



# PROGRAM

## SUPPORT NOTES

### *Small Business Management Series*

# Starting up an Online Business

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## ***For Teachers***

### **Introduction**

If you have ever had a good idea for a product to make money then you may have considered setting up your very own Internet business. With online purchases increasing by 66% in Australia alone, online businesses are now a very lucrative market that due to advances in technology and accessibility is rapidly expanding around the world. The set up and marketing of an online business has never been more attractive thanks to websites like Amazon and EBay and social media like Twitter and Facebook. This program explores different types of online business opportunities, the importance of a business plan, essential tools needed to set up an online business and marketing strategies such as viral marketing and search engine optimization. Two successful online business operators also share some of their experiences in setting up an online business.

### **Timeline**

00:00:00	Types of online business opportunities
00:03:55	Getting started - The business plan
00:08:17	Setting up shop
00:12:07	Operating your online business
00:13:54	Common pitfalls
00:17:50	Credits
00:18:24	End of program

### **Related Titles**

*Small Business Management Series – The Business Plan*  
*Online Marketing Strategies*

### **Recommended Resources**

[www.bplans.com](http://www.bplans.com)  
[www.business.gov.au](http://www.business.gov.au)  
[www.hosting.oznet.com.au/onlinebiz.htm](http://www.hosting.oznet.com.au/onlinebiz.htm)  
[www.startinganonlinebusinessfordummies.com](http://www.startinganonlinebusinessfordummies.com)

## **Student Worksheet**

### **Initiate Prior Learning**

1. Brainstorm Activity

Brainstorm all the online businesses you are familiar with, have had any contact with or seen advertised. Discussions should focus on the rapid expansion of online business opportunities and what has facilitated this growth.

2. Group Activity

In small groups, develop a profile of the consumer or shopper in the 21<sup>st</sup> century. Consider who would be an online shopper, what they would be looking to buy, methods of payment used, the delivery options of goods and services and why there has been such a shift to online shopping.

3. Analytical Exercise/Oral Presentation

Conduct a Google search into a small online business and prepare a one-page report. Students should comment on the products for sale, payment options, and the user-friendliness of the website and any interesting features of the website. Students must then complete an oral presentation of their online business. Have a class discussion to identify the types of businesses that are online now, and some of the stand out aspects of the websites discovered in their search

4. Survey/Questionnaire Activity

Develop a series of questions that can be used to survey a range of people who have made online purchases. The questionnaire should have approximately ten questions and you should aim to interview a cross section of age groups and people with different socio economic backgrounds. The results can then be presented in a chart format e.g. pie or bar graph providing a visual summary of what you discovered e.g. were particular websites more popular than others, why people made online purchases etc.

## Active Viewing Guide

### Different types of online business opportunities

1. Fill in the blanks to complete the following sentence:

An online business uses the \_\_\_\_\_ to sell \_\_\_\_\_ or \_\_\_\_\_ directly to \_\_\_\_\_ and \_\_\_\_\_.

2. What do B2C and B2B mean?

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3. Dr. Brent Coker discusses several ways that online businesses can make money. He uses a number of specific terms, which are listed below. Provide an explanation of each.

Term	Definition
Freemium Model	
Storefront Business	
Service Business	
E-tail	
SaaS (Software as a Service)	

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Getting started – The business plan

1. A business plan is a written statement of the goals and objectives of the business and the steps to be taken to achieve them. A business plan has five important elements. List and describe each of these elements.

Step 1

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Step 2

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Step 3

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Step 4

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Step 5

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2. What reason does Dr. Brent Coker offer for the high failure rate of online businesses?

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Setting up shop

1. Tom Cohn, Director of Kigu Ltd would have needed a range of equipment and computer wares before setting up his online business. Provide a list of these.

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2. Each online business needs a domain name that should be registered. Identify some of the key points to remember when selecting a domain name and in the setting up and launch of an online business website.

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Operating your online business

1. Circle True or False to the following statements:

- a) You should promote your presence online when running a web business.

True      or      False

- b) Using social media such as Facebook or Twitter is a waste of time for promoting an online business.

True      or      False

- c) Branding is all about finding your point of difference and promoting this so you stand out from your competition.

True      or      False

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d) Advertising other companies on the website of an online business can affect the revenue of the business in a negative way.

True      or      False

e) Kigu Ltd. has been so successful because it offers more than animal and fancy dress costumes online.

True      or      False

2. Summarize what search engine optimization is and how it works.

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3. Emma Osborne, Director of Supperlicious, talks about viral marketing. Explain what viral marketing is and give an example that are you are familiar with.

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Common pitfalls

1. There are three major pitfalls identified in the program. List and describe each of these.

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2. A valuable tool for an online business is

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3. Emma Osborne from Superlicious is looking at using Survey Monkey for her online business. Why?

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4. Who does Tom Cohn from Kigu Ltd. identify as the second biggest referrer for his online business? Explain why you think this is the case.

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## **Extension Activities**

### 1. Internet Research Activity and Report

Visit both the Supperlicious and Kigu Ltd websites. Prepare a report on each of the websites commenting on the products they sell online, the user friendliness of the websites and any special features that stand out.

### 2. Group Activity - Setting up your own online business

In groups of 2-4 students create your own online business. Conduct some market research, prepare a business plan using the five elements that were referred to in the program, search for a domain name, and create a website that you will use to market your product. Each group will also create an online questionnaire using Survey Monkey. The online businesses will be presented to the class with students providing feedback through Survey Monkey.

### 3. Investigation Activity and Brochure

Visit one of the popular online businesses and prepare a step-by-step process of how to shop online. Present this information in a brochure targeting people who have never shopped online before. Make each step clear and use color and diagrams to make your brochure more interesting.

### 4. Word Splash Activity and Poster

In pairs create a list of the key words used in the DVD that relate to setting up and running an online business. Develop a poster with these words and provide clear definitions and visual aids to explain each word clearly.

### 5. Analytical Activity and Survey

Log onto Facebook and research the advertising that appears on this page. List the different types of businesses that you can see and provide an evaluation of whether this is an effective marketing tool. You could survey your friends to find out if they do any shopping as a result of the advertising they see on Facebook and compile a table of your results to share with the rest of the class.

## ***Suggested Student Responses***

### **Initiate Prior Learning**

#### 1. Brainstorm Activity

Students are to brainstorm all the online businesses they are familiar with, have had any contact with or seen advertised. Discussion should focus on the rapid expansion of online business opportunities and what has facilitated this growth.

**Answers will vary but may include online businesses such as EBay, Amazon, and Borders etc. Students should understand that rapid advances in technology have facilitated the expansion of online businesses. The Internet is now part of every household and students use Facebook and Twitter on a daily basis. Some businesses have gone under as a result of the increased volume of online businesses; daily special offers websites like 'Scoopon' and 'Cudo' are another area that is now experiencing a boom period.**

#### 2. Group Activity

In small groups, students develop a profile of the consumer or shopper in the 21<sup>st</sup> century. Consider who would be an online shopper, what they would be looking to buy, methods of payment used, the delivery options of goods and services, why there has been such a shift to online shopping.

**Answers will vary but the consumer would be competent at using the Internet, probably have a credit card or credit facility on their debit card, know how to search on the Internet for the best deals, probably bought or sold on EBay or knows someone who has, started with a small purchase online that was successful and has gained confidence in shopping more through online businesses. Online shopping has become very popular because products are usually cheaper to buy online, there is a return policy if the consumer is not satisfied with their purchase, it appears to be relatively safe to do business online, and there is a fast delivery of goods bought online.**

#### 3. Analytical Exercise/Oral Presentation

Conduct a Google search into a small online business and prepare a one-page report. Students should comment on the products for sale, payment options, and the user-friendliness of the website and any interesting features of the website. Students must then complete an oral presentation of their online business. Have a class discussion to identify the types of businesses that are online now, and some of the stand out aspects of the websites discovered in their search

**Answers will vary**

#### 4. Survey/Questionnaire Activity

Students develop a series of questions that can be used to survey a range of people who have made online purchases. The questionnaire could have approximately ten questions and students should aim to interview a cross section of age groups and people with different socio economic backgrounds. The results can then be presented in a chart format e.g. pie or bar graph providing a visual summary of what the students discovered e.g. were particular websites more popular than others, why people made online purchases etc.

**Answers will vary but may include questions like: gender, age group, income group, how often does the person shop online, if so why/ if not why not, what sorts of products have been purchased online, what was the experience like, etc.**

## Active Viewing Guide

### Different types of online business opportunities

1. Fill in the blanks to complete the following sentence:

An online business uses the **internet** to sell **products** or **services** directly to **consumers** and **businesses**.

2. What do B2C and B2B mean?

**B2C refers to business to consumers - online businesses that operate by offering products and services to consumers.**

**B2B refers to business to business – businesses that operate by offering products and services to other businesses.**

3. Dr. Brent Coker discusses several ways that online businesses can make money. He uses a number of specific terms, which are listed below. Provide an explanation of each.

Term	Definition
Freemium Model	<b>A service is offered online for free for a specific period of time. Then there is a slightly more premium version of the product that has to be paid for which may be more attractive to the consumer to eventually convert to.</b>
Storefront Business	<b>This online business uses a website to sell products without the need for a store in a physical location. Customers can only visit these stores on the web, e.g. EBay</b>
Service Business	<b>A service business can offer professional services such as writing a resume, photo editing and book printing online.</b>
E-tail	<b>This is where businesses have both a physical store and one online.</b>
SaaS (Software as a Service)	<b>Software and data is hosted centrally in the internet cloud that is accessed by a web browser. SasS business programs include accounting, customer relationship management and human resource management software.</b>

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Getting started – The business plan

1. A business plan is a written statement of the goals and objectives of the business and the steps to be taken to achieve them. A business plan has five important elements. List and describe each of these elements.

Step 1

**The executive summary – a one page document describing the business and its objectives. It is written after the business plan has been finalized.**

Step 2

**Introduction – this explains the purpose and objectives of going into business.**

Step 3

**Operations plan – this outlines how the business will be set up, its structure, location, relevant regulations and human resource needs.**

Step 4

**Financial plan – this details how the online business will be financed, covering areas like projected cash flow, revenue, expenses and profit.**

Step 5

**Marketing plan – this outlines how the business will be marketed. It should list the key elements of marketing- the product, the price, promotion strategy and how they will help to maximize profit.**

2. What reason does Dr. Brent Coker offer for the high failure rate of online businesses?  
**Dr Brent Coker from the University of Melbourne says that online businesses fail because there is a mismatch between what the customer wants and what the business is offering.**

Setting up shop

1. Tom Cohn, Director of Kigu Ltd would have needed a range of equipment and computer wares before setting up his online business. Provide a list of these.  
**The equipment that Tom Cohn would need includes: computer, printer, digital camera, fax machine, photocopier and scanner. The computer software he would need includes: Word, Access, Photoshop, Adobe Acrobat, WinZip, movie and audio player. His desktop must have a web browser and an email host as these are the ways he would communicate with all the stakeholders of his business.**
2. Each online business needs a domain name that should be registered. Identify some of the key points to remember when selecting a domain name and in the setting up and launch of an online business website.  
**A domain name should reflect the online business, be short, easy to spell and remember. The website should be simple and updated regularly with some consideration given to the design and layout, the color, fonts, images, number of pages and links. Before the launch of the website there should be a trial run to a group of friends, or a small number of potential customers so that honest feedback can be received and any glitches corrected before the site goes live.**

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Operating your online business

1. Circle True or False to the following statements:

a) You should promote your presence online when running a web business.

**True**    or    False

b) Using social media such as Facebook or Twitter is a waste of time for promoting an online business.

True    or    **False**

c) Branding is all about finding your point of difference and promoting this so you stand out from your competition.

**True**    or    False

d) Advertising other companies on the website of an online business can affect the revenue of the business in a negative way.

True    or    **False**

e) Kigu Ltd. has been so successful because it offers more than animal and fancy dress costumes online.

**True**    or    False

2. Summarize what search engine optimization is and how it works.

**When a query is entered into a search engine a list is provided of related web results. SEO is a technique which helps search engines find and rank your site higher than the millions of other sites in response to a search query. Users are more likely to visit websites at the top of the list, as they believe these are more relevant. So ranking highly should result in a greater volume of customers for the online business.**

3. Emma Osborne, Director of Supperlicious, talks about viral marketing. Explain what viral marketing is and give an example that are you are familiar with.

**Viral marketing encourages individuals to pass on a marketing message to others. Essentially they become part of the marketing team for the online business at no extra cost. It is an idea that spreads and while it is spreading actually helps market the online business. It relies on social media like Twitter, Facebook or YouTube to gain hits, which then increases the online business' ranking on the search engine. An example would be the launching of Hotmail which in its early days was a signline attached to every outgoing email inviting the recipient to join.**

Common pitfalls

1. There are three major pitfalls identified in the program. List and describe each of these.  
**The pitfalls identified in the program include:**
  - **Lack of research - misidentifying demand in the market. The online business does not get a true picture of what their customers want so there is a mismatch between what the business is providing and what their customer actually wants.**
  - **Poor marketing – It is very difficult to get customers to visit a website. Internet marketing needs to be well thought through and it can take a substantial amount of the owner’s time to get it right. So social media campaigns become vital to the success of the online business.**
  - **Unrealistic expectations – Online business owners need to be realistic about their expectations and they need to ensure that there is enough working capital to survive the set up and possible slow sales at the start of trading. When the business starts to grow the owner/s need to adapt quickly in order to grab the opportunities.**
  
2. A valuable tool for an online business is  
**A valuable tool for an online business is the ability to track data such as the number of first time visitors or the types of browsers used.**
  
3. Emma Osborne from Supperlicious is looking at using Survey Monkey for her online business. Why?  
**To get feedback from customers. Emma believes this is very important as a web-based business does not allow for the business owner to meet their customers face to face.**
  
4. Who does Tom Cohn from Kigu Ltd. identify as the second biggest referrer for his online business? Explain why you think this is the case.  
**Tom identifies Facebook as his second biggest referrer. It is one of the largest social media websites accessed by a diverse range of people who would see the advertisements and follow the links to Kigu Ltd.**