



The Making of E-Commerce: 10 Key Moments

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Technology, investment and emotion have driven e-commerce.

For anyone who has been involved with e-commerce for any length of time, the experience must feel like a roller coaster ride. The slow, clackety, adrenalized journey upward. The heady weightlessness as you reach the pinnacle. The screaming plunge — and then, the hope that there is at least one more trip skyward left to go.

No doubt, there are plenty of thrills and chills left in the E-Commerce Cyclone. But now is as good a time as any to reflect on the ones that have come so far — the 10 Key Moments in E-Commerce History.

So buckle up, and keep your hands inside the car.

1) 1984: ASC X12 is AOK

First, e-commerce simply had to get on track.

In 1968, the emergence of Electronic Data Interchange (EDI) allowed different companies to perform electronic dealings with each other. But there was no guarantee that the EDI format used to deal with Company A could be used to transact with Company B.

It wasn't until 1984, in fact, that the ASC X12 standard established itself as a reliable means to handle a large number of transactions. The moment eluded the spotlight, but it remains a key event that reined in the potential chaos of e-commerce.

"The beauty of EDI is it's largely unseen, but it is an incredibly efficient vehicle for the transfer of information between organizations and trading partners," said Kerry Stackpole, president and CEO of the Data Interchange Standards Association. "It's sort of an invisible technology. It's really at the core of most productivity improvements of the last half of the century."

2) October 13, 1994: Netscape Arrives for the Masses

Marc Andreessen began spearheading the creation of the Mosaic browser, which enabled point-and-click access to the Web, in late 1992. As far as e-commerce goes, Andreessen is "probably the most significant person I can think of," said Mitchell Levy, a former Sun Microsystems e-commerce manager and chair of e-business conference ECMSym.com.

"Mosaic was the breakthrough," Gartner Group research director Robert Labatt said. "Mosaic was the first browser ever used. Tons of people downloaded it. It was simple but you could see the vision."

And yet, the creation of Mosaic may not have had as much impact on e-commerce as Mosaic's adaptation, by Andreessen and Jim Clark, into the downloadable Netscape browser. In a dual stroke, Netscape expanded access to e-commerce and kick-started the precedent for making software available to a wide consumer audience at no cost.

"The technology hurdle used to be pretty great for someone who just wanted to get online and do things," said U.S. Bancorp Piper Jaffray senior research analyst Greg Konezny. "You needed to practically be a computer programmer to do it. The Netscape browser made it pretty easy for anybody."

3) May 27, 1998: DSL Expands Across California

History remembers when Chuck Yeager became the first person to break the sound barrier in an airplane — an event that whetted the world's appetite to get common passengers up to that speed.

Likewise for e-commerce, the idea that an expanding group of everyday customers could essentially reach Mach 1 with their Internet connection — and stay there indefinitely — was a tantalizing dream.

After a series of small-scale trials, SBC Communications took the plunge by offering high-speed Asymmetrical Digital Subscriber Line (ADSL) service to more than 200 communities throughout California. Users who had been accessing the Internet at 28.8 kilobits per second could now fly at 50 times that speed.

"The persistent or always-on connection is the real driver behind increased usage of the Internet," Labatt said. "The higher bandwidth brings a richer experience, which is likely to drive greater commerce."

4) December, 1998: The Big Online Holiday Extravaganza

Millions of people had reason to celebrate on New Year's Eve, 1998. But fewer may have had more reason than e-commerce's retail giants.

The holiday shopping spree lifted Amazon over the \$1 billion (US\$) barrier in annual sales. Not bad, right? Well, AOL generated \$1.2 billion in sales in 10 weeks of holiday shopping alone.

"I was not at AOL at the time," current AOL vice-president of e-commerce Patrick Gates said. "I was in the offline world in retail when I read those numbers. Those numbers struck fear in the offline industry."

5) August 10, 1999: Red Hat IPO Cements Linux' Status

Microsoft is more than Goliath. Microsoft is Goliath with connections. Microsoft is Schwarzenegger.

But Linux, the operating system created by Finnish graduate student Linus Torvalds in 1991, had its own weapons with which to battle the Terminator. Linux had speed, reliability and most notably, an open source code that allowed itself to be customized by its user. Year after year, Linux slowly gained market share on Microsoft.

Then Red Hat, a seller of Linux software, staged an initial public offering that captured the imagination of the industry and more than a few investment dollars. Though Red Hat has since settled down from its 52-week high of 151 5/16 to a current level in the 20s, the status of Linux as a market force was solidified once and for all.

"To a great extent, Linux achieved what was unthinkable just a few years ago, which is to put Microsoft on the defensive regarding its cash-cow Windows NT product (now Windows 2000 Professional)," NewsFactor Network industry analyst David Geller said. "The message to Microsoft is that the time has come to invest heavily in regaining mind share among e-business and technology decision-makers. Otherwise, we can expect the dominant e-commerce platform of choice to be Linux."

6) August 13, 1999: Napster Hits and Hits and Hits

On this day, Napster founder Shawn Fanning told the press that the number of users of the online music swap site had quintupled. In a week.

The movement was on. Music lovers have not stopped flocking to Napster in swelling numbers to download music at will, for free.

Obviously, many argue vehemently that the downloading of non-licensed music constitutes a legal violation, not to mention an ethical one. But even if Napster loses its own case for survival, few believe that the online music revolution that Napster spawned will ever be stifled.

"It's an absolutely defining moment because it's the first time that consumers have dictated how they want to relate to an industry, and the recording industry doesn't get it," Gartner Group research director Robert Labatt said.

7) January 10, 2000: AOL Time Warner

It is not a done deal yet. But 10 days into the new century (or the last year of the old one), AOL and Time Warner announced a deal that might go unrivaled for at least the next 99 years and 50 weeks.

The fact that the merger was valued at \$350 million was only part of it. Observers fixated on the combination of an old economy titan with a newer, online juggernaut, or as ECMsym.com's Levy said, "the ability of AOL, with their 24 million customers, being able to reposition content from Time Warner and being able to increase their e-commerce engine significantly."

Added Labatt: "It's the marriage of old world and new world, the marriage of old media and new media. It's going to bring to the surface many of the issues that surround DRM (digital rights management) and the potential monopolistic power over content and its distribution."

8) February 7-8, 2000: Denial-of-Service Attacks

First, Yahoo! said Ow! Then squeals of agony came from Amazon, Buy.com, and eBay. In a series of coordinated assaults, computer hackers took one tire iron after another to the kneecaps of some of e-commerce's biggest giants.

In the aftermath, people did what people do whenever they have been victimized: nurse the wound, assess the damage and try to figure out how to arm themselves better. Supposedly, security upgrades were inevitable -- but the idea now was to make "inevitable" come a lot sooner.

"You saw a wide array of predictions," U.S. Bancorp Piper Jaffray senior research analyst Greg Konezny said. "A major issue was with a loss of confidence in shopping online, because of these vandalism-type attacks, and then there's the other side of the opinion which is probably more correct, which is that it was merely a bump-in-the-road-type situation."

9) May 10, 2000: Net Tax Moratorium Extended

Some argue that the e-business industry is so vulnerable that the U.S. government should let it grow without being hindered by taxes. Others argue that there is a huge difference in vulnerability between an online mom-and-pop shop and a shop that employs thousands of moms and pops.

Everyone can agree, however, that no solution is imminent. So, as a watershed moment epitomizing the uncertainty that reigns over e-commerce, we offer the day that the U.S. House of Representatives voted to extend the moratorium on Internet-specific taxes for an additional five years.

The government still has to address many problems, both large and small, according to Netscape vice president of engineering Chris Baena.

"The moratorium was extended because the government doesn't have the infrastructure to support [an Internet taxation system]," Baena said.

10) May 18, 2000: Boo.com Folds

Late in 1999, a UK-based fashion e-tailer with a comically scary name debuted with \$120 million (US\$) in initial capital backing. Six months later, the results were just plain frightful. A symbol of the e-commerce shakeout was born as Boo burned through its funding faster than you can say ... you know.

"Boo.com was one of the big reality checks for everyone," AOL vice-president of e-commerce Patrick Gates said. "I don't think any of us were surprised specifically. I sensed that there would be some issues there based on the product mix and sort of high-flying technology. But that one made a lot of people look back and go, 'Wow.'"

When it happened, co-founder Ernst Malmsten told The Financial Times of London, "We have been too visionary."

Too much vision? That is one of the things that can happen when you have been riding an e-roller coaster.

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