

# dot.com – Top or Flop

kommunikation.medien

Onlinejournal des Fachbereichs

Kommunikationswissenschaft

Universität Salzburg

ISSN 2227-7277

4. Ausgabe / Dezember 2014

**Lisa Bröckl**



<http://www.kommunikation-medien.at>



## Abstract

*It is January 1999, the internet is booming. Ronan Henderson a young college student from Chicago, is sitting in his parents' basement when he has a sparking idea. Why not create a company that provides everyday services through the world wide web. Maybe one that delivers newspapers, snacks and drinks to people everywhere in America within one hour. Ronan calls up a friend and they start programming a website together. But since a start-up company like this needs funding they present their business plan to a venture capital firm.*

## Keywords

dot.com companies, economic, information and telecommunication, venture capital

## Zitiervorschlag

Bröckl, Lisa (2014): dot.com – Top or Flop. In: kommunikation.medien, 4. Ausgabe. [journal.kommunikation-medien.at].

## 1. The Internet – Starting Signal for a New Economic Era

The invention of the internet and its availability to the population marks the beginning of Schumpeter's and Kleinknecht's fifth economic wave. The digital revolution (cf. Miller 2011), Carlota Perez calls it the 'Age of Information and Telecommunication' when cheap microelectronics computers, software telecommunications control instruments became available due to a renewed infrastructure like cable, fibre optics and satellite (cf. Perez 2010). The period from the 1970s up to the present has seen notable economic changes.

Through globalization new markets have been opened and changes in production methods, information technology and firm managements have been made (cf. Miller 2011).

Luckily for Ronan Henderson the 1990s were an economic time of high risk investments and speculations. The year 1995 marked the beginning of a sudden growth of Internet users, who were seen as potential customers by companies. Many internet start-up or dot.com companies were born in the late 1990s. Most of these companies were built on venture capital. Venture capital is a high risk capital that provides money for start-up companies, the expansion of companies or helps companies that are in a downward phase. It is usually financed by pension funds, banks, insurance companies or holding companies. Firms and individuals who provide venture capital usually invest small amounts of money for a limited period of time. These funds are available for inventors that have creative and solid new business ideas, including products which have the potential to dominate the market. The return of such an investment is very uncertain but it can contain a large reward if the company and the product are successful (cf. Picard 2002).

One year later in March of 2000 Ronan Henderson's company is making 1.2 billion dollars per year and employing 250 people. Ronan and his co-founder are living in ocean side houses enjoying their newly achieved high class life style.

Many of these companies had a growth over profit policy assuming that if they can build a solid base of customers the profits would rise as well. The stock markets rose at unbelievable speeds with hundreds of new companies founded every week especially in the tech sector. An extravagant lifestyle is often associated with the dot.com years, since companies sponsored lavish events with fine cuisine and entertainers. Unfortunately for many of these companies the growth of the tech sector proved to be deceptive. Many court cases were filed against dot.com companies, accusing them of ruthless business practices. The stock market began to collapse and an end was put to the wasteful dealings with money. This combination was the last nail in the coffin for many dot.com companies.

Just one and a half years after he had his sparking business idea Ronan Henderson is looking at the shreds of his business career. The stocks of his company have lost their value over night. The company itself is bankrupt, over 250 employees are left without a job. After all the success Ronan Henderson has to start again from the very beginning.

## 2. The Past, the Present, the Future and back to the Past?

Vincent Miller cites Nikolai Kondratieff's theory about long term economic cycles in his article "The Economic Foundations of the Information Age". According to Kondratieff every economic period consists of four phases: expansion, the peak, first adjustment and plateau and panic and decline. The current economic situation, the unsteady stock market and the rise of broadband in developing nations only a few years after the burst of the dot.com bubble is seen critically by economists and resembles Kondratieff's 'panic and decline' phase. Financial analysts see a recurring pattern regarding the growing number of broadband users in developing nations. This rapid rise led to a new era of dot.com companies especially in the line of social networking. Are some investors in for facing a dot.com bubble 2.0?

We are no doubt in an economic crisis already and it will get worse over the next few years. How can it be that the cycle always repeats itself? An elite group of people will make decisions that affect all our lives, but the common population will be the one paying for it. The selected group of the powerful will once again come out of this crisis stronger than before. What is the solution for a problem like this? Is the only answer a boycott of the system, trying to live independently from everything and everybody?

Today Ronan Henderson is living in a trailer off the grid outside of his hometown Chicago. After losing everything that had material value in his life he realized that wealth and success is not everything. It is his choice to focus on other values in life like happiness and health.

### Sources

Miller, Vincent (2011): The Economic Foundations of the Information Age. In: Understanding Digital Culture. London: Sage Publications, p. 46-70.

Perez, Carlota (2010): The financial crisis and the future of innovation: A view of technical change with the aid of history. Available from [http://www.carlotaperez.org/downloads/pubs/Crisis\\_and\\_innovation\\_TUT-TOC\\_WP\\_No2\\_8.pdf](http://www.carlotaperez.org/downloads/pubs/Crisis_and_innovation_TUT-TOC_WP_No2_8.pdf) (30.09.2014).

Picard, Robert G. (2002): The Economics and Financing of Media Companies. Fordham: University Press.

## **Kurzbiographie der Autorin**



**Lisa Bröckl**, Studentin des Bachelorstudiengangs am Fachbereich Kommunikationswissenschaft an der Paris-Lodron-Universität Salzburg. Der Beitrag „dot.com – Top or Flop“ wurde für den Lektürekurs im Sommersemester 2014 bei Mag. Stefan Huber in Form eines Kommentars für ein Online-Medium verfasst.