

**WPI Venture Forum**

Worcester Polytechnic Institute  
Alumni Association  
100 Institute Road  
Worcester, MA 01609  
(508) 831-5821

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**WPI Venture Forum**

*Presents*

**Breakfast with Ken Olsen**

**Thursday, May 13, 1999**

**7- 9 AM**

**Westborough Marriott**

*R.S.V.P. by Monday, May 10, 1999*

*Seating for this event is limited*

*Please detach and mail response. Thank you!*



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100 Institute Road  
Worcester, MA 01609  
phone: 508.831.5075      fax: 508.831.5791      e-mail: [ventureforum@wpi.edu](mailto:ventureforum@wpi.edu)

Yes! I/we would like to attend Breakfast with Ken Olsen

There will be \_\_\_\_\_ attending

Name(s) \_\_\_\_\_

Company \_\_\_\_\_

Phone or E-mail \_\_\_\_\_

Amount enclosed \_\_\_\_\_

**Check made payable to:** WPI Venture Forum

**WPI Venture Forum Members \$29**

**Non-members \$39**

**Students \$19**

Please add my name to the WPI Venture Forum mailing list.



# Venture

# VENTURE FORUM NEWS

*A Look at the Upcoming Meeting*

## The Capital Markets-1999 Finding the Funds

Tuesday, April 20, 1999

WPI Campus Center  
Higgins Labs, Room 218

Registration: 6:00 PM

Meeting Begins: 6:30 PM

Admission Fee: \$5.00 Members

\$10.00 Non-members

Money is the life blood of your company. Or so the saying goes. If this is true then it is critical that you as an entrepreneur understand what makes the blood flow and how you can get the blood. The April program of the WPI Venture Forum is devoted expressly to assisting entrepreneurs in understanding and becoming more knowledgeable about how and where to find the money necessary to fund their early-stage or emerging companies. Due to the critical nature of this topic, the Forum will once again devote the entire evening to the subject.

We have assembled a seasoned panel of speakers who will relate to you their experi- ►

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7 - 9 a.m.

Thursday, May 13, 1999  
Westborough Marriott, Route 9,  
Westborough, MA

WPI Venture Forum Members \$29

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Students \$19.

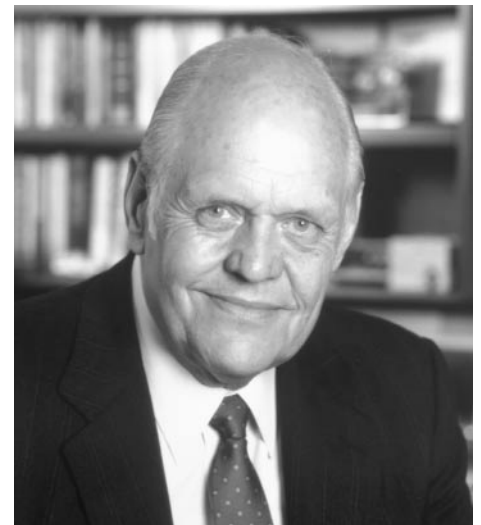
The event: WPI Venture Forum's "Breakfast with Ken Olsen." Olsen is founder and president of the former Digital Equipment Corporation, and current chairman of Advanced Modular Solutions, Inc. of Boxborough, MA, a supplier of computers, including fail-safe systems, rack-mounted servers and managed PCs and storage systems.

Olsen will speak on the differences between starting Digital Equipment Corporation in 1957 and starting a new company at the dawning of the 21st century.

Maybe it was easier then. Certainly there were fewer regulations to deal with, and computers were unheard of by the man-on-the-street, so competition was limited. On the other hand, the concept of computers was so new that finding funding must have been a real challenge, and generating demand nearly impossible.

How did the young and energetic Ken Olsen overcome obstacles to starting his business in the 50s, and become one of the foremost entrepreneurs of our time? Once he left the billion dollar company, why did the older, but still energetic Olsen start another company? Did his entrepreneurial spirit refuse to let him rest on his "laurels"? Join us for breakfast and find out.

After founding Digital Equipment Corpora-



tion in 1957, Kenneth H. Olsen, now 72, served as its president until his retirement in October 1992. Under his direction, Digital grew from three employees in 8500 square feet of leased space in a woolen mill to a \$14 billion company doing business in over 100 countries.

Olsen earned his bachelor and master of science degrees in Electrical Engineering from the Massachusetts Institute of Technology (MIT). He is a member of the Corporation of MIT, Cambridge, Massachusetts; a fellow of the Institute of Electrical and Electronics Engineers, Inc. (IEEE), and the American Academy of Arts and Sciences, Boston, Massachusetts; and a member of the National Academy of Engineering. In 1993, Olsen was a recipient of the Founders Medal from IEEE and the National Medal of Technology. (See back cover) **VF**

## WPI VENTURE FORUM

The mission of the WPI Venture Forum is to promote and serve technology-based entrepreneurial activity and economic growth in the region by increasing the business and financial knowledge of the participants through sharing experiences with entrepreneurs as well as area business, financial and educational leaders.

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Nancy McKenna (508) 793-7615

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## Letter From the Chair

# Venture Forum Happenings

By Brian Dingman

The balance of our program season through mid June of this year promises to be busy and interesting. I wanted to take this opportunity to make mention of events and considerations for our members, and those interested in membership.

### Breakfast with Ken Olsen

As you should know by now, we are pleased to offer a new program this Spring. We approached Mr. Olsen, the founder of Digital Equipment Corporation, with the thought of asking him to speak on his founding of Digital in 1957, his founding of Advanced Modular Solutions, Inc. a few years ago, and drawing upon these experiences to discuss the current technology business start-up climate. We were thrilled to learn that he had thoroughly enjoyed his interactions with the WPI Venture Forum, and that he was interested in speaking.

Due to feedback from attendees of our previous programs, we had learned that there was tremendous interest in having Venture Forum programs closer to the MetroWest region, due to the fact that many of our members either live or work there. Also, we found that evenings and Saturdays were inconvenient for many. These two factors were what led us to plan Mr. Olsen's talk for Thursday, May 13, 1999, from 7-9 AM, at the Marriott in Westborough. We are very excited to present this event, and hope all of you can make it. Look for sign-up details in this issue.

### Business Plan Contest

Many of you know that we run an annual business plan contest, which culminates our season in June. This year is no exception. If you have a good plan, or are writing one, make sure to finish it by early May at the latest, so that you can enter the plan in the contest. Last year we had more plans than ever before, and we expect this year to top last. So, make sure that the plan is cohesive and presents a "can't miss" opportunity for investors!



Since all of the details of this year's contest haven't been worked out as of the date I need to complete this column, look for details in this issue and following issues, or contact our office at (508) 831-5075. Your plan will be judged by a number of qualified judges, each of whom will use a judging system we have developed over the years, and which has proven effective at accurately judging winning plans. The winner will present the plan at the June Venture Forum monthly meeting, and will receive a prize worth thousands of dollars.

### Membership for 1999/2000

As of the printing of this issue, we will begin our 1999/2000-season membership drive. Membership in the WPI Venture Forum exposes you to all of our publications and activities, and also helps to support us in accomplishing our mission of promoting and serving technology-based entrepreneurial activities in the region. We are a non-profit organization, and membership dues comprise a significant portion of our operating income. It is due in large part to our members that we are able to offer substantive, quality programs such as this newsletter, the monthly programs, the breakfast with Ken Olsen, the business plan contest, and the radio show. Please continue your support, and maintain your active involvement in our organization. Thanks and we look forward to seeing you again next season.

Brian Dingman is a partner in the Westborough intellectual property law firm Niels, Lemack and Dingman. Brian can be reached at (508) 898-1818, or by email at [NLDlaw@aol.com](mailto:NLDlaw@aol.com). **VF**

# Electronic Commerce Set to Take Business by Storm

by Shari L.S. Worthington, President, Cirrus Technology

It's impossible to ignore the wealth of information available via the Internet. Currently, you'll find about 150 million Web pages in existence, covering everything from special interest activist groups to consumer malls to business sites. By the year 2000, estimates are that that number will have grown to 1 billion Web pages. Pretty amazing for a technology that's only a few years old!

Even younger is the much talked about "Electronic Commerce" — doing business online. More than a retail gimmick, e-commerce is important for the business-to-business community. In fact, it's crucial for manufacturers, distributors, and systems integrators to get into the e-commerce swing because over 100 million people, including your customers, are finding the Internet an exciting place to be. And more than half of those 100 million log on to the Internet DAILY to access everything from games to graphics, from product information to purchasing forms. So, the bottom line for business is that if your company isn't already generating qualified leads and sales from your Web site, then you could easily be left in the dust by your competitors.

## A perspective on E-Commerce

First, let's define the terms. Electronic commerce doesn't mean you have to sell your product via the Internet and take credit cards or use one of the still esoteric online payment schemes.

Electronic commerce, aka e-commerce, aka electronic business, means that you can get closer than ever to your partners — your customers, potential customers, vendors, and other business associates. So close that you can develop such strong relationships with them that they would have to pay a fortune to switch loyalties to another company.

But don't take the sales side too lightly, either. E-commerce is already generating billions of dollars in revenue for many technology-based companies and is saving millions of dollars for others through online customer support. To provide a little perspective, here are the sales numbers for a few select industries in 1997:

- Mail order & home shopping = \$80 billion
- Process control equipment = \$30 billion
- Video rentals = \$30 billion

Back then, e-commerce was down around in the \$8 billion range (still, an impressive jump from 1996's \$300 million). Today, though, e-commerce is on its way to hitting \$300 billion by the year 2001.

## E-commerce in action

E-commerce has rocketed from relative obscurity to the front pages of daily newspapers. Only a year ago, it took the form of Electronic Data Interchange (EDI) and messaging; now, e-commerce connotes the business model of the future...and the present! Although it's hard to tell which end is up when you're trying to sort the

Internet from Intranets, Extranets, Embedded Extranets, and Virtual Private Nets, the bottom line is that technology has taken us to the point where we can now put the entire business enterprise online and provide our customers with virtually everything they need with a simple click of the mouse.

Fruit of the Loom, for example, uses the Web to tie together their network of distributors so they can provide information on their mills and distributor inventories to customers. To accomplish this, the company implemented an online catalog, which includes a complete product database and ordering information; customer billing, which routes through accounts payable for snail mail billing and payment; and bulletin boards and chat rooms so customers can exchange information with each other.

Computer vendor, Gateway 2000, which is already selling over a billion dollars online, uses their Web site for everything from online ordering to technical support, corporate information, and a humor section with contests and an online magazine.

While it's absolutely critical to the success of any business that plans on being around through the next decade, e-commerce changes the ground rules for everyone. It involves a fundamental change in internal company business practices and it requires riding a not insignificant technology learning curve (don't worry, though, as there are a number of firms, like Cirrus Technology, that specialize in helping corporations apply e-commerce technologies). Security issues

The biggest barriers to e-commerce today are: (1) people don't trust the security of online ordering systems, (2) there is no easy way to pay, and (3) people can't find the information they need online. A number of secure transaction technologies are in the works, but mostly e-commerce is plugging along using the Secure Sockets Layer (SSL) network protocol. While this is primarily an issue for those wishing to pay online with credit cards, continuous enhancements to the protocol, such as bio- ▶

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# Growing Pains — Building Your Company

By Phyllis M. Hanlon

Stephen E. Rubin, founder, president and CEO of Intellution, a leading developer of packaged manufacturing automation software, began his lively discourse on corporate growing pains at the February 16, 1999 meeting of the WPI Venture Forum by drawing parallels between the human life cycle and that which a business undergoes. The usual sequence of events in an individual's existence - conception, birth, first day of school, confirmation, college, marriage, starting a family, mid-life crisis, empty nest, and taxes (or death) - mirror those found in business ventures.

The idea for Intellution was conceived in a bar in the Midwest and implemented upon Rubin's return to Massachusetts. Over the next 12 to 13 years he rode a roller coaster as sales of \$300,000 rose to \$40 million and then plummeted again when the company "left its flank open to a California company." Each milestone that the company reached brought hopes for the future and a look toward the next step. "I was excited when we reached ten employees. That meant we could purchase health insurance for the company," Rubin said. Over the years he and his company have leapt many hurdles and now stand at the \$100 million mark.

The automation software that Intellution produces has gone through an evolutionary process over the years. The company has invested \$20 million in the product since 1995 in order to keep it current. "This, however, is only enough horsepower to deal with the next two years," Rubin said. It is clear that his motto is "Serve the customer, not the competitor" when looking at his diversified market. His research and develop-

ment team creates industry-specific programs for its customers. This software has been personalized for different pharmaceutical companies, airports, and power plants. He even referred to a group of Romanians who want to purchase the product to monitor Soviet reactors.

Rubin cited several different areas to consider when defining your business:

- Target market - who buys your product and why;
- Critical factors - distribution, technology, financing, and customers are always changing;
- Measurements - regularly track growth rate, share of market, profit and other calculations;
- Board of Directors - should you hire outsiders as opposed to insiders, and;
- Outside staff - maintain a compatible crew of lawyers, accountants, consultants, etc.

Rubin reiterated the need for open communications with all involved with your business. He said, "In the beginning my accountants didn't have the same vision I did. There was no chemistry between us." From that experience he learned that you need to do "whatever works for you."

Rubin feels that your hiring and firing practices and policies showcase your skills as a manager. The way in which you screen applicants to identify the most compatible and capable candidates is reflected in the number of voluntary versus involuntary departures. The benefits that you offer - stock, cash bonuses, holidays, vacation, and other perquisites - become an integrated part of the position. In his company, Rubin says the employee turnover is an impressive one-half

the industry average. He cites at least seven original employees along with many others who have enjoyed five or more years with the company. A straightforward managerial style with open communication works best for him. He prides himself on spending much "face time" with his staff.

Like many start-up companies he utilized bootstrapping during the infancy stage of Intellution. For eight months he did not collect a paycheck. Looking back now he can assess the lean times by the gaps in years when he and his wife were unable to buy and eventually bronze new shoes for their son. He urges caution when searching for funding. "The clock begins ticking when you borrow money," Rubin said. Your lifestyle business becomes a capital appreciation business once you negotiate a loan. You need to look carefully at all your financial options: angels, private placement, venture capital companies, IPO. Strategic partners who offer "a congruency of goals" might be the most feasible way to proceed.

The growth stage of your business brings all the unexpected events comparable to those in the life of an adolescent. Your organizational structure may shift. The morale, tone, and style of the business may change, based on the economic environment or market demand. It is still vital to keep communication, delegation, oversight, measurement, and accountability key pieces of your vision.

Personnel changes may also occur at this time. Offering ongoing and updated training sessions and management development seminars will keep your staff in a continuous professional growth pattern that gives your company the edge on the competition. Rubin cites the top-notch instruction that General Electric provides for its employees as a role model.

Investing at the growth stage depends on the channels you employ to reach your target market. Intellution operated a very informal marketing research department in its early days, which Rubin admits was not as effective as it could have been. The information that you obtain from market research helps you to manage performance and cost of your product. If the time is ripe for an appeal to a venture capital com- ►

*Continues*

pany or a bank, then qualitative research is absolutely necessary. Presently, Intellution employs one individual whose sole responsibility is market research. Rubin finds that the existence of the Internet has been a boon to market study. The usual venues - magazines, surveys, etc. - are secondary he feels to the results that a company gains from using the web. The accuracy and availability of the Internet market research helps to eliminate incorrect timing, correctly identify the competition and target market, and efficiently utilize manpower and money.

Regarding competition, Rubin expressed a "challenge to navigate" once you have identified your opponent. He warned that a company needs to "be prepared." If you feel that your company "has a good thing going," then you should continue to work hard and always be aware of your competition's position in the overall picture.

Even at the best of times distractions are bound to surface that will ripple the waters of your business. Raids by competitors can leave your business in a weakened condition when key employees abandon your company. Prolonged lawsuits can drain finances as well as important manpower from the focus of the business. Occasional slip-ups due to incorrect market research or other failed cues can result in less than optimal timing for key product releases. Intellution missed two key product introductions due to such an error.

Rubin's final point emphasized the importance of an exit strategy. His suggestions included an IPO, an acquisition/merger, liquidation, or ESOP. The last option provides the company with internal leverage if an employee buyout is the answer. An acquisition/merger is a "tough decision to make" Rubin said. As the president or CEO you have to be sure that this is the right alternative for you and your company. In the case of Intellution, selling the company was "a good decision." In 1995 Intellution became a wholly owned subsidiary of Emerson Electric Company based in St. Louis, Missouri.

The "relatively painless transition" served to strengthen his company. Rubin admired the "maverick nature of the parent" company; otherwise, he would not have completed the deal. The 25 trips a year that he makes to headquarters in St. Louis keeps the communication line open for Rubin. He still feels a deep sense of involvement in the company, just as he did when he was the owner.

In the question and answer period he touted his "dogged determination" as one factor that distinguished him from his competitors. The

company's solid reputations for reliability and low employee turnover rate were additional assets. His business plan, which dates from 1982 and is updated each year, incorporates service, product, geographical mix, and distribution information to provide a solid framework for the company.

One attendee asked Rubin if the worry and work ever ends. His simple answer: "Not really."

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## Case Presenter

*Scott Erickson, President*

*Erickson Materials, Inc. (EMI)*

In the business world, the company that can solve your problem emerges victorious. Scott Erickson, President of Erickson Materials, Inc. (EMI), believes that his company has the answer to a growing problem. Up until now the major stumbling block in the rubber industry has been the technological inability to reduce rubber scrap to fine particles. The disposal of this waste product has become a serious, expensive issue; recycling appears to be the only viable solution.

The hundreds of millions of pounds of rubber that are disposed of annually could be re-incorporated into new products if the proper technology were developed. Some of the major tire companies like Continental General Tire and Michelin have attempted this process. The biggest obstacle for them, though, has been a limited or unreliable supply. Only one company, a small manufacturer in Mississippi, has been able to produce small volumes of this rubber powder. Until now.

EMI has developed technology that is capable of reducing a variety of materials, including high value rubbers, to very fine particle sizes ranging from 80 mesh down to 200 mesh, similar to the consistency of talc. Five to ten percent of the rubber sheets, strips and mold flashing that are ground down can be added to a com-

pound without compromising existing properties and, in some cases, actually improving the blend. EMI's only competitor has limited capabilities of producing these higher margin products within acceptable specifications: their outdated equipment achieves the desired end result at an increased cost. Erickson's newly developed methods, technology, and equipment represent considerable savings and increased availability to manufacturers.

Right now Erickson said his two primary business focuses are the toll grinding of the rubber scraps and becoming a powder materials supplier. By pursuing the higher margin products, Erickson hopes to establish a strong foothold in the industry where the current trend has inched toward the finer particle sizes. Manufacturers have welcomed EMI's appearance as a second source, Erickson said.

Ten to thirteen companies exist now in this country who offer larger particle size reduction - 10 mesh down to 40 mesh - at a marginal profit. These companies do not have the ability to satisfy the high demand for the finer particle sizes.

After over two years in development Erickson has devised a 25-step manufacturing process ►

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# Competitive Analysis – Where To get Your Information

By Stephen Davis, The Davis Management Group

Competitive analysis is a marketing tool that allows you to understand the nature of the market in which you are operating. Most companies take a costly wait-and-see approach, reacting too late to market changes. By closely tracking your competitors' activities, you can more easily anticipate changes in your market to take advantage of opportunities to increase market share or plan defensive strategies to maintain market position.

In more detail, competitive analysis allows you to:

- **Take Advantage Of Opportunities** – By managing change to your advantage, it's possible to increase market share by attracting customers from the competition. With a comprehensive competitive analysis you can piece together a picture that indicates where your competition is strong and where it is vulnerable. Consider Microsoft's response to the difficulties Lotus had in bringing 1-2-3 rel.3.0 to market. Analysis showed that 1-2-3 users who required advanced features were willing to evaluate spreadsheets from other vendors. In 1988, Microsoft launched an aggressive campaign that included product comparison advertising, dealer incentives, free demos, a lower price to distribution, and a trade in policy to 1-2-3 users. Those activities have allowed Excel to expand market share at the expense of 1-2-3.
- **Prepare Defensive Strategies** - Market changes in the form of new technologies, products, competition, manufacturing methods or distribution channels can disrupt your plans without warning. Knowing what the competition is likely to do allows you to develop counter punching tactics, that can be quickly implemented, before you lose any market share. Consider the defensive response Lotus made to Microsoft's push with Excel: It bundled several third-party add-ins to enhance 1-2-3's features and also offered free upgrades to rel. 3.0 to new registered users.
- **Learn From Competitors** - By tracking the competition, you can identify what the most successful companies are doing right and what the losers are doing wrong. Have the leaders developed new distribution methods you can copy? Have they found a new third-party software package that makes their hard-

ware especially attractive or have they dropped a package because it was a loser? Have they identified a new market segment that you can sell your products into? Remember, it's always less expensive to learn from competitors' mistakes than from your own.

## Building The Competitive File

Forget trench coats, wiretaps and bribes. Why bother with questionable tactics when you can gain plenty of information about competitors using a wealth of sources readily available in the public domain and from within your own company? The biggest problem is taking the time to tap these resources.

First consider information in the public domain:

- **Trade Publications** - Regularly read magazines that cover your industry and clip ads, new-product releases and technical articles that mention competitors. When responding to reader-service numbers, using your own name and having materials sent to your home address increases the chances of receiving literature and price sheets.
- **Speeches/Seminars** - Attend speeches given by competitors' senior executives. They'll often bask in the glorious past, reveal considerable detail about their market assumptions and hint at future products.
- **Market Research Firms** - A research house that specializes in your industry can provide quality information on competitors' sales/shipping rates. Develop a personal relationship with the people who follow your market. Give them your time and cooperation when asked and it will be paid back with reliable data.
- **Magazine Research Studies** - Many publications survey their readers on brand recognition, purchase preferences, inquiry follow-up and market trends. This research provides valuable information on estimates of market share, advertising effectiveness and customers perceptions about you and the competition. You can obtain this information from publications that you advertise in or those that want your business.
- **Credit Organizations** - Your financial officer or banker can usually obtain credit reports on com-

petitors, for a nominal fee, from organizations such as Dunns. These reports can contain extensive information on a competitor's finances, corporate officers, facilities and problems.

- **Help-Wanted Ads** - You can learn a great deal about a competitor's current operation and future plans by reading their help-wanted ads. How many people are they looking for and in which departments? Do they need particular skills to penetrate new markets? When a competitor is publicly held, you can obtain additional information from:
- **Annual Reports, 10K Reports And Quarterly Financial Statements** - Clues to a competitor's operations, trends and financial picture are available in these documents. Buy one share of stock in each key competitor and you'll automatically receive much of the information, although you'll likely have to make a separate request to obtain the 10K report. Annual reports give general financial information and typically discusses progress in the business; a 10K report is a more detailed version filed with the SEC.
- **Prospectus** - How would you like to obtain a competitor's business plan? If they're going through an initial public offering (IPO), much of the information contained in a business plan is available in their stock prospectus. This document, which by law must be issued prior to the IPO, is generally available from the stock's underwriting firm. It contains details on product plans, shipments, corporate officers, financial structure, ownership, distribution channels, manufacturing operations and more.
- **Financial Analysts' Reports** - Many brokerage houses issue periodic reports on industries or specific companies to justify their buy/sell recommendations. Typically you'll find information on shipping history, market share, product plans, and company financials. Some of the most valuable data can come from resources within your own company or through your own initiative:
- **Sales/Field Reports** - Customers often have detailed first-hand information about your competitors. So, your sales force is often the first to spot new products, changes in selling tactics, prices, market conditions, customer ►

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# Coalition For Venture Support

by William P. Densmore, Senior Vice President, Norton Company, retired

## History

In 1993 and 1994, Bill Purcell, Executive Vice President of the Worcester Business Development Corporation, convened several meetings of a Small Business Assistance Group to exchange ideas and discuss the role of area colleges. Bill and Fred Baus, Executive Director of the Colleges of Worcester Consortium, convened the first meeting of the present Coalition for Venture Support in November of 1997. Organizations that are sources for Worcester Area Venture Support and that are invited to participate in the Coalition are listed in the sidebar to this article.

## Why The Coalition For Venture Support Is Needed

A healthy economic future for the Worcester Area requires enough good jobs, and capable people to fill them. We must take full advantage of all of our assets to help bring about new business formation and to ensure the success of existing businesses. Worcester has a remarkable array of support services available to start-up companies and potential entrepreneurs. It is important to make sure that these services are well-known, that they work in collaboration with one another, and that we are aware of gaps that need to be filled in. The Coalition is assisting participating organizations towards three objectives:

1. Reveal and take advantage of opportunities for collaboration in programs and program marketing via exchange of information and networking.
2. Develop an integrated system to further publicize the broad array of support for new ventures and small business.

3. Provide a structure for analyzing the support that is available now and defining what more is needed to make the Worcester area a national leader in facilitating new business development, based on Action Areas for Jobs for Worcester.

- Define and focus on business clusters of unique opportunity.
- Encourage new ventures and ensure maximum support.
- Ensure adequate access to capital.
- Ensure that City government is fully supportive.
- Make full utilization of the Colleges of Worcester.
- Ensure a capable work force.

## Steering Committee

A Steering Committee guides the work of the Coalition. Members include founders and leaders of the task groups and are at work on each of the action areas:

- Bill Purcell and Jeff Borus, Worcester Business Development Corporation
- Fred Baus, Colleges of Worcester Consortium (Full Utilization of Colleges)
- Jack Derby, WPI Venture Forum (Collaboration and Publicity)
- Bill Densmore, WPI Venture Forum, (Opportunity Clusters)
- Richard Prince, (Maximum Support)
- John Rainey, Small Business Development Center (Access to Capital)
- Craig Blais, City Director of Economic Development and Julie Jacobson, City Office of Planning and Community Development (City Government Role)
- Bruce Dahlquist, Regional Employment Board (Capable Work Force)
- John Healy, Manufacturing Assistance Center
- McRae Banks, WPI Management Department Chair

Since the opening meeting at WPI in November 1996, the Coalition has held meetings in January, 1997 at Quinsigamond Community College in conjunction with a satellite-broadcast conference on "The Role of Higher Education in Economic Development", in April at the Worcester Historical Museum in the hall that will become the Industrial History

Exhibit, in July at the Central Massachusetts Manufacturing Assistance Center, in December at the SBA's Small Business Development Center at Clark University, in April, 1998 at the Central Massachusetts BioMedical Initiative, in October at the new, downtown offices of the Colleges of Worcester Consortium and in December at the just-opened Martin Luther King, Jr., Business Empowerment Center on Chandler Street. Meetings have included a briefing on the location, outside speakers and progress reports on action areas.

## Program For 1999 And Beyond

Increased activity is scheduled for 1999, working in collaboration with the City Development Office and the Worcester Business Development Corporation. The Coalition is being established as an association, with logistical support from the CMMP's Manufacturing Assistance Center at 60 Prescott Street.

We are pleased that Richard Prince is chairing the Steering Committee. Dick held several engineering and management jobs at Norton Company until 1983, when Siebe plc, a British firm, purchased Norton's Safety Products Division and he became a Vice President of Siebe and General Manager of its North Safety Products Division. He retired in 1997 and is consulting and performing community service. To this new association, the Coalition for Venture Support, he brings experience as a board member, vice chair and chair of the national Industrial Safety Equipment Association. Last November, he received the association's Distinguished Service Award. ►

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## Electronic Commerce

*Continued from page 3*

metric identification (e.g. fingerprinting, iris scans), instead of passwords and client-side payment information management, are keeping security features steadily improving.

As to finding what people need online, companies must be more in tune with their customer base. The ideal Web site provides a high level of personalization, high information content, straightforward navigation, superior products and services, and a way for customers to interact (to form a sense of community among themselves and with your company).

Internet's influence on customers

According to an Ernst & Young study, even if a customer does not buy over the Internet, sales are influenced by what they learn online. 32% of those with online access have purchased products or services on the Internet, but a mere 4% make more than 10 purchases annually. 64%, however, research products online and later buy through traditional channels. Convenience was identified by 53% as their main reason for purchasing online, while 46% named variety and 45% cited cost savings.

So, if you're not online yet with a well-designed, useful Web site, what are you waiting for? For your competitors to show you how?

*Bio Shari Worthington is President of Cirrus Technology (<http://www.CirrusMarketing.com>), an 11 year old firm specializing in marketing, publishing, and Web development for the high tech markets. She is also Vice Chairman of the WPI Venture Forum (<http://www.wpiventureforum.org>). **VF***

## Coalition For Venture Support

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### Sources for Worcester Area Venture Support

#### City Of Worcester

Development Office

Worcester Redevelopment Authority

Office of Planning and Community Development

City Office of Employment and Training

#### Commonwealth Of Massachusetts

Central Mass. Regional Economic Development Authority

Central Mass. Regional Planning Commission

Central Mass. Regional Employment Board

Mass. Department of Employment and Training

Massachusetts Office of Business Development

Massachusetts Development Finance Agency

Massachusetts Technology Development

Corporation

#### Federal Government

Small Business Administration - Boston Office

Small Business Development Center at Clark

University

SCORE - Senior Corp of Retired Executives (SBA)

#### Private And Community Venture Support

Worcester Business Development Corporation

Worcester Area Chamber of Commerce

- Small Business Referral Service

- Business Dialogue Groups

- Seminar Series: Running Your Small Business

Blackstone Valley Chamber of Commerce

Central Massachusetts Manufacturing

Partnership

Manufacturing Assistance Center

Center for Technology Commercialization

Massachusetts Biomedical Initiative

Worcester Historical Museum Industrial History Project

Central Mass. Hispanic Chamber of Commerce

Worcester Minority Business Council

Martin Luther King, Jr., Bus. Empowerment Center

Main South Entrepreneurial Development Center

Community Development Centers (CDCs)

(Oak Hill, Main South, East Side, Green Island)

Worcester Community Housing Resources

#### College-related Venture Support

Colleges of Worcester Consortium Clark University

Concentration in Entrepreneurship

University Neighborhood Partnership Project

University of Massachusetts Medical School

Commercial Ventures and Intellectual Property Unit Worcester Polytechnic Institute

WPI Entrepreneurs Collaborative

WPI Venture Forum

#### Other Colleges Of Worcester

Anna Maria College

Assumption College

Becker College

College of the Holy Cross

Quinsigamond Community College

Tufts University School of Veterinary Medicine

Worcester State College **VF**

## Growing Pains - Building Your Company

Continued from page 5

that creates a fine particle with high reactivity and high surface area. Presently EMI has two patents pending. The primary purpose of EMI's products is to reduce a manufacturer's annual raw material costs while providing a top-quality product with high reactivity.

With the help of Alternative Resources, Inc. of Lexington, EMI has identified a potential market of over 200 MM pounds per year within an estimated 1,500 miles of the company. The overall nationwide market approaches 400 MM pounds per year with EMI's international markets averaging approximately the same. Erickson interprets these findings as favorable to EMI since its sole competitor presently provides only 40 MM pounds per year. The above numbers do not reflect additional, undeveloped markets such as thermoplastic elastomers, coatings and resins where the product is used as an enhancer or for other specific product benefits.

Over the last 14 months, EMI has formed alliances with several large customers including a major tire manufacturer. All of these prospects have completed the qualification and research and development process and are ready to place orders. These customers alone represent sufficient volume to bring the existing Woburn facility to production capacity. Other customers who represent an additional 28 million pounds of business are presently at various stages of the sales cycle. Erickson feels that with the added clientele, EMI will be able to "sell out the proposed expansion." A sales cycle can take from six months to one year to complete.

EMI was founded in March 1996 and completed initial funding of \$1.1M in June 1997 with the help of eight angels and two state agencies. The Woburn plant was fired up and patents applied for in September 1998. Erickson states that the present plant has become too small for the projected volumes and growth. He is therefore contemplating a lease on a new 30,000 square foot space on the North Shore. Using the knowledge it has acquired so far, EMI will build a plant with two additional production lines. During the four to six months that this construction project requires, the Woburn plant will continue operations until a move to the new facility is deemed appropriate. This larger plant will have the capability of producing 20MM to 40MM pounds per year.

Erickson has already secured a \$1M equity investment, combined with an estimated

\$750,000 in equipment-secured debt to commercialize the process. UST Capital has committed \$250,000 to the project. An additional \$3M to \$5M equity investment in conjunction with a proposed Industrial Revenue Bond/Debt will be required for the larger facility.

Erickson has proven that demand and a strong market for his product exists. At this point he is considering different types of processes and products to add to his existing product line. Despite interest other companies have exhibited in buying him out, his focus is to "put financing together to keep going."

### Panel Review

The panelists were at a disadvantage since they were unable to review Erickson's business plan before the meeting. Michael DiPierro, a consultant specializing in crisis management, commended Erickson on his presentation, but stated that it was difficult "to provide suggestions when you can't see what is for sale." DiPierro added that financial information should be included in a business plan even though Erickson's lawyers advised against it. With a solid financial advisor and present resources, the company is headed in the right direction, DiPierro said.

Chris Reynolds of Catalyst Health and Technology Partners felt that EMI was a very interesting company and "should be dogged that the business plan reflect that." He too urged the inclusion of fiscal data in the executive summary of the company's business plan. Reynolds said that venture capital firms only complete two to six deals per year and that EMI could conceivably be one of them. He thought that Erickson had demonstrated that he is "smart, honest, hard-working, and obsessed" so that funding would be a realistic goal. He advised that a

strategic partnership could be turned to EMI's advantage. With the help of such a business relationship, venture capital funding might not even be necessary.

The guest speaker, Stephen Rubin of Intellution was interested in more information regarding the break-even point and the operating margin. He indicated that venture capital companies would want to know more about those areas as well as licensing and operating fees. Rubin's views on strategic partners matched those of Reynolds, although he anticipated the competition having concerns with customers being investors.

Rubin asked questions on the subjects of location, energy costs, and labor to familiarize himself better with EMI's present situation. He discussed Erickson's major competitor in Mississippi and the issues he faced. "You can learn by your competitor's problems," Rubin said.

In the big picture Erickson sees great potential for his company. With a vast supply of scrap rubber products available, present high customer demand that is growing annually, the technology to do the job competently, and a relatively wide open field, Erickson feels that a lead investor at this time would enable EMI to become a market leader in this industry.

*Phyllis Hanlon is a freelance writer with experience in the technical, journalistic, business, and creative non-fiction areas. She has written technical manuals for financially oriented software programs as well as magazine and newspaper articles covering women's and family issues. With her marketing skills she has created brochures, newsletters, press releases, print ads, and articles for area businesses. Phyllis can be reached by phone at (508) 248-5161, by fax (508) 248-5353, or by email Polishpen@aol.com. VF*

## Business Plan Contest Begins!

### Sharpen your pencils...gather your napkin notes...it's time to write that Business Plan!

Each year, the WPI Venture Forum awards a \$10,000 prize to an entrepreneur who has written a great business plan - \$5,000 in **CASH** and \$5,000 in business services. It could be **YOURS!**

To be eligible, business plans must involve technology-based ventures and describe the development of a new product, application or process in an existing business, or the start-up of a new business. Plans are judged by a panel selected from professional service and advisory groups. The winner will be notified on or before June 8, 1999 and will present his/her business plan at the Venture Forum's June 15, 1999 meeting.

To enter the contest, complete the entry application and mail it, along with your business plan and the \$25 application fee, to WPI Venture Forum, 100 Institute Road, Worcester, MA 01609. The entry deadline is May 14, 1999. If you have questions about the contest, please contact Atty. Jeffrey L. Donaldson at (508) 791-

### Business Plan Contest Entry Application

Applicant Name/Title: \_\_\_\_\_

Name of Business: \_\_\_\_\_

Address: \_\_\_\_\_

Phone: Fax: Email: \_\_\_\_\_

Date Established/Target Launch Date: \_\_\_\_\_

Structure:  Proprietorship  Partnership  Corporation  
 LLC/LLP

Type of Business:  Manufacturing  Distribution  Wholesale  
 Research  Service  Other

Business Stage:  R&D Mode  Start-up  Revenue Producing

Number of Employees: Full-time \_\_\_\_\_ Part-time \_\_\_\_\_ In 3 years \_\_\_\_\_

I certify that the Plan submitted with this application is my original work to which I have all rights of ownership.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

## Competitive Analysis

*Continued from page 6*

needs and competitive positions. Set up a procedure by which they can regularly report such information. Lost-sales reports – those that detail sales lost to competitors – are especially helpful in keeping abreast of competitors.

- **Suppliers** - You might be surprised with what you can learn from your suppliers. They're most willing to reveal information about other firms in the industry when they're trying to sell their services. For instance, you might be able to determine a competitor's production volume by talking to their packaging supplier or learn of major manufacturing problems from their component suppliers.
- **Direct Inquiry** - Many companies have a poorly defined policy on what information employees can reveal, and some employees just don't know when to quit talking. Telephone a competitor, simply identify yourself as Joe Public and ask for the customer-support, engineering or another group that can give you technical information about a product line. You'll be amazed on how much information you can gather on production problems, quantity pricing and new-product strategies.
- **Common Competitors** - Form an alliance with other firms that compete against your major adversaries but how don't directly compete against you. You both can profit from an open

exchange of information on the common foe. Many people prepare competitive reviews on a yearly basis first and then don't understand why they get blind-sided by a competitive move six months later. Any analysis is only a snapshot of the current situation. So competitive analysis should be an ongoing process - especially in the high-tech arena where market conditions and patterns are in constant flux. Procedures should be put in place to guarantee that competitive information flows easily throughout the company.

Remember, the information you gather is not important by itself. What counts is what you do with that information. Waiting for complete

information is the biggest and most common error that companies make when putting together competitive profiles. Realize that you can spend all your time gathering information and never have a complete picture. At some point you must quit collecting data, analyze what you've got and put your plans in place.

*Stephen Davis is Principal and Founder of the Davis Management Group, located in Franklin, Massachusetts. His firm specializes in marketing, sales and product introduction services for high technology companies. Steve can be reached at 508-528-7571. VF*