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ANCHORS: TED KOPPEL

BODY:

Announcer: May 10th, 2001.

Mr. VIK CHAUDHARY (CEO, Bizmetric): My name is Vik Chaudhary. I go by the grandiose title of chief executive officer.

TED KOPPEL, host:

He gave up a secure job to pursue a dream.

Mr. CHAUDHARY: I'm not running an Internet start-up. I'm not working with really smart people to make a lot of money. So there's got to be a lot more driving us. And there is.

KOPPEL: At a time when most Internet start-ups were crashing.

Mr. CHAUDHARY: Tense, right now.

I've been sort of playing up the worst doom's day scenario that we don't have any money left at all.

KOPPEL: ...he went for broke...

Mr. CHAUDHARY: We're on to something here. We can do it.

KOPPEL: ...and did everything he could...

Mr. CHAUDHARY: To be a founder. And that's primarily what's driving us.

KOPPEL: ...to succeed.

Mr. CHAUDHARY: Frankly, the four of us are probably sick of just working with each other, so we need more people.

KOPPEL: Tonight, Goldrush-dot-com, Mining for Nuggets in Cyberspace.

Announcer: From ABC News, this is NIGHTLINE. Reporting from Washington, Ted Koppel.

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KOPPEL: Last night we brought you the story of an Internet start-up company. Independent producer **David Ewing Duncan** followed the progress of a small group of dot-com entrepreneurs in San Francisco's Mission District. Like so many other bright young people over the last few years, they took what they were convinced was a great idea needing only some venture capital to get it launched. Many others had done it and made phenomenal fortunes. But this is late last summer we're talking about. The bloom was starting to fade on the dot-com rose. Money that might have been readily available only a few months earlier was beginning to get tight. Venture capitalists were not as open-handed as they had been when the Nasdaq was careening through the three and four and 5,000 mark.

Beginning in September of last year, producer Duncan and his cameraman followed the progress of this new Internet company called Bizmetric through the course of seven difficult months. When we left them last night, they were six weeks away from running out of money. A little later in tonight's broadcast you will meet the engineer who gave up a secure job and a promising future to launch Bizmetric. I'll also be talking to the publisher of Forbes magazine for more of an overview of the Internet industry today. But first a reprise of the story we told you last night.

(VO) Vik Chaudhary wants to turn an idea into gold. He has left a secure job and a six-figure salary to launch Bizmetric, a new Internet company.

Mr. CHAUDHARY: Helping online retailers to figure out how fast they get the products to New York, San Francisco, Geneva.

KOPPEL: (VO) Vik believes that online companies will pay thousands of dollar a month to know how they compare to the competition. Oliver Malarney (ph) is Bizmetric's computer whiz. Frank DeFilippis is in charge of attracting customers. Greg Howes (ph) organizes the office and helps Vik run the business.

Bizmetric is born in the final days of the dot-com frenzy in San Francisco.

Mr. OLIVER MALARNEY: We're all very aware that the vast majority of companies like this fail.

KOPPEL: (VO) Vik goes to meet with Umang Gupta.

Mr. UMANG GUPTA: Hi, guys.

KOPPEL: (VO) Gupta is a so-called 'angel' investor. He and another angel provided \$ 300,000 to get them started.

Unidentified Reporter #1: (From unidentified news program) The stock market goes for such a ride today.

Unidentified Reporter #2: (From unidentified news program) The Dow plunged more than 430 points.

Mr. CHAUDHARY: And it forces us to, when you write a business plan, to think about profitability.

KOPPEL: (VO) Needing more cash, Vik and Frank visit I-mines, a venture capital firm.

Mr. KEVIN HARTS: (ph) How much money do you need to get to that launch?

Mr. CHAUDHARY: We'd need about two and a half to \$ 3 million.

Mr. HARTS: You're still saying, 'Well, we don't actually have any paid--paying customers and so on. You have to--you'll have some good...

Mr. STEVEN BENNETT: (ph) Last year that worked fine.

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Mr. CHAUDHARY: Jennifer and I used to have Sunday night dinners at least once a month. Lately it's just been very hard for me, you know, with--what with the work and everything.

Ms. JENNIFER MURPHY: (ph) I think that he's doing the right thing by starting his own business, so I try and be very supportive of that.

Mr. FRANK DeFILIPPIS: There's a lot of pressure. We've got to kind of make things happen.

KOPPEL: (VO) The answer from Kevin Harts is not what they hoped for.

Mr. HARTS: Essentially, we--we turned them down.

KOPPEL: (VO) Bizmetric bunkers down to build the software they hope will validate their idea. But can they finish before their money runs out?

Mr. DeFILIPPIS: ...focusing more on the technology experiment, which is the word we're getting from the investment community, which is, 'Prove to me that this works.'

Mr. MALARNEY: My father died, and I got the news on Wednesday of last week.

Mr. DeFILIPPIS: You know, we could be having our baby literally any time now. We're hoping it's soon now, though, because it's a lot of anxiety.

Mr. HOWES: I mean, lately it's been just the worst week.

Mr. CHAUDHARY: There's a lot of personal sacrifices that all of us have to make. But you then realize that this is why you're in a--in a start-up. In a way, it's kind of rewarding. In a strange, masochistic kind of way, it's very rewarding.

I have no idea what the date is. Time is blurred. I think it's the week of December the 4th.

KOPPEL: (VO) With Christmas approaching, Bizmetric tests its software by buying toys, books and socks.

Mr. GREG HOWES: I mean, I'm trying to order, and I'm going through all these sites, doing that all day. You would think I would be--it would be very easy. But it's--it's--it's a complete mess.

Mr. CHAUDHARY: It's T-minus six right now, which is--T being when we run out of funding. You know, six weeks to that.

We're--we're telling investors that we only have about a month left just to create that urgency.

KOPPEL: (VO) It's been six months since anyone invested in the company. Cash is running out and Vik gets an e-mail.

Mr. CHAUDHARY: One of our investors put a value on the business and said, 'This is how much I think you're worth.'

KOPPEL: (VO) The investor wants proof that the software works. If it does, he'll provide more money.

Mr. CHAUDHARY: This is the--this is the beginning.

KOPPEL: (VO) But it's a bittersweet moment. The company is valued at only \$ 2 1/2 million.

Mr. CHAUDHARY: Sounds good. No, it's not absurdly low. I can't help feeling that it could be higher.

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Mr. HOWES: I think it's a really tough market, especially for companies of our size. I think we should be elated that we're getting this valuation and some commitment from the investors.

KOPPEL: (VO) Swallowing their disappointment, Vik and Frank go to work writing a new business plan.

Mr. CHAUDHARY: We find that we can probably describe it in 15, maybe 20 pages.

KOPPEL: (VO) He now wants now to approach established companies, Microsoft and The Gap.

Mr. CHAUDHARY: We could do a very targeted, specific, quality program that measures how well they interact with their customers.

The bags under the eyes I don't think are going to go away for awhile. I think it does take a toll on me, physically.

This is my new vice.

KOPPEL: (VO) Vik also worries about not seeing his girlfriend enough.

Mr. CHAUDHARY: I don't think I have control over my personal life as much as--so, I don't think that's changed too much except I think I'm--I'm beginning to pace myself a little better.

KOPPEL: (VO) Back home, Jennifer is supportive, but she misses Vik.

Ms. MURPHY: Yeah, it can be a little lonely. But I have so many friends in the city, and, you know, he--he does get out and do things.

Mr. DeFILIPPIS: So, here's a picture of mason.

KOPPEL: (VO) For Frank, the new father, the unrelenting crush of work has meant little time with his new son.

Mr. CHAUDHARY: What we'd want to cover here today in our presentation is to...

KOPPEL: (VO) Another critical day: the investor who e-mailed Vik is coming to visit. Vik needs to impress.

Mr. CHAUDHARY: Hi, Gene.

Mr. GENE SCHLAR: Hi, Vik.

Mr. CHAUDHARY: How are you?

Mr. SCHLAR: Great.

KOPPEL: (VO) Enter angel investor Gene Schlar (ph).

Mr. SCHLAR: Umang and I believe in the company because we're--we understand the market space, we know some of the people, we're able to evaluate the technology.

Mr. CHAUDHARY: So, are you impressed with what you've seen so far? Is it?

Mr. SCHLAR: Yeah. Yeah. Very impressive.

Mr. HOWES: While the meeting was going on we got a call from Rachel (ph), who's...

KOPPEL: (VO) A major national clothing chain is flirting with Bizmetric and could be their first customer.

Mr. CHAUDHARY: We're supposed to see them on Tuesday.

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Mr. HOWES: Right.

Mr. CHAUDHARY: Now they want to see us Monday.

Mr. MALARNEY: What were we going to show them, or talk to them about?

Mr. CHAUDHARY: We were going to--we were going to try to figure that out on Monday, actually. But...

Mr. MALARNEY: I thought you were taking the day off on Monday. Thought we were...

Mr. DeFILIPPIS: Well, we've had some meetings with some big retailers like Old Navy and REI just in the last couple of weeks. We're talking to the federal government. Got a big meeting with Microsoft coming up.

And so we need to be further along at a different level than...

KOPPEL: (VO) Now Vik has one last person to impress: his mentor, Umang Gupta. This is the meeting at which Umang will make the final decision on Bizmetric's fate.

Mr. DeFILIPPIS: This is our investor presentation.

KOPPEL: (VO) At first it goes badly.

Mr. GUPTA: Look, all I'm saying is, yes, it could be interesting. I just don't know how many people are doing that today, chat response.

Mr. CHAUDHARY: Right. That's right. It's on. You're point...

Mr. GUPTA: And therefore, I just don't know if that's--it's worth a detour.

Mr. CHAUDHARY: Right. OK.

Mr. HOWES: Maybe not.

Mr. CHAUDHARY: How do we enter this market with a easy-to-understand service that allows us to do ratings without the permission of the company?

Mr. GUPTA: I accept that as an--as an issue that has to be resolved.

Mr. CHAUDHARY: Right.

KOPPEL: (VO) To Vik's relief, Umang begins to like what he hears.

Mr. GUPTA: Because if you can tell me, you know, how my customer interaction responsiveness is taking place, that's crucial. So you can do a project for me and I'll pay you hundreds of thousands. It's worth it.

KOPPEL: (VO) After an intense three hours, Gupta surprises Vik and his colleagues with a quick decision--a pledge of \$ 300,000.

Mr. GUPTA: I need, with the substance of both the product and, you know, what the business plan says. And so that's it. We're done.

Mr. CHAUDHARY: You're...

Mr. GUPTA: I mean, I'm ready.

Mr. CHAUDHARY: This gives us the lease on life that we need to--to go on, and...

Mr. GUPTA: Yeah. Right. OK.

Mr. HOWES: All right.

Mr. GUPTA: OK. Thanks. Thanks, guys.

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Mr. MALARNEY: Thank you.

Mr. GUPTA: Good to see you. Fantastic.

And I'd say this is pretty good odds of this company, because they're building something people need.

KOPPEL: (VO) Six months after starting Bizmetric, Vik, Oliver, Frank and Greg have beaten the odds for now.

Mr. CHAUDHARY: We made it.

Mr. DeFILIPPIS: This is not a great climate right now for raising series A investments. And we just nailed it. So...

Mr. CHAUDHARY: The emotional, you know, roller coaster isn't over yet. We're going to go through this again in, you know, three or four months. You know, it's just we reached a point where we can breathe a sigh of relief.

KOPPEL: Just how confident is Vik Chaudhary that Bizmetric will survive? I'll ask him in a moment.

Announcer: This is ABC News: NIGHTLINE, brought to you by...

(Commercial break)

KOPPEL: He spent seven months trying to keep his company afloat, all the while with a television camera constantly shadowing him. Vik Chaudhary, the founder and CEO of Bizmetric, joins us now from San Francisco.

And I'd like, first of all, Vik, to show folks a piece of video that we asked you guys, actually, to shoot for us. It was when Greg took that check and went to the bank. Now, I know you can't see the video, but tell us what that moment was like for all of you.

Mr. CHAUDHARY: That moment was a great culmination of everything we've been working on, Ted, for the last seven or eight months. And it's wonderful to see that the money actually got in the bank and we were able to go forward and do what we needed to do, which is build a product and get it out to customers.

KOPPEL: Now, that was about seven weeks ago since you got the last check.

Mr. CHAUDHARY: Absolutely. Seven weeks is exactly right.

KOPPEL: And how long do you figure that's going to last you?

Mr. CHAUDHARY: Well, our bone rate is very low--bone rate being the amount of money we spend every month. So we think this is going to last us six or seven months.

KOPPEL: Going by the--the 'bags under the eye' test, things are OK but not great.

Mr. CHAUDHARY: Oh, things are--as far as the bags under the eyes go, I think that--this is the way it's going to be for a while. I'm certainly not going to be winning any beauty pageants in the next year or two, but that's OK.

KOPPEL: Now, you were--you were talking, if not confidently, then at least optimistically when we--when we watched you over these last couple of nights. You were talking about a few big companies out there who might be willing to give you a contract. Has anything panned out yet?

Mr. CHAUDHARY: Well, we have--we have potential customers that we're in trial with right now. One of them is Microsoft Corporation, and others I haven't got permission to tell you who they are. But things are going well as far as

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proving our products and making sure that these customers can use them. So we're--we're confident.

KOPPEL: There's--there's an old joke. The question goes, 'What's the secret of great comedy?' And the answer is, 'You interrupt me--timing.' In terms of timing, your timing was lousy, wasn't it?

Mr. CHAUDHARY: Our timing--there's never a good time, Ted, in this industry to start a business or, I guess, any--to start any businesses. There's always something that holds you back.

KOPPEL: (VO) Well, let's say you'd started 18 months ago?

Mr. CHAUDHARY: Well, you know, so we would have probably had a little easier time raising some money. But the core problems of starting a business are always the same. It's never a good time. There's always something holding you back from your...

KOPPEL: At which--at which point, Vik, do you and the others say, 'We've given it the best shot we possibly can, but if we don't have mmm by mmm we've got to stop?'

Mr. CHAUDHARY: Great question. OK, so the answer to that is, we need to stop when we have more than 10 customers that we have talked to tell us, 'No, we don't like what you--what you're building. We don't think we could use this.' So far we haven't heard that. And we'll stop if we hear that, but we won't hear it.

KOPPEL: Have you heard it from any customer?

Mr. CHAUDHARY: No, we haven't heard a single 'no' from any customer.

KOPPEL: What--how long is it--how long is it going to be before Microsoft is going to be able--I mean, if Microsoft came back to you and said, 'Yeah, we think you guys can help us,' that would be--that would be the--the little barrel of gold at the end of the rainbow, wouldn't it?

Mr. CHAUDHARY: It would--it would be very--great--great validation for us if Mic--if Microsoft were to say yes. However, Microsoft is a big company and they take customer responsiveness very seriously. They want to look at this with a very fine magnifying glass. And if we don't pass that test we won't have a customer. But it would be great for us, to answer your question. Yes.

KOPPEL: There's only--there's only one legitimate answer you can give me now, but the question is how well you're going to give it. This is being recorded, too. When we look at this videotape a year from now and you tell us where you're going to be a year from now, you're going to say, what?

Mr. CHAUDHARY: I fail sometimes in making predictions as you've seen from the documentary. I'd like to say that a year from now we will have a number of happy customers who would be willing to pay us for our service, and we would have proven what we set out to do a year ago. And that's really the end game for us, when we have customers that are happy with the products. That's the goal.

KOPPEL: Victor, wish you the very, very best. I--I hope you make it.

Mr. CHAUDHARY: Thank you very much, Mr. Koppel.

KOPPEL: And it's nice of you to join us, and thanks for letting us follow you around.

Mr. CHAUDHARY: Thanks for having us on NIGHTLINE.

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KOPPEL: Is this the end of the dot-com revolution or just a brief pause before the industry reboots? Some insights when we come back.

Announcer: You can chat online with Vik Chaudhary tomorrow at noon Eastern time. Just logon to the NIGHTLINE page at abcNEWS.com.

(Commercial break)

KOPPEL: Forbes magazine publisher Rich Karlgaard has watched the dot-com boom and bust as the founder of Forbes ASAP and as the founder of a venture capital firm, Garage.com, that has funded many Web-based start-ups. He's with us now from San Francisco.

This is the unfairest question in the world, but it's the one that's going to, I think, get the most provocative answer. All right. You're a venture capitalist. You've got money to put into firms. Would you put any money into this firm?

Mr. RICH KARLGAARD (Publisher Forbes): You know, I like what I saw and what I hear. They're not--they're using a very small amount of money. Six hundred thousand dollars in sum is not a lot of money. I'm not hearing any of the hubris that was the tell-tale sign to stay away from a company a couple of years ago. So if they're keeping their burn rate low and they have real technology, I think that Umang Gupta and the other angels will be rewarded in some fashion.

KOPPEL: I would think that the hubris gland has been pretty much removed out there in--in San Francisco, hasn't it?

Mr. KARLGAARD: I would--there has been a mass hubrisectomy, if that's the word.

KOPPEL: Yeah. It--it--it--it really has. But the question is now, is it forever or are we just going through a bad patch?

Mr. KARLGAARD: I believe we're going through a bad patch. First of all, I don't like the words 'boom' and 'bust,' as much as I like the metaphor of a tide; that the tide flowed in and the tide is now ebbing a bit. If you look at the personal computer industry, it really jelled in the late '70s. And by 1982, the PC was Time's man of the year. Then all kinds of venture capital poured in. Everybody thought they could be an entrepreneur. There were redundant multiple fundings, extreme valuations, and it bust. All the buzz went away. All the fly-by-night entrepreneurs went away. But when it came back the second time, it came back bigger and more powerfully. Microsoft went public in the second act. Dell was started in the second act. Sun Microsystems went public in the second act. And by the end of the 1980s, the personal computer industry was no longer this cute and fuzzy little phenomenon. It actually was more powerful, collectively, than IBM and all the incumbents.

KOPPEL: There was something, Rich, totally unrealistic, it seems to me, about the way that some of these firms got started. They spent money they didn't have, or they got money for an operation that they didn't yet have, for a business plan they didn't yet have, and they spent it as though they'd really earned it.

Mr. KARLGAARD: Well, I'll tell you what happened was, in August, 1995, a company called Netscape went public. It priced its offering at \$ 28, which is twice the normal offering range. The first trade was \$ 71, and it finished the day at \$ 58 with a \$ 2.7 billion valuation on very little revenue and certainly no profit. Well, that was the--that was the--the flag dropping on the Oklahoma land rush to populate the Internet. Now the belief at the time was that with a billion people on the end of phone lines in the--in the developed world, that

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the Internet would proliferate rapidly and you had to raise a lot of money and get big fast; that you had to build a brand very fast and block out your competitors. So the idea was that if you didn't get big fast, that you weren't--second wouldn't count. And that led to tons of money flowing into the sector. I know it's popular for people to say that it was all a big read rush, and there certainly was that element, but the original thought was that you had to get big very fast.

KOPPEL: And you had to give the impression of money being no object. I mean, in a sense, that was the irony of it.

Mr. KARLGAARD: Well, look at some of the things that people did to get big fast. They ran ads on Super Bowls, they threw multimillion dollar parties with name-brand rock stars in Las Vegas. That does look stupid now.

KOPPEL: You were talking about something you once witnessed with the founder of Microsoft. Tell me that story.

Mr. KARLGAARD: Well, Bill Gates--I traveled a week arran--a week with Bill Gates in 1993, and certainly Microsoft was big and successful at that point. But we traveled mostly by coach, we ate cheeseburgers, we took cabs. The guy was very frugal. When Microsoft took venture capital in the early 1980s, it was already profitable. So I think what we're seeing, Ted, is a return to companies that--that build--that--that work--that--that build profit from the very beginning, or at least build the discipline to get profitable. They stay in low-rent places. When they go on the road, they stay in cheap motels, they rent cheap cars, they eat cheeseburgers, that they--every dollar has to count. Bill Gates never lost that discipline, and consequently he has more dollars than--than all of us combined.

KOPPEL: Do you have a hunch as to how long it's going to be before--I don't think it'll ever go back quite to the way that it was in the mid-, late '90s, but before it gets back on track again?

Mr. KARLGAARD: My hunch is is that--that we're already beginning the turn. That if you look at Nasdaq over the last month, it's gone up an impressive 30 percent. Venture money, while it has retracted and is running at only the rate of about 40 percent of 2000, that still puts it at a level of about '98 and early 1999.

What we will not see again, I think, are the extraordinary valuations, companies like the globe.com going public and going up 10X on their first day as a public company. That's probably a once in a generation phenomenon. But much like the personal computer industry in the '80s, this thing will come back. It will, I think, excite Americans. It's going to take last-mile broadband communications--that is watching NIGHTLINE over your personal computer screen, full screen, full motion video--it'll take catalyzing technologies like that. But when it comes back, it's going to be pretty big and exciting.

KOPPEL: Rich, I thank you very much. And if you have a call waiting from Vik Chaudhary, you'll know what that's about, when you--when you get the message.

Mr. KARLGAARD: And I--I will try to raise money for him.

KOPPEL: All right.

Mr. KARLGAARD: I'm impressed with them.

KOPPEL: You're a nice man. Thank you very much for joining us.

Mr. KARLGAARD: Thank you, Ted.

KOPPEL: I'll be back in a moment.

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Announcer: To receive a daily e-mail announcement about each evening's NIGHTLINE, and a preview of special broadcasts, logon to the NIGHTLINE page at abcNEWS.com.

(Commercial break)

KOPPEL: And that's our report for tonight. I'm Ted Koppel in Washington. For all of us here at ABC News, good night.

LANGUAGE: English

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