

SELLING ONLINE

By Greg Varhaug

Only a dozen or so years ago, people were still asking whether anyone could make a profit from a web-based business. Today, according to the U.S. Department of Commerce, e-commerce accounts for \$10 trillion in transactions worldwide each year. This total includes over \$3 trillion in U.S. transactions alone. Today, every company of any importance that sells to the public is selling online.

In the past twelve years, the quantity of online content—including blogs, music sites, and online classifieds—has exploded. We've seen the emergence of MySpace, YouTube, Facebook, Twitter, and WordPress, as well as the introduction of the iPhone, which changed overnight the way we interact with the Internet. All of this happened alongside huge yearly increases in the amounts spent on online advertising.

The Bad Old Days

In 2000, little existed in the way of e-commerce, even though eBay had already been operating for four years. People were uneasy, then as now, about using their credit cards online. But the secure server technologies that emerged in the mid-1990s made it easy for the 1-800 telemarketing business model to migrate to the web.

If you tried e-commerce in the old days and felt overwhelmed—not by the number of orders you received but by the amount of time and effort it took to manage your online sales—then you will probably find that today's technology has caught up with your original vision. The costs of running a commercial site, including the costs of producing quality content, have dropped enough over the past few years that e-commerce has become a viable option for even the smallest-scale businesses.

A close-up photograph of a person's hand holding a red rope handle of a shopping bag. The person is wearing a grey pinstriped suit jacket over a white shirt. The shopping bag is made of a material with vertical stripes in shades of red, orange, and yellow. A circular yellow graphic with a white cross is overlaid on the image, containing text.

THE NEW ONLINE
SALES EQUATION:
THE BUYER, THE SELLER
AND THE ADVOCATE

E-commerce processes have been standardized, giving you a choice of streamlined applications that are all designed to interconnect easily. Compared to the old days, e-commerce applications have become practically “plug-and-play.”

What's Best For Your Business?

A lot depends on whether you are starting a new online business or trying to integrate e-commerce into an existing business. Some small businesses decide that it is easier, from the standpoint of concept design and marketing, to launch their online divisions as separate businesses. This approach allows the company flexibility as to how, or whether, they will integrate the original business with the e-commerce business. Larger businesses are more likely to capitalize on their name recognition.

If you are selling merchandise and you've never run an online business before, eBay is a great place to get started. A basic eBay store is like having a lemonade stand on the Internet. It costs very little to start. It also gives you a way to begin gradually and allows you to control your degree of commitment. Stores on Amazon and eBay offer good models for designing the online store on your own site if you later decide to do so. Standard features at Amazon's and eBay's stores include search boxes, merchandise photo galleries, spaces for special promotions, and a menu of categories that can be customized to your store.

In the social age, the new online sales equation includes the buyer, the seller, and a new entity, “the advocate.” The advocate may never be your customer. He or she may never spend money at your website. But advocates can advance your online business in a couple of ways. One of them is by simply “liking” you.



Business Models

The earliest online business models, selling goods and services directly to online consumers, were pretty straightforward. Online sellers quickly learned to utilize massive email campaigns designed to generate a .001 percent conversion rate. More recently, online marketers have refined their approaches, in part because e-commerce is better established and consumer behaviors are a little more predictable.

Today, there are ways to make money online that don't require you to make any direct sales or create original content. Various options exist for

setting yourself up as a secondhand content provider on the web. We've all seen websites consisting of just a single page listing links to a set of related websites. How do these sites make money? One way is by selling listings to the businesses they advertise, like the Yellow Pages. This is an example of the domain-directory business model. Domain directories range from small to large and from specialized to general. But there are other methods of generating income too, based on tracking specific site and sales metrics.

Any website that draws a large audience can charge other businesses to advertise—just like buying an ad in a newspaper. It's a matter of finding someone who thinks his or her business would be helped by an ad on your site and then agreeing on the terms. One of your primary goals is to draw quality visitors to your site, and to drive up the status of your site on ranking sites like Alexa.com. Just be aware that Alexa rankings fluctuate wildly and are only useful as a general measure of your worldwide ranking.

Commercial websites promoting quality content can either accept advertising or charge for a subscription to the site. If your website centers on a specialized area of expertise, like repairing computers or learning a language, you might do well with the subscription model. Unless you can offer a large volume of high-quality, specialized content that's available nowhere else, you are

probably better off accepting advertising and generating revenues based on some combination of impressions, click-throughs, and sales.

Buying and reselling domain names, “dot coms,” is an established business practice. At first, people questioned the ethics and legality of buying domain names with no intent of using them, only to resell them later at a higher price. People who embraced domain flipping early took a beating in the aftermath of the 2002 dot-com crash, when businesses recently burned by their online ventures simply allowed their domain registrations to expire in droves. The entrepreneurs who then scooped up those abandoned domains, at something like eight dollars apiece per year, scored some great deals. Domain flipping remains a dynamic business. A news headline can drive up the value of an individual domain overnight and then reverse its value just as quickly.

Social Media and the Role of the Advocate

Any real discussion of online sales has to begin with understanding the world from your customers' viewpoint. Despite the myriad of specialized apps we have developed to interact with it, the web remains a publishing medium. We are limited to disseminating that which we can see and hear. The old laws of advertising and the sage wisdom of advertising gurus Hopkins, Caples, and Ogilvy still apply, though no one could have imagined life in today's e-commerce environment.

Scot McKee is the founder and managing director of Birddog, a London-based brand and digital consultancy. The winner of multiple awards for his work in marketing, he is the author of *Creative B2B Branding (No, Really)*. McKee's message centers on the importance of social media. His specialty is branding, but the advice he gives to top corporate executives is relevant to anyone selling online.

Hopkins, Caples, and Ogilvy all defined their activities in terms of “the buyer” and “the seller.” In the social age, the new online sales equation includes the buyer, the seller, and a new entity, “the advocate.” The advocate may never be your customer. He or she may never spend money at your website. But advocates can advance your online business in a couple of ways. One of them is by simply “liking” you.

McKee explains, “The advocate is very much a derivative of the social age. In the 'old days,' about five or six years ago, traditional marketing focused on pushing a corporate message to a relatively contained and static market. For the most part, reaching a prospective audience, other than existing customers, was achieved by using a combination of demographic data and bought or owned media. Owned media would be

your company website, for example, and bought media might be print or online advertising. The rapid and relentless rise of social media has changed that model forever, and businesses are still struggling to either recognize and/or keep up with the shift in social buying behaviors and preferences.”

Describing what social networks mean to online businesses, McKee states, “Social media enabled customers

THE MECHANICS OF ECOMMERCE

There are a couple of different ways to set up e-commerce.

One way is to obtain a dedicated server and set it up so that it is completely secure. This approach ensures that your customer doesn't have to leave your website to complete a transaction. For most companies, however, this approach isn't necessary.

Another way of doing e-commerce is to use a service like PayPal, which offers excellent built-in security. With PayPal, when a customer makes a payment, they are taken from your website to the PayPal website. Once the PayPal transaction is complete, the customer is sent back to the originating site bearing a virtual "token," which effectively tells the originating site that the customer has paid. PayPal charges a fee to the seller—the originating website—for processing the payment.

As with setting up a website, e-commerce software is set up to run on one of two types of servers: a Microsoft server or an Apache server that runs Linux.

Some e-commerce software packages cost money, and some are free. Zen Cart for Linux is an example of the latter, while nopCommerce is a popular free package for Microsoft servers. Many of the free packages are excellent, have been around for years, and are bug-free. In addition, most of the free packages work just as well as the paid packages. The difference is support: the free packages offer none. Many packages let you buy into different levels of support according to your needs. These packages are able to work together with PayPal, with similar payment processing systems now available from Google, Yahoo!, and others. Alternatively, they can be set up to work with whatever payment processing system you're currently using.

Most e-commerce packages include features like database-integration support and built-in chat. With nearly all e-commerce packages, the overall look and basic functionality are the same. Most of them are set up using an automated web install. These include a control panel with options for integrating with numerous standard e-commerce packages.

One thing is common to almost all of these packages: it's easy to get into trouble if you're trying to customize the look of your individual pages. However, Zen Cart and nopCommerce are in wide enough use that people have developed an array of different skins for them. To choose a skin, simply download the skin and put it in a particular directory in your e-commerce site, then go to your admin panel and select it. Your site's whole look will immediately change.

At that point, your only other decision is how to take your payments. If you run a bricks-and-mortar store and you're already paying a merchant fee, then you will probably want use your existing credit processing service. Otherwise, you can use a service like PayPal for your credit processing.

to form their own networks of trusted and reliable sources of information outside of the corporate 'approved message.' People were not only able to form their own opinions, which they were always able to do, they were able to share those opinions with others, compare experiences, offer alternatives, learn and adapt their thinking and, increasingly and importantly, make buying decisions based on the influence of their social networks rather than relying on the Big Brother approach of the corporate machine."

If you're selling to people who use social media, then you would do well to tend to your appearance online. Complete your personal and business profiles on Facebook, LinkedIn, and Twitter. Take the trouble to get a professional-looking photo or logo for your online profiles.

Experience Necessary

Some determined people have effectively capitalized on "no experience necessary" online business models, including direct sales and the reselling of domains. But there is good news for individuals possessing marketable knowledge and services. Today, real opportunities exist for people seeking better ways to promote themselves than pasting their resumes or ads all over the Internet. Multimedia, incorporated with social media, can help you reach your audience.

"Multimedia" on the Internet basically consists of writings, images, sounds, and videos. Add to that the element of interactivity, and you get the picture. Video is the gold standard in multimedia, but many people don't have the technical expertise or the wherewithal to produce a finished video.

Well-produced videos on public websites like YouTube and Vimeo are an effective way to reach large numbers of target-audience members over time. The cost and difficulty involved in producing finished video for the web has dropped dramatically from a decade ago. High-definition "flip" cameras are available used online for around \$60 apiece, as compared to full-featured cameras that cost \$1,000 and up. Editing software is inexpensive if you know where to look. (Use video sites to watch free tutorials on any software you are thinking about buying for editing video, because a tutorial is available for each of them.)

Basic digital editing using modern software on a sufficiently enabled computer is not that difficult to learn. Kids are using this stuff! Not sure about what you're doing? It's easy these days to find someone with the expertise you need.

Content – The “C” Word

This brings us back to what Scot McKee refers to as “The 'C' Word”: content. Content is the part that people often neglect when they sketch out their grand designs. Content has to be good, recent, and relevant. It also has to be plentiful, if you expect to draw visitors to your site. Having quality content doesn't guarantee success, but you're unlikely to succeed without it.

It is possible to purchase content ready-made for web distribution for use on your website. Generating ready-made web content has become a thriving cottage industry around the world. At stock-media warehouses, like Revostock and Pond5, it's possible to buy non-exclusive rights to art, photos, music, video, and flash segues. Hundreds of places offer articles on any subject, and of any length, for use on your website.

If you need something more customized and you don't know where to turn, “crowdsourcing” provides a way to outsource a production task to a group of qualified people. Crowdsourcing is similar to outsourcing, but with crowdsourcing you don't know specifically whom you're outsourcing to. These are usually one-shot deals, and you own exclusive rights to the work produced. For example, Amazon Mechanical Turk is a part of Amazon Web Services. The “Turk” is a place where you, as a “requestor,” can post a job and the amount your job will pay. “Turkers,” individual workers signed on at the other end, can then accept the work assignments.

These kinds of online odd-job portals are becoming more common. Through social media, it's now easy to find workers who can perform digital odd jobs, including complex tasks such as video or photo editing.

Scot McKee doesn't paint any blue skies for his e-commerce clients. Just look at the number of *Fortune*-ranked companies that have

failed in the past decade and the economic uncertainties in Europe. In a presentation on YouTube, McKee summed up the psychology of buying and selling in the “social age”: “From now on, your revenue will come from a bunch of people you barely know, learning about your product from a bunch of people they barely know,

but they trust implicitly.” Those who don't embrace this new reality risk becoming irrelevant. **N**

Greg Varhaug has written software instruction manuals and procedural manuals for many Houston companies. He operates HoustonGuitar.com, a commercial music-instruction website.