Garage Ideas: Are they still possible?
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We have all heard stories of successful new economy multimillionaires who started their careers by developing a business concept and its economic plan on an electronic sheet.

With minimum initial financing and the help of some people who believed in the idea, they soon developed a prototype web site, achieved traffic, popularity and revenue (always less than expenses, but this was never a problem), and a spectacular stock market flotation.

Unfortunately for those of us who have still not done it, it seems that this "launch" strategy is becoming more and more difficult: the angels are taking greater care over which companies to support and the markets are beginning to lose patience with those companies that are still making a loss. It seems that even the untouchable Amazon.com may face financial and share sustainment problems if it does not to go "into the black" soon.

What must an Internet company do in order to succeed? Perhaps some commonsense rules from the "old" economy, with emphasis on the peculiarities of the digital economy, can help us to forecast the fortune of some businesses: vision, economic model, sustainability and implantation continue to be key.

A Business Plan can have the backing of leaders who strongly believe in it and are ready to get involved to defend it; they should have a medium term perspective of the sector in which the company wishes to operate and of the role it is to play.

It is fundamental to have a solid economic model. In particular, a new economy company ought to have following characteristics:

(1) to access a potential market which is practically unlimited and to use economies of scale,
(2) to capitalise on the network externalities, and
(3) to have several possible sources of revenue available.

An Internet company which only manages information has a theoretical possibility to grow indefinitely. Without the presence of physical operations, one may think that the only limit on size is technology, and this limit is clearly very far off. Let us consider by way of example the portal Yahoo. The investment necessary to double the level of traffic is worlds away from what would be necessary to create another Yahoo like the one which already exists. In traditional business this is not the case: to double the capacity of Seat would cost almost the same as the current plants cost. If growth is not a problem, then the goal must be to increase in size as much as possible in order to dilute to the full the costs of development and maintenance.

The network externality is a phenomenon by which the use which one person obtains from a good increases through the mere fact that someone else has the same good. A
typical example is the telephone: its usefulness increases in accordance with the number of people holding compatible telephones. Internet businesses may have this characteristic, and to not make use of it would be to leave to one side the best chance to defend the company's position.

Microsoft has used network externality expertly by creating a network of "co-operators" that develop software for its Windows platform, since it is the most sold, and it continues to be the most sold because it is the platform for which there is most software, and so on.
On the Internet, the fact that one site has a lot of activity ought not to be a problem, rather it should be a magnet to attract even more visitors.

**How does the company expect to generate revenue?**

A successful business model shall be one which makes several alternative sources of financing available and understands that surviving through advertising means fighting for audiences in the same way as happens in the communication media.

The model must also be robust. Many businesses fail not because they are not a good idea, but because they can be easily copied. If the model has nothing which can be patented, nor has a technology which can be ensured through a contract, nor requires specific knowledge held exclusively by members of the company, then the only source of sustainability may be the size of the company and the network externalities, which may become vital given the speed of growth.

Companies are always asking themselves if there is anyone else on the market prepared to carry out what they wish to do. Those companies which aim to intermediate between habitual parties in order to make the market more transparent are especially vulnerable. In principle, the clients support the initiative, a certain transparency is achieved and there is a drop in prices. Once the new way of doing things is established, the productive companies are in a better position to offer intermediation services for themselves and to keep the intermediation margins.

The ability to carry out the project successfully should also be present in the people who are going to lead it. In their beginnings, these companies work better through intuition than through planning, given their flexibility and ability to change quickly and solidly, and hence communication and the ability to generate anticipation and trust are of great importance.