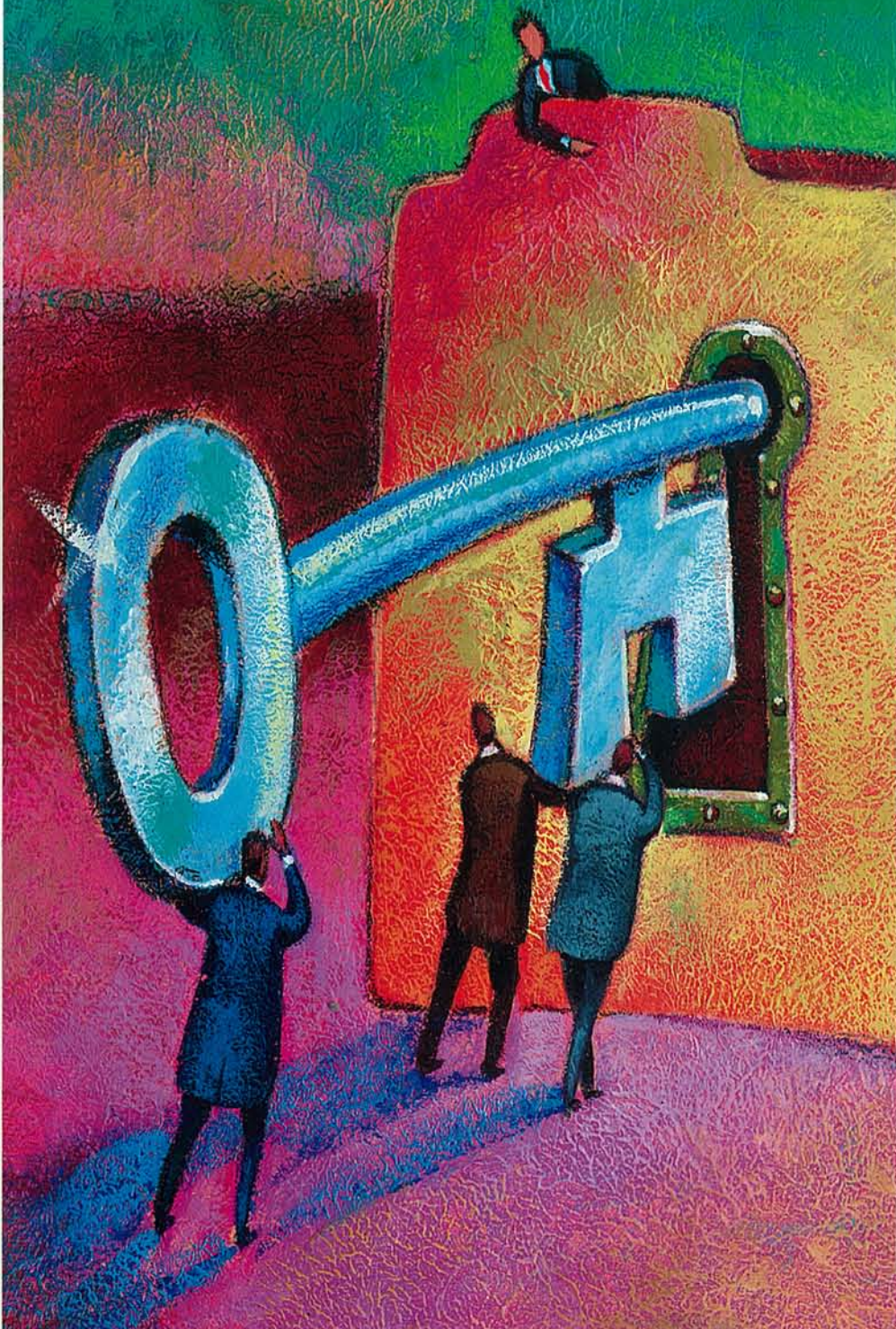


Services unlock high profits for savvy Internet resellers



Reseller
Jim Nelson

once concentrated his business on selling computer hardware.

Then, two years ago, he began offering Internet access and net-related services. Nice move.

"We sign up five to 15 accounts a day," Nelson said in an interview from his Minneapolis office. "We're also signing up two to three companies a day."

With demand growing for his Internet service — MinnNet Communications Inc. — Nelson finds the gap between his sales in computer hardware and those from the Internet service narrowing.

While he also seeks individual accounts, Nelson said he concentrates on convincing companies that use of the Internet can help them attract customers and increase profits.

"Certainly, dollar-wise at least, we're selling more hardware," Nelson said. "But the growth of the Internet service has been explosive."

A recent poll shows Nelson is at the forefront of a hot trend.

Exclusive data prepared for *Computer Reseller News* by The Gallup Organization Inc. clearly shows Internet usage on the rise among business users and resellers themselves. Of the large companies included in the poll, 69 percent use the Internet for business. In addition, 49 percent of midsize firms and 40 percent of small companies also reported they are regularly using the Internet.

Perhaps most importantly, 85 percent of the large companies polled, 75 percent of the midsize organizations and 61 percent of the small businesses said future use will increase. According to a survey of more than 5,000 IS and corporate managers conducted by *InformationWeek* magazine, Internet-related spending (including services, equipment and support) increased an average of 66 percent during the last two years.

"At this point, if you're not at least thinking of the Internet as another tool to increase your business, you're falling behind," said Dave Smith, president of Net Solutions, a 15-person San Diego-based reseller.

The question for resellers is: How best to use the explosive growth of the Internet in business?

Unlimited opportunities

For Nelson and Smith, the answer to how to use the Internet was simple: Provide varied services to companies sharp enough to see the Internet's possibilities. These include Internet access, Web page design and hosting, server-based services such as e-mail, and miscellaneous services such as training and programming. "Our customers drive the services we provide," said Nelson. "Most were created because customers asked for them."

Nelson's company provides dial-up Internet access that includes voice mail, Internet Relay Chat, access to the World Wide Web, up-to-the-minute news, and space on the company's Web server for personal Web pages.

MinnNet also offers T-1 access (a leased-line Internet connection capable of carrying data at 1,544,000 bits-per-second), dedicated dial-ups and multiple IP addresses.

In addition, MinnNet offers to create and house World Wide Web sites for businesses and organizations. The company also conducts "Internet Boot Camps" at least once a month, which provide a four-hour training session on how to use the Internet. Nelson keeps administrative costs low by charging

for 24-hour telephone support.

"With the increase in Internet use — it's grown over 50 percent in just the last year — the possibilities are enormous," Nelson said.

Business predictions of Internet spending

Company Size	1995	1996	1997	Growth
Small	\$75K	\$88K	\$113K	51%
Medium	\$205K	\$265K	\$371K	81%
Large	\$406K	\$523K	\$672K	66%

Source: InformationWeek Research

Tech Data estimates that the Internet/intranet market will grow by over 85 percent during the next two years to reach \$31 billion in sales for Internet- and intranet-enabling products and services. Another poll, this one from *VARBusiness* magazine, backs up the belief that the Internet is a profit-rich area for businesses, and the number of executives realizing it is increasing.

In a 1996 telephone survey of 300 VARs involved in Internet technology, respondents to *VARBusiness* said they were making only 10 percent of their revenue from Internet-related products and services. However, the resellers also reported that they expect that figure to rise to 25 percent in the next year and as high as 40 percent in two years.

Web site development business booming

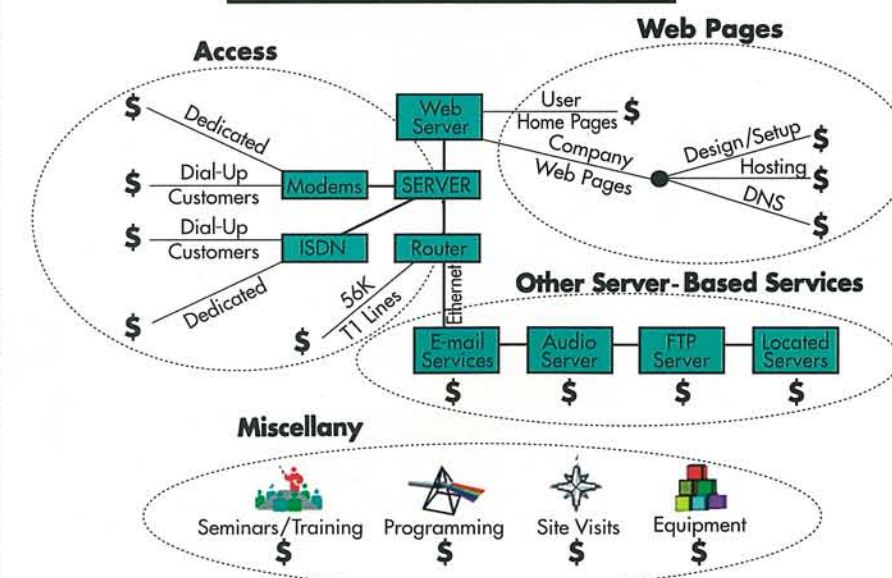
One of the biggest areas of projected growth is Web-site development and authoring. *VARBusiness* reported that while about half of the VARs polled are involved in creating Web sites, only 9 percent said it was their primary business focus last year. But 35 percent predicted it will become one of their top three areas of focus this year, outstripping other

Internet technologies and services.

"Everyone wants their own Web site," said Smith, who offers Web site construction as one of his main services. "That's our bread and butter. Initially, we focused on Web site design and content, but we're moving more toward specializing in creating sites for electronic commerce. At first, we were having to contract this work out to firms who could handle it. But as the demand grew, we decided to bring this expertise in house and capitalize on it."

"The Internet market is still new and constantly changing," Smith added. "But if you can stay abreast of the trends, the potential for business growth is endless."

Internet Revenue Streams



Source: The Entrepreneur's Guide