

The E-Business Hype Does Not End - Some Ironic Thoughts

Do you remember the time when the e-business hype reached its peak in the first half of 2000? I mean the time when really the last person with an average interest in business life and even the last journalist of a local newspaper had realized that e-business would gain impact on our lives – and that the Internet was the place where new millionaires were made. It was that wonderful time before boo.com's spectacular bankruptcy initiated the beginning of the end.

Today I look back and I have to realize, that – as so often – everybody knows much better now from the hindsight. Magazine articles and commentaries show us the faults in the business models of ambiguous e-start-ups. They analyze the weaknesses in leadership teams, business plans and strategies. Journalists comment on the downturn at the growth and technology segments of international stock exchanges. They critique start-ups as well as the e-business activities of old-economy companies, which, at least, are a bit more valued again. There are numerous examples: A leading management magazine lists the "Seven Deadly Sins of E-Business" in its August issue. These include everything from vague objectives, lacking leadership and competency up to enormous misjudgments of expected costs and profits. An Accenture-study analysis the dotcoms' mistakes too. It reveals narrow focusing on (expected) price sensitivity of online-customers, a lacking focus on larger and more profitable customer segments or unsystematic brand development. A leading German newspaper titled its article about this study "The End of Online-Myths".

Now I wonder – everything we believed in only one and a half year ago was nothing but myths and misjudgments? Why that? Did we all blindly follow startup-teams whose primary interest was to become rich in a quick IPO instead of the development of a company with good prospects? Or are the analysts to blame,

who spread around much too optimistic evaluations, forced by the investment houses? It took me some time to find out whom to blame. In the end of the day, I am convinced that nobody is totally free of blame for helping to create this enormous hype. Nevertheless, I also think that there is no one single party mainly to blame. Everybody believed in the promises of the Internet economy and thus everybody contributed a little bit to the dotcom-mania:

Virtually everybody was excited when the first popular companies like amazon.com, Dell or AOL successfully used the Internet for their business activities and when the first dotcom-IPOs made their owners millionaires. The hype began.

The media had finally found a topic that everybody was interested. The old media-wisdom that "only bad news are good news" was no longer valid. They had success stories and the audience liked it. Industry magazines were launched. The media fed the hype with more and more news about all time highs at stock exchanges and about brand-new millionaires. Students, computer freaks and housewives started to develop business plans. They were the basis for a constant rich supplies of ambiguous start-ups that made investments and hired staff – the more the better. Consultants left their employers to take on a CEO position in e-start-ups just for stock options and the hope to become rich and famous. Venture capital firms saw their chance to make the big money. In addition, there were enormous amounts of liquid funds available on the financial markets and all kinds of investors were desperately looking for promising investment opportunities. Everybody who was able to clearly explain his business idea within a few minutes got money. The term 'elevator pitch' was born. Investment banks were delighted and so were their analysts. Renowned consultancies quickly developed e-business-practices and published studies about the bright future of e-commerce and the

not so bright prospects of what was called 'bricks and mortars'. Finally, even private investors got the virus. People who did not even dare to buy blue chips suddenly wanted to have some dotcom-shares in their portfolios. All in all – big was beautiful.

All these developments mutually reinforced themselves. They made the e-business hype and the stock exchange indices climb to ever-new records.

Whom do you want to blame for the disaster that followed the hype: the start-up teams who burned lots of money with poorly planned business models and almost megalomaniac growth plans? Sure. The venture capitalists and investment banks who invested in every organization that was able to predict profits for some day in the future without much critical thinking? Of course. The analysts who wrote about promising future prospects even if those were based on not much more than numbers of website visitors? Obviously. The fund managers who heavily bought into the growth segments of the international stock exchanges? Yes.

Moreover, how about the consultants who told us that speed, growth and everything 'e-' would be the new critical success factors for every business? How about the business journalists who celebrated the new economy without asking for real profitability? And finally how about all the small investors who believed everything that was said about the new e-world and who wanted to get their bit of the big money? They are the people who suddenly 'always knew that this could not work' (look at the latest press coverage and studies from consultancies) or who feel betrayed by greedy businessmen.

I for myself think that we all have been much too willing to believe in the promises of the new Internet economy. In the end of the day, none of us is without blame.

What really disconcerts me is the intensity with which the former hype has become an anti-hype. Journalists and magazines maliciously

comment on the mistakes of listed e-start-ups. Consultants publish the next issue of their studies in which they analyze the causes of failure too. (By the way, the consultants who left their employers to become dotcom-CEOs are back. B2C now stands for 'back to consultancy'.) The Internet industry magazines disappear, or at least close down their European activities. It is not only that they cannot generate enough revenues from advertising; there is simply not enough that is worth writing about. Even some venture capitalists are threatened from bankruptcy. Investors have become extremely careful with everything that has an 'e-' in its name. It is nearly impossible for such companies to go public these days, since no investor is willing to buy shares of an Internet company. In general, the situation at the stock exchanges looks a bit like panic and confusion. Masses of small shareholders are disappointed and do not trust anybody any longer.

All in all – big is not necessarily beautiful any more. Dotcoms can celebrate their mere survival as a success nowadays.

So, is there no hope any more? Similar to the former hype, I now miss a certain degree of matter-of-facts and objectivity in thinking about e-business. Of course, there are some studies that are slightly optimistic. Of course, startup-teams with a really good idea will still get some money. Nevertheless, nobody is really aware of them or even interested in them.

At least there is some hope. There will be the day on which we have seen all thinkable disasters of the new economy. When it cannot get any worse, things have to get better. From that day on there will be a bit of an upturn. I am convinced that we will still buy books online in ten years on. I do not know if we will buy from amazon.com then. Nor do I know if, at all, amazon.com will still belong Jeff Bezos. But I am sure that there will be somebody to sell you a book online. And this somebody will probably be a profitable company. So why should I say the new economy is dead?