COVID-19 impact on the Software House industry in Poland

#3 edition SoDA 2021
The consequences of the outbreak of the coronavirus disease (COVID-19) are unprecedented and felt around the world. For the third time during the pandemic, the Software Development Association Poland (SoDA) has conducted a study of executives’ and senior leaders’ feedback to gain a better understanding of the extent to which Software IT businesses were prepared for COVID-19 and how they are handling the impact.

Previous reports presented COVID-19 consequences for the IT sector in Poland (Summer & Autumn 2020) and the recommendations for business, sales, and HR departments of organizations. As time passes, we see more and more challenges that the ongoing pandemic poses for our industry.

This time SoDA has combined full survey data from eight main areas including leadership, digital transformation, outlook towards the future, new marketing and sales models, growth, profitability, and state of employment, that reflect its problems, successes, or challenges that are hidden behind the numbers.

COVID-19 causes undeniable disturbances that impacted profitability, employees’ well-being, financial stability, and long-term budget plans. In 2020 software companies were faced with the necessity to make hard decisions, and the new reality will bring additional challenges. Although overall sentiment in the industry is positive, the future is still uncertain as there is a considerable problem harnessing the new talent.

Addressing the pandemic’s continuing impact on our industry effectively means first understanding its lessons from 2020. It’s clear to see how much the crisis impacted people and businesses, but more importantly – we now understand what are the opportunities that can emerge from this crisis.
Key takeaways

Positive sentiment in the sector
One-third of companies mentioned that the COVID-19 pandemic had a positive impact on them, the metric increased against previous SoDA reports; right now, 70% of software development companies have a strongly positive outlook towards the future.

Growth and profit remains high
Overall, companies increased revenue by ~20%, while declared profitability landed at 15%; over one-fourth of companies enjoyed strong growth by more than 30%, while some beat 100% YOY trajectory.

Hiring processes at full speed
Software companies hire more as there are new projects in the pipeline; hiring needed mostly for developer and supporting roles, while salaries increased by 10-20%.

Shift towards digital
Companies went towards the full digital model, and declare that 80% of the managers met the expectations; responders declare more focus on wellbeing and mental health.

Owned channels favoured
The marketing budget increased in 58% organizations, while firms started to experiment with marketing; word of mouth, social media and own website proved to be the most effective; podcasts and webinars were overhyped and didn’t meet the expectations.

Increased marketing budgets
Over half of companies increased their marketing budgets; similarly, one-fourth increased sales commission consecutively – 74% of the companies mention that digital push is as effective as the traditional one, so they intent to keep it.
This is already the 3rd edition of our COVID-19-related report, but this time we have covered more topics.

Our previous reports on COVID-19:
- COVID-19 Loss Report
- COVID-19 impact on the Software House Industry in Poland

Sections covered in this edition:
- Outlook towards the future and impact
- Leadership & digital transformation
- Growth & profitability
- Wellbeing and mental health
- State of employment
- Salaries change
- New marketing & sales models
- Marketing & sales budgets
Meet our interdisciplinary team responsible for the report

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Angelika Siudzińska
Marketing & Communication

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Head of Growth

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CEO @ Valueships

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Lead Research Analyst
We would like to thank all companies that took part in the research and all organizations that supported SoDA in this project:

- Polska Izba Informatyki i Telekomunikacji (PIIT)
- Stowarzyszenie ITCorner
- Stowarzyszenie Szczeciński Klaster ICT Pomorze Zachodnie
Financials & overview
Overall sentiment improved within a year, but still remains net negative; rebound expected within months

Considering the COVID-19 impact, what is your sentiment towards it?¹

<table>
<thead>
<tr>
<th>%</th>
<th>Very Negative</th>
<th>Negative</th>
<th>Neither negative, nor positive</th>
<th>Positive</th>
<th>Very positive</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>April 2020 Report</strong></td>
<td>13%</td>
<td>52%</td>
<td>29%</td>
<td>6%</td>
<td>-59</td>
</tr>
<tr>
<td><strong>September 2020 report</strong></td>
<td>7%</td>
<td>39%</td>
<td>28%</td>
<td>5%</td>
<td>-20</td>
</tr>
<tr>
<td><strong>April 2021 Report</strong></td>
<td>5%</td>
<td>33%</td>
<td>32%</td>
<td>7%</td>
<td>-8</td>
</tr>
</tbody>
</table>

¹ The same question was asked in three reports done by SoDA so far.
² % of positive - % of negative
Source: SoDA #COVID-19 State-of-the-market report
We see that overall strength of COVID-19 was lower than initially anticipated in September

What impact had the COVID-19 pandemic already had on your business? 1%

<table>
<thead>
<tr>
<th>Impact Level</th>
<th>April 2020</th>
<th>September 2020</th>
<th>April 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Low Impact</td>
<td>6%</td>
<td>18%</td>
<td>14%</td>
</tr>
<tr>
<td>Low Impact</td>
<td>17%</td>
<td>14%</td>
<td>34%</td>
</tr>
<tr>
<td>Medium Impact</td>
<td>43%</td>
<td>34%</td>
<td>26%</td>
</tr>
<tr>
<td>High Impact</td>
<td>20%</td>
<td>20%</td>
<td>14%</td>
</tr>
<tr>
<td>Very High Impact</td>
<td>14%</td>
<td>8%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: SoDA #COVID-19 State-of-the-market report

1. Survey conducted between April 13th and 20th
2. Two highest impact answers on the scales

Top-2-Box

<table>
<thead>
<tr>
<th>N=74</th>
<th>N=131</th>
</tr>
</thead>
<tbody>
<tr>
<td>34%</td>
<td>34%</td>
</tr>
</tbody>
</table>

April 2020 report question not asked
At Future Processing, the second quarter of 2020 turned out to be close to our forecasts, slightly exceeding them in terms of revenue and profit. This resulted from the fact that although COVID-19 directly affected us in case of some projects from sectors like tourism or transport, the team took much less holiday than on average in past years. In our business model it helped us achieve better results than we forecasted in Q2 and Q3. The last quarter of 2020 was much above our forecasts. We have observed a significant revival on the market since September, especially in the Data and Digital Transformation areas. This translated into new contracts as well as an expansion of cooperation with current clients. As a result, we had a very good Q4 despite the holidays in December. We noted an 11% increase compared to Q3 and, at the same time, closed the entire year with PLN 157 million in revenue (9% above forecasts).

Most software houses are currently facing a significant demand for talent, mostly because the market need for innovation services is greater than before. As a result of the COVID-19 pandemic, the industry has observed a growing amount of new projects, coupled with the revenue they bring. At the very beginning of the pandemic – in Q2 2020 – its sudden outbreak resulted in general anxiety, which got reflected in business statistics. But shortly after, in Q3 2020, clients and partners rushed for digital transformation services, which naturally resulted in an increased amount of new business from current, new, and even past clients. However, this situation also brought about issues on the execution side of the business. Ever since we’ve been observing an increased demand for services, the supply has been lagging behind, as there are simply not enough software engineers available to cover so many incoming projects. This trend could stay with us for a while longer.
Median growth rate of software companies at 20%, while top companies grew by over 40%

What is your overall growth rate within 2020 vs 2019?
N=85, %

Software companies grew fivefold faster than Polish GDP (+4.3%); median level at 20%.

Less than 25% of the companies achieved lower growth than 5% - indicating a healthy situation within the sector.

If a company grew by above 40%, it’s already within the top 25% of software companies in Poland; to be in the top 10%, a company had to grow by 70%.
95% budget implementation among software firms; over one-fourth managed to cross the 100% threshold

Half of the companies managed to implement 95% of the assumed 2020 budget.

Overall, results slightly lower than the Q2 expectations, but with a reasonable margin of error.

One-fourth of the companies knew they’re going to beat the 100% threshold and confirmed it with the yearly results.

How much of the yearly assumed income do you foresee in 2020?

23% <90%
51% 90-109%
26% >=110%

How much of the assumed yearly revenues have you achieved in 2020?

26% >=110%
40% 90-109%
35% <90%

September 2020 Report

N=74

April 2021 Report

N=85
The best performing companies reached beyond 20% profitability threshold

What is your overall profitability within 2020?

N=85, %

EBITDA profitability median at 12% - strong double-digit margin market consensus

Significant differences between the 75th percentile at 22% profitability, vs. top 5% - to be on top, companies had to be profitable at 60% level

Positive 5% profitability at bottom quartile; only 7% of the companies reported a profit loss in 2020
Despite the turbulences, overall profitability increased for more than half of companies.

How much your overall profitability changed in 2020 vs 2019??
N=85, %

- EBITDA profitability growth at +5%; only 25% reduced their profit margins
- Top quartile achieved +30% profitability YOY increase, while top 5% enjoyed triple-digit EBITDA growth rate
- Bottom 5% experienced a bad year, which resulted in 67% profitability reduction

You need to be at 95th percentile to double the profitability
The majority of the companies achieved both positive growth and profitability; most budgets were implemented.

**Overall profitability and growth**

N=53

- **Bubble size** – % of the implemented budget
- **Bottom-line and growth decrease**
- **Market Profit + Growth median**

**Underperforming companies**

**Overperforming companies**

**YOY revenue growth rate**
Lost Q2 deals were the biggest issue during 2020; companies are more sales and costs-oriented

From the financial perspective, what has changed within your company during 2020?
Word cloud, N=34 answers
Despite last year’s turbulences, sentiment in the sector remained strong, but now reached an all-time-high level.

Sentiment results
N=131, N=118

Taking everything under consideration, the last twelve months for my company were:

1. Survey conducted between April 13th and 20th
2. % of positive answers - % of negative answers, similar to NPS-like scale
Source: SoDA #COVID-19 State-of-the-market report
Leaders think their companies head into the right direction; payments and employment are a concern to some

What is your attitude towards the following statements?¹

<table>
<thead>
<tr>
<th>Statement</th>
<th>Disagree</th>
<th>Neither Agree nor Disagree</th>
<th>Agree</th>
<th>N=51, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>I’m satisfied with the direction my company is heading</td>
<td>12%</td>
<td>4%</td>
<td>84%</td>
<td>51%</td>
</tr>
<tr>
<td>I’m not afraid about the future of my company</td>
<td>27%</td>
<td>12%</td>
<td>61%</td>
<td>30%</td>
</tr>
<tr>
<td>I’m not concerned about payment obligations and retaining employees</td>
<td>47%</td>
<td>14%</td>
<td>39%</td>
<td>14%</td>
</tr>
</tbody>
</table>

2. Two highest positive answers, in this case: “Strongly Agree” and “Very Strongly Agree”

Strong positive sentiment towards the future of the companies; over half of leaders express strong statements

Relatively low level of concerns regarding the challenges of potential employment reduction; growth initiatives were mostly not postponed

Almost half of companies are concerned about retaining employees/payment obligations; four-tenths are somehow positive, only 14% express strong opinions in the matter
Growth and strategic initiatives didn’t stop; however, some companies express concerns about the economy.

**What is your attitude towards the following statements?**

N=51, %

<table>
<thead>
<tr>
<th>Statement</th>
<th>Disagree</th>
<th>Neither Agree nor Disagree</th>
<th>Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>We have postponed the growth initiatives during the pandemic</td>
<td>61%</td>
<td>12%</td>
<td>27%</td>
</tr>
<tr>
<td>IT industry heads into the right direction</td>
<td>22%</td>
<td>33%</td>
<td>45%</td>
</tr>
<tr>
<td>The current state of the economy is in good condition</td>
<td>49%</td>
<td>24%</td>
<td>27%</td>
</tr>
</tbody>
</table>

2. Two highest positive answers, in this case: “Strongly Agree” and “Very Strongly Agree”

- **Growth didn’t postpone** – most of the companies didn’t postpone their growth initiatives
- **Almost half of the leaders somewhat agree that the IT industry outlook is positive**, but only one-tenth of them express a strong belief in it
- **Strong negative sentiment towards the state-of-the-economy**; only 27% of the responders believe it is in good condition
State of Employment
Companies increased the employment in 2020; visible hiring attitude change between Q2 and Q4.

In general, companies still hire more and more employees – in the end, two-thirds of them increased the overall employment.

Visible in the “on hold” period in Q2 2020, which changed into hiring in Q4.

Companies struggling in Q2 2020 had a rough end of the year as well; around one-fifth of the companies reduced the headcount.
The conviction that the time when a programmer is forced to look for a job which might be the worst half an hour of his life, still seems to be still valid today. The Fourth Industrial Revolution and the COVID-19 pandemic caused a global increase in the demand for the digitization of "everything", which in turn translates into potential business growth. Why potential?
Because not all companies have a sufficient number of employees, and sometimes they also lack suitably qualified people. The pandemic has proven that remote work is very efficient thanks to the advanced tools currently available on the market. Furthermore, there are situations when employees located in Poland provide work services remotely directly for foreign enterprises. This in turn further deepens the deficit of available qualified staff and limits the business growth possibilities of domestic IT companies. The “Poland.Business Harbor” program might be the answer to these problems, as it enables the recruitment of IT staff from Belarus. Thanks to a simplified administrative path, it is now possible to complete all formalities related to permits and visas in about a month. For some companies, introducing foreigners to their organizations will be associated with an additional internal (re) evolution, but the potential “quick wins” seem to reassure us that it is definitely worth to take that path.

The pandemic and global lockdown resulted in the transfer of dozens of areas of everyday life to the on-line formula and thus, increased demand in the area of production and maintenance of many IT projects. The deficit of IT specialists was noticeable even before the pandemic — the demand for IT competences is not decreasing. The dynamic digitization of many industries requires access to an increasing number of IT specialists. This trend is sure to stay with us for a long time.

Due to the remoteness of work, Western companies no longer perceive the difference between their native programmers and those from other countries. Thus, they went "shopping" to Eastern Europe, and this resulted in an equal amount of offers. This strongly marked trend may soon be stopped - with the return to offices, we expect an increase in the value of on-site employees at the expense of remote employees.
Salaries and investments on the rise — time for raises?

The report confirmed earlier observations about an abrupt increase in programmer salaries, which has been estimated by the majority of companies at 20%. This has been caused by the development of these companies (84% of them are in need of additional staff), and by the fact that 81% of respondents have a positive outlook on the future since the demand for IT services on the market is bigger than ever.

At the same time, remote working made it easier for companies from wealthier markets to recruit employees for work directly. This particularly applies to countries which did not employ the Polish workforce to work remotely before. Further salary increases are to be expected later this year. In order for the IT industry to maintain financial liquidity, it is necessary to raise the market rates firmly and urgently. Otherwise, the profitability of these companies will drop which will leave no room for future salary raises. As a result, as an industry, we will lose specialists to our foreign competitors.

When planning to raise the rates for one's clients, one should consider the projected increase of fiscal load under the New Deal. If the announced changes are introduced into the Polish legislation, the prices of services on the IT market should increase by a total of 20-30% in the months to come. We should be prepared for this and start to implement changes in the ways in which IT projects are settled.

Grzegorz Rudno-Rudziński
President of ITCorner, Managing Partner at Unity Group
We hire more, increasing the demand; salaries increased by 10-20% across the market set

What happened to the employees’ salaries in 2020?
N=51, %

- Decreased by more than 20%: 2
- Decreased by 10-20%: 2
- Decreased by 1-9%: 6
- Salaries not changed: 6
- Increased by 1-9%: 35
- Increased by 10-20%: 39
- Increased by more than 20%: 10

Strong consensus towards salaries increase in the IT sector – in most cases companies experience around 10% of the salaries increase.

Some companies saw 20% increase or even higher, especially in the highly specialized roles.

The results are aligned with the other market reports, Strong IT sector premium multiplier vs. Polish job market, which enjoyed 5.1% salaries increase.
Companies continue hiring trend started in Q2, and still plan to hire more people

Do you plan to hire more people?
N=51, %

- No, we hold the recruitment: 16 (September 2020) vs. 14 (April 2021)
- Yes, according to plans/slightly less: 14 (September 2020) vs. 6 (April 2021)
- Yes, more than before: 70 (September 2020) vs. 78 (April 2021)

Productivity and demand for IT software still rises – almost 80% of the companies want to hire more people within 2021.

The trend started in Q2 didn’t stop in Q4 – visible shift from conservative to more open attitude towards the hiring process.
IT companies agree on developers market demand; followed by delivery-related roles yet with lower consensus

Which roles would you most/least likely hire?

CxO-level management from Polish software development companies, n=48

- Developer: 44
- QA/Tester: 28
- PM: 27
- Devops/Admin: 26
- UX: 17
- Sales & Marketing
- HR
- Administration: -34
- Management: -37

Source: SoDA Report: „COVID-19 impact on the software house industry in Poland“
Companies need more people to staff new projects, so they focus on retention.

What is your attitude towards the following statements?¹

N=51, %

<table>
<thead>
<tr>
<th>Statement</th>
<th>Disagree</th>
<th>Neither Agree nor Disagree</th>
<th>Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I need more people to staff the upcoming projects</td>
<td>4%</td>
<td>12%</td>
<td>84%</td>
</tr>
<tr>
<td>We’re more focused on the employees retention than before pandemic</td>
<td>20%</td>
<td>27%</td>
<td>53%</td>
</tr>
<tr>
<td>The conditions of the IT labour market changed dramatically within a year</td>
<td>16%</td>
<td>24%</td>
<td>61%</td>
</tr>
</tbody>
</table>

1. "Very Strongly Disagree", "Strongly Disagree", "Disagree" answers connected to "Disagree"; "Agree", "Strongly Agree", "Very Strongly Agree" connected to "Agree"
2. Two highest positive answers, in this case: "Strongly Agree" and "Very Strongly Agree"
The job market is still employee-focused – most of the companies didn’t reduce the salaries, benefits or responsibilities

What is your attitude towards the following statements?¹
N=51, %

**Disagree**  | **Neither Agree nor Disagree** | **Agree**
---|---|---
We have increased the responsibilities of our employees | 25% | 33% | 41%
We have increased the requirements of our job offers | 35% | 35% | 29%
We are more picky when it comes to the candidates | 39% | 39% | 22%
We have reduced the employee benefits | 71% | 12% | 18%
We have reduced the proposed salaries in our job offers | 84% | 10% | 6%

². Two highest positive answers, in this case: “Strongly Agree” and “Very Strongly Agree”

Most of the responsibilities and job requirements didn’t change; similarly when it comes to the selection of the candidates – companies need more people with clear roles.

Employee benefits were not reduced; similarly, salaries increased, and pretty much no one managed to decrease them successfully.
Management satisfaction aligned with results – 80% of leaders met the pandemic expectations

How do you rate the performance of the leaders in your organization during the pandemic?
N=43, %

- 2% They haven’t met the expectations at all
- 16% They haven’t met a part of the expectations
- 63% They have met the majority of the expectations
- 19% They have met all expectations
Four-fifths of the companies successfully went through digital transformation

What is your attitude towards the following statements?1
N=44, %

We have successfully overcome the digital communication barriers
- Disagree: 7%
- Neither Agree nor Disagree: 11%
- Agree: 82%
- Top-2-Box: 46%

We have ensured our leaders are prepared for fully digital operations
- Disagree: 5%
- Neither Agree nor Disagree: 16%
- Agree: 80%
- Top-2-Box: 32%

The role of leaders became more important than ever
- Disagree: 7%
- Neither Agree nor Disagree: 25%
- Agree: 68%
- Top-2-Box: 43%

Our leaders had to change their management approach
- Disagree: 18%
- Neither Agree nor Disagree: 18%
- Agree: 64%
- Top-2-Box: 21%

2. Two highest positive answers, in this case: “Strongly Agree” and “Very Strongly Agree”

Companies enabled full technological stack to ensure smooth operations – most of them feel they were prepared to run it

Two-thirds of companies embrace the new leadership model; however, only one-fifth declare they had to change their leadership approach heavily
Companies are now more aware of mental health and wellbeing challenges of the employees

What is your attitude towards the following statements?
N=44, Top 3 Box, %

COVID-19 has an impact on our employee wellbeing
- Disagree: 5%
- Neither Agree nor Disagree: 14%
- Agree: 82%

The psychological safety of the employees is now critical for us
- Disagree: 11%
- Neither Agree nor Disagree: 18%
- Agree: 70%

We’re more focused on mental health of our employees
- Disagree: 9%
- Neither Agree nor Disagree: 16%
- Agree: 75%

We’re going back to the offices once the pandemic ends
- Disagree: 34%
- Neither Agree nor Disagree: 11%
- Agree: 55%

A visible impact of COVID-19 on wellbeing – half of the companies declare it as a real issue

Rise of psychological safety awareness across the entire companies set – some firms with strong statements

Mental health, alongside with psychological safety, are two visible themes which are important to tackle in the future

Unclear consensus when it comes to the office/remote work structure – hybrid model most probable
When it comes to leadership, companies mention employees as first and emphasize focus on communication.

What changed in your company’s leadership style during the pandemic?

Word cloud, N=24 answers
Last year brought new challenges for leaders at The Software House. I believe that our decision to become a fully remote company made the most significant impact on how our leaders act and how they lead their teams. So far, the vibe connected with working from our office in Gliwice was our "secret source" for team building and keeping our people engaged, motivated and happy with their job. Our processes and management styles had to evolve, and leaders had to adapt to the new normal quickly. Managing fully remote teams requires more awareness regarding people's behaviours, moods, and needs. Also, leaders had to adjust their management styles and equip themselves with new tools an methods to integrate the teams and keep them engaged. At the same time, we grew our headcount significantly during the year. It brought another challenge – how to successfully onboard new people without meeting them in person. A newly created onboarding process (fully remote, intensely involving many people and departments) helped a lot. The involvement of the entire management in continuous activities integrating teams was unfathomable too. It now takes place at three levels: project team, department, and company level.

The pandemic was a huge challenge in terms of taking care of the well-being of our employees. In a short period of time, actually within a few days, we switched to a completely remote work mode, taking care of our people's sense of security at the same. We started by ensuring appropriate working conditions in the home office, renting office equipment and furniture to our employees. At the same time, we have introduced a number of well-being activities, such as consultations with a psychologist, shared coffees, celebrations and online events, and, very importantly, we have also offered support to our employees' families by offering activities for children, gifts or consultation with our HR department. We have also introduced a more direct and transparent form of contact with the management, who during Ask Me Anything sessions answer our employees' questions and inform them about the current situation of the company. All these activities are just a few examples of how we are preparing for the New Normal – a process that is still ongoing and built on conversations and the real needs of our employees.
Marketing & Sales
COVID-19 made video calls essential in the client’s buying journey

How clients currently interact with your company/sales reps?
Which channels have increased the presence during the pandemic?
By stage in the customer decision journey, %, N=44

<table>
<thead>
<tr>
<th></th>
<th>Research</th>
<th>Evaluate</th>
<th>Order</th>
<th>Reorder</th>
</tr>
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<tr>
<td>In person</td>
<td>9</td>
<td>14</td>
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<td>Phone</td>
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<td>Video call</td>
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<td>Online chat</td>
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<td>Email</td>
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<td>70</td>
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<tr>
<td>E-commerce</td>
<td>11</td>
<td>5</td>
<td>11</td>
<td>14</td>
</tr>
</tbody>
</table>

Declared over 10% channel usage increase
Owned and earned channels proved to be most effective; despite the hype, podcasts and webinars rank as the lowest.

Which online channels were the most/least effective during the pandemic?

n=39

<table>
<thead>
<tr>
<th>Channel</th>
<th>Lowest rank</th>
<th>High rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social media</td>
<td></td>
<td>22</td>
</tr>
<tr>
<td>Word of mouth marketing</td>
<td></td>
<td>12</td>
</tr>
<tr>
<td>Your website</td>
<td></td>
<td>13</td>
</tr>
<tr>
<td>Content marketing and SEO</td>
<td></td>
<td>8</td>
</tr>
<tr>
<td>E-mail marketing/newsletter</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Pay-Per-Click/retargeting/display</td>
<td>-8</td>
<td></td>
</tr>
<tr>
<td>Webinars</td>
<td>-11</td>
<td></td>
</tr>
<tr>
<td>Podcasts</td>
<td>-18</td>
<td></td>
</tr>
</tbody>
</table>

Source: SoDA #COVID-19 State-of-the-market report
More fuel for growth engines – 58% of the firms increased spend; 23% invested in sales reps

What happened to the following sales & marketing aspects in 2020?
N=40, %

Overall marketing spend:
- Increased by over 20%: 15%
- Increased by 10-19%: 30%
- Increased by 1-9%: 13%
- Stayed the same: 25%
- Decreased by 1-9%: 8%
- Decreased by 10-19%: 3%
- Decreased by over 20%: 8%

Sales rep commission:
- Increased by over 20%: 8%
- Increased by 10-19%: 15%
- Increased by 1-9%: 65%
- Stayed the same: 8%
- Decreased by 1-9%: 3%
- Decreased by 10-19%: 3%
- Decreased by over 20%: 0%
Decreasing the marketing expenses results in lower profitability, while increase boosts profit & growth

Marketing & Sales expense increase impact on growth and profitability

N=40, Pearson correlation

Despite relatively low sample size, we observe a positive correlation between an increased marketing spend and increased profitability and growth rates; a visible tendency of boosting profitability and growth engine with marketing fuel.
In comparison with the worldwide benchmark, our responders are more critical towards digital sales.

How effective is your company’s new sales digital model at reaching and serving customers?

% of answers of TMT companies vs. SoDA survey, N=39

<table>
<thead>
<tr>
<th>Date</th>
<th>Less effective</th>
<th>About the same</th>
<th>More effective</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 9, 2020</td>
<td>41%</td>
<td>26%</td>
<td>33%</td>
</tr>
<tr>
<td>April 28, 2020</td>
<td>32%</td>
<td>25%</td>
<td>43%</td>
</tr>
<tr>
<td>Jul 31, 2020</td>
<td>25%</td>
<td>23%</td>
<td>52%</td>
</tr>
<tr>
<td>Mar, 2021</td>
<td>36%</td>
<td>33%</td>
<td>31%</td>
</tr>
</tbody>
</table>

75% of B2B decision makers feel the new model is as effective or more effective than pre-pandemic approach.

When it comes to software development companies, the initial hype depleted and a new sales model evaluation is more critical.

Source: COVID.mckinsey.com/b2b-sales
The majority of the companies believe the new digital sales will stay with us in a long-term

How likely is that the new sales model will sustain 12+ months beyond pandemic?
% of answers of TMT companies\(^1\) vs. SoDA survey, N=39

<table>
<thead>
<tr>
<th>Date</th>
<th>Unlikely to sustain 12+ months after the pandemic</th>
<th>Likely to sustain 12+ months after the pandemic</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 28, 2020</td>
<td>16%</td>
<td>84%</td>
</tr>
<tr>
<td>Jul 31, 2020</td>
<td>6%</td>
<td>94%</td>
</tr>
<tr>
<td>Mar, 2021</td>
<td>26%</td>
<td>74%</td>
</tr>
</tbody>
</table>

While the overall belief among responders is weaker, still three-fourths of overall responders believe the new sales model will sustain with us in the next 12+ months after the pandemic.

1. Q: “Which of the following statements best describe the changes your company has made to its commercial and go-to-market model during COVID-19?”
Source: COVID.mckinsey.com/b2b-sales
Experimenting with inbound is the new black in software development marketing

What is your attitude towards the following statements?¹

N=51, %


2. Two highest positive answers, in this case: “Strongly Agree” and “Very Strongly Agree”

Almost everyone started to experiment with M&S – the pandemic opened the new channels opportunities, previously untapped

Inbound, esp. social media and owned content, proves to be the most effective – two-thirds of the companies focused on it

In pursuance of the new hybrid model – we will see some comeback towards traditional marketing efforts

10% of the companies see themselves as sector leaders; others are more conservative in their judgement

1. We’re experimenting more with previously unknown channels
   - Disagree: 5%  
   - Neither Agree nor Disagree: 15%  
   - Agree: 79%

2. We’re more focused on inbound marketing
   - Disagree: 11%  
   - Neither Agree nor Disagree: 24%  
   - Agree: 66%

3. Once the pandemic ends, we will increase presence in traditional channels
   - Disagree: 26%  
   - Neither Agree nor Disagree: 33%  
   - Agree: 41%

4. We’re leaders of our sector when it comes to modern marketing efforts
   - Disagree: 26%  
   - Neither Agree nor Disagree: 41%  
   - Agree: 33%
No consensus when it comes to the new sales model

What is your attitude towards the following statements?¹

<table>
<thead>
<tr>
<th>Statement</th>
<th>Disagree</th>
<th>Neither Agree nor Disagree</th>
<th>Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>We had to change our sales model completely</td>
<td>36%</td>
<td>33%</td>
<td>31%</td>
</tr>
<tr>
<td>We generate more sales leads than before</td>
<td>21%</td>
<td>26%</td>
<td>54%</td>
</tr>
<tr>
<td>Sales process is harder than ever</td>
<td>31%</td>
<td>33%</td>
<td>36%</td>
</tr>
<tr>
<td>Online sales processes create more friction for the client than traditional ones</td>
<td>31%</td>
<td>44%</td>
<td>26%</td>
</tr>
</tbody>
</table>

2. Two highest positive answers, in this case: "Strongly Agree" and "Very Strongly Agree"

While some companies were somewhat prepared towards digital sales, **one-third of them had to change their model**, and 10% had to do it comprehensively.

**Strong project demand on the market** as companies generate more leads than ever before.

For those who didn’t digitize early enough, **the sales process is harder and provides more challenges**.

No agreement when it comes to **client friction in the digital sales model** – potential for in-depth evaluation.
Connections, referrals, and word of mouth were mentioned as the most effective marketing & sales ideas.

Which marketing & sales ideas during the pandemic have been the most effective for your organization?
Word cloud, N=17 answers
The long-lasting pandemic has had a significant impact on customer acquisition channels. Due to the fact that no conferences were organized and there was no possibility of holding a direct meeting with a potential client, the effectiveness of outbound sales has been weakened despite the transfer of many of these activities to the virtual world.

My observations show that during this period, many software houses invested in building or developing their marketing departments. It is a strategy that is expected to increase leads from inbound sales in the medium and long term. I am convinced that even in the post-pandemic reality, companies will continue their investments in this area.
Demographics and information
While 131 answered the initial questions, final demographics landed at n=41

**Gender**
- Male: 83%
- Female: 7%
- Prefer not to answer: 10%

**Turnover (PLN)**
- 25th percentile: 100,000
- Median: 3,000,000
- 75th percentile: 10,000,000

**Age**
- 18-25: 0
- 26-35: 32
- 36-45: 39
- 46-55: 17
- 56-65: 7
- 65+: 5

**Employment (#)**
- Mean at 212
- Median at 70

**Size of the company**
- Microfirm: 3
- Small business: 45
- Medium business: 40
- Enterprise business: 13

**Are you a member of the SoDA?**
- Yes: 63%
- No: 38%
More information can be found on our website:
www.sodapl.com

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