Latin America Technology Advisor

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Serving up Telecom Services in Brazil

As margins for telecommunications hardware are being squeezed by a worldwide equipment glut, telecommunications firms are setting their sights on services. In an effort to see how this global trend is playing out in Latin America, IDC Brazil surveyed IT managers at 500 large and medium-sized firms in Brazil regarding their adoption of a wide array of telecommunications services.

Analysis of the results appears in *Brazil Corporate Telecom Investment Trends: Services, 2002*. This report focuses on five key areas in telecommunications services: fixed telephony, mobile telephony, data, value-added services, and Internet access. It also attends to specific services inside each of those categories. In data, for example, it breaks down results into five areas: IP, dedicated line, frame relay, X25, and ATM. Many of the findings of this extensive report are further broken down by geographic region, vertical market, and company size.

FIXED IS FIRST

Given the global downturn in telecommunications and local economic difficulties, it should not be surprising that IT and telecommunications investments were relatively modest in Brazil in 2001. Nearly half of the respondents (46%) reported spending US$42 million or less on IT and telecommunications combined in 2001. Only 8% spent over US$1 billion.

Of those overall investments in IT and telecommunications, 16% went to telecommunications services in 2001. Of the overall telecommunications services pie, fixed telephony garnered the largest slice (55%), followed by data (28%), mobile (10%), and value-added services (8%).

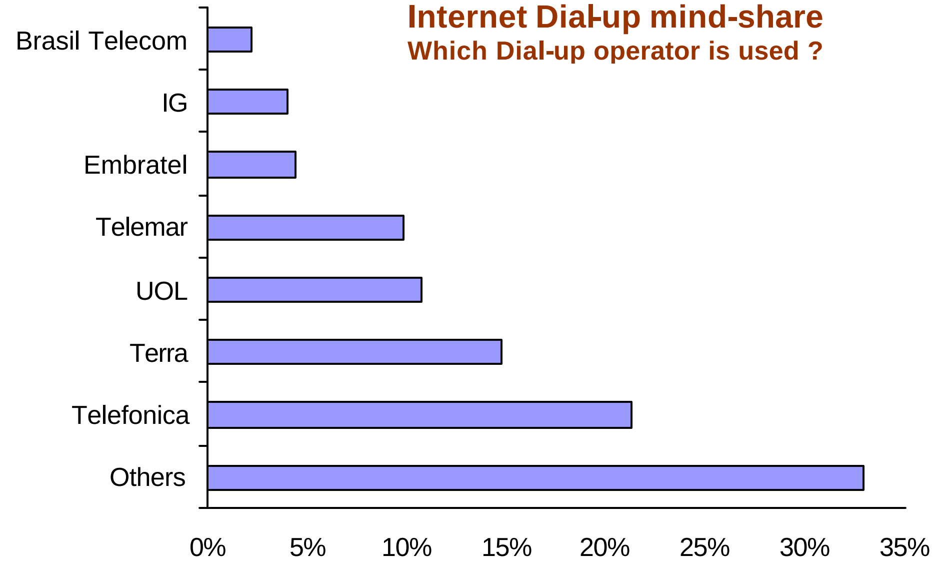
After determining the level of respondents' telecommunications services commitments in 2001, IDC Brazil asked whether they expected those investments in particular segments to rise, fall, or stay the same in 2002. In the data space, dedicated lines and IP appear poised for particularly strong growth. Only 3% said they would cut dedicated line investments in 2002, while 18% said they would increase them. In IP, this gap was even greater, with 2% to lower investments and 28% expecting to boost them.

MARKET SHARE AND MINDSHARE

Brazil Corporate Telecom Investment Trends: Services, 2002 also analyzed both market share and mindshare in fixed telephony, mobile telephony, data, and Internet. Telefonica and Embratel were the clear market leaders in fixed telephony and data, respectively, while Telesp Celular led the way in cellular.

Inside the Internet access space, the dial-up market was notably fragmented. There Telefonica captured 21% of the market, followed by Terra with 15%, UOL with 11%, and Telemar with 10%. "Others," however, led the way with just under one-third of the overall market (33%).

Figure 1
Internet Dial-up mind-share
Which Dial-up operator is used ?



Source: IDC

WINNERS AND LOSERS IN NEW TECHNOLOGIES

In an effort to gauge future prospects for newer technologies, IDC Brazil asked IT managers which of 10 cutting-edge technologies they planned to adopt in 2002. Here Voice over IP earned the highest marks, with 27% of respondents stating they planned implementation in 2002. Unified Messaging, by contrast, fared worst, with a planned implementation rate of only 6%.

As they decided to adopt a new technology, IT managers were guided by a variety of criteria. Cutting costs and increasing competitiveness topped the list, named by 43% of the managers interviewed.

Brazil Corporate Telecom Investment Trends: Services, 2002 offers readers much more data and far more analysis than this brief newsletter can mention. Throughout the report, quantitative results are complemented by qualitative findings. To take just a few examples, survey respondents state what telecom operators can do to improve services, and whether they are optimistic about the ability of those operators to deliver improvements. IDC Brazil asked the IT managers surveyed not only whether they use particular services, but why. As a result, the report contains important findings on how IT investment decisions are made inside Brazilian firms—who makes the crucial choices, and on what basis.

-- Barbie Cordero

For more information regarding *Brazil Corporate Telecom Investment Trends: Services, 2002* (#BR1327) or to obtain the complete study, please contact Barbie Cordero of IDC Latin America at bcordero@idc.com or (305) 351-3131.

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