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WEEKLY INSIGHT
Germany closes its market for technology shares
It was born five years ago as Germany's alternative to Nasdaq, but now it is to close after losing nearly all of its value over the past two years.
The closure of the Neuer Markt forms part of a wider plan to split German-listed stocks into an A-list of firms hoping to attract international investors, and a second tier of companies focused more on the domestic market. From next year on, the top tier of companies will be subject to stricter reporting requirements and transparency criteria.
From BBC [Full Story]

Highlights
- Created in 1997 as Germany's answer to Nasdaq, the Neuer Markt tried to finance technological companies from primary and secondary markets in a country where venture capital industry was relatively little developed.
- The market value of the 264 firms listed on the exchange has fallen by about 96% since early 2000, when the Internet stock bubble began to deflate.
- Scandals like Comroad, blamed for forging its earnings between 1998 and 2000, and MobilCom, a German telecommunications provider, that has been helped by the Government, have affected its reputation.
- Germany is not the first European country to leave its technological market: Switzerland did it with its Neuer Markt; and Nasdaq holdings in Europe (Easdaq) and Japan (Nasdaq Japan) experienced the same fate. On the other hand, France and Italy have seen a significant decrease in their technological market business volume: the Noveau Marché and Nuevo Mercato.

Press Review
From Financial Times
“The Deutscher Börse’s announcement that it is to close its Neuer Markt offshoot leaves in shreds Germany’s ambitions to become the centre of Europe’s new economy, leading a network of stock exchanges for fast-growing companies.(

The market was expected to spearhead the transformation of the German economy; its high technology and media start-ups were hailed as the Siemens and Daimler-Benz of tomorrow. Its demise deepens the uncertainty about the pace of corporate reform in continental Europe and raises questions about whether the emerging equity culture will truly take root. (…)

The Neuer Markt’s closure will be closely studied across Europe. The London Stock Exchange and other bourses are locked in a fearsomely competitive rivalry to see which of them will emerge as the true leader of the continent.” [Full Story] (Premium Service)

From Minesite.com
“There is a lesson here that ‘old economy’ stocks should not be seduced by the temporary attraction of a ‘new economy’ bubble. It is a great embarrassment for the Germans who hoped to merge their main Bourse with the London Stock Exchange back in 2000. Their idea was that the listing and trading of UK high growth stocks would have moved to the Neuer Markt and old economy blue chips would have stayed in London. (...) The pretensions of Frankfurt to take over from London as the international finance centre for Europe have been put back in the box. It is ironic that on the very day that the closure of the Neuer Markt was announced, the European Union came out with plans to shake up Europe’s heavily regulated financial markets. Now the grey men of Brussels want to allow investors to trade shares directly with other shareholders and banks, bypassing national exchanges. The idea is alright as it clearly makes sense to reduce the national regulations which hinder cross border trading. The trouble will come from the lack of transparency in dealing prices that may follow, and the certainty that the EU will introduce even more rules and regulations as is its wont. London, however, should be a beneficiary as it has the resources to attract business across Europe and this should help it to consolidate the position it has regained as mining finance capital of the world.” [Full Story]

From The Guardian
“Under the new structure, which still has to be approved by the exchange, companies will be divided into two sections. One will be for companies looking for international exposure and which will have to provide quarterly reporting, follow international accounting standards and hold analysts meetings. Companies will be divided into two indices - one hi-tech, the other featuring more traditional sectors. The second section will cover the domestic sector and will be subject to a less demanding regulatory regime. Market volatility was underlined yesterday by the London Stock Exchange, which said trading volumes had risen 12% in the five months to the end of August.” [Full Story]

Commentary by...
Javier Estrada
Another one bites the dust
The Neuer Market is dead! Long live the “domestic” segment of the Deutsche Bourse! Take a dollar from your right pocket and put it in your left pocket. Are you better off or worse off? Well, take a bunch of companies trading in one market and make them trade in another. What’s the difference? Marketing. The Neuer Market, created on Mar/10/1997 and to be closed at the end of 2003, became in many ways an embarrassment to the German market and had to go. However, many if not most of the companies that trade on it will reappear on the “domestic” segment of the Deutsche Bourse, a segment to be created for some 500 companies that do not meet the disclosure requirements of the “prime” segment of the Bourse. A separate technology index, similar to the current Nemax 50 for the bigger companies of the Neuer Market will also be launched.

Two thoughts immediately come to mind. First, though the Neuer Market is 96% down from its peak of Mar/10/2000, it destroyed less wealth than widely-held Deutsche Telecom, which is 91% down from its peak of Mar/6/2000 and sinking under $67 billion of acquisition-related debt. Second, and more important, Germany and in fact Europe need a market for young, unproven companies to go public. Most of these companies do not meet the stringent listing criteria of major stock exchanges, but many of the unproven companies of today will be the leading companies of tomorrow. Sure, many of the companies that went public in Germany and elsewhere during the recent bubble years should have never gone public. But that is the nature of capitalism: Many try, some succeed and some fail. Capitalism is about trial and error, about survival of the fittest. And for that Europe needs one big market where the daring have a chance to fail.
EBCENTER ARTICLE

The excess of information is complicating life for companies
By Carlota Oliver, e-Business Center PwC&IESE Collaborator
The avalanche of information in companies has forced them to contract the services of content syndicators to filter the data. [Full Story]

REPORTS

Three out of every thousand marketing emails sent became purchases
Title: DoubleClick Q2 Email Trend Report
Source: DoubleClick
Date: September 2002
Abstract: Total click-through rates (average of 4.9%) declined in Q2 2002 from Q1 2002 (6.8%), but it is too early to tell whether this is a significant trend, as rates increased from Q4 2001 to Q1 2002 (5.8% to 6.8%).
According to the report, for every thousand pieces of email sent, 11.8% doesn’t reach the user. The click-through rate among messages that arrive successfully is 7.7%. Among them, just 3 (4.3%) purchases result, with an average order size of $101.55.
Consumer Products and Services were the most likely to be clicked through (9.4%) followed by Publisher –Consumer Audience (9.1%) and Travel (8.4%).
Unlike in other forms of direct marketing, day of week sent is a significant variable for email. Judging by volume of mail sent, marketers prefer to mail early in the week. Tuesday was the most common day of the week for emails sent, with 23.6% of all email sent that day. Wednesday had the next highest volume with 22.7%.
On the other hand, consumers respond better to Html than text. Html generates response rates overall 1.4 times and up to 1.7 times higher than text for all industry categories.
[Full Story]

US government involves homes and business in the fight against cybercrime
Title: The National Strategy to Secure Cyberspace
Source: The White House
Date: September 2002
Abstract: In 2001, 2,437 computer securities vulnerabilities were identified, more than double the previous year's figure. To cope with this kind of attack, the White House has published a draft of its ‘National Strategy to Secure Cyberspace, that warns that making the computer networks safe is also in the hands of home users and businesses. The strategy designed by the US government shows different levels of recommendations. The first level is for homes and small business, that must protect their computers with firewalls and anti-virus programs. Large enterprises are in the second level. They should consider forming councils to integrate cyber security and privacy and regular independent IT security audits.
Federal, state and local governments are in the third level. The Federal Government wants all departments to be able to employ the same physical and logical access control tools and authentication mechanisms. Higher education and private sectors are also in this level.
Lastly, the fourth level shows national priorities: securing the mechanisms of the Internet, research and development, vulnerability remediation, awareness and training and education.
[Full Story]

European Airlines web sites experienced a growth of over 100%
Title: European Airlines enjoy growth online of over 100%
Source: Nielsen NetRatings
Date: September 2002
Abstract: Airline websites are more popular than ever in Europe, according to the latest research from Nielsen/NetRatings. Following September 11, the last quarter of 2001 saw the travel sector struggling economically, but the latest research revealed that the European airlines sector has more than doubled its online audience since last
October, with 118% growth in 10 months.
In France and Germany, the growth of airline sites has outstripped the growth of travel sites overall. In the case of Germany this is due to Lufthansa, which has grown rapidly in the last year to become Europe's leading online airline. In the UK, Ryanair, British Airways, and Easy Group, which includes Easyjet, experienced an increase in audience. According to Nielsen-Netratings, the fastest-growing sites – Lufthansa, BA and KLM – are all the sites of well-established non-budget airlines. This again defies predictions that the online market would continue to be dominated by budget airlines: it's the full price sector that is doing best at the moment, and Lufthansa has overtaken the low-cost operators to become the European market leader.

COMPANIES
MTV to produce movie on Napster founder
MTV said it's struck a deal with the peer-to-peer wunderkind for the rights to Fanning's life story. Fanning, who became an icon of the dot-com era and the young father of an Internet music revolution, could play himself in the Napster founder role. From New York Times [Full Story] (A free subscription is required)

Siemens, Motorola to form joint handset venture
Siemens may therefore be considering handing its handset business over to Motorola in exchange for acquiring Motorola mobile network infrastructure business. Sales of Motorola handsets have recently done badly in Europe and adding Siemens' distribution network to Motorola's handset would help boost sales. Similarly Motorola's infrastructure business has been weak in Europe but strong in the Americas, which would help a combined Siemens-Motorola venture. From The Inquirer [Full Story]

WE RECOMMEND
Seven Secrets of Success in the Worst of Times
Business 2.0 has elaborated its first annual ranking of the fastest-growing tech companies according to four financial data: stock performance, growth in revenues, earnings, and operating cash flow. The magazine has extracted seven secrets from the B2 100 firms to be successful even in this dismal economy. First, do one thing well. If you do one thing better than anyone else, in a downturn your customers will dump everyone else first. That's the case of online-auction king eBay (No.3). In second place, watch your wallet. At Logitech (No. 1), for example, executives are hit where it hurts -- in the bonus -- if they let inventory or accounts receivable build up. Moreover, it is necessary to keep innovating. Cree (No. 15) has become a $155-million-a-year business by continually improving its products and next year the company expects to derive 70% of its revenues from products invented during the past year. On the other hand, business must buy smart. An example: none of the more than 100 acquisitions made by Fiserv (No. 28) in the past 18 years altered the nature of its business, but it greatly expanded its client base of banks, credit unions, and brokerages. For five years running, the company has grown earnings more than 17%. Fifth advice: Supply the suppliers. Sixth one: Hitch your wagon to a star. Thanks to a decade-plus spent cultivating relationships with Hollywood studios, Macrovision (No. 47) owns the copy-protection technology used in most DVDs and players. And, lastly, have a backup plan. Like Nvidia (No. 13), who, after a disastrous effort to market its own game-development platform, landed a multibillion-dollar deal to supply chips for the Microsoft Xbox. From Business 2.0 [Full Story]

Security budgets too low
While companies spent roughly $300 billion worldwide on Y2K remediation, only a fraction of that amount is being spent on security. According to Optimize Magazine, the reason why security budgets are too low is because top management understood the dangers of Y2K disruptions to their business, but they don’t appreciate a significant ROI of their investments in security. According to the magazine, the security industry has been driven by a "penetrate and patch" mentality. Security managers hire consultants to perform penetration tests on networks or applications, which invariably reveal a gaping hole in the infrastructure. These sound alarms in the security department, which searches for a quick fix to the problem. As a result, the security department is in perpetual reactive mode. Since the annual budgeting process can't realistically forecast this type of reactive operation, senior executives are frustrated that the security department is always looking
for more money.
To avoid the vicious cycle and wasteful spending, chief security officers need hard numbers during the budgeting process. They need to **calculate the cost** of potential and actual **intrusions** detected at the network, **virus** incidents, **authentication and authorization time**, **security-patch application rates** and cycle time for forensics **response**. From *Optimize Magazine* [Full Story]