

What It Takes To Be a Legendary Dot-Com

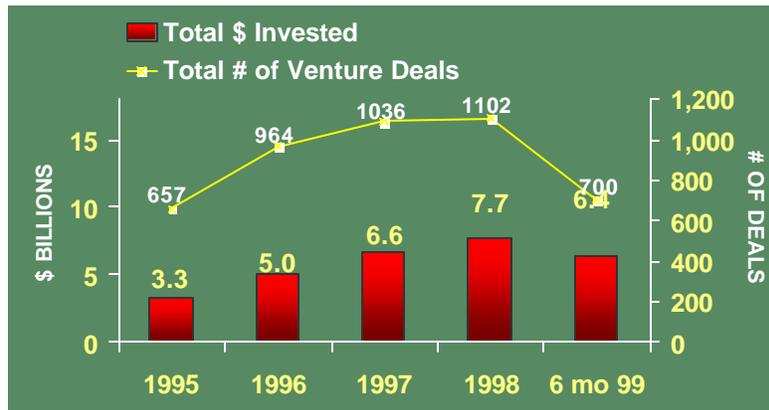


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Current Situation

EXCLUSIVELY FOR SOFTWARE COMPANIES 

A CROWDED STARTING LINE: A THICKET OF STARTUPS



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Distinct Internet Commerce Models emerging: Tougher to be different

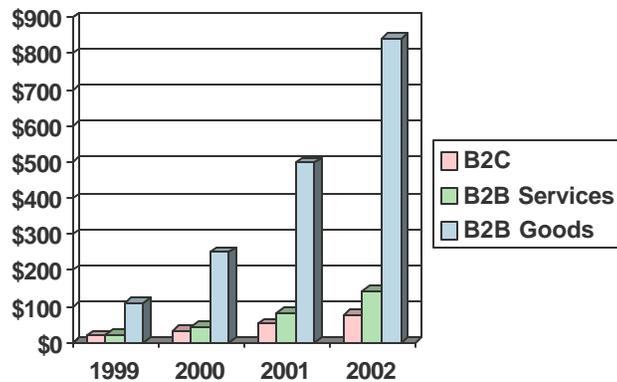
Category	Company
Product Website	Dell
Shopping Destination	Amazon.com
Portal With Shopping	Yahoo!
Portal with Shopping and Membership Services	America Online
Focused Distribution Portal	Microsoft
Web Auctions of Held Goods, from Merchant to Buyer, Vice-Versa	OnSale
Person-to-Person Virtual Web Auction	eBay
Lowest Price Destination: Cost Plus Zero	Buy.com
Consumer Buying Service, Buyer Sets the Price: Cost Minus Zero	priceline.com
Shopping Bots, Best Price Searching	Junglee and Jango

Source: Morgan Stanley Equity Research

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CONSUMER IS INTERESTING BUT B2B IS BIGGER



Source: Forrester Research

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B2B OPPORTUNITIES

- Large, but fragmented markets
 - Previous automation may be limited
- Inefficiencies
 - Supply chain, information chain
 - No previous route to commerce: e.g., excess capacity or supply
- Dynamic or complex products
- **A new company must own the market**

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WHAT INVESTORS ARE THINKING

- **Both Venture Capitalists and Public Institutional Investors share the same thoughts (at least for now):**
 - **How Big is the Market Opportunity?**
 - **Can You be Number One?**
 - **Can You Own a Dominate Market Share?**

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WHAT INVESTORS ARE THINKING: BET ON LEADERS

- **In the words of Mary Meeker**
 - **# 1 is Awesome**
 - **# 2 is OK**
 - **#3 is Tough**
 - **#4 is the Pits**
 - **#5 -- Huh? Who?**

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A DARWINIAN ENVIRONMENT

Big Get **BIGGER**

- Market Opportunities for Leaders
 - Increasing returns, network effects
 - Great execution, loyal customers, key partnerships
 - Only barriers to entry

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WHAT INVESTORS ARE THINKING:

SIZE MATTERS

- How Does the Company Get Big Fast?
 - Capital Needed?
 - *People Needed?* 
 - Right Business Model?
 - Partners Needed?

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Start-Up Process

EXCLUSIVELY FOR SOFTWARE COMPANIES 

PICK A BIG MARKET YOU CAN ENTER FAST



The Pace Accelerates

- Oct 1999: 180 days from start
 - 200,000 sq foot warehouse fully operational with thousands of skus, full pick pack and ship
 - thousands of orders per day, over 100 employees
 - because 'Pets Can't Drive'....*

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PICK A BIG MARKET YOU CAN ENTER FAST



A \$30+ billion market up for grabs

- April 1999: More than 10 companies seeking capital

Hummer Winblad selects Pets.com

+’s site up and running, urls, some relationships

-’s no exec team, only 5 people, location

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PICK A BIG MARKET YOU CAN ENTER FAST



The Race Begins

- April 1999: Julie Wainwright recruited as CEO

Amazon co-funds and forms partnership

Company moves to HW offices

First victory shot declared

- team, fast start, partners

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PICK A BIG MARKET YOU CAN ENTER FAST



The Race Begins

- June 1999: Less than 60 days later
 - \$50 million in additional funding closed!
 - full team recruited, including industry vets, P&G exec, leading Vets
 - company operation in 10,000 sq ft

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THE ROUTE TO #1

- **REACH**
 - Touch as many pieces or people possible
 - How far can you extend?
 - Can you own unique visitors or key customers?
- **CREATE A NETWORK/VIRAL EFFECT**
 - Customers and partners want you to win
- **MAKE SURE CUSTOMERS STICK**
 - Do customers return? (hours, days per person)
 - Do they bring other customers?
 - Do they tell you what they want and do you listen?

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People Issues

EXCLUSIVELY FOR SOFTWARE COMPANIES 

WHAT INVESTORS ARE THINKING: SIZE MATTERS

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GREAT ENTREPRENEURS

- Are knowledgeable, dedicated, hungry
- Think outside the box
 - Are willing to ‘swing for the fences’
- Can identify the rules to be broken
- Make history
- Have confidence and composure
 - Can ‘declare victory’ in a new market
- Have integrity

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THE INVESTOR'S ROLE

- **A Coach:**
 - Coach your team to the playoffs
- **A Competitor and Door Opener:**
 - Help deliver the unfair, sustainable, competitive advantages you need
- **A Money Raiser:**
 - Raise as much money as you need from the right partners
- **A Recruiter:**
 - Help you build your team

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investment partnerships

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