

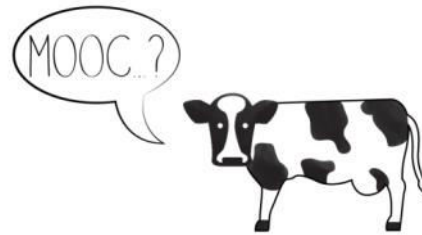
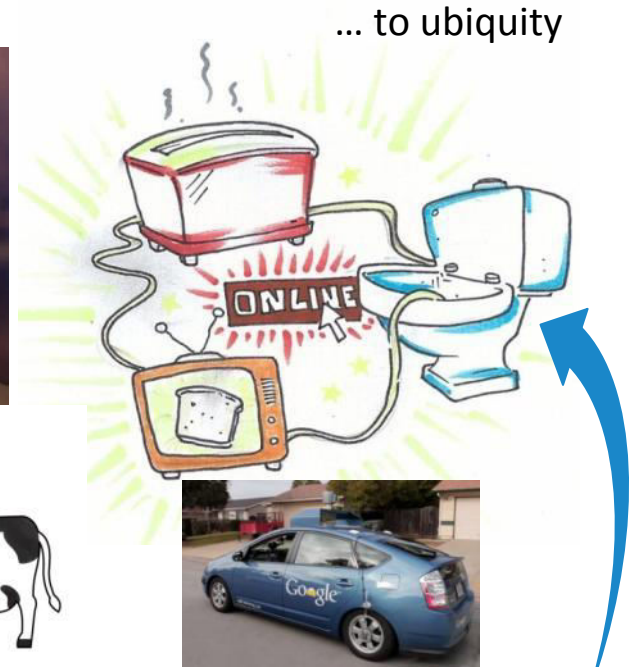
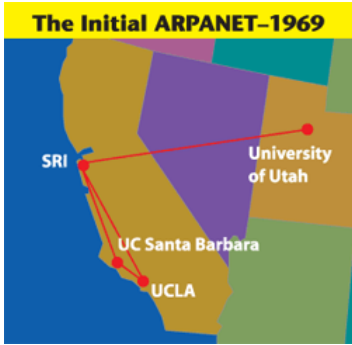


The Digital Economy and e-Friction

Fahd A. Batayneh | pkSIG 2015 | October 8, 2015

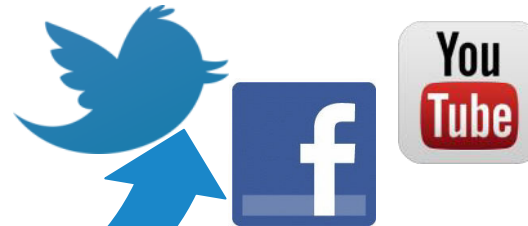
The Internet is no Longer Discretionary

From academia ...



... to social ...

... to commerce and entertainment ...



Definition of Digital Economy

An economy that is based on digital computing technologies. It is sometimes called the **Internet Economy**, the **New Economy**, or **Web Economy**. Increasingly, the “digital economy” is intertwined with the traditional economy making a clear delineation harder

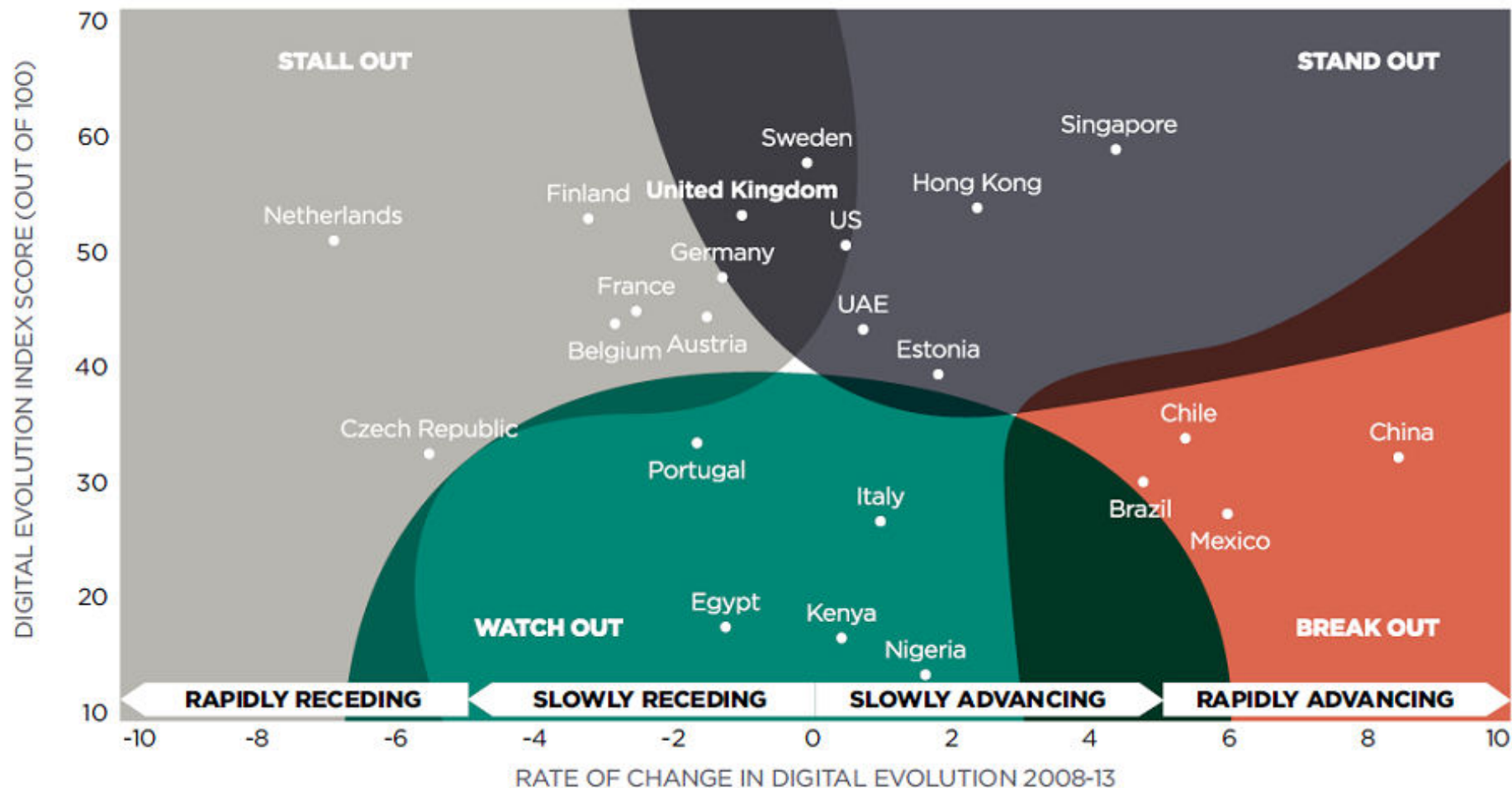
Components of the Digital Economy

- ⊙ Supporting infrastructure (hardware, software, telecoms, networks, etc.),
- ⊙ e-business (how business is conducted, any process that an organization conducts over computer-mediated networks),
- ⊙ e-commerce (transfer of goods online).

New components are being introduced such as Social Media, Internet Search, and others

Rate of Change in Digital Evolution 2008-2013

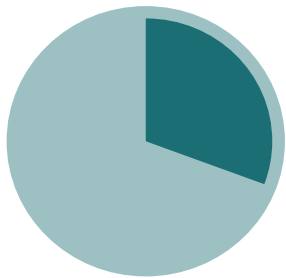
COUNTRIES ARE BUILDING DIGITAL CAPACITY AT UNEVEN RATES



Source: Digital Evolution Index, The Fletcher School at Tufts University

The Benefits of a “One Internet”

Expands Trade



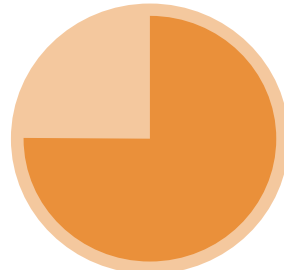
30%

Global GDP

Today world trade represents about 30% of global GDP, **up from 20%** from the early days of the Internet*

*Source: BCG, 2014

Grows Business



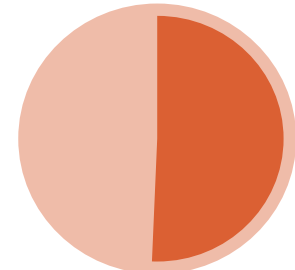
75%

Internet Benefits

Most of the economic value the Internet creates falls **outside of the technology sector**: companies in more traditional industries capture 75 percent of the benefits*

*Source: McKinsey, 2011

Reaches Billions



51%

Internet Penetration

By 2019, there will be about **3.9 billion Internet users**, or 51 percent of the world's projected population of 7.6 billion*

*Source: Cisco, 2015

Internet Users, Traffic, & International Capacity

Global Internet Users (Billion)

- 2000 → 0.50
- 2014 → 3.00
- 2020 → 5.00

Monthly Internet Traffic per User

- 2000 → 10 MB
- 2013 → 5 GB
- 2018 → 14 GB

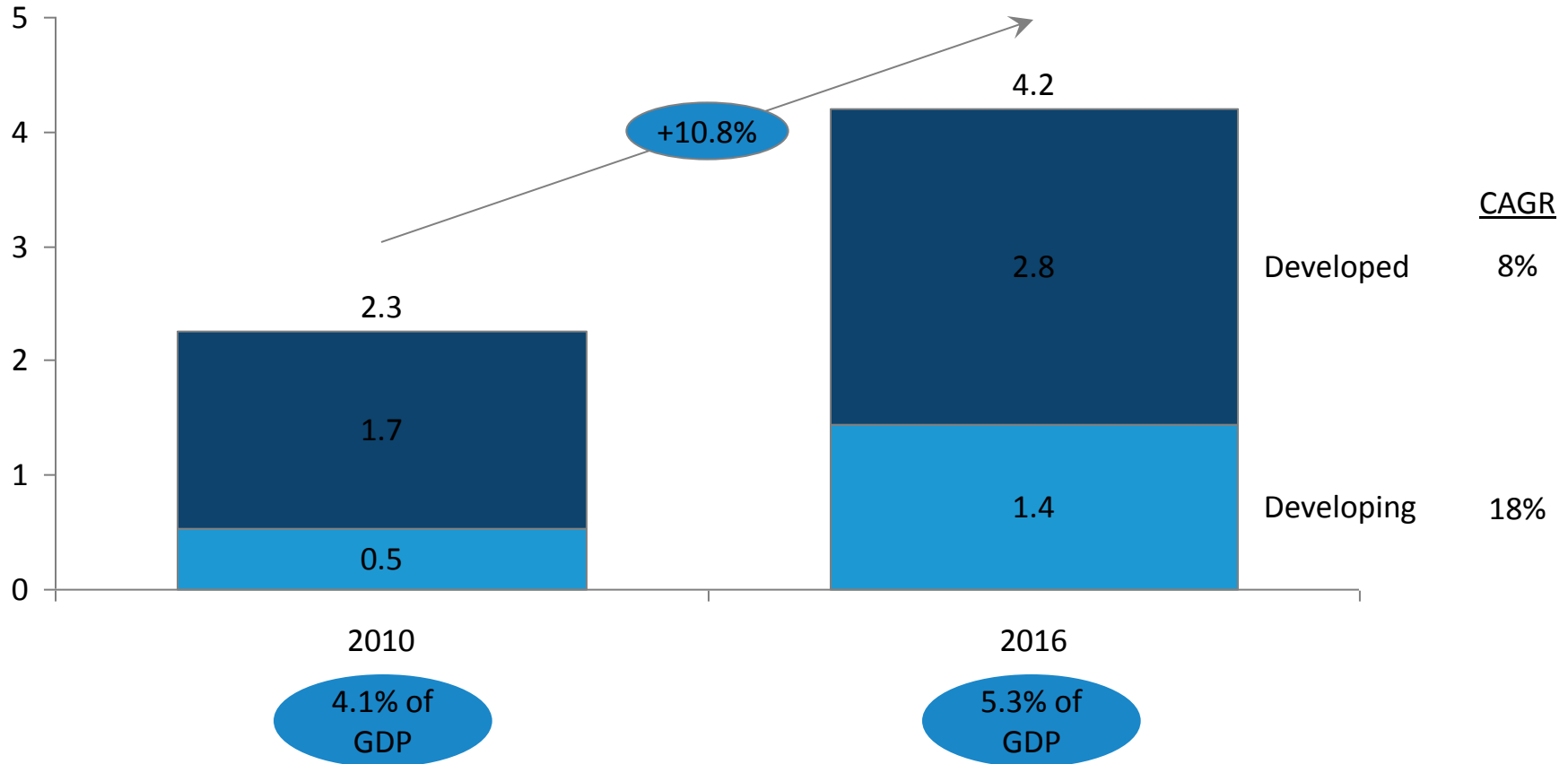
International Bandwidth Capacity

- 2008 → 14 Tbps
- 2014 → 137 Tbps

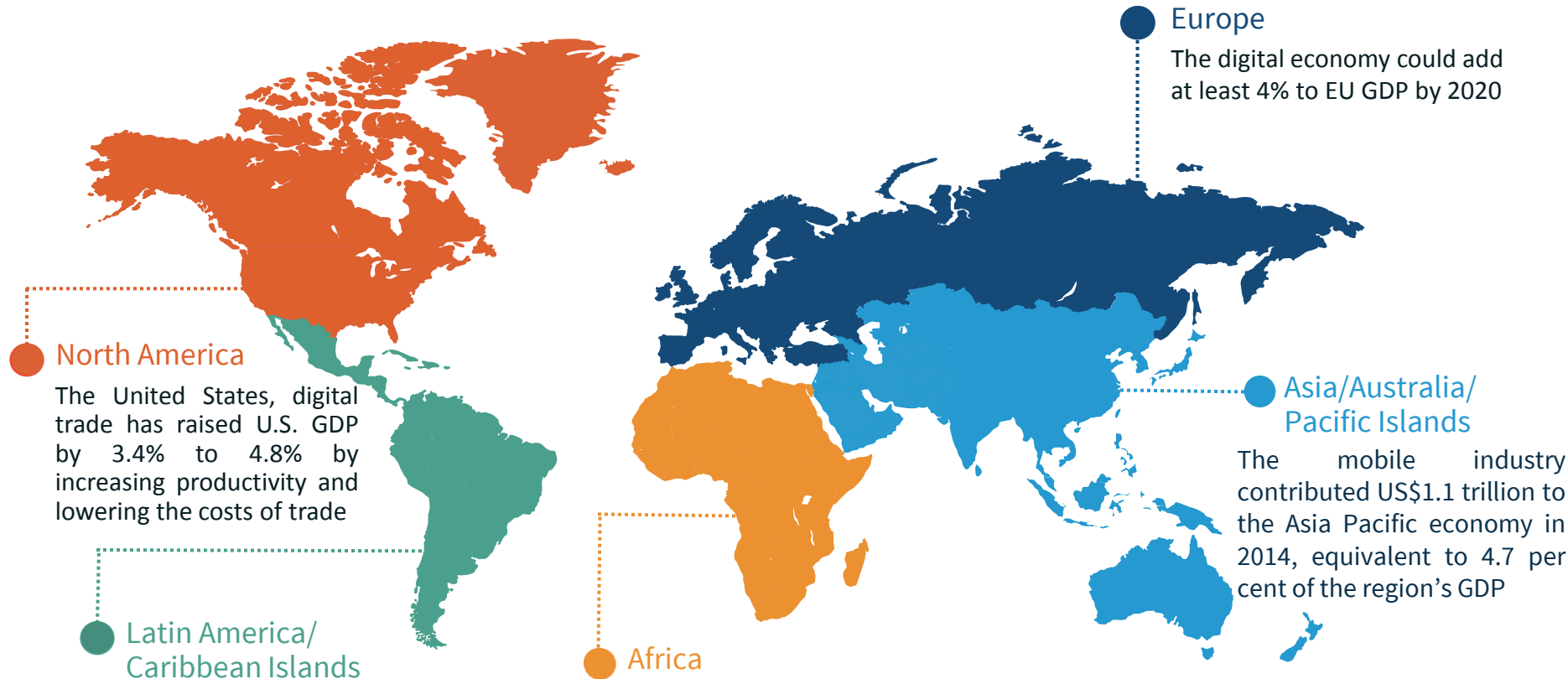
Academic Tool → Entertainment and Commerce → Critical Ubiquity

A Pervasive and Growing Economic Force

Internet economy (Trillion USD)



A Regional Perspective



According to preliminary measurements carried out by ECLAC using 2008 data, the digital economy represents an average of 3.2% of the economy of four of the region's countries (Argentina, Brazil, Chile and Mexico)

The internet contributes \$18 billion to the African economy today. If the Internet were to achieve impact on the same scale as mobile telephony in Africa, the internet contribution to the GDP or iGDP could account for as much as 10% of total GDP, or \$300 billion, by 2025

The Internet Economy is Not Frictionless



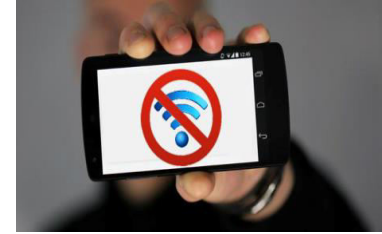
"Is there network coverage?"



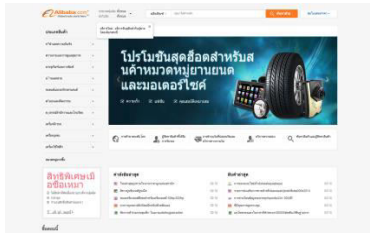
"Do I have an access device?"



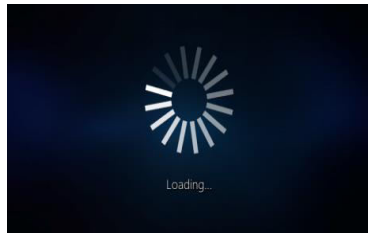
"How much is this going to cost me?"



"No connectivity"



"I don't speak Thai!"



"Will my bid go through in time?"



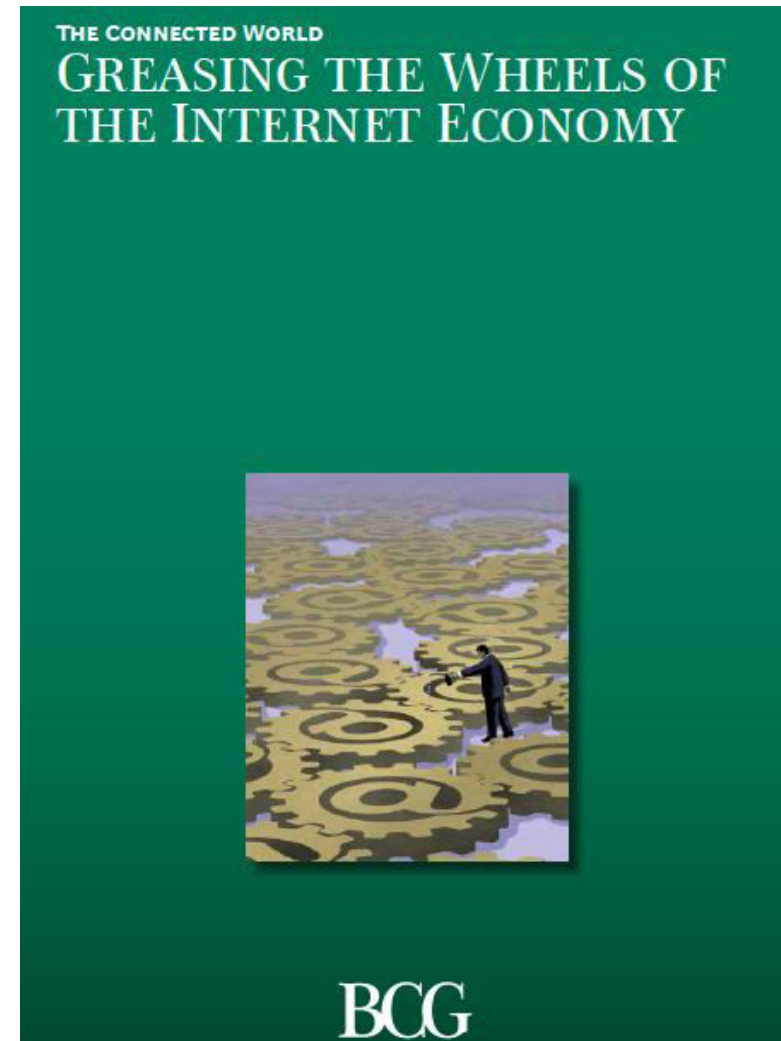
"Can I trust Online payments?"



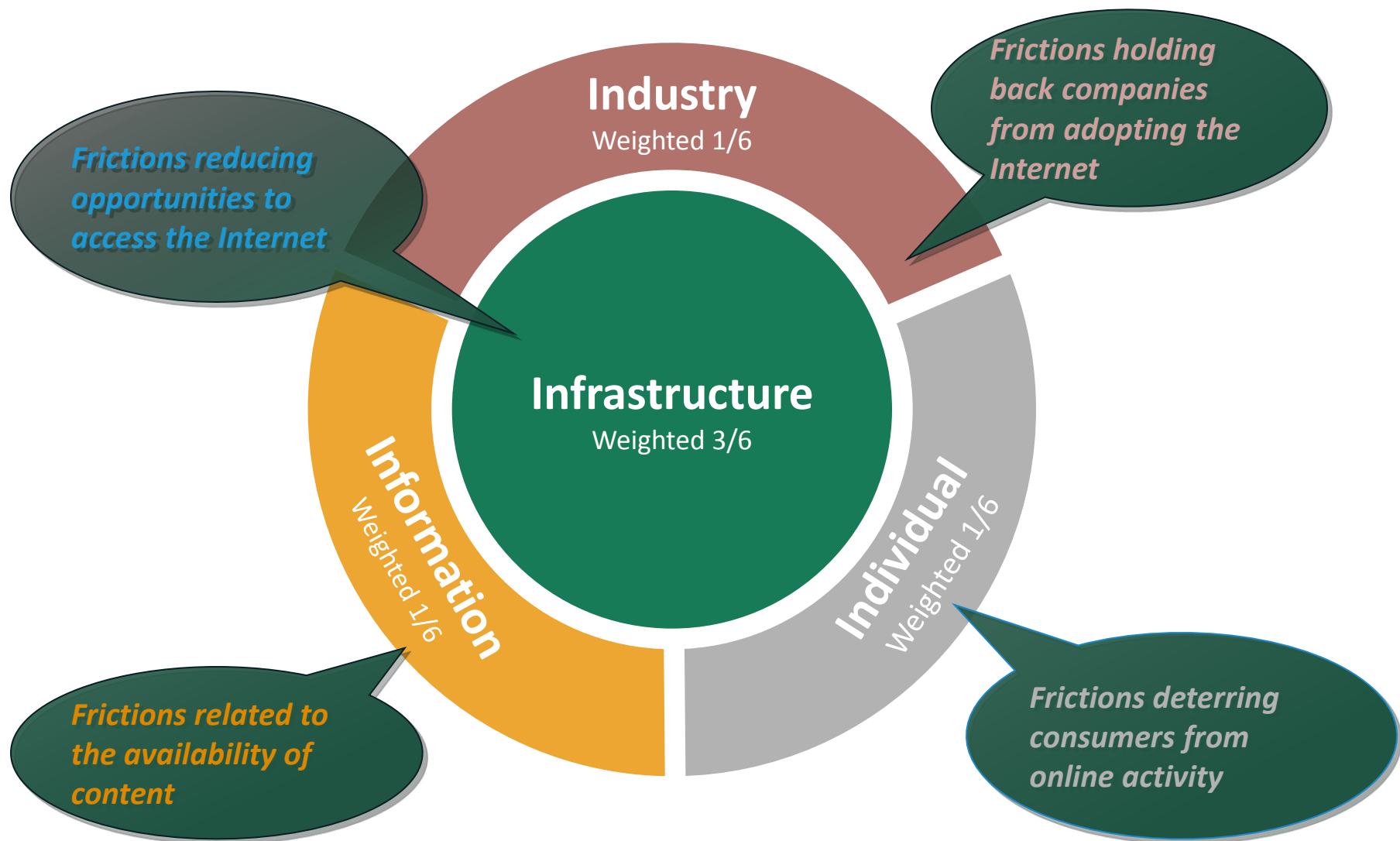
"Can it be delivered here?"

Greasing the Wheels of the Internet Economy

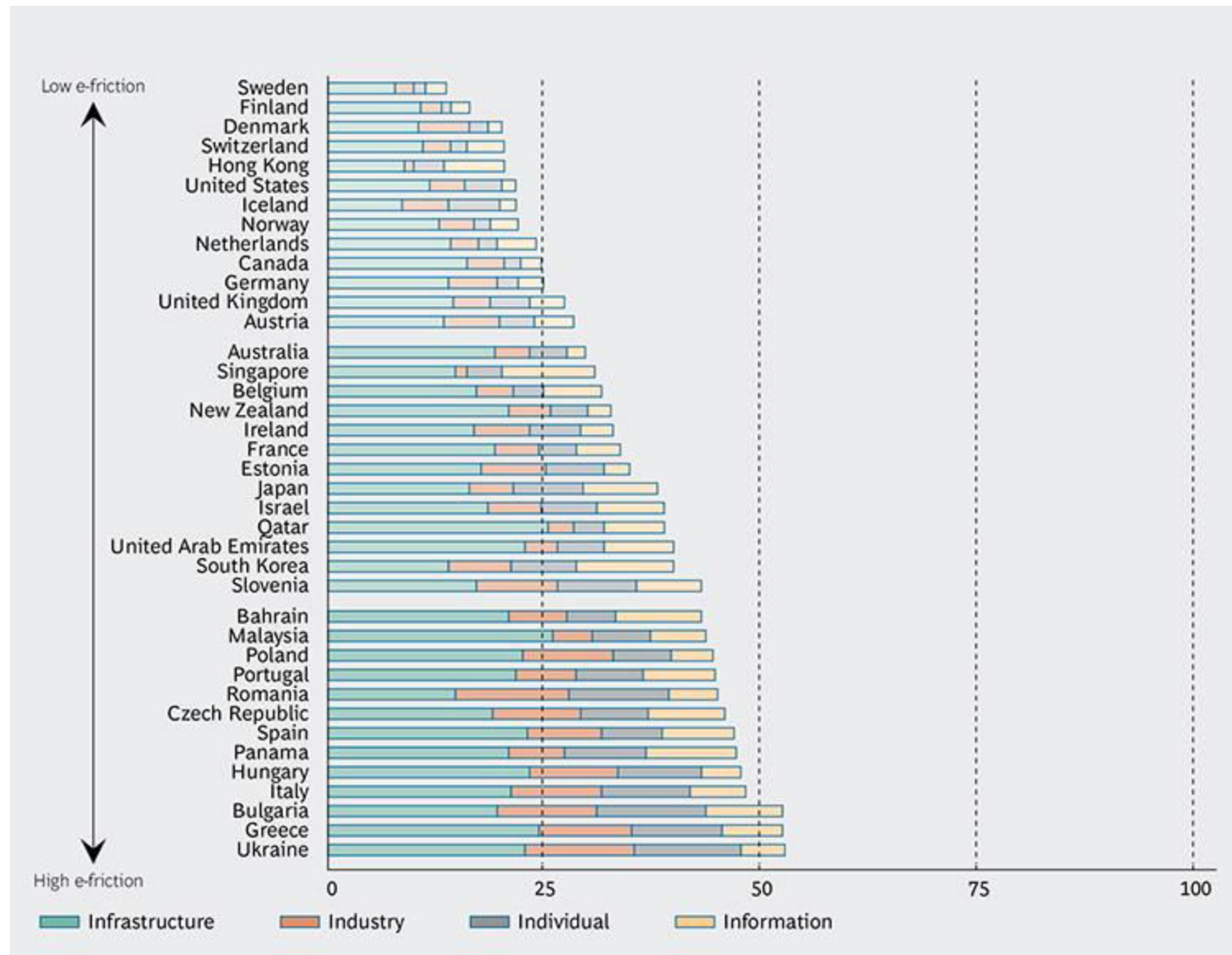
- ⦿ ICANN Commissioned the Boston Consulting Group (BCG) to conduct this study in 2014
- ⦿ Digitally-driven economic growth continues to be one of the few bright spots in a sluggish global economy



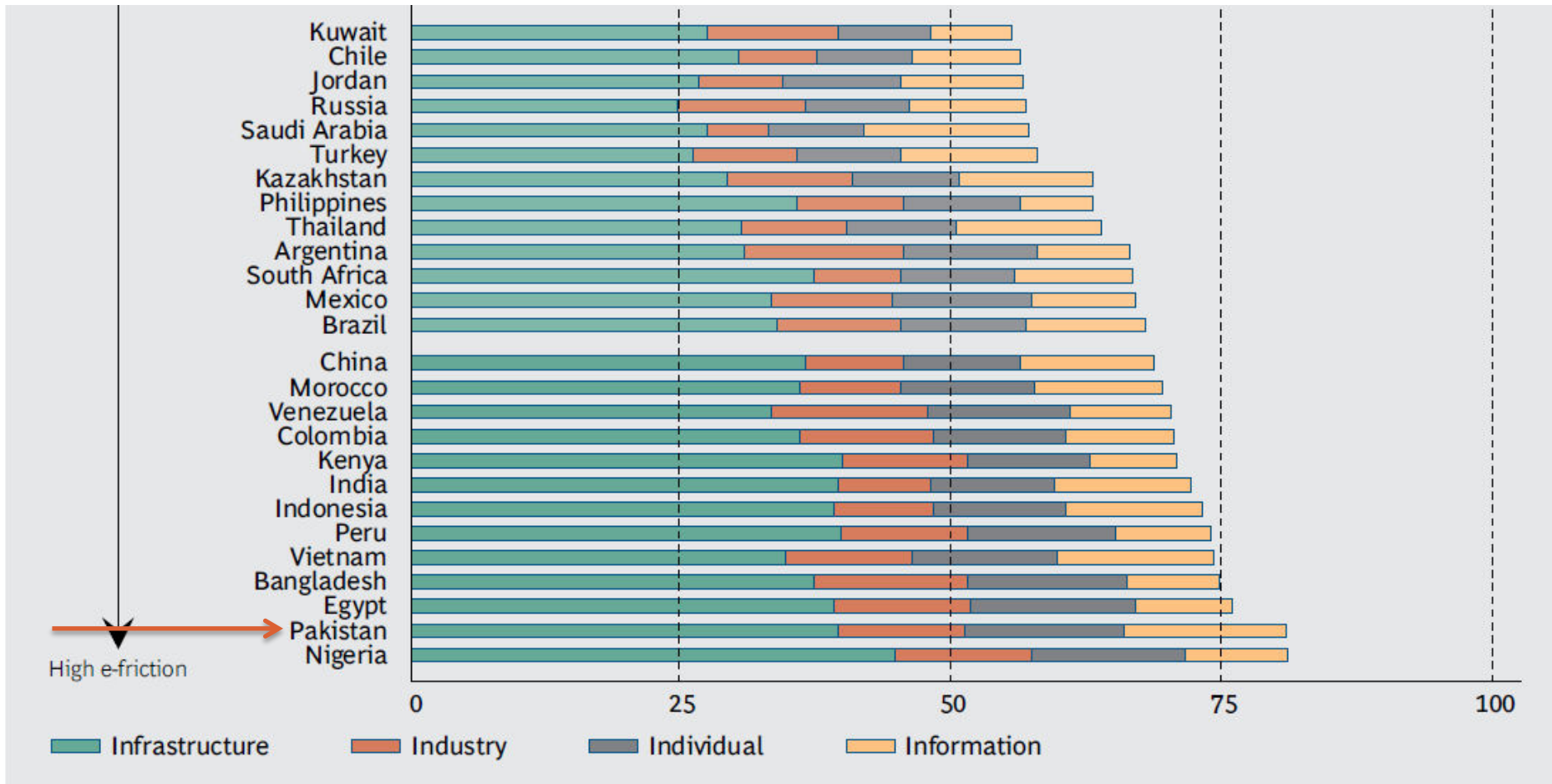
Main Sources of E-Friction



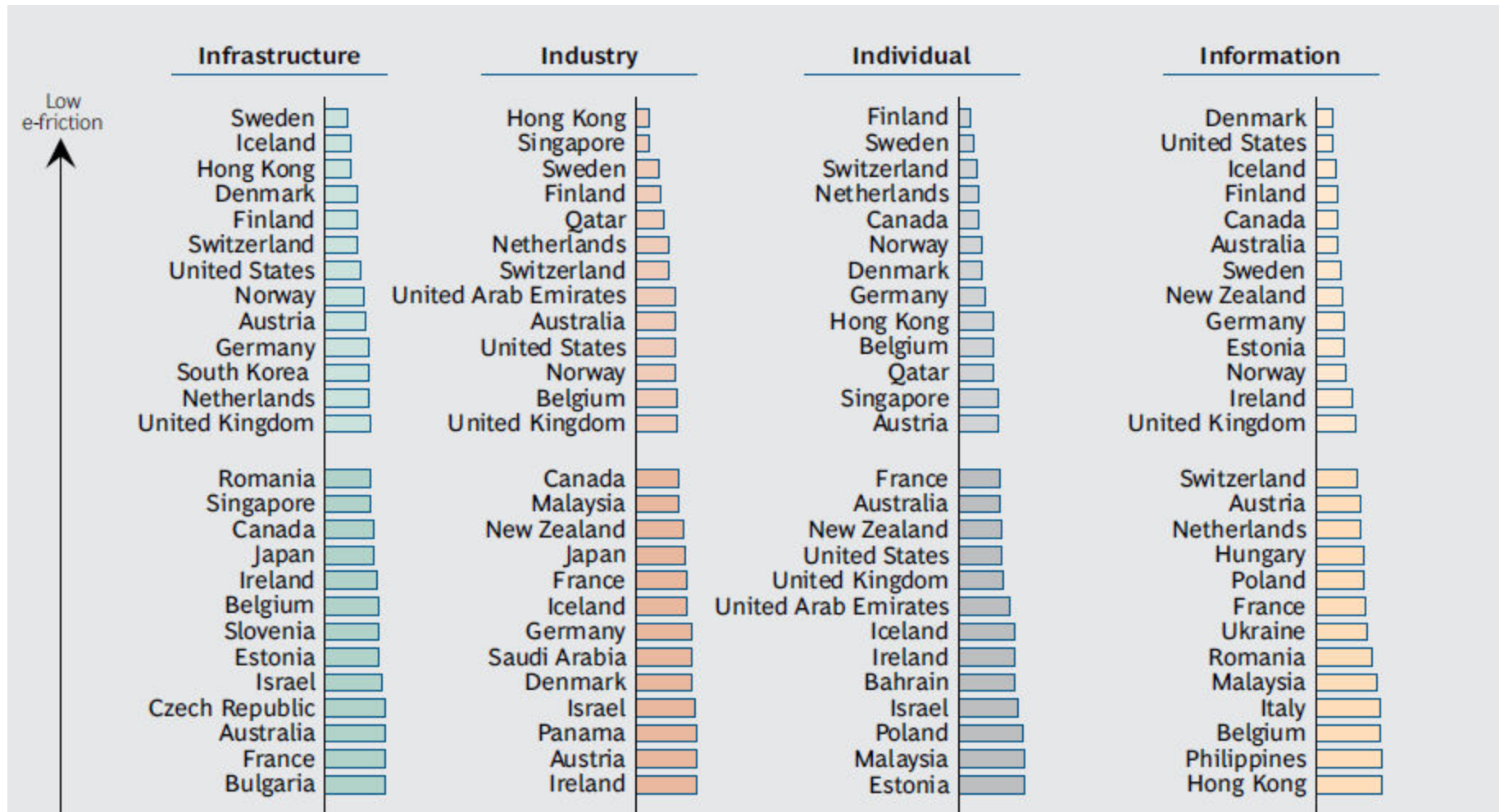
The BCG e-Friction Index



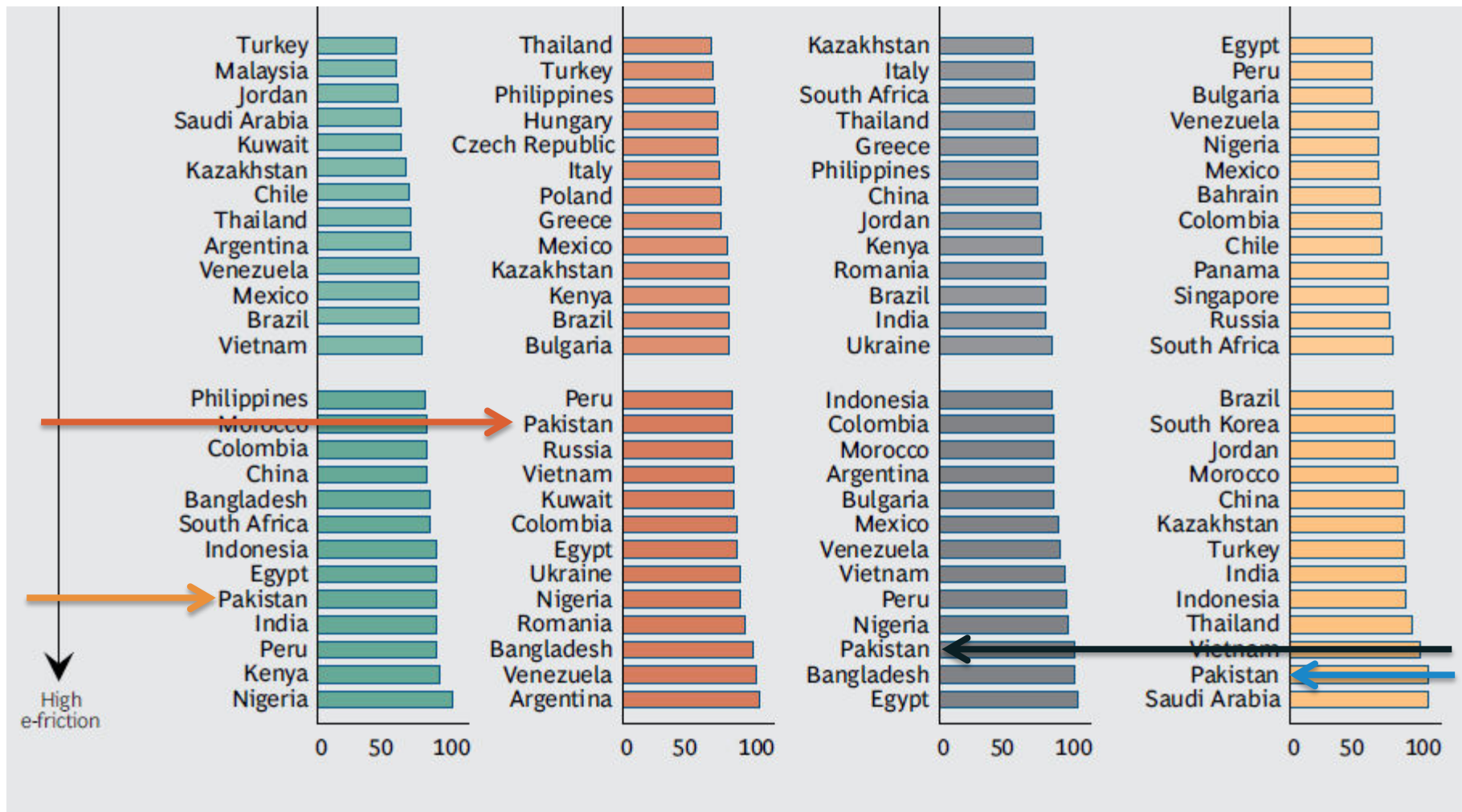
... cont. (The BCG e-Friction Index)



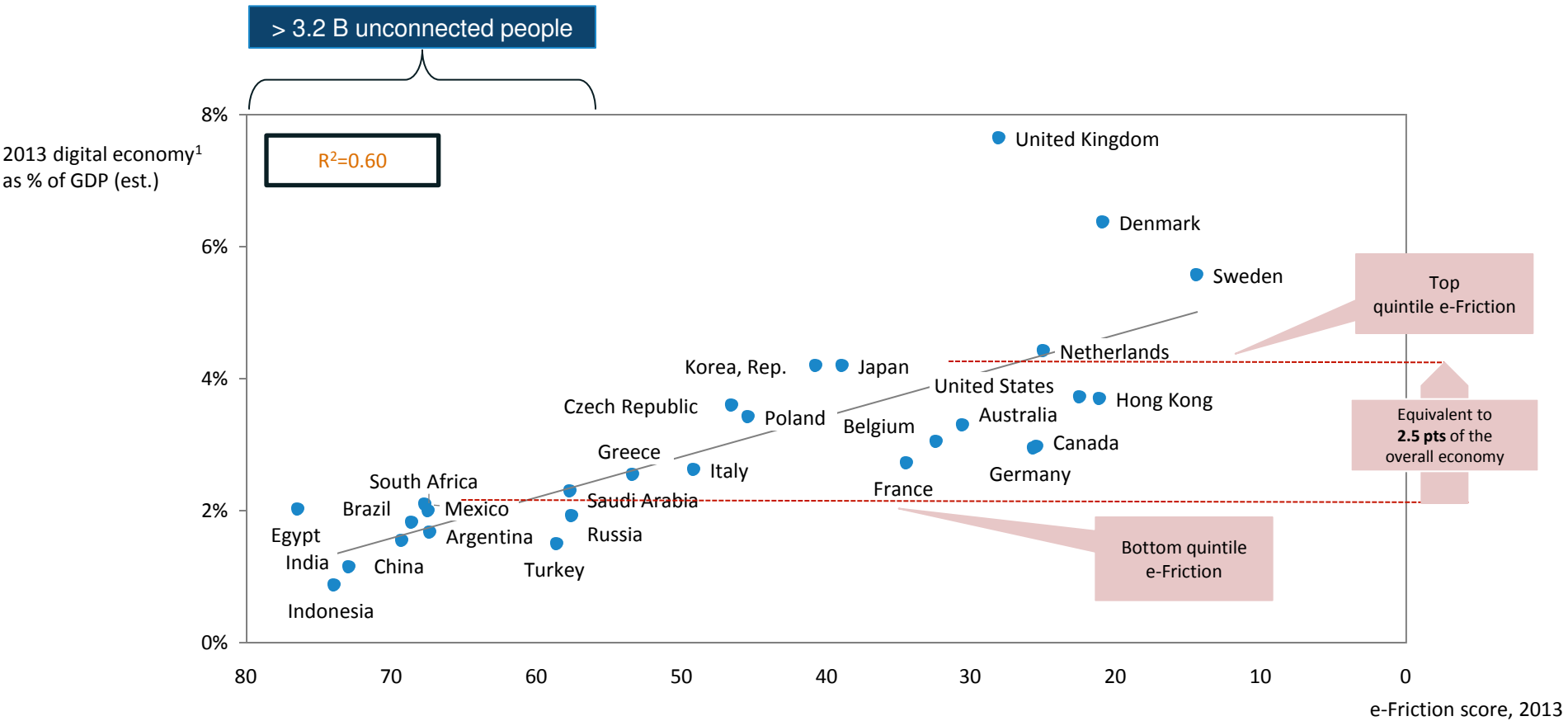
Where is Pakistan?



Pakistan!

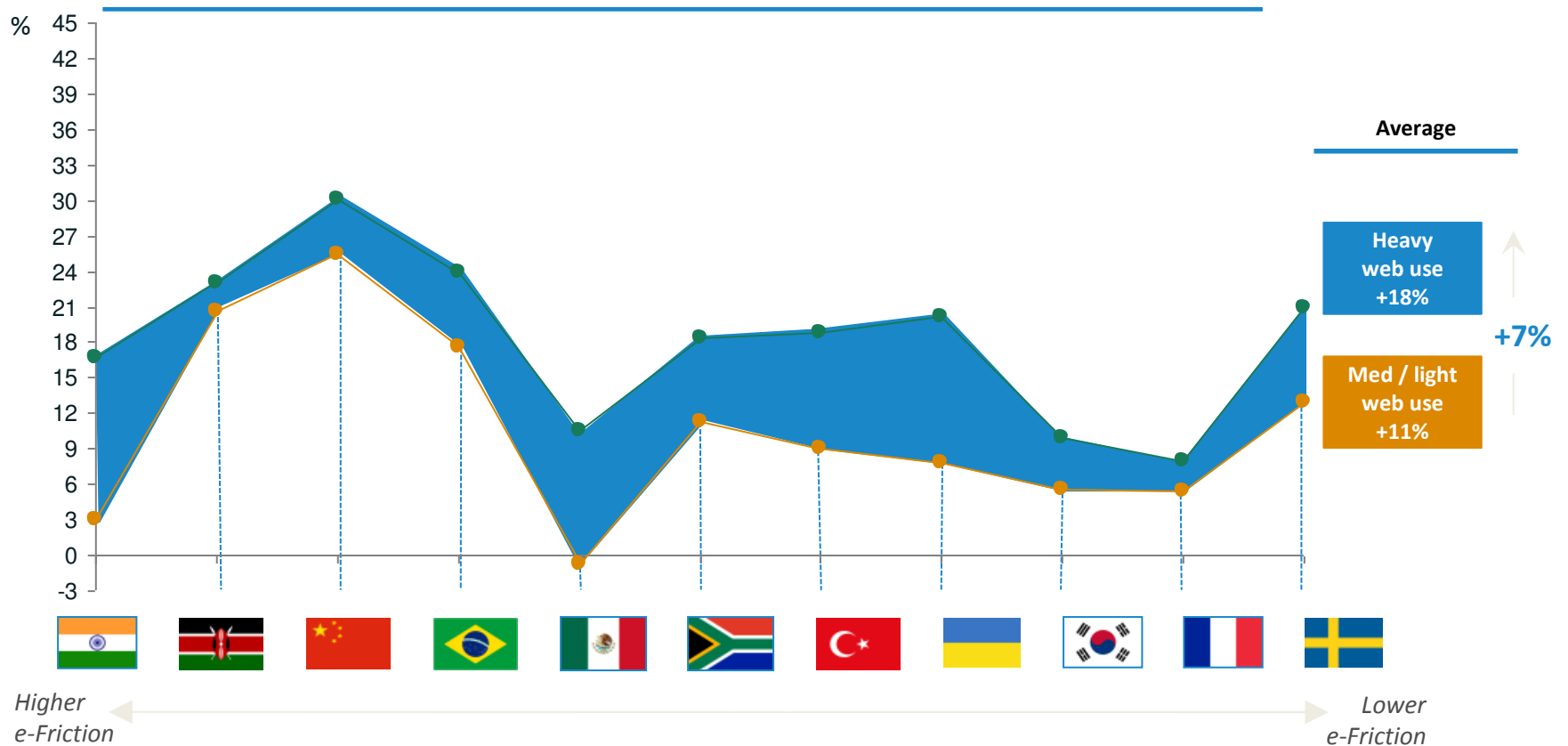


Significant Positive Economic Impact

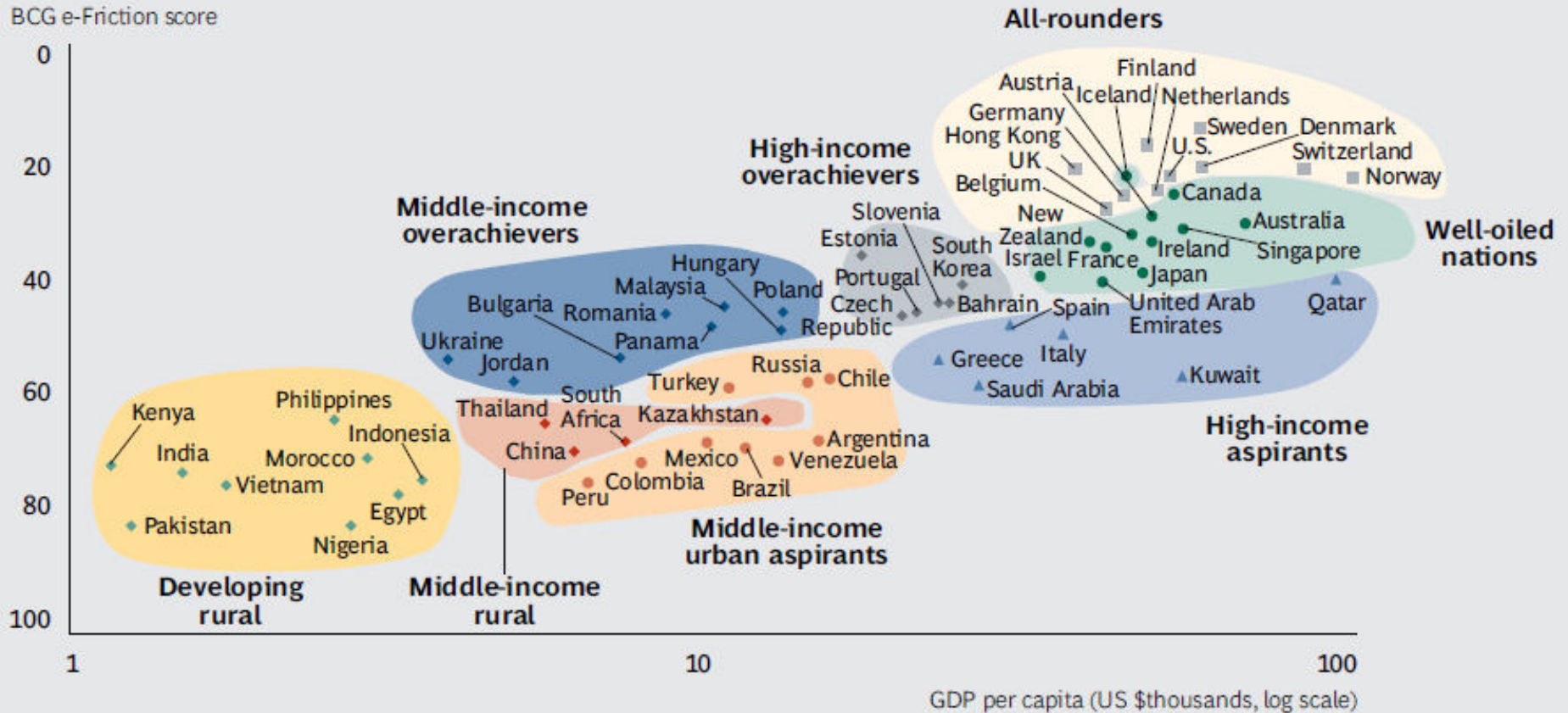


The Internet and SMEs

Past three years
Cumulative revenue growth

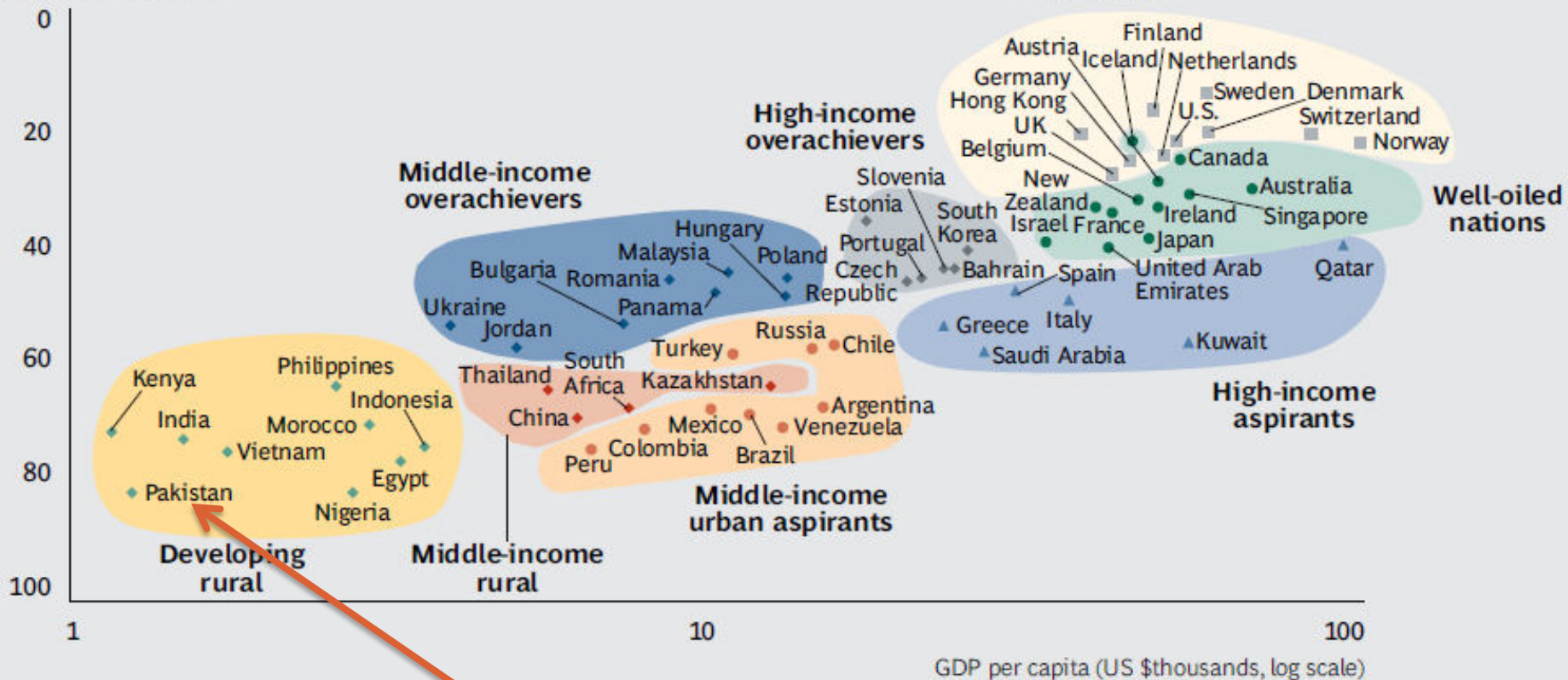


E-Friction Score vs. GDP Per Capita



E-Friction Score vs. GDP Per Capita (Pakistan)

BCG e-Friction score



The Way Forward

- ⊙ Many levers exist to reduce e-Friction, what ever the level of GDP currently is
- ⊙ Population density and large rural populations make infrastructure deployment more challenging, requiring important policy choices and technological experimentation
- ⊙ Basic literacy and ICT skills all help reduce e-Friction
- ⊙ Local content in local languages drives usage, requiring encouragement of local ecosystems, including e-government services
- ⊙ SMEs that use the Internet intensively grow faster, employ more people than those that don't, and trade more internationally
- ⊙ Encourage multistakeholder policy making

Where to Find the Report?

<http://goo.gl/lmBDtr>

Engage with ICANN



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