CBI MARKET SURVEY

THE SOFTWARE, IT SERVICES AND OUTSOURCING MARKET IN DENMARK
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Introduction

This CBI market survey gives exporters in developing countries information on some main developments on the software, IT services and outsourcing market in Denmark. The information is complementary to the information provided in the CBI market survey 'The software, IT services and outsourcing market in the EU' which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used as well as information on other available documents for this sector. It can be downloaded from http://www.cbi.nl/marketinfo.

There is a clear relationship between chapter 1 and 2. Chapter 1 discusses information on the end market for software and IT services in the country. The structure and growth of this end market determine the opportunities for offshore outsourcing, which is the topic of chapter 2.

1.   Market description: demand and supply

Demand
Relatively speaking, Denmark is a medium sized player in Europe in the software and IT market, comparable with Belgium, Spain and Sweden.

Software
The total Danish software market valued € 1,563 million in 2005. That is an increase of 6% compared to 2004. The software market is expected to grow to an amount of € 1,754 million in 2007 (table 1.1).

Table 1.1   Denmark software market in € million, 2003-2007

	2003	2004	2005	2006*	2007*
Systems software	682	719	774	832	890
Application software	735	755	789	827	864

*Forecast
Source: EITO (2006)

IT services
The Danish IT services market valued over € 3,000 million which constitutes an increase of 7% compared to 2004. For 2007, an increase to € 3,407 million is expected (table 1.2).

Table 1.2   Denmark IT services market in € million, 2003-2007

	2003	2004	2005	2006*	2007*
Professional services	1,948	2,075	2,230	2,377	2,525
Support services	697	739	793	839	882

*Forecast
Source: EITO (2006)

Supply
The power of Denmark is in its Software development. The Danish export of ICT products was € 4.5 billion in 2004. This amount is expected to increase as the Danish government aspires to be world leader. Denmark houses around 9,000 ICT companies which employ some 100,000 people. For DC exporters, suppliers of software and IT services can be potential clients, for example by means of outsourcing.

Software companies
Prominent examples of Danish software companies include Navision (taken over by Microsoft, http://www.microsoft.com), Simcorp (http://www.simcorp.com), Maconomy (http://www.maconomy.dk), Digiquants (taken over by Intec - http://www.intecbilling.com), and Danware (http://www.netop.com). International giants such as (again) Microsoft, IBM (http://www.ibm.com) and Oracle (http://www.oracle.com) also have a presence in the Danish market. Local software producers are quite successful, but often lack the resources necessary for continued growth on their own. Therefore, they are increasingly entering into strategic alliances with foreign system vendors, most often from the United States.

Clusters
The Danish ICT industry is mainly situated in four clusters: Copenhagen, Aarhus, Odense and Aalborg.

Trends
Denmark is a high priority market for software and services for e-commerce. The society is highly computerised with a strong demand for software, particularly in niche areas. The rapid growth in the on-line population will be matched by rapid growth in e-commerce.

Opportunities and threats
- Denmark is strong in software development, possibly offering possibilities for DC exporters.
- The growth in the ICT sector is due to the ICT services.

Useful sources
- Branch organisation for IT, technology and telecommunication Denmark (ITEK) - http://www.itek.dk
- EITO – http://www.eito.com
- IT branch organisation (ITB) – http://www.itb.dk

2.   Offshore outsourcing

The market
Outsourcing of IT functions and software development in the public and private sector is a big growth area. The Danish market for IT outsourcing was € 0,9 billion in 2003 and was expected to grow to € 1.1 billion in 2004. Large and medium size enterprises contributed mostly to offshore outsourcing. However, according to Statistic Denmark only 11% of all IT companies outsource work. They also state that for the past three years, almost 90% off all companies did not outsource any work at all. For the coming 3 years this figure decreases to almost 70%. This means that outsourcing and offshoring are coming up in Denmark.

Studies show that twice as many jobs have been "inshored" to Denmark than have been offshored from Denmark. Offshoring however will spur the creation of higher-value jobs, a natural process that strengthens economies, boosts tax revenues, and provides more economic security in the long run according to the American chamber of commerce in Denmark.

Offshore destinations
Offshore destinations already used by larger Danish IT-companies are Ukraine, Norway, Sweden, China, South Korea, Russia, India, Poland, the Czech Republic, Sri Lanka, Bangladesh, Pakistan and Armenia. In a research performed by Denmark Statistics it is stated that 40% of offshoring by Danish companies goes to Eastern Europe and the Baltic States, 50% goes to Asia and the far East, and another 10% goes to other low-wage countries.

Opportunities and threats
- Outsourcing of IT functions and software development in the public and private sector is a large growth area, opening up possibilities for DC exporters.

- Large and medium sized companies are outsourcing most.
- Offshoring is coming up in Denmark, although so far only 11% of all IT-work is outsourced.
- The nearshore destinations for Denmark (Eastern Europe and the Baltic States) are very popular, as is Asia.

Useful sources
- EuroITX – http://www.euroitx.com
- ITportalen.dk Danish articles on outsourcing - www.itportalen.dk
- Moosproject - http://www.moosproject.be/reports.htm Reports about offshore outsourcing including an overview of Danish companies that offshore outsource and their offshore destination country.

3.   Trade structure
In this paragraph, the general distribution channel for software and IT-services will be discussed. These channels apply to each EU-market and thus also to the Danish market.

The most important channels for trade software related services are:
1. Establishing your own sales office.
2. Consultant/broker.
3. Direct contact with Danish software manufacturer.
4. Danish software manufacturer setting his up own factory in a developing country.

General trade structure IT services outsourcing
1. Establishing your own sales office.
2. Consultant/broker.
   Partnerships with large service providers (system integrators) in Denmark.
3. Contacting end-user organisations directly.
4. Contacting local offices of multinationals in the home country of the services provider.

Names of some main players and their websites can be found in chapter 1. For more information on establishing an office in Denmark, contact the Danish Ministry of Foreign Affairs' Investment Agency, Invest in Denmark http://www.investindk.com. For more information about the trade structure for outsourcing software related services, please refer to the CBI market survey "The software, IT services and outsourcing market in the EU" and the Country Commercial guide http://www.buyusainfo.net/docs/x_9523259.pdf

4.   Prices

Price information can be obtained through trade organisations, trade press or trade fairs. Other possibilities include checking prices on the Internet, asking for prices at distributors, agents and other distribution channels. Also take a look at websites competitors. According to the Salary Expert, a software engineer working in Denmark earns an average annual salary of €28,198. When benefits and bonuses are added to this salary, the average total compensation for this position would be €29,133.

Useful sources
Outsourcers/exporters have access to information on prices and margins by using several sources. The main ones are:
- Industry associations (see also chapter 6)
- Trade press (chapter 6)
- Visiting trade fairs (chapter 6)

For more information also refer to the CBI market survey "The software, IT services and outsourcing market in the EU".

5.   Market access requirements

Service providers in developing countries should be aware of the market access requirements of their trading partners and the country government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns. For more information go to 'Search CBI database' at http://www.cbi.nl/marketinfo or the CBI market survey "The software, IT services and outsourcing market in the EU".

In Denmark it is very easy for employers to fire employees. This will favour outsourcing. For more information please also refer to the CBI market survey "The software, IT services and outsourcing market in the EU"

6.   Business practices

More information on the Danish ICT sector, trade press and trade fairs can be found in the following sources:

Trade associations
* Branch association for IT, technology and telecommunication (ITEK) - http://itek.di.dk/
* ICT in Denmark - www.dst.dk/HomeUK/Statistics/ofs/ICT.aspx
* IT branch association - http://www.itb.dk
* IT-forum - http://www.itforum.dk
* Ministry of IT and Research - www.videnskabsministeriet.dk/cgi-bin/news-archive-list.cgi

Trade fairs
* Easy fairs ICT - http://www.easyfairs.com/shows/detail.aspx?ShowID=286

Trade press
* Alt om data - http://www.altomdata.dk
* Computer Reseller News (CRN) – http://www.crn.dk
* Computerworld – http://www.computerworld.dk
* IT branchen – http://www.itbranchen.dk

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