

CHAPTER 17

Managing Business Finances

Scrutiny on the Bounty

BountySystems.com pays finders' fees for just about anything. But it needs more big-spending clients—and more capital

by Faith Keenan

"Arm the alarm," reads the white board that hangs inside the front door at BountySystems.com. No, it's not a market warning for the Internet startup, which creates online sites where individuals or companies offer cash rewards for help in finding anything from a new employee to an apartment in New York to a baby grand for a synagogue. The note is just a reminder to the last employee to lock up the midtown Manhattan headquarters at the end of the day. But as the young company searches for new funding, a visitor can't help but wonder whether the meaning might change.

Welcome to the typical Internet startup of 2001: low budget, high hopes, and, of course, a big idea. BountySystems Inc., located between a Cuban sandwich shop and a textile store in a district that's home to New York's rag trade, has raised just \$8 million since it launched in late 1999 and is searching for \$4 million more.

And so far it has signed only two partners to run its Referral Reward Engine, the software available since January that allows any portal or business to host a public or private referral site. "It's very, very tough," says CEO Lon Otremba, the former vice-chairman of Mail.com, referring to the funding search. "The climate now is tighter than I've ever seen it."

"REPLACE MYSELF." But BountySystems got a big break in late March. SASCO, a privately held electrical contractor based in Santa Clara, Calif., posted two bounties for \$100,000 each to anyone who helped the company find a chief technology officer and a chief financial officer. The posts can be found at BountyCity.com, a partnership between BountySystems and FortuneCity, a portal.

Larry Smead, SASCO's founder and CEO, says he holds all the top positions at his \$700 million company. But at 61, he can't do it all anymore. Conventional search instruments, including hiring executive search firm Heidrick & Struggles International, have yet to produce new hires. "It could be

expensive, but I've been trying to replace myself for three years, and I've had no luck," says Smead, who says he read about BountySystems in a magazine. He has received a few hundred responses. About 20% are viable candidates.

How does BountySystems make sure the bounties are for real and that good advice gets rewarded? When an individual or company posts a search, BountySystems takes a credit-card number and verifies the address and then tracks the referral process through its own system. The steps allow it to verify the credibility of the person posting the bounty and identify the person who helps find whatever is sought. The party posting the search sets the payment criteria. SASCO, for instance, says it will pay \$50,000 90 days after a person is hired, and the rest after a year of "successful employment."

\$30 WINDFALL. Few of the 161 postings are as generous as SASCO's, though. Only nine offer bounties of more than \$1,000, and most range from \$100 to \$200. Few have actually been filled, says Davis. One that has was posted by Dan Emery, a New York guitar teacher who was searching for students. He paid \$30 to the person who referred a student, and \$6 to BountySystems as commission. The student didn't come back after one \$50 lesson, but Emery still came out \$14 ahead and didn't have to pay a posting fee.

BountySystems knows it won't be able to live on those peanuts. It'll need hefty awards like Sasco's—and more—to survive. The startup currently makes money three ways: by charging a posting fee that varies with the item posted, a 20% commission for a successful search (Smead would end up paying out a total of \$120,000 per job filled), and an undisclosed cut of the revenue if the referral comes through a partner like FortuneCity.com.

But executive searches are where the big money is, and BountySystems is trying to persuade major corporations to set up private internal sites and other companies to use the referral service as a customer-acquisition tool. Then it will charge an installation and monthly maintenance fee to run them. "We're focusing our resources and sales effort on that," says BountySystems founder Allen Davis, who created executive search firm Allen Davis & Associates in Amherst, Mass., 20 years ago and also founded SoftwareJobs.com.

WILD WEST RELIC. Davis' new company has its work cut out for it. Analysts wonder whether the

basic premise of a bounty, which harks back to the Wild West, when law enforcement officials offered rewards for folks to turn in outlaws, will work today. For one, individuals don't usually ask for rewards when providing friends with a lead on a job or passes to the hottest club in New York. "How soon will people say, 'Ick, I thought you were my friend, and you're working me for this?'" asks Robert Labatt, an analyst with GartnerGroup, a technology consulting firm.

Further, offering an incentive encourages bounty hunters to recommend almost anyone in the hope that at least one will work and they'll be able to collect. "An opinion given freely is much more valuable than an opinion that is bought," says Charlene Li, a research director at Forrester Research Inc.

The executives at BountySystems see it this way: Plenty of businesses—employment, brokerages, and real estate, for instance—already award finders' fees.

So why not use the Net to make the process more efficient? "Companies pay them all the time because top talent is always hard to find," says Davis. "It's not long to go from employment to almost everything else." The company is planning nine separate markets, including real estate and collectibles.

Allen practices what he preaches: He paid a fee to a broker to help find venture-capital funding, says David Lobel of Sentinel Capital Partners in New York. Lobel, who sits on BountySystems' board, says his firm has invested about \$2 million in the startup. Other investors include Prospect Street Ventures in New York and Mass Ventures in Hadley, Mass.

But if it can't attract new bankrollers, or if the bounties and partnerships don't pick up pace soon, BountySystems may be sounding the alarm rather than arming it.

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