



Ted Leonsis: 'It's the Greatest Time to Be an Entrepreneur'

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Meet the new consumers of the new media age. They want things to be better, faster, cheaper and, even more important, free.

"This new consumer is very, very different from [the ones] we dealt with before," said Ted Leonsis, vice chairman emeritus of AOL, who is considered an Internet pioneer and whose business portfolio over the years includes an impressive array of online companies. It doesn't matter what business you're in -- restaurant, real estate or financial services, he added. "We're living in a world where consumers have taken control of everything."

Leonsis, a keynote speaker at the recent [Wharton Entrepreneurship Conference 2007](#), traced his own life story to explain how consumers and the marketplace have changed because of the Internet. "The expectations of our consumers are off the charts," he said. "They want everything great. They want it really, really fast. And it's got to be free. Trying to build businesses around that model becomes a challenge."



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Using an illustration of a highway map with signs and dates posted along the main route, Leonsis walked the audience through his own stops on the path of entrepreneurship -- from his first startup company in 1981, to the beginning of his relationship with AOL in 1993, to his acquisition of the Washington Capitals hockey team in 1999, to one of his latest ventures, Revolution Money, a Web 2.0 payment platform and credit-card service.

Leonsis' foray into entrepreneurship began while he was a student at Georgetown University. It was 1976, the Bicentennial summer, and he started a business selling red-white-and-blue snow cones. It was hardly the stuff of which millionaires are made, but Leonsis said the experience gave him a taste of what it's like to start and grow a business. "I think that entrepreneurial spirit is really what drives this country and what drives the world economy," he said.

Leonsis, who was born in Brooklyn in 1957, recognized early on the potential of computers and the Internet. He made his first bundle of money when, at the age of 24, he quit his job at Wang Laboratories, raised \$1 million and started a company called LIST (for Leonsis Index to Software Technology). The venture soon led to an acquisition by another company and a \$60 million buyout. "I declared victory," Leonsis said, although now, with hindsight, he realizes it was "a hollow victory because it was about starting a business, growing it and flipping it and making some money.... When I was young, I honestly thought that was the ultimate scorecard, the accumulation of wealth."

It took a near-death experience in 1983 to adjust the focus of his radar. "I got on the wrong plane," he said, referring to the fateful day when he boarded a plane that lost its flaps and landing gear and was forced to make an emergency landing. "On the way down I prayed really hard and said if I survive, I promise ... to give back." He set about making a list of "101 Things to Do," a mix of personal and professional goals, some simple, some lofty. They included "fall in love and get married," "pay off college debts," "create the world's largest media company," and "change someone's life via a charity." Each year, he checked off the goals that he had accomplished.

Inspired by this list, he founded Redgate Communications in 1987, which he said was the first new media marketing company. Leonsis joined America Online after the company acquired Redgate six years later. As AOL president, he oversaw its evolution from a dial-up Internet service provider to a web services business, launching or acquiring now-familiar names such as Travelocity, WebMD, MapQuest, Netscape

and iVillage.

More Purchasing Power, Less Leisure Time

Today's online-savvy consumers "want control of their applications, their content ... They want everything when and where they want it," Leonsis told his audience. Still, he added, today's consumers are often a study in contradictions. For example, they have a lot of purchasing power, but little leisure time. They have dual incomes, but fewer savings. They are real estate rich, with less cash. Family life is more fractured, and people are overscheduled and on the move. On the plus side, people are healthier and living longer. People are more sophisticated, but at the same time they are looking for help. They want to be self satisfied, but they aren't necessarily happy. They are watching less TV and living life online more and more. Their media choices are seemingly endless -- satellite TV, instant messaging, downloadable movies and music, and mobile phones, to name a few.

Leonsis said the three-screen world we live in -- PC, TV and mobile -- is only going to get bigger and filled with more choices. He offered statistics to illustrate the rapidly shifting media business, noting that only 25% of 30-year-olds now read newspapers daily. "Print as an industry is over and there is no going back," he stated, showing downward circulation figures for the *New York Times*, *USA Today*, the *Washington Post*, and the *Wall Street Journal*. "Print media offer less and less and charge more and more."

In contrast, consumers now see the Internet as a routine and indispensable part of their work and home life, spending 23% of their time hooked up to the web, compared to seven minutes a day when he began with AOL, he said. Latinos and African Americans are the fastest-growing groups online. And the U.S. is only part of the story. He noted that North America now accounts for just 16% of worldwide Internet users, down from 35% in 2000. "China has more Internet connections than the U.S., and most of them are on their phones.... If you're building products and services just for the U.S. market, you're giving up 80% of the market," he told the audience. Even though the global potential for online services is huge, he doesn't see enough business plans that have "an international vision of globalization."

Part of the appeal of the Internet, according to Leonsis, is that it brings people together and can create communities. Witness the popularity of social networking sites such as Facebook and MySpace and the proliferation of blogs, which reflect the desire to express one's self and also to connect with others. "User-generated content really is not a flash-in-the-pan phenomenon," he said. Blogs are "empowering a generation to believe that what they have to say, what they see with their own eyes, how they interpret that, is very, very important." Leonsis maintains a blog called "Ted's Take."

For him at least, business is all about being in the "happiness business." He said online businesses can cultivate people's desire to volunteer and give back. "It's all about getting out of the I, I and I, and really seeing where you want to fit into the bigger world." The Internet has led to a whole new type of charitable giving -- online philanthropy, where "micro-donations" by many donors can add up to a sizeable contribution.

Being successful with an online business is all about being smart with math and algorithms, Leonsis noted. "Marketing isn't just to people anymore. You have to market to algorithms." Also, "the basic unit of life in this world is the pixel and every pixel matters on a page." The ability to cross promote is a powerful benefit of the Internet, he added, citing Amazon.com's algorithm-driven marketing effort that alerts customers who bought certain book titles to other titles they might also like.

Leonsis, who stepped aside this year from day-to-day operations at AOL, said that "while it's never been easier to launch a new world-class business," entrepreneurs need to know that the pace is dizzying. It used to be that investors wanted 40% annual rates of return, but now, "if you can't grow 25% month over month, we don't think you know what you're doing." If a startup doesn't take off fast, "you fall behind very, very quickly."

While Leonsis made his name and a fortune with online businesses, he has embraced sports and film production with equal enthusiasm, earning praise this year for *Nanking*, a documentary about the atrocities -- and heroism -- that unfolded when the Japanese invaded Nanking, China, in 1937. He is majority owner of the Capitals and the WNBA's Washington Mystics, and part owner of the NBA's

Washington Wizards. "I believe sports teams are great assets in the world we live in," he said. Just like the Internet, teams can build communities.

Leonsis ended his talk on entrepreneurship on a wistful note: "I wish I was 25 again," he said. "I think it's the greatest time to be an entrepreneur."

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