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Technophiles turn their ideas into startup businesses

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Their ideas might be fabulous or folly.

Their plans might be clever or clueless.

Their innovations could be cutting edge or so last month.

These budding Kansas City technology startups asking investors for money and consumers for attention all have one thing in common: The future doesn't look so much bright or dark as just hazy.

There are simply too many uncertainties ahead to tell the winners apart from the "what happened to those guys with that thing?" crowd.

Listen to these ambitious technophiles and when pushed they might confess to a sleepless night here or a lingering worry there. Emphasis on they *might*.

Mostly, in the spirit of whistling past the graveyard, they talk about how their ideas conquer what the competition overlooks, misplays or underestimates.

It's as if confidence were as critical to making money off a cellphone application as computer coding.

The Five and Fifty idea

Consider Chris Routh, Michael Richardson and Ben Tyson. They're three guys with day jobs who spend their evenings and weekends pecking away at the next — well, don't compare it to some other social media/mobile device/discount venture. Because, true to type, they're convinced that Five and Fifty defies category. This isn't just something better. It's something new.

Imagine a restaurant having a slow night it didn't count on. What if it could reach out to people through their phones and offer half off everything on the menu for the next few hours? That's the idea of Five and Fifty.

"This does what other things haven't," said Routh. "We've solved a problem."

Routh said he was inspired one afternoon when he drove past a Jiffy Lube with an employee waving a sign promoting a discount in hopes of killing an afternoon lull. The problem, Routh thought, was that only the random folks who drove by at the right time would see the sign. Somebody just a block away and ready for an oil change would miss out on the bargain, and Jiffy Lube would miss out on business.

So together they've plugged away at the Five and Fifty idea: Businesses can send temporary text message specials, good for the next two to five hours, to people nearby. The consumer gets a bargain. The business gets to offer a discount when it most needs to make a sale.

The Front Flip idea

Or look at the idea that has brothers Sean and Matt Beckner obsessed, and that they've gotten investors to back with \$2.7 million. You stop in, say, at a pizza joint. On the table is a little flier with a QR code — the ugly black things that look a little like a Lego-style ink blot test. You scan the code with your

smartphone and quickly sign up for the Beckners' Front Flip app. (In fact, they want you to call their QR codes "flip codes.")

What do you get for your trouble? A virtual scratch-off ticket on the screen of your phone. Rub on the screen and you might get a free drink or a free dinner. (They emphasize that businesses will need to make the prizes meaningful to lure people back.) What does the pizzeria get? Some information about you and a way, through Front Flip, to reach out to you in the future.

With that information a business — a tanning salon, a golf course, a restaurant — can begin to build a relationship. The Beckners see Front Flip as much more than a loyalty card with a gimmick. It's a chance to reach out to customers or, in their business-speak, a "customer engagement platform."

Front Flip would let businesses send gifts to their customers, but no more than once a month and only through the app. They're determined not to be your next source of spam.

"We're trying to give the customer that sense of unexpected happiness," Matt Beckner said. "It's just to build an affinity with the business."

The AudioAnywhere idea

For the crew at AudioAnywhere — three guys in a small office teamed with a somewhat larger crew of software developers in Russia — it's less about introducing customers and businesses. Rather, it's about making money where others have simply shared music.

It's 2011, and when it comes to music, AudioAnywhere's Kyle Johnson contends, people have begun to expect access to all the world's music wherever they are. For free.

And why not? They get it from services such as Pandora and Slacker and Spotify that generally offer free service with commercials and less popular ad-free subscriptions.

And while those services draw upward of 100 million users, profits haven't followed. Partly that's because they work in a world where pirated downloads still far outstrip legitimate song purchases. And partly, said Johnson, it's because the Internet streaming services don't yet target their ads enough.

Could the solution come with more pinpoint advertising — commercials more zeroed in to what the listener is interested in and therefore more valuable to the advertiser?

"Radio knows some things about you," Johnson said, by guessing at your age, gender and even income by making broad-brush assumptions about the demographics of who likes heavy metal or easy listening.

But those ads can't be targeted with the sort of AdWords specificity that Google and other online advertising outfits have been able to do using the Internet. What's more, radio doesn't offer the just-for-me personalization that consumers increasingly expect.

So AudioAnywhere is cooking up a system that, it says, feels a bit like Facebook meets iTunes. The infant company is still coy about precisely how its system will work, but not about the results.

Johnson said it will ultimately produce enough information about consumers to create highly targeted commercials. That will make advertising more valuable, he said, and increase the profitability.

For once, Johnson said, an idea for streaming music actually has the recording industry intrigued.

"We want to take them back to 1999, where they are making the same return on their investment," Johnson said, but with the social media vibe and technology of 2011.

An important function

There's reason to care whether these guys succeed. The rest of us could end up working for people like this or not working at all.

A 2010 study by the Ewing Marion Kauffman Foundation found that for all but seven years between 1977 and 2005, existing businesses lost jobs. In fact, the researchers concluded that existing U.S. companies averaged a net loss of 1 million jobs a year. New businesses, however, added an average of 3 million paychecks.

Another study from the Kauffman Foundation found that the rate at which startups formed in the United States had been higher during the slow economic recovery than it had been for the previous decade and a half. They have also been slightly smaller businesses.

The National Federation of Independent Businesses estimates that one in 10 American adults is in some stage of trying to start a company.

Although statistics vary, the research consensus is that nearly half of new businesses don't make it through the first year. The vast majority are just memories within five years.

The hope is to be one of those businesses that busts through to success.

That starts with money.

For Front Flip, it's not a problem. At least right now. It's gone through a "Series A" round of financing, or its first significant stage of getting the capital that will take its product to market. Will it need more investors later to keep things going through its development and, the Beckners hope, rapid growth? They say probably.

For AudioAnywhere, there have been times when the principals wondered how they would keep going. But the company is safe for now even as it continues to look for more investors.

At Five and Fifty, the investment has mostly come in hours and hours of labor and some expenses paid out of the pockets of its principals.

"It would help to bring more people and expand," Routh said.

These are jittery times. And venture capitalists have been warning startup entrepreneurs that investment capital will get scarcer before it gets more plentiful.

"If you are running a company that needs to do a venture round soon, I highly recommend that you get it done ASAP," Union Square Ventures partner Albert Wenger wrote on his blog amid the roller coaster market malaise of August. "The probability of a dip that could be as big as 2008 or even bigger has gone up tremendously in the last few months."

Even in business, money isn't the only thing. There are tough choices to be made in how these folks bring the next new thing to market. And for much of it, there's no manual.

At Front Flip, there were discussions about how much information to collect from consumers and to share with businesses. Collect too much information and consumers might pass on the nifty virtual scratch-offs to protect their privacy. Collect too little and businesses wouldn't be able to target their prizes as well.

The Beckners ultimately decided to share just first names, genders and ZIP codes with businesses.

AudioAnywhere has tweaked and tweaked some more on the virtual control panel that runs its music player. Mostly the design is ruled by the notion that less is more. Consider the rating system for a song. Would you rather score a song with a number of stars, or give a tune a thumbs-up or thumbs-down? They chose the good/bad option.

"Less choice is easier sometimes," Johnson said.

For Five and Fifty, the team had to choose whether to gradually build up an audience or take a shortcut. It ultimately chose to partner with 4Info, a mobile media company that specializes in mobile advertising and free text alerts, as a way to quickly get a wider reach. It complicates slightly the interaction between consumer and business. Over time, it could also mean paying out to 4Info.

“We needed access to the audience,” Richardson said.

It was just one of the myriad choices that had to be made, a worry that had to be dealt with.

Such entrepreneurs can be reluctant to acknowledge that their dreams could be dashed by a bigger, smarter or otherwise better-positioned competitor. Amazon could try something similar. Even if it's not quite as shrewd as your idea or carried out with the same elegance, it's still Amazon (or Google or Apple or Facebook) with its ready-made customers and seemingly bottomless bank accounts.

“If you're getting competition, then you're doing something right,” said Five and Fifty's Richardson. “They should be scared of us, the three guys in the garage.”

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