E-COMMERCE: A NEW WORLD ORDER
Navigational wisdom from Professors Eric J. Johnson, Eli Noam and Bernd Schmitt.

A STUDY IN SUCCESS
BY DIANA KATZ
Jean-Luc Biamonti ’78, managing director at Goldman Sachs International, talks about Europe’s recent shift to transnational, American-style megamergers.

DAYS OF WONDER AND ANGER: A CAUTIONARY TALE
BY FLOYD NORRIS ’83
From the chief financial correspondent of the New York Times, perspective on the Internet’s extraordinary redefinition of business success.

SPRING 2000
As e-commerce grows exponentially, U.S. dominance becomes more inevitable. Will the world respond with cyber trade wars? See “Global Warning,” page 16.

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Dear Friends:

With the close of one century, we inevitably find our thoughts turning to what the next might hold. In this issue of Hermes, we hear from various members of the School community as we explore the Internet’s promising role in 21st-century business, specifically e-commerce:

- We gain historical perspective on the phenomenon, and an understanding of the business models it has engendered, from Eric Johnson, the Norman Eig Professor of Business.
- Professor Bernd Schmitt, director of the School’s Center on Global Brand Leadership, examines the online experience—what it is, how it affects consumer behavior and how companies can best shape it.
- Professor Eli Noam, director of the Columbia Institute for Tele-Information, weighs in with a caveat about the prospect of international cyber trade wars.
- Student Darryl Hollar ’00, who recently spent a week in an e-cave at Good Morning America’s behest, relying solely on the Web for everything from food to entertainment, contributes a hands-on perspective.
- In the Endpaper, Floyd Norris ’83, the New York Times’ chief financial correspondent, reflects on this new economy, and its echoes of the past.

The School as a whole continues to actively pursue the infinite possibilities opened up by the Internet, including its implications for the business education paradigm. Look for an examination of distance learning—and the leadership role we are playing in it—in the next issue of Hermes.

As we work to incorporate these new realities into the Columbia Business School experience, Jean-Luc Biamonti ’78, a London-based managing director at Goldman Sachs International and the subject of this issue’s profile, testifies to the importance of another theme the School has long held dear: a global perspective. The Pan-European Reunion 2000, cochaired by Biamonti, will be held in his hometown of Monte Carlo on September 22–24 and will feature a symposium on technology and business in the new millennium. We hope to see you there.

In the meantime, please take advantage of opportunities both old and new to keep in touch with the Columbia Business School community. Your fellow graduates look forward to hearing from you, whether as part of the online alumni network, BANC, or in the pages of Hermes.

Sincerely,

Meyer Feldberg ’65
Dean
CWIB WIRED TO THE NEW ECONOMY

In the midst of a February snowstorm, Columbia Women in Business (CWIB) hosted a full house for its seventh annual conference, “Wired to Win: Women in the Millennium,” with more than 450 guests in attendance. A lineup of high-powered industry leaders and alumnae led the panel discussions on the new economy in a daylong event at the School. Among the panelists were Sara Levinson ’76, president of NFL Properties; Janet Hanson ’77, president and CEO of Milestone Capital Management and founder of 85 Broads (see page 4); and keynote speaker Nancy Peretsman, executive vice president and managing director of Allen & Co.

The consensus on the Internet economy seemed to be that nothing is certain but change—at a breakneck pace. In panels and in discussions up and down the sky-lit ramps of the University’s Low Memorial Library Rotunda, during which Carol Einiger ’73, chief investment officer of the Rockefeller University, was presented with the fourth annual Distinguished Alumna Award. Einiger was accompanied by her mother, Bella Blum (BA in Economics ’40, University of Pennsylvania), and her mother-in-law, Glory Einiger, BS ’43, as well as her husband, Roger.

CWIB, a professional and social organization, works with the School and the business community to further the role of women in business.

FREDERICKS APPOINTED AMBASSADOR

In October, the Senate confirmed President Clinton’s appointment of J. Richard Fredericks ’70 as U.S. ambassador to Switzerland and Liechtenstein.

Fredericks has spent nearly 30 years in the brokerage industry, specializing in investment analysis and investment banking, with a specific focus in the field of commercial banking. Prior to his appointment, he was a senior consultant to Bank of America Securities.

J. Richard Fredericks

In 1977, Fredericks joined Montgomery Securities (now Bank of America Securities) as partner and later senior managing director in investment research, covering banking and financial services. In 1995, he began to oversee the firm’s investment banking efforts for the financial industry. In that position, he played a leading advisory role in numerous commercial banking and financial merger and acquisition transactions, several of which were the largest ever completed.

Fredericks is married to Stephanie Sorensen Fredericks. They have three children, Matthew, Colleen and Will.
85 BROADS, AND ONE INSPIRED IDEA

Janet Tiebout Hanson ’77 found her answer to the old boy network in 85 Broads. A network of professional women formerly employed by Goldman Sachs, 85 Broads borrows its name from the address of Goldman’s international headquarters at 85 Broad Street in New York.

Hanson founded the organization in 1997, inspired by her own experiences as an entrepreneur. Last fall the group launched its Web site, www.85broads.com, as a forum for its women-only corporate alumnae network. Today members include several Columbia Business School alumnae: Catherine Banat ’83, Phylis Esposito ’75, Judy Martin ’81, Janice Meehan ’86, Ronnie Planalp ’86, Carla Skodinski ’80, Julie Hope Stein ’85, Barbara Berger Tartell ’83 and Junko Yoda ’84.

After 14 years with Goldman, Hanson left and started Milestone Capital Management in 1994. While at Goldman, she had taken a three-year professional hiatus to raise her children. Hanson felt disconnected upon her return to the company. This led her to thinking about how to reconnect, to create a women’s version of the friendly, out-of-the-office networking that is a staple of the male business world. When she was forming Milestone, a connection with another former Goldman woman resulted in key backing for her burgeoning business. Drawing on the common experience of having excelled at the still male-dominated firm (about 11 percent of the managing directors are women), Hanson sought to bring together the collective knowledge of former Goldman employees while also reaching out, informally, to current Goldman women who face challenges she and many others have encountered.

The idea was a success. The “broads” range from former president of Pathmark Supermarkets and CEO of several turnaround companies — the authors use essential Shakespearean lessons to address modern-day challenges. Whitney’s highly sought-after class, In Search of the Perfect Prince, in which students study the plays to glean insight into the art of leadership, inspired the project. Before embarking on his career in business, Whitney was an Elizabethan literature scholar.

WHITNEY BOOK ON SHAKESPEARE AND MANAGEMENT PUBLISHED

In June, Simon & Schuster published Power Plays by Columbia Business School professor John O. Whitney and Tina Packer, founder, president and artistic director of the critically acclaimed theater group Shakespeare & Company. Power Plays takes issues fueling the intricate plots of Shakespeare’s 400-year-old plays and draws parallels to common yet complex issues business leaders confront every day. Drawing on a wealth of business experience — Whitney is the former president of Pathmark Supermarkets and CEO of several turnaround companies — the authors use essential Shakespearean lessons to address modern-day challenges. Whitney’s highly sought-after class, In Search of the Perfect Prince, in which students study the plays to glean insight into the art of leadership, inspired the project. Before embarking on his career in business, Whitney was an Elizabethan literature scholar.
NEW EXPERTISE FOR THE EXECUTIVES-IN-RESIDENCE TEAM

In January, M. Leanne Lachman became an executive-in-residence at the School. She is a principal of Lend Lease, a global institutional investment manager specializing in real estate asset management for institutional investors. Lachman has extensive experience in investment management, consulting, demographic analysis and market research. Prior to Lend Lease, she spent 13 years as a partner of Schroder Real Estate Associates, a boutique real estate company acquired by Lend Lease. Her expertise in real estate adds a new dimension to the varied backgrounds of the executives-in-residence.

Lachman also has unique ties to the financial community. A founding member of the Committee of 200 (an international group of senior women executives) and chair of the Chicago Network, she is also a member of Women’s Forum Inc. in New York, Commercial Real Estate Women and the Urban Land Institute. She serves as a governor of the Urban Land Foundation, director of Lincoln National Corporation and trustee of Liberty Property Trust.

This term, the School also welcomed two guests to the Executives-in-Residence Program. Lawrence A. Bossidy, chairman of Honeywell, taught for a week in March. Prior to the June 1999 merger between Honeywell and AlliedSignal, he was chairman and CEO of AlliedSignal. Bossidy is also a director of Champion International Corporation, Merck & Company and J. P. Morgan & Company Incorporated. Named CEO of the Year by Chief Executive in 1998 and Financial World in 1994, he also received the School’s 1994 Distinguished Leadership in Business Award.

J. Michael Cook, who is teaching in the program for several months, is the recently retired chairman and CEO of Deloitte & Touche. As CEO, Cook led the firm’s development into a company of more than 28,000 people and $5 billion in U.S. revenues. In 1989, he directed the global merger of Deloitte Haskins & Sells and Touche Ross. The 62nd inductee into the Accounting Hall of Fame, Cook has also received numerous awards for his commitment to the advancement and retention of women, including the School’s 1998 Botwinick Prize in Business Ethics.

To capitalize on the School’s strategic location in New York City and strengthen its relationship with the corporate community, the Executives-in-Residence Program hosts a cadre of experienced senior executives who provide support to the School through advising, teaching and special projects.

ZELDES RECEIVES SAMUELSON AWARD

Stephen P. Zeldes, the Benjamin Rosen Professor of Finance and Economics, was awarded the 1999 Paul A. Samuelson Award for Outstanding Scholarly Writing on Lifetime Financial Security. Enlightening the current political debate over Social Security reform, Zeldes’s article, “Social Security Money’s Worth,” coauthored with John Geanakoplos of Yale and Olivia S. Mitchell of the Wharton School, exposes costs and risks that have been previously obscured in reform proposals put forth from a wide range of political and economic perspectives. A panel of six distinguished judges concluded that the study, first published in Prospects for Social Security Reform (University of Pennsylvania Press, 1999), should be a starting point for almost any discussion of Social Security policy.

The Samuelson Award, named for the Nobel Prize winner in economics, is administered by the educational and research institute of the Teachers Insurance and Annuity Association–College Retirement Equities Fund. The award carries a $20,000 cash prize and was presented at the Allied Social Science Association’s annual meeting this January in Boston.
WEST COAST STUDY TRIPS BOOSTED BY ALUMNI

The third annual High Technology Club study trip to Silicon Valley was the best yet, with alumni providing key support. Nearly 90 students spent the week of January 10 visiting companies, networking with industry leaders and interviewing for full-time and summer jobs.

Among featured events was a dean’s reception, hosted by Edmond Sanctis ’93, president & COO of NBCi, and a recruiters breakfast, underwritten by Carolyn Everett ’95, COO of Sunshine Media, with more than 20 companies in attendance. Several firms were represented by alumni recruiters. A venture capital panel was also a success.

Don Bibeault ’65, president of Bibeault & Associates and a member of the School’s board of overseers, acted as moderator, and Sue Toigo, also a board member, funded the event.

Site visits, many arranged and hosted by graduates, offered a view of the wide range of business opportunities in the valley.

Student Lule Demmissie ’01 says of the experience, “San Francisco, with its happening high-tech start-up scene, was infectious. Within a day, I learned how to use words like B2B, busdev and space.”

In Los Angeles, Media Management Association members took part in the Digital Coast Conference 2000, which was sponsored by Everett and Sunshine Media’s Bikini.com. Dean Feldberg joined 200 alumni, students and industry executives at the January 14 conference, which examined how new digital infrastructure is affecting the Los Angeles business community, with a particular focus on content and the Web.

Chad Gutstein ’00 chaired the conference, and Robert N. Fried ’83, CEO of WhatsHotNow, which provides e-commerce retailing to entertainment, sports and lifestyle licensed merchandise, was a panelist.

The event also included panel discussions with venture capitalists backing Internet ventures.

BARTEL AND GUPTA NAMED TO ENDOWED CHAIRS

In January, the trustees of Columbia University appointed two faculty members to chairs at the Business School. Professor Ann Bartel was named the A. Barton Hepburn Professor of Economics, and Professor Sunil Gupta was named the first Meyer Feldberg Professor of Business. The Feldberg chair was established by the classes of ’72 and ’73 as their 25th reunion gift.

Director of the School’s Human Resource Management Program, Bartel is an expert in the fields of labor economics and human resource management.

In 1992, Bartel received the Margaret Chandler Memorial Award for Commitment to Excellence in teaching. Active in Executive Education, she has served as faculty director of the negotiations course. She also has been on the Executive MBA Advisory Committee since 1994. She is a research associate at the National Bureau of Economic Research and the recipient of grants from the Alfred P. Sloan Foundation and the U.S. Department of Labor, among others.

Chair of the Marketing Division, Gupta regularly teaches the core course in marketing, MBA electives and doctoral courses and is a frequent contributor to Executive Education programs. He received the 1999 Dean’s Award for Teaching Excellence in a Core Course.

Gupta’s research examines pricing strategies and the modeling of consumer choice behavior. His work has been singled out for its creativity and influence with four best prize recognitions.

In addition to research and teaching, Gupta serves on the editorial boards of five premier marketing journals, including the Journal of Marketing Research and Marketing Science, and is a trustee of the Marketing Science Institute.
The School’s board of overseers has added four new members to its ranks: Jean-Luc Biamonti ’78, Erskine Bowles ’69, Nand Khemka ’55 and Daniel Stanton ’81.

Jean-Luc Biamonti is managing director at Goldman Sachs International. This issue of Hermes features an in-depth profile of Biamonti on page 24.

Erskine Bowles became general partner with both Forstmann Little & Company and Carousel Capital after serving as White House chief of staff from 1996 to 1998. He was named to the post by President Clinton after having served as assistant to the president and deputy chief of staff in 1994 and 1995 and administrator of the U.S. Small Business Administration in 1993 and 1994.

Prior to his government service, Bowles served as chairman and CEO of Bowles Hollowell Connor & Company, a Charlotte-based investment banking firm he founded in 1975. He is responsible for developing investment opportunities at Forstmann Little, a New York private equity firm with more than $4 billion in capital, and Carousel Capital, a Charlotte-based merchant bank he cofounded in 1996.

Nand Khemka is chairman of the Khemka Group/SUN Group, his family’s company. After graduating from the School, Khemka joined Khemka/SUN in India, where he initiated business with the former Soviet Union in 1958. SUN developed extensive trade and business relations with major Soviet foreign trade organizations and has been actively involved in direct long-term investments in Russia since the early 1990s. In 1996, the company set up SUN Capital Partners, a $155 million private equity fund. In India, Khemka/SUN has substantial industrial investments, including joint ventures with leading U.S. corporations.

Daniel Stanton was elected managing director at Goldman, Sachs & Co. in 1996. After joining Goldman in 1981 in private client services, he became regional manager of the Boston office from 1990 to 1993 and served as head of global securities services and as president of the Goldman Sachs Trust Company from 1993 to 1996. In 1994, he was elected general partner. In January, Stanton moved to Germany to cohead Goldman’s Frankfurt office.

The firmwide liaison with the School, Stanton has also served on Goldman’s charitable contributions, training, recruiting, Internet strategy and equities division operating committees. He was on the Canisius College board of regents and was the recipient of that college’s Distinguished Alumni Award in 1999.

COLUMBIA ON ICE

On a chilly January night, more than 100 entering members of the class of 2001, along with their spouses and children, laced up and took to the ice for “Columbia Business School Night” at Rockefeller Center as part of spring-term orientation. Other orientation activities included an evening reception hosted by Salomon Smith Barney.
Business Without Borders
By providing a historical perspective and looking ahead at changing costs and changing channels in the new world of Internet business, Professor Eric J. Johnson offers advice on “taming the beast of e-commerce.”

The Bottom Line, Online
Citing new research on customer expectations and online behavior, Professor Bernd Schmitt discusses crucial elements of the Internet experience—elements that can determine a Web site’s success.

Global Warning
As the capabilities of electronic commerce grow exponentially, U.S. dominance in the global marketplace becomes increasingly inevitable. Professor Eli Noam warns of the potential for international cyber trade wars.

O Pioneer!
Imagine a week in an empty Manhattan apartment with Internet access as your only means of survival—all while being watched on national TV. Darryl Hollar ’00 describes his experience as an e-cave dweller for Good Morning America.
Business Without Borders
Ever day we hear astonishing predictions about the impact electronic commerce is expected to have on the global economy. Internet stocks, and indeed all things Internet, are skyrocketing (and some may soon be collapsing) on a daily basis. These trends make the entire area of e-commerce complex and apparently problematic for managers. You may find yourself uncertain as to what path to take, yet convinced that if you don’t proceed aggressively, current or future competitors will race by you and dominate the nascent electronic market. A growing number of businesses are moving forward, most with more than a little trepidation and uncertainty.

A HISTORICAL VIEW
It is often instructive to look backward in order to understand the future more clearly. By looking at historical analogies, we can see in retrospect the key benefits and difficulties in the relationship between new technology and business models. One analogy that strikes a number of observers as relevant is the introduction of broadcast radio. Much like e-commerce, its early practitioners were essentially technologists rather than business professionals. As radio got off the ground and established itself, many fortunes were made and lost. The erstwhile inventor of a key radio technology Lee de Forest was involved in multiple failed companies, arrested and tried for stock fraud, and died nearly penniless. De Forest’s mistake? He had the wrong business model, thinking that manufacturing hardware (radios) would produce significant returns. Most programming (content in today’s terms) was horrendous, and it was not until David Sarnoff understood the economics of the new medium that the first real business model appeared. He realized that the same program could be broadcast over many different radio stations and that in doing so the cost of the programming could be amortized over many stations and listeners, lowering production costs and increasing the quality of programming. For the first time, advertising could be sold to a national audience, changing fundamentally the cost of reaching a mass audience.

CHANGING COSTS AND CHANGING CHANNELS
To tame the beast of e-commerce, it is best to understand how these technologies change costs: in the words of Deep Throat, Bernstein and Woodward’s informant in All the President’s Men, “Just follow the money.” Just as mass advertising generated new businesses and new business models earlier, so e-commerce is doing now. To understand these models, one must understand how the adoption of information technology by customers radically changes costs, in many cases by a factor of 10. Some costs are changing because of changes in supply chains and channels of distribution. In many cases, reduced costs allow producers to go directly to customers, eliminating such intermediaries as distributors and physical retailers. This phenomenon, disintermediation, happens when e-commerce provides a lower-cost way for producers to reach their customers. This is particularly true in industries in which the principal product is already digital—or, as economists put it, information goods.

Consider the airline industry and its intermediaries, travel agents. The most salient products generated by travel agents are information goods: prices, departures, availability and the like. And the providers of these products are often the airlines themselves. The only physical product, a ticket, is being replaced in many cases by an electronic ticket. Some airlines have seized upon this as a profit opportunity, booking tickets directly using their existing information assets. United Airlines, for example, has introduced software and a Web site that allow customers to book their tickets on more than 500 different airlines through the existing online reservation systems, but using a very friendly front end. Similar efforts are being conducted by most major airlines. The benefit to the airline: it now collects the commission. According to published reports, an airline’s cost for booking a transatlantic ticket through a travel agent is between $70 and $80. The online cost is about $20. In addition, United gains information about flights taken on competitors as well as information.

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about hotel or auto-rental bookings, both of which are available through this online service. And United is likely to experience an increase in customer loyalty as familiarity with the online booking system grows.

Reduced costs do not, however, mean the elimination of intermediaries. They also create opportunities for both new intermediaries and new markets, which are being created because of cost changes. One example is the well-known online vendor eBay, which has established the equivalent of a national flea market. It has taken advantage of the reduced costs generated by information technology to increase the number of potential buyers and sellers. Currently, more than 4 million items are for sale on eBay. Can you imagine the cost of printing this catalogue? eBay uses sellers to generate the content and provides only information, about both goods and sellers. Interestingly, although there are reputable auction services run by major players like Amazon and Yahoo that charge nothing, eBay still commands an 80 percent share of the online auction market.

As impressive as eBay’s success is, the real success stories among new intermediaries are likely to come from business-to-business markets. These markets have traditionally been very costly and, it could be argued, inefficient, with limited numbers of buyers and sellers and with information transmitted (and in many cases held) by brokers. Here, new intermediaries like Chemdex, E-Steel, MetalExchange and many others are competing to invent business models that leverage the reduced costs offered by information technology.

Suddenly, the research that once seemed so theoretical has real-world relevance.

THE BUYER’S VIEW: TIME IS MONEY

In any transaction, there are, of course, at least two participants: buyers and sellers. Many of the changes in cost we are describing are savings not only for the firm but also for the buyer in that most precious of commodities, time. Much of the research I have been involved in examines how e-commerce can save customers time. In one paper, my colleagues and I have shown that those who are most likely to buy online are those who are starved for time. For example, one predictor of who is buying online is the number of hours worked by each family member. In another project, we show that those Web sites that are easily learned generate more purchases. This runs a bit against the conventional wisdom that good Web sites are “sticky,” holding their customers a long time. While that is true for some business models, we show that if you are making money by selling things, the faster your customers can close the purchase, the better. In many cases, Web sites seem to be designed by graphic artists who believe that a good site is like a good magazine page. Instead, our results suggest that a good e-commerce site is like a good, convenient store, where it is easy to find what you want to buy. More important, given that most electronic shopping baskets are abandoned, it should be easy to check out.

Above all, these effects are important not just for initial sales but also for continuing loyalty. A great fear in e-commerce is that people will use price search engines, or bots, to locate the goods they want at the lowest possible price. Again, our research suggests that such price shopping is limited and that, for now at least, buyers are more swayed by high levels of service than price.

FOR COLUMBIA BUSINESS SCHOOL: CHALLENGES AND OPPORTUNITIES

Understanding how to compete in this world of changing costs is challenging. For professors, this challenge is also an opportunity. Suddenly, the research that once seemed so theoretical has real-world relevance. But the need for new curricula follows closely as well. Columbia Business School is integrating e-commerce in meaningful ways throughout the core curriculum, new electives and executive education. There is great demand—for example, the first three sessions of the Executive Education course E-Commerce: Creating a Strategic Advantage are sold out. What is gratifying, however, is that many of the ideas that once might have seemed to be obscure academic research are, in fact, of value.

Eric J. Johnson, the Norman Eig Professor of Business at the School, teaches in the Marketing Division; the Media, Entertainment and Communications Program; and Executive Education. Coauthor of Decision Research: A Field Guide and The Adaptive Decision-Maker, he has a strong research and teaching interest in electronic commerce.

For more details, visit http://ecom.gsb.columbia.edu.
The World Wide Web has changed many people’s lives—both as businesspeople and as consumers. Businesses can find suppliers in seconds. The Web offers savings, efficiency and velocity in supply-chain management. For consumers, the Web has made most ordinary transactions easier and often cheaper. With a few clicks, consumers can book a flight and the lodging and rental car to go with it. The Web gives consumers instant access to books, music and other goods, at a cheaper cost and delivered right to their doorsteps. Even big items like cars are more easily available—online, consumers can get all the information they want, find
a dealer or even place an order directly with the manufacturer. However, as most of us know all too well, the Web also brings with it hassles and disappointments. Think about excessive download times, and then not being able to configure the new software for your system or music to play on your MP3 player. Then there are the Web sites that promise information but make it nearly impossible to get to. Other sites are poorly structured, offer no contact information or provide no follow-up service when something goes wrong.

What differentiates successful Web sites from unsuccessful ones? Smart marketers know that it is a matter of understanding the online experience. Michael Dell, addressing the Detroit Economic Club last November, argued that “the two top drivers of online loyalty are the quality of the customer experience and on-time delivery. I believe a company is vulnerable if this experience is not part of their differentiation. At Dell, we continue to focus on differentiating ourselves through a positive customer experience.” In the long run, the companies that offer the right experience will be the biggest winners.

But what exactly is an online experience? Online experiences can encompass a variety of elements, including banner ads and sponsored content, news mailings, various forms of Web PR (such as presence in chat rooms and newsgroups) and the intranet communication system. Of course, the most visible and important element of the online experience is the company Web site. To be successful, companies need to be sure that their Web sites provide the right experience with their company and brands.

By now, many companies have constructed their third- or fourth-generation Web sites. Still, many are failing to deliver the right experience. Some companies’ sites look like little more than scanned-in corporate reports or product brochures. I call these “corporate brochure sites.” Text- and information-heavy, they are painfully boring. Such content-heavy sites are in fact inappropriate for the medium of the Web. They do not take advantage of the Web’s unique strengths: the interlinked nature of many sites that invites browsing, the interactivity with the user and the opportunity to customize the site for the user.

Just as bad is the opposite extreme: the “oh-so-Webby” site. These sites—full of animation and sound (designed using the latest Flash software)—are long on bells and whistles but short on information value. They require long download times and all the latest plug-ins, which many users do not have and will not bother to install.

The question is how to find the middle ground—to create a Web site that provides appropriate information in a style that takes full advantage of the Web’s capabilities. Three factors have to be considered: the customer, the type of Web site the company should create and the back-end support system to deliver the site.

To create the right experience for customers, marketers first have to understand them in terms of their geographic, demographic or lifestyle characteristics (in B2C markets) or in terms of industry characteristics (in B2B markets). Behavioral profiles, as well as geographic, demographic and lifestyle ones, are now widely available from such firms as Forrester Research, Scarborough Research, Roper Starch and others. Such information can also be easily accessed on Web research sites such as www.cyberatlas.com.

However, such an understanding needs to be supplemented by looking at how users actually approach a given site. I have conducted research on this issue with a graduate student, Reimar Mueller. Our study found that factors affecting online behavior (i.e., the probability of liking the site, browsing it and bookmarking it) include customer expectations and goals. Customer expectations are often set up by a general knowledge of the company. Just imagine, for example, what kind
of site you might expect from a company like American Express—what kind of look and feel, what kind of information. A company’s advertising style can also set up expectations for its Web presence. When Visa, for instance, has an aggressive ad for its new NextCard, declaring that “banks are history,” we expect a cutting-edge site to match the iconoclasm of the ad campaign. When we actually visit these sites, we may be positively impressed or we may be disappointed. The expectations consumers bring to a site can affect their online behavior.

Goals are another important determinant of online behavior. What does a visitor want from a site? The www.cnn.com site gets huge traffic every day, but people stay for only a short period to update information and news. By contrast, users go to the Encyclopedia Britannica site (www.britannica.com) to gather more detailed information and knowledge. It is important to understand these different goals when designing navigation structures, putting up search engines and planning hyperlinks with other sites. Similarly, on an e-commerce site, does the user want to shop with one click or browse around awhile before buying? To put it simply, is the customer’s goal to seek content, to engage in a transaction or to be entertained? Understanding users’ goals can help companies create satisfying online experiences for them.

The second key consideration is the type of Web site best suited to deliver the experience. In the book Experiential Marketing, I distinguish five types of experiences that marketers can create for customers. These five experiential categories—sense, feel, think, act and relate—are relevant to Web sites as well. Sense sites appeal to the senses. They are beautiful, colorful and evocative of sensual experiences. Feel sites appeal to the emotions: love, sympathy, outrage, etc. Think sites stimulate the intellect and challenge the mind. Act sites motivate a visitor to do something, to join in. Relate sites encourage visitors to identify with a particular social group and encourage consumers to feel themselves part of an online community. Many of the best sites have aspects of all these and thus deliver holistic experiences—the most complete and fulfilling of consumer experiences.

The final factor that shapes online experiences is the back-end support system. This includes the management of the overall site architecture (e.g., of routers and connectivity tools); the database, payment, transaction or credit-card verification system needed to manage the site; the back-end support system to deliver the goods; as well as the integration of Web communication with other forms of communication. The latter point is critical. The Web site and the online experience it provides are not stand-alone marketing and communications tools but rather part of a company’s comprehensive communications strategy (including visual/verbal identity, PR, advertising and sales visits). Therefore, the site needs to be integrated with these other elements in coordinated marketing communications. The best companies speak with one voice, integrating the real and the virtual.

As companies continue to explore the promise of the Web, they need to be attuned to the importance of the online customer experience. As Bill Gates wrote in Business at the Speed of Thought: “The merchants who treat e-commerce as more than a digital cash register will do the best. Sales are the ultimate goal, of course, but the sale itself is only one part of the online customer experience.” As the Web continues to grow and evolve, companies need to understand that the bottom line online is inextricably linked to the kind of experience they furnish for their customers.

Bernd Schmitt is a professor of marketing, director of the School’s Center on Global Brand Leadership and the faculty director of a new Executive Education program, E-B2B: Winning in the Digital Economy. His most recent book is Experiential Marketing: How to Get Customers to Sense, Feel, Think, Act, and Relate to Your Company and Brands (The Free Press, 1999).
Cyber trade wars could heat up if U.S. growth continues on its current trajectory.

BY ELI NOAM

While e-commerce is still largely viewed through rose-colored glasses, this romance will sour in many countries as the impact of competition sets in. The expense of overcoming distance has always protected domestic firms from foreign competition. But now, the rules are being rewritten. In the new e-commerce environment, U.S. firms have taken a lead that will grow for the "farseable" future. It is important to understand the implications for trade relations.
The key change to a globalization of e-commerce is the revolution in information transmission. Right now, the capacity of telecom networks is inadequate for many applications, such as real-time, full-motion video. The slowness of connection has led to the dismissive term the World Wide Wait. But soon, technology and investments will set the problem of congestion on its head. The decade of the '90s was dominated by the revolution in processing power, based on fundamental semiconductor advances of the 1980s. For a while, transmission could not keep up with processing, and bottlenecks emerged. But in the new decade, transmission will be the driver instead of the brake. Optoelectronics will be the silicon electronics of the '00s. Information transmission capability will grow at a rate double that of information processing, fueled by a combination of technological progress, abundant financing and regulatory liberalization. Wireless communications will add geographic ubiquity. Today's complaints about bandwidth shortage will seem as outmoded as the talk at the beginning of the previous century, when people worried whether there would be enough women in America to staff all those manual telephone switchboards.

The most obvious impact of this capacity is that prices drop and become time- and distance-insensitive. Basic transmission becomes a commodity, and international long-distance service becomes flat-priced. This has many long-term implications. Let's look at three services—TV, e-commerce and education.

### TELEVISION MEDIA

Whenever a new media technology comes along, much of the early buzz is about culture, education, health and peace. But if media's past is a guide, the emerging international communications system will be used to a considerable extent for entertainment. The low price of transmission capacity permits customization and personalization of program delivery and advertising. It becomes possible to operate video servers at a distance and to reach viewers in other countries.

In that environment, the big winner will be Hollywood. With distribution cheap, content is the scarce element, and only Hollywood seems capable of producing the kind of premium programs desirable around the world. Vertically integrated Hollywood firms will distribute their products from a series of big video servers that they or their partners will run. This means that the emerging Internet-TV will be strongly American in content and style, except where localism is essential to content, and bypass the traditional national gatekeepers of national TV stations, networks and regulators.

### E-COMMERCE

Low-priced global transmission leads to a great rise in electronic transactions. And here, too, U.S. firms will be most successful. They will benefit from proximity to technology, access to risk capital, advantage of early entry and a large home market. As in many network industries, positive network externalities exist; that is, users benefit from still other users joining. The bigger the network, the greater the users' willingness to pay. These demand-side economies of scale give advantages to early entrants in individual markets. And once a successful model is established for the U.S. market—with transmission price near zero, with easy scaling up and with market capitalizations that encourage expansion—there is no reason to stop at the border.

### HIGHER EDUCATION

Another example for the fundamental impact of low transmission cost is higher education. The traditional university system goes back 2,600 years to Nineveh and then Alexandria, and was revitalized in 13th-century Europe. The basic organizational driver had been the scarcity of information, which therefore needed to be stored and shared, with scholars coming to it and students coming to the scholars. But now, information can be anywhere. Therefore, scholars can be anywhere, linked to one another, and the students can visit the scholars electronically. This does not mean that such a form of education is superior to face-to-face or that it will replace traditional teaching. But it can be delivered at much lower cost and with greater convenience and will therefore be used in new ways and for new audiences.

Again, U.S. providers are at the forefront of utilizing these basic dynamics. American universities, of which there are a large number, are used to competing with one another for students, faculty and resources. They have already become the major world exporters of higher education, despite their high price tag. With electronic distance education, they could branch out globally. Commercial
firms such as publishers and new virtual universities will push
the envelope domestically and internationally.

A CONFLUENCE OF STRENGTHS

What this discussion shows is that U.S. firms will be able to
capitalize on the emerging revolution in transmission capacity
and prices. It is a confluence of strengths. There is content,
Hollywood. There is hardware, Silicon Valley. There is software,
Redmond and elsewhere. There is capital, Wall Street and VCs.
There are engineering and business schools of note. There are
telemarketers and mail-order firms with an aggressive track record.
There is language. There is the immigration of vast and diverse
talent. There is the cultural role that comes with being the super-
power. There is a large and increasingly sophisticated domestic e-commerce user base. And
there are transmission carriers that have been subject to greater
competition and performance pressures than elsewhere.

Of course, many factors also exist in other countries. Yet rarely
do these strengths come together as much as in the United States.
Yes, more Finns per capita use the Internet than Americans, but
has anyone listened to good Finnish music over the Internet or
bought some merchandise from a Finnish e-store lately? Domestic
sites exist, of course, in many countries and often benefit from
their local inside track. But they are much weaker internationally.
In consequence, most of the world’s major e-commerce sites
are either U.S.-based or have American partners.

How can one prevent a political Luddism that is
presented as the alternative to
electronic Darwinism?

IMPLICATIONS FOR INTERNATIONAL
TRADE RELATIONS

Success has its curses, too. It is
another instance of what econom-
ist Joseph Schumpeter has
called the creative destruction of
capitalism. There will be many
losers, and it is characteristic of
losers to organize themselves and
seek protection in the political
sphere. There will therefore be an
inevitable backlash in some coun-
tries, and various restrictions will
be instituted. An example today
is the transatlantic fight over the
privacy protection of data, in
which EU countries are threaten-
ing to block data transfers to the
United States unless the United
States upgrades its privacy laws.
The issue is partly one of different
traditions for privacy rules. But it
also has a trade-protectionist
dimension in that it slows down
the brash U.S. telemarketing firms.

But can other countries control
activities, even if they want to?
Conventional wisdom says no.
After all, high school kids can
run electronic circles around
flat-footed, heavy-handed govern-
ments. Yet such assertions reflect
wishful thinking. Like it or not,
governments can regulate many
aspects of the Internet. Since they
cannot control many electronic
transactions themselves, they will
go after the less flexible elements,
such as physical delivery, people,
transmission facilities and assets.

So what is the conclusion?
The next decade will see the
death of distance, caused by
the radical drop in transmission
prices. All this will have an
enormous impact on just about
every societal institution. In this
transformation, the United States
is gaining nicely, but disproportio-
nately. Other countries could
accelerate their own transforma-
tion, and they are trying. But it is
not easy to catch up. The develop-
ning world, despite telecom
reforms such as gradual privat-
ization, is actually falling farther
behind as the technology moves
away from dumb telephony. Only
4 percent of the world’s Internet
hosts are in developing countries.

Instead, the easier route is to
slow down the winners, and to do
so collectively. And the question
now is, how can one prevent this
curse of success? How can one
prevent a political Luddism that is
presented as the alternative to
electronic Darwinism? We must
explore the answers to these
questions. Because if we do not
know where we are going, we
may actually get there — to the
age of cyber trade wars.

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concentration, electronic banking
and the cybermedia of the future.
The term pioneer conjures up brave men and women from earlier centuries who set out into the wilderness, seeking uncharted territory. Darryl Hollar, a second-year Columbia Business School student, is a new kind of pioneer. Instead of venturing into the outdoors, he retreated into the confines of a New York City apartment, bare except for little more than a PC with Internet access. Recruited by ABC’s Good Morning America to spend a week as an e-caver, surviving by the World Wide Web alone on a budget of $500 a day, Hollar blazed a trail straight into the not-too-distant future, when society at large will rely on the Internet not just for e-mail and shopping but to meet its workaday needs, such as potato chips, socks and toothpaste. After his week as an Internet pioneer, Hollar answered Hermes’ questions about his experience.
How did you become involved in the e-cave experiment?

I have a friend who used to work at ABC. They interviewed me, and I guess they liked me and the synergies with the business school stuff—that, as a business student and entrepreneur, I have a personal interest in and knowledge about the Internet and e-commerce.

What were your expectations going into it?

In the beginning, I knew I would be interviewed by Charlie Gibson and Diane Sawyer every morning on Good Morning America, and that was fine. But then they told me that the Web camera was going to show the living room from 6 a.m. to midnight every day and that it was going to go on the Internet. So that was the part I was a little apprehensive about.

Did you have an obligation to stay on camera for a certain amount of time every day?

No, the only obligation was that I had to be available to chat, because they had a chat room set up for two hours a day, or something like that. But I ended up doing it a lot more because I got about 1,900 e-mails during the course of the week. Just returning those e-mails, being in the chat room and trying to buy things took up the whole day. But it was easy to forget about the camera until someone would e-mail me and say, "What was that you just put down? Who was that who just came in? How was that apple you just ate?"
So, looking back, how did the week go?

Well, it's hard to get things on the Web in a short amount of time. Even though some companies say they can get orders to you overnight, it takes them up to four or five days to process the order, and then they ship it out overnight, so you get it in a week. The first day I ordered from Kozmo.com, and that stuff—you know, chips and pretzels and sodas—I got in an hour, and I bought enough just in case I didn't get any other food. The smaller companies got back to me more quickly than bigger companies, and with customer service, instead of getting just some low man on the totem pole, I got to speak to someone who's close to the owner. And the companies that were set up just as online stores, they had their distribution systems set up better than ones that were traditional retail stores going into online.

What brands did you keep going back to, and did your buying strategy or brand loyalty shift over the course of the week?

I used Urbanfetch.com. They're a competitor of Kozmo.com, but they do electronics also. They get your things within an hour to different zip codes in New York. They're good—I've been using them since I left the cave. Banana Republic, too. If I had to get something online, if I just couldn't get out to the store, I would use them because they came through really quickly. Also, the way you select sizes was convenient, and the colors were true to the way they looked on the computer screen. I would use the grocery services too. That's the thing I've used since I left the e-cave that has been most practical, because, being in business school, by the time you get home, it's late. Homedelivery.com is a service that goes out to restaurants or stores in your area. You buy stuff through them, and they go to the store or restaurant and pick up your order and bring it directly to you.

What would you say you learned from the experience?

I have a degree in computer science—that's my first master's—and I've always been on the programming side, building the application. So it was interesting to see as a user—and, granted, I use the Web a lot—how hard it was to interact and how nonintuitive some of these systems were.

We heard you received more than 20 marriage proposals. Were there any other surprise developments?

In the beginning, one report that Charlie Gibson put out over the air was that my dinner never came. I ordered food from a grocery store, and that stuff never came because their policy was that you e-mail them to place the order but they need to call you to confirm the order. So people were sending me Power Bars, and it was really touching that people cared even though they had never met me before. All these people were e-mailing me, and little kids were doing their current events reports on me and some elementary and middle school classes were watching me every morning.

Did you feel at times as if you were glimpsing the future, like this is how we're all going to live our lives in a few years?

For me, it was a glimpse of how far we are from where we're going to be in the future. Things aren't going to be just a progression of what we're doing now, because as computers get smaller and wireless and wearable, we'll be interacting with our computers in the same manner but outside, around other people. We're not going to have to be locked up in a room by ourselves when we're buying things on the Internet. The next generation of computers is going to be wireless, and we're going to be able to put them on, carrying them in our shirt pocket. That's the real point—it's going to become a much more social activity.

Darryl Hollar '00, who lives in Brooklyn, is concentrating in entrepreneurial studies. He is launching an Internet animation company and says he "made some good contacts through the e-cave experiment."
A FAMILIAR BRAND GETS A BOOST

When Pizza Hut announced that it would pay an estimated $1 million to put its logo on the side of a Russian rocket as part of a major ad campaign that would include commercials, in-store promotions and, potentially, pizza in space, it raised the eyebrows of some industry experts. CNBC (9/30/99) asked Professor Bernd Schmitt, director of the Center on Global Brand Leadership and author of Experiential Marketing, to discuss the implications. He agreed with some critics that the campaign could potentially alienate consumers if it came across as too commercial or wholly unrelated to the product. But overall, he found the concept extremely creative, providing consumers with an engaging experience that they will not soon forget.

E-BUSINESS STUDIES

The rapid growth of the Internet has challenged many established norms in the business world, and business school curricula are no exception. Universities across the nation have been forced to reevaluate their programs to determine the best model for e-business education. But institutions have differed about the most effective approach for teaching the subject, with some schools developing separate e-business programs and concentrations, while others are incorporating it throughout the curriculum. Eric Johnson, the Norman Eig Professor of Business, discussed the situation with the New York Times (1/16/00) and supported a curriculum-wide integration. The article also highlighted the School’s revamping of courses in the last year to include e-business concepts as well as the creation of courses with a heavy Internet emphasis in the Marketing, Finance and other divisions.

KEEPING A HEALTHY ECONOMY IN CHECK

With financial markets hitting historic highs and consumer spending rising at almost the same rate, some economists, including Alan Greenspan, have advocated raising interest rates as a means of slowing the economy. CNN (2/2/00) asked Frederic Mishkin, the Alfred Lerner Professor of Banking and Financial Institutions and former research director at the Federal Reserve Bank of New York, about the Federal Reserve’s impending interest rate hike. He explained that the Fed’s actions discourage spending, thereby preventing a situation in which too many buyers vie for too few goods—a perfect recipe for inflation. Mishkin stressed that by taking small steps now, the Fed averts having to make more drastic and painful decisions later.

NEW FRONTIERS

A wave of innovative technology has swept through academia as virtual education becomes a reality. The advent of Internet companies that pledge to deliver classes and degrees electronically has fostered new opportunities for business schools to partner with dot-com companies. And with these relationships comes the potential for very high rewards. In a 1/10/00 article, the Financial Times said, “Business schools are finally practicing what they preach” as they enter the distance-learning arena. The FT highlighted Professor Meyer Feldberg, dubbing him “Columbia’s entrepreneurial dean” for establishing the School as a leader in this domain through its historic partnership with Unext.com, a distance-learning provider.

LEADING TO SUCCESS

A new breed of executive has emerged from the trend toward joint ventures: the alliance manager. The position calls for someone who can accomplish the impossible—ensuring that all sides in a joint venture remain happy. Intrigued by her research on joint ventures, Business Week (10/25/99) approached Kathryn Harrigan, the Henry R. Kravis Professor of Business Leadership, for her expert opinion on the leadership characteristics necessary to maintain a successful alliance. Harrigan stated that the position requires humility and a willingness to learn. Unfortunately, she found these characteristics to be largely absent from most joint ventures she has studied.
THE DEAN’S TRAVELS
Texas — The Dean first visited Houston, where Charles Tate ’72 and his wife, Judy, (pictured below) opened their home to alumni and prospective students. He then traveled to Dallas, where alumni gathered at the Crescent Club to mingle and enjoy fabulous views of the city.

Seattle — Thanks go to George Hutchinson ’66 for hosting a warm gathering at the Ranier Club.

California — The Dean joined more than 85 students in Silicon Valley during their annual West Coast visit. Thanks go to Edmond Sanctis ’93 and NBC Internet for hosting a reception for more than 200 Columbia Business School alumni and students at the NBCi offices. The Dean also traveled to Los Angeles to join students from the Media Management Association at the Digital Coast Conference, sponsored by Carolyn Everett ’95 and Bikini.com. With 200 alumni, students and industry executives in attendance, the conference was an enormous success.

Berlin and Paris — Adjunct Professor Roger Mesznik ’68, PhD ’81 (finance and economics), and Professor Donald Sexton (marketing) led a contingent of EMBA students to Prague, Berlin and Paris. In Berlin, their trip was arranged by board of overseers member Heinz Dürr, and in Paris their visit included lunch with and a talk by board member Daniel Piette ’70, chairman and CEO of LV Capital.

Chicago — In mid-April, the Chicago alumni club hosted Dick Notebaert, retired chairman and CEO of Ameritech, for a reception and lecture.

China and Hong Kong — In March, Bernd Schmitt, professor of marketing, and Ronald Schramm, assistant professor of finance and economics, led EMBA students on a trip to the Far East. With the help of Esther Ma Lee ’92 and Helen Lin ’89, students and alumni got together for dinner and a panel discussion on the use of Internet technology.

Korea — A special thanks to the Korea alumni club for its recent generous contribution in support of scholarships at the School.

London — Safwan Masri, vice dean of students and the MBA programs, recently had the opportunity to visit young alumni in London. With more than 600 energetic and enthusiastic alumni in England, we expect to see more club activity in the near future. Stay tuned!

New York — In March, the New York alumni club hosted Benjamin Netanyahu, former prime minister of Israel, as part of the Millennium Speaker Series.


Jean-Luc Biamonti, Monaco native, art enthusiast and Goldman Sachs managing director, is emerging as a modern European master of investment banking.
Growing up in the sparkling seaside Principality of Monaco, Jean-Luc Biamonti ‘78 knew one thing for sure: he would work in investment banking—and on a global scale. “I never had any doubts in my mind,” he says.

He also knew that, to do so, he would have to leave home. So at age 16, having passed the baccalauréat, the rigorous French final high school exam, Biamonti left Monaco for Paris. After earning an undergraduate degree from ESSEC, the Paris business school, and spending three years with French bank Paribas, his next step was to fine-tune his business education and gain experience abroad. He enrolled in Columbia Business School.

“It was important for me to have this international experience, to have, in addition to the Columbia education, the cultural shock of the United States and New York, of being thrown into a different environment and seeing different types of people,” Biamonti explains. Shrugging off the added challenge of being an international student, he completed his MBA in 16 months and was elected to Beta Gamma Sigma, the prestigious business honor society.

Biamonti was ahead of his time. Starting his career at Nestlé, he spent the next two decades working in mergers and acquisitions there and then at Credit Suisse First Boston, Wasserstein Perella & Co., Crédit Lyonnais and, finally, Goldman Sachs. In 1996, he became a London-based managing director who works chiefly with companies in France, Belgium and Switzerland.

He was a central figure last year in the $59 billion merger between French oil companies Elf Aquitaine and TotalFina, as well as in two transactions by luxury goods giant LVMH: its acquisition, together with Prada, of a controlling stake in Fendi, and its acquisition of 20 percent of Gucci. Today, during a pioneering era of American-style, cross-border European megamergers, he is a top adviser at Goldman Sachs, the most successful investment banking firm in the world.

Nineteen ninety-nine was an unprecedented year, but not just for the most familiar reasons—e-commerce sales, dot-com IPOs and Y2K anticipation. The year also saw mergers and acquisitions activity in Europe that was unparalleled, in terms of the volume and size of transactions as well as their nature. Until recently, such unsolicited, transnational deals were inconceivable. These deals included the Continent’s first three-way hostile takeover bid (between French banks BNP, Société Générale and Paribas); a transatlantic merger between Chrysler and Daimler-Benz; the world’s largest hostile bid ever attempted (Vodafone’s $130 billion takeover of Mannesmann); and the acquisition of Elf Aquitaine by TotalFina, which created France’s largest company.

The last transaction, which was the largest M&A deal in Europe in 1999, brought about the Continent’s first-ever ‘PacMan defense’ as well as the largest fully underwritten syndicated loan to date. Goldman Sachs played a key role in each of these transactions. By the end of the year, M&A activity in Europe had more than doubled to a combined worth of more than $1 trillion—the largest one-year total ever.

“I think you have a lot of factors that were all playing in the same direction,” says Biamonti about Europe’s banner year. “First of all, you had a general appreciation of the stock market, with all the confidence that goes along with it—all the CEOs are very confident about the future, and they are more inclined to do this type of very brave transaction. Secondly, interest rates are very low, and therefore you can finance, at a reasonable cost, even a large amount of debt. Thirdly, clearly, the creation of the euro and the increasing speed of the consolidation of Europe as an economic entity are pushing a lot of those companies into those megatransactions, because they realize that their home market is no longer France but Europe—and maybe the world. Plus, it seems that the market has been giving a lot of credit to the potential synergies that are created in those mergers. Most of those transactions have an industrial logic—they are not transactions done by raiders or by financial buyers but, really, by industrial companies that know how to create synergy and a better combined entity than the two independent ones.”

European transactions of 1999 are often characterized as having been American in style, but Biamonti prefers to describe them as “more professional. Earlier it was much more of what we call the ‘golf course’ type of transaction, which, in other words, was two CEOs meeting on a golf course and striking a deal and shaking hands by the 18th hole. And here, it’s a lot of hard work, a lot of analysis, a very quantitative approach.”

The year was equally impressive for Goldman Sachs, which made a $25 billion IPO in May, and it
was especially so for the firm’s European arm, which was responsible for 27 percent—up from 21 percent in 1998—of the firm’s $4.4 billion in investment banking revenues worldwide. It is the fastest-growing area of the firm, with Goldman Sachs’s European revenues growing by 65 percent every year. Goldman Sachs has become the most highly sought bank in European mergers and acquisitions, beating out not only other American firms like Merrill Lynch & Co., Inc., and Morgan Stanley Dean Witter & Co. but also the great European banks, such as Lazard Frères et Cie and Schroders, on their home turf. In Europe, Goldman Sachs topped all other banks by advising on mergers and acquisitions worth $708 billion. Globally, the firm advised on 417 transactions with a combined worth of more than $1 trillion—making Goldman Sachs the world’s leading M&A firm.

Asked to explain Goldman Sachs’s dominance in Europe, Biamonti says, “The truth of the matter is that a couple of global firms, including Goldman Sachs, have made significant inroads in Europe. This is the result, first of all, of a very long investment period. We’ve been here on the ground trying to develop the business for the last 15 years, and it’s paying off now. We have been making significant investments in terms of local people in all of the major countries in Europe. We have people working either in the country [itself] or London but being very much part of the local network.”

“What we like to say is, ‘think globally and act locally,’” Biamonti explains. “So we have this capability to bring, in a domestic way, all the international know-how of the firm. Clearly, what has happened is that a lot of the local competition has not reacted quickly enough and does not offer a true global reach, as we do.”

The highlights of Biamonti’s own year were advising LVMH and Elf Aquitaine. The two LVMH transactions, says Biamonti, were another “part of the consolidation that is going on in the luxury goods industry. There is clearly a concentration with a few big players emerging there, and that has led to a lot of transactions. LVMH is a pioneer in the sense that it has been able to manage a multibrand portfolio integrating a lot of the back-office functions like production and advertising—but maintaining the strong independence of every brand and the strong identity of each brand, and developing that identity on a worldwide basis.”

Although Elf Aquitaine was ultimately acquired by TotalFina despite Elf’s launch of a counteroffer for TotalFina in a ‘PacMan defense’ strategy, the acquisition was made amicably, and Biamonti and the Goldman Sachs team “had significantly increased the price for the shareholders of Elf—by about $5 billion.”

“We have seen the first phase of those transactions with the creation of the so-called national champion,” Biamonti explains, “Elf and Total in the oil industry, BNP Paribas in the banking sector and Carrefour Promodes in retailing.”

It is impossible to predict with any accuracy what the level of M&A activity in Europe, and in the world, will be for the rest of this year, but Biamonti expects 2000 to live up to 1999. “A lot of the ingredients that were in place in ’99 are still there: low interest rates, strong equity capital market, need for rationalization and globalization across Europe. So I think it’s going to be a very strong year again in 2000.”

As for which specific industries will see the most activity, Biamonti expects to see “more of the same. The retail, banking and telecommunications sectors seem to be quite hot. In addition, we have a lot of very good Internet companies in Europe, and that sector also could go through a consolidation phase in the year to come.”

Perhaps one success later this year that Biamonti can predict with certainty is that of the School’s Pan-European Reunion 2000, which will be held in Monte Carlo from September 22 to 24 and for which he is serving as committee cochair. Biamonti has been a pivotal force in planning the reunion. He is a Monegasque citizen and the chairman of the Société des Bains de Mer, which owns three of Monaco’s luxury hotels, the casinos, the golf and country clubs and other facilities.

When discussing his home country, Biamonti speaks with obvious affection. “It’s a nice place to grow up, with nice weather and a lot of entertainment and cultural activities, even though it’s a small town,” explains Biamonti, a contemporary art enthusiast who, when traveling, tries “to spare an hour or so and go and visit a museum.” Monaco, he simply adds with a laugh, “is my country—so I like it.”

How fitting it seems that this fall, so long after he left Monaco to pursue his business education, his years of international experience and his chosen career, Columbia Business School is returning the favor and coming to meet Biamonti—at home.
DAYS of Wonder and Anger:
A Cautionary Tale

BY FLOYD NORRIS ’83

First you get rich. Then you build a business.

We live in an amazing age. The wonders of the Internet promise a revolution that may be even greater than the one wrought over decades by the advent of broadcasting. Venture capitalists compete to fund start-ups, and investment bankers compete to take those companies public long before they have earned a profit.

Employees leave established companies to work for new ones that cannot pay them nearly as much in salary, but that can offer lots of stock options. Those options will make the worker rich if the company manages to complete a public offering. Then the worker can move on to another company, collecting more options.

In the long ago time of the 1980s, when I began writing a column on the stock market, an initial public offering that doubled in price the first day was a wondrous phenomenon. The investment banker was pilloried for having under-priced the deal so badly, and companies were upset they had left so much money on the table.

Now such doubles are taken for granted, and it is not uncommon to see a company triple or better the first day. No one worries about money left on the table, for friends of all the insiders are getting rich the first day of trading.

With untested companies able to command multibillion dollar market capitalizations, temptations are great. There are companies that became hot IPOs on the strength of one order from an established company. Unnoticed by investors is the fact that executives of the established company were rewarded with shares, and even stock options, in the young company after they placed the order. Will the company eventually succeed? Does it matter?

Someday—I’m far too cautious to say when—these days will be recalled with a combination of wonder and anger. By then it will be clear which companies are prevailing in the e-commerce revolution. A younger generation will be envious of older employees who got options when the getting was good. Some people who were rich on paper will be bankrupt.

But what will amaze many will be the low correlation between business success and wealth. Those who worked for failed companies and cashed out in time will have lots of money, while some who invested in the winners will be losers. For many stocks now trade at prices that may be hard to justify even if the company does become a huge success.

In all this there is precedent. In the 1920s, a lot of money was made trading companies that had plans to get rich off broadcasting. Most of those companies failed. But the hottest speculation was in Radio Corporation of America, a company that in fact did come to dominate an industry that revolutionized the way business was done. In 1929, however, RCA traded at prices that would not be matched for decades to come. The business success was there, but the investor enthusiasm was long gone.