

INTERNET TRENDS 2015 – CODE CONFERENCE

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kpcb.com/InternetTrends

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Outline

1) Internet – Two-Thirds of a Generation In...

2) Key Internet Trends

3) Re-Imagining Continues...

4) America's Evolving Work Environment...

5) Big Internet Markets = China / India

6) Public / Private Company Data

7) One More Thing...

8) Ran Outta Time Thoughts / Appendix

**INTERNET TRENDS –
TWO-THIRDS OF A GENERATION IN...
TWO-THIRDS OF NEXT GENERATION OUT...**

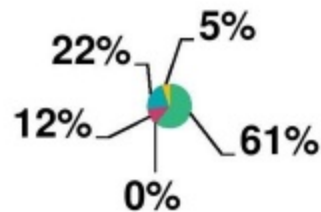
Internet Users – 1995 → 2014...

<1% to 39% Population Penetration Globally

1995

35MM+ Internet Users

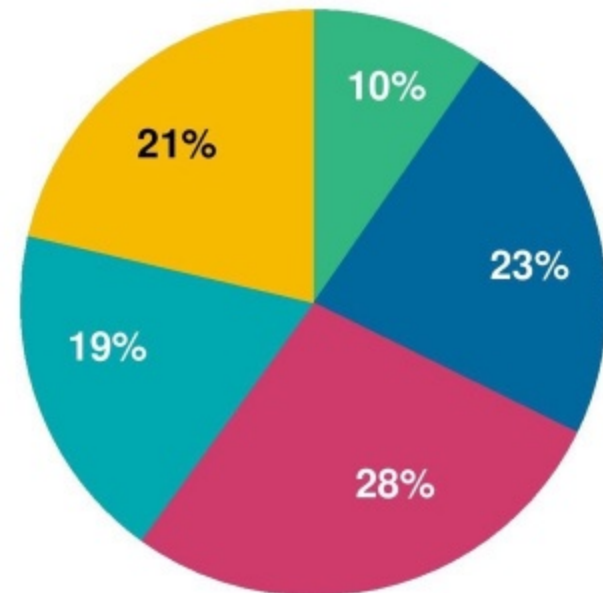
0.6% Population Penetration



2014

2.8B Internet Users

39% Population Penetration



■ USA ■ China ■ Asia (ex. China) ■ Europe ■ Rest of World

Mobile Phone Users – 1995 → 2014...

1% to 73% Population Penetration Globally

1995

80MM+ Mobile Phone Users

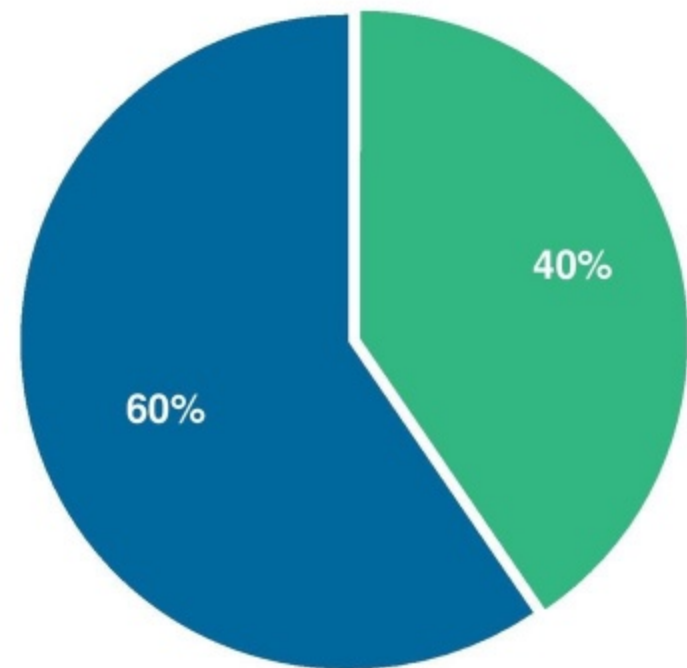
1% Population Penetration



2014

5.2B Mobile Phone Users

73% Population Penetration



■ Smartphone ■ Feature Phone

Public Internet Company Market Capitalizations – 1995 → 2015...

Top 15 Companies by Market Capitalization = 1995 @ \$17 Billion → 2015 @ \$2.4 Trillion

Global Public Internet Companies, Ranked by Market Capitalization

As of December, 1995

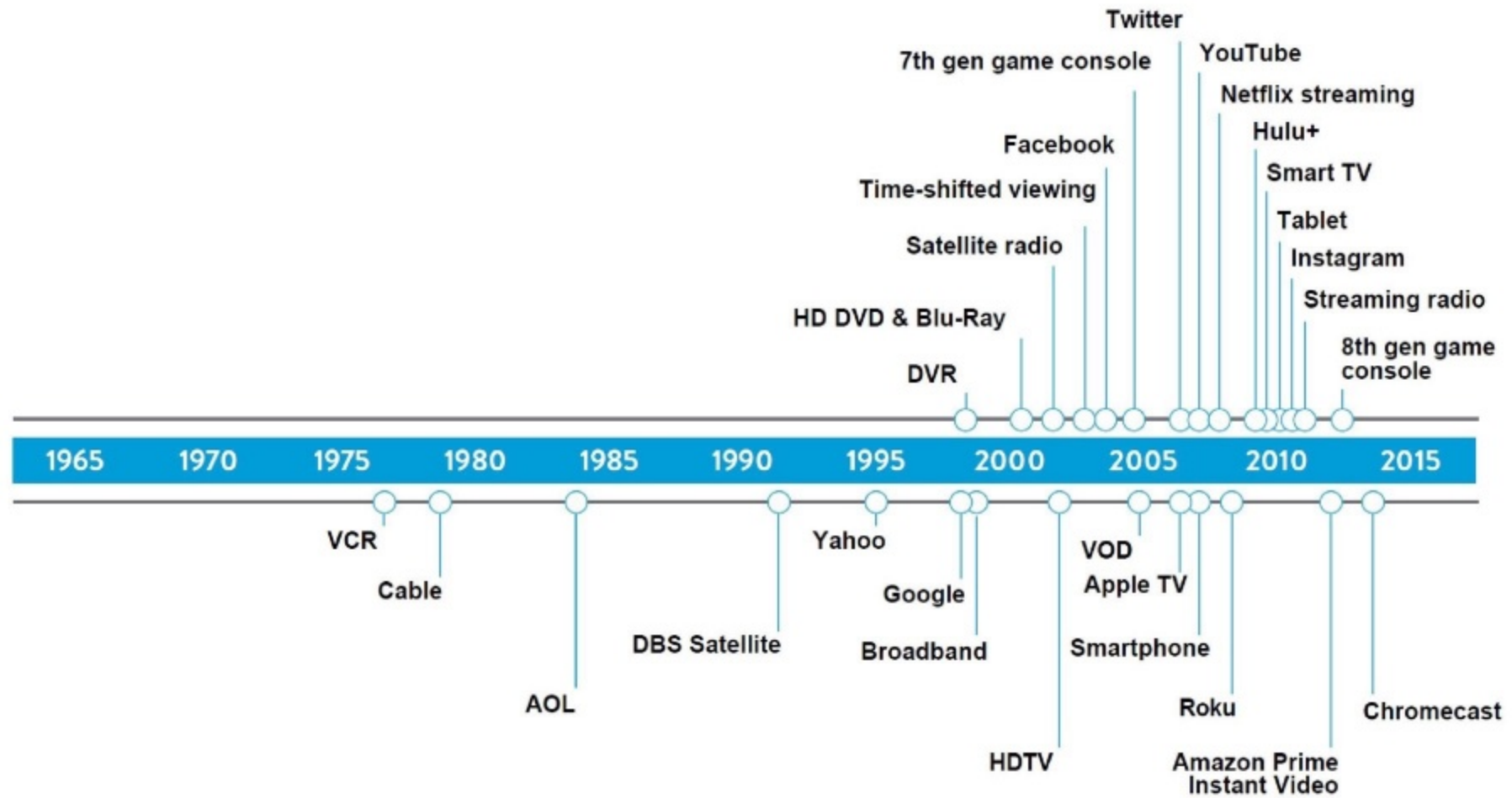
	Company	Home Country	Market Cap. (\$MM)
1	Netscape	USA	\$5,415
2	Apple	USA	3,918
3	Axel Springer	Germany	2,317
4	RentPath	USA	1,555
5	Web.com	USA	982
6	PSINet	USA	742
7	Netcom On-Line	USA	399
8	IAC / Interactive	USA	326
9	Copart	USA	325
10	Wavo Corporation	USA	203
11	iStar Internet	Canada	174
12	Firefox Communications	USA	158
13	Storage Computer Corp.	USA	95
14	Live Microsystems	USA	86
15	iLive	USA	57
Total Market Cap of Top 15			\$16,752

As of May, 2015

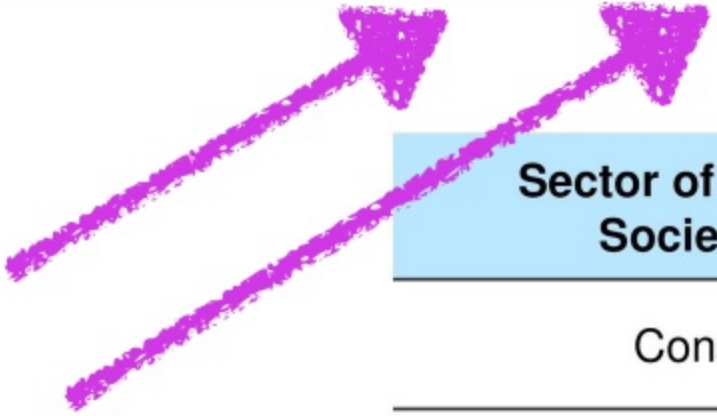
	Company	Home Country	Market Cap. (\$MM)
1	Apple	USA	\$763,567
2	Google	USA	575,437
3	Alibaba	China	232,755
4	Facebook	USA	226,009
5	Amazon.com	USA	199,139
6	Tencent	China	190,110
7	eBay	USA	72,549
8	Baidu	China	71,581
9	Priceline.com	USA	62,645
10	Salesforce.com	USA	49,173
11	JD.com	China	47,711
12	Yahoo!	USA	40,808
13	Netflix	USA	37,700
14	LinkedIn	USA	24,718
15	Twitter	USA	23,965
Total Market Cap of Top 15			\$2,415,867







User Control of Content Up Significantly – 1995 → 2015

Evolution of Content Discovery, 1975 – 2015, per Nielsen



Impact of Internet Has Been Extraordinary & Broad... But – in Many Ways – It's Just Beginning



Sector of Economy / Society, USA	Internet Impact, to Date
Consumer	
Business	
Security / Safety / Warfare	
Education	
Healthcare	
Government / Regulation / Policy Thinking	

Extraordinary & Broad...

But

It's Just Beginning

KEY INTERNET TRENDS

Global Internet User + Smartphone Subscription Growth = Good, But Growth Rate Continues to Slow*

- **Internet User Growth = Solid, But Slowing**

@ 2.8B, +8% in 2014 vs. +10% in 2013, +11% in 2012

Net New User Additions = ~Flat @ ~200MM in 2014 / 2013 / 2012

China Users = +7%, USA = +2%, India = +33%, Japan = Flat, Brazil = +4%

- **Smartphone Subscription Growth = Strong, But Slowing**

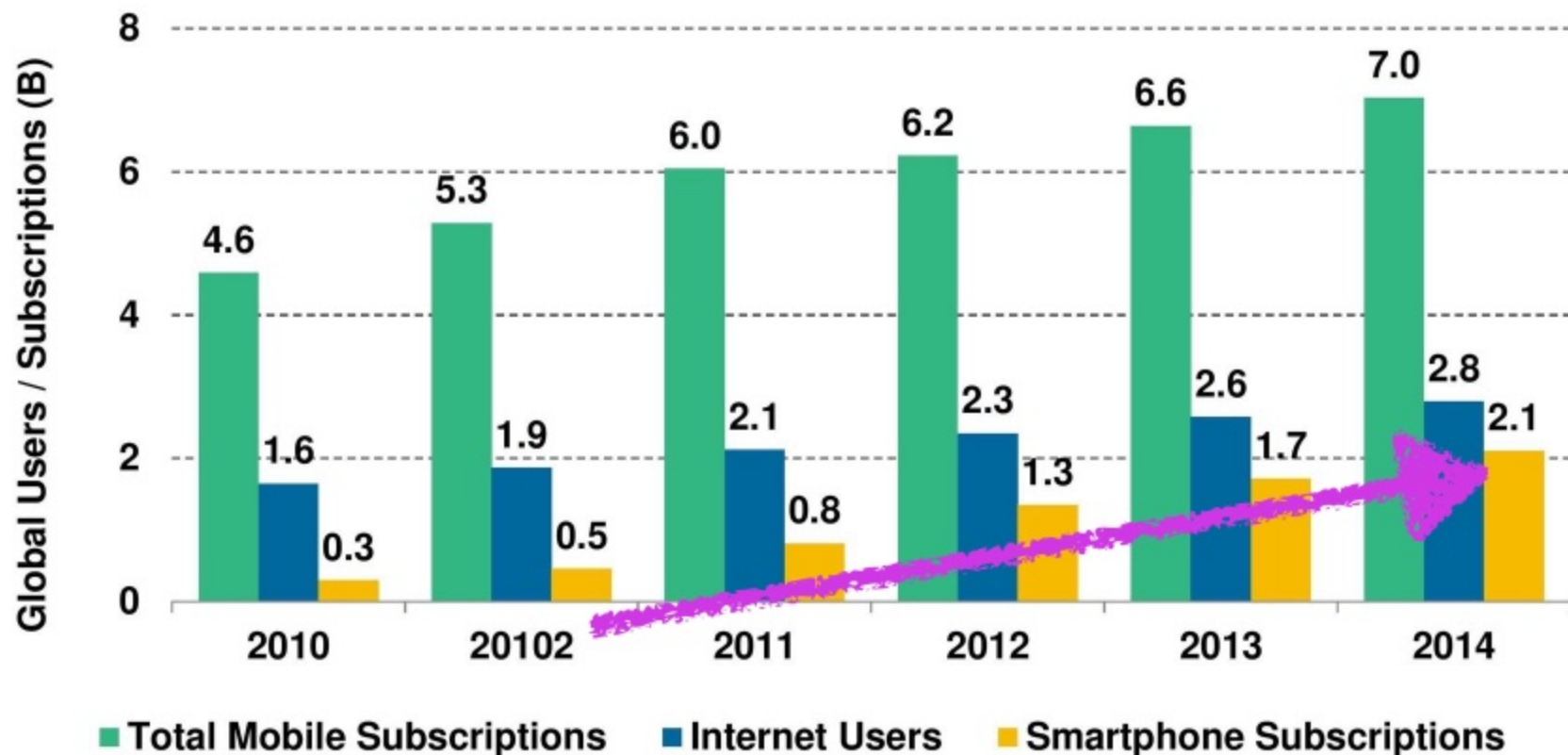
@ 2.1B, +23% in 2014 vs. +27% in 2013, +65% in 2012

Net New Sub Additions = ~Flat @ ~370MM+ in 2014 / 2013

China Subs = +21%, USA = +9%, India = +55%, Japan = +5%, Brazil = +28%

Incremental Internet + Smartphone *Users* = Harder to Garner Owing to Phase in Adoption Cycles...

Global Smartphone Subscriptions @
76% Penetration of Internet Users
30% Penetration of Mobile Subscriptions



...Incremental Internet + Smartphone *Users* = Harder to Garner Owing to Dependence on Developing Markets

Developing Markets Tend to Have Lower GDP per Capita / Spending Power / Infrastructure

\$44K = Average GDP Per Capita...

In 5 Countries with >50MM Population & ~ / >50% Smartphone Sub Penetration...

USA / Japan / Germany / UK / France

\$13K = Average GDP Per Capita...

In 16 Countries* with >50MM Population & ~ / < 50% Smartphone Sub Penetration...

China / India / Brazil / Indonesia / Russia / Mexico / Philippines / Thailand / Italy / Turkey /
Nigeria / Vietnam / Egypt / Iran / Pakistan / Myanmar

Global Internet *Usage* (Data Traffic) Growth Strong = +21% Y/Y Aided by Mobile + Video

Consumer Internet Traffic, Global =

+21% in 2014 vs. +24% in 2013, +31% in 2012

Consumer Internet *Video* Traffic, Global =

64% of consumer traffic in 2014 vs. 62% in 2013, 57% in 2012

Mobile Data Traffic, Global =

+69% in 2014 vs. +81% in 2013, +70% in 2012

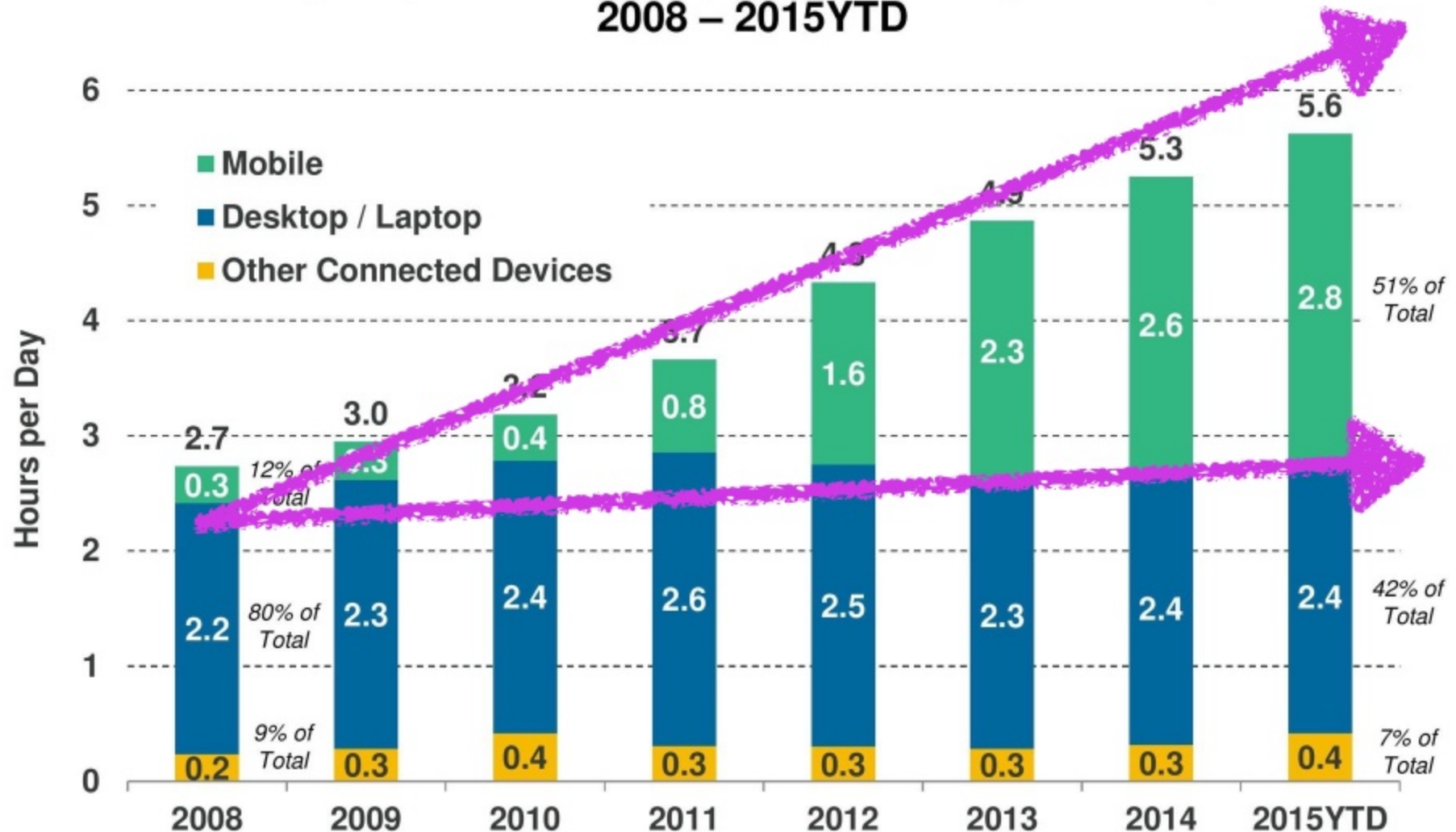
Mobile *Video* Traffic, Global =

55% of mobile traffic vs. 52% in 2013, 50% in 2012

Internet Usage (Engagement) Growth Solid

+11% Y/Y = Mobile @ 3 Hours / Day per User vs. <1 Five Years Ago, USA

Time Spent per Adult User per Day with Digital Media, USA, 2008 – 2015YTD



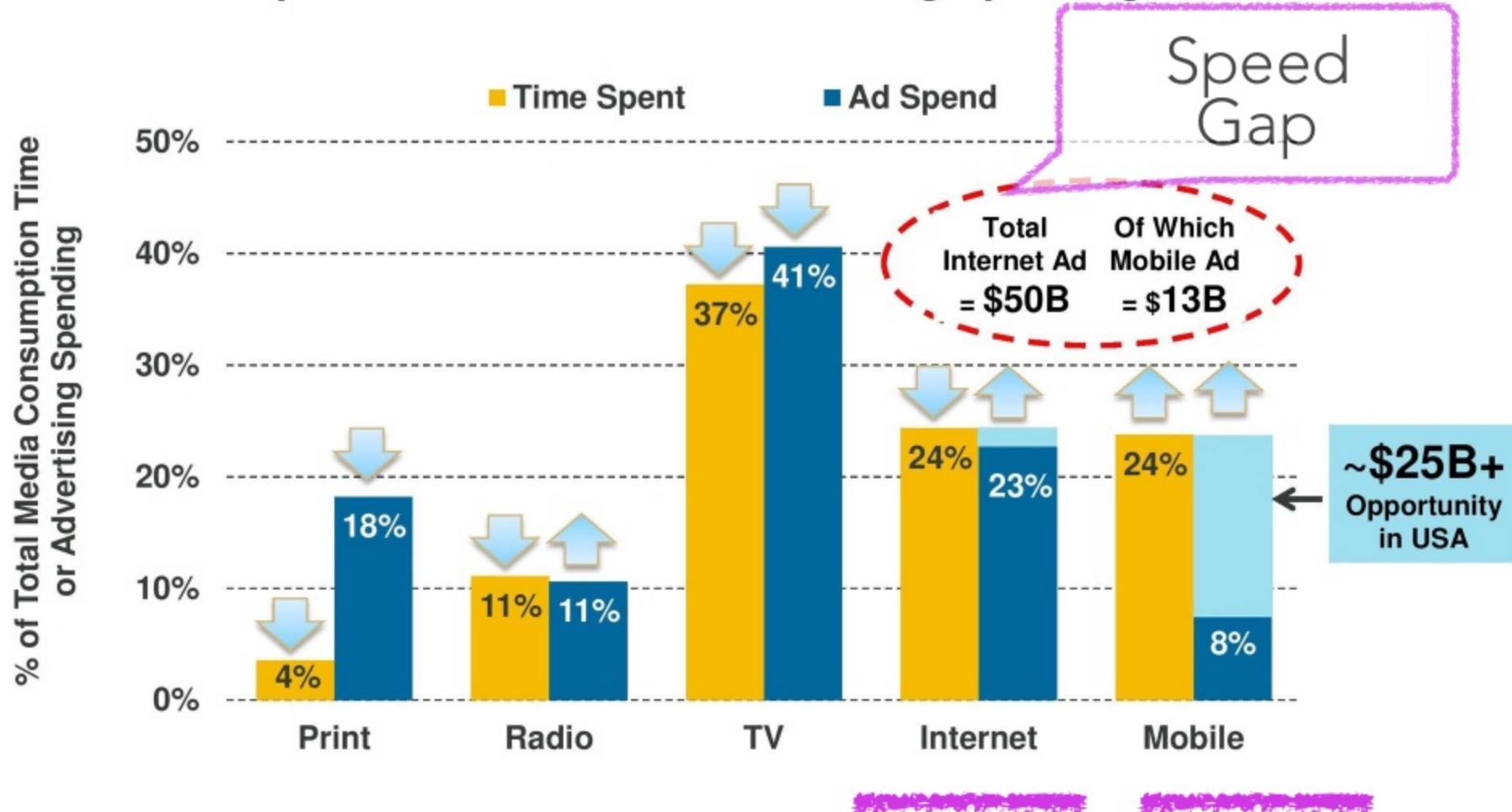
Advertising & Monetization =

*Mobile Remains Compelling...
Growth Rates for Leaders
Still High But Slowing*

Remain Optimistic About Mobile Ad Spend Growth...

Print Remains Way Over-Indexed Relative to Time Spent

% of Time Spent in Media vs. % of Advertising Spending, USA, 2014



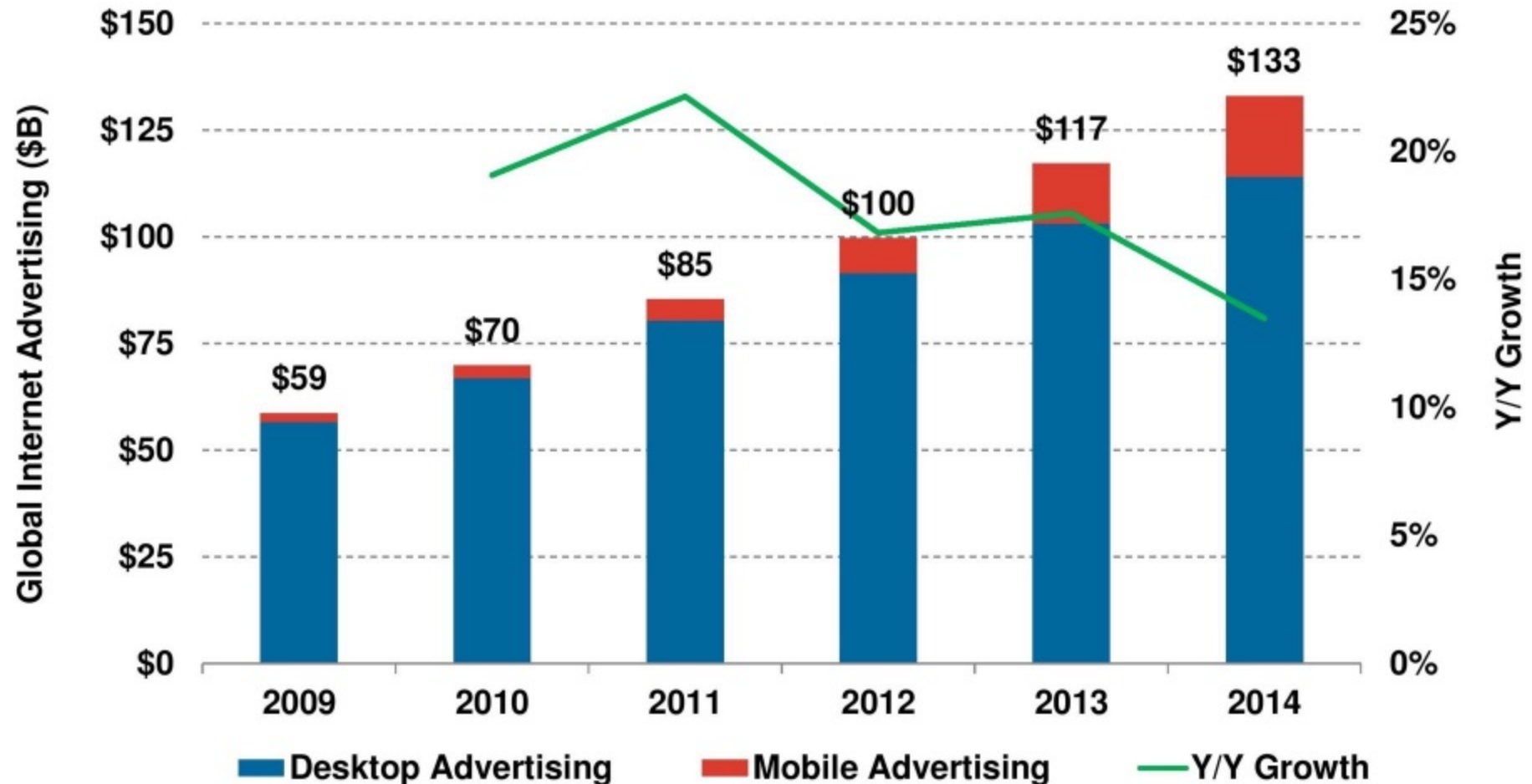
ARPU (+ MAU) Growth Strong But Slowing for Internet Leaders

Advertising ARPU, Annualized (\$), MAUs

Ad ARPU Annualized (\$)	Q1:13	Q2:13	Q3:13	Q4:13	Q1:14	Q2:14	Q3:14	Q4:14	Q1:15
Facebook (\$)	\$4.60	\$5.65	\$6.14	\$7.76	\$7.24	\$8.26	\$8.87	\$10.47	\$9.36
<i>Y/Y Growth</i>	15%	32%	39%	51%	57%	46%	44%	35%	29%
MAU (MM)	1,110	1,155	1,189	1,228	1,276	1,317	1,350	1,393	1,441
<i>Y/Y Growth</i>	23%	21%	18%	16%	15%	14%	14%	13%	13%
Twitter (\$)	\$1.97	\$2.22	\$2.65	\$3.65	\$3.55	\$4.09	\$4.51	\$6.00	\$5.14
<i>Y/Y Growth</i>	52%	48%	61%	69%	80%	85%	70%	65%	45%
MAU (MM)	204	218	232	241	255	271	284	288	302
<i>Y/Y Growth</i>	48%	44%	39%	30%	25%	24%	23%	20%	18%

Internet Advertising = Mobile Growing Strongly (+34% Y/Y) =
@ Just 14% of Total While Desktop Decelerating (+11%)

Global Internet Advertising, 2009 – 2014



New Things
Vendors / Brands / Consumers
Should Be Excited About...