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Software Industry

Germany is home to the single largest software market in Europe - accounting for around a quarter of the European market by value. Innovation comes as standard in an industry best characterized by a thriving Mittelstand of small and medium-sized enterprises. Increased business demand for smart data products and services in the cloud are driving domestic software market growth, as Germany embarks on a far-reaching program of digitalization that promises to transform the economy.

Latest Publication



Germany – Excellence in Big Data | © Bitkom, Smart Data Forum and Germany Trade & Invest

Germany – Excellence in Big Data

Germany Trade & Invest, Bitkom, and Smart Data Forum and have jointly presented the report "Germany - Excellence in Big Data", which aims to do this. The report is aimed at an international audience and presents more than 30 scientific organizations, over 60 technology vendors and more than 40 Big Data users with their research priorities, projects and strategies or products and services. [More ▶](#)



Opportunities in the German Software Market

Germany is the single largest software market in Europe accounting for almost one quarter of the European market by value. [More ▶](#)

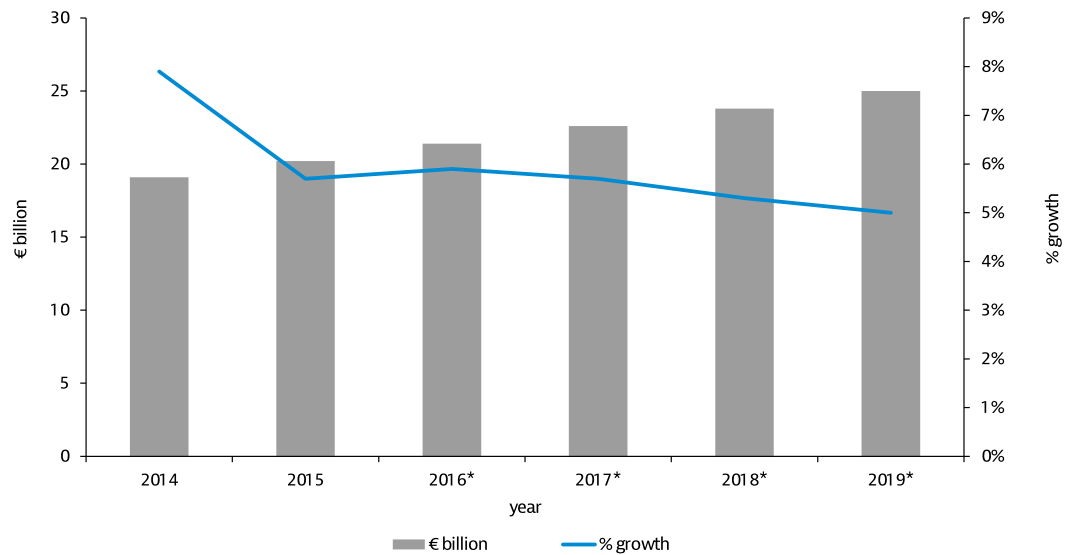
Market Overview

Germany is the single largest software market in Europe. The country accounts for approximately a quarter of the European software market by value, with the UK and France in distant second and third places (18.6 percent and 13.6 percent respectively). Germany's software market has proven remarkably resistant to the global economic crisis. A study by market researcher Marketline identifies a compound annual growth rate (CAGR) of 6.3 percent for the period 2010 to 2014. In comparison, the respective markets in the UK and France grew by just 5.2 percent and 2 percent during the same period. A study conducted by the European Information Technology Observatory (EITO) revealed German software market revenue growth of 5.7 percent to over EUR 19 billion in 2014. According to Marketline, this growth trend is expected to continue through to 2019, with a CAGR of 5.5 percent forecast for the period 2016 to 2019.

Competition and Opportunities

Big players such as IBM, Microsoft, Oracle, and SAP (one of the largest business software companies originally from Germany) are present on the German software market. However, the market is best characterized by the large number of dynamic and highly specialized SMEs (Germany's renowned Mittelstand). Companies in the Mittelstand dominate Germany's economic and industrial landscape; creating a diversified SME environment of highly specialized hidden champions with a global market footprint. These SMEs are simultaneously driving demand for software solutions – thereby creating a significant customer base. As well as strong growth prospects, there are also promising opportunities for less established suppliers and market entrants. The most significant market potential exists for expert suppliers of industry-specific software products and services.

German Software Market 2014 - 2019 (in EUR billion, growth in %)



* Forecast
Source: Marketline 2015

German Software Market 2014 - 2019 | © Marketline 2015 + GTAI

Testimonial - Hermann Wimmer | TERADATA GmbH



Hermann Wimmer, President Europe - Middle East - Africa, TERADATA GmbH | © Teradata GmbH/GTAI

"As a highly developed technology industry location at the heart of Europe, Germany is doubly interesting to Teradata: as an attractive market with many strong businesses, and as the ideal gateway to eastern European markets."

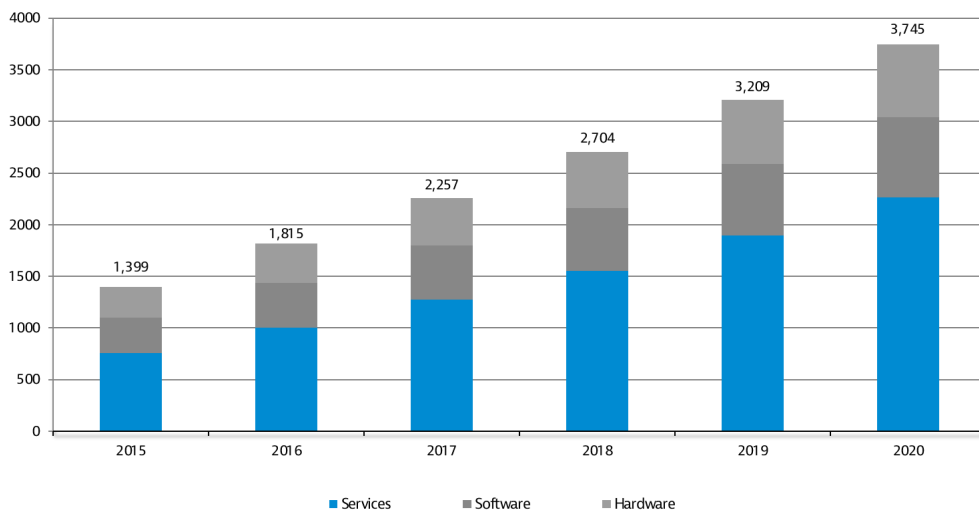
Hermann Wimmer, President Europe - Middle East - Africa

Market Opportunities | Big Data

“Big data” is more than just a buzzword. It is very probably the most important concept in the digital world today. According to Frost & Sullivan, the big data concept overarches all other relevant software megatrends including mobile and cloud computing, the Internet of Things (IoT), enterprise resource planning (ERP), customer relation management (CRM), smart grids, and networks. Moreover, according to the German IT industry association BITKOM, big data has the potential to cause significant changes in numerous economic sectors in the years ahead. Big data technology use may have its origins in North America, but Europe – and Germany in particular – is quickly catching up.

Although the German big data market still appears to be at an early stage, the Experton Group expects the German big data market to grow from EUR 1.4 billion in 2015 to almost EUR 3.8 billion in 2020. Correspondingly, annual growth rates during this period are predicted at 23 percent on average. At present, big data technology in Germany is largely driven by the internet, e-commerce, and advertising sectors. However, thanks to its competitiveness and export orientation, the German economy is expected to quickly adapt to the needs for optimized production, logistics, and sales process to become an international “big data champion,” according to BITKOM. Accordingly, the most important investment opportunity areas for suppliers are hardware and infrastructure, bandwidth and related acceleration services, and, more particularly, database and analytics technologies.

German Big Data Market 2015 - 2020 (Forecast EUR million)



Source: BITKOM/The Experton Group, 2015

The development of the German big data market in million Euros | © BITKOM/The Experton Group 2015 + GTAI

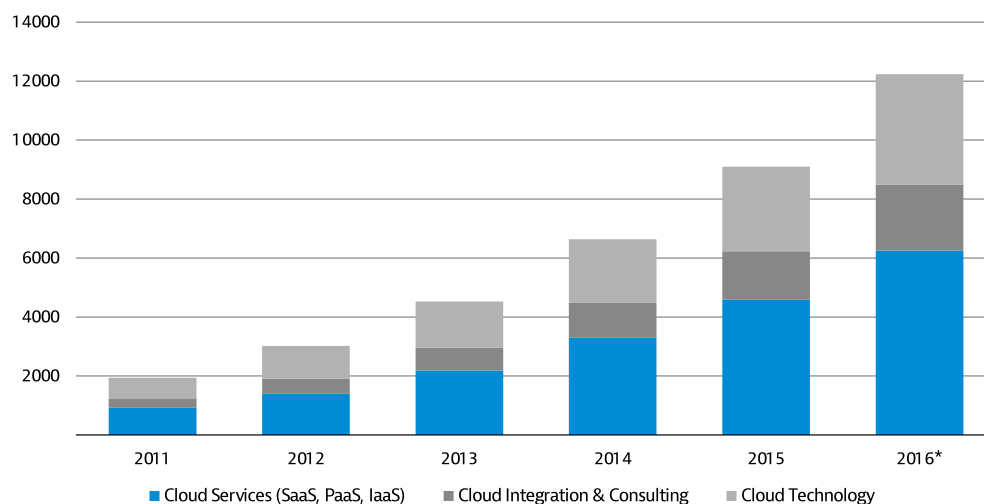
Market Opportunities | Cloud Computing

The market outlook for cloud computing in Germany is promising, with cloud solutions gaining in importance on corporate management agendas. Cost effectiveness and flexibility are the main reasons for considering cloud computing solutions. According to a joint study by BITKOM and KPMG, the attitude of German companies towards cloud computing has improved significantly during the period 2013 to 2015. Forty-four percent of all German enterprises already use cloud computing solutions while an additional 24 percent are planning or considering their introduction in the coming years. Cloud solutions are also of relevance to private consumers. While most private users still opt for free cloud services (e.g. for document storage), some two million users already pay for their cloud services – typically following an upgrade or extension of an initially free service according to BITKOM.

Assessing the overall cloud computing market, independent ICT consultancy the Experton Group forecasts growth rates in the high double-digit percentage range for the year ahead. For instance, in 2016 growth is forecast at 35 percent leading to an overall market value of nearly EUR 12 billion. Cloud computing expenditure accounts for approximately five percent of all business IT spending in Germany. The main requirement for cloud computing customers is that the data centers are physically located in Germany.

Cloud Computing in Germany by segments 2012 – 2016* (in EUR million)

Revenues from B2B are expected to increase by 35 % in 2015 -2016*



* Forecast
Source: Experton, 2016

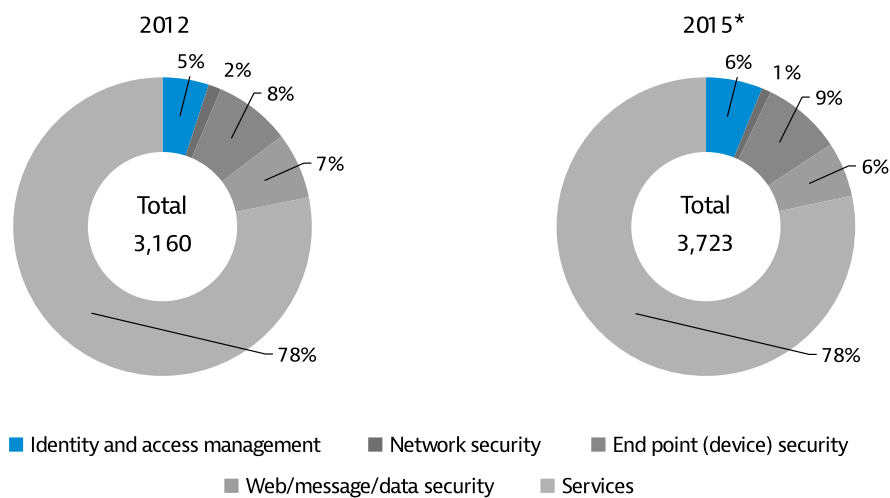
Cloud Computing in Germany 2012 - 2016 | Investments and spendings in million Euro per segment | © Experton Group 2016 + GTAI

Market Opportunities | IT Security

The increased digitization of life, business, and industry – with technological advances such as big data, cloud computing, Industrie. 4.0, and IoT – creates increased complexity and stronger interrelations between infrastructures and ICT systems. This also leads to increased vulnerability in terms of potential security risks. As the Association of German Engineers (VDI) has noted, high-profile computer worm and virus attacks provide just a flavor of the gravity of the damage potential to IT infrastructures when hacked.

This means that established solutions such as firewalls, encryption, virus scanners, and signature verification will remain relevant. However, increased interconnectedness between infrastructures and ICT systems requires holistic security approaches. Growth potential in the area of ICT and software almost inevitably means growth potential in the area of IT security. The overall turnover of software and services in the field of IT security has reached EUR 3.7 billion in 2015.

German Market for IT Security 2012 – 2015* 18% growth in 3 years (in EUR million and %)



* Forecast
Source: Bitkom/ IDC 2013, 2015

German Market for IT Security 2012 – 2015 | © Bitkom/ IDC 2013, 2015

Market Opportunities | Enterprise Resource Planning

Enterprise resource planning (ERP) is hardly a new topic in the area of software and ICT. However, given the size of the German economy and its highly differentiated industry landscape, Germany still holds significant market potential for industry-specific ERP technologies. The Experton Group envisages relatively constant expenditures of more than EUR 2.5 billion per year for ERP technology in Germany through 2016. According to a study conducted by the Center for Enterprise Research at the University of Potsdam, current ERP market participant offerings still fall short of meeting certain customer ERP solution demands.

The best market opportunities exist for those ERP products with the distinct competitive advantages of being industry-specific solutions paired with improved usability, business analytics capabilities for processing big data, and coupling and integration with in-situ business processes and systems. Demand for individualized ERP solutions – as opposed to highly standardized solutions – remains high according to the Experton Group.

New business models emerging within “smart factory” concepts are also expected to drive further demand for integrated ERP systems. Manufacturing components equipped with cyber-physical- and ID systems enable increased flexibility and decentralization of manufacturing processes.

Market Opportunities | Smart Social Business Platforms

The deployment of social business platforms in companies is much more than a short-lived hype. Instead, the use of such platforms for internal company purposes is increasingly proving to be a sustainable trend. More and more company decision makers are recognizing the advantages of enabling and facilitating collaboration, information flow, and productivity that come with the internal implementation of social business platforms. The best known providers of social business solutions in Germany are Microsoft, IBM and Jive. Significant opportunities also exist for smaller providers.

A recent BITKOM study finds that 83 percent of all German ICT companies attribute an important if not decisive role to social business solutions with customer demand expected to grow significantly. According to the Experton Group, the growth potential of the smart social business platforms (also “social business for communication and collaboration” – SB4CC) market is one of the highest in the ICT sector in Germany. Investments in on-site smart social business platforms – as opposed to cloud-based services – currently account for nine percent of overall investments in unified communications and collaboration systems (UCC).

This share is expected to grow to around one quarter of total UCC spending in 2016. Between 2015 and 2019, average market growth of the SB4CC industry in Germany is expected to be over 50 percent. This will lead to an overall spending of approximately EUR 2 billion in this field in 2016.

Market Opportunities | E-Energy and Smart Grids

Germany's Energiewende ("Energy Transition") is driven by the German Federal Government's aim to establish a reliable, economically viable and environmentally sound energy supply to make Germany one of the most energy-efficient and green economies in the world. Germany's "E-Energy" concept allows ICT to be implemented at all power grid levels. All stages of energy generation and supply will be equipped with ICT technology, starting from the production sites – which will be increasingly decentralized as a result of increased renewable energy share – right through to the end-consumption location.

This is the prerequisite for managing supply and demand within the energy grid to make it a "smart grid." The complexity of this undertaking makes the Energiewende one of the largest German infrastructural projects in modern times. The establishment of smart grids requires significant investment in grid infrastructure. According to BITKOM, European smart grid investment of EUR 500 billion is needed up to 2030. In Germany alone, E-Energy/smart grid market revenue will grow from a 2010 level of EUR 1 billion to EUR 10 billion by 2020 (equivalent to an annual growth rate of 21 percent).



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