

The Argentine Software Market

I. Introduction

Since 1989, the Argentine software¹ market has been experiencing an unprecedented growth rate. Annual rates of 100 per cent or higher have become usual in several market tranches, and as of yet have shown no signs of slowing down. This is especially so in the market for personal computer software and also, to a large extent, in the market for mini computers software. For the time being the demand for mainframe software slowed because of the wanting state of the finances of government, its largest user. This market, though, is expected to rebound by 1993, when the privatization process of government corporations is completed.

The reasons for the present market boom can be traced back both to the brutal cost cutting forced by the 1989 hyperinflation and to the recent lifting of massive import restrictions. During hyperinflation, corporations shed personnel by the hundreds and adopted computers as a way to keep a minimum level of output productivity. In 1991, however, a comprehensive restructuring of economic policy succeeded in reducing inflation rates to 1.5% monthly. Economic growth resumed at a 6% annual rate. Corporations responded to the newly increased levels of demand by reorganizing themselves and buying more computers, rather than employing new people. Finally in October 1991, the continued growth of the economy and expectations of a controlled inflation rate, caused companies to begin hiring new employees. These new employees, however, now needed to be equipped with computers too, in order to fit into the emerging office landscape. The same companies which bought the computers during the times of hyperinflation and personnel cutbacks are now looking for software which will quickly make their new workers more productive, in order to take advantage of the new business opportunities mushrooming around the country. These new opportunities are due to privatization of public utilities, oil and gas resources, communications and transportation, as well as to the new market niches that are appearing because of the elimination of trade restrictions and the liberalization of the Buenos Aires capital markets.

II. Historical Background

During much of the 1970s and all through the 1980s, Argentina strengthened its policy of economic isolation, in force since just after World War Two. High tariff barriers, quotas, and trade prohibitions were common in all sectors. Computers and software were among the most restricted items. As a direct result, software piracy became the main source of small and medium sized firms for Operating Systems, Applications and Utilities. The methods of obtaining hardware was in many instances equally oblique. Large corporations during this period were burdened with increasingly obsolete large mainframe systems, characterized by a computing environment similar to that of the 1960s in the USA, eg. Cobol programmers and data entry personnel functioning in specially refrigerated rooms.

Innovation in the 1980s came from marketing arrangements; in order to lower fixed costs, large corporations adopted the policy of making their in-house 'computer centers' work freelance contracts for medium sized firms. Another characteristic of the 1980s was that Government, at all levels, signed huge contracts with IBM and its local distribution net. Some of the contracts were negotiated using the freelance services of the large corporations' computer centers. Those contracts came under heavy criticism in the 1990s, because of the exceptionally high prices (several times above established market prices for similar services for non-governmental organizations), high maintenance costs, and the lack of satisfaction with the results obtained. These contracts remained popular, however, with computer departments in Government and their employees, since most of these departments originated with them.

The heritage left by the way computerization began in Argentina still pervades the market. The PC environment continues to be riddled with piracy. Entrenched mainframe departments in Government and big corporations still have very strong ties and loyalties to IBM solutions and Cobol code writing.

Notes: (1) Quantitative and qualitative data was collected by interviewing 20 Argentine software firms which belonged to different market segments, most key government officers and authorities of software trade associations.