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B2B or Not to Be

You can tell a lot about what is important to a culture by examining its language, specifically the words used to describe things. For example, the Navajo use something on the order of a hundred words to describe love. Americans have a similar number to describe war.

I am amused by the vocabulary that has emerged along with the "new" economy. It's as if in order to legitimize a new concept or tool it is necessary to attach a novel word to it. I was listening to one of the financial channels the other day, and heard a CEO from one of the freshly minted technology companies, in response to a question reply; "we are the dominant portal of B2B, ASP in our space and will monetize based on that position". (translation: we provide software that enables businesses to communicate with each other and plan to make money at it). Monetize – *really*.

The problem of course is no amount of techno-speak takes the place of profits. Of the internet related IPO's (Initial Public Offering(s) of stock) that have been introduced in the past year, over a third are bankrupt. Advertisers are slowly coming to the conclusion that paying for advertising on web sites, while cheap per "hit", is about as effective as putting an ad on the side of a bullet train. As more and more companies review the effectiveness of their web-based advertising campaigns, I suspect the bankruptcy flow in the dot com retail "space" will become a torrent. Most "e"tailer discounts are being funded by shareholder money that is being spent at an alarming rate.

The second quarter began to show signs that over hyped segments of the technology sector were coming unglued. The NASDAQ, which turned in a tremendous performance last year, ended the first quarter with a gain of 12.37%. It, however, finished the first half of the year with a *loss* of 2.54%. Unfortunately this helped drag down other sectors as well with the S&P 500 down 1%, the Dow Jones Industrial Average falling a whopping 9.3% and the Dow Jones World Index down 3.81% since the first of the year.

The good news. A lot of speculative money evaporated during the second quarter. People are beginning to recognize that even old economy companies like McDonalds and 3M have their place in the new economy and are using technology to become more efficient and profitable. Some investors are even recognizing that a company priced at 300 times its *projected* earnings might not be as good a bargain as one that makes a far less sexy product but is priced at 10 times its *actual* earnings. I suspect more will come around to this view after witnessing more B2B, ASP companies turn up DOA.