

# Software development outsourcing in Europe: trends and figures

# Software development outsourcing in Europe: trends

Software development outsourcing along with its on-shore, off-shore and near-shore variations are quite established practices today. But established does not stand for fixed.

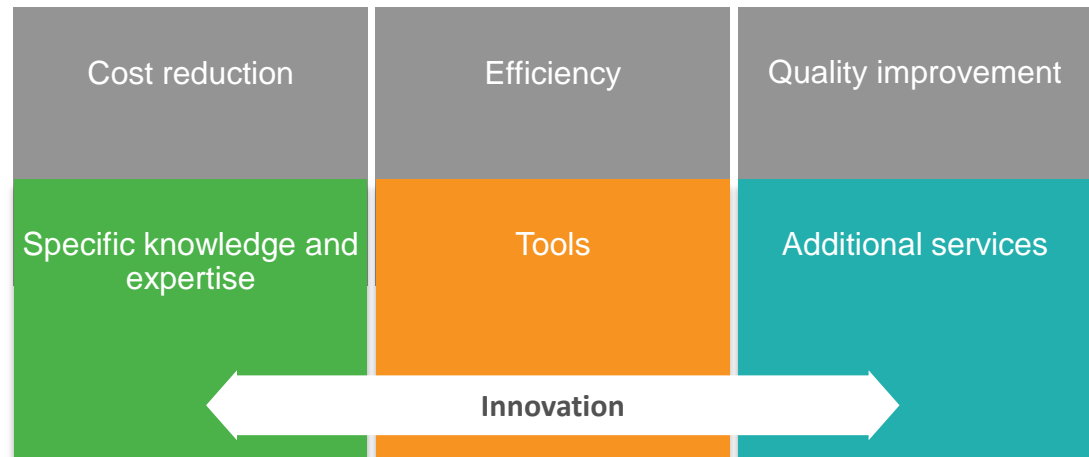
The market has evolved considerably and is expected to grow at a CAGR of 5.84% over the 2015-2019 period. This article explores the drivers, trends and paradigms of the software outsourcing market in Europe as it looks today across countries and various industries.

## Drivers of the market

The new digital era in the IT business is changing market behavior rapidly and companies are realizing the benefits of implementing digital technologies that help them to improve their business performance and deliver superior

services to their customers. If the market was initially driven by short term goals such as cost reduction and efficiency, today the paradigm has shifted. The countries that made a name for low cost software development have increased wages, whereas high

switching costs have determined companies to seek for more than just labor force. The search is for specific qualification skills and experience in industry specific areas or solutions, with high expectations for innovation from the software development providers.



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## Trends that shape the industry

Gartner predicts that, by 2025, every industry will be transformed by digital business, creating the demand and opportunity for new technologies. Key digital business opportunities and drivers include:

- As new environments open new vulnerabilities, **security** will influence the outsourcing strategy with more enterprises opting for specialized security vendors with Security-as-a-Service capabilities.
- Companies will leverage the **experience gained in outsourced projects** and make more informed decisions about out- or in-sourcing.
- **Strong adoption of cloud** or anything as a service will make it possible for outsourcing to move from non-core to more substantial processes.
- The adoption of an ever larger number of emerging digital technologies will raise ever-larger **integration challenges**. In the absence of internal resources capable to manage multiple platform, companies will need to outsource service integration, incident management and change management.



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- The outsourcing approach will shift from the fixed price model to **quality-centered, long-term partnerships** and dedicated teams.
- **Mobility, IoT and smart machines** are intertwined and mutually reinforcing. The transformative potential of mobile applications has fueled mobile development or application purchases.
- The needs of certain types of businesses and business functions drive vendors to develop purpose-built versions of technologies faster than generic versions of them. **Industry and domain-specific technologies** (such as open automotive alliance, mobile banking authentication, bank employee mobile apps, biometric green money, personal wellness records and real-time bidding) are rapidly accelerating and often bring more value than offering general audience products.
- **Eastern Europe is trending as a software outsourcing powerhouse.** It's becoming an increasingly attractive option for companies focusing

more on cost-effectiveness and proximity, rather than just low cost. The region can argue it provides product quality, a proximity to Western Europe, cultural affinity and high-level skills and now provides five of the top 20 countries listed on [AT Kearney's 2016 Global Services Location Index](#).

- **Finland, Spain, the UK, Germany, Denmark, the Netherlands, Norway and Sweden** are the European countries most widely taking advantage of outsourcing software development, with offshore growing in the first four.

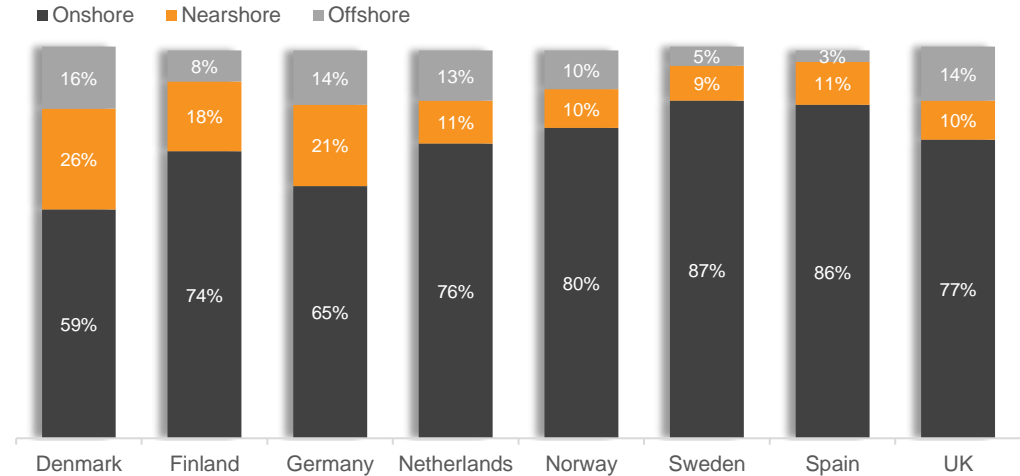
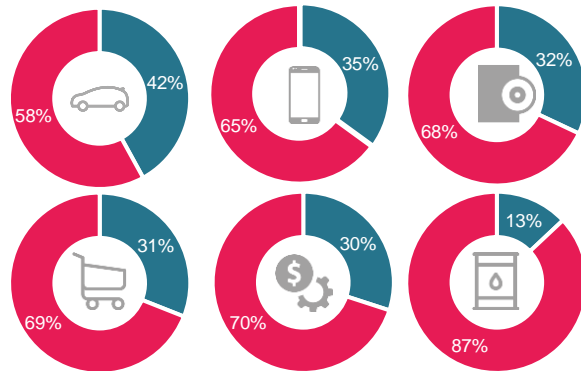
However, the percentage is still under 20 points versus inhouse development.



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Across industries, the percentage of offshore outsourcing remains under 25 points of all the software development activities.

Automotive, telecommunication, software startups, consumer products, banking, and oil and energy have the highest rates of **outsourced** software development versus **inhouse** (see attached graphics).



## Sources:

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- [http://www.anis.ro/wp-content/uploads/2016/05/Software-and-IT-Services-in-Romania-2016\\_General-Considerations-Excerpt.pdf](http://www.anis.ro/wp-content/uploads/2016/05/Software-and-IT-Services-in-Romania-2016_General-Considerations-Excerpt.pdf)
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## Conclusions



As the software market continues its steady development, the current shift in technology trends bring up new aspects that shape the companies' decisions towards outsourcing.

In addition to traditional issues (cost reduction, productivity enhancement, security), IT developers need to stay on top of technology developments for software savvy and mobile businesses. The new trends such as artificial intelligence, robotics, the Internet of everything require organizations across all industries and geographical regions to think ahead when it comes to their software development. Eastern Europe is also trending, according to the referenced articles.

Software providers such as R Systems can be a viable option in tackling the challenges and changes of the software outsourcing industry.

For over 20 years R Systems has been providing a **full range of software development outsourcing services**, including product development, domain and product based technical consultancy, automated testing, maintenance and support. From its technical hubs in Eastern Europe (Poland, Romania, Moldova), the company has delivered over **1,000 successful projects** to more than **80 companies worldwide**, in industries such as telecom, IT, energy and utilities, banking, etc. R Systems elite software and competence center comprises more than **200 highly skilled** project managers, solution architects, software developers and test engineers, specialized in over **50 technologies**, development languages and platforms.

R Systems has experts with deep domain expertise that guide customers through their challenges from start to finish, making all projects streamlined and personal.

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