

Sales and Marketing Library

WEB MARKETING

Website Business Models

Marketing Your Web Business

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The term “business model” became popular in the late 1990s, during the Internet boom, in part because many website businesses seemed to plan for generating traffic without a clear view of how or when traffic would generate revenue and profits.

The term itself is a bit too trendy, in our opinion. Talk of the business model ought to be recast in more standard business terms, such as sales, costs, expenses, and profits. As you develop your strategy, focus on how your website will benefit your business. What is its payoff for your business?

The easiest payoff to understand is sales and profits, but there could be many others. Some websites exist just to support sales by making a buyer’s decision easier, some reduce costs, some improve customer satisfaction, some substitute for telephone communication or sales collateral.

While the classics below are fairly obvious, in reality there are infinite numbers of possible business models for websites. You might have a commerce site, content site, community site, portfolio site, or something else entirely. The main point is that there should be a payoff for your business. You don’t develop a website just because somebody says you should. You develop it because it has a business or organizational purpose.

The portfolio site: like a business card on the Web

These sites offer information. Their target users go to them to find out more about a business. The sites don't specifically sell anything, but they do support sales by generating leads or making the viewer's buying decision easier.

What we call portfolio sites are the millions of websites that don't really sell anything but present the equivalent of sales literature on the Web. The restaurant sites that post their menus, the legal and accounting practices that post professional biographies and related information are just a couple of examples. The Web started with these kind of sites because they are relatively inexpensive to produce and provide significant benefits.

The basic commerce model: sales and profits

The simplest website business model is based on making sales and profits. A classic commerce website like Amazon.com or Buy.com sells products, takes orders, charges credit cards, and ships goods. Software and some information sites have the advantage of being able to deliver what they sell online, at the time of the transaction.

These sites normally offer their target customers the benefit of ease of use and selection. Amazon.com, for example, set the standard for commerce sites by offering a huge selection and a wealth of additional information on the products it sells.

The content model: based on advertising

The content sites work economically like mainstream network television in the United States, free content to users paid for by advertisements that users put up with. This is also a lot like the classic newspaper and magazine business, content paid for mainly by advertisers, with the exception that most magazines and newspapers sell for a small price while getting most of their revenue from advertisers. The "business model" isn't really new, just the fact that it is offered over the Internet.

Consider Yahoo! And competing Internet portals, newspaper and magazine sites, entertainment sites, and other types of sites that are free to browsers and make money by charging advertisers or sponsors for banner advertising and sponsorships. These are content sites that depend on Internet advertising for their revenue.

Community sites

Consider the business value of the bulletin board in a local supermarket. The market doesn't charge for posting notices on the board, nobody pays to read them, but the business takes the trouble to manage the board. The underlying business benefit, we guess, is that the sense of community builds traffic and loyalty.

This value is similar in the Internet community site. A typical community site offers email, bulletin boards and forums, a common focus for some group that has a common interest. Community sites are often started by groups, clubs, and government organizations. Some of the best of them, however, are sponsored by businesses that want to take advantage of the common interest. For example, a rock climbing community site might be sponsored by a local store.

Most sites are really hybrids, combinations

In truth most sites offer a combination of target user benefits. This site, bplans.com, for example, combines content and community with a touch of portfolio and commerce. Amazon.com combines commerce with content and community; Yahoo.com also combines content, community, and commerce.

Business model summary

How will you turn users of your website into money? Is there a plan for it? How will you measure it? For a hybrid site you need to make sure you explain how the hybrid will make revenue. Will you have a commerce portion? Will you be depending on sponsorships and advertising? Will you be selling services to your users? Make sure that you think about how you will ultimately make your website venture bring in real money.

Try to think of your website benefits in monetary terms. This is a good time to your sales forecast. The sales projected might actually be business benefits instead of sales: increased closing percentage, increased customer satisfaction, or increased retail traffic. Think about how those benefits might fit into a sales forecast, because then you'll be able to compare monetary benefits to expenses.

Marketing Your Web Business

A website does nothing for your business or organization by itself. Its use depends on traffic, and traffic depends on marketing. A website without a marketing plan is as useful as a toll free telephone number that nobody knows about.

One of the biggest and most widespread fallacies of the late 20th century Internet boom in the United States was the idea that a website would or could create business on its own. This outrageous idea was populated by messages such as the television commercial, watched by millions in the late 1990s, showing two women who invented an improvement on sunglasses while on the beach, and in a subsequent scene they were still happily on the beach but at that point living off of their website.

In truth it just doesn't happen like that. Here are some basic truths to offset common myths:

1. **Websites without traffic offer no business or organizational purpose:** Sad but true, this is just pure myth. If you build a beautiful website and nobody comes, no matter how useful or artistic the website, it is useless. Think of a website as a new version of the toll free telephone number; just like a toll free number is useless if nobody calls it, so too a website is useless if nobody visits it.
2. **Websites don't get traffic by themselves:** If you build it, and do nothing else, they will come. That's also a myth. Websites don't generate traffic anymore just because they are good, or useful.

Your website is pointless without traffic, and traffic won't happen without marketing.

3. **Traffic takes marketing:** It takes marketing to generate traffic on a website. Successful websites generate traffic by new applications of old-fashioned marketing, including advertising, public relations, and word of mouth. They also generate traffic through new Internet marketing, highlighted by careful management of searcher strategies.
4. **The Internet gold rush is over:** Times have changed for the Internet, investors are no longer going to invest in traffic alone. These days plans have to be complete, from marketing to revenues and expenses, with business sense.

Your competitive edge

What is your website's competitive edge? How are you different from all others? In what way does it stand out? Is there sustainable value that you can maintain and develop over time?

The most classic of the competitive edges are those based on proprietary technology and protected by patents. A patent, an algorithm, even deeply entrenched know-how, can be a solid competitive edge. In services, however, the edge can be as simple as having the phone number 1 (800) Flowers, which is an actual case. A successful company was built around that phone number.

Sometimes market share and brand acceptance are just as important. Know-how does not have to be protected by patent to offer a competitive edge. For example, some of these values might lead to competitive edge:

- **Quick loading pages**—2 seconds vs. 12 seconds, 8 seconds being the average. For example, Buy.com's average load time is 2-4 seconds. This has certainly been the case with Yahoo!, it consistently loads in a very small amount of time.
- **Fresh content.** e.g., major news sites. This is less of a concern to readers of theonion.com or e-zine sites, where the expectation is that content will be updated on a weekly, monthly, or quarterly basis.
- **Marketing leverage.** For example, zoom.com is owned by NBCi, a subsidiary of NBC the major national television network. NBC directs traffic in NBCi's direction. The National Football League site at NFL.com generates traffic by linking to football broadcasts with live interaction.
- **Trust.** A community where people feel free to post their thoughts and concerns will have a competitive advantage based on trust. New posts and new ideas bring them back to your site. Fool.com, for example, has mastered the art of building a network of users. They have dozens of custom email newsletters, some of which feature the most popular message board posts for that day.

The competitive edge might be different for any given company, even between one company and another in the same industry. You don't have to have a competitive edge to run a successful business—hard work, integrity, and customer satisfaction can substitute for it—but any edge will certainly give you a head start if you need to bring in new investment. Maybe it's your customer base, as in the case with Hewlett-Packard's traditional relationship with engineers and technicians, or maybe it's image and awareness, such as with Dell. Maybe your competitive edge is quality control and consistency, like that of IBM.

Features and benefits statements

A good website strategy first identifies a market need, which indicates a target market, and then fills that need. Now that the Internet boom of the late 20th century is over, your strategy usually has to add an element of basic business revenue, considering who will pay how much to have that need filled.

Features and benefits statements are classics of standard marketing. For every product and every service you sell, develop your features and benefits statements. Follow this logic for your website:

First, understand the difference between features and benefits. Take a look at the example below, describing features and benefits of Bplans.com:

Benefits	Features
Reassurance: I can do this	Sample business plans
Peace of mind: my plan is okay.	Planning forum, online finance calculators
Information: how to develop a plan	Articles and detailed posts
Answers: experts to answer related questions	Expert Q&A
Resources: connections for help you still need	Consultants, experts, authors sections

Now consider the distinctions. Features are characteristics of the site, while benefits are positive values to the person who uses the site. The features serve as a means to offer the intended customer benefit. Usually people buy benefits more than features. The site's ability to give people reassurance that their plan is okay, answers to questions, resolve doubts, and specific how-to steps is why it's successful. Site designers create features, but people buy benefits.

Good marketers understand features, but emphasize benefits. They use features to explain and develop benefits. There are exceptions to the general rule. Some websites, some markets, and even some industries are feature-driven. For some buyers, computers and personal electronics have this tendency. Sometimes the features and benefits merge together.

When communicating features and benefits, always emphasize benefits. Generally the benefits sell your site, not the features. Engineers and product development teams love features, as do gadget-oriented buyers, but benefits sell, while features really just deliver benefits.

Among online trading websites, for example, advertising often sells benefits related to reliability and expertise, more than specific website features. As you look at the online brokers marketing, think about this as background. Most of these ads push benefits, but some push price alone, and some push features. Think about ads you know and how they suggest benefits and specifically inform about features.