

Learning the Lessons of the Dot-Bomb Era

By Bill Platt

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During the late 1990's, banks and investors were falling all over themselves to invest in the new dot com companies wanting to go public.

While the owners of those companies became paper millionaires overnight, that does not mean much if they did not sell their stocks when the price was still high. I am willing to bet that most did not. Instead, they believed in what they were doing and carried their paper millions with them to bankruptcy court.

As small business owners, we do not have the IPO millions to burn. We have to be more careful and thoughtful with our dollars.

As small business people, we often tell ourselves... "If only we had more money to advertise our wares, we would be very successful in our endeavors."

Yet, the failed dot com's who are now mockingly referred to as "Dot Bombs", had millions to burn on advertising. So what in the world happened? Where did those miraculous, wondrous and theoretical profits go?

Between January of 2000 and the end of February, 2002, at least 806 dot com companies went under according to Webmergers.com.

There are a number of lessons we can learn from the Dot Bombs, and every lesson learned will permit us to realize the elusive Internet profits that the big boys failed to manifest.

LESSON ONE:

Almost without fail, all Dot Bomb's presented unproven, theoretical models to the banks for their Initial Public Offerings. They had never shown a profit and never would

because the models they used could not work.

When the bottom fell out of the Internet advertising market, the companies whose business models were based on selling advertising on their sites or in their networks were the first losers. Many faced 80% drops in revenue nearly overnight.

You and I were the winners. We can now post our advertising on some really high traffic, high profile web sites at very reasonable prices.

Our lesson here is that we must establish our business on a business model that can be profitable at low volumes before we can even hope to be profitable at high volumes. Cash is not the secret to online profits! Rather, a solid business model is the first secret to online profits.

LESSON TWO:

The dangerous thing about being a public company in a new and unproven marketplace is that your investors are constantly clamoring to see a return for their money.

Most startup companies grow into a profitable enterprise because they have an entrepreneur at the helm. An entrepreneur is a risk-taker by definition. He or she is willing to gamble and take chances, even to change the direction of a company if the road ahead looks dangerous or unprofitable.

With stock holders breathing down ones neck, this kind of flexibility ceases to exist in the grand scheme of things.

The lesson is that as a small business owner, we can and must remain flexible. Most especially in an untested and unproven market, we need to sustain our flexibility and keep our eyes on our bottom line and the marketplace. Don't fear change. One day, change could very well become your saving grace.

LESSON THREE:

Accountants and analysts tried reasoning with the public during the late 1990's --- during the boom --- concerning the profitability of these companies that people were throwing their savings at.

Yet the public was more inclined to believe those who were wanting to sell us these shams that the Internet era was different. The argument went like this, "This is a new economic era where the old rules of measuring the bottom line do not apply."

Hogwash.

History has shown us that these people selling the sham were really people looking to make millions from the ignorance of the public at large.

The truth is, the same rules that apply to measuring offline businesses must be applied to the online world of business as well.

We must always measure our successes and failures, based on how they affect our bottom line. We must use concrete numbers and measurements to make our estimations and our decisions.

We cannot sit and hope that if we throw thousands of dollars into advertising that we will see our money coming back to us.

Instead, we should measure every advertisement and every advertising medium. We should compare one advertisement against another, and we should compare one advertising media to another. If one is not working for us, we should kill it. If another is working well for us, then we should expand on it.

The truth is, without a method of measuring results, we will never truly gain the advantage of learning from our successes and failures. Sure, you can guess at what works and what does not, but what if you guess wrong?

The Dot Bomb's threw money at Internet advertising and hoped that something would stick. They figured they had millions, so why did they need to worry...

In retrospect, they probably kick themselves on a daily basis. If I had squandered millions to no avail, I can guarantee that I would be kicking myself on an daily basis!

The most important lesson we can take from the Dot Bomb's is that we must measure our results and make our future decisions based on proven results. If it is not profitable, don't do it. If it is profitable, then look to find ways to expand on that profitability.

Measuring the success of an advertising campaign is as simple as tagging your ad with a special tracking URL or email address to provide yourself a method of tracking results gained from a specific advertisement and advertising media.

In conclusion, take whatever means are necessary to track the successes and failures in your advertising and always watch your bottom line. This is imperative if you wish for your online business to be profitable. Learn the lessons of the Dot Bomb's, measure or perish.

Resource Box:

Bill Platt is co-owner of PathTrax.com. By providing their users the ability to measure and track results connected to a specific ad or advertising media, PathTrax is helping small businesses expand the profits in their bottom line. PathTrax delivers flexible tracking URL's to track Who, Where, When, How Many? All for only pennies per day. <http://PathTrax.com/x.pl/BP121,2>

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