



Domino creates virtual stock market for small business entrepreneurs

Big bucks flow to big fish – so they say in the capital market. That certainly appears to be true, as the latest industry statistics reveal a capital shortage of nearly \$20 billion for small start-up and emerging growth companies. In the high-stakes financial market, these companies are often overlooked by financiers despite the promise of spectacular growth rates, which range between 20 to 50 percent. Since the capital needs of small companies are modest – usually no more than five million dollars – large financial institutions, with huge overheads and fees, find it unprofitable to manage their initial public offerings (IPOs).

“With Lotus Domino we’re cutting development costs and time-to-market by 70 percent. That translates to a nearly 300 percent return on investment. It’s the kind of technology that represents the true potential of the Internet.”

– Clay Womack, CEO, Direct Stock Market

Enter Direct Stock Market (DSM) – a virtual capital market for small-cap companies that reduces the cost of accessing capital from the primary market. A meeting ground for investors and entrepreneurs, DSM allows companies to make available online their prospectus, corporate profile, financial statements and even a virtual road show to a literally limitless audience of small investors. Says Clay Womack, CEO of DSM, “Investors are just beginning to realize the potential of emerging growth companies. Our electronic community will ride herd over this market.”

Powered by Lotus Domino, DSM has already cornered 25 percent of the IPO market for small-cap companies, with as many as 35 IPOs listed at any time. These companies have raised nearly

Application	Online investment services
Business Benefits	70% reduction in development costs and time-to-market; 300% return on investment; 96% increase in annual revenue; 85% reduction in IPO costs for small companies
Software	Lotus® Domino™ Lotus Notes® Domino.Merchant™

\$45 million through DSM. Immensely popular, the service has more than 11,000 registered users, with nearly 50 new



Direct Stock Market provides financial opportunity to investor and entrepreneur alike.

users signing up daily. On a typical day, 1,000 users visit the site. Says Womack, "Lotus Domino gives us the ability to build discussion groups where investors directly pose questions to the company management over chat rooms and share knowledge with other investors. This gives investors the confidence that they're making informed investment decisions."

Fledgling companies save millions on IPO costs

For the companies, the savings are tremendous. The total cost of bringing an IPO to market can be slashed from an average of \$300,000 to \$500,000 to about \$75,000 — a nearly 85 percent reduction — by eliminating the costs tied to printing and mailing thousands of copies of their prospectus to potential investors. At DSM, investors can download the prospectus and participate in virtual road shows that integrate graphical presentations with realtime streamed video and audio and a chat room. "Rather than spending as much as \$100,000 traveling to dozens of cities with an entourage in tow, companies can create a virtual road show that reaches more people, spending just \$5,000 for an hour of broadcasting," claims Womack.

With the promise of such savings, Womack's goal of capturing 60 percent of the market by the end of 1998 seems well within reach. DSM's revenue has catapulted to nearly a \$2.5 million run rate this fiscal year, up from \$85,000 the year before.

Lotus Domino makes Web businesses viable

DSM has been able to provide this imminently affordable service in large part due to its low development costs, a saving it passes on to its customers. "With Lotus Domino we cut development costs and time-to-market by 70 percent," Womack notes. "That translates to a nearly 300 percent return on investment. We've acquired commercial Internet capabilities for less than \$100,000 with Domino. It's the kind of technology that represents the true potential of the Internet."

Companies submit corporate information in electronic files, which is verified by DSM with securities regulators, loaded onto a

Notes database and published on the Web site using Lotus Domino. Given the sensitivity of the information published on the Web site, data security and integrity are of paramount concern to DSM. "Once an entrepreneur gives us his documents, we have to ensure that no one can modify them without permission," explains Womack. "With Lotus Domino we can guarantee that security." Domino supports industry-standard 128-bit SSL encryption, and its data integrity features prevent unauthorized modifications of data.

DSM has embraced e-commerce, offering fee-based services that take advantage of Domino.Merchant, including access to video content developed with the Los Angeles Venture Association and magazines such as *Forbes* and *Inc.* The company has also teamed up with an online brokerage firm that will provide a secondary market trading system for stocks listed on DSM.

Robust platforms for a growing business

Presently, DSM runs Lotus Domino on a Microsoft® Windows NT® server, but intends to migrate it to an IBM® AS/400® server, with DB2® Universal Database™ as the data repository, in order to better support a rapidly growing user base. "Once we reach the critical mass of about 50,000 registered users, we'll offer new services, such as data mining, to our corporate customers," Womack informs. "Then, we'll need a high-performance relational database like DB2, and the additional security and performance reliability that the AS/400 offers." User registration data captured in DB2 will be mined to extract information, such as how many users show a propensity to seek pharmaceutical stocks. Thus, a bio-engineering firm could target these investors with personalized messages.

DSM is working closely with IBM and a Lotus Business Partner, Creative Engines, to further develop the Web site. "IBM and Lotus understand the need of businesses to operate in a collaborative environment," Womack notes. "As long as IBM and Lotus continue to support the development of e-business technologies — providing solutions for both small and large companies — Internet-based commerce will flourish."

For more information please contact your IBM Marketing Representative or IBM Business Partner.

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10-98
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G325-4068-00