



## JIBC Editorial: The End of E-Tulip Mania

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By Martin Nemzow  
Network Performance Institute  
Miami, FL 33141  
[www.networkperf.com](http://www.networkperf.com)  
[mnemzow@networkperf.com](mailto:mnemzow@networkperf.com)

Mr. Nemzow has consulted in high-tech for 20 years, assisting several achieve IPO status. He has been active in marketing, commercial banking, insurance, and software development on personnel, strategy, financial, technology implementation, manufacturing, and day-to-day operational matters. As president of Network Performance, which is deploying a new paradigm for international currency translation and time-independent accounting, he holds several patents on those processes. He is the author of 20 McGraw-Hill books, including the bestselling McGraw-Hill books Web Video Complete and Ethernet Management Guide, 3rd Ed. online and top-selling ecommerce book, Building Cyberstores or construcción de Ciberalmacenes. You also can read his ecommerce-business columns for WebServer Magazine online at <http://webserver.cpg.com>. For more information see <http://www.networkperf.com/marty.htm>.

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The Internet bubble has burst. Long live the Internet! The overzealous pursuit of all options electronic has finally met its deserved correction in terms of employment, venture capital, lines of credit, initial public offerings, mergers, acquisitions, and share prices. The only real business activity now is in liquidations and auctions. This mania has stolen focus from core business and existing GNP. I am sorry if you were personally squeezed by gambles or badly time exercises of stock options. This is not to say that the downward spiral in stock prices and company valuations is ended; I think not. However, these adjustments create new opportunities and reassessments of Internet opportunities and Ecommerce. The boom is just beginning because the Internet is a core resource still as yet in infancy.

The title of this editorial refers to the famous 17th century Dutch economic hysteria that swept the country in the pricing of tulip bulbs. Prized bulbs were traded for more than \$10,000,000 USD in today's value. The exorbitant valuations were based more on the craze than fundamentals or sustainability. Within a year or two, the bulb market crashed. Financial market manias are common, as referenced in the new book, [Tulip Fever](#) by Deborah Maggosh, in [TulipMania](#) by Mike Dash, and a general mania book called [Famous First Bubbles](#) by Peter Garber. The real lesson here and now is not the market collapse per se; we were fools if we did not see this coming. It is easy in hindsight to forecast such collapses. The lesson here, rather, is that the Netherlands has maintained a strong economy based on flowers for three hundred years challenged lately only by Chile, Israel, and Columbia. There were and remain fundamentals in the Internet economy just as in the flower market. Internet banking and ecommerce is alive and well, and will make millions more for investors and top people like you.

If you have followed my papers, editorials, articles and columns on commerce in other magazines (such as in [Web Server Magazine](#)), you will see my consistent and continuing trend in core Internet process technologies. I am trying to emphasize the core philosophy, one rooted in finance and management which I am bringing to the Journal of Internet Banking and Commerce with its consistent and persistent opportunities. Only those Internet concepts with rational business plans, been overextended financially, or lacking monetary support have since failed. Over-hyped opportunities have been economically reassessed. In the meantime, some businesses are growing, profiting, and refining methods for successfully doing business.

The Internet business always has been about the development of channel efficiencies. The Internet represents the logical dispersion of corporate network technology to business partners and customers. If the Internet did not happen,

xDSL, VPNs, gigabit clouds, and other such existing technology would still develop in the same the way that the Internet has. It is necessary and logical. Eventually, we would still have a switched digital data distribution network comparable to the phone systems of the world and the packet-switching Internet. It is inevitable. However, the concept that retail business will migrate to the Internet overlooks many business and process fundamentals. Now is not next day (plus any elapsed fulfillment time) delivery; people thrive on immediate gratification. The Internet does not have a comparable distribution channel established for grocery chains and other retail lines. The aisle end-cap is still the most important location in the world even though retail accounts for less than 10% of all business activity. Note that 90% of business is industrial-grade. That includes brokerage, banking, and sales for business-to-business or government activity.

The business always has been about the development of channel efficiencies. If I can balance my checkbook online faster I will... if I am assured of security. I will order on line if it is faster and more accurate than calling the person on the toll-free phone number. I will integrate billing and collections if it proves more economical of my time than other methods. Banks went to ATMs when they were seen as cheaper than tellers and when it was realized that they offered 24-hour efficiency previous not offered by banks. In this same way, banking and ecommerce will continue to migrate presentation, distribution, and transaction processing to the Internet. It will be mostly industrial-grade activities and maybe just 10% retail.