

Information and Communication Technology – The Growth Market

A look ahead to the CEBIT 2000. For many years the industry has been numbered among the pacemakers of growth, yet the market is still not saturated and the demand for appropriate information and communication technology solutions is constantly rising. But foreign suppliers must know the rules of the German market.

The current situation

In contrast to the only weak economic growth in Germany, the information and communication technology (IT/TC) sectors have developed rapidly in recent years. Some of the factors responsible for this are:

- the Y2K problem,
- the introduction of the EURO,
- the liberalization of the telecommunication and power supply market,
- the growing importance of the Internet.

The activities required to solve the Y2K problems and introduce the EURO were considered to be related by German industry. Materials management and financial accounting systems were affected especially in small and medium-sized companies. This meant in many cases the renewal of the complete hardware and software platform and porting the old data into a new environment. Moreover, investments which had piled up in the past years because of the recessive economic situation were made.

Large-sized companies overcame the problems, also under high pressure in meeting deadlines, and with immense expenditure of human resources. But issues such as renewal of operating system platforms, the introduction of office communication and complex controlling systems, as well as the introduction of integrated corporate solutions (such as SAP R/3) predominated.

The liberalization activities on the European telecommunication and power supply market have had an essential share in the rapid growth of the IT/TC industry.

Many internationally operating telecommunication suppliers are represented on the German market, usually within the scope of holdings. Moreover, most of the large power supply utilities (in cities with more than 100,000 population) have been occupied since the beginning of the 1990's with the construction of their own telecommunication networks, and have formed their own companies, which already have a market share of more than 10% in the conurbations.

The demand for efficient IT and TC solutions is constantly developing. This is shown especially by the investments that have been made (e.g. Nokia, Ericson and Siemens).

As the telecommunication market is also subject to high pressure on prices, there is a special demand for reasonably priced telecommunication technology. More and more

network operators and service providers are turning to Scandinavian, American, French and Israeli imports.

The Internet is already a firm part of everyday life. By the end of 1999 around 13 million users were registered. Its acceptance by industry has risen within 5 years from 18% (1994) to 85% (1999). Accordingly the number of companies offering services for the Internet has also risen. The offered services are becoming more and more professional and, among innovative service providers, already extend far beyond merely creating HTML pages. Companies such as STRATO AG (Berlin), Europe's largest domain hoster and NetVision (Nuremberg), a company operating world-wide for TV programs in the Internet, enjoy rapid growth and are developing into the global players of tomorrow.

Windows NT has prevailed essentially as operating system in the PC environment. LINUX can already be met with in some companies and could rise to become the new "operating system star" in the coming years. We eagerly await further developments.

It can be stated basically that standard products have prevailed on a wide front. Especially where external support of the software and outsourcing are economically interesting. We meet with platforms such as Microsoft Exchange and Lotus Notes in upper medium to large-sized companies. Small and lower medium-sized companies are put off especially by the high maintenance costs.

There is also a need for integrative solutions in smaller and medium-sized companies, especially for supporting work groups, Internet and mail services. Nevertheless, this demand is not covered currently by manageable and appropriate products.

The future outlook

Medium-sized industry will indeed have to recover first of all from the major efforts of the past years. The integration of the Internet, the development of E-commerce solutions and the step-by-step improvement of telecommunication will stand in the foreground in the coming years. Here solutions requiring only minor training and maintenance costs will gain in importance.

Development of a different nature is already becoming apparent in large-sized industry. The investment tempo will increase even more. Globalization activities are an essential motor for a growing IT and TC industry. A company operating world-wide can function only if a fast exchange of processed and appropriate information is possible. Thus the main issues in the coming years are already apparent:

- Integration of the existing platforms and applications
- Widespread integration of the Internet in the companies
- Introduction of knowledge management solutions (incl. Intranet, document management).

Prerequisites for market success

Portability, multilinguality, low maintenance costs, ergonomics and clarity are gaining more and more in importance in all applications.

In the front-end sector localization of the products for the German market is indispensable. In the back-end sector innovative products will also be accepted in a non-localized version. Nevertheless it is essential that localization is planned within the scope of product development.

The products must be placed extremely carefully. Various traditional sales avenues exist in Germany for reaching widely differing target groups. The use of the already existing sales structures should take preference over establishing one's own sales channels.

Product know-how and product support must be established and developed locally. Cooperation with competent German partners is an essential prerequisite for market success

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