

Russian Software Industry - new trends and challenges

*(conclusions based on preliminary data from the 10th annual
market survey, RUSSOFT, 2013)*

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RUSSOFT (established on 9.9.99)

www.russoft.org



National Association of 70+ software companies from Russia, offering products and services to the Global market

Lobbying Government for better legislation in Taxation (Law #212 of 2010 on social taxes) and in High Education. Promoter of a HighTech export support State Program

Organiser of annual market studies (10 years) and of different marketing and technology events (RUSOFT Forum, Mobile Software Forum, Software Engineering Conference, Russian IT-Seasons, ...)

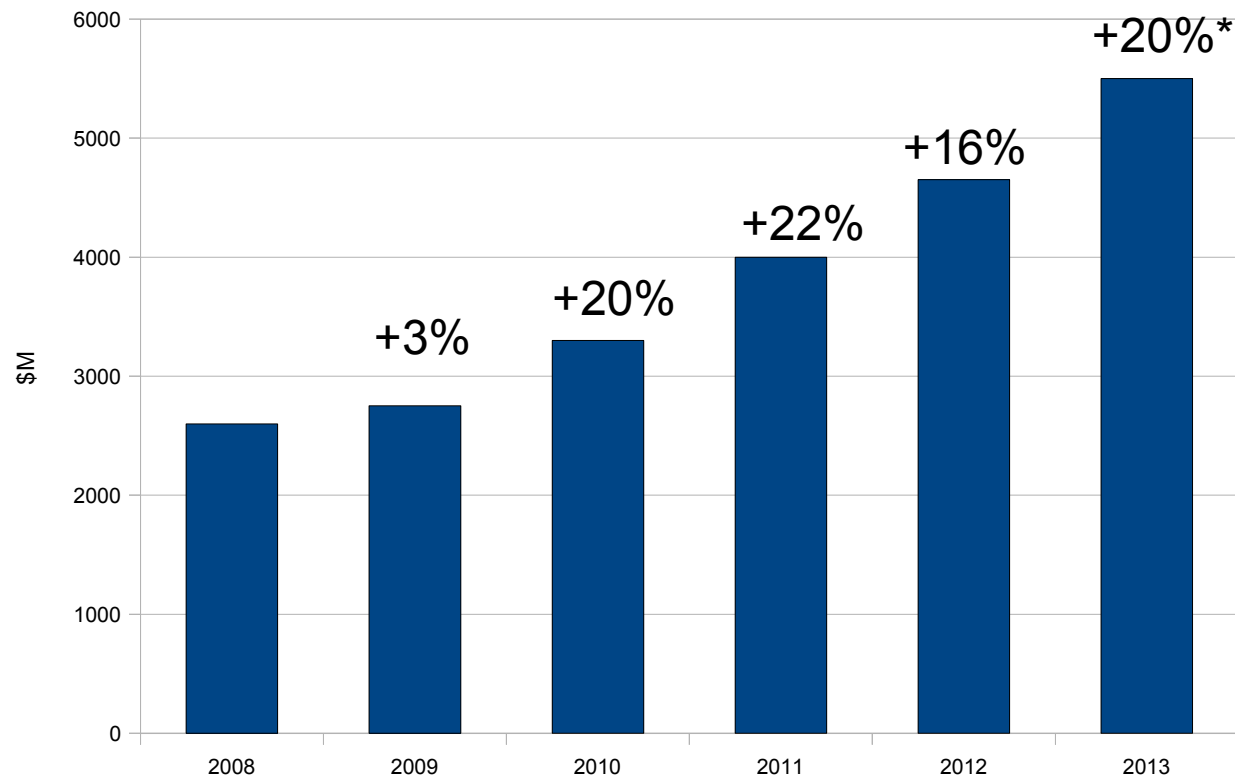
Member of CEEAO, partner to BITKOM (Germany), KISA (Japan), IT-Associations of New England and MidAtlantic (USA), to WITSA, NASSCOM (India) and BRASSCOM (Brazil)

10th Annual Software Industry Export Market Survey

- study is based on a Survey conducted by RUSSOFT and by TOY Opinion in January — March 2013 (10th time since 2004)
- 140+ respondents from the RUSSOFT software export companies data-base (1500 companies)
- Industry leaders and leading analysts participate in the preparation of the report
- survey is the unique source of reliable info for the Industry, for the Government and for the whole international IT-Community

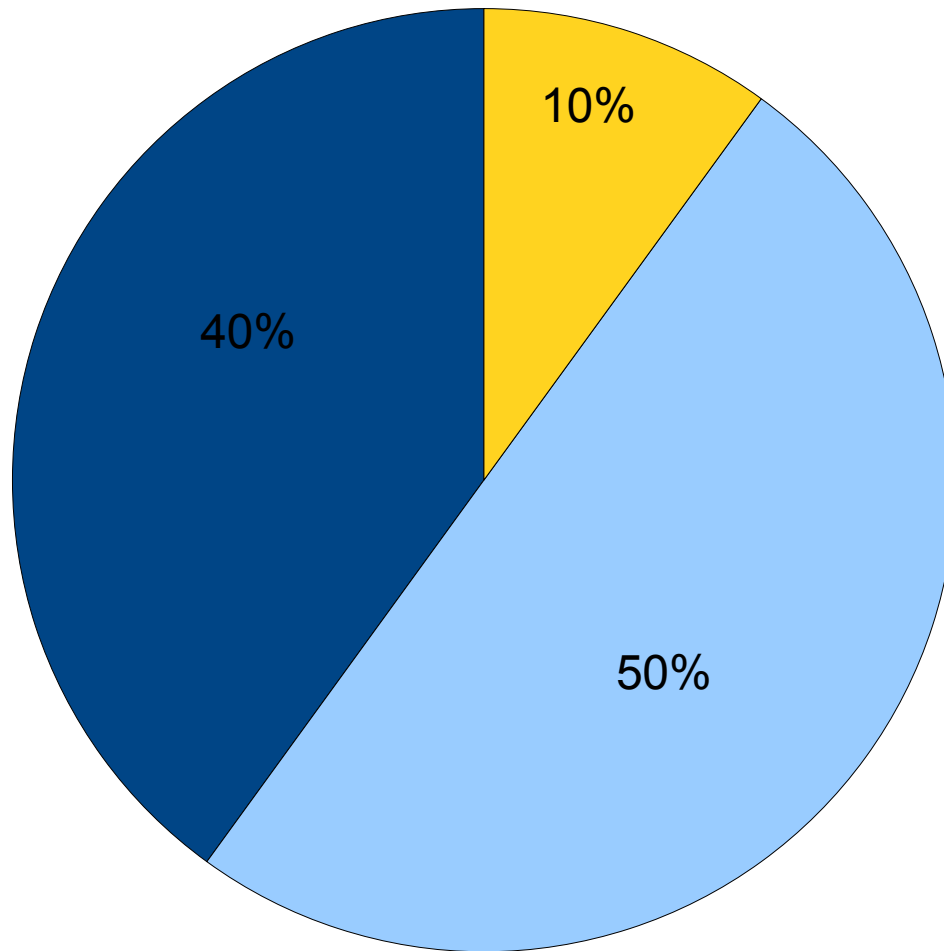
Export of Software and of Software development Services from Russia

\$M



* - forecast

Composition of Export



Services 50%
Software 40%
Software services
From DDC 10%

Main results and tendencies 2012

- Growth of turnover:	23%	(23% in 2011)
- Growth of a number of personnel:	14%	(18% in 2011)
- Growth of Export:	16%	(20% in 2011)
- Forecast for the Export Growth (2013):	20%	(22% in 2012)

Priorities seen by Businesses in 2013

- Expansion on the local market	- 41%	(50% in 2012)
- Expansion of the Global Market	- 30%	(25% in 2012)
- Growth of sales via Internet	- 19%	(14% in 2012)
- Extension of regional development centers' network	- 6%	(4% in 2012)
- QA certification	- 4%	(2% in 2012)
- (other) development of New Solutions	- 6%	(6% in 2012)

Globalisation of the Russian software industry goes on

Service providers confirm their second tier position in the World and enhance their role in the HithTech niche, while software vendors enter the elite of the World Software business, appearing one after another in the Gartner «Magic Quadrants»

«Best 100 Global Service Providers» (IAOP, 2013)

Russia

**Artezio, Auriga, EPAM Systems, FirstLine Software,
Luxoft, Reksoft**

MERA Networks, DataArt, Lanit-Tercom, ICL-KMO, Exigen
Services

Ukraine&Byelorussia

**EPAM Systems, IBA Group, Intetics, Itransition,
Miratech, SoftServe, Ciklum**

New Russian Software Leaders in the Gartner «Magic Quadrants»

Three more Russia Software vendors got into the «Magic Quadrants» of Gartner in 2012:

PROGNOZ (Perm) - «**Business Intelligence**»

Diasoft (Moscow) - «**Core Banking**» and
«**Retail Core Banking**»

InfoWatch (Moscow) - «**Data Loss Prevention**»

Level of Salary in the Software Development industry

Salary (RUR per Month)	Beginner	Expert	Project Leader
On the average	28 000	58 000	61 700
Moscow and other developed areas (SPb, Novosibirsk, Nizhny Novgorod, Perm)	40 000 — 60 000	60 000 - 150 000	70 000 -150 000
Other regions	15 000 — 25 000	25 000 — 50 000	20 000 — 45 000

Service Industry

Distribution of services offered in the whole Service Industry (as part of all respondents):

- Software Development Services **77%**
- Testing of Software **46%**
- IT-Systems Deployment and Maintenance **64%**
- IT-Consulting **41%**

Types of Clients (as part of all respondents):

- Systems Integrators **17%**
- End-users **72%**
- other Software development Companies
(on sub-contracting) **17%**

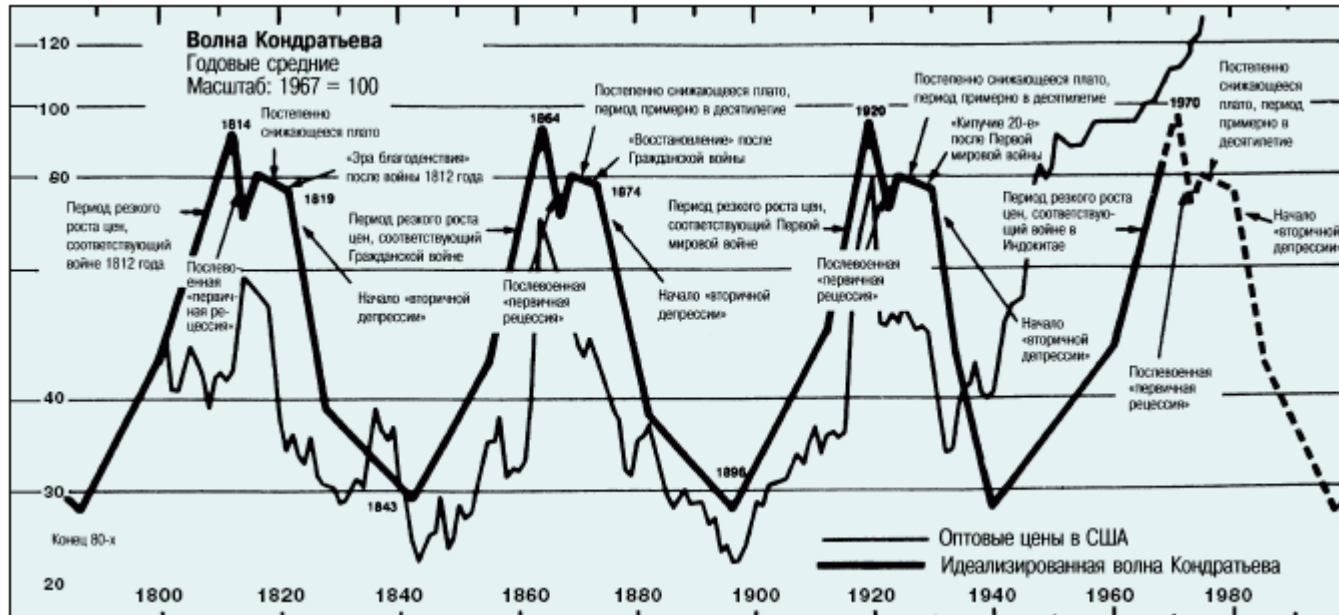
Main Challenges

- Taxation system
- Other administrative barriers (Customs, Currency Control, Export Control, Accounting System)
- Educational System
- Lack of stimulus for Business investing in post-graduate Education
- Distribution of funds for Fundamental and for Applied research through the Government (MinObrNauki and MinPromTorg)
- Lack of Integrated Export Promotion Program

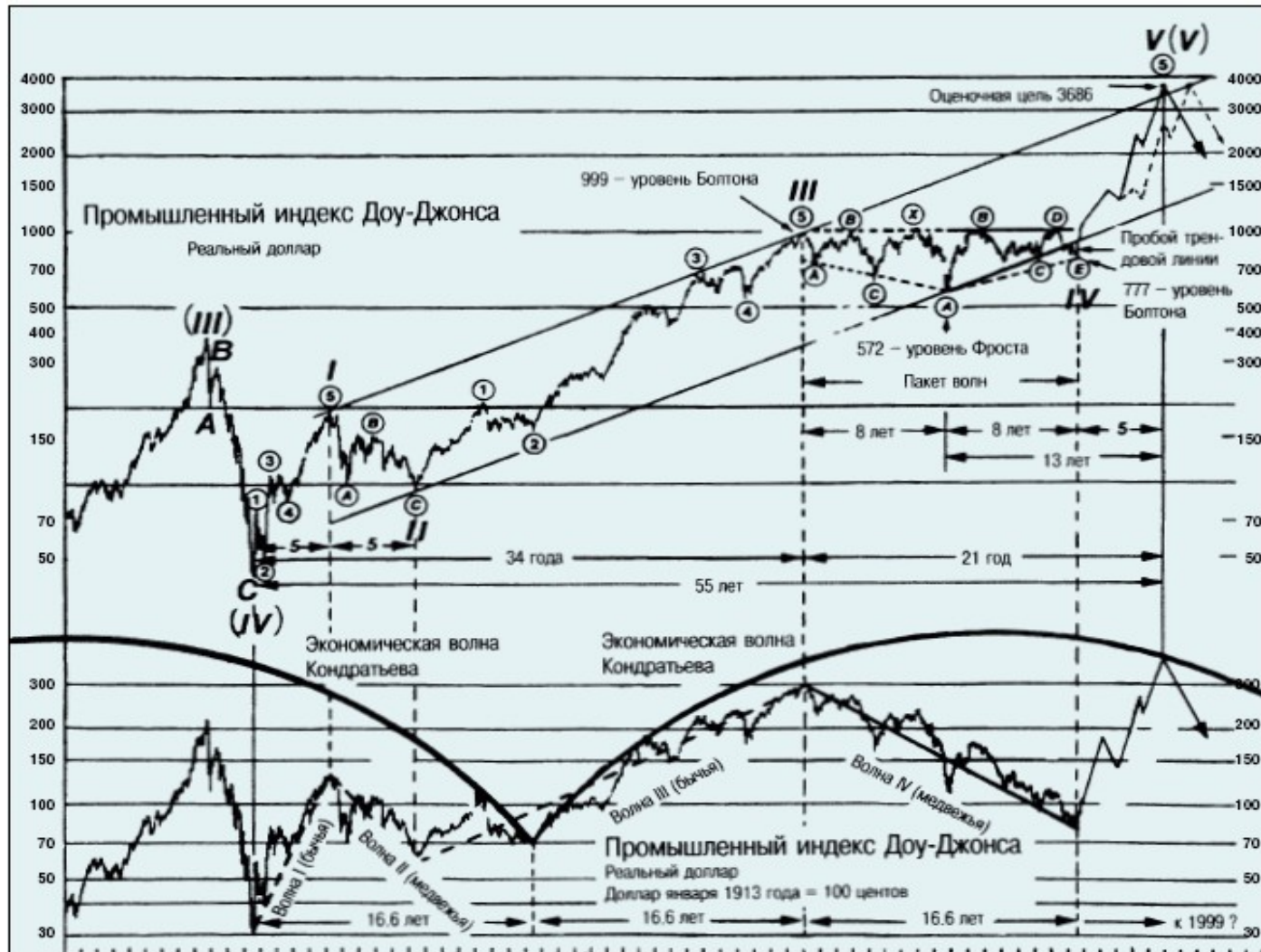
What to do?

- Dialogue between Software Industry Associations and the Government needs to be more stable and effective. The prolongation of the Social tax incentives is a critical issue
- Further growth of the Software industry in the Global market strongly needs effective State Program of HighTech export promotion (APEX Russia)
- Development of the Educational system and introduction of PPP into the post-graduate training is the Primer concern of the industry
- Software Industry becomes more and more the softpower of reforms in the Russian Society and in the National Economy. Software creates new opportunities for development of innovative industries while the modernisation of the traditional Russian economy is unthinkable without Information Technologies

Technology Development Waves of Kondratyev



We are just within the 6th Technology Wave



What Kondratyev's Theory of Technology Waves claims from Russia?

- Carlotta Peres (GB, an anticipated next Nobel Prize winner in Economics):

... if you want to catch the new Technology Wave, you in Russia need to undertake tough changes in legislation and in its implementation in order to fit requirements of the New Wave growth (IT+Nano+Bio)

From a private discussion at the «Return to the Leadership» international Forum, organised by Expert Media Holding in Moscow on November 27, 2012

Каким образом страны конкуренты поддерживают свой высокотехнологичный экспорт

Принятие в качестве приоритетной задачи Правительства завоевания национальным бизнесом позиций на глобальном рынке высокотехнологичных продуктов и услуг

- Создание органа при Главе Правительстве (или президенте), который становится ответственным за выработку программы мер
- Создание исполнительного органа (Агентства), реализующего эту программу путем снижения административных барьеров и финансирования программы поддержки высокотехнологичного экспорта
- Введение упрощенного таможенного режима для работы с «инженерными образцами» и для сборки высокотехнологичной продукции
- Вовлечение отраслевых Ассоциаций в процессы постановки задачи и оценки эффективности реализации государственной программы поддержки

Почему продвижение высокотехнологичной продукции компаний на глобальный рынок является главным приоритетом Правительства?

Это “Новая Национальная Идея”

- Уровень конкурентоспособности страны определяется ее долей на глобальном рынке высокотехнологичной продукции и услуг.
- Этот рынок имеет наивысший приоритет, поскольку приносит наибольшую добавленную стоимость, имеет наибольшую масштабируемость и наивысший входной порог для конкурентов
- Особую важность имеет этот приоритет в рамках нынешнего технологического уклада (в соответствии с «волнами Кондратьева»), основанного на ИКТ
- Критерий доли страны на глобальном рынке высокотехнологичной продукции и услуг является наиболее простым и легко измеряемым показателем эффективности государства

Top-10 technology priorities of Global CIOs (*Gartner, 2013*)

1. **Analytics and Business Intelligence**
2. **Mobile Technologies**
3. **Cloud Computing (SaaS, IaaS, PaaS)**
4. Interoperability
5. Modernization (updating) of existing IT-systems
6. IT-management
7. CRM
8. Virtualization
9. IT-Security
10. ERP-applications

Mobile Technologies

Prospective application areas

- Healthcare and e-Medicine
- e-Learning
- Payments
- SmartCity
- Security
- Corporative management
- D2D