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Entrepreneurship in the Digital Age

A Capstone Project Submitted in Partial Fulfillment of the
Requirements of the Renée Crown University Honors Program
at Syracuse University

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and Renée Crown University Honors
May 2010

Honors Capstone Project in Entrepreneurship & Emerging Enterprises

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ABSTRACT

The following Capstone Project delves into the topic of Internet entrepreneurship, specifically analyzing what it takes to turn an idea into a successful online venture.

The first part of the project takes a look at the start-ups of Internet entrepreneurs, including both successes and failures. Such businesses include the CollegeBound Network, Apple, eBay, Twitter, Pets.com, Webvan, eToys, Kozmo, Facebook, Google, and Amazon. It addresses decisions that were made and how such decisions positively or negatively impacted the companies. By analyzing the businesses and their founders, we can gain much insight into what works and what does not.

There were some common lessons learned among the discussed entrepreneurs. Many of the successful entrepreneurs focus on customer experience, placing a clear emphasis on their users. The failed companies prove that a business with a flawed idea is destined for failure no matter how well that idea is executed. Also, growing at a rapid rate creates much risk, and this is the cause of many business failures.

The final part of the project discusses further research and studies that are helpful to those looking to create online startups. It identifies positive traits and the entrepreneurs that exemplify such characteristics. Also, it outlines the main ways to market an Internet business, refers to features that have revolutionized e-commerce, discusses the importance of venture capital for online startups, and reviews different types of Internet startups.

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INTRODUCTION

Entrepreneurship is the process of creating value by bringing together a unique package of resources to exploit an opportunity. Also, by definition, an entrepreneur is someone who pursues an opportunity without regard to the resources that he or she currently controls. An entrepreneur must be self-motivated and committed to his or her innovation, and the invention of the Internet has provided entrepreneurs with a whole new way to create innovative products and services. With new Internet businesses starting every day, the competition continues to increase and new concepts continue to form. But, the question that many ask is what makes an Internet entrepreneur successful? Is it purely based on having the right idea at the right time? Perhaps that is part of it, but it is much more than that.

Leadership style and the decisions that must be made greatly shape Internet businesses and ultimately determine their success. The following is an analysis of Internet entrepreneurs who not only had the right idea at the right time but who also knew how to act upon that idea to bring their companies to financial success. Each successful entrepreneur has identified an opportunity, developed or improved upon a business concept, assessed and acquired the necessary resources, implemented those resources by putting operations to work, and learned how to manage and harvest the business. They have

achievement motivation, an internal locus of control, take calculated risks, and have a tolerance for that ambiguity and independence. It is important to note that one can be entrepreneurial within an already existing company, and entrepreneurship surely extends far beyond just those who start their own businesses. In addition to discussing and analyzing various Internet entrepreneurs, this project also makes note of research and studies related to the topic.

The fact of the matter, though, is that not all Internet entrepreneurs are successful. Additionally, it is equally as important to acknowledge mistakes that have been made when beginning to start one's venture in order to ensure that those mistakes are not repeated. Sure there are the Mark Zuckerbergs and Steve Jobs of the world who have used the Internet to transform the way we live and, while doing so, have developed billion dollar businesses. However, for every business that has succeeded, there are many more that have failed. That is why those who have failed will also be discussed, as perhaps we can learn more from past failures than from prior successes.

While there are no set criteria or characteristics for those who have succeeded and those who have failed, by analyzing various entrepreneurs, one definitely begins to see patterns. Such insights can prove to be very helpful when forming one's own Internet startup or bringing an entrepreneurial style to an already existing business. One

question that frequently arises is whether a person is born an entrepreneur. While I do think that some of the creative entrepreneurial spirit is innate, it is stifled as well. In other words, some decide to keep it in, hold it back, and repress it, whereas entrepreneurs work to release it. The following entrepreneurs, whether they were successful or not, all had a passion for their business and truly believed that their business would positively influence the lives of others. It is how that passion and the idea are executed, though, which seem to determine the individual's success.

The first entrepreneur that I will be looking at is The CollegeBound Network founder Luciano Rammairone, who was kind enough to share his insights in an interview with me. He started with nothing and managed to grow his company to the half billion dollar business that it is today. Did he have the right idea at the right time? Sure he did, but it is the way that he acted upon that idea that has made him such a successful entrepreneur.

PART ONE: INTERNET ENTREPRENEURS

LUCIANO RAMMAIRONE¹



FOUNDER OF THE COLLEGEBOUND NETWORK

Luciano Rammairone is the founder of The CollegeBound Network, or CBN. Originally a magazine for college bound students, CBN now focuses on marketing retention and recruitment lead generation solutions for institutions of higher learning, including 3,500 campuses. Last year, CBN matched over three million potential students to schools, and 50,000 students enrolled in a CBN partner school. Its services include Internet marketing, search marketing, e-marketing, and telemarketing. More than three million people use CBN's various sites each month, including CollegeBound.net, CollegeSurfing.com, TopCareerSchools.com, HolisticJunction.com, Top10ComputerSchools.com, Canadian SchoolSearch.com, SpaBeautySchools.com, SchoolsInTheArts.com, and ReachStudentsOnline.org.²

Luciano Rammairone was born in 1965 and grew up in Brooklyn, NY. He came from a fairly poor family with parents who were

in no way entrepreneurial. However, ever since he was 15 years old, he knew that he wanted to be an entrepreneur, and when he was only 18 years old, he even set up a flea market with various clothes and shoes. In 1987, after graduating from Pace University, Rammairone had two primary motivations for wanting to start a business. First, he wanted to be in control of his own destiny and be his own boss. He did not want his future to be in the hands of someone else. Second, he wanted there to be no ceiling or cap financially. Having come from little money, Rammairone dreamed big financially. So, the two primary factors that led him to start the venture were freedom and money.

When Rammairone started The CollegeBound Network, he did not have many goals. He essentially winged it and his goals were almost hourly, as opposed to being long-term. Back then he lived by the moment and took huge risks to succeed. When he first started out, Rammairone sought to establish a “lifestyle” business, as opposed to one that seeks rapid growth. The CollegeBound Network was neither an invention nor a novel idea and, as Rammairone admits himself, was not groundbreaking. As such, he started a business with the intention of making a living that could eventually grow bigger than a salary. When he first started, he had few resources and no network. A typical 22 year old, he initially had difficulty networking. The only entrepreneurs he knew through his family and neighborhood were

storefront entrepreneurs. Consequently, the growth of his company was initially very organic and slow. When starting the venture, Rammairone was very concerned with control. He wanted control of the venture, people, and over the decisions that had to be made. He desired autonomy and did not want to be accountable to anyone, as he would have been if he worked at a bank. He sought control and the need to control ideas.

Looking back on the risk orientation when he started his venture, Rammairone feels that it was very risky because he used his own money. He says that he just jumped as if he were jumping off a cliff. He just went in and did it without thinking about it. Since he was so young with no family and was still living at home, his main risk was financial. When starting CBN, he did not write a business plan; it was all in his mind. At the time he never considered whether he felt prepared to start the venture; he just went right in and winged it. Rammairone's personal and ethical values have not changed since he started the venture. He did not make any assumptions when he first started out that subsequently proved to be wrong because he feels that at 22 he was not smart enough to make any assumptions.

As Rammairone grew the venture, many insights were gained, and he considers himself to be an expert in entrepreneurship today. Instead of working on a project for two hours a week, he focused on

that subject and has done it for over eight hours a day for over 20 years. During that time, he learned how to run a company entrepreneurially. He learned about inclusion, with regards to including people in a process, making people feel included, and that one person cannot do everything by him or herself. He learned how to get the most out of people, motivate, and take advice from others. He developed an understanding of budgeting and learned how to completely analyze every decision, as well as learned how to analyze a profit and loss (P&L) statement. He also feels that computers and the Internet played an important role in the eventual growth of his venture. Rammairone believes that entrepreneurs are much smarter now than they were in the past. When he first started out, there were few computers and certainly no Internet. In fact, back then, Apple was the only computer that was consumer-based. Entrepreneurship simply wasn't at the level that it is at today.

Just like any entrepreneur, Rammairone has made some mistakes along the way. A key mistake includes spending money without proper analysis. Now, however, the process of thinking about projects and spending money is done in a group as opposed to all falling on his shoulders. When asked about his greatest moment, he says that he is proud of every day and the goals that he and his team have set. He says that it is impossible to label his worst moment.

Nevertheless, he notes that it was very difficult for him to let go his entire magazine staff as a result of the transition to the Internet. He was unable to give those 12 employees advance notice. He wanted to speak to them personally but had to do it in a group, and some of them had been with him for years, making the decision even harder.

The CollegeBound Network used to be a magazine that helped high school students who were trying to pick a college. As he grew the venture, though, it eventually became a career and college advice magazine, and finally the content was moved online to collegebound.net. The website provides resources and tools related to financial aid, scholarship, and enrollment information. Initially, the money made online was through mostly banner advertisements, which appear at the top, side, and bottom of the site. It is based on CPM, or cost per thousand page impressions, and it is based on how many people see the advertisement; it doesn't matter who sees it.

In 2004, Rammairone invented a process where he charges a matching fee for every time a student comes to the CBN website and requests information on a school. The colleges are now placed on the site for free and are not charged for banner advertisements. However, they must pay a \$40 to \$50 fee for every time a student requests information on their school. CBN is basically charging a sales lead fee. Right now it generates about 250,000 leads per month. In addition to

generating leads through the website, CBN has a toll free number in which representatives advise potential students and match them to a school. Rammairone says that there are over 1000 schools and that number is growing by about 20 schools per month. CollegeBound.net receives over three million visitors per month, and most of that traffic comes from search engines such as Google.



Screenshot of CollegeBound.net

Rammairone knew that a website wouldn't be a success unless people knew about it, so he invested a lot of time and money into making sure that CBN was high in search engine rankings. Furthermore, CBN has established over 150 affiliate websites that

generate leads and then pay a bounty for doing so. Also, CBN will soon begin to air television commercials. Today, Rammairone has 60 people working for him at the CollegeBound Network. CBN went from having \$15 million in revenue in 2004 to \$100 million in revenue in 2007. And, revenue has essentially increased by 100 percent every year since 2004. A major magazine even wanted to include CBN in its annual rankings as being the sixth fastest growing company in the country. However, Rammairone wants his company to stay out of the limelight, so people don't start to understand his processes.

While Rammairone says that he does not have to work another day in his life, he insists that he is not looking to sell the business. He has a five-year plan to make the CollegeBound Network the largest education destination in the country. Right now, Monster.com is the leader for jobs, Facebook is the leader for social networking, Match.com is the leader for dating, but Rammairone says that there is no leader for education. He wants The CollegeBound Network to be the top destination for all related to education. From a technological standpoint, The CollegeBoundNetwork has built all its own interfaces and has truly helped develop lead generation technology. Rammairone says that somewhere down the road, after at least five years, he plans to sell the company for half a billion dollars, which is especially impressive for someone who came from practically nothing.

Rammairone's story proves that while the initial idea is important, the way in which the entrepreneur grows that idea can determine the success of the venture. While Rammairone's risk orientation was initially very risky, any risks that are taken or decisions that are made must be carefully calculated. It is important to get the most out of people, as well as motivate and listen to others.

Rammairone's business would not be what it is today if he did not have such an amazing staff. It is imperative that a company keeps up with technology, and it is inevitable that technology will impact the direction of a business. Lastly, Rammairone acknowledges that entrepreneurs will make mistakes along the way, but it is important to learn from those mistakes and prevent them from happening again.

STEVE JOBS



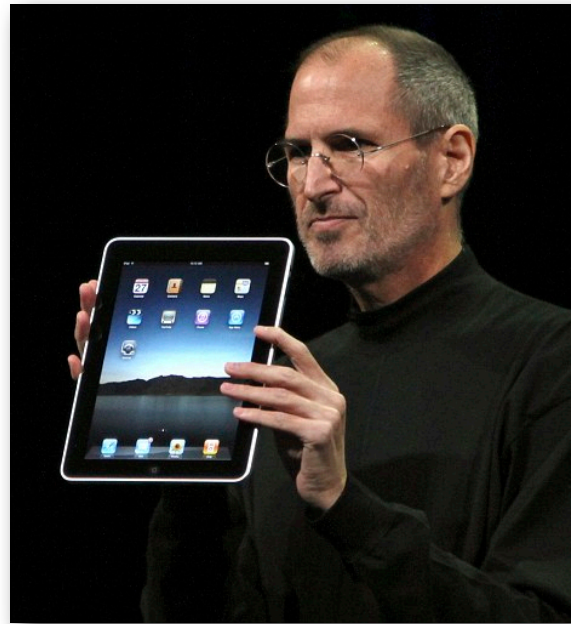
CO-FOUNDER OF APPLE INC.

Steve Jobs, co-founder and chief executive officer of Apple Inc., is generally regarded as one of the greatest entrepreneurs of our time. In addition to working at Apple, he has also spent a few years leading at Disney and Pixar. Nevertheless, he will always be known for his role at Apple. He has been the driving force behind Apple and its innovative

products, revolutionizing the way we live and transforming his company into a leader in the high-tech industry. When Jobs announced the iPod, it revolutionized the way we listened to music. When he introduced us to the iPhone, he took the wireless industry by storm. Also, with his revealing of the iPad, experts predict that Jobs will transform the way we read books, newspapers, and magazines. He has used his creativity and innovation, combined with his focus on the “user experience” in order to transform Apple from a boutique computer maker to a force to be reckoned with in consumer electronics.

In an interview with Fortune magazine, Jobs spoke about what has made Apple a success and gave us insight into his entrepreneurial spirit. He attributed part of Apple’s success to his decision to focus on a core number of products. In fact, at the time of this interview, Apple had less than 30 major products. He notes that by focusing on a small number of products, he must say yes to the products he is focusing on, as well as say no to hundreds of other potentially brilliant ideas. One of his main goals is to have the consumer “fall in love” with his company. He notes that if they fall in love with Apple, then the rest of it will take care of itself. Regarding his ability to give up control, he reveals that he carefully chooses whom he hires. He then gives them a piece of the business and lets them run with it.³

Many refer to Steve Jobs as the “Wonderkid of Silicon Valley,” which is where the company is headquartered.⁴ He is considered a great source of inspiration, continuously motivating his employees. In addition to motivating employees, he motivates his



Jobs introduces his latest creation, the iPad

customers to believe in Apple’s products, and he is famous for his well-crafted presentations using the program Keynote. Recently, the Washington Post published an article detailing the seven secrets of a successful Steve Jobs presentation. First, Steve Jobs sells dreams rather than products. In fact, when he introduced the iPod back in 2001, he was quoted as saying, “In our own small way we’re going to make the world a better place.” Second, Jobs offers Twitter-friendly headlines or descriptions for the products. For example, he simply described the Macbook Air as “the world’s thinnest notebook.” Third, he always introduces the antagonist. Whether it is IBM or Microsoft, he makes sure to poke fun at the competition. This can even be seen in Apple’s “I’m a Mac and I’m a PC” commercials. Fourth, he sticks to the

rule of three. For instance, when he introduced the iPhone in 2007, he described it as three revolutionary products: an iPod, phone, and Internet communication device. Fifth, he always strives for simplicity, and many marketing experts have admitted that simplicity is the “marketing mantra of 2010.” One could even argue that Steve Jobs uses an innovative marketing strategy, acting as an example for other companies. Sixth, Jobs always reveals a “holy smokes” moment. For example, when introducing the Macbook Air, he removed it from an envelope. Finally, he makes sure to share the stage with other employees and partners, emphasizing teamwork and variety.⁵

In conclusion, Steve Jobs has had a great impact on Apple, its consumers, other businesses, and society itself. He has transformed Apple into one of the world’s most recognizable and financially profitable companies in the world. Consumers eagerly await what he will introduce next or how an existing product will be improved. He is never satisfied with the present and is always looking for improvement, and his enthusiasm for the products he sells is apparent. Other companies, including the computer giant Microsoft, have taken note of Apple’s innovative products and marketing strategy and tried to mimic their style. One thing is for sure, though: nobody does it as well as Steve.

MEG WHITMAN



FORMER CHIEF EXECUTIVE OFFICER OF EBAY

Meg Whitman, who right now is a Republican candidate to become California's next governor, was president and chief executive officer of eBay for 10 years. Prior to joining eBay in 1998, she was a brand manager at Procter & Gamble, vice president of strategic



Meg Whitman on the cover of Fortune magazine

planning at Disney, and general manager of Hasbro's Playskool Division.⁶ When she came to eBay, she took numerous actions and approached the company with an innovative entrepreneurial leadership style that would ultimately lead eBay to success. She is a great example of someone who was entrepreneurial within an already

existing company, and she'll surely bring that style if elected governor of California.

When Whitman joined the company as Chief Executive Officer, eBay had the makings of an excellent brand but still needed much tweaking. First, there were only 35 employees, most of whom were concerned solely with the engineering and technical aspects of the business.⁷ eBay had no marketing strategy and a weak organizational structure.⁸ Immediately, Whitman created a list of concerns. She felt that it needed to decide the level of investment that the company had to make in system capacity, to finally develop a clear marketing strategy, and to strengthen the company as a whole, all of which would help prepare eBay for its initial public offering. Additionally, Whitman added numerous experienced executives to the company's management team, specifically its marketing, legal, and customer service departments. In order to make her goals a reality, she held mandatory extensive meetings on a regular basis. Just as the users of eBay had developed a strong sense of community, she worked towards creating a feeling of comfort and trust among her employees. The leadership of Meg Whitman most definitely relates to the strategy that has always been part of eBay's mission amongst its users.

While she initially lacked proficiency in the technological aspects of eBay, she spent much time with Mike Wilson, eBay's Senior Vice

President of Product Development and Site Operations, in order to understand the technology. After learning about the technical details of eBay, Whitman realized that increasing its system capacity had to be a top priority. From 1998 to 1999, the number of listed auctions increased from a mere 4.2 million to an impressive 23 million, and Whitman contributed to the growth in customers from 750,000 to over seven million in only a few years.⁹ eBay was rapidly growing, meaning an increase in users and an increase in stress on the system. Two weeks after Whitman joined the team at eBay, the site went down for more than eight hours.¹⁰ She knew that in order to protect the reputation of eBay as being able to work 24/7 worldwide, such outages had to be prevented.

Another important act of Whitman's leadership was the development of a marketing strategy. Along with Steve Westly, the Vice President of Marketing and Business Development at the time, Whitman identified and analyzed the variety of eBay users. She discovered that only 20 percent of the users represented 80 percent of the volume on the site.¹¹ Such users that are responsible for a large amount of transactions and receive a high volume of feedback eventually are given the title "Power Seller."¹² Such sellers are given special benefits and privileges for their transactions, giving users an incentive to use the service more often. For many people, eBay is their

primary source of income and eBay profits from each and every transaction, making it an ingenious and profitable business. And, in order to further increase the number of users, Whitman soon arranged for eBay to appear at over 90 collector trade shows and ran 14 different ads in 90 different publications around the world.¹³ Finally, Whitman clearly defined eBay's brand positioning as a personal trading community for individuals, separating it from other auction sites.

Meg Whitman left eBay in 2008, deciding to switch from business to politics. Many experts believe that Whitman's eBay success is an intrinsic part of her campaign for governor of California. She is described as "a disciplined chief executive who quickly capitalized on the company's strengths."¹⁴ In fact, she herself admits that she is campaigning to become "the CEO of the state." Former employees describe her as being able to see the big picture and minute details. At eBay, she used her marketing expertise and prior work experience to quickly transform eBay into a company that was ready to go public. Finally, it is clear that whether Whitman is a proven leader, and if elected, she will surely use her experience and skills to lead the state of California.

JACK DORSEY



CO-FOUNDER OF TWITTER

At only 32 years old, Jack Dorsey has already achieved more success than most do in a lifetime. As a co-founder of Twitter, the past few years have been very exciting for Dorsey. He has gone from being a software engineer to the chairman of one of the most recognizable web-based companies in the world. While his fame might have happened overnight, his success was the culmination of many years of brainstorming and development. Described as soft-spoken, yet seemingly confident at times, Dorsey provides much insight into the world of entrepreneurship.

Dorsey has been working on the Twitter technology since he was 16 years old. It was an idea that he repeatedly came back to through the years. During that time, Dorsey admits he “made a lot of stupid mistakes, there were a lot of insights, there were a lot of false starts, and there was a lot of time spent to get to something simple.”¹⁵ Dorsey comes off as a very patient and dedicated person, which is necessary when developing such a concept. He always saw the

concept of Twitter as really important to the way he interacted with the world and as an idea that he wanted to transform to a reality. His most important goal is to grow and simplify the way we live our lives, and Twitter most surely contributes to that growth and simplification.¹⁶

Dorsey's initial thought processes, specifically the way in which he ponders about ideas, are worth noting. In fact, Twitter grew out of many other



Jack Dorsey, co-founder of Twitter

ideas. Dorsey explains that it started with a fascination with cities, particular how everything moves in densely populated areas. He was also fascinated with instant messenger but wanted to expand such communication beyond the computer. At the same time, he was enthralled with LiveJournal, but he desired a version that updated live from any location. Once text messaging grew in popularity in 2005, Dorsey knew it was time to develop Twitter.¹⁷

Dorsey is very candid about his entrepreneurial ideas and beliefs. In his entrepreneurial life, he seems to proceed with some caution. For instance, he notes that he does not want to force any particular feature or model onto the users until he feels completely

comfortable with that decision. Nevertheless, he also mentions that he does not want to miss the boat on any opportunities, and he exudes confidence in the Twitter product. He has said, “Something like this hasn’t really been seen before. And that’s what’s really exciting for us.”¹⁸ One can conclude that Dorsey believes in word-of-mouth marketing and keeping advertising costs to a minimum, as Twitter has never spent more than \$10,000 on marketing, and that was only in the first six months.¹⁹ According to Dorsey, celebrity endorsements, like that from Ashton Kutcher, have contributed to its popularity. And, by deciding not to spend money on marketing and keeping his costs to a minimum, Dorsey reveals that he has a low propensity for risk.

Dorsey always knew the concept of Twitter was strong; he could feel the success. Even when only five people used the service, Dorsey knew he had a good product. It is important to be confident in your product or service, as if you are not, then your customers have no reason to be. While confident in his product, he admits that he is surprised that it grew this rapidly. He thinks it is somewhat frightening but extremely exciting at the same time, as it allows people all over the world to interact in an immediate way. He thinks there is nothing more riveting than that.²⁰ When Dorsey was first developing Twitter, though, he was unaware of all its potential uses. He simply interpreted it as a way for people to stay connected with their peers. Dorsey

acknowledges that people are using Twitter in ways that were never originally expected, demonstrating that the original concept can greatly change over time. Regarding the addition of new features, Dorsey thinks it is imperative to make sure that they are permanent, sustainable, and stable.

Dorsey's workdays consist of the following. He spends most of his time talking directly to users, looking at what they are saying on Twitter, and listening to their ideas for improving the service. He specifically looks for where users think the technology should be headed and how it should be used, and he clearly values the opinion of his users. In fact, a lot of the features were started by ideas from users. The product direction is not just in the company but in the users as well. Users define where the company goes next.²¹ Dorsey thinks at this point in Twitter's development, it is also important for the company to have a great "culture, ecosystem, and user base."²²

Many of Dorsey's qualities can be found in the Twitter product. He thinks that constraint encourages creativity, and this is evident in the way he works. Dorsey feels that constraint makes one more honest and instantaneous, and this is why he supports limiting tweets to only 140 characters. Dorsey is always striving for improvement, which is exemplified in his desire to think entrepreneurially and continue to perfect the Twitter user experience. He publicly acknowledged that

Twitter has some clear deficiencies but that these are continually being worked on and eliminated. For example, it has spent much time listening to the user's request to allow groups.



Jack Dorsey's Twitter

Dorsey has many keen insights from his work on Twitter. One of the most important lessons he has learned in developing Twitter is that an Internet business must be open because it allows for approachability by more web users. Initially, Twitter required a phone number to use its service. However, the number of users grew when it allowed users to register with e-mail addresses, include instant messenger, and add a programming interface for developers.²³ Dorsey believes that when launching a startup, one should greatly consider their location of launch. For example, he feels that the Bay Area is ideal for technology companies and that New York might be a more difficult place for a launch. In particular, he feels that New York needs a better angel network for users to find money for their projects.²⁴ Dorsey stresses that it is important to develop an emotional connection with

one's entrepreneurial product or service and that it is imperative that Twitter users become emotionally involved with the product as well in order to ensure that they become consistent users of the product.²⁵

One of Dorsey's co-creators, Biz Stone, reveals that Jack never had the plan to make such a big deal out of Twitter and, while he expected it to be somewhat successful, he never dreamed that it would be as popular as it is. Stone also describes Dorsey as soft-spoken, which can be considered both a strength and weakness.²⁶ Although soft-spoken at times, Dorsey is extremely confident in his interviews and talks. He constantly refers to the weight of the concept and the desire for people to communicate in such a way. After all, he notes, that the product has not changed much in the past two years and still



Dorsey's latest project "Square"

continues to grow its users.²⁷ He does not think that Twitter is a fad and thinks that the concept is strong enough to speak against that. He seems very confident that it is an underlying communications technology utility.²⁸ His confidence in the product is definitely a strength, as it helps the Twitter staff and users gain confidence in it as well.

In the past three years, Jack Dorsey and Twitter have become a quick success. When asked about how he feels about the recent fame,

he does his best to not think about how popular Twitter is, as it distracts him from the task at hand. He focuses his energies on specifically what he is trying to do. Dorsey has said, “All the buzz, gossip, celebrity fanfare, and energy around Twitter is great but it is not helpful and hopefully not something that will persist. It impedes with trying to make a change and help the world.”²⁹ Last year, Dorsey revealed his newest project known as “Square,” which will allow anyone to take credit card payments on a mobile phone.³⁰ It will be very interesting to see if he is successful the second time around, but only time will tell.

EVAN WILLIAMS



CO-FOUNDER OF TWITTER

Dorsey is not the only founder of Twitter. In fact, he had two other co-founders. Evan Williams, one of the other co-founders of Twitter, has always been entrepreneurial. In 1994, Williams dropped out of college and founded his first Internet business. He started with his father, producing CD-ROMs and videos on how to use the web, as well as offering hosting for websites. He admits that he was trying to

mimic the entrepreneurs of California, but he would soon develop his own style. Four years later, he began doing freelance web development, and in 1999, he founded a project management program called Pyra Labs. Next, he would start the company Blogger, which he sold to Google back in 2003. A few years ago, he founded a podcasting company known as Odeo, but sold it in 2007 when he decided to focus his attention on Twitter. In a revealing interview with Patricia Olsen of the New York Times, Williams reveals that as CEO, he takes a day-to-day approach. According to Williams, Dorsey, who is chairman, has more of an overall strategic position.³¹

In an interview with Charlie Rose, he attributes Twitter's success to the idea and product itself, as it provides us with a new way to communicate. The most interesting question from the interview was when Charlie Rose asked Williams, "What is it in your DNA that has enabled you to start Blogger.com and Twitter?" Williams admits that he did not invent either idea but saw that there were opportunities, and his own personal experiences drove him to pursue them. He feels that entrepreneurship is innate, and says that he has been an entrepreneur since birth.³²

Williams admits that he initially thought that Twitter would be used as mostly a social tool. His Internet experience has taught him, though, that if you have a quality Internet service, it will be used for

other purposes as well. The more that he works on Twitter, the more opportunity he sees to innovate within the company.³³ Having founded many web-based companies, including the successful Blogger and Twitter, Evan Williams is one of the greatest entrepreneurs to take advantage of all that the Internet has to offer.

BIZ STONE



CO-FOUNDER OF TWITTER

Biz Stone is the third and final co-founder of Twitter, and he has been entrepreneurial in all of his endeavors. Creativity, which is one of the most basic elements of being an entrepreneur, is Stone's greatest quality. He carefully uses his imagination, ingenuity, and insight when working on existing projects and creating new startups. According to Stone's LinkedIn page, he dropped out of college in order to become a graphic designer. Five years later, in 1999, he helped create Xanga.com, a site that hosts weblogs. At Xanga, where he was the creative director, his product management experience and graphic design abilities helped them move in the right direction. He has given many lectures to aspiring entrepreneurs on creativity, opportunity, and

how to positively change the world. His entrepreneurial nature and creative approach has been honored on numerous occasions, and Stone is definitely the creative force behind Twitter. As one of Time Magazine's 100 Most Influential People of 2009, GQ Nerd of the Year of 2009, and Entrepreneur of the Decade by Inc. Magazine, Biz Stone is surely someone who has used his entrepreneurial skills to transform the way we use the Internet to communicate with each other.³⁴

GREG MCLEMORE



FOUNDER OF PETS.COM

Pets.com is perhaps one of the biggest failures of the digital age, having gone public and liquidated itself within the same year. In 2000, the company sold pet food and accessories, and it spent hundreds of millions of dollars on infrastructure, marketing, and warehousing.³⁵ So, where did web company developer Greg McLemore and his company go wrong? Pets.com had some stiff competition that it clearly underestimated. With Pets.com, Petopia, PetsMart, and PetStore all launching during the same year, the market became very crowded. Also, it seems as if the business model created by McLemore was fundamentally flawed. After all, the business was



Pets.com's famous sock puppet

based on high costs of delivering items like dog food and, as such, small profit margins.³⁶ Additionally, while delivering pet food and supplies directly to consumers was definitely a major convenience, consumers preferred purchasing such products directly from stores

that did not require them to wait days to receive their orders.³⁷

While McLemore's marketing efforts were creative and somewhat successful, not even their famous sock puppet mascot could save the doomed business. Pets.com overestimated the market trend, assuming that revenues would increase at a rapid rate. Also, they did a poor job of differentiating themselves from their competitors and creating a unique selling proposition. They were forced to compete on cost, bringing the high cost and low profit company to its demise.³⁸

McLemore currently remains CEO of WebMagic, which he had been involved with prior to starting Pets.com. WebMagic continues to do well today, proving that perhaps it was not McLemore's leadership that caused Pets.com to fail but rather the actual idea itself.^{39 40}

LOUIS BORDERS



FOUNDER OF WEBVAN.COM

Louis Borders, who is known mostly for his role as the co-founder of Borders bookstore, also founded Webvan in 1999, which was a convenient and affordable online grocery store. Using a complex infrastructure, it was able to efficiently and effectively store and deliver groceries to customers. In its first year, Borders grew his company at a rapid pace, bringing it to an estimated worth of \$1.2 billion before its fall in 2001.

What at first seemed like a giant success immediately turned into a colossal failure. But what exactly led to the company's downfall? Although some of Webvan's failure was due to the concept itself, there were some poor decisions made along the way. First, since groceries can perish, the customer had to be home for the delivery to put the items away. And, with deliveries not always meeting the advertised 30-minute time frame, customers became increasingly dissatisfied. Webvan used high-tech ordering technology that was very costly, making it difficult for Webvan to maintain profit. Borders' decision to

enter a period of rapid growth was what made the company file for bankruptcy. He built up the company's infrastructure at a rapid rate, but its customer base did not grow as fast. Consequently, the company incurred high costs and was losing money.⁴¹ Also, customers were spending about \$20 less per order than anticipated. And, with order handling and fulfillment costs averaging about \$27 per order, it was virtually impossible for Webvan to remain afloat.⁴²

TOBY LENK



FOUNDER OF ETOYS.COM

In 1998, eToys had it all. It was hyped to be the next big thing of the retail toy industry and after receiving favorable coverage from the media, it had a very successful first Christmas season. It soon would go public, watch its stock price triple, and reach a market cap greater than Toys-R-US.⁴³ However, the prosperity wouldn't last long.

As we see during the current economic recession, a downturn in the economy can have a major impact on businesses. And, perhaps some can make the argument that the economy is what brought down Internet toy retailer eToys. The combination of founder Toby Link's

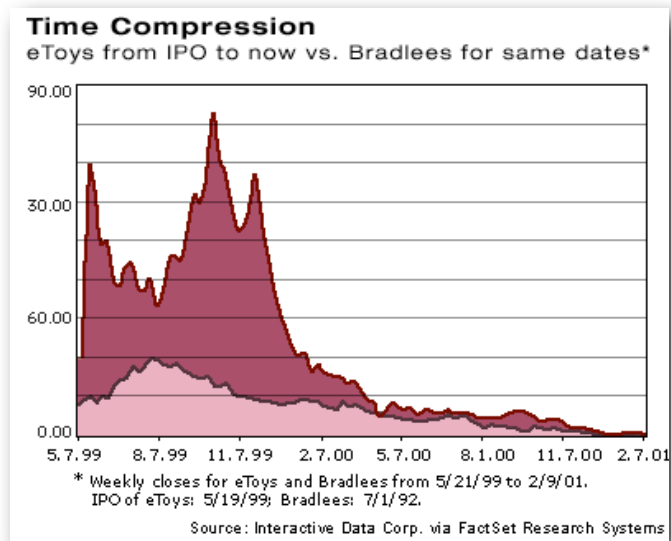


Chart showing the eToys' drastic drop in stock price. The darker color represents eToys. (forbes.com)

ambitious plans with the financial downturn of 2000 was a recipe for disaster for the dot-com bust. Link, who had been the vice president of strategic planning at Disney, was initially successful

at expanding the brand's reach and increasing sales, he was simply not prepared for a downturn in the retail market. Similar to Webvan, eToys went through rapid expansion in its capacity and product offerings. And, just like Webvan, the expansion would lead to the company's demise. If Link held off on spending \$150 million to build two distribution centers and did not expand its product offering so quickly, then he and his company might have been able to withstand the unfavorable economic conditions.⁴⁴ Also, similar to the failed Pets.com, eToys.com was operating in a low-margin industry.

In 2001, eToys was forced to file for chapter 11 bankruptcy protection, at which point it was acquired by KB Toys. The economic

downturn, combined with the prior rapid spending (including \$72 million on advertising and marketing), sealed eToys' fate.

JOSEPH PARK AND YONG KANG



CO-FOUNDERS OF KOZMO.COM

Investment bankers Joseph Park and Tong Kang founded Kozmo in 1998. Kozmo allowed customers to order numerous products, such as movies and snacks, that would be delivered in less than one hour by bicycle, car, or even public transportation.⁴⁵ While the idea of Kozmo was appealing to consumers, Park and Kang would soon realize that one-hour point-to-point delivery was extremely costly.⁴⁶ Once the company had expanded to seven markets, it became evident that Kozmo could not deliver items for free and still maintain a profit.⁴⁷ Park and Kang originally thought that since they did not have to rent space for retail stores, they could afford to deliver for free. However, they were wrong, and similar to WebVan, Kozmo's downfall was mostly due to high costs. Also, like WebVan, Kozmo overestimated the amount of money that customers would spend on each order, making it virtually impossible to maintain profit.



Kozmo.com invested a lot into advertisements and \$150 million into a partnership with Starbucks.

Park and Kang soon saw that Kozmo's business model was fundamentally flawed and did all they could to ensure that the company remain afloat. First, they tried to turn the company around by initiating a \$10 minimum charge. However, the minimum charge led to a decrease in the number of

overall orders, as customers were primarily ordering less expensive items such as movies and packs of gum.⁴⁸ Park and Kang were also able to secure a deal with coffee giant Starbucks, paying the company \$150 million to promote Kozmos within the coffee shops.⁴⁹ However, that deal was too little too late. Kozmo withdrew its plans for an initial public offering in 2000 after losing \$26 million the previous year. Finally, in April 2001, only a few months after instituting the \$10 minimum charge, Kozmo was forced to shut down its service.⁵⁰

MARK ZUCKERBERG



FOUNDER OF FACEBOOK.COM

At only 19 years old, Mark Zuckerberg accomplished more than most do in a lifetime. While a student at Harvard, he co-founded the popular social networking site Facebook. At first just a hobby for Zuckerberg, Facebook has turned into an Internet sensation.⁵¹ Facebook has more than 400 million active users, about half of which log onto the site at any given day, making it the most popular social networking site to date.⁵² In fact, for the week of March 6, it managed to become the most visited website in the country, beating Google.⁵³ But just how did the entrepreneurial college student do it?

First, Zuckerberg was able to acquire adequate funding at the beginning, which allowed it to grow and improve. His initial funding of \$500,000 came from Peter Theil, the co-founder of PayPal. And, a few months later, he was able to acquire \$13 million from Accel Partners and \$25 million from Greylock Partners, giving him the financial resources he needed to grow his venture.⁵⁴ However, it was not just the influx of cash that led to Facebook's success.

According to Martin K. Schroder, who frequently writes about business and entrepreneurship, Facebook is successful because it is an excellent product, easy to market, addictive, and an effective communication

tool.⁵⁵ Unlike certain social networks which target specific types of users, Facebook targets

everyone all



Workers at the “Googleplex,” which is Google’s corporate headquarters in Mountain View, CA

over the world. It is easy to market, giving users the option of sending Facebook invitations right from their profiles. With half of its users accessing the site at least once a day, Facebook can be quite addictive to some users. Facebook continues to innovate and integrate with other services, which is part of the reason why it continues to expand its userbase. For example, one’s Twitter account can interact directly with one’s Facebook account. Also, the number of applications within Facebook increases daily, giving developers the opportunity to reach their audience.

When asked about what were the most important contributors to

Facebook's success, Zuckerberg quickly replied, "boldness, speed, and focus,"⁵⁶ and such adjectives are definitely evident throughout the Facebook site. By allowing its users to communicate with one another, as well as giving advertisers the ability to reach their target customers, Zuckerberg's Facebook will most likely continue to grow and remain a powerful social networking tool.

LARRY PAGE AND SERGEY BRIN



FOUNDERS OF GOOGLE

Sergey Brin and Larry Page founded Google while studying computer at Stanford. Although they had no formal education in business, they are certainly among the greatest entrepreneurs of our time. Though Brin and Page were not the first to offer links connecting billions of websites, they were the first to "crack the computing and math challenges behind such link analysis."⁵⁷ While much of their success can be attributed to the technology itself, there are other factors that have led to Google's success. At first Brin and Page were not sure how to turn Google into a business, but they eventually began selling advertisements in search results, bringing in high profits.⁵⁸ Brin and Page's approach to advertising and site design separated Google

apart from its early competitors. Google's interface is simple and easy to use, paid links are clearly separated in the search results, and no pop-ups or banner ads are used.⁵⁹

According to Google's corporate website, there are 10 core principles that guide the actions and decisions of the Google founders. First, they believe that the company should focus on the user and all else will follow. Second, it's best to do one thing really well, and, in Google's case, that thing is its search engine. Third, fast is better than slow, and the company continues to work to make its products more efficient. Fourth, democracy on the web works, and Google does this by being active in open source software development. Fifth, you don't need to be at your desk to need an answer, and Google does this by pioneering new technologies and solutions for mobile services. Sixth, and most stressed, is that you can make money without doing evil. Google doesn't allow ads to be displayed on its search results pages, believes that advertising can be effective without being flashy, and always clearly identifies advertisements as sponsored links. Seventh, there is always more information out there, and Google continues to look for new ways to bring all the web's information to those seeking answers. Eighth, the need for information crosses all borders, which is why Google is active all over the world. Ninth, you can be serious without a suit, and this is definitely evident at Google's headquarters in

Mountain View, California. And, finally Google believes that great just isn't good enough, and its constant dissatisfaction with the status quo becomes the driving force behind their innovation.⁶⁰

The reasons why Google is successful are the technology, the actual business model, the well-established brand, and the focus on the user experience. Similar to Steve Jobs of Apple, Brin and Page put much emphasis on the user experience. This includes focus on the users themselves, stressing simplicity, engaging beginnings and attracting experts, constantly innovating, and adding a human touch to their product offerings.⁶¹ The corporate philosophy exemplified by its founders is simply "don't be evil," which is part of the reason why Google has such a positive public image. Brin and Page have been very involved in philanthropy, with their founding of Google.org. They understand that Google's image is imperative to its success, and the company does all it can to make sure that people continue to have a positive view of the company.⁶²

Similar to Facebook, Google was able to acquire the necessary funding that it needed to grow at the beginning. Brin and Page secured \$100,000 from the co-founder of Sun Microsystems and another \$25 million the following year.⁶³ Without such financing, Brin and Page would not have had the resources necessary to let their business grow. However, they certainly knew how to allocate the money to maximize

its use and bring Google to success. Regarding money, Sergey Brin has been quoted as saying, “When it’s too easy to get money, then you get a lot of noise mixed in with the real innovation and entrepreneurship. Tough times bring out the best parts of Silicon Valley.”⁶⁴ Unlike most companies that will not succeed without investing in advertising, Google has managed to achieve its initial level of success without having to spend any money on advertising. This proves that the product itself was so appealing that it did not have to personally inform consumers of its existence or do much work convincing them of its unique advantages.⁶⁵

The entrepreneurial success of Brin and Page has not gone unnoticed, and they have been honored by many academic institutions. They have received honorary MBAs from the IE Business School for “embodying the “entrepreneurial spirit and lending momentum to the creation of new businesses.”⁶⁶ Also, they are both Fellows of the Marconi Foundation at Columbia University for “fundamentally changing the way information is retrieved today.”⁶⁷

Having created one of the most successful Internet businesses ever, Sergey Brin and Larry Page are certainly some of the most influential entrepreneurs. Worth a combined \$35 million, Brin and Page have reached heights that they probably never expected.⁶⁸ Google’s products and services can be divided into four categories: search,

advertisements, applications, and mobile. And, right now, Google.com is the most visited site on the web, facilitating the transmission of digital information. With the introduction of new products, such as the Google Nexus One phone, Google is clearly trying to expand its product offerings and services. The company has established itself as an industry leader, and it will be interested to see how their new products fare against their competition.

JEFF BEZOS



FOUNDER OF AMAZON.COM

In 1994, Amazon.com founder Jeff Bezos read an article stating that the Internet was growing at over 2,300 percent per year. Wanting to capitalize on the opportunity, he immediately started to think about ideas, specifically looking for a business that could be run better on the Internet than in an actual store. After much pondering, Bezos eventually came up with the idea of an online mail-order catalog for books.⁶⁹

Through his experience at Amazon, Bezos is able to provide much keen advice for future entrepreneurs. First, he thinks every

company, including Amazon, requires a long-term view. He told US News, “If you’re going to take a long-term orientation, you have to be willing to stay heads down and ignore a wide array of critics, even well-meaning critics. If you don't have a willingness to be misunderstood for a long period of time, then you can't have a long-term orientation.

While we're crossing the desert, we may be thirsty, but we sincerely believe there's an oasis on the other side.”⁷⁰ Bezos believes that entrepreneurs must be willing to take risks and realize that they will fail if they experiment.

At Amazon, Bezos emphasizes a customer-focused culture. And, unlike a competitor-focused culture, a customer-



Amazon.com's stock price from the beginning until today (Courtesy Google Finance)

focused culture does not depend on waiting until your competitor acts first.⁷¹ Jeff Bezos' frequently emphasizes six core values of Amazon, which are customer obsession, ownership, bias for action, frugality, high hiring bar, and innovation, and refers to Amazon as the world's most "customer-centric company."⁷² He feels that employees are engaged with the company only once they completely accept the company's core values and recognize how to fulfill them. Customers

are engaged only once such core values are evident to them.⁷³

Maryam Mohit, V.P. of Site Development at Amazon, has said that Jeff Bezos “has always been a champion of focusing on the customer,” and, as such, the company has attracted similar customer-focused workers. The customer experience at Amazon is seamless, and that experience extends way beyond just the website. It also involves waiting for the order to arrive, receiving the package, and rectifying a problem if part of the process goes wrong. Amazon listens closely to its customers and subsequently innovates, and this was proven with its introduction of the “similarities feature” and 1-Click.⁷⁴

Amazon’s success can definitely be attributed to its customer-focused culture. The company continues to grow, expanding its customer base and product offerings. And, customers are evidently pleased with what Amazon has to offer, as they keep coming back for more.

PART TWO: ANALYSIS

FURTHER ANALYSIS OF DISCUSSED ENTREPRENEURS

COMMON THEMES

While there is no exact formula or criteria to turn an idea into a successful Internet business, common themes can certainly be seen in the aforementioned entrepreneurs and companies.

Regarding the financing of the venture, the previously discussed entrepreneurs took different routes, none of which was necessarily better than the other. Rammairone of the CollegeBound Network decided to finance his venture on his own. Others, such as Jeff Bezos of Amazon, Zuckerberg of Facebook, and the Google founders immediately looked for outside funding. If it is a large-scale project, then outside funding will most likely be needed, and that usually comes from venture capitalists or angel investors.

Many of the successful discussed companies focus on the customer experience, and this might be one of the most important aspects to starting an online business. Amazon, Apple, Facebook, Google, and Twitter all place a clear emphasis on their users, trying to make their interfaces easy-to-use and the overall experiences speedy and efficient. Apple and Google can especially be noted for their interface's simplicity. The Twitter executives have publicly acknowledged that the users define where their company goes next. Facebook continuously listens to its customers in order to improve its service, and Amazon's Jeff Bezos has a definite user-focused strategy.

Marketing is an important part of starting an online business, as it cannot succeed if nobody knows about it. While some highly innovative companies were able to grow without heavily investing into marketing, most do require a substantial marketing investment. Meg

Whitman realized this when she joined eBay, deciding that it needed to develop a marketing strategy in order to remain an industry leader. On the contrary, however, Twitter has never spent more than \$10,000 on marketing, and Google did not invest in any marketing at the beginning. Some online companies, such as Facebook, rely on marketing within the product or word of mouth in order to get their name out there. For example, Facebook users can invite their friends and family to join the social networking site from within the Facebook platform.

Many companies that fail prove that no matter how well an idea is executed, if the idea itself is flawed, then the company will not succeed. For example, although pets.com had a catchy marketing campaign, its business was based on high costs and small profit margins, making it nearly impossible to stay afloat. For Webvan, the concept itself led to its demise. First, their costs were very high. And, second, there was not much benefit to their customers, as they had to wait for their food to be delivered anyways. Like Webvan, Kozmo had high costs. That, combined with poor market research regarding the size of orders, led to the end of both companies. eToys, while a decent idea, was operating in a low-margin industry, making it difficult to withstand a tough economic climate. Also, all three of these companies expanded too rapidly. While rapid expansion might have worked for

companies like Google and Twitter, which were solid innovative ideas, it is definitely least risky to expand at a gradual rate.

ENTREPRENEURIAL SUCCESS MATRIX

Entrepreneur and Company	Idea	Innovation	Financial Stability	Marketing Approach	Overall Score	Success
Steve Jobs, Apple	5	5	5	5	20	Yes
Mark Zuckerberg, Facebook	5	5	5	5	20	Yes
Brin and Page, Google	5	5	5	5	20	Yes
Jeff Bezos, Amazon	5	4	5	3	17	Yes
Dorsey / Williams / Stone, Twitter	5	5	4	3	17	Yes
Meg Whitman, eBay	5	4	4	3	16	Yes
Luciano Rammairone, College Bound	3	3	4	4	14	Yes
Toby Lenk, eToys	4	3	2	3	12	No
Greg McLemore, Pets.com	2	3	2	5	12	No
Louis Borders, WebVan	2	4	2	3	11	No
Park, Kozmo	2	3	2	4	11	No

1 - Poor 2- Fair 3- Average 4- Great 5- Exceptional

Above is a summary of the various discussed entrepreneurs in chart form. Each company is rated based on idea, innovation, financial

stability, and marketing approach. Each has an overall score that is relative to its overall success.

FURTHER RESEARCH AND STUDIES

DRUCKER'S DEFINITION OF ENTREPRENEURSHIP

In *Innovation and Entrepreneurship*, Peter Drucker defines entrepreneurship as using the tool of innovation to exploit change. And, while Drucker had been writing about this before the Internet became relevant, his thoughts apply to Internet entrepreneurs. In order to have a successful Internet business, you must strive for innovation. It is not enough to simply replicate another's idea. As shown by Facebook and Twitter, you have to have a new unique product or service that satisfies a need for the customer. Internet businesses must also exploit change, and the entrepreneur is always looking for opportunities and thinking about ways to solve problems as they emerge.⁷⁵

CHARACTERISTICS OF SUCCESSFUL WEB ENTREPRENEURS

In Focus magazine, the editors compiled a list of 12 traits, the entrepreneurs who have them, and the companies that they helped build. Interestingly, many of the entrepreneurs discussed earlier appeared on the list. The chart below is a summary of the traits that are common among successful Internet entrepreneurs.⁷⁶

Trait	Entrepreneur & Company	Explanation
Determination	Steve Jobs, Apple/NeXt/Pixar	- He was thrown out of Apple in the mid 1980s by the board of directors but was determined to remain in Silicon Valley
Innovation	Sergey Brin and Larry Page, Google	- They wanted to build the best search technology in the world
Frugality	Aaron Patzer, Mint	- Grew slowly and only took outside investments when required to expand
Experimentation	Mark Zuckerberg, Facebook	- They have changed the user interface and grow content with what works now
Eccentricity	Tim Ferris, FourHourWorkWeek.com	- He advocates a new mindset about work, molding it to the life he wishes to live.
Simplicity	Chad Hurley, Steve Chen and Jawed Karim, YouTube	- They created a hip, useful service that people could use on a daily basis.
Consumer-focused	Paul Graham, Viaweb	- He now advocates making sure that your idea has demand before starting to develop
Iconoclastic	Niklas Zennstrom, Kazaa/Skype/Joost	- He changed the way things were done in entire industries
Ambition	Jeff Bezos, Amazon.com	- He displayed much ambition in founding Amazon.com
Focus	Max Levchin, PayPal	- He confronted PayPal's security problem even though the company was still growing at a fast rate

Trait	Entrepreneur & Company	Explanation
Opportunism	Tom Anderson, MySpace	- Saw a gap between what social networking users wanted to do and what sites allowed them to do
Flexibility	Jimmy Wales, Wikipedia	- Wikipedia has grown in many directions and usually surveys the users

MARKETING AN INTERNET BUSINESS

In order to make their businesses known, Internet entrepreneurs must market their ventures on the web. Recently, in Entrepreneur magazine, John Arnold outlined the 10 web marketing trends for this year. The chart below is a summary of which methods are optimal for companies to use.⁷⁷

Marketing Method	Advice	Explanation
Search Engine Optimization	Test	-Test keyword and link placement and then invest accordingly
Paid Search	Invest	- Paid search price will remain stable and returns will remain high - Google & Microsoft are the most popular search engines
E-mail Marketing	Invest	- Cost to send e-mails is low - Most consumers still consider e-mail to be their primary form of communication
Social Network Marketing	Test	- Survey potential customers to see how many of them use social networking sites - Create a Facebook and Twitter page
Blogging	Let It Rest	- Your conversion rate is only as good as the content on the landing page

Marketing Method	Advice	Explanation
Web Presence	Invest	- Place advertisements on other high-traffic websites
Mobile Marketing	Test	- Market to people through mobile phones and smartphones - Create mobile applications and make site compatible with mobile devices
Podcasting and Online Radio	Let It Rest	- Online broadcasters struggle to find and attract loyal audiences
Online Video	Invest	- Online video is “interactive, memorable, widely accessible, cheap to create, and highly shareable.”
Coupons, Discounts and Savings	Test	- Consumers are looking for discounts during these tough economic times - Focus on loyalty discounts, free upgrades, and other offers that won’t lock you in to price comparisons

FEATURES THAT REVOLUTIONIZED E-COMMERCE

In the U.S. Department of State publication *Principles of Entrepreneurship*, writer Jeanne Holden outlines four features of the Internet that can be used to enhance a new business. First, the Internet has allowed for enhanced communication, and e-mail can be a great marketing tool. Second, it has made research easier for entrepreneurs, as they can find information on almost any subject using the web. Third, the Internet has given companies the opportunity to introduce new businesses to huge audiences, and search engine optimization is critical for promoting one’s business. Finally, the U.S. Information Agency notes that Internet entrepreneurs must take the

steps necessary to keep their technology safe from viruses or any other breaches in security.⁷⁸

VENTURE CAPITAL AND INTERNET ENTREPRENEURSHIP

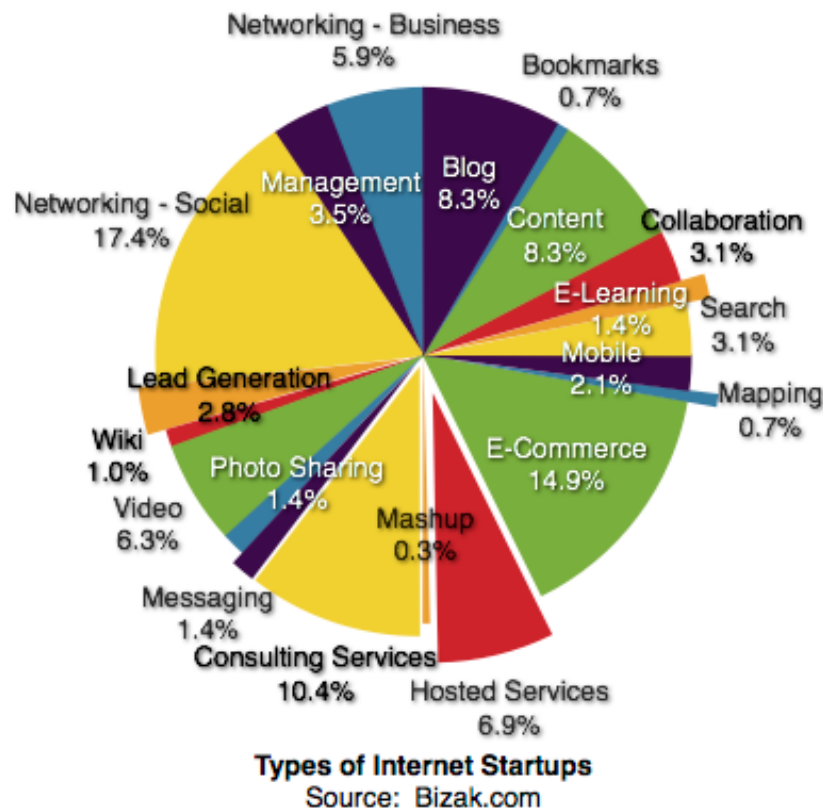
In an article in the International Review of Entrepreneurship, formerly known as the International Journal of Entrepreneurship Education, Robert Hendershott addresses the issue of venture capital in entrepreneurship. Hendershott, a professor at the Leavey School of Business at Santa Clara University, claims that venture capital is becoming obsolete because the costs for web businesses are decreasing. This is because cloud computing services that can be rented are becoming available, no longer forcing the Internet entrepreneur to purchase expensive equipment. Rather than going to a venture capitalist, the Internet entrepreneur can use his or her own savings, money from family and friends, or credit card debt. Hendershott concludes that this makes venture capital less relevant.⁷⁹

While I agree that if costs go down then venture capital becomes less relevant, I think that venture capitalists are still very crucial for many Internet entrepreneurs. After all, there are many other costs besides hosting equipment, such as development and marketing. Also, it depends on the venture. There are certainly online businesses, such as smartphone applications, that can be started with less than \$50,000, and those might be able to be financed without seeking

venture capital funding. However, many businesses, like the ones discussed earlier, do require significant amounts of funding. And, in such situations, venture capital should be sought.

The Internet is a great start when looking for venture capital firms or angel investors to invest in your startup company. There are websites, such as vfinance.com, that allow you to locate venture capitalists and angel investors with just the click of a button. Lastly, in order to obtain venture capital funding, the entrepreneur must write a business plan.

TYPES OF INTERNET STARTUPS AND WEBSITES



CONCLUSION

While we certainly see some common themes, success and failure can be difficult to predict. In using the prior analysis, one should make sure to avoid the mistakes made by Pets.com, Webvan, and eToys. And, at the same time, one should embrace the characteristics and decisions of the successful web entrepreneurs who have created businesses that change the way we live.

SUMMARY

This Capstone Project, entitled “Entrepreneurship in the Digital Age, looks into the topic of web entrepreneurship. It specifically addresses what it takes to turn an idea into a successful online venture.

The first part of the project takes a look at the start-ups of Internet entrepreneurs, including both successes and failures. Successes discussed include the CollegeBound Network, Apple, eBay, Twitter, Facebook, Google, and Amazon. Failures discussed include Pets.com, Webvan, eToys, and Kozmo. Such discussions address decisions that were made and how such decisions positively or negatively impacted the companies. By analyzing the businesses and their founders, we can gain much insight into what works and what does not.

Luciano Rammairone, founder of the CollegeBound Network, first sought to create a “lifestyle” business, rather than one that seeks rapid growth. However, his business would eventually grow at a rapid pace and become bigger than he had ever imagined. When starting the venture, Rammairone was very concerned with control. Looking back on the risk orientation when he started his venture, Rammairone feels that it was very risky because he used his own money. He also thinks that computers and the Internet played an important role in the eventual growth of his venture. Just like any entrepreneur, Rammairone has made some mistakes along the way, including spending money without proper analysis. Nevertheless, he currently has a five-year plan to make the CollegeBound Network the largest education destination in the country.

Steve Jobs, co-founder and chief executive officer of Apple Inc., is one of the greatest entrepreneurs of our time. He has used his creativity and innovation, combined with his focus on the “user experience” in order to transform Apple from a boutique computer maker to a force to be reckoned with in consumer electronics.

Meg Whitman, former CEO of eBay, is a prime example of someone who was entrepreneurial within an already existing company, and she’ll surely bring that style if elected governor of California. When

she joined the company, she developed a list of concerns, focusing on its marketing, legal, and customer service departments.

The three founders of Twitter, Jack Dorsey, Evan Williams, and Biz Stone, provide much insight into the world of entrepreneurship. In his entrepreneurial life, Dorsey proceeds with some caution, not wanting to force any particular feature or model onto the user until he feels completely comfortable with that decision. One of the most important lessons he has learned in developing Twitter is that an Internet business must be open because it allows for approachability by more web users. Williams feels that entrepreneurship is innate, and says that he has been an entrepreneur since birth. Williams admits that he initially thought that Twitter would be used as mostly a social tool. His Internet experience has taught him, though, that if you have a quality Internet service, it will be used for other purposes as well. Biz Stone is the creative genius behind Twitter. He carefully uses his imagination, ingenuity, and insight when working on existing projects and creating new startups.

Pets.com is perhaps one of the biggest failures of the digital age, having gone public and liquidated itself within the same year. It had stiff competition that it clearly underestimated, and the business model based on high costs and small profit margins was fundamentally flawed.

Webvan at first seemed like a giant success but eventually turned into a colossal failure. What exactly led to the company's downfall? Although some of Webvan's failure was due to the concept and business model itself, there were some poor decisions made along the way. Kozmo, like Webvan, also seemed to have a fundamentally flawed business model.

There were some common lessons learned among the discussed entrepreneurs. Many of the successful entrepreneurs focus on customer experience, placing a clear emphasis on their users. The failed companies prove that a business with a flawed idea is destined for failure no matter how well that idea is executed. Also, growing at a rapid rate creates much risk, and this is the cause of many business failures. Borders' decision to enter a period of rapid growth was what made the company file for bankruptcy.

In 1998, eToys had it all. It was hyped to be the next big thing of the retail toy industry and after receiving favorable coverage from the media, it had a very successful first Christmas season. However, the combination of founder Toby Link's ambitious plans with the financial downturn of 2000 was a recipe for disaster for the dot-com bust.

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Sergey Brin and Larry Page founded Google while studying computer at Stanford. The main four reasons why Google is successful are the technology, the actual business model, the well-established brand, and the focus on the user experience.

Jeff Bezos is the founder of Amazon.com. He thinks every company, including Amazon, requires a long-term view and emphasizes a customer-focused culture.

The final part of the project discusses other research and studies that are helpful to those looking to create online startups. First, there is discussion of common themes found among the included entrepreneurs. For the successes, such themes include a focus on the customer experience. For the failures, such themes are flawed ideas, rapid growth, and high costs. An entrepreneurial success matrix is included, and it summarizes the entrepreneurs in chart form.

The project also addressed Peter Drucker's definition of entrepreneurship and identifies positive traits and the entrepreneurs that exemplify such characteristics. Also, it outlines the main ways to market an Internet business, refers to features that have revolutionized

e-commerce, discusses the importance of venture capital for online startups, and reviews different types of Internet startups.

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