French software boom built on SaaS

Truffle's study of the French software business shows that sales are growing for the 8th consecutive year, up to €12.8bn, with a jump in profits to €1.1bn. R&D investments are on the rise again, reaching €1.2bn with developments driven by the SaaS and cloud computing revolution.

"2015 was a good year: Revenues grew by 9%, profits almost doubled, R&D investments increased by 15%, a lot of skilled jobs were created and the total industry workforce expanded to 107,000 employees, with a very low propensity for churn. French software publishers are leading by example, driving the economy forward and proving that entrepreneurial spirit, risk-taking and a commitment to innovation are crucial factors to success and growth. They uphold our country's position on the world stage and contribute to the French Tech sector's reputation," said Bernard-Louis Roques (below), Co-founder and CEO of Truffle Capital.

Talking to *IT Europa*, he says: " A number of sectors have resisted the SaaS transformation for the past 4 to 5 years for various reasons, including data privacy, security, extended duration for amortization of past IT investment (both software end hardware) in client/server, or even aversion to change. The public sector was notably resistant to SaaS. As the vendors have reassured those sectors with appropriate solutions to their concerns and usage has swiftly gained ground with new generations of CIOs gaining access to decision making positions, the SaaS wave has overflowed all resistances. Over the past two years SaaS solutions have represented a big share of new sales, which doesn't yet translate into the same proportion in overall sales as the inventory is vastly license based."

The main issue for the software industry in France lies in the scarcity of financing available through capital markets were vendors tend to be undervalued in comparison with other international capital markets, particularly the US. The difference in valuation creates arbitrage opportunities. It might trigger a wave of M&A transactions, an example being the recently announced take over bid on Cegid, number six on the Truffle 100 list, led by Private Equity funds.

The revolution brought by SaaS and cloud computing solutions continues to strongly impact the industry. In order to keep adapting to customers' changing habits and demand growth, 74% of the top 100 French software companies now offer SaaS solutions (compared to 68% last year). 64% of the companies believe that this trend will continue to greatly influence the market, which is also driven by mobile applications (61%) and big data (33%).

"The digital sector is doing well and is getting better every year, " says Axelle Lemaire, Secretary of State for digital technology at the Ministry of Economy, Industry and Digital technology.

"These figures attest that the French economy has taken the right path, guided by the French government which has provided an unfailing support to innovating stakeholders at the forefront of the digital transformation with the aim of accompanying and fostering the digital transformation of our economic and industrial landscape. For over two years now, the success of the French Tech initiative has enlightened the strength of innovating digital ecosystems located in Paris (40 incubators, 80 collaborative workspaces, 20 digital fabrication workshops and around 1,500 startups) and in the 13 major cities with the French Tech label gathered within one national network. This cartography of French innovation will soon be completed by the launch of thematic networks allowing other territories to join the French Tech dynamism,"

"French companies are now more mature and are gearing up to a mutation into the digital era. In nearly all sectors," says Laurent Calot, CXP Group CEO. "They have to adapt to new uses of their customers but also to business needs expressed by their employees, he says. Business models are deeply impacted. In Sales and Marketing, Omni channel management and social networks deeply change the customer experience. And the Internet of Things is emerging in some more technical fields (industry, automotive, health, Smart Cities, etc.). HRD are implementing social collaboration tools, open mobility solutions and analytic approaches that improve talent management and boost company competitiveness. Software writers can be confident for the future: trends linked to the digital revolution will most certainly keep on driving the software industry in several years to come".