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IT outsourcing market in Poland

by Edyta Kosowska

Source: "IT market in Poland 2008.
Development forecasts for 2008-2012"

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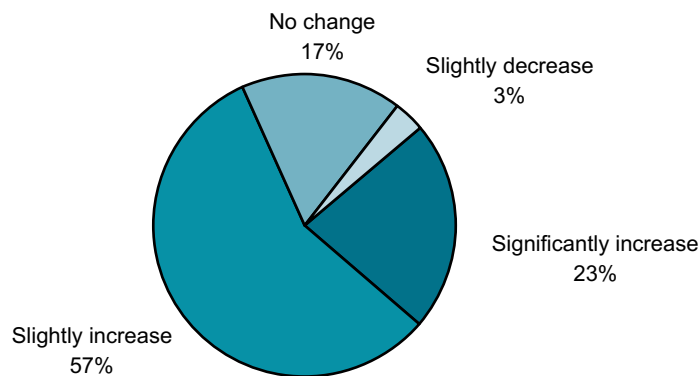
According to representatives of 200 largest IT companies in Poland, the market for IT outsourcing services will develop at a moderate rate over the next two years. The highest demand for outsourced IT solutions will be reported by large and medium enterprises, primarily from the financial sector and manufacturing industry.

In 2007, IT outsourcing was one of the distinguishing segments of the entire market of IT services in Poland. Despite this, the share of outsourcing in the market for IT services – measured by the volume of companies' revenue – grew only minimally, to approximately 15%. This is still significantly less than in the countries of Western Europe, where the ratio of outsourcing services to the total IT services sector fluctuates in the range of 30-40%. On one hand, this demonstrates a noticeable gap in the advancement of the market. On the other hand, it may suggest the sector's potential, even in case of achieving in the long-term a level close to the bottom limit of the above given range. Such an assumption effectuates in more than 10% growth rate of the Polish market in the coming 4-5 years.

IT providers speak positively about the outsourcing market. For the needs of this year's edition of the report "IT market in Poland 2008. Development forecasts for 2008-2012." PMR Research carried out a survey amongst the 200 largest IT companies in Poland. One of the issues tackled in the survey was the structure and development of the IT outsourcing market in Poland.

In one of the first questions, respondents predicted interest in outsourcing services in Poland in the coming two years. 80% of companies surveyed by PMR responded that interest in this type of services will grow moderately or significantly. 17% of respondents believed that interest in outsourcing will remain unchanged whilst 3% firm of companies expected a slight decline. Compared with the previous year, the number of respondents who believe that interest in this type of services will increase slightly grew (at the cost of the moderate development category). Thus, it can be expected that the segment of outsourcing services will develop in the next two years and this development will be moderately dynamic.

Will Polish companies' interest in IT outsourcing services increase or decrease in the next two years?



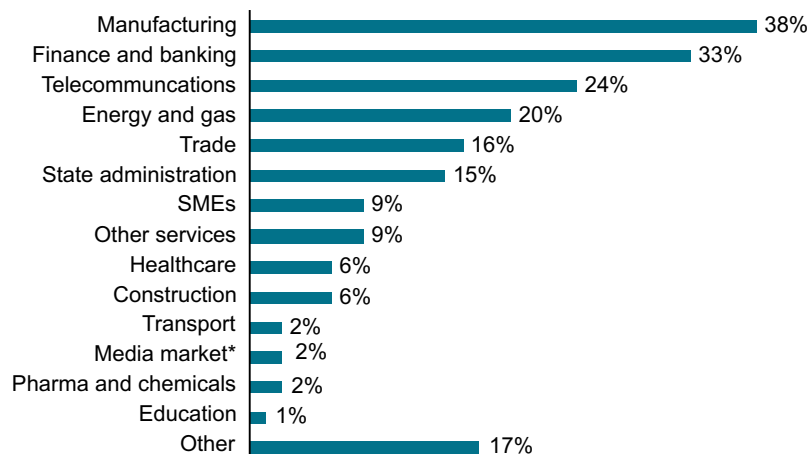
Based on research carried out by PMR in May and June 2008 among the 200 biggest IT firms in Poland.
Source: Report "IT market in Poland 2008. Development forecasts for 2008-2012" PMR Publications, a division of PMR Ltd., 2008

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Manufacturing was the industry the most frequently mentioned as being interested in outsourcing of IT services in the next two years. It was indicated by 38% of interviewed firms. Other industries where respondents expected investments in outsourcing are finance and banking (33%), telecommunications (24%), and gas and energy (20%). It is worth mentioning that in the previous year, the highest interest in outsourcing services – in finance and banking – was reported by 42% of surveyed companies. This year, the number of people indicating this industry declined by 9 p.p. Thus, it can be supposed that companies operating in this industry will, to a smaller degree, be prone to invest in outsourcing. Every tenth respondent indicated the sector of small and medium enterprises as the area of high forecast interest in IT outsourcing services.

Which sectors will be the most interested in IT outsourcing in Poland in the next two years?



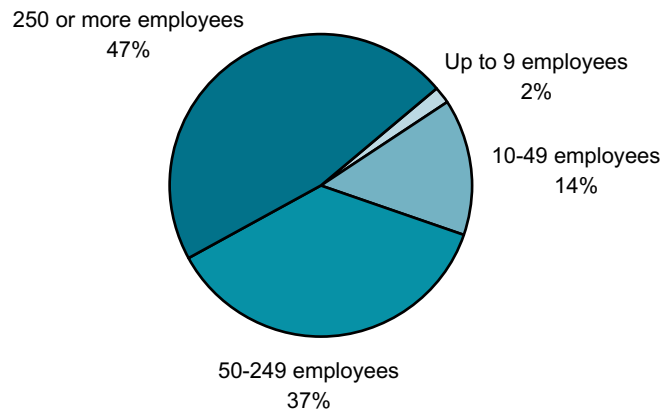
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One of the subsequent questions concerned the size of companies that, according to those surveyed, will be primarily interested in IT outsourcing services. 47% of respondents believe that primarily large companies, with 250 and more employees, will be interested in this type of services (a 7 p.p. decline compared with 2007). 37% of the surveyed companies forecast that companies with 50-249 employees will be interested in outsourcing services – 7 percentage points more than one year ago. Similarly to the previous edition of the survey, only 14% believe that demand for this type of activity will be demonstrated by small and medium enterprises with 10-49 employees.

Size of firms interested in IT outsourcing services in Poland



Based on research carried out by PMR in May and June 2008 among the 200 biggest IT firms in Poland.
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In the opinion of the surveyed companies, the main areas of outsourcing are currently help desk/call centre (50%), outsourcing of web applications and website management, and also tele-information network management. It is worth noting that in last year's survey, only 36% of the surveyed companies forecast that help desk/call centre services will be the main outsourcing factor in the next two years. Similarly to one year ago, outsourcing of entire business processes (BPO) enjoyed the least interest.

Polish entrepreneurs demonstrate increasing awareness regarding the possibilities of generating savings of even several tens of percent thanks to outsourcing of IT processes. They also appreciate improvements of the production process thanks to focus on the company's main activity. On the other hand, a long-standing trend on the Polish market consist of unwillingness to outsource IT processes covering key data from the point of view of the company's operations, and concerns regarding excessive dependency of the service providers.

The Polish market for IT outsourcing services will develop in the coming years at a stable but moderate rate, slightly above the growth of the entire market for IT services. It will be driven by willingness to increase competitiveness of enterprises and sustained "fashion for outsourcing".

The article is based on the report entitled "IT market in Poland 2008. Development forecasts for 2008-2012" published in July 2008 by PMR Publications.

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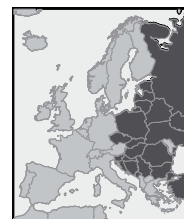
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