A Return to the Dot-Com Boom?
In Some Ways, Google's Purchase of YouTube Makes It Seem Like 1999 Again

By NICK HAZELL, ABC News
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Oct. 11, 2006 — Young Internet millionaires are back in business. That's the message sounded loudly by Google's $1.65 billion purchase of the Internet video site YouTube.

The sale certainly represents an amazing coup for the site's young founders, Chad Hurley and Steve Chen, who began the site just 20 months ago. The two have an agreement in place that ensures they retain considerable autonomy and keep the brand name, along with their 67 employees.

The sheer size of this deal, which is Google's largest to date, suggests a revisit to the dot-com boom of 1999 and 2000. Not so, said Fortune Magazine's Oliver Ryan.

Many say the Internet's current economic climate "is bubble-like," Ryan, a technology specialist at Fortune, told ABC News. "But the fact is, there's a closer resemblance to the pre-boom years of 1996 and 1997, where just like now, deals similar to this were rare. There were major sales and purchases happening every day during the boom. That's just not the case now."

This does not mean the YouTube sale is a one-off, however. Robert Murdoch's News Corp. media company bought MySpace, a social-networking site, for $580 million in July 2005. The deal made the site's founder, 31-year-old Tom Anderson, an instant multimillionaire.

To Sell or Not to Sell

While there is undoubtedly a lot of money to be made from setting up and quickly selling out, founders sometimes have little choice in the matter.

"The reality is that many young startup sites have nervous investors looking for quick liquidity," explained Colin Smith, senior director at WebEx. "Conversely, we didn't have a lot of venture capital so had a lot of time to build our business slowly and strategically."

WebEx is still run by its original founder, Subrah Iyar, as the company decided to go public in 2000 rather than sell to a private buyer. Last year WebEx's revenue was $308 million. Apart from remaining in control, one of the other advantages of refusing to go private is personal longevity in the business world.

"Everyone is afraid they'll be washed-up, one-hit wonders by the age of 25 or 30," said Valerie Frederickson, an outplacement consultant who works with many tech firms. "Many dot-com whiz kids unfortunately end up as little more than real-life versions of the proverbial little rich girl."

Of course, there are great risks involved when individuals turn down offers for their dot-com sites, but there remain some willing to take them.

Online social-networking began in 2004, mainly with college students, and Facebook was valued at about $100 million in mid-2005. Mark Zuckerberg, the site's 22-year-old founder and CEO, resisted six attempts to buy out his company. Analysts agree that Facebook is now worth considerably more than $100 million.

There is no sure formula for maintaining success in the dot-com world. The high level of foresight employed when starting up a dot-com site needs to be maintained when it comes time to sell. Some offers, though, are no-brainers.

"If everyone could sell for $1 billion, everyone would," said Ryan, who doesn't believe that dot-com millionaires owe their wealth more to luck than entrepreneurial skills. "What looks like luck is actually a happy coincidence of talent, personality and opportunity."