

INVEST. INNOVATE. INTERNATIONALIZE.

**ICT**

Industry Clusters in Eastern Germany

**Germany's information and communication technologies (ICT) market is one of the largest in Europe. ICT plays an essential role in consolidating Germany's industrial production strength and export nation leadership. The new federal states in Eastern Germany are also helping shape the digital transformation with intelligent software and IT solutions for the networked economy.**

#### ICT in Germany

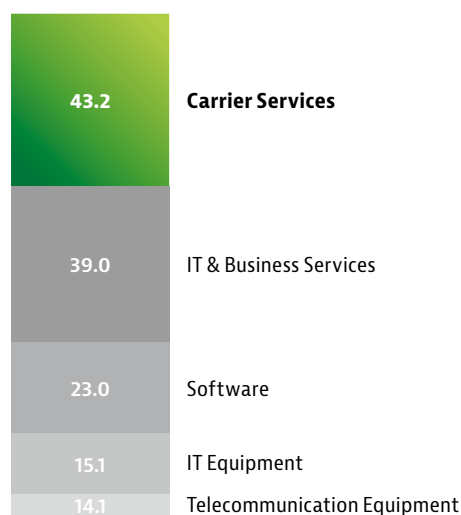
Germany is forecast to record turnover of EUR 161 billion – equivalent to 1.3 percent growth – in the IT, telecoms and consumer electronics sector in 2017 according to national digital association Bitkom. The country's IT sector is the main driver of growth, with turnover of EUR 86 billion (2.7 percent growth). According to the European IT Observatory (EITO), domestic spending on IT equipment, services and software helped the market grow faster than GDP, with a year-on-year increase of 3.3 percent. The trend is set to continue in 2017, with IT spending expected to rise by 3.1 percent over the year. Germany has consolidated its position as the largest software market in western Europe, with turnover of more than EUR 21.6 billion and year-on-year growth of 6.2 percent in 2016. The sector is forecast to record increased growth of 6.3 percent in 2017. Development in the IT and business services, sector (responsible for around half of all German IT spending) was more modest, with growth of 2.7 percent in 2016. EITO expects overall IT spending to rise 3.1 percent in 2017, with little fluctuation in the hardware market and most segments maintaining their current course.

#### ICT in Eastern Germany

The new federal states in Eastern Germany are in an excellent position to shape the digital transformation being driven by ICT innovation. Thanks to a vibrant ICT cluster environment, the region's towns and cities harness the know-how required to drive the digitalization of industry forward. Where the German Capital Region continues to establish itself as an international start-up hub and IT-software center, the greater

Dresden area in Saxony goes from strength to strength as an internationally recognized semiconductor development and production location. The 5G Lab Germany in Dresden is conducting pioneering research into fifth generation mobile communications and its applications – leading to the advent of the "tactile internet" that will unleash the full potential of Industrie 4.0. World-class photonics R&D and production come together in Thuringia, in an industry landscape without peer in Europe. To the north, Saxony-Anhalt's rich mechanical engineering tradition has helped the state reinvent itself as a high-tech production hub. Boasting sector applications that take in the maritime and health economies to Industrie 4.0, Mecklenburg-Vorpommern's ICT sector acts as a gateway to new markets.

#### ICT Market Segmentation in Germany 2017 in EUR billion (excluding consumer electronics)



Source: EITO 2017

## ICT Clusters in the New Federal States

### Berlin-Brandenburg

The innovative German Capital Region provides optimal operating conditions for international ICT companies seeking to do business in one of Europe's most dynamic tech environments. State-of-the-art infrastructure and cooperation between industry and leading research institutions make the region a rich source of potential for new ideas, technologies and solutions in areas that run the gamut from AI and digitalization to FinTech. As the home to Europe's leading tech start-up and creative economy ecosystem, Berlin-Brandenburg provides the perfect balance of internationality and innovation necessary for success in the global marketplace.

**[www.businesslocationcenter.de/ict](http://www.businesslocationcenter.de/ict)**  
**[www.wfbb.de/en](http://www.wfbb.de/en)**

### Mecklenburg-Vorpommern

The IT sector in Mecklenburg-Vorpommern has developed in recent years to become an important economic factor in the region's economy. Boasting a technological spectrum that spans applications for the maritime and health economies to Industrie 4.0, the region's IT economy is largely made up of innovative small and medium-sized enterprises. Mecklenburg-Vorpommern profits from its proximity to the developed markets of eastern and western Europe as well as Scandinavia. The state's highly developed ICT infrastructure provides excellent research and production conditions for young, technology-oriented IT companies and service providers.

**[www.iti-mv.de](http://www.iti-mv.de)**

### Saxony

Silicon Saxony is the biggest high-tech network for the microelectronics, smart systems, software, and wireless communication in Europe. The cluster works closely with network partners at the national and international levels. As the project coordinator of the "Silicon Europe" initiative, it also plays a major role in strengthening the European semiconductor industry in the global economy and value chain. The pan-European "cluster" promotes international collaboration in innovative micro- and nanoelectronics for a broad spectrum of cross-sectoral applications. With a broader regional focus, the Cluster IT Mitteldeutschland covers the IT economy sector network in Saxony, Saxony-Anhalt and Thuringia. The cluster coordinates and promotes IT activity in the region, with major focal points including Energy 4.0, IT security and software.

**[www.silicon-saxony.de](http://www.silicon-saxony.de)**  
**[www.it-mitteldeutschland.de](http://www.it-mitteldeutschland.de)**

### Saxony-Anhalt

Saxony-Anhalt is home to a thriving IT economy that generated more than EUR 2 billion in 2016. Around 80 percent of ICT companies in the state are active in the software and IT service sectors. Innovative software solutions for the automotive, energy and mechanical engineering industries are developed in the state which also boasts a retinue of global hardware players of the repute of T-Systems for instance, which operates one of Europe's largest data centers here. The Association of IT and Multimedia Industries in Saxony-Anhalt e.V. (VITM) provides a platform and voice to IT companies in the region. VITM is also active in helping secure new talent through education and training and is an active member of the BITKOM national industry association.

**[www.vitm.org](http://www.vitm.org)**

### Thuringia

Thuringia has a number of IT networks that actively promote the region's dynamic ICT economy. ITnet Thüringen is a network of companies formed to promote the local IT industry through cooperation and networking. The Mobile Cluster Mitteldeutschland is the industry network of independent mobile operators in the region. Specialized companies and experts constitute the different requirements and aspects of the entire mobile industry in the state. The Towerbyte consortium of companies provides services and software solutions in the area of online marketing, social media marketing and e-commerce. Highly agile in nature, the network also promotes knowledge transfer between members through the use of shared resources.

**[www.itnet-th.de](http://www.itnet-th.de)**  
**[www.mobileclustermitteldeutschland.de](http://www.mobileclustermitteldeutschland.de)**

## Cluster Voices



**Arun Mani**

*Managing Director, Freshworks (Germany)*

### What does your company do?

Freshworks Inc. is the parent company behind the suite of products that includes Freshdesk, Freshservice, Freshsales, Freshcaller, Freshteam and Freshchat. These products are designed to work tightly together to increase collaboration and help teams better connect and communicate with their customers and co-workers. Founded in October 2010, Freshworks Inc. is backed by Accel, Tiger Global Management, CapitalG, and Sequoia Capital India. Freshworks has its HQ in San Bruno, California, and global offices in India, UK, Australia, and Germany. The company's cloud-based suite of SaaS products is widely used by over 130,000 customers around the world including Honda, Bridgestone, Hugo Boss, University of Pennsylvania, Toshiba, and Cisco.

### Why is Eastern Germany such an attractive ICT location?

From the beginning, Freshworks was committed to investing, building and serving customers all over Europe. We knew our success in Europe would be incomplete if we didn't win the customer base in Germany – Europe's largest market. We started with that goal in mind and contemplated a number of options. All of these options included a field office in Germany to augment a hub located elsewhere in Europe. When we looked into Berlin and found out more about its vibrant start-up community, talented pan European talent base, and low cost of living we decided to take advantage of all of that and locate our hub in Berlin. We are now scaling our international team in Berlin to serve our customers across Europe while retaining the ability to offer great value to our customers. Berlin's multicultural environment allows us to hire people from regions all over Europe.

**Company:** Freshworks

**Activity:** SaaS provider

**Employees:** 1,000 (worldwide)



[www.freshworks.com](http://www.freshworks.com)



**Eric Plam**

*VP & General Manager, Skyroam*

### What does your company do?

Skyroam provides a pocket-size solution to every traveler's greatest fear: limited internet access and prohibitive roaming charges. The patented virtual SIM (vSIM) technology allows automatic connection to the best local wireless network when traveling to provide 3G/4G internet speed anywhere. This affordable and fast device effectively eliminates the problem of WiFi connection and roaming bills.

### How important is internationalization to your activities?

Our product is the definition of international. It was developed and continues to be used by customers all over the world that travel the globe. That is why it is imperative for us to be able to be there for them in order to provide support and assistance wherever they are.

### What does the future hold for your company?

The next step for Skyroam is to power the Internet of Things (IoT). By leveraging our technology, Skyroam delivers a local SIM over the air to ensure a seamless data connection around the world for individual user IoT applications. Skyroam's vSIM technology enables companies in the wireless ecosystem to easily deploy mobile connectivity anywhere in the world; simplifying the supply chain, reducing costs, and improving service levels. As the company grows, we aim to not only specialize in sales in our EU division but also take over some of the R&D. That's why we are planning to grow to approximately 20 employees in the near future, with a team of around 50 in mind over the next three years.

**Company:** Skyroam

**Activity:** 4G LTE global WiFi hotspot provider

**Workforce:** 200 (worldwide)



[www.skyroam.com](http://www.skyroam.com)





**Dr. Robert Axmann**

*Founding Director, Institute of Data Science,  
German Aerospace Center (DLR)*

**What does your organization do?**

The DLR is the aviation and aerospace research center of the Federal Republic of Germany. Its research and development work in aeronautics, aerospace, energy, transportation, digitalization, and security is integrated into national and international cooperation activities. The DLR is currently setting up the Institute of Data Science in Jena. Research will be carried out into developing solutions in the areas of digitalization and Industrie 4.0 for all DLR areas of activity.

**Why is Eastern Germany such an attractive ICT location?**

The new federal states provide excellent research and development conditions. Thanks to its central location and strong research orientation, Thuringia, and Jena in particular, is the ideal location for the construction of a new DLR research institute. The immediate proximity to universities like, for example, the Friedrich-Schiller University Jena, creates short paths that enable successful joint research. Thanks to a strong SME sector and a high level of cross-linking with industry, we have the opportunity to directly link research results with application fields.

**How important is internationalization to your activities?**

Aerospace in particular has always been international in nature. Almost all aerospace projects are carried out in an international or European context. Only a few of our research and development projects would be conceivable without international cooperation and networking.

**Organization:** Institute of Data Science (Jena), DLR

**Activity:** National aeronautics and space research center

**Workforce:** 65 (planned), 8,200 total (DLR)

 [www.dlr.de](http://www.dlr.de)



**Johannes Krafczyk**

*Senior Engagement Manager, T-Systems International*

**What does your company do?**

With sites in more than 20 countries, T-Systems is one of the world's leading cross-vendor digital service providers headquartered in Europe. The company provides integrated solutions for business customers. The Deutsche Telekom subsidiary provides everything from a single source: from secure operation of existing systems and classical IT and telecoms service to the transformation in the cloud. The basis for this is global fixed-line and mobile network reach, high-security data centers, a comprehensive cloud ecosystem with standardized platforms, and international partnerships as well as the highest level of security. Since 2014, T-Systems has operated one of the biggest and most modern cloud data centers in Germany from its site in Saxony-Anhalt.

**Why is Eastern Germany such an attractive ICT location?**

We chose Biere near Magdeburg for our data center site because it is a comparatively inexpensive location: Data centers require the highest level of security which we have in Biere. There are land building areas here with minimal exposure to external risk factors like flooding, quakes, and airport approach paths. This is complemented by the very important factor of optimal energy and grid connection. The proximity to the university cities of Magdeburg, Halle and Leipzig also guarantees access to a well-educated workforce. The interest expressed by the state of Saxony-Anhalt is of equal importance, having supported our project from the outset. Our board membership of the VITM IT network also means that we are excellently networked in the region.

**Company:** T-Systems International

**Activity:** ICT service provider to multinational companies

**Workforce:** 43,700 (worldwide)

 [www.t-systems.com](http://www.t-systems.com)

## Germany Trade & Invest Cluster Marketing Activities

Industry clusters – in which companies, research institutions and universities come together to join a particular industry in a geographical region – provide numerous partnership opportunities and synergy effects for their members. Member companies and organizations also benefit from the cluster umbrella brand when venturing into international markets.

Germany Trade & Invest's cluster marketing activities strengthen the internationalization of the eastern German economy, and the global visibility of both Eastern Germany as an investment location and the cluster in the region. To this end, GTAI has already published the "INVEST. INNOVATE. INTERNATIONALIZE. Industry Clusters in Eastern Germany." booklet highlighting the innovative capacity and attractiveness of the new federal states as an investment location based on the example of a selection of industry clusters in Eastern Germany.

As part of GTAI's 2017 activities, these clusters are now being individually presented in selected international target markets. GTAI provides the accompanying cluster representatives – companies, research institutions and cluster management – with the opportunity to learn more about their target markets and to expand and intensify their network of contacts.

GTAI Cooperation Forums allow cluster delegation members to enter into "matchmaking" discussions with local companies and institutions about potential partnership. Investor events at the selected locations allow Eastern Germany to be presented to foreign companies in order to generate cluster settlement interest. GTAI works closely with the respective federal state economic development agencies and cluster management.

## Powerhouse Eastern Germany

GTAI activities that market Eastern Germany as a business location to the world are bundled together under the "Powerhouse Eastern Germany" umbrella brand. Prospective international investors are advised about market opportunities available in the new federal states.

GTAI's Powerhouse Eastern Germany division promotes the benefits of doing business in the new federal states to international investors as well as seeking to increase the opportunities of Eastern German businesses in the international marketplace. International business delegation and exchange trips play a central role in achieving this dual objective. Powerhouse Eastern Germany branded conference and trade fair visits and special events help communicate the message that the regenerated region has established itself as one of Europe's most attractive and innovative production and service locations.

Particular focus is attached to the region's strong and dynamic industry sectors including the renewable energies, chemical, mechanical engineering, automotive, biotechnology, and service sectors. All international companies interested in locating in Eastern Germany are supported by GTAI and the responsible economic development agencies of the respective new federal states.





## OUR SERVICES

# About Us

Germany Trade & Invest (GTAI) is the economic development agency of the Federal Republic of Germany. The company helps create and secure extra employment opportunities, strengthening Germany as a business location. With more than 50 offices in Germany and abroad and its network of partners throughout the world, GTAI supports German companies setting up in foreign markets, promotes Germany as a business location and assists foreign companies setting up in Germany. All investment services and related publications are free of charge.

### Investment Location Services

- Market and industry reports
- Market entry analyses
- Business and tax law information
- Business and labor law information
- Funding and financing information

### Business Location Services

- Legal and tax-related project support
- Funding and financing advisory services
- Site visit organization
- Local partner and network matchmaking
- Public and private partner coordination

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