

Building An Online Business

Start with the Fundamentals



By Chad Buckendahl

The task of building a business online is a daunting one. I've read countless case studies of companies having tremendous success taking their businesses online. **What makes a company succeed and what make a company fail?** I will touch on four fundamental factors that have contributed to the successful endeavors I have been a part of.

There is now a legit need for every product and service to have a supporting online arm. Whether it is a full-blow e-commerce-enabled Web site, a simple lead generation Web site or a customer service support site, the Internet has taken hold and if your organization is not online or is not online in the right way, this white paper is for you. The main thrust of this white paper is to help began a roadmap for success for building an online channel.

In this white paper, you will learn about companies that did it well and some companies that blew it. I love history and the history of e-commerce is one of my favorite topics. Military war planners often look at history of war before they put together strategy for winning wars. Marketing planners should do the same. Before putting together a marketing plan, outline the strategy for your company and make sure you know about the history of the battlefield. This will ensure that you take the knowledge gained by mistakes of others and apply those findings to your knowledge base so you avoid those pitfalls. At a bare minimum, make sure you have a fundamental understanding of the following questions. I will give you information so you can begin to answer these four questions and get you started on the right track.

1. **What are the key metrics for the tactics you are going to employ?** For example, know that traffic running through organic search will typically convert higher than traffic through paid search. I will outline some of the key metrics I have learned to expect from the tactics you have at your disposal.
2. **Who should I work with?** There are so many choices you have to spend your budget. It's critical that you spend it wisely. I will provide a list of partners that you will want to consider for your business. Since I don't know your business, you'll have to take this list and determine who is a fit and who is not but it will give you a starting point.
3. **Where should I look to keep my knowledge of the industry sharp?** This white paper will provide a number of resources that I reference regularly to keep ahead of the curve. Staying on top in the Internet space requires a firm commitment to continuing education. All of the resources I outline are free. You may want to commit to some that are not free such as trade shows, books, online subscription tools and various other resources that provide you information that will make you a smarter, more effective Internet marketer.
4. **How do I track my campaigns?** There are many tools you can use to effectively track the results of your efforts but I will focus on free tools that will help you keep a finger on the pulse of your business. Google Analytics is the software application that I will help you get started with. You may want to expand into more eloquent packages such as Web Side Story (a.k.a. Hitbox), Web Trends, Omniture, DirectTrack, ClickTracks, OneStat, etc.

What are the key metrics for the tactics you are going to employ?

Each time you spend money to drive traffic to your site or landing page make sure you have the appropriate tracking in place so you can capture the key metrics or indicators that will help you make a decision on whether or not you should continue spending budget on the tactic. I've outlined the key metrics for many of the tactics that you will have at your disposal as an Internet marketer.

- 1) **E-mail Marketing** → There are eight key data points to e-mail marketing that will provide some key indicators that will help you evaluate the performance of each e-mail on a consistent basis.

- a) **Deployment Date:** The date you sent the mailing. You will want to monitor day of week and evaluate performance by day of week regularly to determine which day of the week you get the best Return on Investment. Overtime, I have seen every single day of the week be the “best” day to deploy. Since other e-mail marketers are also seeking this key bit of information on a regular basis, they too will adjust their mailing strategy and response rates by day of week will constantly change. For the longest time, Saturday was the best day for me to mail but when consumer’s inboxes began to fill up on Saturday’s because other e-mail marketers also figured this out, Saturday became the worst day. Keep testing day of week and even time of day so that you know the best timing for your e-mails to get into consumer’s inboxes.
 - b) **List:** A description of the list that the e-mail went to.
 - c) **Universe:** The number of records/e-mail addresses in the list that you are sending to.
 - d) **Delivered:** The number of records/e-mail addresses that actually ended up in the in-box. Delivery is something that is tougher than it was in the early days. More and more messages are getting blocked before the consumer ever gets a chance to view the message in the in-box. Monitor delivery rates and make sure you spend every bit of effort you can to ensure that you remain white listed with Internet Service Providers (i.e. AOL, Hotmail, Earthlink, etc). If you don’t get into the in-box, all other metrics will not fall into place so take this one seriously and when you see delivery rates drop, dig deep into your data, find out why and address the problems. If you truly address your problems, you will see delivery rate (Delivered divided by Universe) increase.
 - e) **Opens:** The number of people that opened the e-mail. If your open rates fall, adjust your subject line. The key to open rates is subject line.
 - f) **Visitors:** The number of people that clicked on/visited a link in the e-mail and actually landed on your site or landing page.
 - g) **Orders:** The number of people that ordered from the visit.
 - h) **Opt-Outs:** The number of people that unsubscribe as a result of receiving the e-mail.
- 2) **Search Engine Marketing** → There are two disciplines within SEM and each has its own set of key data points. The two disciplines are organic/natural search and paid search.
- a) **Organic Search Data Points**
 - i) **Visitors:** The number of people that clicked on a ranking.
 - ii) **Orders:** The number of people that ordered from the visit.
 - iii) **Rankings:** The number of organic rankings you have in the top two pages of the top three search engines (Google, Yahoo and MSN). This is a count of the number of words/phrases that you have ranking in the first two pages of the search engine’s results. Monitoring this data point regularly will tell you whether or not your optimization efforts are working. Over time, you should see the number of rankings increase. It’s not uncommon for rankings to slip now and then but if your optimizing effectively, you should see your rankings bounce back. I’ve never seen the number of rankings slip for more than two months in a row so if you see fewer rankings for three solid months, you’re doing something wrong and you will want to revisit your overall organic search strategy.
 - iv) **Cost:** Keep track of your monthly expenses associated with your efforts. Many folks believe that organic search is free and to an extent that is true, however, in order to earn optimal return, a high level of effort must be committed to the tactic or the end result will be low volume. Low rankings will result and less traffic. Less traffic will result in fewer orders. Fewer orders will result in poor Return on Investment. Poor ROI will reflect poorly on you. As with every other Internet marketing tactic you employ, ROI will be your report card. The biggest issue I’ve seen with new organic search professionals is that they don’t commit to spending budget to increase rankings and as a result, the organic search program produces little volume. Most executives believe what they read and think search is an endless well of traffic and orders and when the volume of orders is lower than their expectations, they rightfully judge the program as a failure. Bottom-line is that if any program does not produce volume (no matter the ROI), the program will fail. Allocate budget to help increase the amount of rankings and you will see your organic search program succeed.

b) **Paid Search Data Points**

- i) **Impressions:** The number of times the ad was displayed by the search engine.
- ii) **Visitors:** The number of people that clicked on a paid ad.
- iii) **Orders:** The number of people that ordered from the visit. By monitoring conversion rate (orders divided by visitors), you will have a good indicator that will help you understand how much you can spend on a particular keyword per click. If you are converting at a higher rate than normal on a particular keyword, you can potentially increase the amount of your cost per click bid to increase volume. When I have a keyword that is converting well, I immediately increase the amount I am willing to spend per click and find the point of diminishing returns so I can more effectively determine the best placement (1st, 2nd, 5th position, etc) for each of the keywords in my list. This information will give you a competitive advantage as you set your bids on a daily basis. Very few search managers understand the exact point at which they can spend per click before volume drops. As a result, many paid search junkies fail to outpace their competition since they will continue to earn higher ROI and in the long-run outpace everyone else bidding for the keywords in that space.
- iv) **Cost:** There are two cost indicators you will want to track and monitor. These are total cost of the program and average cost per click. You'll need the total cost for the program to keep tabs of your Return on Investment and the average cost per click will help you understand if your competition is increasing on specific keywords. I have seen the average cost per click increase over time since competitors are frequently coming in and out of the same competitive space and buying the same keywords that I am buying.

3) **Networks** →

- a) **Impressions:** The number of times the ad was displayed by the network.
- b) **Visitors:** The number of people that clicked on the ad.
- c) **Orders:** The number of people that ordered from the visit.
- d) **Cost:** The cost for placing the advertisement on the network. Some networks charge per ad impression. Each time an ad is shown, you are charged. This is known as a CPM (Cost per Thousand) campaign. The network will charge a rate per 1,000 impressions shown. This cost model is popular with branding efforts but less popular with direct response campaigns. If you run a CPM and expect a direct ROI, you will most likely be disappointed. Some networks charge per click. This is known as CPC (Cost per Click). This price model is less risky than CPM but still fairly risky. The most popular price model is CPA (Cost per Acquisition). Most of the risk is on the shoulders of the network to produce highly qualified users that will purchase.

No matter which tactics you choose to employ, the bottom-line is ROI. To optimize your ROI, you will need to know where your campaign is falling short. Specifically, are key metrics (Click-through Rate, Conversion Rate, etc) lower than the network you are running? If it is a CPA Campaign, is your payout competitive? The key to success is having the right tracking tools in place and knowing the questions to ask. The relationship you build with your account representative that is placing your advertisements is critical. This individual or group of people will help you determine if your campaign is under-performing or blowing the doors off the network. You should rely on your rep to help answer any questions you don't know the answers to. There are good reps and bad reps. If you have a good rep, do everything you can to keep the relationship with the rep. If you have a bad rep, get a replacement.

Who Should I Work With?

The eMarketer US Advertising Spending report tracks the rise of Internet advertising as the spending relates it to the total advertising market and makes projections for the future of both. In looking at the latest report, the future of the Internet space has never looked better. eMarketer projects that online advertising will more than double as a percentage of total media, rising from only a 6% share in 2006 of total media, to slightly over a 12% share in 2010.

US Online and Total Media Advertising Spending, 2006-2011 (billions and % of total media spending)

	Internet	Total media	Internet % of total media
2006	\$16.9	\$281.6	6.0%
2007	\$21.4	\$287.5	7.4%
2008	\$27.5	\$295.5	9.3%
2009	\$32.5	\$301.5	10.8%
2010	\$37.5	\$309.0	12.1%
2011	\$42.0	\$316.0	13.3%

Note: eMarketer benchmarks its US online advertising spending projections against the Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC) data, for which the last full year measured was 2006; online ad data includes categories as defined by IAB/PwC benchmark—display ads (such as banners), paid search ads (including contextual text links), rich media (including video), classified ads, sponsorships, referrals (lead generation) and e-mail (embedded ads only); excludes mobile ad spending; eMarketer benchmarks its US total media advertising spending projections against the Universal McCann data, for which the last full year measured was 2006; includes television (broadcast and cable), radio, newspapers, magazines, internet (excludes mobile), outdoor, direct mail, yellow pages and other

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www.eMarketer.com

What all this means is that as Internet Marketing spending takes up a larger piece of the overall marketing budget, more emphasis will be placed on finding the right partners to work with for the product you are tasked to sell on the Internet.

I have found that the success you have on a advertising medium or tactic mostly depends on the product you're selling. Some products are well suited for traditional affiliate networks and some bomb in the traditional networks. Some products have a high enough margin to run on a CPA pricing model and some do not. The product is and always will be an important element of the marketing mix.

I have found a few advertising venues that are staples in my tactical game plan wherever I go. Some of these go-to venues are listed below. You really need to try them and determine what the right mix is for your product.

Top 5 CPA Networks

1. Primary Ads / Think Partnership
2. Azoogles Ads
3. Hydra Media
4. BlueLithium
5. Click Booth

Top 5 CPC Networks

1. Google AdSense
2. Yahoo Search Marketing
3. MSN Ad Center
4. AdBrite
5. Ad Knowledge

Top 5 CPM Networks

1. 24/7 Real Media
2. Value Click

3. United Online
4. Adtegrity
5. Ad Pepper

Where Should I Look to Keep my Knowledge of the Industry Sharp?

I'll be the first to admit that I don't read enough. I get busy in my day and don't take the time to keep myself up on the latest news and findings. I will spend the time about once a week reading and getting the necessary information I need in order to keep sharp. That works for me but it takes diligence. If you're going to succeed in Internet Marketing, you must keep up-to-date. Things change fast and the successful marketers react to these changes immediately.

1. **Excellent Reading** →
 - a. <http://www.clickz.com>
 - b. <http://www.adotas.com>

2. **Great Reading** →
 - a. <http://www.grokdotcom.com>
 - b. <http://www.marketingprofs.com>
 - c. <http://www.marketingexperiments.com>
 - d. <http://www.ecommercetimes.com>
 - e. <http://www.emarketer.com>

3. **Good Reading** →
 - a. <http://www.marketingvox.com>
 - b. <http://www.emarketer.com>
 - c. <http://www.marketingsherpa.com>

4. **General Business Reading** →
 - a. <http://www.bizjournals.com>
 - b. <http://www.businesswire.com>
 - c. <http://www.entrepreneur.com>
 - d. <http://www.prnewswire.com>
 - e. <http://finance.yahoo.com>

5. **Other Resources** →
 - a. <http://www.findlegalforms.com/forms>
 - b. <http://www.internetworldstats.com>
 - c. <http://credibility.stanford.edu>
 - d. <http://www.bpaww.com>

How do I track my campaigns?

Web analytics often does not get the attention it should, taking a back seat to the effort of getting and compiling the numbers (on the Analytics side) or day-to-day operations (on the Business side). It is sometimes abbreviated or omitted altogether in an attempt to save time. This is a mistake. You will not be able to produce what you are capable of producing without knowing the metrics of your Internet marketing campaigns. Before launching any campaigns, put a Web analytics application in place.

Web analytics helps you understand how well your campaign is doing and how you might be able to do better. But that understanding is not useful to the Business if the insights are not shared in a way that the rest of the organization can focus on and get behind. Getting their attention usually means making Web Analytics part of your regular business process. Part of that regular process is the reporting.

The deliverable for analysis is reporting. You are sharing what you learned. It allows you to disseminate the knowledge throughout the organization. Good reporting can also drive the Business to act on that knowledge so the organization can do better. Back in 2002, I was working for a cleaning products company (OxiClean). I had gone home for Christmas that year and my mom said that we should come out with a wood floor cleaning product. When I got back to the office, I dug into the “wood floor” keywords and found deep interest in the consumers searching on search engines and landing on our site. I then ran a report that showed me the ‘on-site’ searches and they looked similar. There was definitely something to what my mom was recommending. I took this information to the highest level and he agreed to launch a high price point wood floor cleaning product. The product ended up being the most popular product sold in a very long time. The success of the product was all a result of Web analytics, analysis and appropriate dissemination of information.



This product is the result of Web analytics.

There are a handful of reporting applications on the market today with a wide range of cost. I have personally used four well known Web Analytics Applications and they are all good. Even Google Analytics, which is free, is a good start.

Application	Yearly Cost
Omniture	\$15,000
ClickTracks	\$6,000
CoreMetrics	\$30,000
Web Trends	\$16,000
Google Analytics	\$0

Google Analytics has many of the reports that a more expensive application provides. The most important metrics, you want to know for your Web site are included within the Google Analytics application. There is a screenshot of the basic dashboard for Google Analytics directly below.



As you can see, the dashboard gives you important information such as number of visitors, page views and how many pages the average user visits. The Google Analytics dashboard also tells you the percentage of users that left your site upon visiting the first page and the percentage of new visitors to your site. This is useful information that you should track throughout the year and begin recognizing trends. There are even more important reports that can tell you all kinds of things. I have taken screen captures of some of the more interesting factoids you will be able to realize with a Web analytics application directly below.

Browser	Visits	% visits
Internet Explorer	200	82.99%
Firefox	34	14.11%
Safari	7	2.90%

[view full report](#)

What browsers are users using when they visit my site?

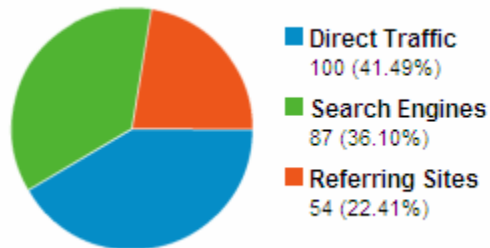
Connection Speed	Visits ↓	Pages/Visit	Avg. Time on Site	% New Visits	Bou
1. Cable	88	9.42	00:07:33	43.18%	
2. Unknown	82	4.16	00:02:09	42.68%	
3. DSL	39	3.90	00:01:50	61.54%	
4. T1	21	3.05	00:01:22	23.81%	
5. Dialup	10	1.80	00:00:09	100.00%	
6. OC3	1	3.00	00:01:07	100.00%	

Find Connection Speed: containing Go Go to: 1 Show rows: 10 1 - 6 of 6

What connection speed is most common with my users?

Site Usage		Goal Conversion		Views:	
Visits 225 % of Site Total: 93.36%	Pages/Visit 6.17 Site Avg: 5.84 (5.66%)	Avg. Time on Site 00:04:04 Site Avg: 00:03:55 (3.93%)	% New Visits 44.44% Site Avg: 46.89% (-5.21%)	Bounce Rate 28.00% Site Avg: 31.95% (-12.36%)	
Region	Visits ↓	Pages/Visit	Avg. Time on Site	% New Visits	Bou
1. Colorado	85	6.88	00:05:26	29.41%	
2. Montana	30	5.87	00:03:25	20.00%	
3. California	24	4.12	00:01:21	50.00%	
4. Missouri	15	2.53	00:00:56	26.67%	
5. Iowa	14	12.36	00:10:31	57.14%	
6. Oregon	6	1.67	00:00:23	66.67%	
7. New York	5	2.40	00:00:11	100.00%	
8. New Jersey	4	1.25	00:00:10	100.00%	
9. Minnesota	4	4.75	00:02:55	100.00%	
10. Michigan	4	3.50	00:01:45	50.00%	

What states are most popular with my users?



What percentage of my traffic is from search engines?

You can see how this information can be useful. I spend at least 3 hours per week looking at Web analytics reports like these. I set my campaigns up so I can see a fullest level of detail through my Web analytics application so I can tell where consumers are abandoning my campaign. With this information, I then can address the pages most commonly abandoned, thus increasing the number of consumers that ultimately stay on my site long enough to order product.

Building a business online is a lot of hard work. It takes discipline and keeping a keen eye on the numbers. I hope that you have enjoyed this white paper and that this information will make you realize that e-commerce is not all that difficult.

Good luck and Keep it Simple.