

Trends in the ICT Market Norway

Summary

The Norwegian market for ICT services and goods has been growing at a steady rate over the last few years. This growth is expected to continue and most market segments will enjoy increasing revenues. Continued high sales of PCs, HDTVs, various portable devices and digital cameras drive the consumer electronics market. Outsourcing, systems integration of enterprise software are strong segments in the service market. Especially, Customer Relationship Management systems, IT security and other enterprise software are expected to generate high revenues. This growth period is expected to last at least until 2009.

Market Overview

The Norwegian market is relatively small, but technology savvy, innovative and largely homogeneous, and often one of the first to try out new technology. This makes Norway, along with its Nordic neighbors, a good entry point into the European market for many U.S. companies. Statistics Norway indicates that the overall ICT market in Norway is worth more than USD 60 billion.

The Norwegian ICT market is in a high growth period, and is expected to remain so for a few more years. After a slow period, some ICT market segments have enjoyed growth rates of 15 per cent, according to Statistics Norway. IDC Quarterly Executive Service reports a 2.5 per cent overall growth rate in the ICT sector in 2006 in the Norwegian market (see Figure 1) and a similar outlook for 2007.

Vertical Industries and ICT spending

Norway is the world's third largest exporter of crude oil and natural gas and many of the ICT companies serve this increasingly high-tech market. For example, Norway's largest oil companies have some of the highest computing capabilities available on the market to solve complicated subsea geological challenges. One of the companies, Statoil, recently upgraded to 12 teraflops capacity (from HP), which enable them to cut down calculation time by weeks.

Shipping, fisheries and other maritime industries also make significant contributions to Norway's GDP. An IBM Research study shows that the finance, insurance and media market has the highest percentage of total cost related to ICT (36%), whereas manufacturing (20%) and the public sector (13%) come in at number two and three, respectively. A Statistics Norway survey shows that the ICT market related to manufacturing is the fastest growing sector.

Market Trends

IDC summarizes growth trends in the Nordic region, with GDP forecasts above the European averages, resulting from falling number of bankruptcies, high IT investments, and no signs of fundamental, negative change.

Hardware

External trade with ICT goods is growing. Imports of ICT goods are dominated by computers and related equipment while exports are dominated by telecommunication equipment. Consumer electronics is still hot.

The server market grew by 30% in 2004 and at the beginning of 2005 was worth USD 235 million. Demand for server consolidation (larger and fewer servers) is expected to grow, and server architecture is expected to become increasingly sophisticated. IBM is the market leader (37%), closely followed by HP (34%). Intel processors equip more than half of the servers, and Unix is the fastest growing platform with a 34% market share.

E-business

The major online electronics retail stores also report higher revenues. One of the largest retailers, Komplet, reported a 25% increase in revenues in 2005 and additional 19% by Q3 2006, mostly generated online. Another large online retailer, MPX.no, had growth of 45% in 2005. Flat screens (LCD and plasma) are still very popular and have experienced increased sales due to their high definition capabilities. Online purchases are increasingly common, largely due to widespread broadband Internet access throughout the country.

Norwegian consumers' demand for e-commerce is high. The value of e-commerce in Norway has increased from USD 290 million to USD 610 million according to the analyst firm MMI. The increase in e-commerce may be a result of more diverse and higher quality goods on offer, that consumer confidence and IT skills are on the increase, and that ever more suppliers of products and services use the Internet as a sales channel. Surveys indicate that 66% of Internet users have ordered products and services online at some time, TNS Gallup reports. Books, travel, IT equipment and clothing are still the best-selling products on the Internet, while films, tickets and books have the highest growth rates. Air travel makes up 83% of travel booked online.

Software and services in B2B

ICT outsourcing and systems integration services are experiencing a significant growth period in the business-to-business market. This development is highly welcomed by the industry after a few slow years with red figures for many ICT service companies. Outsourcing and systems integration are also leading sectors and currently the services that generate the highest revenues in the industry. Hardware support and application development are market segments that may expect slower growth in the Nordic countries, whereas software support and network and desktop outsourcing (NDOS) are expected to grow at a faster pace. Application management (AM) and hosted utility services are by IDC expected to be the fastest growing sectors in the ICT business-to-business sector in Norway and the Nordic region. Norway is in the forefront of adopting hosted software (hosted on servers outside the enterprise), and AMR Research estimate that these so-called "on demand software" account for about 10% of the market today. See Figure 2.

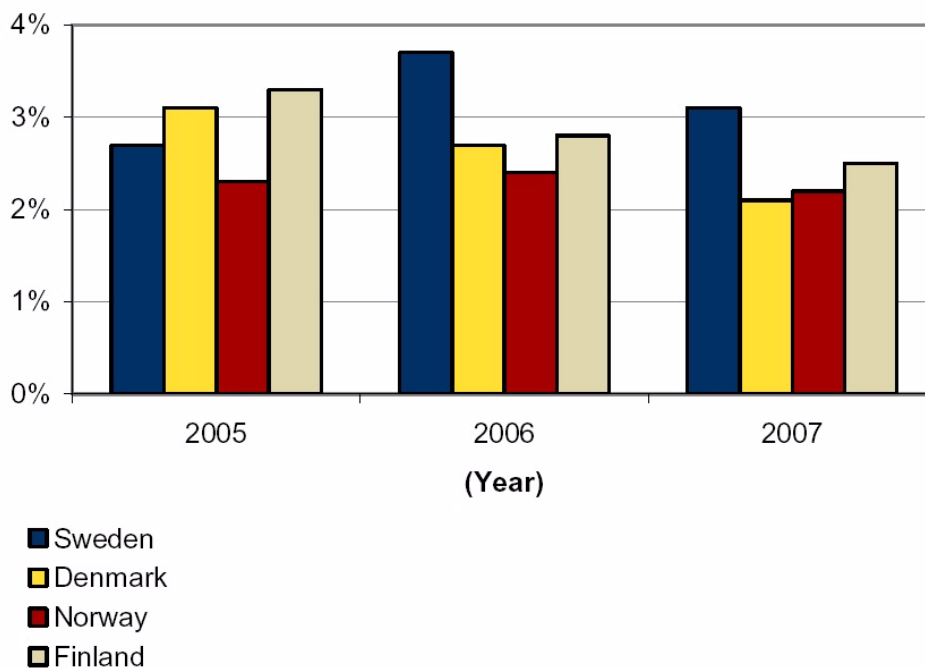
Major product categories such as EPR (Enterprise Resource Planning) and CRM (Customer Relationship Management) systems experience higher sales and good business opportunities for the vendors and integrators. For example, second generation Radio Frequency Identification (RFID) technology is now expected to be of great value to the supply chain, and

contribute towards growing sales. Supplier and manufacturers of passive chip technology should therefore look to Norway.

Siebel Norway recently stated that “the market for CRM is boiling”. SAP and Oracle also report higher sales. The reasons for implementing comprehensive enterprise systems in companies also seem to shift from a cost-cutting focus to profit-generation. IDC’s Enterprise Technology Trends Survey for 2005 shows that companies in 2004 considered that their primary motive for ICT investments was to contribute towards cost-cutting (65%), and that increasing revenues was secondary (35%). In February 2005, the ratio was 50/50.

A need for more sophisticated storage solutions in Norwegian enterprises create opportunities. Systems Integrators offering these solutions in Norway report of 60-70% storage growth annually. Some clients need to expand their capacity by as much as 200%. This expansive growth requires differentiating cost of data storage based on usage. US vendors and service providers can profit from this market opportunity by offering analysis services, applications and hardware.

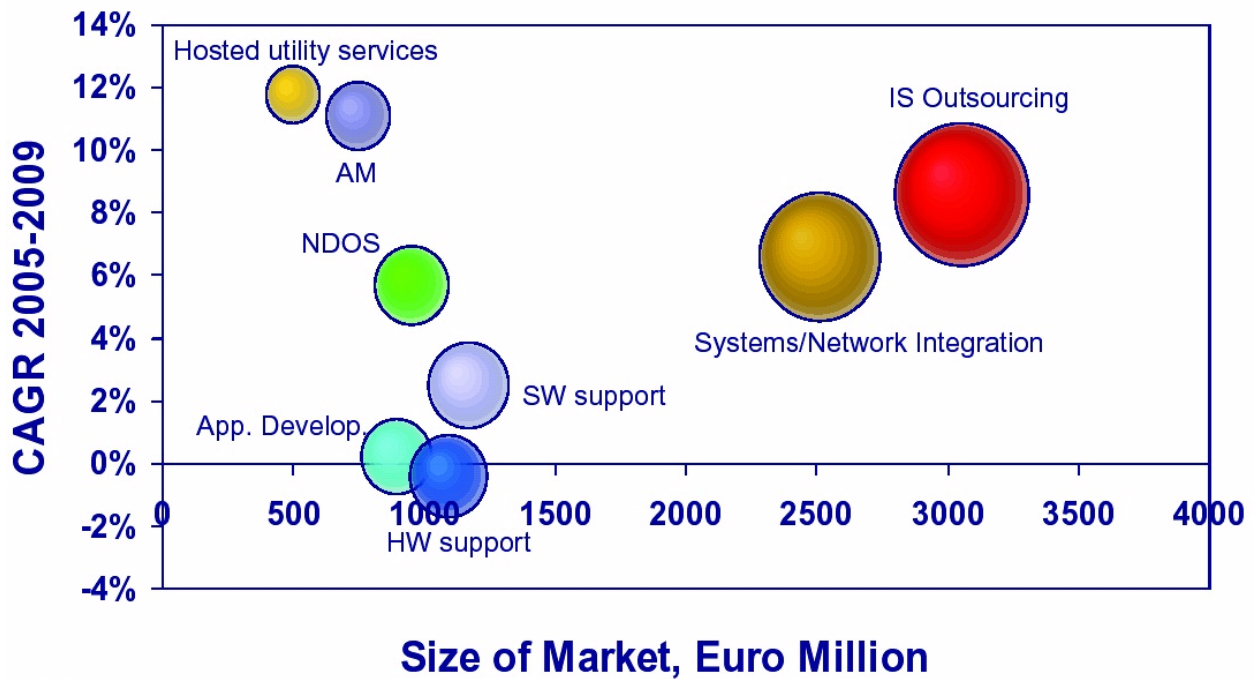
Figure 1. Source: IDC



Other indicators

The job market in the ICT sector has also improved significantly over the last few quarters. Unemployment rates for ICT experts continue to drop, indicating a higher activity. ICT companies now also offer trainee positions after having cut back for years, according to ICT Norway. Also, the number and value of publicly available tenders also indicate that activity in the ICT market is growing. The Norwegian government is a significant institutional buyer, and restructuring in the public sector generates many private sector jobs.

Figure 2. Source: IDC



Import Market

Norway is to a great extent dependent on foreign trade and importing ICT hardware. Imports of ICT goods totaled USD 5.3 billion in 2005, according to Statistics Norway. Note that the table does not account for services and software

Table: Import and export of ICT goods. Mill NOK. Source: Statistics Norway
Currency: 1 USD = 6.5 NOK

	2005		2004		2003	
	Exports	Imports	Exports	Imports	Exports	Imports
ICT goods, total	11 950	34 683	11 236	33 814	10 459	28 003
Audio and video equipment	706	6 161	635	5 308	545	4 515
Computer and related equipment	1 603	14 509	1 613	14 131	1 850	11 968
Electronic components	1 801	3 220	1 504	3 225	1 608	2 544
Telecommunications equipment	4 392	7 246	4 378	7 825	3 451	6 139
Other ICT goods	3 449	3 547	3 107	3 324	3 005	2 837

Competition

The market consists of systems integrators of all sizes, a few large regional telecom providers, the major global software and hardware manufacturers (Microsoft, SAP, IBM, Dell, HP, etc.) and numerous subcontractors and outsourcing companies supporting these market segments. There are also many related sub-sectors, such as AV manufacturers, distributors and integrators, four to five major retail chains for electronic goods covering the entire market, and a few manufacturers of micro chips and various other types of hardware. A few national application developers are also performing well, within CRM, game development, and software development for mobile devices, to mention some.

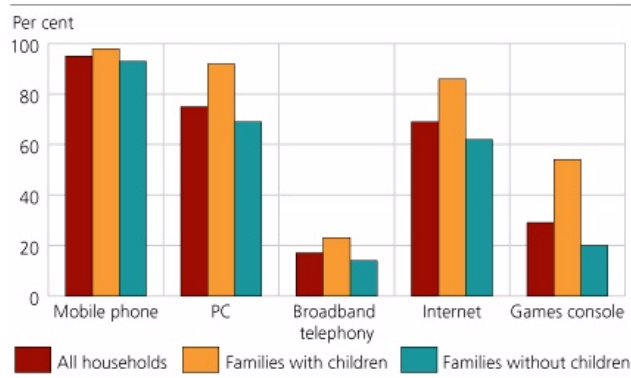
The level of competition varies greatly for each market segment, and over time. For example, companies offering IP-telephony in the private market had a great first-mover advantage in 2004, while experts today expect consolidations and reductions in this market.

End Users

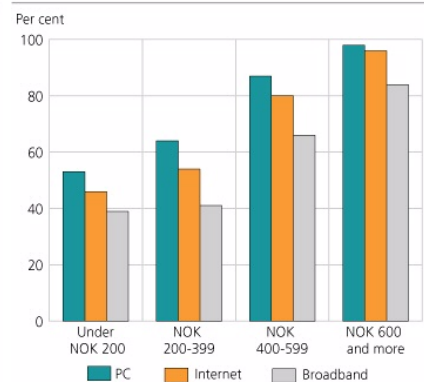
With an overall population of 4.6 million, the Norwegian market is small. However, Norwegian end-users are technology savvy, innovative, largely homogeneous, and are often among the first to try and adopt new technology. Norway is often used as a test market for foreign manufacturer to effectively measure the potential of their products. Figure 4 and 5 show adoption of some of the most common innovations as well as access to PC's and Internet connection.

Figure 4 and 5. Source: Statistics Norway

Percentage with access to different ICT, by family type. 2nd quarter of 2006



Households with access to PC, Internet and broadband at home, by the total gross income. 1 000 NOK. 2nd quarter of 2006. Per cent



Market Access

Norway is one of the world's richest countries on a per capita basis and has an important stake in promoting a liberal environment for foreign trade. Norway's import climate is generally open and receptive to U.S. products and investments, especially in the high-tech markets. There are no significant trade barriers or regulations that U.S. firms need to take into consideration at a general level.

Norway is not a member of the European Union (EU), but is linked to the EU through the European Economic Area (EEA) agreement. By virtue of the EEA, Norway is practically part of the EU's single market, except in fisheries and agriculture. This makes Norway's regulatory framework adopt most regulations related to ICT, including patent laws, currently under revision.

Market Entry

U.S. exporters seeking general export information and assistance or country-specific commercial information should consult with their nearest U.S. Export Assistance Center or the U.S. Department of Commerce's website www.export.gov. Information on services offered by the U.S. Commercial Service in Oslo can be found at <http://www.buyusa.gov/norway>.

Opportunities for Profile Building

ICT Norway

A leading membership organization in the Norwegian ICT sector.

Website: www.ikt-norge.no

Abelia

Association of Norwegian ICT- and knowledge based enterprises. Trade and employers' association with about 400 members. Part of the Confederation of Norwegian Business and Industry.

Tel: +47 23 08 80 70

Website: <http://www.abelia.no>

American Chamber of Commerce in Norway

The American Chamber of Commerce in Norway is a business networking, information and assistance organization promoting the interests of its members.

Tlf: +47 22 54 60 40

Website: www.amcham.no

Key Contacts

U.S. Commercial Service, Oslo

Mr. Heming Bjorna, Commercial Specialist
Embassy of the United States of America
Drammensveien 18, N-0244 Oslo, Norway

Tel: + 47 21 30 87 60

Fax: + 47 22 55 88 03

E-Mail: heming.bjorna@mail.doc.gov

Upcoming Trade Shows/events

expo-IT

“expo-it 2006” is an exhibition and conference that will be organized in Stavanger, Norway, April 20-22, 2006. Focus will be on B2B solutions for the Oil and Gas, Shipping, Telecom and Logistics sectors, as well as new solutions and tools for e-business. Contact USCS Oslo for more information or check conference website:

Website: <http://www.expo-it.com/>

Elektrofil 2006

Exhibition of consumer electronics. Will be hosted during the last week of March 2006. Website only in Norwegian.

Website: www.elektrofil.com

Lyd, Lys og Bilde 2007

A relatively small trade show for the B2B AV industry. Next show scheduled for 2007. Website only in Norwegian

Website: www.llb.no