

LATAM Online Website and Tools Usage by SMBs: Regional and Country-Level Findings from End User Survey

Prepared for



April 2010

Table of Contents

- Executive Summary

- Key Regional Level Findings
 - Adoption of proprietary websites
 - Internet/IT Sophistication of SMBs
 - Online Advertising Trends

- Country-Level Analysis
 - Argentina
 - Brazil
 - Chile
 - Colombia
 - Mexico

There are important opportunities for Internet services in the LATAM SMB sector; among SMBs that have already set up their website, there is ample room to enable transactional functions; within SMBs that have yet to develop an online presence, we identified plans to deploy a site in the short term; both groups of SMBs are interested in using e-advertising

- With over 2m SMBs - that is companies with a minimum of 5 employees- in Latin America, we maintain there are important opportunities for Google to continue to grow rapidly in this region.
- Pyramid interviewed over 3,600 SMBs in Latin America in order to understand uses and tools of existing websites as well as main inhibitors of online presence; the project's sample is focused on SMBs with a proprietary website although we have also included, as reference, an additional group of SMBs (up to 15%) that do not have a website yet. Our main findings are as follows:
 - LATAM SMBs without a proprietary website are characterized by a low level of adoption of overall Internet services although some of them already use and/or planning to adopt e-advertising in the short term:
 - Roughly 30% of these SMBs are planning to launch an online presence soon, the highest level of interest that we identified is in Mexico followed by Brazil. This suggests that the market of LATAM SMBs websites will continue to develop at a steady pace in the next 18 month.
 - 14% of these SMBs claim to be using e-advertising already and an additional 25% of is planning to use this tool within the next 6 months which signals important potential for e-advertising overall
 - Among LATAM SMBs that have already set up their own website, we identified low level of sophistication of IT services; less than 40% use ERP or CRM systems, most importantly, roughly 18% of sites support e-commerce transactions
 - Cloud Computing is in very early stages with 75% of interviewees claiming not to be familiar with the concept at all
 - In terms of adoption of online advertising, 60% of these SMBs claim to be using some form of online advertising although majority use only basic forms formats such as search engines. This suggests there are opportunities in migrating the existing adoption of e-advertising towards more sophisticated models and also that there's important potential in assisting SMBs themselves in further developing 3rd party advertising functions in their websites.

Table of Contents

- Executive Summary

- Key Regional Level Findings

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- Chile
- Colombia
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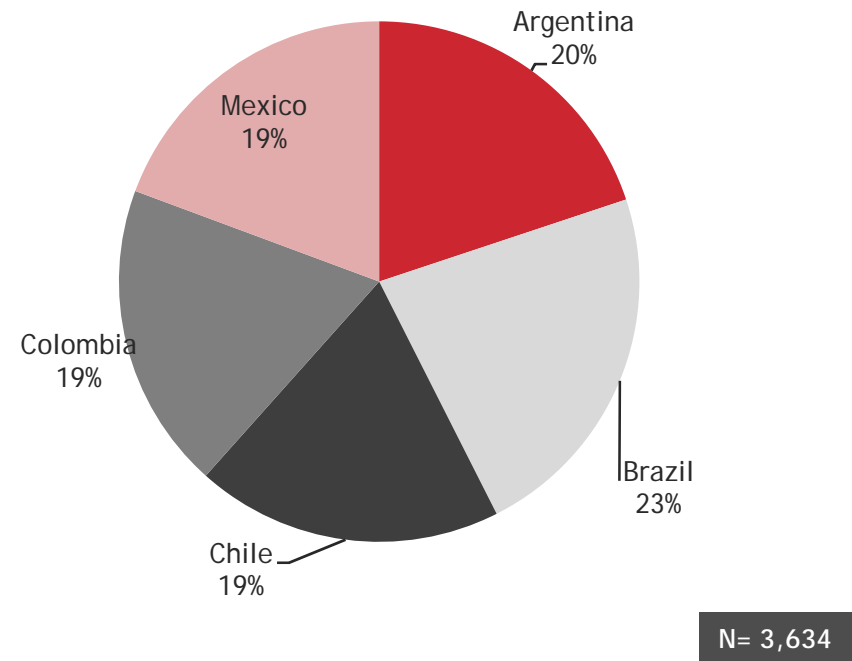


Pyramid Research interviewed over 3,600 SMBs in Latin America across Argentina, Brazil, Chile, Colombia and Mexico. Our sample is focused on SMBs with a proprietary website although we have also included, as reference, an additional group of SMBs (15%) that do not have a website yet

Scope of Research:

In order to analyze the challenges and opportunities of SMBs with and without a website, the sample for this project was deliberately designed to include, in each country, a maximum of 85% companies that already have their own website and a maximum of 15% of SMBs that have yet to develop their own site.

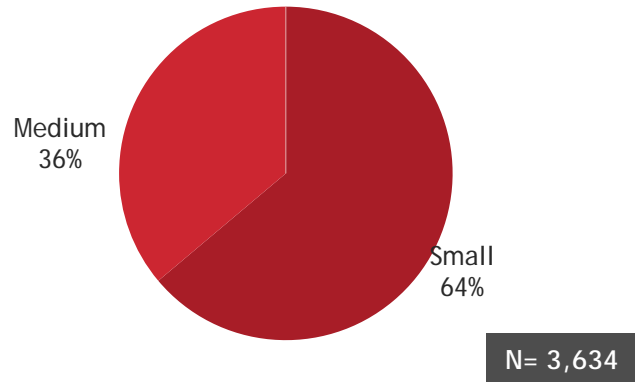
Breakdown of Interviewees by country



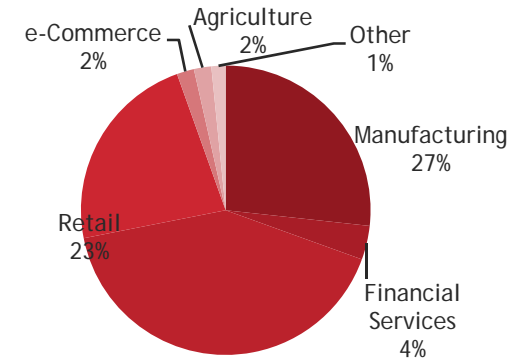
Source: Pyramid Research

The 3,600 Latin American SMBs analyzed by Pyramid include a combination of companies of various sizes and operating in different industry verticals

Breakdown of Interviewees, by size



Breakdown of Interviewees, by industry vertical



General Characteristics of SMBs Interviewed across countries:

In line with the overall macroeconomic and business demographics context of each country, Pyramid has applied different ranges of number employees by company to interview small vs medium-sized organizations for the purposes of this study.

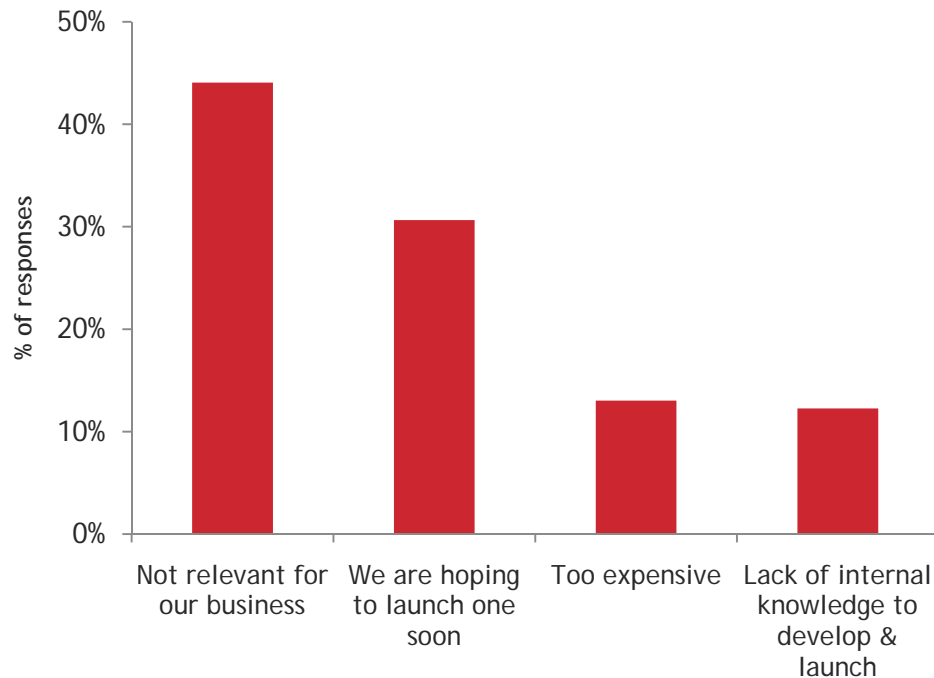
Definition for small and medium businesses, by country

Country	Small business	Medium business
Argentina	25-75 employees	76-150 employees
Brazil	100-250 employees	251-500 employees
Chile	25-75 employees	76-150 employees
Colombia	25-75 employees	76-150 employees
Mexico	50-100 employees	101-250 employees

Source: Pyramid Research

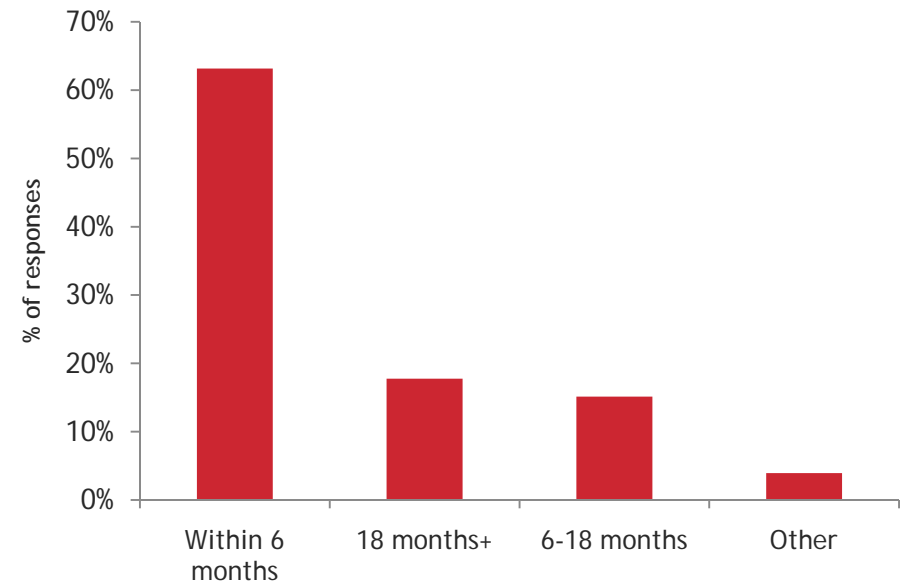
Among LATAM SMBs, the main inhibitor to the development of a proprietary website is that companies see the online media as not relevant to their core business; a second group is about to go online; 30% of interviewees not currently having a website stated that they do plan to develop an online presence soon, most within the next 6 months

Reasons for Not currently having a website, Regional



N= 522

Plans for launching a site, Regional

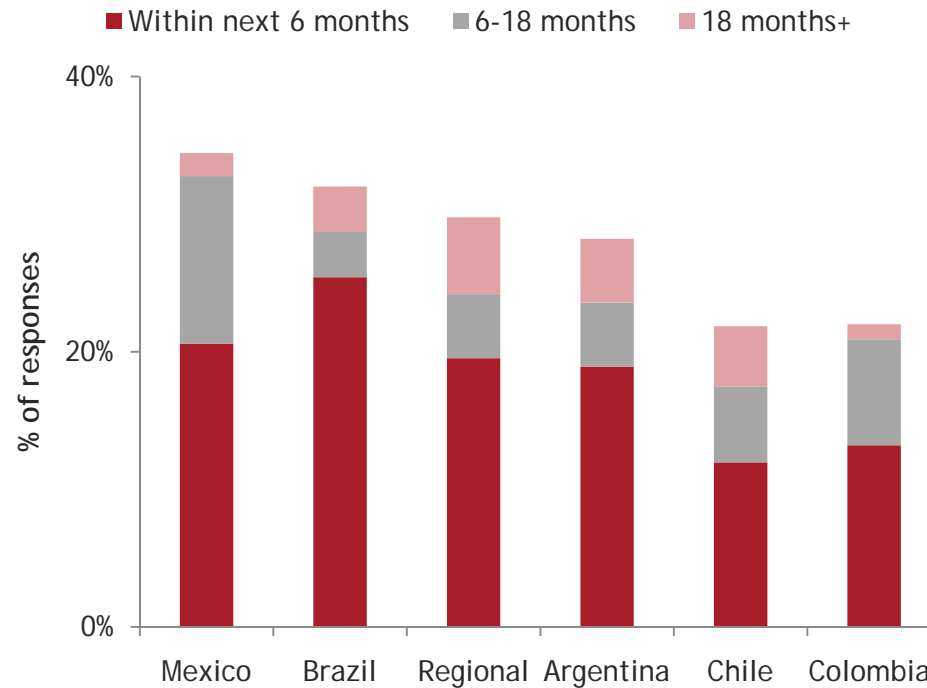


N= 152

Source: Pyramid Research

Across countries, we identified important potential for the development of new SMB websites in Mexico followed by Brazil; in these two countries, over 35% of interviewees expressed plans to launch an online presence

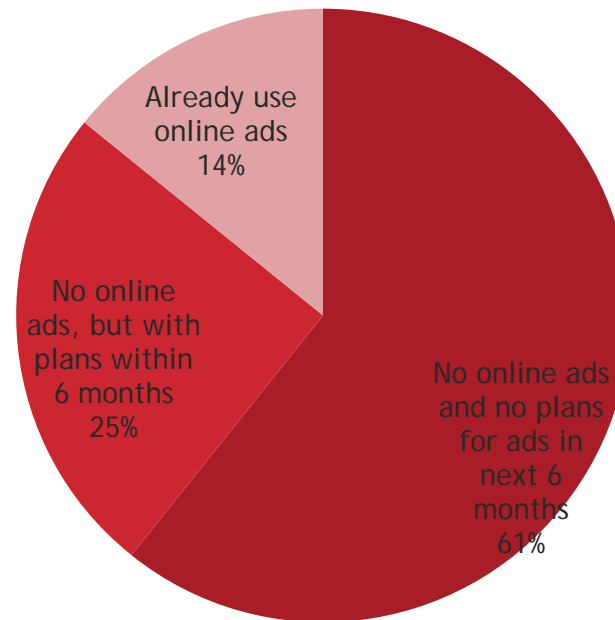
Proportion of SMBs without a website that are planning to go online in the future



Source: Pyramid Research

Among SMBs without a website, online advertising is used by 14% of interviewees and 25% of the base is planning to use this tool within the next 6 months

Adoption of Online Advertising Services, Companies without a website

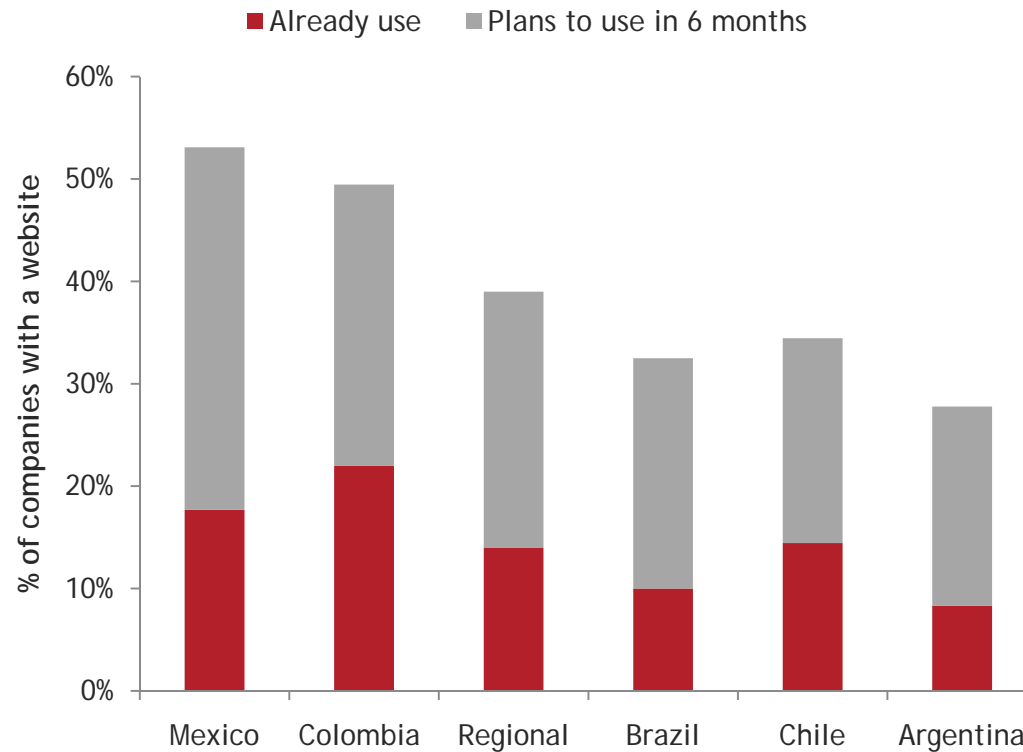


N= 522

Source: Pyramid Research

Mexico, followed by Colombia, has the largest percentage of SMBs without a website that are planning to use online advertising soon

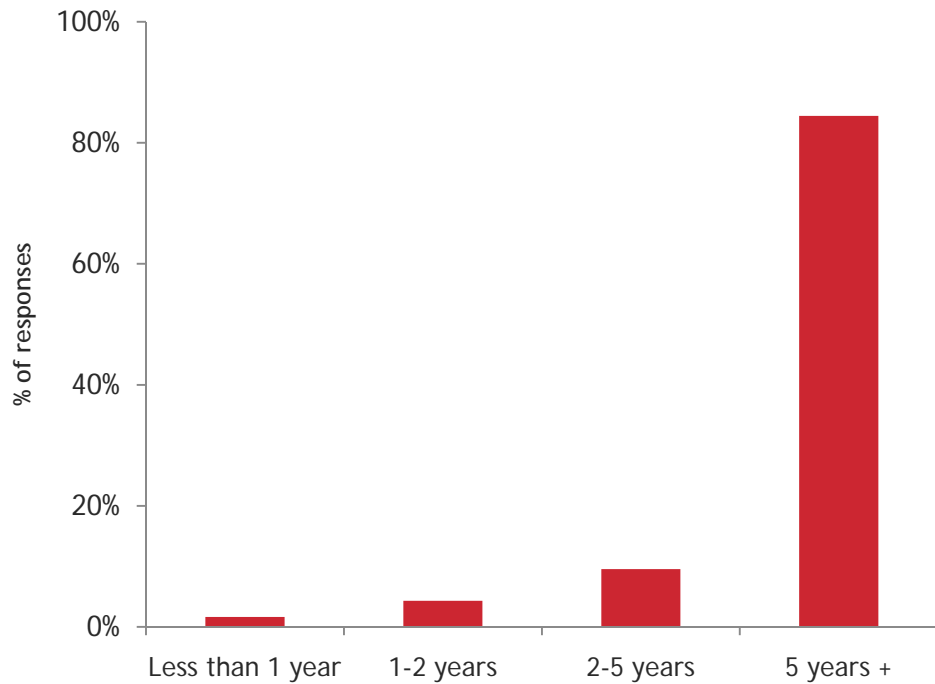
Proportion of SMBs without a website that use online advertising



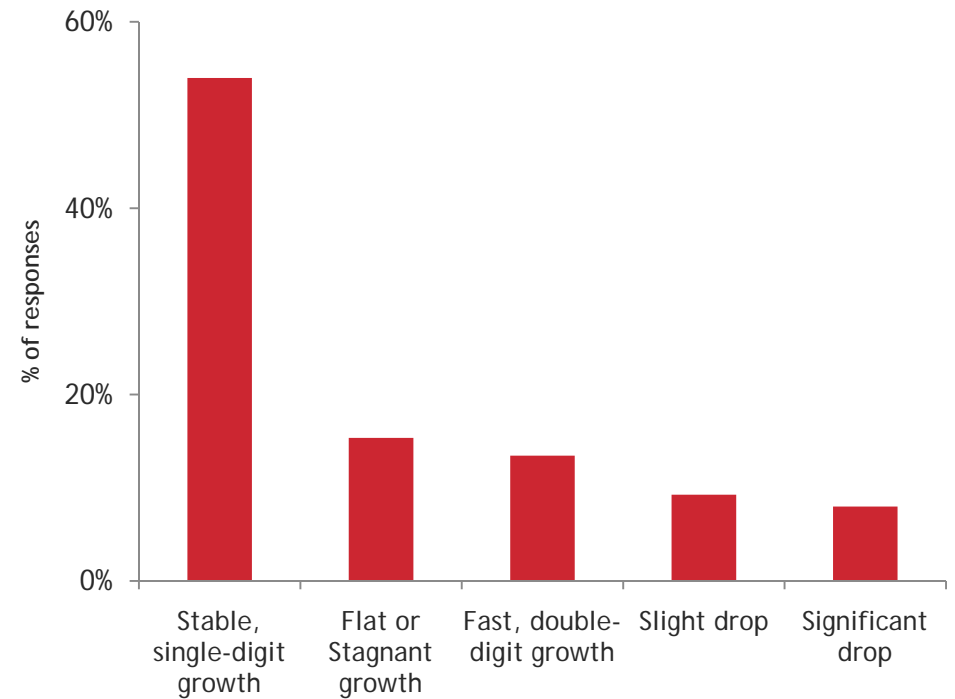
Source: Pyramid Research

With regards to LATAM SMBs that do currently have their own website, we identified these are companies in a strong financial situation: most have been in business for more than 5 years, deal locally and are growing steadily at single digit levels

Years in business, companies with a website



Revenue growth, companies with a website

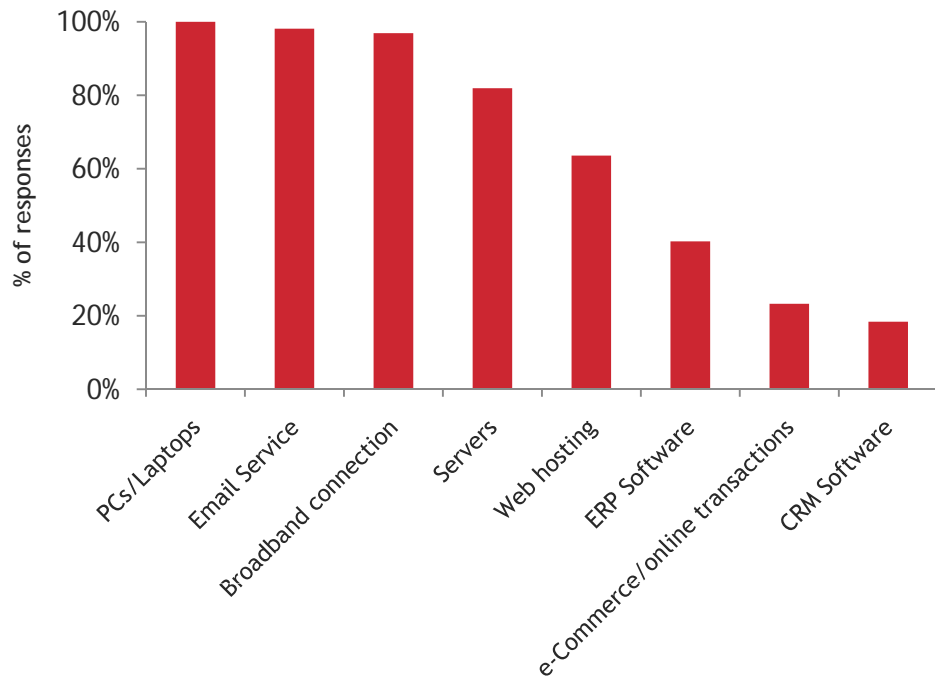


N= 3,112

Source: Pyramid Research

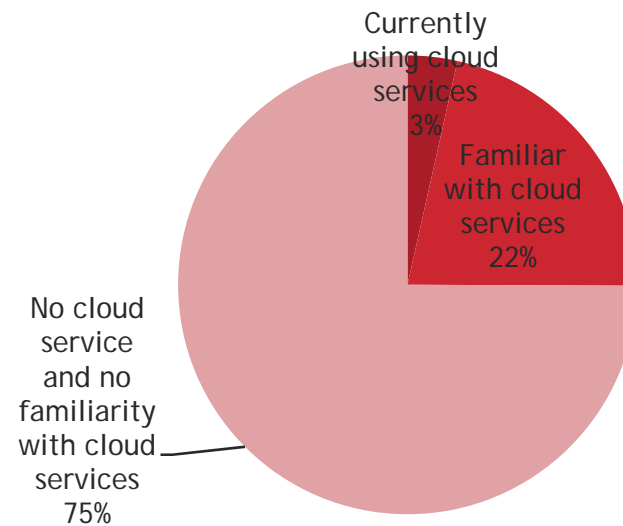
The level of sophistication of IT services among LATAM SMBs with a website is low suggesting important potential for applications remains: less than 40% of SMBs use ERP or CRM systems and around 20% support e-commerce transactions. Cloud Computing is in very early stages with 75% of interviewees claiming not to be familiar with the concept at all

Adoption of Internet-related Services, SMBs with a website



N= 16,743, multiple options accepted

Adoption of Cloud Computing Services, SMBs with a website

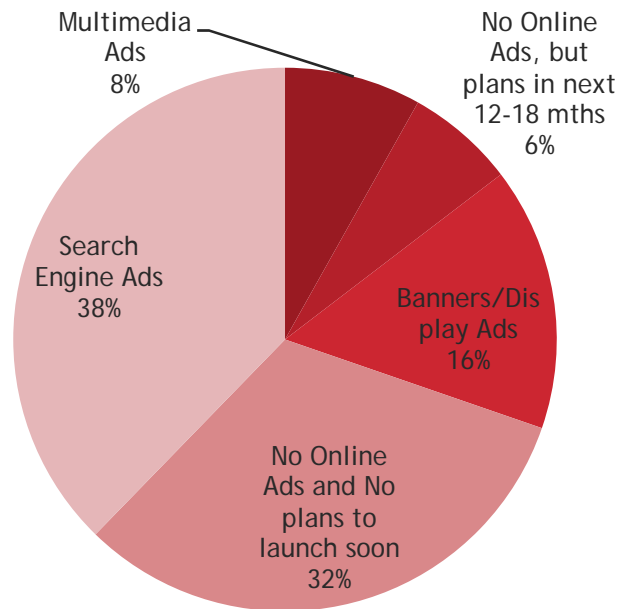


N= 3,112

Source: Pyramid Research

Within SMBs that already have their own website, over 60% already advertises online with search engines as the most frequently mentioned tool

Online advertising usage among SMBs with a proprietary website

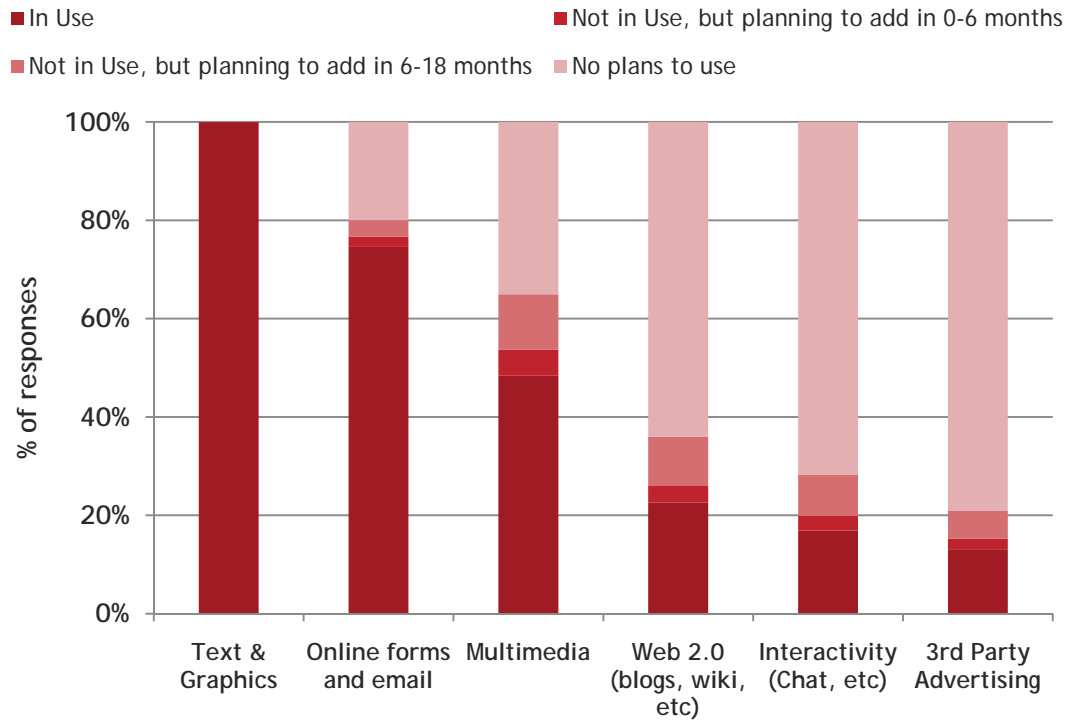


N= 3,122

Source: Pyramid Research

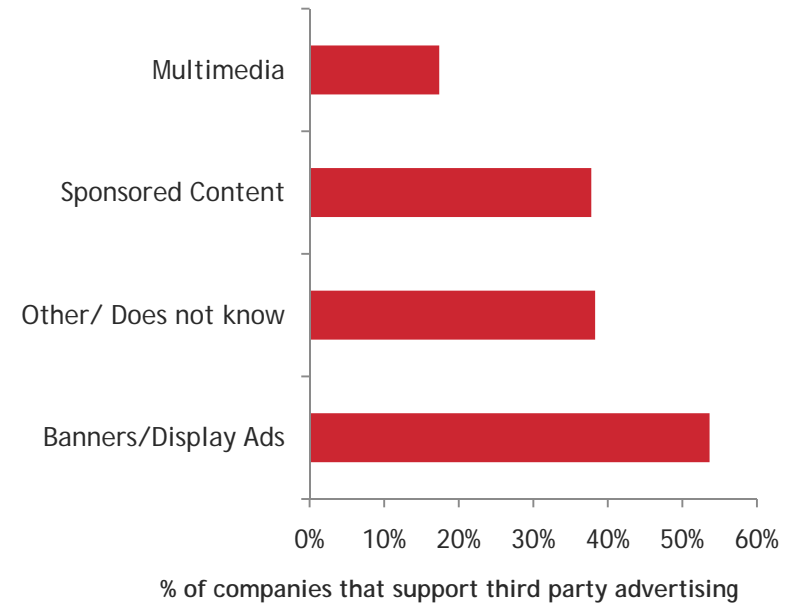
Most of LATAM SMB's existing websites offer basic functionalities; there is low deployment of Web 2.0 services and 3rd party advertising

Website components in use



N= 8,425, multiple responses accepted

Those who allow third party advertising

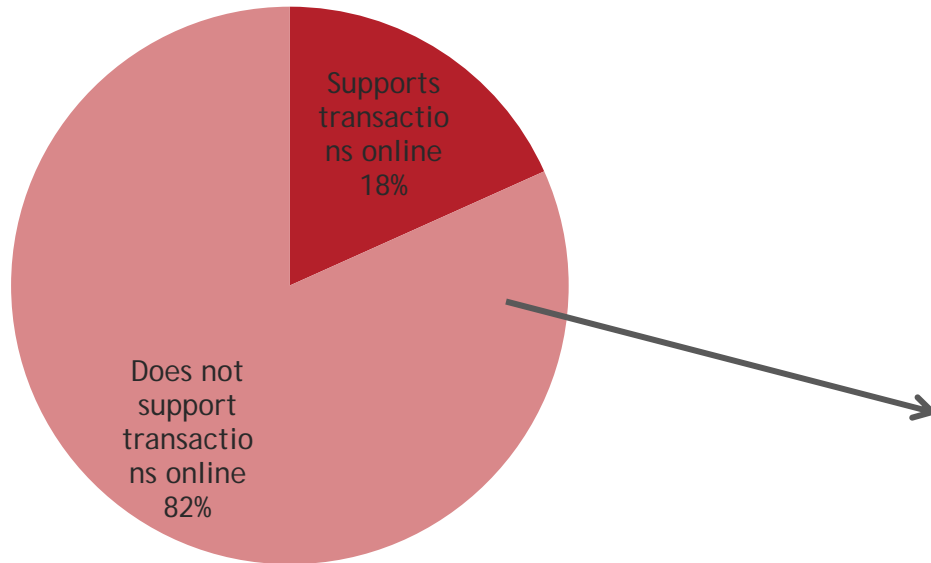


N= 584

Source: Pyramid Research

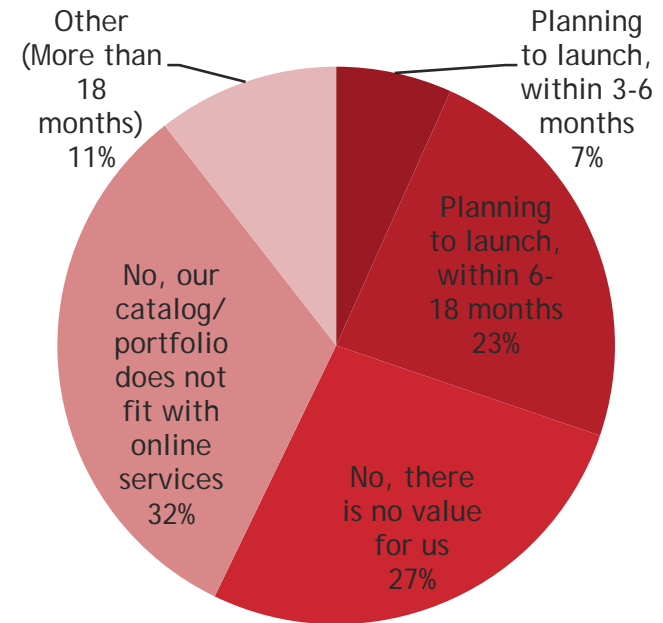
A limited proportion of SMB's websites (18%) allow online commerce/transactions yet 24% of those who still do not support these services, plan to enable them in the next 6-18 month period

SMBs with a website



N= 3,112

Among those who do not currently support online transactions

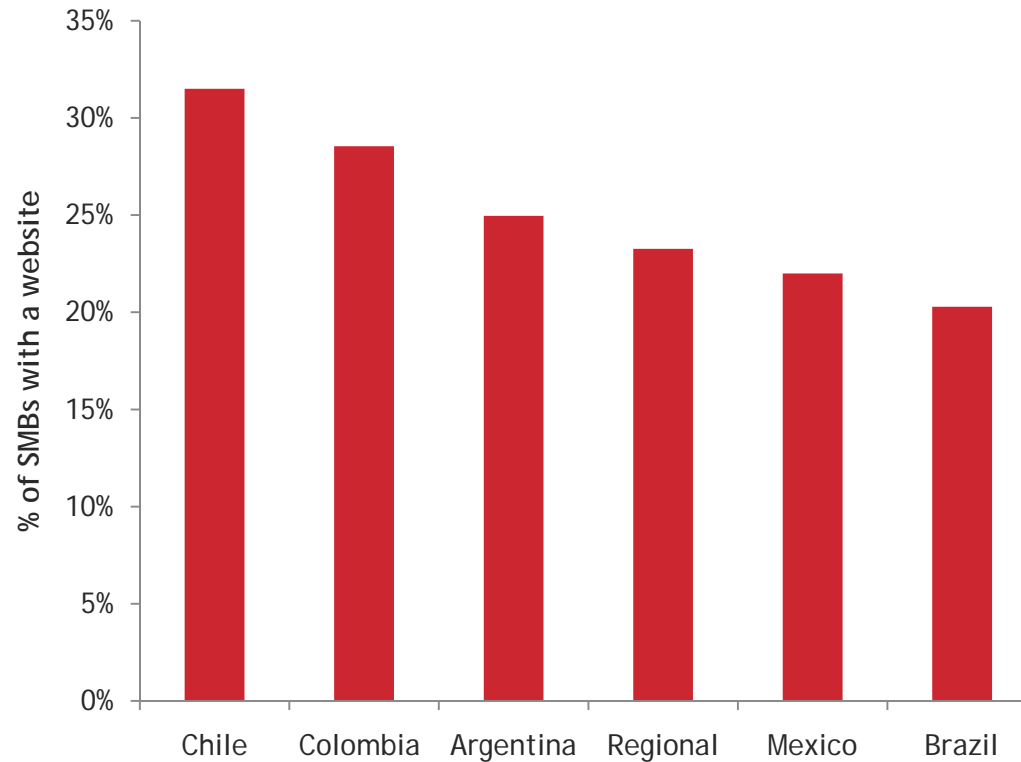


N= 2,543

Source: Pyramid Research

SMBs interviewed in Chile and Colombia have the highest adoption of e-commerce enablement while Brazil and Mexico lag behind the regional average

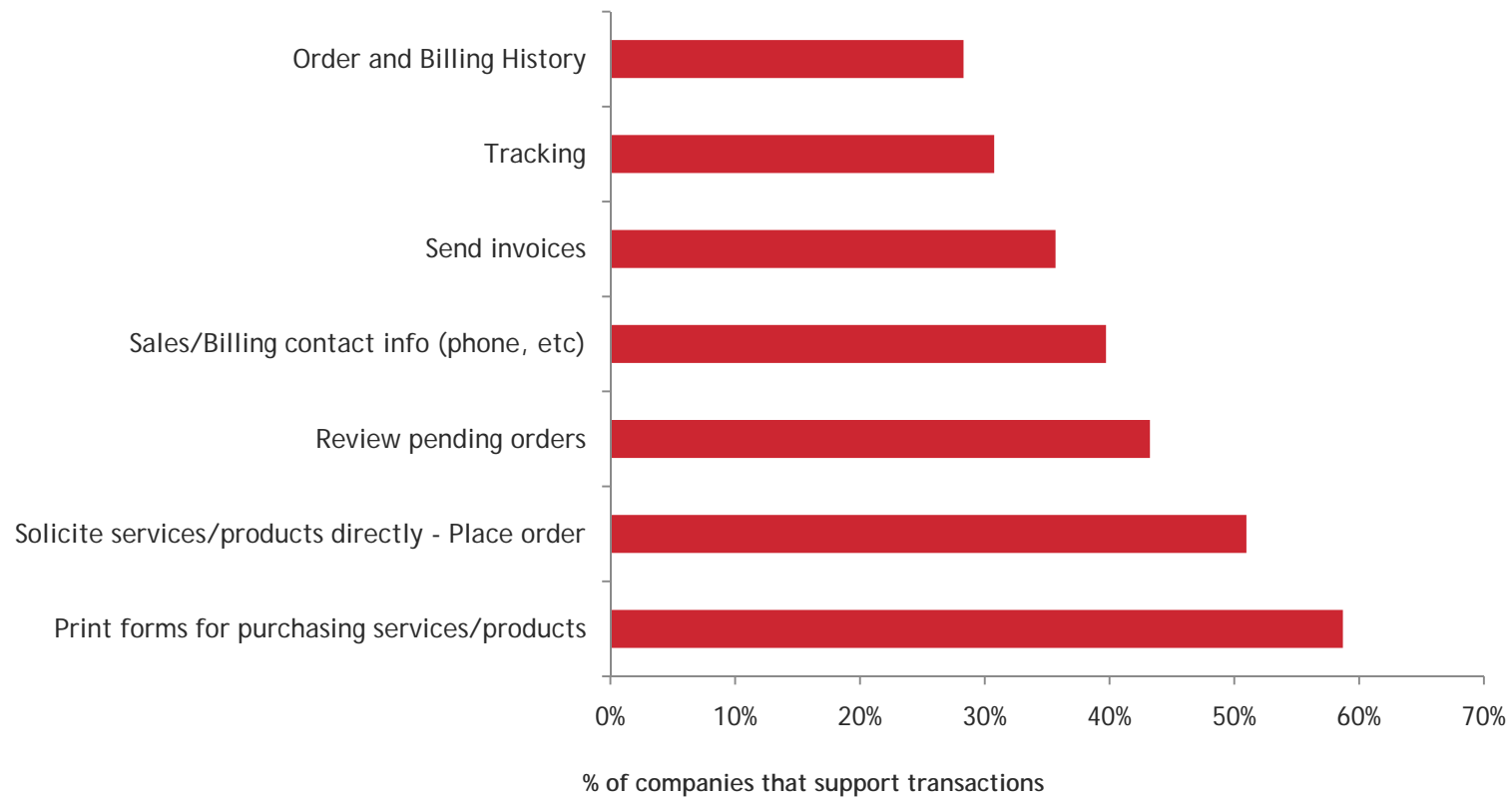
Proportion of online SMBs that support e-commerce transactions



Source: Pyramid Research

LATAM SMB's websites are more often used as information tools allowing clients to place orders and print forms yet less than 30% support sending invoices or tracking orders

What kind of functions/transactions does your company website support?



Source: Pyramid Research

Table of Contents

- Executive Summary

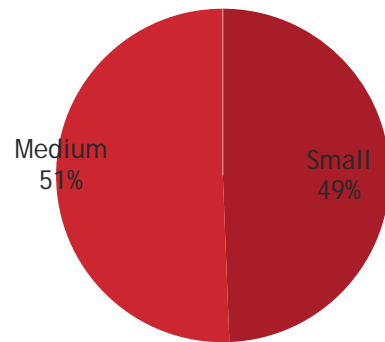
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 - Argentina
 - Brazil
 - Chile
 - Colombia
 - Mexico

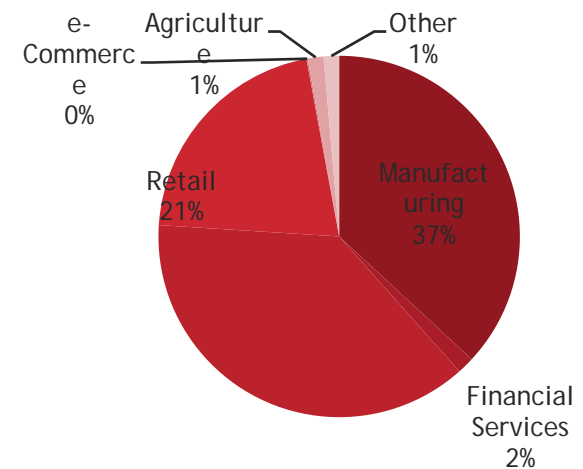
Pyramid Research conducted over 720 interviews of Argentinean SMBs including companies of different sizes and verticals

Breakdown of Interviewees, by size

N= 721



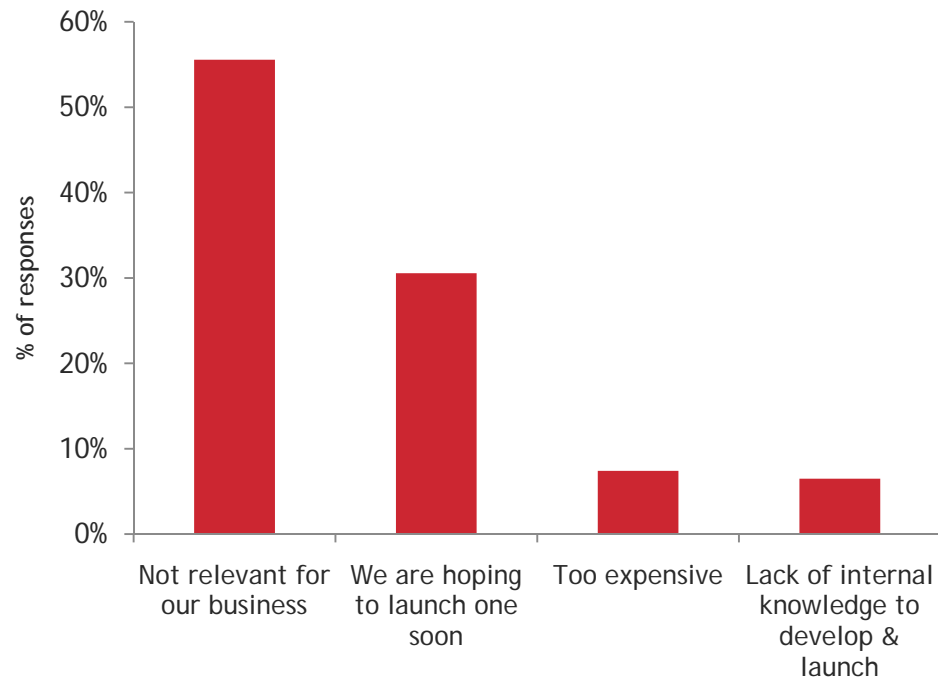
Breakdown of Interviewees, by type of company



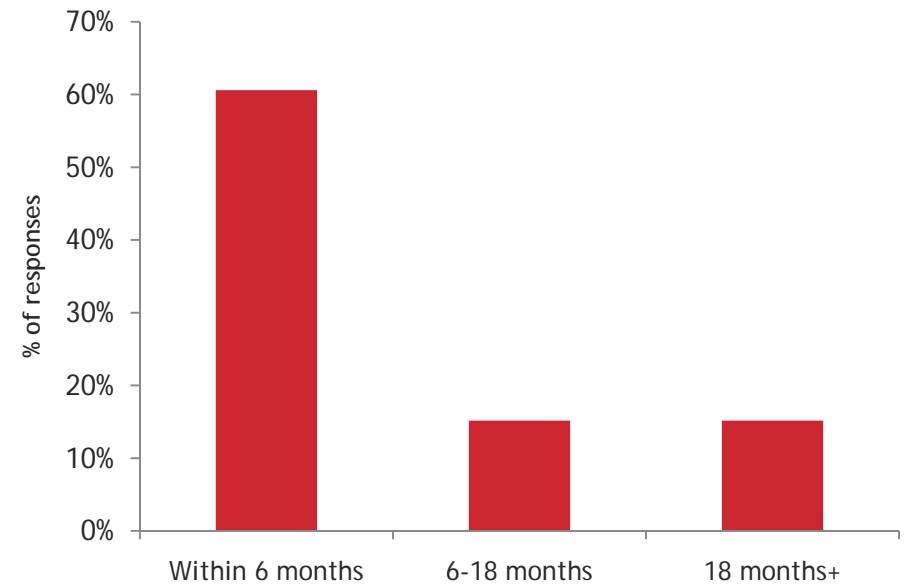
Source: Pyramid Research

Among SMBs without a website; 56% do not consider this channel relevant to their business and 31% are planning to launch a website very soon

Reasons for Not having a website



Looking ahead, the plan for launching a site



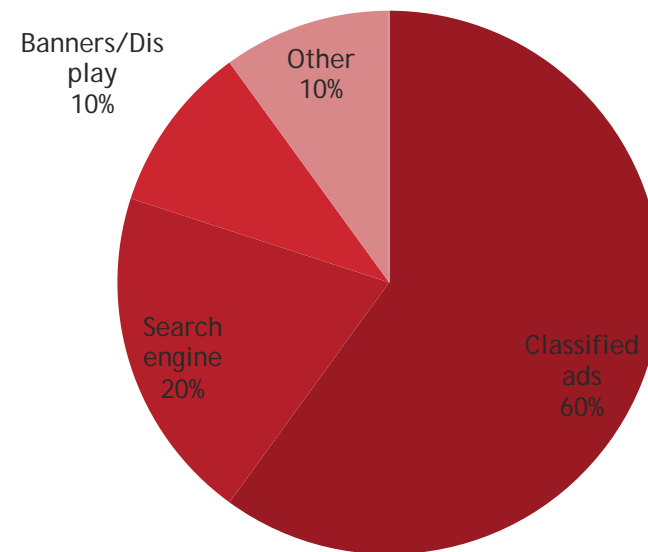
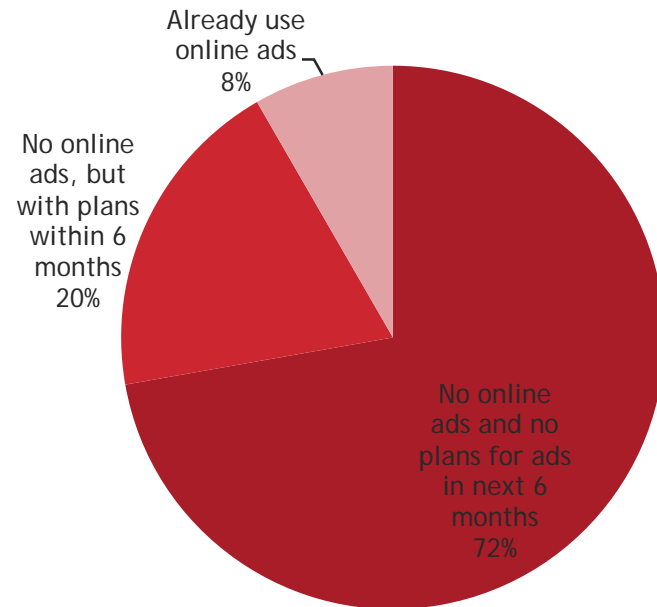
N= 108

Source: Pyramid Research

For those SMBs without a website, only a small percentage (8%) use online advertising, though up to 20% are interested in adopting the technology soon. For those that currently use classified ads are the most common, followed by search engine advertising.

Those without a website, Use of Online Advertising

For those that use Online Ads, what type



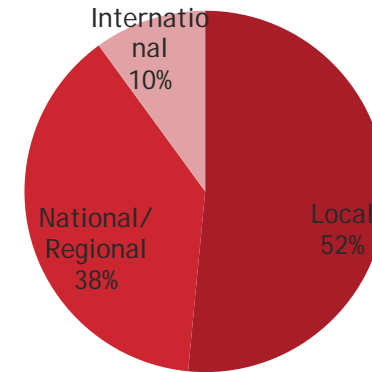
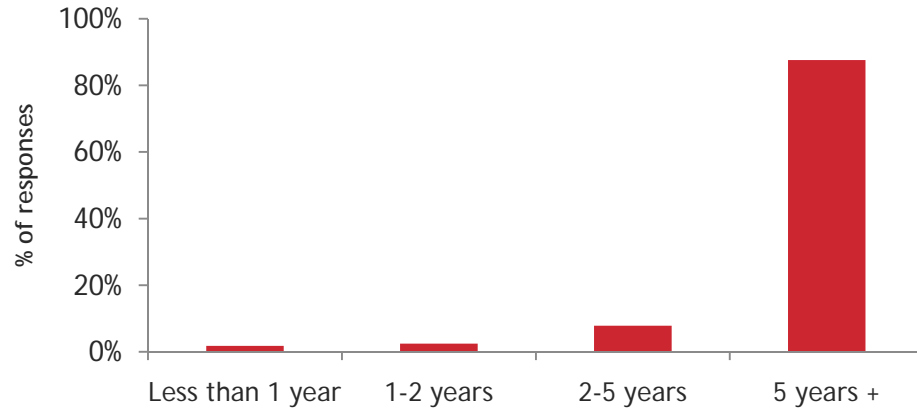
Source: Pyramid Research

The profile of the 613 SMBs interviewed who have an online presence in Argentina, most have been in business for more than 5 years, deal locally and are stable or growing steadily.

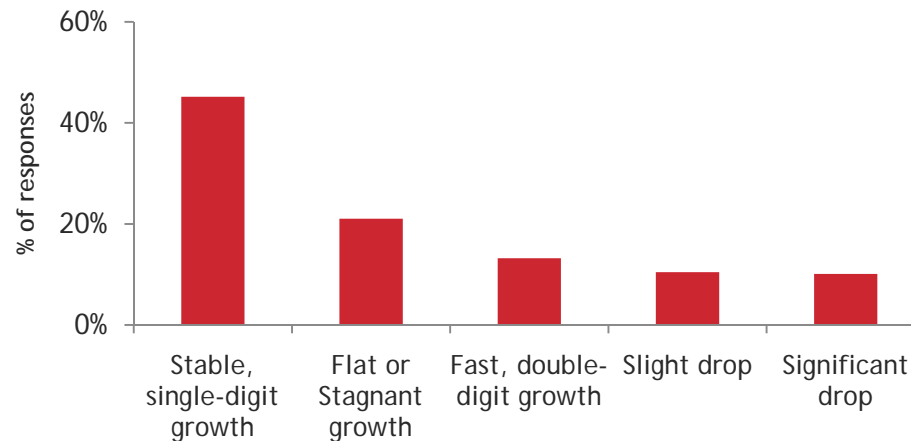
Years in business, companies with a website

N= 613

Customer geography, companies with a website



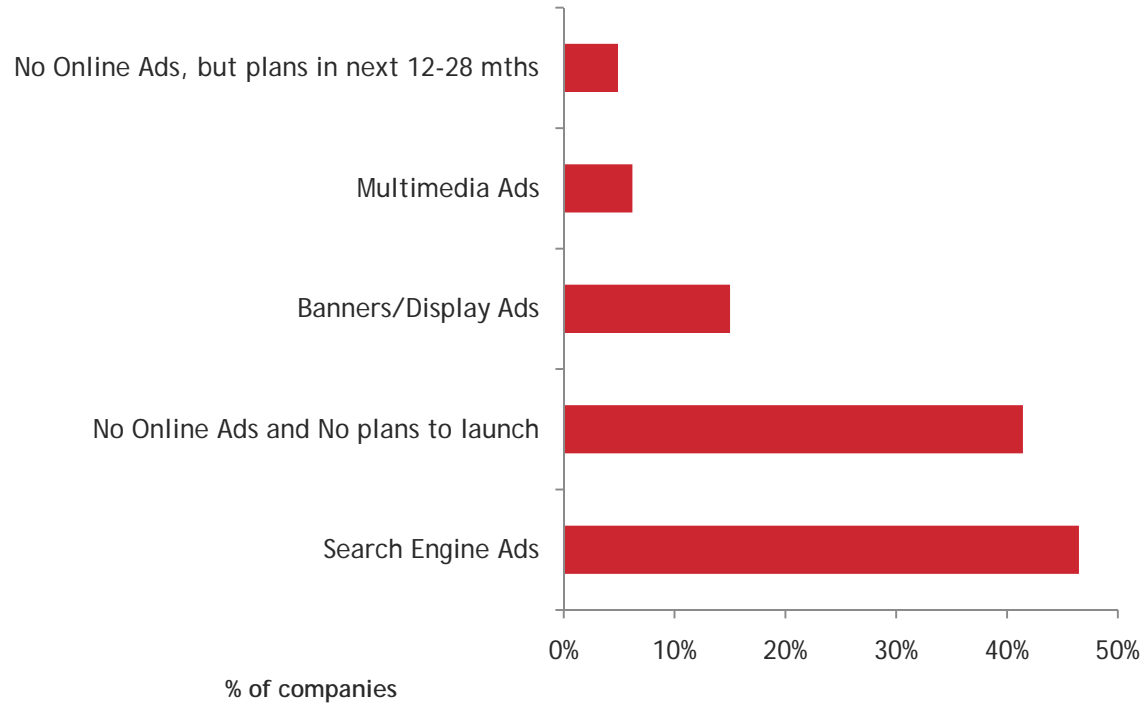
Revenue growth, companies with a website



Source: Pyramid Research

Roughly half of Argentinean SMBs with a website use some form of online advertising, though somehow limited to search engines and banner ads.

Adoption of Online Advertising Services, Companies with a website

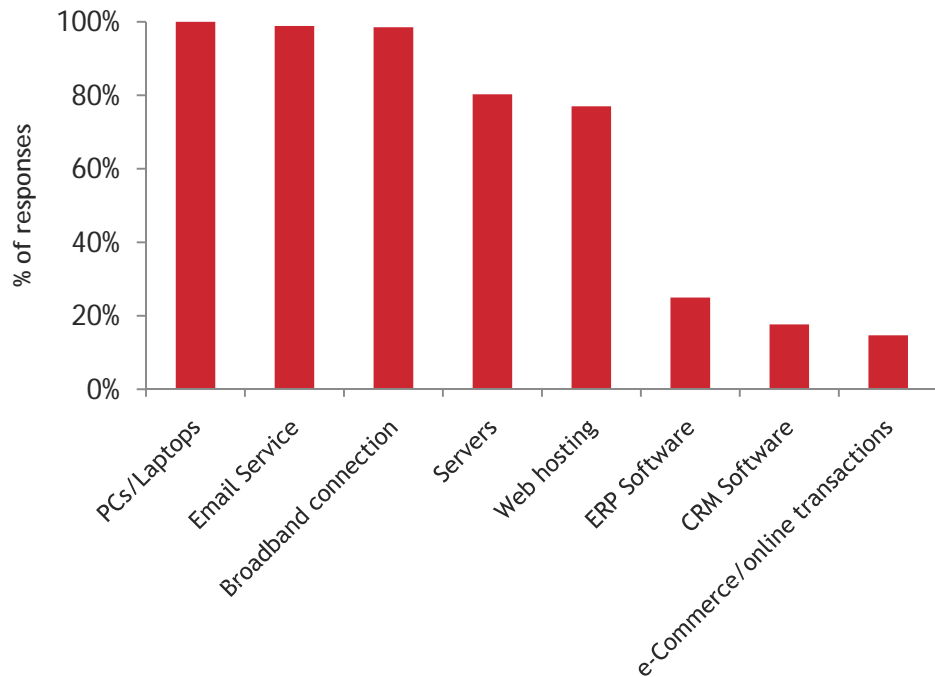


N= 613

Source: Pyramid Research

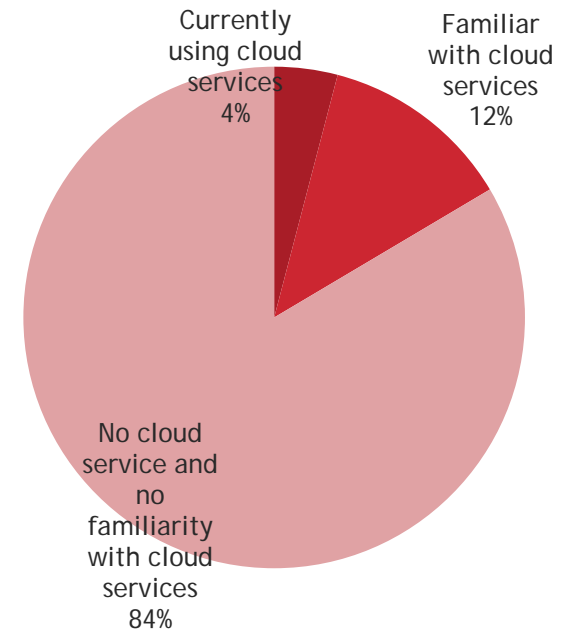
Argentinean SMBs have a high penetration of Internet services, including advanced ERP and CRM software, used by around 28% of businesses. Cloud computing is widely unknown while a third seems to be familiar with the concept

Adoption of Internet Services, Companies with a website



N= 613

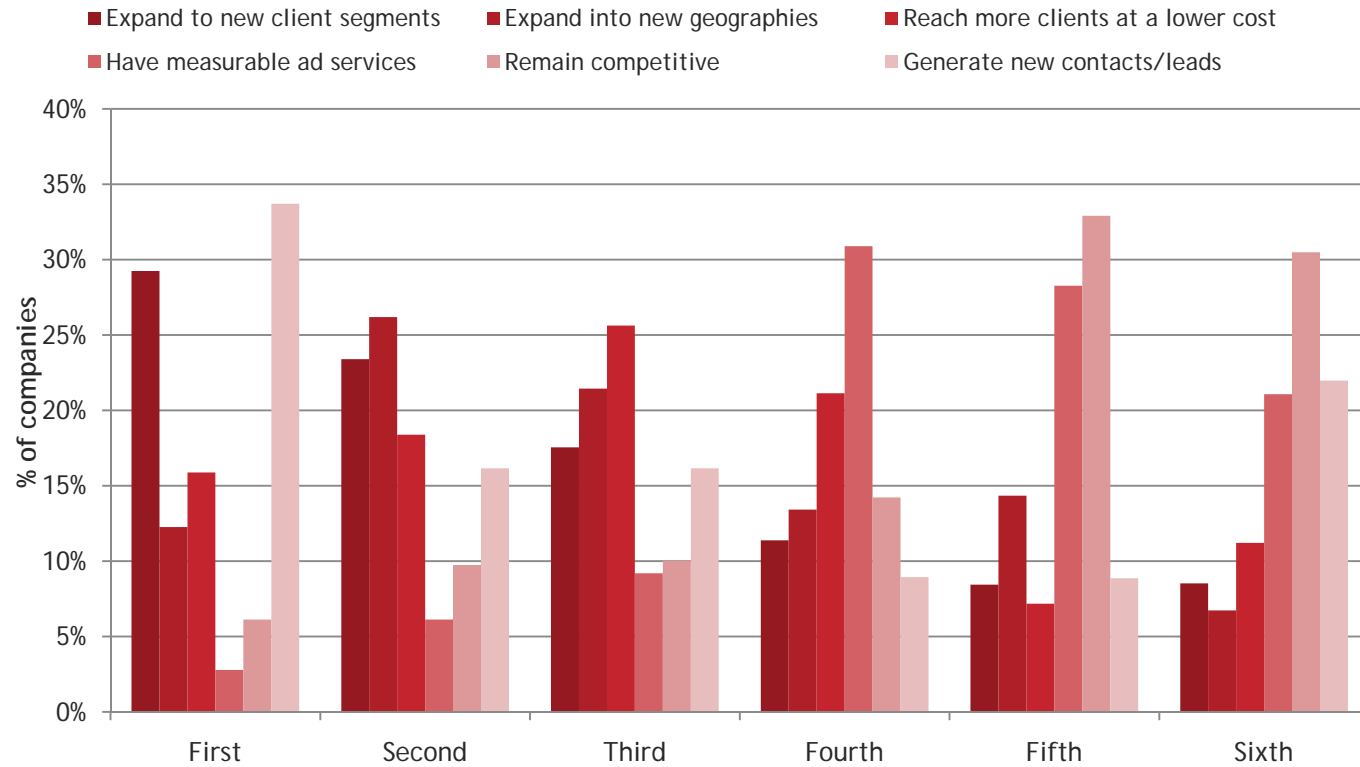
Adoption of Cloud Computing Services, Companies with a website



Source: Pyramid Research

Most companies use online advertising to generate more leads and expand into new client segments and geographies.

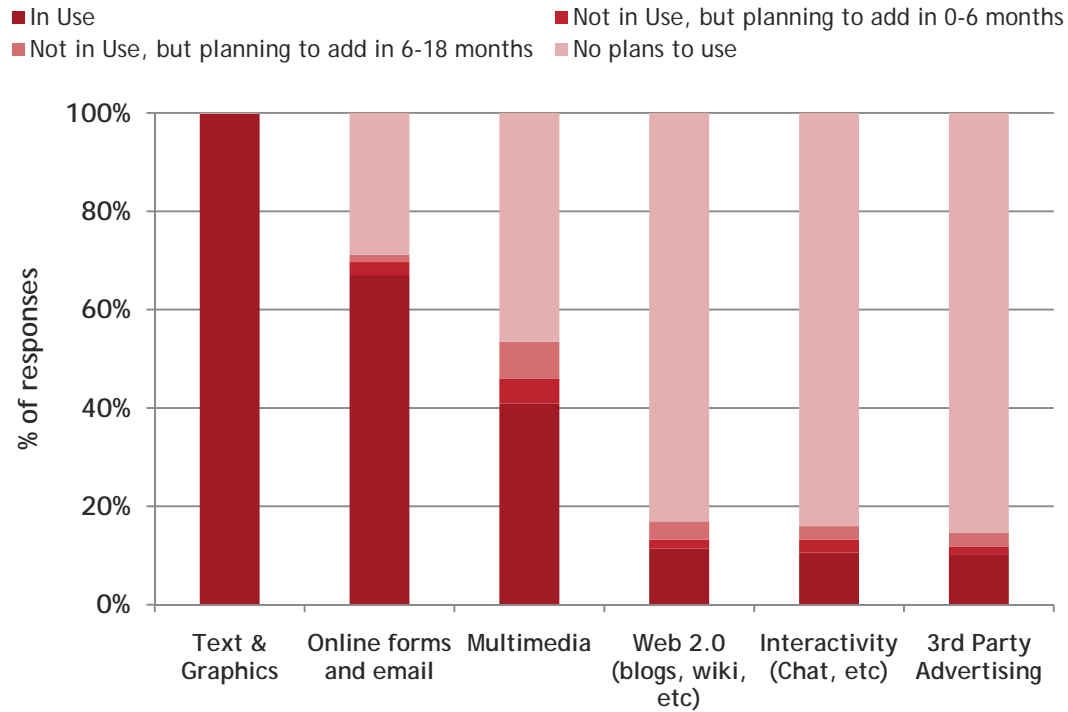
Reasons for using Online Advertising



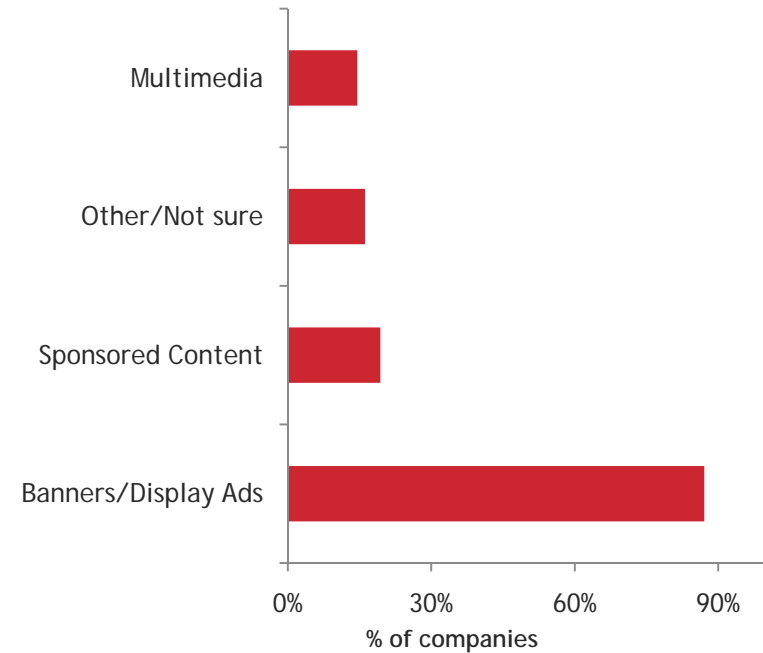
Source: Pyramid Research

In terms of existing SMBs website, less than 40% enable multimedia. Third-party advertising is not widely used, but those that do rely on the platform tend to use banners and display ads

Website components in Use



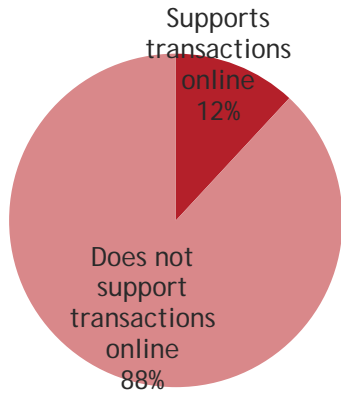
Types of Third-party advertising permitted



Source: Pyramid Research

While only 12% of companies support online transactions on their website, of those 67% have the ability to place orders directly on the website and offer a few other support features such as order reviewing and tracking.

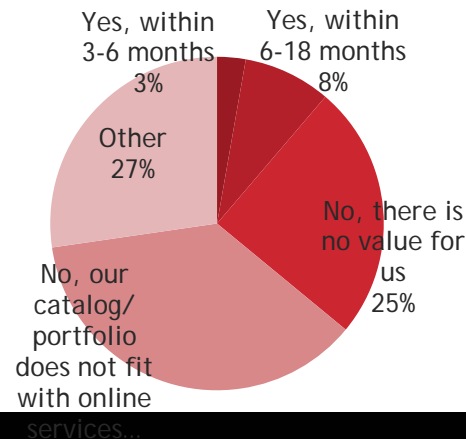
Breakdown of companies that support transactions



Types of Transaction support available on website



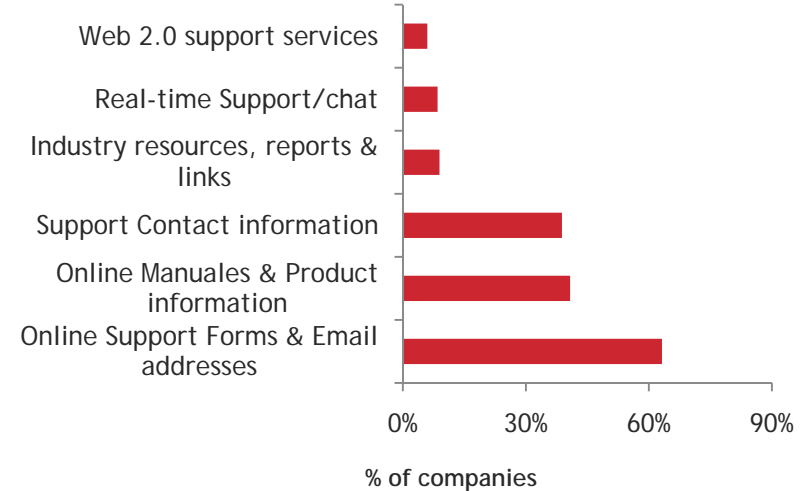
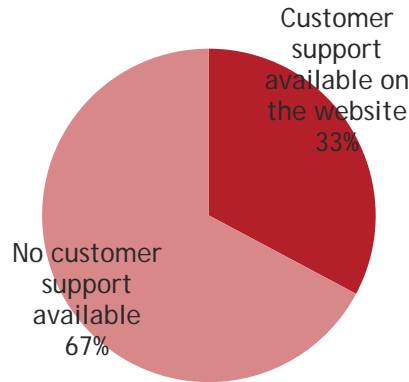
Future plans to launch online transaction support



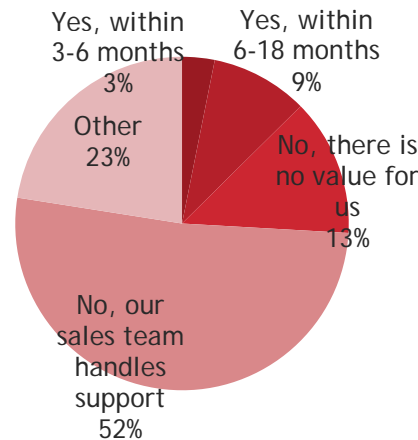
Source: Pyramid Research

Half of Argentinean SMBs offer some form of online support via online forms and email and online manuals/product info. For those without customer service online, most entrust customer support to sales reps only.

Breakdown of companies with online customer support Types of Customer support available on website



Future plans to launch online customer support



Source: Pyramid Research

Table of Contents

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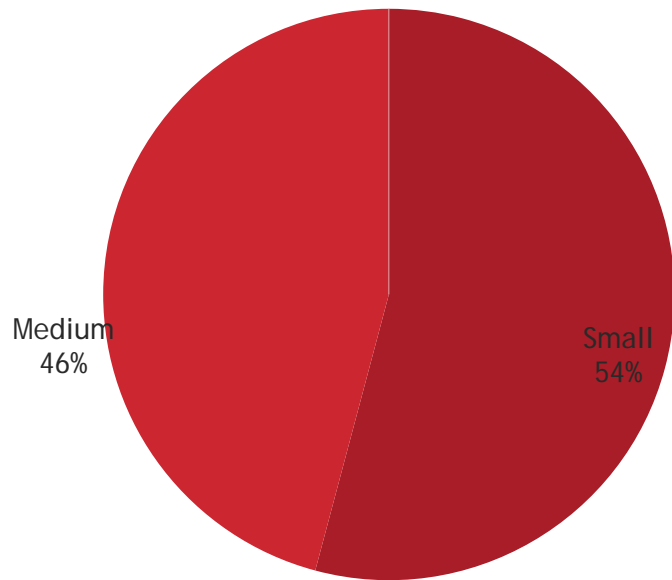
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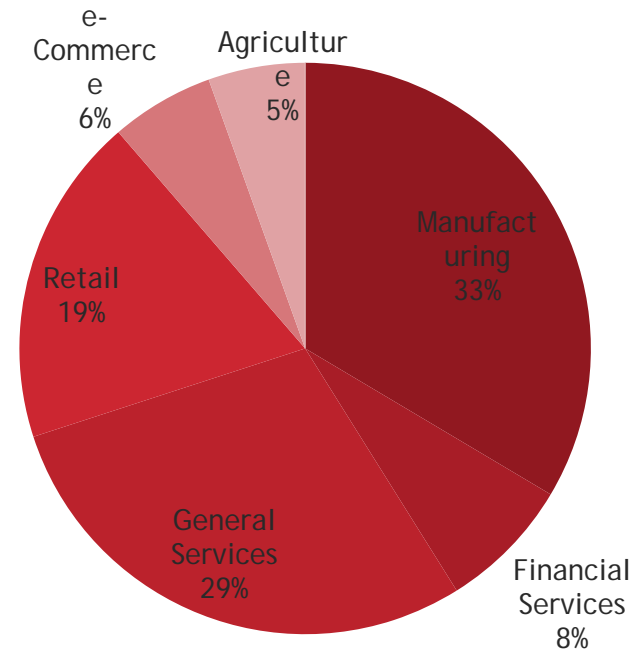


Pyramid Research conducted over 820 interviews of SMBs in Brazil evenly distributed by size; 38% of the sample falls in the general services category

Breakdown of Interviewees, by size



Breakdown of Interviewees, by type of company

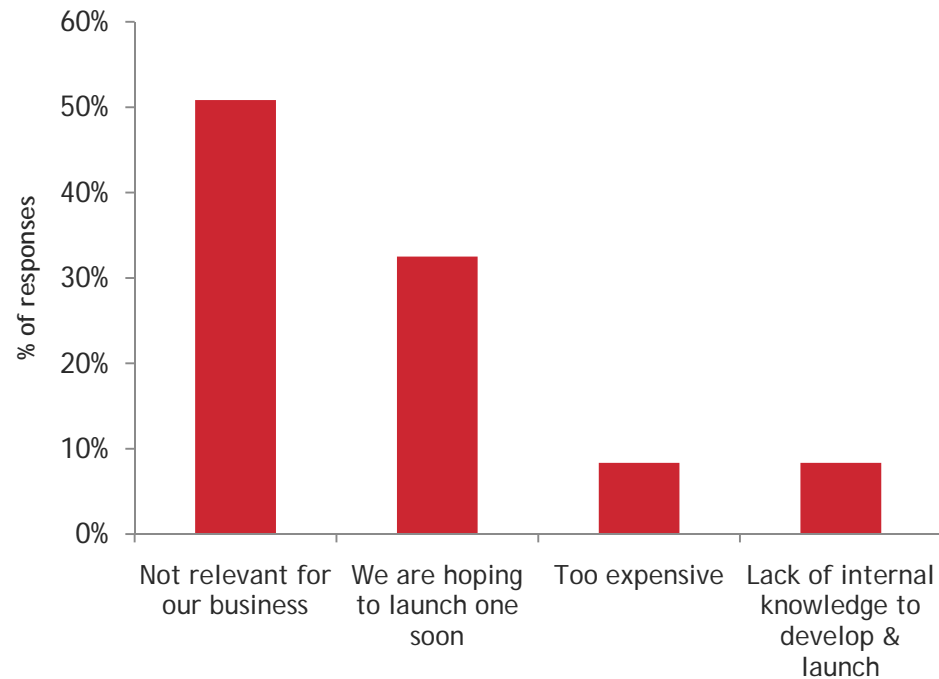


N= 820

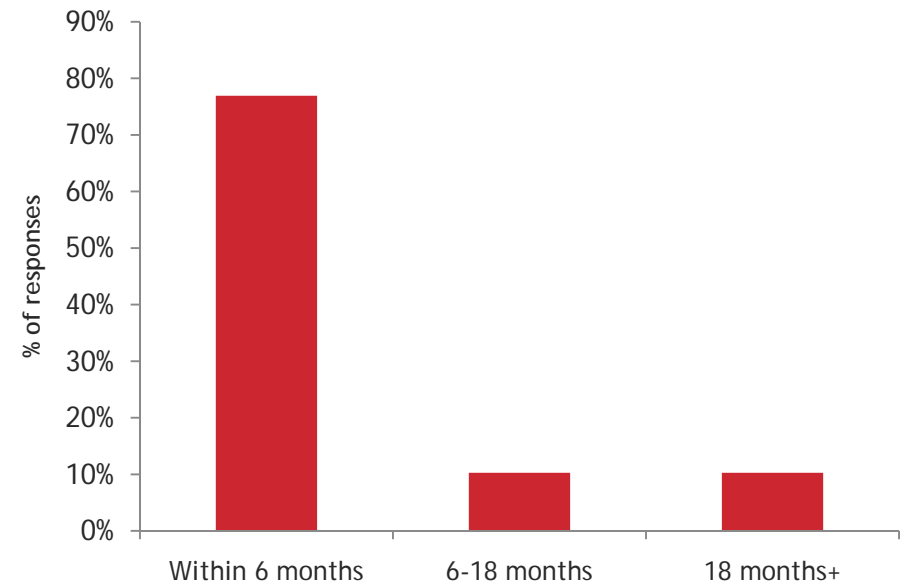
Source: Pyramid Research

Among Brazilians SMBs without a website, the main inhibitor for this channel is its perceived lack of relevancy to the core business ; yet 76% of these SMBs indicated they do plan to launch a website in the next 6 months

Reasons for Not having a website



Looking ahead, the plan for launching a site



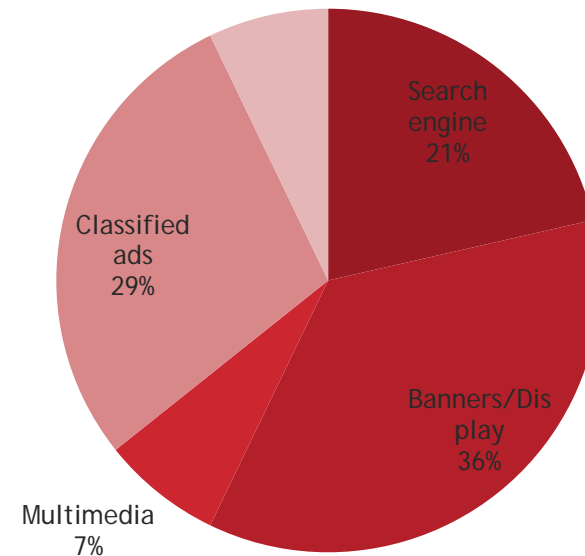
N= 120

Source: Pyramid Research

For those without a website, only a small percentage (10%) use online advertising, though up to 23% are interested in using the tool soon. For those that currently use advertising banners and basic classified ads are the most common, followed by search engine

Those without a website, Use of Online Advertising

For those that use Online Ads, what type



N= 120

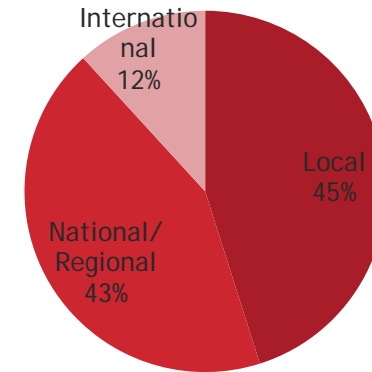
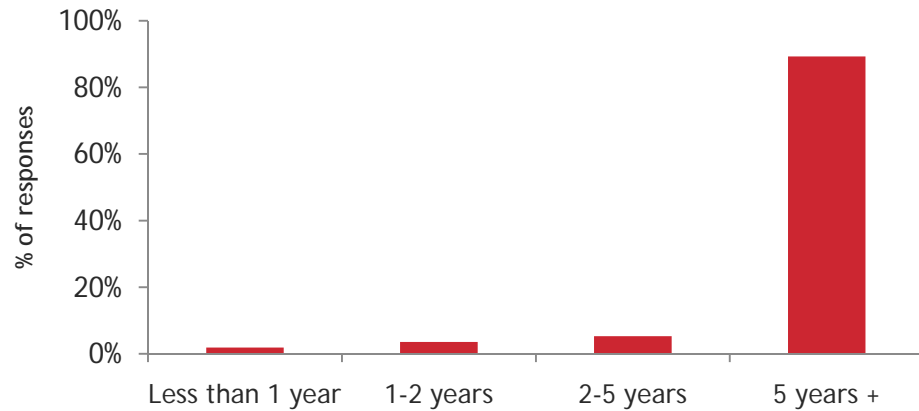
Source: Pyramid Research

With regards to the 700 SMBs interviewed that do have an online presence in Brazil, most have been in business for more than 5 years, have a balanced mix of local, national and international customers and are stable or growing steadily

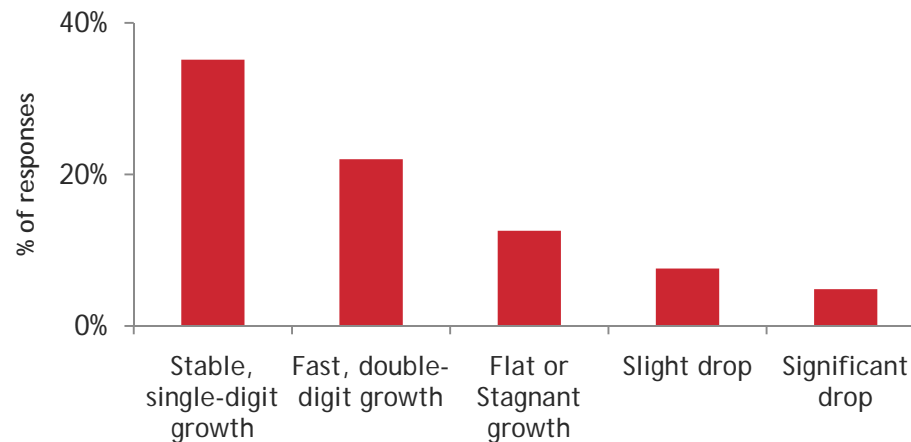
Years in business, companies with a website

N= 700

Customer geography, companies with a website



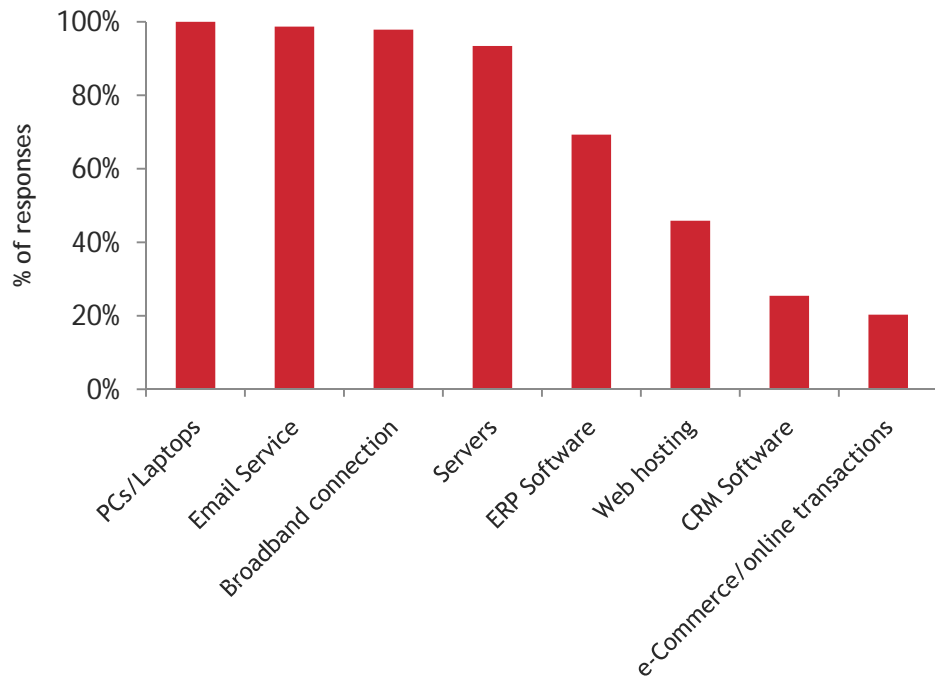
Revenue growth, companies with a website



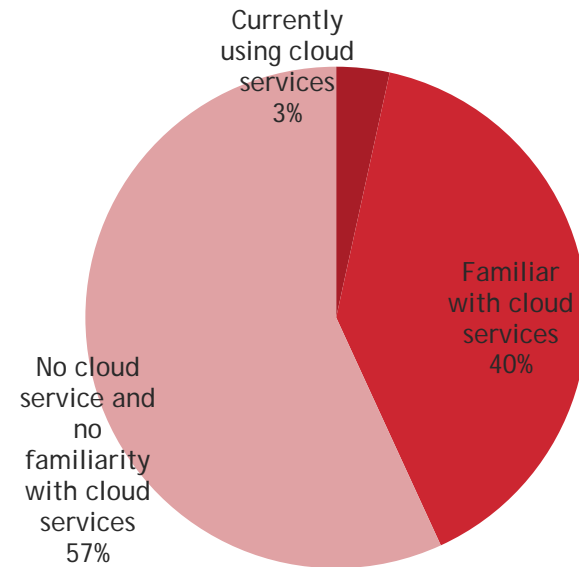
Source: Pyramid Research

28% of Brazilian SMBs interviewed use IT services such as CRM; Cloud computing is in very early stages of adoption although 40% of interviewees claim to be familiar with the concept

Adoption of Internet Services, Companies with a website



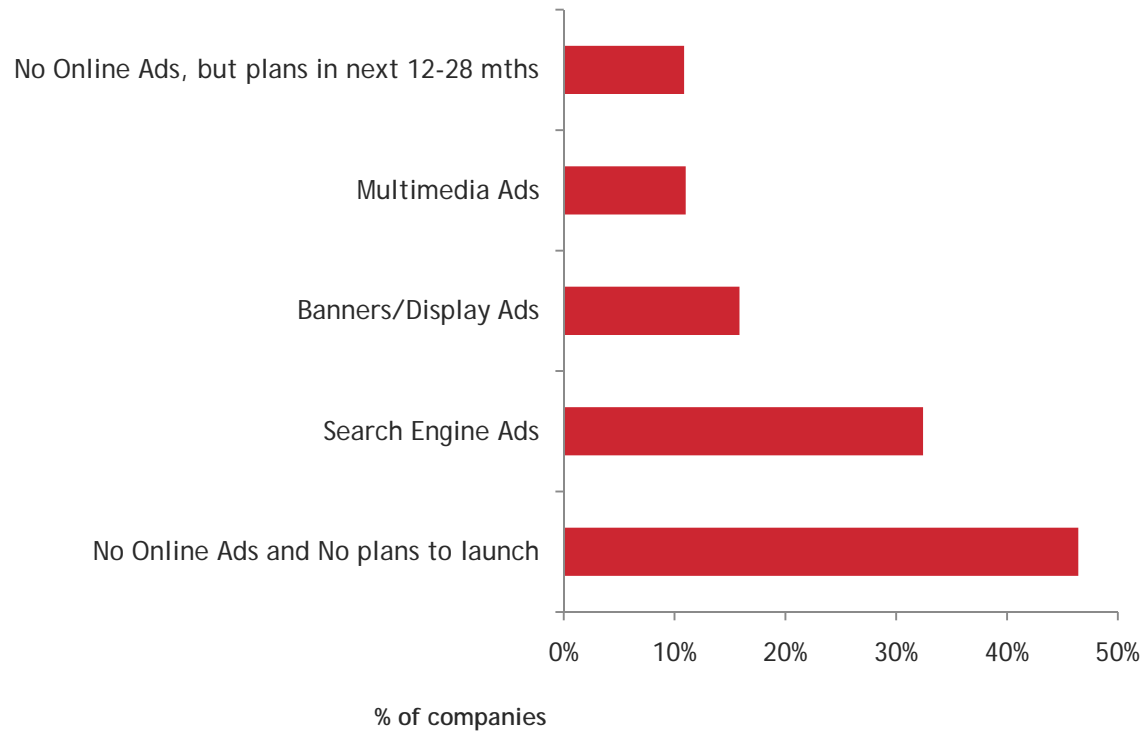
Adoption of Cloud Computing Services, Companies with a website



Source: Pyramid Research

Roughly half of Brazilian SMBs with a website use some form of online advertising, though somehow limited to Search engines and banner ads.

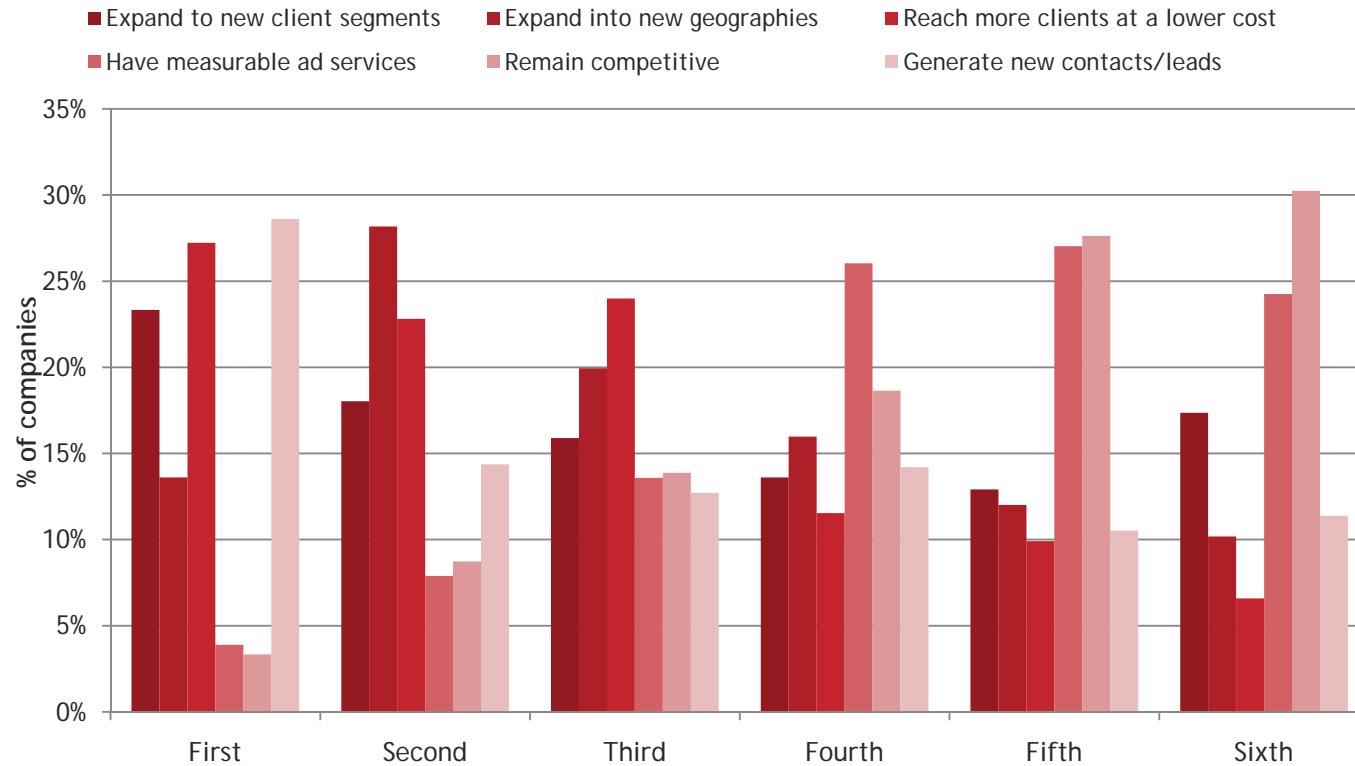
Adoption of Online Advertising Services, Companies with a website



Source: Pyramid Research

The main objectives of online advertising use by Brazilian SMBs are to generate more leads and expand into new client segments and geographies

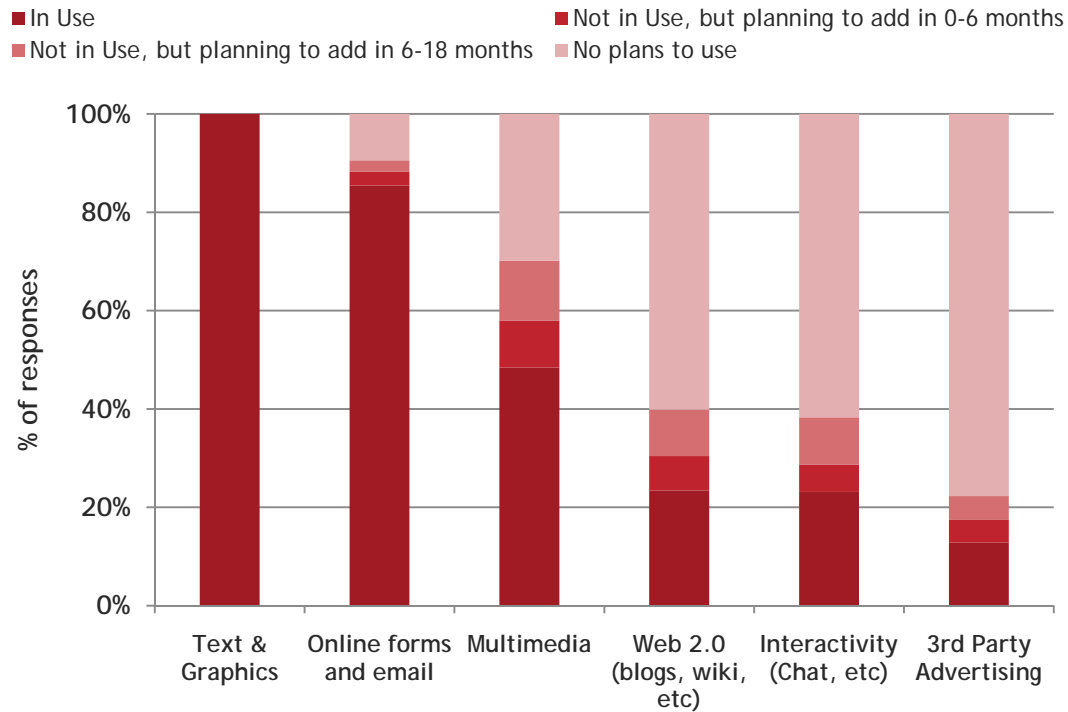
Reasons for using Online Advertising, Companies using online advertising



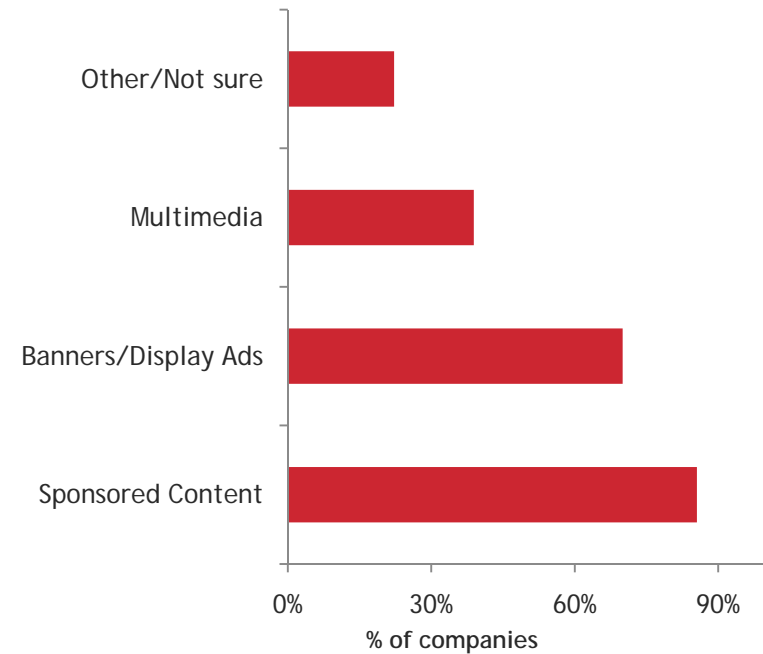
Source: Pyramid Research

In terms of website components, online forms are often available. Third-party advertising is not widely used, but those SMB websites that do have online advertising in their sites use sponsored content the most frequently

Website components in Use



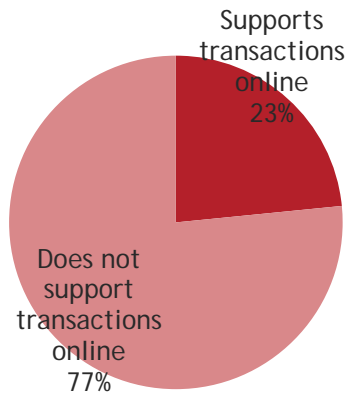
Types of Third-party advertising permitted



Source: Pyramid Research

While only 23% of Brazilian SMBs support online transactions on their website, 69% of them support placing orders directly on the website and offer a few other support features such as order reviewing and tracking.

Breakdown of companies that support transactions

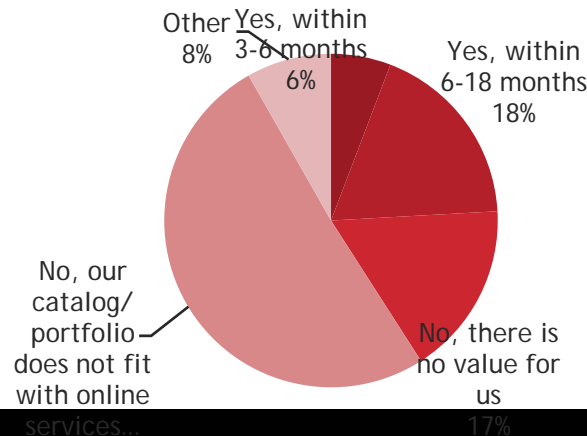


N= 700

Types of Transaction support available on website



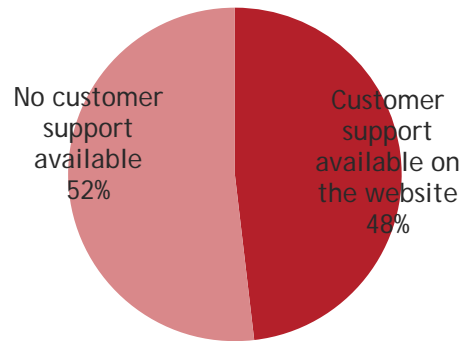
Future plans to launch online transaction support



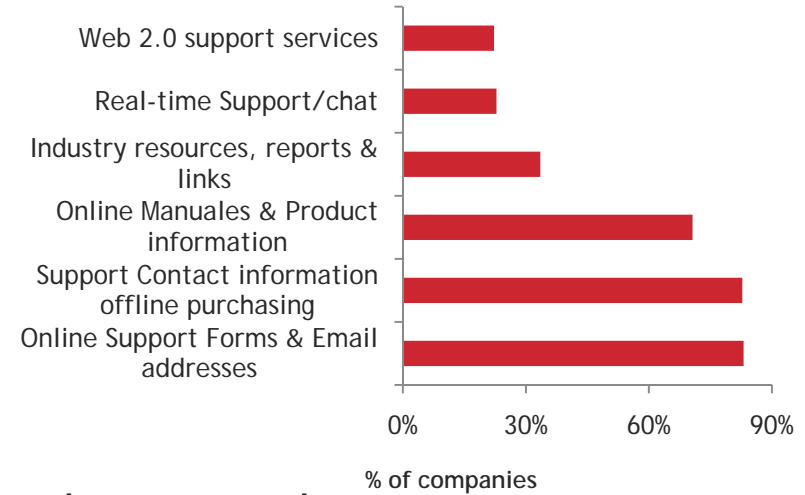
Source: Pyramid Research

Half of Brazilian SMBs have online support, with the majority of the service being online forms and email and online manuals/product info.

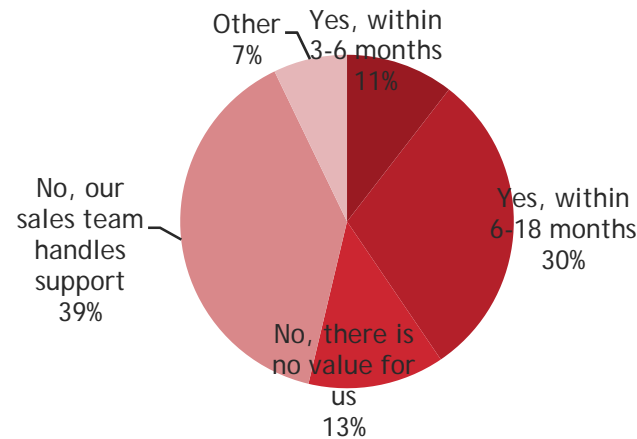
Breakdown of companies with online customer support Types of Customer support available on website



N= 700



Future plans to launch online customer support



Source: Pyramid Research

Table of Contents

- Executive Summary

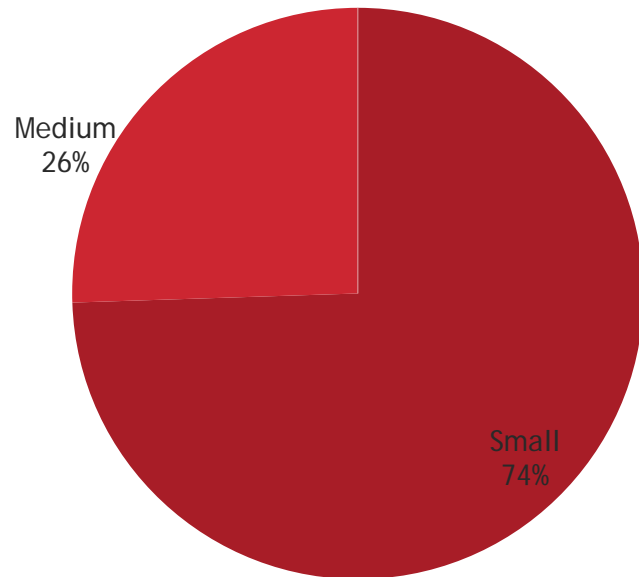
- Key Regional Level Findings
 - Adoption of proprietary websites
 - Internet/IT Sophistication of SMBs
 - Online Advertising Trends

- Country-Level Analysis
 - Argentina
 - Brazil
 - Chile
 - Colombia
 - Mexico

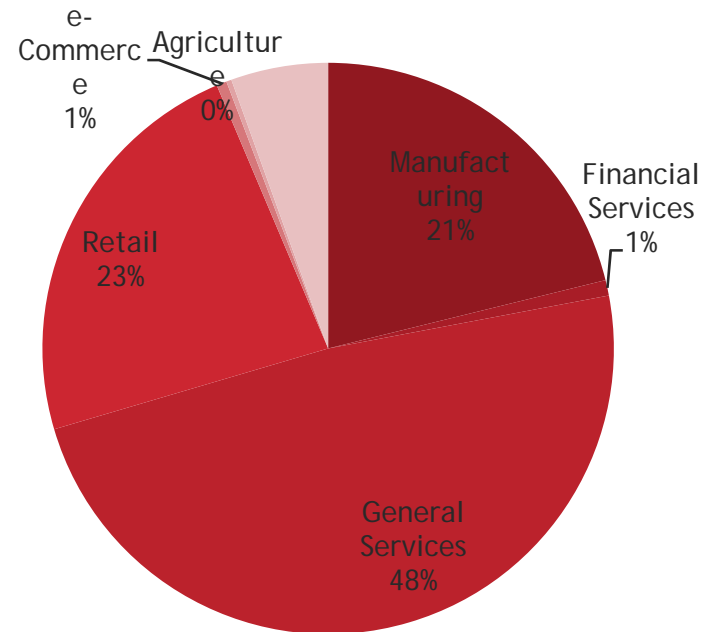


Pyramid Research conducted over 690 interviews of SMBs in Chile. Of those, 74% are small companies roughly 50% fall in the general services category

Breakdown of Interviewees, by size



Breakdown of Interviewees, by type of company

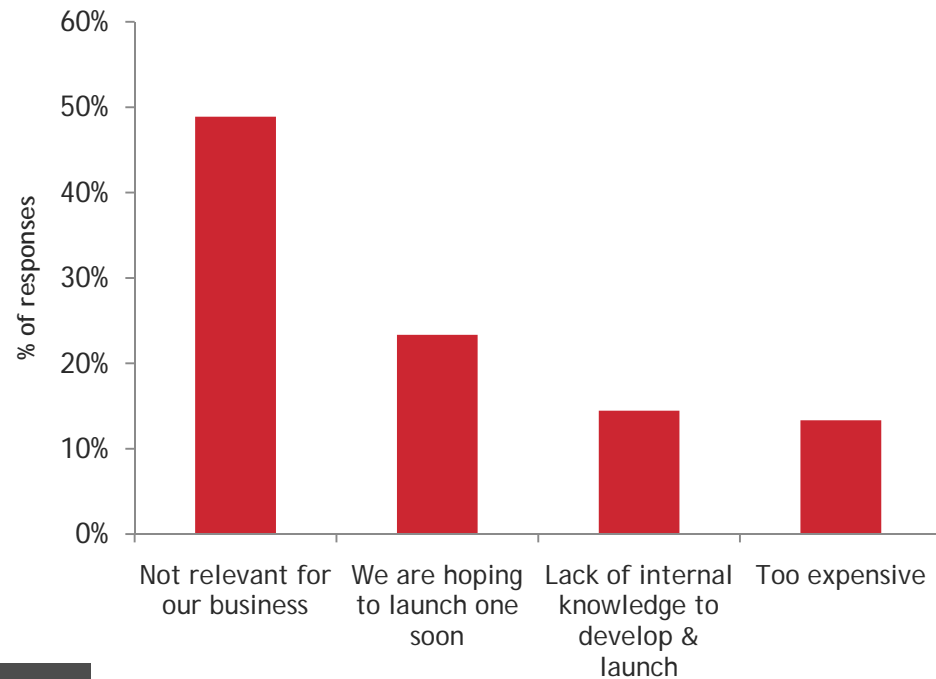


N= 690

Source: Pyramid Research

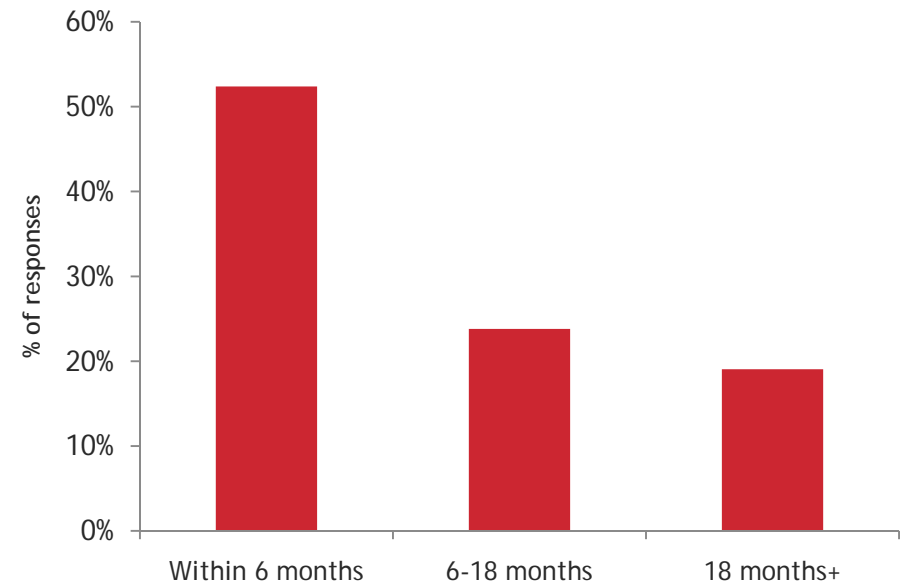
Roughly 50% of Chilean SMBs that do not have a website yet find the tool not relevant to their core business while 23% expect to launch a site soon

Reasons for Not having a website



N= 90

Looking ahead, the plan for launching a site

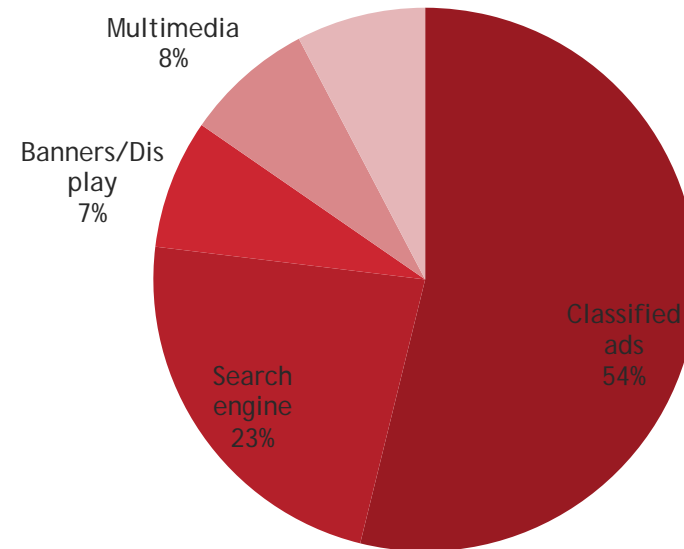
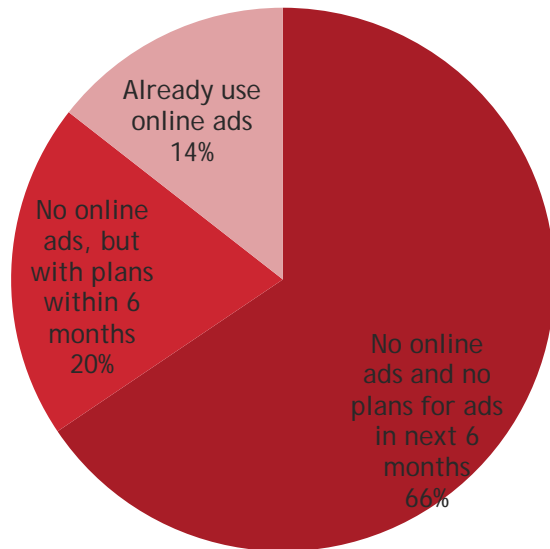


Source: Pyramid Research

14% of SMBs interviewed that do not have their website do make use of online advertising and up to 20% are interested in using the service in the next 6 months

Those without a website, Use of Online Advertising

For those that use Online Ads, what type

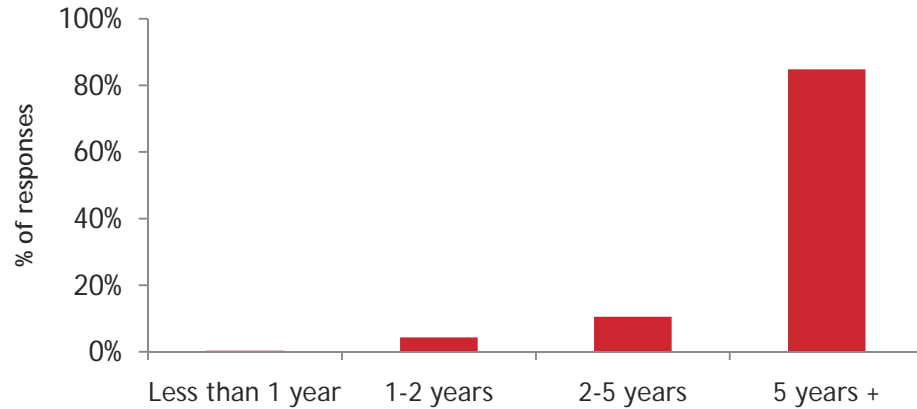


N= 90

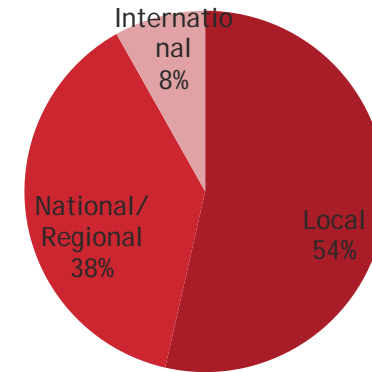
Source: Pyramid Research

Most Chilean SMBs that do currently have their own website have been in business for more than 5 years, do business locally and are experiencing stable growth

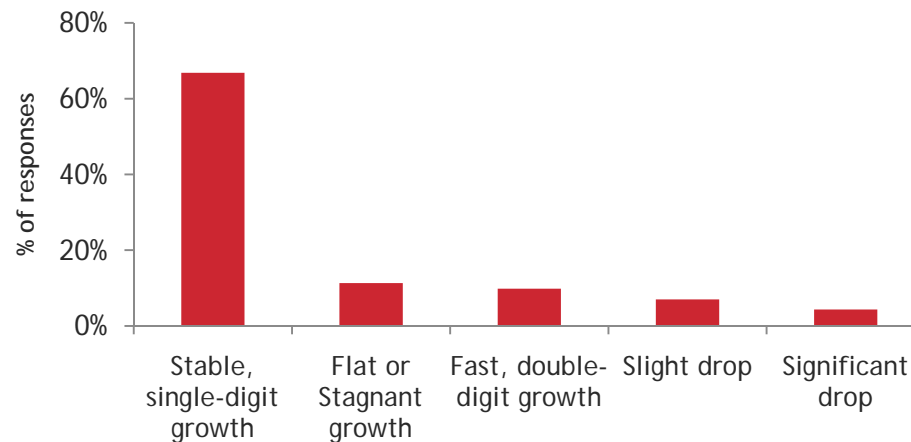
Years in business, companies with a website



Customer geography, companies with a website



Revenue growth, companies with a website

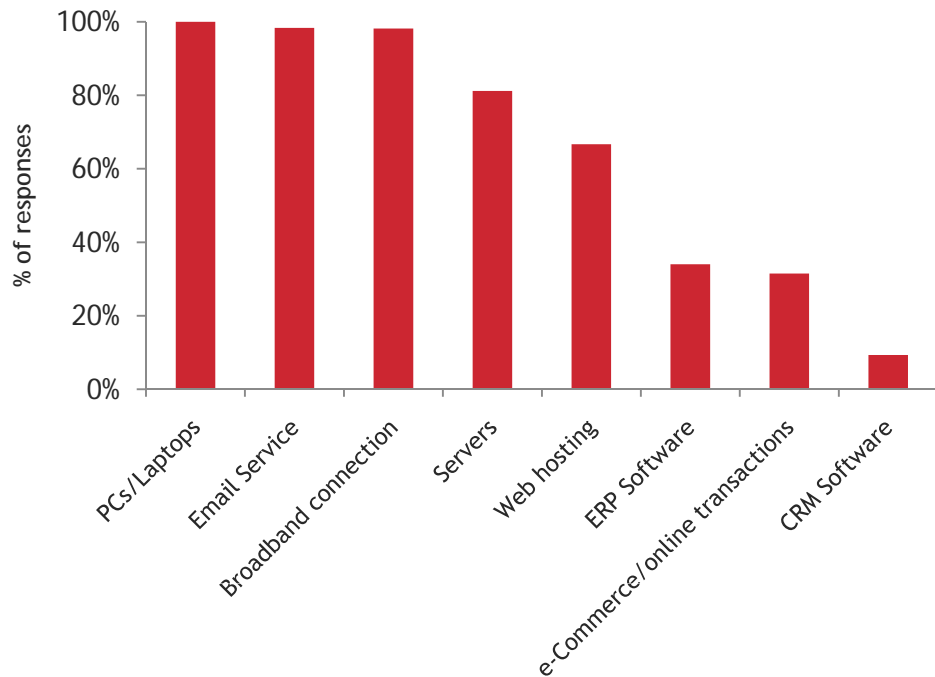


N= 600

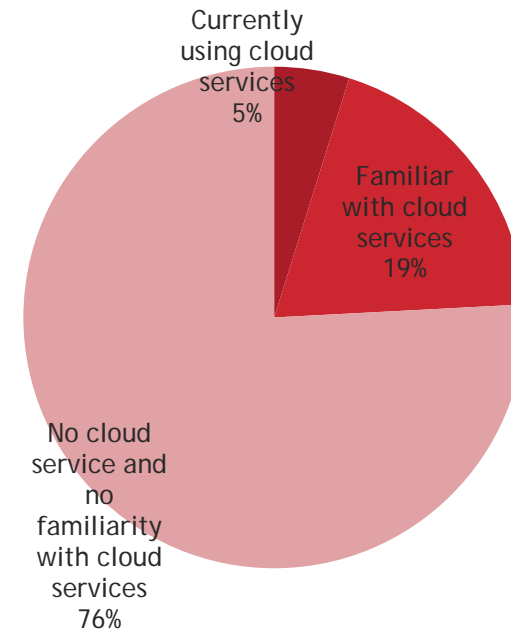
Source: Pyramid Research

Chilean SMBs websites have the highest proportion of e-commerce functions in our sample; newer services such as Cloud Computing remain largely unknown

Adoption of Internet Services, Companies with a website



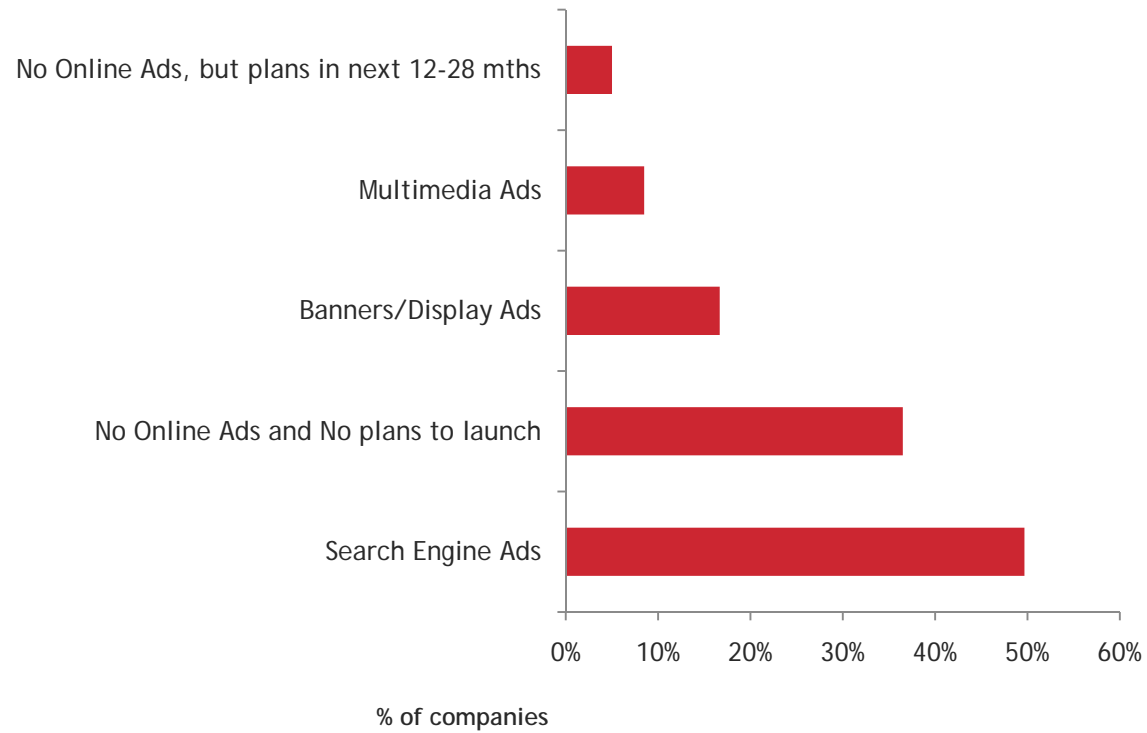
Adoption of Cloud Computing Services, Companies with a website



Source: Pyramid Research

SMBs with a website prefer to advertise through search engines; 37% stated having no plans to use the tool soon

Adoption of Online Advertising Services, Companies with a website

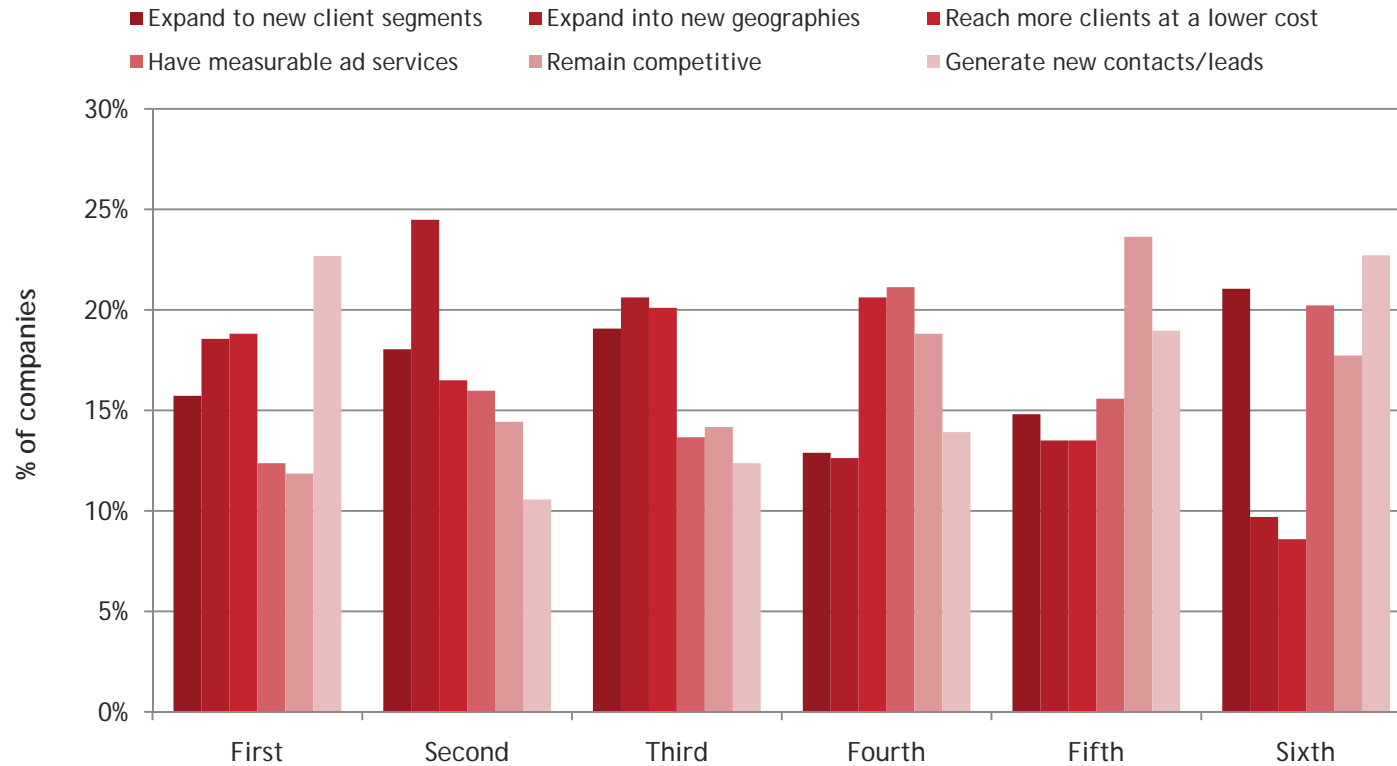


N= 600

Source: Pyramid Research

SMBs main objectives of the use of online advertising are to tap new clients and enter new markets

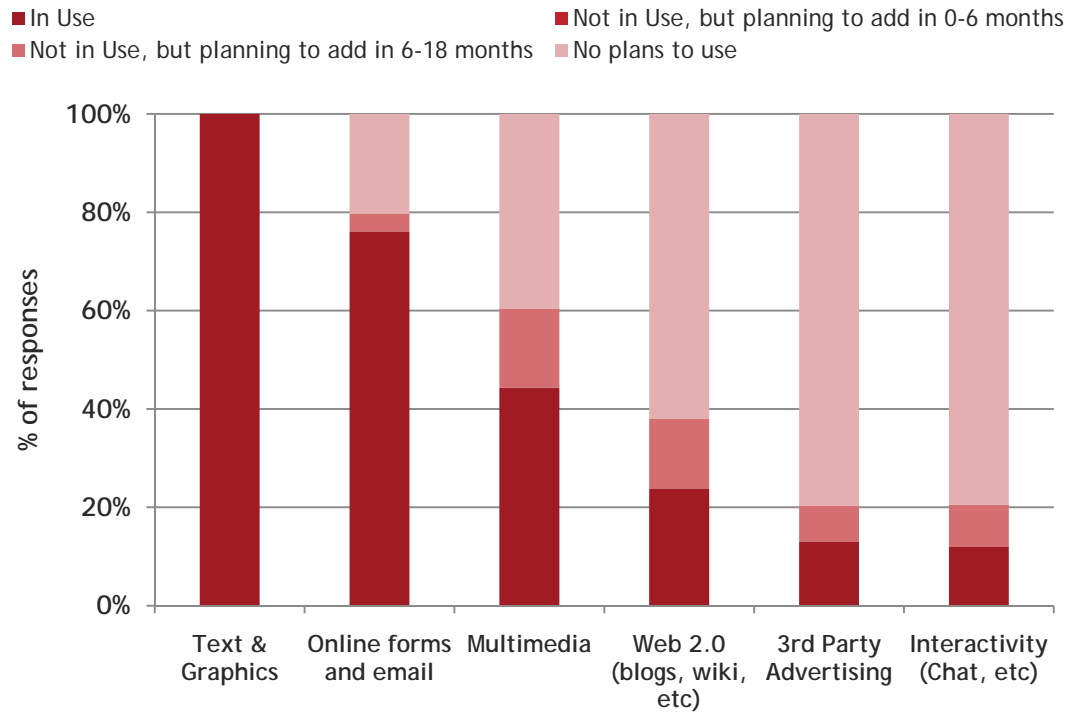
Reasons for using Online Advertising, Companies using online advertising



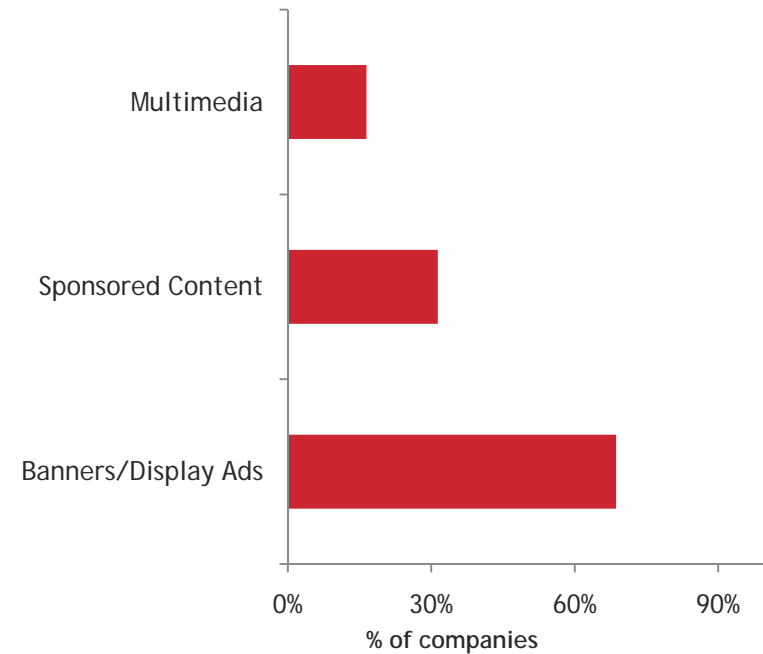
Source: Pyramid Research

In terms of website components, most SMB sites support online forms with close to 40% also having multimedia content; less than 20% support 3rd party advertising

Website components in Use



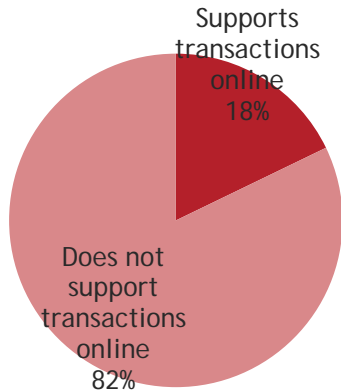
Types of Third-party advertising permitted



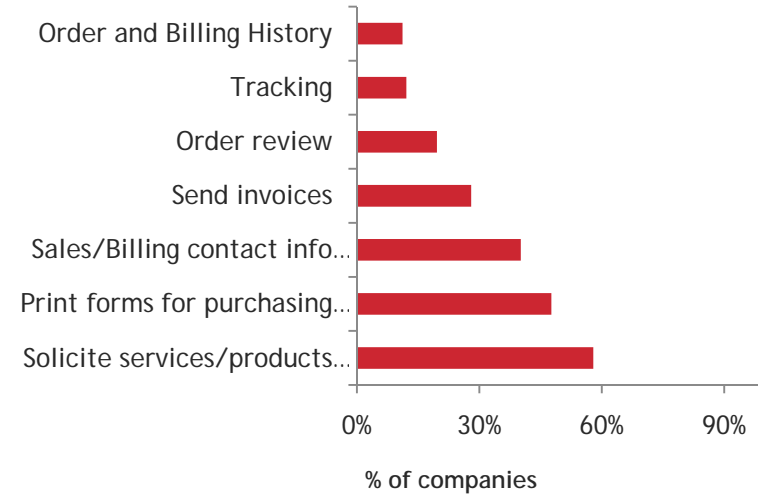
Source: Pyramid Research

18% of SMB's websites allow online transactions although most functions relate to printing forms and sending invoices

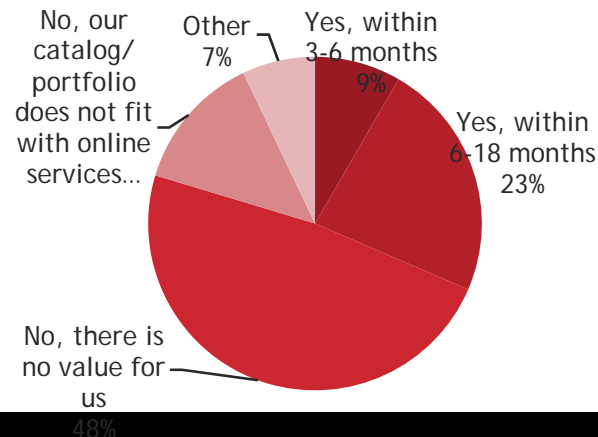
Breakdown of companies that support transactions



Types of Transaction support available on website



Future plans to launch online transaction support



N= 600

Source: Pyramid Research

Table of Contents

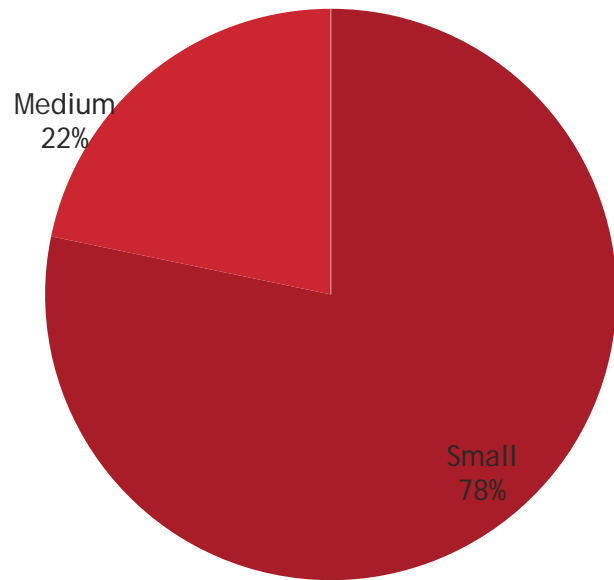
- Executive Summary

- Key Regional Level Findings
 - Adoption of proprietary websites
 - Internet/IT Sophistication of SMBs
 - Online Advertising Trends

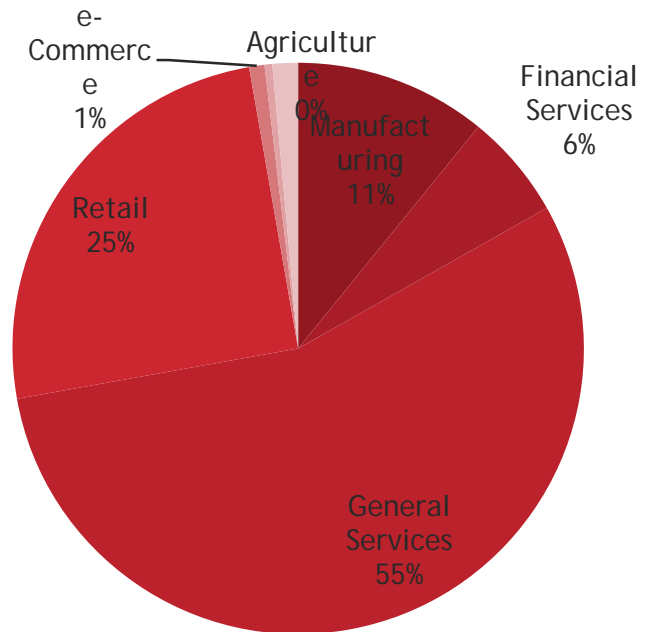
- Country-Level Analysis
 - Argentina
 - Brazil
 - Chile
 - Colombia
 - Mexico

Pyramid Research conducted 690 interviews in Colombia. An important proportion of interviewees fall in manufacturing and general services industries

Breakdown of Interviewees, by size



Breakdown of Interviewees, by type of company

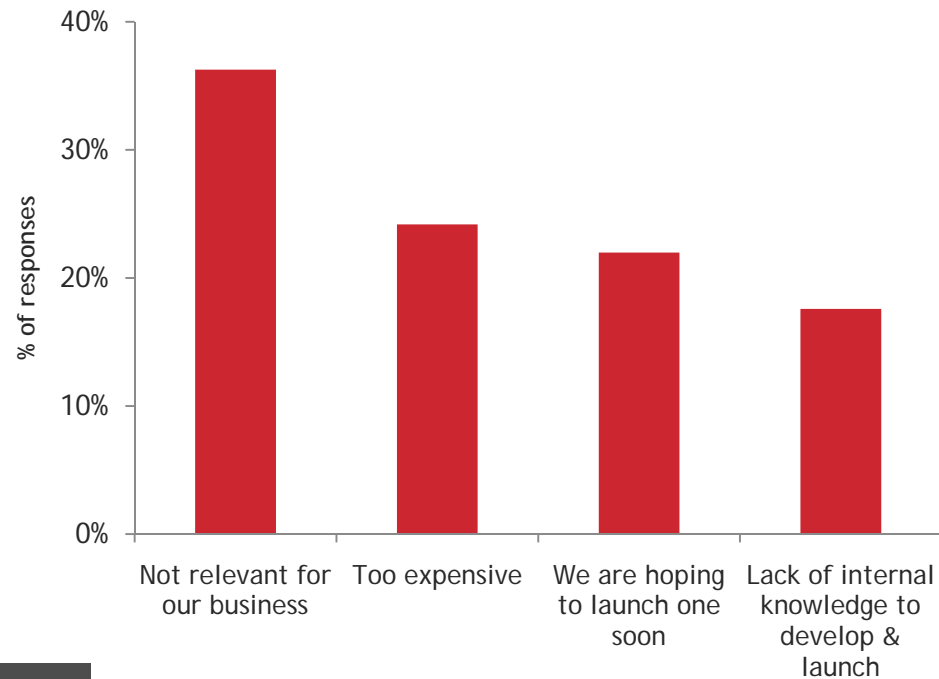


N= 690

Source: Pyramid Research

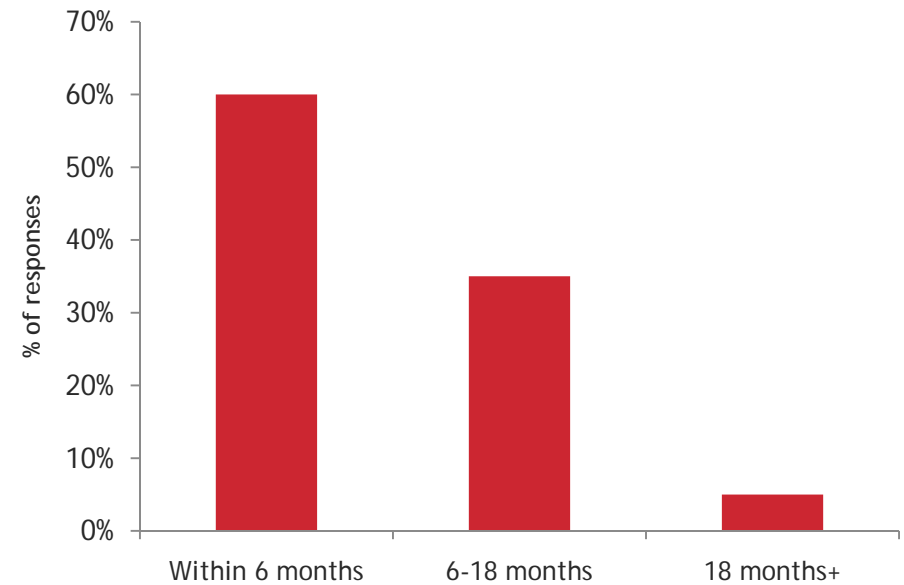
Among Colombian SMBs without a website, 22% stated they are planning to launch a site soon, 60% of these SMBs do plan to set up their website in the next 6 months

Reasons for Not having a website



N= 90

Looking ahead, the plan for launching a site

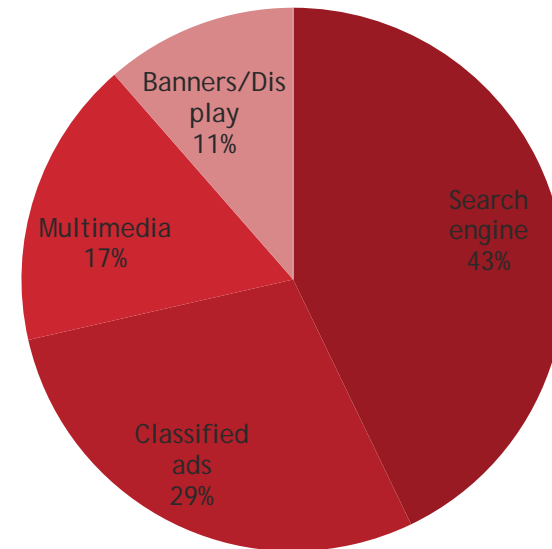
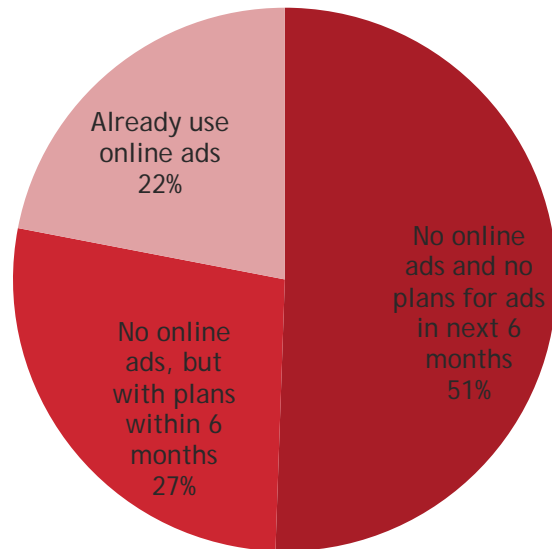


Source: Pyramid Research

Colombian SMBs without a website show interest in online advertising; for those that currently use this media search engines are the most popular tool

Those without a website, Use of Online Advertising

For those that use Online Ads, what type

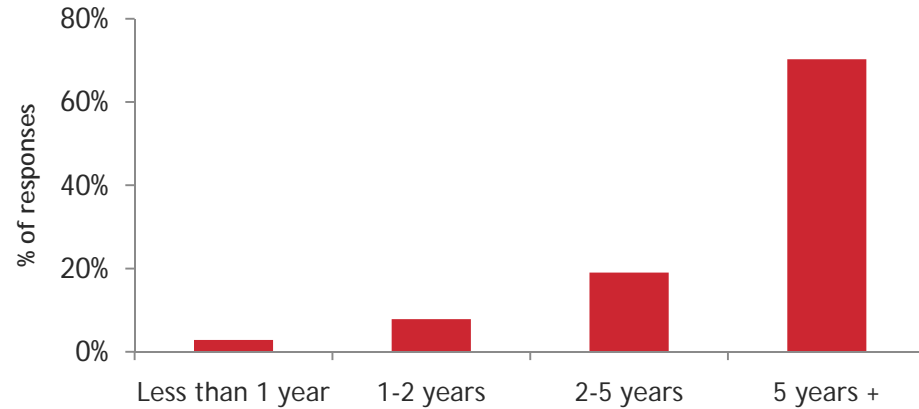


N= 90

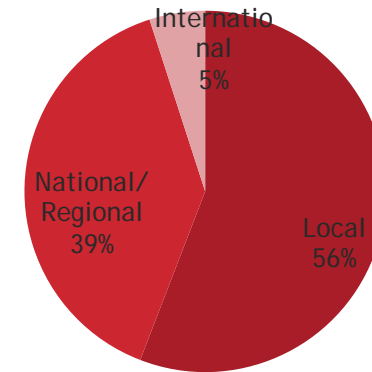
Source: Pyramid Research

Of the Colombian SMBs that currently have a website, most have been in business for more than 5 years, have mostly local customers and are stable or growing steadily.

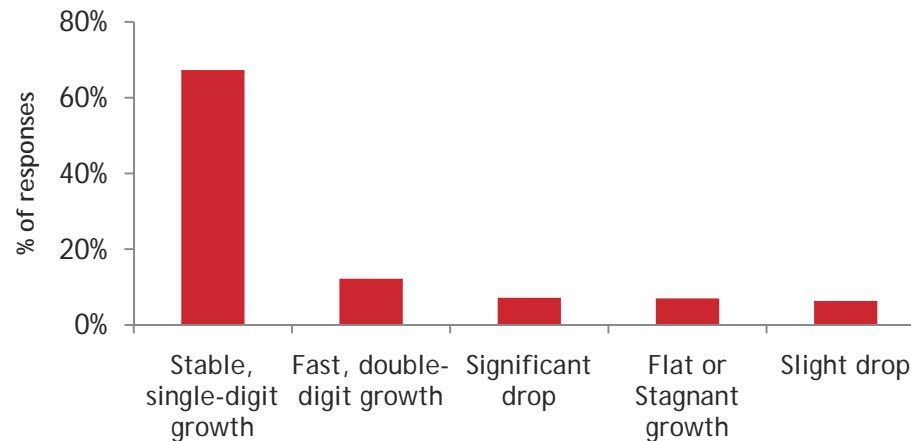
Years in business, companies with a website



Customer geography, companies with a website



Revenue growth, companies with a website

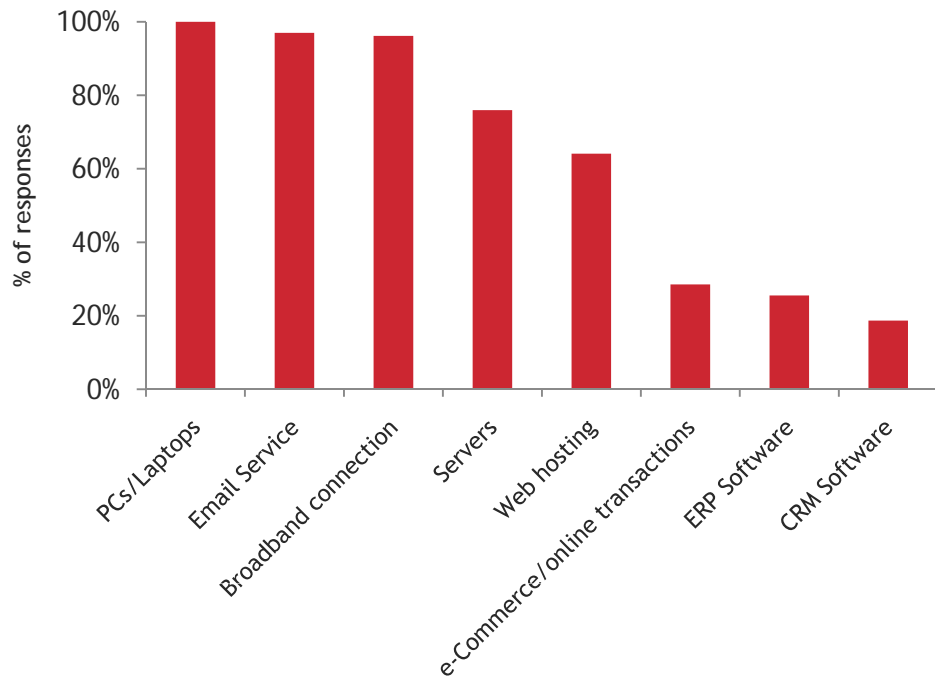


N= 600

Source: Pyramid Research

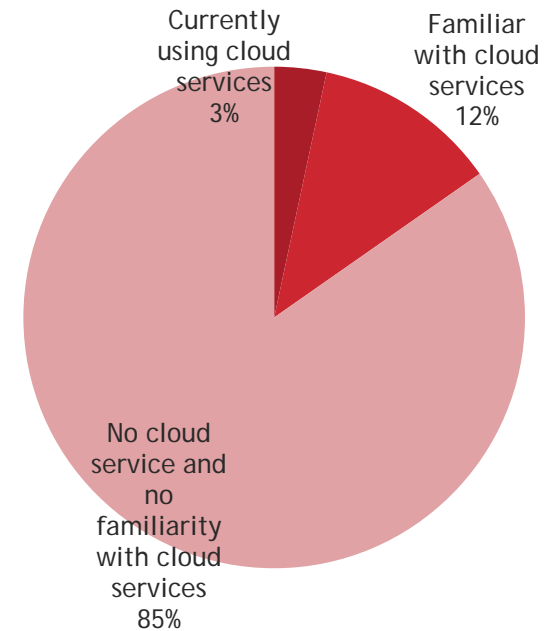
Adoption of IT services is relatively low in Colombia with less than 20% of SMBs claiming to use CRM software; Cloud computing is largely unknown

Adoption of Internet Services, Companies with a website



N= 600

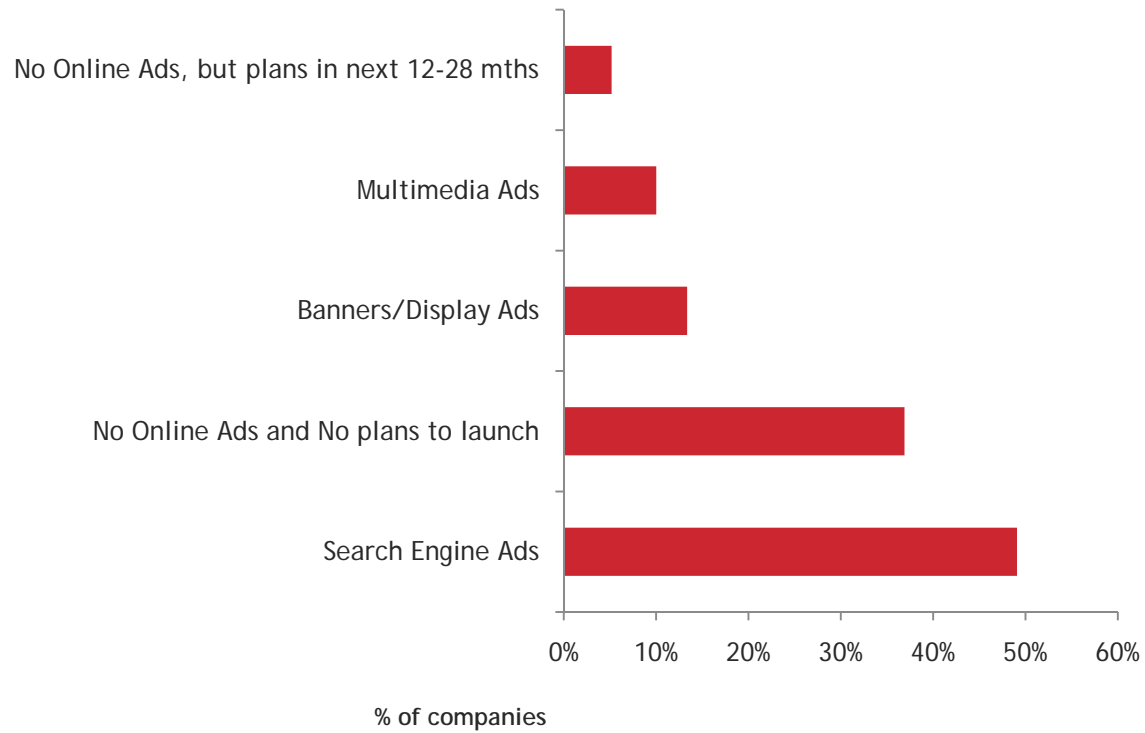
Adoption of Cloud Computing Services, Companies with a website



Source: Pyramid Research

Roughly half of Colombian SMBs with a website use some form of online advertising, mainly Search engines and banner ads.

Adoption of Online Advertising Services, Companies with a website

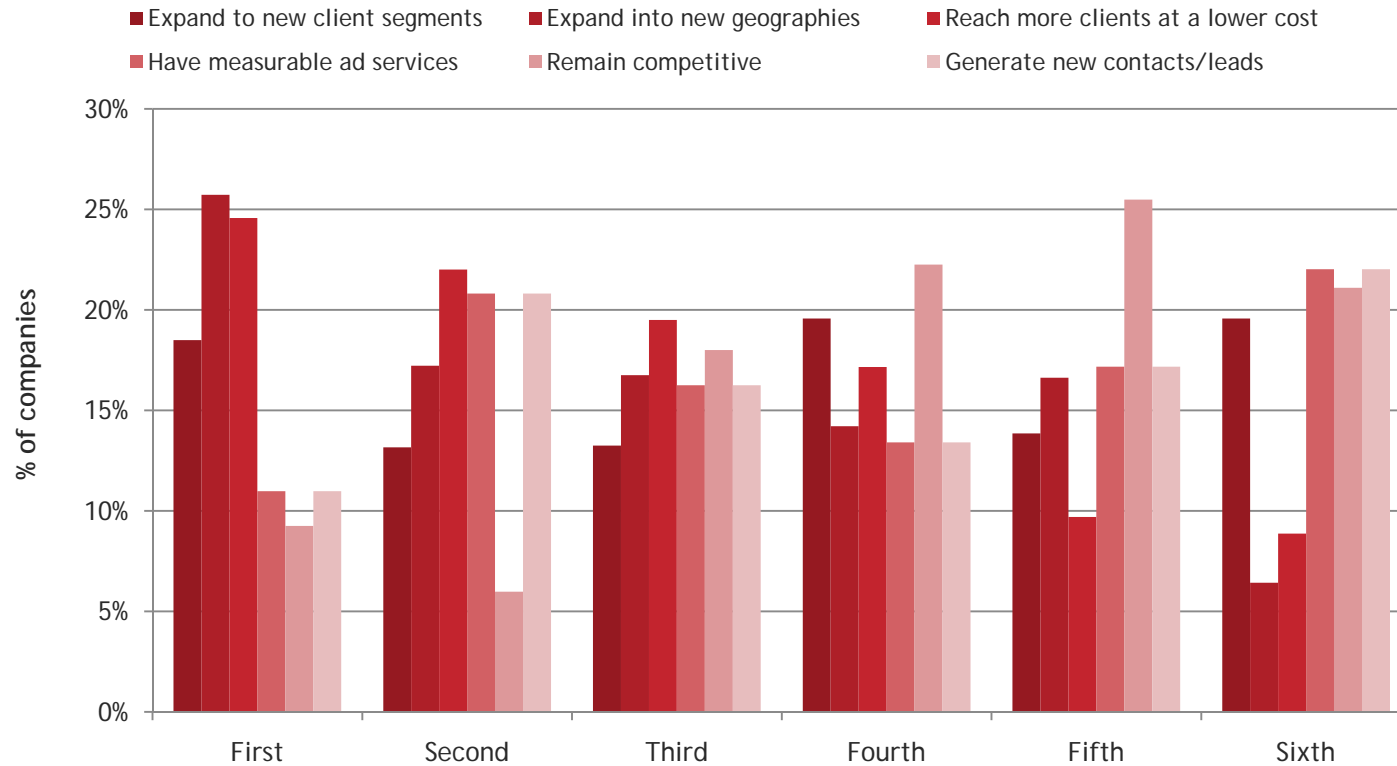


N= 600

Source: Pyramid Research

Most companies use online advertising to generate more leads and expand into new client segments and geographies.

Reasons for using Online Advertising,
Companies using online advertising

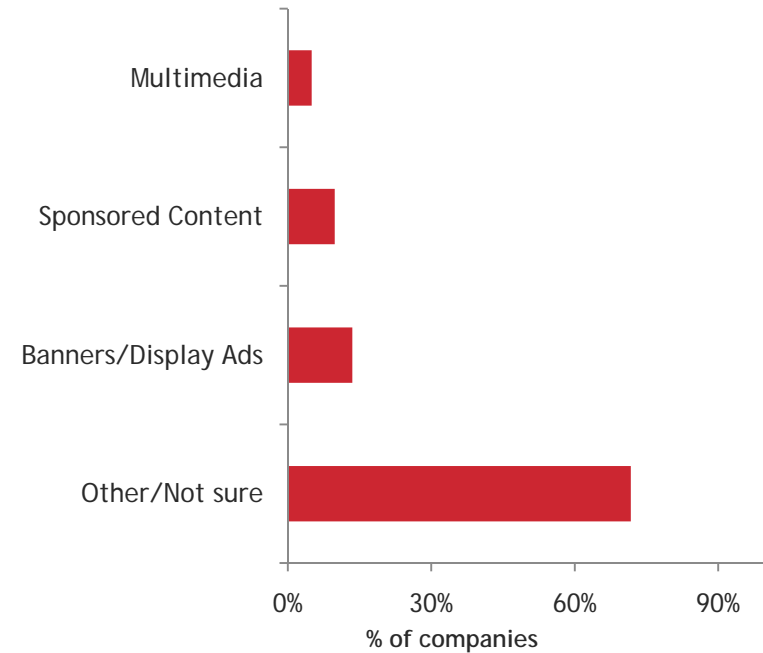
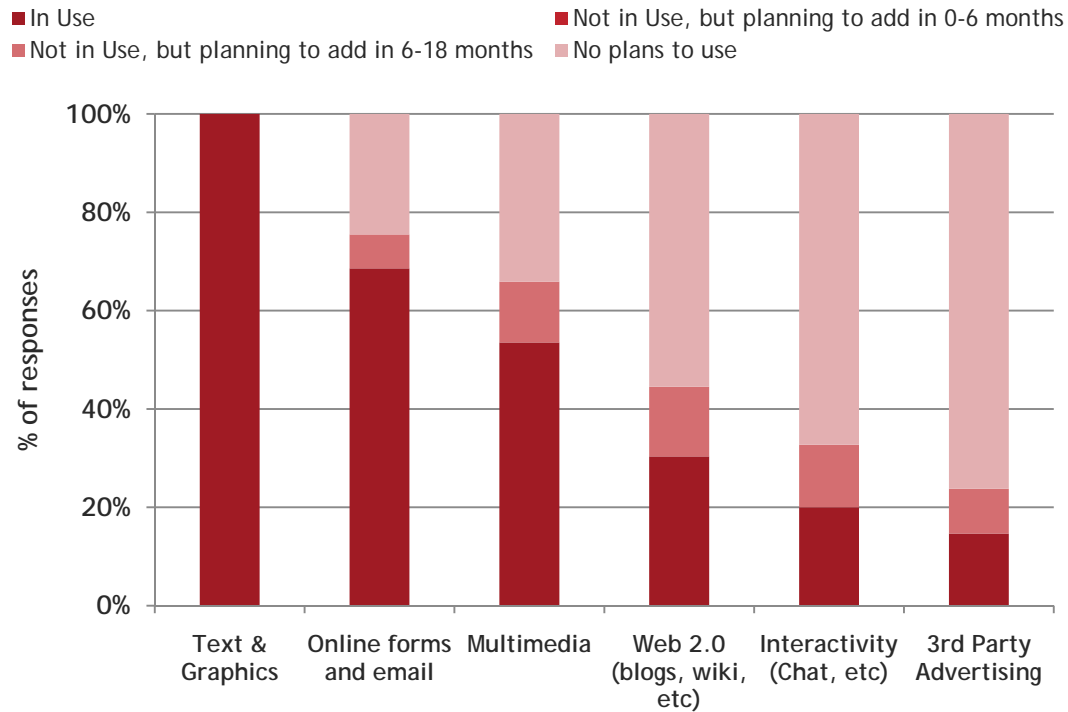


Source: Pyramid Research

In terms of website components, most SMBs rely on basic text and graphs with less than 20% enabling some sort of interactivity; 13% of the sample stated their websites support third-party advertisements, mainly banners

Website components in Use

Types of Third-party advertising permitted

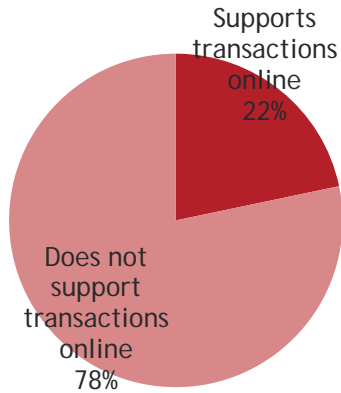


N= 600

Source: Pyramid Research

23% of Colombian SMBs claim to support online transactions on their website; 13% support sending invoices

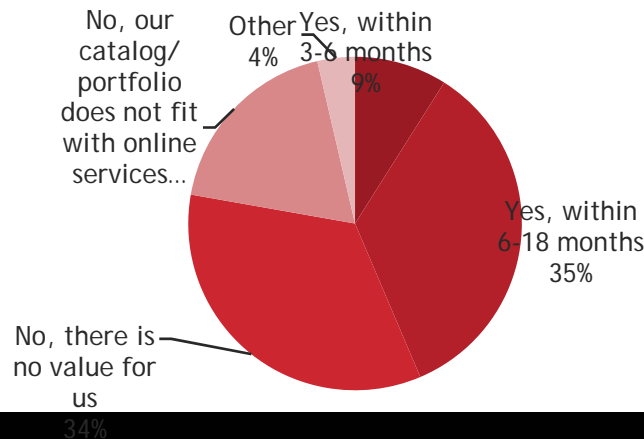
Breakdown of companies that support transactions



Types of Transaction support available on website



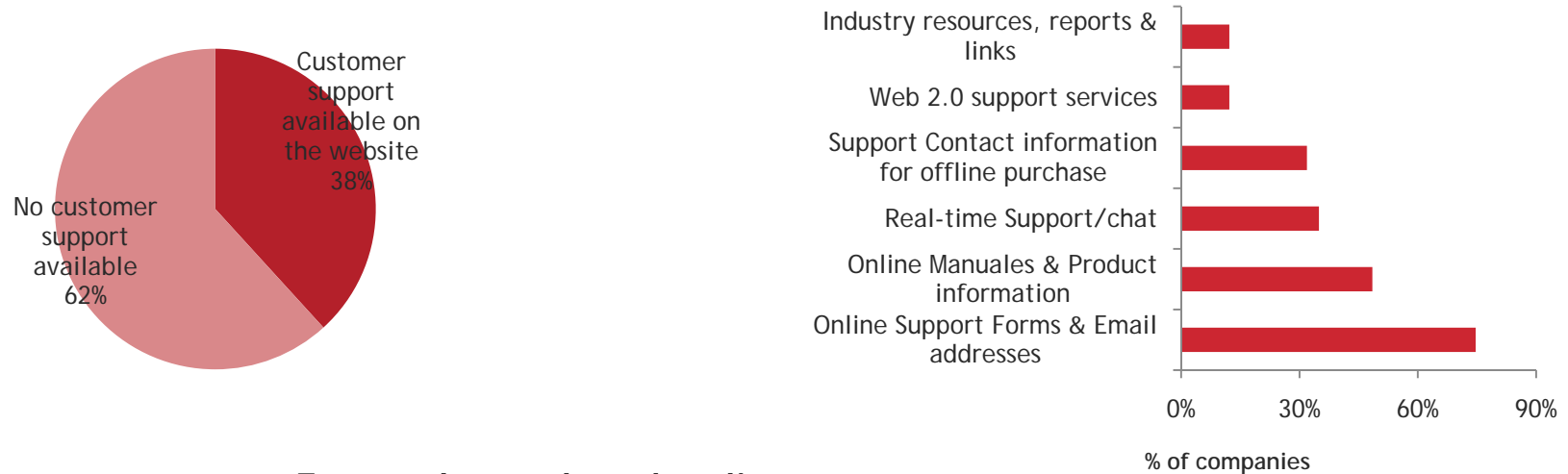
Future plans to launch online transaction support



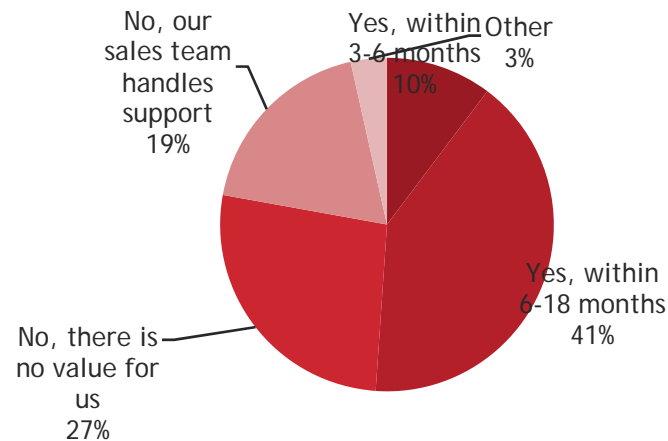
Source: Pyramid Research

Half of Colombian SMBs websites support online customer support mainly online forms and email and online manuals/product info

Breakdown of companies with online customer support Types of Customer support available on website



Future plans to launch online customer support



Source: Pyramid Research

Table of Contents

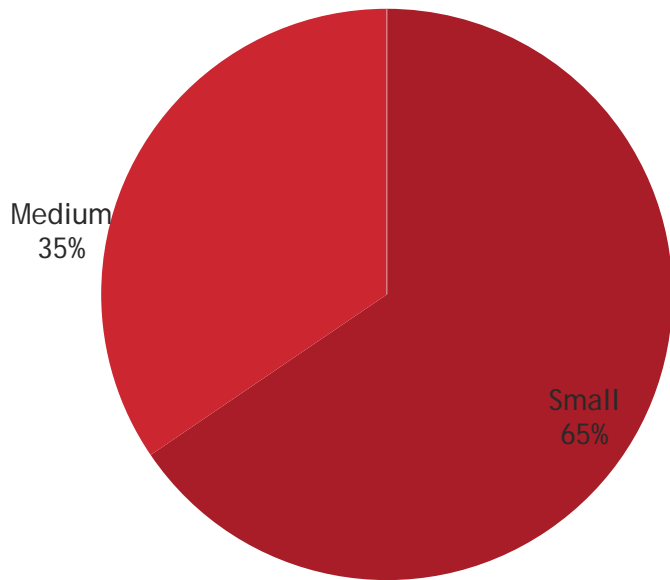
- Executive Summary

- Key Regional Level Findings
 - Adoption of proprietary websites
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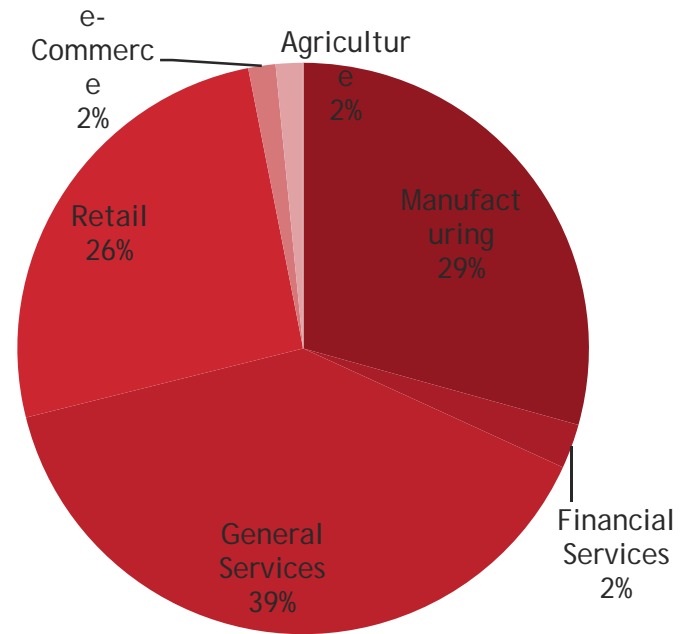
- Country-Level Analysis
 - Argentina
 - Brazil
 - Chile
 - Colombia
 - Mexico

Pyramid Research conducted over 700 interviews of Mexican SMBs evenly divided between size and industries

Breakdown of Interviewees, by size



Breakdown of Interviewees, by type of company

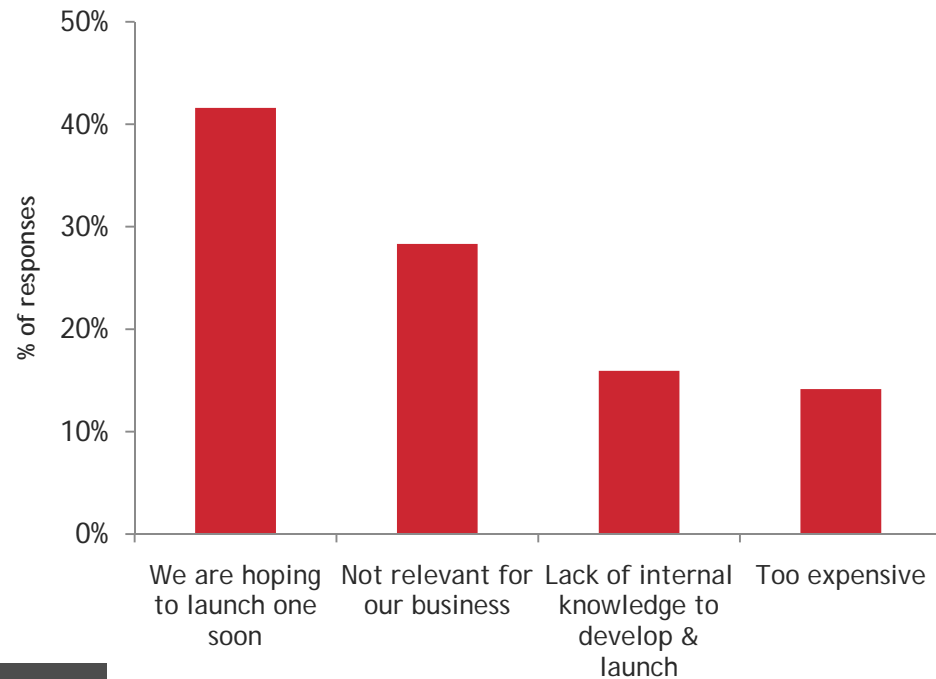


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Source: Pyramid Research

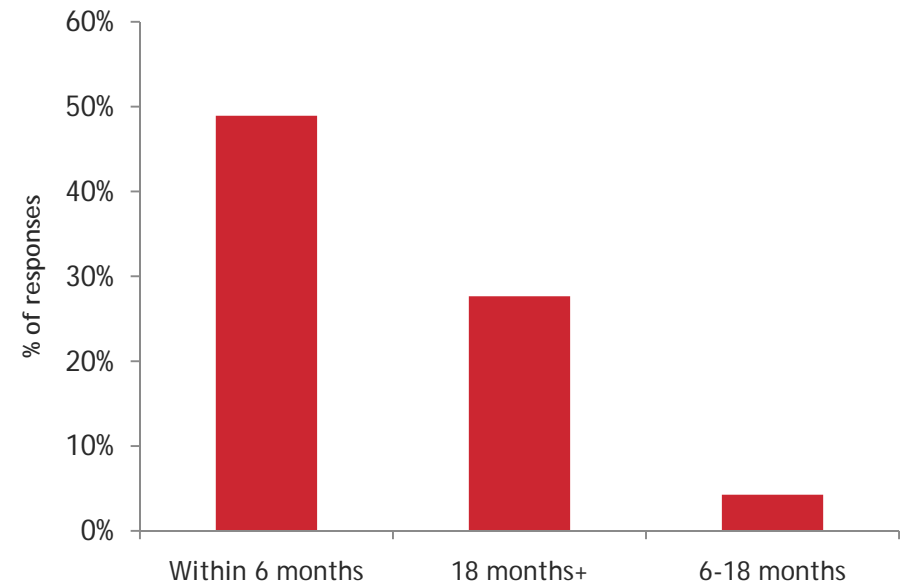
Among Mexican SMBs interviewed, 42% of those without a website are planning to deploy an online presence soon; roughly 50% of these SMBs do have plans to launch a website shortly

Reasons for Not having a website



N= 113

Looking ahead, the plan for launching a site

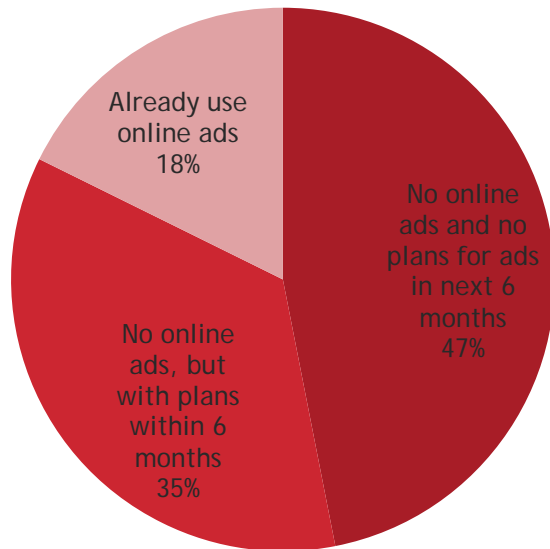


Source: Pyramid Research

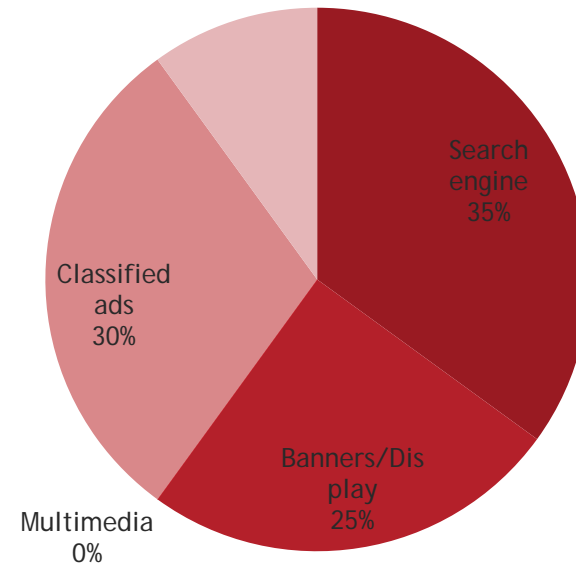
Of the Mexican SMBs without a website, 18% already use online advertising and up to 35% are interested in starting to use the service soon

Those without a website, Use of Online Advertising

For those that use Online Ads, what type



N= 113



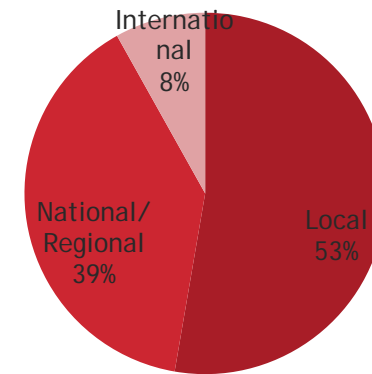
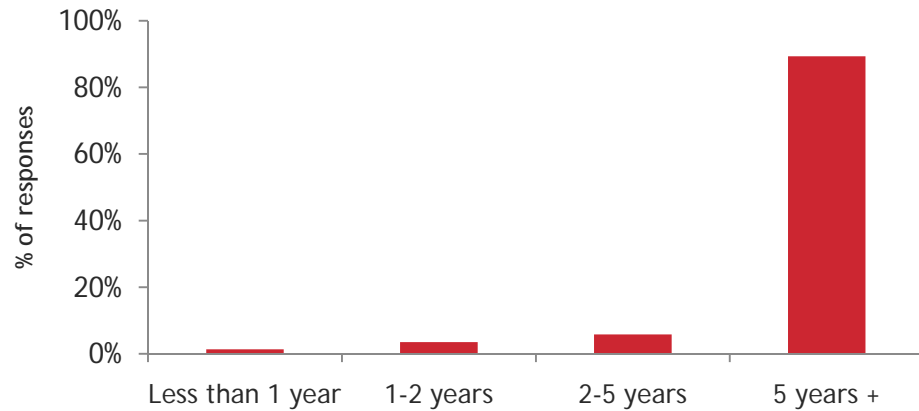
Source: Pyramid Research

Of the 600 Mexican SMBs with a website that were interviewed by Pyramid most have been in business for over 5 years, have a balanced mix of local, national and international customers

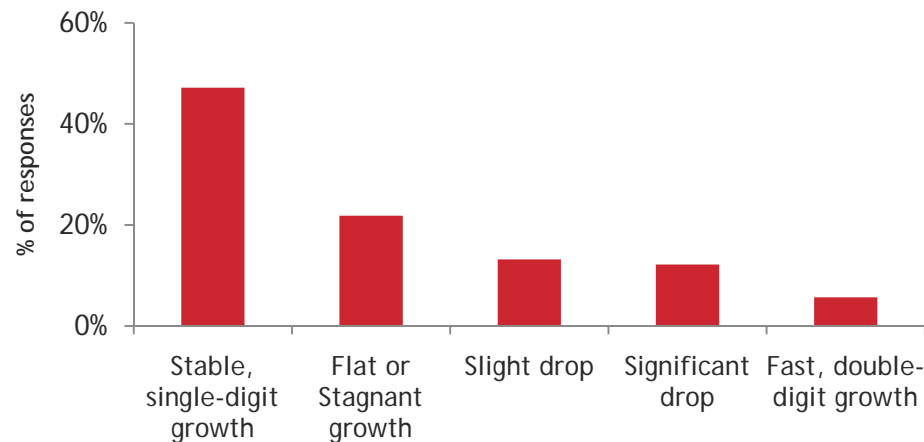
Years in business, companies with a website

N= 600

Customer geography, companies with a website



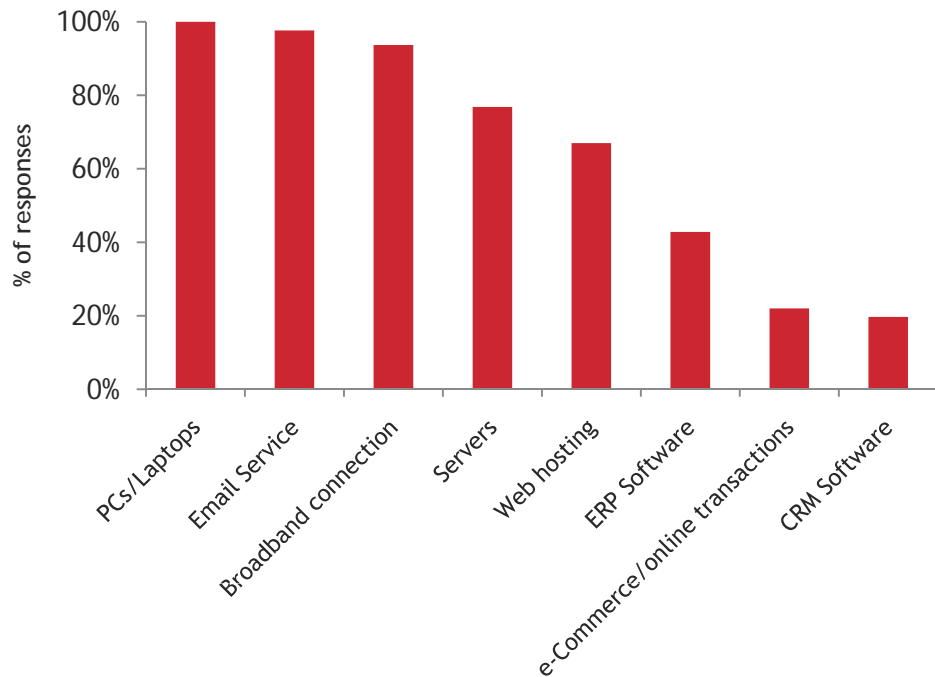
Revenue growth, companies with a website



Source: Pyramid Research

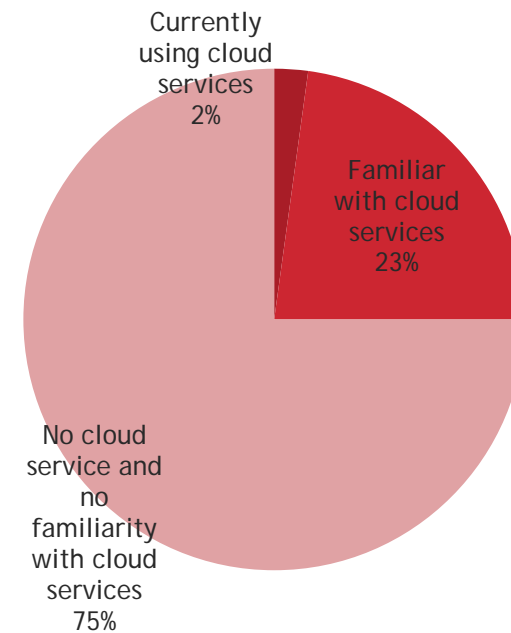
Mexican SMBs interviewed showed an average level of adoption of IT services with 20% claiming to use CRM systems; 23% of the sample is familiar with the concept of cloud computing but adoption is very limited

Adoption of Internet Services, Companies with a website



N= 600

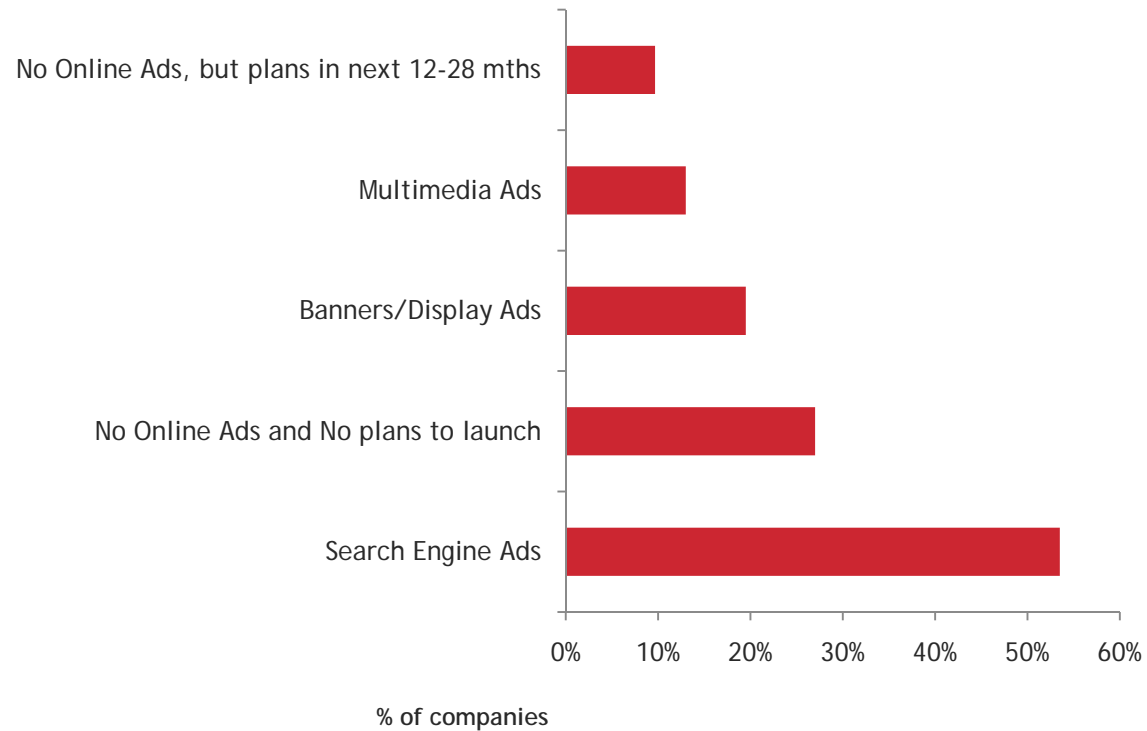
Adoption of Cloud Computing Services, Companies with a website



Source: Pyramid Research

Half of Mexican SMBs with a website rely on search engines as their main online advertising channel

Adoption of Online Advertising Services, Companies with a website

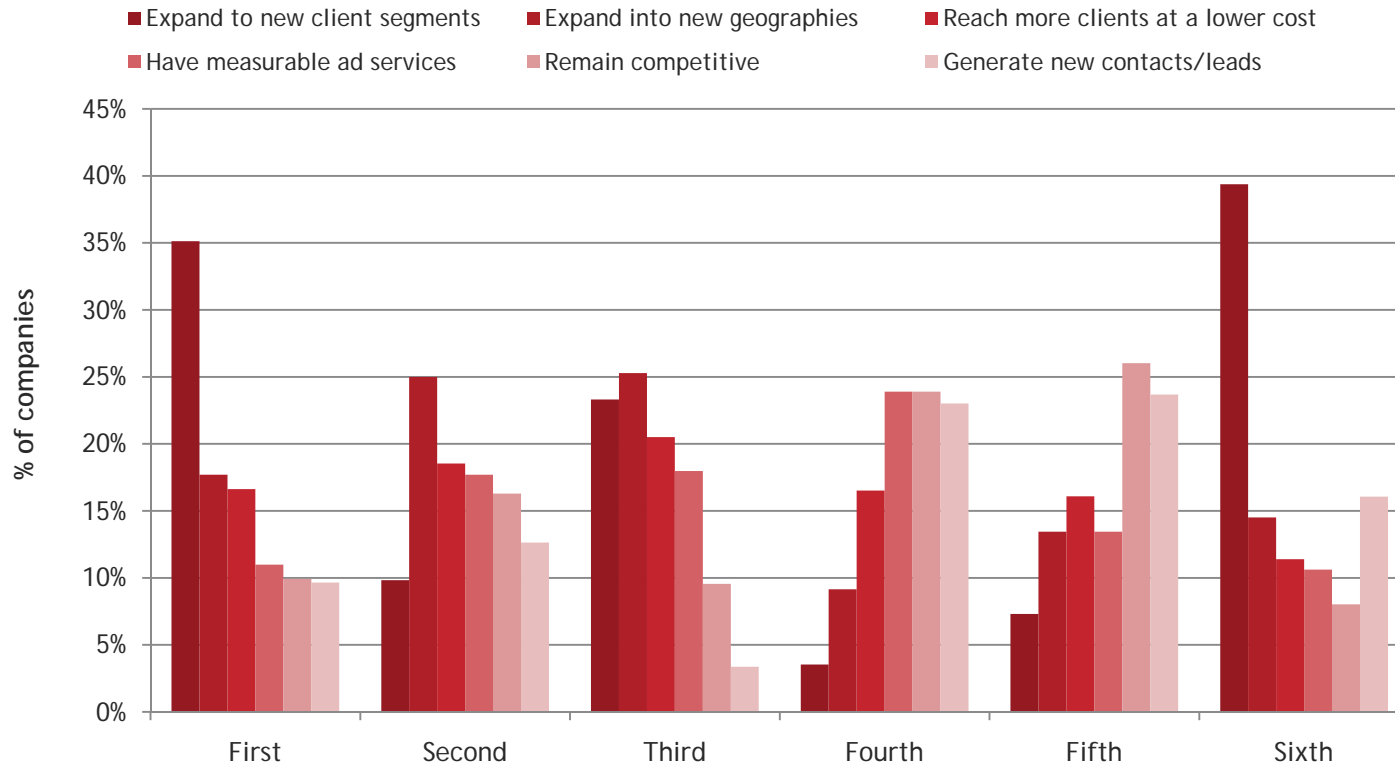


N= 600

Source: Pyramid Research

Most SMBs use online advertising to generate more leads and expand into new client segments and geographies

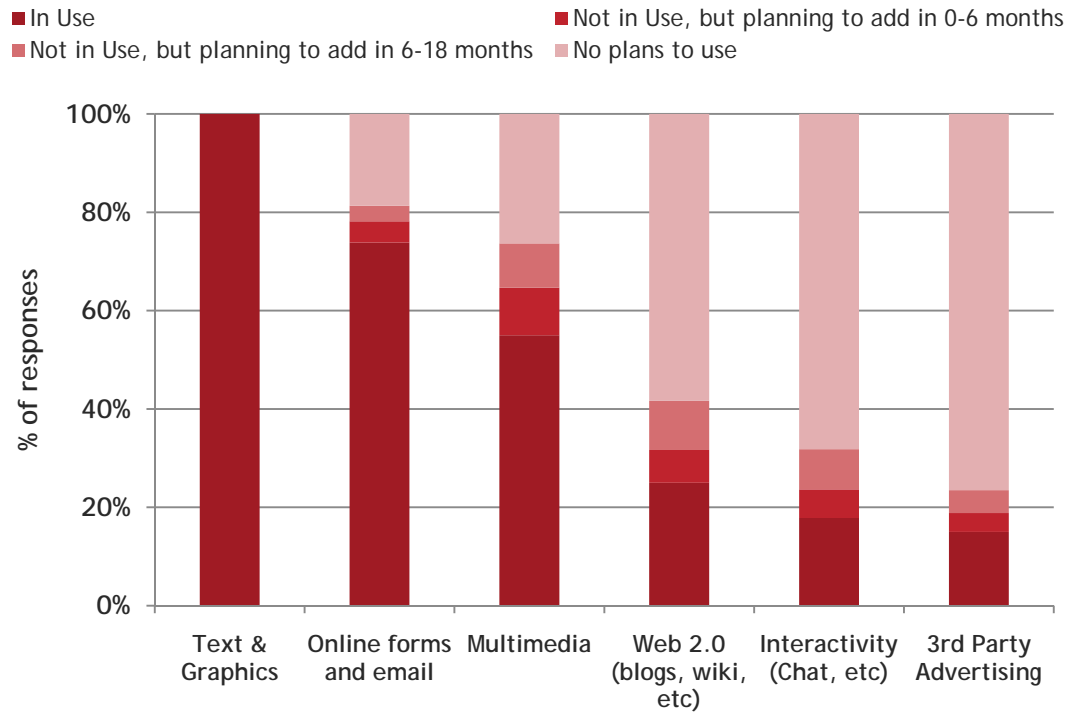
Reasons for using Online Advertising,
Companies using online advertising



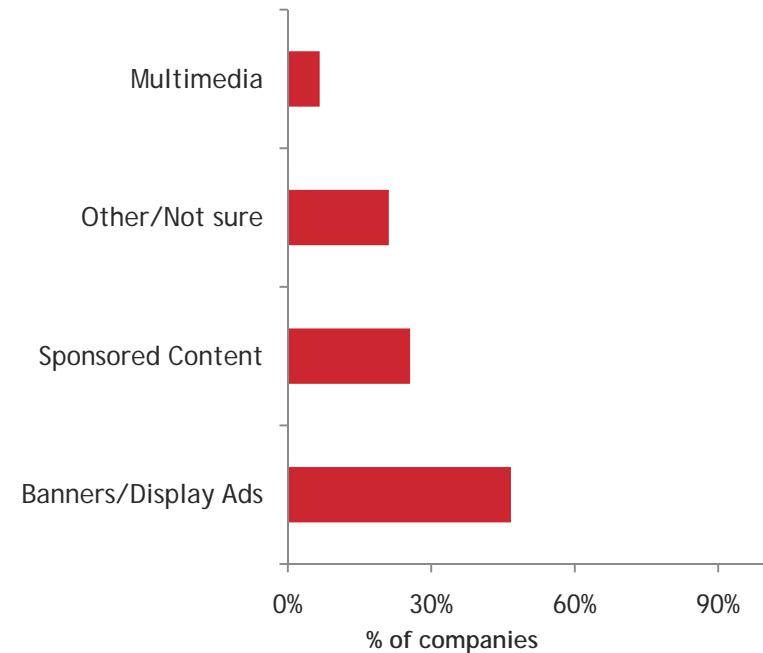
Source: Pyramid Research

In terms of website components, graphics and text as well as online forums are widely used by Mexican SMBs. Third-party advertising has not taken off significantly and those that do support the services use mostly banners

Website components in Use



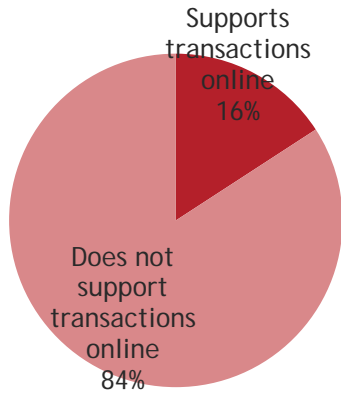
Types of Third-party advertising permitted



Source: Pyramid Research

While only 16% of Mexican SMBs interviewed support online transactions on their website, 21% offer the ability to place orders directly on the website with only 2% enable online payments, this is the lowest proportion among countries analyzed

Breakdown of companies that support transactions

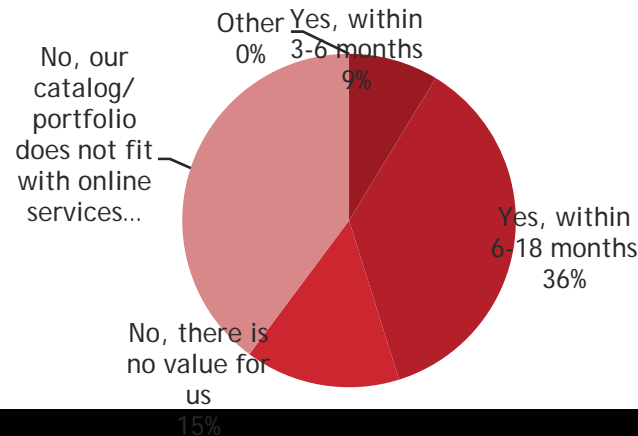


N= 600

Types of Transaction support available on website



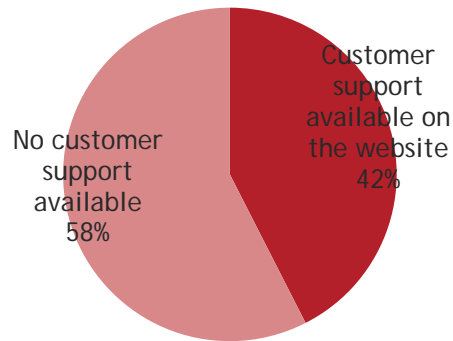
Future plans to launch online transaction support



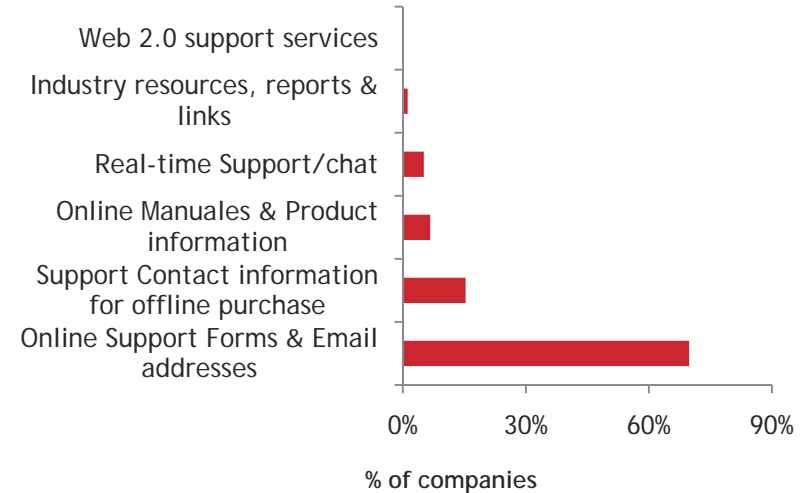
Source: Pyramid Research

Around 40% of Mexican SMBs have online support, with the majority of the service being online forms and email and contact information. For those without customer service online, most entrust customer support to sales reps only.

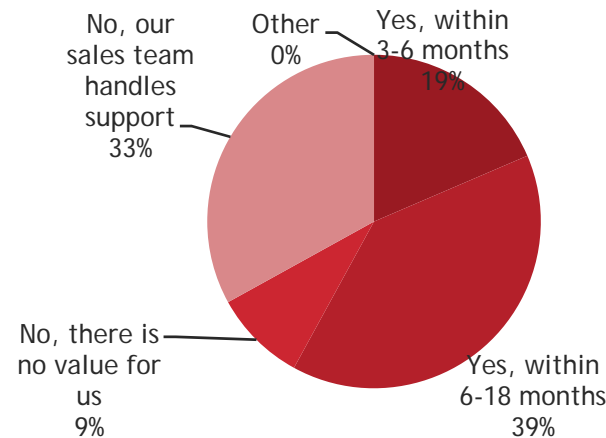
Breakdown of companies with online customer support Types of Customer support available on website



N= 600



Future plans to launch online customer support



Source: Pyramid Research

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