

“ I couldn't imagine a better person to write such a book ”

Top 100 blogger Daniel Scocco of DailyBlogTips

How to Build a Successful

BLOG BUSINESS

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FOREWORD

The web is a hotbed of opportunity. While the press understandably spends most of its coverage on the Facebook's and Google's of the world, the really interesting stuff is actually the many new ways that regular people are able to earn a living and build businesses online.

Ray is a good friend of mine from back when I was at university. At six foot and a hundred-odd kilos he's a former junior bodybuilding champion from Singapore – not someone you'd want to get on the wrong side of! Today he works at a gym in Sydney instructing, managing the weights room and pushing others to get in shape.

Although Ray's bodybuilding days have left him with numerous injuries and war stories, he also carries the huge depth of knowledge and wisdom of his craft that are only earned through years of dedication. He has two degrees in environmental engineering and education to his name, but he chooses to work in the gym because that's where his passion lies.

While his job gives Ray the chance to share his experience and skills, it's fundamentally limited in scope. Moreover, it's someone else's gym and, like many people, he dreams of working for himself.

That's why for Ray, building an online business is the perfect solution. It combines his passion for fitness, a way to create genuine value for people by teaching his methods and ideas, and importantly allows him to build something of his own that will potentially set up his future.

It's been a steep learning curve getting to know the ins and outs of blogging, registering his first domain name, negotiating meetings and quotes from web designers, and recording hours of fitness footage for his new site. Along the way Ray often asks me questions about blogging, business and how to bring his plans to fruition and we have some great chats about my favourite topic! While everyone's business has a different path, these conversations have highlighted to me that my own experiences in building blogs are worth sharing with others.

I've written this book with Ray and every other aspiring entrepreneur out there in mind. I hope that in it you find insights, tips, and ideas to help you build your own online business, so that one day I might find myself by chance among the crowds reading your blog!

Collis Ta'eed
CEO, Envato

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BLOGGING AS A BUSINESS

Approaching blogging as an entrepreneur looking to build a business, is very different from the view taken by a hobby blogger. From the very beginning, you will be planning and thinking about the blog as a product: what it will cost, what it might return, how it will grow, and where it's heading. You might be alone, or you might have partners and investors. You might begin with a lot of capital, or you might bootstrap the operation with whatever resources you can find. Most importantly, as someone looking to build a business, you will always have your eye on the bigger picture, and that's what this chapter is about.

Opportunities in Blogging

Publishing is changing quickly as more and more readers migrate from paper-based products to electronic media, whether it's a computer, a tablet, a mobile device, or an e-reader. Change of this sort always creates opportunities, and in the last few years it's become clear that professional blogging is one of them.

The last decade saw a generation of blogs grow from being side projects and hobbies, into sites with enormous readerships and real revenues. Very quickly blogging has become a legitimate publishing business, and today a survey of the top 100 blogs shows that with a few notable celebrity exceptions, almost all of them are backed by real publishing businesses.

While today the blogging industry has some very professional outfits operating, there is still lots and lots of room for the newcomer. To start with, there are very few household names in blogging. While most people might recognize and know names like Time, Wired, Vanity Fair, and Vogue, there are significantly less who know **Gawker** (<http://gawker.com>), TechCrunch (<http://techcrunch.com>), **Huffington Post** (<http://huffingtonpost.com>), and **PopSugar** (<http://popsugar.com>), which are just three of the more high profile sites. There are still many, many people who don't read online but who will eventually. These folk mean that blogging is an industry with a lot of growth ahead of it, and growth is good for business and good for newcomers.

Opportunities in blogging also arise from the many niches and topics that are still wide open. If you walk into any bookstore and look through the myriad magazines that line the racks, you'll find there are audiences interested in reading about everything from sewing to tattoos, boating to cooking, movies to shopping. Can you name *the* blog to read on tattoos? How about a great blog about boating? Think you can find one?

Moreover, for every niche that is big enough to sustain a real paper publication, there are dozens more that are too small for print but big enough online. Where the distribution costs are small and even nil,

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distributed groups can be clumped together to form real audiences, and bloggers have access to audiences that have never really counted before: the so-called “long tail.”

As was often touted during the dotcom boom, the internet is a great equalizer. The difference between one domain name and another is just a few keystrokes. And while you shouldn't read too much into this (after all, people have to know your domain name to type it in), it is worth remembering that a new voice in blogging can quickly catch on.

Of course *because* blogging is so accessible, it's a tempting first business to get into. There is a perception that it's a zero-cost set-up, and in some ways that's true. You can start a new blog with not much more than a domain name and a cheap-as-chips hosting account. This is certainly a claim that you could never make about, say, starting a magazine or newspaper, where the physical costs of making and distributing the product can be prohibitive.

What isn't so obvious, is that to build a blog that is *self-sustaining* and eventually profitable, does require cash, and it can be a significant amount at that. For as easy as it is to start a blog, it is still hard to produce consistent levels of content, to acquire traffic and readership, and to ultimately generate revenue. While thousands of blogs may open their proverbial doors every day, the funnel of survival can be harsh and many fall into disrepair very quickly.

For hobby bloggers, the costs of operating a blog are hidden in the blogger's own time. They do the posting, the marketing, and all the other chores of running a blog themselves, effectively eating the costs by doing it in their spare time. But make no mistake, those costs are there and if you want to approach blogging with a business mindset, you need to account for them all.

On the flip side, by looking at blogging as a business, you also bring the longevity that blogging needs to succeed. While hobbyists and less organized competitors fall by the wayside, your operation will keep chipping away, building audiences, growing search traffic, creating a bigger and bigger content archive. In many ways, blogging is an endurance race, requiring a lot of momentum to build up to become a true success story.

So building a business out of blogging, like any business, involves investment both in time and money. The questions you want to ask are: What costs need to be accounted for? Where will the revenue come from? How long will it take? Along with these high-level business questions, you'll also be wondering about the practicalities of running a blog as a business, planning direction, finding and hiring staff, creating content, and marketing.

In this book I aim to answer all these questions as well as to give you a practical, hands-on guide to building a business out of blogging. Like any business, it will take hard work, dedication, savvy, and a bit of luck. As someone who has built a number of blogs, I hope reading through my experience and methods will help you find your path to success.

Risk and Reward

Every business investment comes with risk and certainly blogging is no sure thing. The risks in creating a business out of blogging include:

1. Choosing a Low Potential Niche

Perhaps the biggest risk you run is creating the wrong blog. If you start a blog in a niche that has limited potential either because of the audience, the competition, or the revenue potential, then you create a significant impediment to success. You can shift the blog, reinvent it, invent a new way of finding revenue, trounce the competition somehow, or grow the topic's audience ... or you can choose a niche with strong potential to begin with! We'll deal with selecting a niche in the next chapter.

2. Not Producing a Popular Product

Assuming you've picked a good niche to blog in, you still run the risk of producing a bad product. Maybe you hire the wrong staff, maybe you don't figure out what sort of content people want, or maybe you get the frequency of publishing wrong. There are plenty of factors that go into a good blog. The best way to learn about them on an instinctive level, is to read and think about other blogs in your spare hours over a reasonably long period of time. You'll also get to read about what goes into hiring and content in later chapters of this book.

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3. Competition

Every business has competition of one sort or another. It might be other blogs or it might be traditional media. If your business grows beyond blogging, then it might simply be other service providers. Competition vies for audience, for revenue, and ultimately for dominance. Even if you scope out a niche very thoroughly and deduce that there is little competition, you can never account for the competition that is sitting in a garage somewhere plotting and planning their strategy for domination. Aside from thorough research, the best defense is to be on guard all the time, to always be looking for ways to be the best, and to think about ways to differentiate your product from your competitors.

4. Running Out of Capital

The simple reality of business is that in the beginning you will burn through your cash with little or no return. Later in this book, you can read about three case studies from my own experience where you will see that each blog took many months of losses before hitting break even, and that one set is in fact *still* burning through cash!

To combat this you'll need to make sure you have a reasonable amount of capital to begin with. You'll also need to look for ways to get some revenue as fast as possible to help slow the losses. You'll need to constantly evaluate whether you are on the right track, whether you can save money somehow, and how much longer you can last.

5. Market Conditions

No one can control the broader market conditions. At this point in time, blogging looks to be a good bet with lots of growth potential and more and more advertising moving online. Whether this is true, whether it lasts, who knows? The most important thing is to keep your finger on the pulse. Stay up to date with tech blogs, advertising blogs, blogs for bloggers and publishers, and stay informed. If you feel a change in market conditions coming, adjust your business plan to compensate. If you think there are lean times ahead and you are low on capital, pull back on your plans. Conversely, if you think there's a boom coming in a particular niche, then you might ramp up to take advantage of it.

While blogging is not without its fair share of risks, there are also plenty of rewards. First and foremost is the satisfaction of running a successful publication. Watching your readership grow, seeing comments and discussion happening on your site, hearing from readers who enjoy the site, and seeing link-backs from sites you respect are all incredibly rewarding.

On a monetary level, a blog business can grow very large. One of the earliest blogging companies, Weblogs Inc, which included powerhouse blogs like **Engadget** (<http://engadget.com>) and **TUAW** (<http://tuaw.com>), sold for a reported \$25m to AOL in 2005. Another high-profile sale occurred in 2007 when environmental blog **Treehugger** (<http://treehugger.com>) sold for \$10m to the Discovery Network.

While a big sale to a listed company isn't on the books for every blog, it's certainly possible to do well purely on operating profits and revenue. In the case studies in this book, you'll read about two blogs that I've worked on which have been fortunate enough to hit profitability and turn over enough cash to grow other businesses and to expand themselves to bigger revenues and larger audiences.

In fact, later in this book we'll look at how a blog can not only become very successful in its own right, but can also become the engine that drives new businesses such as blog networks, apps, services, or products like books and job boards.

A Sketch of a Blog Business

What does a blog business look like? Who works there? How does it operate? While every business is unique in its operation, it's possible to sketch out a broad set of roles to get a picture of what a blog business might look like, what staff will be needed, how workflow might be organized, and how a blog business might actually function on a day-to-day level. We'll expand on this sketch in later chapters to flesh out a fully function model of blog business.

Roles

There are some roles that must be filled in any functioning blog. They are:

1. Writing

The most basic function of a blog is to generate content, so someone is going to have to write that content day in and day out. We'll discuss writing content in detail in Chapter 5.

2. Editing

For a professional blog, some sort of editing will be essential to create a consistent standard of quality. We'll cover editing in detail in Chapter 5.

3. Managing Writers and Contributors

Writers and contributors will need management to ensure their work is in on time, their questions are answered, and they get paid. We'll cover site management in more detail in Chapter 4.

4. Marketing

Until a site is a well-known destination, there is always work to bring readers, to generate buzz, and to build the blog's brand. We'll discuss generating traffic in Chapter 6.

5. Monetization

Generating revenue requires planning and work, whether it's chasing up ad payments, comparing affiliate programs, developing products, or implementing some other monetization plan. We'll discuss building revenue in detail in Chapter 7.

6. Accounts

Like any business, your blog will need good accounting and tax records. The bigger the business gets, the more important these will become.

7. Web Development and Server Admin

Thanks to blogging packages like WordPress, you can often get by with very little web development. Nonetheless, even the most basic blog requires someone to set up the server, configure the software, and make

sure the site doesn't fall over if your traffic should spike. We'll discuss finding and working with a developer in Chapter 4.

8. Web Design and Branding

A serious blog business requires some web design. Although themes can be pretty impressive, your site will need its own brand to stand out. We'll discuss branding in Chapter 3, and working with a designer in Chapter 4.

9. Management and Direction

Coordinating the business is the job of the business manager. From early questions about topic and editorial calendar, to hiring and managing staff, to strategic direction and competitive analysis, this is in many respects the make-or-break role in the business.

A Simple Arrangement

The functions described above need to be accomplished somehow in order for a blog to succeed. How those roles are apportioned between staff is, of course, flexible. Hobby bloggers for example will often fill all roles by themselves. However, if you're creating a blog as a business it's not a good idea to tie up too many duties in a single person. Having only one person in all capacities means you are heavily reliant on that one person not getting ill, leaving, or otherwise putting you in a tight spot. Here's a simple staff structure that could work:

Editor

- Manages writers and contributors
- Edits articles
- Occasionally writes

Writers

- Write content
- Add content to the blog

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Web Designer and/or Web Developer

- Set up hosting and blog installation
- Branding and design work
- Customize blog installation
- Make adjustments
- Server admin

Yourself (with the help of specialists!)

- Marketing
- Accounting
- Legals
- Business Registration
- Monetization
- Management and direction

This arrangement would require two main staff members in the persons of the editor and yourself, one or two semi-permanent freelancers for the design and development, and then a variable arrangement of freelance writers depending on how much content the blog puts out each day.

Generally speaking it is best to start with a simple structure and then expand as the blog expands. Not only is hiring many staff expensive, but in the early days of a blog there is generally less work to do. Over time you can specialize out tasks such as marketing or copyediting to have a larger, more capable organization, but early on, simple is best.

In Chapter 4, we'll look in more detail at these roles in a blog business, as well as discuss the differences between freelance and salaried staff, where to find good people, how to work with remote staff, and other issues related to staffing for a blog business.

Your Role and Blogging Experience

As an entrepreneur you should be expecting to get your hands dirty in building your new business. If you are partially or completely bootstrapping the operation, this may mean taking the approach that hobby bloggers take and doing pretty much everything yourself. But even if you plan to hire staff, it's still good to actively work in one or more of the roles in the business.

In particular, it's a very good idea to have experience in the writing and editing capacities. These are the pillars of blogging and knowing them intimately is not only important should you be short-staffed, but it will also help you with planning and strategy.

Beyond writing and editing, your role as entrepreneur is really to do whatever is needed. This might mean high-level tasks like marketing, accounting, monetization, and management. It will probably also include a lot of strategy and set-up work. This book will guide you through the many and varied tasks you will find yourself working on.

If there is one piece of advice I can give that will serve you well in building a business in blogging, it is to get some experience as a blogger before you commit money and resources to the project. Even if you are a horrible writer, even if you aren't sure what to write about, the experience is so useful that I encourage you to do it anyway.

It's very easy to get started, and the difficulties and questions you encounter will make the following chapters much more useful and interesting. So if you haven't blogged before, pick a topic you are interested in and set aside a few weeks to intensively blog on the subject, to do your best to get noticed, and to learn about the mechanics of blogging.

At the end of this book is an appendix chapter (The Blog Basics Crash Course) where you will find an absolute beginner's guide to blogging, covering setting up, common terminology, and many other basics. If you've never blogged before, I can't recommend enough reading through this and starting your own blog while you plan your larger blog enterprise.

Setting Up as a Business

The first steps in creating your new enterprise are ones that virtually any business needs to go through: registering the business, getting advice, and opening a bank account. Here's a quick rundown of some of these tasks.

Legal Counsel

When setting up any business, it's important to know a lawyer who you can contact for legal work such as writing a privacy policy, trademarking a brand name, setting up a business structure, drafting contracts for staff, and other general legal work. Early on, you are unlikely to need their services often, but it's best to establish a relationship *before* the need arises.

Moreover, a quick consultation might give you a heads-up on an issue to keep in mind for the future. When my company set up our first website, it never crossed anyone's mind that we had another company's trademark (whose products were heavily related to the site) as part of our own site's name. Years later, we ended up having to change the name, hand over the domain name, and the whole thing was very time-consuming and expensive. Had we had some simple legal counsel early on, the whole issue could have been avoided!

If you don't already have a legal firm or lawyer you have used in the past, ask around for a recommendation. If you cannot get a personal recommendation, then find out if there is a local law association or business development centre who can assist you.

The law firm that I use at work was recommended by a small business incubator that the government was running in my city. We visited the incubator while looking for office space, and while we were there asked the person who ran the organization if he knew any good law firms. As it happened, they had a lawyer who came in on Fridays to offer free introductory counseling for startups. We got in touch with him and years later we still work together!

When you have a company in mind, you can ask for a consultation and give them a rundown of what you are planning on doing (i.e., opening a blog). Tell them you want to set up a relationship, and maybe ask if there are any particular legal issues you should be thinking about this early on. Many law firms won't charge for the first consultation (though you should double check this) so it's a good time ask any broad questions you have. Always ask for an estimate for any actual work you discuss before commencing so you don't get any surprises.

It's not a bad idea to meet with a few different firms and lawyers. This will allow you to find someone you feel comfortable talking to, that you understand, and that you feel knows at least a little bit about working online. It will also give you a chance to compare rates if you ask each lawyer to estimate on a specific comparable job such as trademarking a business name or writing a privacy policy.

Accounting

Having well-maintained and accurate accounts is vital for any business because your accounts allow you to map out what is happening in the business. These accounts only get more and more important the bigger the business gets, as everything becomes more complex with more money involved. Moreover, if you don't have a solid foundation to begin with, then you will have a lot more trouble putting it in later, so it's best to get this right from the very beginning.

A good accountant can help you with financial advice, help plan your business, make sure you pay as little tax as possible, and ensure you don't get into trouble with the tax department. As with finding a lawyer, the best way to find an accountant is to ask around. Look for recommendations from people you work with, friends and family, anyone you know in a similar business, or any local business groups or associations. You should be looking for someone who is a registered accountant, and whom you understand and feel comfortable talking to.

While an accountant will provide advice and manage the more major financial events for your business, you may find that they are too expensive

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for your day-to-day book keeping: writing up financial records of incoming and outgoing transactions. If this is the case, then you can either do it yourself or hire a bookkeeper.

Keeping your own books is largely a matter of being organized and consistent. If you go down this path, get yourself some bookkeeping software such as QuickBooks and pick up a book, or enroll in a seminar on the subject. Because it's such a common necessity, bookkeeping is often a popular crash course at universities and local colleges. The most important thing is to be extremely diligent about keeping everything up to date. An accountant will often suggest a system that works well with their own processes, so that you can deliver your books to them on a regular basis in order to have your taxes done or your books audited.

Even if you choose to maintain your own accounting books, you will still want an accountant for high-level advice on tax, set-up, and how to structure ownership. If you don't want to keep your own records, an accountant can usually also recommend a bookkeeper or even do the job themselves.

Regardless of whether you keep your own books, if you aren't very familiar with accounting and business, it's not a bad idea to buy a basic book on the subject such as a Dummies guide on the subject. Getting an understanding for terminology and concepts like balance sheets and profit and loss statements will go a long way toward making sure you know what your accountant is saying to you and ensuring you have a fair understanding of the financial realities of your business.

When you choose your accountant, you'll want to ask them questions about how to keep your financial records, what types of paperwork you need to keep, what types of receipts and expenses should be coming out of the business, and what issues they foresee for your blog business. Before your first consultation, write down every question you can come up with and just run through them. If you don't understand what they are saying, ask. If you still don't understand, consider finding another accountant – not all of them are good communicators!

When you are setting up the business, make sure you record every expense related to your business, so at tax time, you will be able to claim a wealth of new business-related deductions and save yourself a lot of money. Again, your accountant will be able to tell you what is tax-deductible in your region.

The most important thing to remember is that having consistent good habits from the very start makes life much easier in the long run. In particular, documenting everything will ensure that even if you have to change accountants or run into problems, you can always backtrack and work it all out again.

Set Up a Business Entity

As with any new business, there are government requirements you must fulfill in order to operate legally. These differ in different countries, so be sure to consult your local government. Moreover, it is a good idea to ask both your lawyer and accountant for advice on how to set up your business. It can be time-consuming and costly to change these types of decisions further down the track. Here are some basic things you will probably have to do:

1. Choosing a Business Structure

In most countries there are a variety of business structures that you can use for your new business. They usually range from a simpler sole trader or partnership structure, to a corporation or company structure. A sole trader or partnership usually involves less paperwork, but leaves you personally liable when things go wrong – think lawsuits and disputes. Corporation or company structures are more complex to set up and involve higher registration and annual fees, but provide a degree of personal legal protection.

It's important to spend time deciding how to set up your business as it may have implications for things like filing accounts with the tax department, liability when things go wrong, and what business paperwork you need to complete. Ask your lawyer and accountant what they recommend. Professional consultants aren't cheap so this will be an investment, but the wrong choice of business could potentially cost you a great deal of money and stress in the long run. A qualified

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professional will help you understand your options and make an informed choice.

2. Consider How Ownership is Structured

You should also consider how the ownership of your business works. In some countries additional entities can reduce your tax exposure. For example, sharing ownership between yourself and a partner, or setting up a family trust, can distribute the income from your business and thereby reduce the tax liability you incur. Ask your lawyer and accountant for tax advice, particularly if you have partners or investors in the business.

3. Registering or Incorporating Your Business

You will need to register or incorporate your business with the government for it to become a legal entity. In the U.S. this also means selecting what state you wish to register in, since different states have different laws. Wherever you are, you will need to ensure that your business name is unique in its industry area. This can usually be done by consulting a database of local businesses. Contact your local government for more information and resources. We will discuss naming and branding more in Chapter 3.

4. Registering for Tax

Once your business is registered, you may also need to register it for tax purposes. Many countries give out an identification number to businesses to be used when lodging accounts with the tax department. You can ask your accountant for more information on what sorts of registration are needed. Ask about payroll taxes if you plan on hiring employees as well as withholding tax on their behalf. If you are planning on selling something via your blog, you may also want to ask about sales taxes and whether you need to charge them.

It's important to accept that taxes are an unavoidable reality of doing business. Planning for them means you've factored them into the equation and won't have any nasty surprises. Trying to avoid them through ignorance is never a good plan. So even though it may not be

the most exciting thing to think about in the early stages of setting up your business, take the time to research this thoroughly.

5. Insuring Your Business

Ask your accountant what their view is on taking out business insurance for your new enterprise. Depending on where you are, there may be some mandatory insurance requirements such as worker's protection or compensation insurance that will be relevant if you plan on hiring employees.

Set Up a Credit Card, Bank, and PayPal Account

Spend some time investigating different business banking options and find a suitable bank and account type for your new business. Opening a bank account in your business name will ensure that your business transactions and personal transactions remain separate. While at first it might be tempting to use this business account for your personal use from time to time, avoid this at all costs. It only makes your accounting much more complex come tax time. And even worse, if you have set up a corporate structure for your business to avoid personal liability, mixing accounts can void your protection. So always keep work and personal finances separate.

If possible, you'll also want to get a business credit card to pay for things like web hosting and domain names. Many banks won't issue a card to a business until a sufficient amount of time has passed and money has gone through the system, if this is the case, you may want to set up a new personal card that you only use for business expenses. Ask your accountant for advice on managing your credit card if this is the case.

PayPal is the de facto way of moving money online, particularly with freelance writers, designers, and developers. It is also useful for taking payments from advertisers, affiliate networks, and other companies associated with making your site money! Since it costs nothing to set up, you may as well register a PayPal account immediately and link it up to your new business bank account.

Capital and Investment

No matter how much “sweat capital” you plan to put into your new venture, to get it off the ground you are going to need some sort of capital, even if it’s just to pay for costs like business registration and your accountant’s fees. Typically your starting capital will come from one or more of the following four sources:

1. Your Own Cash and Time

Because blogging is quite a low cost business, you may very well be able to fund your blog off your own savings. If you can manage this then I personally recommend you do so. Building a business off your own cash means you don’t go into debt, you don’t have the weight of someone else’s investment or debt, and most importantly you really count every penny you are spending because you had to work to get it in the first place!

If you don’t have a lot of savings, you can start a business while working part-time to pay bills and cover costs. This can be painful and distracting, but effective – provided you have a high tolerance for working all hours of the day and night while you get your business up and running. If you choose this path, make sure you don’t let the business set up drag on because you don’t have enough time to make a real go of it.

2. Taking a Loan

There are many types of debt that you can take on to fund a small business. Virtually all will involve putting down some sort of security and paying interest back over time. You should consult your accountant and banker to discuss options that suit your particular financial needs.

3. Taking an Investment

Typical investors for a blog business will be friends and family, a business partner, or an angel investor. Businesses this size are below the scope of most venture capitalists and private equity firms who are usually looking for bigger investments with bigger returns.

If you are taking on an investment, make sure you have a rock solid business plan, have invested a lot of your own money as well, and consult your lawyer and accountant to draw up concrete agreements to keep all parties happy and satisfied. If your investor offers up terms and agreements for investing, then read them carefully and get your lawyer to do so as well.

Whenever money is involved, it's important that everything is very clear between you and your investors. If your business should go splendidly well and be worth a lot in the future, these agreements will be even more important and you'll want to know that you made them fair and clear from the beginning.

4. Having a Co-founder (with Capital)

A variant of taking investment is to have a co-founder or business partner starting the business with you. In this instance you both contribute capital and both work in the business spreading the load on both fronts. You can even both work part-time jobs as described above to help keep the business afloat. Co-founders can bring other advantages as well, which we'll discuss in the next section.

Co-founders

Like many things in life, starting a business is a lot harder to do by yourself. In fact, not only is it harder, frankly it's a lot less fun. That's why we have co-founders! But how do you choose who to work with? What should you look for in a co-founder? And what should you avoid?

What Co-founders Bring to the Table

Before we discuss the traits that make for a good partner, let's first look at some of the benefits of having a co-founder, because there is, of course, one big drawback. Namely, having co-founders means giving up a share of the ownership pie. Your fundamental aim is to find co-founders who bring enough to the table that this is worth doing. In essence, you are looking for

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people who through their contribution will make the overall pie larger, so that a lesser share of this bigger pie is actually worth more than the whole of the original.

I must say that I am also of the belief that if you're going to be successful, there will be more than enough pie to share around. And if you're going to flop, then it doesn't really matter whether you have 100%, 50%, or 25% of nothing, because it's all nothing anyway!

Co-founders can contribute a number of things to the business:

1. They Can Keep You On Track

Starting a business can be a very difficult experience, particularly if you are doing it with normal life going on at the same time. I've known many people who started businesses and then simply never finished because there were too many distractions. Having co-founders means that even if you get temporarily distracted, there are other people who have a vested interest in keeping things going and getting you back on track.

2. You Can Bounce Ideas Off Each Other and Get a Second Opinion

Wondering if something is a good idea? Well, a co-founder is there to wonder with you. Having a team means you can throw ideas around, discuss the merits of pursuing certain options, and share in collective wisdom.

3. They Spread the Workload

Starting a business is hard work. There is a lot to do on a practical level as well, like registering trademarks, opening bank accounts, finding an accountant, hiring a lawyer, choose web hosting, writing a business plan, and all the other nitty-gritty of getting things started. Co-founders mean you don't have to do everything all by yourself.

4. They Spread the Investment Load

As described in the previous section, a co-founder can and should contribute to the total starting capital put into the business. This can be a significant benefit if it means you avoid having to take on debt and interest repayments.

5. You Can Share the Startup Experience

Startups are exciting, and unless you have a team, you're going to bore the pants off your friends talking about your new blog business. Having co-founders means you can share the experience, both the highs and the lows.

6. You Begin with a Bigger Team

Two people are a team that is double the size of one. If you have one or more co-founders, it means you're already ahead of the game. You already have way more resources, and often they are cheap resources as opposed to employees who you have to pay in cash from Day One.

7. You Have More Connections to Draw On

Knowing people is a big leg up in business. Whether it's knowing a good accountant, knowing someone who can give you business advice, or knowing people in the industry who can help, connections can pay off big-time. Every co-founder in your team brings their own set of unique connections and people to draw on.

8. New Skill-Sets

Perhaps the most important benefit is that co-founders bring their own set of skills to the team. The question is: what skills do you need? Partnerships work best when your skill sets complement each other. For example, if you are great at marketing but terrible with accounts and money, then find someone who is the reverse. If you are a brilliant editor and know a lot about blogging but don't know how to get the word out about a site and generate PR, then find someone with that skill set.

What you need from co-founders are people who think and act differently to the way you do. People who have strengths where you have weaknesses, and weaknesses where you're strong. People who bring balance to your team.

Trustworthiness and Commitment

Of course it isn't just a balance of skills that makes for a good co-founder. Getting into a serious business together is up there with getting married in terms of commitment, so you need to be sure about the people you choose.

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This is incredibly important because if you do well, there is going to be money involved, and if there's one thing we can all agree on, it's that money can cause a lot of weird behavior in people. If you work with people you trust, then it means you'll spend your time working on the business and not working against each other.

It's essential that you seal any co-founding deal in paper and ink with your lawyer making sure that everyone's rights and shares are sorted out in black and white. Having said that, you should choose people you trust, such that even without the written agreement you'd be okay with them. No matter how much legal documentation you have, the wrong people can create problems and it could get pretty nasty.

So don't skip out on having a legal agreement with your co-founders under any circumstances, but when you choose those co-founders, choose them as if there wasn't going to be a piece of paper holding you together.

Unity of Purpose

In medieval Europe, a not-uncommon method of execution was to tie a man's limbs to four horses and then spur the horses to run in different directions. This morbid analogy sums up what will happen to your business if you and your co-founders all have different aims.

When you get into business with someone, it's important that you figure out what their plan is. Are they looking to just invest some money and then not do anything? Are they looking for a quick exit? Do they see the business as being all about them? Are they passionate about growing a business or just after a cash cow to fund their lifestyle?

Sometimes you will have to turn away from someone who complements your skill set perfectly and whom you trust implicitly, simply because they want different things from the business.

Having unity of purpose means you avoid friction caused by your team each trying to fulfill different objectives. So instead of working against each other, you're working with each other.

Finding co-founders means making a lot of big decisions. In Chapter 4 we'll discuss how important it is to take the time to pick the right staff, but picking co-founders requires ten times more care and thought. Go with your instincts about people, take the time to ask them what they are after, and ask yourself if you complement each other in skills and personality. Remember, you're going to be stuck with these people for a long time to come, so also choose nice people who make you happy!

Your Mission and Vision

Business just for the sake of making money is neither inspiring nor fulfilling. While that shouldn't mean you ignore finances, it does mean you should set a higher priority and let that inform the business of making money – not the other way around.

Having a mission for your business can be as simple as deciding that you want to create the most informative blog on a particular topic, or to be a site that is known for breaking news first, or to create a blog that creates value for its readers.

Take some time to imagine what you'd like to create. Remove money from the equation and instead, consider what sort of product you could make, how it could impact people, and what sort of success would inspire you. Look at sites and businesses you admire and ask yourself what values do they have? What are they aspiring to?

When you write out your mission statement in your business plan, in your notebook or wherever you decide to commit it, don't feel you need to make it sound grandiose or wordy. It's just as valid, and probably a lot more inspiring, to have a simple plain mission that you really relate to!

Business Planning

When investing any significant amount of money into a business, it is worth creating a business plan to document your predictions, goals, and position.

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While you might think that a business plan is only necessary for startups and businesses looking for loans and funding, in reality, it pays for any business to plan ahead. There's an oft-quoted adage that says that "failing to plan is planning to fail." The benefits of writing a business plan are:

1. It forces You to Think Through Your Plans in Detail

The great dangers in starting a business are all the unknowns. A business plan is structured so that you need to think through all the different aspects of your business from financials to organization to marketing, questioning assumptions and hopefully eliminating any unknowns caused by simply forgetting to plan.

2. You Have a Plan You Can Refer Back to for Guidance

In the planning stages of your new business, you have the luxury of time to draw up plans that you can refer back to later, when you may have a lot more work to do or a lot more pressure on you. A business plan is something you can not only refer back to, but also keep updating. A good business plan should be a living, evolving document that changes as the business changes.

3. They Are Useful When Looking for Loans and Investment

On a very practical level, if you are looking for loans or investment, you will often need a business plan complete with detailed financials to explain what you're going to be doing with the money.

What Goes Into a Business Plan?

A business plan should always have clear, measurable objectives. You want to define what you plan to do, the results you expect to achieve, and the assumptions you are making. In setting this all out, you will not only have a yard stick to measure by, you will also think through whether your finances really meet up with your plans, whether it's realistic to imagine that your marketing plan will yield the traffic you hope to gain, and so on.

A typical business plan is a document that contains information about the organization you are building, the product you are developing, how you plan

to get traffic and market, and projections on how your cash flow will look for the first year of the business.

There are many good reference guides on writing a business plan that include examples, headings, and summaries of what to put in the different sections. A good handbook for business planning and other small business information is the *“Small Business Guide”* by Nicholas Humphrey.

It’s important to understand that it’s okay not to know exactly what is going to happen. Just think through and estimate everything to the best of your abilities. You’ll be surprised at how useful it is to think through your plans.

It’s also good to keep in mind that you shouldn’t fill a business plan up with information just for the sake of it. Celebrity venture capitalist Guy Kawasaki in his book *“Reality Check”* writes that *“The ideal length of a business plan is twenty pages or less, and this includes the appendix. When it comes to business plans, less is more. For every ten pages over twenty pages, you decrease the likelihood that the plan will be read, much less funded, by 25 percent.”*

When you’ve written your business plan, show it to your accountant for feedback. You may find that some assumptions you’ve made are less realistic than you’d like. Accountants pore over the records of many businesses, qualifying them to give solid advice and feedback to ensure your plans stack up.

Over-planning

As important as planning is, it’s not as important as *doing*. While you should take the time to write up a business plan, you also don’t want to get stuck there and never make it to launch day.

Keep your business plan relatively brief, don’t obsess about details that you can’t possibly know at this early stage, and if you notice that the planning stage is dragging on too long, then just force yourself to sit down and write out the remainder, and then move on.

It’s a good idea to make planning less of an up-front activity and more of an along-the-way one. Planning on the fly means that you are constantly

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updating your plans with new information and details. It requires some sort of initial plan, and then as you run the business, you periodically check back and update your ideas and reevaluate your assumptions. You may also develop the plan in new directions you wouldn't have been able to foresee in the early stages of your new business.