

The digital landscape for young entrepreneurs in Latin America and the Caribbean

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YBI Insights for Success



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About YBI

Youth Business International (YBI) is a global network of expert organisations in over 50 countries supporting underserved young people to turn their ideas into successful businesses, creating jobs and strengthening communities.

Since 2014 alone, YBI has supported 95,102 young people to start or grow a business by delivering a range of entrepreneurship support services, from training and mentoring to access to finance and other business development services.

YBI's vision is that youth entrepreneurship is recognised for driving sustainable economic development, and that all young people who want to set up a business are able to fulfil their potential.

YBI believes in the power of the network approach. We use this approach to connect globally in order to share expertise and collaborate on solutions to increase the impact of services for young entrepreneurs and influence the field of youth entrepreneurship support.





About Insights for Success

In 2018, YBI commissioned a series of research studies entitled YBI Insights for Success. These studies gathered learnings on priority themes in order to inform the work of the YBI network and share this learning with others supporting young entrepreneurs globally. Gathering evidence and knowledge from YBI member organisations globally; the young entrepreneurs they work with; and other relevant sources; the papers provide learning and recommendations to improve the programmatic and organisational effectiveness of the youth entrepreneurship sector.

This report summarises the digital landscape and the main digital support sources for young entrepreneurs in Latin America and the Caribbean, and identifies opportunities for YBI and its members in these markets.

We hope this work will be a valuable contribution to global learning on this topic and help raise awareness of digital support solutions. We would love for this work to ensure even greater numbers of underserved young people can successfully develop themselves and their businesses.

Acknowledgements

This publication has been supported by Citi Foundation and the IDB Lab. It presents key findings from a larger research report prepared for Youth Business International (YBI) by Stephen Bairfelt and Trevor Wilkinson of Purple Market Research.

We would like to thank the following YBI members for their valuable contributions: Acción Emprendedora, Chile; Aliança Empreendedora, Brazil; Barbados Youth Business Trust; Confecámaras, Colombia; Fundación Paraguaya; Jamaica Youth Business Trust; Manq'a, Bolivia; Perspektiva, Peru; Yo Quiero Yo Puedo, Mexico; and Youth Business Trinidad and Tobago.

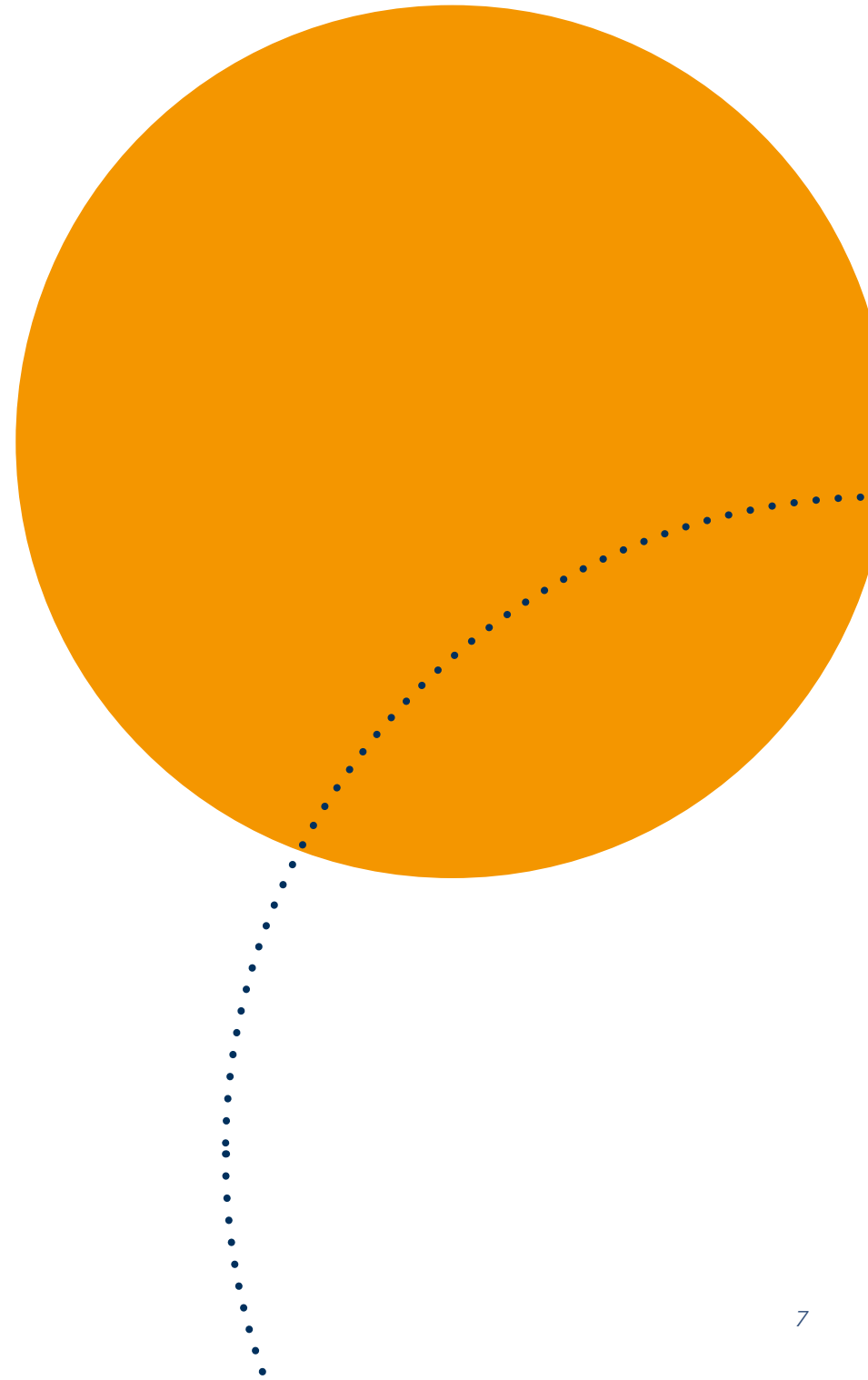


Executive Summary

In 2018 Youth Business International (YBI) commissioned research to better understand the digital landscape and its relevance to young entrepreneurs in Latin America and the Caribbean (LAC). The research aims to provide insight to support our work with members in the region on the adoption of digital technologies.

The research was conducted by Purple Market Research between July and September 2018. Desk research was complemented by a survey of 853 young aspiring entrepreneurs and entrepreneurs. The survey explored awareness and usage of digital technologies and digital support platforms.

Overall our research found that the digital landscape in Latin America and the Caribbean is growing rapidly with great potential. Awareness and usage of digital support solutions amongst entrepreneurs in the region varies. There are a number of opportunities where YBI can offer valuable support so that entrepreneurs can leverage digital to start and grow their businesses.



Key trends in the digital landscape

Over the last 25 years we have seen the rapid rise of the internet and increasing use of mobile technology and social media around the world. Cross-border flows of digitally transmitted data have grown as the flow of goods and services and cross-border capital have ebbed.

In 2017, just over half of the global population had access to the internet and an estimated 43% used social media.¹ The global penetration of the mobile telephone in 2017 was 65%, half of which were smartphone users.² Between 2017 and 2020, smartphone usage is forecast to grow by 13% as mobile technology is increasingly used as a tool to access the internet.

However, digital markets are uneven and digital access is far from uniform. Almost half of the world's population does not have access to the internet. In Africa, fewer than one in three people has access to the internet and current growth trends suggest we will be well into the 2020s before internet penetration levels across the African continent exceed 50%.

As for Latin America and the Caribbean (LAC), most countries in the region are positioned in the 'watch out' and 'break out' zones of the Harvard Business Review's Digital Evolution Index³, indicating that they are in early stages of digitalization but are generally evolving rapidly.

With nearly 350 million mobile internet subscribers currently, and a predicted 420 million by 2020, the LAC market is certainly significant.

According to recent GSMA analysis, Latin America ranks above the global average in terms of internet access⁴, use of social media, mobile phones and smart phones. At the same time, the Caribbean ranks below the global average across all indicators.



Social media and messenger platforms

The shift of consumer engagement to mobile has led to the rapid growth of social media and messaging platforms. These platforms can offer entrepreneurs valuable support and connections to customers, collaborators and advisors.

WhatsApp was the first messaging platform to reach one billion users, followed by Facebook Messenger. Newer messaging platforms including Snapchat are also emerging and growing rapidly. Messaging platforms have now overtaken the larger social media sites in terms of their user bases while also typically showing higher user retention and engagement than other apps.

In Latin America, Facebook was the most popular social media platform in 2017 with over 180 million users. Brazil is the second most represented nation on both Facebook and Twitter – after the USA - with over 65 million users and 40 million users respectively.

WhatsApp is typically the main messaging service used in the LAC region, although not in all markets. Other messaging platforms commonly used include Facebook Messenger, Google, Telegram, and LINE.







New, disruptive technologies

New digital technologies such as artificial intelligence, blockchain, data analytics and augmented and virtual reality are transforming the way businesses operate. For example, artificial intelligence can offer customer interaction without staff while virtual reality can offer customers a virtual retail experience.



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See below table for an overview of some of these disruptive technologies

	5G	Access to 5G is on the rise, including on mobile networks. Companies such as Mimosa Networks are rolling out 5G to both rural and urban locations. This is paving the way for 5G mobile providers, such as ATT and Verizon, to start offering newer, faster, more innovative services for mobile users.
	Chatbots	A chatbot is a piece of software capable of performing an automated task through an interface that humans can interact with, such as automated service desks or helplines. There has been significant progress in natural language processing and sentiment analytics, to the extent that some believe chatbots will transform the entire service industry.
	Connected clouds	Connected clouds are continuing to be developed in order to meet companies' changing needs, whether they want Cloud-source storage, networking, security, or app deployment. Multicloud will offer a mix of public, private and hybrid cloud environments.
	Blockchain	A blockchain is an append-only transaction ledger. New information can be written on to the ledger but the previous information, stored in blocks, cannot be edited, adjusted or changed.
	Data	Data is key to companies' ability to make good decisions. Companies such as Microsoft, SAP and SAS are working to develop business analytics to realize the power of the data.
	Augmented and virtual reality	Augmented reality and virtual reality are increasingly used across a range of areas, including research, planning, gaming and workforce training.

Challenges Facing Young Entrepreneurs

As the previous section highlights, digital technologies offer young entrepreneurs new ways to develop, market and sell their products and services. Digital solutions could help overcome the challenges young entrepreneurs face in the region. For that to happen, the region will need to reduce barriers to access to technology, which include weak infrastructure and limited access to the required technology.

The key challenges facing entrepreneurs, which could be addressed with the support of digital solutions, as identified in the Global Entrepreneurship Monitor (GEM), are summarized in the table below.⁵

Key components of the entrepreneurial environment by region

	Europe	Asia & Oceania	Africa	North America	Latin America	Caribbean
Government policies: support and relevance	Below all regions average	Above all regions average	Below all regions average	Below all regions average	Below all regions average	Below all regions average
Government policies regarding taxes and bureaucracy	Below all regions average	Below all regions average	Below all regions average	Above all regions average	Below all regions average	Below all regions average
Government entrepreneurship programmes	Above all regions average	Below all regions average	Below all regions average	Above all regions average	Below all regions average	Below all regions average
Commercial and legal infrastructure	Above all regions average	Below all regions average	Below all regions average	Above all regions average	Below all regions average	Below all regions average
Entrepreneurial financing	Below all regions average	Above all regions average	Below all regions average	Above all regions average	Below all regions average	Below all regions average
Entrepreneurship education at school	Below all regions average	Above all regions average	Below all regions average	Above all regions average	Below all regions average	Below all regions average

Above all regions average
 All regions average
 Below all regions average

Source: Global Entrepreneurship Monitor Global Report 2017/8

Lack of a supportive regulatory environment

Government can play a key role in promoting entrepreneurship, investing in the required infrastructure and ensuring that the policy and regulatory environment supports entrepreneurs. For example, local government can create shared spaces to foster venture creation and growth.

However, the GEM analysis highlights that the LAC region is below the global average in key areas such as government policy on taxes and bureaucracy. In the Caribbean, the government also performs poorly on both government entrepreneurship programmes and commercial and legal infrastructure.

Barriers to accessing finance

The GEM analysis also highlights that the LAC region is rated below the global average on entrepreneurial financing. A lack of access to funding and finance, and a lack of information on how to access finance, are widely recognised as key barriers. The financial infrastructure in many countries in the region is conservative, inflexible and unsupportive of entrepreneurs.

Lack of education relating to entrepreneurship

According to GEM, Latin America performs most poorly in terms of entrepreneurship education in school. As a result, young entrepreneurs often lack the knowledge and skills required to set up and develop a business. With support, young entrepreneurs can better identify and manage financial risk, helping them to avoid business failure.



Our survey of LAC entrepreneurs

To deepen our understanding of the digital landscape in LAC, YBI and Purple conducted a survey of young entrepreneurs. The survey was completed by 853 entrepreneurs and aspiring entrepreneurs aged 18-35.

The survey primarily used online channels. While we acknowledge this is a limitation, the data gathered still offers useful insight.

How digitally connected are young entrepreneurs?

Of the young entrepreneurs in the region we surveyed, 90% currently use a smartphone and 63% use a laptop or notebook computer. 54% said they would like to use a wearable digital device but it was currently unavailable.

68% reported that internet access in their local area was very or fairly reliable. 81% use the internet more than once a day to support their business, with 42% reporting that they are “always online”.

However, 76% reported they would like to be able to access the internet more frequently. The top three barriers cited as preventing more frequent internet access were cost of use, reliability of service, and lack of access when needed.

90% currently use a smartphone

63% use a laptop or notebook computer

54% would like to use a wearable digital device but it was currently unavailable



68% reported that internet access in their local area was very or fairly reliable

81% use the internet more than once a day to support their business

42% reporting that they are “always online”



76% reported they would like to be able to access the internet more frequently

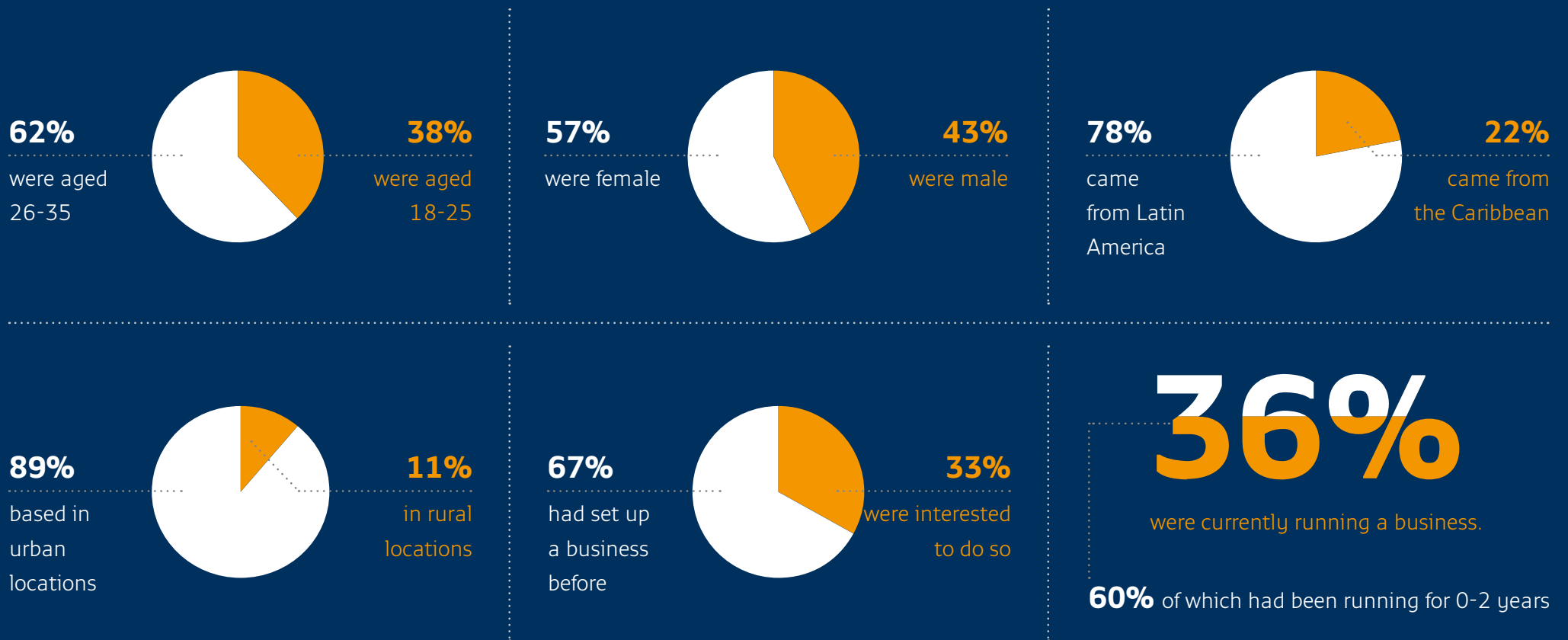
What support services are important?

When asked what digital support was important to them, young entrepreneurs were most likely to identify the following as very important: digital social media platforms to help promote the business or sell products or services (66%); messenger platforms to help connect

with customers (64%); and information on customers and markets or potential markets (61%).

Over half reported that digital networking sites, platforms to connect with mentors or business advisors, access to finance and education or training were very important.

A snapshot of survey respondents:



36% had a full-time job, 17% were students and 12% were unemployed

Are the support services satisfactory?

The young entrepreneurs we surveyed were most likely to report being satisfied with digital social media platforms, messenger platforms and digital networking sites. Meanwhile, they were most likely to report being unsatisfied with digital support to access finance, government information and services and information on customers and markets or potential markets. The top three reasons for being satisfied were solutions easy to use, free to use and easy to understand. Top three reasons for being dissatisfied were information too hard to access, information too costly to access and information not relevant to me or my situation.

What support services do young entrepreneurs want?

When asked, young entrepreneurs reported that they would most like to receive more support to increase their usage and adoption of digital platforms through provision of general information on the range of platforms available, low cost or free internet access and training/guides on how to use the platforms.

Amongst the young entrepreneurs we surveyed, the top three types of support young entrepreneurs identified were: signposting towards the best sources of information; information on the range of digital platforms available and low cost or free internet.



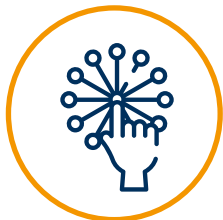
The young entrepreneurs we surveyed were most likely to report being satisfied with digital social media platforms, messenger platforms and digital networking sites.

Reflections and opportunities for YBI

Overall our research found that the digital landscape in Latin America and the Caribbean is growing rapidly with great potential. Awareness and usage of digital support solutions amongst entrepreneurs in the region is varied.

This indicates that this indicates that there is great potential for YBI to support young entrepreneurs in the region to leverage digital to start and grow their businesses. Signposting young people to the sources already available from government, financial institutions, associations and other organisations will be an important step.

Below we outline the key areas our network could explore



Developing digital skills

Young entrepreneurs and aspiring entrepreneurs are hungry for digital skills to help them develop their businesses. However, there is a need for better education and training in this area. YBI members should develop guides and courses on digital skills, ideally in collaboration with existing education and training operators.





Adopting a mobile first approach

Recognising the trends highlighted in our research, YBI members should adopt a mobile-first development strategy to digital solutions for young entrepreneurs and aspiring entrepreneurs. Given challenges with internet connectivity, members should consider mobile app solutions that can work offline with downloaded content and/or synchronisation features.



Ensuring that entrepreneurship is more inclusive

Across the region, some young entrepreneurs - such as those in rural areas and from poorer backgrounds - are more likely to have more limited access to digital infrastructure. YBI members should provide offline solutions. They should promote entrepreneurship as a career option for all young people, signposting the digital and other support available.



Harnessing the power of social media

In our research, social media and associated messaging platforms were cited as the most important types of digital support by young entrepreneurs and aspiring entrepreneurs. YBI members should consider where and how to build social media engagement into their planning and programming.



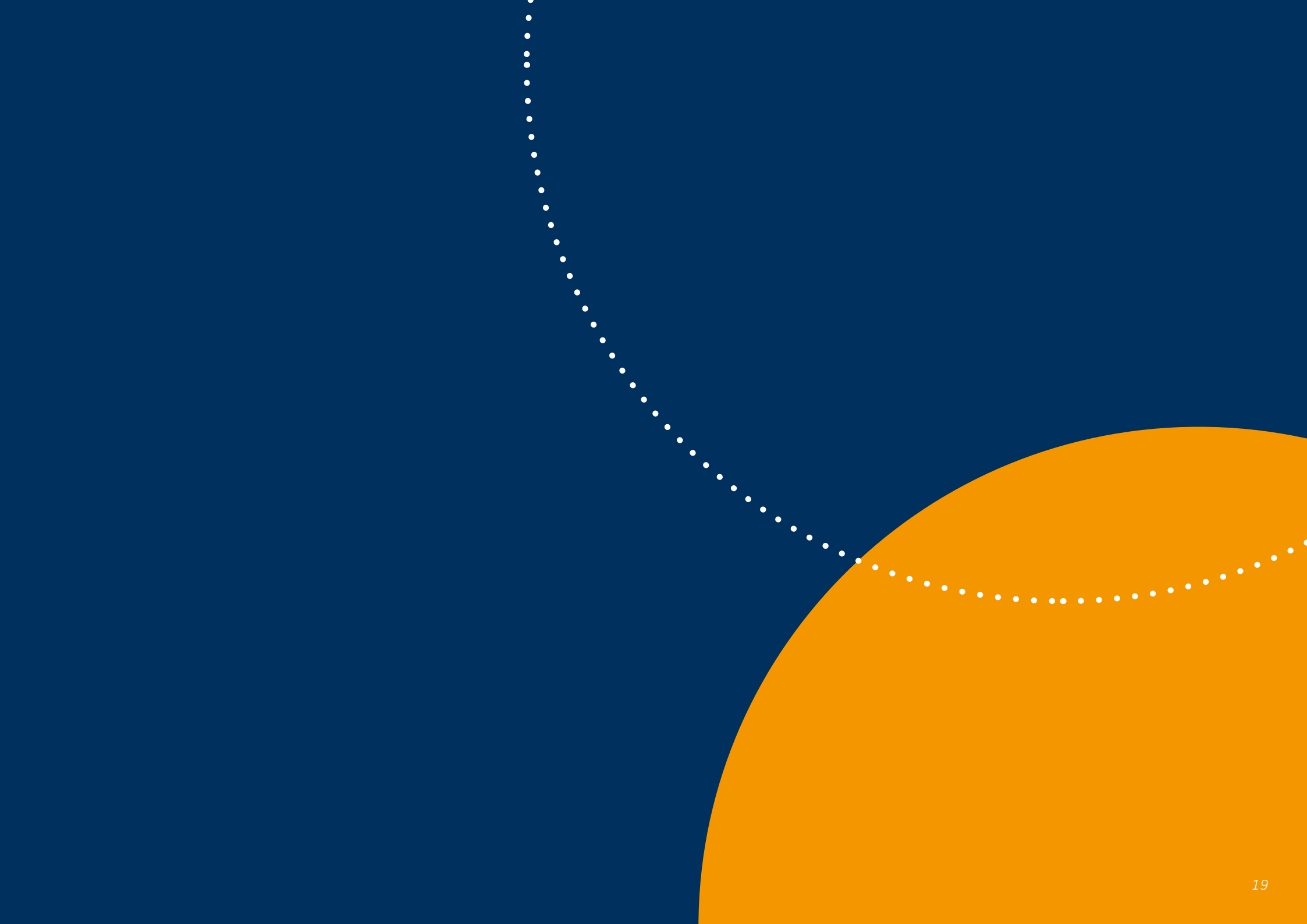
Improving access to digital infrastructure

YBI members should work with local government and the private sector to promote a more supportive digital infrastructure for young entrepreneurs and aspiring entrepreneurs. This could involve, for example, advocating for improved access to digital technology or partnering with technology providers to facilitate free or low-cost access.



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