

## ■ Market segment dynamics

The French software market was valued at roughly 8 billion euros in 2006 (55% for application software packages, 21% for packaged software tools, and 24% for packaged system software). In Europe, France ranks third with 16% of the total. Foreign publishers hold 67% of market share, with strong disparities among the segments: 46% for the applications market, 89% for packaged software tools, 94% for system softwares. In addition, the large French companies very predominantly purchase software packages of international origin, in all categories of products (applications, tools, systems).

The current dynamic nature of the sector in France is the result of underlying trends which sustain software activity: the return of mergers and acquisitions, which call for a harmonizing of information systems, the replacement of software packages purchased at the end of the 90s, regulatory changes, including the adoption of new accounting standards in 2005 for publicly traded companies and their subsidiaries, the process of modernization of management and also the growth of the IT needs of certain businesses such as banking and insurance companies. The updates of existing software packages in companies have therefore generated a significant turnover for software professionals in 2005 and in 2006. The main driver today is the demand of small and mid-sized companies, which still remain underequipped. In France, therefore, only one quarter of companies with less than 40 million euros in turnover has implemented enterprise resource planning (and less than 40% of the companies in the 40 to 100 million euro turnover range).

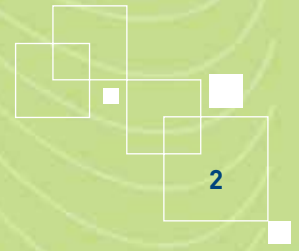
Additionally, France has several international champions in their sector of activity. Dassault Systèmes for CAO and PLM, and Business Objects for "business intelligence", for example, are leaders in their respective markets. Cartesis is a significant player in the field of Business Performance Management. Cegid is a domestic leader. Research-Development in France is a well-known factor of excellence, and in this regard, Dassault Systèmes is by very far the largest contributor. In addition, certain foreign publishers engage in development activities in France: Sage, HR Access, and Extensity/Infor for example.

## ■ France's attractiveness

Technological advantages, with the presence in France of international champions in their sector of activity. Dassault Systèmes for CAO and PLM, and Business Objects for "business intelligence" are, for example, leaders in their respective markets.

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An important market: the main clients of publishers are primarily companies, with individual consumers representing less than 4% of the market. In this respect, the structuring presence of large accounts in the industry and services in France represents a significant opportunity for publishers. The solutions adopted by these clients are "internationalizable" and act as active references, which are important for recruiting clients, in particular foreign ones ("reference effect"). At the level of SSII (IT services companies), France also has international champions such as Cap Gemini, Atos Origin, Altran, or Bull Services. The SSII, in contact with end clients throughout the entire world, are motivators of significant software solutions. Their presence in France structures the ecosystem.



Scientific (public research centers) and intellectual (engineering schools and universities) advantages in particular with INRIA (French National Institute for Research in Computer Science and Control) or CEA-LIST and the schools and laboratories of the GET (Group of Telecommunication Schools).

Excellence clusters with worldwide visibility set up around public and private research centers, leading technological companies, innovative small and mid-sized companies, and training centers. The System@tic cluster in Ile de France, for example, focuses on complex systems, and several competitiveness clusters registered in 2005 are based on strong software skills.

The strategic character of R&D and innovation in this sector has led France to strengthen its support policies and implement ambitious programs whose purpose is to encourage cooperation between industrial companies and public laboratories. In addition to the support of the AII (Agency for Industrial Innovation) or tax measures such as the CIR (Corporate Tax Credit for Research Expenses), several domestic programs by MINEFI (Ministry of Economy and Finances) and ANR (National Research Agency) are designed to support the development of such collaborations: competitiveness clusters/FCE, strategic R&D, EUREKA ITEA, CAP'TRONIC, National Software Technologies Network (RNTL).

## ■ International players in France

- French Success Story: today, Dassault Systèmes is the world leader for 3D solutions and Product Lifecycle Management (PLM), with 80,000 clients in 80 countries.

A pioneer on the market of 3D software since 1981, Dassault Systèmes develops and markets the PLM applications and services which anticipate tomorrow's industrial processes and offer a 3D vision of the entire lifecycle of a product, from its design to maintenance during its service life. The offering of Dassault Systèmes consists in integrated development and management solutions for the product lifecycle (CATIA(r), DELMIA(r), ENOVIA(r), SMARTEAM(r)), expanded-use 3D design tools (SolidWorks(r)), and 3D components (Spatial/ACIS(r)).

- Foreign Success Story: in April 2005, Microsoft Research, the research and development arm of the US giant in the field of computer systems, announced the creation of a joint laboratory with the Institut National de Recherche en Informatique et en Automatique (INRIA: National Institute for Research in Information and Automation). This laboratory was inaugurated in January 2007 in Orsay. The researchers at this new laboratory will focus their efforts on two key areas of the information technology of the future, the reliability and security of complex software systems and the development of new tools for the analysis of scientific data. For Microsoft, the collaboration with INRIA marks another stage in the process of establishing the company in France: a partnership with an internationally first-rate organization in the field of science, although first and foremost, it represents a first in setting up a structure co-financed 50/50 by the publisher and a public institution. The laboratory already has a staff of 12 researchers, to be increased to 30 by the end of 2007.

Sources: AFDEL, PAC, Syntec Informatique