

InfoNow Corp. Research (INOW)

INOW is a very thinly traded penny stock which only just now is seeing positive earnings. That's two strikes against it.

From Yahoo!'s Multex Investor:

Partner relationship management software and service providers that compete with the Company include Allegis, ChannelWave, OnDemand, Partnerware and Webridge. The Company also competes with customer relationship management software companies, such as Siebel Systems, Pivotal, ONYX and Sales Logic, and with companies with enterprise channel management capabilities, such as Click Commerce, Comergent and iMediation.

Business Analysis

Those are the negatives but there seem to be a lot of positives as well. They have a very respectable customer list, 58 of them at the last quarterly report. I wonder what it is that attracted them. Here is a partial list:

Technology	Financial Services	Manufacturing/Other
3Com	ABN AMRO	Ariens
Adaptec	Allstate Insurance	Federal Express
Apple Computer	Bank of America	Kenwood
Avaya/Lucent	Bank One	Maytag
Compaq	BB&T	Meredith
Hewlett-Packard	Citicorp Diners Club	Miller Electric
IBM	First Union	Shell
Intel	First USA	Snapper
Lexmark	H&R Block	Suzuki
Novell	Juniper	UPS
Sony UK	Royal Bank Group	
U S Robotics	Security First Network Bank	
	Toronto Dominion	
	The Hartford	
	Visa International	
	Wachovia	

The reason I liked ARM Holdings early on was also on account of their customer list. Let's face it, customers are better able to evaluate a company than just about anyone else and they vote with their dollars.

The question still remains, the companies that selected InfoNow Corp., why did they do so?

What exactly is Channel Conflict?

Let me illustrate channel conflict with a well know example. Most PC makers sell their wares though traditional channels such as superstores, mail order houses and other retail outlets. The one big exception is DELL and DELL has beaten the pants off of the competition. One of the reasons is channel conflict, not theirs, their competitors' channel conflicts.

In the early days of the PC, customers needed a lot of hand holding and the only way to do this was by selling the PC in what came to be known as MicroComputer

Boutiques. Of course, the mark-up was quite high to pay for all the personalized service. When a customer is on this third or fourth machine, he no longer needs the hand holding and prefers a lower price. This is what allowed superstores and mail order houses to take over from the computer boutiques. With the exception of DELL, all the other PC makers have traditional sales channels and if they want to sell direct to the end customer, they will antagonize these sales channels. DELL has been a direct seller from day one so it has no sales channels to antagonize. When DELL's success finally became evident, a lot of the other PC makers said that they too would sell direct. But they were never really successful at it. The reason? Channel conflict. Their channel partners told them; "If you sell direct then we will push other brands instead of your." The PC makers backed down and DELL is king of the hill.

This is the problem that InfoNow is solving, how to leverage the WWW while working closer with your channel partners.

[Hurwitz Group's Analysis](#)

The strength of InfoNow's solution lies in the business problem that it solves: channel conflict. Enterprises have labored over the issue and lure of direct access to end users/consumers. iChannel represents a well thought out answer that multidirectionally focuses on the issues facing each constituent and successfully places the appropriate commitments in the hands of each player.

[Evolving the Channel with InfoNow](#) -- Patricia Seybold Group

Manufacturers are getting savvy about their channels. While some companies still think their channel partners are their customers, others recognize that channel partners lead them to their real customers. Partner relationship management (PRM) solutions have been somewhat lacking in the past, offering little value beyond the purely administrative.

InfoNow is going beyond the tactical and taking channel relationship management into the business strategy arena. Stressing the end customer as a focus for manufacturers and partners to come together, the iChannel suite of services offers a new way for companies to improve revenue and partner relationships that go beyond the traditional lead generation, partner profile information, and marketing materials management of PRM systems.

[InfoNow: Channel Solutions for Competitive Advantage](#) -- AberdeenGroup

Provide End Customer Satisfaction

Unlike other channel management solutions, iChannel was designed with the needs of end customers as the focal point — not the suppliers' or partners' requirements. The iChannel suite provides solutions that serve the complete spectrum of end customers' buying needs. For example, it includes locator and self-service capabilities to give customers increased buying options and guide them to the products and services and the nearest reseller location to meet their needs.

From [InfoNow's December 2000 10-K](#)

A Cutter Consortium survey conducted in the first quarter of 2000 indicates that 70% of companies did not have sufficient software developers capable of developing the complex systems that form the foundations of eCommerce. The increasing complexity of these strategies and the rapid pace of technological change are driving many companies to outsource the development of their eBusiness initiatives. Time-to-market is also a key factor, as companies race to gain competitive advantage via eBusiness. Licensed or outsourced products can be implemented in as little as two to four weeks, while it may take as long as 24 months to develop similar products from the ground up.

Financial Analysis

Not only is their customer list growing, their revenues per customer is also growing, a very good sign. Revenues for the last two quarters have grown by over 100% y/y and their gross margin is expanding reaching 61.3% for the third quarter of 2001.

Quarter	Revenue	Growth % Y/Y	Gross Profit	Gross Margin %	Operating Profit or Loss	Operating Margin %	Net Profit or Loss	Net Margin %
3/31/00	1,805		756	41.9	-803	N/A	-1933	N/A
6/30/00	1,626		598	36.8	-1802	N/A	-1682	N/A
9/30/00	1,799		551	30.6	-1623	N/A	-1525	N/A
12/31/00	1,998		636	31.8	-1700	N/A	-1635	N/A
3/31/01	2,487	37.8	952	38.3	-1515	N/A	-1483	N/A
6/30/01	3,466	113.2	1,920	55.4	-644	N/A	-631	N/A
9/30/01	3,951	119.6	2,423	61.3	46	1.2	50	1.3

From InfoNow's 3rd quarter press release:

Customers

In the third quarter, the company enhanced or expanded the breadth of services it provides to existing customers, such as ABN/AMRO, Apple Computers, Ariens/DMI, Avaya, Bank of America, The Hartford, Hewlett-Packard, Maytag, Miller Electric, Visa, and Wachovia, to name a few. As a result of these and other customer projects (including the ongoing impact of the \$10 million contract announced in the second quarter), InfoNow grew its average trailing-twelve-month revenue per customer 27 percent sequentially, to \$213,000 at the end of the third quarter 2001 from \$168,000 at the end of the second quarter. This growth represents a 63 percent increase compared to the same period a year ago.

Maytag Extends Relationship with InfoNow

Maytag has been working with InfoNow for three years using the company's opportunity referral system that handles a wide range of customer requests through the Internet and IVR from one central database. Maytag's "Where to Buy" system powered by InfoNow, which processes tens of thousands of customer referrals every month, is easily integrated with existing enterprise systems supporting multiple brands, including the delivery of Maytag dealer location information via XML. Currently, the locator technology directs customers to Maytag and Jenn-Air dealers in the United States and Canada, with customers receiving Maytag information in French Canadian or English for various areas within Canada.

InfoNow will announce earnings for 2001 on February 19 and that's just 2 weeks away.

Disclosure, I like the company so much I bought some shares.

Thanks go to Ryan Ciliento, a.k.a. cocteau, for bringing this interesting company to my attention!

Denny

"Demand creates queues. Supply gets rid of them."

[Software Times](#)