



White Paper

Cyprus ICT Market 2017 Forecast and 2016 Analysis

Sponsored by: The Cyprus Computer Society

Spyros Skiadopoulos
May 2017

IN THIS WHITE PAPER

IDC and the Cyprus Computer Society (CCS) cooperated to produce the first comprehensive report covering the Cypriot information and communication technology (ICT) market. The report focuses on all ICT market segments, including IT equipment, IT services, software, telecommunications equipment, and carrier services, with both market sizing and forecasts for 2017. Surveys and interviews were held with most major Cypriot ICT companies, Greek players operating in Cyprus, and international firms with a presence in the country.

The report will be produced annually, with an in-depth analysis of a specific market segment provided each year. For 2016, the in-depth analysis covers the IT services segment.

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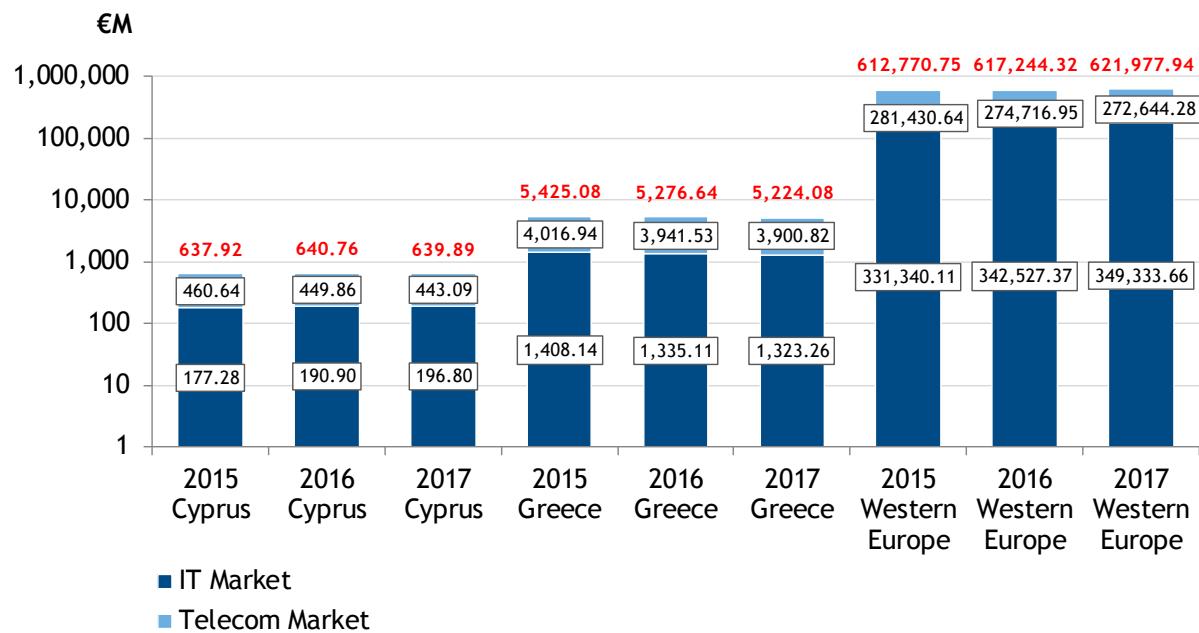
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TECHNOLOGY SEGMENT FIGURE

FIGURE 1

Cyprus ICT Market Revenue and Comparison with Greece and Western Europe (€M)



Source: IDC, 2017

Table 1

Compound Annual Growth Rates (%), 2015-2017

Market Segment	Cyprus	Greece	Western Europe
ICT Market	0.1	-1.3	0.5
IT Market	3.5	-2.1	1.8
Telecom Market	-1.3	-1.0	-1.1
IT Services Market	4.0	0.9	1.4

Source: IDC, 2017

EXECUTIVE SUMMARY

Cyprus' ICT market (including the telecommunications market) increased to €640.76 million in value in 2016, representing year-on-year growth of 0.4%, whereas the IT market (excluding the telecommunications market) increased to €190.90 million, representing year-on-year growth of 7.7%. IT services spending increased to €89.04 million, representing year-on-year growth of 8.1%.

Similar to other sectors, the Cypriot ICT market has been steadily recovering from the financial crisis that peaked in 2013 and resulted in a €10 billion assistance program, as well as the imposition of capital controls on the country's banking system. Cyprus managed to successfully exit the program in March 2016 after three years of extensive reforms and postponed investments. The European Commission estimates gross domestic product (GDP) growth of 2.8% and 2.5% in 2016 and 2017, respectively, reflecting the economy's positive trajectory and renewed business confidence, with increasing levels of IT investment in both the public and private sectors providing further evidence of this recovery.

The finance sector is the largest spender in IT services in Cyprus, followed by telecom operators and the public sector, in which there is a growing number of calls for tender with long project durations, resulting in an extended revenue stream for the successful bidders. Digital transformation (DX) projects are gaining momentum, although cloud services have not seen widespread adoption due to concerns about security and the ownership and availability of data.

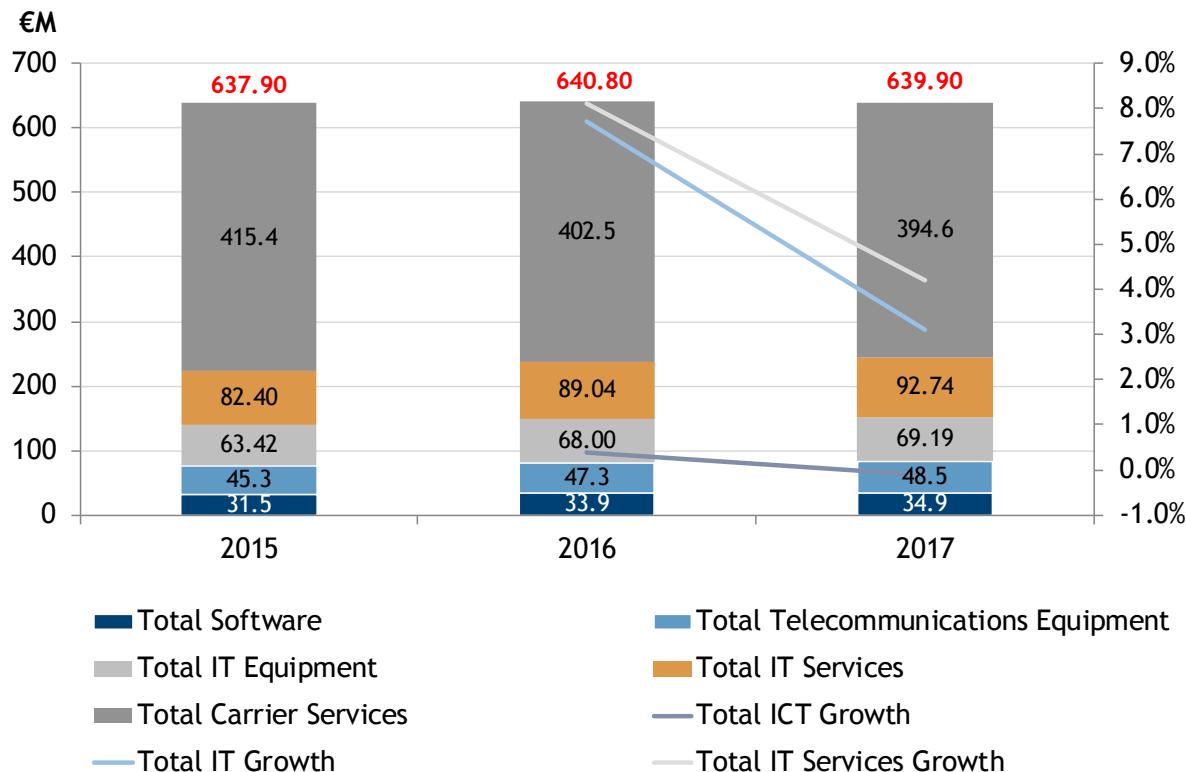
Support and training services formed the largest primary market in Cyprus in 2016, followed by project and outsourcing services. Upgrades of existing hardware and software and the purchase of new solutions stimulate demand for support services, while the lack of skills in new technologies requires investment in training and education services.

Services and software will be the best performing segments of the Cypriot IT market in the coming years, due to continuing demand for best-in-class end-to-end solutions that focus on enhanced end-user experience.

Vendors are advised to make use of 3rd Platform technologies (mobile, social media, cloud, and big data) to stay competitive. They must take a leading role in developing an innovation and digital transformation culture and mindset among Cypriot organizations, and function as enablers of the DX process. IT services investments are increasingly business-driven, and vendors need to address not only IT departments, but also lines of business (LoBs), to create a clear value proposition. Moreover, vendors should keep offering 2nd Platform (client/server system) services, as investments in legacy infrastructure optimization and application modernization will continue. Business cases for innovation and growth projects must contain efficiency and cost-reduction elements in order to gain approval.

FIGURE 2

Cyprus ICT Market Revenue by Segment (€M)



Source: IDC, 2017

This IDC White Paper examines the state of the IT industry in Cyprus in 2016 with a focus on the IT services segment, and forecasts industry spending for 2017. The study contains market size and distribution by both foundation market and vertical market.

The study answers the following questions:

- What are IDC's predictions for IT services spending in Cyprus? What are the assumptions behind the forecast numbers, and what impact will the related issues have on the market in 2017?
- What do end users in Cyprus say about their concerns and preferences regarding IT services procurement?
- What are the latest trends in IT services delivery in Cyprus, such as cloud, digital transformation, and IT security?

"After more than three years of painful reforms and delayed investments, the Cypriot economy is back on the growth path. Cloud services will gain strong momentum through 2017, even though adoption is starting from a low base." – Senior Research Analyst Spyros Skiadopoulos, IDC CEMA

SITUATION OVERVIEW

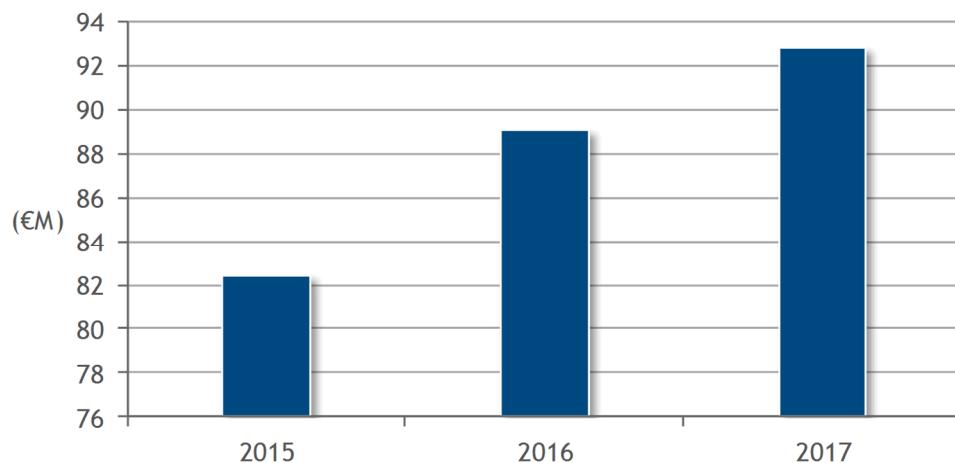
ICT spending (including the telecom market) grew by 0.4% year on year in 2016 to reach €640.72 million in value.

Spending on IT (excluding the telecom market), on the other hand, grew by 7.7% year on year in 2016 to reach €190.87 million.

The IT services segment increased to €89.04 million in value in 2016, representing year-on-year growth of 8.1%.

FIGURE 3

Spending on IT Services in Cyprus (€M) 2015-2017



Notes:

The total reflects total IT services revenue from the demand side.

Source: IDC, 2017

Current Situation

Key Current Trends in the IT Services Market in Cyprus

IT Market in the Context of the Current Economic and Business Environment

The Cypriot IT market is mainly dominated by local companies and a few international vendors that have a local office (such as IBM, Oracle, and Microsoft), while there are also a small number of Greek and international players that oversee operations in Cyprus from their Greek offices.

As with all other sectors of the Cypriot economy, the IT market was strongly impacted by the financial crisis in 2013, which led to Cyprus seeking €10 billion assistance from the European Union (EU) and the International Monetary Fund (IMF) and the imposition of capital controls on the country's banking system. A further severe measure of the assistance program was the deposit levy of 47.5 percent for shareholders, bondholders, and depositors with more than €100,000 in Cypriot accounts with the country's two largest banks (Bank of Cyprus and Laiki).

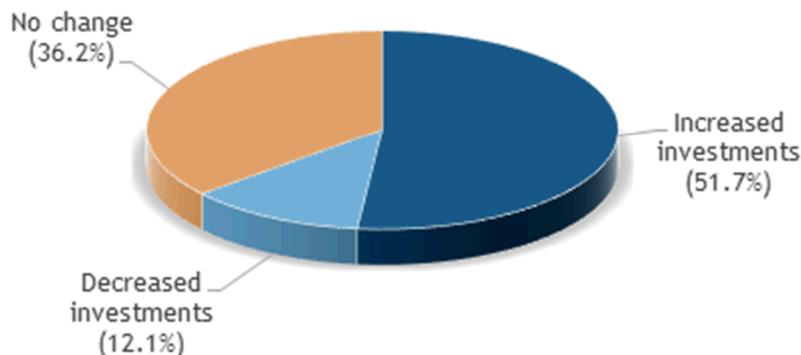
Cyprus managed to successfully exit the program in March 2016 after three years of extensive reforms, while the last remaining capital controls were lifted in April 2015. However, Cyprus will continue to be under surveillance by its lenders until it repays 75% of the economic assistance it received. The principal of the loans will be repaid from 2025 to 2031, with a weighted average maturity of nearly 15 years.

There is positive momentum in the Cypriot economy currently, with the European Commission estimating GDP growth of 2.8% and 2.5% in 2016 and 2017, respectively. This positive trend is also reflected in the IT market since, according to a recent IDC survey of Cypriot companies, 87.9% of respondents anticipated an increased or similar level of IT spending in 2017 compared with the previous year. Cypriot companies in general, and especially banks – which were the worst hit by the financial crisis, and are a major driver of the economy – are beginning to invest in IT infrastructure again, with significant upgrades to their systems.

FIGURE 4

Development of IT investments in Cyprus (%) 2016-2017

Q. How will investments in IT products and services change in 2017 compared with 2016?



Source:

Cyprus IT Spending Survey, 2016

IT Spending End-User Perspective

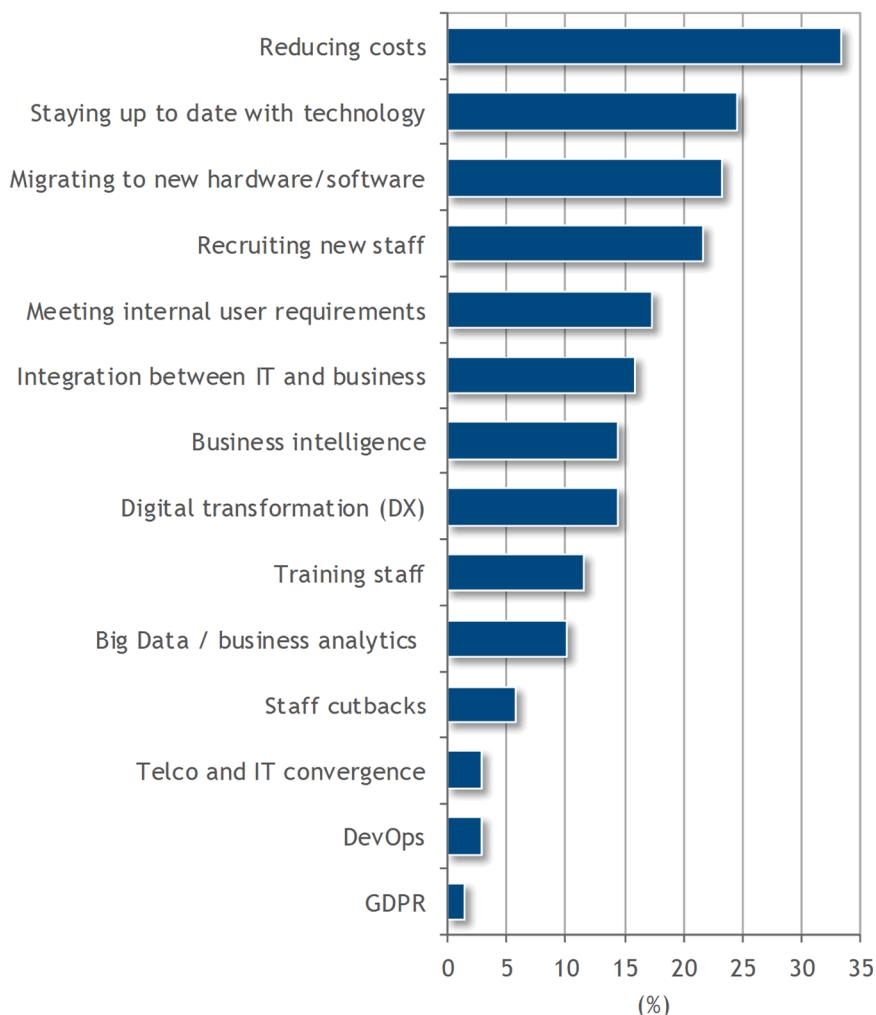
Cypriot companies are starting to invest in their IT infrastructure and new hardware and software again, since companies kept IT spending to the minimum during the years of recession, avoiding any replacements or maintenance of equipment unless it was deemed absolutely necessary. According to IDC's latest survey of the Cypriot market, IT services spending in 2017 is expected to concentrate mainly on IT training and education, information system outsourcing, software and hardware support and installation, custom application development, and systems integration. In terms of hardware, respondents expect disk systems, smartphones, telecom equipment, and enterprise networks to record the highest growth; while for software, the segments with the highest expected growth are security, storage, system, content, customer relation management (CRM),

and collaborative applications. The main internal challenges cited by respondents are reducing costs (33.3%), staying up-to-date with technology (24.6%), migrating to new hardware/software (23.2%), and recruiting new employees (21.7%). The main challenges for business and management are improving infrastructure (31.9%), enhancing customer services (30.4%), reducing costs (30.4%), implementing digital transformation strategies (23.2%), and introducing new products and services (21.7%). The EU's General Data Protection Regulation (GDPR) was mentioned by only 1.5% of respondents, demonstrating the lack of awareness regarding the impact that the regulation will have on Cypriot companies when it comes into effect in May 2018, after which time non-compliance will result in the imposition of heavy fines of up to €20 million or 4% of the company's global revenues (whichever is greater). Regarding IT spending priorities for 2017, security technologies ranked top with 44.4%, followed by content and document management (43.3%), improvement of business processes (37.2%), virtualization (34.5%), and cloud computing (32.1%).

FIGURE 5

Internal Challenges of Cypriot Companies in 2017

Q. What are the main internal challenges for your organization in 2017?

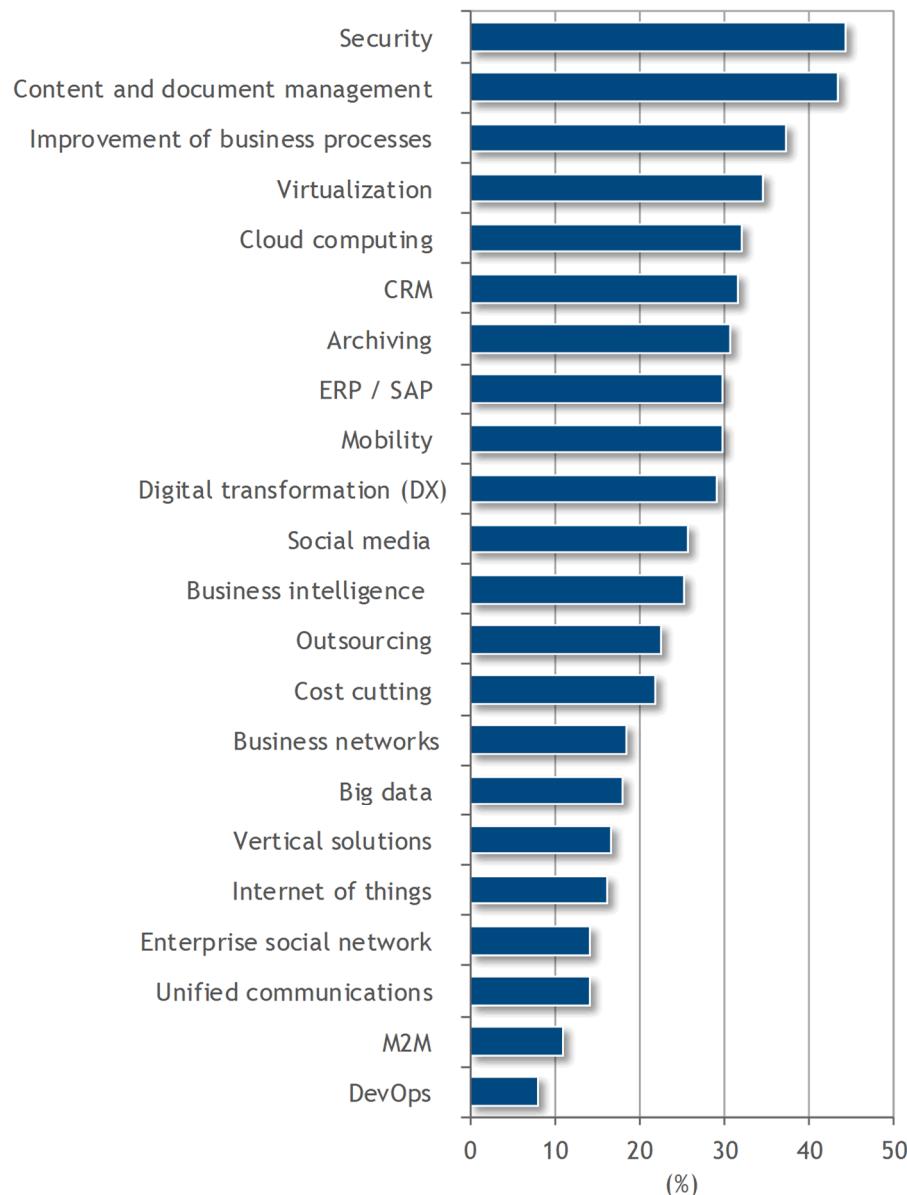


Source: Cyprus IT Spending Survey, 2016

FIGURE 6

IT Spending Priorities of Cypriot Companies for 2017

Q. *How likely is your organization to invest in the following IT areas in 2017 (%)?*



Source: Cyprus IT Spending Survey, 2016

3rd Platform Technologies, Innovation Accelerators, and New Services

3rd Platform technologies and services are gaining momentum among Cypriot enterprises, even though they are still at an early development stage, while innovation accelerators such as the Internet of Things (IoT) remain almost non-existent in the current market. Cloud technologies are becoming increasingly popular, though enterprises are still skeptical regarding cloud services adoption, and prefer to start with the migration of less-critical collaborative applications such as the

Microsoft Office 365 suite. Private cloud is more widely used than public cloud, since it is considered to be a safer, more secure option for storing a company's data. Banks, which are among the top IT spenders in Cyprus, are reluctant to make major cloud investments (since the regulatory framework around cloud is unclear), and prefer to keep data either on-premises or in their own datacenters. There are, however, a few local Cypriot software companies that mainly promote the software-as-a-service (SaaS) version of their offerings, and which have achieved significant SaaS sales growth by targeting the sizable small and medium-size business (SMB) segment, which is not impeded by significant regulatory constraints. Obstacles to cloud adoption seem to be the poor connectivity outside the main urban areas of Cyprus, both in terms of availability and speed, and cost, which may be low initially but builds up over time, sometimes exceeding the initial capital expenditure (CAPEX) for an on-premises solution.

In terms of the connectivity issue, in May 2016 the Cypriot government announced its ambitious Cyprus Broadband Plan 2016-2020, which targets 100% internet coverage of at least 30Mbps, and 50% of user subscriptions to reach speeds of at least 100Mbps by 2020. Among other issues, the plan aims to address the fact that even though fixed and mobile broadband coverage in Cyprus is above the EU average, uptake remains relatively limited. In terms of 4G network availability, CYTA offers 75% population coverage (as of March 2017), while MTN and PrimeTel (through their network sharing agreement) offer 59% population coverage (as of June 2016). Even though it is being promoted by the major international vendors and consulting firms present in Cyprus, big data analytics still accounts for a relatively small fraction of overall IT spending, with only a few of the largest companies (especially banks) actively investigating use of the technology, along with some educational institutions.

Significant Projects and Contracts

A significant number of public contracts were awarded in 2016, with an even greater number expected in 2017. The duration of these projects is mostly seven to eight years, and hence they provide a long-term source of revenue for the successful bidder. The most noteworthy contracts awarded in 2016 are listed below:

NewCytech was awarded a €5,089,044 contract by the Cyprus Port Authority on January 5, 2016, for the development of the latter's IT system. The project has a 96-month duration, and includes the provision of IT and networking equipment, software solutions, and services.

On May 9, 2016, the Human Resource Development Authority of Cyprus (HRDA) awarded a €1,849,378 contract to IBM, for the procurement, design, development, installation, parameterization, and maintenance of its information monitoring system. The project has a duration of 93 months, and in addition to the provision of the necessary software, includes consulting, software development, and systems support services.

On 6 October, 2016, the Cyprus Health Insurance Organization (HIO) confirmed the award of a contract to NCR (Cyprus) Ltd with a duration of seven years for the development, implementation, operation, and support of a comprehensive solution for the IT system and other business processes of the National Health Insurance Scheme (NHIS) in Cyprus. The first 18 months will be used for the development of the information system, through which all essential functions relating to the provision of services within the NHIS will be carried out. This first stage will involve expenditure of €11.30 million, while the remaining five and a half years will be devoted to the provision of operational services, with expenditure of €28.30 million.

On 7 September, 2016, NewCytech was awarded an integrated newsroom system contract worth €1,090,000 by the Cyprus Broadcasting Corporation, with a duration of 34 months. The project concerns the supply of software, hardware, and installation materials for an integrated newsroom system, along with all the necessary system design, installation, and integration services.

On 4 April, 2016, the Cyprus Police awarded a contract worth €587,740 to NetU, with a duration of 11 months, for the development of a disaster recovery system for the Cyprus Police Computerization System (CPCS) and Schengen. The project involves the provision of all necessary hardware and software along with installation, validation, parameterization, maintenance, and training services.

Cosmos Business Systems and Allweb Solutions were awarded a €680,000 contract on 21 April, 2016, for the development, parameterization, and maintenance of an SaaS funding management platform upgrading the operations of the funding system and the user experience. The project has a duration of 84 months, with local support provided by CBS IT Cyprus Ltd. (a subsidiary of Cosmos Business Systems).

Overview of IT Services Spending in Cyprus by IDC Foundation Market

This section of the study examines the IT services industry by IDC's three primary markets, which are further segmented by foundation market. The thirteen foundation markets presented in this study represent the total addressable IT services market in its entirety (collectively exhaustive), and these individual markets do not overlap with each other (mutually exclusive).

Table 2**Overview of IT Services Spending by IDC Foundation Market in Cyprus, 2016**

	Value (€M)	Share (%)
Hardware Support and Installation	20.46	23.0
Software Support and Installation	20.98	23.6
IT Training and Education	2.97	3.3
Support and Training Services Subtotal	44.4	49.9
Network Consulting and Integration	3.85	4.3
Systems Integration	12.27	13.8
Information System Consulting	5.42	6.1
Application Consulting and Customization	5.14	5.8
Custom Application Development	3.12	3.5
Project Services Subtotal	29.79	33.5
Application Management Outsourcing	0.64	0.7
Information System Outsourcing	2.37	2.7
Network and Desktop Outsourcing Services	1.47	1.6
Hosted Application Management	2.29	2.6
Hosting Infrastructure Services	8.08	9.1
Outsourcing Services Subtotal	14.85	16.7
Total	89.04	100.0

Notes:

The total reflects total IT services revenue from the demand side.

Source: IDC, 2017

The IT services market in Cyprus reached €89.04 million in value in 2016, representing 8.1% year-on-year growth. Support and training services accounted for the largest share of IT services market revenue in 2016 (49.9%), followed by project services (33.5%), and outsourcing services (16.7%).

Support and Training Services

The support and training services primary market in Cyprus totaled €44.40 million in value in 2016, making it the country's largest primary market, with 49.9% share.

IDC Analysis of the Support and Training Primary Market

Hardware and software support and installation services accounted for a 46.6% share of total IT services spending in Cyprus in 2016, with IT training and education services representing a 3.3% share. Cypriot companies are beginning to invest in IT infrastructure again, with new hardware and software purchases and upgrades of existing equipment, after postponing such investments during the financial crisis. Support services consequently gained ground in 2016, and the outlook is similar for 2017. IT training and education services also rank high on the list of IT spending priorities, since there is significant demand for staff skilled in the use of new digital technologies. These services ranked top in IDC's latest survey of IT spending in Cyprus in terms of future spending growth. A number of Cypriot companies focus exclusively on the provision of IT training, while educational institutes also offer IT-related courses. Vendors are another significant source of training services, which are usually offered alongside a solution purchase.

Project Services

The project services primary market in Cyprus totaled €29.79 million in 2016, making it the second-largest primary market in the country, with 33.5% share.

IDC Analysis of the Project Services Primary Market

Systems integration accounted for the largest share of the project services primary market in 2016, with a 13.8% share of total IT services spending. Major projects in the banking and government sectors require integration with various technologies and involve multiple vendors, since there are usually policies prohibiting a single-vendor system. Information systems consulting and application consulting and customization services followed, with shares of 6.1% and 5.8%, respectively. The four major consulting companies (Deloitte, PricewaterhouseCoopers, Ernst & Young, and KPMG) are all present in Cyprus with established IT consulting practices targeting mainly the largest Cypriot companies. Network consulting and integration services accounted for a 4.3% share of the market, while custom application development represented a 3.5% share. Cyprus is home to a growing number of software companies including international vendors such as Amdocs, which has a large research and development (R&D) center in Limassol employing hundreds of software professionals, while one of the leading gaming companies, Wargaming, has its headquarters in Nicosia and employs more than 3,700 staff worldwide.

Outsourcing Services

The outsourcing primary market totaled €14.85 million in value in 2016, making it the third-largest primary market in Cyprus, with 16.7% share.

IDC Analysis of the Outsourcing Services Primary Market

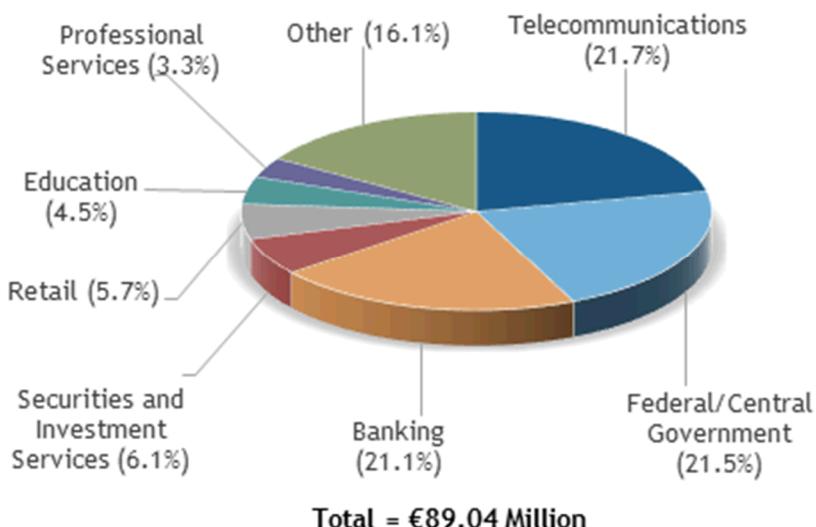
Hosting infrastructure services accounted for the largest share of the outsourcing services primary market, with a 9.1% share of total IT services spending. All the major telecom operators in Cyprus offer datacenter services, as do certain local providers. Local datacenters seem to be preferred by government entities and major Cypriot companies over EU-based datacenters, since the location and ownership of the data is important to these organizations. Demand for Cyprus-based datacenters will therefore continue to grow, boosted by lower latencies and higher availability resulting from the lack of dependency on the connectivity links of Cyprus to the rest of the world. Information system outsourcing services will also grow in popularity in the next few years, with major companies and banks recognizing the benefits of their IT teams focusing on core business matters rather than on supporting IT infrastructure.

Overview of IT Services Spending in Cyprus by Vertical Market

Telecommunications was the largest vertical market for IT services in Cyprus in 2016, with €19.35 million in spending and 21.7% market share. Federal and central government ranked second, with IT services spending of €19.14 million representing a 21.5% share. Banking ranked as the third-largest vertical market, with IT services investment of €18.82 million and 21.1% market share.

FIGURE 7

Spending (€M) on IT Services by Vertical Market in Cyprus, 2016



Notes:

The total reflects total IT services revenue from the demand side.

Source: IDC, 2017

Table 3**Overview of IT Services Spending by Vertical Market in Cyprus, 2016**

	Value (€M)	Share (%)
Telecommunications	19.35	21.7
Federal/Central Government	19.14	21.5
Banking	18.82	21.1
Securities and Investment Services	5.45	6.1
Retail	5.08	5.7
Education	3.97	4.5
Professional Services	2.9	3.3
Insurance	2.47	2.8
Wholesale	2.19	2.5
Media	1.76	2.0
Personal and Consumer Services	1.66	1.9
Utilities	1.45	1.6
Healthcare Provider	1.38	1.6
Process Manufacturing	0.89	1.0
Discrete Manufacturing	0.68	0.8
Transportation	0.67	0.8
Construction	0.64	0.7
State/Local Government	0.26	0.3
Resource Industries	0.26	0.3
Total	89.04	100.0
Aggregated Verticals		
Combined Finance	26.74	30.0
Telecommunications and Media	21.11	23.7
Government	19.41	21.8

Table 3**Overview of IT Services Spending by Vertical Market in Cyprus, 2016**

	Value (€M)	Share (%)

Notes:

The total reflects total IT services revenue from the demand side.

Source: IDC, 2017

Combined Finance

IT services spending in the combined finance vertical in Cyprus totaled €26.74 million in 2016. Cypriot banks were hit hard by the financial crisis, with deposit levies on Cypriot accounts in the country's two largest banks, Bank of Cyprus and Laiki, followed by the collapse of Laiki (the assets of which were transferred to the Bank of Cyprus). After the financial crisis, the banking industry landscape comprised four major banks: Bank of Cyprus, the Cooperative Credit Sector, Hellenic Bank, and RCB Bank. The Bank of Cyprus is the country's largest bank, while there are also several smaller banks and foreign subsidiaries of both Greek and international banks. The Cypriot banking sector now seems to have recovered, following a series of recapitalizations and reforms that significantly improved liquidity and solvency. As a result, banks' IT infrastructure investments have resumed, focused on systems upgrades and the enhancement of user experience, with branch transformation initiatives alleviating the perceived stricter approach toward non-performing customer loans. Technologies of interest to the banking sector include big data analytics and solutions for omni-channel customer experiences (consistent customer experiences across different media/channels). Unclear regulations surrounding cloud are inhibiting substantial investments in cloud technologies, with all core systems stored either on-premises or in company-owned datacenters, while cloud is only used for non-core and non-customer information storing applications such as collaborative solutions. Cyprus is also home to a large number of foreign exchange (forex) organizations that are relatively eager to use new technologies, and are more flexible in terms of adoption than their peer organizations in the heavily regulated banking sector.

Telecommunications and Media

The key players in the Cypriot telecom market are Cyta, MTN, Primetel, and Cablenet. Cyta is the largest telecom operator in Cyprus, providing fixed and mobile lines and an extended set of IT services. Cyta is a semi-governmental organization, meaning that all procurements go through an open tender process, while plans for the company's privatization are resulting in extensive investments to modernize its network and increase the company's value to potential buyers. Cyta is engaged in an investment plan aimed at providing network capable speeds of 30Mbps or higher for 97% of households, and 100Mbps or higher for 71% of households by 2020. Hardware and software support are, therefore, the most prominent services provided to Cyta, while other projects of interest to Cyta include the extension of the cloud services it offers via its datacenters, and solutions for more personalized customer services. Other opportunities for engagement with Cyta include the provision of sophisticated software solutions, since several core systems were originally developed and maintained in-house and lack the competitive features of modern best-in-class solutions. Other telecom operators also offer datacenter services and invest in their telecom network infrastructures, providing opportunities for both vendors and systems integrators to provide support and integration services. Security solutions and related consulting services are

also relatively important for Cypriot telecom operators, partially due to the impending introduction of the EU's GDPR regulation in May 2018.

Government

A number of significant government projects have been awarded following tender proceedings in 2016, with more either in the process of being launched or already launched but not yet awarded. However, the retirement of Costas Agrotis as Director of the Information Technology Services Department of the Ministry of Finance and his temporary replacement by Katerina Pericleous is causing certain delays in the announcement of new government IT projects. Open-tender contracts are usually awarded to the lowest-priced bidder, but other important factors of successful bids include the quality of customer service, the provider's reliability, and the flexibility of the services offered. Public contracts usually have a project duration of seven to eight years, thus providing a long-term source of revenue to the successful bidder. Important upcoming and already launched public calls for tenders concern the modernization of systems and the digitalization of citizen services in the fields of health, justice, finance, and energy, among others, while the introduction of electronic signatures by the end of 2017 will fuel the launch of associated projects.

FUTURE OUTLOOK

Market Forces

As reflected in our forecast, the following market forces will have a direct impact on the Cypriot IT market in the coming years:

- **Modest Economic Growth:** Economic growth in Cyprus resumed in 2015, with the country posting GDP growth of 1.7% in that year, followed by an estimated 2.8% in 2016 (as per European Commission data). This growth trajectory positively influenced the IT services market's performance in both these years.
- **Reintroduction of Postponed Investments:** For several years following the peak of the financial crisis in 2013, both public and private sector organizations in Cyprus generally postponed IT investments due to economic volatility and business uncertainty. This tendency subsequently changed over the course of 2015 and 2016.
- **Renewed Business Confidence:** The business outlook and market sentiment have returned to positive levels, restoring organizations' confidence in proceeding with investments in new technologies and existing system upgrades.
- **Digital Transformation:** Digitalization of core processes is inevitable for both public and private sector organizations in terms of keeping up in an increasingly dynamic competitive environment and providing improved services to both internal and external users. Digital transformation will result in a restructuring of organizational processes, particularly those related to customer service and information management. These changes will require a series of IT tools and related implementation and operational management services.

Market Forecast

IDC expects ICT spending (including the telecom market) in Cyprus to decrease by 0.1% year on year in 2017 to total €639.89 million.

IT spending (excluding the telecom market) is expected to increase by 3.1% year on year in 2017 to total €196.80 million.

IT services are expected to increase by 4.2% year on year in 2017 to total €92.74 million.

Cyprus's economy is expected to continue to improve, and IDC predicts that spending in all ICT market segments in Cyprus will grow. The exception is the carrier services market, in which the increase in mobile and fixed data revenues is insufficient to offset the decrease in voice revenues, resulting in an overall decline in this segment that will continue in the coming years. IT services and software will be the best-performing segments over the forecast period, posting a compound annual growth rate of 4.0% and 3.5%, respectively, due to increased demand for digitally enhanced solutions and services.

Table 4

ICT Spending in Cyprus (€M), 2015-2017

	2015	2016	2017	CAGR (%) 2015–2017
Total ICT Market	637.92	640.76	639.89	0.1
Total IT Market	177.28	190.90	196.80	3.5
Total Telecommunications Market	460.64	449.86	443.09	-1.3
Total IT Equipment	63.42	68	69.19	2.9
Total IT Services	82.4	89.04	92.74	4.0
Total Software	31.46	33.86	34.87	3.5
Total Telecommunications Equipment	45.27	47.35	48.5	2.3
Total Carrier Services	415.37	402.51	394.6	-1.7

Notes:

The total reflects total IT services revenue from the demand side.

Source: IDC, 2017

ADVICE FOR TECHNOLOGY SUPPLIERS

Expanding Internationally

Even though the Cypriot economy has returned to a growth trajectory, it is still a small market, and dominated by the SMB segment. According to the Statistical Service of Cyprus, out of the 90,162 registered businesses in the country (as of the end of 2015), 95.5% had fewer than 10 employees. The small size of the Cypriot market prompts local vendors and services providers to look for opportunities abroad, particularly in countries with close ties to Cyprus. The provision of SaaS solutions alleviates the need for on-site support, and thus simplifies access to international markets.

Leading in 3rd Platform Technologies and Services

The Cypriot market is seeing a rise in the use of 3rd Platform technologies, with SMBs' trust in cloud services increasing, while larger enterprises are looking for ways to enhance customer

experience through omni-channel technologies. Solutions should be future proof and, preferably, not based on proprietary platforms, while security is still top of the agenda for CIOs. IT services providers should demonstrate their expertise in these areas, and offer guidance through the demonstration of international best practices that are industry-specific for customers. The GDPR also offers a unique opportunity for IT services providers to help customers achieve compliance through changes in their IT infrastructure and business processes.

Focusing on the Business Value of Services Offerings

LoB heads are involved in most IT services-related investments and, in many cases, are the primary decision makers. In the case of GDPR, the legal team is also involved in selecting a trusted partner that can guide the company through the compliance process. IT services vendors must therefore be able to provide business value through their services offerings. End users will also increasingly measure the value of IT services in terms of business outcomes, instead of adherence to purely technical service-level agreements. IT services vendors will need to show that their services contribute to business success, and develop programs and initiatives that help customers measure business outcomes. In addition, end-user organizations are constantly seeking ways to better align IT with business objectives. IT services vendors must consequently act as partners to both IT and business decision makers. Vendors must keep in mind that the primary business goals remain cost optimization and revenue growth.

Appendix

Methodology

IDC's research of the IT services market covers those services provided by external companies to various buyer segments for the planning, building, support, and management of information systems and technology-enabled processes. IDC breaks down the individual components of the total technology services, referred as foundation markets. These foundation markets classify services based on the way in which clients purchase them from service suppliers. These are classified as they are characterized in the contract between the provider and the user with characteristics such as duration, goals, deliverables and activities. They can be characterized as either IT or business types, however this special study focuses on IT type only.

Research Sources

IDC utilizes both qualitative and quantitative approaches. Analysts conducted interviews with both end-users and major IT services providers operating in Cyprus for this study. Qualitative interviews were further complemented by quantitative online and offline surveys covering both the demand and supply side. IDC has found the approach of in-depth personal interviews to be an effective and efficient means of undertaking market research in the region of Central and Eastern Europe, the Middle East, and Africa (CEMA). IDC also evaluated publicly available quantitative and qualitative information, such as annual reports, homepage listings of financial information, and filings with security commissions, as well as secondary source literature, academic texts, and publicly available government information.

It is important to note that no one source is dominant. In each case, IDC analysts weight all sets of inputs and use their judgment as to which sources are more likely to be accurate. The weight of any one variable changes based on the revenue being evaluated, the relationship with the supplier, the detailed information available through public sources, and other relevant factors.

Revenue Recognition

To attain an aggregate number for the IT services market, IDC has isolated revenue that was generated through third-party IT services providers. It is necessary to understand subcontracting between service providers in order to comprehend this procedure. The prime contractor records a

contract as a source of revenue, and so does the subcontractor, and so on. As IDC's 13 foundation market categories are based on demand-side spending (reporting on end-user purchases of services from third-party providers), subcontracted revenue to third parties must be eliminated when determining the total size of the IT services market.

Notes on Forecasting

IDC uses surveys, technology assessment, country demographics, and economic data to develop forecasts. All of these factors were important in this study.

IDC is often asked about its economic assumptions and their relationship to spending trends in the technology marketplace under examination. We usually take a neutral approach to the economy, essentially building our forecasts on historical rates of economic growth. Neutrality is also a goal in the treatment of areas such as inflation. In the estimation of IT services-related expenditure, for example, inflation is considered to be zero or insignificant.

Related Research

- *Cyprus IT Spending Survey, 2016* (IDC #CEMA42491317)
- *Greece IT Services Market 2016-2020 Forecast and 2015 Vendor Shares* (IDC #CEMA40819716)

About Cyprus Computer Society (CCS)

The Cyprus Computer Society (CCS) is a professional and independent not-for-profit organization, seeking to improve and promote high standards among informatics professionals, in recognition of the impact that informatics has on the economy, society, organizations, and citizens' quality of life. Established in 1984, the CCS has been active in the areas of education and training and research and development through the organization of high-quality events and working groups, collaborations with local and foreign public and private organizations, the implementation of European projects, and active participation in international associations and consortia.

This report signifies the commitment of the CCS to further enhance the quality and portfolio of its services to the ICT and the business community. We envisage that it will prove a useful tool both for foreign investors in the ICT field and the domestic business community.

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

IDC Greece

Kifissias Ave. 166A & Sofokleous 2
151 26, Athens, Greece
+30 210 7264013
Twitter: @IDC
idc-community.com
www.idc.com

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