Regaining Independence

After Scott [Li]tman sold his [In]ternet firm to [I]mation, he decided he [w]anted it back.

Some entrepreneurs make waves by starting a business, selling it and going on to another startup.

But Scott Litman, chief executive of Imaginet LLC, followed another path — by founding his firm, selling it [to a] big corporation and buy[ing it] back.

GEORGE [B]ERAN
[STAFF] WRITER

[Wh]en he sold his Web [archi]tecture firm to Imation [in 19]97, Litman joined the [spin-off], working with [Dan] Mallin, director of Inter[net b]usiness and technology [devel]opment.

[In] their brief time at Ima[tion's] Internet Studio, Litman [and] Mallin decided that inde[pend]ent operation was neces[sary] to keep pace with the [rapi]dly evolving world of [elect]ronic commerce.

["Be]ing independent would [let u]s operate on Web time," [said] Litman. "There's nothing [like] having absolute control [of ou]r own destiny."

[Lit]man and Mallin joined [forc]es with Edwin (Skip) [Gage,] owner of Plymouth[-based] Gage Marketing Group, [to bu]y the Internet Studio [and r]echristen it Imaginet.

[Ga]ge financed a big chunk [of the] deal, brought employ[ees an]d corporate clients to [the r]econstituted company and [receiv]ed a 40 percent ownership [share.] Litman and Mallin control [the re]maining 60 percent.

[Imag]inet, which has 48 employ[ees (in]cluding 30 technical types) [in its] Minneapolis office, may [reach] $5 million in revenue this [year] if Litman's projection proves [out.] It tackles interactive projects [for] Fortune 1,000 companies and [small]er firms.

[Me]eting client budgets and [deadlin]es are the chief challenges.

ity assurance and other services can cost a client from $100,000 to $1 million, depending on a company's size and the amount of business it does.

With the Christmas season showing retailers how the Internet can register huge sales, Litman sees demand rising for Imaginet's services. "Last Christmas was the wake-up call," he said. (Forrester Research estimates Internet sales rose to $9 billion last year from $5 billion in 1997.)

Imaginet is hiring Web developers and other technical people at rising salaries. "There's a lot of young people making a lot of money in this industry," Litman said.

He would not divulge what the company pays to lure talent, but an industry source said Web developers command salaries ranging from near $40,000 to as high as $55,000.

To help retain workers in a tight labor market, Imaginet is

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Dan Mallin, left, and Scott Litman of Imaginet say they try to create a sense of fun and community for the employees at their Minneapolis Internet firm.

give employees a 20 percent ownership share in the company, which is planning to go public in two years. "How can you be a tech company," Litman says, "and not think of a stock offering?"

Stock options, a casual dress code and a game room all contribute to a sense of community, says Litman. They also build company loyalty among young employees, he says.

When working with retailers, Imaginet develops an online format and strategy to bring shoppers into existing stores or help consumers buy things from home.

About 30 percent of Imaginet revenue comes from developing systems for business-to-business transactions over the Web. "It's easier to bring up a Web page than go to a fax machine for ordering," Mallin said.

Imaginet uses Gage Marketing, IBM, MultiLogic and other firms to help fill its project needs.

Litman, 32, is a University of Minnesota graduate who worked for Microsoft and Apple Computers before starting Imaginet in 1991 as a vendor of Macintosh-based digital publishing systems. Within a few years, he moved the company into Internet consulting.

Mallin, 33, received a B.A. from Drake University and an MBA from the Carlson School of Management, University of Minnesota. He worked for Apple and Microsoft before joining 3M to form a team working on Web projects.

This fall, Imaginet will move to larger quarters at 1300 Nicollet Mall, where Litman says the game room will grow with the business.

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EXECUTIVE SUMMARY

Business: Imaginet
Type: Web page developer, electronic business services.
Owners: Scott Litman, Dan Mallin, Edwin (Skip) Gage
Founded: 1991
Employees: 48
Revenue: $5 million
Challenge ahead: Managing growth.
Five years from now: