

Executive Summary

The market for US business Internet access revenues continues to generate positive revenue growth for US telecommunications providers. At the end of 2003 In-Stat/MDR estimated the market generated nearly \$12.1 billion. In-Stat/MDR forecasts the market will grow to \$16.2 billion by the end of 2008. Overall In-Stat/MDR estimates that the average annual expenditure per firm on business Internet access to be \$1,246 in 2003, and forecasts this to grow to be \$1,368 by 2008.

Much of the market's revenue growth will come from DSL and cable modem business services. Dedicated Internet access services will continue to grow in terms of connections and bandwidth, but overall revenues will decline due to continued price pressures. Overall there is roughly one connection per Internet connected firm.

In-Stat/MDR surveyed 560 US firms with Internet access, and asked them what three factors they considered the most important in selecting an Internet service provider. Seventy-three percent of respondents said service quality/reliability was the most important criteria in selecting an Internet service provider. Sixty-nine percent selected price. Twenty-one percent of respondents selected company reputation, knowledgeable customer service staff, and availability at multiple locations/national footprint. Nearly 15% of respondents said having customer service based in the US, versus outsourced overseas, as being one of their three most critical selection criteria.

The table below shows In-Stat/MDR's forecast for US business Internet access service revenues for 2003 through 2008.

Total	2003	2004	2005	2006	2007	2008	CAGR
Number of Connections	9,642,176	10,481,086	11,313,707	12,125,163	12,953,943	13,693,787	7.3%
% Change		8.7%	7.9%	7.2%	6.8%	5.7%	
Yearly Revenue	\$ 12,081,144,600.25	\$ 12,606,559,198.10	\$ 13,522,803,528.31	\$ 14,284,234,602.83	\$ 15,245,977,514.62	\$ 16,226,221,439.06	6.1%
% Change		4.3%	7.3%	5.6%	6.7%	6.4%	
Connections Per Firm	1.0	1.0	1.1	1.1	1.1	1.2	

Source: In-Stat/MDR, 08/2004

