

ZEN AND THE ART OF INTERACTIVE ADVERTISING

Digital Pulp, guided by Nepalese notions and “lead Sherpa” Lee Nadler, contends it can take on the leading Web site builders by staying small. Can David beat the Goliaths?



By Bernhard Warner NEW YORK

THE AD BUSINESS HAS CERTAIN PERSISTENT myths: Advertising agencies are fun places to work. Great, creative minds get all the credit they deserve. Madison Avenue is the center of the advertising and marketing world. And most important, size matters.

There's a long list of renegades who have challenged these beliefs—and ended up embodying them. In the mid-'90s, the founders of Razorfish and Agency.com set up shop in fringe New York 'hoods with the idea of creating “anti-ad agencies”—unorthodox, noncorporate environments for interactive marketing and media projects. After less than five years in business, each of these companies is pushing 1,000 employees in offices that dot the globe. They're accountable to shareholders and corporate investors. In other words, they've come to resemble the Madison Avenue firms they've worked so hard to beat.

One firm that has so far resisted the grow-at-all-costs impulse is Digital Pulp, a small New York shop that thinks big. It has positioned itself as a do-it-all marketing concern for dot-com companies. Its founders call it “marketing convergence,” which means doing a little bit of everything to help Net companies get up and running—and noticed. The firm designs Web pages, builds e-commerce businesses and creates Web, radio, TV and print ads. It also does billboards, corporate fliers and direct-mail pieces.

Founded in 1996, Digital Pulp has 30 employees and only 10 clients, none of which makes up more than 15 percent of overall business. With \$2.7 million in revenue last year, according to Advertising Age, Digital

Pulp isn't scaring Madison Avenue quite yet. Its biggest client is DoubleClick, for which it did its best-known work: a locally famous billboard that reads, “DoubleClick welcomes you to Silicon Alley.”

But Digital Pulp is growing. Revenues in 1999 are projected at twice last year's total, and the company has added a dozen new employees. The story of Digital Pulp is more than just growth, however. It involves a common business quandary: Can a little fish survive in a big pond?

Digital Pulp is housed in an inconspicuous Manhattan neighborhood a few blocks east of the Flatiron District, a venture-capitalist enclave, and a few blocks north of Silicon Alley. The firm is closely held, with no outside investors and no immediate ambitions to go public. For the moment, the biggest employee perks it offers its youngish staff are invaluable experience and a rooftop deck with a basketball hoop.

The firm's emphasis on staying small and independent runs counter to the suddenly loud, humming economic engine that is Gotham's interactive marketing industry. Large Alley firms argue that you can't attract big clients unless you commit to a big support team. The little guy, they say, will be left to pick up discarded scraps of business.

“We don't see the little guy much because the engagements we're going after are so much larger than any 30-person shop could handle,” says Jeff Dachis, CEO of Razorfish. “Scale really becomes an issue for both winning new jobs and recruiting top talent.”

Dachis' view of the **CONTINUED ON PAGE 108**



Ties that bind: Nadler's high-school chum Bruce Goodman cofounded Digital Pulp.

“It’s less about being bold and guessing the path, and it’s more about teamwork,” Nadler says about the agency-client relationship.

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competitive landscape for companies like Digital Pulp is bleak: “There will be room for highly specialized, extremely talented niche players and big players. That’s it.”

Lee Nadler, Digital Pulp’s 32-year-old president and CEO, isn’t listening to the naysayers. He concedes that it will be a challenge to attract and retain quality employees. But so far, his firm is having no problem attracting clients.

“In the traditional world, agencies were chasing clients,” says Nadler, who got his start a decade ago working on the Snapple and Citibank accounts at Kirshenbaum Bond & Partners. “Not to be cocky, but in the dot-com world the clients are chasing us.”

One of Digital Pulp’s biggest client wins was Egghead.com, the software retailer that abandoned its brick-and-mortar stores in favor of a Web-only strategy. Digital Pulp had its fingerprints all over Egghead’s transi-

tion to e-commerce, from building a new Web site to creating a major advertising campaign. While Egghead and Digital Pulp parted ways earlier this year, the account put Digital Pulp on the map.

Nadler, who prefers the business title of “lead Sherpa” (a moniker he latched onto while trekking in the Himalayas two years ago), says his firm can afford to be selective. “We’re not about popping out Web sites. We’re interested in growing businesses.”

He says Digital Pulp sometimes takes on clients because they’re innovative. One company in that category is LivePerson, which provides tools that allow e-commerce firms to offer real-time customer service via the Web. Doing business with firms like LivePerson, Nadler says, “is as much about the education as it is the revenue.” He adds, however, that education isn’t everything: “We’ve been taking money up front or we won’t do it. Why should we take the risk?” **CONTINUED ON PAGE 110**

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Digital Pulp's raison d'être is to help companies build Web businesses and then helping them get attention. Its clients fall into three categories: dot-com companies like DoubleClick; offline firms transitioning all or part of their business to the Internet, such as 1-800-Flowers.com; and Web-based "tool" companies like LivePerson. For DoubleClick, Digital Pulp's first client, Nadler's group is

smoothly, thanks in part to Nadler's ability to convince DoubleClick management that he wouldn't be abandoning them. "I [told] them I was still going to be doing the marketing, just without the stock options," he jokes.

In the case of 1-800-Flowers, Digital Pulp has taken on a monumental task: to literally change the behavior of the company's customers. 1-800-Flowers' addition of a dot-com suffix is more than a move to seed investor



Dancing on the ceiling:
Nadler and company take
a rooftop break.

Digital Pulp provided client 1-800-Flowers with software to track direct-mail advertising effectiveness based on 120 demographic combinations.

promoting the company to both the industry and the public. That includes tasks ranging from creating media kits for DoubleClick's sales force to designing its billboard and leasing space in Silicon Alley.

With DoubleClick, Nadler had the advantage of inside knowledge. As DoubleClick's director of global marketing beginning in September 1996, he built the brand and opened international sales offices for the company. Then last December he decided to hop the fence and do the same thing on the agency side.

In the traditional ad world, making the jump from the client to the agency is often foolish; some would say it's career suicide. However, in this case the transition went

interest; it's a cheaper way to do business.

Jim McCann, CEO of 1-800-Flowers, met with Digital Pulp in June to ask for help with turning telephone customers into Web customers, according to Nadler. "It was not a direct-sales assignment. It was a 'change-my-business assignment,'" he says.

Joseph D. Hage, director of relationship marketing at 1-800-Flowers, has been overseeing the project on the client side. A marketing veteran from Kraft Foods, Hage says he had never heard of Digital Pulp before joining 1-800-Flowers this summer. But he now knows it well: Digital Pulp was hired to develop direct-mail and e-mail campaigns that would lead would-be shoppers to 1-800-Flowers sites—designed **CONTINUED ON PAGE 112**

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by the agency—featuring specific offers for flowers and gifts.

Hage says he was especially impressed by a computer program Digital Pulp developed during the course of the campaign. The software measures the effectiveness of targeting direct-mail offers to particular consumer

working on behalf of Takegoodcare. Goodman, whose background is in designing store layouts, acts as tour guide, presenting variations on the Web page design for the online store. Goodman speaks of the site as he would of a store: He likens effective e-commerce sites to retail meccas like Niketown, which organize products logically into easily



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groups. The program returns the results of 120 possible demographic combinations, matching a variety of consumer-group targets with a corresponding offer. So Digital Pulp can show the likely response rate for a 25-year-old male who gets an offer for a few bucks off flowers and chocolate.

Another of Digital Pulp's recent client wins was Takegoodcare.com, a company based in Summit, NJ, that caters to the home health-care market and seeks to make a concerted e-commerce push later this fall.

On a recent Friday, a strategy session takes place between Digital Pulp cofounder Bruce Goodman and Michael Appel, a consultant

identifiable sections.

As the session goes on, Appel has an obvious question for Goodman: How can we communicate to the customer, in an immediate fashion, what we sell? He explains that Takegoodcare wants a site that says right off to the consumer, "Aha, this is a site that sells health-care products." A few web designs are shown. No agreement is reached. A few tag lines for the site are reviewed. Again, no definitive conclusions. The logo is presented and finally there's a breakthrough. A logo in lower-case type, with the requisite dot-com, evokes a response from the client. "Now that's

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an 'aha,'" Appel exclaims. A lot of work remains to be done, but the 30-minute meeting ends on a positive note.

A few hours later, another client is in the Digital Pulp strategy room: DoubleClick. The discussion speedily jumps between the design of brochures and Web sites. This time cofounders Goodman and Steve Sacks alternate as guides. With Sacks taking the lead, the client agrees on all but one facet of the

County, north of Manhattan.

Nadler is a big believer in blowing off steam. While he expects his staff to work long hours to get the job done, employees don't have to work on their birthdays, and field trips and charity work are welcomed. And everyone is encouraged to share inspirations with the group, show-and-tell style.

It's in keeping with Nadler's Eastern-influenced management philosophy, emphasizing the team over individual goals. He says



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brochures presented by Digital Pulp. Then Goodman takes over and the acronyms HTML and WYSIWYG start flying around. He wants DoubleClick to develop a more technically expansive site. A member of the client team responds; the technobabble reaches a crescendo. Heads nod in agreement. "Big day!" Goodman exclaims. "Next item," calls out someone from the client side.

Nadler takes a backseat in both meetings, throwing in a few relevant comments, but otherwise letting Goodman and Sacks do their thing. Nadler, who speaks softly and judiciously, is a contrast to Goodman, who's animated and excitable. But the two obviously have a good rapport. They've known each other since their teens; they went to the same high school in Westchester

his lead Sherpa title is in keeping with the Himalayan community's selfless notion of guiding, which he witnessed in Nepal two years ago. "It's less about being bold and guessing the path, and it's more about teamwork," he says, describing the nature of the agency-client relationship these days.

Even in nature, though, size comes in handy when fending off predators. Nadler acknowledges he's in the thick of what seems to be a nasty jungle. And so the question comes up again: Can you remain a small, independent shop, or will you have to bulk up with outside help like your agency rivals? For Nadler, the answer is simply a matter of perspective. "Instead of saying who we are, we say what we do," he explains. "Call us whatever you want. Just call us." ■