

BREAKING NEWS

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Young Dot-Commers in Trouble Are Going Home to Mom and Dad

By Shirley Leung Staff Reporter of The Wall Street Journal

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EAST BRUNSWICK, N.J. -- It's a scene played out at hundreds of struggling Internet businesses: Michael Periu Jr., 24-year-old chief financial officer, is on the phone, 12 hours into his workday, trying desperately to raise cash. In one ear, it's another potential investor turning him down. In the other ear:

"Mikey, dinner's ready!"

Like an increasing number of would-be dot-com moguls, Mr. Periu moved back home with his parents last November to save money as his year-old software company, Posip Inc. (www.posip.com), tries to get off the ground.

He likes the free rent, clean laundry and home-cooked meals, which have helped the stressed-out 5-foot-6 entrepreneur put on 45 pounds. But dinner-calls from mom in the middle of a pitch are embarrassing. Mr. Periu's strategy: keep talking. "You just hope they didn't hear it," he says.

Mr. Periu is hearing quite a bit from his parents these days. Says his mother, Livia: "You have the idea that once you're done with the expensive tuition, your children are on their way to success. Instead, we're experiencing an unexpected new phase in our son's life and our own."

The bursting of the dot-com bubble transformed commerce and industry all over America. Now it's reaching unexpectedly into the lives of families, as flamed-out young entrepreneurs rush back to their parents for shelter and money.

Not long ago, parents beamed if their kids went to Internet start-ups. Now many feel the way Thi Thumasathit's mother, Bhoonsri, does. She wants her 32-year-old son to apply his Stanford M.B.A., which cost the family \$50,000, to something other than another dot-com. His venture, ShoppingList.com, a Sunnyvale, Calif., firm that placed Sunday newspaper circulars online, shut down in December and lost his parents the \$10,000 they had given him. He has since been traveling abroad. "Get a job," his mother has told him. "Get security."

Many dot-commers can't let go. Matthew Cohen, who helped found PureAdvice Inc. (www.PureAdvice.com), an online college counseling service, hasn't been paid in three months. He and the company get by on \$35,000 his 80-year-old grandmother gave him. His mother lent him \$4,000.

Once, when the 27-year-old couldn't make rent on his \$2,000-a-month Murray Hill studio apartment in Manhattan, he called his father and, in a breaking voice, hit him up for the rent. His dad was good for the money.

But last October, when PureAdvice needed bigger money, young Mr. Cohen, in tears this time, asked his father for a \$25,000 loan. Dad refused. Says the father, James, a 54-year-old Connecticut lawyer: "I didn't think their product made any sense."

"He really has hurt my feelings," Matthew Cohen says. He says his dad doesn't want to talk to him about the start-up. "That segment of life -- which is all-consuming -- it's as if it doesn't exist. It's as if I don't exist," Matthew says. James Cohen actually thinks his son's struggling business has been a great learning experience for him. "Maybe it cost him some money, some family money. Maybe it cost him some sleepless nights, but he is only 27 years old."

Surviving on handouts from his family, Matthew says, "I'm ashamed."

Robert Matheson, 28, raised \$750,000 from 22 family members for his k12nation.net Web site (www.k12nation.net), which puts educators, parents and students in touch with one another. Lots of people use it, he says, but Mr. Matheson hasn't figured out how to make the free service turn a profit from ads.

After laying off 23 employees last July, the company is down to its two founding partners. To curb costs, Mr. Matheson moved into a guest house on his parents' farm in The Plains, Va. His 82-year-old grandmother, Ruth Wheeler, doesn't really care what happens to the money -- she won't say how much -- she put into the business. She did invest profitably several years ago in another grandson's Internet venture, CompareNet Inc., which was sold in 1999 to Microsoft Corp. for \$100 million. Her money grew tenfold, she says.

"Timing is everything," says the grandmother. "Robert is a little late."

Dan and Eric Engel three years ago started grapeape.com, an online site (www.grapeape.com) that sells magazine subscriptions. In 1999, they roped in their uncle, Dave Stein, who runs a high-tech consulting firm in Mahopac, N.Y. Mr. Stein introduced the brothers to investors and helped write their business plan.

The venture never got off the ground. Eric left two years ago. And Dan jumped ship to become a consultant last March. The uncle says the company owes him more than \$35,000. "I grew up in the Bronx," he says. "Everything I had, I had to earn. I got no free ride."

"We're trying to pay back my family members," says Dan Engel, now 24.

Perhaps Ken Kajikawa ought to be worried that he's starting a dot-com when so many others are going belly up and investors are wary. Armed with \$100,000 from his parents -- which they borrowed against their \$1.2 million house in Menlo Park, Calif. -- Mr. Kajikawa launched last month an online expense-account-handling firm in Sunnyvale, Calif.

But what Mr. Kajikawa is most sensitive about is living at home with his parents. Says the chief executive officer of Bizexpense.com Inc. (www.bizexpense.com): "Who wants to hear a 35-year-old lives with his parents?"

For Michael Periu, holiday gatherings have grown awkward. Two years ago, he was regaling his aunts, uncles and cousins with stories about his world travels. Now with dot-coms in the doldrums and his own business helping retailers manage customers and inventory struggling, he isn't doing much talking about his exploits, and his relatives are too discreet to ask. Says Mr. Periu, "They're afraid."

Sitting in her kitchen, Mrs. Periu, a financial manager at Johnson & Johnson, says she wants her son in the stability of the corporate world. Why? She begins to recall how she and her sister as teenagers fled Cuba in 1962 to begin a new life in the U.S. "You lost so much," she says, with tears in her eyes. "You want something to show for it."

To her, Michael was always special. At 11, feeling too old for his toys, he carted them to a flea market, pocketing nearly \$1,000. In high school, he tutored, making about \$8,000. He got his bachelor's degree at Georgetown University in just three years.

Now Mr. Periu has to listen to his mother brag about the investment-banking job his 21-year-old younger brother, Albert, has landed and will start after he graduates from Georgetown in May. "It's easier to describe Albert's opportunities," Mrs. Periu says. "It sounds more sophisticated."

With no paycheck, Mr. Periu keeps monthly expenses to \$200. He sold his sports car and now drives the family sedan to meetings. Living at home, sleeping in his twin bed, means living by his parents' rules, calling home if he is late, and not drinking in the house. That's hard for Mr. Periu who is accustomed to wining and dining clients. Last month, after a tough conference call, he gave in and had a glass of Black Label. "I got caught," he says. His mother, monitoring the bottle, noticed whiskey missing.

Rules are rules, says Mrs. Periu: "I don't care who he could be. Bill Gates."

Mr. Periu's chief executive, Alejandro Zuzenberg, 27, also moved home last year. Now, before work, he does as his mother asks: "It's odd to some extent waking up in the morning and having to make my bed."

Should Messrs. Zuzenberg and Periu get jobs? "I wouldn't enjoy it," Mr. Periu says.

So he works the phones. Sometimes, he is asked why he's calling from suburban New Jersey. He tells people the company has offices world-wide.

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