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Now That We're Still Here, Where Do We Go? 7 Answers

By SAUL HANSELL

HUNDREDS of millions of people surf the Web, hundreds of billions of dollars of stock market value have come and gone, and yet the burning questions posed by the Internet have cycled back to the same ones asked five years ago, when people first started to size up the Internet.

Can anyone make money with this? Will it be a viable medium for advertising? For shopping? Where is this all going, anyway?

Two years ago, it seemed as if there were answers to these questions. But there is nothing like a plunging stock market and a generation of pioneering companies teetering on collapse to sow new doubts.

To try to figure out what we have learned from the wild ride so far, this section convened a panel of seven people who have been taking chances through the ups and downs of the Internet:

- Patrick Byrne, the chief executive of Overstock.com, a rapidly growing site that sells surplus merchandise, much of it bought from failed e-tailers.

- Bill Gross, the chief executive of Idealab, which spawned companies ranging from CitySearch to Goto.com to eToys.

- Vincent Caminiti, the senior vice president for e-business at Delta Air Lines.

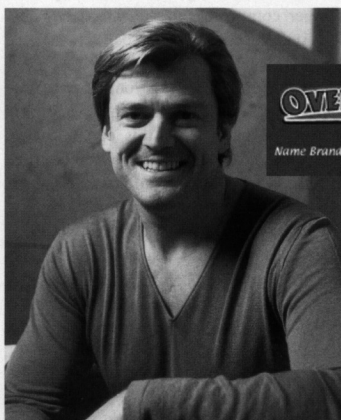
- Mark T. Hogan, the president of the e-GM unit of General Motors.

- Ted Leonsis, the vice chairman and new products officer of the America Online unit of AOL Time Warner.

- Roger McNamee, the general partner of Integral Capital Partners and Silver Lake Partners, two private investment firms that focus on technology companies.

- Stephen Riggio, the vice chairman of Barnes & Noble and the acting chief executive of Barnesandnoble.com.

Earlier this month, the panel exchanged e-mail messages over one week.



Patrick Byrne of Overstock.com.

The full text of the discussion appears on The New York Times on the Web at www.nytimes.com/ebusiness. Following are excerpts from the discussion.

Q. *A year ago, companies that had anything to do with the Internet—media, commerce, business to business, infrastructure—were valued at hundreds of millions, often billions, of dollars. Today, most are worth fractions of those sums. Other than the market itself, has anything else changed?*

VINCENT CAMINITI The travel industry still sees an aggressive movement toward online distribution. At Delta, we are extremely bullish on how the Internet and associated technologies will continue to drive significant value to our company. For example, we expect our Web site to double its sales activity to 5 million tickets versus 2.5 million in 2000. These initiatives, combined with others, will result in driving over 20 percent of our tickets purchased online, representing over \$2 billion in revenue.

BILL GROSS The Internet allows for unbelievably amazing business creation and also for incredibly dumb business creation. Over the past several years, some bad businesses were launched as people experimented to learn the differences between

great, mediocre and bad business propositions online.

We believe that three powerful things that Internet business "can" have (that is, they do not have to have it, but they can be constructed to exploit these) are high gross margins, tight feedback loops with customers and strong barriers to entry via network and other effects. Most online businesses do not exploit these, and if they don't, then they are just ordinary, if not worse, businesses.

PATRICK BYRNE First, people were deluding themselves into thinking the Internet was good at things it is not good at, and second, a pyramid-scheme swindle was occurring. What has changed is that it has become clear that the Internet is not good at most things, and the pyramid-scheme ran out of new suckers.

MARK T. HOGAN Over the last year, e-GM has been in a launch-and-learn mode to better gauge what will connect with consumers and what won't. We've been successful in focusing our e-business programs and are seeing positive, bottom-line results.

ROGER MCNAMEE The market is the biggest change from a year ago. We are coming off one of the largest manias in American history, and the hangover is likely to be with us for some time. This process of mania and cleansing is both normal and healthy. As is so often the case after a mania collapses, the conventional wisdom seems to be that the