

## C H A P T E R O N E

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# What Makes the Internet So Powerful?

**T**he Internet is the lowest cost system ever developed to communicate with a potential audience of hundreds of millions of people all over the world. Even locally, the cost of a simple Web site is usually less than the cost of a modest ad in a business telephone directory. A Web site can also give more information than a telephone directory ad, including color photos, detailed descriptions of products and services, and price information that can be changed at any moment, for any reason, instead of waiting for a printed directory's next publication cycle.

As a news medium, the Internet is faster and more flexible than a newspaper or magazine. A story can be added to a Web site instantly at any time of the day or night. There are no deadlines (except self-imposed ones) for Internet news. The "printing press" is always on, you might say. Even television news, aside from a few 24-hour news channels, must usually wait for scheduled news broadcast times instead of breaking into entertainment programming whenever a new story comes along. Television is also constrained by its necessarily linear information delivery format. It must tell a story, then another story, then take a break for advertising, then tell another story, and so on, in sequence. A viewer

cannot choose to view only a few stories that he or she finds interesting, which may occupy only five minutes out of a 30-minute newscast. On the Internet, a reader is free not only to choose to view just those stories in which he or she is most interested, but also gets to choose the order in which he or she sees them. If sports scores are the highest item on today's agenda, **click** and there's the sports section, as easy as turning a newspaper page. Another **click** and there's the score from the game that just ended, possibly with video highlights only one more **click** away.

Corrections, changes, and updates to a story published on the Internet can be made as fast as they come in without waiting for a printing press to roll. Breaking news alerts can be sent instantly by email to subscribers who request this service, and a reader can instantly communicate with an online publication's editors via email or, if the publication has this facility, post his or her comments on a "message board" for other readers to see right away, without waiting for a fax or mail to get through and an editor to look the message over and perhaps include it in the "letters to the editor" section several days after the original story ran.

An online publication can also offer an advertiser something that is not available in any other medium: ads that link directly, with one **click**, to a Web page full of compelling reasons to buy the advertised product or service. Even if only a fraction of one percent of all people who see a Web ad **click** on it, that is still an infinitely higher percentage than can click on a magazine ad or TV spot for additional information—or even to buy a product directly from the advertiser right now. Even if few readers **click** on an individual online ad and buy right now, a Web ad still has the same branding and general "get the name out" effect as advertising in other media. If the cost of an online ad is similar to the cost of one in another medium, it represents a better value because of the ability it gives an advertiser to give an interested person an entire Web site full of information right away, only one **click** removed from the online publication in which that ad is running.

But the most direct way to make money online, no matter how a merchant gets traffic to his or her Web site, is to sell over the Internet. Ecommerce has had its ups and downs, but the overall trend is upward, and it is likely to stay that way for many years to come. Putting up a "catalog" Web site is far less expensive than printing and mailing paper catalogs, and the Web site can have "instant" ordering and credit card acceptance built right into it,

whereas a paper catalog can generate only phone orders that require a horde of (expensive) live operators to process or mail-in order forms that a customer must fill out, fold, place in an envelope, and mail instead of going **click** right now and spending a few seconds typing in an address and credit card information, then going **click** once again to buy, right now, without having to look for a stamp.

An online catalog, just like an online news source, has the advantage over its paper counterpart of instant update capability. If a supplier's price changes, the price to customers can change nearly immediately. A blurb for an overstocked item can be placed on a Web site's front page to boost sales today, and email can alert valued customers to special values or sales faster and cheaper than postal mail or any kind of mass media advertising.

Even a business that doesn't sell directly online can use the Internet as an advertising medium. A restaurant, for example, can post its entire menu on its Web site, right down to daily specials, at less cost than any other method of putting detailed information about the establishment into prospective customers' hands. A local business such as a restaurant may be "wasting" the international potential of the Internet; there may be only a few thousand Internet users within a reasonable distance of that establishment. But that localization factor doesn't really matter. If a reasonable percentage of nearby Internet users see the restaurant's site and come in to eat, the site will more than pay for itself. As a bonus for a local business, a Web site will draw trade from out-of-towners because of its international reach. Consider this scenario: You are in Seoul, Korea, and you're traveling to Charlottesville, Virginia, USA. You need to find a hotel and places to eat. You almost certainly don't have a Charlottesville telephone directory handy, but if you have an Internet connection, it takes only a few minutes to use a search engine such as Google ([www.google.com/](http://www.google.com/)) to find a restaurant that suits your taste, either directly through Google or through one of the many localized directories that will show up on your screen if you use the words "Restaurant" and "Charlottesville" as your key search words. So, hypothetical traveler from Korea, you have found a place to eat in Charlottesville, and probably a place to stay and even a nearby store or two, all through the Internet. From a merchant's point of view, you represent a business which he or she would never have gotten without the Internet (and a well-designed Web site). The question for even the smallest local business owner

isn't, "Can I afford a Web site?" but, "How can I make an effective Web site without spending too much money?"

Actually, companies of all sizes should be asking themselves, "How can I make the most effective use of the Internet without spending too much money?"

Let's start answering that question by focusing on what the Internet *can* and *cannot* do for your business.

There are only three kinds of commercial Internet activity. That's all. Three. You can use the Internet to provide news or information, to sell goods or services directly online, or as a promotional device for an offline business. You can't use the Internet to ship physical goods, cook food, or build a house, but you can certainly use it as an advertising medium, and possibly as a direct sales channel, for a business that does one of these things. You could use a Web site designed to promote the sale of new homes to provide news about the neighborhood where the development is located, and many Web sites that are promotional brochures at heart do this sort of thing, but I don't believe this is a good idea. Trying to make a Web page or any other advertising message too broad takes away from its focus and detracts from its main message. It is almost always better to do one thing well than to try to do many things and do all of them poorly.

## Examples of Successful, Tightly Focused Web Sites

### Selling Mexican Food Online: *MexGrocer.com*

*MexGrocer.com* is an online extension of the U.S. Division of *HERDEZ*, one of Mexico's leading wholesale grocery distributors. The site doesn't have any news or information on it that doesn't directly describe products it sells except for recipes that use products it sells and occasional bits of information about restaurants that buy wholesale from *MexGrocer.com* (see Figure 1-1). Every page, and almost every word on every page, is devoted to selling Mexican food products either directly or indirectly.

*MexGrocer.com* is a sterling example of a site that sells effectively, with just enough non-sales information mixed in to make it worth a few moments' reading time even if you aren't interested in buying any Mexican food products today. Perhaps you'll bookmark



**Figure 1-1** MexGrocer.com home page.

it and come back to buy something another time. If you enjoy Mexican food, chances are that you will become a MexGrocer.com customer sooner or later.

## Delivering Information Online: Wired News

*Wired News* ([www.wired.com](http://www.wired.com)) is at the opposite end of the spectrum from MexGrocer.com. It's a pure news site, supported entirely by advertising.

*Wired News* makes no direct attempt to sell anything to its readers. All it sells are ads to advertisers. Friends who work for *Wired News* say it is consistently profitable. It has a small staff and a large readership, and these two factors are the keys to running a profitable ad-supported news or information Web site.

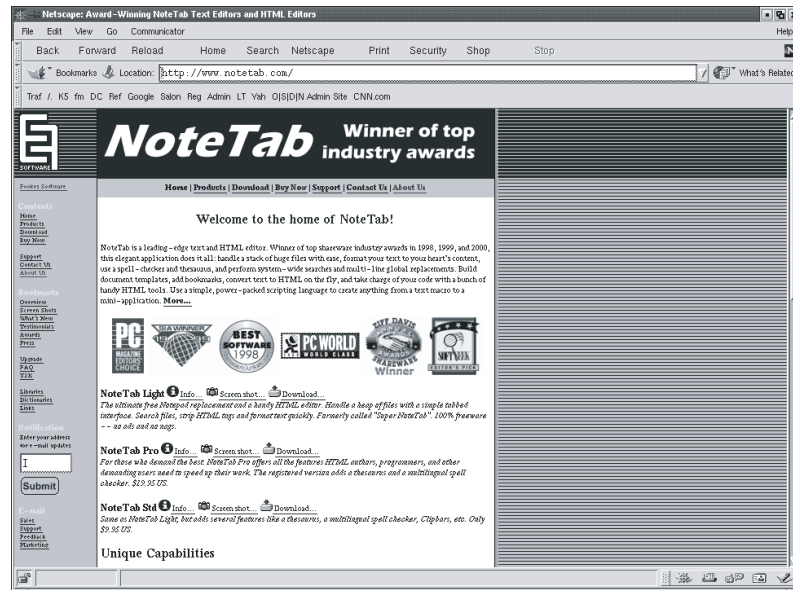
The fact that *Wired News* is not tied directly to anyone who manufactures or sells anything is a big point in its favor, and helps it to gain and keep its readers' trust. News sites tied closely to manufacturers, and news sections on ecommerce sites, are inherently suspect. If General Motors owned *Road & Track* magazine, nobody would be surprised if the Corvette was always the top-rated sports car, but no one would believe *Road & Track* ratings, either.

*MSNBC* ([www.msnbc.com](http://www.msnbc.com)) is partly owned by Microsoft. *Slate* ([www.slate.com](http://www.slate.com)), the online magazine, is a purely Microsoft-owned property. They both suffer from the perception that they are always going to go a little easy on Bill Gates and may be a tad harder on Windows competition (such as the Linux operating system) than other news outlets. Even though I personally believe Microsoft has done a good job of leaving both *MSNBC* and *Slate* alone to report the news without any corporate interference, there is always going to be doubt in their online audience members' minds about how fairly *MSNBC* and *Slate* treat news about Microsoft.

News published directly on a corporate, sales-oriented Web site is even more suspect. There is nothing wrong with publishing news about the company itself or any new products or services it is offering, but would you believe “news” about warehouse operations and material handling published on a forklift manufacturer's Web site? Probably not. If it had taken the same space and devoted it directly to selling forklifts, it would have more credibility—and would probably sell more forklifts.

The beauty of the Internet, in many eyes, is that almost anything can be published freely on it without interference from editors or restrictive governments. For people using the Internet for legitimate business purposes, this freedom means that their online message may be taken with more skepticism than it would be if it were delivered to consumers in a newspaper or on television, which is not a good thing. When a character named Alex Chiu ([www.alexchiu.com](http://www.alexchiu.com)) touts “immortality devices” on his Web site, and even achieves a certain measure of online notoriety by doing so even though there is no medical evidence that his devices work, a company selling legitimate, medically-approved health aids through a Web site that may show up in search engine listings near or even next to Chiu's must be extra-conscious of public perception, and extra-careful to be so truthful that no sensible person confuses its product claims with those made by hucksters like Chiu.

Perhaps all the material handling industry news on our hypothetical forklift company's site is entirely honest, but the perception problem is still there. In general, it is best to avoid any action online that might cause your credibility to be questioned, including trying to mix news and sales too closely together. It's better to stick to one or the other instead of trying to do both.



■ **Figure 1-2** The *NoteTab* main page is no thing of beauty, but it delivers a powerful sales message.

## Pure Ecommerce: NoteTab

Eric Fookes of Geneva, Switzerland, has been selling a piece of software called *NoteTab* online since 1995. NoteTab is commonly recognized as one of the finest (and least expensive) Windows HTML and text editors around. It is available only as a download through [www.notetab.com](http://www.notetab.com). Fookes Software is privately held, quite small, and consistently profitable. Besides *NoteTab*, it sells several other programs and a few screensaver photo galleries, but *NoteTab* is the company's star offering. This is an extremely focused company, and its *NoteTab* Web site reflects this focus (see Figure 1-2). The only news it carries is about new or updated Fookes Software products. From beginning to end, this site is about selling *NoteTab*, and it does its job very, very well.

No one would call this site great art. But does it need to be anything other than what it is? It has all the basics in place. It's well-placed in most search engines, and the *NoteTab* program is listed prominently in all popular Windows software and shareware directories, which makes it even easier to find than if it were listed only in search engines. As far as I know, Fookes has never run a paid ad

or solicited venture capital. He wrote a good piece of software, and he has kept updating it and adding useful features since day one. He gives away a “Light” version of *NoteTab* for free, and sells the “Pro” version at a price so low—\$19.95—that hardly anyone who needs this kind of product can afford not to buy it. Fookes has no shipping costs; all his software is downloadable online. He out-sources credit card processing and site hosting so he can concentrate on his software. This is a “dream” Internet business in almost every way.

Of course, to start a business just like this one you had better be an excellent programmer who writes a piece of software that is one of the best—if not the best—of its kind. Or you had better have a similarly excellent product or service of some sort, and sell it as cleanly as Fookes sells *NoteTab*.

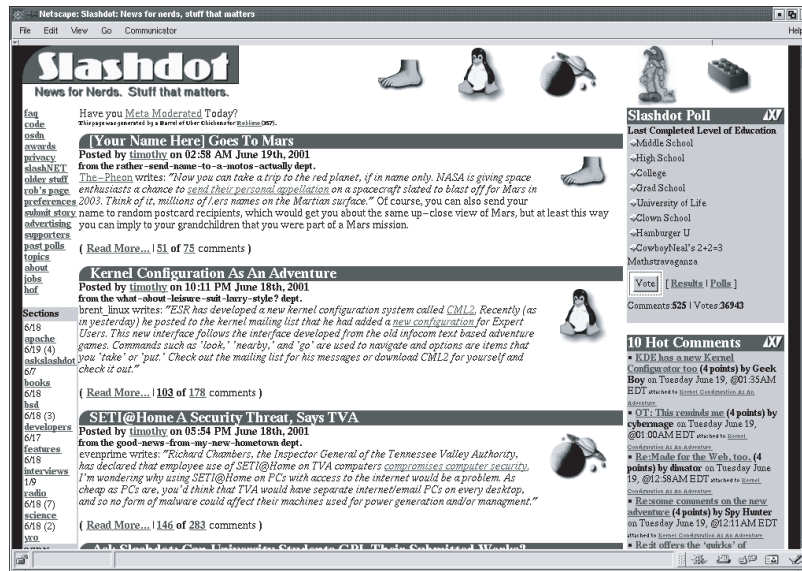
### Online Community: Slashdot

The idea of allowing Web users to post directly on your site, with other users then adding comments to the original posts, seems like a “no brainer” money machine on the surface. Instead of paying high salaries to writers and editors, you get a site filled with interesting material for free. Newspaper “letters to the editor” pages are always one of a paper’s most-read features, so it seems obvious that the *vox populi*’s popularity would transfer both easily and profitably to the Internet.

Merchants—at least merchants who haven’t tried to run one—often seem to view company-sponsored online communities as places where happy customers can post glowing product reviews. Computer hardware and software vendors dream of using online communities as a way to cut customer support costs, envisioning experienced users happily helping new users learn how to use the latest piece of hardware or figure out how to get the most from their newest software release.

Managing a large-scale, wide-open community discussion site is a long-hours, high-sweat job. Slashdot ([www.Slashdot.org](http://www.Slashdot.org)), one of the world’s largest and best-known discussion sites (see Figure 1–3), has a total of 12 people working on it full-time. Half of them are programmers and sysadmins who spend most of their time trying to protect Slashdot’s comment system from incursions by spammers, copyright violators, and others whose hobby is posting off-topic, obscene, or potentially actionable material. There is no shortage of these life forms on the Internet, and if you host a popular discussion forum, they will find you and bother you sooner or





**Figure 1-3** Slashdot receives about two million pageviews on the average weekday.

later. Count on it. Not only do these posts annoy legitimate readers, but some can lead to legal action. Slashdot routinely receives requests to have material removed, and has been forced to remove several readers' posts because of copyright infringement, and to respond to other allegations through its parent company's lawyer. So if you plan to operate an "open" online discussion board, in addition to the cost of editors, moderators, and sysadmins, you had better put aside a substantial budget reserve for legal defense.

An early, essay-oriented Web site that tried to foster open online discussion, David Hudson's ReWired ([www.rewired.com](http://www.rewired.com)), closed its discussion area after it got taken over by "script kiddie" hackers who used ReWired's message boards as a place to exchange information about illegally breaking into computer networks.

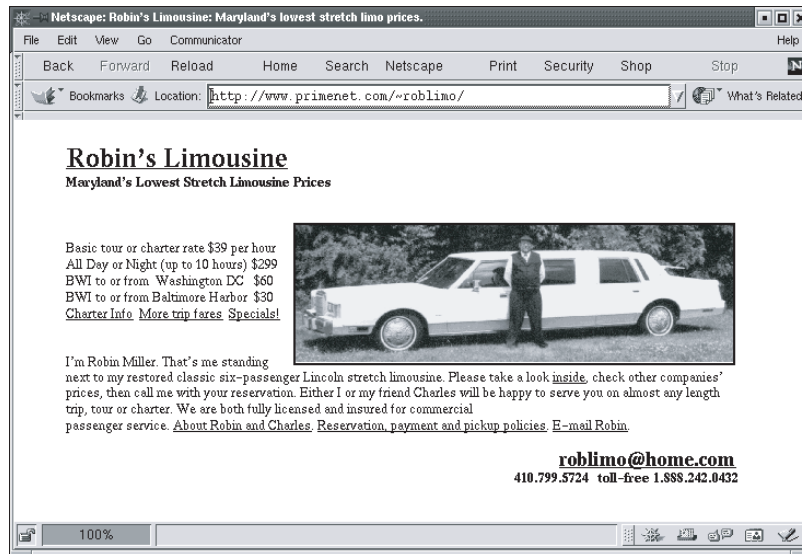
Even worse, perhaps, than a discussion board that gets taken over by undesirables, is one that stays empty week after week. There are thousands of these out there, attached to all kinds of Web sites, standing in mute testimony to their owners' failure to attract the eager hordes of intelligent commentators they obviously expected when they first put up their sites. It's fairly easy to set up an online discussion board; there are plenty of free or low-cost software packages around you can use to do it. But then comes the

hard work of nurturing discussions, which is a continuing, labor-intensive task. Sure, Slashdot gets thousands of reader posts daily now, but when it first started it only got a few. Like many “overnight” Web phenomena, it was around and slowly building long before it got any mass media attention, known and inhabited only by a small group of fans who helped define its tone. At the beginning, Slashdot was a hobby site, not a commercial venture, which also helped. Posters didn’t feel they were giving away free content to a profit-making corporation, just speaking their minds to others like themselves. A strict focus on leading-edge science and technology and their effects on our culture also helped build Slashdot’s popularity; this topic-specific world view gave the site a defined rallying point around which all discussions could revolve, and it was one that was especially well-suited for the technologists and computer science students who made up a majority of Slashdot’s early users.

Slashdot, and online discussions in general, deserve a section of their own—and you will find one later in this book. But you’ll want to think long and hard before you try to build an online discussion area of any kind yourself, especially if you want it to be part of a site whose main purpose is to sell goods or services. *Amazon.com* can handle uncomplimentary book reviews because Amazon’s income isn’t tied to the sale of any one book. A vendor that sells many different makes and models of digital cameras may be willing to post unfavorable reviews of a few of the items it carries, but sooner or later a user is going to ask, “If that particular product is so lousy, why do you carry it?”

This is when, suddenly, the reality of running an open discussion forum attached to an ecommerce site sinks in. Should the vendor remove that dubious post and risk being called a censor who allows only sweetness and light? Should a vendor site’s discussion area display only posts that are approved by an employee before they are made visible to the public? That is, should vendors have only “moderated” discussions? Many news sites check submissions and post only those they feel are appropriate in an attempt to enforce some minimal level of propriety, just like a newspaper’s “letters” page. Even Slashdot, which allows almost anyone to post almost anything, and doesn’t prescreen posts at all, has a moderation system that makes some reader comments easier to see than others.

Think long and hard about the ramifications and pitfalls of running an online community before you try to start one of your own, either as a standalone venture or as part of a news, ecommerce, or



**Figure 1-4 The original “million dollar” Robin’s Limousine Web site.**

promotional site. In the end, especially after you’ve read the rest of this book, you may decide you are better off avoiding this particular Web sub-genre altogether.

### Brochureware: Robin’s Limousine

Figure 1-4 illustrates my own, original “Robin’s Limousine” Web site (see Figure 1-4). Don’t try the email address or phone number on it. They are obsolete. The site itself has now been replaced by a slightly more sophisticated one, and my old friend and partner, Charles McCoy, now runs the business while I write full-time. I’m using this old snapshot as an example of a site that had no interactive features whatsoever, but was such a successful advertisement that a year after we put it up, Charles and I stopped doing any other paid advertising. We even pulled out of the Yellow Pages.

Web designers and consultants often sneer at simple sites like this as “brochureware.” They say this kind of site does nothing that couldn’t be done just as well on paper. They’re right. But often the objective of a small or local business’s Web site is exactly the same as that of a printed brochure: to get the potential customer to pick up the phone and call. The Internet, in this case, is being used as

nothing but a means of delivering a brochure to someone who might not otherwise find out about the business. The actual sale takes place over the phone or in person, depending on the kind of business. My little limo Web site, which cost literally nothing to make (aside from a few hours of my time) and was hosted by my ISP as part of an “unlimited Internet access” package that cost \$16.95, total, per month when I first signed up for it, has generated at least \$1 million in business since it first went up in 1994. This is an amazing return on investment, but one that other small business owners can easily duplicate.

One of the two big reasons my limo site was so successful was its simplicity. While my competitors were adding glitzy features to their sites that either made them take forever to download through dialup modems or made them unviewable through many Web browsers, mine was easily viewed with any kind of computer or browser through any connection. The other reason the site succeeded so well was careful placement in search engines and (free) limo industry and local online business directory listings. Any business, of any size, should try to make its Web site as easy to view—and as easy to find—as possible. I am continually shocked when I see major company Web sites that work correctly on only one or two types of computer operating systems or Web-browsing software, and are not listed appropriately in search engines and directories. You would think they’d know better. But apparently they don’t. Oh, well.

## A Web Site Is Not a Business

The one thing which all the examples I have just shown have in common is that the Web sites themselves are not trying to be businesses, but are used as ways to *facilitate* business. Wired News and Slashdot, for example, sell advertising; on the surface they look as if they exist to provide news and information to their readers, but the main *business* of these sites is selling ads. That’s where their money comes from. Many online publishers that started in the mid- or late 1990s didn’t seem to realize what business they were in, and built staffs larger than any amount of ad revenue they could possibly generate would ever support. Most members of this crowd have either gone broke, gotten acquired, or are limping

along and hoping for miracles that probably aren't going to happen.

On the ecommerce front, MexGrocer.com's owners know full well they are in the business of selling non-perishable food, not in the Web site business. Ignacio Hernandez, who runs it, sold wholesale Mexican food products "the old fashioned way" for over 30 years before there was an Internet. His son, MexGrocer.com Vice President Ignacio Hernandez, Jr., worked for an online grocery company in Switzerland before coming home to work in the family business. MexGrocer.com was started with no outside venture capital. No immediate investment in warehouses or delivery infrastructure was required because the Hernandez family had already been in the grocery distribution business for three generations in Mexico and the United States.

For the Hernandez family, a Web site serves two simple purposes: It is a low-cost way to reach customers that might otherwise not buy from them, and it makes ordering more convenient—and lowers order processing costs—for existing wholesale customers. These are entirely reasonable expectations. The Hernandezes may not get rich overnight from an IPO, but MexGrocer.com is being built on a permanent foundation that gives it a fair chance of earning a steady profit, not only for its current operators but for future Hernandez generations.

Contrast this with Pets.com, a company that was founded as a pure ecommerce venture in 1998, raised \$82.5 million in a public offering in February, 2000, and closed its virtual doors in November, 2000. Pets.com had a much slicker Web site than MexGrocer.com and probably spent more on advertising in its short life than the Hernandez family has spent in any whole decade. But Pets.com had no retail, warehouse, delivery, or manufacturing capability to build on when it started. In essence, Pets.com was nothing but a Web site. The Pets.com URL now directs users to PETsMART.com, the online affiliate of "brick-and-mortar" chain pet supplies retailer PETsMART, which has been around and growing steadily since 1987.

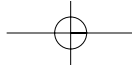
When I first started advertising my limo service online in 1994, I already had established contacts among local hotel concierges, wedding planners, and others who could and did help me find customers. I owned an old (but impeccably maintained) six-passenger Lincoln stretch limousine, and had the insurance and licenses I needed to operate as a commercial transporter in Maryland. Between 1993 and 1996, at least 1000 entrepreneurs tried to start

online limo booking or marketing systems of one sort or another, either local, national, or international. They all wanted to charge limo operators either monthly fees or commissions in return for getting bookings for them. One of the old jokes in the limousine industry is that it would be a perfect business if you could just eliminate its three main headaches: vehicles, drivers, and customers. That's essentially what all the online limo booking entrepreneurs tried to do, but almost all of them are gone now. New ones keep springing up and disappearing, too. The only limo Web sites that seem to stick around, and the only ones that seem to make any money, are those run by limo operators who actually own (and carefully maintain) limousines, deal directly with customers, and have real, live drivers working for them.

## The Difference between an Online Business and an Online Hobby

Whether you are an individual entrepreneur or work for a multinational corporation, building a Web site with no concrete goal in mind is a hobby that probably won't generate any profit. Yes, some sites that are now popular, and some that are profitable, began as hobbies, but most Internet businesses that were founded during the Age of Internet Euphoria (roughly 1994–2000) with high hopes and shaky business plans (or no business plans at all) are now either dead or on their way out. A very few, including eBay, Yahoo!, and Slashdot, that started out as part-time labors of love, are still alive and doing fine, but for every one of these there are thousands that never made a dime.

There is nothing wrong with creating a hobby or vanity Web site that isn't expected to make money. If that's what you want, go ahead and make it, but do it with your eyes open. Putting up a Web site and getting a lot of people to look at it is fun, but without a way to turn all those pageviews into more cash than it costs to run the site, you'll end up in the same pickle Disney got into with its first online operation. Remember their highly-touted Go.com that debuted in 1998? Millions of people used Go.com as it grew from a simple and highly-regarded search engine into a general-purpose Web portal that tried to compete with Yahoo!, Excite, and all the rest of those beasts even though Go.com had neither a clearly



defined focus nor, apparently, any sensible plan to make money.

Early in 2001, the Disney Internet Group ceased operating as a separate business unit, laid off 400 employees, and forced its parent, The Walt Disney Company, to take a total write-off estimated at over \$800 million. Talk about an expensive hobby!

Can you (or your company) afford to do as Disney did, even on a smaller scale? I didn't think so.

But that's enough generalities. Let's move on to the specifics of building a focused, user-friendly, *profitable* Web site.

