

Diary of a Start-up

Ninth part in a 12-week series

Week Nine Question: Can I get by with angel funding or should I pursue venture capital?

Finding ways to do business on the Web

Legal talk

Tim needs to continue thinking about ways to convince people to do business with him online.

By Len Ferber

Special to the Tribune

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Tim, last week several of your on-line advisers, including yours truly, discussed issues regarding revenue models.

What did we learn? Well, revenue models are one thing; projections based on those models are another; and actual results are still another, and ultimately most important. Projections are based on certain assumptions. These assumptions include estimates of the number of subscribers and Web site usage, but generally concern the extent to which your target audience is willing to adopt your site as a value proposition. New online businesses always show a rate of site usage which will produce significant revenues and ultimately profitability. As seen from the “blood-bath” in e-commerce stocks and the inability of private companies to raise additional funds, it is clear that, in the overwhelmingly number of cases, these forecasts of usage/adoption have been overly optimistic.

While usage of the Internet has grown dramatically, most e-commerce sites have not experienced the adoption rate necessary to create sustainable businesses. Your target audience includes corporations and educational institutions. That squarely puts you on the business-to-business side of things. Surveys have reported that widespread business adoption of the Internet as a means for doing business has been slower than anticipated. Doing business on the Internet is a “new trick,” and business organizations do not learn new tricks easily. I believe there are several reasons for this which, at their core, reflect fundamental human behavioral characteristics:

- **Too old to learn new tricks** Once businesses establish themselves, they adopt patterns of behavior. The more successful a business and the longer these patterns of business behavior go on, the harder it is to change. The administrative bureaucracy, vital to the ability of large and small businesses to complete the massive amounts of routine day-to-day activities, must adhere to tried-and-true ways of doing business to survive. The adoption of new technologies is often not part of normal business behavior. This same “bias” against change can be seen on the consumer side as well. Although on-line shopping is growing, you don’t overturn a pattern of 500 years of going to a store in a matter of a couple of years.
- **Too busy to learn new tricks** People are busier than ever. There simply is not enough time in the workday to get all required work completed. People have to work late. People have to work weekends. People have to work fast. In such an environment, where it seems that people are desperately searching for the elusive “one more day” to do something, they are less incline to take the time to learn something new, even if it is beneficial and even if it might ultimately save them time. They simply take the path of least resistance.

- **Too small to learn new tricks** Many medium and small businesses think that new technologies are for big companies that can afford to spend the money on hardware, software, support and training. The efficiencies brought on by the use of technology are not as dramatic when the overall business is modest.
- **Too scared to learn new tricks** The internet will squeeze profits and margins of many businesses one way or the other. These businesses probably understand that they will be required to adapt their businesses to the Internet in order to survive, but if you are going to be squeezed why rush to embrace the technology that causes it?
- **I don't want to learn new tricks** Here are two fundamental truths: People are social animals, and using your computer is a very "unsocial activity." If there are two ways to get content — one from the computer and the other from some social activity, look for the latter to win out. If the idea is to learn from a CEO, are people more likely to go to the next networking event at which a CEO is speaking or to find that content on the web? It may not be surprising how many networking events there are in Chicago, but it is surprising that almost all of them are well attended.

So what is to be learned from this rather pessimistic view? First, the task you forge is hard. Expect it to be so. Second, realize that you must find some way to get past the natural resistance to change. "Build it and they will come" probably won't work. Intuitively, people may recognize the benefit of EVO Knowledge, but how do you get corporations and universities to adopt your value proposition and make it a part of their regular pattern of behavior? That is your challenge and, in effect, the challenge of all on-line businesses.

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