The Software Industry in Europe
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The purpose of this presentation is to:

– Demonstrate the importance of the European Union – the world's largest single market

– Outline its future dimensions as it expands towards the east

– Describe the present status and future prospects for the software industry within this market

– Explain why Baden-Württemberg is the ideal location from which to serve the Software market – Europe wide
In the last two decades, the sharp contrasts between the Western and the Eastern European countries have been fading and the European Union is the major driver for Europe’s integration.

Since May 2004, Poland, the Czech Republic, Slovakia, Hungary, Slovenia, the Baltic States, Cyprus and Malta are members of the European Union. In 2007, Romania and Bulgaria are expected to join the EU.

European integration opens up a vast market for your company with untold market opportunities.
In 2003, the 25 member states* of the European Union had a total Gross Domestic Product of Euro 9 714 bn, exceeding the GDP of the USA (Euro 9 710 bn) and Japan (Euro 3 817 bn).

Four of the member states – Germany, Italy, France and the UK – are among the six largest economies of the world. Of these, Germany has the highest GDP, the largest population, and the highest purchasing power.

Within Germany, the State of Baden-Württemberg, Germany’s southwest, is one of the most prosperous and innovative regions.

* including new members from May 2004
Baden-Württemberg is already the most highly industrialized and one of the most prosperous regions in Germany.

Its proximity to important markets – east and west – makes it an ideal location for pan-European activities.

And it has further merits:

- It has a highly developed infrastructure – suppliers, R&D facilities, business services.
- Its workforce is well trained, innovative and productive.
- Its companies have an established export orientation and know how to penetrate new markets.

It is set to succeed in the 21st Century.
Europe accounts for more than one quarter of the World ICT Market

The USA accounts for 41.9% of the world market, Europe for 31.6% and Japan for 12.2%. Substantial growth is expected throughout the world in the coming years, especially in those countries where information technology is only now gaining ground.

Software products are the strongest drivers of IT market growth. The strength of the software market comes from its essential role in a wide range of technologies and applications, from its interrelation with computer technology, telecommunications, electronic information, process and production control, etc.

Source: European Information Technology Observatory, figures from 2003
Software was the strongest market within IT 2003 grew by some 2.1%. A further 4.6% growth is expected for 2004.

The system segment was the fastest-growing within software, with demand driven by infrastructure software, including middleware and Web services. The application software segment registered only moderate growth, as demand for Customer Relationship Management (CRM) and ERP lessened during 2003.

Source: European Information Technology Observatory 2004
The EU Software Market continues to grow

Between 2003 and 2005, the EU market for software should grow by 5.5% to € 68.5 mill. This is the second highest growth rate within this market after Eastern Europe (10.3%).

The driving forces behind this growth are:

- e-commerce and the increasing usage of the internet for electronic business instead of traditional business relations
- Increased pressure on organizations to improve access to information
- Growing demand for edutainment and infotainment in the home

Source: European Information Technology Observatory 2004
Germany is one of the most important IT Market in the EU

With a volume of € 287 billion, further growth is expected as German companies and individuals show an increasing acceptance and interest in the Information Society.

Percentages of the European Information Technology Market Value

Source: European Information Technology Observatory 2004; Figures from 2003
Growth Prospects in the German ICT Market are promising

Germany has 38.9 million households – a large market for entertainment and business software.

The German workforce totals over 41 million people – more and more of whom need Software in their daily work.

There are at present 18 million PCs in use in Germany, 14 million of which are in private homes.

There are 34.4 million Internet users and the number of German companies with a presence on the Internet is expected to treble in one year.

Source: European Information Technology Observatory 2003, World Fact Book, figures from 2002
Eastern Europe’s Software Market offers an exciting Potential

The Eastern European IT market has a total value of €12,778 million and is growing at an average annual growth rate of more than 10.6%.

Particularly strong growth rate is seen in the segment of application software with an average growth rate of more than 13% on average per year.

Most growth in the software and services sector is derived from large scale projects in banking/financial services, government administration, telecommunications and manufacturing.

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Source: European Information Technology Observatory 2004
The EU strongly promotes the ICT Industry

The European Commission has adopted an action plan with four priority areas, designed to:

1. Improve the business environment by encouraging electronic commerce.
2. Put the Information Society in a global context by (a) setting the rules for global cooperation and (b) facilitating global market access.
3. Invest in technology in (a) R&D in the ICT field, (b) early training in ICT activities.
4. Promote industrial competitiveness.
Software - A dynamic Sector of Baden-Württemberg’s Industry

- Renowned as the production and R&D site of some of the giants in ICT
- The home of a wide range of small and medium-sized companies, known for their technological superiority and export orientation
- A center for outstanding international newcomers
Software is not just part of the T.I.M.E. sector, but an integral part of a close network.

All the 5 most important cluster industries in Baden-Württemberg work in close partnership with their Software suppliers.

And all these industries are present in great density in Baden-Württemberg - one of the few regions worldwide that offers this advantage.
Baden-Württemberg – Germany’s most highly industrialised State

There are about 45 000 companies in the EU in five important sectors of industry: electronic engineering, mechanical engineering, motor vehicle construction and parts, precision instruments, optics and office machines, 11 724 of these (26%) are in Germany.

Within Germany, 24% of the companies in these sectors are in Baden-Württemberg.

With its industrial density and dedication to quality, it is the ideal location for companies in the software sector.

Source: German Federal Statistics Office, figures from 2002
Software Centers support Baden-Württemberg’s companies

- MAFINEX
- Innovationsfabrik Heilbronn
- innotec pforzheim
- Software-Zentrum Böblingen/Sindelfingen e.V.
- frieks
- inno cel
Software Centers in Baden-Württemberg

frieks, Friedrichshafener Kommunikations- und Softwarezentrum GmbH
At present frieks is home to 8 companies, which have an estimated turnover of 4 Billion € sales and employ 60 staff on 2,200 m². frieks provides start-up assistance, checks business concepts, organises joint marketing initiatives and carries out public relations work.

Software-Zentrum Böblingen/Sindelfingen e.V.
The Böblingen/Sindelfingen Software Center e.V. offers newly established and existing small to medium-sized companies reasonable rents, the necessary infrastructure, fast net-working and support in a range of entrepreneurial decisions. A total of 600 staff are employed in 80 companies, while 7,200 m² of space is available.

www.frieks.de
www.softwarezentrum.de
Software Centers in Baden-Württemberg

Innocel Innovations-Center Lörrach GmbH/ON-Hochrhein
Innocel currently houses 21 IT companies with an estimated annual turnover of 13.7 million €, while ON-Hochrhein supports 6 companies. In total, around 140 staff are employed at the two sites. Innocel is certified by the association of German technology centers.

Innotec Pforzheim, Zentrum für Software, Technik und Design
16 companies, with an estimated annual turnover of 10 million €, almost 150 staff on 5,500 m², are based at the Innotec Pforzheim Center for Software, Technology and Design. The companies specialise in different aspects of software development, multimedia, Internet portals, software for jewellery design, vehicle design.
Software Centers in Baden-Württemberg

Innovationsfabrik Heilbronn GmbH
Around 30 software companies with an estimated annual turnover of 7.4 million € and a total of 130 staff are currently working in the software center. The areas the companies focus on include IT/Internet, software/multimedia, and IT consulting.

www.innovationsfabrik.de

Software Zentrum Mannheim,
MAFINEX Technologiezentrum Mannheim GmbH
The Mannheim software center is home to 13 companies, which have an estimated annual turnover of 3.2 million € and employ 80 staff. It is geared towards new entrepreneurs and new companies who develop, install and sell software, or who are involved in ICT.

www.mafinex.de
The MFG Baden-Württemberg

**MFG Baden-Württemberg** develops and promotes Baden-Württemberg as a location for media IT high-tech and film. A 50-strong team in the MFG Agency for media IT high-tech and MFG Film Funding divisions acts as the industry's contact.

The two Divisions are:

- **MFG Agency for Media IT HighTech**: As the state competence center for media IT high-tech, we offer: Consulting/promotion, Project management, Events/professional trainings, Communication/marketing, IT and media campaign: doIT and more.

- **MFG Film Funding**: We fund film productions for cinema and television: scriptwriting, pre-production, production, incentive funding digital content funding, events and location tours and more.
Baden-Württemberg provides support for young IT start-ups

The IT and media campaign **doIT** is the state initiative for promoting information technology and new media in Baden-Württemberg. With this effort, the State of Baden-Württemberg provides 430 million euros altogether during the current legislative period for building up information society.

**doIT** unites all the IT and media projects of Baden-Württemberg that are directed to companies, startups, researchers, students, pupils, administration and to the general public. The emphasis is on creativity, education and medium-sized enterprises.

The central point of contact for **doIT** is the MFG Baden-Württemberg, Agency for Media, IT and High-Tech in Stuttgart. As the state's competence center for IT and media, the team of Managing Director Klaus Haasis has been working successfully in the fields of consulting/promotion, project management, events/professional trainings and communication/marketing since 1995.

[www.mfg.de](http://www.mfg.de)
Baden-Württemberg – An excellent structure for higher education

Baden-Württemberg has the most densest and the most modern structure of Universities and Academies for higher education, including:

- 9 Universities
- 37 Universities of Applied Sciences
- 6 Universities of Education
- 9 Universities of Arts
- 9 Vocational Academies
- 7 Private Universities

A network of technology transfer centers provides the bridge between private industry and research institutes and guarantees rapid access to new results.
Baden-Württemberg –
A highly developed Research Infrastructure

The State provides a unique research infrastructure consisting of

– 3 large-scale research institutes
– 13 Max-Planck-Institutes
– 15 Fraunhofer Institutes
– 8 contract research institutes at Universities
– 10 institutes of joint industrial research.
Baden-Württemberg –
Good access to the East and the West

<table>
<thead>
<tr>
<th>Destination</th>
<th>Distance in km</th>
<th>Flight Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Athens</td>
<td>1690</td>
<td>3hrs/35</td>
</tr>
<tr>
<td>Berlin</td>
<td>500</td>
<td>1hr/10</td>
</tr>
<tr>
<td>Brussels</td>
<td>410</td>
<td>1hr/10</td>
</tr>
<tr>
<td>Budapest</td>
<td>740</td>
<td>1hr/30</td>
</tr>
<tr>
<td>Copenhagen</td>
<td>800</td>
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<td>1840</td>
<td>2hrs/50</td>
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<tr>
<td>Istanbul</td>
<td>2170</td>
<td>4hrs</td>
</tr>
<tr>
<td>Lisbon</td>
<td>1840</td>
<td>2hrs/50</td>
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<td>730</td>
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<td>Madrid</td>
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<tr>
<td>Milan</td>
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<td>2070</td>
<td>5hrs</td>
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<tr>
<td>Paris</td>
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<tr>
<td>Prague</td>
<td>400</td>
<td>1hr</td>
</tr>
<tr>
<td>Rome</td>
<td>810</td>
<td>1hr/40</td>
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Decide on Baden-Württemberg

By deciding on Baden-Württemberg as the focal point of their European activities, software companies benefit from:

– Ideal educational infrastructure for IT-needs
– Highly qualified and motivated personnel
– A location in the most attractive European IT market
– Easy access to other Western, Central and Eastern European markets
– Proximity to many successful large and medium-sized firms in their own and other sectors.
## Baden-Württemberg Facts & Figures

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>10.7 million inhabitants</td>
</tr>
<tr>
<td>Gross domestic product (GDP)</td>
<td>Euro 307 billion</td>
</tr>
<tr>
<td>Expenditure on R&amp;D</td>
<td>Euro 11.9 billion = 4% of the State's GDP</td>
</tr>
<tr>
<td>Patent applications per year</td>
<td>&gt; 12 822 = 25% of German total</td>
</tr>
<tr>
<td>Number of manufacturing plants</td>
<td>9 026</td>
</tr>
<tr>
<td>Export quota (manufactured products)</td>
<td>43.1%</td>
</tr>
<tr>
<td>Value of exports</td>
<td>Euro 104 billion = 1.35% of the World's exports</td>
</tr>
<tr>
<td>Foreign Direct Investment (cumulative 1955 – 2001)</td>
<td>Euro 55.8 billion</td>
</tr>
<tr>
<td>Research facilities</td>
<td>&gt; 100 major research institutes</td>
</tr>
<tr>
<td>University, technical and vocational college students</td>
<td>217 000</td>
</tr>
</tbody>
</table>
Baden-Württemberg International is your central port of call if you are looking for a location or a Baden-Württemberg partner with whom to establish fruitful business relations. Our range of services includes:

When you are looking for an industrial location:
- Information on Baden-Württemberg and on individual industrial sites.
- Consulting on government subsidies and programs.
- Assistance with all contacts to authorities, including permit procedures.
- Support in the search for suppliers and the selection of service companies.

When you are looking for cooperation partners:
- Information on market potential and market specifics.
- Planning of information visits, including appointment scheduling.
- Identification of potential partners that meet your specific demands.
- Assistance with trade fair activities in Baden-Württemberg.

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