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South East Europe IT Industry Barometer (SEE ITIB) 2014 – Results for Kosovo

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Introduction

Overview

- South-East Europe Information Technology Barometer (SEE ITIB) 2014
  - Developed for the Regional Export Plan
  - Support to the network of South-East European IT associations in marketing IT services and products in international markets
- Participants
  - Countries: Albania, Bosnia-Herzegovina, Kosovo, Macedonia, Montenegro, Serbia
  - IT associations:
    - AL: AITA
    - BA: BIT Alliance
    - KO: STIKK
    - MK: MASIT
    - ME: Montenegrin IT Cluster
    - RS: ICT Network, VOICT, NiCAT
  - IT companies – associated or not

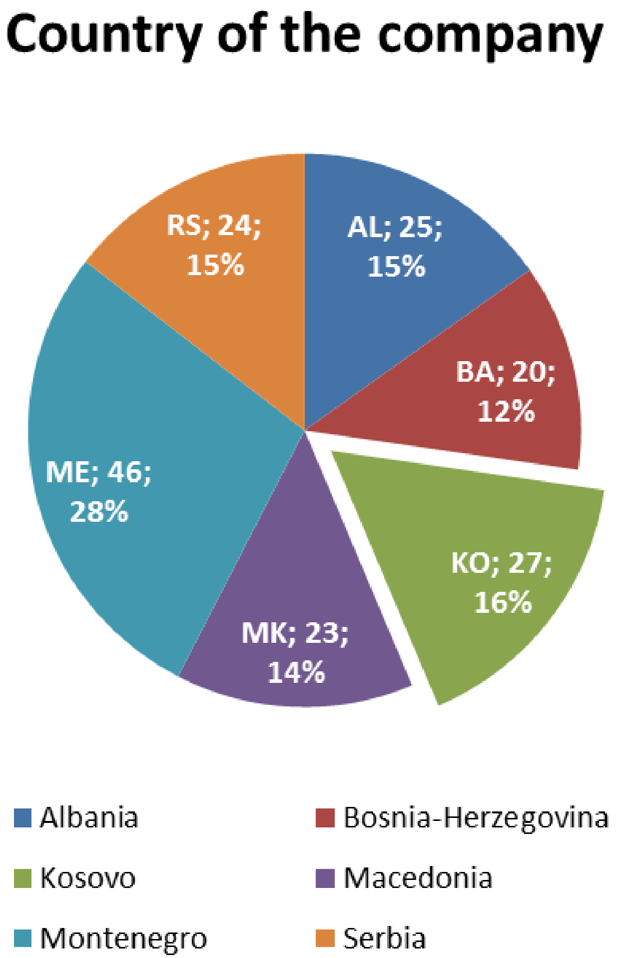
- First edition of the SEE ITIB 2014, with the following goals:
  - Gather export-oriented information to support the Regional Export Plan
  - Gather statistical information from the SEE ICT sector
- Data collection trough online questionnaire (QuestionPro) with the support of local consultants for the interviews
- Survey conducted in the period January – March 2014
- Overall statistics:
  - 457 started
  - 165 completed
  - 292 dropouts

Average time to complete the survey: **34 minutes**

STARTED	COMPLETED	COMPLETION RATE	DROP OUTS	TIME TO COMPLETE
457	165	36%	292	34 mins

General Information

Companies per country

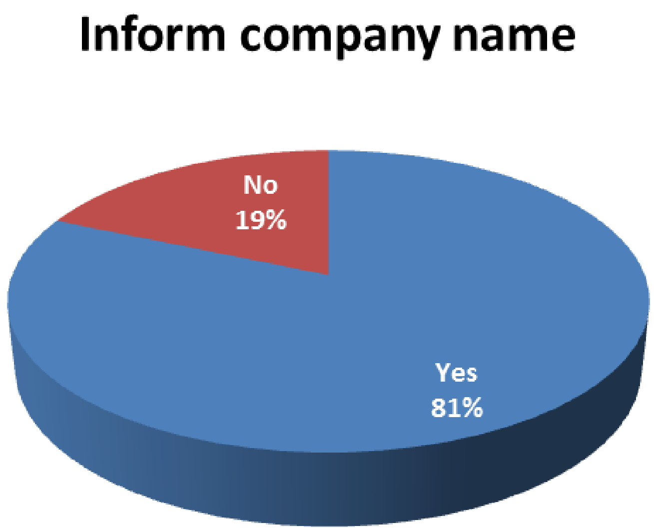


N=165

- 165 questionnaires completed by SEE companies were considered for the analysis
- The goal of at least 20 companies per country was reached
- Kosovo had 27 answering companies
- Montenegro had 46 answering companies
- The other countries had between 20 and 27 companies answering

Results for **Kosovo**

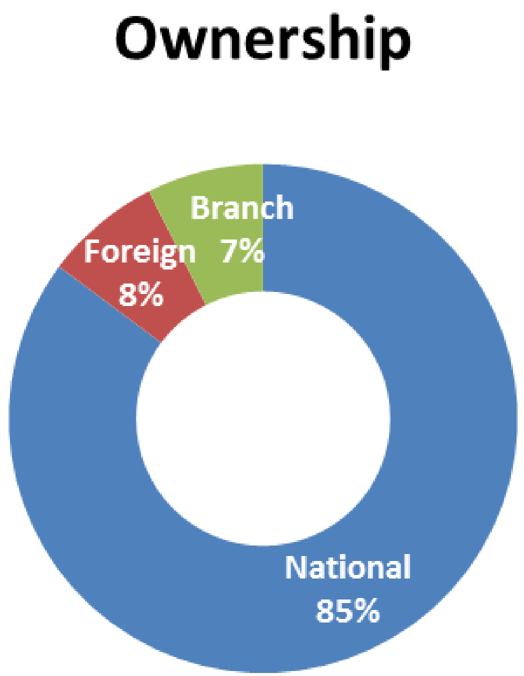
Inform Company Name



N=27

- More than 80% of the companies answered the questionnaire informing the name of the company and contact information
- Only 5 firms (19%) answered anonymously and did not inform name or contact information

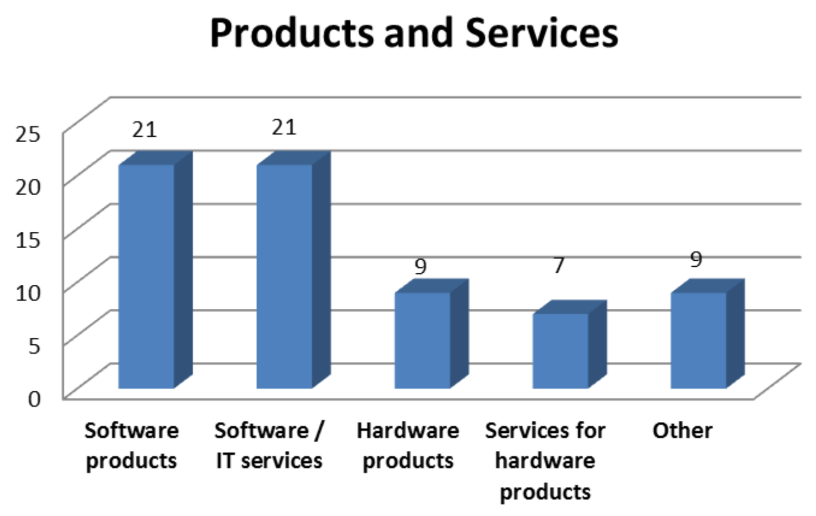
Ownership Structure of the Company



- The absolute majority of the companies (83%) are controlled by national capital
- 8% of the companies are majority foreign-owned
- And 7% declared to be a branch of a foreign company and work only for the parent company

N=27

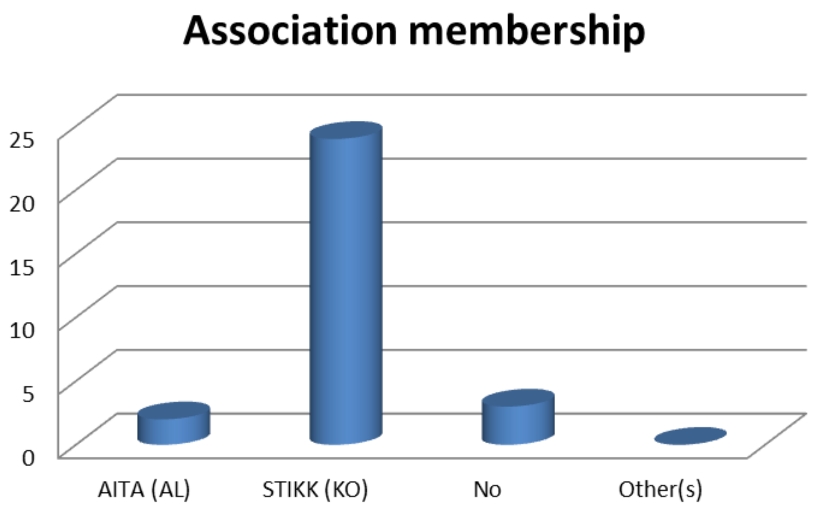
Products and Services Supplied



Multiple answers possible

- The majority of companies offer software products, and software and IT services, in equal numbers (21)
- Hardware products and services for hardware products are far behind, with almost the same number of answers (9 and 7)
- Other products informed were: telecom, graphic design, software testing, geo ICT, ICT training

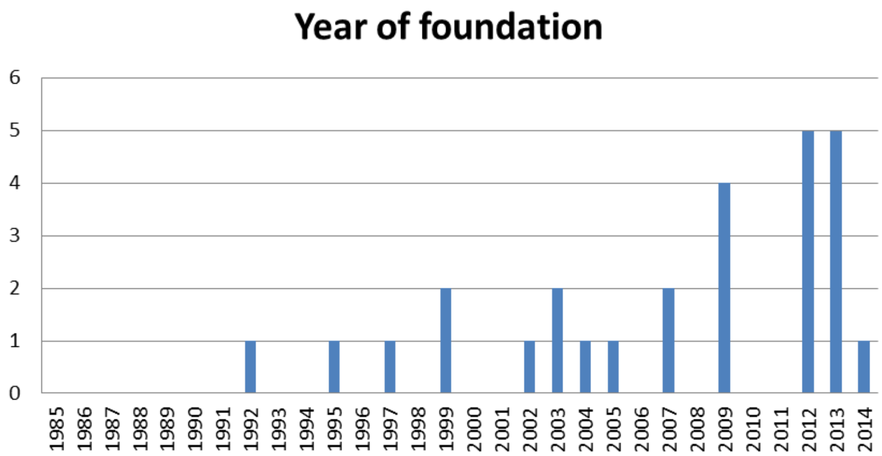
Membership of ICT Associations



- Out of the 27 companies from Kosovo, 89% (24) informed to be member of STIKK
- Two companies are, at the same time, member of the Albanian AITA
- Three companies are not members of any ICT association
- No company is member of another association

N=27 Multiple answers possible

Year of Foundation of the Company

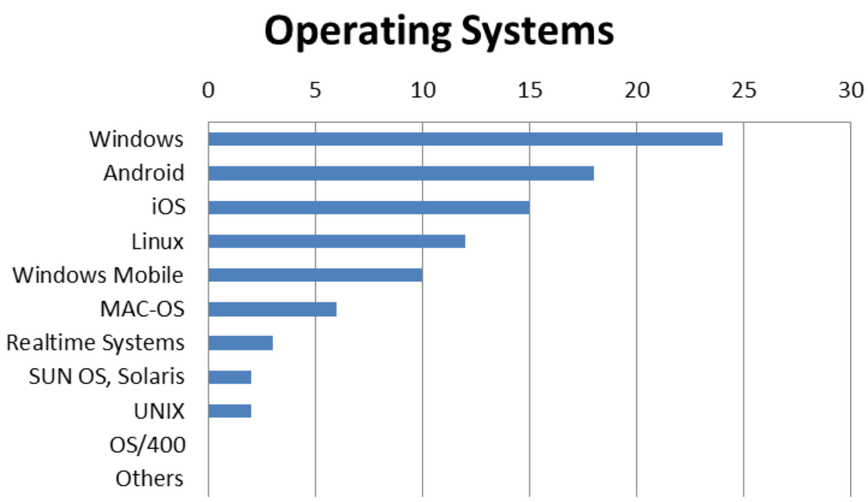


N=27

- The companies were founded over the last 22 years
- The companies have an average age of 7 years
  - Youngest average in the region
- The oldest company was founded in 1992 and the youngest this year (2014)
- 41% (11) of the companies were founded in the last three years - between 2012 and 2014

Technical Profile of the Companies

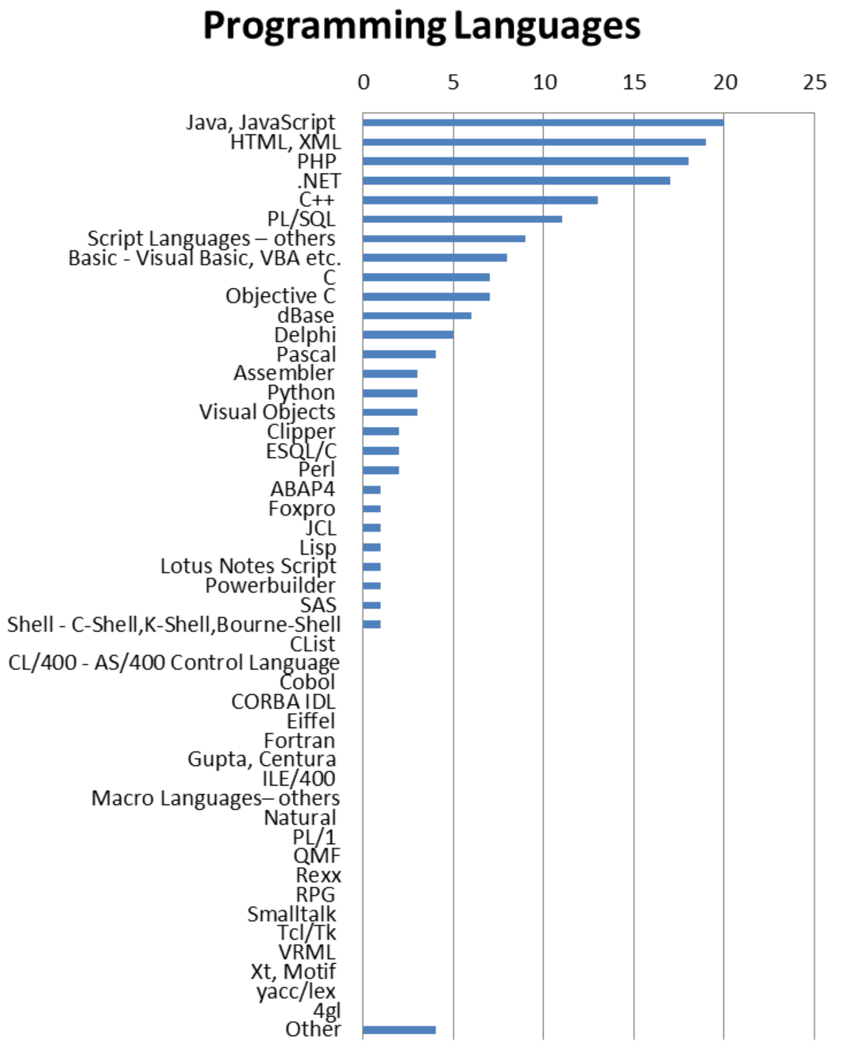
Operating Systems and Platforms



Multiple answers possible

- Windows was the OS most mentioned, as expected
- The next most mentioned OS were Android and iOS…
- … followed by Linux
- Windows mobile and Mac-OS are ranked next…
- Mobile platforms were frequently mentioned: Android, iOS and Windows Mobile
- Open source platforms were also mentioned: Linux and, less frequently, Unix
- Know-how in OS/400 is not available in the country, coherent with the age of the companies

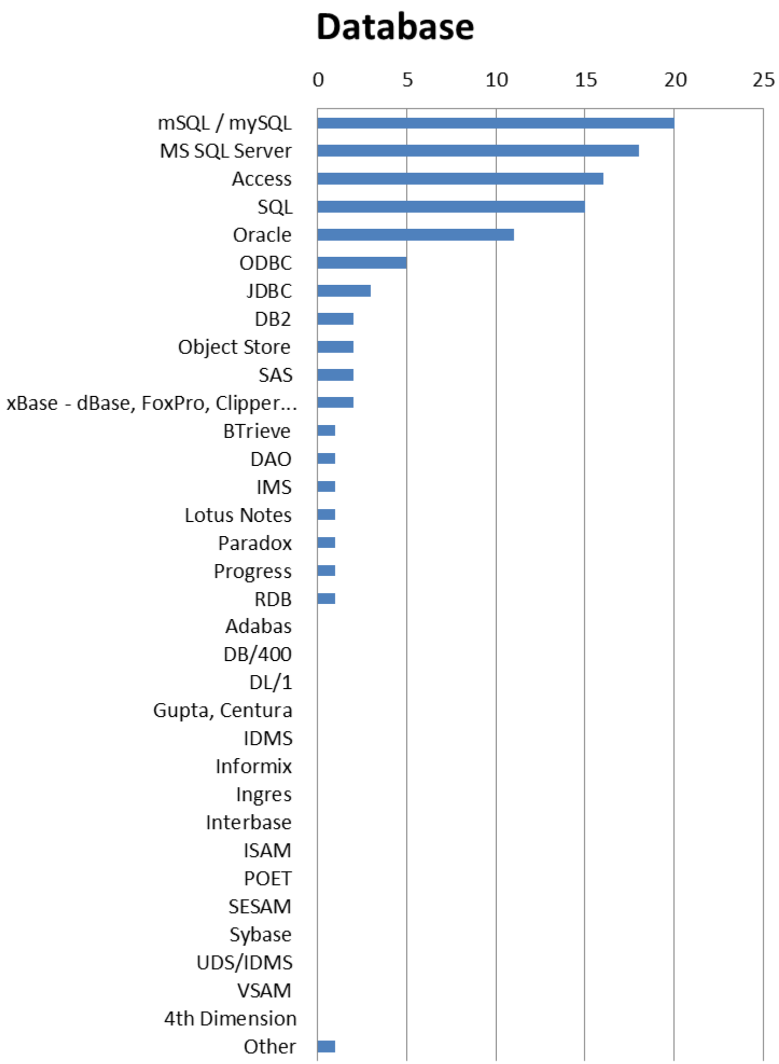
Programming Languages and Development Tools



Multiple answers possible

- Java, JavaScript, HTML, XML, PHP and .NET were the most informed…
- …followed by C++, PL/SQL, Script Languages, and Basic/Visual Basic
- Next come C and Objective C
- Country also has know-how in other languages
- Some programming languages/development tools are not available
- Other additional informed languages: ActionScript 3.0, Dojo Framework, PMI, TMForum Framework TOGAF, C#, SP.NET

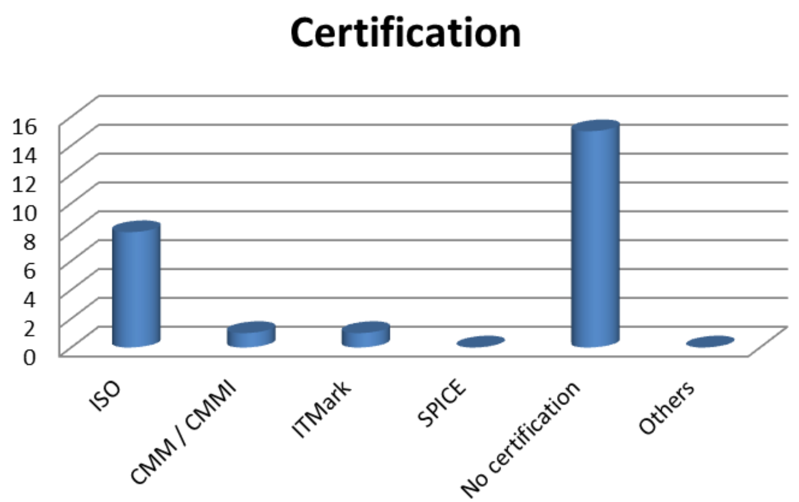
Database Technologies



Multiple answers possible

- The most common database know-how is in mSQL/ my SQL…
- … followed by MS SQL Server
- Next come Access, SQL, Oracle and, less frequently, ODBC
- Other databases were mentioned and some others were not
- Additionally mentioned was: PostgreSQL

Company Certifications

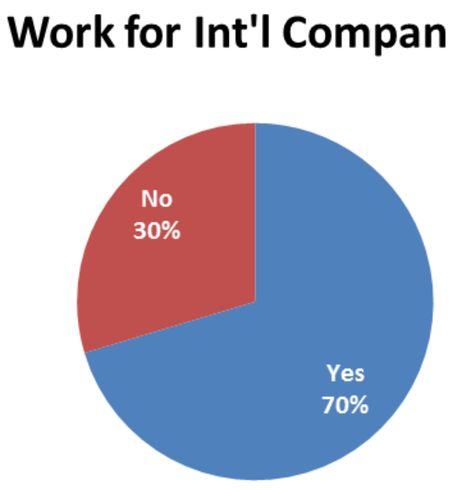


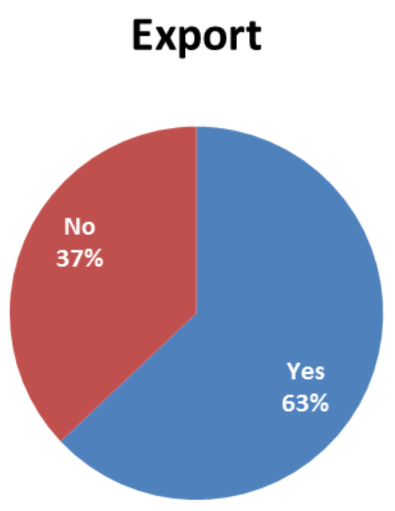
N=23 Multiple answers possible

- The majority (64%) of the 23 answering companies (15) have no ICT certification
- The companies with certification (35%) - 8 - have ISO certification
- Out of theses, one company has multiple certification in ISO CMM/CMMI and ITMark
- No company with SPICE or other type of certification

Export-Related Questions

Work for International Companies and Export

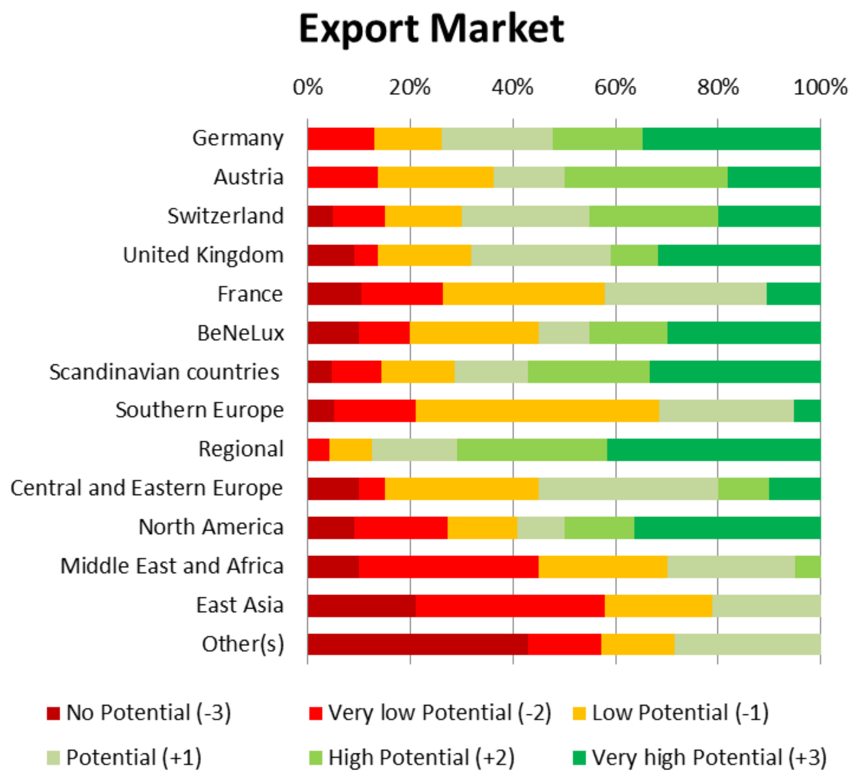




- 70% of the companies work with international companies in the domestic market
- And 63% export
- This evidences high internationalization level, both domestically and abroad

N=27 Multiple answers possible

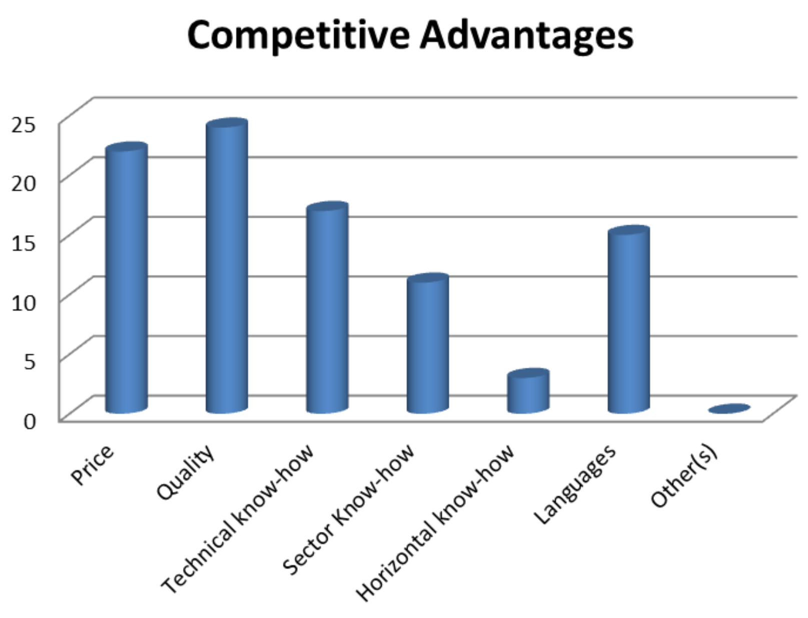
Potential of Export Markets



Multiple answers possible

- The markets mentioned with by far the most positive export potential are the regional markets (AL, BA, BG, HR, GR, KO, ME, RO, RS, SL)
- Followed by Scandinavian countries, Germany, Austria
- Next come North America, Switzerland and BeNeLux
- The worse ranked are East Asia and Middle East and Africa…
- … followed - surprisingly - by North America and France
- Different from other countries in SEE, CEE is most mentioned (65%) with low potential and potential (neither positive, nor negative)

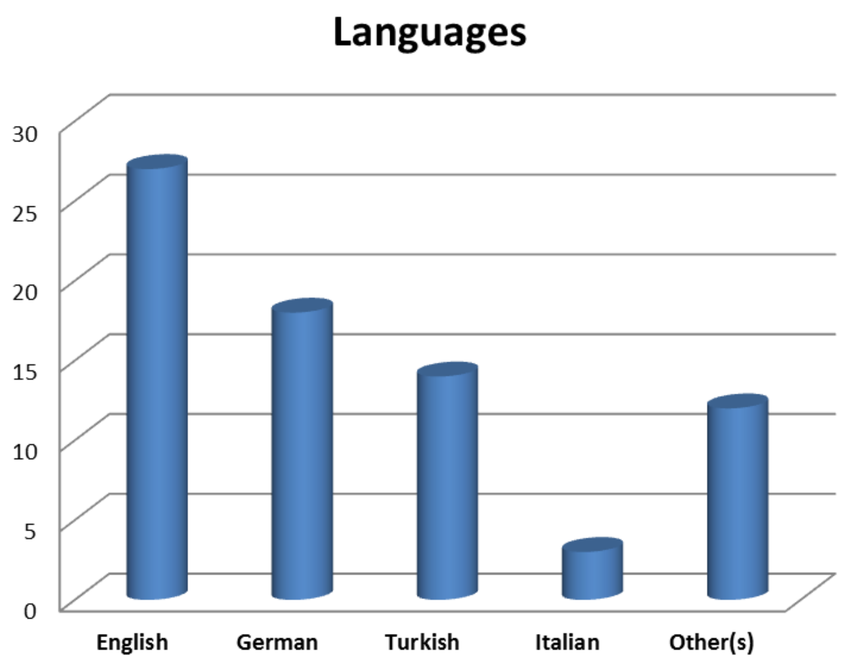
Competitive Advantages



Multiple answers possible

- Quality is most mentioned as competitive advantage…
- … followed closely by price
- Technical know-how and languages come next
- Sector know-how follows
- Horizontal know-how has the least mentions
- No other competitive advantage is mentioned

Human Languages Spoken in the Company

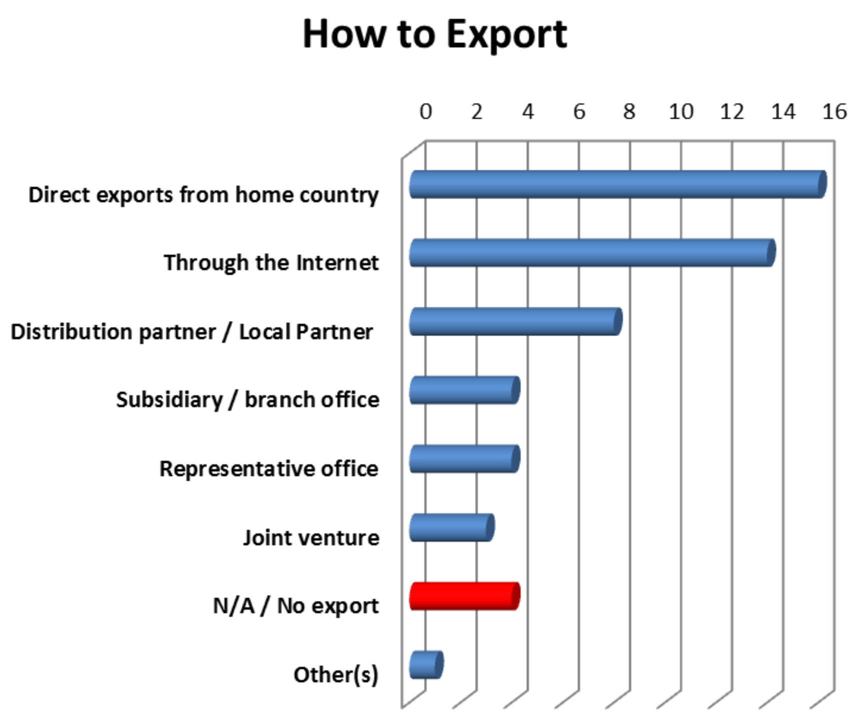


- The foreign language spoken by all companies is English ➔ expected
- In second position, spoken by 2/3 of the companies, is German…
- … followed by Turkish (more than ½ of the companies)
- Italian is spoken by 3 (11%) companies
- Other languages informed:
  - Neighbouring countries: mainly Albanian, but also Serbian, Croatian, Macedonian, Bulgarian
  - EU: French, Dutch, Spanish
  - Others: Arabic

Multiple answers possible

N=27

How Companies Conduct Exports



Multiple answers possible

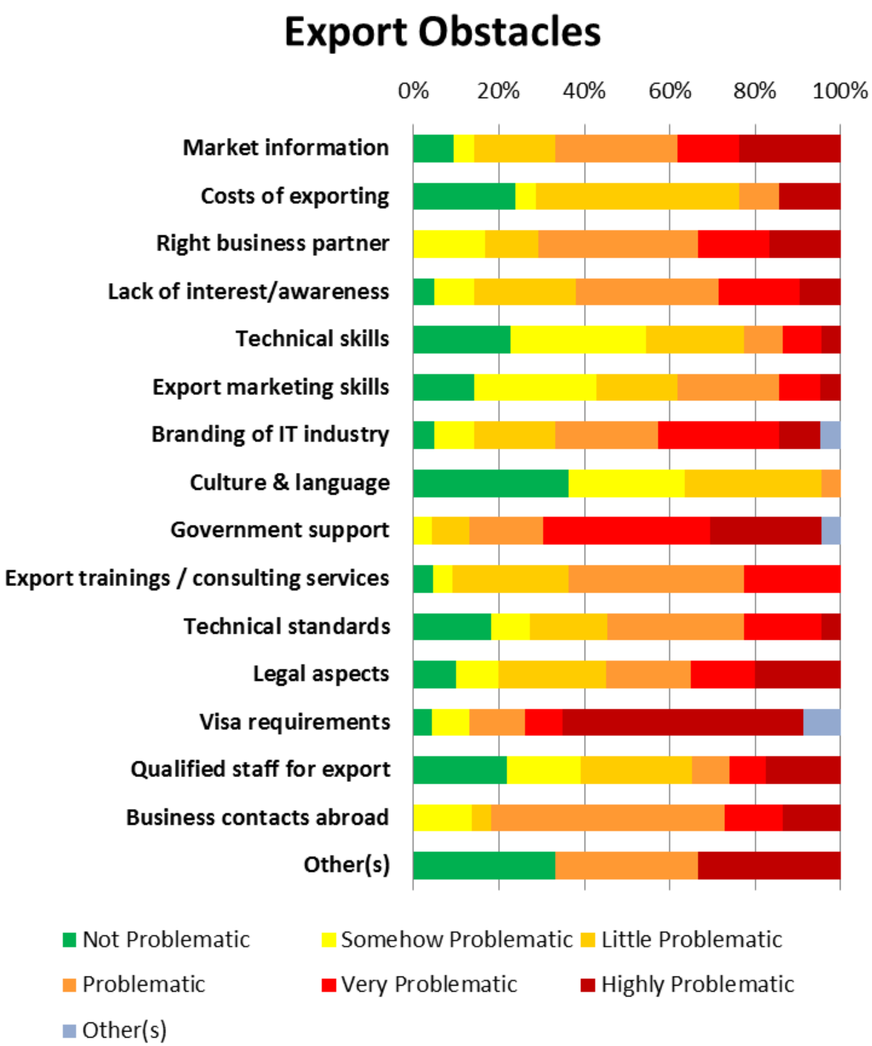
- The majority conduct exports from the home country
- Second most mentioned was export through internet
- Distribution / local partner in the target market is placed third
- The following group exports through subsidiary/ branch office and representative office, followed by joint venture
- Four answering companies do not export
- One mention of other channel: via Freelance

First Contact for Exports

- Most companies have the first contact for export either through personal contacts or through the internet
- Next – equally ranked – are participation in trade fairs or conferences, and business delegations or matchmaking
- Others: subsidiary

Multiple answers possible

Biggest Export Obstacles

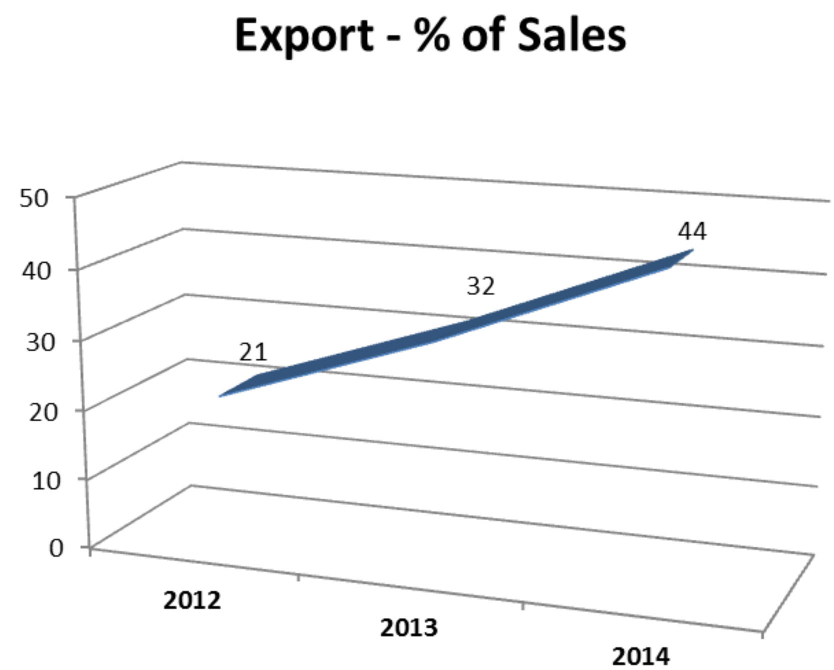


Multiple answers possible

- The biggest obstacles are:
  - Government support
  - Visa
  - Business contacts abroad
  - Right business partner
  - Market information
  - Branding
- The issues not considered a problem are:
  - Culture & Language
  - Qualified staff for export
  - Technical skills
  - Cost of exporting
- Other obstacles: Lack of skilled work force for mass production
- Biggest problem: visa requirements are considered “highly problematic” by 57% of the answering companies

Statistics

Sales distributed by market



- Sales revenue derived from exports
  - Amounted to 21% and 32% in the last two years
  - The forecast for 2014 is 44%
- Increasing exports with positive expectations for 2014

N=27

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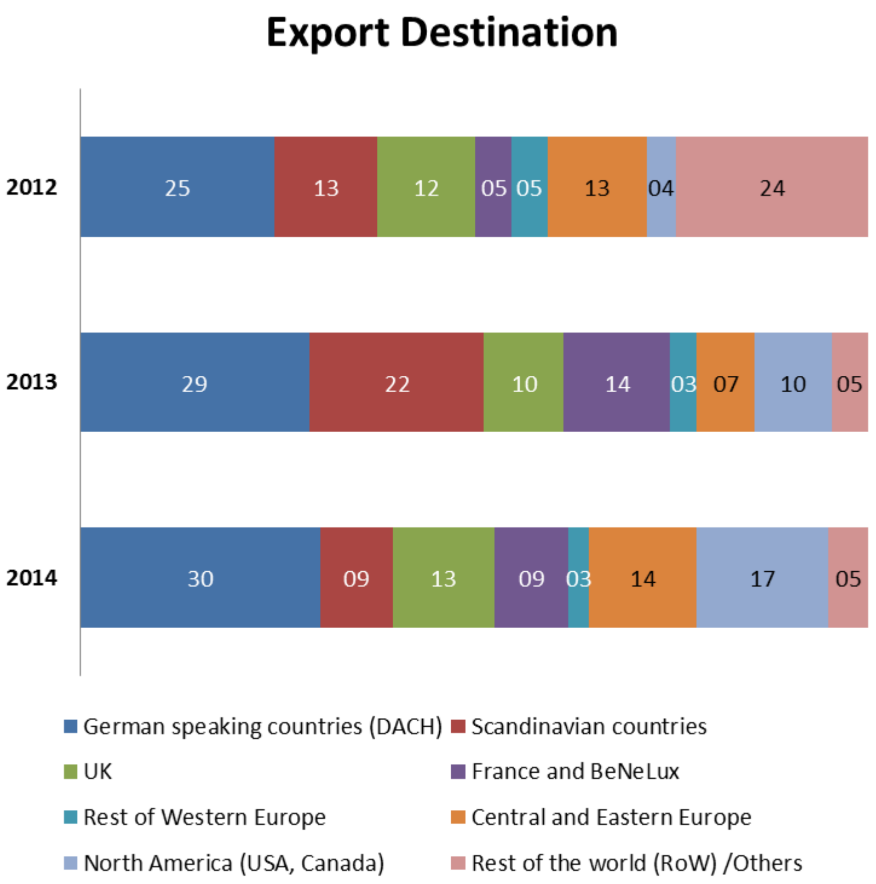
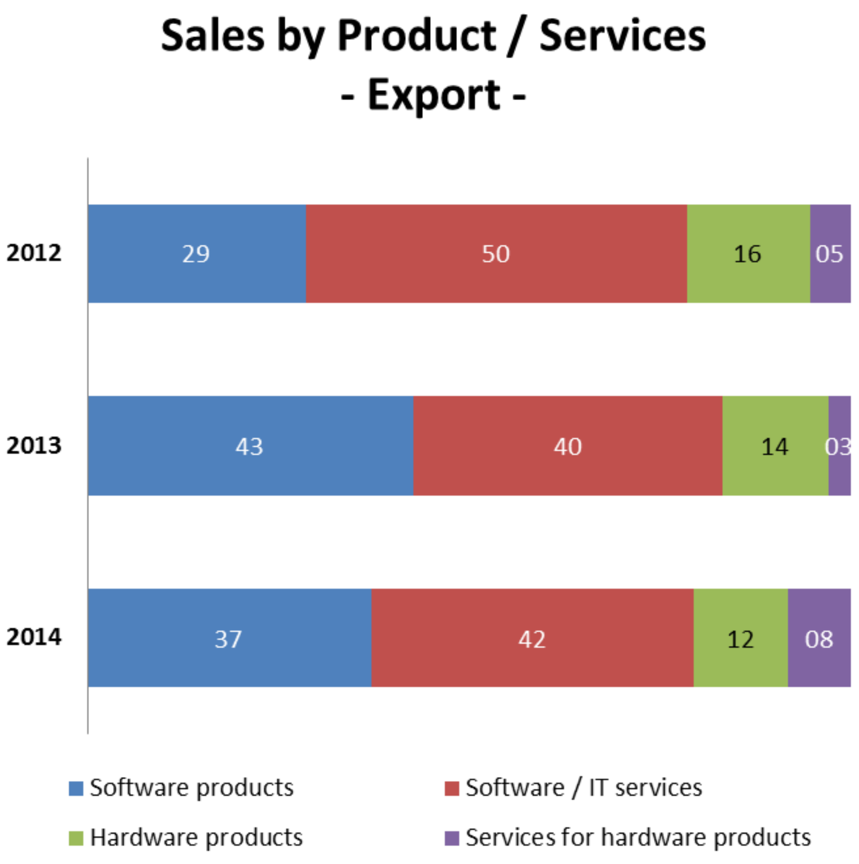
Sales distributed by region



- In 2013 the region generating the highest sales abroad was DACH with 29% (25% in 2012)
- Second were Scandinavian countries with 22% (13%)
- Followed by France and BeNeLux with 14% (5% 2012), and CEE and North America with each 10% (12% and 4% in 2012)
- Ranking forecast for 2014 are DACH (30%), North America (17%), CEE (14%), UK (13%) and France & BeNeLux, and Scandinavian Countries (9% each)
- Additional destinations include English speaking countries
- More companies plan to export in 2014: from 12/14 companies in 2012/2013 to 22 in 2014

N=12-22

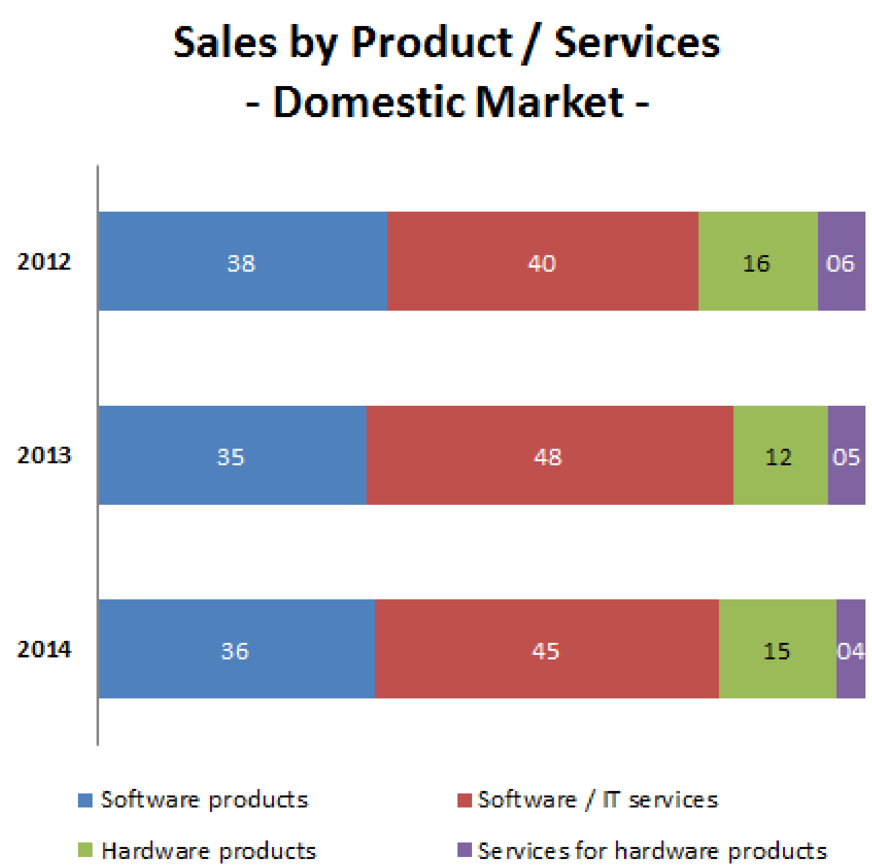
Sales distributed by product / services - Export



- Most export sales come from software and IT services (50%, 40%, 42% for 2012, 2013 and forecast 2014)
- The second ranked is software products with 29%, 43% and 37% for the same years
- Hardware products account for 16%, 14% and 12% during this period
- Services for hardware products is small with 5%, 3% and 8% during three years
- The vast majority of revenue come from software (product and services): 79% in 2012, 83% in 2013, and 79% in 2014

N=13-16

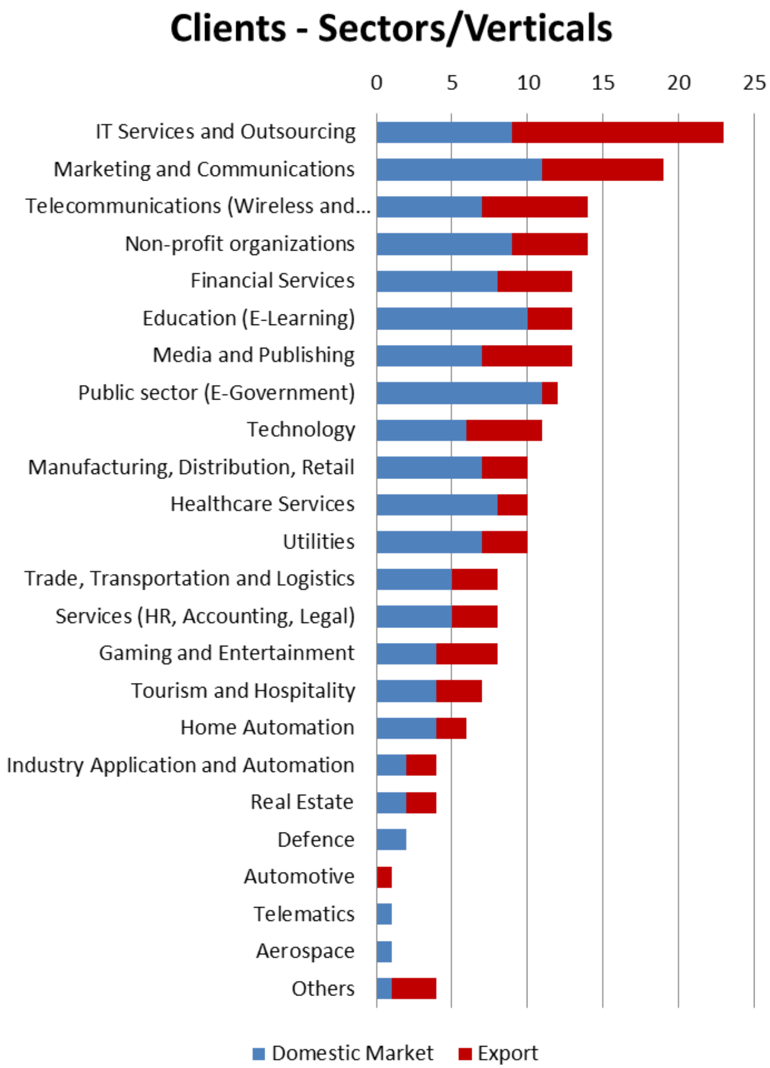
Sales distributed by product / services - Domestic



N=19-21

- The largest share of sales in the domestic market comes from software and IT services (40%, 48%, 45% in 2012, 2013 and forecast 2014)
- The second ranked is software products with 38%, 35% and 36% for the same years
- Hardware products account for 16%, 12% and 15% during this period
- Services for hardware account for 6%, 5% and 4% during the period
- The majority of revenue in the domestic market also comes from software (product and services): 78% in 2012, 83% in 2013, and 81% in 2014

Clients – Sectors/Verticals



Multiple answers possible

- In domestic and foreign markets, most clients come from IT services and outsourcing, and Marketing and Communications
- The next sectors are:
  - Telecommunications
  - Non-profit organizations
  - Financial services
  - Education
  - Media and Publishing
  - Public sector
  - Technology
- The results are more influenced by the domestic market than by exports
- Others include: online selling systems, geo ICT-related, science/academia

Clients – Sectors/Verticals – Domestic Market

Multiple answers possible

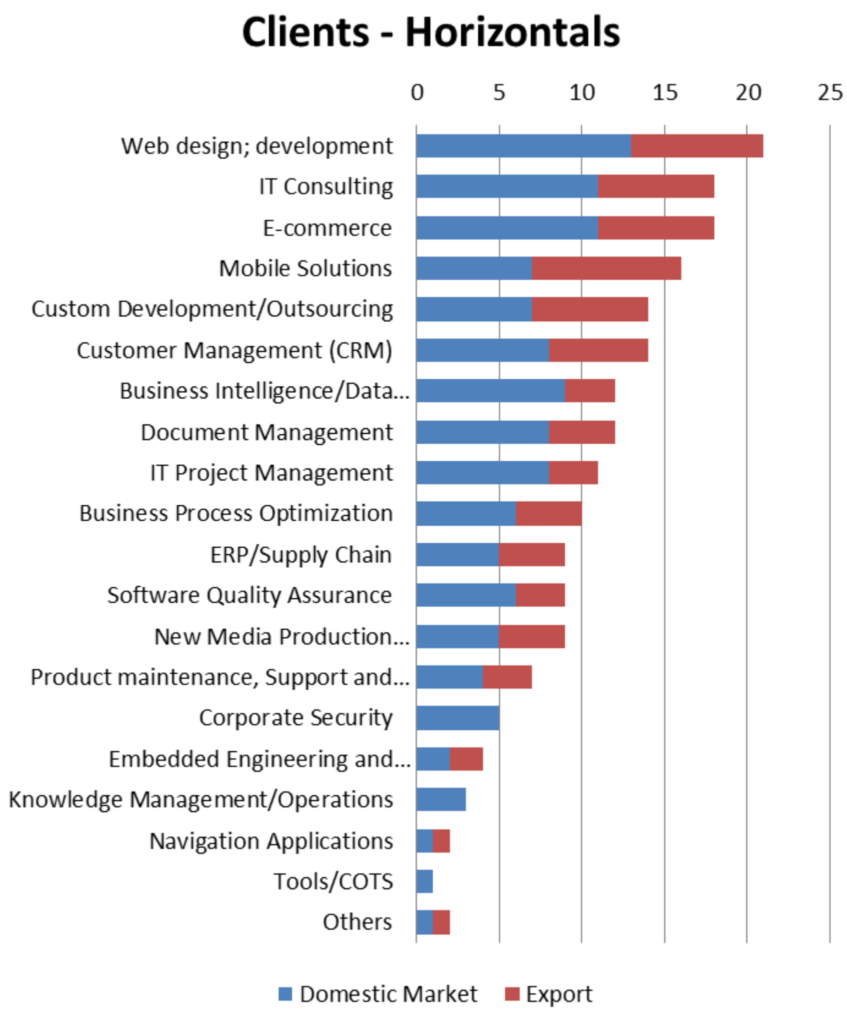
- Most companies have clients from Marketing and Communications, and Public Sector
- It is followed by Education, IT services and outsourcing, and Non-profit organizations
- The next group comprises:
  - Financial services
  - Healthcare
  - Telecommunications
  - Media and Publishing
  - Manufacturing, Distribution, Retail
  - Utilities
  - …
- All listed sectors are served, except for Automotive

Clients – Sectors/Verticals – Export

Multiple answers possible

- Most export clients are from the IT services and outsourcing sectors
- The next sectors are:
  - Marketing and Communications
  - Telecommunications
  - Media and Publishing
  - Non-profit organizations
  - Financial Services
  - Technology
  - Gaming and Entertainment
  - …
- Not served in foreign markets are Defence, Telematics, Aerospace

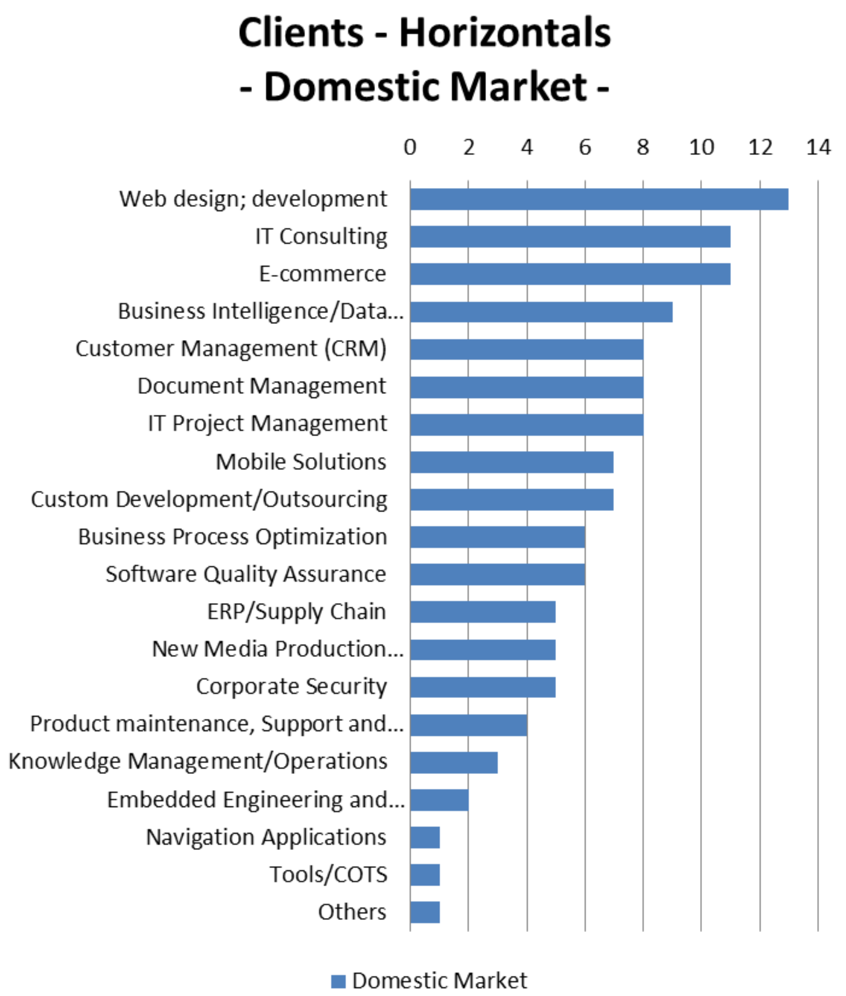
Clients – Horizontals



Multiple answers possible

- Considering horizontal applications in both the domestic market and exports, most clients come from Web design, development, IT consulting, E-commerce
- The next horizontals are:
  - Mobile Solutions
  - Custom development and Outsourcing
  - Customer Management (CRM)
  - Business Intelligence/Data Warehousing
  - Document Management
  - IT Project Management
  - …
- The domestic market has higher weight than the export market
- Others includes: 3D animation, modelling, Geo ICT related, GIS solutions & services

Clients – Horizontals – Domestic market



- Considering horizontals in the domestic market, most clients come from Web design, development, IT Consulting and E-commerce
- The horizontals that come next are:
  - Business Intelligence/DW
  - Customer Management (CRM)
  - Document Management
  - IT Project Management
  - Mobile Solutions
  - Custom Development / Outsourcing
  - Business Process Optimization
  - Software Quality Assurance
  - …
- All horizontal applications are served

Multiple answers possible

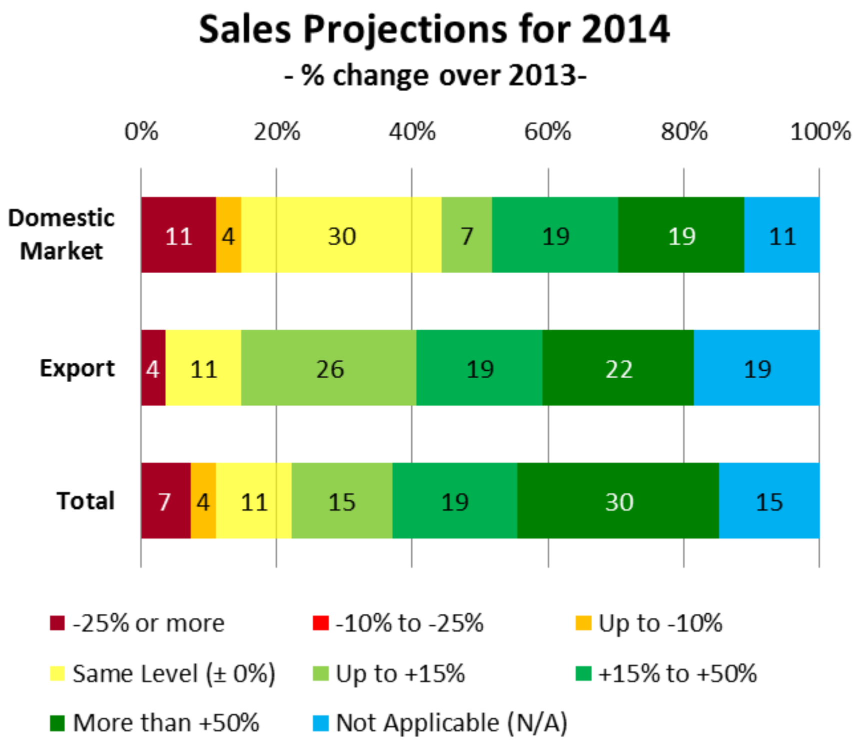
Clients – Horizontals – Export

- Considering horizontals abroad, most clients come from Mobile solutions, and Web design or development
- The next horizontals are:
  - IT Consulting
  - E-commerce
  - Custom Development / Outsourcing
  - Customer Management (CRM)
  - Document Management
  - Business Process Optimization
  - ERP/Supply Chain
  - New Media Production
  - …
- Three horizontal applications are not served through exports

Multiple answers possible

Forecasts

Sales Projections



Domestic market

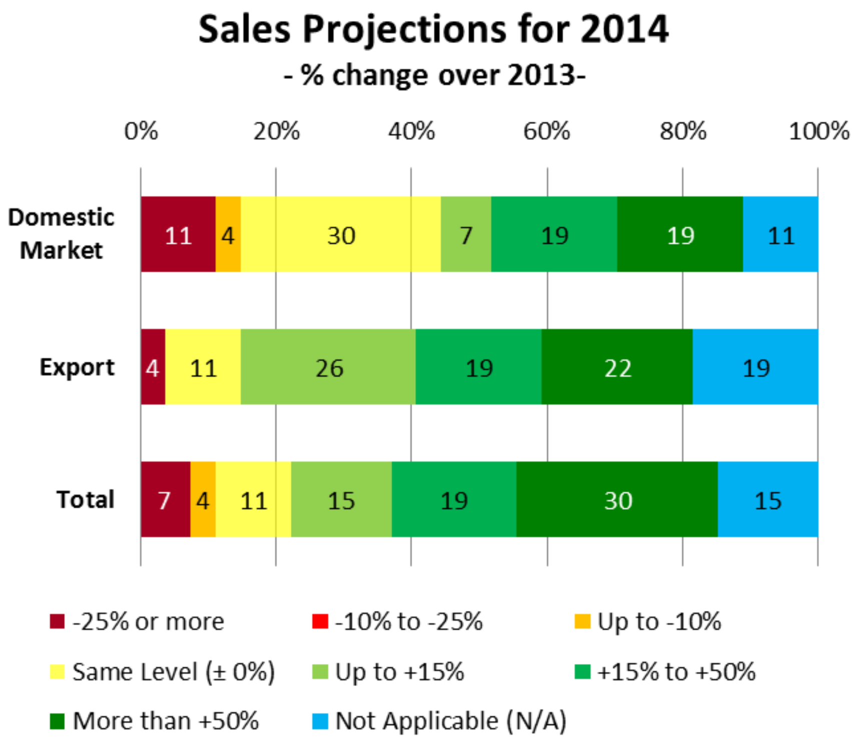
- 30% of companies expect no change in sales for 2014 compared with last year
- 44% expect an increase in sales:
  - 7% up to +15%
  - 19% from 15% to +50%
  - Another 19% more than +50%
- 15% expect a decrease in sales in 2014
  - 4% up to -10%
  - 11% -25% or more

Exports

- 11% of the companies expect no change in export sales for 2014
- 2/3 expect an increase in export sales:
  - 26% up to +15%
  - 19% from 15% to +50%
  - 22% more than +50%
- 4% expect a decrease in sales, in -25% or more

N=27

Sales Projections



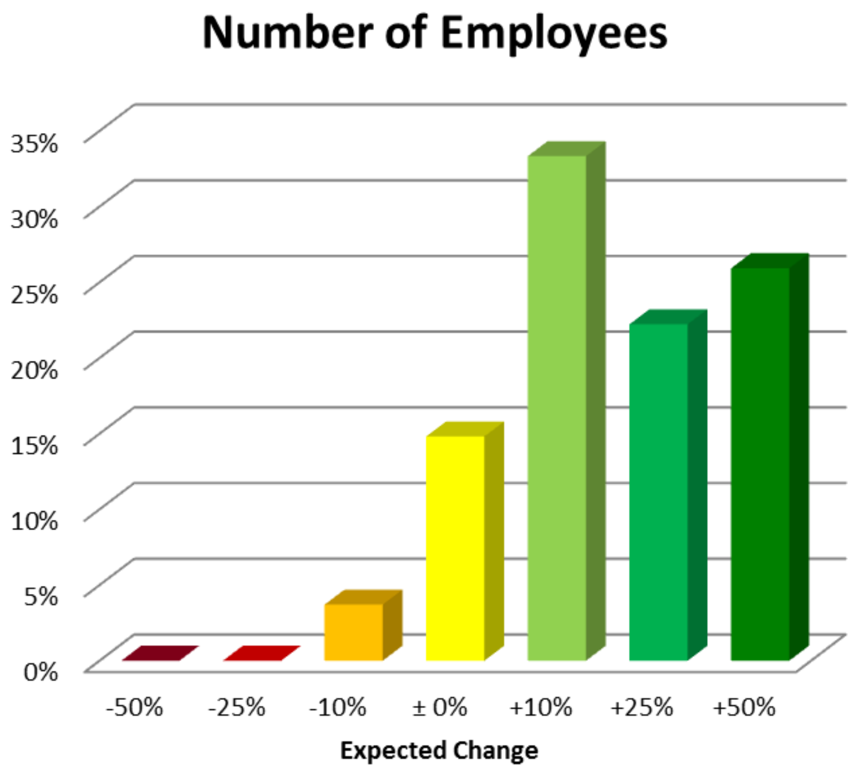
N=27

Total sales

- 11% of companies expect no change in sales in 2014
- 64% expect an overall increase in sales:
  - 15% up to +15%
  - 19% from 15% to +50%
  - 30% more than +50%
- 11% expect a decrease in sales
  - 4% of up to -10%
  - 7% -25% or more

➔ The majority have optimistic expectations

Number of Employees

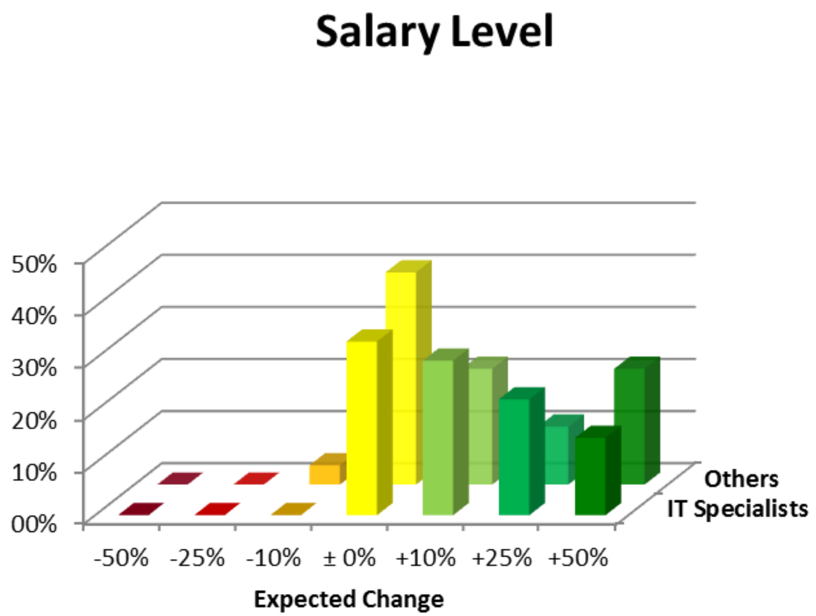


- 15% of the companies expect no change in number of employees for 2014
- 82% forecast an increase in workforce:
  - 1/3 up to +10%
  - 22% up to +25%
  - ¼ more than 50%
- One company (4%) expects a decrease in number of employees, up to -10%

➔ Positive expectations

N=27

Change in Salaries



IT Specialist

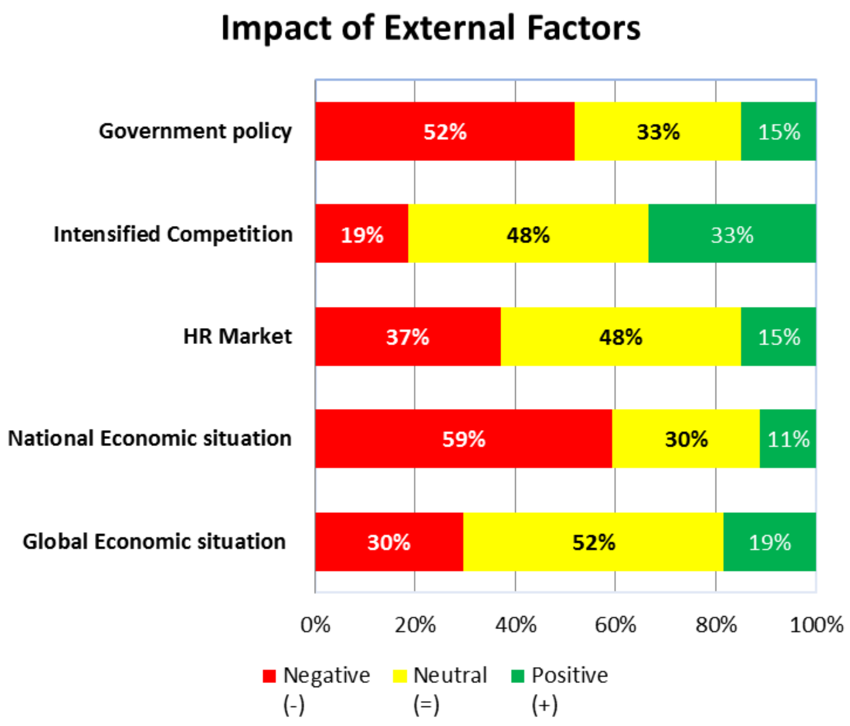
- 1/3 of the companies expect no change in salaries for 2014 for IT Specialists
- But 2/3 expect an increase:
  - 30% up to +10%
  - 22% up to +25%
  - 15% more than +50%
- No company expects salaries to decrease

Non-IT Specialists (Others)

- 41% of companies expect no change in salaries for this group
- 56% expect an increase in their salaries:
  - 22% up to +10%
  - 11% up to +25%
  - 22% more than +50%
- One company expects decrease of up to 10% in salaries

N=27

Impact of External Factors on Business

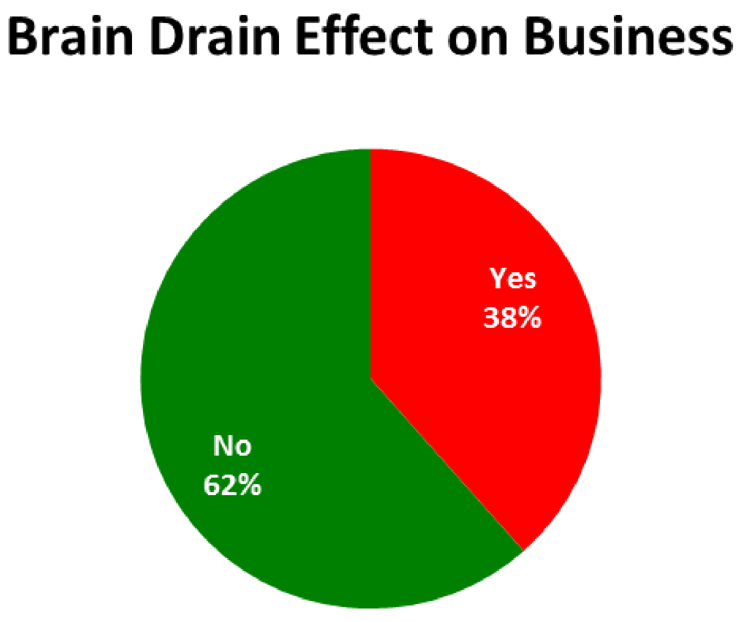


- The majority expect negative impact on business coming from National economic situation (59%) and from Government policy (52%)
- 37% expect negative impact coming from HR Market and 30% from Global economic situation
- No impact is expected from Global economic situation (52%), Intensified competition and HR market (both 48%), Government Policy (33%), and National Economic Situation (30%)
- Only a few expect positive impact on business from external factors: Global economic situation (19%), Government policy and HR Market (both 15%), and National Economic Situation (11%)
- Intensified competition has the lowest negative (19%) and highest positive impact (33%)

  ➔ Indicates self confidence on own competitiveness!

N=27

Influence of Brain Drain on Business



- 62% answered that brain drain has no influence on their business
- 38% answered that brain drain affects business

➔An important issue only for 38% of the companies

N=26

Final Comments and Suggestions (1)

The following comments were made:

- “If the tech world finds out that they have proper network engineers working in Kosovo providing the same quality as abroad at the fraction of the price, they will come looking for us. All we have to do is let them know our location and capabilities :) All we need is one shot.”
- “We have to improve our internal training capacities, which can also be supported by the ICT association, and improve our methodological workflow applying scrum. The government should urgently start improving the school system, especially invest in vocational programs (dual system). Donors and the government should generously spread scholarships for talented students to study abroad.”

Final Comments and Suggestions (2)

The following comments were made:

- “Work harder :)”
- “Possibility to export services to the companies that are willing to give us a shot. Possibility for easy on doing business with Geo ICT companies around the world, less obstacles and showing the way of trust for Kosovan companies.”
- “OSS/BSS solutions, CRM, SAP Solutions, Consulting, Software Development, Professional Services, Technical Support Centre”

Thank You !

Claus Traeger

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