Kindling the fire: Product innovations and new technologies will spur further industry growth

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About this Industry

Industry Definition
This industry retails desktop, notebook and tablet computers via the internet. While most players purchase goods from domestic and international manufacturers and wholesalers, and then sell them to end consumers, there are also manufacturers that bypass the middleman and directly sell their goods to end consumers.

Main Activities
The primary activities of this industry are
- Retailing computers via the internet
- Retailing tablets via the internet

The major products and services in this industry are
- Desktops
- Laptops, ultrabooks and hybrids
- Tablets

Similar Industries
33411a Computer Manufacturing in the US
This industry manufactures and assembles personal computers (PCs), laptops and servers.

44312 Computer Stores in the US
This industry includes operators that mainly retail desktops, notebook computers and software, as well as accessories like printers, scanners and keyboards.

45321 Office Supply Stores in the US
This industry includes stores that primarily sell stationery, school supplies and office supplies. Stores may also sell a combination of new computers, office equipment, furniture and supplies.

Additional Resources
For additional information on this industry
- www.digitalcontentnext.org
- Digital Context Next
- www.eweek.com
- eWeek
- www.top500guide.com
- Top 500 Guide Online
- www.census.gov
- US Census Bureau
Industry at a Glance
Online Computer & Tablet Sales in 2016

Key Statistics Snapshot

- Revenue: $44.1bn
- Annual Growth 11-16: 2.3%
- Annual Growth 16-21: 2.6%
- Profit: $1.8bn
- Wages: $3.1bn
- Businesses: 14,238

Market Share
Amazon.com: 34.5%

Key External Drivers
Per capita disposable income
Technological change
Number of broadband connections
External competition
Price of computers and peripheral equipment

Industry Structure

- Revenue: $44.1bn
- Profit: $1.8bn
- Wages: $3.1bn
- Businesses: 14,238
- Growth: 2.3%
- Employment: 2.6%
- Per capita disposable income: 1.8%

Products and services segmentation (2016)

- 26.0% Desktops
- 36.9% Tablets
- 37.1% Laptops, ultrabooks and hybrids

For additional statistics and time series see the appendix on page 31.

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Executive Summary

The precipitous rise of the tablet computer and the introduction of laptop-tablet hybrid computers have been the primary drivers of growth for the Online Computer and Tablet Sales industry over the past five years. Rapid technological change, combined with increased production efficiency, have resulted in falling retail prices for industry products, making them more attractive and affordable for consumers. Over the past five years, the industry has experienced strong growth, in line with the overall e-commerce sector. As the economy has strengthened, disposable income figures have risen and consumers have become more accustomed to making electronics purchases online. As a result, the industry has expanded, despite some indications of market saturation. Over the five years to 2016, industry revenue is expected to increase at an annualized rate of 2.3% to $44.1 billion, including a 2.3% jump in 2016 alone.

Online retailers operate in a highly competitive environment, with the top four companies accounting for about 40.0% of total market share. To stay competitive and generate sales, companies have been forced to aggressively compete on price, promotions and other discount initiatives. In addition, tablet computers and laptops have both exhibited signs of market saturation toward the end of the five-year period, which has prompted operators to keep prices low. Therefore, profit growth has been constrained, despite advances in technological capabilities and labor-saving technologies.

Over the five years to 2021, the industry will continue to grow, with revenue projected to increase at an annualized rate of 2.6% to $50.1 billion. Improving per capita disposable income and rising consumer confidence about the convenience and security of online purchases will likely secure repeat sales. In addition to improving economic conditions, product innovations and new technologies will further bolster industry growth. Over the next five years, demand for tablets is projected to continue to stabilize, but two-in-one tablet hybrids are expected to grow in popularity. Nevertheless, the looming threat of online sales tax may hamper sales and slow profit growth. By burdening online retailers with sales tax on all purchases, this legislation could remove a significant portion of the cost saved by operating online, resulting in fewer sales transactions. Moreover, many small and midsize operators may need to hire tax specialists for compliance, thus reducing profit margins.

Key External Drivers

Per capita disposable income
Due to the nature of computers and tablets, which are often considered discretionary, changes in disposable income affect demand for industry products. As a result, a rise in disposable income increases the propensity for consumers to purchase more industry goods. Changes in income can occur due to movements in wages, government benefits, unemployment and tax rates, and returns on assets. Per capita disposable income is expected to increase during 2016, representing a potential opportunity for the industry.

Technological change
Due to the rapid changes in software and hardware, computers and...
Industry Performance

Key External Drivers continued

tables become obsolete faster than ever before. Therefore, consumers are encouraged to purchase new products at a rapid rate. In addition, the ease and security of e-commerce, along with convenient payment methods, motivate consumers to shop online. The level of technological change is expected to increase during 2016.

Number of broadband connections
The industry is sensitive to the number of broadband connections. When more households have access to broadband internet, as opposed to dial-up, they are more likely to make online purchases because of the speed gains derived from a broadband connection. Furthermore, increased computer and internet use will likely raise confidence in online sales, leading to greater computer activity and sales. The number of broadband connections is expected to increase during 2016.

External competition
While online sales of computers and tablets have risen rapidly over the past five years, industry operators continue to face competition from brick-and-mortar computer stores. Typically, online retailers can offer lower prices than their physical counterparts due to purchasing in bulk or having fewer overhead costs. External competition is expected to grow during 2016, posing a potential threat to the industry.

Price of computers and peripheral equipment
As revenue earned by online retailers is directly related to the price that they can charge, the industry’s performance is directly correlated to the price of computers and peripheral equipment. With new technological developments and drastic improvements in capacity, the price of computers has fallen steadily since their invention. The price of computers and peripheral equipment is expected to decrease during 2016.
Industry Performance

Current Performance

In line with the overall e-commerce sector, the Online Computer and Tablet Sales industry has experienced strong growth over the past five years. Several factors have coalesced to aid the expansion of this industry over the period. Computers and tablets have infiltrated households at increasing rates and the number of consumers who own a computer or tablet has grown each year since 2011. Additionally, consumers with deeper pockets have been increasingly able to purchase discretionary products such as the products that this industry retails. As a result, industry revenue is expected to grow at an annualized rate of 2.3% to $44.1 billion over the five years to 2016; this includes an anticipated 2.3% jump in 2016 alone.

Product mix

Over the past five years, the industry has undergone a significant shift in the product mix it offers. Traditionally, desktop computers have dominated the industry, but laptops and tablets have both exhibited solid growth over the period and have overtaken desktop computers as the primary source of income for the industry. Desktop computers have experienced shipment volumes shrink each year over the past five-year period. As laptops have become more technologically capable and have been able to approximate just about every function of a desktop computer with external storage devices, laptop sales have grown and siphoned off revenue from desktop computers, on top of the segment’s own organic growth.

While laptop sales have increased each year since 2011, tablet and hybrid computers have exhibited extraordinary growth since 2011 and have been the primary driver of revenue growth over the period. According to technology researcher Gartner, tablet shipments have increased nearly 500% since 2011. The introduction of the iPad in 2010 marked the beginning of the tablet market. Since then, other manufacturers have increasingly challenged Apple by releasing their own competing tablet computers. These competing tablets run alternative operating systems (OS) such as Microsoft’s Windows 7, Hewlett-Packard’s (HP) Palm WebOS and Google’s Android and Chrome OS. Tablets were relatively new to the market in 2011 and less than 10.0% of Americans owned a tablet at the beginning of the period, according to Pew Research. The same report now shows that more than 45.0% of domestic households own a tablet. Tablets have become nearly ubiquitous in today’s personal computing landscape. However, while online sales of personal computers, laptops and tablets have been robust in recent years, the industry has exhibited signs that it has begun to slow down. For example, in 2014 and 2015, the tablet market in the United States and across the world began to slow down. The slowdown can be attributed in part to the extended lifetime of tablets, as operating system upgrades keep these products relevant for multiple years; however, the slowdown can mainly be attributed to a normalization of growth from rapid expansion early in the period and the slowing of new product integration. Operators have recently responded to growth deceleration by incorporating more hybrid computers that use touch screens like tablets and have detachable keyboards, like laptops, which has spurred growth in this segment once again.
Industry Performance

Prices and structure

During the past five years, the price of computers and peripheral equipment has decreased dramatically, largely due to substantial technological developments that have enabled manufacturers to create more powerful chips at a fraction of a cost. As a result, industry products have become more attractive and affordable for consumers. Furthermore, the standard price for most tablets is well below the cost of computers, as tablets require less material to build and do not perform all the tasks that traditional desktops and laptops perform.

Competition has also aided the downward pressure on prices. More operators have entered the industry to take advantage of the growing demand for portable computing devices. Industry operators have grown at an annualized rate of 7.3% to 14,238 over the past five years. As enterprise figures grew, so has competition. As a result, operators have lowered prices even further to differentiate themselves from competitors. However, regardless of price decreases, profit margins have grown throughout the period. Operators have employed labor-saving technologies and boosted efficiency initiatives to put upward pressure on profit margins. In fact, while relative wage outlays have remained stagnant since 2011, employment figures have grown an annualized 4.8% to 46,715 workers during the five years to 2016. Additionally, increasing sales volumes and values have helped spread out fixed costs, helping profit rise from 3.3% of revenue in 2011 to an expected 4.1% in 2016.

The growing online economy

The growth of this relatively new industry has coincided with the increasing ubiquity of internet access, particularly broadband. The costs to obtain an internet connection and a personal computer are relatively low and have declined in recent years. The easier and more affordable it is to connect to the internet, the more accessible online retailers are, making consumers more likely to purchase from these stores. Over the past five years, the number of broadband connections is expected to have grown at an annualized rate of 12.2%. This incredible growth shows how quickly consumers are gaining internet access. More consumers with internet access means that there is a larger supply of potential buyers for this industry.

Online retailers owe some of their success to the development of eBay’s PayPal and other secure payment methods, which add a practical component to the “shop anytime, anywhere” spirit of the online marketplace. Advances in online payment security aided this trend by making consumers confident in the reliability and safety of the online shopping process. Furthermore, much of the wariness that consumers previously expressed over making credit or debit card transactions online has faded over the period. Since building customer loyalty is important for attracting repeat sales, increased consumer confidence through secure transactions has aided the industry’s sales tremendously. Operators have continuously implemented a wider breadth of security measures and payment acceptance options over the period, enticing more consumers and growing demand for online computer and tablet sales.
Industry Performance

Growing demand

As the economy continues to pick up, higher projected disposable incomes and an improved sense of financial stability will support demand for industry products. Over the next five years, per capita disposable income is expected to increase at an annualized rate of 1.9%. Consequently, consumers are likely to loosen their purse strings over the long term and increase their spending on durable and discretionary items such as computers and tablets.

In addition to improving economic conditions, product innovations and new technologies will further bolster industry growth. During the next five years, demand for tablets is expected to surpass demand for computers and become the prominent product for industry operators, given tablets’ advantages of casual computing and performing “living room” tasks. For example, consumers can browse the internet, watch videos, play touch-based games and read e-books at any location.

The growing online economy

Besides security, the industry’s payment processes are also designed for convenience. For example, PayPal allows users to create personal online accounts, making it easier for them to transfer funds to a retailer from their credit cards or bank accounts without disclosing any financial details. Meanwhile, Amazon.com allows for “one-click ordering,” which lets consumers buy goods with default payment methods stored on their accounts. Delivery and customer services have also improved dramatically; e-commerce companies now commonly offer free shipping, same-day delivery and free return policies.

Furthermore, mobile phones have made it easier than ever before for consumers to browse and shop wherever. Today, it is easier than ever to compare prices online, so much so that individuals have taken to “showrooming,” where consumers browse for products in store, only to purchase them at a lower price online. Each of these advances has helped grow online purchases of computers and tablets dramatically over the past five years.

Industry Outlook

The rising popularity of online shopping coupled with favorable economic conditions and technological developments will underpin growth for the Online Computer and Tablet Sales industry over the next five years. Rising consumer confidence will particularly benefit the industry’s long-term growth because it contributes to customer retention. More specifically, consumer confidence about the safety and security of online purchases will likely secure repeat customers. Over the five years to 2021, industry revenue is expected to increase at an annualized rate of 2.6% to $50.1 billion, growing faster than revenue for most brick-and-mortar computer stores. However, the looming threat of regulation may hamper sales and slow profit growth in the coming years.

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Industry Performance

The rise of e-shopping

In addition to improvements in wages, sentiment and employment, the industry will benefit from changes in consumer preferences. Rather than spending big in department stores or other retail outlets, consumers will increasingly turn to inexpensive alternatives offered online. As a result, industry revenue is expected to continue solid growth. During the five next years, the number of operators is expected to rise 5.5% per year on average to 18,587. Similarly, the number of industry employees is expected to continue to rise at an annualized rate of 3.5% to 55,512 in 2021. Online retailers will also continue to benefit from low operational costs because they do not have to rent, staff and operate brick-and-mortar stores. To this end, industry profit margins are projected to account for about 4.2% of revenue by 2021, up from 4.1% in 2016.

The household broadband use rate is set to grow in the five years to 2021. By the end of 2021, IBISWorld anticipates that nearly 90.0% of US households will have broadband internet connections; as more households gain access to broadband internet, more consumers will have access to online retailers and shop with industry operators. Nevertheless, increases in online shopping’s popularity will not continue forever. Growth in the number of new tablet purchases has already begun to decline. Online shopping popularity will eventually reach a saturation point. Brick-and-mortar stores still offer unrivaled advantages, such as letting customers leave the store with the products and sales staff who can assist customers. However, this saturation point will not be reached over the next five years, and the rising popularity of the internet use will continue to bolster industry demand by pulling customers away from brick-and-mortar computer stores.

Tax laws

To protect their bottom lines, industry operators will continue to wage a battle against tax laws over the next five years, as the push for online sales tax continues to pick up steam in Congress. As the law currently stands, industry operators are only required to collect sales tax if the business has a physical presence in a state where the purchase was made. If a business does not have a presence in the state, the burden of tax then falls on the purchaser, who is required to report it on the income tax form as a use tax. This factor has been a point of significant cost savings for online retailers, because they have been able to reduce prices and attract customers by dodging sales tax. Online purchases often carry only minor sales tax, which consumers typically do not report. However, these small sums add up over the total volume of online purchases nationwide, resulting in significant unclaimed cash that would otherwise have gone to the state.

As a result of these factors, many states facing budget crises will likely pursue legislation that requires online operators to collect sales tax. In fact, this legislation has already been passed in California, Colorado, Minnesota, Connecticut and Missouri since 2008. A shift in policy along these lines could devastate industry operators. By burdening online retailers with sales tax on all purchases, this legislation could remove a portion of the cost saved by operating online, resulting in losses in sales transactions. In addition, small and midsize operators may need to hire tax specialists to comply with this law, reducing profit margins.
Industry Performance

The value that the industry adds to the overall economy is expected to grow faster than US GDP

Industry participation is on the rise

The industry benefits from changes in technology

Life Cycle Stage

Maturity
Company consolidation; level of economic importance stable

Quality Growth
High growth in economic importance; weaker companies close down; developed technology and markets

Decline
Shrinking economic importance

Key Features of a Growth Industry
Revenue grows faster than the economy
Many new companies enter the market
Rapid technology & process change
Growing customer acceptance of product
Rapid introduction of products & brands

SOURCE: WWW.IBISWORLD.COM.AU
Industry Life Cycle

The Online Computer and Tablet Sales industry is in the growth stage of its life cycle, with rising participation and rapid technological advancements. During the 10 years to 2021, IBISWorld projects the industry value added, which measures the industry’s contribution to the overall economy, will grow at an average annual rate of 3.5%. Meanwhile, US GDP is expected to increase an annualized 2.1% over the same period.

Over the past five years, the industry has experienced an influx of new entrants. In fact, the number of enterprises is expected to have risen at an annualized rate of 6.4% to 18,587 operators since 2011. This growth in participation can be attributed to the rising popularity of e-commerce, largely driven by the rising prevalence of broadband connections and other high-speed internet services. Such services have provided consumers with the opportunity to surf the internet and purchase products without experiencing any lag time; consequently, more consumers have been able to make purchases online with added convenience. Furthermore, the industry’s low barriers to entry and skill requirements have allowed companies to enter the industry without much difficulty, leading to higher participation.

In recent years, the industry’s growth has also been driven by considerable changes in terms of technology. In particular, more secure payment methods have made consumers confident in the reliability and safety of the online shopping process, driving up industry demand. In addition, technology change has been a critical aspect of industry success, with consistent innovation and improvements leading to constantly high demand for industry products. The industry also benefits from improving online marketing capabilities and internet tools that boost search engine optimization to increase online visibility. New developments in social media and mobile apps are also increasingly allowing operators to reach new consumers and are broadening the ways consumers can make purchases.
Desktop computers
The desktop computer segment’s share of industry revenue has declined steadily over the past five years as a greater number of consumers shift their preferences towards laptops and tablets. IBISWorld estimates this segment, once the industry’s most dominant segment, has declined to account for 26.0% of revenue in 2016. While individual households continue to purchase desktop computers, PC sales have increasingly come from the business world where they receive greater utilization. Nevertheless, consumers still purchase PC’s for their superior computing power and information storage space. IBISWorld anticipates desktop sales will decline further during the next five years due to the advance of tablet, laptop and ultrabook technologies.
Products & Markets

Laptops, ultrabooks and hybrids
Laptops continue to generate the plurality of industry revenue, although there share has fallen steadily as consumers increasingly shift to purchasing tablets. At the same time, the line between laptops and tablets is becoming increasingly blurred. The continued development and sale of ultrabooks is expected to help provide a lifeline for the computer segment. Historically, ultrabooks have simply been less bulky, more efficient laptop computers; however, the new wave of ultrabooks is a laptop-tablet hybrid. These devices typically feature a detachable keyboard and a touch screen, allowing the user to interact with the product in a variety of ways. Moving forward, ultrabooks are expected to help the laptop segment maintain a higher share of industry revenue than tablet computers. An increasing number of consumers prefer ultrabooks because they offer a better compromise between the advantages of laptops and tablets; they have the computing power of a laptop with the built in flexibility of a tablet.

Tablets
The online sale of tablets has exploded during the past five years. Although many tablet prototypes have been in development for a decade or more, the device consumers know today was widely popularized by the introduction of the iPad. Since then, tablets have taken consumers by storm and are quickly being integrated into workplaces and business procedures. User-friendly, interactive operating systems and touch interfaces have allowed tablets to appeal to a wide range of individuals. Furthermore, the devices are slimmer, lighter and easier to handle. While some tablets have more features and ability than others, all tablets can handle most common tasks, such as online browsing, email and word processing.

The popularity of tablets and their software has led Apple to update its laptop and desktop operating system (OS) to include features that mimic its tablets and smartphones. Similarly, Microsoft Windows 8 is designed for use on traditional computers, tablets and smartphones to encourage and allow for easier product integration. IBISWorld estimates that tablet sales will account for 36.9% of industry revenue in 2016. However, the growth of this segment’s proportion of revenue has slowed significantly recently. Early in the period, this segment was an explosive growth market for the industry. However, 2013 and 2015 saw growth deceleration. These years featured little new product introduction and have prompted operators to lower tablet prices to stimulate demand. Overall, the high growth early in the period has greatly outweighed the growth deceleration in recent years, leading to growth in this segment.

Demand Determinants

Demand for the industry’s products are impacted by a variety of factors, including disposable income, the price of computers and peripheral equipment, and technological change. While still considered discretionary items, computers and tablets are increasingly becoming a necessary item to compete in society. To compete in the labor market, individuals need to have experience with computer and tablet programs and applications. As a result, IBISWorld expects demand to remain high during the next five years as industry products further penetrate each aspect of day-to-day life.

Consumer disposable income has risen over the past five years at an average annual rate of 1.5%. At the same time, the price of computers and
Products & Markets

Demand Determinants continued

Peripheral equipment has been on the decline. As a result, industry products have become more attractive and more affordable for consumers. Because tablets require less equipment to build and do not perform all the tasks that traditional computers are capable of, tablets can now be purchased for less than $100. This trend is expected to continue over the next five years as competition forces operators to produce lower cost products. During the next five years, disposable income is expected to rise at an annualized rate of 1.9% which is likely to support rising online purchases of computers and tablets.

One of the largest determinants of industry demand is technological change. Consumers typically desire to be adopters of cutting-edge, new technology; this desire often results in consumers purchasing new products despite their old products still be useful. Apple commercially introduced the tablets as they are known today with the release of the iPad just before the period. The iPad has now released over 10 varieties of the tablet.

Major Markets

Consumers aged 30 to 49 represent the largest market for operators in the Online Computer and Tablet Sales industry, at 30.5%. This age group is most likely to have the highest level of disposable income, giving them the ability to spend on new electronics. Many people in this segment are also likely to be professionals; computers, particularly tablets, are being integrated into offices and business operations at a higher level than ever before. Although many businesses purchase these devices for their own operations, some individuals are likely to buy computer or tablets to familiarize themselves with their functionality. Furthermore, many individuals in this age group are likely to have children. Children are gaining access to computers and tablets at an increasingly younger age because these devices are being integrated into classrooms and education systems. According to a 2011 Common Sense Media research study, about 8.0% of children ages zero to eight have access to a tablet device. In addition, 53.0% of two-to-four year olds have used a computer, and 90.0% of five-to-eight...
year olds use a computer at least once a day. This data shows that consumers in this age segment are not only purchasing computers and tablets for themselves, but also for their children.

Consumers aged 29 or below
Individuals aged 29 or below are estimated to account for 27.9% of industry revenue, making them the second-largest market. These consumers are likely to need computers or tablets for higher education or to remain competitive in the labor market and are often the most technologically inclined market. These young professionals are likely to have lower disposable income than their elders; however, they are also less likely to have a spouse or children. Consequently, this age group is an attractive market for industry operators. These consumers have grown up with greater exposure to computers and other electronic devices and are looking to in touch with cutting-edge technology. Furthermore, these individuals often rely on these devices for day-to-day tasks, including as an alarm clock or calendar.

Consumers aged 65 and older
Consumers aged 65 and older are expected to generate 18.8% of industry revenue in 2016. This market has been rapidly expanding over the past five years, largely due to its adoption of tablet devices. Older consumers are typically last to adopt new technologies, but the lightweight and intuitive nature of touch-screen tablet devices have proven to be popular among people aged 65 and older. Although many younger consumers use smartphones in place of tablets, the larger screens of tablets make it easier for older consumers to engage with the device and see. According to mobile analytics firm Flurry, 17.0% of users 65 and older choose a tablet device, versus 7.0% who chose a smartphone. Older consumers commonly use their tablet devices to access health information and tools; about half of the segment uses tablets for health purposes, according to Manhattan Research.

International Trade
This industry only accounts for sales to US consumers and does not participate in traditional international trade. Nevertheless, most operators provide sales to consumers worldwide.
As with other e-commerce industries, the geographic spread of establishments in the Online Computer and Tablet Sales industry is not necessarily proportional to the population distribution. Traditional brick-and-mortar retailers need physical stores to be located near customers, but online retailers rely mostly on warehouse space to store goods. These goods are then delivered via mail to the customer. These warehouses tend to be located near major shipping centers and consumer and business hubs to ensure safe and timely delivery of products. As a result, the West, Southeast and Mid-Atlantic regions represent the three largest concentrations of industry establishments. The West region has large manufacturing hubs for industry products and allows operators to easily ship bulk deliveries. As a result, the plurality of industry establishments, 23.8%, are located in this region. The Southeast is the most populous region in the nation and provides easy access to consumers. Consequently, 21.6% of establishments are located in the Southeast region. The Mid-Atlantic provides access to trade across the Atlantic and provides easy shipment to the other regions, which has led to a high proportion of establishments, at 16.4%.
The Online Computer and Tablet Sales industry has a moderate level of market share concentration. IBISWorld estimates the four largest operators in the industry account for less than 40.0% of total industry revenue. Amazon, the world’s largest online only retailer, dominates the industry. In addition, Apple Inc. has increasingly garnered market share during the since its introduction of the iPad. According to the International Data Corporation, the iPad accounts for about 24.5% of the tablet market, with Samsung’s Galaxy Tab in second at 13.4%. Large companies in this industry are often either large e-commerce retailers, such as Amazon, that enjoy the financial benefits of scale, or manufacturers that sell directly through their company website and cut out the cost detriments associated with selling to a wholesalers or retailer. These large retailers dominate the sale of computers at large and their deeply entrenched position in the retailing of computers and tablets has ensured their high market share. This has put upward pressure on market share concentration. However, the inclusion of all retail operators that have online platforms and all small online only operators has created high enterprise figures in this industry. As a result, the industry is still relatively fragmented. The large number of overall operators has put downward pressure on market share concentration, keeping it moderate.

**Key Success Factors**

- **Provided with superior after sales service**: Operators that provide superior after-sales service, such as offering refunds, exchanges or product care, are likely to attract repeat business and have greater potential for revenue growth.

- **Having a good reputation**: The industry is highly competitive; operators that receive positive word-of-mouth recommendations are likely to have an advantage.

- **Ability to quickly adopt new technology**: The evolution of computers and tablets is constant. Industry operators must be able to provide consumers and downstream customers with the latest products.

- **Ability to control stock on hand**: Operators need to be able to control stock on hand to ensure they have an adequate supply of products to meet demand.

**Profit**

The industry’s average profit margin, measured by earnings before interest and taxes, is estimated to represent 4.1% of revenue in 2016. Profit has risen marginally from 3.3% in 2011, mainly due to improving operating efficiencies and higher returns from marketing initiatives. Industry operators’ web sales, conversion rates and average order values have increased and boosted profitability, in large part to more site testing, improved checkout procedures and other enhancements. Therefore, for each dollar spent on advertising, industry operators are getting more sales, and thus improving profitability. Additionally, input costs have fallen over the period, as the price of computers has dropped since 2011. Operators have passed down much of this price drop, but the sales price of industry goods has fallen at a slower rate than the price that the products cost to manufacture and buy. Consequently, as purchase costs have fallen, margins have grown.
### Cost Structure

**Purchases**
Purchases, which represent the largest operating expense at 60.7%, have fallen slightly over the past five years. Purchase costs in this industry refer to the computers and tablets that are sold downstream. Since 2011, the price of computers has fallen. As the market for both laptops and tablets has become saturated, operators have lowered price points to stimulate demand. This is particularly true in the tablet segment. The proportion of households that own a tablet has grown rapidly over the period and has neared a saturation point, causing a slowdown in the product segment’s growth. While new product introduction has been employed to stimulate demand alongside the price reduction of existing products, even tablets that are new to the market are being introduced at a relatively low price point. Additionally, phablets and smartphones approximate many of the same features as tablets and laptops. Consequently, price and functionality have become more important in a market with competing products. So, while new features have become paramount to industry success, they are also being offered at lower prices, which has shrunk this segment’s proportion of revenue over the period.

**Wages**
Unlike traditional retailers, wages are a relatively small component of industry costs because industry operators are not required to staff employees for a wide network of stores or maintain physical sales spaces. As a result, industry wages are estimated to account for only 6.9% of revenue in 2016, which has remained steady over the past five years. Over the period, improvements in laborsaving technology, such as bookkeeping and transaction-recording software, has put downward pressure on labor costs, as some of the positions previously held by laborers have been.

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**Sector vs. Industry Costs**

![Bar chart showing the comparison of average costs of all industries in sector (2016) and industry costs (2016).](chart.png)

- **Average Costs of all Industries in sector (2016):**
  - Profit: 4.4
  - Wages: 7.7
  - Purchases: 62.6
  - Depreciation: 17.0
  - Marketing: 3.2
  - Rent & Utilities: 0.9
  - Other: 4.1

- **Industry Costs (2016):**
  - Profit: 4.1
  - Wages: 6.9
  - Purchases: 60.7
  - Depreciation: 3.9
  - Marketing: 3.4
  - Rent & Utilities: 20.1
  - Other: 1.0

*Source: WWW.IBISWORLD.COM*
Competitive Landscape

Basis of Competition

Price is the industry’s main point of competition. Online shoppers are mostly looking for bargains, and companies that can offer lower prices will likely experience increased sales. While product prices are relatively stable from one retailer to another, shipping charges can vary significantly. Although online operators cannot control freight charges, they are able to absorb a percentage or even all of the cost of delivery to the consumer. Retailers that are able to offer free or discounted shipping have a competitive advantage and are more attractive to consumers. For example, to ensure that consumers choose to shop at its website, industry operator Amazon provides free shipping on a wide variety of products and even offers free two-day shipping for members of Amazon Prime.

An operator’s reputation is also significant and can have a particular impact on repeat buyers. Because industry operators do not have a physical storefront, consumers’ knowledge of online retailers comes from advertising and word-of-mouth recommendations. In addition, reputation is important because consumers must provide personal details, including address and credit card information, for the purchase and delivery of products. The lack of in-person access to industry operators makes customer services an integral part of operator success. Consumers are increasingly looking for reliable online shopping sites that will provide help in the event of a problem with the delivery or quality of the products.

Product reputation can also provide a competitive advantage. The three largest industry operators (Amazon, Apple and Dell) sell and manufacture their own products. Apple products have a reputation that allows the company to sell its products at price points that, for the most part, are well above its competitors’.

The user experience and design of a website are also important to industry success. Computers and tablets listed on an operator’s website should provide a detailed description of the product, including color, size, hardware specifications and functionality. As a result of the online nature of this industry, consumers are not able to

Cost Structure

Benchmarks continued

redeployed. However, as more enterprises have entered the industry, a premium has been placed on customer service and user experience. As a result, operators have hired more user interface designers to streamline the customer experience and have bulked up their customer service teams. These countervailing trends have led to stagnation in relative wage expenditures.

Other costs

Industry operators also incur a variety of other costs, such as marketing, administrative costs, depreciation, and rent and utilities. While marketing represents an estimated 3.9% of industry revenue, the majority of other expenses are related to transportation and shipping costs. The nature of online shopping eliminates geographic boundaries. Consequently, goods can be purchased in virtually any part of the country and delivered straight from the warehouse. Although a large portion of these costs are passed on to consumers directly, many retailers incur shipping costs by proving free shipping to clients.
Competitive Landscape

Barriers to Entry

The Online Computer and Tablet Sales industry has low barriers to entry. There is little-to-no significant capital investment required to enter the industry, and the skill level to successfully compete is relatively low. Industry operators require no license and there is no certification process for entry into the industry. Nevertheless, potential operators will face a number of challenges, including the established reputations, name brands and marketing power of large operators and the high level of price-based competition.

Larger companies, such as Amazon, benefit from economies of scale and are able to purchase a wide variety of industry merchandise, which they can typically offer at slightly discounted prices. Consequently, new entrants are likely to find it difficult to compete based on price without significantly damaging profit margins. Prospective firms will need to consider the relative dominance of the industry’s largest operators before entering. New entrants will need to invest significantly into marketing and advertising services to increase their presence and search engine visibility.

The initial cost of establishing an online business, while not expensive compared to other industries, may still be enough to act as a barrier for some new entrants. Potential operators will need to purchase a website or domain name and a small staff to handle customer service inquiries. In addition, retailers will need to access a line of credit to purchase inventory. New companies will also need to establish relationships with suppliers in order to guarantee a consistent and reliable supply of products.

Barriers to Entry checklist

<table>
<thead>
<tr>
<th></th>
<th>Level &amp; Trend</th>
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</thead>
<tbody>
<tr>
<td>Competition</td>
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<td>Concentration</td>
<td>Medium</td>
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<tr>
<td>Life Cycle Stage</td>
<td>Growth</td>
</tr>
<tr>
<td>Capital Intensity</td>
<td>Medium</td>
</tr>
<tr>
<td>Technology Change</td>
<td>High</td>
</tr>
<tr>
<td>Regulation &amp; Policy</td>
<td>Light</td>
</tr>
<tr>
<td>Industry Assistance</td>
<td>Low</td>
</tr>
</tbody>
</table>

SOURCE: WWW.IBISWORLD.COM

Basis of Competition continued

physically inspect the products before buying them. Consequently, the more product details operators provide, the more closely they can replicate a more traditional shopping experience.

External competition

Operators in the Online Computer and Tablet Sales industry compete with other industries, such as brick-and-mortar and big-box retailers. These stores, including major operators Apple and Best Buy, often also offer online websites. External competition is generally based on price and product availability. In addition, brick-and-mortar locations customers to interact with the product before purchase. Industry operators also face competition from devices such as smartphones. Smartphones are becoming increasingly advanced, and their screens are becoming larger with each new model. As a result, the line between smartphones and tablets is becoming blurred; nevertheless, when forced to choose between the two, some consumers will choose a smartphone for its additional versatility and mobility.
Globalization in the Online Computer and Tablet Sales industry is low. The majority of industry operators is based in the United States revenue from the industry is based solely on domestic sales. Nevertheless, the industry is exposed to some globalization, because some operators generate a significant portion of their sales from international consumers. For example, Apple, Amazon, Dell and Best Buy all generate revenue internationally. As the international e-commerce channel grows, foreign-based websites will attempt to compete for domestic market share, but are likely to struggle against the industry’s most well-established operators.
Amazon.com first opened its digital doors in 1995 and is one of the largest retailers in the world. The company is headquartered in Seattle, but was reincorporated in Delaware in 1996. Amazon currently employs about 230,000 full-time and part-time employees. Amazon is the world’s largest only-only retailer and accounted for $107.0 billion in net sales in 2016. Amazon’s operations are segmented in three principal segments: North America; International; and Amazon Web Services (AWS). North American revenue and International revenue are segmented by the region of sales and AWS accounted for services rendered to enterprises, academic institutions, government offices and other operations in need of data, networking and storage solutions. North American segment revenue accounts the plurality of company revenue, followed by the International segment and the relatively new AWS segment. Like many retail companies, Amazon’s business is susceptible to a high level of seasonality, with at least 30.0% of its yearly revenue generated during the fourth-quarter (ending December 31) in each of the past three years. Amazon further segments its revenue by product type, but the segmentation is rather broad. The company reports that electronics and general merchandise accounts for nearly 80.0% of revenue, while media accounts for about 19.0% and other services account for about 1.0%. Amazon competes in this industry through its North American segment and its electronics and general merchandise segment.

**Financial performance**
Amazon has performed incredibly well during the past five years, with industry revenue increasing at an average annual rate of 30.9% to an estimated $15.2 billion.

### Amazon.com (US computer and tablet sales) - financial performance*

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue ($ million)</th>
<th>(% change)</th>
<th>Operating Income ($ million)</th>
<th>(% change)</th>
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<td>32.1</td>
<td>410.8</td>
<td>43.5</td>
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</table>

*Estimates

**SOURCE:** ANNUAL REPORT AND IBISWORLD
The Online Computer and Tablet Sales industry, while dominated by a few large operators, is still relatively fragmented. There are a number of online retailers that sell computers and tablets due to the industry’s low initial costs and low barriers to entry.

### Apple Inc.

**Estimated market share:** 2.5%

Apple Inc. was established in 1977 and is headquartered in Cupertino, CA. The company designs, manufactures and sells mobile phones, media devices, personal computers, portable digital music players, and related software and services. The company currently employs about 110,000 full-time employees and an additional 5,000 temporary employees to meet seasonal demands; more than 50,000 of the company’s employees work in its retail segment. Apple sells its products worldwide, with the Americas (the company’s largest segment) accounting for more than a third of total company revenue. The company’s most popular product is the iPhone, which generates about 65.0% of the company’s revenue. Industry-relevant iPads and Macs accounted for nearly about 20.0% of the company’s $233.7 billion in revenue in 2016. However, the vast majority of this is accounted for in the retail segment and less than 10.0% of company revenue comes from online channels.

Apple struggled during the 1990s and was revitalized near the turn of the millennium when co-founder Steve Jobs
returned to the company as CEO. At the time of his return, Apple still relied on big-box retailers to move its products, which posed a problem for sales because Apple runs its own operating system and salespersons were not familiar with the product. Consequently, Jobs opened the first Apple Store in 2001, and the company has seen extreme growth ever since. The stores allow potential customers to use its computers, tablets and other products in-store before making purchases. Apple Stores have proven to be wildly successful.

Apple has experienced incredible growth in the Online Computer and Tablet Sales industry. During the five years to 2016, industry-relevant revenue has risen from a negligible proportion of revenue to $1.1 billion. The company’s growth largely reflects its innovative nature in producing computers and tablets. Apple is widely credited with commercializing tablet computers with the introduction of the iPad just before the period. Since then, the company has released a more than 10 different models of the iPad, including the iPad Air and iPad mini. In turn, industry-specific revenue rose rapidly during the beginning of the past five-year period. While tablet and Mac (the company’s PC equivalent) sales slowed considerably in 2014 and 2015, new product launches in the coming years are expected to support strong revenue growth in future years. In addition, Apple’s profit margins are well above the industry average, largely because the company manufactures its own products. In contrast, Amazon purchases many of the products it sells. In addition, Apple generally sells its products at price points above the market average.

**Best Buy Co. Inc.**

*Estimated market share: 2.1%*

Best Buy Co. was founded in 1966 as an audio specialty store, but was renamed and rebranded in 1983 to place a larger focus on the broader consumer electronics sector. The company sells a variety of products, including software, video games, music, Blu-ray discs, televisions, digital cameras, home appliances, computers and tablets. During its history, the company developed a number of its own discount brands to compete with more well-known names and was named “Company of the Year” by Forbes in 2004. However, the company has struggled in more recent years, claiming its stores have become “showrooms” for online retailers; its online offerings have not been received with the success that Amazon and Apple achieved. In response, the company announced a promotion in 2013 where it would match advertised prices of local retailers and 19 major online competitors beginning March 3, 2013. The company has always chosen to focus on its in-store experience and, as a result, consumers have been slow to adopt using its website. Nevertheless, in recent years, in acknowledgement of its falling holiday sales, the company has decided to step up its e-commerce efforts and move to sell more across multiple channels. Best Buy’s website offers a broad selection of computers and tablets online. IBISWorld estimates that the company’s online sales of computers and tablets generate about $907.7 million per year from selling computers and tablets.

**Dell Inc.**

*Estimated market share: 1.3%*

Dell Inc. was established in 1984 and is headquartered in Round Rock, TX. The company employs more than 109,400 people, with about 39,000 located in the United States. Dell is a national computer technology company that develops, sells and repairs computers and related products. In addition, Dell provides third-party software solutions and a range of information technology services. Dell generates the majority of its revenue, about 80.0%, through selling its products. The company operates through...
four business segments: large enterprise, public, small and medium business, and
consumer. Dell is heavily integrated into the professional business culture and, as a result, earns more than 50.0% of its revenue through its large enterprise and small and medium business segments. In recent years, these two segments have been the only ones to show growth, with sales within its public and consumer segments declining.

More recently, Dell was acquired by its founder and CEO Michael Dell and is now private. However, the move was met by a large amount of resistance from its shareholders, including T. Rowe Price, which has the third-largest holding. The move was made in response to falling sales of the company’s most important product, PC’s. Since the move, the company has shifted its focus from its roots as a computer hardware manufacturer to a company that has significant positions in software and IT services.

Dell’s computer manufacturing business has struggled during the past five years. The company has not developed its own tablet and does not sell tablets on its online store. Dell built its name on price, reliability and quality, but its overall sales have suffered during the past five years because the company has fallen behind in terms of innovation and price. The company’s move to go private is a way to reorganize after suffering a holiday sales decline during the beginning of the past five-year period. Since then, Dell has refocused on selling its products to mid-size companies, the fastest growing portion of its IT business. Today, the company plans to sell PCs as a loss leader with the expectation that its customers will also purchase extra services or products. So far this strategy has worked, although it has come at the expense of its online sales of computers. Industry-specific revenue is expected to come in at $570.6 million in 2016.
Operating Conditions

Capital Intensity

The Online Computer and Tablet Sales industry has a medium level of capital intensity. In 2016, operators are expected to allocate an estimated $0.13 on capital expenditures for every $1.00 spent on labor. Because this industry includes both retail operators that sell online and online-only stores, the capital intensity of this industry comes out somewhere in the middle of those two relatively intensive industries. Retail operators often are very labor-intensive, relying heavily on workers to assist in every step of the sales process. Online operators are more capital intensive. E-tailers invest more in technological infrastructure so that they can meet high volumes of orders through their online platforms. Additionally, online-only operators do not need workers to set up showrooms and stock retail space, pushing down labor expenses and boosting relative capital.

Tools of the Trade: Growth Strategies for Success

New Age Economy

Recreation, Personal Services, Health and Education. Firms benefit from personal wealth so stable macroeconomic conditions are imperative. Brand awareness and niche labor skills are key to product differentiation.

Old Economy

Agriculture and Manufacturing. Traded goods can be produced using cheap labor abroad. To expand firms must merge or acquire others to exploit economies of scale, or specialize in niche, high-value products.
Operating Conditions

Capital Intensity continued

The level of technological change in the Online Computer and Tablet Sales industry is high, largely as a result of advancing computer and tablet technology. Technology change has been a critical aspect of industry success, with consistent innovation and improvements leading to constantly high demand for industry products. As a result of new technologies, computers and tablets have become more versatile, powerful and mobile than ever before. In addition, the devices have gotten thinner and more lightweight, and screen resolutions can exceed the picture quality of high-definition television. Industry operators must be aware of these changes so that they are able to answer customer service questions associated with the products and highlight the new changes and specifications on their website to drive additional sales. As phablets and smartphones have increasingly siphoned sales away from computers and tablets, operators have become more focused on the functionality of industry products. This has placed a premium on adapting to the technologies that are popular at any given moment.

Over the past five years, capital intensity has grown slightly. Online retailers have increasingly invested capital on technology to establish, implement and maintain websites with increasing functionality. Establishing and maintaining databases requires computers, printers, software programs for electronic payment system, firewalls and more. As more operators have entered the online space over the past five years, companies have allocated more resources toward boosting their website functionality in an attempt to differentiate from competitors. This includes the implementation of a more diverse portfolio of payment acceptance systems. Operators also incur capital expenditure though purchasing and maintaining vehicles for delivering goods. As order volumes have grown over the period, more vehicles have been required to transport goods, which has also put upward pressure on capital intensity.

Technology & Systems

Level
The level of Technology Change is High

Industry operators also depend on the internet as a selling platform. Consequently, improvements in computer hardware and software technologies increase the quality of the user experience for online shoppers. Operators also rely on computer technology to enhance security systems and ensure the efficient and safe processing of transactions. Additionally, operators are incorporating a wider breadth of payment options for their customers. PayPal and other online currency options have become much more commonplace since 2011.

The industry also benefits from improving online marketing capabilities and internet tools that boost search engine optimization to increase online visibility. New developments in social media and mobile apps are also increasingly allowing operators to reach new consumers and are broadening the ways consumers can make purchases. Successful retailers are quickly embracing these technologies and incorporating them into their selling platforms.
Operating Conditions

Revenue Volatility

The level of Volatility is Low

During the five years to 2016, the Online Computer and Tablet Sales industry’s revenue has exhibited a low level of volatility. During this period, industry revenue is expected to grow at a fairly steady pace, barring a slightly drop in sales growth in 2013. In this year, sales of tablets began to slow, as the consumer market for such products began to saturate and new product introduction slowed. Tablets were previously an explosive growth segment for this industry and masked some of the declines in other computer segments. The dip in growth of 2013 for tablets caused revenue to drop slightly, as the decline of desktop computers continued and slow laptop sales growth could not pull up revenue. However, new product introduction and price reductions the following year spurred demand for tablets and the industry at large. For the most part, the industry has grown steadily, as computers and tablets have become deeply entrenched into both the everyday life of household consumers and everyday workings of businesses. The essential nature of industry products has ensured low revenue volatility and generally steady growth.

Regulation & Policy

The level of Regulation is Light and the trend is Steady

The Online Computer and Tablet Sales industry is not heavily regulated. Nevertheless, industry operators must meet federal and state regulations regarding privacy, security, copyright and taxation. In addition, the industry must adhere to all rules that are applicable to e-commerce businesses, such as spam, online advertising disclosure requirements and privacy laws that protect consumers.

The biggest regulatory issue currently facing e-commerce businesses pertains to changing tax laws. One of the most important pieces of proposed regulatory legislation affecting the industry in recent years is the Streamlined Sales and Use Tax Agreement (SSUTA) organized by the Streamlined Sales Tax Governing Board. The agreement arose in response to efforts by Congress to prohibit states from collecting sales taxes from online business. The differences and complexities in state sales tax systems made it difficult to establish a process in which businesses were fairly taxed and the US Supreme Court ruled that a state may not require a company that does not have a physical
Operating Conditions

Regulation & Policy continued

The move toward tax collection poses a threat to the industry and e-commerce in general. The proposed legislation eliminates one of the major cost-saving advantages of operating online. As the law currently stands, industry operators are only required to collect sales tax if the business has a physical presence in the state that the purchase was made. This has provided industry operators with a competitive advantage of brick-and-mortar stores because it allows consumers to pay less for the same goods sold through traditional outlets. If operators are required to collect the same taxes, the industry is likely to experience a slight decline in sales volumes as it will be forced to rely on the convenience of the online shopping experience. In addition, operators will likely be forced to incur additional costs by hiring tax departments or accountants to handle various calculations and audits.

This legislation currently faces major opposition from various industry associations. Consequently, IBISWorld does not anticipate the SSUTA will become a major federal law in the near future. Nonetheless, this law is expected to remain a popular item in states with high deficits and poses a threat to e-commerce industries.

Industry Assistance

The level of Industry Assistance is Low and the trend is Steady.
## Industry Data

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue ($m)</th>
<th>Industry Value Added ($m)</th>
<th>Establishments</th>
<th>Enterprises</th>
<th>Employment</th>
<th>Exports</th>
<th>Imports</th>
<th>Wages ($m)</th>
<th>Domestic Demand</th>
<th>Per capita disposable income ($)</th>
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<tr>
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## Key Ratios

<table>
<thead>
<tr>
<th>Year</th>
<th>IVA/Revenue (%)</th>
<th>Imports/Demand (%)</th>
<th>Exports/Revenue (%)</th>
<th>Revenue per Employee ($000)</th>
<th>Wages/Revenue (%)</th>
<th>Employees per Est.</th>
<th>Average Wage ($)</th>
<th>Share of the Economy (%)</th>
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Figures are in inflation-adjusted 2016 dollars.
Jargon & Glossary

Industry Jargon

E-COMMERCE Short for electronic commerce, where the buying and selling of goods or services is conducted electronically.

TABLET A one-piece mobile computer that typically offers a touchscreen.

ULTRABOOK A higher-end laptop that is trademarked by Intel, but has become widely used to describe laptops that are smaller in size and have additional power and battery life.

IBISWorld Glossary

BARRIERS TO ENTRY High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than $0.333 of capital to $1 of labor; medium is $0.125 to $0.333 of capital to $1 of labor; low is less than $0.125 of capital for every $1 of labor.

CONSTANT PRICES The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the "real" growth or decline in industry metrics. The inflation adjustments in IBISWorld’s reports are made using the US Bureau of Economic Analysis’ implicit GDP price deflator.

DOMESTIC DEMAND Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS Total value of industry goods and services sold by US companies to customers abroad.

IMPORTS Total value of industry goods and services brought in from foreign countries to be sold in the United States.

INDUSTRY CONCENTRATION An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

INDUSTRY VALUE ADDED (IVA) The market value of goods and services purchased and spent by the industry minus the cost of goods and services used in production. IVA is also described as the industry’s contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%, medium is 5% to 20%, and high is more than 20%. Imports/domestic demand: low is less than 5%, medium is 5% to 35%, and high is more than 35%.

LIFE CYCLE All industries go through periods of growth, maturity and decline. IBISWorld determines an industry’s life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry’s products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

NONEMPLOYING ESTABLISHMENT Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company’s profitability. It is calculated as revenue minus expenses, excluding interest and tax.

VOLATILITY The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than ±20%; high volatility is ±10% to ±20%; moderate volatility is ±3% to ±10%; and low volatility is less than ±3%.

WAGES The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure.
At IBISWorld we know that industry intelligence is more than assembling facts
It is combining data with analysis to answer the questions that successful businesses ask

Identify high growth, emerging & shrinking markets
Arm yourself with the latest industry intelligence
Assess competitive threats from existing & new entrants
Benchmark your performance against the competition
Make speedy market-ready, profit-maximizing decisions

Who is IBISWorld?
We are strategists, analysts, researchers, and marketers. We provide answers to information-hungry, time-poor businesses. Our goal is to provide real world answers that matter to your business in our 700 US industry reports. When tough strategic, budget, sales and marketing decisions need to be made, our suite of Industry and Risk intelligence products give you deeply-researched answers quickly.

IBISWorld Membership
IBISWorld offers tailored membership packages to meet your needs.