

2007 Global Internet - Volume 1 - Web 2 Revives Internet Economy

Description: This annual report offers a wealth of information on the worldwide development of the Internet economy. Volume 1 provides an insight and analysis into the trends and developments taking place, including initial statistics and forecasts for e-commerce. More detailed statistics on specific online activities are contained in BuddeComm's other publication: 2007 Global Internet - Volume 2 - Online Content and Services. The report provides information on advertising in the new digital media era, as well as outlining possible industry business models. Also included is information on the leading Internet Media companies such as Google, Yahoo, News Corp, Microsoft, eBay/Skype, AOL, and Amazon. The report identifies the key areas of focus for the leading players, such as social networking and UGC, and provides example of the activities taking place. Volume 1 also incorporates information at a regional level for North America, Latin America, Europe, Middle East and Asia Pacific.

Report also contains:

Ecommerce analysis and statistics;

Digital Media advertising sector, including statistics and forecasts;

Industry business models;

Net Neutrality analysis;

Social Networks and User Generated Content (UGC) overview and statistics;

Internet Media companies;

Regional overviews.

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Researchers: Paul Budde, Lawrence Baker, Lucia Bibolini, Peter Evans, Paul Kwon,

Henry Lancaster, Peter Lange, Kylie Wansink, Robin Whittle

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Summary:

The emergence of the next generation of Internet technology and applications has led to the coining of the term Web 2.0, to indicate that the Internet now has more capabilities than ever before. The Internet Media companies such as Google, News Corp and Yahoo are just some of the leaders taking advantage of this with the introduction of new services and applications. This revival of the Internet has also led in part to the re-emergence of the Internet economy, and more specifically e-commerce. The increase in broadband connections is another factor that has led to this revival. For more information, see chapter 1.1.1, page 1.

Revenue from the large range of content and services available from the Internet is rapidly increasing globally; travel, gambling, adult content, music and health services are particularly popular and social networking services are flourishing. By 2010 it is estimated that over \$2 billion will be spent on social network advertising in the US alone. The Internet economy is increasingly relying on the underlying Internet infrastructure for its success, and this has also opened up a range of new support functions for ISPs and BSPs, with some already beginning to diversify their operations.

New video applications have also emerged as the Internet media companies seek to exploit the added speed and capacity of broadband infrastructure. This will result in a whole range of applications continuing to enter the market over the next decade. As can already be observed, the killer application on these networks is video

based communication, nearly half of which is produced by users themselves. Commercial video entertainment will eventually account for only a quarter of these services. Sites that started as social networks, such as Facebook, are also expanding into video based services in order to compete. As commercial websites try and enter this space, there is no sign of this growth abating. For more information, see chapter 2.3.1, page 58.

Web 2.0 technologies have shifted the consumer's web experience to interactive and collaborative applications which a growing number of people can access and contribute to. Online payment gateways such as PayPal have facilitated consumer use of e-commerce, facilitating services coming to market. The success of social networking and sites based on UGC clearly shows that the 'consumer-led' era has begun and this heralds the end of those with vested interests being able to control what they present to their users. In future consumers will be not only be able to actively participate; they will also be in a position to challenge the way things have been done in the past and expose failures and misconduct.

A key to success in this new era of digital media revolves around advertising and the ability to attract new revenues. We are now seeing the emergence of new business models as the industry gains confidence and begin to change their more traditional models. Driving this confidence is the phenomenal growth in online advertising revenues. It is estimated that over \$25 billion dollars will be spent worldwide on online advertising this year. For more information, see chapter 1.2.1, page 13.

E-health is also rapidly shaping up as one of the key killer apps on the truly high-speed broadband networks. Around the western world we are facing a massive dilemma in relation to healthcare. New technologies are increasing life expectations and improving our lifestyle. The cost of this however is enormous, and we simply can no longer afford to finance these huge advances through the public health systems. In countries with proper broadband infrastructure we see e-health shaping up as a way that will allow us to enjoy these advances in medical technology and medical services, at a more affordable cost.

The Internet has joined the road and rail networks, the postal system and the global telephone network as a vital communications system in developed countries. The principle known as 'Network Neutrality' allows Internet users to access any web content or applications they choose, without restriction or limitation. This is taken for granted by the billions of people who access the Internet worldwide. However a concerning precedent is taking place in the US, where carriers would like to be able to charge for tiered network service – and it will have global implications if it succeeds. However despite the importance of the issue, it may be some time yet before the US government determines the country's net neutrality path. For more information, see chapter 1.4, page 29.

This report provides an insight and analysis into the trends and developments taking place in the revived Internet economy. It includes initial statistics and forecasts for e-commerce, with more detailed statistics on specific online activities contained in BuddeComm's other publication: 2007 Global Internet - Volume 2 -

Online Content and Services. The report provides information on advertising in the new digital media era, as well as outlining possible industry business models. Also included is information on the leading Internet Media companies such as Google, Yahoo, News Corp, Microsoft, eBay/Skype, AOL, and Amazon. The report identifies the key areas of focus for the leading players, such as social networking and UGC, and provides example of the activities taking place. Volume 1 also incorporates information at a regional level for North America, Latin America, Europe, Middle East and Asia Pacific For more information, see chapter 3, page 67.

Key Highlights:

Internet users are spending more of their time online viewing news and entertainment, overtaking email which has been the preferred online activity in the past.

Broadband is an essential element of the Internet economy as it is a telecommunications infrastructure concept that allows for the high speed electronic distribution of voice, data and video information. Broadband applications include tele-education, tele-health, e-commerce, entertainment and personal communication service with family, health care workers, educators, government, business relation, etc.

Examples of Web 2.0 developments

Instant Messaging;

New traffic patterns ie Peer to Peer (P2P);

Wikis - ie sites where users build up a source of content by adding, removing and editing text;

Really Simple Syndication (RSS) - a standardized form of XML used for syndicating Web articles ie online news;

Blogs, Social networking and User Generated Content (UGC);

New business models ie Pay-Per-Click advertising.

(Source: BuddeComm 2007)

There is speculation that the e-commerce market may be maturing, as a slowing down of online spending has been detected in 2007, particularly in the US. While there is still growth ahead, growth rates may drop to around 10% per year before the end of the decade, rather than over 20% as recorded in recent years.

User-generated online videos make up almost half of the total online video market.

For many years, Google has had the lion's share of the search engine market and as a result, it attracts a large proportion of advertising revenues (over 30% in the US in 2007). For more information, see chapter 2.1.1.1, page 36.

Internet blogs and social networks are starting to provide significant social and political forums throughout Asia, sometimes offering an important alternative to the main stream media. This has become increasingly

critical in those countries with repressive regimes. In September 2007, bloggers in Myanmar for example were getting important news to the world during the military junta's violent crackdown on the peaceful demonstrations by monks and the wider population. For more information, see chapter 3.5, page 81.

Europe's strong e-commerce potential is founded on an Internet user base of more than 320 million. Several countries have Internet household penetration of 75% or higher. For more information, see chapter 3.3, page 68.

Although blogging, wikis, and forums are gaining widespread popularity throughout Latin America, the development of Web 2.0 communities differs from country to country, depending on variations in technological and cultural backgrounds. For more information, see chapter 3.2, page 67.

The relatively affluent Northern African countries as well as South Africa are the leading Internet economy markets in this continent. For more information, see chapter 3.4.1, page 76.