



TOGETHER
for a sustainable future

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22527



latin american newsletters
conferences



the internet in latin america: investigating the boom

*11 and 12 October 2000
The Conference Forum, London E1 8DX, England*

performances of b2c companies in latam

paper presented by:

christophe bénichou
partner, mckinsey

ePERFORMANCE

@ McKinsey

The Performances of
B2C Companies in
Latin America

LAN Conference, London

October 11-12, 2000

ePERFORMANCE @ McKinsey

Agenda

Introducing ePerformance

Learnings from the Spring 2000 Round

The challenge ahead

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Introducing ePerformance

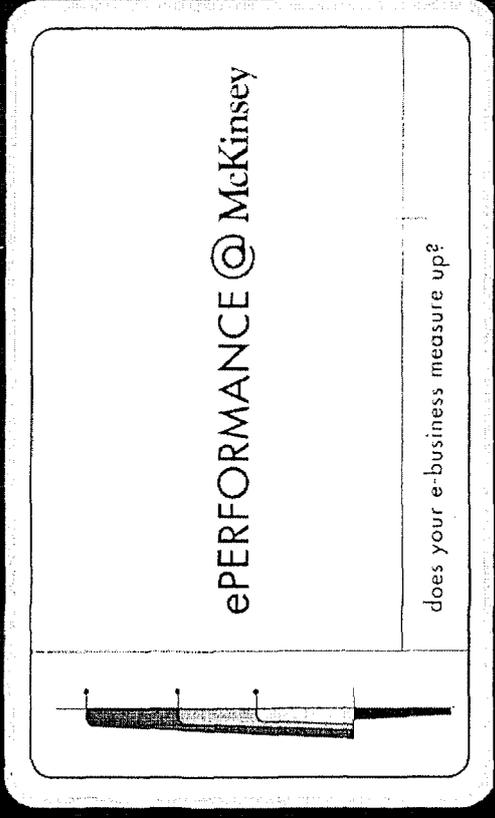
Learnings from the Spring 2000 Round

The challenge ahead

Many Questions... Few Answers...

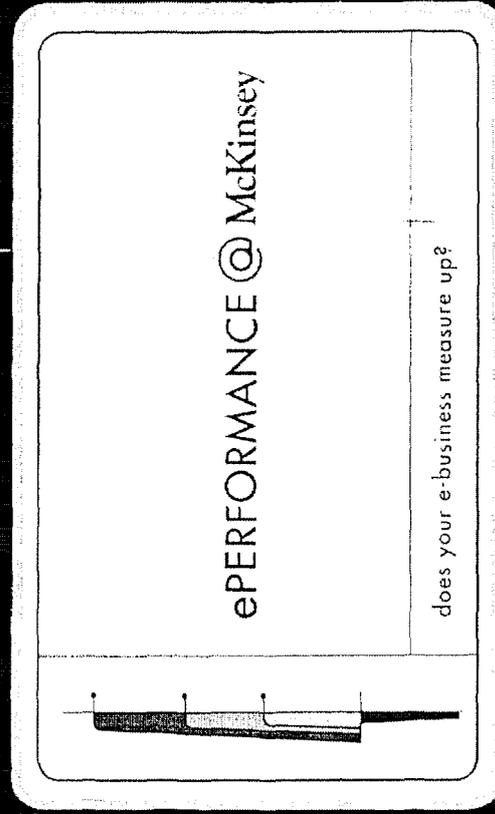
- ① What metrics should I use to gauge my company's performance?
- ② How much do I need to invest over the next 6 months to double my visitor base?
- ③ What are realistic targets for my online business?
- ④ How can I demonstrate to my investors that my business is "on track"?
- ⑤ Am I developing my business at rates that allow me to maintain leadership?
- ⑥ How can I cut through the information clutter and get reliable performance metrics?

ePerformance Value Proposition



- @ Establish the industry standard to measure performance
- @ Provide tools and advice to identify and address performance gaps
- @ Facilitate sharing of learnings and best practices

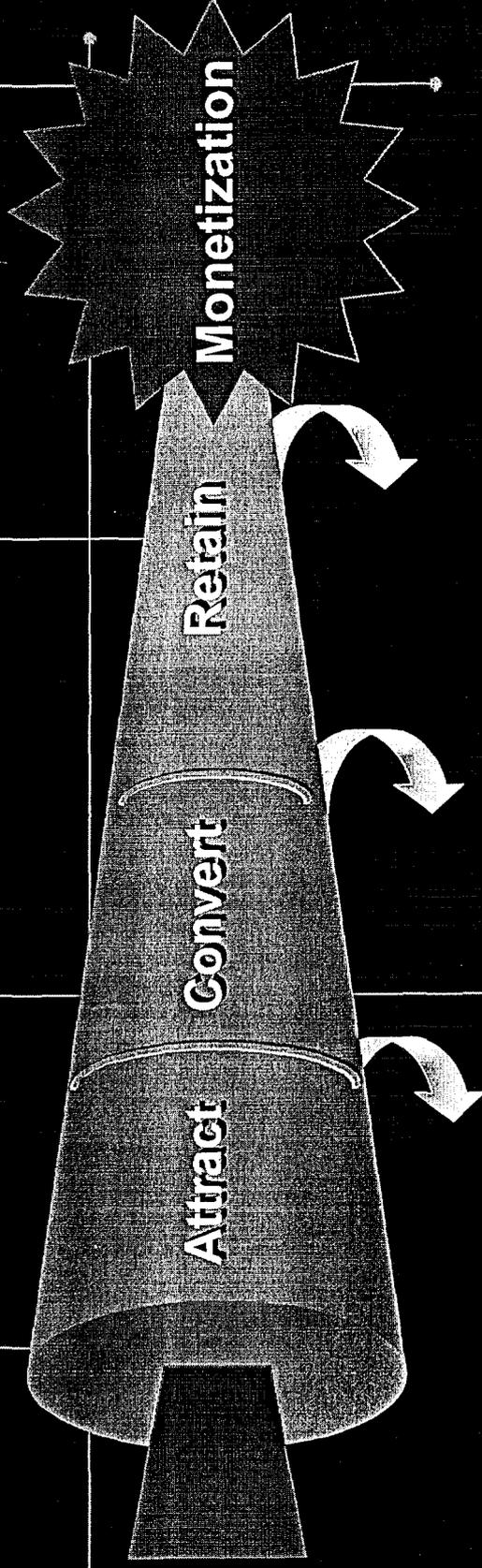
ePerformance Value Proposition



"... ePerformance is the Dow Jones of the Internet."

– Bjorn Larsson,
Vice President New Media,
Bonnier Group

The ePerformance Value Funnel



Examples @ Visitor growth @ Visitor acquisition cost @ Conversion rate @ Number of transactions @ Revenue per transaction @ Churn rate @ Revenue per repeat customer @ Lifetime value @ Payback period

A Benchmark for Leading Companies



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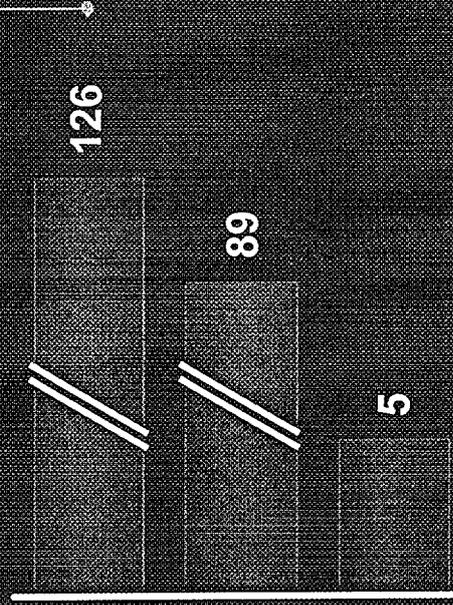
The challenge ahead

Key Findings

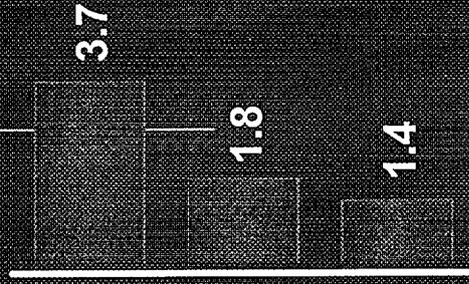
- ② Latin American Internet market is nascent and yet has to transform the economic landscape of the region
- ② Incumbents maintain unusual dominant position in the region, with strong performance metrics. However they have limited their focus on replicating foreign successful models
- ② Overall the performance of Latin American companies is significantly behind that of other regions due to intrinsic limitations of the marketplace and the current stage of ecommerce development

Nascent e-Market in Latin America

Number of Internet companies with publicly traded stocks



Average time on-line years*



North America



Europe

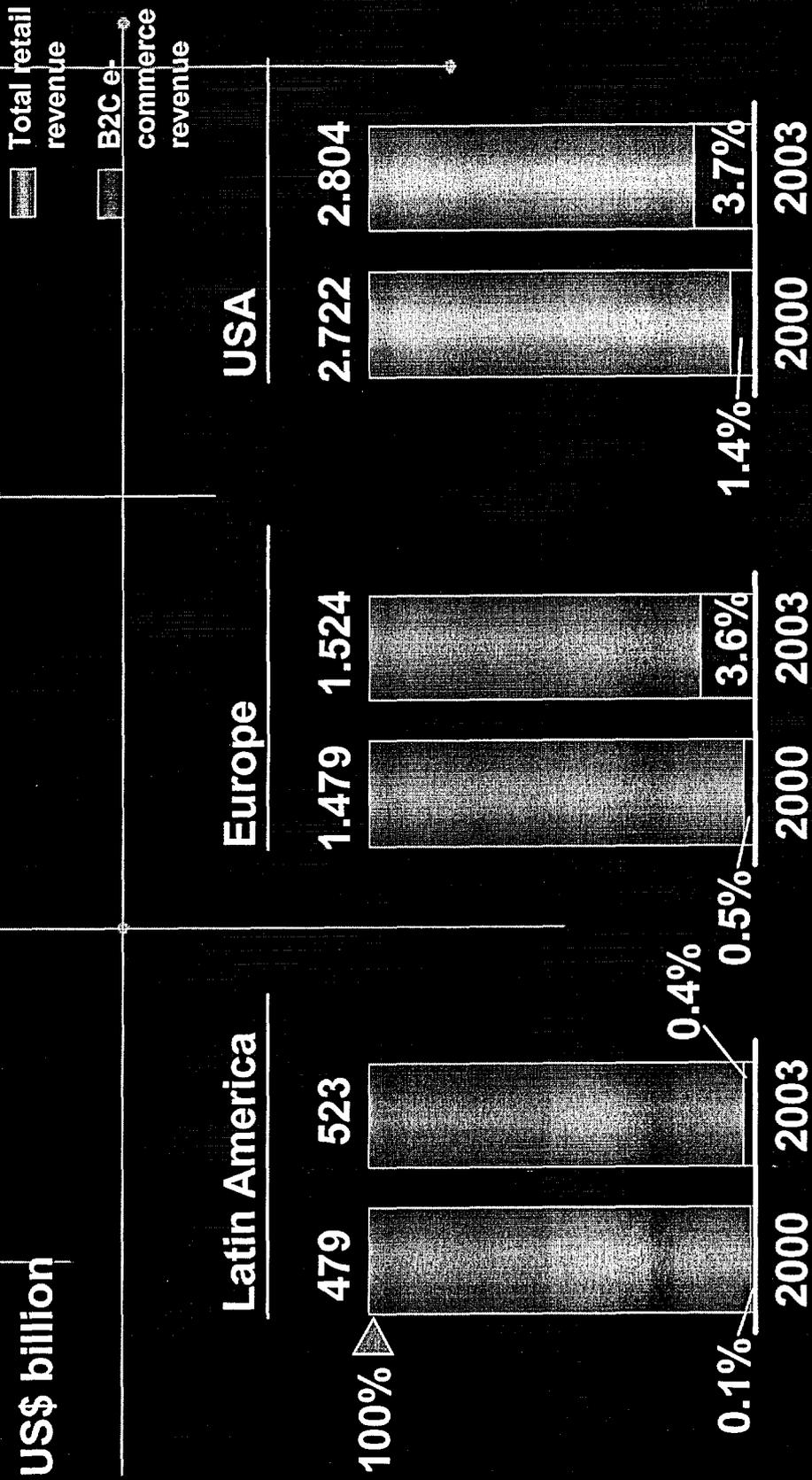


Latin America



* As of 12/31/99

E-commerce Marginal Penetration of Latin America vs. Rest of the World



* Assuming same proportion of GDP for total retail revenue as in the US

Source : Euromonitor, Consumer Latin America, eMarketer, ePerformance team

Key Findings

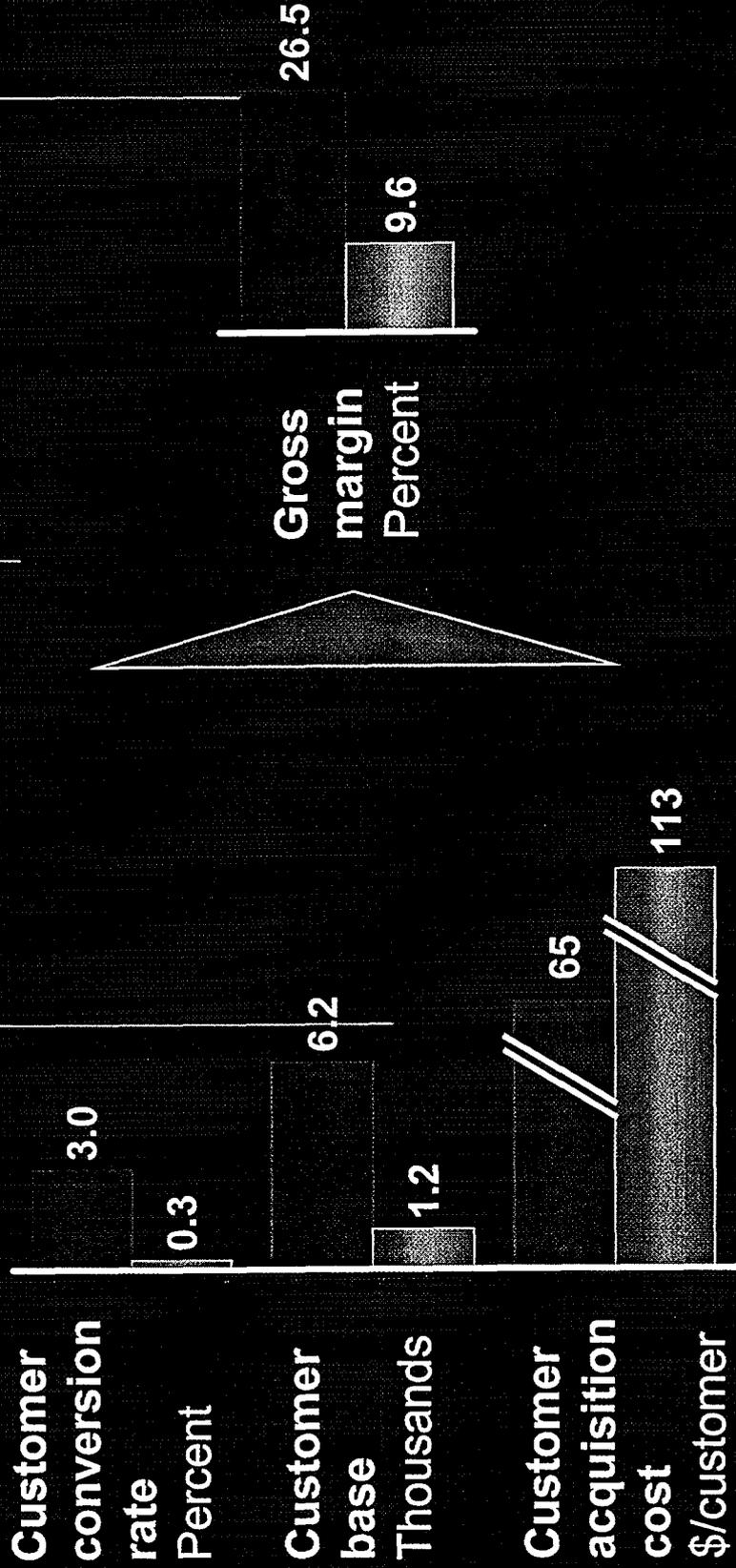
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Incumbent Transaction Aggregators in Latin America Show Superior Performance

Incumbents
Attackers



Market is Dominated by Incumbent and Established Investors...

Major* players in L.A. Market

Company	Multichannel Access	Source of Capital
Content Aggregators @ UOL @ Terra @ BOL @ Globo @ StarMedia @ El Sitio	Yes No No Yes No No	@ Group Abril/Folha @ Telefonica Group @ Group Abril/Folha @ Globo Network @ Public @ Public (Impsat/ Group Cisneros)
Transaction Aggregators @ Amélia - Pão de Açúcar @ Americanas @ Submarino @ Siciliano @ Shoptime	Yes Yes No Yes Yes	@ Pão de Açúcar Group @ Americanas @ GP Investments @ Siciliano @ Macau Group

* Based on number of visitors for content aggregators and transaction revenues for transaction aggregators

...Which Are Mainly Replicating Business Models From U.S.

Major L.A. players

Similar operations in U.S.

Content Aggregators



alta vista:



Transaction Aggregators



Key Findings

- @ Latin American Internet market is nascent and yet has to transform the economic landscape of the region
- Incumbents maintain unusual dominant position in the region, with strong performance metrics. However they have limited their focus on replicating foreign successful models

• Overall the performance of Latin American companies is significantly behind that of other regions due to intrinsic limitations of the marketplace and the current stage of e-commerce development

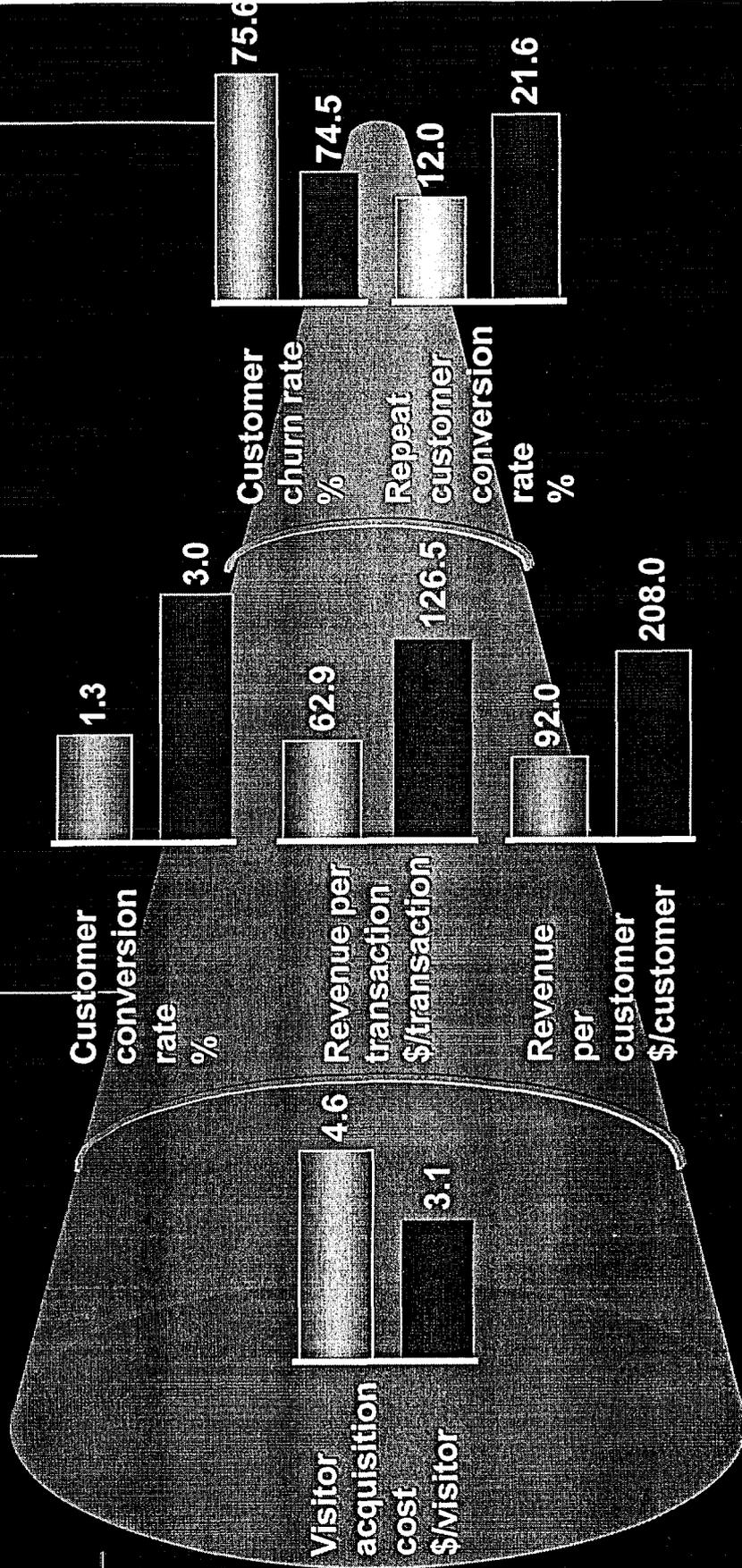
Transaction Aggregators Key Indicators

Latin America
 Rest of the world

Attraction

Conversion

Retention



Source: ePerformance Database 4th Quarter of 99 monthly averages; client interviews

Key Performance Drivers Along the Value Funnel

Percent

Targeting messages

North America
Europe
Latin America

100 100 100

Website performance

Fulfillment performance

4.16

1.35

2.44 2.16

0.53 0.14

Visitors

Customers

Repeat customers

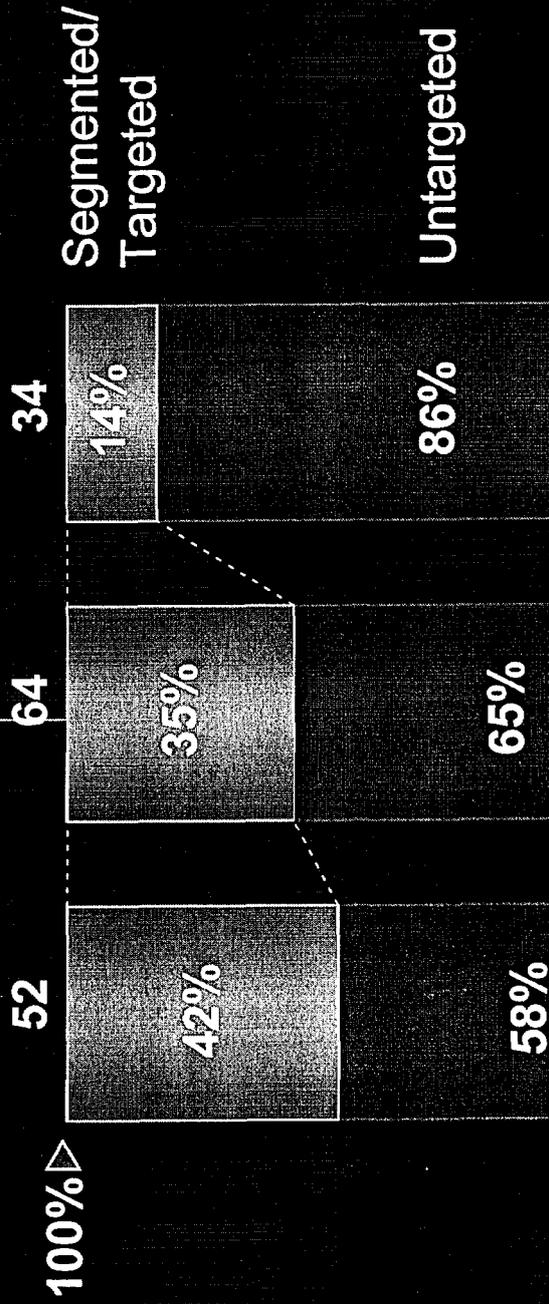
Source : ePerformance analysis

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Latin America Relying on a Mass Communication Approach

Marketing communications approach

Number of companies

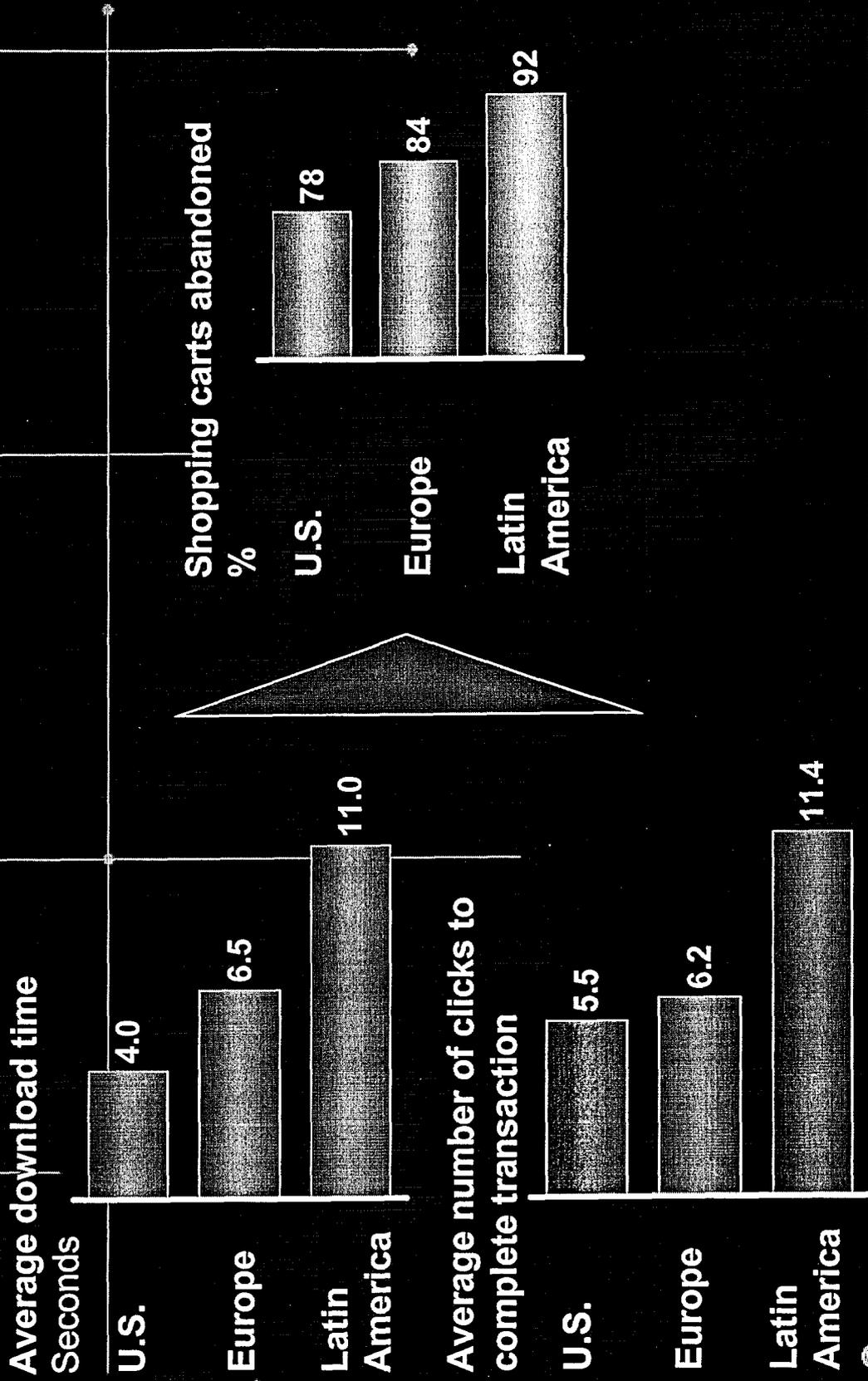


U.S. Europe Latin America

Source : ePerformance 2nd round database

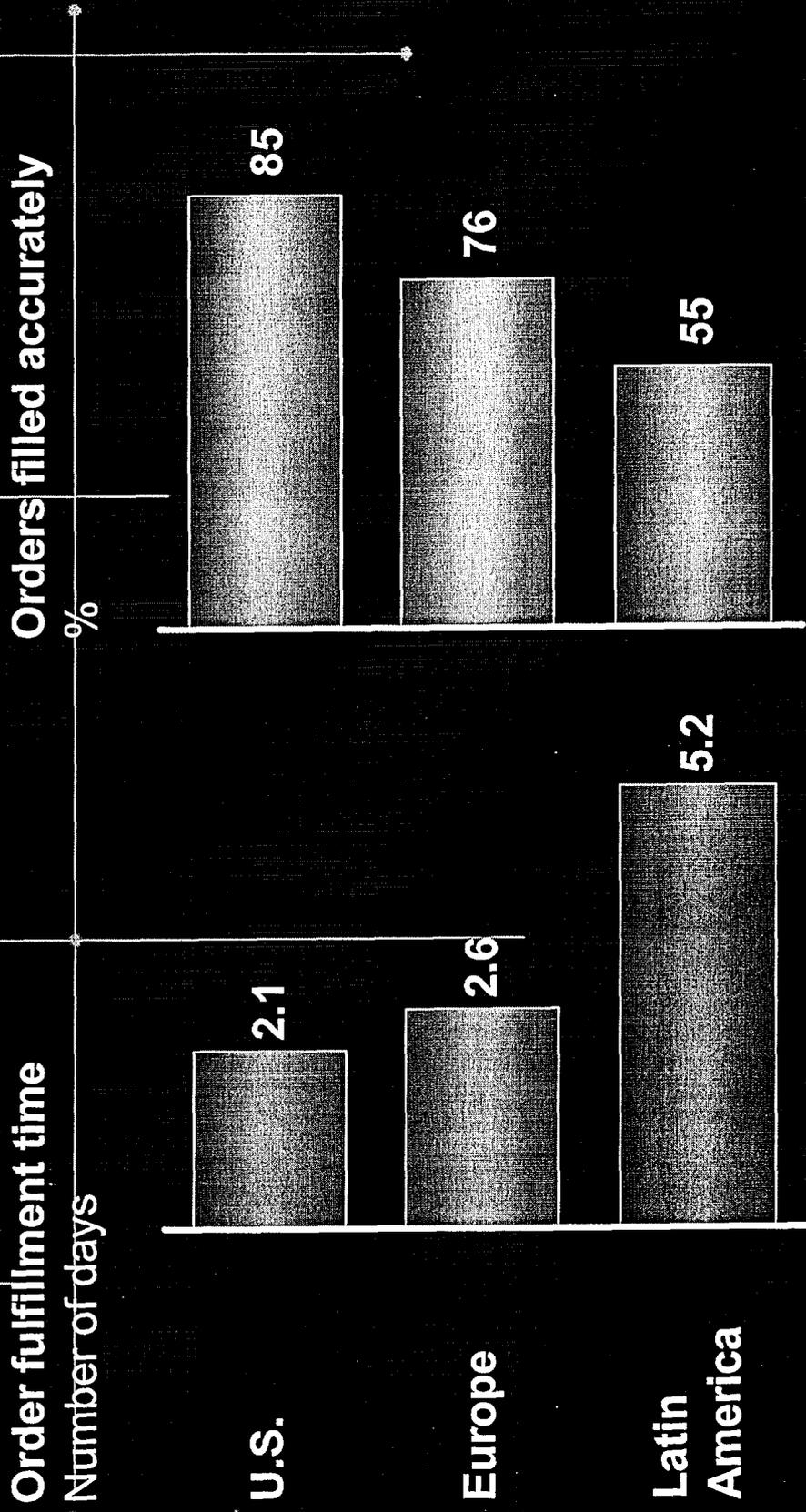
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Poor Website Performance Hindering e-Commerce Adoption



Source: Datamonitor, Keynotes, ePerformance estimates

Latin America fails to Deliver on the Promise of Convenience



Within Transaction Aggregators Companies are Lagging Behind in all Three Dimensions

Attraction

Higher visitor acquisition costs due to poorer marketing tactics

Conversion

Lower customer conversion rates due to lower level of customer confidence with online services

Retention

Lower repeat customer conversion rates due to the lack of eCRM

While attraction and conversion metrics are clearly influenced by the early stage of development of the market, low retention scores indicate players' inability to develop and implement differentiated customer value propositions

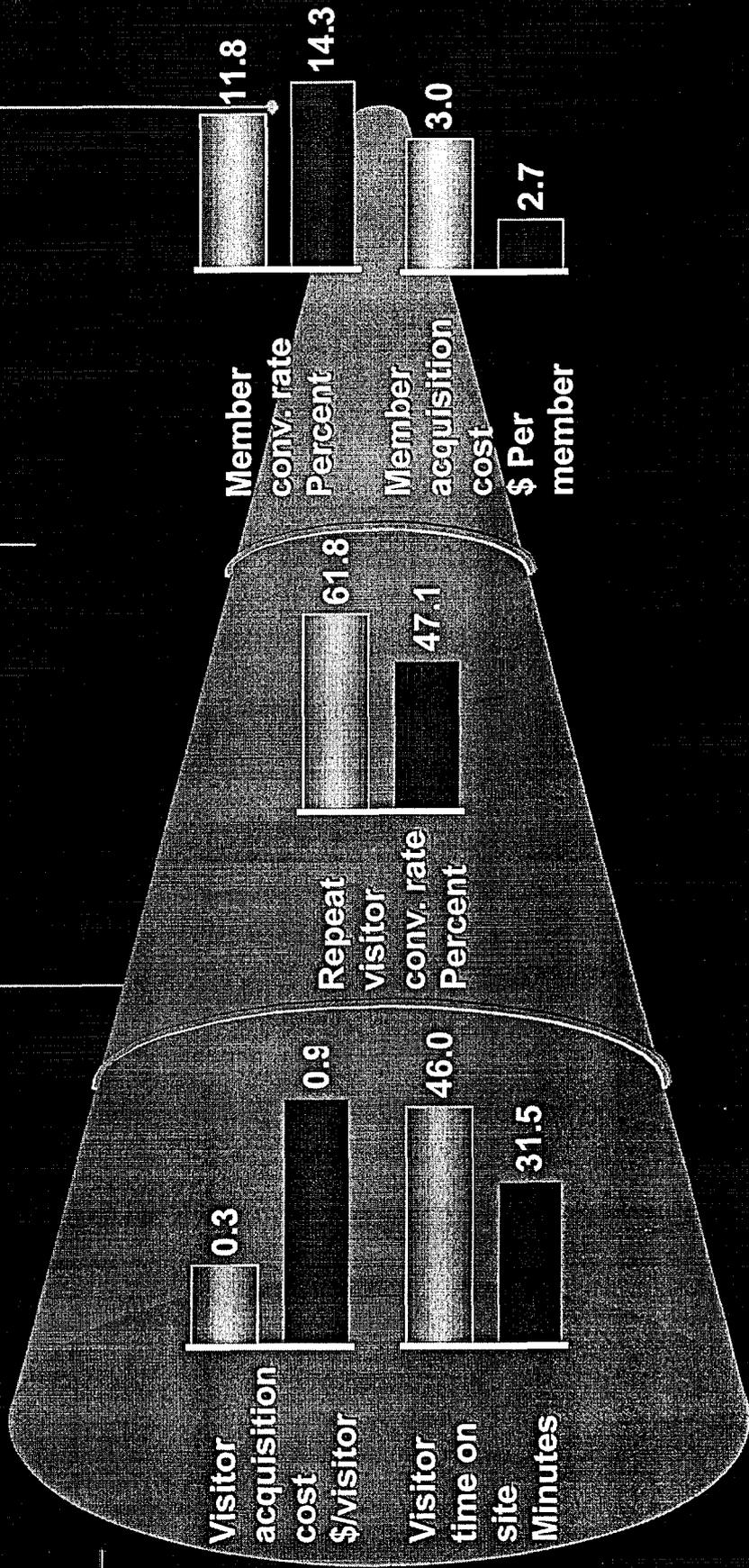
Content Aggregators Key Indicators

Latin America
 Rest of the world

Attraction

Conversion

Retention



Source : ePerformance Database 4th Quarter of 99 monthly averages; client interviews

Within Content Aggregators, Companies are Scoring High in Attraction and Conversion

Attraction and Conversion

Higher visitor time on site and repeat visitor conversion rates due to traffic concentration on few sites

Retention

Lower repeat customer conversion rates due to the lack of eCRM

In attraction and conversion leading players benefit from lower competition, but are still struggling to capture valuable personal information from users

A Winning Formula – Rigorous Innovation

Clarity of objectives, principles and practices

Controlled extension

Disciplined marketing investment

Maximization of technology platform potential

Comprehensive use of customer data

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The Challenge Ahead

- ① How can Latin American players achieve levels of minimum efficient scale as they face structural market limitations? (e.g., lower education levels, purchasing power, internet penetration)
- ② How can Latin American players evolve from the imitation of existing models into new innovative solutions that adapt to region needs and change its competitive landscape?
- ③ What actions should be taken to improve ebusinesses execution capabilities and overcome external infrastructure limitations in order to become a mainstream commerce option?