Brazil's ECM Market

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The Essentials

Brazil is one of the world's largest countries and fastest-growing economies, yet developed countries in the Northern Hemisphere have often overlooked it as a market. Still, it is a vibrant and growing nation that has a remarkably successful track record – which other countries could learn from – in enterprise content management (ECM).

The last 15 years or so have seen a heavy focus on training ECM professionals in Brazil, through the venerable CompTia CDIA courses and through AIIM training. It seems that pretty much everyone who works in ECM – or GED (*Gerenciamento Eletronico de Documentos*) as ECM is called in Portuguese, Brazil's national language – has undertaken some kind of training, and most carry their designations with pride. There is a healthy awareness that ECM is very complex, and that even elements such as scanning and imaging require specialized skills that are not best acquired on the fly. Brazil has a well-trained and skilled ECM workforce – something that is often in short supply north of the equator.

Even so, after years of indifference from major North American and European suppliers, Brazilian buyers are cautious about the promise of new software and features. They have come to learn that it may be a long time before they see the promised product, and that when they do, early adopters will have pointed out many inadequacies (which may or may not have been addressed). The result is that Brazil is a nation of conservative buyers who typically have a good understanding of technical limitations and the savvy to budget accordingly to meet the true cost and complexity of business change and implementation services. This all adds up to Brazil being one of the most exciting, vibrant, and fast-growing ECM markets in the world.

Though Brazil can be a challenging country to do business in, there is enormous potential in the Brazilian enterprise software market, particularly as cloud computing gains traction both for innovative local vendors and European and US software firms looking to grow beyond their home markets. Brazil is a major market for ECM, particularly in regulated industry sectors. There is a long-established and

This report provides an overview of the state of the ECM market in Brazil. If you are looking to expand or start your business in the region, we can provide both strategic and tactical guidance for building out local partnerships and positioning your products and services.

significant customer base. Local economic growth, infrastructure advances, and regional regulations are all likely to spur significant new growth over the next few years.

Country Facts

Brazil is the largest Latin American market, representing almost 30% of the region's population. It is the second-largest economy in the Western Hemisphere and seventh largest in the world. However, Brazil has a reputation for being a difficult country to do business in and this, along with its use of the Portuguese language, means that it is often overlooked as a location in which to expand and invest.

Here are some fast facts about Brazil:

→ Population of 210 million

→ Accounts for almost 50% of the South American economy

→ São Paulo is the second-largest business center in the Southern Hemisphere

→ Rio de Janeiro, Belo Horizonte, and Florianópolis are all active start-up locations

→ $3.2 trillion GDP

→ Government working to ease barriers to and increase foreign investment

Figure 1
VC Investment Into Brazilian Start-ups
Based on data from the Association for Private Capital Investment in Latin America (LAVCA)
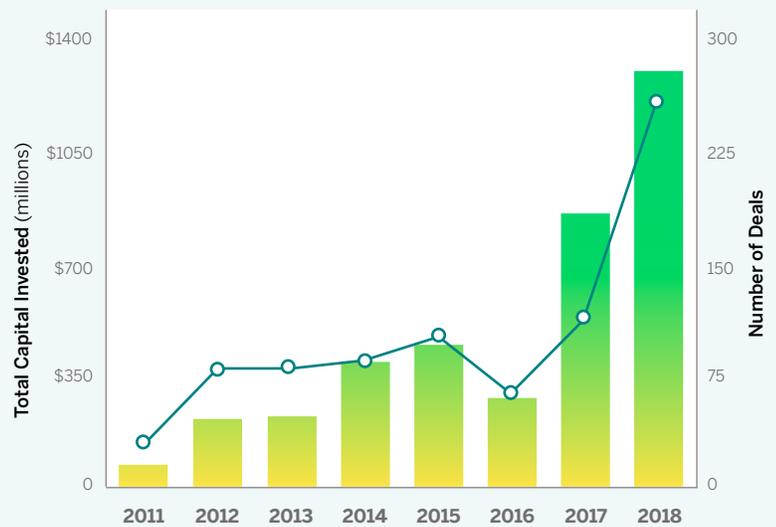
Source: crunchbase news

IT Market Analysis

Today, Brazil's overall IT market sits at around $50 billion, with a strong annual growth rate of just under 10%. Though the size of Brazil's market is modest compared to the US, its growth rate is almost double that of the US. Moreover, Brazil's IT market looks set for even faster growth in the coming years, as until recently the start-up community, though vibrant, was underfunded. This situation changed in 2017 as venture capital (VC) funding rose dramatically in the region (see Figure 1). In 2018, VC investments in Brazil were around $2 billion, with the number of deals nearly doubling over 2017. And in early 2019, Softbank announced a $5 billion innovation fund focused exclusively on the Latin American market. As Brazil accounts for almost 70% of Latin America's VC investments, growth that filters up from the start-up community is likely to accelerate further in 2020 and beyond.

The strong market growth rate, along with this major injection of start-up funding, is reason enough for interest in the Brazilian market. But the dynamics underlying this growth and investment make it even more intriguing. Cloud computing was slow to take off in Brazil, but it appears that the country is making up for lost time, with the cloud computing market now growing at over 30% CAGR. All this positivity can be considered reason to invest in Brazil, even if the country's overall GDP growth rate of 1% to 2% can signal a need for caution.

🔍 ECM Market

While the IT market in Brazil is strong and growing rapidly, the ECM market, a sub-sector, is more difficult to quantify. To date, analyst firms have done little in-depth research into Brazil's ECM market, however at Deep Analysis we estimate it to be greater than $1 billion, and we believe it has the potential for rapid growth through transition over the next decade.

Brazil does have a long-established history in the document management (DM) sector. In the 1980s, Brazil was one of the most aggressive countries to embrace microfilm and one of the first to legally approve its use for records. From that start, electronic document management systems (EDMS) grew rapidly from the late 1980s through the 1990s, with major sales

in verticals such as insurance and banking. The Brazil ECM market has grown somewhat in parallel with that of the US, though with significantly different market dynamics, embracing SharePoint and ECM from the mid-2000s onward.

To fully understand the ECM market in Brazil, it's important to first comprehend the underlying business dynamics that impact it. First, there is a large on-premises legacy base of DM/ECM customers. Second, Brazil has a strongly regulated sector, and adherence to regulations has driven the ECM market to date. Over the coming years we will see a move to the cloud having a strong impact on growth, along with an upward drive from new start-ups moving into the sector and challenging legacy vendors. Finally, just as in other countries, emerging technologies such as blockchain, IoT, AI, and machine learning will have an impact.

Legacy ECM

Brazil was early to adopt electronic document management systems, starting back in the mid 1990s. It invested heavily in systems such as FileNet (now IBM) and has a large installed base of on-premises, legacy document management systems. Many of these legacy systems are dated and supported through expensive maintenance contracts. Any attempt to replace them will be costly, complex, and

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Figure 2
Dynamics of Brazil's ECM market

LEGACY ECM CUSTOMERS → MANAGEMENT OF REGULATED ENVIRONMENTS → CLOUD COMPUTING → START-UP GROWTH & MODERN ALTERNATIVES TO LEGACY ECM → MACHINE LEARNING, BLOCKCHAIN & AI

risky; however, there is limited appetite to buy more such platforms. As information volumes grow, lower-cost, lower-footprint systems will be considered.

Regulations

Regulatory compliance has played an outsized role in the development of the Brazilian market and will continue to do so in the foreseeable future. Much of the drive for content digitization in Brazil comes from a complex set of ECM-related regulations (see Table 1). These began in 1995, when a team was formed to give support to the Brazilian Senate to develop a law for the legal status of digital images, initially based on microfilm. This project took a long path, and in 2012 resulted in law 12.682 for creation and archival of documents electromagnetically. In 2019, this same law was leveraged again by the new government as a way to enhance business in Brazil. Just as important, the Brazilian version of GDPR, called *Lei Geral de Proteção de Dados* (LGPD 13.709/2018), will come into effect in August 2020.

Interesting to note, however, is that although there are well-defined and closely followed regulations that relate to information management in Brazil, the processes and methodologies of records management (RM) are not well established, despite the plethora of related regulations that stipulate formal retention periods in the country. The typical RM procedure in Brazil is "if in doubt, keep it." This attitude toward RM has spawned a major market for offsite storage companies.

Table 1
Brazil's ECM-related regulations

Purpose	Law
Creation and archival of documents electromagnetically	Law 12.682/2012
LGPD (The Brazilian GDPR)	Law 13.709/2018
Scanning and usage of electronic systems for the storage and management of medical records	Law 13.787
Digital documents in banking	Law 12.865, 4.800 and MP 2.200
e-Arq Brasil	Modeled on DOD 50515 & MoReq for Records Management

Cloud computing

The vast majority of ECM systems running in Brazil today are on-premises, and there has been a strong reluctance to embrace the cloud. That is not likely to change overnight in the sense of existing ECM systems being ripped and replaced. There will be a shift to the cloud for greenfield customers and departmental purchasers, just as a broader shift to the cloud is underway for other IT applications in Brazil. Interesting to note here is that cloud file-sharing systems have been slow to gain traction for enterprise usage in Brazil. This has been in part because of connectivity problems outside of major urban centers and questions regarding the security and reliability of such systems. However, in our analysis, the major reason for such little traction – beyond a local reluctance to embrace cloud computing – has
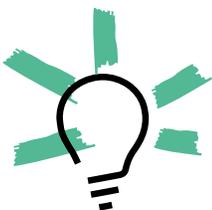
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been that little effort has been made to sell to Brazil by major (US-based) Enterprise File Sync and Share (EFSS) vendors.

Start-ups

The tech start-up scene has only recently begun to thrive in Brazil, fueled by major VC investments over the past few years. Though much of that VC investment has gone to consumer-focused companies, enterprise- and information management-centric start-ups are now also beginning to emerge. A good example is Docket, a fast-growing company that generates and manages legal documents through the use of machine learning and AI (see Table 2).

Machine learning, blockchain & AI

Though the use of AI for information management is in its formative stages in Brazil, it has the potential to replace dated capture systems, OCR, and forms recognition, as well as driving auto-categorization. Blockchain, on the other hand, is off to a quicker start in Brazil than in many other nations. It has already been tested for use in land registry, some financial institutions, and supply chain. Most significant for blockchain has been interest from Brazilian government institutions like the State of Bahia, which announced in 2019 that it is utilizing blockchain to track government procurement bids.

Table 2
List of active ECM vendors

Company	Details	Website
Docket	Legal document production and management for SMBs.	https://www.docket.com.br/
DoMore	Developer of DMDocs, a SharePoint-based localized system.	http://www.domore.com.br/
Hexagon	Technical documentation.	https://hexagon.com.br/
Hyland	A long-time player in Brazil, initially through partners. One focus is medical; it has installations in several large Brazilian hospitals.	https://www.hyland.com/pt-BR
IBM	Today, IBM has the largest ECM installations in Brazil.	https://www.ibm.com/br-pt
Iron Mountain	The largest offsite storage company in Brazil, also offering ECM services for its customers.	www.ironmountain.com.br
Kofax	Long-time provider of capture and workflow systems in the region.	www.kofax.com
Lab245	Brazilian company with its own set of DM/BPM tools.	https://www.lab245.com/
Microsoft	Some Microsoft partners have developed tools based on SharePoint in the region.	https://www.microsoft.com/pt-br
NetDocuments	Document management and information governance products primarily for legal services, growing its business in Brazil.	https://www.netdocuments.com/
OpenText	Established in Brazil since 2014; inherited an installed base from existing Hummingbird systems.	https://www.opentext.com.br/quem-somos/office-locations/latin-america
Ricoh	Ricoh is expanding its installed ECM customer base and taking advantage of their installed MFP base.	https://www.ricoh-americalatina.com/pt-br
SBK	Brazilian BPO company with large investments in document imaging (IBML scanners) and most recently in AI. Has sponsored a start-up for HR processes (www.docly.com.br).	http://www.sbkbs.com.br
SML	Brazilian company with its own set of DM/BPM tools. Originated by the merging of some smaller best-of-breed companies.	https://www.smlbrasil.com.br/
SoftExpert	One of the main players in DM. Initial focus was on the existing ISO 9000 document management applications.	https://www.softexpert.com/pt-br/
Xerox	Xerox has had its ups and downs in the Brazilian market. It had the most CDIA+ certified professionals in Brazil, however it has not invested in the ECM business for some years.	https://www.xerox.com/index/ptbr.html

💡 Advice to Vendors

There are challenges to entering the Brazilian market, including the language barrier and the difficulties of navigating Brazilian bureaucracy; however, the scale of the market and its faster-than-average growth alone mean that it represents a major, yet largely untapped, opportunity. In addition, Brazil is a tech-smart nation, and one that is well versed and trained in information management practices. Add the rapid growth of cloud computing and start-up investments in the country, and together, these factors ensure that Brazil represents a prime opportunity for savvy tech vendors looking to expand.

Be aware that Brazilian buyers are not going to be immediately taken in by the promise of new software and features. As noted earlier, this is a nation of conservative buyers who typically have a deep understanding of the technical limitations, and consequently have the savvy to budget accordingly to meet the true cost and complexity of business change and implementation services. So, while they may be cautious, when they do sign up they will be realistic about costs and timelines.

Brazil is also a nation of well-trained and skilled ECM workers – something in short supply in North America – most of whom have some specialized training and carry their professional designations with pride.

Finally, and most importantly, Brazil is a country going through a period of significant change as young entrepreneurs are forming start-ups at a rapid rate and raising major funding to drive their efforts. Incremental change to legacy systems will remain a tough sell in this conservative market, but lower-cost, innovative solutions to traditional business problems have the potential for rapid adoption and growth.

The bottom line is that doing business in Brazil can be challenging. But with the right strategy, products, and partners, Brazil is a major market ripe with potential for growth.

About Deep Analysis

Deep Analysis is an advisory firm that helps organizations understand and address the challenges of innovative and disruptive technologies in the enterprise software marketplace.

Its work is built on decades of experience in advising and consulting to global technology firms large and small, from IBM, Oracle, and HP to countless start-ups.

Led by Alan Pelz-Sharpe, the firm focuses on Information Management and the business application of Cloud, Artificial Intelligence, and Blockchain. Deep Analysis recently published the book "Practical Artificial Intelligence: An Enterprise Playbook," co-authored by Alan and Kashyap Kompella, outlining strategies for organizations to avoid pitfalls and successfully deploy AI.

Deep Analysis works with technology vendors to improve their understanding and provide actionable guidance on current and future market opportunities.

Yet, unlike traditional analyst firms, Deep Analysis takes a buyer-centric approach to its research and understands real-world buyer and market needs versus the "echo chamber" of the technology industry.

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Alan Pelz-Sharpe is the founder of Deep Analysis. He has over 25 years of experience in the IT industry, working with a wide variety of end-user organizations like FedEx, The Mayo Clinic, and Allstate, and vendors ranging from Oracle and IBM to start-ups around the world. Alan was formerly a Partner at The Real Story Group, Consulting Director at Indian Services firm Wipro, Research Director at 451, and VP for North America at industry analyst firm Ovum. He is regularly quoted in the press, including the *Wall Street Journal* and *The Guardian*, and has appeared on the BBC, CNBC, and ABC as an expert guest.

Walter Koch is the founder of Imageware, a Brazil-based firm that provides consulting in document management, document imaging, capture management, records management, OCR/ICR, and content management technologies. He is also an international trainer for the AIIM ECM certification program and for the CDIA+ certification.