



The Domain Name Industry Brief

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Regional Report: Latin America

As the global registry operator for .com and .net, VeriSign reviews the state of the domain name industry through a variety of statistical and analytical research. This brief provides an overview of the Internet industry in Latin America by reviewing regional trends in Internet usage, users profile, connectivity and domain names registrations as well as offering focused analysis on the region's key players - Brazil, Mexico and Argentina.



+ Executive Summary

The commercial Internet has existed for a little over a decade, but it is such a powerful tool that it is changing personal relationships, entertainment forms, such as music and books consumption, and creating new habits at work and at home. Its growing use impacts daily life around the world, from the way we do shopping to the way people establish relationships with family and friends.

With the evolution of the Internet, several technologies are being created to improve the network interaction and, along with them, new communication and social interaction forms are arising: tools for blogs and microblogs such as Twitter and Pluck; social networking platforms such as Orkut, MySpace and Facebook; video sharing systems such as YouTube; online games and virtual worlds such as Second Life; wikis, which promote the generation of collective content such as Wikipedia. From the infrastructure perspective, the growth of Web interactions is being driven by the increased broadband access and the growing number of PC.

While these trends are occurring worldwide, this report will focus on the dynamic Latin American region, specifically exploring the state of the Internet in Brazil, Mexico and Argentina. Local businesses and governments, responding to an improving economy, are eager to invest in technology that can spur growth.

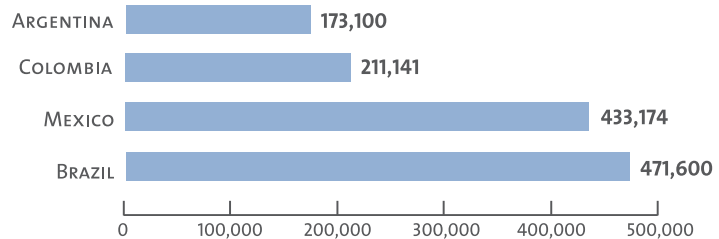
+ Broadband Drives Internet Growth

The number of Internet users in Latin America grew 30% in the last year. As of December 2007, there were 118 million users in the region, which corresponds to a 22% penetration rate of Internet use among the region's population. Brazil, Mexico and Argentina have the greatest number of Internet users in the region.¹

Broadband access is one of the key factors driving the increase of Internet usage for services and information search, in addition to e-commerce. There are approximately 20.1 million broadband connections in Latin America. Broadband grew 44% in the first quarter of 2008 compared to the same quarter last year.²

The countries that added the largest number of new broadband connections in the first quarter of 2008 were Brazil, Mexico, Colombia and Argentina, respectively.

New Broadband Connections between January and March 2008



New Broadband Connections between January and March 2008

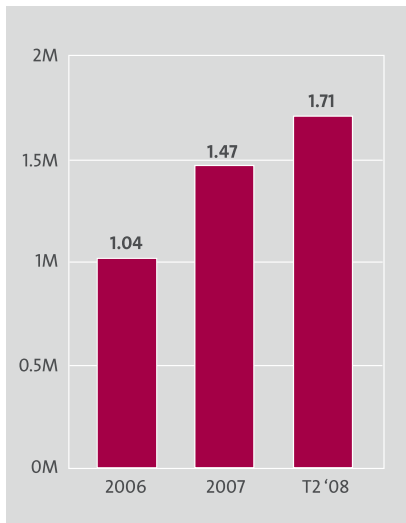
Source: Point Topic, World Broadband Statistics, July 2008.

The increase in the number of computers sold is also one of the key factors for the growth on the number of Internet users, both residential and corporate. Forrester Research foresees that 1 billion PCs will be in use by the end of 2008 and over 2 billion by 2015, globally.³ According to Gartner, Latin America presented the highest growth on the PC sales when compared to other regions. There were 6.3 million PCs sold in the first quarter of 2008, an increment of 19.1% over the same period in 2007.⁴

The expansion of 3G networks in the region also opens new possibilities for Internet usage growth, enabling third generation mobile phones to transfer data in high speed through the network.

1 www.internetworldstats.com, December 2007.
 2 Point Topic, World Broadband Statistics, July 2008; Point Topic, World Broadband Statistics, July 2007.
 3 Forrester Research, Worldwide PC Adoption Forecast, 2007 To 2015, June 2007.
 4 Gartner, Preliminary PC Market Results, Worldwide, April 2008.

Com/.Net - Domain Names Registration in Latin America



Source: VeriSign, July 2008.

In the same way that broadband in fixed Internet networks increased Web use through desktops and notebooks and generated new business opportunities, the access speed in the mobile Internet networks are bound to stimulate a greater Web use through mobile phones and other wireless devices. The 3G networks will drive the development of new services that provide convenience for the user who seeks mobility. In April 2008 there were 23 networks in 3G operating in 12 Latin American countries.⁵

The number of mobile phones in use in the region is also significant. There are 363 million active mobile phones, what represents a 23% growth from 2006 to 2007, and 80% of these mobile phones are concentrated in the six main markets of the region, in the following order: Brazil, Mexico, Argentina, Colombia, Venezuela and Chile. The dominant technology is GSM with an 84.6% market share.⁶

Although there are only 1 million users of 3G-enabled phones in Latin America, this number is expected to grow in a short timeframe.⁷

+ Internet User Profile in the Region

In Latin America, the Internet users are, usually, younger than the average population and belong to groups with higher buying power. Latin American users spend an average of 29 hours during the month browsing on the Internet, while the global average is 25 hours. Following the large content portals, online communication tools such as instant messengers, social networks and email are the services most used by Latin American Internet users.⁸

The growth in the use of social networks is also impressive. In 2007, the total Latin American audience of social networks has grown 33 percent, compared to nine percent growth for North America and 25 percent growth worldwide. The social network Orkut, run by Google and the largest in Latin America, grew 31 percent in the region. Orkut has 54 percent of its users concentrated in Brazil.⁹

+ Domain Name Registrations Grow

The first Internet domain name registration took place on March 15, 1985, by Symbolics Technology, Inc. which registered the domain name symbolics.com. More than 23 years later, by the end of June 2008, there were already 168 million domain name registrations in the world. Among these, 5.7 million domain names were registered in Latin America.¹⁰

There are currently 1.4 billion Internet users in the world, of which 118 million are located in Latin America.¹¹ Comparing the number of domain names registrations with the number of Internet users, it is apparent that there are approximately 5 domain names per 100 Internet users in Latin America. This represents a great growth opportunity for the number of domain names registrations in the region.

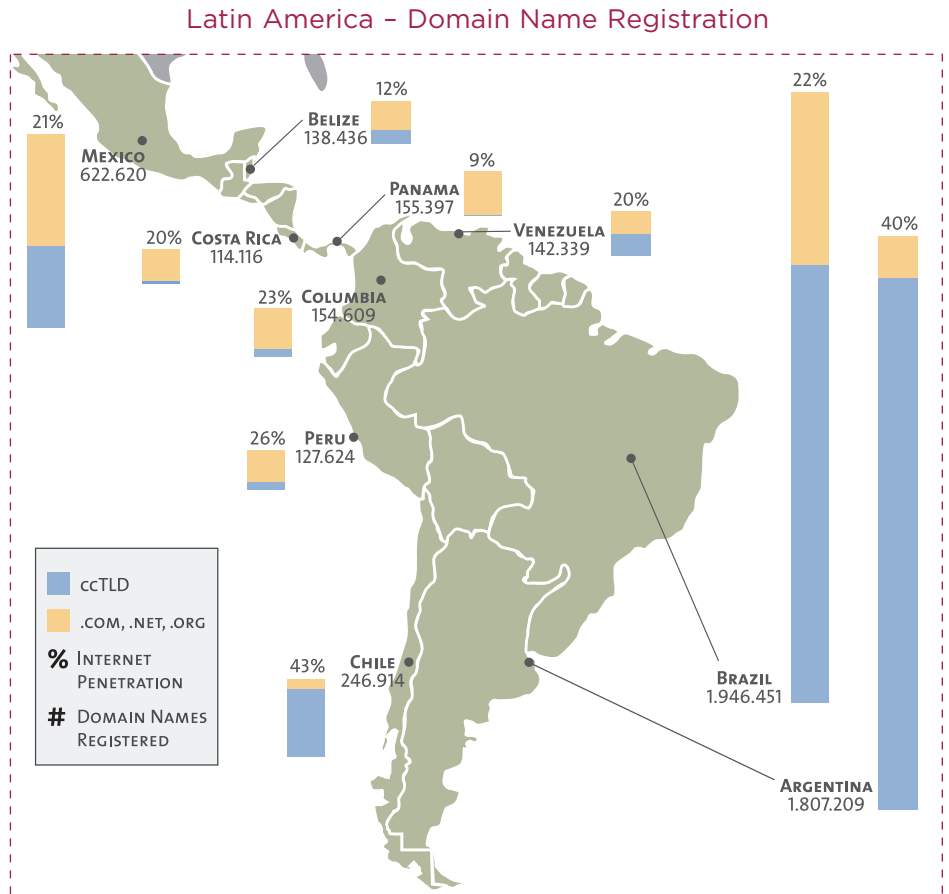
In the second quarter of 2008, the number of .com and .net domain names in Latin America reached 1.7 million, a 31% growth over the same quarter last year. The growth of .com and .net domain names in Latin America is 11 percentage points higher than the overall global growth rate, and higher than the growth rate in more mature regions such as North America and Europe, where the proportion of domain names to Internet users is higher than what is found in Latin America.¹²

Brazil, Argentina and Mexico have the largest domain name bases within Latin America with 1.9 million, 1.8 million and 0.6 million, respectively.¹³ Research conducted with small and medium businesses in these countries show high awareness of .com in Brazil (94%), in Argentina (83%) and in Mexico (77%). In addition, the .com domain name is associated with being “for businesses” and “reliable”.¹⁴

5 Teleco, March 2008; 3G Americas, May 2008.
 6 Teleco, March 2008; 3G Americas, May 2008.
 7 3G Americas, July 2008.
 8 comScore World Metrix, April 2008.
 9 Orkut demographics, May 2008.
 10 Zooknic, July 2008; VeriSign, July 2008.
 11 www.internetworldstats.com, June 2008;
 www.internetworldstats.com, December 2007.
 12 Zooknic, July 2008; VeriSign, July 2008.
 13 Zooknic, July 2008; VeriSign, July 2008.
 14 Datafolha, February 2006; Windward Directives, April 2008.

Latin America - Domain Name Registration

Source: Zooknic, July 2008; VeriSign, July 2008; www.internetworldstats.com, December 2007.



+ Focus on Brazil

Brazil stands out in the technology industry in Latin America. Brazil produces more than US\$ 30 billion in computer and telecommunication equipment and proactive government policies stimulate the development of new technologies. Brazil is also one of the most promising countries for Internet development, has the largest consumer goods and services market in South America and is the most important advertising market of the region.¹⁵

In 2007, 9.5 million e-consumers were identified and e-commerce transactions reached US\$3.56 billion, a 43% growth over 2006. The average ticket is also growing; it reached US\$171, showing an increase on the Internet users trust to make online purchases.¹⁶

Internet Access

The Internet has become more and more an integral part of Brazilians daily lives. There are over 42 million Internet users in Brazil, comprising a 22% penetration of the country's population.¹⁷

According to Abinee (Associação Brasileira da Indústria Elétrica e Eletrônica – Brazilian Electric & Electronic Industry Association), 2.5 million units of desktop and notebook computers were sold in the first quarter of 2008 in the Brazilian market. In comparison to the first quarter of 2007, the study pointed out an increase of 165% in the number of notebook computers and 5.8% in the number of desktop computers.¹⁸

The more than 7 million existing broadband connections in Brazil reflect a 30% annual growth, but still represent a penetration of only 4% of the population. The Brazilian homes enjoy 87% of the broadband connections and the remaining 13 % belong to the corporate market.¹⁹

15 Economist Intelligence Unit, June 2008.

16 Web Shoppers, 17th edition. Official exchange rate as of 12/31/07 applied: 1 US\$ = 1.77 R\$

17 www.internetworldstats.com, December 2007.

18 ABINEE, IT Data, May 2008.

19 Barômetro Cisco de Banda Larga - IDC 2007.

Users Profile

What kind of activities do users in Brazil perform on the Web? 89% of Internet users interact through instant messaging, social network Web sites and e-mails; 49% search the Web for information on goods and services; while 43% watch online video.²⁰

Brazilians are very keen on interacting and sharing experiences online. As an example, 55% of e-consumers tend to write reviews, criticize or make suggestions to online stores.²¹ In May 2008, a survey identified that 20.6 million Brazilians accessed sites related to social networks.²²

The Domain Name Industry

Brazil has more than 1.9 million domain names registrations across all Top Level Domains (TLDs). The .com and .net domain names totaled more than 502,000 domain names registrations in the country and presented an average of 72% annual growth over the last two years or so.²³ VeriSign, the registry operator for .com and .net, has conducted extensive educational marketing efforts aimed at spreading information on how to establish an effective Internet presence, with special focus on small businesses and self-employed professionals, in addition to referring end users (businesses and consumers) interested in registering their own domain names to in-country registrars. Local registrars in Brazil can be found on the Web site www.queromeu.com.

+ Focus on Mexico

Mexico is the most populated Spanish-speaking country of the world and the second most populated country in Latin America, after Brazil. Nevertheless, Mexico faces some barriers to increase Internet penetration owing to the low PC penetration and the poor telecommunications infrastructure, particularly in some rural areas. Therefore, the most Mexican Internet users are located in urban areas. These are also identified as young people who enjoy a good economic situation and are ready to embrace new trends.

A survey in 2007 suggested that e-commerce transactions were expected to reach US\$ 765 million, a 59% growth over transactions in 2006. Online sales related to tourism represented 66% of Mexican e-commerce activity in 2006 due to its popularity as a holiday destination for US citizens. In a survey from October 2007, 14% of Internet users confirmed they had made a purchase online.²⁴

Internet Access

In Mexico, Internet usage has been growing, and by the end of 2007, there were 23.7 million Internet users, comprising 22% of the Mexican population.²⁵

There are 18 million personal computers in Mexico, 62% of them connected to the Internet. There are, in total, 6.5 million Internet access accounts, of which 93% are broadband connections. The broadband access is estimated to increase by 50% between 2007 and 2008.²⁶

Internet users access the Internet mainly from their homes (48%); Internet cafés are mentioned by 35% of the users as the second access location, and 18% declared to access the Internet from work.²⁷

Users Profile

Mexican users are very young, with over 70% of them between 12 and 34 years old. Among those who make online purchases, 63% are men and 57% are between 20 and 34 years old.²⁸

MySpace is the most visited Web site, and 57% of Internet users declare to have a personal Web page. It is important to observe that 92% consider the Internet to be essential, even more than mobile phone and TV.²⁹ Videos are a very popular feature between Mexican Internet users, with 84% of them watching online videos.³⁰

20 CETIC.br, TIC Domicílios, 2007.

21 Webshoppers, 16th edition.

22 IBOPE/NetRatings, May 2008.

23 Zooknic, July 2008; VeriSign, July 2008.

24 eMarketer, Mexico Online Overview, November 2007

25 www.internetworldstats.com, December 2007.

26 AMIPCI, Select, Estudio trimestral de computadoras personales en México e Internet, April 2008.

27 eMarketer, Mexico Online Overview, November 2007.

28 eMarketer, Mexico Online Overview, November 2007.

29 AMIPCI, Select, Estudio trimestral de computadoras personales en México e Internet, April 2007.

30 eMarketer, Mexico Online Overview, November 2007.

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ABOUT VERISIGN

VeriSign, Inc. (NASDAQ: VRSN) is the trusted provider of Internet infrastructure services for the networked world. Billions of times each day, VeriSign helps companies and consumers all over the world engage in communications and commerce with confidence. Additional news and information about the company is available at www.verisign.com.

Zooknic Methodology

For gTLD data cited with Zooknic as a source, the analysis uses a comparison of domain name root zone file changes supplemented with whois data on a statistical sample of domain names which lists the registrar responsible for a particular domain name and the location of the registrant. The data has a margin of error based on the sample size and market size. The ccTLD data is based on analysis of root zone files. For more information, see www.zooknic.com.

31 Zooknic, July 2008; VeriSign, July 2008.

32 Teleco, June 2008.

33 Prince&Cook, Informe de e-commerce e Internet en Argentina, June 2008.

34 www.internetworldstats.com, December 2007.

35 Prince&Cook, Informe de e-commerce e Internet en Argentina, June 2008.

36 Prince&Cook, Informe de e-commerce e Internet en Argentina, June 2008.

37 Comscore World Metrix, July 2007.

38 Prince&Cook, Informe de e-commerce e Internet en Argentina, June 2008.

39 Zooknic, July de 2008; VeriSign, July 2008.

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The Domain Name Industry

Mexico has more than 622,000 domain names registrations across all Top Level Domains (TLDs). The .com and .net domain names totaled more than 325,000 domain names registrations in the country. VeriSign started an extensive marketing campaign in Mexico in 2008, including seminars sponsorship and advertising, as part of the efforts being promoted in Latin America to advise Internet users, especially micro, small and medium businesses, about the importance of establishing an online presence to increase the visibility of their businesses.³¹

+ Focus on Argentina

Argentina is the second largest country in geographic area in Latin America and its Internet penetration at 40 percent is almost twice as high as the world average. The Argentina broadband sector is one of the most developed in the region and its mobile market is the third largest in number of cell phones, after Brazil and Mexico. However Argentina shows the highest mobile penetration rate in Latin America at 103%.³²

There are 2.7 million online buyers in the country, what represents 17% of the Internet users. E-commerce sales grew 32% between 2006 and 2007.³³

Internet Access

Internet users in Argentina total 16 million people and users growth from 2000 to 2007 was of 540%. Internet users represent 40% of the population, estimated in 40 million people.³⁴

Between 2006 and 2007 broadband connections grew 60% in the country, reaching 2.5 million users.³⁵

With the increase on the PC sales, the preference for Internet cafés to access the Internet, which previously was very popular in Argentina, suffered a drop to 24%. Now, 64% of the users claim they prefer to access the Internet from their homes.³⁶

Users Profile

In July 2007, 70% of the Argentinean Internet users accessed the Internet from work and read the news online. The monthly average Internet use is 32 hours. The Argentineans stand out as the most active of all users in the region, accessing the Internet an average of 18 days a month.³⁷

Over the last four years an increase on the categories of products sold online was observed, expanding from books and CDs to more complex and higher value products. This data suggests that consumers are gaining trust and familiarity with the transactions on the Web.³⁸

The Domain Name Industry

Argentina has more than 1.8 million domain name registrations across all Top Level Domains (TLDs). The .com and .net domain names totaled more than 121,000 domain names registrations in the country. VeriSign started a strong marketing activity in Argentina in 2008 through advertising campaign and events to encourage Internet usage and show the importance of being on the Web, especially to small businesses and entrepreneurs who do not have an online presence yet.³⁹

+ Putting It Together

The Latin America region, particularly Brazil, Mexico and Argentina, presents great business opportunities for companies willing to understand the local specificities and needs and to invest in appropriate services and products. These markets are still in maturity phase with needs that may be positively explored by entrepreneurs and organizations.

Among key differentiation aspects to be offered is the level of service rendered. The region has a great need for high quality services and support, in addition to initiatives that can play an educational role when disseminating new technologies to end users, who, in general, have low level of knowledge about information technologies and new tools available.