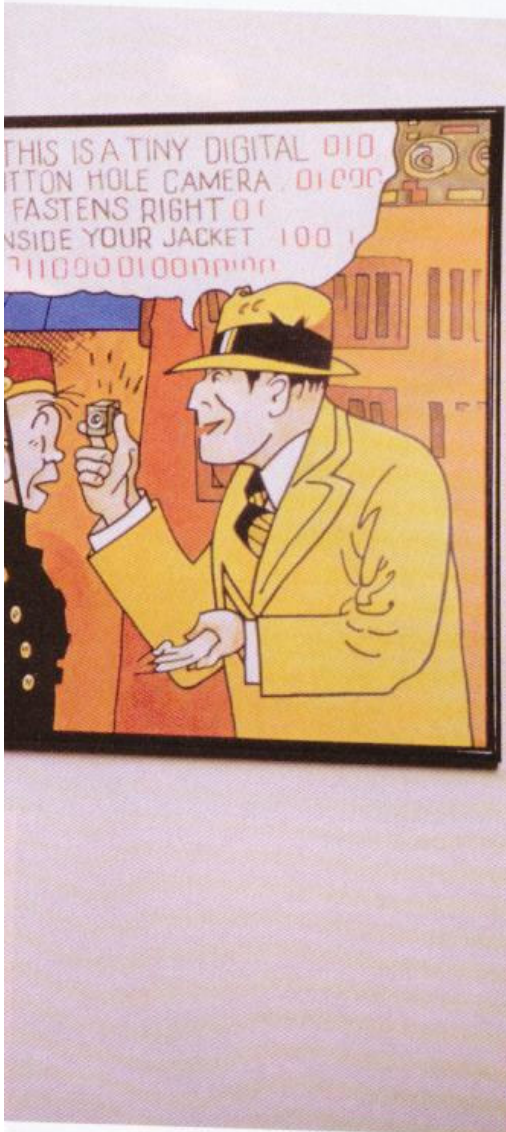


e-Commerce



Nabbing the e-Niche



Ken Hawkins Photos

Even Dick Tracy would be amazed at today's high-tech wizardry. But not all satisfaction comes from chasing the technology buck. Crescendo Technologies develops specialized Web sites, including one to assist patients of Shepherd Spinal Center in Atlanta. "It makes everyone here feel great to help people in a way no one else can," says Crescendo resident Jerry Miller.

Internet Challenge: How to Separate Patron From His Cash

By Pam Baker

There are many myths cradling the infant known as e-commerce. One of the most beguiling is the belief that a mere Web presence will conjure up millions of dollars in business.

"Everyone believed 'If I build it, they will come, and they will buy,'" says Ken Forster, CEO and founder of Online Insight, a 50-employee firm based in Atlanta. "In reality, there's a very large gap between browsing and buying on the Internet."

That's the rub all right: They came, they saw and... they left.

Sometimes they simply leave a site without any goods. Sometimes they think they purchased the merchandise online, but actually left the goods in the shopping cart. According to a recent report by Forrester Research Inc. — *The Demise of Dot-Com Retailers* — 95% of consumers who abandoned merchandise believed they had actually completed the purchase. Forrester Research should know. It's the leading independent Internet research firm, analyzing technology's impact on business, consumers and society. The report concludes that if so many customers are so confused, Web sites need better navigation through the purchasing process.

"It's like building a store, but not hiring any salespeople," says Forster. Someone might wander in, buy something and leave money on the counter for you. Maybe. Could be. If you're lucky.

But building a store, albeit a virtual one, is too expensive an investment to just walk away from. So Internet companies were stumped. How to fix the most basic of business problems in the most complex environment? Enter the problem-solvers, those nabbers of the e-niche.

Online Insight's e-niche is to provide "virtual salespeople" packaged in software called Precision Choice. The software falls within the new category of "guidance selling," which includes a hodgepodge of computerized, automated sales-oriented software and IT gizmos.

Many in that category are "configurators." Essentially they provide menu programs for other companies' Web sites, allowing consumers to select computers, mutual



Bang the cup slowly. "It's important for the buyer to know that he's in the sales process," says Online Insight's Ken Forster. "It's very overt."

funds, mortgages and other cyberspace products. The problem with configurator menus is that consumers often don't understand the product or even know what features they want.

Which of 7,000 or more mutual funds? An adjustable, fixed or balloon mortgage? Payable when? Not to mention the details on the interest rate, down payment, closing costs and points.

Many consumers simply give up trying to buy in cyberspace because they're frustrated and confused. Little surprise then that the closing rates for Internet sales are very low, for everything from books to mortgages.

Online Insight's niche is quite different from the configurators and others who fit in the guidance selling category. In essence, Precision Choice software opens a dialogue with the consumer through a short question-and-answer session. Recommendations are then made based on

the consumer's answers regarding his actual needs as opposed to his choices from a laundry list of product preferences. In short, the software concentrates on the consumer instead of the product.

The data collected from the Q&A process also is helpful to manufacturers, retailers and service companies. The information is retrievable in real time through Online Insight's analytical software, called Precision Insights, allowing firms to instantly determine not only what is being purchased online but why. Such immediate and accurate market research allows companies to stock inventory and produce products that more closely match market demands.

"We're not hiding behind the scenes, secretly tracking what you're doing and then showing a product in your face," says Forster. "It's important for the buyer to know that he's in the sales process. It's very overt."

Indeed, Precision Choice sits behind the help button on

screen. Web site visitors choose to use the process; those who already know what they want are not subjected to the Q&A session.

Online Insight's software products are based on advanced mathematics. Now two years old, the company spent its first 12 months literally doing the math and raising the first round of funding. Greystone Capital Partners in Atlanta coughed up \$4.5 million to get the company rolling. It's now working on a second round of funding.

"We're not a dot-com company," says Forster. "We're a software company that is leveraging the growth of the Internet." Whatever its mission, it's focusing on partnering with integration and technology companies, including a number of configurators, to bundle its software in larger solution packages. But it also sells direct.

One customer is Atlanta-based Consumer Financial Network (CFN), which uses Precision Choice and Precision Insights software, testing it initially on a mortgage product line on the CFN Web site. Since last April's launch, over 40% of visitors to the site used the help button, and over 80% of those completed the sale. The program has been so successful that it's being added to the 20 plus product categories offered on the site.

The software is not limited to Internet use. It can be used

to automate sales in branch offices and call centers as well. When used in the real world, the software acts more as a sales assistant; online it serves as the sales force.

Plans call for the program to be added in about two years to over-the-counter software for mom-and-pop Internet companies — the micro-entrepreneurs, as Vice President Al Gore calls them, those who want to sell wares online from a home computer.

Another company carving out an e-niche is Crescendo Technologies. Actually, the Atlanta company has two niches, the first in the world of wireless devices, the second in specialty retailing and services.

Most wireless device companies these days focus on reaching the end consumer. In essence, they shrink and sim-

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plify existing Web site information to fit the tiny screens of cell phones, pagers, palm devices and the like. Nothing too terribly difficult. You check your bank balance and sports scores, that sort of thing.

Crescendo, by contrast, has developed the means to allow businesses to communicate much more effectively with their employees.

This e-niche is focused not only on sales but on operations. For instance, a salesman can check inventory availability, shipping times and dates, and the status of a customer order, all while sitting in front of the customer or roaming about. An engineer can sign off on design changes; a corporate vice president can shoot a memo to a staff member; a production manager can shift orders. No one actually has to be in the office.

"We're focused more on how business is done than on what nifty gizmo or info can be offered," says Crescendo Technologies President Jerry Miller. "This means redesigning and recreating, rather than copying a Web site, with the intent of having a nearly virtual work force that is not tied down to a physical environment."

Crescendo calls its wireless product e-Pervasive, and it

looks like the company has been the first to stake out this particular B2B e-niche. The field is so new that few companies have even had an opportunity to test the product yet. One that has is Atlanta-based Manheim Auctions, the largest car auction company in the nation, which is testing it now.

The second e-niche for Crescendo is highly specialized Web sites. One client, the Shepherd Center in Atlanta, is a prime example of how useful such sites can be.

Shepherd specializes in the treatment of brain and spinal injuries and diseases, and in helping patients and caregivers adjust in the aftermath of traumatic injury. Its portfolio includes preventive care, home devices, home training and follow-up, and a myriad of other services.

What head and spinal patients need just to get through a day often is so specialized that it's not readily available. Needless to say, it's often hard or impossible for patients and caregivers to travel and carry many of these items. Patients need help earlier, too. Stricter health insurance requirements have dropped the average patient stay at Shepherd from 75 days to 30 days.



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The Internet is making over the public sector as well. Government is ramping up to cyberspace speed, and Georgia is providing fallow ground for cyberspace initiatives by local governments.

So the Internet should be a natural solution. Yes? No? Well, maybe.

"Many patients can't use a mouse or a keyboard, and even voice-activated browsers are insufficient because the browsers can't distinguish which item to add to the electronic shopping cart," says Wayne Fleming, principal of group technologies practice for Crescendo.

"In the past, the patients had to call the order into Shepherd, provided they were able to dial the phone and speak clearly enough to place it, then wait for the items to arrive or send someone to pick them up," says Miller.

With the standard-voice activated system, a patient might have to go down a lengthy list of products one cursor move at a time, which makes for a very frustrating experience. Crescendo was able to build a Web site that could be

used in several different ways, depending on the patient's disability. Patients can go directly to what they need.

Beyond ordering products, patients can communicate with their doctor and fellow patients.

All in all, it's a unique application designed for a specific market with demanding needs.

"It makes everyone here feel great about our work when we can solve problems for an organization so committed to doing good, to helping people," says Miller. "It's great to be of real service to real people in a way no one else can."

Shepherd, known for going to great lengths to assist patients, wanted to be the first in its field to get online and offer meaningful solutions to problems that have plagued patients for years. But Crescendo helps Shepherd in other ways, too.

A not-for-profit organization, Shepherd relies heavily on fund-raising. The Shepherd Web site, built by Crescendo and launched in time for the facility's 25th anniversary, is designed to boost fund-raising efforts.

One came this past summer with the unexpected death of U.S. Sen. Paul Coverdell. His widow asked that donations be sent to Shepherd in lieu of flowers, and the Web

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site made it easier to accommodate her wish. Direct donations can be taken online anytime, and the credit card receipt makes it easier to track gifts for tax purposes.

Orders from the gift shop also are taken online, as are corporate orders for "Pecans on Peachtree," a successful holiday fund-raiser for Shepherd. Corporations can order cases of pecans and have them shipped in smaller quantities to multiple locations, making this an easy way to donate while completing shopping lists.

The Internet is transforming the private sector by cutting the cost of obtaining information and vastly increasing its access. U.S. productivity is rising at 5.7% a year, the highest rate in over three decades and twice the historical average.

Lesser known is that it's making over the public sector as well. Governments are ramping up to cyberspace speed, as seen in the work of Columbia, S.C.-based VC3 Inc, which is aggressively establishing an e-niche among local governments in Georgia.

"Our focus is putting small local governments on the Internet," says VC3 President David Dunn.

The program is called e-government, and it's designed to

allow citizens to order city services, pay taxes and utility bills, gather information on city council meetings, and conduct any number of interactions with government "without waiting in line or going anywhere near a government building," says Dunn.

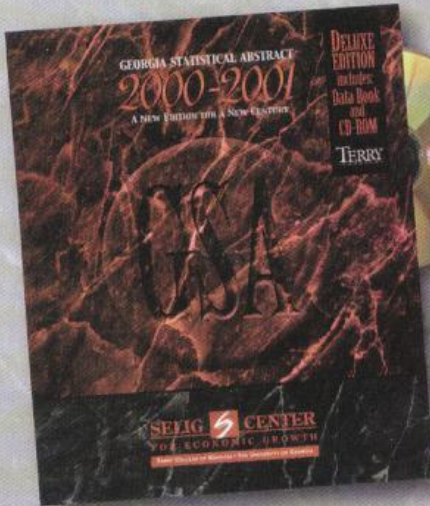
The company started its e-government work in Georgia and is now serving Conyers, Canton, Kennesaw, Decatur, Moultrie and Thomasville. Since cranking up two years ago, VC3 has added cities in other states and direct selling operations in Georgia, South Carolina and North Carolina.

Services are sold through partners in Florida, California, Washington, Nevada, Kentucky, Ohio, Indiana and Virginia. But when it comes to government work, VC3's heart is in Georgia.

"The receptivity in Georgia for this has been greater than anywhere in the nation," says Dunn. "Georgia is said to be one of the top leaders in the e-government arena, and we believe that. We've seen it work."

Why Georgia? Dunn says one explanation may lie in recent state legislation mandating Internet access to some government information. Even apart from a strong push from the top down, "Georgia is very technologically minded and very open to electronic solutions," he says.

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Smaller cities experience a number of benefits from VC3's work, among them increased cost-efficiency. Payments citizens make directly to a city government's bank account saves on processing fees and makes money available to the city more quickly.

Also, it's common for a smaller city to run on a myriad of computer systems without benefit of an information technology department. A police department's system, for instance, may not be able to communicate with the city administration or the fire department. Frequently, computers are purchased at different times from different vendors with different bid parameters.

If you don't think your city and county officials communicate very effectively, try their computer systems.

To untangle the mess, VC3 comes in and integrates the systems, so that the city can first talk to itself and then to the community. Delays, redundancies and processing costs are reduced.

When's the last time you got to set your local government straight?

Beyond that, Georgia cities typically get their property tax information from the county government. This creates innumerable problems in municipal data bases because current systems cannot tell that John Doe, John E. Doe and J. Doe are the same person owning separate properties.

With the VC3 system, taxpayers can set up their own accounts with the city and rectify the confusion, saving themselves aggravation and the city enormous costs.

Taxpayers also can elect to pay for taxes and services through their own account page and determine when payment was credited and whether it was credited correctly.

When's the last time you got to set your local government straight?

The B2B bandwagon is still leading the electronic parade, perhaps because many of the players are less interested in myths and more focused on reality. They tend to see this child named Internet as more in need of parenting than promoting.

A child it is. Broadband technology — promising a much faster flow of information and therefore even lower transaction costs — is just penetrating the marketplace. But experts believe 50% of all U.S. firms and 15% of all households will have broadband connection within four years, provided sufficient legions of skilled workers can be found, an enduring problem across Georgia as well as nationally.

It took decades to electrify America. Internet speed is warp speed. Good old-fashioned American ingenuity — the mother of these nabbers of the e-niche — has never been stronger.

Georgia Laws Stifle E-Commerce, Says Foundation Report

Georgia laws aimed at the traditional marketplace are stifling e-commerce and costing consumers dearly, according to a new study by the Georgia Public Policy Foundation.

Author Hans von Spakovsky says restrictions on buying automobiles and wine are classic examples of hurdles e-commerce businesses have to overcome.

Some restrictive laws are of recent vintage. The report cites 1999 state legislation prohibiting consumers from directly buying a car from a manufacturer over the Internet. The legislation also made it illegal for a manufacturer to own a dealership and more difficult to franchise new dealerships.

Von Spakovsky cites a Federal Trade Commission study claiming that Georgians pay 6.14% more on average for a car than residents of states with no such restrictions. In 1999, the national average retail price for a car was \$24,450, meaning Georgians averaged paying an extra \$1,400.

"The only discernible purpose of restrictive state franchise laws and a prohibition on direct manufacturer Internet sales is to protect in-state dealerships from competition," he states. "Many Georgia dealers now have Web sites. They just do not want consumers to be able to purchase an automobile directly from anyone other than themselves."

Vehicles have to be registered locally, where taxes can be imposed, so "lost tax" arguments are invalid, according to von Spakovsky.

Georgia's Prohibition-era liquor laws hurt e-commerce as well, he says. State law requires liquor sales to "flow from producers to wholesalers to retailers." The mandated wholesalers, he says, "siphon off 18% to 25% of the cost to retailers, increasing prices for consumers; hurting producers such as small to mid-size wineries; and making liquor distribution the most expensive in the packaged-goods industry."

The Legislature has eased restrictions by allowing consumers to order wine from out-of-state wineries but only when the wines are unavailable in Georgia. Plus, there are limitations on amounts.

"There is no public policy reason why producers should not be able to sell directly to retailers, the public or grocers, whether over the Internet or through other traditional sales methods," he says.

Whether the laws will be changed, though, is an open question, given the power of lobbying forces in the state Legislature. — Tom Barry