

Life in the Attic

Nothing seemed to rattle or shake, so they must have done a pretty good job putting the Jeep back together, Joe mused as he cruised south on US 29. It was the last leg of his ten-hour drive from Michigan to Virginia.

The Grand Cherokee had not betrayed any evidence of having been thrashed and rebuilt. Joe smiled as he mentally replayed taking the Jeep off-roading the first day he owned it, driving it so aggressively he had broken both axles—then having it rebuilt, only to roll it the following week. He laughed out loud when he pictured the poor service manager trying to find a gentle way to inform him that the damage would not be covered under the warranty.

Joe had spent the Fourth of July holiday with his family, having flown home to Michigan from California. But now, with all of his worldly possessions in the car, he was arriving in Charlottesville in the middle of the night. He asked himself the logical question, “Now what?” Having no place to go, he caught a few hours sleep in the car.

The next day, Joe picked Craig up at a local hotel. He had arrived earlier the same evening. The hotel, strangely enough, was hosting a Star Trek convention that day. Funny—we too were off to boldly go where no one had gone before. Joe wanted to have a couple of Klingons “arrest” Craig, just for giggles, but he didn’t know the boss well enough yet to risk yanking his chain.

Being Joe, he was about to pull the trigger anyway when he was distracted by the spitting image of Scotty, Chief Engineer of the Starship Enterprise. But the illusion was broken when the portly fellow turned to his family and said, “Cm’own ya’ll—we gonna miss all da fun.” Must have been from southern Scotland. Welcome to Virginia, Joe.

Unlike Joe, Craig did have a place to hang. Craig closed escrow on his new home at Glenmore. Then he and Joe paid a visit to the local WalMart (No hard feelings, right?). They acquired a couple of sleeping bags, pillows, and some towels, and moved into their temporary bachelor quarters. No furniture, no family, no food yet, but hey, it was home. The two camped out on the floor.

Katharine loved the idea of becoming a country girl, so long as Craig built her a white-columned classic southern manor house, surrounded by acres of picturesque rolling countryside. He had already sketched the layout. He combined the footprint of Mt. Vernon, Washington’s home, with the architectural style of Monticello, Jefferson’s Palladian manor. Craig called his final design a “George Jefferson.”

While it may sound opulent, the math worked out quite nicely. Craig and Katharine were able to sell their California homes at prices well above what it would take to build Tara. Things were cheaper in paradise.

Building his home, however, would take time. Craig was looking at a year of backbreaking weekend labor just clearing the brambles, barbed wire, and poison ivy. He would soon become very familiar with his John Deere tractor and Husquavarna chain saw. Doing the work himself was his way of fitting in, of becoming one with the land and community.

He had found a home for the company, too. The building, which actually looked like a home, was on the east side of town, in an area known as Pantops (Jeffersonized latin meaning “panoramic views”).

None of us knew a soul in C’ville prior to our modest invasion, so Craig wanted to have a few contacts established before we—all five of us—descended upon the place. On earlier trips to Charlottesville, he had visited everybody who had anything to do with the Internet.

One of the companies he’d visited, Commonwealth Clinical Systems, operated its own ISP and had some vacant space above their offices. They quoted us a buck a square foot, gross, with additional benefits like free furniture, free janitorial service, the services of their receptionist, free Internet access, and free consultation with their network administrator. They even let us put our sign, small as it was, on the building.

At about a thousand square feet, the two rooms were palatial compared to the setup Joe, Craig, and I had endured in California. Yet being on the top floor didn’t mean it rated the title “penthouse.” It was more like the attic.

Lad McCaile, our new database specialist, looked up at the company’s Webmaster. Joe was standing on his cheap pressed-board desk trying to gain access to the crawlspace above the attic. Lad said, “I’ll go look for a ladder.” His gentle Irish brogue sounded a bit out of place in rural Virginia.

He and Joe were on a quest, which was degenerating quickly into a vendetta. The building had been used by more than a few former tenants, each of whom had installed their own network wiring. The collection of cables now resembled fettuccini alfredo. Some of the wiring ran down the walls to the servers in the basement; some just lay there adding to the ambience. Some was appropriate for a local area network, and some was actually television cable.

Our internal network was going to be our circulatory system, our veins and arteries. But it was suffering from abnormally high packet losses. Joe knew the wiring was one of the reasons. The boys had come to the grim realization that they were going to have to clean out the crawl space and rewire the whole thing from scratch.

The bad news was the direct result of the good news. The reason all of those wires were there in the first place was that Commonwealth was one of Charlottesville’s few Internet service providers. The arrangement gave us a LAN connected directly to the Internet, a nice, cost-effective bonus that most start-ups have to do without. Besides, the rent was cheap. And cheap, in those days, was a very good thing.

August in Virginia is hot and muggy. Ninety degrees outside meant that the crawl space was running a hundred and ten. Between the heat, the humidity, and the dust, Joe’s wire-pulling technique deteriorated as the project progressed. He realized with chagrin that this was what entrepreneurs meant by “getting your hands dirty.” As he pulled on one particularly stubborn wire, it snagged. When it finally let go, Joe was completely off balance; his foot landed between the rafters and sank deep into the insulation, which lay directly atop the drywall ceiling. Joe quickly shifted his weight to keep from falling, and, hearing no comment from Lad in the room below, congratulated himself on a narrow escape. It was only after Joe descended the ladder that he saw the result.

“Quite a hole you put in the ceiling,” Lad said.

“Why didn’t you say something?”

“No point. Your foot had already come and gone,” McCaile answered with exasperating logic.

“Great. We’ve hired Mr. Spock.”

That had been the idea. Early on, Craig and Joe had concluded they were going to need a database expert to work on the store’s back end—the business aspects—while Joe developed the front end—the customer interface.

The solution to that search had come as the result of another, less successful one—the search for commercial software that could be used to run Value America’s online store. Even before we arrived in Charlottesville, we recognized that our virtual store was going to be as dependent upon its database as regular stores were on their shelves. We knew the best databases were made by Oracle. So that seemed like a pretty good place to look for a database administrator.

Craig called them and asked for the name of their Mid-Atlantic sales rep. The man responsible for the east was named South—Kyle South. Kyle took a liking to Craig and an even bigger liking to our plan for the store of the future. He claimed that the best DBA in Virginia was a fellow working at General Electric’s automation division located just north of Charlottesville, an Irish immigrant named Lad McCaile.

Craig interviewed Lad and sent him our business plan. He was hooked. They agreed on a compensation and equity package identical to the one Joe Page, Bill Hunt, and I had been offered. Craig and Rex were on the books for a lot more of the company’s still-worthless stock, but while responsible for meeting the young company’s burgeoning payroll, they were drawing no salary of their own. Ah, the joys of capitalism.

Lad McCaile turned out to be a good fit for Joe Page. Joe was something of a cyber-cowboy—enthusiastically charging ahead into the unknown, acting spontaneously on his blinding flashes of intuition, even when it meant chasing his train of thought into the wee hours of the night. Keyboard on lap and shoeless feet on desk, Joe was something to behold. Lad had a more “professional” demeanor. He was quieter, more businesslike and organized, more CPA than circus performer. His feet never left the floor. He was tall and thin, with curly hair and a ready grin. When I was introduced to him and to what he did, the image of a vaudevillian horse costume, with Joe Page occupying the front end and Lad McCaile taking care of business in the back end, involuntarily popped into my mind. It was a terrifying picture; they were Dean Martin and Jerry Lewis, Mr. Spock and Scotty.

There was a rumor that Netscape was building a merchant software solution, so Craig, Joe, and Rex made their way to the Silicon Valley. The whole idea of selling things on the Web was so new, it seemed logical that the company making the most successful browser might also have the best enabling software.

Their initial discussions with Netscape’s engineers quickly dissipated any hopes they had of a quick, painless solution. As they set about trying to explain how their product worked, our team got the distinct impression they were clueless. They knew nothing about logistics, distribution, credit card processing, the integration of financial applications, or EDI. They knew even less about the product return process, what would motivate a consumer to buy, or what consumer brands needed or wanted.

In preparation for the meeting, Craig had analyzed Netscape's application. For his own edification, he had drawn up a diagram, a flow chart, based on his observations. In engineering parlance, it showed how each of the components, servers, databases, and applications would have to interact to support the requirements of an online store. Simply said, it explained how the darn thing should have worked. But now, since Netscape's engineers were having so much trouble explaining how their application supported online commerce, Craig found himself rummaging around in the Black Hole until he found his flow chart. He placed it before them.

"This is our perception of what your software needs to do," he said. "Did we get all of the components and applications in the right place? Are their interrelationships correct?"

They looked. They studied. They conferred. They smiled. "Well, ahh, yes! As a matter of fact, this is..." You've never seen a room full of engineers move so fast.

"Could we make a copy?" they questioned as they stampeded out to the Xerox machine.

Craig and Joe just looked at each other. Netscape wasn't the answer. Yet ironically, as the leader of this brave new world, Netscape had the chutzpah to charge nearly \$300,000 for their software. This was well beyond our meager means. But we figured that since there were so few players in e-commerce, the price might be negotiable. Sadly, it appeared that even if Netscape gave us their software, it would have no value. Then, sure enough, even as we said, "Thanks, but no thanks," Netscape sent our fledgling company two complete sets—free. Both cases sat in a closet, unopened.

While still in the Silicon Valley, they tried another company offering online commerce software, called BroadVision. It was pretty much the same story. They had produced a great one-to-one marketing tool, but their commerce systems were inadequate and inflexible.

Next, with their sons in tow, Rex and Craig flew off to Boston to visit a company called Open Market, yet another firm attempting to play in this new field. Their software was slightly better than Netscape's, but it too was flawed. They wanted a million bucks for it, even though the transactional engine was not all that well developed.

Open Market had built a solution for existing retailers and large brands. It was designed to work with their existing legacy systems. Thus there were no financial applications, inventory management tools, EDI links, or credit processing modules. They assumed that their target audience, those already selling products in the real world, would not need to replicate these tools in order to venture into the virtual world. Value America, of course, had no legacy systems, no distribution capability, no financial applications, no nothing. We needed everything from soup to nuts.

Ironically, three years later, the founder of Open Market would come to us when he needed a robust e-commerce engine. His new company, I-Belong, in partnership with a leading financial institution, would trust the solution we eventually built even more than their own. But not today.

On this day, Craig was coming to the conclusion that this was going to be a long, hard road. He had visited the big three of e-commerce and had yet to meet a single person who had any retail experience. If there were no tools we could buy, we would have to build our own. Craig recognized that everything he knew about sales, marketing, retail, manufacturing, inventory, and distribution was going to be needed to get our little team into the market with our own software solution. But even with his natural entrepreneurial optimism fully engaged, this was going to be the biggest challenge of his life.

It's one thing to build a company from birth to prosperity. It's altogether something else to do so as a pioneer, in a new industry, without any tools. Craig knew the odds. Less than one firm in ten survives to celebrate its fifth birthday. Fewer than one in a thousand ever manages to achieve \$20 million in annual revenues—the level most consider mid-sized. Only one in a million ever grows to become what is considered large by corporate standards (though still insignificant by retail standards), with revenues of \$100 million and 500 or more employees.

He also knew that the rare and fortunate firm that grew that large took twenty years or more to reach the Promised Land. More importantly, he knew Value America would have to reach this plateau within a year of our advertised launch, and be ten times larger a few years later, if we hoped to survive as a retailer. And now he knew we would have to do it without any help. We would literally have to build the tools before we could build the store. The realization was sobering, but we were too far along to turn back now.

returning from Boston empty handed was devastating. But Craig hid this grim reality from us. He simply set about the task of working with Joe and Lad to choose an operating system. Should it be NT or Unix? That would determine the platform. A database had to be engaged. What EDI package should we integrate? Who would process the credit cards? What financial tools would be the easiest to adapt to the virtual world? And those were the easy decisions; at least we had choices. The hard part would be creating the incredibly robust and dynamic consumer front end from scratch. But even that, we knew, would be easier than building a proprietary back end for the inventory-less retail revolution.

As we pondered these questions we asked, “What about Oracle?” They held promise. Rumor had it that the world's second largest software company was working on their own application engine. Oracle, we all agreed, was king of databases, and our interactive structure was going to necessitate a healthy database integration. This could be a perfect fit.

The three intrepid Value Americans returned to Silicon Valley. As they approached Oracle headquarters, they got an eyeful of the kind of opulence that unrestrained success could bring. Glittering round “crystal towers” were punctuated by fountains and water works. The software business had been good to these guys.

Our team met senior Oracle executives in their central tower. Craig delivered the pitch, delineating what we were planning to accomplish. Oracle came back with a proposal that would have been a very good deal—for them.

They said, in effect, “Teach us what you know about the retail business, brands, marketing, sales, inventory management, and distribution. Explain how they interrelate, and we'll give you an operating system.”

It was the devil's own bargain. The price was right, to be sure. But the cost was far too high. What they were saying was that Winn's unique qualifications were a gold mine whose riches they might tap. He understood how brands think, because he had been there. He understood how retailers acted, because he had done that. More importantly, he knew how they worked together, because he had been a manufacturer's rep, an expert in uniting

the two disparate worlds. No one had entered the virtual world with those credentials. No one ever would.

If Oracle had built an operating system based on Craig's business endeavors, he would have lost much of the advantage his life's experiences had gained him. With tools ready made, any bozo with the price of admission would be able to follow in our footsteps. Thanks, but no thanks.

Murry Silverstein thought he'd struck it rich. His little Atlanta-based coupon and direct-mail advertising company had never done all that much business, but now there was this lawyer from California on the phone who wanted to pay him thousands of dollars, not for his services, but for his name. Not Murry Silverstein. Value America.

Rex Scatena was still stewing over Sid Golden's shortcomings. Internet Connect's inept CEO had dropped the ball in securing the Value America trademark. And then, to add insult to injury, Rex had discovered that the company couldn't even incorporate under that name in California because there was a wrecker service, a tow-truck company, already registered with the same name. So Value America—the Internet store—was incorporated under the laws of the great state of Nevada instead.

Rex's trademark search looked pretty clean. There were no retail businesses using our name or anything like it. Nor were there any Internet, technology, or media companies using Value America. Rex breathed a sigh of relief. We were way down the line with this and didn't want to think about having to start over with a new name.

Rex submitted the necessary applications for Internet and retail store usage. But sure enough, a guy working out of his apartment who made coupons for pizza parlors, hair salons, and health clubs was using our name, and he objected. Rex tried to reason with the trademark office that we were not remotely in the same business. "Look. There are Ritz Crackers and Ritz hotels, and nobody is likely to confuse the two...." His wit fell on deaf ears. They wanted a sign-off from Mr. Coupon before they would give us a green light.

Rex called Mr. Silverstein and said, "We would like to purchase your permission to allow us to use Value America for a non-conflicting online business, sir. What do you think?"

Murry jumped at the bait. "Of course, as long as the money is right."

They negotiated a deal for \$5,000. And then Rex asked him, "Mr. Silverstein, how much would it be if we just bought the name from you outright and then licensed you to use it?"

"Oh, boy," he stammered. "That would be a lot more." Reach for the stars, Murry told himself. "How about another \$10,000? A total of \$15,000." Murry held his breath and crossed his fingers.

"Fine," Rex said. "We'll send you the \$5,000 now with some paperwork to sign. We're too strapped for cash to complete the transaction now, but if things turn out good for us, I'll call you back."

There's something comforting about knowing who you are. But Value America had to wait until our first private investment funds came in to say we actually owned our own name.

August 15, 1996. The first day of the rest of my life, as the saying goes. Here I was, officially employed as Value America's VP of Marketing and Creative Director. For the first time in years I was no longer an outside consultant. I was now part of a team, small though it was—just Craig, Rex, Joe, Bill, Lad, and me.

My first job was to create the presentations that would communicate the merits of our brands' products. It was an entirely new kind of stress. I felt a little like a field-goal kicker. I was only a small part of the team, but everybody from the head coach to the water boy was relying on me to do my job. As I saw it on that first day, there were three problems. Or rather, challenges.

First, there was no website yet. There was no way to put my work into circulation on the Internet, at least not in a format we were willing to show the world. Joe was working on it, but he wasn't ready yet.

Second, the pressure to produce was enormous. The only income generated so far had come from selling Product Presentations. The second half of the fee wasn't paid until they were done.

Third, nobody had ever done one of these. Forget the Lights of America demos; there would be no made-to-order marketing materials, no filing cabinet full of outstanding photos, no Craig Winn looking over my shoulder co-authoring them. I was going to have to dig for every scrap of information, for every graphic resource. Nothing was going to be handed to me on a silver platter. I would have to invent the methods, procedures, and style.

To my mind, this kind of design work was about fifty percent psychology, knowing the audience; forty-five percent craftsmanship, knowing how to use graphic and communication tools; and five percent inspiration. The psychological part had to be figured out first. In order to get into our shoppers' heads, we would have to know who they were.

Our audience, at least in the beginning, was expected to be very affluent, college educated, two-thirds male, and, of course, computer literate. That was the demographic profile of the typical Web user at the time. But it wouldn't stay that way, and we all knew it.

Over time, relative affluence would be less characteristic of our typical shopper. Computers with Web access would become more affordable, eventually becoming as ubiquitous as the telephone or television. I likened modems to VCRs a few years before. At first, they had been mysterious, complicated, and expensive. Now everybody had one and used it, even though half of 'em constantly flashed 12:00, 12:00, 12:00....

Women, I knew, would overtake men as users of Web services, particularly online shopping. This would happen, I surmised, when the computer became less self-important and became a mere tool, important for where it could take you. It was like photography. Men wanted the latest 35mm Nikon autofocus SLR camera with 6-segment 3D matrix metering, five-zone AF detection, a 35 to 70mm f/2.8 aspherical Nikkor zoom lens, and all the bells and whistles. Women just wanted the pictures.

Oddly enough, as the technology became more sophisticated, computers would actually become simpler to operate. That too would affect demographics. The bottom line

was that our typical shopper was going to be, in the long run, a pretty ordinary person—with one important distinction. I believed that we would always be dealing with intelligent people. After all, they were going to be smart enough to shop at Value America.

Most writing for general consumer audiences is “dumbed down,” with vocabulary and concepts geared to the average sixth grader. But we decided that our shoppers deserved better. We would give them credit for having the intelligence, and the desire, to make good choices when provided with reliable and pertinent information. We would, in short, treat them with respect. How’s that for a revolutionary idea?

The Masco contracts had started to come in before I got to Charlottesville. I was going to need help if we were to crank out their presentations in a timely fashion—writers, graphic designers, and data-entry specialists. I could do each thing, but not nearly fast enough to keep up with the demand.

Many of the early hires proved to be wonderful, as staff and as people. Rick Major was a young African American looking for his first job. He was right out of art school and knew Photoshop, the principal software tool for our graphic artists, backward and forward. Stocky of build and quiet of demeanor, Rick was a true gentleman, but, we found initially, a little distrustful of us white folks. That was pretty funny to me: I had children of every conceivable color.

Craig liked hiring minorities too. Gender made no difference, nor did faith, color, or orientation. If a qualified black Jewish lesbian had applied, she’d have been on the team. Craig even forged Rick’s name on his stock option grants just to make sure he’d get his fair share, as Rick was reluctant to sign the paperwork. Rick was worth the risk.

Isaac Saltzberg started early in ’97. A writer with incredible talent, he was a journalist, a novelist, a sometime tennis pro, and a full-time hustler. Isaac was Jewish, from a well-educated family of academics and doctors. He was a doctoral candidate himself when we found him, a Jefferson Fellow, just a chapter or two shy of completing his dissertation on the Civil Rights movement in the American South.

Mary Carlson had a silky-smooth writing style that was often under-utilized on our nuts-and-bolts work—seven product presentations for Masco’s Peerless Faucets, for example. With flaming red hair and a personality to match, Mary had a Ph.D. in southern literature; turned out she was one of the foremost authorities on author William Faulkner. Laudy!

Pete Gudaitis was the curmudgeon of the group. He was hired as a graphics specialist but turned out to be a great utility infielder. Trained as a biochemist, Pete had a good handle on technology. We found out almost by accident that he could write. Boy, could he write. Pete could take an arcane technical subject and make it crystal clear.

In retrospect, it’s amazing how many of the core group that started in the Attic stayed with the company for the duration. But the line separating those who prevailed from those who failed was neither education nor experience. It was simply a matter of attitude, of corporate character. Those who built Value America read the business plan. They understood our mission and were committed to our collective cause. They routinely made sacrifices for the greater good.

During these magical days, sales reps came hoping to sell us their wares, only to change their minds and sell us themselves instead. The Attic was literally buzzing with energy. The first of these was Kyle South, the sales rep from Oracle who had introduced us to Lad McCaile when we were still in California. Kyle was so impressed with the company, he left Oracle to become our first technology merchandiser.

Ken Erickson stumbled across Value America's site—actually just an early prototype—while surfing the Web and thought it looked promising. It reminded him a lot of Costco, a Price Club clone, where he had been one of the original employees. Ken now worked for Fabricant, the world's largest jewelry manufacturer. He called, set an appointment, and was on the next flight to Virginia.

Ken arrived, delivered his pitch, and was on his way back to the airport when it hit him. These guys were sitting on a gold mine. They had figured it out. He stopped his car, pulled over, and called Craig. "You know?" he said, "I think I sold you the wrong thing. I should have been selling myself. Let me build your jewelry department. I'll get every brand to participate. I'll even get my wife to build your sporting goods area...."

"Okay, Ken. Sounds good to me. We can't pay you much, but we can give you stock options."

IBM was big, but they had an awfully small vocabulary. The only word they seemed to have mastered was "No." We had called everybody at Big Blue and had run into more brick walls than Evel Knievel. "No," they weren't interested. "No" to the Internet. "No," we don't pay for presentations. "No, No, No." But finally they condescended to send out a sales rep. Monica Link took one look and decided we had potential.

We regarded that as a compliment, because Monica was bright, well educated, and articulate (you worried when idiots liked your ideas). She was an African-American woman in her twenties. I wouldn't presume to make value judgments about a woman's appearance, but suffice it to say that half the guys in the office risked neck injuries the first time she walked into the place. Joe even gave her a personal tour.

Her first reaction was, "I'll find a way to get IBM to support Value America." But, like Ken Erickson, her tune had changed even before she left Charlottesville. "I'd rather be a part of this—hire me as your technology merchandiser, and then I'll find a way to lure IBM." The only problem was, we already had a technology merchandiser, Kyle South. The fact that Kyle wasn't having much success didn't change the fact that he was already here. Winn thought that a division of labor might help focus Kyle, so he hired Monica Link to handle business technology while Kyle concentrated on the consumer side of things. There was plenty to go around.

Craig was about ready to call it a day. It was nearly eight o'clock. Time flies when you're wearing six hats. As he reached for his briefcase, he noticed that his wastebasket had reached critical mass. As he started for the dumpster, the phone rang.

"Value America," he answered.

"Bill Hunt, please," the voice said.

"I'm sorry, he's gone for the day. Can I help?"

"Oh, shoot!" the caller said. "I forgot about the time difference. It must be eight o'clock there. You're working late, aren't you?"

"Yeah, I guess," Craig laughed. "Just doing a little janitorial work."

"Well, anyway, this is Brad Reeves, from Amana. Bill and I have been talking. I had some questions about the company's presentations."

"Hi, Brad. My name's Craig. I know a little about them."

"Well, okay," Brad said, still thinking he was talking to the janitor. "Here's what I don't understand...."

Craig sat back down and opened the Amana file on his computer. It included a copy of the company's standard marketing literature, plus a customized Product Presentation Agreement for Amana.

"What do you mean by 'recommend company' in your presentations?"

"It means Value America will endorse Amana, Brad. We'll inform our customers that we've done our research and have found that Amana makes superior appliances."

"Okay. I understand. Now can you tell me why Bill recommended doing an important category like Microwaves with a Basic presentation?"

"I'm sure Bill didn't mean to slight your Microwaves. He was just trying to save both of us some money. We'd like to present everything using Multimedia, but it's expensive. We're too small to ask big companies like yours to comply with our wishes."

"Your presentations are great. There's nothing else like 'em."

"We agree. For us, serving great brands like Amana is what it's all about. No one goes to a store to buy the store. They go to buy top brands."

"The stuff Bill sent me does a fine job of explaining that. It helped me show my management what you guys are all about. I especially liked your CD-ROM. The 'Good Buy Machine' is a hoot. And your catalogs are first rate, better than ours."

"Did you get our Frequently Asked Questions?"

"Yep," Brad said. "They answered my management's concerns. Made me look great, well prepared. I even found your Vendor Requirements helpful. It's reassuring to see a retailer so into the details, so committed to getting it right, leaving nothing to chance." He looked at the information package Bill had sent him once again. "Amana is coming to Charlottesville next week. We're taking the company jet."

"Great, Brad. I look forward to meeting you."

Smart janitor, he thought. If he's that smart, what are the rest of these folks like? I'd better read through this stuff one more time....

The Future of Retailing

The fastest-growing retail channels are Home Shopping, Factory Outlets, and the Big-Box retailers. Value America's Living Store synergistically combines their many advantages and adds a whole new dimension of consumer education, convenience, support, and value.

Factory Outlets are prevailing because consumers like buying quality, branded products at factory-direct prices. Manufacturers like them because they can control their distribution and avoid abusive retailers. However, the success of outlet malls has come at a price. Brands are forced to be as good at retailing as they are at manufacturing. Selling under their own name, brands must compete with their customers. And sadly, most of the

inefficiencies that plague the existing retail environment still exist in outlet stores. Value is more illusion than reality.

Home Shopping has eclipsed all other forms of retail, with sales exceeding \$500 billion. Product information is more prevalent, and direct shopping is more convenient. Unfortunately, production and mailing costs are high. As a result, many sell memorabilia, cosmetics, jewelry, and apparel, where they can charge higher margins and offset their inflated costs. Home Shopping is not interactive. Consumers can only buy what is being presented when they tune into their channels or open their catalogs.

Big-Box Retailers, or Category Killers, are derivatives of the original warehouse club concept. Their single-category focus makes them less convenient, and they seldom provide any effective sales support. Their concentrated volume on a specific industry has increased their tendency to abuse suppliers.

Value America synergistically blends the advantages that have caused each of these distribution channels to flourish. And we provide pragmatic solutions to the problems that make each less than ideal. It is little wonder leading suppliers are joining Value America to capitalize on the future of retailing.

Increasing Sales While Diminishing Costs

Value America is more than just a new customer in the world's most explosive distribution channel. We create incremental sales. We effectively present the merits, features, and value of your products to the consumer.... Just imagine how much more you will sell when everyone appreciates why your products are better, and can buy them affordably, without ever leaving their homes or offices.

Remarkably, Value America's powerful operating systems and efficient distribution mean you will earn more on these incremental sales. Our store does not require expensive color packaging, retail point-of-purchase displays, showroom samples, slotting allowances, or in-store service. Retail markdowns to clear slow-moving inventory are a thing of the past. We never ask for guaranteed sales, and never return shopworn cartons or discontinued products. Value America creates consumer sales presentations, so advertising expenses can be reduced.

Suppliers never see freight bills when they sell through Value America, because we pay these bills ourselves. Complicated routing guides are eliminated. Automatic labeling machines replace shipping stencils and side-marked cartons. Our informative sales presentations and consumer support systems will even reduce non-defective returns.

The entire ordering process is automated, so our suppliers net more on each sale. Imagine, incremental sales at higher net margins. No wonder leading suppliers trust Value America to increase their sales and profits.

when Bill picked up the Amana delegation at Charlottesville's airport a few days later, Brad had already put two and two together, and they all had a good laugh at the janitor's expense. Bill and Brad's team hammered out the final details; then they introduced Brad to me.

"Welcome to Value America," I said. "I'm Ken, and I'll be your writer today. May I take your order?"

Brad and I hit it off immediately. I started by explaining the finer points of Value America's presentation philosophy.

"So how do you write a presentation?" he asked.

"We use our Authoring Tool. It's like an electronic production line. Even though the content of each presentation is custom, we follow a framework that's the same for all of 'em. We just fill in the blanks. The system Web-enables the content."

"Fill in the blanks." Brad, having seen what we had done with other brands, was incredulous.

"Yeah," I grinned. "The trick is knowing what to put in the blanks. If you were a consumer and wanted this information, the best place to get it would be directly from the company, right?"

"Right. But before you guys came along, consumers couldn't do that."

"Correct. So when I write these presentations, I conduct in-depth interviews with the brand's most knowledgeable people."

"At Amana, I would be one of them."

"So I've heard. I want to ask you twenty questions about each product group, but I might let our conversation wander if it's taking us to interesting places. I'm almost always surprised; invariably I learn something that, properly explained, gives a product greater appeal. So...you ready?"

Brad was a terrific source of insight and information. We talked for hours about washers and dryers, dishwashers, microwaves, freezers—and their pride and joy, refrigerators. And just as I suspected, their brochure hadn't even mentioned Amana's exclusive double-dimpled egg trays.

Looking back at life in the Attic, two things immediately come to mind. One, those were great times, exciting, heady, inventive, live-life-to-the-fullest times. Two, let's not do that again.

There's something to be said for living your life with your back against the wall, as long as you believe what you're doing is right. That's how we lived during those first months. The adrenaline flowed. The tension was palpable. It seemed like every person we met was either a skunk or a saint. Everything was black or white, do or die, feast or famine, now or never. It was the best of times. It was terrifying.

Craig and Rex, bless their hearts, concealed a lot of the nasty stuff that went on from those of us who had simpler jobs—no sense in all of us having ulcers. Craig conferred with Rex, worked out the problems, and shielded us from the blood-curdling details, figuring that if the problem brought the company down, we would find out about it soon enough, and if it didn't, we didn't need the distraction. Imminent corporate death was placed on a need-to-know basis.

On the other hand, if they were dancing on the ceiling, it was pretty hard to hide, and the reasons were explained with grins and congratulations. The atmosphere in the Attic was "casual hysteria." The dress code was loose—no, non-existent; anything that covered the crucial body parts was acceptable. Craig's dog, Crystal, roamed freely, always on the lookout for a pat on the head, a kind word, or a surreptitious French fry, not necessarily in

that order. Crowded into two big rooms, dialog flowed freely. It was impossible not to be creative in an atmosphere like that.

The building itself lent us its personality. When it rained, water poured in through massive cracks around the double-hung windows, causing havoc and threatening to short out the power. At the first sign of showers, those of us along the outside walls would cover our computers with plastic trash bags—and go back to work. The power went out at the drop of a hat, so often that Commonwealth, our host, had installed a huge generator in a garage out back that sounded like a 747 taking off. The carpeting was blood red, giving the place a sense of passion or making it hideously ugly, depending upon your point of view. The furniture added to the ambience. It was worth every penny we had paid for it—nothing. We jammed our desks so close together, one held the other up. It was like living in an anthill.

Our technology was as cheap as possible, with predictable results. We were all daisy-chained together with a temperamental 10-base-t Ethernet network. If Rick Major happened to roll back his chair too far, he'd dislodge a cable and the whole network would come crashing down.

In the tech room, our only server was protected with an uninterruptible power supply, or UPS—one we had managed to obtain for free from a vendor. It protected the server from voltage spikes and kept it going during power outages, but it had a downside. An alarm sounded whenever the voltage spiked. It was a shrill, screeching, pay-attention-to-me sound. And it stayed on until the unit was reset.

Unfortunately, the reset button was also the power switch. So you either put up with the racket or shut down the computer, which defeated the whole point of having a UPS. Joe shoved the offending device into a small filing cabinet and stuffed an old sweatshirt around it to muffle the sound, reducing it to a faint but persistent buzz. Whenever visitors asked about the annoying sound, he'd open the drawer, pull out the sweatshirt, and give them an earful. I think Joe missed the Attic when we finally moved out.

As we staffed up, we were in constant danger of outrunning our resources. It was as if we were in a big, wooden roller coaster, and our train was struggling to reach the top of the first hill. We knew we were dangerously overloaded, but we felt sure that if we could just reach that first peak, we'd be in for one hell of a ride.