



# Show me

HTML WAS  
CREATED IN THE  
UK, BUT THE US  
HAS BENEFITED  
MOST FROM THE  
WEB. NIGEL  
WHITFIELD  
ENCOURAGES  
WANNABE  
ENTREPRENEURS  
TO JOIN THE  
INTERNET  
GOLD RUSH.

**I**N THE US THEY SEEM TO BE EVERYWHERE. Baby-faced millionaires who've made quick bucks from the Internet boom. Simple ideas such as Yahoo, Amazon and Priceline have turned 20-somethings into instant millionaires. Americans seem to have a knack for turning a good idea and a bit of legwork with a website into a multimillion-dollar enterprise overnight. And when you look at some of the sites that seem to attract so much interest, you might wonder what's so special about them.

If these people have done it, what's to stop your idea from making you a millionaire as well? You know how to create web pages, you think you have a good idea, so how do you turn your PC into a meal ticket?

While the headlines may make it look like all you have to do to make money is link the word 'Internet' to your business and then sell shares, sitting back while they skyrocket, the truth is somewhat different.

In reality, before you start planning your dream home or working out which model of Ferrari will be in your driveway, you'll need to do a lot more than that. If a report from the Gartner Group is to be believed, you'll need a fair bit of luck. Recent research into e-commerce led the Gartner Group to claim that up to 75 per cent of 'e-businesses' will fail – although that figure

includes traditional businesses attempting to make the transition, as well as start-ups.

Riches aren't guaranteed either. While Internet stocks in the US have risen, it's a stark fact that many of the companies behind them have yet to make any profit. And while the shares that people may have in companies look attractive on paper, all too often that's just what they are – paper. You may attract people to put money into your idea, but there are likely to be strings, and those could stop you from cashing in on the share options for a set period of time.

Even if you are in a position to sell your shares, like those who invested in FreeServe, choose your time. FreeServe was one of the first pure Internet shares to hit the UK market, but it hasn't had an easy time of it. Prices after flotation settled below the launch price, although they've since regained a lot of ground. QXL.com and even Amazon have seen their prices wobble – with the latter varying by almost \$100 (£62.50) in a single month earlier this year.

## Go for it

But if you're not put off by those words of doom, gloom – or just sense – what's the first step to becoming an Internet millionaire?

Cliff Stanford, founder of Demon Internet, can be credited with starting the Internet boom



# the money

in the UK. From 200 people who each put up £100 for a year's subscription in advance, the company grew into one of the UK's biggest ISPs (Internet Service Providers). When it was sold to Scottish Telecom, it was worth £66m. Stanford netted £33m of this, making him one of the few people to have made real money out of the Internet in the UK so far.

Nearly half of that has now been put into Redbus, an investment company Stanford wants to use to develop his own ideas as well as those from other people. One of his current projects is film distribution over the Internet, and to make that a reality, he's acquired an independent distribution company as well. As he told *PCW*, 'It's going to be who understands the technology best. It's going to be who's got the content.'

People who want to make millions have to do something others haven't done, said Stanford, such as Demon's 'tenner a month' for the Internet. While some believe Dixons' marketing clout played a crucial part in FreeServe's success, Stanford thinks that simply being first with a large-scale service was what made the difference. As with Demon, it wasn't exclusively being the first that made the difference: 'We weren't the first to provide dial-up in the UK. We were just the first to do it right.'

Part of what made it right was keeping customers happy. 'It wasn't always exactly what

they wanted, because you'd have everyone wanting a different service. But you have to get it as right as you can for as many people as you can.'

In starting Redbus, Stanford's advantage was having made money already. For others, it's not so easy, he said. 'It's difficult to go out and say I'm going to do this to make my fortune by selling my company.' The Redbus projects are, he believes, sound business models. They will generate money, regardless of whether they float on the stock market or get sold to a larger company.

## **Bubbling under**

Internet businesses aren't a bubble that's going to burst – although they can prove a rocky ride for shareholders. It's not the profit that counts. FreeServe is worth billions because that's what someone will pay for it, believes Cliff. It has a database of people, it knows what they like, what they're doing, what web adverts they see – and it's that database that makes it worth so much.

Having something that everyone wants – in FreeServe's case the database of users – is crucial. And a business plan is essential, knowing how your idea is going to be sold and to whom.

Charlie Myers, an analyst with venture capitalist company New Media Investors, agreed. 'A great business plan is essential.' You'll need a good grasp of the market, and if you want to

## Top tips for cashing in

**T**here's no one way to make your million, but there are some key things to bear in mind if you want to increase your chances of success. While not all the people we spoke to had exactly the same advice, there are some key points that most agree on.

- **Be first.** There is, according to Redbus's Cliff Stanford, no space for the 'me toos.' You might well think selling books online is a cool idea, but Amazon has done it already.
- **Be dogged.** Don't admit defeat. There will almost certainly be many obstacles – both technical and financial.
- **Be prepared to give up control.** It may be your baby, but if you want to attract investment, and you don't already have a track record of success, it's likely

any money will come with strings – and that could mean handing over more than half your company to someone else.

- **Have a business plan.** It doesn't need to be too detailed, but if you want to attract investment, it's essential.
- **Start small and be prepared to grow.** And if you have an idea, don't wait around for someone else to have the same one.
- **Be prepared to grow fast.** If you start small, and stay that way, you'll be overtaken.
- **As Charlie Myers at NMI says, 'Sell and don't stop selling your idea,'** if you want to attract investment.
- **Keep your plans close to your chest.** You'll have to give some things away, especially if you want a quick decision, but don't tell everyone you meet.

interest potential investors in your company, you have to 'sell and don't stop selling. Make them believe they can't afford not to invest in you.'

But while the plan is important, that doesn't mean you have to be brandishing your MBA certificate before you can consider approaching people. Groups such as Redbus and New Media Investors provide assistance on the business side for people who have a great idea but haven't,

perhaps, had the experience of running their own business before.

'Are the people right?' said Myers. That's more important than age and experience, and one of the key things they'll look for when assessing an idea is the team you've put together. And increasingly, he said, a lot of high-quality people are prepared to join start-up companies, sometimes working for no money, prepared to take share options instead.

Motivation, coupled with an odd mix of humility and arrogance are key factors that you'll need to drive your plans forward. Plan to take your business forward as best you can – not simply to make millions quickly and then get out.

### Finding funding

While the first stop for some may be the high-street bank, unless you have a sound business plan – and experience – you're likely to be unlucky. When you look at other solutions for financing your idea, you'll find the approach varies considerably.

Some venture capitalists, according to Stanford, told him they'd rather pay more money to come into a business that's established as a working idea, rather than risk losing a smaller amount. It's that attitude that led him to start Redbus, which is prepared to help companies stepping onto the first rung of the ladder.

It's that kind of willingness to help at the start that Steve Homer, creator of Gift-Net and the QAZ web directory, thinks marks out one of the key differences between the US and the UK. There are many more 'business angels' in the US, and regulatory issues can make a difference too.

If you're at the bottom of the ladder, the banks don't want to help you, the venture capitalists don't want to help you. And one of the reasons there are so few business angels is few

## You don't need millions to succeed

**W**hile the valuation put on companies such as FreeServe can be in the hundreds of millions – or even more – many other companies are making a less spectacular, but nevertheless comfortable living using the Internet. And you don't necessarily need hundreds of thousands of pounds to get yourself started.

GamePlay is one the UK's largest games businesses. Although it started out as a

mail-order company, it now has an extensive website, 38 staff and a turnover of £8m.

Not bad for a four-year-old company. Dylan Wilk, the founder, is 25, and when he had the idea for the firm, he was turned down by high-street banks. In the end, his initial £2,500 funding came from the Prince's Trust. Without that, he said 'I could never have achieved what I have.'

Another successful

business that's relied on the Internet for promotion is Hertfordshire-based JM Communications. A small company specialising in mobile phones and pagers, it has been using an Internet website for over five years.

During that time it has built up a good reputation, helped largely by being one of the first mobile companies online. According to company founder Jonathan Morris, one of the

important things has been 'making it as easy as possible for people to buy' – even if it's just a '24-hour catalogue,' rather than online ordering.

And while the site contains lots of other information, the products are important. Another key is to make sure the site looks like it's regularly updated – even if it's a simple change of colour, so the front page has obviously changed.



## Top web start-ups

**T**here are almost as many ways of ranking businesses on the Internet as there are businesses themselves. You can measure the success of a company by the value it achieved when it was floated on the market, or the volume of sales, or the rate of growth. You can look at the gross profit margins, or the time it'll take to break even, or the return on investment.

So, there's no single way to evaluate a company to see what makes it tick. One recent list, called the e25, was compiled for *Management Today* magazine, and considers which UK Internet businesses are most promising for future success.

We've spread the net a little further – but criteria varies tremendously. You could, as the e25 list does, exclude businesses such as FreeServe that grew out of something else. Or you could include those involved with the technology behind the Internet, such as RedHat.

Our list merely covers the ones to watch, but remember the Internet can be a rollercoaster ride, and by the time this article appears, there'll be even more hot companies to consider.

**Amazon.com** Originally a book seller, Amazon is expanding into other areas, including CDs and consumer electronics. Floated for just

under \$50m (£31.25m) in 1997.

**Beenz.com** A 'web currency' used as a form of loyalty points by sites, Beenz has raised \$30.5m (£19.6m) in a private share issue.

**Boo.com** Just launched after a long delay, this site promising sports and fashionware sales, valued at around \$200m (£125m) after a funding round last August.

**FreeServe** This well known ISP led the free revolution in the UK, and is part owned by Dixons – which disqualifies it from some e-business listings. The share sale valued it at around £1.5bn.

**Gameplay.com** Specialists in computer games sales,

Gameplay is one of the favourite UK Internet stocks, and was floated for £54m.

**LastMinute.com** This business specialises in offering late deals on things such as flights and hotels. Valued at around £19m in June, this year's flotation is expected to be worth around £400m.

**Netcall** Specialists in providing live phone links from websites, NetCall raised an additional £2.7m in November 1999, valuing the company at around £40m.

**QXL.com** British-based online auction service, floated last year, with an estimated value of £263m.

people have made money out of the Internet so far in the UK.' People who've made money in startup companies already, he believes, will be more willing to invest their returns in others.

Bodies can be just as important as money. And one of the hardest steps is going from being just yourself to having your first employees. One problem those in the UK face when they take on staff is share options – something Homer believes is an important issue that should be addressed.

'The people who get share options tend to be in large companies. To do them legally in the UK is expensive.' Changes announced recently will make it easier, but 'the culture needs to be there', according to Homer, if companies are to find it easier to keep talented people.

### What next?

Although there's no simple path to success, the people we spoke to did share some common views. A good idea, motivation and a good team are the essential components for success. When you have those, you don't need to wait around. Groups such as New Media Investors pride themselves on providing 'quick, clever money' and, said Myers, with a good plan, an answer – and a signed cheque – can be forthcoming in weeks, rather than months.

So, what are you waiting for? If you have an idea, make the most of it. There's seldom been a better time to take the plunge and seek your fortune.

## Useful contacts

### Arthur Andersen

A global accounting group, with useful downloadable reports on e-business and how it's developing around Europe and the world.

[www.andersen.com](http://www.andersen.com)

### First Tuesday

First Tuesday is a rapidly growing group of people who work with web businesses. You'll find people with ideas, venture capitalists, and technologists at their meetings – and they provide online newsletters and jobs noticeboards. The website provides links for anyone seeking funding and advice.

[www.firsttuesday.co.uk](http://www.firsttuesday.co.uk)

### New Media Investors

An investment organisation that specialises in new technologies. NMI has been involved in some of the best known Internet businesses, including LastMinute.com

[www.newmediainvest.com](http://www.newmediainvest.com)

### Prince's Trust

The Prince's Trust provides assistance in the form of bursaries and business mentors to young people who want to start their own business, in a wide range of areas. It anticipates helping 30,000 people to start a business in the next five years.

[www.princes-trust.org.uk](http://www.princes-trust.org.uk)

### Redbus Investments

Redbus exists to help new businesses – not just those based on the Internet – by taking a share in them and providing money to develop ideas into reality.

[www.invest.redbus.co.uk](http://www.invest.redbus.co.uk)

### Training and Enterprise Councils (TECs)

These are organisations around the country that give advice and support to small businesses. There's one in most counties and large cities.

[www.businesslink.co.uk](http://www.businesslink.co.uk)