

After dotcom doom, hail the digital future

DAN WAGNER is one of Britain's best-known Internet businessmen. He founded Bright Station (previously MAID) in 1984 aged 20, becoming the youngest chief executive on the London Stock Exchange in 1994. A net pioneer, he has since built the world's biggest online data group

WHAT a horrible sight! Remnants everywhere. Crude amputations executed with brutal swiftness. Heroes slain almost as suddenly as they had appeared.

The current state of the dotcom world makes Gladiator look like a PG, and there are plenty of "told you so's" rubbing their hands with glee.

Boo.com, eToys.co.uk, UrbanFetch, ClickMango.com — even Letsbuyit almost went under last month. Is it really only two years since the City was falling over itself to throw billions at twentysomethings with a "good" idea and a spare PC?

Now the tone is just as frenzied, as the same fund managers turn off critically ill dotcoms' life-support systems. So let's review some of the myths dramatically shattered of late:

MYTH 1: Go global — now

Do one thing really well before deciding to take on the world. Clever e-commerce consultants with six-figure salaries and an unnatural affection for Microsoft's Powerpoint program announced that this was old-hat and implored us to 'Go global!'

Look, when Pret à Manger started, did it simultaneously open 400 stores across the UK and 3,000 worldwide?

Don't be daft. It spent almost two years ironing out the bugs in-store before hitting on a formula capable of being a success.

So, when Boo.com launched, what did it do? Open a pan-European fashion business from day one, of course!

Even if we set aside the business logistics for a moment, could such a business plan ever have succeeded? I don't think so.

I blame it on Powerpoint.

MYTH 2: Focus? That is so last week!

"Stick to your knitting." The "old world" learned this the hard way. Downsizing, rightsizing, streamlining operations... call it what you will, but a regular series of recessions has taught the "old world" the value of focus.

"Conglomerate" is the bloated Brontosaurus left behind in the Eighties. No one expects to walk into Thomas Cook to buy wine. Similarly, if my stockbroker suddenly tried to advise me professionally about dental care I



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would start being nervous about my share portfolio.

So, why do dotcoms feel the need to embrace every possible product or service?

Too many of them think they should be able to flog a range of goods and services to customers — even if the products aren't even vaguely related to the reason they came to the site in the first place. The reality is clear: Focus; know what you are good at and deliver the best-quality service at a reasonable price.

EBookers, the discount online travel agent, grew out of Flightbookers plc. It does nothing but offer customers good-value flights and holidays as it has done since 1983. No confusion. No wasted energy.

MYTH 3: Accountants? But they're so dull

Yes, but they are a necessary evil. If they weren't, we wouldn't be producing 3,000 newly qualified accountants in the UK every year.

Consider Boo.com's folly. Can you conceive of a situation where fashion chain Next spent more than 100 per cent of its working capital on IT and advertising with diddly-squat (technical term) in the way of revenues, without even reaching for the pause button, let alone the ejection cord?

But Boo did, leaving behind employees who to date haven't been paid what they are entitled to. Atrocious. Letsbuyit.com got into deep trouble last month when it found the £25million it thought it had in the bank was £25million less. Luckily it appeared to have been saved at the 11th hour by an angel investor with a spare £32million. Let's hope Letsbuyit

upgrades its calculators in time for the next bout.

MYTH 4: The "Old World" is asleep

It's about time, but the "old world" is hitting back, and with its experience of running successful businesses it has won some telling battles. Toys'R'Us outgunned eToys so badly last Christmas that eToys was forced to slash 600 jobs and close its UK operation.

Meanwhile, Sainsbury, Tesco and Asda have (finally) leveraged their infrastructure and have effectively closed the market to supermarket dotcom rivals.

The world now realises "online" is just another channel and the experience and infrastructure of the "old world" is crucial. The shopfront, the showroom, the warehousing and logistics operation, the business knowledge and the vertical market experience are all invaluable, and very few dotcom "pure plays" have the know-how to compete if their "old world" competitors mobilise their assets effectively.

MYTH 5: The Old World can relax now

Like Alice, the business world seems to be waking up from its crazy dream in which the laws of business did not apply. Where venture capital was a raging torrent one day and a desert the next, where business experience wasn't needed to run a business, where retail experience wasn't needed to open a department store and where profits were something best left to some future dream.

However, just like Lewis Carroll's tale, if we take a closer look we can see something new and exciting. The Information Revolution is still very much alive. Only a dinosaur would deny it — and look what happened to that species.

What upsets those of us dedicated to building profitable businesses in this arena is the negative impact dotcom failures bring to the perception of the entire technology marketplace.

We can learn and prosper by taking a closer look at what I call the Quality Dotcoms.

This column will take an alternative look at opportunities within the digital economy. Those with the savvy and foresight to heed its advice will later rub their hands in glee, I guarantee.

It will bring prosperity to the converted and enlighten cynics... and I start revealing all next week.