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October 2015

Report
Swiss Software Industry Survey

SWISS SOFTWARE INDUSTRY SURVEY

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Preface

The software industry is an important engine of growth and serves as an innovative backbone for many other sectors. In fact, the Helvetic ICT sector generates an overall turnover of more than 20 billion Swiss francs, which makes it one of the most important industry sectors for Switzerland. With a share of roughly 4.5 % of the Swiss GDP*, the ICT sector is nearly as important as the entire insurance sector—but growing at a significantly faster pace. However, the current knowledge about the local software industry is scarce. Therefore, we are happy to announce that with the first round of the Swiss Software Industry Survey (SSIS), we began closing this gap.

Starting in 2015, the SSIS will be issued yearly for the entire Swiss software industry, and is tailored to account for the unique characteristics of Switzerland. The SSIS provides information about the current state, emerging trends, and the long-term developments of the Swiss software industry. Every year, we will gather information about the economic state and growth prospects of the Swiss software industry and shed light on a yearly alternating special theme reflecting the latest trends driving the Swiss software industry. This year's special theme is partnerships between platform vendors and small-and-medium-sized complementors – a type of partnership that is particularly abundant in Switzerland but that we know only little about.

This report summarizes the key results of the SSIS 2015. We hope you find the information presented in this report insightful. We took several measures to make it the best study of its kind: We have created a contact database with approximately 5000 contacts, we have translated the survey into three different languages to draw a complete picture of the software industry in all Swiss regions, and we have developed a robust and reliable survey instrument following state-of-the-art procedures. Of course all this work would have been useless without the participation of more than 400 companies who completed the survey. Our deepest gratitude goes to those companies – and we are happy to announce that those companies will be provided with exclusive access to a special benchmarking website to compare key indicators of their own company against the industry average.

The report starts with a brief executive summary and then continues with more detailed analyses of revenue, profitability and growth of the Swiss software industry as well as a special section on partnerships within this industry. We hope that you will enjoy reading this report.

Dr. Thomas Huber

Thomas Hurni

Prof. Jens Dibbern

*Source: ICT Switzerland, http://ictswitzerland.ch/themen/wirtschaftskraft/

Content

The SSIS 2015 – Methodological Rigor & High Response Rate

To meet highest research standards, we developed and refined a new survey instrument following state-of-the-art procedures of construct development. With this year's SSIS, the new instrument has been applied for the first time. The SSIS was very well received in the Swiss software industry resulting in a total of 402 complete responses from 22 cantons covering all four language regions. Methodological rigor and high response rate add to the quality of the SSIS and enable the provision of reliable knowledge about the current state, latest trends and long-term developments of the Swiss software industry.

402	Responses
22	Cantons

Robust Profitability and an Optimistic View of the Future, Steady Growth Prospects

The Swiss Software Industry is highly profitable. The EBIT margin averaged 8.5 % in 2014. The Swiss Software Industry is also positive about the future, expecting their revenue and their workforce to grow at an average rate of 12 %. This optimistic outlook also manifests in high investments for research and development averaging 14 % of total revenue.

8.5 %	EBIT Margin
12 %	Growth

Low Internationalization

The Swiss software industry is not very internationalized with software exports accounting for only 16 % of revenue. Exports are also not geographically diversified—with Germany accounting for almost half of all software exports and France following well behind in second place (13 %). Thus, the Swiss software industry exports more to Germany and France than to the rest of the world.

16 %	Export Share
50 %	Germany

Loyal Partners

Due to their limited size and resource endowments Swiss software companies increasingly partner with large international platform vendors such as Microsoft, Apple, and SAP. Microsoft is by far the most important platform vendor—42 % of the surveyed companies consider Microsoft to be their most important partner. Oracle (9%), Apple (6%), SAP (6%) und IBM (4%) follow at considerable distance.

Even though partnerships with large platform vendors are frequently described as superficial and ad-hoc, these partnerships are surprisingly stable and long-lasting in Switzerland. More than 50 % of the partnerships are older than 10 years, and younger partnerships—e.g., with Apple or Google - rather reflect new technological trends than disloyal partners. Generally, Swiss software companies plan to remain loyal: 80 % plan to continue their partnership with their most important platform owner—and switching to another platform owner is rejected by almost all companies.

No. 1	Microsoft
50 %	10 Years+
80 %	Loyal Partners

Official Statistics - Employees and Added Value

Table 1: Percent of Total Added Value in 2013 and Percent of Total Employees in 2014 by Industry

	Added Value	FTEs
Energy and Water Supply	1.77%	1.11%
Construction	5.24%	8.81%
Other Industries	19.08%	17.65%
Trading and Automotive	14.60%	14.91%
Hotels and Restaurants	1.77%	4.72%
Computer Programming & Information Services (NOGA 62, 63)	2.20%	2.31%
Financial and Insurance Services	10.44%	5.90%
Public Administration	10.75%	4.45%
Education	0.54%	5.81%
Healthcare and Social Services	7.44%	11.95%
Transport and Communications	4.12%	5.35%
Business-Related Services	7.06%	8.12%
Other Sectors	14.98%	8.91%
Total	100%	100%

Source: BESTA , Added Value 2013, FTEs 2014

The SSIS as Complement to Official Statistics

Data about the Swiss Software Industry is provided as part of official statistics nested in the broad categories of "Computer programming, consultancy and related acitvities" and "Information service activities" (NOGA codes 62 & 63).

The respective data on added value (~revenue) and number of employees from Swiss Statistics emphasizes the major importance of the Helvetic Information Technology and Information Services sector. With more than 20 billion Swiss francs it adds roughly 2.5 % to the Swiss GDP (see Table 1) and employs almost 2.5 % of all jobholders in Switzerland (see Table 2).

While the Information Technology and Information Services sector is already of major importance, it also grew at a significantly faster pace than other major industries in Switzerland. Figure 1 illustrates this massive growth showing that the number of jobholders in this industry nearly tripled between 1995 and 2014.

Official statistics provide reliable information about the to size and growth of the overall IT sector. However, they do not draw a very detailed picture about the Swiss software industry.

Therefore, the SSIS positions itself as a complementary study that enriches official statistics. This is made possible by focusing on two NOGA codes (62, 63) and thereby ensuring compatibility with official statistics, while at the same time providing the reader with a richer picture of what is going on within these codes.

Employees in the Swiss ICT Sector

Figure 1: Number of FTEs in NOGA 62 & 63 from 1995 - 2014
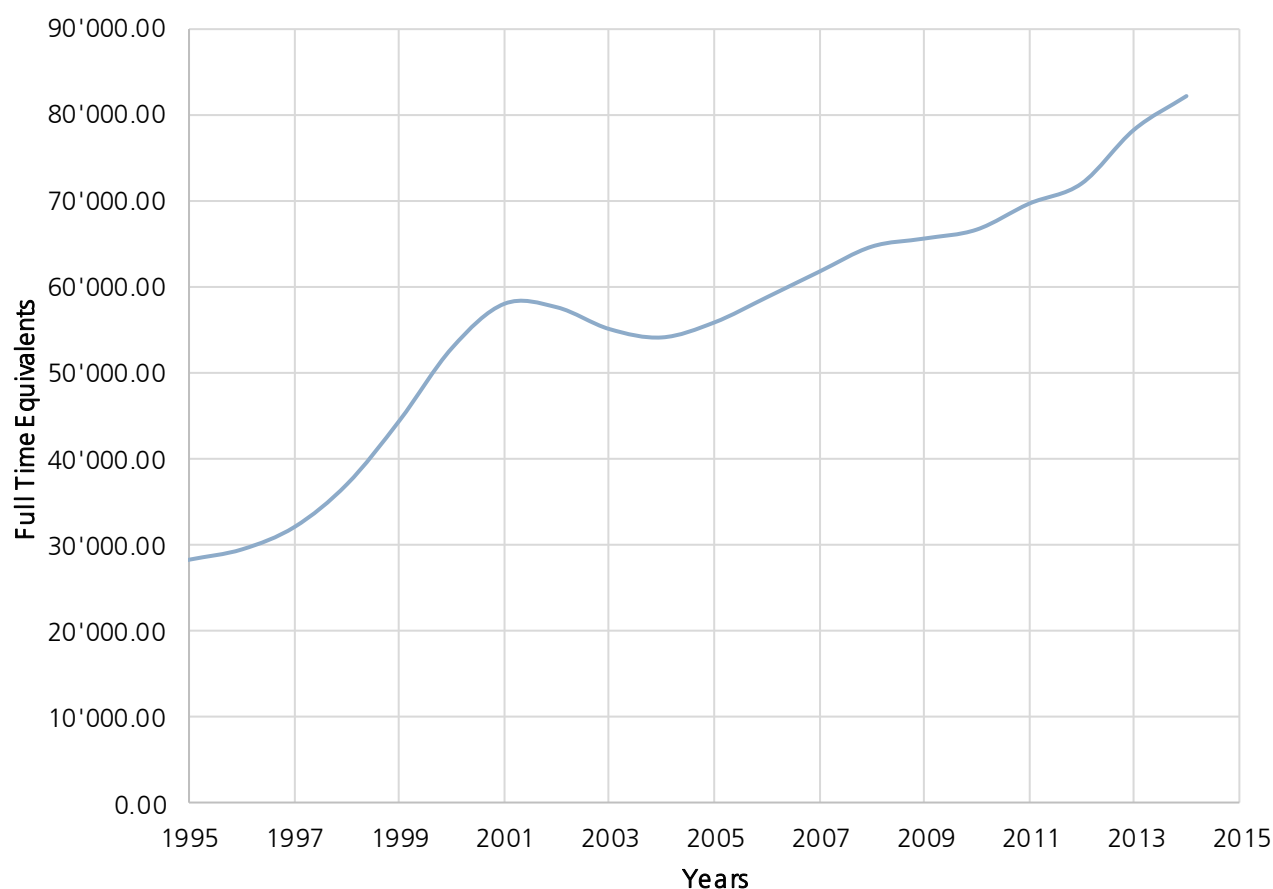

Source: BESTA 2014

Drawing a Richer Picture of the Swiss Software Industry

This report provides you with a more detailed picture of the Swiss Software Industry. In particular, the SSIS enables the following additional insights:

- Lagging indicators about employees and revenue constructed from latest data collected in 2015

- Leading indicators to forecast employees and revenue.

- Novel indicators about the industries profitability and R&D investments.

- Analyses along practically relevant categories (e.g., standard vs. individual software, permanent employees vs. freelancers).

- First look at internationalization

- First look at tasks of software workers

- First look at partnerships with platform owners

Participants in 2015 - Geographical Distribution

Figure 2: Participating Companies per Canton
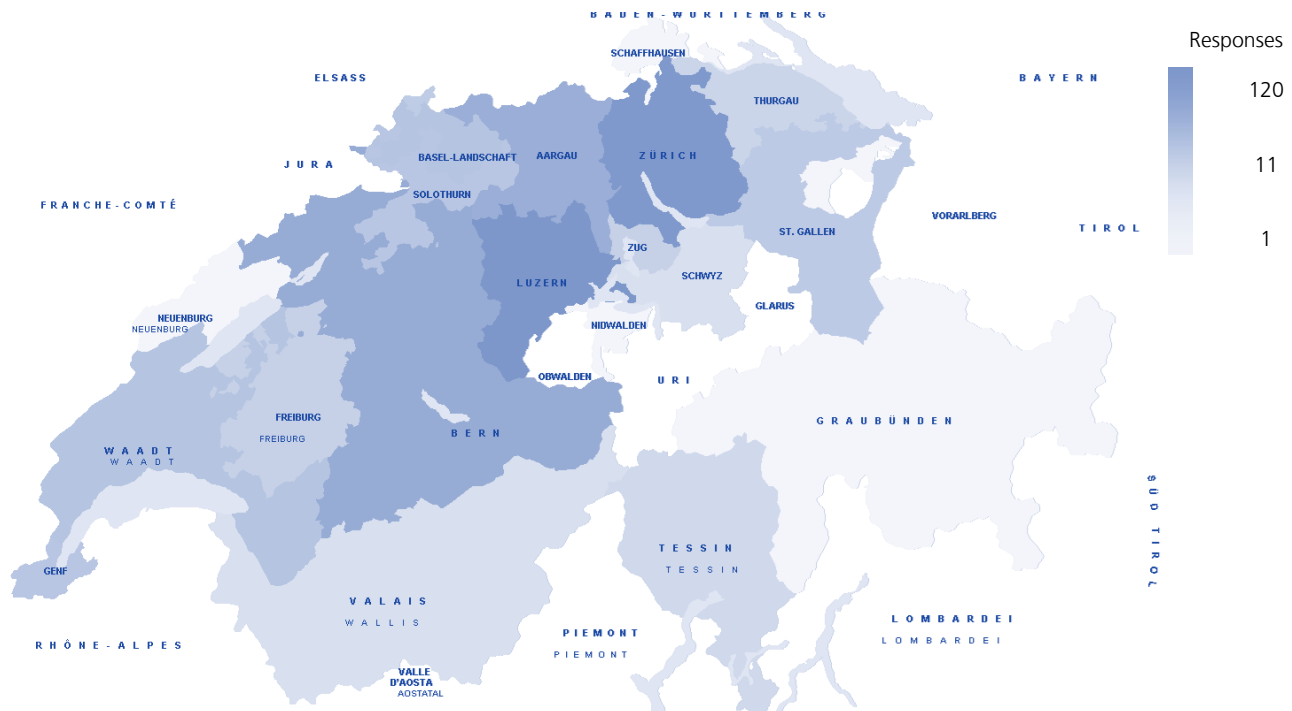
Source: SSIS 2015   N = 389

About the SSIS in 2015

In 2015, the Swiss Software Industry Survey (SSIS) was initiated by Dr. Thomas Huber, Thomas Hurni, and Prof. Dr. Jens Dibbern of the Institute for Information Systems (IWI) at the University of Bern. The SSIS is the direct successor of the Swiss Software Industry Index (SSII), conducted by Dr. Pascal Sieber & Partners. In order to improve over this predecessor, we teamed up with Sieber & Partners. As a result, we identified key areas of improvement and developed suitable measures:

♦   **Reach of the survey:** To represent the entire Swiss software industry, we created and validated a high-quality contact database of approximately 5000 Swiss software companies.

♦   **Rigor of the survey:** To meet highest research standards, we developed, refined, and assessed new constructs by following state-of-the-art procedures for construct development.

♦   **Benefits for participating companies:** To provide a strong incentive for survey participants, we designed a website that allows those participants to benchmark their own performance against other companies in the Swiss software industry (ssis-stats.iwi.unibe.ch).

These measures provided the basis for a smooth conduction of the SSIS 2015:

♦   Covers all Swiss language regions

♦   Covers 22 cantons (see Figure 2)

♦   843 participants

♦   402 complete responses

♦   339 data points on revenue and profitability

♦   10 minutes 34 seconds mean processing time

The 1st conduction starts off a long-term research endeavor with a yearly report that sheds light on the current state, latest trends and long-term developments of the Swiss software industry.

Concentration of Revenue in Our Sample

Figure 3: Distribution of Revenue Among the Participating Companies
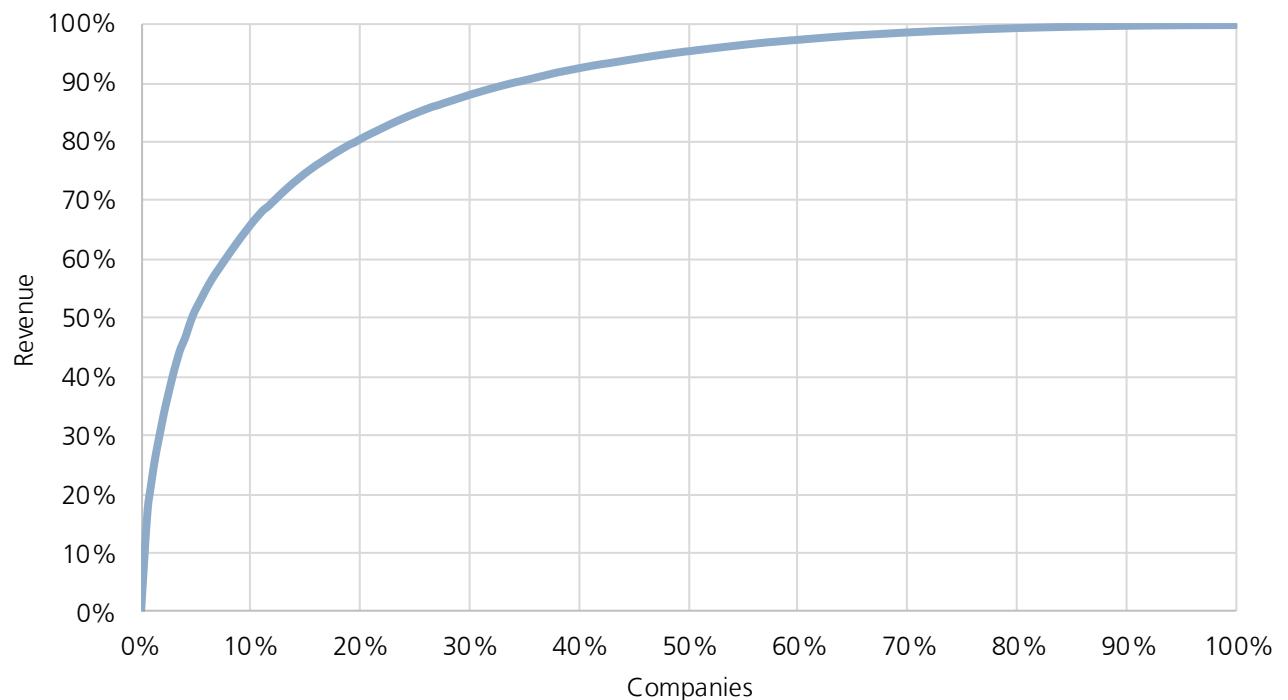
Source: SSIS 2015   N = 340

22% of the companys generate

80%

of the revenue

SME Structure and the Importance of Reach

The Swiss Software Industry is not very concentrated. The largest 20% of the companies in our sample are responsible for around 80% of the industry revenue (see Figure 3) . Compared to other industries this is a rather low degree of concentration. Accordingly, the Swiss Software Industry stretches far beyond the ubiquitous heavy-weights of the international software market and many small and medium-sized companies make considerably revenue as well and employ thousands of software workers.

To reflect this low degree of concentration in our survey, it was important to contact a large number of companies so that the study would not be biased by the responses of a few heavy-weights.

Accordingly, we have contacted 4955 companies and were able gather 402 complete responses, amongst them 340 that indicated their revenue. This represents a considerable improvement over predecessor studies with fewer contacts and fewer responses.

The SSIS is not designed as a fixed-panel study, instead, software companies are invited to join the survey next year to further improve its reach. If you want your company to become part of the SSIS 2016 and benefit from personal benchmarking, please register here: registration.iwi.unibe.ch
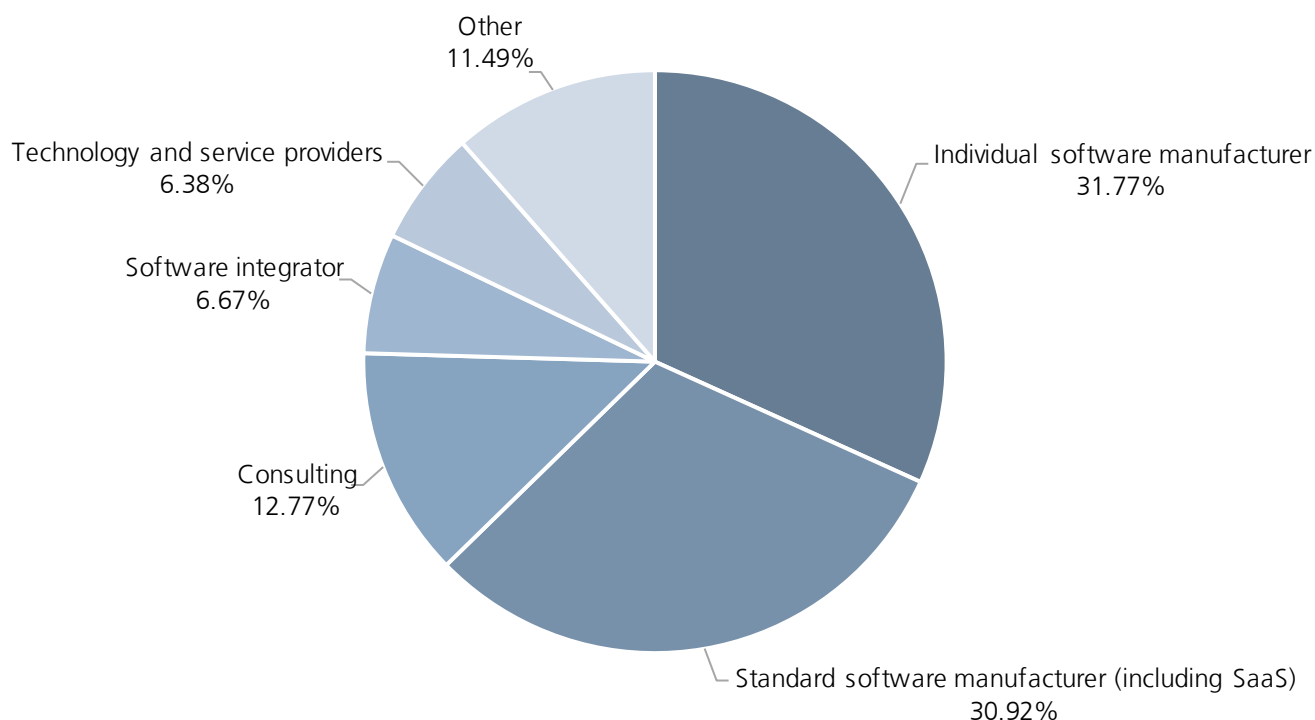
Spotlight on

Revenue, Profitability & Future Growth

Distribution of Participating Companys

Figure 4: Number of Companies per Field of Activity as % of Total Responses

Source: SSIS 2015   N = 705

Manufacturers of Individual and Standard Software Dominate

Individual and standard software companies dominate our sample—each accounting for about one third of responses. Consulting follows with roughly 12 %. Software integrators and technology and service providers follow at some distance (6 %) (see Figure 4).

This picture changes only slightly when looking at revenues (see Figure 5): Individual software manufacturers account for 37 %, standard software manufacturers for 27 %, and consultancies for 15 % of the industry revenue.

Looking at employee distribution (see Figure 6), standard software manufacturers employ 39 % of software workers. Standard software manufacturers follow with 29 %, and consulting with 13 %.

Comparing these numbers provides two interesting insights. First, our data shows that the average revenue of software companies varies between the different fields of activity (see Figure 7): Individual software manufactures are on average the largest com-

panies in terms of revenue (3.9 Mio CHF), followed by standard software manufactures (3.6 Mio CHF), consultancies (3.5 Mio. CHF) and software Integrators (3.5 Mio CHF). Technology and service providers are far behind with 1.9 Mio CHF.

The second interesting insight emanates from a comparison of average revenue per employee (see Figure 8). In this category, technology and service providers rise to the top with 277 kCHF, closely followed by consultancies (265 kCHF) and software integrators (255 kCHF). Individual software manufacturers (210 kCHF) and standard software manufacturers (199 kCHF) follow at some distance.

Thus, individual and standard software manufacturers make disproportionally high revenue per company but disproportionally low revenjue per employee. In contrast, technology and service providers make disproportionally low revenue per company but disproportionally high revenue per employee.

Distribution of Revenue

Figure 5: Revenue per Field of Activity as % on Industry Revenue

Other
4.99%

Technology and service providers
5.25%

Software integrator
8.09%

Consulting
16.75%

Individual software manufacturer
37.23%

Standard software manufacturer (including SaaS)
27.69%
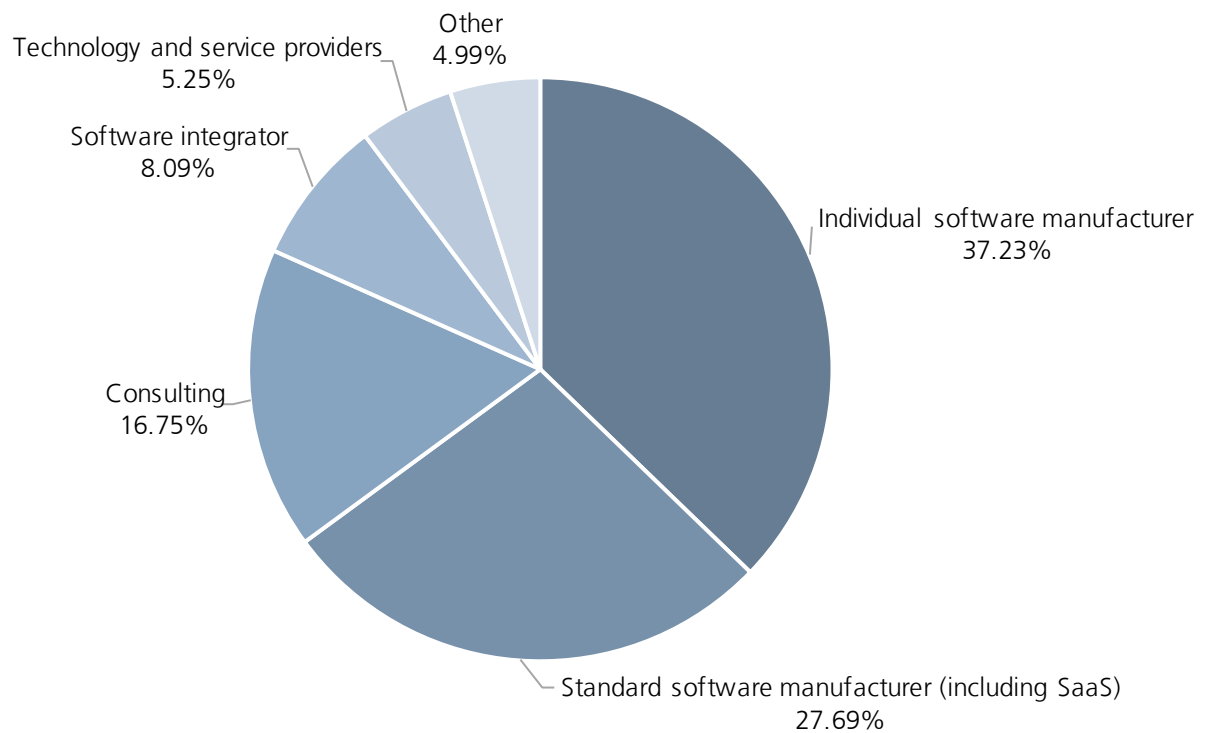
Source: SSIS 2015   N = 336

Distribution of Employees

Figure 6: FTEs per Field of Activity as % on Industry FTEs

Other
6.30%

Technology and service providers
3.42%

Software integrator
7.95%

Consulting
12.24%

Individual software manufacturer
36.29%

Standard software manufacturer (including SaaS)
33.80%
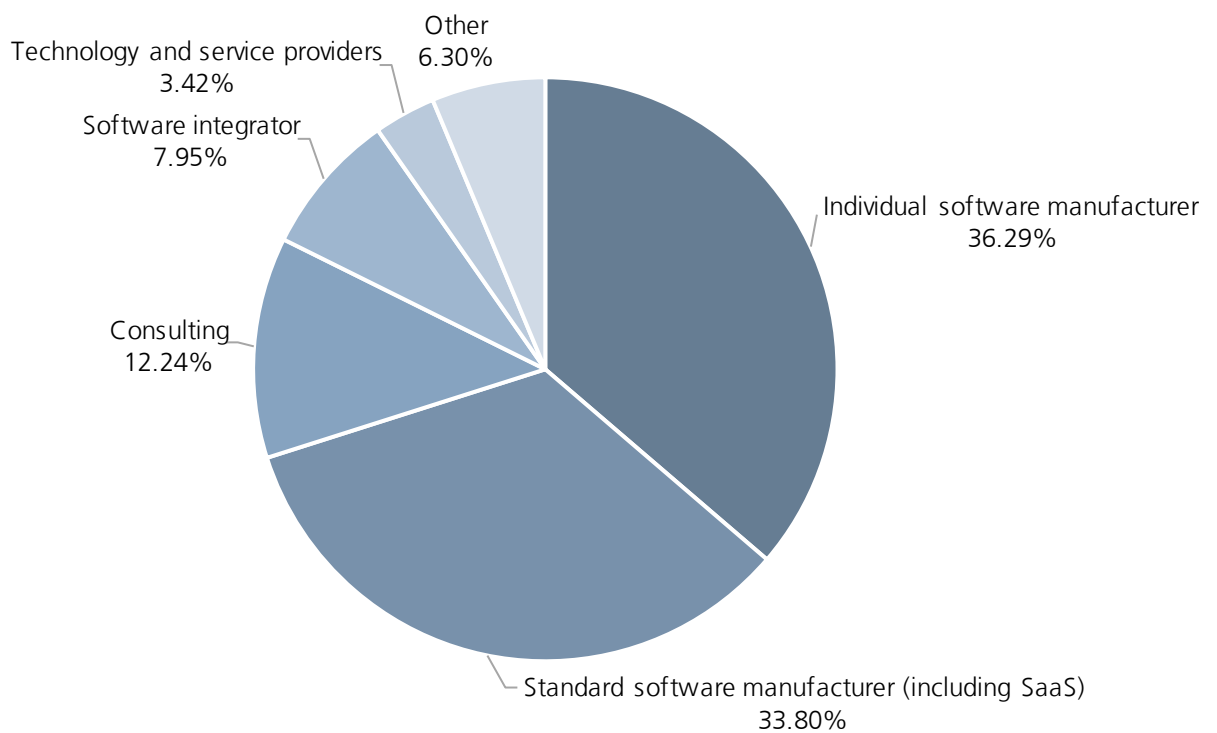
Source: SSIS 2015   N = 345
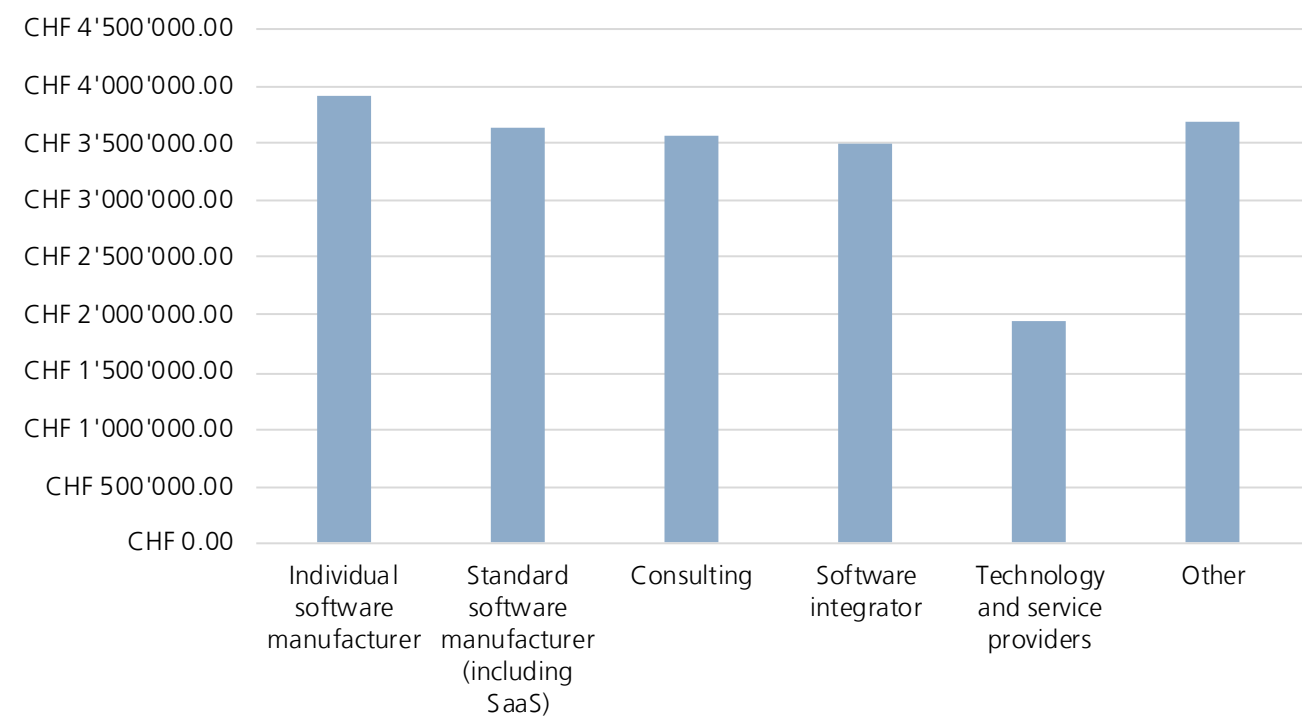
Revenue per Company

Figure 7: Average Revenue per Software Company
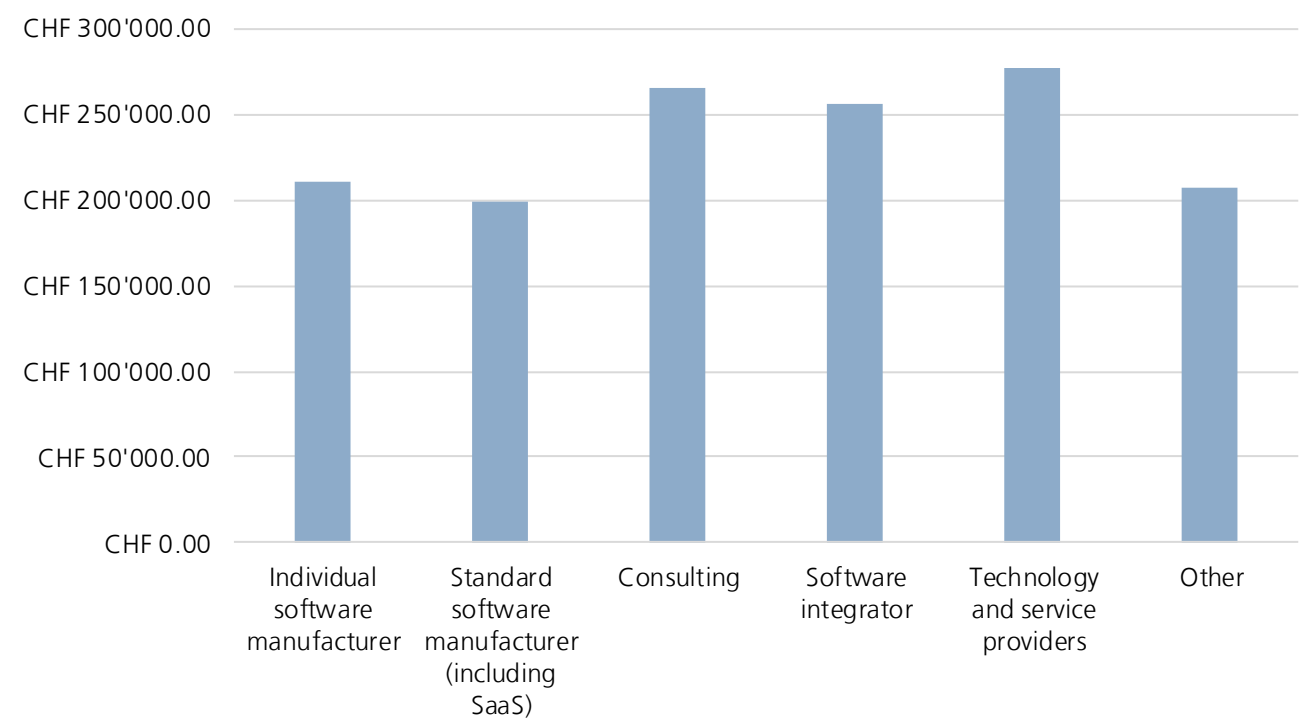

Source: SSIS 2015   N = 260

Revenue per Employee

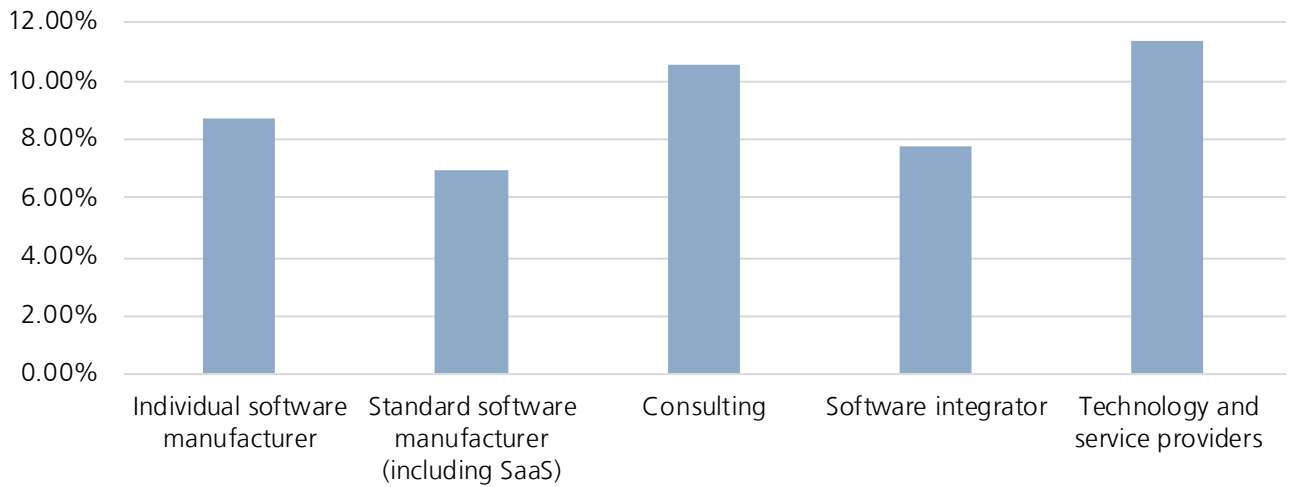Figure 8: Average Revenue per Employee

Source: SSIS 2015   N = 260

EBIT Margins in the Swiss Software Industry

Figure 9: EBIT Margin by Field of Activity

Source: SSIS 2015   N = 250

Robust Profitability

The Swiss Software Industry is highly profitable. The EBIT (Earnings before interest and taxes) margin—an established measure of profitability—averaged 8.5 % in 2014 .

This is a rather high margin as illustrated by Figure 10 which plots the EBIT margin of a number of other profitable industries in Europe: While Financial Services and the Chemical Industry are even more profitable, the Swiss software industry beats Automotive, Hotels and Transportation.

Within the software industry consulting is the most profitable branch, closely followed by technology and service providers (see Figure 9). Individual software manufacturers are more profitable than standard software manufacturers but the latter also invest more in R&D (see next page).

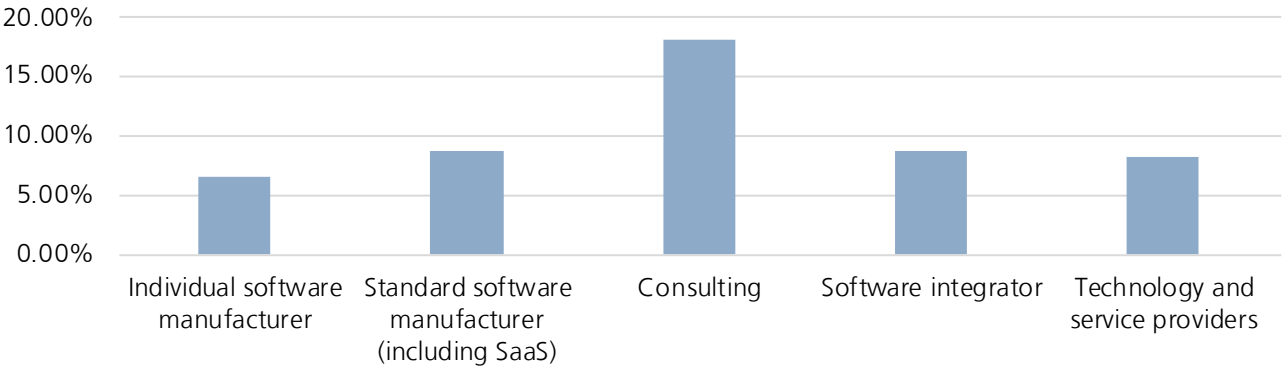# EBIT Margins - Industry Comparison

Figure 10: EBIT Margins of Different Industries
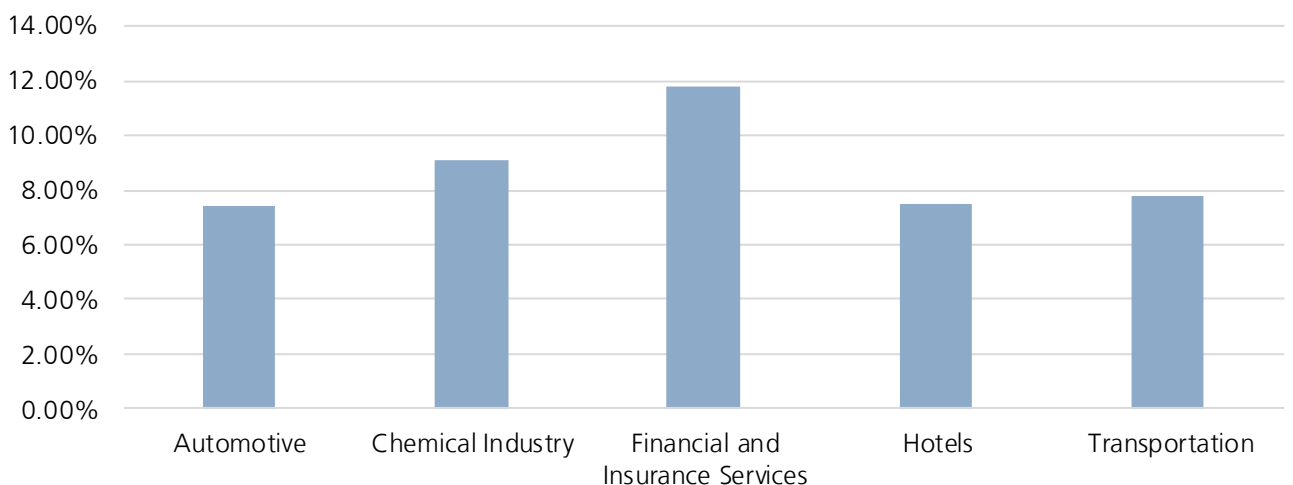
Source: Damodaran, A., New York University

Expected Growth in Revenue

Figure 12: Expected Year Over Year Revenue Growth 2014 - 2015

Source: SSIS 2015   N = 336

Steady Growth Prospects

The Swiss Software Industry is positive about the future, expecting revenue to grow at an average rate of 11.78%. Thereby, all subindustries expect their revenue to grow more than 7 %. Consulting companies rise the pinnacle with an expected increase of more than 18.05 % (see Figure 12). This optimistic outlook on the future is also reflected in the considerable expenses in R&D (see Figure 13).

R&D Investments

Figure 13: R&D Investments in 2014 as Percentage of Revenue
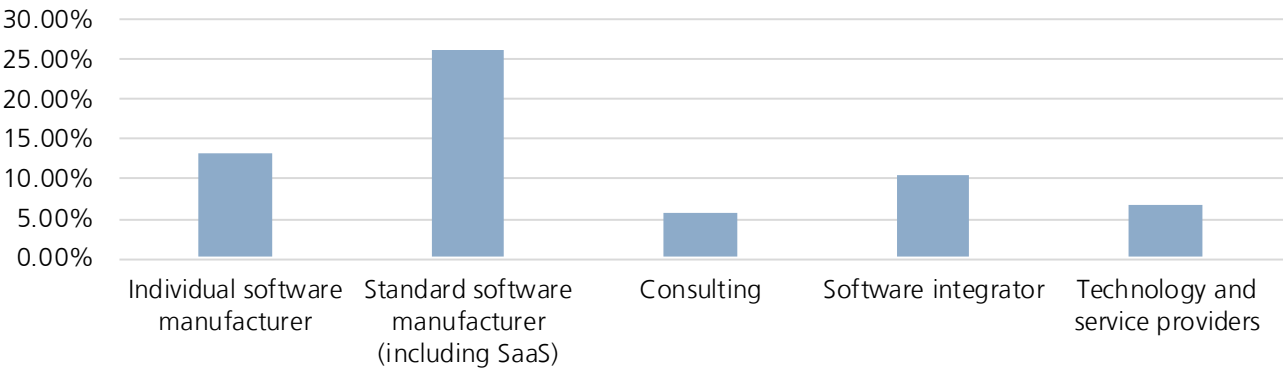
Source: SSIS 2015   N = 336

High R&D Investments

With an average of 14.19 % of the overall revenue spent for research and development, the Swiss Software Industry heavily invests into its future. Individual software manufactures spend 13.05% of overall revenue for research and development. They are second to manufacturers of standard software which invest roughly a quarter of their revenue into their company's future. Consulting has the lowest R&D expenses - and still manages to grow at the highest rate.

Employee Growth Prospects

Figure 14: Expected Year Over Year Growth of Workforce
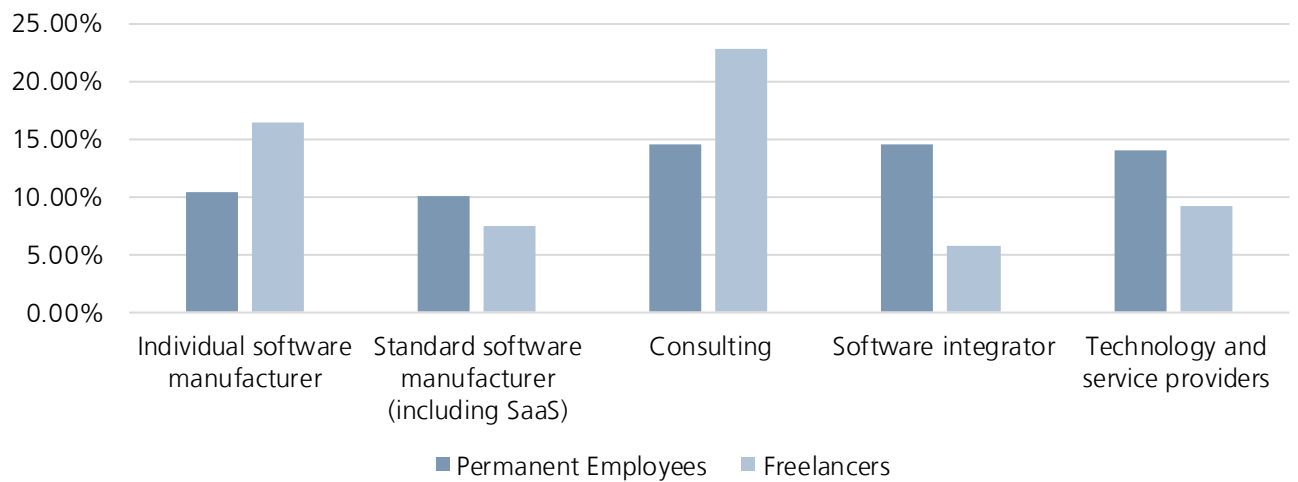
More Software Workers Overall

The Swiss Software Industry tries to achieve its growth goals by increasing its workforce. Employee growth goes hand in hand with revenue growth with an expected overall increase of 12 %. Consultancies expect the highest growth in employees but software integrators and technology and service providers expect their workforce to grow even faster than their revenue (see Figure 14).

Both the number of permanent employees and freelancers are expected to grow, however, across many subindustries freelancers grow faster (see Figure 14). On average, freelancers are expected to grow at a rate of 17 % whereas permanent employment is expected to grow at a considerably lower rate of roughly 11 % (see Figure 15).

Employee Growth Prospects

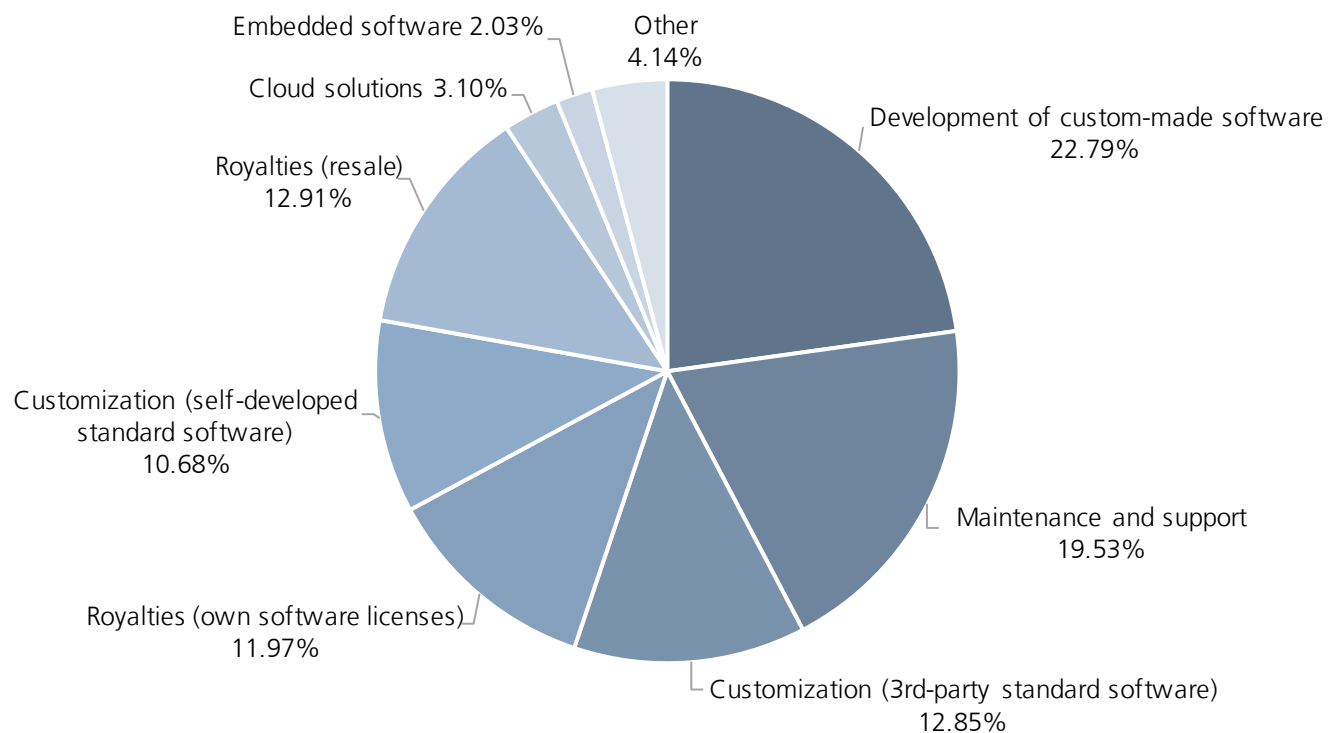Figure 15: Expected Year Over Year Growth - Permanent Employees vs. Freelancers
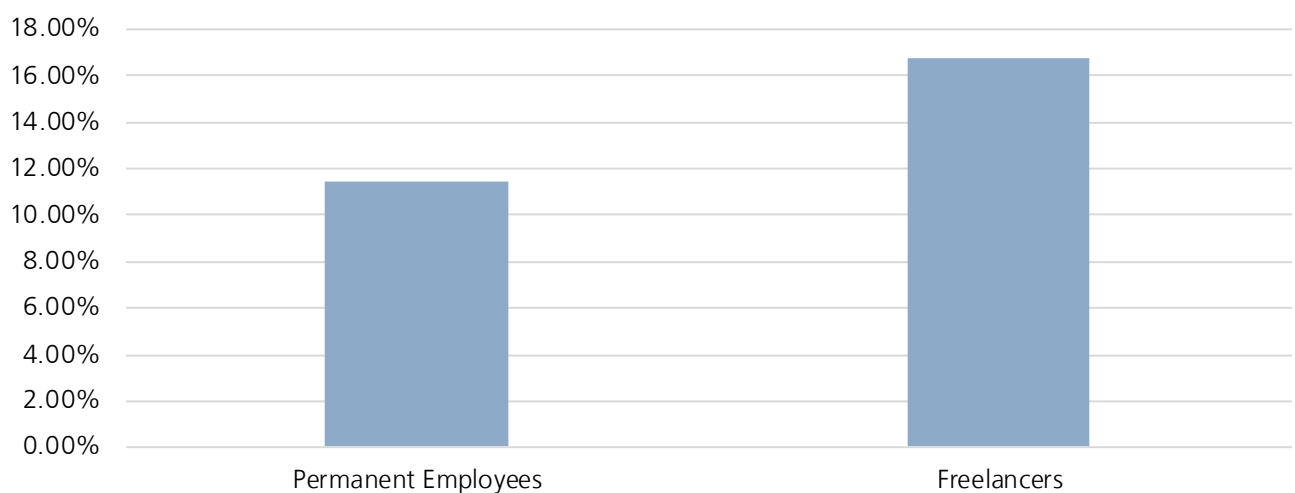
Spotlight on
Sources of Revenue

Sources of Revenue - by Software Task

Figure 16: Revenue from Different Software Tasks as % of Industry Revenue

Embedded software 2.03%
Other 4.14%
Cloud solutions 3.10%
Development of custom-made software 22.79%
Royalties (resale) 12.91%
Customization (self-developed standard software) 10.68%
Maintenance and support 19.53%
Royalties (own software licenses) 11.97%
Customization (3rd-party standard software) 12.85%

Source: SSIS 2015

N = 293

Among the participants,

22.73 %

develop custom software

Main Source of Revenue: Professional Services

The Swiss Software Industry's main source of revenue is service. The Development of custom-made software and Maintenance and support accounts for more than 40 % of the industry revenue. Customization of 3rd-party software and Customization of self-developed software together account for roughly a quarter of the industry revenue. Only after that comes revenue from royalties for software licenses (resale, own licenses) with another quarter (see Figure 16).
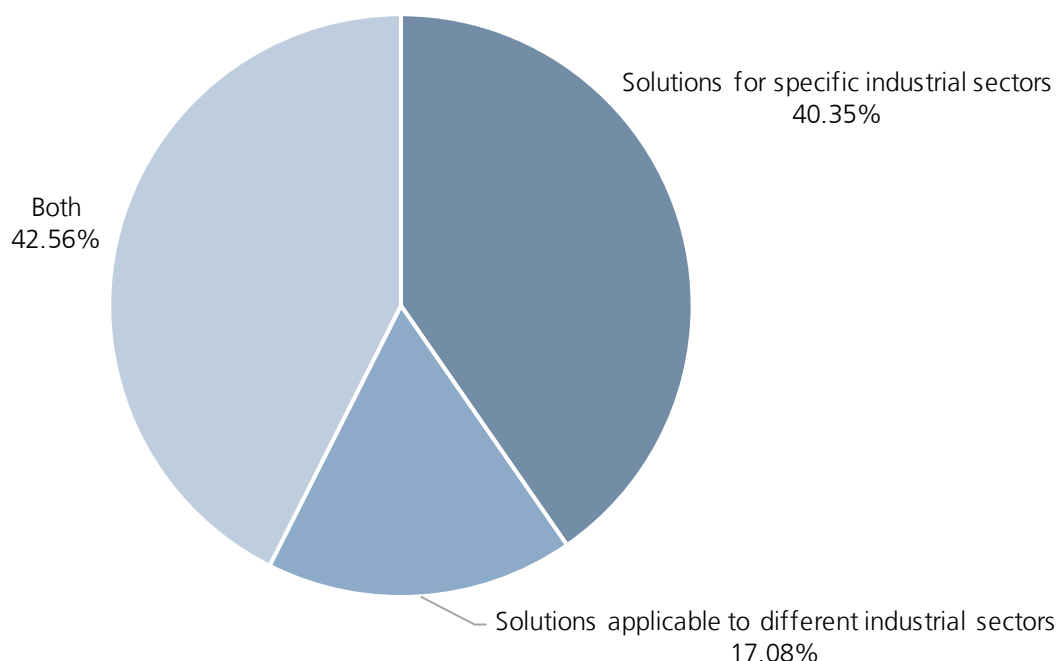
With roughly 95 % almost all the revenue of the Swiss software industry comes from corporate in contrast to private customers. Thus, private customers account for the tiny proportion of 5 % of industry revenue. While it is not surprising that corporate customers account for a large proportion of revenue, the sharp focus on professional services for corporate customers sets the Swiss Software Industry apart from the US software industry in which consumer-focused companies such as Google and Apple have become dominant players.

The strong focus on professional services also alludes to the importance of partnerships with platform owners which are often leveraged to provide specialized professional services and products that serve as complements to an established platform (see special section on Partnerships, p. 30).

Sources of Revenue - Cross-Industry vs. Specialized Solutions

Figure 17: Percentage of Companies Providing Solutions for...

Both
42.56%

Solutions for specific industrial sectors
40.35%

Solutions applicable to different industrial sectors
17.08%

Source: SSIS 2015   N = 290

In the sample,

40.35 %

focus on specific industries

Strong Industry Specialization

More than 80 % of the companies in the Swiss Software Industry generate their revenue with offerings, specialized on distinct industries. 40 % of the Swiss software companies even generate all of their revenue by occupying specific industry niches (see Figure 17).
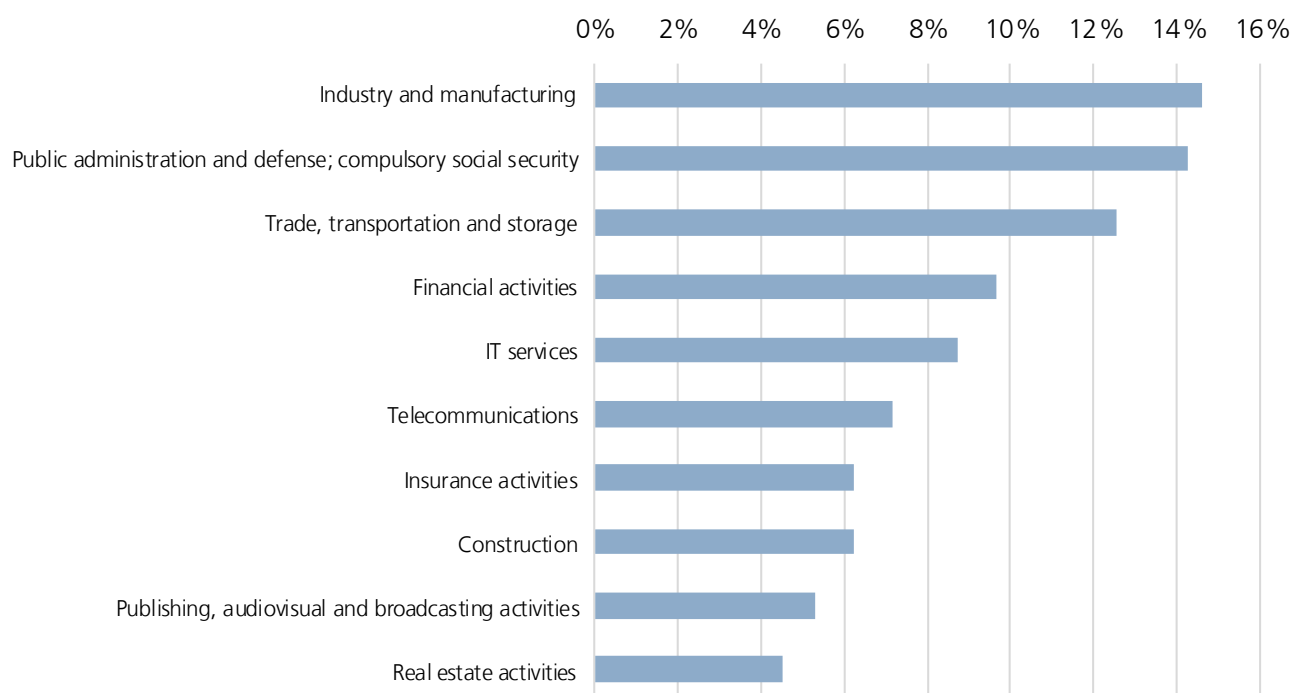
Yet, on which industries do Swiss software companies focus? The three most frequently mentioned industry specializations were Industry and manufacturing, Public administration as well as Trade and transportation (see Figure 18). Notably, the Financial services industry did not reach the Top 3—despite its great importance for Switzerland. However, combined with the insurance activities, it would further forge ahead.

Yet, if the revenue of the software companies is factored in, the picture changes dramatically (see Figure 19). Software companies focusing on the Financial services industry account for more than 20 % of total revenue and are thus far ahead of any other industry specialization. Public administration remains the second most important industry, followed by Manufacturing.

Overall, this suggests that more software companies focus on Industry and manufacturing than on Financial services. But the fewer software companies that focus on financial services are bigger and overall generate nearly twice as much revenue.

Industry Specialization of Swiss Software Companies

Figure 18: Percentage of Companies Stating to Focus on...

| | 0% | 2% | 4% | 6% | 8% | 10% | 12% | 14% | 16% |

- Industry and manufacturing
- Public administration and defense; compulsory social security
- Trade, transportation and storage
- Financial activities
- IT services
- Telecommunications
- Insurance activities
- Construction
- Publishing, audiovisual and broadcasting activities
- Real estate activities

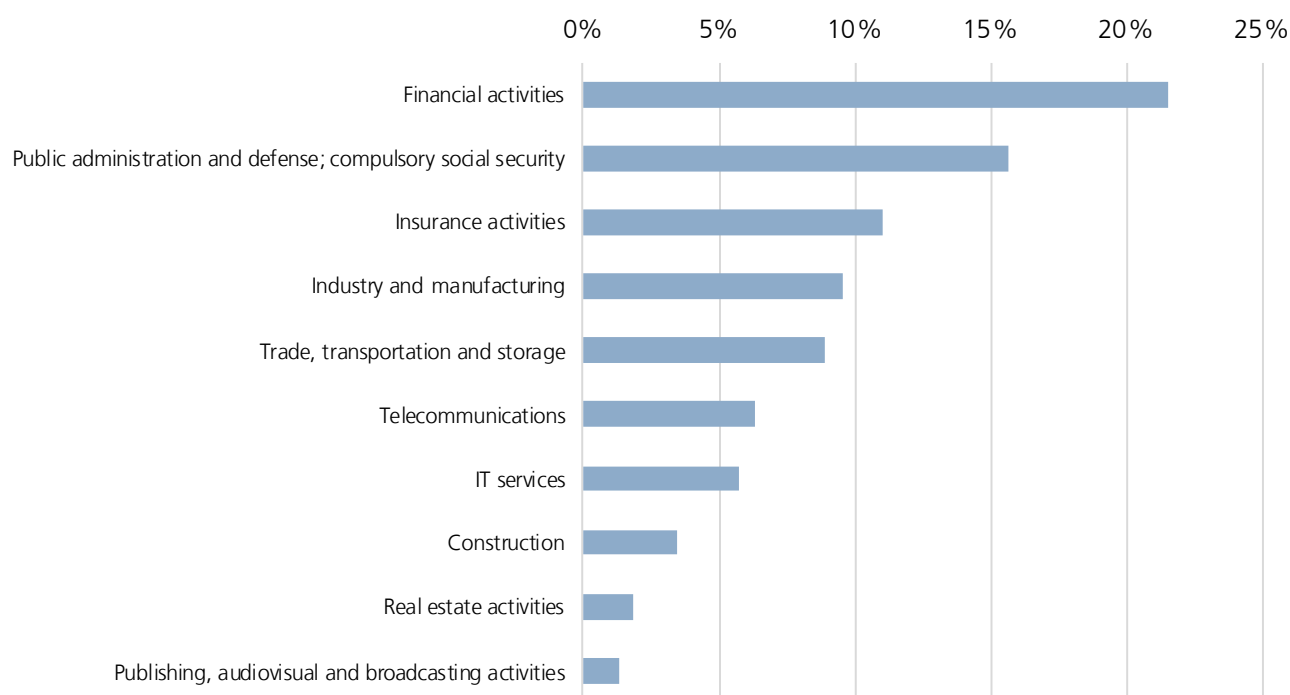Source: SSIS 2015   N = 290

Sources of Revenue - Revenue by Industry Specialization

Figure 19: Revenue of Software Companies Focusing on the Following Industries as % of Industry Revenue

| | 0% | 5% | 10% | 15% | 20% | 25% |

- Financial activities
- Public administration and defense; compulsory social security
- Insurance activities
- Industry and manufacturing
- Trade, transportation and storage
- Telecommunications
- IT services
- Construction
- Real estate activities
- Publishing, audiovisual and broadcasting activities

Source: SSIS 2015   N = 209
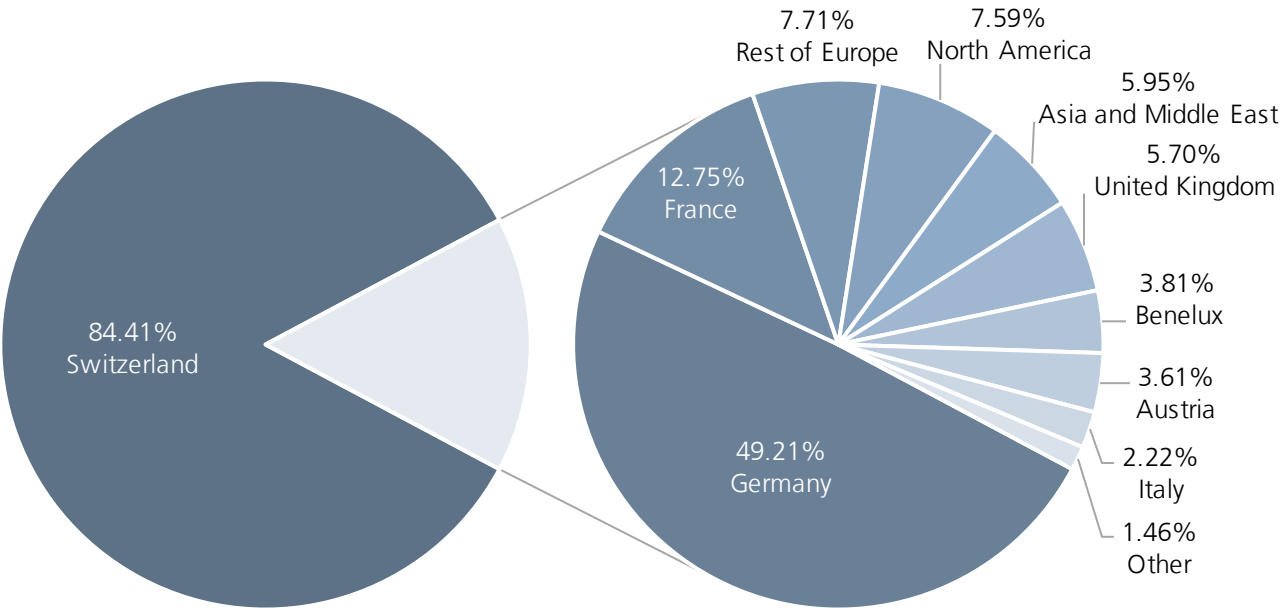
Spotlight on
Internationalization

Internationalization - Export Revenue by Country

Figure 20: Revenue from Different Countries as % of Industry Revenue

7.71% Rest of Europe
7.59% North America
5.95% Asia and Middle East
5.70% United Kingdom
12.75% France
3.81% Benelux
3.61% Austria
84.41% Switzerland
49.21% Germany
2.22% Italy
1.46% Other

Source: SSIS 2015   N = 293

Only,

15.59 %
Revenue from exports

The Low Internationalization of Swiss Software Companies

Only 16 % of the revenue of the Swiss Software industry comes from countries other than Switzerland; and nearly half of that revenue comes from a single country - Germany. France follows at great distance (13 %). Switzerland has higher software exports to Germany and France than to the rest of the world (see Figure 20).
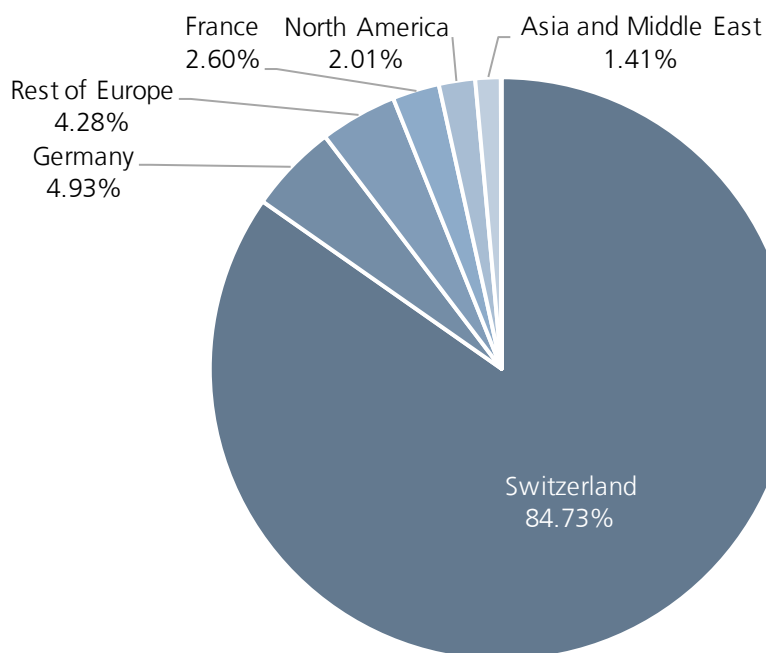
If you split the sample between manufacturers of standard software and manufacturers of individual software the picture only changes slightly (see Figure 21 and Figure 22). The geographic diversion of exports remains low. Nonetheless, manufactures of standard software are more internationalized (15.27 %) than manufacturers of individual software (13.98 %).

The low degree of internationalization even for manufacturers of standard software is surprising, given that once standard software is developed, it can be sold to non-Swiss customers without extensive internationalizing efforts. Thus, internationalization provides ample growth opportunities for Swiss manufactures of standard software.

In contrast, the business model of individual software manufacturers does not scale as easily and is likely to be more limited by high labor cost.

Internationalization of Manufacturers of Standard Software

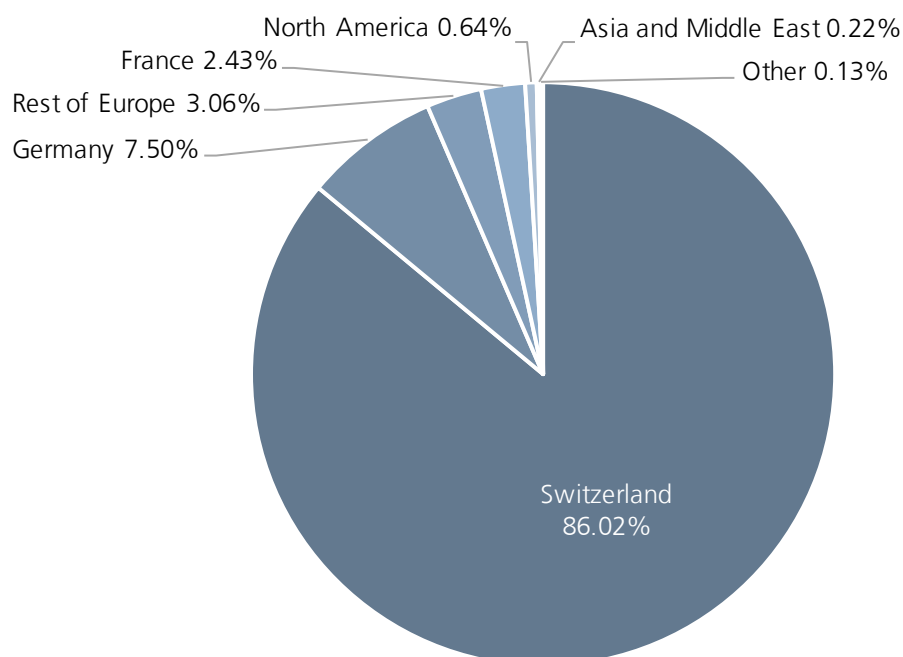Figure 21: Revenue from Different Countries as % of Total Revenue of Standard Software Manufacturers

France 2.60%
North America 2.01%
Asia and Middle East 1.41%
Rest of Europe 4.28%
Germany 4.93%
Switzerland 84.73%

Source: SSIS 2015

N = 79

Internationalization of Manufacturers of Individual Software

Figure 22: Revenue from Different Countries as % of Total Revenue of Individual Software Manufacturers

North America 0.64%
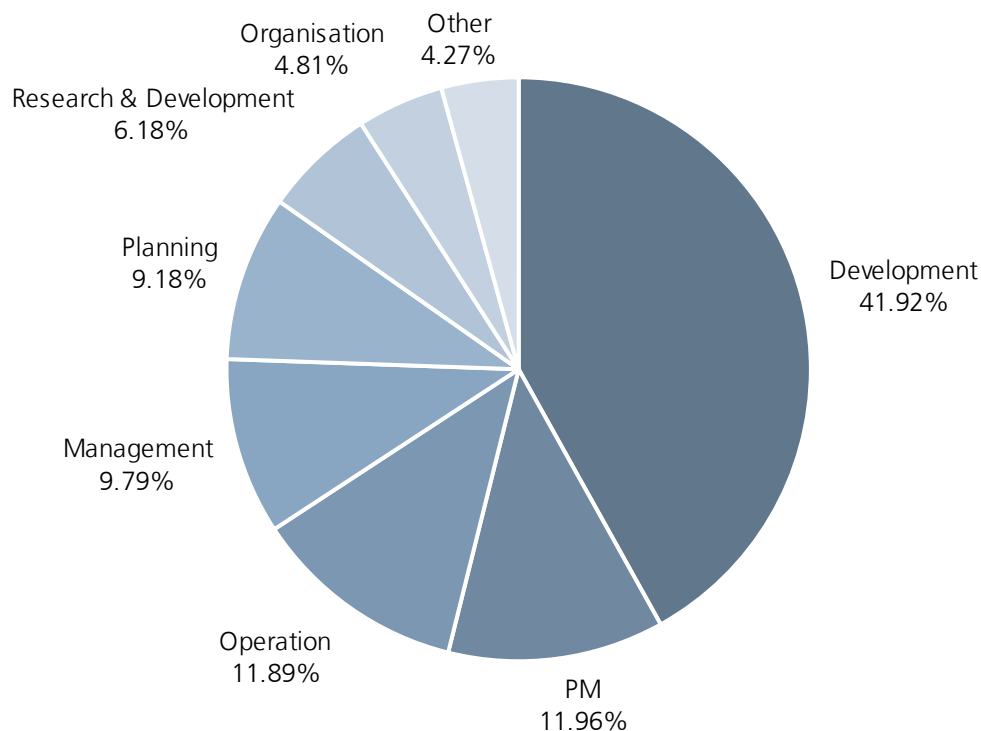Asia and Middle East 0.22%
Other 0.13%
France 2.43%
Rest of Europe 3.06%
Germany 7.50%
Switzerland 86.02%

Source: SSIS 2015

N = 105

Spotlight on
Software Workers

Job Roles of Swiss Software Workers

Figure 23: Percentage of Employees in Respective Role

Source: SSIS 2015   N = 419

Amongst the employees,

41.92 %
are software developers

Focus on Development

Software work is multi-faceted. It ranges from more technical roles such as Development and Operations to more managerial tasks such as Project Management and Planning. So, in which roles do Swiss software workers actually work?

Figure 23 answers this question: Software developers are by far the largest fraction inside Swiss software companies accounting for roughly 42 % of the workforce. Project management, Operations, Higher Management and Planning all account for roughly 10 % of the workforce.
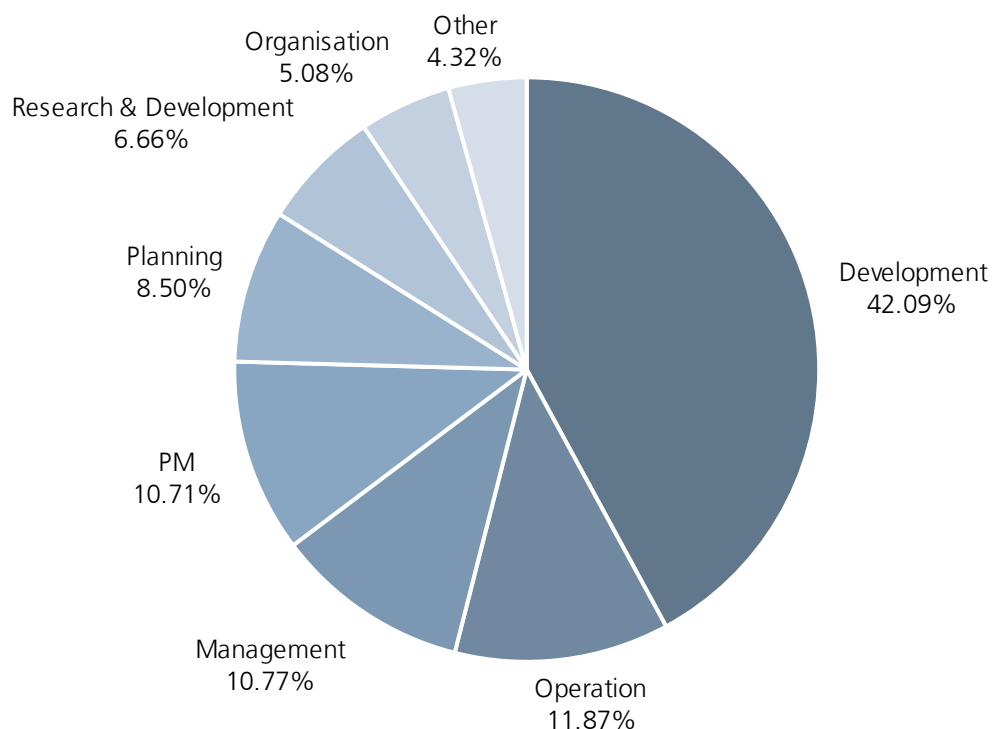
Swiss software workers seem to be hardly involved in other value-generating activities such as marketing and sales or internationalization strategies—

maybe this is another explanation for the low export share of Swiss software companies (see Figure 20, p. 24) .

Comparing job roles of Manufacturers of individual software and Manufactures of standard software shows that the first has a much higher proportion of Development workers than the latter. The latter instead employ more software workers focusing on Operations and Management (see Figure 24 and Figure 25).

Job Roles of Software Workers - Standard Software Manufacturers

Figure 24: Percentage of Employees in Respective Role

Other 4.32%
Organisation 5.08%
Research & Development 6.66%
Planning 8.50%
PM 10.71%
Management 10.77%
Operation 11.87%
Development 42.09%

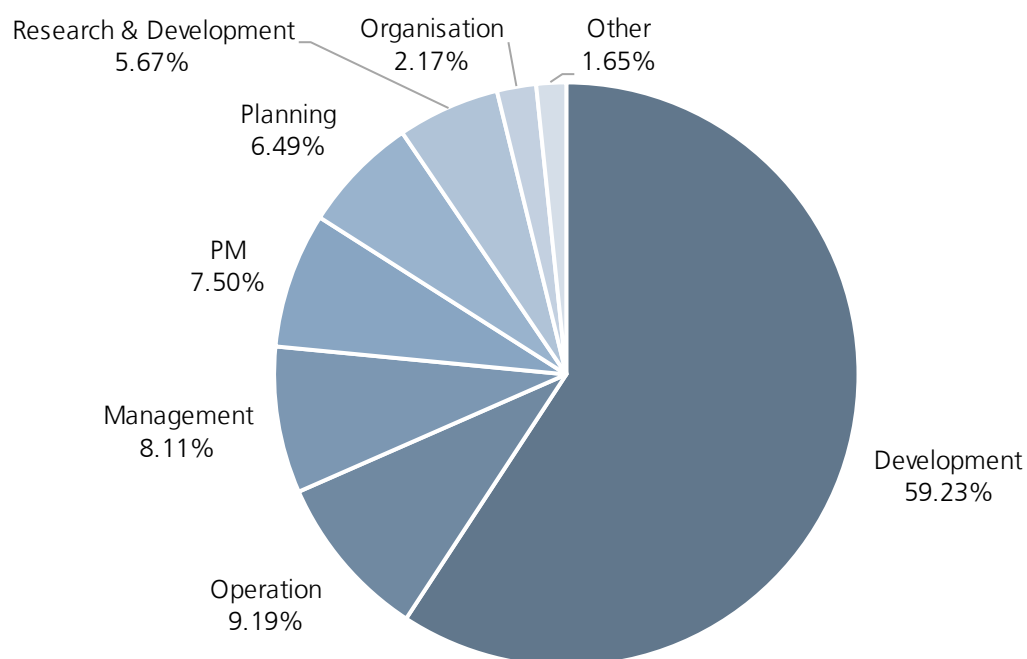Source: SSIS 2015   N = 79

Job Roles of Software Workers - Individual Software Manufacturers

Figure 25: Percentage of Employees in Respective Role

Research & Development 5.67%
Organisation 2.17%
Other 1.65%
Planning 6.49%
PM 7.50%
Management 8.11%
Operation 9.19%
Development 59.23%

Source: SSIS 2015   N = 105
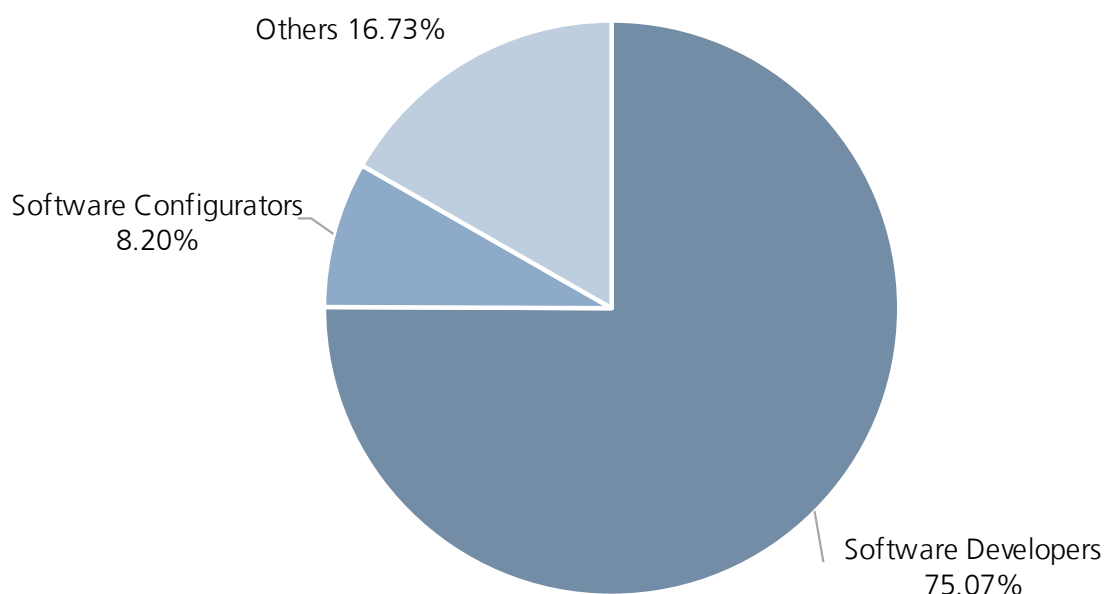
Spotlight on
Partnerships

Software Partnerships - Development vs. Implementation Partners

Figure 26: Percentage of Software Companies that are Official Development vs. Implementation Partners

Others 16.73%

Software Configurators
8.20%

Software Developers
75.07%

Source: SSIS 2015   N = 214

Amongst the participants,

214

maintain partnerships

Partnerships are important - particularly with Microsoft

Due to their small size and their focus on niche solutions, most Swiss IT companies have limited resource endowments. One way to deal with this is by collaborating with large multi-national companies like Google or IBM in so-called platform ecosystems to access external resources. Such partnerships are indeed very important in the Swiss software industry: 214 companies in our sample stated to maintain at least one partnership. 75 % of those partnerships are development partnerships, 8 % are configuration partnerships, and the remaining 17 % are partners with another status (see Figure 26).
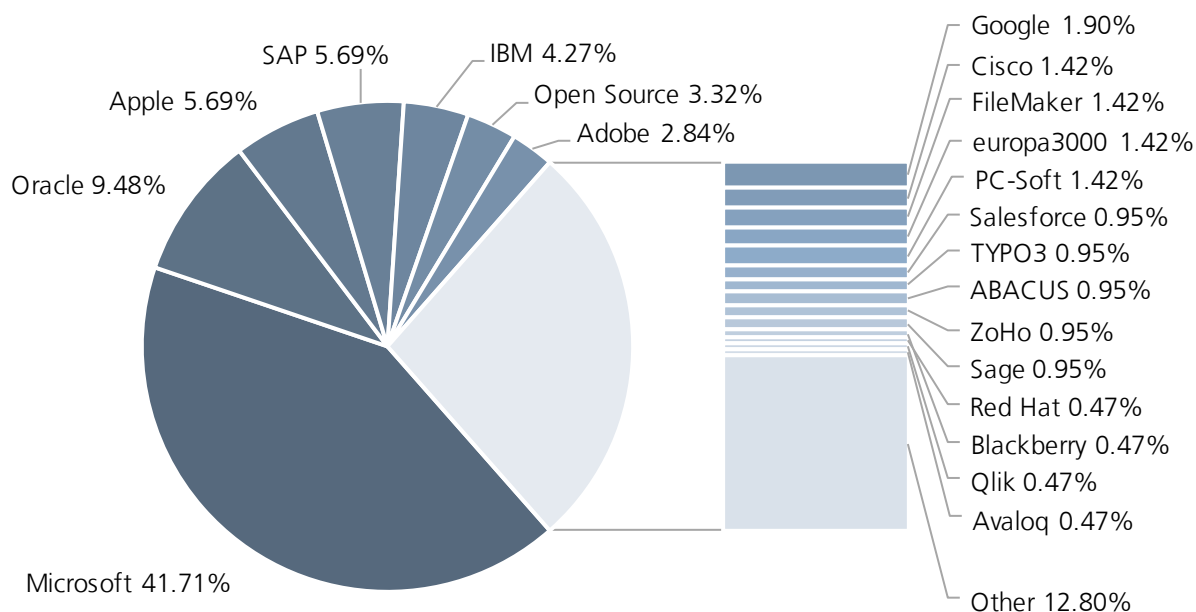
The platform owner with by far the most partners in our sample is Microsoft—a third of all partnerships are with this company. Apple and Oracle the num-

ber two and three respectively lag far behind accounting for roughly 10% of partnerships in our sample (see Figure 27). The importance of Microsoft as a partner for the Swiss software companies is even more evident when asked about the most important partnership (see Figure 28): Roughly 42 % indicated Microsoft to be their most important partner, followed by Oracle (10 %). Interestingly, only 5 % of the companies indicate Apple, SAP, or IBM as their most important partner.

The picture essentially stays the same if revenue of partners is factored (see Figure 28)—with two notable exception: The Swiss platform owner ABACUS advances to the 6th place, and Oracle gains considerably in importance.

Software Partnerships - Most Important Platform Owners

Figure 27: Percentage of Companies Indicating the Following Platform Owners as Most Important Partner
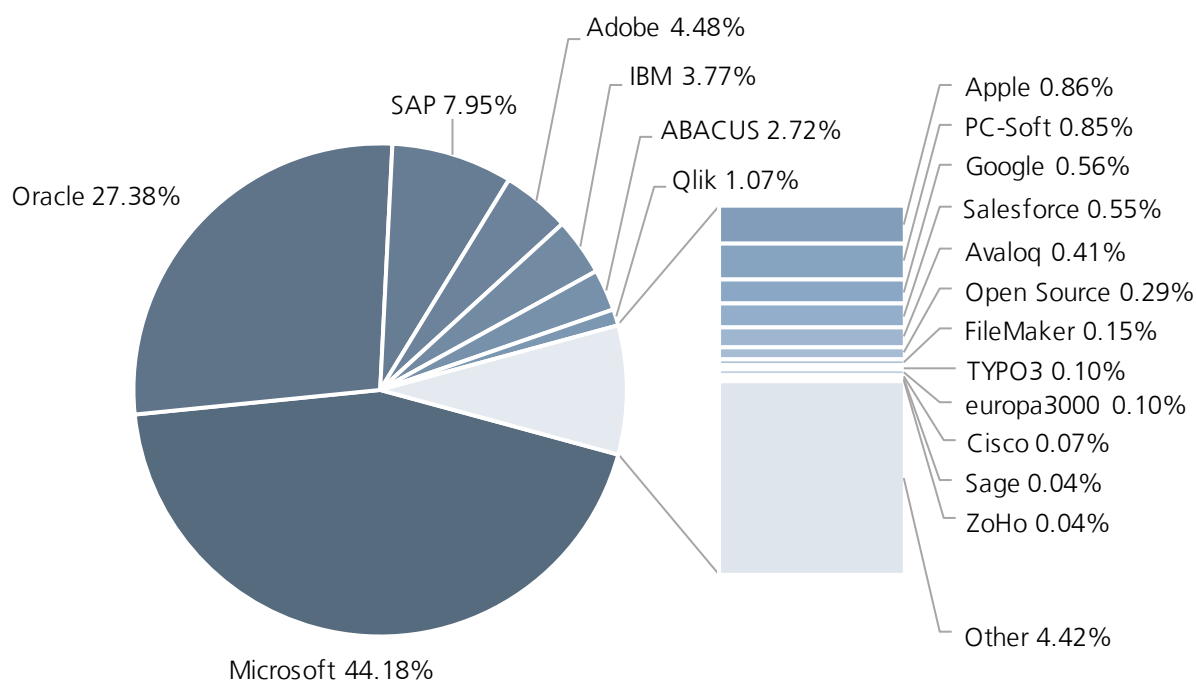

Google 1.90%
Cisco 1.42%
FileMaker 1.42%
europa3000 1.42%
PC-Soft 1.42%
Salesforce 0.95%
TYPO3 0.95%
ABACUS 0.95%
ZoHo 0.95%
Sage 0.95%
Red Hat 0.47%
Blackberry 0.47%
Qlik 0.47%
Avaloq 0.47%

Other 12.80%

SAP 5.69%
IBM 4.27%
Open Source 3.32%
Adobe 2.84%
Apple 5.69%
Oracle 9.48%
Microsoft 41.71%

Source: SSIS 2015   N = 211

Software Partnerships - Platform Owners by Partner Revenue

Figure 28: Revenue of Companies Partnering with the Following Platform Owners as % of Total Partner Revenue


Adobe 4.48%
IBM 3.77%
ABACUS 2.72%
Qlik 1.07%
SAP 7.95%
Oracle 27.38%
Microsoft 44.18%

Apple 0.86%
PC-Soft 0.85%
Google 0.56%
Salesforce 0.55%
Avaloq 0.41%
Open Source 0.29%
FileMaker 0.15%
TYPO3 0.10%
europa3000 0.10%
Cisco 0.07%
Sage 0.04%
ZoHo 0.04%

Other 4.42%

Source: SSIS 2015   N = 211

Number of Partnerships with Platform Owners

Figure 29: Percentage of Companies with the Following Number of Partnerships
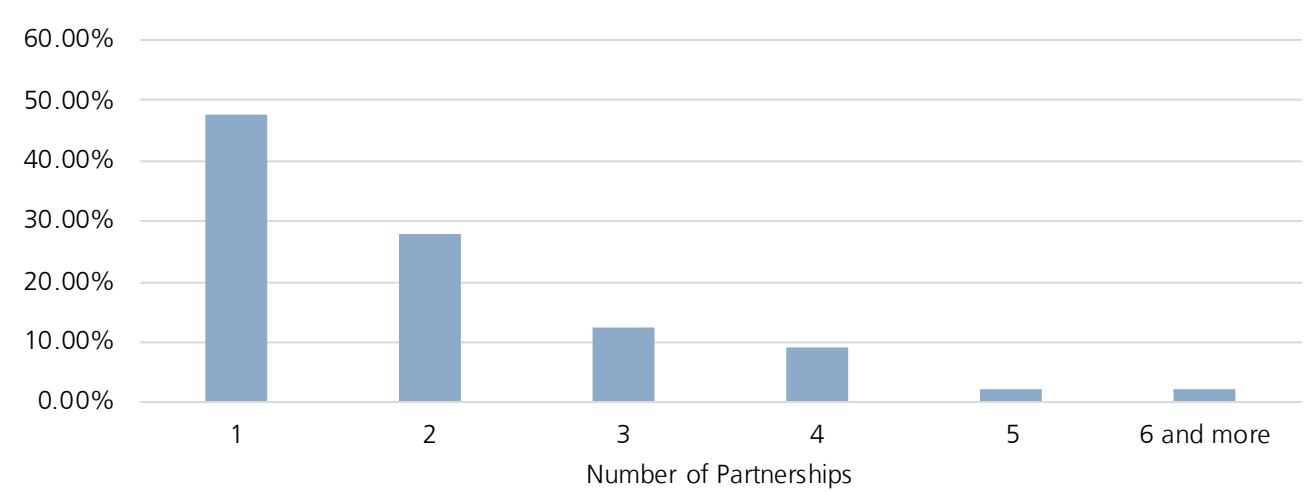
Source: SSIS 2015   N = 216

Swiss Software Partnerships - Focused and Long-Lasting

Partnerships with large platform vendors are frequently described as superficial and ad-hoc such that software companies maintain several partnerships and frequently switch or plan to switch to another partner. Our survey draws a very different picture for the Swiss software industry: Almost 50% of the participating companys focus on exactly 1 partnership and three fourths do maintain no more than two partnerships (see Figure 29). At the same time, these partnerships are long lasting. More than 50 % of the partnerships are older than 10 years. And even the young partnerships (< 4 years) in our sample do not contradict this longevity since the majority of young partnerships is with Apple and Google—the providers of relatively young mobile platforms (Figure 30).

Age of Partnerhips with Platform Owners

Figure 30: Percentage of Partnerships in the Following Age Classes
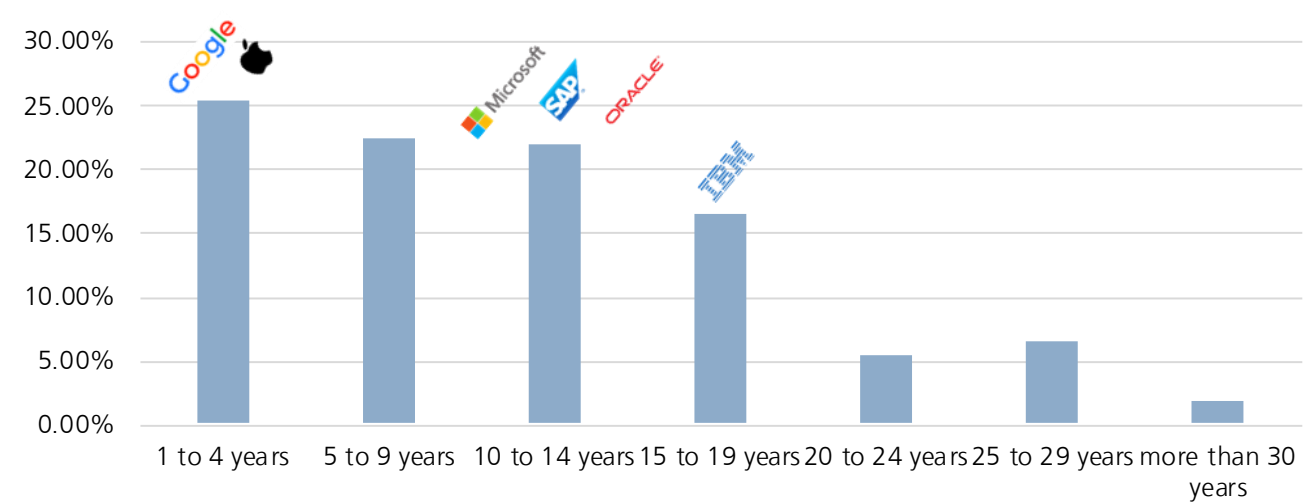
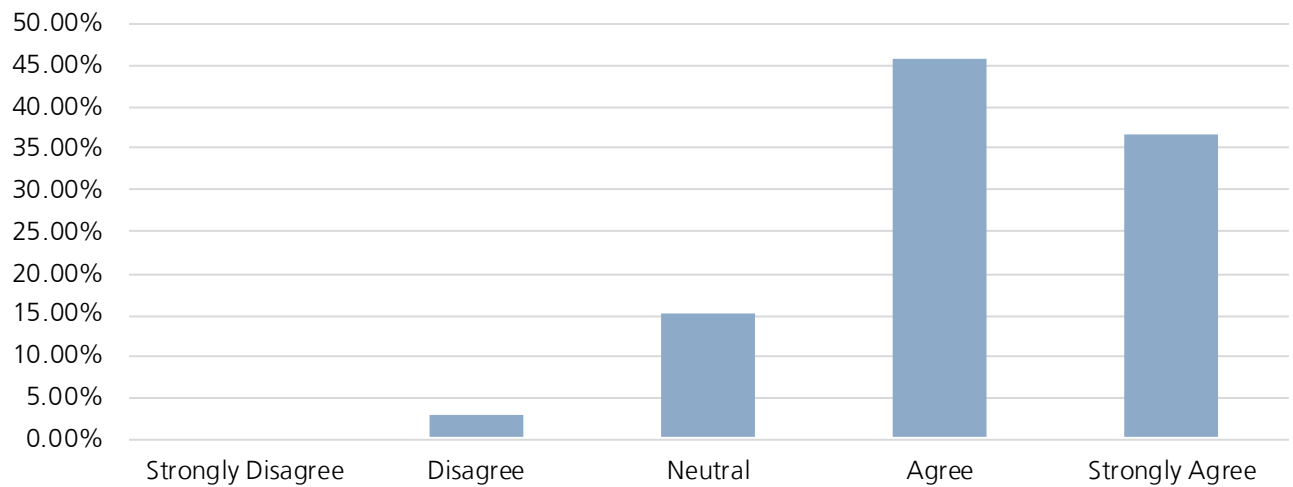Source: SSIS 2015   N = 169

Expected Partnership Continuation

Figure 31: Percentage of Companies which Plan to Continue their Most Important Partnership

N = 153

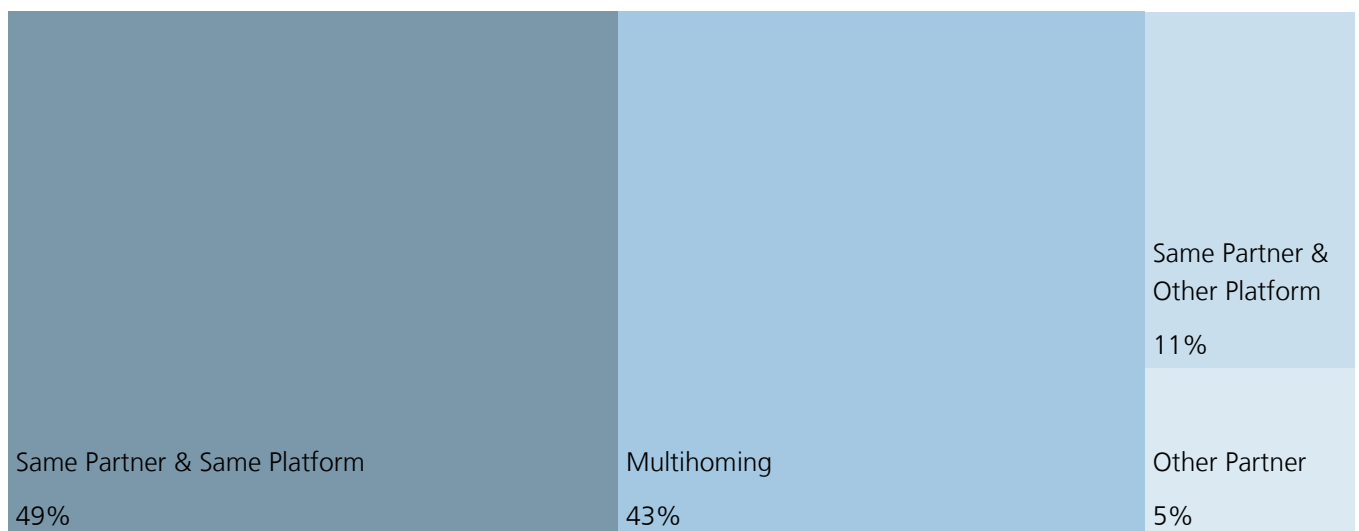## Swiss Software Companies are Loyal to their Partners

Swiss software companies have not only been loyal in the past but plan to remain loyal in the future. More than 80 % of the software companies plan to continue their partnership with their most important platform owner—and less than 3 % plan to switch to another platform owner (see Figure 31).

Generally, the companies in our sample are faced

with four potential platform diversification strategies (see Figure 32): (1) To adopt another platform but to simultaneously remain faithful to existing platforms (Multi-Homing), (2) to switch to another platform form the same platform owner, (3) to switch both platform and platform owner, and (4) to change nothing and stick to the existing platform. (continued on next page).

Future Platform Strategy

Figure 32: Percentage of Companies that Agreed to have the Intention to Follow one of the Following Strategies
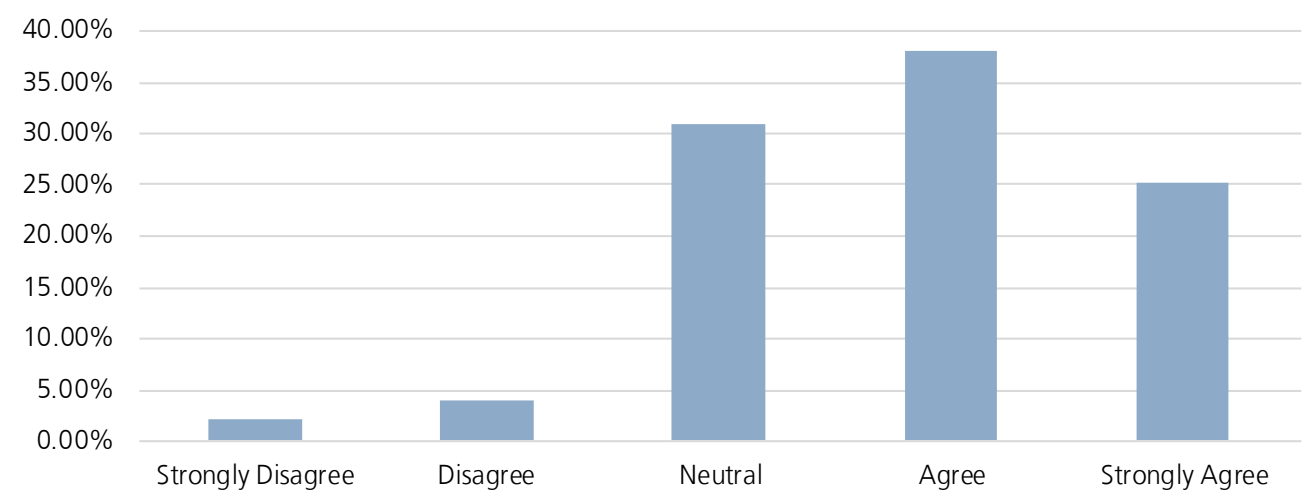

Same Partner & Same Platform 49%

Multihoming 43%

Same Partner & Other Platform 11%

Other Partner 5%

N = 169

Trust in Platform Owner

Figure 33: Percentage of Companies which Trust the Platform Owner

Source: SSIS 2015   N = 155

## Swiss Software Companies are Loyal to their Partners (cont.)

Interestingly, the latter non-diversification strategy is by far the most popular strategy among Swiss partners with a 49 % approval rate. The multi-homing strategy is also fairly popular with an approval rate of 43 %. The least popular strategy is to switch to another platform from another platform owner. Only 5 % of the partnering companies consider such a strategic move. Similarly unpopular is switch-

ing to another platform from the same platform owner with an approval rate of 11 %. Thus, most companies outright reject terminating existing partnerships and as a consequence the overarching intention is to adopt additional platforms rather than switching to other platforms.

The reasons for this loyalty are discussed next.

Dependency of the Partner

Figure 34: Percentage of Companies which Feel Dependent upon the Platform Owner
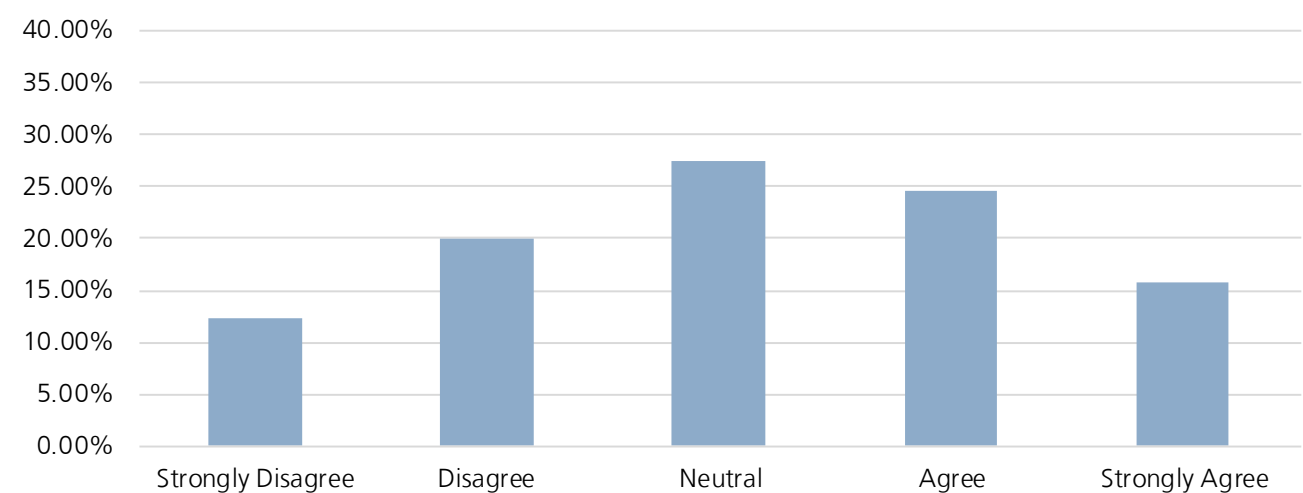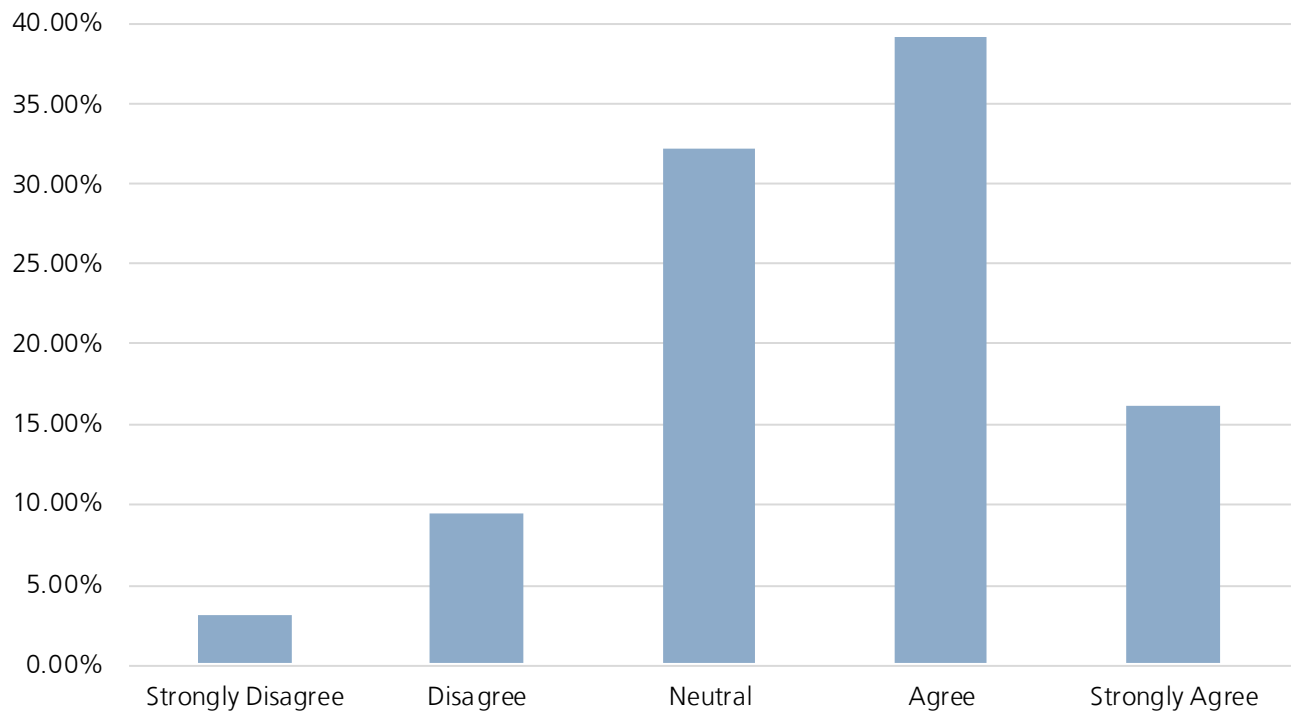

Source: SSIS 2015   N = 155

Innovativeness trough Partnership

Figure 35: Percentage of Companies which Consider their Product to be more Innovative Through the Partnership

Source: SSIS 2015   N = 149

Amongst the participants,

55.37 %

become more innovatve

Reasons for Loyalty: Trust, Dependency, Innovativeness

Exploring the reasons for loyalty highlights the key role of three factors: Trust in the platform owner, Dependency from the platform owner, and Innovativeness of partner products resulting from leveraging the platform owner's resources.

First, more than 60 % of the software companies trust that the platform owner is competent, benevolent and will behave with integrity. Only roughly 5 % do not see the platform owner as a trusted counterpart (see Figure 33).

Second, more than 40 % of the software companies feel that they are dependent or even strongly dependent upon the resources and capabilities of the platform owner. Only roughly 10 % feel highly independent from their most important platform partner (see Figure 34).

The third reason that seems to influence loyalty of Swiss software companies is that partnerships with platform owners boost their innovativeness. 55.37% of the participants agreed or strongly agreed that their product or service became more innovative through the partnership with their most important partner company. Only roughly 10 % of the participants did not observe such a positive influence on their innovativeness (see Figure 35).

Imprint

Publisher:
Institut für Wirtschaftsinformatik
Abteilung Information Engineering

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