Your job is to model and estimate how people use the Internet. You are given two data sources:

1) For a large, random sample of Internet users over a one year time period, you observe their zip code and every time they connect to the internet. For each time they connect, you observe the date, the URL’s they connect to, any purchases they make from those URLs, and the price of any purchases. You also observe a small set of demographic characteristics. (Think of this as an electronic version of the TV usage survey);

2) For a large, random sample of people over a five year period, you observe expenditures by month disaggregated by consumption category (e.g., food, travel, entertainment) and method of purchase (e.g., store, mail, Internet, telephone).

You can append either data set with other information publicly available that can be merged with your data. For each data set, write down a model of behavior and describe how to estimate the parameters of the model. Hint: you should think about what determines how people decide whether to use Internet, brick and mortar stores, etc. Then show how to use your model to predict future demand for goods purchased on the Internet.