

# HOW TO START YOUR OWN INTERNET BUSINESS

Essential Information You  
Need When Starting and  
Running Your Internet  
Business



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# TABLE OF CONTENTS

TABLE OF CONTENTS.....	3
<b>Chapter 1 STARTING AN INTERNET BUSINESS: THE BASICS YOU NEED TO KNOW .....</b>	<b>6</b>
TYPES OF INTERNET BUSINESSES .....	6
BEGINNING YOUR RESEARCH .....	7
BEFORE YOU QUIT YOUR DAY JOB.....	8
HELP IS AVAILABLE .....	9
ADVERTISING AND MARKETING .....	9
Creating a Web Site .....	10
Marketing Campaigns .....	11
Blogs .....	12
Open Forums.....	13
INTERNET SECURITY AND OTHER COMPUTER SOFTWARE .....	13
WHAT TO DO WHILE WAITING .....	14
<b>Chapter 2 NAMING YOUR INTERNET BUSINESS AND OTHER MARKETING TIPS.....</b>	<b>15</b>
WAYS TO NAME YOUR BUSINESS .....	15
Make a List of Possibilities .....	15
Research the Meanings of Certain Words .....	15
Ask People What They Think.....	16
THE FINE ART OF BRANDING.....	16
Advertise on the Internet and in Print .....	17
Create a Simple Logo or Trademark.....	17
Learn How to Communicate in Simple Terms .....	17
Deliver a Quality Product or Service .....	18
Build Up a Loyal Customer Base .....	18
Track Your Marketing Efforts .....	19
HOW TO BRAND YOUR BUSINESS EFFECTIVELY .....	19
THE POWER OF EMAIL CAMPAIGNS, EBOOKS, AND NEWSLETTERS .....	20
Email Campaigns .....	20
Ebooks.....	21
Newsletters.....	21
CUSTOMER RESPONSE.....	22
HOW TO PROMOTE ITEMS ON YOUR WEB SITE .....	22
HOW POOR ADVERTISING CAN RUIN YOUR BUSINESS .....	23
<b>Chapter 3 CHOOSING AND REGISTERING YOUR BUSINESS .....</b>	<b>25</b>
WHAT IS BUSINESS REGISTRATION?.....	25
Protecting your business name and other identification from theft .....	25
Have the ability to open a business bank account.....	26
Apply for small business credit cards and loans .....	26
Qualify for small business tax incentives .....	26
Qualify for grants and other government aid.....	26
Instant reputation .....	26
Good for marketing purposes.....	27

Allows you to hire additional staff if needed.....	27
<b>TYPES OF SMALL BUSINESSES .....</b>	<b>27</b>
Sole Proprietorships .....	28
Partnership .....	29
Corporations.....	30
Limited Liability Company (LLC) .....	31
<b>HOW TO REGISTER YOUR BUSINESS .....</b>	<b>31</b>
<b>DISSOLVING A BUSINESS AND OTHER QUESTIONS.....</b>	<b>32</b>
Dissolving a business.....	32
Renewing business registration.....	33
Finding an Attorney .....	33
Concerns about liability .....	34
<b>Chapter 4 OUTSOURCING .....</b>	<b>35</b>
WHAT IS OUTSOURCING?.....	35
HOW DOES OUTSOURCING WORK?.....	36
CREATING AN OUTSOURCING BUDGET .....	37
FINDING THE RIGHT KIND OF HELP .....	38
WHEN IS IT NECESSARY TO OUTSOURCE?.....	39
HOW TO SCHEDULE OUTSOURCING PROJECTS .....	39
MANAGING YOUR OUTSOURCING PROJECTS .....	40
SUCCESSFUL OUTSOURCING .....	41
WHEN TO CUT BACK ON OUTSOURCING.....	41
<b>Chapter 5 PITFALLS OF INTERNET BUSINESSES AND HOW TO AVOID THEM .....</b>	<b>43</b>
COMMON PITFALLS .....	43
Poor advertising .....	43
Income per Month.....	46
Web Site Problems.....	48
Customer Complaints.....	48
Influx of Business: Managing Your Time .....	49
Hiring Staff .....	49
Working Alone.....	50
<b>Chapter 6 EXPANDING YOUR INTERNET BUSINESS .....</b>	<b>51</b>
ADVANTAGES OF EXPANDING YOUR BUSINESS .....	51
WHY YOU SHOULD CONSIDER BUSINESS EXPANSION.....	51
PREPARING FOR BUSINESS EXPANSION .....	52
Revisit Your Business Plan.....	52
If Sharing the Business with a Partner, Make Decisions Together.....	53
Construct a New Budget .....	53
Design Additional Web Pages .....	54
Alter Your Marketing Strategy .....	55
Consider Tax Laws, Hiring Employees, and Working Conditions .....	55
Register Your Business as Another Entity.....	56
Consider the Long-Term Affects of Expansion.....	56
ADJUSTING YOUR BOTTOM LINE AFTER EXPANDING .....	57

<b>Chapter 7 PAYING YOUR TAXES .....</b>	<b>58</b>
KEEPING TRACK OF INCOME AND SPENDING.....	58
Create a Spreadsheet Using Excel .....	58
Buy Accounting Software.....	59
Hire a Bookkeeper .....	60
Hold on to Receipts.....	61
Develop a Filing System for Invoices, Orders, and Receipts .....	61
Knowledge of Tax Law Changes and Other Procedures .....	62
TAX DEDUCTIONS.....	63
OTHER WAYS TO SAVE MONEY .....	64
FILING AN EXTENSION .....	64
WITHHOLDING TAXES FOR EMPLOYEES.....	64
AFTER FILING YOUR TAXES.....	65
<b>Chapter 8 STARTING AN INTERNET BUSINESS: CONCLUSION .....</b>	<b>66</b>
USING TECHNOLOGY .....	66
ADVERTISING.....	66

# **Chapter 1**

## **STARTING AN INTERNET BUSINESS: THE BASICS YOU NEED TO KNOW**

If you are thinking about starting an Internet business, you probably have a million questions that you would like answered before you invest valuable time and money. Each year, people just like you start businesses that fail within a couple of months. This can be for several reasons:

- Poor planning
- Not enough research
- Not enough financial resources
- Unforeseen expenses
- Time constraints, or
- Other obligations

When starting any business, there is always a certain amount of risk involved. But all too often, people get an idea for a business and jump right in without planning and taking the time to research properly. Taking an extra month or two to create a solid business plan, obtain finances, and conduct research to gauge the chances of the business succeeding are ways that you can increase your chances of running and expanding a successful Internet business.

### ***TYPES OF INTERNET BUSINESSES***

This is the most basic decision you can make when starting an Internet business. You should ask yourself the following questions during brainstorming sessions:

- What type of business am I interested in starting?
- What skills do I have?
- What skills am I willing to learn?
- What am I passionate about?
- What services can I provide to customers?
- What level of computer experience do I have?
- What are my faults as a business person?
- What are my strengths as a business person?
- What motivates me?

Take your time when answering these questions and try to be as honest as possible. If you need to learn how to be a better business person, acknowledge this fact and try to find ways to fix it. There are hundreds of businesses you can choose from.

These are just the tip of the ice berg. You may want to open a shop of some kind and use the Internet to fulfill customer orders and advertise your company. Some businesses are run solely on the Internet, while others gain exposure from the Internet. Many local and national businesses market themselves on the Internet through web sites, and by advertising on search engines, blogs, and databases.

Once you have decided on the type of business you want to go into, you should conduct research about your new business. You should find out more about your competition, the start-up costs involved, advertisement costs, and how to ship your product to customers. Researching quality computer software for tracking orders, balancing expenses, and keeping track of your income are also very important.

### ***BEGINNING YOUR RESEARCH***

Research is a very broad term. You should pay particular attention to the following:

- Name for your business
- Competition in your area
- Marketing options
- Financing options
- Equipment needed
- Start-up costs
- Registering your business
- Tax information

In order to get the most from the time you spend researching, here are a few tips to consider:

- Begin your research by typing in some keywords that are used to describe your business. For example, if you want to open a photography studio, you should type into the search engine 'YOUR TOWN NAME and Photography'. See how many others freelance photographers there are in your area.

Visit some of their web sites to see what they offer and the prices they are charging. This will give you a good idea of your market and the amount of competition you will have. If you specialize in a certain type of photography, you should conduct a search to see how many other people offer the same services or you should consider broadening your scope of what you want to offer. By researching what is available to your customers, you will be able to recognize areas in which you will need to improve or alter your skills.

- After you have conducted a thorough Internet search, you should look up places to market your product or service on the Internet. Again, this will involve using search engines. These days, there are many places on the Internet that allow business owners to advertise and market their skills. The biggest obstacle people

seem to have on the Internet is distinguishing themselves from their competition. Joining a few open forums, Internet marketplaces, message boards, and job sites will help increase your exposure.

- The final phase of research involves sitting down and creating a budget plan for computer equipment you may need, an advertising budget, materials, and any other costs you can think of that may come up as you start your new business. You should plan on going over this budget slightly, so be sure to have enough money to cover emergency expenses.

If you conduct enough research and find ways to advertise and market your business, you will be off to a great start. All too often, when people get caught up in the idea of running their own business, they forget the practical side. You should plan on low income earnings for about a year after you start your business.

This is not to say that you will not make any money, but most businesses do not perform as well as many people think they should during that first year. This is for many reasons. Word-of-mouth can take a few months to spread, you have to organize and plan your web site, and you may not get the amount of traffic to your site right away. Do not get discouraged. If you can get past the first year, your business will begin to grow and start to turn a profit.

### ***BEFORE YOU QUIT YOUR DAY JOB...***

Without the proper start up money, your business will fail before it even gets off the ground. You have to put together some sort of business plan that will outline your expenses, the amount of money you have to invest, and the time you can put into your business. This does not have to be a complex plan, but it should be a guide that will help you stay on task and meet certain goals.

Ideally, you should have three to six months worth of income saved before quitting your job. Many people start Internet businesses part-time and when they have enough money, or when their business takes off, then they will quit their jobs. This is a decision that only you can make, but you should consider the following factors before throwing caution to the wind:

- Housing costs
- Car costs
- Bills
- Loans
- Family expenses
- Food, and
- Health insurance



These are the essentials that you need to pay each month in order to maintain a healthy lifestyle. Be sure these can be covered first before leaving that steady paycheck. Also, remember that health insurance can cost much more when you purchase it yourself. Being prepared for these costs will make those first few months of limited profits seem much less stressful.

### ***HELP IS AVAILABLE***

If you are new to the world of the Internet, or you don't have much business experience, you may want to take classes online or at your local college in order to learn more about how to run an online business. Below is a list of courses that will provide the help and guidance you will need along the way. You can continue taking classes if you would like while setting up your new business.

- Basic business
- Marketing
- Consumer science
- Finance
- Basic accounting
- Basic computer
- Internet
- HTML
- Web design
- Business writing
- Creative writing

Taking classes will also allow you to become acquainted with other business people who you can network with. If you are still employed, but want to take business classes, there are many online programs that allow you to fit classes into your schedule.

If you do not have a business background, it is recommended that you take a basic business course. There are many pitfalls in running an Internet business. Having business knowledge will help avoid these pitfalls and build a successful business.

### ***ADVERTISING AND MARKETING***

Successful Internet businesses are built on great web sites, strategic advertising, and time. The cost for these items can be staggering depending on the skills you already possess and the ways you go about marketing your business. Since advertising is so important, you should be fully aware of what good advertising can do for your business and also what poor advertising won't do. There are four ways to advertise your Internet business:

- Creating a Web site
- Marketing campaigns

- Blogs
- Open forums

If you can incorporate at least two of these advertising strategies into your marketing plan, your business will increase over time. This will require a great deal of work on your part for the first few years.

### **Creating a Web Site**

The best way for your customers to find you online is through your web site. This site will showcase the best of what you have to offer. You should include descriptions, photos, graphics, and anything else you can think of that will encourage your customers to linger and perhaps make a purchase.

There are a few ways to go about creating a web site, but you will have to purchase a web domain before going any further. For a small monthly fee, you can purchase a web domain from search engine companies that will ensure that your web site's name and address are original. You will have to register the name and web address you would like to use so that other people cannot use it. You can also search to see if the name you have chosen is already taken.

After securing a web domain, you are ready to construct your web site. If you have little or no experience in designing a web site, you may want to hire a professional web designer. This can cost you, however, but the final result will be a polished web site you can alter at any time. This is why budgeting is very important before starting an Internet business because there will always be unexpected costs.

If you want to design the web site yourself, you will have to read about HTML, which is computer code, graphic placement, and other issues that will come along. There are many tutorials available for free that will guide you step-by-step if you are willing to take the time to learn how to use code to put your pages together.

You can also purchase software that will make creating your web site much easier.

Once you have learned how to design the pages of your site, you will have to create a flow that is easy to follow, showcases your work, and will entice customers. This may take many hours setting up individual pages in order to create rational flow throughout. Typical web pages are arranged in this order:

- Intro page
- Item or service descriptions
- Frequently Asked Questions page
- Customer comment page
- Ordering information and forms
- Order tracking page and confirmation

You should have links to these pages on your intro page. This will make navigating the site much easier. Make sure the links can be seen clearly and that they are working all the time.

Web content is equally important as photos and graphics. Since people will want to read about your business, having an intro page that includes details about the business will be necessary. Other content should include product or service descriptions, instructions on how to place an order, confirmation pages, and captions.

Your content should be grammatically correct, conversational in tone, and easy to read. If you lack some of these skills, you can hire a web writer who will provide the content for your web site.

Updating your web content regularly will help keep your web site looking new. Customers who shop online expect to see new content when they visit their favorite web sites. Updating your content every few weeks will ensure that your customers stay interested.

After you start your business and you get involved in fulfilling orders and other business duties, you may want to hire a web management company who will update your web site regularly to keep fresh images and content on the pages for customers to see. Changing the web site's graphics and information every few weeks is a good idea that will keep customers returning and buying from the site.

### **Marketing Campaigns**

Setting up a web site will take up the majority of your time for a few weeks, but after you have finished the site and it is ready for viewing, you should begin to think about ways to advertise your business. There are a few ways to approach Internet marketing, and while you do not have to utilize all of them, you should try a few to see what works and what does not.

- ***Job Web Sites*** – You should begin browsing local job web sites as well as national job sites to look for employment, post an ad that outlines the types of services that you offer, and also see if there are other web sites listed that you can visit to advertise your business. Many times this will not cost you anything.

When posting an ad, always mention your web site. This will prompt people to look at it to determine if they want to hire you or if they want to buy what you are selling.

Find job sites that cater to your business. Many times, these sites are filled with people who have the same or similar businesses as yours. This is also another way to check out your competition.

- ***Marketing Web sites*** – In the last few years, there have been a few web sites that have become very popular all over the world because they allow people to post content about themselves, their businesses, and anything else they find interesting. Even though these sites are filled with content, it is free to advertise, and millions of people search through them each day. This can be a great place to advertise your business, meet other business owners, and also challenge your marketing skills. Being noticed on these pages will require a little more flash than on job posting sites. Have fun with these sites and use them to your advantage.
- ***E-mail marketing*** – Once people have visited your web site and have joined your email list, you can send out promotional email that will prompt those who have visited your site to visit again. They should be written in a persuasive way that will encourage people to visit your web site.

This topic itself requires an entire book of its own to fully understand and learn about all of the benefits e-mail marketing brings. We'll leave it at this for now.

- ***Search Engine Advertising*** – Pay-per-click ads, such as Google Adwords, are among the most popular ways to advertise on other web sites and on the search engines themselves. If you have the money, you can try this form of advertising which may increase your web traffic.

## **Blogs**

If you enjoy writing, then you may want to add a blog to your web site or create another site where you can promote your business, talk about the industry, and create a network of people who will want to read your blog every day. There are a few guidelines you should follow when writing a blog:

- Try to be humorous whenever possible. People enjoy reading blogs that are entertaining and funny. While your blog should have a beginning, middle, and an end, you should try to add elements into the dialogue that will make people laugh and remember to read your blog day after day. This will also prompt them to check out your web site.
- Do not sell your business out loud. This will only discourage people from reading your blog. If you are creating a blog to talk about your business, include topics that are related to your business. Discuss the latest trends, technology, day to day business operations, and other topics that mention what you are selling or providing.

- Update your blog two or three times a day. This will help keep people interested in your blog. They will look forward to reading what you have to say and the topics you are discussing.

Becoming a blog writer takes a little practice, but you can learn if you read other blogs and understand the style they are written in. This style is easy to copy.

If you are not a conversational writer, then a blog might not be for you. You can hire a writer to post on your site, but this can cost money you might not have at this point.

### **Open Forums**

Open forums are web sites that are used to promote local businesses, small businesses, and certain types of businesses. They are usually free and you may be able to create a profile which you can use to display some photos, your web address, and your mission statement. These forums are usually locally based, so you should look for them using search engines and local newspapers and magazines.

### ***INTERNET SECURITY AND OTHER COMPUTER SOFTWARE***

If you will be selling goods and services directly online, you will have to invest in security software that will protect your customers when they use their credit cards to make a purchase.

There are many good products available for you to use. Many credit card companies are now offering ways for you to offer this security to your customers for a yearly fee. Researching your security options is the best way to find the best deal.

Other computer software you may need to purchase includes:

- Web page design software
- Accounting
- Spreadsheet
- Graphic design
- Marketing

While these software programs are optional, you should consider buying some if you feel you do not have the skills needed to create a web site without assistance, or if you need to track your expenses and earnings. This software is tax deductible, which means that you can deduct the cost of all software used for your business from the taxes that you owe. This can save you money, but remember that they can only be deducted one time.

## **WHAT TO DO WHILE WAITING**

Waiting for your Internet business to take off can be very frustrating. But there are things you can do in the meantime that will help take your mind off of waiting for customers and increasing your exposure at the same time.

- ***Advertise in newspapers and magazines*** - Exploring other advertising options will help you reach customers that may not find you on the Internet. You should include your business name, your web address and phone number, and a brief description of what you are selling or providing
- ***Improve your web site*** – If you created the web site yourself, you may want to make changes to it such as adding pictures, content, or other features such as a Frequently Asked Questions page that will help your customers find what they are looking for and place an order.
- ***Find other Internet marketing opportunities*** – Browse the Internet and see what you find. There are new databases and forums opening up each day that can help you improve your business.
- ***Consider other marketing opportunities*** - Just because you are running an Internet business does not mean that you can only advertise on the Internet. Ask friends and family to spread the word to help get your business off the ground.
- ***Answer ads for services needed*** – If you provide a service that someone needs, you should answer ads on local job boards. You may find some work in the meantime.
- ***Broaden your product base*** – Increasing what you sell to your customers may also increase web traffic to your web site.

Depending on the type of business you are opening, you should be able to brainstorm and come up with other ways to advertise and market your business. You should be aggressive in your attempts to find customers and clients that can use your goods and services. After a few months of aggressive marketing, you will begin to see your client or customer list grow. Then you should start an email marketing campaign. Other marketing campaigns such as postcards, brochures, and other materials are also options for you when you are trying to grow your business.

These are the basics that will get you started on your way to running a successful Internet business. Running any type of business means hard work, diligence in advertising and marketing, and making sure that you have the money to spend on everything you will need. The advantage to an Internet business is that the start-up costs are usually very low. Even though you may need to spend money on additional computer software and marketing, you can start your business and then use some of the profits to improve the business as you go along.

## **Chapter 2**

# **NAMING YOUR INTERNET BUSINESS AND OTHER MARKETING TIPS**

Deciding to open your own Internet business is only one of many big decisions you will have to make in the following months. You will also have to decide how to register your business, how to market your business, and what to name your business. Giving your business a name may not be as easy as you may think. You have to choose a name that is:

- Easy to remember
- Suggestive of what your business provides
- Not being used
- Has marketing potential, and
- Will brand your business in a positive way

### ***WAYS TO NAME YOUR BUSINESS***

The name of your business is a great marketing tool that will not cost you anything except the domain registration costs. The name you choose will give your business character, will inform customers of what you have to offer, and will hopefully be a name that can be remembered easily. When choosing a name, you should;

- Make a list of possibilities
- Research the meanings of certain words, and
- Ask other people what they think

#### **Make a List of Possibilities**

The biggest problem you will face when giving your business a name is the availability of using that name on the Internet. If another person already registered that name, you will have to choose another. Making a list of possibilities is a good way to work around this problem. When you research names on local and national Internet databases, you will have other names to consider. If you keep finding names that are already taken, you may want to consider changing the spelling of some words or think of names that are less common, but still have marketing appeal.

#### **Research the Meanings of Certain Words**

Researching the meaning of words may also give you other ideas. Since the meaning of words change over time, you should choose a name that has never had a negative meaning. All too often, people give their business a name that meant something entirely

different. Not only will researching your name yield other possibilities, it is fun to see how words have evolved over time and what they used to mean a long time ago.

### **Ask People What They Think**

Ask family and friends if they have any suggestions. Many times those who are not investing time or money into a project can think of creative ideas that you may have missed. Throwing ideas around with other people will help you find a name that is unique and special for your business.

Once you have found a name that accurately describes your business, you will have to register it so that other people will not be able to use it. Registering a business is very easy and will not cost you much money. Marketing your new business will be the next step. Having a name that you can market in different ways to different people will help you reach as many customers as possible on the Internet. The Internet is filled with small businesses and other web sites that you will have to compete with in order to grab a customer's attention long enough for them to make a purchase.

This is why the name of your business is important. It can be an effective marketing tool in the crowded world of Internet commerce.

### ***THE FINE ART OF BRANDING***

The name of your business will become a calling card on the Internet that customers will identify with when placing orders. Since you will probably not be speaking directly with customers, you will have to find other ways to get your message across and persuade people to buy what you have to sell. Creating a name that is instantly recognizable on the Internet means more than deciding on a clever name. In order to brand your name, you will have to:

- Advertise on the Internet and in Print
- Create a simple logo or trademark
- Learn how to communicate in simple terms
- Deliver a quality product or service
- Build up a loyal customer base, and
- Track your marketing efforts

Marketing your business will take a lot of time and effort on your part. In chapter 1, you learned about different ways to market your business. But you have to have something to market in order to be successful.



## **Advertise on the Internet and in Print**

Even though your business is primarily on the Internet, you will want to take advantage of all available media in order to reach as many people as possible. When advertising on the Internet and in print, keep your ads simple. Use the name you have created to convey the message of a well-organized business that can deliver what is promised.

You will have to look for marketing opportunities everyday in order to make a difference on the Internet. There are millions of web pages that are all vying for attention. Choosing a business name that is easy to remember will help people recognize what you have to offer when they see your logo or trademark. The Internet is a visual medium, so you will have to focus your energy on creating a visual presence.

## **Create a Simple Logo or Trademark**

This is the best and least expensive way to make an impression on customers. You should be able create a logo or trademark based on the name you have chosen for your business easily.

If you are not a creative person, you can hire a graphic designer to help you finalize the image you want to project. A logo is usually a graphic that depicts something about your business. This can be amusing, serious, educational, or informative. You can include words that will appear under the image. A trademark is similar to a logo except that a trademark is part of the business name and is usually protected under the business registration.

## **Learn How to Communicate in Simple Terms**

When you begin researching ways to create a web site, place ads online, and write email for your marketing campaign, you will notice that the language used is clear and to the point. After a few days of looking at other web sites, you will notice that the sites you thought looked the best contained simple messages, easy to follow directions, and were conversational in tone. This is for several reasons.

Since written communication is still the most popular form of communication on the Internet, you are limited to how you explain what your business does and how it will benefit others. While there have been advances in the last few years in terms of incorporating real time imaging and sound on web sites, when you are starting your business, you should keep your web site as simple as possible. This does not mean your site should be boring, but it should contain information that is easy to read.

Most newspapers are written on an eighth grade reading level. You should include content that is written higher than that of a newspaper. Communicate using headings,

pictures, short articles, and bullet points. Always include your logo or trademark on every page.

The same goes for articles that you want to place in directories, your blog, and any other content you want to use for marketing purposes. The object is to get as many people as possible to understand and want your product or service. This means people of all educational backgrounds should be able to understand what you are selling.

### **Deliver a Quality Product or Service**

Your business will only be as good as its product or service. Be sure that you can provide the best customer service possible for those who order from your site. This means the delivery of the product, the scheduling of the service, and answering any questions that your customers may have in a timely fashion. These little tasks can really help your business take off and become very successful.

Word-of-mouth advertising is free and it is also very powerful. You can conduct all the marketing you want, but if people are not satisfied, you will not see repeat business. You will also not see customers recommending your business to others. Here are some tips for ensuring your customers satisfaction:

- Goods delivered on time and intact
- Service provided when promised
- Easy ordering process online
- Contact information available, and
- Email response to customer question or complaint within twenty-four hours

Do the best you can to ensure that your customers will be pleased and will want to use your services or buy your product again.

### **Build Up a Loyal Customer Base**

Treating customers with respect is one way to build your customer base. Another way is to keep in touch with them by asking them to sign up for your newsletter or email alerts. This is a great way to market your business to customers that will probably buy from you again.

When promoting a new product or service, offer discounts or some other small token of your appreciation such as free shipping. This will also help drive more traffic to your web site. Offering small gifts will make customers feel appreciated and will also prompt them to tell their friends and family about your business.

## **Track Your Marketing Efforts**

After a few months, you will be able to tell how your customers are finding your web site, what items they are purchasing, and which customers are returning to make additional purchases. Tracking this information will help you target who your customers are so that you can send them email alerts, coupons, and other marketing materials so that they will buy more from you.

You can track your marketing in several ways. Your web domain allows you to track how your customers are finding your web site. You can also track individual customers by creating a database that tracks their purchases and how much they spent. Placing serial numbers on coupons will track who is taking advantage of special orders and who is not.

You can also track the number of people who visit your blog each day. This will tell you if writing a blog is worth your time. Some blogs are effective while others are not.

Marketing can be very expensive when first starting an Internet business. Figuring out where to spend your money will help keep these costs low.

## ***HOW TO BRAND YOUR BUSINESS EFFECTIVELY***

Now that you know where to market your business on the Internet and also how to communicate online, you need to make the name of your business and its trademark or logo instantly recognizable both online and in print. Names become brands when people automatically recognize a logo and know who it belongs to. Think of products you use often. They all have names and logos that are familiar. This is not an accident, this is clever marketing.

Running an online business requires you to be clever in your marketing strategies as well. Whenever you send an email, newsletter, write a blog, or add pages to your web site, your business name and logo should appear.

You should consider where your company name and logo should be placed. Many people put it after their name on an email. For newsletters and other correspondence, you should consider placing it at the top of the pages. The same goes for your web site.

Branding your business name can take a few years. This does not mean that you should not market your business aggressively. But there are a few ingredients that go into creating a successful brand:

- Quality of product or service
- Reaching a large amount of people
- Staying competitive
- Expanding
- Communicating with the public

- Utilizing all forms of advertising, and
- Patience

After your business is recognizable by its name and logo, you will be able to advertise online much faster. Your ads will no longer have to coax people to visit your site, but will coax them to return. The power of advertising well will pay off, but in order to remain a brand name, you will have to continue marketing yourself and giving the public what it wants and expects from your brand.

## ***THE POWER OF EMAIL CAMPAIGNS, EBOOKS, AND NEWSLETTERS***

### **Email Campaigns**

When you create your web site, you should include a place for customers to sign up for your newsletter or email alerts. Once you have enough people signed up, you can launch an email campaign.

Email campaigns are a great way to advertise new items, sales, and additional services. But you will have to follow some guidelines so that your email is not considered spam by email filters and people who may have forgotten that they signed up to receive your email alerts.

- Always give your business address in the body of the email. This will tell customers who you are and will make your business look professional.
- Use subject lines that identify who you are. Many times, spam email will include subject lines that are meant to be deceptive. By keeping your subject line clear and simple, you will be able to let customers know who you are so that they don't erase your message.
- Always include in your email a way for customers to unsubscribe from your email list. This will make customers feel they have a choice when it comes to the mail they receive.

When creating email to send, you have several options. You can send weekly newsletter type email for a month or two, you can send an advertisement style email, or you can send a short note prompting customers to check out what is new on your site. Include a link so that customers will be able to find your site with ease.

You do not want to send too many messages because some people get frustrated when they receive advertisements all the time.

For free advertising, an email campaign can really help boost your business, especially during holidays or other times when your service may be needed. You will continue to

build your email list and many have to invest in a mass email sender program that will send your email to the addresses you have collected. This will save you the time of having to enter in all of the email addresses into the computer.

## **Ebooks**

Ebooks are short books that offer people information, entertainment, and instruction on just about anything. Many times, they are used for marketing purposes to persuade customers to visit web sites. Some ebooks are free to download while others will cost people a small fee.

You use ebooks to promote your business by:

- Offering ebooks that are relevant to your business, and
- Enticing customers with topics they are interested in

If you decide to put an ebook on your web site, you should tell your customers about it through an email. Ebooks are considered extras that you can offer your customers for visiting your web site.

You can choose to write the ebook yourself or hire a freelance writer to write it for you. Ebooks should not be too long, but should be long enough to contain important information.

## **Newsletters**

If you do not want to use email as your only form of advertising, you can also send a monthly newsletter that includes articles about your business, the industry that your business caters to, and other information that may be of interest to your customers.

Newsletters should be:

- Two or three pages
- Made of short articles
- Should be conversational in tone
- Should appeal to customers
- Contain information about your business, and
- Include pictures and other graphics

If you want your customers to read your newsletters, you should make them light and easy to read. This will hold their interest and maybe prompt them to visit your web site. You should also include an option to unsubscribe to your newsletter at any time.

Newsletters like other forms of advertising are meant to promote your business without make it seem obvious. The writing should be relevant to your business, but should not be a blatant advertising ploy.

### ***CUSTOMER RESPONSE***

Since customers are who keep your business alive on the Internet, it is important to listen to what they have to say. Create a customer response page on your web site and ask for comments. You may be surprised at the response you will receive.

Customers are very willing to make comments, suggestions, and offer ideas on how to improve or continue a service that they like. You will learn a lot about your customer base and you may find ways to improve your web site by making small changes. While not all customer responses will be useful, adding a page that offers customers a chance to tell you how they feel about your business is a chance to increase your marketing knowledge for free. This can prove invaluable in some instances.

For added responses, answer your customer's suggestions, comments, complaints, and other correspondence. They will appreciate your reply and want to tell their friends and family to visit your web site. These are customers who will also buy from your site again.

### ***HOW TO PROMOTE ITEMS ON YOUR WEB SITE***

As you add more goods and services to your web site, you will want to tell people about it. This is a good opportunity to market your business and bring in some new customers.

Promote individual items on your web site if:

- They are unique from other items offered
- The price is reduced
- The promotion is only for a limited time
- The items are of limited quantity or availability
- The items are used to promote other items, or
- Items are of interest to customers

Once you have tracked your marketing efforts for a few months, you will be able to tell what matters to customers. Different customers care about different things. Knowing how they found you will offer clues as to what they care about the most when shopping.

Offering promotional sales on the goods and services that you provide will prompt people to visit your site and hopefully find something of interest. When promoting items, make sure they are listed next to other items of interest. This will suggest that they buy both. Suggestive marketing works many times.

Other ways to promote your business include:

- Clearance items
- Buy one, get one items
- Daily specials on services provided
- Email coupons
- Free gift incentives, and
- Free shipping

Getting something for free or at a great discount means a lot to people who shop online for the goods and services that they purchase. While you will be able to reach a wide variety of people on the Internet, the bottom line is that you need to make money by offering something for sale. Having sales during the holidays, seasonal sales, and at other times will help you generate more traffic that will hopefully lead to more sales.

Marketing is as much about parading your business name and logo on the Internet as it is about offering customers incentives to order from your web site. By combining marketing and incentives, you will be able to build a customer base, earn loyalty, and be able to build a solid business.

In business, you will find that marketing will not stop. If you are busy fulfilling orders or providing a service, understand that you will still need to try to attract new customers. Keeping a business running successfully means finding new customers at all times.

### ***HOW POOR ADVERTISING CAN RUIN YOUR BUSINESS***

Good advertising can move your business forward in many ways. But poor advertising can cause your business to fail quickly. Common advertising mistakes that people make include:

- Not choosing the right business name
- Not taking advantage of different Internet marketing arenas
- Using poor content for your web site
- Web sites that do not work properly, or
- Not meeting people within your industry

These are just some of the mistakes that people make when opening their own business. You have to be proactive when it comes to advertising. If you do not market your business each day by using some of the methods mentioned so far, no one will know that your web site exists. What is worse is that people will not buy your product or service. You will have to close your business before it had a chance.

Poor advertising begins with a web site that does not look professional and is filled with content that is poorly written. When people visit a web site, they will judge it within a

minute or less. This means that you have to make a good impression right away. Web site advertising mistakes include:

- Colors that do not match
- Loud music
- Graphics that are moving too quickly
- Font sizes that are too small or too large
- Content that does not make sense
- Grammatically incorrect content
- Links that do not work properly, or
- Outdated information

If your web site is not professional and does not contain content that is relevant and informative, customers will not trust your business and will not want to purchase anything on the site.

Because of poor advertising, you will lose potential customers. These customers are also unlikely to return to your site. There are many web sites that are competing for consumer attention. People do not have time to revisit every site they find.

You need to pay attention to your web site and to the content you put on it. Other areas you will also have to focus on are places to advertise, and to make sure the information you are posting online is current and will lead people quickly to your web site. Poor advertising can ruin a business quickly. Be sure to take the time to advertise properly each and every day.



## **Chapter 3**

# **CHOOSING AND REGISTERING YOUR BUSINESS**

After you have given your business a name, created a web site, and have begun your marketing research, you should consider registering your business in the state or providence where you live. Registering your business has many benefits, including copyright privileges to your businesses name, logo, or trademark, tax benefits, and ownership of a small business. This chapter will provide you with a clear definition of what business registration is, how it can help you, and the steps you will need to take when registering.

### ***WHAT IS BUSINESS REGISTRATION?***

Business registration is similar to having a patent for a product you have created. It is an entity that you build that generates income. Once you have registered your business, it is unlawful for other people to use the name, logo, or trademark from your business for their own financial gain. If they do, you will have the right to tell them to stop. If they don't, then you have the right to file a lawsuit. Registering your business can have many advantages including:

- Protecting your business name and other identification from theft
- Have the ability to open a business bank account
- Apply for small business credit cards and loans
- Qualify for small business tax incentives
- Qualify for grants and other government aid
- Instant reputation
- Good for marketing purposes, and
- Allows you to hire additional staff if needed

### **Protecting your business name and other identification from theft**

As you can see, if you want to open a business that you plan on running for a long time, it is in your best interests to register the name and logo as soon as possible. While thinking of a name may be the hardest part about registering, you should conduct research beforehand so that you don't choose a name that is already taken. You should conduct state, local, national, and worldwide searches so that you don't steal another person's business name.

This is particularly important when establishing an online presence. If you are selling a product or service to customers all over the world, you will want to be sure that you are not using another businesses' name, especially if they offer similar services.

Many times, companies that are unrelated or who are separated by oceans do not care if another company has the same business name as long as logos, slogans, and trademarks are not stolen. But if you want a completely original name for your business, you will have to do your research to make sure you choose a name that is not currently being used. The state or town that you register your business in will have a database that you can search which will make registering your business name easier.

### **Have the ability to open a business bank account**

With a business bank account, you will be able to keep your money and your business money separate. This is very important because even though you may contribute some of your own money to start-up the business, when tax time rolls around, you will only be responsible for monies that you earned through the business.

### **Apply for small business credit cards and loans**

There are many benefits to opening a business credit account. You will be able to earn a lower interest rate, qualify for an unlimited line of credit, and track your expenses by keeping them on one monthly receipt. People who use these credit accounts can also help rebuild their own credit.

### **Qualify for small business tax incentives**

Depending on which type of business type you register your business under, your business may qualify for tax breaks and deductions. You should contact an accountant to find out which laws you can use to your advantage. In an effort to promote small business development and growth, tax breaks have been made in order to help people build their business.

### **Qualify for grants and other government aid**

If you need assistance in starting your own business, you may be able to qualify for state and local grants and other types of financial aid. There are many grants that are dedicated to those who want to start a business. You should check out local charities, organizations, and local government web sites to see what is available. Online businesses are also eligible for grants and other types of aid.

### **Instant reputation**

Registering your Internet business will instantly separate you from less professional Internet businesses. You will be looked at as legitimate which will increase your web

traffic and customer purchases because people will feel more comfortable ordering from you.

### **Good for marketing purposes**

Being able to say you are a registered business will help you market your product even more on the Internet. Since many people are still wary of using the Internet to acquire goods and services, being able to call yourself a business will help ease some of the hesitation to buy items from the Internet.

### **Allows you to hire additional staff if needed**

Small businesses have a difficult time hiring employees because they usually cannot afford to pay for health insurance. Internet businesses that are not registered may have an even harder time hiring employees because potential employees will not feel as they are working for a legitimate company. Give employees a sense of ownership and pride and they will remain loyal.

## ***TYPES OF SMALL BUSINESSES***

There are four types of small businesses you can choose from when registering your business. While each of these businesses has pros and cons, you should be able to find one that will satisfy which direction you are planning to take your business. The four types of small businesses are:

- Sole proprietorships
- Partnerships
- Corporations, and
- Limited liability company, or LLC

Before making this decision, you will have to consider items such as:

- Business growth over time
- Tax laws
- Products or services being sold
- Liability
- Loss or profit that is expected
- Control level
- How the money flow is organized
- Reinvesting profits into the business

Having a business plan that outlines potential growth over a three to five year period will help you decide which type of business to open. While you can change the type of

business, this can only be done once a year. It is important to have a full understanding of the types of businesses that are offered.

### **Sole Proprietorships**

If you want to be the sole owner of your business, then choosing a sole proprietorship may be the type of business for you. Most people who run their own businesses choose the sole proprietorship. Other aspects of this business type include:

- It is easy to set-up and control
- The owner controls business direction, and
- The owner maintains all control over profits

There are advantages and disadvantages to running a sole proprietorship which you should be aware of before committing to this type of business. Even after you have learned about the pros and cons of sole proprietorships and other business types, you many still want to register your business as a sole proprietorship because it may be the only category that you fit into or you may decide that this business type is the one that will suit you and your business the best.

The following is a list of pros and cons to choosing a sole proprietorship for your business classification.

#### ***Pros***

- Easy to file taxes
- Easy to start-up or dissolve
- Business decisions are made only by the owner, and
- The owner decides how to use profits to better the business

#### ***Cons***

- Unlimited liability
- Reliable employees may be difficult to find
- Out-of-pocket costs may be high, and
- Paying medical benefits for the owner and employees may not be deductible as business expenses

Unlimited liability means that as the sole owner of your business, you will be held responsible for any financial risk, lawsuits, or other monetary complaints that are launched against your company. This means that if the income from your business cannot pay the damages, then the money will have to come from your personal bank accounts.

This could cause you to go into bankruptcy or foreclosure if you cannot pay. This is perhaps the biggest disadvantage of choosing a sole proprietorship.

Also, since many small businesses cannot afford to pay for their employee's medical expenses, you may not be able to hire reliable people to work for you. Many times, those who are hard-working and willing to go that extra mile for the company they work for cannot work without receiving health benefits. Even if you offer some health benefits, you will have to pay the premiums out of pocket and expect less of a tax break.

## **Partnership**

If you are thinking about going into business with another person or a group of people, you may want to consider a partnership. When considering this option, you will have to plan carefully so that you do not run into problems later on, or if the business fails, you do not end up having to pay more than you should. Before forming a partnership, consider drafting a written agreement that states the following:

- Amount of money each person is contributing to start the business
- Who will be handling which jobs
- What happens if the business fails
- How a buy-out will work
- Rules about allowing others to join
- How to handle disputes
- What happens if the business expands
- Hiring of employees
- Reinvestment guidelines
- Monetary decisions

These are just some of the topics that should be discussed and formally agreed upon in writing. Partnerships are only as stable as the friendships behind them. You should consider many scenarios and options when writing this agreement. The advantages and disadvantages of forming a partnership should also be explored.

### ***Pros***

- It can be profitable if partners can work together
- It is easy to create
- Better chance at finding employees
- More capital to start with, and
- It is easy to file tax return

### ***Cons***

- Unlimited liability
- Potential for disputes
- Employee benefits may not be deductible
- Control over money is shared, and

- The partnership can dissolve at any time

Forming a partnership involves trust on both sides in order for it to be successful. While there is always a risk when opening a business, if you have doubts about another person's abilities to contribute to the business and make it flourish, you should consider running the business by yourself.

This is especially true of Internet businesses since the medium is still relatively new. Marketing decisions made on the Internet require time and some money in order for them to be productive. When choosing an Internet business partner, you should:

- Find out about their Internet experience
- Find out about their marketing skills
- Find out about their work ethic, and
- Find out other skills they can bring to the business

This will help you choose the right partner. People who can work well together often share the same dream or goal. You should find a partner who feels that same way you do and who is also willing to put in a lot of work during the first year of operation. Partners share in the triumphs and in the failures of any business. Having a partner that is a problem solver and analytical thinker will help to keep the business going and will also help make it grow.

## **Corporations**

Incorporating your business is a big step that you should only consider once the business has taken off. Many small businesses incorporate in order to maintain their strength and make room for expansion. If you want to incorporate, you should consider the following:

- The size of your business
- Giving up total control of business decisions
- Sharing profits with shareholders
- Allowing other people to give input, and
- Making your business grow

As you can see, there are many advantages and disadvantages to incorporating your business. Before choosing this business type, take a look at the pros and cons.

### ***Pros***

- The business becomes its own entity
- The business can continue even after ownership has changed
- Tax breaks
- Employee benefits deducted from income, and
- The business has more room to grow and expand

### ***Cons***

- This business type takes more money to set up
- Pay more in taxes each year
- Advanced bookkeeping needed
- More paperwork to file, and
- The federal and state laws are stricter

Before incorporating your business, you will need to ask yourself what you expect from the business, how much control you want to give up, and how large you want your business to become. Internet businesses that do well often become incorporated because they become too large for one person to manage. This means however, that people can purchase your company's stock. Since there is a lot of competition on the Internet, many companies will buy each other out in order to reduce this competition. There is a good chance you will lose your business if you decide to incorporate and have to sell off a majority of your stock. If the company can retain the majority of its shares, then the business should not be in any danger.

### **Limited Liability Company (LLC)**

The last business type is the limited liability company, which is also the newest form of business type. An LLC is a combination of a corporation and a partnership. They are used to give tax breaks, help small businesses maintain control, and to offer protection of personal assets.

When looking into an LLC, you should understand how a corporation and a partnership work. An LLC is more difficult to set up than a partnership, but it will give you many benefits of a corporation. You should consider this business type if you see the potential for growth, but do not have the capital to risk if an accident or fraud occurs. An LLC offers limited liability to those involved.

### ***HOW TO REGISTER YOUR BUSINESS***

Once you have decided which business type fits the needs of your business, you should file the necessary paperwork in order to register. Each state has its own guidelines and paperwork that will need to be filled out, and also fees that will be required need to be paid. There will be federal forms that you will need to fill out as well.

These forms can be found on your state's web site or by visiting government web sites that contain information about starting your own business. You can download the forms, fill them out, and send them to the correct department, and in some cases, you can register online. When filling out paperwork, you will need the following:

- Driver's license information
- Social security number
- Name of business
- Other proof of identification
- Tax information, and
- References

You may need other information depending on the state you live in and the business type you are interested in applying for. If you are forming a partnership, you may need to fill out paperwork together and sign it in front of a notary.

After filing your business name and other information, you will receive an EIN, or employee identification number. This number will be used to identify your business during tax time and will be used if you decide to hire employees. This number should never be shared and should only be used for business purposes. With an EIN, you can open a business bank account and take out loans for business purposes if you need to.

## **COSTS INVOLVED**

The costs involved in forming a sole proprietorship are small, but they will be more if you form a partnership, corporation, or LLC. You will have to pay these costs up front, and every year to renew your registration. Business registration should be renewed each year in order to remain current so that others cannot use your name. Once you have dissolved the business or you choose not to renew your registration, you will run the risk of someone else using the name.

## ***DISSOLVING A BUSINESS AND OTHER QUESTIONS***

### **Dissolving a business**

If, for some reason, you decide to dissolve a business in order to start another one, leave a partnership, or retire, you should be aware that some business types are easier to dissolve than others. While sole proprietorships and LLCs can be dissolved easily, partnerships and corporations cannot. This is for several reasons:

- One partner does not want to close business
- A partnership agreement does not exist
- The corporation has grown too big, or
- There are shareholders involved

These are just some of the reasons why some businesses are harder to dissolve than others. If you go into a partnership without a detailed agreement which should outline guidelines for dissolving the business, you will be doing yourself and your partner a great



disservice. Resolving these problems now will help later on if the business fails or if one of you wants to retire.

Dissolving a business can be a tough decision. After putting in months of hard work, creating a web presence, and offering the best quality product you can to your customers, you may find that your bottom line just isn't getting any bigger. Sometimes trying a new marketing strategy will work. Other times it is just best to close the business and focus on something else.

Some Internet businesses take at least a year to turn a profit. You have to be willing to invest that much time in the business in order to give it a fair try. Many people wrongly believe that the Internet is the way to a successful business that will make a lot of money right away. This is simply not true. Those who are realistic, market their business well, and who are willing to work hard will see a profit. This profit will grow over time.

### **Renewing business registration**

Each year you will have to renew your business registration, and you will likely receive notice in the mail. In most states, you will have to pay your taxes before you will be allowed to renew your registration. At this time, you will also be able to change the business type you had originally registered under. There are several reasons for this, including business growth, partnerships created or dissolved, and the need to hire employees.

When renewing your business and changing its status, you will have to fill out more paperwork. Keep in the mind that it may cost more to register your business under a new business type. There may also be new requirements that you will have to follow in order to conduct your business in a legal way. Research these requirements so that you will feel confident that you can meet them. Corporations are looked at closely during tax time, so having your books up to date will certainly help.

### **Finding an Attorney**

If you find that registering a small Internet business is too complicated because of the number of partners you have, or you don't understand some of the legal terminology, you should consider hiring an attorney. Business attorneys will work with you to explain all the background information you will need when establishing a business.

Before making a decision that is not the best financially, talking with an attorney who can offer advice is a good idea. If you are entering into a partnership, you should consult an attorney who will be able to draw up a contract that is fair to both parties.

Attorneys can also be used when creating a corporation. Many times, small businesses that become corporations can become too crowded with many interests at stake. It is best

to let an attorney draw up the proper documents and help in establishing a governing board that will make all of the financial decisions.

### **Concerns about liability**

Start-up businesses should be concerned about liability because one or two lawsuits could drive the business and its owners into bankruptcy. As you will read in the following sections, only certain business types have unlimited liability. This is because the businesses that choose to become sole proprietorships or partnerships have less risk involved due to the very nature of their business. If you decide to open an online marketing firm, you should consider a limited liability company. This will protect you from claims that may be made against your company. Many times, frivolous lawsuits are directed toward those who are in advertising and marketing.

If you do not want your personal finances attacked, then you should consider an LLC when registering your business. Even though these types require more paperwork than the sole proprietorship, you will feel much better knowing that your personal assets will not be touched if there is a lawsuit filed or if you have to close the business.

There are many other questions you will have when the time comes to register your business. Take it one step at a time and make decisions that are based on your business plan. Having a business plan will allow you to forecast your future income, the number of employees you may need, and other concerns that may come up. These factors will help you choose the right business type for your company's future.

## **Chapter 4**

# **OUTSOURCING**

As your business begins to grow, you will have to make certain decisions that will help you continue selling a quality product or service, ensure customer delivery in a timely manner, be able to market your business, and keep track of its growth accurately. This may require hiring employees or outsourcing certain tasks to those who are qualified to handle them.

Many times outsourcing work is a more affordable way to go. Small businesses cannot afford to hire employees to work full-time because they may have limited work space, no budget for health insurance, and may have periods of time where there is nothing to do.

Typical outsourcing projects include:

- Marketing projects
- Data entry
- Accounting
- Shipping
- Answering customer questions
- Writing and editing
- Programming, and
- Web Design

This is only a small sample of the outsourcing projects that you may need completed. First, you need to have a clear understanding of what outsourcing is and the costs that are involved.

### ***WHAT IS OUTSOURCING?***

Outsourcing is when a company hires people to work for them on a temporary or freelance basis. When a company is overwhelmed with certain types of work, they may hire people from the outside to come in and help. Outsourcing work to other countries has become very popular over the past few years. There has been much debate over this type of outsourcing because it can hurt those whose jobs were sent overseas.

For your purposes, outsourcing can help you if you are running your Internet business by yourself. Depending on the type of goods or services that you provide, you may need help fulfilling orders, providing services, marketing assistance, bookkeeping, and other tasks that you cannot accomplish during the day.

Outsourcing work is different from hiring employees on a part-time basis. Hiring full-time or part-time employees means that you are entering into a contract and you will have

steady work available. While you may have stretches where this is true, these projects may not last for more than a month or two. The advantages to outsourcing include the following:

- Freelance workers are responsible for withholding their own taxes
- Your business does not have to provide health insurance
- You do not have to work with the same people every time
- You will be able to focus your time on other areas
- You will be able to satisfy more clients and customers, and
- You will build a strong group of people that you can turn to often

As a small business, you will not have enough money to provide health benefits for at least a year to your employees. Even if you only have one or two employees, health insurance policies are very expensive. Unfortunately, this could hinder your chances of hiring employees that are going to be loyal and help you build your business.

Outsourcing extra work instead of hiring employees is many times the answer for small businesses. Outsourcing can also fulfill other needs including web site management, bookkeeping, and marketing. If you become too busy fulfilling orders, you may not have the time to update your web pages or balance your bottom line. Outsourcing these tasks will cost you money, but it will definitely save you time.

### ***HOW DOES OUTSOURCING WORK?***

There are two main types of outsourcing that you will be interested in knowing more about when running an Internet business. One type is finding help fulfilling orders or providing services, and the other type is finding help with all of the administrative and advertising duties that are involved when running a business.

When looking for help, you should be very specific about what you are looking for. You should create a list of duties that need to be performed. This will help you decide what is the most important, and the tasks that need completed most urgently. Items to list include:

- Day to day administrative tasks
- Tax time tasks
- Marketing tasks
- Payroll tasks
- Web site maintenance
- Taking orders from customers
- Fulfilling orders from customers
- Answering customer questions
- Finding customers
- Delivery of goods, and
- Performing onsite tasks

As you can see, there are many aspects to running an Internet business that transfer into the real world. This list may be longer or shorter depending on the type of business that you want to build.

After you have created your list, you should see how much is in your budget for hiring extra help. If you are on a tight budget, but are starting to get too busy to focus on certain aspects of your business, then you may need to outsource. Choose the items on your list that will be the most profitable to you in the long run.

For example, if you want to focus on attracting more customers, you may want to hire a web management firm to handle your marketing needs. This can be expensive, but if it will give you more time to handle the other areas of your business and will give you a chance to keep current customers happy, then your business will profit more in the end if you outsource this work.

If your business has busy times and slow times during the year, you can outsource work only when you have it, or when you are too busy to handle it yourself. Outsourcing is a great way to stay on target during those times when the orders are coming in or the phone doesn't want to stop ringing.

### ***CREATING AN OUTSOURCING BUDGET***

When considering outsourcing extra work, you will have to create a separate budget to track the amount of money you are paying for projects that need to be completed. Most outsourcing is paid by the project, rather than hourly. Items to consider when creating your budget include:

- The amount of time and money saved when outsourcing
- The amount of money per project
- Monthly amount available for projects
- Increase or decrease of yearly income, and
- The number of projects that need to be completed

Once you have drafted your budget, you should compare it to your overall business budget. This will give you a good idea of how much you can spend each year outsourcing projects.

You should not outsource too many projects as this will only cost you more money in the end. Outsource projects that you feel will be the most profitable.

Each year, reevaluate this budget to see if there is room for more or less projects. Hopefully, by outsourcing some of the work, you will see an increase in your income from year to year.

## ***FINDING THE RIGHT KIND OF HELP***

Once you have determined a need for outsourcing work and created a budget, you will have to find qualified people who will work on a freelance or temporary basis. Places to look for this type of help include:

- Newspapers ads
- Online freelance bidding sites
- Word-of-mouth
- College campuses
- Trade journals, and
- Phone books

There may be local places where you can go, such as temp agencies and other places that hire freelance workers for outsourcing purposes.

Placing an ad or posting a project that people can bid on will yield many responses. You will have to judge for yourself who is the most qualified. There are many people who feel they are qualified to perform certain job tasks and may seem competent, but in reality, they are not. When looking at potential people to outsource materials to, you should consider the following:

- Qualifications
- References
- How they present themselves
- Samples of their work
- How they would react in hypothetical situations, and
- Written correspondence

While these are just some of the qualities you should be looking for, you may have others that will suit your business.

After selecting people or firms to outsource work to, you should create documents such as:

- Non-disclosure agreements
- Freelance contractor agreements
- Privacy agreements, and
- Plagiarism agreements

This will remind people that they are not employees of yours; they are working with you on extra work that needs to be done. You should make sure that all people that you work with on an outsource basis are aware that they are not employees, just temporary workers.

## ***WHEN IS IT NECESSARY TO OUTSOURCE?***

You may be wondering when it will be necessary to outsource work and when the best times to find freelance workers would be. In any small business, there will be times that are busier than other times. Even though this will depend on your business, whether you have a partner, and the time of year, you should be prepared for outsourcing some of the work at certain times. Some of the most common times to outsource work include:

- During business expansion
- Holidays
- Tax time
- If an employee leaves or is let go, or
- Other life events take over

Outsourcing is needed during those times when you simply cannot complete all the tasks of running a business yourself.

During the first year of your business, you may not need to outsource any work. Even into your second year, after you build your customer base, you may not need to outsource.

But when it is time to build your customer base with ad campaigns that includes email, brochures, ebooks, updated web pages, and other marketing devices, you may want to outsource this work to a marketing firm or individual who can handle all of this work for you.

In order to make more money, you have to spend money. Hiring a marketing firm that will take a look at what you have done so far, and then coming up with new Internet marketing strategies will save you a lot of time and hours of research. These firms specialize in finding out exactly who your customer base is and how to entice them.

If you provide a service, you may need to outsource some of the projects. For example, if you run a carpet cleaning business that takes orders online, you may have to hire extra labor during those months when you cannot fill all the orders yourself.

## ***HOW TO SCHEDULE OUTSOURCING PROJECTS***

Outsourcing projects can become complicated if you do not have a schedule of the tasks that need to be accomplished. Deciding where freelance workers will perform their jobs is the first consideration you will have to resolve. For most outsourcing projects, the work is done by freelance workers at their homes.

When you find reliable people to work for you, the next step will be setting up tasks and due dates for these projects. You should set definite times and dates for the completion of

the work. You should give everyone involved a reasonable amount of time so that they can provide quality work that you will be able to use in your business.

If you do not receive the work that you hired freelance workers to perform, you may have to complete the work yourself or hire other people. Outsourcing in many ways depends on luck. After interviewing people, hopefully, you will choose those who are reliable and competent enough to follow through and produce good work.

Bookkeepers, writers, and marketing staff can be hired from temp agencies and other firms that will be responsible for the quality of the work performed. While this is not a guarantee, at least you will be a little more confident about who you are hiring.

### ***MANAGING YOUR OUTSOURCING PROJECTS***

If you have prior business management experience, you will be able to direct your employees on how you want them to perform their jobs. But if you have never been in a management position, it may be difficult for you to give direction and tell people what you expect from them.

There are ways to overcome this fear of managing others. You have to remember that the work others are doing for you is to benefit your business. Eventually, you will have to outsource projects because you will be too busy to handle every detail.

When managing others, you should:

- Be clear about what you expect
- Give clear due dates
- Try to answer all questions as soon as possible
- Be lenient about schedules
- Ask questions about how the project is going
- Assign more projects if you have them
- Earn trust by being friendly and polite, and
- Hire those who perform well for other projects

Once you begin working with people you can trust, your management skills will start to improve. Since you will be communicating through email with those who are working from home, you should include information in the email that is clear and easy to understand. You should try to answer questions about outsourcing projects as soon as you can so that your workers can get the projects completed on time.

If you have a partner who has business management experience, you could split these duties. If you would rather handle customers and orders, your partner can work with those you are using for outsourcing purposes. Many times partners who work well together will take over different roles within the business. Depending on the strengths and



weaknesses that each of you brings to the partnership; you should be able to take on different tasks in order to run the business.

### ***SUCCESSFUL OUTSOURCING***

In order to have a pleasant outsourcing experience, you will have to remember the following:

- Make sure everyone involved knows this is temporary work
- Have everyone fill out paperwork that states they are temporary workers
- Talk to people before hiring them
- Make sure everyone hired is qualified
- Hire professional web marketers
- Be aware of your rights – you do not have to withhold taxes or provide health insurance
- Decide how you will be paying freelance help, and
- Create a budget

If you are clear on what you are looking for and honest with those you are working with, you will be able to form solid business relationships and hopefully be able to outsource other projects that come along.

Finding a detailed bookkeeper, a marketing firm that delivers what it promises, and finding data entry help that is accurate when there is an influx of customer orders will help your business run smoothly.

While there are many duties that you as a small business owner can handle, you will have other responsibilities such as your family, being able to spend time with friends, and also enjoy some of the profits you have made by taking up new hobbies or going on vacation. Outsourcing will create more income for your business and will also give you more time to relax and watch your business grow.

### ***WHEN TO CUT BACK ON OUTSOURCING***

If you need to cut your budget, you should look into cutting back on outsourcing projects. This is the easiest way to ease budget constraints. Finish up all existing projects and create a new budget that reflects these cut backs. Reasons to cut back on outsourcing projects include:

- Lack of new customers
- Focusing on other areas of a business
- Budget issues
- Hiring of full-time employees, and
- Downsizing or expanding a business

Since outsourcing is for extra projects that you want to complete, you can save money by either completing the work yourself or by deciding not to expand the business. If you are in a partnership, you may be able to split extra tasks with your partner in order to maintain a healthy, successful business

## **Chapter 5**

# **PITFALLS OF INTERNET BUSINESSES AND HOW TO AVOID THEM**

### ***COMMON PITFALLS***

As with any business venture, you will come across some stumbling blocks along the way. While many of these stumbling blocks will be annoying and may cause your productivity to go down, you should be able to overcome them by staying focused and in touch with what your customers and clients require from you. But there will be some pitfalls that are beyond your control. Major pitfalls that could harm your business include:

- Poor advertising
- Income per month
- Web site problems
- Customer complaints
- Influx of business: Managing your time
- Hiring a staff
- Working alone

These pitfalls could happen to any business owner, but they can be potentially dangerous to those who run Internet businesses because the risk of losing business is much greater than when operating from a store front. It is much easier to bring in new customers when you have a store front business than when you have an Internet business.

When you are faced with one of these problems, you will need to find creative solutions many times in order to remain profitable, continue providing quality services to customers, and also maintain a certain amount of professionalism so that you will continue to see new customers.

The Internet can be a cruel and lonely place when no one is viewing your web site. Being able to advertise in a way that will draw people to your site quickly and repeatedly is the goal of any online marketing campaign. But even after your best efforts, you may not see the traffic you are hoping to see. This can be very discouraging, but there are ways to recover, start over, and market your business even better.

### **Poor advertising**

This is the biggest pitfall that an Internet business can fall into. It can happen very quickly and may harm your chances at building a successful long-term business.

The Internet is filled with millions of web pages. These web pages contain information about anything a person would like to know. There are a few ways that people can find these web pages:

- Type in your web address
- Use search engines
- Click on an ad while viewing another web site
- Search online databases and directories
- Click on affiliate links found on blog pages
- See advertisement on open forums
- And more

If you are not advertising your web site, then no one will find you unless they have your web address. Unless you are using the Internet to promote a store front business, people will not even know your business exists. The best way to ruin your business is by not using the materials that are available to you and market yourself.

In chapter 1, you learned about ways to market your business. You learned how to create a web site and ways to promote it. Many times, you will be successful in building a customer base by using the marketing techniques that were specified. But for some Internet businesses, it is more difficult to draw people to a web site.

One way to help distinguish your business from the rest is by raising your rank in search engines. Typically, when people conduct a search, they will use general terms to find what they are looking for. Once they are given a list of web sites that might match, most people will only look at the top five. This means that even if you can offer what they are looking for, if you are ranked below five or ten, your site will never be seen.

This can be devastating for any new business that has not had time to expand and grow on the Internet like other businesses. But there are ways that you can help raise your ranking on the Internet.

- ***SEO Keywords*** – Search Engine Optimization using specific keywords and phrases will help your web site reach the top five in many search engines.

When a search engine is looking for relevant web sites to add to its list, it will look for the words that a person has typed in. The web sites that are filled with these words will be chosen first. This is one way to achieve a higher rank on a search engine.

But you cannot simply fill your web site with keywords that you think people will type into a search box. In recent years, Internet laws have been passed that prohibit the use of repetitive articles posted on the same web site and also adding words into the text that will increase a web sites ranking.

Also, as search engines have become more sophisticated, they are more sensitive to this behavior.

You can use SEO keywords to your advantage by writing articles that are of good quality, that provide information about your business, and utilize common keywords that people may type in when looking for your services.

If you cannot write these types of articles or if you do not have the time, you can hire freelance writers who will write these articles for you.

- ***Update your web site often*** – If want people to return to your web site, you have to give them a reason to. You can offer updated articles on topics that customers will find interesting, offer ebooks that will teach and instruct, and make your graphics stand out by using colorful images that you change at least once every two weeks.

Updating your web site when you have new products to offer, new promotional deals, and news that your customers would be interested in knowing will also help keep traffic to your web site steady.

Since your web site is the main form of communication for your business, you should create a site that is fun, easy to navigate, and updated regularly. If you have a blog, you can mention the updates without sounding like a salesperson.

- ***Keep marketing*** – This is important even after your business begins to make a profit. You will have to constantly market your business in order to keep new people visiting your web site. This means continuing to advertise on other web pages, keeping up your blog, joining new forums and subscribing to newsletters that are relevant to your field.

Other ways to market your business is to write for these newsletters. Many times, the newsletters will place your web address below the article. This is free advertising for writing about what you know. You can also donate your skills to charitable causes either online or in person. Charities will certainly display the business web address on their web site and in other places.

Another way to advertise is to leave your computer and participate in local events where you will have a chance to promote your business.

Poor advertising skills can be improved by observing how other web sites are marketing themselves, and by looking into all of your options. If you decide that you do not have the time, interest, or know-how to market your business, you can always outsource this job to a marketing firm. These firms can be expensive, and may charge by the hour or by the project. You should outline what you would like to have done and then ask about the cost.

All businesses require a certain amount of advertising in order to attract customers and others who will want to see what your business has to offer. Running an Internet business requires more attention to advertising because the Internet is so vast. There are many companies online that offer the same or similar products and services as you. Being able to distinguish one's business from the rest is very important. Continually marketing your business will help you increase your customer base and will also you increase your profits each year.

### **Income per Month**

Each month you will probably have to earn a certain amount to pay your bills, increase your savings, and afford to keep your business going. When starting a new business, you will find that your first months may bring in less money than you originally thought. You may find that even with all of your efforts to market your business, you are not seeing the amount of customers visiting your web site as you would like.

While your income will increase over time, you may not be able to wait too long. Depending on your economic situation, you may only have a few months to work with. This can add a lot of pressure and could cause you to make mistakes along the way which could end up costing you more money. Common mistakes that people make include:

- Not spending enough time researching and defining a marketing strategy
- Not tracking hits on your web site
- Creating a poor business plan
- Spending too much money on a web site
- Not tracking expenses properly, and
- Giving up too quickly

There are ways to avoid these pitfalls which could inhibit your earning potential and end up costing you more time and money trying to figure out your expenses and your actual earnings during tax time.

***Not Spending Enough Time Researching and Defining a Marketing Strategy*** – It is very important as an Internet business owner to track how much you earn each month, how much you spend on marketing, and how many people are responding to your marketing attempts. Even though this may take a few months before you can have data to analyze, if you feel that the marketing strategies that you are using are not working as well as they should, you need to look into other marketing options.

Even though the Internet is the fastest growing means of communication, you may find yourself lost in the sea of web pages and open forums. You should not forget about traditional methods of advertising, such as placing an ad in the newspaper, phone book, and trade magazines. You should also look into direct mail marketing campaigns.

***Not Tracking Hits on Your Web Site*** – In order to determine which marketing strategies are working and which ones should be altered, you will have to track how your customers are finding you. When you purchase a domain, you will be given access to your web site's daily activity. You will find out how many people visited your site each day, if they used your web address, open forum, clicked from your blog or other web site, or searched you out using a search engine. These daily statistics are invaluable when you have to make financial decisions concerning marketing.

***Creating a Poor Business Plan*** – Having a realistic business plan creates a road map for you to follow when starting a business. You should refer to it often so that you will not end up spending more money than you can afford. This may mean making sacrifices along the way which include not hiring a staff immediately, choosing one or two ways to market your business, spending long hours finding and keeping customers, and much more. A business plan can help you decide which direction to take your new business.

***Spending Too Much Money on a Web Site*** – Even though you want to attract customers with a web site that is attractive and informative, you should stay within your budget. Adding a lot of flash and graphics may not help your business grow. You should research which web sites appeal to you and copy them in style and in the ways that information is presented. Remember that a web site is where your customers will go for additional information and to order your goods and services. You should create a web site that is pleasing to the eye, but also informative and easy to navigate. If a customer cannot find what they are looking for easily, they will go somewhere else. Keep your pages in logical order, create a page that makes it easy to place an order, and include content that people will be able to understand.

***Not Tracking Expenses Properly*** – You will need to learn how to create a simple tracking system for your expenses and earnings using a spreadsheet program or other computer program. You may not have enough money to hire an accountant or bookkeeper right after starting your business, so this is a skill you will have to learn.

Tracking expenses and earnings will make paying your taxes and deducting materials and supplies much easier. You should devote a little time each week to updating your spreadsheet. By tracking your expenses, you will be able to tell how much money you are spending and where it is going each week. If you need to make adjustments in order to earn more money each month, you can look at where changes can be made.

***Giving Up Too Quickly*** – The bottom line is that it takes an Internet business at least five to six months before it will turn a profit. You will have to wait this long to see if your marketing efforts are paying off.

When creating an Internet business, you should be able to give the business a year to grow. While you may not be making as much as you would like in a year, you will be able to see a small profit, which will grow over time.

## **Web Site Problems**

If your web site is not working properly, you will lose customers. Neglecting web site issues will cost you a lot of money each day. All too often, small business owners get caught up in fulfilling customer orders, marketing, or looking for ways to expand their business, they forget to check to see if their web site is functioning properly each day.

Common web site problems include:

- Pages that cannot be seen
- Links that do not redirect customers to other pages correctly
- Web sites that are 'unavailable'
- Links to web sites are 'unavailable'
- Web sites that are not updated frequently, and
- Many other errors that can, and do happen

You should check your web site at least once a day to make sure that it is running correctly. If you find problems, you should try to correct them as soon as possible by looking at the problem or contacting your web master who is in charge of updating and keeping your web site working properly.

## **Customer Complaints**

Customer complaints come in many forms. These complaints can be about the quality of the product or service you are selling, the length of time it took to receive the product, the content on the web site, and many other issues that left the customer unhappy.

Even if the complaint is not justified or if the complaint is not something you can control, you should try to answer the complaint by providing information, solutions, and advice on what to do next.

If you receive a complaint that is about your web site, you should try to find the problem the customer is describing and try to fix it.

Always answer customer complaints. Even if there is nothing you can do, not answering a complaint will cause a customer to become more upset. This could lead to other complaints or the loss of future sales. Even though the Internet is one of the best ways to find goods and services, word-of-mouth can still benefit or destroy a growing business. Treat complaints seriously and try to remain professional at all times. This may not solve the customer complaint, but it may persuade them to order from you again and tell people that you are helpful and reliable to work with.



## **Influx of Business: Managing Your Time**

After a few months, your business may take off. While many Internet businesses need a year or more to begin making money and find a steady flow of customers, you may be the exception. While this is a wonderful feeling, you may begin to suffer from stress due to the lack of time to fulfill orders, continue marketing, and building your business by introducing new goods and services.

You will need to budget your time by setting up daily and weekly goals. This will help you stay focused and also determine how many hours a day you can put into your business. Try budgeting your time in a few different ways until you find the way that will work the best.

When creating a schedule, make sure you complete tasks that are the most important first and then other tasks that are not so important. Also, remember to give yourself enough time for breaks.

Once you find a schedule that works, you may find that you will have more time during the day and your stress level will decrease.

## **Hiring Staff**

One way to create more time for yourself is to hire a few people to help with the daily orders, bookkeeping, marketing, and other tasks that you have been doing yourself until now. Hiring a staff will help you stay focused and will also give you more time during the day to focus on generating more business or expanding your business. You should consider the following when hiring a staff:

- Number of people you will need
- Positions you would like to fill
- Qualifications you are looking for
- Salary , and
- Number of hours each week

Hiring a few people to help you build your business is a great way to relieve stress, give other people jobs, and help keep your business strong. Remember you will have to decide on whether you want to withhold taxes or hire people on a freelance basis. Also, health insurance may be an issue. Since many small businesses cannot afford to pay for an employee health plan, you may find the number of qualified candidates may be smaller than you thought.

## **Working Alone**

Many small business owners are busy during the day, but do not feel the need to hire extra help. Working alone will save money, but can also be lonely. You may find yourself wishing for someone else to talk to during the day. While you will be communicating with customers and other people online and on the phone, you may miss the company of co-workers and friends. There are ways you can work alone and maintain your sanity:

- Meet friends for lunch
- Join a community organization
- Visit museums and other public places during the day
- Get out of your house after you are done working

Since most people work during the day and you can set your own schedule, you will find that you will be going places during the day that other people cannot. While you may feel out of place at first, embrace your freedom and try to incorporate new activities and hobbies into your life.

## **Chapter 6**

### **EXPANDING YOUR INTERNET BUSINESS**

Over time, your Internet business will begin to experience growth. More customers will be placing orders or asking for your services, you will be finding additional marketing opportunities, and you will want to offer more to your customers in terms of merchandise and customer service.

#### ***ADVANTAGES OF EXPANDING YOUR BUSINESS***

There are many advantages to expanding your business that you might be aware of. They include:

- New challenges
- Better income
- More help
- More time
- Creative marketing
- Learning from others
- Building up your customer base
- Build managerial and business skills, and
- Making new business contacts

When you decide to take your business to the next level, you may experience many emotions. Use your fear and anxiety as ways to push yourself forward. This does not mean that you should expand your business without researching and comparing the pros and cons, but as with any business decision, you will feel anxious until you start seeing a profit.

#### ***WHY YOU SHOULD CONSIDER BUSINESS EXPANSION***

There are many reasons to consider business expansion. Some of the most common include:

- Business growth
- The need to keep up with demand
- Need to earn more money
- Desire to expand into a corporation, or
- Want to offer customers more

The reasons for business expansion can vary from business to business. But if you need more help in order to maintain a healthy bottom line, you should consider expanding enough to hire a few employees. You cannot run a business by yourself forever. Being

able to afford to hire more help means that your business is expanding. Meeting customer expectation is the number one reason to expand. If you can no longer guarantee customer satisfaction running a one person show, then it is time to expand.

### ***PREPARING FOR BUSINESS EXPANSION***

The decision to expand your business by offering more, hiring employees, and updating your site should be made with the same amount of care that went into forming the business. This means you should:

- Revisit your business plan
- If sharing the business with a partner, make decisions together
- Construct a new budget
- Design additional web pages
- Alter your marketing strategy
- Consider tax laws, hiring employees, and working conditions
- Register your business as another entity, or
- Consider the long-term affects of expansion

Expanding your business is similar to creating a new one, except that you already have a steady stream of clients and customers. There are many items to consider and in some cases, it may just not be economical to expand at this time.

### **Revisit Your Business Plan**

Even if you don't have plans to expand your business, you should still revisit your business plan each year to make adjustments to the plan itself, see where you are as to where you thought you would be, and to see where you can make adjustments in your spending habits. Creating a four or five year plan will help you stay focused on your goals. If these goals change, you can either amend the plan or create a new one.

Business plans should have a certain amount of flexibility. If you are expanding your business, you may have to start over with a new plan depending on what you are adding to the overall cost of the business.

Most business plans contain:

- Summary of cost
- Stages the business will go through
- Marketing strategies, and
- Short-term and long-term goals for the future

Your business plan should also reflect obstacles you may encounter along the way. This can be anything from shipping items on time to having enough time to market your business.

Expanding your business may help you overcome some of these obstacles and allow you to generate more income and customers each month.

### **If Sharing the Business with a Partner, Make Decisions Together**

Partnerships can be wonderful when they work, and horrible when they don't. If one person wants to expand the business, but the other one does not, then both of you will have to come to some sort of agreement before moving forward. There are a few ways to reach an agreement or compromise:

- Research your claims on why expanding the business is a good idea. Many times, if an argument is outlined in a logical way, people will accept it and agree.
- Make a pros and cons list that demonstrates what can be gained or lost during the expansion process.
- Find out first if the expansion is within the budget. There is no point in having an argument about expansion if it cannot happen.
- Find a compromise or expand the business in phases.
- Offer alternative solutions to expansion. This can include hiring one person part-time until you need more help, or sticking with a marketing strategy that already works instead of revamping the entire business.
- If a decision cannot be reached, then do what is best for everyone concerned as well as the business.

You should not make any decisions without consulting your partner. Many times, if the partnership is a good one, both of you may realize that it is time to make changes.

### **Construct a New Budget**

Once you have decided how to expand your Internet business, you will have to see how much this expansion is going to cost and how much you stand to earn as a result of it. Hiring a few employees to monitor your orders, ship items, and balance your books may cost more than you have. When this happens, it is best to downsize your expansion by hiring one or two people. You can always expand further at another time.

Creating a new budget is different from a business plan. While a business plan will include a revised budget, your budget just focuses on how much your expansion will cost in comparison to what you will be earning for the year.

Your new budget should include:

- List of expansion items
- Cost of expansion
- Employee salaries
- Monthly and yearly income, and
- Other items that need to be purchased

Once you have outlined how you want to expand your business and how much it will cost, you will need to compare this figure to what you are earning for the year. Even though the expansion of your business should increase your profit, you should not count on an immediate increase. Base the additional cost on your current income so that you can afford the cost of expansion.

### **Design Additional Web Pages**

If you do not have much money to spend when expanding your Internet business, one of the best ways to increase traffic and customer orders is by additional web pages to your site. If you want to offer additional products or services, you should not crowd your web pages. Adding pages will not cost much and it will make your web sites easier to navigate.

You can add other pages as well. Create a ‘most popular’ page where you feature goods and services that your customers have purchased the most from. If you specialize in a service that you want people to know more about, then you should create a page that lists all of the details that will prompt people to call and make an appointment to talk with someone more about it.

There are also aesthetic changes you can make that will help your customers enjoy their visit even more. Changing the color scheme every year or so will appeal to new and old customers alike.

If you are planning a major expansion of your Internet business, you will want to tell your customers about it. Creating a ‘What’s New’ page will alert customers of changes and when they should expect these changes. Many times, expanding a business will renew interest in your web site.

## **Alter Your Marketing Strategy**

After expanding your Internet business, you may want to look into revamping your marketing strategy. Now that you have more to offer in terms of customer support, merchandise, and other items, you will want to share your improvements with everyone on the Internet. This is important for several reasons:

- Expansion may attract new customers
- You want existing customers to know about changes you have made
- You find new places to advertise because of expansion
- Expansion has caused you to change the logo or trademark, or
- You have thought up a new way to market your business

When marketing any business, the key to success is persistence. Expanding your business will give you new areas in which to advertise. This can be a wonderful opportunity for you to try advertising in markets you didn't think would attract potential customers.

Marketing in new forums is not expensive, but it will cost you time. If you can make time for additional marketing by hiring one or two employees to oversee other business duties, it may be worth your effort and money. Tapping into new customer bases is a great way to gain exposure and also bring in new customers.

## **Consider Tax Laws, Hiring Employees, and Working Conditions**

If you are expanding your business to include the hiring of employees, you should look into state and tax laws to see what paperwork will need to be filed when tax time rolls around. If you are hiring employees to work for you on a part-time or full-time basis, you will be responsible for holding back taxes, and also contributing to their social security taxes.

If you decide to hire workers on a per project contract, then you will not be responsible for withholding and paying taxes.

You will also have to consider where your employees will work and how to create a working environment that is suitable. While small businesses rent store fronts where they conduct their daily business, others hire employees to work from home. If you prefer that your employees work in a business setting, then you will have to create one. You will have to rent a space if you haven't done so already, and you will have to make sure that employees have bathroom facilities, running water, heat, and working equipment. All of this can cost a lot of money each month.

Expanding an Internet business can sometimes mean more than adding more to your web site and expanding your marketing arenas. Providing for employees, filing the correct paperwork, and being able to pay them on a regular pay schedule can cause stress and money problems very easily. Before you decide to hire additional staff, you will have to

look at your business plan and budget to make sure that you can afford the extra cost involved.

Many small business owners do most of the work themselves for the first few years. When they feel it is time to expand, they will take their time and spend only what they have to. Hiring employees on a part-time basis may be all your business can afford right now. Over time, you may be able to offer more in terms of full-time positions, health benefits, and other incentives.

### **Register Your Business as Another Entity**

Your business will undergo many changes as you expand it. One of these changes may be the business classification. If you started the business as a sole proprietorship and expanded it to include a partner, then you should consider registering the business as a partnership. The benefits of this type of business were discussed in Chapter 3.

In many cases, once you hire a few employees, you will have to register the business as something other than a sole proprietorship since you will be paying salaries and withholding taxes. Different business types offer tax incentives, so it may be in your besting interest to research your options.

### **Consider the Long-Term Affects of Expansion**

The last item you should consider before expanding your Internet business are the long-term affects. You should ask yourself the following questions:

- How much money will I stand to make if I expand now?
- How much money could I potentially lose if I expand now?
- Do I have the resources to expand now?
- Should I wait until I have more to spend on an expansion?
- What will expansion do for my business?
- Will hiring employees make running my business easier?
- Can I offer incentives other than health care?
- Do I have enough money in case of an emergency?
- What will I lose if the business does not succeed?
- What can I do to ensure the business will continue to grow?

Although these questions make expansion seem like a bad idea, they are realistic questions you must ask yourself before investing more time and money into your business. While most businesses will need to expand a little bit in order to remain successful, it is not recommended if you cannot pay for the expansion. If the business is registered as a sole proprietorship, you will be held financially responsible for any additional monies owed after the business is dissolved.



Take the time to research your liability and other financial ties you may have to your business. If it is your family's only source of income, you may want to put off expanding until you are making enough money to cover all of the costs involved and also maintain a quality of life. Expanding a business is not an easy decision, but if it is done carefully and within your budget, you will begin to see the results of your hard work paying off.

### ***ADJUSTING YOUR BOTTOM LINE AFTER EXPANDING***

Revisit your business plan a year after you expand to gauge how your business is growing. If you need to make further adjustments, then you should make them so your business will continue to grow. You will need to give your business a chance to adjust to the expansion even if you only made small changes.

It is important to create new budgets if the business begins to lose money. You may need to make cut-backs or allocate money in different ways in order to make enough money to keep going. Expansion will help your business grow, but you will need to give it some time. This can be a very stressful time for you and your business, but in the months ahead, you may find that you will be able to relax more because you are not handling the day to day tasks by yourself any more. Your business may even start to generate more income.

## **Chapter 7**

### **PAYING YOUR TAXES**

Paying taxes on your home business does not have to be as painful as it seems. If you prepare early, you will be able to pay your taxes each year, take advantage of tax breaks that are offered to small business owners, and learn about deductions you can make to reduce the amount of taxes you will be responsible for.

#### ***KEEPING TRACK OF INCOME AND SPENDING***

The best way for you to avoid overpaying or underpaying taxes is by diligently tracking your expenses and earnings. This can be done several ways:

- Create a spreadsheet using Excel
- Buy accounting software
- Hire a bookkeeper
- Hold on to receipts
- Develop a filing system for invoices, orders, and receipts
- Stay up to date on tax law changes and other procedures

Tracking your income and the amount of money you spend each year can be time consuming, but if you make the effort during the year, you will be less stressed at the end of the year.

#### **Create a Spreadsheet Using Excel**

This is perhaps the simplest way to begin tracking your expenses and earnings. Excel programs are available on most computers that use Microsoft Word processing programs. You can use this spreadsheet to calculate total cost for expenses during the year by adding them to the spreadsheet on a daily or weekly basis. You can also track your income the same way.

Learning how to use a spreadsheet program may take some time, and you may have to take a short course or online tutorial program that will help you learn some of the basic and more advanced functions. Spreadsheets are also useful when creating a business plan and budget. It is a valuable skill that you should consider as a way to save money during your first year of business.

Spreadsheet programs are easy to complete and print after you are finished working on them. You should get into the habit of recording your earnings and expenses daily or at least weekly in order to make sure you record each one.

When it is time to pay your taxes, you will be able to print off a few spreadsheets which will make filing your taxes much easier. You will also be able to create a yearly budget based on these numbers to see where you can cut costs and possibly increase your income.

### **Buy Accounting Software**

If you want to invest more in your accounting methods, there are many computer programs that you can use for tax purposes and for tracking purposes. Accounting software will provide you with much more than a spreadsheet. This software can create invoices, track different items at once, can create alerts and reminders, calculate and project yearly incomes, and also help you with yearly tax deductions.

Investing in an accounting management system will also help you create accounts for customers so that you will be able to track what each customer purchases, if they paid on time, and how many notices you had to send before they finally paid you. With all of the other daily tasks you have to complete during the day, accounting software can help keep you organized and on top of your finances.

Accounting software is tax deductible, can be found online or at most office supply stores, and is easy to use once you get used to the different functions. There will be functions that you will not find as useful as others, but one of the nice things about these programs is that you can tailor them to your business needs.

When buying accounting software for your Internet business, you should:

- Make sure it can be used on your computer
- Make sure you can learn how to use it properly
- Make sure you have the time to learn
- Make sure you can return it if you are not satisfied
- Make sure that the software has everything you will need

These are just some of the requirements you should be looking for when making this type of business investment. Many times, people will buy the latest version of accounting software, and while it comes with many interesting features and functions, they may not apply to your business needs. Buy software you can use for all of your tracking needs.

In addition to accounting software, you may want to get tax preparation software so that you can prepare a tax return if you do not want to use an accountant. These days, tax software can be very helpful in finding deductions you may have missed, miscalculations and other errors, and offering suggestions on how to save more money on your tax return. There are many local and state tax laws that offer small business tax breaks. Take advantage of these when you can, you may be surprised at how much money you can save.

Software can only be of help to your business if you are proactive in recording all of your financial transactions. You will need to develop discipline and record your earnings and expenses. Many small business owners get caught up in other aspects of their business and forget about tracking this information. It is better to take the time to track these items each day then have to spend weeks trying to find receipts and other items for you tax return.

### **Hire a Bookkeeper**

If you find that you do not have time to track your expenses and earnings, then you should consider hiring a bookkeeper. You can hire someone to work full-time or part-time depending on your budget. Bookkeepers will handle the day to day transactions of your business. They will track down payments that still need to be made, and they will be able to forecast how your money is being spent and what you can do to cut costs.

Bookkeepers typically work part-time for small business owners. They may work as freelance contractors or they may work exclusively for one company. Places you can find bookkeepers include:

- Temp agencies
- Newspaper ads
- Small bookkeeping firms, or
- Recommendations from friends and family

Many bookkeepers who work part-time are retired and want a little extra income. If you find them through a temp agency or firm, you will not be responsible for withholding taxes as you will be paying the firm who will in turn pay the bookkeeper.

When hiring a bookkeeper, you will want to know certain things about them, including:

- Qualifications
- Educational background
- Criminal background
- Knowledge of computer programs
- References
- Knowledge of state and local tax law, and
- Hours they can work

Going through a temp agency or small firm will help you choose a candidate that is qualified and will get the job done accurately. Bookkeepers can be a tremendous help when it comes to tracking finances, reminding customers they need to pay, and other administrative duties.

Even though hiring a bookkeeper will cost you money, if you are overworked from having to handle other aspects of your business, including advertising, customer

questions and complaints, performing work duties, shipping products, and trying to live your life, you will benefit from having a person who is knowledgeable about finances on your payroll.

While some bookkeepers can help you file your taxes, you may only want them to prepare year-end financial statements and other documents that you can take to your accountant. Depending on the business and its deductions, you may want to let an accountant finalize your tax return instead of using computer software programs.

### **Hold on to Receipts**

Every time you make a purchase for your business, you will be able to deduct part or all of the cost from your taxes. This includes:

- Office supplies
- Office equipment
- Office space
- Customer lunches
- Business travel
- Advertising costs
- Marketing costs
- Tradeshow costs, or
- Shipping costs

There are many ways to earn deductions for your Internet business. But you have to hold on to those receipts or at least make copies of them.

This is where having a bookkeeper will come in handy. A bookkeeper will file these receipts and also track them on the computer. If you do not have a bookkeeper, then you will have to devise a system for keeping receipts safe until tax time.

Many times deductions for small businesses cannot be made unless you have proof of what the purchases were for. This means making sure that you have receipts for everything you have purchased for your business in the past year.

### **Develop a Filing System for Invoices, Orders, and Receipts**

As the months pass, you will accumulate a lot of paperwork. This will include invoices, orders from customers, and receipts. All of this paperwork will be important when the time comes to file your taxes. Developing a functional filing system is the only way you will be able to find what you will need when filing a tax return. The following items will help you stay organized:

- Filing cabinets

- Folders
- Labels
- CD's
- Rubber bands
- Markers
- Scanner, and
- Printer

These items will allow you to color code categories, store loose papers safely, and allow you to scan your receipts and print a copy of them so that you will not have to bring little pieces of paper to your accountant's office. You should save the receipts in a folder with a copy just in case.

You should also have folders for invoices and customer orders. This will help when logging in your weekly earnings and expenses. Always keep a hardcopy of all paperwork that pertains to your finances for the business. You should also consider creating an archive for previous tax returns and paperwork that will need to be kept for up to three years. If you decide to form a corporation, you may be audited just to make sure you are following the rules correctly.

### **Knowledge of Tax Law Changes and Other Procedures**

Since tax laws change every few years, you should make sure that you are aware of these changes. But there are ways to become more informed. For example:

- Talking with your accountant before making any changes to your business, including registering it under a business type or expanding, may save you money over time. The amount of taxes you pay and the amount of deductions you will receive may change once you have registered your business as something else or you have hired employees to work for you.
- Taking tax preparation classes is another way to become more knowledgeable about your business. These classes are usually offered by accounting agencies and are usually day-long seminars.
- Reading your local newspaper each day will also expose you to what is going on in state and local governments. Since tax changes usually come from these areas, reading about what is new will help you prepare for the impact it will have on your business.
- The Internet is also another place to find the latest news about tax reform and changes. There are many financial web sites that offer advice to small business owners.

If you choose to prepare your taxes using accounting software instead of using an accountant, you will have to learn more during the year. While tax preparation software will help you find many deductions and other ways to save money, the software cannot possibly know all of the individual tax laws in your state or town. Researching these changes in advance will help you save money.

Deductions can add up, so it is best to take advantage of them when you can. Also, learning more about the type of business you are registered could help you save money. Changing the type of business may yield more tax breaks and other incentives you may need to increase your profits and remain successful

## ***TAX DEDUCTIONS***

There are many tax deductions that you can take advantage of when tax time approaches. Common deductions include:

- Home office equipment
- Business equipment
- Supplies
- Travel expenses for business
- Subscriptions to newsletters and trade magazines
- Memberships if applicable
- Interest on all loans if used for business purposes
- Insurance costs on business equipment, and
- Maintenance repairs

You should consult with your accountant to see if there are additional deductions you can make. You may also qualify for other deductions depending on the business type you have registered under. Review your tax deductions to see what you will qualify for.

Be prepared to justify your deductions by having receipts ready. Many times, small businesses may be audited to see if they are adhering to all of the tax rules that apply.

If you have employees and you offer a health insurance plan, unless your business is incorporated, you will not be able to use the cost of the premiums as a deduction.

Remember that tax deductions are only for items that you are using for your business. You cannot deduct your family vacation or computer programs that you purchased that are not being used for business purposes.

## ***OTHER WAYS TO SAVE MONEY***

In addition to tax deductions, here are a few ways to save money before tax time.

- If you are planning on making a major purchase for your business, you should do it before the New Year. That way you will be able to get the tax deduction. After January, all purchases made for your business will be put toward the next tax year.
- If you can hold end of the year payments until after the New Year, you can defer these payments as income for the next tax season.
- Participate in charitable causes during the year in the name of your business. They will earn you tax credits. Donating your services is one way to help people while giving you a deduction.
- Pay your end of the year bills early so that you can deduct them on your tax return.

## ***FILING AN EXTENSION***

If you need to file an extension on your tax return for various reasons, you can contact the IRS or download forms that are available online. By filing this form, you will receive a six month extension. This means that you will have more time to file a tax return, but if you owe any money, you will have to pay it by April 15<sup>th</sup> or face interest or penalties. Most businesses will not owe anything in their first year of business unless they have employees. But if you have been procrastinating about filing and need more time to find those receipts and other paperwork, you can file for an extension.

## ***WITHHOLDING TAXES FOR EMPLOYEES***

If you have employees, chances are you have been withholding money for taxes. Many new small business owners will not withhold enough or they will not set the money aside in order to pay their taxes at the end of the year.

If you choose to hire employees, you can hire them as freelance or contract employees so that you do not have to pay their taxes. Otherwise, you should visit the IRS web site and find out the amount of state, local, and federal taxes you will have to withhold. Your accountant will also be able to assist you.



## ***AFTER FILING YOUR TAXES***

After you file your taxes, you should see where improvements can be made so that next year you will be more prepared. If you did not save all of your receipts and needed to track down purchases you have made, then you should try to make sure that you save all of your receipts and file them in your new filing system.

You should consider upgrading your computer software. If you do not have software that can help you track your expenses and other items, then you should invest some money in these programs. They will make tax time much easier and will also help you during the year.

If you filed your taxes using tax software and your business has grown, you may want to consider hiring an accountant. Many times, an accountant will be able to help you find other deductions and research tax laws that you can use to your advantage.

Paying taxes should not be stressful as long as you have prepared at least a month in advance. If you hired a bookkeeper, you will be ahead of the game as they know how to compile the information you will need when filing your taxes.

## **Chapter 8**

### **STARTING AN INTERNET BUSINESS: CONCLUSION**

#### ***USING TECHNOLOGY***

Starting an Internet business is not easy. You will have to plan ahead in order to foresee unexpected expenses and problems that may occur. While you will not be able to see every problem, if you conduct the right amount of research, have enough money for start-up costs, and build your business slowly, you will find that success is not too far away.

As the Internet changes, you will find new ways to market your business. A few years ago, blogging did not exist, now it is everywhere on the Internet. You will need to subscribe to trade magazines and other references that will give you up to date information on the changes that are being made on the Internet.

Using technology to start and improve your business will help you reach the maximum number of customers. This pertains to whichever business you decide to go into. Web sites are changing to include ways for you to download video clips and other graphic images that are easier to download and watch. You should think about using some of this new technology on your web site. Keeping a web site looking fresh and new will help draw customers to your site and also help keep them entertained while they are visiting.

#### ***ADVERTISING***

Now that you have been given methods to try when advertising your new business, and also reasons why a good advertising and marketing campaign is necessary, you should be able to think about the power of creating a brand and how you would like to accomplish this.

You should realize that creating a brand will take time. Even if you are not completely successful, you will create a presence and a place for your business on the Internet. In a landscape that continues to grow, this is quite a feat and one you should be proud of.

Advertising will take up most of your time when you first start your business. You will be surprised at how much time you will spend researching, placing ads, writing content, and creating a web site. But this is all very important work. Even if you outsource some of these projects, you will still be amazed at how much time it takes to inform people that your business exists. Even though the Internet reaches millions of people, they still have to find your web site. Advertising is the only way to help customers find your business.

As with any endeavor, you should consider all of your options, find enough financing, and most of all, have a good time starting your business. This is an exciting time that should be enjoyable and fun. You are on your way to financial independence!