



Keio University Business School

CMGI, Inc. ^[1]

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CMGI conducts operational business such as internet advertising services, consulting relating to net services business, and mail list management, postage and packaging relating to direct mail (DM). The company also invests in newly-emerging internet companies from the start-up stage. As of March 1999, the company had invested in more than 35 net companies, with total investments for the period from 1995 to 1999 amounting to some \$250 million. Since its initial public offering (IPO) at \$8 per share in 1994, CMGI has seen the value of its stock skyrocket since the middle of 1998 to reach \$183 at the end of March 1999 (result converted on the basis of no stock split-ups; refer to Appendix 1 for changes in stock value). Just when CMGI seemed to be steaming ahead in this way, it was unexpectedly given a strong warning by the Securities and Exchange Commission (SEC). This came about because the total market capitalization of the public equity stocks had exceeded 40% of the total value of the company's assets, a situation which needed to be rectified within one year for the company to avoid being stripped of its right to be listed on the NASDAQ. David Wetherell, CEO of CMGI, was anxious about this situation, coming as it did just when CMGI stocks had surged ahead and the company was starting to attract considerable media attention as a soldier of fortune in the American net industry. There was a pressing urgency to change the corporate structure and strategy.

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The history of CMGI

CMGI is a company with more than 30 years of history, having been established in 1968 as the College Marketing Group, Inc., (the company name was changed to the current CMGI in 1998). At first the company conducted direct mail (DM) register sales and operations (posting, packaging, data base management) for the university student market. Looking back at the business format of that time, in 1999 CMGI@Ventures General Part-

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[1] This case was compiled based on publicly released information as the basis for class discussion by Masahiro Okada, assistant professor of Keio Business School (June 2000).
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