



CBI Product Factsheet: Social applications solutions/services in Germany

'Practical market insights into your product'

Despite a large software market, the adoption of social software applications in Germany is slower than in other large markets. This is because Germany has a less social media-oriented business culture and German companies are generally very traditional and slow adopters of new technologies. However, German companies are increasingly interested in social software and in integrating social components into existing software applications. The best opportunities lie in providing industry-specific social application solutions/services, especially cloud applications. Social applications solution/service providers with trend knowledge, integration and technological capabilities, knowledge of the legal framework and competitive pricing have the best chances of success in the German market.

Product Definition

Social applications are web-based (mobile) software applications that enable interactive user-generated content creation, sharing, discussion and exchange. They introduce substantial and pervasive changes in communication between organisations, communities and individuals. There are many types of social applications, including social network applications (e.g. Facebook, LinkedIn), blogs and micro blog applications (e.g. WordPress, Twitter), multimedia applications (e.g. YouTube, Flickr), instant messaging and text chat applications, collaborative applications (e.g. wikis) and forum applications (Figure 1).

Figure 1: Conversation prism - visual representation of the expansiveness of social applications



Source: Brian Solis & JESS3

There are two types of opportunities for IT providers in the field of social applications:

1. Providing social application development services. This is in fact cloud/mobile software development where the result is a social application. Examples are: linking mobile applications with social networking, geo-targeted social application development, social game development, add-on development for social media platforms/blogs or the development of new social applications.
2. Developing/marketing their own social applications. These can be both new social applications or plug-ins, extensions or templates for existing social media platforms, for example, plug-ins or templates for WordPress. Innovation, creativity, technology proficiency and market knowledge are required.

The main focus of this Product Fact Sheet will be on opportunity 1: providing social application development services.

Social application outsourcing

Social application development services can be managed within a company (in-house) or outsourced, which means that the development services are delegated to an external service provider. These service providers :

- Onshore: providers within the same country (onshoring).
- Nearshore: foreign providers within the region (nearshoring), for example: Central and Eastern European countries and North African countries for Western Europe, and Canada and Mexico for the United States.
- Offshore: foreign providers outside the region, typically overseas (offshoring), for example: Asian and Latin American countries for Western Europe, and Africa and Asia for the United States.

Product Specifications

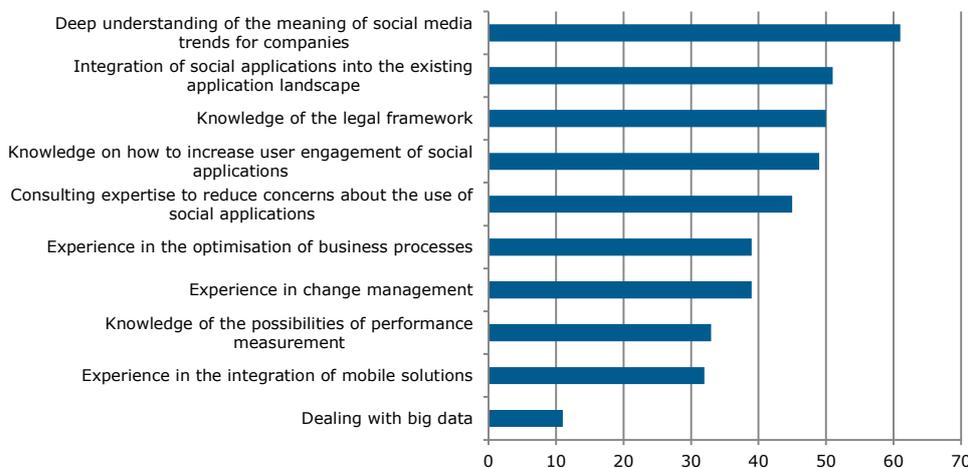
The most important product specifications of social application development services as required by German buyers are described below.

- Trend knowledge.** 61% of German ICT companies find a thorough understanding of the meaning of social media trends the most important requirement for the success of a social business project, according to a 2013 survey by Bitkom (Figure 2).

Considerations for action

- Carefully monitor and analyse trends and developments in social media and social applications. Monitor continuously if there are any new trends emerging that you can include in your service offering.

Figure 2: Required knowledge for social business projects according to German ICT companies, 2013, in %



Source: Bitkom

- Integration capabilities.** The ability of integrating social applications into the existing application landscape is also important (Figure 2). The abundance of customer contact methods for example, causes traditional IT applications such as CRM and CMS applications to be increasingly integrated with social applications.
- Knowledge of legal framework.** Knowledge about the legal framework such as data security and copyright is important as well (Figure 2). Doubts about data security are in fact the most important barrier to German companies adopting social applications, according to a study by Pierre Audoin Consultants.
- Social cloud applications.** Cloud computing is an important trend and a driver of social business. Cloud computing makes social software applications available from any device, from any place and at any time, which is very important as social media is accessible 24/7. Furthermore, cloud

- Make sure your employees know how to integrate social applications with other business applications.
- If you want to market your own social applications, make sure they can be easily integrated with other applications. Select, for example technologies that are based on open standards (a standard that is publicly available and the specifications of which can generally be implemented on a royalty-free basis).
- Make sure you understand the German (and EU) legal requirements that are applicable to the provision of technical services. Refer to the section 'Legal requirements' for more information.
- Take measures to ensure data security and inform potential customers about these measures.
- Apply for security standards to support your commitment to data security and privacy.
- Consider hiring cloud computing professionals and offering development services for social cloud applications.
- Consider developing/marketing your own social cloud applications.

applications do not need major investments (pay per use). As a result, cloud computing is becoming a technological requirement for almost all social (and mobile) applications.

- **Implementation and consultancy services.** ICT companies are not only asked by German companies for social application development services. They are often also the contact point for advice about social business projects and assistance in social business implementation.
- **Technological capabilities.** Social application solution/service providers might have to build up capabilities in technologies (platforms, databases or programming languages) such as NodeJS, MongoDB, Hadoop, Nginx, Android, iOS, HTML5, OpenGL, JAVA, Ruby/RubyOnRails and others. The relevant capabilities depend on the technology your company's solutions/services focus on.
- **Cost reduction.** Reducing costs is the most important reason for German companies to outsource application development, according to market research company IT Sourcing Europe.
- Besides offering social application development services, also consider offering consultancy services in social application integration and implementation. In this way you can add value and prove your expertise.
- Follow the latest technology developments closely and consider building up capabilities in those technologies, as early technology adoption can give you a competitive advantage.
- Be competitive and transparent in your pricing: avoid hidden costs.
- Emphasise the advantage of lower software engineer salaries within your company in your marketing message.

Legal requirements

- **Copyright computer programs.** The EU established specific rules to protect computer programs by means of copyright (Directive 2009/24/EC and Directive 2001/29/EC). The legislation aims at ensuring certain security against unauthorised reproduction of computer programs and applies to all computer programs marketed within the EU, including imported programs. The legislation, therefore, also affects businesses in non-EU countries that supply EU companies.
- **Personal data protection in electronic communications.** Privacy is a highly protected good in the EU. Among EU Member States, Germany has one of the strongest policies on personal data protection. The EU regulates the protection of individuals with regard to the processing of personal data and the free movement of such data. Providers of technical services regarding electronic communications to EU companies therefore have to take into account the EU legislation on personal data protection (Directive 2002/58/EC and 95/46/EC).
- **Considerations for action**
 - For more information, refer to [EU legislation: Copyright of computer programs](#).
 - Although the EU legislation applies in all Member States, the quality of enforcement differs per country. For specific information about the copyright computer programs legislation in Germany, refer to the [Unit Copyright and Publishing Law of the Ministry of Justice](#), which is the relevant German competent authority.
 - For more information, refer to [EU legislation: Personal data protection in electronic communications](#).
 - All Member States have implemented the EU requirements on personal data protection into national legislation. The relevant national competent authority for Germany is the [Federal Commissioner for Data Protection and Freedom of Information](#).

Non-legal requirements

There are additional standards/certifications that could be relevant when you want to target the German social application solution/services market. Germans, in particular, are very keen on standards and certifications.

Quality requirements

- **ISO 9001.** ISO 9001 is an important standard for service providers. The ISO 9001 standard represents requirements for the development and implementation of quality management systems in an organisation.
- **Capability Maturity Model Integration (CMMI).** Ensuring quality and service delivery is an increasingly important access requirement for offering global sourcing solutions. Using the worldwide adopted CMMI model (in which you can achieve a 1-5 level rating) is a good way of proving to your customer that you are able to deliver the required service quality.

Security requirements

- **ISO 27002.** ISO 27002 is the standard governing information security and management. It provides the industry approved model for an Information Security Management System (ISMS) and addresses the confidentiality, integrity and availability of information within an organisation.

Industry specific requirements

There are also industry-specific certifications or best practices that can be even more important than the above-mentioned general standards/certifications. Examples are Basel II and III for the finance and banking industry, HL7 and HIPAA for the healthcare industry or PCI DSS for the payment card industry.

Considerations for action

- Apply for relevant standards/certifications. Although they are not compulsory, they can help increase your credibility and professional image and improve your competitive position.
- ISO 9001 is one of the best known quality standards among German companies. Applying for ISO 9001 is, therefore, recommended. Refer to the website of [ISO](#) for more information.
- CMMI is less well-known than ISO9001. However, it might help in gaining trust and proving your capabilities. Refer to the website of the [CMMI Institute](#) for more information about the CMMI certification process.
- Adopting the ISO 27002 standard is a must for service providers that deal with sensitive information of their customers. For more information on ISO 27001 and ISO 27002 standards, go to <http://www.27000.org>.
- If you provide social application solutions/services for a specific industry, research the availability of industry-specific certifications/standards and consider applying for them. Industry associations can be a good starting point to look for industry specific certifications or best practices.

Trade and Macro-economic Statistics

Software market

Germany has the largest European software market. Germany accounts for 24.5% of the European software market according to research company Marketline, which makes it the largest software market in Europe ahead of the UK (17.3%) and France (15.6%). Germany's software market has proven resistant to the recession. In 2012, the software market had a value of €17.3 billion, an increase of 5.4% compared to 2011. Also, the IT services market increased by 2.2%. The German software and IT services market are forecast to continue growing and, therefore, offer potential.

Social application software market

- **German companies lag behind in social application usage.** Despite the large software market, the adoption of social software applications in Germany is slower than in other large markets. A

Considerations for action

- Research the German social application market in order to streamline your offering. For example:
 - Check websites of trade associations and IT/technology magazines to gain

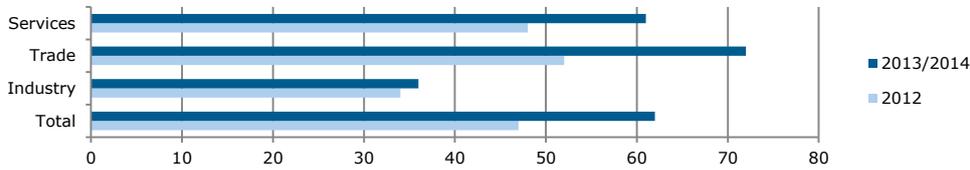
survey by Pierre Audoin Consultants reveals that 21% of surveyed German companies partly or completely implemented social collaboration applications in May 2013, compared to 27% of French companies and 38% of UK companies. Germany is lagging behind in social application use because it has a less social media-oriented business culture than France and the UK. This could be explained by the fact that German companies are generally very traditional and slow adopters of new software technologies.

- **Increasing demand for social applications.** Despite the slow adoption of social application software, German companies are increasingly interested in social software and in integrating social components such as activity streams and blogs in order to improve collaboration between employees, business partners and customers, drive innovation and increase productivity. A recent survey by Bitkom revealed that 71% of surveyed German ICT companies expect demand for social application solutions/services to increase, and 12% even expect social application solutions/services to become one of the key drivers of their business.
- **Competition from large players.** Well established providers of social application solutions/services in Germany are Microsoft, IBM and German player SAP. However, the social application market is an emerging market and many providers of social application solutions/services still have minimal deployments in place. This means that social applications solution/service providers still have opportunities in the German market.
- **Strongest market potential for industry specific solutions/services.** The German market is characterised by a large number of highly specialised small and medium sized enterprises (SMEs). The best opportunities lie in providing industry specific social application solutions/ services according to Germany's trade and invest agency (GTAI).
- **Companies in the trade and services sector make most use of social media.** In 2012, almost 50% of German companies made use of social media and 15% are planning to use it in 2013/2014 according to Bitkom (Figure 3). Companies in the trade and services sectors make more use of social media than companies in the industrial sector.

insights into market trends and developments.

- Attend relevant industry events to talk to potential buyers and find out their needs. Go to the section 'Market Channels and Segments' for examples of such events.
- Besides offering social application development services, also consider offering integration services of social functions into existing applications, for example, into CRM or CMS applications.
- Study the social applications solutions/services of Microsoft, IBM and SAP to get insights into buyer requirements and current offerings on the German market.
- Consider focussing on industry specific social application solutions/services. For example, automotive, mechanical engineering, electrical engineering or chemicals which are among the most important industries in Germany. Preferably target companies that are active in industries in which you already have experience, as industry specific experience and references are considered a great advantage.
- Consider focussing on the trade sector or services sector as the adoption of social media among companies in these sectors is higher than average.

Figure 3: German companies with social media activity, by type of industry, 2012 and forecast for 2013-2014, in %



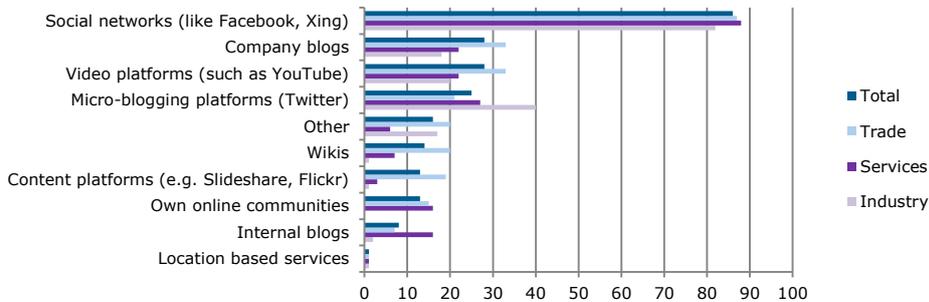
Source: Bitkom

- Social networks most used social application type by companies.** Almost 90% of German companies that use social media use social network applications such as Facebook or Xing (Figure 4), followed at a distance by company blog applications and video platform applications. The strong preference for social network applications can be explained by the fact that German Internet users spend a large proportion of their time on social networks which means that German companies can reach many German consumers if they make use of social network applications. A further focus on individual platforms shows that Facebook is the most popular social media platform, followed by YouTube, Twitter and Xing.

Considerations for action

- Study the social application types that are popular among German companies in your target segment and build up experience in solutions/services related to these applications. Also, carefully monitor the developments in new social application types as early adoption can give you a competitive advantage.

Figure 4 Use of different social media platform types among German companies, by type of industry, 2013, in %



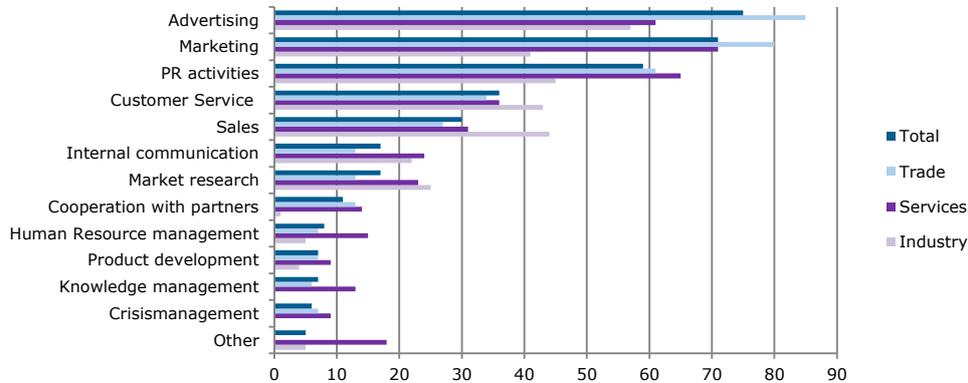
Source: Bitkom

- Advertising, marketing and PR main reasons for social media use by companies.** External company communication such as advertising, marketing and PR activities is the main reason for social media adoption by German companies (Figure 5). The main goals of social media usage are also related to these reasons: increasing brand and company awareness, acquisition of new customers, customer relationship management, search engine optimisation and brand and company image management.

Considerations for action

- Research the reasons for social media activities of German companies in your target segment. Social application solutions/services for marketing purposes, for example, can differ significantly from solutions/services for internal communication.
- Understand the promotional capabilities of social media and actively use social media for the marketing/communication of your own company - not only for promotion, but also for showing that you are an expert in social media knowledge.

Figure 5: Reasons of social media use for German companies that use social media, by type of industry, 2013, in %



Source: Bitkom

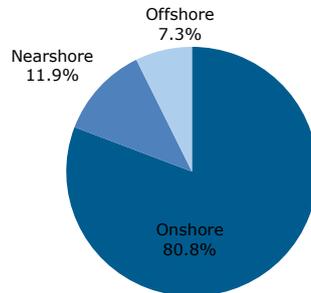
Social application outsourcing market

• **Outsourcing is gaining acceptance in German speaking countries.** More than 80% of surveyed companies from the DACH (Germany, Austria and Switzerland) region outsource IT according to Capgemini. The largest share of software application development services and customising is outsourced to providers within Germany, Austria and Switzerland (Figure 6). India and China are the most popular offshore locations. One third of the surveyed companies want to increase the offshoring of IT services mainly to reduce costs, but also because of a shortage of IT professionals. Although these figures represent outsourcing of application development services and customising in general, they are also expected to be representative of social application development services.

Considerations for action

- Explore the possibilities of partnering with German IT providers. They have insight into buyer requirements and already have a network.
- Try to offer your services in a better, different, new or faster way than your competitors. The more innovative/creative your social solution/service, the better you can distinguish yourself from competitors.
- Obtain references from current (international) customers to prove your expertise, as references are an important indicator for German companies to check a provider's expertise and reputation.

Figure 6: Geographical spread of outsourcing IT application development and customising by DACH countries, 2013, in %



Source: Capgemini

Salaries

• **Salary levels considerably lower in DCs.** Salaries form a large share of the cost of IT services. The average annual salary of a software engineer in Germany is approximately €45,000.

Considerations for action

- Emphasise the advantage of lower software engineer salaries within your company in your marketing message.
- Be transparent in cost benefits: avoid hidden costs

Software engineers' salary levels in nearshore/offshore destinations can be significantly lower. Buying social application solutions/services from nearshore/offshore providers can, therefore, generate substantial cost savings.

For more information on statistics and macro-economic indicators in the EU+ EFTA ITO market in general, refer to CBI Trade watch for ITO.

Market Trends

German IT decision makers identified social media as the fourth most important ICT trend in 2012 (37%), behind cloud computing (66%), mobile applications (53%) and IT security (48%), according to a recent survey of the European IT Observatory (EITO). This indicates that German companies are acknowledging the importance of social media.

Social market drivers

- **Lack of IT and social media skills.** The German IT market is suffering from a shortage of IT professionals. At the end of 2012, this shortage was around 43,000 according to Bitkom. There is also a lack of social media skills among employees in many German companies. The combination of the IT skills shortage and a lack of social media skills stimulate outsourcing of social application solutions/services.

Considerations for action

- Emphasise the availability of qualified IT and social media professionals within your company. Provide, for example, information about their education, experience and expertise.'

Technology market drivers

- **Mobile will drive social business.** Mobile is mentioned by 89% of German ICT companies as the main trend that will drive social business, according to a survey by Bitkom. The increasing popularity of smartphones and the increased mobile Internet usage are driving the use of (mobile) social applications. Social application solution/service providers could therefore find opportunities in the mobile domain.
- **Increased use of visual content.** Technological advances in network bandwidth, storage and photo and video-enabled devices have enabled a widespread proliferation of visual content. An increasing number of German companies follow this trend by using more visual content in their social media presence, for example, photos on Facebook or videos on YouTube.
- **Social media increases demand for big data analysis.** Social media generates huge amounts of (unstructured) data. The explosive growth of social media is in fact one of the reasons that 90% of all the data in the world has been generated during the last two years. The collection and analysis of data on social media can

Considerations for action

- Offer social application solutions/services in the mobile domain as this is regarded as an important future trend.
- Keep up-to-date with developments in social applications for mobile devices. Make sure that your social application solutions/services work on operating systems used in German mobile devices.
- Provide social applications solutions/services that also include visual content functions.
- Try to come up with innovative social applications that include data analysis functions. IBM, for example, has blended two hot topics within enterprise software: big data analysis and social media enabled applications. For more information refer to this [article](#).

provide companies with valuable insights into target groups, customer needs, brand impact and other important market insights and can provide more, faster and better insights into future events and developments. German companies are increasingly interested in the analysis of big data on social media.

Economic market drivers

- **Increased multi-sourcing.** Large outsourcing deals are decreasing in Germany. The trend is towards the outsourcing of individual IT tasks to more specialised providers, the so-called multi-sourcing model. Instead of having one large contract with one provider, companies engage in several smaller contracts with different providers. Due to a lack of IT and social media skills in Germany, an increasing number of German companies are expected to outsource social application development and related services to specialised social application solution/service providers.

Considerations for action

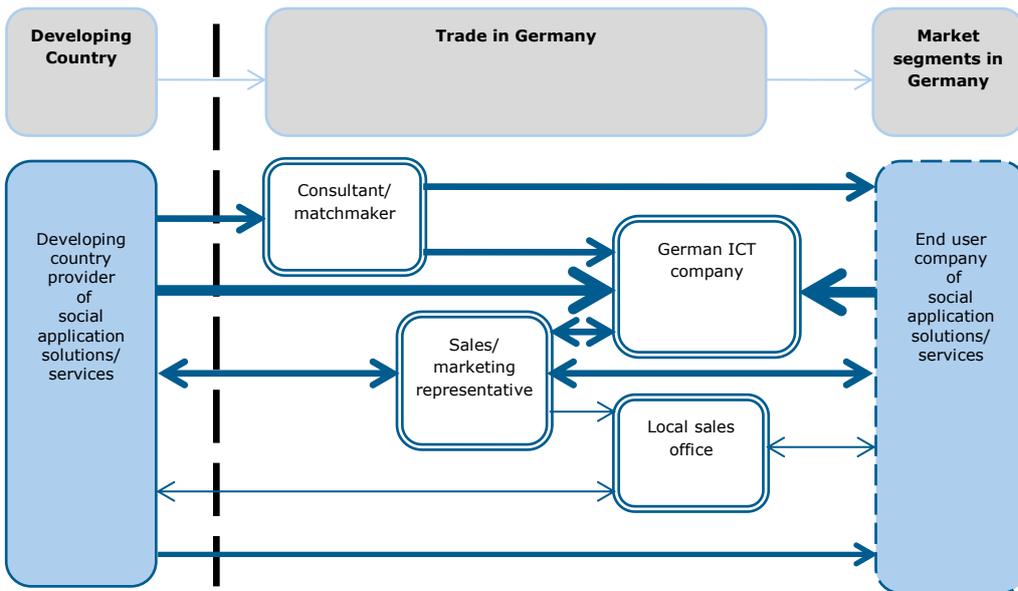
- For smaller contracts, companies are generally more prepared to work with DC providers as the risks are smaller. Consider offering a trial project to potential German buyers in order to show your capabilities and gain trust.

For more information on market trends on the EU+EFTA ITO market in general, refer to CBI Trend Mapping for ITO.

Market Channels and Segments

The most relevant channels for entering the German social application solutions/services market are illustrated in Figure 7 and described below.

Figure 7: Trade structure for social application solutions/services in the German market



Source: Peergroup ITO/BPO and interviews with industry experts

- **Subcontracting by German ICT companies.** Industry experts identify subcontracting by German ICT

Considerations for action

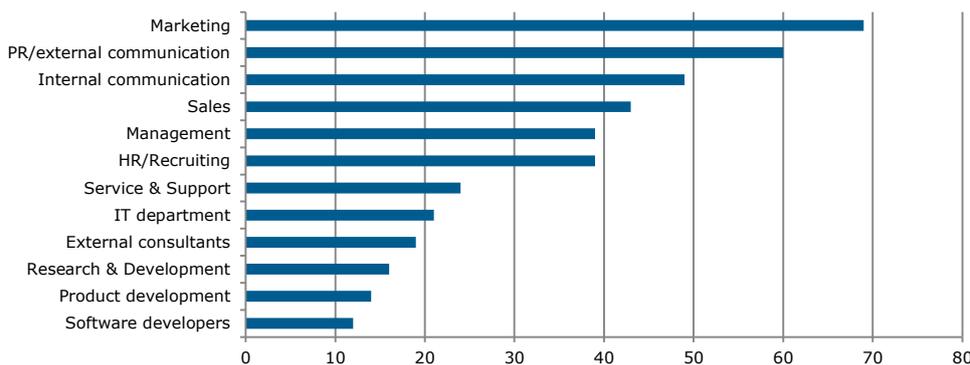
- Make an analysis of your company and target market in order to choose the most suitable entry channel.

companies as one of the most realistic market entry channels for DC social application solution/service providers (Figure 7). German ICT companies have a good knowledge of the German market and already have their own network of customers. Furthermore, up-front capital investments in case of subcontracting are low.

- Direct partnership with an end user of social application solutions/services.** A direct partnership with an end user company of social application solutions/services might also prove to be successful. However, be prepared that German companies are less open to international partnerships than companies in some other EU countries, such as the UK, Scandinavian countries and the Netherlands. You need at least a good knowledge of the German market, and to be prepared for a long lead time. In Germany, it is traditionally the IT departments that drive the implementation of new technologies in the company. However, in the case of social applications it is more the communication departments such as marketing, PR and sales that drive demand for social applications (Figure 8).

- Explore the possibilities of partnering with German ICT companies. Target companies whose size is in line with your capacity and who focus on the same solutions/industry to increase a potential match.
- Attend relevant industry events in Germany to meet potential partners. Furthermore, you also learn more about German business culture.
- Have good promotion material available, such as a professional company website and a leaflet.
- Research the end market segment that you want to focus on in order to know how to market your company effectively.
- Study the German business culture. Go to [Kwintessential](#) for more information on how to do business in Germany.
- Consider approaching the marketing and communication departments of German companies as they tend to be the drivers for the adoption of social application solutions/services. Preferably target companies in an industry market in which you already have experience in order to increase your chances of success.

Figure 8: Divisions on the client side of German ICT companies that drive social business, 2013, in %



Source: Bitkom

- Intermediary.** German companies generally prefer a local, German speaking contact person. Local intermediaries such as consultants/matchmakers or sales/marketing representatives can, therefore, be important channels in establishing contact with German ICT companies or end user companies of social application solutions/services. As

Considerations for action

- If you choose to work with an intermediary, look at the following selection criteria:
 - Expertise. Expertise should be in line with your services or vertical market expertise.
 - Value and size of network.
 - References.

well, German intermediaries generally have a clear understanding of local markets, insights into buyer requirements and a large network.

Trade associations, trade events and databases can be good sources for finding potential customers in Germany. Examples of such sources are:

Trade associations and databases

- Bitkom - <http://www.bitkom.org> - German Association for Information Technology, Telecommunications and New Media. In the English version, go to 'Membership' and 'List of members' for an overview of members. Furthermore, in the German section 'Markt & Statistik: Social media & Web 2.0' you can also find statistical information, studies, reports and articles in the field of social media & web 2.0.
- ECO - <http://international.eco.de> - association of the German Internet industry. Go to 'About' and select 'Our members' for an overview of members.
- Internetworld - <http://www.internetworld.de> - online magazine about Internet business in Germany that also includes social media topics. Go to 'Dienstleister' and under 'Unternehmen nach Rubriken' select 'Social Media & Community' for social media related service providers in Germany.
- Outsourcing Verband - <http://outsourcing-verband.org> - German Austrian Swiss outsourcing association. Go to 'Verband' and select 'Mitgliederschaft' and 'Mitglieder und Partner' for an overview of members. They also organise several events.
- Social Software.de - <http://www.social-software.de> - provides an overview of social software solution/service providers on the German market. Go to 'Software-Katalog' and select 'Anbieter'.
- Software Marktplatz - <http://www.software-marktplatz.de> - online platform where ICT companies from Germany, Austria and Switzerland can offer their products and services. Go to 'Suche nach IT-Anbietern' and select a relevant category, for example, 'IT Dienstleister' or 'Software- und Beratungsunternehmen' for an overview of such providers.

Events

- Cebit - <http://www.cebit.de> - largest IT trade event of Europe, held annually, in March, in Hannover. Go to 'Search', 'Exhibitors' and search with keywords such as 'Social application' for a list of social application related service providers. 'Social' was one of the trend topics of Cebit's 2013 edition.
- Communication World - <http://www.communication-world.com> - trade event for mobile IT solutions, held annually, in November, in Munich. Mobile social media is one of the focus areas. Go to 'Aussteller', 'Services', 'Downloads' and scroll down to 'Rückblick Communication World 2012' for a list of exhibitors at the 2012 edition.
- Entscheiderforum Outsourcing - <http://www.entscheiderforum.net> - German conference on outsourcing, held annually, in May, in Bad Homburg.
- Social Media Conference - <http://www.socialmediaconference.de> - conference about social media, held annually, in October, in Hamburg.
- Where IT works - <http://www.messe-stuttgart.de/where-it-works> - trade event for business IT with four core focus areas: ERP, CRM, ECM an output management. Social media plays an important role in all these areas. The event is held annually, in October, in Stuttgart.

Market Competitiveness

Refer to CBI Market Competitiveness for ITO as competitiveness in the German social application solutions/services market does not differ significantly from the ITO market in general.

Useful Sources

Besides the sources mentioned in the section 'Market Channels and Segments' other sources that can provide interesting insights into the German social application solutions/services market are:

- CIO - <http://www.cio.de> - German technology magazine that also publishes news and articles about the German social application market. Search with keywords such as 'Social' for relevant articles.
- Computerwoche - <http://www.computerwoche.de> - German IT magazine that also publishes news and articles about social software applications and social media.

- Dressler & Partner - <http://www.dressler-partner.com> - provides information regarding potential nearshoring/offshoring locations all over the world for ITO, BPO and Shared Services.
- GTAI - <http://www.gtai.de> - German trade & investment agency. Publishes reports and statistics about different industries in Germany, including the software industry. Go to 'Industries' and select 'Information Technologies' for the latest reports and statistics about the German software market
- ICT research Board - <http://ict-researchboard.de> - platform that provides reports and studies about the German ICT market, including social software applications. Go to 'Studies and reports' and select 'Enterprise Communication and Collaboration' for an overview of related reports and studies.
- IT Mittelstand - <http://www.itmittelstand.de> - IT magazine for German SMEs.
- Outsourcing Journal - <http://www.outsourcing-journal.org> - portal with insights into the German, Austrian and Swiss outsourcing markets.
- Silicon - <http://www.silicon.de> - German IT magazine for business managers with a section dedicated to web & social. Go to 'Technologie' and select 'Web & Social'.
- Tec Channel - <http://www.tecchannel.de> - German IT magazine for IT in SMEs. The magazine has a special section dedicated to social software applications. Go to 'Software' and select 'Social media'.
- ZD Net - <http://www.zdnet.de> - German technology magazine that also publishes news and articles about the German social software market.

This survey was compiled for CBI by Facts Figures Future
in collaboration with CBI sector expert Laszlo Klucs.

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