

“Tech Talk” TV Show

“E-Commerce” Episode

Two children are sitting at a lemonade stand. Their signs read, “Lemonade! 25¢” and “Re-fresh-ing!” Several cars drive by until finally one stops. A man runs up to the stand and says, “My wife loves the brocade; I need another fifty yards.” The little girl gets out her laptop and types. The two children say in unison, “I’ll have it for you Tuesday.”

Tech Talk intro plays.

Hello and welcome to your source of information on the technology that surrounds all; Tech Talk from the University of Minnesota. I’m your host Susan McKinnell and today we’re going into business. No, we’re not going to try sell you anything! We’re going to look into the business of buying and selling online. There’s an associate professor here at the University that tours America, giving seminars on just how to use the internet to develop your own business. We’ll talk to her and we’ll talk with an e-business entrepreneur and find out what is good and what it not so good about running a business online.

Some of the terms you’ll hear today include: online mall, viral marketing and PayPal. Rae Montgomery is the associate professor I told you about. She’s been at the University working in interactive television, videoconferencing and the internet for twenty years. Right now she runs a group of programs that help businesses and individuals decide about using the internet. As we said, she is constantly giving seminars on small business and the internet all over America. We caught her recently on one of those rare days when she was home and our first question to her was...

If I wanted to start a business online, where would I go to get started?

Rae: Well, you’d probably start by deciding whether you need a website or not or if you could use an auction or perhaps a web co-op or mall.

Susan: So, you mean you don’t necessarily need a website, your own website for your business.

Rae: No you don’t necessarily need to have your own website.

Susan: Okay. When you say an auction, there are lots of options out there.

Rae: There are options. The most popular, though, is eBay which I am sure you’ve heard of.

Susan: Absolutely.

Rae: eBay has 12 million products for sale online everyday.

Susan: That’s a whole lot.

Rae: That’s a lot. And it lets people who are just thinking about getting into a business explore the market a little bit in a very low-cost way.

Susan: That's an interesting use because I always think of eBay as just individuals selling you know what ever they have in their attic or basement. But you're saying that it's used by people who are thinking of being a business or are businesses.

Rae: It's being used by business people who are thinking of starting a business, developing a new product they're not really sure if it has a market or not. It's also used by big businesses.

Susan: Okay. What's...If I wanted to just check out and see if my product is going to sell, I could put it up on eBay. What are some of the best ways to use eBay; some of the basics I need to know about it.

Rae: You would start by being very familiar with eBay. Look around a lot. Try to find items that have sold recently that are like yours; similar to the kind of items you're trying to sell. See what they sold for, that will give you an idea of the pricing.

Susan: Okay. That helps with the pricing.

Rae: Right and then you can set your own price if you want to or set it starting even at a penny and see where the market takes it.

Susan: Okay, so if I wanted to get...If I knew I had to get a certain amount for it...

Rae: Yes. You can set it at that and say I won't take anything less.

Susan: How do I find out who this person is who that I am selling to or how do I let them know who I am on eBay?

Rae: Every seller or buyer has an identity associated with them and if you're trying to buy something, you can look at the seller's identity and see their feedback rating because if you buy something from someone you have the right to give feedback if this was a positive experience or not.

Susan: So, with this ratings system on eBay, if I'm a new user that means that I don't have any rating.

Rae: So you need to develop a good positive feedback rating right away.

Susan: How do I develop a feedback rating if I don't have any customers yet.

Rae: Well, some people start by putting something up for sale and then asking their friends and relatives to buy it from them and then say nice things about them. That's one way just to get a little bit of feedback started.

Susan: And with these small businesses, friends and relatives are really important.

Rae: They really are.

Susan: Okay. So once I get the feedback rating, that's great. How do I know that the money is secure you know with eBay? How does the money change hands?

Rae: PayPal is available on eBay, it's actually owned by eBay it kind of acts as the intermediary between the customers—between the buyers and the sellers—it let's you

exchange money basically by email with anyone that has an email address. And it's safe and takes the worry out of if you're actually going to get paid or not.

Susan: And as a small business I really wouldn't need to be able to accept credit cards.

Rae: That's correct. You can use the PayPal system and PayPal would get a percentage of it, of course, but it's a cost-effective way to do that.

Susan: What do I need to show, how can I get my product featured?

Rae: You need to be very honest in describing your product.

Susan: Good to know.

Rae: Otherwise, you won't get good feedback, right?

Susan: Absolutely.

Rae: So be honest, be accurate. Use words that people might search for. They may not search for "beautiful ring;" they're going to search for "ring."

Susan: Okay. You need to have your product found.

Rae: You have to have your product found; exactly. And you need to have a good photo.

Susan: Mm. Hmm.

Rae: That's pretty essential; people won't buy things without seeing it.

Susan: You need to know how to take the photo, you need to know how to get it on the web. Obviously there is some technological stuff you need to investigate at the beginning.

Rae: Right, and many beginners use the option of just take a quick photo and put it up quick and they're more likely to be found if they've taken some time with that photo and maybe made it a very good photo of the product.

Susan: So I need to have a good picture up there because the buyer can't touch it, can't feel it, can't really see what the product is like.

Rae: It's really the only way that the buyer really can ask the seller questions.

Susan: **Rae,** you mentioned something earlier about online malls; what are they?

Rae: Malls are a way for a group of sellers to market their products, together without having to have their own individual websites. So a mall can be a regional mall or of a certain topic area. For example, Geezer.com is a mall.

Susan: That's a great name.

Rae: And it's designed for people who are fifty-years-old and older who are living in rural areas, it's a place for them to very easily market their hand-crafted products.

Susan: Hmm. Very specific.

Rae: And very inexpensive for them.

Susan: Great. Great. So that's one example of people coming together.

Rae: One example, but you can find malls of artists and producers and all kinds of malls.

Susan: Now with these malls do the sellers tend to...I mean are there a range of things? Do they get their own little section of it?

Rae: They'll usually get a listing area and a place to put a photo and a price.

Susan: You mentioned co-ops as well.

Rae: Co-ops are very similar, like a like product.

Susan: Okay so if I want to get my own business web page, what's the process? What would I have to do?

Rae: Okay, there's a whole range of options there too. One might be to use a system like Yahoo stores which is a virtual storefront. It lets you very easily set up your own website with your own product listings—as many products as you have and you actually sell them with their accounts.

Susan: Okay.

Rae: And it can be cost effective and very easy to get into it and even big businesses use the electronic commerce part of a Yahoo store.

Susan: Because, again, you don't have to deal with the money; trusting the individual on the other end.

Rae: You don't have to deal with the money and that's really big for a small business; not having to handle the transactions.

Susan: Are there templates on some of the different providers?

Rae: Yes. Yahoo has a template that you can pretty much just walk through and just put your information in there.

Susan: So you don't necessarily need to know a whole lot about creating web pages.

Rae: Correct, correct. In fact, they have a section where you can try your own store for thirty days. See what you think. Try it out on your friends and relatives.

Susan: To see what other people think and respond to it and what-not. At what point do I know that I need outside help on creating my website for my business to make it really look good?

Rae: Well, if you think you want your own website and these other options aren't what you're looking for, I'd advise you to get a professional to design your website, because unless your business is designing websites, you may not make the mark as well as you want to. You want your business to look very professional. A couple of ways you can do that: there are web-based templates that you can use that are very professional looking.

You pick the design that suits you the best and put your information there. An internet service provider like NetworkSolutions will provide that for you.

Susan: Mm. Hmm. Okay.

Rae: And then from there you can actually hire a web designer or developer to work with you as an individual.

Susan: There are so many things on the web; how do I get people to see my stuff?

Rae: It's not a case of, "If you build it they will come;" certainly not. Basically, you need to tell everyone about it. Help search engines find you and you can also use traditional media to help market your website.

Susan: Okay. So tell everyone about it; tell your friends and family.

Rae: Everyone about it. It's called viral marketing. It's anything that spreads itself the way a virus does and that is what you want to do in telling people about your website. You want to tell your friends and relatives, they tell somebody else. It goes like this, "You should see my son's website, it's great!"

Susan: That seems so low-tech.

Rae: It is.

Susan: You have the web and you can reach all the corners of the world but the best way...

Rae: Word-of-mouth marketing is still the most effective way for many businesses.

Susan: And, of course, word-of-mouth perhaps can mean not only me talking to you, but also sending emails out to everyone.

Rae: Sending emails, email newsletters, there is something called blogging which is a very popular activity, there is something like 1.5 million active blogs today and blogs are web logs and they're really journals but it's a good way to tell people about yourself. Especially if you have a business, maybe you're an artist and you have a website and you have some products for sale what you really want is to develop a relationship with your customers so a blog might be a very good way to get a little more personal and make your customer feel that they want to buy your product.

Susan: So if they can really connect with you, they're not just seeing this impersonal web space.

Rae: That's correct. That's correct. You can blog for free; Blogger.com will let you set up your own blog.

Susan: What about search engines? Do I want to do some registration with some different search engines?

Rae: If you have a website with your own web address, the search engines will eventually find you, but you can maybe move that along a little bit faster if you register with them. And many of them will still, today, let you register for free.

Susan: Mm. Hmm.

Rae: And a small business should do that.

Susan: Okay.

Rae: And you can always find how to do that on any search engine by looking through their “help” or “about us” there somewhere on their web page that will tell you how to do that exactly.

Susan: When we talked before you talked before about researching what other businesses are doing online that might be my competitors.

Rae: If you have a small business, you probably want to look for your competition and see what they’re doing; see what kind of websites they have up; what kind of e-commerce features they’re offering; to see what you can do better or differently.

Susan: Is that best to do through...

Rae: Search engines are the key to finding your competition, so one of the things that a small business, or really anybody, needs to do is be very good at searching.

Susan: So to really be successful with a business online, you really do need to be web savvy. Is that right?

Rae: Yes, be very comfortable with the internet.

Susan: What about Froogle?

Rae: Froogle uses Google’s search engine to search through web sites that offer products for sale.

Susan: Mm. Hmm.

Rae: And so it can be one of the good starting points for people to look for products.

Susan: To see what else is out there and compare the stuff.

Rae: Mm. Hmm. Definitely.

Susan: Great. So Rae, just to summarize; what are the basics that people should think about before they start thinking about an online business?

Rae: Alright. Well, they need to be very comfortable with the internet, after all. And there is no replacement for being comfortable other than spending time on the internet. Really practicing searching; really looking for things; really exploring other websites and then deciding; do we really need a website or not? Or can we make use of some of the other low-cost options just so we can have a web presence and exploring all the options and finally promoting it to every living being on the planet and promoting it some more.

Susan: Which is, of course, necessary in any business but particularly...

Rae: Right.

Susan: Absolutely. Great. What about small business...people who already have a business? You hear all the time you need to be on the web. Does everyone need to have a web presence?

Rae: It depends on your business to some extent, for example if you're a bed and breakfast, you probably, yes, do need to be on the web. Most businesses would benefit in some way from being on the web; not necessarily to sell things over the web but to use it as a form of advertising.

Susan: Just to get the word out.

Rae: Right, you know a website can be a brochure. It doesn't have to be an ecommerce website.

Susan: Absolutely. Great.

Rae: Almost everybody needs a website.

Susan: Sounds good. One last question, Rae; what are some resources that people can use to get started in a web business.

Rae: Well, we offer an online guide that anyone can go to and learn about electronic commerce and you can find it at www.accessE.info we also offer hands-on workshops across the State of Minnesota and you can contact an extension office to find out more about that.

Susan: Thank you so much, Rae.

Rae: You're welcome.

Susan: Well, what do you think: good, bad, indifferent? Well, before you decide I'm want you to meet Tanya Westerman. She is the creator and owner of an internet company called Kangaroo Korner and for the past seven years they have designed, manufactured and marketed baby slings. She lives in Lino Lakes with her husband; he's a full-time medical student and their three young children. Thank you for being here Tanya.

Tanya: Thank you.

Susan: What exactly is a baby sling?

Tanya: A baby sling is a soft baby carrier intended to carry a child anywhere from newborn/infant up to toddler age.

Susan: Okay and you sell these; market them. You don't have a store front, do you?

Tanya: No, we do not. We work out of our home.

Susan: So you do everything in your own home.

Tanya: Mm. Hmm.

Susan: How did you get started? Why did you choose to have an internet company?

Tanya: Well, we didn't choose to initially, initially we started out just selling products through our home and at craft shows and what-not and I was doing this with a friend and after about six months or so, she decided that she wanted to invest heavily into the business and open up a store front, a brick-and-mortar store in St. Paul. She still runs that today and we decided that we didn't want to invest heavily into it, it's a lot of start-up cost and a lot of overhead and we decided that the internet was the place for us so we opened up an online business.

Susan: How did that get started?

Tanya: Well, we started via email initially. I was spending time on parenting chat boards and just talking and it was very personal at first I was interested in these parenting topics myself and people would contact me off-list via email and they'd order from me that way and after a point we decided, okay, we need more. We need information.

Susan: You weren't even marketing this way, were you? You were just talking with other parents.

Tanya: No, just talking to other parents.

Susan: And it just happened to come up that you sold slings.

Tanya: Mm. Hmm. Right. Right. I mean I was just doing this to stay home with my child. It wasn't an income at all. And we decided that we needed more than email, though. There is a lot of information that needed to get across to the customers. So we developed an informational website. We did it ourselves and it just started out one page, then five, then twenty and we're now at about a hundred.

Susan: It grew and grew and grew.

Tanya: It really grew.

Susan: When did you put your first web page up?

Tanya: It was May of 1998.

Susan: Okay, so you really got in a long time ago.

Tanya: It was.

Susan: It was really...in terms of the internet.

Tanya: Yeah, eBay and Amazon were just beginning at the same time.

Susan: So you had a very simple web page with some information up there. Since then I noticed recently that you have a new web page.

Tanya: Mm. Hmm. There were some modifications throughout the years as different programs such as FrontPage became available we were able to do our own website, but there came a point where it just wasn't at the professional look I wanted it to be, so we did hire a professional last summer to have him redesign it. And I am very happy with it.

Susan: It's a very spiffy one now.

Tanya: Mm. Hmm.

Susan: Your business is profitable, I take it.

Tanya: It is now, yes it is. It takes several years of putting back every dime that you make into the business before you're going to see anything. In 2002 we, you know, noticed a very small, you know, modest profit and in 2003 there was a much more significant one. And we expect to see that now in the future.

Susan: And yet you've been managing...you've got the three kids at home, you've got your husband who is a full-time...he's gone during the day.

Tanya: He is.

Susan: So, is this why you chose to do this particular business?

Tanya: I chose to do this particular business because I was bored just being a mom.

Susan: Uh-huh.

Tanya: I had one child, she was one.

Susan: She didn't keep you busy enough?

Tanya: She kept me busy enough but I couldn't be just a mom, I needed to be more than that and this was a hobby. This was just something for me to do other than being just a mom.

Susan: It really wasn't for the profit.

Tanya: Not at all. No, there was no profit.

Susan: Yeah, for years and years there wasn't. At this point though, you're going to continue on with this?

Tanya: Right now this is completely supporting our family. My husband is a full-time student; we are no longer having to take out loans. I am able to put my children in private school, we bought a new house, we are looking for purchasing a new car.

Susan: Mm. Hmm. And you still have the time to be with the kids.

Tanya: I do. Although...

Susan: How much time do you have?

Tanya: Not much. My kids are not in an institutionalized day care, however I am also not at home going to the park everyday, reading them stories and they are left to fend for themselves quite a bit of the time. My two youngest children have grown into this; they were born with me doing this business. They are used to me saying, "Not right now; in a minute; perhaps another day." It's very hard to separate the two particularly when you do work in your home. It's always there; the computer is always on. If I want to go check my personal email, the business email is right there. It's hard for me to not do it. It's very hard to take a day off. Right there, I've been trying to take one day off a week and it's hard.

Susan: I noticed that on your website and you do have hours posted, the days when you're...

Tanya: Hours posted? They mean nothing to me at home. Thankfully my customers don't tend to call during those off hours but, you know, still it doesn't happen.

Susan: When your home is your business it's kind of a twenty-four hour thing.

Tanya: Yeah and I'm pretty much it. I have one employee now and she's a life saver. She works ten to fifteen hours a week for us doing stuff that I no longer have time for.

Susan: So the time issue is a big thing. Do you enjoy it? Is it fun to be able to...

Tanya: I do enjoy it. It's kind of a difficult question to answer. If I compare it to other 9-5 job, it's definitely more enjoyable than that; the flexibility is incredibly important. I'm able to get my kids to and from school. I am the primary care giver. You know, I can chauffeur them to their different activities. I can stop and help someone tie a shoe or, you know, change a diaper or get them lunch. But it does require for me focus and unfocus very quickly. I need to be able to work constantly; five and ten minutes here, perhaps I get an hour or two when my youngest son is napping but I don't work five to six solid hours in a row which would be nice but it's not an option.

Susan: So then do you end up working a lot in the evenings and so forth?

Tanya: I work a lot in the morning when the kids are happy, my motivation is high, I'm very productive; I can get a lot done and by Noon, I'm crashed. Afternoon is definitely down time. My employee comes in the evening and she does packaging for us and I do work then too if my husband is home to watch the kids or she brings her son.

Susan: Now you make some of your product. Do you have to keep much in the way of stores of it?

Tanya: Inventory?

Susan: Yeah, inventory, that's the word I'm looking for.

Tanya: Yes, we have one entire bedroom dedicated to inventory. In addition I do employ a sewer; a contractor who works out of her home and she stores the majority of our supplies. We just don't have the room.

Susan: Is there much expense in your business, in just keeping it going at this point?

Tanya: Not a whole lot anymore. There is obviously our expense of quite a few and we are looking at right now approximately our expenses are a little more than half of our gross sales.

Susan: Mm. Hmm. I would assume that some of the expenses have to do with keeping the website going, as well.

Tanya: Not much; not at all. I did have the website redesigned but I do do the maintenance myself so it doesn't cost me a dime.

Susan: The design was a chunk but not a huge chunk compared with the rest of your business.

Tanya: No, I will even say it was fifteen hundred dollars to have it redesigned, but that was, you know, basically a lot of cutting and pasting based on our old site and it was worth every penny.

Susan: And when you started your business there wasn't a huge initial cost.

Tanya: Not at all, my first cost was \$150 and I shared that with my friend. It was huge at the time, but no, I did not spend much.

Susan: It may be a little different for people going in now; coming into the internet is a very different place.

Tanya: Definitely. Mm. Hmm.

Susan: How do you do your marketing right now?

Tanya: I don't. I have never advertised. It is completely word-of-mouth.

Susan: Initially it was word-of-mouth and it still is.

Tanya: Mm. Hmm.

Susan: And you're making a total profit out of it; that's fabulous.

Tanya: And that is very unusual, but yes we are a success through word-of-mouth.

Susan: Well, that is Rae's advice in the beginning of the show, was that word-of-mouth is the best advertising there is.

Tanya: It really is. And you know what that means, is that customer service has to be number one.

Susan: Absolutely.

Tanya: All the time.

Susan: So that's why you're always working.

Tanya: That's why I'm always working.

Susan: What is the best piece of advice that you have for people that are just starting out?

Tanya: My best piece of advice, I get this question asked a lot, particularly from moms who see me and see how successful we are and would like to stay home with their children and also provide an income, and I tell them well, unless you're willing to give this three to four years don't even start. It's no way to make a quick buck.

Susan: So that's the real thing, there really has to be a time investment.

Tanya: It really does and I also think that the other reason we've been successful is the products are unique and we do design and manufacture our own products and if you want

that product, you have to get it from us. I don't wholesale. I'm it. So a lot of people who are out there selling the same product; what it comes down to from the customer's perspective is lowest price with the best customer service and me; I've been able to raise my prices every year and sales stay stable.

Susan: Because you're the only one; the only provider of it. So that's a real issue. Making sure that the thing you're selling is something that is unique that other people can't get elsewhere.

Tanya: Yes.

Susan: Great. Well, thank you so much for being here with us today, Tanya.

Tanya: Well, thank you, very much.

Susan: Well, that's our program on internet business. We covered a lot of territory, but we selected a few things that we thought you should keep For Your Files.

U of M extension offices associate professor, Rae Montgomery said, when selling your product, remember this...

Rae: You need to be very honest in describing your product.

Susan: Good to know.

Rae: Otherwise, you won't get good feedback, right?

Susan: Absolutely.

Rae: So be honest, be accurate. Use words that people might search for. They may not search for "beautiful ring;" they're going to search for "ring."

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Susan: One last note from Rae was about marketing.

Rae: You have to promote your website, don't you? It's not a case of, "If you build it they will come;" certainly not. Basically, you need to tell everyone about it. It's called viral marketing anything that spreads itself the way a virus does and that's what you want to do in terms of telling people about your website.

Susan: And finally internet business person, Tanya Westerman, had a word of caution for potential e-business folk.

Tanya: It takes several years of putting back every dime that you make into the business before you're going to see anything.

Susan: And that wasn't all Tanya warned...

Tanya: It's very hard to separate the two particularly when you do work in your home. It's always there; the computer is always on. If I want to go check my personal email, the business email is right there. It's hard for me to not do it. It's very hard to take a day off.

Susan: If you missed any portion of this program or want to see it all again, stop by our website. All of the programs we've done so far, including this one, are right there for your viewing. Our address is techtalk.umn.edu and if you have a question on e-business just post it on our website and we'll have one of our specialists answer it. Until next time; thanks for watching. I'm Susan McKinnell.

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