



Customer Relationship Management (CRM) in Brazil

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Summary

Brazil has a large and diversified economy that offers U.S. companies many opportunities to export their goods and services. As Brazil's largest single trading partner, the United States enjoys a strong reputation in a variety of sectors. This report is one of a series that is published by the U.S. Commercial Service's team of sector experts throughout the year. We believe that the IT industry, specifically the Customer Relationship Management (CRM) market offers U.S. companies an excellent opportunity for doing business in Brazil.

If you do not see an opportunity for your product or service here, please check out our other reports and consider contacting us directly to find out if we can help you export to Brazil. The first step for many U.S. companies is to visit our Country Commercial Guide at www.focusbrazil.org.br/ccg, where you will find a good overview the Brazilian market.

Brazil remained Latin America's largest single country market for CRM software in 2005. However, a number of companies in Brazil postponed CRM implementations due to revenue shortfalls. Nonetheless, vendors booked new sales in manufacturing, food and beverages, and pharmaceuticals.

Market Demand

The CRM market held up well in Latin America in 2005, despite political strife in the region. To be sure, the results did not live up to the elevated expectations of years ago, when CRM software vendors entered the market en masse. Nonetheless, overall revenues for CRM licenses, maintenance, and upgrades rose 15 percent--from US \$270 million in 2004 to US \$300 million in 2005.

Latin America's optimism about CRM's future is an education gap that will no doubt close in the near future. Many large companies in the region still do not understand exactly what CRM technology does, while many small and medium-sized companies are confused about the differences between real CRM solutions and the rudimentary software tools they already have in place.

As vendors educate companies of all sizes about the benefits of CRM technology, the market should expand quickly.

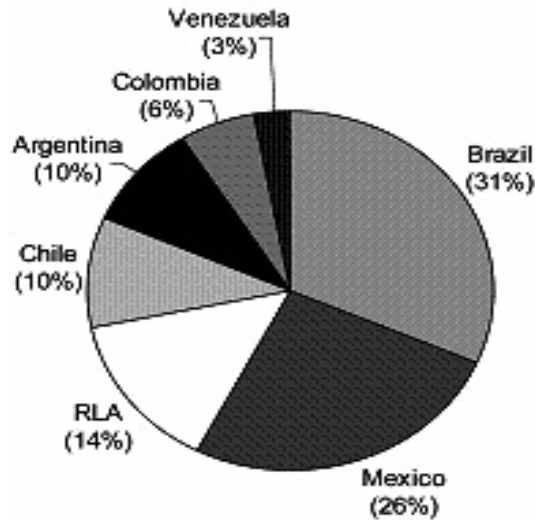
Although the recent wave of mergers will have a positive effect on technological advances and integration, the recession that hit service providers (installation, operation and network and system maintenance) in 2003-2004 is still a cause for concern.

These developments have encouraged changes in the focus of IT business activities, not to mention a growing interest in partnerships that facilitate flexibility in an ever-changing sector that only now seems to be emerging from the recent global crises.

Due to the increased availability of new lower-cost cellular phones that are capable of sending photographs and real-time videos, software operators and producers are excited about the prospect of the public "upgrading" close to 40 million cellular phones in the country.

Brazil is the ninth largest Internet market in the world and the largest in Latin America with the most advanced Internet and e-commerce industries. According to the Brazilian Chamber of Electronic Commerce (Camara-e.net), Business-to-Business (B2B) and Business to Consumer (B2C) reached revenues of US \$20 billion in 2005.

International Data Corporation (IDC) reports that Customer Relationship Management (CRM) solutions are the top priority IT investments across Latin America, growing at an annual rate of 15 percent with an expected value of US \$330 million by 2006.



Latin America CRM Applications Market by Country, 2005

In 2005, Brazilian CRM market grew 16 percent and was valued at US\$ 118 million, with Argentina, Mexico and Chile comprising 55 percent of regional spending. Brazil was the largest CRM market in the region, comprising 31 percent of Latin America's CRM spending. Mexico's CRM market was valued at US\$ 85 million, followed by Chile at US\$ 33 million. While Argentina's CRM market was valued at US\$ 30 million.

Market Trends

In addition to its size, Brazil stands out in Latin America for the strength of its local software vendors. In most Latin American countries, the software market is consolidated among a handful of international vendors.

In Brazil, however, local players have for some time shown strength in software segments such as CRM. More local brands are expected to introduce CRM packages in the near term.

As the largest and most dynamic IT market in Latin America, Brazil offers significant opportunities for U.S. suppliers of IT products and services. Brazilians have a high regard and strong preference for U.S. technologies and will buy from U.S. companies that can offer competitive prices.

Online shopping is one of the key drivers for CRM demand. Market experts estimate that by 2005 the Latin American market will total more than 200 million Internet users.

An estimated 12 percent uses the Internet to shop and these more seasoned Internet users will require world-class customer service before they part with their money. Hence, first-rate CRM solutions are critical to capture the advancing e-commerce opportunities in the region.

Market Issues & Obstacles

Brazil will drive market growth for corporate software in Latin America in 2005. Brazil's software market experienced strong growth in 2005 and now paves the way for robust software demand in 2006. Brazilian companies are expected to spend US \$12.1 billion on information technology, a 15 percent increase over 2005. These statistics pertain to the software sector as a whole and are not limited to any specific software.

Brazilian Software Market			
US\$ millions	2004	2005 est*	2006 est*
Market Size	\$9,000	\$9,400	\$12,100
Local Production	\$4,900	\$5,200	\$6,800
Exports	\$200	\$200	\$300
Imports (Global)	\$4,100	\$4,200	\$5,300
Imports from US	\$3,500	\$3,450	\$3,800

The above statistics are unofficial estimates. (*) Source ABES - 2005 Estimated Exchange rates: values expressed in U.S. dollars - US\$ 1.00 = R\$ 2.30 (March 2006)

Prospective Buyers

Many multinational players have established manufacturing plants in Brazil to provide products and services to major operators that set up new businesses.

Regarding telecommunications competition in Brazil, it is clear that service providers need to develop contacts with clients in order to understand their particular needs and develop specific solutions based on their needs.

To further develop business in this segment, U.S. companies will need to offer more tools to compete with the traditional local IT and training companies that already operate in Brazil. Investment in customized service is mandatory, as customers expect a service that can address their specific needs.

Best Prospects

For the financial sector, the volume of CRM investments depends on each segment's degree of IT sophistication. Generally investments will be focused on the manufacturer's automation processes, which will include CRM, safety and e-trading.

Though wireless adaptation of CRM applications is still in its infancy, Brazilian organizations must invest to provide comprehensive service in an increasingly competitive landscape. Rio de Janeiro and São Paulo are both vying to become the customer relationship marketing hub for the region due to their exceptional IT infrastructure.

E-commerce is gradually becoming part of the daily routine of Brazilians as public confidence in secure payment systems grows with customer experience. The sector's growth perspectives for this year are 24 percent, with a

sales volume of US\$4.1 billion. With an eye on such forecasts, E-commerce companies in Brazil have made investments to finance their expansion while adopting measures to lessen capital costs.

Software manufacturers are expanding their presence in small and medium-sized firms in Brazil through investments in a network of partnerships and by offering competitive prices.

The IT industry's strategy is to move forward into this market with the sales of applications, such as integrated management systems (ERP) and client relations systems (CRM).

Market analyses indicate that call centers in Brazil offer customer service related activities. IDC also forecasts a significant increase in independent call center operators providing total contact center solutions, including innovative CRM options, by 2006.

Mobile CRM, or mCRM, solutions are also on the rise. Regional wireless and mobile transactions will continue growing nearly ten percent of B2B transaction volume and 15 percent of B2C traffic by 2006. At present there are approximately 86 million mobile device users in Brazil.

CRM providers will likely review service and product portfolios to strategically reposition their marketing plans towards small contracts. Analysts expect that this will enhance price competition among service providers.

Given the forecast for steady growth of the Brazilian economy, Brazilian CRM spending should increase at a healthy pace.

According to the Brazilian Daily Mercantile Gazette, IT investments in financial institutions will not be limited to electronic transactions. CRM, billing, ERP, B2B and B2C are also important solutions in the financial sector investment list in 2006.

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Rio de Janeiro and São Paulo are both vying to become the customer relationship marketing hub for the region due to their exceptional IT infrastructure.

To achieve this position, they must focus on tapping into Brazil's large mobile phone market. In addition, their CRM services and solutions must be top-notch as Brazilian companies typically look at the return of CRM implementation and want a guaranteed return on investment by way of increased revenue or increased operational efficiencies.

Finally, there must be consistent customer information regardless of whether the customer is buying in person, on the phone, online, or via other web and wireless devices.

In Brazil, where companies have been forced to move away from price-centric business models, the strategic implementation of CRM solutions will be crucial to survival.

Even though contracts are negotiated in dollars, Brazil's aviation sector has not cut back on IT investments. To reduce costs and increase efficiency, airline companies have been upgrading their booking systems, allowing clients to make consultations and ticket reservations.

However, priorities such as CRM and e-ticketing may suffer delays due to the financial problems of airline companies such as Varig.

Telephone company operators believe in the expansion of broadband data traffic in the corporate market, in place of voice communication. Such a change would relieve the landline telephone network. Thus, business opportunities over the coming years will be linked to increasing data traffic quality and broadband speed.

Finally, due to the growth in the scope of products and services offered and the increasing level of competitiveness in the sector, telecommunications operators have started to invest in more flexible billing systems. In this way, companies can offer a package of different prices and customized service as part of the new client relationship strategy.

The telecommunications concessionaires are also investing in the relationship support systems for their clients and suppliers. These investments are driven primarily by the call centers in need of CRM systems that integrate sales, marketing, finance, accounting and other corporate activities.

The most recent trend in the industry has been ERP and CRM integration, to further enhance productivity. Some software companies in Brazil are starting to specialize in this segment, integrating call center systems and billing systems.

Market Entry

Although some companies import directly from overseas IT providers without local representation, in most cases the presence of a local agent or distributor is essential to penetrate the Brazilian market. As in other countries, the selection of an agent requires careful consideration.

In Brazil, larger representatives have sales offices in several Brazilian cities to supply companies all over the country, whereas smaller representatives may either supply companies in a limited region or appoint "business opportunity finders" in major Brazilian regions.

The foreign conquest of the small Brazilian companies market is not difficult and does not necessarily mean eliminating the participation of national companies. The road that most foreign companies are taking, as an entry strategy into the market of small and mid-size companies, is to associate with national software houses already working in this field. In spite of good economic results specifically in the CRM area (with revenue in some cases doubling year after year), domestic companies understand that to grow, they need to establish alliances with third parties.

Establishment of joint ventures is a common practice in Brazil. A major motivation for joint ventures is to pair foreign firms with Brazilian partners to compete for government procurements, or in industries subject to government regulation, such as telecommunications, computers and software.

Trade Events

There are a number of major software shows in Brazil. The most important is Comdex IT Brazil in the State of São Paulo. More information can be found on the web site below:

<http://www.comdexbrasil.com.br>

Resources & Key Contacts

- For more information about export opportunities in this sector contact U.S. Commercial Service Industry Specialist Genard Burity at:
genard.burity@mail.doc.gov
- For more reports on this sector in other countries, please visit Export.gov's site for U.S. Commercial Service Market Research Worldwide:
<http://www.export.gov/marketresearch.html>
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