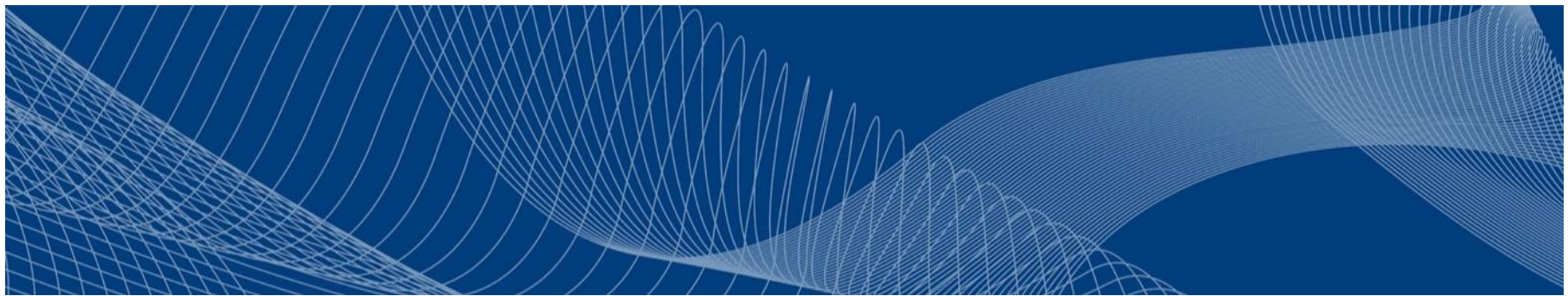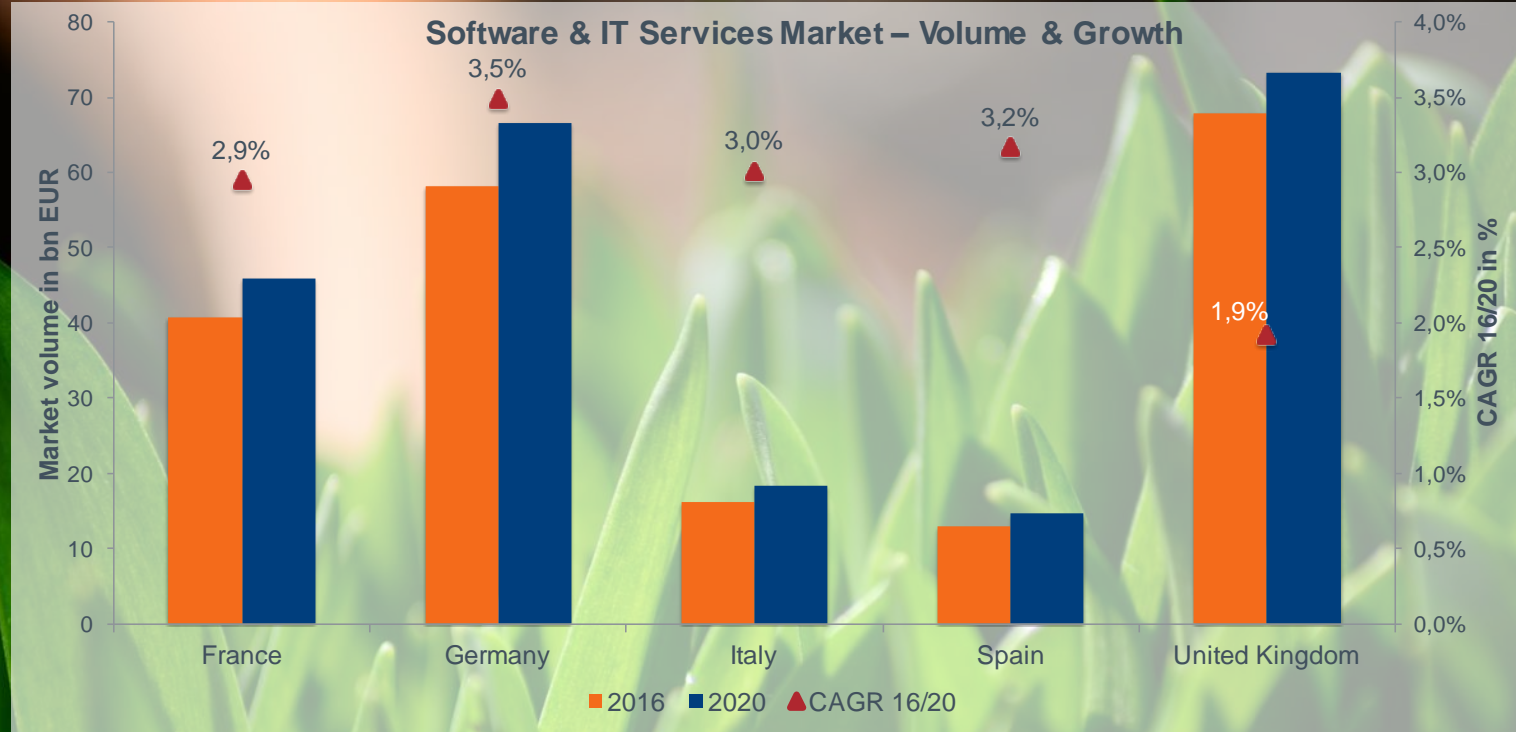# Market Vision:
Key Market Trends in Germany 2017

Reply Wood Meeting, Florence, November 26, 2016

Nicole Dufft, Independent Vice President Digital Enterprise

German IT growth remains strong

Software & IT Services Market – Volume & Growth

France: 2,9%
Germany: 3,5%
Italy: 3,0%
Spain: 3,2%
United Kingdom: 1,9%

Legend: 2016 | 2020 | CAGR 16/20

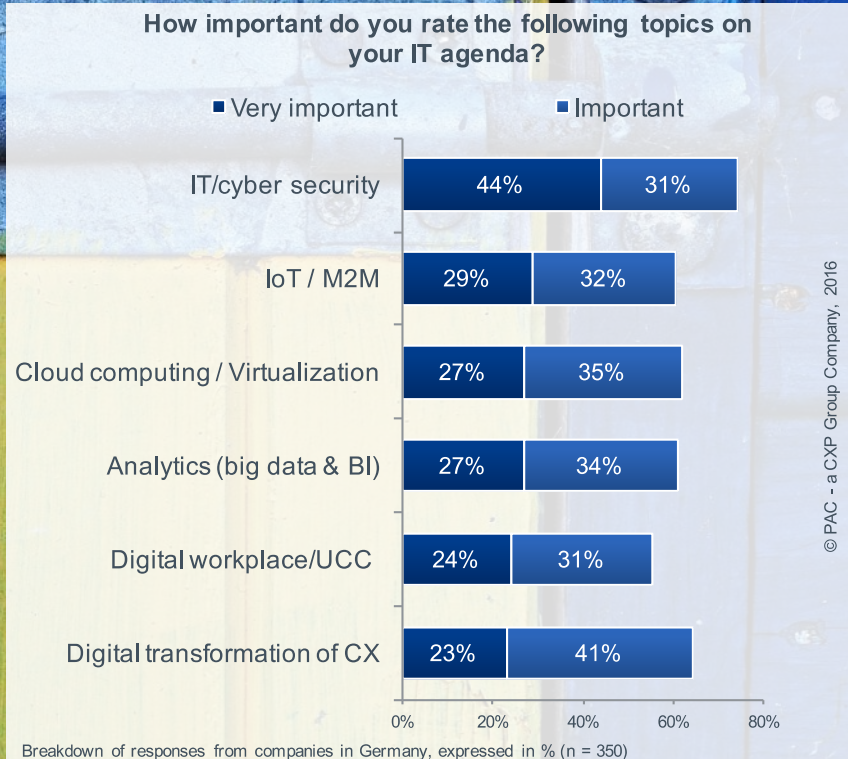Y-axis (left): Market volume in bn EUR
Y-axis (right): CAGR 16/20 in %

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German IT budgets will continue to grow in 2017

Compared to 2016, how will your local IT budget change in 2017?

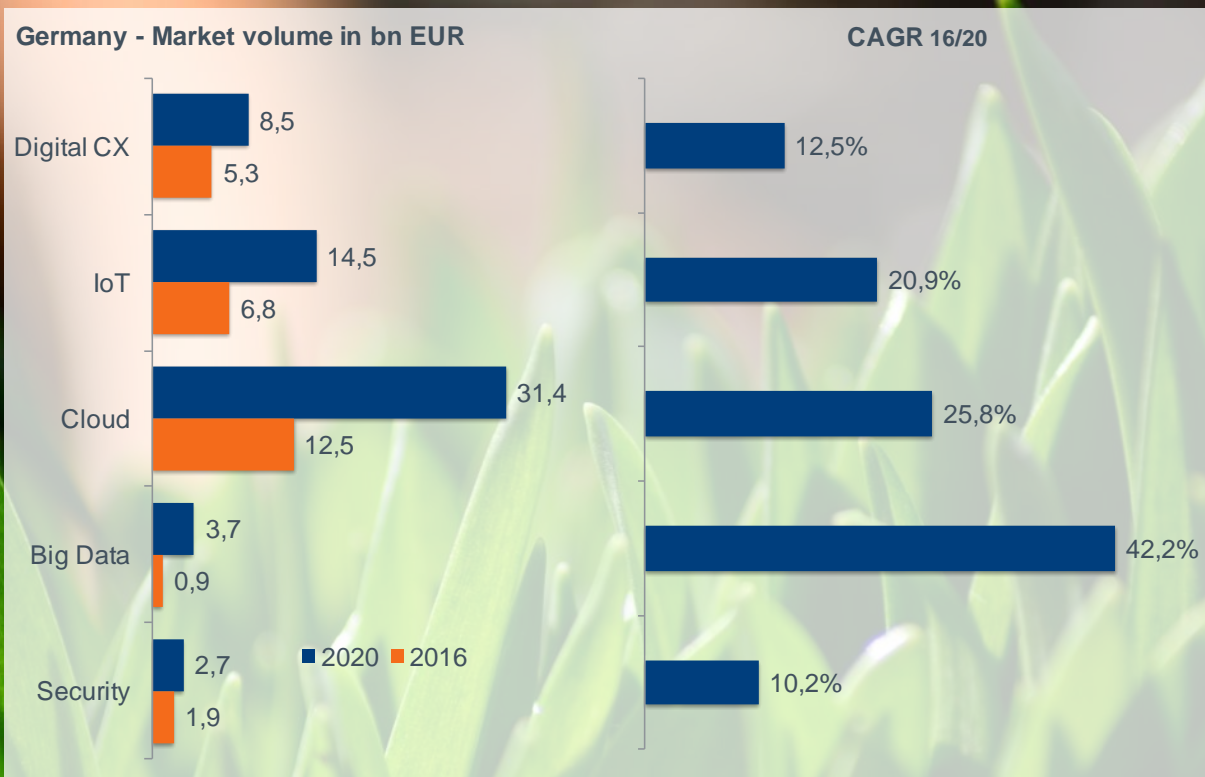Strongly increase >10%

Unchanged

3%

10%

8%

31%

48%

Considerably increase 6-10%

Slightly increase 1-5%
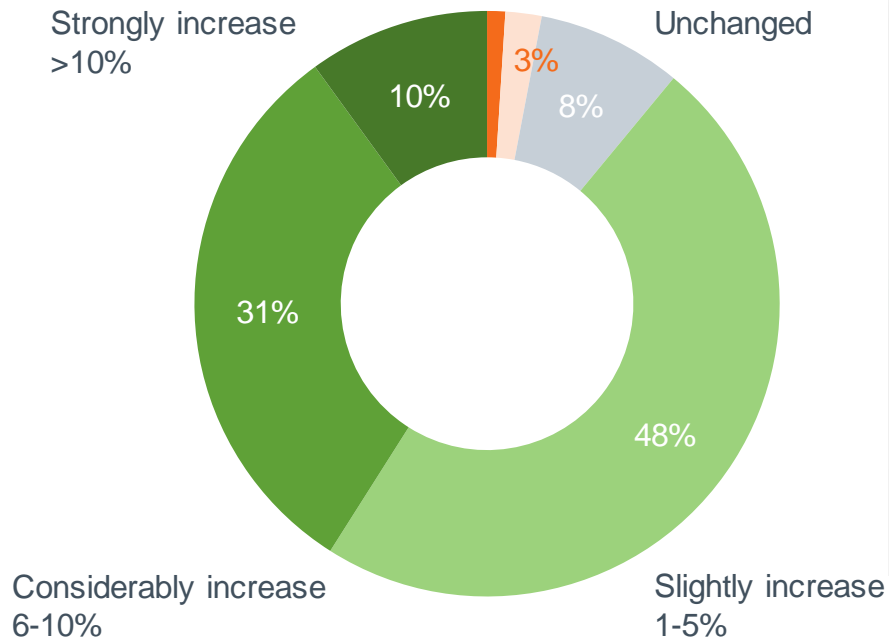
IT Security Remains on Top of the Agenda (German Angst) Followed by IoT (German Engineering)

How important do you rate the following topics on your IT agenda?

■ Very important   ■ Important

Topic	Very important	Important
IT/cyber security	44%	31%
IoT / M2M	29%	32%
Cloud computing / Virtualization	27%	35%
Analytics (big data & BI)	27%	34%
Digital workplace/UCC	24%	31%
Digital transformation of CX	23%	41%

Breakdown of responses from companies in Germany, expressed in % (n = 350)

© PAC – a CXP Group Company, 2016

Growth topics still smaller in volume but provide for significant opportunities

Germany - Market volume in bn EUR

CAGR 16/20

Topic	2020	2016	CAGR 16/20
Digital CX	8,5	5,3	12,5%
IoT	14,5	6,8	20,9%
Cloud	31,4	12,5	25,8%
Big Data	3,7	0,9	42,2%
Security	2,7	1,9	10,2%

■ 2020 ■ 2016

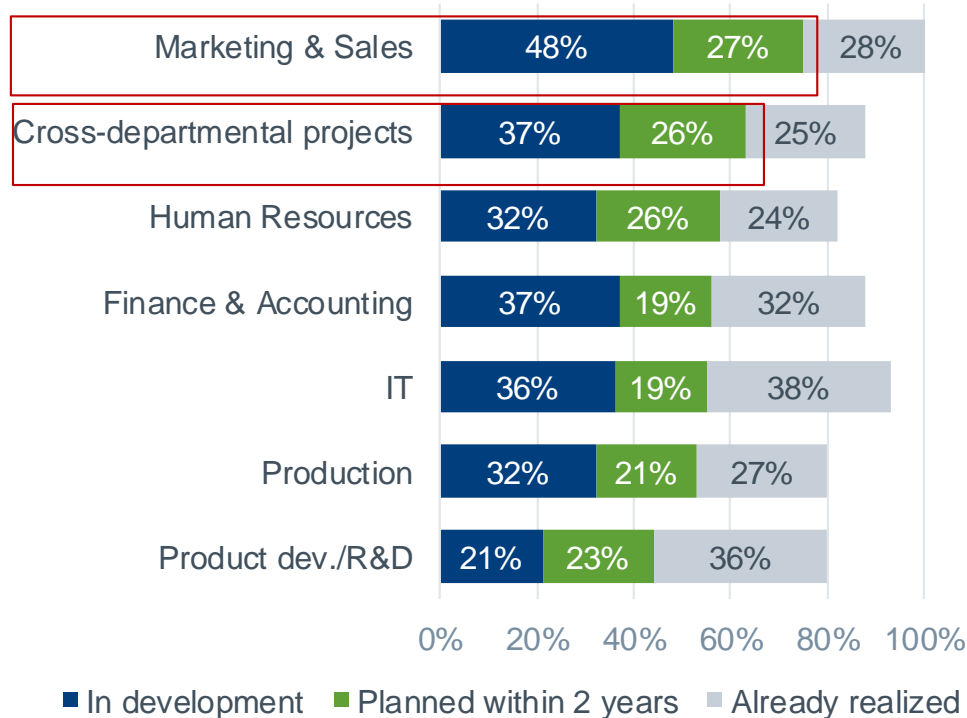# Germans are – finally –becoming more open to Cloud solutions
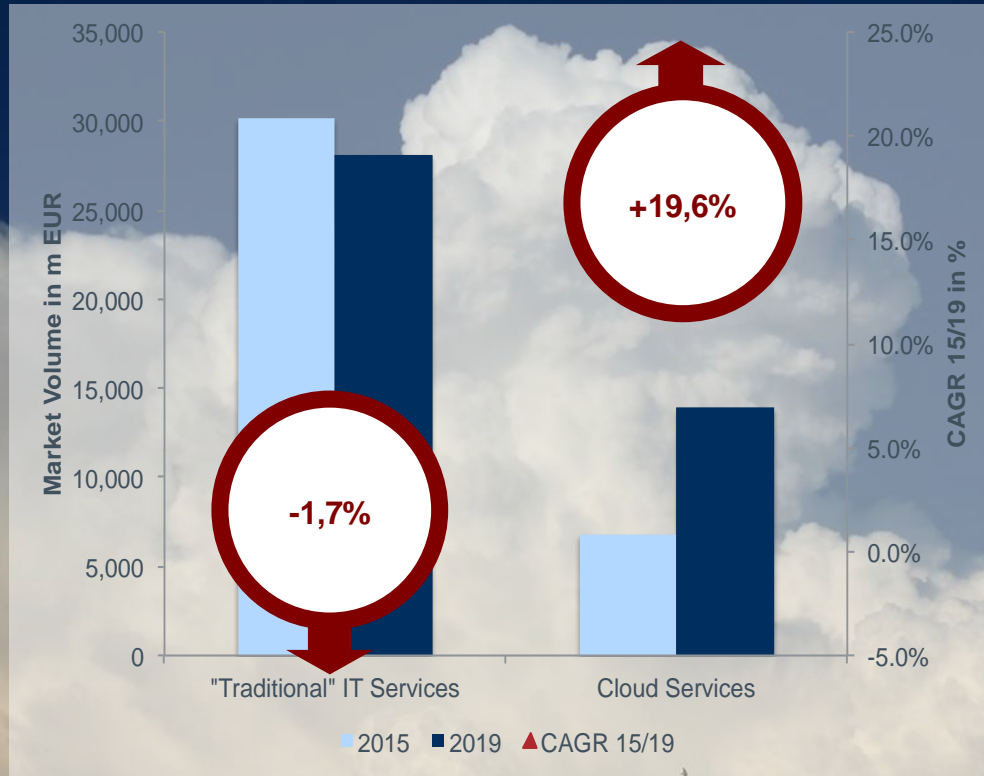
This has significant impacts on providers
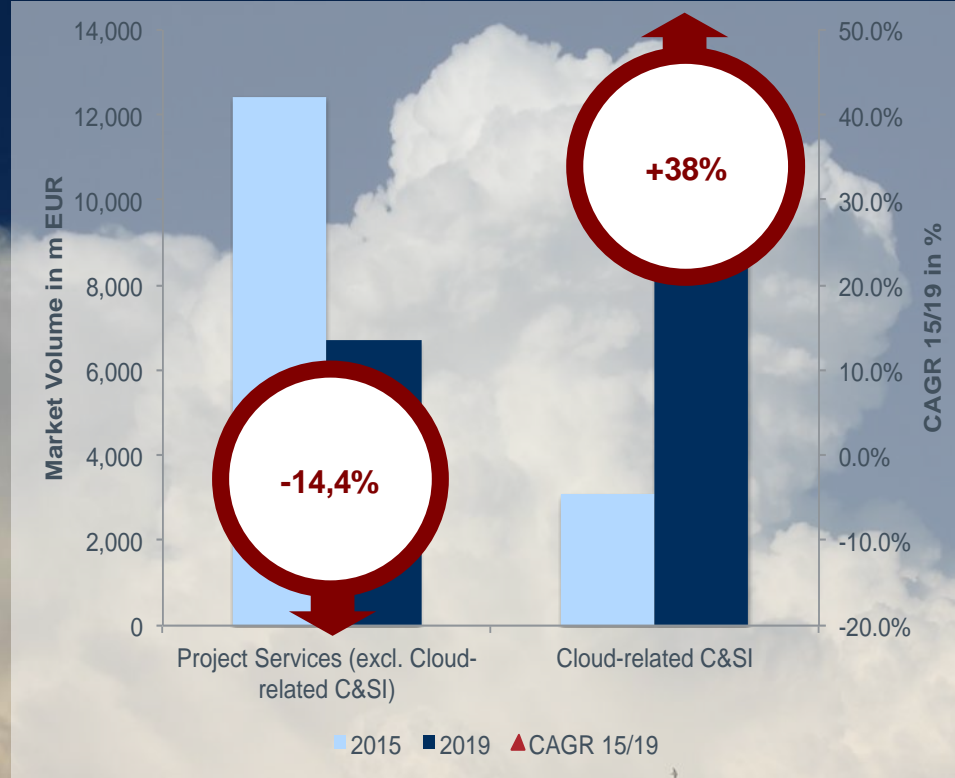
Big data is becoming a company-wide topic – marketing & sales in the lead

Big data pojects by LOBs

LOB	In development	Planned within 2 years	Already realized
Marketing & Sales	48%	27%	28%
Cross-departmental projects	37%	26%	25%
Human Resources	32%	26%	24%
Finance & Accounting	37%	19%	32%
IT	36%	19%	38%
Production	32%	21%	27%
Product dev./R&D	21%	23%	36%

0% 20% 40% 60% 80% 100%

■ In development ■ Planned within 2 years ■ Already realized

Focus on:

- Real-time Analytics
- Visual Analysis
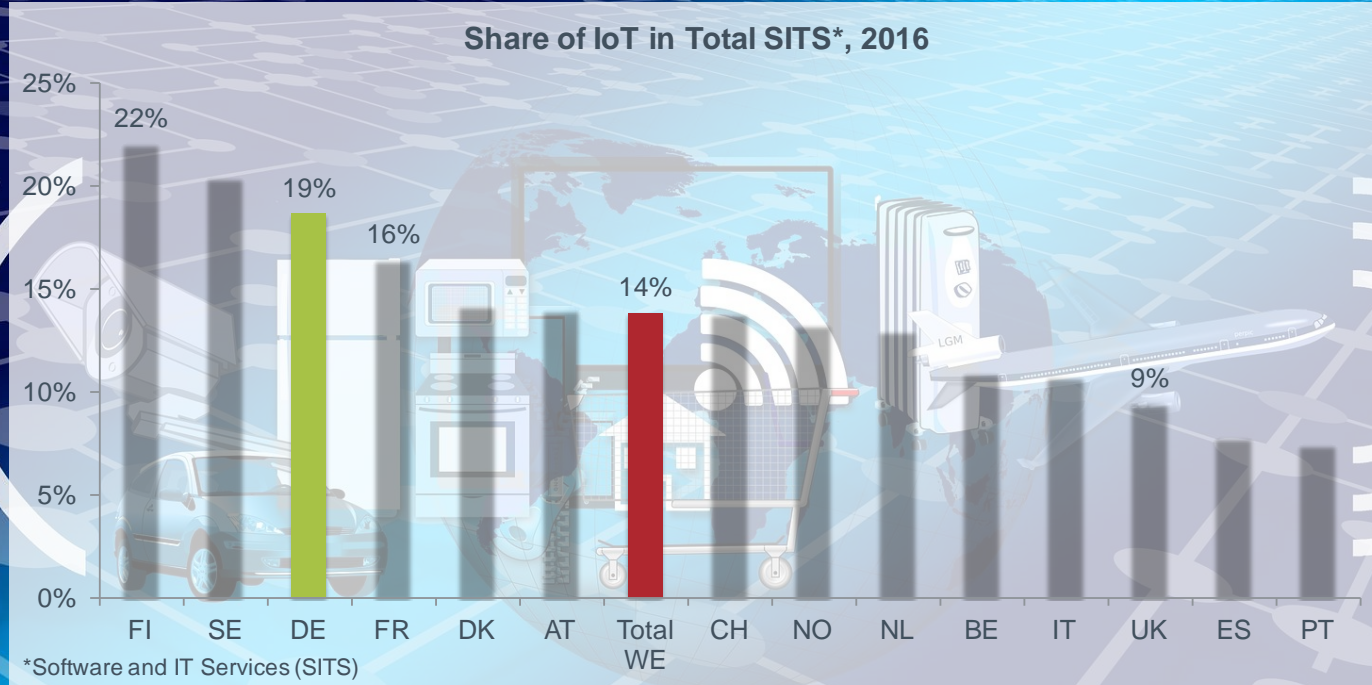- Self-service BI & data management

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Companies have a zoo of different systems that collect & analyze data
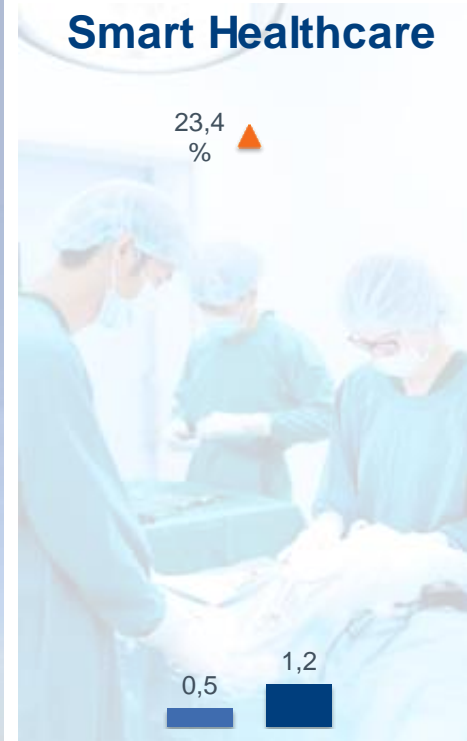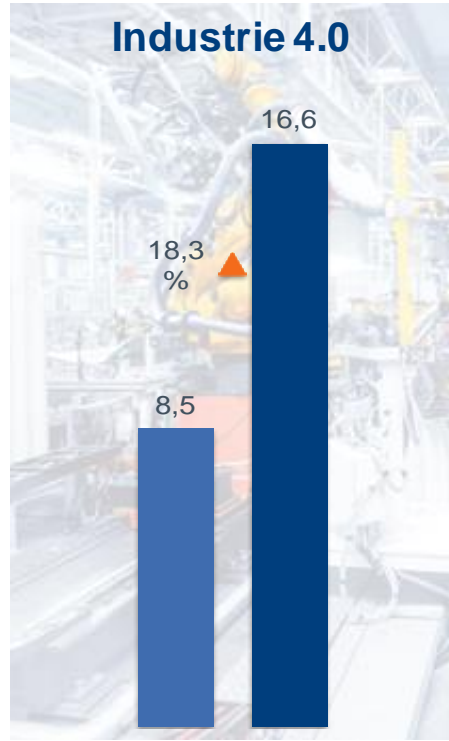

This is counterproductive to providing an integrated, 360° view of the customer.
Focus on data integration will be key.

Germany is one of the forerunners of IoT in Europe

Share of IoT in Total SITS*, 2016

- FI: 22%
- DE: 19%
- FR: 16%
- Total WE: 14%
- UK: 9%

*Software and IT Services (SITS)

Strong focus in Germany on Industrie 4.0

Connected Car

2,9 → 5,1

15,6 %

Industrie 4.0

8,5 → 16,6

18,3 %

Smart Energy

2,9 → 4,8

13,7 %

Smart Healthcare

0,5 → 1,2

23,4 %
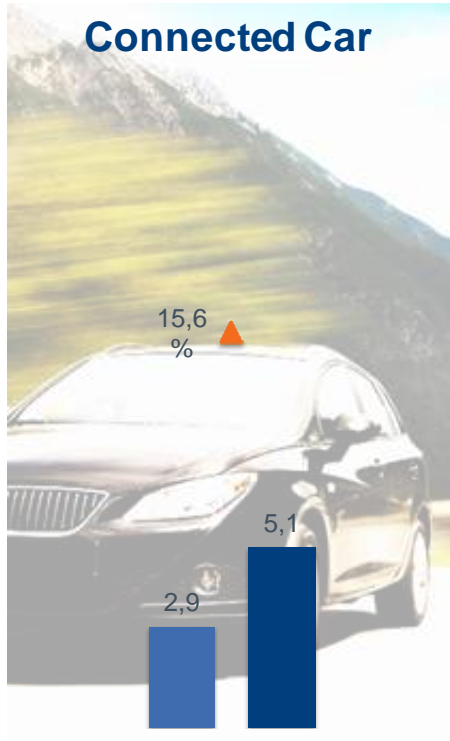
2015   **2019**   ▲ CAGR 2015/19

Smart Digital Ecosystems are a strong driving force

Smart Transportation

Digital Factory

Smart Vehicles

Smart Retail & CPG

Digital Finance

Smart Home & Building

Digital Health

Smart Energy & Resources

Smart Cities

Digital CX Transformation: highly relevant and growing

Growth Rates Digital vs Total IT Services
- Germany -

Chart data:

Year	Digital Services - DE	Total IT Services - DE	Share of Digital in Total IT Services
14/15	11,8%	2,7%	12,9%
15/16	12,9%	3,0%	14,2%
16/17	13,5%	3,5%	15,7%
17/18	13,0%	3,8%	17,2%
18/19	12,2%	4,0%	18,8%
19/20	11,3%	4,1%	20,4%
CAGR 16/20	12,5%	3,9%	

■ Digital Services - DE   ■ Total IT Services - DE   ▲ Share of Digital in Total IT Services
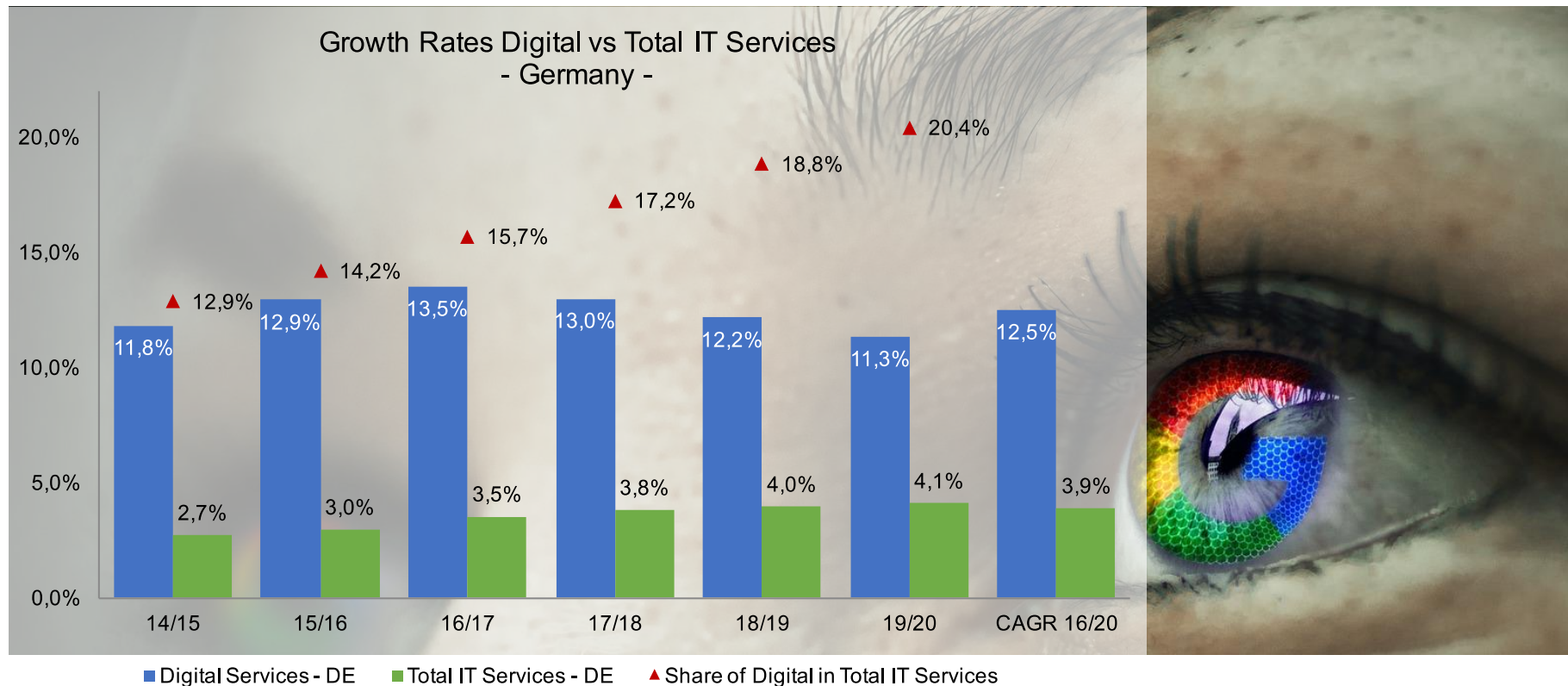
Companies need Partners with holistic consulting capabilities!

Strategy

Design

Technology
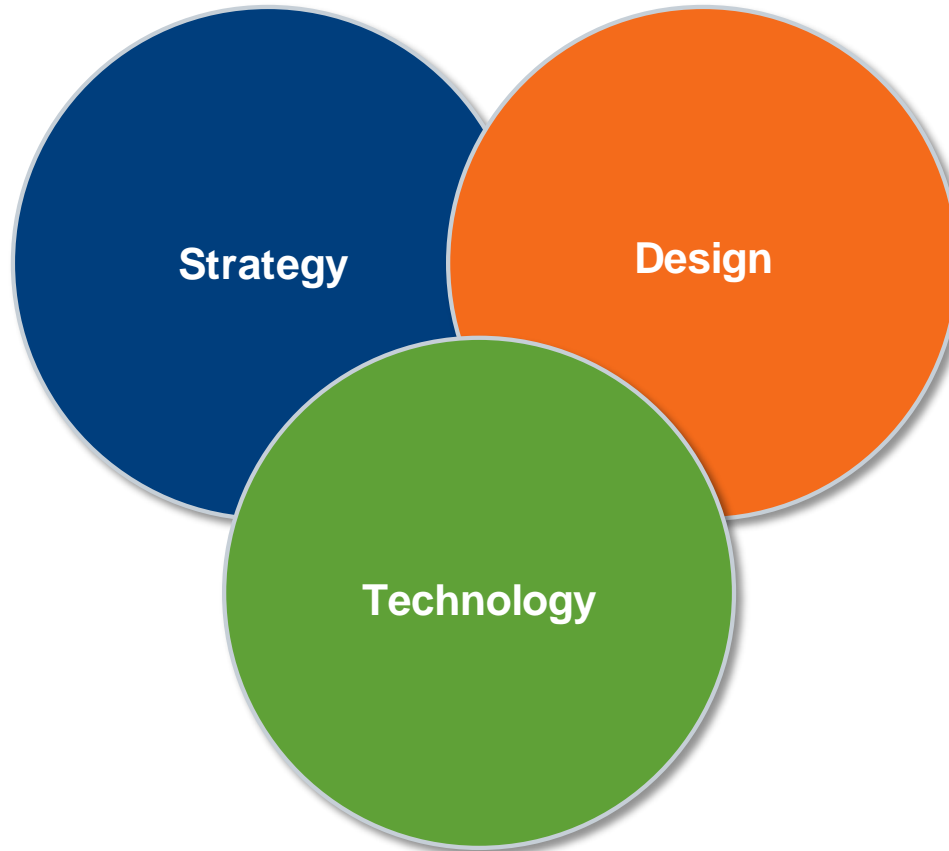
All Providers are enhancing their capabilities beyond their core expertise – often through intense M&A activity

BCG

McKinsey&Company

OmnicomGroup

PUBLICIS

&

Deloitte Digital

IPG
Interpublic Group

Strategy Consultants

Digital Agencies

WPP

accenture
High performance. Delivered.

IT Service Providers

··T··Systems·

Capgemini

AtoS

IBM

A new breed of digital transformation service providers with holistic capabilities is emerging

Digital Strategy

Innovation & Co-Creation

Leadership & Cultural Change

Customer Experience Design

Industry & Process Knowhow

Analytics Expertise

Business Model & Innovation

Engineering

Implementation & Integration

Broad Technology-Know-how

IT-Architecture

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How to stay ahead of the curve?

Most large players are missing the workstyles as well as the cultural preconditions for agility & continuous innovation

Work styles & approaches

- Future vision test grounds & innovation labs

- Multidisciplinary co-innovation teams

- Design-centric

- **Agile frameworks, sales & contracting models**

- Ecosystem & collaborative business models

Cultural Preconditions for agility & innovativeness

- Culture of empathy & mutual trust
- Small autonomous teams
- Fast decision making
- Open to risk & failure
- Sharing & collaboration
- Strong common vision and purpose

Need for speed: Enable your customers to deal with exploding velocity of change

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Nicole Dufft
Independent Vice President
Digital Enterprise

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