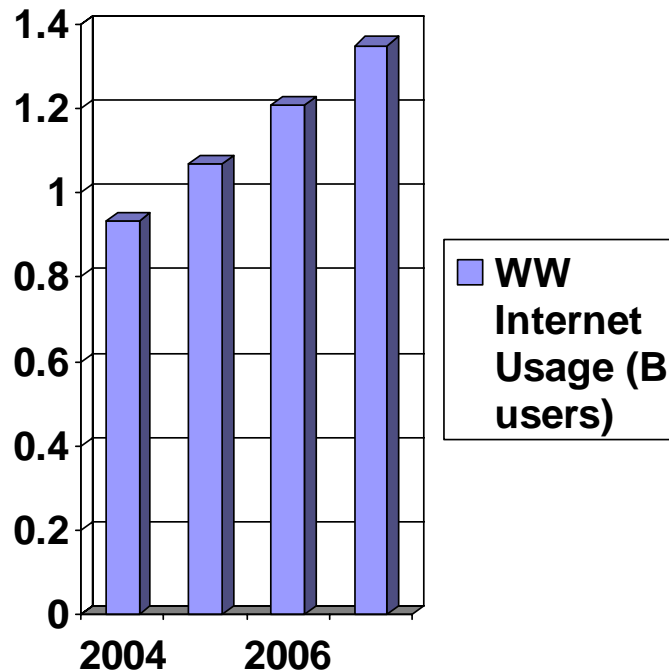


# Consumer Internet Web 2.0

Ram Shriram  
Sherpalo Inc.  
[www.sherpalo.com](http://www.sherpalo.com)



# Internet Usage



Nation	Pop. <sup>1</sup>	2004 Internet Users (M) <sup>1</sup>	2004 Active Users (M) <sup>2</sup>
Australia	19.73	13.01	9.19
Brazil	182.03	22.32	11.03
China	1280	99.80	N/A
France	60.18	25.47	15.53
Germany	82.39	41.88	29.86
Italy	57.99	25.53	15.7
Japan	127.21	78.05	36.58
Sweden	8.87	6.12	4.49
UK	60.09	33.11	24.80
USA	290.34	185.55	135.82

Computer Industry Almanac  
Projection

Jan, 2006

1 – CIA's World Factbook

2 – Neilson/Netratings

# India internet stats

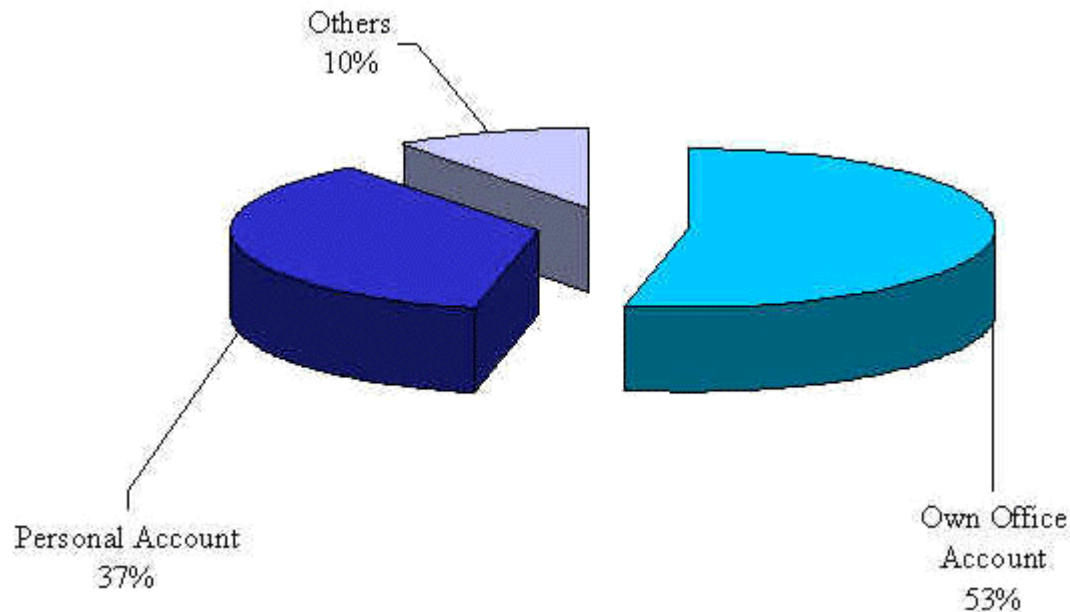


YEAR	Users	Population	% of total.	Usage Source
1998	1,400,000	1,094,870,677	0.1 %	ITU
1999	2,800,000	1,094,870,677	0.3 %	ITU
2000	5,500,000	1,094,870,677	0.5 %	ITU
2001	7,000,000	1,094,870,677	0.7 %	ITU
2002	16,500,000	1,094,870,677	1.6 %	ITU
2003	22,500,000	1,094,870,677	2.1 %	ITU
2005	39,200,000	1,094,870,677	3.6 %	<u>C.I. Almanac</u>

# Internet use in India



- **Most of the Internet Users access through their office account.**



# Engineering graduates



Country	annual engineering graduates	Opex(\$K)
USA	76,000	\$88K
India	184,000	\$16K
China	352,000	\$13K
Rest of the World	1,007,000	N.A.

Source: Mary Meeker, Morgan Stanley

# Hierarchy of user needs



- Mobile phone/daily dose of internet
- Food/water
- Shelter
- Other stuff....



# Wireless is a game changer for India – cellphone is the PC of India

- Wireless voice (ie. Mobile phones) but need to upgrade infrastructure faster to support data applications
- Wireless data networks (using wi-fi) can be deployed quickly and cheaply
- India has 125mil active cellphones vs China at 363mil - end of 2005

# Mobile data to Internet



- Data apps from phone to net is the new client server model (games, ringtones, pictures, bollywood content etc)
- SMS is just the start (60m SMS msgs were sent new year's eve in India in 2005 vs 21m in 2004!)
- Time spent w/ phone will exceed all others (PC, television, newspapers)

# Open source and India



- India wins when open source wins
- LAMP technologies (Linux, apache, MySQL, PHP) is key to building more home grown ventures on the WWW
- Future is in lightweight web apps with disproportionate user value (Naukri is an example)
- Value is in the data store and grows with users and usage

# US Online advertising...

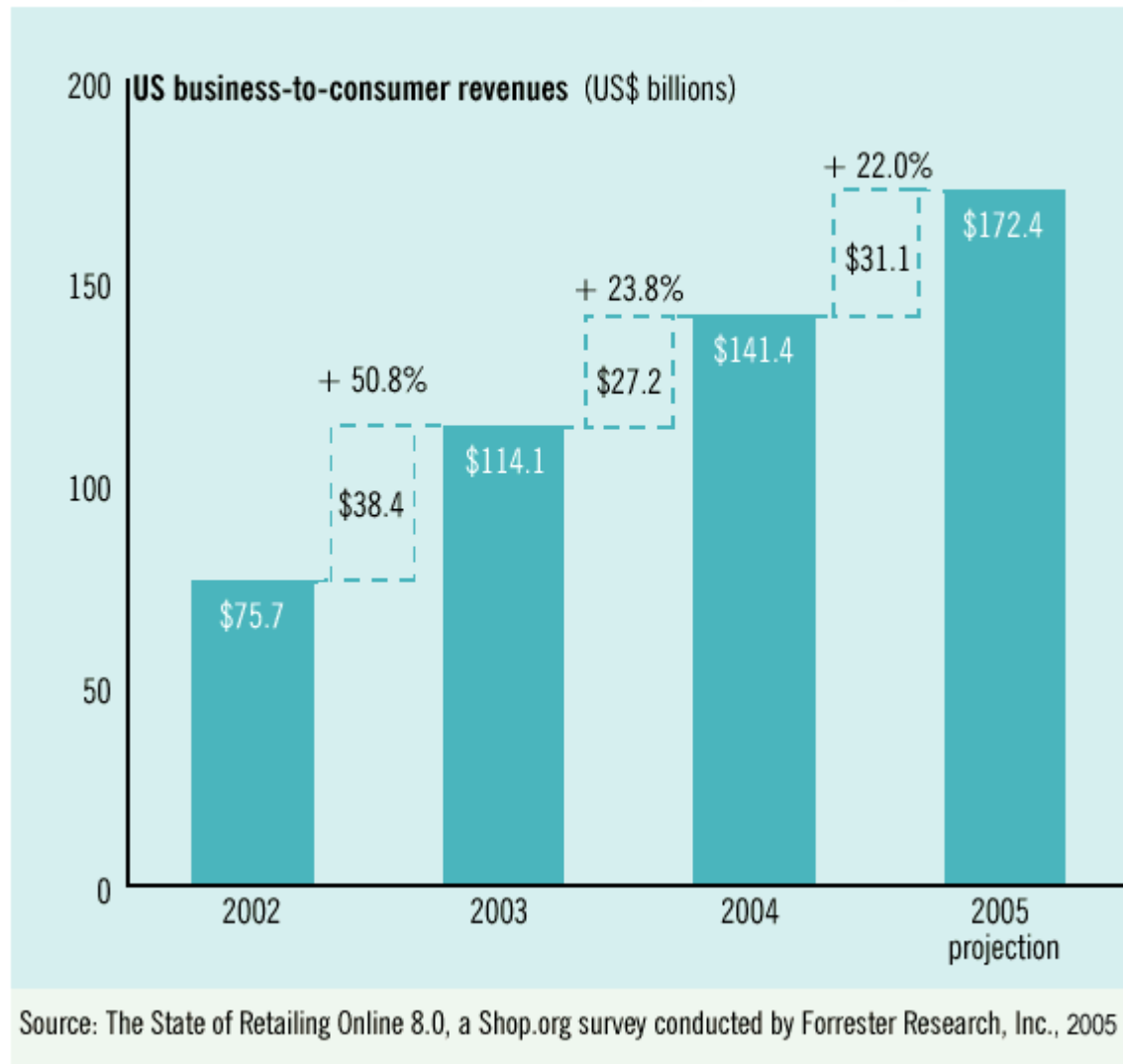


This year, 62% of the U.S. population is online and is expected to attract over \$8 billion of advertising. When cable penetration reached 62% in 1992, ad revenue was \$4 billion (in 2001 dollars).

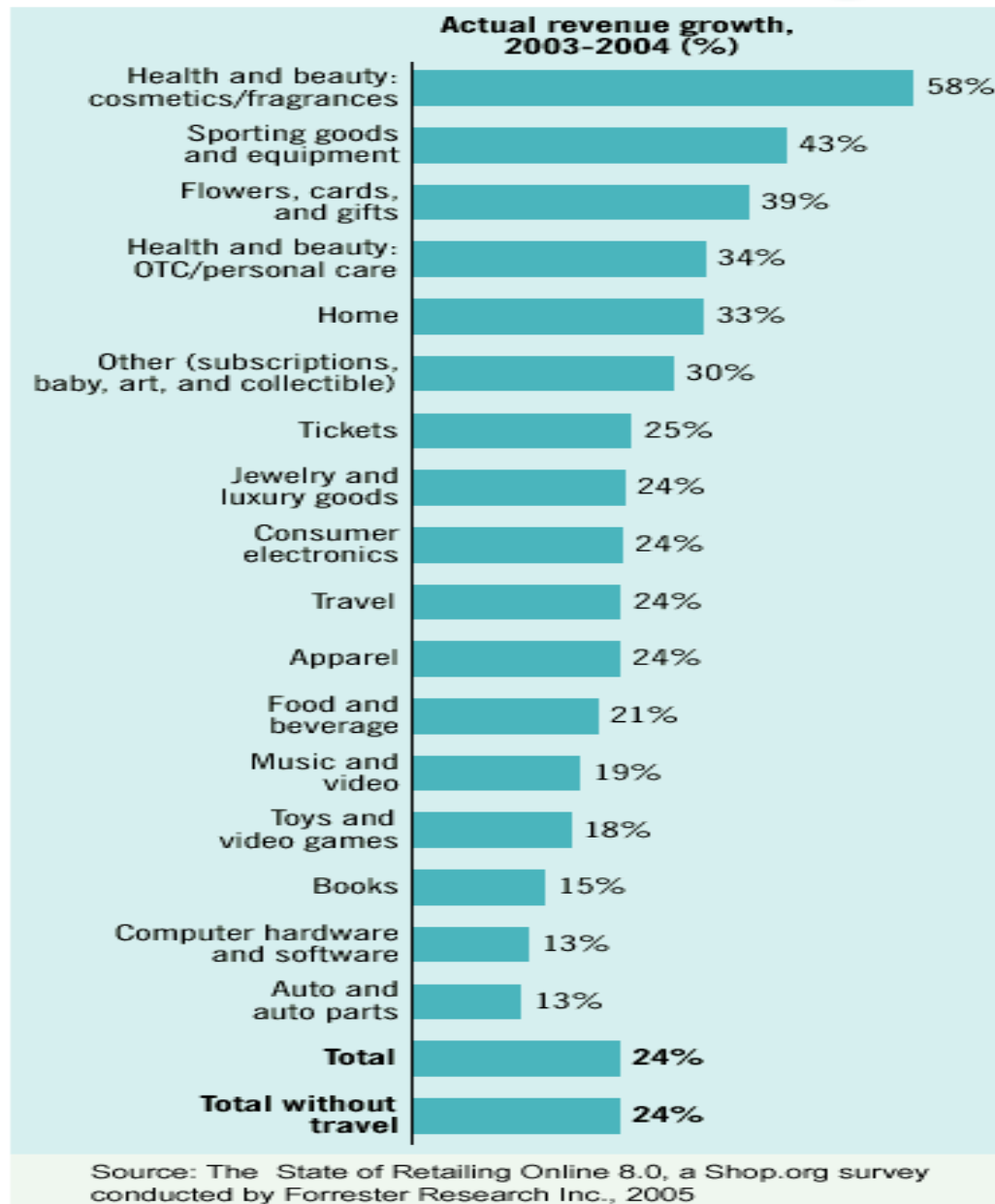
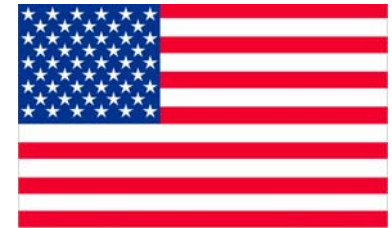
Search – Find – Obtain is the new metaphor.  
The new world of accountable advertising!

# US Ecommerce Growth

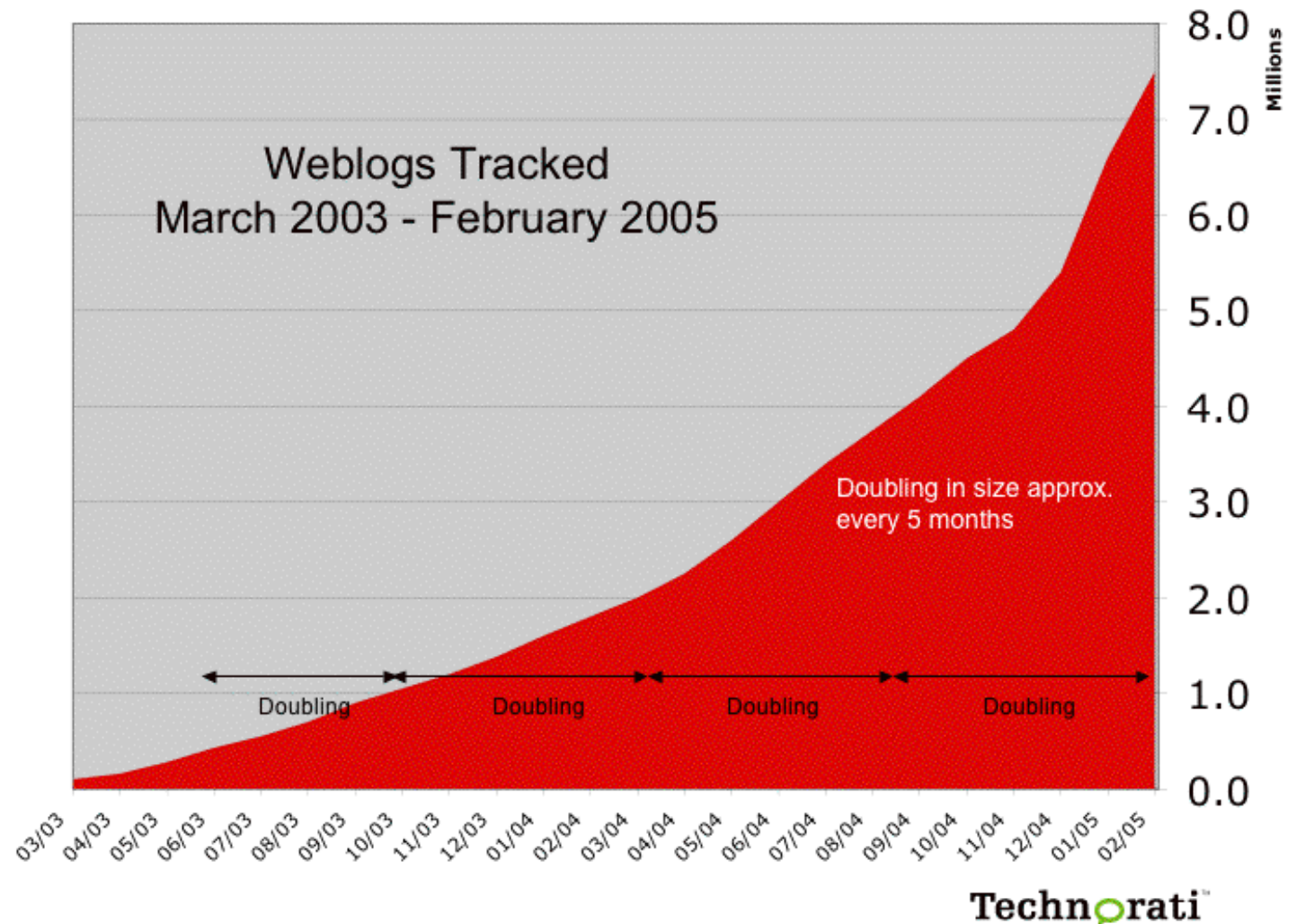
Online Retail Growth (in billions)



## Revenue Growth in Retail Categories



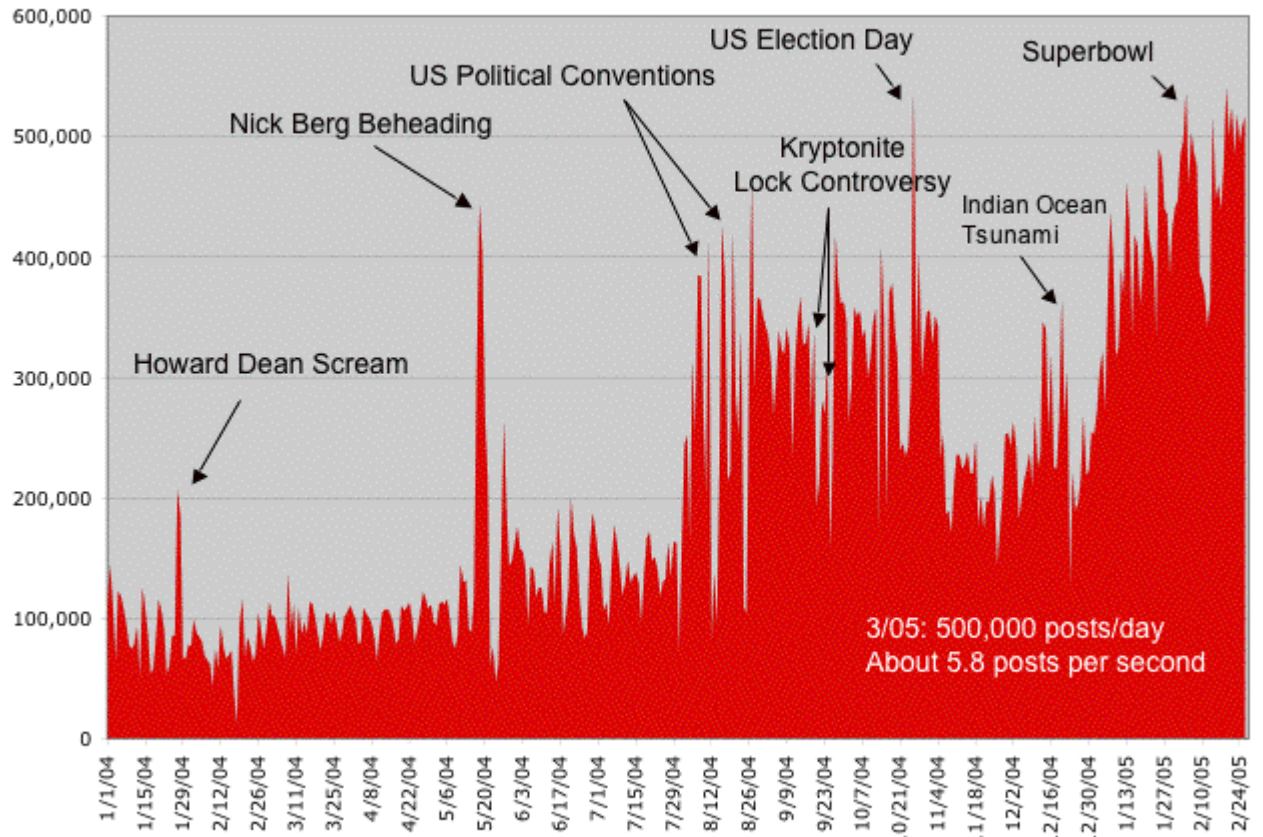
# Weblog Growth



# Weblog Posting Growth



## Weblog Posts / Day, 1/04 - 3/05



Technorati<sup>®</sup>

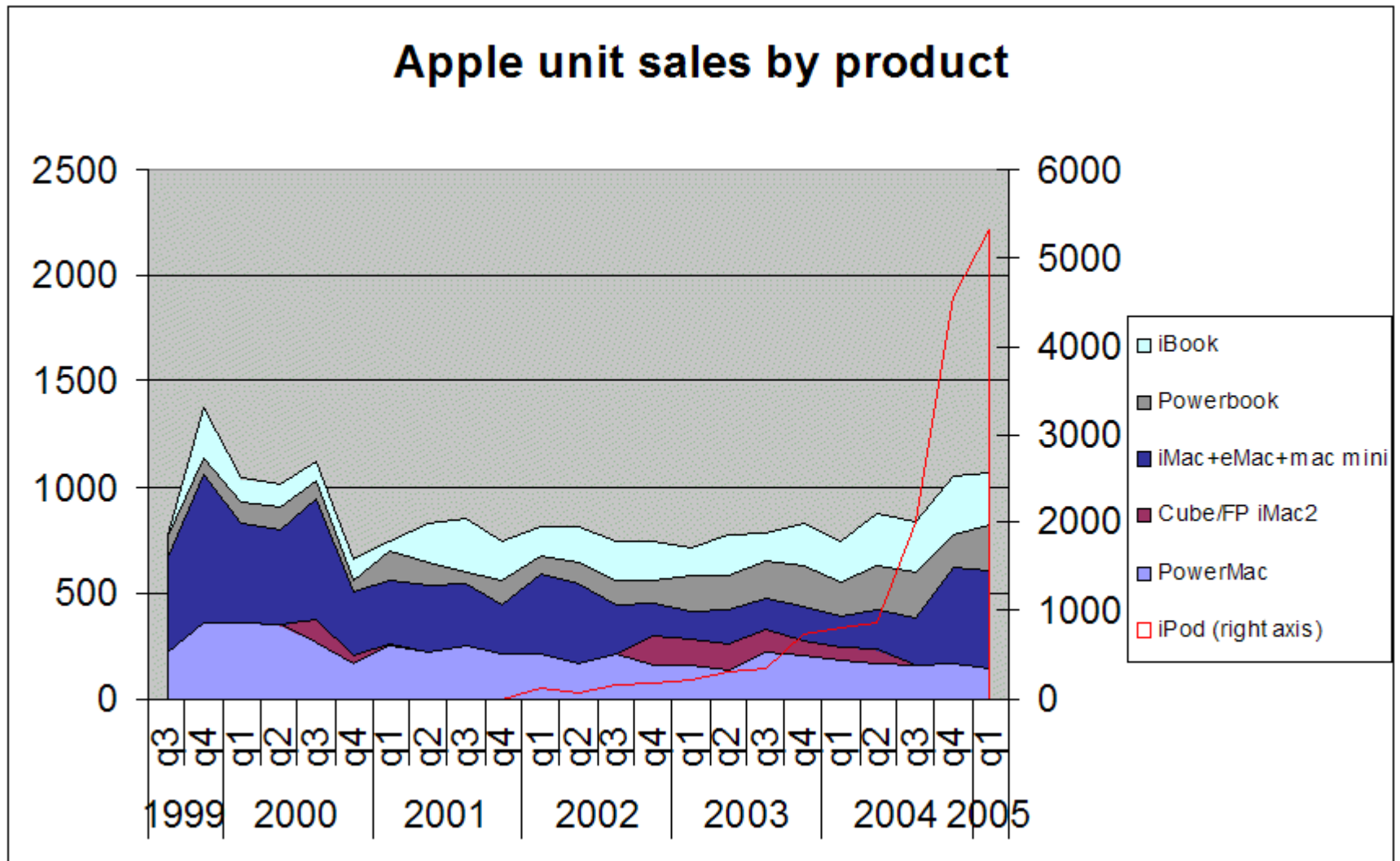
# Global Internet growth theory



- 10-15% user growth
- 20% usage growth
- 30% monetization growth

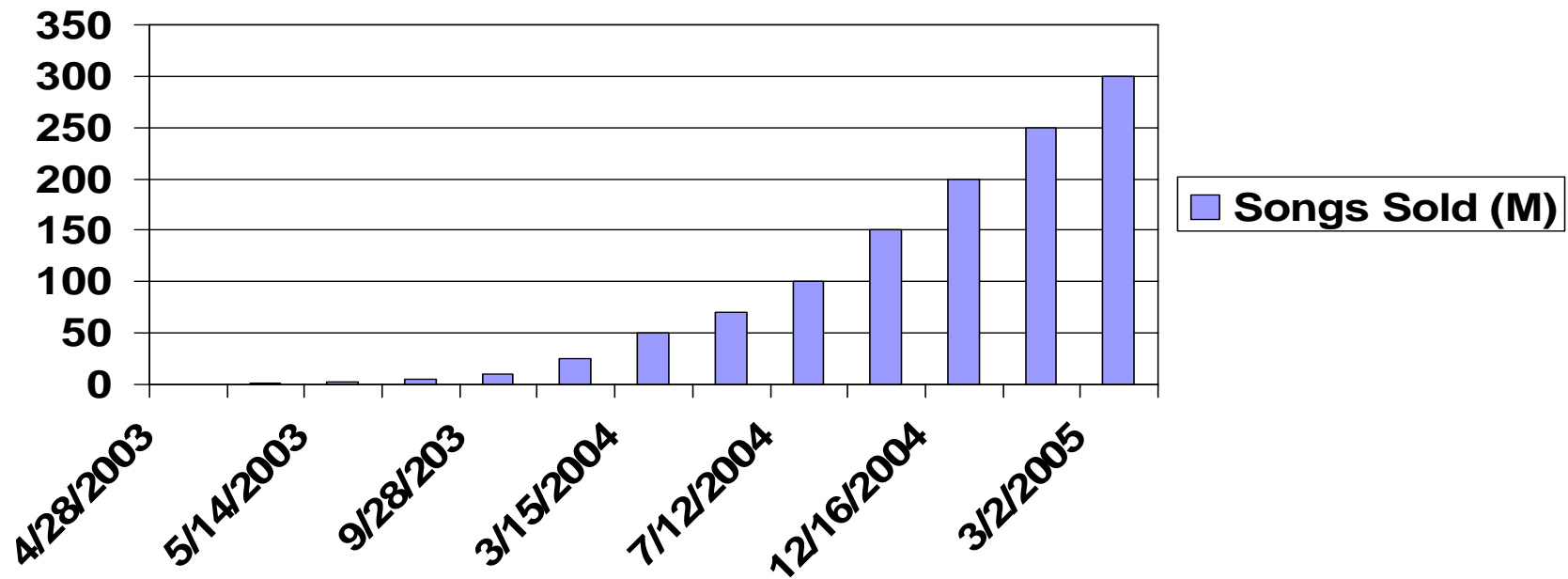
Leads to us to some simple math and big opportunities.....in a hyper competitive market!

# iPod Sales (over 40mil in use)



# Growth of Online Music(6B songs sold on iTunes since inception)

## WW Sales of Songs on iTunes Music Store



# Web 1.0

DoubleClick

Ofoto

Akamai

personal website

domain name

page views

screen scraping

publishing

content management

directories (taxonomy)

stickiness

Geocities

Flash

web as a platform

# Web 2.0

Google AdSense

Flickr

BitTorrent

Blogging

search rank

Cost per click

web services

participation

wikis

tagging (folksonomy)

syndication

MySpace

AJAX

data:web service(APIs)

# Finding the pearl in the oyster...

- Which of these trends are “fads” and which are long term business opportunities?
- Where are the consumer service opportunities? Will users flock to it?
- What are the implications of device proliferation– cell phone, iPod, Bberry etc. – growth on consumer services and their business models?
- What technology innovations will make the biggest impact on Internet consumer businesses?
- Are there new niches that can turn into the next BIG opportunity?
- How will the growth of the sector continue at a torrid pace?
- What are the big potential “gotchas” ahead for Internet consumer companies? Team, technology, market space, business model, intense competition

# Simple Rules for startups:



- Keep the product narrow with a clear user benefit. Be user centric
- Make it different and distinctive. Distinguish your offering/service from others
- Select well when presented choices of hires, deals, VCs etc
- Stay small, frugal, focused, keep it fun yet hungry to succeed – set the DNA early
- Build thru word of mouth and value creation–hype is out



Jan, 2006