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The Internet Gold Rush

Before you embark on your foray into starting your e-business, you might benefit from knowing a little about the previous gold rush, way back in the early days of the internet.

The first dotcom gold rush occurred roughly between 1995 and 2001. It began when a little startup named Netscape introduced a web browser. Amazon, eBay, Yahoo!, 1-800-Flowers.com,

Drugstore.com, Priceline.com, WebMD.com—they staked their claims to a piece of cyberspace and became billion-dollar businesses. Others, like Pets.com, WebVan, and eToys, flamed out spectacularly when the bubble burst in 2001. Many wondered if the internet would ever amount to anything more than a few pie-in-the-sky ideas.

But today, ecommerce is back in a big way. The market continues to thrive and websites come and go all the time.

Just as dotcom giants of the first wave did, over a decade ago, websites like Skype, YouTube, Facebook, Twitter, Pinterest, and a new breed of online retailers, such as Zappos and Nasty Gal, have taken off and become the standard go-to sources.

The influx of e-business sites worldwide has become increasingly evident over the past decade. Window displays have been replaced by branded Pinterest boards and traditional advertising has given way to inbound marketing through the social media sites.

The new e-businesses are succeeding because the new rules favor companies that are innovative, smart, and ultra-quick to react to changing consumer interests. It also helps that today's entrepreneurs have been able to learn from the mistakes and successes of the original dotcom pioneers.

The internet is for real, and in the 21st century, if you're not on it, you're not in business.

That being said, you need not go into your business with the idea that you will create the next eBay or Amazon. While we look at these and other hugely successful sites to glean knowledge, it is important to understand that building a business is not about becoming a worldwide phenomenon, since the odds are highly against that happening. The reality is that you want to stake out your own claim in your market and build a successful and profitable business. If it takes off and you become very wealthy, that's wonderful, but keep in mind that people have gone bankrupt overextending themselves and trying too hard. Start a business, nurture it, and it will grow. How big it gets will depend on many factors, but you can't force success.

A New Set of Rules

On the web, the advantage is yours—it belongs to the entrepreneur. Why?

Consider the story of Compaq computers, now a brand under the Hewlett-Packard umbrella since 2002. It makes fine computers—maybe no better than its competitors, but certainly no worse.

So why did Dell long ago surpass Compaq in market leadership? Dell jumped feet first into full-steam web retailing. It yanked its merchandise out of retail stores and threw the dice, betting the company's future on direct selling (via catalogs and the web)

to corporations and individuals. Compaq, meanwhile, faltered at every step because it didn't want to alienate its established retail channels, convinced they would be irked if suddenly the same computers were available for less on the internet. So Compaq dithered during the infancy of the web, and that indecisiveness made it lose momentum and leadership while competitors grabbed market share.

Today, the web *is* an established manner of doing business. It is no longer new and "innovative." But unlike the brick-and-mortar world, which remains intact, the web evolves very quickly. For example, the banner ads of a decade ago gave way to pay-per-click advertising and internet marketing has largely morphed into social media marketing. Sure, a store can add a new wing or open another outlet, but it takes time and a lot of funding. An e-business, however, can rearrange its inventory with a few clicks of a mouse and add pages of new products with a little bit of webpage designing. It's time and cost effective. The internet can, and does, change more quickly than the brick-and-mortar world, thanks to new technology coming out all the time.

Another great advantage of the internet is that it puts the squeeze on pricing. Not having inventory in warehouses all over the country, or all over the world, is one among many reasons why online pricing has been a boon to business.



Beware!

Venture capital funding, billions of dollars' worth, is out there, but be prepared before you try to accumulate any of it. Venture capitalists want to know that you have thought out every possible aspect of the business and left no stone unturned. You need an air-tight business plan that defines exactly what you are planning to do and have all of your ducks in a row, from your costs to your management team, before approaching a venture capitalist.

Reaching Their Peak

Before embarking on how you can get started in your own online business, let's check out a few of the many successful e-business models that have preceded your endeavor.

If you're willing to expand your horizons a little, as two entrepreneurs discovered, the sky's the limit. Consider Jim Holland and John Bresee, who in 1996 founded Backcountry.com, a West Valley City, Utah, online retailer of outdoor gear for all things backcountry.

Holland, a two-time Olympic ski jumper and six-time national champion Nordic ski jumper, and Bresee, a former editor of *Powder* magazine, founded the company with the purpose of providing outdoor adventure gear to the hard-core recreational

athlete. Holland and Bresee's online store has seen triple-digit average annual growth for the past ten years. Pretty amazing, considering the fact that they began the company without any outside investment.

"We developed the site ourselves and banked about \$2,000 of our own money to get started, which we used for inventory," says Bresee. "We took a risk but knew there was an interest out there for what we were doing."

What's the company's secret to success? There's not one answer to that question, but a key reason is that the company decided to focus on a narrow niche—selling gear to hard-core sports enthusiasts—instead of competing with mass-market retailers like REI that might sell the same items, but without the same knowledge.

Backcountry.com, for example, populates its call-center staff with hard-core skiers and trekkers who are out there using the equipment the site sells.

Therefore, when customers contact Backcountry.com with their questions, the customer solutions team, known as "Gearheads," can answer by drawing on their own unique personal experience.

Excellent customer service, in fact, is the company's mantra. "We make it very easy for our customers to communicate directly with real people at Backcountry.com, whether they have a question or want to make a purchase. Our phone number is on every page of our site, and people can just as easily opt to IM a Gearhead if they prefer," says Bresee.

Other reasons for its continued growth? The addition of other successful niche sports gear sites (Tramdock.com, Dogfunk.com, SteepandCheap.com, WhiskeyMilitia.com, and BackcountryOutlet.com), cost-effective online and word-of-mouth advertising, and the company's philosophy that the risky way is the safe way.

"If it's safe, we're not interested in pursuing it," says Bresee. "To successfully grow a business, you have to take risks. In the case of Backcountry.com, we're lucky that the risks we've taken are working out pretty well."



Smart Tip

Always look for a niche the Big Boys have neglected—then exploit this opportunity swiftly, before the mega-companies come to their senses. And guess what: There always are such opportunities. Find yours and move fast.

Sweet Dreams

Sometimes even when your dreams aren't so lofty, the internet can save the day, as Barbara McCann found out. She and her husband, Jim, owned The Chocolate Vault, a

store in Tecumseh, Michigan, a village about 60 miles west of Detroit. They'd watched traffic—and customers—veer away from little towns, and they'd watched their cash flow all but disappear. Then they decided to give the internet a whirl.

On a skimpy budget of a few thousand dollars, Barbara McCann personally built her website, ChocolateVault.com, and then she watched an amazing thing happen.

The Ecommerce Quiz

Think you're ready to become a "netpreneur"? Prove it. Before moving on to the next chapter, take this quiz. Answers are true or false.

1. I'm comfortable in an ever-changing world with new rules popping up often.
2. I see inefficiencies, such as waste and delay, in many current business practices.
3. I'm willing to delay this year's profits to potentially make more money next year.
4. Customer satisfaction is the most important thing a business can deliver.
5. I recognize that the internet can reach far more people than opening a local business.
6. I am prepared to deal with customers from anywhere.
7. I see opportunity where others see risks.
8. I'm not intimidated by technology and know that if I don't know the high tech solutions to problems that I can find others who do know such answers.
9. I am willing to work hard and learn as much as I can while launching a business.
10. I recognize the potential of owning an internet business but also understand that as a business there are always some risks and there are no shortcuts.

Scoring: Guess what? "True" is always the right answer for any netpreneur. But you knew that already because you're ready to compete.

“People from all over the country found us, and they started buying our chocolates!” she says.

McCann says the internet business has grown so much that she decided to close the retail store. In 2005, she moved her internet business, and home base, to another small town in southeastern Michigan and built a small factory-type facility that allows the company more space. McCann says the move was the best decision she could have made.

McCann doesn’t have the money to buy major advertising space and instead puts all her energy into offering exceptional customer service. “We are trying to give our customers the kind of personal service online that they would receive if they walked into our store,” she says. “We’ve also found ways to customize our products. For example, we make custom molds for our corporate clients.”

McCann also says that most of her customers are return customers who keep coming back because the site is understandable and easy to maneuver.

Will The Chocolate Vault rise to the top and challenge the biggies in that space, such as Godiva and others? “Never,” says McCann, who knows her budget and her ambition. But the big miracle is that “the internet has been a lifesaver for us,” she says. “We would’ve closed our shop without it.”

You can set the scale of your internet ambitions based on how much you can deliver to your customers. If you have a limited amount of time, or a limited budget, you can remain small. If there is a great demand for what you sell, then you can grow, merge with a larger company, or even sell your business and walk away with a profit. The choice is yours, but you need to get the ball rolling first.

Ten Reasons You Should Be Online

Still need convincing that the web is the place for your business? It would be no sweat to list 25 reasons, even 50 or 100, but to get you started, here are 10 reasons you have to be online.

1. *It's cheap.* There is no less expensive way to open a business than to launch a website. While you can spend many millions of dollars getting started, a low-budget site, starting with as little as a few hundred dollars, remains a possibility when you have an online business.
2. *You cut your order fulfillment costs.* Handling orders by phone is expensive. There's no more efficient—cheap, fast, and accurate—way to process orders than through your website.
3. *Your catalog is always current.* A print catalog can cost big bucks, and nobody wants to order a reprint just to change one price or to correct a few typos. A website can be updated in minutes.
4. *High printing and mailing costs are history.* Your customers can download any product information you want them to have from your website. You can focus your marketing efforts on the social media, email newsletters, and online advertising. Sure, you'll still want to print some materials, but you can save a bundle on printing costs.
5. *You cut staffing costs.* A website can be a one- or two-person operation until it grows. With just a few free, easy-to-use tools, you can put your business on autopilot. If you do need help with web development, design, marketing, or content, you can find freelancers or other online business owners working from their home offices and hire them as independent contractors. This is a much easier option than hiring regular, full-time staff.
6. *You can stay open 24 hours a day.* And you'll still get your sleep because your site will be open even when your eyes are closed.
7. *You're in front of a global audience.* Ever think what you sell might be a big hit in Scotland or China? Review your metrics and your site log, and you'll see visitors streaming in from Australia, Italy, Japan, or Malaysia. You never know where your products will be a big hit.
8. *There are typically no city permits and you'll have minimal red-tape hassles.* This could change, but in most of the U.S., small web businesses can be run without permits and with



Beware!

Not only can online catalogs be updated in seconds, they must be! A sure way to frustrate online shoppers is to take them through the buying process only to annoy them at the last moment with a "Sorry, out of stock" message. Never do that. If merchandise is out of stock, clearly note that early in the buying process. Customers can accept inventory problems, but they'll never accept you wasting their time. Keep your site up-to-date.

little government involvement. As you expand and add employees, you'll start to bump into laws and regulations, but it certainly is nice to be able to kick off a business without first filling out reams of city, county, and state forms.

9. *It's fast.* You can build a website on Saturday afternoon, open a Google AdWords account on Sunday, create a viral ad campaign to reach millions on Monday. It's not usually that simple, of course, but the potential for overnight results is always there.
10. *It's easy to get your message out.* Between your website and smart use of social media, blogs, email, and online advertising, you'll have complete control over when and how your message goes out.

You can't beat a website for its immediacy, and when a site is designed well and has a well-conceived marketing campaign, it's hard to top its ability to grab and hold the attention of potential customers.

There is also the interactive component of "getting your message out there and receiving responses." The internet lets your customers comment, review your business, ask questions, or reach out to your customer service representatives 24/7. It provides a fast and easy way to talk to your demographic audience and find out what they like and what they do not care for. In-person focus groups take time and money to organize and customer surveys found in brick-and-mortar stores often end up on the floor of the mall. Getting feedback is so much easier online and you can hone your sales strategies according to the feedback you receive.

You have other reasons for wanting a web business? Fair enough. The key is knowing your reasons and understanding the many benefits of doing business online, and being persistent through the launch. This isn't always an easy road to take, but it's definitely a road that has transported many to riches, with much less upfront cash, hassle, and time required than for similar, offline businesses. And that's a tough value proposition to top.

Dollar Stretcher



On a really tight budget? Hire local college students or interns and have them work part time. Many young people are willing to work for low or no pay in exchange for getting in on the ground floor of an e-business startup. And many are very technologically adept!

The Downside

OK, nothing is perfect. Yes, there can be drawbacks to a web-only business. First, you are 100 percent dependent on technology. If you are living in a region frequently

hit by major storms, you may lose power, which could knock you out of business periodically. Technology also comes with glitches so you will need to know how to fix such problems or have someone at the ready 24/7 to do tech support.

You also have to recognize that there is a lot of competition, so having a website is not enough without doing regular marketing and/or advertising. Even the best website won't succeed if nobody knows it's there. Remember, people won't simply be "driving by your store."

If you are not good at self-motivation, you will have a hard time running an e-business, or any business for that matter. An entrepreneur needs to be ready to put in long hours and focus on the business constantly, especially in the growth stages. With luck, you will have a team to help you once your business is successful. But, as any entrepreneur will tell you, it takes persistence and the ability to get up each day and get to work. Some people are good at this while others have a hard time self-motivating, which is not a good attribute for a business owner.