

Internet Business:

20 Things to Think About When
Contemplating an Internet Strategy

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Introduction

Any serious foray into this wonderful world of Internet business is going to cost money. Whether that money is a huge amount or a tiny amount depends on your strategy.

There are some key questions that you and your management team need to ask yourselves. It is the intention of this mini-book to help you find out what they are.

Let's start out by asking these:

- Who is your target audience?
- What competencies can you immediately bring to the web project?
- What are the resources you are able to commit to the project?
- What are your desired outcomes? What do you want your website to deliver?
- Why even *go* online in the first place?

In addition, later on we'll also consider affiliation and people/culture change issues. But for now, let's crack on and ask our last question first:

Why even go online in the first place?

Why you should go online

Forget the media hype – the Internet is here to stay, and more and more executives are getting the message. Some may be technically clued-up; others may be technologically clueless. But they understand the following reasons why they and their company *should* introduce Internet technology into their business:

- **It is not an option** - it's not the latest fad, it's not some hyped up technologist's wet dream, it *IS* the way that 'doing' business is moving. Note... not *all* of business will be done via this way. Human interaction will *still* be a vital part of the process (especially within the sales process in high-invoice-value, high-product-cost marketplaces).

But increasingly in many service businesses – such as insurance, publishing, and financial services – and in many retail environments the Internet is becoming the *preferred* way to conduct transactions. Today's executive cannot escape the need to develop skills in leading from within a wired-up enterprise.

- **It is a great tool for communicating with stakeholders** – not only your customers (which it can do very well and cheaper than just about any other method) but also with your employees. And your shareholders. And your suppliers. And your business partners. And your prospects. And your suspects. And your local community. And... well, I think you get the idea...
- **It is fundamental to business strategy** – a failure to embrace Inter-, Intra- and Extranet technology will involve huge opportunity costs and leave a business open and vulnerable to competitor activity. Your competitors that will almost certainly exploit weaknesses in *their* competitors – which means you.

Internet technology allows you to communicate with the outside world – let your customers know what is going on, target new customers, interact with customers, suppliers and prospects for little cost.

Intranet technology allows you to communicate securely with your employees – put up your HR policies, your mission statements, your vision, your successes and your private documents – without the outside world being able to access it.

Extranet technology allows you to set up private areas in cyberspace where you and your key suppliers and/or customers can meet, talk and share ideas and documents in a secure environment where competitors and the outside world cannot spy.

- **You might be 'Amazoned'** – imagine the surprise when Barnes and Noble, and Borders Music and Books, two large retail booksellers, were completely outflanked in a matter of months by a startup company that took pre-existing database information and leveraged that information via a new distribution channel that most didn't understand but is called 'the Internet'. As Bill Gates often states, he is wary of his current competitors but he doesn't really fear them. But he *IS* scared to a state of permanent paranoia that a business that doesn't even currently exist could come out of nowhere and overnight destroy his carefully crafted empire.
- **It helps with significant cost reduction** – the OECD (Organization for Economic Co-operation and Development) report *The Economic Impact of Electronic Commerce* reports the following:
 - **airline tickets** – the cost of distributing an airline ticket through traditional means is US\$8, whereas Internet-based airline ticket distribution costs US\$1, an 87 per cent saving

- **bill payment** – the cost of paying a bill via the traditional system costs between US\$2.22 and US\$3.32, whereas via the Internet costs between US\$0.65 and US\$1.10, savings of between 67-71 per cent
 - **life insurance** – traditional means of distribution: US\$400-700; Internet-based distribution: US\$200-350, a 50 per cent saving
 - **software** – cost of traditional distribution: US\$15; Internet-based: between US\$0.20 and US\$0.50, a 97-99 per cent saving
 - **customer service/transaction processing costs** – traditionally account for about 10 per cent of a company's operating expenses; using a web-based customer service interface reduces that cost from between 10 and 50 per cent. Furthermore, introducing a web-interface ordering process reduces both error and time to process by between 50 and 96 per cent
- **It helps create competitive advantage** – albeit short-term advantage, but *any* advantage that a company can trumpet to the marketplace makes it a worthwhile advantage. If you can find some way of creating extra value for your customers, if you can leverage the new technology to communicate with them more often and when they ask you to, if you can leverage off the new technology to reduce costs, or increase the quality or speed of output, or if you can reduce the amount of hoops a customer needs to go through to do business with you – isn't it worth doing?
 - **It helps cut out the 'middleman'** – and allows you to talk directly to your end customers, without the possible 'colouring' or distortion of your message that having an intermediary in the producer-customer relationship often introduces. Quite often the message that you *want* to see end up in your end-consumers' laps is *not* the message they actually get. Along the way the intermediaries, or 'middlemen', change your message to suit their own particular needs and priorities at that moment.
 - **It helps launch you into new markets** – wherever in the world they might be. The global reach of Internet technology allows you to market in new territories that you wouldn't otherwise be able to reach without great expense.

Want to sell your widgets in Burkina Faso? Not keen on sending out a team to set up a sales and distribution channel out there? Not sure that you are able to effectively remote-manage a local distributor, with their own culture, their own priorities, their own accounting system? Why not use Internet technology to set up a sales process and message that is targeted directly to your Burkina Faso prospects?

- **It allows you to test new products** – you can quietly launch new products and test them with select target audiences without having to let your competitors know what you are doing.

Are you thinking of an extension to your current product or service line? Thinking of creating a brand new product or service but not sure whether there is a market for it? But definitely don't want your competitors to get wind of your activities until they are too late to play 'catch up'? The Internet allows you to test new products and services out on highly targeted audiences in a foreign territory and keep your risk of early exposure to a minimum.

- **It allows you to accurately track your marketing and advertising** – the challenge facing most companies who market and advertise is that they never really know how successful any campaign is. Like traditional direct marketing (when done correctly), the smart use of Internet technology allows businesses to accurately track their advertising and marketing efforts. They can test new headlines, new sales letters, new pricing incentives, new pricing models, how effective their resellers or affiliates *really* are, and how effective their lists are, all at very little cost (unlike traditional marketing).

- **It allows you to target your prospects in a way unimagined before** – you can target micro niches and reach into parts of the marketplace you just couldn't reach with traditional methods. For example, you can not only target used car buyers, but you can target used car buyers of a particular brand, living in a particular geographic area, who have three children, one of them still an infant, who only want a white coloured car... get the idea?
- **It allows you to communicate personally with your customers** – better than just a simple mail merge, you can send out sophisticated and highly personalised messages to your customers, even if you originally start out with a message that is very general in nature. The nature of the Internet allows you to collect data about your customers and prospects to a far greater depth, quicker and at a lower cost than possibly ever before.
- **It allows a management team to effect culture change more rapidly and seamlessly** – especially useful in the larger organization that is located across several geographic boundaries. The new technology allows companies to communicate new values and cultural drivers, both inside the company and outside to suppliers, shareholders, the community and the marketplace, at a pace and with more depth than just a fleeting visit from a distant Senior Manager who arrives, prattles on in unintelligible management-speak for an hour then smiles, urges everyone to do their best and heads back to his ivory tower of an office, far removed from the front lines.

Well, that's just for starters. Add in reasons like reduced technology costs across the organization, increased opportunities to tie customers and suppliers in to you, and increased opportunities to explore new strategic avenues and you have some compelling reasons why *any* senior manager and business owner *needs* to explore the technology of the Internet.

The lesson

These are just a few of the reasons why you should investigate the technology of the Internet and how it can affect your business. And for the bean counters, there's always the next chapter <smile>...

For the bean counters...

But are there companies actually saving money?

Yes, is the answer. And for a great example let's use 'Big Blue' itself.

According to *CFO Magazine*, IBM began to realize during the 1990s that the Internet and its technology offered tremendous potentials. By January 1999 IBM had achieved some dramatic improvements in HR payments and vendor processing productivity. Let's have a look at some areas where they made and measured improvements:

Table 1. Performance improvements from IBM's HR Payments E-Engineering

Performance Measure	Before	After	% Improvement
Expense Reports per Full-Time Equivalent (FTE)	14,450	78,862	446%
Pay Distribution per FTE	43,200	72,810	68%
Error Rate for Travel & Entertainment (T&E) Transactions	7.0%	0.5%	93%
T&E as a Percentage of Revenues	0.06%	0.01%	83%
Process Cost per Expense Report	\$23.00	\$2.02	91%
Payroll Cost as Percentage of Revenues	0.20%	0.01%	95%
Process Cost per Pay Distribution	\$5.75	\$1.77	69%

Table 2. Performance Improvements from IBM's Vendor Payments E-Engineering

Performance Measure	Before	After	% Improvement
Computer Applications Used	12	1	92%
Procurement Error Rate	34%	9%	74%
Procurement Cost as a Percentage of Purchased Cost	1.8%	0.9%	50%
Process Cost per Invoice	\$1.50	\$1.02	32%
Percentage of Suppliers Accounting for 90% of Purchases	11%	9%	18%

So you see, there *are* companies making cost savings using Internet technology. The Internet is not just about selling stuff to consumers, a la Amazon.com, but also about using the technology of the Internet to save money, communicate more effectively and improve customer satisfaction.

An approach to financial evaluation

Now that you are considering using Internet technology to either reduce costs or increase revenue, here's a seven-step process drawn directly from traditional project management that may be of assistance in conducting a financial analysis of any new technology project (hint: only tackle one project or business process re-engineer at a time!).

- 1. Map the current business process.** In order to assess the financial value of any project, it pays to understand how that project will impact on company cash flow. Mapping each and every interaction and transaction in a business process will help you understand where you currently are;
- 2. Measure the cost and time.** Once you have a ‘road map’ of the current process involved in your business, add in the time taken and the cost amount for each step. Be sure to include the fully loaded annual cost of each employee involved in each step – this way a more accurate total cost of output can be developed;
- 3. Map out the new process.** Even conducting the first two steps will very often allow management to identify areas for improvement, if not actual ideas that can be implemented. By studying cases of successful Internet-technology/process re-engineering implementation further ideas on what new processes and how they can be incorporated or introduced into the business can be envisioned;
- 4. Estimate the time and cost of the new process.** The general idea of any new technology is to reduce the amount of human interactions that a customer has to go through to accomplish their goals. For example, introducing a web-based technical service desk might well affect how many calls a technician can handle per hour, how many technicians you need, the average time a call takes to resolve and equally importantly have an effect on the customer’s overall satisfaction with your business;
- 5. Develop a plan for the project.** Call in consultants specific to each phase of the project and work with them to design a timed, fully-costed and payment milestone project plan. That way you know what money you are up for and when;
- 6. Calculate a total cost for the project.** Include not only the costs of consultants, but also any additional software, hardware, and telecomms connections. Equally importantly don’t forget to account for the fiscal cost of time for those employees diverted to the project;
- 7. Prepare an integrated cash-flow analysis of the project.** Then calculate the net-present-value of the project.

Depending on the complexity of both the business and the particular project it may be useful to think of each Internet-technology project as one of a series of future projects.

The lesson

You do need to look carefully at each element of your business and think about why you need to introduce Internet technology. Is it to remain competitive? To forestall potential competitors not yet even in your radar? To reduce costs? But be assured – you DO need to look!

With that considered, let’s move on to our next question:

Who are you aiming your website at?

Defining your market

Theoretically, there are as many markets out there as there are people connected to the Internet. However that's not really helpful, is it? <smile> So instead, let's consider marketing practice from the traditional off-line world.

In traditional business we break our market into segments, or niches. Such as those interested in economy cars, those interested in upmarket and imported cars, those interested in family cars, those interested in sports cars, and so on. Or those interested in dogs, those interested in cats, and those interested in koi carp.

The Internet changes all of that. Now, thanks to the complexity of the global village, we have the opportunity to market to micro-niches. So, not just at those interested in family cars, but those interested in family cars from Ford that are white, 3 years old, currently driven in South Australia and equipped with tow bars. Or not just dogs, but poodle lovers in Western Australia, or German Shepherd lovers in New York.

You get my point. The Internet allows for micro targeting. Sure, you can target several micro-niches at once; you can also target several niches at once. But your product or service had better be up there with the best of them in all of the segments or niches if you are not going to look foolish and blow all of your credibility. Much as you might privately down-value a company previously known for selling pens and pencils that suddenly tries to sell you expensive database and high-technology solutions, so will the guests you draw to your website similarly scoff if you try and be all things to all people.

When I've asked senior managers, "Who is the target audience for your product?" some have answered me with the simple statement, "Everybody!"

Yet really that's nonsense. No product can ever be built or designed for everybody. So it is with your website – whilst it is available to everybody, for anybody to look at, in truth it is only going to appeal to a select group of people. Such as those looking for nursing jobs in Australia, those looking for information on marketing strategies on the Internet, and so on.

So it pays us to work out the makeup and demographics of our target market whilst recognising that the Internet, being the global marketing channel that it is, pulls down national and international barriers to trade and information flow. You might be physically based in Dapto, but there's no reason why someone in Nova Scotia might not be interested and want to buy what you have for sale. Similarly, you might think that your widget has only a limited number of uses, but someone in Burkina Faso might immediately see an altogether different use for it.

The lesson

So work out as best you can who your target market is, but remain flexible. The Internet can deliver some blindingly obvious yet still breathtaking, "why didn't we think of that?" surprises.

Defining your competencies

What skills can you and your team 'bring to the table' immediately? Here I am talking about not only technology skills (and they are important) but also

- marketing skills,
- design skills,
- project management skills,
- budgeting and finance control skills.

In addition, there's going to be expertise required in

- sales
- content creation and management
- site strategic direction
- overall business strategic integration (how does the site fit in with and add value to your overall business strategy?)

And that's just the website stuff. What about:

- your company's core competencies as judged by the marketplace?
- your products and their features and benefits?
- what is the perceived value of the previous two within your target market?

You have to take into account that your website stands largely unsupported when a guest first visits it and so therefore it must work hard to encourage them to perceive your company positively, as a company of strength and as one who's products are worthy of their attention.

As a side issue, you may be interested in reading our booklet on *Corporate Identity*, which you can find at www.leehopkins.com/downloads/identity.pdf...

The lesson

It would be a good idea to sit down and map out what skills you can bring to the table immediately and what skills, including website design, building and maintenance, maybe even back-end tie-in with your existing technology structures, that you need to buy in.

Defining your resources

It's going to cost you money, let's not be shy about it. But you **DON'T** have to spend mega-dollars to get a great result. You just have to spend **WISELY**.

Of course, we have all seen the huge failures on the Internet business scene. The millions spent and lost in huge websites that tried to do all things at once and ended up doing nothing.

I was involved with a website for a recruitment company that cost a small fortune yet still failed. One of the principal reasons it failed was because it tried to force the job-seeking public to fill in a lot of time-consuming and labour-intensive pages so that the company could transfer that data directly into its own candidate databases.

Guests to the site who were used to online form-filling had very little issue with this, most notably those already involved in the IT sector. But high-flying executives proved extremely reluctant to spend 45 minutes filling in the forms. Subsequent interviews with executives showed that they considered it the job of the recruiter to do the work, not the candidate, as it was the recruiter that got the commission, not them.

So the website was redesigned and its goals simplified. Rather than trying to cajole the job-seeking guest to jump through hoops in order to express an interest in a particular job, the site re-focused and acted as an enticer to draw interest. It saw a greater return on this investment than its original site. Interestingly and I believe wisely, the company was not disappointed by the failure of its first site. It saw it as a learning experience and enabled it to make a more intelligent, focused decision regarding the strategic direction of its re-vamped site.

Similarly, I know of several websites that cost little to set up yet generate for their owners many thousands of dollars per month in revenue. You've just got to know what you can spend right from the outset.

But just as importantly as your financial resources, what *human* resources will you need? What extra staff, if any? What tasks will existing staff have to forgo and what new skills will they have to learn?

The lesson

Evaluate what resources – people, time, knowledge, and money – you have and what resources you need more of.

Defining your desired outcomes

What do you want your website to do?

Just like human beings, no one website can do *everything*. So which of the following are you looking for your website to deliver:

- Direct revenue?
- Marketing information to the public?
- Increased customer satisfaction with your company?
- Reduced administration costs?
- Faster supplier-consumer throughput?
- Greater market reach?
- Increased in-house knowledge transfer?

Now, I'm *NOT* saying that a website can only produce *one* of these deliverables at a time (you might also want to read a free article on deliverables and deliberables, which you can get at www.leehopkins.com/downloads/deliberables). Of course a website can do more than one thing at a time; but what is the *primary* focus of the site, the main *raison d'être*?

Because as organizational and management psychology has shown, no one person can *effectively* serve more than one master.

So it is with your website. If the primary purpose of the site is to sell things, then any additional information (aka 'content') that you provide must either work to generate the sale or support the product or service post-sale. You can't have a website that is both an information and marketing resource *and* a direct sales channel.

Well, you can, but your guests will wonder what your site is trying to do. Like human psychology, websites work best when there is continuity of identity throughout the site. Look at the best websites – they have a consistent 'look and feel' throughout the site, a consistency of image format, of text layout, of branding, of content style. They may change *some* of the colour schemes through the site to denote various sections of the whole, but overall there is consistency and continuity to that site's identity.

Much like how we view and judge people – through various visual and sub-conscious clues – so we judge businesses by the identity that they create. If you offer a mis-match hotch-potch of visual clues as to the identity of your business, you will create confusion in the minds of your guests. They will feel 'uncomfortable' at looking at your site, probably without being to identify 'why' they feel uncomfortable. Your chances of your website meeting its objective is greatly reduced.

For more information on identity and how important it is to get right, and how it is much more than just a snazzy corporate logo, please read our free article on corporate identity, which you can find at www.leehopkins.com/downloads/identity.pdf.

The lesson

Decide what *one* thing you want your website to do and then gear whatever ancillary tasks you can onto the site, AS LONG AS those ancillary activities support your primary focus and don't dilute it or confuse your guests.

Defining your marketing strategy

Okay; you've figured out what it is that you want your website to do. You've looked at the resources you need and how many dollars you are going to spend. Hint: double that figure and you'll have a more realistic idea of how much you'll actually spend to get it up and running.

Now, how are you going to actually make your website do what you want it to do? How, for instance, does your marketing strategy accommodate and support your new site? How are you going to get guests to come, stay and come back again? How are you going to grow your sales?

Let's look at one of the key areas – Marketing.

In the early days of the Internet just *having* a website was pretty much all you needed to get a lot of traffic. Search engines found you quickly and online communities were small, so word of a new website quickly spread.

Nowadays even the best search engines can only capture and catalogue at best 30% of the total information available. There are more sites going 'live' each day, with more and more individual pages of information, than the search engines can keep up with. No longer can you "build it and they will come."

So, how *do* you go about marketing your website? There's lots of advice out on the Internet, but I'm not sure of the effectiveness of some of it.

I've found that 'tried and true' methods work – you cross-promote through all of your distribution media and give people a reason to visit your site.

url

For example, you put your website address (known as the 'url') on all of your stationery, including your envelopes, invoices and even cheques if possible.

Online U.S. grocer Peapod (www.peapod.com) uses this tactic in their alliance with traditional grocery giant Royal Ahold. They put the peapod url on all of the grocery bags of the Royal Ahold stores situated in upmarket neighbourhoods and sales have jumped as a result.

The U.K. grocery giant Tesco has also employed a similar branding strategy, pushing the url of GroceryWorks.com (in which it has a major investment) in all of Tesco's stores located in more affluent and upmarket towns.

email

If you use email, you put your url on each email, most usually by having a 'signature' (aka a 'sig file') at the bottom of each email you create.

The signature is normally some text that says who you are, your phone number and url. You might also want to consider putting in a reason *why* someone should visit your site, such as free and useful information or a discounted offer on a product or service.

Here's an example:

```
...blah blah blah  
...text text text.
```

Regards,

John

=====
John Smith - Marketing Director - Marketing4You
Tel: +61 8 8388 5171 Mob: +61 410 642 052
www.marketing4you.com john@marketing4you.com

=====
Visit our site and sign up for powerful FREE
ideas and tips on marketing your business
=====

Newsgroups

In the early days of the Internet many small businesses took advantage of communities of interest that can be found in what are called 'Newsgroups'. There are over 33,000 different newsgroups, whose topics of interest range from the exotic to the esoteric.

Poodle lovers, foot fetishists, lovers and haters of particular elements of government policy – all manner of life both real and surreal can be found in newsgroups.

In the 'early' days it was relatively easy to market to these communities. But these days the newsgroups are so used to being 'spammed' by advertisers that the residents of these communities view any direct marketing activity on them as 'hostile' and react accordingly. If you want your company's email servers overloaded to the point where they break down under the strain, just try blatantly selling something to these groups, especially if you are brand new to the group and have, in their eyes, nothing of value to contribute to their discussions.

Some Internet marketing consultants still advise you to 'hang out' in newsgroups relevant to your product or service. I don't – the time you have to spend contributing and building up trust to the point where the community will listen to your sales message is not, in my experience, matched by sales in the vast majority of cases. Of course, there will *always* be exceptions that disprove my views.

Direct marketing

Like the 'real' world, you can direct market on the Internet. However, unlike the real world, people take more offence at being sent unsolicited emails and they let you know in no uncertain terms! <smile> There is even legislation existing and pending in several countries limiting when, where and how companies can engage in direct marketing activities online.

Seth Godin has written a superb book on what has been termed, 'Permission Marketing'. Outlining the difference between 'Interruption Marketing' (i.e. traditional advertising that aims to 'interrupt' you to gain your attention, such as tv ads, magazine ads, and so on) and 'Permission Marketing' (i.e. strategies that encourage your guests to give their permission for you to market to them). His book, "Permission Marketing" is available at all good bookstores, including amazon.com, amazon.co.uk and Dymocks in Australia, and I *thoroughly* recommend that you read it before deciding to engage in any direct marketing activities.

The Internet has shown that, whilst people can calmly throw direct (or 'junk') mail that arrives in their traditional letterbox away, these same people become extremely irate when they receive 'junk' mail in their email inbox. Some report that receiving junk mail in their email inbox is like having their personal privacy violated.

If you are going to engage in direct marketing activities via the medium of the Internet, then it is far better that you market to people who have actually given you permission to market to them. Your 'strike' rate of sales, if that is what you are looking for, will also go up.

Take, for example, the online investment products shop Moneybags (www.moneybags.com.au). Not only do they have a range of products and services on their website that are neatly arranged into categories, making it easy for you find what you want. Not only do they advertise in traditional offline media such as magazines and newspapers. They also have their own free newsletter that you sign up to receive (i.e. you give them permission to market to you).

They have your permission to send you sales and marketing messages, nicely wrapped up inside time-sensitive and informative articles. Sean Dostal, co-founder of the site, recently explained the marketing direction of the site to me.

“It’s a strategy where we ask larger portal sites to link to us and let them drive traffic to us. We also ask other companies with large newsletter mail lists, such as Rivkin (www.rivkin.com.au), to include our url in their newsletters. Players like Rivkin already have the permission of large numbers of investors to market to them. We then piggy-back on this permission, using the trust with his mailing list that he’s generated, to generate trust in our site. It works well.”

Which leads nicely into...

Linking strategies

I know of many sites that use linking strategies to their advantage. The idea is very simple: you are a website that attracts very little traffic but something of interest to say or something useful to sell. You contact websites that get lots of traffic and ask them to link to you.

Obviously, most often these larger sites will not be interested in linking to you. After all, they have worked hard to get their traffic – why should they send those hard-won guests off from their site to yours?

Having a site that carries some value to the guests of the larger site obviously helps. For example, you may have information of interest to MG car enthusiasts. By asking for a link from a heavily-trafficked website that attracts your target market audience, you are adding to *their* perceived value by offering their guests great information that these guests may not otherwise have known or found. They become known as a website of value, and you get the benefit of them pushing people to your site. Win-win.

Once they are guests at your website you can engage them in your own marketing process – which may include newsletters, direct mailings, and so on.

Affiliate strategies

As with linking strategies, affiliate strategies are equally (and some say more) successful in generating guest traffic. Some entrepreneurs even make their entire living through directing guests to other sites. Let’s see how it works.

An affiliate relationship is simply one where, if you push people through to my site, I reward you in some way. This reward can be a simple pay-per-visitor, or even simpler pay-per-purchase system. Let’s look at an example.

Amazon.com have an affiliate strategy whereby if you direct guests from your site to theirs, by using a url that is unique to you, they will reward you by sending you a cheque for 5% of the sale price of the book. The more you drive traffic to them that actually purchases products, the more you get rewarded.

Other websites have schemes that reward greater or lesser percentages, depending on the strategy of the site owners. But how does that, you ask, generate greater traffic?

Let’s consider that you have an affiliate scheme in operation on your website. You agree to reward those who send you guests who purchase goods from your site. You can’t possibly reach

every single member of your target audience yourself, but if you reward others to do so then they will expend effort to send them your way. You relinquish a part of your profit, but it is profit on a sale that you otherwise wouldn't have made so it's not cost you anything. In fact, you are 'up' on the deal.

Say you have a product from which you net a profit of \$80. You offer an affiliate \$40 for sending you a buyer. What is your loss? Nothing. Because you make \$40 that you otherwise wouldn't have made and the beauty is that the affiliate makes \$40 on the sale.

Do affiliate deals work? Absolutely! I know from personal experience how well they work. I have built a network franchise site for myself that offers guests the chance to carve out a better personal financial future. The site enjoyed a little bit of traffic, but not much. Once an affiliate scheme was introduced, the site 'took off' and I am now creating a very large worldwide network organization for my guests/business partners and myself.

The lesson

How you market on the web – through your website, through online advertising and/or through email – can be crucial to your total business activities. It pays to hire a consultant who knows what they are talking about and has actual experience of successful online marketing.

Business-to-Business Affiliation

Business these days can't do it alone. They don't exist in a vacuum and the wise business considers what potential partners it can link with in order to generate greater profits and increased value to its clients.

So the question becomes...

Who do you need to affiliate with?

There are three main reasons why a business might want to affiliate with another. These are to share costs, to share competencies and to increase profits. Let's look at each in turn.

To share costs

A website costs a lot to build and oftentimes even more to maintain. You not only have to pay for its design and build, but ongoing content updating, annual (or more) 'touch up' of graphics and any complex technology that needs monitoring and fixing when it inevitably breaks down for no apparent reason in the middle of the night.

So it makes sense to attempt to share the costs if at all possible.

For example, an affiliation with a technology/database solutions provider will help reduce costs for your company as well as give them a useful platform for promoting their technology or technological prowess in their marketing literature.

Or it might be helpful to defer the design costs by sharing the cost with the company that designed your site. They get to cite your site in their promotional activities; you get a slightly cheaper site.

You can often see rally and stock cars carrying the branding of sponsorship organizations. Are there any similar opportunities available to you? Perhaps a major company keen to advertise or co-brand on your site and prepared to pay for the privilege of getting greater exposure in your niche market?

To share competencies

You may have competencies in one area – say, telephone order taking – and a value-add partner may have competencies in direct marketing. Why not consider forming an alliance between the two of you to the benefit of both?

The benefits could be that you get access to a direct marketing organization that outperforms your own marketing activities; they get access to a skilled order processing organization that can quickly process and fulfil orders placed via the website.

Or you may have a business that has recognized skills in budgeting and business plan formulation; another business has recognized competencies in technology solutions. Why not form an alliance to share a web business that offers other businesses the skills required for composing business plans in order to secure in-house or third-party funding for technology projects. There's lots of Government and venture capital floating around waiting to be used; indeed, there's more money available post-techwreck2000 than there was before the crash. All of the venture capitalists I've spoken to say that the reason the vast majority of businesses who seek funding from them don't get money is that their business plans let them down.

To increase profits

People and culture change issues

Introducing any new technology (such as the Internet, for example) is bound to create change. Not just in the immediate environment – i.e. the users of it – but also in the wider organisational mix.

Therefore it is essential to look at what sort of elements of your business activities are going to be impacted and what sort of issues you need to consider.

For the purposes of this chapter, let's look at the impact and the impediments to the cultural change that occurs when new technology or processes are introduced.

What is culture?

In discussing the various impacts of new technology or processes, it is essential to discuss what 'culture' is in terms of an organization.

Every company has a 'culture', whether you realise it or not. You might have worked at the one organization for a while and become so used to it that you believe that *all* companies work in the same way. But you'd be wrong.

Ask anyone who's just joined a new company after working for many years at another company and they will tell you that there is indeed a 'culture' different from the one they were previously exposed and used to.

So what is 'culture'? Simply put, it's **THE WAY THINGS ARE DONE AROUND HERE**. If the way things are done around here ensures that you continually optimise your market opportunities, meet the aspirations of the workforce and the management team, are seen by the community within which you operate as a 'good neighbour', and satisfy the expectations of your shareholders, you have the culture that you need *for now*.

But can you honestly say that every one of your processes, every one of your technological tools, every one of your employees and management team work synergistically to create the most optimum outcome *all the time*?

What impact will introducing new processes, new procedures, new technologies, have on your existing processes, procedures, technologies and staff? Are you sure you know the answer?

Where does culture come from?

The culture of a company is shaped by many forces, some more powerful than others, but all adding into the mix.

Here's some of the key ones:

- Dominant/charismatic leaders
- Company history and tradition
- Technology
- Products
- Services

- Customers
- Company expectations
- Information & control systems
- Legislation & the environment
- Reward systems
- Organizational design
- Resources available
- Goals, values and beliefs

Each of these elements add a little ‘something’ to the mix that makes up your organization. Naturally there are some you can control, but equally there are some that are outside your sphere of influence.

As you read through the list, did they trigger any thoughts about areas of your own organization that might not be working in the most optimal way for the total organization?

How do you find out what sort of culture you have?

Goodness, that is an easy question, isn't it? You are the boss, therefore you already *know* what sort of culture you have, don't you?

Bloody silly question, really, isn't it?!

Except that you probably *don't* know what sort of culture you have – you just *think* you do. Are you absolutely sure that the way *you* see your company is the same as the way each and every one of your employees, managers, directors, customers, suppliers, peers, local community and the marketplace sees it?

So humour me for a moment, if you will, while I ask a few questions that were once asked of me...

Does your organization know where it wants to go?

Is its mission established? Are its goals defined? Are mission, values and goals communicated to all?

What are the values which drive the company?

Are the values appropriate to the goals? Are they fully communicated to all of your employees? Do all employees share them? What is the evidence for your conclusion that values either are or aren't shared?

Are the goals meaningful in today's market/business environment?

Are key issues recognised? Is your SWOT analysis complete and current? Are your strengths related to customer/client wants? Are weaknesses prioritised in terms of barriers to quality customer/client service? Are risks known, quantified and understood?

What resources exist?

Do you have the right people? Do you have the right finance? What about materials, plant and equipment? Are these resources adequate for the changing needs of the business?

What is the structure of the organization?

Is it hierarchical, either formal or informal? Matrix-managed? Boundaryless?

What are the required interactions?

Between employees? Between stakeholders? Who is required to communicate with whom? Who initiates work for whom? Are the present interactions appropriate for today's market conditions?

What are the ACTUAL interactions?

Who actually interacts with whom? What are the effects of these interactions?

What is the reward and punishment process?

What is *actually* rewarded? What is *actually* punished? What form do the rewards take? Are these rewards actually valued by employees? Do employees believe that they can actually achieve them? Is there enough challenge in the organization for people to experience the appropriate psychological rewards for desired behaviours?

Are flexible and appropriate problem-solving strategies used?

How are problems tackled? Do you rely purely on past solutions to similar problems? Are those solutions still optimal? Do you have any creative strategies for novel situations?

Are feedback systems timely, objective and accurate?

Does the organization rely on the past as unchangeable and rely on it to dictate future behaviour?

How bureaucratic is the organization?

Do goals take precedence over rules?

What is the general psychological climate?

Is the organization people or product oriented? Market driven? Is the orientation appropriate to the desired outcome?

Are there any 'Change Champions' present?

Who are they? What influence do they have? What organisational power do they have?

How is power wielded?

Who wields it and on what basis do they have it?

And lastly,

Who are the opinion leaders and makers in the organization?

On what is their influence based?

At the introduction of any new process, procedure, technology or powerful influence it may be advantageous for the management team to ask itself these tough questions.

Certainly I would strongly recommend that management ask itself these questions, and demand answers, at least annually.

A good idea would be to take the team away to a location where the day-to-day operational demands cannot interfere or intrude. A two-day brainstorming session, with all comments valued and none dismissed without careful thinking, where hierarchy is left at the front door and all participants have an equal right to speak their mind without fear of retribution, will be invaluable. Facilitation of the event by an independent third party is also a good idea, as is bringing along a trusted secretary or administrator who can take down notes and outcomes.

Impediments to effective change

Just as it can be tough, but essential, to introduce a change to *the way things are done around here*, so it can be tough but essential to recognise what pitfalls and impediments there might be to successfully keeping your company on track, especially after you have introduced any new technology.

Here's a few of them:

- Changing in response to the latest fad or management guru fantasy, regardless of the business realities
- Expecting quick-fix answers through superficial change
- Failure to establish and communicate clear goals
- Establishing too many or conflicting goals
- Failing to involve *all* employees in the change process
- Constantly moving goal posts
- Creating 'change overload' by trying to do too much too quickly
- Lack of management commitment – some welcome change, some don't
- Failure to monitor and adjust according to results
- Looking for instant results – they're nice if they happen, but don't expect them
- Management behaviour inconsistent with the desired outcome – don't keep behaviour in times of crisis consistent with the declared approach and you risk employees believing that games are being played
- Delegating beyond people's abilities and capacities
- Sabotage from middle management and employees
- Failure to change the structure to facilitate the new behaviours – if you keep the old processes, procedures and technologies in place while you introduce new ones the chances are that the old will still be kept while the new will be ignored and/or sabotaged.

Conclusion

The evidence from academia points to a strong link between culture and success – and to the price, both economic and social, that everyone pays for unhealthy cultures.

Studies show that firms with healthy cultures:

- show increased revenues, stock prices and net incomes
- employ greater numbers of people
- have greater cash available for growth

- have workforces with lower rates of absenteeism and sickness
- have employees who feel good about themselves, which leads to increased productivity
- have employees who not only feel good about themselves but whose psychological well-being has an impact that reverberates beyond the walls of their organization to customers and suppliers, influencing a wider sphere of people.

There is no change in organizations without people learning. Change is impossible without learning. The difficulty has been that senior managers have often assumed that it is others who need to learn rather than themselves. But leading an organization through change is indeed a 'learning' experience – one that no amount of scholarly books and MBAs will be sufficient for. It is a rapidly changing business environment and it demands that leaders and managers successfully re-align their organizations as quickly as the marketplace demands.

The lesson

Managing change is at the core of real managing and leadership. If someone is only maintaining the status quo in an era of rapid, continuous change they are doing the equivalent of an administrative or clerical job. Managing change is fundamental to the nature and practice of management, especially in this new technology-led business environment.

Email is not a dirty word

Email is the killer application of the Internet

Many pundits have searched the Internet, seeking for the 'killer application' that will make the Internet pay for itself a zillion times over.

There's pundits hoping it's 'Voice Over IP' (phone calls over the Internet); other's hope it's e-commerce and making a million by flogging stuff to foreigners. Still others hope that it's creating online marketplaces where buyers and sellers come together and a percentage of the resultant transaction flies to the market owner.

Yet the 'killer app' is already here — email.

More traffic flows around courtesy of email than any other application. It has become the indispensable tool of business.

Businesses can keep in touch with clients, with employees, with suppliers, with prospects and with suspects — all courtesy of email.

Bill Gates once famously said that he had a dream of the humble pc being 'ubiquitous', of being everywhere at once. He's almost there, but email has made more of an impact on business than he has, at least for the time being.

But what is email good for?

With email you can:

- Keep in touch with clients
- Forge new business relationships
- Maintain a low-cost 'help desk'/'customer service' process
- Work with and manage remote employees, contractors and suppliers
- Engage in low-cost marketing — full colour, multi-page, personalised and relevant to each specific recipient
- Send different types of documents and files around the world with incredible speed and accuracy
- Keep effective and cheap-to-manage storage of business correspondence

This makes it an invaluable tool for business.

Productivity increases

Email is useful for shortening the amount of time a process can take. For example, imagine that you have a need to contact a client, supplier or employee who is physically located outside of your time zone, or is just plain difficult to get hold of.

With email you can leave them a message on their email inbox, ensuring along the way that you get notified not only when the message gets delivered but also when they actually read it! No more endless games of telephone tag!

Easy storage

Email itself is small, intangible and easily stored. My little PalmPilot, a computer that sits in the palm of my hand, can store thousands of text emails. My pc can store thousands more, with all of the attachments that anyone cares to send to me — documents, spreadsheets, databases, other emails, images, virtual business cards, web pages, music, speech, video, links to other websites and email addresses... the list is almost endless of what can be sent. If it can be digitised, it can be sent and stored.

On top of these benefits, I can archive all of my emails (both received and sent) cheaply and efficiently. I personally have records of all of my emails for the last few years, so that if anyone queries anything from the past I can pretty quickly give them an answer, based on archived correspondence. No more space taken up in garages and warehouses with archive box after archive box full of paperwork.

The lesson

Even if they are not getting much business through it yet, these businesses know that they need to be 'in the game' if they are to appear competitive.

Competitor activity

Rust never sleeps; nor do your competitors

You can be sure that whilst you sleep or take in some much-needed rest your competitors are designing a new strategy, a new marketing campaign, a new killer product or service that will potentially wipe you out.

Your nastiest competitor might even be someone or some business that is not even in your industry yet, if even formed.

In fact, Bill Gates is so paranoid that the next major threat to Microsoft will come from 'left field' that he spends a large amount of money and human resource scouring the world for potential threats and competitor activity. He is convinced that the biggest threat to his business is likely to come from a competitor either outside of the software/Internet/IT industry, or else a competitor not yet even in existence.

History has shown us recently that the business world now moves at lightening speed; what seemed farcical and a dream in a science fiction buff's mind only a short time ago now seems commonplace. Who would have thought that a major multi-billion dollar media company like Time Warner would succumb to a company that didn't exist less than a decade before? A company that offers the seemingly innocuous service of an Internet connection and a place to hang out on the web after work?

Keeping an eye on the Joneses...

The Internet is a great place to keep up with what your competitors are doing. Your customers and suppliers can be contacted by email and asked seemingly innocent and perhaps not-so-innocent questions; you can create a false identity and ask your competitors directly for information; you can monitor their website and see their ego at play while they brag about their latest adventures and activities.

Similarly, you can see what *they* are using the Internet for and even guess what they are hoping to get out of it.

All of which makes it easier to decide on your own Internet strategy.

There are also loads of places where you can 'hang out' and keep an ear to the marketplace, where potential customers and suppliers alike will keep you informed, very often for free, on what is under development, what is no longer considered 'desirable', what the 'next big thing' is likely to be. A very valuable resource indeed!

The secret to success — look at what everyone else is doing and do the opposite...

Consider this: only one per cent of businesses make it to their tenth birthday. Those that do have several strategies to thank for their longevity, including being noticeably different from the 'noise' around them and also giving both measurable and intangible benefits to their customers over and above their competitors.

The Internet is a great place to be able to spy on your competitors and see what they are up to. Then you can use that valuable information to formulate your own strategies that help position you as different, offering a different value proposition. And what did this information cost you? Just time spent checking out their sites, analysing and considering their strategies, perhaps time spent talking to customers and suppliers and even pretending to be a potential customer.

At the same time you can analyse your own business' response to customer enquiries and supplier relationships. You can equally pretend to be a potential customer of your own business and see where you excel, where you are okay, and where you have room for improvement.

Sometimes the information you gather about your own business' response to customer or supplier enquiry might frustrate or disappoint you, but better to know and be able to do something about it than not know and see your competitor's steal your customers because you failed to meet your customer's expectations. And these days, because of the potential of the Internet to rapidly respond to a customer's enquiry, their expectations are greatly increased.

The lesson

The Internet, therefore, can help you make an informed decision about your business strategies. You can analyse your competitors, you can analyse your own business, you can keep an eye out for competitors and you can keep an ear to the marketplace.

What is your budget?

Do you have a budget?

Moving onto the Internet will cost you money. How much depends on what you are going to be using the Internet for and what sort of activity you are planning to conduct on it.

Email is the cheapest form of activity; a fully worked-up e-commerce solution tied into your back-end processes (such as customer database and order fulfilment/ manufacturing process) is probably the costliest.

In between these two extremes is a realm of fiscal possibilities. Your final cost is a delicate mix of type and level of activity, how you are going to do it, who is going to do it and for how long you and they are going to do it.

But be assured, the cost of doing business on the Internet is not cheap. No one has yet come up with a multiplier that is accurate across all industries and businesses, but as a rough rule of thumb for a new entrant into the Internet you could look at your initial total cost of hardware, software, storage and access and multiply it by five over a two-three year period. All of which has to be funded somehow.

How are you going to fund it?

Total costs of ownership

Storage as a component of the total cost is relatively easy to gauge. Leading players in the storage business say that the TCO of storage is around 4x – 15x the initial cost of hard/software.

However, on top of the initial outlay costs you need to factor in such costs as:

- managing your Internet activities
- developing your Internet activities and presence, including the internal processes that will no doubt be affected by the incorporation of any Internet activity into your business

How you manage and develop these activities is discussed further in the section entitled, “How do you manage the web?”

Who needs to use it?

I want my mtv.com...

Goodness me, the Internet is a fabulous place to play and hang out in! You name it, you can pretty much guarantee to find it:

- promotional videos of the latest movies out of Hollywood
- the latest video clips and music from the world's greatest musical artists and unsung-heroes alike
- the freshest news and current affairs discussions
- the latest seat availability and prices on everything from theatre and cinema to airline seats
- the raunchiest adult-only and the cleanest kid-friendly content (not usually on the same website, though!)
- music from radio stations around the world, as though you were listening to your car radio
- many of the latest and greatest adverts seen on television and in the cinema
- heated discussion, gossip and opinions presented as facts, and all about the most popular subjects and the most bizarre

Mind you, do you necessarily want your employees to be playing in this big playpen on your time?!

Who *really* needs access?

Much like too much freedom lets children sometimes run wild and create havoc, so giving your employees unfettered access to an entertainment medium far larger than anything they've possibly known before has the potential to have a very large negative effect on productivity.

Useful links

Here's a list of links. Some are mentioned in the book and others are sites that I have found useful – I hope that you do, too.

www.amazon.com

www.amazon.co.uk

www.dymocks.com.au

www.moneybags.com.au

www.rivkin.com.au

Asdagag

www.myebusiness.com.au