

Chapter 1

Join The New Net Revolution

Just a few short years ago, anyone with a sliver of an idea and a domain name could make money on the internet—or so it seemed. The late 1990s saw the arrival of the first internet boom, when dotcom startups popped up like weeds, money flowed freely, lifestyles were lavish and everything was good.

Business plans were optional, as was profitability. Venture capital funds poured in—and often right back out. Many of these dotcom companies didn't actually have a plan to make money; they simply wanted to grow as large as they could, as quickly as they could. The only plan was to gain users on the now widely available World Wide Web, and worry about making money later. After all, if your company was big enough, it would eventually make money somehow—right?

Web-related companies went public in droves, raising incredible amounts of cash. Internet millionaires were made, on paper at least. Entrepreneurs and investors believed this was the start of a new economy—an internet economy—that would last forever.

But nothing lasts forever. In March 2000, the NASDAQ index reached its peak value of 5048, and began its steep downward decline. Internet companies began reporting substantial losses, and many started to close up shop. Investors, entrepreneurs and much of the general public began to realize there were fundamental flaws in this new internet economy. First and foremost, they realized, companies—even dotcom ones—must make money to survive.

CURRENT STATE OF AFFAIRS

Still, many internet companies were able to survive the bursting of the bubble—eBay and Yahoo!, to name two. But for every Yahoo!, there was a Pets.com. The online pet store launched in 1998 and earned its first round of venture capital funding in 1999. So much money came in that the company was able to pay \$1.2 million for an attention-grabbing ad (featuring its sock puppet mascot) that ran during the 2000 Super Bowl. But Pets.com didn't last to see the next Super Bowl: After going public in February 2000, the company quickly lost value and closed its doors that November.

Pets.com is an extreme example, but it's one of the many cautionary tales that can scare both entrepreneurs and investors away from the web. Following the dotcom crash, many companies tried to distance themselves from the internet, going so far as to drop the phrase “dotcom” from their names. But today, the internet is essential to all businesses and is accessed in more homes than ever before.

WHAT'S COMING NEXT

With such a large and varied internet audience, there's still plenty of room for new internet businesses. The widespread adoption of high-speed internet access is especially important to note: The use of broadband is one of the driving factors behind a new wave of internet technologies—and companies that take advantage of those technologies. Often referred to as Web 2.0, this new era of internet

innovation is driven by user-generated content. The web is no longer on a par with newspapers or TV; it's not a collection of static pages that users read or shows that they watch. In today's 2.0 world, the web is interactive. Users generate content and share it with others. Users take content from one site and mix it with content from another site, only to post the result on a third site.

Stat Fact

More than 50 percent of U.S. households with internet access now have broadband service, according to a recent report by the Pew Internet & American Life Project.

Fun Fact

Pets.com may have closed up shop, but the company's popular sock puppet mascot wasn't unemployed for long. An automobile loan provider purchased the rights to the mascot and used it in ads for its service, with the slogan "Everybody deserves a second chance."



Consider the site many consider to be the epitome of success in the Web 2.0 world: YouTube, which allows almost anyone to upload a video and share it with the world. Viewers can then interact with the video by adding their comments or posting it on their own blog, social networking page or personal website. Created in early 2005, YouTube was acquired in late 2006 by Google. The price? \$1.65 billion. Yes, that's *billion*, as in one thousand million dollars.

Your company may not make billions of dollars, but—clearly—there's money to be made on the internet.

FOUR INTERNET SERVICES YOU CAN START

The internet is a vast place; they don't call it the World Wide Web for nothing. There's really no limit to the types of businesses you can start online. This book will look at four types of internet services you can start, often at home, and, in some cases, in your free time. The services we'll discuss are a web design business, a search engine marketing business, a new media service and a blogging business.

Defining Moment

The phrase “Web 2.0” is tossed around so often that it’s easy to forget its actual meaning. In fact, some of its critics claim it doesn’t really have a meaning at all. To find out exactly what it does mean, we did a little digging.

The phrase was coined by Tim O’Reilly, the man behind O’Reilly Media, a company that publishes user-friendly computer books and hosts technology conferences. Over the years, O’Reilly has become well-known as an expert on all things internet-related. According to a 2005 article by O’Reilly, the term was born during a brainstorming session in 2004. Despite the “2.0” label, the phrase doesn’t refer to a new technical version of the web; rather, it denotes a turning point in its history. The turning point, O’Reilly and his colleagues noted, was after the dotcom crash. The crash hadn’t stifled internet innovation; instead, it seemed to pave the way for even more of it. In a Web 2.0 world, services are preferred over packaged software, users shape and generate the content they view online, and that content is available across different platforms and devices.

O’Reilly uses examples in his article that help explain the difference between a Web 1.0 site and a Web 2.0 service. For instance, Britannica Online is a Web 1.0 site, while Wikipedia is its Web 2.0 equivalent. In a Web 1.0 world, people had personal websites. In a Web 2.0 world, they have blogs.

Still not sure what it means? The phrase is hard to define, in large part because its meaning is constantly evolving. Something that may be a hallmark of a Web 2.0 company by the time you read this book may not have existed when this book was written. That’s just how fast things change in a Web 2.0 world.

Web Design Business

When access to the World Wide Web hit a critical mass in the 1990s, much of the general public got their first look at a web page. And with that, a new industry was born: web design. These days, every business needs—and many individuals or families want—a web page, but they don’t know how to create one. They don’t know HTML from XML, or JavaScript from AJAX. So they need help.

That’s where you come in. You may be an artist who learned how to translate your sense of style to the web. You may be a computer programmer who knows what looks good and works well online. And you’re not alone: Type “web design firm” into Google, and you’ll get more than 43 million results. It’s difficult—if not impossible—to estimate the actual number of web design companies out there, as the U.S. Bureau of Labor Statistics (BLS) doesn’t differentiate web designers

Beware!

Watch out for services that claim to boost your business by listing your company information in their directory for a fee. Sometimes it can pay to become a member of an industry association, but do your homework before forking over the cash. Before you pay up, get recommendations from people you know and trust in your industry.



from graphic designers in their statistics it collects. Also, most of the directories that list web design firms only put those that submit their company info and/or pay for inclusion in the directories.

Suffice it to say, though, there's plenty of competition out there. That doesn't mean you shouldn't consider this a business possibility. In its "Job Outlook" for graphic designers, the BLS predicts that from 2006 to 2016, "graphic designers with website design and animation experience will especially be needed as demand increases for design projects for interactive media—websites, video games, cell

phones, PDAs and other technology. Demand for graphic designers also will increase as advertising firms create print and web marketing and promotional materials for a growing number of products and services."

Web design firms vary greatly in size. Some are single-person operations; others are large companies. You can run a web design company by yourself as a part-time gig, while still maintaining a full-time job elsewhere. This allows you to pick and choose only the projects you have the time and the desire to complete. You could also take the plunge and start your business full time, focusing on growing it into a bigger company. We'll discuss all these options in more detail in Chapter 2, which focuses on web design companies.

Web design firms also vary greatly in scope. They may design anything from basic HTML-based web pages for sites with simple navigation schemes to more complex Flash- or AJAX-based sites. Some firms offer services that go beyond simple site design: domain name registration, website hosting, shopping cart implementation, e-commerce functionality and search engine optimization. Other firms focus more on the design aspect and

Bright Idea

Is a client looking for a service you don't offer? Don't turn down their business: Hire a contractor. Say you get a request to build a shopping cart, but you don't handle e-commerce services. Find someone who does. You'll want to vet your contractors thoroughly, but setting up this type of arrangement can result in reciprocal business for you.



will design not only web pages but also company logos and print marketing materials, like brochures and company letterhead.

The focus of your web design business will likely depend on your background and skill set as well as that of any partners you may bring on board. And that's the way it should be: With so much competition out there, you need to leverage your expertise to set your company apart.

Search Engine Marketing Service

Search engine marketing, or SEM, is one of the most buzzed-about terms on the internet. And for good reason: It's a rapidly growing industry. According to MarketingSherpa's *Search Marketing Benchmark Guide*, the search marketing industry grew by more than 31 percent in the United States in 2007. Globally, growth was at 39 percent. The guide notes that "search budgets are increasing by double-digit percentages." Clearly, companies are willing to spend money on SEM, and there's money to be made in this field.

But what exactly is SEM? The term is often used together with the term "search engine optimization" or "SEO." Some people use the words interchangeably, but they're not synonymous.

To understand the differences, it's helpful to understand how search engines work. And because it's by far the most popular search engine out there, we'll focus on Google. Like most of the big search engines, Google is crawler based. It uses a special form of software—often called a spider—that, quite literally, crawls the web. The software looks at the content of a web page and then analyzes whether that page matches a search query.

Google considers more than just the text on a page, however; it also analyzes links to and from that page. It considers the number and quality of sites that link to the page when determining where to rank a site among the hundreds or thousands of others that may also be relevant to a user's query. In addition to links and content, Google also analyzes parts of the structure of a website, including content that users don't see, such as meta tags. A meta tag is a snippet of HTML code placed on a web page describing the content of the site.

Placement in search engine rankings is not for sale; your site lands wherever it lands because of its content, links and keywords. Keywords are what users enter

Stat Fact

Just how dominant is Google? It's used for nearly 60 percent of all web searches, according to a recent survey by comScore Video Metrix, a digital researcher.

That's nearly three times as many as its nearest competitor, Yahoo, which handles almost 23 percent of web searches.



into a search engine when conducting a search; the frequency with which those same keywords are incorporated into the content of your website will help boost your site's placement in response to those queries.

Sound complicated? It actually gets more so: The specific algorithm used to rank the pages returned for any given search query is a highly guarded secret, and one that's liable to change at any given moment.

But having a top search-engine ranking isn't the only way of targeting search-engine users: Google also offers a program called Google AdWords that allows you to bid on keywords. When someone searches for one of those keywords, your ad will appear as a "sponsored link" either on top of or next to the actual search results. Microsoft and Yahoo both offer similar programs for their search engines, called adCenter and Sponsored Search, respectively.

So while search engines may look simple, in truth they're anything but—especially if you're a business owner trying to figure out why your site isn't appearing on the first, second or even third page of results. After all, placing near the top of Google's—or Yahoo's or Windows Live's—search results could increase your site traffic and potentially your business many times over.

That's where search engine marketing and search engine optimization come in. Historically (and yes, this practice has been around long enough to have a history), SEO has been considered the process of optimizing the content of a website,

including its use of keywords, in order to organically improve its placement in search engine results.

"We've had SEO almost as long as we've had search engines," says Danny Sullivan, an analyst who studies the search industry. "Think back to the mid-1990s, and you'll recall the services offering to submit sites to various search engines. That was rudimentary SEO."

With the arrival and sky-rocketing popularity of Google AdWords in the early part of this decade, many SEO

firms morphed into SEM businesses. Rather than focusing solely on growing traffic organically, these SEM companies began using a variety of practices—including pay-per-click ad programs like AdWords and adCenter—to increase traffic to their client's websites.

Most SEM firms offer SEO services as well; SEM is typically considered a catch-all term for a variety of marketing practices used to increase traffic to a site, while SEO is just one of the ways to do that. Note that some companies use the term SEM

Fun Fact

Think SEO is new? Think again. A 1996 New York Times article tells the story of a web developer who taught other developers how to earn higher rankings in search engine results.



to refer only to the for-pay practices, rather than as an umbrella term that encompasses both the paid and organic means of growing traffic. Doing this is not incorrect; it's simply a more narrow use of the term and one that may be easier for your customers to understand. And helping your customers understand your business—and why they need it—is one of the biggest hurdles a search engine marketer may face.

New Media Service

The term “new media” is another internet buzzword that is often overused and can be hard to define. Wikipedia—the online user-generated encyclopedia that many consider a new media service itself—defines it as “the marriage of mediated communications technologies with digital computers.”

Say what?

Wikipedia also explains: “New media is the convergence between the history of two separate technologies: media and computing.... New media can be defined not only as things you can see, such as graphics, moving images, shapes, texts and such but also things that cannot be seen such as a Wi-Fi connection.”

We don't use the term to confuse you or to over-generalize. Instead we use it to point out the wide range of opportunities available online. A new media service

Wacky For Wikipedia

If you're searching the web for information on a specific topic, you're likely to come across results from Wikipedia. Wikipedia, whose name is a blend of the terms “wiki” (a user-editable, collaborative website) and “encyclopedia,” is one of the largest reference sources on the web. The service was launched in 2001; since then, it has amassed more than 9 million articles (of which more than 2 million are in English, according to Wikipedia's own statistics) on a variety of topics. Wondering who coined the phrase “Where's the Beef?” Type it into Wikipedia, and you can find out. Looking for a timeline of Chilean history? You'll find that information, too.

But beware, the information isn't always accurate because Wikipedia is created by the very users who read it. Some users may make mistakes when posting information, while others may intentionally post erroneous information as a form of web vandalism or “spin” an entry as a form of underhanded public relations. Despite this, Wikipedia is both an excellent source of information as well as a shining example of the sheer power of user interaction online. That's something to consider when designing your web service.

Stat Fact

Online video is hot.
Need proof? According to comScore Video Metrix, in just one recent month, 10 billion online videos were viewed.



could be a video-sharing site like YouTube. It could be a streaming-music service like Jango or a personal finance service like Mint. It also could be a mashup application that allows users to aggregate and manipulate various forms of web content, like Yahoo Pipes. It could be a “social browser” like Flock. Or an online game—and embeddable Facebook application—like Scrabulous.

A new media service could be almost anything; you just need to come up with the idea. Do you have an idea for a new way people could be viewing their favorite websites? Or an idea for sharing video content online (legally, of course)? You dream up the service, and we’ll provide you with the basics for getting the idea out of your head and into the world.

Starting a new media service can be challenging and inherently risky. In many ways, starting a new media service is reminiscent of launching a dotcom startup in the bubble days we told you about earlier: You’re often navigating new and unfamiliar ground, trying to convince people to do something they’ve done their whole lives, like listening to music or viewing their photos, in a whole new way. So you’ll need to be able to sell your idea to the public and to investors who may be wary of putting money into another dotcom failure.

But creating a new media service can also be financially rewarding—if you find the right idea and the right way to execute it. Remember when we told you that Google paid \$1.65 billion (yes, billion) for YouTube? You likely won’t sell your company for that much, but it shows you just how much money is available in this market. Even a small fraction of that would be enough to satisfy most entrepreneurs.

Blogging Business

At first glance, blogs may not seem to have very much in common with new media sites like YouTube and MySpace. Blogs, after all, are typically text-heavy websites, with little in the way of multimedia bells and whistles. But blogs allow almost anyone to have a voice on the web, and they allow authors to interact with their readers. This type of interaction is a hallmark of today’s web.

Blogging may seem like little more than a hobby. But we’re here to tell you that, yes, you can make money from your blog. That may explain why blogging is booming.

Before we can tackle the business of making money from a blog, we should define the scope of blogs as best we can. The term “blog” comes from the phrase

“web log,” which was used for a short time to describe websites that published a running archive of dated entries. “Web log” quickly mashed into one word, “weblog,” and in turn, morphed into “blog,” which has been with us ever since. The word “blog,” as a noun, can describe a regularly updated website with dated posts. The word can also be used as a verb, as in “to blog,” meaning to submit posts to a website. People who run blogs are known as “bloggers,” and all the internet’s blogs are collectively referred to as the “blogosphere.”

The basic anatomy of a blog is nothing more than a website with dated entries. This encompasses everything from online daily journals to up-to-the minute news sites and more. With the recent emergence of photo blogs, video blogs and comic-strip blogs, the definition of blog is expanding every day.

A blog serves no single purpose. The motivations for starting a blog are as varied as the people who start them. Some people use their blogs to filter the media bombardment that we receive every day via the internet, TV, radio and print media. By rooting through the media din and selecting the most relevant and insightful stories, bloggers can provide a valuable service.

Other people use their blogs to inform like-minded hobbyists about a particular industry. For example, a great number of blogs are about the internet—how to build sites, what technologies to try and what coming trends to watch. These bloggers alert their audience to exciting news by keeping a constant finger on the pulse of a particular pastime and, in that way, provide another valuable service. Bloggers even publish their blogs with the simple intention of making people laugh. Plenty of bloggers post cartoons, funny pictures, charming stories and many

Stat Fact

According to the Pew Internet & American Life Project, 8 percent of all internet users, or 12 million people, are bloggers.



Stat Fact

More than 57 million American adults read blogs regularly, according to the Pew Internet & American Life Project.



other things that they, and their readers, find enjoyable. This, too, is a valuable service. Even big companies such as Google and Microsoft are trying to put on a friendly face by publishing blogs of their own. For little investment, these companies gain the benefits of this intimate and direct medium through which to communicate with their customers.

FUTURE OF THE INDUSTRY

Unlike the failed Pets.com, these four services are not retail businesses—and that's potentially a very good thing since, as the BLS reports, over the 2006-2016 period, goods-producing industries will see overall job loss.

And there are still lessons to be learned from the example of Pets.com. The first one is that while size does matter, it's not everything. Turning a profit is more important than growing on a grand scale. Secondly, you need a firm business plan. Your business may be virtual, but your ideas and your plans to execute them must be put on paper. We'll walk you through that process in Chapter 6.

You'll also need to specialize. The World Wide Web may be endless, but it's no longer the Wild West. Much of the territory that's out there has already been claimed. That doesn't mean there isn't any room for newcomers, but if you want to make your mark, you need a reason to exist. That reason is your specialty; if you specialize, you can become the expert in that niche. In any of these four businesses we're telling you about, you can—and should—specialize. That's the wave of the future.