

## Finatech: Morocco soon to become a destination of choice....

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**Helped by strong incentives from the government, the IT market in Morocco is in good health and on the verge of enjoying a boom in the next two years. Rachid Sefrioui (below), CEO of Finatech, the biggest IT company in Morocco, draws up the situation for *IT Europa*.**



In the PC business, contrarily to European countries, the market has been growing 10-12%, thanks to the consolidation on the local market of two of the biggest players, Matel PC and Distrisoft, both publicly-held companies. "Because they united their networks and most importantly their distribution networks, they've been able to achieve economies of scales and pass a lot of discounts to their customers," he explains.

On the IT side - IT systems (storage, servers, routers and all things that make the network work) and the soft side (services, delivery of enterprises solutions like ERP, CRM, human capital management solutions, delivery of portals, intranet, extranet, custom development, offshoring, etc.) - the business has been essentially flat from 2008 to 2009, given that the performance of most of the IT companies was more or less + or -5%. "The big difference, however, is that a lot of the IT guys took the opportunity to streamline their operations; so by and large, their profit-line should be much better in 2010."

In terms of structure, Finatech also took the opportunity in 2009 to integrate its 18 legally separated subsidiaries, which saved them a lot of costs and allowed them to rationalise people, make economies of scales, get better prices and improve their margins. "That had a great impact on the bottom-line for us in 2009. And for 2010, the fact that we have a unified sales force now, we built-up a backlog for 2010 that represents almost 50% of our revenues of 2009, and we're entering 2010 with this backlog as a signed contract, so we're positive," said Sefrioui.

"Now, I don't want to say that I'm super-optimistic, because monitoring the international economy, we see that the way out of this recession hasn't been a V- or a U-shape curve, but really more a W-shape, and there could be another hiccup this year, so we're still watching our spending and we want to continue to rationalise and tighten our cost-base and structure for 2010 and 2011. As you know, a lot of people have concerns about the potential burst of the real-estate bubble in China; the burst of the real estate in Dubai had effects on the market. Now the question is: are the Chinese banks too exposed to the real-estate boom in China and would that have any kind of an effect? So that is a concern for everybody of course, because even on the IT side, it would have an impact on deliveries, prices, the whole chain would be affected, and we hope that would not be the case."

But Moroccan customers are healthy, says Sefrioui. "They've been good at paying their bills on time, whether they were from the government, medium-size companies, in retail, in distribution, in banking, etc. The only one that have stretched their terms were the telcos, but this is a kind of unique environment, it's not linked to the underlying business, but really to their change in capital structure."

Also, thanks to many government initiatives, started back in 2005-2006, the right foundations have been laid out in Morocco to help it become a really attractive destination, explains Sefrioui. "They give us tax breaks on corporate taxes - almost 50% when you're offshoring. We get subsidies for training our employees. We get a tax break on the taxes for employees. They also built this technology park, Casanearshore (pictured next page), where you're getting fully world-class equipped space for \$8 per m2. And they keep on subsidising and financing engineering or technology schools to reach the goal of graduating 10,000 engineers per year."

Late last year, the Moroccan government also launched a new strategy called 'Digital Morocco 2013'. "The idea is basically to try to emulate the South-Korean model, which is to say 'let's build an offshoring platform to attract international players and maybe give rise to some big national players,' like what I did with Finatech," explains Sefrioui. "And then, once we get that base going, 'let's launch in parallel a digitalisation strategy for the country, to connect a lot of the young people and get them streamlined to the rest of the world'." And these two strategies in parallel, led by the Ahmed Reda Chami, the Moroccan Minister of IT, are bringing in results.

In addition to that, the government has been working on a big PR-advertising campaign to promote the country as an IT nearshoring and offshoring platform that it's going to implement in the next two years. "I've met with them, I saw their plans, they've prepared some very nice stuff for 2010-2011 that are going to make our incoming requests really jump from that standpoint."

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### \* Digital Morocco 2013

With a budget of DH 5.2bn (€460m)), "Maroc Numeric 2013" (Digital Morocco 2013) is structured around four strategic priorities, namely providing citizens with high-speed Internet, bringing the administration closer to the needs of the user through an ambitious e-government programme, and encouraging the computerization of SMEs.

DH 7bn (€636m) direct and DH 20bn (€1,8bn) indirect additional GDP are anticipated and 26,000 additional jobs will be created, announced Ahmed Reda Chami, Minister of Industry, Trade and New Technologies, at the launch of the plan in October 2009.

This is part of a governmental strategy to launch eight new projects that aim to boost the Moroccan economy in the next decade.

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Looking at the Moroccan market from an international perspective, companies have reasons to rejoice, continues Sefrioui. "People look at places where there is stability, both political, legal and economic, and where there's a vested interest by the leadership to build the IT sector; and there, they can see a clear strategy. Even the Moroccan telecom regulator is taking measures to improve the quality and lower the cost of bandwidth and of building up infrastructures in order to connect the various data centres around the world..."

So at Casanearshore, many global companies have already taken positions. Just in Finatech's building, which has basically six floors of 2,000 square-metres, the first floor is Accenture, then there are two floors of Finatech, followed by two floors of Nestlé IT services MENA (Middle-East North-Africa). "You want price to be linked with value. And I believe that people like Nestlé, BNP who is on the sixth floor, and on the whole campus, Logica, Cap Gemini, and all the big guys out there come to Morocco for a couple of things: one is competitive prices, but secondly is the stability."

Looking at the regions that try to compete with Morocco, such as Tunisia, Egypt, Turkey, Romania and Bulgaria, Sefrioui thinks that each one of them does not have all the cards in their hands like the Moroccans have. For instance, he says, "Tunisia is playing more the BPO card, they're not in a solid play in the IT card, and the programme for training engineers is not there. Romania and Bulgaria do not have a strategy at a national level; it is an emerging industry but it is really the local players."

In terms of the main technology trends, they differ depending on the sectors. For the government, it's digitalisation. "They're now aware that they want to convert all their paper-based information into digital information, so that is a growing market for us, including networking - they want to connect all their people, all their regional offices and all that." For the financial institutions, there is a growing demand along two lines: storage virtualisation and human capital management solutions. And then, for the mid-size market, "We're seeing a lot of demand on the ERP side". Indeed, with the financing programme launched by the government in December 2009, SMEs realise that they need to manage their costs and their resources better. "So we're presenting Microsoft NAVision a lot these days to mid-size companies."

Microsoft Business Solutions is indeed giving a lot of support in deploying NAV in the Moroccan region; and other multinationals, such as Cisco, Huawei, Fujitsu, Symantec on the security side or VMware on storage and virtualisation "have given us a lot of support because they felt this was the year to gain marketshare on their competitors."