

Why not invest in a dotcom?

SOMEHOW, somewhere we seem to have lost a trillion dollars. London's Techmark index has dropped 52 per cent of its value in the last year alone, the Nasdaq has slid to less than 1,700 points, the majority of dotcoms are now worth just a tenth of their peak value (if they are still around at all, that is) and even Vodafone, Britain's largest company, is currently worth half of what it was this time last year.

Yep, technology and telecoms markets have crashed; dotcom dreams have been dashed and thousands of jobs have disappeared as quickly as they were invented.

This leaves us with three choices — putting our heads in a paper bag and pretending it isn't happening, reaching for the razor blades — or searching for stocks that will emerge Phoenix-like from the ashes of this "downturn" and shower plentiful riches on all those brave enough to join in the shopping spree.

We're all familiar with the infamous technology disasters; the fact that WinePlanet UK has gone out of orbit, that the directors of Boo added hoo to its name and that eToys worked for about as long as an action man keeps his clothes on. But the Internet does have a wonderful future, an indisputable fact which could be our winning lottery ticket (or pension) if we embrace it. So here is my

attempt to learn from such failures and identify the more robust technology investment opportunities for the future.

Internet retailing was once heralded as the death of the High Street but it is now apparent that the companies in the position to fully exploit such opportunities are in fact the very High Street retailers that the Net was going to replace.

Do you know who did more business than anyone else over the Web last Christmas? Amazon? No. Lastminute.com? No. The somewhat unlikely winners were Tesco and Argos!

They may have been slow out of the blocks but it didn't take long for them to emerge as e-winners. Existing retailers with brands people already trust, existing logistics capabilities and cash-generating High Street businesses that have also learned to service the burgeoning Internet market are well worth keeping an eye on.

LOOKING for something more speculative? Well, here we go — dotcoms! Now, I agree that only the brave-hearted should participate in this one but higher gains and returns will be made by discerning investors capable of cherry picking specialist dotcom retailers.

They must have the irresistible combination of a sound business plan, strong management and a current share price in pence not pounds.



Look for companies that have focused their activities, have become experts in their specific fields and are widely respected as leaders. Look for dotcoms that have spent their millions in building a brand based on leadership, not just promoting a cheap product. (And when you find one, give me a call.)

But my money (literally) has gone on technology companies that provide the infrastructure for e-commerce and e-business.

In the days of the real gold rush (as opposed to the virtual one we have just been through), the group that made the real money weren't the prospectors; they were the suppliers of picks,

shovels, pans and booze. The digital economy needs payment and billing technologies, well-organised logistics companies, installation contractors, software leasing companies — a whole range of infrastructure needs to be built and the companies who do this well should prosper big time.

Take online shopping for instance. Now that financial prudence is back in fashion, why would retailers spend several millions developing comprehensive online shopping solutions themselves when they can just lease the whole shebang from application service providers such as Sparza? (www.sparza.com).

Another goldmine is likely to be technologies that facilitate corporate efficiency — by replacing human-intensive functions and enabling executives to make better decisions.

Darwin's theory is alive and well and it's a harsh reality but we human beings really do have our limitations. One of the key areas of growth will be knowledge management — technologies that help firms organise and find information.

This is expected to be a £3 billion market by 2003 in Europe alone. At Bright Station, we were so confident about this area of opportunity that we formed a company, Smartlogik to take advantage of it. A hundred major clients later — who are as diverse as the BBC,

Yell.com and the Danish Foreign Office — and things appear to be well on their way.

If prospering from job losses doesn't sit comfortably with your code of ethics, my final "recommendation" will make for even more difficult reading — consulting firms. Consultants have positioned themselves like the American baseball league. Whatever happens, at the end of the season, you can be sure an American team will be crowned "World Champion".

It's an unspoken rule of corporate law; all times are boom times for consultants.

WHILE recent history suggests we should steer clear of the new e-consultancy

companies, rumours abound that some of the traditional firms such as Accenture and PWC are looking to float this year. If you can get a ticket, I fail to see how they won't be boats worth boarding.

Of course, no article on stock picking would be complete without the disclaimer. Here's mine — if you agree with my comments, invest accordingly and lose money, then you shouldn't have been so daft as to take what I said so seriously. However, if you make a killing, feel free to remember where the words of wisdom came from.

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