

Tech slump is no reflection on Web

The dot-com company failures have little to do with luck, and even less to do with technology

Dot-com companies are a lot like all other companies. They sell products or services to consumers or businesses. They pay expenses, rent, insurance, and salaries. They jump through legal hoops. Often they have staffers, which means benefits, payrolls, taxes and the like. The only difference is that a lot of dot-com founders are people with great ideas and zero business experience. And now many of them are out of business. In truth, though, they'd have sent a lemonade stand into Chapter 11.

It seems as though many New Economy executives have been sucked into the idea that the old-school way of making a profit (you know, running a business, building customers, watching expenses, having a viable plan, etc.) is passé – that it doesn't fit the New Way. So it should come as no surprise that their companies are going the way of all flesh.

There's an old Chinese fable about a farmer who's plowing a field. While he's

taking a break, a rabbit dashes out of the woods and smacks head-first into the tree stump on which the farmer is sitting. The farmer immediately quits work for the day, taking the rabbit home to cook for dinner. The next morning, his neighbor sees him sitting on the stump holding a sack.

"Why aren't you busy plowing?" the neighbor asks. The farmer smiles slyly.

"I'm waiting for another rabbit."

The moral? Plowing ahead the old-fashioned way is pretty much a safe bet.

In truth, many dot-com execs would have sent a lemonade stand into Chapter 11.

This is not to imply that dot-com companies don't have hard workers – indeed, over the last half-decade, these companies have cornered the market on midnight oil. But inexperienced entrepreneurs often built businesses on unsteady foundations, specious plans... and millions in venture capital.

The current dot-com crisis is not a problem with the Web, however, any more than the problem with the farmer in the story is a problem with farming. Simply put, the farmer was not a good businessman. And so many dot-coms have been run by people who were simply too inexperienced to oper-
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Be in the business your business is in

Outsourcing has its place in every company. Indeed, there are few companies that don't outsource something, whether it be call center support, printing, human resources, accounting or any number of business functions that are best left to an outside firm.

The reasons are simple, usually having to do with issues of core competency (if you're not in the advertising business, for example, you probably should consider hiring an outside agency, not a department), as well as a comparative cost savings often dwarfing any fees paid to a ven-

dor. The decision to outsource is made after factoring in several issues – pros and cons always exist on both sides of the in-house/outsource debate.

Outsourcing Web application development and site hosting can be costly and is often unnecessary. Small businesses, such as single-location restaurants, small retail stores and one-person service businesses, often can do just fine using any number of prepackaged, often free, services online. While these services do not offer much customization, sophisticated
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Premiere issue

Welcome to the first issue of **decode**. Published by DataGlyphics Inc., a Web development, hosting and management company, **decode** discusses current trends and issues in business with regard to the Internet, avoiding gratuitous tech industry jargon.

decode was written and edited by Edwin B. Bailey, DataGlyphics' director of business development.

We hope you enjoy reading **decode**. If you would like to request that a particular topic or issue be discussed in a future issue, email us at decode@datag.com.

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Warning: Your Web-savvy customers are still using the Web

After the thinning of the 'e'-herd, those who write off the Web as just a fad might live to regret it.

The past few months have turned some of the most sanguine investors into jaded curmudgeons when it comes to technology. So how does a company plan for Web strategies now? Are budget-making managers reluctant to jump into a new Web-based venture, fearful that the powers that be will squash any idea unless the word "Net" is followed immediately with the word "profit"?

There's an old (and valid) assertion, borrowed from the advertising industry: "Advertise during a good economy if you want sales now. Advertise during a slow economy if you want sales later."

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or interactive sites might well be overkill for neighborhood businesses that can handle no more work than what the Yellow Pages brings to them.

Larger businesses, however, can benefit from outsourcing Web services. And the alternative – hiring an in-house staff – can become an expensive proposition.

Consider the basic needs for performing all Web functions in-house:

- ✦ Database administrator (on call 24/7)
- ✦ Networking specialist (on call 24/7)
- ✦ Web designer
- ✦ Web application developer
- ✦ IT security specialist (on call 24/7)
- ✦ Web servers and related hardware
- ✦ Database servers
- ✦ Mail servers
- ✦ Network monitors
- ✦ Switches and routers
- ✦ Server software
- ✦ Application development software

Not every business needs a site that requires this level of development and support. But if the site is to play an integral role in company operations, there is little room for compromising on any of these elements.

In most larger companies, IT staffers have enough to do without having to build and maintain a Web site. An effective corporate Web site should have deep involvement from the marketing department, since the site might well be a prospect's first look at your company. But an IT

Companies that advertise when times are tough will find that when the economy improves, they will come out on top. People don't stop watching commercials or reading the paper when the economy is down (fact is, many folks don't have much else to do).

That same principle can be applied to the Web. If a company disregards the opportunities for cost savings that an effective Web site can offer, as well as the customer support, marketing, and internal communications features that can be built into a Web site, that company will technologically be left in the dust. Imagine a company in your industry today that doesn't use telephones, fax machines, or computers. Like the Web, each of these office innovations was once considered a fad. (Ken Olson, president and founder of Digital Equipment Corp., said in 1977:

staffer's typical core competency is not in marketing, and marketing experts are seldom expert Web application developers.

Taking these factors into consideration, it might make sense to seek help from an outside company.

Of course, the challenge becomes finding a Web company that will best fit – and serve – your company needs. There are as many ways of judging a company as there are companies. NBCi's online business portal, **AllBusiness.com**, recently published guidelines about how to choose a Web developer wisely:

Assess your needs – Decide on what your site's mission is before you start looking.

Research each candidate's work – If you don't like what the firm has done for other companies, you probably won't like what they do for you.

Evaluate their services – If you want e-commerce, make sure they've built e-commerce. For every feature you might want, make them show you what they've done.

Meet face-to-face – Do they listen to you? Do they explain issues in ways you can understand? Do they understand business?

Check references – What do their clients think about them? If they refuse to provide names and numbers, they probably would rather you didn't ask. ✦

In five years' time, there won't be any Internet companies. All companies will be Internet companies, or they will be dead.

Andy Groves, Chairman, Intel



"There is no reason anyone would want a computer in their home." Digital was acquired by Compaq in 1998).

The Web has indeed changed business forever. The first digital revolution really did happen, and things really are different, even though the leaders of the revolution aren't running the show.

Regarding the significance of the Web and its impact on business, tech investor Roger McNamee of Integral Capital Partners recently told *Fortune* magazine that "the risk now is that people will draw negative conclusions every bit as outlandish ... as the ones they drew on the positive side." He concluded, "Anyone who thinks the Net is not transformational is dreaming."

It's very easy to dismiss how the Web has changed everything, especially given the hammering that tech stocks are taking right now. But companies that choose to back off from the Web might well find themselves in the back of the pack, according to Andy Groves, Intel chairman.

According to Groves: "In five years' time, there won't be any Internet companies. All companies will be Internet companies, or they will be dead." ✦

30-second Web Tip

When building, planning or modifying your Web site, make sure you remember one principle: **Your Web site might well be the first impression that a prospective customer, employee or investor has about your company.** Settling for an inferior Web presence will not save costs in the long run. A well-planned, well-engineered Web site is an investment, not an expense.

Consider your print and broadcast advertising costs, and weigh them against your Web budget. Ads are often ignored. *But a visitor to your Web site actually took the time to click on a link or to type in your company's Web address.*

What sort of reception will they get when they arrive? Rule number one of Web marketing: **Make your site worthy of your company's image.**

ate a business – any business.

Here's a question: Suppose you offer that farmer a new tractor. Would manual plowing still be the smart thing to do? Suppose that farmer could increase profits by developing partnerships with area produce distributors, providing them with real-time online inventory and ordering. Shouldn't he at least consider such options? Web technology has little to do with the dot-com failures. Lack of experience and poor decisions are major causes of lost money in the Web business.

So what's relevant about all this for companies that don't sell anything on the Web? The point is this: *Technology still matters to business.* The Web has changed everything, notably in terms of cost reduction, of internal communication, and of reaching prospects with information. A company that operates an effective Web site as adjunct support for its existing departments spends less for processes than a company that takes a more analog approach. Building a reliable network is expensive, but cheaper in the long run than having an inferior one. Technology can be overdone, but it can as easily be underdone.

There is a danger in thinking that Web technology is a passing fad – that a company can “do without a Web site” and still compete effectively. It's an easy trap to fall into. Watching dot-com stocks fall might naturally make a person reluctant to move any business operations to the Web. But that would be a short-

sighted mistake, as well.

The Wall Street Journal featured a chart demonstrating projections of how much people will spend on health-related products and services online. Online spending increased slightly, but “Web-influenced offline spending” is projected to increase by tens of billions over the next two years. A business that devotes few resources to its

Web presence may well save some money in this year's budget. Next year and the years to come, however, they may find that sales of their offline products and services have inexplicably lost ground versus their competitors. Perhaps it won't be inexplicable.

Striking a balance between too much technology spending and inadequate technology spending requires being informed about options. Knowing the capabilities, as well as the limitations, of the Internet can make for more intelligent business decisions.

Experienced businesspeople have little to learn from the business decisions made by most of the failing dot-coms. Experienced businesspeople know better than to waste resources, to overbuild a staff, or to spend a fortune on marketing and advertising a product that isn't profitable to start with.

But make no mistake, the survivors of the dot-com “shake out” will emerge, experienced in both business *and* technology. And that's when businesses that still use plows instead of tractors might as well just sit and wait for a rabbit. ☞

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Utilize parlance of minimized complexity, a/k/a “Just say it”

There's a lot to be said for old-school business experience, especially as it relates to so-called “New Economy” companies. While many tech companies have remained successful, the all-too-visible failures have helped dot-coms to supplant restaurants as the riskiest business venture out there.

As VCs and investors alike are left licking their wounds, the “great idea” and “killer app” no longer qualify as good enough reasons for risking capital on an e-company. *Just give us the facts. How does the company make money? What does it sell? No more e-this and i-that. The only initials we're interested in are R, O and I.*

The 90's was a decade where the English language took an unfortunate turn. The New Economy apparently demanded a new dialect. Clear communication was replaced by Businessese and techno-babble. It was the decade that popularized CRM, B2B, ERP, and B2C, acronymming us half to death. We outsourced, we downsized, we strategized, we utilized. Shooting straight – telling it like it is – was a quaint personality quirk, a vestige of a time when businesses were started for grandchildren, not for a buy-

out. But perhaps, as the saying goes, the worm has turned.

I recently read a press release that included, in characteristic press release style, a brief description of the issuing company. And I still don't know what the company actually does. According to the release, this company's goal is “to drive operational excellence through supply chain improvement.” The description continued with the real hook: “*By reducing cycle times and reducing transaction costs, buyers and suppliers will realize enhanced profitability ... buyers will experience supply chain process improvements, thus lowering overall operating costs.*” And, mercifully, it ended right about there.

The first image that came to mind – which might well say more about me than about that company – was that of a big pile of bull poop. But that about sums up the obfuscation that characterizes most corporate messages nowadays. (Government agencies have always done this well. In the early 90's, and probably much earlier, the Navy reportedly trained dolphins to kill enemy scuba divers – I am not making this up. The delicious euphemism? “Swimmer nullification units.”)

My college writing teacher used to say that it is most difficult to write what the reader can most easily understand. Perhaps because speed is such an important aspect of the New Economy, businesses don't have time to develop clear messages. Buzzwords and acronyms have become substitutes for communication, and there was no more hospitable environment for them to incubate than the “Digital Revolution.”

Where does reform happen? Does it start with the way we write memos? Sales letters? Advertising copy? It's possible that we are so mired in business rhetoric that the very idea of just “telling it like it is” looks like a foolish, unsophisticated idea. But business is all about people – without people, there's no such thing as business – and people communicate. And when businesspeople don't communicate clearly, then it's really hard to do business.

I'm not saying that a return to clarity is the answer to all our economic ills. But surely those people involved with our businesses – clients, investors, employees – would appreciate some verbal streamlining. I mean, what would you rather do, “make more money” or “realize enhanced profitability”? ☞