



Introduction to Digital Products

WHAT IS PASSIVE INCOME?

Passive income is any stream of income in your business where you're not trading dollars for hours, and instead you're creating some kind of content once and selling it over and over again. The term passive income is thrown around a lot in the online business world, but it can be a little bit of a misnomer. Yes, in the end, passive income is indeed passive, but in the beginning it's quite active, and usually it takes some additional seasons of activity to keep it all running smoothly and consistently. This stream of income is great for adding some recurring revenue to your business that can eventually run on autopilot, so you can focus on other aspects of running your business.

WHAT ARE DIGITAL PRODUCTS?

Digital products are a way of creating passive income for your business. They are basically any type of information product you deliver electronically rather than physically ship. Some popular examples in the creative entrepreneur world would be online courses, video workshops, e-books, PDF guides, worksheets or printables, or design resources like icons, illustrations, stock photos, templates, and more. (See the mega list of digital product ideas included with this lesson!)

WHAT ARE ADVANTAGES TO CREATING + SELLING DIGITAL PRODUCTS?

There are many great reasons to sell digital products – mainly because it adds stream of passive income for your business. Again, they're a lot of work upfront depending on the content you're selling, but once they're in place, you can sell them over and over on autopilot. For this reason, they're more scalable than a traditional business model of selling a service or physical product. Since you're no longer trading dollars for hours, the sky's the limit for product development and potential income.

Since nothing physical is produced or shipped, digital products are also far less expensive to produce (sometimes free to produce depending on the skills you have and programs you already use), so as a result they're also much less risky. Worst case scenario, if no one buys your digital product, you'll be out your time, but not necessarily much (if any) money. Finally, selling digital products related to existing services or products you already offer helps establish you as an expert in your field and provides further education opportunities for your clients or colleagues.



WHAT ARE DISADVANTAGES OF CREATING + SELLING DIGITAL PRODUCTS?

The main downside that keeps many small business owners from selling digital products is the lack of control over the customer's use of your product. There's almost nothing you can do to keep a customer from sharing a digital file with a friend. But as a designer who's been selling products like these for a long time, that's just a risk that comes with the nature of this kind of business. For me, that risk is worth the return I see on my products.

I put as many things in place as I can to protect my work from being redistributed without consent, including copyright info + terms of use on PDF pages and my online spaces and product listings. For the most part, I think the majority of my customers are honest and have integrity, but I'm sure there are others out there who wouldn't think twice about forwarding a paid product to a friend.

That being said, it's also important to "patrol" your content, so to speak, and be aware of anyone trying to resell your products as their own. This is quite different than just forwarding a file to friend – when they're profiting off of a product that you created, that is definitely something you want to take action on and put an end to.

PAID VS. FREE DIGITAL PRODUCTS + WHY IT'S GOOD TO HAVE EACH

Digital products don't necessarily have to be paid products, but it is good to make sure some kind of trade or transaction is taking place so you have something in return. A common way to do this is to exchange an email address instead of exchanging money. Using digital products as free incentives to signup for email lists is the most popular way of doing this, and one I highly recommend.

It's a good idea to have a combination of both paid and free digital products in your business because it allows your customer to give your products a test drive before investing. If you offer something free, they'll be able to check out the quality of your work without any risk, and be more likely to purchase a paid product from you in the future.



50 Digital Products Ideas

EDUCATION + TRAINING

- membership-based online course
- subscription-based website / library
- email course / series or mini-course
- worksheets / workbooks
- forms
- checklists
- action plan
- guides
- e-books
- online challenge
- podcasts
- recorded video tutorials / trainings
- live video workshops / webinars
- online community group (like Facebook or Slack)
- reference charts / cheatsheets
- maps / diagrams

TEMPLATES + PATTERNS

- spreadsheets / Excel templates
- branding collateral templates (notecards, business cards, letterhead, etc.)
- social media graphic templates
- document / resume templates
- craft patterns (origami, paper crafts, etc.)
- sewing patterns (knitting, crochet, etc.)
- copywriting templates
- email scripts / swipe files
- blog / website template or wireframe

RESOURCES + ASSETS

- music files
- audio clips / sound bites
- video clips / graphics / animation
- blog / web graphics
- icons
- illustrations / vector graphics
- patterns / textures
- clip art
- fonts
- stock photography / mockups
- pre-made logos
- web app / software

ENTERTAINMENT + LEISURE

- desktop / phone backgrounds
- printable journal / writing prompts
- printable wall art
- printable wall or desk calendars
- printable greeting cards / invitations
- printable tags / labels / stickers
- printable planners / organizers / lists
- printable party decor / signage
- printable games
- printable coloring pages
- printable wedding stationery
- printable wedding decor / signage
- printable scrapbook papers / elements



Introduction to Etsy

WHAT IS ETSY + WHO USES IT?

Etsy is an online marketplace originally created for selling handmade items from independent makers. In the last few years, it has expanded into allowing its sellers to include digital products in their shops. This greatly expanded their platform into a world of online business that was already on the rise. Many different people sell on and buy from shop on Etsy – all ages, all genders, and from locations all over the world. Etsy has a built in community of makers and artists of all kinds, and is a great hub for creatives to share their work with their customers and even collaborate with other creatives.

PROS + CONS OF SELLING ON ETSY

What are the advantages of selling digital products on Etsy?

- People come to Etsy to search for specific types of products rather than Google
- Built in backend system for listing, selling, and delivering products
- Trusted platform, especially for accepting personal + financial information
- Minimal fees
- Easy shop setup so you can start selling quickly

What are the disadvantages of selling digital products on Etsy?

- You play by Etsy's rules
- Customers tend to have the mindset that they're buying from Etsy, not from you
- Limited customization for the branding of your shop
- Can get oversaturated for certain categories, making it difficult to stand out

SUPPORT FOR ETSY SELLERS

Another advantage to Etsy is it's built-in support system for both buyers and sellers. Etsy provides support in a wide variety of ways including the Seller's Handbook, community forums, seller teams, buyer / seller protections, online labs (a.k.a. webinars), and an extensive library of help articles + resources. One riff a lot of people have with Etsy is that they tend to not intervene in disputes between sellers. If you have a complaint about another seller, Etsy typically leaves it up to you two to work out issues on your own. I actually see this as a pretty reasonable stance for them to take – there are way too many shops on Etsy for them to have the capacity to police them all. They're just a facilitator for selling products, they're not claiming responsibility for the selling of the products.



Setting up Your Etsy Shop

LISTINGS + ORDERS

Your Etsy shop dashboard

Your Etsy shop dashboard gives you a quick snapshot of your shop activity including sales, stats, listings, and payment account. You can click on each section to go to their respective pages for more details and editing options. This page is just a simple overview. The Shop Activity tab is a running feed that shows when someone favorites one of your listings, places an order, or leaves feedback on their purchase from you.

The Listings Manager page

The Listings Manager page is where you'll manage all of your products – a.k.a. listings – for your entire shop. The bulk of the page shows each of your active listings either in a grid layout or in a list layout (you can change the view at the top of the page). Each listing's block shows a few key things: thumbnail image, title, expiration date, amount in stock, price, and brief stats for the last 30 days and for all time. Use the check box at the bottom of the box to select multiple listings to make changes to at once – you'll use the buttons at the top once they're selected to either Renew, Deactivate, Delete, or apply other actions from the drop down menu.

Back in the listing block, you can also click the star to make that listing a Featured Listing (shows up at the top of your shop, you can have up to four here), or click the gear icon to see more specific editing options.

Listing status + shop sections + filtering / sorting

In the left column, you can search for specific listings in your shop, sort by active listings, draft listings that haven't been published yet, expired listings, sold out listings, or inactive listings (ones you've turned off in your shop, but haven't necessarily expired or sold out). You can also look at just your featured listings, which are the four listings that appear at the top of your shop when customers land on your page. Click Manage to rearrange the order the four appear in.



You can also sort by the different sections you have your shop divided into, if you're using that feature. Click Manage to add new sections, delete sections, or rearrange the order of them. You can have up to 15 sections total. Lastly, you can sort by shipping profile (if you have physical products), or by tags/keywords. In the top right corner of the page, you can also sort your listings in different orders like price, alphabetical, expiration date, and quantities.

Adding a listing + quick editing

Along the top of the page, you can also jump over to your Stats page quickly, or switch to Quick Edit mode which lets you make quick changes to things like titles, price, quantity, and section without bouncing back and forth between listing pages. Click Add Listing to create a new listing from scratch. The Add Listing page looks just like the Edit page of an existing listing (click any listing thumbnail on your Listings Manager page to see what I mean) – this is where you customize everything for your listing.

PSST! We'll talk in-depth about creating new listings and exactly how to fill out every single thing on that page in Lesson 4 (*Publish*) of this course.

The Orders page

Your Orders page is where you'll manage all your incoming and completed orders when someone purchases an item from your shop. Along the top, you can sort by open orders (ones that have not been fulfilled yet), completed orders (ones that have been fulfilled – since digital products are delivered automatically after purchase, they'll always go straight to your completed orders), all orders together, and cancelled orders. You can also filter by month and/or year, as well as sort by date or total amount.

Below that, it'll list all your orders in blocks with a quick snapshot of the order details. It shows the customer's name (this is their Etsy username, not necessarily their actual name), order date, total, products ordered, payment method, and for digital products – the download status of their files so you can see if they've opened them yet or not.

Viewing order receipts + managing an order

Clicking the receipt number on the order overview block will open up the receipt in a new window with even more editing + managing options. Here you can see the actual customer name, address, and email and any notes the customer left when they placed their order. Towards the bottom of the screen, you can also add your own personal notes about the order – these are for your use only, the customer will never see this.



This is also the page where you would issue a full or partial refund or cancel the transaction completely, if need be. In the area with their order items, click the Manage Order drop down menu and select an option from there. In order to cancel a transaction, you have to first issue a full refund. When an order is cancelled, it will be moved to the Cancelled tab on your Orders overview page. When you choose either of these options, your Etsy fees are refunded to you as well.

PSST! We'll talk in-depth about customer service etiquette as it relates to refunds + cancellations in Lesson 6 (*Maintain*) of this course.

STATS + CUSTOMER INTERACTION

Your statistics + analytics page

Your stats page is where you can see analytics about your sales and traffic in your shop. At the top of the page, you can choose specific date ranges to view. The Overview tab shows your total views, favorites, orders, and revenue (does not account for Etsy or PayPal fees). It shows these stats in numerical totals, as well as charted on a graph so you can see spikes and dips. You can hover your mouse over points on the graph to see specific totals. Clicking the Map tab shows where in the world your views and orders are coming from for the date range you have selected.

Traffic sources

Back on the Overview page, you can scroll down to Traffic Sources to see where people are coming from when they land on your shop pages. It's divided into overall traffic from all over the Internet and traffic coming from within Etsy specifically. This is a good place to look if you have a big spike in views or orders so you can see if your shop or products have been shared somewhere.

Usually the top sources will be etsy.com or the Etsy App or Direct Traffic (this accounts for direct links clicked in emails, Instagram, bookmarks, or typed directly into their browser). Under Within Etsy, you usually want Search to be at the top of your list – this means your tags and keywords are working and your products are showing up well in search results.



Top keywords

Further down the page, you can see the top keywords that were searched on either Etsy or outside search engines like Google that led people to your shop pages. This is another great place to look for ideas for keywords and tags to be using in your product listings. It also gives you a good snapshot of what people are coming to your shop for most often, which can be valuable knowledge when you go to create new products.

Most active

The Most Active section shows you which pages and listings in your shop are viewed most often, and which ones are favorited most often by customers just browsing on Etsy. Again, this is a good place to see what types of products tend to get the most eyes on them when you go to create anything new.

Ad statistics

At the very bottom of the page, if you pay for Etsy search ads this is where you'll see analytics for how those are performing and converting, as well as how much you've spent on them.

PSST! We'll talk in-depth about making the most of all this data on your Statistics page so you can rank higher in search results and improve your shop's SEO in Lesson 5 (*Promote*) of this course.

Reviews + getting feedback from customers

When a customer makes a purchase from your shop, they have the option of leaving a review of your shop – also known as feedback. They can rate your shop on a scale of 1-5 stars, plus leave specific comments about their experience. To see and manage these reviews, go to Your Shop > Orders > Reviews. These are listed in order of most recent to oldest reviews. If a customer leaves a rating of 2 or fewer stars, you are allowed to post a public response to their review on this page (there will be a link next to their review that says Post a Public Response. This can be good for defending your product or explaining your side of a dispute if no resolution was agreed upon. But keep in mind, potential customers can see these (hence, public!), so be mindful of that if you choose to respond.

Etsy convos + how to communicate with customers

Etsy offers a direct communication system with other Etsy users and customers, they call it Conversations. At the top of the page, click You > Conversations to view this page. This functions just like an email inbox with folders, sorting, and search functions. When you click on a conversation, it'll



open the thread of messages in a new window, and it'll also show any past orders from the Etsy user you're communicating with. Etsy users do not have to have made a purchase from you in order to contact you.

The little message icon in the top right corner of your response area is called snippets. These are canned responses you can save for frequently asked questions or any other generic copy you tend to repeat in messages. You can also attach files to messages via the link in the bottom right of your response area.

PSST! We'll talk in-depth about customer service etiquette as it relates to conversations and snippets in Lesson 6 (*Maintain*) of this course.

FINANCES + FEES

How Etsy billing + fees work

It is free to open an Etsy shop, the only fees that are applied are when you list an item for sale, and when you sell that item. Here's a breakdown of their fees:

- To list an item = 0.20 cents per item (listings that do not sell expire after four months)
- When you sell an item = 3.5% of the sale price (does not include shipping or taxes)
- Credit / debit card processing fees = varies by country, the US is 3% + 0.25 cents per transaction

Other fees that you may incur, but are not as frequent:

- Currency conversion fee for payments made in a different currency = 2.5%
- Promoted listings = varies (if you purchase Etsy search ads, obviously you have to pay for those!)

All of your fees are automatically dumped into a section of your shop called Your Bill (Your Shop > Finances > Your Bill). On this page you can pay your bill at any time or signup for autopay – it's due at the end of the month, otherwise you risk your shop being suspended, and you can have it deducted directly from your Shop Payments account rather than paying from a credit/debit card or bank account. You can also view all your past bills and fee totals by month on this page.

How Etsy payouts work

Your Shop Payment Account page shows more detailed information on your fees and your bottom-line earnings from your shop. Etsy payouts happen weekly, and the first block on this page shows what your next payout amount will be and when it will be deposited. You can also click to schedule an earlier



deposit if you need to – it will automatically reschedule it for the next business day. The second block shows your account settings pertaining to your bank account and cards on file, plus a link to update them if you need to. Below that is a detailed breakdown of all your individual transactions and the fees applied to each one.

Managing your Etsy shop bookkeeping + taxes

Disclaimer: I am not an accountant, so I cannot offer advice on the best methods for bookkeeping or collecting /paying taxes, I can only share what methods I use myself. Also, this course focuses on how to create and sell digital products on Etsy, not how to manage your business's finances, so I'm just going to stick to the bare basics here.

For bookkeeping, I use QuickBooks Online for my entire business' finances. Etsy does not integrate directly with QuickBooks, so I have to manually enter profit totals and fee totals from each month. I do this by exporting data in spreadsheets and calculating the totals myself. Sounds tedious, but honestly isn't that much work once you do it a few times. I worked with an accountant to make sure I was doing this correctly and accurately, which I highly recommend – especially an accountant who understands the world of Etsy.

You can export this kind of data in your account under Your Shop > Shop Settings > Options > Download Data. For taxes, it varies by state and region, so you'll have to talk to your accountant to know your specific requirements.

SHOP GRAPHICS + BRANDING

Adding graphics + branding your Etsy shop

I'm a designer first and foremost, so I cannot stress enough the importance of creating a brand identity for your shop. Your Etsy shop is more than just an online space, it's an actual business if you treat it like one, and deserves quality branding and design to prove that. While a downside to selling on Etsy is that you're limited in any customization of the appearance of your shop, there are a few key places you can – and should – make your own.

Etsy has recently updated the design of their shop pages, and it's definitely for the better. Now your entire shop, about section, and policies is all viewed on one single page for your customer, with a few additions that let you customize your shop with your own personal branding + design.



The number one place to showcase your shop's branding is in the main image at the top of your shop page. This area has three options: it can have a small banner (which is reminiscent of the old Etsy shop pages, if you're familiar with those), it can have a full screen cover photo (which is what I recommend), or you can choose not to have anything there at all.

This is a great place to infuse your brand's personality into your shop page in a big way, and immediately pull in your customer's attention with a unique design or high quality photography. While it can be tempting to cram in a ton of information on this image, try to keep it simple and don't bombard them. Your customer wants to quickly see who you are and what you sell, and then start shopping.

The second place you want to add your branding is in your shop icon. This is the square image that appears at the top of your shop on the left. I would recommend putting your logo in this icon rather than a photo or headshot. This image will also serve as your avatar in other areas of your shop and on Etsy in general, so having your logo as this icon is a great way to ensure people are familiar with your brand. Keep this simple as well, and remember that this will often be viewed at a much smaller scale (as an avatar), so make sure it's legible and clean.

You can edit all of your shop graphics live in your shop by clicking the blue button near the top of the entire shop page that says "Edit Shop" and then clicking the camera icons next to each graphic. You can also edit it under Your Shop > Shop Settings > Info + Appearance.

Customizing your Etsy shop name, title + announcement

You also want to choose a relevant shop name and shop title. Choose your shop name wisely, because it can be a pain to change in the future, though not impossible. Your shop title is like a tagline that explains what you sell, and this can be changed at any time. Both of these appear on your shop's home page as well as in Google search results, so keep it relevant!

You can also edit the Shop Announcement section, which is the text area that appears below your four featured shop items. Feel free to put important information or news about your shop in this section, but keep it brief – your shop home page will only show the first two lines of any text in this area.

You can edit shop title + announcement live in your shop by clicking the blue button near the top of the entire shop page that says "Edit Shop." You can also edit these under Your Shop > Shop Settings > Info + Appearance. To edit your entire shop's name, go to Your Shop > Shop Settings > Shop Name.



Customizing your about section + shop updates

As you scroll down your shop page, your Updates section and your About section are shown below your Reviews. The Updates section is a newer addition to Etsy and serves kind of like a social feed of real-time news + updates you can post in regards to your shop + products. This section is optional, and if you don't upload anything, it simply won't appear as a section on your page.

The About section is next, and this another big area to infuse a lot of your brand's personality. Here you can add in video and/or photos to give more visuals to your shop, plus you can add in a bio headline + text; links to your social accounts, website or blog; and an area to introduce the members of your shop with their own photo, name, title, and brief bio (which will most likely just be you!). Use these text + photo areas to communicate your brand's mission and the purpose behind your products. At the bottom of your About section, you can add info about members – a photo, title, and brief bio (usually this is just yourself, unless you have a team of people working with you that you want to include).

You can edit all of your About section live in your shop by clicking the blue button near the top of the entire shop page that says "Edit Shop." You can also edit it under Your Shop > Shop Settings > About Your Shop > Story (click the Members tab here to edit shop member info).

PSST! We'll talk in-depth about branding + design for your shop in the Bonus section of this course.

Customizing your policies section

No matter what you're selling, you need to have some shop policies in place to protect yourself and your products. Etsy is in the process of switching over the structure of their policy section for all shops, but you have the option of using the old version or the new version. I recommend the new version.

The old version requires you to write all your own policies from scratch, and Etsy just provides general categories to organize them in: payment, shipping, refunds + exchanges, and additional information. To create + edit your policies this way, you can edit them under Your Shop > Shop Settings > Policies.

The new version provides more of a generalized, guided setup of your policies so they're more simplified and uniform across all of Etsy, making it easier for customers to understand (and making sure you as the shop owner have covered all your bases).

You can create + edit your policies in this way live in your shop by clicking the blue button near the top that says "Edit Shop."

PSST! We'll talk in-depth about policies + customer service in Lesson 6 (*Maintain*) of this course.



Lesson 1 Homework

If you're brand new to Etsy, set up your shop! Here's what you can start with, before we dive into this rest of the course. Note: Do this on a desktop computer, not on a tablet, smartphone, or the Etsy app.

- Create an account on Etsy.** Once you create your username + password, you'll get an email from Etsy to confirm it. Be sure you confirm your account via this email before moving on.
- When you login to your new account, **click the Sell on Etsy link** at the top right of the page. Then, click the big button in the middle of the next page, **Open Your Etsy Shop.**

Etsy will now walk you through the 5 steps to setting up your shop:

- Shop Preferences** – select your preferences for language, currency, and how you'll use your shop.
- Name Your Shop** – choose a name for your shop – the fun part! Choose wisely; you can change it later but it is kind of a pain.
- Stock Your Shop** – you're required to create one listing to open your shop, so we're going to create just a test listing, then deactivate it once the shop is open. So click Add Listing, then just put in placeholder info + photo for each of the fields so you can get to the next screen. Again, we'll deactivate the listing right away, so no need to worry about what info you're putting in here.
- How You'll Get Paid** – put in your bank account info for Etsy to deposit funds into when you make a sale.
- Set up Billing** – put in a credit card info for Etsy to use to charge transaction fees.

Once these quick items are set up, your shop will be open and you'll see all the same features / menus that were in the videos with this lesson.

- Deactivate that test listing** – go to Your Shop > Listings > Listings Manager. Click the gear icon drop down menu on your test listing thumbnail, then click Deactivate. Now this listing will no longer appear in your shop, so you're good to go.



Here's a few more things we talked about in those videos that you can do to round out your shop.

- Add your **shop banner + shop icon image**
- Add your **shop title + shop announcement**
- Add your shop's **about page + shop story**

Note: If you need more help in this arena, skip ahead to the expanded bonus video lesson on branding + design for your shop.

- Lastly, **familiarize yourself with other areas of your shop** like the dashboard, listings manager, orders manager, stats page, conversations page, and other pages talked about in the videos.

Now that your shop is set up, let's talk passive income. Use the space below to answer these two questions before jumping into Lesson 2.

Why do you want to add passive income to your business? How would your business / life look differently if you had that extra source of revenue?

Take a look at the 50 Digital Product Ideas list included with this lesson, and brainstorm 3-5 specific digital products you could develop that would relate to your business and resonate with your audience. Don't just copy general ideas from this list, get specific in thinking about the topics and content you could share. We'll narrow down these 3-5 product ideas in Lesson 2, then start creating one of them in Lesson 3!