



BizRate.Com

"We can't be like excited puppies on caffeine... We need to be like rabid dogs on speed."

- Farhad Mohit, BizRate.com Founder

In many ways, the city of Marina del Rey, located off the Pacific Coast Highway just a few miles south of Malibu, looks much like a scene out of TV's *Baywatch*, filled with gorgeous beaches, winding bike paths, and meticulously tanned natives. It's hard not to feel like you're on vacation in this oceanside town, what with the Pacific Ocean dominating the landscape to your west, and the Santa Monica mountains casting shadows to the north. On any given sun-splashed day, relaxation is here for the choosing – volleyball, rollerblading, surfing, windboarding, jogging, sunbathing, you name it.

And yet travel just a few miles inland up Mindanao Way, take a left on a nondescript side street named Redwood Avenue, and suddenly, the atmosphere changes dramatically. For here, tucked inside the parking lot of an old storage facility, lies the 24,000 square-foot converted warehouse where Farhad Mohit has set up shop.

Farhad Mohit is one of the founders of BizRate.com, and he is, to put it mildly, a whirling dervish of energy and ideas. He is young, brash, boastful, and... yes, utterly charming. It is difficult to dislike Farhad; it is even more difficult to ignore him. His high-octane attitude has injected his entire company with a bulldog personality; indeed, the fervor among the employees in this renovated warehouse is palpable, and stands in stark contrast to the "been there, done that" attitude that has come to permeate most other post-90s Internet companies.

His counterpart, BizRate's CEO Chuck Davis, is equally intense. More level-headed, certainly, but remember, this is the guy that created an e-commerce presence for Disney back when Mickey Mouse didn't know the Internet from squat. Not only does Davis have all the credentials – Ivy League college, Harvard MBA, stints at Sports Illustrated and TV Guide – but he's got the reputation to boot. John Doerr, the high priest of Internet venture capital, has referred to Davis as the "best direct marketer in the country." Davis has only been at the helm of BizRate for ten months, but in that short time, he has pushed the company into the Internet big league.

Professor Youngme Moon prepared this case with the assistance of Research Associate Elizabeth Bornheimer as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. Although this case is based on actual events and factual information, some of the specific facts and data have been altered or disguised.

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Farhad and Chuck, Chuck and Farhad – call them the yin and yang of BizRate.com. The guy on the left's a bit rough around the edges, but the guy on the right is as smooth as they come. Mohit, of course, is the one with the faded jeans and requisite pony-tail; Davis, the one with the sandy hair and all-American looks. Hollywood could not have done a better casting job.

At the moment, this unlikely pair is wrestling with a big decision, you know, the one that will "determine the future course of the company." Yes, it sounds cliché, but in this case, there's really no other way to put it; BizRate is at the proverbial fork in the road. Basically, it boils down to this: The company's got two distinct revenue sources, "research" and "e-commerce." On the research side, BizRate provides detailed data to vendors based on consumer surveys administered at the point-of-purchase. On the e-commerce side, BizRate collects commissions for sending consumers directly to vendors from the BizRate website. Together, Davis and Mohit have to figure out whether it makes sense for these two revenue streams to coexist.

Of course, there are a number of nuances associated with this decision, nuances that make the options more complicated than they look. The two of them understand this, and that's why they need to proceed judiciously. For Davis, making careful, thought-out decisions is second nature; it is, after all, why BizRate hired him. For the impatient Mohit, on the other hand, the process is agonizing.

Binary Compass Enterprises

I've always been able to delude myself. That's what makes me an entrepreneur, man.

- Farhad Mohit

In 1995, Farhad Mohit was an MBA student at Wharton, best known for "Ask Farhad," the satirical advice column he wrote for the student newspaper. The school iconoclast, Mohit was notorious among the faculty and students for his offbeat nonconformity and good-natured irreverence. "Let's just say that Farhad marched to his own beat," marketing professor Dave Reibstein laughingly recalls.

While at Wharton, Mohit was introduced to the Internet by classmate Henri Asseily. He instantly became obsessed with the thought that this new technology represented a "quantum leap forward" for business. "Suddenly there was a place for information to be collapsed across time and space in one location, for consumers to choose among a limitless number of vendors." What Internet consumers needed, thought Mohit, was a guide for all of this information, someone who could tell them which Internet vendors could be trusted.

What Mohit had in mind was a sort of "Good Housekeeping Seal of Approval" for the Web. However, instead of relying on experts to rate the numerous Internet sites popping up out of nowhere, Mohit decided that the most credible opinions were those held by *consumers* who had had some direct experience with these sites. His idea was to poll online buyers at the point-of-purchase, and then use the resulting data to provide consumers with online, up-to-the-minute, detailed answers to the question: Who can you trust on the Internet?

Mohit wrote out his ideas in an 80-page business plan for one of his courses. He then recruited his classmate Asseily and his marketing professor, Dave Reibstein, to help establish Binary Compass Enterprises ("ok, so I'm horrible at naming companies" – Farhad). At the time, the three founders had about \$260,000 culled from friends, family, and personal funds.

The next two years were spent developing the website and trying to raise money from venture capitalists. Mohit recalls:

The hardest thing about this time period was the self-doubt. The question for me was, "Do I have a business or not?" You've got to remember, this was back in the dark ages of the Internet. There weren't a lot of online retailers back then, so it wasn't obvious that there would ever be a need for something like this. Companies like Amazon weren't on everyone's radar yet. I really had to trust my own vision. Fortunately, that's something I'm inclined to do anyway. I have a lot of confidence in myself. I've always been able to delude myself just enough to really believe.

In April 1998, the company finally found backers in San Diego-based Mission Ventures and Los Angeles-based Media Technology Ventures (currently known as Allegis Capital). The two firms invested a combined \$4.5 million in the company, now rechristened "BizRate." Mission Ventures partner Robert Kibble:

Basically, we jumped on the idea. We liked the idea of being an intermediary, extracting information at the point-of-purchase. We took a look at the surveys that they planned on collecting and we viewed those surveys as being intrinsically valuable. We thought of them as a research firm, and there was a lot of value in the idea of becoming the A.C. Nielsen of the Internet.

The BizRate Rating System

Originally, BizRate was known as a research firm that collected customer feedback data and then (1) made that research available to consumers in the form of merchant ratings, and (2) sold that research back to vendors in a more detailed form. Data collection was conducted primarily through the direct polling of consumers.

Whenever a consumer made a purchase at one of BizRate's online partners, the following message would automatically pop up at the point-of-purchase:



If consumers clicked on the above button, they would be presented with a survey that asked them to rate the retailer using a variety of criteria, including pricing, the availability of products and information, the ease of placing an order, etc. (Exhibit 1 displays part of a sample point-of-purchase survey.) Consumers were also asked to provide an email address, so that BizRate could email them a follow-up survey that asked questions about whether their goods had been delivered as promised, how satisfied they were with the merchant's customer support services, etc. (Exhibit 2 displays part of a sample follow-up survey.)

Typically, about 8% to 10% of consumers who were presented with the BizRate request responded to the survey. Of course, in order to be in a position to collect this data, BizRate needed to convince merchants to give it permission to install the survey on their websites. Mohit explains that early on, this was a tough sell, primarily because the BizRate business model depended on critical mass:

We were trying to sell vendors on this idea of a consumer 'hub,' a place that consumers could visit anytime they wanted information about who they could trust on the Web. The problem with this is that we couldn't act as a hub until we had enough vendors signed up.

In their initial sales pitch to merchants, the founders positioned themselves as offering the one thing that many online retailing start-ups desperately needed: TRUST. In short, BizRate offered start-ups an opportunity to gain instant credibility, via an objective, third-party source. For many companies, this sales pitch struck a nerve:

We could tell consumers, "Hey, we're great," but it's more appropriate coming from a third party. So when BizRate came along, we said, "We should do this."

- Chief Marketing Officer, Garden.com¹

By August of 1999, about 1,700 retailers were participating in BizRate's customer feedback program, apparently sold on the idea that BizRate could help them with customer acquisition. Using the collected surveys, BizRate was able to amass a huge database that contained detailed customer feedback in over a dozen different retail categories, including computer hardware, software, consumer electronics, toys, apparel, books, and music. Information about vendors was categorized along ten different dimensions:

- Ease of ordering (convenience and speed of ordering)
- Product selection (breadth and depth of products offered)
- Product information (information quality, quantity, and relevance)
- Website navigation and looks (speed of site, quality of layout, etc.)
- On-time delivery (expected versus actual delivery date)
- Product representation (product description versus what was actually received)
- Level and quality of customer support (status updates, complaint and question-handling)
- Posted privacy policies (efforts to inform you of policies)
- Product shipping and handling (appropriateness and condition of packaging)

BizRate converted this data into a merchant rating that ranged from zero to five stars in each of the ten categories. And much like the famous Zagat guides for restaurants, each merchant then

¹ Los Angeles Times, "From MBA to Internet Success," February 2, 2000.

received an overall star rating based on the average of the category ratings reported by its own customers.

The BizRate website (www.bizrate.com) was the place where consumers could access BizRate's ratings for comparison shopping purposes. Given that online retail was just beginning to take off and new online merchants were springing up in every shopping category imaginable, BizRate's service proved particularly timely. In addition, the BizRate website was more comprehensive than competitive shopping comparison websites, because rather than simply offering price comparisons, BizRate allowed shoppers to sort information according to whatever criterion was most important to them, whether it be customer service or product selection. Figure 1 provides an example of these sorting options. (See Exhibit 3 for an overview of some of BizRate's competitors.)

Figure 1. Sample of BizRate's sorting options.

Of course, there were still vendors (most notably, Amazon) who refused to join the BizRate system. However, since the BizRate website was becoming an increasingly popular destination for online shoppers, the company felt it was important to include even these vendors in its ratings. To

do this, BizRate established a panel of over 100,000 regular online shoppers who provided it with ongoing customer satisfaction data for merchants outside of BizRate's circle of partners.

As the website grew more popular, BizRate took additional steps to increase the convenience factor for shoppers. It began offering "My BizRate" for users who were willing to register and personalize the site. Eventually, BizRate acquired eBoodle.com, a "shopping toolbar" that resided on users' computers and "followed" them around whenever they browsed the Web. The toolbar gave users the ability to do automatic shopping and price comparisons across vendors, even when they were not at the BizRate website.

By the summer of 1999, the company was hitting its stride. It went from being the 78th most-visited shopping site on the Web in March of 1999 to being number 21 on this list five months later, topping such well-known retailers as Gateway and Priceline. (Exhibit 4 shows BizRate's traffic growth from March 1999 to June 2000.) It had almost 2,000 merchants signed up for its survey program (many of them high-profile vendors like eToys and BarnesandNoble.com), and it was licensing its data to reputable companies like Consumer Reports and CNET.

Moreover, BizRate's research had made the company an ideal reference for third-parties writing about Internet commerce. Journalists or analysts seeking information about, say, online order rates or the demographics of online shoppers, often made BizRate their primary source. In January of 2000 alone – following the peak of the holiday shopping season – the company had over 3,400 mentions in various media outlets.

Perhaps most impressive was the fact that BizRate now boasted one of the most complete consumer databases on the Internet, a database that was growing at 10% a month. The database contained 6 million online buyer profiles voluntarily submitted by consumers, complete with demographics and email addresses, along with detailed information about some 80 million transactions in a variety of product categories. The company supplemented this data with a wealth of information from its own website, including which types of shopping criteria (e.g., price, selection, service, etc.) were important to which types of shoppers.²

The Research Division

To maintain integrity and generate trust among consumers, BizRate did not accept advertising on its website, nor did it charge merchants to participate in the survey program. Rather, its primary revenue stream originated out of its research division, which sold detailed research reports to merchants based on aggregate data from the surveys. These research reports supplemented some basic customer feedback information and statistics provided without charge to every participating merchant.

The Customer Analysis Report (CAR) was a comprehensive analysis of the merchant's online buyers and their buying experiences. It included:

² While it desired to profit from the knowledge it had obtained, BizRate was committed to maintaining this database in a secure manner, with strict rules on how the data could be used, in order to protect the privacy and trust of online shoppers and the proprietary information of its merchant partners. For instance, BizRate had adopted a policy that it would never sell any individual consumer's data to a third party for marketing purposes or "spam" consumers with undesired email marketing pitches. It also assured each merchant that specific information about its customers would not be shared with the merchant's competitors.

1. Detailed performance ratings across the ten key service dimensions, benchmarked against the competition in the overall category.
2. A detailed demographic and psychographic profile of the merchant's customer base, including answers to questions such as:
 - What portion of this merchant's buyers are first-time? Repeat?
 - What products are most popular with what types of customers?
 - How does this merchant's buyer mix compare to its competitors?
3. A detailed analysis of the online and offline referral channels, e.g.:
 - Which referral media drove first-time buyers to the site? Repeat buyers?
 - Which referral media generated the highest shopping cart value?
4. Identification of the onsite tools and features that were most effective in converting visitors to buyers, e.g.:
 - Do buyers find it easy to place an order on this site?
 - Are this merchant's shipping and handling charges and options satisfactory?
 - Which onsite tools and features are most successful?
5. Analysis of the impact of the merchant's fulfillment services, e.g.:
 - How quickly are customers expecting delivery?
 - Do order tracking/status information systems need to be improved?
 - What contact method for customer support do customers prefer?
6. Assessment of repeat buyer purchase behavior, e.g.:
 - How does this merchant compare to the competition in terms of the frequency and average purchase amount of repeat purchases?
 - What portion of customers' online purchases in this category does this merchant capture?

BizRate's research division also produced the Consumer Online Report (COR) on a quarterly basis. This report offered industry- and category-level analyses across a range of dimensions, including top line sales and order volume, demographics, life stage segments, and buyer types. (See Appendix to view a table of contents from a recent report.)

Finally, the company offered Custom Cuts to its merchants, research projects that were geared to answer company-specific questions. Custom Cuts did at least three things: (1) they allowed merchants to insert customized questions into their point-of-sale surveys, providing instant feedback to merchants; (2) they gave merchants a way to gather feedback from non-buyers, by intercepting and inviting feedback from shoppers at various exit points on the site prior to purchase; and (3) they allowed merchants access to BizRate's online research panel for specific purposes like concept-testing.

In sum, the research products generated by BizRate's research division provided subscribing merchants with information that was either difficult for them to gather and analyze on their own (as in the case of the merchant-specific data), or was inaccessible to them altogether (as in the case of the industry- and category-level benchmarks). As a result, most merchants regarded these research reports as essential guides to customer retention. Indeed, many merchants spent anywhere from \$20,000 to \$250,000 annually to obtain this information. As Reibstein put it,

Sure, anyone can do the surveys themselves, but there aren't too many start-ups that have the time, energy, and know-how to do the kind of

analysis we specialize in. The research reports are key, because they help companies build *relationships* with their customers. Plus, they provide companies with a way to benchmark themselves against the competition in their sector. If I'm a company and I'm trying to differentiate myself, it's not enough to know how well I'm doing; I've got to know how the other guys are doing.

Meanwhile, the company had grown steadily since its inception, reaching almost 100 employees by mid-1999. Throughout this period, Mohit had maintained the title of CEO, but it was a role with which he had never become quite comfortable. In fact, for over a year now, Mohit had been pushing to hire an outsider to take over the company reins. BizRate's lead investors had steadfastly rejected his requests. Kibble explains why:

At the time, it was less important for BizRate to have a CEO with lots of management experience, and more important to have someone who was able to motivate people, captivate people, get them excited about the company. Farhad was the perfect person. So we told him to be patient... and promised him that eventually, when the time was right, we'd find someone else to come in and be CEO.

To Mohit's relief, by the fall of 1999, everyone involved agreed that BizRate was ready for a professional management team. Chuck Davis, who had taken Disney's Go.com from a staff of one (just him) to a staff of over 1,500, was regarded by all to be the perfect fit. A guy who "lived and breathed consumer marketing," Davis' background and track record in direct marketing had made him a highly sought-after executive in the Internet retail industry. And once at BizRate, it didn't take Davis long to make his presence felt. His first order of business: Red October.

Red October

In order to understand who we are, you need to understand this: We are the antidote to Amazon.

- Chuck Davis

In October 1999 ("Red October"), the company unveiled a new website that reflected a shift in BizRate's overall philosophy and business model. The changes were carefully designed to add consumer value while at the same time protect the integrity of the BizRate ratings.

First, BizRate unveiled new product search tools that allowed visitors to not only shop by merchant, but by specific product as well. Shoppers could then perform all kinds of comparisons, i.e., they could compare prices for an item across vendors, they could compare merchant quality versus price for an item, etc.

Second, the company began providing direct links from its ratings charts to participating retailers. A BizRate visitor comparing, say, merchants in the toy category could now inspect the BizRate rankings, select a merchant, and then click on the merchant's name to be taken directly to the retailer website. (In the case of product-based searches, consumers would be taken directly to the retailer's webpage that featured the specific product they were interested in.) If the click-through ultimately resulted in a purchase, BizRate collected a commission -- ranging from 1% to 20% -- on the referred order. To provide further motivation, BizRate began offering shoppers a rebate (usually some percentage of BizRate's commission) on purchases bought via the BizRate website.

From Mohit's perspective, these changes substantially augmented BizRate's consumer value proposition:

Think about it. Amazon bills itself as being a customer-centric company, right? But let's say I'm a customer, and I'm visiting their website, and they don't have the book I want in stock in their warehouse. What's Amazon going to do? Are they going to send me to some other retailer who can deliver that book right away? Of course not! So what's so customer-centric about that? That's not being customer-centric, that's being Amazon-centric! We, on the other hand, have no warehouses and are retailer-neutral. That's what makes us truly customer-centric, in a way that Amazon will never be.

Third, BizRate began accepting what it called "merchandising pods" on its site. It invited merchants with ratings of four stars or higher ("gold" merchants) to display promotional banners in a predefined space alongside the ratings. BizRate did not charge a fee for the banners, but again, it collected a cut of the sales generated from click-throughs. **Figure 2** displays an example of what the new site looked like.

Figure 2. Sample view of BizRate's post-October website.

The screenshot shows a web page with a header 'BizRate' and a search bar. Below the search bar is a navigation menu with links like 'HOME', 'ABOUT', 'CONTACT', 'LOG IN', and 'REGISTER'. The main content area has several sections:

- Rating:** A table showing merchant ratings with 5 stars and names like buy.com, Barnes & Noble.com, Christianbook.com, SmarterKids.com, Booksamillion.com, Powells.com, Bookstreet.com, Books on Tape, Inc., eToys, and Microsoft Press.
- Special Offers:** A section displaying promotional offers such as '\$3-\$5 Rebate', 'Shipping Deals', and '20% Off'.
- Online:** A section showing a list of websites with 'GO SHOP' buttons next to them.
- Get These Hot Picks From Top-Rated Stores:** A section featuring a banner for 'buy.com' with a price of '\$12.95' and a link to 'GET IT'. It also lists 'Harry Potter and the Goblet of Fire' and a 'Hide Hot Picks' button.

As noted earlier, since its inception BizRate had studiously refused to accept advertising on its website. While none of these new moves constituted "advertising" in the strictest sense, the company realized that it was walking a fine line. But as Davis pointed out:

Yes, we are in the ratings business, and our credibility and integrity is a fundamental part of our value proposition to consumers. But we are not like Consumer Reports, or Gomez. We don't create the ratings ourselves, we don't use our own experts. The ratings come directly from consumers. So we can't manipulate the ratings, and it's impossible for companies to "buy" their way up the rankings. Consumers know that, and our merchants know that.

Mohit added:

From a logical standpoint, we shouldn't have to worry about this at all. Think about eBay, for example. eBay has a scalable system that facilitates commerce. They use a consumer-generated ratings system to keep things honest. How are our ratings different from eBay's? They're not different at all, and yet would anyone ever question eBay's integrity as a company? All they do is provide the infrastructure. We're like that too.

Certainly, the changes unveiled during Red October didn't seem to turn off consumers. Although BizRate gave consumers the option to opt-out of the merchandising displays with a single click and view the ratings information without any promotional banners, fewer than 1% did so. Moreover, the results from the new site launch were beyond everyone's expectations. By December, traffic to the site had almost doubled, topping 4 million unique visitors that month and making BizRate the 12th most popular shopping site on the Internet. By April, BizRate had not only cracked the Internet Shopping Top 10, but according to Media Metrix, it had become the number two shopping portal on the Web, beating out bigger and better-financed players like Yahoo! Shopping and MSN Shopping. What made this accomplishment even more impressive was the fact that BizRate had managed to do this without spending much money on marketing – just \$10 million since the company's inception.

Meanwhile, the number of merchants joining the BizRate survey program had begun to spike, jumping from 1,700 before Red October to 2,700 in December. By April, that number had topped 4,000 – with a 99% retention rate – and online merchants were still signing up at a rate of 15 a day. (Exhibit 5 provides a partial list of merchants participating in BizRate's survey system.) In terms of data, this meant that BizRate was now collecting over 30,000 completed surveys a day.

Even more important, the company learned that it was doing a remarkably efficient job of referring motivated shoppers to participating merchants. For example, BizRate learned that about half of all visitors to its website ended up clicking through to a participating merchant. Out of these click-through shoppers, 8.2% ended up purchasing something from the merchant. This conversion rate of 8.2% was significantly higher than the 1.8% industry average. Moreover, buyers from BizRate spent 30% more on their purchases compared to buyers who did not arrive at the merchant site via BizRate.

All of these statistics had an immediate impact on BizRate's top line. Indeed, the company's e-commerce efforts had taken off so quickly that its e-commerce revenues were already on the verge of eclipsing revenues from the company's research unit. In addition, the success of the e-commerce side of the business meant that BizRate was likely to hit \$10 million in revenue for the year 2000, putting the company on track for a possible IPO the following year.³

Needless to say, the Red October launch created a great deal of excitement within the company. Due to its success, the company was able to close another round of financing in March for an additional \$50 million, giving it a total of \$77 million in venture funding. This round of financing valued the company at over \$500 million.⁴

³ *Business Week*, "E-commerce Crusader," June 5, 2000.

⁴ *Los Angeles Times*, "From MBA to Internet Success," February 2, 2000.

Pushing E-Commerce

"We want BizRate to be the starting point for all shopping on the Web."

- Chuck Davis

After the success of Red October, Davis' challenge was to not only keep the momentum going, but figure out how to leverage BizRate's newly discovered strengths on the e-commerce side. He immediately began exploring a variety of e-commerce initiatives.

In May of 2000, for example, the company began charging merchants a straight referral fee for click-throughs, rather than taking a commission out of resulting purchases. Typical "costs per click" ranged from 40 cents to \$2, depending on the vendor. The new referral fee structure allowed BizRate to collect a fee regardless of whether or not the shopper ended up purchasing a product from the participating merchant. As Davis put it, "This is 'pay for performance.' I'd rather get paid for my performance, without being hurt by someone else's non-performance."

BizRate also began researching the possibility of engaging in direct email marketing to consumers in its vast database, on an opt-in basis. Under this plan, merchants would pay BizRate to email consumers who had previously opted-in to receive messages with special deals in targeted solicitations.

A third idea was to boost the company's merchandising efforts. Due to BizRate's excellent track record with referrals, merchant demand for real estate on the BizRate website now far exceeded supply. Conceivably, BizRate could offer pages and pages of special deals and promotional offers if it wanted to increase that part of its revenue.

And finally, there was much discussion among the company about the possibility of allowing companies to "bid" for spots on BizRate's search results lists. Currently, when shoppers conducted a search on the BizRate website, the search results listed merchants in an order reflecting BizRate's overall star ranking for that category; the highest-ranked merchant appeared at the top of the list. The idea being discussed involved changing this policy, such that the list of merchants would be sorted according to whoever won the "bidding" for a particular spot. Under this new system, the top spot would go to the highest bidder, i.e., whichever merchant paid the most. Of course, consumers could then re-sort the list according to any of the BizRate quality criteria. However, the ordering of the "default" list – i.e., the list that appeared first after a product or merchant search – would be up for grabs.

A Fork in the Road

Amidst all of the discussions about how to boost the e-commerce side of BizRate's business, a more fundamental debate was going on inside the company. As Kibble put it:

These guys are really managing a very delicate balancing act here. When we initially invested in them, they were a research company, pure and simple. And they executed that business model very well. Now they're moving into a very different animal. The real question is not, *can* the two sides of the business coexist? The real question is, *should* they coexist?

There were basically two lines of thought within the company. On the one hand, there were those who believed it was time to spin off the research side of the business altogether and move full steam ahead with the e-commerce initiatives described above. Under this scenario, the company would still collect the point-of-purchase and follow-up surveys; however, it would stop selling research reports back to the vendors. This plan of action made sense for a number of reasons. One, a number of managers felt BizRate's research focus would ultimately prove to be a "dead end," since it wasn't easily scalable. The average Customer Analysis Report (CAR) was typically dozens of pages long, and it included not just raw data, but lengthy and comprehensive analyses, executive summaries, and detailed recommendations that were all customized for a particular merchant. It took an enormous amount of resources to churn out these reports on a monthly basis. The company now had about 225 employees, and each one was already stretched to the limit.

In addition, there was the question of focus. Even if the company was operationally capable of maintaining (and even increasing) its research output, some of the senior managers felt strongly that the best way to ensure the most successful execution of the e-commerce initiatives was to put everything else aside, and devote all the company's attention to a single goal. As many of them pointed out, competition in the e-commerce sector was fierce, and time was of the essence. If BizRate really wanted to play with the heavyweights in this market, it had to get serious about its priorities. The overhead of managing two businesses was bound to take its toll; as one manager put it, "it's not just a question of operational bandwidth, it's also a question of mental bandwidth."

Another argument had to do with BizRate's market ambitions. This one resonated particularly strongly with Mohit:

Do we want the world to think of us as a market research firm, or do we want the world to think of us as an e-commerce hub? Look at A.C. Nielsen. It took that company 40 years to reach \$1 billion in revenue, and after all that, their market cap is just \$1 billion. Now take a look at the market caps of the e-commerce portals. How long did that take? So my question is, how much patience do you have, Mr. VC-Man?

In sum, jettisoning the research side of the business and focusing on e-commerce would clearly telegraph to the world where BizRate was headed as a company, and would allow it to focus all of its resources and energy on succeeding in that sector. For a company that was hoping to go public within a year, these were not trivial considerations.

On the other hand, there were an equal number of senior managers in the company who believed that the two sides of the business could coexist, and that BizRate should take a "go slow" approach to e-commerce. There were a number of arguments in support of this view as well.

For one thing, BizRate had made its name as a Market Research firm. Market Research not only defined who it was, but it distinguished BizRate from the competition. Dumping the research side of the business not only meant writing off nearly 50% of the company's current revenue base, but it also raised the possibility that BizRate would come to be viewed as just another "me too marketplace" trying to compete against much bigger and better-financed competition. Indeed, the difficulty of competing against powerhouses like Yahoo! and MSN had been highlighted by the stock market's slide in April of 2000, after which a number of smaller Internet players had ended up crashing and burning.

For another thing, there was always the danger of antagonizing consumers by pushing the e-commerce initiatives too strongly. Sure, consumers had responded positively to BizRate's initial forays into merchandising and referrals, but there was still the real possibility that a full-blown e-commerce effort on the part of the company would result in a consumer backlash.

Finally, there was the danger of alienating the many merchants who depended on BizRate for market research. The various e-commerce initiatives could arouse resentment among the very customers that BizRate had worked so hard to get on board. Perhaps this was not the best time to risk further antagonizing them by cutting off their monthly research reports.

As Mohit mulled over various sides of this debate, he mused:

This is a tough decision, even for me. I understand that research is more quantifiable, more bankable, than the other half of the business. It's the source of half our revenues. So it's kind of like, what do we do? Hedge, or bet the bank? It's the classic executive versus entrepreneur type of decision.

Davis added:

It's something we have to consider very carefully as we move forward. To say that this is a big decision for us is an understatement. These things are never cut and dry, and it's important that everyone recognize that. I do know this: We can't stay the way we are. We've got to take this company to the next level. The question is, what's the best way to get there?

Exhibit 1 The first screen of a sample BizRate point-of-purchase survey (Note: There are typically a total of four screens in this survey)

Merchant Performance Ratings									
How satisfied are you with each of the following aspects of this online purchase?									
	Not at All	A Little	Some What	Quite a Bit	Highly				
1	2	3	4	5	6	7	8	9	10 n/a
Ease of Placing Order	<input type="radio"/>								
Product Selection & Availability	<input type="radio"/>								
Product Information	<input type="radio"/>								
Product Prices	<input type="radio"/>								
Web Site Performance	<input type="radio"/>								
Shipping & Handling Charges and Options	<input type="radio"/>								
How satisfied are you overall with this purchase experience at B2C Online Merchant's site?									
	Not at All	A Little	Some What	Quite a Bit	Highly				
1	2	3	4	5	6	7	8	9	10 n/a
Overall Purchase Experience	<input type="radio"/>								
How likely are you to purchase from B2C Online Merchant the next time you are in the market to buy this type of product?									
	Not at all Likely	Unlikely	Perhaps	Likely	Highly Likely				
1	2	3	4	5	6	7	8	9	10 n/a
Likelihood to Buy Again	<input type="radio"/>								

Exhibit 2 The first screen of a sample BizRate follow-up survey (Note: There are typically a total of three screens in this survey)

Did you receive your order on-time?

Select 

If you have received all or some of your order, please answer the questions in the section below.

Have you returned, or do you plan to return, one or more of the items from this order?

No Yes, I plan to return Yes, I have returned

If you have returned one or more of the items, how satisfied are you with the return process?

Return Process

Not at All	A Little	Some What	Quite a Bit	Very
1	2	3	4	5
6	7	8	9	10
n/a				

Did you contact B2C Online Merchant's Customer Support regarding this purchase? (Please check all that apply)

Yes, by phone
 Yes, by email
 Yes, by live online chat
 Yes, by fax
 Yes, by mail
 No

Exhibit 3 Overview of some of BizRate's competitors. Other competitors include DealTime and Deja.com.

Company	Methodology	Revenue Base	Traffic	Comments
Gomez Advisors	Each site Gomez reviews is ranked internally by the company using its analysts and proprietary methods	Provides consulting services	500,000 unique monthly visitors	Qualified merchants can become part of certification program, and display the Gomez logo on their site if they pass specific certification criteria; offers a "deals" page with links to sites where users can receive discounts
Consumer Reports	Conducts research with own team of experts; supplements own research with BizRate shopper experience ratings	Subscription fees	370,000 online subscribers; 4.5 million print subscribers	Reports 1000 new subscribers a day to online service; one of the largest subscription sites on the web ⁵
Epinions.com	Competes indirectly, since it only provides product information. Solicits opinions from users; the epinions community rates the usefulness of opinions to determine which ones become most prominent on site.	Banner ads and referral fees from merchants ⁶	More than a million pages are viewed each day; ⁷ unique visitors for October 1999: 331,000 (site launched in August 1999) ⁸	Can search products based on a variety of criteria (price, brand, etc.) but products are not sortable within the ratings - users give overall ratings and comments
Forrester Research	Conducts own research with own analysts on technology and its impact on businesses, consumers, and society.	Charges subscription fees for access to research online; sells individual research reports addressing a particular topic; offers advisory services	2,143 client companies ⁹	Company focus is on syndicating its content, not becoming a destination site
MySimon	Uses "intelligent agents" trained by team of shopping experts to collect information from any online store; uses Gomez merchant ratings	Advertising; MySimon merchant programs offer higher visibility on MySimon site for a fee	Unique monthly visitors reached 1.9 million in December 1999 ¹⁰	Users can sort products by merchant, Gomez rating, availability, price

⁵ American Journalism Review, "Paying for Content on the Web," October 1999.

⁶ The New York Times, "E-Commerce Report," Oct. 25, 1999.

⁷ St. Petersburg Times, "Web site we like," March 31, 2000.

⁸ Los Angeles Times, "Everyone's a critic in cyberspace," Dec. 3, 1999.

⁹ Pacific Crest Securities, Investment Report, July 27, 2000.

¹⁰ San Francisco Chronicle, "CNET Expands, Purchases MySimon.com," January 21, 2000.

Exhibit 4 Ranking of Internet Shopping Sites, by Traffic (Source: Media Metrix)

March 1999		May 1999		August 1999		April 2000		June 2000	
1	Bluemountainarts	1	Bluemountainarts	1	Amazon	1	Bluemountainarts	1	Amazon
2	Amazon	2	Amazon	2	Bluemountainarts	2	Amazon	2	Americangreetings
3	EBay	3	EBay	3	EBay	3	EBay	5	BarnesandNoble
45	LandsEnd	32	LandsEnd	13	HP.com	8	BarnesandNoble	6	BizRate
54	Borders	34	Drugstore.com	20	Dell	9	BizRate	7	BMGOnline
57	OfficeDepot	36	Reel.com	21	BizRate	11	Priceline	8	DirectHit
74	JCrew	49	BizRate	26	Gateway	23	Buy.com	9	CDNow
78	BizRate	61	Borders	27	Priceline	35	Egghead	10	FreeShop

Exhibit 5 A Sample of Merchants Participating in the BizRate Survey Program



Exhibit 6 BizRate Conversion Rates versus Industry Averages, By Category¹¹

Category	Industry Conversion Rate	BizRate Conversion Rate	Difference
Apparel & Sporting Goods	1.8%	7.7%	428%
Computer Hardware/Software	0.5% ¹²	5.6%	1120%
Consumer Electronics	0.8%	5.0%	625%
Entertainment	2.1%	17.2%	819%
Food & Drink	1.5%	6.4%	427%
Gifts & Flowers	1.1%	9.0%	818%
Health & Beauty	2.0%	14.3%	715%
Home & Garden ¹³	1.2%	9.0%	750%
Toys & Games	2.7%	7.3%	270%
Overall	1.8%	8.2%	456%

¹¹ Source: BCG/Shop.org study 2000; BizRate internal data 4/00.¹² Source: BCG/Shop.org study 1999; weighted average not available in 2000 study.¹³ Includes Home & Garden/Leisure & Hobby/Office Supplies/Baby Supplies.