

## Planning to Win

Strolling down the hall of his rambling oceanfront home, Craig covered the fifty-odd paces from his oak-paneled office to the kitchen. Mr. Coffee was down to the dregs, so he made a fresh pot. He leaned against the sink as the fragrant brown liquid filled the carafe, but his mind was elsewhere. His book was all but done. He was down to polishing prose. He had written a guidebook for entrepreneurs called *Winning: The Owner's Manual*.

The door from the back yard opened. Katharine had been working in her rose garden, doing battle with stray weeds and aphids. She sighed as she took in the scene: coffee can open, spoons, cups, the LA Times spread out in disarray, and her husband leaning against the sink with a dazed expression.

“Hi.”

Craig was startled out of his reverie. “Oh! Hi, Katie!”

Katharine knew better than Craig himself how distant he could become when he didn't have a goal he was working toward. He had to be engaged, making progress. Craig didn't know the meaning of “pacing himself.” She could see that this book was almost complete, and that meant trouble.

“You know, Craig, our marriage vows said for better or for worse, not for lunch. Don't you think it's time to start another company?”

Craig gave her a sheepish grin. “Yeah. You're right. But retirement's not so bad. I get to spend time with you and with the boys. You know I can't do something halfway. If I start another business, I'll play to win. It'll mean hiring people—becoming vulnerable again.”

“You are a scum magnet. You've managed to attract some real losers over the years.”

“That's not fair. After all, I attracted you, didn't I? Besides, for every insecure, self-serving low-life that managed to weasel their way in, my ‘magnet,’ as you call it, has attracted a whole lot more good people.”

“Yes, but it only takes one bad apple to spoil the pie, remember?”

“Are you trying to talk me into this or out of it?”

“In, but I want some conditions this time,” she warned. “Don't hire scum. Don't take it public. And don't build it here. Let's move to a small town, someplace where life is simpler.”

Big-league hitters earn millions batting one for three. Craig would too.

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FUNNY THING ABOUT phone calls. Even the ones that change your life start off sounding rather ordinary. “Hello?”

“Craig? I don't know if you'll remember me. This is Christi Reynolds. I used to work at Lights of America.”

Craig smiled broadly. “Christi! Of course I remember. How are you?”

“I'm fine. Not working at Lights anymore. I went to work for Thermador. You know them?”

“Sure. A Masco company. Great outfit.”

“Actually, I’m not there anymore, either. Moved on to something more interesting. Remember those conversations we had about the future of retail?”

“About how people were going to shop using their computers?”

“Yeah. Well, my job at Thermador was to implement a Masco directive—to create an Internet site.”

“The Web’s hot. Marc Andreessen of Netscape is on the front cover of everything.” Craig was fascinated by the new medium. “Goldman Sachs took ’em public. Made our boy an instant bazillionaire.”

“That’s why I called. Masco’s President, Ray Kennedy, got excited about the Web. He’s convinced it’ll be the next TV—thinks we’ll all be using it.”

“I don’t know Kennedy, but people I respect think he’s a visionary.”

“It sure sounds like what you’ve been talking about.” Christi went on, “Kennedy gave the Masco companies \$25,000 to develop websites—that’s \$25,000 each, and there must be a hundred companies. Most Masco brands are still dragging their feet, but Thermador, thanks to their brilliant marketing director—that would be me—charged ahead.”

“I thought you said you didn’t work for them anymore?”

“I don’t,” she said. “You know me. Never could pass up an opportunity. I went to work for Internet Connect, the company Masco hired to put their companies online. We’re content providers. Doing some radical stuff, developing websites out of databases, not just static HTML. You’ve gotta meet our CEO, Sid Golden. We can do everything you’ve been dreaming about.”

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COMPELLED TO WORK even when he wasn’t working, Craig returned to his keyboard. His manuscript for *Winning: The Owner’s Manual* had a nice blend of philosophy, pragmatic advice, and personal experience. As he mulled over the conversation he had just had with Christi Reynolds, he went to work polishing prose.

Preparation—Manufacturing Luck.

Too often we malign successful people by calling them lucky. We diminish their achievements by saying they were simply in the right place at the right time. It is as if circumstances swept them into prosperity. Some say they would rather be lucky than good, but in truth, luck is often the result of being good.

Luck occurs when inspiration, preparation, and determination coalesce. Winning entrepreneurs not only expect good fortune, they actually plan for it. Their lives and their companies’ achievements become self-fulfilling prophecies. They not only earn their luck, they learn to be lucky.

He couldn’t help but wonder if he were now in the right place at the right time. Was he about to be lucky? With that thought, he turned to the section of his manuscript that discussed hiring a management team. If he were to capitalize upon this opportunity, that would be his next move.

The selection of a management team profoundly impacts a business. Choose well, and your abilities are leveraged. Choose poorly, and the act of managing is akin to rowing up

a waterfall. Successful companies are built by motivated individuals striving to accomplish a common goal. Builders routinely make sacrifices choosing the collective good over their individual self-interests.

The cost of hiring a dishonest or insecure person is astounding. Not only will they enrich themselves at the expense of others, their mere presence will destroy the firm like a cancer, eating it alive from within. When choosing between experience and character, select heart over head.

Craig had an inkling of the passage's truth from his experiences with The Winn Company and Dynasty. Yet he could not possibly have known how heavily his own words would weigh upon his soul not five years hence, or how eerily prophetic they were.

He agonized over the risks and rewards of being an entrepreneur. It's a lonely job. He had studied entrepreneurs for his book, of course, and had played the role twice before. His thoughts turned inward as he reflected upon what he had written:

#### The Entrepreneurial 20-20 Club.

The fortunate few who endure as entrepreneurs have much in common. I have observed traits common to those who prevail. Entrepreneurs with the fortitude to survive the rigors of business and build mid-sized firms—those with annual sales over twenty million dollars—share twenty character traits. Unfortunately, the 20/20 Club is not an equal opportunity employer. Only the most inspired should apply. To this end, let's evaluate the current members:

1. Successful entrepreneurs strive to create value beyond all else. Making money is simply a by-product of a job well done....

2. Dynamic entrepreneurs appreciate the complex nature of our world, its history and culture. This bestows upon them a remarkable sense of perspective.... They recognize that the best predictor of future behavior is past behavior....

3. Most enduring business leaders are grounded in their faith. They embody the ethical values that once built our nation. They possess a clear understanding of right and wrong. They fight fairly and will not compromise to achieve a goal if this means divorcing their values. Corporately, they know, character counts....

4. Builders have what some call arrogance and others call confidence—a conviction so strong that their rivals often view them as conceited. A passion for their company, people, and products exudes from them. They thrive on challenges, believing every problem provides a new opportunity to prove their mettle....

5. Successful entrepreneurs conceive and implement a corporate philosophy. Their plan serves as a pragmatic guide from which harmonious execution occurs throughout the organization....

6. Leaders motivate and inspire every associate.... The corporate mantra creates an evangelical zeal. The company's mission becomes a crusade....

While reading through the list, Craig happened to glance down at a pad on his desk. He had written the words "Sid Golden" and "Internet Connect" during his earlier conversation. Suddenly, inexplicably, he knew destiny was calling.

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TIMES WERE HARD for ad agencies, especially this one. dGWB had laid off ten people in the last few months. For Sid Golden, that was good news. It meant cheap rent in a beautiful building in the most prestigious area of Newport Beach.

Sid and Christi were all there was of Internet Connect in California at the moment. The others were still in Michigan—making plans to move. California was the place to be, the land of new ideas, the land of techno-wizards, the land of doing business at a pace so fast it didn't matter if you were real or not. It was the land of Yahoos!

Internet Connect consisted of five developers, three graphic designers, and nine sales people. The fact that there were more people selling the service than providing it wasn't the only thing upside down. In reality, they were little more than a pyramid scheme, with Client B's fees paying for Client A's project while Client C was being courted.

It wasn't that Golden was evil. He was just over-optimistic—completely, almost criminally, over-optimistic. He couldn't help it. He could see it all being done. If he could just sell the next job or do the next deal, he could keep his company going long enough to...well, to sell the next job or do the next deal.

Internet Connect was almost as old as the Web itself. It was BN: Before Netscape. Designing for this new medium was something hardly anybody knew how to do. This was still the world of 9600 baud. 14.4K modems were just hitting the stores. 28.8K was a distant fantasy. 56K, the physical limit of a standard phone line, was a pipedream. Cable modems and satellite linkups? Not on this planet. They lived in the neolithic age of the World Wide Wait. Web pages were restricted to text, and precious little of that.

Business functions on the Web were in their infancy. Nobody had much experience with credit card transactions, much less inventory management, financial reporting, database integration, customer service, and logistics. The deepest Internet Connect had gone was to build dealer locators and email feedback forms.

Winn arrived at the advertising agency before eight. The offices were open but deserted. He used the time to check the place out. It was "Gen X" all the way, including a surfboard rack, just in case you wanted to catch a few waves on your way in to work. A ping-pong table took up much of the open area between offices. There was a basketball hoop and a cappuccino bar.

Examples of dGWB's work littered the halls. Each ad was the same: an offbeat headline, a picture of the product from an unusual angle, lots of open space, and precious little information. The brand's logo was buried at the bottom, insignificant. Craig dubbed the style "the urping snowboarder."

Standing alone in front of one of the agency's ads, a big smile came across his face. This was the competition, and they were awful. Not this agency so much; their work looked like everybody else's. His revolution was built around helping brands communicate the value of their products to the consuming public, and the competition was doing a terrible job. His new company would do this better than any ad agency. Using new tools, he could slash the cost of reaching consumers. He would charge brands less and accomplish more. Craig was excited; he couldn't wait to get started.

He had a secret. His vision—his retail revolution—wasn't really about retail at all. Deep down, the online store he imagined was simply a tool, a conduit brands could use to

form informative and commerce-enabled connections with consumers. In his mind, it wasn't about retail; it was about eliminating retail—a concept that was way beyond most every audience he would ever encounter.

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Craig found Sid to be a bright, personable fellow in his late forties, a bit portly, with thinning hair and a quick smile. Words left his mouth like bullets from the barrel of an Uzi—in short, staccato bursts. Sid knew what he was talking about; at least he had the jargon down pat.

Winn began describing what he wanted to achieve. “I want a tool that helps brands and consumers. Each product, from cameras to computers, from barbeques to baseballs, must be presented using multimedia: photos, illustrations, animations, obviously text, but also audio and video. Let's make consumers better buyers.

“Everyone should be able to shop in the way that's most comfortable for them, so the store has to be dynamically generated out of a database. It must be able to rearrange itself so each customer can shop by product, category, brand, by what's on sale, what's new, or even by related products. If they buy a vacuum cleaner, I want to take them directly to the bags for the model they've bought. No hunting around—a variety of menus, all feeding from the same database.”

He went on as Sid listened. “The store must greet each customer by name, thank them for their last purchase, and ask them to rate the products they've purchased, so we can provide the first ever real consumer reports. I want the store to retain credit card and shipping data for customers, so they can check out with a single click. I want it to be graphically attractive and uncluttered.” Sid nodded and smiled.

“The back-end will be the hard part. We need to validate the customer's credit card, process the payment, send the order to each factory using EDI, calculate freight, communicate shipping data, and then audit the financial transactions between consumers, factories, carriers, and ourselves, all electronically.”

Sid didn't see any insurmountable problems with any of this. He never did. Never mind that there were only a handful of stores on the Web at this time. Never mind that he had no clue what Craig was talking about. The scope of the project was unlimited, and the guy was rich. That's all Sid really wanted to know.

Golden explained that applets could make incredible things happen on the client side. Databases could be used to dynamically generate online presentations. He seemed particularly knowledgeable in the area of multimedia. Sid's mind, like Craig's, lived in the realm of what could and would be, not what actually was.

“Products are going to be shipped directly from the factory, so EDI has to be an integral part of the system.”

“Okay,” Sid said. “I gather you've had some retail experience.”

Craig gave him the short version of his experiences over the last twenty years. As he did, Golden came to recognize that sitting before him was a man uniquely qualified to pull this off. Winn knew retail, he knew manufacturing, he knew marketing and sales—all from first-hand “insider” experience. This was no ordinary project, and this was no ordinary businessman.

“What you're proposing is going to change everything!” Sid enthused.

“The thought had occurred to me. I’ve been planning this for ten years.”

Sid’s mind was racing. He wanted to be a part of this, and not just as the hired help. “I want to be your partner. I’ve got the team; they’re still in Michigan, but we’re moving out here. With your experience and vision and my company’s technology, we can turn the world upside down. We’ll end up on the cover of Time: The Men Who Revolutionized Retail!”

Winn just smiled. That was the last thing he wanted. “The way I see it, we need three things to get started: a partnership agreement, a business plan, and a budget. You write the partnership agreement, outlining each party’s responsibilities and benefits. I’ll write a comprehensive business plan. We can use it as a roadmap to build a budget for the project.”

“Fantastic. If I have a plan to follow, I’ll be able to budget my part down to the last nickel.”

They shook hands and thanked Christi for her introduction. They scheduled another meeting a week later, when the business plan would be completed. Sid had no idea how Craig expected to get it done by then, but Craig knew. He was already halfway home.

As he neared the Palos Verdes Peninsula, Craig stopped at a little magazine shop on Pacific Coast Highway. The Web was too new for books, too esoteric for mainstream, general-interest publications. He was looking for anything he could find on, or near, the subject of Web technologies: bandwidth, multimedia, applets, audio and video technology, software developments, and what would come to be known as convergence. Geeky stuff. He bought a dozen thinly distributed tech magazines and headed home to study.

Sid Golden got on the phone and called his wonder-boy in Michigan. “Joe, it’s Sid.”

“What’s up? You sound like you’re out of breath,” Joe Page answered.

“Get your butt out here!”

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JOE PAGE TURNED left off of PCH and stepped on the gas. The rear tires of the bright red ’72 Mustang chattered, then grabbed the pavement, pushing him back into the seat as the car flew up the hill. Two gorgeous blond heads turned as their owners jogged down the sidewalk. Yes, this was definitely going to be the car for Joe’s new lifestyle. No more snow. No more four-wheel-drive Jeep Grand Cherokee. He’d left that behind in Michigan with the rest of his life.

He reached the top of the hill and stopped for the light. A teenage couple strolling on the sidewalk caught his attention. The girl, maybe sixteen, wore the boy’s letterman’s jacket loosely over her shoulders. Joe smiled. He was instantly transported back to his high school days in Grosse Pointe, where he had earned a varsity letter or two for himself, and to his time at the University of Michigan, where he had been captain of the school’s Lacrosse team. His best sport, though, was not Lacrosse, but computers. He thought he should have worn the Captain’s “C” for leading the school’s computer team.

There is a proverb widely held among baby boomers: if you want to get your computer to work, ask a kid. The personification of the “kid” was Joe Page, still in his mid-twenties.

Joe still smiled at the thought of high school computer meets with scores of homely computer geeks vying for team honors and prize money. He'd won several thousand dollars, a hundred bucks at a time, by acing them. He was a natural. Joe had an uncanny ability to home in on the essentials, cut through the clutter, and produce an elegant solution using a minimum amount of code in a minimum amount of time. It was a gift.

Page had graduated from the University of Michigan with a degree in computer engineering, combining electrical engineering with computer science. His education covered not only the programming side, computer languages, but also thermodynamics, logic, and circuit design. He had learned things like how to dope silicon to get electrons to behave properly, a skill he admittedly didn't use on a daily basis.

His introduction to the dichotomy between the computer world and the "real" world involved writing software for Chrysler Motors. Chrysler had spent a couple million dollars on a software package that would let them dovetail their inventory control and production scheduling requirements. It sounds simple enough until you realize there were about seven hundred variables to juggle in this sophisticated linear algebra program.

The problem was that the program had to be used by ordinary people—"curmudgeons" in Joe's parlance—at Chrysler's engine assembly plant. They were used to working things out with pencil and paper. Joe wrote the documentation to see how the curmudgeons were going to handle the new approach. "Use it for a while; call me if you need help."

They called the next day.

"Where's the problem?" he asked.

"Well, we need to know what to do next."

"Okay, show me where you're stuck."

"Right here," they said, a bit more frustrated.

They didn't know how to turn their computers on. Their PCs had been there for months and had never been used. "I think I see the problem," Joe said. "I'll be back."

About a week later, he returned with new documentation, starting with a picture of a computer and a big arrow pointing to the power switch. From that point on, Joe Page never lost sight of the fact that computers were for people, not the other way around.

Joe worked in the auto industry and at the University of Michigan Computer Center throughout his six-, almost seven-, year plan. He tried his hand at a few things after graduation, mostly to broaden his experience. His first job was to develop software systems to control laser drilling and electrical-discharge machines. He wrote screen-saver programs for a few months, a job he parlayed into a position with Microsoft—almost. Their Seattle facility was too much like a college campus for his taste. He'd been there and done that for what seemed like an eternity.

Then he saw it. The ad. "Programmers Wanted: \$5 a Web Page." How could he resist? The rub was, he didn't know the first thing about the Web. It was all too new. Before he took the job with Internet Connect, Joe had never even seen a Web browser. He figured getting \$5 a Web page was going to be a paid education, nothing more.

On his first day, Joe found Andy, his supervisor, frantically trying to get a project done for the boss, Sid Golden. He wasn't happy about having to train a new guy, but he hastily showed Joe the ropes. One rope trick in particular, though, caught Joe's eye.

Selecting “View Source” on the browser revealed the HTML code that made up a Web page.

That was more than enough. Joe spent the next hour or so becoming an HTML developer. By lunch, he was ready and offered to help. The project involved a lot of repetitive work, so Joe asked, “Isn’t there a way to automate this? I was just reading about a scripting language called PERL....”

“Don’t mess with that stuff!” Andy interrupted. “We have to get this done by the end of the day.”

Joe could see that it was victory enough that he had convinced his new boss to let him help. He went back to his desk and manually updated a dozen pages before the “Joe Factor” got the best of him. He downloaded PERL, along with some documentation. In a couple of hours, he had written a program that automated the process.

The next morning, Sid asked for another change. Andy came over and apologetically handed Joe the whole six-hour task. He wasn’t in his seat for five minutes before he returned to his boss’s desk.

“Stuck on something, Joe?” Andy asked in a mentoring way.

“Nope. I’m done.”

In time, by surfing the Web and reverse-engineering the sites he visited, Joe became indispensable. By the time he was called to California, Joe was, in all but title, the CTO of the company.

When Sid’s biggest opportunity yet came along, he naturally turned to Page. Sid was trying to convince Masco to use his company to create websites for over a hundred brands. At the upcoming meeting, there were going to be plenty of corporate types: marketing, advertising, and of course, technical people.

Sid asked Joe to wear something as close to a suit as possible. He was reassured to hear that he owned one “big boy” outfit for just such an occasion. Joe didn’t have any real sense as to what the impact of getting a contract like Masco meant for the firm; he had only been an employee a short time. But he knew that if the boss was not merely asking him to wear long pants and something that didn’t say “Wolverines” on it but rather a full-blown suit, it must be important.

The next morning, they drove to Masco’s offices in Taylor, Michigan. Golden made an impressive two-hour presentation and then pointed to Joe saying, “I’ve brought my chief technology officer with me today to answer your questions.” Hearing the CEO refer to him as CTO was a pleasant surprise.

Masco started asking easy questions about operating systems and hardware. Then came a tough one. “What kind of interface do you have to the backbone?” asked one of the techies.

Joe had no idea what he was talking about. He had just recently seen his first Web page. He didn’t even own a modem. He quickly tried to size up his tormenter to determine if this were a real geek or merely a suit pretending to be technically savvy.

“Exactly what do you mean by interface?” Joe asked calmly.

“Do you have a ISDN line or a T-1?”

Joe knew that a real geek would never have given him a multiple choice. He would have fished for a more detailed response. This guy was just parroting some key words he had overheard. Unfortunately, Joe had no idea what an ISDN line or a T-1 was. He wanted to flippantly respond, “T-1, T-2, whatever it takes.” Little did he know how funny

that would have been, since only T-1s and T-3s are used. But instead he said, “We use a mix of both to accommodate the different levels of service for our many clients.”

The inquisitor nodded his head slightly and scribbled a couple of lines on his pad. The meeting proceeded a few minutes longer before it broke out into the smiles, handshakes, and card swapping. When Sid and Joe were alone, Sid said, “Where did you learn this stuff?”

“Just picked it up along the way.”

“It was great the way you handled the one about the T-something. I’m really glad you were there for that. I wouldn’t have had a clue.”

“Don’t feel bad, Sid. I have no idea what a T-1 is either!”

“You’re shittin’ me!”

“Nope.”

“You and I are going places, kid,” Sid said with a glimmer in his eye. He had found himself a techie who could wing it—his own personal gold mine.

“Say, Joe, I understand we’re paying you five bucks a Web page. How many have you done so far?”

“None. I’ve been reconfiguring your systems. I’ve replaced those two-hundred-dollar-an-hour buffoons you hired. I’ve optimized processes and wasted my time in meetings with a bunch of ‘suits.’”

“Let me write you a check for the work you’ve done. It’s only right.”

“That’s okay, I’m cool with five bucks a page. Just be prepared to give it to me when I hook some scripts to our client databases. I’ll instantly create thousands of Web pages.”

“You can do that?”

“Sure.”

“Is anyone else doing this stuff?”

“Not that I know of, but someone must have done it, or at least will do it. Any geek worth his pocket protector should see the potential.”

Months passed like days for Joe and Sid. They were in early, and they had staked their claim. It was a gold rush, and like the big one in 1849, the gold was in the rolling hills of California. Sid started bugging Joe to set up an office with him in the Golden State. Joe liked the idea but knew money was tight. Making payroll had become a bi-weekly challenge.

But then it happened. Sid handed Joe some guy’s business plan for a pioneering shift in retail. Joe instantly realized everything else at Internet Connect was Web fodder. This was what the Internet was about. No one else was doing anything remotely like it.

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KATHARINE SMILED. Her ol’ business hound had gotten the scent back. He was on the trail of something; she didn’t know quite what, but it was consuming his thoughts, not to mention most of his time. Strange acronyms were starting to creep into his vocabulary: WWW, HTTP, HTML, EDI, TCP/IP....

It had all started the day he had returned from a meeting in Newport with an armload of magazines about the Internet. He said he was working on a new business plan. That

was a good sign. Now if he would just get himself an office somewhere else so she could have her kitchen back....

Craig was spending six hours a day reading about the Web. He was determined to learn how it worked, where it was going, the equipment that ran it, the people who were shaping it, everything. He bought a faster modem and got a Netscape browser.

Another eight hours were spent working on the business plan. He came up with a list of fifty or so possible names for the new enterprise, but one emerged as his favorite: "Value America." It became his working title, then his strong preference, then his obsession. No other name would do. These two words said it all.

Over the next week, Craig poured his experiences with The Winn Company, The Price Club, and Dynasty into a business plan for Value America. He punctuated his thoughts with analysis, philosophy, and future predictions. He pulled heavily from his book, *Winning*. Originally a hundred pages, it soon grew into a nearly two-hundred-page blueprint for the construction of the next retail revolution. It began:

#### Executive Summary

Value America is destined to be the world's best store. We will create multimedia presentations that properly demonstrate the best products from the world's leading brands. Customers will shop in the comfort of their homes and offices....

Brands need a more direct distribution channel—one that brings them closer to the consumer, diminishes their cost of sales, and effectively communicates the value of their products. Many traditional retailers have simply become inefficient parking spaces for inventory and contribute little to the actual sale. Value America will solve these challenges by integrating the synergistic power of advanced technology and pragmatic electronic distribution. We will change retail forever.

Craig outlined his philosophy. Part attitude, part game plan, this section was to provide the moral roadmap. The company would prove unstoppable as long as it lived by these twelve tenets.

#### Corporate Philosophy

1. Create Value: Value America shall only present the highest quality affordable products, and sell them at the best value....

2. Lead Through Innovation: We shall create and innovate by developing exciting interactive technology and efficient acquisition and delivery systems....

3. Create World-Class Presentations: Marketing is the voice of the company.... Great marketing is the outward symbol of inward inspiration....

4. Implement Efficient Technologies: Greater efficiency, service, and productivity are all derivatives of intelligently embracing technology....

5. Focus on our Strengths: We shall strive to do what we do best, only what we do best, and will do it better than anyone. Value America will focus on its core business—bringing people and products together....

6. Create Innovative Solutions: Revolutionize retail by inventing and executing effective solutions to common problems. Value America will implement pragmatic solutions that eliminate inventory and reduce burdensome overhead....

7. Sell the Merits, Not the Products: We shall communicate the merits of our company, and the suppliers we serve, rather than simply selling individual products....

8. Empower the Team: Hire the best, reward them with ownership, empower them with knowledge, and lead the team with a clear vision....

9. Aggressively Pursue Excellence: Greatness is achieved when excellence is executed aggressively. Excellence is that middle ground between mediocrity and perfection. Mediocrity meanders and perfection is slow to start....

10. Be People of Principle: Say what you mean and do what you say. Tell the truth. Make a habit of under-promising and over-delivering. The best deal is one in which everyone wins....

11. Achieve Value Through Frugality: We shall spend money prudently and hire people cautiously. It is easier to generate revenue than profit. Acquire only those things that can be clearly demonstrated to reduce costs or make the company more valuable....

12. Create a Better World: We have a duty to help others.

The next section detailed the marketing concept, explaining what was wrong with the retail world as it existed and what Value America would do to correct the situation.

### Marketing Concept

Productive innovations solve common problems. In such cases, marketing is simplified because the problems are widely known and the solutions are greatly appreciated. We have all experienced the frustration of searching for a particular product. We must fight traffic, find the right store, locate the desired item among the clutter, and endure long checkout lines, only to find needlessly inflated prices. Retailers burdened by excessive inventory, exorbitant leases, extravagant advertising, and expensive personnel are forced to sell goods well beyond their worth. Barring a few advertised specials, most retailers double a product's already burdened cost. Sadly, retail products are seldom presented appropriately, rarely demonstrated, or intelligently compared. The world awaits a better way to shop.

Now, imagine shopping in the comfort of your home. Envision a wealth of products properly presented and demonstrated by informed people. Consider a world where thousands of interactive multimedia and video presentations are accessible on demand, each answering important questions, actually demonstrating the salient features, and revealing unique benefits. Simply press a button to purchase the best the world has to offer. No hunting for stores, no long lines, no wasted time. This remarkable vision is emerging to serve the world's consumers.

Value America will be the first interactive, multimedia, product education and discount acquisition service. Factory-direct shipments eliminate the need for inventory, driving value pricing. Video demonstrations replace anemic store displays and untrained salespeople. Interactive menus function as aisles and store directories. Technology replaces costly personnel and expensive offices.

With specific examples, the business plan demonstrated that the challenges faced by traditional retailers could be solved. This was a whole new ball game on a whole new playing field.

## Retail Liabilities Empower Value America

Businesses thrive when they solve problems encountered by their competitors. We will prosper by avoiding the challenges endured by traditional retailers.

**Inventory:** No burdensome inventory to control or finance. No inventory shrink, pilfered products, markdowns, imbalances, or obsolescence.

**Buildings:** No leases, store ownership costs, or displays. No warehouses or distribution facilities.

**Finance:** No expensive and restrictive asset-based lines of credit, bank loans, or inventory audits. No negative cash flow, bad debt, or bounced checks.

**Convenience:** No searching for products or pushy, uninformed salespeople. No driving from one specialty store to another, or waiting for stores to open.

**Presentation:** No struggling to learn an item's features, function, or performance from its package alone. No wondering why one is better than another.

**Quality & Value:** No excessive returns to burden costs, because goods are handled and shipped only once. Efficient operation means no high mark-ups.

The benefits of shopping at Value America were delineated next. The plan described the Internet the way Craig knew it would be, not the way it actually was at the time. A final short paragraph summed up his groundbreaking concept. It read, "Value America's superior business model will enable lower prices, broader product offerings, interactive product presentations, and responsive customer support. It will generate tremendous growth by satisfying consumers and supporting brands."

In the detailed two-hundred-page plan, Craig explained what customers would see when they visited the store, how they would navigate the site, view the product presentations, and check out. He described how transactions would take place between the store and its suppliers. He reviewed the markets in great detail. He projected revenues, margins, expenses, and earnings five years out, dovetailing his knowledge of traditional retailers' growth rates with what he had read about the expected growth of the Web.

Issues of future connectivity were covered, as were comparative gross margins in competing markets. The plan detailed the store's merchandising strategies and provided a product category "hit-list" and timetable. The business plan ended with a five-page listing of technical, financial, reporting, and logistics requirements and their interrelationships for the benefit of the systems designers.

The resulting document was thorough to the point of being overwhelming. It took a totally focused mind to take it in. Those in business were likely to find its premise, strategy, and detail fascinating, unless, of course, they were going to have to compete against it—for those, it would be terrifying. It was designed to hold the company together, moving everyone in the same direction.

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SO THERE HE was. Joe Page in Newport Beach. He had arrived with one bag, moved into Sid's place, bought a classic Mustang, and gone to work. Unfortunately, Sid,

for some unexplained reason, had run into a little money trouble and wasn't paying him. But he wasn't charging him for rent or food, either. Joe could do this for a while. Sid, of course, promised to give Joe a big slice of the company just as soon as they made it. Joe was nothing if not loyal.

Sid Golden, not surprisingly, found Value America's business model eminently doable. "No problem," was invariably his response to anyone with money. He told Craig, "With this plan as a roadmap, I can build your solution." The cost? If Craig would put up \$100,000 in cash, plus give him a sizable stake in the new company, Sid would provide the operating system that would make all of these wonderful things happen. "The job can be done in six months," Sid promised.

When something sounds too good to be true....

Joe Page skimmed the business plan once more the day he arrived in California. He pondered the geeky parts. Then he read them again, slowly. Frustrated, he went to see Golden.

"Sid," he said. "We've got to talk. Value America's business plan...."

"Amazing, isn't it?" he responded brightly. "This is going to change the way people shop! And we're going to own thirty percent of it!"

"We?" Joe wasn't sure how much equity his "free" services had earned him thus far. "What do you mean, 'We?'"

Sid was light on his feet, as always. "Joe, my boy," he stalled for time. "You got me. That just slipped out. It was supposed to be a surprise."

Joe didn't say a thing.

"It's predicated on the Value America deal going through, but when it does, you and I will be partners."

Yeah, right. "How much of a partner?" In the current state of things, complete ownership wouldn't buy him a cold beer and a game of pinball.

Sid had hoped the question of percentages wouldn't come up, but then again, Joe hadn't been hired for his good looks. "Fifty percent," he blurted out, figuring that his remaining stake in Value America was still going to be worth millions. Sid was really good at counting unhatched chickens.

"There's only one problem, Sid," Joe said. "Value America is impossible. I understand what he wants to do on the front end. Sure, it would be great, but it can't be done. Not this much, not this fast! And the back end, well, that's way beyond me."

The smile never left Sid's face. "Not to worry, Joe. I have faith in you. Just get started. You know, get some pages up. We'll get the money, and we'll figure the rest out later. Oh, and by the way, Winn will be here Monday morning. Try to come up with something positive to say."

"Okay," Joe muttered under his breath, "I'm positive this can't be done."

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"LET ME GET this straight," Rex said. "You want me to give up my job as a lawyer and give my partners my share of the firm I founded. You want me to ante up fifty thousand dollars now and a lot more later. You're asking me to work for free for a couple of years helping you start a new retail business that's dependent on cutting-edge technology, even though I know nothing about technology or retail. Did I get that right?"

“Yep, that’s pretty much it,” Craig said happily.

“Hell, yes, count me in! How could I turn down an offer like that?”

“Great. I already FedExed you a copy of the business plan. You should get it in an hour or so. Give it a read.”

“Okay. How about golf at PV tomorrow?”

“I’ll pick you up,” he offered.

As he hung up, Rex began to wonder about what he had just done.

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CRAIG LOOKED OVER at Rex and started to laugh. “Hey, pal, is this any way to start a partnership?”

“Some things never change,” Rex grinned. Craig was even par but already one down to his new partner. Rex was still laughing as he started his back swing. He stopped when the trap swallowed his ball.

Winn chuckled, stifling his grin. He flattened his swing to take the right side out of play. His ball, working from right to left, flew past the trap to the left side of the fairway, landing fifty yards from the pin.

“So we’re going to be partners,” Rex said, “and build your ‘retail revolution.’ Your magical communication machine turned out to be the Internet after all. You’ve written the business plan and found somebody who can do the computer stuff.”

“Maybe.”

“Why maybe?”

“The guy was far too eager to say yes. I think he knows his stuff, systems and programming, but I don’t think he knows our stuff—retail and brands.”

“I’m not sure I do, either. But you haven’t asked me what I thought of your plan.” He grinned. “Best damn thing I’ve ever read, at least the parts I understood.” Rex would eventually read it twenty times, start to finish. Even with a lawyer’s disciplined mind, he had a hard time comprehending the full dynamics of the buy-sell relationships and the complexity of their interdependence. Yet he was inspired by what he could assimilate.

“I’m glad you liked it, but you can still change your mind, you know. Sure you want to chuck it all on a flyer?”

“Heck, yes. We’ve been talking about this for years. I want out of the law business; I want to be your partner. I’m in. When do we start?”

Craig watched as Rex, in true Scatena form, blasted his ball to within a few yards of the hole. “Man, you’re good!” he proclaimed.

“Darn right, I’m good. Not so much at this game, although I’m better than you. I know how to be a good partner. You can trust me. I don’t know retail like you know it, but I know how to make a partnership work.”

“That’s why I called you,” he said as he stroked his putt in for a second consecutive birdie and temporarily pulled even with his friend. “You already know my greatest weakness. Sometimes I trust the wrong people. You’re going to need to protect me—us.”

“Can do, pal,” Rex said as they hiked up to the elevated fourth tee.

“Before we start, there are a couple more things,” Craig warned. “I promised Katie I would never take another company public. We won’t be able to honor that pledge, I’m afraid. Value America won’t be competitive without access to the public markets.”

“I understand.” They stood looking out over the lush rolling hills with the sea shimmering in the distance. “What do you need me to do?”

“I need you to be the spokesman for the company. The press can be very mean spirited. With Dynasty having filed Chapter, they’re going to be merciless. I’ll be opening old wounds. I don’t want to be in the press again, to be a public figure. This is very important to me and my family.”

“Okay, I’ll do it, but I think you’re wrong. Those wounds are the very reason I want to be your partner. The way a man handles himself when he’s down tells you what he’s made of. I saw what happened at Dynasty. You were there for them. I’ll be there for you. When do we start?”

Craig looked up into the cloudless sky as if to see if God was listening. Then he answered, “Right now. We’ll both need to write \$50,000 checks, and we’re off.”

“Okay. Here’s mine—partner.” Rex pulled out a check he had written before he left home and handed it to Craig. They shook hands. That was the full extent of their partnership agreement. Ever. A handshake: good enough.

“Thanks, partner. Now for the fun part. Let’s turn this fifty thousand into fifty million!”

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SOMEBODY HAD BEEN fired at the ad agency, leaving an empty office. They hadn’t finished moving their things out; files and personal effects littered the floor. Craig settled in at the empty desk, his cavernous black briefcase resting on the floor at his feet like a faithful dog. It was ten before eight, Monday morning.

At a quarter past, Joe Page breezed in. The place looked awfully quiet. Sid wasn’t there, and most of the ad agency folks didn’t arrive until after nine. The receptionist smiled at Joe and pointed in the direction of the office where Craig had camped out.

The door was open, so he walked in. Craig looked up from his paperwork and smiled. “Hi, I’m Craig Winn,” he said. “You must be Joe.”

Joe held out his hand. “Joe Page. I guess I’m here to write your application.”

Craig rose and shook Joe’s hand, then motioned toward an empty chair. “I presume you’ve read the Value America business plan.”

“I have.”

“What did you think?”

“Well, the concept is spectacular. There’s nothing like it. It’s why I’m here.” Joe paused, tried to find the right words, “positive” words. He gave up. “It can’t be done, you know. I don’t know what Sid told you, but what you’ve described is impossible.” Joe launched into an explanation, dumbed down for Craig’s benefit, of why the things he wanted were beyond the scope of the existing technology.

“The bandwidth, or data flow rate, that’s currently available is too limiting to allow the pictures, text, audio, and video you want. There’s no way to control the geometry of the screen the way it’s described in your plan either. It can’t be done. Sorry.”

“Other than that, Mrs. Lincoln, how’d you like the play?” Craig quipped, undeterred. “I know the front end is a little demanding, considering the current state of affairs, but where’s your sense of adventure?”

“I’m as daring as the next guy,” Joe shot back.

“Good, ’cause I don’t want this designed for today. I want it optimized for the way things are going to be two years from now. The Web’s going to get faster and gain functionality.”

“Okay, say you’re right. I think the front-end stuff is probably doable in time, but the back end is way beyond me, beyond any team of Web designers.”

“Not to worry. I know the back end like the back of my hand. If you can write the customer interface, create dynamic page generation out of a database, and create the menu structure, I’ll teach you everything you need to know about order pipelines, EDI, logistics, and financial reporting. Deal?”

Joe was at a loss for words. The silence was about to kill him. It was obvious that he shouldn’t have dumbed down his “It-can’t-be-done” speech. He thought about the business plan again. His programming life began to flash before his eyes—the countless times he had written elegant code for the curmudgeons. Suits were hopeless; yet sitting three feet from him was a suit who could talk to a geek and make sense. Maybe this was a battle worth losing, if for no other reason than to find out where it all would lead. “Deal.”

Thus began an extraordinary relationship.

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THE NEW PARTNERS were back in Winn’s oceanfront office, sitting around his oak and green marble desk. They had agreed that Craig would start full time, but would not take a paycheck for the first year or so. Rex would stay with his law practice for a while, helping out whenever he could. Both understood that they would have to raise additional money, which would dramatically dilute their holdings—that is, presuming they would be lucky enough to attract outside capital.

“Every time I read your business plan, I learn something new,” Rex said. “But right now, the most I can do is handle the legal work. What do you want done?”

“Sid Golden, the Web developer, was supposed to come up with a contract,” Craig said. “I want you to do it instead. Matter of trust. We’ll also need to incorporate. Can you do that?”

“Consider it done. I presume you want to use ‘Value America?’”

Rex made sure the agreement was airtight. It turned out to be a good thing. Even before the ink was dry, they were expressing doubts about Golden’s ability to tell the truth. They discovered as time passed that Golden had a bad case of selective memory. He never took notes and often had trouble remembering the commitments he had made the day before. Craig, on the other hand, could remember almost verbatim conversations that had taken place years earlier—it was one of his most annoying traits.

The first crack in the dam appeared as soon as Craig started working with Joe on a daily basis. Sid hadn’t counted on that, even though it was clearly spelled out in the contract that Value America was to have Page full time. Joe, however, had other earlier projects going. Christi Reynolds’ Masco projects, for instance.

Sid was used to dealing with people who signed the contract, delivered the money, and then conveniently disappeared, leaving Internet Connect alone in a vacuum for a while. He had sold Joe’s time as a dedicated asset to several companies, figuring no one would ever be the wiser.

But Craig didn't work like that. When you were employed on his project, he was your Siamese twin, your constant companion, your hyperactive shadow. For Internet Connect, this led toward confrontation.

The crack in the dam widened when Sid, as part of his contribution to the partnership, volunteered to officially register and protect the name "Value America." After weeks of insisting he had taken care of it, he couldn't come up with the papers from the trademark office. It became apparent that he had neither researched nor registered the name. Sid Golden's credibility was failing fast.

The final irreparable rip came when Craig discovered that Joe Page was, in effect, working for room and board. Sid wasn't paying him, even though their sizeable check to Golden had been cashed some time back. They had grown protective of Joe, and didn't have any use for the twisted Stockholm-syndrome loyalty their talented new friend was showing his boss. They knew the ownership carrot Golden had dangled at the end of Joe's stick was nothing but a plastic phony.

For his part, Joe knew Internet Connect would fold if he left. There were a score of people back in Ann Arbor who needed their jobs, many of whom were living from paycheck to paycheck. So Page gritted his teeth and hung in there.

That was it. It was obvious that Golden had an allergy to the truth. He hadn't delivered what he'd promised. Internet Connect was history. Craig asked Rex to draw up a separation agreement.

As a result, Value America was nearly stillborn. Surviving the dismemberment of a partnership this early in a new corporation's life is almost always fatal. The young company could not afford the time, or cost, of the legal battles that routinely follow a break-up. On a more basic level, who was going to write the code that would empower the grand vision? The partners were faced with their first twenty-foot sudden-death putt. It was do or die, sink it or kiss their investment—and their dreams—goodbye.