CBI MARKET SURVEY

The software and IT services market for offshore and nearshore outsourcing in Belgium

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Report summary

This CBI market survey discusses, among other things, the following highlights for the software and IT services market for offshore and nearshore outsourcing in Belgium:

- The Belgian software market was estimated at €1.9 billion in 2006. The Belgian IT services market amounted to almost €3.8 billion.
- Both the software and the IT services market are expected to grow in the coming years.
- 40% of the Belgium companies increased their IT budget for business processes by 10 to 15% in 2005.
- Belgium has about 120 niche players that develop software, specialising in vertical markets of technical software (network security, technical software).
- The Belgian market consisted of 850 IT services companies in 2003.
- Budgets for software and IT services are increasing.
- The Belgian SME market is opening up to software and IT services and outsourcing.
- The market for outsourcing IT in Belgium values around €1 billion per year.
- Offshore / nearshore outsourcing has not really taken off yet in Belgium.
- Having a local sales person or a local office is the best way to enter the Belgian market.

This survey provides exporters of software and IT services with sector-specific market information related to gaining access to Belgium. By focusing on a specific country, this survey provides additional information, complementary to the more general information and data provided in the CBI market survey "The software and IT services market for offshore and nearshore outsourcing in the EU", which covers the EU market in general. That survey also contains an overview and explanation of the selected services 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.eu/marketinfo.

1   Market description: demand and supply

There is a clear relationship between Section 1 and 2 of this survey. Section one, below, will provide information on the end market for software and IT services in Belgium. The structure and growth of this end market determine the opportunities for offshore / nearshore outsourcing, which will be the topic of Section 2.

Demand
Estimated at almost €6 billion in 2006, the Belgian market for software and IT services is ranked eighth in the EU, ahead of Austria, Denmark and Finland but behind the Netherlands, Sweden and Spain. According to Syntec Informatique, a French association for information technologies, the Belgian market for software and IT services grew in 2006 (more than 6%) and is expected to grow even further in 2007 (almost 7%).

Software
The Belgian software market was estimated at €1.9 billion in 2006 (Table 1.1). Of this €1.9 billion, around half is invested in application software, the other half is spent on systems software. Ever since the IT bubble burst in early 2000, investments have been nearly non-existent; most companies cancelled their IT projects. However, since 2003 investment has resumed quickly. The market is expected to grow to over €2 billion in 2008.

Table 1.1   Belgian software market in € million, 2004 – 2008

	2004	2005	2006	2007*	2008*
Systems software	804	860	989	993	1,071
Application software	900	938	925	1,043	1,098

* forecast
Source: EITO (2007)

Belgium is investing especially in application development and infrastructure software. An increase of more than 5% can be seen in this sector. The market for Software as a Service (SaaS) solutions in Belgium is also on the increase. In the public sector, projects concerning e-government are still demanding a lot of software and IT services. Especially demand for ERP software and solutions is expected to increase in the public sector.

IT services
In the services sector, demand is focused on desktop and network management, application hosting, security services (assessments and scans) and all types of Internet and E-Commerce-related services. The IT services market in Belgium amounted to over €3.8 billion in 2006. The market is expected to reach a value of €4.2 billion in 2008 (Table 1.2).

Table 1.2   Belgian IT services market in € million, 2004 - 2008

	2004	2005	2006	2007*	2008*
Professional services	2,519	2,630	2,790	2,965	3,137
Support services	973	999	1,044	1,091	1,133

* forecast
Source: EITO (2007)

Supply

Software
Belgium's linguistic fracture has contributed to a high degree of openness and competition. Distributors, developers and systems integrators are expected to customise their product to a certain degree. As a result, many have opted to develop products for niche markets such as software for banking, logistics and human resource management. Belgium does not have global software developers, but it has about 120 niche players that develop software, specialising in vertical markets of technical software (network security, technical software). A small number of these are international players, e.g. Arinso, Capco, Callataÿ & Wouters and Real Software. Table 1.3 gives some names of main software players in Belgium. For DC exporters, suppliers of software and IT services can be potential clients, for example by means of outsourcing.

Table 1.3   Major Belgian software companies

Company	Main services	Internet
AXI	Systems integrator (Lotus Notes and ERP)	http://www.axi.be
Callatay & Wouters	Accounting software (banking)	http://www.c-w.be
IBS	Systems integrator (Lotus Notes and ERP)	http://www.ibs.net
Isabel	Multi-bank payment platform for business applications	http://www.isabel.be
LMS International	Test / analysis software automotive industry	http://www.lmsintl.com
Microsoft	Operating systems/ tools, end-user application, ERP	http://www.microsoft.com/belux
Oracle Belgium	Database and ERP software	http://www.oracle.com
SAP Belgium	Business solutions (ERP)	http://www50.sap.com
Vasco	Transaction/network security software (financial sector)	http://www.vasco.com

Source: Facts Figures Future (2007)

Because they had insufficient financial resources, many Belgian software houses have been taken over. The country has an extensive network of highly qualified packaged computer product distributors, such as Ingram Micro and Tech Data. Types of distributors range from those with large dealer networks to small value-added resellers who focus on a specialised market. Other utilised channels of distribution are specialised computer shops and mail-order houses.

IT services

According to industry association Agoria IT-solutions, there were some 850 IT services companies with more than 10 employees in 2003. Program delivery and systems integration are by far the most important activities of these companies. Table 1.4 gives an overview of some major Belgian SCS companies. Most Belgian software and computer service (SCS) companies tend to specialise in niches like utilities, HRM software, ERP integration, retailing projects and the public sector, and will often need to enter into alliances.

Table 1.4   Major Belgian software and computer service companies

Company	Main services	Internet
Accenture	International IT consultants	http://www.accenture.com
Atos Origin	Business and technology integrator	http://www.atosorigin.be
Compaq	Micro computers, printer software	http://welcome.hp.com/country/be/language.html
Dolmen Computer	Retailers	http://www.dolmen.be
Econocom Group	Leading corporate hardware and VAR	http://www.econocom.com
EDS	International IT consultants	http://www.eds.be
Getronics Belgium	ICT supplier of Infrastructure and Business Solutions	http://www.getronics.com/be/en-gb/home.htm
IBM Belgium	Hardware software and services	http://www.ibm.com
Siemens Business Services	Systems Integrator	http://www.siemens.be
Systemat	Corporate VAR and service company, also accounting software developer	http://212.190.223.210/is-bin/INTERSHOP.enfinity/eTS/Store/en_BE/-/EUR/Storefront-Systemat
Unisys Belgium	IT services and solutions	http://www.unisys.be
Real Software	Business applications, ERP systems integrators	http://www.realsoftware.com

Source: Facts Figures Future (2007)

Of the large companies in Belgium that offer outsourcing services, EDS is the biggest player. IBM and HP come second and third. The Belgian company Telindus (now part of Belgacom) comes in fourth place behind these American giants. Another Belgian company, KBC, is planning on taking part in this market by offering its IT-department as a service.

ICT regions

Flanders has several technology parks where ICT companies work together with universities. Leuven has a technology park that is specialised in digital signal processing. The Flanders Multimedia Valley, between Hasselt and Diepenbeek, specialises in graphical software and multi media. Business park Flanders Graphic valley focuses on the graphical sector. In the Brussels Districts companies specialise in broad ICT services.

In terms of software, IT services and outsourcing, large corporations are mostly catered for; the SME market, on the other hand, is wide open and growing. SMEs (also named KMOs in Belgium) are a very important category of companies in Belgium. They are realising quickly that they are behind in terms of business processes and must catch up fast to remain competitive.

According to the Belgian IT market intelligence group InSites, 40% of the Belgian companies increased their IT budget by 10% to 15% for business processes in 2005, the main segment

being firms with a turnover between €400,000 and €8 million. Only 1% of the Belgian companies decreased their IT budget last year.

Trends
- The Belgian SME market is opening up.
- IT budgets are rising.
- Most Belgian software and computer service (SCS) companies tend to specialise in niches.

Opportunities and threats
+ The opening up of the SME market will increase demand for software and IT services in this market.
+ As budgets rise, companies have more money to spend on software and IT services.
+ SMEs from DCs that specialise in niche segments will have an advantage with the Belgian software and computer services which are also specialised in niches.

Useful sources
- Agoria - http://www.agoria.be
  Trade association. Select the member list and use the advanced search option.
- Country Commercial Guide Belgium (CCG) -
  http://www.buyusainfo.net/docs/x_8696420.pdf
- Computable Consultancy Guide - http://www.computable.nl/adviseursgids
- Europages - http://www.europages.com
- European outsourcing association (EOA) - http://www.e-oa.net
  Hit the Belgian flag for EOA Belgium.
- Syntec Informatique – http://www.syntec-informatique.fr

Technology parks
- DSP-valley - http://www.dspvalley.com
- Flanders Graphics Valley - http://www.vigc.be
- Flanders Multimedia Valley - http://www.fmv.org

2   Offshore/nearshore outsourcing

Where section one of this survey focused on the market for software and IT services in Belgium in general, this section will zoom in specifically on the market software and IT services offshoring and nearshoring in Belgium as this is the market with the best potential for SMEs from DCs.

The market
The Belgian market for outsourcing of software and IT services lags behind Anglo-Saxon and Northern European countries. According to Morgan Chambers, a leading EU sourcing advisory firm, the market for outsourcing IT in Belgium is a market of around €1 billion per year. About one-third of that €1 billion is dedicated to application development and control. The other two-thirds are spent on controlling the IT infrastructure. The market for IT outsourcing grew by 10% in 2006 and will keep on growing at the same pace in 2007, according to Morgan Chambers.

According to PAC, a French consultancy firm specialised in IT and software, outsourcing is definitely growing among the larger Belgian companies but they are becoming more selective. This means fewer global deals and more partnerships. Especially service providers that can offer large capacity at low prices (mainly offshore and nearshore therefore) have good prospects among the larger Belgian companies. Large companies outsource and offshore / nearshore the most. Increasingly, medium-sized companies and the government start outsourcing projects as well. Belgium lags behind compared to its neighbours. In Belgium, only few outsourcing contracts surpass €5 million. Research done by Deloitte, a worldwide accounting company, shows that senior management often lacks feeling with structured

software and IT services outsourcing. Many companies are afraid to lose control when they start outsourcing projects.

When looking at the number of IT jobs outsourced, Belgium comes in sixth place. That is a long way behind top countries like the UK, Germany and France. Like other countries in the EU, Belgium also faces shortages in IT professionals. This is the consequence of a low output from universities and colleges. It is mainly the larger Belgian companies that face this problem. In the longer term this will be advantageous for offshoring and nearshoring destinations.

Chances for offshoring / nearshoring
According to Mr. Slaets –economic advisor of Agoria ICT, the Belgian trade association for the ICT sector- the culture in Belgian companies does not allow outsourcing and definitely not offshoring and nearshoring. Multinational companies in Belgium are familiar with outsourcing, offshoring and nearshoring. The larger Belgian companies are now preparing themselves for the step towards offshoring and nearshoring. According to Mr. Slaets, the critical point for Belgium -where offshoring and nearshoring is concerned- is still about 1 to 2 years away. However, once the market opens up, things can go fast. SMEs in Belgium are not ready for offshoring and nearshoring yet. Even the onshore outsourcing market is still in its infancy here.

Applications software
Application development is one of the services that is considered the most for offshoring / nearshoring in Belgium, says Mr. Slaets. In this area, it is possible for Belgian companies to save a lot of costs. The concept is then developed and analysed in Belgium and the real development is offshored or nearshored.

According to Mr. Poté -marketing and communication director with Capgemini Belgium- offshore and nearshore outsourcing is mainly seen in software development so far.

Systems software
A number of Belgian systems software companies are present Belgium. Belgian companies focus more and more on applications. It is more difficult to outsource systems software as these systems are much more complex than applications. Within systems software, offshoring and nearshoring of construction tools have the best chances.

Professional services
Offshoring and nearshoring in IT infrastructure projects is not seen much yet. Companies such as INBEV – the world largest brewery, which is of Belgian origin - do business in these areas with other large companies such as IBM. Most of these services are then transferred to India. For smaller companies, it is much more important to keep these outsourced IT services close. Within smaller companies these processes are only up for onshore outsourcing in the near future.

Support services
Mr. Slaets believes that Belgian companies will not handle these services themselves. Larger Belgian companies and multinationals will offshore and nearshore support services. However, SMEs in Belgium will only onshore outsource them.

Sectors
Sectors which are specifically interesting for offshore and nearshore outsourcing in Belgium are the financial sector, the logistical sector, the ICT sector and the telecom sector. However, SME companies from DCs that want to be active in these sectors have to focus on the smaller companies, as the larger companies will mainly deal with large offshoring and nearshoring companies. Especially in the financial sector, the interest in offshoring / nearshoring of software application development and application management is on the increase.

Reasons for offshoring / nearshoring

Price is still an important reason for offshore and nearshore outsourcing. Another important driver (that mainly counts for larger companies) is the shortage in IT professionals in Belgium. As in many other EU countries (the Netherlands, Germany), Belgian universities have difficulties attracting students for IT related studies, which creates a shortage in the market. Because of the necessity of lower costs, offshoring and nearshoring are increasing in the Belgian IT market.

According to Georges Ataya –professor Solvay Business School and vice president of the IT governance institute- companies also look for possibilities to produce faster (both products and services) in order to beat their competitors to the market. A new development is using the new technological and organisational knowledge in the offshore / nearshore destination.

In general, offshore / nearshore destinations are chosen because of the language that is spoken, the expertise that is available, political stability and the support by the local government in the stimulation of the sector.

The biggest fear in offshoring / nearshoring is the compatibility of the company culture of both the Belgian company and the company in the offshore / nearshore destination. Other fears include the quality of the services that are offered, loss of intellectual property, data security, loss of control and the continuity of the services.

Critical success factors

Critical success factors for SMEs from DCs that want to act in the Belgian market surely have to do with the use of platforms and standards that are common in Europe and in Belgium. The ability to understand the problems a company is facing and being able to provide a real solution (not only based on cost savings and technical excellence) is also very important.

Beside this it is also very important to have knowledge about the market and to know something about the business culture in Belgium. An important example here is the fact that Belgian companies prefer to know their partners personally. They want to meet and look each other in the eye. This creates the trust that many Belgian firms that start outsourcing, offshoring and nearshoring still lack.

Offshore destinations

Although India is the largest offshore destination by far, competition is growing. Increasingly, Belgian companies outsource their software development to nearshore destinations such as the Czech Republic, Romania and Hungary. The main reasons for this trend are the cultural closeness and language abilities in these nearshore destinations. Also highly skilled personnel and a good infrastructure can be found in nearshore destinations. Especially for smaller companies, this cultural (and also geographical) closeness is very important. Multinationals will not care about the distance and cultural closeness to their offshore supplier so much because they are already used to working with many different cultures and large geographical distances.

Trends

- Software development and software maintenance are outsourced the most in Belgium.
- Outsourcing has taken off in Belgium.
- Offshore and nearshore outsourcing will emerge in 1 to 2 years. Multinationals already use offshore and nearshore outsourcing.
- SMEs are not ready for offshore and nearshore outsourcing yet.

Opportunities and threats

+ The best chances for DC suppliers lie in software development and software maintenance.
− Although outsourcing has taken off in Belgium, offshore and nearshore outsourcing have not yet. Expecially among SMEs in Belgium, the main target group for SMEs from DCs, there is no trend towards offshore and nearshore outsourcing yet.

Useful sources
- Agoria – http://www.agoria.be
- Country Commercial Guide Belgium 2006 -
  http://www.buyusainfo.net/docs/x_3265170.pdf
- EUROITX - http://www.euroitx.com
- IT professional – http://www.itprofessional.be
- PAC – http://www.pac.fr
- Zdnet - http://zdnet.be

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 therefore also to the Belgian market.

The most important channels for software related services are:
1.   Establishing your own sales office.
2.   Consultant/broker.
3.   Partnership with a Belgian (software) company.
4.   Direct contact with Belgian software manufacturer.
5.   Belgian software manufacturer setting its own factory in a developing country.

The most important channels for IT services are:
1.   Establishing your own sales office.
2.   Consultant/broker.
3.   Partnerships with large service providers (system integrators) in Belgium.
4.   Contacting end-user organisations directly.
5.   Contacting local offices of multinationals in the home country of the services provider.

Some names of some main players and their websites can be found in Section 1. For more
information about the trade structure for outsourcing software related services please refer to
the CBI market survey "The software and IT services market for offshore and nearshore
outsourcing in the EU".

Entry strategy
According to Mr. Slaets, the best way to enter the Belgian market for software and IT services
is to be present locally (with a local sales office). Belgian companies like to deal with partners
that they know personally and that know the Belgian (business) culture. It is also important
that they can contact someone within their own country if there is a problem during a project.

Specific trade structure facts for Belgium
- Belgian buyers generally prefer purchasing through an intermediary. Making sales directly
  to the end-user is rare. According to Mr. Van der Voorde of Brain Source –a Belgian
  outsourcing intermediairy-, Belgians are still rather conservative and do not trust a
  company from a DC. This is illustrated by the fact that only 38% of Belgian firms use
  suppliers outside of the Benelux area. Thus, location in this region, and possibly partnership
  with a local firm, is essential.
- Intermediaries may take one of three primary forms under Belgian law: Distributor, Agent,
  or Salaried Representative.
- Foreign distributors tend not to perform as well on the Belgian market.
- Belgians tend to compromise and avoid confrontation.

Useful sources
- Computable Consultancy Guide - http://www.computable.nl/adviseursgids
- Country Commercial Guide Belgium 2006 -
  http://www.buyusainfo.net/docs/x_3265170.pdf
- EUROITX - http://www.EuroITX.com

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4   Prices and margins

It is quite difficult for suppliers of software related services and IT services to give exact prices, it is also hard to obtain information about current price levels. Licence prices of software can usually be found on the websites of software suppliers. Information on implementation costs can be found in reports concerning business software, which also give ranges of costs for software and implementation.

According to Mr. Slaets, prices are expected to increase in the Belgian market for software and IT services. One of the reasons for this increase will be the current shortage in IT professionals which will be even larger in the near future. According to Mr. Van der Voorde, the price for software and IT services in Belgium depends on several factors and is hard to give. The factors that are decisive for the price of a product or service in outsourcing are the following:
· What kind of knowledge is needed?
· How general or specific is that knowledge?
· Is it a niche market or not?
· How much experience is needed?

According to the Salary Expert (http://www.salaryexpert.com), the software engineer working in Belgium now earns an average annual salary of between €63,000 and €64,000. When benefits and bonuses are added to this salary, the average total compensation for this position would be €66,000 and €67,000.

Useful sources
Price information can be obtained through different sources like:
· Trade associations (such as Agoria) - http://www.agoria.be
· Trade press (please refer to Section 6 for relevant trade press in the Netherlands)
· Trade fairs (please refer to Section 6 for relevant trade fairs in the Netherlands)
· Websites of competitors.

Names of some main players and their websites can be found in Section 1. For more useful sources, also refer to Section 6 or refer to the CBI market survey "The software and IT services market for offshore and nearshore outsourcing in the EU".

5   Market access requirements

As a service provider in a developing country preparing to access Belgium, you should be aware of the market access requirements of your trading partners and the Belgian government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on working conditions, health and safety and social concerns. You need to comply with EU legislation and have to be aware of the additional non-legislative requirements that your trading partners in the EU might request.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select ITO and Belgium in the category search, click on the search button and click on market access requirements.

6   Doing business

General information on doing business, like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery), can be found in CBI's export manuals 'Export Planner' and 'Your image builder'. Furthermore, cultural awareness is a critical skill in securing success as an exporter. Information on cultural differences in the EU can be found in Section 3 of CBI's export manual 'Exporting to the EU'. The CBI manuals can be downloaded from http://www.cbi.eu/marketinfo - go to search publications.

Sales promotion

Software and IT services can be promoted through several sources. Below some of the most important trade press and trade fairs can be found.

Trade press

The following list consists of trade press specifically for this sector:
- Business ICT – http://www.businessict.be
- Datanews - http://www.datanews.be
- IT professional – http://www.itprofessional.be
- Smartbusiness - http://smartbusiness.zdnet.be
  This magazine is only available in Dutch and French.

Trade fairs

An excellent promotion tool is participating in a major trade fair in Europe. Exhibiting at a fair is not only an effective opportunity to promote your company and services, it is also an effective instrument for benchmarking with your competitors. The most important trade fairs for software and IT services in Belgium are:
- Infosecurity.be - http://www.infosecurity.be - annually, March, Brussels
- Linux world - http://www.linuxworldexpo.be - annually, March, Brussels

Others

These days, it is an absolute must to have a professional website, which is aimed at your main target groups. Make it interactive and promote it in the proper way. More information can be found in the CBI Export Manual 'Website Promotion', available at http://www.cbi.eu/marketinfo. Furthermore, participating in conventions or congresses may also be a promotional tool.

This survey was compiled for CBI by Facts Figures Future.

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