

FORTUNE SMALL BUSINESS MAGAZINE

FSB

FORTUNE

**THE BUSINESS
REVOLUTION**

Plus

- > *Microsoft Money vs. Quicken*
- > *Outsource your whole life. Really*
- > *Jules Feiffer on rage*

.com
or bust!

If your company is going to survive, you'll have to act like Leri Greer—or compete with him. Here are eight bulletproof strategies.

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Anatomy of a Site

Hot Websites such as BigWords offer a lot of dot-com do's and don'ts. A couple of e-commerce experts weigh in on the boys in orange.

Getting around:

Tabs offer a strong navigational guide, separating the sections of the site clearly for students and professors. They make it easy to get right to the information you want.

Hey, we're on

TV! Prime site real estate self-indulgently promotes TV ads. But the ads feature MTV personality Tom Green and are funny, giving BigWords a great branding opportunity.

What a bargain:

Touting its top 40 textbooks at 40% off as well as promoting free shipping for orders over \$35 instantly delivers BigWords' value proposition.

Private matters:

The lack of a privacy policy (usually found about here) makes the less trusting wonder how personal info is used.

home textbooks tell-a-friend professors gear

join the revolution | company | how it works

HELP!! EMAIL US

FALL 99

THE LAST SEMESTER OF THE MILLENNIUM

SEARCH HERE. WE HAVE ALL YOUR **TEXTBOOKS**

easysearch!

what the heck is a B-CODE? **GO!**

SEARCH BY SCHOOL **GO!**

GEAR

GIMME! YES! YES! YES! YES! YES! **CHECK THIS OUT** CARRY YOUR STUFF IN THESE! **CLICK HERE**

OUR LATEST COMMERCIALS w/ TOM GREEN NOW WE'RE TRIPPIN! **CLICK HERE**

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FASTEST FREE SHIPPING ON ORDERS OVER \$35

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SITE ANALYSIS BY SANDEEP THAKRAR AND LARRY PEARL OF ECOM ADVISORS (WWW.ECOMADVISORS.COM) AND FSB STAFF



Hi duh!
↑ NOT YOU? CLICK HERE!

in bookbag 1



Color me orange: The site design conveys the brand image—hip and targeted at Generation Y (ages 18 to 24). But the logo blends in too much with the other graphics, and its placement on the right is confusing.

Bag it: The site's shopping cart is called a book bag, fitting in with the textbook theme. The prominent display welcomes back repeat visitors, cluing them in to items in their bag. First-timers, though, might not understand how to begin to shop and what the bag's purpose is.

Search me: This is the way that most shoppers will begin to use BigWords. The two well-displayed options in the middle of the site let you search by author, title, book number, professor's course, or school. It's easy to use—and it works.

\$4 million, on which E-Steel Corp. collects a 1% brokerage fee.

Levin, who brings 25 years of steel experience to his site, made certain that the language and customs of his online world imitate those of the traditional buying and selling habits of the offline world. "In a business-to-consumer market, you can change the rules as you go," he says. "But in our business, we deal with steel mills. We can't burn down the old forest to start a new one."

Good point. Business-to-business is very promising for those who have experience in a particular industry. But this sector is discouraging for outsiders. If you have not spent a lifetime in the nuclear fuels industry, it would clearly be foolhardy to jump into an online uranium brokerage.

Search for an unexploited niche

NOT ALL of us, however, have curriculum vitae to merit a foray into the B-to-B e-commerce field. Yet as consumers, most of us have an understanding of what at least a tiny part of the buying public demands. Avoid the temptation to go head-to-head with what appears to be a toothless dinosaur, such as the Yellow Pages. Steer around the Internet monsters like Amazon.com and Priceline.com. Find instead a little corner that the great predators have overlooked.

Brad Boyle, 39, and his wife Gia, 32, of Moab, Utah, did just that. With a mere \$10,000, the Boyles created Walkabouttravelgear.com, an electronic shopping site for hip, laid-back adventurers like themselves. Looking for that hard-to-find toilet bag (a high-tech portable toilet) for a backpacking trek across Tanzania? Or maybe you want a towel you can squeeze dry for fast packing while being pursued by a bear on Kodiak Island? Walkabout is your site, as simple in appearance on your computer screen as Thoreau's hut.

The Boyles run their down-to-earth business out of their Fleetwood Pace Arrow rec vehicle, or "mobile command center," as they call it. They buy their stock from suppliers around the globe. They even ship it on their own using FedEx or UPS to ensure fast delivery. The Boyles live comfortably on commissions of close to \$250,000 a year and feel no pressure to expand quickly.

Build a cultlike community

FINDING A niche like the Boyles did is imperative. But no matter how early you begin cultivating your business on the Web, rivals will soon follow, and you'll start rubbing elbows. To protect your stake you need to develop a community of loyal patrons. These are folks who not only shop on your site but also come to meet other like-minded individuals from around the world, chat with experts, and have fun.

To develop a fan base for your site, you really have to know your target customer. That's why two Wharton MBAs—David Scott, 29, and David Reid, 30—did extensive market research before creating NextPlanetOver.com, an e-store for comic book enthusiasts that's based in San Francisco. Your typical postpubescent comic book collector is single, with an income of \$62,000-plus, and a big fan of *Star Trek* and *The Simpsons*. He shops for comics at least once a month.

To lure these shopaholics, Reid and Scott quickly built a

To win on the Web, corner a niche.

community area within their site called The Pulse. At this hangout, registered members can chat with famous writers such as Batman creator Jeph Loeb and rate their favorite products. "We have some 10,000 registered members who come daily into the shop with \$30 in their pockets and figure out what they are going to buy when they get there," Scott observes. "But before shopping, more than 15% visit The Pulse. For us, the community really has helped grow our business. Within the next nine months, you will see us diversify into toys, video games, and other products, all based on comic and Sci-Fi themes."

Be warned, however. The pressure to grow in a hurry can create a dizziness that leads e-businessfolk to forget what business they are in. Once that happens, steady community visitors can get turned off and find another digital outpost where they can hang out. That loss of focus is a major cause of e-commerce failure, says Jeffrey Tarter, editor of the technology newsletter *Soft*Letter*.

Find a well-connected rabbi

EVEN THE most grandiose scheme is not necessarily beyond the reach of e-commerce novices. In some respects, the outrageously ambitious might be easier to pull off than the modest. A few years ago, Seattle entrepreneur Tim Glass and three of his buddies got the idea to launch a national dot-com company for restaurant-meal delivery after seeing the movie *The Net*. In the film, Sandra Bullock orders a takeout pizza with the click of her computer mouse.

Thus the business that eventually became Food.com was born—simple in concept, staggering in scope. For this plan to work, thousands of restaurants across the country would have to sign up, and getting them would be expensive. Glass and his partners knew they would need venture capital. But how to find it? They decided they needed an "in" to the venture cap community, a champion, and they found it in Bill Jesse, a financial consultant from San Francisco. He introduced them to higher-ups at Accel Partners. The same James Breyer from Accel Partners liked the Seattlites' concept, and Accel invested \$10 million in the venture in the summer of 1998, taking a minority interest.

"You need to have a good reference, or it's not likely a busy venture investor will look at your plan," admits Bud Colligan, a partner at Accel. But for the whole process to work, the plan must have a cogent two-page executive summary that spells out great prospects for your business, says Colligan, noting, "VCs only want to fund big opportunities." For the founders, the feast has been bittersweet. The bitter is



Affinia's Hagerman: Out of failure comes success.

that all of them have departed at the urging of their investors. The sweet is that the founders still own a lot of shares, likely to be very valuable when Food.com goes public.

Lure some big partners

NOTHING GIVES a small dot-com credibility faster than becoming a partner with big offline companies that can help it grow. In 1997 Tim Gray and Raj Dhaka, two thirtysomething entrepreneurs who met at Georgetown University, launched WeddingChannel.com, a one-stop Website for prospective brides and grooms. "We knew that the two strongest players in the bridal space are *Bride's* magazine and Federated Department Stores," says Gray. "If we could get those two powerhouse players as partners, we'd have a strong competitive advantage."

Gray and Dhaka began a long, slow campaign to win them over. "When a big outfit like *Bride's* is looking to partner, it wants to be with someone who is going to be around, who is going to extend the brand, not tarnish it. We focused on building a really great product." They also built relationships, meeting with *Bride's* editors on press tours and even giving *Bride's* publisher ad space on its site for the magazine to resell to its advertisers. "They sold out and came back to us for more. It was a big success," says Gray. That trial relationship

The best sites have a cult following.

got things rolling, and ultimately they did a deal. Select content from *Bride's* is available on WeddingChannel's site.

That relationship helped win over Federated, which is a registry partner with WeddingChannel. "There's never one single piece of the puzzle to get a deal," says Gray. "Each relationship builds on the next one."

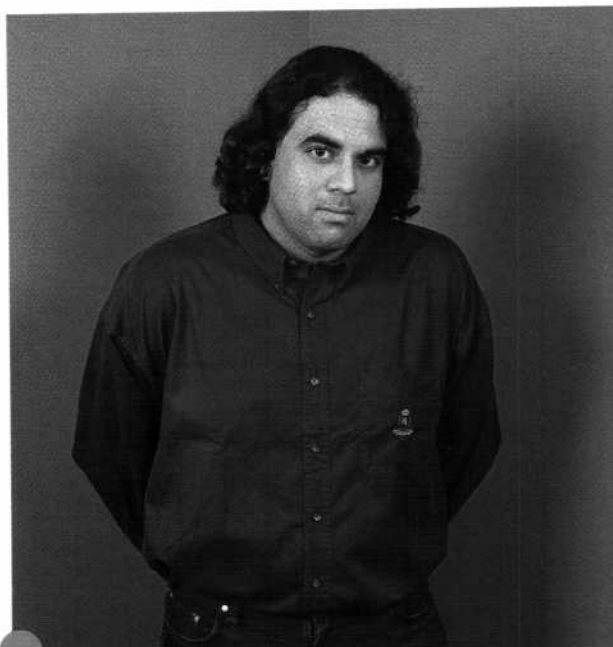
Become a grassroots marketer

IF YOU'RE not ready to become an evangelist for your e-commerce business, get a corporate job. In today's competitive market, dot-com entrepreneurs have to grab customer attention any way they can. The founders of BigWords.com, a two-year-old college textbook retailer, display the creative thinking you need to get noticed out there.

When Matt Johnson, 24, dropped out of a premedical program at the University of Ottawa, he carried with him the memory of how expensive textbooks are. So he and three friends—John Bates, Leri Greer, and Jeff Sherwood—started BigWords.com so students can buy discounted textbooks and avoid long bookstore lines when school starts.

"We try to be ninja marketers," says Bates, chief evangelist. To lure students to its site, BigWords takes advertising out in college newspapers and sends company operatives dressed in bright orange jumpsuits to romp around campuses and preach the BigWords gospel. The goal: to make an impression with stunts that students appreciate. Last August, they dropped 10,000 rubber balls with their logo from a 25-foot crane at the University of California at Berkeley.

BigWords also uses MTV talk-show host-prankster Tom Green as its commercial pitchman and has promotional alliances with other youth-friendly firms, such as Jamba



Partnering buff: WeddingChannel's Dhaka

Juice. The tactics have been working. During the fall '99 semester, the site had one million hits.

Offer service with every click

BUILD A site that is both easy to visit and shows respect for the customer, and you'll boost your success rate, notes Robert Larson Hughes, managing director of RSM McGladrey, a consulting firm in Minneapolis-St. Paul. If you lose the customers' orders or fail to answer e-mails, you will die online. Some 75% of customers who start to fill their carts at Websites lose patience and leave before they check out, according to BizRate.com.

WeddingChannel's founders recognized that customer service is even more crucial for them than it is for most. Nervous brides and parents who are spending the family fortune on gowns, receptions, and the rest aren't about to put up with sloppy service. To build in great service, the company is pouring money into Internet telephony. "We're building a big customer-service call center, where

What Customers Want

Here's what retail cybersurfers and the more time-conscious business surfers look for when they shop online, according to research by BizRate.com, a firm that judges e-commerce Websites using customer feedback.

Consumer retail sites:

1. Competitive product prices
2. Well-designed product representation
3. Good product selection
4. Reliable shipping and handling
5. On-time delivery
6. Easy ordering
7. High degree of customer support
8. Valuable information about products
9. Posted privacy policy
10. User-friendly navigation tools

Business-to-business sites:

1. On-time delivery
2. Competitive product prices
3. Well-designed product representation
4. Good product selection
5. Easy ordering
6. Valuable information about products
7. High degree of customer support
8. Reliable shipping and handling
9. Posted privacy policy
10. User-friendly navigation tools

turf is StarMedia, the hot Latin American Internet portal. The startup company, which has raised more than \$100 million, will spend \$30 million this year in marketing.

Ironically, the biggest beneficiaries of this territorial expansion fever have been the old media: full-page ads in *The Wall Street Journal*, high-profile TV spots, and even commercials on that oldest of e-media—radio. Other options: banner ads on the Net, magazine advertorials, and billboards.

How do companies finance marketing costs? Often, with venture capital money. And if a company has been around long enough to go public, one of the goals is to raise enough money to do more marketing. Cash-strapped companies will give up equity for marketing exposure. CBS has made such deals, taking a 35% share in startups.

IF YOUR business doesn't have much money, there's no need to despair. You just have to be creative about exposure. That's where strategic alliances come in. One way to get attention is to make a deal with a high-traffic portal such as Excite. Another is to sign up with a vertical industry portal. Try to find one that targets a specific industry rather than one with no clear target audience.

But money can't make up for a business plan that doesn't make sense—or a site that doesn't offer quality service. Internet consultants point out that Amazon made its early reputation for service by word of mouth. Blue Mountain Arts (see "The Next Generation," October), the online card company purchased in October in a \$1 billion deal by Excite@Home, never spent any money in media outside of the Web, says Kolleger.

But in this feverish climate, it isn't enough to conceal the fact that you're a dog from potential customers. You'll have to compete with all the bucks being spent to make sure some dogs bark very loudly. —JOEL DREYFUSS

people can connect by telephone directly from the Website and speak with a live consultant," says Gray.

Establish your brand as a problem solver

BRANDS WILL be even more important in the online world than they are in the offline. In the real world, you can walk into a boutique and "kick the tires" on a product that catches your fancy. You can't do that in the virtual world, so people buy names they trust. But what if your name doesn't inspire the same confidence as BMW's?

WorldSpy.com came up with an ingenious way to imprint its mildly sinister name on the consumer consciousness. "There are so many dot-com companies advertising all types of things," observes Alan Clingman, 40, a co-founder of WorldSpy, "that it's very tough to rise above that noise." So Clingman and his partner, Henry Schachar, 46 (both former commodity traders), decided to make a brand name by giving away a service consumers were already hooked on but paying for: Internet access.

"To get on the Internet, users have to pass through our site daily," Clingman notes. "They'll collect their e-mail on our site, so there are many opportunities to have our name and presence felt."

It is particularly felt in WorldSpy's virtual mall, the centerpiece of its online gateway. WorldSpy showcases a variety of products, adds research from *Consumer's Digest* to assist consumers in making a purchase, and offers a 110% low-price guarantee. This makes online shopping as hassle-free as it gets.

WorldSpy seems to be doing things right. The site is less than two years old, and its traffic is doubling every quarter. Company revenues are expected to reach \$35 million this year. Perhaps most impressive of all, WorldSpy has the right temperament for e-commerce. It isn't afraid to adapt quickly—and constantly.

To succeed in the fast-eat-slow game of e-commerce, adaptation is exactly what it takes to survive. □

with reporting by Jennifer Pendleton

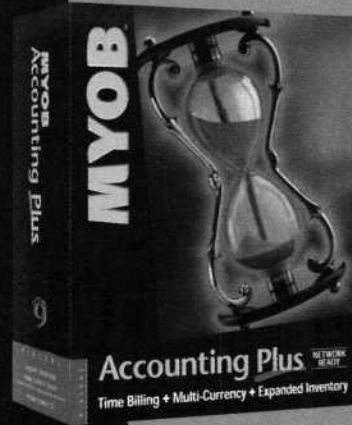
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