

Computer Software and Services

Overview

Computer Software

Unit: USD million	2011	2012 *	2013 *
Total Market Size	\$6,300	\$6,930	\$7,623
Total Local Production	\$1,240	\$1,364	\$1,500
Total Exports	\$123	\$135	\$148
Total Imports	\$5,183	\$5,701	\$6,271

Computer Services

Unit: USD million	2011	2012	2013*
Total Market Size	\$15,140	\$16,654	\$18,319
Total Local Production	\$13,306	\$14,636	\$16,099
Total Exports	\$1,834	\$2,017	\$2,219
Total Imports	\$3,668	\$4,034	\$4,437

- Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
- Statistical data are unofficial estimates from trade sources
- Source: Abes – Brazilian Software Market – Scenario and Trends 2012

The Brazilian software industry has been positively affected. This segment grew 10% in 2012 compared to 2011. Brazil's IT market ranks among the top ten worldwide in the last three years.

Given the forecast for growth of the Brazilian economy over the next several years, Brazilian IT spending should increase at a healthy pace. The most significant trend in this sector is the increase of data communication in cellular telecommunications, which is expected to continue over the next few years. Infrastructure investments in preparation for the 2016 Olympic Games in Rio de Janeiro are expected to drive new spending on software. As a result, Brazil's software services market, which already has the fastest rate of growth in Latin America, is projected to exceed 10% per year until 2015.

According to Brazilian Association of Software Companies (ABES), Brazil's large and growing economy and technology adoption make it an outstanding market for technology and service providers seeking opportunities for global expansion. The domestic market for IT investments is forecasted to be at US\$25 billion in 2013, representing an increase of 10% from 2012.

The services and financial sectors represent almost 50% of the user market, followed by industry, trade, government, oil and gas, and agricultural sector. The software market consists of nearly 10,300 companies dedicated to the development, production and distribution of software and services. Of the segment in software development and production, 93% can be classified as small and medium sized enterprises.

Sub-Sector Best Prospects

The demand for telecommunications software is expected to grow as a result of the convergence of data, voice, and conventional and mobile telecommunication. The most significant trend in this sector is the increase of data communication in cellular telecommunications. Continued growth is expected over the next few years.

The current trend in Brazil is for IT, infrastructure, network and telecommunications to consolidate technologies. In this regard, as Brazilian IT companies mature, they are attracting the interest of competitors and capital investment funds.

Within the software segment, 45% of the market represents purchases of enterprise applications such as CRM, ERP or SCM solutions; while systems infrastructure solutions, such as platforms for administrating and running software assets, contribute 36%.

With the expansion of broadband in Brazil, E-commerce is becoming part of the daily routine of Brazilian companies. The sector's growth perspectives for this year are 35%, and it is expected to double by 2017, reaching a sales volume of US\$25 billion.

Within the last decade, more than 30% of the population joined the middle class, a group with better access to information and consumer products. It is projected that by 2015 more than three million homes will obtain their first computer and the number of households with at least one computer should exceed 30 million. The number of notebooks is greater than those of desktops in the Brazilian market. The demand will motivate the launch of more specific software applications.

There is an increasing number of companies seeking information and knowledge on cloud computing. Demand for international collaboration, security, CRM, storage, and productivity will accelerate in 2013. Virtualization and consolidation of infrastructure investment will continue as a priority in business. New solutions will lead to a profound change in the operation and delivery of IT solutions as suppliers will release specific and targeted offers for the cloud environment in 2013, with the rapid proliferation of Platforms as a Service (PaaS) and Infrastructure as a Service (IaaS).

Mobile data will also continue to grow at exponential rates. Some service solutions carriers will start to offer 4G, which will make expansion of the mobile network critical. Data Centers will modernize or increase their current capacity in the coming years, and "Big Data" may become the challenge for solutions providers.

Telecom companies are already using B/OSS (Business Support System and Operations Support Systems) software solutions to help increase profitability, while simultaneously optimizing development and deployment costs. The well-developed financial sector seeks cyber-security solutions to prevent electronic fraud.

Opportunities

The majority of computer distributors in Brazil are national companies, but in recent years foreign distributors have entered the market joining Brazilian dealers/re-sellers to become more competitive.

Vendors still offer a low level of customer service. Delivery delays are common, often without a formal explanation to the client, or without the retailers assuming responsibility. Given this environment, companies with high quality customer service will have an advantage over many of their local competitors.

A strong financial partner is important for computer hardware/software distributors in Brazil; therefore, a number of Brazilian distributors are collaborating with banking partners to solidify their financial position. The increased financial resources of these distributors allow them to offer better financing and improved payment terms to their re-sellers. In Brazil, due to high interest rates on loans, this ability is a distinct competitive advantage.

As the number of resellers, value-added resellers (VARs), and agents grow and their portfolios expand, more distributors will adhere to the two-tier distribution model. Below is a description of the one and two-tier distribution models that operate in Brazil.

Distribution Models

Under the one-tier distribution model, the supplier delivers the product to the end-user via agents, VARs, and systems integrators. The supplier does not rely on a distributor to supply re-sellers, who are in direct contact with the end-users. In special cases, the supplier may sell directly to the end-user.

The two-tier distribution model is the same as the one-tier model but with an additional intermediary. In the two-tier model, the supplier provides the product to the distributor, who then passes the product to an intermediary distribution channel such as a VAR, agent or systems integrator, each of whom has access to end-users.

In August 2012, the Brazilian Federal Government launched the “TI Maior” project (Greater IT) in which the government will invest R\$500 million in innovation, in-country software development and information technology by 2015. Of this amount, R\$40 million will be devoted to “start-ups”.

A challenge for U.S. companies is the “Lei de Preferência” (Law of Preference) – Decree 7.174 that gives a cost preference of up to 25% to locally developed solutions when participating in public procurement bids. Developers of software must undergo a certification process in order to prove the local content of their solutions.

Server virtualization, which is already a reality in medium and large enterprises, will continue growing in 2013. In order to absorb a volume of data that is growing at a rate of 30% per year, the proliferation of virtual machines, and the increased use of new applications such as CRM and business intelligence, Brazilian companies will invest heavily in memory and storage solutions.

The increase in data traffic arising from the expansion of virtualization and the use of mobile devices in corporate networks will positively impact the market for switches and wireless LAN networks. The security of mobile devices will also become a priority. IT vendors could seize opportunities created by the World Cup and Olympic Games, especially for software related to command & control centers and intelligent transportation solutions.

Web Resources

- Brazilian Association of Software Companies <http://www.abes.org.br/>
- Ministry of Science, Technology and Innovation <http://www.mct.gov.br>

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