Another Schadenfreude-filled look back at the dot-com zaniness

devblogs.microsoft.com/oldnewthing/20051116-13

November 16, 2005

Raymond Chen

I can never remember how I'm supposed to spell CNET. Is it "c|net", "c-net", "CNET"? Well whatever their name is, they published an article titled *Top 10 dot-com flops* for all your "I can't believe this actually happened" needs. My former colleague Todd Berkebile (now at Turbine) captured the spirit of the era when he remarked at lunch, "The dot-com boom is a highly inefficient yet effective way of transferring money from venture capitalists to me, Todd Berkebile." He was referring specifically to all the companies that were selling their goods and services way below cost in an attempt to "expand the customer base" or "capture mindshare" or "gain first-move advantage" or whatever it was that entrepeneurs managed to put into their business plan to dazzle investors.

My favorite example of this was Kozmo.com. Rob Walker in Slate magazine pointed out that in their S-1 pre-IPO filing, they mentioned the following interesting numbers:

Revenues	$2,117,000
Cost of delivery	$2,281,000

That's right. Delivery costs exceed total revenues. Even if their suppliers provided the goods **absolutely free** they were still losing money. As Walker remarks, "For a delivery service, that seems very, very unpromising."

Meanwhile, The Short List on NPR's Day to Day a few months ago consisted of names of failed dot-coms. Some I recognized, some I didn't, and some were in that twilight zone of "Wait, that sounds familiar, what was it again?"

One of the dot-coms that floated in that twilight zone was Mercata, a group buying site where the price of an item dropped the more people signed up to buy it. What they wanted you to think was that the more people who offered to buy an item, the better the deal the company could negotiate with their suppliers. Except that's not how it actually worked.

What's my point? I don't know. Sometimes I don't have one.

Raymond Chen

Follow