
Experience.com, Inc.

Jennifer Floren said goodbye to her sister, and put down the telephone. The conversation she had just finished reminded her of another telephone call two years earlier that had changed her life. Her sister, slated to graduate from college, had dialed Floren in a panic, asking what she was supposed to do next in order to land a job. Realizing that thousands of graduating students faced the same problem, Floren conceived of a startup venture that would provide counseling and information via the Internet.

Now, as the year 2000 drew to a close, Floren was CEO of Experience.com, Inc., the company her idea had grown into. With 110 employees and over 100 contractors, the firm had booked \$2 million in revenue, and projected that it would take in \$9 million in 2001, becoming profitable in the fourth quarter. To achieve those targets, however, Experience.com, Inc. would have to build a web of alliances designed to ramp up revenues as rapidly as possible. What should that web look like, and how should it be assembled? Next on Floren's calendar was a meeting with Jon Flint, managing partner at Polaris Ventures, the lead venture capital firm backing the firm. Surely this would be a prime topic for that meeting, she thought as she gathered up her papers and prepared to leave.

Background

Jennifer Floren graduated from Dartmouth College in 1993, with a B.A. in psychology. She had spent three years at Bain & Company in Boston, when her sister telephoned her for assistance. She recalls:

A lot of people hit the wall in consulting around the three-year mark. I was at that point where I loved Bain, had learned a ton, and thought it was absolutely the greatest company, but I knew I didn't want to do consulting forever. I was looking around, and it was the summer just after the Internet had burst into everyone's consciousness. The buzz was starting, even though no one really knew what the Internet was. Hearing the pain in my sister's

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voice, I recognized that a lot of people felt that anxiety. She was at one of the top colleges in the U.S., and she is the type of person who knows everybody. As college seniors go, she was very well prepared and knew a lot about what was out there, and she still felt overwhelmed. Her concern was so completely deep and real that I started to think it would be amazing if you could figure out a way to help the millions of people coming out of college who shared it. I started to look around and realized there weren't any places answering those questions.

Floren began doing research by talking with her sister and with Dartmouth's career center. She says:

I started putting the pieces together, and realized that four million people go into the working world every year out of top schools. I wasn't sure how I could help, since it was just me, and it dawned on me that working through the career centers would provide a way to test out ideas and scale a business quickly.

Floren launched Ivy Productions, which produced a web site featuring content for college students who were recruiting, and tested it out with several schools in New England. Ivy profiled different industries--for example, students interested in investment banking could find out about the industry, drill down to custom reports about what it was like to work for an investment bank, and compare what their peers said about specific companies such as Morgan Stanley and Goldman Sachs. It was offered to students through college career service offices.

At the same time, a young Harvard undergraduate got tired of trudging across campus in the winter snow to get forms from the career services office. He wondered why Harvard couldn't put the forms on line so he could fill them out and submit them from his dorm room. He and some friends built a custom system for Harvard, and then formed Crimson Solutions to build a complete, Internet-based e-recruiting system for career services offices and market it to other colleges. Floren notes:

Back then, the whole space was very small. I had been working with Harvard's career center for a couple of months, getting feedback from them about our content. At the same time, the guys from Crimson were trying to figure out how to build a business model. Harvard recommended that they come talk to me, and I joined their advisory board even before they founded the company.

As the two firms grew independently, they pursued similar strategies. Each focused on lining up a network of undergraduate career centers, and their customer bases overlapped considerably. Both focused first on building up a channel to students, planning eventually to charge employers for access to this channel. Both raised early seed money from private investors.

In March 1999, Crimson raised its first round of professional financing, led by Polaris Ventures. Recalls Jon Flint, Polaris' managing partner:

Subsequent to our investment, I read an article in one of the Boston software magazines about Jennifer's company. By this point, they had added a magazine with a controlled circulate of a million students. I thought this would be an interesting joint venture possibility for Crimson Solutions, since they had only software. I cold-called Ivy to say, 'Listen, we have this deal called Crimson, and wouldn't it make sense to work together.' I met Jennifer, and it was clear that she is great. She's very smart, driven, focused, and has an incredible work ethic. She has strong business judgment and excellent people judgment. She could identify and attract other managers, which is just what you look for in an entrepreneur. We told her that we wanted to back Ivy separately from Crimson, and in fall, 1999, we helped Ivy raise its own round of financing.

In late 1999, Polaris proposed merging Crimson and Ivy into a new entity. By this time, Lisa Mastrangelo was acting president of Crimson, succeeding the original founders. She recalls:

Polaris thought a merger would be the ideal marriage, because the companies had the same customer base, the same focus on education, and the same goal of helping students and employers connect by empowering college career centers. Each firm had about 20 employees at the time, and Polaris thought a merger would create a stronger and larger enterprise. Polaris asked both of us if a merger would make sense from our different perspectives, and we brought the two firms together in late 1999.

Echoes Floren:

The merger made sense because the ability to lock up career centers and build a network of schools is really the key to owning this niche. It's a land grab—you sign up as many high-quality schools as you can, and offer a single point of access to employers. The combination of the two different product offerings brought together the most robust solution for career centers—I think this is true, because we've had more momentum than any other player in the space.

Says Flint:

It made a lot of sense to put them together. The teams were extremely complementary. Crimson had a good web development effort, and Ivy had all the content and editorial people. We thought Jennifer was ready to lead this kind of company. A lot of young entrepreneurs are not. We look for intelligence and drive and a high degree of self-confidence, the obvious things. We also look for people who recognize that this is their first time, and they need more experienced business partners. Those who don't succeed take the Al Haig 'I'm in control' attitude—they feel they have to be a micromanager to prove they can do it. We see that a lot. Such people are

afraid to have sharp swords around them, or they are reticent about giving up authority. Jennifer has attracted a great management team of very senior people. It is clear she is CEO, but she runs it like a partnership.

Mastrangelo became CFO of the new entity, dubbed Experience.com, Inc. In June 2000, the firm raised a \$20 million round of private equity. Says Mastrangelo, “That was a vote of confidence for us, since at that time the environment for raising venture capital was very difficult. Part of the reason why we were able to succeed is that we had hit all our milestones, stayed on plan, and done a lot of good things along the way.”

Experience.com, Inc.’s Business Model

Market

According to Floren, there are about 3600 colleges and universities in the United States, of whom about a thousand are targets for Experience.com, Inc. “The top 500 are the name brands you would have heard of, and that’s the segment that’s especially important to us,” she says. “Then, there is a second tier of about 500 more schools.” Adds Mastrangelo, “There are probably another 400 or so universities left out there without the software they need for on-campus recruiting. Most of these 400 universities that are up for grabs have their own internal systems. At this point, our focus is mostly on undergraduate schools, plus some of their graduate entities.”

Says Rob Carbonaro, vice president of university sales and service:

We are really focused on relationships with the top 500 universities across the country, and we’re even more focused on the top 100. Within the top 100, we probably have about a 25% market share. We do very well in liberal arts and business schools, and have dominant share in most categories, depending how you slice the market. If you count the top 500 schools, we have 105, while about 70 have no affiliation and 27 have in-house systems that compete with ours. By the end of 2001, I expect to bring 60 more of the top 500 on board.

According to Floren, giving each school a version of eRecruiting that is customized for them is key for this market segment. She explains:

Our niche is tying up the career center channel. Let me say up front that this is a very confusing space, because there are many different types of intermediaries who bring together candidates and employers in different ways. That leads to a lot of categories, and in each there are a lot of different companies doing things in different ways.

She continues:

Where we see our value is being the most direct connection between employers and a particular kind of candidate. We know from employers that recruiting entry-level talent is very different from recruiting people five to ten years out of school. Our focus is definitely on undergrads, though we work with about 20 different graduate schools. We empower the universities to be world-class career service providers who can connect with employers all around the world. Suppose you are at Notre Dame, for example. The links to the career center system say “Go Irish.” You log in to your town, and you find “Go Irish” everywhere, but it’s powered by us. We’re pushing more and more functionality into University branded systems, so it looks and feels as if you are in the school’s environment.

According to Carbonaro, the buying decision is usually made by the career center director, with input from his or her staff. He comments:

A couple of years ago, we had to do a ton of education about the benefits of web technology, and had to get people to take a leap of faith letting us store data off-site. We also had to get people to leave their paper systems behind. Our buyer is usually not as savvy technologically as the students are. The other barrier we faced is that people were reluctant to bet on a group of young people without a long history. Over the last year, the market has matured considerably and the young company issue is much less of an issue. Because there are fewer choices, people need to do less due diligence. On the other hand, there are very few schools in our target market that are still open, green-field accounts. To sustain our momentum, we have to steal share. Now that we’re down to three relatively strong competitors, that’s a dogfight. Our product is considerably better than competitive products, but in some cases customers are reluctant to unlearn someone else’s system that took them a year to figure out.

Services

eRecruiting

Experience.com, Inc. acts as an application service provider to offer colleges a web-based career solution that streamlines on-campus recruiting. At the end of 2000, 160 universities were using the eRecruiting service. Say Mastrangelo, “Career centers have a lot of systems to help alumni connect with other alumni and help them find a job. We have both the content and technology to facilitate both career offices and alumni offices, which are two different groups who are using different systems.”

Experience Magazine

After it launched its initial web site, Ivy Productions began looking for a partner to produce a magazine for college students focused on recruiting. Says Mastrangelo:

It was never our intent to be in the publishing business, so we first went to Fast Company, since they're in town and are trying to do some things that are similar to what we're trying to do. We needed help selling ads and manufacturing the thing. They told us their ad sales team was swamped, because they were representing three different properties. So our next stop was Fortune, which is part of Time Warner. We spent three months on due diligence, and then Time Warner offered to buy the company. They had scrapped a business plan similar to the magazine we were proposing, but they realized their corporation would have a hard time getting distribution through the schools, because they didn't have these relationships and didn't know how to acquire them. We didn't want to sell, so our next stop was Forbes. We had intended to do this as a joint venture, but while we were looking for a partner, we had built an ad sales team, so we forged more of an arm's length partnership. Experience had a circulation in excess of 1 million by the end of 1999, making it the 13th largest magazine in the U.S. It is offered free to students and young alumni at over 400 colleges and universities. In 2000, Experience.com, Inc. negotiated an agreement with Forbes that largely lifted the production costs from the startup, dramatically lowering its burn rate.

Experience.com

This web service was launched in April 2000. Says Mastrangelo:

It's really about connecting people and helping them understand what they're looking for. We facilitate a match between top talent from universities and top employers. The site helps students find a job and become smarter about the jobs they are looking for. If you want to know what it's like to work in a certain industry or type of job, there's plenty of information on our site. We also have opportunities for people to find mentors and other people they can talk to. Our vision is to provide a channel for employers to access top talent, so we give them opportunities to brand themselves either in our magazine or on our site. People who submit resumes to the eRecruiting database also have the option to submit them to the experience.com database.

Technology

The eRecruiting system for each university is hosted by Experience.com, Inc., using servers located at Exodus, a provider of Internet data centers. No software installation is necessary, though each school is responsible for training its staff to use the system. Says Floren:

The feature set is enormous. We offer perhaps 20-90% more features in eRecruiting than any competing product. One of the main things career centers really value is the configurability and flexibility of the product. Other companies in this space offer a one-size-fits-all solution. Recruiting is known for its flexibility, and our system is modular and configurable. If you don't want certain functions, you choose not to have them in there. You can set up school-specific things, such as lists of majors or how to communicate with different constituent groups. The career centers feel they have a lot of control over the product, and that makes it different from anything else on the market. Because there are different iterations of the system for each university, it's complex and harder to maintain, but it's a big advantage when you are selling the product to the schools.

Says Dave Rodger, the vice president of engineering at Experience.com, Inc., "It really automates all the previous paper pushing that a career center would do around on-campus interview scheduling. The software lets counselors spend more time counseling and less time on administration, filing, and organizing. They should be worrying about whether a student's resume is appropriate and whether they know how to do research on companies, not about photocopying and faxing pieces of paper." Rodger elaborates:

If you remember your college career center, you'd give them a copy of your resume and they'd make maybe ten copies of it. One might go in a book for general seniors, another in a book based on your major, and so on. Then, they would either fax the books out or charge employers to come in and flip through them by hand. One big part of the eRecruiting product is resume searching, which is a very valuable service that career centers offer. The other thing we do is let them work with their recruiters of note. If IBM is going to come to a campus on a certain day with two recruiters, each of whom has ten 30-minute slots available, at some schools students can sign up first-come, first-served, while at others, recruiters can hand pick who they actually want to see. We have had four years worth of working with career centers, so we can provide the right kind of flexible customization to serve both their constituencies, students and employers.

Students upload their resumes as Word documents or Adobe PDF format files. Job opportunities can be entered into the system by either the employer or the career center. In the future, Experience.com, Inc. expects that clients will place stiffer technical demands on the firm. Rodger explains:

So far, career services offices on campuses have been islands. Now there are many initiatives under way for colleges to integrate their entire process, so there is a single login and a single database. There is a tremendous opportunity for vendors in this space to capitalize on the institutions' efforts to consolidate technology platforms. As one of the technology innovators, we will be right there by building "faucets" for exporting data to other systems and "funnels" for importing data into our system.

To what extent does technology differentiate Experience.com, Inc.? All of the software was built by the Experience.com, Inc. internal development team, which numbered 26 at the end of 2000. Says Rodger:

All engineers think they can rebuild anyone else's work. The value we bring is three years of continuous innovation and improvements, plus the understanding of how these people do their business. The business logic customization and configuration we have built into our system would be quite challenging to reproduce. We are the most flexible and customizable, without a doubt, and we are also the leader in terms of general features.

The eRecruiting site is completely independent from the Experience.com site. Notes Rodger:

They were separate products built on web time. Because we wanted to get them into the market as quickly as possible, they are not as tightly integrated as we'd like to see over the next couple of years. For example, a student with an eRecruiting account can migrate account data to Experience.com with a click, but after that, changes in one system aren't reflected in the others.

Because the software is built on a Linux platform and is hosted externally, Rodger believes it can scale indefinitely. "As additional web traffic appears, you just add additional web servers," he comments. "We don't have to rewrite our software or reconfigure anything."

In the future, employers will receive analytical reports as part of some service packages. Says Rodger, "The packages we're putting together will include some kind of data analysis, but that piece has not been put together. They are going to want to know how many people searched for them, how many looked at their opportunities and applied, and how many looked and didn't apply."

Competitive Advantage

The cornerstone of Experience.com, Inc.'s business model is the relationships it has built up with universities. Says Floren:

The last few years, we have focused on tying up the channel. We work with 500 schools now and 150 of these relationships are exclusive. Our niche is to own all the schools. The students on campus have to register with us because we are the career services system. We don't have to build a brand with them, we have to build a brand with the schools. Similarly employers have to use our system at the schools they go to.

She continues:

In this market, there is a natural starting point. We don't have to be market makers. Everyone in this space is trying to be an intermediary connecting candidates with employers. We want to own the school channel and then

maximize that. Think about it from the candidate's point of view. Once you start building a resume and entering information, you don't want to do that again and again. The way the industry works now, you have to put together a resume and post it to all these different sites. We let you build a profile and update it along the way, so one channel gets it out to employers. Our competitive advantages are technology, service, reputation, momentum, and knowing what customers need.

Floren believes that once Experience.com, Inc. has forged a relationship with a school, it is very difficult for a competitor to dislodge. She comments:

The network of universities is by far the biggest advantage we have. Universities are very loyal, and there are high switching costs. We have never lost a client. They are also slow movers. They are a hard customer base to reach, because it takes a lot of time to earn their trust and build relationships with them. The selling cycle could take six months or it could take three years.

Echoes Mastrangelo:

Our differentiator is that we work with the career center. Companies like JobDirect.com went around the career center. Helping students and employers connect is their mission, and that's our mission. We're all about helping the career center help their students find more and better opportunities. They are not known for having large budgets, so they can't call 100 employers a day to ask if they have opportunities or want to come on campus and recruit. We have the resources to do that for them.

She continues:

Universities have built up relationships with employers over the years. Firms such as Goldman Sachs and Arthur Andersen go to the same campuses every year. We're offering employers the opportunity to broaden their reach or get deeper relationships with universities we're linked with. It's hard to find top talent in the job market these days. You have to be really resourceful, and you have to brand yourself to differentiate yourself as an employer. With a job board, an employer can post a job online, but what will make it stand out more than anyone else's? We want to be viewed as a place that makes the right match.

Jon Flint explains:

The main asset they have built is the relationships with the colleges. All the companies that should be interested in this demographic do not have their technical infrastructure or web of relationships. These relationships with schools are difficult to get and very, very difficult to displace, and they provide an evergreen source of resumes and relationships with students and recent alumni.

Revenue Model

Presently, Experience.com, Inc. has three revenue streams.

License Fees

The company charges universities a fee for using eRecruiting as a hosted service. Says Carbonaro, “We charge an annual fee for hosting the application, maintaining the software, and supporting it. It’s a decent revenue stream, but it’s not a big enough market to sustain our vision. You could support a 15-person business that way, but not one our size.” At the end of 2000, 160 campuses paid Experience.com, Inc. for the use of the eRecruiting service. The rest of the firm’s 500 partner schools used the magazine, the Experience.com web site, or a virtual career fair series. Schools are not charged for any of these services.

Advertising

The magazine is funded by advertising from firms such as Ralph Lauren, Ford, American Express, and Yahoo. The magazine typically includes 82 pages per issue, with 30-32 pages dedicated to advertising. Rates average in the low \$20,000 bracket per page. According to Mastrangelo, the magazine is near breaking even, and needs to scale in order to get better pricing on paper and other costs.

The Experience.com web site is also ad-supported, but the firm only began charging for advertisements in November 2001.

Employer Fees

This is the main area expected to grow in 2001. Says Mastrangelo:

For the first six or seven months, we gave away our services to build momentum and create a pipeline, but we started charging in November 2000. At the end of 2000, we had about 100 or 200 paying customers. Employers want to do lots of things: search for candidates in the database, post job listing, advertise, and participate in virtual career fairs.

Notes Flint:

The value proposition to employers is that you are looking for your future, and we have the best students from the best schools. Hewlett-Packard has ten recruiters focused on this demographic and spends \$10,000 per month per recruiter. At Polaris, we spent \$35,000 on a retained search with a headhunter. Experience can help you find an electrical engineer from MIT who is a Rhodes Scholar and writes well, and we think employers will pay at least \$5,000 for that.

According to Floren, the employer market is split into three major segments. The Fortune 2000 spends the majority of the money devoted to on-campus recruiting. Additionally, about 50,000 smaller firms recruit on at least one college campus. Finally, about 200,000 companies hire entry-level talent, typically one or two at a time. She says:

Our target is the first two categories, that are doing on-campus recruiting. Our pitch to them is that they need to do more than just post jobs. If they want to do that, they can put in a credit card number, post job listings, and never talk to us. But for most companies, the biggest pain is not posting jobs, it is becoming more effective at campus recruiting and building a wide pipeline of talent. For that, you need to brand your company, you need direct interaction with students, you need networks, and you need data about what the student markets are looking for. It's all about getting your company name out there, because students don't read the Wall Street Journal and they don't read trade magazines. They haven't heard of a lot of companies, and they legitimately have no idea how different companies or industries offer them different opportunities. They don't understand how to break in or what to do or what the different jobs are that employers need to fill. We put a context around the whole process of looking for a job. Along with that, we create branding opportunities, such as an in-depth company profile, or sponsored newsletters that go out to targeted segments of students.

According to Carbonaro, the key to reaching the employer market is leveraging the relationships they already have with college career centers. He explains:

eRecruiting is a tool that facilitates the on-campus program that career centers managed before we arrived on the scene. The career centers have the ultimate responsibility to drive employers to use the tool. Generally, a school deals with 200-300 employers, who come into eRecruiting to manage their campus visits. We expand the base of employers by willingly sharing our employer contacts with the schools. That's one of the things that career centers find compelling about our message—it isn't us versus them. It is a collaborative effort to expand the base of employers that recruit on each and every one of our campuses. The employers are happy to pay us to use our technology to recruit in places where it is difficult for them to go on campus or where they want to supplement, not displace, their current relationships.

Carbonaro believes that the company's technology is a key factor that will enable Experience.com, Inc. to ramp up its base of paying employers. He comments:

We want to avoid being a 'me too' in this space. The transaction business—posting a job, paying to search—is becoming commoditized. We want to be the preferred channel for talented candidates, and the provider of the plumbing that gets talent from college campuses to employers. Just aggregating resumes is losing its value. We have technology platforms that can get people in front of employers efficiently. In the near term, we are the leader in providing platforms for virtual career fairs. That is a timed event

with a lower entry cost, and that creates a sense of urgency. It's compelling for students because they can focus on certain segments of industry. We're using these fairs as a vehicle to drive scale quickly among both employers and candidates.

Competition

Says Floren, "We are the last independent in this niche. University career centers don't want to work with someone who is not an independent; they fear bigger firms will try to take them over. They see us as focused on them, with their best interests in mind. Our challenge is that we are up against huge players and we need to be fast, nimble and focused."

Jobtrak/Monster.com

Jobtrak pioneered the online college recruitment space, starting in 1987. Their core offering is job postings. They collected postings from career centers and took responsibility for entering the data, relieving the colleges of a significant administrative burden. Additionally a year after Experience.com, Inc. introduced eRecruiting, Jobtrak debuted a competitive offering called InterviewTRAK.

Floren sees Jobtrak as her closest competitor, but she believes Experience.com, Inc. has a much stronger offering. She argues:

When we talked to most people, they wanted to know how we compared to JobTrak. Our eRecruiting software is much more robust, and is a year ahead of them in terms of development. Our customer base is almost double theirs, and we also have content and branding vehicles. They have no resume database or other branding opportunities. Jobtrak has always been our head-to-head competitor, and we've had great success against them. We've signed on more schools than they have every single year since we started, and we were first to the market with all our features. They are not innovators, and their software is kind of generic, so we win a lot of schools on that basis.

In November 2000, Monster.com, one of the Internet's leading recruiting sites, acquired Jobtrak. For Floren, this news was essentially positive. She explains:

Universities will be kind of skeptical, because Monster has a lot of priorities. I think we really have some great opportunities to win some big clients. Before, I would have said our competitors are Monster, Jobtrak, and Hotjobs, and the acquisition basically took one of our competitors off the table. Universities are scared to death of corporate America, and historically, Monster.com has not impressed the schools with their ability to understand what colleges need. Monster tried for a year to figure out how it could build its own product in this space, and they couldn't do it because schools felt

that Monster had a much bigger agenda and would cast them by the wayside.

She continues:

A lot depends on what they do with the acquisition. If they take Jobtrak and try to plug it into Monster, the career centers will have less control than they have now. We will definitely watch them like a hawk from now on, because they have deep pockets, a brand name, and huge advertising budgets at their disposal. The acquisition could mean they have a lot more resources to build a better product and blast it out. It also could mean that Monster thinks it has nailed the college space and doesn't need to invest any more there. If that happens, we'll be in a really good position to take some of their schools in the first two quarters of 2001.

BrassRing

BrassRing is a career portal owned by an affiliate of The Washington Post Company, the Tribune Company, an affiliate of Gannett Co., Inc., and Accel Partners. It entered the college space in 1999 by purchasing two independent startups with DOS-based systems for career centers, Career Connections and Academic Software. Says Floren:

Academic Software tried unsuccessfully to move their product to the web, and wasn't a strong contender. Career Connections has a very good feature set that is probably better than Jobtrak's. However, we've taken over 25 or 30 of their clients, and they've lost market share since we and Jobtrak introduced web products.

HotJobs.com, Ltd.

Hotjobs.com ranks behind Monster.com as one of the largest recruiting sites on the web. It offers complete recruiting solutions, including software and consulting services. Although it has no special focus on the college market, it has a strong sales force that targets employers. It offers a comprehensive online tool that enables corporate recruiters to better manage their entire hiring process, but it does not have a dedicated module allowing career centers and employers to schedule and manage on-campus interviews.

JobDirect.com

Jobdirect.com was an independent startup focused on the college recruiting market, like Experience.com, Inc. It was acquired by Korn Ferry, one of the world's largest executive recruiting firms. It competes directly with Experience.com, Inc., but has not won many accounts among the career centers that Floren targets.

Content Competitors

Two Internet startups are especially well-known in the content business that Ivy Productions developed. WetFeet.com provides broad career assistance, advice, research tools, and profiles of companies and industries. Vault.com is best known for its original reports by insiders who describe what it is like to interview at or work for a specific company. It also provides a gateway to a number of job boards, allowing users to enter information once on the Vault site, to generate postings on many job services.

Floren's Decision

The Partnering Imperative

In order to meet her revenue targets for 2001, Floren is focused on acquiring more paying employers, even as her company continues to broaden its base of college career centers. She comments:

Now that Monster has entered the space, our phone has been ringing off the hook. Anyone who wants to be a cradle-to-grave player in recruiting has started to recognize that they can't buy their way into the schools. You can't just buy eyeballs with mass media or deep pockets, the way you can with generic job boards. Other companies are looking at their strategies and saying they need to be in the school channel in order to get young people when they are just entering the labor market. They either have to buy a player, take a minimum of five years to build a presence, or partner with someone.

From her perspective, the primary reason to partner is to leverage other firms' resources, particularly their sales forces and connections with employers, in order to meet her revenue targets. Floren says:

The issue for us is long-term sustainability. The big revenue streams will come from charging employers, and it's a challenge for us to get out to them. We don't have a huge sales force or the marketing budgets you need to reach the human resources community. The more confused the human resources category is, the harder it is to ramp up revenue. Our main reason for partnering with anybody would be to monetize our channel. That is our fundamental challenge.

Experience.com, Inc. could build internally a sales force capable of reaching out to employers, but Floren sees this as a path strewn with obstacles. She notes:

This market moves so fast, and building a sales team just takes time. Our executive vice president of sales is amazing, with a great background from PeopleSoft and from recruiting software before that. But the issue with building a sales team is that you have to get client relationships, so there is

training involved. Because we are building from scratch, we have to get the management in place, and you have to offer service in parallel. So we are going down that path, but what we're really looking for is whether there are accelerators out there.

Given Experience.com, Inc.'s limited resources, Floren believes she does not have the time or ability to investigate every possible partner or chase down every opportunity that arises. In the first half of 2001, she intends to focus her attention on negotiating deals that ramp up revenues in one of two ways: by driving employer traffic, or through some form of advertising or syndication arrangement.

The Recruiting Industry

One possibility is negotiating deals that leverage the existing connections recruiters have with employers. Floren divides this population into three categories.

Cradle-to-Grave Recruitment Managers

These firms specialize in job listings and have large sales forces calling on corporate human resources departments. The leader is TMP Worldwide, an advertising agency and recruiter that started and built Monster.com. It is three times as big as HotJobs.com, the second-largest firm of this type. CareerBuilder is a leader in classified employment advertisements, having just bought Careerpath, another prominent firm in this area. Headhunter.net is a publicly-traded recruitment manager that recently bought another well-known service Career Mosaic.

Comments Mastrangelo:

A lot of companies say they have a cradle-to-grave strategy that goes from interns all the way to the highest executive positions. However, they really don't have a large population from the university market, since it is a hard market to get at and you can't access it just through mass media. They're great at the higher-end stuff but not at the entry level.

Executive Search Firms

The leaders in this area include Korn/Ferry, Heidrick & Struggles, SpencerStuart, and Russell Reynolds. The first two have online recruiting services, and Korn/Ferry's purchase of Jobdirect put it squarely into the college market. Says Mastrangelo, "They'd like to have a product from start to finish, because if you get brand loyalty early on, you can have a customer for life. A lot of folks know it's important to brand yourself early, and they are trying to figure out what their strategy is for doing that."

Recruitment Advertising Agencies

These firms prepare recruiting brochures for their clients and place classified advertisements. The largest firms, including the Bernard Hodes Group, JWG Associates, Inc., and J. Walter Thompson, have aggressive sales forces that call upon recruiters. Says Floren, “None is a technology company, but I care about ramping revenues, and I need access to recruiters who want the candidates we have.”

Advertisers

Another potential revenue stream might flow from advertisers who want to reach the demographic that Experience.com, Inc. taps into. Major revenue streams would come from some sort of sponsorship or co-branded service offering, more than selling advertisements for the magazine and/or web site. Floren classifies these potential partners into three main categories.

Media Companies

Says Floren:

These people need to aggregate audiences demographically, and then sell them to advertisers. They would be less helpful for us in ramping employer revenues, but they do reach out to employers and can find other customers who want to reach this market. They have a sales channel that reaches into the marketing budgets of firms who would bring us advertising. Companies in this category would include Dow Jones, Forbes, the Wall Street Journal, Knight Ridder, the Washington Post, the New York Times, and Omnicom.

Credit Card Companies

Floren notes:

Companies like American Express and Capital One want to reach our category, and if I thought advertising or sponsorship was a faster way to ramp revenue, I’d go that way. We partnered with Student Advantage for a long time. It was a company that was trying to build a student community a few years ago, targeted mostly at freshmen, with the premise of giving out discount cards. AT&T paid \$20 million to get access to that channel, gaining the right to put their name on those cards.

Adds Mastrangelo:

They obviously want to get in front of this demographic as early as possible in order to get them using their credit cards. They don’t necessarily fit with what we’re trying to do from a career perspective, and we want to partner with anyone who can help drive more employers to our site.

Internet Portals

Says Floren:

These companies could pay us a fee to acquire our candidates. If you look at the portals of the world, such as AOL, the Microsoft Network, Yahoo, and Lycos, they are looking for opportunities to drive traffic to their site. There may be some opportunity there, or maybe not. AOL has a deal with Monster.com, which suggests there might be something there.

Partnering Strategically

As she contemplates partnering with a firm that can help her reach employers, Floren sees two risks that Experience.com, Inc. must navigate. First, if the company becomes too reliant on sales generated by its outside sales force, it might make it difficult for the firm to go public or sell to an acquirer. Second, she is sensitive to the reaction of career centers. “We’re the only stand-alone company that doesn’t have a bigger agenda,” she says, “so we have to be wary of the reaction on the university side to any deal.”

Floren’s biggest concern is how many partnerships to negotiate. She comments:

I wrestle with whether I want to tie into one company like Hotjobs or Heidrick & Struggles, or do I want to be Switzerland and partner with a handful of people who want to compete against Monster? Given how fast everything is moving, do we want to blast it out with one company or partner with many? Another question is how we manage the overlap between our ten-person sales team and our partners’ sales forces.

Conclusion

Says Flint:

The priority this year has to be ramping revenue. It’s very difficult to raise later rounds of financing in this environment. We’re trying to raise money from corporate partners who could allow us the 2-3 years we need to build value. If we had \$30 million in the bank, I’d sleep soundly at night. We’d really like some timing options for the IPO market. This is a Darwinian moment. My partner Terry McGuire says the upside is Malthusian, and the downside is Darwinian, the survival of the fittest. If you can obtain enough capital to survive and build value, when you come out of that down cycle, you’ll be in great shape. I don’t want to sell the company, I want to raise capital to survive the downturn. In order to do that, we’ll have to show strong revenue growth in 2001.

Case Questions

Visit the Experience.com site and skim the sites of its competitors. There are enough sites to glance over that your case group might benefit from dividing this labor. Answer the following discussion questions:

1. Who are Experience.com, Inc.'s complementors? Who are its competitors?
2. Given limited time and attention, what types of partnerships should Floren make her top priority for the first six months of 2001? Specifically identify a limited number of firms she should target, and explain why you chose them. You are encouraged to think out of the box, if your complementor/competitor analysis leads you to alternatives other than those mentioned in the case.
3. What should Floren do to maximize her leverage in the economic web she assembles? What actions should she take to maximize her firm's social capital? The case raises the issue of whether she should focus on one partnership or pursue many and try to position herself as a neutral, like Switzerland. You are not limited to this perspective—give her concrete advice on how to occupy the high ground in the social network she is building.