The Business Model Approach to Web Site Design

In this series, you'll learn how to create and make money with your very own personal Web business. This first article describes exactly what constitutes a "personal Web business" and explores the first steps involved in building a site that brings in revenue—with very little work on your part.

Everyone should own his or her own *Web business*. There's just no excuse for not having one. The technical and business skills needed to start a Web business are easily acquirable if you set aside the time, and the startup costs are minimal. Moreover, with everyone who's anyone online, you have access to a virtually unlimited number of *markets*. What this means is that, armed with a good product or service and the proper *business model*, you should have no problems developing your very own profitable Web business. More importantly, by starting and running your own Web business you'll learn a lot about business in general.

Most of us have very strong technical skills, but we lack the business skills necessary to optimally exploit our technical expertise. By starting your own Web business and working to keep it profitable, you will naturally acquire many key business skills, without having to attend a high-priced business school. There's an old saying: Experience is the best teacher. If that's true, by starting your own personal Web business you'll gain plenty of experience playing the roles of engineer, marketer, manager, accountant, financial officer, president, and CEO, just to name a few. You can then build on these experiences to start a more complex Web business, or even an *offline* business. But the bottom line is that it's just plain fun. You're in charge of the whole show and you get to reap all the benefits of your hard work!

For the past seven years I've been teaching undergraduate and graduate business students (MBAs) how to create what I call *personal Web businesses*. These are Web sites that actually make money (which the students get to keep), and their grades are a function of how profitable their Web businesses are. Thus, my students are highly motivated to create good Web businesses. While there are an infinite number of possible Web businesses one could start, the students who have been the most successful at making money are the ones whose Web businesses are based on what I refer to as the *autonomous business model*. In fact, the actual definition of a personal Web business is this: *a money-making Web site that operates under the autonomous business model*. In this and future columns I'll teach you some of the key concepts and techniques I've discovered over the years about how to start and run a successful personal Web business. My hope is that, by the end of my series, you'll have your own personal Web business ready to go. But one step at a time. The first concept you need to understand is the autonomous business model.

The Autonomous Web Business

I teach my students that starting up a good Web business is in some respects very similar to developing robust software: Both depend on a good design. For a business, this design is more commonly known as a *business model.* To use an analogy:

robust software : good design :: successful business : good business model

So, just as robust software always starts with a good design, a successful business starts with a good business model. I'm going to save you a lot of grief by giving you a business model that works well for personal businesses: the autonomous business model.

To understand why you should base your personal Web business on the autonomous business model, let's first examine a business model that *doesn't* work well. I call this business model "cash for content."

Cash for Content: An Inappropriate Business Model for Personal Web Businesses

Figure 1, a *business activity map*, depicts a typical Web site. In this example, the content provider (P) adds content (step 1) to his or her Web site (W), and the Web site's customers or community of users (C) view this content (step 2).

Figure 1

A typical Web site model.

As is, this is a model for a Web *site*, not a Web *business*, since the site owner doesn't make any money in this model.

When they think of turning a Web site into a Web business, most people think of a business model in which users pay (step 2)—usually with a credit card—for the privilege of accessing content (step 3). P's bank account (B) gets credit for the purchase (step 4), and at some later date P actually gets money from his or her bank (step 5). The business activity map for this "cash for content" model is shown in Figure 2.

Figure 2

The "cash for content" business model.

There are several problems with basing your personal Web business on this business model. First, *you* have to provide content that is valuable enough that customers are willing to pay for it. Most of us don't have this kind of valuable content; to get it we have to pay for it—and I'm assuming that, like me, you don't want to waste your hard-earned money paying for content to put on your Web site. Second, it almost goes without saying that your content has to be unique. If your customers can get the same content for free on some other Web site, they probably won't pay you for it.

But even if you did have access to valuable and unique content, the biggest problem with the cash for content model is that it's high maintenance. You have to constantly update the content on your site to keep it running successfully. Another assumption I make is that the typical person who wants to start a personal Web business is busy during the day with a "real job,"™ and the last thing anyone wants to do after coming home from a hard day of work is to update content on a daily or even weekly basis. Before you cry, "Not me, I'm dedicated," I should point out that I've lost count of the number of students who swear they'll update their site's content but who—for various reasons that always have to do with being busy with something else that's more important at the time—always end up just letting their Web sites sit.

What you need is a business model for a personal Web business that fits your busy lifestyle—a business model with these characteristics:

- You can provide your user community with valuable content that you don't have to pay for.
- You don't have to work at maintaining the content that you provide.
- You make money from this content.

With an offline, brick-and-mortar business, such a model is impossible, since you're asking for money for basically doing nothing. However, when you're talking about an online Web business, such a business model *is* possible, and the autonomous business model is one such model.

The Autonomous Business: A Good Business Model for a Personal Web Business

The basic idea behind the autonomous business model is shown in Figure 3. You (P) develop the Web business and your community (C) adds the valuable content for you, for "*free*." You do add some initial content, but it's just the minimum needed to get people interested in your site (*bootstrap* content) so that they then start contributing their own content. With this model, you don't have to pay money for the content and you don't have to spend a lot of time updating or maintaining your site. Your community does all the work for you!

Figure 3

The autonomous business model: content component.

To turn this into a business model, you need some way of making money. This is where advertisers (A) come in (see Figure 4). Just like with television commercials, there are many Web-based advertisers who will pay you to place ads on your Web site's pages, in exchange for your users (C) clicking the advertisers' banners, purchasing items, or providing information about themselves (leads).

Figure 4

The autonomous business model: revenue component.

This is the essence of the autonomous business model. And it does work. To see examples of profitable personal Web businesses based on the autonomous business model, check out my sites: Dating Expert.com and YesNoMaybe.com. Once again, the beauty of this model is that you do very little except for the initial design and implementation of the Web site and adding just enough (bootstrap) content to make it interesting to whatever market you're targeting. Your community of users does the rest. They even do the bulk of your marketing for "free," as you'll see when we get to my article on memetic marketing. In my experience, for busy people like you and me, this is the best business model on which to base your personal Web business. The final question you need to answer is this: "Exactly what type of Web business should I start?"

Four Properties of a Good Autonomous Web Business

Now that you have a business model, your next task is to choose a content area, or *topic*, for your personal Web business. Not all topics are appropriate for an autonomous business model. Remember, your community is the one adding the content for you. So, to use an extreme example, a personal Web business based on some specialized topic like "nonlinear activation functions for parallel distributed processing networks" probably won't be as successful as one whose topic is "Advice forum for first-time parents." So choose your topic carefully. In general, a good autonomous Web business has the following four properties:

1. A broad topic in which a large number of people are interested. The idea is that you want to *broadcast*, not narrowcast. I think Vince McMahon—owner of the World Wrestling Federation—said it best. During an interview, a reporter asked Vince why the WWF was so successful. His response (paraphrasing) was that he broadcasted, not narrowcasted, to a diverse audience. With the ubiquitous nature of the Web, there's no reason why you shouldn't broadcast as well. For example, a lot of people are interested in movies. A movie site satisfies this first condition.

2. A topic that changes frequently. How frequently the topic has to change depends on how much money you expect to make from your personal Web business. The more the topic changes, the greater the chance that users will return to check out what has changed. Going back to our movie site example, new movies come out every week, so a movie site has a topic that changes frequently. Therefore, a movie site satisfies the second condition as well.

3. A topic to which people can contribute. Because you're operating an autonomous Web site, you need a topic for which people can contribute content to your site. Again, going back to our movie Web site example, users who watch movies can contribute their reviews to a movie site. So a movie Web site satisfies the third condition.

4. A topic to which people naturally want to contribute. There is a big difference between having a topic to which people *can* contribute, and a topic to which people *want to* contribute. While everyone is certainly capable of contributing a movie review to a movie review Web site, not everyone wants to spend the 5 to 30 minutes (or longer!) doing so. Thus, a movie review Web site is not a good topic for an autonomous Web business.

The last criterion is very important. My experience is that most of my students pick topics that satisfy the first three conditions, but not the last one. For example, a recipe Web business satisfies the first three conditions, but

not the last one. While many people are interested in cooking (condition 1), there are almost an unlimited number of recipes (condition 2), and people like commenting on their favorite dishes (condition 3), most people aren't willing to take the time to type in a recipe (condition 4), unless you can somehow streamline their data entry. As you can see, you'll have to put some thought into choosing the right topic for your personal Web business. The better the topic, the higher your *revenues* should be.

Homework Assignment 1: List of Possible Web Businesses

Your "homework assignment" is to come up with a topic for your own personal Web business that meets the four conditions (properties) listed in the preceding section. I've already listed two of my own sites that have these properties: [Dating Expert.com](#) and [YesNoMaybe.com](#). Spend some time trying to come up with your own topic. In fact, make a list of topics and pick the best one. Mail your list to me: [ProfessorF@informit.com](#). While I can't answer each email personally, my responses will try to cover the main issues or problems that arise in your email. Alternatively, you can post your ideas to the [content forum](#). Good luck, and I look forward to your responses.

Glossary of Business Terms

In the context of personal Web businesses, the following terms have the following meanings.

Term	Description
autonomous business model	In the context of Web businesses, a business model in which the customers are both the producers and consumers of content. An autonomous Web business operates with very little work on the part of its creator and usually makes money through advertising.

brick-and-mortar business	An "offline" business.
business activity map	A graphical depiction of the movement of content between the agents—both technology and people—that participate in a given work activity. See *Web Business Engineering* (Addison-Wesley Longman, 2001, ISBN 0-201-60468-X) for more details.
business model	A well-thought-out plan for how your business intends to make enough money doing whatever it does; the high level design of your business. A business model is to a business as a software design model (for example, object-oriented design) is to a computer program.
free	No such thing exists. Nothing is free. You may not pay money for it, but you'll pay in other ways. For this reason, when I use the term "free" I always put it in quotes.
market	A potential group of customers.
MBA	Master of Business Administration degree. A graduate-level business student is generally working toward earning an MBA.
revenue	The money your business brings in.
personal Web business	A Web business that operates under the autonomous business model.
topic	The content area on which your Web site is based.
Web business	A Web site that makes money.
Web business engineering	For an entrepreneur, Web business engineering is the use of systematic techniques to design a Web business (*Web business* engineering). For a consultant, Web business engineering is the use of systematic techniques to determine the best way of handling a client's offline businesses processes online (Web *business engineering*).
Web site	A collection of Web pages.

Glossary of Business Terms

In the context of personal Web businesses, the following terms have the following meanings.

Term	Description
autonomous business model	In the context of Web businesses, a business model in which the customers are both the producers and consumers of content. An autonomous Web business operates with very little work on the part of its creator and usually makes money through advertising.
brick-and-mortar business	An "offline" business.
business activity map	A graphical depiction of the movement of content between the agents—both technology and people—that participate in a given work activity. See *Web Business Engineering* (Addison-Wesley Longman, 2001, ISBN 0-201-60468-X) for more details.
business model	A well-thought-out plan for how your business intends to make enough money doing whatever it does; the high level design of your business. A business model is to a business as a software design model (for example, object-oriented design) is to a computer program.
free	No such thing exists. Nothing is free. You may not pay money for it, but you'll pay in other ways. For this reason, when I use the term "free" I always put it in quotes.
market	A potential group of customers.
MBA	Master of Business Administration degree. A graduate-level business student is generally working toward earning an MBA.
revenue	The money your business brings in.
personal Web business	A Web business that operates under the autonomous business model.
topic	The content area on which your Web site is based.
Web business	A Web site that makes money.
Web business engineering	For an entrepreneur, Web business engineering is the use of systematic techniques to design a Web business (*Web business* engineering). For a consultant, Web business engineering is the use of systematic techniques to determine the best way of handling a client's offline businesses processes online (Web *business engineering*).
Web site	A collection of Web pages.

Glossary of Business Terms

In the context of personal Web businesses, the following terms have the following meanings.

Term	Description
autonomous business model	In the context of Web businesses, a business model in which the customers are both the producers and consumers of content. An autonomous Web business operates with very little work on the part of its creator and usually makes money through advertising.
brick-and-mortar business	An "offline" business.
business activity map	A graphical depiction of the movement of content between the agents—both technology and people—that participate in a given work activity. See *Web Business Engineering* (Addison-Wesley Longman, 2001, ISBN 0-201-60468-X) for more details.
business model	A well-thought-out plan for how your business intends to make enough money doing whatever it does; the high level design of your business. A business model is to a business as a software design model (for example, object-oriented design) is to a computer program.
free	No such thing exists. Nothing is free. You may not pay money for it, but you'll pay in other ways. For this reason, when I use the term "free" I always put it in quotes.
market	A potential group of customers.
MBA	Master of Business Administration degree. A graduate-level business student is generally working toward earning an MBA.
revenue	The money your business brings in.
personal Web business	A Web business that operates under the autonomous business model.
topic	The content area on which your Web site is based.
Web business	A Web site that makes money.
Web business engineering	For an entrepreneur, Web business engineering is the use of systematic techniques to design a Web business (*Web business* engineering). For a consultant, Web business engineering is the use of systematic techniques to determine the best way of handling a client's offline businesses processes online (Web *business engineering*).
Web site	A collection of Web pages.

Web business engineering expert Nick V. Flor is the creator of Web Business Engineering.com, *a Web business content forum, and the author of* Web Business Engineering: Using Offline Activities to Drive Internet Strategies *(*Addison-Wesley Longman, *2001, ISBN 0-201-60468-X). He teaches Web business courses at Carnegie Mellon University and owns two highly profitable Web businesses,* Dating Expert.com *and* YesNoMaybe.com. *Professor Flor will be a regular contributor to* InformIT *on Web business topics.*