



Internet Association



IA Industry IndicatorsTM

Data And Analysis For The U.S. Internet Industry
Q2 2020 Data, Q4 2020 Release
December 2020



IA Industry Indicators™

Q2 2020 Data, Q4 2020 Release

With trillions of dollars in market value, hundreds of billions in revenue, and millions of employees throughout every state, the internet sector represents a significant driver of the U.S. economy. IA’s quarterly Internet Industry Indicators Report provides new metrics and analysis of the internet sector – America’s fastest growing sector.

Key Internet Sector Takeaways:



Hiring is up **21.3% QoQ**



Job openings are down **10.8% QoQ**



Separations are down **21.1% QoQ**



CapEx is down **12.6% QoQ**



Total revenue is up **0.3% YoY**

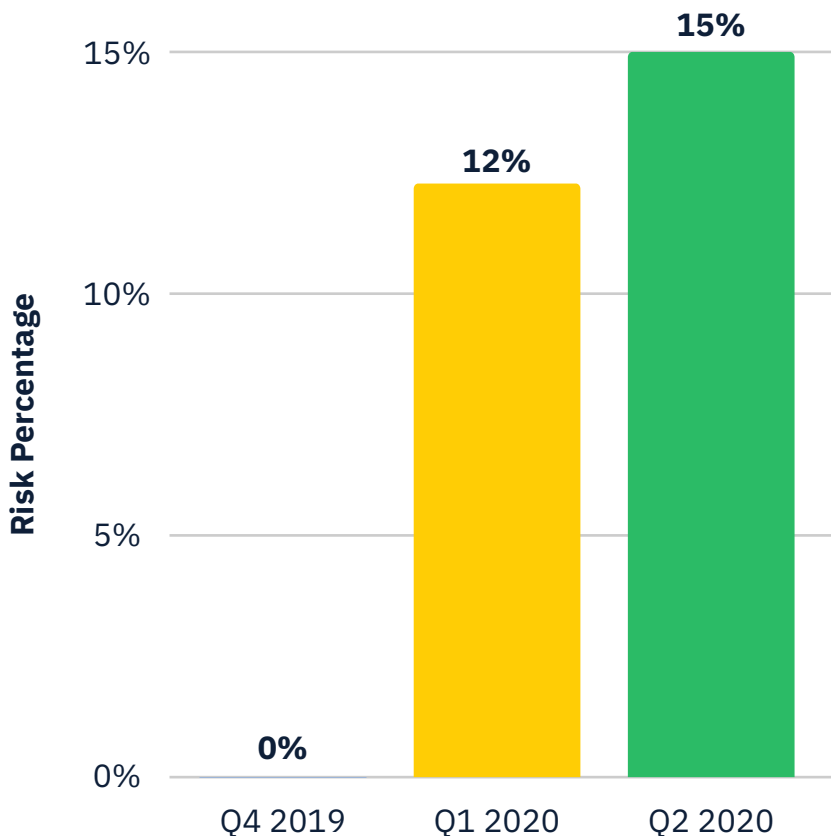


Monthly personal spending by consumers is up **8.2%**



Expected monthly personal spending by consumers is up **8.3%**

COVID-19 Is A Top Risk Factor For Internet Companies



Key Takeaways

- **COVID-19 jumped into the top five risk factors** for publicly traded internet companies in Q1 2020
- **It then jumped to the third-most mentioned risk** by internet companies in Q2 2020



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IA Industry Indicators™

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Economic Insight

Internet Association's *IA Internet Indicators (3i) Quarterly Report* offers rare insights into the internet sector. IA uses the report series and the proprietary data in it to offer a one-of-a-kind resource for internet stakeholders and those interested in the internet sector's impact on the economy. It is the go-to resource for anyone looking to understand the digital economy and the evolution of America's most innovative industry.

The internet sector contributed \$2.1 trillion in value-added and 6 million direct jobs to the U.S. economy in 2018. These are equivalent to 10.1 percent of GDP and 4 percent of national employment, which makes the internet sector the fourth largest industrial sector in the U.S. economy. The data provided in the *3i Quarterly Report* (and the *3i Monthly Jobs Report*) add critical context to those numbers, including the identification of key trends of the sector.

The *3i Quarterly Report* offers information from five perspectives: Macroeconomic Indicators based on U.S. government datasets; Microeconomic Indicators based on publicly-traded internet company data; a unique of Digital Price Index measure based on common household digital goods/services; an internet Industry Risk Assessment on the major issues facing the internet industry; and an Internet Sentiment Survey, which offers insights into individual usership, expenditure, and preferences related to internet services and goods. Internet Association presents these data in a neutral manner through standardized tables and graphs, which will be repeated in every issue. IA also provides a short summary and Industry Focus section concentrating on a particular aspect of the data to start each issue.

This issue focuses on the effects of COVID-19 to our Internet Industry Risk Assessment. The effects of COVID-19 emerged as a top five risk factor last quarter and jumped in ranking from fifth place to third place this quarter, appearing in 14.7 percent of company filings in Q2 2020, an increase of 2.67 percent. IA will continue to collect this indicators in the following issues to come.

The broader goal of the 3i series is to improve our understanding of the internet as an economic sector. We know the internet contributes massively to the U.S. and other economies around the globe, but we are just starting to piece together the details of the story – what drives the industry, how are people using the internet, how broader trends impact the internet, etc. Numerous governments and other stakeholders are grappling with the same issues and IA provides these reports (along with their data) to help shed light on this dynamic sector.

As we continue to refine our understanding of the internet sector from a measurement standpoint, IA will also revise this report as necessary to ensure as accurate of information as possible. IA notes all changes and any caveats clearly throughout the document in the appropriate section. And as we all read and learn more about the internet as an economic sector, IA will continue to engage with partners and other stakeholders to share valuable insights.



Summary & Highlights

Investment

Total capital expenditures rose by about 65 percent in Q2 2020 since Q2 2019 and dropped nearly 13 percent since Q1 2020. Average capital expenditures per firm decreased by 10 percent in Q2 2020 over Q1 2020 and increased by 65 percent since Q2 2019.

Revenues

Macro

IA's macroeconomic indicators show total revenues for the sector dropped 2.02 percent in Q2 2020 over Q1 2020 and rose by nearly 0.28 percent since Q2 2019.

Micro

IA's microeconomic indicators show gross revenue declined by 56 percent in Q2 2020 over Q1 2020 and rose by 43.35 percent since Q2 2019. Average revenues decreased by 56 percent for the quarter in Q2 2020 and increased by 46.40 percent for the year.

Hiring

Hiring levels increased by 21.32 percent in Q2 2020 over Q1 2020, and increased by 4.62 percent since Q2 2019.

Customer Focus

The internet sector continued to prioritize the area of *Product & Services Development* according to IA's assessment of firm risk factors. The percentage of companies citing *Product & Services Development as a risk factor* was 31.56 percent in Q2 2020, and it remains the primary risk factor for the internet sector. The internet sector has started to see initial signs of risks associated with COVID-19 in our IA Industry Indicators (Q1 2020 data) issue. This quarterly issue not only saw the effects of COVID-19 among the top 5 risk factors in the internet sector but also saw an increase by 2.67 percent between Q1 2020 to Q2 2020 in our Internet Industry Risk Assessment.

Time Online

Average internet usage increased in Q2 2020 over Q1 2020, by 8.77 percent, with the average American spending 3 hours and 27 minutes online per day for personal use. Average time spent online was up by 11 percent over the past year since Q2 2019 when the total was approximately 3 hours and 6 minutes per day.

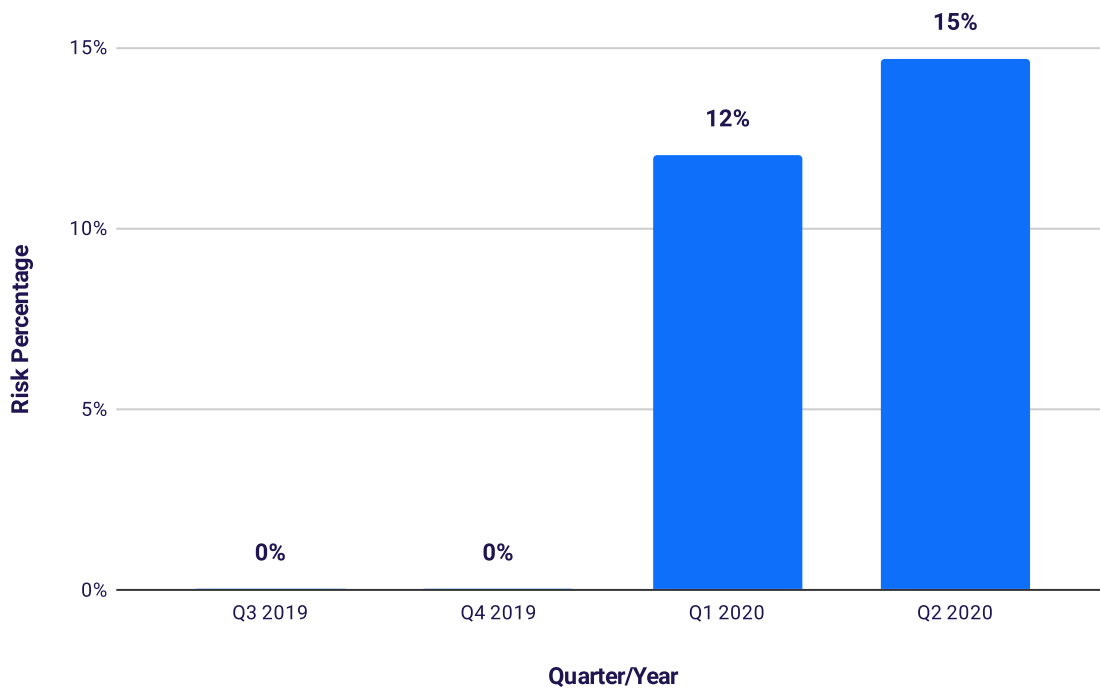


Issue Leader: COVID-19 Rising As A Risk Factor

IA began assessing public internet companies' top five risk factors using 10-K and 10-Q filings released or quarterly or annually by 46 public companies. This assessment is aggregated and standardized uniformly across various categories focussing on the major issues facing the internet industry.

Starting Q1 2020, COVID-19 appeared as a new risk factor and immediately became a top-five concern for companies. The quarter-over-quarter observations of risk percentage (shown in Graph 1) indicates that there has been a rise in risks associated with the effects of COVID-19, with its appearance as risk factoring increasing from 12 percent in Q1 2020 to 14.67 percent in Q2 2020, a jump of 2.67 percent.

Graph 1: Quarter-Over-Quarter Effects Of COVID-19





Macroeconomic Indicators

Overview: Tables 1 and 2 provide information on the internet industry derived from North American Industrial Classification System (NAICS) codes. IA identifies the appropriate NAICS codes for inclusion through an internal identification methodology for the internet industry and the tables summarize quarter-over-quarter and year-over-year aggregate changes. See the methodology note below for more detail.

Table 1: Internet Industry Revenue

	Qtr-over-Qtr Percent Change	Year-over-Year Percent Change
Total Revenue (Sum)	-2.02%	0.28%
Revenue From Businesses (Sum)	-5.77%	129.87%
Revenue From Government (Sum)	11.83%	13.49%
Revenue From Households (Sum)	0.37%	-0.49%

Notes: Reports most recent quarterly figures available at time of collection. Quarterly figures for Q2 2020 over Q1 2020 changes. Yearly figures for Q2 2020 over Q2 2019 change.

Table 2: Internet Industry Employment

	Qtr-over-Qtr Percent Change	Year-over-Year Percent Change
Hires (Levels)	21.32%	4.62%
Hires (Rate)	-215.44%	-10.09%
Job Openings (Levels)	-10.82%	-27.51%
Job Openings (Rate)	-45.42%	-301.13%
Total Separations (Levels)	-21.08%	13.43%
Total Separations (Rate)	-147.89%	2126.98%

Notes: Reports most recent quarterly figures available at time of collection. Quarterly figures for Q2 2020 over Q1 2020 changes. Yearly figures for Q2 2020 over Q2 2019 change.



Microeconomic Indicators

Overview: Table 3 provides information on the internet industry derived from information reported by publicly-traded internet companies. IA identifies the appropriate businesses through an internal identification methodology and the tables summarize quarter-over-quarter and year-over-year aggregate changes. See the methodology note below for more detail.

Table 3: Internet Industry Financial Data, Annual

	Qtr-over-Qtr Percent Change	Year-over-Year Percent Change
Capital Expenditures (Absolute Value)	-12.58%	64.60%
Capital Expenditures (Sum)	-10.08%	64.55%
Market Capitalization (Sum)	21.30%	37.38%
Net Revenue (Sum)	13.20%	36.08%
Gross Revenue (Sum)	-56.00%	43.35%
Employees (Sum)	15.70%	22.65%
Capital Expenditures (Average)	-10.08%	64.55%
Market Capitalization (Average)	21.30%	37.38%
Net Revenue (Average)	13.20%	39.04%
Gross Revenue (Average)	-56.00%	46.40%
Employees (Average)	13.24%	22.65%
Capital Expenditures (Median)	12.90%	37.88%
Market Capitalization (Median)	14.11%	63.01%
Net Revenue (Median)	-44.40%	-42.76%
Gross Revenue (Median)	-48.23%	-44.76%
Employees (Median)	0.58%	-2.25%

Notes: Reports most recent quarterly figures available at time of collection. Quarterly figures for Q2 2020 over Q1 2020 changes. Yearly figures for Q2 2020 over Q2 2019 change.



Digital Price Index

Overview: Table 4 provides information on Internet Association's proprietary digital price index. The index tracks the prices of a typical basket of online, internet-based services and the table summarizes quarter-over-quarter and year-over-year aggregate changes. See the methodology note below for more detail.

Table 4: Digital Price Index

	Year-over-Year Percent Change	Qtr-over-Qtr Percent Change
DPI	-3.08%	-3.99%
National CPI	1.7%	-0.3%

Notes: The DPI measure uses a basket of common household internet services and products for individual consumers for which price data was available since 2013. IA collected prices annually for 2013-2017 and began collecting quarterly data starting in Q1 2018.

The index does not account for quality changes of services and products over time. National inflation figures come from U.S. Bureau of Labor Statistics CPI-All Urban Consumers (Current Series).

Quarterly figures for Q2 2020 over Q1 2020 changes. Yearly figures for Q2 2020 over Q2 2019 changes.

Internet Industry Risk Assessment

Overview: Table 5 provides information on Internet Association's assessment of internet industry risk factors. IA aggregates reported risks from its member companies that are publicly-traded using quarterly reports and the tables summarize reported risks for the previous quarter and year. See the methodology note below for more detail.

Table 5: Most Commonly Cited Risks To Internet Sector Companies Q4 2019

Top 5 Internet Sector Risk Factors Q2 2020	Percent of Risk Factor Observations
Product & Services Development	31.56%
Economic & Financial Conditions	30.22%
COVID-19	14.67%
Market	12.89%
Competition	12.89%
Top 5 Internet Sector Risk Factors Q1 2020	Percent of Risk Factor Observations
Product & Services Development	38.22%
Economic & Financial Conditions	31.56%
Competition	16.89%
Market	14.22%
COVID-19	12.00%
Top 5 Internet Sector Risk Factors Q2 2019	Percent of Risk Factor Observations
Product & Services Development	41.00%
Economic & Financial Conditions	25.00%
Competition	20.00%
Market	17.00%
Customer Satisfaction & Subscription Rate	14.00%

Notes: Table shows the citation frequency of the five most commonly cited risk factors for Q2 2020, Q1 2020, and Q2 2019 among the five most important risk factors of every individual company.



Internet User Sentiment

Overview: Table 6 provides information on Internet Association’s user sentiment survey. The table reports summarized responses from a U.S. national survey of internet users and presents information on the previous two quarters as well quarter-over-quarter changes.

Table 6: Internet User Sentiment Responses

Q#	Question	Q2 2020	Q1 2020	Q2 2019	Q-over-Q Chg.	Y-over-Y Chg.
1^	For personal use (i.e. not for your job/business/work), how much time on average per day do you spend using the internet?	206.79	190.12	186.29	8.77%	11.00%
2^	For personal use, how much time on average per day do you expect to use the internet over the coming three months?	227.93	217.92	221.28	4.59%	3.01%
8	Do you currently use online sites, platforms, or other internet tools to pursue passion projects and/or hobbies? Examples include self-publishing a novel, selling crafts/art that you create, etc.	45.42%	48.94%	44.68%	-7.19%	1.66%
9	Is the internet essential for you to pursue these passion project(s) and/or hobby(ies)?	40.29%	41.13%	40.10%	-2.04%	0.47%
10	For personal use, how much money do you spend on average per month on all internet-based goods and services of any type? Please consider subscriptions, apps, games, shopping, movies, music, etc.	\$102.69	\$94.91	\$89.34	8.20%	14.94%
11	For personal use, how much money do you expect to spend on average per month on all internet-based goods and services over the coming 3 months?	\$128.76	\$118.91	\$114.74	8.29%	12.22%
Q#	Question	Q2 2020	Q1 2020	Q2 2019	Q-over-Q Chg.	Y-over-Y Chg.
4^^	Do you spend more time using the internet in your personal life or for your work?	0.2612	0.2709	0.2415	-0.010	0.020
5^^	Do you spend more personal money shopping online or in ('brick and mortar'/ physical) stores?	0.03113	0.0240	-0.0302	0.007	0.061
6^^	For personal use, do you use taxis more often or do you use ride-sharing apps like Lyft, Uber, Via, and others?	0.0770	0.1020	0.0928	-0.025	-0.016
7^^	Do you spend more personal time watching movies, TV, and other videos online or watching them on cable/satellite?	0.2202	0.1845	0.1511	0.036	0.069
12^^	Do you prefer staying in hotels or short-term rentals (e.g. Airbnb, HomeAway, other vacation rentals) for personal trips?	-0.2353	-0.2555	-0.2389	0.020	0.004



Q#	Question	Q2 2020	Q1 2020	Q2 2019	Q-over-Q Chg.	Y-over-Y Chg.
13^^	Do you prefer conducting your personal banking and attending to personal finances online or in a physical, 'brick-and- mortar' bank?	0.2008	0.1866	0.1646	0.014	0.036
14^^	Do you prefer meeting new people through online platforms, such as Match, Tinder, etc., or through offline interactions, such as blind-dates or at parties? Please consider both romantic dating and friendships.	-0.3953	-0.3557	-0.3831	-0.040	-0.012
15^^	How do you view the internet's contribution(s) to society?	0.475	0.4368	0.388	0.038	0.087
16^^	For personal use, do you use rental cars or do you use peer-to-peer carsharing services (such as Turo or others) more often?	-0.1026	-0.1020	-	-0.001	Available with Q3 2020 data
17^^	Do you prefer to book home services through the internet or an app (e.g. a cleaner through Handy, a contractor through Angie's List, etc.) or do you prefer to book them through a phone call or in-person?	0.0000	-0.0070	-	0.007	Available with Q3 2020 data

Notes: Question 3 is a filter question to ensure quality of responses.

^Figures given in number of minutes.

^^Figures given as an index with values ranging from negative one to positive one (-1 to 1). A value of negative one (-1) indicates the worst (negative) outcome for the internet industry. A value of zero (0) indicates a neutral sentiment that is equally good and equally bad for the internet. A value of positive one (1) indicates the best (positive) outcome for the internet industry.



IA Industry Indicators (3I) Report – Methodology Notes

Overview

Identification methodologies for the internet industry, technology sector, digital economy, and other synonymous terms have received little attention from academic researchers. The primary approach used by groups to identify ‘high-tech’ industries and companies overwhelmingly rely on expert panels, where individuals subjectively select which companies/industries are or are not part of ‘tech’.

IA’s general identification methodology is primarily based on a set of NAICS codes developed by an expert panel at Economists Incorporated in 2015. The method is in line with other ‘tech sector’ and digital economy identification methodologies, such as those issued by BLS, Brookings Institute, and others. The Internet Industry Indicators Report is primarily based on that methodology with adjustments where needed, such as in the case of weighting and or lesser detail levels. Further details on each set of indicators included in the 3I report are given below:

Macroeconomic Data And Estimates

Macroeconomic data were derived from government datasets broken out by industry. IA utilized datasets for 3 to 6-digit NAICS codes based on IA’s internal identification methodology, which was developed by Economists Incorporated in 2015 using 2012 data. IA aggregated across these industry codes to develop approximations of industry totals and trends with weighted adjustments where necessary and possible.

IA Identification Methodology – Relevant NAICS Codes

2012 NAICS Title	IA NAICS Codes
Electronic Shopping	45411
Electronic Auctions	454112
Wireless Telecommunications Carriers (Except Satellite)	5172
Wired Telecommunications Carriers	5171
All Other Telecommunications	517919
Data Processing, Hosting, And Related Services	518210
Internet Publishing And Broadcasting And Web Search Portals	51913
Custom Computer Programming Services	54151
Computer Systems Design Services	
Computer Facilities Management Services	
Other Computer Related Services	

Microeconomic Data And Estimates

Microeconomic data were derived from publicly-traded internet companies and high-technology companies with significant internet-based revenues from a variety of sources including financial account reports, annual reports, and quarterly reports. All public IA member companies are included in this list as well as a set of other internet companies determined by IA using expert input and market analysis. IA identified 40+ publicly-traded internet companies in total at the time of data collection, which begins in the sixth week of each quarter with a one-quarter lag.



Digital Price Index Data And Estimates

IA developed its Digital Price Index using a basket of 11 internet services for which it found price data dating back to 2013. IA documented prices through online visits to the pricing detail pages of each service site using searches from its headquarters in Washington, DC. All searches are conducted on the same business day using the same computer and carried out in the sixth week of each quarter with a one-quarter lag. IA uses a 3-month average of monthly prices for this basket for quarterly estimates.

The index does not account for quality changes of services and products over time. Where there are free options available for a particular service/good, IA uses the cheapest, premium subscription or per unit cost. Where there are no free options available for a particular service/good, IA uses the cheapest subscription or per unit cost. IA selected services/goods from a range of online activities to reflect a spectrum of typical online activities engaged in by users. IA emphasizes the fact that these are premium options and that many of the documented services include basic, free options as well. The current basket of services includes: Amazon Prime, Blue Apron, DropBox, Hulu, iCloud Storage, LinkedIn Premium, Netflix, New York Times, OneDrive, Spotify Premium, and Wall Street Journal. National and quarterly inflation from Bureau of Labor Statistics CPI-All Urban Consumers (Current Series). National Inflation reports annual average 12-month percent change for each year. Quarterly inflation reports aggregated 1-month percent change (not seasonally adjusted). Quarterly figures for quarter over quarter changes. Yearly figures for year over year changes.

Risk Assessment Data And Estimates

IA develops its risk assessment utilizing 10-K and 10-Q filings from each of the public internet companies included in its microeconomic dataset. IA aggregates risk assessments from each company filing and standardizes across uniform categories of risk.

Internet User Sentiment And Estimates

IA conducts a national survey of the U.S. general population utilizing SurveyMonkey panel service. IA runs the survey using a representative, statistically significant national sample of 1,600+ respondents with no segment/demographic targeting and a 3% error margin.

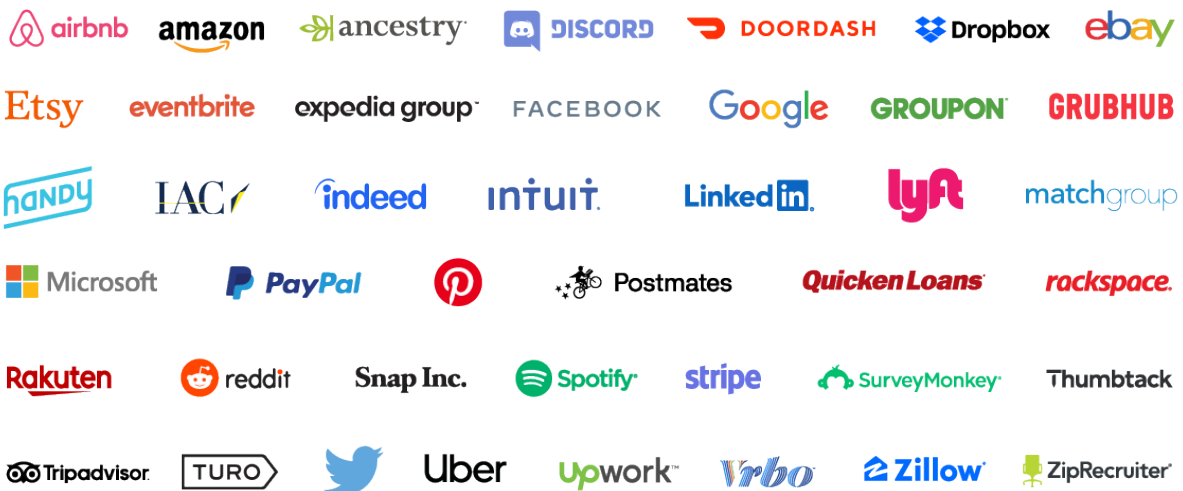




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We are the unified voice of the internet economy

www.internetassociation.org

Internet Association is the only trade association that exclusively represents leading global internet companies on matters of public policy. Our mission is to foster innovation, promote economic growth, and empower people through the free and open internet. We believe the internet creates unprecedented benefits for society, and as the voice of the world’s leading internet companies, Internet Association works to ensure legislators, consumers, and other stakeholders understand these benefits.