



Selling it on the Web

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You, too, can make money on the Web. Thousands of small businesses already are doing it and the costs don't have to be so high as to send you into bankruptcy court.

But, first, ask yourself: Is your business a good fit for the Web? A lot depends on the products or services you offer. Perishable food items, for example, do not lend themselves well to being shipped long distances. Lumberyards, cattle ranches and zoos also present significant issues in the fulfillment process. These may be extremes, but, hopefully, you get the picture.

On the other hand, chances are you have a product that could sell as well in, say, Tallahassee as it could in Topeka (or even Tokyo). You don't have to be global in scope. But you do have to have a specialty item or service that lots of consumers or other businesses will want to order online.

If you do, it's time to explore the costs of setting up an e-commerce solution that would deliver your product to customers nationally or internationally. These costs will vary, but Web services available today can allow you to get started selling online for less than \$50 a month.

Just what is e-commerce, and why should you care?

First, let's define it. Electronic commerce, according to Dictionary.com, is "the buying and selling of goods and services, and the transfer of funds, through digital communications." The definition also includes automated intra-company functions.

Now, let's focus on selling across the Web, and on the mostly untapped opportunities this piece of e-commerce presents. Currently, only 28% of small businesses sell goods or services on the Web, according to online business researcher eMarketer.

"A lot of small businesses are blowing off the idea of e-commerce, and I think that is a serious mistake," says Jack Staff, chief economist for IntelliQuest's Zona Research in Redwood City, Calif. "Even if they are likely to continue having the bulk of their sales be in the brick-and-mortar world, they still should have an e-commerce presence."

But the Internet's popularity is soaring — Forrester Research projects that worldwide e-commerce sales will jump from \$657 billion in 2000 to \$6.8 trillion in 2004. The question is: Will small businesses be the laggards?

"What many small businesses don't yet realize is that there are a lot more robust opportunities online than there are in the brick-and-mortar world," Staff says. He cites a few: Better rates for ordering, shipping and receiving materials online, unlimited space on the Web for the products you could sell, and the ability to personalize and target customers by their demographics rather than by your store's location.

Staff also says that getting your own e-commerce platform is not as difficult or expensive as many business owners believe. Sites such as Microsoft bCentral provide solutions that allow small businesses to authorize and process credit cards, and also offer marketplaces that allow small businesses to promote their services or products across other, larger Web sites.



"There are a lot of resources and low-cost solutions out there to get you started," agrees Bill Staikos, a New York-based analyst for research firm Access Media International. "Do your homework and do your research first. But should you go for it? Absolutely."

And if you have a brick-and-mortar store, keep it running. The melding of "bricks and clicks" is considered by many to be the best route to Web profitability.

From under \$1,000 to over \$100,000

So, just what should you expect to spend setting up an e-commerce operation? It varies by your product line and by sales volume, and could range anywhere from under \$1,000 to \$100,000 or more.

Most small businesses will spend somewhere between \$5,000 to \$25,000, says Michael Simon, chief technology officer for Seattle-based consultant Conjungi.com. "This is largely for your Web site and design, and your ASP, an application service provider that will host the site and may provide other services."

In most cases, he and others say, the more Web site work you can do yourself, the less money you will end up spending.

Scott Marino, for example, a self-proclaimed techie, spent about \$2,000 to set up an e-commerce program for his Cranford, N.J.-based retailer of boxer shorts, WebUndies.com. Marino kept costs down the by building the Web site and handling most of the support issues by himself.

Tom Bihn says he also paid about \$2,000 when he began selling his laptop bags, backpacks and related items online. But that counts \$1,000 for a digital camera, which allowed him to post his own product photos online (but is not a required item for an e-commerce platform). Bihn's online store is an outgrowth of his bricks-and-mortar store, now in Port Angeles, Wash. He designed the site himself and does his own cataloging of goods and product fulfillment in-house.

At the higher end of the range is an Encinitas, Calif., online florist, Fresh Flower Source. The five-year-old company initially spent about \$600 on its e-commerce site and took orders manually, says co-founder and president John Deter. When a large volume of early customers proved this "bootstrap" system inefficient, Fresh Flower Source purchased a more elaborate platform that included Microsoft's Site Server 3.0, Commerce Edition, and SQL Server 6.5. The total investment was about \$100,000, Deter says.

The more business you do online, the more you will want to invest in additions and enhancements — such as automated e-mail, advanced shipping and returns, invoice tracking, market research, and cost-benefit analysis systems, Staff says.

"I have a list of 200 different tools that online companies need to think about," Staff says. "For example, the more e-mail you get from customers, the more you will want to spend a few hundred dollars or more on an automated e-mail system.... The underlying reason for such a system is: If you don't respond immediately to a customer's e-mail, that is the equivalent of watching a customer walk in the door of your brick-and-mortar store and completely ignoring him."

'The customer experience is so important'



In business since May 1999, Marino has yet to purchase an automated e-mail system for his online-only retailer, WebUndies.com. "We answer everything by hand," he says, noting that his small company averages four to five customer e-mails a day. "We take care of a lot of the [customer] questions by having a good FAQ [frequently asked questions page]."

In fact, WebUndies.com still operates largely on the same system as when it started. But the company is profitable, Marino says, because the Internet is his passion and he makes up in old-fashioned customer service what his platform lacks in frills and sophistication. Also, the company has a product — men's and children's underwear — that lends itself to easy storage and shipping worldwide (though 95% of its sales are domestic). It also hasn't hurt that his company consistently ranks high on search engine listings for boxer shorts using bCentral's Submit It! listing service.

"We've succeeded because we were able to create a niche for ourselves," says Marino, who still runs the business out of his and his sister's homes. "We didn't try to take on the big guys like Amazon.com or Barnes & Noble by selling books or CDs. We have a product that enables us to compete, not always on price, but always on selection. We are known for selling boxer shorts, and we have a better selection than anyone else."

Tom Bihn also enjoys a specialty niche, and he has more than doubled his brick-and-mortar store revenues by selling online. In fact, in early 2000, he moved his company from Santa Cruz, Calif., to Port Angeles — near Washington state's Olympic Mountains — and kept the bulk of his customers. He says about 95% of his sales now are online, which is fine with him. "I love it out here," Bihn says.

Fresh Flower Source, meanwhile, endured some early struggles before making major e-commerce investments. It began in October 1997, with a \$600 system consisting of little more than a Web site, a shopping cart and a FedEx account. But after getting an immediate response to its site, the owners realized that they would soon be out of business if they continued to process credit cards by hand.

"We were just bootstrapping it for the first month," co-founder Deter says. "We basically wanted to open an online store, but we didn't want to gamble away a bunch of money." A month after Fresh Flower Source opened, investing thousands of dollars — eventually \$100,000 or so — in e-commerce technology didn't seem such a gamble. The company now occupies a half-dozen Web servers at a Los Angeles hosting facility, and has automated most of its processes.

To high-volume online businesses, such costs are a virtual necessity, insists Deter. "With the Internet, the customer experience is so important. You cannot afford to underestimate the infrastructure costs and needs."

Right product, right business model is key

Many analysts, however, say that small businesses can achieve customer satisfaction online with less expensive platforms, given the array of affordable services available today. Long term, they add, businesses with the right product and business model for the Internet should easily pay off their infrastructure costs.

"A lot of issues are common-sense business issues, and the cost should not be a prohibitive factor," says Brook Newcomb, senior analyst for Forrester Research. "If you don't ever try, you'll never know how successful you could be."