

3 Lessons from the Dot-Com Bubble for the AI Boom

By **Nigel Vaz** . October 11, 2024



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The biggest tech story of the last few years has been the rapid rise of artificial intelligence (AI), a topic that has dominated earnings calls, growth plans and stock markets.

AI's tremendous growth has been dizzying—but not unprecedented. For Nigel Vaz, CEO of Publicis Sapient, today's AI boom "has strong parallels with the dot-com bubble—an uncertain economic climate and a new technology that will reshape everything."

In the 1990s and early 2000s, massive investment in internet companies boomed before falling off a cliff. But even if short-term volatility defined the boom-and-bust cycle, the internet as a transformative technology prevailed, reshaping the world and the way we live and do business.

Vaz believes AI may be on the same path. "We're at a time when we're seeing a once-in-a-lifetime, once-in-a-generation opportunity."

What lessons can businesses draw from the dot-com bubble? And how can they use them to navigate the new tech revolution and seize this "once-in-a-generation opportunity"?





Lesson #1

Take the long view of the AI bubble

The rise of home computers and low interest rates made the internet the investment darling of the 1990s. Investors couldn't pour enough money into the new internet companies that seemed to spring up overnight.

Reflecting these rapid gains, the Nasdaq reached a high point on March 10, 2000—and then began a swift descent. Rising interest rates and recession fears dampened enthusiasm. By the time the Nasdaq bottomed out in the autumn of 2002, many pointed to the significant losses as evidence that the internet had been overvalued and wasn't as revolutionary as promised.

"This was a period of a lot of skepticism about how much the internet was going to transform business, but [it] also wiped out about \$1.7 trillion of market cap off the Nasdaq," Vaz recalls. "So, tons of businesses were slowing down their internet spending."

Vaz sees similar skepticism surrounding AI today, especially as some claim that [the AI revolution is already losing steam](#) [↗](#). Companies appear cautious and have been questioning the immediate value of the technology. "[During the internet bubble], there were a lot of businesses that looked like the ones today, where they're like, 'We're not sure about AI. We're not sure if it's going to deliver immediate value. We're not sure exactly what value it delivers. We understand that AI is important.' That's the phase we're in," says Vaz.

The internet itself wasn't a casualty of the dot-com bust, and its market losses were only short term. Instead, the internet accelerated, transforming the way humans connect, shop, do business and access information. Pew Research Center estimated that in 2000, [52 percent of American adults](#) [↗](#) used the internet; by 2023, that number had skyrocketed to 95 percent.

AI may be on a similar growth trajectory. Bloomberg Intelligence predicts that generative AI alone will grow to a [market value of \\$1.3 trillion](#) [↗](#) by 2032.

How can businesses take the long view in the AI age? No matter what short-term volatility may look like, AI is here to stay. To prepare, organizations should build the right strategies that enable and support AI transformation and make the right investments today that will help them stay ahead of the curve.



Lesson #2

Commit to delivering value for people

The dot-com boom of the 1990s gave the world flagship companies like Amazon and eBay. But it also gave rise to companies like Pets.com, which didn't survive the bust.

Why didn't some companies make it? Their focus wasn't always on the right thing. Pets.com, for example, was hyper-focused on quick growth instead of loyalty. It chose to spend significantly on marketing efforts, including a [\\$20 million campaign](#) featuring a sock puppet.

Pets.com wasn't alone. Initially, some dot-com-era businesses struggled to offer clear value propositions that fulfilled specific customer needs.

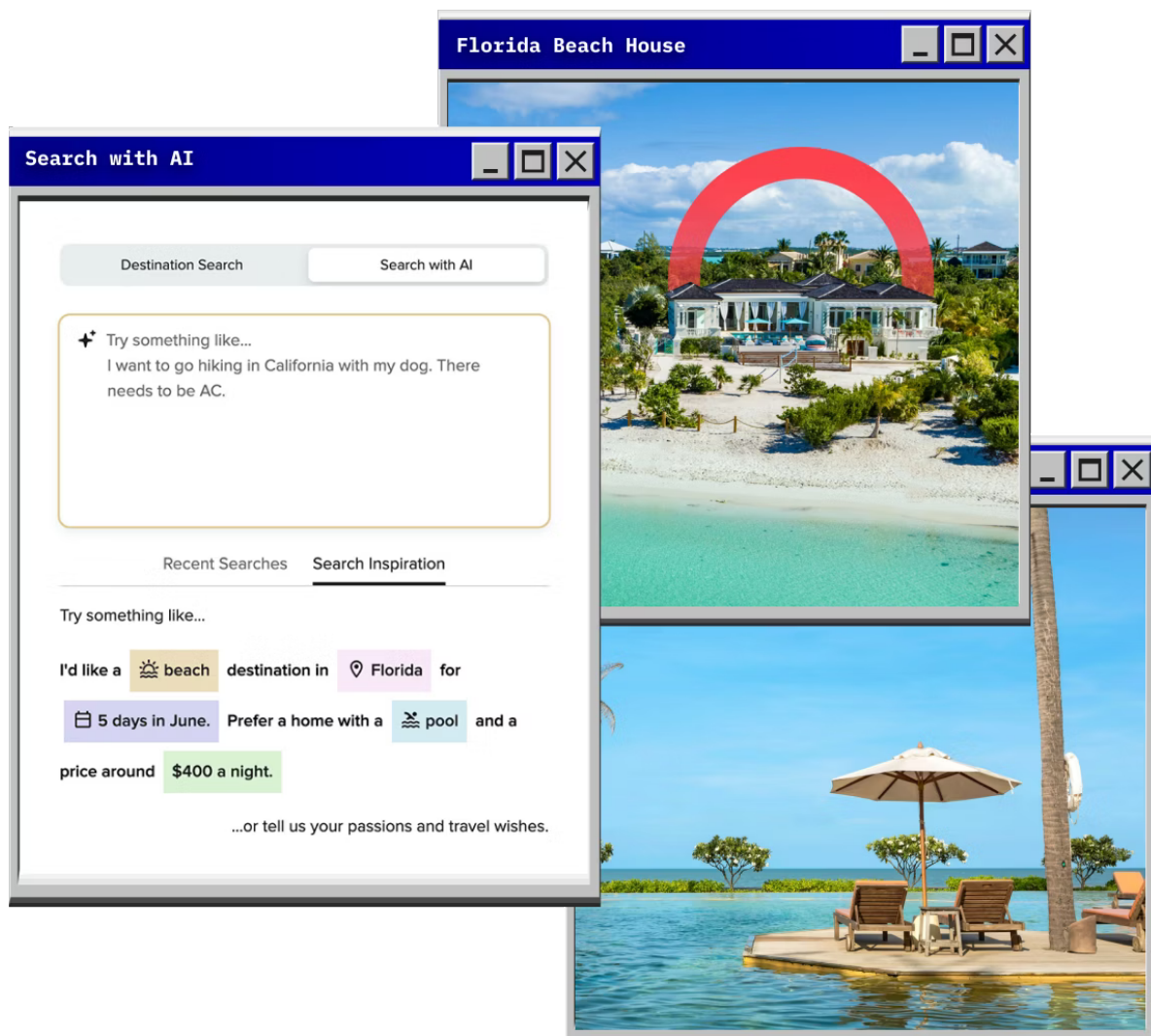
Vaz remembers that some banks initially used their websites to simply post brochures about services for customers before more and more of them transitioned to online banking. "Putting a brochure online versus enabling people to complete banking transactions online—the internet equipped people with a new, easier way of taking care of their needs."

The internet boom reshaped how people do things, from selecting airplane seats to connecting with healthcare providers. Thanks to the way it has revolutionized connection, the internet has become an essential facet of life.

The impact of AI promises to be equally transformative, but that will depend on how we choose to harness it. AI must serve as a tool to solve human problems, making processes easier, faster and more reliable—or eliminating them altogether so that humans can redirect their time, energy and creativity to higher-level tasks.

AI generated new value for Marriott when Publicis Sapient helped the hospitality giant [develop a new tool](#) that matches travelers to a destination. Travelers use this generative AI-powered tool to search for destinations based on natural language to recognize their preferences and emotional needs.

For example, a traveler might search the following query: “I’d like a beach destination within driving distance of New York City for a quick weekend getaway for a family of four with a budget of \$200 per night.” The tool would give the traveler multiple options for accommodations in a variety of destinations, from the Jersey Shore to the Hamptons. This gives them flexibility to explore multiple places of travel to suit their needs and budget without having a fixed destination in mind.



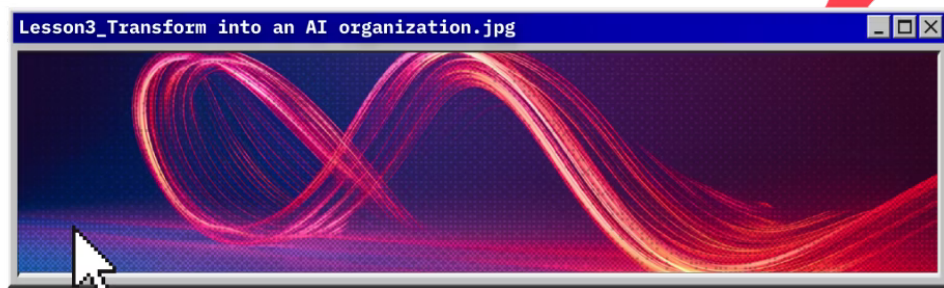
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But much like the internet reshaped the world, AI will, and has started doing, the same,” says Vaz. “AI was once a word reserved for IT, but now it’s top of mind for everyone since it is a technology changing the rules of what is possible and what will be expected of businesses by customers. [...] I truly believe we are on the precipice of a huge opportunity, perhaps even bigger than what the internet presented.



Nigel Vaz

CEO, Publicis Sapient



Lesson #3

Transform into an AI organization

The dot-com bubble may have burst, but it also transformed the digital landscape, turning

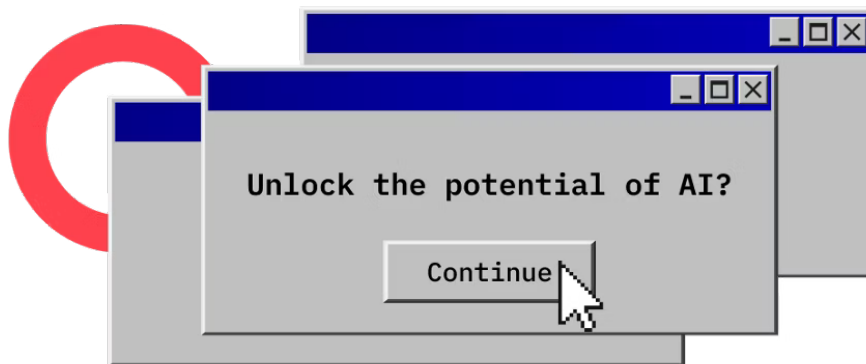
virtually every organization into an internet-enabled company.

Vaz recalls that this transformation wasn't always obvious to the businesses living through the dot-com bubble. "If you were a retailer CEO and all you did was advertise products, what you were not seeing was the fact that the internet was going to be the single biggest opportunity to fundamentally change your business in a way that you just couldn't imagine."

AI promises a similar transformation. Every organization will become an AI organization in some way. They will need to integrate AI into daily operations with the right capabilities, tools and data infrastructure to foster an AI-first business strategy.

Indeed, companies must be strategic about AI transformation, especially since every transformation carries risks. Businesses can take control by anticipating some of these risks and [having a plan in place](#) to mitigate them.

Leaning into the AI transformation involves learning, unlearning and relearning to fuel continuous transformation for the good of the business and customers.



AI transformation starts now

The lessons from the dot-com bubble serve as a valuable guide for navigating the uncertainty of the AI era. By taking the long view, committing to delivering value for customers and embracing transformation, businesses can start to unlock the immense potential that AI offers.

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