also important, and we discuss them in more detail later in this chapter. For now, just know these platforms also have the most social currency — or opportunity to earn money — for a niche business, especially as a social influencer:

- » **Instagram:** www.instagram.com
- » **YouTube:** www.youtube.com
- » **TikTok:** www.tiktok.com



WARNING

Though TikTok has exploded in popularity as a social media app for sharing short-form videos, it has been the subject of much controversy. Owned by a parent company based in China, some governments, including the United States, believe citizens' data is being collected and compromised, and even used to manipulate or influence elections. Based on these national security concerns, in 2024 President Biden signed into law a bill banning access to TikTok within the United States, unless the parent company sells TikTok. This means that social influencers and others who use TikTok to earn money or promote their business will lose that revenue. Given the law that is currently in place at the time of this book being written, we decided not to include an in-depth look at how to use TikTok in your business. If you choose to pursue the use of TikTok, we encourage you to stay informed about the current law and any future developments that may influence the legal use of the social platform.



TIP

If you do want to learn more about TikTok and how you can use the popular social app, check out *TikTok For Dummies* by Jesse Stay (Wiley).

You are likely familiar with Facebook, the granddaddy of all social media platforms. The parent company, now called Meta, is a public company worth billions. Since its founding, Facebook has bought other share-worthy social sites and applications, including Instagram (a photo-sharing app) for \$1 billion, Oculus (a virtual reality company) for \$2 billion, and WhatsApp (a mobile communications app) for \$19 billion. Today, Instagram has moved beyond its filtered, photo-sharing roots to serve as a launch pad for social influencers and online “Insty” businesses, which we discuss later in this chapter.

Another of the core social media platforms, LinkedIn, has found great financial success, too. The career- and business-focused social networking platform was the first social media site to go public. Its stocks have performed consistently well, and Microsoft acquired it for over \$26 billion! LinkedIn first became known as an advanced career site, a place to network and find new jobs. Because it is based on forming connections with existing contacts and then expanding your circle by asking for introductions to others, LinkedIn has a reputation as being a modern Rolodex for the social-savvy salesperson. You can also publish and share articles to your network and can participate in “groups” to share ideas and meet others as a way to expand your network. LinkedIn isn't the ideal social media platform to build a social-influencer business from scratch, but it is an excellent platform to promote your business and build your reputation as a business thought leader, and by extension help expand your number of followers. If you are interested in becoming a social influencer within the business community, it makes sense to spend time in LinkedIn growing your network, your brand as an influencer, and your fan base.

Next up on our list is X, formerly known as Twitter. This once uber popular platform encourages you to follow people you may not know to expand your network (whereas Facebook and LinkedIn are more focused on connecting with people already in or close to your professional network). X is often the go-to social network for sharing current events, news, and opinions on celebrities, politics, pop culture, and sporting and entertainment events (such as the Super Bowl and the Oscars). Because “X’s” or tweets are shared openly in real time, you can see trending topics nationwide, and even worldwide. Even though it’s proven to be a popular platform, X has had a more difficult time boosting new user growth and maintaining its financial worth, especially after the platform was purchased by the tech entrepreneur Elon Musk and rebranded. Its future is rocky at best, and we don’t recommend investing a lot of time on X, especially if you don’t already have a presence there. But it’s still good to understand how it fits into the social media landscape.

You may not consider YouTube as a social media platform, but it is truly a powerful social network, and one that has launched many Internet celebrities and online entrepreneurs. It remains an important and lucrative channel to grow and profit as a social influencer. YouTube videos are seen by more people ages 18 to 49 years old than any cable television station in the United States. Owned by Google (the company paid \$1.65 billion for it, less than a year after it launched), YouTube is a video-sharing network that is equally influential in search engine optimization (SEO). If done well, videos on YouTube can also send a lot of organic traffic to your website!

By the way, almost all of these social media sites had humble beginnings. Facebook was founded by college kids living on campus, LinkedIn was started in someone’s living room, and Twitter (now known as X) got its start in a small apartment. (Former PayPal executives developed YouTube, so it had a slight leg up as a social media start-up.) Like other (now) giant technology companies born out of garages, spare bedrooms, and college dorms, social networking sites and online communities continue to experience the same opportunities for growth.

We share these sites’ journeys to financial successes to reinforce their credibility as legitimate businesses, and to point out that this is where you can find another option for pursuing your own success. So how do you generate income from these social networks? Let’s take a closer look at these social media platforms and show you how online socializing can boost your social commerce earnings potential.

Understanding How to Profit

Now you know about the different types of social media platforms and video networking sites, and can start to understand why online entrepreneurs are cashing in on them. But you may be asking, *how* do you reach the point where you can

capitalize on social commerce as an influencer? And you may also be questioning whether or not you can really make money doing it.

Social influencers and content creators are considered part of the Creator Economy, which raked in nearly \$250 billion going into 2024. Some of the most successful social media influencers make over \$100,000 annually, but in a recent survey, only 12 percent of influencers claim to make over \$50,000 each year, according to the *Washington Post*.

How do you begin earning a piece of that social pie? You have to start by being social! If you aren't familiar with the concept of online socializing, think of it in terms of attending a big networking event where hundreds or thousands of people might go to meet, mingle, learn, build relationships, and drum up business. And then think about not only chatting with individuals or small groups but then being invited to speak in front of everyone! That's the same concept as influencing on social media, except you don't usually have a live audience staring at you.

Lots of different types of online social networks exist. Some are focused on business activities geared toward other businesses (B2B) and others skew toward personal or consumer topics (B2C), like clothing and beauty trends, celebrity gossip, or instructional videos or "hacks" showing shortcuts for common tasks. Some communities are created solely for socializing, others are created for a specific group (such as business executives or hobbyists), and still others are developed as a support network for a particular group (such as moms). Because these types of online networks attract so many eyeballs (or visitors), you can use them to make money, either directly or indirectly, as part of the Creator Economy.

When it comes to determining which communities or social networks are most worth your time, consider the following:

- » **Audience:** If your content is designed to resonate with a younger audience, like Gen Z, then TikTok might be the better platform since its average users tend to be much younger. Conversely, Instagram users represent a broader age range.
- » **Format:** Let's say you want to produce car-repair tutorials. You would do better having YouTube as your primary platform because longer videos do well there, compared to TikTok and Instagram, which allow only very short videos.
- » **Exposure:** Consider which platform will give you the widest range or number of followers for your type of content, and allows you to more easily expand your audience reach. For example, on Instagram, you may be exposed to a smaller network of your own friends and family compared to TikTok, where your content may be seen by a larger group of fans outside your personal circle.



TIP

Successful social influencers build a network of followers on multiple social media channels. However, as you are getting started, it may feel overwhelming to have to post and engage with followers in two or three different places. We recommend starting with one social channel and then expand to others as your business (and network) grows.



WARNING

In online communities, you interact with people from around the world, thus exposing yourself to virtual strangers. As a result, all of these communities and social networking sites have had their share of problems. To reduce your risks, always read a site's policies, privacy statements, terms-and-conditions documents, and general member guidelines. Stay safe!



REMEMBER

You may also want to use social networks (or social media) as a way to promote your business. We discuss this process in more detail in Book 6 and illustrate how these sites help boost your business sales.

Revenue sources

In addition to determining what to create and where to share content, you probably want to know more about how you actually make money! Here are some of the most common revenue streams of social influencers:

- » **Ad revenue:** Earn money from showing ads to your followers. Depending on what type of social media platform you're using, there may be limitations to how ads are delivered. For example, videos may include ads that show up inside the videos themselves; other social media sites, or even a blog, might have ads show up in your profile or alongside the content.
- » **Sponsorships:** One of the most popular ways for social influencers to earn money is directly through a brand partnership. Brands pay you to sponsor, highlight, refer, or just talk about its products. A brand may even want you to go to a physical location or special event to help promote the event or show its products to customers in a particular setting. Generally, brands pay you at an agreed-upon rate for specific posts or videos, or for the sponsorship of your entire social media account or profile.
- » **Brand account take-overs:** If your influence is substantial, and you have a large community of fans and followers, brands may pay you to run their social media accounts for a few hours, or a full day. The idea is that your followers, as well as the brand's customers, know you're the one on their Instagram or Facebook account sharing photos and interacting with fans.
- » **Affiliate programs:** One of the easiest ways to earn extra dollars as a social influencer is to share links to buy the products you talk about or review as a social influencer. By signing up through an affiliate marketplace, you earn a

commission each time your fans click the link and buy a product. Sometimes, individual brands offer their own private affiliate program and you may earn a higher commission on those direct programs. Affiliate marketing is an easy way to expand your earning potential; in Book 4, Chapter 2, we tell you how to find a good affiliate marketplace and get started.

- » **Subscription services:** Especially with video, fans are often willing to pay monthly fees to watch your video or view your content. This has lucrative earning potential because it is automatically recurring revenue. In other words, fans sign up once, but their credit cards are auto-billed each month.
- » **Repackaging content:** Reusing what you've already created is an efficient way to increase earnings. Whether you are reselling photos, segments of your video, or other types of content that you've previously used, you retain the copyright but give buyers a limited-use license. The license permits people to use content for a specified fee, and you determine the parameters for how and when the content is used, thus the term "limited use."
- » **Selling direct:** As with any online retailer, social commerce earnings add up when you sell products or services through a social media platform.

Before you get significant traction earning money from one of these types of revenue streams, it's important to have an audience that wants to be part of your community. You need social influence, or the ability to persuade others through your social media persona. That means you have fans or followers who not only want to see you and watch what you do, but they also think your opinions are meaningful, especially when it comes to what products and services you use. A successful social influencer often becomes a celebrity in their own right.

GROWING FOLLOWERS TO GET PAID

Is it necessary to have a large fan base in order to make money? That's almost always the case (unless you are repackaging your content) or selling products directly. The real question is *how many* followers qualify as a large enough fan base for you to exchange views for dollars? That's a tough question to answer because there's no definitive number.

Some social influencers on Instagram have had as few as 1,000 followers before receiving interest from brands. And many Instagram influencers agree that the turning point for brand interest is somewhere between 1,500 and 3,000 followers. For YouTube, and any other social platform, that number varies. Some of it depends upon the particular topic in which you specialize. The more niche, or specialized your content, the smaller the overall audience may be, and so a small number of followers may have a big impact.

Legal obligations

If you're still not convinced that there's a genuine opportunity to earn money as a brand influencer, consider this: There's a substantial enough amount of influence occurring and dollars being earned that the Federal Trade Commission (FTC) has strict disclosure requirements. That's right, the U.S. government requires social media influencers to reveal any relationship with a brand where some type of compensation is received, even if it's only getting free product samples.

In fact, disclosure is also required if you have any type of relationship with a brand that you promote online, including legal partnerships, paid sponsorships, and any type of personal or family relationships. For example, your sister is working for the same cookie company you have professed your undying love for to all your followers because the company has the best chocolate chip cookies! You better bet that you have to let all the followers know that your sister works there, even if she has nothing to do with making the cookies, and even if you haven't seen your sister since last Thanksgiving.

There are also strict guidelines about how to disclose the relationship. Here are the rules from the FTC:

- » **Easy to see:** The disclosure must be placed alongside the endorsement, and not on an About Me page or in a place where someone has to click a button to find the information.
- » **No hashtags:** You can't mix the disclosure alongside hashtags on a social media post. For example, you can't write #bestcookies #chocolatechipsrule #paysponsorship #mysisterworksthere.
- » **Place on an image:** Should you use pictures or videos to express your endorsement for the product, you have to add the disclosure on top of the image and provide enough time for it to be seen before it disappears.
- » **Simple, clear, and repeat:** When doing a live broadcast, if you talk about how great those cookies are, then you should mention your brand relationship while live and do it several times. And all disclosure messages should be easy to understand and not wrapped in complex or confusing language.

These are the key highlights of what you need to know about your responsibilities for disclosure. You can find complete details at www.ftc.gov/influencers. To be safe, we always encourage you to reach out to an attorney for any type of legal guidance. And, while we're on the subject of government requirements, you also need to follow tax guidelines to report any compensation that you receive as a social influencer. You can read more about general legal and tax issues that impact your online business in Book 2.

Developing Your Fan Base

Now that we have the legal must-do's out of the way, we can talk about how to start creating a network of followers. In the world of online business, we always like to point out the fallacies of the “build it and they will come” philosophy. Whether it's a new website, online store, or social media account, just because you have one of those things doesn't mean people will instantly flock to it and become visitors, customers, or fans. Like any business, developing a following of active users takes time, dedication, and persistence. Here are some of the ways to increase followers and build influence:

- » **Stay active and consistent:** No matter what platform you want to be on and build a following, the number-one most important factor for increasing fans is staying active. People don't have any reason to follow you or stay in touch with you if there's no content to like, share, or respond to. Not only that, but it's important to stay consistent — being active for three days in a row and then having no activity for the next two days means you aren't in front of your fans. It's similar to a newspaper having lots of stories in the paper for three days, but having only one article (or none!) the rest of the week. Readers would unsubscribe to the paper because there's nothing there to read. The same applies to your activity level on social media.
- » **Be worthwhile:** It's not enough to put information out there on a regular basis. The content you create and share should be interesting, entertaining, or educational. And your content should match the interests of the type of fans or followers you want to attract. If you're growing a fan base of antique car enthusiasts, they probably don't care about cool new technology or apps, unless they specifically relate to caring for or buying and selling old cars.
- » **Follow others:** It's amazing how many people on social media will follow you if you follow them first. When connecting with followers for the first time, send them a thank-you for the follow or tag them in a post to welcome them to your community (others in your new follower's network are likely to follow you, too).
- » **Communicate:** Having someone follow you is a great feeling, but if you never see or hear from them again, you're likely to forget they exist. Equally important to having followers is to stay in touch with that follower by liking, commenting on, and sharing their posts. Engaging with your followers helps you build relationships and keeps you, and your brand, top of mind.
- » **Display your genuine self:** If you've not spent much time on social media, it may seem confusing to you as to how to act. The best approach is to be true to yourself and talk or engage with others online the same way you would talk to people offline.

» **Research other brands:** One of the great things about being on social media is that you often have more visibility into your competitors, or other brands with similar types of followers. Spend time following other successful brand accounts and see what type of content they share and how they engage with followers. This can provide some good ideas and strategies for you to emulate (but in your own voice, of course!). You can also interact with that brand's followers and like or follow those customers. So not only are you getting some creative ideas for your own social media site, but you're also (hopefully) gaining followers.



Some social media platforms have third-party companies or individuals that advertise the ability to help you grow your followers in exchange for money. You might get a message from someone saying they can provide you with 5,000 new followers for \$50, for example. Don't use these services! First, some of these companies are scammers that don't deliver users, but gladly take your money. Second, if you do get "followers," they are typically from fake accounts and not real people. Being successful with social commerce requires that you have active, engaged followers. Fake, nonexistent followers won't do you a bit of good — and it can hurt your profile by having too many fake followers!

Choosing the Right Platform

Of the many social platforms available, it may feel overwhelming to determine which is which is worth your time as a social influencer. In this section we discuss three popular platforms — Instagram, Facebook, and Pinterest — to help you decide whether they are right for you.

Instagram

Instagram, which is owned by Meta (Facebook's parent company), is a social media platform that lets you post photos and short videos. You can then share your images across your other social media networks. One of the twists that helped make Instagram special is that it allows you to add special filters to your images to give them a more creative look. You can do the same to short video clips. Instagram quickly proved to be a terrific platform for creative and entertaining people to build a following of thousands of fans and generate revenue from the platform. For social influencers, Instagram is probably the number-one platform for spending time building and engaging your fan base, connecting with and promoting brands, and expanding your profitability as an influencer.

Currently, it's reported that 21 percent of Instagram users make in-app purchases from posts and ads shown in the social network. And in 2024, advertising revenue from Instagram ads is supposed to reach nearly \$60 billion! Yet, for advertisers, the average cost per click is less than 25 cents. But you don't have to sell products to make money as an influencer in this social media network. Here are some of the top ways to earn money through Instagram:

- » Partner with brands.
- » Offer subscriptions to followers.
- » Earn money from performance of your videos (reels).
- » Collect Live Badges (and rewards) from fans.
- » Sell products from photos and videos with Instagram Shopping.

As you can see, there are plenty of options to help you build a viable stream of income through Instagram. And one of the many benefits we really like is that Instagram understands it has a lot of people just like you who want to make money through its platform. As a result, it has created a lot of terrific resources to help you learn exactly how to build income, grow a large base of fans and followers, set up shop and promote your products, and identify and work with brands. In fact, Instagram launched a Creator Marketplace that helps connect social influencers and brands to establish a mutually beneficial business relationship. We truly cannot say enough good things about the quality and helpfulness of all the resources available to Instagram influencers. Check it out yourself at <https://creators.instagram.com>.

Facebook

Unless you've been hiding under a rock, you're familiar with the social networking giant Facebook, which was the first of its kind to carry social networking into the real world and get investors to see it as a business with potential. Facebook started with personal pages, which allow you and your (selected and approved) friends to view your profile and leave comments for you on your wall, but has expanded to include business pages and online-shopping marketplaces. Companies are using these pages to extend their online presence into the social networking space.

Whether you have an e-commerce business or a bricks-and-mortar location, you want to create a profile of your business, or business page, so that potential customers have an up-close look at what your business can do for them. In addition to the profile, fans of your business can leave a post or comment on your wall (or primary page), ask questions, seek out technical support, and share pictures of themselves using your product. Businesses use Facebook as a place to

run contests, seek out information or research, and attract more customers by garnering more “likes.”

Facebook is also an ideal place to promote video content and other presentations in an effort to get your company in the face of those who count most — your customers. One effective way to use video on Facebook is to broadcast live using the Facebook Live feature. This feature allows you to live-stream video directly from your Facebook page. In fact, your followers are sent a notification that you are live in an effort to get fans to visit your page and watch in the moment. Perhaps our favorite part of Facebook Live is that the fans who are watching you can comment and ask questions while you are broadcasting — and you can answer your fans. Talk about a great way to interact with your potential customers and get them involved in your brand!

The next question you may be asking is whether Facebook is a worthwhile place to invest time as a social influencer. As with each social media platform, the answer depends on you. If you have a small network of close family and friends, you likely aren’t going to significantly increase your fan base as an influencer even when using features like Facebook Live. If you already have a large network of friends, then it becomes another place to stay in front of potential fans. Plus, because Facebook owns Instagram, you can choose to share your Instagram posts directly to Facebook (without leaving Instagram). That’s a definite bonus! And if you are selling or promoting products as an influencer, it could definitely be worth the investment of placing ads within Facebook to reach a larger audience than your personal Friends group.



TIP

If you want to test the waters of selling through Facebook, then Marketplace is probably the best place to start. You can learn more about how to get started by checking out Facebook’s resource center for Marketplace at www.facebook.com/marketplace/learn-more/selling.



REMEMBER

Because deleting a Facebook page is extremely tedious, you should be prepared to always keep an eye on the posts. And should anything negative get posted on your wall, you want to be prepared with a policy or set of procedures in place to route and resolve bad comments. Otherwise, one or two negative comments that never get resolved could cost you lots of customers.

Pinterest

Pinterest started out as a collection of user-generated and user-shared images that members *pin*, or post, to personal boards — the virtual equivalent of posting something to a cork board. Pinterest has become one of the most popular image-sharing social networks. As a business, a social influencer, or a blogger, your customers and fans can share images from your online store or blog directly

to their Pinterest boards. In this way, your product images get shared across a huge network of Pinterest members. You can also add special tags, or *pins*, to your images that include product information (such as price) and link back to your website so that people who see the pin can then buy the product.



TIP

Pinterest uses image search functionality that's layered into the pin (or post) and allows you to select a product and then see similar items that you can purchase. This is a good example of how the social platform is trying to offer followers more tools to discover, find, and shop from a pin — which is even better news for those of us who want to earn money from Pinterest.

As a social influencer, the advantage of spending time on Pinterest is that it gives you another place to show followers your personal style and interests and expand your audience of fans. Of course, this network is probably best suited for home and style influencers. It's back to knowing what type of audience you want to reach and where to find them! You can learn more about the different ways to advertise and promote your brand on Pinterest by visiting <https://business.pinterest.com/advertise>.



TIP

If you are selling your own products and have a separate e-commerce store or website, almost all of the social media networks we discuss in this chapter offer ways to advertise your products. Even better, if you are using a shopping-cart solution, like Shopify, these networks make it easy to sell directly through the social platform from your website or shopping cart. Promoting and selling products through these channels is another way to boost your online earnings as an influencer and creator!

Creating Your Own Video Channel

Statistically speaking, there's a good chance that you watch YouTube videos regularly — whether you see them in YouTube or when shared on another social media site such as Facebook. This online video site claims over two billion video views per day, with an average daily viewing time of around 15 minutes. Since it hit the Internet in 2005, YouTube has changed the way we use video in our everyday lives — we want to video everything in hopes of being the next online sensation, or we can't wait to see what other people do in their video to get everyone talking.

Basically, the online video pioneer has made it possible to monetize crazy, weird, funny, or even serious videos. You can make money from YouTube whether you are a professional filmmaker or hobbyist, or you just happen to have a video camera

on your phone. The best way to explain these revenue-earning opportunities from YouTube is to look at a few examples.

Vloggers and video gamers

Vlogger is the term used to describe people who blog through video, rather than only writing articles. Just as traditional bloggers created a business out of producing steady content and catching the eye of brands willing to pay for the blogger's online influence, vloggers are following that same business model creating video content. And almost any topic is worthy of a vlog; from makeup and men's fashion to fishing lures and skateboards, there's probably an audience for it.



REMEMBER

In addition to YouTube, you can make and share videos on Instagram and TikTok, and make money purely from the video content created in those channels. Even if you don't use multiple social networks to create video, it's worth sharing your visual content across the board and building influence in all the networks. Cross-channel promotion goes a long way to increasing your reach and income-making potential.

If you need more than a quick video to get your point across, and you happen to enjoy playing video games, Twitch.tv might be your ticket to a niche video business. Think of Twitch.tv (www.twitch.tv) as a mix of YouTube and ESPN, the cable sports channel. It's similar to YouTube, in that Twitch is an online network that broadcasts video content, streamed live (you can prerecord, but that's not the preference), and is all about video games — playing them, watching others play them, and discussing them. So, it's sort of a sports network for the video game industry that includes the broadcast of e-sports (professional video gaming). One of the primary ways to make money on Twitch is through paid subscribers to your personal channel. Believe it or not, there are lots of eager fans who will pay recurring subscription fees to watch you play video games. The caveat is that you must either be really good at games and use the channel to show off your prowess and offer tips, or you must be entertaining (watching you play video games is fun or even comical). Twitch.tv launched in 2011, and recognizing its huge potential, Amazon acquired Twitch in 2014, for \$940 million in cash! Why not grab a (game) controller and get your cut of the earnings?



TIP

E-sports, along with amateur gaming, still proves to be a worthwhile niche market, and Twitch.tv is the leader in the space. However, if you want an alternative, then consider trying YouTube Gaming (<https://gaming.youtube.com>), especially if you are already comfortable with YouTube as a video platform.

Instructional and premium content videos

YouTube has a lot of content. Although it may seem like some of the most viral videos are usually quirky or funny, other types of video content actually perform extremely well online. And when it comes to making a profit from videos, instructional videos are one way to fit the bill. Think of a how-to format that teaches someone how to do something, or a travel video that showcases popular vacation destinations and gives tips or suggestions when traveling. Corporate-style training videos, geared toward more professional endeavors, are also a good choice. If you prefer not to offer instructional or educational videos, but prefer to use your artistic eye to create short-form videos that show off locations, events, or other interesting imagery and graphics, there's a market for that, too!

Lots of companies need video segments, or premium video content, to use in their own ads or website, but don't have the in-house talent or budget to make their own videos. Instead, companies license the use of others' videos and this opens the door for another way to make money on your work. Or, you may develop a scripted video series or some other special style of video series that fans want to watch — and are willing to pay to watch via subscription fees! At the end of the day, video is still content. And if you offer quality content that people seek out, it's most likely content that sells.



TIP

Visual-based social media sites are extremely popular; and almost all social media sites encourage the use of images and videos in posts. The use of images can help a social media post get more engagement — the post is more likely not only to be seen but also to get liked, shared, or commented on by followers. This resulting need for visual content presents another moneymaking opportunity for you, not only with video, but also with any type of visual content, including original illustrations, images, photos, and even content that uses lots of graphics, such as infographics. If you can take good-quality photos or creative pictures, you can sell the rights for other companies and individuals to use those images. One place that promotes this service and connects amateur photographers with online buyers is Foap (www.foap.com). Check it out to see how you can trade your photos for dollars.

Gathering, Networking, and Promoting: Online Communities

Making the most of social commerce means getting involved. Sometimes, this takes you to places that may or may not have direct or in-platform selling options. There are lots of sites and communities that heavily influence your success with

social commerce simply by influencing others. It's the offline equivalent of knowing all the networking hotspots (to meet and interact with new customers). It's a matter of knowing the online places where people are talking about where and how they buy, or what types of products are trending at the moment, and then making sure your voice (or your product) is part of the online conversation with these active, vocal, and persuasive social customers.

A great example of online communities are review sites. When was the last time you searched the Internet for product reviews before buying a specific product? Research shows that approximately 97 percent of online shoppers look to the Internet for recommendations and general product research before making a purchase. That's one reason websites that focus on product reviews are so popular. Of course, review sites focus on more than products. You also find reviews on places and services, from restaurants to day spas.

Regardless of what they're reviewing, these sites are yet another example of how social media influences behaviors — in this case, purchasing decisions. If you're selling anything, online or off, frequenting these sites is a good idea for several reasons. First, you can easily discover what customers have to say about the products you sell (or about your business). Second, you have the opportunity to interact with new and existing customers and get in on the discussion. On the other hand, if you have an interest in a niche market, you might consider launching your own review site. This strategy is popular when earning money through affiliate marketing programs, which we discuss in detail in Book 4, Chapter 2.



TIP

Many of the review sites provide business owners with a free profile page. Taking the time to complete this quick overview of your business is a good promotional opportunity. In addition to providing details about your business type and location, you can use the profile page to post specials or coupons.

- » Chasing clouds — the kind that make revenue rain down
- » Looking at the SaaS business model
- » Creating apps for the mobile customer

Chapter 3

Evaluating the SaaS Model: Selling Software and Apps

Even if you’ve never heard the term SaaS (which is pronounced like the word “sassy” but without the “y” on the end), you’ve likely used this type of service either in your business or personal life. SaaS stands for *software as a service* and it is delivered in the cloud. Whoa! The cloud? Yes, but not the type of cloud you see in the sky. Instead, when we refer to a service that is cloud-based, we mean that it is run over the Internet — so it’s typically delivered, managed, and maintained off-site (not located at your physical site) and it is usually public (or shared by lots of people). SaaS is one of several categories within cloud computing. The idea of *cloud computing* is a pretty complex subject, but for our purposes here, we want to keep it simple and discuss it in very general terms. If you want to dive deeper into the subject, there are lots of information and opinions on the matter!

In a similar vein as SaaS is the mobile application (app) market. Delivered over the Internet, these apps are made for use on your mobile devices, from smartphones to tablets (such as the iPad). Whether you have an Android phone or prefer the iPhone, you’ve likely used lots of mobile apps for everything from scanning

documents from your phone to monitoring the weather. All types of businesses, especially retail stores and restaurants, are rolling out mobile apps that make it easier to shop from your phone, receive special coupon offers, schedule in-store merchandise pickups, or order food for delivery. When you use Instagram or TikTok from your phone, or play games on your phone, all of it is done through mobile apps.

Online entrepreneurs have made a lot of money from creating and selling mobile apps and from developing and selling software as a service. In this chapter, we take a closer look at both the SaaS market and mobile app industry and show you why both of these areas still have plenty of room for you to get creative and *make bank* (that means earn a lot of money)!

Deciding to Deliver Online Services

If you've ever used TurboTax to complete your personal taxes, then you've used software delivered as a service. In fact, throughout this book we mention and recommend dozens of solutions, from shopping carts and credit card processors to website builders and data backup tools — all of which are examples of SaaS. Most people use cloud-based services today and don't even give it a second thought because it has become extremely common. By the end of 2024, the SaaS market is expected to hit \$232 billion in revenues, up by nearly 18 percent, according to research from Gartner. Those numbers are only going to grow especially when considering that 80 percent of companies today use at least one SaaS solution. The SaaS Academy, which tracks industry trends, predicts that usage will grow to 99 percent of companies using SaaS, making global SaaS revenues surge to \$344 billion by 2027.

Some analysts consider SaaS as a mature market, meaning there's not much more room for new growth or new competitors. Consider that some of the top U.S. companies already dominate the market, including Microsoft, Oracle, and Salesforce. You may be asking, if that's the case, then why are we including SaaS in this minibook about hot trends and market opportunities for small, online businesses? Within the broader software services market, you can still tap into other niche services areas. And, with the rising use of artificial intelligence (AI), that is opening up the doors to more creative and advanced SaaS solutions. AI is creating both challenges and opportunities, but it's still early enough that there are lots of ways to take advantage of this fast-growing niche. For that reason, we dedicated an entire chapter to AI within this minibook, since it goes well beyond only SaaS.

As for specific opportunities within SaaS, one trend that continues to see significant growth is the *micro SaaS* business model. The micro market is defined by the following characteristics:

- » **Solopreneur:** The business is typically owned and managed by a single, founding entrepreneur or has fewer than five employees.
- » **Bootstrapped:** All the money it takes to start the business comes from the entrepreneur and is usually done in a very cost-conscious manner (translation: It's run on a shoe-string budget).
- » **Limited earnings:** While some businesses dream of multimillion (or billion) earnings, the micro SaaS model makes from \$1,000 to \$20,000, per month at most.
- » **No plans to scale:** The micro business is focused on its target audience and usually has limited features or capabilities — and it plans to stay that way.
- » **Remain self-funded:** Just as the solopreneur may have bootstrapped the start-up micro SaaS, there is no desire to seek outside funds from angel investors or venture capitalists in order to fuel expansion.

If you're interested in starting a small online business (which is very likely given you're reading this book), then the traits of a micro SaaS should easily ring true for you! To be successful in the micro SaaS market, there are some types of services or customers that are best to target. These include:

- » **Niche:** The software as a service addresses a very specific need within a much smaller market. You may not have a huge pool of customers, but you could be the preferred service that dominates that small space.
- » **Industry-specific:** No need to be everything to everyone. Instead of offering a service that works across lots of customer types, you focus on a particular area or customer, such as dentists (healthcare industry) or realtors (professional services industry).
- » **Gap services:** A micro SaaS may address only a very specific need where another SaaS leaves off. So, you either fill in the gap or you offer a complementary service that extends the value of a larger, existing SaaS.

Putting the Software in the SaaS

Let's recap. SaaS is expected to remain a financially strong industry over the next few years. And there's a lot of opportunity to be had for a small, focused SaaS business. So far the news is all good, right? There's one small detail to discuss: how to develop software.

Here's the potential hiccup in your dream of starting a SaaS business: You have to provide usable software. If you're reading this chapter and you are *not* a software developer, a programmer, or a decent amateur developer, then it may be challenging for you to put down this book and immediately write a piece of software from scratch that's developed well enough (no bugs!) to make available to a paying customer. However, that doesn't mean you aren't capable of coming up with a fantastic idea — one that people are willing to pay for and that meets a real market need. So how do you transfer your idea into actual software? Here are some options:

» **Take the self-taught route:** It's not inconceivable to think you can teach yourself how to code. We know plenty of people who have achieved this, and there are lots of resources available to help. Try reading one of these popular programming books to get started: *Java All-in-One For Dummies* by Doug Lowe (Wiley); or *Swift For Dummies* by Jessie Feller (Wiley). There are also several active online communities that offer certifications and guides to help you build and then host your SaaS application, such as SaaS on AWS (owned by Amazon). You can check out the AWS resources for SaaS at <https://aws.amazon.com/saas>.

» **No-code builders:** If you want to take a more hands-on approach to creating your own SaaS application but you're not confident in your coding skills, there is another option. There are companies that provide the ability for you to create a custom SaaS application without having to know the developer code to create it. Bubble (<https://bubble.io>) is one of those services providers that uses templates and a visual drag-and-drop technique to speed up development without knowing code. You can start building for free and then upgrade to a paid plan when you're ready to use your SaaS application in a live environment. Plans start as low as \$29 per month.

A similar option is from Builder (www.builder.io), which takes a no-code development approach in the beginning, but then pairs you with a developer to finish the application. The company uses AI and existing templates to help you create the initial concept based on your idea. Then, you work with one of Builder's developers for customizing the app and fine-tuning features. Pricing plans fluctuate based on the range of your needs but there's a monthly plan that starts at \$200 and guarantees you are up and running in two weeks. Or for more complex ideas, there's a pay-per-feature pricing plan. Either way, you fully own the code at the end of the project.

» **Hire a pro:** There are lots of software developers who work as freelancers and are happy to get paid to turn your idea for a software service into a real product. There are also plenty of online sites to match developers with available projects. Check out these sites:

- Upwork (www.upwork.com)

- SupportNinja(www.supportninja.com)
- Gun(<https://gun.io>)
- Toptal(www.toptal.com/freelance)



REMEMBER

When hiring a contractor or freelancer to create any type of content, from software applications to videos, you need a contract. Not only do you want to scope out the project and determine completion dates and payment terms, but you also want to get copyright details in writing. You may have to hire someone to execute on your ideas, but at the end of the day, you should own the complete rights to the software with no strings attached.

Understanding the SaaS Model for Making Money

Part of what makes software as a service a potentially lucrative business is the way in which you earn revenue. Most online businesses (or any business for that matter) are based on a one-time purchase. Even if you have a healthy dose of repeat customers, you probably don't have control over when or how often they come back to buy from you. That means your earnings are somewhat unpredictable, at least until you have enough buying history from customers to project your average daily or weekly sales. But the SaaS model is much like a subscription-based business in that customers agree to purchase your services every month, across a defined period of time. You know this revenue is going to show up in your business bank account every month, and this is called monthly recurring revenue.

As fantastic as it sounds to know exactly how much money is coming in every single month, there are some variances in this model that lend a bit of unpredictability. If you've ever signed up for cloud-based services, you probably know where we're headed with this.

First, SaaS companies usually offer several different pricing plans that range from a monthly pay-as-you-go option (with no service contract) to the option for a one-year or multi-year contract. In exchange for the customer committing to a longer term of service with a contract, there is a discount offered off the normal monthly fee. If the discount on multi-year contracts isn't a sweet enough deal, customers may prefer the month-to-month option. In this scenario, you're assuming the customer may stick with your service over a long period of time, but you don't know for certain.



TIP

There are ways to encourage customers to choose a multi-year contract option instead of a monthly plan. One strategy is to offer the monthly price but require that customers pay it in full for six months or for a full year at the time of registration. Instead of charging the customer's card for \$10 each month, you charge \$120 for 12 months; that way you still get a designated amount of money upfront. The other strategy is to provide users with a free 30-day trial and at the end of the trial period offer a steeply discounted price on a multi-year contract if they sign up before the trial expires.

In addition to monthly and annual price plans, there's another pricing option that is sometimes at the heart of many SaaS businesses — it's free! This is referred to as the *freemium model*. You have a basic service option that is offered free, and you have add-on features or advanced (premium) services that are available for a larger monthly fee. The goal is to get a large number of customers to start using the product for free and then entice them with a more advanced service and features in the paid version. As you can imagine, the risk of this approach is whether or not you can convert enough free users to paid customers.

The next potential issue with the SaaS model is how much churn you have, or the rate at which customers drop off of your service on a monthly or quarterly basis. Churn rates could be higher if you have more customers on the monthly price plan and it's just easier to opt out of your service. But churn rates can also be impacted by the number of dissatisfied customers who drop your service because you've not delivered services as promised, have had technical issues or service interruptions, or you oversold the capabilities and the service or features don't work well or are too complicated to use. Whatever the reason, a high churn rate can take a big bite out of your projected monthly revenues. While rates vary by industry or service type, generally, SaaS businesses have a target churn rate of around 1 to 2 percent; but if your product isn't up to par, you might see rates double or triple that rate.

The other consideration that can impact your steady stream of incoming revenue is the amount of money it takes to get new customers. In the SaaS business model, the cost of acquiring a customer, or CAC, can be high compared to other types of online businesses. One reason for this is because there is a large amount of competition, unless you serve a specific niche, which means you may have to invest a lot more money for marketing, advertising, and sales. Complicating matters further is that it's relatively easy for customers to churn off, or leave, your service business. You could end up with a smaller base of loyal customers, so you not only need to gain brand-new customers, but you may constantly have to replace existing customers.

If managing to get and keep more customers isn't enough to keep you busy, the last big factor in the SaaS model is the amount of money it takes to maintain your business. One of the big benefits of a SaaS business to your customers is the ease

of use. Customers don't have to install or manage the software on their computers or in their networks. If something goes wrong, the SaaS provider (you!) is the one to fix it. That's great for your customers, but the flip side of that equation is that you are the one managing networks and maintaining services so they work around the clock. All of this network infrastructure and maintenance upkeep could add to up a pretty big bill each month. The trick is that you need to invest in these equipment and upkeep items first, even before you may have enough customers to cover those costs. This is why many SaaS businesses seek investors instead of self-funding.

If you can manage to keep costs low and wait for your revenues to catch up with your costs, you'll eventually be in really good shape with steady, predictable earnings.

SAAS TERMS YOU NEED TO KNOW

If you choose to deliver a software as a service, SaaS isn't the only acronym you're likely to hear. The SaaS industry has a lot of terminology that you may not have used previously. Here are some of the most common terms:

- **Freemium:** A combination of the words "free" and "premium," this is a pricing strategy for a SaaS business in which a basic service is available for free, but customers must pay to access a more advanced (or premium) version of the service.
- **Lifetime value (LTV):** Lifetime value refers to the amount of money a SaaS customer is worth to your business over the course of time (usually based on the length of contract terms).
- **Churn:** The term to reflect the rate or percentage of customers who leave your business across a set period of time, usually measured monthly, quarterly, or annually. You might have a churn rate of 3 percent quarterly — which reflects the portion of your total customer base that has "churned off" your services.
- **Monthly recurring revenue (MRR):** Monthly recurring revenue is the amount of money you take in every month for services actually provided. If a customer has paid a one-time set-up fee for services, or has paid for a full year in advance, you do not count all of these funds as part of MRR. You only include the amounts for delivered services.
- **Annual contract value (ACV):** Annual contract value is the amount of money you expect to collect from a customer on a 12-month contract for your services, but it is the average of all yearly contracts.

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- **Burn rate:** This is the calculation showing how quickly your SaaS model goes through cash to cover expenses.
- **Minimum viable product (MVP):** Minimum viable product represents the most basic version of your service (or product) that can be made available to early adopters, or those customers who are willing to try your service before it is fully developed.
- **Service level agreement (SLA):** Service level agreement represents the agreed-upon terms of service between you (the SaaS business) and your customer using the service. It's a contractual obligation defining the specifics of how and when services are delivered, along with other reasonable expectations of service.

Creating Apps for the Mobile Customer

Of all the time people spend on digital (or online) media, adults spend an average of nearly five hours per day on their mobile devices. And the vast majority of that time is spent specifically on mobile apps. Mobile apps are a type of software that is created for use on a variety of mobile devices, including tablets and smartphones. With all this time spent on mobile apps, it's no wonder there have been billions of mobile apps downloaded worldwide.

More than 257 billion apps were downloaded in 2023, resulting in worldwide app revenue of \$935 billion. As enterprising app entrepreneurs, you could take a cut of this revenue; but, as with the SaaS market, the key is to find a smaller niche market to serve with a very specific use for your mobile app.

What types of mobile apps are people using? To answer that question, take a moment to look at your smartphone or that of friends. How many apps are installed on the device? What types are there and which ones are most used? As you might have predicted, gaming apps are by far the most downloaded, and account for nearly one-quarter of all available apps. And across all apps, iPhone users are most likely to pay for their app downloads. The most common price point is just over \$1, but there are also spikes at the \$4.99 and \$9.99 price range. There are lucrative earnings potential in mobile apps, especially for games, but there are millions of gaming apps that also make little if any money. As with any endeavor, mobile apps are a business that requires having a solid, sought-after product, and marketing the product to make sure customers find you.



REMEMBER

Mobile apps like the gaming app examples we show you, potentially take in a lot of revenue, but it's not all necessarily from the cost of the download. Gaming apps have led the way in making add-on products and services available for purchase inside the apps. For example, you may download a popular mobile gaming app for a one-time fee of \$2.99; once you start playing the game, you might also purchase virtual commodities (swords, gold, and special powers) to help you advance in the game. You could also purchase game "cheats" or tips to help you play better. All of this is counted toward the daily revenue that an app earns. As a mobile app developer, these are also examples of the ongoing development work you have to do (or pay for) to keep the game interesting and expanding. So, you have more than one-time development costs to create the game itself.

Games obviously aren't the only mobile apps getting the attention of users. Business apps make up nearly 10 percent of all available apps. Education is the next most popular category, followed by lifestyle and entertainment.

We should point out there are two main sources for downloading apps, depending on your type of mobile device. If you have an iPhone or iPad, the Apple App Store is your go-to source for apps. If you use an Android device, you likely use Google Play to get apps. The trends of which apps are most popular and which ones generate the most revenue, match closely between the two app stores.

Budgeting and building apps

Making money with mobile apps is terrific if you happen to be a mobile developer. As with the SaaS dilemma, having a good idea for a gaming app or a business app only gets you so far — you have to develop the app, too! You can always hire a developer (check out the same resources we mention earlier for SaaS developers). Or, if you have some base-level programming skills and an interest in learning, you can teach yourself to develop mobile apps. To help you build your own, there are some resources available to make it somewhat easier.

Whether you have some familiarity with programming or are a complete novice, there are websites, apps, and toolkits (a collection of developer tools) that simplify the process of creating mobile software applications. Just like there are solutions that make it easy for you to build your own website, even though you don't know HTML, XML, JavaScript, or other languages, there are similar tools for building apps.

How much can you expect to pay to have apps built for you? If you're a savvy programmer, you can simply invest your time in building apps and it's especially cheap (or free!). Some development resources, like those listed in this section, charge nominal fees to access their app-building platforms, while others may offer free versions. If you're working directly with a hired developer, for example,

then the range you may pay will vary widely. The payment range is largely dependent upon the complexity of the app and the time frame in which you want it. Prices for the completed project can be as low as several thousand dollars and quickly grow to \$50,000 or more based on the complexity of the app. As with any project-based contract with a developer, it's important to have the terms of the agreement carefully detailed at the outset.

Get started by checking out these resources:

- » **Appypie (www.appypie.com):** Code-free mobile app development that segments its app-building resources by category (church, retail, restaurants, and so on)
- » **Twilio (www.twilio.com):** Provides a set of development tools and coding shortcuts to develop communications and messaging apps
- » **App Press (<https://app-press.webflow.io>):** Connects you to a team of experts for developing a range of different types of apps



REMEMBER

When using low-code or no-code resources to help you develop an app, confirm the policy for reselling your app or using it for commercial, revenue-generating purposes. Some sites charge a fee if you plan to resell the app versus using it for yourself, or in your business.

Uploading apps for sale

The journey from coming up with a good idea for an app to developing a working mobile application available for sale is only part of the process of becoming an app entrepreneur. The final stage is to upload your mobile app to the appropriate app stores — Google Play (for Android) or the App Store (for Apple/iOS).



REMEMBER

As you may have realized, one of your first decisions in developing an app is whether it will be developed for only one mobile device platform or for both. Development is different for each, so if you want the app to be sold in both Google Play and Apple iStore, you are essentially building two different mobile apps. There is an annual fee for developers and contributors to participate in each of these application stores. The policies on developer fees continues to evolve so check with each platform to confirm current requirements.

Generally speaking, whether selling in Google Play or in Apple, it helps to follow these tips before officially submitting your mobile app for review:

- » **Test and retest:** The app must work, so complete a thorough testing process before submitting for third-party approval from an app store.

- » **Understand app store policies:** Educate yourself on the complete process for publishing an app in the store, and understand all policies so that you don't get caught with a violation that could halt or delay the approval process.
- » **Spell out app details:** From knowing what type of audience rating your app has to pricing, you want to have these details decided before submitting an app for approval, as they will be part of the application and review process.
- » **Prepare promotional material:** Save some time by having promotional images, videos, and app descriptions ready to go once you gain approval.
- » **Complete store listing:** Follow guidelines for each app store so that you have all the information written down and ready to use for the in-store app description that users see when perusing the app store.

For specific details on the process of uploading an app for review, visit each of these stores:

- » **Android for developers** (<https://developer.android.com>)
- » **iOS for developers** (<https://developer.apple.com>)

Both app stores have specific requirements for accepting mobile apps into their stores. Getting your mobile app added to one of these busy online stores isn't difficult, but it does take patience. Not only does it take a while to hear back from the stores with their approval for your app, but the review process within each app store can be tedious. Once you load your app into the store, it can take quite a bit of time to gain final approval to offer the app for sale — sometimes as much as several months!

- » Getting smart with a different type of intelligence
- » Building a business with the latest technological advancements
- » Creating efficiencies to grow your business faster
- » Preparing for the future (it's not so scary!)

Chapter 4

Generating Efficiencies and Opportunities with AI, ChatGPT, and More

Fans of science fiction are likely not surprised by any of the recent discussions, fears, or excitement that's been generated because of artificial intelligence, or AI. For the rest of us (scientists and tech geniuses aside), it's almost impossible to fully grasp the amount of change AI introduces into our world. Consider some of the most critical or life-altering inventions and technological advancements that have occurred over the last 50 years. Commercial endeavors to space, DNA testing, medical procedures using robotics, home computers, mobile phones (the iPhone!), communication satellites (GPS), electric cars (and driverless cars!) — and, of course, the Internet. Now consider the possibility that AI and resulting technologies have the potential to change how we live and work at a magnitude greater than all of those other technology advancements combined.

In terms of its economic impact, the AI market is expected to reach \$1.3 trillion by 2032, according to reports from Bloomberg Intelligence. That's an annual growth rate of more than 40 percent over a ten-year period. In 2022, AI generated just \$40 billion in the near-term; but Bloomberg predicts that in the

software industry alone, it will add \$280 billion in revenue. Large tech companies like Google, OpenAI, Microsoft, and Amazon Web Services (AWS) probably stand to gain the most financially. However, there is plenty of opportunity for other small businesses and entrepreneurs to benefit financially and otherwise from the growth of AI.

In fact, more than 60 percent of businesses surveyed by Forbes think that AI can increase productivity and improve customer relationships, while 42 percent think it will assist in streamlining or improving work processes. Similarly, reports from IBM indicate that one-fourth of companies are depending upon AI to help them address significant labor shortages. In respect to all of these areas, more than half of businesses in China have already adopted AI, while only 25 percent of U.S. companies are using it in their business today. That tells us that as an online entrepreneur, there is a market opportunity to bring and use AI tools to businesses.



TIP

We provide a high-level overview of AI in this chapter, with an emphasis on how your online business can benefit from AI tools. There is a lot more to AI — far more than we could ever summarize in a single chapter. If you want to explore more on this technology, we recommend reading *Artificial Intelligence For Dummies* by John Paul Mueller and Luca Massaron (Wiley).

Understanding the Basics of the Technology

There are lots of uses and misuses of the term “artificial intelligence.” Partly, that’s because there are very intricate subsets of the technology that are often used interchangeably, as if they are the same thing. Before we share some of the most common terms you need to know, we provide a basic explanation of AI.

In the simplest of terms, AI is a technology that enables the learning capabilities in machines (such as computers) to mimic human intelligence and problem-solving skills. It’s not a complete replication of the human brain or how humans learn and apply knowledge, but the technology gets closer every day to replicating the human decision-making process. And in the meantime, it does a great job allowing computers, robots, and other machines to intelligently and accurately perform a lot of jobs that would otherwise require people skills. One of the biggest misnomers around AI is that it does not require any human assistance. In fact, when we discuss some of the ways AI-based tools are used to help businesses, you will see that human input is a requirement to guide the tools (or machines) in the learning process.

Let's look at some of the most common terms (in our words) that you should understand as we discuss efficiency and moneymaking opportunities using AI:

- » **Machine learning:** The ability for computers to learn and adapt by using algorithms (a computer code or set of instructions) to analyze lots of information and draw conclusions from the data.
- » **Deep learning:** This is a type of machine learning that essentially goes a level "deeper" and enables machines to learn and process information much more closely to the way the human brain works.
- » **Generative AI:** Tools based on AI technology that can create different types of content, including images, video, and written content (like emails and web pages). It can also produce conversations and scripts. ChatGPT, DALL-E, and Gemini are all examples of popular generative AI tools.
- » **Automation:** This is simply the process to replicate a task and is an example of using AI to replace the need for people to do simple or repetitive tasks. The spellcheck function in Microsoft Word is a really basic example of automation.
- » **Natural Language Processing (NLP):** A type of machine learning that lets computers and other machines process, interpret, and even manipulate or adapt the human language. NLP is often used by businesses to help translate content between languages, such as English to German.

Why does it matter if you know these basic definitions related to AI? It's not critical and no one is going to penalize you if don't remember them. But it does help you better understand the type of tools you might want to use in your business and the expected outcome you can get from those tools.

Creating with Artificial Intelligence

Technology sometimes feels impersonal. Artificial intelligence particularly is misunderstood, as it's often equated with robots replacing human tasks. Considering what might be possible with AI deep learning, there's even the question of how closely the technology could completely mimic the human brain when it comes to thinking and reasoning. While that still sits in science-fiction territory (for now), it is important to acknowledge that AI is already advancing our world in all sorts of ways, from improving how we function to prompting us with new ideas and creative endeavors.

In other words, the AI robots are not taking over . . . yet. However, they are increasing our ability to be more efficient and profitable in business. In a survey from

New Vantage Partners, 26 percent of companies reported using AI across all areas of their business operations. And more than 90 percent of those surveyed are increasing their spending on AI-related technologies and data. In another 2022 AI study by research firm McKinsey, more than half of respondents had already seen at least a 5 percent annual revenue boost associated with AI investments.

As AI advances, it will get more expensive for businesses to fully realize more sophisticated advantages of the technology. That's because it also requires businesses to upgrade their IT hardware (such as servers) in order to sort and process the amount of data AI processes. Businesses are planning on increasing their IT spend by 40 percent specifically for hardware to enable AI and data. Even with this big bump in spending, businesses are still confident they will see even higher profitability and return on investment from AI technologies.

Using AI to simplify or advance your business

With all the enthusiasm over AI and money being spent on the technology, we should point out that there are already real outcomes being realized. Following are some of the ways businesses are currently benefiting from AI:

- » **Process improvement:** As AI was introduced into commercial use, it was quickly applied to evaluating and improving business processes. This resulted in immediate gains of greater work efficiencies and cost savings. AI continues to be used to improve or replace any type of repetitive task that typically takes employees a long time to complete.
- » **Uplevel customer service:** AI continues to mature in its ability to interact with humans and respond to them in a conversational format. Referred to as conversational digital assistants, they are already widely used with chatbots to expedite and improve how businesses engage with customers. Experts expect to see the use of digital assistants expand into other areas of the business and become a key part of improving the overall customer experience.
- » **Balancing schedules:** It may seem like a little thing, but for busy business owners and employees, one consistent headache is managing calendars. As business becomes more global, it introduces additional challenges of planning meetings across multiple time zones. AI is not only helping us schedule calls, but also it is learning our preferences and requirements and applying them to the delicate process of balancing our busy calendars.
- » **Supply chain management:** Improving the manufacturing process is beneficial for many reasons. From better inventory management and forecasting customer demand to predictive maintenance and improved

worker safety, AI-based tools are making a difference. You may not think this is important to you, but as an online entrepreneur or small business, if you order manufactured goods, the overall improvements in the supply chain eventually turn in to cost savings for your business.

- » **Business efficiencies:** In general, businesses are seeing significant improvement across sales and marketing. Small businesses using AI are potentially realizing the benefits in these areas more than others. That's because small and start-up companies are typically running on very few people resources and limited budgets. AI is an inexpensive way to accomplish common marketing projects and accelerate the sales cycle. Content creation is still at the top of the list for benefiting from AI tools, but as mentioned previously, personal assistants and chatbots are also aiding online entrepreneurs.
- » **Operational savings:** When you add up (literally) all the previous items, including gains from process efficiencies and improved revenues or cost margins, there are considerable savings in money and time. In a business where profit margins are already slim, these operational improvements literally help put more dollars in your pocket!

Opportunities to earn with AI

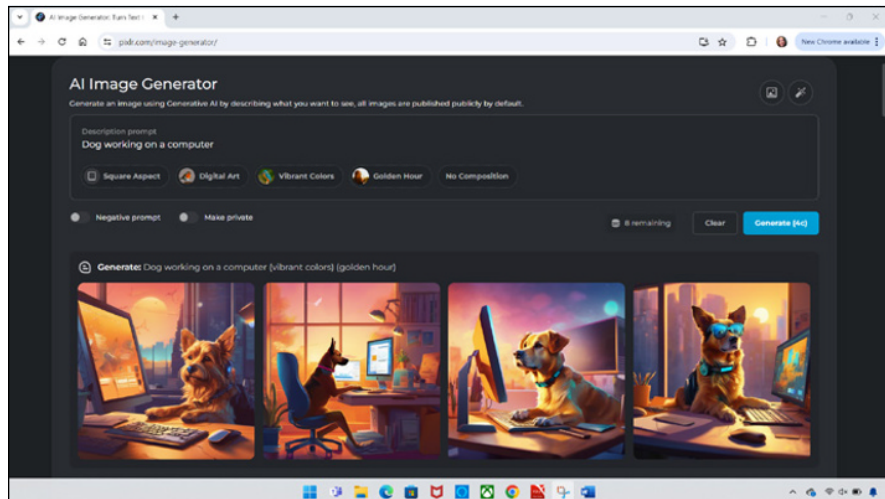
The exciting part of any new technology or trend is not only the savings it could bring to an existing business but also the myriad ways you can turn it into a new business idea. For online entrepreneurs like yourself, there are often ways to start a new business (or expand an existing one) with minimal investment required. With AI, not only are there low-cost ideas available, but they are also relatively easy to get started. Most of the ideas we share here take advantage of generative AI. As always, this list is meant to get your own creative juices flowing and thinking about even more ways you can put AI technology to work — and make you money!

- » **Develop online courses and tutorials.** The online learning industry has been booming for the last two decades, and it's not slowing down anytime soon. The e-learning market is predicted to reach \$1 trillion globally by 2032. One of the challenges in the industry is the time and effort it takes to create online learning materials. AI now makes that much easier and faster. If you have an area of expertise, from winemaking to genealogy, you can use generative AI tools to develop the content and then sell it online.
- » **Create content.** Generative AI tools, like ChatGPT, make it quick and easy to "write" all types of content that consumers and businesses are willing to pay to use. Of course, building the content with AI is just the start. Depending on what type of content it is, there are various ways to make money off the

content. For example, you can create artwork that is then added to products for sale, as we describe in Chapter 5 of this minibook. Here are some types of content you can develop:

- *Written content:* From sales and marketing materials to blog posts and public speeches, with AI tools you can use prompts to quickly develop the material. Some tools, like Jasper (www.jasper.ai) are built specifically to help write content for business, including sales scripts, blogs, and even complete marketing campaigns. You can use these tools to create content that can be packaged and sold online to other businesses.
 - *Videos/YouTube content:* One of the most sought-after types of content is videos, but they are often expensive to make and take a long time. You can sell video services to others, or create your own videos to be used for passive income streams and affiliate marketing promotions. ChatGPT is a great tool to use for prompting ideas and full video scripts, and you can even use the text-to-speech feature of ChatGPT to create the audio or voiceovers for the videos.
 - *Images/artwork:* Visual images are highly sought-after content and are often difficult to create if you are not an artist or graphic designer. And if you hire a graphic designer, it can be costly. AI makes it easy and fast for anyone to develop art and other imagery. For example, individuals and businesses are willing to pay for images such as LinkedIn profile headers, social media posts (for businesses), and website images. Use image generators, such as Pixlr (<https://pixlr.com>), which prompts you to describe what type of image you want and choose how it's displayed, and then provides several versions of the image within a few seconds. You can see an example of this in Figure 4-1, which is the result we received when we prompted Pixlr to create an image of a dog working on a computer.
 - *Audio content:* There are several AI tools specifically designed to develop audio files. And spoken content is used to narrate audio books, add voice-over narration to YouTube videos and social media posts, and used in ADA compliance to convert text files to audio for the visually impaired. Businesses are willing to pay for all these types of content. You can use text-to-speech capabilities found in ChatGPT, or try one of the other leading AI voice-generator tools such as Murf.ai (<https://murf.ai>) or Revoicer (<https://revoicer.com>).
- » **Build websites.** On Instagram, you're judged solely on the visual appeal of the pictures you post, so posting the highest-quality photo possible should pay off for you. Anything you can do to enhance the visual appeal is important, even if it means hiring a professional to either take or tweak the images you have to work with on Instagram. There are also filters and other tools available to enhance or differentiate your pictures before posting them to Instagram.

FIGURE 4-1:
AI image
generators use
prompts for you
to describe the
type of picture
you want created.



» **Design chatbots.** Have you ever visited a website and a chatbox window popped up? Acting like a virtual assistant, it texts with you to help answer your questions. You may assume there's a live person on the other end of the conversation, but it's usually a chatbot! Businesses use these to help provide better customer service and to assist with online sales. While they may seem simple, it takes a lot of time and mapping of (potential) questions and answers to create a good chatbot experience. You can use AI chatbot builders that don't require coding skills to sell this service to companies of all sizes. Chatfuel (<https://chatfuel.com>) and Manychat (<https://manychat.com>) are flexible, affordable AI tools to get you started.

» **Develop AI products.** If you're just learning about AI tools, you might be wondering how you could be qualified to develop an AI tool on your own. It's true that this moneymaking idea is best suited for those who already have some coding experience. However, it's also not an absolute requirement. You may have a great idea for a way AI could help make things easier for people or businesses, or to replace some common tasks that are expensive or time-consuming for humans to complete. For those with app development skills, this is an outstanding opportunity to develop an AI tool for the marketplace or offer your services for customized AI tools. If you don't have the skills but have a great idea, you can use no-code app builders (that we discuss later in this chapter) or hire a developer to create the tool for you and then sell it.

Legal considerations

As with many other areas of starting or managing a business, there are always legal issues you must understand. This is especially true with emerging technologies,

such as AI, where we don't yet fully understand all the implications it has on us, both personally and professionally. Laws have been extremely slow to be created to protect us from nefarious or harmful outcomes of AI compared to how quickly the technology has developed. It's such a hot topic that in 2023 there was a historic closed-door meeting between U.S. senators and nearly two dozen tech leaders to discuss ideas on regulating AI, with concerns being expressed about the potential harm AI could do to humans.

Hollywood actors recently went on strike demanding more protection in their contracts from AI technology. Among the actors' concerns was the worry that AI would be used to replicate an actor's image or voice, and the AI-generated likeness could be used without the actor's consent and in lieu of pay. This may sound far-fetched, but in mid-2024, the actress Scarlett Johansson faced that very issue. She claimed that OpenAI, one of the leading AI companies, used the likeness of her voice to create the voice of its new personal assistant, called Sky. It was particularly suspect because she had previously turned down offers from the company to use her voice. As of this writing, she is still fighting the company to reach a conclusion. Similarly, AI has already been used to replicate voices of other celebrities and politicians (even the President of the United States!) for the purpose of persuading consumers to take specific actions. Using personas that are trusted for illegal or unethical purposes is one of the many fears around AI.

For that reason, we think it's important to consider both the legal and ethical ramifications when determining how you might use or benefit from AI. Here are some of the current AI-related issues you should be aware of in your business:

- » **Intellectual property rights:** For most small businesses and online entrepreneurs, you are most likely to encounter legal concerns over copyright and trademark infringement, particularly when using AI tools to generate content. Even if you unintentionally use copyrighted material, if you profit from the final content, you are at risk. The consequences could involve financial penalties, or worse.
- » **Data privacy:** As mentioned earlier in this chapter, AI consumes existing data as the foundation for how it learns and adapts. It also uses that data as part of what is ultimately created. This means you could publicly expose customer data, employee data, or other sensitive data that you have previously agreed to protect or use only in an agreed-upon way.
- » **Inaccuracies in content-generated documents:** Many businesses are using AI tools to help generate content from marketing plans to sales documents. Even legal contracts are being created. While this is a great time-saver, especially in a small business, there could be inaccurate or misleading information that you could be legally obligated to fulfill if you don't carefully

fact-check. The result could mean serious legal consequences for the business, its employees, and even its customers.

- » **Transparency and fairness:** This applies to companies and individuals who are creating AI-based algorithms or using them in their tools that are sold to others. There is an ethical obligation for transparency in how the algorithms work, what information is consumed, and how it's ultimately used.
- » **Employment bias:** If using AI-based tools in hiring and screening processes, there could be an unintended bias against certain job candidates. This happened to Amazon, when a tool it used turned out to unfairly deny women applicants from continuing in the hiring process. Other HR issues are also possible when using AI, such as risking the exposure of employees' private and sensitive personal data being captured by AI (since it consumes, analyzes, and sometimes shares data as part of its learning process).

Some organizations are putting together policies and guidelines on the use of AI in business. For example, OpenAI (a leader in the AI space), created internal policies to help guide developers on how to “responsibly” use AI. Countries that are part of the European Union (EU) developed the EU AI Act, which is legislation designed to protect against potential problems or risks as a result of using AI technologies. Again, AI is still in its early days as far as having significant legislation and ethical guidance on the use of AI-based technologies, so it's often up to you to be aware of the issues and self-monitor for ethical and legal compliance.

Using ChatGPT to Your Advantage

Ready to apply specific kinds of AI tools to your business? Now that you have a general understanding of artificial intelligence, you're ready to learn about ChatGPT. This is probably the most popular AI tool that gained widespread attention in the last few years. You may remember there was a lot of scrutiny over the ethics of using ChatGPT to help with college applications and essays for MBA programs. University administrators quickly had to address guidelines for the use of AI tools, like ChatGPT, and outline concerns over plagiarism and copyright violations. During that same time, ChatGPT quickly became the hero for grooms-men and bridesmaids forced to make toasts to the bride and groom at weddings (or for use with other public speeches). Many toasts went viral that showed off the power of ChatGPT! While social media and universities were debating the pros and cons of ChatGPT as a content generator, businesses around the world were already using it to help create various types of content as well.

So, what exactly is ChatGPT? First, know that it is the same as AI. It's specifically classified as generative AI, and also utilizes Natural Language Processing (NLP).

ChatGPT is most closely associated with content creation. In this chapter, you've already seen us reference several tools that either use ChatGPT, one of its competitors, or generative AI properties in other tools that assist businesses when it comes to creating and using all types of content and improving communications. Speaking of competition, ChatGPT is only one type of generative AI tool. But because it was the first to gain serious recognition, it's become the equivalent of Kleenex to facial tissue. There are lots of brands of facial tissue, but Kleenex was the early leader and the brand name is now used synonymously with all facial tissues. The same thing happened with ChatGPT. Two other well-known generative AI tools include Google's Gemini (which replaced Bard) and Microsoft's Copilot.

Shortcuts enabled by ChatGPT

Another important fact about the properties of ChatGPT (and its competitors) is that it's constantly learning, adapting, and improving so that it becomes more valuable as you continue to use it. The overall benefits of ChatGPT to businesses are basically identical to those of AI in general, so we won't repeat those here. However, there are some very specific ways you can use ChatGPT in your business. Here is a sample of some of the most popular ways ChatGPT is making your work easier:

- » **Personalize customer interactions.** Whether interacting in real time online or through written correspondence, ChatGPT can create tailored messages for a more meaningful customer experience.
- » **Enhance content for SEO.** ChatGPT can write web pages, blog posts, articles, product descriptions in your store, and any other online content that search engines will evaluate; ChatGPT can also adjust the copy to make it more valuable in search so that the content ranks higher.
- » **Write sales emails.** ChatGPT can create all types of content, including emails that your sales team can send out, or scripts for talking to prospective customers.
- » **Analyze competitors.** ChatGPT can review available data about your competitors and create battle cards, or comparisons to your company; you can then use the positive differences as selling points when talking to prospective customers.
- » **Translate content.** ChatGPT can take content in one language, like English, and convert it to other languages; while some of the local nuances aren't fully captured, the translation is generally 80 percent correct or higher for most languages.

- » **Create social media posts.** ChatGPT can generate images, videos, and text for your company's organic social media posts, or use it for paid social ads and then get recommended tweaks to the ad, based on actual performance.
- » **Converse with customers on e-commerce store.** Using a chatbot is an example of how ChatGPT helps answer common questions from online buyers and keep customers engaged in conversations to aid the buying processes while freeing up your time for other tasks.
- » **Analyze sales data.** ChatGPT can consume all types of data about your sales and your customers and identify opportunities to accelerate the sales process with personalized promotions, for example.
- » **Employee training.** Save time onboarding new employees or with ongoing training for existing employees by using ChatGPT to create standard training programs.



REMEMBER

ChatGPT is only one generative AI tool available. You may also want to try one of the ChatGPT competitors, including Microsoft's Copilot (<https://copilot.microsoft.com>), Claude from Anthropic (<https://claude.ai>), and Jasper (www.jasper.ai).

Building apps and service opportunities

As artificial intelligence continues to proliferate the business landscape, there will be increasing opportunities to profit from it as an online entrepreneur. As we've already discussed, there are plenty of existing tools you can use to build a business from scratch or add a passive revenue stream to an existing business. However, there's another area where you have the potential to make a decent income and that's with services, or creating your own app to service a particular industry or answer a specific business need. Creating AI-based apps is predicted to exceed \$38 billion in the next five years, up from only \$2.5 billion in 2022, according to a report from the Business of Apps. In certain industries, like healthcare, the potential could be even higher or be a significant part of that revenue opportunity.

Interestingly, you don't even have to know programming language to build an AI app. That's because generative AI has been combined with existing no-code technology platforms to make it easier to go from idea to finished product without the need for expensive developer resources. Similar to how ChatGPT uses prompts to lead you through the "development" process, no-code AI app builders work the same way. In addition, most app builders also use simple drag-and-drop capabilities to help you create a workflow of how your app will work (this is the visual representation of the process). You've likely used this same drag-and-drop process in lots of other places, like building a simple web page or creating an email within a marketing tool (like HubSpot).

Really good AI app builders should also provide no-code capabilities for bringing in data to your app and allowing it to integrate with other third-party applications. These are two critical components for any AI tool — it has to play well with others (that's the integration part) and it has to easily and correctly consume and analyze data, as that is at the heart of AI. And to bring all of this together, you should also have templates available that make it easier to bring in common features, like text-to-speech capabilities. As for pricing, most app builders will let you get started for free and then start charging you a nominal fee when you are ready to test your app. Once you start selling your new AI app, you'll need to sign up for a monthly service plan. Depending on your app requirements and its complexity, along with projected usage (how many people will buy and use the app), monthly plans can start as low as \$50 and go up to several hundred dollars or more for enterprise-type requirements.



TIP

When evaluating no-code app builders, look for those that offer a simple way to distribute or sell your app. That part should also be easy! In some cases, the app builder will be connected to a marketplace where you can post, price, and deliver the app.

Following are three popular no-code AI app builders you can try:

- » **Builder** (www.builder.ai)
- » **Knack** (www.knack.com)
- » **Bubble** (<https://bubble.io>)



REMEMBER

Even though no-code app builders make it easier than ever to create an AI app without the help of a developer, it may still be cumbersome for a complete novice. We want to paint a realistic picture of what you can achieve. Having a basic understanding of the coding process (even if you don't know the actual code or language) can make a big difference in the success of the project. Don't worry; if you have a good idea but you're definitely at the beginner's level of coding skills, you should still give it a try. And if you get stuck or frustrated, you can hire a freelance developer to assist with the process. In fact, some no-code app builders also have a network of developers on-hand that you can hire.

Identifying What's Coming Next

An obvious answer to the question of what the future holds for artificial intelligence is . . . more of it! You don't need psychic abilities to understand that AI is going to continue to get smarter and become even more prevalent in the way we

work and live. You can also place a winning bet that AI-based tools will continue to improve efficiencies in our businesses by replacing both common, repetitive tasks as well as more complicated reasoning-based tasks that usually require human assistance. Research from Accenture anticipates that the efficiencies from AI will improve profitability by 38 percent for businesses by 2035.

As an entrepreneur, the better question to ask is: How can you take advantage of AI to create new opportunities or build a more lucrative online business?

In the next decade, other areas where businesses are expected to see the most benefit include:

- » Supply chain and operations logistics
- » Customer engagement and relationship management
- » Intelligent decision-making fueled by better data analysis

Some industries are likely to see bigger gains than others, such as financial institutions (like banks and insurance), healthcare, and cybersecurity. On the other hand, probably one of the biggest unknowns is the negative impact on data privacy. Depending on how laws and privacy rules evolve, this could limit some of the expected gains or advancements with AI.

Another consideration is that the cost of some services are likely to drop substantially, making it no longer feasible for small businesses to offer those services. This includes areas such as website design, graphic design, professional writing, software and app development, and even data analysis. Similarly, the actual cost of the AI tool should continue to drop. While it's good for business overall, it's not great news for those who currently have thriving businesses based on any of these services.



TIP

None of us can predict the future. But when it comes to keeping an eye on what's next for artificial intelligence, check out Trend Hunter. It's the resource that uses the power of AI to track and report on AI-related trends (and lots of others)! Check it out at www.trendhunter.com/ai.

- » Learning the lay of the land — and the business
- » Discovering products that sell
- » Partnering with the best for success
- » Finding your loyal buyers

Chapter 5

Building a POD (Print-on-Demand) Business

As an online entrepreneur, one of the best possible business opportunities is discovering a hot trend with plenty of market demand combined with low risk and minimal start-up costs. The second-best option is finding a legitimate opportunity for a passive revenue stream, or rather a way to earn a steady and consistent income with minimal effort required to keep it going. Granted, both probably sound too good to be true, but a print-on-demand (POD) business is pretty close to the real thing.

In 2024, the market size for the POD business is expected to hit \$6.5 billion and continue to grow annually by more than 25 percent, according to Grand View Research. Industry experts predict the global market size to reach nearly \$60 billion by 2032. While this isn't a new, untapped industry, we think it still has plenty of room for carving out niche areas and providing sustainable income, especially for artistic entrepreneurs that don't have a lot of start-up capital to sink into a new online-business idea.



REMEMBER

Other than winning the lottery, there aren't too many realistic options for making easy money. While POD businesses have seemingly good financial returns compared to the cost of starting up, it is still a business and to find lasting success, it takes time, commitment, and patience.

In this chapter, we cover the basics of starting and maintaining an online print-on-demand business. As part of the start-up process, we explain how to identify the best products, find the right partner to get your products to market, and build up a base of loyal customers. Let's get started!

Avoiding the Inventory Trap (the Basics of POD)

Now that we have you excited about the possibilities of this online entrepreneurial journey, it might help to fully understand the actual business model. We like to refer to it as the, Ask and You Shall Receive model! Or, you can just say, POD, which succinctly describes the print-on-demand model. Once an order is placed, a single product is produced, and then it's shipped to the buyer. It's called *print-on-demand* because the technology and process used to create the product involves taking a design (or creative image) and digitally printing it onto an item such as a t-shirt, hat, or coffee mug. Instead of producing hundreds or thousands of products at one time, as with the typical manufacturing process, items are created one at a time, or in very small batches, after a customer has placed the order (or, on demand).

In this model, you are not investing significant amounts of upfront money in inventory and worrying about where to store it or what to do with it if you don't sell it all. Further, your POD manufacturing partner, or supplier, is also who takes care of fulfilling the order, shipping the product to customers, and handling returns as well. If your supplier is doing all of that, you may be wondering what that leaves for you to handle. Plenty!

You are typically responsible for the following:

- » **Product selection:** Even if you're not producing the final product being sold, you still need to determine which types of products to sell. Maybe you only want to offer apparel, and specifically only hats and t-shirts. Or you may choose to specialize in tech accessories, like iPhone covers. There could be hundreds of individual product types to select from, and you are the one to choose the best ones to fuel your POD business.
- » **Designs:** One of the most important parts of POD is finding or creating what to print on the products. After all, a coffee cup alone isn't usually what someone sets out to buy. Instead, it's the funny saying, an interesting picture, or a beautiful artistic pattern that motivates a person to hand over \$15 for a

ceramic mug. Knowing which designs will sell and then designing them yourself or finding someone to create the designs is all up to you.

- » **E-commerce store:** You don't necessarily need a huge online presence to sell POD products, but you do need to determine how and where customers will find and purchase your products. For example, you may only want to sell a few products through social media using ads on Facebook or shopping through Instagram. On the other hand, you may decide to offer dozens of products and need full shopping-cart functionality and a complete online store, like one using Shopify (a popular storefront provider).
- » **Marketing:** As simple as the POD business model is, it only works if you have customers who are willing to spend their money on your products. Part of marketing is not only determining who your target (or ideal) customers are but also knowing where to find them and how to entice them to shop with you.
- » **Managing the business:** This is really the catchall category for everything else you're responsible for when it comes to running any business. Included in this list of entrepreneurial to-do's are such things as setting up your business structure, paying taxes, and finding and managing your POD suppliers.

Although we are showing you how to use POD to set up a full-fledged business, there are other benefits to the POD model. For instance, it's a simple and low-cost way to test a bigger business idea or concept. If you are creating a new brand or logo, creating it first on some test products to put in front of investors or potential customers is a great way to get reactions to your vision. Or, perhaps you already have a retail store or regularly participate in pop-up shops at festivals. POD lets you produce very small batches of products to see how they sell in your shop, without having to invest a lot of money in inventory.



TIP

Another innovative way to use POD is to extend custom product offerings to your existing customer base. If you are a designer, event planner, or you already have a store, online or off, you can add another revenue stream with one-of-a-kind design offerings, monogrammed products, or other highly customized or personal images. There are lots of imaginative ways to use print-on-demand for both new and existing businesses!

There are several clear advantages to the POD business model. Let's recap:

- » Low start-up costs
- » No inventory to buy and store

- » Opportunity for passive (or add-on) income or expand offerings of an existing business
- » Flexible product offerings and designs that are easily changed if they don't sell
- » Selection of top-selling products (a good POD supplier will know which type of products sell best based on volume and will usually share that data with you)
- » Production and shipping are handled by a supplier (and not you!)

Before you dive in head-first, let's take a closer look at a few of the disadvantages or challenges that come with a POD business.

- » **Limited product selections:** You are dependent upon what the supplier offers, which could range from a handful of options to a few hundred. Typically, the product categories with the largest inventory selection are also limited to apparel and household goods.
- » **Reduced quality control:** When choosing a POD supplier, you should always buy test products to see the quality and durability of the materials used (especially with clothing) and the print quality of the designs. Beyond selecting the best possible supplier, you have no influence or control over the final product your customer receives.
- » **Customer service variables:** One of the advantages of POD is that you usually don't have to deal with customer returns, but that's also a big disadvantage since you are dependent upon how the supplier, and its employees, manage customer needs. You can have outstanding customer service on the front end when they first interact with your brand and buy, but you don't manage the entire process, which means your customers may have inconsistent and less-than-stellar experiences.
- » **Shipping and handling:** Like the quality of the product itself, you are not packing and shipping it either. That's completely in the hands of your POD supplier. While all suppliers should be transparent with their shipping policies (time frame and cost for packing and shipping), there are seldom contractual details regarding the quality of the shipping-and-handling process. This is another reason why you should order your own products to test the waters and fully understand what your customers will experience.
- » **Lower profit margins:** Because you are buying single items or very small quantities, the cost per item is higher and set by the POD supplier; regardless of that base cost, your final price to the buyer must still be competitive for the market. This gives you little wiggle room for pricing flexibility and potentially lower profit margins.

Choosing Customized Products

The success of any business usually comes down to a handful of critical factors including product and pricing, branding (or marketing), customer service, market opportunity, and management (or leadership). Those are some of the big buckets and each one has lots of related parts that go into it. But most often the linchpin, or the most important part that holds everything else together, is the product. If you don't have a good product, or the right product for the market, then it certainly makes it more challenging to be successful.

It's no different for a POD business. The products you choose to sell will go a long way to determining how much money you ultimately earn. The good news is that if you miss the mark on choosing a product and it's not as popular as you expected, it's a fairly low-cost mistake to correct, especially considering you haven't invested in lots of (or any!) inventory. Plus, it's quick and easy to choose an alternative. Even so, we want to help set you up for choosing the best possible products right out of the gate.



REMEMBER

Knowing what product to sell often starts with who you plan to sell the products to and what appeals to them. To start, there is one question you must answer. Are you selling to an existing audience, or a target group of customers? Or do you want to find trending or popular products to sell, regardless of the customer base? The way you answer will be an important step in beginning to choose your products.

For instance, if you already have an online store, then you have an existing customer base. And you're most likely looking for more products to sell to create repeat business. You should also already understand what types of products interest them based on past buying behaviors, or based on the products you already offer. Let's say you have an online store selling coastal-themed items. Your more popular products might include household items, such as glassware with coastal-inspired designs. Or maybe apparel and beachwear are bestsellers, such as t-shirts and beach towels. Choosing more POD products to add to your store should be an easier process because you know both the type of specific product categories that sell, as well as the type of designs your customers prefer.



REMEMBER

You don't have to be an existing online retailer to have a built-in audience. You may be an artist, musician, or a social media influencer (which we discuss in Chapter 2 of this minibook). In that case, and those are just a few examples, you most likely have a group of followers that have common traits, or that share an interest, such as your artwork! In the case of the artist, the product category may be less important and the decision of which products to offer is based on your most popular art and which type of products show them off best. Or, you may be a social influencer who does reviews of eco-friendly beauty products and your followers are typically college-aged females who are very active, always on the go,

and concerned with sustainability. The type of products that best fit that audience could be travel mugs, makeup cases, and travel bags that are made from eco-friendly materials.

In all of these examples, the take-away is that if you already have customers or a known audience with common interests, you should also have enough details or clues to help select products that will appeal to your future buyers.

What if you don't have an existing audience or don't even care to whom you sell? You just want to find products that will be appealing to someone, anyone. If this describes you, then you need to look at the market research and identify not only the typical POD products that are predictable performers, but also popular trends that are influencing large groups of buyers. Fortunately, the POD industry is full of this type of information!

Typical product offerings

There are two ways to look at products: category leaders and design trends. For this purpose, design trends include a range of popular items in pop culture, for example, and isn't specific to a style of graphic design or type of image. One of the many things we appreciate about the POD industry is that suppliers are not shy about sharing information showing product trends and what items are flying off the shelves, er, printers, the fastest. We looked at information across some of the bigger or better-known POD suppliers, combined with other trend resource reports, and collated the following two lists. The first list is by product categories, and the second is by design trends — which includes a mix of what's popular now and what the experts anticipate will start or continue trending.

Product categories

There are standard product categories, like apparel and housewares, that are common across most POD suppliers. However, we also see some variation with subcategories. In other words, some products, like yoga pants, are classified in the general apparel category most of the time, but you may also see it in the subcategories of athleisure or sportswear. For the purpose of our list, we captured everything in the main categories.

» Apparel

- Children's t-shirts
- Hoodies

- Socks
- Sweatshirts
- Tank tops
- Unisex t-shirts
- Yoga pants

» Housewares

- Canvas prints/wall art
- Doormats/rugs
- Mugs
- Posters
- Stickers
- Towels
- Water bottles

» Pets

- Beds/blankets
- Clothing/bandanas
- Collars and tags
- Food bowls
- Harness and leashes

» Accessories

- Backpacks
- Engraved jewelry
- Fanny packs
- Hats
- Phone cases
- Tote bags

Design trends

This group of trends stretches across a lot of broad categories. And while it's a good representation of what's generally trending, this is where certain themes

may be more popular with a very specific type of customer — which makes it the perfect inspiration if you don't already have a target audience identified.

- » Adding quotes to artwork
- » Animals/pets
- » Cartoon characters
- » Doodles
- » Funny sayings/pop-culture references
- » Psychedelic designs/artwork
- » Repeating the same word
- » Vintage and retro images/artwork



TIP

If you need more help determining how to choose products and balance inventory, even if it's the “inventory” virtually represented on your online store, check out Book 4, Chapter 5.

Sourcing design ideas

Now that you have an idea as to what types of designs and artwork are bringing in the dollars, it's time to come up with your own versions to put on products. You're definitely at an advantage if you're a graphic designer, photographer, artist, or you are creative enough to come up with your own designs. Not all of us are so lucky! Don't worry. We provide some options for those of you who need some assistance. But before we do, let's discuss how to come up with ideas and get those creative juices flowing. Because whether you're creating on your own or you end up getting help, you might need some inspiration, especially with what's on trend.

Just like we turned to the top POD suppliers for guidance on what categories are popular, you can start getting ideas by going to those same suppliers and visiting the shops of their POD customers. Usually, you can find a blog or list of customer success stories on the supplier's website. Then visit the store of the featured POD supply customer, read their online customer reviews (if available), and look to see which types of designs are most often featured across all the product categories. The goal is not to copy any of the work but rather be inspired by it. See what their customers are responding to most and then put your creative mind to work.

Another source of inspiration is social media. Instagram, TikTok, and Pinterest are all social platforms that use lots of images and videos to engage fans and followers. Plus, you can easily see the reactions to what's been shared by looking

at how many likes, hearts, or other emojis were used when responding to a social post.



TIP

The same social media sites that provide a source of inspiration are also terrific places to test your finished product. Once you have a design, or even once you've added it to a product, share it with your own friends and followers and gauge their reactions. If you've come up with a snarky or quirky slogan or quote related to current events, you can also find a subreddit thread (on Reddit) to test out the reactions.

Seasonal-inspired opportunities, politics, and trending pop-culture references are also ideal ways to spark a few ideas. Of course, products created with these types of art or sayings usually have a much shorter shelf life. In other words, as quickly as they became "a thing," they may just as quickly be yesterday's news. Again, the great part of the POD model is that you can just as quickly stop promoting that type of seasonal or fading product without having to worry about unsold inventory.

After all your research and inspirational online surfing, you find a great idea for a design or come up with a funny saying that's sure to sell like crazy. There's only one problem. You have no idea how to actually create the image or make the saying look good on the product. Have no fear! That's why we have outsourced designers or talent-for-hire. Luckily, reputable and talented creative artists are not difficult to find.

Here are some online resources and communities to find and hire talented designers at reasonable prices:

- » **Designcrowd** (www.designcrowd.com)
- » **99Designs** (<https://99designs.com>)
- » **Fiverr** (www.fiverr.com)
- » **Behance** (www.behance.net)
- » **UpWork** (www.upwork.com)

If you're not sure which companies or designers do the best work, check with your POD supplier. Sometimes they will provide names of trusted designers and artists that work with their other clients. You may also discover that your supplier has an online community or marketplace on their website that connects POD customers with prospective designers. And it's possible you don't need a designer at all. Some suppliers now have free online tools to assist with the design process, including design mock-up and editing tools and integrations directly to stock photo resources, like Shutterstock. Still not finding what you need to bridge

the creativity gap? There are now free and low-cost online image generator tools available. These tools use AI (artificial intelligence) technology to allow you to put in text-based descriptions of the image you want and then it generates the image for you. Try Pixlr (<https://pixlr.com>) for free, or upgrade to a premium account for as little as \$5 per month.



WARNING

When you sell products with images or writing on them, you must be aware of copyright and trademark laws. Most images, content, and artwork you see online are protected by its creators. Using and profiting off of someone else's protected work is illegal and could result in monetary fines, at the very least. Even if you buy stock photography, you must make sure that you choose work that is available for commercial use (which means you'll make money from using it). Be aware that images used for that purpose usually cost a lot more, and the total price is often based on how much it will be used and where it will be used (by geography). Alternatively, if you create your own work or sayings, make sure you protect it. Learn more how to trademark and copyright your work in Book 2.



TIP

Looking for vintage images and characters to use on your products? Depending on how old the work is, the trademark or copyright could have expired and never been renewed. Be sure to check with the U.S. Government's trademark office. You may also be able to reach out to the owner of the copyright or trademark and buy the registration. You can do your own trademark search by visiting www.uspto.gov/trademarks/search.

Selecting a POD Partner

Aside from your product designs, the most important decision you make when starting a POD business is choosing your print-on-demand supplier. Because the supplier handles so much of your business, from production to delivery, you should think of these suppliers as your business partner. And there are thousands of POD suppliers available with more popping up all the time. How do you pick the right partner?

You may be tempted to base your decision solely on cost — monthly subscription fees, base product cost, and transaction and shipping fees. As you look more closely at those cost factors, you may see that low-price suppliers mean you sacrifice in other critical areas, such as product quality, production time (how long it takes to create the actual product), and delivery times (does the supplier guarantee how many days before it ships or does it only ship in the continental United States?).



TIP

One of the best questions to ask yourself when choosing a partner is: What type of business are you trying to create? You should consider what separates you from other POD businesses or gives you a competitive advantage. That's important to know because each of the POD suppliers we reference in the sections that follow has a particular advantage or something that separates it from other suppliers. That difference may be the more important deciding factor when choosing your partner.

Printify

Truly a veteran of the print-on-demand industry, Printify (<https://printify.com>) boasts one of the largest selection of products — over 600 — and a distributed network of print partners around the globe. It's also one of the fastest shippers of products boasting a two- to three-day delivery window, although that applies only to select products within the U.S. market.

Even better, there's no charge for using Printify POD services. This includes an unlimited number of product designs, and you can have up to five different stores connected to the free plan. Similar to other POD supplier models, you pay a fixed amount per product and for shipping at time of order. When you're ready to increase the number of stores you have (up to ten), there's a \$25 monthly fee. The premium plan comes with a 20 percent discount on all products.

Printful

This POD supplier has also been in the industry for a long time and is used by a number of well-known brands. Printful (www.printful.com) is probably best known for its quality products (including using well-known brands, like American Apparel), level of customization options, and its White Label program (which allows packaging to be printed under your company's brand). In addition to offering a wide range of products in all the top product categories, it also has a large selection of eco-friendly products, which is part of the growing sustainability trend, especially with younger customers.

As for customization options, Printful uses several techniques, which makes it a terrific partner if you want to build a highly custom brand. For example, it offers a “cut and sew” technique that allows for an all-over design that is achieved by reconstructing the actual piece of clothing (versus trying to digitally print across the entire garment). This results in a higher quality or premium product, but also drives up the base cost of your final product. Printful also offers embroidery options, which also result in a higher-quality product with a threaded technique versus a simple, printed design. This is particularly popular for household items such as bed linens and towels.

When it comes to cost, Printful doesn't charge additional fees for its standard POD model. You pay only when products are printed and shipped and it's a per-product pricing model with no minimums. As your business grows, or if you already sell on your own store, it has integrations with a wide range of platforms and marketplaces including Shopify, WooCommerce, Etsy, and even Walmart. And standard shipping time frames are usually within two to five days for most POD products, with competitive shipping rates, which it publicly posts on its website.

Zazzle

Perhaps not the typical POD supplier, as we think of them today, but Zazzle (www.zazzle.com) is still worth mentioning for a few reasons. If you are a graphic designer or artist, you can sell your designs on Zazzle. You set your own price, or in this case, royalties for use of your designs. This is also an advantage for those of us wanting a more typical POD supplier, since having access to those designs means there are way more personalization options on Zazzle. Additionally, you can sell directly through the platform, which means your customers also have more personalization options. Zazzle lets your customers choose such things as the color, style, and even the materials of the product they want to buy.

Some of the other advantages of this marketplace-style POD model is that Zazzle promotes its marketplace (including you!) both online and offline. This means you ultimately pay less money to market your products. And like a traditional POD supplier, it handles all the order fulfillment and shipping, as well as provides full customer service. The biggest downside to this business model is that because it operates as its own online marketplace, you cannot integrate products sold on Zazzle with other online e-commerce solutions (like Shopify) or sell through social media (like TikTok).

Gelato

Why choose Gelato (www.gelato.com) as your POD supplier? Two things really set Gelato apart from the rest: speed and geographic territory. If you want to sell internationally, Gelato boasts having a network of local print-on-demand companies in 32 countries. Furthermore, it claims to be one of the fastest suppliers to deliver the widest range of products, always within 72 hours, or three days. One of their stated goals is to compete with delivery times from Amazon. If you or your customers are worried about reducing your overall carbon footprint, then partnering with Gelato could be a competitive advantage.

Like other top suppliers, Gelato fully integrates with other e-commerce platforms, including Shopify, WIX, and WooCommerce. Its pricing model is also mostly comparable to other leading suppliers. It's free to use Gelato for up to two stores, and

you pay per production of product. One potential gotcha to be aware of is that shipping fees are not including in product pricing, so pay attention to that extra cost that needs to be added to each product fee. The other disadvantages of Gelato include a limited product selection compared to some of the other POD suppliers; and to access some really terrific tools Gelato offers, you have to move to a premium subscription plan, which starts at \$24 per month.

Amazon Merch

It's challenging to provide a list of POD suppliers without mentioning Amazon. The retail giant excels at understanding e-commerce business models and marketing to its global base of customers. To cut to the chase, exposure to the vast customer base is probably the single biggest advantage to using Amazon's Merch on Demand program.

As you have likely guessed, Amazon isn't like most print-on-demand suppliers. For starters, it's an invitation-only opportunity. In other words, you go through a rigorous application process and Amazon decides which businesses get to participate in the program. There's no clear guidance as to why you may or may not be accepted, and the selection time frame is lengthy. It averages around six months, according to many entrepreneurs who have been through the application process. Should you get into the program, the rest of the process is standard POD operating policies. You are charged a flat price per product and then you set your own retail pricing. Amazon handles all production, delivery, and customer service. However, product availability is limited and seems to focus mainly on apparel. Similarly, there's not room for customization as most designs are only printed on the fronts and backs of the garments. Oh, and we should probably mention that there's no option for a white-label approach, or unique branding. All products are clearly branded only as Amazon, and online product descriptions clearly state that the product is made, fulfilled, and shipped by Amazon.

With all the disadvantages we've called out, compared to other suppliers, you may wonder if it's even worthwhile. Again, the single biggest advantage is that your products are exposed to millions of prospective customers around the world. And almost all the products are eligible for Amazon's Prime service, which also ensures speedy delivery times.

Know Your (Cost) Margins

Speaking of the best reasons to choose a POD supplier, we continue to stress the importance of not choosing one based on pricing alone. That said, it is critical to understand the overall cost of doing a print-on-demand business. Afterall, that's

what ultimately determines how much money you take home. Cost margins are very slim in this industry. One POD supplier, Printify, claims that the typical POD profit margin for its customers is around 20 percent. Other industry experts and suppliers, such as Teeinblue, estimate that cost margins range from 20 to 60 percent, but that fluctuates depending on the individual products.

To get to the margin, let's start with the gross profit. This is the difference between the cost of goods (or the finished product) and the price of the product to a customer (referred to as "revenue"). If you pay the supplier \$13 for a small, printed t-shirt and sell it for \$18, your gross profit for that product is \$5. The margin, shown in percentages, is your profit divided by the price you charge. In this example, you divide the \$5 profit by the \$18 selling price, which gives you roughly a 28 percent margin for that specific product.

But you also need to consider the gross margin for the entire business, factoring in all products sold and all operational costs. Let's say you sell 1,000 t-shirts in a month and make \$5,000. You then have to deduct any additional business expenses or the operational costs, such as the amount spent for ads on Instagram, the monthly cost of your webstore hosting, shipping costs, taxes, design fees, and the list goes on. By the time you account for the rest of your business expenses, you may only have earned \$2,500.

Many POD suppliers suggest that gross margins ranging from 30 percent to 50 percent is sustainable for a profitable POD business. Printful, another POD supplier, warns that margins of 15 percent or less are risky, and it doesn't allow you to cover all those operational expenses. It also says that 60 percent margins are likely too good to be true and often indicate high prices that aren't sustainable from a competitive standpoint. This information is not meant to scare you but rather ensure that you are aware of all the decisions and costs that ultimately determine how much you could make and sustain in your POD business.

Building a Customer Base

What's the key to selling your POD products? Having customers to buy them! This is obviously true for any business. Because profit margins can trend to the lower side, it's even more important that you have a steady and somewhat expansive base of customers.

In the POD business, the differentiating factors, especially when attracting first-time buyers, often come down to pricing, quality, and uniqueness of product design (the images, words, and artwork). But the real secret to building a customer base is what happens after that first purchase — it's all about creating

repeat buyers and loyal customers. Generally speaking, it's more expensive to attract new customers. So, if you can retain those new customers, you decrease overall marketing costs and increase your gross margins — profit! That's another reason why having a built-in audience or fan base can be instrumental to a successful POD business, as we mentioned earlier in this chapter.

If we think about what it takes to build loyal, repeat customers, it goes back to product quality and customer experience. A recent survey from PwC revealed that 73 percent of buyers value the quality of their purchasing experience. This encompasses everything from product to satisfaction of the total buying process — including the delivery of the product.

Once you have satisfied customers, here are some other techniques you can use to continue growing and retaining loyal customers:

- » Provide discounts and rewards for repeat customers
- » Offer referral programs to reward customers for recommending your products
- » Promote and share positive online reviews to existing customers
- » Create customer spotlight stories that feature your customers
- » Survey your customers regularly to monitor their satisfaction and get their feedback and product suggestions
- » Provide helpful content related to the products you sell



TIP

An important part of developing customer loyalty is to create a community around your business brand. This takes loyalty beyond pricing discounts and financial-based incentives for using your products. Instead, it focuses on the feeling you elicit by being a part of the brand or its community of like-minded customers.

- » Opening a world of new opportunities
- » Pinpointing countries to explore
- » Determining how to operate across a global marketplace
- » Understanding other cultures

Chapter 6

Growing Beyond Borders: The International Marketplace

Expanding your operations outside your home country is a proposition that's both exciting and scary. This strategy becomes easier when either you or a business partner has experience in working outside the United States. However, the return on the investment can be lucrative and worth a bit of a learning curve. For existing e-commerce businesses, international expansion offers the potential of a new revenue stream. Products can become oversaturated in the ever-competitive American market. Yet overseas, the same product may be a relatively new and sought-after item with few — if any — distributors. Not to mention, reaching out to an international market means cultivating a base of new customers.

For first-time online entrepreneurs, starting a business with global reach means you could grow a global brand from the word "Go!" It also gives you the flexibility to determine the best products for an international market without any preconceived biases or restraints.

That's not to say there aren't complexities in spreading your wings beyond U.S. borders. Language barriers and in-country laws and regulations may cause a few hiccups along the way. Furthermore, external factors like politics and trade agreements between countries can add additional complications as you expand internationally; elements like unexpected tariffs can change the dynamic of how you can compete with overseas sellers, for example.

In this chapter, we show you how to address the challenges of selling in international markets, which is even easier to do thanks to advanced technologies and new features from some leading shopping-cart platforms. And we also explain how to make strategic decisions and use the advantages of an international marketplace to accelerate revenue growth.

Understanding the Scope of a Global Opportunity

The global e-commerce market has consistently grown year-over-year and is expected to surpass \$7 trillion by 2027, according to eMarketer research. Interestingly, the global COVID-19 pandemic advanced the state of the e-commerce market by nearly five years. With a disrupted supply chain making store shelves bare and an extended lockdown keeping consumers at home, the pandemic shifted shopping behaviors from in-store to online. That trend has continued with an annual rate of growth of more than 8 percent.

At the same time, some of the countries with lower online-shopping rates began to increase, which helped expand the overall international e-commerce market. As we recovered from the pandemic, the virtual walls between international borders came down, the popularity of custom products increased, and the fulfillment and shipping industries got smarter and more efficient at producing and delivering goods to consumers at home. The result? It's a fantastic time to dive into online selling to an international market, or two . . . or three . . . or ten!

Focusing on Target Countries

Before going any further, we should emphasize that we are assuming you're based in the United States (possibly Canada) and are interested in selling into countries outside of North America. However, if you're based in Ireland or Poland and want to sell into the United Kingdom, for example, the same principles we're sharing here apply to you for the most part. But there are clear differences across countries and that's why it's important to decide where you want to focus.

For example, take into consideration that China accounts for roughly half of the global e-commerce market. The United States is not too far behind, and together those two countries make up a large portion of total sales. That means both countries are relatively saturated compared to opportunities in other countries. On the flip side, Indonesia, India, and parts of Europe have all been identified as having significant potential for e-commerce growth, according to research analysts and trend watchers.

In addition to market trends, here are other factors to evaluate as you pinpoint the places you want to grow:

- » **Market demand for specific products:** Which countries have a need or desire for the types of products you sell or want to sell? If there's limited or no demand in the market, you will waste a lot of money and time trying to sell to buyers who aren't interested.
- » **Target match of customer base:** Just like you have to find the right products, you also need to define the type of audience or customer you want to target. Especially if you already have a fan base or large number of followers from social media (or elsewhere), you want to take advantage of that existing base of potential customers. And then you want to identify similar types of customers in other countries.
- » **Localization requirements:** If the countries you are targeting don't use English as their primary language, then you'll likely need to translate content both on your e-store and in all your marketing content (including social media posts, videos, and more). But beyond translation, you also need to understand the types of content that will resonate with your buyers and have an awareness of the local culture.
- » **Availability of in-country resources:** Should you need to get local help through partnerships, operations and shipping resources, and marketing assistance, are these types of people and services available in the local country or is it cost-prohibitive to find and engage these types of resources?
- » **Legislation and taxes:** Be aware of any laws that could restrict when or how you do business inside the country's borders. Likewise, factor in taxes and other operational expenses that could reduce your profit margins.



WARNING

Government rules and regulations also dictate what countries you can do business with and what products you can sell or ship to different countries. The U.S. Government has a Sanctions Program and Country Information List that shows any restrictions for doing business with other countries. You can find the list at <https://ofac.treasury.gov/sanctions-programs-and-country-information>. For information from other countries regarding restrictions or banned imports of certain products, go to the government website for each individual country.

Making Operational Decisions

Once you know where you want to sell your products, you next need to determine *how* you're going to set up your online shop and conduct business.

Translations

As you prepare to expand your online business into other countries, one of the first questions to ask is whether you should translate the content on your e-commerce store into different languages. In most countries, English is a learned language, especially for business. Thus, globally most people speak at least conversational English. However, a survey across 29 countries recently showed that 76 percent of consumers wanted to shop in their native language, according to CSA Research. This held true even if they were fluent in English. Most importantly, respondents said they wanted to see product information and customer reviews in their own language. And only 40 percent of those surveyed said they would make a purchase if they couldn't see the product information in their native language. Interestingly, shoppers were not concerned if the quality of the translation was poor, and they were also accepting if there was a mix of translated and untranslated content on the website.

As we look at similar data, there seems to be a clear indication that you should translate your e-commerce store. For other types of online businesses, the answer may be that machine translation option in your browser. For example, Google can translate the content for you. This is a nice compromise if you don't have the resources to manage and maintain the translation process. Before making a final decision, let's take a look at some of the pros and cons of translating your content.

Pros:

- » AI-based tools make machine learning translations of content easier and more affordable.
- » Translated content provides a better shopping experience for buyers.
- » Online shoppers are more likely to buy when they can read product information in their local language.
- » Translation tools that use machine learning or AI (artificial intelligence) are usually accurate by up to 80 to 85 percent, depending on the language.
- » Shopping-cart platforms, like Shopify and Adobe Commerce, have free apps that integrate with your store to make translating content easier.

Cons:

- » Translated content must be maintained, including any time there is a product or content update to your site, which can be expensive and time-consuming.
- » Machine-based translation tools are not completely accurate, especially with more difficult languages, when slang is used, or when there are abbreviations or company-specific words or product names that are not part of the normal language.
- » Using human translators or a mix of human and machine learning is expensive and takes more time to deploy on your site.
- » Formatting errors are likely on your web pages, especially for some languages that use lots of characters per word; for example, text that fits on a call-to-action button (such as “Buy Now”) may not fit on the button in a more complex language.
- » Once the content is translated, if you don’t speak the language it’s nearly impossible for you to understand or read the content to manage future updates.

You don’t have to translate for all countries in which you sell. Let’s say you have customers (and sites) in ten countries, but only two of those countries, Germany and Brazil, are important enough to translate. What makes those countries important? That’s up to you to determine. But as an example, it may be that you get a lot of traffic from those two countries. And in your initial research you confirmed that there is a lot of market opportunity so revenue should be strong. However, your data shows that bounce rates for each local store are high and there are very low conversions for purchasing. Plus, you learn that German consumers have a very high propensity to only shop in their local language. When you add all of these data points together, it paints a picture of needing to translate into those two languages.



TIP

When you’re ready to explore translation for your site, there are several tools you should consider. Weglot (www.weglot.com) and ChatGPT (generative AI tool) both use machine learning to make the translation process easier. MotionPoint (www.motionpoint.com) and Smartling (www.smartling.com) use a combination of techniques for a full-service approach to translation.

Local payment options

It’s challenging to have an online store that sells internationally if you don’t also have some way to accept payments from customers in those countries. And it’s not enough to provide standard credit card options, such as Visa and Mastercard. You also need to offer what’s referred to as *local payment* options, or those methods of payment that are specific to or preferred by a particular country. Local

payment methods aren't always a requirement, but the decision not to offer them could mean decreasing your potential earnings (because you are limiting how your customers can buy). It could result in your store being seen as not very customer friendly, or leave customers with the feeling that you are an American-owned business that does not understand other countries or their citizens. Again, it's a perception of not caring. And that means those in-country customers will gladly take their money and spend it elsewhere.

Okay, so it's decided. You'll offer local payment methods. That wasn't so hard. To get started, you need to choose an international payment gateway. This is necessary, even if you already have a merchant account and a standard payment gateway. If you need a refresher on payment processors, we provide all the details you need in Book 4, Chapter 3. In the meantime, let's review what the international payment gateway does and why you need it.

The international payment gateway allows you to accept and process transactions in different currencies. Some countries share a currency, such as euros that are used by countries in the European Union (EU), but most countries have their own currency. And even though the United States and Canada both use the term "dollars," there are different exchange rates applied, so they are not the same currency.

Here are some of the well-known international payment gateways:

- » **Adyen** (www.adyen.com)
- » **Authorize.net** (www.authorize.net)
- » **Braintree** (www.braintreepayments.com)
- » **Gocardless** (<https://gocardless.com>)
- » **Verifone** (www.verifone.com/en/us/verifone-global-ecommerce)



REMEMBER

There are other payment methods, often grouped as part of a digital wallet, that you should consider offering. In particular, these include PayPal (www.paypal.com) and Amazon Pay (<https://pay.amazon.com>). Some people consider both of these as international payment gateways because they enable payments across the globe.

Once you have the right gateway in place to process payments in local currencies, you can determine which local payment methods to add to your site. It can get complicated and expensive to add and maintain a lot of payment options. Just like when you sign up for Visa or Mastercard or American Express, there are merchant fees that may include application and set-up costs, as well as processing fees that are charged per transaction. For those reasons, we suggest offering local payment options for the countries where you do the most business, have the most growth opportunity, or where customers have very limited payment options that could hinder your ability to do business in that country.

Following are a few examples of some local payment methods to consider:

- » Boleto (Brazil)
- » Doku (Indonesia)
- » GiroPay (Germany)
- » UPI (India)



REMEMBER

Many places in the world today are essentially cash-only countries. This means instead of credit cards, they use cash, debit cards, and digital wallets. Or they will use bank transfers (wiring money from one bank account to another). Some of the local currency preferences are either solutions considered part of a digital wallet, or they allow for transfer of money from the bank instead of doing wired transfers. Additionally, in countries such as India, buy now and pay later options like Klarna (www.klarna.com) are extremely popular.

Shipping and handling

Shipping internationally differs from domestic shipping in several ways. For starters, it's more expensive to ship from the United States to another country and it takes considerably longer. Delivery of international packages through the United States Postal Service (USPS) ranges from six to ten days when using its priority shipping method. Standard delivery time frames for other carriers range from 7 to 14 days, and sometimes as much as three weeks. Of course, expedited global shipping is available, which can guarantee delivery under a week — for a price!

The cost for international shipping varies widely. Most carriers offer online tools on their websites to let you calculate costs. Total shipping costs usually include the shipping rate (based on method of delivery selected), duties and taxes (import fees assessed and set by the destination country), and any additional fees (usually specific to customs charges). As part of the shipping process, you'll need special forms to clear the packages through customs. The need to go through customs, as well as the fact that multiple modes of transportation are used to transport the package, all add up to more expensive shipping rates for international deliveries.



REMEMBER

If you have your own e-commerce store and use a shopping-cart solution or storefront provider like Shopify (www.shopify.com), you can sign up for their international e-commerce program. The nice thing about this program is that it takes care of a lot of the back-end processing, such as by using a pre-cleared customs form, and it will handle returns. And it offers significant discounts on the international shipping rates. You can find out more about shopping carts in Book 4, Chapter 4.



TIP

Should you need to prepare packages yourself, you can use one of several recognized global shipping giants. Common choices include UPS, FedEx, DHL, and USPS. For instructions on how to prepare a package and ship internationally, see Book 4, Chapter 6.

As part of your strategy for a global online business, you may want to use shipping costs and in-country restrictions to determine where you want to sell products outside of the United States. Many countries have restrictions about the type of products that can be shipped in from other locations, including products considered hazardous, as well as some food products and fresh or live plants and produce. To confirm any restrictions, it's best to check the government website for each country you want to ship products.

Alternatively, you may decide to make only certain products eligible for international shipping. The decision could mean excluding large, bulky items, fragile items, or other products that may drive up the cost of shipping and make it unappealing to customers. After all, unless you offer any shipping discounts, it's the customer who pays both the cost of the product and the shipping. When adding those costs together, the product may no longer be competitive or affordable to purchase.

Before you calculate the total cost of the goods, you also must determine whether to add fees for handling and returns. Most retailers add a “handling” charge to the cost of the shipping. This is meant to cover your time for preparing the package to be shipped. Sometimes online retailers will add a restocking fee, which is only charged should the customer return the product. Speaking of returns, it can also be expensive for customers to send an item back to you. You must determine whether you want to accept returns, and if so, is the customer responsible for the shipping fees? Or do you prefer to find an in-country return processing center to make it more convenient for customers to return products? All of these decisions should be clearly communicated as part of your store policies, and they should be easy for customers to find on your website. You can learn more about creating policies for your business in Book 1, Chapter 5.

Global partnerships

You can't be all things to all people. And you can't be everywhere all at once — even as an online business! Choosing to expand your business across borders will eventually stretch your patience and test your limits. Honestly, that's no different from running any type of business, whether you have a single physical location or cater to a global customer base across multiple countries. But as a global online-business owner, you should carefully consider the best way to serve customers that are geographically dispersed. The answer often comes down to establishing business partnerships in the local countries.

Supply chains

Unless you have a very large, established online business that already operates in multiple countries, you don't need to establish supply chains for yourself. However, as a small or start-up e-commerce business, you should pay attention to the supply chains and operational facilities of your vendors. For example, let's say you are using a drop-shipper to fulfill products that you sell from your website. You are not the one packing boxes, printing shipping labels, and double-checking customs requirements. The products are packaged and shipped by a third-party (the drop-shipper) from its warehouse location. Where that warehouse sits is important to determining how long a product will take to get to your customer. If the drop-shipper is working out of Miami and has to box and ship the product to Nice, France, it could take five to seven days (or more!) to arrive. However, if your drop-shipper has operations or fulfillment centers in Paris, then it may take less than two days to land safely in the hands of your customer. As you build your network of suppliers, it's critical to learn about their operations. The key to a successful international online business is often a global supply chain.

Resellers

It's not uncommon for larger businesses to have reseller programs to help accelerate and maintain growth. Similarly, an online business may offer an affiliate-marketing program to expand its footprint and increase revenue potential. The difference between the two is that affiliates are typically also online-only entities that are just as likely to sell globally. Resellers, while they may sell through an e-commerce channel, tend to support specific regional territories. In both models you pay the partners a commission or percentage of each sale.

While paying commissions means less money in your pocket, there are advantages of having a reseller in a particular territory. These advantages include having local language expertise for translating content and having someone who understands regional buying preferences and other cultural influences that may impact your business. Depending on what type of products or services you sell, local resellers can be instrumental in providing product support and being available during hours you aren't, since you're located in a different time zone.



REMEMBER

Online businesses and e-commerce stores are expected to always “be open” even if it's in the middle of the night for you. If you sell to other countries, this expectation increases. Global customers are likely browsing and buying in their preferred time zone — not yours! Using AI-generated chatbots or virtual assistants can help mitigate some of those requests that come across time zones. But as business grows, you'll need a more comprehensive plan to truly service customers 24/7.



TIP

Setting up a comprehensive reseller program takes a lot of time and effort. Unless your online business is already big enough to sustain that type of program, you may want to consider an alternative approach. Look for contractors who can serve in a reseller-type role in a given country or region. This gives you more flexibility before committing to a structured reseller program. You'll want to have an official contract in place so that the expectations are clear and the earning opportunity (or commissions) are documented in writing.

Social influencers

Once you have operations and customer support in place, there's one more partner to consider adding into the mix: a local influencer. Given the ease of running online ads (such as through Google Ads) and launching digital marketing campaigns from any location, you may be scratching your head on why you need this type of partner. If you have identified a particular country with a high potential for revenue growth, it may be worth investing extra dollars for marketing. Partnering with a social media influencer who is well-known in that country can help boost your credibility and general brand recognition as you are building online sales. Local influencers (versus those with a wider global reach) are also likely to be more affordable. If your online business sells products to a B2B (business-to-business) audience as opposed to B2C (business to consumers), you may want to find a recognizable and trusted business consultant or speaker who can network for and promote your business. Unlike a reseller, you are not paying these influencers to sell your product, but rather to help raise awareness of your brand within the country.



TIP

Setting up and managing Google Ads is not difficult, and we share information about all types of online promotions in Book 6. However, it can be useful to get help from local paid media agencies for in-country Google Ads campaigns. These experts should not only ensure the proper translations for the ads, but also advise on how best to manage the ads in a particular country. You want to protect against driving up costs due to such things as poor keyword matching and low ad authority or ranking.

Developing Cultural Awareness

Marketing and selling online to a country outside the United States may seem easy — and for the most part it is. After all, you aren't traveling to other countries and meeting with customers face to face. The principles of digital marketing are largely the same no matter which country you are targeting for your online ad campaigns. And with an e-commerce store, most of the operational differences (like local payments and taxes) are handled for you, provided you choose the correct storefront or shopping-cart provider. So, what's the big deal? The big deal is in the little subtleties.

There are often nuanced, or slight differences, in cultural preferences, beliefs, and buying behaviors that could turn into a big marketing blunder if you're not careful. You risk offending or even angering potential customers. And that could translate to an uphill battle to build your online business in that country. Avoiding this type of mistake is usually a matter of being aware and taking time to do in-country research.

Here are four key areas that could get lost in translation if you're culturally naive:

- » **Imagery:** It takes time to find the ideal image to use, whether it's a product image, a picture for your website, or an image used in an online ad. Once you find the perfect picture, you don't really want to change it because a different audience may see it. However, imagery is powerful — and sometimes it resonates with customers more than the words you use. Generally, you want to use images that connect with or reflect the local culture, which could include the ethnicity of the people, particular colors, and region-specific landmarks (don't use an image of the Statue of Liberty in Germany, for example). Certain types of images could work fine in one country but invoke a very different response in other places. The use of animals is tricky because it can have specific, even negative, connotations in some places, or may be considered sacred to others and thereby offensive to use it in an ad. Other cultural references in imagery can have strong negative reactions. The global fashion company, Dolce & Gabbana, created a series of social media ads that featured a Chinese woman using chopsticks to eat spaghetti while a male voice gave her instructions. The ad was so offensive in China that the government issued a statement about it, and consumers in China (one of the country's largest markets) threatened to boycott the designer!
- » **Slang:** While it may seem obvious that you should avoid words or phrases that are considered slang in one country, it still happens a lot. You get used to speaking a certain way and don't even realize it's considered slang. Or maybe you want to bring a pop-culture phrase into an ad and capitalize on the trend. Unless you're using a Taylor Swift reference, slang terms rarely have the same meaning across borders. That was the case with HSBC Bank, which paid the price for using what it assumed was a common phrase in its ads. Turns out that the commonly used U.S. phrase "assume nothing" actually takes on the meaning *do nothing* in many countries. That's not exactly the impression any bank wants to give in its ads, so HSBC spent \$10 million removing the phrase.
- » **Translations:** Sometimes you don't even have to use slang to introduce confusion in your marketing to other countries. The literal translation of a word or string of words can have very different meanings. There are several unfortunate examples of this type of blunder from well-known global brands. For example, KFC made headlines in the 1980s when it first entered the market in China. The company translated its English content, including its famous tagline "finger-lickin' good." Sadly, in China that translated to "eat your



TIP

fingers off.” Whoops! American beer brand Coors learned a similar lesson when using the phrase “turn it loose” in a global ad campaign. Those seemingly common words elicited a different reaction in Spain, where the words translate to “suffer from diarrhea.” There are many more examples, but the take-away is to make sure not to assume that all words or phrases have the same meaning in a different country.

When using digital translation tools, the nuances of a word or phrase may not get picked up or flagged as inappropriate. Finding a local (human) resource to help review translations, especially for ads, could help avoid costly mistakes.

» **Customer testimonials:** Online reviews and customer testimonials or case studies featured on your site go a long way to persuading shoppers to become buyers. Research shows that prospective customers are more likely to be influenced by an online product review from a stranger than from the opinion of a friend or family member. When selling internationally, studies also show a preference (as much as 73 percent!) for seeing reviews in their local language. Even if other parts of your online store are in English, reading recommendations in a customer’s own language is nearly always more powerful. Similarly, when sharing customer-use cases or success stories online, they are more meaningful and relatable if customers featured are from that country.



REMEMBER

Just like the examples shown here, mistakes are going to happen when marketing to other countries. Heck, you may even unintentionally offend someone in your home country! When blunders occur, the best way to handle it is to apologize. Replace the image, change the words, or just stop using the content.

» **Political activity:** Geopolitical influence is not always a popular topic, but it can impact your online business. We live in a more closely connected world than ever before — it’s a virtual, global community. And where physical distance may have buffered us previously, we now have to consider the impact of local political issues. For example, in 2024, there are major elections happening in nearly half the countries around the world, including the United States, Mexico, India, and the United Kingdom. In some countries, this means business will slow or stop completely for a period of time. Supply chains, product deliveries, and attention spans could all be disrupted. Not to mention, new government leaders could bring change to international trade rules and other local laws, all which could impact your specific business. Online-business owners have also recently witnessed how wars between countries, or political unrest in a region, can disrupt the ability to do business in countries that were previously considered part of their international customer base.



REMEMBER

You don’t have to remain laser-focused on every political discussion happening in countries where you sell. However, you should stay generally aware of larger topics that could influence the ability to do business in those countries.

9

E-Commerce Advanced

Contents at a Glance

CHAPTER 1:	Mapping the Digital Buyer's Journey	577
	Deconstructing the Path of an Online Buyer.	578
	Monitoring the Flipped and Fluid Digital Sales Funnel	580
	Putting It All Together: The Buyer, the Conversion, the Channel	582
CHAPTER 2:	Getting Personal with Content Marketing	587
	Delivering the Goods with the Right Content Approach	588
	Developing Buyer Personas	589
	Creating Content for Storytelling and Consumption	592
	Launching the Personalization Effort Online	598
CHAPTER 3:	Overhauling an Aging Online Business	605
	Paying Attention to the Signs.	606
	Using VOC to Understand What Your Customer Really Thinks.	610
	Listening and Taking Action: Time to Redesign.	613
	Qualifying for a Makeover from Lagging Sales	615
	Reengaging Customers to Spend with You, Again	620
CHAPTER 4:	Expanding Products to Increase Stagnant Sales	623
	Figuring Out When to Expand Your Product Line.	624
	Replacement or Expansion: The Art of Culling Your Inventory. .	628
	Finding Alternatives to Spur Growth	630
CHAPTER 5:	Transitioning a Small Site into Big Business	633
	Seeking Out the Next Level of Your Business	633
	Purposefully Making the Next Move.	640

- » Defining the stages from browser to buyer
- » Picking apart the modern sales funnel
- » Fine-tuning the online buying process for a smooth ride

Chapter **1**

Mapping the Digital Buyer's Journey

Information is power. There's little debate that a well-educated buyer is a smart buyer, and the Internet has truly empowered today's consumer online and off. That means that how and when a purchase is made has changed significantly in the last two decades. For example, despite the complexity of many business-to-business (B2B) purchases, Gartner Research shows that buyers spend only 17 percent of their time meeting with a vendor (the seller) when considering a purchase. And only 5 percent of their time may involve an actual salesperson! Why? Consider that analysts also estimate that as much as 70 percent of B2B buyers have already made or narrowed their decision to buy before seeking late-stage sales assistance from your business. For business-to-consumer (B2C) buyers, that number jumps to as much as 90 percent! Of course, this difference in buyer behavior isn't too surprising. A B2C purchase is often less complicated (buyers simply complete the online check-out process) compared to a B2B purchase (which might require actively engaging a salesperson to complete the sale). It's more important than ever before for online businesses to understand where and when buyers are getting information and how that influences their final buying decisions.

In this chapter, we walk you through the stages typical online buyers go through when making a purchasing decision, how they are collecting information about your brand, and what you can do to influence the modern buyers' journeys.

Deconstructing the Path of an Online Buyer

When talking about the *pathway* a buyer takes, we simply mean that there are typical stages a consumer goes through as part of the decision-making process. It's important to understand this process so that you have a better chance of influencing the buyer at each stage — even if you cannot directly reach or engage the buyer at the earliest of these stages.

You may be wondering how can you influence buyers if you can't actually communicate directly with them? The answer to that question is based on where buyers consume information, and from whom. Before the proliferation of the Internet, salespeople (whether B2B or B2C) primarily controlled the buying process and could guide a prospective customer through the sales process, telling the buyers what the company wanted to, when they wanted to (through product brochures, demonstrations, and advertising). As we shared earlier, B2B buyers are far less likely to even engage a salesperson in the buying process today. That's a big shift in behavior!

Talking to prospective customers was also a one-way communications process via advertising, with brands *pushing out* information to the consumers through TV commercials and magazine and newspaper ads, for example. There was little opportunity for buyers to control the flow or type of information they received from brands.

Today, the buyer may evaluate a company or brand long before the brand is aware of that buyer. The buyer gets that information from product review websites, social media conversations, online communities, competitors, peers, friends and perfect strangers — and the vast majority of this information-gathering process occurs online. Let's take a look at the four stages of the buying process and see how a consumer's view of a brand evolves during the online discovery process:

» **Awareness:** In this first stage, consumers don't yet understand that they are starting the path to becoming someone's buyer. Consumers don't even realize they have a problem or a need that your product or service can solve. Let's use the example of a young male who has been scratching his face more and more after he shaves. He's mildly aware of it, and maybe irritated by it, but he doesn't spend a lot of time thinking about it. Then, he gets on the social media forum site called Reddit and explores different conversation threads. He comes across a discussion in which others are complaining about their faces being irritated after shaving and asking for opinions about what might be causing it. The responses range from the itchiness being caused by a skin condition that requires medical treatment to reactions to certain skincare

products. Several guys on the thread mention using a product called DSC Post Shave Cream that they bought online from DollarShaveClub.com (www.dollarshaveclub.com). They rave about how much it helped fight irritation after shaving. The young male buyer considers that this might be part of his problem, but he's not ready to buy — yet. He's still discovering that he might have an issue.

- » **Consideration:** Once buyers decide they have a problem, they are ready to start actively looking for a solution. Following our male buyer, he decides his shaving process and the lack of quality products is creating a skin condition, but he's not yet made up his mind as to which solution is best. He's already been introduced to one product and a site where he can buy it, but being a savvy consumer, he's not ready to commit. Instead, he begins actively looking for other products that might work. In this stage of the buying process, he's doing a lot of detailed research about specific products and vendors, reading online reviews, watching product videos, and comparing the different types of shaving and facial care products for men — including pre-shave products like shea butter and oils. He may also come across reviews of your online business that specializes in men's healthcare products, and he adds that to his list to consider, in addition to Dollar Shave Club.



REMEMBER

The power of an online customer review should not be discounted. Reviews are one of the most influential parts of the consideration stage. Research consistently indicates that an online buyer trusts a review as much — if not more than — a recommendation from a friend. In fact, 86 percent of potential buyers hesitate to make a purchase if there are too many negative reviews of a product or service, according to a 2023 survey by Dixa, a customer service company.

- » **Decision:** Once buyers enter the final stage, their decision is almost made. They've already narrowed down the type of product they want and are fairly certain where they will buy it. In our scenario, the young male buyer is leaning toward a bundle package of DSC Shea Butter and Post Shave Cream. He's now spending a lot of time on the Dollar Shave Club site comparing prices and trying to understand the specifics of the buying process. He likes that this monthly subscription service delivers products to his door every month without hassle. And, he can get his facial care products plus a free first shipment of razors as part of the subscription service. He signs up for the free monthly delivery service trial and adds on the bundled facial care products.

As part of the decision stage, buyers are actively taking sales-oriented actions. In B2B, this means buyers are requesting sales quotes and demos from sales representatives. In B2C, customers are signing up for free trials and starting to put products into their online-shopping carts for consideration, or saving products to a favorites' list or "save for later" list, which allows customers to designate products of interest within the e-commerce site. This type of feature

also gives your online business a view of the specific products buyers are interested in and you can use this information to market to them later, should they abandon their shopping carts or leave the site without buying.

» **Advocacy:** Also referred to as the *loyalty* stage, this stage sometimes gets left off when discussing the buyer's journey because the "buy" decision has already been made. We're including it here because it is an important part of the ongoing cycle that not only represents repeat sales from existing customers, but is also an important part of boosting new sales. In this post-buying stage, our young male buyer received his first subscription box from Dollar Shave Club. The Post Shave Cream really helped reduce the irritability he had after shaving, and he was especially impressed with the Dollar Shave Club experience — receiving his subscription box, the way it was packaged, and the fun personality of the brand that seemed to mirror his lifestyle and interests. He's so excited about his experience that he goes back to the Reddit thread where he first learned about the product and the site, and he shares his own experience. Plus, Dollar Shave Club offers a \$5 credit for every referral he gets, so he posts a special code in the thread comments that incentivizes new buyers, while rewarding him. As part of the advocacy stage, your online business needs to continue talking to existing customers, keeping them excited about your brand, and providing incentives and loyalty programs that encourages sharing and recommending your brand.

Monitoring the Flipped and Fluid Digital Sales Funnel

In days of yore, the stages of the buyer's journey that we describe in the previous section also mirrored what was considered the *traditional sales funnel*. Shaped like an upside-down pyramid, as shown in Figure 1-1, the flow of browser to buyer was simple and straightforward, but that's no longer thought to be the case.

Previously, it was assumed that there were large numbers of prospective buyers in the awareness stage. As your sales and marketing efforts were realized, the number of prospects slowly filtered down as they made a linear progression through the next stages of the funnel. Your salesperson introduced the key information a prospect might need to essentially guide or *pull* the prospect through the funnel. Eventually the prospect becomes a buyer and then an advocate of your product or service. Just as we illustrated in our example of that young male buyer looking for shaving products, he seemed to take a direct path from discovery to purchase.

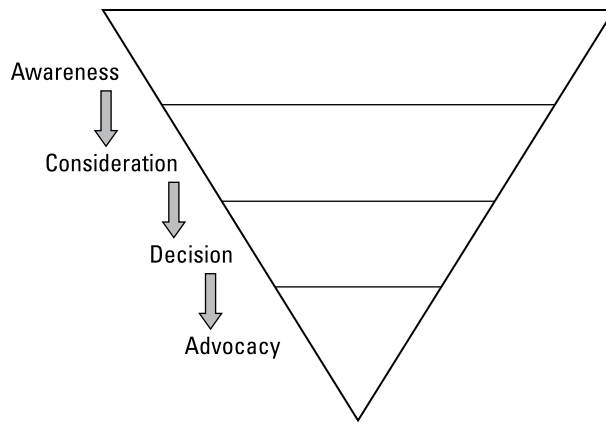


FIGURE 1-1:
The traditional sales funnel was a direct route to purchase.



When learning about the buyer stages as they relate to the sales funnel, you hear it described based on the physical location in the funnel. The awareness stage is considered the top of the funnel (or ToFu). The consideration stage correlates to the middle of the funnel (or MoFu). And the decision and advocacy stages are considered the bottom of the funnel (or BoFu).

But the modern buyer's journey is a bit more complicated. As we mention at the beginning of this chapter, buyers already know quite a bit about you before interacting with your website or your sales team. In addition, they have lots of sources for and types of information they receive. The modern buyer, not the brand, now controls the buying process.

There's lots of debate around today's sales funnel — what it looks like, how buyers move through it, and if it even exists. However you choose to describe its existence, most experts agree on the following when describing the digital sales funnel:

- » Buyers no longer move in a linear progression through the stages, but move in and out of the various stages in a fluid, and sometimes repetitive, nature (as shown in Figure 1-2).
- » Brands no longer control the process, but instead influence it through content, awareness, and advocates.
- » Buyers may skip stages, especially in an e-commerce environment, where it's easy to go from awareness to decision stage, especially when offered an immediate incentive to purchase (for example, having brand advocates distribute \$10 off codes in social media channels for prospective buyers who are just in the awareness stage).

» Movement through the funnel no longer occurs from a single platform or device (such as from the desktop), but instead occurs in an omni-channel environment — moving between the desktop, tablet, and smartphone, and by visiting social media, websites, and bricks-and-mortar storefronts.

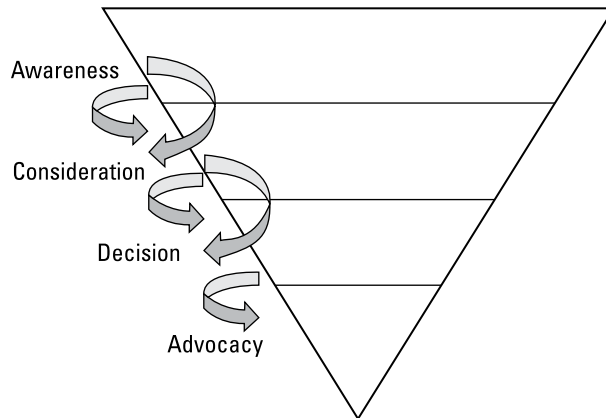


FIGURE 1-2:
Buyers move in and out of the various stages of the modern sales funnel.

What does this all mean for your online business? When it comes to tracking buyers through the sales funnel, it's important that you understand how and where buyers are converting, and making sure you have buyer-specific content that is appropriate for each stage of the funnel (which we discuss in more detail in Chapter 2 of this minibook).

Putting It All Together: The Buyer, the Conversion, the Channel

Now that you understand the buyer's stages and how they relate to the sales funnel, you're ready to construct the buyer's journey for your online business. Think of this process as taking a road trip. You use a map (or GPS or Google Maps) to plan the drive from your starting point to your destination. You'll need to also consider who else is taking the trip with you. You may want to drive your passengers straight to your destination, but depending on their personalities and desires, they may want to stop along the way. So, you'll want to find out what their goals are for stopping (eating, adventure, shopping) and plan on the places along the route to eat, take bathroom breaks, buy souvenirs, or explore a new destination. And, it may not be realistic to identify every possible stop, because along the way you might meet others who recommend a restaurant or activity not on your list;

or you may see some information that convinces you to alter your travel plans and take out time for a completely different activity. You'll eventually get to your destination, but there may be some unplanned stops along the way. Now, let's apply this process to the online buyer's journey.

Modeling buyer behavior

The more you know about your buyers, the better you can meet their needs while they search for your products or services. This means you also need to understand *how* your buyers buy. Knowing who your buyer is and how they move through the purchase process provides a model that you can then replicate and apply to other (future) buyers. By the way, rarely will you have only one type of customer. Even in a niche business, you tend to have different *buyer personas* (or the people who make up your different customer segments). We show you how to create detailed buyer personas in the next chapter, where we discuss content marketing. For now, start thinking about how to describe your different buyers in order to create a profile for each one. To get you started, you might consider the following questions for each type of buyer:

- » What gender is your typical buyer?
- » How old are your buyers? What is their age range?
- » What are they interested in? What are their hobbies?
- » How do they use your product — what need does it solve?
- » Is there a specific time or season they buy from you?

As you see from the questions, creating a buyer persona entails answering a wide range of questions that tells a story about that particular buyer. Some of this information you can get from customer data you have on file (in your customer relationship management, or CRM, software). Other questions you may have to answer by interviewing existing customers, or sending surveys to collect details about what motivates them to buy from you. The more you know about what makes your different types of buyers tick, the easier it will be to understand how they might move through the sales funnel and what information you need to provide them to arrive at a final buying decision.

Mapping critical conversion points

Speaking of knowing what information to introduce to a buyer, you also want to understand specifically where to introduce this information. *Conversion points* are those places online (and sometimes offline, if you also have bricks-and-mortar locations) where buyers are directly engaging with your brand. Typically, this is a

trackable action that your buyer takes to indicate interest or likelihood to purchase. Throughout this book, we discuss using a call to action (CTA) on your website, which prompts your visitor to respond to an offer. A CTA is simply a conversion point for your buyer.

Conversion points can be on your website, or may be delivered through other vehicles or sites. While there are plenty of places where your buyers may be influenced, keep in mind that conversion points are those engagement opportunities that you construct and control. You want to create offers (to prompt the conversions) for every stage of the sales funnel and for every type of buyer persona. Here are some example conversion points:

- » **Landing page on your website:** This is the page people will first come to or “land” on your website, and it may include an offer for a free trial or a white paper, for example.
- » **Landing page off your website:** Instead of driving buyers to your site (where they can wander from page to page), you may want to try and force a conversion by showing only a specific offer and not include navigation to the rest of your site. This is often used with pay-per-click ads (like Google Ads).
- » **Paid ads:** This includes Google Ads, Bing ads, retargeting ads, and paid social media ads. This could also include digital media ads that you pay to place on other websites that have audiences similar to your target persona.
- » **On-site offers:** Throughout your website, you are likely to offer different types of calls to action. You may have several on a single page, or may have them on your company’s blog. It’s possible that you might have customized offers that pop up on a particular web page that provides content to a particular buyer persona.
- » **Email:** When sending communications to your database of prospective and existing buyers, you want to provide offers that will elicit a conversion.
- » **Mobile apps:** Whether you introduce an offer through a paid opportunity through someone else’s app, or you create a mobile app specifically for your site, mobile apps can be effective conversion points.
- » **Branded social media channels:** Although buyers may find out about your site via social channels and online communities, you can provide conversion points through your company’s social media channels.

Triggering the social influencer

Just as the Internet opened up a new world of exploration for buyers, the proliferation of social media has created equally incredible opportunities for the online

buyer. Particularly significant about social media channels is that they are interactive, include heavy peer influence, and conversations and interactions often happen in real time.

Data shows that more than 80 percent of purchasing decisions are influenced by social media. And your buyer's peers have the greatest amount of influence at the bottom of the sales funnel (at the decision and advocacy stages), although, these social influencers aren't only friends and family persuading your buyers where to shop or what to buy. Social media channels, including forums and online communities, are filled with strangers whose opinions are greatly valued by your buyers. This is especially true at the top of the sales funnel (like in our example of the young male buyer and the shaving cream products). Just as we discussed how persuasive an online product review can be, influence within social media works the same way.

As the final part of tracking the buyer's journey, social media is an important component. In the analogy we used of planning a road trip, we said that some of your pit stops would be influenced by people (often strangers) you meet along the way. In the buyer's journey, social media is where much of that unexpected influence occurs. While you can't control this engagement, there are things you can do to better use social media along the buyer's journey:

- » Encourage advocates, your loyal customers, to share their experience on social media (for example, provide social media sharing links alongside customer reviews so customers can easily share their opinions on Facebook or Instagram; or ask them to take a picture of them with your product and share on Instagram).
- » Reward advocates for unsolicited mentions of your brand in social media; this can be as simple as a public thank-you or a retweet of their comment, to sending them some type of swag or branded product.
- » Monitor conversations and respond (even if the comments are disparaging, research shows that buyers appreciate it when a brand publicly responds to people's comments).



REMEMBER

Mapping the buyer's journey comes down to this: understanding as much as possible about *who* is buying, anticipating *what* their needs are, knowing *why* they are buying, identifying *where* they look for information, and determining *how* they are influenced along the way to making their final decision.

IN THIS CHAPTER

- » Understanding the differences in delivering content
- » Painting portraits of your best customers
- » Getting smart about telling stories
- » Making it personal and taking it online

Chapter 2

Getting Personal with Content Marketing

As consumers, Google has taught us that we can quickly find almost any type of information we want when conducting online searches. And, we can expect that the content showing in the search engine results page (SERP) will closely match what we asked for in our search query. As online marketers and online businesses, Google has made it clear that if we want our websites to rank well in search, it's up to us to provide high-quality content. Not only should the content *match* the searcher's intent (what the searcher specifically wanted to know), but also it should *anticipate* what questions our buyers are asking.

For an online business, that doesn't mean Google expects you to be a mind reader. But search engines do require that you know your customers extremely well. You must also understand what content buyers find most helpful and anticipate how those content needs change during different stages of the buyer's journey. Sounds simple, right? Trust us, it really is not that difficult. In this chapter, we show you how content marketing and personalization can work wonders for your website and help meet the needs of search engines and customers.

Delivering the Goods with the Right Content Approach

As an online business, you use content to help drive quality visitors to your website. And search engines, not just Google, then deliver search traffic based on the content that best matches the information request of the customer. This is the goal of *content marketing*.

Creating useful, interesting content for your website pays. Consider that content marketing leaders get eight times more website traffic than those who don't use content well, according to technology pioneer Neil Patel. What kind of content works best? Well, the short answer is that you need a mix of content types, styles, and lengths, which we discuss later in this chapter. But one interesting fact is that while consumers' attention spans are fading, it's still the longer-form content that captures more site visitors — and that has a lot to do with the weight or importance that search engines give to longer content. Top-ranking content in Google is often over 2,700 words, according to Patel. The content type may also impact that number, as studies by Seobase in 2024 showed that the best length for a blog post is between 1,500 and 2,000 words. Experts surmise that Google equates longer-form content to more in-depth, *quality* content that matches a user's intent for deep learning on a topic. Longer-form content that is well-written and interesting keeps visitors engaged on your website longer, which also is a positive factor to boost search rankings. The take-away is that SEO-friendly content must be of high quality and provide information that is relevant and of interest to your site visitors.

Of course, long-form articles aren't the only requirement for creating an effective content marketing strategy. *Personalized content* is an increasingly important component for online success. And when delivered through your website, personalization is specifically referred to as *web personalization*. Let's define these three concepts more clearly, because you'll want to incorporate all of them:

- » **Content marketing:** The process of developing and distributing content of all types that attracts, obtains, and engages a target audience for the purpose of achieving marketing and general business goals, and specifically contributes to brand awareness, lead generation, and revenue growth.
- » **Content personalization:** A marketing strategy (as part of content marketing) that utilizes content written for a specific audience or persona, while aligning an individual piece of content's purpose to the needs of that persona. Content personalization can also apply to smaller segments of text within a larger piece of content. For example, in an email that is written for a general business audience, there may be one paragraph or even a single sentence

within the email that is dynamically changed (according to the recipient). The majority of the email is the same for all recipients, but the piece of dynamic content with the email changes to address different buyers by job title or industry, for example. The key to personalization is that you know enough about your audience to segment them into different buckets so that you can personalize how you talk to them.

- » **Web personalization:** Web personalization is the same as content personalization but it happens specifically online, and it can vary by channel or device. In this case, personalized content is delivered *from your website* to the desktop or to a mobile device, and it can also occur within a web app or a mobile app. It takes content that is written for a particular segment or buyer persona, and matches it to those segments that come to your website. For example, an online pet store may have a website visitor enter the site who has previously been identified with a product interest in dogs. That website visitor is shown content (coupons, special offers, and articles) only about dogs. If there's enough data to know the type of dog breed or the size of dog the website visitor has, then those offers and articles may be further personalized to the specific breed. The level of web personalization you offer is dependent on how much you know about the customer and how personalized your content is.

Developing Buyer Personas

Creating truly useful content starts with understanding as much as possible about the person who is consuming that content. You may have a website that sells to parents, but that's a very broad category of buyer. You might have a mom of twin toddlers looking for parenting information on your website. She has very different needs than the father of a 14-year-old teenager who is also searching for parenting advice. But both of these buyers are your target customers. You likely have products that appeal to each of them. However, if all your content is based generally about being a parent, it's going to be tough to convince these two different buyers to remain interested and shop with you. Your job is to provide both of them specific information that most closely matches their needs or interests.

If you have any type of store (online or off), you already understand the necessity of this customer analysis when stocking up on inventory. If you don't know who is coming to your store and what they are buying, or why they are buying it, then you're essentially guessing as to what products you should keep in stock. The same approach is needed when developing buyer personas for the purpose of creating content. If you're not familiar with the term "buyer personas," it's simply a profile of your different types of customers that describes as much as possible

about who they are and what they want. You might have only two to three different types of customers, but you may also have a dozen different customers.



TIP

Getting started developing buyer personas doesn't need to be complex. Create no more than three to five personas for your most frequent or important buyers.

Before you get started writing a profile of each of your best customers, you must have a substantial amount of information about those customers:

- » **Use your gut.** If you've already been in business for a while, you probably have a general sense of the different types of people who make up your customers. You may talk to them frequently and know a good bit about their personal lives, or you may only know them based on the products they buy from you. Perhaps there are some types of buyers who you tend to sell to more often. Use this general knowledge of your business to start categorizing the different types of existing customers.
- » **Analyze all the data.** Go digging through all your data sources, from website analytics to CRM (customer relationship management) software records. Look for trends or common traits and buying signals across all your customers. Once you identify patterns, group that information together to form a buyer persona.
- » **Check out competitors.** It's probable that some of your competitors have already gone through the process of creating buyer personas. You can tell by the different types of content offered on their website. Spend some time going through the competitor's website and blog and take note when there are articles, ads, or offers that seem to target a specific type of buyer and then see whether you can see similar buyer profiles from your customer base.
- » **Talk to your buyers (all of them!).** One of the best ways to get detailed information about your customers is to talk to them. And this includes the people who buy from you regularly, those who visit your website and talk to your sales team but never buy, and those customers who bought only once or twice and never came back to you. By talking to the customer directly, you uncover more detailed information about what motivates them, how they found your website, or why they bought from you over someone else. You can access a larger percentage of customers by sending them an online survey, but you also need to call and talk directly to half-a-dozen customers or more to get a better sense of what makes your buyers tick.



TIP

You can increase the likelihood of getting customers to speak with you or complete your survey by offering them an incentive for spending time with you. You can give them a gift card for a free cup of coffee or a discount on their next purchase from you. But we almost guarantee that you'll have better and bigger response rates if you provide some small incentive or thank-you for their time.

Speaking of getting your customers to hand over the keys to their personas, you might wonder what type of information you need to know. This can vary a bit depending on whether you sell B2B (business to business) or B2C (business to consumer), but generally you want to segment them into some common types. For example, in B2B, it may be important to know what their job titles are; that's because IT roles (or technical job roles) might show an interest in your product or service for very different reasons than business owners or executives. In B2C, you may want to know whether it's a parent who works full-time outside the home, or a stay-at-home mom or dad. While both of these parents are your customers, they are motivated to buy from you for different reasons. While this is not an extensive list, following are some of the most common data points you might want to know to start creating a buyer persona:

- » Job role or title
- » Industry in which the person works (healthcare, education, and so on)
- » Product interest
- » Geographic location
- » Age
- » Do they have kids (how many, what age)
- » Income range (either individually or by total household income)
- » Own pets (what kinds, what ages)
- » Hobbies or interests
- » Type of car they drive
- » Own or rent a house or lease an apartment
- » How often they buy from you (or from competitors)
- » Why they buy certain products or services (what drives that need or want)
- » What problem they want to solve when considering your website or products or service
- » Role in buying process (in B2B, do they have authority to buy or do they influence the purchase)

Once you have sufficient information, it's time to create a buyer persona. Start by sorting through all the data and interviews and look for common points of interest or common data points. You should be able to quickly begin grouping buyers into categories based on the similarities you uncovered. A buyer persona is actually a fictional customer who is made up of all the real data you collected from those different customer types you uncovered. So, for each buyer persona, you get to create a character.

Start by giving them a name and then identify this customer's buying category, such as "Serina, working mom of teenagers," or "Bob, stay-at-home dad of pre-schoolers." Another key persona for your online business may be "Geraldine, grandmother." Then, for each of these named personas, continue adding information that details who they are, describes their lives, and shows details about when or why they might buy from you. You'll also want to include information about where they go (online and off) to get news, parenting tips, and advice about their households. The objective is to figure out who influences them or what other online communities (forums, social media) or websites they depend on for information.

When trying to decide what or how much information to include in a buyer persona, imagine you are at a party with potential investors for your business. You've invited several of your top customers to meet the investors so they have a better idea of who is buying from you.

Consider how you might introduce each buyer to the investors so that they feel confident you know about your target market and your buyers. For example, you might say: "Joe, this is one of our top customers, Mary Steady. She has her hands full working full-time and raising two teenage daughters. Although she considers herself to be very cost conscious, she doesn't mind spending a little extra to shop with us. In fact, Mary buys from us frequently not only because of the quality of our products, which is super important to her, but also because it's convenient. She doesn't have to add another trip to the store to her already busy day. Instead, she orders online and knows everything will be on her doorstep within two to three days. She first discovered our site after a popular parent blogger mentioned it in an article."

As you see, a buyer persona contains not only basic facts about the shopper, but also it tells a story about your customer's life and how your product or service fits into their world. Once you get to know your different types of customers, you can give them content that will be interesting and helpful specific to that buyer persona.

Creating Content for Storytelling and Consumption

There's a reason content has the reputation of being King in the world of online marketing. Content, in all forms, has the capability to evoke specific actions, or reactions, from readers. And the content creator has the opportunity to shape

what those actions or responses should be based on the desired intent. In other words, every piece of your content should serve a specific purpose. If done well, the content should net the desired outcome. When it comes to content marketing, your job is to align the right piece of content (purpose) with the right person (buyer) at the right time (buyer stage) so that you successfully tell your brand's story and lead that reader (or online shopper) down the path to become a buyer.

Content framework

In order to understand how best to use content, it helps to categorize it, or determine what type of content goes into which bucket. At the highest level of categorization is the framework. The information you create falls into one of these specific frameworks:

- » **Educational:** This content is focused on discovery, or helping the buyer to learn something new. Educational content could include an article about industry trends, or it might be a video that discusses the history behind the popularity of a particular product or category of products. The content should be of a high level.
- » **Instructional:** Similar to educational content, this type of content also revolves around learning, but it is detailed and usually product-specific. Instructional content includes product “how-to’s” and “tips” or shortcuts for using the product or service.
- » **Entertaining:** Sometimes the purpose of content is to generate awareness and one way to do that is to entertain the reader or viewer. Capturing the attention of the prospective buyer is challenging, and providing fun, funny, or interesting content that entertains is one way to do that. Videos, memes (images with captions that are shared via social media), and lighthearted blog posts are all examples of content that can be entertaining for an online audience.
- » **Persuasive:** Ultimately, you want the online shopper to buy from you, and you need content that convinces them to do so. Usually, persuasive content provides a specific reason to use your product (a benefit). That message may get relayed by hearing from an existing customer in the form of a testimonial, review, or case study, or from an expert outside your company.
- » **Promotional:** There are plenty of times when you need content to shine a bright spotlight on your brand or product. Its sole purpose is to speak to your product and show why it is better than competing products. This type of content can be created by you or by your customers who have turned into advocates for the product or for your brand.

Now that you understand what makes up the content framework, let's look at another way to organize content based on who creates it.

Content segments

Today's online buyers are savvy shoppers. But they are also heavily influenced by others, including peers, trusted advisors (from analysts to bloggers), celebrities, family and friends, and strangers (people leaving product reviews, for example). When researching products and services, there is one information source that online shoppers tend to rank toward the bottom on the trust meter — the brand! This is especially true for paid advertisements, but it applies to content as well. Whom do shoppers trust? Research indicates that friends and family top the list as most trusted, followed by online reviews, and then third-party experts.

Yes, that means your company or brand can crank out a lot of content that *tells how great your product is*, but at the end of the day the buyer may be skeptical about its value, simply because it came from you. Notice the emphasis we put on the phrase “how great your product is” — that's because blatant, in-your-face promotional content usually isn't taken at face value, but other types of content produced by your brand can still be highly trusted. Buyers expect you to say only good things about your product, and that means they have to go other places to figure out potential problems or downsides to your solution. Customer reviews usually help fill in that gap, by providing a more balanced user perspective that looks at both the pros and cons of a product.

On the other hand, if your brand writes articles about industry trends or common problems and how to solve them (without directly naming your product as the solution), buyers are more receptive to hearing from you. Similarly, if you share information from your existing customers (case studies and testimonials, for example), buyers are also more trusting, especially if they can identify with your customer and see similarities to themselves.

While it's understandable that a direct sales pitch isn't always seen as the most accurate, you still have to talk about yourself and your products at least some of the time. The bottom line is that you need to produce content pieces that fall into all three of these content segments:

- » **Brand-generated:** This is content produced by your company. It includes both *branded* information (names the company, product, or service) and *unbranded* (discusses trends, problems, or solutions but without specifically mentioning your company name or product name).
- » **Customer-generated:** This is content that is created by a customer or the public without help from your brand or company (although you can encourage

the development of the content). This type of content usually mentions the brand name or product name, but it's from the perspective of the customer. An example of this is the type of commercials that Doritos famously used during several Super Bowl games. The commercials were actually created by fans. Even though the brand requested the content and held a contest to find the best commercial, it's still the fan or customer who created it without direction from Doritos.

- » **Third-party validation:** In both B2B and B2C, there is a lot of content that is generated about a brand from someone other than customers or from the brand. This content comes from analysts, experts, celebrities, or others considered knowledgeable or influential about your product or service. These third-party content creators are not part of the brand, but sometimes the company can use (and pay for the use of) the content if it is favorable to the brand or product. (Think in terms of paid celebrity endorsements, or even the recent trend of paying bloggers and social media influencers to create content about the brand.)

Content types

The last category addresses the specific format of the content, or the way in which it's packaged for consumption. You want to have a wide variety of content types, but here are some of the most common types to add into your content marketing strategy:

- » Video
- » Images/pictures
- » Memes (images with text on top)
- » Articles
- » White papers/guides
- » Product demos
- » Infographics (using images or graphics as a way to show data or research)
- » Testimonials
- » Online tools (savings calculators, free trials, and so on)
- » Interactive quizzes
- » E-newsletters
- » Blog posts
- » Social media posts



TIP

Sometimes it feels like you never have enough content. You can stretch out the content you already have by repurposing it, or repackaging it into a different content type. For example, you may have a video testimonial from a customer. You can take that same information and write it as a customer case study. Or you can pull out a specific customer comment from the video and use it as a stand-alone quote — add the quote to an image and create a sharable picture for social media.



REMEMBER

Content may have a shelf life. Blog posts about a new product, or articles that center on a current event or news will eventually no longer be relevant because it happens on a specific date or time period. To help increase the staying power of your content, consider adding some “evergreen” content into the mix. Evergreen means that it stays fresh, or relevant, indefinitely (or, at least for a very long time!). To give content the evergreen treatment, avoid using dates in the article. For instance, instead of referring to “Winter 2024,” simply say “winter” or refer to “the colder months.” Similarly, avoid referencing a specific event that could also date the content. The more general way your content is written, the better chance it has to live a long life online as a piece of evergreen content.

Aligning content to intent

As you can see, there are all types of content that serve a wide variety of purposes. For content to be effective in helping convert browsers to online buyers, you need to next match each piece of content to the appropriate stage in the buyer’s journey.

The buyer’s journey represents the path a prospective buyer takes on their way to becoming your customer. That journey is segmented into four stages: awareness (not yet aware of having a need or desire for a product, just exploring); consideration (aware of a need, researching options); decision (choosing a solution, comparing options); and advocacy (loyal customer, sharing experience with others and open to repeat purchases for self). We discuss the buyer’s journey in detail in the previous chapter if you want to learn the nitty-gritty details, or need a refresher.

When you’re ready to map out, or align, your content, start by considering your prospective customer’s *intent* at each stage of the buyer’s journey. What is it that they want or need to accomplish? What are their goals? How does your product or service meet that goal, or help in achieving the goal? Then, look at the best type of content that can not only address the buyer’s intent at that particular stage in the shopping process, but also convince or entice the reader to move to the next stage. For example, let’s say a buyer is shopping for a floor rug and trying to decide what kind. The buyer has already found a vintage rug your online store has for sale, but is hesitant because they’re unfamiliar with how to care for it, or if it will hold up to wear and tear from kids and pets. This shopper is in the “decision” stage and

if they have access to content that is instructional and promotional, it could help them finalize the decision to buy. In this case, you could provide a quick one-minute video from your company that shows how to care for vintage floor rugs.

You might also show a review from other customers who speak to the sturdiness of the rug and its capability to hold up in high-traffic rooms, despite it being an antique. We like to use an Excel spreadsheet or Google Sheets to identify what content is needed at each stage of the buyer's journey. You can also tag which personas might need the content most at each stage. When your existing content is mapped out in this way, it's also a good way to reveal gaps in your content, or what type of content you need more of to ensure there's something available for everyone at every stage. In Table 2-1, we show you an example of how to map out your content framework, segments, and types to the buyer stage.

TABLE 2-1 **Align Your Content to Each Stage of the Buyer's Journey**

Stage	Awareness	Consideration	Decision	Advocacy
Goal	Exploration, entertainment (Not yet aware of need)	Researching, looking for a solution (Recognize a need)	Comparing solutions/products (Addressing need)	Sharing results (Committed to brand)
Content Framework	Entertaining Educational	Educational Persuasive Instructional	Instructional Persuasive Promotional	Persuasive Instructional
Content Segment	User generated Brand generated (unbranded)	Brand generated (branded) Third-party	Brand generated (branded) Third-party User generated	User generated Brand generated (both)
Content Type(s)*	Infographics Videos (fun) Trend articles E-books	White paper E-newsletter Webinars Online reviews	Free trial Demo Video (how-to) Testimonials, case studies	Video (testimonials) Video (product tips) Online reviews Social sharing
Persona	Decide which of your personas are most likely interested in each stage of content.			
Vertical	Identify a specific vertical market that matches content you have to offer.			
Name of content	This is where you identify the exact content you will use.			

** These are examples of the type of content that could fit with each buyer's stage. You could have more or less for each stage.*



REMEMBER

As much as you want a prospective buyer to move effortlessly and in a linear manner through all the buyer stages to become a passionate, loyal customer, that's not realistic. A buyer may start the buying process at any one of the stages. And they may move in and out of several stages before actually becoming a customer. Having the appropriate content available for each stage of the journey is the best way to ensure your brand (or product) remains a consideration throughout the entire buying process.

Launching the Personalization Effort Online

Having content available for each stage of the buyer's journey is a critical step in any content marketing strategy. But why stop there? If you want to really increase your chance of influencing the buyer with content, then the information should be personalized as much as possible to that buyer. By "personalized" we mean that the content addresses challenges, needs, or desires that are specific to a particular buyer. If your customer is the office manager for a doctor's office tasked with shopping for an online appointment service, you want to provide the customer with content that talks specifically about their industry, healthcare. Your content should discuss patient needs, for example, when talking about how easy it is to use the service. Compare that scenario to another customer type.

You might also do a lot of business with hair salons. For that buyer, you want content that addresses the hairdresser's customer, or perhaps how an online appointment service can help a salon have fewer cancellations. As you see, personalized content is just that — it is written with a particular buyer's needs in mind and speaks the language of that buyer, or their industry.

For online businesses, content personalization primarily occurs via your website, also known as web personalization. As with any online system, you need to make sure that all your online systems communicate in order to pass the right information (or, in this case, the right content) to the right website visitors, at the right time. Let's take a look at some of the back-end system considerations, as well as some online tools that can make personalization easier for you to accomplish on your site.

Integrating systems

Just as you may have a back-end inventory-management system that needs to relay information to your shopping cart, there are other systems you may use to talk

with customers and to consume and track information about your customers. And in content personalization, it's important that these systems or tools integrate, or communicate, with one another to pass along pieces of information that lets you personalize your content. Here are some of the systems and tools that are likely to be involved in the web personalization process and need the capability to communicate with one another:

- » **CRM:** Your customer relationship management software holds a treasure chest of information about your buyers and your prospective buyers (or leads). You may use Salesforce (www.salesforce.com) or SugarCRM (www.sugarcrm.com) for this functionality. Whichever solution you choose, you want to make sure it has the capability to integrate with the other tools we mention in this section.
- » **Marketing automation software:** If you're a large online retailer or B2B company, you might send out a lot of email to customers and have a complex structure for communicating with them and nurturing them on a regular basis. You might use a system like Marketo (www.marketo.com) or Eloqua (from Oracle). Even if you are a smaller online business, you probably use email software such as Constant Contact or MailChimp. Like a CRM, your marketing automation software also keeps a lot of information about customers and prospective buyers that is helpful in personalizing content. It is also likely collecting information that comes from your customers when they interact with your website or on social media sites and then should push that information into your CRM.
- » **Website and analytics:** Using a tool such as Google Analytics, you are able to track an incredible amount of information about visitors to your website and the actions they take while on your site. Also within an analytics program, you might set up goals and conversion points that you track based on types of campaigns or users. This is some of the data that you might need to coordinate with a personalization tool to know when and where on your site to deliver personalized content.
- » **Paid ads:** You may use Google Ads, Bing ads, or other tools to create and manage your paid advertising efforts. It's possible to set up paid ad campaigns to deliver personalized content based on certain actions a visitor takes on your website.



REMEMBER

A benefit of marketing automation software is that most solutions offer a way to personalize messages within your email. As part of your mass email you may still be able to use a person's first name in the email so that it looks like it's been created especially for that customer. Or, you may be able to use dynamic content functionality. This allows you to change out small amounts of text within an email so that the text can be customized to a certain recipient.

Categorization: One thing is not like the others

As you begin to implement a personalization strategy in your content and on the web, you first need to decide how to segment your audience or visitors. If a visitor has never volunteered information about herself to you (by filling out a form or creating a customer profile), then getting information starts with cookies. When it comes to the Web, you're able to use cookies, or a tracking code, to identify some things about your visitors and follow them around your site. If they leave and return, you are still able to use the cookie (unless the user clears their web browser cache, which would remove any cookie tracking).



TECHNICAL
STUFF

Cookies are small text files that are encrypted and stored on the user's computer. There are different types of cookies that keep information on the user's web activity and preferences. Session cookies may track specific page activity on a website (like what items the user has added to a shopping cart). Permanent cookies hold information (like passwords or login details) even after the user shuts down the browser. And third-party cookies are tracking cookies used to collect specific information about the user. A site enables the use of cookies through the use of code that is placed on the website; the site's privacy policy must clarify what and how cookies are used.

Even if you're not familiar with implementing this process on your website, you've very likely been "cookie'd" yourself. Have you ever visited an e-commerce shop and looked at a specific product? After leaving the site without purchasing, you've probably noticed an ad for that exact product or website show up in your Facebook feed and in ads on other websites. Or, if you return to the site, you may see content or offers that are based on your previous browsing behaviors. Similarly, with the use of cookies, you can now decide some of the ways you want to segment or group your website visitors. First, there are two general types of visitors to consider:

- » **Known visitor:** These are people who have been to your website before and completed some type of sales form, signed up to receive your emails, created a customer profile, or taken similar actions so that you now recognize them (because they are in your CRM system or marketing automation system). The more you know about these visitors, the more options you have to segment them, such as by product interest.
- » **Unknown visitor:** Just as it implies, these are visitors who have never provided you with enough personal information to identify them to you. Instead, you'll depend on the information passed through an IP address (or other third-party solutions) to allow you to segment by geographic location or industry (in B2B), for example.



TIP

You can use web personalization tools to help you collect information in stages from unknown visitors, without sacrificing conversion rates on your offers. For example, you may start by showing an offer for free content that a visitor can download after submitting their email address. That's such a small amount of information visitors are more likely to provide it, thus converting on the offer. The next offer the visitor sees asks for additional information, such as full name and job title. Eventually, you're able to construct a full profile of this visitor, or use other third-party tools to help fill in the blanks — but you end up with a known visitor.

Depending on whether you are targeting known or unknown visitors, here are some examples of other ways you can segment visitors to offer more personalized content:

- » Geographic location
- » Referral source (where they came from before getting referred to your site)
- » Organic source (from search engine) or paid source (from AdWords)
- » Product interest
- » Industry (usually specific to B2B)
- » Job role (B2B)
- » Income level (B2C) or company revenue (B2B)
- » Company size (B2B)
- » Demographic information (lives in a certain state or zip code)
- » Psychographic information (are parents of toddlers or teens or are pet owners)

As you see, the more information you have access to about your visitor, the more specific you can get with segmenting.



WARNING

There are existing and new rules surrounding online privacy, including the type of data that can be collected and stored for use as it pertains to an individual. There are also rules about when and how to notify website visitors about the way you collect and use an individual's data. These rules are not guidelines but legal requirements, and organizations (or websites) that break the law could be prosecuted and fined large amounts of money. Increasingly, there is a move to “cookieless” personalization due to enhanced personal privacy laws and Google's own move to restrict or eliminate the use of personal data collected and stored. We discuss online privacy and data regulations in Book 5. As the move to “cookieless” data

progresses, this means you *must* find other ways to collect information about your visitors and customers, which often means utilizing data provided voluntarily.



REMEMBER

While there are so many different ways you can segment your audience, or site visitors, it's only effective if you have content appropriate for that segment. If you're an online stationery store and want to target parents to buy graduation announcements, you need to have content that speaks to that buyer persona. In this example, you might want to offer a checklist for planning a graduation party, or offer a guide that discusses how to prepare your senior for college. Without specific content for your target persona, the purpose of personalization is lost.



TIP

As you build out your content, you'll want to keep a list of what you have available. There are lots of expensive content-management solutions out there, which may be appropriate for a large, complex site, but they're also expensive. Instead, use a good old, reliable spreadsheet (or Google Sheets) to develop and track your inventory. As part of the content inventory, you'll want to include the following: type of content, when it was created, buyer persona(s) targeted, buyer stage, where it's promoted, and link to where the content is online.

Choosing personalization tools

One of our favorite things about having an Internet business is that there is almost always no shortage of online tools to help manage and grow your business. This is certainly the case with content personalization for the Web. Here are some of our favorite solutions that make it easy to use personalization on your site in an effort to increase conversions — and revenue!

- » **Foundry** (<https://foundryco.com>): Considered an Account-Based Marketing (ABM) tool, formerly known as Triblio, Foundry enables you to show personalized content and offers on your website to prospective buyers. You can provide your content to known and unknown website visitors, as well as show personalized content to targeted buyers (specific leads or accounts you are trying to influence and sell to).
- » **Folloze** (www.folloze.com): Account-based marketing is also a core capability for this personalization tool. But one of the things we really like about Folloze is the unique method for delivering personalized content to buyers. Folloze lets you create content boards that contain many different pieces of content all designed for a specific buyer. Think of it in terms of a Pinterest-style layout of a board (or online page) that groups your content in one easy to access place. It not only tracks who engages with or visits the board, but which pieces of content they interact with; and it lets you see who the

prospective buyer is who is viewing the board. You can put a link to a Folloze board in an email, on a page of your site, or just about anywhere. Additionally, Folloze has tools to better customize your customers' engagement on your site. For example, if you are a known customer, when you visit the site it shows a customized chatbox that immediately recognizes you and gives you personalized options to engage, such as submitting a support ticket.

» **Marketing Cloud Personalization** (www.salesforce.com/marketing/personalization): Formerly Interaction Studio, Salesforce is one of the growing number of tools using AI (artificial intelligence) to help increase the quality and speed of personalization. Looking at a host of data points as they occur on your site in real time, or while a visitor is actually on the site, the tool uses AI and machine-based learning to make recommendations and decisions on which content and offers to show and that best match the visitor's profile and intent. Want to learn more about using AI for your website? In Book 8, Chapter 4 we discuss more ways to put the technology to work for you as you grow your online business.

There are plenty more web personalization and account based marketing tools available. And, you don't have to start out using the tools, which can range from several hundred dollars per month to several thousand dollars monthly. These tools are a significant investment. But to compete online today, offering a one-to-one personalized approach to marketing with content and product offers is quickly becoming a necessity in order for you to remain competitive.

IN THIS CHAPTER

- » Identifying when your business needs a change
- » Listening to your customers to make a difference
- » Inspecting falling numbers
- » Bringing back shoppers to build loyal customers
- » Taking your first steps toward renewed success

Chapter 3

Overhauling an Aging Online Business

How do you measure the success of your online business? As with any business, you should identify key performance indicators (KPIs) that closely match your primary objectives. These indicators may be based on profitability, sales revenue, or even customer service goals. One difference with an online business is that your KPIs are almost entirely based on your website. According to a poll of small-business owners, two of the biggest indicators of e-commerce success are positive feedback from customers and the amount of *traffic*, or visitors, the site receives. Making the traffic to your site truly count usually means ensuring you have the right type of traffic (or visitor) coming to your site, and then converting those visitors to customers. Perhaps that's why the survey also revealed that the number of sales leads and the amount of total online sales are important KPIs. However you choose to define success, understanding and tracking it is imperative.

Equally important is understanding that success has eluded you — and deciding that your online business needs an overhaul. This revelation is often the most important one you can make as a business owner and one of the most difficult to come to terms with. The sooner you confront the facts, the better chance you

stand to reinvigorate sales. In this chapter, we show you the signs indicating that it's time for change, and we explain how to start putting your business back on the right e-commerce track.

Paying Attention to the Signs

Wouldn't it be nice if you could start your business, launch your website, attract lots of customers, make plenty of money — and never have to change a thing? If you've owned an online business for a while, you know that that's not the way it works. The Internet industry is constantly morphing, and so are the rules for growing a thriving online business. The secret of long-term online success is recognizing the signs of change — both good and bad — and being able to adapt, on a daily basis.

If your website has any of the following characteristics, you might need to reevaluate your business:

- » **A drop in search engine rankings:** A good, high-ranking position on Google is often the lifeblood of an online business. If your site begins to slip or inconsistently maintains its position after several years on top, something is wrong. The problem might be an optimization issue related to the many changes search engines make in their algorithms to determine rankings. However, don't discount the possibility that your site is losing relevancy.
- » **An outdated look:** The visual look of your site doesn't have to be considered a design relic from the dot-com era to be outdated. Site design and design functionality change quickly in today's online-business environment. Black backgrounds and plain fonts, for example, have long been stripped from sites in exchange for white backgrounds and clean, crisp images and font styles. Today's sites must also be mobile-ready and *responsive*, or capable of automatically shifting for display on multiple device types. In other words, it's time for you to make changes.
- » **A lack of ongoing maintenance:** You can work in your business every day and still overlook the simplicity of good site-keeping. Broken links, expired coupon offers, and irrelevant or dated content are all indicators that you haven't been paying much attention to detail. Not to mention, adding fresh or new content to the site on a regular basis is an important factor in search engine rankings. You want to show both Google and your customers that your site is continuously evolving.
- » **Fluctuating market conditions:** All types of issues in the world influence your business, either positively or negatively. The fluctuations that most

closely relate to your industry or customer base obviously affect it the most. Some of these factors are increased competition, changing product trends, regional or national economic indicators, supplier costs, customer demand, and pricing issues. A significant change in your market space can dictate a change in your online-business operations.

- » **Overlooked technology upgrades:** Overlooking technology upgrades (whether you're updating antivirus software or installing a new version of a content-management system) is detrimental in the world of e-commerce. For an e-commerce business, adding customer service functionality and marketing capabilities is often entirely dependent upon upgrading or adding software. Allowing technology innovations to bypass you is a definite signal for change.
- » **Nose-diving profitability:** This factor isn't one of the more subtle signs that it's time for Plan B. When revenue falls, overhead increases, and your bottom line pays the price for it all, you know that regrouping is a necessity.
- » **A variation in visitors:** Is your site losing customers? Are your traffic counts falling or becoming less consistent? Or are you noticing an influx of visitors from a different traffic source, geographic region, or customer base — and you don't have products and services to relate to these new visitors? Fluctuations in site traffic and activity warrant a reaction.



REMEMBER

It's important to pay close attention to not only how much traffic your site receives, but also from what sources the traffic comes, and what *type* of visitors you receive. Your traffic might look normal, but some valid traffic may instead be fake traffic from a spam source — and doesn't do your site a bit of good! Or, you may get visitors coming from search engines (organic traffic) but immediately leave the site (bounce) because the site doesn't meet their actual needs — you're attracting the wrong visitors.

This list of signs pointing to change isn't exhaustive. It's a starting point, though, for conditions to search for in your own business.

To make sure that you don't overlook anything, conduct a thorough *business change evaluation*. This system first establishes a baseline for your business, based on your KPIs (such as sales, visitors, and available products). Using the baseline, you then can evaluate other possible influences on your business.

Your goal is to take a snapshot of all your business indicators and determine which ones are driving change. Create a checklist by following these steps:

1. Write a detailed description of your e-commerce business.

Include as part of your description the specific products or services you sell both online and offline. This description should provide a complete picture of your business.

2. Describe your existing customers.

Be sure to include as much classifying information as possible about your customers. Details such as age and household income are bonuses. If you don't know those types of details, classify customers according to their product interests or purchases, or even by how they found your site (such as ads, other site referrals, or offline).

3. Break out your revenue structure.

List the ways or places in which you earn money. Break down the list by month for the past 12 months. Then complete a year-over-year comparison for the past three years (if the data is available). Show the numbers in percentages of total sales. If you have a bricks-and-mortar store, include revenue from your offline sales too.



REMEMBER

If you're keeping up with your monthly profit-and-loss statements as part of your accounting procedures, you can pull these numbers directly from those statement histories.



TIP

For a more immediate snapshot of what the numbers mean, show the results in the form of bar graphs or pie charts. This type of visual aid is often helpful for comparison purposes.

4. Generate a traffic analysis of your site.

Break out the numbers in the form of a monthly comparison for the past 12 months, and then by year for the past three years. Include the total number of *unique* (different) visitors and *page views* (the number of pages requested within a particular period).

5. Make a list of all areas that affect your business or influence change, either positively or negatively.

You can group the items by category as they apply to your site, such as marketing, sales, product development, or content.

6. Categorize each item as positive or negative based on how it influences your site. Then explain why you chose that indicator. Beside the explanation, note whether you responded or reacted to the change.

As you finish this section, you can identify areas where change is occurring and determine whether you have adequately adjusted to those new circumstances.

You might be tempted to believe that you already know this information or that this process is oversimplified. We can't emphasize enough the power of writing down this information in one place, for your review.



The purpose of making a meaningful evaluation is to help you identify holes in your current online business strategy. Then you use the information to target a market weakness or opportunity that you might have overlooked.

Keep this completed chart on hand as you continue through the overhaul process. Figure 3-1 shows a sample checklist.

Business Change Checklist				
Indicator	Type of Change (Positive/Negative)	Why?	Responded? (Y/N)	If Yes, How?
SITE				
Site design is outdated	_____	_____	_____	_____
Dated/old graphics	_____	_____	_____	_____
Broken links	_____	_____	_____	_____
Content not fresh	_____	_____	_____	_____
Expired coupons/offers	_____	_____	_____	_____
Defunct affiliate programs	_____	_____	_____	_____
New technologies released	_____	_____	_____	_____
INDUSTRY/MARKET CONDITIONS				
Increase in competition	_____	_____	_____	_____
Decrease in competition	_____	_____	_____	_____
Fluctuation in economy	_____	_____	_____	_____
Change in product/service	_____	_____	_____	_____
Change in consumer demand	_____	_____	_____	_____
Supply costs update	_____	_____	_____	_____
Pricing update	_____	_____	_____	_____
New vendors/partners	_____	_____	_____	_____
Customer (profiles) different	_____	_____	_____	_____
SEARCH ENGINE RANKINGS				
Dropped rank (out of Top 10)	_____	_____	_____	_____
Removed from rankings	_____	_____	_____	_____
Consistently moving down	_____	_____	_____	_____
Inconsistent rankings	_____	_____	_____	_____
Inconsistent rankings across various search engines	_____	_____	_____	_____
Keywords outdated	_____	_____	_____	_____
No active optimization activity	_____	_____	_____	_____
Variation in site visitors	_____	_____	_____	_____
Traffic/page views changing	_____	_____	_____	_____
MARKETING				
Offline advertising reduced	_____	_____	_____	_____
Less/more online advertising	_____	_____	_____	_____
Changed # of referring links	_____	_____	_____	_____
Updated promotions/offers	_____	_____	_____	_____
OPERATIONS				
Major fluctuation in profits	_____	_____	_____	_____
Outdated business plan	_____	_____	_____	_____
Revenue resources altered	_____	_____	_____	_____

FIGURE 3-1:
Your checklist
for evaluating
change.

Using VOC to Understand What Your Customer Really Thinks

One of the best ways to understand how and why you need to make changes to your site is by talking to your customers. A voice of the customer (or VOC) program helps connect the dots. It fills the gap between other types of data you collect to tell the story of what's happening with your online business and lets you discover what your customers really think.



REMEMBER

A VOC program provides a means for soliciting specific information or requirements from your online customers. Once you know that detailed information, you can apply it to your customer experience (CX). CX represents all the interactions a customer has with your business throughout the customer's entire online relationship with your brand. You use all the VOC feedback you receive to help improve the customer's experience.

You may be wondering how a VOC approach is different from any other opportunity you have to get feedback from a customer. The main difference is that VOC is a *program*, or a structured process for collecting and applying feedback on a regular basis. And this is an important way to gain information you need to evolve, grow and overhaul a mature online business.



REMEMBER

The customer's experience with your online brand can begin well before you become aware that the customer is engaging with you. CX includes every point of the buyer's journey, including awareness, consideration, purchase, and loyalty, as we discuss in Chapter 1 of this minibook. That's why it's even more important to understand what customers expect, so you have the opportunity to better influence their overall experience.

A bricks-and-mortar business has the advantage of being in front of its customers every day. Its employees can talk with the customer directly and ask questions like, "Were you able to find everything you were looking for today?" "Did anyone assist you?" "Was the store clean and were the products easy to see?" "Are you planning to shop with us again?" Similarly, if a customer has a complaint, suggestion, or general observation, it's very easy for the customer to seek out a manager and give that feedback. As an online business, you may have visitors who browse your site, even coming and going multiple times in a single day, and you may never know what they were looking for, why they never made a purchase, or why they kept returning but not spending. Without hearing from the customer, and with access to limited digital data, it's difficult to make improvements to your website that are meaningful to your prospective customers.

Getting customer experience right matters. Research indicates that improving customer satisfaction across the entire buyer's journey (all CX interactions) can

result in a 15 percent increase in revenue and a 20 percent decrease in the customer service costs. Plus, positive customer experience leads to improved customer loyalty (and repeat customers). Interestingly, more than half of customers (and as much as 86 percent in some surveys) say they are willing to pay more for a better customer experience; yet only 1 percent of customers say businesses consistently meet their needs.

Delivering a consistent, positive customer experience across the online buyer's journey requires the following:

- » **Identify your customers.** Understand who your customers are and what motivates them to buy. It's helpful to create buyer personas that detail each type of customer you serve. We discuss this in more detail in Chapter 1 of this minibook.
- » **Get real-time customer feedback.** When possible, collect data from your customers while they are in the process of interacting with you.
- » **Include employees.** Not only do you want to collect employees' feedback about processes and customer interactions, but also they should be properly trained to deliver a consistent experience (whether that's packing orders or servicing customers).
- » **Improve technology.** Your online customers frequently interact with you through the solutions you use (shopping-cart software, inventory-management systems, and online chat services, just to name a few). You must continuously invest in better, user-friendly technology that provides the best possible customer interactions.
- » **Build relationships with your customers.** You don't have to be in a physical location to interact with customers; it also happens through email, social media, community forums, and online chat. Use these interactions to form a positive bond with your customers.
- » **Measure your success.** How do you know if your efforts are working if you don't track your progress? In addition to tracking website analytics and changes in revenue, follow up purchases and interactions with customer success surveys that allow customers to quickly rank their satisfaction.

As you may have noticed, many of these requirements for delivering a good customer experience requires you to get information from customers — VOC. Managing the customer experience process and knowing where to make improvements can't be based on your guesses (even educated guesses!) as to what's important, or what may be broken — you must get information from the customer, based on the customer's viewpoint.

Types of customer feedback that matter

So, what type of customer information should you collect, and how do you get it? When it comes to data, there are two types that consistently matter: structured data and unstructured data. For this purpose, the first type of data, structured, is just as it sounds: It's a more formal and organized approach to getting information. You have more control over how, when, and where you collect the information. The other data type, unstructured, comes from sources in an unorganized manner and you don't have control or influence on how the information is provided. Following are the types (or sources) of customer data:

» Structured

- Surveys
- Interviews (phone or in-person)
- Call center (customer service) recordings
- Web logs
- Polls

» Unstructured

- Social media
- Forums
- Online reviews

Tools for collecting and analyzing VOC data

Given that there are so many different ways to gather customer feedback, it can be overwhelming to develop a formal VOC strategy, especially if you have limited resources. Fortunately, as VOC and customer experience have evolved in the digital world, there are also tools available to help collect and analyze customer feedback. Most of these tools also enable you to collect the data in real time, as customers are interacting with your site, which boosts the usefulness of the feedback. Here are some of the top VOC tools:

» **Feedbackify** (www.feedbackify.com): A simple solution that allows you to receive real-time feedback from your website visitors. Users simply click on a widget on a website page and can provide feedback in the forms of ratings and comments on a form (which you customize for your site).

» **UserVoice** (www.uservoice.com): Designed for use with product development, this VOC tool is particularly useful for online businesses that want

serious feedback on features, functionality, or new products. UserVoice operates as a forum and allows customers to vote on and discuss suggestions and send feedback in “tickets.” It’s easy for users to access and doesn’t require registration. This more robust solution is a bit more expensive at approximately \$700 per month.

- » **Poll Everywhere** (www.poll everywhere . com): This tool extends beyond your website, to anywhere you are interacting with customers. It allows you to easily create polls (several format options are available) and then lets customers respond or vote from their smartphones, social media, or web browsers. If you’re working with focus groups or sending polls through email, this is an ideal and affordable solution at \$10 per month. Even better, there is also a free version to help you get started!
- » **UserZoom** (www.userzoom . com): If you have a large, complex online business there are solutions, such as UserZoom, that tackle all areas of usability, user experience (UX) design, and customer research. Although it has solutions for the finance and healthcare industries, it also specializes in large retail and e-commerce solutions. Because it’s built for really large organizations, this is a robust but pricey option that starts at several thousand dollars per year.

Listening and Taking Action: Time to Redesign

Once you’ve talked with customers, past and present, and collected feedback from surveys, social media, and by using VOC tools, the next step is to actually do something with all that information. As an online business, the majority of customer feedback will most likely revolve around your website, including specific pages of your site, such as the home page, search functionality, or back-end systems (that customers can experience), like your shopping cart. You’ve probably asked customers specific questions around the structure and design of your website, too. These are some of the most important components affecting the online customer experience and the buyer’s journey, in terms of how customers engage with your site and how they flow through your site to critical conversion points. We discuss this in more detail in the first chapter of this minibook.



TIP

When designing general surveys and questionnaires, divide them into sections that allow you to focus on certain areas of the business one at a time. For example, one segment of questions should be only about customer service, and another segment about shopping-cart functionality. This keeps the information organized and makes it easier for you to sort through results and then apply the answers to those matching business segments.

Of course, we can't tell you exactly what or how you need to improve your website — that's why you're talking to customers. On the flip side, just because one or two customers didn't like the colors you use throughout the site, for example, that doesn't mean you should redo your entire color scheme. Instead, it's important to look for recurring problems or similar suggestions across all customer feedback to validate that it's not just one person's opinion, but is an actual issue that is impacting overall customer experience.

As you look for common threads in the feedback, know that there are also some general guidelines you'll want to consider as part of a redesign to improve customer experience with your site:



REMEMBER

» **Watch the competition.** Spend some time examining sites that handle graphical design well, to see how the sites are built. If the sites are using new techniques, take notes and find out whether the new design is showing up in more than one place. Check out your competitors' sites to see which designs they're using. Compare those designs to your site design, to see whether other designs look more appealing.

Your competitors can evaluate your site just as easily as you can evaluate theirs. Spend some time evaluating them routinely, to see how quickly they respond to a new situation. Your goal is to have other sites respond to your changes rather than play catch-up with their redesigns.

» **Check for consistency.** Go to your business home page and make sure that all your category and subcategory pages have the same design and graphics. As websites change, not every page is updated. You might have added to your website some new sections that don't incorporate the latest site design. If you don't check for consistency, you might have four or five versions of your design coexisting on your site and confusing your customers, which reflects poorly on your company image.

» **Familiarize yourself with new technologies.** Many times, the limitations your site faces are due to the technology available to you. As the web becomes more sophisticated and Internet browsers can handle new tools and devices, your options for implementing advanced design techniques on your site begin to expand. One example is the need for *responsive* web design, which allows your site to automatically change to fit the device being used to view it (such as a smartphone or a tablet). Talk to your website designer or do some research on the Internet to see which new technologies are reaching the mainstream. (The site <https://webdesign1edger.com> has helpful articles.)

The point is to identify what's working, what isn't working, and what's possible to implement in your site design. After you have an idea of what you want to do, you have to create some different scenarios for your redesign. They can range

from simple page updates to a slightly redefined user interface to a complete tear-it-all-down-and-start-over total site makeover. Weigh these scenarios against your current available budget and your overall plans for the site. After all, if you're going to completely change your business model, for example, you might want to delay any site design changes until then.



If your resources are limited, focus immediately on any errors that are occurring and all wildly inconsistent web pages. When you have more time and resources, you can work on updating your web page styles.

Qualifying for a Makeover from Lagging Sales

You've talked to customers. You've freshened up your site to improve the customer experience. Now what? One no-fail indicator that your online strategy needs help is steadily falling sales. The issue always boils down to numbers — the number of products sold, the number of site visitors, and the last number on your bottom line. All these numbers are connected, and that connection has everything to do with sales.

The wonderful thing about the Internet is that you have immediate, and often real-time, access to online sales transactions. At any hour of the day, you can determine exactly how many dollars your website is generating. You then know whether your business is having a good day. What happens, though, when it's not a good day, or a good month?

If sales are down, start by asking yourself four basic questions:

- » Do I need to pull in more website traffic?
- » Do I need to attract more targeted types of visitors (those ready to buy from me)?
- » Do I need to increase the number of repeat visitors and buyers?
- » Do I need to convert more visitors to buyers?

Sure, sometimes you answer “yes” to all of these questions. Typically, though, your problem will stem more from one reason than the others. Addressing a sales decline most often comes down to an issue of acquisition, conversion, or retention. Either the number of people (or right people) coming to your site has decreased and your sales are affected, or the proportion of sales to the number of visitors is

off because people are leaving your site before making purchases, or you aren't getting enough repeat visitors and customers to offset the high cost of acquiring new visitors. After you decide which issue is most responsible for weighing down sales, you can begin addressing the problem.

Increasing the number of visitors to your site

If you need to increase the number of visitors to your website, concentrate on these areas to give sales a lift:

» **Search engine optimization (SEO):** Reexamine the search engine optimization techniques used for your site (see Book 6, Chapter 5). SEO is a necessary part of ongoing site maintenance. If your site isn't optimized correctly, its chance for a solid ranking in the search engines goes out the window. In addition, customers searching for your specific site can be disappointed when it doesn't pop up in their search results. Perhaps you haven't provided the best possible information to make a match during a typical search request.

» **Marketing strategies:** Letting routine marketing activities slip in priority in the daily chaos of managing an online business is easy. Diminishing numbers of visitors are a wake-up call to get back to basic marketing concepts. Create an online newsletter, or send out a fresh round of promotional email to your existing customer database. You don't always have to dangle deep discounts in front of them. Sometimes they simply need a reminder that you're still out there!

» **Paid advertising:** Spend a little dough and pump up the number of site visits. Following are some areas where you should consider spending online advertising dollars:

- PPC (pay per click), such as Google Ads or Yahoo! Bing Network
- Mobile ads
- Display ads
- Retargeting ads
- Third-party sites, using banner ads, content sponsorships, or paid listings

If you're already spending money in these areas, look for new sites to place advertisements, or experiment with buying some different Google Ads with new keywords.

» **Linking opportunities:** When was the last time you asked someone to exchange links with your site? Spending an hour or two per month searching for sites that are compatible with or complementary to yours is still



REMEMBER

considered worthwhile. You may find sites that have already shared information about your site or products but are not yet linking to your site.

Google continuously changes the algorithms that decide how sites are ranked in search engine results pages (SERPs). As part of those algorithms, if you break the rules or recommendations associated with SEO best practices, your website may be penalized, or dropped down in or booted out of the rankings. Link swapping is one of the areas that is affected by these changes, so it is important to always follow best practices.



TIP

Instead of swapping links, you can visit blogs that are applicable to your online business. Then leave comments to posts that include a link back to a specific page on your site (when allowed) or make sure your profile (that you set up to leave comments) references or links back to your website. The comments you leave on other sites may not rank high in search results, but they are a way to get awareness and possible traffic to your site from people reading the comments.

- » **Public relations:** Are you creating awareness of your site by engaging in effective public relations strategies? What was the date on the last press release you distributed? Reach out to a few reporters and suggest a story relating to your business. If you have an active blog on your site where you're creating interesting content, publications often republish blog posts (that are slightly tweaked) or use the content as the basis for a new article. When your site's traffic flow is slowing, now is not the time to be shy.



TIP

Not all news has to be based on good news. Think creatively and turn your *problem* into a relevant story idea that's timely and grabs attention. For example, a national report on decreased consumer confidence and spending could tie in nicely to a recent dip in sales for your site. Be sure to put a positive twist on how you're combating the issue. For instance, send the message that your site's competitive pricing is sure to win over customers now that they're more careful in their spending.

- » **Social media expansion:** Spend some time building the number of followers you have on Facebook, Instagram, and YouTube. Social media provides a good opportunity to not only monitor real-time conversations that relate to your online business, but also start conversations with customers and potential customers and keep people talking about your brand. Using paid social media ads is another way to take advantage of your social media networks — and they are often much less expensive than Google Ads. You can find more information about using social networking sites to boost sales in Book 6.



REMEMBER

Using online paid advertising tactics, whether through pay per click or social media, allow you to target your audience. That means your advertising budget is more effective because you determine who and where your ads are shown to better ensure they are reaching visitors who are most likely to be interested in buying from your website.



TIP

» **Offline promotions:** Whether or not you have a retail location, use traditional offline marketing to create an immediate boost in your online traffic.

Go to a networking event and hand out your business cards. Arrange for a speaking engagement at a meeting of a community organization or at a regional trade show. Create flyers or professional brochures and distribute them in stores that are complementary to (and not a competitor of) your site. Offline promotions also include the use of mobile marketing. Reach prospective buyers through their mobile phones and give them a discount code or other incentive to return to your website.

Converting more visitors to (repeat) buyers

Maybe the number and type of visitors to your site is on target. Instead, you need a boost in converting window shoppers into full-fledged buyers — and converting full-fledged buyers (existing customers) into repeat buyers. Or, you need to spend more effort bringing prior customers, those who haven't shopped with you in a while, back to buy again.

Keeping — or nurturing — good (existing) customers and enticing lost (prior) customers to return are not always easy tasks. Have you ever considered how much attention, time, and money businesses spend on marketing to attract new customers? With ongoing efforts to grow your new business, it's easy to understand how your existing customers might get overlooked or taken for granted. But continuing to do so often leads to lost customers and plummeting sales. Ignoring an occasional customer departure or two can be an expensive mistake for your online business. Consider that gaining a new customer costs approximately five to six times as much as keeping an existing one.

So how do you convert more browsers to buyers? Focus on offering these features to start sales flowing in a positive direction again:

» **Functionality and usability:** You might be surprised to discover how cumbersome shopping on your website can be. Viewers leave sites if they tire of trying to figure out how to check out. At other times, the problem is all about site design. In Book 3, we discuss how to update your site design and functionality to make it friendlier as part of the focus on creating a good customer experience.

» **Content and CTA:** One issue that derails a sale quickly is a lack of useful content properly placed with the appropriate call to action (CTA). Ensure that your content, or web copy, provides customers with enough detail to get and keep their interest. To help encourage a buying decision, use a CTA that makes it clear what action the visitor should take next.



TIP

- » **Credibility:** Skepticism and uncertainty plague online shoppers, especially when buying from unfamiliar sites. Create trust and credibility by making customers aware of who you are and why your site is a safe place to shop.

Boost consumer confidence by displaying your contact information prominently throughout your site. Providing your phone number and physical address in addition to your email address shows customers that you can be reached for questions. For an added vote of confidence, clearly post privacy policies, FAQs, and return and exchange policies. Be upfront with customers about what they can expect when they do business with you!

- » **Customer reviews:** In addition to your own credibility, that same level of trust can be extended through the words of other customers. Data shows that the buying decisions of online customers are heavily influenced by the opinions of other buyers. When you allow buyers to rank the quality or value of a product (even if they didn't purchase it from you), write a review of the product on your site, or even link to a review off-site, other prospective customers will take notice.



TIP

Particularly if you have a service-oriented business, turn to the social networking site LinkedIn to help boost credibility with recommendations. You can use LinkedIn to ask people in your network who have used your products or services to provide a written recommendation that remains on your LinkedIn profile — visible to the public. You can link to the recommendation from your website or place a duplicate of the recommendation directly on your website as an added testimonial. And don't overlook Facebook and other social networking sites that allow your customers to leave comments and reviews.

- » **Product selection:** Sometimes, declining sales are a result of an outdated or limited choice of products. In Chapter 4 of this minibook, we discuss in greater detail the idea of expanding your product lines.
- » **Payment options:** Customers want not only a wider product selection but also payment options. Maybe your site is set up to accept payments only by PayPal. To attract and keep customers, you have to make buying easy and that often means you have to accept other methods of payment, such as credit cards, debit cards, and online check processing. See Book 4, Chapter 4 to find out the payment options you can offer.
- » **Affiliate programs:** You might be used to signing up for other sites' affiliate programs to add a little revenue. Why not create an affiliate program of your own? Products and services with more forgiving profit margins are ideal ways to boost revenue for both you and your online allies. Or, if you don't want to worry about tracking specific products, offer a flat percentage (or referral fee) on *any* sales that come through one of your affiliates.
- » **Pricing:** Drop by competitors' sites to find out what they're charging. A drop in sales can indicate that you're not keeping up with current pricing strategies.



TIP

To check out the competition, use online price-comparison guides such as PriceGrabber (www.pricegrabber.com). To more closely track sales from competing sites, check out competitor-price-monitoring software from PriceManager (www.pricemanager.com), Price2Spy (www.price2spy.com), and Profitero (www.profitero.com).

- » **Buying incentives:** Whatever you call them — coupons, discounts, free shipping, limited-time offers, loyalty rewards, subscriptions, or special sales — incentives to purchase often nudge browsers to act and entice existing customers to buy again. Free limited-time trials are another type of incentive that makes it easy for visitors to decide to try your product or service and get one step closer to buying!
- » **Upselling:** People in the restaurant business use this strategy to extract another dollar or two from customers at the time of purchase (for example, asking about dessert after a meal). You can do the same for online sales. Before a customer completes the check-out procedure, display another item and offer it at a one-time discounted price. You can use this same sales trigger to suggest products (based on prior buying preferences) to your returning customers as a way to increase the typical amount spent with your website. Impulse buys based on the power of suggestion are powerful.

Reengaging Customers to Spend with You, Again

We've said there's a lucrative ROI on marketing dollars when you focus on existing customers, and that includes those customers who bought once and never returned, or were frequent buyers who dropped off your radar. Maybe they left because of poor customer service, or simply haven't thought about your product or service again since that first order. You likely have more insight as to their dissatisfaction from your VOC program, which will help inform what to do next to win them back. Enticing customers to return means showing them that you've changed. You listened to their critiques and paid attention to what went wrong and, most important, you're ready to make amends.

Many marketing experts use the *lifetime value* (LTV) concept to quantify what a customer represents to your company. You may also see this concept referred to as the *customer lifetime value* (CLTV). Basically, to calculate a customer's relative value, you determine how much money the customer spent with you over a certain period and then factor in expenses and other considerations.

Unfortunately, we could fill an entire book explaining lifetime value. Instead, you need to understand why it's worthwhile to invest in winning back your customers, regardless of the dollar value of that effort. Winning back customers is worthwhile for these reasons:

- » **Cost:** If it costs you \$100 to get back a former customer, it would cost at least \$500 to win a brand-new customer.
- » **Profit:** Existing customers often account for more than three-fourths of a site's revenues.
- » **Familiarity:** Educating former customers on the benefits of your site takes less time than you might think. They're already familiar with your business, your products, and your service.
- » **Upselling:** After you win back a customer, you're more likely to increase the average value of their purchase or to upsell to another level of product or service. On the other hand, it takes more time to achieve the same result with a new customer.
- » **Referrals:** When you regain the value of a customer, you also net the value of all other customers that this one refers to you.
- » **Brand strength:** Loyal customers increase the strength and value of your overall brand.

A tailor-made offer

Inviting a lost customer to do business with you again involves far more than simply offering an apology for messing up the first time. More often than not, you just have to connect with your customer's needs again. What better way to do that than to present a personalized offer?

Being able to make this type of offer assumes that you have a database of good historical data that details the customer's preferences. (If you've built that database, this task isn't difficult.)



TIP

Most e-commerce shopping-cart software now includes database functions for storing and acting on customer data. You can extend that capability by importing the data into a more powerful database (or customizing your own). Better yet, your e-commerce platform may also integrate with a third-party customer relationship management (CRM) program that your business can use to manage the customer experience, such as Salesforce or SugarCRM.

To customize an offer, start by looking at your customer's buying history. Review the products or services the customer bought most recently and frequently. If the data is available, you also want to find out which offers your customer responded to most often. Some examples are a percentage-off coupon code, an offer to buy one and get one free, a limited-time offer, the option to purchase on a deferred-payment plan, and the opportunity for free shipping. When you have this information, you're ready to create an offer tailored to the consumer's preferences!

A targeted offer

Customizing an offer for every departed customer might appear excessive. However, you can create ready-made targeted offers, such as these examples:

- » **Deep discounts:** An offer of a deep discount on the next purchase gives your customer a chance to experience the product or service again. You can include a coupon code to buy one item and get one for free or half the price.
- » **A reasonable discount on the next purchase:** Consider a 10 to 15 percent discount on the next purchase, depending on the price point of the product or service you sell.
- » **A gift card or free gift:** Offer cash upfront with no strings attached — a \$10 gift card, for example. Or send a small product as a gift to show a customer that you're serious about winning them back.
- » **Invitation to participate in an event:** For example, if you offer customers a special podcast or an informational webinar related to your site or product, they might just buy something from you.



REMEMBER

Just as it took time to start your business from scratch, it takes time to repair and rebuild a business that has been around for a while. Offering discounts and incentives are one of many tactics you can use to entice a customer (new or old!) to give your business a chance. The best way to keep those customers and ensure your online business continues to flourish is to deliver good, consistent service and quality products — and pay attention to the details of operating your business every day. It's not magic, but it is practical advice from those of us who have walked in your shoes, and if applied, it could keep your business from having a final disappearing act!

- » Determining when to modify your line of products
- » Restructuring your inventory
- » Testing the waters for the best replacement inventory

Chapter 4

Expanding Products to Increase Stagnant Sales

If you own a mature online business, you must master two tasks to maintain success. First, you have to nourish (or *feed*) your site in a way that keeps it healthy, productive, and growing. Second, you have to perfect your timing by creating a feeding schedule for your site and recognizing when it needs nourishment and care to expand.

The sale of products (or the lack thereof) is a good indicator of how well you're doing on both counts. If your site has been around for a while, you know that stagnant sales say a lot about your online business — and what they say usually isn't good.

If that's your situation now, this chapter is for you! We explain how to fine-tune the feeding schedule, adjust your inventory, and change your product mix to rev up your sales — at the right time.

Figuring Out When to Expand Your Product Line

With inventory, you're never deciding *whether* to drop a product; rather, you're deciding *when* to do so. Think about the last time you went grocery shopping. Did you notice that most food items had sell by (expiration) dates stamped on their packaging? If a product's sell by date has passed, the product shouldn't be purchased. Instead, it's eventually replaced on the store's shelves by a fresher product.

Most products (food or otherwise) have expiration dates, or at least life spans, because at some point, for whatever the reason, products are no longer valid. In marketing terms, a product's life span is referred to as its life cycle (see Figure 4-1).

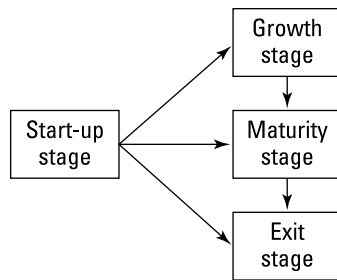


FIGURE 4-1:
The four stages
of a product's
life cycle.

Typically, a product's life cycle is defined in four stages:

- » **Start-up:** As you introduce a product to the market, you're defining the product's place among your customers and building awareness for it.
- » **Growth:** In a product's expansion phase, you're increasing sales, developing the customer base, and exploring alternative markets for growth.
- » **Maturity:** When a product hits its prime, you have to protect its market share. You might notice more competitors at this stage. After a product hits its peak, try to eke out profitability for as long as possible.
- » **Exit:** In a product's stage of decline, its sales are steadily decreasing and interest in it has waned. You have to decide what to do with the product — eliminate it, repackage it, or update it.



REMEMBER

Not every product experiences all four stages of development during its life cycle. A product can move directly from the start-up phase to the exit phase, for example.

You can follow the upcoming steps to plot revenue and help determine when to phase out one product and introduce another. You have to decide when to drop a product, however. Unlike food items, not all products have sell by dates stamped on them. *Your* job is to determine when a product is past its prime. A logical starting point for determining when a product has outlived its shelf life is to conduct an inventory analysis. When you're ready to start this process, follow these steps:

1. Make an exhaustive list of all your current product offerings.

If you stock products, you can use a recent inventory list for this step, whether it's from your online inventory system or your own books. The most important task is to make sure that your list includes every product you offer on your site. Make a few notes about each product. You can include details such as

- Product locations on your website
- Product-specific promotional offers or coupons
- Other sites that link to specific products
- Ads or reviews that mention specific products

2. Plot the sales history for each product.

You should chart sales weekly, monthly, or annually. We suggest reviewing monthly sales over the past year. For older products, you can then chart annual sales for the preceding two or three years. (Likewise, for newer products, you might want to break the total monthly sales into weekly figures.)



TIP

When you're tracking a product's sales history, show the data in the form of bar graphs, line graphs, or other types of charts so that you can more easily visualize the product's progression in your overall inventory.

3. Determine the percentage of sales for your inventory, by following this method:

- (a) *Divide the annual sale (in dollars) of the product by the total annual sales for all products.*
- (b) *Multiply that number by 100.*

Your equation should look similar to this one:

$$\$7,525.00 \text{ (product X)} \div \$72,346.00 \text{ (total sales)} = .10401 \times 100 = 10.41\%$$

4. List the products in descending order.

The list is then organized from highest to lowest percentage of sales.

5. Match one of the four stages of the life cycle to each product.

For example, products with sales that have steadily declined and account for a lesser percentage of your sales are probably in the exit stage.

By the time you complete your list, you should see a clear picture of your inventory that shows how much, or little, each product has aged.

Limited appeal products

Just as some consumable products have a limited use, other products have limited appeal. Usually, you know that these products are temporary fads and that demand for them will wane after their novelty wears off.

Unless you're at least a certain age, you might not realize that someone once made millions of dollars by stuffing a rock into a box and selling it as a Pet Rock. Other examples of trendy products are t-shirts, bumper stickers, and coffee mugs printed with catchy phrases that reflect a current event. If you were selling a shirt with a witty slogan about the 2024 total solar eclipse, for example, it naturally had a limited life cycle and should have been replaced by now.

Limited-use products

Before you axe all the products classified in the exit stage, as we describe in the preceding section, you have to consider a few other factors. As you might expect, sales history isn't the only indication of how well an item is selling or why its popularity is declining.

Some items — such as food, diapers, razors, or pet care products — have limited uses. After a product is consumed or applied, for example, it's all used up. Theoretically, this type of item should maintain a steady stream of sales because customers must replenish it.

If sales drop steadily, you have to consider the possibility that other factors are in play — for example, product quality, customer service, branding, or awareness (such as whether customers remember that they ordered a product from you).

Technology-based products

As technology advances, products become dated or defunct or their appeal lessens. If a new version of a technology-based product is released, the earlier edition can automatically be doomed for the clearance bin. Do your customers really want to purchase the Xmark1000 from you when they can have the advanced Xmark2000 for just a few dollars more?

Auxiliary products can force this change, too, as in the case of video games and game systems. The release of new games often coincides with the release of an updated game system. The catch is that the new games are compatible with only

the new system. If the video games are popular enough, they drive sales of the updated game systems. In turn, the popularity of the earlier game system declines. Although the original system can take a while to become truly extinct, its value and marketability decrease.

Another example of auxiliary products changing has to do with smartphones. As Apple, Google, or other providers roll out new phones, these devices typically require new power chargers, carrying cases, and other auxiliary devices that are no longer “backward compatible” with older versions of the devices. Just like with video game systems, the sale of older devices’ auxiliary products can take a while to decline, but over time, most people will either upgrade or switch product lines.

You might decide that this type of product is in its final stage and should be replaced. Or, you might view it as a product entering its mature stage and decide to market the older system to a customer base that’s more concerned with price and function than with the latest, greatest technologies.

Product marketing

Your marketing or promotional efforts can expand or shorten a product’s life cycle. In fact, the theory of product life cycle is a marketing concept that’s typically used in developing marketing campaigns for new products. By using the product life cycle concept, marketers can better respond to each stage of a product and increase (they hope) the overall product life cycle and its revenue.

Find out what you can do to prevent a decline in your product sales. Think about whether you actively promote products, and how often and in what ways you promote them. Before scratching a product from your inventory list, you might need to reevaluate your promotional strategy for that product.

Product positioning

Product positioning influences a product’s sales and life cycle. Think about the physical location of an item (or, rather, its image) within your website. Do you rotate multiple products into premium spots on your site? Is a product positioned with similar items so that shoppers can easily find it? Or, is the product buried deep within your online store, waiting for someone to stumble over the right link? Even if a product is popular, if customers have trouble getting to it, your sales will suffer.

Price points

Setting the correct price for your product is essential. You can bet that a product that’s priced incorrectly from the start will go straight to its exit stage in no time flat. As a product matures, though, its pricing also must be reevaluated.

Conversion rates

By using e-commerce (and effective analytic software), you're in the unique position of being able to track almost all your customers' movements, not just those initiating from ads. It's the equivalent of following someone around your store and watching as the customer picks up an item to look at it and then puts it down and moves on. You don't know exactly why they didn't buy it; you just know that they didn't. Online, when you direct a customer to a particular product page, you count it as a visit. If the visitor purchases the product, you count it toward a positive conversion rate.

You contribute to a higher or lower conversion rate for a particular product. Your site design decisions, linking choices, and marketing efforts all factor into a conversion rate.

Suppose that your product has a history of low sales. You do a little research and find that even though the number of visitors to the product page is decent, the conversion rate is quite low. Do you cross the product off your list? Not yet.

Before you write off a product as a nonproducer, double-check all factors that affect the conversion rate. Here are two suggestions:

- » **Take a closer look at the product page.** Determine whether the page has enough information to allow a customer to make the decision to purchase — whether size and color options and the price can be quickly obtained, for example. Some critical details might be omitted from the description, or the product photo might be small or fuzzy or cannot be enhanced. If the page doesn't show up well on a mobile device, that could cause mobile buyers to give up. These factors can cause a potential buyer to remain a window shopper.
- » **Track all pages that link to the product page.** Find out, for example, whether customers expecting to find one type of product are finding a much different product when they click through to check out. You don't want them to believe that they were misled or oversold.

Take a look at Book 6, Chapter 1 to find out how to calculate the conversion rate.

Replacement or Expansion: The Art of Culling Your Inventory

When you decide to drop products that aren't selling well, you can take two approaches to adjust or refresh your inventory, as described in the following two sections.

Replacing one product with another

One strategy for refreshing your inventory is to replace nonperforming products: Get rid of one product and immediately substitute it with a new one. Your replacement products should meet these criteria:



WARNING

- » **They're complementary.** Look for items that are a good fit with the theme or focus of your site. You want products that continue to be relevant to your target customer.

Resist the temptation to add products that require marketing to an entirely different customer base. That's almost the same as starting a brand-new business, and it can permanently derail you.

- » **They're price competitive.** The price points of replacement products should be within the range of your current pricing structure. You don't want to introduce a high-end luxury item if your site is more of a midrange store. Similarly, you want to search for products that can be competitively priced on the general market. If you can find the product from other online sources for significantly less cost, you will have difficulty competing.

Always compare prices before adding products. A tool such as PriceShape (<https://priceshape.com>) is designed for e-commerce retailers to help you compare prices and get maximum profit from your product mix. Or download a price-comparison toolbar, such as PriceBlink (www.priceblink.com), which you add to your browser. It's one of many available apps that automatically display comparison pricing and relevant coupons when you search for products online.

- » **They're appropriate for markup.** Choose products that are priced right for you, too. An item can be costly to you if the wholesale price is too high, or if you have to buy a really large quantity to make the price feasible. These items throw off your normal markup strategy and leave you paying for it — literally!
- » **They're deliverable.** When you search for products now, the world is truly at your feet. You can send anything from almost anywhere and then resell it. If delivering a product to your customer becomes difficult or takes too long, however, it costs you business. Your site should feature products that can be quickly shipped to customers without hassles or delays.



TIP

Expanding Products to
Increase Stagnant Sales

Expanding your product line

You can refresh your inventory by simply expanding it. Here are a few expansion tactics:

- » **Concentrate on expanding a particular product line.** Perhaps your inventory analysis reinforces what you already suspected: One particular



REMEMBER

brand of products sells particularly well. Suppose that you're a reseller of spa products (hair and skincare) and you realize that the three Bumble and Bumble brand products on your site consistently sell well. After dropping your five worst-selling products, you decide to expand the Bumble and Bumble line. You have no reason to search for other brand-name products; just build on the one you already have.

Expanding on a popular line of products is also a useful marketing opportunity. Make the most of it. Promote not only the new products but also the fact that you're expanding the entire brand.

» **Accessorize your bestselling products by adding items that complement one of your top products.**

Perhaps you sell electronics and determine that the camera, Canon's EOS Rebel, is one of your three bestselling products. And it's highly rated in customer reviews. When you beef up your inventory, concentrate on adding companion products for the camera. For example, you can expand your line to include different types of lenses, filters, memory kits, and even customized camera cases and bags for all the gear.

Accessorizing is similar to the promotional strategy of upselling. When you see a product that your customers want, add supplemental products that might also interest them.

» **Scale back the number of your products.** This strategy narrows your focus so that you can concentrate on a select group of your top sellers, no matter which brand or category they're in. In other words, eliminate the dead weight. Then start promoting the heck out of your best-performing products to increase sales.

For example, you might have 75 items for sale, and your inventory analysis shows that only a dozen of those products make up a clear majority of your sales. Combined, the other 63 items account for fewer than 15 percent of your total annual sales. If you get rid of the majority of your products and stick to the 12 bestsellers — along with marketing — you should see sales increase without the hassle of working with a large number of products.

Finding Alternatives to Spur Growth

No matter what strategy you use to replace products, you first have to find new ones (or opportunities) that shine. Fortunately, you can look in certain places to narrow your choices:

- » **Vendors:** If you already work with regular suppliers, ask them what's selling. Your vendors know which items they can't keep in stock because of demand and which ones are lagging. Suppliers usually have a good idea of which type

of new products are coming in, and can suggest ones that fit well with your site.

- » **Customers:** Your customers know best. Or, at least they know what they're willing to spend money on. Do a little online polling or send a short email survey to find out which products your customers want to see on your site. They're usually quite willing to share an opinion or two. Also, see if there are any complementary services that you can offer on top of your existing product base that your customers would pay you to do.
- » **Competitors:** Check the clearance section of a competitor's site to see which items didn't sell, and take a look at deeply discounted items to see which items might be on their way out. Don't forget to see which items are being heavily promoted.
- » **Social media:** Nowadays, public opinion is easily measured by studying your social media channels. From Facebook to Instagram, see which products or services are getting referenced, liked, and shared with individual people's followers. Keep an eye on the conversations being generated as well.
- » **Online blogs and product sites:** A wide variety of blogs and sites are dedicated to every type of product. Often, these websites will include announcements about new products as well as rumors.
- » **Trade shows:** These events are filled with product distributors showcasing their latest product offerings. Often, you can even detect a theme for upcoming releases. For example, you can see which colors are hot or which product categories distributors are pushing. Not surprisingly, manufacturers are all usually pushing the same items, so you can easily spot the next trend, or even find a potential partner to offer something unique and make yourself stand apart from the competition.

Trade shows and markets are also an opportunity to chat with suppliers and gather detailed information. The atmosphere is much more casual, and distributors and members of their sales force are eager to talk.



REMEMBER

Of course, after you make your decision about which products to add, the real proof is in the pudding (as they say). With that proverb in mind, it certainly doesn't hurt to literally put your judgment to the test. You can run online tests for a product by using one of these methods:

- » **Forced placement:** Try featuring only a single product on your home page. This strategy forces visitors to view the new product so that you can more easily monitor click rates and conversions when you're introducing a product. If you're uncomfortable promoting one item, you can also place the promotion in a premium spot on your home page.

- » **Rotate promotions:** Alternatively, you can run internal promotions on your site and rotate new products with your popular staple items. Use banner ads, pop-up ads, product reviews, or testimonials, and then rotate the promotions throughout your site (not just on the home page).
- » **Email customers:** Introduce new products in an email campaign to your targeted customers. That way, you can quickly gauge customer reaction to your latest product selection.
- » **Keywords:** You can also place external advertisements to drive visitors for product testing. The most effective method is paid keyword searches. Because these target visitors are already searching for your particular type of product, or something similar, this method is an effective way to test the waters for purchasing behaviors.
- » **Sample offline:** Give a few samples to friends or family members, and ask whether they would buy the product or have bought one similar to it already. If so, find out where and for how much. You can even have an informal focus group check out your product online. You can watch as its members visit your site and search for the new product. Find out from them what they think of your product, whether the promotion you used was effective, and whether the product image on your site accurately portrays the product. Honest feedback offline can help put you on the right track online.

Even a well-researched and thoroughly tested product isn't a sure bet. However, implementing these strategies as part of your product expansion truly helps you beat the odds.

IN THIS CHAPTER

- » Mapping out your growth options
- » Investing in the next level of technology
- » Figuring out what to do after you hit the big time
- » Creating your final strategy

Chapter 5

Transitioning a Small Site into Big Business

Truthfully, plenty of entrepreneurs are satisfied with their online businesses staying small. For the rest of us, growth is the carrot that's continually being dangled in front of us. In this chapter, we share the strategies and resources that allow you (and your site) to finally take a bite out of that carrot.

Seeking Out the Next Level of Your Business

Entrepreneurs can tell you that the process of growing your business almost always starts out the same way — by planning for it.

Before transitioning your online business to the next level, you have to identify exactly *what* that next level is. You have to put all your options under a microscope and decide which one makes the most sense to pursue. What are your choices? Well, each of the most common paths to growth has its advantages and disadvantages.

Expanding the business

An obvious choice is to add products or services to your existing site. The purpose is to use variety to attract a wider customer base while bringing in larger revenues. This strategy is certainly the one that many entrepreneurs implement regularly, whether they realize it or not. After you consciously identify it as your preferred growth strategy, you can become more aggressive and targeted with your actions.

Here are some pros of expanding your business:

- » You retain full control of the business, just like always.
- » You can try to sell more to existing customers to improve your finances.
- » You can explore different areas, which can be fun for an entrepreneur.

Some cons of expanding your business include:

- » Expansion can take more time to show results.
- » You add risks by entering a new market without a history of selling those new products.
- » Expansion might require a large investment in back-end systems to support added inventory or a product base.

We discuss ways to expand your product base in Chapter 4 of this minibook.

Acquiring other sites

Buying existing sites is another fairly typical development strategy. You can easily start by making a list of competitors' sites that might be worth purchasing. Also look at sites that complement your current business. These noncompeting sites offer products or services that are different yet still a good fit.

Of course, the larger or more established a site, the higher its asking price. Sometimes, a better strategy is to identify up-and-coming sites or sites that (like yours) have also remained small.

Some pros of acquiring other sites include:

- » Acquiring another site provides a quick way to expand or diversify your business.

- » Acquiring another site can prevent competitors from overtaking you in the market.
- » Acquiring another site will introduce your current site to a wider customer base.

Some cons of acquiring other sites include:

- » Acquiring another site usually requires substantial out-of-pocket cash.
- » Buying another site may come with unforeseen liabilities or pitfalls that would affect you after you acquire them.
- » Sometimes these other sites aren't for sale, so it will take time to convince their owners to negotiate a price, which is time you are not spending on your current business.

Going global

Expanding your operations outside your home country is a proposition that's both exciting and scary. This strategy becomes easier when you have, or a partner has, experience in working outside your immediate borders. However, the return on the investment can be lucrative. Products can become oversaturated in your ever-competitive market. Yet abroad, the product might be a relatively new and sought-after item with few — if any — distributors. Furthermore, external factors like politics and trade agreements between countries can add additional complications as you expand internationally; elements like unexpected tariffs can change the dynamic of how you can compete with overseas sellers, for example.

Some pros of taking your business internationally include:

- » You have more opportunity for growth and increased sales in foreign countries.
- » You are working to achieve global name recognition.

Some cons of taking your business internationally include:

- » Language barriers can complicate the process.
- » Selling the product might require setting up foreign distributors and manufacturing plants.
- » Laws and regulations vary by country, which adds another layer of compliance.

Bringing in financial partners

Recruiting a financial partner might be a desirable option for your site. If you do it correctly, you end up with needed money for growth and a business partner who has expertise that you might not possess. Finding a financial partner is a little different from simply going out and finding money to support your expansion because you're taking on an actual partner in this scenario.

Unlike a bank or another lender, a *financial partner* is a person who has a say-so in your business. This person participates in both operational and financial decisions. You can consider angel investors, depending on the arrangement, and venture capitalists as examples of investment partners (see Book 1, Chapter 4). More than likely, your financial partner will end up being a former coworker, a business associate, or a friend or family member.

Some pros of finding a financial partner include:

- » The new partner provides needed capital to upgrade and expand your site.
- » This creates the opportunity for you to benefit from a partner's connections as well.
- » Your business is introduced to fresh, alternative ideas from an experienced financial partner.

Some cons of bringing on a financial partner include:

- » You sacrifice some control (and ownership) of your business.
- » The situation can become ugly if you find out that you don't share a united vision for growth.
- » Your partner might bail out at an inopportune time.



TIP

An alternative to bringing in financial partners is to get a peer-to-peer loan or investment by using websites such as Prosper (www.prosper.com) or Lending Club (www.lendingclub.com), or trying funding programs through existing online payment processors, like eBay Seller Capital (<https://pages.ebay.com/ebaysellercapital>) or Square Loans (<https://squareup.com/us/en/banking/loans>). Previous changes in finance laws have allowed smaller companies to *crowdfund*, or raise funds from lots of small investors, rather than seek out a small number of large investors. Check out sites such as Fundable (www.fundable.com) or MicroVentures (<https://microventures.com>) for more information.

Create a succession plan and retire

For some owners, passing the company on to a family member, friend, or trusted high-level employee might qualify as following an exit strategy rather than making plans for growth. We disagree. In this particular strategy, you're in essence creating a succession plan and picking your next CEO, who in turn will grow the business.

The first step is to decide whether you have a next-generation family member, friend, or trusted employee interested in taking over your business. Then you have to take an honest and objective approach to deciding whether that person has the necessary skills or talents. Basically, it's like hiring an employee whom you plan to groom for the top management position. Obviously, it's not always easy to be objective. This is one of the goals of a succession plan, because you are creating a road map whereby you slowly, gradually, and methodically hand over the business to the next leader in an organized and clear fashion that keeps your entire company in the loop and lets them rest assured that the next leader is coming on board properly and is not a last minute, rash decision.

The upside is that you might find an untapped resource who has a terrific energy level and pushes you.

Some pros of handing off your business to someone else include:

- » You can continue to have a lifeline to the business, even after you step away from it, or you can fully retire knowing the succession plan is in effect.
- » Your successor can bring a fresh perspective that can accelerate your site's growth.
- » If you choose a family member, you ensure that your business stays within your family.

Some cons of handing off your business to someone else include:

- » "Grooming" your successor can take several years.
- » You might hurt your relationship or cause increased tension with other business stakeholders.
- » If you choose a family member, you ensure that the business stays within the family. (Yes, this one is also a pro — family has a tendency to have both positive and negative aspects in running a business.)

LISTING YOUR SITE FOR SALE ONLINE

You can advertise that your business is for sale or search for a prospective buyer on these websites:

- **BizBen:** www.bizben.com/place-an-ad.php
- **BizBuySell:** www.bizbuysell.com
- **BizQuest:** www.bizquest.com/sell-a-business
- **BusinessesforSale:** <https://us.businessesforsale.com>
- **DealStream:** <https://dealstream.com>

Selling your site

Selling your site is considered an exit strategy. Yet, selling your site is sometimes the only way to grow it.

You might be tired, tapped out of money, and looking for a way out. Maybe you recognize that your site has fantastic potential and you lack the experience and knowledge to make it happen. You might also have a limited window of opportunity, or you simply might not have the resources to expand your site within that optimal time frame.

Keep in mind that developing a plan to identify a buyer is quite different from someone unexpectedly calling you with an offer. If selling is your strategy, preparing your business can take as long as six months to a year. If you have a smaller site, or have been lax in sticking to a management regimen, you need a few months just to clean up your organizational act.

Depending on your asking price and the current market, finding the right buyer can take another year (or longer). This time frame is where you see the difference between selling as an exit plan and selling as a growth strategy. When expansion by selling is your goal, finding the right buyer match is critical. A professional broker can help you identify key characteristics.

In general, you want to look for someone who has these characteristics:

- » A shared vision for your site
- » Experience in taking a business beyond the start-up phase or past the early growth years

- » Peers in the industry who can substantiate this person's reputation and skills
- » Verifiable liquid assets and net worth to invest in the business beyond the purchase price



TIP

You can locate a reputable business broker through BizBuySell (www.bizbuysell.com). The site has a free, searchable database that's broken out by state.

You don't have to work with a professional to sell your site. However, a broker often has extensive contacts of potential buyers and can speed up the selling process. Regardless, selling your site might be the ideal opportunity for you.

Following are the pros of selling your company outright:

- » You receive a potentially large chunk of change for all your hard work.
- » The burden of growth is removed.
- » You can try something else.

Here are the cons of selling your company outright:

- » If you stay with the company, you lose control.
- » If you leave outright, you have to start a new business from scratch, find a job, or retire.
- » You have no guarantee that the buyer will succeed in growing the site.
- » Because payment terms might be spread out, realizing the full sale price can take a while.
- » The buyer may require you to sign a noncompete clause, which means you cannot compete with the buyer by starting another business in the same industry for many years. Given that your experience is heavily tied to the company you just sold, this could limit your opportunities in the future.
- » The business could go under before you collect all your money, leaving the site wiped out and you fighting in court for restitution.

WHAT TO DO BEFORE YOUR SITE GOES ON THE MARKET

Although the decision to sell might come easily to you, preparing your site for that transaction doesn't happen overnight. Check out this to-do list before you hang a For Sale sign on your business:

- Put your financial house in order with a set of audited financial statements.
- Meet with your accountant to discuss tax strategies for a sale.
- Have a professional valuation conducted to determine a feasible asking price.
- Contract with a business broker who has experience in selling Internet companies.
- Review all vendor agreements, equipment leases, and miscellaneous contracts, and then take a thorough inventory.
- Make sure that written policies and procedures are in place and are being strictly followed.
- Update all back-end functions (as long as doing so doesn't require a significant cash investment).
- Work on increasing the number of visitors to your site and the average length of time they spend there.
- Hire an expert in search engine optimization to improve your position at search engine sites.
- Step up your PR activities to get attention. (Unlike in the area of marketing, PR gives you more exposure for the money.)

Purposefully Making the Next Move

Whether your site is growing because of fate or strategy, your next move should be well thought out. Follow these strategies:

- » **Assemble an advisory board.** You might already have a formal board of directors that you assembled immediately after you incorporated. In that case, consider the value of expanding your board and adding individuals with specific expertise. If you're not comfortable bringing on directors, assemble a somewhat less formal *advisory board*. This group of professionals from your network meets regularly to review your business goals and provide guidance. Similar to when you have a board of directors, look for people with experience who complement your strengths and weaknesses.

- » **Update planning tools.** Growth means digging into that old business plan and marketing plan. You know which ones we mean — the ones you threw together half a decade ago because everyone said that you had to have them. Those people were right: You need both documents, even though they're long overdue for an update. Use the old plans as a foundation to reassess your current goals and strategies.
- » **Focus on long-term financial planning.** In addition to working more closely with your accountant, seek input from a financial planner or a CPA who specializes in your industry. You're no longer simply moving from one tax year to the next. As both your company revenue and personal income increase, you want to make calculated decisions about your money.
- » **Stay current.** It's all about the research. Growing companies tend to put up walls around themselves. By not paying attention to what's happening in the world around them, they are quickly outpaced by more innovative businesses. The best way to ward off this curse is to become a vigilant researcher:
 - Watch for developing trends.
 - Read business and trade publications.
 - Talk with peers in your industry.
 - Attend trade shows.
 - Skim the Internet or set automated alerts for information that might affect your site.
 - Keep an eye on your competitors.
- » **Find a mentor.** You might not want to invite your closest competitor to have coffee with you, and getting the CEO of Google on board might be a little far-fetched. You can, however, look for sites that embody your philosophies and implement similar growth strategies. Approach the founder or president by email, and see whether she's open to answering some questions. (Be honest about why you're contacting her.) Striking up an online mentorship is easier than you might think.
- » **Participate in industry activism.** As a small-business owner, you have to focus primarily on your site. Your number-one priority is figuring out how to make your site work, which can be isolating at times. As you expand, you're in the position to broaden your horizon. Make a point of joining national industry associations or professional organizations in your local community. Get involved with issues that affect your business and your peers' businesses. Table 5-1 highlights a few of the national member-based organizations that cater to Internet professionals and small-business owners.

Becoming active in your professional community and your industry associations is also a proven and powerful networking tool.



REMEMBER

TABLE 5-1**Associations for Online-Business Professionals**

Organization	URL	Annual Membership Fee
Association of National Advertisers	www.ana.net	\$3,000
Entrepreneurs' Organization	https://hub.eonetwork.org	\$2,550
National Federation of Independent Business (NFIB)	www.nfib.com	\$395+
American Marketing Association	www.ama.org	\$169

Index

Numerics

- 1ShoppingCart, 203, 249
- 2FA (two-factor authentication), 312
- 3D verification process, 288

A

- ABA (American Bar Association), 100
- Accessibility Checker, 69
- Accessibleweb, 70
- accidents, 301
- accountants, 115, 117–118
- Account-Based Marketing (ABM) tool, 602
- accounting
 - accounting system integration, 437
 - accrual basis method, 108
 - cash basis method, 107–108
 - for taxes
 - accounting methods, 107–108
 - balance sheets, 108–109
 - hiring professional help, 115–120
 - profit-and-loss statements, 109–112
 - recordkeeping, 120–123
 - software for, 112–115
 - tax year, 106–108
 - types of taxes, 101–106
- ACH (Automated Clearing House) processing, 237
- action plan, continuity plan, 301–302
- action timelines, 15–16
- activation fees, 439
- Active listings link, eBay, 469
- ACV (annual contract value), SaaS model, 527
- ADA (American Disabilities Act), 155
- ADA (Americans with Disabilities Act), 68–70
- address blocking, 239
- address verification service (AVS), 239, 287
- administrative tools, 437–438
- Adobe Analytics, 404
- Advanced package, Shopify, 455–456
- advertisers, 219–220
- advertising. *See also* marketing strategies
 - classified advertising, 374
 - eBay store advertising templates, 473
 - paid advertising, 373, 584, 599, 616
 - search engine advertising, 384–392
- advisory board, 640
- advocacy stage, online buyers, 580
- adware, 313, 316
- Adyen, 233
- affiliate programs
 - affiliate networks, 219
 - critical functions, 214
 - finding, 218–219, 221–224
 - illegal affiliations, 224–225
 - payment types, 213, 220–221
 - questionable affiliations, 225–227
 - regulation, 215
 - steps for building, 218–219
 - terminology, 219–220
- AI (artificial intelligence), 2, 522
 - automation, 535
 - benefits of using in business, 536–537
 - ChatGPT, 541–544
 - creating new business opportunities with, 545
 - deep learning, 535
 - earning opportunities, 537–539
 - generative AI, 535
 - legal issues, 539–541
 - machine learning, 535
 - Natural Language Processing, 535, 541
 - overview, 533–534
 - SaaS solutions and, 522
- Airbnb, 204
- ALT attributes, HTML, 419–420
- alternative financing, 49–52
- Amazon, 20, 209, 358
- Amazon Associates, 222
- Amazon Best Sellers list, 256
- Amazon Handmade, 199
- Amazon Merch on Demand program, 559

- Amazon Pay, 568
- American Academy of Attorney-CPAs, 118
- American Bar Association (ABA), 100
- American Disabilities Act (ADA), 155
- American Institute of Certified Public Accountants, 118
- American Institute of Professional Bookkeepers, 116, 118
- American Pet Products Association (APPA), 498
- Americans with Disabilities Act (ADA), 68–70
- analytics software, 438
- anchor text, 421
- angel investors, 45–47
- Angelfish Digital Analytics software, 402
- annual contract value (ACV), SaaS model, 527
- annual fees, 438
- App Press, 530
- APPA (American Pet Products Association), 498
- Apple iTunes Store, 209
- application service providers (ASPs), 205
- Appypie, 530
- Arctic Technology Solutions, 415
- artificial intelligence. *See* AI
- Artificial Intelligence For Dummies* (Mueller and Massaron), 534
- ASPs (application service providers), 205
- assets, balance sheet, 108–109
- associations for online business professionals, 642
- assurance-providing words and phrases, 182–183
- attention-getting words and phrases, 174–175, 181–183
- auctions, eBay, 464–465
- Audioeye, 69
- authorized AIM IP, 239
- Automated Clearing House (ACH) processing, 237
- automatic software updates, 312
- automation, 341, 535, 599
- AutoRenew feature, 220
- autoresponders, 384
- AVS (address verification service), 239, 287
- awards, 51–52
- awareness stage, online buyers, 179, 578–579

B

- B2B (business-to-business), 8, 342, 344–345, 579
- B2C (business-to-consumer), 8, 342, 344–345, 579

- back-end management
 - fulfillment system, 279–282
 - shopping carts, 243–244
- backups
 - data, 334–335
 - hosting services, 164, 169
 - Shopify, 445
- bad actors
 - adware, 313, 316
 - automatic software updates, 312
 - blended threat, 316
 - botnets, 313, 316
 - data-driven attacks, 316
 - denial-of-service attacks, 308
 - distributed DoS, 308–309
 - DNS spoofing, 316
 - domain slamming, 314–315
 - flooding, 316
 - hacking-for-pay methods, 310–311
 - hoaxes, 314
 - identity theft, 316
 - malware, 312–313
 - mobile security risks, 322–323
 - overview, 307–308
 - password generators and managers, 311
 - pharming, 316
 - phishing, 316
 - protective barriers, 326–327
 - ransomware, 313
 - scams, 317–322
 - smishing, 317
 - spyware, 313, 317
 - Trojans, 313
 - two-factor authentication, 312
 - virtual private network, 326–327
 - viruses, 312
 - wireless local area network, 323–325
 - worms, 313
- balance sheets, 108–110
- bandwidth, 162
- banks and banking, 77
- bar codes, 280–281
- Barnes & Noble, 209
- bartering, 42

- basic analysis software, 402–403
- Basic package, Shopify, 454, 456
- Behavior Flow report, Google Analytics, 400
- Better Business Bureau, 225
- BI (business intelligence), 256
- big data, 256
- BigCartel, 435
- BigCommerce, 203, 441
- Bing Webmaster Tools, 191
- BizBuySell, 639
- BizQuest, 53
- BizRate Insights, 274
- blended threat, 316
- blogs and product sites
 - combatting stagnant sales, 631
 - HubSpot blog, 35
 - overview, 144
 - Shopify blog, 35
- bookkeepers, 115–117
- bootstrapping, 40–43
- botnets, 313, 316
- bounce rates, 149, 399–400
- Bplans, 35
- brand-generated content, 594
- branding, 372–374
- bricks-and-mortar businesses, 8–9, 11
- brokers, 232
- Browserling, 189
- BrowserStack, 189
- brute force attacks, 324
- Bubble, 524
- budgets and budgeting
 - bootstrapping, 41
 - continuity plan, 304–305
 - SaaS mobile apps, 529–530
- Builder, 524
- burn rates, SaaS model, 528
- business bank accounts, 77
- business change evaluation
 - checklist, 607–609
 - fluctuating market conditions, 606–607
 - key performance indicators, 605, 607
 - lagging sales, 615–620
 - profitability, 607
 - reengaging customers, 620–622
 - search engine rankings, 606
 - site maintenance, 606
 - technology upgrades, 607
 - VOC program, 610–613
 - website redesign, 613–615
- business ideas
 - analyzing
 - competition, 29–30
 - feasibility studies, 24–26
 - informal research, 20–22
 - originality versus updating or modifying existing businesses, 20
 - SWOT analysis, 22–24
 - choosing the best for you, 25
 - developing, 15
 - entrepreneurial thinking, 17–19
 - market and customer identification, 27–29
 - pitching, 35
- business intelligence (BI), 256
- business licenses, 81
- business plans
 - appendix, 34
 - business or product description, 33
 - competitive analysis, 33–34
 - executive summary, 33
 - financials, 34
 - help for writing, 35–37
 - management team, 34
 - market analysis, 33
 - operations, 34
 - resistance to, 32
 - using, 38
 - value of, 31–32
- business structures
 - changing, 90–91
 - considerations when choosing, 84
 - corporations, 88–90
 - limited liability companies, 88
 - partnerships, 86–88
 - sole proprietors, 85–86
- business-to-business (B2B), 8, 342, 344–345, 579
- business-to-consumer (B2C), 8, 342, 344–345, 579
- Butow, Eric, 363, 478

- buyer personas, 157, 176, 589–592
- buyers. *See also* customer analysis and metrics; online buyer's journey
 - buying stages, 343–344
 - converting site visitors to, 352–353
 - engaged buyers, 354
 - occasion-driven buyers, 354–355
 - repeat customers, 354, 618
 - spontaneous buyers, 354
- buzzwords, 181

C

- C corporations, 89. *See also* corporations
- CAC (cost of acquiring customer), 526
- call-to-action (CTA), 180, 182–183, 383, 584, 618
- CAN-SPAM Act, 382
- capital (net worth), 109
- card code verification (CCV), 239
- card verification value (CVV2), 287–288
- case studies, 206
- cash basis accounting method, 107–108
- Catalog of Federal Government Assistance, 52
- CCV (card code verification), 239
- certified public accountants (CPAs), 115, 117–118
- Chamber of Commerce, 22, 46, 118
- chargebacks, 286–289
- Chase Merchant Services, 232
- chat room policies, 65
- chatbots, 2
- Chatfuel, 539
- ChatGPT, 541–544
- Children's Online Privacy Protection Act (COPPA), 64–65
- churn rates, SaaS model, 526, 527
- CJ Affiliate, 222
- classified advertising, 374
- click ratio, 373
- Clicky, 402
- cloud computing, 521. *See also* SaaS model
- cloud-based backups, 335
- Cloudflare, 308
- CLTV (customer lifetime value), 620
- CNet Reviews, 359
- colocation, 168
- comments, Instagram, 488–489
- commitment, 15
- communication
 - continuity plan and, 303–304
 - email, 247, 355, 436, 473
 - relevant, 19
 - visual, 19
- compatibility testing, 187–190
- competition
 - analyzing, 29–30, 33–34, 213
 - assessing products that didn't sell well, 631
 - observing competitors' customers, 28
 - secondary, 29
- Cons section, online review, 361
- consideration stage, online buyers, 179, 579
- Constant Contact, 178–179
- consultants
 - business plans, 305
 - continuity plan, 305
 - tax, 116
- Consumer Reports, 358
- Consumer Review Fairness Act, 70
- contactless payment option, 237
- content development
 - attention-getting, 174–175
 - buyer personas, 176
 - content mapping, 180–181
 - content packaging, 176–177
 - eliciting responses, 175, 181–183
 - keywords, 172–174
 - objectives of effective copy, 172
 - organizing, 178–179
 - self-explanatory, 175
 - simplicity, 175
- content mapping, 180–181
- content marketing
 - aligning content to intent, 596–598
 - buyer personas, 589–592
 - content framework, 593–594
 - content segments, 594–595
 - evergreen content, 596

- longer-form content, 588
- overview, 587–603
- personalized content, 588–589
- types of content, 595–596
- web personalization, 588–589, 598–603
- content packaging, 176–177
- content-generated documents, 540–541
- continuity plan
 - action plan, 301–302
 - backup alternatives, 302
 - budget, 304–305
 - consultants, 305
 - equipment assessment
 - cloud-based applications, 298
 - documents, 299
 - hardware, 298
 - overview, 297
 - peripheral components, 298
 - social media, 298–299
 - software, 298
 - existing security measures, 301–302
 - experts, 305–306
 - inventory and skills assessments, 297–299
 - overview, 293–294
 - people, resources, and follow-up communications, 303–304
 - policies and procedures, 294–297
 - risk analysis, 299–301
 - self-help, 306
 - training programs, 306
- conversion points, online buyers, 583–584
- conversion rates, 149, 344–347
 - Cyber Monday conversion rates, 346
 - device conversion rate, 345
 - factors that influence, 346–347
 - format conversion rate, 345
 - granularity of data, 345
 - improving, 352–353
 - visitor conversion rate, 345
 - visitor-to-cart conversion rate, 344
 - visitor-to-checkout conversion rate, 344
- cookies, 220, 223, 405–406, 600
- COPPA (Children's Online Privacy Protection Act), 64–65
- copyrights. *See* trademarks and copyrights
- corporations
 - accounting methods, 107
 - pros and cons of, 89
 - tax forms, 103
 - types of, 89
- cost margins, POD business, 559–560
- cost of acquiring customer (CAC), 526
- cost per action (CPA), 220
- cost per click (CPC), 213, 220
- cost per lead (CPL), 213, 221
- cost per sale (CPS), 221
- cost-plus pricing strategy, 260
- coupons, shopping carts, 247
- COVID-19 pandemic, 7–8, 78
- CPA (cost per action), 220
- CPAs (certified public accountants), 115, 117–118
- CPC (cost per click), 213, 220
- CPL (cost per lead), 213, 221
- CPS (cost per sale), 221
- Craigslist, 371, 374
- Creative Commons licenses, 97
- creative services, 204
- creatives, defined, 220
- Creator Economy, 509, 515
- credit cards, 49–50
 - fees, 235–236
 - merchant accounts and, 232–233
 - overview, 230–231
 - payment gateways, 233–235
- CRM. *See* customer-relationship management
- Cross Promotion tool, eBay store, 473
- cross-selling, 247, 248, 436, 620
- crowdfunding, 50
- crowdsourcing, 636
- CTA. *See* call-to-action
- cultural awareness, marketing strategies
 - customer testimonials, 574
 - geopolitics, 574
 - imagery, 573
 - overview, 572–573
 - slang, 573
 - translations, 573–574
- currencies, shopping carts, 243
- custom shopping carts, 253–254

- customer analysis and metrics, 393–410
 - cookies, 405–406
 - customer information, 408–410
 - links, 406
 - overview, 393–394
 - path analysis, 406–408
 - traffic analysis software
 - basic analysis software, 402–403
 - detailed analysis software, 403–404
 - enterprise-level solution, 404
 - Google Analytics, 396
 - hits, 396–397
 - IP addresses, 397
 - measuring traffic against activity, 401–402
 - overview, 395–396
 - page views, 397
 - public computers, 398
 - viewer behavior, 399–401
 - trends, 394–395
- customer base, POD business, 560–561
- customer experience (CX), 610
- customer lifetime value (CLTV), 620
- customer-generated content, 594–595
- customer-relationship management (CRM), 434
 - Shopify, 457
 - web personalization and, 599
- customers
 - asking for payment up front, 41
 - classifying, 27–28
 - combatting stagnant sales, 631
 - customer reviews, 619
 - customer support, 145, 245
 - customer testimonials, 574
 - identifying target, 27–29
 - mapping customer journey for UX development, 142–146
 - motivation of, 176
 - niche markets, 499–500
 - observing competitors' customers, 28
 - published market research about, 29
 - securing customer data, 329–334
 - structured customer data, 612
 - surveying, 28
 - testing UX design, 157
 - Three Rings of Decision analysis, 22
 - understanding, 18, 176
 - unstructured customer data, 612

- customization. *See also* print-on-demand business
 - marketing strategies, 435
 - shopping carts, 243
- CVV2 (card verification value), 287–288
- CX (customer experience), 610
- Cyber Monday conversion rates, 346
- cybercriminals. *See* bad actors
- cybersecurity. *See* security

D

- data feeds, shopping carts, 247
- data privacy, 540
- Datadog, 159, 189
- data-driven attacks, 316
- dayparts, 347–349
- DDoS (distributed denial of service) attacks, 166–167, 308–309
- decision stage, online buyers, 179, 579–580
- dedicated server, 168
- deep learning, 535
- Deiss, Ryan, 380
- demographic information, customers, 409
- denial-of-service (DoS) attacks, 308
- detailed analysis software, 403–404
- device conversion rate, 345
- Digital Commerce 360, 259
- digital marketing. *See also* e-commerce
 - buying stages, 343–344
 - content, 342
 - converting visitors to buyers, 352–353
 - customer analysis and metrics
 - cookies, 405–406
 - customer information, 408–410
 - links, 406
 - overview, 393–394
 - path analysis, 406–408
 - traffic analysis software, 395–404
 - trends, 394–395
 - dayparts, 347–349
 - developing buyer personas, 342–343
 - increasing website traffic, 350–351
 - influencers and influencing
 - defining specialty, 364–366
 - discussion groups, 364–365
 - Instagram, 363
 - interacting with audience, 369

- LinkedIn, 364–365
 - mailing lists, 364–365
 - overview, 357–358
 - posting consistently, 366–368
 - video channel, 368–369
 - videos, 362–364
 - webinars, 363
 - writing reviews, 358–362
 - X (formerly Twitter), 364–365
 - YouTube, 364
 - instant buyers, 353–355
 - marketing automation, 341
 - marketing strategies
 - automating routine tasks, 383–384
 - branding, 372–374
 - newsletters, 379–383
 - overview, 371
 - search engine advertising, 384–392
 - social media, 375–379
 - metrics, 341
 - mobile devices, 341
 - nurturing indecisive buyers, 355–356
 - online buyer's journey, 342
 - overview, 339–340
 - search engine marketing, 341
 - search engine optimization, 340–341
 - keywords, 416–421
 - links, 414–416
 - overview, 412–414
 - rankings, 423–427
 - web page construction, 422
 - site conversion rate, 344–347
 - social media, 341
 - video, 341
 - website, 340
 - Digital Marketing For Dummies* (Deiss and Hennebenny), 380
 - Digital Millennium Copyright Act (DMCA), 96
 - Digital Point Forums, 423–424
 - digital wallet (contactless payment option), 237
 - direct competitors, 426
 - direct providers, 232
 - disasters, 300
 - Discord, 371
 - discount pricing, 247, 436, 457
 - discussion groups, 364–365
 - distributed denial of service (DDoS) attacks, 166–167, 308–309
 - DMCA (Digital Millennium Copyright Act), 96
 - DNS spoofing, 316
 - Doba, 203
 - domain names
 - creativity, 139
 - defined, 127
 - domain extensions, 131, 136–138
 - registering, 132–134
 - selecting, 129–130
 - SEO, 130–131
 - unavailable, 134–136
 - URL structure, 128
 - domain slamming, 314–315
 - DoS (denial-of-service) attacks, 308
 - Dropbox, 205
 - drop-shipping, 201–203
- ## E
- eBay
 - eBay store, 472–475
 - feedback, 469–472
 - item listings
 - maintaining, 468–469
 - setting up, 464–468
 - overview, 459–460
 - as product research resource, 257–258
 - setting up account, 460–464
 - eBay Seller Capital, 636
 - e-commerce. *See also* artificial intelligence; digital marketing
 - administrative tools, 437–438
 - BigCommerce, 441
 - business change evaluation
 - checklist, 607–609
 - fluctuating market conditions, 606–607
 - key performance indicators, 605, 607
 - lagging sales, 615–620
 - profitability, 607
 - reengaging customers, 620–622
 - search engine rankings, 606
 - site maintenance, 606
 - technology upgrades, 607
 - VOC program, 610–613
 - website redesign, 613–615

e-commerce (*continued*)

combatting stagnant sales, 626–632

content marketing

aligning content to intent, 596–598

buyer personas, 589–592

content framework, 593–594

content segments, 594–595

longer-form content, 588

overview, 587–603

personalized content, 588–589

types of content, 595–596

web personalization, 588–589, 598–603

defined, 8

eBay

eBay store, 472–475

feedback, 469–472

item listings, 464–469

overview, 459–460

setting up account, 460–464

expanding business, 632–640

fees, 438–439

increase in, 8

Instagram

comments and hashtags, 488–489

displaying online goods in, 484–486

guidelines for posting content, 487

overview, 477–478

pictures, 487–488

publicizing profile, 483–484

setting up account, 478–483

stories, 491–493

video, 490–491

who to follow, 489–490

international marketplace

cultural awareness, 572–574

operational decisions, 566–572

overview, 563–564

target countries, 564–565

niche markets, 497–503

online buyer's journey, 577–585

Online Store, 440

overview, 431–432

performance, 432–435

POD business

advantages of, 549–550

Amazon Merch on Demand program, 559

cost margins, 559–560

customer base, 560–561

customized products, 551–556

designs, 548–549

disadvantages of, 550

Gelato, 558–559

marketing, 549

overview, 547–548

Printful, 557–558

Printify, 557

product selection, 548

Zazzle, 558

product merchandizing and marketing, 435–437

SaaS model, 521–531

Shopify, 440–441

Advanced package, 455–456

Basic package, 454, 456

catalog, 449–452

customer-relationship management, 457

fees, 455–456

home page, 448–449

marketing programs, 456–457

overview, 443–445

payment methods, 453

sales reports, 458

scalability, 455

setting up, 445–447

shipping rules, 453–454

Standard package, 455–456

store design, 453

tax rates, 453

social influencers

developing fan base, 513–514

Facebook, 507, 515–516

how to profit, 508–512

Instagram, 514–515

LinkedIn, 507

online communities, 519–520

overview, 505–506

Pinterest, 516–517

TikTok, 507

video channels, 517–519

X (formerly Twitter), 508

Volusion, 440

WordPress e-commerce plug-in, 441

economic nexus, 105

- Edit Store page, eBay store, 475
- educational content, 593
- EINs (employer identification numbers), 75
- e-learning niche market, 503
- electronic checks, 237
- Electronic Federal Tax Payment System (EFTPS), 105
- email communications and marketing, 436
 - eBay store, 473
 - nurturing indecisive buyers, 355
 - shopping carts, 247
- eMarketer, 8, 29, 242, 259
- EMDs (Exact Match Domains), 129
- Emma, 341
- employee tax forms, 77–78
- employer identification numbers (EINs), 75
- employment bias, AI, 541
- endorsement policies, 66
- engaged buyers, 354
- enrolled agents, 116, 117
- Enterprise plan, Spotify, 440
- enterprise-level solution, 404
- entertaining content, 593
- entrepreneurial thinking, 17–19
- e-product delivery, 433
- equipment assessment, continuity plan, 297–299
- EquityNet, 47
- e-sports, 518
- Etsy, 199, 257
- EtsyHunt, 257
- European Union (EU)
 - currency, 568
 - EU AI Act, 541
 - GDPR, 67–68, 289
- evergreen content, 596
- Exact Match Domains (EMDs), 129
- Excel Data Analysis For Dummies* (McFedries), 458
- expanding business
 - acquiring other sites, 634–635
 - advisory board, 640
 - with financial partners, 636
 - industry activism, 641
 - internationally, 635
 - long-term financial planning, 641
 - mentors, 641
 - online business professional associations, 642

- overview, 633–634
- selling site, 638–640
- staying current, 641
- succession plan, 637
- updating planning tools, 641
- expenses, balance sheet, 109
- Experience with product section, online review, 361
- export capability, 243
- export policies, 66
- external hard drive, 335
- external threats, 299–300
- extortion, 320–321

F

- F&F. *See* friends and family
- Facebook, 358, 507, 515–516
- Facebook Marketplace, 374
- Fair Credit Billing Act (FCBA), 286–287
- FAQs (frequently asked questions), 150
- Farmer's Dog, The, 503
- FCBA (Fair Credit Billing Act), 286–287
- FDA (U.S. Food and Drug Administration), 74
- feasibility studies, 22–24
- Federal Bureau of Investigations (FBI), 285, 309
- federal tax ID numbers, 75
- Federal Trade Commission (FTC), 61–62, 64–65, 70, 73, 183, 225, 227, 289–291, 512
- Federation of Tax Administrators (FTA), 106
- feedback, eBay, 469–472
- Feedbackify, 612
- fees, e-commerce
 - activation fee, 439
 - annual fees, 438
 - credit cards, 235–236
 - monthly fees, 438
 - product capacity pricing, 439
 - Shopify, 455–456
 - tiered pricing structure, 439
- Feller, Jessie, 524
- fictitious name registration, 85
- filters, photo, 488
- financial partners, recruiting, 636
- financial planning, 641
- FindLaw, 100
- firewalls, 335–336

- fiscal year, 107
- Fiverr, 204
- fixed costs, 260
- Flagship Merchant Services, 232
- flash drive, 335
- flooding, 316
- Flowmapp, 151
- Foap, 519
- Folloze, 602–603
- Form 1099, 78
- Form W-2, 78
- Form W-4, 78
- Form W-9, 77
- format conversion rate, 345
- Forrester, 259
- forums, 65, 144
- Foundry, 602
- Foxy, 249–250
- Freelancer, 204
- freelancing, 204. *See also* service-based revenue model
- freemium model, SaaS model, 526, 527
- freeware, 42–43
- frequently asked questions (FAQs), 150
- friends and family (F&F)
 - discussing online business plans with, 15
 - as investors, 44–45
 - sole proprietors and marriage, 85
 - Three Rings of Decision analysis, 21
- frugality, 40
- FTA (Federation of Tax Administrators), 106
- FTC (Federal Trade Commission), 61–62, 64–65, 70, 73, 183, 225, 227, 289–291, 512
- fulfillment system
 - back-end management
 - database, 279–280
 - feeding orders into shipping department, 281–282
 - inventory tracking, 280–281
 - shelving inventory system, 281
 - in-house fulfillment model, 267–268
 - outsourcing partners
 - agreement with, 271–272
 - assessing quality of work, 273–274
 - finding, 269–271
 - operating with, 272–273
 - overview, 268–269

- overview, 265–266
- shipping and handling, 274–279

- Fundable, 636
- Funded.com, 47
- funding
 - alternative financing, 49–52
 - bootstrapping, 40–43
 - business structures, 84
 - investors, 44–49
 - purchasing existing sites, 52–55

G

- G2, 359
- Gartner, 29, 304
- Gelato, 558–559
- General Data Protection Regulation (GDPR), 67–68, 289–290, 405–406
- general partnerships. *See* partnerships
- general top-level domains (gTLDs), 136
- generative AI, 535
- geographic locators, 145
- geopolitics and marketing strategies, 574
- gift cards, 238
- gift certificates, 247
- global partnerships
 - overview, 570
 - resellers, 571–572
 - social influencers, 572
 - supply chains, 571
- GMV (gross merchandise volume), 440
- goal setting
 - business plans, 32
 - clarity in, 15
 - page goals, 148–150
- GoCardless, 233
- GoDaddy, 133–134, 233, 440
- Google, 208
- Google Ads, 386–390, 572
- Google Analytics, 164, 396, 398, 400, 599
- Google Maps API, 145
- Google Reviews, 358
- Google Search Central, 190–191
- grants, 51–52
- granularity of data, 345

gross merchandise volume (GMV), 440
gTLDs (general top-level domains), 136
guest contributors, Instagram, 490
Guide to Venture Capital & Private Equity Firms (Grey House), 49
Gust, 47

H

hackers. *See* bad actors
hacking-for-pay methods, 310–311
handheld scanners, 280–281
hashtags, Instagram, 488–489
health department permits, 74
Health Insurance Portability and Accountability Act (HIPAA), 304
Hennebenny, Russ, 380
Herman, Jennifer, 363, 478
high-interest loan, 51
hiring
 business plan as tool for, 38
 business plan consultants, 35–37
 free or inexpensive labor, 41
hits, 396–397
hoaxes, 314
home equity loans, 51
home occupational permits, 79
home pages, 152, 448–449
homeowners' associations, 79
hospitality services, 204
hosted shopping carts, 248–251
hosting services, 161–170
Hotjar, 402
HTML. *See* HyperText Markup Language
HubSpot, 35, 341
Hyper Text Transfer Protocol Secure (HTTPS), 128, 130
HyperText Markup Language 5 (HTML5), 163
HyperText Markup Language (HTML)
 ALT attributes, 419–420
 META tags, 417–419
 newsletters, 381

I

IBM Cognos Analytics, 404
IC3 (Internet Crime Complaint Center), 285, 309

ICANN (Internet Corporation for Assigned Names and Numbers), 132, 136, 137
IDC research company, 29
identity theft, 316
iDevAffiliate, 214
IGTV (Instagram TV), 491
images. *See* pictures
import and export tools, 434
import capability, shopping carts, 243
incorporation. *See* corporations
incubators, 52
indecisive buyers, nurturing, 355–356
Indiegogo, 50
indirect competitors, 426
industry activism, 641
influencers and influencing, 357–369
 defining specialty, 364–366
 discussion groups, 364–365
 Instagram, 363, 490
 interacting with audience, 369
 LinkedIn, 364–365
 mailing lists, 364–365
 overview, 357–358
 posting consistently, 366–368
 social influencers
 developing fan base, 513–514
 Facebook, 507, 515–516
 how to profit, 508–512
 Instagram, 514–515
 LinkedIn, 507
 online communities, 519–520
 overview, 505–506
 Pinterest, 516–517
 TikTok, 507
 video channels, 517–519
 X (formerly Twitter), 508
 video channel, 368–369
 videos, 362–364
 webinars, 363
 writing reviews, 358–361
 X (formerly Twitter), 364–365
 YouTube, 364
informal research, 20–22
Initial impressions section, online review, 360–361
innovation, 19
Insider Intelligence, 8

- insider threats, 321–322
- Instagram, 363, 514–515
 - comments and hashtags, 488–489
 - displaying online goods in, 484–486
 - guest contributors, 490
 - guidelines for posting content, 487
 - overview, 477–478
 - pictures, 487–488
 - publicizing profile, 483–484
 - setting up account, 478–483
 - stories, 491–493
 - username, 478–479
 - video, 490–491
 - who to follow, 489–490
- Instagram For Business For Dummies* (Herman, Butow, and Walker), 363, 478
- Instagram TV (IGTV), 491
- instant buyers
 - engaged buyers, 354
 - occasion-driven buyers, 354–355
 - overview, 353–354
 - repeat customers, 354
 - spontaneous buyers, 354
- instant credit, 238
- instructional content, 593
- instructional video content, 519
- integrated shipping tools, 438
- integration and maintenance, shopping carts, 245–246
- intellectual property (IP), 93–100, 540
- Interaction Design Foundation, 159
- Internal Revenue Service (IRS), 42, 75, 104, 119, 121–123.
 - See also* taxes
- internal threats, 300–301
- International Business Innovation Association, 52
- international marketplace
 - cultural awareness, 572–574
 - operational decisions, 566–572
 - overview, 563–564
 - target countries, 564–565
- international orders, 277–279
- International Reciprocal Trade Association (IRTA), 42
- International Trade Administration (ITA), 8
- Internet Corporation for Assigned Names and Numbers (ICANN), 132, 136, 137
- Internet Crime Complaint Center (IC3), 285, 309
- Internet of Things (IoT), 323
- Internet Protocol (IP) addresses, 397
- inventory
 - building, 261–263
 - buying wholesale, 200–201
 - drop-shipping, 201–203
 - integrating with shopping carts, 243
 - inventory management, 437, 444
 - inventory tracking, 280–281
 - market research, 258–259
 - overview, 255–256
 - product pricing, 259–261
 - shelving inventory system, 281
 - specializing, 263
 - trend data, 256–258
 - trial-and-error inventory, 262
- Inventory Source, 203
- investors
 - angels, 45–47
 - friends and family, 44–45
 - venture capital, 47–49
- IoT (Internet of Things), 323
- IP (intellectual property), 93–100, 540
- IP (Internet Protocol) addresses, 397
- IRS (Internal Revenue Service), 42, 75, 104, 119, 121–123.
 - See also* taxes
- IRTA (International Reciprocal Trade Association), 42
- ITA (International Trade Administration), 8
- item listings, eBay, 464–469

J

- Jasper, 538
- Java All-in-One For Dummies* (Lowe), 524
- just-in-time inventory management, 267

K

- key performance indicators (KPIs), 605, 607
- keyboard searches, 374
- keystroke logger tool, 310
- keyword density, 422
- keyword stuffing, 416, 423
- keywords
 - intent and quality, 173
 - invisible, 417–420
 - keyword stuffing, 173–174

- long-tail keyword searches, 173
- overview, 416–417
- search engine optimization, 172–174
- thinking like a customer, 174
- visible, 420–421

Kickstarter, 50

Klarna, 569

KPIs (key performance indicators), 605, 607

Krasniak, Michelle, 376

L

labor services, 204

landing pages, 148, 584

landlords, 79

languages, 145

LANs (local area networks), 323–324

launching web sites

- beta mode, 190–192
- checklist for, 190–191
- compatibility testing, 187–190
- incomplete sites, 186
- preparing for, 185–187
- timing, 192–193

legal issues

- ADA, 68–70
- artificial intelligence, 539–541
- business bank accounts, 77
- business licenses, 81
- business structures, 83–91
- Consumer Review Fairness Act, 70
- employee tax forms, 77–78
- federal tax ID numbers, 75
- GDPR, 67–68
- health department permits, 74
- home-based businesses, 78–81
- intellectual property protection, 93–100
- PCI DSS, 70, 75–76
- Quebec’s Charter of the French Language, 70
- resale certificates, 76
- trademarks and copyrights, 93–100

Lending Club, 636

liabilities

- on balance sheets, 109
- business structures, 84

lifestyle information, customers, 410

lifetime value (LTV), 527, 620

limited appeal products, 626

limited liability companies (LLCs), 88

limited liability partnerships (LLPs), 88

limited-use products, 626

Link Explorer tool, 425–426

link shortener, 479

LinkedIn, 209, 364–365, 507

links

- adding information to, 406
- functionality of, 143
- getting website notice, 414–416
- linking to other sites, 66

Linux operating system, 164

listicles, 366

LivePerson Conversational Cloud, 145

LivePlan, 35

LLCs (limited liability companies), 88

LLPs (limited liability partnerships), 88

local area networks (LANs), 323–324

local payment options, international marketplace, 567–569

long-tail keyword searches, 172–173

Loop11, 159

Lowe, Doug, 524

loyalty stage, online buyers, 580

LTV (lifetime value), 527, 620

Lucidchart, 151

Lyft, 204

Lynda.com, 209

M

machine learning, 535

Macintosh OS X operating system, 190

MailChimp, 341, 457

mailing lists, 364–365

malicious intent, 301

malicious intruders, 300

malware, 299, 312–313

managed servers, 169

Managed WooCommerce Store, 440

man-in-the-middle (MITM) attacks, 324

Manychat, 539

market analysis, 33

market research, 258–259

- Marketing Cloud, 341
- Marketing Cloud Personalization, 603
- marketing strategies, 435–437, 616. *See also* digital marketing; promotions and marketing
 - automating routine tasks, 383–384
 - branding
 - classified advertising, 374
 - creating brand image, 372–373
 - keyword searches, 374
 - paid advertising, 373
 - partnerships, 374
 - product placement, 374
 - social media, 374
 - in business plans, 34
 - cross-selling, 436
 - cultural awareness and, 572–574
 - customization options, 435
 - discount pricing, 436
 - email marketing, 436
 - imagery and, 573
 - mobile device optimization, 436–437
 - newsletters, 379–383
 - niche markets, 500
 - overview, 371
 - product images, 435
 - promotions, 436
 - search engine advertising, 384–392
 - search engine optimization, 436
 - Shopify, 456–457
 - shopping feeds, 436
 - social marketing, 437
 - social media, 375–379
- Marketo, 341
- Marketplace, Facebook, 516
- Massaron, Luca, 534
- Masterclass, 204
- Matomo, 402
- McFedries, Paul, 458
- Meltwater, 204
- member registration, 144
- mentors, 41, 641
- merchant accounts, 232–233
- Merchant Risk Council, 289
- merchants (advertisers), 219–220
- Meta, 507, 514
- META tags, HTML, 417–419

- metrics, digital marketing, 341
- micro SaaS market, 523
- microloans, 51
- MicroVentures, 636
- minimum viable product (MVP), SaaS model, 528
- minor safety policies, 64–65
- mission statements, 33, 150
- MITM (man-in-the-middle) attacks, 324
- mobile apps, SaaS model, 528–531
- mobile device optimization, 436–437
- mobile devices
 - compatibility testing, 187–190
 - digital marketing, 341
 - security risks, 322–323
 - UX design, 143
- Monday productivity app, 205
- monthly fees
 - Shopify, 456
 - storefront solutions, 438
- monthly recurring revenue (MRR), SaaS model, 527
- Moz Link Explorer tool, 425–426
- Moz Pro program, 425
- Mueller, John Paul, 534
- multiple currency functionality, 438
- multiple revenue streams, 215
- Murf.ai, 538
- MVP (minimum viable product), SaaS model, 528
- MySQL, 163

N

- National Association for Enrolled Agents, 118
- National Bankcard, 232
- National Cyber Security Alliance, 317
- National Venture Capital Association (NVCA), 49
- National White Collar Crime Center, 285
- Natural Language Processing (NLP), 535, 541
- navigational toolbars, placement of, 154
- net worth (capital), 109
- Netflix, 20
- Netgear, 327
- Network Solutions, 233
- Newsletters, 379–383
- NextDoor, 371
- Ng, Deborah, 376
- niche markets, 497–501

NinjaOutreach, 366
NLP (Natural Language Processing), 535, 541
NVCA (National Venture Capital Association), 49

O

occasion-driven buyers, 354–355
Oculus, 507
OfferUp, 374
offline payments, 238
offline promotions, 618
OnDeck, 51
1ShoppingCart, 203, 249
one-to-one marketing, 371
online businesses
 accounting for taxes
 basics of, 106–112
 hiring professional help, 115–120
 recordkeeping, 120–123
 software for, 112–115
 types of taxes, 101–106
 affiliate programs
 finding, 218–219, 221–224
 illegal affiliations, 224–225
 payment types, 220–221
 questionable affiliations, 225–227
 steps for building, 218–219
 terminology, 219–220
 bricks-and-mortar businesses versus, 8–9
 business ideas
 analyzing, 20–26
 analyzing competition, 29–30
 developing, 15
 entrepreneurial thinking, 17–19
 market and customer identification, 27–29
 business plans, 31–38
 business structures, 83–91
 Catalog of Federal Government Assistance, 52
 Chamber of Commerce, 22
 changes in attitudes toward, 7–8
 choosing the right category of, 10–15
 customer service pledges, 57–60
 defined, 11
 fulfillment system
 back-end management, 279–282
 in-house fulfillment model, 267–268
 outsourcing partner, 268–274
 overview, 265–266
 shipping and handling, 274–279
 shipping logistics, 266–267
 funding
 alternative financing, 49–52
 bootstrapping, 40–43
 investors, 44–49
 purchasing existing sites, 52–55
 getting started in, 9–15
 growth in, 8
 international market, 8
 inventory
 building, 261–263
 market research, 258–259
 overview, 255–256
 pricing products, 259–261
 trend data, 256–258
 legal issues
 ADA, 68–70
 business bank accounts, 77
 business licenses, 81
 business structures, 83–91
 Consumer Review Fairness Act, 70
 employee tax forms, 77–78
 federal tax ID numbers, 75
 GDPR, 67–68
 health department permits, 74
 home-based businesses, 78–81
 intellectual property protection, 93–100
 PCI DSS, 70, 75–76
 Quebec's Charter of the French Language, 70
 resale certificates, 76
 payment options
 alternative options, 236–238
 credit card, 230–236
 overview, 229
 security, 238–239
 policies
 endorsement and linking to other sites' policies, 66
 export policies, 66
 forum or chat room policies, 65
 minor safety policies, 64–65
 policy manuals, 60
 privacy policies, 60–61

- online businesses (*continued*)
 - return policies, 63–64
 - shipping policies, 62–63
 - social media policies, 66
 - spam policies, 66
 - user agreements, 61–62
- revenue models
 - affiliate advertising programs, 213–215
 - analyzing opportunities, 212–213
 - multiple revenue streams, 215
 - products, 197–203
 - services, 203–207
 - thought leadership, 208–212
- SCORE, 22
- shopping cart
 - back-end management, 243–244
 - custom, 253–254
 - customer-centric elements, 244–245
 - hosted, 248–251
 - integration and maintenance, 245–246
 - overview, 241–242
 - promotion and marketing, 246–248
 - stand-alone, 251–253
- Small Business Administration, 21
- Small Business Development Center, 21
- top reasons to start, 9–10
- web site functionality and aesthetics
 - content, 171–183
 - domain names, 127–139
 - hosting, 161–170
 - launching, 185–193
 - user experience, 141–159
- online buyer's journey
 - advocacy stage, 580
 - awareness stage, 578–579
 - buyer behavior, 583
 - consideration stage, 579
 - conversion points, 583–584
 - decision stage, 579–580
 - digital marketing, 342
 - overview, 577–578
 - sales funnel, 580–582
 - social influencers and, 584–585
- online communities, 519–520
- online demonstrations, 144–145
- online lenders, 51
- online resources
 - Accessibility Checker, 69
 - Accessibleweb, 70
 - ADA, 69
 - Airbnb, 204
 - Amazon Associates, 222
 - Amazon Handmade, 199
 - American Academy of Attorney-CPAs, 118
 - American Bar Association, 100
 - American Institute of Certified Public Accountants, 118
 - American Institute of Professional Bookkeepers, 116, 118
 - associations for online business professionals, 642
 - Audioeye, 69
 - authors' X accounts, 4
 - basic analysis software, 402
 - Better Business Bureau, 225
 - BigCommerce, 203, 441
 - Bing Webmaster Tools, 191
 - BizQuest, 53
 - Bplans, 35
 - brand promotion on Pinterest, 517
 - Browserling, 189
 - BrowserStack, 189
 - Cheat Sheet (companion to book), 4
 - CJ Affiliate, 222
 - Consumer Reports, 358
 - Creative Commons, 97
 - Datadog, 159, 189
 - detailed analysis software, 403
 - Doba, 203
 - Dropbox, 205
 - ebay profile page, 463
 - e-learning, 503
 - Electronic Federal Tax Payment System, 105
 - eMarketer, 29
 - EquityNet, 47
 - Etsy, 199
 - Federal Trade Commission, 64–65, 70, 183, 225, 227
 - Federation of Tax Administrators, 106
 - finding and hiring designers, 555
 - FindLaw, 100
 - Fiverr, 204
 - Flowmapp, 151

Food and Drug Administration, 74
 Freelancer, 204
 Funded.com, 47
 Gartner, 29, 304
 GDPR, 68
 GoDaddy, 133, 440
 Google Ads campaign, 399
 Google Analytics, 164
 Google Maps API, 145
 Google Search Central, 191
 government regulation of international marketplace, 565
 Guide to Venture Capital & Private Equity Firms, 49
 Gust, 47
 HubSpot blog, 35
 IDC, 29
 iDevAffiliate, 214
 Indiegogo, 50
 Interaction Design Foundation, 159
 Internal Revenue Service, 42, 75, 104, 119
 International Business Innovation Association, 52
 international payment options, 568
 International Reciprocal Trade Association, 42
 Internet Corporation for Assigned Names and Numbers, 132, 136
 Internet Crime Complaint Center, 309
 Inventory Source, 203
 Kickstarter, 50
 LivePerson Conversational Cloud, 145
 LivePlan, 35
 Loop11, 159
 Lucidchart, 151
 Lyft, 204
 marketing automation, 341
 Masterclass, 204
 Meltwater, 204
 Merchant Risk Council, 289
 Monday, 205
 National Association for Enrolled Agents, 118
 National Cyber Security Alliance, 317
 National Venture Capital Association, 49
 Netgear, 327
 NinjaOutreach, 366
 OnDeck, 51
 1ShoppingCart, 203
 PayPal Working Capital program, 51
 PCI Security Standards Council, 61, 76
 peer-to-peer loans, 636
 Post Affiliate Pro, 214
 price-comparison guides, 619–620
 Private Internet Access, 327
 QuickBooks, 112
 RakutenAdvertising, 222
 SaleHoo, 203
 Sales Tax Institute, 106
 search engine techniques, 423–424
 selling site, 638
 Shopify, 151, 203
 Shopify blog, 35
 Small Business Administration, 37, 51, 74, 81
 SmartBear, 189
 SupportNinjas, 204
 Toptal, 204
 TorGuard, 327
 trademark office, 556
 translation tools, 567
 Trend Hunter, 545
 Uber, 204
 Upwork, 204
 US CERT, 309–310
 U.S. Copyright Office, 96–97, 99
 U.S. Department of Justice, 225
 U.S. Patent and Trademark Office, 98–99
 UserTesting, 159
 UserWay, 70
 Web Content Accessibilities Guidelines, 69
 WebEx Event Center, 363
 website design, 614
 Website Properties, 53
 Weglot, 145
 WHOIS Domain Lookup, 415
 Windows recovery, 335
 WIX, 151
 WordPress Plugin Directory, 441
 Worldwide Brands, 203
 YouTube Creators, 364
 Zendrop, 203
 ZoneAlarm, 336
 online services, 232–233
 online specialists, 232–233
 Online Store, 440

- online storefront. *See* e-commerce
- on-site offers, 584
- on-site search capability, shopping carts, 247
- open-source software, 42–43
- operating systems, 164
- operational decisions
 - business plans, 34
 - global partnerships, 570–572
 - local payment options, 567–569
 - shipping and handling, 569–570
 - translations, 566–567
- order-information database, 279–280
- organizational services, 204
- outages, as threat to business, 300
- outsourcing partners. *See also* fulfillment system
 - agreement with, 271–272
 - assessing quality of work, 273–274
 - daily batch orders, 273–274
 - finding, 269–271
 - operating with, 272–273
 - overview, 268–269

P

- P&L (profit-and-loss) statements, 34, 109–112
- paid advertising, 373, 584, 599, 616
- partnerships, 86–88, 103, 107, 374
- password generators and managers, 311
- passwords, 311
- Patel, Neil, 588
- patents, 94
- pay-for-performance networks, 220, 221–222
- Payment Card Industry Data Security Standard (PCI DSS), 70, 75–76, 304
- payment options. *See also* shopping carts
 - alternative options, 236–238
 - credit cards, 230–236
 - overview, 229
 - security, 238–239
 - Shopify, 453
- payment system, 437
- PayPal, 233, 237, 568
- PayPal Working Capital program, 51
- pay-per-click, 390–392
- PCI DSS (Payment Card Industry Data Security Standard), 70, 75–76, 304
- PCI Security Standards Council, 61, 76
- peer-to-peer loans, 636
- period of limitations, 121–123
- personalization tools, 602–603
- personalized content, 588–589
- persuasive content, 593
- pet industry, 498–499
- Pfl (points for improvement), security, 302–303
- pharming, 316, 319–320
- phishing, 299–300, 316, 319
- photos. *See* pictures
- PHP: Hypertext Preprocessor, 163
- pictures. *See also* Instagram
 - content development, 175
 - eBay, 466
 - Instagram, 487–488
 - photo filters, 488
 - UX design, 155
- Pinterest, 516–517
- Pixlr, 538, 556
- POD business. *See* print-on-demand business
- podcasts, 145
- points for improvement (Pfl), security, 302–303
- policies and procedures
 - continuity plan, 294–297
 - endorsement and linking to other sites' policies, 66
 - export policies, 66
 - forum or chat room policies, 65
 - minor safety policies, 64–65
 - policy manuals, 60
 - privacy policies, 60–61
 - return policies, 63–64
 - shipping policies, 62–63
 - social media policies, 66
 - spam policies, 66
 - user agreements, 61–62
- Poll Everywhere, 613
- Post Affiliate Pro, 214
- postage and labels, 276–277
- Preferences screen, Instagram, 481
- premium video content, 519
- press clippings, 207
- price influencers, merchandise, 259
- Price2Spy, 620
- PriceGrabber, 620

- PriceManager, 620
- pricing plans, SaaS model, 525–526
- pricing products
 - combatting stagnant sales, 627
 - competitive pricing model, 30
 - cost-plus pricing strategy, 260
 - discount pricing, 247, 436, 457
 - value-based pricing strategy, 260–261
- Printful, 557–558
- Printify, 557
- print-on-demand (POD) business, 2
 - advantages of, 549–550
 - Amazon Merch on Demand program, 559
 - cost margins, 559–560
 - customer base, 560–561
 - customized products, 551–556
 - designs, 548–549
 - disadvantages of, 550
 - Gelato, 558–559
 - marketing, 549
 - overview, 547–548
 - Printful, 557–558
 - Printify, 557
 - product selection, 548
 - Zazzle, 558
- privacy, 60–61, 289–290. *See also* security
- Private Internet Access, 327
- processing speed, storefront, 433
- product views, shopping cart, 244–245
- product-based revenue model, 197–203
- products
 - branding and, 374
 - combatting stagnant sales
 - blogs and product sites, 631
 - competitors, 631
 - conversion rates, 627
 - customers, 631
 - expanding product, 629–630
 - limited appeal products, 626
 - limited-use products, 626
 - price points, 627
 - product marketing, 627
 - product positioning, 627
 - product replacement, 629
 - product testing, 631–632
 - social media, 631
 - technology-based products, 626–627
 - trade shows, 631
 - vendors, 630–631
 - marketing strategies
 - cross-selling, 436
 - customization options, 435
 - discount pricing, 436
 - email marketing, 436
 - mobile device optimization, 436–437
 - product images, 435
 - promotions, 436
 - search engine optimization, 436
 - shopping feeds, 436
 - social marketing, 437
 - product capacity pricing, 439
 - reviews and ratings, 247
- professional services, 204–205
- profitability
 - accounting for taxes, 101
 - defined, 18
 - profitability plans, 146–148
- profit-and-loss (P&L) statements, 34, 109–112
- Profitero, 620
- promotions and marketing. *See also* marketing strategies
 - bundled products or services, 246
 - coupons, 247
 - cross selling, 247
 - data feeds, 247
 - discounts, 247
 - email marketing, 247
 - free-shipping option, 247
 - gift certificates, 247
 - on-site search capability, 247
 - overview, 436
 - product reviews and ratings, 247
 - promotional content, 593
 - search-engine friendliness, 247
 - shopping-cart abandonment deterrence, 246
 - social commerce, 247
 - specials, 247
 - survey tools, 247
 - tell-a-friend functionality, 248
 - upselling, 248
- Pros section, online review, 361

Prosper, 636
psychographic customer information, 409
public computers, 398
public relations, 617
publishers, 220
Python, 163

Q

qualifying links, 220
Quebec's Charter of the French Language, 70
QuickBooks, 112–114

R

rack space, 168
RakutenAdvertising, 222
rankings, 423–427
ransomware, 313
reciprocal links, 415–416
Re/Code, 209
Recommendations section, online review, 361
recordkeeping
 affiliate programs, 223
 electronic records, 120–121
 losing records, 121
 period of limitations, 121–123
 records, defined, 120
 storing records, 121–123
recurring billing, shopping carts, 244
Reddit, 359
referrals
 building credibility through, 207
 creating, 427
referring URLs, 458
refunds and exchanges, affiliate programs, 223
remote backup service, 335
remote seller nexus, 105
removable storage device, 335
repeat customers, 354, 618
reporting functions, 437
required tax year, 107
required URLs, 220
resale certificates, 76
resellers, 571–572
Retail plan, Spotify, 440
retargeting site visitors, 355–356

retirement plans and savings, 50, 89
returns and exchanges
 affiliate programs, 226
 drop-shipping, 202
 overview, 63–64
 product-based revenue model, 201
revenue models
 affiliate programs
 critical functions, 214
 payment types, 213
 regulation, 215
 analyzing opportunities, 212–213
 multiple revenue streams, 215
products
 buying and selling, 200–203
 manufacturing and selling, 199
 projecting revenue, 198
services
 building credibility, 206–207
 pros and cons of, 205
 types of, 204–205
thought leadership
 content development steps, 208–209
 finding hot topics, 210–211
 researching information, 211–212
reviews
 analyzing competition, 213
 building credibility through, 207
 as interactive function, 144
 review sites, 520
risk analysis, continuity plan, 299–301
rogue access points, 324
Ruby on Rails, 163

S

S corporations, 89, 103. *See also* corporations
SaaS model, Software as a Service model
SaleHoo, 203
sales funnel, 580–582
sales reports
 eBay store, 473
 Shopify, 444, 458
Sales Tax Institute, 106
Salesforce, 603
SBA (Small Business Administration), 21, 37, 49–50, 51, 73–74, 81

- SBDC (Small Business Development Center), 21–22
- scalability
 - cloud-based hosting, 166
 - outsourcing partners, 269, 271
 - Shopify, 455
- scams, 317–322
 - extortion, 320–321
 - insider threats, 321–322
 - social engineering, 317–320
- scareware, 320
- SCORE (Service Corps of Retired Executives), 22, 305
- screen resolution, 189
- scripting languages, 163
- search engine advertising, 384–392
- Search Engine Journal, 424
- search engine marketing (SEM), 341
- search engine optimization (SEO), 19, 171, 436
 - creating referrals, 427
 - delays in appearance in rankings, 186–187
 - digital marketing, 340–341
 - direct competitors, 426
 - domain names, 130–131
 - increasing website visitors, 616
 - indirect competitors, 426
 - keywords, 416–421
 - links, 414–416
 - overview, 412–414
 - rankings, 423–427
 - Shopify, 444, 457
 - shopping carts, 247
 - web page construction, 422
- search engine rankings, 606
- search engine results pages (SERPs), 587, 617
- Search Engine Watch site, 423
- search function, 144
- Secure Sockets Layer (SSL) certificates, 163, 169, 291–292, 444
- security, 238–239
 - backing up data, 334–335
 - chargebacks, 286–289
 - continuity plan
 - action plan, 301–302
 - backup alternatives, 302
 - budget, 304–305
 - consultants, 305
 - existing security measures, 301–302
 - experts, 305–306
 - inventory and skills assessments, 297–299
 - overview, 293–294
 - people, resources, and follow-up communications, 303–304
 - policies and procedures, 294–297
 - risk analysis, 299–301
 - self-help, 306
 - training programs, 306
- detering bad actors
 - adware, 313, 316
 - automatic software updates, 312
 - blended threat, 316
 - botnets, 313, 316
 - data-driven attacks, 316
 - denial-of-service attacks, 308
 - distributed DoS, 308–309
 - DNS spoofing, 316
 - domain slamming, 314–315
 - flooding, 316
 - hacking-for-pay methods, 310–311
 - hoaxes, 314
 - identity theft, 316
 - malware, 312–313
 - mobile security risks, 322–323
 - overview, 307–308
 - password generators and managers, 311
 - pharming, 316
 - phishing, 316
 - protective barriers, 326–327
 - ransomware, 313
 - scams, 317–322
 - smishing, 317
 - spyware, 313, 317
 - Trojans, 313
 - two-factor authentication, 312
 - virtual private network, 326–327
 - viruses, 312
 - wireless local area network, 323–325
 - worms, 313
- firewalls, 335–336
- hosting services, 166–167, 169–170
- online storefront, 433
- overview, 285–286
- privacy, 289–290
- securing customer data, 329–334
- Shopify, 444
- SSL certificates, 290–292

- self-help training, continuity plan, 306
- selling site, 638–640
- SEM (search engine marketing), 341
- SEO. *See* search engine optimization
- SERPs (search engine results pages), 587, 617
- Service Corps of Retired Executives (SCORE), 22, 305
- service level agreement (SLA), SaaS model, 528
- service-based revenue model, 204–207
- Settings page, Shopify, 449
- shared resources, 52
- shared servers, 168
- shelving inventory system, 281
- shipping and handling
 - delivery pickup, 277
 - free-shipping option, 247
 - international marketplace, 569–570
 - international orders, 277–279
 - logistics, 266–267
 - online postage and labels, 276–277
 - overview, 274–275
 - POD business, 550
 - shipping options, 275–276
 - shipping policies, 62–63
 - Shopify, 453–454
 - shopping carts, 243–244, 246
- ShopFactory, 252
- Shopify, 151, 203, 233, 251, 258, 440–441
 - Advanced package, 455–456
 - Basic package, 454, 456
 - blog, 35
 - catalog, 449–452
 - customer-relationship management, 457
 - fees, 455–456
 - home page, 448–449
 - international e-commerce program, 569
 - marketing programs, 456–457
 - monthly fees, 456
 - overview, 443–445
 - payment methods, 453
 - sales reports, 458
 - scalability, 455
 - setting up, 445–447
 - Settings page, 449
 - shipping rules, 453–454
 - Standard package, 455–456
 - store design, 453
 - tax rates, 453
 - transaction fees, 456
- shopping carts
 - back-end management, 243–244
 - custom, 253–254
 - customer-centric elements, 244–245
 - hosted, 248–251
 - integration and maintenance, 245–246
 - overview, 241–242
 - promotions and marketing, 246–248
 - stand-alone, 251–253
- shopping feeds, 436
- shopping-cart abandonment, 246, 437
- site map plans
 - category pages, 152
 - checklist for, 151
 - common pitfalls, 152–153
 - home page, 152
 - online tools for, 151
 - questions to ask, 150
- skills inventory, continuity plan, 299
- skimmable text, 177
- SLA (service level agreement), SaaS model, 528
- slang and marketing strategies, 573
- Small Business Administration (SBA), 21, 37, 49–50, 51, 73–74, 81
- Small Business Development Center (SBDC), 21–22
- SmartBear, 187–190
- SmarterStats, 403
- smishing, 300, 317, 319
- sniffing, 324
- Snoopy attacks, 324
- social commerce and social media
 - account administrators, 376–377
 - analyzing competition, 212
 - branding and, 374
 - combatting stagnant sales, 631
 - creating referrals on, 427
 - digital marketing, 341
 - endorsements, 207
 - increasing website visitors via, 617
 - Shopify and, 444–445, 457
 - shopping carts, 247
 - social media activity calendar, 378–379
 - social media policies, 66

- using properly, 375–376
 - UX design, 155
 - social engineering
 - defined, 317–318
 - pharming, 319–320
 - phishing, 319
 - scareware, 320
 - smishing, 319
 - vishing, 320
 - social influencers
 - choosing platform, 509–510
 - Creator Economy, 509
 - developing fan base, 513–514
 - Facebook, 507, 515–516
 - global partnerships, 572
 - Instagram, 514–515
 - legal obligations, 512
 - LinkedIn, 507
 - online buyers and, 584–585
 - online communities, 519–520
 - overview, 505–506
 - Pinterest, 516–517
 - revenue sources, 510–511
 - review sites, 520
 - TikTok, 507
 - video channels, 517–519
 - X (formerly Twitter), 508
 - YouTube, 508
 - social media. *See* social commerce and social media
 - Social Media Marketing All-in-One For Dummies* (Krasniak, Zimmerman, and Ng), 376
 - Software as a Service (SaaS) model, 19, 205, 323
 - annual contract value, 527
 - burn rates, 528
 - churn rates, 526, 527
 - cost of acquiring customer, 526
 - freemium model, 526, 527
 - lifetime value, 527
 - micro market, 523
 - minimum viable product, 528
 - mobile apps, 528–531
 - monthly recurring revenue, 527
 - overview, 521–522
 - pricing plans, 525–526
 - service level agreement, 528
 - software development, 524–525
 - software for accounting
 - business size and, 113
 - cloud-based, 113
 - expense of, 113–114
 - QuickBooks, 112–114
 - support, 114–115
 - software-based services, 205
 - sole proprietors, 35, 85–86, 103
 - spam policies, 66
 - spiders, 187
 - spontaneous buyers, 354
 - spyware, 313, 317
 - SQL (Standard Query Language), 163
 - Square Loans, 636
 - SSL (Secure Sockets Layer) certificates, 163, 169, 291–292, 444
 - stand-alone shopping carts, 251–253
 - Standard package, Shopify, 455–456
 - Standard Query Language (SQL), 163
 - Starter plan, Spotify, 440
 - static IP addresses, 397
 - Stay, Jesse, 507
 - storage, storefront, 433
 - storefront. *See* e-commerce
 - stories, Instagram, 491–493
 - storing customer data, shopping carts, 245
 - Stripe, 233
 - StrongDM, 312
 - structured customer data, 612
 - subaffiliates, 220
 - succession plan, 637
 - SugarCRM, 180–181
 - suggestive selling, 247, 248, 436, 620
 - supply chains, 571
 - SupportNinjas, 204
 - survey tools, shopping carts, 247
 - Swift For Dummies* (Feller), 524
 - SWOT analysis, 22–24
 - system failures, 301
- ## T
- target countries, 564–565
 - tax attorneys, 116
 - tax consultants, 116

taxes

- accounting for
 - accounting methods, 107–108
 - balance sheets, 108–109
 - hiring professional help, 115–120
 - profit-and-loss statements, 109–112
 - recordkeeping, 120–123
 - software for, 112–115
 - tax year, 106–108
 - types of taxes, 101–106
- affiliate advertising programs, 214
- bartering, 42
- business structures, 84–86
- corporations, 89
- double taxation, 84, 89
- employee tax forms, 77–78
- employee taxes, 102–105
- federal tax ID numbers, 75
- income taxes, 102
- sales taxes, 105–106
- self-employment tax, 85
- Shopify, 453
- shopping carts, 243
- tax calculation and reporting, 438
- tax year, 106–108
- tech support, 434
- technology-based products, 626–627
- tell-a-friend functionality, shopping carts, 248
- templates
 - eBay store, 381–382
 - newsletters, 381–382
 - overview, 434–435
- terms and conditions, user agreements, 61–62
- testimonials, requesting, 206–207
- third-party applications, 246
- third-party integration, 434
- third-party validation, 595
- thought leadership-based revenue model, 208–212
- Three Rings of Decision analysis, 20–22
- 3D verification process, 288
- ticklers, 384
- tiered pricing structure, 439
- TikTok, 363, 369, 507
- TikTok For Dummies* (Stay), 507
- Time Machine, 335
- Toptal, 204

- TorGuard, 327
- tracking tags, 220
- trade shows, 631
- trademarks and copyrights
 - deciding whether to register, 95
 - defined, 94
 - enforcing, 95
 - expense of, 98
 - hiring professional help, 100
 - importance of, 93–94
 - infringement, 220
 - self-registration, 98–99
- trading, 42
- traffic analysis software
 - basic analysis software, 402–403
 - detailed analysis software, 403–404
 - enterprise-level solution, 404
 - hits, 396–397
 - IP addresses, 397
 - measuring traffic against activity, 401–402
 - overview, 395–396
 - page views, 397
 - public computers, 398
 - viewer behavior, 399–401
- traffic reports, eBay store, 473
- training programs, continuity plan, 306
- translations, 566–567, 573–574
- transparency and fairness, AI, 541
- trend data, 256–258
- Trend Hunter, 545
- trial versions, 42
- trial-and-error inventory, 262
- Trojans, 313
- TSYS Genius Checkout, 232
- Tutor, 503
- tutorials, 144–145
- Twilio, 530
- Twitch.tv, 518
- two-factor authentication (2FA), 312

U

- Uber, 204
- Uniform Resource Locators (URLs), 128, 220, 226. *See also* domain names
- unique visitors, website, 220, 396

- unstructured customer data, 612
- unsubscriptions, newsletter, 382
- uploading web sites. *See* launching web sites
- upselling, 247, 248, 436, 620
- Upwork, 204
- URLs (Uniform Resource Locators), 128, 220, 226. *See also* domain names
- U.S. Census Bureau, 8
- U.S. Computer Emergency Readiness Team (US CERT), 309
- U.S. Copyright Office, 96–97, 99, 100
- U.S. Department of Commerce, 8
- U.S. Department of Justice, 68–69, 225
- U.S. Federal Trade Commission (FTC), 61–62, 64–65, 70, 73, 183, 225, 227
- U.S. Food and Drug Administration (FDA), 74
- U.S. Patent and Trademark Office (USPTO), 98–99, 100
- U.S. Postal Service (USPS), 277
- User Acquisition, Google Analytics, 398
- user agreements (terms and conditions), 61–62
- user errors, 301
- user experience (UX)
 - design, 154–156
 - mapping customer journey, 142–146
 - page goals, 148–150
 - profitability plans, 146–148
 - site map plans, 150–153
 - testing, 156–159
- username, Instagram, 478–479
- UserTesting, 159
- UserVoice, 612–613
- UserWay, 70
- UserZoom, 613
- USPS (U.S. Postal Service), 277
- USPTO (U.S. Patent and Trademark Office), 98–99, 100
- UTM codes, 406
- UX. *See* user experience

V

- value-based pricing strategy, 260–261
- variable expenses, 260
- vendors, 630–631
- venture capital (VC), 47–49
- video channels, 517–519
- video gamers, 518
- videos

- influencers and influencing and, 362–369
- Instagram, 490–491
- UX design, 144–145, 155
- viewer behavior, 399–401
- viewing order, shopping carts, 245
- virtual dedicated servers, 169
- virtual private network (VPN), 326–327
- viruses, 299, 312
- vishing, 320
- vision statements, 33, 38
- visitor conversion rate, 345
- visitor-to-cart conversion rate, 344
- visitor-to-checkout conversion rate, 344
- vloggers, 518
- Voice of the Customer (VOC) program
 - overview, 610–611
 - structured customer data, 612
 - tools, 612–613
 - unstructured customer data, 612
- Volusion, 440
- Vox, 209
- VPN (virtual private network), 326–327

W

- W3C (World Wide Web Consortium), 190
- Walker, Corey, 363, 478
- warehousing, 201
- Web Content Accessibility Guidelines (WCAG), 69, 190
- web personalization
 - categorization, 600–602
 - integrating systems, 598–599
 - overview, 588–589
 - personalization tools, 602–603
- web site functionality and aesthetics
 - content
 - attention-getting, 174–175
 - buyer personas, 176
 - content mapping, 180–181
 - content packaging, 176–177
 - eliciting responses, 181–183
 - keywords, 172–174
 - organizing, 178–179
 - self-explanatory, 175
 - simplicity, 175

web site functionality and aesthetics (*continued*)

domain names

creativity, 139

defined, 127

domain extensions, 131, 136–138

registering, 132–134

selecting, 129–130

SEO, 130–131

unavailable, 134–136

URL structure, 128

hosting, 161–170

launching

beta mode, 190–192

compatibility testing, 187–190

preparing for, 185–187

timing, 192–193

user experience

design, 154–156

mapping customer journey, 142–146

page goals, 148–150

profitability plans, 146–148

site map plans, 150–153

testing, 156–159

WebEx Event Center, 363

Website Properties, 53

website traffic. *See also* traffic analysis software

converting visitors to buyers, 352–353

increasing, 350–351

WebTrends, 403

Weglot, 145

WhatsApp, 507

White Label program, Printful, 557

WHOIS Domain Lookup, 415

Windows operating system, 164, 189–190

wireless local area network (WLAN), 323–325

wish list, shopping carts, 245

WIX, 151

wizards, 244, 435

word-of-mouth marketing (WOMM), 364, 500, 501

WordPress e-commerce plug-in, 441

World Wide Web Consortium (W3C), 190

Worldwide Brands, 203

worms, 299, 313

writing reviews, 358–361

X

X (formerly Twitter), 364–365, 508

X-Cart, 252

XML-data feed, 436

Y

Yahoo!, 208

Yelp, 358

YouTube, 341, 358, 364, 369, 508

YouTube Creators, 364

Z

Zap, 404

Zazzle, 558

Zendrop, 203

Zimmerman, Jan, 376

ZoneAlarm, 336

zoning, home-based business, 78–80

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Dedication

Shannon: This book is dedicated to my husband, Peter Blocker, who continues to bring fun, adventure, and love into my life every day; to my kids who are navigating new roads and creating their own unique journeys; and to my many “Dallas” friends (you know who you are!) who make the world a better, brighter place, and always make me laugh and appreciate the joy of true friendship.

Joel: This book is dedicated to the most caring woman I have ever known, my mother; and the hardest-working man I will ever have the privilege of knowing — my father. Thank you both for showing me the value of planning, discipline, and love. You will always be my inspiration.

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