

# Setting up your internet business

As internet access speeds up and the associated costs fall, the ecommerce landscape in South Africa is likely to hot up...

But this also means fierce competition and an environment in which only the best will survive, says Gareth Knight, MD of Technovated, a leading Web 2.0 provider in South Africa and London. Staying ahead of the curve and building products that people like to use is essential.

In terms of online trends to watch out for, Knight points to the growing importance of search, and specifically geographic-specific searches – one in five searches are currently geographic. Social media is another area of opportunity to exploit – it is changing the way people interact online and South Africans are keen to jump on board.

Opportunities abound in the mobile arena, Knight believes, and if you can crack that market the rewards will be substantial. We know that the cellphone uptake in South Africa is huge, and the phone recently overtook the PC as the primary means of going online in this country, so there's no doubt that savvy entrepreneurs are exploring this arena. Perhaps you should be too? Your first challenge: finding a way around the high costs of this type of access.

The web is changing all the time, and if you plan to ride this wave, you need to stay on top of all these changes, advises

Knight. To do this be aware of what is happening in the media, visit online tech news sources and network with your fellow entrepreneurs.

## The big idea, and then there's the drudge work...

When Facebook announced that it had just about reached breakeven point, it was big news. With 12 000 employees, the news means that they were making big money. But this success didn't happen overnight. "Many online entrepreneurs think that that they can become big overnight," says Knight. "But in truth there are few examples of this." And in cases where success does seem to have come overnight – think Twitter – it is likely that the entrepreneur has a few failures and success stories behind their name already.

"Success can also rely on being in the right place at the right time, or right seam or meme at the right time. But experience will help you pinpoint the opportunities, and know what to do with them. With experience, it becomes easier to launch and the faster you can push to get to market."



The dotcom crash changed Knight's thinking and he says entrepreneurs should start by building something that people will want, and should only then take money to grow it. Things were done the other way round in many cases during the dotcom boom; little of the hard slog was done, instead venture capital was poured into ideas that just seemed likely to find an audience.

## Hitting a market – not the whole bangshoot

Web traffic is your currency in the online world and the key to your success. Dazzled by the idea of all these customers a lot of small businesses take aim at them all. But you've got to hit a market, Knight stresses.

"If you're not specific about what you are

### Types of shoppers

Ecommerce marketers have developed profiles of some of the customer types you are likely to draw in, and how they behave. These include:

**New-to-the internet shoppers:** These shoppers aren't very familiar with the internet or ecommerce, and tend to spend time online researching real-life purchases rather than buying. They are likely to make low-value purchases in safe categories and prefer a simple interface and easy checkout process.

**Wary shoppers:** These users are concerned about security and privacy issues and also mainly research purchases online. They could be encouraged to overcome their fears by some form of online customer support.

**Bargain hunters:** These shoppers use the internet to find the best deals possible, regardless of brand. They spend time looking for the right price and will buy if they think they have found a great offer.

**Decisive shoppers:** These people go online with a plan; they know what they want and look for user reviews and real-time customer service from knowledgeable sales consultants.

**Recreational shoppers:** These shoppers are out to have fun, they want interesting tools and customer feedback via reviews or forums. You'll want them because they purchase frequently.

**Power shoppers** There's no fun in these transactions, it's all about necessity. Power shoppers want relevant information, expert opinions and support to help them make decisions quickly.

offering, so that users can immediately see why your service or product is beneficial to them, you're going about it the wrong way," says Knight.

Can you make them want you in 20 seconds or less?

Tell them straightaway what's in it for them, otherwise you'll struggle to get people to your site. Knight says you've got to get users to ask: What are we getting out of this interaction? And then answer them within 20 seconds.

Knight used this approach when starting Kindo.com, a global family social network which was voted one of the top three most promising internet companies in the UK for 2008, and was acquired by MyHeritage later that year. "Our user proposition was: We help people build their family trees quickly. They could build a family tree within five minutes; a very quick user experience.

"If you're selling a product or service on your website, the information on what you are offering to users should appear on the front page within 30 seconds in a way that they can fully understand the offering."

Focus on your users and remember that they are being drawn off and intercepted at each point along the way – the internet is all about "attention deficit" Knight adds, so you can't expect people to stick around.

### A battle half won?

As infrastructure costs decrease, you'd expect that the battle would be half won. But this just means that the competition is likely to increase. The real challenge Knight says is now in knowing how to be specific and then building something to meet this requirement. To be successful online, you need to set yourself apart from the rest – a major challenge.

If you can harness the power of social media, however, you can open the channels with your audience in a way that really hasn't been done before. "There will always be people out there who will be interested in your product, and if you engage with them, you can create a passionate crowd of people who are interested in what you're doing," says Knight.

A word of warning, all engagement on this level must be authentic. Your customers will lose confidence or be completely

turned off as soon as you snap into "selling" speak or oversell. But small businesses have the opportunity to claim this "authentic" space, says Knight, and they should grab it. Big companies have bureaucracy and rules of engagement that they have to follow. Smaller companies can be lighter, faster; more nimble to react.

Knight advises getting your head around Twitter if your products or services are more consumer-orientated, while LinkedIn is probably where you should be if you operate in the business-to-business arena. And then there's Facebook, of course.

How does customer service work on the internet? According to Knight it's all about speed. Your return to any query or request has to be fast. Also interact on a real level, not with canned messages – that's the realm of corporates. You're trying to set yourself apart, remember. Reply to requests and queries, admit your mistakes and undertake to fix them.

### Collecting the money

Credit cards are still a hugely popular way of paying online in South Africa, but other payment options are emerging. This is essential if you are to reach the vast majority of users who don't have access to credit cards.

Of course, the biggest piece of news is that PayPal is now working in South Africa through FNB. The service allows worldwide transfer of money over the internet without revealing banking details, thus preventing online fraud. This is a fantastic step in the right direction, but the service does come with its own red tape and a price-tag. PayPal is not an actual bank account, but is a type of virtual wallet, and the company makes its money by charging on any payments made to you. You are then required by the Reserve Bank to transfer this money out of your virtual wallet within 30 days. Next, you need an FNB account to transfer your money out of PayPal. You also need to have the qualifying internet banking option on that account. First National Bank keeps 1.5% as commission to transfer from PayPal into your account, so when combined with the PayPal cut you do lose out on banking fees.

**Next issue:** The nuts and bolts of going online.

## HERE'S HOW I DID IT



ChessCube was founded in 2006 by Mark Levitt, allowing him to combine his passion for chess with his software and business skills. It is an online, social gaming tournament platform, which has chess as its first game. It allows users to play against one another, interact socially and play tournaments in real time, as well as purchase instructional videos and virtual goods.

Levitt is a serial entrepreneur who has both invested and worked in a number of successful start-ups before beginning ChessCube. Being a four-time South African chess champion, Levitt saw the opportunity which a high quality gaming platform and market place presented.

After raising local angel investment from Vinny Lingham, Michael Leeman (now both USA-based entrepreneurs), Jonathan Gordon and others, to develop the beta version of the platform, Levitt approached Invenfin for venture capital in late 2008. As the business targets a niche but global market, incorporates social media technology underpinned by strong intellectual property and has a clear revenue model, there approach was successful. The experienced and passionate entrepreneurial team, the multinational user base already in place and committed, experienced angel investors were also positive contributing factors when analysing this investment.

ChessCube is the only online chess site to offer live, large scale tournaments and aims to provide the best online chess you can find. The investment has been used to further develop the gaming and tournament platform and increase the marketing and monetisation activities. In April 2010, ChessCube's registered user base reached one million with players from over 180 countries - you can be playing against someone on the other side of the world 24 hours per day. Short-term plans include a wider variety of tournaments and a second game.

Visit: [www.chesscube.com](http://www.chesscube.com) or email: [info@chesscube.com](mailto:info@chesscube.com).