"Long after Pets.com rolled over and died, a start-up is following in its wake."

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IN THE NEW YORK City offices of PetFlow.com, three Pets.com sock puppets sit prominently on a shelf. "A reminder," says PetFlow cofounder Alex Zhardanovsky, "of what not to do." Nearly a dozen years after the original Pets.com rolled over and died, Zhardanovsky's company has gamely followed in its wake, running a similar business with the benefit of hindsight.

Pets.com, of course, was one of the most high-profile bust-ups of the late 1990s tech bubble, hawking pet toys and accessories as its puppet became a symbol of dot-com excess. The business model flamed out so badly that executives at PetFlow.com say they've been blessed with little competition so far. "It scared everyone," says cofounder Joe Speiser, "like fallout from radiation." But failure has an undeservedly dismal reputation, says Philip Coelho, a professor of economics at Ball State University, since entrepreneurs can learn by exploring why some ideas fail.

Not surprisingly, former Pets.com chief executive Julie Wainwright isn't enthusiastic about her company being someone else's case study. She says PetFlow "has different challenges than we did when we launched." But some comparisons are still instructive. Start-ups often founder when the cost of executing their business plan is too high—and that may well be the biggest difference between the two dot-coms. PetFlow.com sells almost 100 brands of pet food, letting customers set up regular deliveries. The company was funded with $5 million in March 2010, and the founders say they now have more than 30,000 customers and are

on pace to earn $50 million in revenue in the first quarter of 2012—which should enable them to get to breakeven. To show how times have changed, Wainwright says Pets.com's break-even point was $260 million.

Why the huge disparity? Since the 1990s, the costs of marketing an Internet brand have come down, thanks in part to social media. Zhardanovsky and Speiser are Internet advertising veterans, and PetFlow has 23,000 Facebook "fans." Without similar tools at its disposal, Pets.com spent millions on its memorable but ultimately ineffectual puppetry campaign—even buying ultra-pricey advertising time during a Super Bowl. Zhardanovsky estimates that Pets.com spent as much as $300 to attain each customer. (Wainwright says the figure was lower but doesn't say how much.) PetFlow is budgeting $40 to $50 per customer, a figure that will decrease if its subscription model saves it from having to market to repeat customers.

When Pets.com was founded in 1998, there was no plug-and-play software or cloud computing. The firm maintained a server farm with 40-plus engineers and IT people to keep the site from crashing. More than a decade later, PetFlow could build a site from scratch with just a few engineers. And of course, in the Pets.com era, there were only about 250 million Internet consumers worldwide, compared with billions today. Focus matters too. Pets.com mainly sold nonessential items like collars and accessories. PetFlow.com mainly sells food, a necessity—while allowing customers to avoid lugging 30-pound bags of chow.

Back in the '90s, of course, Web retailers were still learning such ropes. And in summation, Zhardanovsky is a bit more charitable about his predecessor, saying that "Pets.com's idea was premature." But whatever its missteps, Pets.com had the better name. PetFlow.com conjures up liquidity issues having nothing to do with the stock market. "We figured it really didn't matter what we called it, as long as the idea was right," shrugs Zhardanovsky.

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