

Upbeat entrepreneurs interact at South by Southwest

March 26 2009, By Etan Horowitz

Unemployment is at record highs, and many businesses are going bankrupt or closing. Yet, during the South by Southwest Interactive Festival this month, it was easy to forget how bad things are.

SXSW, as it's commonly called, is divided into three festivals focusing on music, film and interactive.

The interactive part is full of panel discussions and speeches with provocative titles such as "Is Privacy Dead or Just Very Confused," "Blog on Company Time and Get Promoted" and "Remixing the [Museum Exhibition](#)."

Just as important as the daytime programming are the nightly parties thrown by companies including [Facebook](#), [Google](#) and Microsoft. Because of the party atmosphere and the preponderance of prominent bloggers and Webheads who attend, SXSW has been called "Geek Spring Break."

This was my first time at SXSW, and I was surprised to find so many upbeat people who were able to find work despite the economy. More than 11,000 people attended the [interactive festival](#), an increase of about 25 percent over last year, according to the Austin American-Statesman. Many people I talked to said they were attending the interactive festival for the first time.

One newbie spent a couple extra hundred dollars so he could also attend

the film festival. When I asked how he could justify such an expense in this economy, he told me his business was doing really well. His job: making applications for the [iPhone](#), Facebook and [MySpace](#). Tony Hsieh, CEO of Internet shoe retailer Zappos.com, said his company surpassed \$1 billion in gross sales through an intense focus on customer service, even doing seemingly unthinkable things in this age of cost cutting. Zappos offers its customers free shipping both ways, allows returns up to a year, and, if a product is available elsewhere for less, directs the customer to the competitor's Web site.

"Yes, it's extremely expensive," Hsieh said in a keynote speech. "We're trying to build lifelong customers. That is the absolute best way to brand your company, to be about customer service."

With consumers guarding their dollars more closely, Zappos' experience indicates companies that focus on customer service might have a better shot at surviving.

Chris Anderson, editor-in-chief of Wired magazine, argued that one of the smartest business strategies is to offer your product for free, as is commonly done with digital goods such as software, Web applications and music. Since the cost of production and distribution is close to nothing, he argued that giving away the goods will get more people to use them. Companies can make money by selling advertising or by also offering a paid version, a concept known as "freemium."

"If you can convert 5 percent of your users to paid customers, you can pretty much cover your costs," said Anderson, the author of an upcoming book called "Free."

One of the most interesting theories I heard at SXSW is that the down economy is a good thing for "Internet memes," which are concepts, videos or other items that spread quickly through the Internet like an

inside joke.

Tim Hwang, a research associate at the Berkman Center for Internet and Society at Harvard Law School, used two graphs to show that just as the Dow Jones industrial average was tanking in late 2008, the use of Twitter and Internet video-sharing sites such as YouTube went way up.

"Hundreds of thousands of people sitting in front of the computer all day with nothing to do -- that's a fertile ground for the creation of Internet culture," Hwang said.

In addition, many of these memes are moving into the real world, netting their creators book deals and TV appearances. The creators of stuffwhitepeoplelike.com, passiveaggressivenotes.com and icanhascheezburger.com (a site of funny cat photos known as "LOLcats") were all signing copies of their books.

So what can you learn from a conference like this? If your business or company hasn't fully embraced the Internet and social-networking tools such as Twitter and Facebook, now may be the time to do so.

And if you are out of work, indulge your desire to start a blog or funny Web site because it could lead to a new career.

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