

From: Chris Lewis

FTC Spam Forum - Record Supplement, P024407

Economics panel:

Unfortunately, the Economics panel session was a bit shorter than it could have been, and a couple of important salient points were missed.

The most compelling point about spam (unsolicited bulk email) is that the spammers do not pay their own way. While spammers may be making money, they cost their recipients far more. The economic damage outweighs the economic benefit by a huge margin, and is unsustainable. The terms "freeloading" and "cost shifting" were mentioned many times throughout the panel but were not elaborated on.

Spam benefits one sector of the industry at a vastly higher cost to other sectors.

Some concrete examples should demonstrate this:

Panel member Laura Betterly said that in a typical campaign, she would e-mail a million advertisements for \$299 computers, from which the advertiser would receive about 25 orders. If we assume an extremely low

recipient cost of 1 cent per message (ISP costs), the recipients of the ads paid an aggregate of \$10,000, while the advertiser's gross revenue from the orders was only \$7,500.

For email sent to corporations the cost shifting is much worse. Each email of this nature received will cost around \$.50 to \$1.00 [eg: presentation from NortelNetworks and studies done by Ferris Research <http://www.ferris.com/>] because of lost productivity of between 30 seconds and one minute each. Thus, each dollar an advertiser makes from sales to corporate employees costs employers \$65 to \$130 in lost productivity alone.

More general studies have been done, for example, Ferris Research <http://www.ferris.com> indicates that spam has cost US organizations \$8.9 billion during 2002 in lost productivity, consumption of IT resources, and help-desk time. At the same time, it's estimated that the total of the entire email marketing industry (spam and non-spam) is \$600 million in 2002. In other words, each dollar of economic activity in the email marketing industry is subsidized to the tune of 14 dollars by US organizations.