

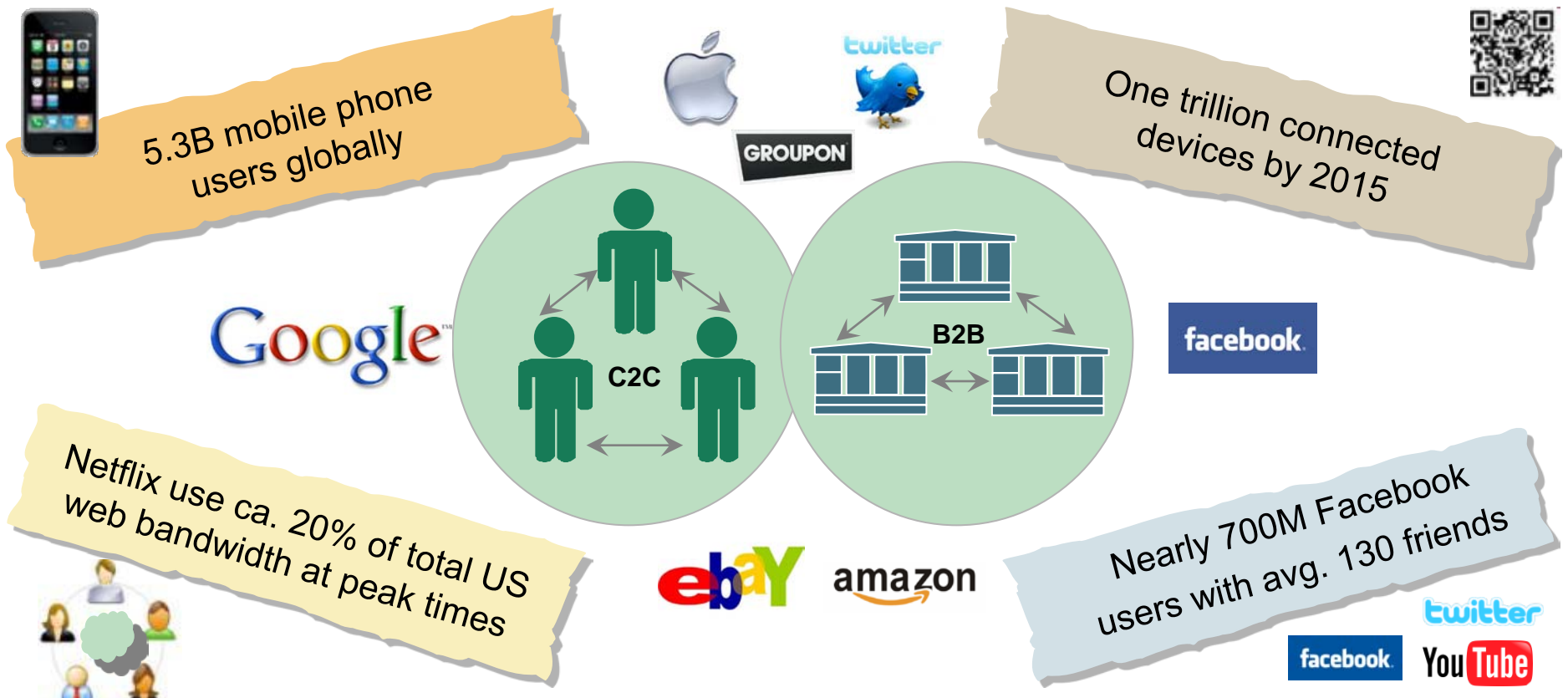


Sizing the Digital Economy

Brussels, September 2011

THE BOSTON CONSULTING GROUP

The Digital Economy is pervasive



But how big is the "Internet economy"?

But how is the Internet transforming the economy?

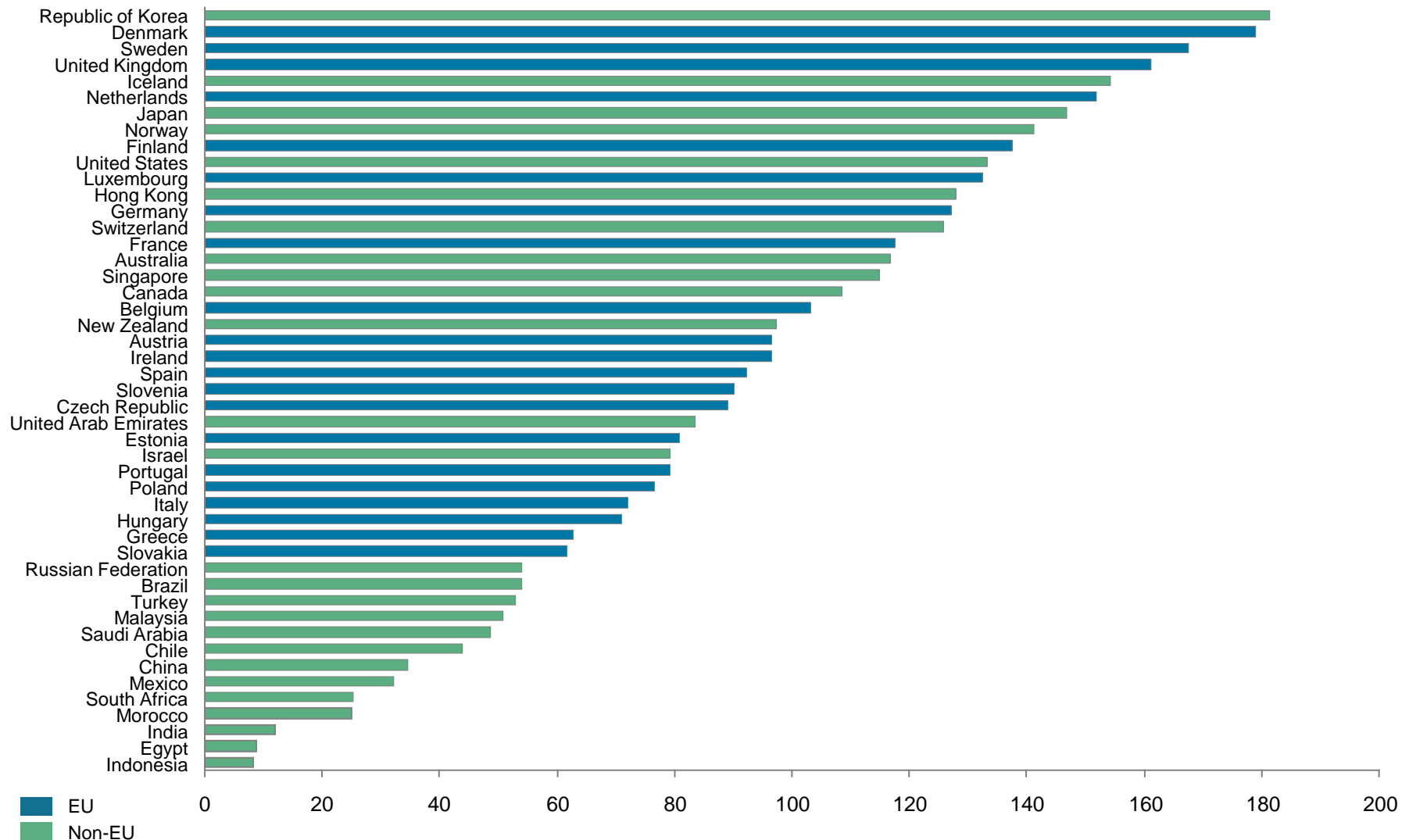


Increasingly an issue of interest and importance for governments and policy makers



Significant variation in e-Intensity between countries

The BCG e-Intensity Index™

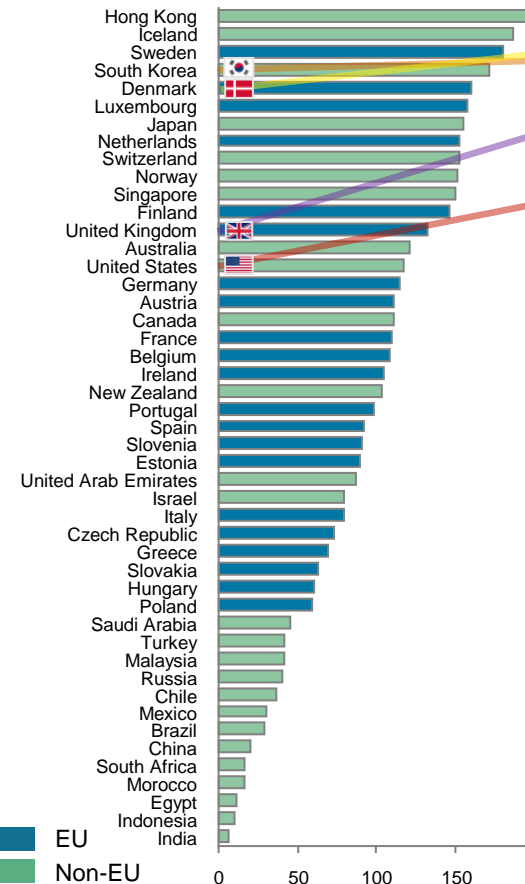
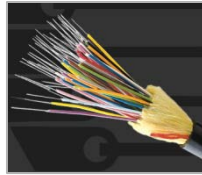


Sources: ComScore; Economist Intelligence Unit; Euromonitor; Gartner; International Telecommunication Union; Magna Global; Ovum; Pyramid; speedtest.net; United Nations; World Bank; World Economic Forum; BCG analysis.

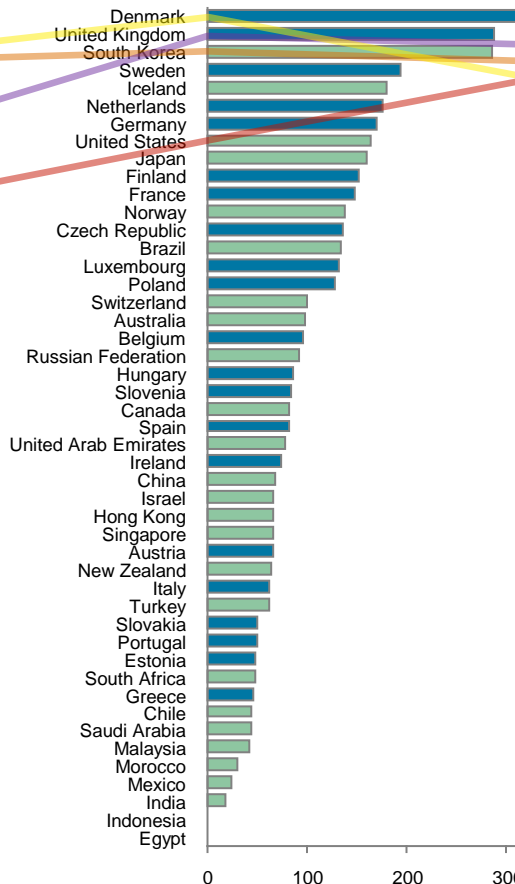
Note: The index is scaled so that the geometric mean is 100 for 34 OECD member countries. The scores of several countries are imputed due to lack of complete data.

Three components of e-Intensity

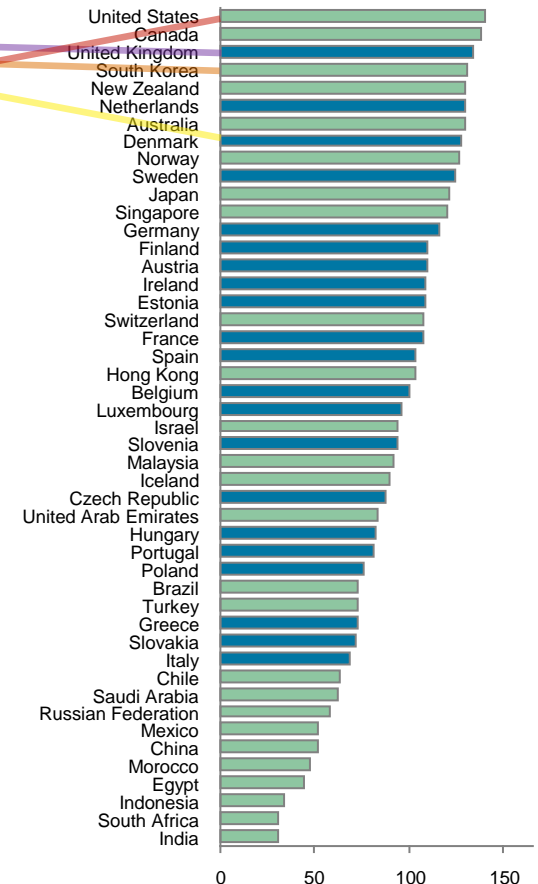
Enablement



Expenditure



Engagement

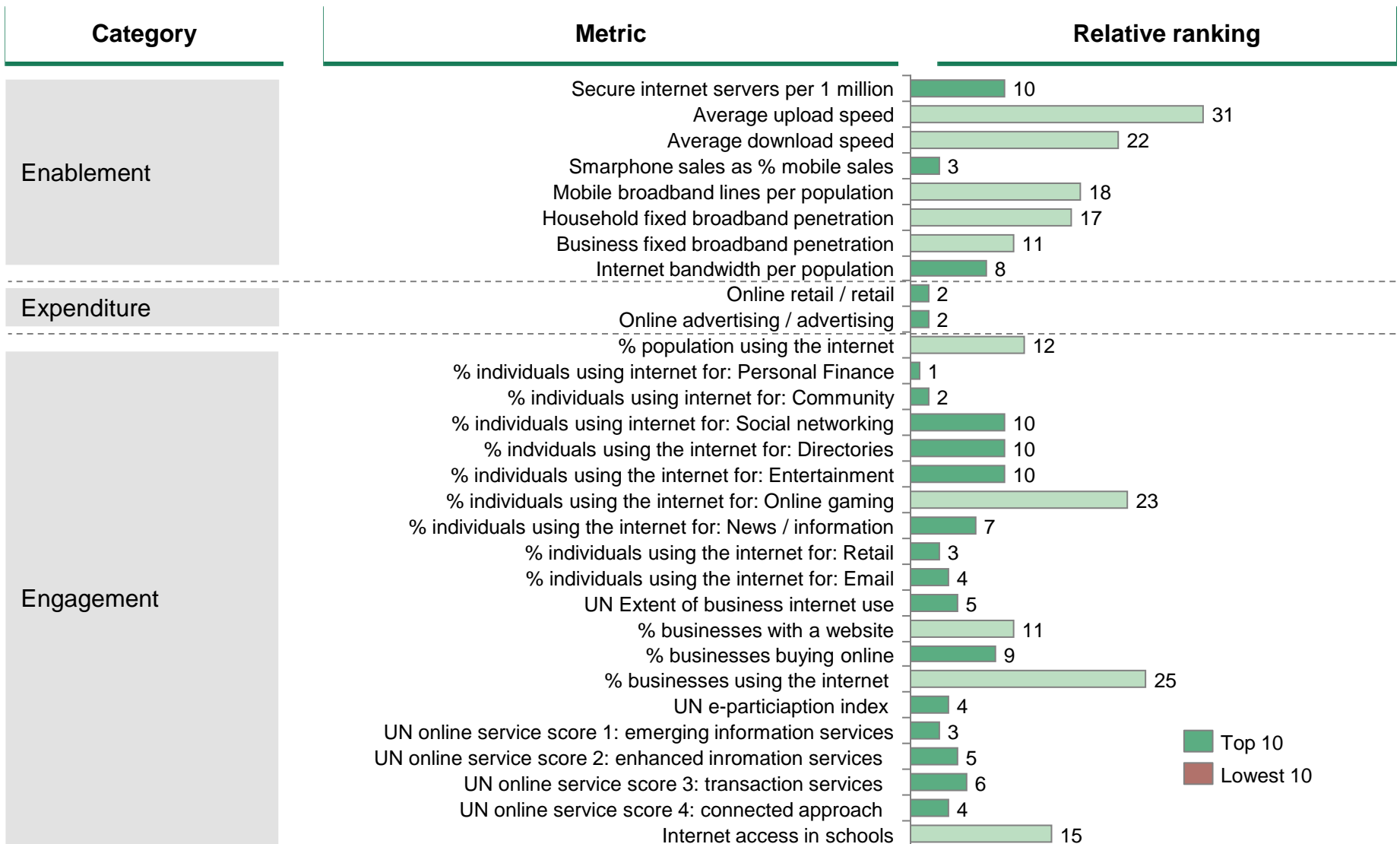


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UK very strong on expenditure, weaker on enablement

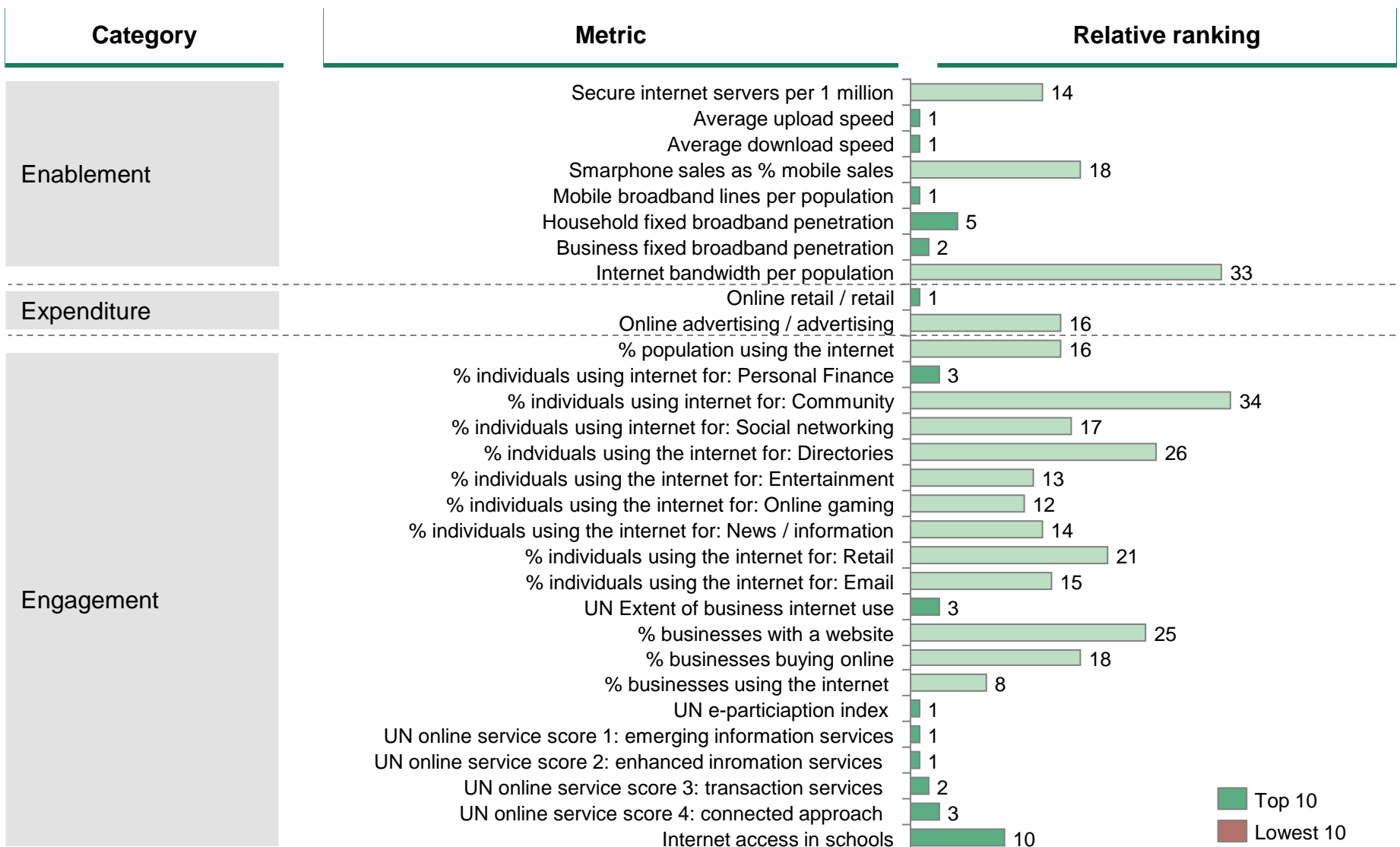
Extract of Digital Dashboard



Sources: ComScore; Economist Intelligence Unit; Euromonitor; Gartner; International Telecommunication Union; Magna Global; Ovum; Pyramid; speedtest.net; United Nations; World Bank; World Economic Forum; BCG analysis

South Korea with strong performance across most indices

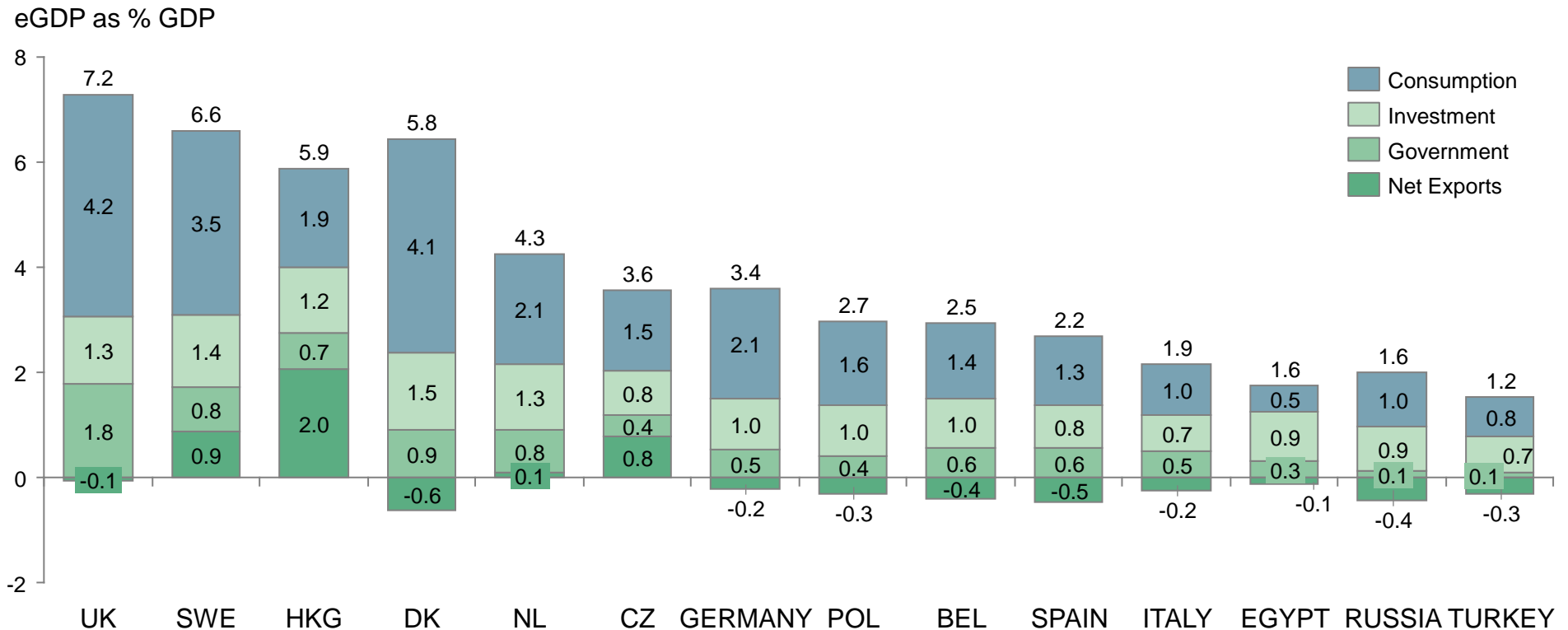
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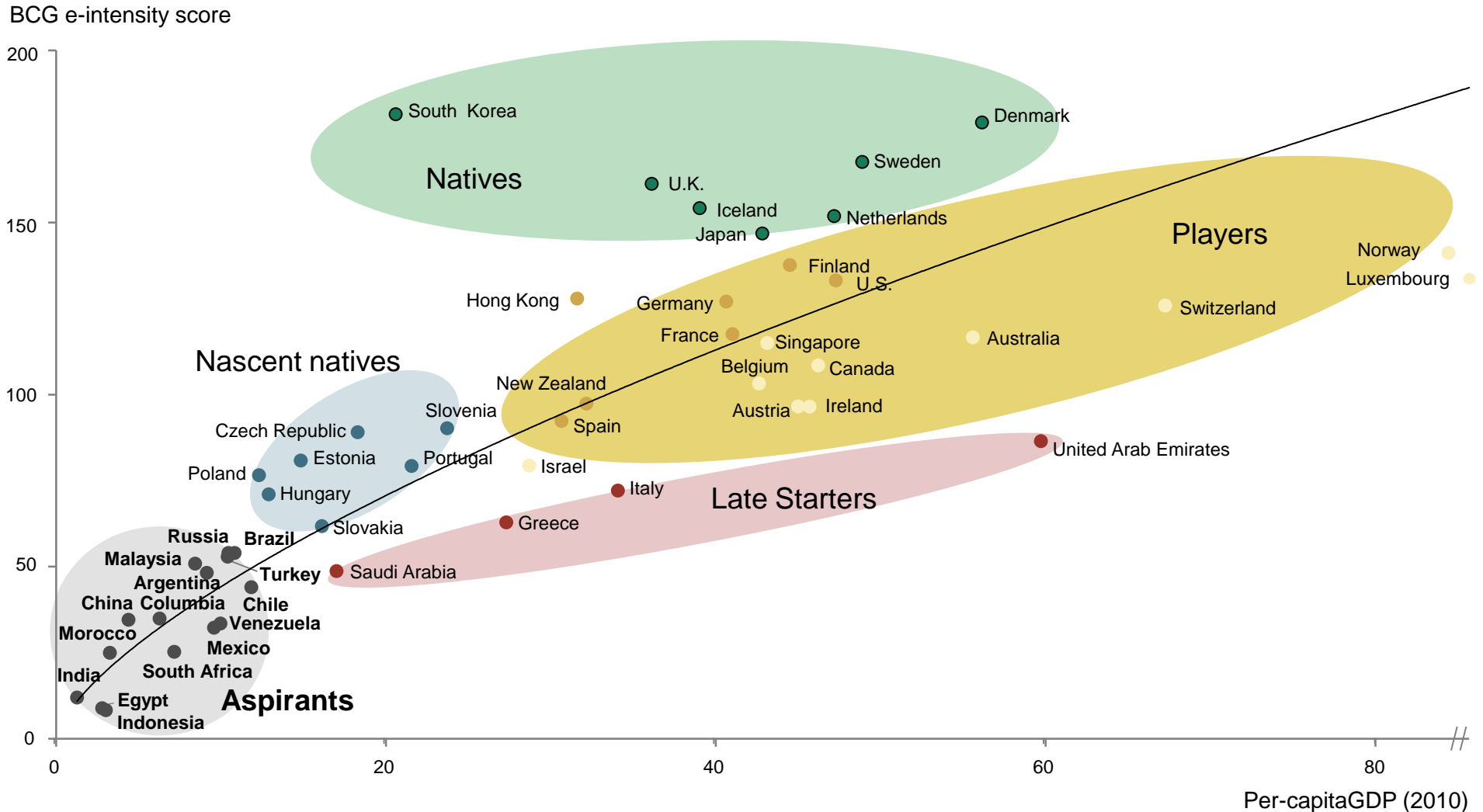
Internet contributing significantly to GDP in some countries

"eGDP": Internet Economy as % of GDP (2009)



BCG e-Intensity Index Correlates with Per Capita GDP

Five country clusters appear to exist



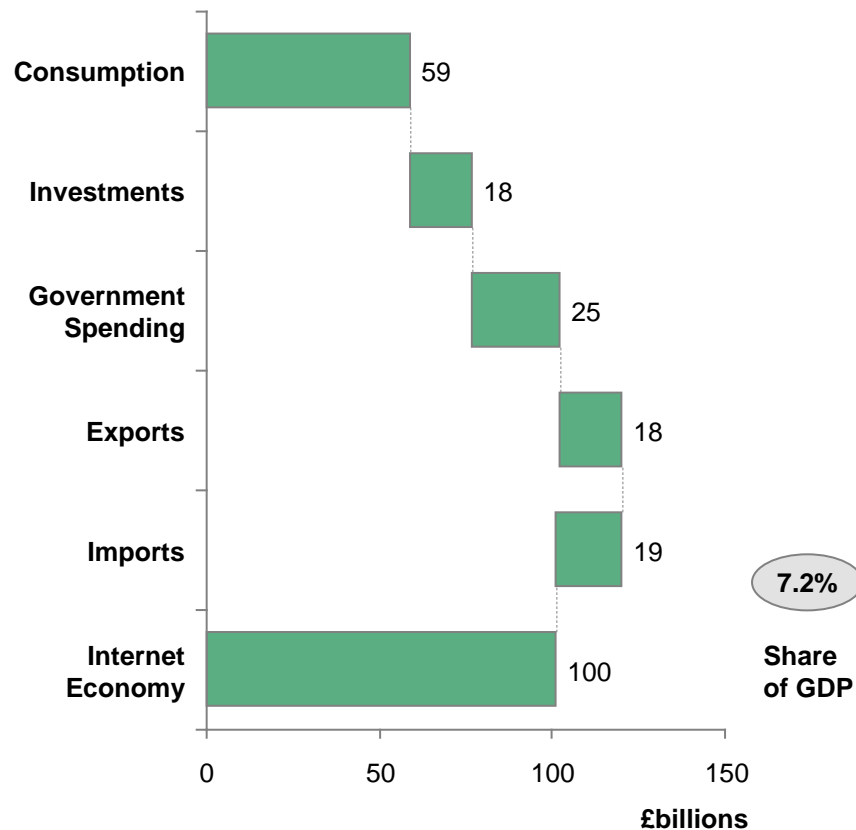
Sources: Economist Intelligence Unit; International Monetary Fund, International Telecommunication Union; Speedtest.net; Gartner; Ovum; World Bank; Pyramid Research; United Nations; World Economic Forum; ComScore; Magnaglobal; Euromonitor; BCG analysis.

Note: The scores of several countries are estimates based on incomplete data: R2=0.8109

Internet's full economic impact not captured by eGDP (I)

Example: UK

GDP: Consumption accounts for most of UK internet economy



Beyond GDP: a number of additional benefits not been included in GDP

Consumer and Business Impacts

- Business-to-Business E-Commerce exceeded £360 billion in 2008
- Online Advertising totaled £3.5 billion in 2009
- ROPO1 estimated at £40 billion in 2008
- Cost savings from online shopping of ~£18 billion (~£1,000 per online household annually)
- Consumer surplus from free online content about £5 billion annually

Productivity

- Manufacturing: a 10% increase in e-procurement leads to a 2.6% productivity increase
- Wholesale and Retail Trade: a 10% increase in e-sales leads to a 3.1% productivity increase
- Business and Financial Services: a 10% increase in the number of employees using fast broadband raises productivity by 0.9 percent, and a 10% increase in e-procurement raises productivity by 1.2%

1. ROPO = the value of goods and services researched online, purchased offline

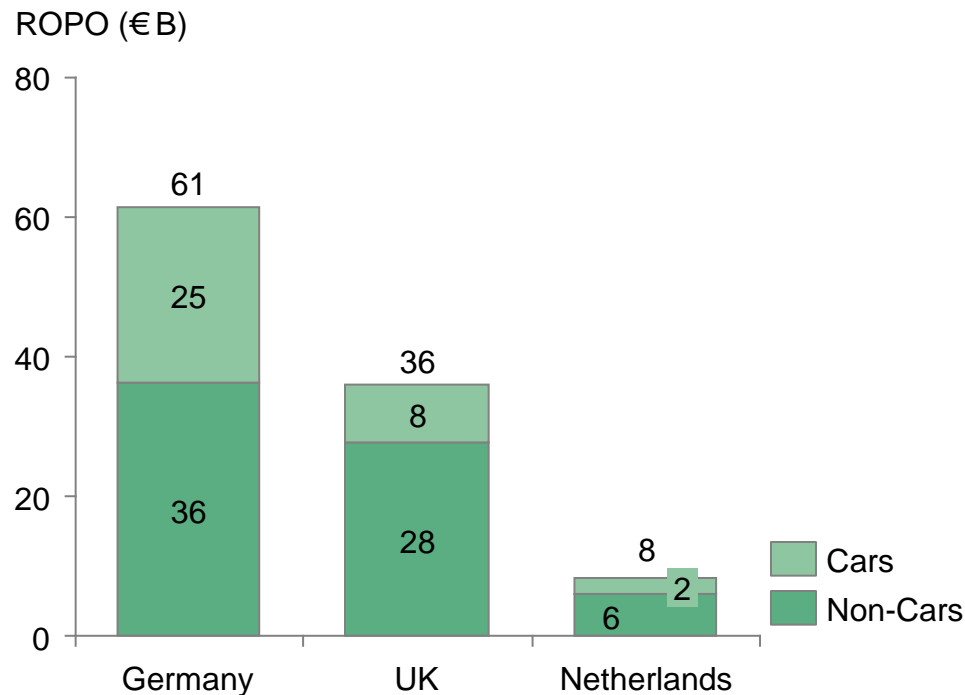
Note: The components of the Internet economy do not add up to 100 because of rounding

Source: Sanford C. Bernstein; European Commission; Gartner; IMRG; U.K. Office for National Statistics; Ovum/Datamonitor; ONS; BCG analysis

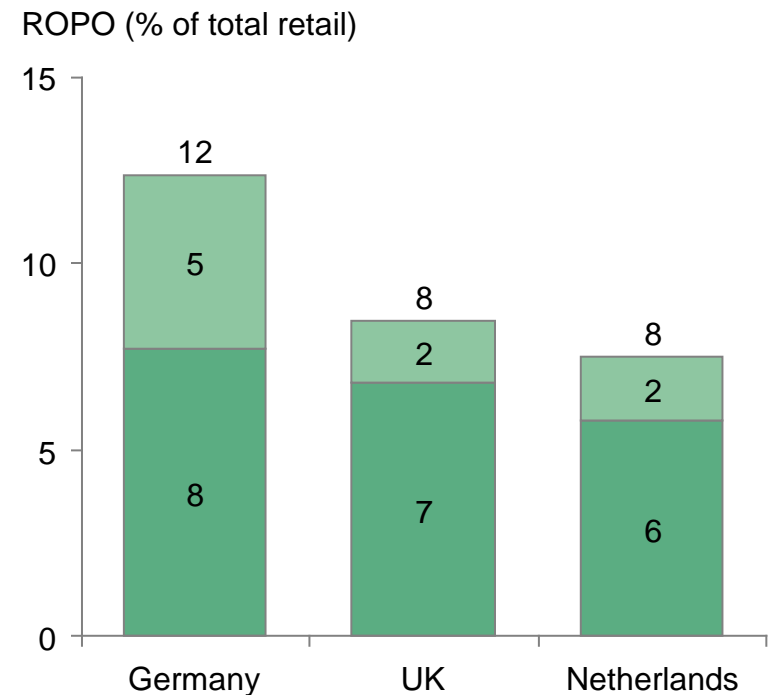
Internet's full economic impact not captured by eGDP (II)

Example ROPO

ROPO spend (€B)



ROPO as a % of total retail spend



In these countries, ca. 7-10% of retail spend is researched online and purchased offline ("ROPO")

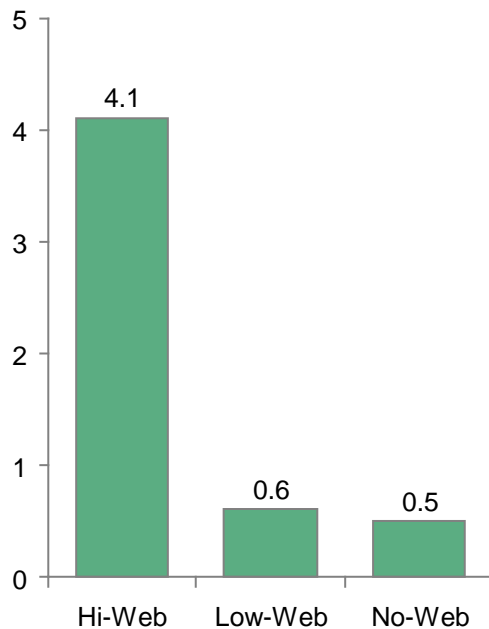
The Internet can power growth

Example: SMEs with under 250 employees



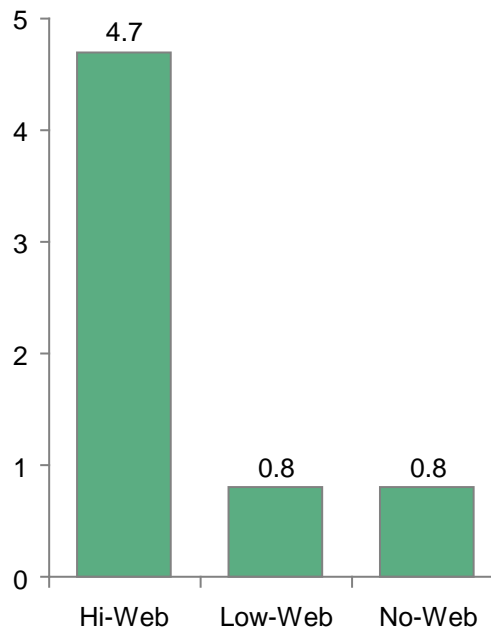
UK

% sales growth (3 year average)



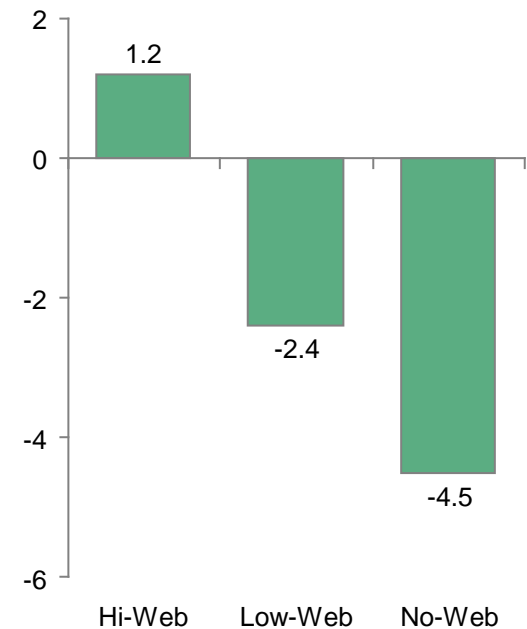
Belgium

% sales growth (3 year average)



Italy

% Growth (3 year average)



Note: Hi-Web businesses have a website and market or sell goods and services online; Low-Web businesses have a website or social networking site but do not market or sell goods; No-Web businesses do not have a website.

Source: BCG "Connected World" Studies for Google

Connected World Brussels Meetings 06Sep11-FINAL.pptx

Not just well-known names are shaping the digital economy

Well-known Internet giants ...

... and some Internet pioneers (Example: UK)



The Internet goes local



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