Information Technology in Italy

Overview

Italy is Europe's fourth largest market for the Information Technology (IT) industry. Although the Italian IT sector still suffers from long-existing structural problems and is undersized and lagging behind in comparison with other major European countries, the technology gap has been narrowing and IT penetration has been improving, especially in the past two years. The Italian IT market is far from being mature in many segments and the potential is significant.

Preliminary figures show the IT market reached $29.9 billion in 2008, an aggregate increase of 1.5 percent in Euro currency over the previous year. The current economic and financial crisis has caused a slowdown in the development of the sector starting in the third quarter of 2008 and is expected to continue affecting it in 2009. In particular, the hesitancy of larger companies to invest in new IT projects, the severe cutback of IT budgets in several medium-large companies active in formerly leading sectors – such as finance, telecom and media -, SME’s difficulty accessing financing, and the caution of individuals and families in purchasing new IT consumer goods, will probably negatively impact the growth of the IT market in Italy this year.

On the positive side, according to ASSINFORM, the major Italian Association of Information and Communications Technology companies, many smaller Italian companies under 250 employees, which number approximately 4.3 million and represent 40 percent of the IT market, are expected to continue to invest in IT innovation with the aim of increasing their productivity and competitiveness in both the local and global markets, thus reducing the digital divide with larger companies.

In the computer hardware segment, preliminary estimates show a market value of $9.7 billion in 2008, an aggregate growth of 1.4 percent over 2007 in euro currency. The excellent PC market trend registered in the first two quarters of 2008 (+19 percent in units) is slowing down, with a relative decline in sales of both business and consumer PCs and continued strong price pressure. Consumers, who are progressively becoming tech-savvy and now account for over five percent of IT expenditure, are expected to reduce their purchases of PC notebooks, possibly opting for less expensive netbooks. Demand for PC servers is still positive, thanks to existing projects, as is for storage solutions, utilized to meet the growing needs for data archiving. Sales of Unix and midrange proprietary servers are slowing, while mainframes held their position in 2008, due in part
to the need for increased processing power by banks. Multi-function printers are still selling relatively well, while traditional printers registered a decrease.

The Italian software segment is one of the largest in Europe, and preliminary estimates value it at $6.6 billion in 2008, a 3.5 percent increase over 2007 in euro currency. Market analysts still forecast an above-average growth for software in the medium term and a role as a strategic driver for the whole IT sector.

Middleware is increasingly being utilized as a solution in complex application integration projects (Service Oriented Architecture-SOA, Web services-security and consolidation/virtualization). The system software segment accounts for approximately 14 percent of the software market and is progressively becoming a service and project-enabling platform. Application software accounts for approximately 60 percent of the total software market, with packaged software representing 18 percent of all application software. Best performances are registered in the areas of Business Intelligence, Data Warehouse, ERP and SCM for enhancing the internal flow of information, streamlining customer relationships, and expanding market penetration. Information security applications are also becoming increasingly important for Italian enterprises in all sectors, as well as e-commerce and e-procurement applications.

Finally, the computer services sector continues to register very moderate growth, with estimated sales of $13.6 billion in 2008, an increase of only 0.2 percent over 2007. Performance in 2009 is expected to be negative, due in large part to the postponement or cancellation of new projects by large companies and to the re-negotiation of multiyear projects with heavy price concessions on the part of the vendors. Only “selective” outsourcing services, such as application management and system and network management, are expected to register positive results and gain momentum as tools to promote efficient and cost-effective business operations.

The Italian market recognizes the supremacy and innovative quality of American products and services in the IT sector and most major American companies in the sector have established an Italian subsidiary or are represented here.

**Best Prospects**

In the computer hardware segment, PC notebooks and netbooks, PC servers and innovative storage solutions are projected to register the best performances.
The implementation of privacy legislation calling for security measures to protect both personal data and the computer systems utilized to process them is contributing greatly to the growth of IT security investments in all industrial and services sectors.

Individual productivity and business intelligence tools are also expected to grow, as well as software-on-demand/software-as-a-service offered to SMEs as hosted services through the vendors’ data centers. Growth is also forecasted in both B2B and B2C ecommerce solutions. E-procurement is growing positively and virtually all major Italian companies, as well the Public Administration, are organized for it.

U.S. technology and standards are highly regarded, and the best opportunities for success lie with American companies offering innovative and sophisticated products.

However, it is essential that U.S. companies with no direct presence in Italy team up with well-established Italian firms for distribution or partnership agreements in order to handle the burdensome bureaucratic procedure of public procurement and to maintain person-to-person contact with customers, which is essential in Italy.

**Opportunities**

Although large companies in the end-user sectors traditionally driving the IT market - such as the finance, telecom and media sectors – are cutting IT expenditures, other large end-users in the utilities, retail chains, information technology and manufacturing sectors are emerging. In addition, small and medium sized manufacturing companies, especially in the “Made in Italy” sectors - such as fashion, furniture, food and mechanical automation – are increasingly investing in infrastructure software for new applications and in system hardware, betting on technology innovation to recover productivity, enter new markets and reach new goals. Small Italian companies, which had a tradition of resistance to innovation, seem to have finally realized the need for investing in automation processes, in the internet, in Intranets and Extranets, in e-commerce, in CRM and in IT tools and services to compete in the market more effectively. This new trend could allow the Italian IT market to weather the current recession.

The Italian Government is committed to modernizing the country through the development of policies for accelerating widespread acceptance and use of new information and communication technologies, both in the public and private sectors. It is also fostering this “new IT economy” business culture by offering grants to small and medium size enterprises. Among the most recent
programs, the “Industry 2015” innovation program for the adoption of advanced IT solutions in “Made in Italy” sectors will provide initial grants of $280 million to companies and research centers.

Although the Italian Public Administration is also cutting IT expenditures, in order to contain general budget costs, it continues to represent a key end-user. Demand for advanced solutions to new challenges is creating new opportunities: this includes the management of large command, control and logistics systems for civil protection projects – from the management of major events with large participation of the public to the management of emergency situations, and large mobility and security projects. Solutions to enhance government efficiency are also becoming more important, including interoperability of large databases, privacy, services to the citizens, environmental protection, energy saving, development of tourism and protection of works of art.

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