ICT Industry Survey 2005

2005 Lebanon ICT Industry Survey

Introduction

SRI International conducted, in collaboration with the Professional Computer Association, the *2005 ICT Industry Survey* in February 2005 as a rapid assessment of Lebanon's information and communication technology (ICT) industry one year after the comprehensive *ICT Industry Capabilities Survey* was conducted in February 2004. The survey had two distinct purposes:

1) To track the growth in sales, exports and employment in the ICT sector in the one year period between March 2004 and February 2005; and
2) To examine the impact of participation of ICT firms in regional tradeshows on their performance.

The survey was not meant to be another comprehensive national survey as the one conducted in 2004. Rather, the goal was to randomly select a small group of companies for the purpose of preparing approximate indicators of industry performance, and for maintaining continuity in industry-level data collection efforts in Lebanon.

Survey Design and Response Rate

The directory of ICT companies developed for the 2004 Industry Capabilities Survey[1] formed the sampling frame for this survey. To elicit quick response to this rapid assessment, while minimizing the cost of survey implementation, SRI administered two rounds of mailings of a short questionnaire. First, a small sample of 20 companies was randomly selected from a list of 146 firms that responded to the 2004 survey. This group was contacted by phone and by email to remind them to respond to this survey. Second, a wider group of companies was approached through the web-based message broadcast system hosted by the Professional Computer Association. In both rounds, electronic copies of the questionnaire were distributed and responses were directed to SRI's research team either through emails or by fax.

Complete responses were received from 24 companies representing a wide range of ICT sub-sectors such as software sales, design and development of custom software, IT services, hardware distribution and system integration. The response base had a reasonable mix of large firms and small and medium enterprises. Although the sample

[1] The directory of Lebanese ICT industry was prepared by pooling company data for over 600 companies engaged in the ICT sector from member lists of industry associations and various business directories. For details please see *The Information and Communication Technology Industry in Lebanon: Results of the 2004 ICT Capabilities Survey*, available at SRI's project website, and on PCA's website. http://www.inmadevelopment.org/sri/reports.asp The web-enabled version of the ICT directory is available on the website of the Professional Computer Association of Lebanon http://www.pca.org.lb/kstorm/default.aspx

size and response rate limit the statistical significance and ability to make any conclusions or generalizations, the findings are indicative of broader trends of performance and inform us on the relevance of industry-level marketing efforts such as the regional tradeshows supported by the U.S. Agency for International Development and coordinated by the Professional Computer Association of Lebanon.

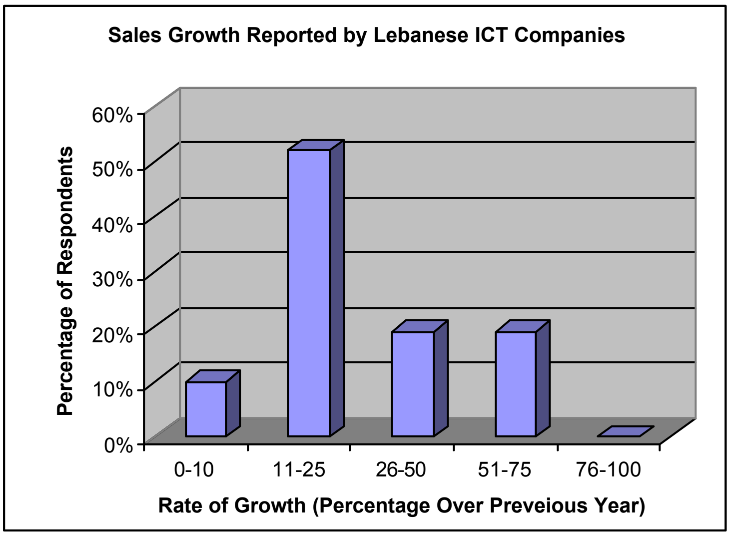
Key Findings

The first part of this section presents our findings on three key performance indicators: sales, exports and employment. The second part reports on the respondents' preference for and participation in regional tradeshows and business-matching workshops and the consequent effect of those marketing efforts on participants' business development.

Performance Indicators

Growth in Sales

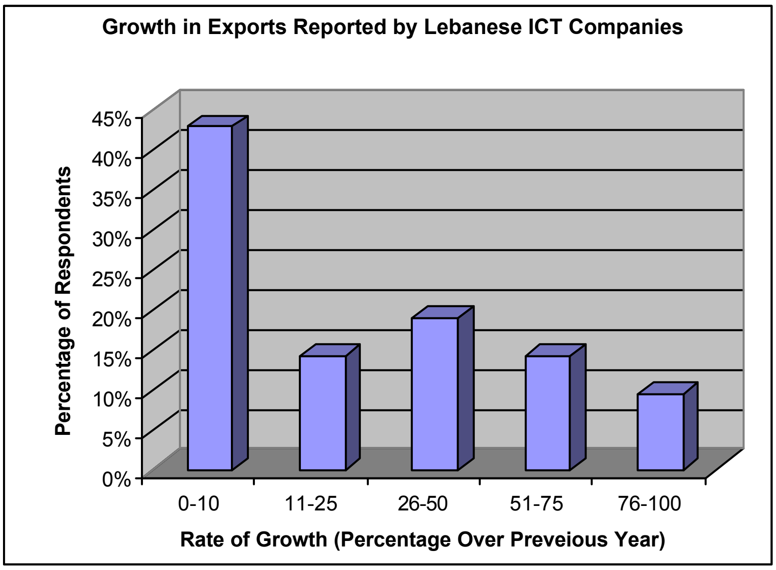
Aggregated response to this rapid assessment survey indicates that the momentum of growth reported in the 2004 survey of Lebanese ICT companies continued in 2004-05. A majority of respondents, comprising over 52 percent of all respondents of the current survey reported a growth rate of 11-25 percent for the year 2004. As the following chart indicates, only about 10 percent of respondents reported a growth rate of below 10 percent and none of the respondents reported declining revenues for the same period. Approximately 18 percent of firms reported that their sales grew between 26 and 50 percent over the last year. An equal portion reported growth in excess of 50 percent on a year-on-year basis.



When the size of the firms is used as a weighting factor and growth rate for each of the respondents is approximated at the median of the reported range, the aggregated sales growth rate for the respondents is estimated to be approximately 16 percent over the last year. This estimate compares favorably with the industry-wide growth rate estimated in the 2004 survey, which was approximately 13 percent per year.

Growth in Exports

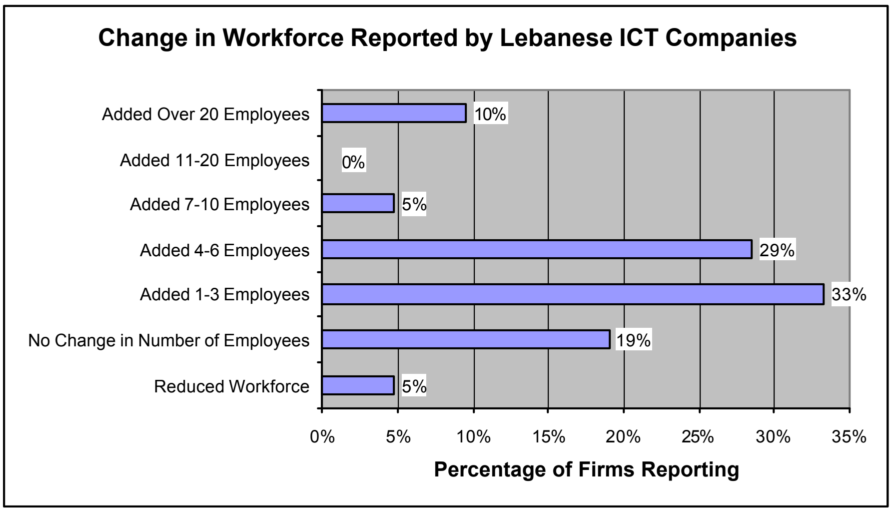
Lebanon's ICT industry continues to exhibit strong export orientation. In the 2004 survey the industry had identified exports to be a critical factor in the growth of firms. The survey had also revealed that 15 percent of Lebanese ICT firms were "exports focused" with over three-quarters of their sales coming from business outside Lebanon. The current survey asked companies to estimate the growth of their exports over the previous year. Over 43 percent of firms reported that their exports grew between 0 and 10 percent.



As the following chart shows, nearly one-quarter of the respondents reported that their exports grew at least 50 percent. A small group of firms, comprising nearly 10 percent of all respondents, reported high growth of exports, ranging between 76 percent and 100 percent.

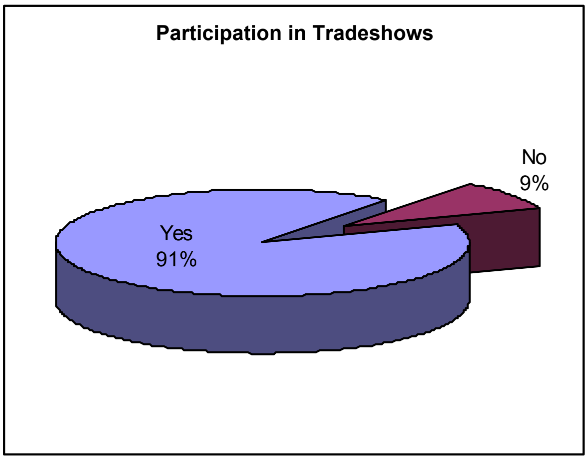
Growth in Employment

Strong growth in sales continues to propel expansion of the ICT workforce in Lebanon. With the exception of a small group of companies, i.e. five percent of all respondents, most companies reported either no reduction in workforce, or an addition of employees to the existing workforce. Nearly three-quarters of respondents reported addition of at least one employee. A majority of those, comprising one-third of all respondents, added between one and three employees, whereas about 29 percent of firms added anywhere between four and six employees. Approximately 10 percent of the respondents added over 20 employees between March 2004 and February 2005.

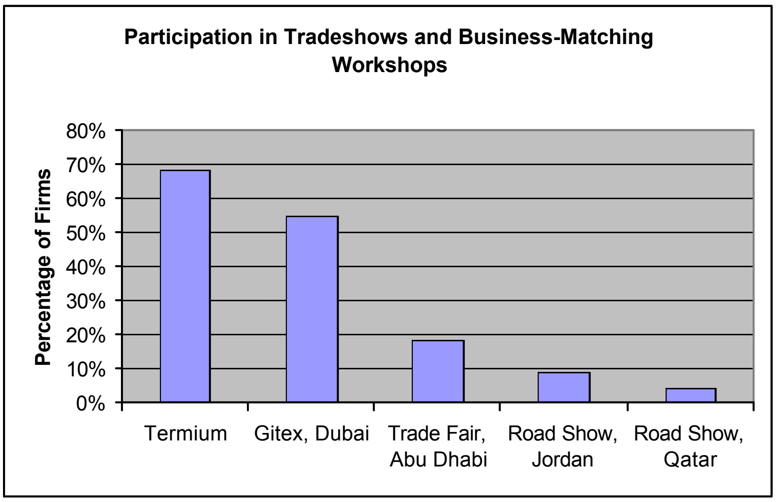


Participation in Tradeshows

In addition to questions relating to the abovementioned performance indicators, the survey asked participants to report their participation in regional tradeshows and business-matching workshops. A clear majority of firms, comprising above 90 percent of all respondents reported having participated in at least one of the tradeshows or road shows in 2004.



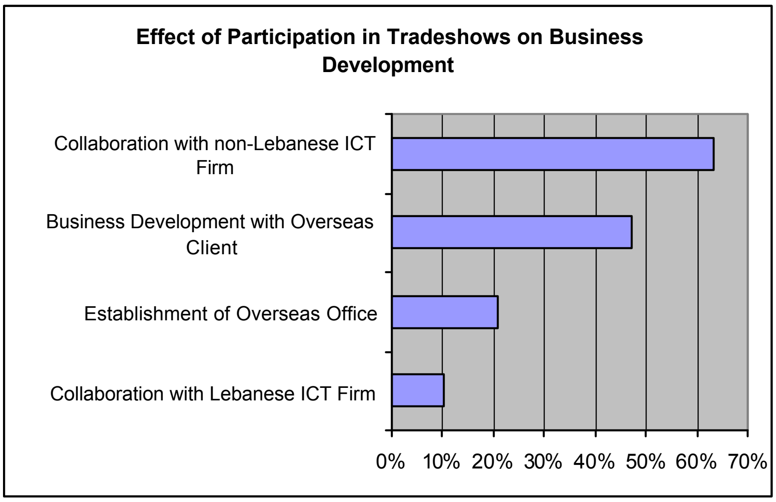
The following chart captures the preference of respondents toward marketing efforts including tradeshows, road shows and business-matching workshops in 2004. It should be noted that only those events are included in this analysis that were supported by the U.S. Agency for International Development as part of the "Expanding Economic Opportunities in Lebanon" project, and coordinated by the Professional Computer Association. This limitation is applied so as to assess the effect of project resources on the development of Lebanon's ICT industry.



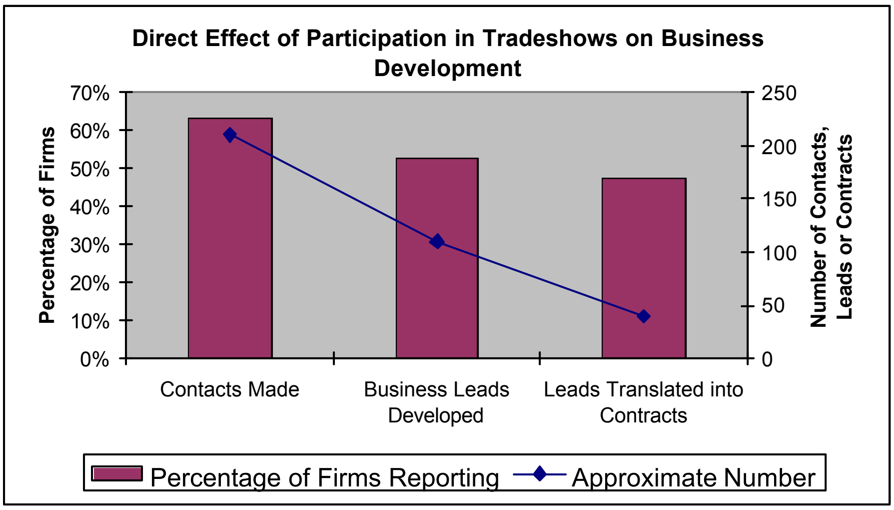
Termium, Lebanon is reported to be the most popular tradeshow with over 68 percent of respondents participating. Gitex, Dubai is gaining popularity as compared to the 2004 survey, although it remains the second most attended tradeshow in the region.

In response to the question on the effect of the firm's participation in tradeshows on market positioning, nearly 58 percent of firms who attended at least one of the aforesaid events, reported that their participation helped in the long-term positioning of their respective companies in domestic and external markets. In addition, at least 68 percent of firms attending tradeshows or road shows reported that their participation led, directly or indirectly, to new business development in the last one year.

In order to identify specific effects these tradeshows and road shows had on businesses, the survey probed on the type of effect on business development that could be fully or partially attributed to the firms' participation in the tradeshows. In response, a majority of respondents who attended these events indicated that their participation led to collaboration with non-Lebanese ICT firms. Direct business development with overseas clients was reported to be the next most common impact. Nearly 20 percent of those respondents who attended these events reported that their participation fully or in part led to the establishment of an overseas office or subsidiary company.



Nearly 63 percent of firms who sent at least one representative to one or more of these tradeshows and business-matching events reported that business contacts were made at these events and were followed up later. These respondents indicated that approximately 210 contacts were made. Nearly 52 percent of attendees reported that contacts made at these events led to development of over 110 business leads of which over 40 translated into contracts. The following chart presents on two separate axes, the percentage of firms reporting development of contacts, leads and business deals, and the approximate number of those contacts leading to business leads and ultimately to contracts.



A majority of contracts, comprising nearly 80 percent of all contracts originating at the tradeshows or business-matching events, were of small size, with value below $50,000 each. Approximately 13 percent were of medium size, i.e. of value in the range of $50,000-$200,000 and approximately 7 percent were large contracts with value over $200,000 each.