

# MULTIMEDIA

## Market Overview

Germany represents Europe's fastest-growing market for information technology products, including multimedia hardware, software and services. Europe's potential market is estimated at 520 billion Euro (\$705 billion). Germany's share is expected to be 21% of the total European market, which represents an extremely significant market for Canadian companies.

There are some 3,000 multimedia producers in Germany, active in all fields of the sector. However, there seems to be a concentration of businesses in the area of creating, designing and hosting corporate Internet presences. Typically, these companies will offer full service to their clients and be referred to as multimedia agencies. Hotbeds of multimedia creativity and production are the cities of Munich, Hamburg and Cologne, as well as Berlin.

The development of e-commerce applications and the emergence of interactive TV (iTV) are currently key trends in the industry. It is expected that German consumers will continue to embrace e-commerce and will increasingly conduct business online. In fact, with over 10 million account holders, Germany is now the leading country for online banking in Europe. In total, Germany currently has an online population of about 18 million. However, this figure is expected to grow to 40 million in the year 2004. Further deregulation of the German telecom market will cut prices for Internet access and will encourage more consumers to go online. Industry specialists estimate that Germany's online turnover will reach 406 billion Euro (\$550 billion) in 2004.

The emergence of interactive TV in Germany is regarded as equally promising. Although Germany only ranks eighth within the European Union in terms of digital TV access rates, it is expected that this new technology will eventually spread to the majority of German households. With the introduction of MHP (Multimedia Home Platform) as a common structure for the further development of iTV applications, powerful software for use in set top boxes is slowly becoming available. Industry experts are convinced that, after the technical difficulties of iTV have been resolved, the focus will shift from a technology- to a content-driven discussion. The projected

market potential for iTV applications in Germany is DM 8.5 billion (\$5.7 billion) for the year 2005.

Finally, the market for Computer-based Training (CBT) in Germany is also steadily growing. A recent study claims that an increasing number of German multimedia businesses are active in this field, including the 10 biggest multimedia producers in Germany. This figure demonstrates an enormous demand for corporate and personal CBT applications in Germany. Particularly popular are CD-ROM applications. They already represent 20% of the newly published titles introduced at the world's largest book fair in Frankfurt every year. Industry experts predict that the turnover of German CBT suppliers will rise from DM 9 million (\$6.1 million) in 1997 to DM 120 million (\$81 million) in 2002.

According to the European Information Technology Observatory (EITO), the software and services sectors are those with the strongest growth potential in Western Europe. In Germany, this is supported by the fact that although 60% of all German small and medium-sized companies currently have an Internet presence, only 9% of these sites have e-commerce capabilities. To close this gap, innovative content and new software for e-commerce applications will be required.

Even if Germany may still be a few years away from a major breakthrough in interactive TV, the country's major players are getting prepared to win market share. The future convergence of computer and TV applications will certainly create an array of new opportunities for creative content. The entertainment aspect is predominant and will call for interactive leisure software, as well as for online gaming solutions.

The CBT sector is growing but is still underdeveloped compared to the market in North America. However, as Germany's corporate community increasingly realizes the cost effectiveness of computer-based training for their employees, suppliers in this field have an opportunity to carve out market niches. Opportunities exist both in offline (i.e. CD-ROM) applications and in online (i.e. Internet-based) solutions.

