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Latest MISC Internet Uptake Index shows Australian Internet Uptake falls for first time as 300,000 Internet users temporarily stop using the Internet. MISC asks has the Internet boom finally plateaued?

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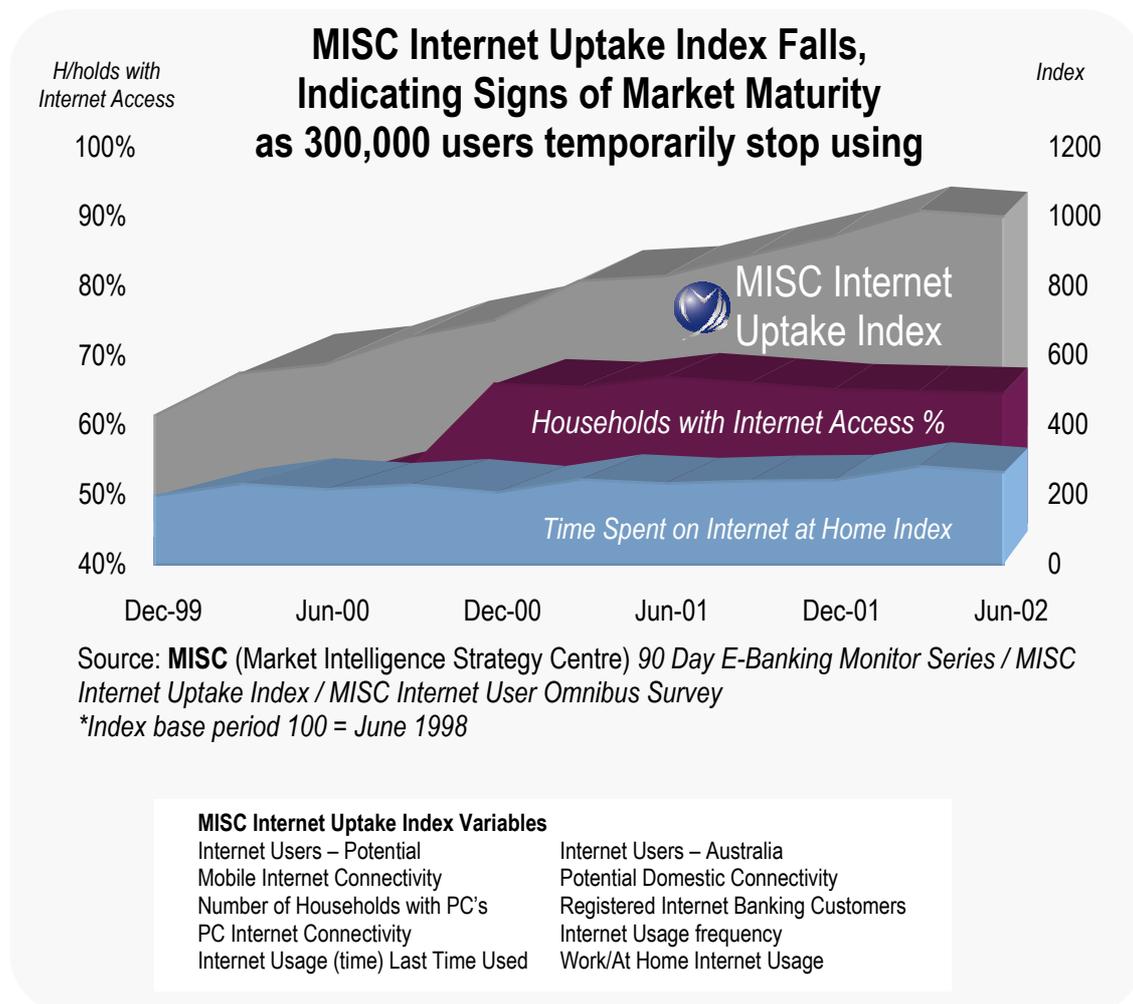
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Latest MISC Internet Uptake Index shows Australian Internet Uptake falls for first time as 300,000 Internet users temporarily stop using the Internet. MISC asks has the Internet boom finally plateaued?

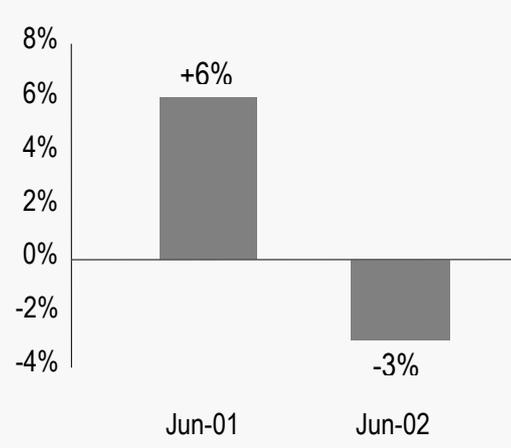
Has the Internet Boom plateaued now reaching critical mass? This is the question posed by Market Intelligence Strategy Centre (**MISC** Australia) the sister Consulting group of MINTEL (Aust). It is a question that has shocked many observers. It follows from results of its latest MISC Internet Uptake Index which was released to subscribers today. The unique composite **Internet Uptake Index** was developed by MISC in 1999 to provide a true measure of Internet acceptance by Australians as traditional single methods e.g. measurements of penetration, or sites were proving inadequate. The Index has been regularly maintained by MISC each quarter and has often reported growth (even double-digit growth) in several of its phases.

Following on from the March 2002 quarter Index growth, which the respected research/strategy group previously noted was the slowest recorded ever, the June 2002 quarter now shows the Index actual fell 3% for first time.



While the fall may not seem immediately significant, in the context of regular quarterly growth rates of 20% that have been shown by the Index in the past says **MISC**, it is a serious and unprecedented correction. Significantly, this latest quarter of -3% loss compares to +6% growth experienced in the corresponding quarter 1 year earlier. It is further reinforced by the results of the regular MISC consumer trace of Internet users (part of the composite Index) which show that 300,000 internet users in the latest quarter stopped using the internet all together.

So why the sudden two quarter change in this Internet Uptake Index? The respected independent Research and Strategy Centre **MISC** (sister to the MINTEL (Aust) industry research group) says that for the first time several key market drivers which contribute to the measurement of the composite Index have actually stopped growing. One is the trace of actual Internet users (i.e. those using the internet at least once in the previous quarter and year).

<p style="text-align: center;">Selected market drivers negatively impacting upon Internet uptake</p> <ol style="list-style-type: none"> 1. Internet 'connectivity' (i.e. PC's connected to the Internet) has stalled as Internet penetration appears to have matured 2. The 'time' users spend on the Internet has also continued to fall (partly due to greater user sophistication and the increased speed of many Internet site navigational tools) 3. Simultaneously 'PC penetration' in turn has stopped even though retailers recorded better PC sales in the lead up to the end of the tax year (mostly small business prompted) 4. A significant fall in consumer 'usage'* has been recorded in MISC 's quarterly survey collection of more than 3,600 Internet consumers. For the first time (even since 'Sept 11', when usage rose 7%) this measure has also fallen. This effectively means that more than 300,000 Internet users have deserted the channel in the June 2002 quarter. <p><i>*MISC notes however that this erosion in usage was especially pronounced among those using the Internet 'At Home' which now comprise 68% of all adults.</i></p>	<p style="text-align: center;">Internet Uptake Index shows real change in Internet usage that seasonal impacts cannot explain</p> <p style="text-align: center;">% Growth in Internet Penetration</p>  <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Quarter</th> <th>% Growth in Internet Penetration</th> </tr> </thead> <tbody> <tr> <td>Jun-01</td> <td>+6%</td> </tr> <tr> <td>Jun-02</td> <td>-3%</td> </tr> </tbody> </table> <p style="text-align: center;">Source: MISC (Market Intelligence Strategy Centre) 90 Day E-Banking Monitor Series.</p>	Quarter	% Growth in Internet Penetration	Jun-01	+6%	Jun-02	-3%
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MISC says that even contextual events may have had an indirect bearing on the index itself. Some of these factors have been global and by definition have affected Australia and other countries. MISC notes that stricter rules accompanying internet content, co incidentally were often played out in this period and the lead up to it. In the March quarter stricter rules on music downloads flowed from the cancellation of the free Napster platform. This had previously provided millions of users free music on the net. While less time sensitive, the progressively stricter US rules on the broadcasting of pornography no doubt impacted on Australia user overseas access. Even storm damage in Europe to many leisure and business sites accessed by Australians had an effect.



In a more domestic context MISC notes that the OneTel collapse (itself a major ISP), the increasing incidence of computer crime reported in May 2002 (especially in business) and some technical problems in the period forcing the closure of some sights, all will have had a bearing on activity and the preparedness of internet connected homes to use the technology. While admittedly more critical to regular users, the difficulties experienced at the same time with the ADSL broadband rollouts deprived many of the opportunity to embrace high-speed technologies being promoted at the time. MISC believes this lead to some user frustration.

But there is some good News.....

Although many of the drivers of the Index **MISC** says were negative, it seems that several factors were positive and stopped the Index falling even further. Especially significant says **MISC**, quoting its national omnibus consumer research (that partly feeds the composite Index) were those Internet users 'At Work'. In the context of falling 'At Home' pattern of use, 'At Work' Internet use and users rose by 2%. Similarly a small but growing band of Mobile Internet users rose on the back of new phone technology to hit the market using space-age applications like Internet downloads of music, emailing of video messages, and even real time photographic images etc.

The Future for Internet Uptake

MISC says that in the past historic growth rates for the Index were sustained on the back of extraordinary change not only in technology (e.g. faster modems / Broadband access) but Internet content, making it an indispensable tool in the lives of more than 9.5m adults. This recent and dramatic change in the growth of the Index says MISC does not suggest that Australian have ended their love affair with the technology but possible that the Internet has finally established a permanent place in the lives of Australians and a new less dramatic growth phase is about to begin .If there is to be another growth phase in wider Internet acceptance and usage, says the strategy group, it will follow this plateau and be underpinned by a new wave of technology application and content advances. The next wave of growth, predicts the group, will ride on the back of emerging new 'horizon' technologies, which MISC regularly monitors on a global basis.

Background to MISC

The **MISC** group was formed two years ago as the sister company of industry measurement researcher, MINTEL (Australia). On behalf of many of Australia's banking industry, the company has successfully developed the first regular measure (by means of a statistical collection pool) of Internet exposure via measurement of Internet Banking. Co-coordinating exclusive research for the participating Banks, the **MISC** Internet Banking Data Pooling Facility has overseen the growth from 1.37 million registered users (first measured in September 2000) to more than 5.23 million as at March 2002 this year (results of the latest period are imminent). This Internet Banking total user market measure is one of the 10 that the **MISC** group uses to make up its Internet Uptake Index. The composite Index is derived from a weighted measure of 10 variables, which each reflect different aspects of Internet usage and hence impact upon overall uptake and not just banking (refer additional notes below).

The MISC Internet Uptake index

Industry and consumers have become increasingly familiar with the use of indexes to accurately measure change e.g. the Consumer Sentiment Index developed by Sydney University or the Business Expectation Index of Dunn and Bradstreet. Whilst there are alternate measures of different aspects of Internet uptake **MISC** is the first research organization to develop a composite measurement tool providing a full contextual image of uptake which can be used to regularly and consistently assess the market's growth. The unique **MISC** Uptake Index is increasingly being regarded by many in the industry as the best measure of true Australian Internet uptake as it is not reliant on any single driver of acceptance, which can provide a misleading picture.

The **MISC** Internet Uptake index measures 10 key drivers of Internet acceptance in Australia. These range from PC penetration in the home, hours spent on the Internet, recorded Internet consumer usage or specific Internet activity like Internet Banking. These variables are the market force drivers, which **MISC** believes, collectively, determine overall growth for Internet usage and uptake. After quarters of similar levels of growth (Previously the index had shown between 12% and 20% growth rate each quarter for 7 quarters straight) the Index has now all but stopped growing.

In its absence various groups have relied on single indicators to show movements in Internet popularity. Internet site 'hit' measurements are one which have proven unreliable and inconclusive as a usage measure as customer registrations often fail to reflect true usage or uptake. The number of Households with Internet access is clearly an indicator of growth and was accordingly often used as a proxy for uptake but this has long stalled. The **MISC** Index and trend series is devised through sensitivity testing that establishes the relationships between variables and their strengths. The Index also provides an assessment of the extent to which the composite of the actual variables has reached the composite of each corresponding potential variable i.e. Internet users has reached 68% of adult population. This Index provides a holistic measurement of uptake that can be plotted alongside even potential uptake measures. The Index flows from the accumulated data for the same two-year period on actual and potential Internet uptake. By indirectly comparing the potential results with the actual, **MISC** can further predict how successful the uptake has been for any given quarter. Such new intelligence is ideally arranged for forecasting differing uptake scenarios based on the potential market and the trend in the relationship with the actual Index. The results form a statistical series, which can be benchmarked against Internet uptake measures even globally.

MISC Omnibus Consumer Survey of Internet Usage:

Each quarter **MISC** surveys more than 3,600 adults to trace their previous quarterly Internet usage and activity as well as their attitudes to the medium. This national probability sample collects data directly from Internet users and differs from competing research surveys that trawl the Internet for sufficiently interested voluntary participants. This says **MISC** produces research results about Internet 'Junkies' who are not representative of the population. **MISC** surveys both 'At Work' and 'At Home' usage and correlated its results with Bank usage. As the survey is a rolling sample the aggregate coverage now total more than 24,000 consumers.

For further information on this unique service please contact the MISC Marketing Department.

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