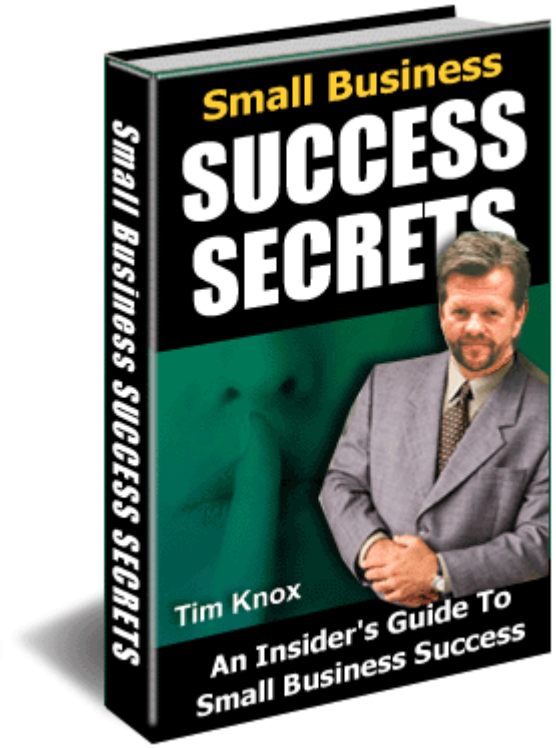
Small Business Success Secrets

An Insider's Guide To Small Business Success



By

Tim W. Knox

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About The Author

Tim Knox is a self-made entrepreneur who is well qualified to write a book like *Small Business Success Secrets.* Tim literally started with nothing and built a small business empire that grossed almost one million dollars in less than five years.

Tim is the founder, president and CEO of two successful technology companies:

- **Digital Graphiti Inc.**, a software development company whose client list includes Time Warner, Mercedes Benz, BooksAMillion, NASA, and over one hundred others.

- **B2Secure Inc.**, a Web-based hiring management software company with numerous clients in the high tech and healthcare industries.

Tim is an accomplished business writer and author.

He is a regular contributor for **Entrepreneur.com**, the website of the national publication Entrepreneur Magazine.

Tim also writes the weekly newspaper column **"Small Business Q&A with Tim Knox"** which focuses on small business startup and success. This book is a compilation of Tim's top advice columns found at http://www.smallbusinessqa.com .

As a private business consultant, he has led the e-business initiatives for companies like Advance Internet, Mercedes-Benz, Time Warner and a number of city, county and state government agencies.

Tim is an accomplished instructor and writer, having written numerous articles for online and print publications, and is co-author of the book Web Programming in IE 5.0 .

He has also worked with many e-business, technology and Internet start-up companies as an investor and advisor.

Tim has led numerous seminars and has lectured extensively on the subject of small business, technology and e-business for commercial and educational clients.

In previous lives Tim worked as a janitor, a factory worker, a bug man, a standup comedian, a radio morning show host, an underground newspaper publisher, an award-winning humor columnist, and an almost-syndicated cartoonist.

That series of misadventures is chronicled online at **http://www.timknox.com.**

Tim lives in Huntsville, Alabama, and is married with two daughters.

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Foreword

My first foray into small business was selling watermelons out of a little red wagon that was missing the left rear wheel. The year was 1967. I was seven years old.

Even then it was obvious that I was better suited for leading than following. I recruited by two best pals, Jimmy and Wally Patterson (my first employees), to actually do all the work while I sat on the ground next to the wagon to keep it from tilting over.

As Jimmy and Wally picked the melons from my father's garden and loaded them into the wagon, I offered keen instructions on the best way to stack our oddly shaped merchandise so that we might obtain maximum load with minimum breakage.

Being a natural born leader, I took command of the wagon after it was loaded and off we went, with Jimmy and Wally taking turns holding up the crippled corner of the wagon. We proceeded to knock on every door in the neighborhood until all the melons were sold.

Our gross revenue that day was $8.25. After paying Jimmy and Wally $1 each (big money for manual labor in those days), I pocketed a tidy $6.25 net profit and dragged my crippled wagon merrily home.

When my father discovered that his watermelon patch had been raided he forced me to turn over all the money (in true parental IRS fashion) and fixed my wagon, literally.

Small Business Lesson Number One: Never enter into a business negotiation with anyone who is screaming and waving a belt at you. I didn't know it then, but I was getting an education in business the hard way: by the seat of my pants. You might say I took a beating in the produce business.

Believe it or not, the word "entrepreneur" is French for "one who can't hold a real job." OK, that's not really true, except perhaps in my case. I am a serial entrepreneur by nature, having started (and sometimes stopped) a number of small businesses over the last 20 years. Some of my business ventures were successful, while others were not, but in every case I learned something that would come in handy the next time around.

My business education continues to this day. With each business venture I found myself becoming more creative and resourceful, associating with smarter people whose goals matched my own, putting a little more thought into each decision, and taking every aspect of the business a little more seriously. All because of things I learned along the way.

The purpose of this book is two fold: (1) to share with you what I know about starting, running and succeeding in business; and (2) to solicit *your* feedback on the topics of small business and entrepreneurship, in the hopes that our combined experiences might help others succeed, or at least avoid costly mistakes that you and I have made.

I ask that any feedback, questions or comments you have be emailed to me at tim@dropshipwholesale.net.

So, let's begin our business journey together, shall we?

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How To Create Multiple Streams of Online Income

One of my favorite things about being an Internet Entrepreneur is that I can literally wake up in the morning with an idea for a new product and have it become a reality by the afternoon. Or I can find new ways to promote an existing product. Or I can join a new affiliate program or pursue a joint venture. Every time I repeat this process I create a new stream of income to add to my existing revenue base.

I firmly believe that the key to business success is this: Don't put all your eggs in one basket. What do eggs and multiple streams of income have to do with each other? If you spread your eggs across many baskets you can still make omelets even if one of those baskets goes away.

Similarly, if you have multiple streams of income, the loss of one income stream will not devastate you the way losing your only stream would. If you rely on only one source of income and that single income source goes away (ever been downsized, laid off or fired?), you are left broke and desperate. This is why every success Internet Entrepreneur that I know has multiple streams of income.

This is also why I encourage my readers, newsletter subscribers, and ebusiness clients to establish multiple streams of income, which is extremely easy to do online. Here are a few pointers to get you started.

Create Your Own Info Product

Regular readers of this column have heard me preach this sermon before. Creating your own info product is the best way to generate a new income stream because it is so easy to do, so easy to distribute, and offers maximum profit potential. I can wake up with a topic in mind, sit down at my computer and within hours have a short book or report that I can turn into a downloadable ebook and immediately offer for sale on my website.

Anyone can create an info product themselves or farm out the actual writing to someone more adept. If you've got an idea it's easy to find someone to do the writing for you. I've covered this topic before, but it's worth visiting again because it is one of the best ways that I know to create a new stream of income.

Become An Affiliate Marketer

This is one of my favorite ways to create multiple streams of income because there are hundreds (if not thousands) of affiliate programs that you can sign on with and begin making money immediately. As an affiliate marketer you market a company's product or service and when you send them a customer or make a sale you are paid a commission.

You can sign on with as many affiliate programs as you like and each one has the potential of creating another stream of income for you. Many Internet Entrepreneurs have become millionaires without ever having a product of their own. They did it by promoting affiliate programs

I talked about affiliate programs in a previous column and you should refer to that column for an in-depth discussion of affiliate programs.

Start An eBay Business

Selling on eBay continues to be one of the more popular ways to make money online, though very few people are getting rich with an eBay business alone. Many Powersellers don't make enough profit to cover their costs.

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I gave you pointers on starting a successful eBay business in a previous column also found in this book.

Market Your Services Online

Are you a computer programmer? A writer or editor? A graphics artist or website designer? If so, you can market your services to customers around the world and it doesn't cost you a dime.

You can offer your services to customers on websites like elance.com or rentacoder.com. Basically you register with these sites and when someone posts a job that falls within your area of expertise you can bid on the work. For example, I needed a logo for one of my online businesses so I went to elance.com and posted the project for bidding and within hours I had a dozen graphic artists bidding for the job. I sifted through the profiles of everyone who bid on my job and picked a graphic artist who did the logo for less than $50.

Granted, I did not pay top dollar for the logo (to get it done locally would have cost ten times the amount I paid), but the designer probably spent an hour or two knocking out the 5 designs I got back and the work came to him, he did not have to spend a dime on marketing his services.

These are just a few ways to create multiple streams of income. There are hundreds of other ways to make money online. No matter which ones you pursue, just remember, the more streams of income you have, the bigger your money lake becomes.

* *

"The eBay Powerseller's #1 Product Resource"

The Ultimate eBay Dropship Power Pak contains everything you need to start your own profitable online business, including access to our private database of over 3,000 dropship and wholesale companies!

CLICK HERE NOW FOR DETAILS

What's The Best Product To Sell Online?

I wish I had a dime for every time I've been asked, "Tim, what's the best product to sell online?" I also wish I had a nickel for every blank stare I received when I answered: "That's simple: information." I'd have enough money to finance another startup or two.

As more and more entrepreneurs move to the Internet seeking their fortunes, "What's the best product to sell online," has become the number one business question of the decade.

The next question is always: "Why information?" Again, the answer is simple: because no other type of product is easier to create, faster to bring to market, easier to distribute, and potentially more profitable.

Many info products net as much as 75% to 95% profit on the initial sale after all costs have been deducted. And residual sales to established customers can offer 100% profit.

Informational products come in many forms. An info product can be a digital book (e-book" is the accepted term), a digital report or white paper, a piece of software, a website, a newsletter, etc. Any product that is informational or informative in nature can be considered an info product.

Here's why information is the best product to sell online:

Fast to create, fast to market

Forget a product development cycle that is years in the making. Forget an intense design and costly manufacturing process. I have literally created info products in as little as two hours and had them generating revenue shortly thereafter. If you have an appealing topic and a computer, you have all the tools you need to create an info product.

No inventory to stock

Forget filling your garage with boxes of cheap watches and cases of mega vitamins that you will never sell. When you sell information there is no inventory to stock. Your product is digital (I like to call it electronic air) and requires no space in your garage, just a little space on your computer. One of my most successful info products is a 30kb e-book that requires almost no space at all.

Low startup costs

When you sell information you can literally create a product for next to nothing. If your product is an e-book the only investment required will be in the time it takes to put words to digital paper. If you become an affiliate marketer of someone else's info product your investment can be zero.

You can automate the sales and delivery process.

Thanks to internet technology you can sell info products 24 hours a day, 7 days a week, and never lift a finger. In fact, you don't even have to be awake or at home to make money with an info product. I know many successful info entrepreneurs who are getting rich despite the fact that they work as little as an hour a day.

They check the website and their email, then go play golf or hang with the kids for the rest of the day. You can completely automate the sales and delivery process so your website does everything for you.

An automated website can give a potential customer your sales pitch, take the order and process the payment, deliver the product by email, and even follow up in a few days to make sure the customer is satisfied and offer to sell them additional products.

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You can offer immediate access or delivery

Online consumers are an inpatient lot. They want things NOW! These are people who stand in front of the microwave impatiently tapping their foot and frowning at their watch. Selling information is the best way to give your customers immediate satisfaction. As mentioned earlier, an automated website can process the order and payment, then immediately email the download link for the product to your customer.

There's no shipping and handling

One of the things I never liked about selling hard goods was the manual process of taking the order, running the credit card, placing the order with a dropshipper or filling the order of my stock. I hated finding a box and packing peanuts and printing the label and taping it all up and lugging it to the post office. Every minute I spent filling orders was time that I was not being compensated for, therefore, my profit grew less and less with every minute spent on shipping and handling. Informational products require no shipping and handling. Most are delivered by email. In the time it takes you to click your mouse, you can deliver an info product.

What if you don't have your own info product to sell?

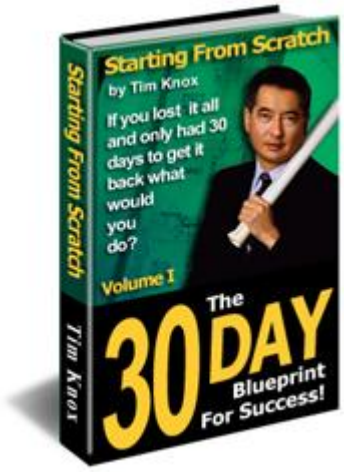
This is one of the most appealing aspects of selling information. If you don't have an info product, creating or finding one is much easier than you think.

We'll discuss that process in detail in the next chapter.

* *

"No Experience, No Money? No Problem"

We asked 58 of the Internet's Top Money Makers: "If you lost it all tomorrow and had to start over with nothing but the brain in your head and the experience of your years, how would you get back on top in less than 30 days?" Their answers could make you rich...



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How To Create Your Own Info Product

In the last chapter we talked about why informational products are the best type of products to sell online. An informational product can be a digital book (known as an e-book), a digital report or a white paper, a piece of software, audio or video files, a web site, an ezine (electronic magazine), or a newsletter.

Any product that's informational, instructional, or educational in nature can be considered an info product.

If you missed last week's column you might want to un-line your birdcage long enough to read it first so that you have a thorough understanding of what we'll be discussing this week, which is how to create your own info product.

As covered in detail last chapter, here are a few of the reasons why information is the best product to sell online:

- It's fast to create, fast to market
- There's no inventory to stock
- The startup costs are low
- You can automate the sales and delivery process
- There are no shipping and handling charges

One of the best things about information products is that you don't need a product designer or a manufacturing plant to crank out the goods. You also don't have to spend months and months doing product development.

If you have a computer and a word processing program you have everything you need to create a best-selling info product in a very short amount of time.

Great, you say, but I'm no writer. How the heck can I get into the information business? The good news is you don't have to be a great writer to create a great info product. If you don't have the ability to create the product yourself there are several avenues you can take to info product success.

Co-author with a writer

In my opinion, expert knowledge is much harder to come by than great writing skills. If you are an expert on a subject that people will pay to learn about, you just need a good writer to take your expert knowledge and put it in a saleable form.

I know many subject matter experts who can't write their names in the snow and many excellent writers who don't have the expert knowledge required to create an informational product that will sell. Co-authoring can be a match made in Heaven if an equitable co-authoring arrangement can be made. Co-authoring means that you both get credit for creating the product and share in the revenues.

If you are an expert on a topic, but not a writer, find a writer to co-author the project with you. Conversely, if you're a writer without specific knowledge, find a subject matter expert and partner with them to create the product.

Hire a ghost writer

A ghost writer is someone who will write the ebook for you anonymously, with the writing credits going solely to you. You supply the expertise and guidance and the ghost writer puts it in a readable format. You can hire ghost writers on an hourly basis or for a flat fee, depending on the scope of the project.

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There is no shame in using a ghost writer to put your thoughts to digital paper. You don't really think all those pro athletes and Hollywood actresses can write 300 page books now, do you?

Publish a directory

Can't think of a subject that you're qualified to write about? Try compiling a directory. A directory is nothing more than a listing of specialized information that you target market to a particular segment of the buying public. For example, my company publishes a dropship and wholesale industry directory that is a listing of company names, addresses, phone numbers, and website addresses. I simply have someone research the industry and compile their findings in a directory format, package it nicely, and sell it online for $27.

Sign on with an affiliate program and sell their info products

There are thousands of companies that sell informational products and most have affiliate programs that you can sign on with. Becoming an affiliate basically means you become a reseller of the company's products. You promote the product, you make the sale, the company delivers the product, and you earn a commission.

The key to creating a successful info product is this: the information must be worth far more than the price of the ebook itself. If you're charging $27 for your product, it must give the buyer many times that price in perceived value.

I asked info product expert Jim Edwards, co-Author of "*How To Write and Publish Your Own eBook in as little a 7 Days*" for his advice on how to create a killer info product.

Here are Jim's Top 5 Tips:

- **Niche It** - Make sure you are targeting a highly defined niche audience... don't try to sell to everyone. You can get a lot more money showing life insurance agents how to find more customers to buy $250,000 policies than you can trying to sell a product on generic sales skills improvement.

- **Hit Their Pain** - Make sure your info product hits a painful problem that members of your target audience will do just about ANYTHING to solve. The more intense the pain, the more they're willing to pay to get rid of it.

- **Give Them A Taste** - Give people a taste of what you offer in your info-product by giving them a sample. Just like the wholesale clubs get you to buy tater-tots in a 50 lb. bag by giving you one to try, you can induce people to buy your information by letting them read the first chapter or listen to the first few minutes of an audio.

- **Entertain Them** - People hate to be bored. Increase the power of your product by adding humor, drama and other entertainment elements that make them want more and more. This will not only help with future sales to satisfied customers, it will also keep your refunds down and increase word of mouth advertising.

- **Keep it Evergreen** - Don't make the mistake of creating a product that hits a fad or a fleeting market. Create info-products that can be updated with very little effort. This allows you to create a product once and keep the sales rolling in for years (literally) to come!

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When It Comes To eBay, Don't Follow The Herd

Q: I want to start an online business. Since I don't know anything about ecommerce and building websites and such, I'm thinking about starting out selling products on eBay, then pay someone to build a website for me once the money starts coming in. The big question is: what is the hot product to sell on eBay to make money fast?
-- Bob D.

A: While it's true that selling products on eBay can be a quick, low cost way to launch an online business, following the herd by selling the "hot product" of the moment, is not a great idea. To the contrary, chances are you will be stomped in the ground by the herd and left lying in the dust with your unsold inventory in hand.

We talked about starting a profitable eBay business in a previous column and the advice I dispensed then still applies today.

The most successful eBay sellers are those who understand that success on eBay relies on many of the same factors as success in a brick and mortar business.

- Smart sellers research the marketplace and the competition to determine the salability and profitability of the product.
- Smart sellers test the market with one or two before committing to a product line and tying up their cash reserves in inventory that may never sell.
- Smart sellers adjust their product offerings until they find a product or product line that sells consistently.

The last point is perhaps the most important. Long term eBay success does not come from "one off" sales. The key to real eBay success is to find a product that sells well and sell that product over and over and over again.

I asked Timothy Mina, author of the new book, *The Online Auction Expert's Bible To Selling on eBay,* his thoughts on launching a successful eBay business.

Why is eBay so attractive to entrepreneurs?

"With an eBay business, you set your own hours and set your own goals," Mina said. "You can work as much or as little as you want and whenever you want. Many sellers supplement their income by selling on eBay and many others have turned it into a full time business."

Mina cites the following reasons for eBay's growing popularity among entrepreneurs who want to start an online business:

- You can start up quickly and don't need special skills.
- There is very little risk and investment required to get started.
- The marketplace is huge. There are millions of potential customers waiting to buy what you're selling, 24 hours a day, with the click of a button.
- No stress, no boss. Yes, there is work involved, but the work can be done at your own pace. You are your own boss and you set your own schedule.
- Most importantly, you can follow your passion and do something you love. If you sell something you enjoy selling, online auctions aren't just profitable, they're fun and exciting, too.

Why It's Critical To Find Your Niche

Mina recommends creating your eBay business with niche items. According to Mina, the benefits of targeting a specific niche market include:

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- If you are going to rely on eBay as your primary source of income, it is essential that you find your niche. If the goal of your eBay business is to earn enough money in your spare time to make your car payment every month, it is less important, but still highly recommended.
- If you find a profitable niche, you will become a certified guru of the items you sell you will ideally be the only one on eBay offering the products.
- Your expertise will make it ten times as easy to spot bargains when you're shopping for products to resell. Bargains might be all around you, but if you don't know anything about what you're selling, you won't know how to spot bargains that are right in front of you.
- You will find different ways to add personal value to your products. These low cost add-ons or unique twists to your products will drastically increase your sales and profits by making your items unique and desirable.
- You will have little or no competition from other sellers, so you can corner your niche market.
- By dealing with the same type of customer over a long period of time you will get to intimately understand the mindset of your target customer and what your customer wants. This will help you sell your products better and allow you to market your products in ways others haven't thought of.
- You will be knowledgeable and enthusiastic about what you sell, and you will be attentive to your customer's desires. This results in satisfied customers, name recognition, and a lot of repeat business.

- You're going to find something you're passionate about and specialize in it. If you love what you're doing, you have a much greater chance of sticking to it and loving it. So it won't even fell like work – it'll be like you're getting paid to play.

How do you find your niche?

So how do you find your niche? Mina recommends doing an inventory of your hobbies and interests to help you identify a niche you would enjoy working in.

Ask yourself:

- What are you passionate about?
- What do you collect?
- What do you like to read about?
- What do you do in your spare time?
- So you have a favorite pastime?
- What was your major in college?
- What jobs have you had?
- Are there any other fields in which you have a great amount of knowledge?
- What clubs do you belong to?

Mina also recommends that you spend time on eBay studying the category listings. This may give you additional ideas for hobbies you can turn into an eBay business. Once you have defined your hobbies or interests, brainstorm how you can turn them into a business.

- How can you turn your expertise into a product?
- How can you add value to current products related to your interest?
- What product can you sell that may be one of a kind and have little or no competition?
- Can you think of novel ideas that people who share your passion would love?
- Is there anything related to your hobby that you can create yourself? An ebook or a how to, perhaps?

For more information on how to create your own ebook product see the column on that topic also found in this book.

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Dropship Your Way To Ebusiness Success

Q: I would like to start my own eBay business, but I really don't want to invest in a ton of inventory until I can get a better handle on what might or might not sell. I read another column you wrote about dropshipping, but I'm still a little fuzzy on how the whole process works. Do you think using dropshipping is a good way to start an eBay business and if so, how do I get started?
-- Candace M.

A: Dropshipping is a topic that I first addressed in my column way back in April, 2003, which is decades ago in Internet years. But with the continuing growth of eBay and it's positioning of itself as a viable way for anyone looking to launch an ebusiness, the topic of dropshipping is now hotter than ever. It is also now more misunderstood than ever.

Dropshipping has been around since Sears first started selling goods from its mail order catalogs over a hundred years ago. However, the idea of dropshipping still confuses many people who don't understand exactly how the process works.

By definition, dropshipping is a method of selling and distributing goods wherein the distributor or supplier of the product (the dropshipper) ships the product directly to the end user (your customer) on the retailer's behalf (that's you).

The process of dropshipping involves three parties who take a product from manufacturing to market. They are a manufacturer, a distributor, and a reseller.

Let's use a blue widget as a sample product to demonstrate the process:

Blue Widget Manufacturing (manufacturer): This is the company that manufactures blue widgets. Blue Widget Manufacturing does not sell directly to the public or supply the retailers who ultimately sell the blue widgets to the end user. They prefer to use distributors to handle the task of taking their blue widgets to market. Blue Widgets sells blue widgets by the truckload to distributors who pay $5 per blue widget.

A1 Distributing (distributor/dropshipper): A1 Distributing is the company that purchases blue widgets in bulk from the manufacturer and supplies them to resellers at a cost of $7 each. The distributor does not ship blue widgets to the reseller, but ships orders directly to the reseller's customers as the widgets are sold.

Big Bob's eBay Widget Store: Big Bob sells blue widgets to the public from his eBay store. Bob orders the blue widgets from A1 Distributing as he sells them (usually one at a time) and has A1 ship the blue widget directly to his customer. Bob sells blue widgets to the public for $10 each, which means that for every blue widget sold he nets $3.

How The Process of Dropshipping Works
Here are the seven steps involved in starting a dropship ebusiness:

STEP 1: Choose A Product To Sell
The very first step in any sales process is deciding what product to sell. There are many factors that should be considered before deciding on a product to sell, but for now let's say that you decide to sell CD players on eBay.

STEP 2: Locate A Supplier Who Will Dropship For You
Using a research tool like Google, Thomas Register, or an industry-specific resource like The Ultimate eBay Dropship Power Pak (see Resources at that back of this book), you search for and find a company who will dropship CD players for you. The company offers you a 35% mark

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up over cost, which means that they will supply the CD players to you for $100 each and you should be able to retail them for $135. You make sure that the dropshipper has a good stock of CD players on hand so you don't end up selling a product that must be back-ordered.

STEP 3: Set Up An Account With The Dropshipper

You contact the company that can supply the CD players and set up a reseller account with them. This can often be done online or by phone, but some companies will require that you complete and return a reseller application to open an account. Some companies may also require a tax ID and business license.

STEP 4: Advertise The Product For Sale On eBay

Now that you have your supplier lined up and know that the product is in stock, it's time to make a sale. You advertise the product using an eBay auction. Since you know what you must pay the dropshipper for the product, you know what the minimum amount you will take for the product. In this case you start your auction at $100 since that is your cost. If you are confident that you can get more than $100 for the product you can start with a lower price, but remember that if the product goes for less than what it costs you to fill the order, you will lose money. Also remember that the dropshipper will charge shipping, so you should figure that into your sale.

STEP 5: The Product Sells

Great news: your CD player sells for $135 and your customer pays you with a PayPal instant payment. I highly recommend that if you are selling on eBay you use PayPal or some other online processor to accept instant payments. This allows the customer to pay you faster, which lets you place the order with the dropshipper faster, which gets the product to your customer faster.

STEP 6: Place The Order With The Dropshipper

After your customer pays you, you should contact the dropshipper immediately to order the product on your customer's behalf. The dropshipper then ships the order to your customer under your company name and address.

STEP 7: Follow Up After The Sale

This is where many new ebusiness people drop the ball. Just because your customer has paid you and you've placed the order with the dropshipper does not mean that you are out of the loop. Quite the contrary, if there are problems with the order you are the one that will be held responsible in the eyes of your customer.

Be proactive in your customer relations. Follow up with your customer to let them know that the item has been shipped. Offer yourself as the personal contact for any issues that may arise. This is also a great way to sell that customer more products. Invite them to check out your eBay store or website if you have one.

Many people are afraid to use dropshipping as a method of sales due to the horror stories that fill the Internet about unscrupulous dropshippers who take the money and don't fill the orders, merchandise that is eternally back ordered, unscrupulous middle men posing as dropshippers, etc. Make no mistake, the dropshipping industry – like most other industries – does have its share of shady characters who would rob you blind given the chance, but there are also hundreds of honest dropshippers who can help you build a profitable eBay dropship business.

Dropshipping is a complex topic that can't be completely addressed here. For that reason I have written a detailed report on dropshipping that is available to Entrepreneur.com readers for free.

It's called ***SPECIAL REPORT: eBay Dropship Profits*** and you can download your free copy at the link below:

- http://www.dropshipwholesale.net/bookpopup.php

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The Secret To Real eBay Success

QUESTION:

I hear so much about people who started selling on eBay and eventually turned it into their full time business. Is it really possible to build a profitable business just selling junk on eBay? -- Alex K.

ANSWER:

If Fred Sanford were alive today, Alex, I'm sure he'd be earning his ripple money by selling quality junk on eBay. While it's also true that one man's junk is another man's treasure (I have a garage full of treasure to prove this point), your chances of building a profitable business selling "junk" on eBay (or anywhere else, for that matter) are slim to none.

While there is a lot of junk/treasure for sale on eBay, it is typically sold by individuals who have "I break for yardsales!" bumper stickers on their cars and not serious business people.

For serious entrepreneurs, however, selling on eBay can be a good way to start a new business if you are willing to put in the time and energy required to make the business a success. eBay is also a good option for existing businesses to expand their reach by selling online.

Everyone from small used car dealers to giant companies like Dell Computers have discovered that eBay is an excellent place to hawk their wares simply due to the huge number of folks who visit the eBay site on a daily basis. Nowhere else on earth will you find such a large pool of potential customers.

Consider these numbers:

- There are nearly 69 million eBay users who spend $59 million every day.
- Most eBay sellers are home-based businesses that sell everything from porcelain dolls to locks of Elvis' hair to $100,000 Mercedes convertibles to $5 million dollar vacation homes.
- Every minute of every day more than 150 new items are listed for sale, more than 500 bids are placed, and seven new people register to shop on eBay.
- At any given moment, eBay is conducting some 12 million auctions, divided into about 18,000 different categories
- About two million new items are offered for sale every day, and 62 million registered users scour the site to find them.
- One company is grossing more than $5 million dollars a year selling brand new pool tables on eBay. Their eBay store is so profitable that they have closed their retail location and now sell solely online.

That's right, $5 million dollars from the sale of pool tables: proof that you can sell just about anything on eBay if you know how to do it.

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Be aware, however, that eBay is no magic bullet. As any eBay Power Seller (a seller who sells a minimum of $10,000 in goods per month) will tell you, building a profitable eBay business takes hard work and requires long hours, and often the financial rewards do not make it worth the effort spent.

When it comes down to the mechanics of it all, running an eBay business is no different than running a brick and mortar business. You still have the same considerations regarding product selection, inventory purchasing, product pricing, inventory management, order processing, fulfillment, customer service, etc.

You must also consider the legal and accounting aspects of the business. Just because you're selling online does not mean that Uncle Sam won't expect his piece of the pie. Revenue generated by an eBay business is just as reportable and taxable as revenue generated from a brick and mortar store. And if you sell to customers within your state you may also be responsible for collecting city, county or state sales tax.

One of the biggest obstacles to building a successful eBay business may be the stiffness of the competition. Many sellers sell identical items and the price wars often get ugly, but that's to be expected in a free market place, which is exactly what eBay is.

You may be the only store in town that's selling that one of a kind, custom made just for you, broke the mold after they made it, Dale Earnhart Memorial Bobble Head Action Figure (Earnhart fans would string me up if I called it a Doll), but do a quick search on eBay and you'll probably find a hundred others just like it.

So, can you build a profitable business selling on eBay? Certainly, thousands of people have done it and so can you. Here are a few tips to help get you started.

Sell Quality Products

Don't sell junk! Leave the knick-knacks and fake leather jackets to the less informed. You should offer only quality products at a fair price.

Research The Competition

Once you have your product in mind, don't invest a dime on inventory until you have spent some time on eBay to see what the competition is doing. If you want to sell motorcycle helmets, for example, you should look at current auctions to see how many others are selling similar helmets and what prices they are charging. This step is vital since you may discover that you can't compete with current sellers on price or there is simply no market for what you have to offer.

Start Slowly

Many people believe that the more items they have for sale on eBay the better. They will invest thousands in inventory and spent hundreds on listing fees (yes, eBay charges you to list items for sale and collects a final fee if the item sells). Those are the folks that usually end up with ten thousand Ginsu knives forever in their garage.

Test, Test, Test

A fair portion of eBay auctions result in no sales, so it's best to test the waters before jumping in with both feet.

List a few items and see how they sell. If an item doesn't sell, list it at least twice more. Some items might not sell the first time, but may the second or third, then sell steadily from then on. If an item gets no bids the first time, consider adjusting your price or your terms. If an item sells well, keep it in stock and then experiment with another item.

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Do Your Homework

eBay is too broad a subject to be covered fully here, but there are a multitude of books available that can help you start an eBay business.

In fact, I bet you'll find most of them for sale at this very moment at eBay.

What's my bid…

"The Official Powerseller's Online Auction Tool Kit"

It doesn't matter if you're an eBay beginner or an experienced Powerseller, the information in this huge 10 volume set will make your profits soar!

Written by REAL eBay Powersellers and Experts.

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Cut Start Up Costs By Using A Dropshipper

QUESTION:

I want to start an online specialty shop, selling gifts and home accessories. I want to be able to have items dropshipped to customers through my site. I already have a website and domain name reserved, but I don't have a lot of money to get this going. I'd appreciate whatever insight you can give me. -- Mary Ellen Y.

ANSWER:

Mary Ellen, consider setting up relationships with companies who will ship merchandise directly to your customers for you – dropshippers, as they're called - is an excellent way to start your e-business and, if done properly, doesn't have to be a costly endeavor.

There are literally hundreds of companies out there that will dropship products for you, everything from gifts and housewares, to leather goods and jewelry, to power tools and furniture, and on and on. Your goal should be to find one or more reputable companies to supply your goods.

In a nutshell, here's how dropshipping works.

- You set up an account with a dropshipper (or multiple dropshippers who offer different kinds of products) who provides merchandise that you can sell on your website.
- The dropshipper typically supplies you with images and product descriptions that you can use to build your online store or feature on static web pages.
- When a customer places an order for the product on your site, they pay you for the product. You, in turn, place the order with the dropshipper and pay them for the product. The dropshipper ships the item directly to your customer under your company name.
- To your customer's knowledge, the product was shipped by you.

Dropshipping offers many advantages to the shoestring online startup. You don't have to pay for an item until it sells and your customer pays you, so your personal cash outlay for the product is zero.

You don't have to handle or warehouse the merchandise as order fulfillment is handled by the dropshipper. You can also offer a wide variety of items from multiple dropshippers and your end customer is none the wiser.

Dropshipping does have it's downside. Since you do not actually stock the products featured on your site, you have no control over inventory management, product availability, order fulfillment, shipping processes, etc.

Still, if you do your homework and establish a good relationship with a reputable dropshipper the problems you experience should be few.

Your goal should be to find a dropshipper that will dropship items one at a time instead of requiring that you purchase a fixed minimum number of items each time (single unit purchases

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versus minimum order purchases). With this arrangement you don't have to invest your limited cash reserves in inventory that might not sell (and sit in your garage for months).

Thanks to the stiff competition the Web has created, many dropshippers will now do business with you without requiring that you pay a setup fee or have a tax ID number. You simply set up a reseller account (you're the reseller) and start marketing the products on your site.

Account registration can often be done online at the dropshipper's website. With this process, you can literally be selling products within minutes of setting up your reseller account.

Be warned, however, that some dropshippers are not as reliable as others. Also, be aware that some companies who claim to be dropshippers are really middle men who have positioned themselves between the online merchant (that's you) and the real wholesale merchandise distributor. These middle men will eat into your profits and usually don't offer much in the way of customer support and service. They can actually hurt your business more than help it, so make it a point to do business only with – and directly with - established, reputable dropship companies.

Spend the time to research the dropshippers doing business in your particular product category and try to get feedback from their current customers. The most important thing to remember about dropshipping is that your customer doesn't know (or care) that the product they are purchasing from you really comes from a dropshipper.

However, if there is a problem with their order your customer will come back to you for resolution, not the dropshipper, so make sure that any dropshipper you use has a track record for resolving problems quickly.

"The eBay Powerseller's #1 Product Resource"

The Ultimate eBay Dropship Power Pak contains everything you need to start your own profitable online business, including access to our private database of over 3,000 dropship and wholesale companies!

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Build A High Profit Business With Affiliate Programs

QUESTION:

I am considering starting an ebusiness using affiliate programs, but there is so much hype out there I can't figure out which programs would work best for me. Everybody claims their program is best. I'd really appreciate some guidance here.

ANSWER:

Great question, Todd. Affiliate programs can be an excellent way to start an ebusiness. Before we dive into the specifics, let me explain how an affiliate program works.

An affiliate program simply means that you sign on as an affiliate marketer for someone else's product. It's your job to market the product, send the company customers, and get a cut each time a sale is made from your efforts. Affiliate program commissions can range from as little as 2% for high ticket items up to 50% for ebooks and informational type products.

As an example, let's say you sign up with Amazon.com's affiliate program. You are assigned an affiliate code which you use to promote Amazon's books on your website. When someone clicks to purchase an Amazon product from your website, your affiliate code is included in the URL and you get a commission for the sale. Some folks have built elaborate websites that sell nothing but Amazon.com's books, and each time they make a sale they get a piece of the pie.

One of the most appealing aspects of affiliate programs is how quickly you can begin making money. You can literally sign up as an affiliate and begin making money in minutes. I've done it, I know it works.

Admittedly, I am not an affiliate program expert, so I sought out the person that many call the Ultimate Affiliate Program Authority, Rosalind Gardner.

Rosalind Gardner began making money with affiliate programs in 1997. She has since grown her affiliate business into a $400,000 a year business and is now considered the authority on the subject. Her book 'The Super Affiliate Handbook: How to Make a Fortune Selling Other People's Stuff Online' has been out since March and is already considered by many to be the affiliate marketers bible.

I ordered Rosalind Gardner's book as research for this article and I have to tell you I found it to be one of the best books on the subject I have ever read. It's a hype-free approach to what affiliate marketing is really all about and how to make it work. The book is 270 pages and leaves no stone unturned. For anyone serious about making money with affiliate programs, I highly recommend this book.

The bottom line, Todd, is this: you can make a lot of money with affiliate programs, if you pick the right product and do your part to promote it. As for which programs would be best for you, I advise that you concentrate your efforts on one or two products instead of starting with a shotgun approach. Pick only top quality products that hold some personal interest you. Never pick an affiliate product just because you think you'll make a ton of money with it.

Remember, you are starting a business. If it's not a business that holds your interest, you won't be in business very long.

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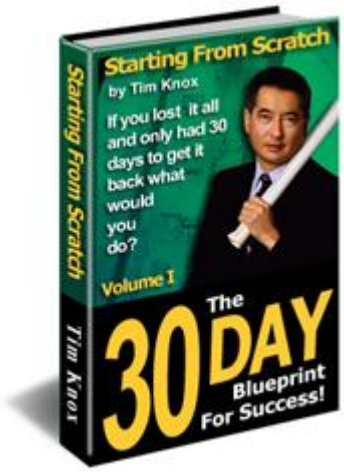
* *

"No Experience, No Money? No Problem"

We asked 58 of the Internet's Top Money Makers: "If you lost it all tomorrow and had to start over with nothing but the brain in your head and the experience of your years, how would you get back on top in less than 30 days?"

Their answers could make you rich...



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Turnkey Dropship Websites Save You Time, Trouble and Money

QUESTION:

I would like to start an online dropshipping business, but I have no idea how to get started. I would like to specialize in giftware and accessories. Where do I find products and how do I get set up a website without any technical knowledge? – Beth N.

ANSWER:

Great question, Beth. In the good old days of the Internet, i.e. last year :o), it took a considerable amount of effort to launch an ecommerce website, especially one that offered dropship merchandise.

The to-do list for building even a small site was extensive.

- You first had to find a company who would dropship merchandise for you. Believe it or not, there was not a dropshipper on every corner of the Web back then.
- Once you found such a company, you had to set up a formal business account with them, which often meant filling out forms, jumping through hoops, providing them with proof of a business license, a tax ID number, a pint of blood, the promise of your first born, and on and on.

Then the real fun began.

- You had to tear apart the company's print catalogs and scan in the pictures of merchandise you wanted to sell on the site.
- You had to build the website by hand with an HTML editor, and type in all the product descriptions and prices, which made updating the site a manual nightmare. Changing $1.95 to $2.95 could literally take half an hour.
- You had to find a dependable hosting company to host the site. This was harder than you might think. Finding a dependable hosting company in the golden age of the Internet was like finding a painless dentist in the old west. They just didn't exist. You had to opt for the hosting company that you hoped would cause you the least amount of pain. And you were always wrong.
- You had to register a domain name. This part was fairly simple, IF you had the genius IQ required to think up a coherent domain name that was not already taken by another business or a &^%$# cyber-squatter (low level life forms who register domain names and ransom them to individuals and companies that could really use them).
- And when you finally think you have thought of everything there is to think of, that you have done everything that needs to be done, you launch the site amid little fanfare and much prayer.

Then it suddenly occurs to you (always in the middle of the night) that the only thing you forgot to build in to your new site is a way for your customers to pay for their purchase online with a credit card (there was no Pay Pal in the dark ages, my child…).

You awake in a cold sweat and finally understand why you haven't sold a single Beanie Baby since your site was launched.

Ah, the good old days… Thank God they are gone.

Lucky for you and me, Beth, there are now a number of companies on the Web that can help folks like us set up a turnkey dropship website without ever breaking a sweat.

By turnkey, I mean they will provide you with a complete, payment-enabled website and the merchandise to sell on the site. All you do is turn the key (so to speak) to start your new business.

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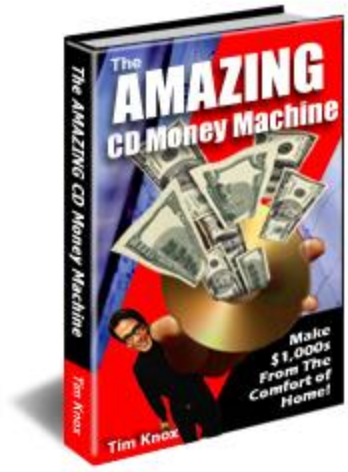
You select the design of the site, the products you want to sell, and they do the rest. They can show you how to setup an online payment system, help you register a domain name, offer technical support, and more.

It is up to you to market the site and drive customers to it, but in some cases the companies will even help you do that with free search engine submissions and marketing tips. You can also sell the merchandise at online auctions like eBay and Yahoo! Auctions. There is no quicker way to get your dropship business up and running in a matter of days. For more information on turnkey websites see the Resources Section at the back of this book.

* *

"The Amazing CD Money Machine"

The Amazing CD Money Machine gives you the exact blueprint for success that I have used to build my own home-based business into a $2,000 A WEEK MONEY MACHINE!



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Taxing Your eBay Profits

As a small business person-slash-advice columnist I dread the first quarter of the new year. Not because in my mind my own business fortunes start at zero again every January or because I have already dismissed every New Year's resolution I made when the clock rang out the New Year.

No, the reason I dread the first quarter of the new year is that my email box floods with questions about business taxes and the IRS, my two least favorite subjects on earth. It's not that I am opposed to paying my fair share of business taxes. It's that I consider the IRS to be a little like Beetlejuice, the movie demon who appeared only after his name was called three times in a row. My fear is if I write too many IRS columns their dark agents may appear on my doorstep, ready to drag me away to an uncertain fate.

Oh well, one must do his duty no matter the consequences, so here we go….

Q: I am starting a small retail business. While talking to a potential supplier last week he asked for my EIN number. I had no idea what he was talking about, so I told him I would have to get back with him because I didn't have the number handy. What is an EIN number and why do I need one? -- Robert P.

A: Robert, do you remember the old Johnny Rivers song "Secret Agent Man?" There was a line that said, "They're giving you a number and taking away your name." An EIN isn't as cool as a secret agent number, but it works much the same way when it comes to your business' relationship with the IRS. Instead of identifying your business by name, the IRS identifies your business by EIN.

EIN stands for Employer Identification Number and is also known as a federal tax ID number. The EIN is a nine-digit number that the IRS assigns to businesses and is used to identify taxpayers that are required to file various business tax returns.

Does your business need an EIN? According to the IRS the answer is yes if:

- Your business has employees
- Your business is a corporation or partnership
- You file returns for Employment, Excise, or Alcohol, Tobacco and Firearms tax
- You withhold taxes on income (other than wages) paid to a non-resident alien.
- Your business has a Keogh plan
- Your business involves trust, estate, real estate mortgage investment conduits, non-profit, farmers' cooperatives, or plan administrators.

Applying for an EIN is a relatively painless task. You can apply online at the IRS website (irs.gov), apply by mail or telephone, or if you do business in a state that participates in the Federal Employer Identification Number project you can apply through you local IRS office (sorry, Alabama is not one of them).

You will need an EIN number prior to filing business returns with the IRS, so make sure you give yourself plenty of time to obtain one. For more information on EINs and your business, consult your accountant.

And while we're on the subject …

Q: I made extra money selling things on eBay last year. These were items I picked up at yardsales mostly. My husband says I am responsible for paying income tax on the money I made, but I disagree. This is just my hobby, not a business. What do you think? -- Gladys A.

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A: With so many people selling on eBay these days this is a question I get quite a bit. In fact, I have plans for a future "eBay and taxes" column, but I believe your question is more, "is it a hobby or is it a business?"

Again, I went to the horse's mouth (at least I think it was the mouth) for the answer. According to the IRS there are a number of factors that help determine if your hobby can be considered a business and thereby make you susceptible to the IRS tax rules governing business.

Do you carry on the activity in a business-like manner? If you conduct your eBay activities like a business, i.e. you keep business records, track your profit and loss, keep a separate checking account, etc. then whether you think so or not, your hobby is considered a business.

If you put considerable time and effort into your venture, the IRS may contend that you do so for profit and not fun. It seems the folks at the IRS don't believe in doing things strictly for pleasure. My guess is, neither do you. If you weren't making money selling on eBay I doubt you'd be bothering getting up at 4am to hit all those yardsales. Then again, maybe you would…

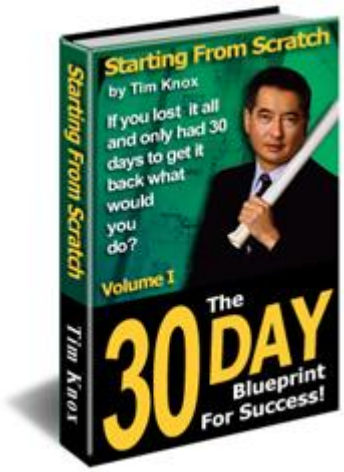
If you depend on income from your eBay activities for your livelihood, it's a business, not a hobby.

There are a number of other factors the IRS considers to determine if a hobby is really a business, but in your case I think that covers the basics.

For detailed answers to any tax question you should consult a qualified accountant or tax attorney. God forbid you rely on a guy who is afraid to mumble the letters "IRS" three times in a row.

"No Experience, No Money? No Problem"

We asked 58 of the Internet's Top Money Makers: "If you lost it all tomorrow and had to start over with nothing but the brain in your head and the experience of your years, how would you get back on top in less than 30 days?" Their answers could make you rich...



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Taxing eBay Part Deux

When my column on paying income tax on eBay profits ran in syndication (see last chapter) it brought a wave of emails on whether you were required to report income earned from eBay sales to the IRS sparked a number of additional questions and comments from eBay sellers who were hoping that I could somehow validate that their eBay activities were mere hobbies instead of actual businesses and therefore not susceptible to IRS taxation.

Several folks argued that just because their little eBay hobby generated a little cash, that didn't make it a full blown business. It seems they consider the income from their little hobby to be financial manna from Heaven and thereby not taxable by earthly tax collectors. I've always been amused by folks who try to impress me with talk about their "little side business" but when the subject turns to taxes they suddenly refer to it as "my little hobby."

All arguments aside, the conclusion that I came to after reading each of the emails was always the same: while you may think selling on eBay is just a fun pastime and the money you're making is not reportable as income, depending on the circumstances, the IRS would probably disagree with you.

It seems that everyone likes making money, but hates carving off a piece for good old Uncle Sam. Welcome to free enterprise, folks. If you're going to come to the dance you have to pay the fiddler.

The IRS rules are clear: you must pay taxes on all personal and business income and that includes money you make selling on Ebay.

In its most basic sense, the IRS rules can be interpreted to mean that if you buy an old vase at a garage sale for $10 and sell it on eBay (or elsewhere) for $20 you made a $10 profit and therefore must report it as income and pay Uncle Sam his fair share.

In reality, if you are a casual seller who only sells a few items on eBay every now and then it's doubtful the IRS is going to let loose an army of agents to collect taxes on the few bucks you make. However, if you consistently sell on eBay the IRS may deem your activities to be business oriented and you will be required to file a Schedule C and claim the income.

As mentioned last week, the IRS uses a number of factors to determine if an eBay hobby that generates sales revenue is actually a business. These factors include:

- Do you carry on the hobby in a business-like manner?
- Do you spend considerable time working on the hobby?
- Do you depend on income from your hobby for your livelihood?

If the answer to any or all of these question is yes, you're running a business, not carrying on a hobby, and you are responsible for paying taxes on your income.

What's eBay's take on all this? Naturally eBay is vehemently opposed to anything that might rock the eBay boat. eBay does not does not issue 1099 tax forms to sellers, nor does it report seller's sales figures to the IRS.

Ebay considers itself merely to be a facilitator, meaning that they provide a marketplace in which buyers and sellers come together to do business.

Furthermore, under its current system it would be impossible for eBay to issue accurate 1099s to sellers. eBay does not track if a seller actually gets paid by the buyer, so eBay has no idea how much money - if any - actually changes hands at the end of each transaction.

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On the bright side, if you do sell on eBay as a business you can deduct a number of business expenses, including the cost of inventory, listing fees, shipping, envelopes, packing materials, etc.

You might also be able to deduct things like the purchase of a computer for business use, office space (even if it's a home office), office supplies, and more.

Talk to your accountant if there's any doubt as to whether you should or should not be paying taxes on your eBay earnings.

"The Official Powerseller's Online Auction Tool Kit"

It doesn't matter if you're an eBay beginner or an experienced Powerseller, the information in this huge 10 volume set will make your profits soar!

Written by REAL eBay Powersellers and Experts.

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The Internet Tax Man Cometh

Q: I was contacted by the city tax collector to say that my business is scheduled to be audited to see if I owe sales tax on items purchased on the Internet. Can they really make me pay sales tax on internet purchase? I thought you could buy things online tax free?
-- Charlie B.

A: Sorry, Charlie, but your local municipality is well within its rights to audit your business to identify items purchased online. The city can also demand payment of sales tax on those items if sales tax was not previously paid. Don't be surprised if the auditor asks for access to your books and to see purchase receipts and invoices for at least the past year.

One of my companies recently underwent such an audit and it really was not as painful as you might think. Being a software company, the majority of our online purchases were for computer equipment, technical manuals, and software development tools. Since we purchase computers from a large supplier who collects sales tax at the point of sale (ditto for the development tools), the only sales tax we ended up owing was for an inordinate number of technical manuals and books purchased at Amazon.com.

If your small business is like most, the majority of your large purchases are made locally from companies that already collect sales tax. Furniture and computer equipment are typically the largest ticket items a small business buys, so unless you bought your desks and computers off of Ebay (which is highly possible these days) you should be OK.

Internet sales taxation has been a topic of contention even before Amazon sold its first book and Priceline booked its first flight. One of the more controversial points is that no one, including our own government, seems to have a clue how to implement a fair and logical Internet taxation process. With over 7,500 different local, county and state taxation systems in the United States, you can understand the controversy.

In 1998, Congress did what it usually does when faced with a potentially explosive issue like Internet tax collection -- it decided to put off making a decision. Congress enacted a three-year moratorium on the collection of taxes to give an appointed advisory board time to come up with an acceptable solution. That moratorium ended in 2002 and opened the door for municipalities to begin collecting sales tax on their own.

Here in Alabama the state sales tax collection department has aired radio spots asking Alabamians to step up to - and toss dollars into - the proverbial collection plate. The commercial kindly suggests that if I have purchased anything from an online retailer, I am honor-bound to proclaim such purchases and submit the appropriate sales tax to the collection department right away. They thank me in advance for my cooperation.

So, Charlie, when the auditor shows up at your door the best thing you can do is smile politely and be totally forthcoming. The sales tax that you pay is a small price for the convenience of shopping online.

Or at least that's what you should tell yourself as you write the auditor a check.

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If You Build It, Will They Come?

QUESTION:

I recently launched a website for my sporting goods business. Do I need to do anything special to attract customers to my website? I know nothing about search engines and marketing as such. Please tell me where to begin. -- Sean M.

ANSWER:

Sean, that is a question that has been asked by every business person who has ever launched a website. If I build it, will they come? Of course they will -- if you've built a website that appeals to dead baseball players.

For those of you who didn't get the "Field of Dreams" reference, let me put it this way: No, Sean, if you build it they will not come, at least not without some effort on your part.

Assuming that a website will automatically attract customers is the single biggest mistake that many business owners make. It is this mistake that eventually leads them to dismiss their website as a failure and abandon their online sales efforts.

I can't tell you how many times I've heard a client say, "Well, I threw up a website, but nobody ever came to it and I didn't sell a single thing from it! Dang thing was a waste of time, if you ask me …"

Forgive me, but "threw up" is the operative term there. These short-sighted entrepreneurs (God love them) mistakenly think that all they have to do is throw up a website and that their business will automatically double overnight. And when nothing happens they blame it on the infallibility of the Internet, on El Nino, on the Bosa Nova, on their customers… everything but their own lack of marketing efforts.

If you build it, will they come? That, Sean, depends totally on you.

When it comes to attracting customers, opening an online business (or an online branch of an existing business) is no different from opening a traditional brick and mortar shop. Without a little fanfare and a well-devised marketing plan, chances are your website will become just another spot of roadkill on the Information Superhighway.

The first step in devising your marketing plan is to ask yourself this question: Who is my customer? Who is it that I want to attract to my website? Believe it or not, this is a question many entrepreneurs fail to ask. The identity of your customer is incredibly important because if you don't know who your customer is, how can you expect to market to them?

The next question concerns the locality of your customer. Do you want to attract a local or global clientele to your website? If the answer is local, then you will gear your marketing efforts toward customers in your own backyard, which means incorporating your website launch with your offline marketing efforts.

If the website is the online branch of a brick and mortar business, include the website URL in all your print materials and advertising campaigns. Consider running ads in the local paper, on radio or TV announcing the launch of your site. Use direct mail or in-store posters to announce the site launch to your existing customer base. In short, keep doing what you're doing to attract customers to your physical store, just add your website address to the mix.

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Just remember, it's important to consider your website a branch of your brick and mortar business because that's exactly what it is. A good business website will help you sell more products, widen your range of clientele, and increase your revenue without adding overhead. Don't sell your website short. Make it work for you.

If you are seeking a global audience, your marketing efforts will be quite different. Attracting customers from around the world is a more difficult task than attracting customers from around the block. Fortunately, the task is not impossible. The Internet has leveled the playing field in many ways. Now every business, no matter how large or small, has the ability to do business internationally.

In the most basic sense, an online marketing campaign to attract global customers should include the following efforts.

Register With Search Engines

There's not enough room in this newspaper for a thorough discussion of search engines and their effectiveness (or lack thereof) in driving traffic to a website. Suffice it to say that 95% of search engine traffic comes from Google and Yahoo, so start there. It's also important to realize that just registering with search engines does not guarantee you traffic, but it certainly can't hurt.

Unfortunately, the free search engine lunch ran out a couple of years ago when search engines figured out that people would actually pay for listings and higher placement. Since that time the only way to guarantee a high (or at least higher than others) ranking is to pay for it. The two most popular pay-for-placement programs are Yahoo's "Yahoo Express" and Google's "Adwords." Visit their respective websites for details on these programs. Be prepared to spend several hundred dollars at a minimum to get your site listed.

Exchange Links With Similar Sites

One free – and potentially effective - way to drive customers to your website is through link exchanges with sites of similar interest. Locate sites that make a good match to your own and contact the owner to ask if they will link to your site in exchange for you linking to theirs. If you sell golf balls on your website, set up a link exchange with another website that sells golf clubs. You post a link to them and they post a link to you. It's called digital back scratching, and if done properly, can work well to drive traffic your way.

Go To Where The Customers Are

If the mountain won't come to Mohammed, then Mohammed must go to the mountain. One little known way to attract customers to your website is to market your products on a mega-site like eBay. There are thousands and thousands of people on eBay at any given time and each one is potentially your customer, so it's a great place to drum up business.

Your goal is not to make a living selling on eBay, but to use eBay as a marketing tool to drive traffic back to your website. Go to where the customers are, then bring them back home with you.

Let's use our golf ball example. Post a few auctions on eBay selling your golf balls at a ridiculously low price so your auction attracts plenty of attention. When customers make a purchase, add them to your client list and send them an email inviting them to visit your website for more great products.

eBay also lets you create your own "About Me" page that you can use to advertise your business.

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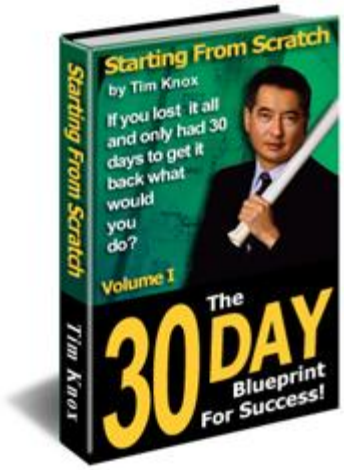
We have just scratched the surface, but hopefully this is enough to get you started. I wish I could tell you that attracting customers to your website is easy, but the truth is, it's anything but. It takes hard work, creativity and above all, perseverance.

"No Experience, No Money? No Problem"

We asked 58 of the Internet's Top Money Makers: "If you lost it all tomorrow and had to start over with nothing but the brain in your head and the experience of your years, how would you get back on top in less than 30 days?"

Their answers could make you rich...



CLICK HERE NOW FOR DETAILS

What Does Your Website Say About Your Business?

QUESTION:

My business is very small, just me and two employees, and our product really can't be sold online. Do I really need a website? -- Robin C.

ANSWER:

Congratulations, Robin, you are the one millionth person to ask me that question. Smile for the cameras, brush the streamers and confetti from your hair and listen closely, because I'm about to answer for the millionth time what has become one of the most important and often-asked questions of the digital business age.

Before I answer, however, let's flash back to the very first time I was asked this question. It was circa 1998, during the toddler years of the Internet, just after Al Gore laid claim to having given birth to the concept a few short years before.

I was giving a speech on the impact of the Internet on small business at an association luncheon in Montgomery, Alabama. My motto then was: Feed me and I will speak. I have the same motto today, but I now expect dessert to be included in exchange for the sharing of my vast wisdom.

In 1998, which was decades ago in Internet years, the future of electronic commerce or "ecommerce" as it's come to be known, was anybody's guess, but even the most negative futurists agreed that all the signs indicated that a large portion of future business revenues would be derived from online transactions, or from offline transactions that were the result of online marketing efforts.

So, Robin, should your business have a website, even if your business is small and sells products or services that you don't think can be sold online? My answer in 1998 is the same as my answer today: Yes, if you have a business, you should have a website. Period. No question. Without a doubt. Thank you, drive through. Now serving customer number one million and one…

Also, don't be so quick to dismiss your product as one that can't be sold online. Nowadays there is very little that can not be sold over the Internet. More than 20 million shoppers are now online, purchasing everything from books to computers to cars to real estate to jet airplanes to natural gas to you name it. If you can imagine it, someone will figure out how to sell it online.

Internet marketing research firms predict that online revenues will range between $180 and $200 billion dollars in 2004. They also predict that the number of online consumers will grow at a rate of 30-50% over the next few years. These numbers alone should be enough to convince you that your business should have a website.

Let me clarify one point: I am not saying that you should put all your efforts into selling your wares over the Internet, though if your product lends itself to easy online sales, you certainly should be considering it.

The point to be made here is that you should at the very least have a presence on the World Wide Web so that customers, potential employees, business partners, and perhaps even investors can quickly and easily find out more about your business and the products or services you have to offer.

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That said, it's not enough that you just have a website. You must have a professional looking website if you want to be taken seriously. Since many consumers now search for information online prior to making a purchase at a brick and mortar store, your website may be the first chance you have at making a good impression on a potential buyer. If your website looks like it was designed by a barrel of colorblind monkeys, your chance at making a good first impression will be lost.

One of the great things about the Internet is that it has leveled the playing field when it comes to competing with the big boys. As mentioned, you have one shot at making a good first impression and with a well-designed website; your little operation can project the image and professionalism of a much larger company.

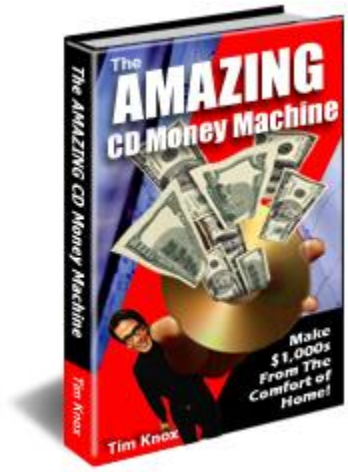
The inverse is also true. I've seen many big company websites that were so badly designed and hard to navigate that they completely lacked professionalism and credibility. Good for you, too bad for them. You also mention that yours is a small operation, but when it comes to benefiting from a website, size does not matter. I don't care if you are a one-man show or a ten thousand employee corporate giant; if you do not have a website you are losing business to other companies that do. Here's the exception to my rule: It's actually better to have no website at all than to have one that makes your business look bad.

Your website speaks volumes about your business. It either says, "Hey, look, we take our business so seriously that we have created this wonderful website for our customers!" or it says, "Hey, look, I let my ten-year old nephew design my site! Good luck finding anything!"

"The Amazing CD Money Machine"

The Amazing CD Money Machine gives you the exact blueprint for success that I have used to build my own home-based business into a

$2,000 A WEEK MONEY MACHINE!



CLICK HERE NOW FOR DETAILS

Does Your Website Induce Seizures?

QUESTION:

We promote our web site in all our ad campaigns, but according to my website statistics program, we are getting very few visitors who click past the first page. The site has a cool Flash introduction page that the designer said would impress visitors, but it doesn't seem to be working. What can we do to get people to spend more time on the site? -- Christopher O.

ANSWER:

The first thing you should do, Christopher, is find that designer and beat the living Flash out of him. It won't increase the time visitors spend on your website, but it will make you feel better after you've read this column.

What your designer thought would appeal to visitors is probably the very thing that is driving them away. A Flash introduction page (Macromedia Flash is a software program used to create animations for Web pages) may seem "cool" to you, but from a website visitor's point of view, they can be about as appealing as sitting in the front row of a Pokemon movie with four hundred screaming six year olds (and here comes the segue, folks).

In December, 1997, during an episode of Pokemon, the popular Japanese TV cartoon that has spawned everything from movies to action figures to lunch boxes, a scene featured a rocket explosion that flashed red and blue lights in rapid succession.

After the episode, over 600 children were taken to hospitals complaining of seizures, blurred vision, headaches, dizziness, and nausea. Any adult who has ever been exposed to Pokemon for more than two seconds can understand the nausea, but the seizures at first baffled doctors.

Scientists ultimately came to attribute the mass reaction to "photosensitive seizures," which are brought on by exposure to certain visual stimuli like rapidly flashing lights on a TV screen.

Remember when your mom told you not to sit so close to the TV or you'd ruin your eyes? Turns out she knew what she was talking about. Who knew?

The event caused such concern that Japanese broadcasters and health officials met to discuss ways to prevent future occurrences of bad-cartoon induced illnesses. They established guidelines for the broadcast of flashing images: no image may flicker faster than three times per second; flashing images should be displayed for no more than two seconds; and stripes, whorls, and concentric circles should not take up the largest portion of a TV screen.

It's my humble opinion that these rules should apply to websites as well. I've been in the Internet design business for nearly a decade and I have been witness to numerous websites that could induce photosensitive seizures in blind moles. It sounds like your website might be suffering from a similar ailment.

If visitor's are not clicking past your fancy Flash intro page, you don't have to be a genius to figure out that therein lies your problem. Remove the Flash intro page for a few weeks to see if your website's click-through rate improves and the number of page views increase. "Click-through rate" refers to the number of visitors who click links on your homepage to go deeper into your site. "Page views" refers to the overall number of web pages that were viewed by visitors. If click-through and page view rates improve, you'll know that the Flash intro was your problem.

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Here are a few other things you can do to make sure your site offers visitors a pleasant – and seizure free - browsing experience.

Sit In The Visitor's Chair

The best way to make sure your website is as user friendly as it can be, is to sit down at a computer and approach your site from a typical visitor's point of view. Try to imagine that you are seeing the site for the first time. If you are unable to do this, have a friend who has never seen the site click around and offer comments while you take notes.

Have your friend assess the following points: Is the site appealing to the eye? Are the colors pleasing and complimentary? Is the site easy to navigate? Are the topical categories and subcategories in logical order? Is it easy to find what you're looking for? Does the site have a search engine to make finding things easier? Is every feature of the site less than two or three clicks away? If the answer to any or all of these points is no, you have some work to do.

Don't Dictate Technology

One sure fire way to repel web site visitors is to require that they have special browser plug-ins or 3rd party add-on browser software installed to view your site. Dictating that the user download and install software is not your place and users will resent you (and your business) for it. Visiting your site should be an effortless pleasure, not a technological chore.

Don't Make Them Wait

If your homepage takes longer than 20 seconds to download (appear in the visitor's browser) you are losing visitors, period. Gratuitous animation, large graphics, poorly formatted HTML, bad page layout, and a number of other factors can increase download time. You might have the greatest web site in the world, but if it takes ten minutes to download no one will ever see it.

The lessons to be learned, then, are threefold. One: a website should be designed to satisfy the visitor's needs, not to pacify the site designer's ego.

Two: visitors to a business website are not there to be awed and entertained. They are there looking for information, and unless you give it to them quickly and effortlessly, they will go elsewhere to get it. And Three: for better mental and physical health avoid Pokemon at all costs.

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Maintaining Your Business Website

QUESTION:

Should I build and maintain my business Web site myself or pay someone else to do the work for me? -- Wesley L.

ANSWER:

When you say, pay someone else to do the work for you, Wesley, I am going to assume that you are talking about hiring a professional Web site designer to do the work and not your next-door neighbor's teenage son. If my assumption is correct, then read on. If not, go ahead and flip over to the comics section. You will get no good out of the advice I'm about to give, so you might as well consult Dilbert for your hot business tips.

Should you build and maintain your business Web site yourself or pay someone to do it for you? Let me answer your question with a couple of my own. Number one: is building and maintaining Web sites the key focus of your business? Number two: could your time be better spent doing more important things like, oh I don't know, say running your business? If your answers were no and yes, respectively, then you have no business building and maintain a Web site.

Remember this: every minute you spend on tasks that are not related to the key focus of your business is time spent to the detriment of your business. In other words, every minute you spend focusing on tasks that do not contribute to the growth of your business and thereby increase your bottom line is time wasted.

If you want to be a web designer, be a web designer. However, if the key focus of your business is building widgets, it doesn't take a rocket scientist to figure out that your time would be better spent building widgets, not Web sites.

Case in point: I once had a very wealthy dentist ask if I could teach him how to maintain his Web site so he wouldn't have to pay me to do it. Now my teeth had helped put this guy's kids through college, but that didn't seem to matter. At that moment he was more concerned about having to pay for changes to his Web site than my personal oral hygiene. Sure, I said, I'll be glad to teach you how to update your Web site, just as soon as you teach me how to clean my own teeth so I don't have to pay you to do it. He got the point. And he charged me enough for the cleaning to keep his site updated for months. Smart man.

Many business owners think they can't afford a professionally designed Web site and that simply is not true. While the old adage, "you get what you pay for" is never more true than when applied to Web site design, having a professional web designer do the work for you is money well spent. A well-designed Web site can bring you a many-fold return on your investment. You can't say that about too many other collaterals.

While it is best to leave Web site design and maintenance to the experts, it is up to you (or someone considered a subject matter expert within your company) to provide the designer with the content (text and photographs) that best conveys your company's message to your customers. A Web site, no matter how well designed, is meaningless if it lacks the content required to interest customers in the products you sell or services you provide.

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Here's are a few questions that, once answered, will help ensure that your Web site's message is as appealing as its design. Go over these points with the designer before the design process begins as the answers will help determine the direction your Web site's design should take.

What Is The Purpose Of Your Web Site?

Most business Web sites have two purposes: (1) to educate the consumer and, (2) to sell them products or services. If you sell shoes, for example, the purpose of your Web site is to educate potential customers on the quality and durability of your shoes and as a result, to sell them shoes. If you paint houses the purpose of your Web site is to educate home owners on why your services are superior to other painters and sell them on hiring you to paint their house. By defining the purpose of your Web site you will give the designer the information required to create a Web site that best conveys that purpose to your target audience.

Who Is My Target Audience?

Your target audience consists of those folks you want to attract to your Web site: potential and current customers, future and current employees, possible investors, etc. Anyone who might be interested in your company and its products or services is a member of your target audience. Correctly identifying your target audience is vital since your Web site should be designed specifically to appeal to your target audience.

Put yourself in their shoes (or in front of their computers). Imagine your Web site through their eyes. If you were visiting a Web site such as yours what would you expect to find and what would you be disappointed not to find? Identify your target audience, then have your Web site designed to fulfill their needs and surpass their expectations.

What Content Should My Web Site Feature?

Your Web site content should be driven by the nature of your business. If you're a real estate agent, your site should feature photographs of homes you have for sale and information on buying and selling a home. If you own an auto body shop, your site might feature before and after photographs of cars that you have repaired. Remember to determine the purpose of your site, then develop the content to serve that purpose.

What's My Competition Doing?

The last question you should ask is one of the most important: What is your competition doing on the Web? Do a Google search for similar businesses and click around their Web sites. How are their Web sites designed? What message are they trying to convey? Are they doing a good job of conveying that message and as a result, selling products? What do you like about their Web sites? What don't you like? Make note of the things you like and the things you hate, then share your findings with your site designer.

Remember, you're not stealing trade secrets here.

You're just borrowing ideas.

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Navigating The Internet Sales Tax Laws

QUESTION:

I have been contacted by my local city government to say that my business is scheduled to be audited to determine if I owe any sales tax from items purchased on the Internet. Can they really make me pay this tax? I thought you could buy things online tax free? -- Katie R.

ANSWER:

I hate to burst your internet bubble, Katie, but they are within their rights to audit your business and demand payment of sales tax on items purchased on the Web.

Internet sales taxation has been a topic of contention even before Amazon sold its first book and Priceline booked its first flight.

One of the more controversial points is that no one, including our own government, seems to have a clue how to implement a fair and logical Internet taxation process.

With over 7,500 different local, county and state taxation systems in the United States, you can understand the controversy.

In 1998, Congress did what it usually does when faced with a potentially explosive issue like Internet tax collection -- it decided to put off making a decision. Congress enacted a three-year moratorium on the collection of taxes to give an appointed advisory board time to come up with an acceptable solution.

That moratorium ended last year and opened the door for municipalities to begin collecting sales tax on their own.

Here in Alabama the sales tax collection department is airing radio spots asking Alabamians to step up to - and toss dollars into - the proverbial collection plate. The commercial kindly suggests that if I have purchased anything from an online retailer, I am honor-bound to proclaim such purchases and submit the appropriate sales tax to the collection department right away. They thank me in advance for my cooperation.

So, Katie, when the auditor shows up at your door the best thing you can do is smile politely and be totally forthcoming.

The sales tax that you pay is a small price for the convenience of shopping online.

Now where did I put all those Amazon.com receipts…

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The Business of Identity Theft

Q: I use PayPal to accept credit cards for my online collectibles business. I recently received an email that my PayPal account was going to expire in five days if I didn't click a link in the email and give them my PayPal account information. Being naturally paranoid I decided not to give this information and I'm happy to say that my PayPal account did not expire. Was this a scam?
-- Brenda A.

A: Be thankful that your paranoia kicked in, Brenda, because you were about to fall victim to the scam of the week, this one aimed at the 35 million merchants and individuals who use Paypal.com as their online payment processor.

The email you received was not from PayPal, but from an Internet bad guy behind a forged email address using the PayPal.com domain. You should understand that no reputable online company will ever ask you to provide your account information. Think about it. They already have this information. Why would they ask you to provide it.

Since I use PayPal for several of my online ventures, I, too, received the email in question. The email first seeks to instill fear in you by saying that your PayPal account will be closed if you do not provide personal information. You are then directed to open an attached executable file and enter your PayPal account information and other personal information that PayPal doesn't even require, including your social security number, checking and savings account information, driver's license number, and other personal information that can be used to clean out your PayPal account and perhaps even steal your identity.

If you're not familiar with PayPal, it is a hugely successful, web-based company (purchased by eBay in 2002) that many online retailers and eBay sellers use to accept electronic payments for everything from newsletter subscriptions to consulting services to just about any product for sale on eBay.

The allure of PayPal is that it does not require the seller to have a bank merchant account through which to process credit cards. Anyone with a verifiable email address and bank account can use PayPal and the service can be implemented almost immediately after registering. When someone places an order on a website that uses PayPal for online payments, that customer is directed to PayPal.com to complete the payment process using a credit card or electronic check. The merchant can transfer the money collected in his PayPal account to his checking account any time he likes. Since many larger merchants make this transfer just once a week or so, their PayPal accounts are ripe for the picking from those who have the cunning and lack of ethics required to gain access.

The shear number of PayPal customers is one reason it has become a popular target of scam artists trying to steal personal information from individuals and businesses alike.

Identify theft is on the rise. Thanks to the Internet stealing someone's identity has never been easier. At any given moment, there are any number of Internet thieves using all manner of high tech wizardry to steal personal and business information from unsuspecting souls, and many times they can gain access to this information simply by asking the person to provide it through fraudulent means.

The PayPal scam is just the latest in a long line of sophisticated attempts to steal personal information through online means, Amazon, eBay, Dell Computer, and many others have been the brunt of many such scams in recent years.

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Identity theft is what's known as "a knowledge crime," which means that the criminal doesn't have to break into your house to rob you blind. If you have a bank account and a social security number, you are susceptible to identity theft.

While most people are familiar with identity theft, most business men and women never think about it happening to them, at least on a professional level. Consider this: if a criminal can learn your business checking account number or the number of your company credit card, they can steal far more from your business than if they had simply knocked down the door and carted off your desk.

The Internet aside, most business and personal identity theft is still the result of stolen wallets and dumpster diving. You should guard your business records closely and be very careful what you throw away. Stop and think for a moment what a criminal might find in the dumpster behind your office.

There's a good chance that dumpster has, at various times, contained scraps of paper with your social security number, driver's license number, credit card number, old ATM cards, telephone calling cards, and other pieces of vital business information like bank statements, invoices, and purchase orders. A dumpster-diving thief could literally rob your business blind in a matter of hours.

Here are a few ways to protect yourself from business and personal identity theft.

- Never give out your first name, last name, business name, email address, account passwords, credit card numbers, bank account information, PIN number, social security number, or driver's license number.

- Change your online account passwords every 30 days. Believe it or not, a hacker who steals your personal information can guess your online account passwords in about two minutes. If your Charles Schwab online account password is your birthday or the name of your first born or family pet, count on a hacker cracking that code faster than you can say "Bill Gates."

- Never provide personal information in response to an email or telephone call. Just because someone calls and says they are from Dunn & Bradstreet and need to confirm your business information does not mean they are really from Dunn & Bradstreet.

- Never give your business credit card number over the phone to place an order with someone who has called you unsolicited. If you are interested in what they are selling get their number, check out their company, then call them back to place the order.

If you think that you have become the victim of identity theft or think someone is trying to steal your identity or personal information you should report them immediately to the Federal Trade Commission. You will find more information on their website at http://www.consumer.gov/idtheft/. For more information on what to do if identity theft happens to you visit http://www.privacyrights.org/fs/fs17a.htm.

So, if you ever receive an email from PayPal, Amazon, eBay, or any other ecommerce website asking you to update your account information by email you can pretty much bet the farm that it is a scam.

In business, as in life, a little paranoia is a good thing.

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Business Is No Guarantee of Riches

Q: I'm thinking about starting a business since that seems to be how most rich people get rich. I don't have any business experience or much money, but I'm a fast learner and have lots of energy. Any free advice?
Peter J.

A: I 'm full of free advice, Pete, and here's your dose of complimentary wisdom: don't quit your day job. No offense my energetic friend, but to consider starting a business with no experience and no money is a little like playing football with no playbook or pads. Your various body parts will be pounded into the ground by better-equipped players and you will lose the game.

Now let's address your other point concerning rich people who got that way in business. Anyone who thinks that going into business is the key to riches needs to hear the story of the boy who asked the rich old man how he made his money.

The old millionaire fingered his Rolex watch and said, "Well, son, it was 1932: the depth of the Great Depression. I was down to my last nickel. I invested that nickel in an apple. I spent the entire day polishing the apple and, at the end of the day, I sold it for ten cents.

"The next morning, I invested those ten cents in two apples. I spent the entire day polishing them and sold them later for 20 cents. I continued this system for several years and soon I had a thriving apple business."

"And that's how you got rich?" the boy asked. "In your own apple business?"

"Oh, heavens, no!" the old man replied. "I lost my shirt in the apple business, but a few years later my wife's father died and left us ten million dollars..."

Moral of the story, Pete: you'd be better off finding a nice girl with a sickly, rich daddy than to count on starting a business that will make you rich. Of course finding a nice girl with a sickly, rich daddy is easier said than done (trust me on this one), but one can always hope.

That's certainly not to say that you can't get make a great deal of money in your own business or even get so filthy rich that wide-eyed youngsters beg you to tell them stories of how you built your fortunes. But most people who start a business do not get rich. To the contrary, most make so little money that they decide that going into business was not such a great idea after all and then run screaming back to the security of the job they once could not wait to leave.

While it is true that more millionaires got that way from their own business ventures than through any other means, to summarily assume that starting your own business puts you on the road to riches is foolhardy. Many entrepreneurs build solid businesses that provide a very comfortable living and many others do indeed get rich. Others simply find out that they have traded one job for another and still others discover that business really wasn't for them.

What should you really consider before starting a business? Asking yourself the following questions will help you make a wise decision.

Are you really cut out to be an entrepreneur?

This is the first question you must ask yourself because the grass on the other side of the entrepreneurial fence is not always greener (despite all the entremanure). Ask yourself: Do you have a burning desire to own your own business? Do you have the initiative to get out of bed in the morning and be your own boss? Do you have the energy to work around the clock? Can you persevere in the face of adversity? Can you turn problems into opportunities? Can you work alone without support? Can you get used to the idea of life without a steady paycheck? Are you

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passionate about your product or service? Are you prepared to run the company, do the books, sweep the floors, empty the garbage, and do whatever it takes to make the business a success? If not, you're not cut out to be an entrepreneur. Learn to love your cubicle.

Do you really have a "great idea?"
The key phrase here is "great idea." All businesses - those that make their owners millionaires and those that make their owners paupers - start with an idea. The problems begin when that great idea turns to mush. Share your idea with others and ask for honest feedback. You might find that great idea is not so great, after all.

Is the timing right?
Is this a good time for you to start a business? Maybe you've just retired or left a job and have the time to devote to a business. Or maybe a rich uncle left you a bundle and you are now financially sound enough to venture out on your own. If the timing is not right, don't start a business.

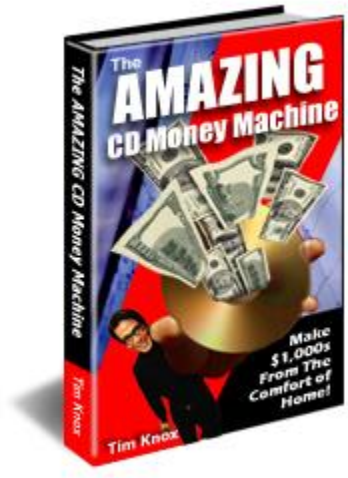
How's your personal life?
Money and timing aside, your personal situation should be the deciding factor on whether or not you start your own business. Is your health good? Is your family supportive? Are you willing to sacrifice current lifestyle for long term success?

How well do you handle failure?
Since the vast majority of businesses fail within the first 5 years this is the most important question you must ask yourself. No venture is foolproof. Even with a rich relative (alive or dead) no business success is guaranteed. If the business does go belly up, can you still land on your feet? If not, RUN!

So Pete, there's your free advice. Good luck finding a rich father-in-law.

"The Amazing CD Money Machine"

The Amazing CD Money Machine gives you the exact blueprint for success that I have used to build my home-based business into a $2,000 A WEEK MONEY MACHINE!



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Use Noncompete Agreements To Protect Your Business

Q: One of my former employees has launched an online business very similar to mine and is contacting my clients and trying to steal their business from me. Do I have any legal recourse against him?

-- Brad J.

A: I hate to break this to you, Brad, but unless this former employee signed a noncompete agreement while on your payroll, there is probably very little you can do to stop him from wooing your customers. You should discuss the situation with your attorney, but unless this person is also breaking the law in some other way (violating your copyrights or trademarks or using stolen trade secrets, for example) your attorney will probably concur with me.

Renegade former employees riding the free enterprise wave is one reason noncompete agreements are gaining in popularity among employers who hope to use them to help protect their traditional and online businesses from competitive threats launched by former employees. Many employers are now demanding that key employees sign noncompetes as a stipulation of employment. While signing noncompetes usually doesn't sit well with employees who view them as potential roadblocks to their upwardly mobile career path, many businesses will not hire a key employee without his or her signature on the dotted line.

A noncompete agreement is a formal contract between you and your employees in which they promise not to use information or contacts pertinent to your business in a competing situation. In other words, they agree not to take everything they learn working for you and put it to use for someone else. This could mean going to work for a competitor or starting a competing business of their own.

While not popular with employees, noncompete agreements are a good way for employers to keep key employees on the payroll and protect the company's proprietary information. That said, do not go overboard with noncompetes: not every employee should be required to sign one. If an employee does not have access to sensitive information, customer or accounting data, or is integral to the overall success of your business, there is no need to have them sign a noncompete. The janitor, for example, poses very little threat to your business if he gets a job with a competitor. Your sales manager, on the other hand, can devastate your business by hooking his wagon to a competing horse.

Which employees should sign noncompete agreements? While the prerequisites vary from business to business, the following is a good general list. The term "employees" represents executive level, management, supervisory, and non-management personnel relative to that example:

- Employees involved in research or product development.
- Employees involved in the design, fabrication, engineering, and manufacturing process.
- Employees who service products made and sold by your company.
- Sales and service employees who have regular contact with customers or sensitive customer information.
- Employees with access to sensitive business information or trade secrets.
- Most importantly, employees who have sufficient information about your business that would allow them to start a competing business.

Most business experts agree that noncompete agreements are generally a good way to protect your business. The downside is that noncompete agreements are often difficult to enforce

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and in some states, may not be enforceable at all. Many state courts have ruled that noncompete agreements are too restrictive on an employee's right to earn a living.

In California, for instance, noncompetes are generally only enforceable in connection with the sale of a business and not for employees. In Alabama where I live, noncompetes are generally enforceable in only two contexts: the sale of a business and in connection with employment – but even then the enforcement requires that there be a valid interest worthy of protection. Some states require that the noncompete be signed at the beginning of the employment relationship and will only consider the enforcement of a noncompete signed after the initial employment date if the signing of the noncompete was accompanied by a promotion, raise in pay, or other event that elevated the employee to a more important role within the company.

To be enforceable, noncompete agreements must be reasonable on three accounts: Time, geography and scope. Regarding time, you can't restrict someone from competing with you forever, so one to three years is the accepted time period for most noncompetes. As to geography, you can enforce restriction in the general area where you conduct business, but you can not enforce the restriction beyond those boundaries. And for scope, the agreement can restrict certain actions on the part of the employee, but can't be so generally restrictive that the employee won't be able to earn a living working in the same industry in a noncompetitive position.

One interesting thing to note: noncompete agreements are not enforceable against certain "professionals," like doctors, CPAs, and lawyers (who do you think writes all those noncompetes).

At this point, Brad, the best thing you can do is contact your attorney to see if you have other grounds for suit, then contact your customers and let them know what's going on. Explain the situation regarding the former employee, but do so calmly and resist the urge to tell them what you really think of this guy. Showing your anger to the customer is not going to help you keep their business. Reaffirm your relationship with the client, tell him how much you value his business, remind him of your track record and level of service, then ask one simple question: What can I do to make sure your business stays with me?

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Move Slowly Into Your First Office

Q: I have outgrown my home office and need to find office space for me and two part time employees. I am really excited about opening my first official office, but never having rented commercial space before I don't know anything about how this process works. What are some things I should consider before signing a lease? I'm really eager to get started!

-- Jay P.

A: Congratulations on the growth of your business, Jay, and I understand your excitement. Putting your name on a commercial lease is one of the first tangible commitments an entrepreneur makes to his or her business and searching for that first office or retail space can be a truly invigorating experience.

We entrepreneurs like to imagine ourselves as modern day explorers, going out into the cold, cruel, commercial world to plant the company flag in our own little piece of rented real estate. I remember that feeling of triumph when I rented my first office so many years ago. Funny how you never get the same feeling when laying claim to future office space. For us old timers searching for new office space is about as exciting as watching paint dry on a new office wall.

For entrepreneurs who have never rented commercial space before, however, moving into that first office or storefront serves to validate their membership in the Official Entrepreneur's Club and makes them feel that they have arrived.

They are like business-minded debutantes at a grand cotillion. They stage an elaborate ribbon-cutting ceremony that involves the mayor and a pair of giant scissors. They invite the entire membership of the chamber of commerce, all their customers and vendors, total strangers they meet on the way to work, and all their friends and family. The more the merrier!

There's a big cake with their logo on it and they hand out twenty-five cent pens that have the company name screened on the side and a good time is had by all.

Then reality sets in and they realize that they used one of those twenty-five cent pens to affix their name to an ironclad lease that is invariably slanted in favor of the landlord. By the time they use that pen to sign the next month's rent check, they often find themselves sitting in a leased space that does not suit their needs, staring at a 5 year lease that they really don't understand, wondering just what the hell they have gotten themselves into.

Many entrepreneurs get so caught up in the swell of their first commercial space that they fail to look beyond their immediate needs. You can't predict the future, but the biggest mistake you can make when leasing space is to put very little thought into whether the space will suit your needs for the long term.

So my first advice to you is to curb your excitement and call in a professional to help you find the perfect space for your business. A good realtor or commercial leasing agent can not only save you time and money, but can also help you avoid mistakes that can cost you thousands of dollars over the course of your lease. They can help you locate property, negotiate with landlords, and possibly spot problems with the space or neighborhood that you might have missed.

My second bit of advice is this: once you find a space that suits your needs have an attorney look over the lease agreement before you sign it. A commercial lease is a legally binding agreement that should not be taken lightly. I have found that many entrepreneurs never

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even take time to read the lease until they try to get out of it, which is always impossible to do. When you sign a lease on behalf of your business, you are the one on the hook for the remaining cost of the lease should your business decline and no longer have revenue to cover the rent. It's worth the money to pay an attorney to make sure you that your interests are covered.

My third bit of advice is to imagine your needs down the road, not just in the here and now. Rarely will you find a landlord willing to grant a one year lease. Most leases are three to five years in length, which means you must take future growth into consideration when looking for space. It wouldn't be wise to sign a 5 year lease on a 1,000 square foot office if you think you might outgrow the space within a year or two. That's why it's a good idea to request a clause in the lease that gives you an out if your company outgrows the space.

Here are a few other points to consider when shopping for commercial space:

Location, location, location. Is the location convenient to your customers? Is the neighborhood growing or going downhill? Are there major improvements or renovations taking place or are businesses moving out in droves? Also make sure the property is zoned for your kind of business.

Is there sufficient parking for customers and employees. Parking is especially important for a retail store, but also for any business that may have customers coming and going. Very few customers will park four blocks away and hike back to your door. A lack of parking can drive you out of business.

How many employees do you have? The amount of bodies inhabiting the space will help dictate the amount of space needed. Employees get awful grumpy when stacked up like cordwood (trust me on this one). You should have enough space for everyone to work comfortably.

When leasing commercial space the devil is often in the (overlooked) details. If you will be using computers and lot of electronics, make sure the building's electrical system will support your needs. It's a terrible feeling to turn on your computer and blow every light bulb in the place.

If you like a quiet work environment and your office windows are twenty feet from the street, you'll be in for a rude awakening when the rush hour traffic hits.

If the air conditioning in your office is controlled by the thermostat in a neighboring suite that is inhabited by an old lady who freezes in ninety degree weather, you will be in for a very long, very hot summer.

Move into that first office space slowly or you may find yourself quickly regretting it.

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With a Lease, The Devil Is In The Details

In the last chapter we looked at a few of the things you should consider before leasing that first office or storefront for your business. To recap, you should not only consider the old standard "location, location, location," but also consider things like sufficient parking, the number of employees who will be working onsite, and future growth projections. I stressed that it was important not to get caught up in the moment. You should take your time to find the space best suited for your business for the long haul, not just for today.

This week we'll discuss the most important aspect of the process: signing a commercial lease (insert dramatic music here). One of the biggest mistakes many entrepreneurs make when leasing commercial space is not reading the lease. Forget reading the fine print. When it comes to a lease its ALL fine print.

Don't believe me? Let me tell you the true story of my friend, Homer, whose name I have changed to protect the ignorant. Homer signed a two year lease on a suite of offices for his business. As the owner of the business Homer signed on the dotted line and agreed to personally guarantee payment of the lease and to abide by its terms. Homer moved in and it was business as usual until the end of the two year lease term drew near. It was then that Homer discovered that failing to read the lease was going to be a very costly mistake.

Toward the end of the two year lease period Homer decided to relocate, but when he gave the landlord what he thought was the customary 30 day notice, he discovered that the lease had automatically renewed for another two year term at the 60 day notice point. In other words, Homer didn't realize that the lease required a minimum of 60 days notice to let the landlord know that the lease would not be renewed. Because Homer did not know that he was required to give at least 60 days notice of his intent to vacate, the lease automatically renewed for another two years. And there was not a darn thing Homer could do about it but reach around and slap himself in the back of the head for not taking the time to read the lease.

What was the landlord's position when Homer pointed out that he had not read the lease and therefore was not aware of the 60 day notice? The landlord, while sympathetic to Homer's plight, stuck to his guns and told Homer that he would have to honor the lease, which meant that even if Homer moved out as planned, he was still on the hook for paying the rent for another two years.

Does the fact that the landlord chose to enforce the lease agreement rather than let Homer off the hook make him an evil man? Not at all. From the landlord's point of view, he had no choice but to enforce the terms on the lease. He had a signed contract that told him his space was going to be rented for the next two years. He had not planned on the space suddenly being vacant. Being a landlord with unrented space is like being a business with no paying customers. Empty space means no revenue from rental fees which means no money to pay the mortgage payment. As the old saying goes, "It's just business…"

Sure, any landlord with a heart might feel bad that Homer was ignorant of the auto-renewal clause, but not so bad that they are willing to risk their own financial well-being by having Homer's space sit vacant. The bottom line is this: whether Homer read the lease or not is irrelevant. Homer signed the lease, thereby agreeing to its terms, and therefore he must hold up his end of the bargain, period.

As of this moment, Homer is relocating his business in spite of not being able to get out of his old lease and he will continue paying the payment on the vacated space for the remaining two year term of the lease or until he can sublease the space. Even then Homer is not fully off the hook because he will still be considered the legal tenant unless his sublessor agrees to sign a

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new lease with the landlord. Hopefully he will just have someone else making the lease payments.

Again, the moral to this story is READ THE LEASE. Or even better, have an attorney read it for you. I have learned over the years to never sign a legal document of any kind without letting my attorney review it, especially if the document involves money and my first born child.

Here are a few other points to ponder before signing a commercial lease.

How is the lease payment calculated? The most basic equation for calculating a lease payment takes the number of square feet times the cost per square foot, then amortizes that over a 12 month span. For example, if you have 1,000 square feet and the cost per square foot is $12, the annual lease payment would be $12,000. Divided by 12 months the monthly lease payment would be $1,000. Again, this is a simplified scenario. These days most commercial leases include additional factors that affect the final price, such as rent increases, operating expense escalations, common area charges, etc.

Who pays for what? It's important that you understand exactly what you are paying for. Are you responsible for any costs other than the rent? Will you be responsible for paying your own utilities, for example? Will you have to pay for parking privileges or janitorial service? Who handles maintenance and repairs?

Is there an escalation clause? It is typical that the lease contain what's known as an escalation clause that allows the landlord to pass on increased building operating expenses to the tenants. If your lease contains such a clause you should ask for a cap on the amount the lease payment may rise over a given period of time. And if the escalation clause is ever activated by the landlord you are well within your rights to ask for an itemized accounting of the expenses that are being considered as cause for your raise in rent.

What rent increases might there be? One very important factor to know is this: if you do renew the lease how much can the landlord go up on the rent? It is expected that rents will increase as property values increase. If your landlord can rent the space for more than you agreed to pay a year ago, he is within his rights to ask for the increase. However, it would be a nightmare if your rent suddenly doubled overnight. Negotiate the increase before you sign the lease. Most rent increases are calculated by percentage, not by flat rates.

Renewals and terminations. Most leases require that you give a minimum of 60 days notice if you intend to terminate the lease and vacate the property. As Homer learned, many leases also renew automatically for another term unless you give notice within 60 days of expiration. Know when your lease expires and the time required to give notice.

Is a personal guarantee required? What happens if your business goes south and can no longer afford to make the lease payment? Are you then responsible for paying the rent out of your own pocket? Probably so. Most landlords insist on a personal guarantee from the owner or an officer of the business. This means that even if you go out of business you are still personally on the hook for the remainder of the lease.

Finally, clarify all points. You should be clear on every point in the lease. And if you are not, ask for clarification. Exactly what space are you leasing? Who is responsible for repairs? What common areas will you have access to? Who is responsible for maintaining the little things, like keeping the shared restrooms stocked with soap, towels, and most importantly, toilet paper.

A small detail to consider now, but not when you suddenly find yourself without such amenities at the wrong time.

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Credit Cards, Merchant Accounts, and Your Bottomline

Q: I'm opening a gift shop and want to be able to accept credit cards. I talked to the branch manager at my bank, but he didn't seem to know much about how it all worked. He did say that I would need something called "a merchant account" and something else called "a credit card processor." Beyond that he seemed as clueless as I am. I'm thinking about going to another bank. Can you explain how that all works?

-- Mary Ann G.

A: Maryann, I'm going to give your banker the benefit of the doubt and say that a lack of knowledge regarding the specifics of credit card processing is not necessarily a reflection of the banker's competence. I have found over the years that most bankers, no matter how experienced or knowledgeable about the banking business they my be, don't really know much about how credit card processing and acceptance really works. That's because the task of accepting and verifying credit card purchases is handled by third party service companies who process and deposit (or settle) the funds into a bank merchant account.

The decision to accept credit cards is a wise one for any retailer. I agree with financial guru Dave Ramsey's teachings regarding the use and abuse of credit cards. Many people dig deep holes with credit cards that are hard to climb out of. But, from a practical business point of view, any retail business that does not accept credit cards is leaving money on the table. Research has shown that accepting credit cards increases revenue and helps with cash flow since you receive the money within a couple of days instead of waiting up to a week for a check to clear.

Credit cards don't bounce, as some checks have a tendency to do. Credit card users are also more likely to buy on impulse and spend more when they do. Bad news for them, but good news for you. If you have a social conscience concerning the use of consumer credit cards, a retail operation probably isn't the business for you.

To accept credit cards at a brick and mortar location you typically need four things. The requirements may vary a little, but the following applies in most cases. You will need: (1) A way to enter the customer's credit card information into a verification and processing system. This can be done with a swipe terminal, point of sale system, or by calling the credit card in by phone; (2) A credit card gateway company to verify the credit card's validity and process the payments; (3) A credit card merchant account in which the gateway company will deposit payments made to you; and (4) A business bank account into which the settled funds will ultimately be deposited for your use.

Here's how the process works. (1) You make a sale and the customer pays by credit card. (2) Using a card swipe machine or telephone, you contact what is known as a "gateway company" who takes the card information you submit and verifies that the card is valid and the charge can be made against the card account. The gateway company returns an approval code for the purchase.

With a swipe machine or point of sale terminal the verification process happens in a matter of seconds. If you're doing telephone verification it can take a couple of minutes. You call the gateway company, give them the credit card number and expiration date and they give you an approval code that you write on the credit card charge slip. Either way, the money is typically deposited in your merchant account within 24 to 48 hours (less fees, of course).

You'll also need to apply for merchant status with each credit card company whose card you want to accept. To do business with American Express and Discover all you have to do is fill out an application, but to accept Visa and MasterCard you must have a merchant account. A

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merchant account is a special bank account set up for the expressed purpose of accepting credit card payments processed by the gateway company. Merchant accounts are usually associated with banks, though you can also use credit card merchant account service companies to perform the same function if you can not get approved for a bank merchant account.

Applying for a merchant account at a bank is much the same as applying for a loan. The only difference is sometimes a loan is easier to get. There is the prerequisite paperwork to complete and pledging of the first born, followed by an approval process that can take up to several weeks. And you are not guaranteed that the bank will approve your merchant account, even if you have been a favored customer for many years. Banks have strict regulations regarding the granting of merchant accounts and if issuing you a merchant account in anyway puts the bank at risk of losing money, you will be turned down. Banks always make decisions based on economics, not relationships (no matter what your banker tells you).

Requirements for qualifying for a merchant account varies among banks, but in general the bank will look at the following criteria:

How long have you been in business? Business longevity suggests a history of stability, efficient management, and good financial health.

What is your product or service? Does your product lend itself to a high rate of returns and chargebacks? A chargeback is a disputed credit card charge that is refunded to the buyer and charged against your account. You are accessed a chargeback fee that can be as much as $20 per event. If your business lends itself to high chargebacks, you will not get the merchant account.

How's your credit report? Banks always look at how much you owe and how you pay your bills, so it's important to have good financial and trade references. If you have a history of late payments or defaults to vendors, it will count against you.

What is your anticipated volume of sales and average transaction amount? The more money you make, the more money the bank makes. If you anticipate just a few credit card charges per week it may not be enough to justify the merchant account in the bank's eyes.

Is your business categorized as a "high risk merchant?" High risk merchants are those with the highest instances of credit card fraud and chargebacks. High risk merchants include many types of internet-based businesses, telemarketers, travel and cruise businesses, and membership clubs. Being a high risk merchant dramatically decreases your chances of getting a merchant account with a bank.

Being a high risk merchant doesn't mean that you can't get a merchant account from somewhere else. Thanks to the growth of ecommerce in recent years there are a number of alternative companies that will provide you with a merchant account, sometimes with more perks than a traditional account, but almost always with higher fees.

Also, not all banks support internet merchant accounts. If yours does not, shop around for one that does.

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Online Payments Make It Easy For Your Customers To Buy

In the last chapter we discussed the process of credit card enabling your brick-and-mortar business. I pointed out that research has shown that accepting credit cards can help increase revenue and speed up cash flow. This week we will look at setting up an online payment system for your business website. If you think hooking up a brick-and-mortar location with a credit card system stymies most bankers, try asking them how to do it on your website.

The fact is most banks can provide you with the merchant account needed to accept credit card payments online, but beyond that, they have little to do with the process. Even larger banks may only have a single person on staff that is tasked as the "credit card processing expert" and if that person ever goes on vacation, you're pretty much out of luck (voice of experience talking here, folks).

I have helped many clients set up online credit card processing systems and more than once I've had to sit down with the bank issuing the merchant account and educate them on how online payment systems work. Don't believe me? This is a direct quote (here's the Bible, here's my hand) from the manager who was in charge of processing Internet merchant account applications at a local bank, "When someone pays online how do they swipe the credit card in their computer…"

You will need the following to accept credit cards on your website: (1) an electronic shopping cart system; (2) a payment gateway service; (3) a credit card processor; and (4) an internet merchant account issued by a bank or other financial institution or service bureau.

Here's how online credit card processing works. (1) Your customer submits his credit card information at checkout on your website. (2) The shopping cart software sends the transaction to the gateway. (3) The gateway routes the information to the processor. (4) The processor contacts the bank that issued the customer's credit card. (5) The issuing bank approves or declines the transaction. (6) The processor routes the result back to the gateway who then passes the result back to the website shopping cart system. The entire process is done electronically and takes seconds to complete.

We covered most of these elements last week. Here's a quick refresher for those who missed the basics, then we'll talk about the shopping cart system you'll need to implement on your website.

Payment Gateway Service: The payment gateway service comes into play when a customer submits their credit card information to the webpage form. Think of the gateway service as the middleman in the process. The website's shopping cart checkout system electronically submits the credit card to the gateway service that then routes the information to the processor for approval.

Credit Card Processor: The credit card processor is an electronic data center that processes the credit card transactions coming from the gateway company, ensures that the charge is valid, then settles the funds in your merchant account.

Internet Merchant Account: An Internet merchant account is a bank or account in which funds from online sales are deposited by the processor. Merchant accounts are usually issued by banks that are associated with the major credit card services like Visa and MasterCard. Be aware that many banks will not grant merchant accounts to Internet merchants as they are often categorized as "high risk ventures." This policy varies widely and in the end, the granting of the merchant account will come down to economics from the bank's point of view. If the bank sees even the smallest iota of risk, you will not be granted the account.

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Fortunately, the growth of online sales has given rise to an entire industry of merchant service bureaus that will grant you a merchant account and everything else you need to accept online payments. The fees are usually higher, but it's better than not having an online payment system at all.

Shopping Cart System. To accept online payments you must have what's called a "shopping cart system" that allows the customer to select and purchase products from your website. A shopping cart system typically consists of three components: the product catalog, the shopping cart, and the checkout/payment system. The product catalog is the component that displays the items you have for sale on the website. The shopping cart system is the component that allows your customers to select products by clicking to "add items to cart," and the checkout/payment system is the component that allows the customer to complete the checkout process and pay for their purchase with a credit card (or in some cases an electronic check). It is the checkout/payment component that communicates with the gateway system to complete the transaction.

Adding a shopping cart system to your website can be a simple or highly complex task, depending on the system you select. The cost of shopping cart software ranges from free (for simplistic form-based systems) to very expensive. Which shopping cart system is best for your business depends on a number of factors, including the product you're selling, the depth of your product line, the purchase options you wish to offer customers, the inventory control functionality, and the extent of automation you desire.

There are numerous companies who can assist in the setup of your shopping cart and online credit card payment system. These companies typically charge several hundred to several thousand dollars for their services, but like anything you get what you pay for, so always use a company with good references in this area. When you're dealing with something as important as credit card processing and cash flow, bite the bullet and get it done right the first time. The money you spend now will be returned many times in increased sales volume from credit card customers.

The most important thing to remember when setting up an online payment system is this: online it's all about security and privacy. Though online credit card processing has been around for years there are still many people who are uncomfortable giving their credit card number online. These are the same folks who do not hesitate to give their credit card number over the phone or hand their credit card to a waiter who disappears with it for ten minutes. Online credit card processing is much less susceptible to fraud and abuse than of those scenarios.

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What's The Customer Service Buzz About Your Business?

If you're a regular reader of my column you know that my number one pet peeve is bad customer service. Nothing chaps my backside more than paying hard-earned money for a product or service only to have the provider of said product or service become apathetic, obnoxious or just downright rude after the transactional smoke has cleared.

The bottomline, my entrepreneurial friend, is this: it doesn't matter if your product is fast food, slow food, retail goods, computers, lawn mowers, books, real estate or automobiles, if a customer is willing to pay you good money in exchange for your product or service that customers deserves to be treated with gratitude and respect, before and after the sale. Period. I'm constantly amazed at how many business owners and the frontline employees who represent them seem to forget this simple fact.

It's like the old saying about getting a little respect in the morning. If you court me before the sale, you damn well better respect me afterward. Just because you have my money in your pocket and I have your product in my hand, that does not mean that my needs have been fully satisfied or that my expectations have ceased to exist. To the contrary, our relationship is just getting started. It's up to you how well we will get along and how long our relationship will last.

Here's the point: customer service should not stop after the sale. In fact, customer support AFTER the sale can have greater impact on the success of your business than customer support before the sale.

Nothing generates negative buzz about a business like bad customer service, and nothing will drive nails in a business' coffin faster. News of bad customer service travels like lightning and spreads like wildfire. Think back to the last time you were on the receiving end of bad customer service. I'd be willing to bet that you immediately went out into the world and told everyone you met about the experience. You probably also warned them to "never do business with those &^%$ or you'll get treated the same!"

As a business person, it should be your mission to make every customer a repeat customer, and one of the best ways to do that is by delivering superior customer service every time that customer comes through your door. Superior customer service leads to increased customer satisfaction, which leads to repeat business, which leads to customer loyalty. It is also much cheaper to keep a customer than to obtain a new one.

The fast food industry is especially prone to customer service problems. This is due in large part to the fact that every transaction is a face-to-face sale and the average fast food worker is a disgruntled teenager who would rather be lying on a bed of nails than standing behind a fast food counter schlepping fries.

However, that doesn't always have to be the case. This is not meant as an ad for Chic Filet or as a slam at Taco Bell, but the difference in customer service between these two fast food titans is astounding.

I used to frequent both establishments (fast food is my crack), so this is the voice of experience speaking. Behind the counter at the local Chic Filet are young people who seem genuinely happy to be of service. They are clean cut and polite. They don't wear their baseball caps sideways or have anything visibly pierced. They look me in the eye, they smile like there is no place on earth they would rather be, and they ask for my order in clear, concise English. They thank me profusely and invite me to come again. Excellent customer service after the sale.

Inversely, a recent trip to a local Taco Bell almost ended on an episode of *Cops* because the young lady behind the counter grew angry when I politely pointed out that my nachos were

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stale and asked for a fresh bag (pet peeve #132: stale nachos). Miss Mary Sunshine snatched the offending nachos from my hand and slam dunked them in a trash can, then tossed a replacement bag (which were also stale) on the counter in front of me. She then gave me a look that clearly said that if I had any further complaints she'd be happy to escort me outside to discuss them in detail. I like nachos, but not so much that I would risk getting my behind kicked by a disgruntled teenage girl wearing a sideways Taco Bell cap. Not-so-excellent customer service after the sale.

Now, which restaurant do you think I will go to the next time I feel the need to feed my fast food monkey? And which restaurant do you think I enthusiastically recommend to my friends? The one that understands the importance of good customer service before and after the sale, of course.

The worst customer service experience I've ever had involved the purchase of a vehicle at a local used car lot. I purchased the used Ford Expedition on a Friday evening and when problems arose with the vehicle over the weekend, I went back to the dealership on Monday morning to speak with the sales manager. To say the least, the sales manager (who acted like my best friend on Friday) was not thrilled to see me on Monday. To make a very long story short, when I pointed out that he wasn't being very helpful after the sale he came around the desk yelling at the top of his lungs and waving his hands in my face. By the time the receptionist managed to calm him down, the sales manager had gone so far as to call me "a retarded idiot" (which may be considered redundant) and had instructed me to do something with the vehicle that I believe is anatomically impossible. It was an Expedition, I'm a little guy. Use your imagination.

Though the dealership owner later apologized and offered to take care of any problem I had, the damage to his business had already been done. The bad buzz machine started the second I left his lot.

Do you think I told everyone I met about my experience with that dealership? You bet your stale nachos I did. Do you think I will ever buy another car from that dealership? Not on your life. Do you think anyone I've told about the experience will buy a car from that dealership? Probably not. Do you think the owner and sales manager learned anything from the experience? We can only hope.

In the end, what is the value of great customer service before and after the sale?

Priceless, my friend.

Simply priceless.

Now, can somebody please get me some fresh nachos…

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SBA Program Can Help Some Companies Compete

Q: A friend told me that as a woman of Native American descent I might be eligible for a special SBA program that will help me start a small business. He said I could compete for government contracts through this program. Can you tell me what SBA program he's referring to?

-- Clara P.

A: Your friend is probably referring to the Small Business Administration's (SBA) 8(a) Business Development (BD) Program. The 8(a) Program (named after the section of the Small Business Act from which it comes) is an SBA program created to help small disadvantaged businesses better compete in the U.S. marketplace and within the arena of government procurement. The SBA provides business development, technical assistance and other services to the small businesses that are accepted into the 8(a) program.

The 8(a) program is reserved for what the SBA calls "socially disadvantaged individuals." Socially disadvantaged individuals are defined as those who have been subjected to racial or ethnic prejudice or cultural bias because of their membership in a disadvantaged group.

The SBA has designated the following groups as socially disadvantaged:

- Black Americans
- Hispanic Americans
- Native Americans (Native American Indians, Eskimos, Aleuts, and Native Hawaiians)
- Certain Asian Pacific Americans
- Other individuals who can prove that they meet the SBA's criteria to be considered socially disadvantaged

One point where your friend is incorrect is that the 8(a) program is for new companies. The 8(a) program is primarily for companies that have been in business for a minimum of two years, though that rule may be waived if your company is able to meet some pretty strict management, financial, and performance criteria.

Obtaining 8(a) status is no guarantee that a company will be successful in obtaining government or other contracts, but it certainly doesn't hurt. The Small Business Act mandates that all small businesses have the opportunity to provide goods and services to the U.S. government. To help ensure that mandate, the SBA negotiates annual procurement preference goals with every Federal agency and reviews each agency's results to make sure the goals were met.

The statutory goals are: 23 percent of all prime contracts go to small businesses; 5 percent of prime and subcontracts for small disadvantaged businesses; 5 percent of prime and subcontracts for women-owned small businesses; 3 percent of prime contracts for HUBZone small businesses; and 3 percent of prime and subcontracts for service-disabled veteran-owned small businesses.

A HUBZone (Historically Underutilized Business Zone) is a designated area within urban and rural communities that has been given preferential contract award consideration in an effort to stimulate economic development. A company may qualify for HUBZone status if it is owned or controlled by one or more U.S. citizens, has at least 35 percent of employees who live within the designated zone, and has a principal office located there. HUBZones are a whole 'nother topic that we can discuss at another time. Suffice it to say that a company that obtains both 8(a) and HUBZone status may be entitled to double dip in the government procurement trough, that's why you often find a number of 8(a) companies specifically moving into HUBZone areas to take advantage of the perks both programs offer.

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The U.S. government purchases billions of dollars in goods and services every year, everything from staples to those wonderfully expensive toilet seats. Obtaining 8(a) status allows small businesses to compete for a portion of that business.

The basic requirements for applying for 8(a) status are your company must be a small business as defined by the SBA, must be owned and controlled by one or more socially and economically disadvantaged individuals who are U.S. citizens, and must show a potential for success. The SBA defines a small business as "one that is independently owned and operated, is organized for profit, and is not dominant in its field."

As expected, the 8(a) program has its fans and its detractors. It's fans are those companies that obtain 8(a) status and thereby get preferential treatment when competing for government procurement contracts.

The program's detractors are typically those companies that fail to obtain 8(a) status or that do not meet the definition of socially disadvantaged, i.e. businesses owned my white American males (that's a can of worms we won't open this week). You can learn more at the SBA's website (sba.gov) or by calling your local SBA office.

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Managing Employees: A Little Like Herding Cats

Q: I started my small business about a year ago and it's grown steadily. I like having my own business, but I'm having a tough time managing people. I have 5 employees now and it seems like I spend half my time making sure they are doing what they're supposed to be doing and the other half of my time doing things they didn't get done. Things were much easier when I was a one man shop. Any suggestions?

-- Paul C.

A: Ah, Paul, welcome to the wonderful world of employee management, the bane of many a business owner's existence. I hope you have a full head of hair now, because depending on how quickly you get a grip on this situation, you could end up bald in a very short time. And if you're starting out bald all you can do is put on a cap and read on.

Some business experts will tell you that managing people is an art. Others will tell you that managing people is a skill. I'm going to tell you that managing people is more like herding cats. Just when you think you have them all going in the same direction one will run off and you have to go catch it. And by the time you get back with the stray cat the rest of the herd has all gone off in different directions. It's no wonder most entrepreneur's hate cats. They remind us how little control we sometimes have on our employees.

The hardest part of employee management is maintaining control over your business while the herd is running wild. To further push the analogy envelope consider this: if your employees are running the business instead of you, it's a little like the inmates taking over the insane asylum. Crazy things might start to happen, like losing customers and being run out of business.

Here's the bottomline, Paul: you either manage your employees or they will manage you, it's simple as that.

The truth is the key to managing employees is to hire only the best people, train them well, make them feel that they have a vested interest in the success of your business, and expect nothing but the best from them.

And when you do find that rare employee who will do all that for you, you should go out of your way to do nice things for them, like giving bonuses, raises, job security, added responsibility, praise, a big turkey at Christmas, etc. Finding good employees is hard. Keeping them happy shouldn't be.

One of the most difficult tasked faced by every business owner is finding good people to work in their business. And by good people I mean honest, loyal, dedicated, hard working individuals who will give their all for the good of the business and go above and beyond the call of duty to satisfy the customer.

Finding these people is as hard as… well… herding cats. Hard to do, but not impossible. Here are a few tips to help you get a better handle on hiring and managing employees.

Only hire experienced, qualified people with a proven track record of performance. Since your employees are usually the main point of contact with customers, it is vital that you hire only experienced, qualified personnel to represent your business. It's also important that the potential employee have a track record of success in the kind of position he's being hired for. If it's a sales job, you want to hire someone who has proven that he can sell. If it's servicing copiers you want to hire someone who has proven himself a pro at fixing copiers. Forget hiring rookies and

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offering on the job training when it comes to key personnel. Go with an old pro every time, even if it costs you more to do so. The investment will be returned to you manifold.

Screen every applicants thoroughly . There are lots of applicant screening products on the market now that will help you screen applicants for things like honesty, integrity, ambition, former drug use, past criminal behavior, etc. These products range from simple paper forms to fancy web-based applications. Find one that suits your needs and use it on every applicant that comes through the door. You will be amazed at how a good screening program will help you weed out problem employees before they are hired.

Perform drug tests and background checks on key personnel. I beg the pardon of those "right to privacy" do-gooders who tell me that a person's personal life and urine contents are none of my business, but if I'm going to be paying someone's salary every week you can be certain that I will exercise my right to check out that person as far as the letter of the law allows. The U.S. government tells me what I can and can't do when it comes to checking out potential employees, not you. Go save a tree and leave me to run my business.

Always check professional references. This is a huge mistake that many employers make. They ask for references, but never check the quality or legitimacy of the reference. Surveys have shown that most job application references are either bogus or just family and friends who are willing to say how great the applicant is. Forget references from family and friends. Ask for the names of their last three employers then call to verify the information on the application. By law, past employers are limited as to what they can divulge about the applicant, but if you simply ask: would you hire this person again given the chance, you will be amazed at what you can learn. The former employer will either answer immediately that they would rehire the person or there will be a long pause on the other end of the phone. Either way, you have found out what you wanted to know.

Never hire out of desperation. Many employers are more concerned with just filling an open slot than filling it with someone qualified to do the work. You see this mostly in the fast food, retail, and manufacturing industries where the turnover rate is off the scale and finding good employees is like herding mammals of the feline species (last one, I promise). Never hire someone just because they have a pulse. It will always come back to haunt you.

Use a probationary period to weed out non-performers. You should inform new hires that you have a 60 day probationary period in which you will regularly assess their attitude and performance. If at the end of the probationary period the employee is not the worker you thought they would be, gracefully have a final review and let them go. Most non-performers will never reach the end of the 60 day period anyway.

When someone does a good job reward them for it. Incentives are a great way to improve employee performance. We are all like little kids. If we think we're going to get a new toy (or a bonus) for doing a good job we are more likely to excel. You should reward good performance and make a very big deal out of the fact that you do. You can do this with stock options or bonus checks or free vacations or whatever.

It is important that all your employees understand that when the company does good, they will do good. As the company grows, so will their paychecks.

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Price Is In The Eye Of The Beholder

Q: My partner and I are having a hard time coming up with what we feel is the perfect price for our new product. We know what competing products sell for, but we don't know if it's better to price our product cheaper than theirs or charge more based on what we think is a superior product. What is the best way to determine the perfect price and what is the rule of thumb for raising prices later on?

-- Jennifer L.

A: Like the perfect man, the perfect plan, and the perfect murder (not sure what those three have in common, but there is a link there somewhere), there is no such thing as the perfect price. There is that mythical price that gives the customer excellent bang for his buck and the company excellent profits for its efforts, but even that price point can't be considered the perfect price. That's called compromise, not perfection.

Pricing is an important aspect of every business because price is used to create financial projections, establish a break even point, and calculate profit and loss.

It's also important to establish a good price point from the beginning because it is much easier to lower prices than to raise them. If you introduce a product at $100 and make no sales, you can easily lower the price to $75 without attracting much attention. However, if you introduce the product at $75 and it proves popular and you raise the price to $100, you may face irate customers and even be accused of price gouging. So it's better to start high and adjust down, if need be.

There really is no rule of thumb when it comes to raising prices. Price is never set in stone and consumers expect prices to change with the times. You might raise prices to cover an increase in the cost of manufacturing and other production costs, or in response to market demand (the greater the demand, the higher the price).

You can also justify a price increase when you improve a product's quality, features and benefits. The buying public is generally price conscious, but if you can show that the value of your product has increased by the addition of new features and benefits, then the public will usually not balk at an increase in price. Keep in mind that price increases should be done in small increments over time, not by significant amounts over night.

Though price may be determined by any number of factors, basically there are three ways to establish the price for your product.

The first way to determine price is to perform a comparative analysis on similar products sold by competitors. Are the features and benefits similar to your product's? If so, use the price of the competing product as a possible price point for your product. If your product is superior in quality, features and benefits, then you might be able to justify a higher price and still be competitive. If your product is inferior, then your price point will be less.

The second way to establish pricing is to calculate the total cost to produce and deliver your product, then figure in an acceptable margin of profit to calculate the final price.

The third way to establish a price it to use what I call "The David Copperfield Method." Named after the famous magician who made the Statue of Liberty disappear on national TV, this method of pricing simply means that you pull the price out of thin air. Believe it or not, this is the method that many companies use to establish pricing. It's also the reason many companies disappear.

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It's easier to understand the allure of the Copperfield Method when you realize that more often than not, product pricing comes down to one thing: perception.

Perception, or as it is more commonly referred to in business, perceived value, is one factor that most entrepreneurs use to determine product pricing. As entrepreneurs, our products are our children. We create them, we nurture them, we grow them and we love them. And often we perceive their value to be much greater than the market perceives it to be.

It's all about the perception of value. What makes a $10,000 Rolex watch more valuable than a $10 Timex? Functionally both are watches and both perform the exact same function: they tell time. Why then does one sell for a thousand times more than the other? Perceived value, nothing more.

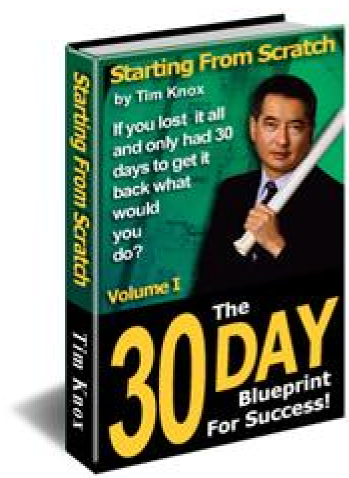
An expensive wristwatch can not make you better looking, smarter, healthier, or more popular with the opposite sex. But the perception is that if you have a Rolex on your arm you must have something going for you that the wearer of a $10 Timex does not.

By the way, does anybody have the time? My Timex seems to have stopped…

* *

"No Experience, No Money? No Problem"

We asked 58 of the Internet's Top Money Makers: "If you lost it all tomorrow and had to start over with nothing but the brain in your head and the experience of your years, how would you get back on top in less than 30 days?" Their answers could make you rich...



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The Big "So What"

Q: I usually like reading your column, but I disagree with the one from a couple weeks ago where you said that the customer is always right. That is not always the case in my business. I'm the expert at what I do, not them, so I'm the one that's always right.

-- Paul C.

A: Ah, Paul, and I had such high hopes that we would be friends… Oh well, so much for that hope. The truth is Paul, the customer is always right. If you can't accept that fact, you won't have customers for long.

It never ceases to amaze me the number of businesses that not only can't accept this fact, but do everything they can to combat it. There is not a week that goes by that I (and I expect you) am not confronted with bad customer service, provided by business owners and employees that don't seem too worried that I am not a happy camper.

I am not an over-demanding customer. I do expect to be treated with the respect due someone who is willing to pay hard earned money for a product or service.

Tell you what, Paul, instead of pulling out my soapbox and preaching my customer service sermon again, I'm going to take this opportunity to write an open letter to business owners and managers everywhere.

The customer is always right. Sure, the customer might also be obnoxious, demanding, even argumentative, but if you are willing to take their money and stick it deep in your pocket, then yes, the customer is always right.

I agree, there are terrible customers that will beat you into the ground if you let them. They rant, they rave, they demand more than they should receive. But guess what? You don't have to put up with them. Give them their money back and send them on their way.

When I order your product and you swear on a stack of bibles, your mother's grave, and the eyes of your first born that it will absolutely, positively be there overnight and it doesn't show up for two weeks and when I call you to complain you say, "So what…"

When you tell me that my house needs a new roof when really all it needs is a few shingles nailed down and when I confront you with this and you say, "So what…"

When you tell me that my car needs a new engine when all it really needs is gas, and I point this out to you and you say, "So what?"

I'm going to start a campaign of awareness. The next time I get lousy customer service from you or any one of your apathetic brethren, Paul, I am going to go out of my way to let the world know about you.

I'm going to send email to all my friends and business associates. I'm going to tell them about the customer service I received from you and I'm going to ask that they send emails to all of their friends with the story. It'll be like that old shampoo commercial. I'll tell two friends and they'll tell two friends and they'll tell two friends and before you know it the entire world will know that your business is one best avoided. So what?

Then you know what I'm going to do, Paul? I'm going to build a website dedicated to telling the world about your lousy customer service. I'll register it with search engines and send out press releases and buy radio spots that announce to the world that your business is one best avoided.

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And still you say, “So what?”

And when you crawl back to me, Paul, complaining that you have been run out of business as a result of my campaign of awareness do you know what I’m going to say?

That’s right, Paul.

So what…

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There Are No Dumb Business Questions, Not!

QUESTION:

What is the dumbest business question you've ever been asked? -- Norris W.

ANSWER:

Shame on you, Norris. There is no such thing as a dumb business question. OK, that's not exactly true. There are dumb business questions and I do get quite a few of them. Not through this column, of course. People intelligent enough to actually purchase and read a newspaper would never submit dumb questions now, would they. OK, that's a lie, too. I've gotten a few head-scratchers in response to this column. You know who you are, but don't worry, your secret is safe with me.

I have a confession to make. Writing an advice column, whether it be advice for love or money or business, is often hard to do with a straight face. Occasionally a question comes over the digital transom that just makes me go, "Huh?" It's kind of like trying to stifle a giggle when Grandma breaks wind at Sunday dinner. Some things are just better left ignored. Of course it's hard to blame a dumb business question on the dog.

Though this column is a fairly new feature for the *Times*, I've been writing online columns for years. Most of the requests for advice I receive are sincere and intelligent, and as a sincere and (somewhat) intelligent columnist, I feel obligated to dispense the best advice I can for the betterment of the person who asked the question. However, once in a while a real stinker hits the old email box and it takes everything I've got to resist shooting back an answer that is worthy of the question asked.

In other words, when I get a dumb question, my gut reaction is to respond with an answer of equal intelligence, or the lack thereof. Something subtle, like, "Forget business, my friend. The best thing you can do for mankind is to go find a pair of sharp scissors and run… really fast…"

Stupid is as stupid does, Forrest. Greater words of wisdom have rarely been offered before or since.

Then I remember that as an advice columnist I have a duty to my reader, my editor, my publisher, and above all, to my family, who enjoys eating on a regular basis. There aren't too many openings for smart aleck writers anymore (darn that Dave Berry), so I bite my tongue and respond to the question as intelligently as I can. That usually involves requesting more information from the reader so I can offer an informed answer. It's not as satisfying as firing off a sarcastic retort, but it is much better on the old bank account.

Since you asked the question, Norris, I feel obligated to give you an answer. What is the dumbest business question I've ever been asked? I'll let you decide.

The following are real questions from real people that are running around loose among us. If you recognize your question please don't be offended. This is all in good fun and remember, ridicule is the sincerest form of flattery. Or something like that.

Here's a question I get at least once a week: "I have never been in business before, but I think I'd be really good at it. Can you tell me what would be the best business for me to start?"

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Hmm, how about one that involves the Psychic Hotline, since that's who I will have to consult to answer your question. I don't know anything about you, your background, your abilities, your talents, your experience, or anything else. How can I possibly tell you what would be the best business for you? Who do I look like, Miss Cleo?

Here's one of my favorites: "I need to make a lot of money really fast. What business should I start?" You need to make a lot of money fast, huh. No problem. I have one word for you, my friend: counterfeiting… Somebody hand me an umbrella. It's raining stupid in here.

Here's an oldie but a goodie: "I have a killer business idea, but I don't have any money. Do you ever invest in businesses or just give advice?" Unfortunately, I only invest in non-lethal business ideas, so I'll have to pass on your killer idea. Thanks for thinking of me, though. This window is now closed… And my all-time favorite: "I have a great product that nobody wants to buy. How can I make customers buy my product."

How can you *make* a customer buy your product? Piece of cake, buddy boy. Try using the same method I use to *make* my kids mind. Threaten to put your customer in time out if he doesn't buy something from you right this second! Don't make me get up and sell you something, young man… I could go on, but I think the point is made. Keep those cards and letters coming, boys and girls. It's readers like you that make this job so darn interesting.

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Is Your Amazing New Product Idea Really Worth Gambling On

QUESTION:

I have a great idea for an amazing new product. There is nothing like it on the market and no competition that I can find. I think it will be a huge success and so does everyone I tell the idea to. I'm willing to bet the farm on this one. What do you think my chances of success are? -- Aaron T.

ANSWER:

Aaron, I'm a lousy poker player, mainly because I can't help grinning like the village idiot when blessed with a winning hand or frowning like a sad clown when dealt a dud.

I also never make odds on the success of "amazing new products" because more often than not the only thing that's amazing is the way the product is totally ignored by the buying public.

In my software business there have been times when we came up with what we thought was an amazing idea for an amazing piece of software – a piece of software so amazing, in fact, that we knew that all mankind would sit up and take notice, then line up to write us checks.

After hundreds of hours and thousands of dollars spent developing the product we were amazed to find that the only people who thought the software was truly amazing was us.

We made mankind yawn. Quite an amazing accomplishment, if I do say so myself.

It worries me that you say there is nothing like your idea on the market. While you may think that is a good thing, it might actually mean that there is no market for your product. The same holds true for a lack of competition. A total lack of competition might mean that there is no demand for such a product.

Rarely does a product come along that revolutionizes an industry. Rarer still does a product create a new industry on its own.

So, how can you tell if your amazing new product really is worth gambling on? The truth is, you can never be 100% certain that your idea will sell. No matter how enamored you are of it or how much your friends rave about it, the success of a new idea depends on a number of factors, many of which are beyond your control.

Such factors include:

- **The viability of the idea:** is this really a product that you could build a company around? Does the idea have the potential to generate revenue or customer loyalty?

- **The people implementing the idea:** the right team can make even a mediocre product a huge success (ever heard of Windows). Inversely, a bad team couldn't sell ice water in Hades. Pick your team carefully. The right people really do make all the difference.

- **The demand for such a product in the marketplace**: will this product fill a need or satisfy an itch?

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- **The competition**: is the market already crowded with competitors? If so, what will it take to move your product ahead of the pack?

- **The depth of your pockets**: even an amazing product requires a ton of cash to go from drawing board to store shelf.

- **The availability of other resources required to take the product from the drawing board to the consume**r: do you have the time, the drive, the perseverance, the knowledge, the contacts, the support, and a hundred other things required to bring your amazing idea to fruition?

- The list wouldn't be complete without sheer luck and timing.

- And a thousand other things.

Before you invest too much time and money into your idea, do a little research to determine if it's an idea that's really worth gambling on:

- Research the market for similar products. Again, if there are no similar products on the market that might mean there is no market for that product. If there truly is nothing exactly like your product, research similar products that fill a similar void in the consumer's life. Learn all you can about such products: pricing, market share, track record, etc.

- Research the competition. As mentioned earlier, if there is no competition there may not be a market for a product like yours. If there is competition, research the competition fully (little guys and big guys) to help determine if you can realistically compete for market share.

- Identify your target customer and ask them for an honest evaluation of the idea and its marketability. Avoid friends and family as they usually just tell you what you want to hear. If your target customer is a 35 year old female, pitch your idea to every 35 year old female you meet and gauge their response. Just don't break any stalking laws in the name of market research…

The best advice I can give you when it comes to amazing new product ideas it's best to follow your head and not your heart.

It's a lesson that took me years to learn.

If I had a nickel for every amazing new product I've invested in I'd go play a few hands of poker.

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How To Choose A Business That's Right For You

QUESTION:

I really want to start my own business, but I have no idea what business would be best suited for me. I'm also eager to get started, but I don't want to pick the wrong business just because I'm impatient. How should I go about deciding what business would be best for me? -- Samuel J.

ANSWER:

Before I answer your question, Samuel, I want you to reach around and pat yourself on the back for not letting your eagerness push you into making a wrong decision. All too often we entrepreneurs tend to let our impatience drive us to make decisions that we later regret. In business such haste can be very costly, indeed.

I always compare starting a business to jumping into a pool of freezing water. There are typically two types of entrepreneurs who take the plunge.

The first are the "Toe Testers." These are those cautious folks who just stick their big toe in the pool to gauge the temperature of the water. It is for these careful entrepreneurs that the phrase "testing the waters" was coined. Toe Testers enter the business pool slowly, a little bit at a time. The lesson to be learned from Toe Testers is to start slowly and don't feel like you have to wade in too fast. Ease into the business pool gradually to make sure it's right for you. Remember, many entrepreneurs realize that the business world is not right for them only after they are in it up to their necks. And that's when the term "sink or swim" takes on a whole new meaning.

The next type of entrepreneur is the "High Diver." These are those fearless souls who climb the ladder and dive into the business pool head first without worrying about the depth of the water or the dangers that lurk beneath the surface. It is for these entrepreneurs that the phrase "damn the torpedoes, full speed ahead" was coined. Quite often these entrepreneurial daredevils find themselves drowning in unknown waters or end up with their heads buried in the bottom of the pool.

Both types of entrepreneurs may find success, depending on how well equipped they are to handle the water they are diving into. Here are a few ideas to help better prepare you for the plunge.

Let your experience be your guide

Start with what you know. If you have spent twenty years working as an accountant or you love to build wooden toy trains as a hobby, consider how you can take that experience and turn it into a successful business.

You might also find a great business idea right under your nose. Look around your workplace. Do you see needs that are going unmet or can you think of a better way of doing something? If so, you might have the seed for a profitable business.

Do what you love and enjoy what you do

I can't emphasize this enough. Many people start a business for the wrong reason: to get rich.

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While it is true that many millionaires in this country made their fortunes from their own business ventures, that should not be your sole motivation for starting a business. If you don't enjoy what you do, you will not be successful, at least not from a mental point of view. Sure, the monetary rewards can be tremendous, but the mental anguish of working in a business you don't enjoy is a high price to pay.

I talk to entrepreneurs all the time who are running successful businesses, but are so unhappy as a result that they literally make themselves sick.

If you don't enjoy what you do the business will become a chore, not a joy.

Don't reinvent the wheel, just make it better

Many first time entrepreneurs assume that they have to come up with a new business idea to be successful. That simply is not true. Most successful businesses are born not of innovation, but of necessity. Instead of trying to come up with an idea that changes the world, take a look at the world around you and see where there might be a void that needs filling or a business concept that needs improvement.

Many successful businesses have been built by taking a traditional business and making it better. Domino's Pizza was certainly not the first to offer home delivery of pizza, but they were the first to guarantee it would be delivered piping hot to your door in 30 minutes or less. Amazon.com was not the first company to sell books, but they were one of the first that would let you buy books from the comfort of your own home while sitting in your underwear.

Focus on a niche

Many businesses have gone broke trying to be all things to all people. The ability to offer a gazillion products under one roof is all well and good for Wal-Mart, but not for most new small businesses. Try to identify a niche that you would enjoy working in and think about starting a business therein. If you love to work outdoors, consider starting a landscaping business. If you enjoy working with numbers, think about becoming an accountant or CPA. When's the last time you had your gardener do your taxes? You get the idea. Focus on a niche and become an expert in your field.

A franchise might be an option

Many new entrepreneurs consider buying a franchise operation instead of starting a business from scratch. Franchises are a good way to jumpstart the process because they have already done much of the hard work for you. They have proven the business model, established guidelines for running the business, spent millions of dollars on establishing the brand, etc. Buying a franchise is typically a very expensive and involved process that is beyond the scope of this article.

The best thumbnail of advice I can give you is to thoroughly investigate the franchisor and the opportunity, use your own attorney to do the deal, and read the fine print in the franchise agreement.

It's hard to swim in a crowded pool

If the business pool is already filled with other companies doing the same thing you want do, chances are you will fail in the face of established competition. To succeed in such a crowded pool you will have to do something to stand out from the crowd (and I don't mean greeting customers while wearing a bright red Speedo). If you can't quickly and easily differentiate yourself from a large group of competitors, you're better off choosing another business.

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Above all, take your time

Whatever business you choose to start, I encourage you to take the time required to make an informed, intelligent decision. Think about starting part time while you still have your current job (and income) to fall back on. Talk to friends and associates who use the product or service you will provide to see if they would consider become paying customers.

Remember, in business you can end up swimming in success or sinking in failure.

The key to your success might just lie in the sensitivity of your big toe.

"The eBay Powerseller's #1 Product Resource"

The Ultimate eBay Dropship Power Pak contains everything you need to start your own profitable online business, including access to our private database of over 3,000 dropship and wholesale companies!

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What's In A Name?
When It Comes To Your Business, Plenty!

QUESTION:

How important is the name of a business? Should the name of a business reflect what the business does or is it better to come up with something catchy and easy to remember? -- Randy P.

ANSWER:

What's in a name? When it comes to your business, Randy, a lot more than you might think. In fact, deciding on a business name is one of the most important decisions you will ever make. The right business name can help you rise above the crowd while the wrong business name can leave you trampled in the rush. With the economy in a slump and competition on the rise, now more than ever it is important that you put considerable thought into coming up with the perfect name for your business.

Unfortunately, this is a task that is easier said than done. It seems like all the good business names are either married or… no wait, that's a different subject, but the analogy holds true. We live in an age when a business called "The Body Shop" might repair wrecked cars or sell skintight jeans to teenagers, so before you send your letterhead to the printer, consider the following points to help you select the business name that's right for you.

The first thing you should do is conduct a little research to determine if the name is already in use by someone else. You would be surprised at how many entrepreneurs forget to research this point and open a business with a name that is already in use. Check with the county clerk and the secretary of state to make sure the name isn't already licensed for use or incorporated with the state. Also check with the U.S. Patent and Trademark office to see if the name is already trademarked, i.e., owned, by someone else. Using another company's trademarked name exposes you to legal action by the trademark owner. Even if your name is just similar to the trademarked name, you may find yourself in court defending your right to use the name. And odds are it's a battle you will lose.

If the name you choose is not in use, you should immediately reserve the name with the secretary of state (if you plan on incorporating) and apply for a trademark to ensure your legal ownership. If you do not trademark the name someone can come along later and attempt to steal the name out from under you. Imagine spending years building up your business only to have some upstart trademark the name and engage you in a legal battle over rightful ownership. This is one fight you don't need, especially when the hassle could have been easily avoided with a few bucks and a few forms.

Another important thing to consider is the domain name for your business. The domain name is the website address a customer will use to find you on the Web. Is the domain name for your business name available? If not, is there a domain similar to the business name you're considering?

You will undoubtedly discover that securing a suitable domain name is actually harder than choosing a business name. Most logical domain names are already reserved, but you might get lucky. Keep in mind that domain names should be short and descriptive, and preferably have the .com or .net extension. You can use other extensions (I've even used the ".to" extension on occasion) if necessary, just keep in mind that you will need to put forth a little extra marketing effort to promote the website address as people typically assume a .com extension as the norm.

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Whatever you do, don't use a domain name that is a confusing amalgam of letters and numbers that is hard to remember and even harder for your customer to type in.

One good way to approach the task of naming a business is to do so from your customer's point of view. Your business name should clearly define your offering and communicate your message to customers. Put yourself in your customer's shoes for a moment. If you were looking for a business that provides your product or service, what would you expect that business to be called? If you were in the market for computer parts, for example, wouldn't you look for a business that has "computer parts" reflected in the business name? Jim's Computer Parts may not sound as snazzy as Jim's Electronics Emporium, but snazzy doesn't pay the bills. Happy customers who quickly identify you as the source of their purchase do.

The name of your business can also spark subconscious reactions in a customer that may drive them to you or drive them away. Words like quality, complete, executive, best, low-cost, and on time often spark positive reactions in the mind of the consumer. Words like cheap, discount, and used tend to create negative emotions. You'll notice that no one claims to sell used cars anymore, but the dealer lots are loaded with vehicles that are "previously owned."

Finally, let's talk about things to avoid. Experts agree that you should avoid using generic terms like enterprise, corporation, partners, and unlimited as part of your everyday business name. These terms are fine for the legal business entity name, but are often too unclear for everyday use. Can you tell me what any of these companies do: ABC Corporation, Big Dog Enterprises, M&B Partners, and Discounts Unlimited sell? I didn't think so.

Also avoid abstract names like Yahoo, Google, Monster and Flip Dog (I am not going to list the names of the numerous local high tech firms that have bucked this rule :o). Abstract names will require a subtitle to explain what the business does or an expensive marketing campaign that brands the name into the minds of consumers. Unless you have deep pockets, I suggest you go with a name that describes your business at first glance and leave abstraction to the likes of Cher.

Finally, you should avoid hokey names, unless of course, you are starting a hokey business. Crazy Dave's Stereo Shop is a great name if the business is really run by Crazy Dave and his personality is exploited in the marketing of the business. However, if you want to be taken serious, then give your business a serious name.

Would you go to Crazy Dave's House of Dentistry?

Neither would I.

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Starting Your Business By The Book

I often get questions about the legalities of starting a business. I thought I would address a few of the more common legal issues most new businesses face. But first, let's get the mandatory legal disclaimer out of the way: the advice dispensed by this columnist is probably no better or worse than the advice dispensed by other columnists. Do not take the following advice as gospel or bet the future of your business on any advice given herein by said columnist. Agreed? Good, let's proceed.

To begin, here's the best legal advice I can give you as a new business person: find yourself a good lawyer and make him or her your very best friend. Granted, your new best friend will charge you an hourly fee for chatting on the phone or talking business over lunch, but you'll find it to be money well spent. A good attorney can save you far more than the cost of his services. I rarely make any decision that has the potential to impact my business without first consulting my attorney.

You can locate an attorney through legal referral services or just by opening the phone book, but the best way to find a really good attorney is to ask other business owners for references. You want an attorney who specializes in business matters. A few of the things you may need legal help with are: legal business formation, articles of incorporation, trademarks and copyrights, investment documents, employee policies, etc. You may find that a single attorney can't meet all your needs, but if you use a larger firm they will have attorneys on staff that can provide the specialized services you require.

Now, let's take a brief look at a few questions I've received regarding the legalities of starting a new business.

What's a DBA?

"DBA" stands for "doing business as." A DBA is another name that you use in the operation of your business other than the legal name. For example, "Jones, Inc." might be the legal corporate name of your business, but you might use "Bob Jones Landscaping" as the everyday business name. In this case, you would see the business described in legal context as "Jones, Inc. Doing Business As Bob Jones Landscaping."

Here's an example of using a DBA to launch a new venture within an existing business. A reader asked: "My wife incorporated a multimedia business three years ago, and I am starting a voice-over business. Is it more beneficial for me to open as a sole proprietorship or to operate within her multimedia business?"

My answer was that he should open his company as a division of his wife's business, operating as a DBA. Even though he is using his own business name (the DBA), technically his wife's corporation is launching the service and therefore will give him some liability protection. Doing so would also help him save on start-up costs (such as having to pay for a separate incorporation). It's relatively simple to keep a separate set of books, and when the new business takes off, he can spin it off into a separate entity.

Will a corporation protect me from liability?

It can, if handled correctly. You may have heard about the "corporate veil," which means that you can't be sued personally for anything that happens in the corporation and your personal assets can't be attacked by creditors or a lawsuit on the corporation. But in order to have this protection, you must act like a corporation. This means conducting board meetings, taking notes

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and publishing minutes in your corporate book. In addition, be sure to have a separate corporate checking account and, if you need them, corporate credit cards. Don't use corporate money for personal purchases, and vice versa (unless you file an expense report). Many people think they don't need to go to all this trouble if there is just one or two people in the company, but in order to be treated like a corporation, you must act like one. Your attorney can give you more details.

How do I register my company name?

To register your company name simply contact the office of the Secretary of State. This is easily done by phone. The registrar will tell you if the name you have in mind is available as a corporate name and will reserve the name for you if it is available. You will be sent a form to complete and submit with a nominal fee. For more information you can also visit the Secretary of State's website.

Do I need a business license?

Nearly every business will require a county or city license. Luckily, such licenses are relatively easy to obtain and are not expensive. For local licensing requirements, contact your city or county government offices. Some businesses might also require a state license. For example, hair stylists, contractors and most businesses serving food fall under the purview of the state licensing board. Each state has an agency that deals with these types of businesses. Contact your local government offices to see if your particular business requires a state license. Some businesses will even require federal licensing. Examples of such businesses would be those that provide investment advice or that deal with firearms. Federal licensing is typically required for businesses that are highly regulated by the government.

I operate my business out of my home. Do I still need a license?

Operating a business out of your home does not get you off the hook when it comes to licensing. You should check local zoning requirements and property covenants. You can find this information at the court house or by calling your local license department. Home businesses are also subject to zoning laws that regulate how property can be used and may restrict various activities.

This is just a sampling of the legal issues that must be addressed by every new business owner. To learn more, take your favorite lawyer to lunch. Just be prepared to pick up the tab.

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Protect Your Ideas With Copyrights and Patents

QUESTION:

Can you tell me the difference between a copyright and a patent? Also is that something I should let a lawyer handle for me? -- Sue Anne M.

ANSWER:

A wise man once said, “The biggest difference between a copyright and a patent is the number of lawyers it takes to do the paperwork.” There is a point to be made there, mainly that if this wise man had paid his attorney to copyright that tidbit of wisdom I probably would have had to pay him five bucks to use the quote.

Copyrights, trademarks and patents are similar in that they are designed by law to protect your rights of ownership, but that’s where the similarity ends. A copyright protects a creative work; a trademark protects a brand or company identity; and a patent protects an invention or process.

A copyright protects the rights of anyone who creates an "original work of authorship." A copyright owner has the exclusive right to reproduce the work; prepare spin-off works based on the copyrighted work; and to sell, perform and/or display the copyrighted work in public.

Copyright protection is afforded to eight categories of creative works: literary works (the written word); musical works (lyrics, music, melodies); dramatic works (plays, scripts, screenplays); artistic works (pictorial and sculptural), sound recordings (LPs, CDs, audio tapes); choreographic works (dance, pantomime); audiovisual works; and architectural works (blueprints, designs, renderings).

An original work is automatically copyrighted the moment it is put into a fixed format such as a paper copy or recording. In other words, once you put your original story in writing or make a recording of an original song, your copyright is automatically secured. From that moment on your work has copyright protection for your lifetime, plus 50 years after your death.

Registering a work with the U.S. Copyright Office is not required, but since it is relatively simple and inexpensive to do so, I advise that you register a copyright for each work you wish to protect. Also, your copyright must be registered in order to take legal action against someone who might infringe on the copyright in the future.

You can register a copyright without the assistance of an attorney. Simply visit the U.S. Copyright office website at http://lcweb.loc.gov/copyright/ and download the appropriate form. Complete the form and send it in with a $30 nonrefundable filing fee. This must be done for each individual work you wish to protect.

A patent is a form of protection granted to an inventor that protects his invention in the United States for up to 20 years from the date of application. Patent law states that, “whoever invents or discovers any new and useful process, machine, manufacture, composition of matter, or any new and useful improvements thereof may obtain a patent.” Owning a patent gives you the legal right to stop someone else from making, using or selling your invention (or one that’s very close to it) without your permission. However, proving that someone is infringing on your patent is often difficult and usually requires a trial to settle the dispute.

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Since the first U.S. patent was awarded in 1790, more than five million patents have been awarded. The patent office receives more than 230,000 patent applications every year and I can tell you from personal experience that a turtle on Prozac moves faster than the patent process. Patents can take several years, truckloads of paperwork, and considerable legal fees to obtain. The cost of obtaining a patent can run from $500 for a simple design patent to $50,000 and more for a complex utility patent. However, if your company has a truly patentable idea, you would be wise to invest the time and money required to secure your rights. A good patent can be a valuable business asset.

While you can file a patent yourself, I strongly advise that you use an attorney since a naively written patent application often isn't worth the paper it's printed on. Just recently my attorney did a patent search for me only to discover that a patent for a similar product was already in place. However, due to the ineffectual language of the patent application, the patent was practically impossible for the owner to enforce.

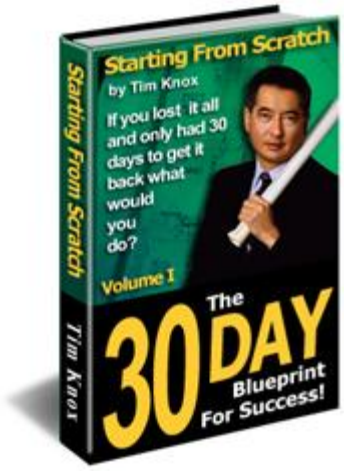
Good news for me.

Not so good news for the wise man who wrote his own patent.

"No Experience, No Money? No Problem"

We asked 58 of the Internet's Top Money Makers: "If you lost it all tomorrow and had to start over with nothing but the brain in your head and the experience of your years, how would you get back on top in less than 30 days?"

Their answers could make you rich...



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Investing In Son's Business Could Cause A Real Family Feud

QUESTION:

My youngest son wants to borrow $5,000 to start his own business. My wife is afraid to tell him no. She thinks we should just give him the money and not expect anything in return. I disagree. He doesn't have a very good track record with money, so I'm a little worried that my investment will be lost. Should I loan him the money and hope for the best or just tell him no and hope he doesn't get too upset? -- Jeff K.

ANSWER:

The first thing you need to do, Jeff, is determine if this money would be offered to your son in the form of a gift, loan or investment. The very wording of your question tells me that you have not yet made that all-important distinction.

It sounds like your wife wants to make a gift of the money, expecting nothing in return but the undying love of her last born son.

You, on the other hand, don't know if you should offer the money as a loan (should I loan him the money) or as an investment (worried that my investment will be lost).

Until you can make that distinction, your money should remain in the bank.

I have a very simple rule when it comes to loaning money to relatives, Jeff: NEVER, EVER loan money to anyone you might have to sit next to at Thanksgiving dinner. "Son, pass me that dressing and tell everybody the story of how you blew your old dad's retirement money..."

A loan from a relative is no different than a loan from a bank. You, Mr. Banker, are giving your son, Mr. Borrower, the use of your money for a specific period of time and you fully expect the loan to be paid back under specific terms, even if his business goes south.

Sure, you will probably be a little more forgiving than a bank when the loan goes unpaid, but the damage to your personal relationship could be extreme and hard to repair.

In the most basic of terms if you loan your son the money you become the creditor and he becomes the debtor. Have you ever heard of a creditor and debtor having a very good relationship? Has Visa ever called you up just to ask how you're doing? Has your mortgage company ever named a kid after you? Probably not.

The same rule applies with investing in a relative's business. I have raised money for several business ventures and not once did I ever think about asking my relatives to chip in. The last thing I'd ever want to do is lose my mother's yard sale money. I'd never hear the end of it!

An investment is made with the understanding that your money is totally at risk with no guarantee of return. Even under the best of conditions an investment in any business is a gamble. You are betting your money that the business will be successful and that you will get a payback at some point in the future.

Hug your money real tight before making the investment, Jeff, because if the business doesn't make it, you will never see your money again.

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You and your wife also seem very worried about making your son mad, which raises another huge red flag for me. If your son isn't mature enough to take the word "no" without getting upset, he's certainly not mature enough to start and run a business.

Unless that business is a bicycle paper route, and even then I wouldn't put my money on his chances of success.

The bottom line is this: if you can afford to give your son the money and can do so without attaching strings to it, then by all means give him the money and wish him well.

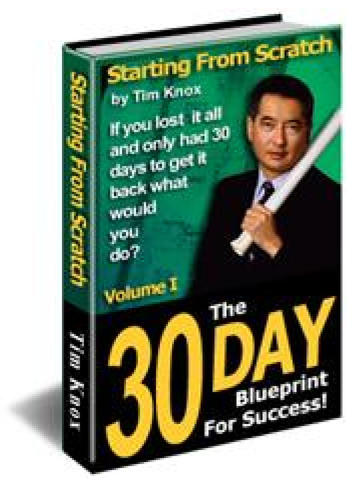
Encourage his entrepreneurial spirit and support him as a parent should.

Do not, however, expect anything in return and never bring up the money again, especially if he's the one carving the turkey on Thanksgiving Day.

* *

"No Experience, No Money? No Problem"

We asked 58 of the Internet's Top Money Makers: "If you lost it all tomorrow and had to start over with nothing but the brain in your head and the experience of your years, how would you get back on top in less than 30 days?" Their answers could make you rich...



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If It Was Easy, Everybody Would Do It

QUESTION:

I started my business about a year ago and everything is going fine. We're growing and making a profit, but the stress of running the business is really starting to get to me. I spend more time worrying than working. Sometimes the pressure is almost more than I can take. I'm starting to think that I'm not cut out to run my own business. Do you have any advice that might help me decide what to do? -- Steven S.

ANSWER:

I'm full of advice, Steven, and it's totally free. Just remember, you get what you pay for and I can't be held legally or morally responsible if my advice somehow lands you behind the counter at McDonalds. I'm not Dr. Phil, for petesake. I'm shorter and have more hair and less money.

Seriously, the first thing you need to do is take a few deep breaths and take comfort in the fact that you are not the first entrepreneur to feel the weight of the business world on your shoulders. Every business person, including yours truly, has felt the way you do at one time or another. For some, it's a feeling that occurs daily, especially when things aren't going as well as we'd like them to. And don't think the stress will magically disappear if your business takes off. I know people who run multimillion dollar corporations and they will tell you that the stress level goes up in proportion to the size of the business. These same people will also tell you they love what they do and would never consider doing anything else.

The difference between these entrepreneurs and you, Steven, is that they have been in business longer and have learned to not only handle stress, but to take stress and transform it into a driving force. They feed off the stress. It fuels their creativity and innovation. Stress challenges them, it makes them think, makes them better entrepreneurs.

I think the real question isn't whether or not you have what it takes to run a business. The real question is do you have what it takes to handle the stress of running a business. These are two very different questions and the answers depend totally on you.

Even on the best of days running a business can be incredibly stressful, not to mention overwhelming and exhausting. It's only natural that there will be times when you wonder if it's really worth it. Asking yourself the "should I just get a real job" question simply means that your human side is showing. And as a human you have a limited tolerance for things you can not control. And that's really where the stress of being an entrepreneur comes from. We worry about things we can't control. Things like finding new customers, paying the bills, making payroll, and a thousand other things. Sure, we can put forth our best efforts to make these things turn out in our favor, but we really can't control the outcome.

So we worry. And worry breeds stress and stress breeds doubt and doubt breeds the feeling that an 800 pound gorilla is using your chest for a lawn chair. It's only natural that you being to wonder, "Is this what I really want to do? Do I have what it takes to run my own business?"

I remember once complaining about the stress of running my business to an elder entrepreneur. He waved at me like he was swatting a fly and said, "Son, if it was easy, everybody would do it. Now suck it up and move on."

Suck it up and move on… probably the best business advice I've ever gotten. No fortune cookie was ever so on the money.

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My mentor's eloquent point was this: running a business is never easy and always stressful, but that's what makes it so dang exciting. Running a business is like walking a tight rope… backward… with your eyes shut… and your pants on fire… Man, sure beats working for a living, huh.

Steven, it sounds to me like you're having what I call a "garbage truck moment." That's when the pressure of running your business starts getting to you and you begin to question whether the entrepreneurial life is right for you. The debts are mounting, your staff is shrinking (or growing), you get that nauseous feeling in the pit of your stomach and you find yourself longing for the apparent simplicity of driving a garbage truck.

Note to garbage truck drivers: save your hate mail, boys. I know you work very hard and I respect what you do. Without you the world would be a very different, very smelly place, indeed.

What's happening to you, Steven, has happened to us all. The stress is causing you to doubt not only your decision to start your own business, but your ability to run it, as well. There's no magic bullet for dealing with stress and you certainly can't eliminate it totally, so you must learn to handle it.

I believe the key to handling stress is to first identify the source of the stress, then formulate a plan to deal with it.

Here's what I do. Take a pencil and paper and list all the things that are causing you stress. For each item listed ask yourself: Is there anything I can do about this? Is there anything I can do to change this from being a point of stress to a point of accomplishment? In other words, is this something I have control over?

Stressing over things you can't control is a total waste of time. Tell yourself that you're burning brain cells in vain and mark that item off your list. Some people don't have this ability. Some people are just natural born worriers who are not happy unless they have something to worry about. They revel in worry. They work in worry like a great artist works in paint. Even when things are going great they worry that the sky is about to fall. If you are a natural born worrier, Steven, nothing I say will help you handle stress. Great, now you have something else to worry about.

Next , determine if each point of stress is something that has happened in the past, is currently happening, or has not yet – or may never – happen. If the stress point is the past, there's not much you can do but attempt to rectify the situation causing the stress. If it's a current problem, formulate a plan to deal with the problem and eliminate the stress it's causing. And if you're stressing over things that may never happen, remember what Mark Twain said: "I am an old man and have known a great many troubles, but most of them never happened."

Finally, Steven, it's important to remember that working for someone else can be just as stressful as working for yourself. Sure, you don't have the stress (and responsibility) associated with running a business, but you will have other stresses that can be far worse; like impossible work deadlines, sales quotas you can't meet, a boss that learned his management skills on a chain gang, coworkers who don't pull their own weight, possible layoffs, etc.

Very few things in life are without stress. Just ask any garbage truck driver.

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Writing The Book On Great Customer Service

QUESTION:

One of the big chain bookstores recently opened up near my small book store. Already I can see my business starting to decline. Is there anything I can do to compete with the bigger store or should I just accept the inevitable? -- Peter Q.

ANSWER:

A wise man once said, "The inevitable is never a sure thing." Don't be so quick to close the book on your business, Peter. You probably can't compete with the superstore on volume of inventory or on price, but there are other things you can do to help keep the customers coming in your door. One of the best ways to ensure customer loyalty is to offer superior customer service.

It's funny that you're a bookseller. Let me tell you about my last visit to one of the big chain bookstores just a few weeks ago.

I took my teenage daughter in to find the classic book, *The Once and Future King*, for a school project that has to be done over the summer. It was a Sunday afternoon and the store was crawling with customers. We spent fifteen minutes scouring this great warehouse of a bookstore, but couldn't find the book anywhere. We also couldn't find anyone who worked there to ask for help.

Finally, I went up to the front counter and asked the apathetic looking teenager who was manning the register if they had the book in stock. She looked at me as if I'd asked her to do advanced calculus in her head and said, "I dunno."

I asked if she might check her computer for me. She looked at me again, this time as if I'd just asked her to rotate the tires on my car without a jack. After a minute of tapping the keys with her long fingernails (which were painted black, by the way) she said, "Yeah, we have it."

"Great," I said. "Where can I find it?"

She glanced at the screen again and said, "It says that it's in the classics section."

"Great," I said again. I use the word "great" a lot when I'm trying to restrain myself from strangling incompetent sales people. "Where might the classics section be?"

She didn't bother to look at me or the computer this time. She just shrugged and said, "Beats me, man. I've only worked her a week. "

I wanted to ask if there was anyone who had worked there long enough to know where the ^%$# classics section was, but by that time there were a dozen or so people lining up behind me to pay for books they had somehow managed to find on their own.

I went home and ordered the book online. So much for supporting my local bookseller.

It's a shame your store isn't located near me, Peter. I'll bet if I walked in and asked for a copy of *The Once and Future King* you would be able to tell me almost to the square inch where the book is on the shelf in your store. I'll also bet that if you didn't have a copy in stock you would go out of your way to order it for me.

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That is what superior customer service is all about: going the extra mile to satisfy your customer. That is what will keep customers coming back to your store time and time again.

Superior customer service leads to greater customer satisfaction, which leads to repeat business, which leads to the holy grail of the retail business: customer loyalty.

Here are a few tips on how to deliver superior customer service and build customer loyalty:

1. Anyone on your staff who deals directly with the customers should be well groomed and dressed appropriately for the job. Customers over 25 years old will not get a warm and fuzzy feeling if the guy processing their credit card is wearing an Ozzy Osborne tee-shirt and matching nose ring.

2. Sales people should be knowledgeable about the product they are selling. I can't tell you how many times I have asked a sales person a simple question and only got a blank stare in return. A lack of product knowledge does nothing to instill confidence in the customer.

3. Your staff should know where every product is without having to ask a manager or consult a computer. At the very least they should be able to point out the ^%$# classics section without blinking an eye.

4. Make it a point to know your customer's name. Nothing makes a customer feel special like the sound of his or her own name. You can't remember everyone's name, of course, but you should strive to remember the names of those customers who come in regularly. I frequent one particular restaurant and the owner not only knows my name, but the names of my wife and kids. And every time I set foot in his restaurant he calls me by name and shakes my hand and personally leads me to a table. I don't feel like a customer. I feel like a friend.

5. Offer personal services that the big boys do not. Anything you can do to make your customer's life easier will be appreciated and remembered. If a customer comes in and asks for a book you do not have, offer to order the book and deliver it to their home so they don't have to make another trip to pick it up. All this is going to cost you is a few minutes of your time and you will not only save a sale, but also make a lasting impression on that customer. The next time they need a book they will head your way.

There are other things you can do to combat the bookstore Goliath, Peter, but offering superior customer service is a great place to start.

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Business Lessons Learned From The Mall

Normally in this column I dispense highly-intelligent small business advice in response to thought-provoking questions submitted by future and fellow entrepreneurs. This time, however, I have a couple of questions for myself, one of which makes me wonder how truly intelligent I really am.

QUESTION:

Dear Me, I recently took my teenage daughter shopping at the mall. The experience raised two questions. (1) What business lessons might be learned from such a foray into teen commerce; and (2) What the heck was I thinking? -- Sincerely, Me.

ANSWER:

Dear Me, great questions! Let me answer them in reverse order since the second question is probably the one causing you the most concern.

What was I thinking? Only the good Lord knows. I vaguely recall complaining that my fifteen-year-old daughter, who we'll call "Chelsea" (because that's her name), didn't spend enough time with her dear old dad anymore. It's a complaint that every dad of a teenage girl formerly known as "my baby" has made at one time or another. I also recall my insightful wife telling me that if I wanted to spend time with Chelsea now that she was a teenager I would have to do it in her element, which happens to be any large structure with the word "Mall" on the side. A fitting analogy would be that if you want to spend time with a moody tiger you have to go into the jungle to do it.

No offense to my mall merchant brothers and sisters, but a trip into the deepest jungle is more appealing to me than a trip to the mall. I get no joy out of trudging from store to store, attempting to communicate with salespeople from other planets, browsing discount racks of last season's dollar merchandise and peering into windows at mannequins that seem to be in some sort of inanimate pain (why can't they make a happy mannequin?).

Bottom line: I'm a guy. It is programmed deep within my genetic code to hold such things in high disregard. But so strong is my love for my daughter that I pushed my true feelings aside and off we went to the mall last Saturday morning. I called it, "Driving the green mile…"

I was perfectly fine walking through Sears (a real man's store). I held my own when we cruised through Spencer's Gifts (I found the Ozzy Osborne bobble-head doll to be quite life-like). But when we walked into one of those stores that specialize in clothing and accessories for the younger generation my psyche all but shutdown. Within minutes I found myself standing at the back of the store holding my daughter's purse while she tried on small swatches of material that the store was trying to pass off as clothing. It was there, standing among the mopey mannequins and teeny-tiny underwear and designer nose rings, that I realized I was witnessing good old American commerce at work.

This leads us back to the first question: are there business lessons to be learned from a trip to the mall? As the young folks would say, "Dude, definitely!"

The following observations can be applied to most businesses, not just to retailers that cater to Generation Why.

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Know Thy Customer Well

Not just from a demographic standpoint, but up close and personal. Even from my limited vantage point behind the rack of neon tube tops it was easy to identify the store's typical customer: young, hip females; ages mid-teens to mid-twenties. They wandered through in groups of twos and threes. I suppose that going to the restroom in public and shopping are the two things females must do in groups. It makes perfect sense when you realize that for teenage girls (and many grown women, I'm told) shopping is a social activity, an excursion to be taken with friends. The smart retailers know this and design their stores to be as much a social hot spot as a retail establishment. From the hip/cool music blaring from the overhead speakers to the hip/cool young sales dudes to the hip/cool posters on the walls to the hip/cool selection of merchandise, this store was a teenage girl's retail heaven on earth.

Target Your Product To A Growing Customer Base.

Teens represent one of the fastest-growing segments of the consumer population, registering a growth of 16.6% between 1990 and 2000. Teens also wield significant buying power - both in their own right and in the context of their family purchasing decisions. Recent studies have shown that teenagers age 15 to 19 spend as much as $100 per week, much of it on clothing and accessories. That's why this expanding segment of the buying public is increasingly being targeted by smart marketers like Old Navy, The Gap, The Buckle, Pac Sun, and many others. As the old business saw goes, "Sniff for money, then follow your nose."

Provide Great Customer Service

I've preached this sermon before. Know what your customer expects and always over-deliver. Cater to their whims. Ask their name and use it with respect. Make them feel like your friend, not your meal ticket. Make their experience a good one and they will return.

Good Employees Make All The Difference

Hire enthusiastic people and train them well. The manager of this store, who looked sixteen but privately professed to be twenty-six, was one of the best salesmen I have ever seen. He dressed like his customers. He spoke their language. He knew their likes and dislikes. He was well-versed on fashion trends. He pointed out things that might be of interest to them and immediately agreed with whatever their opinion was.

"You'd look great in this shirt," he told a giggling gaggle of girls. It didn't seem to matter that he wasn't speaking to any one of them in particular. They all giggled some more and trotted off to the fitting rooms to try on shirts. You could almost hear the cash register ring.

Upsell, Upsell, Upsell

Millions of dollars have been made by asking one simple question: "Do you want fries with that?" When it came time to checkout the young manager went into upsell mode by saying things like, "That's a great shirt you're buying… we have a really cool pair of shorts to match that! These earrings are on sale. They would look awesome with that necklace you're wearing!"

My daughter giggled and blushed with each compliment – slash - sales pitch and if I had not been the one holding the credit card, she would have bought everything he was selling. During the ride home Chelsea made the defining comment of the day.

"What a great store! I bet they sell a lot more stuff because of that cute sales guy!"

Business wisdom from the mouths of babes. I should've had sons.

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SWOT Analysis Is No Magic 8 Ball

QUESTION:

A key investor in my business has suggested that I hire a consultant to do a SWOT Analysis to help plan for the future. I try not to argue with my investors, but I'm not so sure I need to have this done. What do you think? -- Laurie B.

ANSWER:

Laurie, before you call in the SWOT team to deal with this investor (sorry, couldn't resist that one), let me tell you exactly what a SWOT Analysis is and how it can not only help you plan for the future, but get a gauge of how your business is doing today.

SWOT stands for Strengths, Weaknesses, Opportunities, and Threats. A SWOT Analysis is a written exercise that can help you clarify and focus on the specifics that make up the four areas that most affect your business. The purpose of a SWOT Analysis is to help you build on your business' strengths, minimize and correct the weaknesses, and take the greatest possible advantage of potential opportunities while formulating a plan to deal with potential threats.

Think of a SWOT Analysis as a checkup for your business. By spending a little time examining the internal and external factors that affect your business' health you can better gauge the present state of your business and identify things that may adversely affect your business' health in the future.

It's a good idea for every business to perform a SWOT Analysis on occasion, especially if you are doing strategic planning, contemplating a change in direction or formulating new strategies for distribution, marketing and sales.

Should you hire a consultant to perform a SWOT Analysis for you? Speaking as a consultant who has been paid to perform SWOT Analyses for companies in the past, I can honestly (and yes, without bias) say that depends on three factors: (1) the size of your company; (2) how in-depth the SWOT Analysis needs to be; and (3) how much of your investor's money you'd like to spend.

Larger corporations are most likely to hire professional firms to perform such analyses, primarily due to the complex nature of big business. Some corporate SWOT Analyses can run on for several hundred pages. Typically, a consultant will charge up to $100 or more per hour to perform a detailed corporate SWOT Analysis and most large companies consider this money well spent as a good SWOT Analysis can reveal otherwise ignored factors that might increase the company's bottom line or help avert future losses.

For a smaller business, however, a professional SWOT Analysis can be an exercise in overkill. For your money you will get an impressive, detailed report that will make for great show at your next investor or board meeting and a wonderfully expensive door stop the rest of the time. I don't mean to belittle the value of a professional SWOT Analysis for small businesses. It's just that smaller companies can learn as much from their own efforts as that of an expensive consultant.

You can perform a simple SWOT Analysis with a #2 pencil and a fast food napkin, but to get a truly accurate view of your company's SWOT factor I suggest you do things a bit more formally (and without the aid of condiments). I recommend that you involve all the key players in your business, including management, employees, your attorney, accountant, even your spouse.

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My wife often gives me insights into my business just from listening to me talk at dinner. Sometimes we business owners and managers can't see the forest for the trees. It's good to have someone else point out things we might miss.

Here's how to perform a simple SWOT Analysis. On a piece of paper draw a vertical line down the center. Now draw a horizontal line through the center of the page. The paper is now divided into four quadrants. In the first quadrant (upper left) write the word "Strengths." In the quadrant next to that write "Weaknesses." Drop down to the second tier and label the first quadrant (lower left) "Opportunities" and the remaining quadrant "Threats."

Now just fill in each quadrant accordingly. Strengths and weaknesses are internal factors that affect your business. Opportunities and threats are the external factors. Let's look at a quick overview of each.

Strengths are those things that make your business stronger. Strengths might include: a product or service that sells well; an established customer base; a good reputation in the marketplace; a good track history; a high traffic location; strong management; qualified employees; ownership of patents and trademarks; and any other aspect that adds value to your business and makes it stand out from the competition. Strengths should always be gauged by the strengths of your competitors. If your business does something well just to keep up with the competition, it is not a strength. It is a necessity.

Weakness are the antitheses of strengths. Weaknesses are those areas in which your company does not perform well or could stand improvement. These are the areas of your business that make you susceptible to negative market forces and aggressive competitors. Weaknesses might include: poor management; employee problems; lack of marketing and sales expertise; lack of capital; bad location; poor products or services; damaged reputation; etc.

Opportunities are those things that have the potential to make your business stronger, more enduring, and more profitable. Opportunities might include: new markets becoming available or old markets that are expanding; possible mergers, acquisitions, or strategic alliances; a competitor going out of business or leaving the marketplace, making their customers open to you; and the potential availability of a desired employee.

Threats are those things that have the potential to adversely affect your business. Threats might include: changing marketplace conditions; rising company debt; cash flow problems; a strong competitor entering your market; competitors with lower prices; possible laws or taxes that may negatively impact your profits; and strategic partners going out of business.

Once you have filled in all four quadrants, you can use this information to create strategies that will help you make the best of the information learned. For example, once you have identified your strengths you can better use them to determine which opportunities to pursue and to help reduce your vulnerability to potential threats.

Now that you know your weaknesses you can formulate strategies to overcome them so you can pursue opportunities. Knowing your weaknesses can also help you establish a defensive plan to prevent your weaknesses from making your business particularly susceptible to external threats.

Whether you use a consultant or create a SWOT Analysis on your own it is important to remember that a SWOT Analysis is a subjective analysis tool that can be strongly influenced by the opinions of those performing the analysis. For small businesses especially it is imperative to keep the analysis simple and to the point. Don't overanalyze and don't immediately take the results as gospel. Remember, it's an analysis tool, not a magic 8 ball.

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Handling The Occasional Oop-See!

QUESTION:

My company is really in hot water with one of our best customers. I can't reveal exactly what happened, but suffice it to say that we really dropped the ball and the customer is furious. I'm not even sure we can save the account. What's the best way to get back in a customer's good graces after making such a mistake? -- Charles W.

ANSWER:

Without knowing the full story, Charles, I can't give you a specific course of action, but let's start at the sharp end of the uh-oh stick and work our way back to see if we can come with up some advice that might help.

First off, it's important that you understand that the magnitude of your mistake will determine the course of action you take to make amends. If your company's error was such that it caused your customer a significant amount of lost time or revenue, embarrassed them publicly, caused damage to their reputation, or otherwise negatively affected their bottom line, you may face legal repercussions that saying "I'm sorry" will not deter. If that's the case you should consult an attorney immediately and prepare for the worst. Whether or not the worst comes is irrelevant. You must be prepared for it.

Now on to dealing with more minor offenses. As anyone who has read this column for any length of time knows, I'm cursed with daughters. I used to say I was blessed with daughters, then they learned to walk and talk. Blessed quickly became cursed. Now my oldest daughter is an inch taller than me and getting all lumpy in places I'd rather not think about. She's a sad case, really. The poor kid needs an operation. She has a cellphone growing out of her ear. But I digress…

When she was a toddler she coined the phrase, "Oop-see!" Whenever she did something innocently destructive, like knock over a glass of orange juice on my new computer keyboard or shove a Pop Tart in the VCR tape slot, she would look at me with her huge brown eyes and say, "Oop-see!" My wife says there is a reason God made kids cute. Oop-see moments are evidence that she is right.

Oop-see meant, "Uh oh, I didn't mean to do that. I was wrong. I'll never do that again. Forgive me? Love me? Buy me toys… Oop-see worked like a charm every time. Now, I certainly don't expect you to bat your eyes at your customer and say, "Oop-see!" but consider the effect her words had on me. Instead of screaming at the top of my lungs like I wanted to do (hey, have you ever tried to dig a Pop Tart out of a VCR) I immediately softened and found myself actually taking her side. "Aw, it's OK, really, we all make mistakes…"

What my daughter had figured out is that it's hard to stay mad at someone who admits a mistake, sincerely apologizes for it, and vows never to let it happen again. Little did I know this was only one of many tactics she would employ over the years in her never-ending quest to wrap her daddy several times around her little finger, but that's a whole different column.

Dale Carnegie said it best: "Any fool can try to defend his or her mistakes – and most fools do – but it raises one above the herd and gives one a feeling of nobility and exultation to admit one's mistakes." Carnegie and my daughter were basically saying the same thing: When you (or your company) make a mistake, no matter how large or small, the best thing you can do is quickly admit the error of your ways and face the consequences, come what may.

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Here are a few things you can do to help set things right with your customer.

Assemble the facts

The very first thing you should do is find out what went wrong and why. Meet with your key people and gather the facts. Ask specific questions like: What was the mistake? What caused it? Who was involved? What could have been done to prevent the mistake from happening and what can be done to prevent it from happening again in the future.

Put yourself in your customer's shoes

I've been on both ends of the uh-oh stick and neither is very comfortable. My company has dropped the ball on occasion and we have also been negatively impacted when one of our vendors did the same. Put yourself in your customer's shoes and consider what could be said or done to remedy the situation from their point of view.

Take responsibility for the actions of your company

In my role as a company president there have been times when I've had to call up a customer and confess that a mistake was made, and as president it was also my responsibility to take the heat for it. Remember, you're the head cheese, Charles, you get to sit behind the big desk and take home the nice paycheck. You're also the one that gets to mop up when your employees makes a mess. It just goes with the job.

Do not place the blame on specific employees

No matter how tempting it is to put the blame on specific people in your organization (even if that's where the blame lies), do not do it. It is unprofessional, counterproductive and can backfire on you, especially if the person you're blaming reports directly to you. Saying something like "My sales manager is always making mistakes like this!" is not going to make your customer feel any better. To the contrary, such statements will make the customer question your leadership ability and the quality of *all* your employees, not just the one that made the mistake. If you don't have faith in your company and employees, why should your customer?

Don't deny that a mistake was made, especially when there is clear evidence to the contrary

You're not Richard Nixon, for petesake, so don't try to pretend that the mistake didn't happen or stage some elaborate cover-up to try and dodge the blame.

Admit your mistake

This may sounds trite, but you must admit your mistake before you can move ahead and start to make amends. Don't be so afraid to take this step. I doubt your company is the first one to screw up with this customer and I can guarantee you certainly won't be the last.

Apologize for the mistake

The one thing that could make the situation better is often the thing that companies find hardest to do. I don't mean to sound like Dr. Phil, but simply saying you're sorry is often the best way to get a business relationship back on track.

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Ensure the customer that it will never happen again

After you have taken responsibility for the mistake and apologized in a sincere and professional manner, you must then start the process of rebuilding the trust that was lost. Promising that such a mistake will not happen again is a good way to start.

Compensate the customer for his loss

Even if your mistake didn't cost the customer a dime, he will appreciate an offer of compensation. This can be something as simple as a lunch on you or a discount on his next order. The size of the compensation offered should be in direct proportion to the size of your mistake.

A word of warning: don't let the customer bully you into overcompensating him for your mistake. That can be more detrimental to the relationship than the mistake itself.

As my daughter understood all those years ago, Charles, a sincere Oop-see can help make things all better.

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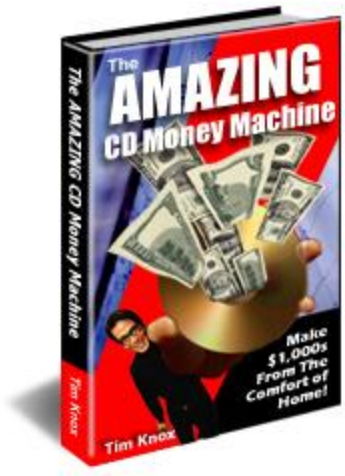

CLICK HERE NOW FOR DETAILS

Beware Of Spam Withdrawals

QUESTION:

I am so sick of all the spam that is sent to my business email address. I spend an hour every morning just trying to sort out the good email from the bad. I know I could just delete it all, but I'm afraid I'll accidentally delete email that might be important to my business. Short of unplugging my computer, what's the best solution for dealing with spam?

-- Anna B.

ANSWER:

Anna, I feel your pain. I, too, miss the good old days when the only time you'd spend an hour dealing with spam was trying to pry it out of the can.

Due to the nature of my business, I get a lot of unwanted email. I've been working on the Internet since 1995 and my email address has been publicly exposed for most of that time, so I am a spammer's delight. It is no exaggeration to say that I used to receive more than 400 email messages a day. Out of those 400 messages about 10% were from people I knew, 10% were from people I needed to know, and the rest were from people that I would like to track down and field dress with a very dull knife. Spammers, they are called… the scourge of the Internet… the digital kin of the lowly telemarketer and dreaded junk mailer.

After listening to me complain about spam for months, my lead engineer burst into my office a few weeks ago and announced, "I've solved our spam problem! I've installed a spam filter on our server that will prevent spam from getting through." Great, I thought, now I can find something new to complain about.

I wondered what I would do with the extra two hours a day this wonderful spam filter would give me. My joy quickly waned when within a day my email went from 400 to 40. It was the saddest day of my life.

Sitting there staring at my empty email box I suddenly felt very alone. At that moment I realized that not only had I come to expect the morning deluge of email, but I had come to find comfort in it. The spammers had become my friends. They wanted me to get rich quick and brighten my smile. They wanted to enhance my love life with generic Viagra and give me great deals on miniature cameras, low interest loans, waterfront property, and more.

And the sheer number of folks concerned about the abundance (or lack thereof) of my anatomy was incredibly heart warming.

And the ladies that sent me email were so nice. They were worried that I was lonely and offered to cure my loneliness if only I gave them a credit card number. How sweet is that?

After a few days the withdrawal symptoms ceased and I was happy to be free of the majority of the spam, though to this day I'm afraid that I might be missing out on something grand.

You and I are not alone, Anna. According to a recent study by eMarketer, the average Internet email user now receives 81 emails a day, and nearly one quarter of them are spam. Spam now makes up more than 40% of all email and costs U.S. companies more than $10 billion annually. Seventy-six billion unsolicited e-mail messages will be delivered in 2004.

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So how do spammers get your email address in the first place? It's easier than you might think. While some spam comes as a result of online purchases (yes, there are companies that will sell your email address no matter what their privacy policy says), that's just one of the ways spammers get you in their sites.

Spammers use "spider software" to crawl the web and harvest email address, so if you have a personal or company website that has your email posted on it, sooner or later a spam spider is going to grab your address and add it to the mill. Likewise when you sign up to take online surveys or receive email newsletters, you are potentially exposing yourself to spammers.

How can you reduce the amount of spam you get? Many people think that you can't fight spam, so you should just accept it and move on. In other words, you can not fight the Borg, so smile and be assimilated into the fold. While spam is hard to eliminate, there are things you can do to lessen the amount of spam you receive and it's impact on your daily business life.

First, stop clicking on the "unsubscribe" links at the bottom of spam emails. While some of the links are valid and will get you removed from spammer's lists, other are actually there just to let the spammer know that your address is valid. Click the link to unsubscribe and you might actually see the amount of spam you receive increase.

Second, it's a good idea to have at least two e-mail addresses. Use one for personal or business use, and the other for surveys and online purchases.

Third, consider installing a spam blocking software on your computer or company network. There are a variety of spam blocking applications on the market that range in price from free to a hundred bucks. Though none of them will completely eliminate spam, they can greatly reduce the volume you receive. Search the Web for "spam filter" and investigate the ones that you feel are right for you.

Your Internet Service Provider should also offer an anti-spam application, but be careful how you use it. I have a client who recently increased the sensitivity of their ISP spam blocker to the point that nothing was getting delivered to their company email accounts, including their own company newsletter. They had effectively built an email brick wall that stopped the spam and everything else. Not a good idea.

Before investing in a commercial spam blocker you might also try adjusting the email filtering settings in your email software. Microsoft Outlook, for example, lets you set rules for handling incoming mail. The same is true with Outlook Express, Eudora, and Apple's Mail OSX. Each have built-in filtering features that can help eliminate unwanted email by parameters you set.

One thing to remember is that if spam didn't work, it would quickly go away. In other words, if spammers weren't profiting from sending unwanted emails they would go do something else. Probably become a telemarketer or credit card debt collector.

Whether you use a commercial product or rely on your existing email software to filter out spam, just be careful that you don't batten down the hatches so tight that you no longer receive any email at all.

Take it from an admitted email addict: spam withdrawal is a terrible thing.

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Don't Cross The Line Between Buddy and Boss

QUESTION:

One of my key employees is giving me trouble. He has started showing up late for work and has developed a bad attitude in general. The rest of my employees are complaining since they are having to take up his slack. I've tried talking to him, but he doesn't seem to listen. To make matters worse, he has become one of my best friends since I hired him five years ago, so firing him is out of the question. What do you recommend I do? -- Allen B.

ANSWER:

One reason I am so qualified to dispense sage business advice every week, Allen, is that I have made just about every business blunder you can imagine. I am like the Evel Knievel of the small business world, if Evel Knievel wrote a weekly column on motorcycle safety.

One of the more unpleasant things I've had to do is fire a good friend who was not doing the job I hired him to do. He needed a job, I needed an employee, so I thought I would give him a shot. It turned out to be a match made in business hell. He took advantage of our friendship by showing up late for work, spending time goofing off instead of working, and making a joke out of my complaints about his behavior. Because of our friendship I defended his actions to my other employees, but after a few weeks I knew I had to show him the door. We're still friends, but certainly not like we were before.

The blunder I made was hiring a friend in the first place. I let emotion, i.e. the desire to help my friend gain employment, get in the way of my business sense. That's what you are doing now, Allen, and I hate to be the bearer of bad news, but you are going to have to deal with this situation soon or your entire operation may be affected by the actions of this one person.

The blunder you have made is that you have befriended an employee, which is something you should never do. I'm not saying you can't be friendly with your employees, but you have attached a considerable amount of emotional baggage to the employer/employee relationship and the result is the situation you are faced with today.

Friends expect preferential treatment simply because they are your friends. The workplace, however, must be a level playing field for all your employees, friends or not. While employees deserve your respect (if it is earned), giving one employee preferential treatment over another is never a good idea. This is a problem experienced by many business owners and managers who allow themselves to become too close to their employees.

I understand that he has become your friend over the years and you'd rather eat rocks than fire him, but you have to consider how his behavior is impacting your business over all. What effect is he having on employee morale, on work schedules, on customer relations, on time spent fixing his mistakes, and most importantly, the bottom line?

You have two options: get him back on track or get him off the payroll, period. That may sound cold and politically incorrect, but those are your only choices. Either way, you must be his employer first and friend second. He may have personal reasons for his performance, but as his employer you are legally limited as to how much prying you can do into his home life. As his friend, however, I expect that you already have a good idea what the problem is. If you can help him return to being a productive member of the team, then do so. If not, wish him well, let him go, and move on.

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Here are a few suggestions to help you establish and enforce the boundaries of the employer/employee relationship.

Define the relationship

Keep your seat, Dr. Phil, this won't take long. The employer/employee relationship should be well-defined from the outset and the parameters understood by all parties. Some call it "defining the pecking order" or "establishing the food chain." Whatever colorful term you use it all boils down to this: You can be their boss or you can be their buddy. You can not be both.

Don't hire friends or relatives

This rule is certainly bendable if you are the owner of the business and you hire your children to work for you. Chances are your offspring already accept you as the ultimate authority figure and managing them in a business environment is second nature. However, even this situation could have a negative impact on your business as non-related employees often expect the boss' son, daughter, or best buddy to work less, make more money, and be treated better than everyone else. Whether that's true or not, nepotism and cronyism can create an underlying tension among the ranks.

Establish and adhere to company policies

It's a good idea to have published policies concerning every aspect of your business, including employee behavior and performance expectations. By it's very nature the employer/employee relationship is prone to favoritism. Managers can't help but favor those employees who work harder, longer, and faster, but when it comes to adhering to company policies, there should be no preferential treatment of favored employees. Every employee should receive a copy of your published company policies and sign a form stating that they have read, understand, and agree with the same.

The Bottom Line: treat everyone the same

It does not matter if the employee is a vice president or a janitor; everyone in your company should be treated the same when it comes to adhering to published company policies and performance expectations. While it is true that a vice president may be of more value to the company than a janitor, it is also true that a vice president who is running amok can do far more damage to your company than a janitor who lets a toilet back up every once in awhile (there's an analogy there that I will let you figure out on your own).

It's not personal, it's just business

This is what the movie bad guys say to one another right before the shooting starts. "Hey, Paulie, it's not personal. It's just business." BLAM! BLAM! This is the dating equivalent of saying, "It's not you, it's me." These kinds of statements are not going to make anyone feel better when they are getting dumped or fired. Just ask any former employee or old girlfriend you've used this line on. If you have to fire an employee – even a friend - do it by the book in a professional manner.

It won't be easy, but you have to remove the emotion and do what's best for your business.

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How To Handle Customer Billing Snafus

QUESTION:

I just discovered that for the past six months I have been billing a client half of what I should have been. Should I just include the total of the past due balance on his next bill or contact him first to let him know that it's coming? This client has been difficult in the past, so I'd rather not deal with him until I absolutely have to. My partner, on the other hand, thinks we should call the client and let him know what's going on before sending the bill. What do you think? -- Louis K.

ANSWER:

I think your partner is right. If you think this client has been difficult to deal with in the past just wait until he opens your bill with six months worth of arrears attached to it without prior notice or a full explanation of the amount owed.

Sending such a bill is like dropping a bomb on the client's desk, and I guarantee you the fallout from the resulting explosion would end up landing squarely on your head.

So the question then becomes, how do you collect money that is rightfully owed to you from a client who has a history of being difficult? That's easy, Louis. You make your partner call him.

Seriously, whether the client owes you the money or not is a moot point. Yes, you made an accounting mistake, but if the client agreed to pay you a certain amount each month in exchange for certain services rendered, and you have been under-billing that client for delivering those certain services, the client owes you the money, period.

I have found that in situations like this it is always best to be proactive and face the problem (or what you perceive as a potential problem) as quickly as possible. This will save you hours of needless worry since most of the time the problem is not as big a deal as you imagined it to be.

There can only be three outcomes in this situation. (1) The client will understand and pay you without argument. (2) He will argue the point, forcing you to offer a compromise plan. Or (3) He will flatly refuse to pay, forcing you to decide how far you're willing to go to collect what is owed. You should be prepared for either occurrence before getting face-to-face with the client. Remember this: In a business negotiation, he who is prepared the least gives up the most.

With that in mind, here's how I would handle the situation. Arrange to meet the client in person. This is much better than trying to explain the situation over the phone because most people (including myself) tend to only give half of their attention when on the phone. The other half is usually focused on things going on around them while they're on the phone.

Once you're in front of the client, downplay the fact that an error was made (since the error did not negatively affect the service the client received). You might even poke fun at yourself over the situation (if the client has a sense of humor, that is). You should then politely ask if he would prefer to have the unbilled balance included on his next invoice or submitted as a separate invoice.

Then close your mouth, smile, and wait for him to respond.

You'll notice that you did not give him the option of not paying the bill, nor did you give him a point of contention to argue over. He should get the message that it goes without saying that he

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owes the money and needs to pay the bill, but being the wonderful person that you are, you are willing to let him decide how you should be paid.

I'm willing to bet that the client will choose option A or B and that will be the end of that. If this client has been difficult to deal with in the past, he may argue that since the mistake was yours, he shouldn't have to pay the bill. This is, of course, a BS argument (and I don't mean Bachelor of Science), but one that some clients might make just to get out of writing you a check.

As mentioned earlier, you should have prepared for this possibility before going in. If your business can survive without collecting the unpaid balance and you really want to maintain a relationship with this client, you should be prepared to offer a compromise that lets the relationship continue.

Without appearing to be caving under the pressure (this is the hard part) look the client dead in the eye and say, "Mr. Client, since I value your business and the billing mistakes were indeed mine, I'm willing to forego collection on the unpaid balance and start billing the correct amount with your next invoice, which, by the way, I happen to have right here…"

Granted, in this situation you are not going to collect on the past balance, but you are establishing the rules of the game for the future and you might even improve your relationship with this client.

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Entrepreneurs Just Get Better With Age

QUESTION:

I'm thinking about starting a business after I retire next month. I'll be 65. Am I too old to start a business? -- Milton A.

ANSWER:

Milton, congratulations on your pending retirement. I find it admirable that after many years of hard work you are thinking about starting a business. While most men your age would be content to sit on the porch and watch the world go by, you are considering a ride on the entrepreneurial roller coaster. You're certainly tall enough to ride this ride, but are you too old?

Here's my standard answer: It depends. It depends on your health, your energy, your drive, your goals, and of course, your finances. If all those are in good shape and you have your spouse's approval (that's a biggie), then there is absolutely no reason why you should not start a business at your age.

In fact, the numbers are actually in your favor. According to recent studies 22 percent of men and 14 percent of women over 65 are self-employed. That's compared to just 7 percent for other age groups.

According to a Vanderbilt University study the number of entrepreneurs age 45 to 64 will grow by 15 million by 2006. That's compared to a 4 million decline for entrepreneurs age 25 to 44.

A 1998 survey of baby boomers conducted by the American Association of Retired Persons (AARP) revealed that 80 percent of respondants planned to work beyond retirement age, and 17 percent of those planned to launch new businesses.

The study noted, "Self-employment among American workers increases with age, with the most dramatic jump occurring at age 65."

Older entrepreneurs may also find starting a business easier than their younger counterparts because older entrepreneurs tend to have more experience to draw from and more assets with which to finance a business.

Further evidence comes from a report released by Barclays Bank entitled *Third Age Entrepreneurs – Profiting From Experience*. The report shows that older entrepreneurs are responsible for 50 percent more business start-ups than 10 years ago. This amounts to around 60,000 business start-ups last year alone.

The survey also showed that today's third age entrepreneurs (as the report calls entrepreneurs over the age of 50) don't mind putting in the hours required to build their business. Nearly 49 percent work an average of 36 hours or more a week.

Third agers also rated holidays, lack of stress and a balance between work and home life more important than their younger counterparts.

The report further showed that only 27 percent run the business as the only source of household income, with 51 percent supplementing their pension.

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Other key findings showed that third age start-ups account for 15 percent of all new businesses, and third age entrepreneurs are three times more likely to be male than female.

There is a downside (isn't there always?). Many businesses fail within the first few years and older entrepreneurs may be less able to handle the financial loss than younger entrepreneurs. It's one thing to lose everything at 25, but it's a much bigger deal to be financially ruined at 65.

So my advice, Milton, is that if your health and finances allow (and the Mrs. gives the green light) by all means start your business.

Climb on the entrepreneurial roller coaster and hang on tight.

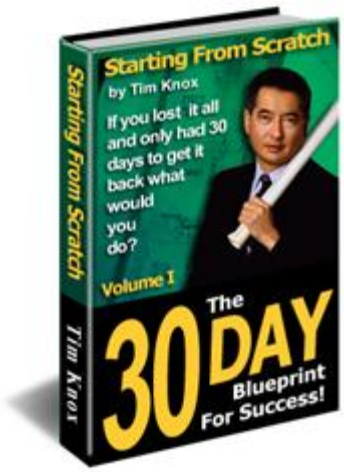
You get the senior discount, by the way.

Just try not to lose your lunch when things get bumpy and you'll probably do just fine.

"No Experience, No Money? No Problem"

We asked 58 of the Internet's Top Money Makers: "If you lost it all tomorrow and had to start over with nothing but the brain in your head and the experience of your years, how would you get back on top in less than 30 days?"

Their answers could make you rich...



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Achievements Outweigh Education and Experience

QUESTION:

When it comes to succeeding in business, which is more important: education or experience? -- Regina M.

ANSWER:

Regina, have you seen the television show, *Fear Factor*? If you haven't seen it you've probably heard about it. *Fear Factor* is the show where they put contestants through all sorts of pseudo-death defying feats like bungee jumping off a bridge over a pool of crocodiles and driving a car through a wall of fire (you know, the stuff we did for fun in high school). The contestant who overcomes their personal fear factor wins the cash and prizes (usually at the cost of their dignity, but I digress).

The highlight of Fear Factor is the eating competition. That's when contestants are invited to partake of all sorts of culinary fare. Yummy stuff like monkey brains, all manner of live bugs and spiders, moose intestines, old fruitcake (the horror!), and my personal favorite, live giant worms. At this point the competition becomes not so much who can overcome their fear factor, but who has the lowest gag reflex.

Your question makes me feel a little like those contestants, Regina, because no matter how I answer I am opening a can of giant worms that I will undoubtedly be forced to eat later. My highly educated peers will argue that education is much more important than experience, while my highly experienced peers will argue that experience is more important. Either way, it's worms ala carte for me.

Oh well, I've eaten more than my share of crow over the years. How much worse can worms be?

It's important to understand that the success of an entrepreneur is not measured by how much education he or she has or how many years of experience are under his or her belt. An entrepreneur's success is measured by achievements, not words on a resume.

By definition, an entrepreneur is a risk-taking businessperson: someone who sets up and finances new commercial enterprises to make a profit. Entrepreneurs start businesses. The smart ones then hire MBAs to run them.

Let's start with education. Is a Bachelor's degree or better required to succeed in business? Of course not. An MBA from Harvard might give you a leg up in a job interview, but it certainly doesn't guarantee that you will succeed in business. Nor does it automatically mean that you will be a better business person than someone who didn't finish high school. Knowledge is a good thing - if you know what to do with it.

Perhaps it is the academic environment itself that turns mere mortal nerds into budding entrepreneurs. The late '90s proved that college students with no experience beyond organizing a frat keg party could start businesses that would exceed all expectations. Many would argue that the key to success for most of these ventures was that the founders (or the VC financing them) were smart enough to know that while they had an abundance of education, they needed experienced managers to really run the show.

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Larry Page and Sergey Brin were college students when they started the company that would become Google. They were smart enough to bring in Eric Schmidt to be chairman and CEO when the business took off. Schmidt was the former CEO of Novell and CTO of Sun Microsystems. A PhD, Schmidt is a man of education and experience.

Jerry Yang and David Filo were candidates in Electrical Engineering at Stanford when they started YAHOO (Yet Another Hierarchical Officious Oracle) in 1994. They brought in Tim Koogle from Motorola to run things shortly thereafter and now the company is led by Terry Semel, who previously spent 24 years running Warner Bros.

Now on to experience. Is experience a prerequisite of business success? Again, not at all. Many experienced entrepreneurs gained their experience in failed businesses, so experience does not instantly translate to success.

So, when it comes to succeeding in business, which is more important: education or experience? While neither is as helpful as a rich relative, here's the answer that will hopefully help me avoid those worms: Both education and experience can play a large part in business success. The more important question is can you succeed in business without one or the other, or even without both? And the answer to that one is: yes. Can I get ketchup with those worms?

Many successful businesses were started by first time entrepreneurs who never went to college. Natural talent, ambition, drive, determination, and good old dumb luck have fueled many success entrepreneurs, myself included. I don't have a degree (I drove past a college once. It looked hard, so I kept going). Would a degree have helped make my business trek easier? Perhaps. Then again, I know people with advanced degrees who are flipping burgers at McDonalds. It's good experience, I suppose.

A combination of education and experience (and a variety of other things) is the best recipe for success. As the old saying goes, "There is no better education than that which comes from experience."

In the end, it really doesn't matter how much education, experience, talent, luck or money you have. It's what you do with it that matters.

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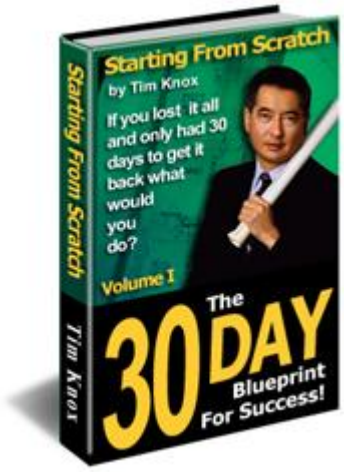

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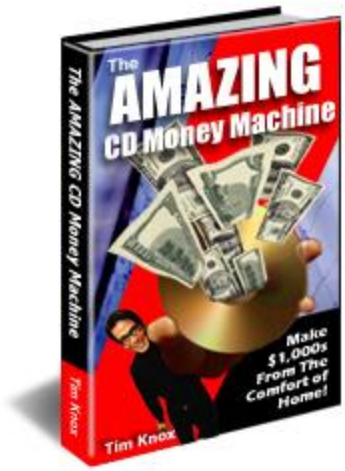

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