

revenues in 1999 climbed to £916,000 (\$1.4 million), the company's costs have skyrocketed, resulting in a net loss of £8.5 million (\$12.6 million) for 1999. The firm's operating expenses for 1999 amounted to £9.2 million (\$13.7 million), approximately seven times that of the previous year.

"These costs reflect the fact that for the past nine months, iCollector has spent a lot of money on marketing and building its strategic marketing alliances," says Miles V. Lewis, managing director of European Investor Services, which represents companies such as iCollector to institutional investors.

"Co-branding and strategic alliances are the keys to attracting high-net-worth individuals to our site," echoes Juan Plata, iCollector's chief marketing officer, who has signed content and advertising deals with such companies as Bloomberg, the *Financial Times* and CNN. "We are way ahead of our competitors in marketing. Each time we strike a strategic alliance, we close out other sites, giving them less room to operate in."

Since 1996, the firm has traded on London's Ofex Market, a so-called "off-exchange" for the stock of otherwise unlisted companies. At press time, iCollector shares were trading at

around £1.9 (\$2.8), considerably lower than the February 11 high point of £16.3 (\$24.3). (See "Stock Watch," page 80.) Plata blames the weak stock price on the "volatile Ofex" and notes that his company had planned to move to an undisclosed "major exchange" before April's downturn in the technology market caused a postponement of their plans. "We're still waiting," he reports. "Within a few months, we'll be off the Ofex. And then you'll see our stock rise."

Undervalued stock is also a concern of Artnet CEO Neuendorf. In May 1999, the company went public on Frankfurt's Neuer Markt, which, like London's Ofex, specializes in high-growth companies. By June, the stock shot past 50 euros (\$52) but soon began a long, steady decline, reaching a low of 4.3 euros (\$4.4) at press time. Tracking the stock, in early July the online edition of the German newsweekly *Der Spiegel* placed Artnet on its short list of dot-coms at risk. "These companies are sinking," stated the report, which drew from research conducted by Pricewaterhouse Coopers. "If no new investors come into these companies, their days are numbered."

"I can't completely explain it," Neuendorf says. "There is a prejudice against the online art market among some investors."

The site also has revenue problems. While a favorite among the art trade for its extensive auction-price database, magazine and gallery listings, the site is not doing as well in terms of e-commerce. According to the company's annual report for 1999, the net loss for the year was \$10.7 million. Cash resources, according to the March 31, 2000 quarterly report, stood at \$12 million. "The Company anticipates that its funding will be sufficient to complete the 2000 calendar year," the report stated, somewhat ominously. Neuendorf, however, remains outwardly confident, vowing, "Anytime I want, I can refinance Artnet."

Or sell it. Although Neuendorf denies that Artnet is for sale, one insider says the company is in discussions. "A lot of people are looking to buy the company," Kusin says. "It's prob-

ably worth more broken up and sold piecemeal." And the most valuable piece of the business? The auction-price database, which is already on loan to eAuctionRoom.com, a French Internet firm, for an undisclosed amount.

Artnet's online auctions, on the other hand, may be one of its least attractive components. From the time they started, in April 1999, through the end of that year, the auctions grossed only \$1.9 million, generating revenues of just \$95,000.

iCollector's e-commerce figures for 1999 are even lower: The site turned over only \$159,759 worth of material for the year (for revenues of \$7,988). It's hard to tell whether lack of traffic or visitors' lack of interest in the works on offer is responsible for such meager results, but it's easy to see that the sales simply aren't there. No wonder Gavelnet.com, a less respected auction site that launched in San Francisco in November

"In the next year, we're going to see a radical realignment as some art dot-coms merge, others are purged, while the survivors surge."

—DAN LEVITAN, MANAGING PARTNER OF MAVERON

1999, has already been bought out by Tangible Assets Galleries, an art and collectibles retailer and auctioneer based in Newport Beach, California.

Not every story from the auction front is so gloomy, however. Last April, Michael Wolf closed down Wolf's, his 25-year-old Cleveland auction house, and reopened it as eWolfs.com. Since then, the privately-held site has handled \$11 million in sales, built a community of 10,000 registered users and maintained an astounding sell-through rate of 90 percent—even with relatively stiff commissions (15 percent for buyers and a maximum 20 percent for sellers). Wolf attributes his success to a number of factors, including his lack of reserves and his customers' assurance about the quality of goods offered on the site—eWolfs collects and vets all objects offered in its sales in a Cleveland warehouse.

What may have given Wolf the edge, however, is his 25 years in business, complete with an active client list. "Artnet and iCollector lack the experience, the product and the customers," Wolf remarks, "you can't expect to succeed just by digitizing something and putting it on the Internet, hoping some fool will buy it."

DOT-COM DECORATORS

If the auction Web sites range from lively to nearly comatose, the same holds true for fixed-price retail sites. Two of these firms in particular have caught the eyes of investors: Circline of New York and Guild.com of Madison, Wisconsin. "Their management teams have focus, they target their clientele in an interesting way and they've managed to develop brand identities," says Matthew Cowan, a general partner at San Mateo, California-based Bowman Capital, which has helped fund Guild.com.

Both sites were launched before the general investing tide had turned against dot-coms. And both have benefited from another trend: the enthusiasm for business-to-business (b-to-b) e-commerce models over business-to-consumer (b-to-c) models. The strength of a business-to-business model is