A Commonsense Guide To ONLINE COMMERCE

If you are one of MILLIONS of small business owners who are CONFUSED by hundreds of ways to bring your BUSINESS ONLINE then THIS BOOK is the key to UNLOCK YOUR BUSINESS POTENTIAL!

By Brian Horakh

A Commonsense Guide
to Online Commerce

Written By
Brian A. Horakh

Last Revision: 12.15.2000

This edition sponsored by:

http://www.zoovy.com

A Commonsense Guide to Online Commerce

Table of Contents

Chapter 1: Introduction

What is this Guide About?

This guide was designed for merchants who either don't have a website, or don't have a website which is living up to its potential. This is a no non-sense, highly opinionated approach towards developing a successful online commerce site. We'll cover technology, theory, marketing, risk analysis, promotion, and the numerous perils of opening an online company. This guide is designed for the person who is planning to deploy an online commerce site for a new or existing small business with or without a website currently. Everything is taken from the planning approach, if you already have a site and are considering modifying it I'm sure you will still find this manual useful and insightful. If you don't have a site yet then I'm not going to convince you why you need one, you already know why you need one, but I will help you make sure it is successful.

About the Author:

I'm not sure that anybody is qualified to call him or herself an expert, but I've run into enough people who called themselves experts in this field to know that I knew a lot more than they did. But if you still worried about my qualifications here they are:

From the business side I've seen what venture capital can do, and I've worked for lots of different companies and seen lots of great ideas, and I've even had a few of my own. I've had the opportunity to review and analyze thousands of different Internet business plans and profit models. Working in the e-commerce field has given me plenty of on the job training. I've helped lots of businesses establish profitable and successful websites on time and under budget. I've also built very successful e-commerce businesses for less than $500.00; so don't tell me it can't be done.

I'm just like you, I'm an entrepreneur, and I started paying taxes when I was 15 after founding my first computer-consulting firm. At the time of writing this book I am the president of 3 different companies, and I'm also independently contracted with more than a dozen. Over the years I've learned how to sell virtually anything online without a large investment in either time or money. I've studied almost every marketing document I've come across, especially those that pertain to Internet marketing. I've helped hundreds of small companies design, implement, and maintain their online presences and from those experiences I've learned what works and what doesn't in the online marketing world (from a technical point of view). I grew up in a small business; in fact my parents still own and operate their small business as they have for the last 30 years. In fact my father still drives one of the delivery trucks to this day, not that he needs to but I believe its because he loves the work and the customer interaction, and I suspect its because he also appreciates the time away from my mom who works with him! All this has made me understand and respect what it takes to make a successful small business besides a lot of work and a little luck.

On the technical side I started my first Internet provider in 1991, which is way before the "World Wide Web" was popular when only a handful of us nerds actually used the Internet. I remember when you could count the number of websites on one hand, and when domain names were free, so nobody bothered collecting them.

I've written programs in almost every popular language and am familiar with the almost every technique and systems architecture used to build a website. I hold professional certifications that qualify me as an expert for the most popular pieces of hardware and software on the market including Microsoft, Linux, Cisco, Sun, Novell, Compaq, Oracle and more. I've read every IETF RFC ever written, and am very fluent with the Internet protocols that they describe. I've been technical editor for over a dozen technical books from 4 different publishers, and I've even helped co-author a few.

The bottom line is I love this stuff. I've tried to cram every piece of piece of business knowledge I have into this book. I hope this knowledge will help your business grow and become a successful online business. I'd love to hear your comments and experiences after reading this book please send them to brian@digitalco.com.

By the way, in case you're confused about the difference between online commerce and e-commerce I should mention that there is no difference. Call it a personality flaw but I hate the word e-commerce, I hate the idea that an 'E' can be e-added e-to e-anything e-to e-make e-it e-look e-better. It's just the folks in marketing being e-tarded again.

Happy Reading!

Chapter 2: Making Choices.

Do I really need to sell online?

The answer most definitely is "YES!" There are probably a thousand reasons to get started with online commerce, below are a few of my favorite reasons:

1. You don't know what the future holds, but you'll have a better idea once you start selling online.

2. Getting started sooner is always better (and less expensive) than getting started later. Creating an online customer base can make your customer interaction much more efficient.

3. Having an online business (that is doing well) makes it easy to impress your friends, and scare your competitors.

Probably the most important thing to consider when getting started online is timing, don't expect to open a website and the next day to have a thousand new customers. The only way to have a thousand visitors to your site the first day you open is to spend A LOT of money on advertising, which is not a good way since the traffic it generates usually isn't "qualified." Qualified traffic refers to the idea that the visitors who arrive at your site will make purchases, and generating qualified traffic takes a lot time and experience. Give yourself plenty of time to spend tuning and testing various methods to see what methods you can use to generate quality traffic at an affordable price.

> Most websites are measured by the amount of traffic they get (Hits, Page Views or Visitors). Hits is the total number of web pages served, whereas Page Views is the average number of web pages viewed by a single visitor, and Visitors implies a unique number of online shoppers.

> "Quality Traffic" refers to the concept that not all website traffic is equal. In my opinion qualified traffic means finding visitors who are interested in your products, who are shopping online, and who are most importantly willing to purchase from your company online. Without quality traffic you won't make any sales. Consequently this is why I prefer the "transaction" metric rather than the page hits metric. Generating page hits is incredibly easy, whereas generating sales is considerably more difficult.

Okay so how do I sell Online?

Well that's the hard part of online commerce. Before we start you should take a moment and consider the following items:
- Are you already operating a successful business?
- What are you planning to sell?
- Who are your customers?
- What motivates your customers to purchase your products?
- What is your competitive advantage?
- How much of your business do you expect to be repeat?
- How much risk are you willing to accept?
- Who will be the advocate?

If you already have a business that isn't online then you operate what is called a "brick and mortar" business. With the proper planning you can build a successful brick and mortar into a successful online business. The most important thing to avoid is something called "culture shock" which can happen when a website is integrated into an existing business without the proper planning. The coming sections in this chapter will help you determine your needs and avoid culture shock while providing a new purchasing channel for new and existing customers.

	"Brick and Mortar" refers to a business that already performs business without using the Internet.

	"Culture Shock" is what happens when an existing company decided to go online and in the process manages to alienate its employees, customers, suppliers and others.

When your trying to decide what to sell on your website you need to ask yourself, "Where should I start?" In my experience the best approach has been to start off slow by selling several things that you are confident will sell well with the difficulties of online commerce and then grow the offerings of the website to fit your needs. This gives you instant success, with relatively little effort, and lets you get comfortable with the challenges of selling online, and what it will do to your business.

The best products sold online generally have one or more of the following attributes:
Light weight – While this is not a requirement, it helps since low shipping costs are a major decision. Consumers will shy away from high shipping prices and instead opt to purchase it from a local company that does not charge shipping.
- In Stock –A consumer generally expects to receive items shortly after their first purchase any delay could cause you to lose future potential sales or in the worst case if the delay is too long on the ordered product then you may lose the initial sale also. Ideally these would be items you plan to keep inventory on and are easily boxed and shipped rapidly.

> "Just in Time" refers to the idea that you will actually order something immediately after receiving the order, and have the item it arrive either at your location very shortly after or even have the item shipped directly to the customers location. In my experience a Just In Time shipping model can be successful, BUT you must be prepared for your distributors to drop the ball. When Poop happens (and it will) make sure you have a system in place to make the customer aware of the situation and to help resolve it quickly and efficiently. Plan Ahead!

- Specialty Hard to Find – Items which can be easily indexed and located through search engines, directories and other items, where there is little competition. This does not necessarily include antiques; it also includes any item that appeals to a large group of individuals that are well dispersed into any area. Such as model trains, or designer sunglasses. Pretty much any item where the consumer is looking for a specific brand, style, color, etc. Anytime when it's easier to shop online rather than drive to the mall and try to find it.

- Discounted – Anything that is a deal can be sold online, since consumers online are generally very price motivated.

- Higher Quality – Differentiating higher quality online can be tricky (we'll cover how to do this later), but if done properly it is an invaluable asset and will surely increase your sales.

Who are your customers? What motivates them to purchase online?

Before going into any business you should consider who your customers are, and what makes them decide to purchase your product. As a rule it is not a simple black and white decision like "best price." Online consumers are already wary of companies that always have the best price, because of the high amount of fraud online, unless they are well-established companies. Don't assume you need to have the best price to make sales, in most cases having free or discounted shipping (or even the appearance of discounted shipping), premium levels of customer service, higher quality, or even just a better looking website will be the deciding factor.

What is your competitive advantage?

Before taking a company online I always ask, "What's the competitive advantage" and then I try to exploit that using the online presence. If you are an expert, or you employ an expert in the subject matter on staff you should make that known to your customers. If you have been in business for a long period of time you should make that known. People like to know that you have competent people on staff ready to help them and fix any problems that come up. If you have any industry affiliations, or are a member of any community service organizations, etc. you should make that known too. In addition you should go out of your way to make it known that

you are respected in your local community, this will help your identity, thus making the consumer feel safer about purchasing your products online. It is so important to give your online business an identity that differentiates you from the competition. For example I've even recommended putting pictures of the little league team the company sponsored onto the website. If you don't have a competitive advantage, then stop, and create one, or even more than one, do not try to compete on price alone because there is always somebody who is willing to sell the same item for less.

> If you're a small business, but you want to be a large business in the future then avoid using techniques like the little league team for a competitive advantage, this can cause culture shock with your customers in the future as you transition to a larger business with a more comprehensive website.

How much your business do you expect to be repeat?

Getting people to come to your store is so important, but getting them to come back and to recommend you is even more important. A term we call "customer stickiness" is used to describe how many of the customers make more than one purchase at your store.

> Customer Stickiness describes how many people visit your store, and hopefully make a purchase and then return at a later date because of their positive experience. It has been my experience that for long-term success the stickiness factor is the single largest factor for online success.

When planning your site make sure it has features that increase customer stickiness. This includes any of the following features:

• Mailing lists – regularly contacting customers with special offers, sales, and incentives will keep them coming back.
• Referral discounts – offer incentives to customers who refer a friend.
• Electronic Coupons
• Electronic Gift Certificates
• Electronic Wish Lists / Gift Registries

You should know who your customer is, and what makes them happy. It is very likely that at one point you were a customer of your own product before you started selling them, always think to yourself "what would make me visit again if I were a customer."

How much risk are you willing to accept?

Risk comes with every business, going online is no different. There are basically two risk factors for the merchant, in any online transaction: the first is shipping and the second is getting paid. The two risk factors can be minimized through smart planning.

The first question you need to answer is where are you willing to ship? International shipping can be very difficult, you may need to fill out additional paperwork and in certain countries shipping certain products is illegal. In addition the majority of online fraud comes from International destinations (mostly third world non-industrialized countries). Accordingly it is perfectly acceptable to have an online business that only ships to domestic (inside the US), or to domestic and to low risk international countries. A common misconception is that you need to ship your products everywhere to realize any benefit/profit of an online business. Just because you have an online business does not mean you have to ship to countries you would not want to take your family for a vacation. As a matter of fact as the Internet becomes more localized it is very common for certain business to only ship in their local delivery area. You should make sure that the software you choose has the flexibility to let your change your shipping policies easily.

Hint: "Just because you have an online business it does not necessarily mean you have to ship your products to countries you would not want to take your family for a vacation."

If you think you can handle the logistics of online shipping then consider only accepting low risk international countries and consider allowing International Customers to only utilize payment forms which are low risk. One of the great advantages of online selling is that you can literally have a completely different set of shipping and payment policies based on where a customer is having their goods delivered. It just makes good business sense to maximize profit, and minimize loss.

A common misconception is that you MUST partner with UPS, FedEx, or the Postal Service when you sell things online. This is absolutely not true, if you already have a delivery truck then you may be able to target a specialized area, or even ask the customers to arrange pickup. So if you don't plan to sell all over the country (or simply don't need to) then make sure your software will accommodate you. Consider charging for delivery outside your normal delivery area, and then forcing customers who are not within your local and extended delivery areas to arrange pickup themselves. Be creative, and try to find something that suits your customer base and makes sense for your bottom line.

After you develop your initial shipping policy make sure the software you select will support it. Also it is important to consider what your future plans will be and to ensure your software vendor is currently or planning to support those features. If a feature you believe you will need is not implemented make sure you get a firm deadline as to when that feature will be included and if it will be available for additional fees. In some cases you can get fees waived by offering to be a "beta tester", and send the company bug reports if you find any errors in the software. Being a beta tester not only strengthens

your relationship with your shipping provider but also gives you the ability to dictate how current and future features will work.

The second question is what types of payment will you accept. There are a multitude of payment types out there. Although credit cards are normally considered the preferred way to accept money online, they are not necessarily the best, and they are definitely not the most efficient. A more detailed discussion of how to get paid is discussed in the next chapter entitled "Getting Paid".

Who is responsible for the success?

Last in the chapter, but probably the most important part of your new business endeavor, you need to have a person, or group of people who are responsible for making sure everything goes smoothly. In most cases you will want this to be a person who has a vested interest in the company, with the authorization to make things happen. This person does not necessarily need to be technical, and should almost never be a person outside the company or an independent contractor because they have little to zero vested interest in your success. In case it isn't completely obvious avoid using children, nephews, nieces, or the kid next door to help you with your implementation. Although borrowing children to help might seem like a good idea at first, they don't understand how to operate your company, they get grounded and can't come to work, and they have to finish their homework before working your project. Plus have you ever tried to 1099 a 10 year old, did you know that his/her parents generally are responsible for paying the taxes!

Summary

A well-done online commerce site can be an excellent tool, whereas a poorly implemented site can be a source of never ending frustration and a drain on your budget. The key to a successful site is the good initial planning, and the ongoing modifications to your strategy based on the market demand.

Chapter 3: Getting Paid

How you get paid is one of the most important aspects to an online commerce solution (in fact its probably the most important in the offline solution as well!). Over the Internet you can accept virtually any type of currency, or skip currency all together by bartering your services and products in exchange for other services. But the bottom line is you should be aware of the different payment methods out there, and pick the ones that work well with your business policy and the ones that you feel comfortable in accepting. Keep in mind the more fraud you avoid the more money you get to keep. At a minimum the software and service package you decide on should include SSL Security to protect you and your customers from malicious system hackers. SSL stands for secure sockets layer and is a computer protocol used to cryptographically encode data such as credit card numbers, and other personal information you wouldn't necessarily want in the wrong hands.

> ⚠ Make sure your website includes Secure Sockets Layer (SSL) for secure transmission of sensitive information. On an SSL enabled web page the key in the lower left hand corner of a browser will been seen as unbroken. If the key is broken the web page is not secure.

Credit Card s

Like it or not, credit cards are the most common way to purchase things online. Unless you have a compelling reason not to accept credit cards you should at least look into supporting them. There are hundreds of different ways to accept credit cards, in most cases you'll need to obtain a "merchant account" which for Visa and MasterCard is usually provided by a banking institution, or professional merchant services company. To obtain an American Express merchant account you will need to contact American Express, there is no monthly fee's associated with accepting American Express. At the time of writing Discover/Novus charges a $100 setup fee to obtain a merchant account. Visa/Mastercard merchant accounts can range from $15 setup to $1500 setup fees, and have significantly different rates depending on the vendor you select.

Each provider of merchant services has a different "Discount Fee" that is applied. This typically the "Discount Fee" takes the form of a charge between $0.15 and $1.50 per transaction, in addition to a percentage of the sale anywhere from %1.65 to %5.00. I'm not going to go into great detail about what the fees are used for. On top of your discount fees you may need to meet monthly minimums in sales volume or pay a small penalty.

> A Discount Fee is an additional charge that is applied to each transaction by the credit card company or its merchant services representative.

Tip: It's a little known fact that credit card rates are almost always negotiable. Never take the first offer, always ask the person your speaking with if they can do better than their first offer. You'd be amazed what kind of rates you can get on Visa, Mastercard, American Express and Discover if you just ASK. If the person your talking to can't help you then ask to speak with his/her supervisor, in some cases the phone sales representatives won't have the authority to alter the published rates. Remember the credit card companies make their real money off the interest on the cardholders, not the discount fees. Discover and American Express especially want everybody to accept their particular brand of credit cards, making wide merchant acceptance is often more important than a high discount fee.

Once you have a merchant account you need to configure your online commerce software to send you the credit card and expiration date where you can either manually enter it into a terminal or complete a charge slip. If that seems like too much work, then you should consider subscribing to a link point service.

A Linkpoint service lets your online commerce software automatically process credit cards online without any extra work for you.

Linkpoint services let the online software do the work of automatically authorizing and debiting of the credit card. The only catch is you must find a linkpoint service that is able to interface with your merchant account. In reality almost 95% of the merchant accounts utilize one of five different interfaces, which are all supported by a Linkpoint provider so this is typically a non-issue.

Merchant service companies such as banks generally have no clue when it comes to online commerce. If you say linkpoint gateway they will give you blank stares, instead ask them "what platform they use" and then make sure your linkpoint provider supports that platform. A list of linkpoint providers is in Appendix A.

In addition to automatically processing transactions during the sale so you get instant authorizations a good Linkpoint service will give you the ability to view your transactions, manually edit transactions, run reports and in some cases avoid fraudulent transactions through advanced fraud systems.

The one downside to accepting credit cards online is the fear of charge backs. Because all Internet based transactions are performed similar to mail order, also called "Cardholder Not Present." With Cardholder not present you basically assume the full risk of any and all fraud. If the cardholder claims they did not receive the merchandise, or a host of other excuses why they shouldn't have to pay you will lose the money, and in most cases the merchandise. Consequently avoiding charge backs should play an important part in your online payment processing strategy. I could easily write an

entire book about avoiding fraud, but here are some simple things you can do to avoid charge backs:

- Use AVS through a linkpoint service – AVS stands for Address Verification Service and is included free with all Linkpoint services.
- Do not let customer's use different shipping and billing addresses on their first purchase.
- Be wary of any order that originates from free e-mail accounts such as Hotmail or Yahoo. Most of the Internet fraud comes from these addresses.
- Never ship orders that have bounced email – when you send a confirmation of an order and the email is found to be undeliverable then you should attempt to contact the customer using a phone number, if the customer still cannot be reached then simply don't ship the order.

> Hint: If you plan on not shipping orders that are associated with a bounced email, then you should make sure your online commerce software requires a person to enter their email address twice and then verifies both addresses match, this will avoid 99% of accidental typos and orders being delayed because of an incorrect email address.

- In my experience only continued vigilance is the best antifraud method. If you are not sure an order is valid then you should call or email the customer. I guarantee they will not mind if you are verifying the contents of the order.
- Identify sales patterns, as a rule new customer will purchase smaller amounts to try out a new company. Always scrutinize any order that is way outside the normal range.
- Your online commerce provider, merchant services, consulting company, or Link Point Company may be able to offer additional helpful tips that will help you avoid fraud.

Some Linkpoint vendors provide the ability to measure the risk of each transaction based on the customer email and the past purchase history for a particular card. These systems act independently of the credit card companies and provide an independent rating about the trustworthiness of a particular buyer. These systems take into account several factors that are not tracked by the credit card company. Most of these systems keep track if the card has never been used online, and ensure the billing address matches the previously used billing address, and even if the card has been used online it checks that the new charges follow the pattern of past online purchases. These systems either generate too many false positives to be useful, or don't generate enough positives to be useful. However because they are widely used they can detect a high level of online charge activity that is common with stolen cards, so when used in conjunction with commonsense an anti-fraud system can be a great asset. In my opinion the largest downside of anti-fraud measures is that most Linkpoint providers charge additional fees to utilize these services, ask your Linkpoint vendor if they offer a service like this and how it works.

Smart Cards

Smart Cards are the next evolution of credit cards. Currently there are very few on the market, the most popular one is Blue that is offered by American Express. Without going into all the technical details smart cards cannot be stolen because they require a pin to activate them. In theory a smart card can also carry a value meaning it is cash equivalent and does not need to be remotely authorized by a credit card company. For Internet transactions Smart Cards can theoretically be considered "Cardholder Present" since smart cards must be inserted into a special reader that must be connected to the purchasers computer. Smart Cards also can combat high levels of fraud, by using a trusted third party (like the merchant services) to issue a one time credit card number that is transmitted to the merchant, the number issued has a balance of the exact amount of the purchase so any person who obtained the number after the sale was complete would have no use since there was no available balance associated with the number. Smart Cards are a very nifty technology and once accepted by consumers will obsolete the credit card, until then you probably don't need to worry about them. Currently smart cards are not in wide spread use, but the use of them is slowly growing and will eventually be adopted by all the major credit cards who need to implement some form of this technology to protect their cardholders and revenue streams.

Money Orders

Lets start by saying you should never ask your customers to send cash through the mail, instead request they get a money order, or a cashiers check. A money order or cashiers check (assuming the note is genuine) is guaranteed money, once you deposit it and it clears you are going to get paid, there will be no disputes. . Although not the best policy, when dealing with cash equivalents, you have the control to determine if you will accept an exchange or issue a refund, the consumer has no rights. Consequently it makes consumers less likely to purchase from you. In some cases it is acceptable to offer a cash discount to give customers an incentive to send cash equivalents. When accepting this form of payment you must take time into

consideration. It will take time for you to receive and process the money order, and this is time that the customer must wait to receive your product.

> ⚠ While it is acceptable to offer a cash discount, it is NOT okay to have a surcharge for credit cards; in fact it is explicitly prohibited by Visa and Mastercard and is a violation of your merchant services agreement with them. Although it is not well policed if you are caught you will have your merchant account suspended or even revoked.

Checks

Accepting checks via the mail is a time consuming and risky process. If you wait for the check to clear your customers will generally wait up to two weeks before you even ship their item. As a rule this should not be the only form of payment accepted. If you are regularly accepting checks you may consider having software which tracks customers, so after the first successful purchase using a check all future purchases will ship once the check is received. When customers purchase things online they generally want the items as soon as possible, with checks sent from overseas they may end up waiting several weeks or even up to a month for their check to be received and then be processed by your bank, customers purchasing by check are not likely to be satisfied with the delivery time for your products.

Cash On Delivery (COD)

I don't know why it's called Cash on Delivery because most delivery drivers won't actually accept cash. In order to pay for a COD order Customers need to have a cashiers check or money order made out for the exact amount. In addition there is generally a surcharge for handling the money from the shipping company. Finally if the package cannot be delivered you will be forced to pay the shipping charge, which only adds insult to injury. For all the reasons above I generally don't recommend shipping COD.

Check on Delivery

Check on Delivery should only be used if you have pre-approved the customer you will be shipping to. Check on Delivery is the similar to Cash on Delivery except the delivery driver will accept a company check or personal check in lieu of a cashiers check or money order.

Electronic Checks

Several services offer the ability automatically accept any type of check via the Internet without using the Internet. The customer is required to simply type in the numbers on the bottom of the check and then the funds will automatically be transferred into your bank account electronically. In some cases these services also insure you against fraud. These services tend to be very reasonably priced, especially when compared to credit cards. For more information on the providers of these services see Appendix A.

PayPal

PayPal is service of X.com that was one of the first online banks. PayPal allows nearly instantaneous transfers of money between two people. PayPal is known for its $5 sign up fee (meaning if a person hasn't used PayPal before and you refer them then PayPal will give you $5). The difficulty with PayPal is that customers have to go through a fairly exhaustive interview before they are allowed to participate, however PayPal also offers the individual $5 for signing up and this is usually enough to convince new customers to go through the additional hassle. At the time of writing PayPal also has a more "merchant friendly" arbitration process when a customer disputes the sale, especially for International sales.

Terms

If your company is used to setting up customers on terms such as NET5, NET15, or even NET30 then you may want to transition this feature to your online store. If you sell primarily to businesses then you can require your customers to fill out a credit application before being allowed to purchase from you. This also gives you the opportunity to verify any necessary paperwork such as resale licenses, etc.

Summary

There are a multitude of ways to accept payment online, some have a high risk level others have a minimal risk level. The types of payment you accept should be determined by the amount of risk you are willing accept, and the types of payment your customers are expecting you to accept.

Chapter 4: Comparing Offerings

Probably the hardest part to going online is making a fair comparison of various offerings by different vendors. Since you're probably new to the arena, let me start by saying you can build a website for as little as nothing or up to as much as $500,000 and even higher. In most cases the differences between those two sites will be minimal. So you're probably asking yourself "how can this be possible?" The answer is in a term I call the software paradigm that is what allows companies with products that are so similar to be priced and marketed so drastically different.

> "The Software Paradigm" states that the cost of developing the software is only 1% perspiration and 99% marketing. The development cost for Internet software is generally calculated as upfront cost, and once developed it can be copied over and over, so you can sell one copy for one million dollars, or one million copies for one dollar and have effectively the same net revenue.

The real cost behind software is the both the technical, sales, and marketing staff behind a company. Of course the corollary to the Software Paradigm is something that I call the Corollary to the Software Paradigm which states that using technology a small company can actually produce a better product than a large company, for considerably less.

> "The Corollary to Software Paradigm" states that a single person working part time making good use of technology can accomplish the same thing as a 100 people, with a $1,000,000 budget in any Fortune 500 company.
>
> "The Second Corollary to Software Paradigm" states that if a bus hits the single person that is doing all the work, and then you'll wish you had been working with the larger Fortune 500 company all along. It's a catch 22.

Enough joking around, the point is that the Internet software game is a totally new game and doesn't follow logically well-understood business rules or commonsense. Don't make assumptions that it does, you'll only wind up disappointed.

Free services

Remember the saying "there is no such thing as a free lunch?" well up until March of 2000 when the NASDAQ crashed that wasn't exactly the case. Since then things have calmed down and most of the free providers have either begun offering a commercial service or are ready to fizzle. If you use a company like this make sure you understand how they intend to keep their servers operating and their technicians paid. As a rule these providers generally provide a very narrow scoped service, although they seem to provide an excellent way to get started until the problems arrive. In my opinion when you experience any level of success you will generally be disappointed with how their

service operates. These companies are rarely concerned with keeping their systems operating reliably, so you'll end up having your online presence go down a lot. In the online commerce market, you must remember that if your website is down in the middle of the night it may not seem like a big deal. However the Internet gives people the freedom to shop 7/24, the more you are down the more business you are likely to lose. When asking people to consider reliability I often ask business owners what they would do if they went to a shop during normal business hours and the door was locked, would they be likely to ever return. Since websites are generally expected to be available 24/7, so this is an important consideration.

Going Down – also called "Downtime" although it sounds almost pornographic, "Going Down" is a phrase used to describe a computer system that crashes, or is otherwise unavailable for long periods of time. This does not generally refer to the semi-regular "scheduled maintenance" that is planned well in advance, and makes systems unavailable for short periods of time usually between 5 seconds and 10 minutes at the most, in addition scheduled maintenance should always done at very late hours to minimize impact on your business.

Summary:
Pros: No cost, generally little time invested.
Cons: Narrowly focused, and not driven by fees (no commitment to keep you happy), not likely to be in business for long unless they can continue to raise a lot of venture capital.
Recommendation: Stay away unless you're a glutton for punishment.

Free Trials

Don't confuse free trials with free services. It is very common for software companies to use a the crack dealers approach to business by giving you a free copy of their software to "get you hooked." If you don't like the smack, err… I mean software from one dealer then try another provider. In fact you should almost expect a free trial of any software you are expected to purchase or invest any money into. If the company doesn't offer a free trial, you should probably stay away because there is some skeleton hiding in the closet that they don't want you to see. In many cases the Free Trials will not expire but will continue as a crippled version of the product.

Nagware is a term used to describe a free software product that reminds you register or subscribe whenever you load the software, or remain in the software for a period of time.

AdWare or BannerWare is a term used to describe a free software that is subsidized by showing you banner advertisements in the software. In order to make the annoying advertisements go away you must send them money or subscribe to their service.

Summary:
Pros: No cost, except possibly technical support.

Cons: You may be required to give out personal information for their mailing list, expect a salesperson to call or email and pester you to purchase the product. Also the trial may not include all the features you need to adequately test the software or service.

Recommendation: Demand a free trial of any service or software that is asking for your money. You always want to test drive everything before you buy it.

Co-Branded Services

Co-branded services are the most devious type of "free service." In most cases these appear to have little or no cost, but then they stick a banner advertisement, or a series of advertisements all over your site. I'm going to say this over and over again – you're going to spend a significant amount of time and effort trying to get customers to visit your site and spend enough time on your site to make a purchase. In order for a co-branded site to survive (by selling advertising) they must try to send those customers to a different site. In order for a co-branded service to earn revenue, they must hurt your revenue this is NOT what I consider a good business relationship.
In addition while many co-branded services may agree not to run competitors advertisements on your site, they generally don't have a good handle on what their advertising content is, in fact its one of my favorite places to advertise (we'll cover that later). When it comes to co-branded services the statistics don't lie, if a customer leaves your site there is almost no chance they will ever return. The co-branded site is your enemy. They are evil. Keep your business away!

Summary:

Pros: Generally free or low cost.

Cons: They try to take away your customers; for them to become successful you must fail. Since you don't pay they don't have an incentive to keep you happy. The software is usually not very complete since they can't afford to spend a lot on feature enhancements.

Recommendation: Co-branded hosting sites are evil. Unless you intend to be a non-profit company then I would recommend avoiding these services entirely.

Web-Based Shopping Carts

Web-based shopping carts are services that are generally the best starting point for a small business that simply wants to sell something online. There are numerous high quality providers of these services that range from large to small companies. If you never plan to do more than a few hundred transactions a month then you will probably never outgrow one of these systems.

One of the nicest aspects of a web-based shopping cart is that you don't actually own or maintain the software. The feature set, integration, and data is all managed and maintained by qualified professionals who (hopefully) know their system inside and out.

That having been said there are so many things to consider when evaluating a web-based shopping cart system. Here's a short list ranked in no particular order:

• Features - Does the package have all the features you need? If the features aren't there, are they planned and if so what is the anticipated time the features will be completed? Does it have features that you might use in the future?

In my opinion a software package that has less than all the features you need is not the right fit. Adding features after you have a successful online business can be so much more expensive and can seriously hurt the stability of your site. Try to buy the package that already has all the features you need up front that way you won't end up needing to switch software mid-stream.

• Performance – How fast does the system seem? Are the carts slow or fast, a slow site will dissuade customers from browsing your site and ultimately purchasing. During peak holiday seasons what do they do to ensure their systems are responsive?

• Service differentiation – What makes their service better than their competitors, does it help you with your competitive advantage? Do they have experts on hand to help you with your business?

• Marketing – Does the company help you do marketing? What features are available? Do they leverage their own traffic (like a shopping mall), do they offer search engine registration, and how else do they help you become successful?

• Ease of Use – Is the product easy to use? Do you have to be online to use the product? Or does it have a windows, java, or wireless component to it?

• Future Growth – What happens if you need to process a thousand or more transactions a month, can the software handle it? When you need to grow do you need to start over again? What plans do they have to offer as your online commerce starts to boom?

• Future Features - Where are they going with the product? What features are coming in the short and long term? Are those features in the same direction that you plan to take with your online commerce? In addition when a bug pops up in a new feature how long will it take them to identify and repair an error in their offering?

Note: Most software vendors will not discuss upcoming releases with you unless you sign a non-disclosure agreement. A Non-disclosure agreements or NDA for short is a legal agreement that requires you to submit that you are not a competitor and you do not plan to share the information you receive with anybody who might be a competitor. Once you sign an NDA the vendor will generally be happy to discuss what the 1 year or 2 year roadmap for their product is.

> Always ask a smaller vendor for an NDA, if the vendor doesn't have one readily available, then they probably don't have a 1 or 2 year roadmap either. Fortunately Large publicly traded companies generally do not require NDAs to discuss upcoming releases because they publish their future features well in advance of the actual product.

- Monitoring - Who owns the customers and data? When a customer buys something from your store, is your web-based shopping cart provider going to contact them without your permission? Does the provider monitor your sales and share that data with other businesses (possibly even your competitors)?

- Customization – How much can you customize your store, do they use templates, or do you have to design the system yourself? Do they do the design, or do you do the design? What happens if you want to deviate from their standard design? Do their designs look good and give your business a competitive advantage? Can you change their designs? Do you need to learn HTML and or programming to use their product?

- Names - Can your company get its own dot Com domain name? How many different names can your store have? (We'll cover why this is important later.)

- Customer Management - Does the product allow customers to create accounts so future purchases will be easier? Who owns the customers? Who is allowed to contact the customers? Will the customer information be shared with anyone? If yes then who will it be shared with? Is this acceptable to you? How do you think your customers will feel about it?

- Availability - When does maintenance occur? How often? When was the last non-scheduled major outage they experienced, and what is being done to prevent it in the future? What is the next upcoming maintenance window?

> Hint: Companies that don't publish their maintenance windows to a website in advance, may have actually crashed and gone down without a real maintenance window then simply covered the mess up by calling the outage a maintenance window. You should always be able to find out about upcoming maintenance windows so you can be sure it does not interfere with any major marketing campaigns you will be running.

- External Synchronization – What other products work with the store? Do they have a wireless client? What about account package synchronization? Do they have an interface that allows you to export data to and from the store? How easy is the interface to use? Will you be able to teach someone else to use the interface fairly quickly?

- Technical Support – How good is their technical support? Do they have a knowledgeable staff that is able to help you? Have you tried emailing/calling them with

a question? How long does it take to get an answer? Do they offer toll free phone support? How friendly are they?

- Financial Stability – Are they making money, how long have they been in business? **Remember that if they go out of business, so do you!**

- Cost – The last thing you should consider is cost, a good web-based hosting company is like a prime piece of real estate, it will pay for itself by saving you time and frustration. Of course you should make sure that you're not over spending and can still generate a profit.

Summary:

Pros: A great place to get started very quickly so you can get some experience without spending a lot of money. Also the fact that you don't get charged for upgrades or bug fixes can make it a good investment.

Cons: Since you don't have any control of the actual product, you better make sure it's a company you like working with who has a good customer service department. Always ask yourself if their interfaces will work well for large volumes of orders, etc.

Recommendation: If you pick a good partner you can go a long way before you need to switch, in fact you may never need to switch. If you're a small or medium sized business, who wants to stay a small medium sized business then this is definitely a good place to start. In addition web based shopping carts generally require no technical expertise to get started so you can keep costs down.

ISPs

       An ISP is an acronym for an "Internet Service Provider" which is less business friendly and less expensive version of an ASP (Application Service Provider). An ISP has one concern, getting you connected to the Internet. What you do once you're connected isn't necessarily their concern. I actually recommend using an ISP for your Internet connectivity and not trying to have them help you with your business since that is rarely their core competency. In my experience it's better to let an ISP stick to what they know; which is getting you connected to the Internet. If an ISP claims that helping your business get online and become successful is a core competency then they're really more of an ASP than an ISP (we cover ASPs next). Because ISP's focus on connectivity they are a great business partner because they can provide the know-how to get you online and keep you online no matter where you are. ISP's typically offer co-location, and hosting services (discussed later) but not necessarily business and application support.

       The reason an ISP is mentioned here is to bring up the point that if you can't get to your website then you can't conduct business or manage your online orders. Make sure you choose your ISP carefully. At the time of writing there were several free ISP companies out there, be careful of these, if they go down you may find your business up a creek without a paddle. Most ISP's will take as long as 2-3 days to activate a new

customer, so just imagine being locked out of your business for 2-3 days. In some extreme cases, some of my clients who utilized DSL service from the local phone company have waited upwards of 2 weeks to get service repaired. This is not acceptable in the business world, what would happen if you closed your doors for two weeks without warning? Make sure you have an acceptable SLA (Service Level Agreement) which states how long they can be down, and what happens if the service is not restored. Remember your website needs to be up so you can get to it to process orders from your customers as well as being accessible by your customers.

> Service Level Agreement (SLA) is an agreement between you and a vendor that guarantees the availability of services that you rely upon to operate your business. Service Level Agreements stipulate the acceptable amount of downtime and other service disruptions that are acceptable to you. The better the SLA (the less it allows) the better the service.

> Claw backs are what happen if a SLA is not met. Almost all Claw Backs involve getting service credits to your account for the downtime that they issued. But remember this does not make up for lost revenue while you were down. I prefer to always request very harsh claw backs, vendors that do not like harsh claw backs probably don't plan on meeting their SLA and will want them to be soft. A little extra negotiation probably won't break the deal, and will give you an idea if they actually plan on fulfilling their SLA.

Summary:

Pros: Good for connecting to the Internet.

Cons: Not always experts in online commerce, but a good technology partner none-the-less.

Recommendation: ISP's generally run their business based on quantity of customers, and "Customer valuations" not necessarily the service quality. Most consumers can't differentiate a good service from a bad service, because it's all relative to what the customer is used to. ISP's have to approach customers based on price and features, rather than differentiation. For this reason I think ISPs are bad online commerce partners, because they generally don't understand what drives revenue. If the ISP has a dedicated division that focuses on online commerce then they are an ASP, Co-Location, or Hosting service. Then you should apply the criteria in the following sections to them.

ASPs

ASP stands for "Application Service Provider". The ASP was invented way back in 1997 when the Internet marketing community got together and decided to invent more acronyms. Personally I believe it was so certain ISPs could differentiate their service from other ISPs. Of course eventually the stock price of anybody who called themselves an ASP went nuts so almost every ISP started calling themselves an ASP even though they weren't really. After the stock fiasco was over, the normal rule is that any ISP who offers more than bandwidth should call themselves an ASP since they actually "help" people with applications. Of course I use the word "help" very lightly in most cases an

ASP is nothing more than an ISP that's learned a few new tricks. Take nothing for granted when dealing with ASPs, each one has almost a completely different toolkit, business approach, experience level and price range. In fact I would say that ASPs are like snowflakes, there are never two completely alike. If you know exactly what you want an ASP can be a great partner, however if you're just getting started be careful because they may also cause culture shock.

Each ASP will have a standard set of tools they like to work with, and an environment they are most proficient with. In my experience choosing an ASP is a big gamble, I've always wanted to submit a fortune cookie saying that said: "Choose your ASP carefully for they can either bring great happiness or much sorrow."

That having been said, an ASP will usually have at least a few of the following components that you may find useful:
- Co-Location in their own facility, or an ISP they partner with.
- Software that they have developed, licensed, resells, and is familiar with.
- Competent staff that can tackle technology problems.
- Hardware or equipment they are used to configuring and maintaining
- A success cookbook, with a recipe that may or may not fit your needs.
- Monitoring and reporting tools that they are familiar with.
- Hotshot consultants who they either have on staff or can call in at a moments notice if needed.
- Leverage with hardware and software vendors because of their influence with customers.

Summary:
Pros: Good knowledge base, existing toolkits, well trained staff.
Cons: Can be expensive, you'll need to make sure they have a good understanding of your requirements.
Recommendation: If you know exactly what you need then you should be able to choose an ASP who can partner with you and help you out. Every company will probably need an ASP at some point on its way to becoming a Fortune 1000 company, but not necessarily when that company is still running from a garage in Kansas.

Hosting Services

Hosting services are the do-it-yourself for the commerce professional. This is either an NT or Unix based system that is generally maintained by an ISP or ASP. Unfortunately Hosting Services don't address the software that your business actually needs, which means you'll still have to figure out exactly what software you're going to be hosting.

A hosting service is a good choice if you don't want to have your own system and software that you are responsible for. In addition because the servers are shared it means that you're sharing the cost of the equipment, maintenance, and bandwidth with other people on the system. The downside should be obvious though; if one merchant consumes all the system resources, or causes the system to crash then your site will also be down. This usually isn't a problem with highly reputable hosting providers who

don't oversell the system resources. Be sure to have a good SLA if your going to sign a hosting contract.

Overselling, or Over Subscribing basically means putting too many eggs in one basket for the explicit purpose of cutting costs. Although almost all Internet business models are based on some form of overselling, you should be cautious to make sure it is not excessively oversold. Overselling probably won't matter until all the clients start experiencing high levels of traffic and sales. Although the pro-overselling argument is that not everybody will need the resources at the same time, I disagree completely because in practice during peak holiday seasons like Christmas everybody it is possible for everybody to get slammed with business.

Slammed is a term used to describe a system that has its resources exhausted but has not gone down yet. When a website is slammed, although it is technically still operational it is so unresponsive that it discourages new business.

Summary:
Pros: Less expensive than Co-location (discussed next)
Cons: Shared system, which can experience trouble well beyond your control.
Recommendation: This can be a good place to get started, make sure you do some homework on your hosting service before signing up. Moving hosting services can be one of the most painful experiences you'll ever have so try to get it right the first time.

Co-location

Co-Location means you own your own hardware and have located it at either an ISP or an ASP. The idea with co-location is simple, put your server in the location that has the best connectivity. There are several reasons why you would want to choose to co-locate your own server:

The first and probably the most important is control. When you own the server you can decide when maintenance occurs, so you can avoid maintenance on your server during any major marketing events, or during peak selling hours. You can also take appropriate measures to ensure that only qualified and competent people work on your server. You also know exactly who has access to the server.

Non-shared environment – because your system is not a shared environment you have control over the entire system. This means you can limit who and what has access and that makes your system more secure. Also when changing co-location facilities it is much easier than moving hosting companies because you can simply move the equipment rather than needing to reinstall, reconfigure and re-import all your application data.

Co-location environments are generally multi-homed which means that your system can experience a single network failure without necessarily affecting service. Multi-homed solutions can range from simple to complicated, but at a minimum a provider should have two separate paths that run through two completely separate routers. In a

properly configured multi-homed environment you should be able to reasonably expect less than one hour of Internet service disruption per year on average, although in practice due to human error this is rare.

> Multi-homed means that a system has at least two completely separate paths to access the Internet. Although three or more paths are ideal.

Co-location systems can also be multi-homed which means that your system has two independent connections to your Internet providers network.

> Multi-Homed (also called Dual-Homed) means that your system has two or more connections to your Internet providers network. If implemented properly dual homed configurations are one additional measure that can be taken to increase availability and decrease down time.

> Beware of Low Cost Providers: It is also important to recognize that some low cost co-location providers claim they are multi-homed because they have multiple paths, but are not actually prepared because their network utilization is in excess of 60%. In the event of a single failure the remaining connections would be flooded while trying to assume the additional load thus causing all systems to be unavailable. Ideally you would like the facility to have multiple links to the Internet with none of the links using over 40% utilization so that if they lose a link it will not overburden the other links.

Co-location quality is measured on two features; the first is availability, which is measured in nines (9's). For example three nines means 99.9% availability, which equates to 8.76 hours per year of downtime, four nines or 99.99% availability means 52.56 minutes per year, and the best architectures available can actually accomplish five nines, which is 5.3 minutes per year of downtime. The second measurement for a collocation center is latency, which is the time in milliseconds, it takes a TCP/IP packet to exit the co-location network and reach a particular destination. Higher travel times for packets means slower connections for customers. Consider the average website consists of nearly a thousand TCP/IP packets a few milliseconds can actually make a big significant different when it comes to addressing the performance of the site.

There are downsides to having your own co-location. The first reason for having a co-located server is control, which is also a double-edged sword. In other words because you have all the control you are also responsible for everything. Although you can often offload portions of this responsibility to your ASP, ISP, or an independent consulting services company. You will be responsible for coordinating them and making sure they are pro-actively managing your application and services. Consequently you'll need to evaluate the importance of security, cost, and in-house experience levels.

Summary:

Pros: This is the best way to do a successful site, no matter what gets thrown at you; you're in a position to handle it with ease. This is the solution that all major online providers use in one form or another.

Cons: Expensive, requires you to be more self-dependent and arrange for qualified staff to manage your equipment.

Recommendation: This might not be the perfect place to start your new endeavor, but you want to make sure this is where you will end up.

E-Commerce Software Companies

E-Commerce software companies sell a software package without the server or services that the software actually runs on. Because these companies are generally hardware/platform agnostic you'll find you have a host of choices available. If you're considering purchasing a custom software package, you should select the package and then find an ASP, ISP for either hosting or co-location that is already familiar with the software. If the ASP or ISP has not installed and configured the software before consider seeking the assistance of a consulting company or even purchasing consulting services from the software provider. Ensuring that the software is configured properly from the beginning is one of the most important investments you can make. Under no circumstances should you be expected to pay the ISP or ASP to learn how to use and setup the software, they should already have the expertise if they are planning to bill you for it, if you can't find an ISP, ASP, or consultant who has experience, my first recommendation would be to consider finding a more popular software package. If that doesn't work then make sure you get a flat rate for the installation and initial support otherwise bills can get way out of hand very quickly. "The Software Paradigm" explained earlier is so important here because you can spend roughly $1,000 or $1,000,000 and get the same product, so shop around!

Currently there are basically two types of e-Commerce software available to for use on the Internet:

The most common e-commerce software is "commercial software" which means it's sold, distributed, and supported by regular old software companies. These packages have real marketing, and sales departments, deadlines, technicians, and consequently they are generally targeted at large existing brick and mortar companies, they brag about extensive and robust backends that tie to big expensive SQL databases like Oracle. These packages are great, in some cases you'll need an incredibly large budget, and lots of free time for overpriced consultants, and I will say you've got a "better than average" chance of coming out with something that actually works, of course it'll cost you a ton. The other packages are basically the same; they play the numbers game and try to get as many users as they can. In either case as a rule once you integrate with a package like this you're at the vendor's mercy for bug fixes, security patches, and future enhancements.

> The term backend is used to describe the "plumbing" of a website. Basically the combination of equipment and software that is used to process orders and track inventory.

The second type of product is called an "open source" software and is effectively the exact opposite of the commercial product it is basically free. So you're thinking, "what's the catch?" The catch is the software is distributed under the YMMV (Your Mileage May Vary) principle; which means if the software works – "that's great!" if it doesn't that's too bad. The term "open source" by itself means the software is distributed under a license that requires that the source code be distributed with the software. For the un-initiated the source code is the series of psuedocode instructions that computer programmers use to generate a computer program. By having the source code it means a computer programmer can make custom changes and enhancements to the software with little difficulty. If a programmer makes changes he or she is generally expected to contribute those changes back to the original source code so the benefits can be shared with everyone else using the software. I realize this may seem like some sort of pinko-communist-hippie-free-love-baby approach towards software, but if you've got the stomach for it, you can save a significant amount of money and save yourself a lot of future headaches by starting with an open source software package. With an open source package you know what you are getting into and can make changes to the program without the authors or vendors permission if you need to make change to adapt to your business.

> Open Source means that the computer program instructions are available in a human readable form, so that any qualified computer programmer can effect changes to the actual program. Open Source programs do not ship on deadlines, instead they ship "when the product is ready." Take a look at the open source packages on the market before you decide to purchase a commercial package.

Beware: Many sites/packages offer fully featured Java management clients. Make sure you test the client before you believe all the wonderful things it does. Java clients can be a great tool if implemented properly, or a complete nightmare depending on how they are built. There are few programs in this world worse than a poorly written Java client.

> Java is a language used to design applications that can run on virtually any machine without changes. Java has many promises it has delivered on; unfortunately the reality is that a Java program is still only as good as the programmer who wrote it. And for every good Java programmer I've met, there are at least 5 idiots, of course this holds true for most computer programmers.

Summary:
Pros: You can get a package that you control and if the program is open source you can commission changes to be made as needed.

Cons: You may have trouble getting updates, or features incorporated if it isn't open source. The support may also be very poor if the application is not widely used.
Recommendation: If you consider doing this, then make sure you have some sort of ongoing maintenance package. Never buy a package that has been on the market for less than a year, because it is still very likely to be full of bugs.

Development Companies

Development companies will generally purchase or already own a base online commerce package that they will then customize to match your business. Fees can run anywhere from $40 per hour under contract, to $300 per hour for some of the more expensive firms. Besides the expense you'll need to have a much better idea of why you are having something customized before you contract with them. In many cases the development companies distribute their open source product as free and then charge for services if the businesses need them. In my experience this can be a very good combination for certain businesses which don't necessarily want an off the shelf product, but also don't want to pay the upfront development costs and on-going maintenance costs.
When selecting a development company always ask to see a track record, and interview some of their existing customers to see what they liked and didn't. Don't let the sales person lead you to people who have only had positive experiences, my favorite question is to ask for references of customers that have had problems because I want to see how the company addressed and worked with the client to resolve the problem. Many of the hardcore development companies won't have glossy marketing materials, but they will have a past history of success with other companies.

Summary:
Pros: You can get exactly what you want, if you're willing to pay for it.
Cons: You have to pay for it then you need to know exactly what you want.
Recommendation: I don't recommend this starting out, unless you've got a consulting firm (discussed below) who's done this before and is helping you out.

Consulting Companies

Consulting Companies are firms that specialize in doing all of the above. In many cases they already have a set of in-house core competency and can bring in the expertise they don't have from other vendors that they work closely with.

Each consulting company will have a very different approach towards what makes a successful website, and will have a very different internal organization structure. I'm not sure that one structure is better than another, but it has been my experience that a team of between 3 and 15 hotshots, that have been there done that types can help any business get the job done on time and on budget.

Consulting firms can also be business units of large ISP's or some small ASPs in this case they are called the "professional service" departments. Typically these people work closely with the ISP or ASP as long as you're working with them, but if you ever

want to change providers it could be extremely painful. I've seen instances where customers get locked in with one provider who then proceeds to gouge them on pricing because they realistically cannot switch without losing all their existing investment. If you use consultants make sure you require them to submit formal bills accounting for their hours and a short description of what was done during this time. You should require that they pre-authorize any non-emergency billing with a representative in your company. It is very common for firms to use your company as a training ground for new employees, while I see no problem with training new employees, I don't like paying for it especially when an experienced person could do the same work in a quarter of the time. Finally you should make sure you have a dedicated account manager who is responsible for coordinating all the technicians and for assembling and maintaining all the documentation. Make sure you receive documentation that describes how your system works, this way any future consulting company won't have to spend a lot of time figuring out what's already been done. In addition good documentation helps both new and existing consultants in the same firm understand what's already been done in the past.

> When dealing with a consulting company, if you part on bad terms with no documentation then it is going to be a very painful process to rebuild your systems and gain that knowledge back. I've seen companies devastated and even put out of business because of poor documentation.

Summary:

Pros: These guys and gals have typically been there and done that, they can help you avoid some of the most common pitfalls.

Cons: Additional expense, and of course they may not have a clue when it comes to your business.

Recommendation: Consulting firms are like doctors, you should never pick a consultant out of the phone book or an online directory, always try to get referred by somebody else who has had a positive experience. If you don't know anybody who has had a positive experience then ask your ISP if they either know somebody or have an internal consulting services unit that can get you started.

Who to Choose?

One of the problems with choosing an online commerce partner is that they all appear basically the same on the surface. I always recommend going behind the smoke and mirrors, and actually taking a hands on approach with their products and offerings.

In the software space some may have features that you need such as Accounting Synchronization with account packages such as QuickBooks by Intuit. Others will have the both Web Based and either Java or Windows based clients that can be used offline. Some tools incorporate eCRM (electronic customer relationship management) tools that are tightly integrated, whereas other packages will partner with those companies.

Domain name Hosting allows you to have your own company name dot COM. If you don't have your own name yet, you will probably want one in the future. So what about domain name hosting? Is it an extra charge or is it included in the service? What about email accounts, dialup or DSL accounts, etc? You'll need those to get online; can they include those with your service to get you a better deal?

On a special note, when choosing your software you need to ask yourself if the software is easy to use, responsive, etc. Will the software package or service offering grow with your business? What happens when you experience a profound level of success, will the software handle the orders, will you be able to service new customers while retaining your existing ones. For example many of the packages provide poor web interfaces for managing customers and orders, so if you were featured on CNN or some major website and actually started handling a large number of orders, you would be forced to spend a significant amount of time using their poor interfaces. Plan ahead, you'll save yourself a lot of headaches in the future.

Chapter 5: Generating Sales

Setting Expectations

Now we need to focus on using your space on the web to make money. But first lets' do a quick reality check, just because you put your business online does not mean that you will instantly be overwhelmed with sales from around the world. In fact it's nearly exactly the opposite, a website online will get virtually no traffic unless it is properly promoted. But the purpose of this chapter isn't to focus on the promotion, instead to focus on what to do once you've started promoting since having traffic doesn't necessarily equate to generating sales. Traffic doesn't help your bottom line, whereas sales do. So lets talk about closing sales.

Site Appearance

The look and feel of your site is probably the single most important thing that you can control about your visitors experience. Your site says who you are, what you do, and gives the consumer a feel for how you operate. As a rule your site should have a professional and consistent color and font theme that follows throughout the site. Buttons should have no more than two different styles, and you should avoid having more than three different fonts on the screen. Of course design requirements vary from business to business; in some cases you may strive for the "cheap" look if you plan on selling things at discount rates. Here is a list of recommendations that I make to people who are building their storefront:

- This is absolutely not a do-it-yourself project. If you are not a professional web designer find somebody who is.
- Just because the person you find knows how to build web pages does not necessarily mean they can build good-looking websites, always ask for references. View some of the websites that they have built and see if they are what you are expecting. If you have the cash I would recommend hiring a graphic artist who specializes in website design to develop a template that you can work with. Hiring a graphic artist who does not do website design for a living is probably a mistake, since they will often be "out of their league". Just remember if your website doesn't look good it will hurt your sales.
- Some web store builders I've seen will pre-build a site using a canned graphic set, unfortunately these sets are generally very rigid because they are designed by programmers instead of graphic artists, consequently each site they produce has a very "canned" feeling to it. If you use a web based store builder then make sure you find one that is included with superior graphics ability, and the ability to create websites that differentiate your business from your competitors and their canned appearances.
- I've only met a handle of a good website designers who also knew much about the fundamentals of setting up a success business (aside from what

looks good). In fact as a rule I would recommend not consulting your graphic artist on the software and e-commerce implementation that is not their field of expertise. First select the backend then find an artist who already has experience with it, or find somebody who has a successful track record of working with other systems.

- Never operate a website that has something that would prevent you from buying from. Look at your competitors; see what they are doing, if you like it copies it.
- If you decide to do the website yourself then remember that blinking graphics are annoying to customers and you shouldn't use them no matter how much you want to.
- Spinning graphics have roughly the same effect as blinking graphics, without actually blinking.
- Did I mention that spinning logos do not necessarily instill a feeling of confidence in consumers? Choose your colors wisely; different colors can instill different feelings in people. Usually either a light blue, light pink, or light green will work well. Unless your selling something that appeals to a "darker side" avoid completely black websites. If you can't find a good background color then consider using white. Avoid using gray, red, and yellow as background colors.
- Include pictures that give your business a personality. Most people tend to use clipart for this purpose; I do not recommend using Clip Art because it always seems to be generic in purpose. I suggest using pictures of employees, or your storefront, your products, or anything else that is relevant and gives your company an identity.

Company Logo Tips

You don't necessarily need to have a logo to sell online, however it helps. A well-done logo helps give your company brand an identity. I generally recommend having a logo done by a professional; you can sometimes have several options prepared for as little as $100 to $1000 dollars by a freelance graphic artist. By using the logo on your website, invoices, packing slips, etc. you create a brand identity and help people remember your site. A good logo is an important piece to "Branding" which contributes significantly to towards generating repeat business. Good online logos will usually incorporate the companies name (the dot com name if you have one) and will be in a few colors and will print well in black and white using a normal black and white printer. In a perfect world the logo will be representative of the products or services you sell, or the geographic area you're located in. A memorable logo will cause people to be very likely to remember your site. I generally don't recommend doing the logo yourself unless you've done them professionally in the past, a poorly designed logo hurts your company more than it helps and you'll generally be less critical of a logo you design yourself.

Product Appeara   nce

If shopping at the GAP teaches us one thing its that the position and appearance of products is so incredibly important.

Always make sure the product photos on your website meet the following criteria:
- As a rule photos should be taken on either white or black backgrounds.
- Photos should be shot with the flash on, in ample light. There is almost no such thing as over exposure when taking product shots.
- Photos that are scanned out of a catalog should be done on a flatbed scanner, and the pages should not be bent, wrinkled or folded.
- If you can, cut the background out of any photo, which was not shot on white or black.
- Small graphics load faster, which makes your website seem more responsive.

A merchant having large graphics is a constant source of frustration for me. In my experience most merchants sincerely believe that higher quality pictures, which take longer to load, but showing the product better will help sales. In reality the customer on the website will almost never wait for a big picture to load, furthermore if the site is full of big pictures they will certainly avoid doing a lot of browsing. Keep those graphics small!

- You'd be amazed what some good lighting and a white background can do for any product.
- If you can't get it right there are hundreds of websites online that are chalked full of photo enthusiasts who are willing to help you.

Other things to consider when taking your own product pictures:
- If you take products with a digital camera you can keep taking picture until you get it right, plus there is no need to scan the photos into your computer and the development is instantaneous.
- If you don't have a good camera or a digital camera then consider hiring a semi-professional to come in and take the pictures, in some cases I've even heard of customers going into a regular photo studio with their product and getting pictures done. Though the results have been mixed because taking photos products and taking photos of people are very different and the photo studios may not be properly equipped.
- Avoid using fluorescent lighting, and avoid using tinted lights. I recommend a minimum of at least 1000 watts or more lights that are no less than 5 feet away from the product. You can get big lights inexpensively at your local hardware store, or if your going to be doing a lot of photos then you might consider purchasing a professional set with umbrellas that soften the light at an online photo store for a few hundred dollars.
- Adjust the position of the lights until you get it right. If your not using a digital camera then do a trial shoot with the lights in different positions, make detailed recordings of the lighting positions, and then assign each position a

different number, then and reference the number in the photo so you'll know which position your looking at when the photos are developed otherwise when the photos are developed they can get out of order.

- Position the lights to minimize shadows because shadows generally make the products look bad. If your product is light in color then shoot on a black background to avoid shadows completely.

What type of pictures to take:

- You can always take the easy way out and just shoot the product by itself, however you can differentiate your product by bringing in other elements.
- If your shooting clothes, consider getting a mannequin, or model.
- Take pictures of your product being used or consumed, or at least in the environment where the product is likely to end up.
- Pretty girls and boys sell products. If you can have a picture of your product being used pick somebody who is attractive, and will be appealing to your customers. You can find these people at the local gym, or of course Hooters™. Children can also work well.
- Humor sells. Never underestimate what you can do if you touch a funny bone.

Web graphics need to be saved in files before they can be put on your website. The only types of files that are universally supported by browsers are the GIF and JPEG formats. As a rule any product with lots of colors should be saved in the JPEG file format, products with few colors should be saved in the GIF file format. Avoid using the PNG file format because many older browsers do not support it. Make sure the graphics are as small as possible while still displaying the product. The larger the graphic the longer it is going to take for the customers to download and view it.

The bottom line is you should plan on spending some time here, keep notes of what works and what doesn't. If you setup an area for taking pictures then experiment with the lighting until you get the product right. If your products don't look good, people won't buy them.

Website Layout Considerations

Besides having graphics it is important to make sure your website has a good layout. If possible try to have the website fit in the upper portion of the screen so the user does not need to scroll down to find something. The upper portion of the website that appears on the screen without scrolling is called "Above the Wrap" and the portion that must be reached by scrolling is called "Below the Wrap."

Avoid the Wrap. Make sure everything you want customers to see fits in the upper portion of the screen so the user does not have to scroll. Users rarely scroll, when browsing web pages. They almost always click the first button that they identify with starting from the upper left hand side of the screen and going to towards the right lower right hand side.

Most websites should have a search function, in addition to a logical hierarchy of categories. Always plan your categories ahead of time so they will appear balanced. As a rule it is a good idea to have products in more than one category so they are easy to find. For instance if you were selling shirts you might organize categories by type of shirt (long sleeve and short sleeve), and shirt color, put the red long sleeve shirt in both the long sleeve category and the red shirt category.

Things to avoid when designing your site:
- Avoid having too much white space on your website. Try using colors other than white to fill in the space.
- Avoid having a site that only looks good on a certain sized monitor, try to ensure your website displays well on all size monitors.
- Regularly check browser compatibility. That includes Netscape, Internet Explorer, and AOL browsers.
- Avoid having too many graphics, or dynamic elements that distract from your products. These also increase the download time to, many of them can make a site seem very slow.
- Javascript is the client side scripting language that provides the functionality for all the dynamic features that bring a site to life. Javascript is not necessarily a bad thing when done in small controlled amounts. Avoid implementing Javascript, which may crash with certain browsers.
- Avoid having a page that takes more than 10 seconds to load on a 28.8 modem, 5 seconds on a DSL, or a 3 seconds on a cable modem.
- Avoid Macromedia Flash unless you simply cannot design a site without it. Technologies that require people to have plug-ins are annoying and will cause you to lose visitors. If you want to use flash then consider having a flash and non-flash version of your site.
- Avoid DHTML features that are not compatible across browsers, you will lose customers. DHTML stands for Dynamic HTML and is basically a bunch of very fast loading dynamic elements for web pages. DHTML features are popular among certain cults of developers, especially because unlike Javascript and HTML the DHTML equivalents are usually much smaller and can really make web pages come alive. The problem with DHTML is that the Microsoft and Netscape features are incompatible, so the only way to get high browser compatibility is to use HTML and Javascript.
- Remember not everybody in the world uses the same computer as you. In fact with the growing number of set top computers a lot of new surfers don't even have computers. Make sure your site caters to as many different browsers and computer types as possible if you get the opportunity try accessing your site from a Macintosh or Web TV.

I view browser compatibility as a requirement to do business online. I feel it is so important to make sure any prospective customer can easily and quickly make a purchase. But its your call, would you rather have a store that anybody can come in, or a store that requires a special dress code? Although the store with the dress code may look slightly better inside because of the dress code, it will always have fewer customers. When dealing with a global market people from all around the world dress differently and have very different computers, please consider this when building your site.

- Make sure the color mapping you use is compatible across all browser and all color depths. You can do this by testing your site in different color modes and at different resolutions. If you see some lines that don't match or don't look right, then you should assume that's how everybody sees it and try to fix it as soon as possible.

Tip: Javascript is the most common language used on the Internet. In small quantities it can help your site by making it more interactive. Too much Javascript on the other hand can cause browsers to crash and will be very distracting.

Increasing Customer Comfort Levels

Most consumers will not buy from a website that they do not feel comfortable with. Consequently increasing the customer's comfort level with our company will help your sales. In my experience the best way to increase a customers comfort level is to use other trusted parties that you transact business with, here are a few ideas:

- If you belong to the better business bureau or other professional organizations that the customer will identify with, try to include their logo on your website. The better business bureau will not approve any company who has been in business less than a year, so you may consider some other independent business accreditation services such as Gomez.com, BizRate.com, and PublicEye. In these cases you will want to provide a link to your credentials on those sites. Incidentally doing this will also improve your ranking in virtually every search engine on the planet.
- If you ship using a major carrier such as FedEx, USPS, or UPS make sure you include their logo(s) on your site. A recognizable brand helps reassure customers you are a legitimate business. Avoid linking the logo to the hosting companies website, since you don't necessarily want your customers accidentally clicking on the logo and going somewhere else.
- If you have a merchant account through American Express, Discover/Novus, Visa/Mastercard or others you have already been given permission to put their logo on your site. This is highly recommended since it re-assures customers and is informative at the same time.

Turn around time

Make sure you tell prospective customers how long orders take to get delivered. Make sure you let them know that orders placed after 4:00pm PST will not be shipped until the next day. Then if you experience a delay let the customer know, your software should make contacting the customer relatively easy. Make it your policy to under promise and over deliver. This will drive repeat business to your web store because you actually exceeded the customers' expectations.

If you experience a delay then you should consider giving the customer free shipping or upgrading the shipping to next day. Little things like free shipping are ways to convert new customers into regular customers. If you demonstrate to the customer that you are making an effort to take care of them, and they are satisfied with the final product once they receive it, then they will be your customer for life. By upgrading shipping or applying a discount you will improve the customers opinion of your company and you will have created a much better chance that the customer will buy from you again in the future.

Warning: If you're the Good Samaritan type who likes fair competition among businesses please don't read this:

In fact I can't stress how effective upgrading shipping can be as a sales tool. I first learned of this technique from Amazon.com who has always been a pioneer in the online commerce field. In fact this idea is so powerful I've been in meetings where it was suggested that the company actually "create a shortage" for new customers and then proceed to provide excellent customer service by upgrading shipping to overnight. By first lowering the customers expectations you can then create an even bigger success. Although slightly devious, it does make an effective way for providing consistent return business, compare the arrangement above to the simple and more straightforward promotion: "Free Overnight Shipping for New Customers." In this arrangement the customer will not be dissuaded from making future purchases because they are no longer eligible for the free shipping incentive. If done properly the best part of this scheme is that you will actually exceed the customers' original expectations of 3 to 4 days for normal delivery. By engineering an ultra positive experience you can cause the consumer to brag about their ultra positive experience to their friends and co-workers, you can't buy this kind of great advertising. Generally you'll know if the advertising worked because you'll see more orders coming through from the same or similar zip codes. If you haven't encountered this type of marketing approach its about time you were, techniques like the one above are employed in one form or another by almost every major retail company in the USA.

Never offer next day shipping unless you can actually get the order there the next day. If you process online orders every 2-3 days then only provide UPS 2-3 day shipping support. I'll re-iterate that setting the customers expectations is just as important, if not more important than meeting them.

Paperwork

If you have a logo make sure it appears on your invoices and packing slips. In addition make sure you always provide a professional looking invoice and packing slip with any order that your company ships. The invoice is one of the few things that the customer will actually hold in their hand. Think of the invoice, as the final handshake when closing a deal, if you have a good looking invoice it will definitely help your repeat business. If your commerce software does not generate invoices consider using an account package like QuickBooks, or even using a simple word processor like Microsoft Word.

You should always include a packing slip with every order that describes the contents as you pack them, and has contact information for your company on it. The packing slip is not only useful when preparing the shipment but also gives the customer something to hold in their hand. Avoid sending the invoice with the order, try sending the invoice via US Postal mail separately. This will also increase your repeat business and is much more likely to reach the qualified purchaser. In the following chapters we'll give you some tips on how to use the separate invoices as a tool to increase repeat business.

Packaging

If you use an environmentally safe packaging product make sure you let your customers know. Being environmentally conscious shows you take pride in your products and it is something that most customers will appreciate.

Always correctly package anything you ship, not only does it insure the item will arrive intact but it also demonstrates a higher level of professionalism that customers will appreciate. If you plan on doing a high volume of shipping consider having custom boxes printed with your company logo and name prominently displayed on the box. If you don't want to stock a palette of boxes then consider having a large rubber stamp made up which says something like "handle with care" and has your company name and logo on it. Little things like this help to establish brand identity. In addition every person who handles the box while it is being shipped will also recognize your company name.

If you deliver items, consider having a magnetic door sticker be made for your car that can be used while you are delivering. If you have a truck it is always a good investment to have your company logo and website address be blatantly pasted on your

truck(s). Make sure all relevant drivers appear professional and are wearing a shirt and/or hat with the company logo. I cannot stress how important this is for differentiating your company image among your competitors. A local embroidery shop will typically be able to produce high quality polo shirts for as little as $20 for orders of 10 or less. In addition there are several online printing and embroidery companies that can also help you.

Chapter 6: Generating More Sales

There are several ways to get traffic to your site, both using offline and online techniques. It has been my experience that the hardest part of any site is getting regular and consistent traffic patterns. Without consistent traffic you will have erratic sales patterns, which makes running any business very difficult. In addition if you spend too much on ineffective advertising then your customer acquisition cost will be very high and establishing profit will be very difficult.

> The Cost of Customer Acquisition is the average amount of money that you will spend to generate a sale.

Conventional Online Advertising Methods

Search Engines

Registering your business in search engines is an essential piece of doing business on the Internet. Although you should NEVER rely on search engines exclusively to get results they do provide a relatively steady stream of prospective customers. In the old days search engines relied on something called "Meta Tags" which are special words or phrases embedded in the HTML of a website. However today most search engines actually use the content of the page to determine what the page is about, rather than the Meta tags. Of course you should still have Meta tags in every site, most site builders will include the ability to insert Meta tags into your web pages.

> HTML: Hyper Text Markup Language is a markup language that is used to design the layout and various other aspects of any website. HTML is an extremely easy markup language to learn, in fact you should feel comfortable with basic HTML scripting within an hour or so of starting to study it. In fact one of the most compelling reasons for the massive adoption of the world wide web is the fact that HTML is so simple to learn and understand.

There are numerous companies, which help your business get ranked in the top 10 results for certain types of searches. The fees of these companies range from Free to $99 per month. As a rule the free ones are a good deal, however the leads that search engines generate a generally poor. In fact I have yet to see a company experience a significant difference in sales from a free provider to a commercial provider. In most cases I consider the commercial providers to be scam artists capitalizing on startup companies who aren't generating the sales they expected and are willing to believe whatever they're told.

However there is one easy way to utilize search engines to generate better leads, by creating multiple entry points for your business you can easily trick a search engine into thinking your business is better than the person next door. I'm not going to go into a lot of detail here, but you should at least be aware that search engines are

still computer programs that can be tricked into doing all sorts of things if you understand how they work. Of course as I said earlier, I don't believe that search engines generate qualified leads so I don't spend a lot of time of my time catering to them.

SPAM

SPAM refers to the sending of Unsolicited Commercial Email (UCE). Its called SPAM because much like the canned product produced by Hormel nobody likes it, and nobody wants it. Sending SPAM is absolutely NOT a good way to generate business, in fact it is a good way to get your company shut off the Internet. There are literally groups of insane cyber terrorists who have been given an edict from God to attack any company and their respective Internet provider that do SPAM. Remember earlier when we talked about Hosting services and how sharing a system was not always ideal, if any other company on a shared server decides to try SPAM your business will feel the repercussions.

> ⚠ WARNING: There are literally thousands groups of fanatic cyber terrorists who have been given an edict from God to defend the world from SPAM by attacking any company that utilize SPAM as a marketing tool.

No matter what you hear, or how good it sounds SPAM is always a bad idea.

E-ZINES

An e-zine is an online magazine, which is distributed electronically to its recipients. A well-targeted E-Zine can provide an effective way to reach targeted crowds. Unlike SPAM the subscribers of E-Zines actually look forward to receiving the content. I mention E-Zines early because in my opinion they really do provide an excellent mixture of content and marketing for an inexpensive price.

The main problem with E-zines is that they are not long term sustainable, and you should avoid advertising more than once every 3 or 4 months. You should also get the authors of the E-Zine to help you write the copy for your first few E-Zine advertisements. Another problem with E-Zines is you won't have the luxury of using pictures and your usually limited to a certain number of words. Some E-Zines are free to advertise in, others charge anywhere from $50 to $5,000 per run and can reach anywhere from 1 to a 1,000,000 subscribers.

I always recommend subscribing and reading the e-zine content for a few weeks before you decide to advertise to make sure the content of the e-zine is appropriate for your company.

> ⚠ WARNING: Beware of non-reputable e-zine publishers who falsify the number of subscribers on their lists. Always ask for several references.

LISTSERVS

A listserv is a topic based group mailing list where anybody can post a message that is distributed to other people on the list. In some cases an operator, who ensures that the message is relevant to the other subscribers on the listserv, moderates the content. Posting messages that have exciting titles, and valuable content on these messaging groups makes you appear as an expert and can also give you a great opportunity to plug your product. There is no cost to post a message to a listserv, except that you must typically be a member of the Listserv before you can post, but membership is free.

Public Forums

Public Message Forums can be found on almost any large portal site. These messages follow the same format as a listserv but instead of using email the messages are stored on a website. Posting messages here can be fun and exciting and also give you a great way to plug your website and products.

Commercial Banners

You can purchase banner-advertising space on websites where you believe you will be able to find customers. Banner advertising varies depending on how targeted it is, but the rates are generally set by the hosting site or the company that sells their space. Banner advertising is sold one of two ways either by impressions (CPM) or by the click through (CPT).

An Impression is a banner advertisement that is viewed by a single potential customer.

A Click Through occurs when a prospective customer clicks on a banner and is delivered to your site.

Most sites sell space based on Impressions, which is a banner that is viewed by a prospective customer. For example when you visit a search engine like Yahoo or AltaVista and you see a banner advertisement (but do not click on it) then that is counted as a single impression. There are a number of reasons that a banner are generally sold by impression, for one the person hosting the advertisement doesn't know how effective your advertisement will be, but I believe the real reason is because the number of times a person actually clicks on a banner is so pitifully small when compared to the number of times they throw your banner at some random person.

CPM stands for Cost Per thousand iMpressions. When you purchase banners you will generally pay anywhere for $5 to $95 CPM and will be expected to purchase anywhere from $100 to $5,000 worth of impressions.

CPT stands for Cost Per click Through. When you buy banner space on a per click through basis it means you will only pay for each time a customer actually clicks on the advertisement and is delivered on your site.

Warning: Beware of advertisers who falsify impressions to increase their revenue streams, you should always try to advertise on major sites that have independently audited and verified numbers. If you don't, you should at least ask for references.

Remember, everything is negotiable. Banner space must be sold or it will not generate any revenue for anybody. If a provider doesn't have all their space sold (which is very rare) they will be willing to cut deals to fill that space. Always ask for discounts, discounts, discounts – you should never pay the asking price unless you have to. Also if your advertising for the first time, make sure you run a small "trial campaign" which is discounted at least 50%, set expectations with the advertising agent that if you receive a "measurable response" that you will purchase more advertising. This gives you a very low buy in and allows you to test drive the site, very rarely have I ever seen banners produce the results that the hosting company claimed.

Warning: If you're the Good Samaritan type who likes fair competition among businesses please don't read this:

Banner Advertising can work. But you need to be willing to bend the rules a bit. Earlier in this guide I stated why I would never advocate using co-branded exchanges because they allow people to steal your traffic, but that doesn't mean I won't advocate stealing traffic from other businesses that are too dumb to realize this fact. The people browsing your competitors' co-branded store are ripe for the picking. They are looking to purchase something online, and they are looking at a competitors store all you've got to do is lure them away. The trick is that that most co-branded exchanges won't let you run advertisements on a competitors website, but the reality is that most co-branded exchanges are run so poorly and are so strapped for cash they'll do pretty much whatever you want with a little coercion. You have to be willing to bend the rules a bit, but by managing to get your banner onto a competitors site your effectively making that person work for you. For more "information" on co-branded stores you should see Appendix A. It's just smart business.

Link/Banner Exchanges

Banner exchanges operate on a simple principle, you show two banner advertisements on your site and they will show one of your banner advertisements on somebody else's. Besides having a general click through rate of % 0.02 percent (that's 2 out of every 1,000 banners shown)

As I've already stated, in my opinion you should never show banners that might distract consumers on your site. If you wanted to put a banner exchange banner at the

end of your checkout process then that would be fine, because they've already made a purchase and are not likely to do so again in the next 5-10 minutes.

Banner exchanges provide a low cost way of "sharing advertising space" with other businesses, but the leads are generally very weak. In addition many other less reputable businesses falsify impressions in order to gain more impressions on other sites. Unfortunately if your using the system legitimately then your getting the short end of the deal because usually more than half of your banners are not even being viewed by real consumers.

Affiliate Programs

Affiliate programs were supposed to usurp the banner advertisement a few years ago. The concept behind an affiliate program is to make other websites "virtual sales representatives" by giving them a commission for each click through or sale that is generated by your site. Unfortunately the poor quality of the virtual sales representatives and the amount of effort that is required to gain their interest is usually counterproductive. Unless you have incredibly high margins and you are willing to give a substantial cut to an affiliate you should probably avoid using an affiliate program as your primary marketing method.

The most successful affiliate programs I've seen are the ones that are most lucrative for the sales representative. In order for the programs to be lucrative the business must operate the program using the principle that they will actually lose money on the first sale because of the affiliate commission structure. This can attract highly qualified affiliates because of the high payout rates, but in order to be successful you must be long term minded and you must rely upon repeat business that does not involve the affiliate. Rates vary from business to business so play with your rates, also its very common to have a tiered program for affiliates so they will get paid more the more business they refer.

I've used combinations of pay per click-through and then a percentage of the sale to entice new affiliates into affiliate programs I've run. In this scenario we always paid for the unique click through (meaning the same person going back and clicking over and over would only count as one click) so affiliates were guaranteed to get something for referring business. If the customer was a new customer we required them to setup an account with our company during the checkout process and if they did we would credit the affiliate with an additional commission for referring a new customer, if the customer already had an account the affiliate would not receive anymore than the click through commission. The model described above seems to be universally successful for most companies, in fact I originally learned of the idea while interviewing Amazon.com on the operations of their affiliate program.

In order to properly utilize affiliates you'll need a good tracking software, one that integrates with your online commerce software to track completed sales. You should only pay on completed sales, 99% of the affiliate programs on the market track when the order is placed, not when the payment is processed. A popular scam is for one of your affiliates to create "false sales" by agreeing to pay by check or money order

for an order and then never sending in the money. A few weeks later you delete the order because you haven't received payment but the affiliate has already been paid. Unless the affiliate program is tightly integrated in with your e-commerce software it will most likely count incomplete sales towards an affiliates commission and will require a significant amount of policing and enforcing to be successful. I've met people who claim to make well over a hundred thousand dollars a year by scamming both large and small affiliate programs so be careful.

I feel I should re-iterate that fraud aside; affiliates will absolutely not work unless you plan on customers returning directly to you for future purchases. If you don't think you'll have a high amount of stickiness in your customer base, then stay away from setting up your own affiliate program.

Conventional Offline Advertising Methods

Direct Mail

Direct mail has a predictable response rate. Lists of prospective customers can be purchased from various companies, and entire campaigns can be run with little or no effort. The most important part of a direct mail campaign is linking it with a special promotion or gift giveaway that requires the person to visit your website. Utilizing online coupons with pre-printed codes on the direct mailer card can be very effective.

Trade Magazines

If appropriate running advertising in trade magazines, newspapers, or other print journals can produce similar or even better results than direct mail. Having a memorable domain name that is short and easy to spell is very import for a successful for any print campaign. Coupling the advertisement with a coupon, or online promotion that makes the person visit your site is also very effective.

Billboards

I hate billboards. You have to relate your entire message in less than 3-4 seconds unless you advertise in an area that frequently experiences heavy traffic. Of course advertising when people are sitting in traffic is not exactly a positive experience. In my experience the billboard impression to click through rate is absolutely horrible, so I'd recommend avoiding them completely.

Radio and Television

Radio and local television is relatively inexpensive, however the click-through rates are generally less than expected. If you decide to radio try a station which matches your customer base, and the radio station will generally be happy to prepare an advertisement for you. If you are advertising to a local market, and offer faster delivery because of the close proximity you should make sure to mention that in any television or radio commercials. I know an online video store that doubled their online business by mentioning that he was free next day shipping to San Diego where his

business was located. He shipped the item via UPS ground but it would always arrive in one day because of the proximity.

Totally Unconventional Online Advertising Methods

In the last few years there have been a number of new innovative approaches toward improving the online consumer shopping experience. Although many of these services are still in their infancy, you may find them an asset to your business.

B2B's and B2C's

A B2B stands for business to business, which is a site dedicated to connecting businesses to other businesses for the purpose of supply chain assistance. By inserting your company's products into another businesses list of available suppliers you can increase your market share.

A B2C is a portal dedicated to connecting businesses to consumers. Each website in this space offers a unique way that allows consumers to find and compare products between businesses. In some cases the businesses will be involved in reverse sales where the customers specify what they are looking for and the businesses put forth either open or closed competitive bids. There are literally at least a thousand different ways that each system handles the various transactions, each one has a different spin. If you have the time to participate and get involved with the community then you may be able to increase sales.

Price Comparison Tools

There are several online directories that are specialized shopping tools that allow consumers to compare prices on similar items. These directories usually require merchants to regularly update inventory and pricing as well as provide detailed shipping quotes. Although technically either a B2B or B2C these directories rely on your ability to perform EDI (Electronic Data Interchange) with their systems on a regular basis. If you plan on integrating with these directories you should make sure your system can read and write at least one standard EDI data format such as XML (eXtensible Markup Language.)

Auctions

One of the best ways for merchants to consistently generate small volumes of sales is to utilize online auctions to promote their products. Sites such as Ebay handle up to 5 million auctions per week and have literally tens of millions of online bidders. I have been consistently amazed at how online auctions when created correctly can produce results over and over again. There are several ways to utilize auctions to make a successful selling strategy lets examine the facts:
- Auctions receive an insane amount of traffic

- People surfing auctions are at least willing to make a purchase online (since the lowest price is not relevant offline, unlike price comparison directories which can be used to have offline stores lower their prices.)
- Consumers regularly get into a bidding frenzy and are often willing to pay more than they would normally.
- The cost and time involved with participating in an online auction is very small when compared to the cost and time required to integrate with other systems.
- There are host of tools available to help you easy create auctions.
- Auction bidders prefer to buy from reputable companies rather than another individual who may not be reputable.
- You can utilize "reserve prices" which are basically bidding minimums to ensure products sell at a reasonable price you will be happy with.
- You can host dutch auctions, which allow you to sell several of your products to the public, generating click through traffic.
- Once a buyer makes a bid, they are bound to make a purchase from your company by the auction site. It's a guaranteed sale.
- Use your products as loss leaders, which will bring the customer back to your store in which they will be able to purchase more of your items. This lets you effectively recruit an auction site as one of your affiliates.

The only downside to auctions is the time involved with completing the sale, since each item will be sold for a different price.

It has been my experience to sell products through auctions that are likely to be commonly searched for. A small number of companies provide auction tools that allow you to easily contact winning bidders. Unfortunately almost none of the tools make it easy for you to sell the winning bidder additional products through your storefront. In a perfect world your online commerce software would actually communicate with the auction system directly and automatically contact winning bidders and make it easy for them to purchase additional products. Although some systems are close, there is only one company, which currently provides this functionality so for more information you should visit Zoovy.com.

I should also mention it's important to be careful auction sites are very sensitive to a business that is leveraging their traffic. Each auction site has different policies on what is acceptable, as a rule most rules are poorly enforced but you should at least be aware of them. Here are some tips to help you sell your products on auctions:

1. You must start the bidding for less than you normally sell the item on your website. This is smart business anyway since people will generally bid the items up anyway and having a lower starting price will get more people interested.
2. You cannot gratuitously plug your business before describing the product your auctioning, however providing information about your company so the bidder can verify your identity is REQUIRED and is not discouraged at all.
3. You are not allowed to sell other items on an auction listing.

4. Each site has a list of unacceptable items that cannot be sold, stay away from those typically they involve firearms, drugs, sex, and human organs.

The bottom line is that running auctions opens your company to a host of prospective online buyers. When bidding is near, or even has high as the retail price of a product buyers are likely to simply purchase the item directly from the website. If you use services like Zoovy with your commerce software then you can also use auctions as loss leaders (EG: sell roller blades at a discount or even loss, and then encourage buyers to purchase helmets, knee pads, band-aids, and back braces). Using these techniques I have been repeatedly amazed at how a small company can experience a nearly instantaneous success with auctions that is sustainable over long periods of time.

Using auctions in combination with online commerce is still very new and experimental, at the time of writing Zoovy.com is the only company that provides tools that allows you to utilize the traffic of major auction sites like Ebay, Amazon, and Yahoo with your online commerce store. You should make sure your software integrates Zoovy Technology in order to leverage online auctions with your small or medium sized business.

Chapter 7: Generating Even More Sales

Okay by now you've got a good arsenal of how to sell tools, and we've covered all the different ways to sell online. I hope that at this point you've got some new ideas, and your thinking that this whole success online thing isn't all that difficult. But I'm not done yet; there are still lots of ways to increase your bottom line.

What's in a Name?

It's hard to say what's in a name, but I can say it's good to have a lot of them. If you don't have a strong brand, then consider having two or three different websites that sell the same products at the same or different prices. Use different names that appeal to different customers. At a minimum consider having a multiple names that point to the same store. Choose names that create impressions of quality, discounts, or even expertise.

Perceived Value

When your determine what the pricing for your items should be remember that online the perceived value is often more important than the actual value. If you have a professional designed site, a well-taken photograph and the product is priced too inexpensively the customer will actually be less likely to purchase. I wish I had understood this sooner in my life, at one point I was selling an excellent product for $35, I had the opportunity to speak candidly with one of my competitors who had been selling similar products online for the past 7 years, he sold an inferior product for $200, he told me to increase my pricing and see what happens. I increased my prices from $35 to $75 and saw my sales double, I raised them to $100 and saw them double again, no other changes were made to the website, descriptions or product. I will never underestimate the importance of perceived value again.

Improved Stickiness

The best way to stabilize your sales patterns is to increase your customer stickiness. In order to do this you should regularly contact your customers via email, and even regular mail. Send special offers, promotions, coupons, and new product announcements, anything you think will entice them to purchase again.

Never underestimate the power of using an invoice as a sales tool. Try sending an invoice separately from the actual order. Make sure the invoice goes to the billing address rather than the purchasing address. Make sure the envelope is heavy and the invoice is printed on a high quality cardstock with high quality printing. Include a business card, a magnet or sticker for the person receiving the product. By including

the invoice and any promotional items together you are sure it will be delivered to the person who is actually responsible for purchasing rather than the person who is responsible for receiving goods.

If you sell items which make great gifts don't underestimate the power of a Christmas card that sent well in advance of Christmas. If you don't want to front the cost of the printing and regular postage you can generate personalized electronic cards from any number of electronic greeting card sites.

Good Tracking

When a customer returns it is important to welcome them back with open arms. Just like returning to any business, people enjoy being remembered, consequently keeping track of customers also makes them feel important, having software that is intelligent enough to recognize repeat business and can say "welcome back" to the customer or even simply minimize the amount of information they need to enter to complete future purchases is also very important.

Good Communication

If you want customers to have a positive experience you should keep them informed of what's happening with their orders. Always send a confirmation email immediately after an order has been placed. It is also a good idea to send another email once the order has been processed/received by your company, and then a final email when the order ships that contains the relevant tracking numbers. If possible your website should provide the tracking status rather than sending them directly to the shipping carrier because mentally the customer will perceive that you are internally tracking their shipment. In reality your system only connects to the shipping provider and displays the information it is given, but the perception is that you seem more concerned about the sale.

It is also become regular practice to send an email either immediately after the package is delivered, or shortly thereafter and offer the customer an incentive for filling out a survey about their experience. Although I'm not sure if this improves customer communication, it seems to reason that the more positive interactions you have with the customer, the more likely they are to purchase again.

Good Reporting

Your commerce software is your best tool for your business. The software should keep track of your customers, sales and traffic patterns. You should be able to easily generate reports that tell you how your affiliates are doing, how many visitors your sites have, how popular specific products and categories are, the most commonly searched for words, and anything else that might be useful to the long term operation of your business.

Summary

I hope you have found the tips in this guide to be informative and useful. If you have any questions or would like to submit contributions, request the latest version of this guide, or request permission to re-print various portions of this document please contact me at brian@digitalco.com

📌 Glossary:

Affiliate Program: An affiliate program is a program designed to recruit independent sales persons who receive a commission for selling your product.

ASP: Application Service Provider is a company that helps configure, and maintain online commerce systems.

Backend: A term used to describe the "plumbing" that makes a system actually work. Backend can be used to describe either hardware or software or any combination thereof.

Beta Tester: A person who tests software for a company.

CGI: Stands for Common Gateway Interface. CGI is the most common method of creating online commerce software.

ExtraNet: A term used to describe the opposite of an Intranet. A specialized website design for your suppliers, and support companies. If you employ less than 5,000 employees you probably don't need one of these.

Flash: A technology developed by MacroMedia that allows snazzy web graphics that can load very quickly. The only downside to Flash is that unlike Javascript it is constantly being updated and is operated as a plug-in, which means in order for people to utilize it they must update their browsers frequently. For this reason if you plan on having flash on your site then you should use Javascript to auto-detect the flash plug-in and then gracefully downgrade if it is not available.

Fizzle: A term used to describe when a company goes out of business with no warning or prior indication. A byproduct of the venture economy that occurs because companies cannot cut back or show signs of weakness because it will only prevent them from raising more venture money.

Hosting Service: Either an ISP or ASP who doesn't want to call themselves that for one of a hundred reasons. As a rule hosting services simply provide some combination of disk space, bandwidth, software, and consulting to get you up and running.

Gracefully Downgrade: Is a term used to describe what should happen when a special browser feature or plug-in is not available, the remote system provides an alternate method of access.

HTML: Hyper Text Markup Language is a markup language that is used to design the layout and various other aspects of any website. HTML is an extremely easy markup language to learn, in fact you should feel comfortable with basic HTML scripting within an hour or so of starting to study it. In fact one of the most compelling reasons for the massive adoption of the World Wide Web is the fact that HTML is so simple to learn and understand.

HTTP: Stands for Hyper Text Transfer Protocol which is the communication language spoken between web browser and web servers to transport the HTML and its embedded Javascript that after interpreted by a web browser will generate a web page on the screen.

Intranet: A website that is design for the internal use of your employees. Intranets can be publicly accessible or secured by a password and provide a mechanism for you to access its resources from any computer that has a web browser. You may not need one of these depending on your size.

ISP: Stands for Internet Service Provider, which is a company that helps you connect to the Internet.

Java: A language developed by Sun Microsystems for allowing people to distribute applications that run on virtually any computer. The idea of Java is that you can write a program once, and then run that program on a Mac, PC, palm pilot, or a microwave oven. Although it's a neat concept, in most cases Java applications are slower than their equivalent Windows counterparts. The Java language has absolutely nothing to do with Javascript whatsoever.

JavaScript: Is a language that is encoded inside web pages, and can be used to modify a web page. Javascript is one of the best things to happen to web pages it lets you create small programs that run on the client without needing to communicate with the server. Because the small programs are actually running on the client they appear to be much more responsive than a web page which needs to contact the server every time the page needs to make changes.

Plug-in: A component of a browser that functions independently of the browser. The problem with plug-ins is that they must be updated independently of the browser and are subject to whims of the producer of the plug in. If possible you should try to keep your site free of technologies that require plug-ins, or at a minimum you should make sure your website will gracefully downgrade.

Router: A piece of hardware used to forward information throughout the Internet. Routers determine the best path to for traffic to take to get from one destination to another.

SLA: Service Level Agreement is an agreement that guarantees the availability of services that you rely upon to operate your business. Service Level Agreements stipulate the acceptable amount of downtime and other service disruptions that are acceptable to you. The better the SLA (the less it allows) the better the service.

TCP/IP: Stands for Transmission Control Protocol / Internet Protocol and is the low level language that interact in combination to fulfill layers 3 and 4 of the OSI protocol model. In fact every computer that is directly connected to the Internet uses TCP/IP. TCP/IP is used to facilitate more specialized protocols such as HTTP.

Unix: One of the most popular operating systems used to build web servers.

X ML: Stands for eXtensible Markup Language, which is an incredibly complex series of technologies that have thousands of potential applications. Although similar in format to HTML, XML lacks many of the rigid rules that simplify HTML. Because XML has so many purposes it is not as easily learned or as widely deployed as its HTML cousin.

Appendix A:

Internet Service Providers

American Online   www.aol.com
Mindspring/Earthlink   www.mindspring.com
Verio   www.verio.com

Application Service Providers:

Inflow   www.inflow.com
Verio   www.verio.com

Co Location Providers

Inflow   www.inflow.com
Exodus   www.exodus.com

Co-Branded Exchanges:

FreeMerchant   www.freemerchant.com
BigStep   www.bigstep.com

Web Based Hosting Companies:

Yahoo Stores   www.yahoo.com/stores
Zoovy   www.zoovy.com

Internet Check Acceptance Companies

Telecheck   www.telecheck.com

Merchant Service Providers:

Cardservice International   www.cardservice.com
Costco Merchant Services   www.costco.com (requires membership)
OneCore   www.onecore.com

Linkpoint services:

Verisign Payment Services www.verisign.com/payment
Cardservice International   www.cardservice.com
Cybercash   www.cybercash.com
CyberSource   www.cybersource.com

Auction Automation Software/Services

AuctionWatch Pro   www.auctionwatch.com
BlackThorne Software   www.blackthorne.com
Zoovy   www.zoovy.com