

SHOESTRING VENTURE

THE STARTUP BIBLE



TURBOCHARGE YOUR BUSINESS
THROUGH OUTSOURCING

RICHARD HOOKER STEVE MONAS

Shoestring Venture

The Startup Bible

RICHARD HOOKER
STEVE MONAS

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about the authors

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Steve Monas, established author and Internet entrepreneur, has developed and operated several highly successful start-ups. Monas, a Marketing and Ecommerce executive as well as a Web and Business Development Strategist, earned his BA from Newport University. He regularly serves as a Marketing Consultant for Pepperdine University, drawing on his experience in a wide variety of industries. The author of *YourSpace* and *Chemistry and Numbers*, Monas resides in San Diego, California, and enjoys an active lifestyle while working on various publishing, video, music, film, and web businesses.

a note from the author

Ever since I owned my first laptop, I dreamt of having a virtual office and, from that office, running a company that could run itself—everything from accounting to manufacture to delivery. All I would have to do is fire up my laptop every morning and “go to work.”

I made that dream come true. And I learned that there is nothing in this Internet-connected world to stop anyone else from realizing the same dream. It was not, however, a dream that was easy to realize . . . at first. It took a mountain of digging and research to find all the tools and services I would need to make it work. It also required making mistakes, many of them costly, all of them aggravating, and a few that came close to ruining me.

So I compiled all my research and packed it in with all my experience, good and bad, into *this* reference guide for other entrepreneurs. Whether you’re realizing the same dream entirely green or thoroughly tested and experienced, our goal in this book is to reduce as much of the clutter—and as much of the hard knocks—for you and other entrepreneurs as possible.

You may be a single individual who has always wanted to run a complete business from your home with just some computer equipment.

Or you may already be running a successful business but want to know how to exploit the outsourcing opportunities in software, marketing, or manufacturing that can increase your profitability or decrease your headaches.

Or you may be running a start-up with a small staff and limited resources wondering how to get more with less.

In any case, this book's information will help you understand the unlimited opportunities our brave new wired world offers you. This book, however, serves as more than just a reference; it will help you understand and evaluate the strategic business decisions you will face in outsourcing much of your business.

I never set out to write an extraordinary book, just a useful one. Almost everything I learned, I gleaned from newspaper, magazine, and Internet articles. Where I can, I give credit to these sources. But much of this book comes from my own experience with Web-based and offline business; all the best research, after all, is information filtered through practical experience.

While I cannot promise you success, my hope is that this book will make your way much easier.

Fondly,
Steve Monas

a note about URLs

This book is intended as an indispensable resource for nearly every challenge you face in starting a new business on a limited budget. At least half the book covers online resources you can use in each aspect of your endeavor—resources, information, articles, directories, software, services, and vendors. Unfortunately, if you’re holding the print copy of our book, you have no choice but to peck out these URLs on your keyboard. While some URLs are pretty easy (www.citibank.com), others are darn near impossible with endless strings of numbers and nonsense. If you can successfully type in story-length URLs of the nonsense sort, well, we want to hire you.

We anticipated these problems and have put all the linked resources online for you at

<http://www.shoestringventure.com/resources>

So all you have to do is type in one URL—that one, the one you’re looking at right above this sentence—and bookmark it. You will be required to register and login, but that’s a small price to pay for saving you the slog of typing http-something-or-other.

a note about prices quoted

Throughout this book, we provide pricing for a variety of services, from one-shot prices to monthly subscription prices. Many of these prices and the packages they purchase may have changed between the publication of this book and now. We verified all prices one last time on September 15, 2008; any changes after that are not reflected in the book.

Most importantly, we decided not to play the \$9.95 game. As you probably know, most firms like to price products and services *near* a dollar amount, not over—\$9.95 rather than \$10. Why? People *psychologically* perceive \$9.95 to be nine dollars and they perceive \$10 to be, well, ten dollars.

We're not here to play that psychological game with you (although we certainly encourage you to play that game with your customers!). A price of \$9.95 is, for all practical purposes, ten bucks out of your pocket, so that's how we write it. A price of \$199 is two hundred vanishing from your overly-stressed bank account to some other schmoe's bank account. It is our editorial policy, therefore, to round up the “pennies off” or “dollar off” prices to the price they most closely represent. We're not here to market other people's products, just to give you a good, honest appraisal of those products, how useful they are to your venture, and how much they're really going to cost.

you. It's easier for you, easier for us, easier for the proofreaders, and, well, it's more accurate. So, chances are that when you encounter a price that's a nice round number, it's actually a few pennies less. Don't sweat it.

introduction

If every brilliant business idea succeeded the way it should, most of us would be billionaires.

If every entrepreneur focused most of their energies on the things they are best at, nine out of ten new businesses would succeed wildly, rather than nine out of ten *failing*.

In 2006, I started building ScourEvents.com, scheduled to make its debut on the Internet stage in mid-2008. It was not the first business I built, but it was the first *virtual* organization I built. I focused my energies on what I did *best* and built an entire staff located all over the world to do the work that needed to be done. As the head of a virtual organization, I controlled dozens of “employees” who performed hundreds of different job functions. And I made this all happen on a shoestring budget.

My virtual organization designed and developed a sophisticated Web site for ticket sales, tested the site, prepared all the launch materials, put together the PR blitz, and created and implemented all the promotions. All the while this major business venture was coming together, I held down a normal 9 to 5 job. And I took *all* my weekends off. And *all* my vacations.

To finance the site, I developed Web sites for other clients by trolling Craig's List for jobs.

When I first went looking for projects on Craig's List, I was strapped for money. And then a light went off in my head. I wanted to see if I could turn around Web projects by fully outsourcing them. I scoured the Craig's List "Computer Gigs" daily in each major American city. I emailed prospects with a small bio and received several responses. Once they hired me to build a site, I immediately outsourced the work to companies in India and China. Within twenty-four hours, I would have designs to show my clients. Within a few days or weeks, I'd have sophisticated, database-driven sites completed and quality-assured.

My profits ranged well above 70% of my costs. It's not that I didn't do anything: I built specifications based on the client needs, project managed the outsource company, and performed final quality assurance. But I didn't do the *heavy lifting*; that's what I outsourced. And everyone in the picture—I, my clients, and my outsource companies—walked away happy with the value they received.

By concentrating on what I did best—strategizing Web sites, translating strategy into doable specifications, and project managing design and development—I spent my time on activities designed to bring the greatest value to my clients and to me. By outsourcing what I did not do better than anyone else—designing, coding, and programming—I made huge profits by finding people who *could* do these activities better and more cheaply than anyone else.

If I can build a powerful, successful business using only my laptop, then anybody can.

However, *caveat emptor*. I'm here to tell you it's not easy. I literally had to learn a million things to make it work—and take more than my share of hard knocks. And so will you and any other entrepreneur. That's why we wrote this book, distilling all the knowledge, hard work, sweat, and mistakes that go into building a successful virtual organization into a reference that can help entrepreneurs like you succeed just a little more quickly, a little more easily, and with fewer hard bumps.

This is the Century for Small Business

Corporate leviathans appear to have every advantage over small business—big bank accounts, armies of Harvard-educated MBA's, fleets of lawyers, wallets filled with powerful politicians, and access to the biggest, baddest, priciest media on the planet. And what do you have? A great idea, a laptop, and a stressed-out checking account. What chance do you have?

If every successful start-up venture required MBAs and more cash than can be counted, we would never have things like Web browsers, search engines, or even McDonalds. So even though you can't fill an oil tanker with your money or wouldn't know an MBA from a hole in the ground, *you* might have the next great billion dollar business or product. Your shoestring venture could be the next Google, the next Bratz, or the next McDonalds. Most importantly, you—and all others like you who are starting out with a great idea and a ton of passion—have an advantage that previous generations of entrepreneurs could never even imagine. Information technology allows you to easily start a business and find all the resources, skills, and materials you need simply by firing up your laptop and connecting to the Internet.

Roy Crock had to hire staff and rent a building to make McDonald's work. Bill Gates had to hire staff and rent a building to turn Microsoft into a going concern.

You just need a computer.

That's what this book is all about. You have the tools to build a powerful start-up organization, from financing to product development to marketing, without ever really having to walk out your front door. We're here to give you the tools you need to start your new venture or take your current business several levels higher by exploiting the resources our interconnected world offers you.

Using global communications and data networks, you can staff an entire organization with every human resource and skill you need at rock-bottom prices. Your corporate office can be a room in your home or a table at a coffee bar. All the parts of your business, from bookkeeping to manufacturing, can be done by staff all over the world. Even the physical and technological infrastructure can be distributed all across the globe.

Your phone exchange lives somewhere in Minneapolis while your faxing service sits in Milwaukee. Your phone receptionists work in Manila. Your customer service reps handle all customer concerns from an office in Mumbai. Your Webmaster manages your entire Web site—from development to maintenance—from Moscow, but your site sits on a server in Moline. All your word processing is done by a virtual assistant working from her home in Marietta. And your laptop computer is periodically tuned up by some tech dude in Montreal. People from all over the world shop at your store without ever leaving their kitchen table . . . and a warehouse in Mountain View ships all the orders.

You are, in short, running a *virtual organization* using only a computer. That's all you need.

Well, not quite. You also need a very generous helping of business sense, dedication, ideas, planning, organization, and sound decision-making, but that's the subject for another book and another day.

The advantage communications technology gives you, an advantage entrepreneurs like you never had before the twenty-first century, is *outsourcing*. Newspapers and politicians all panic and scream that outsourcing means that *your* job is going somewhere else—India, China, or some other far-flung and foreign place. That could be true. But outsourcing has another face. It also means that *you* can be a pretty formidable player in the business world; and you don't need much more than you, a laptop, and an Internet connection. Why? Because outsourcing permits you to focus your energies on what brings real value to your business—what *you* do best. The rest—you know, the stuff you don't do well or profitably—that's what your outsource partners do.

Core Competencies and Outsourcing

In the MBA world, they call “what you do best,” **core competencies**.

Corporations understand that they succeed by *doing* what they do best and letting other folks, like suppliers or vendors, do the other stuff.

For instance, most hotel chains do not actually own their hotels. Why? Any moron can *own* a hotel. The *owning* part is easy; it doesn't take tons of talent or business acumen. In fact, it doesn't even take *ounces* of talent or business acumen. In the hotel business, the hard part is a.) figuring out the best places to locate hotels; b.) cutting favorable real estate deals; c.) managing the construction of the hotel; and d.) administering and marketing the hotel. Being able to do these things better than everyone else is what makes one hotel chain more successful than others. But owning the hotels . . . no hotel chain is “better” at owning hotels than any other hotel chain. So they often don't waste their time on the *owning* part of the hotel business. This frees them up for the business activities that make the big bucks.

The same applies to building the hotel's Web site. Hotel chains do not build Web sites better than other hotel chains, so they pay someone else to build their Web sites. What hotel chains do well is *use* their Web sites to find and build a loyal customer base. So they spend their valuable time and money trying to do *that* better than any other hotel chain. The better a hotel chain is at filling hotels through their Web sites, the more they “beat” their competition. But actually designing, coding, and programming the site? No hotel can “beat” other hotels by designing, coding, or programming their Web site.

When doing what you do best allows you to beat your competition, MBAs like to call that a **competitive advantage**.

Just because you're a small business venture on a shoestring budget doesn't mean that you, too, shouldn't focus exclusively on your core competencies in

order to gain a competitive advantage. In fact, *because* you're a small business venture on a shoestring budget, you *must* focus exclusively on your core competencies to gain a competitive advantage! And you *must* outsource the rest! You have neither the time nor money to waste performing activities that others can do just as well as you can at a fraction of the cost.

If you don't want to join the Start-Up Failure Club—and nine out of ten start-ups join this club in relatively short order—you need to focus on the things that you do *better* than anyone else. These *core competencies*, if you do them well, will give you a competitive advantage over all other businesses, including the big guns that don't even know, or care, that you exist. To stay focused, you, more than any other kind of business, need to find vendors and suppliers to do all the other stuff.

You may be an off-the-charts salesperson or networker. You may be a megawatt idea generator. Or you're the best engineer this side of the Mississippi. Or an inspiring leader. Or someone loaded with consumer insight.

The reality is this: the more time you spend doing tasks related to what you do best, the more competitive your business will be and the more likely your venture will succeed. The more time you spend doing tasks that *you're not* good at, like bookkeeping, HTML, or word processing, the less competitive your business will be and the less likely your venture will take off. It's a simple principle that doesn't take a \$60,000 MBA degree to figure out.

But why outsource when you can do it yourself more cheaply? After all, you have to *pay* someone when you outsource and, for all practical purposes, you don't have to "pay" yourself. Isn't "free" a better deal than outsourcing, especially since "lots of money" is your goal?

Wrong.

Money flows in two directions in a business. It flows out, which we call *expenses*, and it flows in, which we call *revenues*. A business spends money and it makes money. Yes, if you do all your own word processing and project management and advertising, your expenses will be technically zero (if you're not paying yourself). In that sense, you are, indeed, "free." However, diverting your attention and focus away from the things that *make money* for your business, like managing your business, building strategy, developing ideas, or networking, means that your business will have *less* money coming in. In fact, diverting your focus away from your core competencies usually means that not enough money will come into the business to even pay for "free." Businesses *make money* when people spend their time doing the things that *make money*. Businesses *never* make money by saving money. Never.

It's hard to let go, though. The hardest thing for a manager to do is delegate. The hardest thing for a business owner to do is have other people

perform the activities of the business . . . and pay them for it. When, not if, a vendor or employee goes wrong, owners see *their money* being flushed down the toilet—and that's anything but a warm and fuzzy feeling. I once worked at a restaurant where the owner would go through the garbage and pull out food he thought was still good. And it would end up on some customer's plate. That's right, ladies and gentleman. At Quality Cafeteria (that's the name), we would serve our valued customers food right out of the garbage. Now, normal people would consider this a few miles south of bonkers, but when the owner saw perfectly good food in the garbage, he saw *his money* in the garbage.

Remember: a business *spends* money and a business *makes* money. As a business owner, you can lose money in two ways: by spending badly or by not making money. Money you don't make is just as lost as money that's badly spent.

Inevitably, when a business spends money, it sometimes gets a bad deal—perfectly good food gets thrown away, employees talk on the phone rather than work, vendors screw up. But you don't make money by pulling food out of the garbage. And you almost never make money by doing the work yourself.

Okay, you're convinced. But *what* should you outsource?

Well, you can sit down with your business and determine all the activities that need to be performed in order for your business to succeed. You then look at this list of activities and determine where *your* time and effort will maximize your business' success. You outsource the rest.

But you don't necessarily have to do this. When your business needs to perform some activity, just ask yourself a simple question. We call it the "Hire Yourself Question."

When you see that your business requires a certain "job," ask yourself:

"Would I hire *myself* to do this job?"

In other words, if your business needs someone to do word processing, would you hire someone *exactly like you* to do the job? If your business needs a bookkeeper, and someone *exactly like you* walked in the door for an interview, would you think that person was the right for the job?

If the answer is "You bet! I'm the best person for that job!" you probably should perform the task yourself. If, instead, your answer is, "Whoa! I'm way underqualified for that job!" or "No way, I'm way overqualified for that job," you should probably think about outsourcing that task. Why? You want to focus all your efforts on the jobs you would only *hire yourself* to do.

As a marketer and consultant, I have seen thousands of small businesses come and go. And I have seen thousands of entrepreneurs essentially "hire" themselves to do jobs they were magnificently under- or over-qualified to do. And that, my friends, is why many of them came *and* went.

There Are Two Kinds of Business Books

One type likes to pull out the pom-poms, jump about, and do the “success” cheer. Page after page of “Success! Success! Success!” We call them cheerleading books.

You know the type. After reading the book, you feel you can take over the world, but the book ends up moldering in a box somewhere.

“Rah Rah Rah! Harness the power of the Internet and make a fortune on eBay!”

“Sis boom bah! Money just rolls right in when you use permissions marketing!”

“1! 2! 3! 4! Purple cows! That’s the way to get attention!”

It is true that these books help people make money. Two people, actually. The author and the publisher.

Here’s the bad news. Business success takes hard work. All the “success” books in the world will not and do not make businesses successful. Instead, it takes knowledge, research, intelligence, good ideas, good decisions, discipline, adaptability, leadership, organization, and planning.

If you read these cheerleading books carefully, you’ll find precious little *practical* advice. Sure, you can make tons of money through permissions marketing, word-of-mouth, or innovative advertising. But how do you get from here to there? What do you need to *know*? What does it cost? Who do you go to? What kind of *decisions* do you need to make?

Those practical questions, of course, are for the other kind of business book.

So we wrote the *other* kind of business book. This is a book about how to get from here to there. Every step of the way.

We wrote a book about the real world, not about wish fulfillment. We wrote about going into business with the resources you have, not the resources you wish you had. We wrote about the hard work, knowledge, and decisions you have to make to transform your idea or small business into a fully-functioning, well-organized venture. We wrote a book about the tasks and processes that are critical to a business’s success and how to perform them on a limited budget. We wrote a practical book about all the things you need to know to make those tasks and processes happen.

An Ocean of Knowledge Two Inches Deep

You are the CEO of a company, albeit a very small one—maybe even a one-person company run from your basement. No matter what your

venture's size, you are the CEO and, as CEO, you make the decisions that impact every aspect of your business.

If there is one irrefutable truth about business, it is this: business success is the result of *making the right decisions*. The science of business—if there is such a creature—is the science of making good decisions.

From the start of your business to the very peak of its success, you will be called upon to make very specific, detailed decisions across the entire scope of your business' activities: planning, strategy, finance, accounting, taxes, marketing, advertising, infrastructure . . . everything. And “everything” includes some of the most mundane, boring, dumb decisions imaginable, like who answers the phone. Just because you're uninterested in some issue does not exempt you from the responsibility of *making a good decision*.

An acquaintance of mine spent many years at the pinnacle of the corporate ladder as the President of Worldwide Marketing first at Walt Disney and then at Sony Pictures. I once asked him what it was like to do such “big” jobs. He answered, “You have to have an ocean of knowledge . . . about two inches deep.”

As CEO of your company, good decision-making requires that *you* have an ocean of knowledge two inches deep.

When some Web developer blasts you an email and tells you that this or that page on your Web site should use Ajax, you shouldn't be wondering why it should need a good scrubbing. You should know what Ajax is and why anyone would want to use it. Otherwise, how can you decide? How do you know you're making the right decision? Because some tech guy says so?

When some designer hands you a logo, how do you know it's the best logo for your company? Because you like it? What if it looks great on your screen but looks like garbage warmed over on a fax sheet or business card? What do you need to know to make sure your logo is right? How do you *decide*?

That is what this book is about.

We are here to help you with that ocean of knowledge that you need in order to make good decisions. We are not here to cheer you on with the virtues and promises of outsourcing a shoestring venture. We are here to arm you with the knowledge and resources that you can use to build a business through outsourcing . . . on a shoestring budget.

Since this book is about knowledge—the knowledge you need to set up your organization, outsource vital functions, and make *all* the decisions that land on your desk—we have written it as a reference work. You can always read it from beginning to end. Why you would do that, we can't imagine, but it's always an option. Better yet, you could get to know each section as the subject becomes important to your business. You should, however, spend

a lot of time in the index. You should definitely mark up the pages. When you're faced with a decision, just flip through the pages and find what you need. Even if you read it through at one sitting, it's a book we intend you to use over and over again throughout the life of your venture. Scratch that. We intend you to use this book over and over again throughout the *long* life of your venture!

As a result, we have repeated some sections. Since obtaining a domain name is vitally important when naming your company, we provide you with domain name resources in the very first chapter on starting up your business. But obtaining a domain name is also key to developing your Web site, so we have repeated this section in our Web site chapter.

Some of the online resources we cite have uses across a variety of business activities, such as SCORE, the free consulting service for small businesses, or Craig's List, the number one online classified advertising site in the world. So we have repeated these resources in more than one part of the book.

Startup

1

This chapter covers the central issues you'll face in starting a successful business. If you already have an ongoing business concern that you're trying to take to the next level, don't skip this section. The subjects we cover here, especially business plans, are still relevant to seasoned businesses that are ripe for transformation or launching new products. In other words, start-up issues never grow obsolete in a business. This first chapter starts at the very beginning: setting goals for your business, formulating answers to fundamental questions in a business plan, securing your intangible assets such as your name, trademark, domain name, patents, and copyrights, and handling the licensing, incorporation, and legal matters necessary to get your business up and running.

1.1. What's Your Goal?

Before you start anything, you need to determine the purpose or goal of your business. You will be surprised how many great ideas founder because of the lack of a clear *business* rather than personal goal. Whatever you determine your business goal to be, it will become ground zero of your business plan which in turn is your blueprint for success.

So what do we mean by a *business* goal? As opposed to other goals, such as personal or career goals? Well, anything that answers all or most of these questions:

1. Are you looking to create wealth through equity, income, or both? That is, are you looking to build up a successful business that you can either sell or go public with, i.e., building equity? Or are you interested mainly in the income that your business can generate? Or are you looking for a healthy income *and* future equity?
2. How much income do you want to earn? How much equity do you want to build?
3. How will you finance your business? Will you use your own money? Investors' money? Or will you borrow money?
4. Is your primary personal goal to do work you like to do or is your primary personal goal to manage a large business?
5. Who are your customers and what value are you offering them? How are you making *their* lives and businesses better?
6. Can you make good on your promises to your customers?

Your answers to these questions will determine what kind of *business structure* you should use. For instance, if you want to make a healthy income but you're starting your business to do what you like to do and you're not interested in selling your business in the future, you may want to consider a

sole proprietorship. However, if you're seeking to build a highly profitable business with a sale potential sometime in the future, a sole proprietorship is the wrong way to go—you would want to set up a limited liability company or a corporation, a legal structure that allows you to easily sell your interest in the company. We discuss business structure in section 1.2.

WATCH OUT!

Above everything else, be careful to separate personal from business goals. If you like knitting and your goal is to spend more time with knitting, setting up an online yarn store is a bad idea. You set up an online yarn store in order to run an online yarn store, not to knit, talk about knitting, or be around knitters. I have seen more than one entrepreneur set up a business around personal interests and goals only to find, to their chagrin, that the business takes time away from those interests and personal goals. Business goals are always formulated in terms of equity, income, financing, and meeting customer needs. Personal goals, even ones as innocent as, "I want to be my own boss," are admirable but, in the end, not what a business is about.

1.1.1 SCORE: Counselors to America's Small Businesses

<http://www.score.org>

SCORE is the most valuable online resource available to help you get your business started. No exceptions. SCORE is a resource you can use for every issue we cover in this book; it should always be the first place you consult.

So what is it? SCORE is a nonprofit organization that has gathered together retired and working executives, business owners, and corporate leaders to provide *free* mentoring and advice to entrepreneurs starting their own business. SCORE boasts over 10,000 executive volunteers representing some 600 business skills; these volunteers will personally correspond with you via email or sit down with you face-to-face to give you advice based on their years of business experience. SCORE has provided free advice to over 7.5 million businesses and boasts Jelly Belly Candy, Vera Bradley, Vermont Teddy Bears, and Ahi Sushi as major successes they've mentored.

SCORE offers:

- Online resources and articles.
- Online workshops in Flash.
- Free advice via email from over 1,300 counselors.
- Face-to-face counseling in your area.

1.1.2. The Entrepreneur's Reference Guide to Small Business Information

<http://www.loc.gov/rr/business/guide/guide2>

So if running your business requires an ocean of knowledge two inches deep, where's the best place to get that ocean of knowledge?

Books. And more books.

The Library of Congress developed this large and exhaustive reference guide compiled by Robert Jackson. While it does not provide information, it does provide a comprehensive list of important books and sources. Most of the citations include short descriptions or the book's table of contents. If you're looking for the best books on starting your business, this is the site to bookmark.

1.2. Business Structure

What people mean by the term, "business structure," is really the legal status of the company. There's nothing dauntingly mysterious about business structures; they essentially differ from one another based on the answers to three simple questions:

1. Who *owns* the business?
2. Who is responsible for the debts and damages the business may incur?
3. Who pays the taxes?

The "who" for each of these questions is not always the same person.

The type of business structure you choose has many ramifications. Your business's structure determines how much tax you pay, how much paperwork you'll need to do, how many lawyers get a crack at your wallet, how easy it is to find investors and loans, and whether you're going to lose your house if you get in trouble.

Based on the answers to these three questions, businesses are broken down into Sole Proprietorships, General Partnerships, Limited Liability Companies, and Corporations.

Sole Proprietorship: To be a sole proprietor, you only need to choose a name for your business and get a business license, if your state requires one.

- *Who owns the business?* You, the sole proprietor, are the owner.

- *Who is responsible for all debts and damages?* You, the sole proprietor, are personally responsible for all debts and damages incurred by the company.
- *Who pays the taxes?* From the standpoint of the law, *you*—walking, talking, breathing, take-out-the-paper-and-the-trash *you*—are the company. That means that *you* pay the taxes, too. You report your business' earnings as income on your personal income tax returns whether you remove funds from your business or not. You also deduct business expenses and losses on those same tax returns.

From a financial perspective, since you're the sole owner, investors are not likely to help you finance the endeavor. Therefore, you have to find the capital to run your company either from your own funds or by borrowing the money. If you borrow, you're personally responsible for the debt. It's just like any other personal loan, such as a mortgage, car loan, or student loan, that you may have. As a result, a sole proprietorship is magnificently easy and inexpensive to form and operate. In fact, in some states, such as California, you don't even need a business license. Call yourself a business and shazam! You're a business.

General Partnership: A general partnership is just like a sole proprietorship, only there's more than one owner.

- *Who owns the business?* You and a friend, you and a spouse, you and your family, or any combination of you and one or more other people own the business.
- *Who is responsible for debts and damages?* Like a sole proprietorship, one or all of you are personally responsible for all the debts and damages the company incurs (if only one partner is financially responsible for all the company's debts and damages, it's called a "limited liability partnership").
- *Who pays the taxes?* From a legal perspective, *you all*, that is, all the partners in the business, *are the business*. All the owners report the business's profit and loss on personal income tax forms based on the percentage of the company they "own."

In a general partnership, the partners are liable for the actions of other partners. When one partner signs a legal document such as a lease or loan for the business, that action legally binds the other parties. Again, most general partnerships do not attract outside equity investors; they are largely funded from the financial resources of the partners or through borrowing.

Alternatively, some general partnerships combine passive investors with operational managers as partners (a passive investor injects capital into a business without participating in day-to-day management). One or more partners may merely be investors while other partners actually run the business.

Corporation: Corporations are essentially stand-alone legal entities separate and distinct from the owners.

- *Who owns the business?* Unlike a sole proprietorship or general partnership, a corporation may have an unlimited number of owners. And because a corporation is a legally separate entity from its owners, the owners can easily buy and sell their ownership, called *shares*, in the company.
- *Who is responsible for debts and damages?* In a corporation, the owners of the corporation are not personally responsible for any debts, liabilities, or damages the corporation may incur. So if a corporation owes money or is sued, nobody can go after the owners. They can only go after the assets of the company.
- *Who pays the taxes?* In terms of taxes, corporations are taxed as entities separate from their owners. The corporation files its own income taxes and deducts its expenses from those income taxes. If it distributes earnings to the owners, the owners have to pay personal income tax on those distributed earnings.

Since liability is limited to the corporation itself, not the owners, corporations easily attract equity investors; corporations, then, are typically investor- and debt-financed. Finally, a corporation is a perpetual entity—it never dies until it goes out of business. If all the owners die, the corporation lives on.

Because they are stand-alone legal entities, corporations are much more difficult and expensive to form and are governed by separate laws and rules. A corporation can be publicly traded or privately owned; it can have millions of “owners” or just one (that’s right, just one person can own 100% of a corporation). A corporation’s only distinguishing feature is that it is a legal entity separate from its owners.

A subchapter “S” corporation is slightly different (the description above applies to subchapter “C” corporations). A subchapter S corporation’s earnings are not federally taxed, only the company’s capital gains and passive income. Individual owners pay personal income taxes on distributed earnings, just like for a “C” corporation. So an “S” corporation avoids the

“double taxation” of earnings that most corporations suffer (taxed once for the corporation and taxed a second time when distributed to the owners).

But there’s a catch: an “S” corporation can have a *maximum* of only seventy-five owners and every owner must be an American citizen. Both “C” corporations and LLC’s, which we discuss below, can have as many owners as there are people on the planet. In addition, other corporations, whether “S” or “C”, cannot own an “S” corporation. All this means is that it will be difficult to find investors or sell your company if you structure your business as an “S” corporation. However, just like a “C” corporation, ownership can be traded without consulting other owners. So you can always easily sell part or all of your stake in the business, provided the number of owners never exceeds the magic seventy-five.

Limited Liability Company (LLC): A “Limited Liability Company” is a new legal business structure that looks a lot like an “S” corporation. Unlike a corporation, investors don’t own shares, but rather an equity interest in the company. Again, the company does not pay taxes on its earnings; rather, the individual owners pay personal income taxes on distributed earnings they receive. Capital gains, which are taxed twice for a corporation—once for the corporation and once for the shareholders—are only taxed on the shareholders. And, just like a corporation, the owners are not personally responsible for debts or damages incurred by the company. While it is more difficult to find investors for an LLC than a corporation, an LLC permits easier access to investors than a sole proprietorship or a limited partnership. Unlike a corporation, however, selling all or part of one’s interest may involve obtaining permission from the other owners.

So, in many ways, an LLC is the best of both worlds: you get the limited liability of a corporation without the double taxation and all the paperwork, regulations, and legal expenses. The downside is that laws governing LLCs are very volatile and in constant flux. If you have any intention of running your business across state lines, you have to make yourself familiar with all the relevant laws or you might be stuck with a less profitable business structure.

Doing Business As (DBA). Finally, you’ll probably have to deal with “DBA” registrations along with all the other alphabet soup of business structure stuff. A DBA is actually *not* a legal business structure; instead it is simply a state business registration that allows a business to use a name that does not include the name or names of its owners. Let’s say your name is Bill Smith and you run a company called “Bill Smith Cooking School.”

You don't need a DBA registration. There's your name, Bill Smith, right in the business name. If on the other hand, you call your business "Bon Appetit," then you are Bill Smith *doing business as* "Bon Appetit." You *are* required to file a DBA application. If you remember our three questions about business legal structure (who owns the business, who is responsible for the debts and damages, and who pays the taxes), then a DBA is a business name that *doesn't* answer these questions. With a business name like "Bon Appetit" or "Synergistics," consumers and other businesses have no idea who owns the business and who's responsible for it. So to protect consumers and other businesses, the state requires a filing that associates the fictitious name ("Bon Appetit") with the people who are responsible for the business, its debts, and its taxes ("Bill Smith").

WATCH THE LAWS!

Keep in mind that your business structure is entirely a legal entity, and laws change all the time. You may choose a profitable and effective business structure this year, but as the laws change over time and across states, you may need to consider a different business structure.

1.2.1 FindLaw for Small Business—Incorporation and Legal Structures

<http://www.findlaw.com>

FindLaw for Small Business is one of the most thorough and easily navigable sites concerning laws and regulations governing small businesses. Like SCORE and Entrepreneur Magazine Online (referenced below), FindLaw should become one of your top bookmarks in your browser; there you'll find a well-organized and complete set of articles covering every legal issue you will encounter as an entrepreneur, as well as an exhaustive set of links to other Internet resources and a search engine for local small business lawyers. If FindLaw were a book, you'd probably pay eighty dollars or more for it. And it would be worth more.

FindLaw's discussion of legal structures is the most thorough and easy-to-read explanation of the various business structures, their legal and tax implications, and how you should choose a legal structure that meets your long-term business and personal goals. All their materials on each type of business structure include immensely useful Internet resources, such as sample operating agreements, forms, filing fees, state guides, tax information, and tax forms.

1.3. Business Plan

Forget everything you've ever heard about business plans. That they're only for big businesses. That they're only for attracting investors or banks. That they're only for start-ups rather than established, ongoing concerns.

Think of a business plan this way: a business plan takes your ideas and inspiration for a business, whether the business is brand new or getting long in the tooth, and provides a *roadmap to success*. Better yet, it's a roadmap to achieving your business's goals (see Section 1.1 above). A business plan is a blueprint for the *decisions* you're going to make in the critical start-up process and beyond. Whenever you question how you should proceed, go back to the business plan and see how you've charted your course.

Should you skip the business plan and all the time, money, and effort that go into it? Sure, it's okay, if you're not in business or not planning to go into business. Looking for a job? Forget the business plan. Selling some of your junk on eBay? I'd pass on the business plan. But if you're planning on making some serious money month after month in your business, then skipping the business plan makes it just that much harder for you to succeed.

Why? A business plan forces you to answer some very critical questions before you get in too deep:

1. Is this business a good idea?

A business plan forces you to determine if your business is viable or not before you commit time and resources to it.

2. Can I afford this?

Your business plan gives you no choice but to crunch the numbers and realistically figure out how much your business and its operations will cost you—and how much you can reasonably make. It demands that you look very closely at where the cash is going to come from and where it's going to go... and more cash has to come in than goes out.

3. How do I make this business succeed?

A business plan demands that you think out a timetable and structure all your activities to realize success.

4. What can go wrong?

A well-written and well-thought out business plan assesses the risks and everything else that can go wrong and plans for these risks and unexpected events before they're a problem. How many great businesses failed simply because their owners didn't have a Plan B in place?

Put simply, you want to do a business plan because it forces you to face reality. And you can never make your dreams *into* reality until you *face* reality.

Tim Berry, a business plan expert and president of Palo Alto Software (see 1.3.1 below), the creators of Business Plan Pro, and the author of “Hurdle: The Book on Business Planning,” has this to say about the importance of a business plan in an interview with Marilyn Zelinsky Syarto of Home Office Magazine:

Q. Why does a business need a business plan?

A. Business owners think that writing a business plan is a form of punishment, and that it's only necessary when you need financing, so they don't think they need one. Any business should want a business plan; because it influences and focuses the path your company will take. It helps manage cash flow, too.

Q. How long does it take to write a business plan?

A. I recently helped a colleague write a plan, and it took fifty-four minutes. But, he knew his business inside and out, and he didn't need to do much research. You should see something take shape in two to four hours of work if you use a software program but it should take you one to two days to write a full business plan.

Q. Aren't most business plans as long as books?

A. That's a major misconception about business plans. You probably need to do a business plan that's not longer than ten to fifteen pages total.

So a business plan doesn't require the length of a Russian novel or the skills of a top-notch MBA education. You don't need to tramp over to your local book mega-store and walk out with hundreds of bucks of books. There are plenty of resources online that can help you evaluate what you need in a business plan and get you through the process. You will find a variety of approaches to the business plan and a variety of key questions that business plan experts feel every business plan should answer.

Above everything else, the critical component in a shoestring venture business plan is *money* and where you're planning to get it.

If you're planning to attract investors, your number one goal is getting equity and debt investments. The number one path to that goal is *business valuation*. That is, your business plan must credibly and persuasively in all its parts and pieces argue a certain *value* to the company. Investors, including

debt investors, are going to make their investment relative to that value. It behooves you, then, to master the art of start-up business valuation. Why? Because most equity investors are *better* at business valuation than you are and they're looking for the biggest chunk of your company they can get at the lowest price. Almost 100% of pre-financing start-ups fail because they foobar the business valuation part—in my experience, they almost always *over-value* the business, that is to say, they get greedy. To put it simply, a business plan for a start-up seeking investors is a *business value plan*.

If, on the other hand, you intend to “bootstrap” your venture by financing your business through the revenues the business generates, then the number one concern of your business plan is *cash flow*. You get to skip worrying about business valuation, but you’re definitely not off the hook. Your job in the business plan is to figure out as realistically as possible *where* the revenues are going to come from, *when* they’re going to come, and *how much* cash you can expect. Here’s a simple truth: nearly 100% of business failures are due to more cash going out than comes in. It’s not about profits; unprofitable business stay in business every day. It’s the folks that bleed cash that are swept into the dustbin of history. Everything in the business plan, every part and every piece, needs to set a credible blueprint for getting more cash coming into your start-up than goes out. To put it simply, a business plan for a bootstrap start-up is always a *cash flow plan*.

The resources provided below provide excellent discussions of the “parts” of a business plan, but you should know them like the back of your hand before you try to make one. Why? Think of your business plan as an *argument*. It will convincingly or unconvincingly argue that your business, whether just an idea or an ongoing concern, is viable. It answers the question, “should I invest in this business?” If you’re looking for equity investors, you’re arguing that the business will within a few years achieve a value that will multiply the investor’s original stake. If you’re looking for loans, you have to prove that your business can generate cash flow to maintain the debt over the life of the loan. If you’re looking to bootstrap your business, you have to convince yourself that you can put food on the table and a roof over your head and, having achieved that in short order, can over time put piles of cash into your bank account.

Each “part” of a business plan answers distinct questions. There are really no set rules. You can follow the standard architecture of a “classic” business plan or depart creatively from it, provided it’s suitable. For instance, I have written dozens of “standard” business plans; but I have also written dozens of business plans for non-standard businesses, such as independent film projects, concert tours, and television series. These have required different questions to be answered and creative ways to answer them.

Your business plan can and will come in several different forms:

1. The written business plan

This is the “standard,” detailed, nicely formatted business plan with all the classic “parts” you’ll learn about from the resources below, such as your mission statement, executive summary, goals, competition, marketing and sales plan, and financials. If you spend time with folks like Palo Alto Software, this is the business plan they focus on. The written business plan usually but not always is intended for external stakeholders, such as equity investors, banks, or other lenders.

CRUNCH THOSE NUMBERS!

The single biggest mistake I see on business plans are numbers that don't work. Often they're simply incredible, as in "not believable." More often, they're believable, but they're not incredible, as in "these numbers are nothing to write home about." Not only must the financials be believable, they must return financial ratios (see 2.4) that make the investment worthwhile. So even though your business plan will not include financial ratios, you must, must, must crunch the numbers on your prospective financials to gauge the actual financial picture of your projected revenues, costs, and profits. I guarantee you that anyone looking at your business plan, such as a prospective equity investor or bank, will crunch those numbers and use those ratios to make a decision.

2. The presentation

This is a much shorter summary of your business plan in an oral and slide show presentation no more than fifteen minutes long (usually all the time someone will give you). The oral presentation strives to pique the interest of potential investors and inspire them to ask more detailed questions and, hopefully, request and read the written presentation. Since you only have a few minutes—sometimes as little as 5 minutes—you’re limited to a summary and maybe a few key numbers.

3. The one-minute pitch

Also called the “elevator speech,” the pitch is a one or two minute summary of what your business is about. It’s what you would tell a potential investor or partner about your business if you met them

on the street or at a party; the pitch aims to excite their interest and move them to the next step, say, a presentation. Believe it or not, the pitch needs about the same amount of work as the business plan and is the hardest thing to get right. However, it has the potential to land you the biggest fish as far as investors are concerned.

4. Internal plans

As a professional consultant, internal plans are, to my mind, where the rubber meets the road. These include more detailed business plans that include operational and management details. They also include marketing plans, strategic analyses (such as a “Five Forces” or a SWOT analysis, i.e., “Strengths-Weaknesses-Opportunities-Threats,” see 8.1.2 for resources), detailed competitor profiles, and any issue trees that are used for ongoing planning (see below).

5. Marketing plan

While I include marketing plans as part of your internal planning and it is, after all, not really a business plan, it’s important enough to merit its own separate discussion. While often done in the product development phase (see Chapter 4), you should plan on taking a preliminary crack at your marketing plan at the very beginning; in fact, even as you’re writing the business plan. Marketing plans follow more formal rules than a business plan; it’s the discipline of that formality that guards you from error. In preparing a marketing plan, you have to identify customers, formulate a positioning statement, work out your messaging, analyze your competition, imagine competitive response, perform a SWOT analysis, and a pile of other tasks. Done correctly, a marketing plan more than anything else tells you if your business is going to fly in the marketplace.

6. Issue trees

Again, issue trees are part of your internal plans, but I believe that an issue tree should be the first thing you do and should serve as the basis of your business and marketing plans. In fact, if you hired the biggest guns in the consulting world, like McKinsey or Bain (for something around four hundred bucks an hour) to do your business plan, they would *start* with an issue tree. That’s how the big folks, like Microsoft, McDonalds, or Wal*Mart, write

business plans. An issue tree basically asks every question you need to answer in order to plan a business. However, they are not simply a list of questions, but a hierarchy of questions. You start with your main question, say, “Should I invest in this business?” and work your way down to more detailed questions. I do issue trees *every time* I do a business plan. Don’t leave home without one.

1.3.1. Palo Alto Software

<http://www.paloaltosoftware.com>

<http://www.bplans.com>

<http://www.mplans.com>

Palo Alto Software, based in Eugene, Oregon (as the name suggests!), are the creators and distributors of Business Plan Pro, software specifically designed for researching and writing business plans. You can purchase the software right there on the site for \$100 and, in addition to the software, receive 600 sample business plans across a dizzying array of industries and businesses.

If you are not interested in purchasing the software, the site is also a rich source of information and advice—in fact, it is the *most linked* business plan site on the Web. Why? Because it offers sixty free sample business plans, including one, “Concrete Fusion,” by one of the authors of this book, at <http://www.bplans.com>. Since Palo Alto Software also sells marketing plan software (\$180), they also offer free marketing plans at <http://www.mplans.com>.

The site also offers a “How to Write a Business Plan” guide that covers the process of researching and writing a business plan as well as an excellent discussion of each part of a business plan. This guide posits two issues as the most important in a business plan: cash flow and implementation details.

Tim Berry, president of Palo Alto Software, asserts that, even though every business plan is different, they should cover three “essentials”:

1. **Specific milestones, with deadline dates, spending budgets and a list of the people responsible for them.** Make the responsibilities specific for specific people, and make sure every task gets assigned to a single person with a name and a face. This section must describe how these different milestones are going to be tracked and measured.
2. **Real cash flow.** Your plan should show cash flow—either projected or actual or both—month by month for at least twelve months.

Show where you are getting money and how much, and show what you are spending the money on. This is cash flow, not just profit and loss, and you have to understand how different cash flow is from profits. Profitable companies go under all the time, but companies with positive cash flow can pay their bills.

3. Focus. A business plan should establish your company's priorities.

Don't try to do everything, and don't try to please everybody.

(<http://www.entrepreneur.com/startingabusiness/businessplans/businessplancoachtimberry/article76482.html>)

1.3.2 SCORE: How to Develop a Business Plan

<http://www.va-interactive.com/score/businessplan/businessplan.html>

We discussed SCORE previously (1.1.1) as perhaps the most valuable resource available to you on the Web. The site gives you unprecedented access to real live free advice from experienced business people and executives either through email or face-to-face. There is no topic in this book in which SCORE should be anywhere except at the top of your list when looking for good advice or knowledge. That being said, you should not underestimate the value of its various workshops, and its workshop on developing a business plan is your best introduction to the topic if you're totally new to the subject.

The workshop is animated with a voice-over narration and is one of the most realistic presentations on what it takes to make a good business plan. It walks you through every section of a business plan: what it is, its purpose, and how to research and write it.

While many of the resources covered so far focus on questions a business plan has to answer, the folks at SCORE think a business plan should provide five key "understandings" to you, your employees, and your investors:

1. Financials

Cash flow, profit and loss (income statement), balance sheet.

2. Customer base

Who is your audience and how will you reach them?

3. Competition

What advantage do you have over your competitors?

4. Operations

What is needed to run your business?

5. Future Plans

How will you sustain your business?

1.3.3. Startup Nation

<http://www.startupnation.com/pages/start/Step3.asp>

Startup Nation, by Jeff and Rich Sloan, is another resource-rich site you should become deeply familiar with in the early stages of starting your business. The site includes a ten-step description of all the jobs you need to do to get your concern up and running. The Sloans take you through three aspects of a business plan: what they call “The Defining Dozen” questions you must answer in a business plan, the key components of a business plan, and how to write a business plan.

Since every writer on business plans has their own “key questions” that you have to answer, it’s useful to contrast and compare these questions across expert sites. For the Sloans, the “Defining Dozen” questions are:

1. What’s your business idea?
2. How does your idea address a need?
3. What model suits you best?
4. What’s so different about what you offer?
5. How big is the market and how big will you grow?
6. What’s your role going to be?
7. Who’s on your team?
8. How will customers buy from you?
9. How much money do you need and how much will you make?
10. Where’s the startup money coming from?
11. How will you measure success?
12. What are your key milestones?

1.3.4. U.S. Small Business Administration

http://www.sba.gov/starting_business/planning/basic.html

The Small Business Administration, an independent federal agency that provides financial assistance to small businesses, has a Web presence rich in resources and links to outside resources. For many small business and startup topics, including business plans, you should consult the site for simple but sage advice. As with many of the other resources mentioned here, the SBA provides an excellent outline of the components of a business plan, what their purpose is, and how to write them.

The SBA believes a business plan should answer four “core questions”:

- What service or product does your business provide and what needs does it fill?

- Who are the potential customers for your product or service and why will they purchase it from you?
- How will you reach your potential customers?
- Where will you get the money to start your business?

1.3.5. Entrepreneur Magazine Online Business Plan Center

<http://www.entrepreneur.com/startabusiness/businessplans/index144006.html>

Entrepreneur Magazine Online should become one of your most visited sites throughout your entire process of starting, building, and managing your business. Its exhaustive resources include an incredibly rich “Business Plan Center,” which includes an entire how-to manual that covers the basics, how to plan the business plan, the elements of a business plan, and how to get help writing your plan.

For Entrepreneur Magazine Online, the planning stage of a business helps you determine the potential of your business by answering two general sets of questions: financial (how are you going to pay for the business and how are you going to make money) and lifestyle (what's the use of starting your own business if you're going to hate it?)

The site also features in-depth articles by business coach Tim Berry and others that will help you take your plan beyond the basics:

- Fifteen Reasons You Need a Business Plan
- Business Plan Essentials
- Let Your Business Plan Tell Your Story
- Crafting a Simple Business Plan
- Essential Elements to Include in Your Plan
- Common Business Plan Mistakes to Avoid
- What Bankers Look For in a Plan
- What Investors Look For in a Plan
- Hiring Outside Help for Your Business Plan
- Writing an Executive Summary
- The Numbers in Your Business Plan
- Know Your Competition
- Conducting a Market Analysis for Your Business Plan
- Determining a Plan for Setting Prices
- Creating a Sales Forecast
- Updating Your Business Plan
- Existing Companies Need Planning, Too
- Should I Take My Business Plan Online?

1.4. Naming Your Business and Designing Your Logo

At some point, you have to sit down and name your business. Someday somebody is going to play the following music to your ears: “Who do I write the check to?” And you say . . . ?

“So,” you may ask, “what’s so hard about naming my company?” Well, there are a few issues you have to resolve:

1. Do you legally have to have a business name?

Certain business structures, such as corporations and LLC’s, require that you file a business name with the state. For sole proprietorships and partnerships, some states only require that you have a formal name if it’s anything other than your name. For instance, in the State of California, you can start a sole proprietorship called Peebles Pet Shop if your name is Frank Peebles without filing any paperwork at all. But if you call it “Great Gorillas,” then you need to file the name with the state.

2. What is your business or what do you offer customers?

Your name should somehow reflect what it is you do and should not mislead customers into thinking you are someone else, something else, or somewhere else.

3. Will your name confuse your business with another similar business?

Are you infringing on other people’s business names or trademarks? If I name my business, “Palo Alto Software Solutions,” the folks at Palo Alto Software would haul me into court. They could argue—rightly—that people will confuse my business with theirs. If I name my business “Palo Alto Fish Farm,” then Palo Alto Software wouldn’t mind. The only people who would confuse the two names are probably people that neither of us would ever want as customers.

4. Is your name that important?

You can waste a pile of time and hard-earned cash on your name. Major corporations often spend millions of dollars coming up with a name (think Verizon). But most of the great names really don’t mean much and were thought up over the dinner table: Mattel (formed from the first letters of the two founders’ first names), Audi (a Latin word meaning, “Hear!,” which translates into the founder’s name, Horst), Nike (the Greek goddess of victory). These names, which are now worth billions of dollars, came easily, effortlessly, and cheaply to their owners. How

many friends do you have who know what “Audi” or “Mattel” means? Who cares? They’re good names.

5. *Can you secure a .com domain name similar to your own?*

If your online presence is critical to your business and you want a domain name similar to your business name, then the availability or expense of a domain name should be one of your paramount concerns. We discuss securing domain names in section 1.5.

HOW MANY LANGUAGES DOES YOUR NAME SPEAK?

The megabucks advertising, marketing, and branding firms always do a foreign language check on business or product names as part of the development process. Entrepreneurs and start-ups almost never do—to their peril! Sometimes they even skip checking the English meaning of the word. Many years ago, there used to be a restaurant in downtown Portland called “Kung Fu Lo.” When Chevrolet tried to market its Nova in Mexico, no-one bought it. Why? Turns out the name means “it does not go” (no va) in Spanish. It’s incumbent on you to know what languages your customers may know and what your name may sound like in those languages. Then find people who know those languages either through friends or Craig’s List, and run the name by them. It sounds trivial, but you don’t want your great business or product name sounding like “kung fu lo” or “it doesn’t go” in some other language your customers know!

In the same vein, you may want to design a special symbol to identify your business—this is typically called a “mark.” You may, in addition, want the name of your company put into a nice design—typically called a “logotype.” These two graphic elements—the mark and the logotype—are called a “logo.” Again, like a business name, you can certainly overinvest time and money in developing a logo; FedEx, for instance, paid 1.5 million dollars a few years ago to develop its new logo. But you can easily acquire an excellent logo for peanuts; Phil Knight paid an art student \$300 for a logo when he started Nike back in 1964. The Nike logo is now arguably the most famous and best-designed logos in the world and is currently worth billions.

There are numerous online services that can help you design a mark, some that will let you generate your own mark, and many others that will design a mark for you for as little as \$60.

Before you design your own logo or use the Internet to find an inexpensive designer, you should consider the following general rules:

Naming Your Business and Designing Your Logo

1. Legibility

Your logo has to be readable. The typeface should be simple, basic, and set in such a way that the words can be quickly and easily read. *Simplicity* is always the key to a great logo.

2. Visibility

You have to be able to *see* the logo. If the typeface is too small, the mark has too many details, or the logo is a mess of colors, it will be hard to see. Consider all the places your logo will appear. If you have to put it on a sign and people have to see the sign at night, then black is a bad color.

3. Applicability

In choosing a logo, you should consider in your decision everything your logo will be applied to: signs, Web sites, brochures, business cards, faxes, and so on. Your logo has to look good, be legible, and be visible in *all* those applications whether large, small, in color, or just plain black.

4. Communication

Your logo should say something about your company. It does not need to be a work of art; it just needs to accurately convey to the viewer what you think your company is all about. Before having your logo designed, you should write down three or four adjectives that you think describe your company, like “classy,” “helpful,” or “tough.” Your logo should communicate one or more of those adjectives.

One of the authors has designed, or supervised the design of, hundreds of logos for companies and products. There are actually far more ways the process can go wrong than right, and they almost all have to do with *you*.

- Your logo is your *business's* logo, not *your* logo. It says nothing about you, your tastes, your personality, your cats, your mother, or anything else that's wonderful about you. The logo is about your business, your product, your services, and the value they bring to your customer. I have seen more than one start-up go hopelessly astray as they try to make their *business* logo into some kind of personal statement.
- Your logo is not a novel. It cannot communicate a veritable encyclopedia of propositions about your business. “I want a logo that tells people that my business will teach them to be strong, yet willing to take care of themselves and the people that know them. It needs to tell them that they can be upper-class in their identity even though

their modesty in their roots.” And so on. The best logos communicate a “simple” message simply.

- Your logo is not some symbolic key to deeper truths. “I want lions facing each other because that shows the power of personal interaction.” People don’t ponder logos for their deeper meanings or hermetic truths locked up in them.
- Your logo has to *grow with your business*. The most frequent error that entrepreneurs make is coming up with a name and logo that is absolutely appropriate for a limited, targeted audience and a blissfully small number of applications, but suddenly looks inappropriate, dated, or solipsistic when the business attracts a wider variety of customers and needs to appear on a larger number of applications. A logo is like a tattoo on your face: it’s more than just an aesthetic of personal choice, it *limits* your options in the future.

Unless you’re a seasoned pro, chances are you haven’t dealt with logo design much. Believe it or not, the “deliverables” for a logo are far more than just a design. When you have someone develop your logo, make sure they deliver:

- An EPS (Extended PostScript) version in *CMYK color* and *with font outlines* of the logo that you can use in all print applications, such as your business cards. This EPS version is the bulletproof version that you can give to any printer anywhere for any application.
- A bitmapped version in TIF and GIF format in *RGB color* that you can use in all electronic applications.
- All the original artwork (in Illustrator, Photoshop, or other graphics program format). You *paid* for this artwork, so it belongs to you. You’ll need it if you want to make any tweaks or modifications to the logo.
- A list of all the typefaces used in the logo *and* where you can get them. If you don’t have this information and need to tweak the logo, you’ll have to pay someone to track down the typefaces.
- A list of all the colors used in the logo—if the logo only uses process color, they need to give you all CMYK values; if the logo has “spot” colors, they need to give you Pantone values. None of this may have any meaning for you, but you should still have the information.
- Any additional image files appropriate to the various media the logo will be applied to.

Naming Your Business and Designing Your Logo

You want the original artwork and typefaces so that you can easily change the logo in the future. Without them, you'll have to start from scratch and end up paying more for the change than the original logo!

1.4.1 Creative Marketing Solutions—Business Name and Tagline Generator

<http://www.yudkin.com/generate.htm>

Marcia Yudkin, a marketing consultant, provides a huge number of innovative books on her Creative Ways Web site (www.yudkin.com)—these are all available as books for download (at a cost). While you can find a number of Internet resources on other aspects of selecting a business name, Yudkin is the only person who discusses how to actually *create* a business name. She describes nineteen steps that will take you to a great business name:

1. Brainstorm a list of keywords that describe your business.
2. Look up the keywords in a thesaurus and make a list of similar words.
3. Try combining words on your list.
4. Consider whether any of the words on the list have homonyms.
5. Write down words about how your customers will benefit from your product or service.
6. See if any of the words you have written down suggest any common sayings or phrases, for instance, “stitch” might suggest “A Stitch in Time.”
7. Write down words that describe your customers.
8. Add your own name to some of the words.
9. Write down some words that suggest mastery, skill, or excellence, like “best.”
10. Brainstorm what your customers are trying to avoid when doing business with you, i.e., if you are a pest control business, your customers don’t want bugs.
11. Think of some of the things that your customer’s tell you they really want.
12. Consult the list to see if any words begin with the same letter—those words tend to combine very memorably together, like “Hamburger Heaven.”
13. Consult the list to see if any words rhyme—those words go together memorably.

14. Look for paradoxes, which are words that don't quite go together but when combined are very suggestive, like "heaven on earth."
15. Look to see if there are any suggestive words from mythology.
16. Once you have a name and tagline, check to see if they are concise, easy to spell, easy to pronounce, distinct, pleasant, true to your business, and something you can live with.
17. Try it out on a few people and see how they respond.
18. Check for legal problems.
19. Go for it!

1.4.2 All Graphic Design—Logos

<http://www.allgraphicdesign.com/logo.html>

All Graphic Design has the most exhaustive list of articles and resources available for you to think about your logo and find an inexpensive online developer. Articles include:

- 9 Keys to an Effective Logo
- Corporate Logo Design—6 Keys to Success
- How Do You Define a Good Logo?
- The “Right” Logo

1.4.3 LogoBlog.org

<http://www.logoblog.org>

LogoBlog provides a directory of logo designers with client reviews and ratings, a gallery of famous logos to help you brainstorm your own logo, and a comprehensive online book on designing corporate logos.

1.4.4 Logoworks

<http://www.logoworks.com>

Logoworks are bespoke logo designers that specialize in logos for small businesses. All work is handled entirely over the Web. As such, your logo design is a collaborative affair and takes about a week or more to complete, which is about as long as it would take if you hired a local designer. In addition to logos, Logoworks will design business cards, stationery (letterhead and envelopes), Web sites, and brochures. Typically, a Logoworks logo costs somewhere between \$300 and \$600. The difference in price is based on how

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many initial logo designs, from two to ten, are required, how many separate designers, from two to five, work on the logo (different designers working on the logo translates into radically different creative approaches), and how many times you can revise the concept that you choose, from two rounds of revisions to unlimited revisions. For all practical purposes, then, Logoworks is a convenient way to hire professional logo designers and work with them to produce a more-or-less custom logo. It may not save you money, but it can save you considerable time and effort. Logoworks delivers your final logo in EPS (Extended PostScript, which allows you to print or change your logo), JPG and GIF (for Web uses), TIF (for simple printing), and BMP.

1.4.5 Logo Yes

<http://www.logoyes.com>

On Logo Yes, you can generate your own logo right on their Web interface using their symbol library. Generating your own logo costs \$99 and there are additional fees for business cards, postcards, and brochures with your printed logo. The formats they offer, EPS (Encapsulated PostScript), JPG, and GIF, allow for a multitude of uses in print and the Web; the EPS file will allow you to easily change your logo. You should keep in mind that if you select a symbol from their database, it is still available for anyone else using Logo Yes, as well. So like the famous comedy situation in which two women show up to the same party in the same “exclusive” designer dress, you might happen upon another company using “your” logo! In order to get exclusive rights to a symbol, you have to purchase an Exclusive Custom Symbol at a considerably higher price, and paying that brobdignagian price only prevents the symbol from being used by future buyers, not by people who have purchased the symbol previously. So you may not enjoy the exclusivity a custom-designed logo offers you.

1.5. Naming Your Website—Finding a Domain Name

Coming up with name for your company and matching it to an available Web site URL is getting harder every day. The process of naming your company *and* Web site can devolve into a long, frustrating, and potentially expensive process. Even after a ton of work and frustration, you may end up with a Web site domain name that is sub-optimal or, worse, paying through the nose for the domain name you do want. Before you become attached to a business name, you need to go through the following process to secure a good domain name for your Web site:

1. Check the WHOIS database (see 1.5.1 below) through a domain name registrar or reseller to find out if a domain name is available. You may need to try several different versions of your name.
2. If your domain name, or one that is reasonably close, is available, register your domain name at a domain name registrar.
3. If the name is not available, check to see if it is owned by a legitimate business or is being held by a “domain name investor” (called a “squatter”) who will sell you the domain at feloniously inflated prices.
4. If it is owned by a legitimate business, you can make an offer directly to the owner. Non-squatters typically buy domain names that they intend to use but never get around to it. These owners are typically very reasonable when they sell domain names. However, if the domain name is attached to an ongoing Web presence, it may be impossible to acquire.
5. If it is owned by a squatter or squatter company, your best bet is to go to a domain name marketplace or hire an online brokerage service. While these brokerage services often take a percentage commission on the sale, they are usually set up to negotiate the owner to lower prices. Most squatters are willing to take a lower fee for a domain name transfer; their first quote is typically 100% to 400% higher than the price they’re willing to take.

All URLs have three parts: a top-level domain name, a domain name, and a subdomain name. For instance, in the URL, “www.shoestringventure.com,” “.com” is the **top-level domain**, “shoestringventure” is the **domain**, and “www” is the **subdomain**. All three can be part of your online name. For instance, if you are a for-profit business, you will want “.com” as your top-level domain, since that top-level domain name signals a for-profit business Web site. You will want your domain name to be something identical to or reasonably close to your company name. You register your domain and top-level domain name with a domain name registrar. You create a subdomain, however, with your hosting service. Subdomains are created by adding a directory to your Web site and directing the server to treat it like a subdomain. For instance, my top level Web site has the subdomain “www,” but my online portfolio is “portfolio.richard-hooker.com.”

When searching for a domain name, you must include a top-level domain, like “.com.” There are five common top-level domains: .com, .org, .net, .edu, and .gov. The last two are directly assigned by ICANN (Internet Corporation for Assigned Names and Numbers), the international nonprofit organization that actually assigns domain names, and they only go to

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legitimate educational (.edu) and government (.gov) organizations. Some top-level domain names are actually country names, such as .de for Germany and .ca for Canada. There are also a number of commercial top-level domains that are administered by private companies, such as .us, .biz, .info, and .tv (which is really a country name for the tiny, computer-challenged country of Tuvalu). These often can be purchased at half or less the price of a common top-level domain, except for .tv which sells at a significant premium over all other top-level domains. You should follow three general rules-of-thumb when choosing a top-level domain name:

1. If available, you should choose a .com name before any other. All common browsers are set up to automatically add the .com to any address if a user types in the name alone. If a user types “business” in the address bar, the browser will load “www.business.com.”
2. If available, you should choose a common top-level domain name (.com, .org, or .net) over any of the commercial names.
3. Commercial top-level domain names should be your last resort and you should choose one of the more common commercial names (.biz, .info, or .tv) before any others.

You may also consider buying up other top-level domains to help drive traffic to your site or prevent others from using your domain name. For instance, if you manage to land the domain, “petcleaners.com,” you should also snap up “petcleaners.net” and “petcleaners.org” to prevent anyone else from horning in on your territory. You should also consider buying misspellings *if and only if* there’s a reasonable chance that this will drive traffic to your site. For instance, “receivers.com” can easily be misspelled as “recievers.com,” so it would be relatively cheap and easy to snag the folks who haven’t nailed the “i” before “e” rules. But don’t get carried away; you don’t need to register “reviecers.com”; not only is it nearly impossible that someone will go so far astray, but in the off-chance someone does, you may not want their business.

1.5.1 WHOIS

WHOIS is the database of registered domain names kept by ICANN. No matter where you register your domain name, it will eventually end up in the WHOIS database. Each record within the WHOIS database has a “handle” (a unique identifier assigned to it), a name, a record type, and various other fields. WHOIS provides a means to search for domain names using these specific fields. WHOIS search results give you registration

and expiration dates, contact information (if public) for the registrant and, if available, a thumbnail of the Web site home page with traffic ranking, meta descriptions, keywords, and more. WHOIS contains domain name registrations across *all* possible top-level domains.

There is no WHOIS Web site, but you can search the WHOIS database from any of the domain name registrars listed below. All of them give full registration information and allow you to do searches simply to determine if a domain name is open or not.

DON'T BE FOOLED!

Not everything that calls itself WHOIS (like whois.com, whois.org, or whois.net) is WHOIS. Nor does every WHOIS search you see online actually search the WHOIS database. Your best way to access WHOIS is to go to one of the three domain name registrars below.

1.5.2 Domain Name Registrars—Network Solutions, Dotster, GoDaddy

Domain name registrars will register your domain name as your property with ICANN; they all charge a fee for these registration services. While there are literally hundreds to thousands of domain name registrars (your neighbor is probably a domain name registrar), there are only three highly reputable, respected, and long-term domain name registrars you should even consider: Network Solutions, Dotster, and GoDaddy. In addition to these three registrars, there are also “bulk registrars” that are specifically set up to help you register large blocks of domain names. There are fewer players on this field, but the most trusted are Bulk Register and Hit Farm.

i. **Network Solutions • <http://www.networksolutions.com>**

Network Solutions is the oldest and most reputable seller of domain names. The Network Solutions site allows you to quickly search the availability of a name, search WHOIS, and register your domain name if it is available. It is, however, the priciest domain registry service and charges \$40 per year to register a domain with a common top-level domain name (.com, .org, or .net). Network Solutions also offers a number of other services, such as certificates and Web site design, but you will almost certainly use the site only for domain name registration.

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ii. **Dotster** • <http://www.dotster.com>

For many years, Network Solutions had a monopoly on domain name registrations because of a special arrangement with ICANN. When ICANN opened up domain name registration to other companies, Dotster was one of the first to offer lower-priced registration. It has grown into a highly reputable company whose Web site allows you to search domain names, search the full WHOIS database, and register and manage your domain names. Unlike Network Solutions, Dotster charges a maximum of \$15 per year to register a name with a common top-level domain (.com, .org, .net). Like Network Solutions, Dotster offers a variety of Web services including secure certificates.

iii. **GoDaddy** • <http://www.godaddy.com>

There are dozens of domain name sellers and thousands of resellers, but the only low-price domain name seller that enjoys a high reputation is GoDaddy. This company offers all the same services on its site as Network Solutions and Dotster, but domain name registration with common top-level names sell for a maximum of \$10 per year.

iv. **Bulk Register** • <http://www.bulkregister.com>

In addition to the registration sites above, there are sites that allow you to “bulk register” a pile of domain names all at once; Network Solutions, GoDaddy, and Dotster only allow you to register names one at a time. You, as a small business, may find little use for bulk registration—the services are designed for squatters, brand managers, corporations, and marketing professionals—but your small business may require securing a large number of names. Bulk Register is one of the premier services for bulk registration and offers tools for managing the large domain name portfolios that bulk registrations require. In contrast, the Web tools offered by Network Solutions, GoDaddy, and Dotster are designed for small domain name portfolios. Bulk Register charges a yearly fee (\$99) to use its services and charges a minimum of \$12 per year for top-level domains.

v. **Hit Farm** • <http://www.hitfarm.com>

Hit Farm offers services for both bulk registration and small domain name portfolios. Hit Farm is specifically oriented to domain name owners that wish to monetize unused domains, for instance, by using them as ad pages. The service includes tools and reports specifically geared to maximizing revenues from parked domains.

1.5.3 Domain Name Brokers and Marketplaces

If you find that the domain name you need is owned by someone else, then you may want to consider a **domain name transfer**. This is a simple transaction in which the owner of a domain name gives you the authorization to transfer the domain name into your name. Authorization typically involves an authorization code that you use to contact the domain name registrar.

This being an imperfect world, there's a catch. More often than not, the owner of the domain name will want a pile of cash. Since the imperfection of the world runs even deeper, a lot of folks register domain names *only* to generate piles of cash from the people who could actually use those domain names.

There are numerous organizations and individuals, called **squatters**, who park domain names in order to sell them; these parked domain names are usually called "online real estate." They try to figure out which domain names people and businesses are going to want, buy these domain names, and hope that someone somewhere will pay a premium to own these domain names. In other words, squatters are more or less domain name speculators. This means that you will *always* pay a ridiculously high price for a domain name that's already been registered, whether it's owned by a legitimate business that intends to use the domain name or owned by a squatter looking for an easy payday. You will typically pay thousands or tens of thousands of dollars to assume a domain name from a registered owner.

Most squatters sell online real estate through brokerage services run by popular domain name registrars. Since purchasing a domain name from anyone, legitimate or squatter, involves negotiation, you should consider a brokerage service before you consider contacting the owner directly. All domain name squatters will initially offer to sell the domain name at a price two to five times higher than the price they're willing to take, so you often save big by letting a negotiator do the dealing. (And, if you contact the squatter first *before* going to a domain name broker, you're signaling to the squatter that the domain name may be popular, thus raising the price floor on the name!)

Keep in mind the distinction between a domain name broker and a domain name marketplace; these terms are often used—wrongly—as if they meant the same thing.

1. Domain name broker

A domain name broker is just like a real estate broker. The broker represents the buyer or the seller and provides a market value appraisal of the domain name and negotiates with the

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other party to maximize the value for the party it represents. A buyer's broker tries to negotiate the lowest possible price; a seller's broker tries to negotiate the highest possible price.

2. Domain name marketplace

Most "brokers" are actually *marketplaces*. These sites allow sellers to list domain names they have for sale and buyers to look for domain names—a kind of domain name classifieds. These sites will often mediate the negotiations between buyers and sellers by allowing them to communicate and negotiate through the site, but that's the extent of their "brokerage" services. Some marketplace companies do sell brokerage services and will help you track down domain name owners even if they're not registered on the site.

WATCH THOSE FEES!

Be careful about the fee structure that brokers charge, most typically charge a percentage commission on the sale price of the domain name. That means that it's in their best interest to close sales at the highest possible price, which conflicts with your goal of getting the lowest possible price. If they charge a flat fee, then they're motivated to spend as little time working on the negotiation as possible and typically have upper limits on the amount of time they'll dedicate to the project. There is no perfect world out there in the jungles of domain name transfers!

i. **Sedo.com • <http://www.sedo.com>**

Sedo.com is a marketplace of domain names sold by a variety of companies and sellers. A huge number of squatters put their domain names up for sale on Sedo. You search the site, find a domain you want, contact the seller, and negotiate the price online. If a domain name is not registered in their marketplace, Sedo will initiate contact with the owner to mediate the transaction. Sedo takes a flat fee of \$69 for mediating domain name transactions through their Web site.

ii. **BuyDomains • <http://www.buydomains.com>**

BuyDomains is another marketplace where sellers put their domain names up for sale; unlike Sedo, they do not contact sellers if the domain name is not in their marketplace. BuyDomains charges sellers a yearly fee and a percentage commission on each sale; these costs, of course, are passed on to you by the seller even

though the site is “free” for buyers. Expect to pay \$200 or more in pass-through fees for a domain name.

iii. **Impressive Domains** • <http://www.impressivedomains.com>

Impressive Domains is another marketplace where squatters and others list domain names they’re offering for sale. In addition, they offer market value domain name appraisals for sellers and negotiating services. Although “free” to buyers, the site charges sellers a 10% selling commission on the final domain name transfer price. Smart sellers, of course, figure in this commission when deciding on a final price, meaning they usually pass the cost on to the buyer.

iv. **Website Broker** • <http://www.websitebroker.com>

This domain name marketplace allows domain name sellers to list domain names and provides an online transaction service to mediate the sale and transfer of domain names. Website Broker also offers brokerage services, that is, you can hire the company to represent you in a negotiation with a seller. The site typically charges a percent commission on the sale whether it represents the buyer or seller.

1.5.4 Web 2.0 Name Generator

<http://www.lightsphere.com/dev/web20.html>

All of the above are valuable resources for getting the domain name you would like, but what about actually generating a new and interesting domain name? What if your Web site is your entire business? The Web 2.0 name generator by Jacqueline Hamilton will spit out clever name combinations for as long as you can stand it—and will helpfully link to Dotster to check availability.

1.6. Business Licenses

There is nothing arcane about a business license. Simply put, a business license makes your business a taxable entity in the state you are doing business in, i.e., it creates a “tax identity” for your business.

Not all businesses actually need a business license. It depends on your business structure (1.2) and where you’re doing business. In California, for instance, a sole proprietorship can be started without any license or registration. You just open your doors for business and pay taxes. Some states, however, have a rigorous licensing process and require complex tax filings even if you’re selling lemonade on the street! Many states, such as Washington, require that

your business be profitable within a certain number of years or the license will not be renewed. All of these regulations vary state-by-state and business-by-business. Internet resources can help you navigate your own state's requirements for obtaining a business license appropriate to the business you plan to run:

- **SBA: Where To Obtain Business Licenses**

<http://www.sba.gov/hotlist/license.html>

The SBA provides a set of links to connect you directly with your state's online business license application and fee schedule.

- **Business Licenses**

<http://www.businesslicenses.com>

Business License Online provides forms, filing venues, and information for all Federal, State, County, and Municipal Business Licenses & Permits.

- **FindLaw: State Guide Forms & Fees for Business Formations**

<http://smallbusiness.findlaw.com/business-forms-contracts/business-forms-contracts-subject/business-structures-forms-fees.html>

FindLaw not only lists all state resources, but also includes valuable articles on how to start your business, as mentioned in 1.2.1 above.

1.7. Incorporate Online

Because corporations and LLC's are complex legal entities, forming a corporation can be a tricky affair. Unlike a small proprietorship, you can form a corporation anywhere: any state or almost any country. You could be doing all your business in North Dakota but be incorporated in Delaware—or the Bahamas! The state, or country, you choose to be incorporated in has everything to do with the regulations of that state and how much that state taxes your corporate income. However, even if a state or country does not tax your corporate income, the state and country you live in will tax any distributed profits or capital gains that are paid out to you.

Forming a corporation is a relatively complicated task with several steps, each with its own pitfalls.

1. **Corporate Name Clearance.** All states have rules about which corporate names are kosher and which aren't, so the first hurdle to get over is state approval of your corporate name.

2. **Directors.** Before anything gets filed, you will need a Board of Directors. The Directors represent the “owners” (shareholders) of the business and exercise governance over the management.
3. **Articles of Incorporation.** Once you have directors, you will file a set of legal papers, the “Articles of Incorporation,” with the Secretary of State of the state, or country, you’re incorporating in. While the fee for American states is pretty reasonable—anywhere from \$100 to \$800—it’s paying the lawyers to draw up these articles that typically can take a big bite from your bank account.
4. **Corporate Bylaws.** Every corporation is legally required to have “operating rules,” or corporate bylaws governing the conduct of the business. These bylaws serve as a contract between the investors and the management; since the owners often don’t run the company, they want to make sure that the directors who govern the company follow certain minimum rules, such as when and how often the directors meet. Bylaws are typically passed at the first Directors’ meeting, in which not only bylaws, but stock issuance, fiscal year determination, corporate officers, and the corporate seal are also effected.
5. **Stock Issuance.** Before the corporation can do business, the Board of Directors has to issue shares in the corporation to the owners. The Directors have to determine the “rules” of these shares: which shares have voting privileges, whether shares can be traded, and so on. Because of federal and state securities regulations, stock issuance can be a lengthy, complicated, and expensive process *if* stock is being issued for sale to general investors. If, on the other hand, shares in the company are *privately* distributed, that is, limited to only a few people who will be fairly active in running the company, stock issuance is exempt from almost all federal and state regulation. If the corporation has limited investors, but some are *passive* investors, i.e., not actively running the company, then you absolutely need to hire a lawyer to help you figure out which federal and state regulations apply to your stock issuance. Once you have all that figured out, the shares have to be issued, the names of the shareholders recorded, and a notice of stock transaction filed with the state.
6. **Business License.** And, just in case you thought government was user-friendly, you *still* have to get a business license! You will probably also need to get a taxpayer identification number from the federal government and there may be an army of other permits and licenses you need, such as a seller’s license or a liquor license.

Incorporating need not take a bevy of lawyers and accountants. Again, the Internet simplifies and speeds up the process and significantly reduces your cost. If you're serious about forming a corporation or LLC, you should consult *all* the services below and shop for the best price.

United States

- LegalZoom Business Formations

<http://www.legalzoom.com/business-formations/business-formations.html>

LegalZoom is a relatively new legal service delivering a smorgasbord of virtual legal services at substantially discounted prices. LegalZoom is able to offer steep discounts because you're essentially purchasing legal boilerplate from them. Their business formations unit offers incorporation, LLC formation, and DBA registration services across all states. Incorporation services start at \$139 plus state fees (articles of incorporation, bylaws, corporate name clearance, resolutions of the first meeting of the Directors) to \$369 plus state fees.

- Form-A-Corp

<http://www.form-a-corp.com>

Form-A-Corp allows you to register a business online or by phone. You can form a for-profit, a nonprofit, or a subchapter "S" corporation, or limited liability company (LLC) in any of the fifty U.S. states. Form-A-Corp will perform all the necessary legal steps for you and provide legal and accounting resources after your corporation or LLC is formed. The cost varies by state and business structure; Form-A-Corp includes an online calculator that helps you determine all the costs, including Form-A-Corp's fees, which you'll have to pay.

- Business Filings Inc.

<http://www.bizfilings.com>

BizFilings professionally forms corporations, LLCs, and nonprofits and offers "rush service" if you need to have your corporation right now. This rush service makes it possible to file a corporation or LLC in as little as twenty-four hours. The company offers a free *Guide to Incorporating Your Business*, illustrating the options available to new business owners as

they decide the appropriate structure for their business; the advantages and disadvantages of forming a corporation or an LLC; the formation process; and the requirements imposed on business owners after forming a corporation or an LLC.

- **Companies Incorporated**

<http://www.companiesinc.com>

Companies Incorporated allows you to form Corporations, Limited Liability Companies, Limited Partnerships, and Trusts. You can incorporate online or over the telephone. To get an idea of your total fees, you must fill out an application.

- **MyCorporation.com**

<http://www.mycorporation.com/allservices/corpsupplies.htm>

MyCorporation.com provides incorporation and related services primarily online, although they do offer telephone incorporation services. Besides incorporation, MyCorporation also helps business owners complete entity formation, trademark searches and registrations, copyright registrations, DBA registrations, and appointment of agents. MyCorporation does not provide legal advice. Its fees are fairly low; typically around \$150 for incorporation services on top of various state fees.

- **ActiveFilings.Com,**

<http://www.activefilings.com>

Active Filings fees typically start around \$170 in addition to state filing fees and they provide the full range of incorporation and business entity formation services. As with other sites, you can determine the final fees using their quote interface.

Offshore

You may, for tax or legal purposes, choose to incorporate in another country: lower taxes, lax business regulations, privacy, or to protect assets from lawsuits and other liabilities. This will raise a ton of legal and tax issues. If you do this wrong, you could have State and Federal tax authorities dragging you and your still-beating heart over the coals, so offshore incorporation is not for the reckless or the weak-kneed. Internet resources make it much easier, but you should do your homework first. In fact, if you intend to incorporate offshore, it's the one thing you should never do totally over the Internet. You really need to sit down with a lawyer and spend a few bucks to protect your backside.

- **Offshore Corporation**

<http://www.offshorecorporation.com>

Offshorecorporation.com is a division of Companies Incorporated. It was specifically formed to provide Internet registration of business entities in non-U.S. countries that offer better tax or legal situations for your company. You can read descriptions of each country and what makes that country advantageous to your business entity. Offshorecorporation.com will also set up banking for you in your host country if that's required.

- **WSR Corporation**

<http://www.wsr-corporation.com>

Specializing in offshore business consultancy since 1973, WSR assists you with all aspects of company formation, limiting liability, asset protection, and tax minimization that you can get from incorporating offshore.

- **Proform Offshore Limited**

<http://www.proformoffshore.com>

Proform Offshore incorporates offshore companies in all the major tax- or regulation-beneficial offshore jurisdictions. Services include offshore company formation, nomination of directors, registered office and agent, and all government fees.

- **Fidelity Corporate Services**

<http://www.seychellesoffshore.com>

Fidelity Corporate Services (Seychelles) Ltd is a specialized offshore company formation agent that incorporates business entities in the Seychelles. Unlike other resources listed here, Fidelity Corporate Services is not an intermediary, but instead a direct agent of the Seychelles. A Seychelles IBC (International Business Corporation) pays no taxes and is burdened by minimum reporting and record-keeping requirements. The Seychelles IBC also offers some of the most rigorous privacy protections.

- **Atrium Incorporators**

<http://www.atrium-incorporators.com>

Atrium Offshore specializes in the formation of offshore business entities primarily to protect assets from taxes and lawsuits. Like the other companies listed here, their services focus on countries that minimize the tax and regulatory profile of a company.

1.8. Trademark, Patents, and Copyright

Every business owns assets. Some of these assets are financial (cash) and some are real property (a building); however, some of the most valuable assets a company owns are often intangible, such as a brand, an invention, books, or ideas. The laws protect your financial and real assets automatically; to protect intangible assets, you have to actively seek that protection.

There are three types of legal protections for intangible or “intellectual” assets:

1. Trademarks

A trademark protects the names and symbols of your businesses, your products, and your services. If you’ve built value with your names or symbols, other people may try to “steal” that value by using the same or similar names or symbols. Their goal is to have consumers confuse their name or mark with yours, like selling “Colloway” golf clubs rather than “Callaway” golf clubs. In Afghanistan, for instance, there is a fast-food restaurant called “KFC” for “Kabul Fried Chicken,” complete with Colonel Sanders and the red-and-white logo! A trademark gives you legal recourse to make them stop (but this doesn’t include Afghanistan). Getting a trademark is a long, expensive, and trying process. The U.S. trademark office has to search all its trademarks and symbols and make sure that your trademark does not confuse people with other trademarks. A trademark has two statuses: the trademark has been approved by the U.S. as a legal trademark belonging to you (a “registered” trademark indicated with the symbol circle-R) or a trademark has not been approved, either because it has not been submitted or it is pending approval, but the owner wants to *claim* it as a trademark (this is indicated with the symbol TM). If you claim a trademark, you should always use the TM symbol. The R symbol is *not required* for a registered trademark; the registered status is sufficient legal protection.

2. Patents

A patent protects inventions and some ideas for a certain amount of time. The owner of a patent has exclusive rights to the invention or idea for a certain number of years. According to law, you do not “own” the intellectual property represented by a patent until that patent is actually granted. International relations mean that a patent granted by the U.S. must be respected by other countries, but most patent owners seek

Trademark, Patents, and Copyright

international patents to bolster that protection. The United States will allow you to patent a business “idea” in addition to inventions. The patent process is very long and very expensive, but the law affords you certain protections while the patent is pending approval.

For the simplest inventions, like a new kind of paper clip, you can expect to spend around \$5,000 in government, lawyer, and other fees. More complex inventions cost much more; you can probably expect to pay \$10,000 or more.

The process itself is painstakingly slow. Because of an enormous backlog of filings, it typically takes a year-and-a-half *after* you’ve filed for the examiner to even acknowledge your existence. It can then take months or even years after that for the process to wind down to completion.

3. Copyrights

A copyright gives you ownership of an “expression.” In American law, this covers writing, music, software, and a host of other “expressions.” Like a patent, this gives you several rights that others do not have concerning your intellectual property: the right to sell, the right to copy, the right to perform, etc. You can, of course, license or sell any one of these rights while retaining all the others. For instance, you can sell performance rights while retaining publication rights.

In the United States, copyrights are issued by the Library of Congress.

Unlike a patent or a trademark, in American law you enjoy full protection of copyright law even though you don’t register your copyright with the U.S. government. You don’t even have to claim copyright, but it’s a good idea to indicate copyright if you think something you have should be copyrighted. Legal registration of your copyright gives you a paper trail to pursue individuals that have violated your copyright.

Unlike patents or trademarks, however, copyrights are affected by fairly generous rules regarding “fair use.” For instance, *Star Trek* is copyrighted, as are all the characters’ names. However, I can write a paragraph in this book about how I enjoyed the show, the episode I enjoyed the most, and even quote a few lines from that episode and not be in violation of Paramount’s copyright. I can mention, criticize, summarize, and provide limited quotes from books, Web sites, films, and anything else

that's copyrighted provided I'm following general strictures of fair use. So, unlike a patent, a copyright isn't "total" protection.

WATCH YOUR BACK!

Copyrights, patents, and trademarks are only as good as your ability to litigate them. If anyone violates your intellectual property, it is up to you to go after them, make them stop, and collect damages, if possible. The government isn't going to do it for you, despite the ominous FBI warnings that introduce every DVD you've ever seen. If you secure intangible assets with a patent, trademark, or copyright, you must plan on creating a defensible position and having resources to defend your patent, copyright, or trademark. Large companies will sometimes "steal" patented ideas or copyrighted material with the understanding that they can outspend, outmaneuver, and outlast a smaller, cash-strapped company that happens to own those intellectual assets. So gaining a patent, trademark, or copyright is only the first necessary step in protecting your intellectual assets. Your next step is putting yourself in a strategic and tactical position to successfully defend your assets.

- U.S. Patent and Trademark Office
<http://www.uspto.gov>

The U.S. Patent and Trademark Office provides complete information on all trademark, patent, and copyright issues in the U.S. The site allows you to search trademarks (to see if your business or product name is in violation of trademark), view patent and trademark law, and acquire all the necessary forms.

- Library of Congress U.S. Copyright Office

<http://www.copyright.gov>

All copyright registrations are handled by the Library of Congress. Everything you need in order to register a copyright is available on this site, but to actually obtain a copyright, you have to mail a hard copy, picture, CD, or video of the work, depending on what it is. Fees run around \$45 per work registered for a copyright.

- PIPERS Website

<http://www.piperpat.com>

PIPERS is an independent specialist patent attorney firm that provides patent advice and registration to individuals, small

Law, Reference, and Small Business

businesses, corporations, or law firms. The services include patent registration across several countries.

1.9 Law, Reference, and Small Business

- **FindLaw.com**

We discussed FindLaw.com very early in this chapter (1.2.1). It should be one of your top three bookmarks in your browser. FindLaw is the highest-trafficked legal Web site concerning law and small business; the site provides a comprehensive set of legal resources for small business owners and entrepreneurs. These resources include Web search utilities, cases and codes, legal news, forms, articles, links to government entities, and community-oriented tools, such as a secure document management utility, e-mail newsletters, and message boards

- **LawGuru.Com**

The LawGuru.com Web Site is owned and operated by WebSiteBroker, Inc., which also runs Websitebroker.com (7.6.3). LawGuru.com was originally started in 1996 by a Los Angeles law firm and has evolved into a highly popular online legal resource with articles, resources, and even free legal advice.

- **U.S. Business Advisor**

<http://www.business.gov>

Launched in 2004, Business.gov initially focused on starting, growing, and financing small businesses, similar to the resources in 1.1. The site changed emphasis and now focuses exclusively on helping small business owners comply with Federal regulations, a focus that makes the site the only one of its kind.

You will spend an inordinate amount of time trying to comply with laws and a lot of the rest of your time worrying about the laws you don't know. Here's a number that will send you over backwards: according to the Office of Management and Budget, in fiscal year 2003 businesses and citizens spent 8.2 billion hours and \$320 billion just filling out legally-mandated paperwork and complying with government regulations. I doubt you've gone into business to enjoy the pleasure of doing all the shovel-work the government wants you to do, so Business.gov will keep you informed so that you can comply with regulations and laws a lot more easily and cheaply.

Finance, Taxes & Banking

2

Very few people go into business because they love accounting, bookkeeping, taxes, or fretting about where their cash is coming from . . . or where it's going. Realistically, however, what makes a business a business, as separate from a hobby or a job, is that it's about money. Money coming in. Money going out. So to run your own business, even on a shoestring, means you have to structure the money flow and account for it somehow. Even if you hire a full-time finance expert to do all the number-crunching and the money-worrying for you, as the owner of your business, you have to be totally on top of your financial structure, your financial measures, and your cash flow. Fortunately, you don't need to slog through graduate-level finance textbooks to get a good handle on your finances.

There are three areas of finance you need to master at even the most rudimentary stages of your business. The first is your financial structure: where does the money come from to run your business? How do you find that money? How do you account for the money? How do you know you're making or losing money?

The second—and this is a painful subject for most non-financial folks—is taxes. Your government wants its portion of what you earn and they won't be refused. What do you actually owe in taxes and when? How do you structure your finances and money flows to minimize the taxes you owe? How do you avoid getting thrown in the clink?

The third is the least painful to master: banking. Your business runs on money flow; your business accounts are the primary place where your money flows in and out, so it's important to get the best banking services at the best price and greatest convenience.

2.1. *Financial Structure*

We'll start with the most basic, bald-faced definition of a business: a business is about money. That's what differentiates a business from a hobby or any other activity. You may love to knit and spend hours doing it; you may be so skilled that your creations are worth hundreds or thousands or dollars. But you're not running a business. Once you start selling your magnificent knitting creations on eBay so that you can make some serious money, you're running a business. You're still knitting every day, but now it's about money. And to make money, you have to have money, even if it's just a little bit to start with.

Finance answers the basic questions about *how your business uses money to make money*. Finance tells you:

- How much money you need to start and run your business.
- Where you plan to get that money—either through investors (some combination of you, angel investors, venture capitalists, or corporations), loans, or grants.
- How much you, or your investors, stand to lose if the business fails.
- How the cash flows week after week, month after month, and year after year; if you want to stay in business, you have to make sure that more cash flows in to your business than out.
- Whether you're profiting or losing from running your business.
- What you need to buy (assets) and what you need to spend (expenses).
- What investors or lenders should reasonably expect by allowing you to use *their* money.
- What you should do with your profits—give them to yourself, bank them, spend them on your business, invest them, or start another business.
- How to account for profits and expenses to minimize the taxes you pay.
- How the economy, business climate, and investment climate affect your business financially.
- What the value of your business is if you were to sell it.

As the owner and chief officer of your business, you should be able to answer these questions readily and knowledgeably on any day of the week.

The decisions you make about financing will in many ways be the most consequential for determining the success of your business.

Let me repeat that previous paragraph. What makes your business a business is that the person in charge—*you*—can quickly, easily, and accurately answer all the questions above and, above all, make smart and informed decisions in each of these areas.

The first two questions relate to the *financial structure* of your business; whether you are looking for investors or bootstrapping your business, the financial structure is the most important aspect of your start-up. Financial structure basically tells you *where* the money to start up your business comes from from. Any money you put into the business, whether it's money you've saved, money you earn from your business, or money an equity investor has pumped into the mix, goes into the financial structure as an equity investment. Any money you borrow, say, with a second mortgage or a credit card, goes into the financial structure as debt. This combination of equity and debt is officially the *financial structure* of your business.

EQUITY AND DEBT

Most small business entrepreneurs think of debt as a necessary evil, that continues keep you awake all night horror you need when you can't pay bills. In terms of financial structure, however, debt is just another investment in your business and a lender just another investor. Equity investors, including yourself, own the business and can participate in profits and the gain in the business's value—the return is potentially unlimited. Lenders (debt investors) help to fund your business in exchange for part of your revenues in the form of interest on the loan. Their return is limited to the interest, but unlike equity investors, they have first claim on the company's assets (or your assets, if the business is a sole proprietorship or general partnership). It is more often than not desirable to have a portion of the business's financial structure represented by debt. For most corporations, 50% to 40% of the financial structure is debt. Why? A debt investor only gets their interest, any profits and capital gains above that go to the equity investors, thus increasing their return. From the very beginning, you need to consider debt as part of your financial structure and how it increases, or decreases, the equity return.

2.1.1. SCORE

<http://www.score.org>

We've had many occasions to mention SCORE as it's probably the most valuable online resource for startups and small businesses. SCORE is an organization that has gathered together retired and working executives, business owners, and corporate leaders to provide *free* mentoring and advice to entrepreneurs starting their own business. SCORE boasts over 10,000 executive volunteers—representing some 600 business skills—who will correspond with you or meet with you to give you advice based on their years of business experience. The mentor list, as of publication of this book, includes 229 counselors nationwide who specialize in financial matters, twenty-four counselors who specialize in new business funding, and forty-five counselors who specialize in banking issues. SCORE offers:

- Finance, accounting, and banking counselors that will meet you face-to-face or answer your questions over the Internet.
- Workshops in creating a profit/loss (or income) statement and pricing products.
- Sales forecast and twelve-month cash flow templates.

2.1.2. Inc.com How To: Finance & Capital

<http://www.inc.com/guides/finance>

Inc.com is a business news Web site geared exclusively to entrepreneurs and small business owners. It provides news and resources across the entire spectrum of issues that you'll confront as a business owner: finance, technology, innovation, sales, ecommerce, marketing, human resources, leadership, taxes, and so on.

Among its valuable resources is a fairly complete and easy-to-read guide on how to finance your business and acquire the capital you need. This guide includes:

- *Starting Up on a Shoestring*—tips and strategies for starting your business with very little or no money.
- *Raising Capital*—writing a good business plan and finding the financial resources for your company.
- *Financing: Where To Find It*
- *Angel Investors*—how to find investors who will invest at the beginning, so-called “angel” investors.
- *Venture Capital*—finding and securing venture capital.
- *Compensation*—compensating yourself and your investors.

- *Equity as Compensation*—how you should calculate the equity you offer to an investor.
- *Banking and Loans*
- *Cash Management Basics*—your business will sink or swim based on your cash flows, not your profits or losses. This is your basic survival guide.
- *Improving Cash Flow*
- *Track Your Critical Numbers*
- *Controlling Cost*
- *Tax Strategies*—a basic guide to tax planning and structuring your business and accounting to minimize your taxes.
- *Getting Paid*—your basic guide on collecting what people owe you.
- *Selling a Business*
- *IPOs*

Most valuable to you is Inc.com's angel investor directory (<http://www.inc.com/articles/2001/09/23461.html>), a list of U.S. angel networks. The site organizes this directory by region with a separate category for angel investors willing to capitalize businesses anywhere in the U.S.

2.1.3. CCH Financial Planning Toolkit

<http://www.finance.cch.com/tools/calcs.asp>

CCH offers a variety of personal finance calculators and a few highly useful small business calculators including a business valuation calculator:

- Buy vs. Lease
- Consolidate Debt
- Sales Volume Breakeven Analysis
- Business Valuation
- Working Capital Needs
- Cash Flow Calculator
- Credit Assessment
- Commercial Loan Calculator
- Inventory Analysis
- Profit Margin Calculator
- Financial Ratios
- Amortizing Loan Calculator

In terms of financial management (2.3), the CCH toolkit has one of the best introductions to financial analysis of your business in its Business Ratios section (http://www.toolkit.cch.com/text/P06_7100.asp). *Financial analysis* is how you look at your assets, revenues, and cash-flows to determine the actual financial condition of your business. While you didn't go into business to be a bean-counter, to be truly successful you should understand these ratios and be able to calculate them from your business' financial statements. Why? Because you're going to be dealing with other entities, like banks, who *do* know how to calculate these numbers. Besides which, you're in business to run your business. Financial ratios are the "reality" of your business.

2.2. Financing Your Business

You may have the greatest business idea in the world. You may be smart, hard-working, and totally focused. But if you don't have the money to turn your ideas into a successful business, you have nothing. Some businesses and shoestring ventures need little or no financing; you can fund them by keeping your day job. But even shoestring ventures, as they enjoy greater success, reach plateaus and can only reach the next level of growth and profitability through an injection of capital. No business has ever grown large based solely on its own revenues, not even Microsoft.

Here's what Second Venture has to say about the fund-raising process:

Raising money requires a logical process and new funding doesn't happen instantly. Raising equity capital at various stages of a business's development is particularly tricky and requires proper strategies. A number of alternatives are available, and choosing the right one for you can help fuel the success of your company. (<http://www.secondventure.com>)

You can get funding from several sources:

- *Equity investors*—these are investors, such as angel investors, venture capitalists, and corporations that provide funding for a stake in your company and its future profits.
- *Loans*—you can acquire loans from banks *and* investors—even by using your credit card—under an agreement that you will pay back the loan with interest.
- *Grants*—in rare cases, you can acquire a grant from a government agency or elsewhere that does not involve giving up a stake in your company or paying the money back.

It is not uncommon to combine funding sources from a single individual through creative combinations of equity investment, loans, and grants. I just finished a business plan asking angel investors for 2.5 million dollars in equity investment *and* a ten-year \$700,000 line of credit at 9% interest. The equity investment funded the capitalization of the company and most of its first-year operations, assuming the worst-case scenario of zero revenues. The line of credit was intended to float the second year of operations and any unexpected roadblocks in the first year of operations. As a line of credit, it was a cushion that didn't cost the business anything until the money is actually borrowed. We worked for weeks coming up with the right funding structure and ended up with this creative combination. It's only half a joke that the most creative people in a business are in the finance and accounting departments! So you shouldn't be afraid of being creative and innovative when structuring funding for your company.

When you start moving in the world of investors, there are a number of odd and overlapping terms that you'll encounter.

- *Angel investors*—these are the investors you're actually looking for; they are the first investors to put money and resources into a business, typically right at the beginning. Initial investors, particularly seed investors, typically take a larger percentage of the company's equity relative to the investment amount.
- *Seed investors*—these are angel investors that provide money and resources to capitalize the business *before* it starts.
- *Series A investors*—Series A is the first round of stock offered to venture capitalists in the seed or early funding stage of a business. Later rounds of stock offerings to private investors are called Series B, Series C, and so on. Typically, Series A stock is convertible into common stock if your company is sold or goes public. It is not uncommon for angel and seed investors to get the lion's share of Series A stock.
- *Mezzanine investors*—as your business grows, you may require another injection of money and resources in a second round of financing: that's what mezzanine investors do. Typically, they get a smaller share in the company relative to the amount they invest than the first investors.
- *Bridge financing*—these are loans to companies that expect an influx of cash either through the sale of an asset or through an additional round of investment; they typically involve giving some stock to the lender.

- *Venture capitalists*—these are investors that commit much of their investment resources, if not all, to start-up companies. Venture capitalists often are managing money from multiple investors or they have investment resources they've developed on their own; however they've come by it, venture capitalists tend to have a lot of money at their disposal and are in the best position to fully finance you. Typically, the goal of a venture capitalist is to sell their interest in your company in a few years at a very high return. While they are not necessarily angel or seed investors (your brother or next-door neighbor could be an angel investor), venture capitalists are the most common source of angel or seed capital for start-ups that require significant financing.
- *Corporate venture capital*—Not all investors are individuals or venture capitalists. Big corporations are often eager to fund start-ups or proven shoestring ventures to increase their returns and provide additional value to the products and services they offer. For instance, Apple Computer has \$12 billion dollars in cash (approximately 60% of their total assets). Stockholders don't like companies holding cash like this, so Apple is beginning to make noises about funding start-ups with all that cash. That's a windfall for entrepreneurs developing products and services that would drive sales of Apple products. So if you're start-up is all about a killer app for the iPhone, Apple may want to inject some cash into it. (And you want to follow business and finance news religiously so you know things like this.)

The most critical component of start-up financing, particularly equity financing, is *business valuation*. We discussed in our business plan section (1.3) how business valuation is the warp and woof of any business plan aimed at either equity or debt investors, and now we're going to tell you why.

Business valuation is a complicated but relatively straight-forward process when you're dealing with an ongoing concern that has a well-documented financial history. But what about a start-up that has no year-to-year financials? What about a business idea that has no equal, so nothing to compare the business to in order to gauge a fair market value?

When you bring on an investor and give them a share in your company, that share is *relative* to the amount of money they invest. For instance, if a venture capitalist puts \$500,000 into your company for a 25% equity stake in the company, you and the investor are valuing the start-up at \$2 million. Now think about this for a second. Numbers like that just can't be pulled out of the air. Your start-up may have no assets outside of a business idea or other intellectual assets. It may have no employees, no money, and no revenues

coming in. For all practical purposes, your business is worth absolutely nothing. Zero. Zip. Nada. Yet, here you are, you and your investor, valuing your business at \$2 million.

Have you taken leave of your senses? Where does that number come from? It comes from a.) the potential value of the company in the future based on its intellectual assets, current performance and growth (if there is any), and business plan adjusted by b.) the risk that the company won't realize that potential, with the worst-case scenario being a total business failure and the complete loss of the entire investment.

As the business owner, you want the highest possible valuation for your company. The investor wants the highest possible return for their investment while minimizing their downside. That's a fancy way of saying that they want the biggest chunk of your company for the least amount of money.

Unless you're a finance major, many of your sources for equity financing, such as venture capitalists, are far better and more sophisticated at determining both the future value of your business and the risk entailed. The ins and outs of start-up valuation are beyond the scope of this book, but in general, initial equity investors determine the future value of your company based on the expected income of the business over the life of the investment and beyond (because expected income *after* the investor plans to sell out will determine the value of their stake at that time). Your focus in preparing a business plan and investor presentations, then, is a credible outline of future revenue and earnings growth along with credible solutions to abating the risk of the venture.

Business valuation matters to debt investors, as well. If you finance your business with a personal loan, such as a second mortgage or credit card debt, then future income doesn't enter into the picture (although *personal income* matters a heckuva lot). But if you're aiming for a small business loan from a financial institution or a loan from an investor—yes, equity investors will also inject loans into a business, as well—they will secure the loan based on the future earnings of the company. The return that they expect, i.e., the interest, is solely based on the debt investor's assessment of the future earnings of the company relative to the risk of default. Debt investors don't realize the unlimited upside of an equity investment, so they are more concerned to know that you can pay the loan and its interest. Equity investors want to make lots of money and they're willing to take big risks; debt investors want their money *back*, so they want to mitigate risk or make you pay through the nose for higher risk. Debt investors aren't looking for explosive growth, just enough so that you can pay them off. So when debt investors are in the financing mix, the primary job of your business plan and investor presentation is to show stable growth and a very solid risk abatement plan. In particular, debt investors are interested in

cash flow (see 2.4 below). It's not your profits that pay back the loan, it's the *cash* coming in relative to the cash coming out. So the financial projections of your business have to show a positive cash flow sufficient to service the loan.

Normally you think of "investors" as equity investors and banks as sources of loans. However, from a financial point of view, both equity investments and loans are *investments*—they just have different upsides and downsides. You do not have to approach people as equity investors; you can approach them for a business loan or line of credit, as well.

Why would family, friends, or any other individual want to invest in your company in the form of a loan rather than an equity investment? Well, first, they have a much better chance of getting their money back. If you are a sole proprietorship or partnership, they can seize your non-business assets if your business enterprise heads south. If you are a corporation, they are first in line to get their money if you have trouble; equity investors are *last* in line for recovering their money. Secondly, a loan has a defined return; a debt investor will want a higher return if the risk is greater. And a debt investor is more or less guaranteed this return; you have to pay interest on your debts before you distribute profits to anyone else, including yourself.

Business loans are incredibly complex, for they usually involve *covenants* requiring you to follow certain rules to protect the lender's investment. For instance, lenders will want to cap the ratio of debt to equity in your company. They may require certain covenants that put them right at the front of the line if your company should fail. They may want a covenant giving them the option to *call* the loan—that is, ask for all their money back—before its final payback date. Or, you may want a covenant allowing you to call the loan and pay it back early without any penalties.

I have put together business plans for people that have involved equity investments from banks and loans from individuals. I have put together deals where one investor makes an equity investment, a loan, *and* provides a line-of-credit. There's no end to how you can structure loans and equity investments from other people and institutions.

When all is said and done, investment always comes down to *risk*. You're asking investors to risk losing some or all of their investment. The higher that risk, the bigger the return they'll want to offset that risk. An equity investor will demand more equity for higher risk and a debt investor will demand higher interest. Your business plan, presentation, and pitch needs not only to show credible returns, it needs to reduce the business risks as much as believably possible. There's no other way to do that except by doing your homework and checking it twice.

A WORD OF ADVICE

While financing comes easily to some folks, for most of the rest of us, finding investors is a long, frustrating, and dispiriting process. All I can do to ease your way is repeat something Chazz Palminteri once said to me about his career as an actor: "Success isn't about knocking at the right doors. It's about knocking at EVERY door." So get your knocking arm in shape.

2.2.1. *BusinessFinance.com*

<http://www.businessfinance.com>

BusinessFinance.com is probably the best source for learning how to finance your business and finding investor sources online. The site contains a look-up engine for finding angel investors, venture capitalists, and lenders willing to finance various aspects of your start-up business: equity investing, working capital investments, equipment finance, and small loans. The site also contains a number of articles that cover the basics of finding funds:

- *The Art and Science of Obtaining Venture or Angel Capital*
- *How to Prepare & Present a Successful Funding Request*
- *Business Credit Profile—How to Build Yours Fast*

2.2.2. *Second Venture Corporation*

<http://www.secondventure.com/angel-investor-directory.asp>

Second Venture publishes a helpful set of online articles and resources for funding your start-up business. Calling themselves “for and by serial entrepreneurs,” they make available a variety of services, including business plans, specifically designed for those people who can’t resist starting up one business after another. Online articles include:

- *Angel Investor Directory*—a short discussion and some links about finding an angel investor and securing funding
- *Loans for Starting Up a Business*—a highly useful article about a variety of traditional and non-traditional loan sources.
- *Small Business Grants*—how to acquire grant financing.
- *Ways to Raise Capital*—A particularly valuable article that teaches you the various stages of financing your business through investors, loans, and grants.

- *Business Valuation Methods*—normally something that the MBAs do, it behooves you to familiarize yourself with these methods since much of your funding depends on the value of your business.
- *Seed Stage Venture Capitalists*—how venture capitalists make investment decisions when investing in a start-up.
- *Corporate Venture Capital*—how corporations make investment decisions when they fund a small business or start-up.

2.2.3. University of Michigan Libraries: Funding for Business and Economic Development

<http://www.lib.msu.edu/harris23/grants/2biz.htm#w>

A very exhaustive and helpful set of links to Internet resources that can help you fund or finance your small business covering all aspects of financing a business and where to find and secure funding. Resources include:

- *5 Ways to Get Angel Money*
- *34 Federal Programs to Assist Businesses*
- *Best Banks for Entrepreneurs*
- *Borrowing Money for Your Business*
- *Doing Business with U.S. Government Agencies*
- *Financing Options for Start-Up Manufacturers*
- *Locating and Getting the Money You Need to Start a Business*

2.2.4. Angel Capital Association

<http://www.angelcapitalassociation.org>

The Angel Capital Association is a North American professional alliance of angel investing groups. While the site primarily serves the interests of angel investors, it contains valuable information about what angel investors care about and a priceless directory of angel investor groups at http://www.angelcapitalassociation.org/dir_directory/directory.aspx, which sorts angel investors by region including Canada. You can follow links to association Web sites to help you in your search for angel investors.

2.2.5. National Association of Seed and Venture Funds

<http://www.nasvf.org>

The National Association of Seed and Venture Funds (NASVF) is a non-profit organization of private, public, and nonprofit organizations dedicated to funding innovative entrepreneurial projects. Their site is dedicated to the

interests of this group, but you will find an invaluable directory of members pointing you to investor funds that may be interested in your business.

2.2.6. vFinance, Inc.

<http://www.vfinance.com>

The vFinance Web site offers valuable resources for finding and approaching venture capitalists including:

- *Free venture capitalist directory*—the site also includes a look-up tool for venture capitalists and angel investors in your area and industry relative to the amount of financing you require.
- *Free business plan review*—you can send your business plan to them through their site for a free, top-level critique of the plan.
- *Plug and Print Business Plans*—a business plan template for \$50.
- The site also offers free advice and the opportunity to post your business plan for venture capitalists and angel investors to read.
- The site also sells a PowerPoint template for \$60 for you to insert your information in preparation for a VC or angel investor pitch.

2.2.7. FundingMatch.com

<http://www.fundingmatch.com>

FundingMatch is a Web site that matches entrepreneurs with investors. You submit an online business summary and the site automatically distributes that summary to investors who are interested in your type of business. FundingMatch has over 1,000 different investors signed up on the site. These investors include angel investors, banks, venture capitalists, individual investors, and others. For a business looking for funding, the setup cost is \$99 and monthly fees are \$19. The site comes with a 100% refund if you receive no response within the first month of posting your business summary.

2.2.8. Circle Lending

<http://www.circelending.com>

Circle Lending is an Internet service that mediates loans between you and your acquaintances—family, friends, and other acquaintances. The site offers guides for structuring these loans and also offers services in setting up, structuring, mediating, and executing loans between you and people you know. Since business loans are complex instruments involving covenants and call provisions, you should at least consult the Circle Lending

site before borrowing money from a sister, brother, or neighbor to get your venture off the ground.

The Circle Lending Web site offers a valuable booklet—the best of its kind, in fact—*The Small Business Private Loan Guide*, which is available for free if you register on the site.

2.2.9. Prosper

<http://www.prosper.com>

Prosper is an online marketplace that connects individuals, including small business owners, who want to borrow money with individuals who want to lend it. The site limits loans to a maximum of \$25,000; you, as the borrower, must also have a personal credit score of 520 or higher. The Web site connects borrowers and lenders together and mediates the lending transaction between them. Say, you want to borrow \$1,000. You put the request online with the maximum interest you want to pay. Individuals who want to lend money submit interest rate bids and amounts, which can be less than the amount you're looking for. The site collates the lowest bids until it reaches the amount you want to borrow, in this case, \$1,000. Prosper takes a 1-2% transaction charge. It's an innovative way to find funding for personal or business reasons, but you should be careful. A single small loan of two or three thousand dollars could mean having multiple lenders, each with different expectations. Better than a credit card, though!

2.2.10. Venture Capital Finance Online

<http://www.vcaonline.com>

VCA Online is a Web-based marketplace for venture capitalists and private equity investors. Unlike most of the sites listed in this book, nothing on this site is free. The site allows you to post your business plan (for \$30), access a database of venture capitalists, and allows you to purchase sample investor pitches and sample business plans. For-sale resources on the site include:

- Sample business plans.
- Sample investor pitches.
- Sample private placement memoranda (usually the first document you produce when looking for a private equity funder).
- Series A Term Sheet (the contract and appendices for a Series A venture capital investment including an Investor Rights contract, Right of First Refusal for Co-Sale contract, Voting Agreement

contract, Preferred Stock Purchase agreement, and a Certificate of Designations).

- Non-disclosure contracts and other documents.
- Employment agreements.
- Bridge financing agreement.
- Angel Investor Due Diligence Checklist.
- Venture Capital Glossary.
- Venture Capital 101 (a \$39 downloadable guide to raising venture capital).
- Online investor directory.
- Advisory services directory.

2.2.11. VCFodder.com

<http://www.vcfodder.com>

Actually, VCFodder really belongs in the start-up section of the book. It is intended as a set of resources for starting your businesses with articles on business plans, funding, CRM (customer relationship management), and so on. And, because it's run by the same people who run VCA Online, the site has a *lot* of stuff to sell you (but why buy when there's so much free stuff on the Web?). We're including this site in this section because it has a drop-dead, must-read article on how to put together your projected financials, perhaps the most difficult, arcane, and dark art there is in the business world. Bill Snow's *Financials That Work* (<http://www.vcfodder.com/?PAGE=217>) is your best introduction to the common-sense and common practice of putting together projected financials that really mean something to your business and prospective investors.

2.3. Grants

Grants are special kinds of financing and so require their own separate section in this book. A grant is "free money" given to you by a granting organization, usually a governmental or non-profit organization, to help you off to a good start on your business. These grants typically are not very large and more often than not require a protracted, involved, and complex application procedure. Not all grants come in the form of money. Some grants are really subsidies. For instance, municipalities frequently own property which they lease to for-profit businesses on leasing terms substantially lower than that of surrounding privately-owned property. These are treated as subsidies and often require the same complex application process as a direct grant.

There are no direct grants to small businesses available from the federal government. Many state development agencies offer direct small business grants to help and encourage entrepreneurs and small businesses. So the first place to look for grants is your own home state.

The process of finding and applying for grants is very time-consuming. Often, grants are highly restrictive—usually for medicine, education, rural businesses, or minority-owned businesses—so you may not qualify.

On the other hand, if you have just the right business or product, government grants can be extraordinarily generous. As a case in point, I was involved in financial consulting for a start-up that intended to use recycled materials. While the virgin material cost a pretty penny, the recycled material was *double* the cost. When we ran financials for recycling the materials ourselves, we figured out we could do so for about 15% of the cost of recycled material on the market. We *also* found generous state grants that would end up paying half the cost of setting up a small recycling plant. These grants allowed us to raise around \$1 million in capital to build the plant, produce the recycled material, and manufacture our product at a competitive price.

Products or services involving environmental issues, water conservation, or alternative energy may find staggeringly generous resources available through grants. But if you have the next great Bratz doll, the grant spigot isn't where you go to finance your business.

FOLLOW INSTRUCTIONS!

I have written more grant proposals than I care to remember. They come with thousands of instructions and inclusions and niggling details the grants committees want to see. And far too many people ignore these rules and then wonder why they lose. Believe it or not, all these instructions have been poring over by committees, and the granting authority takes them very seriously. In preparing a grant application, your primary goal is to follow the instructions as closely as humanly possible and answer every question with as much detail as possible. So if you're thinking of blowing off a section or a question, well, you're blowing off the grant is what you're doing.

2.3.1. The Catalog of Federal Domestic Assistance

<http://12.46.245.173/cfda/cfda.html>

An online database of all federal programs available to states and other local governments for funding grants, including small business grants. Go

here first to find grants right for your business. The site gives you all the information you need to contact the correct agency and get applications.

2.3.2. Grants.gov

<http://www.grants.gov>

Set up by the Department of Health and Human Services, Grants.gov is the most complete resource for understanding how federal grants work, where they are, and how to apply for them. The site also allows you to apply straight through the site for many grants and even track those applications.

2.3.3. The Amber Foundation: Grants for Women-Owned Businesses

<http://www.womensnet.net/ambergrants>

Begun in 1998, The Amber Foundation provides small (\$500) grants to women-owned start-up businesses. The grants are intended to get the business off the ground by providing basic equipment for a business Web site.

2.4. Financial Management

Financial management is a broad topic covering how you manage, account for, and use your business's financial resources. The most critical financial decisions you make are in the areas of cash flow and bookkeeping.

Cash flow is the flow of cash in and out of your organization—it is the life-blood of your business. To stay in business, you need to structure your finances so that more cash is flowing into the business than flowing out. It is entirely possible to have an unprofitable business with positive cash flow and even more possible to have a profitable business with negative cash flow, all thanks to the magic of accrual accounting! So while profit is your aim, cash flow is what pays the bills. Cash flow affects everything you do: how you pay bills, how customers pay you, accounts receivable, and how you structure your business's loans.

Bookkeeping and accounting is basically how you record, structure, and control financial transactions. Since you have a number of legal alternatives for accounting for these transactions, at the very least you need to participate in and understand the financial *controls* your business puts on the bookkeeping and accounting process to ensure integrity in recording these transactions. (Chapter 4.12 deals with specific outsourcing resources for accounting, bookkeeping, and taxes).

A *financial or accounting control* is a pre-made decision for how financial transactions are recorded and structured and how money is spent. For instance, you will probably have a petty cash fund. You will also have rules, or *controls*, as to the types of transactions that can use petty cash and the amount that can be withdrawn at any particular time. Your *control* may limit petty cash to transactions of \$10 or less. In a more sophisticated vein, if you're running an inventory dependent business, you will need to match inventory costs to inventory sales. If you can't do it directly, then you will need to set up accounting controls that set a value to the inventory being sold, for instance, valuing the cost of the last inventory being sold at the price of the first inventory that you've bought (First-In, Last-Out).

The financial and accounting controls determine how much tax you will pay, how profitable your business will be, and whether or not your business will bleed money. It is not an exaggeration to say that many small businesses and start-ups fail because of inadequate controls. I recently consulted in closing a retail business failure and found that the store was paying bills to vendors for inventory stock it never received. There were no controls in the business to match vendor bills to received shipments and base all payments on that match, leading to losses in the tens of thousands. It's a simple control: you match an invoice to an inventory shipment and you don't pay if you don't have the shipment. That was just one financial control among dozens that contributed significantly to the business's failure.

Skipping the financial controls is the number one oversight I've encountered in all my years of start-up consulting.

Finally, you should know how to generate, read, understand, analyze, and act on *financial statements*. These statements, such as a *balance sheet*, *income statement*, or *cash flow statement*, tell you the financial condition of your business. Your ability to read and analyze these statements is your only access to the "reality" of your business. So while it may be tempting at first to skip many financial management tasks, when you only have yourself as an investor or employee, it's important to realize that your business is about money. Financial statements tell you whether the business is making or losing money.

- An *income statement* shows your business's revenues, costs, and profits for a given financial period. Since it's also called a *profit and loss statement*, its obvious that its primary function is to show how profitable your business is, that is, the *income* coming into the business. Income comes in several different forms on an income statement: income after direct expenses (*gross income*), income after direct expenses and general operating expenses (*operating income*),

income after direct expenses, general operating expenses, and interest payments (*income before taxes*), and income after every single expense, including taxes, has been deducted (*net income*). While net income is the ultimate measure of profitability, *all* of these are important measures of the success of your business and tell you where profitability is coming from . . . or where it's threatened.

- An *balance sheet* is a snapshot of the *book value* of the business. While an income statement covers a period of time (usually three months or one year), the balance sheet tells you the value of the business on a single day. As the name might suggest, the balance sheet has two sides both of which must be in absolutely equal balance. On the one side are all the assets of the business: cash, inventory, loans to other people (including accounts receivable), property, and even intangible assets, such as the monetary value of your brand (see 8.1 for a discussion of brand equity). The other side of the business lists all short- and long-term debts of the business and the *owner's equity*. While debt can be precisely determined, owner's equity is found by subtracting the debt from the book value of the assets. That, in the end, is the book value of the business and is one measure (the lowest, in fact) of the business's value. If you remember our discussion of financial structure (2.1), you'll then see that the right side of a balance sheet, the debts and owner's equity, is, in fact, the financial structure of the business!
- An *cash flow statement* shows the money coming in and the money going out of the business over a period of time, usually three months, six months, or one year. While an income statement shows the profitability of a business and a balance sheet shows its book value, the cash flow statement shows the short-term viability of a company. If the cash flow is positive, the business will keep its doors open for a while. If cash flow is negative, the business is heading towards bankruptcy, even if the income statement shows it's profitable.

The most important use of financial statements is *financial analysis*, which sifts through the financial statement numbers to tell you how well your business is doing: how profitable it is, how capable you are of paying your debts, and so on. Financial analysis accomplishes these tasks by generating *financial* or *business ratios* from the financial statements. Okay, you didn't go into business to be a number cruncher, but don't let words like "financial analysis" or "financial ratios" scare you off. These numbers are the health measures of your business. They are the heart rate, pulse rate, blood pressure,

weight, and cholesterol level of your business. If you don't know the most current numbers for your physical body, you risk hitting the pavement with a heart attack, stroke, or worse. If you don't know the financial ratios of your business, you risk going out of business . . . or worse.

- Some ratios tell you how profitable your business is, like *gross margin*, *operating margin*, or *net margin*, all of which tell you what percentage of money coming in is actually profit. Equity investors take a keen interest in these numbers and they are the first ratios that an investor looks at when evaluating your real or prospective financial statements.
- Some ratios tell you how well you can pay your bills, the so-called *liquidity ratios*, such as the current ratio or quick ratio. These two ratios, for instance, basically tell you that if all the people you owed money to wanted their money *right now*, how much you could pay them. If you're applying for a loan, the lender is very highly interested in these ratios along with your cash flow numbers. You should be, too, because they tell you whether you're going to stay in business or be out on the street.
- Some ratios tell you how much debt you're carrying relative to the health of the business, such as your debt-equity ratio. Lenders are *very* interested in these ratios, too, and will sometimes require limits on these ratios and demand regular reporting on them. They will frequently attach *call provisions* on your loan related to these ratios; drop below a certain amount, and they have the right to call in the full amount of the loan.
- Some ratios tell you how efficient your business is (*efficiency ratios*). These ratios, like return on assets, return on equity, inventory turnover, and cash flow return on investment, tell you how well you're using the financial and physical assets of your company to generate profits. Equity investors are fanatically interested in these numbers, so if you're equity funded, you want to stay on top of these numbers from the moment you draw up prospective financials to the day you sell your stake in the business.

Since we're not writing a financial bible here, we're not going to spend the several pages teaching you how to calculate these ratios, even though it's a sore temptation. There are plenty of online resources, including those below, that will teach you the basics of financial statements and calculating financial ratios. You *must* learn the basics of financial ratios if you wish to succeed.

FINANCIAL RATIOS ARE NOT AN OPTION

Not if you're seeking investors. You have to structure your prospective financials to produce the most credibly successful prospective ratios. At least half of the business plan prospective financials I've worked on, including many prepared by CPAs or finance pros, yield pretty dismal financial ratios or investment outcomes when you actually crunch the numbers. Nobody did the ratios until the financials landed on my desk, and I'm the marketing guy! For one prospective restaurant, the five year discounted return on equity was 3%! (Don't worry what "discounted return on equity" means; suffice it to say that 3% really blows!) When you consider that a treasury bond will yield slightly less than that with zero risk, you only stand a chance if your investor can't spell or dress themselves in the morning. Since it's guaranteed that a prospective investor will do the ratios, there's nothing to be done in these cases except redo the numbers. That doesn't mean that your prospective financials should have ratios (most don't), it just means you should calculate all the relevant ratios, particularly those that an investor would be interested in, on your prospective financials to find out if you're outlining a good investment.

Remember: business is about making money. So you should not only be generating regular financial statements, you should have your basic financial ratios in your hands pretty regularly. At the very least, this will help you deal with potential investors and lenders, because you can be guaranteed *they* will be calculating these ratios before handing you their hard-earned cash.

2.4.1. ManagementHelp.org

<http://www.managementhelp.org>

ManagementHelp.org is a rich library of online books that covers a range of small- and medium-sized business topics. Their *Basic Guide to Financial Management* (http://www.managementhelp.org/finance/fp_fnce/fp_fnce.htm) is one of the best online introductions to the entire topic of business financial management. While directed at larger small businesses—at least ones large enough to have a board and a treasurer—everything will apply in some way to your shoestring venture.

The same author (Carter McNamara) has also written *The Basics of Financial Management for U.S. Small For-Profit Businesses* (http://www.managementhelp.org/finance/fp_fnce/fp_basic.htm), a short but thorough introduction to the entire topic. This is one of your best online introductions

to basic accounting and what you should know about your books and how they work. Other articles and small books include:

- Balanced Scorecard
- Buying a Business
- Fundraising
- Loans to Start a Business
- Taxes

2.4.2. *BusinessTown: Basic Accounting*

<http://www.businesstown.com/accounting/basic.asp>

BusinessTown.com is a virtual encyclopedia on running a small business. If ever there was an “MBA for small business” site on the Internet, this one comes the closest. BusinessTown.com offers basic articles in the following topics:

- Accounting
- Advertising
- Fundraising
- Getting Started
- Hiring & Firing
- Home Business
- Internet
- Office
- Sales
- Taxes
- Selling a Business
- And just about every topic you can think of in running a business

I have found their article on basic accounting the most thorough, easiest-to-follow introduction to the topic. You particularly want to focus on their discussions of the meat and potatoes of financial statements and how to analyze them. Accounting topics include:

- General Ledger
- The Language of Accounting
- Components of the Accounting System
- Basic Terms and Concepts
- Income Statements

General Financial, Business, and Economic Information

- Balance Sheets
- Depreciation
- Amortization
- Inventory Accounting

Like it or not, to manage your business properly you need to understand all these topics at the level presented in these articles. Go for it!

2.4.3. AmericanExpress Open For Business: Financial Ratio Calculators

<http://www133.americanexpress.com/osbn/tool/ratios/financialratio.asp>

The American Express Open For Business site is simply a sales site for their charge and credit cards. But they have put up wonderfully useful calculators for determining your financial ratios along with easy explanations of what these ratios mean. You just plug in numbers from your financial statements and, there you go!

2.5. General Financial, Business, & Economic Information

There are a number of all-purpose financial and economic news sites that provide vitally important global updates on the business, financial, and economic world that your small business moves in. These sites provide news that concern, on the one hand, global economy and global corporations and, on the other hand, personal investments and finance; small business and start-ups that fall somewhere between big corporations and personal investments are largely ignored. However, by owning a business, you are, like it or not, moving in the world of major corporations and global macroeconomics. To be competitive and maximize your business acumen, you should be digesting the financial and economic news these sites offer.

The economic news noiseing about when this book was published should telegraph the importance of staying on top of macro- and microeconomic information. One and a half years ago, before the mortgage bubble burst, I was advising clients to begin retrenching in anticipation of the bubble burst. In April of 2008, I began advising my small business clients to prepare for tight credit, which I expected in September or October of 2008. I urged start-ups I was working with to go out and get loan funding ASAP, before it was too late. I'm not a genius. The current banking crisis was clearly on the horizon for anyone who wished to see it. All I do is follow economic news assiduously, poring through the Wall Street Journal, The Financial Times,

The Economist, and literally hundreds of journals and newspapers cover to cover every issue.

Not only do macroeconomics impact your business, but legislation, regulation, and social and political events. These not only constitute threats, but opportunities, as well. One client I consulted for had a product that boasted no formaldehyde emissions, as opposed to every other competing product on the market. When California passed draconian legislation limiting indoor formaldehyde emissions in state buildings, a huge market opened up instantly for our product. We also built *legislative lobbying* into our business plan: our goal was to identify state legislatures that were amenable to regulating formaldehyde emissions and investing in lobbying efforts in those states. Why? To create markets for our product! How did we know what to do? Because we were up on current legislative and economic news.

That's right. The stuff that city councils, county supervisors, and state and federal legislatures do every day not only impact the viability of your business, they literally open up markets and opportunities that have never existed before. All major corporations—and I mean *all*, no exceptions—stay on top of this news like their life depended on it.

2.5.1. Bloomberg

<http://www.bloomberg.com>

Bloomberg is the leading global provider of data, news, and analytics and its site is one of the most heavily-trafficked business news services on the Web. The BLOOMBERG TERMINAL and Bloomberg's media services, both of which cost heavily, provide real-time and archived financial and market data, pricing, trading, news, and communications tools in a single, integrated package to corporations, news organizations, financial and legal professionals, and individuals around the world. While geared to investors in large companies and funds, Bloomberg provides vital information about the financial and economic world your business moves in.

2.5.2. CNN Money

<http://money.cnn.com>

CNN/Money.com reports on jobs and the economy, national and international financial markets and stocks, business news, mutual funds, real estate, technology, autos, and travel. This news site largely focuses on major corporate and economic news on the one hand and personal finances and investments on the other; it is not specifically oriented to start-ups or small businesses. The site's personal finance section, "Millionaire in the

Making,” profiles investing and savings strategies of individual people like you. “Money101” offers an interactive course so individuals can learn the best ways to manage their personal finances and investments.

2.5.3. Business Week

<http://www.businessweek.com>

BusinessWeek offers business, finance, and economic news across a wide swathe of topics including investing, technology, innovation, careers, business schools, and—this may interest you—small business (<http://www.businessweek.com/smallbiz>). SmallBiz is a separate magazine with a rich Web site that at least one of the authors of this book visits every day. If you want inspiration, ideas, or just seek to master all aspects of your business, this site should sit at the top of your bookmarks.

2.6. Taxes

You know the saying about death and taxes. Yes, indeed, taxes are as certain as death, they are certainly more confusing and complicated. And, unlike death, they also can be *reduced*. They’re not, in other words, an all-or-nothing certainty! So there are two things you, as the owner of your business, should master about taxes:

1. *What taxes do you owe?* Business taxes are more complex and involved than personal taxes—largely because you are taxed on *profits*, which is a far different thing than cash. These laws change all the time and impact every aspect of your business. Be careful! You may not only be responsible for business taxes, but sales taxes as well! This is particularly important if you are selling over the Internet—you may have to charge sales tax for some online customers!
2. *How can you pay the taxes you really owe?* You thought I was going to say, how can you pay the smallest amount in taxes, right? You can always pay very little in taxes—or none at all—but you’ll be thrown behind bars. In reality, the question is how much tax *must* you pay. You don’t want to pay more than that and you certainly don’t want to pay less. This is a complicated question that has everything to do with the way you have financed your business, how you have structured your business, the way you account for money flows, how you extract money from the business for your personal enrichment, and the way you operate. You reduce or increase your taxes by many of the financial and operating controls and decisions you make

everyday, so it behooves you to think carefully about the tax impact of what you do.

Both state and federal tax authorities treat businesses as existing solely to produce profit. Even though your business may lose money, tax authorities assume that the goal is to *make* money. For that reason, you must accurately define the trade or industry your business is functioning in. Some states, such as Washington, will start taxing you as an individual rather than a business if you're unprofitable for a certain number of years. Remember when I said that the difference between a business and a hobby is that a business is designed to make money? I wasn't joking. That's how the IRS and state taxing authorities look at it, as well. If they think you're losing money, they treat your business as a hobby or "non-business activity," and you lose most of the business expenses you could normally deduct.

Unlike your personal income taxes, business taxes are about more than just getting your books in order and paying your taxes at the end of the year. Much of the way you do business, record transactions, and make decisions impacts how much you will have to pay in taxes. *When, where, and how* you conduct business will result in greater or less tax obligations *on the same amount of revenue*. Since one of the critical areas of figuring your taxes is paying the taxes you owe, not more or less, structuring your business to pay the lowest amount of federal, state, and local taxes *that you owe* is called *tax planning*. There are several options for every single taxable transaction you make; some of these options will greatly reduce or even eliminate your tax obligation. Like financial ratios, tax planning is not an option, particularly if you're dealing with equity investors. Taxes reduce the return on equity that investors salivate over, so they'll want to see some credible tax planning.

One of the most critical decisions you will make in tax planning is how to account for the things you buy for the business. Both accrual accounting and tax accounting distinguish between two types of business purchases: stuff you buy to make money in one accounting or tax period (an *expense*), and stuff you buy to make money across several accounting and tax periods (a *capital asset*). Distinguishing between the two makes a huge difference in the amount of taxes you have to pay. An expense can be deducted against business earnings in the tax period in which the expense has occurred. For instance, if you buy a truck in order to sell it, you earn the money from the sale and you deduct the cost. The difference (minus overhead and interest) is taxable income. If, on the other hand, you buy a truck to *use* in your business over the next few years, you can only deduct a portion of the truck's cost in the period in which you purchased the truck—even if you paid for the truck

in cash. The good news is that you get to deduct a portion of the truck's cost in the next few tax periods; this is called *depreciation*.

In general, items like buildings, machinery, vehicles and the like are *capital assets* and are deducted against your earnings across several tax periods using a *depreciation schedule*. Items that get turned around quickly, such as inventory or your electric bill, are *expenses*. But it's not necessarily that easy. If you're running a software company, for instance, the cost of developing and debugging that software can be *capitalized* or it can be *expensed*. Microsoft, for instance, expenses almost all its software development, while other major software companies routinely expense half or more of their software development costs. Each has the same goal even though they use different methods: reducing their legal tax burden.

So the inescapable decision you have to make about capitalizing some business expenses and expensing the others is one where you should understand the tax regulations and consequences even if someone else handles your accounting.

Taxes impact just about every area of the accounting and bookkeeping decisions you make. For instance, how you value inventory, both inventory you sell and inventory you haven't sold, determines how much tax you owe. Since there's more than one accepted to value inventory, you should know the difference. None of these inventory valuation methods affect the cash flow picture of your business; they do, however, change the business's profitability and tax liability. So setting up the controls in your business accounting always keeps one eye on all possible tax consequences.

2.6.1. Tax Information for Businesses

<http://www.irs.gov/businesses/index.html>

You might as well start at the source! The Internal Revenue Service makes available *all* information regarding taxes that you owe the federal government, the regulations you have to follow, and how to file. They package much of this information in easily digestible format in their "Tax Information for Businesses" section of their Web site. This information applies to *all* businesses, small to gigantic, so you'll want to bookmark specific resources on the site:

Small Business & Self-Employed One-Stop Resource

These pages offer a broad range of resources across federal and state agencies, as well as industry- and profession-specific information for self-employed individuals and businesses with employees. Individual resources include:

- *Business expenses*—what qualifies as a business expense.
- *Online learning and educational resources*—these resources introduce and explain taxes and tax regulations.
- *Self-employed individuals*—the basics of a self-employment business and how to figure your tax obligations.
- *Businesses with employees*—your tax responsibilities if you're employing people other than yourself.

Tax Information for Corporations

If you have formed a corporation or LLC, you are almost certainly going to rely on tax professionals to do your taxes. There are, however, entrepreneurs running small corporations that invest much of their time in preparing their own taxes. If you own or run a start-up corporation, the IRS offers comprehensive information for corporate taxpayers about pre-filing initiatives, e-file information, appeals programs, "S" Corporations, technical resources, and other relevant corporate taxation topics.

2.6.2. TaxAnalysts

<http://www.taxanalysts.com>

Tax Analysts is a nonprofit, nonpartisan organization that publishes in-depth tax information for Federal, State, and International tax regulations. It is also lobbies for fair and transparent tax laws. The information resources it offers are not free but can be purchased at a reasonable cost. They offer daily, weekly, monthly, and quarterly publications that provide news and analysis on tax policy, practice, administration, regulation, and legislation. They also provide forums for debate on a wide range of tax issues, but you're probably going to be too busy with your business!

Much of the material is designed for tax professionals and accountants, so the site has limited value if you're farming out your taxes to a professional. But, again, taxes impact most of the financial and accounting decisions you make and, as head of your company, you're responsible for these decisions. Tax Analysts is the most comprehensive resource you have for staying current on your tax obligations and how they impact your business.

2.6.3. Entrepreneur Magazine Online Tax Center

<http://www.entrepreneur.com/tax>

We've certainly have put our share of Entrepreneur Magazine Online resources in this book, and their Tax Center meets the same high caliber of completeness and value. Designed specifically for small businesses, the Tax

Center provides a comprehensive set of links to Federal tax forms, State tax forms, a glossary of tax terms, and a useful set of frequently asked questions. The site also includes practical and far-reaching articles:

- *Top Tax Write-Offs That Could Get You In Trouble with the IRS*
- *Tips for Lowering Business Taxes*
- *Smart Tax Moves*
- *The ABCs of Online Sales Tax*

2.6.4. U.S. Chamber of Commerce Small Business Center Tax Toolkit

<http://www.uschamber.com/sb/tax>

The U.S. Chamber of Commerce has put together a comprehensive set of articles, advice, links, and other resources to help you understand and manage your taxes. The site covers Federal, state, payroll, and sales tax obligations, how to plan for them, and how to pay them. This site is your best introduction to *tax planning*, i.e., structuring business decisions to minimize the taxes you owe. The site also includes links to all the tax forms you'll need. Their discussions of Federal tax obligations include:

- *The Basics of Tax Planning*
- *Defining Your Trade or Business*
- *Tax Year and Accounting Methods*
- *Business Deductions*
- *Capital Assets and Depreciation*
- *Net profit, loss, and self-employment taxes*
- *Claiming Tax Credits*
- *Dealing with the IRS*

2.7. Business Banking

One of the most common mistakes new small business owners make is to use their personal banking accounts for their business. There are many compelling reasons to do this: it's less hassle, it's cheaper, it's easier. However, it's actually more hassle, more expensive in the long run, and harder. Why?

- *Taxes*—the government lets you deduct expenses from your business, but not your hobbies or non-business activities. If you're using your personal bank account, it looks like your business is a hobby and you may have some explaining to do come audit time.

Even if you pass that test, when you do your taxes, you will have to sift through your bank account records separating personal from business expenses. Yow!

- *Image*—you want your clients to write checks to your *business*, not to you.
- *Risk*—banks underwrite business accounts and merchant accounts to a greater volume of transactions and *riskier* transactions, such as credit card transactions. If you want your revenues and profits to grow, you will need to accept credit cards and have an account designed for the additional risk.
- *Web sales*—if you're doing a large percentage of your sales via a Web site, you will need to accept credit card transactions through a merchant account (see 7.10). Without that account, you will only be able to use more costly means, such as PayPal (see 7.10.2).

You may be more comfortable using your current bank for your merchant account. If your business receives payments in cash, you will want to deal with a bricks-and-mortar banking solution. If your business is totally Web-based and all your transactions are credit-card or Web payment service based, you can save time and expense by setting up your merchant account virtually. Virtual banking includes many highly reputable, major banks you can deal with in setting up your banking.

2.7.1. CitiBank

<http://www.citi.com>

Citi offers a comprehensive line of banking and credit products for small business. CitiBusiness, the package of merchant services Citi offers to small businesses, offers credit programs, including Business-Ready Credit, Business Checking Plus, lines of credit, term loans, owner-occupied business mortgages, and Small Business Administration (SBA) loan programs.

2.7.2. Bank of America

<http://www.bankofamerica-business24-7.c>

Bank of America's business checking account offers Easy Online Payroll™ for free by direct depositing paychecks to employees' Bank of America accounts. The Online Business Suite is a comprehensive set of banking tools designed to simplify your day-to-day finances. Bank of America also offers Small Business Health Insurance and Business Credit Express®.

2.7.3. Wells Fargo

<http://www.wellsfargo.com/biz/owners>

Wells Fargo offers a virtual sign-on Business Online Banking service that lets you move easily between business and personal accounts along with an integrated Business Bill Pay that enables you to pay personal bills and business invoices from a single online service.

2.8. Online Bill Payment Services

Online bill payment is something you're probably more than familiar with in your personal finances; you have probably heard of, if not actually used, personal online bill paying services such as CheckFree or Quicken. Most banks, such as those listed above, offer online bill paying services that rival major services such as CheckFree (although, truth be told, most banks use CheckFree as the engine for their online bill paying systems).

As a business, you're looking to streamline your bill paying process, reduce costs (such as postage), bring your bill paying system in line with the virtual nature of your office, and integrate your bill paying with your accounting system. Whether using a bank or another bill paying system, these are the four goals you need to keep in sight.

In business parlance, bill payment actually consists of two steps. "Bill Presentment" is delivering a bill to the person who needs to pay it. "Bill Payment" is the transfer of funds, through cash, credit card, or check, to the bill presenter. The key to a good bill payment system is actually not the "Bill Payment" part; they all can do that equally well. It's instead the "Bill Presentment" part. Excellent services, such as CheckFree, allow a wide range of people to send you bills, allow you to organize those bills, and manage how they get paid.

2.8.1. MSN Bill Pay

<https://billpay.msn.com>

MSN Bill Pay lets you pay your bills online through MSN Money. You can pay virtually anyone in the United States that you would normally pay by check or automatic debit even if you do not actually receive bills from the company or person you want to pay.

Primarily designed for individuals rather than businesses, you can, as a business, still pay bills from their Payment Center. This interface gives you a summary of your pending payments and the payments you've made in the past forty-five days. You can also receive some, but not all, of your bills online through MSN Bill Pay. The service also allows you to set up

automatic payments to pay your electronic bills or to automatically schedule payments of a set amount at regular intervals.

On the downside, MSN Bill Pay only keeps a six month record of the bills you've paid through the service. However, you can export your payment information to Quicken®.

2.8.2. Billeo

<http://www.billeo.com>

Billeo is a bill consolidation and online payment service primarily for consumers. By providing direct access to biller Web sites, Billeo enables consumers to view and pay online bills directly. They can provide billing for over 4,500 billers. So it's really an online bill paying consolidation site rather than an intermediary, like the other bill-paying services discussed here.

The Billeo Online Bill Manager helps you to:

- Find online billers from a directory of over 4,500 web sites.
- Pay bills at the last minute.
- Earn points by paying bills with a credit card.
- Remember when to pay by setting up e-mail and toolbar reminders.
- Keep a record of all your bill payments.

2.8.3. MyCheckFree

<https://mycheckfree.com>

CheckFree partners with hundreds of companies to offer individuals and businesses a free bill-paying service. If you request it, companies who send you bills will provide CheckFree with your bill information. After you sign up, you'll select the companies whose bills you want to receive and view online. CheckFree works directly with those companies to make sure your bills are ready to view and pay through their secure site. And why is it free? The companies you're paying pick up all the fees.

Payment reconciliation begins immediately after you click to pay a bill, which is why companies are willing to pay to have you use the service—it's worth it in order to get their money right away! Every payment comes with a 100% guarantee that it will go to where you send it. The service does not require an account with CheckFree.

Hardware and Software

3

Running a shoestring venture from a virtual office means that your most substantial investment consists of your computer and the software you run on it, an investment not just measurable in dollars, but in productivity, as well. You can easily save dollars, but if you don't have the right productivity solution, you lose valuable time and resources. To help you stay focused on your business rather than on computer frustrations, this third chapter covers all the basics of purchasing and equipping the computer core of your shoestring venture. We examine several alternatives: laptop versus desktop, various operating systems, and diverse productivity software solutions. Besides the market leaders in software, we also present you with numerous inexpensive or free proprietary, open source, or Web-based software solutions. Since you are, after all, starting a shoestring venture, you should take a serious look at some of the free office productivity software available to you!

3.1. Desktop versus Laptop

Your virtual office starts with a computer.

Simple enough, right?

Well, before you move on, you need to decide if your virtual office will be a desktop or a laptop computer . . . or both. The answer is partly based on how itinerant you want your virtual office to be. Will it travel around with you a lot, or do you plan to keep it in one place, or a combination of the two?

Your choice will have everything to do with what your business and lifestyle dictate. If you plan to do heavy graphics or video work, a laptop is right out. If, on the other hand, you have an itinerant business or lifestyle, you absolutely require a laptop.

3.2. The Desktop Computer

The desktop computer is a personal computer made for use on a desk in an office or home. Typically, a desktop is a stand-alone computer, but it could also refer to a workstation accessing a server, such as a SunSparc station. What distinguishes a desktop is that a.) it's meant for a single user, unlike a server or a mainframe, and b.) it's not very portable, to distinguish it from a laptop or PDA such as a PalmPilot or Treo.

When you think of "personal computer," what comes to mind is a rectangular, upright tower sitting neat and trim on or below a desk. But, technically, a "desktop" is one of those computers in a flat, horizontal box, usually with a monitor plunked down on top of it. A tower is, well, a "tower." Usage being what it is, we refer to them both as "desktops."

Hardware

The hardware in a desktop computer is neatly modular, making it easy for someone with even beginner's knowledge to replace, upgrade, or add components. The case is designed to easily come off (unlike a laptop) and most desktops come with various and sundry open slots to add components.

Desktop computers usually have a separate monitor, the exceptions being Macintosh iMacs, eMacs, and Sonys. The keyboard and pointing device, usually a mouse, attach to the computer's PS/2 or USB ports. Additional ports allow you to attach an unlimited number of peripherals, such as printers, hard drives, optical disk drives, and so on.

The best news about desktops is that you can get considerably more power and features for considerably less than a laptop. The lowest-priced desktops clock in at around \$300; you can have a desktop that can out-power the best laptops for under \$1000. The bad news is that where you put your desktop is where it stays. There's no packing your computer to the coffee bar or heaving it on a plane to conveniently continue your work!

Unless your business or lifestyle requires you to be itinerant, you should start with a desktop. Why? Price, for one. Easy upgradeability, for two.

But how do you choose a desktop?

When you find yourself standing in front of an array of desktops, each bearing a bewildering list of specifications pasted all over them, what do all these things mean as far as your business is concerned? Do you need 250 GB of hard disk storage? Should you get the 1.5 Gigahertz Athlon number or the 1.3 Gigahertz Intel Core Duo guy sitting next to it? Remember: it's a cardinal rule in computer marketing that *bigger* numbers sell better. But bigger numbers may not be what you need. "Bigger" and "faster" usually mean "pricier." So how do you strike the right balance between price and power?

Processor—your attention should instantly focus on the processor. It is the brains of the desktop and will affect your productivity on almost everything you do.

What should you be looking for? Two things: brand and clock speed.

There are a bewildering number of brand names out there, but in general they fall into two categories: premium processors and budget processors. Premium processors are the best-engineered, cutting-edge technology processors and almost always run faster and more efficiently than the budget processors. They will almost always save you time in the long run. The current top-end processor is Intel's Core Duo processor, so if you purchase a computer with a Core Duo, you can bet you're getting state-of-the-art technology, at least at the time this book was published. But, be

warned, you may not need a state-of-the-art processor, particularly when premium processors are sold at a substantial premium (that's why they call them premium, no?) Budget processors, such as Intel's Centrino or AMD's Athlon, are excellent processors, as well, but are often slower and may not run every application you need, or at least not run them very well. My laptop, for instance, runs on a budget processor, an Intel Centrino, and it will not run my video editing or motion graphics applications and is next to useless with graphics applications like Adobe InDesign or Illustrator.

A processor's "speed" is the numbers of calculations it can process per second. An 800 megahertz processor can process 800,000,000 calculations each second. A one Gigahertz processor can process 1,000,000,000 calculations each second. Why should this matter? The faster the processor, the less waiting you have to do if you're running processor-heavy applications, like image editors. Well, most of the time. "Slower" premium processors often run faster than "faster" budget processors. Macintoshes poke along at about half the number of calculations per second as a PC, but they're actually twice as fast because of the chip architecture.

"Premium" and "faster" are not always better. Choosing a desktop with a premium processor can run you a hundred dollars or more than one with a budget processor. And "fast" only matters if you're really crunching numbers—such as heavy-duty graphics editing, video editing, or pretty complicated spreadsheet, statistics, or database stuff. If you're doing basic word processing, spreadsheets, accounting, Internet, or even basic graphics work, "premium" and "faster" only mean your wallet is thinner, when all is said and done.

Hard drive—since the hard drive is the primary place you'll be storing most of your data, it should be the next thing you evaluate before you buy. You should be primarily concerned with brand, size, and speed. There are several brands of hard drives and each varies in reliability. Since you are going to be storing your most important business data on the hard drive, you should do your homework and read the reviews on various brands and their reliability (by reliability, I mean their resistance to electrical or mechanical failure which can zap all your important data stored on the disk). Size refers to how much data can be scrunched into the drive and is measured on most desktops today in gigabytes (a byte is one unit of data and a gigabyte is one billion units of data). The speed measures how quickly that data can be read off the drive and is usually measured in RPM (revolutions per minute), which is the speed at which the drive turns. The faster it turns, we are to believe, the faster the data can be read off the disk. This is *generally* true, but not always.

So a Western Digital 120 GB 7200 RPM hard drive is one made by Western Digital that stores 120 GB of data (actually around 112 GB) and spins at 7200 revolutions per minute. Brand matters; it's worth paying extra for a brand with the best track record for not crashing. However, bigger and faster are not necessarily better. You may not need a lot of storage space, unless you're doing heavy video, graphics, or desktop publishing work, so you don't need to pay for a big hard disk. Since hard disks crash on occasion, you may want much of your data to be stored in a different manner, such as on CDs. And speed—well, the big thing about speed is that it doesn't matter how fast the hard drive is. It matters how quickly the computer can move the data to memory. And that's usually slower than the hard drive speed. Anything over 7200 RPM is going too fast for just about every brand of computer.

RAM—RAM is the second part of the memory equation in a computer. An acronym for “Random Access Memory,” this is the memory that is available for the processor. Before the processor can do anything with data or instructions, they have to be loaded into RAM. So the computer grabs the data or instructions (applications) from a storage device, like the hard drive, and loads it into RAM.

What matters about RAM is the size, measured in gigabytes for today's computers. In general, the larger the RAM, the more applications and files you can open and move around in. Larger RAM also permits you to work with very large files, such as video, audio, or games.

Again, bigger is not always better. If you're doing video and audio, you want to be maxed out on RAM. If you plan to work with five or six applications all at the same time, again, max out. Large RAM size saves you time as you move from one application to another. But if you're keeping it simple doing basic things with two or three applications at once, the time you save with mega-amounts of RAM may not be worth the greater expense.

If you're given the RAM speed, that's a neat number that has no meaning to you. RAM tends to be the fastest thing on a computer. Faster than the hard drive, faster than the bus speed (the buses move data from one component to another, like from the hard drive to the RAM), and usually faster than the processor. Since RAM is almost never the thing that makes you wait (unless you don't have enough of it), you can pretty safely ignore RAM speeds.

CD-ROM or DVD Drive—an optical disk drive is the third (but not final) part of your desktop memory equation. It is pretty darn hard to find a desktop that does not have a DVD drive, and it's probably not worth buying if you find one without such a drive. Why? Because many applications don't

come on CDs anymore, and DVD drives, which are very inexpensive, can play CDs, too.

Should your optical drive be a writable drive? Buying a desktop with a writable DVD drive will increase its cost by \$30-\$50, so is it worth it? When I said that the optical disk drive is the third part of your memory equation, I meant it. Your hard drive is not dependable. Should it crash, you will need to recover the data. You can always buy a separate hard drive and do your backups to that hard drive (which is what I do), but you can just as easily back up your vital business data to writable CDs or DVDs once a day. So the answer is, yes, make sure you purchase a writable DVD drive.

Ports—ports are the “plugs” that allow you to attach peripheral devices such as monitors, printers, optical disk drives, external hard drives, camcorders, or whatever to your computer. Every desktop comes with at least the following ports: two PS/2 ports (one for the keyboard and one for the mouse), an SVGA or VGA port for the monitor, and a serial port for the printer. In addition, your computer can have one or more USB 2.0, FireWire, or IEEE 1394 ports for connecting peripherals. These latter three ports enable very high-speed connections to peripheral devices, although FireWire and IEEE 1394 ports are designed specifically for video transfers (most camcorders come with an IEEE 1394 port built into the camera).

More is not necessarily better. FireWire devices can be daisy-chained, that is, connected one to the other in one long chain; with just one FireWire port, you can theoretically hook up as many peripherals as the computer can handle. Since the licensing fees for FireWire are pretty steep, if you’re buying a computer with more than two FireWire ports, you’re paying a lot of money for something you really don’t need.

What about USB? Well, USB 2.0 hubs are relatively inexpensive; you could connect an external six-port hub for as little as \$20. Throw out another sawbuck and you can connect *another* six-port hub to the first one; now you have eleven ports connected to just *one* port on your computer. Part with another Andrew Jackson and you now have 17 ports. Still, your computer should have at least two USB ports, but even the lowest-end desktops typically come with six or more. Since you may end up with “high-use” peripherals like USB portable flash memory, it’s convenient to have at least two USB ports in the *front* of the desktop (I consider flash memory cards to be the fourth and final part of your memory equation—flash memory allows you to store and move data quickly between locations and computers).

Only “multimedia” computers come standard with an IEEE 1394 port; if you’re doing any video transfers from a camera, this port is an absolute requirement.

Most desktops still ship with at least one SCSI connector. It is still possible to find SCSI peripherals, but you'll probably not buy them.

Modem—all desktops come standard with a built-in 56.6 K modem (unless you're building your desktop yourself from scratch); your only use for the modem is if you're connecting to the Internet via a telephone line. Hopefully, that's not the case.

Network card—this card allows the computer to be attached to a computer network through Ethernet; it typically has an Ethernet port (RJ-45 port) at the back of the computer. If you are connecting to the Internet via cable or DSL, your modem device/router will connect to your computer through your network card. Again, it's hard to find a desktop *or* a laptop that *does not* have a network card and RJ-45 port.

Wireless card—most desktops come equipped with a wireless network card that allows you to connect with a network without hooking up cables. Wireless networks require special wireless stations and they are, gently speaking, a pain in the keester to set up. Since wireless cards come standard in most laptops, if your virtual office combines both a laptop and a desktop, going wireless, despite the frustrations, may be the optimal route.

Video card—the video card is a separate processor that renders the visuals on your monitor. For most business uses, it's not important. However, if you plan to do heavy graphics or video work—or if you're setting up a virtual office to play video games (why not?)—the video card matters a lot. It determines the limits of your screen and color resolution (see our note on screen resolutions in 3.2.2) and determines how quickly moving graphics display on your monitor. Multimedia and gaming machines come with very powerful video cards to allow for seamless video playback or complicated graphics rendering.

Very few desktops come equipped with a video card that will enable you to use two monitors at once, so you will need to upgrade the card if you need two displays. There are, believe it or not, incredibly good reasons why you would want to run two monitors—if you plan to use two applications simultaneously and switch quickly between them or if you plan to use certain applications, such as video editing or motion graphics applications that absolutely require two monitor workspaces (not to mention graphics or statistics applications which are easier to use on two monitors). I use Photoshop and Illustrator regularly on two monitors and extend the workspace across both monitors; this saves me *hours* of time each week. For a

while, I was editing film trailers; my editing application, Avid, is so cluttered with this, that, and the kitchen sink, that it's darn near impossible to use without extending the software interface across two monitors.

So what matters on a video card? First, you want to know if the card is hooked into a separate slot (either a PCI or AGP slot) rather than built into the motherboard. If your card is built into the motherboard, then it shares RAM with the processor, so ramping up the performance of the video card (higher screen resolutions or playing video) seriously degrades the performance of *both* the processor and video card.

If the video card is separate from the motherboard, you should be most interested in the memory size (RAM) of the card. The more demands you make on the card (by watching video, playing games, or ramping up the screen resolution), the more memory you'll need. For standard office applications at a normal screen resolution, a 32MB or 64MB card is more than enough. But if you're handling video, animation, or motion graphics, you'll want a 128MB or higher video card.

Most video cards come only with an SVGA connector, which means you can only use a computer monitor as your display. Some multimedia machines come with S-Video connectors (allowing you to hook your computer up to a television) or DVI connectors (allowing you to hook your computer up to HDTV). It's cool, but it's not going to make typing your business letters any easier or faster.

Sound card—like the video card, the sound card is meant to relieve the main processor of the processing and memory demands that audio playback requires. Unless you're doing serious audio or video work, the sound card is probably the least of your worries. If it is, you want a sound card separated from the motherboard (so it doesn't steal RAM from the processor) and, like the video card, the amount of memory determines how well the card can handle heavy sound files.

3.2.1 PC World

<http://www.pcworld.com>

PC World is one of the oldest print magazines solely dedicated to PCs, PC software, and productivity. Its Web site has some of the simplest and richest resources for making a desktop computer purchase decision (<http://www.pcworld.com/ic/desktops/#>). Articles include:

- Top Ten Value Desktop PCs
- Top Ten Power Desktop PCs

- Numerous news articles
- Updates on Windows Vista problems and solutions

3.2.2 MacWorld

<http://www.macworld.com>

You are, of course, not limited to PCs in the desktop world; in fact, over 6% of personal computers out there are Macintoshes. With its new Intel processor, Macs can be configured to not only run Macintosh system and applications, but also Windows XP, Vista, and open source systems such as Linux. Macs are the desktop of choice for video editors, motion graphics artists, and many graphics and desktop publishing professionals.

MacWorld is the longest-running magazine for Macintosh hardware and software enthusiasts; their site offers rich reviews and articles on Macintosh hardware. (However, read PC World's discussion of how well Macs run Windows system and software if you're planning to use your Mac as a dual Mac/Windows machine.)

3.3. The Laptop Computer

Laptops are portable computers that usually weigh less than eight pounds. For those of us old enough to remember "portable" computers, which were really big, heavy briefcase-sized beasts with tiny screens, the range of laptops currently available truly staggers the mind. Laptops range from powerful, desktop replacement machines with seventeen-inch flat screens to miniature numbers about twice as large as a calculator and weighing only two pounds. Before buying a laptop, you should consider what "type" most suits your business needs and lifestyle:

The Standard or Mainstream Laptop

Standard laptops are designed for home use with some portability. They typically come with 15.4 inch screens and weigh from five to seven pounds. They are designed to strike a compromise between portability, power, endurance, and economy.

The Light /Thin Portable

Light and thin portables are designed to be as easy to carry around as possible; the very smallest weigh around four pounds and the heaviest around five pounds. As thin as 1.5 inches, they're designed for people who

primarily use their laptop in portable situations. They can be as powerful as a standard laptop, but they always sell at a budget-busting premium.

The Ultra-portable

These tiny waifs weigh in between two and four pounds and are less than an inch thick. They sport small monitors (as small as 9") and even smaller keyboards, so if you're all left thumbs as a typist, you might want to consider lessons. The ultra-portables are for people who do all their computing on the road and in tight situations, such as an airplane tray table, and want a computer that's as easy to port around as, well, a calculator. They are typically less powerful than standard laptops but cost considerably more. If you need your laptop to do graphics or video work or crunch some pretty serious statistics or data mining, the ultra-portable isn't your kind of party.

The Tablet

A tablet laptop allows you to interact with the computer and input data right on the monitor just like a PDA. These laptops are meant to combine the best features of a PDA and a notebook computer. Open the monitor and type on the keyboard, you're working on a PC. Spin the monitor around and use a stylus right on the monitor, you're working on a PDA! At one end of the tablet spectrum, tablets can be simply "large" PDA's (called "slates") with externally attached keyboards. At the other end, tablets are laptop computers that allow you to turn the monitor around so you can use it like a PDA.

The Business Portable

No, it's not just a clever way to charge business customers more money for a laptop. The business notebook comes in a range of sizes from ultralight to standard laptop and is designed for business users who require safety and durability. These are computers designed to be dropped and jostled and thrown about in luggage bins, gorilla cages, and other common business situations. They also have a number of hardware and software security features to protect your investment in the computer.

The Desktop Replacement Portable

It sounds like a contradiction, but these heavy (seven to thirteen pounds) and large (up to seventeen-inch screens) laptops are primarily designed for desktop use with an occasional outing now and then. Because of their weight and size, you may not want to heave them around every day, but they are the

near-equal of any desktop in terms of power, speed, and features. They tend to be much larger than standard portables, and most of that extra size is to accommodate the larger screen. The good news is that you won't need an extra monitor; the bad news, of course, is that it'll be a tight fit on that airplane tray table. If you're considering buying one computer and a laptop at that, you should seriously consider a desktop-replacement portable.

The Multimedia Laptop

Typically weighing around seven pounds, the multimedia laptop comes enhanced with audio and video hardware so it can serve as a portable entertainment center. Yeah, they're great for watching DVDs at work (why not?), but they're also pretty muscled up for some heavy graphics, video editing, animation, and motion graphics work, if that's what you need.

The Gaming Laptop

The gaming laptop comes with souped-up processors and video adapters to allow for portable game-play.

Trade-offs

Laptops are designed for portability, so they come with flat LCD screens, miniaturized components, and use both rechargeable batteries and AC power. Although manufacturers and others claim that laptops have all the capabilities and features of desktops, there are several differences. First off, because laptops use miniaturized components, they can reproduce the features of a desktop, but only at a higher price. Second, processor and memory configurations may mean certain applications run poorly or not at all on a laptop. My laptop, for instance, which cost several hundred dollars more than my desktop, cannot run some applications, such as Adobe Premiere, and can run others, such as Illustrator, slowly and unstably. Finally, laptops are not designed to be upgraded; they're designed to be *replaced*. While desktops contain enough room and slots to add all sorts of frills and furbelows, laptops are pretty much "what you buy is what you get." If your computing needs grow dramatically, your laptop may not be able to grow with them.

So let's look at the trade-offs.

Screen

Probably the most obvious feature on your laptop is that the screen comes attached. Today's laptops come equipped with very high quality active

matrix LCD screens but also come with video adapters that can feed an external monitor or projector. That means, if you want to use your laptop more like a desktop computer by hooking it up to a CRT or LCD monitor, all you need to do is connect the monitor cable to your laptop. So you have a laptop for the road and a sort-of kind-of desktop computer for your office. Be warned, however: since you cannot replace the display adapter—or can at a high price—you'll need to make sure that the adapter displays at the resolutions you need when hooked to an external display.

SCREEN RESOLUTIONS & HOW TO CHECK THEM

What are screen resolutions and why should they matter to you? Well, to confuse things, there are actually two types of resolutions that laptop and desktop video processors can support: *screen* resolution and *color* resolution. Screen resolution is the amount of detail a computer can render on a screen and is measured in pixels per inch. Color resolution, on the other hand, is the number of colors an adapter can display and is measured either by number of colors (256, thousands, or millions) or bit-size (8-bit, 24-bit, 32-bit). Typically, the color resolution *goes down* as the screen resolution *goes up*. Why? Because getting a high screen resolution takes lots of video processor power. Getting lots of colors *also* takes lots of video processor power. If you try to do both, your computer can't keep up—it's like asking your computer to bench press 200 pounds while sprinting a marathon.

Why do they matter? If all you're doing is word processing, spreadsheets, a little accounting, and a bit of scanning and eBay posting, not at all. If, on the other hand, you're expecting your computer to handle high-level graphics, like print materials or video, you want the most powerful adapter possible. You will not need the higher color and screen resolutions, but having an adapter that can handle these higher resolutions means that you'll get high performance at the resolutions you *do* need.

How do you check? Hook up the laptop you want to buy to an external display. In Windows XP, go to the control panel, select Display, and choose the Settings tab. The slider at the left will show you the maximum screen resolution you can achieve and the color bar will show you the maximum color resolution. In Vista, you select Appearance and Personalization from the control panel, select Personalization, and select the Display Settings tab. The best—and largest—screens support up to 1600 × 1200 screen resolutions and millions of colors.

The screen on all but the most expensive laptops is not as bright nor does it display color in the same way as desktop monitors. If you're using your laptop for any kind of design or imaging work, you may be in for some rude surprises when you see your work on a desktop monitor or projector!

Since laptops now come with display adapters, you should hook up an external LCD or CRT monitor when using the laptop as a desktop computer, especially if you're doing any kind of graphic or imaging work. However, you will need to learn how to activate the external monitor (Fn + F5 on most laptops) and lay the laptop LCD flat, an inconvenience which increases the distance between the keyboard and the external monitor.

Keyboard

On almost all laptops, the keyboard has been “economized,” so to speak. Aside from smaller keys, many features of desktop keyboards are simply absent from a laptop, such as the number pad. If you’re doing a fair amount of spreadsheet work or other calculating, the absence of the number pad is pretty devastating loss (although you can purchase plug-in number pads if you’re desperate.) Other critical keys, such as Home or End, may be “shared” with other functions and require that you use the Fn Key to make them work. If you’re a keyboard power user, you may need to spend some time trying out the laptop before buying.

On most laptops, however, you can easily attach an external keyboard through the USB port. In other words, by hooking up a keyboard, external mouse, and external monitor, you can essentially turn your laptop into a “desktop,” albeit more expensive than a desktop in a box.

Pointing Device

The type of pointing device may make you a loyal fan of your laptop or wish you were never born. There are three main types of pointing devices: the touch pad, by far the most common, the small joystick, and the trackball, which is becoming increasingly less common because of all the moving parts that can go bollocks up.

The touchpad sits below the keyboard and you move the screen cursor by moving your finger around the pad. You click and double-click by either using the buttons below the pad or tapping the pad directly with your finger. It turns out that the touchpad is preferred by most laptop users. It's the easiest to learn and achieve some accuracy on. But scratching your finger around on the pad for any length of time might become a bit aggravating.

Some computers, such as Lenovo's ThinkPad, come with small joysticks set right into the middle of the keyboard. You move the pointer around by

pushing on the joystick; the more you push it off-center, the faster the pointer goes. It takes some getting used to, but power users swear by it.

If you're not on the road too much—or even if you are—you can always attach a standard mouse through your USB port. I travel with a gaming mouse (because I like the precision—no, really) and only use my touchpad if I have no other choice.

Expansion

Laptops are not really designed for expansion; everything is miniaturized for minimum volume and weight, so there is not much room to add anything more than muffin crumbs and spilled coffee. However, all current laptops have PC Card (PCMCIA) slots and USB ports, giving them a limited amount of expandability through external devices. Some desktops include docking stations that add more USB, FireWire, and PCMCIA slots.

3.3.1 PC Mag: Laptops: The Essential Buying Guide 2007

<http://www.pcmag.com/article2/0,1895,1901707,00.asp>

PC Magazine is one of the oldest and most respected personal computing magazines. They offer an array of free Web resources including invaluable guides to buying hardware and software. Their Laptop Essential Buying Guide has been around for a few years and the 2007 edition gives specific advice as to what you should look for in a standard, business, light, ultra-portable, or desktop laptops.

If you journey to their laptop section (<http://www.pcmag.com/category2/0,1874,9,00.asp>), you will find a cornucopia of product reviews and helpful articles.

3.3.2 C/Net

<http://www.cnet.com>

C|Net was the original Internet computer hardware, software, and Internet news source and still remains one of the most thorough and (relatively) unbiased sources of tech news. Before you choose a laptop, look over their laptop reviews very carefully. If you want a shortcut, they produce a regularly updated “Top Ten Laptops” section at http://www.cnet.com/Top_10_notebooks_laptops/4520-6022_1-102337-3.html. You should also read their short article on “How to Buy a Laptop for Your Business” at http://www.cnet.com/4520-7393_1-5630040-1.html.

C|Net devotes several sections to business and small business computing needs with rich resources and reviews to help you make all your technical buying decisions:

- C|Net at Work (http://www.cnet.com/2001-9358_1-0.html?tag=backtobiz)
- Best Practices: Tips for Your Small Business (http://www.cnet.com/4520-10192_1-6376230-1.html?tag=backtobiz)
- Business Buying Guide (http://www.cnet.com/4520-7392_1-5622707-1.html?tag=backtobiz)—covers everything from desktops and laptops to cell phones, handhelds, servers, and software
- Building the Ultimate Office: From Start-Up to Skyscraper (http://www.cnet.com/4520-9359_1-6228484-1.html?tag=backtobiz)—specific hardware, software, networking, server, and storage recommendations for all levels of your business from shoestring startup to multibillion dollar business (we should be so lucky!).

3.3.3 Laptop Magazine

<http://www.laptop.com>

Laptop Magazine is a print magazine solely devoted to laptop news and reviews; Laptop Magazine online contains all their available resources for free, including reviews, news, and articles. Since they are solely devoted to laptops, they offer the premier information about laptops. Useful information includes:

- Laptop Buyer Guide
- Top Ten Notebook Add-Ons
- Ultimate Ultra-portables

3.4. Proprietary Software vs. Open Source vs. Web-Based

The software on your computer consists of the operating system, such as Windows, OSX, or Linux, and the software applications, such as word processors, spreadsheets, or graphic editing programs. The system software runs the base set of tasks for starting, using, and interfacing with the computer as well as running software applications. While most small businesses turn to proprietary systems and software, such as those made by Microsoft or Adobe, the growth of *open source* and *Web-based* applications are giving entrepreneurs and small businesses inexpensive (in some cases,

Proprietary Software vs. Open Source vs. Web-Based

FREE) and powerful alternatives to the more expensive proprietary system and software packages.

More and more businesses are turning to open source system and software solutions rather than proprietary ones, including small businesses and start-ups. “Proprietary” systems and software are developed and manufactured by companies and corporations. They own the copyright to the software and sell you a license to install and use the software; often this license applies to installing the software on only one or two computers for use by only one person (if you let someone else use your computer, you turn into an insect). System and software companies are getting more sophisticated at protecting software from piracy or multiple installations using a single license. Because the programming code is proprietary, improvements and enhancements are almost always done by the company that owns the software. The software coding is kept super pinky-finger top-secret, so you have no opportunity to customize your software, that is, if you have the talent to do so.

Some proprietary software is marketed as “shareware” or “freeware.” “Shareware” is available for limited use and requires a small fee to fully activate the software. “Freeware” is proprietary software that installs and runs without any licensing fee, although it may pester you piteously for a “donation.” Most shareware and freeware are specialty applications, such as FTP or compression applications, but as your computing needs grow, you will rely more and more on these applications to keep your costs down.

Open source, on the other hand, refers to software created by a development community rather than a single company. The community members usually donate their time to developing the software, so the software is usually free for anyone to use. Or modify. Or customize. The programming code is totally open to everyone, so the development community and the users constantly modify, improve, and debug the software. As a result, open source software is typically safer and more secure than proprietary software.

Internet-based software or *application services* are applications you access via the Web through a browser or some other Internet application. These application services typically charge a subscription fee and are often, in the long run, much more expensive than non-Internet proprietary software. Many, however, are completely free. The greatest advantage Web-based software offers is that you can use the software and all the documents you create on it from any computer or any device that is connected to the Internet. Your virtual office is located wherever you and another computer, PDA, or cell phone are located. The second great plus about Web-based software is that it is constantly being improved and upgraded, but you don’t have to do a thing to enjoy these upgrades. Since you are accessing the application

through the Internet, you do not have to install upgrades or enhancements. Every time you access the software, you're working on the latest version.

We already have major Web-based software packages in basic office applications such as word processing, spreadsheets, and presentations. Some Internet-based applications often achieve their greatest value when replacing expensive and complicated proprietary applications, such as accounting, finance, or project management.

The greatest benefit of Web-based software is its portability and interoperability. Most current Web-based applications can be accessed from any computer with access to the Internet—that includes your desktop, laptop, PDA, or even cell phone. Many are designed to run on all sorts of devices and you always have access to the application and your files. As people become more and more mobile, Web-based applications will become the rule rather than the exception.

There is a very good chance that at least one of your software solutions will be an Internet-based application. Chances are it will be a specialty application that is not available any other way, say, an application that allows you to hold virtual office meetings at a distance or allows you to show PowerPoint presentations over the Web. It may be a software solution that would normally require expensive and complicated software, such as project management or finance software. Or you may take the plunge and go for a completely free Web-based word processor, spreadsheet, or presentation program. Whatever it is, make sure you closely evaluate the following before making your decision:

- **Company**—make sure the company has a good track record, a solid customer base, and plans to be around for a while. It does you no good if your Internet-based software solution goes dark in a couple months because the company is bankrupt. Your key metric here is the number of clients or subscribers. If it's small, it's a risk.
- **Security**—since your data is going to be stored on a remote server, you need to make sure that the systems are secure from break-in. That's your business data that people are rooting around in if the system has security holes!
- **Data**—since it's your business data, you want to make sure the company has a reliable back-up system *and* that you can save a copy of the data in case you want to move to another software solution.

3.5. Operating System

There are three major operating systems you can choose from; your choice will affect the range and quality of applications available to you, the security and stability of your computer, and your computer's overall performance.

- **Windows**—the most widely used operating system offering the widest range of applications; Windows is also the most vulnerable to viruses and other malicious programs, and security problems are very well known to the hacker community; the current version, Vista, severely degrades performance unless you have hardware specifically built to handle the operating system. Windows can be installed on almost any machine including the newest Macintoshes.
- **OSX**—the operating system available on Macintosh computers representing about 6% of operating systems in use. Because of the relatively small user base, only a small range of applications are available. However, also because of the relatively small user base, OSX is relatively free from malicious software (which doesn't mean it's secure—it just means that people don't write malicious code for OSX). Performance is excellent, but the system only functions on Macintosh computers, which can only be purchased at a significant price premium.
- **UNIX/Linux**—UNIX is a system designed to allow many users to access the same computer at the same time. Linux is an open source version of UNIX that is increasingly used by businesses large and small to run enterprise-wide computers as well as personal computers. Linux has a significant following among PC users, but does not offer the range and variety of applications found in Windows. Because it is open source, the developer community closes security leaks fairly rapidly. Linux is a high-performance system and can be installed on almost any PC, including Macintoshes.

3.5.1. Windows Vista

<http://www.microsoft.com/windows/products/windowsvista/default.mspx>

Microsoft Windows is a family of operating systems that can run on several types of machines such as servers, embedded devices and, of course, on your personal computer. Chances are, if you buy a desktop or laptop, it will come with the Windows operating system already installed and running.

Microsoft first introduced Windows in 1985 as an add-on to their basic operating system, MS-DOS, in response to the growing popularity of Apple Macintosh's graphical user interface (GUI). By 2004, however, Windows had approximately 90% of the PC market. As a result of this market dominance, the Windows system enjoys the widest possible range of third-party software solutions. For most applications you need, you will probably find dozens of alternatives, including the largest range of open source and free software solutions. For competing systems, like Linux or OSX, you may only find a couple alternatives and precious few free ones.

The popularity of the Windows operating system, however, has made it vulnerable. There is an active community of malicious software writers, and the numerous security holes in the system are very well known. Running Windows means being constantly on the look-out for viruses, Trojan horses, spyware, adware, and other malicious code designed to break, degrade, use, or pry into your computer and files.

As of January 30, 2007, the current version of Windows is **Vista**, which represents a radical new version of the operating system. It is much larger and more complex and so requires fairly powerful hardware. Installing Vista on an older computer will take all the sunshine out of your life.

The most significant change is a radical rethinking of the GUI and a sleek new look called *Aero*, modeled after the Macintosh OSX (3.3.2). Vista also includes much more robust search features (making it easier for you to find files on your own and others' computers), new multimedia tools, and much more powerful peer-to-peer networking tools. The new operating system also includes version 3.0 of the .NET framework making it easier for software developers to create applications for the system.

Microsoft, however, claims that the biggest improvement in their operating system is security. The former operating system, Windows XP, was famous for its numerous security holes; Microsoft released Vista as a much more robustly secure system. These security enhancements include a User Account Control, enhanced security for Internet Explorer 7, and built-in anti-spyware software.

User experience, however, has in general not been positive. Slow, bulky, and prone to numerous bugs, Windows Vista has inspired many of its owners to downgrade back to Windows XP; at least one of the authors of this book purchased a new laptop and simply swapped hard drives in order to stay on Windows XP. As of the publication date of this book, there are rumors that Microsoft may even abandon Vista in the near future, as they did with Windows ME almost seven years previously. So if you can stay on Windows XP, then we will do nothing to discourage you!

Windows Vista comes in six editions; these editions target either personal or business consumers of various types.

- **Windows Vista Home Basic**—targeted to budget home users with few application and system needs (\$199 full; \$100 upgrade)
- **Windows Vista Home Premium**—for the bulk of home users (\$239 full; \$159 upgrade)
- **Windows Vista Business**—intended for small and medium businesses who need a rich feature set (\$299 full; \$199 upgrade)
- **Windows Vista Enterprise**—for large corporations that require a full set of networking and security features (volume licensing only)
- **Windows Vista Ultimate**—Vista with all of its features and primarily directed at power users (\$399 full; \$259 upgrade)

3.5.2. OSX

http://www.apple.com/macosxMacintosh, and its operating system, OSX, is the computer of choice among graphic designers, desktop publishers, video editors, motion graphics artists, and some audio engineers and music recording artists. The system represents somewhere around 6% of desktop and laptop computer users (depending on who's doing the counting) and has several advantages over Windows:

- **Stability**—the system just simply doesn't crash as much as Windows, particularly Windows Vista. In addition, performance doesn't degrade as quickly as it does when you keep a Windows computer running for several hours.
- **Security**—OSX is a more secure system and has the added benefit that there are few if any folks out there writing malicious code.
- **Usability**—the Macintosh interface, **Aqua**, is considerably easier and sleeker to use than Windows, although Windows Vista Aero largely imitates the look and feel of Aqua.
- **Searchability**—the OSX search feature is faster and much more robust than even that in Vista.
- **Applications**—in certain application areas, such as graphics, video editing, and motion graphics, the range of applications and features available for the computer simply outmatch anything you can find in Windows. Certain applications, like the non-linear

video editor, Final Cut Pro, are best-in-class and only available on Macintosh. Even some general applications, like the Internet browser, Safari, are superior to anything you can find for Windows but are only available for OSX.

- **Windows and Linux compatibility**—OSX has always made it easy to include a Linux operating system alongside the OSX system. The newest Macintoshes have Intel processors that will run Windows Vista as well as just about any PC. Macintoshes, then, are the only computer where you could realistically run all three major operating systems on the same box.

On the other hand, OSX has a few significant downsides:

- **Price**—OSX runs only on Macintosh computers which carry a significant price premium over PCs. You could easily purchase an equivalent PC for as much as \$1,000 less than the equivalent Macintosh. That's nothing to sneeze at.
- **Application range**—while OSX does have the *range* of applications you will find on a PC (word processors, spreadsheets, databases, email, graphics editors, etc.), you have far fewer alternatives to choose from within this application range. Most significantly, you do not have the rich resources of freeware, shareware, and open source software that you can leverage to create a robust set of productivity tools at little or no cost. On the other hand, the newest Macintoshes with Intel processors will run Windows XP, Windows Vista, and Linux, so this may be a moot point if you're willing to shut down, restart in a new system, shut down, restart in a new system, and so on, in order to use the widest possible application range.

3.5.3. Linux

Linux (also known as GNU/Linux) is a Unix-like computer operating system that is completely (or, in some versions, almost completely) open source. Unlike Windows or OSX, the underlying source code is free for anyone to use, modify, or redistribute. However, although you can download Linux for free, you can also purchase versions that have extra feature sets produced by Linux companies, such as Red Hat.

Linux comes in several “distributions.” No small part of moving to Linux is deciding which distribution to install; and the confusion of

distributions—Ubuntu, Debian, Symbian, blah blah blah—is to my mind the biggest road-block to users who just want to start their machine and bang on the keyboard. Each version of Linux is slightly different in installation requirements, price (yeah, free software that costs money, what'll they think of next?), features, and support. The two most widely used distributions are commercial versions by Red Hat and Mandrake. The Debian distribution is pure open source, that is, there are no commercial features, and represents the “standard” for Linux systems.

Although UNIX—and, by extension, Linux—was intended for multi-user computers, such as mainframes, Linux is becoming increasingly popular on desktops and laptops. Not only is the price right (free or close to it), but the system is also considerably more stable (fewer crashes), more secure, and much more configurable and customizable than Windows or OSX. In fact, I have a desktop with Linux (Ubuntu) and have run the thing *for weeks* without shutting down and without any degraded performance.

You may not know it, but you probably have some device running Linux in your home. Because of its low cost and high configurability, it is the operating system of choice for cell phones, PDAs, TiVo, and game boxes like the Sony PlayStation 3.

Okay, so you have Linux-based devices in your home. Is that any reason to run Linux on your desktop? I like my TiVo during March madness, but is that any reason to pull my hair out trying to learn a new system? Considering that, unless you assemble your computer from scratch, you've *already purchased* the Windows or OSX operating system with your computer, the fact that Linux is free is not a compelling reason to dump a system you've already paid for. Although Linux is installed in about 3% of personal computers, Linux users tend to be more technologically savvy and like to fiddle with the system's innards. If you're not a geek or a hacker, should you move to Linux?

Well, chances are, you won't. If you buy a computer with Windows, what the hell, go ahead and use Windows! If you're only running a personal computer or laptop, it's probably not worth tossing your current system. However, if you're running a server either internally or serving up Web pages, there's no question. Linux is the operating system of choice. That's how you answer the question. Desktop: stick with the system that came with the computer. Server: you're way, way, way better off running Linux. And if you're running a server, you're probably smart enough to do the Linux install and run the system. Or you better be pretty quickly.

If you're not a power user and you're still considering Linux, here are the pros and cons.

Pros

- **Stability**—by far the strongest argument for running a Linux system is its stability. If you’re accustomed to regular crashes in your Windows or OSX system, you’d be amazed that you can run your Linux computer for weeks on end and barely see any degraded performance, let alone crashes. If your computer in any way is functioning as a server, Linux is the only way to go because of the increased uptime.
- **Speed**—you are probably used to waiting around in Windows and, to a lesser degree, in OSX. Linux machines run considerably faster so you spend more of your time working rather than waiting at your computer.
- **Security**—everything you hear about this bad virus or that evil spyware program does not apply to Linux. Nope. Perfectly safe.
- **Ease of use**—with the GNOME GUI interface a standard part of most distributions, Linux is as easy to use as Windows or OSX. Just not as fancy.
- **Ease of installation**—all the major distributions, particularly Red Hat and Mandrake, are as easy to install as Windows or OSX. Just without all the licensing crap to go through.
- **Applications**—all the major general applications, like spreadsheets, word processors, graphic editors, desktop publishers, and browsers, have Linux equivalents.

Cons

- **Application range**—you just do not have the application alternatives that you have for Windows or even OSX. Many specialized application sets do not have Linux alternatives. You do, however, have a surprisingly broad and deep range of *free* open source applications that rivals that of Windows. The Linux community is made up of dedicated and sometimes fanatical computer engineers and programmers who generously donate tons of their time writing, coding, and debugging open source software for their beloved operating system.
- **Automation and integration**—much of the Windows and OSX environment allows for tight integration between applications and the automating of many tasks. This greatly improves productivity and is not available in a Linux environment.

3.6. Productivity Software

Productivity software encompasses all those applications you need to make your business run. The fundamental productivity applications are called “office” applications, which typically refer to word processors, spreadsheets, email applications, calendars, contact management, presentation software (like PowerPoint), and note-taking software. More specialized productivity software includes graphic editing software, video editing software, accounting, project management, finance, and communications.

Making a productivity software decision usually comes down to choosing a “standard” or “non-standard” application. Many productivity software categories have “standard” applications that have a large install base; the benefit of these standard applications is that you can easily move documents between computers and users, you can readily find books and online resources, and they tightly integrate with other software. For instance, Microsoft Word is the standard for word processors; almost every word processor in existence will read and save Microsoft Word documents faithfully. However, documents created in other word processors, unless they’re saved as Word documents, can’t be read in Microsoft Word.

Still, there are many reasons to choose a “non-standard” application, with price as the most compelling. If you can get a free, open source word processor that reads and saves Microsoft Word documents, how can you justify forking over \$200 for Microsoft Office? Convenience is another compelling reason. If, for instance, you subscribe to an online word processor, you can access the application *and* your documents from any computer anywhere in the world, as long as it’s connected to the Internet.

Your most important consideration, however, will be the features each application offers. Most proprietary productivity software products come bloated with features to please as many people as possible. You will not use 95% or more of Microsoft Word, Microsoft Excel, or Adobe Photoshop (in fact, you’ll probably not use 99% of the mountain of features packed into Photoshop). *All* your software decisions should be preceded by listing out the features you’ll need today, tomorrow, and two years from now. For instance, if you plan to do some fancy statistical analysis with your spreadsheets, then you should invest in Excel, since it has add-ons that allow you to do chi-squares and pivot tables and regressions. If, on the other hand, you’re just inserting information into tables without any analysis or calculations whatsoever, then you’re only using about 2% of what Excel has to offer. You’d probably be better off looking for a cheaper and more convenient alternative that is less feature-rich.

3.6.1. Microsoft Office 2007

<http://office.microsoft.com/en-us/default.aspx>

Microsoft Office 2007 is a suite of productivity programs. Designed for Windows and Mac OSX, Microsoft Office in all its iterations is far and away the leading office productivity suite *in the world*. And likely to remain so for many years to come. No matter what you choose as your office suite, Microsoft Office will loom very large all throughout the life of your business since people will be sending you Office documents on a daily or even hourly basis. It is the *de facto* standard for word processing, spreadsheets, and presentations; and, despite pretty heated competition, it is becoming the leading standard for project management software, as well.

Microsoft Office 2007 was released in February, 2007 and represents a blindingly radical departure from all previous versions. While all previous versions used pull-down command menus, the new version depends on tool bars. While new users may find this much easier to use right off the bat, experienced Office users, particularly power users, will have a steep relearning curve to scale. In another significant revision, the new Office 2007 saves files in an XML format, allowing for easy, live Web posting and portability.

The Microsoft Office suite of applications encompasses a large number of diverse programs with a “core” set of office productivity programs consisting of Word, Excel, PowerPoint, and Outlook.

- **Word**—word processing; Microsoft Word is the dominant, industry standard word processor.
- **Excel**—spreadsheet; Excel is the dominant, industry standard spreadsheet application.
- **PowerPoint**—presentation and slide show software; PowerPoint is the dominant, industry standard presentation application.
- **Outlook**—email, contact, task manager, and calendar application; called **Entourage** in Office for Mac; Outlook is easily the dominant, industry standard for email client software.
- **Access**—a scaled-back database management system suitable for almost all small business database needs.
- **Publisher**—desktop publishing software; Publisher is rarely if ever used in the desktop publishing world.
- **Project**—project management software; Project is the dominant, industry standard project management software solution.
- **Visio**—diagramming software for producing flow charts, process charts, system diagrams, Web site diagrams, wireframes,

etc.; while it has its critics, Visio is rapidly becoming the standard in diagramming software.

- **OneNote**—digital notebook and document search software.
- **SharePoint Designer**—HTML editor and Web site manager; formerly called **FrontPage**; despite its eager adherents, SharePoint is totally ignored among small businesses and Web developers. However, its integration into Vista and Office applications has made it a godsend to corporate-wide Intranet developers.
- **InfoPath**—electronic forms and information gathering integrated through SharePoint (Web) services.
- **Accounting**—business accounting, bookkeeping, and finance (see 3.8.2).
- **Groove**—peer-to-peer application connectivity.
- **Communicator**—instant messaging, voice-over-Internet, Web conferencing.

The Windows version of Microsoft Office 2007 is available in eight editions. Each edition represents a different package of applications.

1. **Microsoft Office Basic**

Word, Excel, Outlook; bundled with new computers only.

2. **Microsoft Office Home & Student Edition**

Word, Excel, PowerPoint, OneNote; \$149.

3. **Microsoft Office Standard Edition**

Word, Excel, PowerPoint, Outlook; \$399, upgrade \$239.

Office Standard is probably the right solution for a small business or start-up.

4. **Microsoft Office Small Business Edition**

Word, Excel, PowerPoint, Outlook with Business Contact Manager, Access, Publisher, Accounting Express; MSRP \$449, Upgrade \$279.

While the “Small Business” moniker will certainly get your attention as a small business owner, the additional \$50 gets you the database, desktop publisher (the dead last desktop publishing software on the market), and accounting software. If you plan to use at least one of these, Small Business is a good investment.

5. **Microsoft Office Professional Edition**

Word, Excel, PowerPoint, Outlook, Access, Publisher, Accounting Express; MSRP \$499, Upgrade \$329.

Is it just me, or does Office Professional offer fewer applications than Office Small Business at a higher price?

6. Microsoft Office Professional Plus Edition

Word, Excel, PowerPoint, Outlook with Business Contact Manager, Access, Publisher, OneNote, SharePoint Designer, InfoPath, Groove, Communicator; available only through volume licensing.

7. Microsoft Office Enterprise Edition

Word, Excel, PowerPoint, Outlook, Access, Publisher, InfoPath, Communicator; available only through volume licensing.

8. Microsoft Office Ultimate Edition

Word, Excel, PowerPoint, Outlook, Access, Publisher, Project, Visio, SharePoint Designer, OneNote, InfoPath; MSRP \$679, Upgrade \$539.

For Macintosh, Office 2007 only comes in three configurations: Home & Student Edition, Standard Edition, and Professional Edition.

3.6.2 iWork

<http://www.apple.com/iwork>

To be totally fair, we should include iWork, Apple's entry in the office productivity sweepstakes. Although Macintosh users can choose Microsoft Office, iWork is not really a distant second-place like the WordPerfect suite. Unlike other office productivity software suites, iWork is, in fact, designed *not* to compete with Microsoft Office; for all practical purposes, it's an entirely different take on office productivity software. Consisting of a word processor (Pages), a spreadsheet (Numbers), and a presentation software (Keynote), the focus is less on productivity and more on visual appeal and visual presentation. So Pages is more of a desktop publishing application than a word processor; in fact, it imports Word documents, PDFs, and rich text files. You do your word processing in Word and then open the file in Pages to make it look great. Pages also allows you to put videos, music, and pictures into your documents! And for anyone with any kind of aesthetic sense who has grimaced their way through Excel charts, Numbers is a spreadsheet designed to export some real head-turning charts, including wowiffic 3-D charts. Think of Excel as the tables and number-cruncher spreadsheet; Numbers is about fabulous number pictures.

However, iWork really comes into its own with its presentation software, Keynote. PowerPoint power users, and I include myself in that rarefied club, are almost universally in agreement that Keynote is far and away the most powerful and most usable presentation software on the market. I'm talking blow-you-out-of-the-water presentations. It will never replace PowerPoint

(mainly because it won't work on a PC), but if you're looking for truly stunning presentations that are easy to build, Keynote is the gold standard.

3.6.3 OpenOffice

<http://www.openoffice.org>

OpenOffice is a free, open source office suite that includes word processor, spreadsheet, presentation, vector drawing, and database applications. It has been designed for diverse operating systems including Windows and Unix-based systems such as Linux. When version 3 is released in 2009, the application will also work with OSX. The OpenOffice community of developers intended the application suite to be a fully compatible, total replacement for Microsoft Office.

Originally a proprietary software suite called StarOffice, the code was released as an open source project in 2000 to try to break Microsoft's dominance of office productivity software. As such, it is free to download, use, and modify.

Anyone who is familiar with any of the Microsoft versions of these products will find OpenOffice a breeze to use. The software looks and feels like Office 2003 (Office 2007, of course, is radically different in its user interface). The software can read all file formats, including Microsoft formats, and is supported by a community of very dedicated volunteers. But there is a caveat. First, OpenOffice is not compatible with Office 2007 documents (but, for that matter, neither is Office 2003 compatible with Office 2007 documents). The OpenOffice word processor handles any Word document you can throw at it, but the spreadsheet (Calc) has some problems with Excel files, and the presentation software (Impress) cannot import the more fancy PowerPoint animations or transitions (and it cannot reproduce them, either). Again, version 3 promises to fix many of these—particularly integration with Office 2007—but don't expect version 3 until 2009.

OpenOffice offers the same core group of applications as Microsoft Office, but does not offer equivalents for the more specialized applications such as Sharepoint Designer, Publisher, Visio, or Project.

- **Writer**—word processing; very similar to Microsoft Word 2003 in look, feel, and functions; also includes a WYSIWYG HTML editor; unlike Word, Writer includes many of the mathematical functions offered in the spreadsheet program, Calc.
- **Calc**—spreadsheet; roughly equivalent to Excel in features; can export spreadsheets as PDFs.

- **Impress**—presentation and slide show software similar to PowerPoint but with the added ability to export presentations to Flash files; does not have some of the more fancy or powerful PowerPoint animation effects.
- **Base**—database management system that works with many other databases using XML or its own MySQL database; Base is a more robust, bigger application than Microsoft Access.
- **Draw**—vector graphics drawing application (see 3.4.1 for a description of vector graphics)
- **dBASE**—a database application compatible with Microsoft Access databases.

3.6.4 NeoOffice

<http://www.neooffice.org>

NeoOffice is a free, open source Macintosh OSX version of OpenOffice 2.1 with all the same features and functionality of OpenOffice. Like OpenOffice, NeoOffice supports and saves to all Microsoft document formats. It also handles Excel macros and is fully integrated into the OSX system, that is, it uses native Aqua menus, integrates with the Finder and search functions, uses OSX fonts, and supports copy/paste and drag-and-drop between applications.

3.6.5 Scribus: Open Source Desktop Publishing

<http://www.scribus.net>

Like OpenOffice, Scribus was designed to unseat Microsoft's dominance of the market. However, Microsoft's Publisher has barely even dented the market in desktop publishing; instead, Quark and Adobe InDesign are the applications of choice. However, if you plan to do even a tiny bit of desktop publishing, such as newsletters and brochures, Scribus is a free, open source desktop publisher that easily matches the features found in Publisher (but certainly not Quark or InDesign). If you're considering Microsoft Publisher, then you should start by downloading and test driving Scribus first. Scribus is configured for Windows, OSX, and Linux.

3.6.6 Powerbullet Presenter: Free Presentation Software

<http://www.powerbullet.com>

Although proprietary, Powerbullet Presenter is a free alternative to Microsoft's PowerPoint. What sets it apart is that it outputs the presentation

as Flash files either for publication on the Web or as stand-alone executable files.

3.6.7 SmartDraw

<http://www.smartdraw.com>

While Visio has become the *de facto* diagramming software in the industry, particularly because it integrates easily with Excel and Access, the most affordable and easy-to-use diagramming software is SmartDraw. Unless you plan to seriously integrate diagramming with your Excel spreadsheets, Word documents, or Access databases, SmartDraw is a far more economical and useful tool for shoestring entrepreneurs and small business owners.

SmartDraw comes with several templates, hundreds of graphics, examples, and tutorials for rapid generation of presentation-quality diagrams. The software is designed to maximize ease-of-use in creating Web diagrams, software diagrams, workflow diagrams, business process diagrams, financial diagrams, decision models, office layouts, architectural drawings, charts, maps, and even planograms (see 4.8).

Available only for Windows, SmartDraw is priced per user. A one-user license costs \$197; five users \$885; ten, \$1495; or an unlimited license for \$2995. You can also download the full program for a free 30-day trial.

3.6.8 Web-based Productivity Software

Since the advent of the Web browser in 1993, know-it-alls have been forecasting the complete migration of application services to the Web. Folks were saying that by 2005, every single piece of software we use would be delivered over the Internet. Cool idea, but it's now 2008 and Web-based software has only made a dent in some very limited areas, such as customer relationship management (see 8.15).

That being said, we do seem to be on the cusp of an explosion of Web-based software—called *application services*—particularly in office productivity. These bold new applications are still very much in their infancy, but many are ready for small business adoption.

Since office productivity software could mean life and death for your business, we suggest that you tread very carefully before taking the plunge. You need to look at some very important details before you pull the trigger:

- **Security:** if the online application allows you to save your data and documents to an online server, how secure is that server? Even if you're simply adopting an email application, such as Yahoo! Mail or Gmail, that means your company's email is sitting on a server

somewhere that a hacker might be able to get into. (Four weeks before this book went to print, the GOP vice-presidential candidate, Sarah Palin, had her Yahoo! personal email account broken into and all her email pilfered! All the hacker did was guess at her password questions. Tread very carefully, indeed.)

- **Backup:** Again, if your documents are sitting on a server, are they being backed up? Are they protected from a hard drive crash? To go back to our email example, I use Microsoft Outlook and I back up all my documents and *all* my downloaded email every day. If I have a hard drive crash, like I did two months ago, I can restore all my email in less time than it takes to go to lunch. When I lost email on my Yahoo! account, it was gone forever.
- **Staying power:** Is the company or application going to stick around? If you install Word or WordPerfect on your computer, it will always be there every time you successfully boot your computer. You don't have the same guarantee for GoogleDocs or gOffice.

That being said, there are many advantages to be gained by becoming an early adopter of online office productivity software. The first, of course, is price, since many are free. The second is ease of use. Unlike installed software, most Web-based software isn't bloated with features you'll never use; instead, they concentrate on the basics and make it simple. The third reason relates to communication—most Web-based software allows you to move documents around easily among many users since, after all, the documents can be stored online. Many online applications allow you to publish your documents as RSS feeds (see section 7.14 for a fuller discussion of RSS feeds); these RSS feeds allow you to publish documents on Web pages without really doing any work, thus enabling pretty powerful document sharing. Finally, you can access the software and your documents from any computer running any operating system in any language anywhere in the world. Your business is only as far away as the nearest Web browser.

Google Docs and Spreadsheets (formerly “Writely”)

<http://docs.google.com>

Google Docs currently offers beta versions of their word processor and spreadsheet office applications. The software is completely free. You can create documents and spreadsheets from scratch or edit existing documents or spreadsheets (including Word and Excel formats); applications save to a variety of formats including Word and Excel. The service also allows you to share documents and editing privileges with other online users. Documents

can even be revised by different people at the same time; an online chat service allows you to discuss changes with others while you edit. Files are saved to an online storage area, to your desktop, or can be published as Web pages. Most importantly, your documents are accessible through Google's powerful search engine, making it easy and quick for you to find documents based on the content of those documents. Forget what you wrote to someone last year? Do a Google search on a word or name and it'll come up.

Google's Gmail

<http://gmail.google.com>

While free online email has been around for awhile, notably Microsoft's Hotmail (the original free email service) and Yahoo! Mail, these earlier versions were simply Web pages that accessed email files. Gmail was the first online email application and remains the best. It uses Ajax technology (which allows a part of a Web page to change without reloading the entire page) and looks and feels like a real email application, like Outlook or Eudora. The cost is free and the service includes 2,600 MB of storage and the full search capabilities of the Google search engine. Yahoo! Mail (<http://www.yahoo.com>) also offers an Ajax-enabled full online email application. (Rumor has it that a Hotmail version, code-named *Kahuna*, is also in development).

Thinkfree Office Online

<http://www.thinkfree.com/common/main.tfo>

ThinkFree Office is a free online office application meant to totally replace Microsoft Office. You receive one gigabyte of storage and access to a word processor (Write), spreadsheet (Calc), and presentation/slideshow application (Show). All three applications are almost fully compatible with Microsoft documents and they are designed to look like and have all the features of Microsoft Word, Excel, and PowerPoint 2007. Unlike Office, Thinkfree will also output documents to PDF. Besides the online software, you can also purchase a desktop version based on Java that is compatible on Windows, Macintosh, and Linux. They also offer an iPod and U3 version!

Among online applications, Thinkfree comes the closest to reproducing all the features of Office or OpenOffice. Write opens and edits even the most complex Word 2007 files, but it will not import Word macros. Calc is actually more powerful than Excel and can import even the most complex Excel spreadsheets; however, it can only import PivotTables in a non-editable format. The presentation software is the weakest offering; it can open any PowerPoint file, but only offers simple transition and animation effects.

Somewhat bizarrely, you can open files in one of two editing modes: QuickEdit and PowerEdit. QuickEdit is a slightly different interface and offers fewer functions. Like Office 2007—and unlike previous versions of Office or practically all other software out there—Thinkfree only gives you toolbars to access functions, no contextual menus.

Ajax13

<http://us.ajax13.com/en/index.jsp>

Ajax13 is another free online office application that reads and writes Microsoft Office applications. Based on Ajax and usable only on the Firefox browser, Ajax 13 offers word processing (ajaxWrite), spreadsheet (ajaxXLS), drawing (ajaxSketch), presentation/slideshow (ajaxPresents), and an iTunes type application (ajaxTunes). All the applications allow you to create Microsoft documents. For instance, ajaxPresents will create PowerPoint files (.ppt) as well as Open Standard Presentation files (.odp) readable in most other presentation software.

gOffice

<http://www.goffice.com>

gOffice offers a full office suite including word processing, spreadsheets, presentation software, and desktop publishing. It is not free, but rather subscription-based at a cost of \$0.99 per month that includes full access to the software and online storage (yeah, I know, we broke our “rounding-up” rule, so it’s really \$1 per month, but the cost is so low it’s not even noticeable). The application only outputs PDF files, so you will not be able to port your data to a desktop application. The application only accepts text-only input, so to port a Word or Excel file to the application, you have to convert it to text-only before pasting it in the gOffice editor. The word processor is designed mainly to produce letters and you do not have the styling options you have in a desktop editor. In fact, if you try to do anything that’s more than basic in terms of formatting, you’ll get dreadful looking output.

Num Sum

<http://numsum.com>

NumSum is a free Web-based spreadsheet you access through a Web browser. The company is developing a fuller spreadsheet that will require a subscription, but they plan to always offer the basic spreadsheet for free. Like the other office applications mentioned here, you can share your spreadsheet

with other users and access it on any computer with a browser. In addition, the application allows you to publish your spreadsheets as *RSS feeds*, which allow users to easily publish the spreadsheet on Web pages just by linking to the RSS feed. The application allows you to easily import files from Excel or Open Office Calc.

Like many online office applications, Num Sum has far fewer features than proprietary spreadsheets, but the designers claim the application is for users who have no use for the mountain of features that come with a program like Excel. You should note that the application creates “social spreadsheets,” which means that your spreadsheet is available for *everyone* to look at unless you mark it “Private.”

EditGrid

<http://www.editgrid.com/home>

EditGrid is a free, full-featured online spreadsheet application that allows you to collaborate with other online users in generating and editing spreadsheets. It was designed to be an online replacement for either Excel or OpenOffice Calc. If you want the data traveling between your computer and the online software to be password-secured, you’ll have to subscribe for \$5 per month. You can import and export spreadsheets to Excel, OpenOffice, PDF, and other formats.

Kiko

<http://www.kiko.com>

Kiko gives you a free online calendar that is based on Ajax technology and can be accessed through any browser. The application includes a contact management tool. The application will send out email reminders and can be converted into an RSS feed, meaning that real-time output can be easily placed on any Web page.

S5

<http://meyerweb.com/eric/tools/s5>

S5 is a free Web-based presentation and slide show application. The application produces slide shows in HTML and CSS (the coding languages of Web pages), so the output can only be viewed in a browser. You can see a sample slide show on the site above. If you’re worried about showing slides with a browser window showing, hitting F11 on your keyboard will render

the presentation full screen without the irritating browser window; it will look just like a PowerPoint slide show (well, not really, but close).

Webnote

<http://www.aypwip.org/webnote/>

Webnote is a free, Web-based note-taking application similar to Microsoft's OneNote. Like all Web applications, the notes you scribble to yourself are available on any computer running any system. Again, like many online applications, the output can be converted to an RSS feed for easy insertion into Web pages or a desktop widget.

Gliffy

<http://www.gliffy.com>

Gliffy is a free online diagramming application similar to Microsoft's Visio or SmartDraw that allows you to create flow charts, organization charts, wireframes, site maps, process charts, and so on. Output is only publishable as Web pages.

3.7. Graphics and Image Editing

In the world of graphics editing and creation, there really is one and only one application: Adobe Photoshop. So dominant is this application that you wonder why anyone else bothers. But since Adobe Photoshop will set you back about \$600, if you need a graphics editor, you might want to seriously consider listing all the graphics editing needs you have now and into the future before writing that check. There are many applications that are simpler and cheaper (some free). They aren't Photoshop, for sure, but they will more than meet your needs if you're anything other than a graphic designer or creative professional.

Unlike word processors, spreadsheets, or presentation software, the vast majority of documents or files that you'll be creating in an image editing software will be *universal file formats* that just about any image editor can open: TIFF, GIF, JPEG, and even EPS files are the bread and butter of image editing.

Before you purchase or download any graphics software, you should be clear on the difference between *bitmap* and *vector* image editors. A bitmap image is composed of a bunch of little color dots that give the illusion of a continuous image. Scanned images of photographs and artwork are bitmap images. If you are just a normal person who wants to prepare some graphics

for your Web site or newsletter, chances are that you'll be spending 100% of your time dealing with bitmapped images. Applications such as Photoshop, Photoshop Elements, and GIMP are *bitmap editors* (although Photoshop does give you a limited set of tools for creating vector graphics).

Vector graphics, on the other hand, are not made of tiny dots, but mathematical equations describing curves, color fills, and color gradients (transitions from one color to another). Most illustration art that you see, such as logos, illustrated posters, and fancy type, are vector graphics. Your logo designer (see 1.4), for instance, will probably use a vector image application, such as Adobe Illustrator. EPS (Extended Postscript) is the most common vector format you'll encounter.

Since all Web pages, presentation software, and video editing software use bitmapped images, *vector image editors*, such as Adobe Illustrator, are used mainly for producing printed graphics. Normal folks don't use vector image editors; they are almost always the bailiwick of professional or kind-of professional graphic designers.

So, depending on your business, you most likely will end up with a bitmap editor such as Photoshop. If you're actually going to shop for the application, what should you look for? That depends on what you need to do. If all you're doing is simple image editing, such as cropping, sizing, and color correction, then you're only going to use about 1% of Photoshop's capabilities and have to do so with a confusing and difficult user interface. Instead, you should shop for price, simplicity, and a smaller feature set. The more features you require, however, the more you need to seriously look at Photoshop despite its rather steep price tag and learning curve.

Graphics editors come with one or more capabilities:

Cutting, cropping, and resizing: at the minimum, your image editor should allow you to do all three of these functions. Cutting involves taking a part of the image out; cropping involves selecting one part of the image for preservation while the rest is removed; resizing means increasing or decreasing the image size. Resizing is not that simple; the application needs to "resample" the image to preserve the image's quality at a larger or smaller size.

Color correction: color correction is a relatively advanced topic that takes a generous helping of experience. Again, at a minimum, your image editor should allow you to convert color images to grayscale, adjust brightness, contrast, hue (*what* color), and saturation (*how much* color) to get the look you're after. Applications such as Photoshop come with some pretty muscly color correction tools that take three

wise men and a bottle to master, but most applications will give you easy-to-use, basic color correction tools.

Type: Type tools allow you to add type to your image; more advanced editors, such as Photoshop, allow you to manipulate type in advanced ways. I believe that type tools are a minimum requirement; many online applications, however, lack this essential.

Compositing: Again, compositing is an advanced feature, but as you demand more of your application, compositing will become the foundation of all you do. Compositing allows you to combine more than one image to create a single image; it requires that image documents be layered, that is, have images separated into separate “floors” of the document.

Effects: Some applications allow you to create special image effects, such as blurring, sharpening, and even some pretty cool artistic effects. These effects tend to be the “play area” for inexperienced users, but I don’t consider them an absolute necessity (although sharpening and blurring *are* an absolute necessity!)

Formats: Finally, the formats that an image editor will read and write to are as if not more important than any other feature. If you are publishing to the Web, the editor needs to be able to read and write to GIF, PNG, and JPG formats. If you are preparing images for print, your editor needs to handle CMYK color and output to TIFF format.

3.7.1. Adobe Photoshop

Adobe Photoshop, the graphics editor developed and published by Adobe Systems, is the current market leader for image editing. It comes in two versions: a full version that sells for around \$600 and a scaled-back version, Adobe Elements, that can be purchased for under \$100. Photoshop is far and away the industry standard for image editing. The current version is CS4; the CS stands for “Creative Suite” and points to one of the application’s most noteworthy strengths. Adobe produces a suite of products (which expanded in Creative Suite 2 with the addition of Macromedia software, now officially “Adobe” software in CS3: Illustrator (the industry standard in vector-based graphics), InDesign (fast becoming the industry standard in desktop publishing), Acrobat (the only game in town for PDF file manipulation and

generation), Premiere (video editing), AfterEffects (video motion graphics and special effects), Soundbooth (sound editing—formerly called Audition), and Encore (DVD menu creation and DVD authoring). The suite also includes the major Macromedia products Dreamweaver (the industry standard for Web site/page creation), Flash (the overwhelmingly dominant standard in vector-based animation, primarily for Web sites), Fireworks (Web graphic optimization), and Contribute (content management system). All these applications are designed to integrate seamlessly with one another so you can create graphics for the Web with Photoshop, optimize them in Fireworks, and make them into Web pages with Dreamweaver.

Although Photoshop is principally designed to edit print-output images, most people use Photoshop to prepare Web-published images. The full version comes with powerful image optimization features that allow you to achieve the highest possible compression (small file size) while maintaining high image quality. These features are bundled in a stand-alone application called ImageReady that used to ship with the full version of Photoshop and is now packaged separately as Adobe Fireworks. Even without Fireworks, Photoshop has more Web image power than you'll probably ever need or be able to use!

Photoshop also has a limited set of *vector image* editing tools. A vector image is actually a complicated mathematics construct that allows for completely smooth lines when outputted to a printer. The premier vector image editing application is Adobe Illustrator. Vector image creation and editing is an advanced topic—most users never even come close to using vectors and most of the courageous who try, give up.

The real distinguishing feature in Photoshop is its use of *layers* which allow you to *composite* images, that is, combine two or more images to form a single image. Photoshop allows you to “stack” images one on top of one another in a single image file. You can then change one layer without affecting any other layer. It also allows you to mix or combine images between layers through *blending*. If you get to know Photoshop well, the layer and compositing features will become the most powerful features you can use; the layer interface is the industry leader in terms of features and ease-of-use.

The second most distinguishing feature in the application is the array of *filters* that come with the program. Filters are tools that allow you to change an image in a very select way. For instance, the Blur filter allows you to partially blur the image. The Sharpen filter allows you to sharpen the image. Other filters allow you to turn a photograph into a pencil drawing, a film image, or a stained glass mosaic. In addition to the filters which ship free with the program, there are literally thousands more built by third-party developers. Some are free, but many take a significant bite out of your wallet.

The bad news is that almost all the pricey filters come in packages. You may need only one filter, but you have to fork over some pretty serious money for the whole batch.

Photoshop is a large and difficult program to master. It is a veritable continent of features, many of which are not understandable without a serious background in imaging or graphic design. Unfortunately, many of the features you *do* want to use are buried in this continent. To use Photoshop, you use tools all over the application, up, down, around, and behind. So it's easy to get lost when all you want to do is resize an image or turn it into black and white. More importantly, it's overly tempting to play around in the application discovering its tidbits and trifles; keep in mind, especially when you discover Photoshop's filters, that your image editor is part of your business's productivity, not a play box.

However, this feature-richness makes Photoshop a highly rewarding program to master. It can be hard work and require that you spend a couple hundred dollars on Photoshop books, but in as little as a month you can be achieving remarkable graphics results.

Photoshop is also a pricey program, clocking in at around \$700 for the standard version and \$1,000 for the extended version. You can also purchase the program bundled with other software in the various Creative Suite 4 packages, ranging from a standard CS4 (Photoshop, Illustrator, InDesign, and Acrobat for 1,400) to the budget-busting, take-all-of-me CS4 Master Collection for \$2,500. Adobe really is the gold standard in most of these applications, so you should carefully evaluate what you need and how much time you have to learn these programs before you begin thinking about price. If your needs are commensurate with any of the Creative Suites, price should not be a factor. At the same time, if your needs are modest, the Adobe applications are the equivalent of elephant guns, not appropriate for the mosquitoes most people will be swatting.

3.7.1.1. *The Photoshop Guru's Handbook Photoshop Tutorials*

<http://www.photoshopgurus.com/tutorials/tutorials.html>

If you don't want to spend \$50 or more for a Photoshop book, there are plenty of online resources that can help you get started and teach you many Photoshop tricks. The best of the beginner's tutorials reside on the Photoshop Guru's Handbook Web site. The beginning tutorials orient you to the program, teach you the main tools, introduce you to layers, blending, and channels (three of the most powerful aspects of the application), and walk you through some simple design projects.

3.7.2. GIMP

The GNU Image Manipulation Program (GIMP) is a free software image editor originally designed for Linux and comes standard on most Linux distributions (see 3.5.3); it was intended as a free software replacement for Photoshop. However, if you're not a Linux or UNIX user, the most current version can be downloaded for use in Linux, Windows, or Macintosh OSX. It has many of the same features as Photoshop, but it's much less powerful in layers and vector graphics and considerably less capable at handling print graphics. However, GIMP does equal Photoshop in its choice of filters.

GIMP can be used to manipulate and resize photographs, create graphics and logos, edit colors, composite images, remove unattractive image features, and save to various formats. GIMP is not a scaled-down Photoshop; it offers advanced image editing, manipulation, and professional graphics creation.

GIMP was the first major free graphics application and is used by many outside the “geek” community. It is not, however, Photoshop. It does not have features vital to preparing images or graphics for print, such as Pantone support (Pantone is a system of mixed inks for exact color printing), CMYK support (CMYK, for Cyan-Magenta-Yellow-Black, are the four colors that printers use to render color), support for high color resolutions (very important in printing), or color matching (an advanced set of calculations that will make the screen version of the image’s colors closely match what the printed colors should look like). In layman’s terms, GIMP ain’t for print projects. No way. Now how. The application’s usability is limited to producing images for electronic output, like Web pages or CD-ROMs.

3.7.2.1 Grokking the GIMP

<http://gimp-savvy.com/BOOK>

GimpSavvy is a set of tutorials and resources for learning and using GIMP. One of its central resources is a Web-based version of the New Riders book, *Grokking the GIMP*, by Carey Banks. Published under an open publication agreement, *Grokking the GIMP* is perhaps the fullest and richest introduction to any application available online for free. If you decide to save your money and skip Photoshop for GIMP, *Grokking The GIMP* should be one of your top bookmarks.

Grokking the GIMP covers GIMP basics and how to use its various tools, including layers, selections, and masks. The book then moves on to discuss basic color and how to perform tasks such as image correction, enhancement, and compositing. The book also includes nine projects that walk you through a set of image editing tasks.

3.7.3. Web-Based Image Editors

None of the Web-based image editors even come close to Photoshop or GIMP. In fact, they don't even come close to Photoshop Elements, the way-scaled-down version of Photoshop for the homiest of home users. However, they do have the benefit of being free, simple, and easy to use. Except for Image Author and NexImage, many of the online applications do not give you the power to add type to an image, special effects, or create abstract images, like logos. If your image editing needs are truly modest, and I mean modest, you could save yourself a hundred bucks by trying out some of these free image editors.

Image Author

<http://www.imageauthor.com>

Image Author is a Java application that runs in your browser; to use it, you need to download the Java run-time application first. Because it is a Java application, it will run on any system (Windows, Mac, and Linux) and provides the richest feature set of all online image editors. It comes the closest to being a free version of Photoshop Elements. It also supports type elements and will produce drawing objects, so you can create titles, captions, logos, drawings, and abstract designs.

NexImage

<http://demo.neximage.com>

Neximage offers a pretty full feature set for editing images including layers (it is the only online application that allows for layers and compositing). Besides basic image manipulation, such as resizing, cropping, and color correction, NexImage also gives you type tools, compositing tools, and special filter effects. In addition, it has an "actions" menu which allows you to create and save combinations of image editing commands to speed up productivity. A free application, it is currently in version 2.3.

VicImager

<http://catenarysystems.com/demos/vicimager/vicimager2.aspx>

VicImager is a free online photo manipulation application rich in features. Besides basic photo manipulation, the application offers artistic effects and type. It does not support layers or compositing.

NetImager

<http://www.usltechnologies.com/netimager>

Another Java-based image editor, NetImager is still in demo release as of the publication of this book (actually demo release 1.4, if that makes any sense). Like NexImage, it provides a set of basic image manipulation tools as well as more advanced tools, such as shape creation. Especially noteworthy are its layer and compositing tools, features it shares only with NexImage. It does not, however, offer type or editing features.

Snipshot

<http://snipshot.com>

Snipshot is one of the most fully featured free browser-based image editing applications. It offers simple image editing such as image manipulation, contrast, brightness, color editing, cropping, rotating, and resizing. It will output to GIF, JPG, PNG, PDF, or TIF files and is the only browser-based image editor that can make changes directly to image files you have on your own Web site. It also offers unlimited undo and redo, a feature you will only find otherwise in Photoshop.

Cellsea

<http://www.cellsea.com/java-cellsea/media/index.htm>

Cellsea performs image editing and manipulation tasks. It is free and offers: crop, resize, color correction (over fifteen color correction tools), artifact removal, filters to turn photos into artwork, blur (four blur effects), distortion, and twisting. It does not offer type support or the creation of abstract objects.

Picnik

<http://www.picnik.com>

Picnik allows you to do fairly simple image edits including image correction, cropping, rotation, and resizing. The application includes tons of filters or effects and allows you to add and edit type (the application even provides the fonts). Entirely Flash-based, it does not require anything beyond the Flash 9 Player. Primarily designed for use on social networking sites, such as MySpace, Facebook, and Flickr, Picnik comes in a free version or a premium version available for a \$25 annual subscription fee.

Pixenate

<http://pixenate.com>

Pixenate, another free online image editor, offers only the most basic image manipulation and an easy-to-use interface.

Pixer

<http://www.pixer.us>

Pixer is a very simple, basic image editor that allows you to upload an image, edit it, and save it back to your own computer. You can resize, crop, rotate, flip, blur, sharpen, fix colors, or edit the color saturation.

Picture2Life

<http://www.picture2life.com>

Picture2Life is a free basic image editor that publishes your completed pictures to the Web. Offering simple tools such as resizing, cropping, optimization, filters, and even animation, the application is primarily designed for MySpace and Flickr users.

3.8. Bookkeeping, Finance, and Accounting

Back in the halcyon days of the Internet tech bubble, I was one of the principal designers and information architects for a subscription-based online accounting system for small businesses called Cyberoffice. What I wasn't, of course, was an accountant, so in a matter of a few short months I learned accounting and financial software at, well, Internet speed. Sadly, Cyberoffice went the way of just about every other Internet business start-up and passed on to that great Internet in the sky, but the stalwarts, such as QuickBooks and PeachTree, still remain.

Our book is much too small to give you even the most basic primer in accounting and bookkeeping, but the choice of bookkeeping and accounting software should be founded on good business, financial, and cost accounting practices. You see, if you searched the Web for information on how to purchase accounting software, you'll find some useful information, such as cataloging your needs, making sure the software can integrate with your online banking, verifying that the application will run on your operating system, and so on. This is all very useful information, but it doesn't really address what *accounting* and bookkeeping software really does, which is accounting and bookkeeping.

In general, good accounting practices involve:

- **Setting up your books.** As a shoestring venture, you will probably only need one ledger: your general ledger. If your business has any kind of complexity, that is, if you have separate business units with money flowing in and out of each of them, you may require several ledgers. You would then need an accounting system that allows for ease-of-setup for several ledgers and automated updating of the general ledger.
- **Controls.** All good businesses, even the smallest ones, establish controls over finance and accounting, that is, rules governing how money moves in, out, and around the organization.
- **Transactions.** A transaction occurs whenever money (or something representing money, such as inventory) in one place moves to another place. Your business will have a variety of transactions that have to be tracked as categories. For instance, if you are selling goods, then you will have transactions involving *inventory* and your accounting system must be able to track inventory. Inventory accounting involves an entirely different set of accounting procedures called *inventory valuation*, that is, determining how much the inventory you have sold has cost you and the value of the inventory that you're still holding. Since there are three methods of inventory valuation (FIFO, LIFO, and weighted average—don't worry what these mean), you will want your software to support all of these three methods. You may also need to track *sales taxes* and so require a system that tracks sales taxes and allows you to pay them accurately. If you have employees, you will have *payroll* transactions and tax withholding, so you need payroll features. So your accounting system needs to meet all your business accounting transactional needs. In other words, your accounting software must provide tools for every type of transaction your company will make. I don't mean jimmying one transaction tool to kind-of sort-of handle a different transaction; I mean, you need the right tools for each type of transaction.
- **Closing.** At the end of each accounting period, you have to close your books and start over. Closing can be a long and complicated process; for that reason, you may have an accountant close your books. If you're closing your own books, you want bookkeeping software that makes this easy for you.
- **Financial analysis.** We discussed financial analysis in an earlier section (2.4) and the various ratios that let you determine the financial health of your business. If you're going to take your

business seriously, then you should take financial analysis and ratio analysis seriously. The more your accounting software automates these tasks for you in the closing process, the better you'll be able to get a grip on your business's financial picture.

- **Cost accounting.** From my perspective, one of the principal failures I encounter in small businesses and start-ups is the failure to do even the most basic *cost accounting*, which tracks the *costs* of doing business: setting budgets, determining actual costs, analyzing variances, and determining profitability. Bigger companies do cost accounting all the time because it gives managers tools to lower costs and increase profitability. When businesses skip cost accounting, they may end up bleeding money and have no idea where to fix it. Now, I personally love cost accounting, but you probably don't want to fly out and get a master's degree in it; however, you, and your accounting software, should be able to do the basics of budgeting, determining fixed and variable costs, reducing variable costs, spotting cost variances, and precisely determining the profit of each of the various services or goods that you sell.

- **Cash flow management.** We have said on more than one occasion that cash flow, not profitability, is the most critical financial component of your business. If less cash comes into the business than is going out, well, you go out of business. The place where you take the pulse of cash flow is, of course, your books. Good business accounting software allows you to do cash flow management and cash flow projections easily, that is, you can ask it if you're going to have enough money to get through the month.

3.8.1. **QuickBooks**

<http://quickbooks.intuit.com>

QuickBooks is an accounting software product developed by Intuit, Inc. There are several different versions of the software tailored to specific industries and business needs. QuickBooks is by far the most widely used bookkeeping and accounting software for small business.

The application enables businesses to tracks expenses, prepare and send invoices, put together financial statements, track inventory, prepare purchase orders, write checks, and other accounting, bookkeeping, and control tasks. You can purchase QuickBooks as desktop software or in a hosted online edition. Although each version of QuickBooks—and there are many—are priced differently, you can get a full enough version for your business for about \$180.

You do not need to understand basic accounting principles to use most of the features QuickBooks offers. The interface allows you to record transactions in screens that look more like paper forms, like checks. Even closing your books at the end of a fiscal period is easy and intuitive. Most significantly, however, is how QuickBooks can connect up to your online banking accounts, allowing payment and payroll to be relatively seamless.

Setting up QuickBooks is fast and easy. The application comes with a simple wizard that quickly allows you to set up your books and get all relevant information and templates set up in the application.

Perhaps the most compelling reason to use QuickBooks is that it is pretty much the industry standard for accounting software. Any CPA, bookkeeper, or accountant you hire to help you with your business's books will probably be familiar with, if not fluent in, QuickBooks. Other proprietary software, such as Sage Software's Peachtree Accounting, may not be so easily portable to other users.

On the downside, upgrade costs can run you about \$200 a year. On the other hand, most of the application's features, such as payroll or credit card processing, are turned off until you pay an extra fee. This means that you only pay for what you use. As your business grows, you can pay the extra fees to activate the necessary features.

3.8.2. Microsoft Money & Microsoft Accounting

<http://www.microsoft.com/money/default.mspx>

<http://office.microsoft.com/en-us/accounting/default.aspx>

Microsoft Money is actually designed for personal finances and small businesses. Like many Microsoft products, it comes in several versions each with more features for more advanced use: Microsoft Money Essentials, Deluxe, Premium, and Home & Business. The least feature-rich, Essentials, can be had for around \$20; Home & Business runs around \$60. So Money represents one of the most cost-effective software solutions to managing your business's money.

Unlike QuickBooks or Peachtree, Money will not grow with your business. It really is intended for the smallest of small businesses:

- Home-based businesses
- Businesses with five or fewer employees
- Businesses whose records are closely linked to personal financial records

Money 2007 Home & Business enables you to

- Manage personal finances
- Create estimates and invoices
- Generate business reports
- Manage payroll online
- Track Schedule C items
- Monitor accounts receivable.

For those whose businesses have outgrown Microsoft Money—an achievement pretty doggone easy to reach—Microsoft also offers two versions of Microsoft Accounting: Accounting Professional and Accounting Express. The latter is packaged with Microsoft Office Small Business Edition, so you may not choose to purchase any other accounting software.

The great virtue of Microsoft Accounting Express is that it's free. That's right. Free. Microsoft, the last company you would associate with "free," simply gives it away. The application includes a general ledger and standard accounting features (estimates, invoices, write checks, track expenses) as well as a contact management and information system.

Microsoft Accounting Professional, which costs \$149, includes additional support for inventory, sales, purchase orders, and so on. Both Express and Professional integrate with the Microsoft suite of Office products, so you can share information from Accounting with Word or Excel without having to recopy data. In other words, you can open Microsoft Accounting files in Excel or Word. Or even PowerPoint. Pretty cool.

3.8.3. Peachtree Accounting

<http://www.peachtree.com>

Sage Software's Peachtree is the second most common accounting software used by small businesses, but it's a mighty distant second. Like QuickBooks, PeachTree offers standard paper-form interfaces, like checks and purchase orders. You can access ledger interfaces, but outside of the ledger interfaces, you can do your entire business accounting without knowing very much about accounting.

PeachTree comes in several different versions. The most basic version, at \$70, gives you basic business accounting and financial reporting tools. The standard version, at \$170, includes inventory tracking, payroll, budgeting tools, and cash flow management. The advanced version clocks in at \$270 and includes job costing tools and in-depth time, billing, and inventory analysis. Finally, you can fork over \$500 for the premium version if you're running a company with several business units (or several companies) and you need an accounting system pretty close to what the big guys have.

Like QuickBooks, PeachTree offers, for a monthly fee, an online accounting service that lets you store your books on their server and perform all your accounting services through a Web browser. Fees are based on the number of users that will be accessing the software and the books. One user costs \$150 per year; additional users cost another \$101 per user. If you add payroll support, the service tacks on another \$96 per year.

3.8.4. Free Accounting Software

<http://www.freeaccountingsoftware.net>

Free Accounting Software is proprietary software that is freeware/shareware. You can use it for free, but they ask (and ask and ask and ask) for a \$30 donation. You download the application to your Windows machine. It is free for thirty days and after that it will nag you for the thirty bucks.

The software has the following features:

- Sales and customer management
- Estimates
- Sales orders
- Accounts receivables
- Inventory management (giving you the choice of FIFO, LIFO, or Average Cost Accounting to determine inventory values)
- Inventory adjustments
- Inventory reports
- Reporting

Unlike QuickBooks, Peachtree, Money, or Accounting, Free Accounting requires you know accounting and bookkeeping fairly well. The interfaces are based on double-entry bookkeeping, so “free” means you have to learn accounting to use it.

3.8.5. AdminSoft Accounting Software

<http://www.adminsoftware.biz>

Adminsoft is free proprietary software (freeware) that runs on Windows. Designed for small businesses exclusively (no personal finances), AdminSoft free version lets you record all your customer details, print sales invoices, keep track of who owes *you* money, record all your supplier details and keep track of who you owe money to, as well as other general bookkeeping tasks. For a small fee, you can add upgrades to handle inventory, purchase orders, sales orders, multiple currencies, etc.

3.8.6. OneStep Accounting

<http://www.enablecomputing.com>ShowPage.ec?page=OneStepAccounting&menu=OneStepAccounting&nofollow=y>

OneStep Accounting Standard edition is free proprietary Windows software (freeware) that allows you to perform general ledger, invoicing, inventory management, and bill paying. For an additional \$90, you can upgrade to OneStep Accounting Professional Edition that also offers purchase orders, estimates, delivery orders, multiple currencies, and multiple users. Both editions offer up to one hundred different reports.

3.8.7. GnuCash

<http://www.gnucash.org>

GnuCash is a free open source accounting software package that is currently on version 2.2.7 and available for Windows and Linux. It is designed for personal and small business financials and, like QuickBooks and Peachtree, uses a checkbook-style register. Unlike QuickBooks, the main interface is a double-entry accounting system, so you need to familiarize yourself with the basics of debiting and crediting transactions. The application also includes a suite of standard and customizable reports, such as Balance Sheet, Profit & Loss, Portfolio Valuation, and others.

For small businesses, GnuCash includes customer and vendor tracking, purchase order generation, sales order generation, accounts receivable, and tax and billing terms. Most importantly, you can import QuickBook files (.qif) easily into GnuCash. It also handles check printing and multiple currencies.

3.8.8. KeepMore

<http://www.keepmore.net>

Calling their online accounting software, “accounting for the rest of us,” KeepMore is a simple-to-use online application that keeps track of income and expenses; it has tax regulations built into the software to automate tax compliance and deductions. For those of you at the very beginning of your start-up, we believe KeepMore is one of the most cost-effective and operationally effective tools available to you. The software is specifically designed for one-person ventures such as eBay shops and shoestring ventures. However, the tools offered by KeepMore, while ideal for one-person shops and early start-ups, will probably not grow with your business as the financials of your business become more complex.

For \$19.95 a month, KeepMore offers the following tools in its Shoebox Records product:

- a simple interface to enter business transactions and activity
- invoice tracking
- account balancing
- immediate feedback on your business financials
- data backup
- access to your account from anywhere, anytime and no software to download
- instant tax reports

Premium services, such as eBay transaction import, opportunity tracker, and document storage, cost extra.

3.8.9. Intacct

<http://us.intacct.com>

Unlike productivity software, there are no free online accounting software solutions. The most expensive online accounting software is also one of the oldest: Intacct. A totally Web-based solution (your accounting data is saved on their servers), Intacct offers a variety of products based on business size and business type. The most inexpensive products, Intacct Xpress and Intacct Small Business, provide a full set of accounting and bookkeeping tools for very small to small businesses. You pay a monthly subscription based on the number of users who will access the software. Subscription prices are available by phone request only.

3.8.10. Juno Accounting

<http://www.junosoftware.com>

Juno offers the cheapest online accounting software solution. Like Intacct, your books are stored on their servers. However, you can have a simple general ledger for free with only 1,500 transactions per month. Adding accounts receivable and accounts payable lifts the monthly fees to \$6; inventory lifts the monthly fee to \$16. So if you are looking for full-featured accounting practices *and* you want to use online services, your best bets are to purchase QuickBooks or Peachtree online services.

3.9. Project Management

Most every business, including yours, will be involved in a **project** at some point or another. Some businesses will do nothing but projects; those businesses at some point need to seriously consider a **project management system** to help manage their projects, even if they outsource project management to another firm.

So what exactly is a project? It's a complex set of jobs directed towards a final product, such as building a Web site, constructing a building, making a movie, or developing new software. Because projects are made up of several **jobs**, project management software allows you to plan and monitor those jobs as they are performed by different people using different equipment.

Projects are also highly collaborative affairs, so project management systems at some level have to facilitate communication and information transfer between all interested parties. If person B can't start a job until person A has finished, then you want a system that informs person B as efficiently as possible when person A has actually finished.

The best project management systems have five components:

- **Planning**—project management software shows you what resources you have available for a project and how to allocate them. For software, Web, creative, and marketing projects, you will be allocating *human* resources, such as people, vendors, and departments. For construction and manufacturing, you will be allocating both *people* and *material* resources, such as concrete or tile, so you must make sure that your project management system includes planning and allocation tools for physical materials.
- **Monitoring**—the software should give you accurate snapshots of where your project is in terms of completion and cost.
- **Reporting**—the software should have summary tools, including statistical tools, that give you high-level views of how your projects are going.
- **Collaboration**—most projects fail not for lack of project management tools, but for lack of communication—the best project management systems allow for quick transfer of information and effective computer-to-computer collaboration environments, such as document tracking, discussion forums, email alerts, instant messaging, and so on.
- **Multiple user levels**—projects involve several people doing various tasks involved in the project. There are details about the project, and about other projects you're working on, that some users

should know and some shouldn't know. Project management systems must allow you to control access to information and workspaces in each project. You should be able to set user permissions for each person on a project and block out areas where they can't go. Since you will have the highest access to the software, you should carefully evaluate the high-level "admin" tools on the system to make sure they allow you to easily manage the users on the system.

As with all other software, you should choose software to meet your specific needs. Project management software can come with some or all of the following features:

- Task creation and definition—a task is a distinct job you can assign to one person or a group.
- Resource (i.e., people or departments) allocation—the essence of project management involves assigning tasks to resources, so resource allocation is the heart and soul of a good project management system.
- Materials management and logistics (because most project management software is designed by folks who, well, project manage software projects, not all project management software comes with materials management components).
- Budgeting and costing.
- Scheduling (which may include sophisticated tools, such as Gantt charts, for tracking all the tasks in a project and how they relate to one another).
- Identification of dependent project steps (steps in the project that are dependent on previous steps being completed) and critical path calculation (the critical path of project tasks is the precise order of all dependent steps and determines the actual length of time a project will take).
- Communication tools such as collaboration, email, and messaging.
- Documentation.

Unless you choose a simple project management system such as Basecamp, all project management systems come with a steep learning curve. There is no way out of reading the documentation, spending time with the interface, and even kicking back and watching the various tutorials that come with the software. However, some applications, such as Microsoft Project, come with steeper learning curves than others.

3.9.1. Microsoft Project

<http://office.microsoft.com/en-us/project/default.aspx>

Microsoft Project is by far the number one project management software in the marketplace; for many, it is the *only* project management software. While the latest version, Project 2007, is included in Microsoft Office Ultimate Edition (see 3.6.1), the price tag (over \$600) may inspire you to buy a smaller version of Office—or another office application entirely—and purchase Project as a stand-alone application...except when you take a gander at the stand-alone price: \$599. The most economical way for you to get your mitts on Project is to shell out the extra 80 bucks or so for the gonzo Office 2007 suite.

Project provides you with the full gamut of project management tools as well as allowing you to create several levels of users. Because project management, by definition, involves several users, Project allows you to create different classes of users each with different access to parts of the Project database.

By upgrading to Project Server, Project can be server-based—the application database resides on a server and is accessed through Project software installed on different client computers. However, you can set up Project to work on a single computer or on a network of peer-to-peer machines. Microsoft Project Web Access allows you to connect with Project Server via a Web browser from any computer, anywhere, without having to install Project on the client computer.

Project works by allocating **tasks** to **resources** (read: people or departments). Resources can be put into **shared resource pools** so they can be used across projects. One resource can have many tasks and one task can be assigned to many resources. The application keeps calendars for each resource to aid in assigning tasks.

As with almost all other project management software solutions, the system was not designed for projects that require material resources. If projects are constrained by materials availability—say, a construction project—Project cannot help you manage materials aspects of the project.

3.9.2. dotProject

<http://www.dotproject.net>

dotProject is a free, open source project management system created, managed, and maintained by a community of volunteers around the world. It is the number one installed open source project management system in the world with some 500 downloads per day. It is Web-based and requires installation on a Web server, such as your Web site server. This server must be enabled for

PHP and MySQL. If you do not know how to install the PHP code and the MySQL database on your server, you will have to hire someone to do it.

Like Project, project managers set up tasks and assign them to resources. Project members can view tasks and record their progress. The application allows you to maintain contacts, keep calendars, manage users, create email trouble tickets, store files, and even use a discussion forum for online collaboration among project members. Supplementary modules include journals and physical materials management tools (dotProject is one of the few systems that allows you to manage materials as well as resources).

3.9.3. Intuit QuickBase

<http://www.quickbase.com>

Made by the same folks who produce QuickBooks, QuickBase is a Web-based project management system that allows you to track projects, create project templates, schedule tasks, allocate resources, track documents, track and elevate issues, maintain contacts, create calendars, create timelines, and manage risk. All that's required is a Web connection and a browser. QuickBase is, however, a fairly expensive solution for a start-up or shoestring venture: pricing starts at \$249 *per month* for up to ten users; additional users cost an additional \$15 per month. The price only allows you to have 5 MB of data and one hundred megabytes of file attachments.

3.9.4. Basecamp

<http://www.basecamphq.com>

Both the authors of this book use Basecamp as our default project management system in our endeavors and consulting. Like eLoops below, Basecamp is a stripped-down project management system without all the fancy scheduling, estimating, risk management, and tracking tools that you get with more full-bodied project management systems. While some power project management types are going to miss all that stuff, the basic simplicity of Basecamp and its ease-of-adoption for all possible users more than make up for the scaled-back project management toolbox. In fact, one of the authors is a power project manager and the principal designer of *another* online project management system (not in this book), but still uses Basecamp on most projects. That's a pretty high recommendation.

Basecamp and similar stripped-down, easy-to-use online project management systems are ideally suited to start-ups where both time and money are limited. Project management is a must if projects are running through your business, but the complexities and time commitment demanded

by high-powered project management systems may take too much focus off the core tasks that need to be performed.

Simplicity, ease-of-use, and universality are what this online project management system is all about. The system allows you to create a user base, start projects, set milestones, set tasks, produce a to-do list within each task, store and share files, and send messages to the project group. As To-Do items are completed, they are simply crossed off the list.

Pricing is based on a subscription model and is determined largely by the number of projects you can put through the system and how much storage space you're allowed. All subscription levels allow you to have an unlimited number of users participate in the projects. At the basic level for \$24 a month, you're allowed fifteen concurrent projects and three GB of storage space; Plus, \$35 a month, allows you thirty-five concurrent projects and ten GB of storage space; and Max for \$149 a month allows you unlimited projects and fifty GB of storage space (but if this is what you need, you should seriously consider buying a more full-throated project management system to save some money).

3.9.5. AceProject

<http://www.aceproject.com>

AceProject is another Web-hosted project management system with a monthly fee a little easier to swallow. AceProject allows you to track multiple projects, assign tasks, manage resources, maintain contacts, create calendars, manage users, track tasks, create time and Gantt charts, and generate a number of statistics and reports. In fact, of all the software discussed here, AceProject offers the best statistical tools for analyzing project data, a definite boon for people—like me—who use statistical analysis heavily in our project management portfolio.

The application is available in two formats: in a hosted version or as source code that you install on your own Web server (provided your server computer is Windows-based and has SQL Server installed). The source code version is rather pricey (\$1,300 for up to twenty users) and requires installation on a server. The hosted version, however, comes in three forms:

- **Basic (free)**—allows you to have 5 users, 5 projects, 50 tasks, and 25 MB of storage
- **Regular (\$25 per month)**—permits up to 10 users, 15 projects, 250 tasks, and 250 MB of storage
- **Advanced (\$39 per month)**—with 20 users, 25 projects, 500 tasks, and 500 MB of storage.

3.9.6. eLoops

<http://www.eloops.com>

eLoops is a subscription-based project management and collaboration Web-based software with plans ranging from \$25 per month (ten users and 500MB storage) to \$389 per month (1,000 users and 15GB of storage). eLoops allows you to

- Create projects
- Manage clients
- Create timelines
- Store data
- Manage and share calendars
- Generate reports
- Maintain contacts

3.10. Contract Management and Digital Signatures

There are a number of software tools that help streamline and automate business processes that fall under the general category of **business process management (BPM)** tools. Most of these tools are designed for large, complex organizations (enterprises) because size and complexity introduce tautologies, inefficiencies, and bureaucratic tangles that can drain away the lifeblood of a business. For small businesses, precious few of these BPM tools are worth even thinking about not only because they come with truly sobering price tags, but because they're designed for big, complex organizations. You don't buy a Ferrari to mow your lawn (though it would certainly motivate your recalcitrant teenager!)

However, one category of business process management software is not only useful for small businesses, there are actually quite a number of products, both proprietary and Web-based, specifically designed and priced for small businesses. That area is *contract management*.

For most start-ups and small businesses, contracts are a necessary but relatively small part of the business. For others, such as project shops, contracts are the lifeblood of the organization and govern practically every piece of revenue that comes into the business. Contracts are also vitally important to businesses that outsource most of their business processes.

A contract management system serves several functions:

- **Storage:** contract management systems are first and foremost databases that are designed to store a contract, recover a contract, and search the contract for information in case of a dispute.

- **Authoring:** some contract management products allow you to store templates, record information, or collaborate with others in order to automate and speed up the process of generating a contract.
- **Sharing:** before the days of 21st century information networks, typically one copy of a contract stayed with one party and another copy stayed with the other party; contract management systems allow one common contract to be shared among all interested parties.
- **Performance tracking:** most contracts have deliverables and due dates; some of the more sophisticated contract management systems are low-level project management systems that allow critical dates to be scheduled and sound alarms when the contract has been potentially breached by one or the other party.

Related to contract management (distantly related, I admit) are **electronic** and **digital signatures**. Most contract management services geared to small businesses include electronic or digital signatures as part of their services; indeed, acquiring a reasonably-priced digital signature is one of the main reasons to add a contract management service to your plate. In some cases, it may be the *only* reason you sign on with a service!

A digital or electronic signature is a piece of data that in some cases has the same legal status as a handwritten personal signature or a business seal. While they are often used interchangeably, a digital signature is actually a type of electronic signature; digital signatures are always *encrypted* and are attached to a *certificate* that assures the identity of the person attached to the signature (see section 7.11 for a discussion of electronic certificates and how they work). Digital signatures authenticate the signer and are transportable, time-stamped, receipt-verified, and even can be used to ensure that the signed document has not been changed between submission for a signature and the actual electronic signing. While some electronic signatures optionally include a scanned image of a real, physical signature, for all practical purposes, the real “signature” is the electronic stamp and the “legal” signature is the certificate and encryption key that guarantees the signature’s provenance.

Mastering electronic signatures is a must if you are running a virtual office and are passing legal documents and contracts around in cyberspace.

Most contract management services offer electronic or digital signature services for all contract signers. If you don’t use a contract management service, you can still use electronic signatures either by a.) creating your own certificate and encryption keys if you’re a real technical wizard (which makes me wonder why you’re even reading this!) or b.) purchasing an electronic signature. Either path can be time-consuming and expensive. For instance,

Contract Management and Digital Signatures

if you want to digitally sign documents, the standard for non-repudiation signatures, i.e., fully legal signatures, is Adobe PDF digital signatures. You will require Adobe Acrobat if you want to create your own contracts and you have to purchase a digital signature, which is similar to a Web certificate (see 7.11). These digital signatures work just like any other electronic certificate: they last for a period of time, usually 3 years, and are purchased in volume, that is, you purchase 500 or 10,000 signature “instances”; the cost usually averages about \$0.75 per signature. Some SSL certificate sellers or resellers, such as Verisign (7.11.1), will offer digital signature products, as well. It’s much easier to sign up for an inexpensive contract management service that includes digital signature services. In addition, these services provide signatures for *all* signers provided they undergo a verification process.

WATCH WHAT YOU BUY!

If you purchase a digital signature, be careful to purchase the right kind of signature. Many digital signature products are simply designed to authenticate email and documents; that is, the signature “tells” the recipient that you are the author or originator of an email or document in much the same way a “certificate” tells a user that a particular Web site belongs to the company that says it owns it. In this case, the electronic signature does not have the same legal status as a physical signature on a contract. If, on the other hand, you wish to sign a contract or some other legally binding document, you will need a non-repudiation digital signature. These are most commonly Adobe-certified signatures and are intended to be “signed” to Adobe PDF documents. You can also purchase other non-repudiation signatures to append to other document formats, such as Microsoft Word.

3.10.1. Sertifi

<https://www.sertifi.com>

Sertifi is a unique online service that harnesses the power of electronic media and the Internet to help you manage and distribute contracts.

- You can create a branded area on the Sertifi Web site for managing all your contracts
- You can create or upload contracts, agreements, or other signature-bearing documents in your company’s area.
- Through the Sertifi site, you can send, receive, and track contracts or agreements.

- When a signature is required, all parties are notified by email and directed to a secure log in site where they can attach an electronic signature.
- The entire process—creation, audit trail, and transaction history—is electronically stored.

Sertifi offers three plans: Basic (\$25 per month or \$250 per year) offering all the services listed above except branded pages; Plus (\$30 per month) with additional services including branded pages, custom interactive forms, and technical support; Enterprise (based on a per user fee) with SalesForce.com integration (see 8.15.1), corporate administrative tools, custom API's, and routing capabilities.

3.10.2. EchoSign

<https://www.echosign.com>

EchoSign is a bare-bones contract management service that is for all practical purposes little more than a digital signature service. Since acquiring a digital signature is either a highly complex development process or involves actually paying someone for it, using a simple service like EchoSign for all your digital signature needs is actually a quick and easy fix. EchoSign lets you upload contracts or other documents, notify other signers, append your digital signature, have other signers append a digital signature, and store your contracts.

Because it is largely a digital signature service more than a full-throated contract management service, EchoSign is the most reasonably priced service out there; its most basic service starts at the low, low price of free. The free service only allows you five signatures per month (that's five *signatures*, not five *contracts*) and will only store your last five contracts. Their next level service, Pro, sets you back \$13 per month, but allows you unlimited signatures and stores your last 500 contracts. The Team service, starting at \$100 per month, allows 5 users, unlimited contracts, and unlimited storage, as well as a few more bells and whistles, like Salesforce.com (8.15.1) integration.

3.10.3. Verisign MyCredential™

<http://www.verisign.com/authentication/index.html>

Verisign is the industry leader in electronic certificates and verification (see 7.11.1). As specialists in verification and encryption, they offer a number of business and individual authentication products for businesses large and small, government agencies, and individuals. Verisign offers several

products for individuals (read, small and start-up businesses, too) including government ECA signatures and document verification signatures. While our humble book is a bit too thin to go into all the intricacies of digital signing and authentication, for your purposes, the product to explore is Verisign's MyCredential™, a non-repudiation digital signature for Adobe PDFs. Wait! Remember: you must also purchase Adobe Acrobat in order to make and sign your own contracts, so make sure you add that to the cost! Verisign is the Cadillac of Internet security and charges Cadillac prices; the MyCredential digital signature clocks in at \$595 *per year* for one individual's digital signature. However, what makes Verisign Verisign is their initial thorough authentication process; they really do their homework to make sure that you are the *you* that the signature refers to.

3.11. Human Resources Management

Like contract management above, human resource management software tools are frequently lumped in the business process management bin. While it may be too early for you to start thinking about human resources management, if you already have employees or are planning to have them real soon, then you have a number of tools available that can eliminate many of the headaches and work associated with the human resources side of having employees.

And don't fool yourself. Managing employee paperwork and all the niggling details that come with employees can be a major thorn in your side. Recruitment, training, monitoring performance, tracking time, staying on top of regulations all require fantastic sums of your time when all is said and done. As one client once sagely said, "Running a business would be great if it weren't for the employees."

You have four human resources options when it comes to employees, and, if you're clever, you'll probably end up doing some combination of two or more of these options as you grow:

- **Do-it-yourself:** you can hire your own employees and have you, or some other employee, do all the human resources work.
- **Human resources outsourcing (HRO):** you can hire your own employees and outsource all the human resources management to a firm that specializes in HR.
- **Outsource the work:** you can outsource your work to vendors who have all the necessary employees and do all their own HR.
- **Professional Employer Services or Outsourcing (PEO):** often confused with human resources outsourcing, a PEO essentially hires

your employees and manages all the HR. The difference between a PEO and HRO is that, with a PEO, your staff is all employed by the PEO. For an HRO, the staff is employed by you, but the HRO does all the human resources management.

If you take the do-it-yourself route—and it may be your only option if you're running a bricks-and-mortar retail store—then your life will be much easier if you can at least automate much of your human resources management through software or an online service, called **Human Resources Information Services (HRIS)**.

What you should look for in an online or software HR management solution depends on where you anticipate choke points. In general, these software solutions generally offer one or more of the following HR tools (and this applies to HRO's, as well):

- **Payroll:** by far the most time-consuming task in HR is payroll; it is the number one reason small business owners seek out automation or outsource vendors. Services can vary, but you're looking for: paycheck processing, tax withholding, end-of-year tax summaries (W-4s), wage garnishment services, and direct deposit.
- **Benefits:** by law and by choice, your business will offer several benefits to employees. Again, because of its complexity, benefits can easily eat up major chunks of your valuable time. You're looking for systems that can help you with: vacation time accrual, unemployment insurance, health benefits, COBRA benefits, and any retirement or life insurance plans.
- **Regulations:** While you may not find online systems to help you on this, you do need something to keep you abreast of safety, health, wage, and other regulations that govern your workplace and how you can use and compensate employees.
- **Recruitment:** In all my years helping entrepreneurs launch companies, their most frequent complaint is the difficulties involved in recruiting. Many services, HROs, and software have tools to help streamline the recruiting process.

3.11.1. MYstaff

<http://www.mystaff.com.au>

If you were a large corporation with big revenues coming in, you'd be installing an enterprise-wide Oracle or PeopleSoft HR software system.

But you're not a mega-corporation, so you're either going to rough it with a spreadsheet or use a Web-based software solution designed to mimic the functions and capabilities of Oracle or PeopleSoft. The best and most cost-effective solution, MYstaff incorporates all HR needs in one complete package, a Web portal through which employees, managers and administrators can manage all details:

- Jobs and positions
- Recruitment processes
- Performance
- Payroll and compensation
- Training and e-learning
- Time and attendance
- Occupational health and safety

3.11.2. ADP PayLine Solution

<http://www.asiapacific.adp.com/services/payrollhr/payline/plhr.php>

ADP is the world's leading outsource payroll company (see 4.9.3), but also offers a complete line of outsourced HR services. Interestingly, Asia-Pacific ADP offers an intriguing Web-based software solution for managing your human resources called ADP Payline. And while your business is probably not based in Asia, you can still sign on for the services—all part of the wonders of a globalized world!

ADP PayLine allows you to record information about your employees and run reports from this information. It is essentially a secured employees' records software that you can access from anywhere. You can record

- Personal details: address, phone number, mobile phone number, email address, date of birth, age, emergency contact.
- Position details: both current and past positions.
- Qualifications: qualifications can also include training and classes recorded by date completed.
- Licenses & associations: including expiration dates and yearly fees.
- Training/skills history: including training requirements, costs, and number of hours spent in training.
- Company property: what company property has been issued to each individual employee.
- Occupational safety: history of injuries and accidents.

3.12. Calendars and Schedules

If you have any of the office suites, either installed or Web-based, you pretty much have your calendar needs met. They all come with some form of calendar and contacts software and some, such as Outlook, integrate across several platforms. Outlook should pretty much handle every calendar and scheduling need you'll have. If you add some form of sales software to your mix, such as ACT! or Salesforce.com (8.15.1) or a serious project management system (3.9), then you have a calendar/scheduler on steroids with significant Web components. If not, you may want a totally Web-based calendar or scheduling system if your business makes you highly itinerant or you need to share your calendar among many parties.

3.12.1. Google Calendar

<http://calendar.google.com>

While not designed for the business user, Google Calendar does have the virtue of integrating with Goffice (see section 3.6.8) and Gmail (again, 3.6.8), so you should seriously consider Google Calendar as your calendar solution if you're using other Google services . . . particularly since the price is more than right: *free*. Most importantly, Google Calendar allows you to share your calendar with other users. You can also set up automatic event reminders, including mobile phone notifications, and instantly bring up anything on your calendar with Google's powerful built-in search tool. It is, however, severely limited when compared to Outlook or other contact/calendar systems that are designed specifically for business users.

3.12.2. AirSet

<http://www.airset.com>

Like Google Calendar, AirSet is a *free* online calendar that allows you to share your schedules, contacts, and lists. The calendars and contacts sync with Outlook and the Palm desktop, but, unlike Google Calendar, AirSet has designed in features for business users including:

- Coordinating project teams.
- Coordinating sales calls.
- Employee schedules.
- Automated event reminders.
- Employee and vendor contact details.
- Sharing of contacts and schedules with employees and vendors.

3.13. Browsers

It may strike you as odd to encounter a whole section on browsers. After all, browsers come pre-installed on your computer and they're all the same, no? No.

Myth One: Browsers are just the things you use to view Web pages.

Reality check: Browsers are **productivity tools**. Even in their most passive mode, i.e., displaying Web pages, browsers can make your life easier or harder based on programming quirks, features, and user interface. When you start using the Web for actual productivity, such as using online office software, email, or other tools, then your browser can add or subtract significant time or effort. And, most importantly, your browser is a *security hole* on your computer; the tools the browser offers to close that hole can mean the difference between a working computer and all your business data going bye-bye in a malicious attack.

Myth Two: All browsers are alike.

Reality check: Browsers vary greatly in the usability of their interface, the speed with which they download pages, their efficiency at running programming code, the quality of their page renderings, and their security. If your business includes a Web site, having a fleet of browsers to test your site is not an option. Your customers may not be using your browser and may be seeing something totally different than you!

The hard reality is this: you will only find the quirks, faults, problems, and advantages of individual browsers through hard-won experience. For instance, I had a client who upgraded to Windows Vista and Internet Explorer 7 from Windows XP and IE 6. He spent the next *four weeks* on his Hotmail account not being able to download or view any attachments when he was in Webmail mode, which was all the time. As a result, work didn't get done and money was unceremoniously flushed down the loo. After four weeks of this, he switched to Mozilla Firefox. Voila! He could log into Hotmail and download or view all of his attachments.

I dare you: scour the Internet top to bottom and you will probably not find the following tidbit: "you can't read attachments in Hotmail on IE 7 on Windows Vista." If downloading attachments from a Webmail interface is important to you, then IE 7 is not for you.

It's all part of Hooker's First Law of Software: "Software applications: no matter how much you love 'em, always be ready to leave 'em. Keep your suitcases packed and sitting at the front door!" Since browsers are free, I keep *all* major browsers on my computer and move between them when I encounter problems. I use the browser (Internet Explorer 7 for Windows XP) that troubles me with the fewest productivity problems, but I have a very different productivity profile than other small business owners. I switch very rapidly and fluently between browsers because after fifteen years in the Web development business, I know which browsers work best for which applications.

WHY BROWSERS ARE IMPORTANT

As a shoestring venture, much if not all of your marketing and business activity takes place on or through a Web site. If that's the case, then browsers are the primary instrument of your profitability. Your Web site has to look good and function across the whole range of browsers that your customers use. If you use Internet Explorer, that's great. If your site looks and feels and works great on Internet Explorer, that's great, too. But what if your customer is using Safari? Or Opera? What does your Web site look like to them? For that reason, you, not just your Web developer, should have all the browsers listed below. You should know how well your site performs on each of these browsers both while your site is being developed and after it's deployed. A word of warning: most Web developers skip on the browser testing part. Many don't have Macintoshes and so don't test to see what Macintosh users (6% of your customers) are seeing. Ultimately, it's up to you to test your site on the browsers listed below. So read the list, fire up your computer, and install these browsers in all the versions we helpfully suggest!

3.13.1. Internet Explorer

<http://www.microsoft.com/windows/products/winfamily/ie/default.mspx>

Internet Explorer, the most widely used browser in the world, is a free proprietary graphical web browser made by Microsoft and automatically installed with Windows Vista or Windows XP. It has been the most widely used Web browser since 1999. Currently, around 78% of all Internet users are using Internet Explorer version 6, 7, or 8 (the most recent version).

Internet Explorer has been designed to view a broad range of Web pages using the broadest possible coding languages; it is also intimately connected

to the Windows operating system. Many features of both the Vista and XP operating system work through Internet Explorer.

Internet Explorer offers tabbed browsing (versions 7 and 8), which allows users to open several Web pages in a single browser window, security features, and a pop-up blocker. America Online, a still potent Internet service company, uses a modified version of Internet Explorer in its Internet software suite.

On the Macintosh, Internet Explorer is highly unstable. In fact, it was so bad that Microsoft stopped supporting the Macintosh version of its browser. Macintosh users typically do their Web surfing on Safari (3.13.6).

Because Explorer is not fully compliant with “Web standards” (a set of standards governing how layout and formatting should be governed with a combination of HTML and CSS, the two major coding languages for Web pages), not all standards-compliant sites work properly. Some sites specifically demand a fully compliant browser, such as Firefox, to work as intended.

Your Web site should be tested regularly in Internet Explorer versions 6, 7, and 8 for Windows (you can safely ignore the older versions for Macintosh). Even though Internet Explorer is used as the browser in the AOL software suite, you will need to test your site in AOL software because there are unique quirks you may not know about.

3.13.2. Mozilla Firefox

<http://www.mozilla.com/en-US/firefox/>

Mozilla Firefox is a free, open source, cross-platform Web browser developed by the Mozilla Corporation and a large community of volunteers. Its primary claim to fame is that it is fully “standards-compliant,” meaning it is designed to display pages that fully comply with HTML and CSS coding standards. It means, of course, that non-compliant sites may not display correctly in Firefox even though they display correctly in other browsers..

Firefox includes a pop-up blocker, tabbed browsing, live bookmarks, a download manager (which is actually slower at downloads the Internet Explorer), and an extension mechanism for adding functionality. Firefox also allows the user to install many different kinds of plug-ins created by other users, thus adding significant capabilities to the core browser. The second most popular browser in the world—a very distant second—Firefox is used by around 17% of Web surfers.

Firefox tends to be the browser of choice among Internet power users, developers, geeks, and hackers. These Firefox fans can, to less obsessive folk, be a tad overbearing, if not downright scarifying, in their dedication to the browser and there's a good chance that your Web developer will be

one of them. There's also a good chance that your developer will only test on Firefox because of their principled aversion to everything non-Firefox; you need to ride herd on this and make sure your developer has an entire suite of browsers to test your site on.

You should have Firefox installed on your computer; if you're accustomed to Internet Explorer, you shouldn't have any difficulty making the transition to Firefox and may enjoy some productivity gains.

Firefox is currently on version 3 (released in June of 2008); because the user base is a tad more serious and fanatical about their browsers, you can expect that they're pretty good about updating their Firefox. However, you should still test your site not only in version 3, but version 2, as well.

3.13.3. Opera

<http://www.opera.com/>

Opera is a free Internet suite which handles common Internet-related tasks, including Web browsing, sending and receiving e-mail, managing contacts, and online chat. The browser includes tabbed browsing, page zooming, a download manager, and bit torrent downloads. It runs on Windows, OSX, UNIX, and Linux systems and now includes versions for cell phones and PDAs.

Besides a Web browser, the Opera suite includes a full email application, Opera Mail, which supports all email connections, includes an address book, and also features a newsreader, a news-feed reader, and a chat application.

The Opera browser is the most standards-compliant browser on the market and boasts the fastest page rendering times. Upgrading to Opera will undoubtedly increase your productivity on the Web. For the most part, however, Opera best suited for Internet power users who perform frequent downloads. In fact, it is the most reliable browser for managing multiple, large downloads (Internet Explorer and Firefox, on the other hand, only support two large downloads at a time).

Currently on version 9.1, Opera is the fourth most popular browser with a meager 1% of users in the U.S. and Western Europe. Despite this, it is the browser of choice on mobile phones (Opera Mini is installed on over 40 million mobile phones are out there using the Opera browser), so if mobile Web is on your horizon, you need to be intimate with Opera for mobile phones. It is also the installed browser on Nintendo's hand-held gaming device and the Wii gaming console; again, if these devices hit your customer demographics, then Opera is in your future.

You should always test your Web site in Opera versions 8, and 9. For good measure, I've got version 7 as a test platform, as well.

3.13.4. Flock

<http://flock.com>

Flock is the first Web browser to build social networking and Web 2.0 features right into the browser's interface. Basically just a souped-up version of Firefox, Flock integrates social networking and social media services, such as Facebook, Twitter, and YouTube, right into the actual browser. So when a user signs on, the browser instantly alerts them to what friends are doing, recommending, or what new media has been uploaded. The entire browser is built around a user's activities in these social and media networks and is becoming wildly popular among these users. For this reason alone, you should familiarize yourself with the browser. In particular, if social networking is part of your marketing or PR plan, then much of the audience you're trying to reach will be on Flock and this should become your browser of choice when working on the social networking arm of your marketing.

3.13.5. Google Chrome

<http://www.google.com/chrome>

The latest entrant to the browser wars is Google's Chrome, the shiny new kid on the block. Introduced in early September, 2008, just weeks before this book rolled off the presses, Chrome has exploded to a 1% share of the browser market literally overnight.

Designed to be a super-fast, highly productive browser (and, so far, it has way surpassed other browsers in the speed with which it renders Web content, runs scripts, and processes Web applications), Chrome also integrates with the Google search engines. For instance, Chrome regularly downloads Google's blacklist of malicious Web sites (you know, sites that surreptitiously install viruses and other nasty stuff on your computer) so that the browser can alert you before you download problem Web sites.

Chrome runs only on Windows XP and Vista. Because it offers substantial gains in productivity as well as heightened security, it may become a major browser. Then again, it may not. Nonetheless, version 1 should be on your list of testing browsers.

3.13.6. Safari

<http://www.apple.com/safari>

We end with Safari, which is actually the third most popular browser in use, representing about 6% of the browser market. Developed by Apple, Safari was intended as the exclusive Macintosh browser. Since Microsoft ceased supporting Internet Explorer for the Macintosh, for all practical

purposes you should consider anyone Web surfing on a Macintosh to be a Safari user. It is also the installed browser on Apple's iPod and iPhone. Despite this, there are also versions of Safari for Windows XP and Vista.

Currently on version 3, Safari offers tabbed browsing, bookmark management based on the iTunes interface, and pop-up blocking. Apple claims that Safari is the fastest browser on the market and many users confirm this; benchmark tests, however, seem to give that honor overall to Chrome or Opera.

Because of Apple's increasing market share and the distinct, definable demographics of its user base, there is almost no doubt that you should test your Web site in Safari versions 2 and 3 *for the Macintosh*. If you don't want to fork over your life savings to buy a Macintosh, you may be sorely tempted to test your site in Safari for Windows. But the Windows version doesn't behave the same as the Macintosh version (for one, it's as buggy as a Minnesota summer evening), and, since so few people use the Windows version, you can safely ignore it.

3.14. Instant Messaging

The Internet allows you several communications alternatives that can significantly reduce or eliminate your phone bills *and* increase your productivity. If you plan to do any significant outsourcing, instant messaging and VoIP (see 3.16 below) are *absolutely required*. Aside from email, you can communicate to anyone offsite using your Internet-connected PC through three main methods:

- **Instant Messaging (IM)**—Instant Messaging allows you to send text messages instantly to other people's computers, provided they are connected to the same instant messaging service you are.
- **Voice over Internet Protocols (VoIP)**—VoIP mimics a phone line; in fact, many phone services you can purchase for your business are actually VoIP services. Unlike a phone, however, VoIP requires a connection to the Internet (a fast connection). In every other respect, however, it works just like a phone. In fact, you can use your mobile phone as VoIP phone just by logging into the VoIP portal from your phone. If you have a set fee for Web access, then you can call away on VoIP and use up exactly zero of your plan's minutes.
- **Web conferencing**—Web conferencing is essentially a “desktop sharing” application combined with instant messaging and VoIP. Web conferencing allows one or more desktops (or part of the desktop) to be shared among many users over the Internet along with

voice transmissions or instant messaging and chat. Web conferencing services frequently include video as well as audio transmission.

Most mobile phone services offer instant messaging, text messaging, and chat as part of their service (at a price). You can also get a Web-based instant messaging account for free and use it with your computer, your PDA, and your cell phone (provided your service includes Web access). For many small business users, it's much more economical to join a free service such as Twitter and use it entirely on their cell phone or PDA and thus avoid the relatively high prices their cell phone service charges for text messaging.

In addition to productivity, instant messaging is a key component to shoestring marketing and building buzz about your company and product. For instance, the 2008 presidential campaign of Barack Obama has achieved remarkable results just by piling up hundreds of thousands of chat buddies on Twitter and sending out periodic updates and mini-ads.

3.14.1. AOL Instant Messenger (AIM)

<http://www.aim.com/>

AOL Instant Messenger was one of the first IM services and is one of the largest with over 60 million users. Like all instant messengers, AIM is a stand-alone application that you have to install on your computer and start as a separate application. The current beta (test) version installs on Windows Vista, Windows CE (PDAs and cell phones), Mac OSX, and Linux; the actual current version (6.1) is Vista “compliant,” whatever that means. The service offers instant messaging, chat rooms, audio chat (VoIP), file sharing, contact management, and, with AIM Pro, WebEx Web conferencing (see 3.15.1), video conferencing, high security, and desktop and file sharing.

One distinguishing feature about AIM is that it allows users to add “buddies” to their contact list without approval from those “buddies.” Other services will notify users that other users have added them to their contact list and give them the option to block those users. Not AIM. This means that other users can know that you’re online without you being aware of it. This loss of privacy is a pretty significant downside, in our opinion.

For those who cannot download or install AIM on their computers, AOL offers AIM Express, which allows users to send text messages through a Web browser.

AIM Express supports many of the IM features included in the stand-alone application, but does not provide advanced features like file transfer, audio chat, or video conferencing.

3.14.2. Yahoo! Messenger

<http://messenger.yahoo.com/>

Yahoo! Messenger is a popular, free instant messaging and VoIP application and protocol provided by Yahoo!. The current version, 8.1, is fully compatible with Windows Vista. You sign on to Yahoo! Messenger by creating a Yahoo! ID, which also gives you access to Yahoo! Mail. The instant messaging service provides:

- Instant messaging
- PC-to-PC phone calls (VoIP)
- File transfers (up to one GB)
- Chat rooms
- Radio stations
- Stealth mode: you appear only to select people on the network

Yahoo! is also part of MSN's instant messaging networks, which means that its instant messaging service is compatible with Windows Live Messenger (MSN); it also means Windows Live Messenger is compatible with Yahoo! So there's no need to join different messenger services in order to message or chat with different people.

If you're planning on doing serious outsourcing, most of the outsource firms I've worked with in India and Russia use Yahoo! Messenger as their communications channel of choice. So Yahoo! Messenger is a must-have for any offshoring business model. AIM is a relatively close second and MSN a very distant third.

3.14.3. MSN (Windows Live Messenger)

<http://get.live.com/messenger/overview>

Windows Live Messenger (WLM) 8.1 is a freeware instant messaging application for Microsoft Windows Vista that accesses the IM and chat resources on MSN. The business version is called Communicator and comes standard with higher versions of Office. Any computer with an Internet connection, Vista, and Internet Explorer can connect to the Messenger Service by using MSN Web Messenger or one of the unofficial equivalents. The latest version of WLM optimized for Vista enables you to use emoticons, pictures, and send short messages to cell phones. WLM is also compatible with Yahoo! Messenger for sending voice messages.

In terms of outsourcing, we have never been required to use MSN in any of our offshore relationships, so it is definitely a distant third in terms of planning your offshoring or outsourcing business model.

3.14.4. Jabber

<http://www.jabber.org>

The self-styled “Linux of instant messaging,” Jabber uses XML (a markup language that classifies data into logical groups) as the basis of an open source, standards-compliant instant messenger. As with all instant messenger applications, you can communicate with anyone connected to a Jabber server.

The Jabber network is based on servers, that is, your computer does not talk directly to someone else’s computer; instead all messages are routed through a server. However, the Jabber network is decentralized. There is no central server as there is with AOL Messenger, Yahoo!, or WLM. This is significant, because it allows you to run your own instant messaging service just by setting up a server. For all practical purposes, all the open source, free, and standardized virtues of Jabber are only relevant if you want to set up your own server. Many IM services use Jabber, such as Chikka, EarthLink, Gizmo Project, and Google Talk.

3.14.5. Twitter

<http://www.twitter.com>

Twitter is a unique twist on instant messaging. For all practical purposes, it really isn’t about *productivity* or even instant messaging, since the service only traffics in teensy little messages shared among friends. It’s not really an instant messaging service, but more of a *micro-blogging* service. It is not intended for actual chats, but for updating a network of users on your activities. “I’m watching Dark Knight now” or “I’m at the gym.” Updates are sent to the network through the Web site, instant messaging, RSS feeds, or email.

But, boy, it has its uses! As a productivity tool, Twitter has been used by both large and small companies as an instant messaging updating tool and a marketing tool (for instance, to send new product announcements or updates to customers). The Los Angeles Fire Department uses it to pass messages and updates around to people fighting regional fires. In my business, I demand that all outsource vendors have a Twitter account and send updates and urgent questions via Twitter; if I’m on email, the message appears instantly in my email box. If I’m away from my computer, my cell phone alerts me. If I’m working in another office, then my Web browser delivers the information. Like email, I have a full record of all messaging transactions.

Twitter comes into its own, however, as a marketing and PR tool. As such, Twitter *must* be in the arsenal of every shoestring venture for creating buzz and interest. It is an enormously effective way to connect to your customers and keep them interested.

3.15. Web Conferencing and Collaboration

Web conferencing services come in two types: Web conferencing and Web collaboration. While some services offer both, you should be clear on the differences.

Web conferencing is a combination of instant messaging, VoIP, video, and desktop sharing. In a Web conference, you connect to other parties and “share” your desktop with them while also sending instant messages or Voice over Internet (or even a video feed). Web conferencing enables you to chat, talk, or video conference with people at different locations around the world while sharing your desktop or computer workspace with them. You can work on files, graphics, and give presentations without fancy video conferencing software and big phone bills. The great benefit of Web conferencing is that it allows people to work on the same project without having to be in the same place.

Web collaboration software and services allow you to share documents, schedules, and other important enterprise or project information across several distant users. Some services allow you to share desktops, but the goal of collaboration software is to make documents available to users and track changes.

Any small business contemplating any amount of outsourcing should seriously consider both Web conferencing and Web collaboration software. There are a number of solutions that can fit any level of needs and any budget. However, don’t expect a good experience the first or even the second or third times. Both Web conferencing and collaboration take practice to get the process seamless; once there, however, you will realize tremendous gains in productivity and get much better results from your outsource vendors.

What are you looking for when purchasing a Web conferencing system?

- **Quantity:** make sure that the number of conferences and number conference participants allowed per month meets your needs. For most start-ups and small businesses, you will probably not require Web conferences of over ten people.
- **Presenter:** who will do the presenting in a Web conference? Just you? If so, you only need a service that allows you, as the initiator of the conference, to control the desktop and “do” the presentation. If you’re going to give shared presentations with more than just voice or chat participation from the other conferees, then you need a service that allows for the presentation to be shared and mouse/keyboard control to be available to all participants.

- **Operability:** will the system work across several platforms and several applications?
- **Recording:** will the system record the Web conference, including whiteboard comments, annotations, and other input?
- **Scheduling:** finally, the meat and potatoes of all conferencing is getting the right people in the right place at the right time. Some Web conferencing solutions are more efficient at scheduling and reminders than others.

3.15.1. WebEx

<http://www.webex.com>

The first and best Web conferencing solution is WebEx, which allows you to conduct Web meetings through your browser. You can pay each time you use the service or purchase a business multi-user subscription for \$375 per month (it is \$75 a month for each additional user) or an unlimited single user subscription for \$39 per month.

WebEx WebOffice Workgroup is a collaboration suite that allows people to collaborate on projects and assignments through the Web. The suite includes shared calendars, live meetings (through WebEx), a shared database, document sharing and tracking software, and also includes WebEx email, a group hosted online email service designed for businesses (not individual users).

3.15.2. GoToMeeting

<https://www.gotomeeting.com>

GoToMeeting is a Web-based meeting and collaboration software solution. You can schedule meetings, perform live demos, and collaborate on documents in real time. You can purchase unlimited use on a monthly (\$49 per month) or an annual (\$468 per year) basis.

3.15.3. Yugma

<http://www.yugma.com>

Yugma has in recent years become a pretty formidable competitor in the Web conferencing market, mainly because it offers its most basic services for *free*. Outside of its lovely price tag, Yugma offers some significant free add-ons, such as support for VoIP (see 3.16 below), Skype integration (3.16.2), and free widgets (for paying customers) for Web sites, social networking pages, and blogs.

The basic service, which is free, allows for Web conferences of up to eleven people (including you), unlimited Web conferencing sessions (one at a time), on PCs, Macs, and Linux, and any browser (including Safari). In addition, the desktop sharing can be done with any application whatsoever.

The professional service allows for twenty-one conference participants for \$20 per month or \$200 per year. Professional 100 allows 101 conference participants for \$70 per month or \$700 per year. If you're really serious about Web conferencing, you're looking at the Web Professional 500 (yep, 501 conference participants) for \$90 per month and \$900 per year. Yugma also includes some powerful Web collaboration tools including shared file space.

3.15.4. Mr. Web Office

<http://www.mrweboffice.com>

Mr. Web Office is a Web-based collaboration tool with over 300,000 users. The software suite includes

- Document management, collaboration, and tracking.
- Shared online calendars.
- Task manager which allows you to assign and track tasks across the collaborative group.
- Discussion forums.
- Database manager which allows you to collaborate on databases.
- Contact directories.
- Expense reports.
- Opinion polls.

Pricing ranges from \$20 per month (one user and 100 MB storage) to \$2,500 per month (for corporations: 500 users and 10 GB of storage).

3.15.5. HyperOffice

<http://www.hyperoffice.com>

Hyperoffice is a Web-based collaboration and intranet software solution with professional email, document sharing, document storage, document collaboration, document versioning, project management, shared calendars, and contact management tools. Designed primarily for medium- and large-sized business, HyperOffice does have hosted solutions more appropriate for small businesses, as well. Prices range from \$45 per month (5 users, 500 MB storage) to \$1,500 per month (250 users, 25 GB storage).

3.16. Internet Voice Portals (VoIP)

VoIP, or Voice over Internet Protocol, is the transmission of voice-quality audio over the Internet. While VoIP is actually the *protocols* for transmitting voice over the Internet, it is the accepted moniker for Internet or broadband telephony. There are two main types: DID, or **direct inward dialing**, allows people to connect directly to the VoIP user and **access numbers**, which means that people have to call an access number to connect to the VoIP user. Of course, for speed and usability, you will want to go with a DID service. In addition to allowing computer-to-computer phone calls, VoIP services will also connect a computer user to a phone, a phone user to another phone, and so on. For a DID service, a phone user can dial a number and the call is routed through VoIP and connects to another phone.

There are several benefits to signing on to a VoIP service.

- **Multiple phone numbers**—you can have more than one phone number on one broadband connection, making VoIP the simplest and cheapest way to add phones to your shoestring venture.
- **Multiple phone services**—some phone services, such as conference calling and caller ID, which phone companies charge you for, can be had at no additional charge with a VoIP service or software.
- **Security**—phone calls can be encrypted easily so the transmission can't be listened in on as easily as a regular phone call.

On the downside, a VoIP voice signal is sent the same way an email or file is sent: in little chunks called “packets.” If packets get lost or held up, then the quality of the transmission goes down and may even become utterly unintelligible. If the network is congested, then not only does the quality go down, but there may be a significant time delay of several seconds, meaning you're spending a good chunk of time listening to nothing. Not all services are created equal. Some are very good at routing and handling the voice data, resulting in higher quality voice transmissions. Some aren't so good.

DON'T GIVE UP YOUR PHONE!

Even though it's a major temptation, VoIP should never completely replace a traditional landline or mobile phone for the simple reason that VoIP phone services are not efficient with emergency phone calls. The Internet protocols involved in routing an emergency call (911) mean that emergency phone calls may not be routed to the geographically correct emergency services. So, for safety's sake, keep a good grip on that landline or mobile!

3.16.1. Vonage

<http://www.vonage.com>

Vonage is a leading provider of broadband telephone services with over 2 million subscriber lines. Their award-winning technology enables anyone to make and receive phone calls with a touch tone telephone almost anywhere a broadband Internet connection is available. They offer feature-rich and cost effective communication services that offer users an experience similar to traditional telephone services.

Vonage's service is sold on the Web and through national retailers including Best Buy, Circuit City, Wal*Mart, and Target and is available to customers in the U.S., Canada, and the United Kingdom. Their Residential Premium Unlimited and Small Business Unlimited calling plans offer unlimited local and long distance calling, and popular features like call waiting, call forwarding and voicemail for one low, flat monthly rate.

3.16.2. Skype

<http://www.skype.com>

Skype is a unique service that allows you to call any phone number through your computer. Calling other computers is free, but calling phone numbers through SkypeOut costs 2.1 cents per minute. You can get unlimited phone calls in the United States and Canada for \$3 per month and unlimited calls in and to 34 countries (including the U.S. and Canada) for \$10 per month.

Skype requires a fast Internet connection (DSL or cable) and a headset for use on a computer; it's also available for WiFi and cordless phones. Even with a fast connection, there may be delays in transmission and reception. Skype is available for Windows (version 3.8 for 2000, XP, Vista), Macintosh (version 2.7), Linux, Windows Mobile, Smartphone, WiFi phones, cordless phones, and a special phone, the Nokia N800/N801.

The service also includes instant messaging, group chat, conference calls, voice mail, call forwarding, and video calls (free). You can also purchase an online phone number (SkypeIn) that regular phone users can dial and reach you directly on your Skype connection.

For marketing and public relations purposes, you may want to use Skypescasts, which are large, 100+ user calls that are similar to radio broadcasts or podcasts. You simply announce a topic which then gets placed in a Web directory. On the date and time indicated, you dial in and just start talking about the topic you've announced, just like a radio broadcast. People connect in and listen, or they don't, again, just like a radio broadcast.

Cell phone users can use iSkoot (<http://www.iskoot.com>) to make unlimited Skype calls through the voice network on their cell phones; the service also allows them to access to SkypeOut to call non-Skype phones.

3.16.3. Yahoo! Voice

<http://voice.yahoo.com>

Yahoo! Voice offers free PC-to-PC Calling in Yahoo! Messenger; for an additional \$10 per month, you can use Yahoo! Voice to call any landline or mobile phone (Phone Out) and for \$2.50 per month, you can also get a dedicated number to your PC (Phone In). Rates using Phone Out and Phone In are incredibly reasonable, typically around 1¢ per minute for phone calls within the United States (and 1.5¢ per minute for phone calls to Vatican City or, get this, China). Quality can be a bit of a crap shoot, but Yahoo! Voice has some pretty amazing rates.

Unlike Skype, Yahoo! Voice only works on a PC. The system works through Yahoo! Messenger, so it's compatible on any system that can run Yahoo! Messenger or a Web browser.

3.16.4. Google Talk

<http://www.google.com/talk>

Currently in beta release (for the last year and a half as near as I can tell), Google Talk is a VoIP service that works through a custom interface, Google Talk (who would've thunk?) or through the Web using the Google Talk widget (see 8.10 for a definition of widgets). Google also offers Google Talk for the iPhone and for the new Google phones (such as T-Mobile's G1 scheduled to hit the stores in October of 2008), which allow you to use your iPhone or Google-enabled smart phone to call other folks with Google Talk either on their iPhone, smartphone or PC. Google Talk only offers PC-to-PC voice calls (for free), instant messaging, Gmail notifications (see 3.6.8), and file transfers. Unlike Skype and Yahoo!, there is no call out service; you can only connect with users with Google Talk installed on their PC, iPhone, or smartphone.

The system that runs on smartphones is called "Android" and it not only allows you to access Google Talk, but all other Google features, as well, including Google Maps, Gmail (see 3.6.8), and Goffice (3.6.8).

Google Talk is free and requires a Gmail or a Google Account username and password; Google Talk is only available to you (and the people you call) after sign-in to Gmail or Google, putting a certain degree of planning on both ends to make a phone call happen.

3.17. Virtual Fax Services

Faxes seem pretty easy. Buy a fax machine, plug it into a phone line, and there you go.

Well . . .

Faxes are central to your business, so you have no choice but to have a fax solution. You can plug a fax machine into your existing phone line or you can buy an additional line just for your fax machine. Either way, your fax machine is not always available. If you share a line with your fax machine, your fax machine is “off” every time you are on the phone, someone is leaving a message, or you’re sending or receiving a fax. Even with a dedicated line, your fax machine is out-of-service for sending or receiving a fax if it’s doing something else.

However, since faxes are, in reality, electronic documents, there is no reason why they can’t be sent or received without ever sending a piece of paper through a fax machine. That’s what **virtual faxing** is all about. Rather than load a piece of paper in the machine and send it, you simply fax the actual electronic document which is then converted into a fax. The same applies to receiving a document. Someone at the other end puts a piece of paper in the fax scanner, the fax machine digitizes it, and the digital file is sent to . . . your computer, your cell phone, or PDA. This saves you the telephone expense and, best yet, your virtual fax is “always on,” just like your email is “always on.”

Virtual faxing services are very inexpensive, as little as a few dollars per month. So any size business—from a shoestring to super-enterprise—can easily benefit from a virtual faxing service.

What should you look for in a virtual faxing service?

- **Area codes or toll-free:** Virtual fax services either work totally virtually (faxes can only be sent electronically through email, Web, or a PDA) or virtually only on your end. If the other dude in the fax connection is plodding along with an old-fashioned fax machine hooked into a phone line, your virtual fax account will require a phone number—it’s through that phone number that your faxes go back and forth over the phone lines to those clunky old fax machines. If you plan to use virtual faxing for all your faxing needs, you absolutely need a service that assigns you a phone number. The service should offer numbers in your area code and, if you require a toll-free number, some services will offer those, as well.
- **Formats:** Check the receive and send fax formats carefully. You should make sure that you either have the software to read

and write those formats or that the software is easy and cheap to acquire. When evaluating formats, there are two considerations: receive formats and send formats. Often, the receive formats are very simple (usually PDF or text only), but the send formats can vary widely. Some services support a broad range of send formats (making life easier for you); some only support standard document formats (Word documents, PDFs, TIFFs, etc), making your life a bit more constricted and challenging.

- **Archiving:** Not all services archive the faxes sent through their system, but archiving is like a backup. If your laptop goes kaboom, you can still access your faxes just in case they went kaboom with your laptop.
- **Auto resend:** Almost every clunko fax machine comes with an auto-resend feature. If you are sending a fax and the receiving machine is busy or bollocksed up, the machine will try a few more times. No virtual fax service worth its salt should be without an auto resend feature.
- **Delivery confirmation:** On a standard fax machine, the only real delivery confirmation you get is the fact that your originals have been passed through the machine. Virtual fax services should offer several different types of delivery confirmation to suit your needs, including email confirmation.
- **Recipients:** Since this is virtual faxing, you should not have to send a fax to five people five times. The service should allow for multiple recipients. Be warned, however. These services don't want your business if you're sending "junk faxes," so the maximum number of recipients is typically low (five to ten).
- **Fees:** Finally, you're on a shoestring budget, so you *must* watch the fees. A low-priced service may not be the best value. Every service *meters* your usage and bills accordingly. Fees are based on a *maximum* number of pages sent and received or minutes used in any billing period (typically one month); exceed those amounts, and you end up paying a per-fax fee, just like you pay for extra minutes on your cell phone. Heavy fax usage can take a pretty hefty bite out of your bank account if you're not watching the overage fees carefully. *Did you catch that usage is calculated by the number of pages you send, not the number of faxes. Got that?* Finally, all services charge extra for pages sent internationally—on a per page basis. Got that? International faxes are always overage. Some services charge an overage fee for ALL outbound faxes. Check the fees before you buy! Watch the fees after you buy!

3.17.1. MyFax.Com

<http://www.myfax.com>

MyFax offers virtual faxing for as little as \$10 per month (100 sent and 200 received faxes per month). You can send and receive faxes through email, a Web interface, or even a PDA or cell phone. The service offers a Web interface, MyFaxCentral, that allows you to send faxes in a variety of document formats. All faxes you receive are sent to your email box—in fact, you can assign up to five email boxes to receive faxes through the service.

MyFax can assign you either a local area code or a toll-free number (Canada and U.S. only). Sending faxes comes with both an auto resend feature and delivery confirmation. You can send one fax to up to nine recipients simultaneously.

You can send and receive 178 different file formats (as of the date of the publication of this book). The service integrates closely with Microsoft Office 2007 and Outlook 2007. MyFax archives faxes for up to one year.

Like other services, pricing is based on a maximum number of pages sent and received each month. Overage charges are \$0.10 per page (three times more expensive than the pre-ovrage amount) unless sent internationally. The lowest priced version offers 100 sent faxes and 200 received faxes for \$10 per month (\$110 per year); next up is 200 sent faxes and 400 received faxes for \$20 per month; the highest level, at \$40 per month offers either 1,000 sent faxes and 100 received faxes or 100 sent faxes and 1,000 received faxes per month.

3.17.2. Innoport

<http://www.innoport.com>

Innoport offers virtual faxing services as well as virtual PBX (virtual “Private Branch Exchange,” see 3.18 below), Find-me, Follow-me (see 3.18 below), and virtual voice mail services. Because they offer integrated services, we’ll deal with them all here rather than divide the discussion between this and the next section.

For sending and receiving faxes, Innoport assigns you one or more toll free and local phone numbers that you can either use for voice mail or faxes or both. If your number is set for both voice and fax, Innoport automatically distinguishes between a voice call and fax signal, so callers do not have to press any additional keys. Here’s the cool thing: because Innoport also offers virtual PBX services, you can also assign many of these services to your number, such as messaging, call routing, or call forwarding. Or you can go the whole PBX route and use the number to send callers to various virtual or real extensions.

When a sender transmits a fax or leaves a voice mail to your number, you receive the message in your email account (that's right, your voice mail message goes to your email box as a sound file). You can assign up to four email accounts for simultaneous message or fax distribution. If you're not into listening to voice messages on your computer, you have the option of listening to voice mails over the phone.

You can send faxes from a Web interface or your email account. Innoport uses common file formats, such as Word documents, PDF, and TIFFs. In fact, you can send one fax from several file formats—you can have a Word document as pages one to three, a TIFF file as page four, and a PDF as pages five to seven, and the whole thing gets sent as a seven page fax. Innoport also allows you to send one fax to multiple recipients.

In fact, Innoport is one of the only virtual faxing services with a bulk faxing service, but only available with their higher plans. Charging \$0.04 per minute, Innoport will fax blast a minimum of 500 pages (that's one page to 500 people or 250 pages to two people, see?) using a fax number list that you've rented or provided.

Innoport offers four personal plans: Signature ("267" area code, 350 inbound minutes, no outbound faxes, \$4 per month), Marquee ("267" area code, 500 inbound minutes, \$6 per month), Omni (any local area code, 300 inbound minutes, \$8 per month), and Toll-Free (toll-free area code, unlimited inbound minutes, no monthly fee, but a minimum charge of \$8 per month). Excess inbound minutes cost \$0.03 per minute (\$0.04 for Omni and \$0.06 for Toll-Free). Plans do not include outbound faxes, which are billed at \$0.06 per minute; however, the lowest priced plan, Signature, does not allow any outbound faxes whatsoever.

WATCH THE FEES!

When faxing services bill by the minute, that's a minute in which the phone is connected. So if you send a virtual fax to an email address, there is no charge. If Innoport has to dial someone else's phone, then they charge you from the moment the connection opens to when it closes. If it takes one minute, ten seconds to send a fax, you get billed for two minutes. You have no way of knowing how much a fax costs until it has been sent and received.

Business plans include PBX services along with voice mail and faxing; as above, you are assigned an allowance of minutes and overage charges will apply when you exceed the allowance. The Jump Start plan, at \$10 per month offers (see 3.18 for a description of these services):

- 2 phone numbers and 5 extensions
- 200 inbound minutes on the first phone and 150 inbound minutes on the second phone; overage charges are \$0.06 for a toll-free number plan; \$0.04 for a local area code number plan; and \$0.02 for the economy plan (you receive a “267” area code phone number).
- \$0.06 rate for each outbound minute
- Auto attendant
- Find-me, follow-me
- Live extension transfer

The Corporate Plan, at \$25 per month differs only in the inbound allowance: 750 inbound minutes for the first phone and 200 inbound minutes for additional local area code numbers and unlimited inbound minutes for toll-free area code numbers.

3.17.3. GreenFax.com

<http://www.greenfax.com>

GreenFax.com offers a complete virtual fax solution. You receive a personal fax number for receiving inbound faxes; faxes sent to your personal fax number are forwarded to you via email. You can also use GreenFax to send international faxes.

For incoming faxes, you’re assigned a virtual local fax number (i.e., one with your area code). Because it’s virtual, there are no busy signals, so 10,000 people could send you a fax at the very same minute and you should get them all (which, as you might imagine, isn’t necessarily a good thing!) Faxes are delivered to your email box in PDF or TIFF format, so you can read them with Acrobat or any image viewer; the downside, of course, is that these PDF and TIFF files will be pretty hefty in file size. As a useful service, GreenFax.com archives all your faxes and will mail them to you on a CD every three months—for a fee, of course.

GreenFax offers several services; for all their plans, sending faxes costs \$0.07 for the first page and \$0.05 for the second page. For \$13 per month, the Signature service offers a local area code and 250 inbound fax pages per month (with each additional pages billed at \$0.03 per page). For \$10 per month, Hi-Volume allows you unlimited inbound faxes at \$0.02 per page. The service requires a minimum usage of 700 pages per month. You can get the toll-free service for \$13 per month and \$0.15 per inbound page faxed. A Send-Only account is available for free.

3.18. Virtual Private Branch Exchange (PBX)

Chances are, you've spent a pretty fair portion of your life talking to people through a Private Branch Exchange . . . and you probably didn't even know it. But now that you're in business, you're probably a bit jazzed about getting some fancy phone stuff, like extensions ("Dial 1 for sales, dial 2 for technical help"), music that plays when a caller is on hold, call forwarding, or even a night line. It doesn't matter that you're running your business from a mobile phone; all that extra stuff makes it sound like you're a *real business*.

And if you're outsourcing many of the functions of your business, it doesn't make sense to have a phone number in Michigan for sales, one in Florida for technical help, and another in San Francisco for orders. And each person who picks up the phone gives your caller a different company name! No, you want one phone number and you want many of the features that other businesses have.

A "private branch exchange," or PBX, is the juice that delivers all these features, such as extensions, voice mail, call forwarding, and so on, that you normally associate with a business number. In the old days, a PBX was a box of hardware, a tangle of wires, some pricy phones with lots of flashing buttons, and a bit of software that allowed businesses to string a bunch of phones together into one (or maybe more) incoming/outgoing phone lines. When someone calls in to the PBX, they are directed to "extensions" that are routed by that PBX, which physically divides the one phone line into many lines, each with their own extension and some piece of hardware—phone, fax, or computer—attached to that line.

As you might imagine, a hardware PBX takes a pile of dough not only to set up, but to pay for each month. Your phone bills can climb from tens of dollars to hundreds or thousands of dollars *each month*, so a physical PBX is probably well out of your reach. Not only that, the hardware version is *geographically located*; it sits in a building somewhere in the world and the phone extensions are connected directly to it. Stringing together phones from all over the country—or all over the world—is a very difficult, prohibitively expensive proposition. And, of course, your mobile phones are right out.

Ah, the wonders of information technology! If you want your own private branch exchange, you don't need a physical one. You can always purchase or rent a *virtual* PBX, one that is run from a computer or server using local or toll-free phone numbers and VoIP to connect to real phones. To the outside world, it looks like you're running a business with extensions and separate voice mail. Your "extensions" could all run into the same phone (why not?) or they can bop around all over the globe. They could include land lines, mobile phones, PDA's, fax machines, PCs, or WiFi phones.

Also called **VoIP PBX**, the PBX actually sits on a server somewhere; calls and PBX features are delivered through the Internet. If you rent these server services, you are purchasing a **hosted PBX**. You own *no hardware*; like Web site hosting, all you're purchasing is a *service*.

You should evaluate the features of virtual PBX's in the same way you would evaluate the services of a physical PBX. You start with the question, "what do I *need*?" From there, you determine what you can *afford*. Then you ask yourself what you *will* need and can afford *in the future*. That's the key to all technology planning: a.) what you need now and b.) what you need in the future. You then make purchasing decisions that get you what you need now *and* allow you to get what you need in the future when you need it. So, if you want multiple extensions now but know you'll need dynamic operator extensions in the future, go with a service that will let you add dynamic operator extensions.

While the basic task of a PBX is to make and maintain connections between phones, the world of PBXs and virtual PBXs is a veritable candy store of features. Almost all the features you can get from a physical PBX are available from virtual PBXs at a fraction of the cost (as low as 20% of the cost of an actual PBX in terms of setup and monthly fees). And there are some features that *only* virtual PBX services offer, such as voice mail email notification. So you should spend a few minutes getting to know all these features. Figure out what you'll need before shopping around.

Before you plunge into the deep end, you need to carefully review all the possible features a virtual PBX offers and all the features you're going to *need*. It's a pretty stocked pantry of features, so we've helpfully explained them all:

- *Automated attendant*: this feature allows callers to select extensions from a menu rather than having to go through an operator; callers can reach the operator by dialing the extension "0."
- *Automatic Call Distribution*: ACD allows you to assign extensions dynamically to certain functions (such as sales, customer service, etc.). Calls are routed to the correct extension queue. Without ACD, these general extensions will always go to one and only one phone.
- *Autodialing*: autodialing automatically directs fax and voice mail calls to the right device.
- *Call answer security*: A feature of *follow-me* (see below), which reroutes calls to different phones until someone picks up the line, call answer security requires a password to be entered for one or more of the extensions in the follow-me queue before the call can be connected. For instance, you might have *your* extension be your landline phone

Virtual Private Branch Exchange (PBX)

and have your mobile phone as the second phone in the follow-me queue with call answer security attached to it. So someone dials your extension and it goes immediately to the landline phone. You're not there, so you don't pick up. The call then goes to your mobile phone. It rings, you pick it up, and you're prompted for a password. You correctly enter the password and the call is connected. If your four-year-old picks up, he doesn't know the password, so he can't start jabbering at your important client!

- *Call blocking:* You may not wish to receive *any* calls from a certain phone number, exchange, or area code. Call blocking prevents these calls from connecting.
- *Call forwarding:* Forwarding allows calls to be redirected to other devices, such as a mobile phone or another extension, if an extension is busy or unavailable. Call forwarding is different from follow-me, which redirects calls that aren't picked up not just to one phone, but to an entire queue of other phones or devices.
- *Call parking:* Parking allows a person at one extension to put a caller on hold in order to free up the extension. Once a call is put on hold or "parked," any person at any another extension can pick up the call *if* the extension has call pick-up privileges.
- *Call pick-up:* Allows a person at one extension to pick up a call from another extension.
- *Call return:* Call return permits you to dial the incoming number of a voice mail message without knowing the number. You listen to a voice mail message and, either during or after playback, you hit a certain number on the keypad; the system will then automatically dial the number associated with the message, but only *if* the call did not originate from a restricted phone (in which case you're plumb out of luck). Call return is a useful feature if you access voice mail at inconvenient times, such as when you're driving.
- *Call screening:* When activated for any extension, call screening requires incoming callers to verbally identify themselves. That identification is recorded and is passed to the extension user when they pick up the phone ("You have a call from [pause] Barack Obama"). The extension owner can then connect to the call or transfer it to voice mail or another extension.
- *Call transfer:* Allows a user at one extension to redirect a call to another extension or device.
- *Call waiting:* If a user at an extension is using the line and another call comes in on the same extension, call waiting alerts that

user and allows them to put the one call on hold in order to pick up the incoming call.

- *Click-to-call:* A feature *only* offered by virtual PBX services, click-to-call allows users to click a link on your Web site to connect via their PC or PDA to your phone exchange.
- *Conference call:* Allows more than two callers on a single extension line.
- *Dial-by-name directory (or Automated directory):* This feature allows you to create a name directory for your telephone exchange by assigning extension numbers to individuals. Callers can find individuals either by inputting some portion of the person's name using the phone dial keypad or listening to a voice-generated list of individuals and extensions.
- *Dynamic operator extension:* Most PBX systems, virtual or physical, allow callers to reach an "operator" by dialing the extension "0." A dynamic operator extension allows you to allocate the operator extension to any extension on the system. With *follow-me* (see below), you can create a queue of extension numbers that the system will go through until an "operator" answers on one of the extensions.
- *Direct inward dialing (DID):* This feature allows you to have several different phone numbers directed to an extension on the PBX. Callers can reach individual extensions either by dialing the base number and an extension or by dialing the phone number (or phone numbers) assigned to that extension. For instance, your sales department could be reached by dialing your base number, say 1-800-555-5555, and then dialing the extension "3." With DID, you could also assign another number, say 1-612-333-3455, to your sales department. If you want, you could attach another toll-free number for people who live outside of Minnesota (1-800-334-5555). People can dial any one of these three numbers and the call will land at the exact same phone.
- *Do Not Disturb (DND):* Allows users to disable ringing on an extension and, sometimes, to redirect the call to another phone.
- *Follow-me (also called Follow-me Find-me):* Associates a string of numbers or extensions to each individual and directs incoming calls to each extension in order until the call is picked up. Since follow-me can connect to any phone, including your home phone (or a pay phone in your favorite bar, if you want), a good follow-me system should also offer *call answer security*, which allows you to set a password for one or more of the phones in the follow-me phone queue. The user (such as your spouse at home or a fellow tippler

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in the bar) cannot connect to the call until a password has been entered.

- *Information extensions:* a PBX sometimes allows you to have extensions that offer pre-recorded information, such as store hours, help, or sales pitches. *Mail-only extensions* are information extensions that also allow users to also leave voice mail messages, which can be retrieved by any assigned member of the organization.
- *Interactive voice response:* Incoming calls are greeted by a voice response that allows users to select extensions by dialing keys or speaking into the phone.
- *Music on-hold (information on-hold):* Plays music when calls are placed on hold. For virtual PBX's, it sometimes costs extra to choose your own music. A variation of music on-hold allows you to play information while the caller is on hold and is called *information on-hold*.
- *Night service (or Day and night mode):* redirects incoming calls during particular hours of the day (usually after hours) to either a night service or a voice mail system.
- *Notifications:* These are alerts that inform you when voice mail has been left on an extension. These alerts can be delivered to your phone (as a physical PBX does), or email, fax, Web, pager, or instant messaging service.
- *Toll-free virtual calling:* Also called “Virtual Calling Card,” this is actually a pretty neat feature that some virtual PBX services offer. Toll-free virtual calling allows you to dial into your PBX using your business’s toll-free number (if you have one), enter a password, and then use *your PBX* to place a long-distance call. This is an incredibly useful tool if you find yourself on a phone that you don’t want to use to make long-distance calls, such as a pay phone, hotel phone, or a phone in your favorite bar.
- *Voice mail:* Allows incoming voice messages to be sorted by extension or user.

So, those are the apples in the basket. What probably matters the most is the drag on your wallet.

Most virtual PBX services, like mobile phone or banking services, have fairly elaborate pricing systems that can ding you coming and going.

Like physical PBXs, mobile phones, and your own landline, you pay per minute of use. Some virtual PBX's charge for blocks of minutes, which typically do not roll over from month to month, and a set rate for every extra

minute the system is in use each month. Some charge only by the minute, and prices can range from around 4¢ to 7¢ per minute.

Many services offer several “packages” that are combinations of minutes and features, with the most expensive packages having the most minutes and features. This allows you to scale the services to your needs; as your business—and extensions—grow, you move up the scale to more expensive packages. Others offer set per-minute rates and charge flat fees for additional features. These offer the advantage of decoupling features from usage requirements. You may, for instance, need a huge number of minutes each month but only a bare-bones set of features. Alternatively, you may not need a big package of minutes but absolutely require some of the more advanced features.

Since the services bill you by the minute—even if you purchase a block of minutes—you need to really do your homework as to what constitutes a “minute.” Remember that I said you can be dinged coming or going? Well, you should find out where the dings are coming from before you sign up.

For instance, many services bill you in blocks of six minutes or some other fraction of an hour. The per-minute rate may be 5¢, but you’re *paying* for six minute blocks. So a one-minute call gets counted as a six-minute call and costs 30¢ or eats up six of your monthly minutes; a seven-minute call costs 60¢ or eats up twelve of your minutes. In this case, a “minute” actually means “six minutes” or “three minutes” or “two minutes,” whatever the case may be.

As another example, many virtual PBX services are actually *two* phone calls, not one. For instance, if you have call forwarding, there’s an inbound call (the original call to the extension) and there’s an outbound call (the virtual PBX forwarding the original call to another number). Virtual PBX services frequently bill these *as two calls*. Some PBX services also treat follow-me services as two calls, an inbound and an outbound call similar to call forwarding. In these cases, a “minute” actually means “two minutes.”

Nothing saves money like doing your homework.

All PBX services offer a free toll-free phone number and/or a local phone number. Some will charge extra for an “800” toll-free number (as opposed to 866 or some other toll-free area code) and some offer “vanity” phone numbers for an additional cost.

Because we’re talking virtual here, folks, you can have pretty much any local phone number you want. If you’re a fashion designer in Pocatello, Idaho, you might want to have a New York or Los Angeles local number assigned to your business. Why not? Those cities are the hotbeds of fashion and, no matter how good you are as a fashion designer, consumers aren’t impressed by a Pocatello, Idaho area code. A virtual PBX allows your “phone” to be anywhere in the country, so use that to your advantage.

3.18.1. GotVMail

<http://www.gotvmail.com>

We consider GotVMail one of the best dollar-for-dollar bargains in the hosted PBX line-up. With monthly fees starting at \$10 per month, GotVMail is specifically designed for small, entrepreneurial businesses and offers a scaled-down virtual PBX system consisting of the most central features:

- Call attendant and multiple extensions with unlimited incoming calls (i.e., callers never get a busy signal)
- Information-only extensions
- Call forwarding and follow-me
- Music on-hold (including custom music)
- Voice mail and email notification of voicemail messages
- Custom greeting
- Faxes
- Dial-by-name directory
- Call screening and call transfer
- Conference calling
- Night service
- Toll-free virtual calling (virtual calling card)

GotVMail assigns your business a toll-free number. You can also use your local number, but you have to arrange with your phone company to transfer calls on your local number to the toll-free number assigned by GotVMail.

Of the services we've researched, GotVMail has the simplest plans. While other services base plan pricing on *both* minutes and services, GotVMail breaks up plans based on minute blocks and number of extensions. The cheapest, at \$10 per month, offers 5 extensions and 50 minutes per month of usage (additional minutes run 7.4¢ per minute). For \$20 per month, you get ten extensions and 250 minutes (with additional minutes for 6.8¢ per minute). For \$50, you get 20 extensions and 1,000 minutes (with additional minutes clocking in at 5.8¢ per minute). Finally, for \$100 per month, you can activate 50 extensions and receive 2,000 minutes of calls while paying 4.8¢ for each additional minute. Each plan, except for the most expensive, comes with a \$25 activation fee.

3.18.2. Ring Central

<http://www.ringcentral.com>

Ring Central is one of the most affordable hosted VoIP PBX systems. Offering four different plans with standard PBX features (extensions, call

forwarding, call screening, voice mail, fax, dial-by-name directory, music on-hold, call transfer, and click-to-call) that differ primarily in the number of minutes and extensions offered. The lowest plan clocks in at \$10 per month, but it's only right if you plan to spend very little time on the phone.

Like many other services, Ring Central offers either a toll-free number for your business or any local number, i.e., you can have a local number anywhere in the U.S. You could be located in Los Angeles and have a Miami number assigned to your business.

You manage your virtual PBX totally online with a Web-based account management site. The site allows you to configure your extensions, set call answering rules, night service rules, and other parameters. You can view your call logs at any time. The service requires no special telephone or exchange hardware on your end. It can work any phone, PC, PDA, or fax machine.

The four plans are:

Professional: \$15 month or \$120 per year

100 minutes (additional minutes: 6.7¢ minute), 5 extensions, toll-free or local number, call forwarding, call screening, voice mail, Internet fax

Business Plus: \$30 month or \$300 per year

500 minutes (additional minutes: 5.9¢ minute), 10 extensions, toll-free or local number, call forwarding, call screening, voice mail, Internet fax, dedicated fax number, dial-by-name directory

Business Power: \$45 month (annual payment) or \$50 month (monthly)

1,000 minutes (additional minutes: 4.8¢ minute), 20 extensions, toll-free or local number, call forwarding, call screening, voice mail, Internet fax, dedicated fax number, dial-by-name directory

Business Premium: \$80 month (annual) or \$100 month (monthly)

2,500 minutes (additional minutes: 3.9¢ minute), 100 extensions, toll-free or local number, call forwarding, call screening, voice mail, Internet fax, dedicated fax number, dial-by-name directory

3.18.3. Virtual PBX

<http://www.virtualpbx.com>

Virtual PBX is one of the most popular VoIP hosted PBX solutions, particularly among small start-ups. It is also the oldest, having started VoIP business phone systems way back in 1997 when only the most hardy among us were using VoIP (yes, I was one of the hardy few). For your purposes, Virtual PBX is one of the only services that targets home-based and one-person

Virtual Private Branch Exchange (PBX)

businesses. However, it is also pricier than the other services here and charges by the minute and per extension. Virtual PBX may be out of your price range, but it is the Cadillac of virtual PBX systems, so you should at least check it out to see what a full-service, top-of-the-line hosted PBX solution looks like.

Virtual PBX is one of the most full-featured virtual PBX services available, which in part explains its cost. Features include auto-attendant, follow-me, call transfer, music on-hold, information on-hold, night service, direct inward dialing (for an additional \$10 per month per extension), caller ID, call screening, DND, information extensions, call waiting, call blocking, conference calling (for additional per-minute fees), information extensions, dial-by-name directory, ACD, and extra toll-free or local numbers (for an additional \$10 per month per number).

While Virtual PBX plans charge by the minute, you can purchase blocks of minutes for all the numbers (toll-free or local) attached to your PBX. 1,000 minutes costs \$30 per month (\$0.03 per minute) while 10,000 minutes can be purchased for \$450 per month (\$0.045 per minute; the larger the block you buy, the more you pay per minute—not very typical for volume pricing). Each Virtual PBX plan comes with an initial set-up fee of \$25.

SOHO: Designed for 1 or 2 person businesses, the SOHO plan allows you to have 3 extensions for \$10 per month and 6.9¢ per minute.

Small Business: Designed for two- to twenty-person businesses, the Small Business plan allows you to have up to 25 extensions for \$12 per month per extension and 5.9¢ per minute. So 25 extensions would cost \$300 per month plus the fees for the minutes you use.

Corporate: Designed for large organizations, the Corporate plan allows you to have unlimited extensions for \$9 per month per extension (with a minimum of 25 extensions) and 5.9¢ per minute.

3.18.4. Inteliphone

<http://www.inteliphone.com>

Inteliphone offers very low-priced, partial PBX features such as voice mail or follow-me. If all you want out of a PBX system is follow-me, you can purchase this from Inteliphone for only \$20 a month and not have to bother with toll-free numbers or extensions. If, on the other hand, you want a PBX system, Inteliphone offers a fairly basic system at a competitive price.

Voice Mail: Day and night-service recorded greeting that allows callers to leave voice messages up to two minutes in length for \$10 per month.

Follow-me: Full follow-me capability with call screening, caller-ID, music or information on-hold, and email notification for \$20 per month.

Hosted PBX: Up to 90 extensions, 100 voice announcements, and 9 voice menus with group calling, call transfer, call forwarding, call screening, caller ID, music or information on-hold, night service, dial-by-name directory, dynamic operator extension, information extensions, and an extra toll-free number for \$30 per month and 5.9¢ per minute (along with a \$30 initial setup charge).

3.18.5. Phone Fusion

<http://www.phonefusion.com>

Phone Fusion offers the best pricing for the most basic PBX services. If you are truly strapped for cash, Phone Fusion is probably your best bet for getting PBX services. Its basic service is really more of a virtual operator—you sign up with one phone number (say, your home or mobile phone), and for \$10 per month, Phone Fusion will add follow-me, music on-hold, voice mail, call screening, and call transfer.

Their Virtual Attendant, at \$25 per month and 4.9¢ per minute for inbound calls and 3.5¢ for outbound calls, offers something closer to true PBX features, such as extensions, auto attendant, and follow-me.

3.18.6. Virtual Telecenter

<http://www.virtualtelecenter.com>

Virtual Telecenter is unquestionably the best deal in the hosted PBX marketplace, provided you read the fine print and proceed cautiously. For a flat fee of \$50 (with a one-time \$50 set-up fee), you receive unlimited inbound call minutes and the following features: ten extensions, ten voice mail boxes, information extensions, call forwarding, call screening, call transfer, call return, call blocking, Do Not Disturb, dial-by-name directory, night service, custom on-hold music, email notification, virtual fax, and personalized greetings.

Outbound calls, however, are billed at 6.9¢ per minute billed in six minute increments (so a one minute outbound call costs 41.4¢ (always watch the fees). If you read the fine print, Virtual Telecenter will charge you *for incoming calls* if you exhibit “continuous excessive use” of the system, whatever that means. So, like all great deals—kind of like those low, low mortgage interest deals that fill your mailbox a dozen times each month—it behooves you to proceed carefully.

3.19. Virtual PBX Software

If you have a computer and an Internet connection—and a giant helping of moxie and skill—you can always convert your PC into a virtual PBX. Why pay a monthly fee?

If you have the know-how, you can purchase PBX server software, set up a PC as a VoIP PBX server, and start rocking. Unlike hosted PBX systems, which allow you to use any phone or fax device you want, running your own virtual PBX will limit you to VoIP phones, such as softphones (software that runs on your computer or PDA and turns it into a phone) or digital phones that you can connect to your computer using a wireless or USB connection. (Or you can convert existing analog, landline phones using an FXO adapter.) You will also need to subscribe to a VoIP service, such as Skype.

Since the PBX is being run off your computer, you'll need more than just the PBX software. You'll need software to convert your computer into a phone (softphone), voice recording software, voice mail software, virtual fax software, call conferencing software, and so on and so on (we were serious when we said that running your own virtual PBX requires some serious commitment!)

3.19.1. Axon Virtual PBX Software

<http://www.nch.com.au/pbx/index.html?ref=business&ref2=pbx>

Installable on any PC, Axon offers all the features of a full-out, scalable hardware PBX including unlimited extensions, automatic attendant, call transfer, call hold, call record (not a feature of PBX's, but a separate hardware technology frequently used by call centers to record and monitor calls), voice mail, voice prompting, music or information on-hold, and so on. The system requires VoIP phones, but can also be used with analog phones that have the right converters installed. All setup is carried out through a Web interface.

And you can't really beat the price—Axon is totally free. The folks that make the software, NCH Swift Sound, want you to download and use the software so that they can hook you on software products you do have to pay for, such as a software voice mail/call attendant system, call recording software, or call conferencing software, all of which will run you about \$300 more. But that's still a tremendous deal when you add it on to the VoIP charges. If, however, you are not technologically inclined, you probably should try a hosted PBX solution!

Bring Your Product to Market

4

Customers see products and services; they don't really see much else about your business. You worry your head about the entire business, so you pay attention to marketing, branding, operations, and profit. But your customer only really cares about the thing you make or the thing you do. And when they look at your product or service, they're asking themselves a bunch of questions that have nothing to do with you or your business. Such as, "What value is this to me?" "Do I need this?" "Will this make my life easier, happier, better?"

Bringing a product to market involves thinking like your customer. You have to ask the same questions customers ask when they look at your product. The success of your product or service depends on answering questions about what your customer will do, such as, "Will people buy this?" "Will they like it?" "Who will buy this?" "How many people will buy this?"

Asking questions about your customer—who they are, what they need, what they want, what they're willing to pay—is called the marketing approach to product development. This approach has spawned an entire science called new product development; it is a very complex and specialized field in corporate business. Believe it or not, there are folks with PhDs in this field.

Large corporations spend hundreds of thousands to millions of dollars in new product development and, despite their efforts, often make costly and embarrassing mistakes. You are even more vulnerable to making a mistake because you don't have the deep pockets and the armies of experts that corporations have to eliminate as many mistakes as possible.

Be assured, however, that you can follow a very similar process. You may not have the millions of dollars that Proctor & Gamble or Microsoft can bring to the table. You may not be able to perform focus groups, large-scale surveys, mall intercepts, or in-store traffic studies, but you can approximate many of these tools with the Internet and Web. There are a number of low-cost to free resources that can help you refine your ideas, gather information, and prototype your product to help you roll out the most successful product or service you can.

We'll begin our chapter with a short description of new product development and how major corporations go about it. This standardized, step-by-step process will structure the rest of the chapter. So we begin our discussion with resources to help you generate and screen ideas; we then move on to concept development and testing, business analysis, prototyping, beta testing, implementation, and, finally, rolling out your great new product or service. We conclude the chapter with a short discussion of licensing and finding a manufacturer for your product.

4.1. Getting Your Product to Market

You're developing a new product or service on a very limited budget, so why should you care how big corporations, with their deep pockets and MBA armies, develop their new products? I'll tell you why. If you understand how a company like Chrysler or Colgate-Palmolive goes about developing products, you'll have a better handle on what you can do to ensure the success of your venture—even on the thinnest of shoestring budgets. Each step of the product development or improvement process has valuable tools that help you ensure your product is something people will want to buy. If you're clever, you can find these tools at little or no cost and work out the bugs in your product idea before you're facing a roomful of unsold product.

Corporations often spend millions of dollars developing new products through several distinct stages. The goal of the entire effort is to come up with **metrics** that justify the creative insights and intuitions of the product developers. These metrics are gathered through **marketing research**, studying the market in relation to a new product. Marketing research consists of several elements: surveys, mall intercepts, focus groups, in-store behavior studies (watching consumers behave), and competition research (one of the most important considerations in launching a new product is what the *competition* is going to do). All of these cost truckloads of money, but you can downscale these processes to fit your budget, no matter how small.

Let's say that you have a great idea for a product. You know there is nothing else like it on the market. Your instinct tells you that lots of people would buy that product if it were on the market. So you say to yourself, "Why don't I make that product? I don't have much money, but I'll get someone to manufacture it and then launch it on the Internet. Once people find out about it, the money will start rolling in."

Here's the problem. You may be right and you may be wrong. *You* would buy the product if it were on the market. Maybe *your friends* would jump at the chance to buy the product. It's entirely possible, though, that no-one else would have the slightest interest. But you don't know until you try, right? What do you have to lose?

You could lose your entire investment, that's what. That's why corporations pour so much money into developing products. Like you, someone at that corporation comes up with an idea for a product. Their instinct tells them that if consumers knew about the product, they'd buy it. **New product development** is about translating that instinct into measurable **consumer insights**:

- What do consumers want to buy?
 - What types of people will buy this product or service?
 - How many consumers will buy this product?
 - What other kinds of things do they buy?
 - What are they willing to pay?
 - What product features *matter* to them?
 - What product features *don't matter* to them?
 - What benefits are they after in buying and using this product?
 - Will they like this product if they actually buy it?
 - If they buy this product once, will they buy it a second time?
- (Believe it or not, most new product launches fail right here: they can get consumers to buy the product *once*, but they never come back a second time.)

Corporations pursue consumer insights because that answers basic questions that tell them whether to invest in the product or not:

- If I make this product, will it sell?
- How much profit is in it?
- *What* features or qualities does the product need to have for lots of people to buy it? *Why* would people want to buy this product?
- *How much* should the product sell for?
- *Where* should I sell it?
- *Who* should I target?
- *How* should I sell it? In other words, how should I advertise it? What should I say about it when I'm selling it?

Who, what, where, why, how, and for how much: it's that simple and that difficult. So to translate a great idea into a great product, you need the research to answer those questions as confidently as possible.

New product development is about asking these questions and then applying the answers to developing and rolling out a product. The process is *iterative*: every step raises new questions and applies new answers to improving the product.

The whole product development lifecycle follows a distinct process of six stages:

1. Idea Generation

Also called **front end development** or **Phase Zero**, corporations usually have Research and Development and/or marketing units specifically devoted to coming up with new products and product improvements. In your

venture, you probably serve as both the R&D *and* marketing units, so that solves that! Ideas, despite the proverbs, are not like lightening strikes. There are structured and productive systems for generating ideas, which we discuss in section 4.2.

2. Idea Screening

Once a corporate business unit comes up with an idea, a few formal questions are asked to make sure it's a good idea. For instance, is it even possible to make the product at a decent price? Can you argue that people will actually buy the product? Are there any other products like it out there, i.e., are we just reinventing the wheel or steering this enterprise into a lawsuit?

Idea screening is one of the most important parts of the process and one that entrepreneurs frequently skip. If a product really isn't going to fly, you want to know it at this stage, not after you've poured time, dedication, emotion, and money into the thing. If you go too far with a product, you can easily fall into the fallacy of **sunk costs**, where you feel you've put so much time and money into something that you should just keep going. Here's the economic reality: what you have already invested in a product or business, called sunk costs, should never enter your calculation in considering whether to continue with that product or business. As the proverb goes, you should never throw good money after bad.

The biggest danger with ideas is that they're easy to fall in love with, especially if they're your own idea. I have seen many businesses sink because the entrepreneurs running them were too attached to their own ideas to subject them to rigorous scrutiny. Ideas are like software, you can live 'em, but you always have to be ready to leave 'em.

3. Concepting and Testing

For me, this is where product development really begins. This is the stage where you sit down and formally define your product. You draw it, describe it, and list all of its features and benefits. You roughly determine how you're going to manufacture it and who you're going to sell it to. This is called the **product concept**.

The most important part of this stage, as far as corporations are concerned, is **concept testing**. In this stage, corporations do reams of consumer surveys: in-store surveys, telephone surveys, mall intercepts, fax surveys (for B2B products), and Internet surveys. They basically tell the consumer what the product concept is and ask them if they'd be interested in buying it. For instance, "We have a product that will clean your clothes without

putting them in a washer. You just put your clothes in a basket, put in our thingymabob, and your clothes are clean and dry in three hours. Would you buy a product like that?" The surveys, of course, are more detailed, but the consumer insights gained from them help prevent costly errors.

4. Business Analysis

Also called the **business planning** stage, this is the stage where you work out the business mechanics of bringing the product to market: how much it will cost to manufacture, what price to sell at, estimated sales volume, profitability, and breakeven (how much you need to sell so you *don't* lose money). The business plan or analysis *is not* an implementation plan. You are not working out details of suppliers, distributors, offers to distributors, or logistics. *That* is hard, complicated, and expensive work. In the business analysis stage, you're trying to get a handle on the amount of work you have to do, how much it's going to cost, and how much you can expect to make.

Remember when I said that one of the most important aspects of new product market research is figuring out what your competition might do? Somewhere around the business analysis stage, corporations begin trying to secure legal protection for their product ideas: patents, copyrights, and trademarks (see Chapter 1, section 8, for a fuller discussion of legal protections). Why? Because the most common competitor response to a successful product is to imitate it. For instance, the vast majority of research money that pharmaceutical companies spend is actually wasted trying to find copycats of drugs already on the market. But once you've tested your concept and found it sound, the business analysis stage should also include securing patents and trademarks, anything to keep your larger rivals from stealing your concept and making money that should really be going to you.

5. Prototyping and beta testing

In this stage, you put together two distinct versions of your product. The **prototype** version, also called the **alpha** version or **mock-up**, is a semi- or non-functional version of your product. It exists only to show other folks, like possible partners, investors, or licensees, that you've got a pretty happening product going on. The **beta** version is a fully manufactured, fully working version of your product. This is the version you distribute in limited release in order to test consumer reactions and determine that the product can hold up under consumer use. (We're *all* familiar with software beta testing where consumers get to find all the bugs so the company doesn't have to!) Testing frequently involves using a defined set of consumers who offer feedback in surveys or **focus groups**, which, unlike a survey, involves a small group of people engaged in a discussion with a moderator.

6. Implementation

Once you have tested, retested, and redesigned your product, there comes a time when you actually have to start making and distributing it. You have to line up suppliers, manufacturers, **channels** (how you are going to sell it, i.e., retail, through the Web, etc.), distributors, and **channel partners**, i.e., the stores or organizations who sell the product directly to the consumer. Your job is figuring out how to get the product from raw material into the consumer's hands. This is the implementation phase, where you work out who does what and how much they'll get for doing it.

7. Rollout

Corporations typically roll out products in two stages: a **limited** rollout and a **full** rollout. For a limited rollout, the company sells the product in one region (it might be, for instance, in all the supermarkets in Duluth, Minnesota) and they test how well it sells. Alternatively, a limited rollout could be based on channel constraints, that is, they could initially roll out the product only on the Internet or in Target stores. The limited rollout allows them to calculate sales volumes and survey consumers. Most importantly, it allows them to measure repeat purchasing behavior—products succeed not because people buy the product, but because they buy it a second, a third, and a fourth time. They then use that information to extrapolate how well the product will do in a wider rollout and what they need to do to get even better sales numbers. In other words, corporations use limited rollouts to figure out whether to do a larger rollout and improve the product and its marketing for that wider rollout; so a limited rollout is kind of like a very large beta test.

The remainder of this chapter goes through each step of the process and the resources available to help you in that stage. In the end, the development process is about weighing your desire to eliminate mistakes with your need to go to market as quickly as possible. You're not alone in this. Every corporation has to make the same trade-off.

4.1.1. SCORE

<http://www.score.org>

Guess what? The first resource you should consult is SCORE, as it probably should be for any aspect of starting your business. SCORE is an organization that has gathered together retired and working executives, business owners, and corporate leaders to provide *free* mentoring and advice to entrepreneurs starting their own business. SCORE boasts over 10,000 executive volunteers representing some 600 business skills who will correspond

with you or meet with you to give you advice based on their years of business experience. The mentor list, as of publication of this book, includes ninety-four counselors who specialize in product design, 249 counselors nationwide who specialize in product development, 265 counselors who specialize in market research, 109 counselors who specialize in market testing, and 119 counselors who specialize in product research.

4.1.2. Don Debelak

<http://www.dondebelak.com>

Don Debelak.com provides product development services to entrepreneurs for a fee. Services include:

- *Consulting*—Don Debelak.com will consult with you on all aspects of new product development. Fees range from \$60 per hour for email consulting to \$100 per hour for in-person consulting. This is inexpensive in the new product development consulting space, but it's also not compatible with a shoestring budget!
- *Concept Evaluation*—using a distinct analysis model (Great customers, Easy sales, Long life), Debelak will review your business model for \$1,200.
- *Invention Evaluations*—this is a service more properly oriented toward new product development and will set you back \$450.
- *Plans*—Market Introduction Plans (\$250-\$750) and Business Plans (\$2,000-\$6,000).
- *Patent Services*
- *Engineering Services*
- *Catalog marketing plan*—for a start-up fee of \$495 and a sales-based 7% commission, Don Debelak.com works to place your product in various catalogs.

Debelak publishes on his Web site a highly useful, must-read article, *15 Steps to Bringing Your Product to Market*, reprinted as an appendix to this chapter. Most usefully, he divides the product development process into three distinct business models: Outsourcing, Licensing, and Starting Your Own Company.

- **Step 1:** Idea Conception (this corresponds to *idea generation*)
- **Step 2:** Evaluate If Your Product Idea is Worth Pursuing (this corresponds to *idea screening*)

- o Is your idea feasible to create based upon your abilities and resources?
- o Can it be produced profitably?
- o Is there significant competition?
- o Does your product make people say, “Wow”?
- **Step 3:** Document Product for Intellectual Property Protection
- **Step 4:** Target a Market (one aspect of *concepting and testing*)
- **Step 5:** Produce Something That People Can Evaluate (this corresponds to the *concepting* stage)
- **Step 6:** Market Research (however, most corporations conduct market research from *concepting* to *full rollout*; in traditional new product development, market research happens *all* the time)
- **Step 7:** Reevaluate and Adjust Your Product Based Upon Market Research Results
- **Step 8:** Make a Prototype
- **Step 9:** Get a Patent
- **Step 10:** Decide Which Track to Take

At this point, Debelak divides the next set of steps based on your business model. These last five steps are the hardest part of introducing a new product, so you should deeply familiarize yourself with them. I have worked with many start-ups and can tell you from experience that actually making the product or business *real* is where almost everyone fails.

You have three business models available. As an **outsource entrepreneur**, you can outsource all manufacturing, logistics, and marketing to other companies. You’re basically hiring other companies to do all the manufacturing and marketing work for you. In a **licensing** operation, you essentially sell your product idea to another company to manufacture and market. In return, they pay you royalties or a fee based on how much they sell. If you **start your own company**, you provide the money, resources, and staff to manufacture and market your product.

Outsource entrepreneur

- **Step 11:** Find Potential Partners
- **Step 12:** Set Up a Proposed Deal Structure
- **Step 13:** Approach Manufacturers
- **Step 14:** Approach Marketers
- **Step 15:** Close the Deal

Licensing

- **Step 11:** Find Licensing Candidates

- Step 12: Prepare a Preliminary Licensing Proposal
- Step 13: Prepare a Licensing Presentation
- Step 14: Approach Your Candidates
- Step 15: Sign the Deal

Start Your Own Company

- Step 11: Create a Business Plan and a Market Introduction Plan
- Step 12: Create Packaging
- Step 13: Find A Manufacturer
- Step 14: Find Sales Agents/Distribution
- Step 15: Start Selling

4.1.3. The Launch Doctor

<http://www.launchdoctor.com>

The Launch Doctor is a site offering books, articles, and professional consulting by Catherine Kitcho, the author of *High Tech Product Launch* and *From Idea to Launch at Internet Speed*. Kitcho offers consulting services for both company and product launches; she primarily focuses on startups and entrepreneurs so her consulting rates are affordable. *The Launch Doctor* site offers a number of excellent articles and newsletters to help you understand the ins and outs of launching a product. Most useful for your purposes are the articles *Product Launch for Small Business* (http://www.launchdoctor.com/launch_forum2.shtml?cutoff=0&id=4) and *Launching a Company* (http://www.launchdoctor.com/launch_emailnews2.shtml?&id=19).

In her small business launch article, Kitcho reduces the process to ten questions you need to answer (we've reproduced these ten questions with the kind permission of Catherine Kitcho):

The customer:

1. Who is your primary customer? What problem are you solving for them with the product that you're launching?
2. How can your customer solve this problem now? How is your solution different? Do these differences have value from your customer's point of view?

The market:

3. How many other people are out there who are similar to your customer?
4. Is demand increasing for your product or changing in any way?

5. What other companies supply similar products to your customer? How is your product different than your competitors'?

The channel:

6. How will your customer find out about your product?
7. Who will be selling your product to your customer; will you sell directly, or through a third party?
8. If you only sell directly to your customer, could an additional sales channel increase your revenue?

The company:

9. What is the business objective you want to achieve with this product? (i.e., enter a new market, effect growth, increase revenue, improve market share)
10. How does the product you're launching fit with other products you have now? Is it the first product? Is it the last of a product line? Does it leverage other products you have on the market?

The article then assiduously explains how your answers to each of these questions determine how you need to manage your product launch. Her detailed discussion of these ten questions is, in the opinion of the authors, absolutely required reading.

4.2. Idea Generation

Corporations have formal processes and departments for generating ideas. A huge number of people are often involved: R&D, marketing, and even consumers. Because they have all these resources, corporations develop product ideas at a pretty rapid clip—but most of them never get out of the idea stage! You, on the other hand, are working with limited resources. Chances are, though, that you already have one or more product ideas, which is why you're considering starting up a venture in the first place.

Idea generation is really about innovation and creativity. If you're not a creative person to begin with, how do you develop the talent to generate ideas? If you are a creative person, how do you structure your activity so that your ideas actually get worked out as ideas? We all know people—we may be such a person ourselves—who generate ideas like the rest of us generate carbon dioxide, but who never do anything about it. Ideas come fast and furious and then disappear into the wind. So idea generation has two branches: **creativity** and **discipline**. You need both to come up with successful products.

Fortunately, both aspects of idea generation have tools that can make the process more efficient and productive. These tools either help you create ideas or discipline the ideas once they pop into existence. We discuss these tools in the next section, 4.2.1, because MindTools is your best source for getting introduced to these tools.

4.2.1. MindTools: Essential Skills for an Excellent Career

<http://www.mindtools.com>

MindTools provides a number of free resources for career professionals and business owners to solve practical problems of running a business or managing a career. Many articles are free, but a few require a membership on the site. The articles are rich and numerous across topics such as:

- Time management
- Stress management
- Information skills
- Communication skills
- Leadership skills
- Memory improvement
- Problem solving
- Decision making
- Project planning
- Practical creativity

Generating business and product ideas is manifestly a creative process, and the MindTools site offers a near-book length set of articles for unleashing and managing the creative process (you can download a complete PDF of all these articles for free):

- *SCAMPER*—Generating new products and services
- *Attribute Listing, Morphological & Matrix Analysis*—Creating new products, services, and strategies
- *Brainstorming*—Generating radical ideas
- *Reframing Matrix*—Looking at problems from different perspectives
- *Concept Fan*—Widening the search for solutions
- *Random Input*—Making creative leaps
- *Provocation*—Carrying out thought experiments
- *Concept Maps*—Charting out your ideas

- **DO IT**—A simple process for creativity: Define a problem, Open your mind to creative solutions, Identify the best solution (this is where you use decision-making tools like Decision Tree Analysis), Transform (i.e., implement)
- **Simplex**—Problem solving
- **Reversal**—Improving products or services. Ask yourself the opposite question of the one you want answered. For instance, ask yourself what would guarantee that people *won't* buy your product or service. Once you have the answers to that question, then you create your product so that it does not have those negative attributes.

These are all formal creativity and decision-making tools. They don't replace creativity, but they certainly help direct and discipline it. Remember: there are two distinct parts to creativity: the first is generating ideas and the second, for lack of a better word, is disciplining them. It is the second step that actually produces ideas you can use and profit from. Most people can do the first, but few can do the second. I have an alternate version of the saying, "If wishes were horses, we'd all be riding": "If ideas were money, we'd all be rich."

Certain tools, such as brainstorming, are designed to help you generate ideas. Others, such as SCAMPER, Reversal, or Matrix Analysis, are designed to discipline and direct the creative process so your ideas actually get worked out. Not only do these "creativity disciplining" processes help you work your ideas out completely, they also help guard against error. For instance, if you apply reversal to your product creation process, you can ensure that negative attributes won't get built into your product or service.

Let's look at one such creative process, SCAMPER, a technique for formally disciplining the product creation process. You start with a product that already exists. You think you can improve on the product and make a pile of money. But how do you improve the product? You go through each step of the SCAMPER process:

- **Substitute:** can you change materials, people, or components?
- **Combine:** can you mix or combine with other assemblies or services?
- **Adapt:** can you alter the product, change its function, or use it in another product?
- **Modify:** can you increase or decrease in size, change the shape, modify the attributes?

- **Put to another use:** can you find another use for the product? For instance, Viagra started out as heart medicine until someone found a more practical use for it!
- **Eliminate:** can you take out elements, attributes, or functions? Make it simpler?
- **Reverse:** can you turn it inside out?

4.3. Idea Screening

Idea screening is a process, formal or informal, through which you evaluate a product or service idea to determine if it's worth the time and money to develop further. Idea screening answers two basic questions:

- Is this product feasible or is this service doable?
- Will I make a profit?

The whole point of idea screening is to avoid making a mistake before you've devoted too many resources to the idea. Keep in mind, though, that there are *two* types of mistakes you can make, not just one:

- The first, which you can easily imagine, is a **go error**. You fall victim to this error when you go forward with a bad idea. It's pretty easy to figure out when you've made this error: you're staring at a warehouse of unsold merchandise wondering what to do next!
- The second is called a **drop error**; it's a bit harder to figure out if you've made this type of error. You fall victim to a drop error when you reject a good idea. Here's a great example of a drop error: Xerox was the first to develop the GUI computer interface, but the suits didn't think it would sell. Steve Jobs got a tour of the Xerox GUI operating system, went back to Apple, copied it, and made a more money than he could count.

So, when you're thinking about your product, you can make two good decisions and two bad ones. The two good decisions are going with a good idea or rejecting a bad idea. The two bad decisions are going with a bad idea or rejecting a good idea. Idea screening is the process of arriving at one of the two good decisions while avoiding the two bad ones.

In the idea screening process, you will be roughly defining the positioning, the market, the competitor picture, and product feasibility. In other words, the screening process is a preliminary outline of the **marketing plan** without coloring in all the details.

- **Target market:** your first and most challenging task is to define to whom you're going to sell the product or service. Your target market has to be realistic, large enough to support your business, and reachable. "Young parents with families" passes all three tests. "College students who don't like drinking" fail the second and third tests. Once you've defined a target market, you do some basic homework: how large is this market? How will I reach them? What's important to them? What else do they buy? What are the trends in this particular group? What are the forecasts?
- **Product benefits:** Once you've targeted your customer, then you must define as precisely as possible the benefits your product or service offers them. Don't confuse benefits with features. Your product may be "self-cleaning," but that's a feature, not a benefit. Customers don't care about "self-cleaning." They care about "I don't have to waste my time cleaning this derndamnable thing." In this stage, list *all* the product features you can think of and how each feature benefits the customer. Then take it one step further and imagine the "deep" benefits these features offer, that is, the deep emotional or personally felt benefits. For instance, self-cleaning is a feature and has the benefit of saving the customer time and effort. It has the *deep* benefit of allowing them to enjoy their life more. Rather than cleaning this derndamanable thing, the customer can spend more time with family, or friends, or fun activities. That, after all, is what we're all after. Not self-cleaning. Not even avoiding a messy clean-up job. But being happy. Living a fun, rewarding life. Does your product deliver in this area? In the end, it is these deep benefits that make a product wildly successful or just another fossil in the Darwinian marketplace.
- **The market:** What does the marketplace look like? What kind of products or services are already out there? What are the market trends? Is the market growing or contracting? How big is the market?
- **Competitors:** Who are you up against? What companies provide similar products or services? What will be their response when you introduce your product or service? You must know your enemy before you launch the boat or you could find yourself swimming with the fishes. For instance, if you have a patented product, a large corporation may consider violating your patent. Since your patent is only as good as your ability to litigate it, that competitor may feel they have the money and time to simply outlast any lawsuit. Competitor activities in the marketplace will often be the single most

determinate variable in your product launch. Don't kid yourself. Never make the mistake of thinking your product or service is so new that you have no competitors. They're there; if you don't find them, they'll certainly find you.

- **Product:** Is the product technically feasible? Is the service doable? At a competitive price? Sure, I can build a car that will go 500 miles on just batteries, but it will probably cost half a million dollars. It's technically feasible, but not at a reasonable price.
- **Company:** Can *you* deliver on the goods? Does your business have the resources, experience, and creativity to make your product, market it, and support it? Remember: you launch into the marketplace with the resources you have, not the resources you wish you had.

4.3.1. Techno-Business Solutions: How to Screen an Idea

<http://www.technobusiness-solutions.com/screen1.html>

Our purpose in this book is to provide you with free or inexpensive Internet resources to help you succeed in your venture. Techno-Business Solutions is a consulting company designed for mid- to large-sized businesses, so they're probably out of your price range. However, they offer a number of free articles that offer incredible insights into some very difficult processes. We are particularly fond of their thorough and rich discussion of idea screening. While it is written to career professionals in large businesses, it behooves you to look it over thoroughly and adopt as many of the processes as you can in developing your own product.

4.4. Concepting and Testing

In the concepting phase, you convert your idea to a full description. In this phase, you define all your product attributes, features, parts, size, weight, price, packaging, distribution channels, and promotions—as much as you can flesh out about what your end product actually will be and what it will look like when the customer buys it. You now have a production description and a list of attributes that you can use to get customer feedback on.

A product concept is essentially a description of the product or service you're going to produce. This concept will serve as the model from which you generate the physical product and its marketing. Since the product doesn't yet exist, you have to define it clearly enough so that people can understand what it is without looking at it.

There are several ways to go about this, but all good product concepts do the following:

- Existing examples—list one or two products similar to yours and how your product surpasses them.
- Example improvements—focus on one existing example and specific improvements you’re making to that example.
- Specifications—list the attributes of your product. If there are no existing examples of your product—your idea is totally new—this is the only concepting strategy available to you.

New product attributes include:

- Usability—function, maintenance, benefits.
- Safety—breakability, toxicity, fire hazard.
- Aesthetics and meaning—how your product looks and the symbolic meaning of your product.
- Cost and price—how much the product costs to make and to buy.
- Manufacturing—what it takes to make the product, especially raw materials (i.e., made from brushed steel, etc.).
- Marketing—how you’re going to sell the product (sometimes marketing is the only thing new about a product; for instance, you’re going to sell pizzas over the Internet is a marketing innovation on pizzas).

Since you’re on a budget, you can’t commit the hundreds of thousands of dollars that corporations often spend on testing concepts. But you can find reasonable substitutes. New product development usually involves **surveys** rather than focus groups. These surveys test two primary attitudes among targeted consumers:

- Is the respondent interested in this product?
- Would the respondent buy it?

In marketing research, these attitudes are called **interest** and **intent**. They are obviously both important, but intent looms very large in your calculations. Sometimes a concept survey will also measure **awareness**, such as how aware respondents are of the main brand or their awareness of potentially competing products and product brands.

There are a variety of ways to gauge interest and intent, but the standard measure uses some sort of scale. For instance, interest might be measured on a scale of “Highly Interested” to “Interested” to “Neither Interested or Disinterested” to “Disinterested” to “Highly Disinterested.” Professional marketing researchers pay particular attention to the very top of the scale (people who rank interest and intent using the highest possible rank) and the bottom of the scale (people who evince no interest or intent). In general, people who evince some kind of interest or intent, but don’t feel this interest or intent very strongly, don’t tell you much about how well the product will sell. More than one corporation has lost tons of money mistaking moderate interest and intent for a money-making product!

Surveys also measure what features and benefits consumers want. If you’re selling pizza, you want to know what features and benefits customers want the most. Do they want low price? Good taste? Good grammar? Easy or fast to cook? A huge choice of toppings? Lots of cheese? Low calorie? You want to know if customers are willing to sacrifice one attribute for another. For instance, let’s say you offer a huge choice of toppings, but your pizza is expensive. If price is the most important product attribute to your consumer and they *don’t care* about topping choice, they’re not going to buy your pizza. On the other hand, if consumers rank topping choice as the number one feature they want in a pizza and rank price as the lowest attribute they care about, you’re in the money!

Doing marketing surveys requires a pretty good working knowledge of how to write questions so as not to bias the results as well as more than a good working knowledge of statistical analysis. But don’t give up! If you want to conduct your own surveys and don’t want to pay through the nose—or learn damnable statistics—you can follow a few sane rules:

- For a semblance of statistical validity, make sure you survey at least thirty people.
- The more randomly you pick your survey subjects, the more reliable your results will be, i.e., the more your results will actually predict the way consumers will behave. If you pick only friends and relatives, you’re not getting reliable data.
- If you get numbers that are close, consider them to be identical. If you have big spreads in numbers, then you’re on to something. Let’s say 45% of your survey respondents like your product and 55% don’t. Consider those numbers to be 50/50, unless you’re surveying hundreds of people. If 75% like your product and 25% don’t, you’re in the money!

- When you ask a question on a survey, make sure it doesn't bias the response. For instance, "Would you buy the best can opener ever made?" has only one rational answer and it tells you absolutely nothing about the customer or the market for your product.
- On a survey question, don't ask two questions, like "Would you buy a carpet cleaner that is both quiet and cheap?" What if I want to buy cheap but don't care about quiet? My answer to your question is "No," and you learn absolutely nothing-nada-zip from my answer.
- Measuring features and attributes work best when you ask survey respondents to rank what's important to them. So you might list ten features or benefits that your product might have and respondents have to rank them one to ten.
- Make sure you get some *demographic* data about your survey respondents: age, geographic location, size of family, profession, and so on. This helps you determine your target market more exactly.

Obviously, doing surveys requires far more knowledge and skills than these general rules can supply you, which is why market research people make the big bucks. But, obviously, you can do your own surveys to get some idea as to where you stand with your product. Your studies won't be rigorous, but at least you'll have more knowledge than you did before you tested your concept.

Although conducting market surveys can be a bank-busting affair, you have several tools that can make it cheap or even free. We've provided two resources, Zoomerang and QuestionPro, that allow you to conduct online surveys at a relatively low cost. If you have any kind of technical fluency, you can always avail yourself of free survey software that comes with most Web site hosting packages (7.4). Both Zoomerang and QuestionPro can find survey respondents for you (at a pretty steep cost); you can also use something like Craig's List (5.2.4) to announce a Zoomerang survey or one you're running from your own Web site. Finally, you can use Web conferencing tools like WebEx (3.15.1) or Yugma (3.15.3) to conduct free or near-free focus groups.

4.4.1. Arteology: Developing an Industrial Product

<http://www.uiah.fi/projects/metodi/130.htm#begin>

Our normal operating principle in this book is to select easy-to-use and easy-to-read resources, but the whole field of product concept development and testing is highly specialized. Of all the steps in new product development, it is the most important and the one that entrepreneurs almost always skip.

Arteology is a very specialized site for conducting research when developing a new product. It assumes an audience familiar with MBA-talk or engineering jargon. So it might be a bit of a slog for a general audience. However, it is the most thorough, step-by-step instruction on how corporations go about developing, concepting, researching, engineering, and testing a new product. Most valuable to you are a set of pages describing the attributes each product must have, such as usability, beauty, safety, manufacturing, and so on. The site provides tools for understanding these attributes and describing them for your product. It also describes the kinds of research you need to answer some of your product questions.

I have found their section on how to evaluate and critique a product concept invaluable. Since I am naturally cautious, I want to make sure that product or service ideas are raked over the coals before committing to them.

4.4.2. Zoomerang

<http://www.zoomerang.com>

Zoomerang is the easiest and cheapest way to get survey data is through the Web. There are many Web survey outfits and they usually charge from \$500 to \$40,000 to conduct an online survey for you. These online survey companies not only provide the means to put together and distribute a survey, but they also have proprietary lists or panels of people willing to take your survey. They “rent” those lists to you for your survey; that list rental represents most if not all of the charges they bill you.

Zoomerang was one of the first and has the largest list of potential respondents (2.5 million people), but it's a premium service that may be out of your range. You pay a yearly fee (\$599 per year, 40% off for non-profits), you construct your own surveys, and you “rent” responses from their large consumer panel (minimum charge is \$500 for 100 responses). You don't have to use their panel; you could, for instance, put up your own survey and phone up friends or put an ad in Craig's List. Of course, you won't get statistically valid results, but you have little choice if you can't afford the panels.

Zoomerang's large base of respondents means that you can get a good, statistically valid response from highly targeted, highly defined groups. You can define your target survey group using over 500 different characteristics. So if you absolutely require a highly targeted, statistically valid sample, you may want to invest the money in a Zoomerang survey.

Like all online survey companies, Zoomerang offers a suite of analysis tools to help you interpret data. Unless you're willing to get serious about statistics, you'll probably find yourself just analyzing basic frequencies (what percentage of people answered a question in a particular way) and cross-tabulations (what

percentage of people who answered question A in a particular way answered question B in a particular way, i.e., how many people who prefer hamburgers eat at Burger King?).

4.4.3. QuestionPro

<http://www.questionpro.com>

QuestionPro is a budget online survey service. While using Zoomerang might set you back thousands of dollars per year—which is far better than the tens or hundreds of thousands of dollars it takes to do telephone, fax, or mail surveys—QuestionPro can be as cheap as “free.” The site has a tiered membership; the lowest membership, which allows two surveys and one hundred responses per month, can be had for free. The higher memberships (Web Pro — \$15 per month; Corporate — \$249 per month; Enterprise — \$849 per month) allow unlimited surveys and responses. To make life easier for you, QuestionPro allows you to use their list of consumer respondents for free (you will, however, have to pay for business or technical respondents). So if you just need to do some down and dirty concept tests, QuestionPro offers the cheapest solution (free) outside of constructing your own Web survey on your hosting service. QuestionPro also offers standard analytical tools for trying to tease meaning out of the survey responses.

QuestionPro also offers a rich set of resources on how to put together your survey, narrow your target respondent audience, and interpret the results without having to learn fancy statistical tests. Resources include:

- Steps in Preparing an Online Survey
- 10 Easy Ways to Increase Response Rates
- Step-By-Step Guide to Creating Your First Online Survey
- Survey Design—Writing Great Questions for Online Surveys
- Survey Questions and Answer Types
- Survey Analysis—How To

4.5. Business Analysis

In the business analysis or business plan phase, you work out the business projections for your product concept:

- **Estimated price**—based on what consumers have told you and what the likely response from your competitors might be, you set a price that will maximize profits. That is, you have to determine a

price that people are willing to pay and that has healthy margins for yourself.

- **Estimated sales volume**—based on the price you have chosen, how many units of your product or service are going to sell in the first year? Second year? Third year?
- **Estimated profit**—based on your projected sales volume, how much profit are you going to make your first, second, and third years?
- **Breakeven**—the breakeven is the minimum number of product or service units you need to sell in order to *not lose money*. At the breakeven point, you have sold enough units so that you have not suffered a loss, but you haven't made any profits, either.

Obviously, to project profits or calculate a breakeven, you have to have a pretty good handle on your costs. Therefore, the business analysis phase starts with a business and marketing plan and, from those, thoroughly working out all the costs involved. How much will it cost to manufacture? How much will it cost to ship your products to stores or to consumers? How much will your marketing cost? Advertising? Web site? You have to figure in all of these things, including overhead, to determine if the product is worth taking to market.

After you've calculated your costs, you need to determine a price and a **pricing strategy** for your product. Calculating a price for your product is a very exacting science. In fact, some economists devote their entire career to it. In my MBA work, the pricing section of our microeconomics course confused everyone in the class. It's the one thing in the entire year of courses that almost everyone didn't get. It's that complex.

Yet pricing is the most important part of your new product launch. Setting the right price for your product determines everything:

- Your pricing determines if you're profitable, plain and simple. Set too low of a price, and you won't make a profit unless you sell humongous numbers of products. Set a price too high and no-one will buy the product.
- Your pricing determines how consumers view your company and product. Some companies want to position themselves as low price producers; some want to position themselves as providing premium quality. When a company that wants to be seen as high quality lowers its prices, consumers stop buying. That's what happened to Gucci in the 90's.

You have a number of pricing strategies available to you:

- **Premium pricing**—a high price signals that your product is special, high quality, or confers value on the consumer. Is a Mercedes really worth \$90,000? Not really. People are willing to pay more because it shows the rest of the world that, well, they can pay more.
- **Penetration pricing**—setting an extremely low price to capture as much of the market as possible.
- **Economy pricing**—no-frills low pricing.
- **Price skimming**—charges a high price at first because you're the only game in town; as imitators come along, you charge a lower price. Remember when DVD players cost \$800? And now they cost \$80? They're not really any cheaper to make now than they were before. The manufacturers tried to grab as much money as possible when the product was still new.
- **Psychological pricing**—appeals to irrationality, like setting the price at \$9.99 rather than \$10. Is it cheaper? Nah. But \$9.99 looks more like \$9 than it does \$10. Go figure.
- **Product line pricing**—pricing a line of products, such as a haircut, haircut and shave, haircut, wash and shave, and so on.
- **Optional product pricing**—adding options to your product to get a higher price and more profits, like all those “service contracts” that retail stores offer you. Those service contracts are almost 100% pure profit for the stores.
- **Captive product pricing**—setting high prices on necessary complementary products. Ever notice how cheap printers are? You can get one for \$40. But the ink cartridges cost between \$20 and \$30 per cartridge. The printer companies *lose* money on the printers but the ink cartridges are 80% or more pure profit. That's captive product pricing.
- **Loss leader pricing**—similar to captive product pricing, loss leader pricing involves pricing one or more products so you actually lose money selling the product. The goal is to get the customer in the door; they'll purchase the loss leader and, since they're there, purchase regularly-priced products, as well. You make your profits on the other products they buy along with the loss leader. Retailers, particularly food markets, use loss leaders as an operational standard.
- **Product bundle pricing**—putting more than one product into one price bundle. Bundling encourages customers to purchase complementary products all at once. For instance, if you're selling

gift wrap, you can put together a bundle that includes cards, bows, and ribbons in one single price offering. Bundling is most effective when the bundle is cheaper than buying all the parts separately.

- **Promotional pricing**—lowering the price in a one-shot deal to raise awareness and encourage consumers to try the product. Promotional pricing is the most common pricing strategy when rolling out a new product or service; if customers are unfamiliar with who you are or what your product is, you have to give them a compelling reason to take a risk on you. A low promotional price is the easiest way to convince them.
- **Geographical pricing**—prices vary by geographical region to maximize sales and profits.
- **Value pricing**—a complex pricing system in which you charge higher prices based on demand, usually time-based demand—for instance, movie theatres charge lower prices for low-demand period times (such as morning and early afternoon), which attracts more consumers looking for a value, but they charge premium prices during high-demand times, such as evenings.
- **Goldilocks pricing**—offering different levels of pricing. You can offer a premium product, your regular product, and a value product all at different price points to capture different consumers.

Once you've determined all your costs, settled on a price and a pricing strategy, you can then try to figure out estimated sales volume and profits. Most importantly, however, you can sit down and determine your **breakeven**. Calculating your breakeven is the most critical part of any new venture or new product analysis. It's not an easy task, because it involves figuring up all your costs. Unlike estimating your potential sales and profits, however, a breakeven is reliable. There's a certain amount of wishful thinking about a sales or profit forecast, and unless you pour lots of time and money into it, these forecasts will probably be off by orders of magnitude. A breakeven, however, is a reality check. If you add up all your costs, your breakeven occurs when your sales revenues equal your costs. This gives you a *minimum* sales benchmark to hit if you want to stay in business.

4.5.1. Marketing Teacher: Pricing

http://marketingteacher.com/Lessons/lesson_pricing.htm

Marketing Teacher (<http://marketingteacher.com/Lessonstore.htm>) provides introductory lessons in all aspects of marketing strategy and

implementation. It covers all the standard topics one gets in an MBA class, but directs these lessons at a general reader. Marketing topics include:

- Marketing Environment
- Marketing Strategy
- Marketing Tactics
- Marketing Planning
- Marketing Communications
- CRM (customer relationship management)

So what's pricing doing in a marketing site? Isn't pricing a practical consideration? Actually, no. In classical marketing, "price" is considered one of the **Four P's** of marketing—Product, Price, Place, and Promotion. Pricing is rarely just an economic consideration; it's a fundamental part of maximizing your sales. Marketing Teacher is far and away the best source for explaining the economics of pricing and the various pricing strategies available to you.

4.5.2. Bradley University: Planning Issues for Small Businesses: Breakeven Analysis

http://www.bradley.edu/turnercenter/start_up_business/business_planning/simple_break-even.html

Bradley University in Illinois provides a number of small business and entrepreneur resources in its Planning Issues for Small Business, a site that should have pride of place right near the top of your bookmarks. While there are many explanations of breakeven analysis on the Web, this site makes it as easy as possible. Other articles include:

- How to Price Your Products and Services
- Planning Issues for Small Manufacturers
- Planning Issues for Construction Firms
- Planning Issues for Service Firms

4.6. Prototyping and Beta Testing

By the time you actually begin considering building your product, you've accomplished quite a lot. You've created the idea, screened it, developed it into a concept, tested the concept, and performed some very good business planning by solidifying your business, operations, and marketing plans, setting the price, forecasting your sales, estimating your costs, and determining your

breakeven. Now, after all that work, you're ready to actually get down and dirty with the product.

More than half the entrepreneurs I've worked with have taken their ideas straight to the prototyping phase and skipped over all the hard work in between, saving it for *after* the product has been manufactured. They're no longer in business.

Once you hit the prototyping phase, the product first needs to be designed. Not just drawn or blueprinted. Someone has to determine the raw materials that go into the product (**materials engineering**), someone has to engineer the product so that it works to specifications (**product engineering**), and someone has to design the look and feel of the product (**product design**). Then you need to get your hands on a mock-up or partially functional product (a **rapid prototype**). Why? You need a rapid prototype to build a full working model. And then you need to build that full working model (a **prototype**). You need to pull the darn thing out of its box and make sure it works. And if you're smart, you'll give the product to a few consumers so they can do what they normally would do with it (**beta testing**).

4.6.1. Prototyping

No matter how you plan to monetize your product—by outsourcing, licensing, or making it yourself—none of this will happen until you convert it from a gleam in your eye to a real, solid thing. Once you have that product, you can test it, work out the bugs, and even present it to possible companies to license. But how do you get the prototype in the first place?

- **Make it yourself**—this is cheapest and most common way entrepreneurs build their prototype. If your product is relatively simple in design and materials, this is the way to go.
- **Hire someone to build the prototype**—at the end of this section we provide a list of online resources that will help you find someone to build your prototype. If it's relatively complex in materials or design, you may need to hire a pretty complex service that offers materials engineering, product engineering, and design. Or you can go to a local welder, auto body shop, or construction contractor. The benefit of finding small local shops is that you may talk them into taking a piece of your future profits as payment instead of cash up front. Yes, this will cost you more in the long run if your product hits, but it at least keeps your start-up budget from taking too big of a hit in the prototyping stage.

- **Plastic mock-up**—you may not need a full working prototype to prove your product. If you’re seeking a licensing deal, it may behoove you to fabricate a near-approximation of your product. Any plastics factory could convert a computer-generated 3D or CAD model into a plastic version of your product.
- **Solicit industrial designers**—you could hire materials or product engineers in your local community to help you out. Again, they may be willing to take a share of future profits in lieu of cash up front for their advice and help.

Whenever you hire anyone to do your prototype or mock-up, you need them to sign a **non-disclosure agreement**, even if you have secured intellectual property protection like a copyright or patent. It isn’t that people are going to cheat you necessarily. But all you have at the prototyping stage is an *idea*, not a *business*. If your idea gets loose, it might turn into *someone else’s* business.

4.6.1.1. CFA Design

<http://www.cfadesign.com>

CFA Design, a Phoenix-based prototyping firm, specializes in three-dimensional machining of plastic prototypes from CAD (computer-aided design) files. In the prototyping business, this is called **rapid prototyping**, because the goal is to produce something between a mock-up and a prototype. It may not actually work, but it’s enough to prove the concept. They provide engineering, drafting, marketing assistance, plus their clients are represented by attorneys and agents licensed by the United States Patent Office.

4.6.1.2. The Harshaw Research Group

<http://www.buildingprototypes.com>

The Harshaw Research Group specializes in prototypes. They will help you with **alpha** prototypes (scaled-down, non-functioning versions of your product) as well as fully operational **beta** prototypes. You must contact them by phone for services and pricing.

4.6.1.3. San-Tech

<http://www.santineng.com>

San-Tech is another rapid prototype firm, creating plastic models from CAD files. Rapid prototyping significantly shortens the time needed to develop actual working models from weeks to days—or even minutes—

Prototyping and Beta Testing

depending on the geometry of the part and the technology used. Rapid prototype parts help to verify form, fit and function, and to evaluate fixture design and tool choices before expensive metal parts are manufactured. San-Tech specializes in rapid prototyping through stereolithography, 3D printing, and selective laser sintering (making a prototype from powder by heating it with a laser until the powder solidifies into a defined shape).

In addition to rapid prototyping, San-Tech will also produce tools, dies, and the final full-sized, fully-functioning product. Services also include engineering and designing your product.

4.6.1.4. McLellan Engineering

<http://www.mclellanengineering.com>

McLellan Engineering specializes in new product development, engineering, and design. Part of their goal is to keep your costs down, so they try to complement your abilities rather than offer you a full turnkey solution.

Services include engineering, design, developing CAD models, virtual prototypes, rapid prototypes, and full-working prototypes.

4.6.1.5. Slingshot Product Development Group

<http://www.slingshotpdg.com>

Slingshot is an integrated product development firm that specializes in the entire product development process from idea generation to beta product manufacturing. Services include prototyping, engineering, manufacturing, and product launch support. Slingshot primarily specializes in consumer goods, medical devices, and military/security equipment. The firm serves established companies, start-ups, and inventors.

4.6.2. Beta Testing

The alpha prototype stands as the first real version of your product; the **beta**, however, is the full working version you intend to eventually put on the market. While an alpha prototype *may* be fully functional, the beta has to represent the product in its final state. The beta often goes into some kind of limited distribution, either by showing it out to a focus group, handing it out to random consumers, giving it to your friends, or actually selling it on the Web or at a select store. You want the beta to generate *feedback*—lots of it. You want feedback on how useful it is, how easy it is to use, and how breakable it is. You want to know everything that's *wrong* with the product

and, even more importantly, everything people *don't like* about the product. It's easier to fix problems at this stage than when you have thousands of items sitting on store shelves. Since beta testing is about feedback, you'll probably rely on Web surveys as you did in the concept testing stage.

There are no rules for beta testing. A beta test could last a couple weeks, or could go on for almost a year. It depends on how complex the product is. In fact, some software products seem never to leave the beta stage! And it's very common for one beta test to be followed by second or even a third after the first sets of problems have been fixed.

While there are really no rules, beta testing usually follows a standard process:

- Formulating the beta test plan designed for only those features that are actually present in the beta product
- Recruiting testers and having them sign various agreements
- Distributing the beta product to the testers
- Following up with the testers on a regular basis to ensure they're using the product
- Generating regular feedback from the testers
- Having testers fill out a final survey at the end
- Analyzing the results and improving the product based on those results.

You can find beta testers in many ways. You can solicit beta testers through an online survey site or online classifieds like Craig's List (5.2.4). You can ask your friends. Or you can give the product away for free on your Web site. No matter how you get beta testers, you should follow two rules:

- They should be very similar to the consumers who are eventually going to buy your product. If you have a great dishwashing product, make sure it gets into the hands of people who wash dishes.
- They should sign some sort of agreement with you. This agreement should include non-disclosure, limited liability (you don't want to be sued if your product goes kaflooey), and feedback requirements.

What kind of feedback do you need from your testers? What should your regular feedback instrument (Web, telephone interview, email) be soliciting? What should your final survey focus on?

- **Function**—does the product actually function as it should?
- **Use**—what uses do the testers put the product to? How often do they use it?
- **Quality**—does the product break? Where are the bugs or problems?
- **Usability**—how easy is the product to use?
- **Aesthetics**—do the users like the product? Do they like the way it looks? Does the product “please” the customer?

4.7. Implementation

Implementation is where you figure out how to actually get a whole bunch of products out there for people to buy. If you are outsourcing the manufacture or licensing the product to a manufacturer, you don't have much to worry about. The outsourcing entrepreneur has to find a manufacturer, some way to ship finished product, a marketing firm, and retailers. If you license the product, your only concern is periodic audits of your partner's books and, we should be so lucky, cashing your checks.

Implementation involves several interlinked areas:

- **Channels:** your first and foremost challenge is determining *where* the product or service will be available. *Channels* are types of selling outlets; for instance, selling through catalogs is a channel, but L.L. Bean would be a channel partner or individual retailer. You can, at the very least, go live with an ecommerce site (Chapter 7) and sell your product through your Web site. That, however, may not result in your best exposure or highest sales. Channels include bricks-and-mortar stores, print catalogs, online ecommerce sites, second-party bundlers (say, offering your product along with someone else's services).
- **Distributors:** if you have one or more retailers selling your product, you will need some way to distribute the product to their stores, whether online or virtual, and managing the inventory.
- **Promotions:** you need to build awareness, interest, and intent among your potential consumers through promotions, including in-store promotions (see Chapter 8).
- **Logistics:** how will you get product made and shipped to your distributors? How will you manage inventory? Returns? Warranties? Liability?

If your product will be appearing in physical stores somewhere, then three more elements enter into your planning orbit:

- **Packaging:** Packaging is both a practical and a marketing concern. From a practical point of view, packaging has to protect the product, give information to the buyer (some of which is legally required), present any certifications or approvals (for instance, if you're selling crayons, you will want an ASTM seal guaranteeing that the crayons are non-toxic), and do so as inexpensively as possible. From a marketing point of view, you want to attract attention from your target audience, display the product in as flattering a light as possible, and draw attention to critical features and benefits.
- **Point-of-sale (POS) materials:** There may be more to pushing your product than just having it plopped on a retail shelf somewhere. To gain awareness, interest, and intent, you may require brochures, special signage, or even off-shelf displays made of cardboard or some other material.
- **Shelf space and planograms:** Retailers (and catalogers) treat retail space as if it were gold, because it is. Unless you're talking about mom-and-pop stores, retailers use sophisticated planning programs that calculate exactly how much revenue and profit is coming from each square inch of shelf space (and catalogers do the same for catalog space). Optimal shelving space is either a separate POS display or right in the middle of the shelf. For many retailers, you have to pay to get an optimal position (this is part of promotions) or, in some cases, to get any shelf space whatsoever. If you have more than one product, you must produce a **planogram**, which is a graphical and numerical representation of how your product should be shelved and displayed. Arming yourself with a planogram will open many doors with retailers. SmartDraw (3.6.7) comes with excellent planogram templates, graphics, tutorials, and layouts.

4.7.1. Market-Ability, Inc.

<http://www.market-ability.com>

- Product promotion, marketing, and multiple media advertising services.
- Accessible to individual or small business.
- Guaranteed zero-cost media joint ventures.
- Direct response advertising.
- Networking with media executives.

4.7.2. Studio Productions, Inc.

<http://www.studiop.com/marketing.html>

- Product promotion to market.
- Marketing and display techniques.
- Recruiting sales agencies to rep the product.
- Media outreach assistance.
- Partnerships/investment in client product.

4.7.3. The Oxford Group

<http://www.theoxfordgroup.com/index.html>

- Strategic product/service marketing plans and campaigns.
- In-depth media planning and placement.
- Graphic design assistance for brochures and Websites.
- Direct mail, email, and internet marketing.
- Trade-show support.

4.8. Roll Out

Your final step involves actually rolling out the product. Here you have two options, which are not mutually exclusive:

- You can license the product or business idea to another company and collect royalties.
- You can manage your own company and either do the manufacturing and marketing yourself, or outsource these functions.

Section 4.9 discusses the ins and outs of licensing and 4.10 covers outsourcing your manufacturing. For now, we're directing you to resources that generally help you to achieve a successful product roll-out.

4.8.1. MRO Today: The Five-Step Approach to Product Launch
[http://www.mrotoday.com/mro/archives/exclusives/
SuccessfulProductLaunching.htm](http://www.mrotoday.com/mro/archives/exclusives/SuccessfulProductLaunching.htm)

MRO Today is a print and Web manufacturing business magazine published by the University of Tennessee Center for Executive Education. As you can probably guess, the articles skew heavily towards medium and large corporations with very little attention paid to entrepreneurs and small

businesses, let alone shoestring ventures! And unless you're a manufacturing fan, you're not going to be visiting this site very often. However, it does contain a large number of resources to help you think about manufacturing and launching your own products. And we believe that Lou Hampton's *Five-Step Approach to Product Launch* is something you should have memorized before any product launch.

He isolates five steps that are absolutely necessary to ensure success—and he argues that if you skip any one of them, you're playing with fire:

1. Customer first

Most companies put the customer first only *after* the product is on the market; instead, the customer should be first from the very beginning (MBAs call this the **marketing model** of product development).

2. Promotion

You should promote the benefits rather than the features of the product (marketers call this **WIFM**, for "What's in it for me?"—we like to say that every consumer, when looking at a product or an ad, is tuned in to WIFM radio).

3. Product message

Every product requires a simple, easy-to-understand message that is tied to the results you want to achieve.

4. Product message control

This step does not really apply to entrepreneurs, but it could when the business grows. The product message has to be controlled by the people who create it. Otherwise, when it goes up the line, executives change it into something that doesn't work.

5. Front line representation

Between you and the consumer sit front-line personnel: sales people, retail store clerks, and so on. They need to be trained in your product message to guarantee a successful launch.

4.8.2. Baltimore Business Journal: Launch Product Carefully

[http://www.bizjournals.com/baltimore/stories/1999/05/17/
smallb2.html](http://www.bizjournals.com/baltimore/stories/1999/05/17/smallb2.html)

As entrepreneurs, we constantly read business journals to help us generate ideas and structure our business to maximize profits. There are many national and international business and economics resources, but some of the best material for small business owners comes from the local business news

organizations, such as the Los Angeles Business Journal or, here, the Baltimore Business Journal. These online resources tend to focus more on economic and business news that are directly usable by individual entrepreneurs and small business owners.

As you approach rollout, you would do well to review this short article on how to launch your product to maximize success. The author points out several ways to lower your risk:

- **Market Acceptance**

Sometimes the best products flop. Beta testing and surveys tell you how interested the consumer public is in your product. The more feedback you get, the less risky the venture becomes.

- **Surveys**

You should do surveys before you launch (concept testing, beta testing) and after to tell you what's missing or wrong about the product.

- **Capital**

You need enough money to stay in business. Period. Don't count on money flooding in after you launch the product

- **Personal salary**

You still have to pay yourself so you can pay the rent and buy food—many entrepreneurs pour too much money into capitalizing their business and go out of business because they can't feed themselves.

- **Financial planning**

We discuss this in Chapter 2.

- **Leadership**

You have to be everything at the beginning. As the product succeeds, you need to develop a great team. That's hard to do when you're used to doing everything.

4.8.3. Chief Marketer: Six Steps to a Successful Product Rollout

http://chiefmarketeer.com/cm_report/six_steps_nov082005

Chief Marketer is a marketing e-newsletter and Web site publishing news on marketing trends, innovations, and solutions. The Web site, rich in resources and commentary, is free. However, as you might imagine, it is more directed at marketing professionals in the corporate and agency worlds. That doesn't mean, however, that bookmarking the site won't help you supercharge your own product marketing!

The six steps to a successful product rollout are:

- Find and identify the consumer insight—find out what consumers need and want so you can fulfill those needs and wants.
- Develop and screen a concept
- Develop and quantify the product
- Develop and screen the advertising
- Develop and screen the packaging
- Introduce the marketing and promotion materials.

4.9. Licensing

When you license your product, you're essentially “selling” it to another company. They then have the right to manufacture, market, and sell the product. In return, they pay you a flat fee (rarely) or a percentage of every sale they make, called **royalties**. But why would you want to sell your product idea rather than rake in all the profits for yourself?

- You may not have the resources or time to roll out your product, so you seek out someone who does.
- You may not have the marketing expertise or network of distributor and channel partner relationships.
- Once you've completed a licensing deal, you don't have much work to do. If the licensee is a good and experienced company, all you have to do is sit and wait for the checks to arrive.
- Your product may actually involve an entire line of products, say books, toys, blankets, mouse pads, video games, and so on. The only way to realize the entire product line is to license the manufacture, marketing, and distribution of some of these product lines to other companies, even if you're manufacturing some of the products yourself. (Every large company licenses at least some of its products to other manufacturers and marketers).

When you license your product or idea, you are not giving it up. It still belongs to you. An **assignment** is when you actually transfer ownership of your product or idea to someone else. A **license** only gives someone else the right to manufacture the product or use the idea *under certain restrictions*. A license has several important aspects:

- **Exclusivity**—a license can either be **exclusive**, meaning that you as the owner of the license cannot license anyone else for the

product or idea, or **nonexclusive**, which means that you can assign a license to someone else. Most are combinations of the two: a person or company sells a license that is exclusive in terms of geography or the type of product but nonexclusive in that the license can be sold in other geographies or for other products.

- **Value**—this is the value of the product or intellectual property you're selling; it is usually transferred to you in the form of royalty payments.
- **Restrictions**—licenses frequently are restrictive; they grant a licensee permission to use the product or idea within a certain geographical area, only for certain products (say, T-shirts), and sometimes with certain sales expectations. Don't confuse restrictions with exclusivity! Restrictions constrain the licensee; exclusivity constrains *you*.

While all three are very important, what matters the most to you is the **value**. That, after all, will determine how much money you make off the license. Licensing value can be determined in three ways:

- **Market value**—this is the value that similar products or ideas are fetching on the licensing market.
- **Future income value**—this value is based on projected earnings for the product.
- **Cost value**—value can be based on the cost of developing the product or intellectual property and recouping that cost with profit.

Like an investment in your business, a license contract puts much if not all the marketplace risk of your product on the licensee. If your product is untried, the licensee is taking some pretty hefty risk. And they will want more out of the deal to offset the risk. So just like approaching investors, approaching potential licensees is as much about credibly reducing risk as it is about projecting a realistic value.

Keep in mind that what you are licensing is your *patent*, *copyright*, or *trademark*. You are not licensing the *product* itself. If you don't have a patent, copyright, or trademark—or have one pending—no licensee will pay you squat for your idea.

Many people hire a **licensing agent** to do the work for them; agents typically take an up-front fee plus a commission on the sale. Since licensing agents make a career of finding manufacturers and negotiating licenses, they often earn their fee and more by landing you the best possible deals.

If you don't use a licensing agent, you have to perform the following steps:

- Locate manufacturers (we've provided resources in section 10)
- Prepare your marketing materials and proposal
- Submit your marketing materials and proposal to manufacturers
- Negotiate the licensing contract.

While you can accomplish the first three steps on your own, the last step requires the services of an attorney who specializes in licensing or patents. Remember this: when you're negotiating a license with a company, they do these negotiations all the time. They're much, much, much better at it than you are. So you need someone in your corner who can maximize what you get out of the deal.

As in approaching investors, you will need to prepare materials for potential licensees, including a presentation, contract, and even a marketing plan. In the appendix to this chapter, "15 Steps to Bring Your Product to Market," Don Debelak covers all the materials you need to prepare in order to approach potential licensees.

4.9.1. LIMA: International Licensing Industry Merchandiser's Association

<http://www.licensing.org>

Founded in 1985, LIMA is the largest world-wide organization representing companies and individuals in the marketing of licensed products. If you're serious about licensing your products or intellectual property, you should become a member of LIMA and exploit the services, including a monthly magazine, they offer you. LIMA sponsors several world-wide licensing conventions and networking events; these will cost you additional money, but keep in mind that a fairly large proportion of licensing deals originate—and finish—at licensing or manufacturing conventions. The LIMA site's calendar gives you a good run-down of international networking and conference events.

Most valuable to you in your fledgling enterprise is LIMA's free online international directory of licensing agents at <http://www.licensing.org/agents/LicensingAgents.cfm>. It is the most comprehensive directory available on the Internet.

LIMA membership bestows several resources. In addition to the trade magazine, *Licensing*, membership gives you access to the largest online

database of international manufacturers, licensing agents, and licensees in the world. You also receive a printed copy of LIMA's *Who's Who*, which I have found to be an invaluable resource in negotiating the world of licensing agents and manufacturers. No-one who is serious about licensing should not be without LIMA's *Who's Who*. Membership also includes educational resources and seminars, including a certificate program, the Certificate of Licensing Studies. Membership dues are based on a sliding scale of revenues—the lowest end of the scale (no revenues) means you'll be forking over \$500 to be a member for one year.

4.9.2. Inventor Fraud: Companies Looking for Inventions

<http://www.inventorfraud.com/locate.htm>

Inventor Fraud seeks out inventors and provides resources for helping them get patent protection, sell their ideas, profit from their ideas, find manufacturers, find licensees, and negotiate licenses. They provide these resources to protect inventors from invention scammers who take money from inventors and accomplish nothing. The site publishes a directory of companies and manufacturers actively looking for patents to license. These companies are listed by industry category.

If licensing is your game, Inventor Fraud should be a heavily bookmarked site. In addition to listing companies looking for inventions, the site provides you with a marketing letter template as well as instructions on how to do a brochure and Web site.

4.9.3. Patent Value Predictor

<http://www.patentvaluepredictor.com/home.asp?Unique=410200715752>

For \$150, PatentValuePredictor will assign a future income value to your invention or patented product based on the patent description and some financial data. These have to be published patents or applications; if you have yet to apply for a patent, the cost is \$1,000 for a valuation.

4.10. Manufacture

In addition to licensing, you can also outsource manufacturing. In an outsource relationship, you retain full rights over your product or intellectual property and market it yourself or outsource the marketing. You engage a manufacturer to make the product for you at an agreed-on fee. You benefit from enjoying a larger slice of the revenue pie if your idea takes off; however,

you have to do more work and you take the whole financial loss if the product bombs.

Outsourcing requires careful due diligence, negotiation, and sharp-eyed management of the outsource relationship and monitoring of quality and timeliness. Most manufacturing outsource relationships fail because of lack of diligence and communication; your manufacturer must clearly understand your quality and scheduling expectations. If you offshore manufacturing—largely because you can get manufactured products for pennies on the dollar—then you have an additional communications obstacle. Every outsource relationship I've been involved with in China has been a major headache because of the communication problem; the only time I've seen it work is when a manager on this end was fluent in both Chinese and English.

In a licensing deal, if your idea doesn't fly on the market, you take only a part of the loss, usually the smallest portion. However, your upside is limited to the royalties in the contract. In an outsource deal, your upside is unlimited, but you stand to lose your shirt (and pants and shoes) if the idea doesn't work. Your outsource manufacturer still must get paid if your product fails.

The place to start, of course, is with manufacturer directories. We have provided some of the best Internet resources for tracking down manufacturers, but you should also check the LIMA directories—if you're a member—for possible outsource partners.

4.10.1. Thomas Register of American Manufacturers

<http://www.thomasnet.com>

The Thomas Register is one of the oldest and most respected directories of American businesses. For umpteen years they printed a large and pricey catalog of American manufacturers; about ten years ago, they began distributing a CD-ROM version, also at a very steep price. ThomasNet has been around now for almost eight years; it's essentially the Thomas Register available online for free.

You can search manufacturers by product category, company name, or brand name. You get back full contact information, Web site, and, in some cases, a catalog of products manufactured by that company.

4.10.2. Harris InfoSource

<http://www.harrisinfo.com>

Harris InfoSource is a fee-based American business directory that will allow you to use the directory for a free seven-day trial period. Unlike the

Thomas Register, Harris will give you names of executives and their contact information. The price for using InfoSource is eyeball-popping steep, so you may only want to use it for the free trial period. The cheapest subscription is \$2,696 (listing companies only with 250+ employees); the most expensive ranges around \$14,000 (listing all companies with one or more employees) for one year of access. Wow!

4.10.3. Hoover's Online

<http://www.hoovers.com>

Hoover's is the oldest and one of the most respected online business databases. In addition to contact information, business overview, and executive information, Hoover's also gives you financials and histories of the company. Like Harris, you subscribe for a fee; pricing varies on the plan (Pro, Plus, or Premium) and the number of people from your company that will be accessing the site. Hoover's also offers a basic look-up service for free at <http://www.hoovers.com/free>. I would buy carefully, however. The information is often outdated, particularly for smaller businesses.

4.10.4. OneSource

<http://www.onesource.com>

OneSource happens to be my favorite business look-up engine and database, combining the benefits of a thorough database with reasonable pricing. For the US and Canada, the database includes information on 14 million companies and 3 million executives; it is much less robust for European (except UK) and Asian businesses. Fees are based on the size of your company and number of users. As a consultant that works with some major players in the business world, I have subscriptions to Harris, Hoover's, and OneSource. In my extensive experience, OneSource has always had the most up-to-date, accurate information.

4.10.5. Industry Search Online

<http://industrysearch.com>

Industry Search is an online manufacturing and industrial news site. The site is totally devoted to news articles and updates—it is not a directory like Thomas Register—but you use it to get an idea about what your target manufacturers are up to. It's also a great place to familiarize yourself with manufacturers you may want to approach. You browse news articles by category or by using their search engine.

4.10.6. TradeEasy

<http://www.tradeeeasy.com>

TradeEasy is the largest online directory of Chinese manufacturers; however, it requires a membership, which, fortunately, is free, to search the database and contact manufacturers.

There is a very good chance that you'll end up *offshoring* your manufacturing work to China, particularly if your product is relatively easy to manufacture, making communication less important. Chinese manufacturers make products for pennies on the dollar in comparison with American or European manufacturers and the quality is often excellent. I have seen entrepreneurs hand Chinese manufacturers a product and watched them perfectly match it for unbelievably low prices: throw-away plastic cameras for ten cents or designer tee-shirts for twenty-two cents (compared to \$2.50 for an American-manufactured tee-shirt).

However, offshoring to China is not an easy matter. The communications barriers can be *considerable*, and I've seen many a relationship go sour unless one of the parties on this end was also fluent in Chinese. You also have to negotiate import/export laws; there are also fees and limits on products imported to the U.S. from China. You wouldn't want to set up an outsource relationship with a Chinese manufacturer only to find out that, when it comes time to ship your product, that China is officially over the import quota in that category and all your product will sit and rot on the dock.

Finding a reliable outsource directory is difficult, but TradeEasy is the most-trafficked and reliable of those directories.

Appendix:

15 Steps to Bring Your Product to Market

Don Debelak

http://www.dondebelak.net/index.php?page=15_Steps_to_Bring_Your_Product_to_Market

Step 1: Idea Conception

Many people come up with ideas in different ways, but all that is important is that you have a new product idea that you are excited about and you want to see what you can do with it.

Step 2: Evaluate If Your Product Idea Is Worth Pursuing

There are basically four things you need to weigh to determine if your product is worth pursuing.

1. Is your idea feasible to create based upon your abilities?

Most, if not all, inventors get some kind of marketing or technical help from professionals, but your product still needs to be reasonably within your grasp. Don't let this intimidate you too much, but if you believe that you can do most of the work associated with your invention then you are in good shape. Just remember that even though most inventors do get help, you still need to do most of the work by yourself.

2. Can it be produced profitably?

You will not be able to know your exact costs, but consider the materials you want to use, the complexity of construction and the type of packaging you will need. If you think your costs will be pretty high and you will be competing with relatively low-cost products, your idea will probably not be worth pursuing. There are exceptions to this rule, like if your product is significantly better than competition or you are targeting high-end stores and consumers, but usually this rule holds true.

3. Is there significant competition?

A product is always easier to introduce if there is either very little or no competition. More competition generally means lower profits and tougher sales.

4. Does your product make people say, "Wow"?

If people are amazed when they hear about your product, then you should pursue your idea. I call this the “wow” factor and this can make up for deficiencies in any of the three areas above. This is perhaps the most important part of evaluating your idea because the “wow” factor is often the biggest contributor to inventors’ success.

Step 3: Create an Inventor’s Notebook

Prior to patenting your idea, you should fill out a properly documented inventor’s notebook. While this is not patent protection, you can document when you created your idea and what has been involved in your inventing process. That way, if someone tries to patent an idea similar to yours, you can establish that you came up with the idea first. At this point, you will not be ready to apply for a patent since your product will probably go through many changes before you finalize your product design. By prematurely applying for a patent, your own product changes may invalidate your patent protection. In the United States, the patent system awards patents to the first person to invent the product, unlike the rest of the world where the first person to file is awarded the patent. This means, for U.S. inventors, that it is not a race to get a patent, but it is better to wait until you know your final product design and have the funding to afford good patent lawyers. Just remember, once your product is publicly disclosed, you must apply for a patent within a year or your will lose your rights to a patent.

To create an inventor’s notebook, buy a bound notebook with numbered pages and enter all of your activities, drawings, ideas and even conversations regarding your invention. Enter everything sequentially and date every entry. Then every week have one or two witnesses, who are not close relatives or have a financial interest in your invention, read your new pages and write “The above information is confidential. I have read and understood this page.” Then have them sign and date the page.

Step 4: Target a Market

Develop a specific group of people who are your target customers. You want this to be the group most likely to buy your product. For instance, if you have a new kind of fly fishing pole, which is expensive, your target market could be wealthy fly fishermen. You might want to further narrow this market to fishermen who fish for a certain fish in a certain kind of creek. Some people want to avoid a narrow market because they think they will sell fewer products, but usually the opposite is true. With a narrow target market you can more effectively market your idea and can have more effective market research. Once you have a target market, you want to then target a type of distribution channel and find the corresponding trade shows, magazines and associations to be a part of.

Step 5: Produce Something That People Can Evaluate

Develop a model, drawing, flyer or a brochure for your product so people can give you feedback on your idea. This doesn't need to be a working model, although it can be, but it needs to allow people to honestly evaluate your idea

Step 6: Market Research

You need to conduct meaningful market research for your idea within your target market. Your results need to show how people compare your product to others, what price they think is fair, what product features they like, which they don't and what features they think you should add to your idea. How you do this can vary tremendously but common forms of research are focus groups, surveys and interviews.

Step 7: Reevaluate and Adjust Your Product Based Upon Market Research Results

Once you have completed your market research, consider the responses people made. You want to incorporate their good ideas to make your product as appealing as possible to consumers. The results from the market research may cause you to take your idea in a completely different direction, but that's okay. Don't be so attached to your idea how you originally conceived it that you won't take good advice. If your research causes you to drastically change your product, you probably want to do

market research again with your changed product. You would also want to conduct your research again if people's responses to your product were poor and you think your revised product would fare much better. The market research will be used later on to approach investors or potential partners, so you want favorable results.

Step 8: Make a Prototype

Now it is time to make a looks-like, acts-like prototype. You will need this to verify if your idea works the way you think it will. Your prototype doesn't necessarily need to be made from all the same materials as your final product will be, but it needs to be a close approximation of your final product to prove to you, investors, and potential partners that your idea does work.

Step 9: Get a Patent

Patents will prevent others from producing and selling your idea without your permission. They are very expensive, usually running over \$5,000 with attorney fees. There are many different patent strategies, but you will need to consult a patent attorney for specifics.

Step 10: Decide Which Track to Take

At this point, there are basically three avenues you can take with your idea: be an outsource entrepreneur, licensing, or start your own company. All three have pros and cons and you will have to decide which route is best to take for you based on your own skills and the specific characteristics of your product.

Outsource Entrepreneur

An outsource entrepreneur uses outsourcing to quickly bring his or her product to market with low risk and low investment. There are essentially three aspects to bringing a product to market: research and development; manufacturing; and marketing. As the inventor, you perform the task of research and development (inventing and developing the idea) and outsource the manufacturing and marketing to investing partners. The investing partners will provide further development and pay for many of the start up costs. In return they will receive more profits than contracted work and will

15 Steps To Bring Your Product To Market

have some control of the idea. This is often the fastest way to bring a product to market, is low risk and allows you to move onto new ideas quickly since the other partners will continue to manufacture and market your idea without excessive involvement on your part. This is not for everyone and will require you to have strong deal-making skills, but the low-risk and low-investment aspect makes this appealing for most inventors, who are often strapped for cash.

Step 11A: Find Potential Partners

Not everyone will be a good candidate for outsourcing. You need to find manufacturers who can add your product without too much investment in new machinery and who are running below capacity. Marketing partners must carry products similar to yours and your product must represent a significant increase in sales for the firm, at least 20%.

Step 12A: Set Up a Proposed Deal Structure

Before you start approaching potential partners, you should know what kind of deal you are hoping to set up. Have an idea about what kind of investments each partner will make, how you will divide profits and how you will handle the future of your idea. Remember this isn't the final deal, but just a starting point for you and your partners. No one will sign on a deal that isn't fair for them, so try to make it as fair as possible for everyone involved. Don't devalue yourself in this process though, creating and developing the idea is very valuable and the basis for the partnership.

Step 13A: Approach Manufacturers

Approaching your partners can be difficult. Manufacturers don't want to sign a deal unless there is a marketing firm guaranteeing sales and marketers don't want to sign a deal unless a manufacturer can promise to produce the projected volumes at a reasonable quality. The best way to deal with this is by first approaching a manufacturer and asking them to commit to the project if a marketing firm will sign on to the deal. If the manufacturer agrees, then you have a solid enough commitment for a marketing firm to be willing to sign on.

Step 14A: Approach Marketers

Once you have a preliminary agreement with your manufacturer, you can start approaching marketers. Make sure you have chosen your marketers carefully and approach the ones you think will be most likely to join the partnership. Marketers become wary of products that have been “shopped around” and will avoid your product if they think too many others have said no to you already. So do your homework and be confident that you approach those companies for whom your product would be a good fit.

Step 15A: Close the Deal

Once you find two partners who are interested you need to all sit down together and hammer out all the details and close the deal. You need to be protective of your share here. If you can prove that you can offer some kind of ongoing service for the project it will be easier to get your fair share. You may also want to hire an attorney to help you protect your rights.

Licensing

Licensing is when a company takes over your new product idea and pays you a royalty of the sales from your idea. The licensee can be a manufacturer, marketer, or a product development company. Since licensees take on all the risk of a product, they are cautious about what products they will license. Most companies will only license an idea if they are fairly certain it will be successful so it is up to you to convince them. While the earning potential is lower than both the outsource, entrepreneurial approach and starting your own company, many inventors choose this strategy because once you license the idea you have no more responsibility to the project.

Step 11B: Find Licensing Candidates

Many inventors fail at licensing because they choose the wrong companies to approach. Many people want to license to the big companies without realizing that these companies rarely, if ever, license ideas from inventors. Unless you have a truly innovative product, you should not approach a company with a major market position. Fortunately, companies with smaller market shares are always looking for ways to expand their share

15 Steps To Bring Your Product To Market

and break into new markets and are therefore more willing to consider licensing. Since a licensed product produces a lower profit margin due to the royalties paid to you, you need to find companies that would benefit greatly from adding your product to their line.

Step 12B: Prepare a Preliminary Licensing Proposal

Before you approach your licensing candidates, you want to be clear on what terms your idea will be licensed and what percentage of sales you want to receive. You can license your idea to just one company, which is an exclusive license, or to many companies, which is a non-exclusive license. You will also want to determine what exactly you are licensing: either the product or the technology. Be clear on what you want but still be willing to negotiate, but remember to protect your future rights to the idea. For instance, if you license just your product, then any advancement will exclude you from royalties, but licensing the technology could have you receiving royalties for many years.

Step 13B: Prepare a Licensing Presentation

When you find interested companies, you will be asked to come to the company's office for a presentation. This presentation should not last more than fifteen minutes and you should allow for questions after the presentation. If at all possible, you should include a demonstration. This is the most effective way of selling your idea. If you cannot provide a demonstration, try to incorporate a five-minute video showing people using your product. During the remainder of your presentation, you need to show the company why the product will be successful and that your product matches the company's goals and current market strategies.

Step 14B: Approach Your Candidates

Approach your candidates, first with letters and phone calls, then with your presentation. Approach the companies that are the best fit for your idea first, since companies grow wary of products that have been "shopped around" to many different companies.

Step 15B: Sign the Deal

You should get a lawyer to help you with the licensing deal. You may have already made some preliminary agreement with the licensee based on your preliminary licensing proposal, but you will need a lawyer to handle all the details of the deal to ensure that you are properly protected.

Starting Your Own Company

Starting your own company can offer the biggest returns on your idea, but also can be the biggest loss. This track will take substantial investment and time and will offer the slowest rate of growth. But if you succeed, the profits are all yours. In the list below, I assume you will contract the manufacturing process and hire sales people or use an established distribution channel, which is not the route everyone takes. With a small target market, some inventors can manufacture and market the product completely on their own, and even earn a substantial profit. Before you start this process consider what skills you have and how much time you are willing to spend on this business, you may need to take on help or partners right away to get started.

Step 11C: Create a Business Plan and Market Introduction Plan

Business Plans and Market Introduction Plans are vital for every business. Practically, you will need a business plan to raise money, but beyond that you will need to focus and concentrate your energies. Business plans also will give you a standard to measure your success and progress.

Step 12C: Create Packaging

Packaging is a very important part of every product, but most inventors underestimate its value. Without an extensive sales force, you will need to rely on your packaging to sell your product off the shelves. You need to match your packaging to the image of your idea whether it is a high-end luxury product or an impulse item. Also your target distribution channels may have very specific requirements for either the quality or the display method of your packaging (i.e. hanging from hooks, stacked on a shelf, etc.).

Step 13C: Find a Manufacturer

You will need to contract a manufacturer to start production on your product. Manufacturers are typically not too difficult to work with. Contact them for quotes and compare prices to find the best value. Some manufacturers produce poorer quality work than others and you want to be sure you are getting the quality work you need. Not all manufacturers will offer to produce your product, so find manufacturers with the equipment necessary to make your product. Make sure to discuss with them how you will manage the quality of the work being done.

Step 14C: Find Sales Agents/Distribution

There are a variety of sales methods you can use. Sales agents can sell for you, you can sell through mail order catalogs, or you can sell through distributors or countless other sales techniques. Your product will not be suitable for many sales options and being an inventor-run company will disqualify you from others, at least initially. You must choose a distribution option that you can support with customer service, that is open to new products, and that can be impacted by a small sales force. You may have already chosen which path to take in your market introduction plan and now is the time to contact the sales agents or distributors that you want to pursue. Remember that distributors can be wary of small companies and may wait for you to call four or five times before they consider your idea. They want to see you have staying power so let them know you are committed and are not going away.

Step 15C: Start Selling

Running your business will take a lot of perseverance and patience, but if you've made it this far you have proved that you have those traits. Don't get discouraged now, it will take time for your idea to take off, just keep plugging away and stick to your business plan, reevaluating it every so often. Above all stay optimistic. Remember, starting your own business will take the longest but you started it so you could have the big payoff later on.

Back Office

5

In an earlier chapter, we distinguished a business, as separate from a hobby, as a venture that was about making money. You probably suspected at the time, correctly so, that we were oversimplifying just a tad. You probably would have said that businesses require all sorts of functions carried out by employees—even if all the “employees” are essentially one person, the business owner. That’s right, but businesses require all those functions to, you guessed it, make money. Money-making requires businesses to perform a variety of tasks regularly and accurately that a hobby doesn’t require. Much of what we call the back office is concerned with these tasks.

Outside of making, marketing, and selling your goods and services, your business makes and manages money through a complex set of support tasks collectively known as the back office or business processes. These are tasks like keeping records, sending invoices, paying invoices, hiring people, paying people, mailing letters, and answering telephones. Before you say, “I can do that,” keep in mind that corporations spend billions of dollars just on these functions alone. Something as simple as answering the phones can eat up millions of dollars at the corporate level and require super-sophisticated technologies and operations. As your business grows and makes more money, the back office support work grows as well.

Since you didn’t go into business to spend your days typing, bookkeeping, answering phones, or fussing over the millions of support tasks that sprout like weeds throughout your business, you will end up hiring people to do these functions for you. You have two roads to take: you can hire people directly and put them on your payroll (thus creating more tasks, like payroll and human resources that require doing and more employees to do them) or you can outsource these jobs. Outsourcing means hiring another company to perform essential business tasks for your business, like accounting. If you hire a firm based in another country, usually because it’s cheaper, you are offshoring. Since more and more corporations are outsourcing and off-shoring more and more of their back office, you’ll be pleased to know that you, too, can easily outsource these functions by simply firing up your Web browser.

The chapter begins with general administrative outsource services that provide turnkey back office solutions. These are the “all-in-one,” one-stop, one-shop packages that can help minimize your outsourcing headaches. The remainder of the chapter drills down to specific support functions, such as word processing, data entry, human resources management, and project management. We end the chapter by discussing the most important back office function, communications: answering the phone, calling people, and other ways of keeping in contact.

5.1. What is a Virtual Back Office?

So, why outsource your back office? Isn't it easier just to do it yourself? Hire other people?

The answer is both yes and no. In many ways, it is simpler to do it yourself, but it requires a huge amount of work even at the very beginning of your venture. If you can't do all that work, hiring your own staff to do your business's accounting, payroll, and phone answering has many advantages. You can deal directly with your employees, you can judge the quality of their work, and you can have some control over the security of your business's information. These are not minor advantages.

But doing the work yourself or hiring employees have their disadvantages, the most significant of which are the limitations they place on your business's growth. Your back office must ramp up as your business grows. That's not as easy as it sounds. Today you have a bookkeeper and a receptionist. Tomorrow you require a bank of phone operators, a bookkeeper, payroll expert, accountant, and a human resources department to handle all those employees.

Outsourcing your back office gives you three distinct advantages: scalability, cost savings, and avoiding the general headaches that having a staff entails.

The most significant factor limiting your business's growth, in general, is your ability to scale up your staff to meet greater market demand. You may have the best product in the world, and lots of people want to buy it. However, the more they buy, the more your organization and your back office needs to grow. Believe it or not, many small businesses fail when they succeed; they can't scale relative to the market demand. I worked for a small business once that had a twenty year growth history that looked like a sine curve: every four years they'd grow to about forty employees and four years later they'd shrink to about four employees. The principals could not manage the larger organizations market success required—the sure sign that they were going to fail was when they succeeded.

The right outsourcing vendors can greatly increase a business's capacity to grow and reach new markets. The vendors devote all their expertise to the back office functions and ramp up (or down) to meet your needs; all you need to do is worry about getting your product made and selling it. You don't have to master the intricacies of managing a complex organization with widely disparate departments and functions.

In addition, hiring employees puts you under all sorts of legal and tax obligations, so you have to handle a bunch of forms and familiarize yourself with a hogpile of ever-changing laws, which you must obey. These laws

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govern everything from how much taxes to withhold from their paycheck, how much vacation time they get, when you're supposed to pay them overtime, and how many breaks they get throughout the day. Direct hires also come with an army of legal rights. If your employee doesn't work out, you will find it very difficult to get rid of that employee. It doesn't matter if you sign an "at will" employment agreement with them. There's nothing to stop a disgruntled former employee from suing you even if they have no chance of winning the suit. Being sued by an employee and winning is just a little less costly than being sued and losing, which is why most major companies almost *never* fire bad employees anymore. That's right. It's really hard for an employee to get fired nowadays.

Employees are also more expensive than their wages. Once employees work a certain number of hours each week, there are things besides wages you're legally or ethically bound to give them, including unemployment. You will also want to offer incentives for them to stay, like health benefits. Factor in sick days, vacations, and insurance to these obligations and a \$10 an hour employee suddenly is costing you close to \$20 an hour before the ink is dry on the page. And did I say it's really difficult to fire a bad employee?

There are yet more costs. Employee "cost" also includes physical infrastructure, as well. If you're running a big enough business, you don't really see these expenses; your accountant hides them under "overhead" and "capital expenditures." But if you're starting a business on a shoestring, these extra costs really matter. For instance, if you hire a bookkeeper, you have to buy a computer. You have to purchase software for that computer. Your bookkeeper needs a desk, a chair, a phone, a connection to the Internet, and maybe even an office. If you hire a word processor, the same routine plays out: computer, software, chair, desk, and phone. Get enough people on board, "phone" becomes "phone system" with separate extensions, voice mail, and a bigger bill every month from your phone provider. "Computer" becomes Ethernet, router, server, back-up tape system, hub, and a part-time computer guy to fix all this junk because it goes kablooey every few weeks. You get the picture.

Last, but certainly not least, employees mean payroll and payroll means you always have to pay a "wages bill" every two weeks. Payroll is even more inevitable than death and taxes. Taxes only come once a quarter and death, knock on wood, less frequently than that. So payroll means you must manage your cash flow very efficiently. If cash isn't flowing, paychecks still have to go out, and you end up in the worst possible nightmare: borrowing to pay your employees. In a survey I did among small business owners, the anxiety that kept most of them up at night was meeting payroll.

Outsourcing solves many of these problems but saddles you with other headaches. If you outsource your back office functions, you never really meet your employees. You can't evaluate them individually and guide the improvement of their performance. You can only evaluate the performance of your outsourcing partner. In addition, "your" employees at the outsource company often work for more than one business. As a result, they don't really get to know your business very well and rarely care about it. That does matter. For instance, you may want customer service to be your business's defining character. With a direct hire, you can train them in customer service and monitor how well they perform. More importantly, you can hire and nurture an employee to *care* about your business and customers. You do not have that luxury with an outsource partner. Typically, you never even talk to "your" employees; instead, you spend all your time with a manager or account executive. That makes it even more difficult to ensure the highest quality work, dedication, and service.

On the other hand, you don't have to handle payroll. There are no income taxes to deduct. No W-2 forms to prepare at the end of the year. No health insurance. No unemployment insurance. No laws to keep up on. No performance reviews. No write-ups. You pay your bill to the contractor every month and you're done with it.

In addition, outsource office support is also typically much cheaper than an employee—as low as 15% (if you offshore) of what an employee would cost in wages, infrastructure, and additional compensation. You still have to worry about paying your outsource bill, which can be either variable or fixed, but it's typically a lot less than a staff would cost. So, just like payroll, you need healthy cash flow to pay your bill on a regular basis. But if you manage to get your back office services at a significantly lower price than direct hires, you're more likely to sleep at night.

There is an additional advantage. Because many outsource providers have a large number of clients, they are able to take advantage of economies of scale to offer services you could never afford on your own. For instance, if you want a phone receptionist available twenty-four hours a day—because somewhere between 50% and 80% of all callers who reach a phone machine *never* leave a message—you would have to hire three full-time employees to work around-the-clock. You can get the same twenty-four hour reception service from an outsource provider for little more than it would cost you for 8 hours of daily phone reception.

And finally, outsourced "virtual" employees do not require physical infrastructure. Your deal with the outsource vendor means that *they* provide the desk, the chair, the computer, the software, the phone system, the computer system, the rest room facilities, and every other piece of

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“overhead” that comes with employees. Taking advantage of economies of scale, this means that “your” employees at the outsource location are able to use sophisticated, state-of-the-art technologies that you could never afford; bringing an outsource vendor on board often means bringing the best technologies on board, as well. The vendor does pass these costs on to you, to be sure, but the costs are spread across a large number of clients.

Outsourcing has one additional benefit. If you set up the right contract with an outsource provider, it's exponentially easier to dismiss an underperforming contractor than an employee. If you're unhappy with the bookkeeping service you've hired, fire them. Hire a new one. It's usually that simple. And here's something that's genuinely cool. If you don't like your vendor's performance and tell them about it, they usually make an effort to improve! Try that with an employee!

However, a relationship with an outsource partner requires care, nurturing, and close management. Your goal is not just simply to avoid the problems with staffing your business, you also want the best performance and dedication to your company that you can get, just as with any employee, but you now have to elicit that excellence and dedication from a distance.

It's an absolute certainty that one or more of your outsource relationships will go bust. The reason outsourcing relationships fail is subject to a fair amount of debate. Because so many American businesses are outsourcing so many of their functions, there's an entire discipline devoted to figuring this problem out. My experience, and the experience of many corporate consultants, is that outsource relationships fail because of lack of management by the client. In other words, if you think a business process outsource relationship is easy, you're mistaken. You must develop the skills and devote the time to manage that relationship before and after you sign up the contractor.

What skills do you need? You need the exact same skills companies like IBM or Exxon-Mobil need to manage their outsource relationships. The difference is this: IBM or Exxon-Mobil can hire an army of MBAs and McKinsey consultants with those skills. You, on the other hand, must develop those skills all on your lonesome. These skills are:

- communication
- negotiation
- project management
- contract and legal document understanding (you can't avoid this one—you have to closely read and really understand what is in a legal document)
- adaptability.

Outsourcing to meet your back office needs can actually be fairly complicated to set up but limited only by your innate creativity. You have several options that you can mix and match creatively:

- **Outsourcing:** this is where you take a project, program, or an entire department (like your accounting department, say) and hire another company to perform the work for you.
- **Offshoring:** you *offshore* when you hire an outsource company from another country. By far, the most common offshoring destination for back office work is India.
- **Multi-sourcing:** you *multi-source* when you take a program or department and get the work done through a combination of internal staff and outsource partners. For instance, you may have a bookkeeper on your staff, but have other functions, such as financial reports and taxes, done by an outsource accountant. Your accounting department, therefore, is multi-sourced.
- **Freelancers:** Using a job board or freelancer online RFP marketplace, you can outsource back office functions on a piece-work basis. For instance, you may have no need for a regular transcription service (creating a word processed document from an audio or video file), but every once in a while you may need a transcription of a Web or live conference meeting (see 3.15 for Web conferencing). Freelancers can provide that service at significant cost-savings on a one-time basis, sometimes for pennies on the dollar in comparison to what an outsource provider would cost.
- **Sharing:** You can always partner with another company and share a program or department; it's essentially like having a part-time employee. Sharing often works best for commission-based positions, like salespeople. For instance, I once helped set up a salesperson position that was shared between four small businesses all in different aspects of the marketing communications business (design, advertising, photography, research). None of the four could actually afford a dedicated salesperson. For that matter, none of the four were busy enough to fill the time of a salesperson. However, if one salesperson represented all four companies, that salesperson could generate enough work to justify the cost. Sharing between companies can be difficult (what happens if the salesperson decides it's easier to make sales if he concentrates on only one of the partners in the deal?), but it can work. You can even set up sharing relationships with your clients or suppliers, who are sometimes happy to let you foot part of the cost of under-utilized employees.

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- **Shared services:** This is not actually an outsourcing solution, *per se*, but “shared services” are frequently lumped into the “outsourcing” category. You can only “share services” if you actually have employees. When you share services, you essentially make one department or employee responsible for more than one task. For instance, you may have your bookkeeper also do payroll and take all customer service calls. So your bookkeeper is the accounting, payroll, and customer service department all wrapped into one less-than-tidy package. Of course, the nature of most start-ups means that most if not all your business processes are “shared” by one person: *you!* But you probably know that already.

When setting up an outsource relationship—even a one-time deal with a freelancer—you should focus on the following critical areas:

- **Alignment:** when an outsource partner strives to achieve *your* goals, this is **alignment**. To achieve alignment, you make sure the vendor is rewarded for the performance you want and punished for the performance you do not want. If you want your call center to give the highest possible customer service, then you need the means to penalize the outsource partner financially if customers complain.
- **Growth:** you want to meet your short-term needs with an outsource partner; you also want to know if your outsource partner can grow with your business. If not, you will find your outsource partner limiting your growth, the exact same problem you have with direct hires. So, based on a realistic expectation of what the future holds for your business, choose an outsource partner that can help fuel that future rather than hinder it.
- **Management:** your agreement with an outsource partner should provide management tools to make sure that the service is performing as expected and has mechanisms to respond to change, such as a sudden spike in your needs.

5.1.1. TutorialReports.com

<http://www.tutorialreports.com>

TutorialReports.com offers a series of introductions to leading technologies and the use of those technologies, providing easy-to-understand explanations of these technologies. Topics include:

- Patents
- RFID
- VoIP
- WiMAX
- Zigbee
- Bluetooth
- Web design
- Broadband content
- And, of course, outsourcing

While useful across a variety of topics, TutorialReports.com provides the best Web-based introductions to outsourcing issues.

Chances are, you're unfamiliar with outsourcing. You've never done it. You've never seen it done. You're sobered by the fact that the people who are really good at it, that is, major corporations, fail most of the time they try to outsource. If the Harvard MBAs screw it up, what can you do? Our first advice is that you get a handle on what outsourcing really is. TutorialReports.com offers an excellent set of tutorials that cover all the major issues:

- *Outsourcing Basics*
- *IT Outsourcing*
- *Customer Service Outsourcing*
- *Outsourcing to India*
- *Business Process Outsourcing*

These are useful introductions to the entire field of outsourcing and you really shouldn't proceed until you've mastered the topic at this level.

5.1.2. Sourcingmag

<http://www.sourcingmag.com>

In this age of information overload, it would probably not surprise you that there is a Web-based magazine solely devoted to outsourcing. While TutorialReports.com presents good introductions, Sourcingmag provides the nitty-gritty details about outsourcing relationships.

For Sourcingmag, successful outsourcing involves four distinct stages:

- 1) **Strategic thinking:** developing the philosophy behind the business's outsourcing.
- 2) **Evaluation and selection:** deciding the appropriate functions or departments to outsource and evaluating potential providers.

- 3) **Contract development:** working out legal, pricing, and service level agreements.
- 4) **Outsourcing management and governance:** working with the provider to ensure the highest quality service.

Resources include:

- Introductions to outsourcing issues
- A directory of outsourcing firms
- Bookstore
- Blogs
- Forum

Must-read articles on the site include:

- What Is Outsourcing?
- What Is Offshoring?
- What Is BPO?
- Offshoring to India
- Offshoring to China
- Managing Your Offshore Team
- Looking Beyond Cost Savings in Outsourcing
- The Secret to Outsourcing Customer Care Operations Smartly
- Offshore Outsourcing Models
- Crawl, Walk, Run Strategy Leads to Success in Offshore Outsourcing
- How to Reduce Offshore Hidden Costs
- Fine-Tuning the Offshoring Model
- Working With India: What To Know Before You Go
- Culture Matters: 5 Challenges India Offshore Teams Face in Working With Americans

5.1.3. *OffshoreExperts.com*

<http://www.offshoreexperts.com>

Listing over 20,000 outsourcing firms, OffshoreExperts.com is a major international directory of outsourcing professionals. Categories include:

- Business Process Outsourcing (BPO)
- Programming, Software, Database
- Website Design and Development

- Engineering, CAD, Architecture
- Graphic Design and Presentations
- Writing, Editing and Translation
- Business Consulting
- Sales and Marketing
- Finance and Accounting
- Legal
- Game Design and Development
- Networking, Hardware, Telephony
- ERP/CRM
- Manufacturing
- Advertising
- Illustration and Art
- Photography and Videography
- Fashion, Interior, Landscape Design

General back office categories include:

- Accounting
- Collections
- Call Center
- Contract Management
- Customer Service
- Data Entry
- Due Diligence
- Event Planning
- HR
- Mailing Lists
- Office Management
- Payroll
- Secretarial Support
- Transcription
- Word Processing

5.1.4. *Outsourcing.org*

<http://www.outsourcing.org>

By far the number one outsourcing destination for business process and information technology is India. Due to a happy confluence of several factors—a large English-speaking population, a large college-educated population, and low wages—Indian outsource companies provide the

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quality global business requires at significant cost-savings. Of course, these cost-savings will evaporate as the standard of living increases in India, but that's another topic.

There's a very good chance that you'll outsource some or all of your back office to an Indian vendor if cost is your primary concern. Outsourcing.org is the most comprehensive directory of Indian outsourcing firms across the entire gamut of business needs: manufacturing, IT, and business processes. The back office outsourcing directory lists eighty-seven companies and the call center directory lists 173 companies as of the publication date of this book.

5.2. Outsourced Back Office: Marketplaces & Job Boards

One way to fill your back office needs is to hire people one at a time through an RFP marketplace or job board. You can advertise for an ongoing outsource relationship or just have piece-work bid on one-at-a-time by freelancers or vendors.

While technically not "turnkey" solutions, these marketplaces and job boards give you access to outsourcing vendors, virtual assistants (see 5.3), and freelancers for nearly all your small business needs.

Small businesses typically use RFP marketplaces and job boards when they're very small, quite literally at the starting line, largely because they provide significant cost-savings (because of low-ball bidders) and allow you to farm out work only when you need help. Quality varies widely, so these marketplaces are usually the worst source of dependable talent.

Beyond back office, these sites are also valuable destinations for other outsourcing needs, such as building your Web site, advertising, copywriting, or programming.

CHEAPEST AINT BEST!

Cheapest is not always best. RFP marketplaces tend to attract low-ball bidders. Quality providers often steer clear of RFP marketplaces because so many low-bidders are snatching up all the business. Quality providers often find themselves wasting their effort on these sites because they always lose to these low-ballers. So be careful when selecting a bidder.

Besides being a source of contractors, you may find yourself using these marketplaces and job boards to sell *your own services* as a business. If your

start-up venture involves virtual services of any kind, these marketplaces should be one of your primary marketing vehicles, at least at the start.

5.2.1. Guru.com

<http://www.guru.com>

Guru.com should be near the top of your business process outsourcing bookmarks—if not your general outsourcing bookmarks.

Guru.com is a marketplace that connects buyers looking for outsource services with contractors willing to provide those services. You place an RFP for services and contractors on the Guru network bid for those services. The problem, of course, is that this whole process is time-consuming. If you need regular services, you need to establish relationships with freelancers or outsource firms. Otherwise you’re wasting your time authoring RFPs and reviewing proposals—time you could spend doing the work yourself!

When you’re contracting for back office support, by far the largest number of contractors on guru.com is home-based, single person businesses.

General categories—extending far beyond back office support—are:

- Business consulting
- Finance and accounting
- Sales and telemarketing (including call support)
- Marketing, advertising, and sales
- Legal
- Web design, and others

Remember: every time you use a marketplace like Guru to locate contractors, you’re taking a risk. There are many lemons mixed in with the stars, so you must vet your bids carefully. And a general rule of thumb is this: cheapest is *rarely* the right choice.

5.2.2. Elance

<http://www.elance.com>

Elance, like Guru.com, is an online RFP marketplace connecting businesses with freelancers, although a few outsourcing firms mix it up with the freelancers in responding to RFPs. Like Guru.com, these freelancers are a mixed bag. Elance has the virtue, at least, of being the online marketplace for AssistU certified virtual assistants (see section 5.3.4), so it is an excellent source for virtual assistants.

Elance connects businesses with freelancers in the following areas:

Outsourced Back Office: Marketplaces and Job Boards

- Business consulting
- Web sites
- Design
- Writing
- Programming
- Administrative services

5.2.3. Contracted Work

<http://www.contractedwork.com>

Contracted Work is an RFP-based freelancer marketplace that allows you to place projects for contractors and freelancers to bid on, much in the same way as Guru and Elance. Like these other RFP marketplaces, however, the presence of lowball bidders means that quality is a gamble—higher quality freelancers steer clear since prices can go so low. Categories include:

- Administrative
- Web Design
- Writing
- Construction
- Software/Programming
- Graphic Arts
- Business
- Multimedia

5.2.4. Craig's List

<http://www.craigslist.org>

Craig's List is the largest online classified advertising site on the Internet; with over 5 billion page views per month by some 15 million unique visitors, it is the seventh most-trafficked Web site in the world. Every major city on the planet has a section on Craig's List. The service offers all standard classified ad categories, such as real estate, jobs, things for sale, and personals.

Craig's List allows you to post two kinds of jobs: regular jobs-for-hire and gigs, or temporary, one-off jobs. You can post gigs for free, but a jobs ad requires an account and costs \$25 if posted in the New York, San Francisco, or Los Angeles Craig's Lists.

The usefulness of the site depends on the size of the city you live in (you can only post in one city) and what you're looking for. If you're located in a large metropolitan area such as New York or Los Angeles, your ad will attract a large number of high-quality applicants. The site is a genuine resource if

you're looking for contractors to do as-needed jobs for you. However, it is a highly risky site to find employees or outsource contractors. Most of the respondents to your ad will be magnificently unqualified and, if you live in a big city, a job or gig ad could land you dozens if not hundreds of equally unqualified responses. Follow this rule of thumb when hiring off Craig's List: ask for references and contact them. Anything less is taking a big risk. Craig's List has more horror stories than happy endings.

Because Craig's List limits you to one city and does not allow you to repeat ads across cities (its posting engine checks the wording of your ad against all the other ads that are posted; if it matches another ad pretty closely, the service will reject it), you can't find freelancers and contractors across the country very easily. So if you live in Topeka, Kansas and you're looking for someone to do virtual word processing, you're better off putting the ad in the New York or Los Angeles Craig's List. You're more likely to find the right person in these larger cities. Fortunately, the freelancers and contractors who are serious about getting hired troll *all* the city listings.

BEWARE THE CRAIG'S LIST FLAGGERS!

Craig's List is a community-monitored classified ads site that allows and expects users to monitor ad content. Users can "flag" ads they believe are inappropriate, offensive, or illegal. If the user community flags an ad enough times, it's removed from the site. For jobs and gigs, they will typically flag ads if they believe the pay is too low, the attitude hostile, the ad misclassified, or outright illegal (i.e., "I will only hire a woman," is illegal discrimination). Always be brief and to the point. Say what you need and avoid any hostility ("any reply that does not include a resume will be thrown out"). Be clear that there is pay, but never specify the amount; instead, specify pay as "negotiable," "competitive," or "TBD" (for "To Be Determined"). Even with caution and prudence, you may find your ad getting repeatedly flagged (some folks flag ads if no precise compensation is given). Don't get mad. Just post it to the Craig's List flagging forum and the kind but obsessive folks who hang out there will almost always pinpoint the problem within seconds of your posting.

5.2.5. Monster

<http://www.monster.com>

The Monster job board is the largest and most-recognized job board on the Internet. The Monster site is geared primarily for large businesses and recruitment firms—Monster visitors are lining up for “regular” jobs rather

than the kind of outsourcing you may be trying to achieve. So Monster is a good solution if you're contracting for a long-term relationship with a single person providing a back office service.

The employer section at <http://hiring.monster.com> is where you sign up to post jobs on Monster. You can set up an account with the site, but it's not necessary to post a job or search resumes. Posting costs you money but you can search resumes for free (but downloading resumes costs you money).

Since this is a book about shoestring ventures, consider this: a single job posting for a one hundred mile radius costs \$400! There's a reason why the site is used almost exclusively by big companies and recruiting firms! At the same time, the quality of Monster users ranks considerably higher than that in any of the RFP marketplaces we've mentioned or Craig's List.

5.3. Virtual Assistants

You're approaching back office outsourcing from one of two perspectives. On the one hand, you may be a highly experienced businessperson or entrepreneur with in-the-trenches experience outsourcing business processes. You know from hard-won experience that you have to approach each outsourcing function with a clean slate. Some of the knocks you've gotten in your small business school of hard knocks have to do with back office turnkey solutions.

On the other hand, you may be new at this. You're starting a new venture and you've never outsourced or offshored before. You're rightly suspicious of one-stop outsourcing shops, but you don't have the time or background to strategically outsource one vendor at a time for each and every business process involved in your venture. The convenience involved in doing all your back-office shopping in one fell swoop permits you to go back to what you do best: getting your venture off the ground. It's not the best solution, but it's the easiest one in terms of managing the relationship.

There's no question that mature businesses are better served by multiple business process outsourcing vendors. But the increased quality, service, and cost-savings translate into increased management and diligence on your part. As a start-up without big piles of money or time to pay people to manage multiple outsource vendor relationships, you're better served by starting with cost-effective turnkey solutions. As your business evolves and the bucks start rolling in, you can start moving business processes to other vendors to realize greater value.

While there are plenty of companies offering turnkey back office services, **virtual assistants** are all the rage for home-based businesses, single-owner businesses, and start-ups. As distinct from an outsource vendor, a "virtual

assistant" is like an employee that you use only when you need work done. Virtual assistants are typically one-person shops—in fact, they are the fastest growing type of home-based, shoestring venture business in America—but some virtual assistants are actually small companies with a network of employees. Almost all virtual assistants bring a multitude of skills to the table, although, as you can imagine, they perform some functions better than others. And almost all virtual assistants target small businesses, home-based businesses, start-ups, and entrepreneurs. In other words, they've developed a business model that matches your needs at an early stage in your business.

A virtual assistant is an independent contractor who performs back office work on an as-needed basis. Because you only pay by the project, you only incur costs when you need the work done. Typically, the per hour cost is greater than an employee (around \$30 to \$40 per hour), but if your needs do not require a regular employee—typical of shoestring start-ups in the early stages—and since you will not have the time to do *all* the back office work for your business, virtual assistants should always be in your staffing plans.

When hiring a virtual assistant, check the following:

- You should only hire someone with an administrative, customer service, office manager, or executive assistant background; the broader their background, the more likely they can perform *all* their services at a high corporate level. They also understand promptness and professionalism, two invaluable characteristics of a virtual assistant.
- You should consider *what* type of firm they have worked for; people who have worked at a high corporate level typically bring the highest level of skills and dedication to excellence.
- Make sure that the person has the specific skills you require, like word processing or data management; and take note of what their primary skills are—if their background is primarily word processing and spreadsheets, you probably shouldn't hire them to design your Web site, even though they offer the service.
- Availability and communication skills are key attributes for a virtual assistant.
- Finally, you want someone who has well-developed problem-solving skills. Since they typically charge by the hour—as much as \$40—you do not want to pay them to futz around trying to solve a problem that would take a good problem solver 3 minutes or so.

5.3.1. International Virtual Assistants Association

<http://ivaa.org>

IVAA is the international professional association for virtual assistants. Normally, this would not matter to you, but they offer the most comprehensive directory of virtual assistants on the Web. If your venture or home-based business actually *is* a virtual assistant business, membership in IVAA is a requirement. It shows you are operating at a certain professional level and that you are actively engaged in virtual assistantship *as a profession*. You're telling the world that you're not some bum temporarily out of a job (and you'll find a few of those in places like Guru or Craig's List).

5.3.1. International Association of Virtual Office Assistants

<http://www.iavo.org>

IAVOA is the second largest international association of virtual office assistants. Their site provides resources for virtual assistants, but also has a worldwide directory of virtual office assistants for you to use. While IVAA is a requirement for individuals running a virtual office business, IAVOA is more of an option, but offers significant benefits to virtual assistants.

5.3.3. VA Networking

<http://www.vanetworking.com>

While not a professional organization, VA Networking provides services directed at virtual assistants. The site has a large virtual assistants directory as well as an RFP marketplace to connect you with virtual assistant contractors. In fact, VA Networking is the only RFP marketplace for virtual assistants. The site has almost 4,600 registered virtual assistants, making it incredibly valuable as a network for virtual assistants and a place to find the right virtual assistant for your business.

5.3.4. Virtual Assistance U

<http://www.virtualassistanceu.com>

Virtual Assistance U is an online training and accreditation service for virtual assistants (the other major virtual assistance training and certification service is AssistU, but the site does not offer a graduate directory). Virtual Assistance U includes a directory of virtual assistants that have graduated from their program (GVA—graduate virtual assistant) along with their specialties at <http://www.virtualassistanceu.com/grads.htm>

5.3.5. Creative Resources

<http://www.theadminoffice.com>

Based in Jacksonville, NC, Creative Resources provides administrative “virtual assistants” and caters mainly to home businesses, small businesses, and start-ups. You can set up an “as-needed” relationship with them or buy out a certain amount of time each month. While more costly per hour, you can arrange to have work, even full-out departmental work, done only when you need it. Work assignments are passed through the Internet, email, fax, phone, USPS, couriers, and other methods.

They provide services in

- secretarial
- administrative
- executive support
- bookkeeping
- desktop publishing
- office management
- graphic design
- word processing
- travel arrangement
- internet research.

5.3.6. Suburban Office Services

<http://www.suburbanofficeservices.com>

Catering exclusively to small business, entrepreneurs, and consultants, Suburban Office Services, essentially a one-person shop run by Eylene Scarpa, provide administrative and other support (“virtual assistant”) on an as-needed basis:

- word processing
- database management
- Web development
- email marketing
- desktop publishing
- spreadsheets
- document conversion
- project management

5.3.7. Electric Quill Virtual Assistant Services

<http://www.electric-quill.com>

Electric Quill offers services to small business and entrepreneurs. Virtual assistants are provided on an as-needed, per project basis for:

- word processing
- spreadsheets
- meetings
- Internet research
- database creation
- data entry
- PowerPoint presentations
- bookkeeping
- proofreading

5.3.8. Virtually Yours

<http://www.virtuallyyoursllc.com>

Virtually Yours, run by Sandra Johnson, provides services primarily to small businesses on a project, hourly, or monthly basis in:

- bookkeeping
- clerical
- copywriting
- contact management
- customer support
- marketing assistance
- personal assistance
- presentations
- Web site updates

5.3.9. In-a-Pinch Administrative Services for Small Businesses

<http://www.in-a-pinch.com>

In-a-Pinch offers administrative services for small businesses including

- bookkeeping
- word processing

- data entry
- PowerPoint presentations
- desktop publishing
- Website development
- Website marketing
- Internet research
- travel services
- technical support
- computer training

5.3.10. Virtual Staff Solutions

<http://www.virtualstaffsolutions.com>

While specializing in entertainment, human resources, and academic transcription services, Virtual Staff Solutions offers services to corporations, academic institutions, and consultants. A seven-year old company, Virtual Staff Solutions provides the following services:

- word processing
- transcription
- correspondence
- scheduling
- invoicing
- desktop publishing
- proofreading
- Web design
- Internet research
- human resources
- presentations
- database

5.3.11. Word Processing Plus

<http://www.wordprocessingplus.com>

Run by the virtual assistant, Sue Faris, Word Processing Plus caters to small businesses, start-ups, and one-person businesses that do not have administrative staff or medium-sized companies that have cut back on their administrative staff. Word Processing Plus primarily specializes in transcription services: depositions, focus groups, hearings, interviews, general

business, legal transcription, and medical transcription. Despite the name, Word Processing Plus is a virtual assistant firm with services in:

- document preparation
- PowerPoint presentations
- transcriptions
- correspondence
- reports
- data entry
- spreadsheets
- general bookkeeping
- Internet research
- appointment scheduling
- faxing
- survey calls
- travel arrangements

5.3.12. Virtual Gal Friday

<http://www.virtualgalfriday.com>

Run by Nancy Brown with a staff of assistants, Virtual Gal Friday offers services in

- Virtual office administration
- Legal office administration
- Medical office administration
- Real estate office administration
- Word processing
- Transcription
- Desktop publishing
- Excel spreadsheets
- Bookkeeping
- Payroll
- Phone reception
- Travel arrangements
- E-book design/setup
- Web design
- Database development (Access)
- PHP script installations

5.4. Virtual Staffing Services

Finally, you can turn to a single company to provide **turnkey** solutions to your back office needs. A turnkey provider offers most or all of the services you need in a single place. Some are virtual providers only (they work offsite), but some agencies can provide on-site assistance, as well.

From your perspective, there is little difference between a virtual assistant and a staffing service. They offer the same services and often involve one person assigned to your company. The difference is in size. Virtual assistants tend to be one-person shops; virtual staffing or general administrative service companies are complex organizations designed to scale with a growing client base. With a virtual assistant, you're limited by that person's capacity. Virtual staffing services, on the other hand, theoretically can ramp up or down as demand varies. Because they maintain staff and have facilities, they tend to be pricier than a virtual assistant, who doesn't have that overhead.

5.4.1. Benchmark Support Services, Inc.

<http://www.getbenchmark.com/main.html>

Benchmark targets small businesses, home-based businesses, entrepreneurs, and legal professionals. They also provide virtual assistants solely dedicated to your business. They offer services in

- bookkeeping and accounting
- transcription and word processing
- writing and editing
- meeting co-planning and attendance
- mailing
- database design and creation
- data entry
- contact management
- mailing list development and maintenance
- Internet research
- document preparation
- proofreading and editing.

5.4.2. Business Office Support Services

<http://www.bossoff.com>

Business Office Support Services (BOSS) provides administrative support services for the general public and small businesses:

- telephone answering (in your company's name)
- word processing
- transcription
- typing
- mailing and shipping
- photocopying
- QuickBooks
- graphics and design.

5.4.3. The Virtual Office Center

<http://www.virtualofficecenter.net>

The Virtual Office Center largely serves self-employed professionals and small businesses, performing the role of business administrator to ensure office responsibilities are completed. VOC provides structural expertise, maintains ongoing administrative tasks, and develops new processes in support of the client's professional vision. Services include

- administrative services
- customer liaison and management
- database management
- email management
- event and meeting planning
- Internet services
- PowerPoint presentations
- research
- shopping cart administration.

5.4.4. Business Ordertaking

<http://www.businessordertaking.com>

Located in Raleigh, North Carolina, Business Ordertaking provides services to small- and medium-sized businesses. Primarily specializing in call center order taking, the company offers the following services:

- order taking & fulfillment
- telephone answering service
- word processing
- spreadsheets
- mailing labels
- mail forwarding and receiving.

5.4.5. InteleANTS

<http://www.inteleants.com>

Based in India, InteleANTS specializes in general administrative support services, which it offers at a steep discount. Services include:

- office administration
- word processing
- spreadsheets
- data entry and processing
- business forms
- customer service
- Website administration
- Website management
- transcription
- Internet research
- search engine optimization.

5.5 Word Processing

Among the myriad of back office tasks you can outsource, word processing is perhaps the easiest. It requires very little from the outsource vendor: a computer, Microsoft Word, and an Internet connection. You can easily find outsource word processing vendors or freelancers by using marketplaces and job boards (see 5.2) or finding an online virtual assistant (see 5.3). There are also companies that specialize in word processing, but they come at a higher price than freelancers.

Your word processing needs can vary greatly, but, in general, you should look for the following when outsourcing word processing:

- **Availability:** word processing is rarely something you can wait for, so you are looking for someone you can contact easily and at almost any time.
- **Reliability:** you want fast turnaround consistently.
- **Transcription experience:** most word processors offer transcription services, i.e., typing from an audio source like a tape, CD, or audio file. Inexperienced word processors sometimes claim they can do transcriptions, but then you find out it takes them forever. In general, experienced transcribers charge between \$1 and \$3 per minute of audio.
- **Document preparation:** your outsource vendor should have experience converting word processed documents efficiently into

a number of formats, including desktop publishing formats. They should be able to handle these formats on their computer, i.e., they should have applications such as Acrobat, InDesign, Quark, and so forth.

- **Templates and styles:** unless your word processing needs are very modest, you should only hire a service that has expertise in Word templates and styles—the best services, in fact, will prepare custom templates for your business. Once you have templates with a customized, delimited set of style formats attached to it, you can use those templates throughout your business and distribute them to *other* word processing companies when you need their help.

5.5.1. Type-Write Word Processing Service

<http://typewp.com/index2.html>

Type-Write is a transcription service that specializes in the legal, medical, scientific, and entertainment industries. They focus particularly on legal transcription, but also provide word processing for meetings, focus groups, seminars, lectures, interviews, taped conversations, and phone conversations.

5.5.2. Compudex

<http://www.123transcriptions.com>

Located in Passaic, New Jersey, Compudex specializes in transcriptions but also provides a number of high-quality word processing services including

- transcription
- composing letters
- resumes
- desktop publishing
- charts
- graphs
- spreadsheets
- mail merges
- mailing labels
- proposals/bids
- PowerPoint presentations
- booklets
- notary public services.

5.5.3. Type-Righters

<http://www.typerighters.net>

Primarily specializing in transcription, Type-Righters also provides a host of other word processing services.

5.5.4. RJ's Word Processing Services

<http://www.trjswordprocessing.com>

Although calling herself a virtual assistant, Rita Cartwright offers mainly word processing services to small businesses. Hourly fees run around \$35 per hour for services that include

- word processing
- PowerPoint presentations
- desktop publishing
- transcription
- database management
- email campaigns.

5.5.5. A2Z Word Works

<http://www.a2zwordworks.com>

Specializing in word processing, Web design, and Word style templates, A2Z offers the following services:

- word processing
- transcription
- electronic forms
- Word templates
- reports
- PowerPoint presentations
- flowcharts
- desktop publishing
- Web page design.

5.5.6. KCO, Inc.

<http://www.kcoinc.com>

Located in Orlando, Florida, KCO provides

- word processing
- transcription
- typesetting
- typing
- desktop publishing
- data processing
- laser printing.

5.6. Project Management

Depending on your final product, your business can run one of four types of operations: a job shop (an auto repair shop is a job shop), a project company (like an architecture or construction firm), line operations (like a manufacturer), or continuous operations (like a gasoline processing plant). Almost all home-based businesses are either job shops or project shops. Even if you're marketing a product, you're probably outsourcing the manufacturing to someone running line operations, so you're not really running a line operations or continuous operations company. You're actually running something closer to a project shop if you're responsible for marketing the product.

A job shop runs "jobs," that is, single jobs with a very limited set of tasks such as changing oil, typing letters, or doing taxes. Jobs get done quickly without a lot of materials, employees, or planning.

Projects are more complex. A project is a complex series of jobs that produces something of significance at the end. Your projects may produce the same type of product all the time, like Web sites; however, each final product is different in some way, has different specifications, and requires different inputs. Even if you're running a manufacturing operation, you will have projects associated with your business. For instance, developing a new product is a *project*.

What qualifies as a project? Building a Web site, for one. Building a home. Designing a new product. Inventing a new machine. Making a movie. Making a commercial. Developing a new software program.

You get the picture.

So project management is managing projects, right? Not quite. It is the planning and controlling of various resources—human beings, materials, equipment—so that the project meets the time, cost, and technical goals set for it.

Simple, right?

Not really. Project management is also a mightily complex subject that entire books have been written about. Real math-heavy types of books. So

unless you want to bury your nose in ten-pound, math-filled books, you may want to outsource your project management for the following reasons:

- **You stand to lose money** if your projects are not managed correctly; every time I've watched entrepreneurs manage their own projects or product development (which is technically a project), I've seen costs spiral out of control and schedules go to perdition.
- **You stand to lose time** if your projects are not managed correctly. One of the key capabilities a project manager brings to the table is the ability to finish projects on a schedule.
- An outsourced project manager can have **specialized knowledge** suitable to the project. For instance, I always advise people unfamiliar with Web development to hire a project manager in addition to hiring a Web design firm to make sure the vendor does things right.
- Finally, an outsource project manager can bring much-needed **objectivity** and level-headedness to your project. Because an outsourced project manager "has no dog in the fight," so to speak, you're gaining an invaluable outside, disinterested perspective on the project.

What should you look for when you outsource project management services?

- **Project management expertise**—while this may be obvious, you may not know what to look for when assessing a candidate's experience. *PMI Certification* is one key signifier; the Project Management Institute administers tests to prospective project managers and certifies the people who pass those tests. That only means a PMI Certified Project Manager can successfully pass a test; it says nothing about their actual *ability* to manage a project. But it's a start. After that, you want to see a resume with real project manager jobs listed (or producer, which often means the same thing). Their resume or skill list should include familiarity with one or more project management systems, such as Microsoft Project (3.9.1). It's not that you're looking to actually make them use the software; the mere fact that they have expertise in the software shows they've mastered project management principles and processes to a certain degree.
- **Specialized knowledge**—while the principles of project management are more or less constant no matter what the project,

you should make sure your outsourced project manager has the skills specific to your project. If you're developing a product, your project manager should have experience and knowledge in developing that kind of product. If you're developing software, someone with software development experience is required. Each type of project has its own pitfalls and risks that only someone with specific experience knows to watch out for.

- **Communication**—the project manager's primary job is communicating among all the people involved in the project, including you. An outsourced project manager should clearly communicate on the phone and through email. If the outsource vendor uses impenetrable jargon, ungrammatical sentences, or is undiplomatic, you're headed for a fall. By far, the most important quality you should look for is *promptness*. Project management requires *prompt* communication. You can forgive almost anyone you deal with for not following up very quickly, but if your prospective manager likes to take a bit of time getting back to you, what will that project manager do when there's a crisis on your project? Promptness, clarity, purposefulness: these are the qualities you're looking for in all communications with your project manager.
- **Analysis**—you should size up your prospective project manager early in the negotiation phase. Examine closely how the vendor analyzes the information about your project. Project managers are trained to take information about a project and instantly ask the question, "What can go wrong?" It's what can go wrong that leads to cost overruns and missed deadlines. So use the initial selling and negotiation process to figure out how good your prospective vendor is at analyzing and solving problems. Once your project is started, it's too late to find out that your vendor can't anticipate or solve problems the project runs into.

5.6.1. Basu Technology

<http://www.basutech.com>

Basu Technology specializes in project and program management, IT development, and IT support. As you might guess, their primary project management specialty is in . . . information technology! They use off-the-shelf project management tools and systems. Services include:

- Project monitoring
- Project audits

- Risk analysis
- Project controls systems set-up
- Extension of staff services.

5.6.2. PM Solutions

<http://www.pmsolutions.com>

Serving medium- to large-sized businesses, PM Solutions offers professional staffing and training for projects and programs.

- On-site staffing for project management.
- Off-site project controls.
- Project portfolio management strategy consulting (medium- and large-sized companies).
- Project management training.

5.6.3. CH2M HILL IDC

http://www.idcfs-ch2m.com/idc_fsg/support.htm

An employee-owned company founded in 1946, CH2M specializes in operations management, facilities engineering, facilities management, and project management including:

- Space-related projects
- Operational projects
- Capital projects
- Relocations
- Move, add, change programs
- Owner's representation
- Building condition assessments
- Planning and design
- Commissioning/decommissioning
- Vendor/supplier management
- Asset management.

5.7. Data Entry and Processing

As a start-up venture, you may not require much data entry or processing. However, if your business deals with large customer groups, mailing lists, contact lists, or large numbers of documents, then data entry and processing will be mission critical. Some types of mission-critical data, like mailing lists, often require specialized expertise beyond mere data entry and processing.

Right now, you're probably wondering what data entry and processing has to do with your business. Probably nothing. It depends on what you have mixed in with your business and marketing processes. You require data entry if

- You are doing business by having people fill in forms—order forms, discount forms, mailing list forms, sweepstakes forms, coupon forms, or whatever. Those forms need to be inputted into a spreadsheet or database, particularly orders. If you screw up an order form, you get the order wrong. And that costs money.
- You use any kind of print-based surveys or electronic surveys that are not automatically ported to a database. Why would you do surveys? Market research. Measuring customer satisfaction. Or you're running a survey company, in which case you don't need to be reading this section because you already know what you're doing!
- Your business depends on mailing lists—email marketing, print catalog, direct mail, etc. Both require specialized knowledge—there are data processing firms that specialize in print or email mailing lists exclusively—but you can easily find inexpensive full-service data processing services to handle your mailing list needs.
- You are running a document-heavy business; your business either receives or generates a high number of documents, like a law or research firm does. Those documents often need to be converted into data. Why? To store them. Or sometimes to make all the data in the documents useful.

You have several options in managing your data. You can easily hire a part-time person to regularly handle your data entry and processing. Your most cost-effective solution, however, is to visit one of the marketplaces or job boards and post an ad for data entry or processing and see what bubbles up to the surface. You can also find a virtual assistant, many of whom provide data entry and processing at about \$30 an hour. Some will even provide database design and creation, but you shouldn't expect much. If your needs are highly complicated or your data is *highly* mission critical, you should

consider an outsource vendor that specializes in data entry and processing. These outsource vendors typically target medium- to large-sized companies and rarely come at a price you can afford.

If you choose a data entry outsource provider, your most cost-effective solution is to offshore to India. There are literally thousands of Indian companies providing data entry and processing, so finding the right outsource solution can be quite a chore.

What should you look for in a data entry/processing outsource firm?

- **Cost**—data entry can quickly become a huge project; the more data intensive, the more your costs can pile up.
- **Expertise**—you want a firm with expertise in data entry and processing since the quality of the data will determine its value to you. You should only deal with a firm that guarantees data quality and knows how to “scrub” data, that is, remove incomplete or duplicated records from the data. Years of experience is in part a measure of how well the vendor can perform.
- **Availability**—like most outsource providers, you want your data entry and processing vendor to be available with a quick turnaround time. Most firms dedicated to data entry and processing are staffed 24/7 and can provide fairly quick turnarounds. Since your data can determine your profitability, the sooner you have data to act on, the sooner you can generate profits.

5.7.1. Data Entry Group

<http://www.dataentrygroup.com/index.html>

Located in Portland, Oregon, Data Entry Group provides traditional data entry and data processing services such as registrations, form processing, research analysis, mailing lists, and so on. They work multiple shifts around the clock, so service is available twenty-four hours a day. You can request a quote for your job using their simple online quote form.

Services include:

- Data entry
- Data conversion
- Medical/Dental processing
- PDF creation
- Survey processing
- Document imaging
- Medical/legal transcription.

5.7.2. OpenWorld Data

<http://www.owdadata.com>

With twenty-five years experience in data entry, OpenWorld processes all types of data, from typed to handwritten, into any data format. With around-the-clock shifts, they provide services 24/7 across several languages. Their client base ranges from small businesses to Fortune 500 companies, so they have experience dealing with small business and entrepreneurial data concerns. Services include:

- Data entry and capture
- OCR conversion
- Forms processing
- Microfilm/microfiche
- Data processing
- Data conversion
- Mailing services
- Document scanning.

5.7.3. Tab Service Company

<http://www.tabservice.com>

In business since 1960, Tab Service Company handles one-time data-entry jobs for large enterprise-wide projects but does handle data entry and processing for small businesses and can be cost-effective. Services include:

- Data entry
- Database management
- Forms processing
- Survey processing
- Document scanning
- Litigation support
- Custom application development.

5.7.4. Techspeed

<http://www.techspeed.com>

TechSpeed is an offshore data entry and processing provider providing quick turnarounds of the following offerings:

- Data entry
- Database management

- Forms processing
- Scanning
- Website databases
- Website design.

5.7.5. Axion Data Services

<http://www.axiondata.com>

Axion specializes in forms processing and mailing services and has developed a number of systems and procedures to guarantee high-quality data from forms. Services include:

- Data entry
- Mailing services
- Forms processing
- Scanning.

5.8. Accounting, Bookkeeping, Payroll, and Taxes

As you can readily conclude, since business is distinguished from all other endeavors in its focus on making money, there is perhaps no business process task more important to your business than accounting and bookkeeping. There is also no business task that is a complete waste of *your* time than bookkeeping and accounting. Software can speed up the process (3.8), but it still demands hours of mind-numbing work that contributes absolutely nothing to the competitiveness of your business. In addition, fundamental financial accounting tasks, such as closing your books, special accounting (such as inventory accounting), and paying your taxes, require specialized knowledge and, worse, are governed by ever-changing laws.

Of all the business functions you should offload as soon as you can, bookkeeping and accounting (and associated tasks, such as payroll and taxes) stand at the front of the line. Not only is bookkeeping a task that wastes time you could spend on growing your business, it is best done by people who actually know what they're doing.

You have several options for offloading this work even if your revenues are ridiculously low:

- You can hire a part-time bookkeeper for a few hours per week.
- You can share a bookkeeper with one or more other small businesses.

- You can hire a virtual assistant who offers bookkeeping services.
- You can outsource to one or more other firms.

Outsourcing depends a lot on your comfort level, because it means sending your valuable financial data over the Internet to someone else. Bookkeeping, accounting, and tax mistakes can mean utter financial ruin. For these reasons, most business owners prefer to keep their books, whether physical or electronic, close to home; in those cases, hiring a part-time bookkeeper or sharing a bookkeeper are the best solutions.

If you've got nerves of steel and an appetite for anxiety, you can always go the outsource route. You are primarily shopping for expertise and security. The outsource firm or virtual assistant has to have immense experience in the bookkeeping or accounting tasks you're outsourcing. For instance, if you're outsourcing payroll, you want a firm that specializes in payroll. If you need inventory accounting, your outsource firm has to practice that regularly.

But more than anything else, you want to really do your homework on the security of their system and transmissions. You want a password protected, SSL-certified site to send, view, and receive files and data. You want a contract that explicitly spells out financial responsibility for security breaches and any mistakes made in the books.

5.8.1. I Do Your Books

<http://www.idoyourbooks.com>

I Do Your Books specializes in small business accounting and tax preparation and offers the following services:

- Accounting system controls and setup
- Daily transactions bookkeeping
- Reconciliation
- Financial statements
- Accounts payable
- Payroll services
- Federal and state payroll taxes
- Business tax returns
- Corporate tax returns
- Personal income taxes
- Sales and use taxes

5.8.2. PayCycle

<http://www.paycycle.com>

PayCycle focuses entirely on payroll services for small businesses:

- Check preparation
- Payroll taxes
- Payroll forms
- Deadlines
- Tax compliance
- W-2 generation.

PayCycle offers the following services:

PayCycle Payday

\$15/mo

- Lets you print checks and professional paystubs (direct deposit is not available).

PayCycle Payroll Basic

\$25/mo

- End-to-end payroll services, tax preparation, and W-2's.

PayCycle Payroll Plus

\$43/mo

- End-to-end payroll services, tax preparation, and W-2s.
- Supports payment of contractors and W-9's.
- Free support from payroll experts.
- Free direct deposit; print checks from your computer; handwrite checks and print detailed paystubs.
- Pay and file all federal payroll taxes electronically..
- Pay and file all state payroll taxes—electronically in most cases..
- Email reminders.

PayCycle 1099 E-File Service

\$40.00 flat fee

- Standalone service lets you create and file up to fifty 1099-MISC forms.
- Print recipient copies right from your own computer.
- Electronically files 1099's with the IRS.

5.9. Human Resources

Right now, you're contemplating a shoestring venture that may just be a one-person virtual business. At some point, if your venture is successful, you will bring employees on board. It may be as simple as a general office gofer to help you with all the administrative tasks you cannot outsource. It may be as complex as a fully functioning organization with dozens of employees scattered about several departments.

Whatever the case, whether you have one employee or one thousand, you require human resources services. This broad category includes finding and recruiting employees, interviewing prospects, hiring, benefits, vacation, managing employee information, respecting laws protecting workers, and developing and training your employees to be of greater value to your enterprise. Human resources is, in short, the business of acquiring, retaining, and managing employees.

At first, you will just have to struggle with all these issues yourself. You'll place an ad on Craig's List (or Monster if you have the resources), get a ton of emailed responses, sift through them all weekend long, interview the best candidates, and probably end up hiring the person you feel best fits your needs. Then you'll have to manage all the things that come with an employee: benefits, vacation, performance appraisals, and so on. So it behooves you to sit down and really familiarize yourself with the discipline of human resources—to that end, we begin our guide to outsourcing human resources with two highly informative Web sites. Because even if you end up outsourcing your human resources department—a very highly likely proposition—you still need to know what that outsource provider is up to. They are, after all, managing *your* employees.

As you grow your business, you will find that your virtual office offers several Internet-based solutions to outsourcing your human resources functions. We have included companies that specifically target small businesses or start-ups.

When you reach a certain employee "mass," you'll then find yourself in need of an actual human resources department. As we indicated in 3.11, you have four human resources options when it comes to employees, and, if you're clever, you'll probably end up doing some combination of two or more of these options as you grow:

- **Do-it-yourself:** you can hire your own employees and have you, or some other employee, do all the human resources work.
- **Outsource the work:** you can outsource your work to vendors who have all the necessary employees and do all their own HR.

- **Human resources outsourcing (HRO):** you can hire your own employees and outsource all the human resources management to a firm that specializes in HR.
- **Professional Employer Services or Outsourcing (PEO):** often confused with human resources outsourcing, a PEO essentially hires your employees and manages all the HR. The difference between a PEO and HRO is that, with a PEO, your staff is all employed by the PEO. For an HRO, the staff is employed by you, but the HRO does all the human resources management.

In general, small businesses usually opt for one of the first three options; PEOs tend to service larger companies (but not always). You will probably end up using some combination of two to four of the above options.

5.9.1. H-R Guide

<http://www.hr-guide.com>

As a comprehensive set of articles covering every aspect of human resources, H-R Guide is the place to start when you start taking on employees. In the first stages of your business, you are either going to be your own human resources department or you are going to outsource it. Either way, you cannot escape having to familiarize yourself with all the basic principles of human resources to get the most bang for your employee buck.

H-R Guide started in January 1999 and has grown to contain hundreds of pages of information and tutorials related to human resources along with a rich set of links to online resources, applications, and guides to human resources topics. Articles include

- Overview of selection and staffing
- Overview of staffing methods
- Interviewing
- Biographical inventory
- Background selection
- Recruiters
- Job analysis
- Performance appraisal
- Benefits
- Training and development
- Equal opportunity laws and practices
- Education programs.

5.9.2. HR.Com

<http://www.hr.com>

HR.com specifically targets HR professionals and provides knowledge and resources in the field. They are a wonderful source for the best human resources practices that the largest companies use. Particularly useful is the Vendor Consultant directory; while many of these consultants target their practices to large corporations, you will find many useful consultant resources for particular human resources problems you may be facing.

5.9.3. ADP

<http://www.adp.com>

ADP is the largest and most respected human resources and payroll outsource provider in the world; it owns most of the market for human resources/payroll outsourcing in North America and is a significant presence in Europe and Asia.

It enjoys such an overwhelming market share largely because it has perfected services for small businesses, offering high-quality, high-service solutions at reasonable prices (see <http://www.smallbusiness.adp.com> for services specific to businesses with one to forty-nine employees).

ADP is more than anything else a payroll service and so more properly belongs in section 5.8. We consider ADP to be the payroll service of choice for any small business, but its services go far beyond payroll, thus making it a full-service outsource provider in human resources:

- Payroll management
- Tax compliance
- Time and labor management
- Workers compensation
- Employee screening and hiring
- Benefits.

5.9.4. Taleo

<http://www.taleo.com>

Taleo is an eRecruiting solution, but does provide human resources services beyond helping you screen and select employees. Taleo serves over 350 organizations and 500,000 registered users working with 29 million candidates in one hundred countries. On Taleo, you can build a custom career site and manage applicants, resumes, and requisitions; you can also add custom fields, layouts, and workflows to match your processes. Total

cost is an annual subscription that starts at \$99/month per user. Taleo also offers HR systems consulting and employee training.

5.10. Internet Research

You're probably wondering what, of all things, is Internet research doing here in a chapter about outsourcing your back office. It may seem like the last thing you expect to do in your business. However, because of its size and richness, the Internet offers unprecedented resources for ensuring the success of your business. Here are the nuggets Internet research can uncover:

- **Outsource partners**—since it's the subject of this chapter, finding an outsource partner will involve a fair amount of Internet research; there may be hundreds or thousands of potential partners that will take you days to find and evaluate. Remember: your business requires that you focus on what you do best. I'll bet dollars to donuts that researching outsource partners *is not* what you do best!
- **Competitors**—one of the most valuable uses of Internet research is scoping out your competition, particularly if your business is partly or entirely Internet-based. A critical part of preparing a business or marketing plan is researching the competition, a task that could consume mountains of time if you don't know what you're doing.
- **Industry**—do you know the full details of the industry you're entering? Market size? Companies? Products? Keeping on top of your industry and its trends is important even to the trend-setters.
- **Leads**—the Internet can be an invaluable source of customer or client leads as well as information about those leads.

5.10.1. Marcos Research

<http://www.marcosresearch.com>

Marcos Research is a professional Internet research service that caters to businesses and individuals limited by time or search skills. Services include:

- Industry research and statistics
- Assembled lists of targeted clients or leads
- Market trends
- Articles from Web resources
- Case studies
- Academic papers
- Market statistics.

5.10.2. Informa Research Services, Inc.

<http://www.informars.com>

Informa Research Services provides competitive intelligence, market research, and mystery shopping services to medium- and large-sized companies in the financial, telecommunications, business-to-business, industrial, high technology, and consumer goods markets. As a small-business owner, you can purchase market intelligence to inform your entry into a market, but be prepared to pay a high price. Market research industries include:

- Consumer goods & services
- Financial
- Food / beverage firms
- Healthcare
- High technology
- Professional service firms
- Public organizations
- Telecommunications
- Utility / energy industry.

5.11. Telephone Reception

At this point, we need to distinguish the various communications services that are part of your back office. Your needs for each of these services will vary considerably and no single provider may be able to provide you with cost-effective and quality solutions across the board.

- **Telephone reception**—this is, simply put, handling incoming calls and directing them to the correct destination—or taking a message if the “destination” is out of the office. These calls can be from business partners, clients, customers, vendors, or your parents, and the receptionist identifies your business and directs the call. If you have other communications services, such as customer support, then you can expect all your customers needing support to call customer support rather than your telephone receptionist.
- **Fulfillment**—fulfillment is a broad set of activities involved in servicing inbound calls rather than just taking a message or routing the call. Some phone answering services only offer reception—they just receive the phone call and either send it to the proper place or dutifully take down a message. Call centers and support services, however, often provide total service to the inbound caller such as

taking orders, handling complaints, or providing information or help—this is what is meant by *fulfillment*.

- **Customer support**—customer support is a fulfillment operation consisting of answering questions and resolving problems your customers have. It is typically performed by a *call center* or *contact center*. The most cost-effective customer support solutions are online chat services, but you can also handle all your customer support via the telephone or email. In general, customer support services, whether a call center or online chat service, require that operators have special training and skills. Most importantly, the service must have operational efficiencies such as reduced waiting times and good resolution numbers. They will have to provide with metrics showing how successful they are with your customers and resolving their problems.
- **Call center**—used in a specific sense, a “call center” often refers to an outbound call service, the type of service you need for doing telephone surveys or telemarketing. Used generically, however, “call center” can describe any centralized service that has a bank of phone operators to handle both inbound and outbound calls such as customer support, telephone reception, and so on.
- **Contact center**—a contact center usually refers to a centralized communications hub that includes email, chat, and other communications services in addition to or in place of a bank of telephone operators.
- **Fax centers**—fax centers are, well, faxing services. For most businesses, you’ll find yourself barely using the fax—or at least using it at a level you, or a virtual assistant, can do at reasonable cost. If your business is fax heavy—for instance, you do heavy fax-based direct marketing—fax services significantly cut down on the costs and time required for faxing. Most fax services produce significant cost-savings because of both economies of scale and fax virtualization—these services store electronic forms of your fax documents and have sophisticated, automated phone dialing which allows them to blast mountains of faxes in little time.

You hire a telephone reception service if you do not expect a high volume of calls or you need your calls directed to people within your organization. It may not look good if you, as the president of your business, are answering the phones, so shoestring start-ups sometimes bring a telephone reception

service on board to make the company look more professional. In addition, telephone reception services allow your phones to be answered when you're not around either because you're out or it's after hours.

Why would you want a phone receptionist rather than an answering machine? You are, after all, on a shoestring budget and nothing beats a phone machine for cutting costs, right? Two reasons: first, while the numbers are not totally trustworthy, it's estimated that between fifty and eighty percent of people who reach an answering machine *do not* leave a message. Therefore, you should consider your messages to represent, *at best*, only about half the people who tried to contact you. Second, an answering machine cannot distinguish between an important phone call and a junk call. If a mission-critical, high-priority phone call comes in, the answering machine is just a dumb beast that records the message. A phone receptionist service, if it's worth its salt, will have a priority list for incoming calls and can contact you on your cell phone or through some other means when a high priority call comes in.

What should you look for in a telephone reception system? You want availability (the service should be available twenty-four hours per day, 7 days per week), transferability (you should be able to divert your current phone number to the reception services), cost savings, and inbound call specialty. When choosing a vendor based on their inbound call specialty, you need to determine what type of inbound calls to expect. If you run an appointments-based business—or simply expect to have a majority of inbound calls to be about making or changing appointments—you should be looking for a service that specializes in keeping an appointments diary for your business. If you expect a variety of calls in which some are critically important and others unimportant, then you need a service that prioritizes calls. If a certain percentage of calls involve issues that can be easily handled by a phone receptionist, then you want a service that offers some level of fulfillment.

Most importantly, a telephone reception service should be staffed with operators who have a basic understanding of your business and DO NOT represent themselves as a telephone answering service, especially if your receptionist service is involved in fulfillment in any way. Your goal is to have your telephone reception *look like* your employee; telephone answering services that present themselves as just an answering service are little better than an answering machine in terms of dropped calls.

And what does it cost? Various services and plans vary and most services offer “packages” rather than per-minute deals. Despite that, you can expect to pay between \$1 and \$3 per receptionist minute.

5.11.1. American Executive Centers

<http://www.aecphilly.com>

American Executive Centers provides an entire range of services including trade show assistance, Web site design, and QuickBooks, but the company specializes in telephone reception, collections calling, and telemarketing. They offer standard front-desk receptionist services as well as a package of enhanced reception services that allow you to prioritize calls, give priority and handling instructions, and have your schedule on file for the receptionist to use in answering calls.

5.11.2. Agent Phone, Ltd.

<http://www.agentphoneltd.dial.pipex.com/services.htm>

Founded in 1995 as a dedicated inbound call handling company, Agent Phone offers a virtual reception desk that can connect callers either to a live receptionist or a “tone menu” (Press 1 for Sales, Press 2 for Customer Service, etc.). Agent Phone staffs receptionists twenty-four hours per day who are professionally trained to represent your company; callers will have no idea that the person answering the phone is employed by a call service. The service also takes voicemail messages and stores them as computer audio files that can be emailed to your computer. Finally, for an extra fee you can have a call recording feature that records every call coming into the center—like having live reception *and* an answering machine.

5.11.3. Real Time Reception

<http://www.realtimereception.com>

Primarily focused on health services businesses, Real Time Reception provides full inbound-call reception for scheduling appointments and keeping appointments diaries, the solution you’re looking for if your business model is appointments-based and you expect a majority of your inbound calls to be concerned with making, inquiring about, or changing appointments.

5.11.4. Ruby Receptionists

<http://www.callruby.com>

Ruby Receptionists provides general telephone reception services and caters to all sizes of businesses. Calls are answered with a greeting customized to your business and screened, announced, and transferred as with all receptionist services.

5.12. Customer Support

Customer support is a very specialized communications fulfillment function that involves fielding customer questions, complaints, and inquiries. Customer support services require a much more intimate working knowledge of your company, customers, services, and products than telephone reception.

Why would you require customer support?

- If you are selling a product to many customers, you need a customer support service to answer inquiries (What's the product like? Where do I buy it?) and resolve complaints.
- If you are selling a product, like software, that is complex or difficult to use or understand, you need customer support to answer customer's use questions (technical help). You may not have a large customer base, but the customers you do have are going to have problems that need quick, effective resolution.
- You are selling a product that is subject to mal-performance or breakdowns (like an Internet hosting service) and you have to resolve technical glitches or breakdown issues.
- Your business may include accounts receivable or even credit and require collections to nicely urge customers to pay you.

There are several ways for a service to handle customer support: call centers, automated phone help systems, online chat, or email. All are available through outsource providers and each varies in cost and effectiveness, with the most expensive, but most effective, service being live phone reception. Since even the biggest companies in the world can no longer afford full-out live customer service, most customer support is handled by automated systems, online chat, and email. The most cost-effective is online chat, which will require a chat link on your Web site. Done correctly, online chat can be nearly as effective as telephone customer service.

5.12.1. SupportSave

<http://www.supportsave.com>

With their facilities housed in the Philippines, U.S.-based SupportSave essentially hires a customer-service "employee" for you to be 100% dedicated to your business. Unlike many other outsource providers, who cater to small- and medium-sized businesses, SupportSave does not share staff between businesses. The employee is literally yours eight hours per day, five days

per week. SupportSave does the hiring, provides a space for the employee, and manages the employee's productivity. And the fee, no matter what that employee is hired to do, is \$697 per month. Since they target small-businesses and entrepreneurs, their strategy is to provide outsource services at a low cost. Besides call-center customer service, SupportSave also provides accounts receivable services (which means: collections operators who call the people who haven't paid their bills).

5.12.2. Ybrant Technologies

<http://www.ybrant.com>

Ybrant specializes in ecommerce businesses and offers services in software creation, Web site design and copywriting, email marketing, search engine optimization, and customer support for ecommerce. Their customer support system manages customer queries, concerns, and complaints primarily through email and chat twenty-four hours a day, seven days per week. They specialize in technical customer support (hardware and software), but also have experience in travel, media, Internet, and retail.

5.12.3. WebGreeter

<http://www.webgreeter.com>

WebGreeter, based in Michigan, provides live online chat operators for customer support and sales. They specialize in retail, online ecommerce, universities, and auto dealerships. They provide solutions specialized for site size: 1,000-2,000 visitors per month, 2,000-10,000 visitors per month, and over 10,000 visitors per month. The service is a high-touch service—an online chat operator greets every visitor to your Web site. WebGreeter also offers "admins," either dedicated or shared, to help answer your emails and perform scheduling tasks for you.

5.13. Call Centers

So, what exactly is a "call center"? Well, it depends on who's doing the talking.

In its most general usage, a **call center** is any centralized office—outsourced or not—for inbound and outbound calls. Some firms use "call center" to specifically refer to inbound calls; many use it to describe outbound call facilities, such as telemarketing or telephone survey facilities.

So, technically speaking, every telephone service we have described so far really is a call center. There you go.

However, we distinguish a call center as a centralized business communications unit handling all manner of telephone communications tasks: reception, customer service, outbound calls, etc. A **contact center** is a call center that also handles faxes, email, live chat, and other forms of communication.

Here's what a call center actually is: many years ago it became apparent to business operations professionals that it's better to have as many incoming and outgoing calls routed through a single center than it is to route the calls to various places—customer service here, sales there, technical support over there, etc.. By centralizing inbound and outbound calls, businesses could significantly reduce the amount of time callers had to wait and increase the overall efficiency of the company, that is, spend less money making and answering calls. *That's* what a call center is all about: reducing wait time and making operations efficient. And, as you might imagine, call centers are largely for big businesses with a high volume of calls.

From your perspective, you really do not need a call center like IBM needs a call center. However, if you anticipate heavy phone usage—both outbound and inbound—you may want to outsource a call center to save time, money, and customer aggravation (because of reduced wait times). You gain cost savings and reduced wait time for your customers by leveraging that call center's operational efficiencies.

Because you hire a call center to handle large volumes of calls efficiently, there are several quantitative measurements you should check in addition to the qualitative attributes we discussed for telephone receptionists:

- **Average wait time**—a central justification for hiring a call center is to reduce the amount of time callers wait to speak to an operator, so this number, the Average Wait Time (AWT) is critical.
- **Average handling time**—since the other justification for hiring a call center is reducing costs, you want to know how much time each operator spends talking to a customer and performing all the follow-up, called the Average Handling Time (AHT).
- **Total calls abandoned**—these are the calls that customers give up on expressed as a percentage. You've had plenty of personal experience with this: you make a call to customer service, get put on hold, and, after listening to elevator music for what seems an eternity, you hang up. A high TCA is not good for your business.
- **Successful resolution percentages**—a critical measurement of a call center's capability (and this applies to customer service outsource vendors) is the percentage of calls that get resolved. Your business loses money every time a customer calls to ask something,

order something, or register a complaint. You lose even more money if that customer has to *call back* about the same issue.

While these are legitimate metrics to ask of any communications service, including telephone reception or customer service, they are critically important to call center operations which are designed to perform well on these metrics. You will want to know *beforehand* how well the call center performs across all these performance measurements. Once you hire a call center, you will want these performance metrics *specific to your business* reported on a regular basis (ideally in relation to the center's overall averages).

5.13.1. EasyCall, Call Center Solutions

<http://www.easycall.ro/en/art2.htm>

A leading call center solution, Easy Call Center Solutions, which maintains a global network of small (seventy-five employees) call centers, provides the following services:

- Call center
- Product and service inquiries
- Order taking
- Sales leads
- Help desk
- Complaints
- Telemarketing
- Collections
- Appointments and scheduling
- Follow-up calling.

5.13.2. Entel Call Center

<http://www.entelcallcenter.com/call-center/Offshore.htm>

Entel is the world's leading Hispanic market call center providers with services in English, Spanish, and Portuguese. Trained in the Hispanic market and primarily directed at the Latino customer, Entel offers

- Customer service
- Inbound and outbound sales
- Help desk
- Collections
- Surveys
- Appointment scheduling.

5.14. Online Shipping and Mailing Services

No. You cannot really ship and mail virtually. But you can come pretty close. All the major shipping and mailing services offer a host of tools for saving you time and money preparing mail and packages.

If your business model involves shipping goods, then you will either have drop shipping, i.e., the manufacturer will be responsible for shipping, or you'll hire a fulfillment house, or, if you're truly on a shoestring, you'll manage it yourself. If the latter, then you should carefully examine these online resources in order to find the one that not only offers the best price, but the best online resources for managing fulfillment both now and in the future as your business grows.

5.14.1. USPS (United States Postal Service)

<http://www.usps.com>

Services available online:

- Express Mail®
- Priority Mail®
- International Services
- Global Express Mail®
- Global Priority Mail®
- Global Airmail Parcel Post®

5.14.2. FedEx (Federal Express)

<http://www.fedex.com>

<http://www.fedex.com/us/newcustomer>

Services available online:

- Create an account
- Prepare shipment online
- Prepare international shipment
- Track shipment
- International regulations
- Email notifications
- Schedule pickup
- Find drop-off locations
- Rates and transit times
- Order supplies
- Pay bills
- Bill adjustments
- Account management.

5.14.3. DHL

<http://www.dhl-usa.com>

Services available online:

- Create an account
- Prepare shipment online
- Import Express (import service)
- Track shipment
- International regulations
- Schedule pickup
- Find drop-off locations
- Rates and transit times
- Order supplies
- Pay bills
- Bill adjustments
- Account management.

5.14.4. UPS (United Parcel Service)

<http://www.ups.com>

Services available online:

- Create an account
- Prepare shipment online
- Prepare return online
- Void shipment
- Track shipment
- Virtual supply chain management
- Schedule pickup
- Track scheduled pickup status
- Find drop-off locations
- Rates and transit times
- European transit times
- Pay bills
- Account management.

5.14.5. Endicia Internet Postage

<http://www.endicia.com>

Endicia Internet Postage lets you print postage for all your mail through your PC.

Features include

- Envelopes, labels, flyers, postcards.
- First Class Mail, Postcards, Priority Mail, Electronic Delivery Confirmation, Express Mail.
- Address book.
- Free Internet address correction.
- Interfaces to Outlook and ACT.
- InstaPostage: Print mini postage labels, instantly. Use just like stamps.

Information Technology

6

*The success of your business can hinge as much on your information technology infrastructure as it does on your product, your marketing, or anything else. Large corporations realize this fact and make significant investments in technology to give themselves a competitive edge. Technology allows companies to be more responsive, to understand their customers better, to be more efficient, and to make sure that all the information generated around the business gets mined for its greatest value. For instance, you may think that Wal*Mart's competitive advantage is low prices. In reality, however, it's Wal*Mart's IT system which enables it to manage logistics and inventory far better than any of its competitors, a major reason why their prices are so low. Unlike Wal*Mart or their ilk, you don't have sacks of money to throw around, but even as a shoestring venture, you're competing against folks who know how to use technology to their advantage.*

This chapter explores the IT options open to you on even the most limited budget. In fact, this chapter in large part is about saving your money by exploiting technological solutions you may not have known about.

This chapter may be relatively advanced for your current needs. If you're mainly concerned with the functional aspects of technology, that is, technology that gets the work done, you're better off using Chapter 3, Hardware and Software, and Chapter 7, Web and Ecommerce, for ensuring you have the technology to get the work done. This chapter, on the other hand, is concerned with strategic issues with technology, i.e., how you can use technology to get an advantage or an edge in your market.

Additionally, you may be ready to start using the information that your business can generate; this chapter is intended as an introduction to that wealth-making topic. The chapter introduces you to the principles of using information technology with rich resources introducing you to the business and technological issues. We then follow with outsource providers that can help you manage your business's information: software developers, database developers, database administrators, CRM specialists, and data mining specialists. Our next chapter deals specifically with developing and maintaining your Web site to maximize its effectiveness.

6.1. Information Technology: Introduction

Understanding IT from a Business Perspective: For most business owners, IT is all the technology stuff they need but don't really understand: phones, fax machines, computers, software, Blackberries, and sundry other technological bric-a-brac. However, the success of your business can depend as much on your technology as it can anything else; in other words, your technology can be *strategic* as well as just plain useful. There are numerous companies that "win" almost solely because of their clever use of technology, like Wal*Mart. "Wait!" you say, "Wal*Mart is a big winner because of low prices." Well, partly right. Wal*Mart wins because it deploys information technology systems that are far better and more sophisticated than its competitors; Wal*Mart can beat its competitors on price largely because of its superior technology, which it improves every day.

So, before you plunge in to buying technology or outsourcing it, you may wish to think strategically how technology can make your business competitive and profitable.

How do you think strategically about technology? Companies like Wal*Mart, Borders, and State Farm Insurance do not think of IT as the phones, computers, databases, and what not. They think in terms of an *information technology hierarchy*. They invest in some technology because they need it, like fax machines. But some technology gives them a distinct advantage in dominating markets or serving their customers, so they make strategic investments in technology. Although you're only one person operating on a shoestring budget, you, too, can make strategic investments in technology.

What does the IT hierarchy look like?

- At the bottom is the **infrastructure level**, basic physical equipment needs like phones and fax machines that you need to get your work done. The business concern at this level is fully meeting these requirements at the greatest cost savings.
- Above that is the **application level**, the software a company needs to do business, such as word processors, browsers, and project management systems. The concern at this level is getting software solutions that fully meet your business's needs—again, at the greatest savings.
- Higher up, however, are technologies that allow companies to extract information and take action on it; for many IT professionals, this is where IT really starts. This is the **business decision level** of IT, the level which turns technology into money. It includes customer

databases, data warehouses, customer relationship management systems, logistics systems, Web site analytics, and so forth.

- At the highest level are technologies that make a business *better* than all its competitors, that allow a business to do something that no-one else can do, or no-one else can do as well. This is the **competitive advantage** level of IT. Netflix, which started as a shoestring venture, is a perfect example of this. They used technology to create a business model that allowed them to rent videos over the Internet, something none of its competitors could do. If you think that a shoestring venture cannot or does not operate at this level, many of the most innovative ecommerce sites started as shoestring ventures and became big companies *precisely because* they used technology innovatively.

Entrepreneurs running shoestring ventures usually splash around in the bottom two levels; they are concerned only with machines and software. Chapter Three of this book concentrates on physical infrastructure (mainly computer hardware) and applications.

However, the more you think about technology as helping you make business decisions and giving you a competitive advantage, the more you need to be personally involved with your company's IT. You always start with the question, "How can I get an advantage through technology?" You then creatively answer that question and embark on a long and difficult process of learning the basics, outsourcing the development, and deploying the technology. This chapter deals with the resources available to you in developing IT to gain a strategic advantage in your business. We're not here to teach you *how* to think strategically about technology—that's the subject of a book all by itself—we're here to point you to resources to turn your strategic thinking into reality.

6.1.1. CIO Magazine

<http://www.cio.com>

The place to start is at the top. Intended specifically for upper-echelon IT executives in medium- to large-sized businesses, CIO Magazine, both on- and offline, dedicates itself to the best practices in the strategic development and deployment of technology. The online version of the magazine, CIO.com, offers valuable resources to the entrepreneur planning strategic IT deployments and thinking about how to go about them. Even if your shoestring venture involves a minimum of IT, CIO Magazine is an invaluable introduction to the best practices in managing and outsourcing IT.

Like many other online versions of trade magazines, CIO.com offers a wealth of resources to help orient you around the professional subject. These include a How-To section, an archive of articles and columns, an advice & opinion section, and a news section.

6.1.2. *Information Week*

<http://www.informationweek.com>

Information Week is a trade magazine targeted to IT professionals at all levels of business. Subscriptions are free to select IT professionals, but the Web site is a rich mine of news and articles about the constantly changing world of technology and business. News and articles are divided into sections dealing with Windows, security, mobility, Internet, software, hardware, management, and research. Again, if your business model leans heavily towards innovative and strategic uses of technology, Information Week should be a heavily bookmarked site for new ideas and developments. You can also download PDFs of selected articles from the Information Week printed magazine. Downloads require free registration, but the end result is you have almost full Internet access to each current issue of their magazine.

6.1.3. *TechWeb*

<http://www.techweb.com>

TechWeb is one of the premiere technology news and information sites, aggregating news feeds from a large number of sources. In addition, the site has an immensely rich library of white papers aggregated from a dizzyingly large network of consulting, technology, news, and business sources. You can search this library and access these white papers by registering on the site (free with your contact and business information).

News categories include

- Mobile
- Software
- Security
- E-business and management
- Networking
- Hardware.

If you need to really bone up on a particular issue, there aren't very many Web sites that offer the rich set of white paper resources we've found on TechWeb. Categories include:

- Business solutions
 - Accounting and finance
 - Business intelligence
 - Customer service
 - Distribution and warehouse
 - Facilities management
 - Integrated groupware solutions
 - General office automation
 - Human resources management
 - Business education and training
 - Knowledge management
 - Logistics and procurement
 - Enterprise resource planning
 - Project management solutions
 - Sales and marketing
- Web and application development
- Infrastructure and systems management
 - Enterprise application integration
 - Security
 - Servers
 - Storage
 - Enterprise systems management
- Industry specific solutions

6.1.4. CIO Index

<http://www.cioindex.com>

Targeting executives in medium- to large-sized corporations, CIO Index aggregates articles from throughout the Internet and combines them with proprietary articles and Web seminars on the strategy and tactics of information technology. The site provides articles, white papers, blogs, newsletters, Webinars, and online training in the following categories:

- IT strategy
- E-strategy
- IT management
- Enterprise architecture planning.

The site is particularly useful in its wide variety of outsourcing and offshoring articles. While written to a high-level business and IT audience, all

these resources keep you abreast of best business, strategy, and management IT practices.

6.1.5. TutorialReports.com

<http://www.tutorialreports.com>

TutorialReports.com is one of your best introductions to basic information about some of the technology you'll be deploying in your business. Topics include:

- RFID
- VoIP
- WiMAX
- Zigbee
- Bluetooth
- Web Design
- Broadband Content.

While useful across a variety of topics, TutorialReports.com also provides basic information about outsourcing:

- Outsourcing Basics
- IT Outsourcing
- Customer Service Outsourcing
- Outsourcing to India (India is by far the major destination for outsourcing)
- Business Process Outsourcing.

6.2. Outsourcing Information Technology: Directories

Managing an organization with an outsourced IT component is not an easy matter. It doesn't matter if you're either comfortable or totally confused with technology; as the owner of your business with an IT infrastructure and strategy, you must master an ocean of knowledge two inches deep about that technology. You simply cannot hire, manage, or evaluate IT employees or outsource providers unless you've mastered the rudiments of what they do. That's requirement number one for outsourcing IT.

And tech people tend to be, well, very fixed in their opinions. They don't play too well with folks who don't understand what they do. For instance, as an entrepreneur, you're creative. You're used to thinking in terms of goals and options. Tech people like thinking in terms of rules. You might want

to achieve A, but if they don't see a way there, you've got to do some of the legwork, especially for offshore tech help who can be positively aggravating in their lack of creativity. So outsourcing or offshoring IT can be like swatting a killer bee's nest with a broom unless you have your act together.

You should follow these rules before embarking on a relationship with an outsource provider:

- **Understand your project**—before you outsource any IT work, make sure you understand—really understand—the basics of the project or service and the technology involved that you are outsourcing. This includes—no, this **REALLY INCLUDES**—building your Web site. Before you even think of building something as simple as a Web site, it behooves to understand the difference between CSS, ASP, PHP, JavaScript, Ajax, JEEE, or ASP.NET. That's right. When your outsource provider says, "Oh, that's better done in Ruby on Rails," you better understand what she's saying before you answer, "Uuuuhh, okay, sure." In section 6.1, we have provided numerous sites that help orient you in the confusing world of technology.
- **Communicate, communicate, communicate**—I once heard of a computer developer who was sitting in a meeting for the first time in his career and, mid-meeting, said, "This isn't going to work." When asked, "What isn't going to work?" he replied, "This thing, this talking thing that we're doing." In outsourcing technology development or processes, *nothing* is more important than communication and *no one* is worse at communication than a tech person. Bad communication costs money, wastes time, and delivers a below-par product *all the time*. So you should be choosing an outsource partner as much for their communication skills as their technology skills. Any tech outsource provider or freelancer worth their salt will always explain technical terms and concepts to you if they're looking for you to make a decision.
- **Communicate in your language**—This may seem obvious, but you can achieve your greatest price reductions by offshoring. You may also be saddled with partners who only understand a fraction of what you say. A vendor who has mastered your language—which is a non-technical language, as well—means the difference between getting real value from the relationship or flushing your money down the sewer.
- **Skill**—Why don't we place "skill" at the top of our list? Isn't it obvious that you need folks who can do what they say they can

do? Well, obviously, skill in the requisite technologies is a *sine qua non* for outsourcing a tech project. But it's not worth a hill of beans if you don't understand the project and you and your vendor can't communicate. You want proof of experience, including a portfolio, in the technologies the outsource vendor is using. Here's the thing: you don't want to pay your outsource vendor or freelancer to *learn*. You're paying them for what they *already* know, not what they can learn.

- **Specifications**—one of the reasons it behooves you to really understand what your vendor is doing is that your project or services should have detailed specifications or requirements. These are not merely a list of the deliverables, but they lay out in great detail what those deliverables are and what they can do. It costs next to nothing to change the specs or requirements if they do not meet your needs. It costs an arm and a leg to change a partly finished or finished product. So you and your outsource/freelance partner need to get it right in the specifications stage. You should do no work with a vendor or freelancer who does not commit the time and effort to getting the specs or requirements right.

- **Production schedule**—everything you do with an outsource IT vendor should involve a production or deliverables *schedule*. You expect the project or service to be delivered by certain dates and consequences for missing those dates must be written in the contracts. The vendor should send you a preliminary production schedule before you give him permission to do the work. Before the work starts, the vendor should provide a more detailed production schedule and provide new schedules if there are any changes or problems.

Permit me to dwell a spell on requirements and specifications. The single biggest risk you face outsourcing IT is the difference between what you need and what you think you need. You never discover this difference until you actually deploy the technology or service. You turn the key, the engine starts, you take it out for a drive, and right away you say, "Wait, I want it to do this and that. It doesn't do this, either. Hold the phone! Why doesn't it do this, too?" Even the biggest and best companies are always faced with the fact that they have no complete understanding of how to properly do requirements. This is why it's vital that you understand the technology, you understand what you're trying to achieve with the technology, why you must be able to communicate well with the developer, and why the developer should have skills in that area. That reduces, but does not eliminate, the risk that your IT product or service won't do what you need it to do.

6.2.1. Sourcingmag

<http://www.sourcingmag.com>

Discussed in more detail in 5.1.2., Sourcingmag is an online magazine totally dedicated to issues involved in outsourcing and offshoring and includes

- Introductions to outsourcing issues
- A directory of outsourcing firms
- Bookstore
- Blogs
- Forum.

6.2.2. CIO Index

<http://www.cioindex.com>

We have discussed CIO Index in more detail in section 6.1.4, but we should reiterate that the site is a valuable source of information on outsourcing and off-shoring issues in the IT sector.

6.2.3. OffshoreExperts.com

<http://www.offshoreexperts.com>

Listing over 20,000 outsourcing firms, OffshoreExperts.com is a major international directory of outsourcing professionals. Offshoring IT categories include:

- Programming, Software, Database
- Website Design and Development
- Engineering, CAD, Architecture
- Game Design and Development
- Networking, Hardware, Telephony
- ERP/CRM.

6.2.4. Outsourcing.org

<http://www.outsourcing.org>

Discussed in greater detail in 5.1.4, Outsourcing.org is one of the largest directories of Indian outsourcing companies. IT categories include:

- Engineering

- Software design
- Website design and development
- Web hosting
- Ecommerce
- Document management
- Data management
- Consulting
- Mobile and wireless
- Networking
- Security
- Hardware.

6.2.5. Russ Soft

<http://russoft.org>

RUSSOFT Association is a trade association of Russian, Byelorussian, and Ukrainian software development companies. The association represents more than eighty companies with more than 7,000 highly qualified programmers and software engineers with advanced graduate level degrees in technology and computer science; these companies are the nation's leading outsource technology providers with CMMI/ISO certification in Europe.

The site includes biased, but valuable, introductions to offshoring software development to Russia and, most importantly, a directory of association member companies, many of whom work regularly for Fortune 500 firms.

Outsourcing Information Technology: Marketplaces

6.3. and Job Boards

While an outsource directory gives you access to IT outsource firms, your firm may only require a one-off project, such as a computer program or database. Depending on the size and complexity of the project, you may require a company or just a freelancer working out of his mother's house. There are two alternatives open to you: a job board or an RFP marketplace.

A **job board** is essentially an online classified advertising service devoted mainly to jobs and gigs. Whether you're interested in a long-term or one-off solution, a job board is about putting your ad online and then sifting through the responses. To be successful, a job board posting should have the following elements:

Outsourcing IT: Marketplaces and Job Boards

- **Detailed description of the job and technology involved**—everything you expect the outsource vendor or freelancer to perform should be in the ad. For instance, if you need a database created, specify the technology (MySQL, SQL Server, Access, Oracle, whatever) and what you expect your vendor to do (design, develop, build a middleware interface, etc.).
- **Request a resume with references**—once you hire vendors or freelancers, it's too late to find out they don't know how to do what you need or they're just plain flakes who disappear when Mom kicks them out of the house. You want a resume that shows training *and* experience in the technology you're outsourcing; the resume absolutely must have references related to work in that technology. An outsource company should provide you with a client list and include at least three references from that client list. The better companies will specify the work they have done for some of those clients.
- **Samples**—ask for links to or descriptions of similar projects the individual has worked on. If it's an outsource company, it should supply an online portfolio with links to most of the projects in that portfolio.
- **Rates**—no vendor worth their salt can quote a job before working up detailed requirements; however, you should inquire about their rates and obtain a rough estimate.

An **RFP marketplace** is a Web-mediated engine that allows you to post RFPs (Requests for Proposals) and permits vendors and freelancers to respond with bids. The RFP engine tracks bids and all associated materials specific to the RFP. The best marketplaces also include ratings and feedback systems which allow you, when evaluating bids, to measure how other clients rated and commented on the work of a vendor. Some RFP marketplaces also include an invoicing and payment mechanism and will mediate disputes.

In general, the same rules apply to RFP marketplaces as job boards, except that RFP marketplaces make some of these rules unnecessary. For instance, many RFP marketplaces will provide profiles, client lists, and links to samples by vendor companies. Some will even provide references in the vendor's profile.

Most RFP sites offer services not available in a job board:

- **Vendor profiles**—the best RFP marketplaces allow or require vendors to post profiles including competencies, client lists, and links to sample work. *You should take these profiles with a grain of*

salt, however. It is a simple matter to exaggerate competencies, fake a client list, and provide links to work that you had little or nothing to do with. The sites do not police these profiles, so you need to connect the dots in your communications with the prospective vendor with what is in their profiles.

- **Feedback**—more useful to you are sites that allow bidders to post feedback about particular vendors. Read these very carefully. Negative feedback tends to be uncommon because many sites allow vendors to negotiate with bidders to revise negative feedback into neutral or positive feedback. In reading feedback, assess competencies (bidders are either happy or unhappy with the vendor's skills) and time-to-completion (which is often a good measure of competence).
- **Escrow and arbitration**—for an extra fee, some RFP marketplaces will allow you to pay your vendor through a site-administered escrow account. Money is released to the vendor only when you're happy with the work. If you're not happy with the work, the site provides an arbiter who, after listening to both sides, agrees to release all, some, or none of the money to the vendor. While this service adds to your cost (and the site's profits), it is a valuable insurance policy if you're new to tech outsourcing.

However, because an RFP system is a *bidding* system, you must be as complete as possible in your RFP as to requirements in order to guarantee the integrity of the bid. If you are vague, uncertain, or incomplete, your project will face numerous unintended cost overruns as the project gets more defined after the bid. Only the government and big corporations are allowed to manage IT projects that way!

Be smart! Cheapest is not always best. RFP marketplaces tend to attract low-ball bidders and quality providers often steer clear because so many low-bidders are snapping up all the business. You're looking for quality, not price, so you should vet the proposals and the firms carefully.

You should also consider farming your project out to multiple vendors, whether services or a single project. You know, for instance, how vitally important the requirements or specifications process is for your project. You should probably outsource the requirements as a separate project; once the requirements are in order, then hire someone to do the actual development and deployment. For added security—and added expense—you can vend out the project management. The project manager knows the technology and process and is able to guide the process from that knowledge and make the best recommendations to you regarding deliverables and process.

Many of the job boards and RFP marketplaces listed below were covered in greater detail in 5.2. To that list we've added some RFP marketplaces specific to the tech industry to help you in your search for a good outsource provider.

BE PREPARED!

When using an RFP marketplace—or even a job board—to find IT vendors, you will be swamped by responses from Indian companies. These are very difficult to do due diligence on; many are companies founded by a couple students or someone working out of their own home. When negotiating with an Indian company, make sure to request an organization chart relevant to your project. You want to know who is going to work on your project in detail. Otherwise you don't know what you're getting.

6.3.1. Guru.com

<http://www.guru.com>

Discussed more fully in 5.2.1, Guru.com is an RFP marketplace that connects buyers looking for outsourcing services with contractors willing to provide those services. You place an RFP for services and contractors on the Guru Network bid for those services; Guru also offers a feedback and ratings system on individual contractors. Guru provides an escrow account service: when you agree to hire a contractor, you pay the entire bill into the escrow account. If satisfied, you release the funds. If not satisfied, Guru offers mediation and arbitration.

IT categories include:

- Programming/software/database development
 - Programming
 - Web development
 - Database design
 - PDA's
 - Wireless programming
 - Telephone software
 - Others
- Networking/hardware/telephone systems
 - Computer/server
 - Wireless
 - Security

- o Others
- ERP/CRM implementation
 - o SAP
 - o Oracle
 - o PeopleSoft
 - o J.D. Edwards
 - o Siebel
 - o Others
- Engineering/CAD/architecture

6.3.2. Elance

<http://www.elance.com>

Elance, discussed in terms of business process outsourcing in 5.2.2, is an online RFP marketplace connecting businesses with freelancers and outsourcing firms, with a very liberal mix of Indian firms in the mix for technology outsourcing. Like Guru.com, there are many lemons in the bucket, so you need to vet responses carefully. Elance allows freelancers and outsource companies to post profiles with linked samples and feedback from Elance users. Profiles typically list the technologies the freelancer/firm specializes in, but these lists can often be a tad bit exaggerated. Elance also allows you to pay through an escrow account and also offers a 1099 service.

In IT, Elance offers you with the following contractor resources:

- Application development
- Database development
- Scripts
- Utilities
- System administration
- PDA's and handhelds.

6.3.3. Contracted Work

<http://www.contractedwork.com>

Contracted Work, discussed in 5.2.3 as a BPO resource, is an RFP-based freelancer marketplace similar to Guru and Elance. Unlike those two sites, however, on Contracted Work you have the choice of emailing your RFP and conducting your entire RFP process through email as well as using their RFP engine. The site includes vendor profiles, feedback from users, and an escrow account that you can use to ensure the proper work is done. You choose a contractor, pay the full bill into the escrow account, and release the

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funds only when you're satisfied with the work. In the event of a problem, Contracted Work provides an arbiter to the dispute.

IT categories include:

- IT administration
- Application development
- Database development
- Engineering
- Handheld
- Technical support.

6.3.4. Rent-A-Coder

<http://rentacoder.com>

Rent-A-Coder is an RFP marketplace specifically for software developers and programmers and has over 156,000 registered freelancers, contractors, and programming outsource firms, most of whom are located offshore in places like India, Russia, or former Soviet satellite countries. The site allows you to review the contractor's resume and provides a bidder feedback mechanism. As with other RFP marketplaces, Rent-A-Coder offers an escrow account and arbitration in case of disputes. The site also requires all bidders to sign a Non-Disclosure Agreement (NDA) before they can bid on jobs, so safeguarding trade secrets is built into the system itself.

6.3.5. GetACoder

<http://getacoder.com>

GetACoder is an RFP marketplace of programmers, database designers, Web site programmers, and freelance writers. The site is intended to hook up freelancers and buyers, so it does not include a ratings or an escrow system.

Categories include:

- Web site development and programming
- Database development
- Programming
- Planning
- Requirements
- Project management
- Computer platforms
- Enterprise Resource Planning
- Testing/assurance.

Additional categories include marketing, writing, graphic design, training, and administrative support.

6.3.6. oDesk

<http://odesk.com>

oDesk is not quite an RFP site, but a centrally-managed outsource contractor site. A global network of outsourcing firms, oDesk allows you to post and manage projects through their site. You do no reviewing of bids or hiring. You simply put in a request and oDesk bids out the job and hires the professionals from their network. You then manage the professionals or contractors that oDesk has hired and, when they finish, you pay oDesk. So it's not quite an RFP marketplace, but functions as one. Because the contractors are hired directly by oDesk, they thoroughly evaluate the contractor's credentials for you, thus reducing a risk normally associated with RFP marketplaces.

6.3.7. Craig's List

<http://www.craigslist.org>

Craig's List, discussed in 5.2.4 in more detail, is the largest online classified advertising site on the Internet. Craig's List allows you to post regular jobs or one-times gigs. The latter, like all the other classified ads on the site, are free, but a jobs ad requires an account and costs \$25 if posted in the New York, San Francisco, or Los Angeles Craig's Lists.

You would post an IT or computer project in the "Computer" category of the "Gigs" section—this includes any Web design or programming work you need done. You will get a hog pile of responses, particularly if you place your ad in one of the "hot" cities, like San Francisco, New York, or Los Angeles (not a bad idea if you plan to manage the project virtually). You will find a generous number of Indian offshore firms regularly troll Craig's List for tech gigs; typically half or more of the responses you receive will come from India.

Because Craig's List limits you to one city and does not allow you to repeat ads across cities, you're better off putting the ad in the New York, San Francisco, or Los Angeles Craig's List to attract more responses from a larger pool of talented people. Craig's List is a true crap shoot—a dizzyingly large number of magnificently unqualified and unprofessional freelancers will show up in response to your ad. In my and many others' personal experience, there are more unhappy experiences outsourcing tech or Web jobs on Craig's List than happy ones. The most common complaints are misrepresented skills

or lack of professional behavior—the job is started, but then the contractor disappears. It behooves you to rigidly qualify any vendor or you'll be looking at time and money spent on nothing.

6.3.8. Dice

<http://dice.com>

Dice.com is the largest technology-focused job board. Like Monster (5.2.5), the site largely focuses on regular jobs-for-hire rather than gigs or projects. We have not included Monster because of its jobs rather than gigs focus, but you should be familiar with Dice if you're regularly hiring for tech jobs.

6.4. Computer Help Tech Support

When thinking about specific IT issues, computer help technical support should rank as your number one consideration. That's right. Not Web site, database programming, or developing some cool custom application for your business. The bulk of your IT time is going to be spent just figuring out how to make that damn box on your desk do what you want it to do.

Most computer help tech support can be done virtually through an Internet connection (scary). When you consider that most tech support firms charge anywhere from \$60 to \$100 to come to your location, virtual tech support can represent a profound savings to your business. And if you're smart, you'll never need tech help for the same problem twice!

While "remote tech service" seems a spacey fantasy, you essentially give the service full access to your computer's hard drives (and peripherals) through the Internet. In a maintenance session, a remote technician essentially scours through your hard drive and uses your system's diagnostic and repair tools to fix non-hardware problems. It's an elegant solution—rather than have a techie show up at your house to fix or maintain your computer's system, that techie sits in Russia or some other far-flung place and does it from there.

6.4.1. iTOK

<http://www.itokhelp.com>

iTOK is a remote, Internet-based computer maintenance and trouble-shooting firm. You use the iTOK service in two instances: regular maintenance and troubleshooting. Regular maintenance involves an initial full computer system and security overhaul (\$150) and monthly maintenance (\$20 per month). You can also sign up for on-demand virtual help that

involves both a chat service and remote linkage to your computer. Monthly maintenance includes:

- Spyware and virus scanning and removal
- Operating system updates
- Disk clean-up and defragmentation
- Start-up audit
- Firewall check
- Software licensing (optional).

6.4.2. ComputerHelpSOS

<http://www.computerhelpsos.com>

ComputerHelpSOS offers cost effective computer help through Internet chat and remote screen sharing. Like iTOK, technicians at ComputerHelpSOS connect directly to your computer and can diagnose and fix the problem remotely. You pay \$1.63 per minute of help (about \$100 an hour, which is about what an on-site computer tech person would charge—the difference is that an on-site tech person will charge in half-hour or single hour increments, i.e., you pay \$100 for two minutes of work for on-site tech help and \$3.26 for two minutes of ComputerHelpSOS tech help).

ComputerHelpSOS offers the following services:

- Autosync
- BIOS and setup
- Hardware conflicts
- Display issues
- Motherboard—installation issues
- Networking—traditional and wireless issues
- Windows issues
- Spyware, adware, and virus cleaning
- Software installation
- Software troubleshooting and service packs
- Security software issues
- Email problems
- Firewalls
- Printers issues, networked printer issues
- Sound card or video driver issues
- Web—hosting, audio, video
- Handheld—Palm issues.

6.4.3. Plum Choice Online PC Services

<http://www.plumchoice.com>

Plum Choice is another virtual tech help service that accesses your computer system remotely to diagnose and fix problems with your system and hardware.

- PC tune-ups
- Home and small office network setups and maintenance
- Virus/spyware/adware identification and removal
- Pop-up blocking
- Email and software problems
- Printer, scanner, digital camera and other peripheral problems
- MP3 players, PDAs, and other mobile devices setup and troubleshooting
- Standard maintenance
- Windows updates and patches
- Installation, troubleshooting, and training on new software and hardware
- Data back-up processes.

Pricing is based on packages, but you can also purchase a pay-as-you-go service for \$90 per hour.

- **Unlimited online PC support (\$25)**—probably one of the best virtual tech deals online, Plum Choice will give your computer each month a PC Tuneup, security software, and unlimited PC support. The plan does not include network or device support.
- **60 Smart Minutes (\$90)**—similar to a phone plan where you buy minutes, you can purchase 60 minutes of support help for \$90 and use it as needed for PC, network, and device support.
- **PC Tune-Up (\$129)**—Plum Choice will give your computer a one-time tune-up including virus/spyware/adware scanning and removal, Windows updates, securities enhancements.
- **Spyware and virus removal (\$100)**—scan, identify, and remove spyware, adware, and viruses.
- **Wireless network setup (\$80)**—setting up a home wireless network, setting up each computer on the network, firewalls, file/printer sharing, and security.

6.5. Application Service Providers (ASPs)

An *Application Service Provider* is a company that provides on-demand computer-based services to other companies over the Internet, usually software, typically for a usage fee. Because many small- and medium-sized businesses require specialized software but lack the resources to purchase or develop that software, ASPs provide a cost-effective way to integrate expensive software into even the most limited budgets. Most of the online software packages we discuss in Chapter 3 are technically ASPs—we find it easier to think of specialized ASPs as software rather than as an IT service.

ASPs fall into five categories:

- **Specialized**—specialized ASPs provide one service, such as project management or payment gateways.
- **Vertical market**—a vertical market ASP packages an entire set of services for an entire business type, such as a law practice.
- **Enterprise**—an enterprise ASP provides a complete range of software and computer services for a business—from small to super-large—in one big package.
- **Volume**—a volume ASP provides the lowest-cost services possible by delivering these computer services over the Web (almost all the ASPs discussed in Chapter 3 fall into this category).
- **Local**—a local ASP provides services for small businesses within a particular location.

As a small business start-up, you will focus mainly on volume ASP providers, such as those discussed in Chapter 3, to minimize your software costs. However, your business may require specialized software or even an integrated software package designed for your particular industry, so you'll be spending time evaluating specialized and vertical market ASPs.

You will probably not need much expertise to find your way within the world of ASPs; in fact, you may already be an avid consumer of ASPs without really knowing it. However, using ASPs strategically will involve getting to know the industry more thoroughly.

- **Competitive advantage**—one of your first concerns is how your software makes you more competitive. If you're a virtual assistant, for instance, you'll need Microsoft Word, but you'll want additional plug-in software or ASP software that allows you to create feature-rich PDFs that you normally cannot produce using the Word PDF distiller. That gives you a competitive advantage, in terms of

time and breadth of services offered, over other virtual assistants. Competitive advantage is often the number one consideration for considering application services.

- **Capability**—one of the central reasons companies pursue a software service rather than installed software is *custom capabilities*; installed software is either made for everyone (and, thus, for no-one) or highly specialized and blisteringly expensive. ASPs often provide software that meets more of your needs at a low cost. For instance, Infowit (<http://www.infowit.com>) provides project management software services specifically customized for creative firms.
- **Cost**—your second consideration are cost-savings, in particular, how you can save money by purchasing application services rather than application licenses. Many highly specialized applications are too expensive to deploy and application services can give you access to these applications.
- **Security**—the final consideration is security; often application services have levels of security and redundancy that you cannot afford on a shoestring budget. Why purchase a project management application service rather than a project management application? Because you're less likely to lose your valuable data. In essence, by purchasing application services, you're also purchasing (most of the time) a highly sophisticated, well-staffed IT back office. *They* take care of computers, back-up, security, network, and so forth *for you*, at least within the limits of the application service.

Negotiating the world of application services sometimes feels like swimming in alphabet soup. “If you’re looking for an RIA SaaS model, this ASP provides the most cost-effective solution.” And do you want fries with that? So before taking the plunge, it helps to be familiar with the ABCs of ASPs:

- **ASP**—Application Services Provider: any company that provides software or applications as a service rather than installed software. Services are paid by subscription or on a pay-as-you-need basis.
- **SaaS**—Software as Services: software offered on a “service” model rather than installed on your computer. The software resides on a server that you access over the Internet; you simply access the software as needed. Software as Services, when not structured on a volume model, tends to be highly customizable for individual enterprises, making it more suitable to large companies.

- **On-demand Software**—subscription software that you download when you need it; the software you download today may be a different version of the software you downloaded yesterday. This is often the ASP model that small- and medium-sized businesses choose for cost reasons.
- **RIA**—Rich Internet Application: an application service delivered over the Web that has the feature-richness and interface of installed software, like Google's Gmail.
- **SOA**—Service-Oriented Architecture: a network and/or server architecture that makes services available to users.

Individual ASP solutions are discussed in Chapter 3 along with installed software solutions.

6.5.1. *ASPStreet.Com*

<http://www.aspstreet.com>

ASPStreet.com is a highly-specialized portal, news source, and marketplace for ASPs and ASP clients. Designed primarily for an IT audience, ASPStreet offers breaking news on the subject, best practices, opinions, an RFP marketplace for ASPs and businesses seeking to hire them, and a directory of application services providers—almost 12,000 at this book's publication date.

The online RFP marketplace allows you to post a Request For Proposal (RFP) and evaluate solutions to your business problem from ASP providers. Unlike other RFP marketplaces, ASPStreet does not have feedback or escrow services—it is simply a mechanism for transmitting RFPs and proposals between buyers and sellers.

If you are very seriously considering ASP solutions, then the ASPStreet directory should be one of the first resources you consult. The directory enables you to search by software specialty; this directory should be your first introduction to the ASP resources you may need.

6.5.2. *ASPNews.Com*

<http://www.aspnews.com>

The ASPnews.com Web site is the Web's premier aggregator of information about the Application Service Provider (ASP) and Web services industry. Primarily designed for IT professionals, the site offers news, analysis, trend-spotting, strategies, and a searchable directory of ASP vendors and products.

Again, if you're leaning towards ASP solutions near the outset, you should enthusiastically bookmark the ASPNews directory. Listing over 1,900 companies and 250 products, the searchable directory is a quick and easy overview of the ASP solutions world. Product categories include:

- Customer Relationship Management
- Financials
- Information management
- E-business
- Human resources
- Enterprise Resource Planning
- Manufacturing
- Desktop applications.

6.5.3. All Business: Application Service Providers

<http://www.allbusiness.com/technology/services-application-service-providers-asp/2976779-1.html#>

AllBusiness is a Web-based business magazine providing news, trends, articles, and case studies for growing businesses. They offer a particularly rich set of articles on the strategies and tactics of using ASP solutions in their “Application Service Providers” articles section. Many of these articles are “how-to” articles for purchasing particular ASP services.

6.6. Database Development

For many businesses, their most valuable asset is **information**; it is no accident that “IT” begins with the word “information.” Some of this information is valuable because it is necessary, such as employee information or client phone numbers. Some of this information is valuable because it is *actionable*, i.e., it provides a foundation for making strategic and tactical business decisions. And some of this information is just plain valuable, i.e., it can be sold to other businesses, such as a customer list. The information you have on your customers—who they are, where they live, what they buy, when they buy it, and any other information you might have—is worth real money to other companies, and not just your competitors. Customer information databases are often included as a substantial asset in some company’s financial balance sheets—that’s how valuable information can be!

Finally, as with all IT projects, information has value in terms of *competitive advantage*. If you have information that your competitors do not have—or you are able to do new things with information—you can steal

customers away from your competition. For instance, Progressive Insurance made its fortune by targeting high-risk drivers. Instead of asking drivers a dozen or so questions to put them into risk pools, they asked them sixty or more questions. This allowed them to determine risk much more precisely so that they were able to drain away the safest high-risk drivers from other carriers by offering them a better deal. This left other insurance carriers with the least safe high-risk drivers, so they had to *raise* their rates. Pretty neat, huh? With better information about their customers, Progressive was able to underprice their competition *and* force the competition to raise their prices! That's competitive advantage.

Getting and managing information, then, is a *value-creating* function for your business. Databases are the foundation for managing information and they come in two major types:

- **Transactional**—transactional databases simply record data. Somebody does something that creates information and that information is then recorded to the database. An orders database attached to an ecommerce site is a transactional database. Your iTunes application is a transactional database. QuickBooks is a transactional database. A transactional database is primarily oriented around recording all relevant information about a transaction; its main design principle is *efficiency*, i.e., avoiding redundancy. (Don't let the term, "transaction," mislead you. It has nothing to do with transactions as you understand them; it's about how information gets saved. A "transaction" application, which includes email applications, only saves information that is new or changed; a "file-based" application, like a spreadsheet, resaves the entire file if information is added or changed.)
- **Warehouse**—a *data warehouse* is a database (or set of databases) that takes some, but not all, information from transactional databases to allow business users to explore that data for trends and actionable relationships. A data warehouse is primarily oriented around the needs of the people searching the database for information; its main design principle is *completeness*, i.e., making sure all information that is important to searchers is in the database and relatable to other information in the way that all business stakeholders need.

Your business will be surrounded with transactional databases at practically every step. They allow you to do your business; examples include accounting software (yes, a transaction database), project management software (another transaction database), payroll, human resources,

ecommerce applications, and so on. Even iTunes is really nothing but a database. No matter what these guys look like on the outside, on the inside they're all transactional databases.

You're less likely to have a data warehouse attached to your business; when you need to query or mine data, chances are you'll do it directly on your transactional database. This isn't the best practice—querying and data mining a transactional database takes resources away from its primary function of recording data—but many database applications, such as project management, accounting, and ecommerce software, offer you limited querying and reporting directly from your transactional database.

The great virtue of a data warehouse is that it can aggregate data from several different databases—your customer email list, project management software, accounting software, ecommerce software, and Web analytics software—to produce integrated data that allow you to answer basic business questions (see section 6.8. for more detailed discussion of database querying and data mining). These might be questions like, "If I send out an email offer, how many people will respond and what's the average monetary value of the response? Who are the best people to target with an email campaign and how much do they spend?" Those are questions that the myriad of your transactional databases probably cannot answer, but a well-designed data warehouse can.

The strategic issues involved in your total database picture, then, boil down to only two:

- **Decision-making**—you need to determine *what* information will help you make all the business decisions you'll be faced with. In other words, what kinds of questions do you intend to ask of the data your business generates? Making a comprehensive list of all the kinds of questions that will help you make business decisions is the first step when considering custom databases for your business.
- **Competitive advantage**—what kinds of questions do you think your competition *is not* asking of the data they have? What new information about your business, industry, or customers might give you an advantage over your competitors?

You don't think in terms of databases and database design; you think in terms of decision-making and competitiveness. When you hire an outsource firm to develop your database, that firm needs to have the competence to determine your information and business needs. Their job is to ask you a lot of questions at the beginning; any firm that simply listens to what you have to say and starts working is probably going to waste your money.

Like ASPs, your foray into the world of database design will involve an alphabet soup of solutions. “We can build in MySQL or SQL Server, blah, blah, blah.” In essence, every database is the same: they’re just a bunch of spreadsheets that are connected to each other. For the most part, all the tables in a database can be transferred, often fairly easily, to another database. So the differences between databases have to do with the following:

- **Platform**—you may or may not be interested in the platform the database runs on; you will definitely be interested if the database is tied to your Web site—the platform has to match the system your site is on. Some databases run only on Windows (SQL Server), some only on UNIX (MySQL), and some run on both.
- **Session manager**—as you might imagine, databases can have information coming at them from all directions at the same time. The database has a session manager to keep everything straight and not get things mixed up as it adds to and changes records in the database. The more people who are adding, changing, or accessing information on the database, the more complex the session manager has to be. So some databases only allow a few people to access the database at one time (Access); others have session managers that allow thousands or millions of transactions to occur (Oracle) and are more suited to high-volume environments, like Amazon.com. So you need to match up your expected load with what the database application can handle.
- **Cost**—Some databases are free (MySQL, which is open source), some will burn a huge hole in your wallet (Oracle). ‘Nuff said.

Without delving into the differences, here is a short list of databases (or, more properly, *database management systems*) that an outsource provider can specialize in:

- Oracle
- SQL Server
- MySQL
- PostgreSQL
- FileMaker
- Access
- Lotus Approach
- Alpha Five
- Paradox
- QuickBase

6.6.1. Foraker Design

<http://www.foraker.com/database.html>

Foraker Design concentrates on Web-based applications and databases, but can also provide broader database services for small- and medium-sized businesses. With a well-developed needs-requirements process, they focus on Web-based database technologies, such as SQL Server, MySQL, PostgreSQL, and Oracle. Custom databases start at around \$10,000, but systems that integrate with other applications may cost \$50,000 or more, and some can go over \$100,000 if there are complex integration issues.

6.6.2. Database Development Services, Inc.

<http://www.dbservices.com>

Specializing in Filemaker, Database Development Services build custom databases and software for small- and medium-sized businesses to help them manage information and make better business decisions. They will also participate in strategic consulting to help you better manage your business information.

6.6.3. Virtual Gal Friday

<http://www.virtualgalfriday.com/database.htm>

A virtual assistance firm (see 5.3.13), Virtual Gal Friday also specializes in Access databases customized to your business needs and offers a skilled but low-price database development alternative. The database, reports, and queries are designed around a needs assessment; the database can be stand-alone or Web-based. Monthly maintenance is a separate service.

6.7. Database Administration

Unfortunately, databases are not like any other application that you can install on your computer and, once installed, away you go in your beautiful balloon. They are being constantly updated—every time someone makes a purchase, your bookkeeper enters a transaction, or something happens on a project, information gets added to the attached database. With information hosing in from all sides, your databases tend to get broken (corrupted is the technical term). Keeping your database working properly is the function of **database administration**.

So what does a database administrator do? How can your database get broken?

- **Database integrity**—the information can get bad in your database. How? Well, records could be incomplete. Information can get mixed up, i.e., someone else's email might be mixed in with another person's record. Information can go missing. Information can be repeated—you might have the same person listed three times in your mailing database, meaning you spend three times as much on postage whenever you send out postcards.
- **Recoverability**—your database, like anything else stored electronically, can get wiped out; because information is the most valuable thing your business may own, *backing up* your data is a key responsibility of database administration.
- **Security**—of course, a big threat to your database is unwanted intruders. While setting up a secure database is an integral part of the development process, database administration is about keeping it secure. For instance, you may have an ecommerce database attached to your Web site. Who cares? Anyone who would like to obtain your customer's credit card information, that's who.
- **Performance**—performance is an issue if a lot of information is coming into a database at the same time; database administration is about keeping the system capable of handling all performance demands. For your venture, this is only an issue if you expect high demands on your database (like YouTube or NetFlix).
- **Availability**—like all computer systems, your database will go down sometimes. When the database is unavailable, it's not doing anyone any good. Database administration is about keeping that downtime to a minimum.

Database administrators keep these problems from happening by performing the following tasks:

- **Software updates**—a database administrator tests and keeps current all the software related to your database: security software, database management software, back up software, and all other software related to your database.
- **Security**—a database administrator constantly monitors the security of your database, looking for any security breaches and fixing them.
- **Data cleaning**—to maintain data integrity, a data administrator routinely “scrubs” the data to remove incomplete, fallacious, or repeated records.

- **Backups**—the database administrator sets up and monitors backup processes and recovers lost data in the event of disaster.

DATABASE RECOVERY

Recovering a database from a backup is not for the newbie, unless it's an offline database. Database recoveries, particularly a database with a high volume of transactions, are not like recovering lost files from a hard drive. Recovering a database means restoring the data from backups and then matching the timestamp on that data to data transaction logs to make sure that the data is consistent. Without these tests, there is no guarantee that the data is correct or free from errors introduced in the recovery process. It's a long and complex process, so you want to carefully vet database recovery systems offered by your DBA. If your database is online and attached to a Web site, you want to carefully review the hosting service's backup procedures. They may not be adequate if your database is valuable, i.e., it is storing customer orders and transactions. In that case, you will consider outsourcing database administration and back-up to a vendor.

Virtual database administration usually consists of the following steps:

Initiation—the database administration vendor installs communications software so they can access and monitor the database and its performance. Often, virtual DBA's will “tune-up” the system to increase performance.

Monitoring—the DBA vendor monitors the database performance as a set of statistics transmitted to their server.

Diagnosis—DBA vendor engineers view the trends and spot any issues that require intervention.

Action—significant problems require intervention and engineers take appropriate action to improve the performance or uptime of the database.

Virtual administrators also periodically update aspects of the database management system, security, and back-up procedures.

6.7.1. Virtual-DBA

<http://www.virtual-dba.com>

Virtual-DBA provides comprehensive, 24/7 remote database administration service and also provides dedicated services from database engineers. You can outsource all or part of your database administration;

you can also use them solely for troubleshooting. Virtual DBA offers the following services:

- Database maintenance
- Database monitoring
- Support
- Consulting,

Their engineers specialize in the following database management systems:

- Oracle
- DB2
- UDB
- Informix
- SQL Server.

Virtual DBA also offers consulting services in database design, development, performance optimization, data warehousing, business intelligence, migration, backup, recovery, and project management.

6.7.2. PICS

<http://www.pics.com/remote-dba-services.html>

PICS specializes in IT consulting and remote administration for medium- and large-sized businesses, but is also reasonably priced for small businesses. Database administration is only part of their service offerings, which includes:

- Project management
- Upgrades
- Software development
- Application support
- Consulting
- Training
- Implementation
- Application integrity
- Application consulting
- On-site database administration
- Remote database administration.

The PICS remote database administration services are designed for companies that cannot afford a DBA staff member; the service is designed to be an affordable alternative to a database staff. Remote DBA services include:

- 24/7 database monitoring
- File errors and disk space monitoring
- Backup logs verification
- Database tuning
- Reporting and resolving critical system errors
- Client & server script configuration
- Backups and recovery
- User/printer configurations.

6.7.3. Firetower Tech

<http://www.firetowertech.com>

Firetower Tech specializes in affordable remote support for small, medium, and large businesses. In addition to remote database administration, they also provide services in operating system administration, server administration, and emergency support. They are, however, primarily a remote DBA service that provides full life cycle database support including:

- Design
- Installation
- Patching
- Migrations
- Tuning
- Monitoring
- Partitioning
- Backups.

They are overwhelmingly an Oracle shop, i.e., they deal with high-performance, enterprise-class database management systems. Outside of Oracle, DBMS competencies also include:

- SQL Server
- DB2
- Sybase.

6.7.4. Ntirety

<http://www.ntirety.com>

Ntirety solely concentrates on remote database administration for Oracle and SQL Server database management systems—remote DBA is the only service it offers to small, medium, and some large businesses. The service is mainly intended as a cost-effective alternative to having a database administrator on staff and works on a monthly fee, providing the following services:

- Monitoring
- Tuning
- Enhancing reliability
- Backups
- Disaster recovery
- Database upgrade

Ntirety offers three levels of service with fees determined by the number and types of databases involved. Business Basic is designed specifically for small businesses with databases that have a low transaction volume; while the database is monitored 24/7, the service will only respond to issues or problems during weekdays. Business Plus is designed for medium and large businesses while Mission Critical targets large businesses with high transaction volume databases. The plans also differ on response time, with the fastest response times promised to Mission Critical clients.

6.7.5. Remote DBA Experts

<http://www.remotedbaexperts.com>

Based in Pittsburgh, Remote DBA Experts offer full database administration outsourcing, supplemental database support, database assessment, 24/7 database monitoring, database project work, and database mentoring. If you're running your own operating system for your database, they can install and monitor that, as well. Proficient in a large variety of database management systems, including Oracle, DB2, UDB, SQL Server, Rdb, and others, they also have expertise in several operating systems including Windows, Unix, Linux, and MVS (a system used on mainframe computers). They are, however, primarily positioned to service medium- and large-sized companies, so their services are something you should consider only if you have a high transaction volume database.

6.8. Data Mining and Analysis

As your business collects information of all sorts, that information can be used help you make business decisions. **Data mining** and **data analysis** are the tools businesses use to turn information in databases into business decisions and business actions.

Despite its complexity and impenetrable codes and math equations, data mining and analysis is really very simple from your perspective. All data mining and analysis involves is asking a question of your data, questions like:

- Who are my best customers?
- I'm thinking of giving free shipping to encourage customers to order more—will it work?
- I have a new product and want to send out an email to let people know about it—who are the best people to send it to?
- I'm considering buying ads on a search engine and they will allow me to have my ads appear at a particular time of day. When do customers come to my site to buy so I can place my ad at just the right time?
- What products are the most profitable?
- Should I have a Christmas special?

It's not like the database is going to come out and answer these questions for you. A database is only a recording machine. But, fortunately, there are a number of tools that allow you to mix, match, combine, slice, and dice the data in your database. Those processes of mixing up, matching, and slicing/dicing data come under three major categories:

- **Database querying**—all databases have a *query* language (usually SQL, for “Structured Query Language”) that allows you to combine data in a very simple way, such as, “Show me all female customers from Alaska who have purchased something in the last week and who took advantage of our free shipping offer” or “How many people bought Widget A in September and how much did that change by November?” While writing these questions in the actual query language takes a madman or a genius, that’s basically what database queries are.
- **Data mining**—data mining goes beyond querying data and uses sophisticated mathematics to group data, find trends, make predictions, and discover patterns. Data mining answers a question

like, “When sending out direct mail to prospective customers, what type of person is most likely to respond?” Or a question like, “I have a prospective client who is in the manufacturing industry—how much profit am I likely to get from this client?”

- **Data analysis**—data analysis takes what you learn from database querying and mining and presents the data in an actionable format. A data analysis question might be, “Who are my best customers?” A data analyst would then sift through your customer data by querying and mining your database and then present a *quartile analysis* that divided your customers into four groups from your most profitable customers (“platinum” customers) to customers you’re losing money on (“lead” customers) and all the relevant characteristics of each. Data analysis might show you that your best customers are female and over fifty while your “lead” customers have more than three children in the home.

In essence, you do database querying, data mining, and data analysis when you are attempting to turn information into something useful for your business, into a *decision*.

So you need two things. First, you need data, and enough of it. The more records you have, the better the data can answer your questions. The more detail there is in your records, the better the data can answer your questions. (You can see why, in section 6.6, I stressed that developing a database should start with the kinds of questions you want to ask of your data—if you’ve been using a database for a couple years that doesn’t tell you your customer’s gender and one day you want to find out if males or females make more profitable customers, you’re out of luck—you have a huge pile of data that can’t answer one of your basic questions.)

Second, you need questions. What do you want to know from your database? What kind of decisions do you need to make? These questions can be operational (who makes a good project manager?), financial, accounting, or marketing questions. As long as your data is sufficiently deep and broad enough to answer the question, your question will get a sufficient answer to guide your business decision.

For businesses that have a high volume of database transactions, data analysis and data mining are accomplished through the use of **data warehouses** designed explicitly for querying and analysis of data. A data warehouse is simply just another database; however, rather than data being added to it in a series of transactions, it retrieves specific information from a business’s databases every few hours or everyday. It’s designed only to house the information important for making business decisions. So, if your venture

involves one or more high transaction volume databases, you need to build a data warehouse for any data analysis you wish to do. Many of the data mining services listed below specialize in building data warehouses to meet specific business needs.

6.8.1. Statoo Consulting

<http://www.statoocom/en>

Based in Switzerland, Statoo Consulting is a software-vendor independent Swiss consulting firm specializing in statistical consulting, data analysis, data mining, and analytical customer relationship management.

6.8.2. Drayton, Drayton and Lamar, Inc.

<http://www.ddlinc.com>

Drayton, Drayton and Lamar, Inc. offers the following services:

- Database and data warehouse development and support
- Data extraction, transformation, and loading (ETL)
- Data analysis
- Special reports (e.g., congressional inquiries, Freedom of Information Act requests, and press inquiries)
- Technical assistance
- Technical documentation,

6.8.3. JMP

<http://www.jmp.com>

JMP 8 is the most affordable and user-friendly data analysis, statistical analysis, and desktop data mining software available. It is a full statistics package that comes with very powerful data mining and analytics tools. It is, in fact, a scaled down version of the most powerful statistical and data analysis software on the market, SAS. However, unlike SAS, it does not work directly with your database; you have to import database tables into the application and save them as separate files—in essence, creating your own data warehouse on the fly. Available for Windows, Linux, and Macintosh, a single-user personal JMP 7 license, including one year of free technical support, costs \$1,500 (I said it was the most affordable, not cheap). If data analytics is a very serious part of your business model, JMP can meet almost all your needs.

But don't be fooled. You're never going to pay \$1,500 for an application that you can use right out of the box. The software demands that you know

what you're doing and, if you don't, you should be prepared to burn the midnight oil for a few weeks and master the program and its underlying principles. If you don't know what you're doing, you'll never be able to do the cool things it lets you do, like multiple regressions, clustering, and neural networks. For those of you unacquainted with statistics, the JMP learning curve is mighty steep, but once you get there, the power at your hands is unbelievable.

6.8.4. Analyse-it

<http://www.analyse-it.com>

Even if you don't have a database, you can still do data analysis on spreadsheets you might have (or you can export your database to a spreadsheet and analyze the data from there). JMP is the most powerful affordable tool for analyzing spreadsheets or databases, but you can also use Microsoft Excel at considerable savings, provided you jimmy the application a bit. Excel comes with some very basic statistical tools; you can up the ante by purchasing add-in software that gives you a pretty full range of statistical tools. While there are a dozen or so Excel statistics add-ins, the best and most popular of the bunch is Analyse-it. Like JMP, however, it's relatively useless unless you understand statistics and know how to run them on data. The learning curve is steep, but once mastered, you'll unlock the gold hidden in your spreadsheets.

Web and Ecommerce

7

Getting your Web site right means accomplishing many different tasks. Because so many different aspects contribute to a site's success, the project requires many different hands to make it work. This chapter covers the main aspects of getting your site up and running and the resources available to you to get it right.

We begin with a general discussion of designing and building Web sites and provide vendor resources. We then cover the basic mechanics of Web sites: hosting services and domain names.

After that, the chapter delves into the finer details. Copywriting and search engine optimization (SEO) are closely interrelated and determine the long-term success of your site. Since you optimize your site as an ongoing marketing initiative (called Search Engine Marketing or SEM), we cover resources for ongoing search optimization in Chapter 8: Marketing.

Ecommerce is a complicated affair, so we divide our discussion into three parts. The first deals with shopping carts, which are online catalogs and all-in-one checkout systems. We then break out some important components of a shopping cart that you may have to deal with separately. Payment gateways allow you to process credit card transactions online and are an unavoidable part of setting up a storefront. While you may or may not be involved in actually selecting a security certificate for your site (some services package certificates with their shopping cart setup), it is an absolute requirement for ecommerce; we provide the resources for easily attaining and setting up your certificate.

We conclude our chapter with some detailed discussions of software attached to your site. Web analytics software (often provided by your hosting service) allows you to monitor how well your site attracts, keeps, and converts your audience. Content management systems (CMS) allow you to easily create and change content through an easy-to-use interface directly connected to your site. Blogging software is a specialized content management system that allows you to create regular journals or articles, a profoundly effective way to market your services, show up on the search engines, and capture a loyal audience. Finally, wikis are specialized content management systems that allow you to set up a collaborative work space on your site—and even allow your users to contribute content to your site.

7.1. Web Design and Development

Most likely, your Web site is the centerpiece of your shoestring venture. It either serves as your primary marketing piece, lead generation device, or your online store. No matter what its purpose, you're probably highly motivated to get it right—all of it. Getting things wrong means losing real money: people may not find your site, people who do find it may not be able to navigate or, worse, may not be persuaded. You would never build a store where no-one could find it. You would also never build a store in such a way that people would walk out as soon as they walked in. You'd be amazed at how many people build Web sites that are impossible to find and drive people away once they do!

So let's take a look under the hood and see what you need to make your site successful.

It's useful to start by distinguishing between your *Web site* and your *Web presence*. Your Web “site” is, in fact, more than just your Web site. There are no limits to all the places you can “be” on the Web. So we define your **Web presence** as the sum total of all the Web sites, pages, resources, and links where you, your company, your brand, and your product show up. Your Web presence certainly includes your Web site, but it also includes search engine listings, directory listings, blogs, news items, stores, banner advertisements, distributor Web sites, affiliate marketers, social networks, and anything else you can imagine. Much of your Web presence is at least partly out of your control, but your Web presence, not your Web site, is the primary way people find out about you and your products or services.

Your **Web site** is typically the bull’s-eye of your Web presence, the place you want people to go when they find out about you, your company, or your products somewhere else on the Web. Building a strong Web presence that constantly directs users to your central Web site is called a **hub-and-spoke** strategy and is the most common one businesses use: the *Web presence* drives people to the *Web site* where the real action takes place.

Your Web strategy is the key to your success, so you want it pretty much in place before you start anything else. Your Web strategy should answer the most important questions.

- What will your Web site do?
- What do you want people to do when they show up?
- Where else on the Web—search engines, blogs, news sites, etc.—are you and your company going to be?
- How will you get mentioned in those other places?
- How will users get from those other places back to your site?

- What will motivate them?

Since developing a Web presence is a marketing concern, we discuss the issues in **Chapter 8, Marketing**.

In this chapter, however, we get down and dirty with your Web *site*, which has several key components that you need to master to get everything right.

- **Server**—the Internet is really just a bunch of computers connected to each other. Your Web site is a bunch of files and software stored on an Internet-connected computer, a **server**. The server also hosts software that makes the site dynamic, that allows you to manage the site, and that allows you to analyze how well the site is performing.
- **Network**—the network is the physical and abstract means that connect computers to one another. Should you care? Yes. Network issues can determine the quality of your server. More importantly, when you select a domain name, you're directly engaging with how your site fits into the network. Finally, the amount of data going into and out of your server affects the quality of your site's performance and, more importantly, how much you have to pay each month.
- **Software**—at its heart, your Web site is content, but all that content requires software to work. If your site is simple, most of that software is on your client's computer and your server only spits out files. However, a pretty good chunk of the software that makes your site works often resides on the server. That means you have to get the software on the server somehow—you should know what software you need *before* you start shopping around for hosting services.
- **Database**—your site may have one or more databases serving a variety of functions: a product catalog, an order database, a content database, user logs, surveys, email database, and so on.
- **Commercial transactions**—commercial transactions through a Web site are relatively complicated affairs that involve a merchant bank account, a payment gateway, and encryption using SSL certificates.
- **Content**—your Web site contains pictures, animations, movies, and, above all, written text. Each type of content requires special skills. Flash content requires Flash animators who not only know the technology, but are also good animators and artists. Copy requires not only good copywriters, but writers who understand how copy

affects search engine placement. Some multimedia content, such as streaming video, requires special software on the server.

- **User experience**—a Web site is an experience far different from a book or a movie. Unless you have a one page site, users *must* make choices in order to use the site. They have many decisions to make: which parts of the site to visit, which pages to read, and which actions to take. Optimizing a site to make those choices easy for users and to guide them to make the choices *you* want them to make is called *user experience*. The foundation of user experience is called *information architecture*, which describes the structure of your site and the decisions users can make. You make real money just by getting user experience right since it often means the difference between success and outright failure.
- **Design**—people often use the words Web *designer* and Web *developer* interchangeably. Don't make the same mistake. A Web *developer* is the techie guy who does all the markup language, database building, and programming to make a Web site. A Web *designer* is a professionally trained graphics arts specialist who creates the visual layout of the pages and sometimes the user experience. Good visual design tells the world that you're serious and competent. Poor visual design tells the world you don't know what you're doing or, worse, you don't care. If you want to show the world you don't know what you're doing, hire a techie person to design your Web site.
- **Communication**—communication is distinct enough from content to qualify as a separate aspect of your site. At some level, your site allows users to communicate with you or some representative of your company. That communication can be as simple as an email form or as complicated as video chat. Getting the communication strategy right is just as important as everything else.

Those are the main “parts” of a Web site, but they’re deeply interrelated. For instance, you may set up a blog on your site to keep content fresh. That’s a *content* issue, but it also involves specialized blogging *software* installed on the server and could involve a *database*. Any server-side software issue, of course, is also a *server* issue. You cannot put Windows software on a Linux server, for instance. That goes for databases, too. You cannot put a database management system designed for Linux on a Windows server. Finally, if you want users to post comments to your blog, you’re now integrating your online blog with the *communications* aspect of your site.

If you want to do it right, *you*—not just the people you hire—need to know how these parts work. “Wait a darn minute,” you say, “the hosting service handles the server. My developer does all the programming. Some

guy in Jersey handles my database.” Yes, but *your* job is to make *informed decisions*. If you’re deciding on a content management system and are told by a developer that you absolutely need RSS feeds, you should know what that means before you nod your head.

For people really committed to getting their Web site done right, the project can be like a learning experience at light speed. But if you’re starting from ground zero, don’t worry. We’ve got some resources to help you get savvy fast.

7.1.1. Website Magazine

<http://www.websitemagazine.com>

Website Magazine is a trade magazine for Web professionals and managers. The print version publishes a broad range of articles on Web business and development practices as well as trends in the industry and technology. Subscriptions to the print version of the magazine are free to qualified business owners, managers, and development professionals, but the content is also made available for free on their Web site. Like *Information Week* (see 6.1.2), *Website Magazine* is a must-have for professionals in the industry, our number one choice for staying on top of Web technology and business—and the possibilities open to you.

Articles fall into the following categories:

- Web business management
- Internet advertising
- Website development
- Online content publishing
- Affiliate programs
- Search engine optimization
- Site design and usability
- Website hosting

Must-read articles for entrepreneurs building a Web presence include

- Mastering Trends in Design and Development
- 10 Ways to Keep Website Costs Low
- Understanding Traffic
- The Road to Better Conversions
- Do It Yourself: Start an Affiliate Program
- Seven Sizzling Site Tools for Every Webmaster
- Selecting an SEO/SEM Firm

- SEO for Ecommerce
- Search Term Research for the Rest of Us
- Enjoy the Ride: The Weblog Bandwagon
- The Art and Science of Podcasting
- When Content Management Systems Meet Data Analytics

7.1.2. Digital Web Magazine

<http://www.digital-web.com>

In Web development, the biggest obstacle you're going to face is *you*. Unless you're a Web design and development guru, you probably don't have the resources to make informed decisions that will give you the most effective Web site at the best price.

To overcome this obstacle, Digital Web Magazine provides "tutorials" or articles on the technologies, design principles, and developments in building Web sites. This is a relatively unknown site, but is perfect for folks like you who need to browse articles on relevant Web design and development topics.

There are four main topics: "Discover" (basic Web site principles); "Design" (graphic and multimedia principles); "Build" (the technology, programming, coding, and applications); "Evaluate" (usability, Web analytics, etc.). There are over a hundred topics covering every area of Web development, each containing ten to fifteen articles:

- Basics
- Content Management Systems
- Ecommerce
- E-Marketing
- Databases
- Graphic Design
- Information Architecture
- Information Design
- Interaction Design
- Liquid Web Design
- User Experience
- User-Centered Design
- Web Design
- Browsers
- CSS
- Email
- Flash

- HTML
- Navigation
- XML
- Accessibility
- ROI
- Search Engine Optimization
- Web Analytics

And on and on. Although most of the articles are written to a Web developer audience, must-read articles include:

- Creating a Site Design Plan
- Brand Value and User Experience
- How To Choose an Ecommerce Package
- Competitive Analysis
- Principles and Elements of Design
- Designing for the Web
- What Happens When the People Come?
- Dollars & Sense of Web Analytics
- Building a Website for Analytics (see section 7.14)
- 11 Ways to Improve Landing Pages
- Does Your Copy Hold Up to a Quick Glance?
- SEO and Your Web Site (explains the nitty-gritty of optimizing pages for search engine placement)
- Introduction to Databases
- Preparing for Widescreen
- Designing for Scalability

7.1.3. Practical ECommerce

<http://www.practicalecommerce.com>

Practical Ecommerce is a print magazine targeted at ecommerce business owners, managers, or developers—free subscriptions are offered to customers of certain businesses, like Authorize.net (see 7.10.1) or GoDaddy (see 7.5.4). Online articles are very short—in fact, they’re more like blogs—but reading around these short articles will give you a quick education in many of the issues that you confront in ecommerce. Articles fall into the following categories:

- Accounting, Management, and Legal
- Conversion and Usability

- Development and Programming
- Hosting, Infrastructure, and Software
- Interviews and Profiles
- Inventory and Shipping
- Marketing and Revenue Growth
- Search Engine Optimization
- Shopping Carts and Online Payments
- Training and Education

Web Design and Development: Marketplaces and

7.2 Job Boards

We have structured this book as a reference book. On more than one occasion—hiring back office help or technology help—we've included a section on marketplaces and job boards. Those resources apply to Web development, as well: your best solution to your Web development needs is to turn to online resources that connect you with a universe of Web designers, copywriters, and developers.

Of all the needs your business may have, you will find that Web services offers the largest number of resources available to you through the Internet. In part, that's because everybody and their dog is in Web development in some way. But there are a number of highly talented folks out there waiting to be found.

Because any request for service that you may put on one of these job boards or marketplaces will result in tons and tons of responses, we've provided Ten Rules for hiring Web developers and creatives.

Rule 1: Look for specialists rather than generalists.

Never advertise for someone to “do” or “make” your Web site. If you need copy, advertise for an experienced Web *copywriter*. If you need design, advertise for an experienced Web *designer*. If you need coding, ask for a Web developer with experience in the coding languages you need, usually HTML and CSS. Beware the folks that will write your copy, design your Web site, and do all the coding. Unless they've got a staff of specialists, you can bet that at least two out of three of these tasks will be done sub-par.

Rule 2: Provide detailed specifications before asking for a proposal.

If you cannot write specifications, hire someone to do them for you. Specifications should include an inventory of every page, the functionality and content on every page, the design for those pages (including colors and fonts), and the navigation. And exactly what you want your contractor to

do. If you hire someone to do your specifications, they can add real value. For instance, an experienced Web developer will know to have menus or title bars as *includes*, which allows you to cheaply and easily make changes to those menus. After someone has written up your specifications, then and only then go hunting for a Web developer.

Rule 3: Don't hire cheap.

You should not be shopping for the *lowest* price, but the *greatest* value relative to your specifications. Here's a general rule of thumb: the lowest bids are almost always the most clueless. Value should not only include quality and results, but time to completion without hassle or headaches.

Rule 4: Know what your contractor is doing.

If you hire a copywriter that will be optimizing your site for search engines, you should be familiar with the basic principles and processes of search engine optimization (sections 7.7 and 7.8). If your site needs server-side scripting, you should know the difference between ASP, PHP, or .Net and, in general, what your contractor will have to do.

Rule 5: Don't hire anyone until you've seen a portfolio, references, and a client list.

The portfolio should include Web sites that are *up and running right now* and can be visited by you. At least one person on the references list should be the owner of one of these Web sites so that you can verify the extent and quality of the work the bidder has done. You need all three before making a decision—it's very easy for a bidder to fake a portfolio or client list.

Rule 6: Always take a project bid price.

Never pay someone by the hour—that only motivates them to work slowly. And if you're paying by the hour, *you* pay for their mistakes, not them. So you always pay an agreed, signed-off fixed price for the work, whether its copy, design, or actually constructing the site. This fixed price will be based on a time estimate provided by the developer. If you change the project, then the contractor should provide you with a revised time and cost estimate.

Rule 7: Do not pay in full until the work is done.

Ideally, you want to pay the bulk of the balance at completion. You should never pay more than one-half of the bid amount at the beginning of the project and no more than two-thirds before the completion of the project.

Rule 8: Demand a production schedule and “exit” option.

Tie your contractors down to a schedule. If something happens to delay that schedule (for instance, if you ask your contractor to do extra work), then the contractor needs to supply you with a new schedule. You should also have an exit strategy already negotiated with the contractor—if the contractor is falling behind on the work, then you are entitled to all work done to that point without paying anything more.

Rule 9: Contract for deliverables at every milestone in the project.

Contractors will sometimes hold you hostage with unfinished work—especially if you’ve made partial payments—and not give you the work they’ve done if you do not make a final payment. So your contractor may be months behind and 90% finished, but you literally have nothing. You also have no choice but to pay the contractor in full to get the 90% that is finished.

Rule 10: Consider hiring an experienced project manager.

Yes, yes, we know, “consider” does not sound much like a rule; the Ten Commandments don’t have any rules like, “Consider not coveting thy neighbor’s wife.” However, our final rule is a pretty good rule of thumb if you personally haven’t successfully managed the development of a Web site. A project manager increases your costs (which may be ultimately recovered in cost savings elsewhere), but it will certainly reduce your headaches and stress. Find someone experienced in the entire process of developing a site—from concepts, to engineering user interaction, to guiding creative cowboys like designers and copywriters, to managing the tech dudes who put the final product together. This person can help you make the right decisions, put together complete specifications and documentation for the contractors, and, most importantly, keep the contractors doing what they should be doing on time and on budget.

7.2.1. Guru.com

<http://www.guru.com>

Guru.com (previously discussed in section 5.2.1) is a marketplace that connects buyers looking for outsource Web design and development services with contractors willing to provide those services. You place a request for proposal (RFP) for services. Contractors on the Guru network then bid for those services. These bidders range from people working in their garage to full-out Web development firms (mainly in India). You’re definitely getting a mixed bag—some vendors are at the top of the industry and others are pretty

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mediocre. Since Guru.com includes reviews by other people who have hired these vendors, make sure you read them carefully; a high-priced vendor with excellent reviews will probably save—and make—more money for you than their low-ballng brethren.

Web design and development categories include:

- Web ecommerce site development and Web databases
- Web standards-compliant HTML/CSS site development
- Flash
- Web graphics
- Email newsletters
- Search engine optimization
- Internet marketplace development
- Web content/copywriting

7.2.2. Elance

<http://www.elance.com>

Elance, like Guru.com, is an online RFP marketplace connecting businesses with freelancers, although a few outsourcing firms mix it up with the freelancers in responding to RFPs. The vast majority of freelancers using Elance are Web professionals across several specialties. Like Guru.com, you're getting a mixed bag of top professionals with some undependable and wifly freelancers here, so carefully read the client reviews.

BE CAREFUL!

Elance has a strict rule that you MUST award one out of five projects that you place on their system. If your award rate falls below 20%, they boot you off the system. So if you plan to use multiple marketplaces to bid out your projects, Elance will not be happy.

Elance connects you with freelancers in the following areas:

- Web design
- Web programming
 - Databases
 - Web forms
 - Scripts
 - Web 2.0 applications
- Ecommerce Web sites
 - Total ecommerce Web sites

- Shopping carts
- Payment processing
- Storefronts (product databases and online catalogs)
- Order management
- Flash animation
- Search engine optimization
 - Directory submissions
 - Keyword research
 - Link building
 - Campaign management
- Usability
- Video and audio
- Banner ads
- Instant messaging applications
- Blogs
- HTML emails
- Web content copywriting
- Editing and proofreading

7.2.3. Contracted Work

<http://www.contractedwork.com>

Like Guru.com and Elance, Contracted Work is an RFP-based freelancer marketplace that allows you to place projects for contractors and freelancers to bid on. Contracted Work is dominated by outsource firms and vendors rather than actual freelancers; the bulk of those companies specialize in Web development. In terms of overall usage, however, Contracted Work is a distant third to these other two, highly popular RFP marketplaces. Contracted Work offers vendor profiles, portfolios, and reviews.

Contracted Work vendors specialize in the following Web design and development areas:

- Web site development
- Web design
- Web programming
- Flash animation
- Hosting
- Testing
- HTML emails
- Web content writing

7.2.4. Craig's List

<http://www.craigslist.org>

If you're seriously in the business of outsourcing your Web development, then Craig's List, the world's largest and highest-trafficked classified ads site, should be one of your primary venues for tracking down freelancers and outsource firms.

Craig's List allows you to post two kinds of jobs: regular jobs-for-hire and gigs, or temporary, one-off jobs. You can post gigs for free, but a jobs ad requires an account and costs \$25 if posted in the New York, San Francisco, or Los Angeles Craig's Lists.

The usefulness of the site depends on the size of the city you live in (you can only post in one city) and what you're looking for. If you're located in a large metropolitan area such as New York or Los Angeles, your ad will attract a large number of high-quality applicants. And more than your fair share of mediocrity. Follow this rule of thumb when hiring off Craig's List: ask for a portfolio, client list, resume, and references. And contact those references. Seriously, if you don't, you deserve what you get. The tagline for Craig's List should be, "Burned Again!"

Because Craig's List limits you to one city and does not allow you to repeat ads across cities (its posting engine checks the wording of your ad against all the other ads that are posted—if it matches another ad pretty closely, the service will reject it), you should consider outsourcing your work to Web professionals in major cities like New York, San Francisco, or Los Angeles. You may not live in those cities, but you may be willing to have someone do the work virtually. Posting an ad in one of those three cities will garner you far more qualified vendors than, say, posting your ad in Ames, Iowa. Fortunately for you, Craig's List is constantly trolled by Web development professionals all over the world, especially India. If you put up an ad in Ames, Iowa, you'll be deluged with responses from all over the world!

For Web development contractors, you will post your ad in the "Gigs" section under:

- **Computer:** if you're looking for coding, programming, Flash animation, database development, or any other technical issue.
- **Creative:** if you're looking for Web design (graphic design), banner ads, Flash animators, or audio/video creators or editors.
- **Writing:** if you're looking for Web content writers, SEO specialists, or editors/proofreaders.

CRAIG'S LIST FLAGGERS ARE WATCHING YOU!

Craig's List is a community-monitored classified ads site that allows and expects users to monitor the content of ads. The system enables users to "flag" ads that they think are inappropriate, offensive, illegal, or violate the Craig's List Terms of Use. If the user community flags an ad enough times, it's removed from the site. And, trust me on this, there is no group of people more ready to flag ads than the folks who create the creative, writing, and Web gig sections. They particularly flag jobs if they think the pay is low, but they're ready to jump on a number of offenses, such as offensive or illegal postings (discrimination, for instance, is illegal). To avoid being flagged, make your ad brief but thorough. State clearly the nature of the job and the skills required. Avoid any hostility ("any reply that does not include a resume will be thrown out!") and discriminatory language. Be clear that there is pay, but never specify the amount; instead, specify the pay as "negotiable," "competitive," or "TBD" ("TBD," for "Depends On Experience" might get you flagged). If you indicate a precise compensation, I guarantee you that some disgruntled Craig's List user will find it too low and flag you. Even with caution and prudence, you may find your ad getting repeatedly flagged; that's the price you pay for using a community-mediated Web site. Don't get mad. Just post it to the Craig's List flagging forum and the kind but obsessive folks who hang out there will almost always pinpoint the problem within seconds of your posting. And just keep posting until something sticks.

7.2.5. RentACoder

<http://rentacoder.com>

Rent-A-Coder is an RFP marketplace specifically for software developers and programmers with over 156,000 registered freelancers, contractors, and programming outsource firms, most of whom are located in faraway places like India, Russia, or Eastern Europe. The site allows you to review the contractor's resume and provides a bidder feedback mechanism. As with other RFP marketplaces, Rent-A-Coder offers vendor profiles, reviews, portfolios, arbitration in case of dispute, and the ability to pay through an escrow account. The site, however, is mainly set up for software programmers and not Web developers. You would turn to RentACoder only if you're building a complicated piece of Web software, like a Web-based software program, a social networking site, or any other site primarily geared around custom, complicated software.

7.3. Web Design & Development: Outsource Companies

One thing this world is not short of are Website design and development companies. It's harder to find a McDonalds or a Starbucks than it is to find some company that will do your Web site for you—and if you do find a McDonalds or Starbucks, chances are that two or more of the folks chomping burgers or sipping venti whatevers are Website design and development companies. Your problem isn't finding outsource companies; your problem is finding *one* outsource company in this embarrassment of riches.

You don't have to look far to find someone willing to make you a Web site. Here are some of the contenders:

Hosting companies: most companies that offer hosting services will also gladly design and develop your site as well.

Web services: The world is full of various types of Web services, such as domain name services, networking services, and so forth. Surprise! They'll design and develop your Web site, too.

Design and advertising firms: These are firms that specialize in creative work for businesses. They produce ads, brochures, annual reports, catalogs, and, almost universally, they do Web sites, too. They tend to be much pricier than other solutions (fees typically *start* at \$100 per hour) and, in many cases, they are not technically adept. But they do know the user experience, copywriting, branding, marketing, and design part better than anybody.

Web design or “interactive” firms: These are firms or companies solely devoted to designing and developing Web sites. Some are run by techie types and some are run by designers and other creatives. You can guess the strengths and weaknesses of each.

Offshore firms: If you tried to cross the street in Mumbai during rush hour, chances are that at least one of the cars that hit you will be driven by a person running an offshore Web development firm. In India, Eastern Europe, and Russia, there are thousands upon millions of programmers and tech types running Web development firms. There aren't many designers among them, but they work for pennies on the dollar. If your hosting service offers Web design and development services, there's a pretty good chance they're offshoring the work.

Outsource firms are appealing because they promise a “one-stop” shop—you get project management, requirements, concepts, copywriting, design, and all the coding and programming frills and furbelows in one place. That doesn't mean, however, that they're good—or even competent—in all aspects of Web design and development. Marketing, advertising, and design firms are typically superb at the marketing, writing, navigation, and design aspects of a site, but they often fall flat on the technical issues. Web

design or interactive firms are typically great at providing you with excellent programming, coding, and technology, but they can't design or write their way out of a paper bag. Hosting services, Web services, and offshore firms are often good at nothing except the most mundane, bare bones, and pedestrian sites—"exceptional" is usually not in their working vocabulary.

So choosing an outsource firm means deciding what's important to you. If marketing strategy is important, hire a marketing or advertising firm. If user experience or design is important, you have to check out the design and advertising folks. If you want the latest and greatest technology, well, your answer is simple. But unless you have some pretty big bucks, you're not going to find an outsource firm that's exceptional in all areas of Web development.

Many of the same rules that apply to hiring contractors apply also to hiring an outsource firm:

- Evaluate *everything* that the firm brings to the table. You should find out *who* will be working on your site besides the account manager or project manager. How many people will be doing each task? What backgrounds and experience does each person bring to the endeavor? This is the only way to discover the "weak links" in the firm's skills. If a firm is weak in an area that is important to you, then you should perhaps keep shopping.
- You may consider hiring the same firm to help you develop the specifications for the site. But no matter what, no-one starts any design, copywriting, or coding *until* all the specs have been written out. Closely read this entire chapter: there are many things, such as Web analytics and content management systems, that should be decided on *before* you spend one penny on development.
- The outsource partner should provide a portfolio, client list, and client references. They should, if they're worth the time of day, also provide you with case studies (work samples that detail client goals or problems and how the firm met or exceeded those goals). Don't just look at the portfolio and client list and say, "Looks nice!" Examine the portfolio as closely and as critically as possible to find the firm's strengths and weaknesses. When a development firm gives you a portfolio, client list, and references, they're giving you their *best* work and most satisfied clients. The crummy stuff and unhappy clients never make it into your field of vision. Evaluate the portfolio and references while keeping in mind that this is the *best* that they can do. Chances are more than excellent that *your* project won't make it to this best list.

Web Design and Development: Outsource Companies

- Yep, they need to speak *your* language fluently—both your native language and *your* non-technical language, too.
- A vendor should provide a scope of work, an estimate, a production schedule, and a schedule of regular deliverables, not milestones. You need to make sure that you have an exit strategy if the work is done inadequately or falls dangerously behind schedule. That exit strategy should include receiving work done to date so the firm cannot hold you hostage with unfinished work.
- Finally, I can't stress enough how happy you'll be if you hire an outsourced project manager to ride herd on the vendor and the project. Unless you're an experienced Web developer or producer, your relationship with the vendor could go south pretty fast without an experienced hand managing deliverables and expectations.

7.3.1. **WebDesigners-Directory**

<http://www.webdesigners-directory.com>

WebDesigners-Directory is the most thorough region-by-region directory of low-priced Web design and development firms and freelancers. If you're looking for the lowest priced design firms in your area, you should turn here first. Of course, because the directory primarily lists small and one-person firms, the resources listed here are limited in what they can do. A freelancer may be good at coding, but not design.

7.3.2. **Heritage Web Solutions**

<http://www.heritagewebdesign.com>

Heritage Web Solutions, with a staff of 130, specializes in designing and hosting relatively low-cost Web sites for small- and medium-sized businesses. Custom-designed Web sites begin as low as \$200. Input into your site can be very minimal; typically, the developers ask for as few items as business cards, marketing materials, product descriptions, catalogs, product pictures, and/or letterhead. Fully functioning ecommerce sites cost \$795 for a basic package of one to twenty products, a storefront, and secure checkout. For \$995, you can have a small business package of up to one hundred products, a storefront, and secure checkout.

Hosting prices come in three packages:

- **Bronze:** 5 GB of space, 500 email accounts, 5 labor hours of free monthly updates to your site, and unlimited data transfer for \$40 per month.

- **Silver:** 10 GB of space, 1,000 email accounts, 10 labor hours of free updates to your site per month, and unlimited data transfer for \$50 per month.
- **Gold:** 20 GB of space, 2,000 email accounts, 20 labor hours of free updates to your site per month, and unlimited data transfer for \$60 per month.

7.3.3. IMC Sites

<http://www.imcsites.com>

Based in Florida, IMC Sites specializes in high quality custom-designed Web sites for small businesses. Their lowest cost package, at \$300, involves three pages, email, and custom design. For \$700, they'll design a five page site, and for \$1,000, they will build a fully functioning, custom-designed, automated ecommerce site. IMC Sites also offers hosting at \$150 per year (10 Gb storage, 25 Gb data transfer per month, 500 email addresses, and one domain name).

7.3.4. 123Triad

<http://www.123triad.com>

123Triad is a twenty-person firm in Raleigh, North Carolina, that has been designing Web sites for small- to large-sized businesses for ten years. They specialize in design, coding, databases, ecommerce, and Flash, so you can expect expertise in a variety of areas. They offer package deals as well as custom pricing:

- **Budget:** up to 3 pages, 2 hours of phone support, and more for \$480. Additional pages \$125.
- **Starter:** 5 customized pages, Flash header, 2 free 30-minute updates, 4-7 day completion for \$599. Additional pages will cost \$80 each.
- **Lite:** 10 customized pages, additional site map page, 2 free 30-minute updates, 8-10 business day completion for \$999 (really, this is \$1,000). Additional pages are \$60 each.
- **Small business:** 20 customized pages, additional site map page, privacy policy and terms & conditions pages, 4 free 30-minute updates, 10-14 business day turnaround for \$1,299. Additional pages cost \$50 each.

- **Ecommerce/online store:** Template designs and development, unlimited products (they only set up 20), 5 supporting pages, additional site map page, privacy policy and terms & conditions pages, payment gateway integration (see 7.10), 4 free 30-minute updates, 10-14 business day turnaround time for \$1,580.
- **Corporate/deluxe:** 50 customized pages, Flash header, additional site map page, privacy policy and terms & conditions pages, 10 free 30-minute updates per month, and completion in 15-20 business days for \$2,999 (really, \$3,000).

123Triad will also perform search engine optimization on any site it develops for an additional \$240 (does not include keyword research—see section 7.8).

Web hosting costs \$15 per month or \$20 per month with a database.

7.4. Website Hosting

The Web server is one of the critical components of your Web site that you will probably spend far less time and energy on than you should. Most entrepreneurs, in my experience, are just looking for a good price. The only information that seems to cross their desk is the monthly price and storage limits. But if you don't do your homework thoroughly, you could really end up paying big in headaches and lost opportunities. Suppose your Web site has problems, but the technical service is slow and ineffectual? Your customers go somewhere else. Suppose your hosting service has more than its share of email "spammers" and the server you're on gets blacklisted? All the emails that bounce back to you are lost customers and lost opportunities—plus all the time you spend complaining to your hosting service and struggling to get your server off the blacklists. Suppose your site really takes off and you exceed the monthly data transfer rates? You could be paying thousands of dollars in additional fees per month.

You're the person who contracts with your hosting service—not your Web developer. So you should understand *every aspect* of the services hosts offer, what they cost, what they *could* cost, and how they fit your needs both now and in the future. Above all, just as you would when signing up with a bank or a mobile carrier, **watch the fees**. Hosting services can have a surprising number of ways they can ding you, so you should have a good handle on the fee structure.

WATCH OUT!

Your dead last choice for a hosting service should be one that is repackaged and resold through your Web developer. Many hosting services offer lucrative kickbacks to Web developers to sell their hosting services when they allow their Web developers to sell hosting under the Web developer's brand. You should run, not walk, away from such a deal. In addition to paying an unnecessary premium each month (the kickback that goes to your Web designer), you have just introduced a layer between you and your hosting service. If you have questions, problems, or need any kind of assistance, you'll often find yourself having to go back to your developer. Finally, ask yourself this question: if your Web developer is getting kickbacks from a hosting service, do you think your developer really has your best interests at heart? In the end, you can't escape having to familiarize yourself with hosting services and making the decision yourself.

The central components of a hosting package are

- **Storage space:** among other things, a hosting server is a hard disk serving up content to all the folks in Internet land, so raw storage space is one of a hosting service's primary values. You may need a lot of storage space if your site has multimedia or anything else that eats big helpings of hard disk. Typically—and wrongly—people make their decision largely based on how much storage space they're getting for their buck. Prices can vary widely; once you have determined your storage needs, you'll find the real value of a hosting service lies in other aspects offered in the package.
- **Data transfer or bandwidth:** data transfer—also called bandwidth—is the most important “network” component of a server and probably far more important to your business than storage space. I mean, gazillions more important! Simply put, data transfer refers to the amount of data that can flow into or out of your server storage space each month. Data transfer includes all the Web pages that people view on your site, all the files they download, all the files you upload, all the email that comes into and out of your server, and so on. Exceed the amount allotted to your account and the hosting service will start billing you for each additional Mb of data that gets transferred. If your site is really popular, you could end up paying tens of thousands of dollars each month for the bandwidth overage. It works like the minutes that your cell phone company offers you

every month—you pay every month for so many minutes and, if you exceed those minutes, they slap you with some beefy extra charges. Just like you measure the value of your cell phone service based on the number of minutes you get per dollar, you should consider data transfer to be the *most important* measure of the value offered by a hosting service.

- **Platform:** the platform you choose—Windows, Unix, or Linux—will determine much of the software you can use. You should carefully inventory the software you'll need and the software you *want*—most importantly, what DBMS (database management system) best fits your needs. Choose this software *first*, and only then go out and shop for a hosting service that offers the right platform for your software.
- **System capabilities:** before you purchase any hosting service, you should do a careful audit of the technology you'll need. If you'll be streaming video, then you need a hosting service that has video streaming capabilities (they all do, so don't worry). If you want PHP programming, does the system have a PHP interpreter? In the version you need? Or suppose you want to use Ruby on Rails to cut development costs—does the hosting server have a Ruby interpreter? Perform a technology audit of your prospective site *before* you shop for a hosting service.
- **Software:** check out the software the hosting service provides—the free software alone can be a source of great value—Web analytics software (see 7.12), content management systems (see 7.13), database management systems, blogging software (see 7.14), and so on. If blogging is a crucial component of your site, then hosting services that offer preinstalled blogging software are giving you a great value. But do your research and make sure it's software you want and can use.
- **Domain names:** how many domain names does the hosting service allow your server space to have? Most services allow you to have one or two domain names and charge for extra domain names. If you're running just one Web site—and will do so well into the future—then you shouldn't care. However, if you're running an entire passel of Web sites, the extra fees can add up pretty quickly. Hosting services often charge for extra subdomain names (subdomains are the first part of a URL—in www.richard-hooker.com, “www” is the subdomain; in portfolio.richard-hooker.com, “portfolio” is the subdomain). Finally, hosting services often charge fees to set up a subdomain name—always watch the extra fees when shopping for a hosting service!

- **Email:** a huge chunk of the dollar value you'll extract from your hosting service comes from the email services it offers. However, email is the hosting component most people take for granted. They see, "200 POP email accounts," and go, "Great! I only need two!" There really are more questions to answer—if you get saddled with email problems, you will lose far more than just your patience. For instance, do you really want POP email accounts? Suppose, instead, that you're using IMAP accounts and don't even know it? Or you'd prefer IMAP accounts? Or you have a Microsoft Exchange server on your end? Here's another consideration: what kind of rogues are you sharing your server with? If your hosting service has more than its share of mass emailers, called "spammers," you may find that your server is getting blacklisted by other servers. That means your emails may bounce back to you some day.
- **Uptime:** uptime is the amount of time the servers are actually up and running. Most hosting services are pretty equal in their uptime claims, but understand that there are many components to your Web site. You can only judge uptime through experience with your Web page, with uploading files through FTP, and the reliability of your email. Related to uptime is **load handling**, the technology that handles user demands on a server. Since you're sharing server space with other Web sites, if there's a ton of demand for those other sites, your site won't work well. Your customers will be sitting twiddling their thumbs waiting for your site. Load handling can minimize server slowups as the load increases. You need to talk directly to a salesperson to gauge how well the service handles busy loads.
- **Security:** how are the back-up systems? How safe is your data? What systems do they have in place to prevent hacker break-ins?
- **Support:** you cannot really gauge the quality and level of technical support *before* you actually are up and running on a server; it helps to know people who have used the hosting service and ask them about their experience with technical support. Technical (and compliance) support is one of the most crucial aspects of your relationship with a hosting company. Here's the irony: almost no-one *hires* a hosting service based on the quality of its technical support, but almost everyone *fires* their hosting service because of poor technical help. It does matter. If you have a problem with your Web site—or your server is blacklisted somewhere because of some nefarious spammer—and you can't get help, you're losing real money.

7.4.1. IX Web Hosting

<http://www.ixwebhosting.com>

IX Web Hosting is a low-priced service that dedicates itself to customer service and offers a 100% money-back guarantee. In business for eight years, the company hosts over 170,000 domains.

Hosting Plans:

Expert Plan

300 GB storage, 3,000 GB data transfer, 2 domains & 100 subdomains per account, 2,500 email accounts (POP3, IMAP, Web Email), no database support, no ecommerce features
\$4.95/mo

Business Plus Plan

500 GB storage, 3,500 GB data transfer, 8 domains & 300 subdomains per account , 5,000 email accounts (POP3, IMAP, Web Email), 100 databases (MySQL, PostgreSQL, SQL Server 2000), ecommerce features (shared SSL certificate [7.11], OS Commerce [7.9.2])
\$7.95/mo

Unlimited Pro

Unlimited storage, 4,000 GB data transfer, 16 domains & unlimited subdomains per account, 5,000 email accounts (POP3, IMAP, Web Email),unlimited databases (MySQL, PostgreSQL, SQL Server 2000), ecommerce features (shared SSL certificate [7.11], OS Commerce [7.9.2])
\$12.95/mo

Scripting:

PHP, Perl, CGI, server-side includes

Technical support:

1 hour support guarantee; telephone, 24/7 live chat; IX Web Hosting boasts 130 employees with more than 100 dedicated to dealing with customers.

Uptime

99.999% uptime guarantee

7.4.2. Host Excellence

<http://www.hostexcellence.com>

Host Excellence is actually owned by the same company as IX Web Hosting, so the packages and services it offers are pretty much identical. The company shares the same staff and executive infrastructure, so for all

practical purposes, you're dealing with the same company. Like IX Web Hosting, Host Excellence strives for excellent customer service packaged with ultra-low priced hosting.

Hosting Plans:

Professional

300 GB storage, 3,000 GB data transfer, 6 domains & 300 subdomains per account, 3,000 email accounts (POP3, IMAP, Webmail), 100 databases (MySQL, PostgreSQL, SQL Server 2000), ecommerce features (shared SSL certificate [7.11], OS Commerce [7.9.2]), 3,000 FTP accounts

\$6.97/mo

Unlimited

Unlimited storage, 4,000 GB data transfer, 16 domains & unlimited subdomains per account, 5,000 email accounts (POP3, IMAP, Web Email),unlimited databases (MySQL, PostgreSQL, SQL Server 2000), ecommerce features (shared SSL certificate [7.11], OS Commerce [7.9.2]), unlimited FTP accounts

\$12.97/mo

Scripting:

PHP, Perl, CGI, server-side includes, ASP (Windows only), ASP.Net (Windows only with an additional \$3 per month), ColdFusion (Windows only)

Technical support:

1 hour support guarantee; telephone, 24/7 live chat

Uptime

99.999% uptime guarantee

7.4.3. Dot5 Hosting

<http://www.dot5hosting.com>

Hosting Plan:

300 GB storage, 3,000 GB data transfer, 6 domains & unlimited subdomains per account, 5,000 email accounts (POP3, Webmail), unlimited databases (MySQL), ecommerce features (shared SSL certificate [7.11], OS Commerce [7.9.2], Agora Shopping Cart [7.9.4], PayPal Shopping Cart)

\$6.95/mo (quarterly or 6 month plan)

\$5.95 per month (1 year plan)

\$4.95 per month (2 year plan)

Scripting:

PHP 4, Perl 5, Python, CGI, server-side includes, FrontPage extensions

Additional software:

PHPNuke [7.13.5]

Technical support:

24/7 technical support requires submission of a job ticket and significant wait for resolution; phone call support provides faster resolution

Uptime

99.999% uptime guarantee

7.4.4. Host Monster

<http://www.hostmonster.com>

Host Monster provides the best dollar value of any hosting service we've examined. Located in Utah, the company specializes in ultra-low cost hosting services and has been well-ranked by users for their customer service.

Hosting Plan:

300 GB storage, 3,000 GB data transfer, unlimited domains & unlimited subdomains per account, unlimited email accounts (POP3, IMAP, Webmail), unlimited databases (MySQL), ecommerce features (generated SSL certificate [7.11], OS Commerce [7.9.2], Agora Shopping Cart [7.9.4], PayPal Shopping Cart), unlimited FTP accounts, streaming video and audio

\$6.95/mo (quarterly or 6 month plan)

Scripting:

PHP 4, Perl 5, Python, Ruby/Ruby on Rails 1.1, CGI, server-side includes, FrontPage extensions

Additional software:

Mambo [7.13.1], Joomla! [7.13.2], PHPNuke [7.13.5], Moodle, phpForm Generator, poll and survey software, WordPress [7.14.1], b2evolution [7.14.3], Coppermine Image Gallery

Technical support:

24/7 technical support via phone or chat

Uptime

99% uptime guarantee

7.4.5. Blue Host

<http://www.bluehost.com>

Blue Host is another high-value, super low-priced hosting service that offers Linux server plans. Technical help is not excellent, though, and Blue Host occasionally has problems with its servers being blacklisted. It does, however, garner good reviews from customers so it's worth investigating.

Hosting Plan:

300 GB storage, 3,000 GB data transfer, unlimited domains & unlimited subdomains per account, 2,500 email accounts (POP3, IMAP, Webmail), 50 MySQL databases and 50 PostgreSQL databases, ecommerce features (generated SSL certificate [7.11], OS Commerce [7.9.2], Agora Shopping Cart [7.9.4], PayPal Shopping Cart), unlimited FTP accounts, streaming video and audio
\$6.95/mo

Scripting:

PHP 4, Perl 5, Python, Ruby/Ruby on Rails 1.1, CGI, server-side includes, FrontPage extensions

Additional software:

Mambo [7.13.1], Joomla! [7.13.2], PHPNuke [7.13.5], PostNuke [7.13.5], Moodle, TikiWiki [7.15.6], Coppermine Image Gallery, Web auction software, phpForm Generator, live chat software

Technical support:

24/7 technical support via phone or chat

Uptime

99% uptime guarantee

7.4.6. Pow Web

<http://www.powweb.com>

Another super-low priced, high value hosting service, Pow Web boasts over 100,000 hosted domain names. Scoring high in user satisfaction, Pow Web offers what the authors consider the lowest price per feature for any hosting service—their plan clocks in at \$7.77 per month with frequent special price offers. The service also comes with a large array of free software for image galleries, blogs, content management, and even project management and an easy auto-installer that allows you to install this software without a lot of fuss or any additional fees. Like all other services, however, you need to determine where you might get dinged and watch the quality of technical service. Services come with a money-back guarantee.

Hosting Plan:

300 GB storage, 3,000 GB data transfer, unlimited domains & unlimited subdomains per account, unlimited email accounts (POP3, IMAP, Webmail), 75 MySQL databases, ecommerce features (generated SSL certificate [7.11], OS Commerce [7.9.2], ZenCart [7.9.5], CubeCart), unlimited FTP accounts, streaming video and audio
\$7.77/mo

Scripting:

PHP 4, Perl 5, Python, Ruby/Ruby on Rails 1.1, CGI, server-side includes, FrontPage extensions

Additional software:

Mambo [7.13.1], Joomla! [7.13.2], Drupal [7.13.3], PHP Fusion [7.13.4], PHPNuke [7.13.5], php Website [7.13.5], e107, MediaWiki [7.15.2], Coppermine Image Gallery, Gallery2, Wordpress [7.14.1], b2evolution [7.14.3], dotProject [2.6.2], phpOpenChat, phpFormGenerator,

Technical support:

24/7 technical support via phone or chat

Uptime

99.9% uptime guarantee

7.4.7. HostGator

<http://www.hostgator.com>

HostGator is a highly economical hosting services company that, in addition to shared hosting, also offers reseller hosting (which allows you to lease part of your hosting space to other people) and dedicated hosting (see 7.4.3). They offer a 30-day money back guarantee on all their services.

Hosting Plans:**Hatchling**

350 GB storage, 3000 GB data transfer, one domain & 20 subdomains per account, 20 email accounts (POP3), unlimited MySQL databases, ecommerce features (shared SSL certificate [7.11], OS Commerce [7.9.2], Agora Cart [7.9.4], ZenCart [7.9.5], Cube Cart), unlimited FTP accounts, streaming video and audio

\$4.95/mo (paid yearly)

Baby

600 GB storage, 6,000 GB data transfer, unlimited domains & unlimited subdomains per account, unlimited email accounts (POP3), unlimited MySQL databases, ecommerce features (shared SSL certificate [7.11], OS Commerce [7.9.2], Agora Cart [7.9.4], ZenCart [7.9.5], Cube Cart), 6 FTP accounts, streaming video and audio

\$7.95/mo

Swamp

1,000 GB storage, unlimited data transfer, unlimited domains & unlimited subdomains per account, unlimited email accounts (POP3), unlimited MySQL databases, ecommerce features (shared SSL certificate [7.11], OS Commerce [7.9.2], Agora Cart [7.9.4], ZenCart [7.9.5], Cube Cart), 6 FTP accounts, streaming video and audio

\$12.95/mo

Scripting:

PHP 4 and 5, Perl, Python, Ruby/Ruby on Rails 1.1, SSH, SSI, Curl, Cron, CGI, server-side includes, Chilisoft ASP (Swamp plan only), FrontPage extensions

Additional software:

Fantastico installed in the system allows you to install additional software in just seconds.

Mambo [7.13.1], Joomla! [7.13.2], Drupal [7.13.3], PHP Fusion [7.13.4], PHPNuke [7.13.5], PostNuke [7.13.5], XOOPS [7.13.5], Typo3, Moodle, Wordpress [7.14.1], b2evolution [7.14.3], phpWiki, TikiWiki [7.15.6], Nucleus, dotProject [2.6.2], PHProjekt, Help Center Live, osTicket, Support Logic Helpdesk, Support Services Manager, Coppermine Image Gallery, Gallery2, 4Images Gallery, Advanced Poll, PHPAuction, phpFormGenerator

Technical support:

24/7 phone support

Uptime

99.9% uptime guarantee

7.4.8. GoDaddy

<https://www.godaddy.com/gdshop/hosting>

Primarily designed for individual and small business Web sites, GoDaddy is affordable and reliable—also convenient if you’re managing your domains

through their registration service. Compared to the generosity of similarly-priced plans that offer much more in the way of storage space and data transfer, GoDaddy does not seem as good a deal, unless you don't require the mega-values offered by the big discounters. However, the GoDaddy economy plan allows you to establish a pretty powerful Web presence for as little as \$3.40 per month.

They also deliver routinely excellent customer service and technical support. While many of the lower-priced alternatives rely on chat interfaces for technical support, GoDaddy still does it the old-fashioned way: by phone.

In fact, in the authors' opinion, GoDaddy provides the most responsive, courteous, and effective customer and technical service in the industry at any price point. All help can be conducted over the phone without job tickets or delays. You may not always land a knowledgeable rep, but they will bend over backwards to resolve all your issues on the *first* phone call. Four stars!

Hosting Plans:

Economy

5 GB storage, 250 GB data transfer, unlimited domains & 25 subdomains per account, 500 email accounts (POP3, IMAP, Webmail), 10 databases (MySQL) or 1 SQL database (Windows),

6 FTP accounts

\$3.99/mo (bi-monthly)

\$3.79 per month (1 year plan)

\$3.59 per month (2 year plan)

\$3.39 per month (3 year plan)

Deluxe

100 GB storage, 1,000 GB data transfer, unlimited domains & unlimited subdomains per account, 1,000 email accounts (POP3, IMAP, Webmail), 25 databases (MySQL) or 2 SQL databases (Windows), 6 FTP accounts

\$6.99/mo (bi-monthly)

\$6.64 per month (1 year plan)

\$6.29 per month (2 year plan)

\$5.94 per month (3 year plan)

Premium

200 GB storage, 2,000 GB data transfer, unlimited domains & unlimited subdomains per account, 2,000 email accounts (POP3, IMAP, Webmail), 50 databases (MySQL) or 3 SQL databases (Windows), 6 FTP accounts, ecommerce features (SSL certificate [7.11])

\$14.99/mo (bi-monthly)

\$14.24 per month (1 year plan)

\$13.49 per month (2 year plan)

\$12.74 per month (3 year plan)

Scripting:

ASP (Windows only), ASP.NET (Windows only), ASP.NET Ajax, PHP 4 or 5 (Linux only), Perl (Linux only), Python (Linux only), Ruby (Linux only), Ruby on Rails (Linux only), FrontPage extensions, ColdFusion (for an additional \$2 per month)

Additional software:

Windows: DotNet Nuke

Linux: Mambo [7.13.1], Joomla! [7.13.2], Drupal [7.13.3], PostNuke [7.13.5], XOOPS [7.13.5], Community Server, Wordpress [7.14.1], Serendipity [7.14.4], Geeklog, Lifetype, reBlog, Moodle, Gallery, Coppermine Image Gallery, 4 Images!, PHP Open Chat, Advanced Poll, Advanced Guest Book, Noah's Classifieds, OpenAds, pmWiki, dotProject

Technical support:

24/7 technical support via phone or chat

Uptime

99.9% uptime guarantee

7.5. Dedicated Hosting

In the typical hosting service, you share space on a server with other customers. You get a certain chunk of the hard disk real estate and everyone else gets the rest. This can cause you problems—if people out there in Internet land are demanding resources from your site *and* from other sites on the same server, your site will not perform as well. In addition, you are always at the mercy of people who can misuse their server space and get the server—and you—blacklisted.

A **dedicated hosting service** (or **managed hosting service**) allows you to lease an entire server or buy it outright and have the hosting service connect it to the Internet. Dedicated hosting gives you complete control over the server,

its system, its configuration, and its software; in addition, the only work the server does is *for you*—nobody else's Web site cuts to the front of the line if customers are using your site.

With dedicated hosting, you typically pay a whole lot more to get a whole lot less. For instance, you might be able to get 300 GB of space and unlimited data transfer for \$6.95 per month if you're willing to share server space. A dedicated hosting package might give you 80 GB of storage space and 1,000 GB of data transfer (with high fees for exceeding this limit) for \$120 per month.

You're paying for performance and control. Your site will perform better—faster downloads, faster transactions, and so on—when it is hosted on a dedicated server. You also have more control over the server and its configuration: if you're using a lot of technology on your site, you have far greater freedom to get the best out of that technology.

If you don't have the bucks for dedicated hosting, you can always consider **virtual private hosting** (VPS), which some folks call **virtual dedicated** or **semi-dedicated hosting**, which is becoming hot with hosting services. On a VPS server, you share server space with other Web sites and Internet accounts, just like with a shared hosting plan. However, the server is partitioned into many servers—it's essentially *one* server that pretends that it's *many* servers. This provides many of the same control benefits and some of the performance benefits as dedicated hosting for half or less of the cost (as low as \$20 per month depending on the hosting service). It provides the *software* independence of a dedicated server without the *hardware* independence.

With both dedicated hosting and VPS you **must watch the fees closely**. These companies will ding your just for blinking. The monthly fees are only for **minimal** services (pretty much just supplying power to the server and turning it on a couple times a month). Everything else they do always involves a fee—and an often steep one, at that. Because servers require a fair amount of attention, it's not uncommon for a dedicated hosting or VPS monthly bill to be four or five times the "monthly fee."

When considering dedicated or VPS hosting, you are primarily evaluating the level of professional service (the better this is, the more they'll charge), the fee structure, and **load-balancing**, that is, how they handle too much traffic to your server to guarantee the best performance.

7.5.1. **RackSpace**

<http://www.rackspace.com>

Rackspace is a premium, very high-priced Web server farm that only offers dedicated hosting. Their value primarily lies in the professional

resources they can bring to your company rather than the typical service of hooking your server to the network and making sure it's running every day. They offer two managed hosting products: Managed, and Intensive.

Managed hosting is a more typical dedicated hosting service for business owners willing to invest the time in configuring and managing their own server—this is more of a “rented” server than a set of professional services.

Intensive hosting essentially adds top-level, IT consulting services to the package; RackSpace, in essence, becomes part or all of your Web site IT department. They assign you a dedicated account manager, a system engineer consultant, and a change management coordinator as well as a number of high-level services managing your Web servers.

RackSpace guarantees a 100% uptime and 24/7 support.

7.5.2. Completely Dedicated

<http://www.completelydedicated.com>

As the name says, Completely Dedicated offers dedicated hosting and will soon offer VPS, as well. You purchase a server from them (or provide your own), and they manage the server for you. Completely Dedicated garners excellent reviews and provides some of the best values in the dedicated hosting market; they boast a 99+% customer retention rate month after month. In our experience, they offer the best values for dedicated hosting—more in line with what you would pay for a VPS service.

They offer six packages (but watch the fees, folks!):

- **Bronze**
Celeron 420, 512MB DDR2, 160GB HDD, 1000GB bandwidth
\$59 per month
- **Silver**
Intel Pentium4 3.2GHz w/HT, 1GB DDR2, 160GB HDD, 1000GB bandwidth
\$69 per month
- **Gold**
Intel Core2 Duo 6550, 1GB DDR2, 320GB SATA2 or 75GB 10K RPM, 1000GB bandwidth
\$99 per month
- **Platinum**
Intel Core2 Quad 6600, 2GB DDR2, 500GB SATA2 or 150GB 10K RPM, 1000GB bandwidth
\$149 per month
\$279/mo
Free setup

Pro

4 500 GB SATAII RAID 10 hard drives, 2,500 GB data transfer,
Dual Core 360 Conroe processor, 4,096 RAM, cPanel unlimited
domain control panel, 5 IP addresses
\$374/mo

Free setup

Semi-dedicated

25 GB storage, 500 GB data transfer, unlimited domains &
unlimited subdomains per account, unlimited email accounts
(POP3), unlimited MySQL databases, ecommerce features
(shared SSL certificate [7.11], OS Commerce [7.9.2], Agora Cart
[7.9.4], ZenCart [7.9.5], Cube Cart), 6 FTP accounts, streaming
video and audio
\$75/mo

All servers come pre-installed with CGI, PHP, Perl, Python, SSI, JSP,
Cron, Curl, and FrontPage extensions.

7.5.3. Host Gator

<http://www.hostgator.com>

Host Gator offers four dedicated server plans and one semi-dedicated (VPS) plan. All Host Gator dedicated servers are Linux servers, but you have your choice of Linux installs. Host Gator also offers a free, high-level control panel called cPanel / WHM (which typically costs around \$35 per month on many other dedicated server plans) and free Fantastico (a set of scripts that allow you to easily install applications). All servers are located in Dallas, Texas and come with a 99.9% uptime guarantee.

Basic

80 GB SATA hard drive, 1,500 GB data transfer, Pentium 4 2.8
Ghz processor, 1,024 RAM, cPanel unlimited domain control
panel, 5 IP addresses
\$174/mo

Free setup

Standard

2 80 GB SATA hard drives, 2,500 GB data transfer, Dual Xeon
2.4 Ghz processor, 2,048 RAM, cPanel unlimited domain control
panel, 5 IP addresses
\$219/mo

Free setup

Elite

2 73 GB SCSI hard drives, 2,500 GB data transfer, Dual Xeon 2.8 Ghz processor, 4,096 RAM, cPanel unlimited domain control panel, 5 IP addresses

\$279/mo

Free setup

Pro

4 500 GB SATAII RAID 10 hard drives, 2,500 GB data transfer, Dual Core 360 Conroe processor, 4,096 RAM, cPanel unlimited domain control panel, 5 IP addresses

\$374/mo

Free setup

Semi-dedicated

25 GB storage, 500 GB data transfer, unlimited domains & unlimited subdomains per account, unlimited email accounts (POP3), unlimited MySQL databases, ecommerce features (shared SSL certificate [7.11], OS Commerce [7.9.2], Agora Cart [7.9.4], ZenCart [7.9.5], Cube Cart), 6 FTP accounts, streaming video and audio

\$75/mo

All servers come pre-installed with CGI, PHP, Perl, Python, SSI, JSP, Cron, Curl, and FrontPage extensions.

7.5.4. GoDaddy

<http://www.godaddy.com>

In addition to their many Web services, GoDaddy also offers relatively economical dedicated and VPS hosting services. Dedicated services fall into the following packages:

- **Preconfigured Economy**
120 GB IDE hard drive, 500 GB data transfer, Intel Celeron 2 GHz processor, 1 GB RAM, CentOS 4 Linux, free dedicated SSL certificate [7.11]
\$80 per month
- **Preconfigured Deluxe**
2 120 GB IDE hard drives, 500 GB data transfer, Intel Pentium 4 3.0 GHz processor, 1 GB RAM, Plesk 30-domain control panel, free dedicated SSL certificate [7.11]
\$130 per month

Domain Name Registration

- **Preconfigured Premium**
2 300 GB IDE hard drives, 2,000 GB data transfer, Pentium Core 2 Duo 2.13 GHz processor, 2 GB RAM, cPanel unlimited domain control panel, free dedicated SSL certificate [7.11]
\$272 per month
- **Build Your Own Server**
120-600 GB IDE hard drive storage, 500-2,000 GB data transfer, Celeron, Pentium 4, or Core 2 Duo processor, choice of operating system, RAM, and control panel, free dedicated SSL certificate [7.11]
Starting at \$80 per month

VPS services fall into the same categories:

- **Preconfigured Economy**
10 GB storage space, 500 GB data transfer, CentOS 4 Linux, simple control panel, free dedicated SSL certificate [7.11]
\$30 per month
- **Preconfigured Deluxe**
20 GB storage space, 1,000 GB data transfer, simple control panel, free dedicated SSL certificate
\$130 per month
- **Preconfigured Premium**
50 GB storage space, 2,000 GB data transfer, CentOS Linux, cPanel unlimited domain control panel, free dedicated SSL certificate [7.11]
\$272 per month
- **Build Your Own Virtual Dedicated Server**
10-50 GB storage space, 500-2,000 GB data transfer, choice of software, control panel, FTP, free SSL certificate [7.11]
Starting at \$30 per month

7.6. Domain Name Registration

We discuss domain name registration in great detail in our very first chapter (1.5) since your Web domain name is an inseparable part of the process of naming your company. A great company name does not mean anything if you cannot match it with a reasonably close domain name!

Domain name registration, however, is one of the key elements of Web site development, so it makes sense to include the resources here, as well. The process of domain name registration is pretty straightforward:

1. Check the **WHOIS database** through a domain name registrar or reseller to find out if a domain name is available. You may need to try several different versions of your name.
2. If your domain name is available—or one that is comfortably close—register your domain name at a **domain name registrar**.
3. If the name is not available, check to see if it is owned by a legitimate business or is being held by a “squatter” who will transfer the registration to you for a fee.
4. If the name is registered by a legitimate business, you can make an offer directly to the owner. However, if the domain name is attached to an ongoing Web endeavor, consider it gone.
5. If it is owned by a squatter or squatter company (so-called “domain name real estate companies,” but you can call them “dens of thieves”), your best bet is to go to a domain name marketplace or hire an online brokerage service. They will often try to negotiate a lower fee for the transfer.

When searching for a domain name, you must include a top-level domain, like “.com.” There are five common top-level domains: .com, .org, .net, .edu, and .gov. The latter two are only assigned to organizations that are legitimate educational (.edu) and government (.gov) organizations. There are also a number of commercial top-level domains administered by private companies, such as .us, .biz, .info, and .tv. These often can be purchased at half or less the price of one of the major top level domain names—largely because no-one wants them.

Follow these general rules-of-thumb when choosing a top-level domain name:

1. If available, you should choose a .com name before any other. Browsers are programmed to automatically add the .com to any address if a user types in the name alone.
2. If available, you should choose a common top-level domain name (.com, .org, or .net) over any of the commercial names *for your main URL*.
3. Commercial top-level domain names should be your last resort and you should choose one of the more common commercial names (.biz, .info, or .tv) before any others.
4. You should, however, consider commercial top-level domains *in addition* to your .com, .org, or .net name—this prevents other

folks from using your name if your business takes off. For instance, suppose you have a Web site called youtube.com and suddenly it takes off. If you have not locked up youtube.biz or youtube.tv, some unscrupulous competitor will snatch up the names to offer up a rival service. (By the way, the vast majority of commercial top-level domains are purchased *only* for this reason. Quite a racket, eh?)

You do not actually “own” a domain name—ICANN, the international non-profit that administers the domain name database, in reality, “owns” the name. You are simply “renting” the privilege to use the name on your site for one to ten years. “Using” a domain name means attaching it to an IP address on a computer attached to the Internet somewhere. And, of course, you can only attach the domain name to *one* IP address, that is, one and only one computer.

All domain name registration happens through **domain name registrars**. These registrars bill you for the costs of registering your domain: the yearly fees charged by ICANN, the costs of administering your registration, maintaining your records, sending you email advertising (yep), plus a pretty good chunk of profit. Depending on the registrar, you can get domain name registration for as much as \$40 per year to as little as \$9. There is really no difference in quality or dependability—the only thing that matters about domain name registration is what ends up in the ICANN database . . . and they all do that.

7.6.1 WHOIS

WHOIS is the database of registered domain names kept by ICANN. No matter what domain name registrar you use to register your domain name, it will eventually be plonked into the WHOIS database. Each record within the WHOIS database has a “handle” (a unique identifier assigned to it), a name, a record type, and various other fields, including contact information of the company or individual who has registered the name. You can search WHOIS for domain names or information in any of the other fields recorded in WHOIS. Search results give you registration and expiration dates, contact information (if public) for the registrant and, if available, a thumbnail of the Web site home page with traffic ranking, meta descriptions, keywords, and more. If a domain name is not in WHOIS, it is available for registration.

All domain name registrars offer you tools to search the WHOIS database.

BE CAREFUL!

Not everything that calls itself WHOIS like whois.com, whois.org, or whois.net is WHOIS. Nor does every WHOIS search you see online actually search the WHOIS database. Your best way to access WHOIS is to go to one of the three domain name registrars below and use the tools that directly access WHOIS.

7.6.2 Domain Name Registrars—Network Solutions, Dotster, GoDaddy

Domain name registrars will register your domain name with ICANN as your property for the duration of the registration; they all charge a fee for these registration services.

i. **Network Solutions • <http://www.networksolutions.com>**

Network Solutions is the oldest and most reputable seller of domain names. The Network Solutions site allows you to quickly search the availability of a name, search WHOIS records, and register your domain name if it is available. It is, however, the most expensive domain registry service and charges \$40 per year to register a domain with a common top-level domain name (.com, .org, or .net). They also include as part of their service a pretty rigorous reminder system—when your domain names are coming up on their renewal date, they will begin peppering your email box with a whole scrum of emails starting two months out. If you need reminders, Network Solutions is the best of the bunch. Network Solutions also offers a number of other services, such as certificates, payment gateways, Web hosting, and Web site design, but you will almost certainly use the site only for domain name registration.

ii. **Dotster • <http://www.dotster.com>**

For many years, Network Solutions had a monopoly on domain name registrations because of a special arrangement with ICANN. When ICANN opened up domain name registration to other companies in the late 1990's, Dotster was one of the first to offer lower-priced registration. It has grown into a highly reputable company whose Web site allows you to search domain names, search the full WHOIS database, and register and manage your domain names. Dotster charges a

maximum of \$15 per year to register a name with a common top-level domain (.com, .org, .net), but you need to keep on top of your expiration dates because Dotster is not as rigorous in sending you reminders. Like Network Solutions, Dotster offers a variety of Web services including secure certificates.

iii. **GoDaddy** • <http://www.godaddy.com>

There are tons of “low-price” domain name registrars, but the only low-price domain name seller that enjoys a high reputation is GoDaddy. This company offers all the same services on its site as Network Solutions and Dotster, but domain name registration with common top-level names sells for a maximum of \$10 per year.

iv. **Bulk Register** • <http://www.bulkregister.com>

In addition to the domain name registrars mentioned above, there are sites that allow you to “bulk register” a whole cattle-call of domain names all at once. You, as a small business, may find little use for bulk registration—the services are designed for squatters, brand managers, corporations, and marketing professionals—but if you do require pretty serious troop strength in domain names, then bulk registrars save you both time and money. Bulk Register is one of the premier services for bulk registration and offers tools for managing the large domain name portfolios that bulk registrations require. In contrast, the Web tools offered by Network Solutions, GoDaddy, and Dotster are designed for small domain name portfolios. Bulk Register charges a yearly fee (\$99) to use its services and charges a minimum of \$12 per year for top-level domains.

7.6.3 Domain Name Brokers and Marketplaces

This section is also repeated in the first chapter since domain name registration is a key element of naming your company.

Life, unfortunately, is not perfect. Your ideal domain name is probably already registered to someone else. That does not mean the game is over, because many domain name owners are perfectly willing to “sell” their domain name. In fact, the majority of domain names are owned by people who *only* want to sell them to the people who want to use them.

These artful dodgers call themselves *domain realtors*, but the rest of the world calls them *domain name squatters*. If a domain name is being squatted, you can always contact the squatter and ask for the price, which will be pretty high (and will go up the minute someone shows any interest—if you

ask a second time, the price will have magically increased!). However, most squatters sell their domain name collections through brokerage services run by popular domain name registrars or through domain name marketplaces.

1. Domain name broker

A domain name broker is just like a real estate broker. The broker represents the buyer or the seller and provides a market value appraisal of the domain name and negotiates with the other party to maximize the value for the client. A buyer's broker tries to negotiate the lowest possible price; a seller's broker tries to negotiate the highest possible price.

2. Domain name marketplace

Most “brokers” are actually *marketplaces*. These sites allow sellers to list domain names they have for sale and buyers to look for domain names—a kind of classified ads for domain names. These sites will sometimes offer mediation services, that is, they'll broker the negotiations between buyers and sellers by allowing them to communicate and negotiate through the site. Some marketplace companies do sell brokerage services and will help you track down domain name owners even if they are not registered on the site.

WATCH THE FEES!

Please be careful about the fee structure that brokers charge. Any fee structure, whether commission based or just a flat fee, produces bad incentives—that is, the broker has very different goals than you have. If the broker charges a commission on the final price, it's in their best interest to close the sale at the highest possible price, which conflicts with your goal of getting the lowest possible price. If they charge a flat fee, then they're motivated to spend as little time working on negotiating the price down. They want to maximize their hourly return, not minimize your savings.

i. Sedo.com • <http://www.sedo.com>

Sedo.com is a marketplace of domain names sold by a variety of companies and sellers. A huge number of squatters put their domain names up for sale on Sedo. You search the site, find a domain you want, contact the seller, and negotiate the price online. If a domain name is not registered in their marketplace, Sedo will initiate contact with the owner to mediate the

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transaction. Sedo takes a flat fee of \$69 for mediating domain name transactions through their Web site.

ii. **BuyDomains • <http://www.buydomains.com>**

BuyDomains is another marketplace where sellers put their domain names up for sale; unlike Sedo, they do not contact sellers if the domain name is not listed. BuyDomains charges sellers a yearly fee and a percentage commission on each sale; these costs, of course, are passed on to you by the seller even though the site is “free” for buyers. Expect to pay \$200 or more *extra* in pass-through fees for a domain name.

iii. **Impressive Domains • <http://www.impressivedomains.com>**

Impressive Domains is another marketplace where squatters and others list domain names they’re offering for sale. In addition, they offer market value domain name appraisals for sellers and negotiating services. Although “free” to buyers, the site charges sellers a 10% selling commission on the final domain name transfer price. Smart sellers, of course, figure in this commission when deciding on a final price, meaning you pay it, not the seller.

iv. **Website Broker • <http://www.websitebroker.com>**

Website Broker allows domain name sellers to list domain names and provides an online transaction service to mediate the sale and transfer of domain names. Website Broker also offers brokerage services, that is, you can hire the company to represent you in a negotiation with a seller. The site typically charges a percent commission on the sale whether it represents the buyer or seller.

7.7. Search Engine Optimization and Copywriting

Why do people come to your Web site? It’s not your cool domain name. It’s probably not your cutting-edge design or spiffy back-end database. People come to your site to see what you have to show and hear what you have to say. When it comes down to brass tacks, the most important aspect of your site is **content** and **copy**. The copy can be written, spoken, or animated. But that’s why your visitors show up.

But Web copy is the one thing start-ups frequently get way wrong. They’ll pay good money to some putz to do fancy Flash animations and really pull out the wallet for some neat ASP programming, but they’ll “do” the writing themselves or hand it to their brother.

If there's one place in your Web site development where hiring a professional *really pays off*, it's planning and executing the copy on the site.

Everyone and their dog think they can write copy. "Why pay someone to write my Web site when I can do it myself?" "I can pay someone \$50 to write my copy." Just because you or someone else can put together sentences more or less coherently does not mean you *know* how to use copy to maximize the effectiveness of your Web site. We can all write a letter home to our mums, but it takes experience, skill, and education to write Web copy that *works*.

So what, then, makes good Web copy? Here are some aspects that distinguish the best Web copy from the mundane:

- *Good copy starts with a strategy.*

A good copywriter develops a *message* consisting of one, two, or three sentences that you want your customers and prospects to know more than anything else. That message is based on a formal position statement or strategy. Without a formal positioning and messaging strategy, most of your copy is going to be off-base. It's like that old saying: "If you don't know where you're going, when you get there, you'll be lost." Positioning and messaging are the "there" where your copy is going.

- *Good copy contributes to a search engine optimization strategy.*

One of the primary functions of Web copy is to make the site visible to search engines. Experienced Web copywriters *begin* with your search engine optimization strategy and craft the copy around that strategy.

- *Good copy is headline-based.*

The great advertising genius, David Ogilvie, had one overriding principle: *It's all in the headlines.* Write a great headline and 99% of work is done. The same applies to Web sites. Most people read Web sites carelessly and badly (unless they print them out). They read quickly and skip over sentences, paragraphs, and entire sections. However, every visitor reads the headlines—they can't help it. So a great copywriter knows how to produce meaningful, interesting, and motivating headlines. Headlines should communicate your messaging, be lively and interesting, and, above all, encourage visitors to read the rest of the copy.

- *Good copy starts strong.*

Good Web copywriters know how to start strong. The most important sentence (besides the headline) is the first sentence on the page. Why? That's when people are at their most motivated and attentive. And that's usually the only sentence a plurality of people

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will read—and a majority never get past the first paragraph. So, good copy puts a lot of meat and seasoning in the first and second sentences to maximize impact.

- *Good copy is brief.*

Most people do not like to read. So good copy says what it has to say and gets out while the getting is good. You should consider anything in a third or fourth paragraph to be only a design element on the page rather than copy.

- *It's okay to repeat yourself.*

Oscar Wilde said that if it's worth saying once, it's worth saying a hundred times. That goes for your messaging and positioning, too. To get your message into your user's heads, you have to bonk them with it several times.

- *People want to read about themselves, not you.*

There's a New Yorker cartoon where a man on a date is talking endlessly about himself while his hapless dinner partner sits in stone-cold silence. At the end of his monologue, he says, "You're the most interesting person I've ever talked to." It's funny because it's true. People want to know about themselves more than they want to know about you. Good copywriters take every opportunity they can to put the reader into the copy by using the second person (*you*). Bad copywriters go "me, me, me" and "we, we, we" all the way home.

- *Readers are interested in benefits, not features.*

It's an old marketing rule: customers want to know about benefits, not features. They don't want to know that a car has a GPS system; they want to know that they'll never get lost or have to stop to get directions. In marketing, they say the only advertising wavelength people are tuned to is the station WIFM, or "What's in It For Me?"

- *Product descriptions are different from other Web copy.*

If your site includes a catalog of products and descriptions, you should hire someone experienced with writing product and catalog copy. Product descriptions are a very specialized form of copywriting; an enormous amount of research has been done into exactly what must be said in various product descriptions to maximize the number of purchases. If your site involves product descriptions, hire a person experienced at writing catalog or product descriptions. Experience translates into higher sales figures.

So, when you're in the market for a Web copywriter, ask for samples. Use our guidelines above to judge how effectively they perform. But where do you find experienced copywriters?

- You can always turn to job boards or RFP marketplaces (see section 7.2 above) as long as you ask for portfolios, client lists, and references.
- Many virtual assistants (section 4.3) also offer Web copywriting services. Beware, however: most are not experienced copywriters. Ask for a portfolio and references and use our rules above to determine how talented they are.
- You can turn to design, marketing communications (marcom), or advertising agencies for copywriting services, but these often come at a premium. But, chances are, they're darn good writers.
- Many Web design and Web development agencies (see section 7.3) offer copywriting services. Again, their strengths may lie elsewhere—in fact, the weak link in practically all Web development agencies is copywriting. They often provide copywriting as an afterthought hoping you won't notice that it sucks. Review their portfolios carefully using our list of what makes good Web copy.
- You can go directly to a specialist In the next few subsections, we list Web copywriting resources that can help you in your search for the best, or most cost-effective, experienced copywriter.

7.7.1. Editorial Freelancers Association

<http://www.the-efa.org>

Since 1970, the Editorial Freelancer's Association has been the leading professional organization of freelance writers, editors, translators, researchers, and proofreaders. Members pay a fee to be part of the organization, but you can use the EFA Web site to post jobs or gigs for your Web content needs. Advertising a job is free, but your ad will only be made available to EFA members. You can also search the member directory for free and contact any writer or editor on the list.

EFA members are available for all kinds of content assignments including creative writing, press releases, articles, Web content, advertising, collateral, speeches, and technical manuals.

7.7.2. The Write Content

<http://www.thewritecontent.com>

Led by owner and head writer, Heather Reimer, The Write Content specializes in Web site and search-optimized content. Fees are very affordable (\$125-\$150 per Web page), and the company offers a 100% guarantee on its copy. The Write Content will also perform a free content analysis of your

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current site, evaluating the effectiveness, selling ability, and search engine profile of your site's copy.

Services include:

- Web site copywriting
- SEO (search engine optimization) copywriting
- Press releases (\$150)
- Articles
- Sales letters.

7.7.3. Custom Copywriting

<http://www.customcopywriting.com>

An award-winning Web and SEO copy service, Custom Copywriting is the fastest growing SEO copywriting company in America. They specialize in conversational copy that is rich in keywords to maximize your search engine profile. Fees are affordable at between \$75 and \$100 per page. They also provide Web site articles, white papers, sell sheets, brochures, sales letters, direct response mailers, newsletters, and corporate magazine copy at pre-established rates.

Custom Copywriting will provide a free evaluation of your current Web site copy for effectiveness along with a ten-point keyword analysis.

7.7.4. Web Copywriters

<http://www.webcopywriters.com>

Web Copywriters is one of the top-ranked SEO copywriting firms available to you at a reasonable price. They provide Web copywriting and proofreading services for businesses, law firms, medical/dental firms, technical companies, creative companies, and accountants. Web Copywriters does not guarantee your full satisfaction, but they do guarantee the originality of the copy they provide. Services include:

- SEO Web copywriting
- Keyword research
- Image, layout, and design advice
- Menu navigation
- Help with domain names and hosting
- Press releases
- Proofreading
- Maintenance
- Translation.

7.7.5. Dot Com Copy

<http://www.dotcomcopy.com>

Founded by Kellie Fowler and Christine Jones, Dot Com Copy is a low-priced Web copywriting service. Copy is primarily written by the two founders who have experience in marketing and public relations. Dot Com Copy offers package copywriting services but can also estimate custom jobs.

Services include:

- Web copy (\$550)
- Search engine optimization
- Product descriptions
- Sales letters
- Auto responders
- Press releases (\$150 each)
- Articles
- Newsletters
- PR packages
- Blogs
- Podcast copy.

7.7.6. Ascent Copywriting

<http://www.ascentcopywriting.com>

Ascent Copywriting provides SEO copywriting, business writing, editing, and proofreading services. Founded by Amy Edelstein, the company has done work for many of the leading search engine optimization firms. Prices are quoted per job.

Services include:

- Web site copywriting
- Online catalog copywriting/product descriptions
- SEO copywriting
- Ad copy
- Case studies
- Articles
- Newsletters
- Press releases
- White papers.

7.8. Search Engine Optimization and Submission

Search engine optimization (SEO) is all about managing words and markup on your pages to maximize your site's visibility on Web search engines. As you may well know, when a user searches for a Web site by entering search terms or keywords into a search engine form, they typically get back tens of thousands or millions of results. Most users, of course, are only going to look at the first thirty or forty results—a really motivated user might actually burrow deeply and see 100-120 search results. For all practical purposes, if your Web site is not listed in the top thirty or so results for a keyword search, it might as well not be listed at all.

To help influence your position, you can optimize your site for certain search terms, called **keywords**. You start search engine optimization at the very beginning of your Web project before any copy is written or any page design is laid out.

Search engine optimization is also an ongoing process. By monitoring your placement on search engines and carefully analyzing your Web statistics to see which search engines are driving traffic to your site (see section 7.9), you will end up tweaking your site regularly to improve placement and site traffic. In addition, the search engines are constantly modifying the formulas they use to rank sites on their search engines. Your optimization strategy has to keep pace.

SEO is the only business activity that you *will* engage in where *you have no control over the results*. Your search engine placement depends solely on the rules the search engines use to rank sites relative to keywords. These rules are kept under lock and key, so the best you or any search engine “specialist” can do is *guess*. So when some SEO consultant or some book claims that it can land you in the top ten search position . . . well, don’t expect a money-back guarantee.

Search engine optimization is a *requirement* for any Web-based business because it translates into real revenue dollars. Ongoing search engine optimization costs the biggest companies literally tens or hundreds of thousands of dollars *each month*. Online retailers, for instance, don’t just optimize their store for search engines, they optimize *each product page*. If you search “Shoestring Venture” in Google, Amazon wants their site to come up first.

Search engine optimization has four components:

- The first starts with a **keyword strategy**, which is based on keyword **relevance** and **frequency**. You cannot get top rankings on search engines for every single word you use on your site. Typically,

you'll choose half a dozen or fewer words as the foundation of your keyword strategy. **Relevance** is how well those words actually fit what your Web site is about. If you choose words that only distantly describe what you do, then you'll have a hard time getting good placement. And, even if you do, most people searching the term won't be interested in your site anyway. **Frequency** is how many times search engine users employ a certain keyword to find a site like yours. If you optimize your site to highly frequent search terms, you have the potential of attracting a large audience, but you'll also have more competition from other sites for those terms. Some SEO specialists advocate focusing on less frequently used search terms. Fewer people search those terms, but you have a greater chance to get top placement. What's important is this: you nail down your keyword strategy and keywords *before* any copywriting or design takes place.

- The second involves **SEO copywriting** and building your keywords into vital positions in your site: the names of files, page titles, headlines, and copy. See section 7.7 on SEO copywriting.
- The third involves search engine and directory **submission**. You can always launch your site and wait for the search engines to find you. It's better, however, to submit your site to as many search engines and Web directories as possible, particularly since your presence in search engines and directories increase your rankings all around.
- The final step involves building your Web presence through a **linking strategy**. Search engines use the number and quality of links to your site from other sites to determine how they rank your site for various keywords. For instance, if a search engine sees a link to this book's home page that is called, "Shoestring Venture," it will bump up the rank it gives the site for both those words. Linking strategy is part of building your Web presence and your search engine marketing (SEM) initiatives. We discuss linking strategies in more detail in Section 8.4.

7.8.1. TopSEOs

<http://www.topseos.com>

TopSEOs is the largest directory of SEO and SEO-related firms and software tools that help you maximize your Web presence, site traffic, and conversion rates. It is a fairly exhaustive directory of both firms and software,

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so you should be able to conduct most if not all of your SEO shopping through TopSEOs throughout the entire lifecycle of your Web marketing project.

Firms fall into the following categories:

- Organic optimization (i.e., placement in search results pages)
- Pay-per-click management (see section 8.3)
- Press release distribution
- Link popularity campaigns
- Search-targeted content
- Web development
- Email marketing
- Web hosting.

Software falls into the following categories:

- Keyword research
- Optimization software
- Rankings monitoring
- Click fraud monitoring
- Web analytics
- Link popularity
- Pay-per-click bid management
- Comparison shopping
- Search engine friendly ecommerce
- Informational tools
- Content management.

7.8.2. SubmitExpress

<http://www.submitexpress.com>

Founded in 1998, SubmitExpress provides affordable services to small-and medium-sized businesses; they've served as SEO consultants to 3,200 businesses and a submission agent to over 20,000 businesses. The Patricia Seybold Group named them the top search engine optimization firm in the country. They guarantee top ten search results placement (however, what happens when customer number eleven walks in the door?)

SEO services include:

- Consultation
- Keyword research
- Copywriting
- Web site redevelopment

- Incoming link creation
- Search engine submission
- Regular results reporting.

Fees depend on the frequency of the keywords that are chosen.

Search engine submission includes

- Automated submission to 1,000 search engines and directories.
- Manual submission to the major search engines.
- Site review and SEO ranking advice before submission.

7.8.3. AddMe

<http://www.addme.com>

<http://www.searchterms.com/>

Founded in 1996, AddMe runs SearchTerms.com, an automated service that analyzes keywords for frequency. The service tells you how many users employ the search term, how many sites are competing for the search term, pay-per-click bid data (see section 8.3), average clicks per day, as well as your site's and your competitors' sites link popularity. It also provides a monthly report on your site's search engine readiness and the density of search terms on your site. You can subscribe to the service for one day (\$10), one week (\$30), one month (\$50), or one year (\$300).

You subscribe to the search engine submission service for one year through their site, AddMe. Each month, AddMe submits your site to hundreds of search engines. Features include a keyword suggestion tool, a readiness report, a monthly ranking report, a monthly link popularity report, and a monthly broken links report. A single submission costs \$50 and a one-year subscription costs \$100.

Other services include:

- Product feed submission.
- Search engine optimization language (XML tags that describe your site, products, etc.).
- Pay-per-click search engine submission (see section 8.3 for pay-per-click search engine advertising).
- Web traffic statistics (see section 7.12 for Web statistics and analysis).
- Web design.

7.8.4. AddPro

<http://www.addpro.com>

AddPro provides search engine submission and optimization for small businesses and Web developers. Services include search engine optimization, link building, search engine submission, and pay-per-click search engine submission (see section 8.3). One-time search engine submission costs \$50 and involves the following services:

- Manual submission to the top search engines.
- Automated submission to 120 most relevant search engines.
- Submission report.

7.8.5. WebPosition Gold

<http://www.webpositiongoldpro.com>

There are a large number of software packages you can buy to help optimize your Web pages, submit sites to search engines, and help you analyze traffic from search engine pages (see 8.3 below). In the authors' opinions, the best value for your money—if you choose to optimize your site on your own—is WebPosition Gold. The general consensus among Web developers is that WebPosition Gold is the best SEO and directory submission software out there hands down. One of the authors has used several SEO software packages and repeatedly returns to this one as the stand-out. The software comes in two versions: Standard, for \$150, and Professional, for \$390.

Currently on version 4, WebPosition Gold:

- Automates top search engine submission.
- Checks your site rankings in the top search engines on a regular schedule that you set.
- Provides automated advice on how to optimize each of your new or existing Web pages.
- Creates optimized Web pages based on keywords and details you enter about your business.
- Remembers all the optimized Web pages you created, changed, or added.
- Analyzes traffic to your site and where visitors are coming from, including the search terms they use in search engines.
- Supports up to five Web sites and unlimited domain names.
- Supports unlimited keywords, submissions, and Web pages.

7.9. Ecommerce: Shopping Carts and Catalogs

On the face of it, ecommerce seems simple enough. You get some products. You get a Web site. People root around the product pages on your Web site, toss a few of their favorite things into their shopping cart, and then send you money.

That was easy! Actually, there are quite a few moving parts to an ecommerce site and the transactions that take place there:

- **Database:** unless you're offering a limited and highly static merchandise mix, your product catalog resides in a database that includes product pictures, descriptions, and SKU's (stock-keeping units, i.e., the "code" that uniquely identifies your product for your store). Your database will also include customers and orders—and if you've done things correctly, all the fulfillment information, as well, such as when the product was shipped, how it was shipped, where it's at right now, and any return information.
- **Shopping cart and checkout pages:** these are a series of HTML pages that manage the shopping and purchase process. In addition to providing every page and process in the checkout experience, they also store values so that shopping and order information is not lost if the user navigates to other pages before checking out.
- **Certificate:** since users are sending very confidential information—their credit card numbers and billing information—out into the wilds of cyberspace, you must provide encryption to keep this information safe from prying eyes. Ecommerce encryption is accomplished through a *Secure Sockets Layer (SSL) certificate* unique to your site (or hosting service).
- **Payment gateway:** every time someone uses a credit card, that card has to be verified and the payment authorized by a *payment gateway*. You have to purchase the services of a payment gateway to make ecommerce possible on your site.
- **Merchant account:** the credit card transaction has to go somewhere, and that's always some bank or financial institution. Most typically, the transaction ends up in a Web-enabled merchant account designed to process the reconciliation process for Web-based credit card transactions. (Your personal account will not work because it is not designed for credit card reconciliation or the attendant risk of credit card transactions).
- **Fulfillment:** often overlooked in the planning, fulfillment is actually getting the product to the customer. It is the most important

and costly part of the whole ecommerce equation. And the easiest to foobar. Fulfillment not only includes shipping, but handling returns, as well.

Shopping cart programs typically combine the first two elements—product database and checkout system—into one product. Sometimes they even include certificates, payment gateways, and even a merchant account. Fulfillment, obviously, cannot be included in any shopping cart!

But even if all you want is some kind of checkout system, you still face a mountain of complexities that the best checkout software should solve for you:

- **Shipping:** If you're sending products out, the shopping cart needs to be able to calculate the correct shipping cost based on weight, delivery parameters (next day, two day, ground), and special shipping needs. The best systems give you the most shipping options and automate as much of the process as possible.
- **Sales tax:** For some, not all, consumers, you may need to charge an additional sales tax. This additional sales tax may include more than just state taxes; if you have to collect sales taxes for California, then they differ based on where you're located in the state. No checkout system can do all the footwork you need to do to determine who pays sales taxes on your products and who doesn't, but the system should make it easy to input this information into the shopping cart.
- **Order changes:** The system has to recalculate all values if the user changes an order.

7.9.1. Google Checkout

<http://checkout.google.com>

Google Checkout combines checkout pages, a payment gateway, and SSL certificate in one free package. You pay no setup, monthly, or payment gateway fees. Google Checkout also includes free fraud detection services that filter out fraudulent transactions. They will also cover any chargeback fees on a fraudulent transaction that their system passes.

Google Checkout is hosted on the Google servers, but customers never leave your site. However, your customers do have to set up an account with Google Checkout and login before they can purchase from your store—so you'll lose many, many buyers in the checkout process if you rely solely on Google Checkout.

Google Checkout is only available for transactions in the U.S. and U.K. and has broad restrictions on the products and services you can sell through their system. You can't use Google Checkout to sell sinful items like adult-themed goods and books, college papers, cable box descramblers, investment consulting, travel packages, cigarettes, and on and on. While some things are obvious (child pornography), the list of restricted content is pretty long and gets longer every month. You should read the banned content list with great care before signing on to the service.

Many companies, like Buy.com, choose to use Google Checkout in addition to their site-specific checkout pages. Because it requires shoppers to create a Google Account, no major ecommerce site relies exclusively on Google Checkout.

7.9.2. osCommerce

<http://www.oscommerce.com>

osCommerce is a free, open source product catalog, shopping cart, and checkout system that is the most installed and used shopping cart software available. The software, which uses PHP as the scripting language and MySQL as the backend database, runs on any server equipped with a PHP 4.1+ interpreter and MySQL database administration system (which only runs on Linux servers). The osCommerce shopping cart, with many add-ons, is very commonly included with many hosting packages (see 7.4).

The software is rich in features. Over 3,600 add-ons created by the osCommerce developer community extend the features of an osCommerce-equipped Web store.

The product catalog allows you to create product categories and include product attributes, manufacturers, reviews, and specials to the catalog. In addition to a full ordering system, the software also allows customers to create custom accounts.

Shipping modules allow you to charge a flat rate shipping fee, per item shipping fee, table (multiple shipping methods) shipping fees, UPS, or zone rates—or all of the above. Fees can include a low order fee, a shipping fee, sub-total, and sales tax. A tax rates module helps you set the right sales tax based on the user's billing information. Finally, you can localize the catalog and shopping cart in currency, language, order status, or weight classes.

Additional tools that come standard with the basic software include database backup, a banner manager, cache control (which speeds up the process when a user returns to the shopping cart after browsing through your store), a newsletter manager, and a Web statistics package.

7.9.3. Miva Merchant

<http://www.miva.com/products/merchant>

Miva is the most popular commercial shopping cart used by small- to medium-sized businesses. Depending on the package you purchase, Miva Merchant includes a product catalog, site design interface, payment gateway, SSL certificate encryption, and a shopping cart. Miva Merchant comes in three flavors:

- The Express shopping cart, designed for home-based and small businesses, runs \$15 per month. Features include administration tools, store design tools, product catalog, order management, flat rate shipping, local tax calculation, and a payment gateway. Miva Merchant Express also integrates with Google Checkout (see 7.9.1) and PayPal (7.10.2).
- For \$595, Miva Merchant Fast Track is designed for larger online stores. Features include administration tools, store design tools, product catalog, inventory tracking, upselling, customer accounts, order management, several shipping options, and affiliate program management. Miva Merchant Express also integrates with PayPal (7.10.2).
- Miva 5 is designed for enterprise ecommerce and costs \$995. Features include administration tools, store design tools, product catalog, inventory tracking, upselling, customer accounts, order management, encryption, several shipping options, and affiliate program management. Miva Merchant Express also integrates with PayPal (7.10.2).

7.9.4. Agora Cart

<http://www.agoracart.com>

Agora Cart, like osCommerce, is a free, open source product catalog and shopping cart very frequently included with many hosting packages (see 7.4). The software is primarily designed for start-ups and small businesses looking for a quick, inexpensive, and easy way to get up and going with an ecommerce site. Like osCommerce, the Agora Cart developer community has produced a smorgasbord of add-ons that, when combined with the original software, make Agora Cart competitive even with the priciest commercial shopping carts.

Features include:

- Storewide design
- Templates
- Product catalog and database that allows you to group products by unlimited categories—also includes custom product or category pages
- Customizable home page
- Unlimited product options
- Local tax calculation and multiple tax tables
- “Top Ten,” “Featured,” and “New Products” lists
- Discounts
- Inventory management
- Multiple payment methods
- Multiple shipping options.

Agora Cart is compatible only with Unix and Linux servers and requires a PHP 5+ interpreter.

7.9.5. ZenCart

<http://www.zencart.com>

ZenCart is another free, open source shopping cart popular with small businesses and hosting service packages. Like osCommerce and Agora Cart, hosting services usually offer ZenCart as a free add-on. A significant number of business people and online store owners are part of the ZenCart development community; as a result, the software is one of the easiest to use.

Features include:

- Product catalog that allows unlimited products and categories
- Customer accounts
- Multiple sales and discounts—quantity discounts, military discounts, price-sensitive discounts, etc.
- Discount coupons
- Gift certificates
- Featured products
- Multiple shipping options
- Multiple payment options
- Ad banner manager
- Newsletter manager
- Sideboxes
- Multiple languages and currencies.

7.9.6. Volusion

<http://www.volusion.com>

Volusion shopping cart software is commercial software that includes a Web site builder, product catalog, order processor, and marketing modules. Hosting, SSL certificate encryption, and a payment gateway are included in the package. Among all the commercial packages, Volusion provides the most feature-rich package available. However, the various packages limit the number of products and product categories you can have in your store. Furthermore, because the product is tied into Rackspace managed hosting (7.5.1), limitations in storage and bandwidth may cause you problems.

Features include:

- Web site building tools
- Product catalog that limits the number of products and catalogs you can have based on the package you purchase
- Hosting (Rackspace)
- SSL certificate encryption
- Payment gateway
- Multiple discount options
- One-page checkout
- Customer accounts
- Multiple shipping options
- Multiple payment options
- PayPal integration (7.10.2)
- Multiple currencies and languages.

Volusion offers several packages that are largely differentiated by the number of products you can carry in your store.

- **Steel:** 20 products for \$30 per month (\$99 setup fee) including hosting with 1GB data transfer per month
- **Bronze:** 100 products for \$50 per month (\$129 setup fee) including hosting with 2GB data transfer per month
- **Silver:** 250 products for \$80 per month (\$129 setup fee) including hosting with 3GB data transfer per month
- **Gold:** 1,000 products for \$100 per month (\$129 setup fee) including hosting with 5GB data transfer per month
- **Platinum:** unlimited products for \$197 per month (\$129 setup fee) including hosting with 15GB data transfer per month

Ecommerce: Payment Gateways & Merchant**7.10. Accounts**

Unless you're willing to have customers send you checks through the mail (perish the thought!), your Web site needs to process credit card transactions if you want to sell people anything. Taking credit card payments is a complicated affair. Credit cards need to be **authenticated**, the payment needs to be **authorized**, and a bank or other financial institution has to handle **reconcilement** with the card issuer. Processing a card through the Web requires additional tasks.

Payment gateways are the services that authenticate a card and send the transaction information for authorization. Whenever you go to Starbucks or any other store and the cashier swipes your card, the information is being sent to a payment gateway for authentication and authorization. Some payment gateways are designed for cashier stations, some are designed for mail order and phone centers (called "MOTO" payment gateway services), some are designed for mobile phone ecommerce, and some are designed for the Web.

Once a credit card transaction has been authorized, the payment gateway sends the transaction information to a financial institution administering a **merchant account** in your company's name. Web-based transactions are a special breed, so your company needs a merchant account specifically set up to handle Web-based transactions and their attendant risk. Outside of the nature of the transaction, a merchant account differs from a personal account by including **reconciliation services**, the process of moving money from the card issuer's account into your account.

There are more than a few payment gateways to choose from—the most common are Authorize.net and PayPal, the latter who just purchased their payment gateway services recently from Verisign. Most payment gateway services are actually sold by resellers—for instance, you can only use Authorize.net by purchasing the service from resellers, who typically bundle merchant accounts with the payment gateway service.

Payment gateways typically charge a set-up fee, a monthly fee, *and* a fee for each transaction.

Merchant accounts typically come with set-up fees, monthly fees, and sometimes transaction fees. Some merchant accounts can tie directly into other merchant accounts or your personal account—when money flows into the account, it instantly flows out to your personal account (don't tell your bank, though—your personal account is not underwritten for the risk attendant on credit card transactions!)

Once you decide on a payment gateway and merchant account, special coding has to be inserted into your checkout pages. For this reason, you should have both your payment gateway and merchant account solidly in place before any coding starts on your Web site. Your Web developer contacts the payment gateway for all the relevant coding information and integrates that special coding into your purchase pages.

7.10.1. Authorize.net

<http://www.authorize.net>

Authorize.net is the most common payment gateway used by small-to medium-sized Web businesses. It is universally praised for its cost-effectiveness, reliability, and consumer brand awareness. In fact, if you take the real big ecommerce sites out of the picture, Authorize.net is the first choice of payment gateways for ecommerce. You do not, however, contract directly with Authorize.net to use their payment gateway services, but instead contract with one of dozens of resellers. The Authorize.net Web site provides a partial list of resellers.

Resellers offer a range of services and fee structures. Many resellers offer merchant accounts in addition to Authorize.net payment gateway services. You, of course, have to balance the whole weight of fees—sign-up fees, monthly fees, and per-transaction fees—to determine the total value of the package offered by a reseller. Because the fees vary from reseller to reseller, we cannot reliably price out Authorize.net services. Expect to pay anywhere from \$100 to \$200 in set-up fees, \$10 to \$50 in monthly fees, and per transaction fees over a certain monthly limit.

As part of their standard Web payment gateway services, Authorize.net also offers

- Recurring billing
- Electronic check processing
- Fraud detection services that allow you to customize fraud detection filters
- A merchant toolbox including accounting and productivity online software.

Authorize.net also offers separate, integrated payment gateway services for bricks-and-mortar retail stores, mail order/telephone order, and mobile phone ecommerce.

7.10.2. PayPal

<http://www.paypal.com>

PayPal, a wholly-owned subsidiary of eBay, is best known for its innovative account transfer service which more than any other technology has enabled the explosion of Internet auction services. The company very recently purchased its payment gateway division from Verisign and, by doing so, immediately became the second-largest payment gateway service used by small- and medium-sized businesses.

Unlike Authorize.net, you do not contract with a reseller, but set up services directly with PayPal. Since PayPal's fundamental business is offering personal and merchant accounts, you can also purchase a merchant account through them.

PayPal Payflow Payment Gateway comes in two forms: Payflow Link and Payflow Pro. Payflow Link functions like any other payment gateway. Through special coding on your site, credit card information is forwarded to the PayPal payment gateway which then authenticates the card and receives authorization for the credit card transaction. Payflow Pro offers additional services including fraud detection, a virtual terminal, and a PayPal Manager dashboard.

Like all other payment gateways, Payflow allows you to connect the gateway to any merchant account.

Payflow Link costs \$179 to set up and carries a \$20 monthly fee for up to 500 transactions per month. Any transactions over the 500 limit will cost \$0.10 each.

Payflow Pro has a set-up fee of \$249 as well as a monthly fee of \$60 for up to 1,000 transactions. Additional transactions cost \$0.10 each.

PayPal also offers lower-level payment gateway services closely aligned with their signature account services. The standard service directs users from your site to a PayPal credit card information page which sends the credit card and billing information to PayPal's payment gateway. PayPal Pro operates more like a standard Web payment gateway. Customers input their credit card and billing information on your shopping cart (no need to detour to a PayPal page) and special coding written into your shopping cart page sends the information to the PayPal payment gateway for authentication and authorization.

Both PayPal Standard and PayPal Pro require that you also have a PayPal Business Account. You cannot use a separate merchant account for customer credit card payments. PayPal Accounts are actually pretty pricey—they charge a 4.9% transaction fee on all deposits into the account. Ouch.

Ecommerce: Payment Gateways & Merchant Accounts

PayPal Standard comes with no set-up or monthly fees, but does include per-transaction fees of 1.9% to 2.9% of the transaction total plus an additional \$0.30 on each transaction.

PayPal Pro has no set-up fees. The monthly charge is \$20 and each transaction bears a fee between 2.2% and 2.9% of the transaction total (including taxes and shipping charges) plus an additional \$0.30 for each transaction.

7.10.3. iTransact

<http://www.iTransact.com>

iTransact offers low-cost payment gateway services including single and recurring credit card payments, electronic check payments, shopping cart, and an auction pay system if you are doing business on eBay or other online auction sites. The gateway was designed mainly for entrepreneurial, small businesses.

They have customized their services for startups and home-based entrepreneurs by offering a *leasing* as well as a purchase option. To purchase iTransact gateway services, you pay a setup fee (\$249) and a monthly charge (\$25) for up to 500 transactions. Each transaction over 500 involves an additional \$0.14 charge. If you choose to lease, there is no setup fee. Instead, the monthly fee runs \$45 per month for up to 500 transactions with an additional \$0.14 fee for any transactions exceeding the 500 per month maximum. The lease term is twenty-four months.

If you do the math, the leasing option costs \$200 more over the twenty-four month term—you only want to choose the leasing option if you cannot afford the \$249 up front.

7.10.4. Shift4

<http://www.shift4.com>

Shift4 offers a payment gateway, “\$\$\$ On The Net,” for both “card present” and “card not present” transactions. It is an integrated product that is meant to manage bricks-and-mortar, Web ecommerce, and MOTO (mail order, telephone order) transactions in a single package. The service also includes debit card transactions, electronic checks, signature verification, and can take any credit card and connect to any merchant account. The product also includes fraud control and a separate gift card program (so you can issue your own gift cards).

You purchase \$\$\$ On The Net from Shift4 directly. Pricing is customized to your business and is available only by calling their sales representatives.

Because the system is based on an innovation—fully auditing credit card transactions before sending them to the merchant bank—\$\$\$ On The Net saves high-volume businesses tons of money in chargeback and fraud expenses, even though the setup and monthly fees are high. If your site is processing oodles of credit card transactions, you'll make money through Shift4. If not, you are better off going with another payment gateway.

(As a side note, if you're a bit flummoxed by the company's bizarre name, fire up your word processor, hold down the shift key, and hit the 4 key. What do you see? Here's what I see: some people are too clever by half.)

7.11. Ecommerce: SSL Certificates

Secure, encrypted transactions are a vital part of your ecommerce success. Your customers are sending you confidential credit card and billing information. If that information were intercepted—which is extremely easy to do—then it could fall into the hands of people who would use it to rack up thousands of dollars in fraudulent charges.

Encryption scrambles that crucial information at the source—the user's Web browser—and unscrambles it on your server before dumping it into a database. **Secure sockets layer (SSL) certificates** are the tools that do the scrambling and unscrambling.

Certificates are issued by **certifying authorities**. You apply for a certificate and the certifying authority verifies that you are who you are and a legitimate business. They then issue a certificate that is installed on your server.

When a user enters important information on your checkout pages, the server sends one-half of an encryption key to the Web browser, which uses that key to encrypt the data. When the data arrives at your server, the other half of the encryption key unscrambles the data. If the data were intercepted by some nefarious knave during the transmission, all he'd get is mashed-up nonsense that would take decades to decode.

In addition to scrambling and unscrambling data, users can actually view your certificate. Remember: a certificate not only encodes data, it also represents that the certifying authority has checked you out thoroughly and decided you're a legitimate business.

If you have a page that is secured by a certificate, a padlock icon appears in the bottom left corner of the Web browser. If the user clicks that padlock, they can view all the details of the certificate. These details tell the user who the certificate was issued to, what server it applies to, and so on. Since it's easy for thieves and knaves and rogues to set up "dummy" checkout pages that look like someone else's checkout pages, the certificate information tells the user that they're sending their payment to the actual owner of the Web

site. For instance, if you're on the Amazon checkout page and you click the padlock, you will find the certificate was issued to Amazon. If, instead, it says that it was issued to Pendergrast Pilferage Company, then you know these checkout pages *are not* Amazon checkout pages.

Because some certificates verify that you're a legitimate business, when an ecommerce merchant is using a well-known certifying authority, they'll put the CA's logo on their payment information pages. These logos, particularly the Verisign logo, carry great weight with online consumers because they are strict and thorough in authenticating your business.

Extended validation (EV) is a new technological feature that many certificate issuers provide for a considerably higher fee. If you have extended validation added to your certificate, Internet Explorer 7 and above, as well as the newer versions of Firefox and Opera, will turn the browser address bar green and display the name of the certificate owner *in the address bar*. Users no longer have to click the lock icon to find out who owns the certificate.

You can get two kinds of certificates: a **dedicated certificate** or a **shared certificate** (called "generated" certificates by some hosting services). A dedicated certificate is issued only to you. Only you can use it and only you and your company name appear on the certificate. A shared certificate, on the other hand, is shared among many users. For instance, most hosting services offer shared certificates. The hosting service buys a certificate, pays the annual fee, and lets its customers use the one certificate. While shared certificates have the benefit of lower fees—indeed, some of them are offered free—they don't actually have your name on it. Instead, when a user is on your site views the certificate, they will find your hosting service as the owner of the certificate rather than your company. While it provides for secure, encrypted transactions, a shared certificate that does not have your name or authenticate your business does lower sales. How much is subject to debate.

Most certificates come in 256 bit encryption. The only thing you need to know about 256 bit encryption is that is impossible to crack the code. 128-bit encryption is next to impossible to crack. Anything less than 128 bits (low-priced SSL certificates) can be cracked with a powerful enough computer and enough time.

Finally, there is a real difference between certifying authorities (CAs). Verisign is the highest cost certificate, but they spend an enormous amount of time and resources verifying that you are who you say you are. They require a lot of documentation and reject many applicants. As a result, Verisign is the most trusted brand name among in-the-know consumers—you will probably see the Verisign logo on more major ecommerce sites than any other certifying authority. Thawte and GoDaddy spend less time verifying your identity, but they do a fair job of it.

Other CAs really slouch on the verification process—they just want to issue as many certificates as they can. As a result, if you have a certificate issued by anybody else, such as DigiCert, you are going to lose sales because the brand does not carry much weight with consumers in the know. In our opinion, even though you can save mucho money by going with one of the low-priced certifying authorities, you really should stick to the three majors: Verisign, Thawte, and GoDaddy.

7.11.1. Verisign

<http://www.verisign.com>

Verisign is the gold standard in SSL certificates. It is the oldest and most widely recognized secure transaction brand in the world and the reputation is well-deserved. While all SSL certificates essentially do the same thing, Verisign devotes significant resources in the application process to verify that you are a legitimate business (other companies sometimes do not even make this effort—they just hand you a certificate). This strict business verification process makes Verisign by far the most expensive and most time-consuming certificate to get for your site. You can expect to wait days or weeks for approval to come through. Some prospective customers have to appeal a rejection a few times before they can get Verisign approval.

Verisign offers the following certificate products.

- SSL Certificate, business authentication, \$100,000 warranty, Verisign seal
\$399 for one year, \$699 for two years
- 128- or 256-bit SSL certificate, business authentication, \$250,000 warranty, Verisign seal
\$995 for one year, \$1,790 for two years
- 128- or 256-bit SSL certificate with extended validation, business authentication, \$250,000 warranty, Verisign seal
\$1,499 for one year, \$2,695 for two years

7.11.2. Thawte

<http://www.thawte.com>

Thawte is the second major certifying authority and enjoys broad brand recognition. While not as well-known as Verisign, Thawte does represent significant cost-savings over the industry leader. Thawte, like Verisign,

subjects applicants to a screening process to determine the authenticity of their business. Unlike Verisign, however, Thawte does issues certificates (SSL 123 Certificates) *without* business authentication. Only the domain name is authenticated, not the applicant.

- Domain validated 256-bit SSL certificate, no business authentication, domain authentication, Thawte seal
\$149 for one year, \$259 for two years
- Domain validated 256-bit SSL certificate, business authentication, Thawte seal
\$399 for one year, \$699 for two years
- Web server 256-bit SSL certificate, business authentication, Thawte seal
\$249 for one year, \$449 for two years
- 128- or 256-bit SSL certificate with extended validation, business authentication, Thawte seal
\$899 for one year, \$1,495 for two years

7.11.3. GoDaddy

<http://www.godaddy.com>

GoDaddy offers significant discounts on certificates and even provides a non-authenticated certificate, the Turbo SSL certificate. Because this certificate is made available without authenticating your business, the yearly price is considerably lower than a business-authenticated certificate. Whether you opt for a non-authenticated certificate or not, GoDaddy can provide significant relief to your shoestring budget.

- Domain validated 128- to 256-bit SSL certificate, no business authentication, domain authentication, GoDaddy seal
\$20 for one year; \$200 to include all subdomains
\$36 for two years; \$360 to include all subdomains
- Domain validated 128- to 256-bit SSL certificate, business authentication, GoDaddy seal
\$90 for one year; \$250 to include all subdomains
\$150 for two years; \$540 to include all subdomains
- 128- or 256-bit SSL certificate with extended validation, business authentication, GoDaddy seal
\$500 for one year
\$800 for two years

7.12. Site Analytics: Software

In the world of Web marketing, **site analytics** is the most crucial success factor, but also universally overlooked by small business owners. Site analytics tell you if your site is working. It tells you how people are finding your site, what they're doing when they get there, how many leave, how many do the things you want, and how many times they return.

At a more sophisticated level, however, site analytics teach you how to modify your Web site and Web presence strategies. If you are paying for ads on Google and those ads generate 500 hits a day, great. But if none of those folks actually do anything on your site, you may want to rethink having to pay Google for their traffic. You may find, however, that a link on an obscure Web site only generates three hits a day, but two-thirds of those visitors consistently turn out to be buyers. Which do you prefer; the 500 non-buyers per day coming your way through Google, or the two buyers coming your way through an obscure Web site? Your answer will probably change your Web presence strategy.

The foundation of Web analytics are **conversion events** or **key activities**. These are, in your calculation, the things that users do that have value to your business. For an ecommerce site, the most important conversion event—out of many—is to actually purchase something. However, conversion events could also include placing an item in a wish list, viewing a product, viewing a special, giving you personal information (name, email address), signing up for a newsletter, or viewing a strategic page.

Before you even start your Web site, you should determine what the key activities or conversion events are for your site. In other words, you want to determine all the **desirable user behaviors** that your site needs to elicit from its visitors. Once you have those determined, Web analytics is your primary tool to *increasing* the number of users who perform the desirable behaviors. So you see, it's not about the number of *visitors* that makes a site successful, it's the number of *conversion events*. These are related, but not really the same thing; that's why, in our vignette above, you're getting more value from an obscure Web site delivering almost no visitors rather than Google dumping a horde of them on your door each day.

So, what are the basic questions you should be asking your Web site?

- Number of visitors is, of course, your biggest worry. You need to be more concerned about where they come from and why. You also need to relate where they come from with the key activities that make your site successful. This is particularly important if you're paying for visitors, for instance through a **pay for click** advertising

campaign (see 8.3 for a description of pay-per-click advertising). Cross-tabulating conversion events to these ads are the key to determining your return on investment.

- You also want to know how people navigate through your site and how this relates to key activities. This allows you to reengineer your site to put more visitors on a path to a conversion event.
- You also want to build profiles of the people that come to your site. That will tell you a lot about what people want and what kind of people generate the most revenue for you.

A Web analytics software tool could run you anywhere from \$20 to \$20,000. The biggest bruisers on the block, like Time.com or Nordstroms.com, are bashing around with a 20K number. Determining which software is best for you—and how much hard-earned cash you’re willing to part with—has everything to do with the questions you want to ask of your Web site statistics. If you’re just interested in the relationship of visitors to your overall Web presence, you’re not asking for much (and you won’t get much). But if you’re trying to build sophisticated profiles of your visitors and use that information in advertising, direct mail, and email campaigns, you’re asking for much more. Since you’re putting actual marketing dollars into play, you’ll want your analytics software to do some pretty sophisticated statistics analysis—you’ll want to not only compare data using cross-tabulations, but you’ll want to subject the numbers to statistical validation using complicated statistical tests. That’s getting into bigger bucks.

Web analytics software comes in a few flavors depending on what you’re after.

- **Log analysis**—the most common Web analytics software simply evaluates the “logs” that your server keeps about each visitor, where they come from, what keywords they used when searching for you, what pages they viewed, and how long they stayed on each page.
- **Remote tracking**—some Web analysis tools work by inserting code into each of your pages. The software then tracks each page. Although remote tracking packages may not give you any more information than log analysis, you can install page analysis software on any server and use it for multiple sites.
- **Search engine marketing and optimization tracking**—this is scaled-back log analysis software that monitors and evaluates **referrals**, that is, how visitors get to your site.
- **Keyword research** applications help you identify keywords that will drive traffic to your site—they are particularly helpful in

finding the keywords that are “opportunities,” that is, not being used heavily by sites similar to yours.

- **Rankings monitors** track your position on various search engines relative to certain search terms—for instance, a rankings monitor will tell you that your site is number 347 in the list if a user searches “books” in Google and the twenty-fifth listing on Hotbot.
- **Link monitors** track referrals from links to your site from throughout the Web. Links to your site not only provide traffic, they also increase your search engine placement, so link monitoring is often a key aspect of search engine monitoring.
- **Pay-per-click bid management**—we discuss pay-per-click in the next chapter (8.3). Suffice it to say here that pay-per-click involves “bidding” for keywords in terms of placing ads on search engine or other sites. Pay-per-click management systems help you track the value or return on investment (ROI) that you’re getting from your bids in real dollar terms—this allows you to modify your bids to increase your ROI.
- **Click fraud monitoring** is a subset of pay-per-click bid management and is also discussed in the next chapter. Suffice it to say that your competition can eat up your entire ad budget by fraudulently clicking your ads whenever they appear (this can be done with automated software); click fraud monitoring tries to identify ad clicks that are made fraudulently.
- **Integrated analysis**—now we’re in the big bucks. Integrated analytical tools do all the above (log analysis, etc.) and track and monitor email and other campaigns to determine the effectiveness of a larger array of Web marketing tools and techniques.

You should do all your research about search engine marketing and the Web analytics tools you want in place *before* any serious work begins on your site. These tools often involve putting special code into your Web pages and may involve special tools on to your server. The real meat-and-potatoes of Web analytics will take place *after* your site is up and running.

7.12.1. AWStats

<http://awstats.sourceforge.com>

AWStats is an open source, free log analysis software package that is installed on your server. While it is designed for webmasters and other technical folks, we are including it here because it comes free with most hosting packages. (It can only be used on UNIX or Linux servers).

AWStats is a powerful tool—in fact, one of the best pure log analysis tools out there. Most pros I work with swear by it and a comparison to other major log analysis software packages bear this out. Log analysis has several advantages over remote tracking: it includes FTP and email usage, as well. Statistics do not have to be updated as they do in remote tracking software—every time you open AWStats, the numbers are current to the second, and you get valuable information about your users (computer system, screen size, and any “Add To Favorites” command, etc.).

Most Web analytics professionals rely heavily on log analytics even if they’ve hired another service, like Hitbox or ClickTracks. Because the remote software services are slightly inaccurate, log analysis is a valuable corrective as well as a source of greater detail.

7.12.2. Google Analytics

<http://www.google.com/analytics>

Google Analytics is a remote tracking software originally designed to help Web site owners and administrators track the effectiveness of their Google AdWords campaigns (see section 8.6.1). Since its introduction, however, it has evolved into an extremely powerful tool to measure referrals, user visits, and the effectiveness of other online, pay-per-click, and email campaigns designed to increase traffic to your site.

Google Analytics tracks your Web site usage through codes inserted into all site pages you want tracked. The Google search engine tracks these pages—in other words, Google Analytics does not work from your normal hosting Web logs.

Google Analytics tracks:

- Referrals and keywords
- Google AdWords campaign results
- Email and other advertising campaign results
- Ecommerce tracking—the reports tell you where each order comes from: what sites, what keywords, and what advertising campaigns
- Traffic and conversion information
- Lost conversions
- Geographical tracking.

Because Google Analytics is both powerful and free, there’s a whopping good chance that your Web developer will create an account for you and insert all the necessary code into your site pages.

Google Analytics also offers professional consulting and reporting for an additional (steep) price. Google Analytics is also fast becoming the analytics software of choice for lower-echelon SEO and link-builder vendors.

7.12.3. Clickalyzer

<http://www.clickalyzer.com>

Clickalyzer is an excellent, medium-priced Web analysis software that focuses on *segmenting* your site traffic and focusing heavily on *visit analysis*. Most site analytics software present aggregated statistics, but Clickalyzer is designed to break up your visitors into segments—such as visitors who buy, visitors who leave quickly, visitors who arrive via search engines, visitors who arrive by typing in your URL, etc.—and analyze what each of these segments do when they show up. In addition, the Clickalyzer interface has been designed for non-technical people—marketers, in particular—so there's no need for specialized knowledge. Since conversions are the holy grail you're seeking with Web analytics, having the ability to easily segment your audience is, we believe, an immensely powerful feature.

Clickalyzer also allows you to monitor Web sites you do not own (like your competitors' Web sites), monitor how much of a page a user scrolls to, and allows multivariable testing. The remote tracking feature means that you don't have to add special coding to your pages.

A seven day trial costs \$1.00. Month-to-month use costs \$30; a year's subscription costs \$300; a lifetime account costs \$600.

7.12.4. Stuffed Tracker

<http://www.stuffedguys.com/products/tracker>

At least one of the authors of this book *loves* statistics, and folks who love statistics get their jollies from crunching numbers from every angle possible. Stuffed Tracker is the Web analytics software product for people who like to crunch and munch site statistics. Designed for marketers and business owners as well as webmasters and other techie cowboys, Stuffed Tracker has one of the best reasonably-priced, statistics-heavy reporting packages we have encountered.

The software comes with a report constructor that allows you to create up to several billion different types of reports. The software tracks web traffic, all site activity, conversion rates, and campaign ROI. It also tracks multiple sites, analyzes pay-per-click data, and can be used to segment visitors.

Stuffed Tracker requires special code written in JavaScript, PHP, or HTML. The software can be installed on Linux, UNIX, or Windows

servers, but the software requires a PHP 4.0.3 or higher interpreter, a MySQL database (version 4 or higher), and, if you want to track sales, SSL protection.

Outside of a free, 30-day trial version, Stuffed Tracker comes in two versions:

- **Merchant**
Track five different Web sites
\$130
- **Agency**
Track ten different Web sites
\$400

7.12.5. HitBox Professional

<http://www.websidestory.com/products/web-analytics/hitbox-professional>

Designed for small- and medium-sized businesses, HitBox Professional, like Clickalyzer and Google Analytics, is a remote tracking software service rather than software you install on your server. Like Google Analytics, it is fast becoming a standard in the Web analytics marketplace. It offers search engine tracking, promotions tracking, visitor browsing aggregate analysis, and sales tracking. The service starts at \$35 per month.

Hitbox requires a special code to be inserted into your pages.

7.12.6. ClickTracks

<http://www.clicktracks.com>

ClickTracks is a premium Web analytics software package designed for marketing professionals who wish to get down and dirty with the data by enabling desktop data mining in addition to standard Web analysis.

ClickTracks provides the following data:

- Page-by-page navigation and user behaviors.
- Keyword density on each page as seen by search engine robots.
- Keyword ranking on the major search engines.
- Search engine robot activity reports.
- Referrals and keywords used.
- Google, Yahoo, and BidSearch keyword tracking and ROI.
- Email and other advertising campaign results.
- Click fraud reporting.

- Ecommerce tracking—where each order comes from: what sites, what keywords, what links, what affiliates, and what advertising campaigns.
- Traffic and conversion information.
- Lost conversions.
- Segmentation and segment labeling.

One unique feature of the software is the WYSIWYG features that overlay statistics right on top of each page of your site. For instance, you can go through your site and see statistics overlaid on each menu item to see how visitors are moving around on your site and navigating from each page. A “robots” view shows you exactly what your page looks like to search engines, so you can modify the site to maximize keyword density.

Click Tracks offers three products.

- **Optimizer**
Designed for SEM and SEO specialists and consultants
Uses log files
Reports: Search engine robot report; What's Changed report; campaign tracking
\$995 for 3 users and unlimited URLs
- **Optimizer Hosted**
Designed for consultants and companies managing online marketing
Uses JavaScript
Reports: What's Changed report; campaign tracking
\$79 per month for unlimited URLs
- **Pro**
Designed for medium to large Web sites or shopping cart sites
Uses log files
Tracks Google, Yahoo! Search Marketing, and custom campaigns; revenue, sales, and ROI
\$9,344 for unlimited users and unlimited URLs
- **Pro Hosted**
Designed for Yahoo! stores and other shopping carts
Uses JavaScript
\$239 per month for unlimited users and unlimited URLs.

7.13. Content Management Systems

Web content management systems, called CMS for short, allow you to create, delete, and edit pages on your Web site simply by typing the content into a WYSIWYG Web form. You don't have to do any coding, programming, designing, or updating. These systems imitate a basic word processing interface, so all you have to do is hit a few commands, type like crazy, hit a few formatting buttons, add a couple pictures, and check out for the day. The basic principle of a content management system is that it separates the **content** of a Web site or Web page from the **visual presentation** of that content.

If you want your site to change regularly, a content management system enables you to make changes quickly and cheaply. You can even use a content management system to allow your *users* to add content to your site, in the same way Facebook or YouTube does. While it may cost extra to set it up, a good content management system can save you thousands of dollars a year.

Personally, I don't understand why anyone builds a Web site without one. Really.

Chances are you've used a content management system on more than one occasion without even being aware of it. If you have a page on MySpace or Facebook, you've worked on a content management system. If you have a blog somewhere out there in hyperspace or you've participated in an online discussion forum, yes, you've most likely tossed in your two cents by working on a content management system.

Almost all content management systems reside on the hosting server and are accessed through a Web browser. Most use a **database** to store the templates and the content, but a few actually write the pages as individual files (like FCKEditor, 7.13.6 below). When someone calls up a page, the server takes the page template (the visual presentation part) and plops in the content from the database. So when you're on CNN.com, you're getting two things: a Web page *and* a bunch of words and pictures from the CNN content management database.

For all practical purposes, a Web CMS realizes its full value for very large sites that have several people involved in editing and managing the site. All the big sites you know—like Time.com, CNN.com, or Amazon.com—have one or more big, burly, expensive content management systems doing all the heavy labor at producing all those new pages every day.

But a Web CMS can dramatically cut the development costs of any business that needs to update its Web site on a regular basis. Online retail stores, content destinations, catalogs—these kinds of sites realize immense value from a content management system.

A content management system is both a **strategic** and an **operational** consideration—one that has to be worked out *before* you start developing your Web site. First, you determine the strategic value of updating your site on a regular basis and how this will work operationally. If all you have is an online “brochure,” you don’t need to update your site very often. If, on the other hand, you’re running a store with merchandise changing all the time, you’ll want a good chunk of your site governed by a content management system.

Once you determine your strategic and operational goals, you have to decide which parts of the site will be **dynamic**—that is, governed by a content management system—and which will be **static**, that is, built from standard Web pages. Only then can you sit down and start building your Web site. Why? Because dynamic pages require the production of **templates**, that is, pages that only have graphics, markup, and programming, but no content, which resides in the database. Those templates have to be designed *specifically* to maximize their use in delivering dynamic content.

Content management systems have the following components:

Templates: A Web CMS works by using templates, which are graphical renderings of the pages that will house content. A CMS can, of course, have more than one template; a typical CMS Web site will have three or four templates (Amazon.com has five). Essentially a template is a “build once, use over and over” Web page. Every time you add a Web page, you don’t have to recreate the template. You just insert the content into the database. And if you want to change the template, you change it only once and presto! All the pages using that template change, too.

Content editor: the content editor lets you change, add, or delete content from your Web site or pages. Because the visual presentation is stored in the templates separate from the content, this means that adding or changing content is easily done just by typing—no coding or fancy footwork.

Workflow management: most content management systems allow for work to be done by several people and for you or an entire battalion of supervisors to manage that work. While you may not have such a complicated organization yet, many companies have content created by one person, edited and proofread by another person, and approved by one or more other people before the content ever goes live. Workflow management allows that kind of process to proceed without hitches.

Document management: most Web content management systems also include document management features by keeping a record of when content is created, when it’s changed, etc. Some CMS applications integrate with project management systems.

Web standards: the best Web content management systems adhere to current Web standards and upgraded to reflect changes in those standards.

Extra features: we've just listed the bare bones of a CMS—almost all content management systems also come with plug-ins that add significant features and power to the basic system, like being able to convert Word documents directly into HTML-formatted Web content. Other extra features include:

- Advertising management
- Asset management
- Blogging tools
- Online chat tools
- Classified ads
- Contact management software
- Discussion forums
- Ecommerce tools such as wish lists and product catalogs
- Events calendars
- FAQ page management tools
- Graph and chart makers
- Guest books
- Help desk communications software
- Image and photo galleries
- Job postings
- Link management
- My Page creators (for users)
- Newsletters
- Polling and surveying software
- Project management
- RSS feeds (syndicated content pulled from other sites)
- Site map page creators
- Test or quiz generators (including grading and correcting)
- User pages
- Web forms

Some things to watch out for when shopping around for a content management system:

- **Platform**—your Web site can be hosted on any number of operating systems. Your CMS—and the database it's attached to—have to be compatible with that system.

- **Production**—Some CMS systems produce “flat” files, that is, a new page for each piece of content, but most use **relational databases**. A relational database gives you more power and control over the system—for instance, in a flat file system, if you change the template, the old pages won’t change. A small subset of content management systems produces **XML** files.
- **Database**—the relational database attached to the CMS is, of course, a **database management system**. That DBMS must be compatible with and supported by your hosting server.
- **Scripts**—content management systems also run server- or client-side scripts, such as PHP, Perl, or Java—certain scripts, such as PHP, require server-side support.

7.13.1. *Mambo Server*

<http://www.mamboserver.com>

Mambo, which uses PHP as its coding language and MySQL as its back-end database, is one of the most popular content management systems on the market. It is an open source, free content management system and, with all the add-ons, one of the most complete. Most importantly, Mambo, like Joomla!, has an easy-to-use interface that does not demand enormous skill or a steep learning curve. Universally praised for both its power and ease-of-use, Mambo comes as a standard application offered with most hosting services. You will, however, have to install many of the add-on components to get the full power of the system.

Like all content management systems, Mambo is designed for collaborative work on a Web site. A Public Frontend allows authors and publishers to produce, post, and edit content in the areas of the Web site where they have permission. A Public Backend is for managers, administrators, and super administrators, who can control the menu configurations, banners, users, components installation, and the look and design of the site.

Mambo content administration is handled with elements: you build a page with elements like static content, news items, polls, banners, FAQ items, etc. A single page might have more than one element: the bulk of the page may be static content, but there also might be a news flash in a side bar and a poll at the bottom. In Mambo, you input each of these elements separately.

Mambo offers a WYSIWYG editor so you can see how your content will appear as you’re producing it—a distinct advantage over other CMS applications. Mambo also includes a scheduler that publishes items automatically according to the times that you set for publication.

The Mambo Template system is among the easiest to learn across all CMS applications. However, unless you're willing to put in a fair amount of time, you will want to hire a firm that specializes in CMS design or, better yet, has experience with Mambo.

Mambo's greatest virtue is the sheer amount of add-ons that have been developed for the system. The Mambo community is very large (not as large as phpNuke, however), and it has developed incredible resources including image galleries, shopping carts, payment systems, Google AdSense modules, and even integration into Skype (3.16.2).

Mambo Features

See Appendix: CMS Features Comparison

Sample Mambo Sites

The following are Web sites built entirely with the Mambo Server content management system and represent a pretty full range of what the application and its add-ons can do.

- **Hyundai Venezuela** (<http://hyundai-motor.com.ve/cms>)
- **First Steps** (<http://www.firststepsforkids.com>)
- **MTV Netherlands** (<http://mtv.nl>)
- **Penguin Computing** (<http://www.penguincomputing.com>)
- **The Mission** (<http://www.themission.com>)
- **Bay View Hill Villas** (<http://bayviewhillvillas.com>)

7.13.2. Joomla!

<http://www.joomla.com>

Joomla! consistently ranks as one of the top content management systems by users of all stripes; like Mambo Server, it is an open source, free CMS that uses PHP as code and MySQL as its back-end database. In fact, the resemblances don't stop there. In 2006, almost all the Mambo Server programmers quit the project and released *their* next version of Mambo as Joomla!. So the various versions of Joomla! are really new versions of Mambo (although Mambo Server has a whole new set of programmers updating its software). For this reason, the two are often grouped together and simply called Mambo and Joomla! Joomla! is much more popular, however, and boasts some pretty significant sites.

Joomla! comes standard with most hosting packages.

Like Mambo, Joomla! is famous for its ease-of-use, easy installation, and the huge number of add-ons, mostly free, that make it one of the most powerful CMS applications out there. Joomla! also boasts a larger developer

community and a significantly larger number of Web design firms that specialize in Joomla! Web sites.

Like Mambo, Joomla! has a Public Frontend that allows authors and publishers to produce, post, and edit content in the areas of the Web site where they have permission. A Public Backend is for managers, administrators, and super administrators who can control the menu configurations, banners, users, components installation, and the look and design of the site.

As with Mambo, Joomla! content administration is handled with elements: you build a page with elements like static content, news items, polls, banners, FAQs items, etc. Joomla! offers a WYSIWYG editor so you can see how your content will appear as you're producing it and also includes a scheduler that publishes items automatically according to the times that you set for publication.

Like Mambo, the Joomla! Template system is among the easiest to learn across the CMS spectrum. There are many resources available both in print and online to help you use Joomla! and develop Web sites on the platform.

(In case you're wondering about the name, it's Swahili and means "everything all together.")

Joomla! Features

See Appendix: CMS Features Comparison

Sample Joomla! Sites

If you want some idea of what you can do in Joomla!, check out these sites.

- **United Nations Regional Information Center** (<http://www.unric.org>)
- **LA Weekly** (<http://www.laweekly.com>)
- **Samuel Jackson** (<http://samueljackson.com>)
- **Porsche Brazil** (<http://www.porsche.com.br>)

7.13.3. Drupal

<http://drupal.org/>

While Mambo and Joomla! have some pretty passionate adherents—especially on the non-technical side—Drupal is considered the best in class for both open source *and* commercial CMS applications. It is used in many of the largest, most trafficked sites on the Web, like Us Magazine and The Onion. Originally written as a bulletin board application, Drupal has expanded to become one of the most full-featured CMS applications with

a wide variety of add-ons. Although it boasts a large developer community, however, it does not have as many add-ons as Mambo and Joomla!

Unfortunately, for non-technical folks, it is a harder application to use than Mambo and Joomla! Developers prefer it over Mambo and Joomla!, but they have skills most of us lack. Besides having a steeper learning curve, it is also much harder to install—which should give you pause because it's not always offered with hosting packages. You may have to install it yourself.

Drupal uses modules and a customized content classification system to handle content. You set up the taxonomy to classify various types of content and then plunk the content you produce into one of the categories. This gives you significant flexibility without having to write any code, a feature no other open source CMS has. In addition, Drupal has some very powerful automation features that can greatly speed up content publication.

Finally, there are a number of customized versions of Drupal. For instance, the Howard Dean for President Campaign in 2004 significantly revised the Drupal code for grass-roots activism. That version of Drupal is now called CivicSpace and is available free for similar sites.

And, yes, if you're getting tired of silly names, please take a number and wait your turn. In this case, the word is Dutch (*druppel*) and means "drop," as in "a drop of water." What the . . . ? Here's the story: the developer wanted to call it "dorp" (Dutch for village) but typed it wrong. So there.

Drupal Features

See Appendix: CMS Features Comparison

Sample Drupal Sites

Drupal is the most widely-deployed CMS open source application out there. You've probably been to several Drupal sites without knowing it. Here's a smattering of major samples:

- **Us Magazine** (<http://www.usmagazine.com>)
- **The Onion** (<http://www.theonion.com>)
- **New York Observer** (<http://www.observer.com>)
- **Air America** (<http://www.airamerica.com>)
- **MTV (UK)** (<http://www.mtv.co.uk>)
- **Playstation Universe** (<http://www.psu.com>)

7.13.4. PHP Fusion

<http://www.php-fusion.co.uk/>

Using PHP as its scripting language and MySQL as its back-end database, PHP-Fusion is a relatively lightweight open source content management

system popular with owners of small sites. With add-ons (called “infusions” in the PHP-Fusion world), PHP-Fusion has almost as many features as the big three—Mambo, Joomla!, and Drupal—but has a slightly steeper learning curve. Like the big three, PHP-Fusion frequently comes packaged free with many hosting services.

PHP-Fusion Features

See Appendix: CMS Features Comparison

7.13.5. PHPNuke

<http://phpnuke.org/>

PHPNuke is an open source content management system primarily designed for community-based portals, like news, social networking, or fan sites. Based on PHP as the scripting language and MySQL as the back-end database, PHPNuke started life as a news content management system. Most Web hosting services very commonly offer it as a free add-on, but many users find it far more limiting with far fewer features than the big three—Mambo, Joomla!, and Drupal. Most limiting of all, in the authors’ view, are the page templates—you can easily tell you’re on a PHPNuke Web site simply by the way it’s laid out. Check out some of the sample sites to see what your site will look like when powered by PHPNuke. If original (or even good) design is important to the success of your site, PHPNuke is not for you.

The most substantial criticism of PHPNuke involves security issues. This is well-known in the CMS community and when one of the authors researched sample Web sites, he came across more than one that had been shut down because some hacker had managed to access the site, erase the database, or some other villainous deed.

You will encounter PHPNuke in innumerable forms as you research or try out content management systems, because the software has many “forks.” A “fork” is a completely separate version of the software. Because open source software is free to anyone to change or develop, they are often changed and packaged under a different name. You will probably encounter some of the following PHPNuke forks as many are offered free with hosting packages:

- Nuke-Evolution
- openPHPNuke
- phpWebSite
- PostNuke
- XOOPS
- Xaraya

PHPNuke Features

See Appendix C: CMS Features Comparison

Sample PHPNuke Sites

- **Slashdot** (<http://www.slashdot.com>)
- **Fly Fishing Info Center** (<http://www.flymartonline.com>)
- **The School for Self-Healing** (www.self-healing.org)

7.13.6. FCKeditor

<http://www.fckeditor.net>

FCKEditor is a very small, very simple HTML page and site generator. It is blissfully easy to install and use, but does require that you have a modicum of knowledge about setting up your Web directories, linking, and other aspects of creating Web pages. In my consulting practice, I have inherited two or three sites in FCKeditor and have been pleased with the output.

If you are skilled at building and coding Web sites, FCKEditor gives you the most freedom to develop original designs, coding, and scripts, since the system saves files as *flat files*, i.e., separate HTML or PHP pages. The only thing FCKEditor manages is the content on the page, so changing the content does not change any special coding, multimedia, or scripts you place on the page “manually.”

If you’re looking for the simplest possible content management system, the powerhouses like Mambo! and Joomla will be a hard slog for you, so we’ve included FCKeditor as the best, cheapest (free), and easiest bare-bones content management system available.

But what’s up with the name, eh? What were they thinking?

Sample FCKeditor Sites

- **Innoverde** (<http://www.innoverde.com>)

7.14. Blogging Software

Blogging software is a specialized content management system that allows content entries to be posted in reverse chronological order similar to diary entries (the word, blog, is a shortened form of “Web log.”) Blogs usually contain commentary and news in a combination of text, pictures, videos, links, and Web pages. While blogs initially started as personal journals, they have evolved into a variety of functions, such as political commentary, news, gossip, and, for your purposes, amazingly effective marketing devices.

From a marketing perspective, a blog allows you to post content, such as a newsletter or advice column, regularly to your Web site. All research shows that Web users are primarily interested in content—articles, journals, videos, and what not—and less interested in marketing copy. Savvy Web marketers use their sites to post regular content—news, advice, tips, articles, newsletters—to attract and keep an audience for their site. One of the most effective ways to achieve this is through a constantly updated blog on your site. The more your business is oriented to professional services or advice, the more useful a blog can be for generating interest and excitement in your product.

Blogging software is installed directly on to your server and has two distinct parts:

- The **administrative** interface allows you to configure your blog, design your pages, enter your blog entries, and manage commentary—if you’re allowing commentary!
- The **public** face of the software displays your blog entries, commentaries by users (if you allow them), and links to your full blog content.

Because the software has to be installed directly on to your server, you may need to engage the services of a Web professional. The software is easy to install, however, and your hosting service may provide the service for you. Many hosting services offer top-notch blogging software for free as part of their hosting packages.

When evaluating blogging software, you should pay keen attention to several components—ignore one of these, and you may find yourself with the unpleasant task of throwing many of your blogs away to make the transition to a better package!

- **Platform**—your Web site can be hosted on a variety of platforms and blogging software will work on some, but not others. Know your hosting plan’s platform and choose the appropriate blogging software. Better yet, if blogging is integral to your site’s success, choose the ideal blogging software first, then choose the platform.
- **Storage**—Blogs can store files in one of two ways: in a database or as flat files. Software that stores your content in a database offers you greater control over the content; software that stores content as separate, flat files is often simpler. If you choose software that saves flat files, any changes to your template will only affect new blogs—the old blogs will still be published with the old template.

- **Database**—like many content management systems, a blog can sometimes be little more than a database and so requires a **database management system**. If your blogging software stores entries in a database, it will be compatible with *one* DBMS and you need to make sure your hosting service offers it or allows you to install it.
- **Script**—blogs also run server- or client-side scripts, such as PHP, Perl, or Java—certain scripts, such as PHP, require server-side support.
- **Number of weblogs**—this may not be an issue if you only intend to produce one weblog. Some software packages allow you an unlimited number of different weblogs; some let you only have one running weblog.
- **Post moderation**—if you allow employees or freelancers to post content to your blog, you absolutely want to intercept and read these posts before they're displayed on your site. Some software allows you to exercise administrative controls over posts and others don't.
- **RSS feeds**—RSS (“Real Simple Syndication”) is a technology that allows you to post syndicated content from other sites without doing any work yourself; it also allows you to convert your blog into an RSS feed that other site publishers can publish on their sites. It's why you see CNN news items on dozens of sites that aren't CNN. Attaching an RSS feed means that content posted on other sites will appear in a directory on your site; some blogging software will allow you to fully aggregate RSS feeds from other sites and display them on your Web pages; some will allow you to integrate RSS feeds into your Weblog; others have no RSS feed capacity.
- **Pingbacks**—now we're getting into some real techie stuff, but *pingbacks* really matter if you're using your site to build traffic to your site—*very important* if you're selling or marketing through your site! If your blogging software has pingback, when you link to another site, the pingback then informs the owner of that other site about the link. If you're linking to a site that also has pingback, a link to your site might be automatically generated. If not, the owner of that site may choose to link back to your comment. It's a way of creating mutual links that increase traffic for everybody. Even if you have no intention now of using pingbacks, you should not use blogging software without it.

In this section, we only discuss blogging software packages that you install directly onto your server and that display your blogs as part of your Web site.

7.14.1. WordPress

<http://www.wordpress.com>

WordPress always manages to make it to the top of the “best” lists written by webmasters and bloggers (it also happens to be the software I use on all my sites). WordPress is completely free and often comes packaged free with hosting services. It is one of the most aesthetically pleasing of the blogging interfaces offered and is relatively easy to set up on your server.

WordPress only allows you a maximum of one Weblog. You can have unlimited categories in your Weblog, as well as RSS feeds (to which you can add comments). The software also includes comment moderation comment blocking tools, and pingback. Many users rave about WordPress’ templates (PHP templates) that rigorously follow Web standards and are simple to edit and integrate with the rest of your site.

WordPress requires that your server have PHP version 4.1 interpreter (or higher) and MySQL 3.2.3 (or higher).

7.14.2. Movable Type

<http://www.movabletype.com>

Movable Type is the other great contender for top spot in the blog software world. Like the other top contenders—WordPress and b2evolution—it is a free, open source software that often comes bundled with most hosting packages. Movable Type, however, depends on the Perl scripting language, making it a bit more unwieldy than PHP-based blogging products.

Unlike WordPress, you can run an unlimited number of blogs with multiple categories from an unlimited number of users on your site. You can produce RSS feeds from your blogs (which allows other blogs to stream your blog onto their site). You can also attach RSS feeds from other sites and attach comments to that syndicated content. The software allows you to create multiple users and moderate comments.

Movable Type requires that your server have a Perl 5 or higher interpreter but can work with a variety of databases (MySQL, Berkeley DB, SQLite, or PostgreSQL—all require a Linux server).

7.14.3. b2Evolution

<http://www.b2evolution.net>

b2Evolution is another highly popular, highly-rated blogging software product that shows up in many hosting service packages as a free install. As open source, it is free for you to download and install on your server.

b2evolution allows unlimited blogs with several categories, along with RSS feeds, RSS output, RSS feed commenting, comment filtering, post moderation, and multiple users. Templates are in PHP.

b2evolution requires that your server can have a PHP version 4.1 interpreter (or higher) and MySQL 3.23.3 (or higher).

7.14.4. Serendipity

<http://www.s9y.com>

While it doesn't typically gravitate to the top spot, Serendipity is very highly regarded in the blogging and blog software community. It also appears relatively frequently as a free install offered with many hosting packages. Serendipity is also free to download and install yourself.

The software comes with 40 easily modified templates (easy, that is, if you know CSS) and is known for its simple install. Based on PHP as its coding language, Serendipity allows for unlimited blogs by an unlimited number of users, supports RSS export and import, RSS feed commenting, blog entry comment moderating, and post moderation.

System requirements include PHP version 4.1 interpreter or higher and either MySQL 3 (or higher) or PostgreSQL databases.

7.14.5. Performancing Metrics

<http://pmetrics.performancing.com>

We admit it. Performancing Metrics is not blogging software, but a Web analytics tool. So why is it here and not the Web Analytics section (7.12)?

Performancing Metrics is a Web analytics software product specifically designed to analyze blogging traffic and usage patterns. Blogs attract different usage patterns than standard Web sites. In particular, blogs attract *regular* users, some of whom visit the blog site one or more times per day. In fact, the success of a blog is measured by how many *regular* users the site can attract. Tracking blog usage, then, absolutely requires Web analytics software that can "tag" individual users and track their usage in reports, which is what Performancing Metrics is all about. Standard Web analytics software is simply not designed to find and segment out users who come to your site frequently day after day.

So, if you're running a blog either on your site, a social networking site, or a blogging site, and you're serious about the blog in terms of driving sales or conversions, then you should be tracking your blogs with a special analytics tool. I cannot tell you how many people I've worked with who are actively

blogging day after day to drive traffic or awareness who have absolutely no idea if they're getting any value at all from the activity!

Performing Metrics is the best blog traffic tracking package available. Unlike traditional Web metrics software, it gives incredible detail about users. In fact, you can drill down and get individual reports about single users that includes geographical origin, computer system, screen size, Web browser, and an entire directory of their visits to your blog (as well as detailed information about each visit, such as number of scrolls, referrer, and time spent).

Performance Metrics requires two lines of HTML code to be inserted into your blogs.

The software comes in three configurations:

- **Basic**
3 sites, 1,000 average daily visits, limited features
Free
- **Blogger**
3 sites, 10,000 average daily visits total, extra features
\$3/mo or \$20/year
- **Pro/Small Business**
10 sites, 50,000 average daily visits total, all features
\$6/mo or \$50/year

7.15. Wikis

A wiki is a special type of content management system that allows not only *you* to add content to your site, but allows your *users* to do so, as well. Perhaps the best known wiki-based site is Wikipedia (<http://www.wikipedia.com>), an online encyclopedia totally written by the Web community. In fact, adding and modifying entries is available to *anyone* in the world who registers with the encyclopedia. Other well-known sites using wiki-like systems include Facebook and MySpace—in fact, most social networking sites use one of the wiki systems listed below or a customized wiki.

There are a number of reasons you may want a wiki on your Web site:

- You may want to install a password-protected wiki as a collaboration site between you and your employees, contractors, or clients. For instance, you may want to post work for client commentary.
- Another use for a password-protected wiki is as a company Intranet.

- If your venture involves a content-rich Web site, you may wish to lighten your work load by letting users generate content (you can monitor entries and publish only content you've approved, if necessary). As the Wikipedia history shows, a wiki is the most efficient way to generate free content very rapidly.
- Wikis allow for rapid development and deployment of **social networking** sites that allow people to create their own profiles, blogs, and image galleries and link to other profiles. For this, you need a wiki that allows for password-protected user spaces.

7.15.1. WikiMatrix.org

<http://www.wikimatrix.org>

WikiMatrix is a Web site solely focused on evaluating wiki software and is primarily directed at Web developers and site owners. The site allows you to find wikis by inputting your business or technical needs, or you can just browse each wiki software package and compare it to others.

7.15.2. MediaWiki

<http://www.mediawiki.org/wiki/MediaWiki>

MediaWiki was the software originally written for Wikipedia and many consider it the best of the wiki applications out there. Unlike other wiki software, however, it is optimized to run on many servers at once; the software is Linux-based. MediaWiki is open source and free to download and install.

7.15.3. DokuWiki

<http://www.splitbrain.org/go/dokewiki>

Primarily designed for developer teams, workgroups, and small businesses, DokuWiki is free and available on on Linux systems running Apache server software (i.e., Linux servers) with PHP interpreters.

7.15.4. TWiki

<http://twiki.org>

TWiki was primarily designed as a collaboration platform for development teams and Intranets. It is open source, free, and written in Perl, which means it can be used on any server—Windows, Linux, or Macintosh—that has a Perl interpreter.

7.15.5. *bitweaver*

<http://www.bitweaver.org/>

bitweaver is designed for both large-scale community sites and small businesses that allow users to use and access tools to create articles, pages, blogs, image galleries, and calendars. It is open source and free; it can be installed on either Windows or Linux, that is, any server with a PHP interpreter.

7.15.6. *Tikiwiki*

<http://tikiwiki.org>

Tikiwiki is an open source, free community and collaboration software with the largest number of features of any open source wiki or collaboration software. TikiWiki can be installed on any server—Windows or Linux or whatever—with a PHP interpreter installed.

7.15.7. *MoinMoin*

<http://moinmoin.wikiwikiweb.de/MoinMoinWiki>

MoinMoin is free software designed for both workgroup and public wiki installations. The software is designed for Windows servers.

Appendix:

CMS Feature List

Feature	Mambo	Joomla!	Drupal	PHP-Fusion	PHP Nuke
Advertising management	Feature	Feature	Add-on		Feature
Asset management	Feature	Feature	Feature		
Blog	Feature	Feature	Feature	Feature	Feature
Chat	Add-on	Add-on	Add-on	Add-on	
Classified ads	Add-on	Add-on	Add-on		
Contact management	Feature	Feature	Add-on	Limited	
Content scheduling	Feature	Feature	Add-on	Feature	
Database reports	Add-on	Add-on		Limited	
Discussion/forum	Add-on	Add-on	Feature	Feature	Feature
Document management	Add-on	Add-on	Limited	Feature	
Ecommerce affiliate tracking	Add-on	Add-on	Add-on		
Ecommerce pluggable payments	Add-on	Add-on	Add-on		
Ecommerce pluggable sales tax	Add-on	Add-on	Add-on		
Ecommerce pluggable shipping	Add-on	Add-on	Add-on		
Ecommerce shopping cart	Add-on	Add-on	Add-on		
Ecommerce wish lists	Add-on	Add-on	Add-on		
Events calendar	Add-on	Add-on	Add-on	Add-on	

Feature	Mambo	Joomla!	Drupal	PHP-Fusion	PHP Nuke
FAQ management	Feature	Feature	Feature	Feature	Feature
Graphs and charts	Add-on	Add-on			
Guest book	Add-on	Add-on	Add-on	Add-on	
Help desk	Add-on	Add-on	Add-on	Feature	
Image gallery	Add-on	Add-on	Add-on	Feature	
Job postings	Add-on	Add-on	Add-on		
Link management	Feature	Feature	Add-on	Feature	Feature
Mail form	Feature	Feature	Add-on	Add-on	
Matrix					
Multiple sites	Add-on	Add-on	Feature		
My Page	Add-on	No	Add-on	Limited	
Newsletter	Add-on	Add-on	Add-on	Add-on	
Polls	Feature	Feature	Feature	Feature	Feature
Product management	Add-on	Feature	Add-on	Feature	
Projects tracking	Add-on	Add-on	Add-on	Limited	
RSS (syndicated content)	Feature	Feature	Feature		Feature
Search engine	Feature	Feature	Feature	Feature	
Site map	Feature	Add-on	Add-on	Add-on	
Surveys	Add-on	Add-on	Add-on		
Tests/quizzes	Add-on	Add-on	Add-on	Add-on	
User contributions	Feature	Feature	Feature	Feature	Feature

Promotions: Marketing & Sales

8

Marketing is the engine that drives every business. It is a very complex affair, but nothing says you can't go up against even the biggest marketers in the world with just the right combination of cleverness, strategy, and insight. While we can't make you brilliant marketers in this or any other book, we can outline the basics of marketing promotions and strategy and point you to the most valuable resources you can exploit on a limited promotions budget. We begin by explaining promotions and all that they entail; finding the proper mix of promotions depends on your strategy and your customer. Since you're working on a shoestring budget, the rest of the chapter concentrates on Web-based promotions, which offer you the best exposure for your dollar. These include introductions to search engine marketing and Web advertising. The chapter goes into great detail about Web advertising, with separate sections on search advertising, banner exchanges, exit exchanges, pay-per-click networks, widget advertising, and affiliate marketing. We end with a short discussion of Customer Relationship Management, the cornerstone of building and maintaining a successful sales program.

8.1. Promoting Your Company, Product, or Service

When you hear the word “marketing,” what comes to mind?

“Advertising,” you might say. “Selling.” “Public relations.”

Yes, but not quite. Marketing comprises far more than “advertising” and “selling,” which are only one part of a business’s marketing functions. Marketing is, in fact, the engine that drives almost every business and it consumes a significant chunk of business activity. Some businesses, like Nike, are almost entirely marketing operations (the manufacturing is handled by other companies).

Marketing is a complex and difficult aspect of your business that comprises far more than promoting or selling. It’s the core of your business and has the following four components:

Product

The single most important aspect of marketing is the product or service you’re offering. If you make a product people want, you cruise your way to success. If your product or service is not something that people want come hell or high water, all the advertising and public relations in the world may not help you.

Pricing

Pricing is an arcane art that involves setting a competitive price for your product that balances volume (revenue) with profit (margins). Pricing is the single greatest challenge in marketing and can involve immensely complex and difficult tactics.

Place

Your service or product has to be offered “somewhere”: in a store, on a supermarket shelf, at a lemonade stand on the sidewalk, or on the Web. Placement is, like everything else in marketing, a complex art that balances maximum exposure to your customers with the costs of getting that exposure.

Promoting

Promotions consist of everything you normally think of as marketing: advertising, packaging, public relations, Web site, email, product placements, and so on. Promotions make your customers aware of your products and services and, if done right, convince them that they really want to throw money at you just to get their hands on your products and services.

Called the **Four P's** (product, pricing, placement, promotions), these make up the fundamental building blocks of marketing. Properly speaking, they are not separate and distinct but rather work in tandem to make you tons of money or, if you get part or all of them wrong, can leave you with an empty bank account.

We have dealt with price, product, and placement in previous chapters. In this chapter, we will only focus on **promotions**. Promotions are the one area where you are truly only limited by your imagination and cleverness. As someone who's been in the promotions business for a mighty long spell now, I can tell you that if there's some way to promote a product, someone will think it up.

You have literally thousands, nay, millions, of ways to promote your product, but they fall under nine general categories: media advertising, outdoor advertising, direct response (one-on-one), Web promotions, partnerships, point-of-sale, public relations, guerilla marketing, and sales.

- Media advertising
 - Television advertising
 - Print advertising (magazines, newspapers)
 - Theatre advertising
 - Yellow Pages, etc.
- Outdoor
 - Billboards
 - Benches and bus stops
 - Sandwich boards/sign spinners
- One-on-one or direct response advertising
 - Direct mail
 - Email
 - Catalogs (both mailed and online)

Promoting Your Company, Product, or Service

- o Coupon marketing
- o Television infomercials
- o Windshield/distributed fliers
- o and personalized marketing, etc.
- Web marketing
 - o Web site
 - o Search engine marketing (SEM)
 - o Banner advertising
 - o Link exchanges
 - o Online affiliate marketing
 - o Pay-per-click advertising
 - o Social network profiles
 - o Online video
 - o Auctions, etc.
- Partnerships
 - o Retailers
 - o Strategic partnerships
 - o Partner promotions
 - o Product bundling
 - o Cross-promotions
 - o Product placements, etc.
- Point-of-sale
 - o Packaging
 - o In-package materials
 - o Store displays
 - o Store signage
 - o Retail shelf placement
- Public relations
 - o Media coverage
 - o Blogging
 - o Articles
 - o Reviews
 - o Buzz-building
 - o Social networking
- Guerilla marketing
 - o Online games
 - o Downloadable video
 - o Viral email
 - o “Phony” Web sites
 - o Social network profiles
 - o Online forum or blog “plants”

- o Non-traditional advertising
- o Product “parking”
- Sales
 - o Lead generation
 - o Sales cycle management
 - o Customer relationship management (CRM)
 - o Customer service
 - o In-store demonstrations
 - o Presentations
 - o Trade shows/conferences
 - o Exhibits
 - o Brand ambassadors
 - o Customer advocacy
 - o Gifts
 - o Loyalty programs

This is a pretty big pile of stuff to wrap your mind around!

The key to promotions is **integration** (usually called **integrated marketing** or **integrated advertising**). Small business entrepreneurs often approach promotions as if they were picking salt water taffy out of barrels. “Let’s advertise here and start a blog over there and send a coupon and call a bunch of people on this list and build a Web site.” They scatter their promotions based on what sounds good rather than integrate them into one effective package. An integrated advertising plan is like a perfect storm: the whole produces more than the sum of their parts.

Integration frequently starts with determining a “center” to your promotion strategy. What promotions venue can most effectively raise awareness and interest within your budget? If you had to choose one and only one way to promote your product, what would it be? Once you’ve answered that question, then you can figure out how other promotions can help this centralized strategy.

For instance, if you decide that search engine marketing—working to place your product or Web site at the top of search engine results for certain keywords—is the best and cheapest way to build awareness and sales, then you want to choose other elements that contribute substantially to that strategy. Obviously, television and print advertising will not help much since they only minimally affect search engine rankings. Rather, you’re going to emphasize banner advertising, pay-per-click advertising, strategic partnerships, affiliate marketing, guerilla marketing, and link management over everything else.

You have two goals in your promotions:

Promoting Your Company, Product, or Service

- You want to make people **aware** of your company, product, or service.
- You want to **create** a certain defined perception of your company, product, or service that produces an **intent** to purchase.

That's it. Those two words are what promoting is all about. Awareness. Intent.

The whole process of creating awareness and instilling in people a perception of what you or your product is about is called **branding**.

Branding begins with determining as precisely as possible the “perception” you want people to have about your company or your product. The first step is to create a **position** for your company or product—a position is typically stated in a single sentence. Positioning formally defines the perception you want people to have when they see or hear about your “brand,” which can either be the name of your company (like Nike) or the name of your product or service (like Air Jordan). You’re looking for a position, a way of thinking about your product, such that if other people thought *exactly the same way* about your product, then they would gladly part with their hard-earned dollars just to get their mitts on it.

Once you have a position, you need to determine what **message** best conveys that position. **Messaging** is how you communicate a position to your audience that effectively convinces them to adopt that position. Once you’ve got messaging nailed, it will serve as the foundation for all your promotions: advertising, Web marketing, packaging, viral marketing, and so on. Wherever your promotions appear, there’s your message. Over and over again until your audience has fully assimilated it.

This is what a “message” looks like.

Ford Trucks. Built Ford tough.

*Wal*Mart. Lowest prices everyday.*

Now switch them. How about “Ford Trucks: Lowest prices everyday.” Different message, different position. Makes you want to run out and buy a Chevrolet, doesn’t it? How about: “Wal*Mart. Built tough.” Different message, different position, and definitely an appeal to a different audience.

If the message does not fit the position, people get the wrong idea.

The more effectively you promote your product, the more people will incorporate your positioning into their perceptions and be motivated to buy your product *based on these perceptions*. When you can boast that a certain number of people think about your product or company the way you want

them to think about it, then you've acquired **brand equity** and have an asset that has a real monetary value. Why are people willing to go out and buy a Ford F-150 rather than some other brand of truck? Because they think Ford trucks are tough, a perception which the parent company, Ford, has spent billions of dollars trying to cram into everybody's head. And the more people like you who think of Ford trucks as tough, the more dollars you're willing to part with in order to own one. That's what we mean by brand equity. We call it "equity," because when you've achieved it, you can charge a *brand premium* for your product. People are willing to pay more just to have your brand.

We've said it once and we'll say it again. This is a pretty big pile of stuff to wrap your head around.

But you must master it either intellectually or intuitively if you want the money conveyor belt to start pumping those dollars through *your* door. Chances are, you weren't a marketing genius in your previous incarnation. So you can start getting your head around the subject by rooting around in some general marketing resources. If you had to actually go out and buy these resources as books or classes, your bank account would be lighter by tens of thousands of dollars. Remember: marketing is the engine that drives your business. If I were you, I would make these resources bookmarks and work through them on a regular basis.

8.1.1. American Marketing Association

<http://www.marketingpower.com>

The American Marketing Association, along with the Direct Marketing Association, is the powerhouse professional organization for marketers and they run the grand-daddy of all marketing sites. The AMA site offers what could be the richest repository of current materials, practices, and thoughts on contemporary marketing and branding. This is the place to start as you begin to craft your marketing strategy.

Best Practices Articles. The AMA provides limited but potentially valuable articles on best practices in

- Advertising
- B2B marketing
- Consumer promotions
- Database direct marketing
- Internet marketing
- Media
- Marketing research
- Marketing strategy
- New product development

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- Public relations
- Sales
- Small business marketing

Case studies. The AMA's case studies concentrate largely on corporate marketing, but many provide valuable ideas to entrepreneurs and small businesses in branding, global marketing, return on investment, and new products.

News. The AMA publishes several professional magazines and makes past issues available for free on its Web site:

- *Marketing News*—general articles and news on marketing trends and innovations.
- *Marketing Research*—articles on best practices and trends in market research.
- *Marketing Management*—designed for mid- and senior-level corporate marketing managers.

Articles. The site also includes articles, reports, and a dictionary of marketing terms. These cutting edge articles represent the best current practices and thinking in marketing—a discipline that's constantly on the move. In marketing as in technology, anything you learn today is already obsolete. Before you start any marketing endeavor, whether it's branding your products, starting a direct marketing campaign, or porting your marketing into cyberspace, you should browse these articles for ideas.

Books. The site allows you to purchase AMA-produced books on basic marketing topics such as *Marketing Fundamentals*, *Strategic Marketing*, or *Marketing Effort*.

Directory. Finally, the site includes an invaluable marketing services directory listing companies and AMA members who specialize in

- Consulting
- Customer satisfaction
- Direct marketing
- Focus groups
- General marketing
- Interactive marketing
- International research
- Market research
- Multicultural marketing

8.1.2. 12Manage: Marketing

http://www.12manage.com/i_m.html

12Manage (pronounced “one-two-manage”) is one of many buried treasures on the Web. The site provides rich, valuable general business resources intended for middle and senior managers on topics such as organization change, leadership, communication, decision-making, ethics, finance, investment, human resources, program management, and knowledge management. Although aimed at corporate managers, the marketing section provides must-read resources as you contemplate, develop, and grow your offline and online marketing tactics. It’s like the Cliff’s Notes version of an MBA in marketing.

The articles are blessedly short and cover all the marketing fundamentals formulated by the gurus of marketing over the last three decades. If you don’t understand positioning, for instance, you can read a short summary of positioning by two of the recognized contemporary masters of branding, Jack Trout and Al Ries. If you’re trying to figure out how to market your product over several years, you can consult a lengthy excerpt by the guy who first figured out how to market products over their “life cycles,” the renowned Arthur Levitt.

All told, the marketing section constitutes the closest thing the Web has to offer to a canonical “bible” of marketing. Must-read—and I mean don’t leave home without them—articles by the greatest lights of the marketing world include:

- “Brand Personality,” explaining David Aaker’s basic branding framework.
- “The Five Forces” and “Competitive Advantage Framework” which explain the marketing strategy work of Larry Porter—every corporation *in the world* uses Porter’s Five Forces every day to make marketing and strategy decisions—there’s no reason why you shouldn’t.
- “Hierarchy of Needs” explaining the most important and most universally applied marketing model developed by Abraham Maslow. If you want to get your promotions right, you should memorize this article.
- “Cultural Dimensions” explaining Geert Hofstede’s approach to marketing to different cultures.
- “SWOT Analysis” which explains analyzing your company and product offerings in terms of Strengths, Weaknesses, Opportunities, and Threats. All big business marketing always proceeds from a SWOT exercise. Do you get that? All. Always.

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- “3Cs Model” explains another fundamental of marketing (as important and universal as the Four P’s explained above). Developed by Kenichi Ohmae, considered by most to be one of the gods of 20th century marketing, 3C’s (company, competition, and customer) is, like a SWOT analysis, the basic starting point of any marketing strategy.

These short entries show you how the big kids play in the sandbox. If, after reading these articles, you can sit down and construct a five forces analysis, a SWOT, and a 3C’s, you’re well on your way to building a marketing program that *works*.

8.1.3. Marketing Pros

<http://www.marketingprofs.com>

Marketing Pros is an online magazine publishing current news, articles, and tutorials on a wide range of marketing topics. While geared to marketing managers of medium- to large-sized businesses (of course), it’s an easy way to come up to speed on what is working in the marketing world.

Marketing Pros offers perhaps the richest set of marketing articles and case studies available on the Web—you are bound to find what you need in tutorials, good ideas, or current trends across a veritable hogpile of topics:

- Advertising
- Brand management
- Customer behavior
- Customer relationship management
- Direct marketing
- Graphic design
- Market research
- Metrics and ROI
- Pricing
- Public relations
- Sales
- Search engine marketing
- Segmentation
- Strategy
- Web sites
- Word-of-mouth

While articles are available to the general public, case studies and marketing toolbox articles are only available to premium members (\$50 per

year). The site also includes some general and specialized Webinars that average about \$100 each on topics ranging from public relations to total marketing for small businesses.

8.1.4. Entrepreneur Magazine: Small Business Marketing and Advertising

<http://www.entrepreneur.com/marketing/index.html>

<http://www.entrepreneur.com/advertising/index.html>

All the major online magazines covered in our first chapter, such as Business Week, Inc., and Entrepreneur, offer generous libraries in marketing and promotions topics. Entrepreneur Magazine online, however, provides what we feel to be the most valuable resources for marketing a small or start-up business.

Must-read resources include

- Guides to Marketing Success
- Cheapskate Marketing Ideas
- Low Cost Marketing Trends for 2007
- 10 Marketing Tactics Under \$10

We find Entrepreneur's articles on advertising particularly wonderful. Common-sensical, practical, and simple, these articles will help you navigate the complexities of creating ads.

8.1.5. Marketing Sherpa

<http://www.marketingsherpa.com>

We have endeavored throughout this book to provide you with ultra low cost or free resources, but here we make an exception. Marketing Sherpa, a well-kept secret in the marketing world, is a money vault of innovation, best practices, and marketing genius for our modern wired world. One of the authors of this book has been using the resources on this site for dozens of clients over the past several years—not once has the money spent on these resources been wasted. The non-free resources, however, are going to dig quite a hole in your wallet, so you may want to choose your tidbits wisely.

Free articles offered on the site deal with very specific advertising, marketing, interactive advertising, public relations, and sales topics. For instance, you won't find general articles on public relations. Rather, you'll find articles like "How to Get Covered in Entrepreneur Magazine" or "How to be a Featured Guest on the David Lawrence Show." These are tactical

rather than strategic articles, but the information is priceless, making this a prime bookmark site after you've formulated your overall marketing strategy.

In addition to the free articles, the site offers custom publications across the entire range of marketing topics. These books can set you back a bit—ranging from \$80 to \$200—but if you choose correctly, you can gain priceless intelligence in a particular area. The site offers publications in

- Advertising
- Benchmarks and metrics
- B2B marketing
- Consumer marketing
- Content marketing
- Copywriting
- Email marketing
- eRetail
- Market research
- Public relations
- Search engine marketing
- Web site technology

8.2 Web Marketing

Once upon a time in a galaxy far, far away . . . probably 1950's America . . . marketing and promotions were easy. All marketing really took was a giant plateful of media advertising combined with a generous helping of sales and some dollops of direct response advertising and public relations. Nobody ever had to produce a spreadsheet, laboriously extracted from some database, full of response, conversion, and revenue statistics. Life was good. But it was also expensive and most businesses had no idea if the marketing was really working. A president of Proctor & Gamble once quipped, "I know that 50% of my advertising is effective. Problem is, I don't know which 50%!"

The World Wide Web changed the promotions and marketing world pretty much the same way it changed just about everything else. It introduced entirely new and complex ways to promote companies, products, and services and, more importantly, allowed marketers to precisely determine how effective these promotions are in terms of sales and revenues. More importantly, the Web made marketing volatile—the ground is constantly shifting as advertisers find new ways to sell products and services. There used to be a "right" way to market and promote your company and products. Well, those days are over.

Let's be straight. Web marketing is not easy. It rewards folks who are both highly creative *and* highly quantitative—an unlikely combination in many organizations and virtually unheard of in individuals. It's possible to get lucky, but most people who succeed do so through years of intelligent, creative, and dogged effort.

In addition to your Web site, Web marketing consists of:

- **Search engine marketing:** the entire panoply of techniques marketers use to generate high rankings for a company's Web site or products on search engines based on user keyword searches, including search engine pay-per-click advertisements.
- **Link exchange management:** trading links or banner advertisements with other Web site owners. While this is usually free (making it pleasingly cost-effective), there are link exchange services that will help you trade links and will charge a fee. Because search engines base their rankings in part on how many inbound links point to your Website, link exchange qualifies as a significant tactic in search engine marketing.
- **Pay-per-click or pay-per-impression advertising:** pay-per-click is the most common form of banner advertising and link management. In a pay-per-click arrangement, the owner of another Web site places a banner or link to your Web site on their own Web site. They then bill you each month for the number of people who "click" your Web site's link (or banner) to visit your Web site. In other words, you pay for each visitor who comes to your site through the affiliate site.
- **Online affiliate marketing:** affiliate marketing goes one step beyond link exchange and pay-per-click advertising. The owner of one Web site pays the owner of another, affiliated Web site based on how many leads or sales the affiliate generates. Also called "performance marketing," affiliate marketing differs from pay-per-click or pay-per-impression advertising in that the advertiser cuts the ad publisher in on the deal by giving them a chunk of the revenues they produce or paying them every time they send a lead to the site. In addition to finding online affiliates for your business, you can also run an online business *as* an affiliate.
- **Contextual marketing or advertising:** contextual advertising means delivering custom ads based on the type of Web page a user is visiting. Contextual advertising means your ads only appear in places that have content highly related to your company or product and so are more likely to attract an interested and motivated audience.

- **Social networking, blogs, etc.**: while more properly considered an aspect of guerilla marketing, social network sites such as Facebook, MySpace, LinkedIn, and others give you an opportunity to use social networks and social network profiles to promote your product, company, or Web site. 40% of MySpace profiles are estimated to be primarily promotional in nature.
- **Online video**: again, more properly considered guerilla marketing, online video sharing sites such as Break.com or YouTube allow you to create video promotions that can produce site visitors or, better yet, sales. Many major companies produce television ads that are primarily intended to get wide distribution on the Internet.
- **Auctions, blogs, etc.**: while you may think of auction sites as a place to *sell*, they're also a great place to *promote* your products—even if you do no sales through the auction site! You can use online auctions to generate site traffic, as advertising vehicles, or even as direct response catalogs. Auctions cost next to nothing and can give you measurable results for various promotions tactics.

8.2.1. ClickZ

<http://www.clickz.com>

ClickZ is the number one Web destination for interactive marketing and Web promotions professionals. With news, articles, case studies, features, profiles, interviews, and statistics, ClickZ, in our opinion, is a must-read source for current strategies and tactics in Web promotions. Their resources comprise both introductory and advanced materials on email marketing, search engine marketing (SEM), and Web advertising. In addition, ClickZ runs SearchEngineWatch.com, a site devoted solely to monitoring search engines, the proprietary formulas they use to rank sites against keywords, and search engine marketing tactics.

8.2.2. Awecomm Web Strategies

<http://www.awecommwebstrategies.com>

Awecomm Web Strategies (AWS), based in Troy, Michigan, is a division of Awecomm, a premium hosting company (see 7.4 for Web hosting). They are primarily a Search Engine Optimization (SEO) company (see 7.7), but also offer a multitude of moderately-priced services:

- Web site marketing and design
- Mobile Web site design

- Search engine optimization
- *ClicksPlus* pay-per-click management
- Email marketing
- Programming
- Application stress testing

8.2.3. USWeb

<http://www.usweb.com>

USWeb is a leading strategic Internet services firm whose clients largely consist of medium-sized to gigantor-sized corporations. Specializing largely in search engine marketing, USWeb has offices across the United States. They also offer, at premium prices, Web design services, contextual advertising services, conversion optimization (redesigning your site to increase conversions), affiliate marketing management, email marketing, database marketing, Internet ad design, Web analytics, viral marketing, and Web site ROI tracking.

8.2.4. WebAd.Vantage

<http://www.webadvantage.net>

Specializing in online direct marketing, WebAd.Vantage offers a smorgasbord of affordable online marketing services including search engine optimization, pay-per-click search engine campaign management, online media planning (banner ad placement), email direct marketing, and Internet marketing consulting. Clients range from small startup companies to major corporations such as Nokia.

8.3. Search Engine Marketing

In section 7.7, we covered search engine optimization (SEO), the strategies and tactics you use to drive traffic to your Web site by manipulating or influencing your placement on free search engine results pages (SERPs) based on keywords that users would logically employ to find sites or services such as yours. Search engine marketing (SEM), on the other hand, is the ongoing effort to promote your Web site on search engine results pages by using search engine optimization as well as *paying* search engines to make your site more visible.

Yes, there are other ways to appear on search engine results pages other than the search listings (called “organic” or “natural” search results):

- **Paid placement:** for a fee, usually a pay-per-click fee, search engines will place ads for your Web site on search engine results for particular keywords.
- **Paid inclusion:** for a fee, often a yearly subscription fee, search engines or directories will include your site in their database although they won't guarantee how visible your site will be in organic search results.

Search Engine Optimization

"Natural" or "organic" search engine optimization (SEO) is all about managing words and HTML markup on your pages to maximize your site's visibility on Web search engines. Done correctly, search engine optimization will place your Web site in the top ten (first SERP) to top thirty (first three SERPs) results displayed when a user searches on a particular term, or **keyword**, or combination of words. Search engines "rank" Web sites and Web pages relative to keywords. When a user does a search on a word, the search engines display the highest-ranked site for that keyword first.

Search engine optimization begins with an initial strategy and copy and markup optimization of your site before it even goes live. SEO then becomes an ongoing process of tracking your placement on search engines using software specifically designed for this process (see 7.12), analyzing your Web statistics, and modifying how you deploy and mark up keywords on your site. Because search engines constantly tweak and toggle mathematical formulas, called **algorithms**, they use to rank sites relative to keywords, a winning SEO tactic this month may no longer be effective before the year is out.

Organic search engine optimization has three basic parts:

- Keyword-rich text with keywords placed between high-value markup tags, such as markup tags specifying headlines on the page or links to other pages.
- A navigation system that makes it easy for search engine robots to travel through your site and catalog your pages.
- As many inbound links to pages on your site as possible (see link exchange management in section 8.4).

Follow three rules when optimizing your site for search engines:

1. **Search engine optimization is the MINIMUM marketing requirement for your site.**

Statistics vary depending on who you ask, but most folks agree that 70% to 90% of the visitors to your Web site will be arriving

from a search engine results page. All other ways to get people to come to your site—pay-per-click, banner ads, link exchanges—pale in comparison.

2. **Search engine optimization is the only marketing activity you engage in where you HAVE NO CONTROL over the results.** SEO firms are good at what they do, but keyword rankings are entirely done by the search engine computers. I've worked with some people whose sites consistently hit the number one position in search engine results yet have literally done exactly zero in the way of search engine optimization. I've seen the best SEO firms fail even after burning through a wad of some hapless company's cash.
3. **Search engine optimization is a tool, not an end**
Remember that the job of your Web site is to sell, persuade, and serve your customers, not to get top ranking on a search engine. Most of your leads, sales, and contacts will come from a second, third, or fourth visit, so your site has to *perform for the customer*. SEO should never trump the marketing, sales, and service orientation of your site. I can tell you from painful experience that most SEO firms are only dimly conscious of this fundamental, common-sense rule.

Paid Placement or Search Advertising

You can always pay a search engine, like Google or MSN LiveSearch, to display your Web site in a sidebar or top-of-page banner list whenever some user searches on a particular word. There you are, top of the page, and you haven't lost one ounce of sleep struggling with the keywords on your page. This is what is meant by **paid placement or pay-for-placement (PFP)**. Search engines always distinguish paid placement listings from the organic listings as a courtesy to their users. Despite this, paid placement listings do just as well as the organic listings in generating site visits.

You typically pay for placement using a pay-per-click or pay-per-listing arrangement (see 8.6 for a much fuller discussion of paid placement and pricing). The link to your site is correlated to particular words or combination of words that people might use to find a site like yours.

Paid placement has five components:

- **Listing:** This is the title and description of your site that appears in the paid listing—both may be different than what appears on your free listing.

- **Keywords:** These are the user-inputted search words, or combination of words, that will trigger the placement of your paid site listing on one or more of the search results pages. You determine which keywords will produce the most site visits and conversions.
- **Bid price:** Search engines do not charge a standard price per click but instead allow you to “bid” on keywords. Bidding usually starts with a minimum price per click and can go as high as you wish. The bid price determines the order in which the paid listings are displayed. The highest bid will land the link at the very top of the paid listings on the very first page of results (and often the second, third, fourth, and fifth pages, too, if the bid is high enough). The lowest bid will appear last until the search engine starts cycling through the list again.
- **Maximum spend:** You can and should set a maximum to what you’re willing to pay each day, week, or month for paid placement. If the arrangement is a pay-per-click arrangement, the search engine will display your paid placement until the number of clicks has ticked up a bill equal to your maximum spend. After that, your paid placement disappears from the site (don’t worry—your organic listing stays put).
- **Day part:** Day parts, a standard tool used to buy paid radio or television advertising, is simply the time (or “part”) of day that the listing will appear. For instance, if you are targeting business owners, you will want to specify a morning or afternoon day part. If you are targeting consumers, you’re better off with a later afternoon or evening day part.
- **Geography:** Some search engines will allow you to specify a geographical location. Search engines know where searches are originating by reading the IP address of the user’s computer. This allows you to precisely target your ads—a phenomenally useful tool if your market is very strictly local.

With paid placement, you need to guard against **click fraud** in which competitors or just plain-old cussed folk use automated software to click your ad over and over again just to rack up big expenses for you with no results. Competitors like to click your ad over and over again to push you to your maximum spend—that way they don’t have to compete with your ad. The best search engines provide software that spots click fraud and doesn’t count suspicious activity.

Paid placement should be the cornerstone of your search engine marketing. Unlike search engine optimization, paid placement allows you to

experiment with various keywords to determine which keywords yield the best returns. Some keywords will give you lots of site visits. Some will give you lots of leads or sales. Because you get immediate feedback, you can test different keywords, bid amounts, and maximum spends to determine the best keyword strategy for your organic search engine listings. If you were to employ *only* organic search engine optimization, it would take months to find out if your keyword strategy was working or tanking.

We cover paid placement in much more detail in section 8.6 under the heading, “Search Advertising.”

Paid Inclusion

When you submit a site to a search engine or directory—or when a search engine robot discovers your site—there is no guarantee that the site will actually find its way into the search engine’s database. It sometimes takes a half-dozen or more submissions to a search engine before the search engine deigns to include your site in its database. You can, however, pay particular search engines a fee to guarantee database inclusion, which is why it’s called “paid inclusion.” As the name suggests, you’re paying to be included in the database, not for a position or ranking in search engine results.

Paid inclusion is relatively cheap (well, you’re not getting much) and is almost always a one-time or annual fee. As with paid placement, you get to determine which keywords best classify your site, but the search engine is under no obligation to actually agree with you on that issue.

Why would you pay to have your Web site included in a search engine’s database? After all, almost everyone else in the database didn’t have to pay anything!

Paid inclusion makes sense across many scenarios. You may have a site that’s “invisible” to the search engines—for instance, content on your site might be contained in video, audio, or Flash animations. Search engines cannot read the content in those formats, so while the search engine may find your site, for all practical purposes, your site is nothing but blank pages. Alternatively, the link structure on your site might be very complex, so search engines will miss very important pages. In both instances, paid inclusion, not free submission, is your best way into a search engine database and results pages.

Paid inclusion is also the way to go if content is changing constantly on your site. Why? Search engine robots treat paid inclusions differently than organic submissions. These robots have the task of cruising the Web, visiting sites, reading the content, and updating the keywords associated with these sites. These robots visit the free listings only once in a while—several months may pass between visits. But the robots will search paid submissions every

two to seven days and update their databases accordingly. So if the content on your site is changing on a regular basis—say, you have an active blog that you’re using to drive traffic to your site—paid inclusion is the best way to keep the most current content in front of search engine users.

Like paid placement, paid inclusion can be a valuable search engine optimization tool. You can try out various optimization techniques on individual pages, pay to have those pages listed, and then monitor the results with Web analytics software. Again, you get results within days. Normally, SEO changes to Web pages take months before you see any results through the search engines.

Paid Submission

Once quite common in the late 1990’s and early 2000’s, only Yahoo! now takes paid submission. In a paid submission, you submit a Web site URL, description, keywords, and categories to a human editor who then reviews your site and places your listing (or doesn’t) under the proper categories. The fee is quite steep (\$300 per year), but you usually end up in highly-trafficked positions.

8.3.1. SEMPO: Search Engine Marketing Professional Organization

<http://www.sempo.org>

Because search engine marketing is a relatively new kid on the block, the discipline does not have well-funded, worldwide professional organizations. SEMPO is the largest and most reputable of the non-profit professional organizations catering to search engine marketing and optimization professionals.

What does this mean to you? After all, you’re not a search engine marketer or you would’ve skipped this section.

First off, the site provides one of the most complete directories of SEM professionals, firms, software vendors, and consultants from around the world. If you’re doing anything global, the site’s list of SEM professionals across several languages is worth its weight in gold.

Second, because the site is oriented to SEM professionals, you can find tons of resources on the most current trends and effective tactics in SEO, paid placement, pay-per-click, Web analytics, ROI, and link exchange management. These resources include timely articles, case studies, research, and Webinars. If you want to go beyond the free resources and have access to special research and full video Webinars, you can join the organization as an individual for \$300 per year.

8.3.2. Web Logic Group

<http://www.weblogicgroup.com>

A two-person group with offices in Pennsylvania and New York, Web Logic Group is a low-cost search engine optimization and marketing firm with fees well within the range of a small- or start-up business. Specializing in optimization, Web copywriting, Web site analysis, search engine analysis, and ongoing search engine marketing, the company offers two reasonably-priced packages:

Targeted Positioning

For a fee of \$595 per month, Web Logic will evaluate your existing Web site, analyze your current search engine positioning, develop a keyword strategy, and rework all page content, syntax, and structure every month.

Positioning Plus

For a fee of \$995 per month, Web Logic will, in addition to the services offered in Targeted Positioning, also manage your entire paid placement, pay-per-click, inbound link management, and advertising. Web Logic will only accept one client within a particular market to prevent any conflict of interest.

8.3.3. InfoSearch Media

<http://www.infosearchmedia.com>

Based in Marina del Rey, California, InfoSearch Media is a medium-priced SEO/SEM firm that primarily specializes in search engine optimization and SEO copywriting.

The firm packages its services into four different products differentiated by the size of your site. For new and relatively small sites, the “New Site” package offers the best value at \$2,200:

- Keyword strategy and search engine optimization of your site’s text up to twenty pages
- Account manager for six months
- Use of a Web analytics dashboard for six months
- Keyphrase analysis of your Web site
- SEO review of your Web site
- Directory/search engine submission
- Link exchange management help

8.4. Link Exchange Management

In the early days of the World Wide Web, long before search engines, long before banner ads, long before pop-ups, long before Amazon.com—in fact, long before some idjit coined the word “ecommerce”—there was link exchange, the oldest, most venerable, and most effective Web site traffic builder. I was there at the very beginning and built my first Web site the very month the first Web browser, Mosaic for UNIX, was released to an unknowing world. In those heady days on the Web, there were virtually no business sites and exactly zero ecommerce sites; the Web consisted of nothing but personal sites, education sites, and Anna Nicole Smith photo galleries (all with .edu domains, I might add).

We didn’t have search engines; we had “directories,” like Yahoo and Magellan. A search on the word “sex” would pony up about 200 sites (now the word will cough back $\frac{1}{2}$ billion results—one for every sixteen people in the world). Back then, every Web directory submission was *personally* checked and edited by a real-live, breathing employee.

In 1993 and 1994, the Web was almost exactly like Facebook or MySpace. The *only* way to get site traffic was through inbound links and the only way to get inbound links was to trade links with other site owners.

Fourteen years later, Anna Nicole Smith has gone to that great Web site in the sky, but inbound links and link exchange are still the bread-and-butter of site traffic-building. While search engine optimization, paid placement, and Web advertising loom very large in site marketing strategies, link exchange is still the most cost-effective and tactically rewarding component of those strategies. Because search engines largely base the keyword rankings they assign to sites based on the number and quality of inbound links the site has, link exchange management is as critical to SEM as search engine optimization.

But you really can’t beat the price. If you don’t use a link exchange management service (which, of course, charges you for services), you can usually exchange inbound and outbound links for free—good news when your budget doesn’t have a lot of wiggle room.

To understand link management, let’s pull out its parts:

- **Inbound link hosting site:** links to your site need to appear on somebody else’s Web site. The sites should have content that at least is related to the content on your site—for instance, if you’re a virtual assistant, links to your site on a business outsourcing site is good—links to your site on a homemade pizza site, not so good. You also want to exchange links with sites that draw the same types

of customers as your site. Finally, you will get more traffic if the inbound link is placed on a heavily-trafficked page, such as a home page, rather than some deeply buried, mission impossible page.

- **Keyword strategy:** as best you can, you want to control the wording of any inbound link since search engines use the wording of inbound links as keywords for your site.
- **Outbound link:** link exchange means that you're obligated to place a link to your exchange partner's site on your site. You have to balance helping out your partner with retaining your customer *on your site*. Remember: anytime a user clicks an outbound link on your site, they're gone, possibly never to return.
- **Analytics:** The final components are the Web statistics and analytics that allow you to study inbound traffic and use that to manage link exchanges. You would use Web analytics software (such as any of those described in section 7.12) or employ a Web analytics firm. The analysis will tell you what kinds of Web sites drive the highest quality traffic to your site. For instance, even though you run a virtual assistance firm, you may find that the homemade pizza sites send more traffic and leads than the business outsourcing sites. Even though it don't make a lick of sense, numbers don't lie. You should target more homemade pizza sites for link exchanges!

There are several types of link exchange management firms.

- **Link farms:** these are firms that have piled up a mountain of domain names and built tons of Web sites whose only purpose is to house links to other sites. For a monthly fee, they will put inbound links (without requiring you to reciprocate by putting links on your site) on many or all of their sites. You will receive almost no traffic from these sites but the inbound links often help search engine rankings; however, the search engines are constantly perfecting algorithms to disregard links on link farm Web sites.
- **Volunteer link farms:** some link exchange firms contract with Web site owners, usually domain name squatters, to place outbound links to client Web sites. These link pages, however, are often deeply hidden on the site. Again, volunteer link farms don't require outbound links on your part. However, since they are using volunteer sites, they employ a wide range of IP addresses and more easily slip by the search engine algorithms meant to disregard link farms.

Link Exchange Management

- **Link exchange:** these are firms or applications that help you manage reciprocal links with other Web site owners. Finding the right partners and monitoring their compliance can be an enormously time-consuming task. These firms and applications simplify and speed up the process.
- **Link exchange membership programs:** these firms charge a small fee and add your site to a member site list. Links are exchanged between members. Since the process is partly or fully automated, link exchange membership programs greatly simplify the process of finding partners and requesting links.
- **Social bookmarking:** you've heard of bookmarks (or, in Microsoft parlance, "Favorites") and you've heard of social networking. *Social bookmarking sites* are social network sites that allow users to share their bookmarks, that is, their favorite and most useful sites. Content in social bookmarking sites are categorized by "tags" which are used as search words by site visitors.

You alone can determine the value each type of link exchange business brings to your endeavor. Link farms are tempting because they offer tons of inbound links for a relatively low cost (anywhere from \$25 to \$100 per month). But inbound links on 600 link farm Web sites may only net you six visits per month and may produce only the tiniest bump to your search engine rankings. Social bookmarking can be very effective and very lucrative, but it can also be very shady. Social bookmarking has invited unscrupulous spamming practices. As with everything else in life, link management pays off when you do the hard work.

We are not fans of link farms or social bookmarking firms (or social bookmarking software) because they are largely exploitative. Therefore, we are only pointing you to services and software that are genuine link exchange services.

8.4.1. Automate Link Exchange

<http://www.linkautomate.com>

You install the Automate Link Exchange software on your hosting server. It then totally automates any requests people make to exchange links either through your Web site or email. The software checks the site, validates its content, and analyzes the link popularity of the site, that is, how many users click outbound links on the site. The software helps prevent duplicate links, checks the reputation of the site, and scans the site for inappropriate content. Be warned, however. It's only software; it doesn't "think." For instance, if

you ended up exchanging links with me, Automate Link Exchange would probably reject my site. Why? Because the word “Hooker” is all over my site, from top to bottom!

You can specify what text your link exchange partners should use to describe your site. If they don’t use the right description, Automatic Link Exchange will notify them and remove their sites from your link directory. Since these descriptions are crucial to your brand image and substantially affect search engine placement, this automatic feature pays for itself several times over. Imagine having seventy inbound links and having to personally check the wording on all of them every month!

Once you’ve entered into a link exchange, Automate Link Exchange regularly checks partner sites to make sure links to your site are live and working. Yes, people being who they are, some folks will try to screw you and not put a link to your site on theirs. Automate Link Exchange has seventy validation tests to catch cheaters.

You can set the software to Semi- or Full-Automation mode. In Full-Automation mode, the software will check and approve submission, generate/update link pages, and perform link checking according to pre-determined criteria and schedules. In Semi-Automation mode, you can review each link exchange submission before accepting or rejecting the link exchange request.

The software costs \$120 without installation or \$145 with installation. Automate Link Exchange can be installed on any Unix, Linux, or Windows server with a PHP 4.1 or above interpreter and a MySQL 3.23 or higher database management system.

8.4.2. LinksMaster

<http://www.linksmaster.com>

LinksMaster.com is an automated link exchange service membership program with over 15,000 members. While most link exchange services involve processing individual link requests, when you sign up to LinksMaster, your Web site link goes out automatically to all 15,000 members. You then decide what types of sites not to include in your link exchanges by using an exclusion filter. The link exchange directory is maintained by human editors to ensure that sites meet the program’s standards. The system regularly checks all sites to make sure they are posting the links they’ve agreed to post.

Pricing starts at \$20 per month for link exchanges giving you access to all members for one to two separate sites and maxes out at \$2,450 per month for link exchanges giving you access to all members for up to 1,000 sites.

8.4.3. Link Wrangler

<http://www.linkwrangler.com>

The Link Wrangler software automates reciprocal link management. It searches the Web for potential link partners, automatically generates links on your pages, and checks your partner pages to make sure links to your site are live and working. The software works with an unlimited number of sites and domain names.

While not as feature-rich as other link management software packages, Link Wrangler has a definite price advantage, coming in at \$40 which is more than doable for even the tightest of shoestring budgets. It installs on your desktop computer (Windows only), but requires an Internet connection to scan partner Web sites and generate links on your site.

8.5. Web Advertising

No matter what your marketing strategy, at some point you're going to entertain a serious Web advertising initiative. You will have extracted as much value as you can from search engine marketing and link exchange, or you'll just get the itch to start prospecting in different streambeds.

Web advertising can be much easier and cheaper than media, outdoor, or direct response advertising. Not only that, you get instant feedback. With some well-oiled Web analytics in place, you will know if your ad is driving paying customers to your site or just taking up cyberspace. In addition, there are several pricing models. When you buy a ad on TV, you shell out a pile of cash and that's it. But you can pay for Web ads in a variety of ways. You can pay for each appearance of the ad, you can pay each time someone clicks the ad to visit your site, or, better yet, you can pay only if a visitor gives their name or buys something. Wow!

On the other hand, Web advertising is leagues harder than media advertising. It involves some real quantitative work. If you don't have a head for statistics, you're not going to get the full value from your Web ads. In addition, you have only the smallest space to make an impression—and users are free to ignore you. See, when folks sit in front of a TV, they have no choice but to vegetate while the ads go by. Web users aren't quite so passive. They've come to a site to do something, not click your ad. So you have two tasks to accomplish: you need to get people's attention and then inspire them to leave the page they wanted to see to come to your Web site. That's a pretty tall order for a tiny little ad to fill.

Finally, there are only so many places you can put a TV, radio, or print ad. There are a billion places you can put your Web ad. How do you choose?

Let's untangle this knot by first by pulling it apart. Web advertising has the following components:

- **Media placement:** In the corporate world, Web media placement is a complex art practiced by seasoned professionals. Simply put, media placement is about determining where to put your ads, how much to pay, how many impressions you want on each site, and then tracking the placement to make sure it happens. With media placement, you can specify when an ad will appear (the day part), in what context (pages with certain keywords), and even location (only to Web pages served to IP addresses located in Puyallup). Placement is all about putting your ad in front of the people who would be most interested and most responsive; in other words, placement has everything to do with the target market defined in your marketing plan. It is the single most important component in driving response. Putting your ad in front of people who have no interest in you, your company, or your product is as good as not advertising at all. Get this wrong, and there's little you can do to improve the performance of your ad. No other aspect, including the offer and creative, will substantially influence your response until you get placement right.
- **Offer:** your ad promises something to the user. It may be a good deal ("20% off"), a good value ("40 mpg in the city"), or a competitive price ("lower your mortgage rate"), or simply a slam-bang product. The offer is what drives an interested audience to click the ad and see what you're about. The offer is the second most important means for driving response or click-through rates.
- **Creative:** this is the messaging, graphics, animation, video, or audio that users see when your ad is loaded on a Web page. Creative is meant to get the audience's attention, pique their interest, and inspire them to click the link. Creative will probably be the one aspect you put the most time and effort into, but in terms of driving response, it's a distant second to *placement* and *offer*.
- **Impression:** when your ad is displayed on a Web page delivered to an end user, this is one impression, no matter what the user does. Some Web site content owners consider any download of an ad to be an impression, even if only a tiny bit of the ad was downloaded, while others consider only a full download as an impression. Since ads are dynamically served, you and the site owner can control to some extent on what kinds of pages, in what context, and when the ad will appear. When site publishers charge for each impression, the

pricing model is called a “cost-per-mil” (CPM, also called “cost-per-impression”) model, where “mil” stands for 1,000 impressions.

- **Click or click-through:** virtually all ads link back to some Web resource: a home page, a landing page, a registration page, a video, or some other Web-served goodie. When a user actually clicks an ad to navigate to the background Web resource, this is called a “click” or “click-through.” Ad effectiveness is most typically—and most roughly—measured by the click-through rate. Most site owners charge advertisers for each click an ad generates; this is called a “cost-per-click” (CPC) pricing model.
- **Context:** your ad could appear on any old page or it could appear only on pages with content highly relevant to the ad or the underlying Web resource. Search engine advertising works entirely as contextual advertising since ads are placed only in relation to the search words employed by users. In order to use context, you need to specify keywords for your ad. The adserver will either place the ad on search engine pages based on those keywords or on content pages (such as CNN.com) that have those keywords. Contextual advertising is one way to hone your placement of an ad to increase its performance.
- **Analytics and tracking:** While you may be tempted to stop at producing a banner or text ad and placing it in a few places, 99% of the work in Web advertising is tracking and analyzing the results. For this, you would use Web analytics software such as those discussed in section 7.12. Web advertising without analytics is, well, a waste of time.

Like traditional advertising, there are only so many formats Web advertisement can take.

- **Banner ads (banners, rectangles, buttons, and skyscrapers):** Banner ads are graphic or animated ads that appear in a clearly-bounded location on a Web page, usually at the top or right side of the page. The shape of the ad determines the type of ad (banners are long rectangles that typically load at the top or bottom of a page, rectangles look more like squares and are slightly smaller than banners and appear on the sides of pages, buttons are very small rectangles that can appear anywhere on the page, and skyscrapers are vertical rectangles that appear on the side of a page). To be effective, banner ads have to grab a viewer’s attention, get them interested, and have an associated action (such as clicking the ad). Banner ads

typically have a response rate between 0.2% and 0.5%, that is, out of every 1,000 ads (impressions) served to users, about two to five users actually click the ad to visit the underlying site.

- **Expanding ads:** Also called “pull-downs,” these Flash-constructed ads are banner ads that expand when you roll the mouse over the ad or click the ad. The banner then expands to a larger format (obstructing part of the underlying Web page). Because the ads are Flash-based, the ads can pull out to accommodate a video stream. Pull-downs are essentially *two* ads: the banner version and the expanded version. These ads have powerful branding potential and their click-through rate is typically 1.5% (fifteen clicks for every 1,000 impressions).
- **Text ads:** Text ads ordinarily consist of a title, description, and link. They are the most common form of Web advertising and are the form taken by paid placement ads on search engines (search advertising). Google’s AdWords (8.6.1) and Microsoft’s adManager (8.6.4) are text ad services.
- **Interstitials:** Interstitials are full-page ads that load when you click a link on a site to go to another page. Also called “full-page ads,” “transition ads,” “takeovers,” and “intromercials,” these ads essentially take over your browser for a brief period or until you click “Skip Ad.” Of all the Web advertising formats, interstitials come closest to a traditional TV or print ad and are extremely effective at building awareness. They are extremely expensive (as you can imagine) and are typically used by deep-pocket advertisers.
- **Pop-ups/pop-unders:** You done seen ‘em and probably done hate ‘em. Pop-up ads appear in a small (or large) window that automatically loads when you visit a Web page. A pop-under is just like a pop-up ad, only it loads *below* the browser window (actually, in most browsers, it loads *above* the main window and is only pushed to the back after the code has loaded). The user often doesn’t even know the pop-under ad has loaded. However, when the user closes the browser, there it is. Pop-ups and pop-unders, as you know from experience, grab a user’s attention pretty righteously, so they tend to be more expensive than banner ads. A banner ad might get two to five clicks per 1,000 impressions, but a pop-up usually gets thirty or more clicks per 1,000 impressions. Because most browsers now come equipped with pop-up blockers—extra code that prevents pop-ups from appearing—the effectiveness of pop-up ads is rapidly waning.
- **Exits:** Pop-unders are a little more special than pop-ups. Because of their unobtrusiveness, they are often used to load full-page Web

sites, not just a small ad. They can also be coded to load *after* the user has closed the generating page. And, if you're in an especially malevolent mood, they can endlessly reproduce as each pop-under generates yet another pop-under. As the song goes, you can check out, but you can never leave. When marketers use pop-unders to load a full-page site, they are generally known as **exits**, since they appear to the user after closing, or exiting, the browser window. Many widget advertisers (see below) uses full-page pop-unders and you can even join exit exchanges (see 8.9) where you trade exits with other Web site owners.

- **Floating ads:** A bizarre cross between a banner and a pop-up ad, a floating ad seems "unglued" from the page and either hovers or glides across the page for anywhere from five to thirty seconds—or until you click the "close" icon. Since these ads impede the visitor's use of the site in the same way as a pop-up, floating ads typically cost much more than a typical banner ad, but they unquestionably get a user's attention. They also have the benefit of being encoded directly into the page so they can slip by any browser pop-up blocker. Floater get click-through rates that match up pretty well with pop-ups, about 3%, or thirty clicks for every 1,000 impressions.
- **Email and opt-in email lists:** Ever since the first mass e-mail campaign back in 1996, we've all been crushed by veritable mountains of email advertising. Most of these ads are generously sponsored by some pretty shady characters, but email advertising has a legitimate and effective place in almost every marketing strategy. If you use opt-in lists (where the recipient agrees to receive your email ads), opt-in newsletters, or place text or banner ads in other people's email newsletters, you can generate great response rates for very little money. After all, it costs almost nothing to send an email. We will discuss email promotions in more detail in section 8.14.
- **Rich media ads:** Rich media ads (also called "Unicast," "television" or "mini-television ads") are video ads that appear in a pop-up window or a sidebar space on a Web site. These ads are typically five to thirty second commercials with full audio. Not only do they get a viewer's attention, they have one of the highest click-through rates of any Web ad format: 5% or fifty clicks for every 1,000 impressions.
- **Video overlays:** Also called "hotspots," video overlays use Flash to overlay an ad on top of a video stream. Because the audience for online video is now equal to the cable video audience, overlays allow advertisers access to this huge market by placing ads directly on top of

videos that people watch. While a relatively new technology, overlays have phenomenal click-through rates—up to 150 clicks per 1,000 impressions. As the Web becomes more and more like television, it is highly likely that video overlays will be your primary advertising tool in four or five years time.

- **Sponsorships:** Just like in the old days of television and radio, you can “sponsor” a Web site or page. While not quite an ad, your sponsorship would be acknowledged on the page with graphics or text: “This page sponsored by [fill in your name here].” You typically pay a flat fee, but some Web owners will enter into pay-per-click arrangements, as well. Do not, however, confuse genuine sponsorship with the “sponsored links” offered up by text advertising engines. Sponsored links are normal, everyday pay-per-click ads sporting a high-falutin’ name.
- **Widgets:** A widget is a part of some user interface, either on a Web page or a software interface, that the user can interact with or that displays dynamic, changing content. Not all widget ads are technically widgets and many ads, such as pull-downs, technically *are* widgets, but that doesn’t really matter. Suffice it to say that widgets provide infinite Internet-based venues on social networking pages, software interfaces, media players, and even cable television. Widgets proliferate in the free software world, particularly media players. The software is free because the user agrees to have ads appear on the software interface. Some widgets are not stand-alone applications, but small applications that access the Web for very specialized or limited content; these widgets can reside on a user’s desktop or in a Web page. The Weather Channel Desktop, although handled by Internet Explorer, is a desktop widget. Because widget advertising services have phenomenally precise user profiles—many of them include “adware” or “spyware” that gathers information about users and their browsing habits—they can provide amazingly precise targeting.

8.6. Search Advertising/Paid Placement

Over 70% of your site visitors will arrive from search engine results pages (SERPs); done right, the lion’s share of these visitors will be coming from paid placement ads. When you pay for placement (PFP) or utilize a search engine’s advertising service, your ads are placed in a distinct advertiser section when users search on keywords you have determined are most relevant to your site. While these links are clearly marked out as paid ads, they nonetheless

look enough like the organic results so that users typically associate them with their search rather than as page noise.

“Paid Placement” in Section 8.3 thoroughly discusses the mechanics of search advertising.

8.6.1. Google AdWords and Google AdSense

<http://adwords.google.com/select/Login>

<http://www.google.com/adsense>

Google AdWords places text ads on Google search engine results pages as well as on a network of affiliate Web sites that are part of Google’s AdSense network. This network—Google AdWords combined with AdSense—is by far the Internet’s largest advertising service. You encounter it everyday. When you go to many Web sites, like Time.com, and see a sidebar of links under the title, “Sponsored Links,” you are probably looking at a Google AdWords product served up on a Google AdSense client site.

And the great thing about Google AdWords is that it’s available to all advertisers, not just the big spenders. You can be virtually certain that your advertising budget will contain some dollars allocated to Google AdWords.

Creating an AdWords account costs \$5.00. Putting together a campaign involves:

- Choosing a URL as a destination for user clicks.
- Selecting keywords—when a user searches using one of those keywords, your site will appear at the top or in a sidebar on the search results page (SERP). The ad’s placement will be determined by your bid amount. The higher your bid for the keyword, the more likely your ad will appear on earlier search results pages in a prominent page position.
- Selecting your per-click bid—your bid amount is what you’re willing to pay for each click your ad generates. The minimum bid amount is \$0.01 per click. Some keywords are more popular among advertisers than others, so you may need to bid quite a bit of cash to get any kind of useful placement. The higher you bid, the farther up the search listings your ad will be placed.
- Selecting your monthly budget or spending limit—this is the maximum amount you’re willing to pay each month for user clicks. When your ad hits its maximum, it ceases to appear unless you increase the maximum.

- Selecting day parts and locations—you can specify your ad to appear only at certain times of day and only to computers located in certain geographical regions.

High-performing ads—those that generate a high percentage of clicks relative to impressions—will make it out into the wider Google AdSense network. The network works like this:

- A Web site owner contracts with Google to serve up Google ads on its Web page *OR* contracts with Google to put a Google search bar on some or all of the pages on their Web site.
- Google spiders the content on these pages and matches the keywords assigned to Google ads to the content on the pages. It also checks to make sure that the ads are not directly competing with the Web site owner—for instance, no ads for Newsweek will appear on Time.com. These **contextual ads** are then displayed in a “Sponsored Links” area on the Web site’s pages. In the case of Web site owners who display a Google search bar, the Google ads are served on the search results page when a visitor uses that search bar.
- If a user clicks the ad, Google collects money from the advertiser and passes part of it along to the Web site owner.

Google also offers a Web analytics product, Google Analytics (see 7.12.2) engineered to analyze AdWords campaigns. However, since AdWords is the biggest Web advertising service out there, most Web analytics software handle AdWords analytics just fine.

8.6.2. Yahoo! Search Marketing (formerly Overture)

<http://searchmarketing.yahoo.com>

Yahoo’s Overture was the first major search advertising service. Coupled with the Yahoo search engine and directory, Overture was the first to offer sponsored ads and an interface to track results. Under stiff competition from Google, Overture has been rechristened “Yahoo! Search Marketing.” No matter what it’s called, Yahoo! Search Marketing is a tool every marketer should be using.

To use Yahoo! Search Marketing, you create an account and then create your ads. As with Google AdWords, you specify the ad’s title, destination URL, short description, keywords, day parts, and the geographical areas that will limit impressions. You then specify a minimum click-through bid for each keyword and a daily ad spend maximum. When a user searches the

Search Advertising/Paid Placement

Yahoo! search engine on one of the keywords you've bid on, your ad will appear as a sponsored link in a sidebar on the results pages.

Unlike other PPC systems, Yahoo! Search Marketing bases your ad's SERP position on not only your bid amount, but your maximum daily ad spend limit. The maximum spend works exactly the same way as in Google. In Google, however, you set a limit to your *monthly* spend. On Yahoo!, your ad appears every day until the *daily* limit has been met. This allows your ad to appear throughout the month, rather than disappear before the month ends. So why does Yahoo! anchor SERP placement to your maximum daily spend? Because the service wants to make sure you hit your maximum every day. If you have a low daily maximum, this can be hit relatively easy by burying your ad in later results pages. If you have a high daily maximum, Yahoo! makes more money (obviously) and the only way to hit this maximum is to feature your ad early in the search results. So getting good placement on Yahoo! requires fiddling with *both* your bid amounts and maximum daily spends.

Yahoo! also allows you to specify "goals" for your campaign and the Yahoo! system will spit back information on how best to achieve them. In addition, the system identifies your most profitable ads and will rotate those ads into the mix more often than less profitable ads.

As with AdSense, the Yahoo! system rotates the most successful ads into its network of contextual advertising partners. This network is not as large as Google's, but it's mighty impressive in its own right—Yahoo! is the second largest Web advertiser in the world. Their network includes major sites such as CNN, iVillage, and The Weather Channel.

8.6.3. Ask.com

<http://sponsoredlistings.ask.com>

Once known as Ask Jeeves, Ask.com has rocketed in popularity in the last couple years. The Ask.com user base is a fairly unique user base and shares only 22% of its users with Google and 20% with Yahoo! This unique user base coupled with the search engine's growing popularity argues strongly for Ask to be part of any search advertising campaign.

As with Google and Yahoo!, you pay each time a user clicks your ad. While you can set a minimum price for your keywords (the bottom limit is \$0.05), some keywords have a "reserve" price, i.e., a higher minimum, based on how popular they are. In contrast, other search engines just have a standard minimum for all keywords. Bidding the minimum may mean that your ad never appears until some hapless user clicks their way to the hundredth search result page or so. But you always have the option of being a cheapskate.

Ask's ad placement system departs significantly from other search engine marketing services. While other services rank ads based on their minimum bid price—a higher bid gets you a higher ranking—Ask bases position on your minimum bid price *multiplied* by the click-through rate on your ad. If you have a low bid price but a very high click-through rate, your ad will be *better* positioned than one with a higher bid price but a poorer click-through rate. In other words, Ask places ads based on the *amount of revenue* the ads generate for the search engine.

If you don't get this—and many people don't—just do the math. Suppose you bid \$0.05 on the keywords "virtual assistant" and your ad gets sixty click-throughs per 1,000 impressions. Ask makes \$3.00 for every 1,000 impressions of your ad. Now suppose your competitor outbids you by offering \$0.10 for the keywords "virtual assistant," but only gets twenty click-throughs per 1,000 impressions. Ask makes \$2.00 for every 1,000 impressions of that ad. Google or Yahoo! will place the higher-bid ad first and push yours to the back. Ask, however, really likes your ad because they make \$1.00 more on your ad than your rivals. Hence, your ad goes to the head of the line even though you're paying less per click.

The Ask advertising network includes thousands of search properties, meta search sites, and portals as well as lifestyle, technology, travel, and business sites. As with Google and Yahoo!, your text ads appear not just on Ask.com search results, but on these other Web sites as well provided they fit the context of your ad and any day part or geographical parameters.

8.6.4. Microsoft Office Live adManager

<http://www.microsoft.com/smallbusiness/online/banner-advertising/detail.mspx>

Google and Yahoo! really are the thousand-pound search engines in the room, but MSN's LiveSearch is a formidable second-ran. Microsoft also makes and distributes Internet Explorer, the overwhelmingly dominant Web browser, and in their infinite wisdom, Microsoft has programmed Explorer to automatically default to LiveSearch when you try to go somewhere that doesn't exist on the Web. So LiveSearch has a surprisingly large captive audience.

You place ads on LiveSearch through Microsoft Office Online, but don't panic, you don't have to go out and buy a desktop version of Office! Microsoft Office Live adManager works exactly the same way as other search advertising systems. You create an account with Office Live, which is a hosting service. Don't panic! You can sign up for their low-end service, Office Live Basic, for the incredibly low price of free. Unless you intend to

use Microsoft as your hosting service, you don't need to do anything else than sign up for the free service.

You create your text ad by specifying a destination URL, title, description, keywords, minimum per-click bid, maximum monthly budget, and any day part or location specifications. When a LiveSearch user initiates a search using one of your keywords, your ad will appear as a sponsored link at the top of one of the search engine results pages (no sidebars in LiveSearch). Its location (first page, second page, etc.) has everything to do with your bid amount. The higher your bid amount, the closer to the first search results page your ad will appear.

8.7. Pay-Per-Click Networks

Search advertising (8.6) distributes text ads on search engine results pages as well as a network of member sites. While ads are "contextually" placed on member sites, that is, they are placed on sites with content more or less matching the keywords you've specified, you typically have little control over how and when your ad appears on the network. In many cases, only high-performing ads with the highest bids make it out into the network.

There are Web advertising services that *only* distribute text-based ads on a network of member sites. Like the search engine pay-per-click networks discussed in 8.6, the ads are placed on the most contextually appropriate pages.

The process works exactly the same way:

- You write a title, destination URL, and short text description for your ad.
- You select one or more keywords to describe your ad.
- You set a bid price for clicks that the ad will generate.
- You set a maximum daily or monthly spend.

Your ads are then placed on contextually appropriate Web sites in the network based on your bid position and maximum spend.

8.7.1. Miva

<http://www.miva.com>

MIVA is an independent online advertising network of over 100,000 U.S. and European businesses publishing MIVA ads on millions of Web sites. In addition to the core network, MIVA's Precision Network allows you access to several vertical networks organized by business categories.

As with search engine advertising, you specify keywords, a minimum bid for each keyword, a title, destination URL, description, and monthly budget. Your text ads are served on a variety of search engines, directories, and other general and industry-specific Web sites based on your bid price.

In addition to pay-per-click pricing, MIVA offers a pay-per-call service. You get charged not for user clicks, but for any calls a user makes to your business, so you can connect with users even if you don't have a Web site.

MIVA offers online tools, called Cruise Control, to help you automate and track your campaign. AutoBid automatically optimizes keyword bids; AdAnalyzer lets you monitor key statistics including return on investment (ROI); Campaign Scheduler lets you schedule your campaigns.

MIVA campaigns cost much less than Google or Yahoo! search engine campaigns, so a MIVA campaign should be first on your list.

8.7.2. Bidvertiser

<http://www.bidvertiser.com>

The authors of this book consider Bidvertiser to be the first destination any start-up, small business, or entrepreneur should take when looking for a pay-per-click service or network. Bidvertiser deploys a unique model—rather than a network of partner Web sites, Bidvertiser functions more like an online auction house for online advertising, a marketplace bringing together advertisers with Web publishers. With over 500,000 Web publishers in its network—including a huge array of Web hosting services and domain name registrars—it's pretty tough for you *not* to find sites to advertise on.

To understand what's unique about Bidvertiser, think about the contextual advertising model used by MIVA, AdWords, and Yahoo! Search Marketing. In those models, your ad is served on partner Web sites based on how well your keywords fit with the content on those sites. You have no idea what Web sites your ads are appearing on—the adserving engine makes that decision for you. You also have no relationship with the Web publisher. MIVA, Google, and Yahoo! “own” the members of the network. Because they take a cut of every ad click, they don't want you setting up a separate relationship with any of their members.

Bidvertiser, on the other hand, not only allows you to specify all the parameters of your ad (title, description, URL, minimum bid, maximum spend, day part, geographical limitations, etc.), but also allows you to choose Web sites. In other words, Bidvertiser looks, feels, and quacks like an auction or RFP marketplace. Bidvertiser is only a transaction medium. The service does not “own” the Web publishers, but instead allows you to set up relationships with publishers to maximize the benefit to you both.

Like most search marketing and PPC services, you bid on clicks. Because you specify individual Web sites, your ads will go into a queue for that site. The highest bid ads will be served first on that site until the monthly maximum is reached. The system then moves steadily down the queue until your ad makes its appearance. The system makes it easy for you to rise to the top of that queue: when you bid for placement, the system automatically adjusts your cost-per-click one cent higher than the current high bidder.

We cannot, however, unreservedly advocate Bidvertiser. Many users express disappointment at the results they've gotten, largely because Bidvertiser's network is not large enough to fully support their marketplace model. As the number and variety of the Web publisher sites grow on their network, Bidvertiser's results should greatly improve.

8.8. Banner Exchanges

Let's say you truly are running a shoestring venture with precious little cash to spare for Web advertising. You can leverage the value inherent in your Web site by joining a banner exchange where you trade ads with other Web site owners. In essence, you get to place ads on other sites for "free." But not quite free. In return for having your banner ad displayed on a site on the network, you have to display a banner ad on your site for some other network member's site.

Banner exchanges, then, are networks of Web site owners willing to trade banner ads with each other. If the network is large enough, you can get precise contextual or audience targeting on a well-trafficked sites. If the network is too small, however, you get general targeting on sites that see very little traffic.

Typically banner exchanges work on a point system or a "2 for 1" exchange. For every *two* ads you display on your site, you get *one* of your banner ads displayed on a member's site. These "exchange rates" are sometimes expressed in percentages. A 2 for 1 exchange is a 50% or 0.5 system, that is, you get 0.5 impressions of your ad for every one exchange member ad you display on your system. A "3 for 2" exchange can also expressed as a 60% or 0.6 system. For every 0.6 impressions of your ad on member's sites, you have to display one ad on your site. If you're scratching your head about the math, here, read on. We'll explain it in a bit.

Banner exchanges require that you apply for membership. After you sign up, a real live person vets your site to make sure it meets certain standards, i.e., no porn, hacks, criminal activities, or other undesirable activities. The exchange's robots survey your content and rank words on your page in the same way search engines do. This allows the service to place the most

contextually appropriate ads on your site. You submit a banner ad, specify keywords, and, in two or three days, the exchange service approves your ad or sends it back for revisions. Once your ad is approved, the service starts loading banner ads on your site and starts serving your ads to other sites using the appropriate exchange rate. Each time your Web site displays a certain number of ad impressions, your banner ad enters the queue. All banner exchanges offer tracking software or administrative sites that allow you to monitor and track when and where your ad has been served as well as track the ads served on your site. The latter is important. You want the ability to blacklist any ads that you think are inappropriate or, worse, are ads for direct competitors.

To prevent cheating, banner exchanges use sophisticated monitoring systems. There are a number of ways to “cheat,” including automating your computer to load pages from your site over and over and over again to generate more impressions for your ad. Such cheating obviously doesn’t benefit other members of the network, so you’re getting a free ride for your own ad impressions. The exchange software monitors usage very closely. Abnormal traffic patterns usually result in your membership being pulled and all your credits revoked. You want to evaluate an exchange’s monitoring system very carefully. The more rigorous and punitive the system, the better your ads are going to perform.

There are literally *tons* of banner exchanges out there including highly specialized ones (horror banner exchanges, Christian family values banner exchanges, and so on). Because they don’t make lists of member sites available, you don’t know if the sites are appropriate, relevant, or even well-trafficked. In general, the more sites in the exchange, the better your results will be. If you can find a specialized exchange that is spot-on relevant to your site and product, you’re better off being a part of that exchange rather than some everyone’s-invited-to-the-party exchange.

So how do these generous folks who run the exchange make any money? Despite the best efforts of the most brilliant capitalist minds, there aren’t a whole lot of ways to suss profits out of “free.” Well, remember when the math above seemed kind of goofy? If the system were a totally free exchange, then the 2 for 1 ratio would make no sense, right? After a while, nobody’s ads would be appearing because nobody would have enough credits. So where do the extra ads come from to sustain the 2 for 1 ratio? If you haven’t guessed, then go to the back of the class. To sustain a 2 for 1 ratio, at least half the ads have to be *paid ads*. If you stretch the time period long enough, about $\frac{1}{2}$ of all the banner ads appearing on your site are from banner exchange members. The other half is paid. That’s how the exchanges make money and put their executives in shiny new cars.

BUY BEFORE YOU TRY

If you're serious about banner exchange, a good rule of thumb would be to buy before you try. That is, before you start exchanging banners, purchase a few impressions, say, 10,000 to 20,000, without exchanging banners. This should set you back anywhere from \$4 to \$8. If you sign up with thirty banner exchanges with the sole intent of buying before trying, the total cost for buying 10,000-20,000 impressions on each exchange will clock in at around \$100 to \$300—not bad. You can then measure your click-throughs and conversions using your Web analytics software or the exchange's admin pages. You should only sign up with the exchange that sends you the most or the best quality visitors, i.e., visitors who buy something or contact you through your site. If the exchange requires that you become an exchange member before you buy, simply don't insert the code on your pages or insert the code on a null page until you've discovered which banner exchange will work best for you.

8.8.1. 1800Banners

<http://www.1800banners.com>

With 14,000 member sites, 1800Banners is one of the most well-respected banner exchanges. They follow the industry standard 2:1 exchange rate, but they distinguish themselves for low-priced paid ads and for their 0.2% click-through guarantee. The exchange promises two click-throughs for every 1,000 impressions or they will give you free impressions until you hit the twenty click-through minimum. Of course, a 0.2% click-through rate is nothing to write home about, but no other exchange promises a minimum click-through rate.

Paid ads cost \$0.30 per 1,000 impressions. Combined with the same minimum 0.2% click-through rate, that means that you're paying a maximum of 15¢ per visitor. That's something to write home about!

1800Banners also has one of the most prestigious lists of paying advertisers, such as NetZero, AOL, and Dish Network, as well as third party advertising placement services such as DoubleClick and Adserver.

8.8.2. Click4Click

<http://www.click4click.com>

Click4Click is a banner and exit exchange (see 8.9) with almost seven thousand members. They offer a slightly better than 2 for 1 exchange at 3:2

or 60%, that is, you earn two impressions of your own ad for every three impressions of exchange served ads displayed on your site.

8.8.3. eBannerTraffic

<http://www.ebannertraffic.com>

eBannerTraffic offers one of the most generous exchange rates (3:2 or 60%). Because eBannerTraffic supports ads from button ads to skyscraper ads, the system assigns points for every ad impression. Larger ad formats earn and cost more points than smaller ad formats. You can purchase ad impressions and, unlike other services, you can *sell* ad placement points you've earned back into the system.

8.8.4. E-BannerX

<http://www.e-bannerx.com>

E-BannerX has an exchange network of over 18,000 members and serves 70 million ads per month (that translates to 35 million free ads per month and 35 million paid ads per month). Ads are based on a 2 for 1 system that takes into account ad size. So you earn points for every impression of an exchange ad on your site (more points for large ads and less for small ads) and you spend points every time your ad appears (more points for large ads and less for small ads). You can also purchase impressions at rates ranging from \$0.18 to \$0.70 per 1,000 impressions depending on the size of your ad.

8.8.5. Exchange Ad

<http://www.exchangead.com>

ExchangeAd has the most generous exchange rate (up to 4:3 or 75%) and one of the lowest CPM prices (minimum of \$1 per 1,000 impressions) of all the banner exchanges we've studied. Simply signing up with the exchange gives you 250 free impressions of your ad. The network has several standout features: the ability to rotate ten banners, automatic weighting to insure the best performing banners go to the front of the queue, and the ability to target by day parts as well as categories or keywords.

The exchange ratio depends on where you place exchange member ads on your own site. Ads placed at the top of your page earn a 4:3 ratio; ads visible without scrolling the page earn a 3:2 ratio; ads that are not visible until a user scrolls the page earn a 2:1 exchange ratio.

If you want to buy rather than exchange impressions, Exchange Ad has a bid model rather than a flat CPM fee. You can bid as low as \$1 for 1,000

impressions, but the higher you bid, the more your ad will be displayed on exchange member sites.

8.8.6. Neobanners

<http://www.neobanners.com>

NeoBanners is both a banner and exit exchange (see 8.9 for exit exchanges) with 2 for 1 exchange ratio (50%) for both banners and exits. Impressions are earned through credits—you get more credits for displaying a large ad on your site rather than a small ad. It also costs you more credits to display a large ad rather than a small ad on someone else's site. NeoBanners also runs ClickLeisure (<http://www.clickleisure.com>), a banner and exit exchange dedicated to the travel and hospitality industry.

8.8.7. SkyscraperAds.com

<http://www.skyscraperads.com>

SkyscraperAds.com is an exchange network devoted solely to skyscraper ads, the vertically tall ads that appear in the side margins of Web pages. As part of the network, you agree to place skyscraper ads in the left or right margins of your pages from network members. As with banner exchange programs, you “earn” skyscraper ad placements at an exchange ratio of 2:1, that is, one impression of your ad for every two skyscraper ad impressions on your site.

The SkyscraperAds technology allows you to specify keywords and context to target member sites best suited to the audience you’re targeting. In addition, the exchange technology prevents ads from direct or even indirect competitors from appearing on your site.

8.9. Exit Exchanges

An exit exchange works pretty much the same way as a banner exchange—in this case, however, what you’re trading are pop-unders or **exits**. A pop-under is a pop-up with manners. Standard pop-ups load in front the page the user is really interested in; pop-unders very courteously load *beneath* the page. So the user is not interrupted and may not even know the pop-under is there until the top browser window is closed.

But sometimes pop-unders can be more powerful and intrusive. Rather than a dinky little ad, a pop-under could come dressed as a full Web page in a full browser window. Pop-unders can also be coded to load only when the user closes the generating window. Pop-unders that exploit these more

powerful features are more properly called exits. If you attach your site as an exit to another site, this is what happens: a user goes to the other site and moseys around a bit. Unbeknownst the user, *your* site has also loaded in a window below. When the user closes the top browser window, shazam!, they're staring at your site. For this reason, exits are not measured in impressions or clicks, but visitors. There's nothing for the user to click—they are right there on your site just as if they had clicked a link on a banner ad.

Like banner exchanges, exit exchanges typically operate on a 2 to 1 exchange. For every two exits that users download from your site, you're allowed one exit on another exchange member's site. The exit exchanges make their money by selling that extra exit impression.

Exits are tricky marketing tools. Users don't like their computers hijacked this blatantly and find exits aggravating. However, exits can work phenomenally well on a narrow range of products, topics, and customers.

You should proceed cautiously with exits. Context is vitally important for exit advertising—far more important, in fact, than for any other format. You are, as an advertiser, temporarily taking over somebody else's computer, so you should be certain that your site is a close match to the generating site.

You should never specify as an exit page any page which has *another* exit attached to it. This traps the user in an endless series of exits, a complete waste of everybody's time and money (I once caught an employee on a porn site and when he hastily closed the browser window, five other porn sites loaded; as he struggled to close those, each one generated another two or three porn sites—I quietly walked away and let him solve that problem before dropping the house on him). Only deal with exit exchanges that load *one exit per visitor per Web site*. If you sign up with an exchange that throws users into endless hamster wheels, you will indeed get tons of “visitors” to your site. Thing is, all these visitors will be “visiting” for fractions of a second as they furiously try to close the endlessly generating Web sites.

You should always buy before you try. Exit adservers, networks, and exchanges like to differentiate themselves from other Web advertising by claiming that they produce “visitors” rather than “impressions.” Technically, this is true, but the quality of the “visits” can be pretty low since the “visits” are involuntary. You need to analyze the *conversions*—sales, contacts, leads, or registrations—that an exit campaign or exchange is generating. You also need to carefully study the quality of the “visits”: for exit-generated visits, how long does the user stay on the site? How many pages are visited? How much time is spent on each page? If you find users spending only fractions of a second on your landing page before they leave, then you're wasting your time and money. Better to find another exit exchange or go the banner or text ad route.

How many exits should you buy to figure out if an exchange is worth joining? A 2:1 exchange will increase your site traffic by 50% (yeah, it works, because each “exit” counts as one site visit). So if your site is generating 5,000 visitors per month, purchasing 2,500 exits will add 2,500 visitors to that base bringing your total monthly visitors to 7,500. This number, 7,500, would be the same number of monthly visitors you’d receive in the 2:1 exchange (trust me, I’m a scientist). So you should purchase 2,500 exits and measure the bounce in your site’s leads, contacts, or sales. That’s the performance you can expect by joining the exchange. Total cost of buying 2,500 exits before trying: about \$40 to \$70.

One final note about these folks. The exit exchanges we list below are highly reputable and respected in the advertising industry. They are straightforward exchanges. Some less reputable exit exchanges, however, also allow you to earn exits by setting your browser home page to their service. Every time you open your browser, a member Web site loads into the page. Each time that happens, you earn extra exits. Convince your friends and relatives to set their home pages to the same exit exchange, you earn even more exits. And so on and so on. These services are simple pyramid schemes. They produce dramatic upticks in your visitor count, but the numbers don’t mean anything. If an exit exchange offers a “home page scheme,” don’t let the door hit you as you run out.

8.9.1. Exit Exchange

<http://www.exitexchange.com>

These folks invented exit exchanges and remain the most reputable exit exchange network in a sea of sharks. They also own many of the patents on the underlying technology and license these to other companies. Most importantly, Exit Exchange offers the broadest set of site categories (308) and largest network of sites (100,000) to help you precisely target your site’s exits. Exit Exchange offers a 2:1 exchange ratio (50%) in addition to a paid exit pricing model. Again, buy before you try. You can purchase 1,200 exits for \$19 and 10,000 for \$119, some of the lowest prices in the industry.

Most significantly, Exit Exchange offers a streaming media alternative that works just like an exit. When a user opens up a page on a member site, your video or animation loads in the background. When the user closes the browser window, the video is loaded and ready to play.

Exit Exchange also offers pop-under ad design and creation as well as virtual adserver services (see section 8.11). Unlike many virtual adservers which typically require you to sign on for six months to a year, you can

purchase virtual adserver services for a limited time and run just a single campaign.

8.9.2. w3exit

<http://www.w3exit.com>

w3exit is an exit, banner, and button exchange service with a 2:1 exchange rate (50%). You choose the type of exchange you wish to participate in—exits, text ads, banners, or buttons. Like a banner exchange, w3exit requires that you know enough about coding to insert a line of code into your home page to access the exchange.

The financial model works exactly the same as a banner exchange. Half the ads served are paid ads. Because of this, you should buy before you try. You can easily specify a certain number of exits to occur over a month—say 1,000—and then measure the effectiveness of the service in producing conversions from those visits.

8.10. Widget Advertising

Widgets are desktop, browser, or software interface displays that dynamically serve news, information, media, and advertising. They also allow a certain amount of interactivity. Widgets evolved from desktop software that served some function (like mp3 players) and were available for free, but the user had to endure advertising every time they used the software! When users ran the free software, ads would appear on a preloading screen, directly on the software interface, or pop-up after the user quit the program.

Today, however, you find widgets all over the place: on the desktop, embedded in Web pages, even TV! Also called “flakes,” “modules,” “gadgets,” “badges,” and all number of other geeky freaky names, Web and desktop widgets allow users to separate the content from a Web site and implant it all over creation, including personalized portal home pages, blogs, or MySpace or Facebook pages. Many advertisers believe that Web and desktop widgets are the wave of the future, so you should start considering widgets in your advertising scheme.

Some widgets are downloadable software programs, but *all* widgets are programs. This enables less reputable widget distributors to include two other types of scripts: spyware, which gathers information about the computer user’s habits, and Trojan horses, which typically take over some function of the computer. A widget’s spyware monitors users’ Web browsing, media playing, and ecommerce activities while the Trojan horse could be used to push Web sites at them. Because the spyware collects important data about

the user and the types of pages they visit, it allows widget services to target users with incredible precision. With the right product delivered to the right market, widget advertising can be phenomenally successful because of this precise targeting.

Widget advertising does have serious limitations. On the one hand, some widgets, like The Weather Channel's Desktop Max, are branded by two very trustworthy brands, The Weather Channel and RealPlayer; their widgets have nothing malicious hidden in the code. You can find Desktop Max even on computers crouching behind some pretty impenetrable corporate firewalls. The shelf-life of a widget can be surprisingly long. The best and most reputable are in the user's face day after day for months and years. The least reputable often have short shelf lives, particularly when the user, or the user's anti-virus program, discovers the hidden malicious code.

As more and more content is delivered through widgets, gadgets, and flakes as opposed to Web pages, the more central widget advertising will become to businesses across the entire spectrum.

8.10.1. Intelligent Web Marketing

<http://www.i-web-marketing.com>

Intelligent Web Marketing distributes a large variety of free applications—almost all of which are media players of some stripe or another. These applications are used by over 60 million people worldwide. Rather than deliver ads as banners or other format, the technology uses **exits**. When the user closes the software interface, your entire Web site is loaded. In this sense, the technology does not deliver impressions but actual site visits—however, the quality of those visits can be pretty low. Your site, after all, is being “forced” on the user. To determine if you’re getting quality visits, you have to measure the conversions these site visits are generating.

Intelligent Web Marketing does guarantee that your page will not load on the same user’s computer more than once every seven days, so you can be sure that all the traffic within a seven day period are unique visitors.

Since there are no ads, just full Web page loads, you pay per “visitor.” In reality, you’re paying for each full-page load of your site. The “visitor” may close the browser window without so much as a how-d’you-do. As of the publication date of this book, 30,000 “visitors” will cost you \$89 and 200,000 “visitors” will cost you \$379.

If you have the right product and are targeting a tight demographic that is likely to use this software, your advertising can produce incredible results. Since both widget *and* exit advertising require a very careful fit with your product or service, you should do your homework first.

8.11. Virtual Adservers

In the simplest possible marketing configuration, you will end up using some search advertising, some network advertising, and strike a few deals with some Web publishers. But what if you want to handle your own advertising? Or, check this out, what if you want to “rent” your own Web site to advertisers? If you’re playing seriously in the online advertising game, you’ll end up setting up an **adserver**.

The only thing an adserver does is publish ads on Web pages. The adserver has a stock of ads in its database, a stock of pages it publishes those ads to, and a tracking system that monitors anything and everything to do with those ads.

Adservers come in two flavors:

- **Remote adservers** publish ads to several different Web domains owned by several different people—this is the adserver you would use if you want to publish and track *your* ads on other people’s sites.
- **Local adservers** publish ads to Web domains controlled by the owner of the adserver—this is the adserver you would use if you want to publish and track *other* people’s ads to your site.

Now you don’t need an adserver to do either of these functions. Google AdWords is, after all, an adserver. It will publish your ads on other sites and, if you want, will publish other people’s ads on your site. But if your business model involves heavy-duty Web advertising, then you’ll probably end up with an adserver clunking away in a corner somewhere.

Why would you want the fuss and bother? Well, unlike adserving services like Google AdWords, if you control your own adserver you can:

- Set up business rules for various ads.
- Target ads to users much more precisely than you can with the services.
- Optimize ads based on results.
- Cap the ad frequency, i.e., only serve so many of one ad to one person.
- Sequence ads, i.e., set a sequence of ads so that there’s a logical progress in the user’s experience of the ads.
- *Roadblock* a Web site or page, i.e., exclude all competitor’s ads from a page.

Folks like Microsoft and Countrywide can afford to have banks of proprietary adservers serving up their millions of dollars in Internet ad buys every month, just like they have banks of proprietary servers for their Web sites. But in the same way that you can share a server with other Web site owners, you can also share an adserver with other Web advertisers like yourself. A virtual adserver works much the same way as a Web site hosting service. Every month, you “rent” storage space and bandwidth. The adserver comes equipped with the software required to create impressions on thousands or millions of Web sites. You can also use this “rented” adserver to spoon up ads on your site, as well.

But running your own virtual adserver, like running your own physical adserver, is not for the squeamish. It’s a highly technical, statistics-laden art form and, unless your business is built around Web advertising (which it could be if you’re primarily a Web content publisher generating serious revenues from advertising), then you probably should stick with something simple like Google.

Again, when choosing an adserver, you should make decisions based not only on your present needs, but on your future needs, as well. For all technological issues facing your business, you ask the following questions:

Will this solution grow with my business?

If not, how much pain and cost is associated with upgrading to a better solution?

When approaching adservers, then, you need to know if the service has options that significantly reduce your cost if your advertising volume goes up and offer tools for managing very large Web advertising campaigns.

8.11.1. AdvertServe

<http://advertserve.renegadeinternet.com>

AdvertServe is a managed hosting service running the software, AdvertPro, a full-featured ad-serving and tracking application. Features include geographic and demographic targeting, frequency capping, CPM (cost-per-mil, i.e., 1,000 impressions)/CPC (cost-per-click)/CPA (cost-per-action)/flat fee pricing models, priority campaign weighting, real-time reporting, third party click tracking, and campaign e-mail alerts. Server and campaign administration is entirely Web-based and allows you to create several levels of system administrators and users. If you’re serious about your advertising and are running a variety of campaigns, the AdvertPro software

makes it easy to manage enormously complex campaigns with several different parameters.

The service bills you for each ad impression. For a basic account, the setup fee is \$80 and the per-impression rate is \$0.04 with a minimum monthly charge of \$79. Geotargetting requires that you upgrade to the Extended Account (which allows country and continent targeting and tracking for a \$100 setup fee and \$0.05 per impression fee) or Premium Account (includes state and ZIP targeting and tracking for a \$130 setup fee and \$0.06 per impression fee).

Because IT decisions should not only be based on what you need now, but what you *will* need in the future, you should note that AdvertServe also offers dedicated hosting (9 million or more impressions per month at about 1¢ per impression—you do the math) and a site license for AdvertPro (with licenses *starting* at \$2,950 for up to 25,000 impressions per month) if you have the wherewithal and the revenues to run your own adserver.

8.11.2. Zedo AdServing

<http://www.zedo.com>

ZEDO's adserver delivers all ad formats including rich media and full page ads, also called "interstitial" or "transition" ads. The administrative interface is totally Web-based and allows any kind of advertising content.

Zedo offers adserver products for publishers (those who want to publish other people's ads on their Web site), advertisers (those who want to publish their ads on other people's Web sites), and advertising networks. While Zedo can be used for any adserving tasks, they've designed the system to be optimal for social networking sites, such as Hi5.

Zedo offers easy-to-use templates and supports all banner ad formats. You can set impression limits and cap frequencies, rank ads, sequence ads, and precisely target ads for channels or geographic areas. The service provides advanced tracking tools that give you access to the most basic information, such as click-through tracking, to advanced topics such as tracking behaviors or calculating revenues.

Pricing is only available by contacting Zedo's sales department.

8.12. Affiliate Marketing Networks

Most online advertising is **affiliate** marketing. It looks, feels, acts, and quacks just like other Web advertising. It differs, however, in how you *pay* Web publishers to display your ads. For non-affiliate advertising, you usually pay for the number of impressions (CPM or "cost-per-mil" with a mil being

1,000 impressions) or the number of clicks (CPC or “cost-per-click”). But impressions really don’t mean much in terms of revenues and clicks can be faked, so Web site advertisers began paying publishers for how well the ads *perform*. Paying Web publishers for how well ads perform is what we mean by affiliate marketing—and it also explains why affiliate marketing is often called **performance marketing**.

In a performance pricing model, you only pay a Web publisher when a visitor clicks an ad, comes to your site, and does something that has value to you, like leave their contact information (cost-per-lead), call your sales department (cost-per-call), or, better yet, buy something (cost-per-sale). If you’re paying a Web publisher for the “actions,” such as leaving contact information, that a user performs once they come to your site, you’re employing a “cost-per-action” (CPA) pricing model. If you’re sharing revenues from online sales with a Web publisher, you’re employing a “cost-per-sale” (CPS) pricing model. CPS was the original affiliate marketing model pioneered by CDNow and Amazon.com in the mid-1990’s. For instance, in 1995, CDNow encouraged Web publishers to review CDs and link their reviews to CDNow’s product catalog. If a user followed the link and bought the CD, CDNow shared 10% of the revenue with the affiliate.

Where do you find affiliates? Well, you can cruise the Web, find some Web site owners, and call them. If they agree to advertise for you, you then set up affiliate tracking software (8.13) so that you can properly compensate them as well as measure the effectiveness of your campaigns. Where should you look?

- Personal Web sites—where affiliate marketing got its start.
- Blogs—fast becoming one of the most effective affiliate marketing sources.
- Content and niche sites, particularly sites that review products.
- Comparison shopping sites.
- Shopping or other niche directories (called affiliate directories).
- Coupon and rebate sites.

Alternatively, you can use an **affiliate network**, which, like a banner or exit exchange, is a group of member sites that accept affiliate advertising. Also called **CPA networks**, these networks handle *all* the affiliate management: they set up and maintain the relationship with the affiliate, and install the tracking software. All you do is put your offer out on to the network. Of course, you never get to have a relationship with any of the affiliates—the names, Web sites, and contact information belongs to the network, not you.

Finally, you could hire an affiliate management company that initiates contacts and negotiates contracts, but most start-ups don't have the resources to afford these services.

How and what do you pay an affiliate? Any way you and the affiliate deem fair. About 80% of affiliate marketing relationships involve some form of revenue sharing or CPS, that is, the affiliates get some percentage of the sales they help produce. The typical commission is 10% of the sale.

About 20% of affiliate marketing relationships use some form of cost-per-action (CPA) payment method—for instance, an affiliate gets \$2 for every lead they generate.

If you are using an affiliate network, the network administrator typically takes 20% to 30% of what you pay an affiliate—it doesn't matter if you're using a CPS or CPA pricing model. So, in the CPA instance above, when you pay your affiliate \$2, you also pay the affiliate marketer \$0.40 to \$0.60.

8.12.1. Azoogle Ads

<http://www.azoogleleads.com>

Azoogle Ads is one of the largest and most respected CPA networks in the U.S. In operation since 2000, they offer both targeted and untargeted CPA advertising on an affiliate network that includes search engine portals, content sites, contextual sites, and newsletters.

Azoogle Ads is an RFP marketplace. You place your ad specifications (including the ad, day part, geographical region, contextual parameters, etc.) and pricing model in an RFP. Web publishers have dynamic accounts with Azoogle Ads and are constantly monitoring offers and ad performance. A publisher will only see your offer if their site fits your RFP criteria.

Azoogle differentiates itself from other CPA networks based on its software tracking system which includes powerful tools for both advertiser and publishers to maximize their results.

The network supports text, search, banner, and email advertising.

8.12.2. LinkShare

<http://www.linkshare.com>

LinkShare is one of the oldest and most respected affiliate marketing management companies and networks in the U.S. and abroad, attracting some of the biggest Web advertisers such as Toshiba, Macy's, and ATT. Because they are primarily an affiliate marketing management company, their prices can be fairly steep. You must contact a sales representative to work out pricing.

In addition to their network and services, LinkShare's Synergy Analytics is one of the best affiliate management marketing software packages.

8.12.3. DirectLeads

<http://www.directresponse.com/directleads>

DirectLeads, owned by DirectResponse, is a network of screened affiliates and proprietary sites (such as coupon and shopping comparison sites). Using either a CPA or CPS pricing model, you pay DirectLeads and they pay the affiliates about 75% to 80% of the performance fee.

DirectResponse also runs DirectClicks, an affiliate marketing network using a pay-per-click model (CPC). Again, you pay DirectClicks for each Web site visitor and they pass on about 75% to 80% of the fee to the affiliate.

8.12.4. ShareASale/FineClicks

<http://www.shareasale.com>

<http://www.fineclicks.com>

ShareASale.com is a highly respected affiliate network that has signed on more than 2,000 Web-based merchants. ShareASale only runs banner-based CPS (cost-per-sale) affiliate marketing.

The process works like this. You upload your banner ad. You then set a percentage or flat-fee payout for every sale that an affiliate generates. Affiliates then either subscribe or not to your advertising campaign. ShareASale records any sale made through an affiliate and deducts the affiliate payment from your account. When your account runs down to zero, your ad stops appearing on affiliate sites.

ShareASale takes an additional 20% of the amount you pay any affiliate as its operating fee; you must pay a minimum of \$25 per month in fees. There is also a \$350 fee to set up tracking software on your Web server and a \$100 minimum account balance requirement.

ShareASale recently acquired FineClicks, one of the oldest affiliate networks. With FineClicks, you set your ad parameters and payout and FineClicks places the ad on affiliate sites. For their efforts, FineClicks takes 20% to 30% of any CPA or CPS commissions and 35% of any CPC payouts. While there is no setup fee, FineClicks demands a minimum \$350 deposit.

FineClicks works the same way as ShareASale. The system tracks leads, clicks, or sales generated through an affiliate partner, pays the affiliates, and deducts the payment from your account. When your account reaches zero, your ads stop appearing.

8.13. Affiliate Marketing Software

If you decide to do affiliate marketing on your own, then you will need to install or sign up for affiliate marketing tracking software. While measuring impressions and clicks is incredibly simple, measuring performance is much more difficult. You need software that not only counts the visitors an ad sends to your site, but also tracks their progress through your site and, if you're using a cost-per-sale pricing model, tallies up their pre-tax order. The software must present reports accessible both by you and your affiliate partners. Finally, affiliates typically want to be paid now. Affiliate networks make you deposit money to pay affiliates whenever an action or sale triggers a payment. Affiliate marketing software often automates payments to make life simpler for everyone.

8.13.1. DirectTrack®

<http://www.directtrack.com>

Built by DirectResponse, which also runs the affiliate networks DirectLeads (8.12.3) and DirectClicks, DirectTrack® is an accurate, fully-featured affiliate tracking and adserving software designed for both merchants and affiliate networks. DirectTrack comes in three versions: Merchant, Merchant Pro, and Network. The last is designed for affiliate networks so packs much more muscle than you need.

The Merchant version is a fully-featured affiliate management system that is limited to one Web site and one Web site URL but can track an unlimited number of affiliates. The software will support any type of campaign: CPC, CPM, CPA, or CPS. Merchant comes with one significant limitation: affiliates can only link to a redirect page hosted on the DirectTrack servers. Users click an ad and are taken to these redirect pages; the pages then redirect them to your Web site.

MerchantPro can be used for up to five Web sites and allows your affiliates to link directly to your site. Affiliates can also link to any product in your catalog and you can customize the payoff for each product. MerchantPro also allows you to exclude users from any country. Finally, MerchantPro allows you to insert custom code provided by individual affiliates so that they can track performance as well as you.

All the DirectTrack tracking and adserving services are hosted on the DirectTrack servers. You pay a setup charge and a monthly fee. Your fee depends on a monthly limit set on the bandwidth, ad impressions, and click-throughs; exceeding any of these limits invokes overage charges. If you use

MerchantPro, you can host ads or images on other servers to keep bandwidth usage down.

8.13.2. My Affiliate Program (MyAP) and Kolimbo

<http://www.myaffiliateprogram.com>

<http://www.kolimbo.com>

One of the oldest affiliate tracking software systems, KowaBunga's My Affiliate Program, is a full-featured, robust, and accurate affiliate marketing tracking system that also integrates with KowaBunga's Kolimbo, a free affiliate marketing network exclusive only to MyAP users.

MyAP is a server-based program that requires a Windows server running ASP. The MyAP technical services will install and set up the software and custom design a public "Affiliates" page for your Web site that allows other Web publishers to request membership in your affiliate network. Your program will also be listed for free in the Kolimbo affiliate network. Affiliates who sign on to your program will be able to monitor their statistics by going to a custom branded Web site.

Like other affiliate management systems listed here, MyAP is hosted on the MyAP Web servers. You get 50 GB of space to store your ads.

Features include:

- *Cross Channel Tracking and Reporting:* Track impressions, clicks, sales, and other activities generated by any and all of your marketing efforts—including affiliates, paid ad placements, paid search, and organic search campaigns.
- *Cookie Trail Tracking and Reporting:* You can track every point of contact a visitor has had with your various marketing channels before they actually buy from you or perform some other action. Most other software tracking systems limit the reporting to the first or the last affiliate to refer the visitor to your site and credit that affiliate for the sale.
- *Web, email, PDF, or Excel-export reports.*

KowaBunga runs Kolimbo!, a totally free affiliate network for MyAP merchants. Once you have the MyAP software installed, your affiliate program will appear in the Kolimbo! network, which includes over 500,000 affiliate Web sites, search engines, and other Internet properties. There are no network commissions, bandwidth fees, or impression/click-through overage charges. The only thing Kolimbo! does is connect you up with affiliates.

Kolimbo! is one of the only “open” affiliate networks. Other affiliate networks are “closed,” that is, the network “owns” the affiliates. All you know is that you’re putting out ads and that affiliates are driving traffic to your site. Kolimbo!, on the other hand, gives you full information about the network’s affiliates: who they are, how to contact them, and where their Web sites are located. You are free to pick and choose among individual affiliates. More importantly, you can build relationships with your affiliates, which gives you far more power and far better results.

8.13.3. Affiliate Shop

<http://www.affiliateshop.com>

Affiliate Shop is an affiliate management and tracking system that involves no custom software installation. You simply insert a couple lines of HTML code onto your site. Since Affiliate Shop does not include or integrate with an adserver, the system requires that you either deliver ads to your affiliates or run your own adserver.

The software helps you manage affiliate recruitment, affiliate commissions, and track results. Monthly pricing varies by plan, but for all plans there are no setup fees, no integration fees, and no commissions. All plans offer you unlimited affiliates, unlimited clicks, and offer the full software feature set. The standard plan clocks in at \$45 per month. The Network plan, which offers a listing on their affiliate network, will set you back \$50 per month. The Maximum Exposure Plan, at \$120 per month, offers free consulting and assistance.

AffiliateShop is primarily designed for CPS (cost-per-sale) campaigns and integrates with your shopping cart. You must do your homework, though; it only integrates with a select number of shopping carts.

8.13.4. AffiliateRunner

<http://www.affiliate.runner.com>

AffiliateRunner tracks visits generated by affiliate Web sites and allows you to analyze those statistics to optimize your affiliate programs. AffiliateRunner operates virtually from the AffiliateRunner Web servers. Integration simply involves inserting some code into your shopping cart’s confirmation page.

The software supports any kind of program—CPC, CPM, CPA, or CPS—and allows you to set paybacks, tiered commissions, and view all the network statistics. The software includes a powerful fraud detection system

and integrates with QuickBooks and PayPal so that you can automate payments to affiliates.

AffiliateRunner offers four plans ranging in price from \$19 per month for Runner Basic to \$49 per month for Runner Expert. The plans primarily differ in the number of monthly click-throughs they allow ranging from 50,000 per month for Basic to 155,000 for Expert. Exceeding the monthly click-through allowance triggers overage charges.

8.13.5. Interneka

<http://www.interneka.com>

Like AffiliateRunner, Interneka is hosted software that tracks visits generated by affiliate Web sites. Like other tracking systems, you insert some code into the confirmation page of your shopping cart.

Interneka comes in three plans ranging in price from \$29 per month for Interneka Standard to \$129 per month for Interneka Dedicated. Setup fees are rather steep and range from \$79 for Standard to \$450 for Dedicated. The plans primarily differ in the number of monthly click-throughs to your site; Standard tops out at 50,000 per month while Dedicated offers unlimited click-throughs.

You can also purchase a software license for \$799 and install the software directly on to your Web server. This is a one-time fee, but you have to manage your own installation.

8.14. Email Marketing

On its face, email marketing seems pretty simple: using email to promote your product, service, or company. Everyone uses email and it costs virtually nothing to send.

In practice, however, email marketing can be very complex. As a species of direct marketing, its success largely depends on how well you target your email ads and to what purpose you're putting it.

Email marketing comes in three broad categories:

- **Loyalty and/or continuity:** email can be one of the most powerful ways to market to customers *you already have*. Product announcements, newsletters, coupons, loyalty programs, special offers—all are ways to enhance and deepen your relationship with your existing customers.

- **Acquisition:** email is mainly used for acquisition, that is, prospecting for new customers—just sidle over to your email Junk Mail inbox to see more than a fair share of examples.
- **Advertising:** email sent by other companies or organizations are a good place for your advertisements which you can use to raise awareness, create intent, and generate site visits or conversions.

Properly speaking, email advertising is a species of **direct response advertising** more than Internet advertising *per se*. Direct response advertising has three components:

- The most important component is the **list** of recipients. A good list of highly targeted recipients will produce the results you're looking for; a bad list just wastes your time and money. You can rent a list of email addresses someone else has compiled or you can build your own list through your customer database, order database, online offers, or other places you've recorded customer email addresses.
- Nearly equal in importance, the **offer** drives response. The offer is what the recipient gets if they respond. The offer could be a low price on a product, a free gift, a free trial, entry into a sweepstakes, a coupon, or just the chance to buy something.
- A very distant third component is the **creative**. This is the combination of copy and graphics which help to influence recipients to respond. It's possible to overestimate the importance of creative. To work, the copy should be short, the subject line incredibly interesting and lively, and the call to action immediate.

Of the three components, the list counts for everything. Your best email marketing list is your list of current and former customers. These are people *you know* are interested in what you have to offer. Better yet, these are email addresses and contact information that *you own*. The next best list you have is the email list of people who have contacted you for some reason or another. Again, they've already shown interest enough to give you their email address.

After you've exhausted these two lists, you have to turn to **rented** or **leased** lists provided by **mailing list brokers**. You'll invariably end up renting a list if you plan to use email for prospecting.

When you rent a list, you tell the broker what kind of people you think will make good prospects. The broker selects from a vast database of email contacts the email addresses that best fit your requirements. The more specific your targets, the more you'll pay per email address. You then deliver your

creative to the agency and they email it out to the email addresses selected from their database. And, no, you don't get to see the list! If, however, one of the prospects responds to your email, you then own that person's email address and can put it in your database.

You don't have to rent a list to troll for prospects. There are other ways to get email addresses.

- **Co-registration:** if you're sending out newsletters or regular offers, you can always use a co-registration network to build a prospect list. Co-registration works a bit like banner and exit exchanges. You put up a page on your site that allows people to sign up for email offers or a newsletter. When a user signs up for your newsletter, your site's thank you page will include a long list of *other* newsletters and offer emails from a battalion of other companies. This list is being served by the co-registration service you've signed up with. The user scrolls through this list picking and choosing newsletters and offers. In exchange, the co-registration service will put *your* newsletter or offers on an opt-in list appended to some *other* member's thank you page (usually your newsletter or email will get listed six times for every one big list that gets served from your Web site). Co-registration services can consider the list download as a download, but more often consider a user action, such as hitting the submit button on the page (even if no newsletters or offers are chosen) as a download proper.
- **Free offers:** you can easily generate a list by offering something for free. A book, brochure, guide, anything that the user might feel is valuable. The only requirement is that the user must provide a valid email address.

Because mountains of spam—unsolicited email ads—are sent out every day and jam the inboxes of good citizens around the world, email advertising has several legal restrictions you should be aware of. Besides the legal restrictions, people are generally unhappy about spam and you don't want them to think of *you* as a spammer.

For this reason, email marketers have adopted **permission marketing** using either **opt-in** or **opt-out** systems. In an opt-in system, users give permission to the email marketer to send ads, offers, or newsletters *before* they're sent. In an opt-out system, email marketers give recipients the tools necessary to take their names and email addresses off the email list. From both a legal and a marketing perspective, you should practice one or the other—or both.

8.14.1. EMG Marketing Solutions

<http://www.emgmarketingsolutions.com>

Based in Aurora, IL, EMG Marketing Solutions provides complete email marketing services include list rental, HTML email design, tracking, analysis, email broadcasting, and opt-in/opt-out management. You can use your own email list or rent one. The EMG rental lists are totally opt-in lists; your emails will reference EMG's opt-in protocol rather than yours. If you're really serious about email marketing, they will also host your email broadcasting servers.

8.14.2. Constant Contact

<http://search.constantcontact.com>

Constant Contact is an email server solution that hosts your email list, sends out scheduled emails to that list, and manages the opt-in/opt-out activities. You can use Constant Contact to create HTML rich media emails and newsletters; they provide templates to make the process easy.

Pricing is based on the size of your email list; prices range from \$15 per month for lists of 0-500 email addresses to \$150 for email lists ranging from 10,001 to 25,000 recipients. Constant Contact does not provide or use rented lists, so you must have your own proprietary list.

Constant Contact also offers an online survey service which you can integrate into your email marketing. Monthly prices are determined by either your email list size or the number of people responding to your surveys.

8.15. Customer Relationship Management (CRM)

Customer Relationship Management (CRM) is one of those catch-all business terms that sweeps into its net a whole tangle of business activities companies engage in to maximize the value of their customers. In almost every one of its incarnations, however, CRM refers to the gathering, storing, and analyzing of information about customers and clients. CRM, then, is more than just sales and marketing; it's an IT endeavor.

Since CRM covers so many disparate activities, practitioners divide it into three types:

- **Operational CRM:** all the practical activities that sales and customer service representatives perform. Each customer contact, whether by a salesperson or customer service representative, is added to a database of customer "histories." From a technical perspective, operational CRM requires **customer agent support software**.

Customer Relationship Management (CRM)

- **Collaborative CRM:** all the “self-service” activities that customers perform, such as consulting Web customer service pages or calling automated phone response systems. Collaborative CRM requires **customer interaction systems**.
- **Analytical CRM:** as we discussed in Chapter 6.6, customer information databases allow companies to run sophisticated analyses of customer behavior and history to better serve a customer and extract more sales. From an IT perspective, analytical CRM requires **data mining and statistics software**.

Operational CRM systems that support sales, marketing, and customer service offer one or more of several functions:

- **Sales:** an operational CRM system can help organize and rationalize your pre-closing sales process. Salespeople record every customer interaction. The system helps determine if targets are being met and can flag certain sales initiatives as requiring intervention.
- **Opportunity management:** although clearly a part of the pre-sales closing process, opportunity management is a special function that allows you to budget and plan a selling initiative directed at a single client or customer. Businesses that generate sales through RFPs absolutely require opportunity management software to help manage the long and arduous process from initial lead to final sale.
- **Lead management:** an operational CRM system can process any leads that come into the sales area through various channels (cold calling, Web contact, phone contact, etc.) and classify them into hot (high value, high potential) or cold (low value, low potential) leads.
- **Marketing strategy and campaigns:** CRM software really comes into its own when it can translate customer information into targeted and highly effective marketing campaigns, particularly direct marketing or email campaigns. A CRM system may include precise campaign management tools that allow you to tailor your offer and message down to the individual level for either current customers or future prospects.
- **Activity and customer service:** your customers deal with you in a variety of formats and CRM activity tracking gives you a full view of how you’re dealing with individual customers and the demands they’re making on your sales and service operations. The software records every customer interaction and, if you have warranties or service level agreements (SLA’s), analyzes those interactions in relationship to your obligations to alert you if you’re in non-

compliance. Customer service information can be fed back into larger marketing strategies and individual campaigns.

8.15.1. *Salesforce.com*

<http://www.salesforce.com>

Salesforce is indisputably “it” in sales management and CRM software; they are the global leader in the field with an exponentially growing client base, and for good reason. Salesforce is the only operational CRM software package that fits one-person start-ups to international mega-companies. In fact, although it boasts an impressive install base among the largest companies in the world, Salesforce sees its largest potential for growth among small businesses installing operational CRM systems for the first time, so they’ve really done their homework on small business needs.

Salesforce is a hosted solution, meaning that the password-protected data resides on a server which you access it through a Web browser. Even in its smallest business versions, Salesforce is a fully-featured sales management and CRM package:

- Sales management
- Lead management
- Opportunity management
- Partner and affiliate management
- Customer service management
- Marketing campaign management & multi-channel marketing
- Analytical CRM—marketing, sales, and service.

You can sign up for the Group Edition for as little as \$10 per user per month or for the full-featured Enterprise Edition for as little as \$65 per user per month. Additionally, Salesforce runs a service called AppExchange which allows outside developers to create modules and add-ons to the Salesforce software. While these additions add cost to the service, this model is rapidly increasing the features available in the system.

Try before you buy! Salesforce offers a thirty day free trial.

8.15.2. *Microsoft Dynamics CRM*

<http://www.microsoft.com/dynamics/crm>

Microsoft Dynamics CRM is part of Microsoft Dynamics, a suite of Microsoft Enterprise Resource Planning (ERP) applications. This suite includes enterprise applications for finance, supply chain management, and

Customer Relationship Management (CRM)

customer relationship management. However, you do not need to use or install the entire Microsoft Dynamics suite of applications just to enjoy the CRM application.

Microsoft Dynamics CRM is a hosted solution, meaning that the password-protected data resides on a Windows server which you access it through a Web browser. The software comes in two editions: Small Business and Professional. These two versions do not differ in features, but in scalability. Small Business Edition can only be installed on one server running Windows 2003 Small Business Server whereas Professional can be deployed across several servers running all flavors of Windows server software.

Features include:

- Sales management
- Lead management
- Opportunity management
- Quote and order management
- Email marketing
- Customer interaction management
- Marketing campaign management & multi-channel marketing
- Analytical CRM—marketing, sales, and service.

Since integration is the name of the game at Microsoft, their CRM software integrates very powerfully into Microsoft Office products, particularly Outlook and Excel.

Try before you buy! Microsoft Dynamics CRM offers a *sixty* day free trial. How can you say no?

8.15.3. SugarCRM

<http://www.sugarcrm.com/crm>

SugarCRM started out in life as a free, open source operational CRM application. Its success inspired the developers to offer more fully-featured commercial versions in addition to the free, open source version. SugarCRM is by far the best open source CRM software available and its commercial versions rival Salesforce.com. Targeted to businesses ranging from one-person shops to multinational Godzillas, SugarCRM is used by major corporations such as Yahoo!, Starbucks, and NASA (though what NASA is doing with CRM software is beyond me).

SugarCRM comes in three versions. The open source version, Sugar Community Edition, contains about 85% of the functions offered in the commercial versions, Sugar Professional and Sugar Enterprise. As with

Salesforce.com, commercial versions are available for a monthly user subscription.

Sugar Community Edition, which is free, comes with the following functions:

- Customer accounts and contact management
- Campaign management and multi-channel marketing
- Email marketing
- Activity management
- Lead management including Web-to-lead management
- Opportunity management
- Project management.

The Sugar Community Edition is constantly being updated and improved by over 2,400 developers in the open source community making it the “busiest” open source project in the world.

Sugar Professional, which costs \$275 per user per year, adds the following functions to Sugar Community Edition:

- Sales forecasting
- Sales reporting
- Advanced project management
- Quotes and contract management
- Role management
- Workflow management

Unlike other operational CRM systems, Sugar allows you to completely access the code, even if you’re running the commercial versions of the software! If you’re of a mind to customize or improve your software—and you have the skills—you can open the hood and hack away.

If you download Sugar Community Edition, you will have to set it up on a server (Macintosh, Windows, or Linux). You can set it up either on your Web hosting server or any server located behind your firewall. For \$500, Sugar will sell you a software product called FastStack which installs all the needed components, such as Apache and MySQL, onto a Macintosh, Windows, or Linux server so that you can install the SugarCRM software.

Once installed, you access SugarCRM through any Web browser.

Try before you buy! SugarCRM offers a thirty day free trial of all its proprietary products.

the last word

In his time as Secretary of Defense, Donald Rumsfeld became widely known for, among other things, slightly nonsensical and often whimsically convoluted sentences (“Osama bin Ladin is either alive and well or alive and not well or not alive”). Putting aside politics or any kind of serious evaluation of Mr. Rumsfeld’s job performance, I was always a big fan of “Rumsfeldspeak.” What other folks widely derided as verbal ham-handedness made perfect sense to me. “Osama bin Ladin is either alive and well or alive and not well or not alive” seems to me not only a totally coherent sentence, but also about as complete a situational statement as you’ll ever find. I’ve often toyed with writing a whole book about what business managers could learn from the roundabout things Mr. Rumsfeld and other language-challenged folks were fond of saying.

But here’s my favorite, a sentence nearly every sentient being on the planet believes to be incoherent. Not only does it make perfect sense to me, it stands as one of the best summaries of what it’s like to run and manage a business . . . any business.

“. . . as we know, there are known knowns; there are things we know we know. We also know there are known unknowns; that is to say we know there are some things we do not know. But there are also unknown

unknowns — the ones we don't know we don't know. So when we do the best we can and we pull all this information together, and we then say well that's basically what we see as the situation, that is really only the known knowns and the known unknowns. And each year, we discover a few more of those unknown unknowns. “

Make sense?

When you run or manage a business, you're running a gauntlet of endless decisions that cover a bedeviling range of unrelated topics. Marketing, production, finance, accounting, information technology. And that list doesn't even include the stuff that you *may* need to make decisions about a couple years hence (what business in 1992 anticipated making decisions about how to use the Internet? What business in 1999 was thinking about social networking?)

And everything depends on whether you make good decisions or bad decisions. Make good decisions, you make money, or, at least, you don't lose money. Make bad decisions, well, you lose money. Every bare-knuckles, often make-or-break decision boils down to the knowledge, skill, judgment, education, and information you can bring to bear on the decision.

Decision-making is an art; it has a number of different moving parts including psychology (yep, your parents are partly to blame if you make bad decisions). Years of consulting have taught me that knowledge and competence are the make-or-break components of decision-making. If you don't know enough to make a decision, then you're relying a wee bit too much on plain, old-fashioned good luck.

Knowledge and competence, in their turn, boil down to things you know and things you don't know.

Of course, many things that you know you only *imagine* that you know; as the song goes, “it's only make-believe.” I once had the owner of a business argue heatedly with me that Google AdWords was a pay-per-impression system. If we didn't have access to a computer right at that moment, I would have unceremoniously found myself out of a job.

It's the things you don't know that kill you. If you know what you don't know, that's an easy problem to solve. If you don't know what you don't know, well, get ready to take a few hard knocks because that's how you find out you don't know something.

I had one client with a brilliant product, a brilliant innovation, and a beyond-promising shoestring startup. The product is something you find in every home and hospital and school. So we put together a business plan, a marketing plan, and carefully researched which markets to roll out in. We identified schools and hospitals as the most lucrative markets.

We then brought in a couple architect-consultants to develop a strategy for getting our product specified in building projects, even though the product is really a “fixture” rather than a structural product. In our very first consult, the architect talked about installing our product in schools. “Of course, he said, the surface material has to be rated Class 1.”

“What’s that?” we said.

“It’s the fire code. Nothing that goes into a classroom can have a surface that’s rated anything less than Class 1. That means no flame spread and little or no smoke.”

The president of the company and I looked at each other. We quickly looked up the material we were using.

Class 4.

“Oh, that’s bad,” the architect mumbled under his breath.

Yeah, well, you don’t need a PhD in architecture to know that if schools and hospitals demand Class 1 materials on their furnishings that Class 4 puts you way beyond “wiggle room.” You don’t even need to look up the definition of Class 4, especially when there are only four classes.

It meant that none of our initial market segments would pan out. Ever. It meant that all our financial projections, cash flow projections, market penetration, were just purely academic exercises. If we had a product with surfaces rated Class 1, we had the best goldarned business plan this side of the Mississippi.

Here’s what went wrong.

We knew what we knew. We knew several things that we didn’t know, like the size of the markets and who the decision-makers were. So we quickly and efficiently did our research and, in a blink of an eye, the “known unknowns” quickly became known and PowerPointed.

But we didn’t know that we didn’t know the fire code might actually relate to our product because our product wasn’t actually “built” into the building.

Bump!

Ow!

Fortunately, we hadn’t sunk any money into this direction, outside of the architect consults. So we were able to quickly retool and recover.

So it’s what you don’t know that you don’t know—the “unknown unknowns”—that bite you in the keester, or knock the wind out of you, or, worse, sweep your great business idea into the dustbin of history. Here’s the bad news: no matter how hard you try, you can’t avoid the “unknown unknowns.” Ask Bear Stearns or Countrywide, companies that had kazoodles of six- and seven-figure MBA employees who are paid the moon

and a farthing not to go bump on the things they don't know, let alone crash into them at supersonic speeds.

"Each year, we discover a few more of those unknown unknowns." That's what a business is all about.

That's why we're here, why we've started the Shoestring Venture series.

You have in your hand the flagship of the series, an invaluable resource for giving you basic knowledge and basic tools to get your business going and maximize the value that *you* can bring to your business.

The series itself covers every topic in this book in more detail; individual titles dealing with business plans, Web advertising, strategy, customer relationship management—even books on how to use software like Basecamp.

The series is like a "consultant in a book." It is designed to teach you the things you don't know . . . and teach you the things you don't know that you don't know. Before you get bitten the keester or knocked to the ground. Our job is to try to minimize the knocks you get in the school of hard knocks that we call business.

Shoestring Venture is the only complete series of business books designed specifically for the concerns of shoestring, low budget, bootstrap, home-based, or one-person business operations, specifically for the kinds of questions, the known unknowns and the unknown unknowns, that are unique to the bare bones entrepreneurial effort.

For instance, the Shoestring Venture Business Plan book tackles the subject of business plans solely from the perspective of a shoestring or bootstrap venture, whereas all other business plan books try to cover as many business categories as possible, from one-person operations to big enterprises.

What's the difference? Well, the single most important component of a shoestring venture business plan is *cash flow*. If your business is starting with very little, then the primary job of the business plan is to figure out how to get cash into the venture either by finding investors or selling products and services. If it's the latter, the whole warp and woof of the business plan is getting positive cash flow ASAP. Everything—management, marketing plan, operations, everything—is at the service of getting cash into the business no later than *yesterday*.

That makes for a very different kind of business plan book than you normally find gathering dust on a bookshelf.

The same applies to advertising, marketing, public relations, business strategy. It's an entirely different game when you're starting with very little. Again, to quote Rumsfeld (I'm telling you, there's a Rumsfeldspeak business

book to be written some day), “When you go to war, you go to war with the army you have, not the army you want or the army you wish you had.”

When you run a business, you run a business with the resources you have, not the resources you want or the resources you wish you had. We wrote Shoestring Venture and the series because too many business books assume you have resources you don’t have.

We genuinely believe that entrepreneurship is the wave of the future. What you are doing . . . or planning on doing . . . is what the next few decades will be about. Even big corporations are going to “devolve” over the next few decades as they become less centralized and more dependent on entrepreneurs, contractors, small business owners, and folks running businesses out of their house. Outsourcing more and more of their functions to entrepreneurs and, believe it or not, to consumers will make them more innovative, more flexible, and more relevant. Think eBay or YouTube or MySpace. The folks who thought these things up were pretty bright. But the only reason they succeed is because entrepreneurs and consumers are the ones that actually make the “product.”

You think you’re starting a business, but what you’re doing is moving into the future. It is our sincerest wish that our humble book and our humble book series will help you build that future.

Happy hunting and God bless.

Richard Hooker

Steve Monas

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