

## CLOSER TO A REAL DIGITAL ECONOMY

SPENDING ACCELERATES IN IT SERVICES AND CLOUD MARKET IN HUNGARY



**Governmental and private spending on IT services is increasing significantly. Major players add new investments and present new solutions to corporate end users.**

The IT Services market in Hungary will record its third consecutive year of strong growth to reach an expected HUF 193bn in 2015, exhibiting an expansion of 4.4% year on year. Project services, including system integration, application consulting and customization, custom application development and IT consulting represents the largest and most dynamic segment of the services market, with growth of 5.9% compared to 2014. Growth in this market segment is fueled by a number of factors. Most importantly, a good chunk of the growth is coming from a high number of projects with budgets exceeding

USD 10 M triggered by various government initiatives. Some of these projects are being carried out by governmental institutions, others by the private sector as a result of regulatory obligations. Such examples include the Rollout of the centralized governmental information technology system (KKIR), the ASP-center development for local governments, the national telecommunications backbone network development, and the development of the LTE network for M2M communications based public services. While these projects have resulted in lucrative IT services and solutions projects, in the long

### POSITIVE OUTLOOK

The outlook of the IT services market in Hungary looks quite positive for the next two years. IDC forecast a growth of 4.7% for the overall IT services market, with pockets of opportunity in various segments of the market. With the overall recovery of the Hungarian economy, budgets available for longer term strategic IT investments in the large enterprise sector are increasing again, fueling a moderate optimism in IDC's expectations towards the mid-term evolution of the IT services market. In a recent survey of the CIO's of large enterprises in Hungary, 30% of respondents indicated growing spending with external IT service providers vs. 22% reporting a decrease in spending. The government sector will continue the modernization of various public sectors with significant IT based development and modernization projects to take place in public administration, public transportation and healthcare. Some examples include the implementation of an integrated customer relationship management system for public services, the implementation of the e-ticket system in Budapest Public Transportation, as well as the implementation of the national integrated e-health system. The SME market is also destined for a recovery in terms of IT services spending fuelled by the new cycle of EU funded IT focused programs announced as part of the Saatchery 2020 National Development Plan.

THE IT SERVICES MARKET IN HUNGARY, 2013-2016 (HUF BN)

	2013	2014	2015	2016
Support Services	38.5	40.38928703	41.55879051	42.89359566
Growth	2.6%	4.8%	2.9%	3.2%
Project Services	82.1	87.26880359	92.42725532	98.10114396
Growth	4.2%	6.3%	5.9%	6.1%
Outsourcing Services	53.7	56.36134271	58.74946738	60.77550515
Growth	-0.2%	5.4%	3.9%	3.4%
Total IT Services Market	174.3	184.2	192.7	201.8
Growth	2.5%	5.7%	4.6%	4.7%

Source: IDC, 2015

run they result in a multiplicative positive effect on IT markets. They contribute to the transition to a digital economy, support the modernization of the public administration and create the foundations for more e-government and smart public services.

"The major trends driving IT services spending in the private sector are related to the strategic aim to increase IT and business alignment and provide technology driven business value by focusing on three core areas: increasing business process efficiency, improving the use of the data assets of a company and digitalizing the partner and client processes", said Zoltán Komáromi, country manager of IDC in Hungary. Increasing business process efficiency remains a core expectation towards IT and results in a wide host of IT projects ranging from supporting the productivity of the individual workers, through developing core horizontal ERP systems to creating process efficiency with industry specific applications. Company data has emerged to be regarded as one of the core assets of any company and a major source of competitive advantage. Businesses can capitalize on this asset only through a strategic cooperation with IT and investment in data quality, storage and management, business intelligence and analytic solutions. The third major area of IT investments is related to an increasing digitalization on both ends of the company on the side of the customers and on the side of suppliers and partners. Transactions, communication and interaction with customers and suppliers is shifting to digital means. Therefore, companies are investing more in the front-end of internet, web or mobile based communication platforms, customer care and customer experience management solutions and the alignment and integration of their IT systems and applications with those of their suppliers and partners. These investments generate an increasing demand for advanced network infrastructure that can handle growing capacity requirements. As a result, both the government and network service providers heavily invest in next generation network development to meet infrastructural requirements of the digitalized business environment.

On top of the business driven IT investments, the increased activity and ownership of the government has also represented a significant driver of IT spending in the utility and banking sector for the past one and a half years. The acquisitions in these two sectors carried out by the government have resulted in a series of IT projects aimed at consolidating and integrating the IT systems of these companies, but also targeted the creation of the foundations for a future larger scale IT modernization at these companies, particularly in the utility sector. While business driven IT priorities and investments are high on the agenda, cost efficiency of IT operations remains a prime concern for most OEs. IDC's research among IT user companies have revealed that 34% of the companies are planning to further decrease their spending with hardware and software support and maintenance services. The current wave of infrastructure and application consolidation provides another opportunity for the companies to renegotiate their long term maintenance and support contracts leading to further decrease in spending on these services in 2016. On the other hand, companies engaged in IT infrastructure and application optimization are increasingly considering managed services and cloud deliveries as alternatives to in-house delivery models. While managed services provide more flexible, more customized services for operating core IT systems, cloud services provide quick to deploy, standardized and cost effective services to address particular infrastructure or applications needs.

The public cloud services market represented one of the fastest growing IT markets in 2014 and is expected to reach HUF 8bn in 2015, exhibiting an annual growth of 52%. Software as a service represents 48% of this market and is centered primarily on the delivery of collaboration, office productivity, communication and CRM applications as a service. While most of these application areas represent auxiliary, non-core IT functions, IDC expects that in the next two years significant growth will be recorded in other application areas, such as security and ERP. The infrastructure and platform as a service market is also expected to exhibit fast growth with 20-30% annual rates.

Zoltán Komáromi is the country manager of IDC Hungary

## PROVIDING TRULY UNIQUE SOLUTIONS

QUALYSOFT CONCENTRATES ON VALUE ADDED BUSINESS SERVICES



**More tailor made, innovative business solutions are to be developed at Qualyssoft Group which is an independent software developer, IT consulting and services company.**

Qualyssoft's business model focuses on financial services providers, telecommunications companies, the automotive industry and energy service providers. There are four pillars of activities: resource management, business solutions, application development and managed services. All four have successfully contributed to the organic growth of the company over the passed 16 years. Sales have been growing steadily, topping the average growth rate of the industry which ranges from 8 to 12% per year. Since 2012 the company in Hungary has realized a 30% growth in sales each year supporting its future plans and ensuring

### INCUBATOR PROGRAM AND MENTORING SYSTEM

Customers unable to find experienced resources for a given special competence area are offered a special incubator program. This includes the search for talented juniors along with candidates with little experience in the given competence area and then a selection of the applicants, always in cooperation with the customer. The participants are provided with qualified training relative to the given technology and are then allocated to the customer, where they gain experience and learn from experts and senior professionals. Qualyssoft also provides technical/professional mentoring during the incubation period when participants get prompt assistance in solving problems as they are encountered. After the initial professional training they immediately meet customers' resource requirements. Upon the closure of the incubator program customers have highly trained, experienced professionals with local knowledge and may take them on board on a permanent basis if necessary. It is also possible to include and train complete teams, considering customer-specific technological guidelines.

expansion. Customers are from both the state and the private sectors and the company has added new partners to its customer base in recent years. Qualyssoft is committed to a permanent organic growth which means it prefers to broaden its service offer to its existing customers and find new ones. However, acquisition is also an option if a targeted company's service fits with Qualyssoft's portfolio and provides a complementary product or service. "We check and assess our business model regularly to maintain a high quality of service. During our recent overview we realized that it is better to set apart the resource management division from the rest of our activities and develop it separately, starting from this year. We consider the other three areas, called Solutions, highly important for their growth potential and the unique service quality they provide to our corporate customers. Today companies are increasingly aware of the real benefits of tailor made IT solutions and we at Qualyssoft realize that meeting their demand is the only way to keep our market position". Attila Simon, Regional CEO of Qualyssoft pointed out. Resource management is a very complex service and needs special attention. Qualyssoft focuses strongly on staffing services for internal and external projects. The company supports its customers in having available at the right time the right human resources that have been examined for their technical, social and linguistic competence. The key objective of international staffing is to enable customers to

adapt the practice of dynamic resource planning and to provide them with temporary staffing to meet increased requirements for large projects. How does this work? Qualyssoft's highly skilled professionals join customers' ongoing or newly started projects, contributing to a high standard of project implementation within the planned time frames. Qualyssoft also offers complete developer team capabilities, sophisticated and proven development and project management methodology. These techniques enable Qualyssoft's team to contribute to a geographically limited development program. In the framework of the Onsite, Nearshore and Bestshore models, Qualyssoft supplies competent and experienced, highly efficient, effectively collaborating teams (e.g. Porsche or Ericsson projects). The Business solutions arm, as a second and important pillar, has produced a dynamic growth over the last 3-5 years. Enterprise Resource Planning (ERP), Customer Relationship Management (CRM) and Business Intelligence (BI) form part of this unit. As a strategic partner of Microsoft, Qualyssoft introduced different Microsoft business solutions to several big corporate partners. Recent large projects include introducing a state-of-the-art CRM system to a large utility partner and school-book provider Tankönyvtároló as well as an ERP solution for air navigation service provider Hungaricontrol and meat processing company Pék. Application development includes tailor made solutions on different platforms. In this field the goal is to find a truly unique solution which is not available on the market and meets the special needs of the customer. Managed services include all sorts of outsourcing from managing non-core activities to infrastructure and application management. Apart from big customers (state owned

### SUPPORTING CONTEMPORARY ART

Qualyssoft is a committed supporter of contemporary art and sponsors different awards in Europe, including the Semmelweis Art Award, launched by the Collegium Hungaricum Vienna last year to mark the 150th year of the death of the Hungarian physician and discoverer of the cause of puerperal fever, Ignaz Philipp Semmelweis. As part of Vienna Design Week, the opening of the exhibition "Memory" by Jan Sjöck at the Slovak Institute in Vienna took place in September 2015. The exhibition was part of the Trienna Project Triennial and was supplemented by a poster selection. This poster exhibition was complemented by QualysArt screens, whereby most posters could be presented in digital form.

companies and large Hungarian and international private firms), small and medium size companies are also served by Qualyssoft via its Smart Solution Team in Pács. The focus is on customer demand driven services such as web design, mobile applications and multi-platform development. "What differentiates us from other system integrators in Hungary is that we are present in German speaking countries (Germany, Switzerland, Austria) as well as in Serbia, Romania, Ukraine and Slovakia. We recently completed a project in Albania where Qualyssoft helped introduce a brand new electronic system (eTAX) for the local tax authority. We are currently looking at other continents, we plan to launch new projects in Singapore and other countries in the Southeast Asian region. We also plan to open subsidiaries there," he added. Currently more than 500 specialists are available in Central and Eastern Europe, who guarantee the success of the Qualyssoft projects through their many years of experience, know-how and commitment. "There are over 300 well educated, motivated experts in Hungary who make every effort to supply our customers with all-in-one solutions. Treasure that young talents find their way to our company, we work closely with educational institutions, such as the University in Pács." Attila Simon explained.

