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EXCERPT

Surprise! The Startups Are Back

tech@work

Any entrepreneur trying to sell tech products to business today confronts a jaded customer. CIOs were burned badly by the tech industry in the late 1990s, and they won't let suppliers forget it. Back then big businesses bought just about any technology that promised to hold back the dot-coms. When

the frenzy abated, they found themselves awash in expensive tech, much of which didn't work as advertised. So business cut way back on tech spending in the past couple of years as it tried to digest what it already had.

Now the atmosphere has changed. Startups once again are eagerly eyeing the corporate tech budget as enterprise IT purchasing has begun to turn back up—both the Gartner and IDC research firms project that it will pick up further in 2004. Yet this is no mindless return to the tech boom. Stephen Minton, director of worldwide IT markets research for IDC, cautions that businesses are fed up with technologies that don't play well together. With maintenance and labor making up 80% of most CIOs' budgets, efficiency is what customers increasingly seek, says George Gilbert, a veteran security analyst now consulting in enterprise software. "They want to

make the care and feeding of their systems cheaper," he says.

The new catch phrase for startups: It's ROI or die. Customers now insist on seeing their investments pay off almost immediately. Some won't even consider purchases that don't show a return within six months. The following six startups demonstrate a mastery of this mandate. From Airespace, which helps companies go wireless quickly, to Out Systems, whose programs enable CIOs to immediately cut the cost of new software, they're highly focused and pragmatic.

You can't invest in any of these still-private companies yet, except by using their products. But their success suggests that the tight-fisted investors called CIOs are again blazing the way toward productivity gains that will benefit us all. — *David Kirkpatrick*

Zilliant

HOW THE PRICE BECOMES RIGHT

- **Constant testing.** Zilliant allows companies to mix and match prices, then models customers' reactions to explore how to boost results.
- **Checking what's out there.** Zilliant's mathematicians study each industry it enters to identify crucial variables and see how they work.

While the business world has embraced automation, Zilliant, in Austin, thinks it has found the last bastion of guesswork: pricing. The company's software helps customers make sure they are charging what the market will bear, setting up controlled testing of a variety of prices to create what are in effect real-time, real-money focus groups using real customers. It then applies sophisticated mathematical models of the business to analyze the customers' reactions to the pricing moves and come up with recommendations.

That might not sound complex, but it is. Airlines have spent fortunes developing systems for finding the right price for any given seat on any route, and few other industries have even attempted similar feats. Most companies just guess what the market will bear. Zilliant's software enables them to find the right price for a variety of products sold in ever-shifting combinations. Firms can then fine-tune results based on whatever metric they want to improve—gross margin, revenue, or unit volume.

That promise has helped Zilliant win over CIOs looking for a real return on their investments—Zilliant CEO Greg Peters unashamedly claims his software can improve gross margins 10% within months. Customers agree that they're getting dramatic returns on their investment, from DHL—which uses Zilliant to review prices

annually—to online booking agent Hotwire, which resets prices for specific airline city-pairs every day. General Electric's TIP division, which leases trailers and other large vehicles, uses Zilliant to evaluate every customer inquiry, checking prices against available inventory and what's happening in the market. Says senior vice president Thomas Konditi: "It's not easy to be happy with software, but this one is a no-brainer in terms of the investment."

While Zilliant's successes are impressive, deploying the software can be painstaking. Before the company can sell to a new industry, its mathematicians laboriously model all the unique variables. Once Zilliant has gained a foothold, though, each customer win often leads to others, so that new customers cost progressively less to pursue. Following its win at GE TIP, Zilliant won over TIP competitor Penske.

Zilliant started as a web-only consulting operation in 1999. But CEO Peters, an industry veteran who ran onetime highflier Vignette, arrived just four months ago, and the entire management team is new. A group including J.P. Morgan and Austin Ventures invested \$14.5 million in August. For a newcomer, Peters is already talking a big game: "Our customer prospects are in the rubbing-sticks-together-in-the-cave era, and we're introducing nuclear fusion." — **D.K.**

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