

Has the tipping point been reached?

The online world did not happen overnight

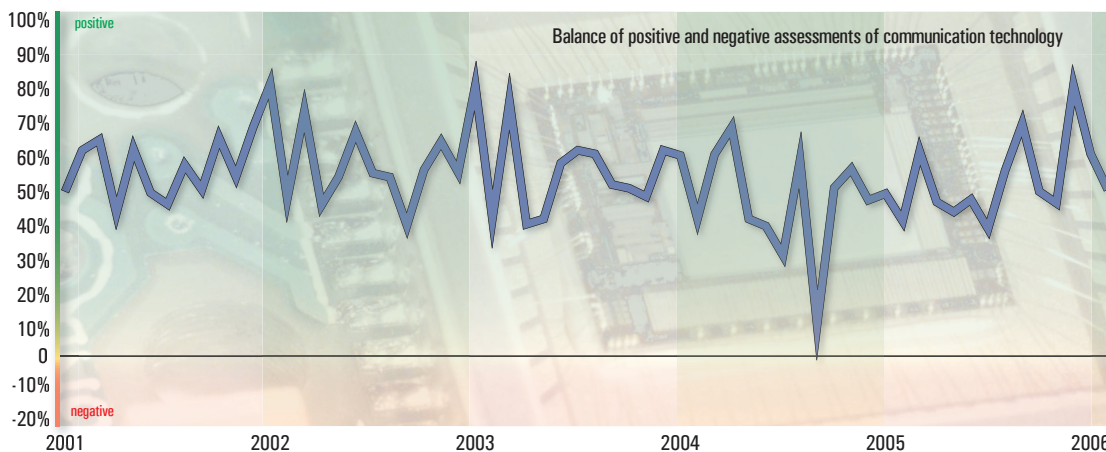
On January 30th, the German weekly **Spiegel** gave its absolution: Five years after the Dotcom crash online business was back. True, the old sins were not yet forgiven, but for several months Silicon Valley had looked more and more like before the crash: New companies were being founded, previously empty office space was being rented out again, and deals were happening. The end of the New Economy was only the end of the beginning, the next phase was on its way.

For the German media user, however, this is hardly surprising. Even though the online sector received a mighty bashing in the media in 2002,

no more IPOs and soon thereafter no more Neuer Markt. But the companies that had survived the crash seemed to be quickly rehabilitated – even the former stars of the New Economy whose share prices were still only a fraction of the peak.

One year later, the regained optimism also manifested itself in the **Media Tenor** data, when Google managed to remove the term “IPO” almost entirely from the investors’ list of swear words. At the time, the analysis of coverage showed an almost euphoric excess of positive assessments, not only for Google but also other successful Internet companies (see **Media Tenor** no. 147). Amazon, for example, had never slipped into the area of negative assessments by the leading German media for any longer than one month since the beginning of 2002. In 2004, its share price

① No technology crisis



Source: Media Tenor 01/01/2001 - 02/28/2006

2,964 reports about the mentioned companies in 14 media

the image of the most important remaining companies recovered relatively fast. The term “New Economy” has all but disappeared as a paradigm; nevertheless, online service providers only had the image of an industry in crisis for a very short period.

Normalization was on its way in 2003

In September 2003, **Media Tenor** had already pointed to the fact that coverage after the crisis looked increasingly like before the crash (see **Media Tenor** no. 136). Even if the New Economy as an umbrella term had become the synonym for a mass hysteria that ended up destroying huge amounts of capital, the remaining core of this phenomenon was already showing clear signs of recovery. There was no more coverage on IPOs on the Neuer Markt, because at first there were

had more than tripled, despite an overall weaker performance. Yet in the course of that year, it had only reached a third of the record valuation from 1999.

Not technology’s fault

An analysis of the coverage on technologies gives an insight into this optimistic attitude towards technology companies. The analysis of passages, in which the German opinion forming media (politics and economics sections) described products or characteristics of the Internet or other communication technologies, shows: Even in 2001, the darkest year of Dotcom devastation, they did not transfer the bearish mood of the financial markets onto the technology itself. Only at the end of 2004 did the image deteriorate briefly, however only from a very high level. This drop was followed by

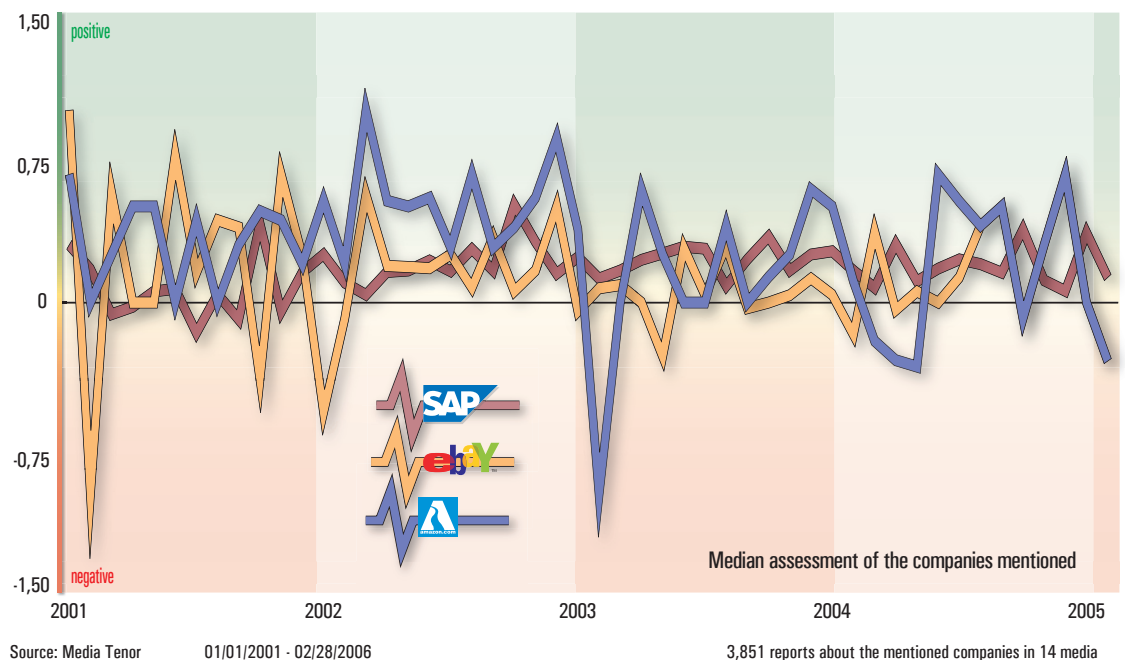
an immediate rise, which led to record high levels for the image of Internet technology at the end of 2005. Throughout the whole period, 1791 positive passages were offset against 205 negative ones in the media analyzed.

Despite the debacle on the financial markets, the media therefore retained their optimism for the basis on which the New Economy had been built: technology. It is not too surprising that in the process of the economic realization of their potential, those companies were able to regain trust step by step. Although there had been talk

sible for the rapid destruction of value, because they had no idea on what grounds the ballyhooed revolution should be realized.

Right now, the media's approval ratings for communication technologies are alarmingly high. A 40 to 60% overhang of positive assessments in overall coverage (median assessment) raises the question whether or not all journalists covering new technologies are aware of the actual effects and side effects. It is true that most of those technologies are of vital importance to modern society. But there are also darker sides, among others the

② E-Bay: New Economy star quickly rehabilitated



of many economic models without a basis during the Dotcom crash, the media confirmed that as a whole, the industry sector did in fact have a sound basis.

The mood swing was thus a logical consequence of what had happened. But it was also a sign that the media felt compelled to support the recovery in their financial coverage – otherwise they would have had a hard time to explain their growing success.

Missing the golden mean

At first glance, the data seems to suggest that the media acted appropriately. After all, the technology itself had not caused the stock market bubble at the turn of the millennium. Those who had proclaimed fast and effortless riches were respon-

sible for the rapid destruction of value, because they had no idea on what grounds the ballyhooed revolution should be realized. Digital Divide, viruses, data piracy, dependence on dubious providers or the dissemination of erroneous information. It continues to be the media's job to retain critical objectivity and to research behind the beautiful facades for their readers. In case of new stock market hype, as predicted by the Spiegel, the media will have a chance to stand the test. me

Basis:

Media: Welt, FAZ, SZ, Fr. Rundschau, Tagesthemen, heute, heute Journal, RTL Aktuell, Sat 1 News, Tagesschau, ProSieben Newstime, Focus, Spiegel, Zeit

Timeline: 01/01/2001 – 02/28/2006

Analysis: Passages about communication technology or about E-Bay, Amazon or SAP.