eMarket:
How to Profit Online
Daniel Emmons
2004

SAMPLE
Table of Conents, Introduction, Part of Ch. 1

eMarket:
How to Profit Online

By
Daniel Emmons

First Edition

First Edition 2004

Unites States of America

To Anthony de Padua

Table of Contents

Preface

This book emerged from extended reflection upon the transition of the Internet as an advertising supported medium to a product and services supported medium. The notion that one can still make a profit with on the Internet is alive. Internet focused firm such as Amazon.com, 1-800-Flowers, Ebay, and Netflix attest to this phenomenon. Together, those firms have earnings approaching $10 Billion in net revenues. Ebay, itself, is pushing $20 billion plus in gross profits with very success international, business, and automotive expansions. At the end of 2003, 16% of holiday spending in the US took place on the Internet. This surpassed once dominate catalog ordering sector that fell to 7%.[1]

While some rents in Manhattan have reached more than $1000 a square foot per year, other place in the Big Apple are below $38 a square foot.[2] Part of the reason for the incredible difference is the importance of specific location. In Manhattan that could me the difference of daily foot traffic from a million per day to 500. Meanwhile, there is also a great challenge with TV and other traditional marketing vehicles due to breadth of channel select, digital recording devices, and other factors. According to C.J. Fraleigh, a marketing exec at General Motors, "The two alternative mediums to TV that GM finds more productive are Internet and event marketing."[3] GM is the largest advertiser in the US with a budget of $1.5 billion.

However, one need not have an offline presence or be a massive mainstream advertiser to be successful. It often involves finding a target market and dominating the Internet virtual real estate in that specific category with compelling and profitable products or services.

For example, Whitedressshirts.com sells only high quality men's white dress shirts made in the United States. That is a very small niche. In seven months after their launch, they were positively reference in

---

[1] Goldman Sachs. Harris Interactive. Niesen. NetRatings eSpending Report. Dec. 2003.
[2] Garbarine, Rachielle. Small Shops Lead the Demand in Retailing. The New York Times. Nov. 19, 2003. P. C6.
[3] Questions for C.J. Fraleigh. Media and Marketing. The Wall Street Journal. Dec. 10, 2003.p. B5

Investor's Business Daily, Fortune Small Business, and regional newspapers. Not only can such an obscure niche sell, it can impress big-time papers. While we don't know the profitability of this firm, it is well-designed simple e-commerce website which may hit the market running. Whiteshirts has a strong ranking on Google (more on that in the book) and dominate search words related to their products.

There are thousands of other companies that have been started and run by just one or two people, which have managed to strive on the Internet with little up front capital.

This book is a guide for an entrepreneur to create eMarketing strategies and business that could be profitable. While entrepreneurs are the primary targets of this book, it is my hope that students, business leaders, and marketing managers will also find it of value. It contains product selection ideas, web design principles and techniques, online marketing guidance, and tools for evaluating trends and risk.

In order to more comprehensively cover marketing and sales, you will find a chapter on offline sales. Depending on the industry or product set, offline selling can vary widely. Nonetheless, as a potential online seller it is good to understand the nature of offline sales. Offline vehicles may prove a worthy complement for some online ventures.

So the market for Internet selling is now ripe. The void created by the end of many failed dot-com e-retailers during of the last few years makes room for plenty of smaller more profit focused competitors. Internet users have more awareness of Internet shopping, security, and convenience. Furthermore, worldwide growth of Internet users and broadband use in particular continues to grow. Lastly, the growing alterative client devices such as tablet PCs and Internet-ready phones and PDAs provide another potential source of buyers.

The sheer size and growth of Internet commerce is amazing even after the "dot-com" bust of 2000. I estimate the market size for number of Internet user for 2004 at around 500 million worldwide based on industry studies. That's about a tenth of the world's total population. Analysts have estimated the United States net user base at 63% of its population for around 130 million people. Japan is estimated at 100 million, while China is at around 70 million.[4] While currently at only a

---

[4] Lyman, Jay. Internet Users in China Number Nearly 80 Million. Ecommerce Times. Ecommerctimes/perl/story/32610.html. Jan. 14, 2004.

fraction of their populations, China and India are probably going to account for half of the online population within 15 years according to analysts.

Where possible, I try to use first hand experience in terms of services and software that can support your business. In other cases, I try to reference outside research in support the points I am making. The book attempts to treat the process of being an entrepreneur prudently. My advice does not guarantee success, but it does provide practical and theoretical Internet product management techniques that can be used successfully.

Chapter 1. eMarketing Introduction

An understanding of the various forms of e-commerce activities can be advantageous for those commencing marketing activity on the Internet. Moreover, a relative comparison between e-commerce marketing and other means of advertising and marketing can further illuminate or be used complementarily.

People are bombarded with hundreds or even thousands of product names, company slogans, and other advertising pitches each day. Consumer trends change quickly – sometimes regionally, other times globally. Business fads come and go. Business strategies must constantly be monitored in the face of this rapid change.

This book attempts to provide some tools and fundamentals of modern marketing and practical tactics, which might be used to start a business or to further a career. I will try to cover topics surrounding modern marketing and sales. A backdrop will be starting an Internet business part-time while working. My experience as in corporate sales and marketing will surface from time to time as will my programming and technical knowledge.

Before we get start, let's get grounded. Success in any new business is no easy feat. While this book provides some guidance, implementing a solid business plan and overcoming roadblocks of a diverse nature is likely required for success.

The first piece of advice I can give is to be ethical in all of your business affairs. If you have a good idea, work hard, and have an ounce of luck, you may just dominate some profitable niche. If you skirt taxes, try to sell content that is not yours, or otherwise break local and national laws, problems will seek you out. Moreover, your honest approach to business is likely to have a positive impact on your professionalism, which will build trust amongst your employees (should you require them someday), your customers, and other stakeholders.

Types of E-Commerce

      E-commerce is the generic term for transacting goods and services including content for cash via the web. E-commerce comes in many shapes and sizes. Let's begin by attempting to categorize e-commerce.

B2C and C2C Commerce

      Business-to-consumer (B2C) is the type of commerce whereby a business sells goods or services to consumers. Typical examples include online bookstores, specialty clothing retailers, and consumer web services such as online tax preparation.   Delivery mechanisms include shipped products by postal or express mail services, password access (for content), or serial code for trial shareware. Advertising-based commerce such as pay per advertising impression, pay per click of an advertising, pay per email lead, or other such online advertising can be considered the final plan.

      Consumer oriented commerce range in size from the massive to the modest. The businesses can be grossly profitable at time while others can have less than stellar results. I know of e-commerce firms that yield on average revenues of a few thousand a month with limited expenses.   From first hand experience, I have experienced months with revenues of $0 to months into the thousands depending on the lifecycle of a particular e-commerce site or product. The most established online shopping sites which sell or facilitate selling shipped products for consumers such as Ebay, shopping.com, Yahoo! Shopping, and Amazon.com rake in billions primarily providing a venue for other stores to set up shop.

      Content sites share information with users on an enormously wide variety of topics. Examples of content sites include Government sites, portals such as Yahoo! and Nomad.fr, newspaper sites, and most personal home pages. Content sites make up a great deal of the Internet space in terms of quantity of pages and activity of page views, but they do not account for much of the commerce on the Internet. Most content sites are free or at least particularly free.

      In the later 1990s, many high profile content sites were attempting to make money via advertising. At that time, sites could get over $50 per banner impression per thousand views for the most lucrative subject areas like Finance and Automotive. Worse, content sites paid for such advertisement using money they really didn't have. This kept the price of ads artificially inflated and when the price of the banner ad market

plummeted around 2000 it spelled the death for many early website leaders. Some like Yahoo!, have managed to hold on and diversify their revenue stream, but have clearly changed their strategy to adopted a more e-commerce centric approach to business. Consumer spending on web content will is approaching $2billion a year according to the Online Publishers Associate. Personals, business content, and entertainment (not inclusive of pornography), and research top the list with personal growth, general news, games, credit help, greeting cards, and sports sites such as Sportsline.com pulling up the rear.[5]

Ebay is heavily into a B2C though they began as a consumer-to-consumer (C2C) commerce company. They have an army of small and large companies offering their trinkets, unsold merchandise, and other items in a routine and mind-numbing fashion. A consumer-to-consumer example is when one sells an old leather purse via the Ebay or another auction site.

Other profitable categories or those with potential are dating, games, and other content or group oriented sites. Sites such as friendster.com, tribe.net, and ryzex.com which offer social networking are also possible starlets.

B2B, B2SB and S2B Commerce

Another major type of commerce is business to business (also known as B2B) or its sibling supplier to business (S2B). Business to business includes extranets and business exchanges. Likewise, supplier to business can consist of the same types of exchanges, though the number of companies a supplier does business with might be less than a diverse B2B player.

While many B2B startups failed during the dotcom boom, trillions of transactions are occurring today. Some of these are newly created exchanges. Others are improvements upon existing EDI technology for linking suppliers and distributors. B2B firms have been electronically linking up supply and distribution database information for some time. EDI is a technically which was widely in place before the dawning of the Net. However, the Internet promoted a new level of integrations between suppliers and partners. In 2001 in the United States, the US Census Bureau estimated that more than 18% of orders in manufacturing sector

---

[5] Investors Business Daily, Consumer Spending On Online Content. Nov. 18, Page A6.

were already ordered electronically.[6]   Furthermore, the increased attention on the disciplines supply chain management, CRM, and real-time service quality and business indictor management one would suspect many industries sectors will continue to witness more electronic integration.

E-commerce sites orientated at selling from one business to another are called B2B. Popular B2B sites include Granger.com, UPS.com, APL.com, Cisco.com, Deere.com f, and Monsanto.com.   Most of these sites sell billions of goods and services through their sites. Furthermore, they are likely to have supplier and partner tools available via their extranet. An extranet is a secured portion of a public website in which specific users or companies can login to received custom information about inventory levels, shipping schedules, and customer issues. Companies aligned in certain segments like construction or chemicals might also have a joint website for buying and selling. The lesson for small businesses is to aim to become electronically integrated in some fashion with strong players in the market.

Let's review of few of the types of B2B exchange types. McKinsey has categorized B2B exchanges into three types: Public e-markets operated by third parties, consortia operated by 2 or more industry incumbents, and private exchanges seeking collaborative supplier chain processes. Public e-markets including Fastparts.com and Mediabuy. Covisint and Transora[7] are examples of Cortias. Deere, Dell, and Cisco are good examples of firms with strong private exchanges.

Eceurope.com, Buyerzone.com, Ezplaza.net, Silkroad21.com, Alibaba.com, and Eurotradeleads.com exemplify international trade portals where thousands of B2B companies congregate, discuss, and attempt to trade leads.

Many web and Internet business from web hosting to software consulting firms are actually primarily B2B. Goggle Adwords and Overture offer pay per click advertising programs which are a form of B2B. These programs exceed $1billion in revenue per year already. Some of these programs will be discussed more later. A good percentage of Internet related services firms are B2B in nature. Lastly, Reed Elsevier of

---

[6] Butler, Steve. E-commerce in the US Economy. EMarket. Emarketer.com. March 23, 2003.
[7] Hoffman, W., Keedy, J., and Roberts, K. The unexpected return of B2B.

the UK and Netherlands, boasts over $1 Billion in sales of information products primarily to businesses. Their ScienceDirect, Lexus-Nexus, and other databases have surprising high revenue.[8]

Indirect Commerce

There is other some software based commerce initiatives which are really not directly sales oriented. Initiatives that are primarily cost cutting in nature are one such example. Sharing information electronically or preserving it in storage area networks (SANs) is another. Enterprise resource planning or customer relationship management software could be classified into this category too. Indirect commerce as I've outlined it here can be defined as e-commerce not immediately involved in the sale of a good or services.

Extranets, which provide only information or training materials, might be considered indirect commerce. In many businesses extranets may aid customer satisfaction and retention significantly so their importance should not be downplayed. Good examples of extranet applications include order and inventory tracking systems.

Likewise, intranets, internal websites for employees, are also important. Intranets house corporate directories, human resource information, competitive research, detailed product data, and detailed pricing tools. Information on intranets and on extranets tends to contains sensitive business information which need to be protect by passwords and private networking technologies such as VPNs.

Informational, interactive, and brand building are the last form of indirect commerce I will mention. Information content can be used to draw browsers in the neighbor of related sellable goods or services. Likewise, games, interactive polls, or other discussion boards can yield visitors that may purchase something.

E-commerce Basics

In a later chapter we will discuss how typical Internet transactions happen in greater detail. For now, I will try to simply the process for purpose of getting started.

---

[8] Snoddy, Raymond. Web revenue at Reed tops 1bn Pounds. The Times. Feb 28, 2003.

Order Logistics

The process is a company sets up a web site by buying a domain and creating some HTML pages and graphics to associate with those pages. The graphics are logos and design elements and product pictures if relevant. To make things orderable, the there is a form or a series of HTML forms which are processed on that persons domain and host or at an order management domain. The site that accepts personal information and credit card details should be and is almost always encrypted via secure socket layer (SSL) encoding schemes. At the end of this check out process, the order is submitted.

What a Typical Net Day Looks Like

Let's review of some of the recent Internet statistics from Nielsen NetRatings[9] and other sources. The number of sessions, or times people used the Internet, an average user experienced was 22 while the number of unique domains hit was 54. The average page views per month were nearly 900, and the page views per session were over 40. The duration of your average page view is around 45 seconds on average. Accounting for page load times and other distractions, this demonstrates that you don't have much time to convey messages and direct users to the most compelling or lucrative areas of your site.

Most web sites have relatively regular traffic patterns each day. For US sites, the time periods between 10 AM to 5 PM often comprise Internet rush hour with the early evening US time showing significant gains as home access and broadband become common. Traffic diminishes somewhat on weekends and holidays. The time between 2 AM and 5 PM is particularly light. My studies have shown that traffic can be 15% of peak hourly traffic during the overnight lull. For now, Microsoft Internet Explorer is the dominant browser currently showing browser market share of greater than 90%. Screen relations of 800 pixels by 600 and 1024 by 768 are used by the lion's share of Internet surfers.

In a typical day Amazon will sell $10 million worth of merchandise in its various stores, partner stores, and global properties. For the consumer industry as a whole, more than one third of all computer software and hardware sales will occur online. Event tickets such as

---

[9] August 2003, Nieslen NetRaitings. March 2003 Global Internet Index Average Usages.

going to a movie, play, or seeing a basketball game are already at 20% of sales. Online orders of books, small appliances, music, toys, linens, video games, and consumer electronics garner from 8 to 15% of total sales. [10]

Nowadays, nearly half of all consumer Internet transactions occur in the evening hours. However, much of the web site traffic that goes to commerce sites is not converted into sales. The average visitor to conversion rate is about 2% in the online world. In normal stores it is close to 50% of all customers in many sectors.

What Buyers Look Like

Much of this book covers how to market using various means to drive traffic to your sites. To get buyers you need to get people interested in *your* subject to pages with your products on them and then hope they purchase. Generally, it is best to position yourself as a store or a seller such that you don't get 100% lurkers and 0% buyers.

It is highly recommended that you try to pinpoint your customer based in advance such that you can reach them efficiently. Consider country, country of origin, language, family status, religious persuasion, interests, business type, business title and so forth until you narrow down your target audience.

Since we are focusing primarily on online selling, lets look at gender statistics on the Internet. Men and women tend to surf the Internet equally, though statistics vary by country.[11] For popular sites, home consumer goods and women's clothing stores were most popular with women. For sites such as Talbots.com, Oriental.com, and Chadwicks.com, the composite percent of visitors was over 85% women. Conversely, foxsports.com, pricewatch.com, gamespy.com, and fileplanet.com (a downloading sites), all had unique audiences with over 80% male visitors. As you market, you might aim for a gender or age or other segment to target your site towards.

For now, let's end this discussion by reviewing one sites referring log. From my experience lately, Google, MSN, and Yahoo dominate the referring traffic generated by search engines. This might not be true for another site or for a different time period. Paid advertising and other marketing techniques can be a factor in site popularity and demographics.

---

[10] New York Times. Lifted by the Web. December 3, 2003. .p 34.
[11] Reagan, Brad. The Great Divide. Wall Street Jounal. Page R4. April 15, 2002.

We will learn more about search engine optimization and web site referrals in later chapter.

eMarket: How to Profit Online
By Daniel Emmons

Order Now
$49.95
http://www.surfy.com/emarket