

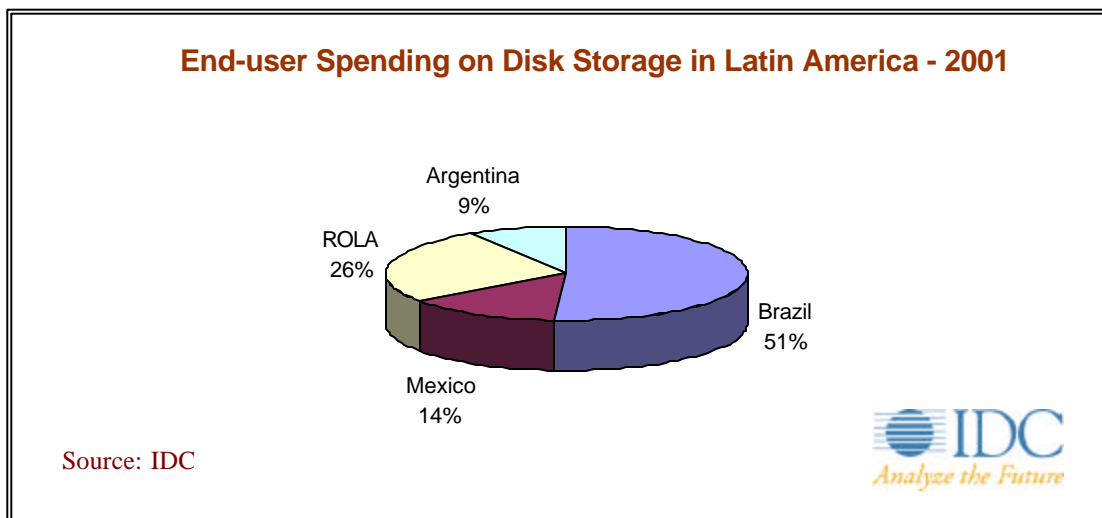
Storage Rides Out a Rough 2001

Slack dot.com demand brought a fierce price war to the storage market in Latin America in 2001. Although the total terabytes sold in the region nearly doubled on the year, end-user spending rose only modestly.

Latin America Disk Storage Systems Market Forecast and Analysis, 2001-2006, a new study by IDC Latin America, looks back on 2001 and forward to 2006, focusing on storage market dynamics, past and future, in Brazil, Mexico, and Argentina.

Argentina Lags, Mexico Leads

Of that Big Three, Argentina had by far the worst 2001, dipping 25% in terms of end-user spending. New government regulations requiring backup systems for financial firms helped prop up the market, but the country's political and economic woes (even before the bank freeze of 2002) were just too much to overcome. At the end of 2001, Argentina accounted for only 9% of the region's overall spending on disk storage.



Despite the much-publicized devaluation of the Real, Brazil had a much better campaign in 2001, capturing 51% of the Latin American market and expanding end-user spending 8% year-over-year. Telecommunications firms still accounted for a large portion of the storage sold in Brazil, but manufacturing, government, and finance expanded more dramatically.

Mexico had the highest growth among the Big Three, thanks in part to a currency that actually strengthened against the U.S. Dollar in 2001. Mexico's storage market benefited from new implementations of storage-thirsty enterprise software applications such as Supply Chain Management and Business Intelligence.

Watch Out For Local Vendors

IBM came fairly late to the party in storage, but it proved in 2001 that it could attract the attention of a wide variety of clients. Competitive pricing helped to land significant contracts in the government sector. Although IBM also did a deal with Banco Itaú, it decreased its traditional dependence on the financial sector with new clients in manufacturing and utilities.

EMC held onto the top spot in external storage. Like IBM, EMC broadened its client base beyond long-standing strengths in telecommunications, landing clients in manufacturing, oil/gas, and the government.

While Compaq, HP, and Network Appliance were also active in the region, local players are vendors to watch going forward. Currently, international vendors dominate the external storage market while local assemblers are starting to shake up internal storage, particularly at the low end. As the market for storage follows the commoditization path already trod by PCs and servers, and price becomes the all-important variable, local players will likely step up, particularly as storage hardware is standardized and software becomes more open.

Sentry Store, based in São Paulo, was a factor in the Brazilian market in 2001, thanks to sales in utilities to Eletro and in finance to Banco Bradesco. The company recently opened a new office in Rio de Janeiro and is now focusing on implementing SANs and expanding its geographic reach.

Future Growth

IDC Latin America sees the market for storage systems in Brazil, Argentina, and Mexico expanding from over US\$800 million in 2001 to over US\$1.5 billion by 2006. Growth is expected to ramp up in 2003, and then stabilize.

In addition to this overall forecast, *Latin America Disk Storage Systems Market Forecast and Analysis, 2001-2006* highlights a variety of market trends and analyzes their effects. To take just one example, IDC Latin America sees middle-market companies rising in importance as prices continue to fall and the large company segment becomes saturated.

In addition to offering retrospective data and prospective forecasts, this report breaks out end-user spending by vendor and country. It also analyzes trends in external vs. internal storage and weighs the rise of SAN and NAS solutions. The report concludes with detailed recommendations for vendors in this increasingly competitive market.

--Barbie Cordero

For more information regarding *Latin America Disk Storage Systems Market Forecast and Analysis, 2001-2006*, (IDC #LA1242J) or to obtain the complete study, which includes an electronic data tool offering complete market data, please contact Barbie Cordero of IDC Latin America at bcordero@idc.com or (305) 351-3131.

Quoting individual sentences and paragraphs and graphics from Latin America Technology Advisor for use in your company's internal communications does not require permission from IDC. However, IDC information that is to be used in advertising, press releases, or promotional materials requires written approval from the appropriate IDC vice president or county manager. A draft of the proposed document should accompany any such request. IDC reserves the right to deny approval of external usage for any reason. Information and opinions are based on the best sources available, but their accuracy and completeness cannot be guaranteed.

8200 NW 41 Street, Suite 300
Miami, FL 33166
Phone: 305-267-2616
Fax: 305-267-2617

