

Diversify to Survive

By Elena Fawkner

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Over the past few weeks and months the news headlines have been focused on Wall Street and the downward spiral of all of the major stock indexes. As usual when one of these shake-outs occurs, the popular media tries to reduce the issues to easy to understand, bite-size morsels. A favorite strategy is to profile a "typical" small investor who had all his eggs in one basket when the market crashed and now his entire life savings are nothing more than red ink on his personal balance sheet.

Had our typical small investor diversified his portfolio, investing some of his capital in blue chip stocks, some in tech stocks, some in property, some in bonds, chances are he would still be in the black. The same can be said for anyone running an online business. The online environment is so dynamic and volatile, and so many so-called "hot" opportunities come and go (and don't do much in between), that devoting your entire enterprise to just one product or service offering is nothing short of dangerous, if not outright foolish.

The answer, then, is to place a few eggs in several baskets, so if the bottom falls out of one, you can still make an omelet with what's left. In other words, diversify your product and service offerings to generate multiple streams of income.

SOURCES OF INCOME

Here's five ideas to get you started:

1. Affiliate programs.
2. Own products and services.
3. Website advertising.
4. Ezine advertising.

5. Content access via subscription.

We'll look at each of these individually in a moment, but first, one important caveat. The concept of multiple streams of income does NOT mean you should rush out and add new products and services to your repertoire willy-nilly.

Whatever you choose to offer must be closely related to the subject matter of your site. If your site is about pet care, don't try and sell saucepans. To do so is not only a waste of valuable time and other resources but you compromise the integrity of your site's purpose, not to mention your credibility as an expert in your field.

But even more importantly than that, all traffic is not created equal. Sure, if you create a separate page on your pet care website just for your new saucepan line you may attract one or two site visitors you may not have attracted otherwise. But those visitors were interested in saucepans, not pet care. Once they reach your site they'll assume you've lost the plot and click away faster than you can say "where'd he go?".

Far, far better to have fewer site visitors who are all highly interested and motivated by the subject matter of your site (highly targeted traffic) than relatively more visitors who are only somewhat interested and motivated (untargeted traffic).

The return on your investment will always be MUCH higher from targeted traffic in the form of repeat visits, referrals, recommendations and, of course, all-important sales.

OK, let's turn now to the five sources of income.

AFFILIATE PROGRAMS

The first and most obvious source of income is affiliate programs. I'm sure most of you are already well-familiar with the concept but, if not, you can get a quick primer by reading the article at <http://www.ahbbo.com/affiliate.html> .

To be effective as an income-generator, the affiliate programs you choose should be closely related to the subject matter of your site in the sense that a visitor interested in your website content will also be interested in the subject matter of the affiliate program you are promoting.

To start your search for appropriate affiliate programs, visit <http://www.associatesearch.com> and/or <http://www.refer-it.com> .

OWN PRODUCTS

While affiliate programs are a good place to start, you are working on commission. For significant, long-term, sustainable income you need to develop your own line of products and services. This

does not necessarily mean you must personally create the product or service; it just means you get to keep the profits on any sale. You could, for example, sell products you purchase from a wholesaler. Under this type of arrangement, you buy the product for a certain price and sell it for a higher price. The difference is your profit. The profit under this type of arrangement will, 99% of the time, be significantly higher than the commission income you generate with affiliate programs. If you don't want to bother with the hassle of storing inventory and shipping orders, make arrangements for the wholesaler to drop-ship orders to your customers instead.

Of course, you can always create your own products as well. A good option for an online business is a digital product such as an e-book since production and distribution costs are extremely low. Your customer simply downloads the product from your server to her hard disk. But you don't have to restrict yourself to digital products. You might choose to write a book and have it professionally bound and printed. Or you may choose to make your book available in both digital and traditional format with different price points to reflect the different production and shipping costs.

WEBSITE ADVERTISING

Once you have generated consistently high, targeted traffic to your website, you can begin to think about charging for third party advertising on some of your website real estate. The price you can charge for banner advertising depends on your traffic whether your advertiser pays you to simply host his banner or whether she pays you per click-through. Particularly if your revenue depends on click-through it is very important (both for you and your advertiser in terms of repeat business) that your advertiser's product or service is relevant to the overall subject matter of your website.

Your pricing would generally be set at a CPM rate, for example \$20 per thousand page views. So, if your site receives 5,000 page views a week, that's \$100 a week in advertising revenue. The more targeted your traffic, the more you can charge as your CPM.

EZINE ADVERTISING

You have, I'm sure, heard it said many times that a great way to generate traffic to your website is to publish an ezine (electronic magazine or newsletter). That's certainly true. Ezines are a terrific traffic generator. But they can also be a source of revenue in their own right.

Once you hit 1,000 subscribers (as a general rule) you can start charging for advertising in your ezine. Again, CPM is a good pricing model to start with.

Again, the more targeted your subscriber database, the higher your

CPM. Some very highly targeted, specialized ezines can charge as much as \$40 CPM or more. Others that are very general and untargeted may only be able to generate \$2 CPM. Again, the time and effort you expend in targeting your market audience, the higher your potential revenue.

CONTENT ACCESS

The number one commodity people are looking for online is information. Consider making your website content available on a members-only basis, charging a membership fee for access. Your content has to be of genuine value to your website visitors, however. Don't try this if all you're offering is a collection of other people's articles.

The type of content that lends itself well to this type of arrangement includes things like apartments for rent listings (eg <http://www.westsiderentals.com>), home-based job openings, that sort of thing.

Members-only sites that consist of a collection of freely available products and tools can also work well if, by joining, the member saves him or herself many hours of independent searching and collating the relevant materials.

Apart from information, entertainment-type content also lends itself well to a pay-for-access type of arrangement. The obvious (if unfortunate) example is the highly lucrative internet pornography industry. Say what you will about it, it is a business model that most online entrepreneurs would love to be able to replicate in their own industry, if only they could generate the same level of interest. It's that targeted traffic principle yet again!

As I said, these are just a few ideas to get you started. Once you start implementing these, others will suggest themselves to you. It really doesn't matter what you do so long as it works for you. By all means, if something works well, don't stop what you're doing. But don't rest on your laurels either. Make sure you always have other wells to drill if today's runs dry.

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