

Retail Industry in Latin America  
IT Market Assessment

Sample Report

*Sample Report details are randomized and should not be used for any decision making*

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## 1.0 Retail Industry in Latin America

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### 1.1 Market Size and Forecast

According to TechNavio estimates, the retail industry in Latin America is forecasted to grow to \$XXXX billion in 2013 from \$ XXXX trillion in 2007, growing at a CAGR of XX%.

### 1.2 Market Trends

- ▶ **Trend 1:** Traditionally, xxx has dominated the retail industry in Latin America – with Latin Americans spending a significant portion of their income on xxx. For example, retail xxx sales account for almost xx% of the total retail sales in Brazil, the largest Latin American economy.
- ▶ **Trend 2:** The xxx in Latin America is changing rapidly. With the economic development and increase in purchasing power, the customer focus is shifting from xxx to xxx.
- ▶ **Trend 3:** Latin American retailers are experiencing a very favorable response to xxx. In 2007, xxx outperformed xxx retailing primarily driven by the growth in xxx retailing and direct selling.
- ▶ **Trend 4:** The markets with comparatively higher purchasing power like Brazil, Chile and Mexico are dominated by xxx, which control about three-quarters of the market. For example - in Mexico, many xxx shops which enjoyed market share of as high as xx% for some massive consumption items have been forced to either close down or relocate by huge retail chains like Wal-Mart
- ▶ **Trend 5:** Due to the wide gap in income levels of the people of Latin America, retail trade growth is largely driven by xxx. Retailers are shifting their attention to the lower socio-economic groups by offering schemes such as xxx and xxx. xxx are also boosting retail sales by catering to working middle-class customers and promoting xxx plans ranging from six to 24 months.

## 2.0 Growth Drivers & Restraints

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### 2.1 Growth Drivers

- ▶ **Driver 1:** The GDP of Latin America in terms of Purchasing Power Parity (PPP) is estimated at \$ XXX trillion in 2008. The Brazilian economy, which is the tenth largest economy in the world with an estimated GDP (PPP) of \$ XXX trillion in 2008, leads the Latin American economies.
- ▶ **Driver 2:** XXX in Latin America varies widely from country to country. In Brazil, Chile, and Argentina more than 75 percent of XXX is accounted by the organized channels. However, the XXX industry is less developed in other Latin countries like Venezuela and Uruguay, respectively, and considerably less developed elsewhere in the continent, particularly the poorer landlocked countries. These regions provide excellent business opportunities for big organized XXX to enter particularly as the people of these areas are slowly gaining purchasing power.
- ▶ **Driver 3:** Latin America has been relatively shaded from the XXX and the crisis prevailing in the XXX. Hence, while most of the major markets of the world are feeling the effect of XXX, Latin America is comparatively unaffected.

## 2.2 Growth Restraints

- ▶ **Restraint 1:** Many countries of Latin America suffer from bouts of XXX. Argentina, the third largest economy in Latin America has had the XXX in the world for the last five decades, with the XXX crossing XX% in 2003. In addition, Venezuela suffers from a XXX, which stood at XX% in the first half of 2008. XXX reduces the purchasing power of the consumers of these countries, thus reducing retail turnover in these countries. More over, the steps taken by the local government might slow down overall growth the region is experiencing.
- ▶ **Restraint 2:** XXX are eroding the spending power of the middle class in Latin America. The XXX is reversing the most positive regional trend of recent years - the decline of poverty and the nascent emergence of a new middle class. This could have serious impact on the XXX of the people and hence thwart the growth of XXX in Latin America.
- ▶ **Restraint 3:** Latin American governments have drifted to the XXX in the first decade of the twenty first century. XXX have come to power in Chile, Uruguay, Brazil, and XXX in Argentina, Ecuador, Nicaragua, Bolivia and Venezuela. There have been instances of countries like Bolivia and Venezuela nationalizing companies operating in their territory. These activities by the local governments prohibit foreign companies including XXX from entering the region.
- ▶ **Restraint 4:** There exists an appreciable risk of the Latin American XXX in the wake of food scarcity, high-energy prices and lack of investment in crucial areas like the energy sector. In case of such XXX, the XXX industry along with other sectors is expected to face a slow down.
- ▶ **Restraint 5:** The XXX in the Latin American region is forcing many people to join XXX as a source of revenue. Illegal street kiosks and sale of pirated merchandise prevail in many Latin American countries. In spite of the local government's efforts to curb such trading, this kind of trade practices thrive and continue hurting established retailers. Many consumers buy from street vendors because of lower price levels.

## 3.0 IT Spending – Retail Industry in Latin America

### 3.1 IT Spending & Forecast

According to Technavio estimates, IT spending by the retail industry in Latin America is estimated to reach \$XXX million from \$XXX million – a CAGR of XX%, over the period 2007-2013.

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### 3.2 IT Sales Drivers

- ▶ **Driver 1:** Organized retail is developed in only a few countries in Latin American. As people in other countries of Latin America gain purchasing power, big retail companies would be XXX too and setting XXX. They would require to XXX to support their business in these new markets. Consequently, XXX would gain business opportunities.
- ▶ **Driver 2:** Most countries in Latin America have unstable XXX. XXX keep changing frequently. Big retailers need robust software applications, which can track the market and XXX at market level. This would provide opportunities to software development companies for developing software applications custom made for the retailers of Latin America.
- ▶ **Driver 3:** Retail sales in Latin America are largely XXX, particularly in the brick and mortar retail stores. Some retailers like Elektra, Femsa and Coppel have gone to the extent of creating their own XXX to cater to this market. Further, retailers provide customers tailor made XXX like XXX. These initiatives of the retailers require XXX an up to date database of customers and their XXX. Because of these market conditions, Software companies, particularly the financial applications service providers would be gaining business opportunities.
- ▶ **Driver 4:** Latin America has experienced excellent growth in XXX. The good performance of XXX over the review period has attracted many big retail players to enter this segment. In Brazil, traditional store-based retailers like Carrefour and Wal-Mart have initiated XXX in 2008 while Casas Bahia targeting XX million store cards to enable XXX. These initiatives by large retailers to XXX would provide opportunities to IT applications service providers and web based application developers.
- ▶ **Driver 5:** Because of the demographic distribution of the Latin American market, customers of this region are extremely XXX. To attract customers, retailers need to offer them the XXX. They need to XXX in their operations to make their products available at the XXX. Companies are steadily automating their processes and using technologies like XXX to manage inventory and reduce theft in a bid to XXX and improve efficiency of operations. The retailers need to spend heavily on IT and technology for business automation and technology implementation.

## 4.0 Regulations Affecting IT Spending

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- ▶ **Regulation 1:** Any Latin American retailer listed in the US has to comply with xxx as per US regulations. xxx makes the CEOs and the CFOs of public companies responsible for the accuracy of financial reports (Section 302) and require public companies to establish adequate internal controls over financial reporting (Section 404). Passage of xxx resulted in an increased focus on IT controls, as these support xxx and therefore fall into the scope of management's assessment of internal control under Section 404 of xxx. Retail companies need an accurate picture of their inventory and operations for proper financial reporting.
- ▶ **Regulation 2:** The countries of the Latin American region have their own independent xxx. Foreign companies entering the Latin American market observe that there is too much red tapism, excessive focus on xxx and lack specialization in xxx. There are frequent changes to xxx and their interpretation in many countries of this region. Companies need robust software applications, which can make necessary xxx. These applications also need to be updated as the xxx of the region change.

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