

e-the-entrepren

Innovative ideas, plenty of energy, a willingness to back their judgment, and an intuitive sense of where the internet is heading, characterise the successful e-entrepreneurs. **Morris Kaplan** talked to some of the rising stars of the e-business world to understand what makes them click.

IN THE E-BUSINESS GAME, there is a lot of talk of eyeballs. In the internet business the more eyeballs focused in one place, the more valuable that place becomes. Counting where the eyeballs are looking is therefore an important resource for marketers. Enter Hitwise.

Every day Hitwise monitors how more than 25 million internet users interact with over 500,000 websites across 160 industry categories. That's an awful lot of eyeballs. Melbourne-based co-founder Adrian Giles says Hitwise is now truly global with its 1300 corporate customers spread across the world. He says, "If you want to be big in the internet business you need to have a presence in the USA and

developing and marketing a range of technical products and solutions. "I did have a technical background and, yes, it did open up the opportunity to found Hitwise," he says.

"Rapid growth means careful building of the management team." In 2000, the founders expanded the executive team to its current size to assist the company with its rapid international expansion. Since that time, Hitwise has grown from its R&D base in Melbourne to include sales and marketing offices in Sydney, Singapore, London and San Francisco as well as its corporate headquarters in New York. Staff numbers now exceed 200.

investment, in efforts such as search marketing, affiliate programs, online advertising, visitor segmentation, content development and lead generation.

He says the business opportunity was "a problem waiting to be solved. Only the large websites, such as Yahoo, MSN and Amazon were being monitored comparatively and data on websites with a more limited reach, such as Nissan and L'Oreal – was not available. What we identified was the opportunity to go to the servers – the ISPs – in order to gather internet usage information."

Hitwise has gone through several stages of funding, notching up a total of \$30 million. "This is serious money and we have raised venture capital not just out of Melbourne but from some very good venture capital people in New York. It takes 12-18 months to get profit out of a sales team and you need to finance this. If you want to beat the competition, beat them with an effective product and an effective sales force."

He is positively glowing in his praise for their Client Advisory Board. "It's evolved from our meeting up with groups of our major clients in Melbourne, Sydney, London and New York. We have a lot of customers globally and it's an incredibly rewarding experience to be with groups of them (15 participants) in a room." ▶

"Conditions are ripe and the unique benefits of having an online business can produce huge profit margins."

the UK, and if you want to establish a market presence there you need to put sales and marketing people on the ground."

Adrian Giles founded Hitwise with his business partner Andrew Barlow in 1997. Prior to forming Hitwise, Adrian led numerous internet divisions for corporate groups, including the Beam Group of Companies, where he was responsible for

Giles says that the business proposition of Hitwise is not complex: "By monitoring more people, more websites, more often, we can provide marketers with timely and actionable marketing insights on how their online presence compares to competitive websites." He says that his clients use this information to maximise the return on their online

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The new internet era

After a long, punishing road, the internet business has turned the corner. It seems real money can be made on the internet. Sophisticated web browsers, coupled with widespread access to high speed internet connections, and an ever-expanding user base, is generating a fertile area for entrepreneurship. Massive fortunes have already been achieved in an industry which is barely ten years old.

Conditions are ripe and the unique benefits of having an online business – low overheads, inexpensive advertising, and a global reach – can produce huge profit margins, something that Hitwise founder Adrian Giles has underlined. “Once you have the technology, maintaining it is very, very simple and cheap. The margins are there.”

No surprise that the most savvy of our entrepreneurs is in the most competitive industry sectors. These include finance, job search and music. But to make money online, the entrepreneurs say they needed to build an online presence layer by layer.

Strategic partners need to be brought in to boost limited resources. “This was planned for,” says David Vitek, a significant e-entrepreneur. Building connections in your industry and your community not only makes sense, it is essential. You have to connect proactively and engage with customers.”

The internet space has been characterised by significant buy-outs by major media players, including Fairfax, News Limited, eBay, Yahoo and PBL, as they look to establish themselves in the new media space. Transactions include:

- www.TradeMe.co.nz; \$620M (Fairfax, March 2006)



Adrian Giles, founder of Hitwise

- www.MySpace.com; \$776M (News Limited, November 2005)
- www.RealEstate.com.au; \$269M (News Limited)
- www.Wotif.com; \$250M (IPO)
- www.TradingPost.com.au; \$636M (Sensis, March 2004)

What has characterised these businesses is their ability to build communities based around common interests and geographies. Their offerings are ‘sticky’, encouraging frequent user traffic and interaction between their members on their sites. Media companies are paying for access to these mass online communities, both for access to clear markets and for the revenue streams generated.

Natural Therapy Pages

Twenty-something David Vitek (“29 actually, but only 25 when I worked on this idea”) says despite his formal training in engineering and IT, “there were still a lot

of pieces in the puzzle before a business could emerge from the (original) concept.”

Natural Therapy Pages is a directory of practitioners and suppliers and an information portal. The site offers visitors comprehensive descriptions and articles of interest about many of the natural therapies available in Australia. The site claims that “reading about these therapies is the first learning phase for you, contacting a practitioner will guide you toward the healing experience.”

It has become a highly successful small business operated by a team of 20 staff and partners. With 5000 or so natural therapy practitioners each paying subscription fees for listing, revenues are “growing nicely”. Vitek claims \$2 million revenue will be achieved in 2006. “That includes the home improvement arm of our business as well as the products that we sell.”

Vitek says the beginnings were very humble. “It was a bunch of guys working out of my garage. Now there are five partners involved.” ▶



David Vitek, founder of Natural Therapy Pages

Any internet business needs to be based on sustainability. "We recognised that loyalty, in particular from our practitioners, was the key to success. We therefore needed to work very closely with them." They assist their clients with developing the content and have focused on site optimisation to generate hits for their clients. "A directory will not work if they are not ranked high in the search engines. "One of the drivers to our success has been the promise that we will pool revenue for the purposes of promoting the industry to a wider audience. This is a compelling offer to many of our practitioners who often work in very narrow modalities."

As with many e-entrepreneurs, experimentation in developing the successful business is part and parcel of developing a business. "It's one of the wonders of an internet business. You can have an idea and try it very quickly. The industry is changing all the time. A more informed visitor is coming to the site. "It's also about staying on top of the game. You still have Google as the main search tool for consumers but you also have Yahoo and MSN as major engines so we have to work within these parameters to ensure that our rankings remain high."

He says the natural health industry was more of a passion than a business opportunity. "I was into health. And I was looking for a business to start. I knew that if people become more interested in their health and ▶

Birth of a new website



Catherine Price and Sandra Robinson

Take two mothers, five children, a Sydney beach, spring holidays and a slow and often chaotic walk. Mix in the experience of a midwife with a childbirth educator and training course designer. Blend these with the desire to take the best 'birth' information to as many people as possible. The perfect recipe for an internet enterprise? "It's a bit cheeky," says co-founder Catherine Price. "But it is how we view this business.

"We believed many people would benefit from online childbirth education classes and being able to readily access up-to-date, research-based and unbiased information," says Price.

"We were so enthused by the possibilities that we bought the domain: birth.com.au. In developing our online content, we wrote over 1.2 million words on just about everything relating to pregnancy as well as labour, birth and caring for a newborn for the first three to six months.

"Both my business partner, Sandra Robinson, and myself are from the industry so we had a sense of how much information was out there but not readily accessible to women. Either it was too light or too medical or simply product oriented."

Success in terms of visibility is noteworthy with birth.com.au achieving 225,000 unique visitors last month. "We're ready to look at an advertising revenue model and have

commissioned Tempest Media to sell space on our website," says Price.

"I guess in terms of milestones our biggest boost came in 2003 when we paid to have Search Engine Optimisation done on our site. As a result we jumped from 800 to 2-3000 unique visitors per day.

"We didn't come into this business with market savvy but have learned a lot. For instance, forums are something we should have done much earlier and the same with newsletters."

"I guess one of our opportunities is to be a major content provider to media outlets as well as an established brand."



wellbeing, their needs for information would grow. I wanted to put all of this under the one umbrella.”

Vitek says that sound management and organisational skills are essential to build an e-business. “I made a decision very early on not to get consumed by micro managing all aspects of the enterprise. I made sure that we allowed for the funding of people to manage these processes. You need to be able to take a space in the business where you can sit back and take a bird’s eye view and ask “What can I do now that is going to be good for my customer?”

Bluecollar.com.au

Claiming to be “Australia’s first job search site dedicated to blue-collar workers”, Bluecollar.com.au CEO Chris McKay says that his objective is to establish the site as the market leader for providing employers, recruitment agencies and labour hire providers access to all their recruitment and training needs.

Bluecollar.com.au was launched in Australia in 2003 and claims to be the most visited blue-collar specific recruitment website in Australia. “And we’re growing rapidly,” he says, hinting at a 50% a year growth rate. “And that rate is across all the metrics: revenue, listings and unique visitors.”

The site provides a single point of access for matching the recruitment needs of employers (direct employers, recruitment agencies and labour hire providers) with blue-collar candidates. Job seekers do not pay any fees and are provided access to job searches, career advice, email alerts and newsletters. ▶



Chris McKay, CEO of Bluecollar.com.au



Joseph Renzi

The company SwapAce borrows the online auction model pioneered by eBay, but adds a twist. Members can swap or barter goods listed on the site. CEO Joseph Renzi says there is yet another difference, which he claims is valuable intellectual property. “We have an international patent on some of our new and unique technology (an electronic bartering, negotiation and offer management system) that is exciting and has been developed by us. It has the facility to manage offers to numerous vendors and buyers,” he says.

The company which has already raised \$500,000 in private investments will be seeking capital “at some stage” to help the company ramp up its marketing efforts to achieve its goal of five million new members in the next two years. According to Renzi, SwapAce’s subscriber base has exceeded 100,000 and is growing at over 500 new members per day, across more than 100 countries.

SwapAce has built an impressive team of over 20 committed professionals, headed by Renzi. Their blend of youth, experience and complementary skills sets has them well placed to scale the business. “My age is a positive factor. In any case we have a board of directors with some very wise, grey heads. One of our directors is 65 and has a wealth of experience at GM level.” Renzi says the revenue model is evolving. “With the growth of the community we can attract banner advertising, premium services (for example, SMS notifications), membership fees, licensing and commissions.

“Our aim is to be fiscally responsible: we have a burn rate of just \$25,000 a month.”

SwapAce

Renzi says a scaleable model is essential for internet success. “The value comes from the ability to get into new markets and then scale them.”

He says that with youth, enthusiasm and flexible thinking you can try out ideas and get implementation in a short time. “In a larger organisation it can take six months to even get a look-in at decision-making level, here we can decide over lunch and begin the process in the afternoon, ready for launch in days.”

“That’s how smaller businesses like ours can trump larger enterprises in the internet game.”

Despite his relative youth, Renzi has a wealth of IT & telecommunications experience through various significant roles. He left his job as project manager at IAG two years ago to start the bartering portal of SwapAce, after conceiving the idea to improve on eBay. “I saw an opportunity to improve what was out there and I found like-minded people to join me – a group of young entrepreneurs (mostly 18 to 30 year-olds). Starting from nothing in Sydney and just two staff, we then had ten people working from one house, and now we have 20 people involved.

For Renzi and his partners, the hope, no doubt, is that media companies will continue to see value in communities. He says that scaleable models enable micro payments to generate profitable business models. “If you have a large number of people each making micro payments, you can make good profits.”



The blue-collar labour hire industry represents about 45% of the total recruitment industry in Australia. With senior management experience gained at Adecco and Manpower, Chris McKay had a strong background in recruitment. "But no real technical knowledge of the internet," he says.

"I saw the migration across to the internet of classifieds. Three years ago it was clear that we couldn't compete with Seek head on. We had to be unique." McKay noted that blue-collar trades and services were not great users of the existing internet service providers. "I would say that neither the employers nor the candidates fully understood the internet.

"The thing that changed this was the kids. They watched their kids surf the net and the penny dropped."

McKay observes that tradespeople were very quick to see the potential of mobile phone technology when it first emerged. "It changed their working lives. Now they're seeing the potential of the internet too." He says his lack of technological experience was not a limiting factor in establishing an internet business. "I found people. I outsourced. I didn't try to do it alone."

He says that an in-house resource is important but not essential. "Our head of operations has IT skills. But outsourcing can work too."

The evolution from inception to growth requires brand building, says McKay. "You need to build your brand name very quickly. It takes a combination of activities – advertising and PR.

"Word-of-mouth is our biggest tool. It's been very gratifying. We find candidates will inform prospective employers of the site."

McKay believes by its very nature, internet business has a shorter life cycle. "Every stage is compressed in time. It's very fertile ground for people to have a second or third go at making it big."

These notions of shorter life cycle and serial entrepreneurs are another repeated characteristic of the internet space. "The barriers to entry are very low. But this can also be a trap for players who do not have the drive to push through the obstacles that are always there.

"For us there is still a lot to do. In the UK for example there are 900-1000 internet businesses in the recruitment sector. In Australia there are just 9-10. It offers great potential."

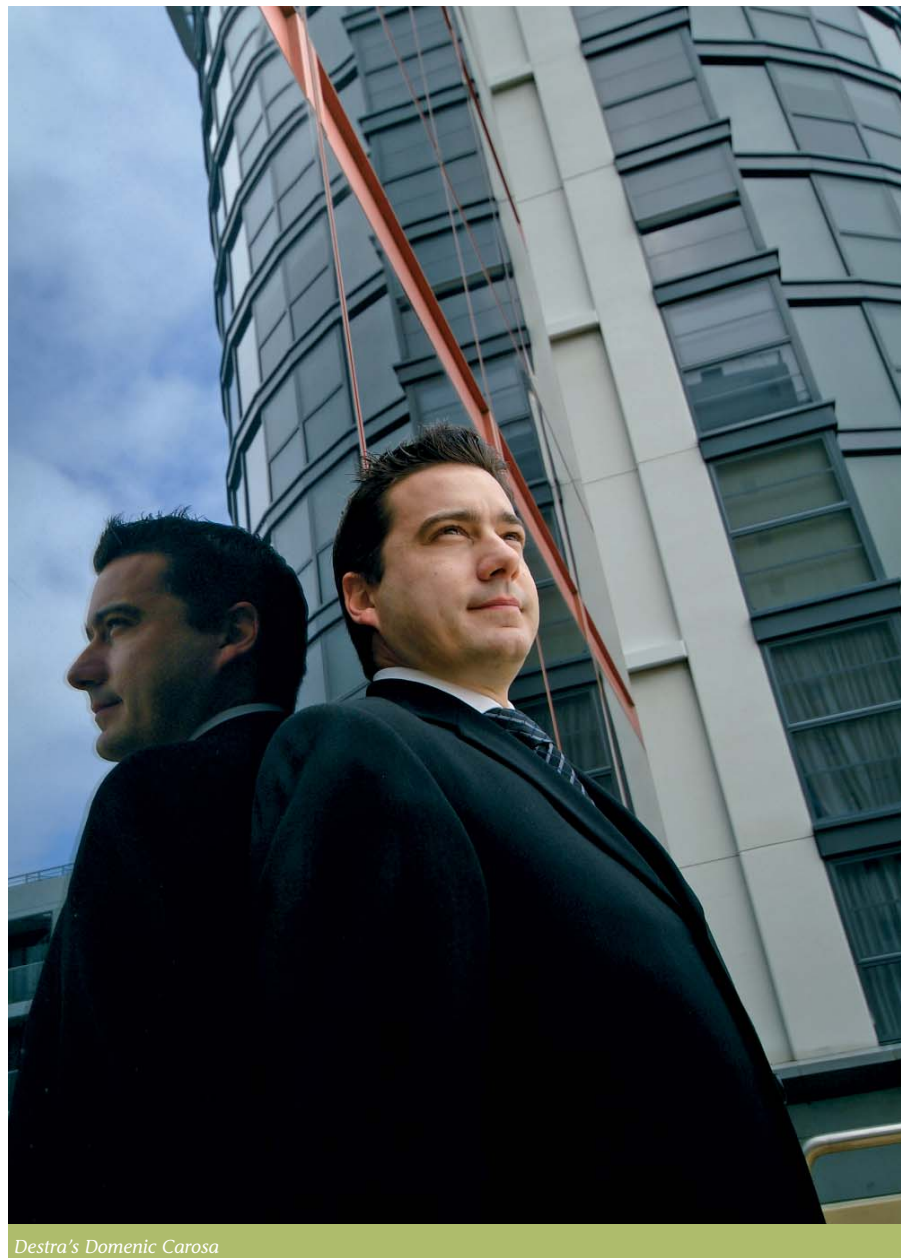
The numbers do look impressive: a high growth rate with market share across all categories now standing at number four. McKay says the big media companies seem to have positioned themselves with career.com.au, Seek and jobsearch.com.au. "We see the regional newspapers as interesting. They will no doubt be looking at us and others in the future. If not already."

Destra

Selling music downloads over the internet is finally growing out of its infancy and into a viable business, with every prospect of soon establishing itself as the dominant music sales channel. A host of

players that include Ninemsn, Bigpond and Destra are rapidly expanding their online service and launching new ones, now that a revenue stream is finally being realised.

But it was not always thus. Listed online music store, Destra Corporation was just hours away from "a stillbirth", says its founder and CEO, Domenic Carosa. "We listed the day after the dot.com crash. And we managed to keep enough funds to move on." Within six months of listing, Carosa knew he had overestimated the appetite for digital music in Australia. To service the lean years, Carosa changed Destra's focus to internet hosting. After a string (20) of smaller acquisitions, the Destra Business ▶



Destra's Domenic Carosa

Group – the hosting division – become the second largest operator in Australia.

“I took a decision to wait for the time to be right in Australia for digital media. Timing is just as important as strategy with new media.

“But we did register the domain mp3.com.au. As the industry came of age we went back to our original online music as the whole concept of digital music was

taking off.” He says that internet savvy Generation X and Y are key drivers of this take-up. Although online music accounts for only 1% of total domestic sales here, this compares to 4% in the US. Carosa is confident the Australian market will follow the US lead.

Aged 31, Carosa started the business in the late 1990s with his sister “and not much money. But we had a passion and

today we’re the number one independent music website,” he says.

He points out that one of the keys to his success was gathering mentor support. “I have a number of mentors, some of whom were gained through such organisations as the The Executive Connection and YPO but also through my fellow board members. By learning from others I can fast track success in the future. If not already.” ●

Self starter checklist

❑ Money. Focus on validating your idea, building it and selling for survival. You have to raise enough money to get started by begging and borrowing from family and friends.

❑ Connect with your market. Speak to potential customers, analysts, business partners – anyone who can help you understand your target market. If you can sell customers on your concept, they may help you fund it or agree to be a test site or a valuable reference.

❑ Start somewhere but start small. Look for simple solutions, test them and learn from the feedback.

❑ Be fiscally responsible. If revenues aren’t there at the outset, watch every penny. Find creative ways to earn cash by selling product or micro revenue from customers. Pay employees partially in equity. Set aside the big opportunities while you complete small deals with a short sales cycle and recurring revenue.

❑ Pitch and pitch some more. You have to persuade people to give you what you want, and you achieve this

by convincing them you’re offering something good for them. As an entrepreneur, you’re always selling – whether you are marketing your product, recruiting talent or raising capital.

❑ Be realistic with milestones. It’s going to take longer than you think. There will likely be product problems, unhappy customers, employee turnover and lots of financial challenges. By learning from each success and failure alike, you increase the odds that you will eventually make it.

❑ Focus on the customer. The only way to reach long-term success is by achieving outstanding customer satisfaction.

❑ Mentors. Find a mentor who gives you the energy, strength and confidence you need when struggling with an issue, or when things are not working the way you want them to.

And remember Moore’s Law: In the world of technology, changes will come at twice the pace in half the time.

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