



Survey of Internet Metrics

For anyone still paying attention to the forecasters, here are the latest Internet sales and usage projections

As ICSC pointed out a year ago in “The New Cottage Industry—Forecasting Internet Retail Sales” (*Research Quarterly* Vol. 5, No. 4, Winter 1998-99, p. 1), estimating consumer online sales is a hazardous business.

Uncertainties about technology penetration and consumer behavior, plus the continued absence of a proven business model for online retailers, make life difficult for forecasters.

The rapid growth of the Internet has attracted dozens of market research and consulting firms into the forecasting business—some are engaging in doubtful data collection/analysis practices in order to obtain and disseminate results that enhance their own revenue-generating prospects.

Compounding the methodological problems and agenda conflicts, companies are measuring different things: for example, some include non-retail categories such as travel, financial services, entertainment and advertising revenues in their estimates of online retail sales. The end result is a wide range of inconsistent estimates. Rightly or wrongly, large sections of the retail analyst community, the media and the interested public have become increasingly impatient with and skeptical about both the forecasts and the companies generating them.

ICSC commented in some detail about forecasting methods and problems in “The New Cottage Industry.” A year later, these same problems persist; the reader should refer to that article for details. This article will update the data provided earlier with a comparative survey of the



Table 1

ESTIMATES OF INTERNET USAGE AND BUSINESS-TO-CONSUMER SALES									
ITEM	COMPANY	1998	1999	2000	2001	2002	2003	2004	DEFINITIONS/COMMENTS
Usage									
U.S. Internet users (mil.)	Cyber Dialogue (conservative)	61.0	74.5	83.0	90.5	99.1	109.4		Age 18+ and online at least once in past 30 days
	Cyber Dialogue (aggressive)	61.0	77.9	90.2	103.0	115.9	130.2		Age 18+ and online at least once in past 30 days
	eMarketer	55.3	66.9	76.0	89.4	100.3			Age 14+ and online at least one hour every week
	HarrisInteractive	73	90	109	131	154	179		Age 18+ and online at least once in past 30 days
	Intelligence/Zona Research	81.7	100.1	115.6	129.8	144.2	156.7		Age 16+ and online at least once in past 30 days
	International Data Corp.	66.4	74.8						Any age and online at least once in past 30 days
	Jupiter Communications	74.8							Any age and online at least once in past 30 days
	Media Metrix	101.0							Age 18+ and online at least once in past 30 days
	Mediamark Research								Age 18+ and online at any time in life
	Strategis Group	24.8	29.7	33.7	39.5	45.9			
U.S. Internet-using households (mil.)	eMarketer	33.3					59.8		
North America Internet users (mil.)	Forrester Research	79	92						Age 16+ online
	CommerceNet/Nielsen Media Research								
Worldwide Internet users (mil.)	eMarketer	95.4	130.6	172.0	223.0	282.0	350.0		Age 14+ and online for at least one hour every week
Shopping*									
U.S. online shoppers (mil.)	eMarketer	33.7	44.8	54.0	65.3	76.2			
	Intelligence/Zona Research	45							
North America online shoppers (mil.)	CommerceNet/Nielsen Media Research	48	55						
Purchasing									
U.S. online purchasers (mil.)	Cyber Dialogue	17.7	21.6	28.0	35.4	62.3			
	eMarketer (1)	17.1	38.8	47.1	59.0	67.2			Has purchased something within the past year
	eMarketer (2)	10.0	17.4	25.8	33.1	41.1			Purchases regularly (at least once every 3 months)
	Jupiter Communications	18.8	28.8	39.3	51.8	67.3	85.0		
U.S. online-purchasing households (mil.)	eMarketer	8.9	18.1	21.9	28	33.5	38.0	49.0	Has ever purchased an item online
	Forrester Research	10.0	17.0						
	Intelligence/Zona Research	16							
North America online purchasers (mil.)	CommerceNet/Nielsen Media Research	20	28						
U.S. Online Sales (\$bil.)									
	Bizrate.com	4.4	10.9						
	Boston Consulting Group	13.0	36.0						
	eMarketer	8.0	18.6	30.6	44.7	65.6	80.5		Includes brokerage fees
	Forrester Research	7.8	20.3	38.8	64.2	101.1	143.8	184.5	Includes travel, event tickets, video, automobiles
	Jupiter Communications	7.8	14.9	23.1	34.6	53.0	78.0		Includes travel, event tickets, video
	International Data Corp.	12.4	24.2	35.8	48.1	60.6	75.0		Includes travel, event tickets, video
	Yankee Group	11.5	24.2	36.6	57.2	86.6	125.6		Includes travel, event tickets, video

Sources: eMarketer; The Industry Standard; company press releases
 *Shopping: Browsing and researching products—no purchase is necessary



latest Internet usage and sales forecasts. Although the forecasts reported earlier are not repeated here, the interested reader will get some sense of the forecasting problems by comparing the current estimates reported here against the estimates of the same companies reported a year ago.

ONLINE USAGE AND SALES

Table 1 summarizes the most current estimates of Internet usage by consumers and consumer online sales. Figure 1 shows how current estimates of 1999 and 2003 online sales measure up against projected retail sales for those years. Note that since the online sales estimates include non-retail items such as travel and event tickets, ICSC has subtracted these estimates from each company's total projection in order to calculate the percentages shown in Figure 1. ICSC has also adjusted the U.S. Census Bureau retail sales figures by subtracting expenditures on automobiles, gasoline and "eating and drinking places." Retail sales have been projected for 2003 by increasing current sales at a 5.5% annual rate—the trend rate for the 1990s.

ANATOMY OF AN ONLINE SALES FORECAST

Table 2 shows Forrester Research's itemized consumer

online sales forecast for 2004. The total forecast is for sales of \$184.5 billion. However, Forrester's projections include line items that are of little interest from a shopping center

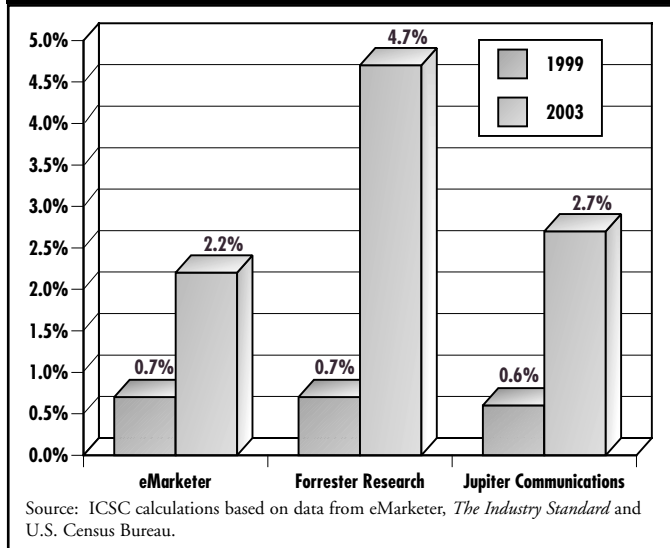
Table 2

ESTIMATES BY FORRESTER RESEARCH OF 2004 CONSUMER ONLINE SALES

Category	\$Bil.
Accessories	3.527
Apparel	22.516
Appliances	2.023
Automobiles	16.567
Books	3.279
Computer hardware	12.541
Consumer electronics	11.670
Event tickets	3.929
Flowers	2.472
Food and beverage	16.863
Footwear	1.085
Furniture	3.884
Greetings	0.798
Health and beauty	10.335
Household goods	5.755
Miscellaneous	9.394
Music	4.286
Software	3.290
Specialty gifts	1.389
Sporting goods	4.220
Tools and garden	7.156
Toys and video games	3.663
Travel	32.097
Videos	1.743
TOTAL	184.482

Figure 1

ONLINE RETAIL SALES ESTIMATES AS A PERCENT OF ADJUSTED RETAIL SALES: 1999 AND 2003





real estate perspective: travel, event tickets, videos and automobiles. These categories account for \$54.3 billion of the total—subtract them out and the “retail” part of the estimate is then just over \$130 billion, or 5.7% of adjusted retail sales forecast by ICSC for that year.

CONCLUSION

Little has changed in the past year: The intelligent evaluation of online sales forecasts requires a careful

examination of forecasting methodology, the agenda of the forecasting company and whether non-retail items are being included. Only by correctly adjusting for these factors will the reader have even a starting point for analyzing the size of the Internet retail industry.

This article was written by Michael Baker. For more information, contact him at ICSC: (703) 549-7404.