EXECUTIVE SUMMARY

Hardwarezone.com is rated the top IT media Web site in Singapore by Hitwise, with more than 32 million page visits per month (Chellam, 2004). It provides 100% proprietary and localized content on IT news, product releases, and numerous member-centric services, such as hardware pricelists and forums. What started as a hobby for six undergraduates on SGD $1,000 capital became a new-age media company with over SGD $200,000/month in advertising revenue and SGD $2 million in net assets within a short span of six years. Their success and continued growth today is exceptional, considering how most of its competitors and other dot-com ventures in Singapore have fallen by the wayside or stagnated after the dot-com crisis during mid-1999. This teaching case will chart the evolution of Hardwarezone’s business model and strategies through its humble beginnings and the challenges to the company as a result of the dot-com crisis and thereafter.

Keywords: business models; e-commerce problems; e-commerce risks; e-commerce strategy; organizational strategy; organizational structures

ORGANIZATION BACKGROUND

Singapore Overclocker’s Group

August 9, 2002 – Eugene Low, General Manager and founding member of Hardwarezone had just attended a company function celebrating the fourth anniversary of its founding and was in his office poring over some old photographs. One picture, in particular, made him smile. Dated four years ago, the slightly stained picture showed six friends, smiles and exuberance etched in their young faces, posing in what looked like an empty room totally devoid of any office equipment.

The room in the picture was, in fact, where Hardwarezone first began operations. It was a small factory space, measuring a mere six meters by four meters, rented from an IT company at JTC Block 71, Ayer Rajah Crescent in Singapore. As part of Eugene’s personal ritual on this particular day of significance, he began to recall the story of Hardwarezone, its metamorphosis from its humble beginnings, through turbulent and exciting times, to the dynamic and fast-moving organization that it was that day.
Hardwarezone began as a hobby involving do-it-yourself (DIY) computers for six undergraduates from the computing and engineering faculties at the National University of Singapore. The initial manifestation of Hardwarezone was the Singapore Overclocker’s Group, a special interest group founded in June 1998, hosted under the umbrella of SingaporeOne, a Singaporean government initiative.

The Singapore Overclocker’s Group (SOG) served a niche community of CPU overclockers by allowing them to post their hardware configurations and overclocking results. Despite its niche roots and the relatively small size of the overclockers community in Singapore, SOG became so popular that the management of SingaporeOne had to tell the group to move out, as it was effectively taking up 90% of SingaporeOne’s total bandwidth.

Based on the overwhelming popularity of SOG and the experience gained from managing it, the founders identified an unmet demand for a Web site that provides hardware reviews, prices, and comparisons among the community of DIY computer enthusiasts in Singapore. Assisted and endorsed by the management of SingaporeOne, the founders of Hardwarezone applied for and obtained an SGD $20,000 grant from the Infocomm Development Authority of Singapore, a statutory board developed by the Singaporean government to foster a world-class infocomm industry in Singapore.

With this grant and a mere SGD $1,000 initial investment, on August 9, 1998, Hardwarezone was founded in a rented factory space with an office running solely on home equipment. The name Hardwarezone came about because the founders believed that it was catchy, easy to remember, and, most importantly, the domain name was available. At the time, Hardwarezone was running on empty; it only had enough capital for one server and a mere six months of bandwidth charges.

The Dot-Com Bubble

From Hardwarezone’s inception in August 1998 to mid-1999, the global economy was in a boom, and the IT sector was developing at an unprecedented rate, a phenomenon often referred to today as the dot-com bubble. The concepts of e-commerce and dot-coms quickly were being embraced by both major organizations and budding entrepreneurs worldwide.

The rapid development of the Internet; the business opportunities and promises it offered, as well as the declining prices of computer hardware as a result of technological advancement resulted in an increase in demand for PCs in general. Because of this increasing demand and the relative higher costs of off-the-shelf computers, DIY computers presented a more flexible and cost-effective alternative.

With the increasing demand for DIY computers, the information needs of DIY computer enthusiasts increased. However, particularly in Singapore, there was a lack of information on local IT products (e.g., product reviews and prices). With the maturing Internet technology and the rapid growth of Internet traffic, the founders of Hardwarezone identified the opportunity in using the many advantages offered by the Internet, such as its global nature, the low entry cost, the opportunity to reach millions, the existence of standard protocols, the interactivity it offered, the wide range of possibilities and resources, and the rapid growth of support infrastructures, such as the World Wide Web.
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