

Tech firms ride a new wave to success

Newer startups are rooted in more solid foundation compared with the those of the 1990s

By George Avalos
CONTRA COSTA TIMES
October 26, 2006

It isn't exactly a tidal wave. And folks won't soon resurrect Friday keg parties. But some East Bay technology startups -- one of them a classic dot-com -- have gained traction in the form of sales and investments.

Reply.com, a Web site that helps people buy and sell homes and vehicles, is getting ready to move out of its Walnut Creek headquarters and expand into larger offices in San Ramon. Steady profits are on the horizon for 2007, and possibly an initial sale of its stock to the public.

Pleasanton-based Jangl has developed a high-tech system that enables people to communicate via wireless phone or other devices without giving out their private phone numbers.

Jangl is about to launch its new service on a widespread basis, said Tim Johnson, a spokesman for the company. In two rounds of recent financing, the company has raised an aggregate \$9 million.

These companies hope to ride the wave of a new digital revolution targeting the consumer, said Tim Bajarin, principal analyst with Campbell-based market researcher Creative Strategies Inc. The new wave of consumer-targeted tech is also based on a more solid foundation compared with the vaporware startups of the 1990s.

"The old gateway to the world was television, and it was one-way," Bajarin said. "The Internet has allowed the personal computer to become our new gateway, and it is two-way interactive. The PC has become a powerful medium for people to buy, sell, share, communicate and be entertained."

Companies that can successfully deliver these services not only can harvest sales and profits, they also are creating jobs.

Reply, for instance, currently has about 180 East Bay employees. That is roughly 64 percent more than the 110 people it had in the region about a year ago.

The company will vacate 20,000 square feet in Walnut Creek and occupy 39,000 square feet in the Bishop Ranch 15 office complex in San Ramon, said Payam Zamani, Reply's chief executive officer.

The company's online site enables consumers to request a free bid from companies or individuals that provide a variety of services.

Reply gathers lists of people who might be interested in buying a house or vehicle, obtaining a bank loan, getting an insurance rate quote, or undertaking a home improvement. The names are then sold as leads. Customers request that a professional such as a real estate agent contact them for something such as buying a house.

"All of our businesses are growing," Zamani said. "We have achieved a critical mass with our operations."

Zamani declined to provide current sales figures.

Reply also has attracted plenty of interest from investors. In 2005, venture capitalists, led by BA Venture Partners, plunked down \$17 million to help bankroll Reply's operations.

The investors and Zamani hope Reply can become the brand for services on the Web such as buying homes and automobiles.

The bottom line: The company seeks to simplify major decisions for consumers, said Peter Sealey, a Reply board member, and co-director of the Center for Marketing and Technology at UC Berkeley's Haas School of Business.

"Life is too darn complex, and we have too many choices," he said. "The underlying business model is to make life's complicated tasks easier and simple. Steve Jobs has done that with the iPod at Apple Computer."

Reply marks Zamani's third foray into high-tech startups. His first was Autoweb, a pioneer for online sales leads, and his second was Pleasanton-based PurpleTie, an online dry-cleaning services. Neither made a profit and both imploded.

"Those companies were not based on the cash flow they could generate in the near future, but on our hopes and ability to raise funds," Zamani said.

That's the way things were during the go-go years of the dot-com era, said Sealey, who collaborated with Zamani on both failed

ventures.

"We had some successes and we hit the brick wall both times," Sealey said.

He vows to avoid the same mistakes.

"Internet 2.0 is a different phenomenon," Sealey said. "We were crazy in the 1990s. Too many competitors, too many wrong first uses. With every disruptive technology, the first use is always wrong."

Rob Enderle, a veteran market researcher based in San Jose, also is convinced that despite the renewed interest in consumer-oriented technology offerings, the cautious approach by venture capitalists can forestall a dot-bomb repeat.

"It does feel like we're heading up the hill to another dot-com type resurgence," he said. "But we have learned a lot of lessons. People figured out what they did wrong."