



Embracing Risk



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You want a Porsche 911 but don't have a spare \$85,000. Do you settle for less car than you want, or do you find a way to make the numbers work?

Danish coffeemaker manufacturer and merchant Bodum AG faced an analogous situation when working to make its web site competitive in the U.S. market: it wanted a site with more features and functionality than its resources at the time would allow, at least under conventional pricing models.

Rather than settle for less web site than it wanted, Bodum U.S.A. found a solution in an unusual risk-sharing arrangement with its interactive agency and web developer, i33 communications. i33 built a site for Bodum at a deeply discounted up-front fee, in exchange for a share of every sale on the site over five years. The agency also built significant back-end functionality linking the web site to the call center and improved transaction speed and security. It also handles functions such as search marketing on an ongoing basis.

Three years into the contract, both sides say they're satisfied with the arrangement. The web site built by i33—which was a swap-out for the initial web site, based on a European design, with which Bodum had entered the U.S. market a few years earlier—has increased conversions by 27% over that time. Online sales grew 54% from 2004 to 2005 alone and online sales for the first quarter of 2006 were up 63% over the year-ago quarter.

"I presented my ideas to i33 but told them I did not have the money and we needed to

find a way," says Nils Lindblad, Bodum U.S.A. president. Lindblad got what he wanted at a significant initial discount and accepts the fact that, over the duration of the multi-year contract, the revenue share provision means Bodum could wind up paying more than it might have paid upfront under a conventional fixed-fee or a time-and-materials arrangement.

"We didn't have a problem with taking that risk, and we have not been disappointed," he says, noting that i33 continues to bring in



i33's e-commerce website redesign for Bodum integrated back-end systems, simplified navigation and showcased product design.

new ideas to develop the site. "As long as I can see the possibility of growing the business, I'd be happy to do a similar arrangement again."

Lindblad adds that Bodum has a similar risk-sharing mentality in dealing with store retailers in Europe. "We have the merchandise, the money and the ideas. The retailers have the space, but most of them

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don't have a lot of money," he says. "For us, this is not a new model."

Such risk-sharing models still represent out-of-the-box thinking for online retailers and their interactive agencies in the U.S. But this could become more common in the future; i33 president David Levin says other companies looking for web site development recently have asked for risk-sharing ideas.

While the agency doesn't get to book its whole fee upfront, Levin sees an upside in the possibility of a greater payoff over time.

"The more risk we take, the more reward we should get relative to that risk—if we succeed," he says. "With every client, we look at what is the risk and the opportunity. We will take more risk with a client if we think we can hit the ball harder and farther."

By Mary Wagner

