Chapter XII

Bringing the Next Billion Online: Cooperative Strategies to Create Internet Demand in Emerging Markets

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Abstract

This chapter classifies the types of partnerships employed to increase Internet demand in emerging markets. This classification system, or taxonomy, is based on more than 60 in-depth interviews, about 32 partnerships, designed to create Internet demand in Mexico. The taxonomy first classifies the partnerships into three broad categories based on the number of barriers to Internet usage the partnership was designed to overcome: one, two, or three. The partnerships are then classified into six subcategories based on the specific barrier or combination of barriers to Internet usage the partnership sought to overcome. The six subcategories of the taxonomy are: (1) lack of funds; (2) lack of awareness; (3) lack of uses; (4) lack of funds and lack of uses; (5) lack of funds and lack of infrastructure; and (6) lack of funds, lack of uses, and lack of infrastructure. This taxonomy gives empirical meaning and enables further analysis of this unique and increasingly popular type of partnership.
Introduction

... it may sound altruistic and it may sound philanthropic, but let me tell you, it is very concrete ... if we do not invest, if we do not take the time ... we will never close the digital divide ... and we will never grow these markets ... and we can never do it alone ... not the government alone, not universities alone, not even businesses alone, we absolutely have to do it together. (Omar Villarreal, President, Latin America and the Caribbean, Motorola)

The focal point of the Internet is rapidly shifting toward emerging markets. The sale of personal computers (PCs) and Internet access is stabilizing in industrialized countries and profit margins are eroding (International Telecommunications Union [ITU], 2001; Smith, 2001). Market research firms predict that the growth rates of information and communications technologies (ICTs) such as the Internet will not return to their previous levels in industrialized markets, but that future revenue opportunities lie in the developing world countries of China, India, Russia, Brazil, and Mexico (De Marcillac, 2003). The sheer size of the population of these five economies, coupled with their low Internet usage rates, make them extremely attractive markets for multinational corporations. The Internet is also seen as a powerful tool for socioeconomic development and therefore, governments, nongovernmental organizations (NGOs), and universities are also intent on increasing their usage in these emerging markets.

The opportunity is clear, yet elusive. In 2001, from 33-50% of the population of industrialized economies had Internet access, whereas a scant 1% or less of emerging market citizens were online (ITU, 2002). Billions of people, therefore, have never surfed the Web nor used e-mail. The reasons for the discrepancy in Internet proliferation have been widely studied. On the demand side, education and skill levels, Internet access costs, per capital gross domestic product, and a lack of access facilities (telephone lines) are all statistically significant determinants of Internet usage rates in emerging markets (Cukor & McKnight, 2001; Kiiski & Pohjola, 2002). On the supply side, the absence of an independent regulator and credible regulatory frameworks lead to under investment in ICT infrastructure, which hinders Internet access rates (Gutierrez & Berg, 2000).

A wide range of initiatives sponsored by a diverse set of organizations have been launched to increase Internet usage in emerging markets. The Digital Dividends Project Clearinghouse (http://wriws1.digitaldividend.org/wri/app/index.jsp) created by the World Resources Institute lists nearly 1,000 initiatives designed to increase Internet usage. At least one half of these initiatives are being implemented through the cooperative effort of two or more organizations. These include both “traditional” partnerships, or those between two or more private
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