Latin America Technology Advisor

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Marketing and Mindshare in Latin America's IT Marketplace

Every year IT vendors plow billions of dollars into marketing their brands. The hope is that mindshare will produce marketshare—that strong brands will produce strong revenues. Of course not all brand campaigns are created equal. Frequently there is gap between a company's reputation and its revenues.

In order to gauge those gaps—and the opportunities they offer—IDC Latin America surveyed one thousand IT decision makers in the region's six largest markets (Argentina, Brazil, Chile, Colombia, Mexico and Venezuela) during January and February 2002. The survey focused on two key variables: quality perception and mindshare. IDC Latin America asked managers to name the company they considered to be the quality leader in a specific technology, irrespective of price. Those same managers were then asked name the company they considered to be their primary vendor in that technology. The theory underlying this approach is that firms with a quality perception surplus (higher marks for quality than for mindshare) are poised for revenue growth, assuming they craft marketing and sales plans that will narrow the differential. By contrast, firms with quality perception deficits (lower marks for quality than for mindshare) face a headwind as they attempt to expand revenues.

The survey focused on three IT areas—hardware, software, and services—and targeted six industry sectors: finance, manufacturing, communications (telecommunications and media), commerce (retail and wholesale), services, the public sector (government, education, and healthcare), and others.

Fragmentation in IT Services

One key finding is that opportunities abound in IT services, which remains highly fragmented. Here "don't know" was the most popular answer for both vendor mindshare and quality perception, and local vendors outpaced international stalwarts such as IBM, Hewlett-Packard, Compaq, and Oracle in the mindshare race.

Local vendors fared far worse, however, in terms of quality perception, indicating that the global players are in a strong position to gain market share going forward. Over 15% of the IT decision makers who tapped a local vendor as their leading IT services provider chose another vendor as the quality leader.

Big Names Dominate Hardware

In the highly competitive hardware market, there was no one clear winner. Compaq emerged as the quality perception and mindshare leader in PCs. IBM led the way in servers, HP in storage, 3Com in telecommunications hardware.

None of that was a big surprise. Most surprising were the different quality perception/mindshare differentials in the various hardware categories. Dell posted a huge quality perception surplus in PCs, for example, but was not able to transfer anything close to that surplus into the server space.

Microsoft Strong in Software

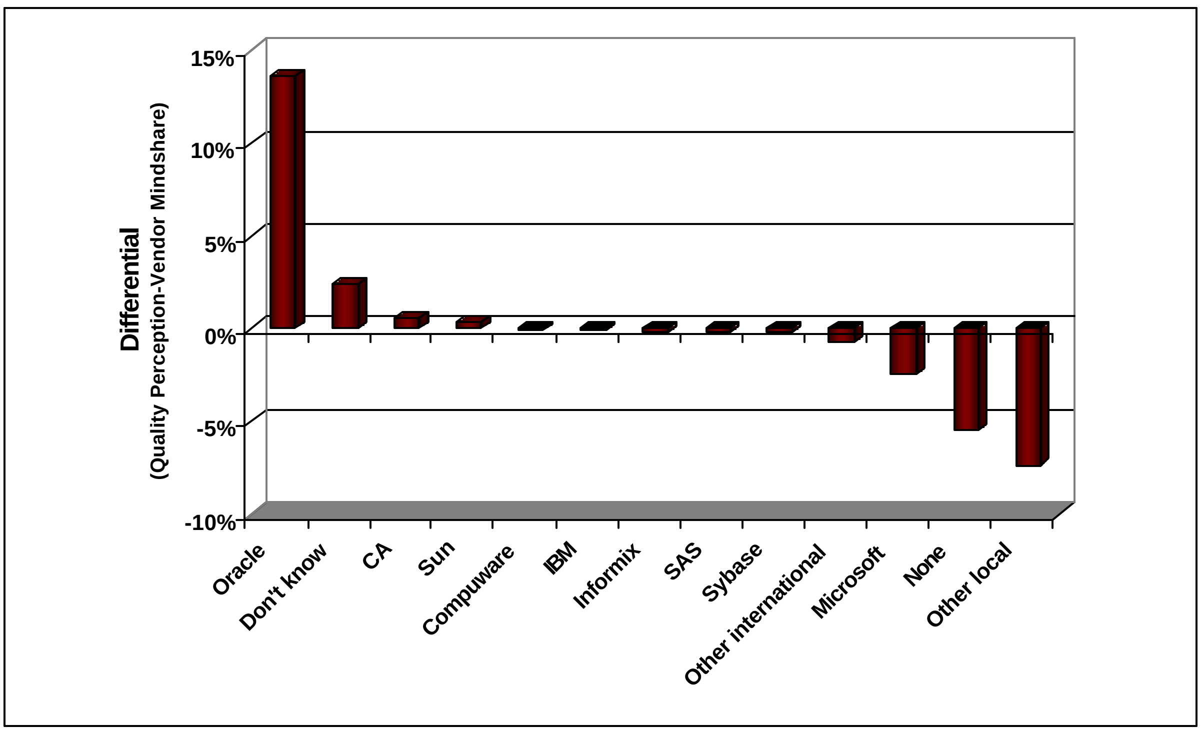
Microsoft was the software leader in both quality perception and mindshare. In system infrastructure software, for example, Microsoft received close to 30% of the votes for both quality perception and mindshare. Microsoft also led the way in application deployment and development software, while SAP and Oracle were leading brands in the enterprise resource planning and customer relationship management spaces. Of all the software areas, supply chain management software most resembled the highly fragmented IT services marketplace. Here "none" and "don't know" were the leading vote-getters.

Local vendors posted quality perception deficits in most software categories. International players did far better. In application deployment and development software, for example, Oracle posted a huge quality perception surplus, indicating it is well-positioned to seize market share from vendors such as IBM and Sun, whose surplus in this space was minimal, and from Microsoft, which actually posted a deficit here.

Figure 1

Application Deployment and Development Software
Vendor Mindshare vs. Quality Perception Differential, 2002

Whom do you currently consider to be your primary Application Deployment and Development Software vendor? Thinking of Application Deployment and Development Software, please tell us which of the following vendors you consider to be the leader in terms of quality (price should not be considered)?



Source: IDC, 2002

Recommendations

Mindshare vs. Quality Perception: Identifying Opportunities in a Challenging Environment ends with a series of detailed recommendations for vendors looking to create strong brand awareness in Latin America in terms of both mindshare and quality. One recommendation urges IT vendors to target their limited marketing funds at specific segments and key competitors in that segment. "Identify your real competition," the report says, "and go for the throat."

--Barbie Cordero

For more information regarding *Mindshare vs. Quality Perception: Identifying Opportunities in a Challenging Environment* (#LA1243J) or to obtain the complete study, please contact Barbie Cordero of IDC Latin America at bcordero@idc.com or (305) 351-3131.

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