

Chapter 1

Taking Your Marketing to the Web

In This Chapter

- ▶ Absorbing the Web into your overall business plans
- ▶ Rethinking your marketing
- ▶ Running the Web numbers for your business

Is it hypnosis? Seduction? Simple amnesia? Don't let dot-com technobabble dazzle you into forgetting every business lesson you learned the hard way. You know there are no magic marketing bullets offline; there aren't any online either. You know that you build a customer list slowly, experimenting with a variety of techniques until word-of-mouth marketing kicks in. You want to be successful online? Then approach the Web the same way you approach your offline business — with an awareness of business fundamentals, a combination of marketing techniques, and an indelible focus on your customers:

- ✔ **You must have the business fundamentals right before you can have a truly successful Web site.** Many sites flounder on straightforward business issues of cost, merchandising, back-office support, and customer service. Too many confuse revenues with profits, only to discover in quarterly financials that their sites are sinking into the Red Sea.
- ✔ **Successful Web marketing requires a combination of methods.** Nowhere in this book do you read that the solution to all your Web woes lies in content, search engine optimization, link campaigns, pay per click ads, banners, e-mail newsletters, or any one online or offline marketing technique. Many are necessary, but none alone is sufficient to bring in all the traffic you need. Instead, you must select judiciously from an extensive marketing menu: a little appetizer, a nice side dish, maybe an entree that takes the most of your Web marketing dollars and efforts. Oh, don't forget dessert.
- ✔ **The customer is the measure of all things Web, from site design to marketing.** Don't let technology or personal inclination distract you from a focus on what the customer wants. And don't get carried away with what Web technology can do.

From those principles, you can see that Web marketing fits within the definition of marketing you're already familiar with. When they're well implemented, online techniques might offer a more cost-effective marketing mix, greater flexibility, or easier expansion to new markets than offline techniques. With this book as your reference guide, you can master these new tools, adding a sense of adventure, as well as profits, to your bottom line.

Rearranging Your Marketing Mix

If you're already in business, you know you have to spend money to make money. You may need to redistribute your marketing budget to free up funds for marketing online. Here's a method to elevate your marketing analysis from guesswork to grand plan. First, make a four-column list organized as follows:

- ✓ The first column lists all the marketing techniques you currently use.
- ✓ The second column lists the target market you reach with that technique.
- ✓ The third column lists how many new customers you think that technique brings in.
- ✓ The fourth column lists how much you spend per year on that technique.

If you've been in business for a while, you might have forgotten some of your recurring marketing investments. Here are a few examples to spark your memory: a Yellow Pages listing, signage, business cards and letterhead, logo design, a listing in a local business club directory, T-shirts for the girls' soccer team, newspapers or other print ads, direct mail, local fliers, word of mouth, radio spots, billboards, and so on. If you're not sure where new customers come from, ask them! You might be surprised where word has spread.

If you don't have extra money to invest in developing and promoting a Web presence, decide which existing methods you can cut in favor of more cost-effective online marketing. If you duplicate your reach at lower cost online, you can put the difference into your Web site.



What you already know about marketing is true. Profit from your own success. Unless you're starting a new business online, your new customers are going to look similar to your old ones. You already know how to sell to them, what they need, what appeals to their emotions, and what satisfies their inner cravings. Your Web site and Web marketing need to do the same. Take advantage of what you know in your head and in your gut!

Reaching your current audience online

If you haven't done so in a while, write a paragraph describing your current customers: age, gender, income level, education, geographical region, or job title (if you sell business to business). What else do they buy? What do they like to read? It's easy to research your markets online.

If you need to, segment your customers into different groups that share the same characteristics. When you design your site and implement your Web marketing campaign, use these profiles to decide what to do and where to spend.

Finding new customers

If you intend to use the Web to find new customers, decide whether you're simply expanding your geographical reach; going after a new consumer demographic or vertical industry segment for existing products, or selling new products and services to completely new audiences.



All the guerrilla marketing aphorisms apply online. Rifles, not shotguns! Target one narrow market at a time, make money, and reinvest it by going after another market. Don't spread your marketing money around the way bees spread pollen — a little here, a little there. That will dilute your marketing dollars and reduce the likelihood of gaining new customers.

Write up the same type of profile for your new target audience(s) that you write up for your existing ones. As you read through the marketing chapters of this book, match the profiles of your target markets to a given technique to find a good fit.



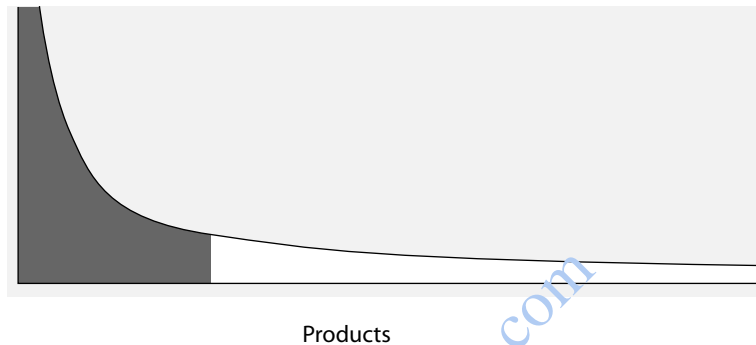
Plan your work, and work your plan. Every marketing problem has an infinite number of solutions. You don't have to find the perfect one, just one that works for you.

Discovering the long tail of opportunity

You might hear the phrase *The Long Tail* to describe the market model used by some successful business-to-consumer (B2C) e-commerce sites. The *Long Tail*, shown in the graph in Figure 1-1, describes a situation in which the revenue from many low-frequency events (think sales for various products) totals more than the results of a few, high-frequency events. Low-frequency events may tail off, but added together they constitute more than half the total revenue.

Figure 1-1:

A graph of The Long Tail for Number of Sales versus Products. The area below the curve, which represents value or revenue, is the same for the shaded and unshaded portions.



This theory suggests that the reach of the Web is so vast that you can have a profitable business selling many lower-priced, hard-to-find items in small quantities rather than spending a humongous marketing budget to sell a few items in large quantities, as long as you have a large inventory and set a profitable price point. It works for Amazon.com, Netflix, iTunes, and eBay. Why not for you? The trick is that those people need to find your products in the vastness of cyberspace, or you have to find them.

Of course, that's Web marketing, which is what this book is all about. If you're curious, read more about The Long Tail at http://en.wikipedia.org/wiki/The_Long_Tail, or in Chris Anderson's book *The Long Tail: Why the Future of Business is Selling Less of More* (Hyperion).

Understanding Web Marketing Essentials

While this book is full of the endless details that make up a successful Web marketing campaign, you need to keep only three, overarching points in mind. If you measure everything you do against these criteria, you'll come out fine:

- ✓ Do your plans fit with the needs and interests of your target audience?
- ✓ Do your plans make financial sense?
- ✓ Are your plans within your capabilities to execute?



Right this very minute, create two new folders in your bookmarks, one for sites you love and another for sites you hate. Better yet, set up an account at <http://delicious.com>, which allows you to gather all your bookmarks in one, convenient, online account, accessible anywhere. With one click, you can tag (bookmark) any site you see for future reference.

Whatever your online activities, make a habit of tagging or bookmarking the sites that appeal to you and the ones you can't stand. Don't worry if you don't yet have the vocabulary to explain your reactions. By the time you're ready to talk to a developer about designing a new site or upgrading an existing one, your library of saved sites can provide essential information about where you want to go.

Adjusting the Numbers for a New Medium

For you, as a business owner or manager, the Web is a new means to meet your goals, not an end itself. You can hire professionals to take care of the technical and marketing details, but no one knows — or cares — as much about your business and your audience as you do.

The Web offers an unprecedented opportunity to reach very narrow, niche markets with customized, sometimes individualized, products and services. Think imaginatively about the big picture. What are your long-term strategies for growing your business? Can you take advantage of Web technology to help your company prosper by

- ✓ Supporting your current customers more cost-effectively?
- ✓ Expanding to new markets?
- ✓ Expanding your list of products or services?

Rid yourself of one myth right now. Marketing on the Web is not free. You can spend a lot of money, a lot of time, or some combination of the two, but you can't get away without an investment of some sort. Before you go online, think hard about the numbers. As a good businessperson, consider these key benchmarks, which are described in the sections that follow:

- ✓ **The cost of customer acquisition**
- ✓ **The break-even point**
- ✓ **Return on investment (ROI)**



Don't call a Web developer about money! If you're not sure how to compute these numbers, ask your bookkeeper or CPA for help. Or go to one of the many Small Business Development Centers around the country for free assistance. (Go to www.sba.gov/aboutsba/sbaprograms/sbdc/sbdclocator/index.html to find a center in your area.)

Estimating the cost of customer acquisition

Can you acquire customers for less than the average \$20–\$30 cost of finding a new retail customer offline? Maybe, but it depends on what you're selling. Generally, the more expensive your product or service, the more you must spend to acquire a new customer.

The cost of lead acquisition equals your marketing cost divided by the number of customer leads that the activity generates:

$$\text{cost of lead acquisition} = \text{marketing cost} \div \# \text{ of leads}$$

If you spend \$100 for pay per click ads on Google to get 20 people to your site, your cost is \$100 divided by 20, or \$5 per lead. If only two of those 20 people buy, your cost of customer acquisition is actually \$50. That's fine if they each spend \$250 on your site, but what if they spend only \$25? You can compute acquisition cost for any single marketing campaign or technique or across an entire year's worth of marketing expenditures.

The average cost of acquiring a new customer approximately equals the profit derived from an average customer's purchases in the first year. In other words, you might not make a profit on your customers unless they spend more than the average or you retain them for more than a year. Yes, indeed, it's a cold, cruel world. However, if you take advantage of the many free and low-cost techniques in this book, you can reduce your dollar cost of customer acquisition and stand a better chance of making a profit.



It takes three times as much money to acquire a new customer as it does to keep an existing one.

Computing your break-even point

Break-even is the number of sales at which revenues equal total costs. After you reach break-even, sales start to contribute to profits. To calculate the break-even point for your Web site, subtract your *cost of goods* (or cost of delivering services) from your revenues. This yields the *gross margin*:

$$\text{revenues} - \text{cost of goods} = \text{gross margin}$$

Now, total your *fixed costs* (charges that are the same each month, regardless of how much business you do) for your Web site, such as monthly developer's fees, hosting, charges for your Internet service provider (ISP), overhead, and in-house labor. Finally, divide your *fixed costs* by your *gross margin*. The result tells you how many sales you must make to pay for your basic Web expenses.

$$\text{fixed costs} \div \text{gross margin} = \text{break-even point (in unit sales)}$$

Costs of sales are expenses that vary with the amount sold, such as shipping and handling, commissions, or credit card fees. For more accuracy, you can also subtract these from your revenues before calculating gross margin. Divide the result into your fixed costs to get the break-even point.

Figuring out whether you'll make money online

Return on investment (ROI) looks at the rate at which you recover your investment in site development or marketing. Often you calculate ROI for a period of a year. To calculate ROI, simply divide profits (not revenue) by the amount of money invested to get a percentage rate of return:

$$\text{profits} \div \text{investment} = \text{rate of return}$$

You can also express ROI by how long it will take to earn back your investment. An annual 50 percent ROI means it will take two years to recover your investment. As with acquisition costs, you can compute ROI for your original investment in site development, for any single marketing campaign or technique, or across an entire year's worth of Web expenses.



Don't spend more on marketing than you can make back. Losing money on every sale is not a good business plan.

Now, go have some fun and make some money online!

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