

# Hunter and Associates

## INVESTMENT

March 2003. At least 4,854 Internet companies have been acquired or shut down in the 3 years since the peak of the boom (held to be Q1 2000). Not making headlines but clearly happening has been an enormous reshuffling of assets, skills, and market positions. Mergers and Acquisitions activity has increased greatly this year, as infrastructure companies acquire Internet technology and skills to beef up their own Web-enabled applications. The shakeout is now almost over. What comes next is a second wave of rapid, but sane, growth.

-source: *Webmergers*

April 2003. Once-fledgling Internet companies that are now thriving, and reporting successive quarters of profit, coupled with the almost phenomenal business and information transformations currently underway online, are beginning to arouse the attention of venture companies. A new wave of Internet investing is about to begin.

-source: *Jupitermedia Corp.*

[COMMENT: we have always held that the dotcom boom and inevitable bust was a failure of investor judgment rather than any kind of negative reflection on Internet viability. Whether this caused, or coincided with, the general recession is an open question. Economic thought regards a recession as a time for reorganization towards increased efficiencies. And we advised that slower times are the best for internal technological development, to retool for future growth, because it costs much more to rework a system that's in the stress of high activity. The Internet during the recession has undergone massive retooling, and efforts of preparation.]

## WEBSITE REVENUES

March 2003. Consumer spending on paid content in 2003 will increase 30 percent from 2002, to \$2 billion. Revenues will grow at a 20% annual rate until 2007. Even so, most online media houses will gather more than 60% of revenues from advertising for the next two years.

-source: *Jupiter Research*

March 2003. The paid content market nearly doubled in 2002 from 2001, although there was a slowing in Q4. Even so, 2002 proved finally that users would pay for content, contrary to long-standing belief. The top Web destinations by consumer-content revenue, in order of rank are:

... continued on the back, see **Revenues**

## Newsletter

May/2003

### Information Technology

March 2003. IT employee morale is low, and managers' budgets remain gutted, but companies recognize this and are implementing skill development programs internally, investing in the existing workforce rather than hiring. Budgets will remain flat this year, yet IT workers will experience salary gains, even at the expense of other sectors of the workforce.

-source: *META Group*

### Comparison Shopping

March 2003. Online shopping search company DealTime is acquiring volunteer consumer review company Epinions. The resulting property will equal MSN.shopping in size, 4th largest shopping site behind Amazon, eBay, and Yahoo! Shopping.

-source: *DealTime, Epinions, Jupiter Research*

April 2003. Comparison shopping site NexTag reported its sixth consecutive profitable quarter. Its site received 3.5 million unique visitors last December. The site is a peer competitor with DealTime.

-source: *NexTag, Nielsen/NetRatings*

[COMMENT: other companies in the comparison-shopping field include BizRate and PriceGrabber (also powering AskJeeves shopping). Froogle, still in beta and not very reliable yet, remains the non-commercial entrant from Google, and Yahoo! is rapidly deploying its new search capability in this area. As the economy languished in the last three years, the sheer efficiencies of the Internet produced many quiet success stories like this.]

## Markets

March 2003. 82% of auto consumers now research on the Web first.

-source: *J.D. Power*

April 2003. The foremost showroom for the luxury market is now the Web, ranked as most important by 44% of luxury consumers, versus 42% editorial content, 31% newspaper ads, 28% television, and 24% magazine ads. The \$40bn garden market is rapidly evolving a luxury submarket online, closely approaching in scale the luxury electronics market leader.

-source: *Unity Marketing*



**A full ranking of other luxury markets is online at [www.hunterhost.com](http://www.hunterhost.com), in the market analysis section**

## Revenues

*(continued from the front)*

yahoo.com, match.com, real.com, classmates.com, wsj.com, weightwatchers.com, ancestry.com, consumerinfo.com, matchmaker.com, 1800ussearch.com, consumerreports.org, espn.go.com, carfax.com, thestreet.com, bluemountain.com, playboy.com, kiss.com, msn.com, egreetings.com, ieee.org, arttoday.com, pressplay.com, britannica.com, astrology.com, smartmoney.com.

-source: *Online Publishers Association, comScore Networks*

[COMMENT: all surveys continue to show strong, declared resistance to paying for online content, and yet it's beginning to happen, and Apple's test of the music market will add to the numbers (broadband of course makes a big difference in the pattern). Information, if sufficiently unique, or branded, can be a product just like any other. As Internet culture changes to reflect this, and as payment technologies continue to improve, and as intellectual property protections gain substance, the market of paid content becomes revealed as the great untapped margin lying somewhere between Internet-As-Global-Library and Internet-As-Shopping-Mall. Website owners should stay alert to content opportunities.]

## RETAINING THE CUSTOMER

April 2003. Online customer service is weak in the area of email. 88% of users expect a response to their customer service email within 24 hours, 13% expect this within one hour. Only 56% are happy with their experiences. Phone contact is increasingly important.

-source: *Jupiter Research*

April 2003. 70% of consumers expect their online purchasing to increase in 2003. Business-to-consumer (B2C) revenues may reach \$60 billion. \$45bn was spent directly online last year, but the Internet also influenced and affected about five times that amount in offline spending.

-source: *eMarketer, Jupiter Research, US Dept. Commerce*

April 2003. 52% of companies will increase their Customer Relationship Management (CRM) budgets this year, although the emphasis on sales will outweigh service and support by a factor of 3 to 2.

-source: *Aberdeen Group*

April 2003. 43% of online retailers cannot provide shopping cart abandonment figures, and 14% cannot identify customer conversion rates. More than 75% implemented new technology last year, but many now stand in need of upgrades and replacements that may not happen, with some vendors out of business, and IT budgets slashed. Measurement is suffering most. Manager priorities for technology initiatives in 2003 rank as: server and platform upgrades, order processing, performance, personalization, search, product enhancement, automation, and channel integration, with marketing and measurement coming at the bottom of the list. 84% of e-tailers use site activity and sales as primary measurement, instead of data mining.

-source: *the e-tailing group, inc.*

[COMMENT: merchants in general have done well at improving site design and customer service. They remain focused on the immediate sale, and capturing share, which is arguably the most important thing. The real winners are those who not only capture share but retain share. Customer service and customer retention grow out of data mining. Gartner holds that businesses failing to meet customer service excellence will turn over 100 percent of their customer base every five years.]

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