

The Development of Internet Sites and E-Commerce

In the last few years, businesses have begun to realize the power of the Internet. One of the primary ways in which businesses gain customers is through social networks, and the Internet is by far the largest social network in today's world, connecting people from across the world's oceans, cultures, and backgrounds. The Internet has revolutionized the way people do business, and here are some facts that will help shed light on this growing business trend.

As of July 3, 2000, 16% of the roughly 5 million active websites have the capability of performing e-commerce transactions.¹ According to the US Census Bureau, in the 4th quarter of last year, these e-commerce sites held 0.63% of the total sales in the US. In the 1st quarter of this year, e-commerce was 0.70% of total sales, and in the most recent 2nd quarter, e-commerce dropped slightly to 0.68% of total sales. While these may seem small percentages at first, note that in the 2nd quarter of this year, \$5,518,000,000 (5.5 billion) of the total \$815,685,000,000 (815 billion) in retail sales was earned by e-commerce businesses. This data is shown in tabular form below.²

Estimated Quarterly U.S. Retail Sales: Total and E-commerce

(Data in millions of dollars. Not adjusted for seasonal, holiday and trading-day differences.)

Period	Retail Sales		E-commerce as a Percent of Total Sales	Quarter-to-Quarter Percent Change	
	Total	E-commerce		Total Sales	E-commerce Sales
4 th Quarter 1999	821,351	5,198	0.63	8.5	(NA)
1 st Quarter 2000 ^r	747,934	5,240	0.70	-8.9	0.8
2 nd Quarter 2000 ^p	815,685	5,518	0.68	9.1	5.3

¹ NetFactual statistics. <http://www.netfactual.com/PDF/Ecomm-Universe.pdf>. 9/27/00.

² Retail E-commerce sales. <http://www.census.gov/mrts/www/current.html>. 9/27/00.

This Census data gives us an idea of how well e-commerce businesses are doing. But to find out the extent of money that e-businesses can make, we must take a look at some of today's top e-businesses. Below are Nielsen NetRatings tables of the top 10 e-businesses as of last week, and as of last month. An interesting point is that 8 of these e-businesses have not lost their respective positions in the Nielsen NetRatings Top 10 list. We can see that many of these e-businesses have been quite popular in the past, and even until today, they remain popular sites and key players in e-commerce.

Property	Unique Audience	Reach %	Time per Person
1. AOL Websites	28,695,740	44.10	0: 14: 00
2. Yahoo!	25,925,482	39.84	0: 27: 58
3. MSN	19,882,792	30.55	0: 21: 38
4. Microsoft	16,415,944	25.23	0: 06: 09
5. Lycos Network	9,533,666	14.65	0: 09: 19
6. Excite@Home	8,762,985	13.47	0: 14: 47
7. Walt Disney Internet Group	7,794,773	11.98	0: 13: 45
8. Time Warner	5,462,953	8.39	0: 09: 27
9. eBay	4,940,606	7.59	0: 52: 11
10. About.com	4,844,809	7.44	0: 07: 01

NetRatings Top 10 Properties (weekend of September 17, 2000 in U.S.)
<http://209.249.142.27/nnpm/owa/NRpublicreports.toppropertiesweekly>

Property	Unique Audience	Reach %	Time per Person
1. AOL Websites	52,929,934	59.19	0: 32: 36
2. Yahoo!	47,957,034	53.63	1: 08: 47
3. MSN	36,138,715	40.41	0: 51: 36
4. Microsoft	33,650,811	37.63	0: 12: 23
5. Lycos Network	24,196,502	27.06	0: 16: 51
6. Excite@Home	21,739,602	24.31	0: 28: 24
7. Walt Disney Internet Group	18,575,321	20.77	0: 23: 57
8. Time Warner	15,201,711	17.00	0: 16: 27
9. About.com	14,766,606	16.51	0: 09: 43
10. AltaVista	12,300,004	13.76	0: 15: 57

NetRatings Top 10 Properties (month of August 2000, U.S.)
<http://209.249.142.27/nnpm/owa/NRpublicreports.toppropertiesmonthly>

Another key point is the extent to which these e-businesses can reach customers. Of all the Internet users in America last month (52,929,934 people), nearly 60% of them had some access to AOL, and spent at least 33 minutes on AOL. During that time, these people could browse and click

on advertising banners, making it easier for people to buy advertised items. Most e-commerce businesses use this method of posting advertising banners to generate revenue. Also, we should notice that 6 of the 10 top Internet properties last month also have search engines associated with them (Yahoo, MSN, Lycos, Excite, About.com, AltaVista). Search engines offer another way for customers to look for and find businesses they're willing to buy from, and therefore, these search engines generate a lot of profit from these supporting businesses. People are also likely to spend more time on a search engine, as shown by the average Yahoo user spending over an hour on the site and the average MSN user spending 52 minutes on MSN, compared to the other non-search-engine e-businesses in the top 10 list. A reason for this could be that the longer a person browses a site, the more money that site generates, because the person will be more likely to buy something from that site.

E-business sites have also taken a hold in rankings of the 10 most popular websites. According to Media Metrix, 7 of the 10 top websites on the Internet are also e-business sites (AOL, Yahoo, Microsoft, Lycos, Excite, Time Warner, and Altavista).³

Media Metrix, Inc. Top 50 Digital Media/Web Properties At Home & At Work Combined in the United States		
August 2000 Measurement Period (08/01/00 through 08/31/00)		
Rank	Top Web & Digital Media Properties	Unique Visitors (000)
	Total Digital Media Universe	79,638
1	AOL Network* - Proprietary & WWW	62,659
2	Yahoo!*	52,012
3	Microsoft Sites*	51,963
4	Lycos*	32,907
5	Excite Network*	28,167
6	Go Network*	23,126
7	About The Human Internet*	19,783
8	AltaVista Network*	17,795
9	Time Warner Online*	15,825
10	Amazon*	15,688

The most popular services that draw visitors seem to have one or two key features. Clearly, being able to find information appears to be one feature of the 10 most popular sites, since 6 of the 10 most popular websites (which also happen to be e-businesses) have search engine functionality. Another feature of the 10 most popular sites is that some allow communication between people. For example, AOL and Yahoo both allow people to create personal websites, and also offer chatroom services. Hotmail, which is a Microsoft site, is the most popular Internet e-mail service available. These two features of the 10 most popular sites (finding information and communication) are also recognized by Websense.⁴ According to this Internet statistics site, the top 3 word searches

³ Media Metrix – The Top 50. <http://www.mediametrix.com/data/thetop.jsp?language=us>. 9/27/00.

⁴ Websense: For Corporate Management: Internet Use Statistics. <http://www.websense.com/management/stats.cfm>. 9/27/00.

on the Internet are 1) mp3, 2) sex, and 3) hotmail. The first two searches have to deal with finding information/entertainment, and the last one primarily involves communication.

From this data, we can conclude that Internet business and usage will likely have a strong future. One Internet industry that might lead the wave of rapid e-commerce growth is the online music industry. According to a report by a Jupiter Communications analyst, “despite the absence of help from the major record labels - and, indeed, despite stiff resistance - consumers are turning online music into a mass-market phenomenon that will account [for] a quarter of total US recording industry sales by 2005.”⁵ This figure is approximately 5.4 billion dollars. It is noteworthy to point out that total e-commerce sales for the entire second quarter of this year (5.5 billion dollars) is just over the figure that the online music industry *alone* is predicted to earn in 2005. If one business can be expected to earn so much money, then certainly other businesses might follow the same pattern. Judging from the rapid increase of e-commerce in the past, we can likely expect e-commerce to have a healthy future in the years to come.

⁵ Online Music Sales To Hit \$5.4 Bil by 2005. <http://www.bizreport.com/research/2000/07/20000725-2.htm>. 9/27/00.