Chapter VI

The Internet Applications and Business

THE INTERNET ECONOMY

The Internet Economy is an ecosystem of producing, distributing, and consuming wealth. This ecosystem is made up of companies directly generating all or some part of their revenues from Internet or Internet-related products and services. The economy includes not only “high-tech” companies but any company that generates revenue from the Internet.

Internet Usage

The Internet landscape of the United States will undergo a profound change from 2002 to 2003. The United States will lose the distinction of having the largest number of Internet users worldwide. However, the loss of this distinction is not without an up-side. Eighty-four percent of U.S. PC’s access the Internet today, and this will grow to 88% by 2003. The Internet has become part of U.S. culture — approximately 71% of the population will use the Internet at least once per month by 2003. The United States will maintain its leadership role as the biggest e-commerce generator of all regions. The maturity of the e-commerce market in the United States is responsible for the erosion of the United States’ standing as the world leader in terms of Internet users. Other regions with larger populations are becoming increasingly connected. Alternatively, it is the maturity of the U.S. market that has driven the United States to dominate e-commerce spending worldwide (www.idc.com).
However, not every Internet user shops online; only 17 million households (17% or every 5th) do it (NUA/Forrester Research). In 2000 about 56% of U.S. companies were selling their products and services online, up 24% from 1998 (NUA).

**Economic Impact**

The Internet Economy force has become a more integral part of the U.S. economy than ever before, creating jobs and increasing productivity in companies across the economy. The impact goes far beyond dot coms, as Internet Economy forces are transforming traditional companies and jobs. Seven of every 10 of these jobs are traditional rather than high-tech jobs, according to a new study by the University of Texas’ Center for Research in Electronic Commerce. Of the Internet-related jobs, only 28% are in Information Technology, which ranks below sales and marketing (33%) as the job function generating the most Internet-related employment. Dot com companies are a very small part (about 9.6%) of the overall Internet Economy.

The research is contained in the fourth report measuring the Internet Economy commissioned by Cisco Systems and covers the first half of 2000. It shows the Internet is transforming the economy and the way people work, to an extent few people would have imagined just a few years ago.

According to the study, the Internet Economy now directly supports more than 3.088 million workers, including an additional 600,000 in the first half of 2000. This is about 60,000 more than the number employed in the insurance industry and double the real estate industry. These jobs were created both by the explosion of the Internet and by companies shifting workers to take advantage of the benefits created by embracing the Internet. Employment in Internet Economy companies is growing much faster than employment in the overall economy. Total employment at Internet Economy companies grew 10% between the first quarter of 1999 and the first quarter of 2000. Internet-related jobs at Internet Economy companies grew 29% during the same period. Both of these figures far exceed the growth of non-Internet related jobs in these same Internet Economy companies, which grew 6.9% during the same period.

The Internet Economy generated an estimated $830 billion in revenues in 2000, a 58% increase over 1999. The $830 billion in revenues is a 156% increase from 1998, when the Internet accounted for $323 billion in revenues. Internet economy revenue is growing twice as fast as Internet Economy employment. In 2000, for example, second quarter revenue grew 58.8% over the second quarter of 1999. Meanwhile, second quarter employment grew
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