# Germany

**Germany represents the 5th ranked market for cloud services, but has limitations for U.S. cloud providers. Aside from the established Internet and economic infrastructure, consumer and business demand for cloud services help make Germany a top-5 market globally for cloud services. While Germany offers obvious upside potential, there are limitations to market access, particularly among small- and medium-size enterprises (SMEs), for U.S. providers. Large U.S. vendors who are heavily involved in Germany have considered responding with EU- or German-only data centers located within the country, but that may not be an option for all interested players.**

**Overall Rank**

**5**

Research and Markets predicts a compound annual growth rate in Germany's cloud computing market of 32 percent between 2013 and 2018.[1] This places the German market among the global leaders in growth potential for cloud services. The projected expansion is further supported by a 2013 Experton Group study predicting an increase in cloud computing spending of nearly $17 billion between 2012 and 2017 – a rise from current levels of roughly $3 billion to nearly $20 billion in projected revenue.[2, 3] Cloud services are expected to grow from almost $2 billion to nearly $12 billion; cloud integration and consulting from $550 million to almost $3 billion; and cloud infrastructure technology from $1 billion to more than $5 billion by 2017.[4]

As a highly-developed economy, Germany's demand for cloud services is tied to advancing digitalization in all areas of personal life and business. Moreover, it is Germany's existing infrastructure and consumer base that is driving demand for cloud services. A 2014 study indicated that only 26 percent of German companies do not currently use or plan future use of cloud services in their operations.[5] This highlights the enormous market potential Germany's private sector offers for cloud adoption and an expanding need for diverse cloud services.

Germany's cloud computing market is attractive for domestic, regional, and international cloud service providers. The country's status as a mature market means that domestic and foreign cloud providers alike benefit from well-developed existing infrastructure.

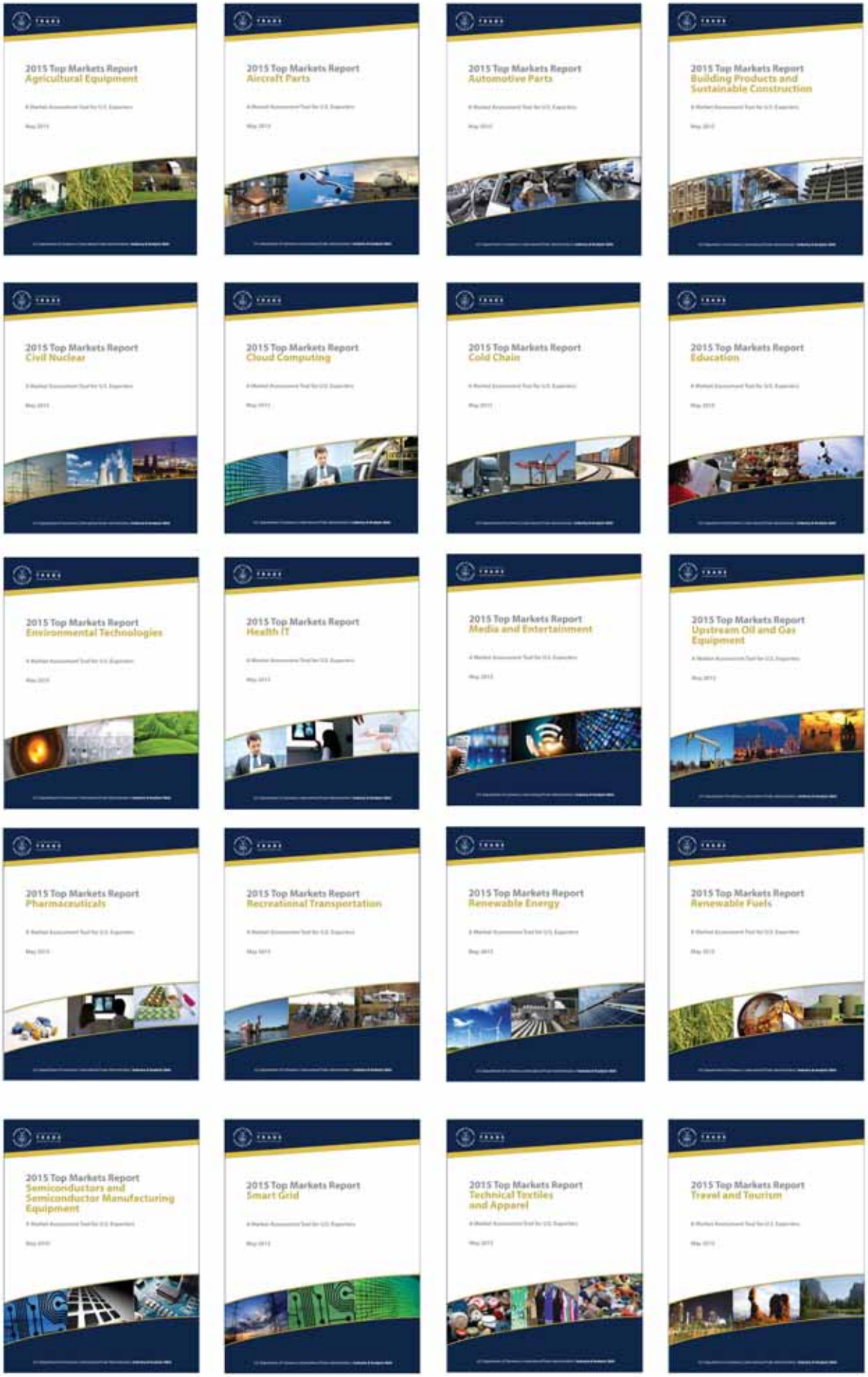
Competition for IT budgets is particularly strong among cloud vendors marketing to the German Mittelstand (a term used to describe German SMEs) who prefer domestic providers.

Some cloud industry watchers indicate that Germany is the lone Western European country where opening a local office is virtually a requirement due to consumer concerns about cross-border data transfers and security outside of German borders.[6] By 2013, 87 percent of cloud services providers in Germany had domestic data centers – an increase from 50 percent in 2010 – while most remaining data was stored elsewhere in the EU.[7]

The fact that industry and public pressures have led to an increase in localized data storage create challenges for cloud providers without the willingness or ability to house information within Germany, a particular concern for smaller vendors.

Consumer concerns over compliance by foreign vendors with EU and German laws and regulations are longstanding.[8] As early as 2011, there were calls for the creation a German or EU cloud (i.e., Schengen cloud).

According to research conducted by the U.S. Commercial Service, industry insiders have not seen a strong turn away from cloud services as a whole in Germany, but rather an aversion to providers who might export the data to the United States. Therefore, it appears that cloud demand and local German offerings will benefit as the competitiveness of U.S. providers declines, making it harder for U.S. players to regain ground. While large U.S. providers have considered establishing or opened data centers within Germany to process EU or German data, this is not a viable option for all U.S. service providers.[9]

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