Sector Overview

Germany is a developed market. In the ICT landscape, Germany is predicted to have the highest number of long term evolution (LTE) mobile broadband connections in Western Europe by 2016. In terms of broadband access, Germany is currently behind the Nordic countries, the Netherlands, and the UK.[2]

Market size and growth predictions[3]

Revenues from ICT products in Germany increased from € 135.3 Billion in 2011 to € 139.1 Billion in 2012 and are predicted to reach € 141.6 Billion for 2013.

In percentages, the overall ICT market increased 2% in 2011, 2.8% in 2012 and is predicted to increase 1.8% in 2013.

Telecommunications make up the largest share of the ICT market at € 64.2 Billion in 2011,
€ 66.4 Billion in 2012 and predictions of € 66.7 Billion for 2013. IT services were worth € 34.2 Billion in 2011, rising to €34.9 Billion in 2012 and predicted to reach € 35.9 Billion for 2013. Software accounted for € 16.2 Billion in 2011, € 16.9 Billion in 2012 and is predicted to reach € 17.8 for 2013.

In percentages, telecommunications grew 0.7% in 2011, 3.4% in 2012 and is predicted to grow 1.8% in 2013. The software segment grew 4.9% in 2011, 4.4% in 2012 and is predicted to grow 5.1% in 2013. The volume of IT services increased by 3.4% in 2011, and 1.1% in 2012 with predictions of 3% growth in 2013.

Value of exports and imports

Germany is Europe’s largest exporter of telecommunications products, hardware and consumer electronics. Despite rough patches in 2011, forecasts project growth of German ICT and consumer electronics exports and imports in 2012. A third of imports came from China.

The export of ICT and consumer electronics had a volume of €22.2 Billion in 2012. This was an increase of 3.5% compared to 2011.

Imports reached € 34.20 Billion in 2012, which is an increase of 5.2% compared to the year before.

Local companies, main Canadian investors, foreign companies

Several major Canadian ICT companies have their largest offices outside of North America in Germany. Many entered the market through acquisition. Prominent examples are OpenText, CGI, and Research in Motion (RIM).

Telecommunications

In the sector of telecommunications, Deutsche Telekom is the biggest market player. Deutsche Telekom accounts for more than € 25 billion out of € 64 billion in revenue for the entire telecommunication sector. Seventy percent of all employees work in the areas of mobile, landline, and internet for Deutsche Telekom. Cable-operator Kabel Deutschland is the main competitors for internet connectivity.

The mobile telecommunication market is split among four network carriers: the largest is Deutsche Telekom (Germany), followed respectively by Vodafone (UK), KPN-owned E-Plus Gruppe (Netherlands) and Telefónica Germany with its network carrier O2 (Spain).

Canada's Blackberry (RIM) has its largest R&D facility outside Canada in the German city of Bochum. The centre was established in 2008, snapping up an ex-Nokia development team.
IT Security

In terms of IT-security, Giesecke & Devrient is the best known company with 2011 sales of € 1.7 billion and over 10,000 employees worldwide. The company is active in chip cards, banknotes, and increasingly in embedded and mobile security. The firm won a large contract to secure the new German identity cards. Giesecke & Devrient has offices in Canada and produces secure products such as the enhanced Ontario driver’s licences.

Digital media / Gaming

Germany’s strengths in gaming and digital media are in browser games; the largest developers/publishers include Bigpoint and Gameforge. Major players outside of browser games include Crytek, known for high-end technology and state-of-the-art graphic engines and recipient of several international awards, and Wooga, one of the top five largest social gaming companies worldwide.

Canada’s Blackberry took over the Munich-based mobile gaming company Scoreloop.

Major foreign digital media and gaming companies in Germany include: Electronic Arts, Microsoft, Activision Blizzard (USA), Sony, Nintendo, Konami, Namco (Japan) and Ubisoft (France).

Software, IT services

With more than 60,000 employees and € 14 billion in revenue, SAP is the largest German player in the software segment, followed by Software AG (5,500 employees and € 1.1 billion in revenue).

OpenText is Canada’s largest software company and active in content management. The company’s largest location outside North America is in Germany. Approximately 800 people work for OpenText Germany in research and development (R&D), sales and marketing, and support. A little over half are located in Munich. The rest are spread over six other cities. Open Text established itself through the acquisition of the German company IXOS in 2004.

Canadian IT-services company CGI had 400 employees in its German offices in Frankfurt am Main, Düsseldorf and Munich. CGI grew its Germany presence several times over with its acquisition of UK-based Logica in 2012, and is now present in 10 additional cities.

The major global software players are present in Germany (IBM, Microsoft, Oracle, Adobe, Apple). Reflecting the decentralized nature of the German software industry, their locations are spread over Munich, Frankfurt, Dusseldorf, Stuttgart area, Hamburg and Berlin.

Innovation

The Consulate in Munich sees an opportunity for Canadian start-ups in Germany to enter joint ventures with larger corporations or find financing. Given Germany’s industrial strengths, many large players are looking to invest in or collaborate with innovative start-up companies. This is often done through venture capital branches of major companies or the office of the Chief Technology Officer (CTO). Within Germany, Munich is a hub for venture capital; the Munich Network is increasingly active in the area of start-up collaboration and investment.

Market and Sector Challenges (Strengths and Weaknesses)
Strengths

The German ICT market is by far the largest in Europe and in the top five markets worldwide.[5]

Germany is known for the quality of its industrial research and development. Research undertaken by industry is complemented by institutes such as the Fraunhofer-Gesellschaft, which has a mandate to collaborate with industry. Fraunhofer is Europe’s largest application oriented research organisation and is also home to the largest ICT research facilities in Europe.

Germany is strong in the semiconductor market; five out of ten semiconductors in Europe are made in Germany.

Germany has effective mobile network coverage.

Weaknesses

Expenditures on ICT as a percentage of GDP are below the western European average. Germany is conservative as relates to technology adoption. Solutions are often adopted only once all bugs are ironed out. There is a lower tolerance level for risk and testing new, less proven solutions compared to North America. In areas such as eGovernment adoption, Germany is slightly below average for all of Europe.

There is a lack of major German players in social media, content platforms, and search engine companies. Additionally, the fields of standard software, consumer electronics, and chip and display manufacturing are dominated by Asian and US-companies.[6]

German clients tend to prefer companies with offices in Germany, although the digital media/gaming sector can be more flexible. Additionally, a geographically fragmented market makes it more difficult to reach your clients without extensive travel within Germany.

Sub-Sectors

Telecommunications

The telecommunications sector in Germany generated revenues of € 64.2 billion in 2011. While significant, this is slightly below the all-time-high of € 67.3 billion in 2005.

The telecommunications sector is dominated by Deutsche Telekom; the company accounts € 24 billion of revenues in this sector. Deutsche Telekom has a market share of more than 30% in mobile communications.[7]

Korea’s Samsung leads the German cell phone market by far, providing 48% of handsets. Apple overtook Nokia in 2012 and sells 15% of the phones in Germany compared to Nokia’s 12% market share. In terms of operating systems, more than 50% of German smartphones use Google’s Android. Approximately every fifth smartphone runs on Apple’s iOS. Other operating systems - Nokia’s Symbian, Microsoft’s Windows Phone and RIM’s BlackBerry - have lost market share to these players since the beginning of 2012.

IT Security
IT security, especially as relates to identification and authentication, is forecasted to record significant increases over the next few years.

IT products and services designed to ensure the availability, confidentiality and integrity of data are expected to generate turnover of € 10.6 billion in 2015, which is equivalent to an annual growth rate of 12%.[8]

**Digital media / gaming**

Home to 23 million active gamers, Germany is Europe’s largest gaming market.[9]

Traditionally, Germany’s home grown gaming industry is focused on high quality browser games. The German gaming industry is spread over the country, with the largest clusters in Hamburg, Munich, and Frankfurt am Main, in addition to significant activity in the southern German province of Baden-Württemberg and the Berlin/Brandenburg capital region.

With over 3,600 employees in 2011 (+15.8% compared to 2010) and 150 companies in games development and sales, Hamburg is not only one of the biggest, but still one of the fastest growing gaming sites in Germany[10].

**Enterprise Software**

In 2012, the German software market was expected to increase by 4.4% to almost € 17 billion. Eighty-five percent of this revenue is generated in enterprise software / business-to-business (B2B) transactions.

Sub-sectors are application software (€ 8.4 billion; +4.1%), system software (€ 4.2 billion; +3.2%) and tools (€ 4.3 billion; +6.0%).

**Machine-to-Machine Communications (M2M)**

M2M has become a strategic direction for German telcos with Deutsche Telekom, Vodafone Germany and Telefonica Germany having established dedicated M2M divisions. Canada’s strengths in M2M are recognized and all of the German telcos have been made familiar with a large number of Canadian M2M vendors.

**Useful Internet Sites**

**BITKOM**
German federal association for information technology, telecommunications, and new media.

**BITU**
German trade association for interactive entertainment software.

**Munich Network**
Munich-based technology company network active in collaboration between large corporations and start-up companies.

**Canadian Government Contacts**
The Government of Canada has prepared this report based on primary and secondary sources of information. Readers should take note that the Government of Canada does not guarantee the accuracy of any of the information contained in this report, nor does it necessarily endorse the organizations listed herein. Readers should independently verify the accuracy and reliability of the information.

BITKOM - Deutschland ist Vorreiter beim mobilen Breitband, 2012. *Breitbandkommunikation Haushalte*

BITKOM - Die Entwicklung der IKT-Märkte, 2012/2013. The ICT market statistic includes: IT hardware, IT software, IT services, telecommunications infrastructure, telecommunications end devices and telecommunications services. The statistic does not include consumer electronics.


Germany Trade and Invest


Statista - Daten und Fakten zur Telekommunikationsbranche


BIU - Jeder dritte Deutsche ist ein Gamer