

# dotcom failures

a look at those who tried  
*and failed*

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## Pets.com

- ❖ Big idea: sell pet food online
- ❖ Real idea: none
- ❖ Attraction:



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## Big Mistakes

- ❖ Attempted to sue Conan O'Brien
- ❖ Business model (lack there of)

*"I'm out of dog food and my cat's box needs new litter. I know what I'll do: I'll order Dog Chow and Fresh Step online from a sock puppet, and then I'll watch the dog starve and the cat sh\*t all over the house while I wait for it to be delivered!"*

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Source: [www.f\\*ckedcompany.com](http://www.f*ckedcompany.com)

## Who Let The Dogs Out?

- ❖ Most valuable assets:
  - The sock puppet
    - To be in stores soon?
  - The domain name ([www.pets.com](http://www.pets.com))
    - Bought by PetsMart.com

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# Webvan.com

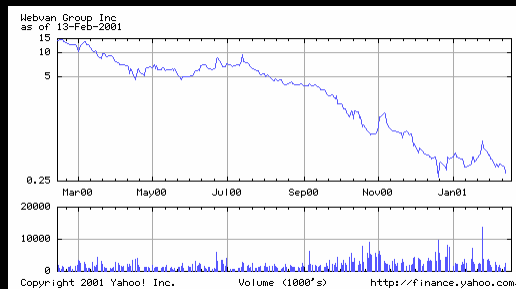
- ❖ Big idea: sell groceries online (same day delivery)
- ❖ Real idea: none
- ❖ Net loss: -\$453.3mil
- ❖ Formed "strategic" alliance with PetsMart.com on January 22nd

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Source: Yahoo!

# A Whole Lot Of Selling



*Founder Louis H. Borders leaves the board on Feb 14<sup>th</sup>, 2001*



Source: Yahoo!

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## Priceline.com

- ❖ Big idea: name your own price
- ❖ Real idea: run accounting loopholes to boost sales
- ❖ Attraction: William Shatner *trying* to sing
- ❖ Groceries division (WebHouse) has already closed

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## Name Your Own Loss

- ❖ Operating margin: -97%
- ❖ Who's your daddy?
  - Beginning of November Jay cashes in 2mil shares worth \$9.39mil
  - Priceline founder Jay Walker quits board December 29<sup>th</sup>, 2000

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Source: Yahoo!

## Next Potential Strategy



*Name your own price... for the company*



Source: Yahoo!

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## Amazon.com

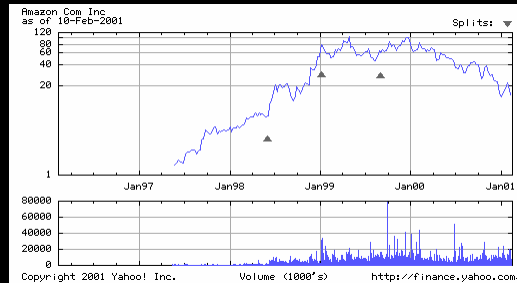
- ❖ Big idea: to be the world's biggest online store
  - E-tailer that serves over 17mil accounts in over 150 countries
- ❖ Real idea: to see how much a company's stock is worth without making money
- ❖ Operating margin: -31.1%
- ❖ Net loss: -\$1.41bil



Source: Yahoo!

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## It's a Jungle Out There



*Remember Henry Blodget?*

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Source: Yahoo!

## Etoys.com

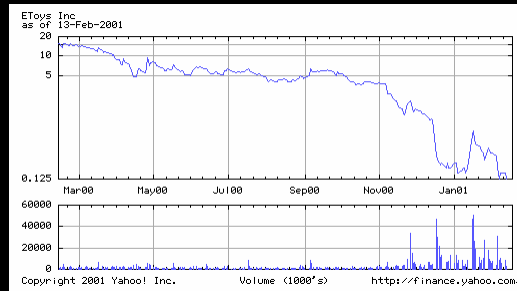
- ❖ Big idea: to focus on the selling of toys online
- ❖ Real idea: to sell toys to infants with their moms' credit cards
- ❖ Sales: \$205mil
- ❖ EBITDA: -\$204.4mil

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Source: Yahoo!

## Buy While You Can



*Announced it will close on April 6<sup>th</sup>, 2001.  
Better get your mice clicking to the site.*



Source: Yahoo!

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## Bluefly.com

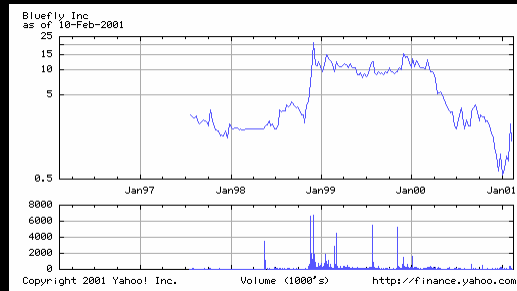
- ❖ Big idea: to sell discounted designer fashion (clothes & furniture) online
- ❖ Real idea: to get rid of inventory
- ❖ EBITDA: -\$20.8mil
- ❖ Financed partly by guru Soros



Source: Yahoo!

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## Almost Squatted



*Narrowly escapes delisting by restructuring after converting \$20mil in debt to preferred stock*



Source: Yahoo!

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## The Internet: Not An Ideal Medium

Why did everybody think dot-com was the way to go?

- Ease of distribution/cheap medium
  - Why do they fail? – The same reason
  - The internet removes barriers to entry
  - Removes firms informational advantage



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## Problems with Advertising

- ❖ Many dot-coms relied on advertising revenue
  - These same dot-coms did not have online advertising they relied on
  - People have become trained to ignore the current online advertising

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## Conclusion

- ❖ Don't rely on Suzanne's hockey stick theory
- ❖ Don't just try to sell "stuff" online
- ❖ Have a real business plan

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**Make Money!!**

