

## 2003 Trendsetter Forecast – What's Next in the Electronic Future

In 1998 *NetSmart* "Trendsetters" accurately forecasted the 1999 explosion on online holiday shopping. **What do "Trendsetters" forecast for 2003?**

- Women will outnumber men online 60% to 40% (3 to 2)
- e-Commerce – 89% will shop online
- Clicks and Mortar – 50% will do less retail shopping
- Banking – PC's will become ATM's – at least a third will pay bills online
- Investing – A Nation of Day Traders – one fourth will invest online

### Broadband and Wireless

- Over one third will have broadband access.
- Wireless will be a content sponsorship model i.e "Brought to you by . . ."

**We must prepare for the Broadband/Wireless future, but not be obsessed with it!**

### **NetSmart VI – 2000 Highlights – The Electronic Future is Here**

- Shift from niche market to mainstream medium
  - Online population soars to over 100 million
- Women exploding growth segment
  - 49% of online users
- e-Commerce 78% purchased online product
  - 70% paid with credit card
- Web driven Retail Sales – High Conversion rate
  - Consumers make high ticket purchase decisions online
  - 65% say "It's the first place I go."
  - As a result of online information
    - 32% bought a Car
    - 45% bought a Computer
    - 17% bought an Appliance
    - 16% bought Furniture
  - Travel – Strong Impact
    - 38% booked a Flight, 36% a Hotel, 17% a Car Rental

## Revolution in Financial Industry

- Banking – Passwords replacing Passbooks
  - 21% Bank online, 39% would consider it with secure sites
- Investing – Nation of “Day Traders”
  - 13% Invest online and 37% would consider it for lower rates
- Insurance
  - 24% visited an Insurance site, 64% want Names of local agents

## Branding and Personalization

The web is being driven by Brand Names instead of dot.coms

- **Companies that don't change with their customers soon won't have any**

The 2000 NetSmart VI “Through the Looking Glass” is a breakthrough report that provides the consumer insights into the Electronic future. It provides strategic solutions to the key issues facing marketers in the digital decade – from e-Commerce to Broadband and Wireless to Women to Personalization and Privacy. It takes you into the heads and homes of the online users.

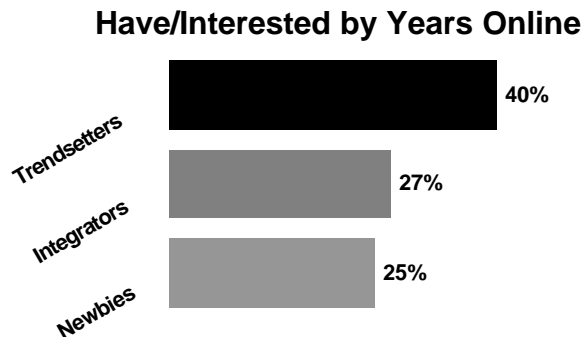
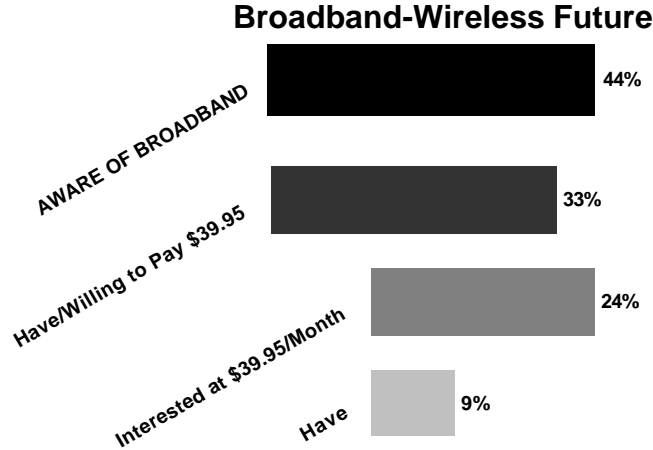
# Consumer Insights into the Cyber Future

## The 10 Key Issues of 2000

1. Broadband – The Future of Streaming Video
2. Wireless – Content Sponsorship Opportunities
3. Personalization Versus Privacy
4. Shift From Niche Market to Mainstream Users
5. Women – Exploding Growth Segment
6. Dramatic Shift in Consumer Behavior
7. Trendsetters Forecast the Future
8. The Online Goldmine – Explosion in e-Commerce
9. Websites Drive Retail Sales
10. 2000 – Year of e-Finance

### 1. Fast Forward to the Broadband – The Future of Streaming Video

- Pent-up Demand – **By 2003, more than a third of online users will have high-speed access.**
- Just 9% heavy online users have high-speed access in 2000.
  - However, an additional 24% would pay \$39.95/month to have it at home.



## Profile of Prime Broadband Prospects

- These 2000 prime Broadband prospects are upper income (\$59,700), 34-year old men who are heavy Internet users (16 ½ hours a week). They are the *NetSmart* “Trendsetters.”
- They’ve “gotten spoiled at work” – where 47% have high-speed access.
- **Length of time online is the key variable.**
  - 40% of NetSmart “Trendsetters” (online 3-plus years) are eager for Broadband, versus 33% of all users.

## Broadband Obstacles – The Consumer Viewpoint

### Lack of Awareness and Price

- Only 44% of all online users have even heard of Broadband.
- Most (56%) are unaware of the specific benefits.
- When explained in detail, the majority (67%) are unconvinced that the benefits justify the \$39.95/month cost.

As one quickly calculated, “That’s close to \$250 more a year – for what?  
Frankly, I don’t see the benefit.”

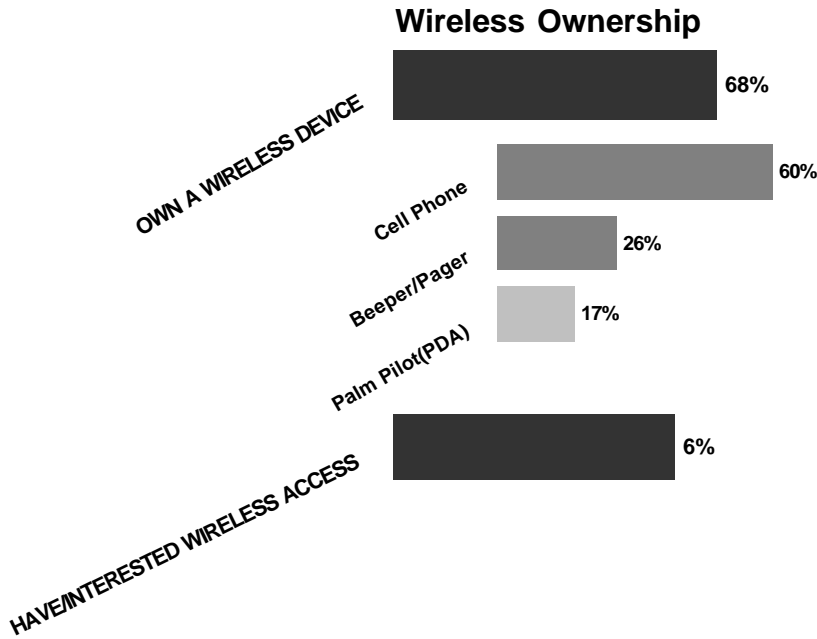
## Strategic Marketing Implications

- Underline the word Marketing
  - Broadband will enable marketers to add streaming video to their site.
  - When considering streaming video, remember high-speed users have a 6-8 minute attention span, 2-3 minute with poor quality.
- Will Broadband be delivered through DSL or cable – who cares!
  - Prepare for the Broadband future, but don’t be obsessed with it.
- **The medium should never get in the way of the message.**

## 2. Will there be wireless advertising?

**“Wherever there is space, there will be advertising.” – David Ogilvy**

- We are living in a highly mobile society. The majority (68%) of online users have at least one wireless device – this is equally true of men (68%) and women (67%).
  - Cell phone – 60%
  - Beepers/pager – 26%
  - Palm Pilot (PDA) – 17%
- **But just 6% have wireless Internet access.**



## Wireless Advertising Opportunities and Obstacles

### Obstacles

- No single U.S. standard
- Consumers pay for advertising received
- Small screen size
- Slow downloading (14.4 at best)

### Exciting Developments – WAP and ‘Net Access Devices

- A single standard, WAP (Wireless Application Protocol) is being rapidly developed for widespread high-speed Internet access.

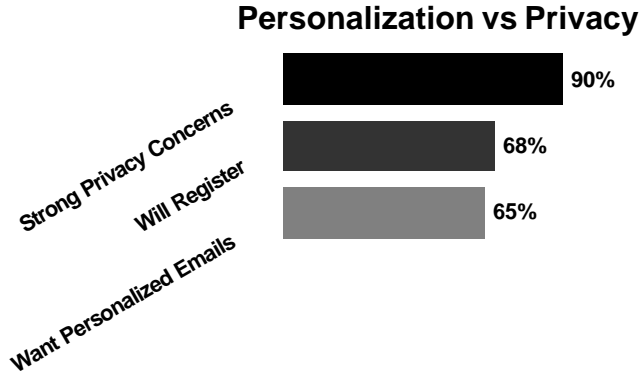
### Marketing Implications

- By 2001, sponsored content will be the wireless advertising model.
- **Advertisers will be able to sponsor highly valued content – from stock quotes to weather and breaking news, e.g., “Brought to you by...”**
- **“911 Emergency Locators” – The FCC has mandated by 2001 that cell phone service providers must identify the exact location of cell phone users within 100 yards for 911 emergencies.**
  - Geo-based Target Marketing – with 911 Locators
  - Local retailers can target passers-by with special offers to generate in-store sales.
  - **“Opt-in” permission e-mails or instant messages are crucial to avoid the invasion of privacy/”Big Brother” backlash.**

### 3. Personalization Versus Privacy Paradox

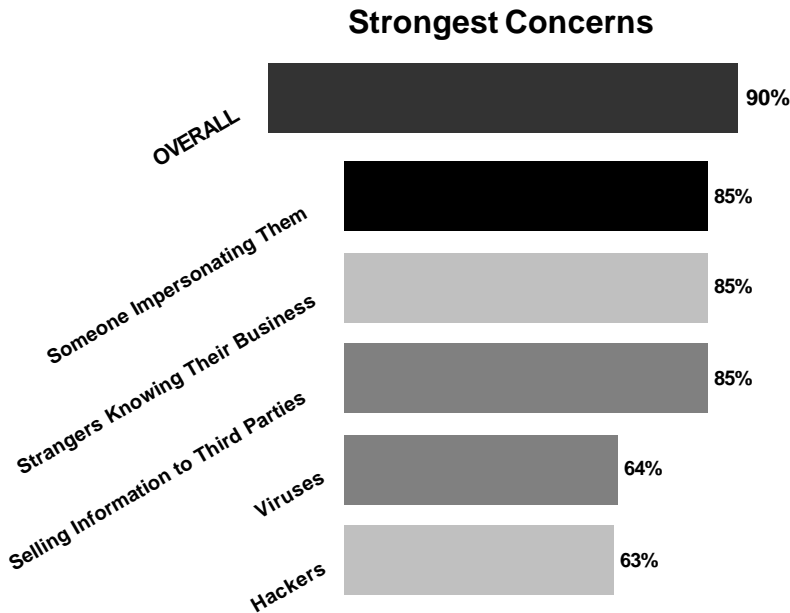
**“Everyone wants to be understood, but nobody wants to be known.”**  
– Cathy cartoon strip

- Web users place a high premium on personalization (68%).
  - 65% are interested in personalized e-mail offers.
- But an overwhelming 90% have strong privacy concerns.



**The strongest concerns:**

- Privacy concerns are both rational and hypothetical.
- Someone Impersonating Them – 85%
- Strangers Knowing Their Business – 85%
- Selling Information to Third Parties – 85%
- Viruses – 64%
- Hackers – 63%



## Four Keys to Resolving The Personalization/Privacy Paradox in Your Favor

Websites must provide:

- A VERY PROMINENT PRIVACY POLICY LINK ON THEIR HOME PAGE.
- A compelling reason for registering BEFORE asking.
- A restatement of privacy policy at point of registration.
- **People are much more likely to register if they know your site is safe and secure.**

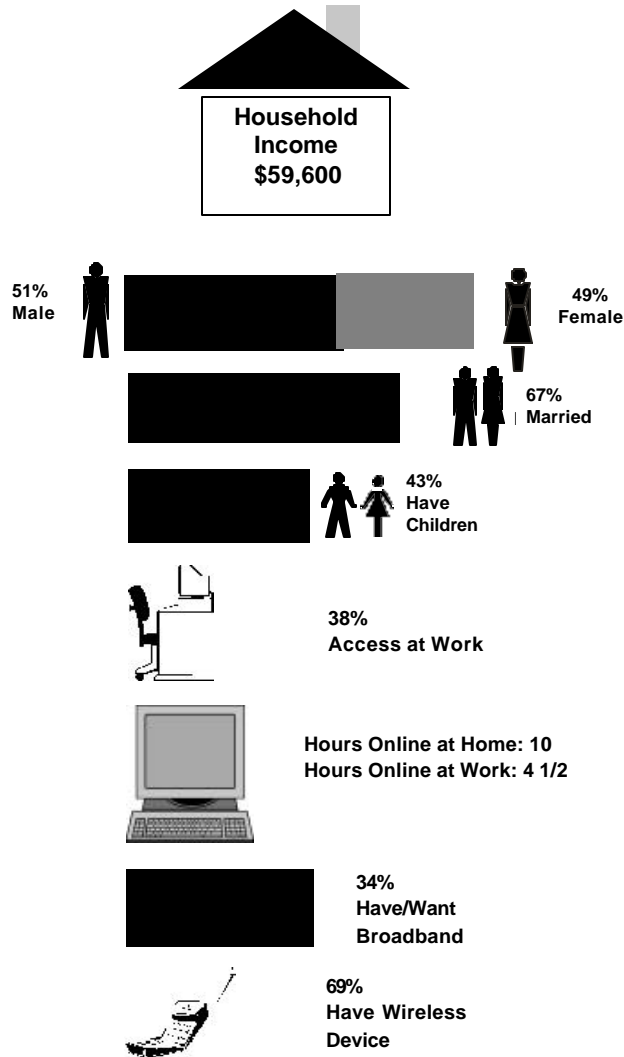


## 4. Shift From Niche Market to Mainstream Medium

- In just three years the Internet has shifted from a niche market to a mainstream medium.
  - 101 million Americans are online
- These are the prime prospects advertisers spend a fortune to reach.

### “America.com” – Online User Profile

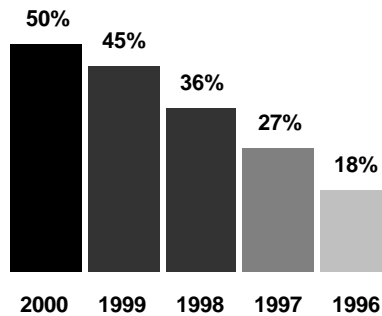
- Gender – 51% men – 49% women
- Median age – 43 – \$59,600 household income
- 43% have children at home.
- They spend 10 hours a week online at home.
- 38% have access at work – They spend 4 ½ hours a week online for themselves.
- 9% have Broadband – 24% more would pay \$39.95/month.
- 69% have at least one wireless device.



## 5. Women Exploding Growth Segment

- In 1996, women were 18% of online users.
- In 2000, 52% of Newbies and 58% of Integrators are women.
- By 2003, women will outnumber men 60% to 40% (3 to 2).

**Explosion in Female Users**



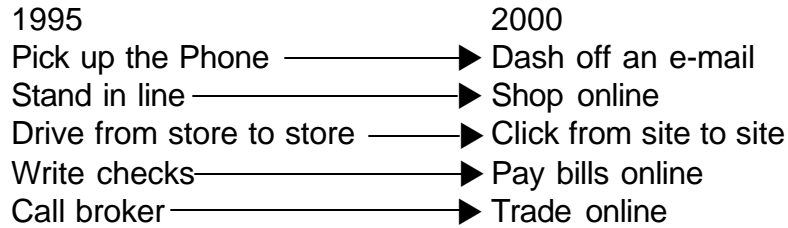
### Male/Female Motivational Differences – Stress Benefits Not Features

- Women focus on the benefits – Men zero in on the features
  - Women want to know – “How will it help me”.
  - Men want to know – How it works and what it costs.
  - As one woman said, “Who cares how it works? What will it do for me?”
- Women Require Unique Strategies – **Stress Benefits Not Features**

## 6. Dramatic Shift in Consumer Behavior

Your customers are online! If you don't change with them, soon you won't have any. No industry is immune. **The 21<sup>st</sup> century leaders will be those that Compete for the Future, not those who try to Protect the Past.**

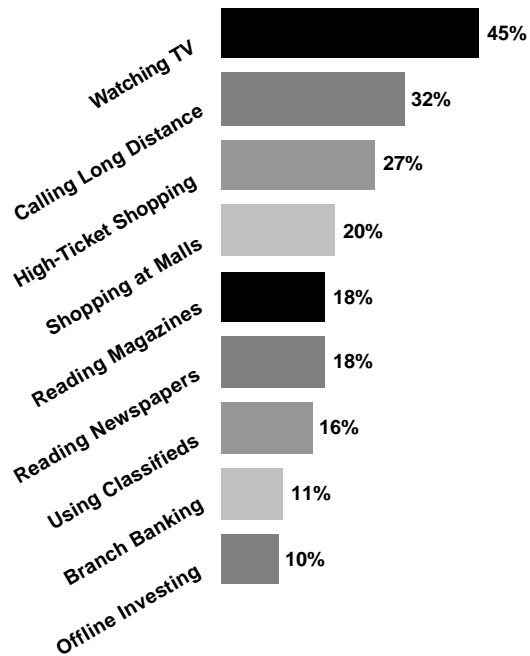
The Internet is revolutionizing our everyday life.



### What has the Net replaced?

- Online users are doing less
- Watching TV (45%)
- Calling Long Distance (32%)
- High-Ticket Shopping (27%)
- Shopping at Malls (20%)
- Reading Magazines (18%)
- Reading Newspapers (18%)
- Using Classifieds (16%)
- Branch Banking (11%)
- Offline Investing (10%)

### Online Users Doing Less



## 7. NetSmart “Trendsetters” Forecast Future

“The key to success is knowing where the puck is going and being there first.”  
– Wayne Gretzky

Demographic and psychographics are descriptive –  
**Years Online are the only Proven Forecasting Tool**

### Key NetSmart User Groups

### Marketing Implications

*NetSmart*: “**Newbies**”

– Ground Floor Opportunity

*NetSmart*: “**Integrators**”

– Evolving into Trendsetters

*NetSmart*: “**Trendsetters**”

– Forecast Future

### ***NetSmart* “Newbies” – Ground Floor Opportunity**

- *NetSmart* “Newbies” are in the early stages of developing online habits.
- This is a ground floor opportunity to get your site bookmarked – by the time they become *NetSmart* “Trendsetters”, it’s too late. Only 52% of *NetSmart* “Newbies” have bookmarks, versus 88% of *NetSmart* “Trendsetters”.
  - *NetSmart* “Newbies” will bookmark sites that offer easy navigation and 24/7 customer help.
  - These sites will be the online leaders in 2003.

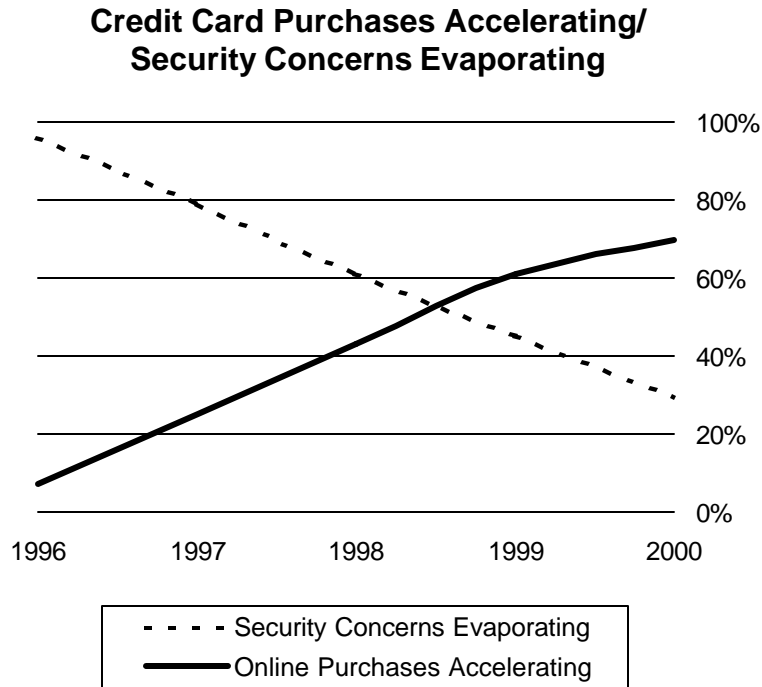
### ***NetSmart* “Trendsetters” – Proven Forecasters**

*NetSmart* “Trendsetters” forecast what we can expect in 3 years as *NetSmart* “Newbies” evolve into *NetSmart* “Trendsetters” at warp speed.

## 8. Explosion in e-Commerce – Credit Card Concerns Evaporating

The Internet has become the new Mall of America where mainstream users shop for everything from CD's to clothes to caviar. **Are you getting your fair share?**

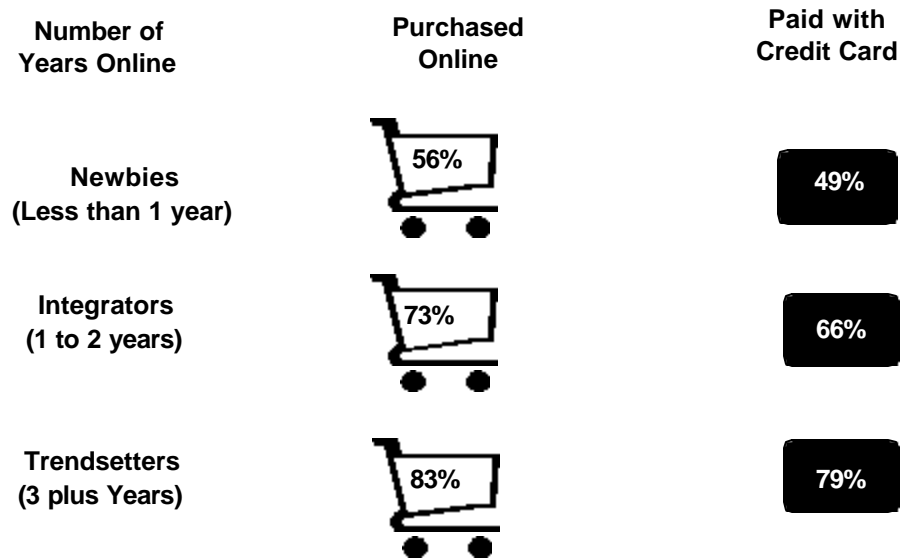
- In 2000, 76% of online users made at least one online purchase – up from 59% in 1999.
  - Of those, 70% paid with a credit card.
- Only 29% have strong security concerns.
  - Even 32% of those purchased with a credit card.



**Credit Card Purchases Increase With Years Online**

- 56% of NetSmart “Newbies” purchased an online product.
  - Half (49%) paid with a credit card.
- 73% of NetSmart “Integrators” purchased.
- Two-thirds (66%) paid with a credit card.
- 83% of NetSmart “Trendsetters” purchased.
- Three-quarters (79%) paid with a credit card.

**Online Purchases  
Increase with Years Online**



**Five Core e-Commerce Motivations – Need States**

- “Want Ideas”
- Gifts and toys
- “Want Simplified Information”
- Computer, software, electronics
- “Want Personalized Recommendations”
- Books, CD’s, game software
- “Want Newest Products”
- High-tech, fashion
- “Want to Save Time”
- All of the above

### Most Frequently Purchased Products

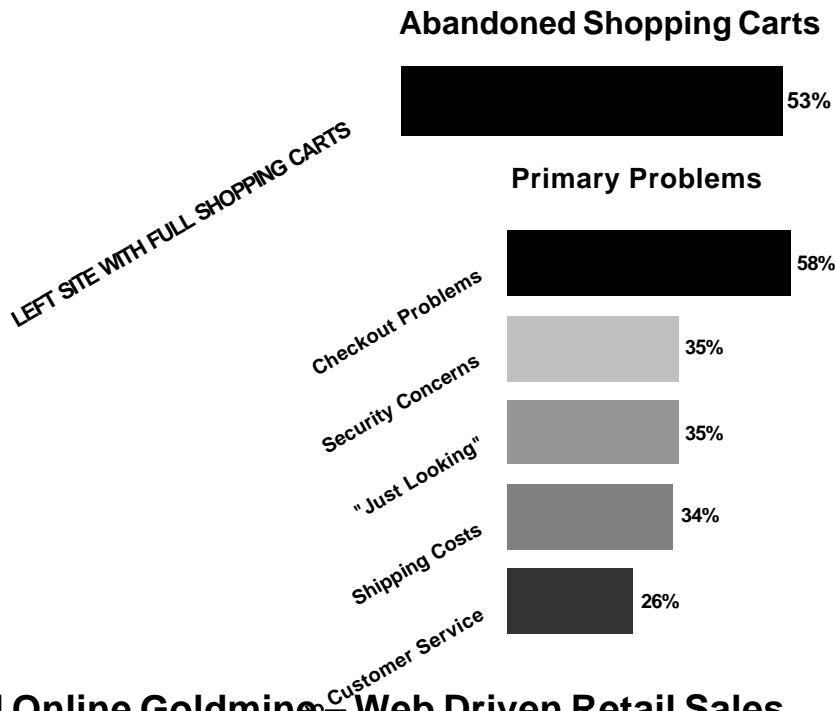
Gifts (46%)	Catalog Items (26%)
Software (44%)	Toys (26%)
Books (43%)	Clothing (25%)
CD's (37%)	Small Electronics (20%)
Wireless Devices (37%)	Cosmetics/Fragrance (8%)
Computers (30%)	OTC/Rx (8%)
	Groceries (5%)

### Abandoned Shopping Carts – 5 Key Problems

Over half (53%) left e-Commerce sites with full shopping carts. The 5 key problems were:

- Check-out Problems (58%)
- Security Concerns (35%)
- “Just Looking” (35%)
- High Shipping Costs (34%)
- No Customer Service (26%)

**These are unnecessary lost sales!**



## 9. The Real Online Goldmine – Web Driven Retail Sales

e-Commerce sales are the gold nuggets – **The real goldmine is web driven retail sales.**

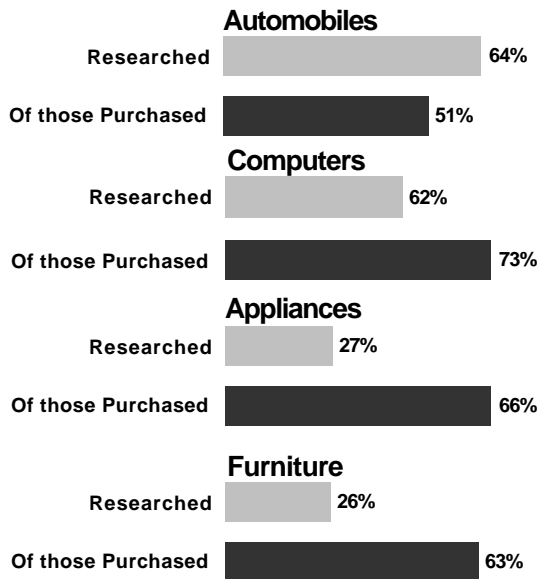
- The Internet is the most powerful persuasion tool in the history of marketing.
- “Consumers may not purchase high-ticket products online (yet!), but this is where they decide.”
- A well-designed, fully interactive site can virtually close the sale.
- 80% regularly research high-ticket products online.
- 61% say, “It’s the first place I go.”

As one man said, “By the time I walk in the door, I know exactly what I want and I am willing to pay.”

**Major Impact on Retail Sales (ROI)**

Autos – 64% researched – 51% purchased  
Computers – 62% researched – 73% purchased  
Appliances – 27% researched – 66% purchased  
Home Improvement – 30% researched – 60% purchased  
Furniture – 26% researched – 63% purchased

**High Ticket Retail Purchases**





## 10. 2000 – Year of e-Finance

### Revolution in Banking Industry

#### Passwords are quickly replacing passbooks.

- In 2000, one-fifth (21%) of online users bank online – up from 16% in 1999.
- An additional 39% would consider it when security and privacy issues are resolved.
- Don't even think about surcharges – the short-term goal is to attract long-term customers.

#### Online Banking Increases By Years Online

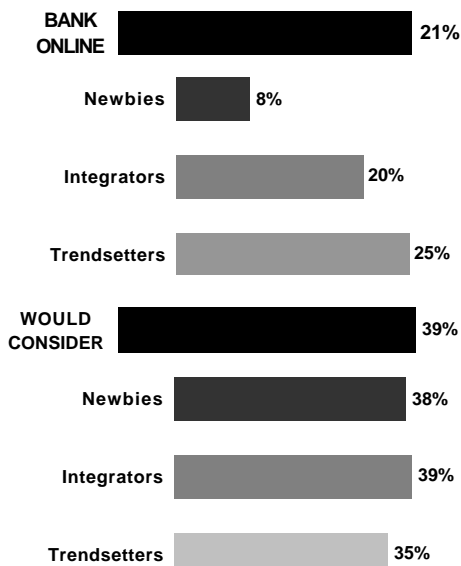
- The longer people are online, the more it becomes a way of life.
- Only 8% of *NetSmart* “Newbies” bank online – 38% would consider it.
- 20% of *NetSmart* “Integrators” bank online – 39% would consider it.
- 25% of *NetSmart* “Trendsetters” bank online – 35% would consider it.
- By 2003, over a third of online users will bank online.

#### Women – Prime Prospects

- 70% of women pay the monthly household bills.
  - Almost half (45%) have visited a bank site.
  - **These hassled female monthly bill-payers will be a driving force in online banking.**

#### PC's will be ATM's of the New Economy

- By 2003, over a third will pay bills online.

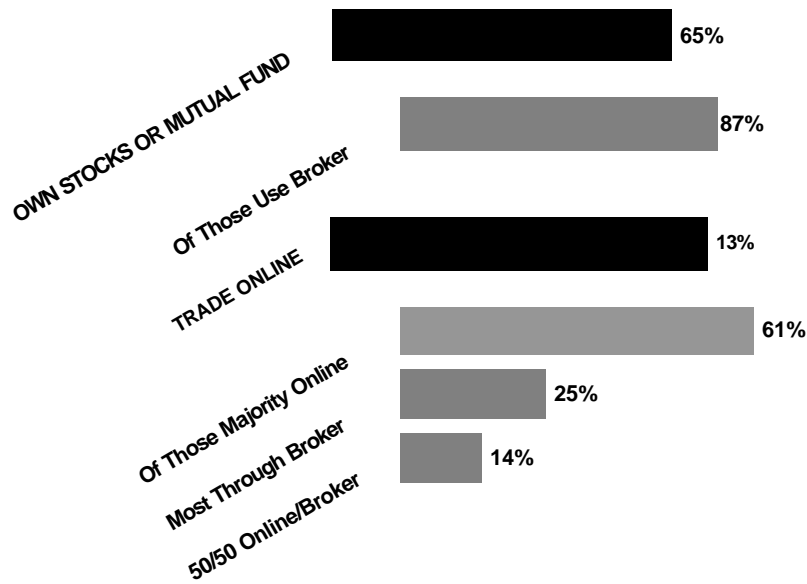


## Online Investing – Wave of the Future

We are becoming a nation of “Day Trader Wannabes” – “Even cabbies give you stock tips.”

- Two thirds (66%) of online users own stocks and/or Mutual Funds – 54% own stocks and 54% own Mutual Funds.
- 13% currently invest online, but over a third (39%) of those still rely on the expertise of their traditional broker for recommendations and advice.
- An additional 37% claim they would consider online investing for lower fees.
- There are two major hesitations to online investing:
  - While consumers claim “I make my own decisions,” most still value a second opinion.
  - Most important, many worry about their own computer expertise. “I could end up pressing the wrong keys and losing a million.”

**Current Online Users-Investments**



## Other Key Online Product Categories

### Packaged Goods, Healthcare, Travel and Media

#### Packaged Goods Sites Take Branding to a New Level

The Internet takes relationship marketing to a whole new level. Websites give marketers the opportunity to get consumers actively involved with their brand. Equally important, websites are ideal to introduce new products to a highly receptive audience – 90% are interested in new products. These early adopters and opinion leaders will not only be the first to try it, they will also e-mail their friends on the powerful Internet grapevine. The key to trigger this word of mouth is to make sure your site provides something unique and worth talking about.

#### Evolving Market

- Over a quarter (28%) of consumers visit Packaged Goods sites.
- 57% are time-starved female multi-taskers.
- The big news is 43% are health-conscious men.

#### Core Motivations and Expectations – Ideas and Information

- The three nagging questions women face day in and day out are:
  - “What’s for dinner?”
  - How to stretch the weekly budget
  - Time-saving shortcuts
- They expect Packaged Goods sites to provide recipes, coupons and timesaving tips.
- Both men and women are interested in in-depth nutritional information and dieting tips and advice.

### **Online Grocery Shopping – Niche Market**

- As of now, there is limited availability and advertising for this timesaving convenience.
- 4% buy groceries online – up from 2% in 1999.
- It has the strongest appeal to upper-income, younger shoppers without children.
- The major online grocers are Peapod, Netgrocer and Webvan.
  - With more widespread availability and aggressive promotion, online grocery shopping will become a way of life for the group of time-starved consumers.

### **Interest in Private Label Pet Food Purchases from Manufacturer**

- 68% of online users have pets – 47% have dogs and 42% have cats.
- 5% purchase pet foods online.
- Pet food purchasers tend to buy in bulk – many buy a 2 to 3 week supply of these heavy packages.
- 22% claim they would consider purchasing private label pet foods online.
  - This overcomes the retail distribution channel conflict.

## Healthcare – OTC/Rx and HMO's – Highly Receptive Audience

We are living in a health-conscious society and your prime prospects are online. Regrettably only a small percentage of pharmaceutical companies and healthcare providers have embraced this unique marketing opportunity. **Despite the limited availability and lack of widespread promotion – 21% have visited an OTC/Rx site and 23% a healthcare provider site.** These are the prime prospects they want to reach. Over the past five years, NetSmart has discovered – availability drives demand.

### OTC/Rx Websites – Profile of OTC/Rx Website Visits

- 59% are women – “Dr. Mom”
- 41% are health-conscious men
- OTC/Rx site visitors are 43 years old; 69% are married and 45% have children.
- The average household income is \$57,200.

### Strong Impact on Brand Image

- 79% report online information made them more interested in trying the product or “asking my doctor.”
  - **Doctors honor 60-70% of patients’ requests.**

### Core Motivations and Expectations – New Product Breakthroughs, Advice, Simplified Information

- OTC/Rx site visitors are extremely interested in new products (80%).
- **This is a highly receptive audience of early adopters and opinion leaders who will spread the word on the powerful Internet grapevine.**
- 81% seek advice ranging from first aid to drug interactions.
- 79% go online to “Become Better Informed About Serious Illnesses.”

### Trust – Key to Success

- **Trust is essential to successful OTC/Rx websites.**
- Like a trusted local pharmacist, the trust has to be earned, through:
  - Simplified Explanations (68%)
  - Interactivity and Prompt E-mail Responses (65%)
  - Non Self-serving Content (54%)

### Online Drugstore Shopping – Strong Potential

- While only 5% have purchased OTC's and 4% filled prescriptions – 31% are willing to consider both.

## Healthcare Websites

### Consumers – Making Their Own Healthcare Decisions

- 30% of the U.S. workforce is self-employed.
- Fortune 500 companies are moving to “Defined contribution” healthcare plans which let employees decide which plan they want.
- 23% visited a Healthcare website -- 65% report this is the first place they go.
- **While consumers may never purchase complex healthcare plans online, this is where they make up their minds – 44% of healthcare site visitors purchased a healthcare plan as the result of online research.**

### Profile of Healthcare Prospects

- 57% are women – 43% are men.
- They are 43 years old, 67% are married, and 44% have children.
- Their median income is \$56,000.

### Core Motivations – Informed Decisions, Avoid Pressure – Price Secondary

- 94% report online information helps them understand this complex product and make the best decision.
- 85% want to avoid pressure.
- 54% want to get the “best deal,” which is not necessarily the lowest price.