

Special New York Small-cap Financial Expo Issue

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Replacing **Rumor** with **Reputation** Online



Finally, a Web site that tackles the fundamental problem for professionals and their customers on the Internet ... How do you know who you're dealing with?

By Robert Warren

"Every day, society grows farther away from the familiarity of the neighborhood barbershop and town grocery store," says iKarma CEO Paul Williams. "We find ourselves taking more leaps of faith while trusting fewer people."

"Consumers today face a virtual roulette wheel as they try to narrow the choices in a search for quality professional services — and there's almost no way to tell a good bet from a bad one."

"And as hard as it is on consumers, it's doubly hard on the service providers whose marketing rests on their own credibility," adds iKarma president Scott Pitchford. "We all want to be remembered



and appreciated for the good things we do for our customers. But how do you do that in a faceless society where customers are more likely to be complete strangers?"

When talk turns to reputations, Williams and Pitchford are on fire. Their ambition is to spread that fire to the rest of the world. They are the busy minds behind newly launched iKarma (www.ikarma.com), a new online service dedicated to promoting and documenting professional and personal reputations on the Web.

The iKarma office is abuzz with activity as its tight-knit team of strategists, programmers and marketers develop next-stage business plans for the weeks and months to follow. If all goes as planned, iKarma will achieve success as a new kind of animal on the Web: an online service that combines eBay-style customer feedback with the social networking aspects of a Friendster.com.

Social Networking, Reconsidered

Dozens of online contact services have sprung up in recent years — Friendster, Tribe, Ryze and many others — meeting with different levels of success. But while these networking services have grown rapidly by focusing on the "six degrees of separation" model, they

continue to struggle with the question of contact relevance beyond the friend-of-a-friend level. Designed to grow like a social networking site, iKarma tackles the “circle of friends” problem by enhancing and extending the value of the original personal relationship — a real-life business function too often lost in virtual networking services.

“Six degrees’ networking has severe limitations in the professional world,” Pitchford says. “I don’t care if my neighbor has a friend whose neighbor happens to be a CPA. That kind of information is useless to me. But do other knowledgeable people consider that CPA competent? That’s what I need to know — if so, I can make my own introduction.

“Word of mouth has always been the best form of advertising. People rely on the opinions of people they trust. It’s basic human nature,” says Williams. “Historically, business has always been conducted based on strong ties — on an individual’s standing in the community, and whether that individual treats others with honor and fairness. iKarma is firmly rooted in the honor ideal. Reputation matters, and strong trusting relationships mean good business. There is no form of advertising that can trump a good reputation.”

Building Karma

After joining iKarma, professionals are provided with tools to create a profile Web page with information about who they are and what they do: service descriptions, contact information and a photo. Customers and other professionals may then post eBay-style feedback comments and rate the user. All comments are displayed on the user’s profile page.

As feedback comments add up, the profile grows into a detailed third-party documentation of that iKarma

member’s reputation with customers and colleagues. Profiled members are given the tools to include links to their profile page in e-mails, on Web sites and on printed materials — anywhere that might be seen by a customer or colleague — in order to build their standing.

The basic iKarma service is cost-free and open to anyone. For a \$10 monthly fee, users are provided a wide range of expanded management

what others think of them, rather than what they think of themselves. All of the core iKarma staff have their own profile pages and invite iKarma.com members to leave feedback about them.

In fact, Williams and Pitchford think there should be plenty of corporate interest in iKarma. “The message is that it’s safe — and very profitable — for a business to open themselves up to honest, constructive feedback,” says

Pitchford. “We believe in it highly enough that we do it ourselves.”

Going forward, the iKarma growth plan calls for rolling out new products as the network grows. These include partner and affiliate programs, industry-specific services designed to better meet the unique needs of major user groups such as stock brokers, CPAs, realtors, etc., and iKarma Enterprise, a premium program that offers larger-business users significantly greater control and management powers over their iKarma pages.

Good Karma From the Start

Williams and Pitchford first met while working

for an investment banking firm in the last years of the nineties Internet boom. Williams had been building an online brokerage service, and Pitchford was brought in to automate the firm’s back office. Even then, they saw the power that word of mouth wielded over careers, stock prices and profits.

In 2000, Williams left the firm to found StockBrokerShop.com, a successful data mining and executive research firm delivering high-quality broker data to recruiting departments of brokerage firms. Pitchford joined a few years later as a full partner, and today the company serves many of the largest brokerage firms in the United States. The seed of iKarma was sown in that success.

“No matter how successful we became,” says Williams, “we still found



iKarma CEO Paul Williams, left, and President Scott Pitchford seek to put a friendly face on the World Wide Web.

options and marketing tools.

Credibility works both ways. Every feedback poster is required to fill out a profile page, including that poster’s own rating, naturally lending greater validity and weight to members with trustworthy records. This helps reduce hastily posted negative comments.

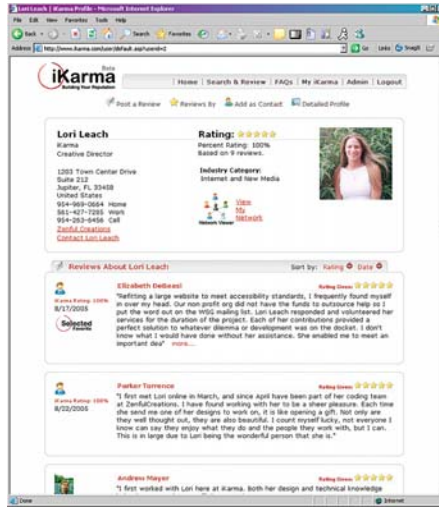
Again, Pitchford says, honor is the key. “Libel is almost always anonymous today. When someone attaches their real name to an opinion, they think about it first, because their own name is at risk. Positive and negative feedback serve a purpose when the reputations of both parties are at stake.”

And the company practices what it preaches. iKarma requires an iKarma.com profile from prospective employees in lieu of a resume — asking, in effect,

ourselves spending hours on the phone with new prospects who had a bad experience with other data and research firms, and so treated us with doubt and suspicion. That's a lot of wasted time and energy — both for them and us. We realized that a tool like iKarma could cut that time to zero, and actually give new customers the confidence they need to make a purchase."

But the Internet has added even further need for a service like iKarma. "Anyone can go on the Internet right now and anonymously libel someone. Anyone researching that person on Google will find those libelous comments," says Pitchford. "It's a free-for-all out there right now."

"What iKarma does is provide an ordered environment for negative feedback, as well as a place for happy customers to sing the praises of businesses who treat them well. iKarma makes it possible for a business to resolve conflicts and avoid damaging Internet libel that is currently nearly impossible to correct."



An iKarma page is online word of mouth.

Revolutionizing Reputation

Despite reams of academic studies suggesting the significant business value of reputation systems such as iKarma, some important questions still await definitive answers. Can the value of a good reputation thrive on an Internet that, by its very nature, encourages anonymity? Is there room for principle

in a world of digital commerce?

Williams and Pitchford are betting there is. Because, without a service like iKarma, growing Internet commerce will continue to present professionals with an increasingly problematic environment.

The sense in the iKarma offices is one of optimism, of setting out to change the online business landscape for the better. The team eagerly anticipates the task of updating "word of mouth" reputation building for the new century.

"Some revolutions are about throwing out the old for the new," says Williams. "And others are about just coming to our senses and returning to what is good and what works. The powerful value of a good name is nothing new."

"iKarma simply renews an ideal as old as civilization itself, by providing good businesses with the means to prosper against unprincipled competitors who rely on customer ignorance and silence. If what we're doing here plays a role in the return to business sanity, then we've accomplished something." **VR**
www.ikarma.com

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