

B2Bwatch: All that Matters in B2B. Week of December 19, 2001, Vol. I, #4

A free compilation of news and analysis of the B2B industry, presented by B2B analyst Tim Clark of The FactPoint Group ([www.factpointgroup.com](http://www.factpointgroup.com)).

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Dear Reader,

We're approaching the new year with a renewed commitment to publish B2Bwatch twice a month. This "we're back" issue lays out the trends B2Bwatch and The FactPoint Group believe will shape B2B and the e-business world in 2002.

Don't miss even one issue of B2Bwatch. To subscribe, send an email to [b2bwatch@msn.com](mailto:b2bwatch@msn.com) today.

Tim

The FactPoint Group is the Silicon Valley research, consulting and publishing firm behind B2Bwatch, run by partners Tim Clark, Dave Kaplow and Larry Gordon.

\*\*\*\*What 2002 Will Bring

By Tim Clark

As the year 2001 morphs into 2002, B2Bwatch highlights what we believe will be the most important developments of the new year.

**WebServicesWatch:** 2002 will be the year that determines whether Web services will be merely an "interesting" technology for IT users or a change-the-game tool for business users. Today most Web services vendors are targeting IT audiences, where Web services are just another tool in the integration toolkit. That approach makes Web services useful for cost-cutting but not strategic. A few vendors will refine their messaging to tell business managers that Web services will allow them to demand applications that until now were too costly to justify. If vendors refine that message for business users and deliver promised technologies, Web services become a game-changing proposition.

**PortalsWatch:** Portals, which proved to be a lousy business model in the consumer market (see Excite, Infoseek), will become the way enterprises move business processes online. Enterprises will use Portals for a plethora of purposes—internal Portals for employees, supplier Portals, customer Portals for big buyers, channel Portals for firms that sell through intermediaries. It's not just about specific applications—business

processes require multiple applications and data from multiple sources. Portals will provide the delivery mechanism for these business processes.

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**VCwatch:** Internet companies will still be out as an investment theme in 2002, but enterprise software plays will continue to be hot. Or at least lukewarm. Expect real carnage as younger VCs who've never experienced a tech recession simply fail. Many top-tier VC firms will be so busy keeping existing investments on life support that they fund virtually nothing new. That will be an opportunity for the next generation of start-up VCs. Angel investors will remain wary until they see VCs investing in second and third rounds of funding. Another tough year for entrepreneurs craving venture capital.

**Compaq-HP MergerWatch:** No such merger in 2002 or any other year. Carly will be looking for a new job, but she's highly hireable.

**SunMicroWatch:** Scott McNealy and crew must find a new software strategy or risk being simply a vendor of pricey hardware. As the industry coalesces around a Web services theme, Sun has no viable strategy there. Still stuck on Java, Sun must craft a software offering that consists of more than badmouthing Redmond's .NET strategy. Sun's bunker mentality won't serve it well next year.

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The Fortune 500 has gone Portal. The FactPoint Group just completed a report on valuations and trends for corporate Portals. Learn how General Electric, Daimler Chrysler, Covisint, Boeing, Dell Computer, Delta Airlines, Owens Corning and other major players value their Portals. For information, contact Dave Kaplow at FactPoint Group ([dkaplow@factpointgroup.com](mailto:dkaplow@factpointgroup.com)).

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**PennyStockWatch:** Publicly traded B2B firms like Ventro, divine, Navisite, ImageX, Interliant and Scient face a crucial test come spring. These penny stocks (trade below \$1 a share) and others got a reprieve after September 11 when regulators stopped enforcing rules that delist penny stocks from Nasdaq. That ends December 31, and Nasdaq-listed companies will have three months to get their stock price above a buck or risk being relegated to the other side of the tracks—the "pink sheets." Look for a flurry of delisting-driven M&A activity come spring 2002. Firms like Corio, Cybersource, CMGI, Critical Path, PurchasePro, Internet Capital Group, VA Linux (now VA Software) and

VerticalNet—which traded under \$1 in the last year—now have to maintain their 1-plus price or join the journey to the pink sheets.

**eGovernmentWatch:** With the private sector still budget-constrained, tech and b2b firms will find that the feds (and certain states) can be counted on as Old Reliables to keep spending in the downturn. President Bush has declared e-government one of his top domestic priorities, though that came before the new focus on terrorism. Count on the feds to spend big on security technologies, and look for the big government to give a belated boost to B2B e-marketplaces. Growing numbers of state and local jurisdictions will dabble in e-procurement—and like it.

**SecurityWatch:** The security sector will continue to show robust returns as investors vote their fears in the aftermath of the terrorist attacks. But security stocks will decline next year as investors discover that even post-September 11 there's not enough security spending to support all the network security firms currently trading at healthy multiples. A raft of security start-ups will get funded, then discover that their best bet is to sell to one of the big players.

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Web services have become the latest buzzword in software integration, and vendor promises far outstrip deliveries. The FactPoint Group will separate today's hype from tomorrow's bottom-line benefits in its white paper on Web services. To reserve your copy, contact Tim Clark ([tclark@factpointgroup.com](mailto:tclark@factpointgroup.com)).

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**BizModelWatch:** 2001 will be a year for implementing B2B, not spinning new business models or launching blockbuster trading sites. B2B dotcoms created a lot of excitement and spooked incumbents, but their lasting impact will be the message to corporate America that the Internet changes how business is done.

**ActionWatch:** The business world will be divided between those that hunkered down to survive the recession and those that spent money to position themselves to soar when the recovery finally arrives. It takes plenty of cash to invest in the future, however, so established firms like Microsoft, Intel and IBM will take advantage of the downturn to best their rivals.

**EconomyWatch:** Prudence will again prove the better part of valor next year as policymakers struggle to pull the U.S. economy out of its downturn. Alan Greenspan and the Federal Reserve have used almost every interest-cut arrow in their quiver, and politics have stymied Congressional efforts to spur economic recovery. Airline passengers will return to scheduled flights far faster than pessimists think, and that boost may be the tonic that squelches economic negativism.

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