

## **WPI Venture Forum**

Collaborative for Entrepreneurship & Innovation  
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### **WPI Venture Forum Calendar of Events**

Oct 19, 1999 – Doing Business in the New Millennium  
Nov 16, 1999 – Building a Team

### **Directions to WPI Campus, Salisbury Labs, Kinnicutt Hall, Room 115**

#### **From The East:**

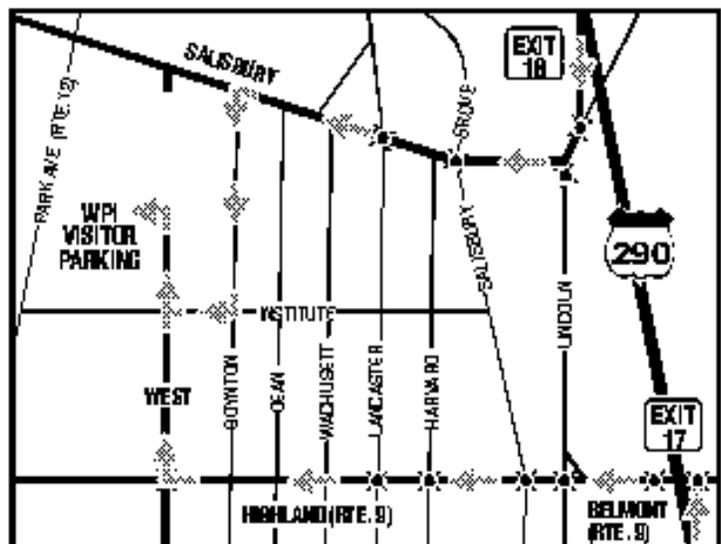
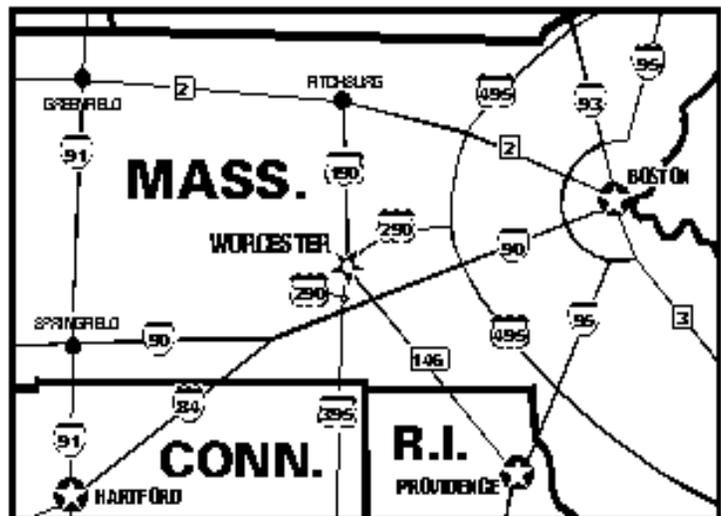
Take Mass. Turnpike (I-90) to Exit 11A (I-495). Proceed north to I-290, then west into Worcester. Take Exit 18, turn right at end of ramp, then an immediate right before next traffic light. At next light, proceed straight through, bearing to the right on Salisbury St., At the WPI sign, turn left onto Boynton St. There is parking in the large lot on the right behind Gordon Library or continue on Boynton St. then right onto Institute Rd., then right onto West St. Visitor parking is on the left after footbridge.

#### **From The North:**

Take I-495 south to I-290. Follow directions as from east.

#### **From The South And West:**

Take Mass. Turnpike I-90 to Exit 10 - Auburn. Proceed east on I-209 into Worcester, Take Exit 17, turn left at end of ramp, follow Route 9 west through Lincoln Square, straight onto Highland St. then right at light onto West St. Through first intersection of West and Institute Rd. Visitor parking is on the left after footbridge. Additional parking on Boynton St. behind Gordon Library.





# Venture

# VENTURE FORUM NEWS

*A look at the upcoming meeting*

## Perfecting Your Pitch to the VC's

Tuesday, October 19, 1999

WPI Campus, Salisbury Labs, Room 115

Registration: 6:00pm

Meeting Begins: 6:30pm

Admission Fee: \$5. Members

\$10. Non-members

Raising money is a primary concern for an entrepreneur starting a company. The October meeting of the WPI Venture Forum will provide the unique perspective of an Academy Award winning engineer, Bill Warner, who has started five highly successful companies, and J. Ancel Proctor, founder of a virtual web-based marketing department for growing small businesses, BrandTeam.

Bill Warner, founder of Avid Technology and Wildfire Communications, will share his insights, experiences and strategies for raising venture capital. He learned that raising money is all about leverage. Have someone who believes in you and your product introduce you to a venture capitalist. Your business plan should make sense, convey the big picture, and tell how you will obtain customers. In the financial part of your plan, never say your projections are conservative

- you risk losing credibility. Remember that venture capitalists invest in people not products.

Successful companies emerge out of the relationship between the product and a motivating event in your personal life, e.g. a company that markets a cancer diagnostic product and a founder whose parent died of cancer. At the end of your pitch, ask, "Is this the kind of company you would invest in?" Look for a champion in the venture capitalist or the introducer. Some of the facts of life in raising money through venture capitalists are: in the first financing round you have to give up more than 30% of your company; you will have one or two venture capitalists on your board; the quality of the investors is primary, while the amount of money they invest is secondary. Don't get greedy!

Bill Warner founded Wildfire Communications, Inc. in 1991. He has served as its Chairman and CEO since Wildfire's inception in 1996. During his tenure as CEO, Wildfire shipped the initial version of his invention, the Wildfire Electronic Assistant; built a worldwide channel of Authorized Service Providers to market and sell the product; and inked pacts to create network versions of Wildfire for the public telephone carrier market.

Available since 1995, Wildfire has revolutionized the way people use the telephone by providing a speech-based "personal assistant" which helps people manage their communications. At first available only as a niche product, Wildfire has entered into the mainstream and is now offered by carriers such as Pacific Bell Wireless (California), Bell Mobility (Canada), and Orange plc. Ltd. (UK). Wildfire has received

investments from Intel, Microsoft, AT&T Wireless, Matrix Partners, and Greylock Management. The company is privately held.

Prior to Wildfire, Warner founded Avid Technology, Inc. He started the company in 1987 after becoming frustrated with how difficult it was to edit video. After graduating with a degree in electrical engineering and computer science from MIT in 1980, Warner worked at Computervision, Lexidata, and Apollo Computer. Building on experience in graphics and imaging, as well as projects at Apollo to integrate video into engineering workstations, Warner realized in 1987 that it was just becoming possible to digitize and store a stream of compressed video. He quickly built a prototype of his idea, and began looking for funding. Greylock Management provided the first round in August 1988.

In 1993, the Academy of Television Arts and Sciences awarded Warner an Emmy for his invention of the Avid Media Composer and its use in major prime-time television shows such as "Northern Exposure" and "NYPD Blue." In 1994, Warner won an Academy Award for the invention of the Avid Film Composer and its use in major motion pictures. ▶

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The October meeting is sponsored by:

**Banner & Witcoff, Ltd.**

## 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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*Letter From the Chair*

# Defining the Entrepreneurial Organization

by Shari L.S. Worthington

The insanity of life as an entrepreneur seems to be playing a more prominent role these days. I just had an interesting conversation with a fellow business owner who, like a dozen others I've spoken with this week, insists that things have to slow down some time soon. We commiserated over the "slow summer" we both expected—and didn't get—then turned back to our computers to turn out more products for customers.

Not that I'm complaining, mind you. I certainly wouldn't want the powers-that-be to get cranky about our not being happy having too much work to do. Life is full of ups and downs; as entrepreneurs we must learn to walk the high wire regardless of how far we are from the ground.

But one of the things regularly overlooked, whether the wire is high or low, is business basics. For instance, how much time have you spent thinking about how to define your business so it's truly differentiated from your competition? Take a moment to consider this analysis (my thanks to Strategic Coach in Toronto, Ontario, for these great ideas, HYPERLINK <http://www.StrategicCoach.com>).

## Unique Packager

Find out how well your company ranks as a uniquely packaged business. Rate your company on each of the following (1=worst, 10=best). Once you've determined your ratings, pick areas that need the most improvement (pick those that will have the greatest impact on your business) and set out a plan to create a truly unique organization.

1. **UNIQUE EXPERIENCE:** Your company should provide a "unique experience" for its customers, rather than just a product or service. This means turning products into services, turning services into products, and then turning all of the above into a unique experience.
2. **CONSISTENCY:** Your company must provide a consistent appearance, message, and performance on an ongoing basis.
3. **CENTRAL VALUES:** The company must develop and reinforce a simple, central value system that everyone understands and follows, providing both internal and external integrity.
4. **UNIQUE CULTURE:** The goal is to create a unique culture with intense customer loyalty. These relationships will engender enormous goodwill from word-of-mouth. Here, staff is crucial throughout the organization, as they are the company's greatest salespeople.
5. **BENCHMARK STANDARDS:** The company should aim to set the standard for your industry, your benchmarks of quality and performance are applied to all competitors, e.g. Four Seasons is the benchmark in the hotel industry.
6. **PRICE IS NO ISSUE:** If you are the only one providing this experience in the industry, price ceases to be an issue. The goal is to provide a return that is far greater than the investment, e.g. Starbucks changed the commodity coffee business (and charges something wild like \$5 per cup!)
7. **CLIENT-FOCUSED:** Everything your company does should focus on the customer's "dangers" and "opportunities." Do you really have a good handle on both the business and personal issues faced by the people who buy your services/products? Can you find a way to look at these in a different manner than your competitors are?
8. **UNIQUE COMMUNITY:** Customers want to see themselves as part of a unique community. This satisfies their fundamental need to belong and provides solidarity with other "club" members. The web is a great place to implement this. ▶



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# How Online Cash Management Services Can Benefit Your Business

By John Qua of Merrill Lynch

Online cash management for small businesses is in its infancy, but demand is growing as evolving technology increases its convenience and cost-effectiveness. According to a survey conducted by PSI Global, a financial services marketing firm, 71 percent of small businesses used computers for financial functions in 1997, up from 62 percent in 1996.

Of those companies, only 8 percent currently had online cash-management services, but more than a third (35 percent) expressed an interest in using their computer to access balance information and track banking activities.

The convenience of online cash management is compelling. Like most business owners, you may need information about your accounts between monthly statements. Having updated information can help you make critical business and investment decisions. Without online access, obtaining this information can be cumbersome and time-consuming. With an online system, you can access information from your own computer any time you need it.

**Decision-Making Tool** — Take a look at some of the circumstances in which online account access could help you make good business decisions:

- You want to make a major purchase, but need to wait until funds from a large deposit are available. Do you know when the check reached your account and cleared?
- The new computer system you need is on sale. Do you have enough in available balances on your credit line to buy now at the sale price?
- Your financial consultant recommends investing your working capital for greater return. Do you have the funds to act on this recommendation?
- You want to maximize your return on idle cash. Do you have money invested in money market funds that could instead be allocated to longer-term investments with the potential for higher yields?
- An employee-benefits management firm shows you performance figures for the retirement plan assets under their management. How do returns in your retirement plan portfolio compare? Should you consider switching?

- Your company's divisions need separate accounting, but you don't want a paperwork nightmare. How can you accomplish this?

**Valuable Services** — Some providers offer additional services that can expand the usefulness of an online system. For example, electronic funds transfer allows you to move funds between accounts in the same or different financial institutions. Using electronic funds transfer, you could:

*Streamline the financial management of multiple locations* — If you have a retail or service business with multiple locations or are a property-management business with far-flung properties, you may need to consolidate funds deposited in local accounts into your central account for disbursement or investment. Your central account can be used to pay mortgages, rents, payroll or vendors.

*Allocate funds* — Some businesses maintain multiple accounts at their financial institution to separate funds set aside for different purposes, such as payroll, bill paying, capital improvements, retirement benefits and long-term investment. You can use a combination of multiple accounts and electronic funds transfer to put funds into the right account at the right time.

*Purchase securities* — Electronic funds transfer is an efficient way to move funds for investing, since it eliminates check-clearing time and wire fees.

*Pay bills* — Electronic bill payment is another valuable online capability. Making electronic payments can be more efficient than manual bill payment. You don't spend time writing checks by hand, manually balancing your checkbook and mailing bills. If you travel, you can make sure that your bills are paid on time, no matter where you are.

**Shopping for a Service** — When you're looking for an online financial management service, shop around for one that meets all your needs. Does the system you're considering offer access to all of the account information you might need? Does it cover checking, borrowing, credit or debit card and investment activity? Does it offer transactional capabilities such as electronic funds transfer and electronic bill payment? Does it fit easily into your budget and is it easy to use?

Two types of online banking or cash management software are generally available. Stand-alone proprietary software is resident on a client's computer, while newer online services use the Internet. Web-based services make use of an already popular communication pipeline — currently about six in ten (57 percent) computer users have access to the Internet, according to a Merrill Lynch survey, while the number of small businesses with Internet access doubled in the past year.

Today, a financial institution can provide online services to its clients directly from its Internet site. Another significant benefit is cost savings. Generally, a financial institution's costs are lower for Internet-based service, allowing it to charge clients less.

**A Valuable Tool** — An online service can be a valuable tool for day-to-day cash management. It can also play a significant role in long-term planning and major decision-making by facilitating collaboration between you and your financial advisor. Information is the critical base for all good business decisions. When you and your advisor have the right information at your fingertips, communication and the process of developing effective strategies is enhanced.

John Qua is Senior Vice President and Director, Business Financial Services, for Merrill Lynch. **VF**

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## WPI VENTURE FORUM CALENDAR OF EVENTS

**November 16, 1999** — Building a Team:  
Recruiting Talent in Competitive Times;  
Compensating Employees

**December 14, 1999** — Internet Commerce

**January 18, 2000** — Guerilla Marketing;  
Selling Your Product

**February 15, 2000** — Focus Groups; Market  
Research

**March 21, 2000** — Directors and Advisors

**April 18, 2000** — Perfecting Your Pitch to  
Venture Capitalist

# Starting Your Business: Common Mistakes and War Stories

By Phyllis M. Hanlon

Greg Erman's one-year old daughter provided the inspiration for his lively presentation at the first meeting of the 1999-2000 WPI Venture Forum season. Erman, President and CEO of MarketSoft Corporation, used a metaphor familiar to most attendees - starting a business as compared to the conception, pregnancy, birth, development and growth of a child.

Recently Erman sold a successful Internet commerce company called Waypoint Software Corporation, which developed software tools for business-to-business marketing catalogs. He then founded MarketSoft whose flagship product is e-leads, a 100 percent Internet-based management application that automates the way marketing organizations do their business on the web. "In one sentence, what we do is we try to help companies bring marketing to the Internet," he said. The company is presently developing another line of products focused on Internet-based direct marketing. In two rounds with venture capital firms Erman has raised a little over \$20 million in the last 12 months.

Erman looked at the initial business start-up as its conception. "When I think of starting a company, I think of the ideation phase as absolutely the most fun," he said. He brainstormed 25 ideas before committing to one particular plan. Erman is a firm believer in "exploring everything." At the conception stage raising seed financing is a real validation. The strategy is to get investors excited about your product so they will support your idea.

Moving to the morning after Erman warned that doubts about your ideas often surface. "It is hard to move from an idea to implementation. Eventually you have to accept one of the ideas." He indicated that due diligence is one good way to test your ideas. If you take that initial thought and flush out the doubts, then you can move to acceptance. Erman said, "Check with a person who has the least amount of experience and limited knowledge of the product. If it doesn't make sense to them, they will tell you." He reiterated that people have to "get it" if the idea is to work.

Like a pregnancy, building a business takes patience. According to Erman, building a founding team takes an enormous amount of time. "It is impossible to figure out who you want to work with, even after five interviews," Erman said. He suggested spending time - at least one month - with potential staff so that you can recruit with "equity and vision." Erman compared the partnerships that you form with staff to a marriage.

Also, he recommended talking to companies about their needs so that your team can use that feedback to determine the direction that your company will take. Erman warned that when starting a business you must have a compelling idea. "You obviously want to get something that has a really big, growing market. You must have a very strong value proposition, customers that have the power to buy and a proven team - all these things need to line up."

Erman surprised the audience with his statement that "you don't need a business plan." "You need a marketing and sales plan and you

need the process to get to the outcome. The purpose of writing a business plan is simply to make sure you understand your business and you've worked out the details. It is a way of proving to venture capitalists that you have worked out the details." According to Erman, the most important part of a business plan is the executive summary. If they read nothing else, venture capitalists will almost always read the executive summary. As such, it requires careful thought and preparation.

Just as in pregnancy business is subject to "raging hormones." You should expect market validation highs that will energize you. At other times rejections will send you reeling. In a worst case scenario, your business may even experience a "miscarriage," i.e., an idea will simply not work and must be discarded. "The best way to get through it is to focus on the end goal." He suggested conducting a lot of customer interviews. "This is a good way to get customer quotes and interviews and use them for the business," Erman said.

Now comes the exciting part: the birth. Cutting through the clutter can be frustrating and time-consuming, according to Erman. "How to get to the top of the pile is the most critical factor when dealing with venture capitalists." Rather than relying on a business plan, Erman suggested that networking and persistence might be more effective. He admits that this can be a long process. "Sometimes getting a VC to commit is like inducing labor but getting the deal brings the joy of closing," Erman said.

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He emphasized that venture capitalists have "connections to help you fill out your management team, to get your early wins."

The infancy stage of your business is one of rapid growth. Erman cited two important goals: building your management team and hiring staff. Shortly thereafter mundane reality sets in - according to Erman, this is the "dirty diapers" stage. Ordinary duties such as searching for affordable office space, hiring reliable accountants, bankers and lawyers, and arranging vendor credit terms take priority.

Erman said that while your business grows you can expect to scale the organization. "The organization that you start with is not going to be the same organization when you are at \$20 million in revenues." During the growth stage peer pressure may change your mindset. "It is easy to begin to care less about what your customers think and more about what your competitors think. You worry about how good you look. This is a dysfunctional way of thinking," he said.

The final stage that Erman addressed was maturity. "Now you run into the fear/greed line. Will you make it or should you sell?" From the beginning, Erman said, think about how much of your company you are willing to give away in return for your equity. "Find out early on what you want to do. Do you want an IPO, an early exit, an acquisition - if so, how much?"

When Erman sold Waypoint he felt somewhat like a grandparent. "This was my baby and I was handing it off. I was proud but had no control over it." No matter which direction your company takes, Erman said to expect the same type of pitfalls, joys and successes that you would as a parent.

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## Case Presentation

Oracom, Inc.

Marc Pierrat, President and Founder

Simply put, Oracom, Inc. makes Internet appliances for network management. Marc Pierrat, President and Founder of the two-year-old company said, "We operate on the concept of turning something on and having it work."

Oracom takes the convergence of the telecom (non-IP) and datacom (IP) worlds and uses technologies to solve the real problems, the ones that have value. Pierrat explains that Oracom provides the delivery mechanism for network management. "Simply load in the software and it will show you everything you need to know." The company packages the appliance and

attaches it to the network with security already involved. Customers can access information on the network through LAN or dial-up. Even if the network is down, this appliance allows you to connect; there is always a path. The product presents

meaningful information in a browser and automatically responds to events.

Typical benefits include a cost focused product that helps reduce operational and maintenance cost, automates the management process, and allows networks to operate more efficiently, according to Pierrat. He pointed out that companies could also increase revenue by adding the types of services they offer.

In 1997, its start-up year, Oracom, Inc. lost \$58,000. This year the company has seen \$640,000 in revenues as they have scaled up, launched a new product - EM1500, moved into new offices and secured repeat business from existing customers. Pierrat is hoping to hit the \$2 million mark by fiscal year 2000 and \$45 million by 2003.

"There is an \$18 billion market size to tap but our production is focusing in a growth area called convergence," said Pierrat.

### Panel Review

All three panelists agreed that Pierrat's presentation was well done and professional. However, each one expressed personal comments and suggestions for improvement.

Admitting that he had read only the executive summary, guest speaker Greg Erman commented that the "basics had not been covered." He recommended that the executive summary be cut to two pages and include "proven people, big markets, and lots of capital." He also felt that the NDA should be discarded and that the company should display more aggressiveness. Erman's biggest question concerned the product itself. "I am unsure about what you do," he said. He would like to see a more specific picture painted in the business plan.

Alex Coisman, Director of Internet and Business Development for Ipswitch in Lexington claimed that Erman "stole some of my thunder" as he voiced similar misgivings regarding clarity. Coisman did admit that after speaking with the Oracom team he had a better understanding



Marc Pierrat, President and Founder, Oracom, Inc.

and feels that "they have done a truly extraordinary thing. They made more than half a million with their first product."

"Articulation is the big issue. Say how you will spend the investors' money, articulate your functionality and how you differ from your competitors," Coisman said.

The last panelist, Clarence F. Stephens, Jr., President of Gakati Associates Consulting International Ltd., concurred with Erman and Coisman on the issue of clarity. He senses that Oracom has an important product and that the team should "communicate the power of what you are doing." There were a number of key questions that were not answered in the business plan, according to Stephens. How much money do you want to raise? What are your future plans? What is your exit strategy? Can partners add their muscle?

Pierrat said that his clients claim to use his product in "mission critical" situations. He and his team will work on a way to "tell the story better" based on the panel commentary.

*Phyllis M. Hanlon is a freelance writer with experience in the technical, journalistic, business, and creative non-fiction areas. Phyllis can be reached at 508-248-5161 or email Polishpen@aol.com. VF*

# Creating the Perfect Web Site

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

The Internet is here to stay. And with over 150 million adults online, it's crucial that your business make maximum use of the Net's capabilities. There are many aspects to consider... should you start a listserv—an email based discussion group—so your customers/potential customers can interact? Should you monitor newsgroups relevant to your business/industry on a regular basis so you can build your reputation as an expert (and therefore more customers turn to you)? Should you send out a monthly or biweekly e-mail to the customers and leads in your in-house database so you can keep your name in front of them when it comes time to order?

The answer to all these questions is a resounding yes. But, before you get too heavily involved in these aspects of Internet marketing, make sure you've covered your bases on the Web. Today, the Web is the first place many business customers turn to find product/service information, dig up technical articles and tutorials in their field, and consult with experts. Your mission, therefore, is to create a Web site that meets these needs and serves as a first-stop for your customers or potential customers when they're looking for product or service information.

## Creating the Perfect Web Site

Let's review some of the fundamentals. Business-to-business Web sites are about information. It's not about art. It's not about ego. It's about information. It's about facilitating or closing a sale. And it's about building a long-lasting relationship with your customers. Your goal is to provide a vehicle that allows you to service your customers, build loyalty, and establish solid rela-

tionships. The key components for a Web site to accomplish this include: content, design, ease of navigation, interactivity, and community.

Let's look at the project layout. You start by planning the site content and layout, after all, you don't want to look like a technical lightweight in your industry. Next, you design the site's "look-and-feel." Here you want to take advantage of the fact that the Internet levels the playing field; little companies can look big, and big companies (if they do a poor job on their site) can look little. Then you gather and create the content. You've heard it before and you'll hear it again—content is king! The next step is to develop the Web pages. If you're serious about your business, then be serious about your Web site. Make sure you hire developers who know what they're doing (whether they work full-time for you in-house or are contracts). Finally, you must market your site. This is one of the most important criteria for a successful Web site, and the most forgotten. If you don't tell your customers about the site, most will never find it.

## Rules of Great Site Design

So let's get into some of the basic rules for producing a great Web site. First rule of thumb, unless you're selling games to Gen-X'ers skip the latest Net tools and go for content. Know who your customers are and how they use the Net. You don't want to turn off potential customers who may have older browsers and therefore can't read, for example, Shockwave files, or haven't taken the time to download all the newest browser extensions. Stick to a professional design that reflects and further develops your corporate and brand image. Keep the focus on the primary message you want to deliver, i.e. we're the machine vision experts. When designing your site, respect your customers' time-design for speed. After extensive research in this area, we've found that people will wait, at most, 30 seconds for a home page to load, and about 7 seconds for all others.

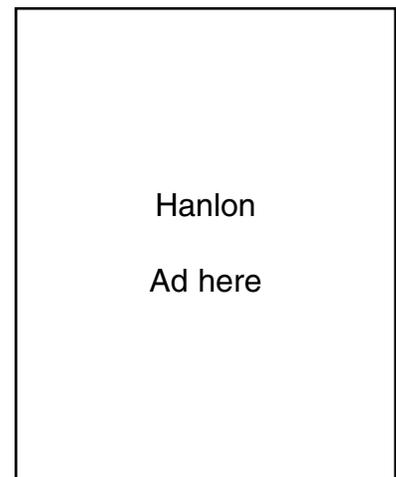
Also, make sure the site is designed to be updated on a regular basis. We recommend weekly updates at this point. Remember, this is one of the best ways to keep people coming back to your site; the more they come back, the more likely they are to buy!

On the graphics side, make sure you follow a few fundamental do's and don'ts. Use only

appropriate, inoffensive images. Avoid cutesy pictures. You get what you pay for with free clip art, but don't be a thief either and "borrow" images, sounds, or movies from other sites; that's copyrighted material and any lawyer will tell you to keep your hands off. Get a designer and do it *right*. Also, don't post construction signs; if that part of the site isn't ready to go online yet, then simply don't put it online. One big issue that we confront clients with all the time is that of frames. Frames are a highly controversial design tool. Mostly, though, they are a problem. They cut small spaces into even smaller segments, interfering with the design and flow of content. They slow page loading and are difficult to print, thus annoying your customer. Lastly, many search engines can't index sites with frames...so stick with tables and other design tools to make your site look right.

On the text side, we have a few recommendations as well. Limit the number and colors of fonts on your site; the human brain can only take so much before it's overwhelmed or the site just looks bad. Avoid blinking text; it's annoying and distracts your customers from seeing other parts of that page. Pages should be no longer than 2 screens, to avoid the black-hole-scroll. Break text into multiple pages so it's easier to read. When a page is text heavy, break it up with a few graphics (keep the size small so they don't take forever to load). Also—don't confuse your site visitors by underlining text that's not an actual link. Finally, make sure you are obsessive about catching all typos, otherwise you will come across as careless. Remember, you're building your corporate identity with your Web ▶

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## Perfecting Your Pitch

Continued from front page

### Case Presentation

J. Ancel Proctor III, founder of BrandTeam.com, will present the business plan for “the world’s first virtual web-based marketing department for growing small businesses.” The business proposition for BrandTeam is to offer a single resource for small businesses worldwide. Small business, with annual sales of \$25-\$250 million, is the fastest growing B-to-B market segment and, to date, has been virtually untapped.

Through a network of experienced Fortune 500 level professionals, BrandTeam will offer consultative services in the areas of brand identity, new product development, new markets, and new media. “Major league players for minor league pricing” will place BrandTeam’s rapid response consultative services within an affordable budgetary range for small businesses. “Walking where you have walked” provides the reassurance and the relevancy necessary to create and develop longer-term client relationships and insure a high-growth-potential revenue stream for BrandTeam.

Three key issues facing BrandTeam.com are:

- 1.) Will small businesses be willing to pay for an interactive consulting service vs. a face-to-face one? Traditionally, the business has been built upon relationships. Larger consultative companies have been operating profitably to a Fortune 500 client base in this distance manner for years.
- 2.) What about the little guy just getting started? Will he/she step up to the plate for major league marketing talent?
- 3.) BrandTeam expects to dominate and “own” small business on the Internet. Will small business management keep pace with new develop-

ments, i.e., video conferencing, collaborative software, secure officing, and etceteras?

J. Ancel Proctor has nearly 30 years of experience in sales, strategic marketing and brand identity. He has served in senior management positions with advertising agencies in both New York and Boston, including Grey, Bozell Worldwide and Arnold. His client experience includes McDonald’s USA, Nabisco, Smith Kline/Beecham, Pet, Inc., Ocean Spray, Allied Van Lines, G+W Industries, VeryFine, Cain’s and Superior Brands (Carnation/Nestle). He has been involved in the launch and/or re-positioning of more than 20 new products in highly competitive categories, most of which remain as leading brands in their categories. Ancel’s corporate successes include “the Wave” for Ocean Spray, “The Careful Movers” for Allied Van Lines, “Hold” for Smith/Kline Beecham and “Honest Shake” for The Associates. His new product successes include The Ocean Spray Paper Bottle, Hold

Cough Suppressant, Ocean Spray Mauna La’i Tropicals, The Danmark Telephone (GNT Automatic AS) and The Halloween Pumpkin Happy Meal for McDonald’s, for which he and his team won the coveted McDonalds International Marketing Award. Since 1991, he has been President of J. Ancel Proctor, a multi-disciplined marketing consultancy serving the small to mid-sized business market in New England, California and The Pacific Northwest.

An entrepreneur since age 11 when he opened his first curb side business - a lunch stand constructed on a Fearless Flyer wagon - he will launch yet another start-up in January 2000, AsianFusion.com, an Internet trading portal for US-Asian trading. He has conceived and successfully operated four small businesses of his own. BrandTeam is Ancel’s fourth start-up in ten years. **VF**

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# How to Use Consultants

By Floranne Reagan, EXXEL, Inc.

Have you heard the one about the consultant? You must know a joke or a story about a consultant. Who doesn't? Some people have a mixed view of consultants' reputations. They may be seen as real experts, or just okay, or perhaps even pariahs by a few.

Let me confess that I know some consultants who should consider another line of work. There are more than a few individuals, now calling themselves consultants, who had long-term relationships with one employer. These people are often one-trick ponies with limited knowledge about different industries or other companies. Further, they have no idea what it takes to provide professional consulting support to an organization. They often act as if they have the answer to a business' issues. They exemplify that old adage *if all you have is a hammer, then everything looks like a nail*.

Another category of so-called consultant is the person, who got caught in a reduction-in-force, and is working with one specific goal: to find another employer. While no one faults individuals for supporting themselves, most of these folks have no idea what it takes to be a consultant. Further, they can be self-serving and intent on building a dependency in order to be hired.

The point of this initial discussion is to say that not all consultants are equal. There are ways to help ensure effective use of consultants in your organization—read on.

Making a summary dismissal of all consultants because of some poor quality ones flies in the face of today's realities. Most companies are operating lean. Here I'm referencing deliberate business decisions, and not the result of difficulties in recruiting and/or retaining quality people. These firms focus on the specific skills, the so-called core competencies that further their business purpose. They hire consultants for their expertise, to collaborate, to provide problem-solving support, and to augment their own resources.

For example, I recently met with an executive who said the business model for her group was to have a select team of employees with generalist skills, and another group (*her insourced/out-sourced group*) who could provide specialized expertise. A small number of employees and a select cadre of consultants populated this latter category. She pre-screened and pre-selected the consultants, and considered them to be an integral part of her plan to deliver high quality ser-

vices on a cost-effective, as-needed basis to her organization.

Quality consultants contribute value. There are at least three clear reasons for using them to support your needs and initiatives. First, they have specialized expertise that complements or supplements the talent you have on staff. Second, good consultants have considerable experience, from multiple sources; that is, beyond your company. They can draw on that knowledge and bring a higher level of awareness, or a new set of ideas to bear on your current situation. Finally, and very importantly, the best consultants are objective, have an outsider's perspective, and focus on what seems best for your business. They have no internal allegiances, no political agendas, and can be appropriately forthright because their future does not depend on your company.

Let me assume that you believe there are professional consultants. Your next questions may be: *How do I find them?* and *How do I work with them?*

How do you find quality consultants? In most instances the most helpful way to find someone of worth is to ask a source you respect for a referral. This is typically a colleague in your industry. But, you also can get excellent referrals from consultants you trust. These individuals will be delighted that you thought of them, and most of them have a resource network for just this purpose.

Recently, this occurrence happened to me. I received a call from an individual I've known for years who was looking for a particular type of expertise. While he wasn't certain if it was within my consulting focus, he had thought of me first. Clearly, I was happy to speak to him and I believe the call was useful to him on several levels. First, we caught up on business happenings, so it gave him an opportunity to clarify and articulate some key issues for him. Second, in asking me about my practice, he got a summary of some challenges other firms are grappling with in order to remain competitive and successful. Finally, while his requirements were outside my field, I was able to give a referral to a professional consultant who had exactly the skills needed and an excellent reputation as well.

Turning to the question of how to work with consultants? I have seven suggestions:

- Have cautious optimism
- Be direct

- Disclose constraints
- Don't play games
- Work collaboratively
- Set reasonable expectations
- Clearly define the engagement

**Have Cautious Optimism.** If you are in the discussion stages with a consultant you have been referred to, it is understandable that you would have some vestiges of uncertainty. However, if you don't yet have trust, at least give the individual the benefit of the doubt. That is, have some level of cautious optimism about their values, and that the consultant is a professional, and wants to work with you to solve your organizational problem.

**Be Direct.** Don't withhold important information. Be forthright about your needs, wishes and expectations. This level of honesty and straightforward discussion avoids most misunderstandings, mixed signals, disappointments, changes in scope, and unintended consequences.

**Disclose Constraints.** Every company has constraints. They may be related to budgets, resources, availability, time, etc. Clearly communicate these internal restrictions and needs so the individual can best develop a plan of action to work with you. Don't put the consultant in the position of having to guess, or interpret vague bits of information. Both have the potential to complicate the work.

**Don't Play Games.** Sometimes companies start with a consultant using the game of *Bring me a rock!* How does this work? You explain your situation to a consultant and ask for their professional opinion of how to proceed. When they provide you with a proposal and a plan of action, you say some variation of *that's not what I want, try again*. (That is, it may be a nice rock, but it's not the one I want, and I'm not going to tell you what the right one looks like. So bring me another rock.) Instead work with the consultant at this important, initial stage. Respect their ideas, probe as much as needed for clarification, and provide good information and clear reactions. Don't simply lob the ball back for another serve.

**Work Collaboratively.** There is enormous strength in the ideas, analysis and solutions for your business if you work as a team with a consultant. Collaboration has the potential for real win-win solutions. You learn from the ►

*Continued on next page*

# About That 80% Small Business Failure Rate

By Brian McKenzie

A two-page advertisement in a recent popular press magazine proclaimed: “80% of all small businesses fail - 100% of them didn’t use us.” The advertisement was for a company providing small business advice, business products and business services. While it can be argued that the copy is effective in grabbing the reader’s attention, it is not accurate. The 80% failure rate among small businesses is a myth.

To explore the origins of the 80% failure rate myth, we have to go back to the Eisenhower era of big business. In 1954, the Department of Commerce undertook a survey that looked at business discontinuance during the previous eight years. This study reported that 80% of all retail businesses discontinued or changed hands within 4.5 years. The problem with this study is that it used the proxy of business discontinuance for business failure.

The matching of business discontinuance with business failure is difficult to substantiate.

## Using Consultants

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consultant. They learn from you. They bring an external perspective, which you influence with knowledge of the nuances that make your company unique. Together you articulate what is, what will work, and modify ideas to match the business realities. With collaboration you arrive at better answers than either of you might derive alone. Truly, this is the power of synergy.

**Set reasonable expectations.** Business problems can be resolved—sometimes with ease and efficiency—sometimes not. Make sure you know what can sensibly be achieved by using consulting expertise.

**Clearly define the engagement.** No one likes surprises. One way to avoid them is by defining the scope, approach, schedule, staffing and cost before the project starts.

In summary, applying these how-tos can help ensure the consultants you choose add real value. And, that will surely lead to positive results for you and your company.

*Floranne Reagan leads EXXEL’s consulting practice in organizational development and executive coaching. She helps growing companies and individuals maximize their potential. She can be reached in Natick, MA at 508.651.3377 or freagan@exxellinc.com. VF*

An individual selling a business, or moving a business to a larger premise, or changing the name of a business would be considered discontinuance. However, none of these events can be considered to be failure.

The rate of business failure has been a significant topic for academic research efforts. Central to any investigation, is the need to make two definitions clear: first, what is a start-up, and second, what is failure. While these definitions seem, at first to be obvious, careful consideration is central to the choice and analysis of data. Let’s look at each in turn.

It is important to define what a start-up is for two reasons. First, we have to have some way of screening the new ventures we will be studying. Ideally this definition will screen bona fide start-ups from part-time ventures such as a garage sales, or part-time freelancing. Several methods can be used in this screening, but each method brings along its own set of complications. For example, researchers can define businesses by incorporation, and utilize statistics compiled by state corporate registries. However, data that utilizes this definition would be skewed by the inclusion of incorporations used as shells for tax shelters. Similarly, researchers can use the occupation of premises as the definition of business start-up. This definition allows the collection of data from telephone and business directories. However, defining start-ups in this way rules out home-based business and tends to overstate the failure rate by counting businesses that move as failures.

The way business start-up is defined can have very significant consequences. For example, if we recognize the establishment of a business by the filing of tax returns, the population of business in the US is approximately 19.5 million. On the other hand, if we recognize the establishment of business by the requirement of a credit review from a firm such as Dunn and Bradstreet, the population of business in the US drops to approximately 10 million.

It is also important to define what constitutes a failure. While it is common to define failure as shutting down operations due to a lack of profitability, this definition is fraught with ambiguity. Profitability can mean many different things depending upon the accounting measures used

and the expectations of the owner. If an entrepreneur finds a better use of capital in a new endeavor, and shifts his or her attention from one business venture to another, should we consider this to be a business failure? Cessation of operations makes the collection of failure data relatively simple, but it may not accurately reflect the true nature of what researchers are attempting to measure. Another approach to defining business failure is to measure failure as bankruptcy or failure to pay off creditors. This approach, used by Dunn & Bradstreet in its measurement of business failure, however has the opposite effect: it tends to minimize the failure rate.

So what are the results of the research into business failure? They are as varied as the definitions used in the collection of data.

- A study by Arnold Cooper, William Dunkelberg and Carolyn Woo undertaken in 1988 utilized occupation of premises as the definition of start-up and the abandonment of these premises as failure. This study reported an average annual discontinuance rate of 11%. However, the rate of discontinuance over a three-year period ranged from 6% in manufacturing industries to 53% in retail.
- A study done by Joseph Duncan at Dunn & Bradstreet in 1993, which defines business formation as the establishment of a credit review and failure as bankruptcy or loss by creditors, reports a business failure rate of 1.0% to 1.1% per annum.
- A study by John Watson and Jim Everett, done in 1996 utilizing data from managed shopping centers in Australia, suggests much lower failure rates. While discontinuance of ownership averaged 9.4% per annum, discontinuance to prevent further loss averaged a mere 2.3% per annum and bankruptcy averaged only 0.7% per annum.

These studies suggest that the 5-year failure rate for business more likely falls somewhere in a range between 5% and 44% depending on the measurements used and the industry studied.

Let’s hope that the firm that ran the two-page advertisement proclaiming: “80% of all small businesses fail. 100% of them didn’t use us” offers more accurate small business advice than their advertising suggests. **VF**

## The Perfect Web Site

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site, so aim for perfection! Finally, a few miscellaneous tidbits:

- Design for multiple browsers. The market is fairly evenly split between NetScape and Internet Explorer, but different versions of each, with different capabilities, abound.
- Design for text-only viewing as many people turn off graphics to speed up the page load. This means making sure you have a text-based navigation bar on each page (which can be in addition to something graphical) so people can actually use the site.
- Check all links. Dead links show that it's an out-of-date site.
- Monitor page statistics so you know what's being used on your site. Build up those areas with more information, e.g. technical articles and tutorials are always very popular.
- Avoid visible counters on your site. If the number's large, you don't want your competitors to know. If the number's small, you don't want your customers to know.
- Make sure you have contact information on each page so customers can get in touch with you as soon as they're ready to buy.

The Web is a phenomenal tool that can easily be put to use throughout the company, from sales and marketing to customer service to manufacturing. But make sure you do things right. When in doubt, contact a company that specializes in producing business-to-business sites.

*Shari Worthington is President of Cirrus Technology, a 12-year old marketing, Web development, and e-commerce firm specializing in high-tech markets. She can be reached at 508-755-5242, e-mail: sharilee@aol.com or on the web: www.CirrusMarketing.com. VF*

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## Letter From the Chair

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9. **CONSTANT INNOVATION:** The company must continually focus on creating new products and services as customers' needs and desires are constantly changing.

10. **PRECIOUS LIFESTYLE:** The goal is to become a permanent, precious component of your customer's work lifestyle.

So, once a week, take an hour or two when you first get into the office and focus on some business basics. That way you'll be better prepared for the wild ride of entrepreneurship.

Speaking of being prepared, I feel that amidst all the insanity of writing my first column last month, I overlooked expressing thanks to an important part of the WPI Venture Forum. My deepest gratitude goes to those wonderful people

at WPI who support our efforts day in and day out. Without the paid staff, contractors, and WPI faculty and administration we work with, we wouldn't be where we are today-offering lots of great educational programs and networking events. Thanks all.

As always, may all your ventures be successful! See you at the monthly meeting on October 19th.



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