LÜNENDONK

Lünendonk® Survey 2024

The Market for Digital Experience Services in Germany

Leading service providers, investment planning, DX technology trends

A survey conducted by Lünendonk & Hossenfelder GmbH in collaboration with

SYZYGY

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Foreword

Mario Zillmann
partner

Dear readers,

You have before you the fifth edition of the Lünendonk® Survey on the market for digital experience services (DXS) in Germany, published for the first time in this form in 2020. Lünendonk has nevertheless been systematically monitoring emerging developments and trends in digital marketing, digital commerce, and the development of digital business models since 2017.

THE MARKET FOR DIGITAL EXPERIENCE SERVICES: TRADITIONAL SERVICE PROVIDER MARKETS ARE BECOMING INCREASINGLY BLURRED AS CUSTOMER REQUIREMENTS CHANGE

Lünendonk defines 'digital experience services' as the combination of different disciplines, competencies, and skills that are required for the development and implementation of customer-centric strategies and for the creation of digital experience along the entire value chain. Included are aspects such as experience strategy, brand experience, digital commerce, customer journey analyses, digital marketing, personalisation and targeting, AI & data analytics as well as IT implementation services such as software development, system integration and, increasingly, the operation of applications as a managed service.

The market for digital experience services is particularly relevant – Lünendonk has been observing for years now that more and more client companies are bundling together different DX services and putting them out to tender as an overall service. This development is being driven by a reduction in complexity and an increase in the speed of implementation and transformation. Above all, however, companies – regardless of whether they are B2C- or B2B-focussed – have recognised that they need to offer their customers a consistent brand experience and a uniformly high quality of digital experience across all channels and points of interaction (marketing, sales, customer service, logistics, etc.) in order to keep up with the competition for customers, as well as for capital, talent, and employees.

In fact, our series of year-long studies clearly demonstrates that the demand for end-to-end services is increasing constantly and that more and more service providers are positioning themselves as full DX service providers. The need for market transparency as well as orientation regarding the leading service providers and market information is thus correspondingly high.

The Market for Digital Experience Services in Germany

DIGITAL TECHNOLOGIES ARE CHANGING THE MARKET FOR DIGITAL EXPERIENCE SERVICES

As in other B2B service markets, the years 2023 and 2024 were influenced in the market for digital experience services by economic developments, global crises and the pace of technological change – especially around generative AI (GenAI) and the AI-assisted automation of process chains. In particular, the increasing pace of technology cycles offers organisations completely new opportunities to use technology to digitise their customer interfaces, increase customer enthusiasm at digital touchpoints and, above all, not only implement digital business models, but also generate competitive advantages from them. Currently, use cases are seen primarily in areas such as media production, content creation, customer interaction, campaigns, and segmentation & personalisation – in other words, all the classic agency services.

The development and introduction of IT applications and digital products is becoming increasingly relevant, and both customers and service providers need to be prepared for this. Wherever there are opportunities, there are also usually challenges. Technological progress in particular presents service providers and their customers with new and significant challenges, since they must be able to adapt the new technologies to their needs (i.e. identify meaningful use cases), develop proofs of concept, and implement them. This cannot be done without making adjustments to the organisation and its processes and working methods.

The present Lünendonk® Survey sheds light on these developments and trends and provides a comprehensive insight into the market for digital experience services – both from the perspective of leading providers of digital experience services (service providers) as well as from the perspective of large user companies. In addition to market structure and leading service providers, the future tasks and plans of large user companies from German-speaking countries as well as the challenges facing them are also described in detail. The Survey thus provides a unique 360º analysis of the market for digital experience services in German-speaking countries. Thanks to the kind support of diva-e, Plan.Net Group, Reply, Syzygy and valantic, we have been able to make this Survey available free of charge. The authors would like to express our gratitude to our partners for their assistance and contribution to the content for this project.

We hope you find it interesting and, above all, useful reading.

Best regards
Mario Zillmann

Management summary

MARKET DEVELOPMENT

- The market for digital experience services grew slightly more slowly in 2023 than in previous years due to prevailing economic circumstances. Overall, the providers of digital experience services (DXS) polled succeeded in increasing their revenue by an average of 4.4% in 2023 (2022: 18.3%).
- DXS providers are optimistic about 2025. Revenues are expected to rise again to 11.8% that year and to 14.2% by 2026.

INCREASED COMPLEXITY OF DX PROJECTS LEADS TO RISING DEMAND FOR END-TO-END SERVICES

- For 84% of user companies, being able to purchase several services such as consulting, UX design, software development, and roll-out from a single source is important when actioning their DX projects. This development is being driven by the significant and increasing complexity of projects and notable pressure to implement.
- In fact, 59.3% of the customer projects implemented by the canvassed providers are already being delivered using a fully integrated end-to-end approach – and this trend is growing.

COMPANIES INVESTING IN DIGITAL EXPERIENCE DESPITE THE CRISIS

- In 2024, the DXS service providers surveyed by Lünendonk perceive the strongest demand from their customers to be in the areas of customer experience (100%), data & AI (95%), and integration of DX platforms (81%).
- Looking ahead to 2025, almost half of all client companies expect to increase their budgets for digital experience by more than five per cent. Significant investments are most frequently planned in media production (92%), managed services & hosting of customer-centric operations (81%), social commerce (79%), and customer experience (75%).

4.4%

revenue growth in 2023 despite period of economic weakness.

Looking ahead to 2025, the DXS providers forecast growth of

11.8%

91%

of client companies see the ability to offer end-to-end services as one of the most important features of DXS service providers.

For this reason,

59.3%

of customer projects are fully integrated end-to-end.

DX TECHNOLOGY TRENDS

- Data & analytics platforms (85%), customer data platforms (81%), generative AI (81%), and cloud-native technologies (76%) are viewed by the DXS service providers canvassed as the most important technological trends.
- The customer companies surveyed also made a similar assessment with regard to the relevance of DX technologies: customer data platforms (82%), intelligent automation (80%), cloud-native technologies (78%), and data & analytics platforms (74%) are particularly important to them.

THE DISRUPTIVE EFFECT OF GENERATIVE AI

- All the DXS service providers polled already employ GenAI for individual use cases. Half of DXS service providers utilise GenAI extensively.
- Customer companies see a number of potential areas of application, particularly in customer service, research, and content creation. They perceive particular advantages in a better customer experience through the improved processing of customer insights, the use of conversational AI, and significant efficiency gains in the development of content, media, and software solutions.

41%

of companies perceive themselves as threatened by digital-only competitors, but just

23%

of companies are planning to develop completely new and disruptive business models.

95 %

of DXS service providers see data & AI as the biggest areas of demand.

This is why

90 %

of DXS service providers are already developing GenAI solutions for specific use cases.

Methodology and survey sample

As a market research and analysis company, Lünendonk has been monitoring various B2B service markets for four decades. While the IT services market has been one of our focuses since 1983, we have been studying other markets such as management consulting, audit and tax advisory, temporary staffing, and facility services over many years. Our Lünendonk® Surveys and Lists have covered the most important market developments and service providers in the respective markets.

Lünendonk has been describing the Digital Experience Services (DXS) market segment since 2017. In 2020, our survey was expanded to include a Lünendonk® List and Lünendonk® Portfolio, a visualisation of the market strength and portfolio breadth and depth of the service providers.

ABOUT THE SERVICE PROVIDER SURVEY

This year's Survey features 24 leading IT service providers, management consultancies, and digital agencies operating in Germany. During the initial stage, Lünendonk identified more than 30 service providers generally offering a DXS portfolio (consulting services, agency services, technology services).

In a second stage, these companies were contacted in writing and requested to complete a questionnaire we sent them. The written survey was conducted between May and August.

In the third stage, Lünendonk reviewed the information submitted by the participating service providers. Companies who had responded to the questionnaire and met the criteria for inclusion in this Survey were included.

The survey looked at both providers headquartered in Germany as well as the German subsidiaries of international corporations. Lünendonk checked the validity of the information collected in written questionnaires extensively; where necessary, information was investigated further, and numerous background discussions were held with the survey participants.

To be classed as a service provider in the digital experience services segment and included in the Lünendonk® List, service providers must meet the following criteria:

1) generation of at least 60 per cent of their revenues from management and IT consulting, digital agency services, software development and implementation, or system integration;
2) in terms of revenue from digital experience services, significant revenues generated in each of the three segments (digital consulting services, digital agency services, and digital technology services).

The criteria are checked on the basis of the completed questionnaires, plausibility checks by Lünendonk and, in selected cases, detailed background discussions including the submission of skill distributions and references. Those service providers who respond but do not meet the criteria are not included in the Survey, although individual responses from these businesses are occasionally featured, meaning that the number of respondents (n) for some questions is higher than the number of companies covered in the Survey.

The leading providers measured by domestic revenue are included in the Lünendonk® List. Rankings are not presented by DXS segment revenue since it is not possible to validate from public sources precise segment revenues from digital experience services, especially in the case of hybrid service providers, and in some cases this revenue cannot be clearly ascertained from the service providers themselves due to delimitation difficulties. Comparisons can therefore not be made reliably.

ABOUT THE USER SURVEY

The second part of the Survey focuses on customers' perspectives. Between May and August 2024 we canvassed 148 user companies, predominantly by telephone. The organisations contacted stem from the industrial and automotive sectors, retail, fast-moving consumer goods (FMCG), the financial sector, and the chemical/pharmaceutical, telecommunications, and energy industries.

Half of the companies polled pursue a B2C business model, while every third company (32%) operates in the B2B sector. The remaining companies bridge both segments.

We only surveyed companies from German-speaking countries. The majority (70%) are based in Germany, with 20% from Switzerland and 10% from Austria. In terms of company size, 50% of the firms have revenues of up to 1 billion euros and therefore sit in the upper midmarket, while a further 50% generate revenues in excess of 1 billion euros.

SAMPLE OF USER COMPANIES SURVEYED (N = 148)

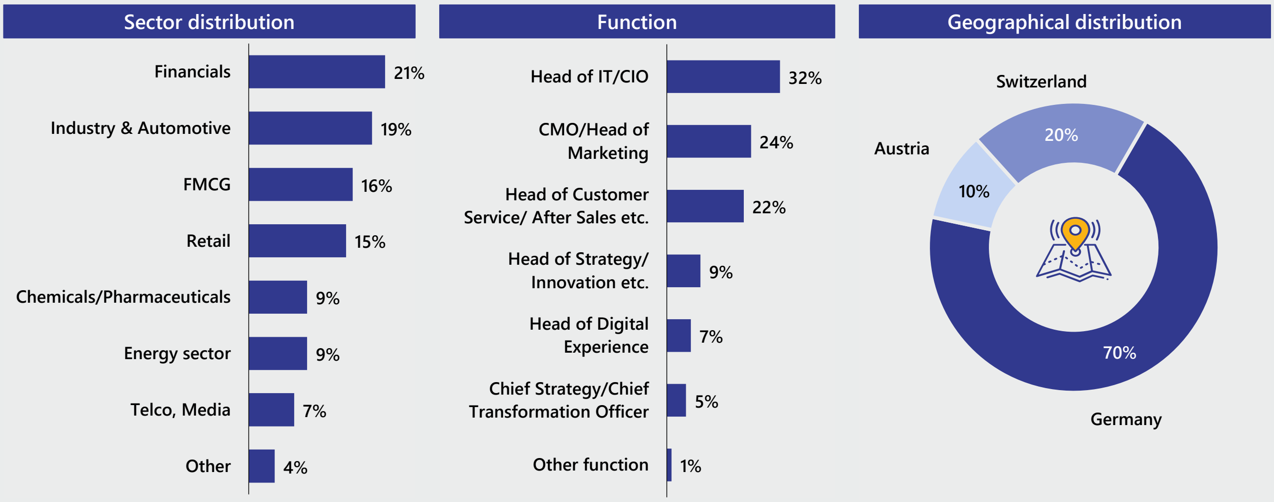


Fig. 1: Question: Sector distribution; function, geographical distribution; all participants; frequency distribution; n = 148 (geographical distribution n = 140)

SAMPLE OF USER COMPANIES SURVEYED (N = 148)

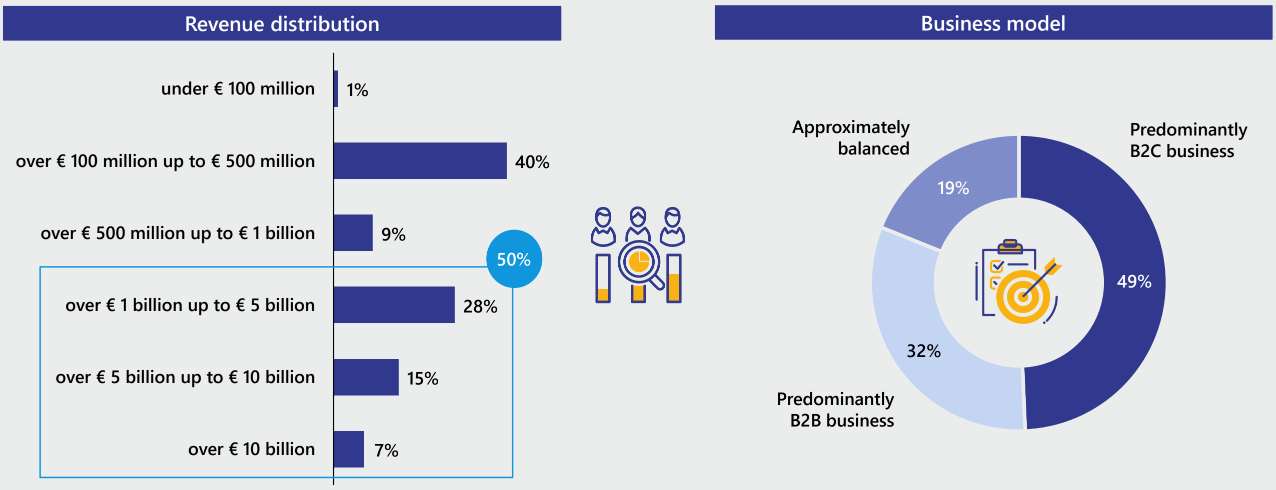


Fig. 2: Question: Distribution of revenue, business model; all participants; frequency distribution; n = 148

Since B2C and B2B firms exhibit certain differences in terms of digital maturity as well as in requirements for customer centricity and digital experience, interpretation of the results revealed significant variations.

The basic distribution of companies from 2023 in terms of their characteristics and the number of companies participating was largely retained in this year’s survey to facilitate comparability of the results. However, since only a small proportion of the companies and individuals surveyed have remained unchanged across a longer period, direct long-term comparisons would not be statistically significant. The Survey thus makes no claim to be representative in this sense, but does allow the identification of trends and developments in the market.

Introduction: the digital experience services (DXS) market segment

Demand for support with digitalisation projects remains high, as do corresponding investments, despite the current weakness of the economy. Key drivers of this development are in particular the pressure to digitise in public administration, the digitisation of workflows and processes in terms of efficiency and user experience, and the lack of digital and IT experts for the implementation of digitalisation programmes.

Examining the German market for IT services shows that the revenue of IT service providers increased by almost 10% in 2023 according to Lünendonk's figures, meaning that the market for IT consulting and system integration progressed significantly better than overall economic output in Germany (GDP 2023: -0.3%). This development can be attributed to price increases for IT services, a tight market for skilled workers, and organisations' continued willingness to invest in digital transformation.

The digitisation of business models and communication channels also remains important, and digital technologies are playing an increasingly important role in customer centricity and management of the customer journey. Customers more and more expect a fully digital purchasing and service process, with digital commerce and e-commerce platforms also gaining in importance. The increasing number of digital touchpoints along the customer journey mean technologies at the interfaces between customers and employees need to be used correctly. This is how an effective digital experience can be created. And it is no longer only traditional B2C markets where this applies; more and more B2B companies are investing in areas such as digital marketing and digital commerce.

CIOs' willingness to invest in their own digital experience is high, according to the Lünendonk® Survey 2024 The Market for IT Services in Germany. A full 68% of CIOs will spend more money on digital experience along the customer journey in the coming years. IT service providers are also seeing a significant increase in demand for digital experience services. Digital experience is no longer just about digital marketing, customer service, and digital commerce, but permeates all functional areas in their digital transformation, including the supply chain, R&D, and production.

On one hand, employees need to be additionally empowered to a much greater extent to use new digital technologies (with the keywords being human-centric organisation and the digital workplace), since a high level of user experience leads to digital experience.

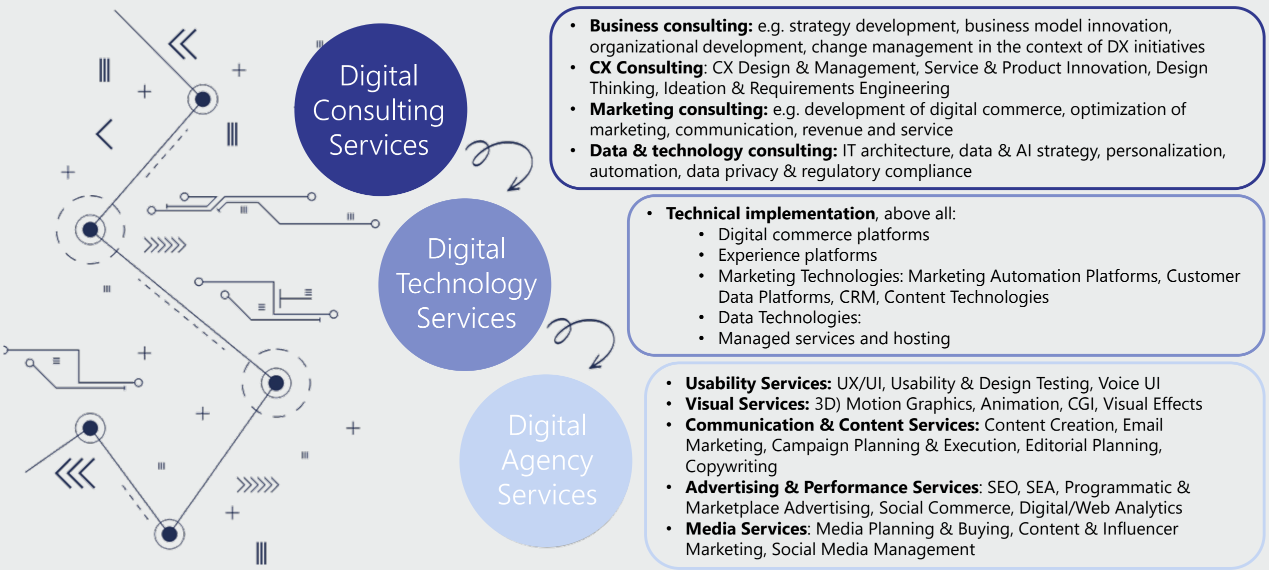
In addition, more and more new digital applications such as B2B portals or function-specific applications (CAD tools, ERP, and production control) are being designed and developed from a user perspective. Lünendonk has thus observed that digital agency services such as UX design have become significantly more relevant for IT service providers – primarily because their customers' tenders and requirements of service provider portfolios have changed significantly.

COMPANIES ARE ADDRESSING MORE AND MORE ISSUES CROSS-FUNCTIONALLY: SERVICE MARKETS ARE BLURRING – DIGITAL EXPERIENCE SERVICES ARE BECOMING MORE IMPORTANT

Lünendonk has been monitoring the market for digital experience services since 2017. In recent years, especially as a direct result of the coronavirus pandemic, there has been a significant increase in demand for digitalisation projects and, in the wake of the sharp rise in digital commerce and digital marketing, for digital experience services.

It is becoming increasingly difficult to clearly distinguish the markets for management consulting, IT consulting, and digital agencies, and in terms of the implementation of digitalisation strategies involving customer-centric content Lünendonk refers to the intersection of these three markets as 'digital experience services'.

DIGITAL EXPERIENCE SERVICES - AN INTERDISCIPLINARY APPROACH COMPRISING CONSULTING, AGENCY AND TECHNOLOGY SERVICES



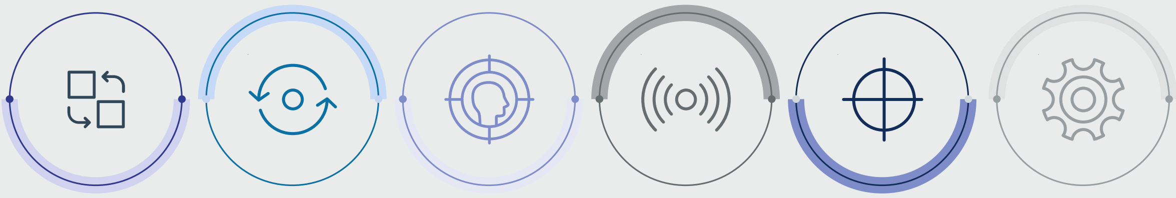
The Market for Digital Experience Services in Germany

TYPICAL VALUE CHAIN OF DIGITAL EXPERIENCE SERVICES

Consulting
Digital and data strategy, innovation consulting, change management

Customer engagement
Customer journey mapping, personalisation, loyalty

Digital marketing
SEO/SEA, digital branding, content



System integration
Development and integration of CRM, PIM, MDM etc.

E-commerce
Digital strategy development, IT architecture consulting, process design, omnichannel commerce

Software development
Development of customised applications, mobile apps

For the present purposes, Lünendonk's definition of providers of digital experience services (DXS providers) includes management/IT consultancies and digital agencies with broad and comprehensive portfolios in the fields of consulting/innovation development/product development, digital agency services, and IT implementation.

Looking across various Lünendonk® Surveys, a full-service portfolio around digital experience services can be considered to be made up of distinctive expertise and a high level of delivery capability, particularly with regard to the following areas:

- consulting (processes, technologies, customers)
- innovation development
- building a human-centric organisation
- design and creativity
- software development (embedded systems)
- UX design and testing
- data analysis and artificial intelligence
- ability to take responsibility for and manage complete projects
- transformational strength (system integration, change management)

The market for digital experience services in Germany

Distribution of DXS revenues

Lünendonk's research show that the leading service providers for digital experience services (hereinafter referred to as DXS providers) have different focal points to their portfolios within the overall market segment. These can be separated into digital consulting services, digital agency services, and digital technology services.

On average, the DXS providers surveyed by Lünendonk generated 82.4% of their total revenues from digital experience services in 2023. By comparison, this figure amounted to 78.8 per cent in 2022 and 74.7 per cent in 2021. The rise is primarily due to the growing DXS revenues of the management and IT consultancies included in the survey and their increasing portfolio orientation towards being end-to-end providers of digital experience services.

This year's survey includes 15 specialists in digital experience services. These companies generate more than 75 per cent of their revenues from digital experience services, have their origins predominantly in the digital agency market, and have significantly expanded their consulting and technology expertise in recent years. They are presented in a separate sub-ranking. The remaining service providers have their roots in the IT consulting market, management consulting and audit, and, by comparison, generate on average 44.6% of their revenues from DXS services (previous year: 42.6%).

TECHNOLOGY ENABLES EXPERIENCE: DIGITAL TECHNOLOGY SERVICES COMPONENT GROWING STEADILY AS A PROPORTION OF SERVICES

Digital technologies such as cloud, data & analytics, artificial intelligence, and the development and implementation of software solutions and digital platforms (digital commerce, customer data platforms, content management systems, etc.) are the basis for customer-centric processes, digital marketing, and the development of high-level digital experiences. Without digital technologies there is no digital experience, and without digital experience there is no competitiveness.

As a proportion of overall revenues, digital technology services now represent the largest sub-segment, at an average of 40.7%. In 2020, this figure was just 33.4%.

This continuous growth is due, among other things, to the increasing implementation of digital platforms and applications within digital marketing and digital commerce, as well as the implementation of DX projects in areas such as the supply chain or production. Particular beneficiaries of this are DX service providers with high levels of process and IT consulting expertise along benefiting from this in particular.

FEE PRESSURES & AI: REVENUE SHARES FOR DIGITAL AGENCY SERVICES FALLING

At the same time there has been a significant decline in the share of revenue derived from digital agency services, down from 21.1% in 2022 to 17.2% in 2023. This, too, is related to the digital transformation, since the growing use of artificial intelligence allows software development projects to be implemented more effectively and efficiently, software development costs to be reduced, and tasks such as content and media production to be partially handled by AI. Traditional agency services are also increasingly being moved towards nearshore and offshore delivery, with a corresponding impact on fees. Nevertheless, weak economic conditions in 2023 and 2024 will additionally mean that client companies will be more restrictive when commissioning digital agency services than they were a few years ago, whereas consulting and technology offerings will remain in greater demand.

TRANSFORMATION PRESSURE: DEMAND FOR DX CONSULTING SERVICES RISING SHARPLY

The share of revenues generated from digital consulting services also increased significantly. Takings here rose to 24.5% (previous year: 21.2%). Digital consulting services thus for the first time replaced digital agency services as the second-largest component of portfolios. The focus here is on consulting services relating to DX strategy development, CX design, digital commerce, and IT architecture.

In Lünendonk's view, the growth in digital consulting services is primarily due to clients' increased need for consulting services around developing digital channels and customer experiences, technology consulting, IT architecture, and the implementation of digitalisation strategies in specialist processes.

TECHNOLOGY SERVICES REPRESENT THE STRONGEST REVENUE COMPONENT FOR ALL THREE GROUPS

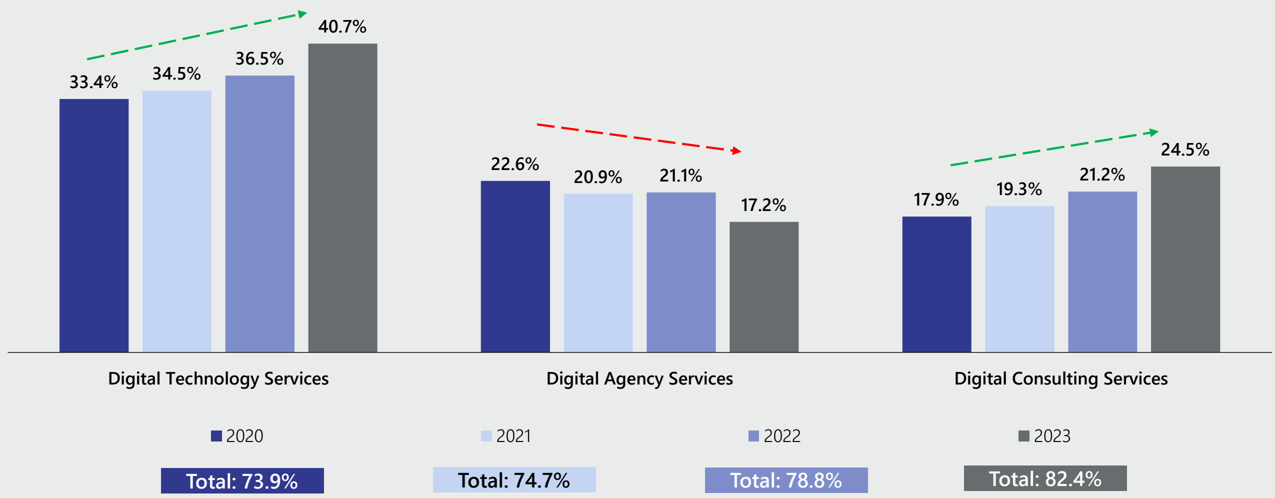


Fig. 3: Question: What percentage of your total revenue in Germany did your company generate in each of the following three categories?; all participants, frequency distribution; n = 21 (2020); n = 23 (2021); n = 26 (2022); n = 23 (2023)

Major competitors in the DXS market

The market for digital experience services is highly heterogeneous. While international consulting and IT groups such as Accenture, Capgemini, Deloitte, IBM, and PwC have been among the world's largest providers of digital experience services for nearly a decade, IT service providers such as Adesso, Reply, and valantic have now also built up high levels of DX expertise by adding traditional digital agency services or recruiting know-how to their businesses.

There are also service providers such as Plan.Net Group, diva-e or Valtech who have their origins in the digital agency market and who have especially built up their consulting and IT expertise in recent years, thus developing a broad interdisciplinary portfolio. It is therefore fascinating each year to see which service providers in the market for digital experience services are most frequently perceived as the major competitors.

ACCENTURE REMAINS MOST IMPORTANT COMPETITOR, CAPGEMINI CATCHES UP

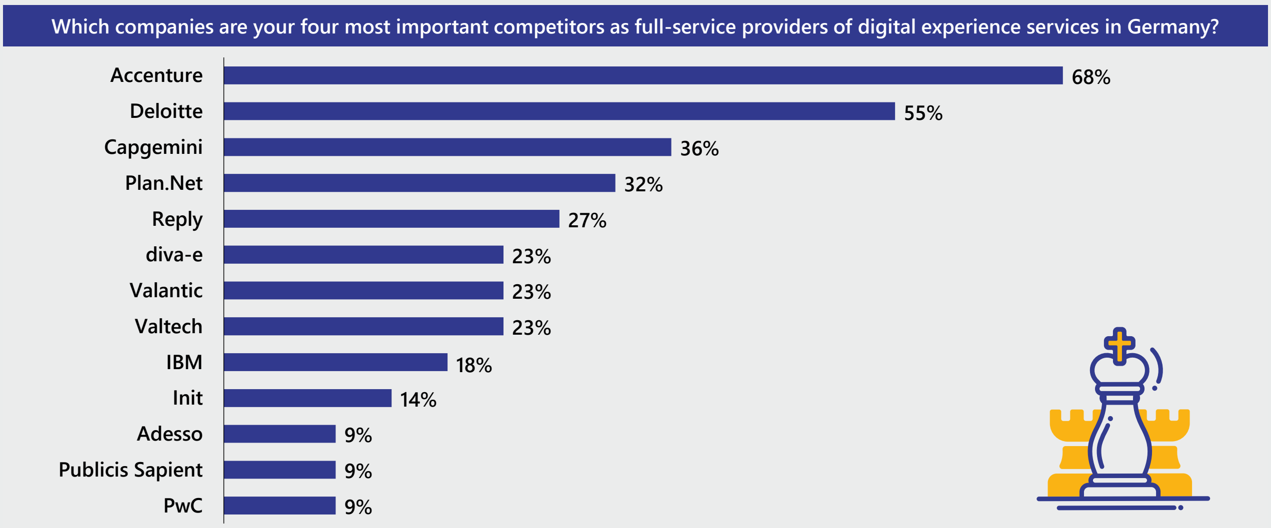


Fig. 4: Question: Which companies are your four most important competitors as full-service providers of digital experience services?; all participants; mean values; n = 22

Considering which surveyed providers were perceived as the strongest competitors in the market this year reveals that some of the established DXS brands were mentioned by their competitors less frequently as one of their four major rivals.

This year, Accenture was the firm most often identified as the primary competitor in the DXS environment, with 68% of mentions. Both the DXS specialists and IT and management consultancies surveyed view Accenture as one of their four most important rivals. Deloitte comes in second on 55%, followed by Capgemini on 36%, and Plan.Net on 32% of mentions.

In the present survey, certain service providers were far more likely to be identified as most important competitors than a year ago, including Capgemini (2023: 31%), valantic (2023: 19%), and Valtech, which saw the greatest increase (2023: 15%).

TAKEOVERS ON THE DXS MARKET

In recent years, the market has witnessed various takeovers and mergers among DXS providers. This has been partly driven by customers' increasing focus on full-service providers in tenders for DX projects and the resulting market consolidation.

There were two notable announcements in the German market for digital experience services in 2024:

1) Accenture Song acquired Mindcurv. With around 700 employees, Mindcurv was one of the largest providers of digital experience services, focused on data & analytics, digital commerce, and cloud-native software development.
2) diva-e joined the Dutch business transformation and IT service provider Conclusion. By merging with Conclusion, diva-e has gained access to their nearshore locations as well as implementation expertise for international projects.

The Market for Digital Experience Services in Germany

A SELECTION OF ACQUISITIONS IN THE DIGITAL EXPERIENCE SERVICES MARKET

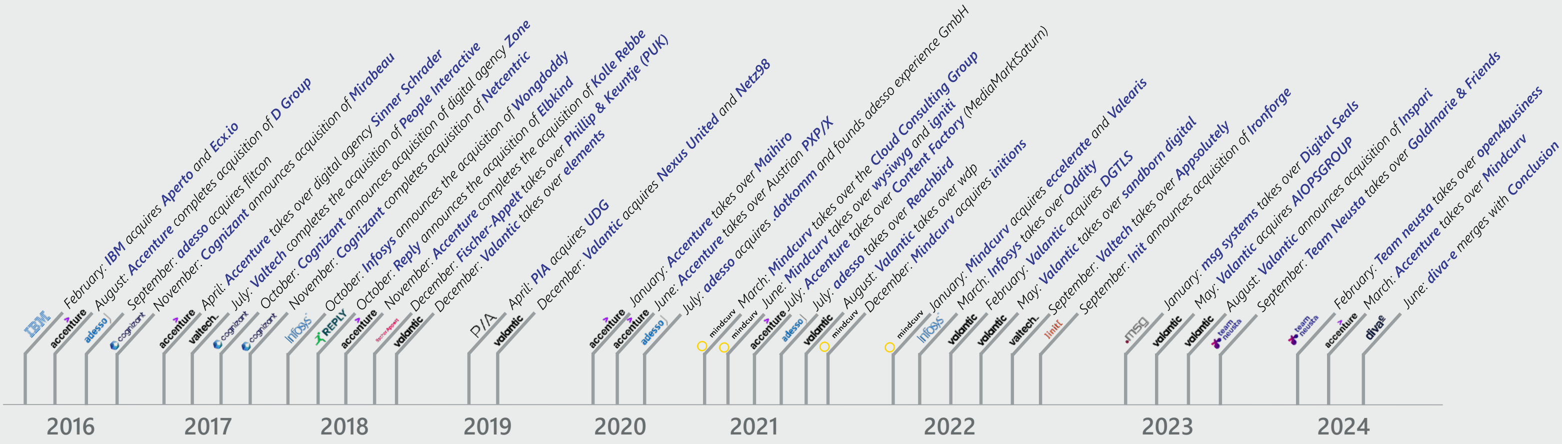


Fig. 5: A selection of acquisitions in the digital experience services market

Lünendonk® List 2024: Leading Providers of DX services in Germany

This Lünendonk® List presents the leading service providers for digital experience services (DXS).

Lünendonk does not present rankings by DXS segment revenue since exact segment revenues from digital experience services cannot be validated from public sources, especially in the case of hybrid consulting and IT service providers, and many service providers cannot always clearly distinguish between their revenues from segments such as digital experience services and those from their other services, resulting in a lack of clarity. Accurate descriptions of revenues – and thus reliable comparisons between companies – are thus impossible.

However, the Lünendonk® List provides an indication of how revenues from digital experience services reported by service providers to Lünendonk are distributed across the three areas of digital consulting, digital agency services, and digital technology services, and thus of how broadly positioned the individual service providers are.

By contrast, the Lünendonk® Portfolio in the following chapter provides detailed information on the market strengths of the individual service providers based on their revenues from digital experience services, market shares, portfolio strength, and competence assessments as reported to Lünendonk by them.

The Survey also includes a sub-ranking of those service providers which generate at least 75 per cent of their revenues from digital experience services and are therefore operate almost entirely in this segment.

Certain companies from last year's rankings no longer feature this year (Mindcurv, Wipro, Cognizant, and Randstad Digital). While Mindcurv was acquired by Accenture at the beginning of 2024 and thus no longer participated in our survey, Cognizant, Wipro, and Randstad Digital do not now meet the criteria for inclusion. This year's list therefore now comprises the 20 leading companies. Since last year's list was a top 25, direct comparisons between the rankings cannot be made.

LÜNENDONK® LIST 2024: LEADING PROVIDERS OF DX SERVICES IN GERMANY

Rank	Companies	Revenue 2023 in Germany in million euros	Digital Experience Service Portfolio - revenue shares with...		
			Digital Consulting	Digital Agency	Digital Technology
1	Accenture GmbH, Kronberg *) 1)	3,300.0	●●	●●	●●●
2	Capgemini Deutschland GmbH, Berlin *) 1)	2,250.0	●●	●	●●●
3	IBM Deutschland GmbH, Ehningen *) 1)	2,000.0	●●	●●	●●●
4	Deloitte GmbH, München (Advisory revenue only) 2)	1,417.0	●●	●	●●●
5	PwC GmbH, Frankfurt am Main (Advisory revenue only) 2)	1,249.0	●●●	●	●●
6	msg systems AG, Ismaning 3)	970.2	●●	●●	●●●
7	Adesso SE, Dortmund 3)	930.6	●●	●●	●●●
8	Reply Deutschland SE, Gütersloh	430.0	●●	●	●●●
9	Valantic GmbH, Munich 3)	330.0	●●	●	●●●
10	Plan.Net Germany GmbH & Co. KG, Munich 4)	239.4	●●	●●	●●
11	Deutsche Telekom MMS GmbH, Dresden	229.0	●●	●	●●●
12	]init[AG für digitale Kommunikation, Berlin	223.7	●●●	●	●●●
13	Diconium GmbH, Stuttgart	180.0	●●	●	●●●
14	Exxeta AG, Karlsruhe	118.6	●●	●	●●●
15	Team Neusta GmbH, Bremen 6)	112.5	●●	●●	●●●
16	Valtech GmbH, Düsseldorf	104.0	●●	●●	●●●
17	Diva-e Digital Value Excellence GmbH, Munich	97.0	●●	●	●●●
18	Digitas GmbH, Hamburg *) 4)	84.0	●●	●●	●●
19	Intive Group GmbH, Regensburg 5)	80.0	●●	●●	●●●
20	Syzygy AG, Bad Homburg	57.7	●●	●●	●●

Inclusion criterion for the ranking:

Only companies that generate at least 60 per cent of their revenue from services are included (e.g. management and IT consulting, digital agency services) and generate significant revenue in each of the three segments Digital Consulting, Digital Agency Services and Digital Technology Services segments. Companies with a DXS revenue share of less than 50 per cent must also generate at least € 100 million with DXS services, while companies with a DXS revenue share of less than 30 per cent must generate at least € 200 million in DXS revenue.

Footnotes:

*) Revenue figures and shares are estimated.

1) Revenue also includes revenue from management consulting.
2) Figures relate to the advisory business.
3) Incl. acquisitions.
4) Revenue represents fee revenue.
5) Figures relate to intive GmbH and intive automotive GmbH.
6) Incl. acquisitions and disposals.

Revenue share with the Digital Experience portfolio:

●●● Share of the digital experience portfolio is over 40 per cent
●● Share of the digital experience portfolio is between 20 and 40 per cent
● Share of the Digital Experience Portfolio is up to 20 per cent

LEAGUE-TABLE LEADERS

As the largest integrated consulting and IT service provider operating in Germany, it comes as no surprise that Accenture – as in previous years – also ranks first in the current Lünendonk® List. As per the Lünendonk® List Leading IT Consulting and System Integration Companies in Germany, Accenture earned estimated total revenues of 3.3 billion euros in Germany this year.

Accenture has its own digital unit, Accenture Song, which is one of the world's largest digital agencies according to the Ad Age international rankings. At the beginning of 2024, Accenture acquired Mindcurv, a provider of digital experience and data analysis with significant expertise in digital commerce. This acquisition bolsters Accenture Song's strengths in the growth markets of composability, data, and AI. In the previous Lünendonk® Survey, Mindcurv ranked 23rd in the Lünendonk® List, with revenues of 58.7 million euros. This year's acquisition means Mindcurv no longer features in the list of leading providers.

Capgemini succeeded in maintaining second place, achieving estimated annual revenues of 2.3 billion euros. IBM saw off challenges for third place, generating estimated revenues of 2.0 billion euros according to Lünendonk's figures. For both companies, annual revenues also include earnings from management consulting.

As in the previous year, fourth and fifth place went to audit and tax consulting firms Deloitte and PwC. The firms are also among the world's largest management consultancies and digital agencies and, alongside Accenture and IBM, were two of the first consulting groups to set up their own units for digital marketing and customer experience. With annual revenues of 1.4 billion euros, Deloitte comes in just ahead of PwC (1.3 billion euros). Revenue figures provided in the Lünendonk® List relate only to the advisory businesses. Deloitte and PwC have their own global brands for their digital business, Deloitte Digital and PwC Digital Services respectively.

As in the previous year, msg systems managed sixth in the Lünendonk® List with annual revenues of 970.2 million euros. Adesso once again took seventh, generating revenues of 930.6 million euros. The company ranks as one of the fastest growing IT consultancies, increasing takings year-on-year by 28 per cent.

Since Wipro and Cognizant no longer feature in the Lünendonk® List this year, Reply and valantic take eighth and ninth. Reply managed to boost its annual revenues to 430 million euros, while valantic earned 330 million euros.

All of the above revenue figures are total revenues generated in Germany, including other services alongside digital experience services. This means that the rankings for places 1 to 9 do not reflect the actual size in the market for digital experience services of all the service providers listed, but nevertheless provide an indication of the leading service providers in this market, since all of the companies here generate revenues in the triple-digit millions from digital experience services.

TENTH AND BEYOND: SERVICE PROVIDERS WITH A FOCUS ON DXS

From tenth place onwards the rankings are much more meaningful, since all of the firms featured earn nearly all of their revenues from digital experience services.

Compared to the previous year, when Telekom MMS was still ahead of the Plan.Net Group, the Serviceplan Group subsidary achieved a 13 percent growth this year, allowing it to surpass Telekom MMS, which only grew by around 3 percent. Plan.Net now ranks tenth with revenues of 239.4 billion euros, while Telekom MMS places eleventh.

]init[and diconium have also swapped positions.]init[registered the strongest revenue growth among the DXS specialists in 2023 at 32%, while diconium, a subsidiary of the Volkswagen Group, saw takings decline.

Exxeta also advanced strongly, generating annual revenues of 118.6 million euros. The digital agency has thus overtaken competitors team neusta and Valtech. With Merkle's revenues falling, Syzygy moved up one place, taking 20th this year with annual revenues of 57.7 million euros.

No longer featuring in this year's ranking are IT consulting company Randstad Digital and Wipro, both of which no longer meet the criteria, as well as Mindcurv, acquired by Accenture at the beginning of 2024 and thus no longer an independent respondent to our survey.

Lünendonk® Portfolio 2024: Leading Providers of DX Services in Germany

Alongside the Lünendonk® List, the Lünendonk® Portfolio provides transparency regarding the positioning and market strength of the leading DXS providers.

The Lünendonk® Portfolio compares the featured service providers, their respective portfolio focuses, their market shares, and their perception in the marketplace. The two axes 'market strength' and 'portfolio depth and breadth' are influenced by several components.

LÜNENDONK® PORTFOLIO

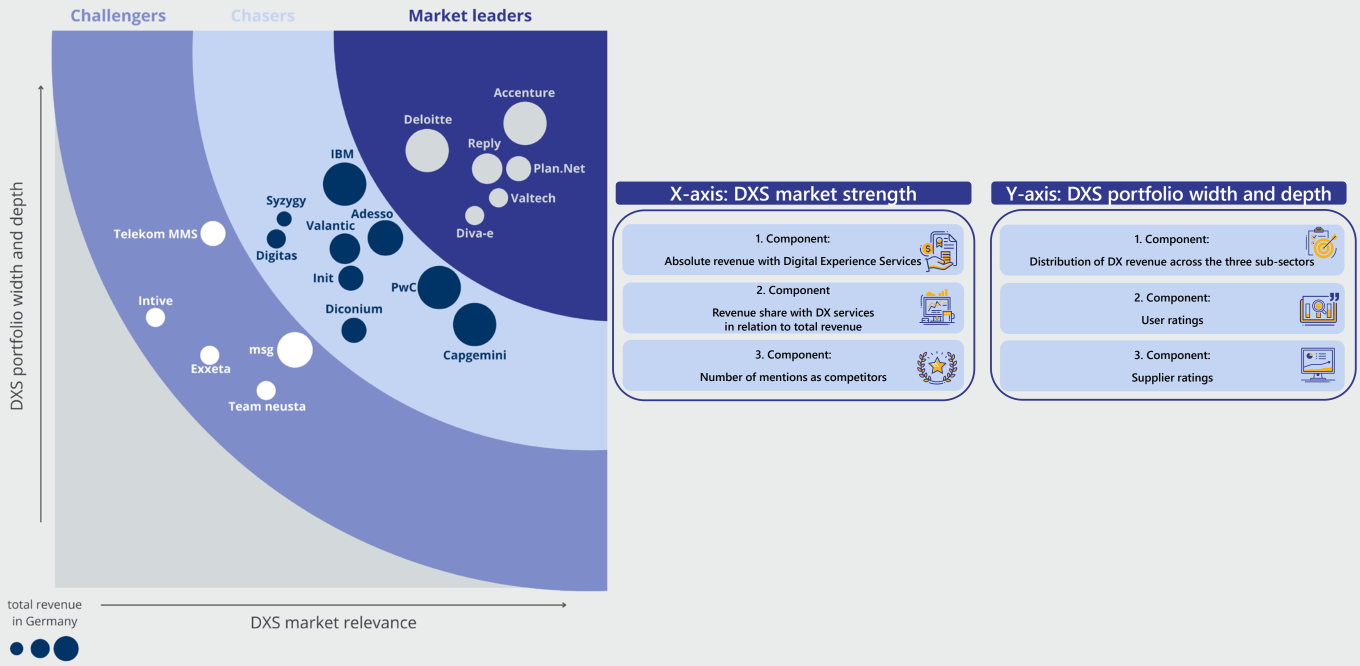


Fig. 6: Leading providers of DX services in Germany

Figure 6 shows the criteria used by Lünendonk to evaluate service providers. Evaluation is based on a whole range of different criteria, including revenue from digital experience services, corresponding market shares, company development, and portfolio breadth.

In addition service providers and client companies canvassed were asked to rate the providers of digital experience services in the three areas of 'digital consulting', 'digital agency services', and 'digital technology services', as well as to indicate which service providers they actually perceive as providers of digital experience services.

For context, it should be noted that all of the providers listed in the Lünendonk® Portfolio offer a broad range of digital experience services and are the leading service providers in this segment on the market. They are therefore all fundamentally capable of providing end-to-end services relating to customer centricity, digital experience, digital marketing, or the development and implementation of digital platforms.

Nevertheless, some of them differ significantly in terms of the depth and breadth of digital experience services they offer as well as in their ability to implement projects end-to-end. Certain providers cover the entire value chain, offering a broad range of services, while others are full-service providers within individual fields (e.g. digital marketing, e-commerce platforms) or sectors (public, retail, and automotive). Still others have a comprehensive DXS portfolio, but without as yet the necessary depth in their range of services compared to their competitors, while some hold potential to increase their market strength.

THE MARKET LEADERS

Accenture: as the previous chapter has shown, Accenture is by far the most frequently named major competitor in the DXS environment. Accenture has a long history in the market for digital experience services and is one of the leading global providers of digital experience services, provided primarily via Accenture Song. Creative, design, commerce, and technology services are brought together under the Accenture Song brand, making Accenture Song one of the world's largest digital agencies. Alongside the consulting and IT implementation services of the largest global consultancy, Accenture Song benefits from differentiating synergies and, above all, the ability to plan, manage, and implement complex transformation programs.

Plan.Net Group, a full-service provider for DXS services, has a significant presence in the DXS market and a broad portfolio, making it one of the market leaders in Lünendonk's view. The company primarily supports automotive manufacturers, telecommunications providers, financial service providers, and retailers in optimising their customer journeys. From 2022 to 2023, Plan.Net succeeded in significantly increasing its revenues in the field of digital experience services, primarily through transition and data strategy consulting, digital commerce and MarTech, as well as the development of its innovative business areas: spatial computing, artificial intelligence, and sustainability. One of Plan.Net's strengths is its proximity to the brand and advertising resources of its parent company, Serviceplan Group, which enables the development of a consistent and increasingly technology-driven brand and digital experience along the entire customer journey. It also allows the development and implementation of cross-media content and media strategies as well as marketing campaigns in an integrated approach.

Valtech, boasting 7,000 employees in 25 countries, an extensive DXS portfolio, and a widespread perception as a strong competitor, represents another key player according to Lünendonk. Its focus is primarily on the industrial, automotive, and telecommunications sectors. Valtech offers services in the areas of digital experience platforms, customer journey, digital commerce, digital transformation, digital marketing, and data & AI, among others. A particular strength of Valtech lies in its significant expertise in matters of DX technology, its strong partnerships with the most important DX technology manufacturers, and its global coverage, making Valtech a leading service provider for the development and roll-out of DX platforms and applications.

diva-e offers holistic digital experience solutions and support for digital transformation as well as benefitting from a strong position in the market. In digital commerce in particular, diva-e has a broad portfolio with numerous recommendations – and has significantly strengthened its position in recent years, especially in areas such as digital marketing, customer insights, data platforms, and implementation services. With the merger of diva-e with Conclusion in 2024, diva-e is strengthening its market presence. With the Dutch business transformation and IT service provider, diva-e is expanding its expertise in the area of end-to-end business transformation.

Deloitte: as one of the world's largest consulting groups, Deloitte entered the market for digital experience services at a very early stage and has been one of the largest digital agencies internationally for a decade. Deloitte is among the most important providers in this segment in the German market too and, thanks to its broad and interdisciplinary positioning, is one of the key players in transformation projects relating to customer experience and marketing. With its ability to deliver globally, Deloitte is able not only to support clients in international DX projects but also to manage them.

Reply: Reply is a leading IT service provider and one of the 25 largest IT consulting and system integration companies in Germany. The firm has seen continuous growth in recent years, linked essentially to its enormous willingness to innovate and clear advantages in innovation scouting. From the outset, Reply has focused systematically on promoting innovation by employing a network organisational structure. Current examples include the use of GenAI in media production (for example in the form of AI-generated commercials) or in the area of digital and AI-based assistants for various corporate functions. The business boasts a fascinating digital experience services case study in its work for DIY chain Obi, where Reply established a holistic CX across all channels (heyOBI).

THE CHASING PACK

Syzygy is an international digital agency providing innovative marketing and technology solutions. The firm supports a large number of international companies, particularly in the automotive, finance, logistics, and consumer goods sectors. Its clients include well-known brands such as BMW, Lufthansa, and Techniker Krankenkasse. The company focuses on digital marketing and technical solutions such as digital experience platforms and data & analytics. In terms of business development, Syzygy grew slightly faster than the DXS market in 2023, thus increasing its market share.

Init is one of the market leaders in administrative digitisation. The company leads the way, for example, in its work on initiatives related to the German Online Access Act, such as the BAföG Digital (educational) and ElterngeldDigital (parental allowance) funding portals or the platform for bridging aid for companies during the coronavirus pandemic. At its core, the firm is a digital agency, providing all of the services for holistic digital experience projects from a single source, from conception and consulting, technical development and digital marketing, to the operation of platforms and services. In 2023, the company achieved above-average year-on-year revenue growth from digital experience services, making it one of the top performers in the Lünendonk® Portfolio.

Digitas is a global marketing and digital agency and part of the Publicis Groupe. Digitas focuses on clients in the public sector and healthcare but is also active in the industrial and consumer goods sectors. Its portfolio includes services such as customer experience, connected creativity, relationship economy, direct commerce, and identity resolution. With a focus on a sharpened and future-proof service portfolio, the Pixelpark brand extension was dropped in April 2024, with the digital agency operating under the Digitas brand ever since.

diconium, as a digital company, specialises in digital transformation and e-commerce solutions. It supports companies and organisations from the industrial, automotive, retail, and consumer goods sectors. diconium's customers include Stihl, Cariad, and Trumpf. Its primary revenue focus however is the Volkswagen Group, of which it is a subsidiary. Last year, the company suffered a drop in revenue with the result that, while it is still ranked among the chasing pack in the Lünendonk® Portfolio, is now sits close to the challengers, particularly in terms of market strength.

IBM, through its IBM iX brand, is one of the world's largest digital agencies and, like Accenture, Deloitte and PwC, entered the market very early on. In Germany, IBM iX is a leading service provider, particularly in work with ministries, authorities, and health insurance companies, although it has for several years been increasing its presence in industry.

Adesso is one of the key service providers in the German market when it comes to the development of individual software applications. In recent years, the Dortmund-based company has also established itself as an implementation partner for Microsoft and Salesforce technologies. Above all, however, Adesso has in recent years invested heavily in AI, data & analytics, and digital platforms and is therefore very well positioned as a digital transformation partner thanks to its high level of expertise in software development and technology.

PwC is the second audit and tax consultancy group, alongside Deloitte, to feature in this Lünendonk® Survey as a leading provider of digital experience services. Incorporating strategy consultancy Strategy&, PwC is one of the world's largest management consultancies. The company is also a global leader in areas such as customer experience, cloud, AI, and data & analytics and is additionally one of the few service providers capable of offering these services in an integrated manner and implementing global transformation programs.

Capgemini is one of the most important partners for digital customer experience projects with its management consulting brand Capgemini Invent and the IT and transformation services integrated under Capgemini. The company has been offering digital innovation, digital experience, design, and customer insights analytics services under Capgemini Invent since 2018. Over 10,000 employees work in 40 creative studios around the world, combining a range of disciplines. In addition to broad sectoral and functional expertise, including in automotive, retail, industry, and energy, Capgemini is also one of the largest providers for the development of digital citizen services in the public sector. Capgemini's strength lies above all in its distinctive and integrated consulting and technology expertise, its transformational strength, its application development, and its ability to manage complex transformation programs.

valantic was only founded in 2012 and has been operating under the valantic brand since 2017. Valantic has developed to become one of the leading consulting and IT service providers in Germany, generating total revenues of 540 million euros in 2023, with 330 million euros attributable to the German market. Valantic is now also one of the leading service providers in the market for digital experience services and has built up a broad DXS portfolio through, among other things, a number of acquisitions. In terms of DX technologies, valantic is very broadly positioned and is one of the leading consulting and implementation service providers for Salesforce, Pimcore, Spryker, Adobe, and SAP, among others. An important acquisition in 2023 was that of Aiopsgroup In the wake of various purchases (including those of netz98, Aiopsgroup, DGTLS, Nexus, mm1, and elements) as well as by virtue of organic growth, valantic's CX division has now swelled to over 1,000 consultants and developers. With a strong nearshore presence, valantic possesses both a high level of software development expertise as well as the ability to deliver global implementation projects.

THE CHALLENGERS

Telekom MMS is a subsidiary of Deutsche Telekom and focuses on the development of digital solutions such as apps and software applications within the Deutsche Telekom Group. Telekom MMS supports companies from the telecommunications, logistics, and retail sectors, among others, in the digital transformation and optimisation of business processes. As an IT and consulting service provider, the company has established itself in the areas of cloud services, IoT, artificial intelligence, IT security, and customer experience.

Exxeta has been providing technological solutions to assist the digital transformation for 15 years. Its industry focus is on financial service providers, the energy industry, the public sector, and automotive & mobility. The company offers support services in the area of digital strategy and develops digital services and products in the areas of customer experience, data & AI, and cloud. From 2022 to 2023, Exxeta succeeded in significantly increasing its revenues from digital experience services.

Team Neusta, as a digitalisation partner, offers consulting, conception, creation, and technology from under one roof. Team Neusta focuses on e-commerce and individual software development, product-related projects, app development, data science, usability, creation, and marketing. In 2023, Team Neusta suffered a fall in revenues from their 2022 level. For this reason, and due to its overall lower market relevance compared to the other companies, Team Neusta is listed as one of the challengers in the Lünendonk Portfolio®.

Intive offers digital transformation solutions and combines user-centred design with software development. The firm’s portfolio consists of digital advisory, design, managed services, and engineering. intive has a cross-industry focus, with clients including Audi, Deichmann, Vorwerk, and Adidas. The company has the potential to expand its market strength and is therefore also ranked among the challengers.

msg, with revenues of around 1.4 billion euros, is the largest owner-managed and thus independent IT consulting and system integration company headquartered in Germany. msg’s core competence lies in software development for sectors such as insurance, banking, automotive, and industry. For some years now, msg has been increasingly focusing on the development of digital experience services in order to provide software solutions that are not only highly specialised but also customer- and data-centric. To this end, msg is restructuring its portfolio to enable end-to-end services to be delivered. msg’s potential in the market for digital experience services lies primarily in its enormous process and digital expertise, for example in technology areas such as legacy modernisation, cloud, SAP, cybersecurity, or data & analytics.

Sub-ranking of companies with digital experience services as a core area

The first half of the Lünendonk® List of the 25 leading providers of digital experience services consists primarily in large, broad-based consulting and IT service providers, since inclusion in the rankings is based on 'total revenue in Germany'. For these leading firms, while digital experience services are an important part of their portfolio, they are not the core. However, in order to transparently illustrate which service providers are primarily focused on digital experience services, Lünendonk has once again this year devoted a sub-ranking to those providers generating at least 75 per cent of their revenues from digital experience services.

The sub-ranking that follows includes 15 service providers based on their total revenue in Germany. In contrast to the Lünendonk® List, this table excludes the international IT service providers and consultancies, since digital experience services generally only form one of the many strings to their bow due to the breadth of their portfolios. They also generate significantly less than 50 per cent of their revenues from DXS services.

Plan.Net took first place in our sub-ranking this year, overtaking Deutsche Telekom. Below them sit init, diconium, Exxeta, and Team Neusta.

LÜNENDONK® SUB-RANKING 2024: LEADING PROVIDERS OF DX SERVICES IN GERMANY

Rank	Companies	Revenue 2023 in Germany in million euros
1	Plan.Net Germany GmbH & Co. KG, Munich 1)	239.4
2	Deutsche Telekom MMS GmbH, Dresden	229.0
3	]init[AG für digitale Kommunikation, Berlin	223.7
4	Diconium GmbH, Stuttgart	180.0
5	Exxeta AG, Karlsruhe	118.6
6	Team neusta GmbH, Bremen 2)	112.5
7	Valtech GmbH, Düsseldorf	104.0
8	Diva-e Digital Value Excellence GmbH, Munich	97.0
9	Digitas GmbH, Hamburg 1)	84.0
10	Intive Group GmbH, Regensburg 3)	80.0
11	Syzygy AG, Bad Homburg	57.7
12	Merkle Germany GmbH, Frankfurt am Main 1)	45.9
13	DotSource GmbH, Jena	38.6
14	Futurice GmbH, Berlin	13.3
15	Port-neo Group GmbH, Stuttgart	12.3

Inclusion criteria:

Companies that generate at least 75 per cent of their revenue with digital experience services and generate a significant share of revenue in all three sub-areas are included in the sub-ranking.

Note:

The sub-ranking does not claim to be complete, but only represents a sub-ranking based on the list of participants.

Footnotes:

*) Revenue figures are estimated.

1) Revenue represents fee revenue.

2) Incl. acquisitions and disposals.

3) Figures relate to intive GmbH and intive automotive GmbH.

The market for digital experience services in Switzerland

For the first time this year Lünendonk analysed the Swiss market for digital experience services. Switzerland's economic strength makes it a significant market for digital experience services. There is, however, a lack of reliable data, facts, and figures regarding the consulting and IT services market in Switzerland in general and the market for digital experience services in particular. Numerous global market leaders are based in Switzerland, particularly in the manufacturing, financial services, consumer goods, and chemical/pharmaceutical sectors, with correspondingly high expenditures on consulting and IT services. Many companies thus have a real need for information about relevant and leading service providers as well as for dependable market figures.

As part of our survey, Lünendonk therefore asked DX service providers operating in Germany about their activities in Switzerland. Among the companies polled, 85% also work in Switzerland. It is interesting to note, however, that only 65% operate their own company in Switzerland, while 35 per cent serve Swiss customers from Germany.

THE MAJORITY OF COMPANIES GENERATE REVENUE IN SWITZERLAND

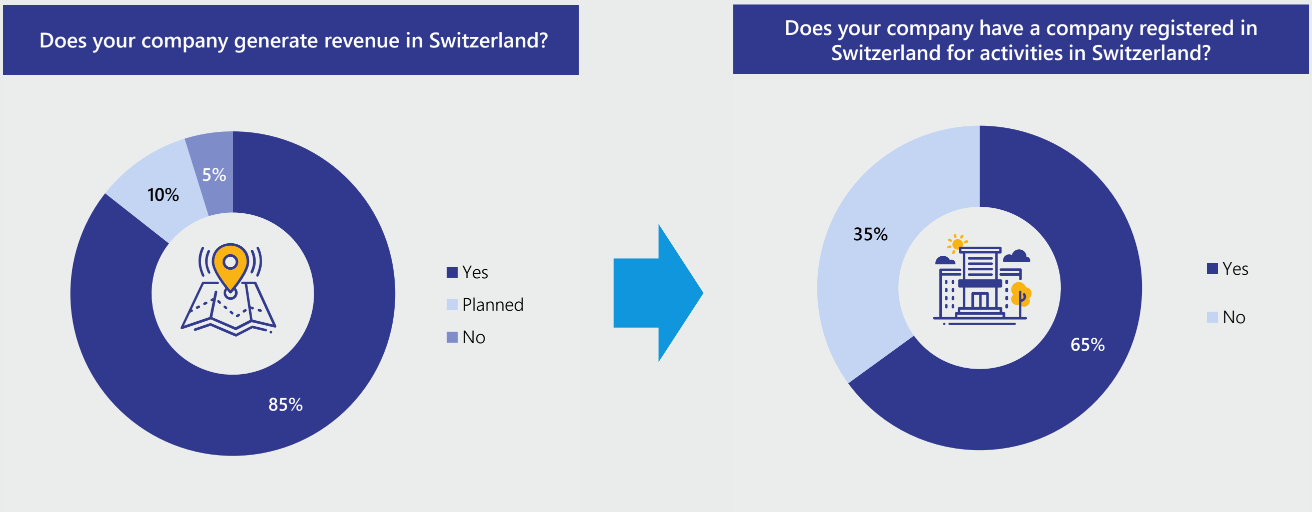


Fig. 7: Question: Does your company generate revenue in Switzerland?; all participants; mean values; n = 21
Question: If yes: Does your company have a company registered in Switzerland for activities in Switzerland?; all participants; mean values; n = 20

Lünendonk also asked service providers which companies in Switzerland are their most important competitors, divided into local service providers headquartered in Switzerland and international service providers. UNIC and ti&m were identified as key local rivals.

In terms of international competition, Accenture was viewed as the most important, on a par with Dentsu/Merkle. Deloitte and Adesso also feature as important competitors.

SAMPLE: THE MAIN COMPETITORS OF THE DX SERVICE PROVIDERS SURVEYED IN SWITZERLAND

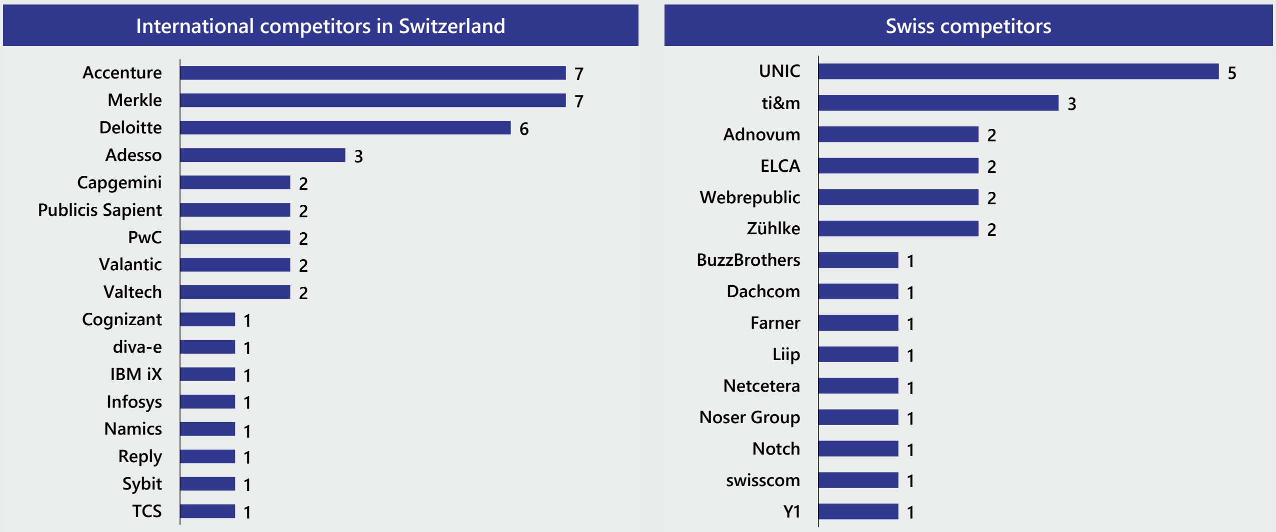


Fig. 8: Question: Which companies are your four most important competitors as full-service providers of digital experience services in Switzerland?; all participants; mean values; n = 10

Developments in the market for digital experience services

Revenue development and forecasts

2023 was an ambivalent year for DX service providers. While some providers saw high rates of growth, others reported a noticeable reluctance on the part of their customers. The reasons are complex and include service provider industry focus, portfolio breadth, and their ability to offer demand-oriented fees in tight economic times – including through a greater mix of nearshore and offshore provision and the use of AI.

In fact, many client companies and the public sector put the brakes on spending in 2023 and stopped, scaled back, or even postponed projects that were not seen as absolutely necessary. Investments in particular in digital marketing and traditional and cyclical agency services such as content and media production were affected, while issues such as efficiency improvements as well as cloud transformation, cybersecurity, and data & AI have moved more into focus.

Providers of digital experience services have been able to steadily increase their revenues in recent years. Forecasts last year were thus correspondingly bullish (2023: 12.5%; 2024: 14.7%; 2025: 15.9%). In reality, however, the DXS providers canvassed experienced a significant slowdown in growth for the first time. Overall, the suppliers of digital experience services surveyed by Lünendonk managed to increase their revenues by an average of 4.4% in 2023 (previous year: 18.3%).

The strongest growth in digital experience services was achieved by those providers who offer other services such as IT consulting and system integration or management consulting in addition to digital experience services. In our view, this is partly due to the fact that hybrid consulting and IT service providers not only focus on working with corporate functions such as marketing and sales, but also position their digital experience services much more broadly with their customers in different functional areas (logistics, production, HR, etc.). This makes them somewhat more resilient to crises than those companies whose portfolios are still dominated by digital agency services and who tend to be focused in areas around digital marketing.

REVENUE DEVELOPMENT OF DXS SERVICE PROVIDERS

Average revenue development 2023 in the DXS area		
All service providers	DXS specialists	DXS generalists
4.4 %	0.7 %	13.7 %

Fig. 9: Question: How did your company's revenue in the 'Digital Experience Services' segment in Germany develop from 2022 to 2023?; all participants; mean values; n = 21

SERVICE PROVIDERS EXPECT DEMAND TO BE STRONG AGAIN FROM 2025

Despite the more muted growth figures, the DXS service providers surveyed by Lünendonk expect a recovery in the coming years. For 2024, they still see growth of 5.1%, which Lünendonk considers to be a realistic forecast given economic developments in 2024. Demand is expected to pick up again in 2025. Accordingly, the average revenue forecast is 11.8% for 2025 and 14.2% for 2026 – although this is heavily dependent on overall economic circumstances.

FORECAST REVENUE GROWTH

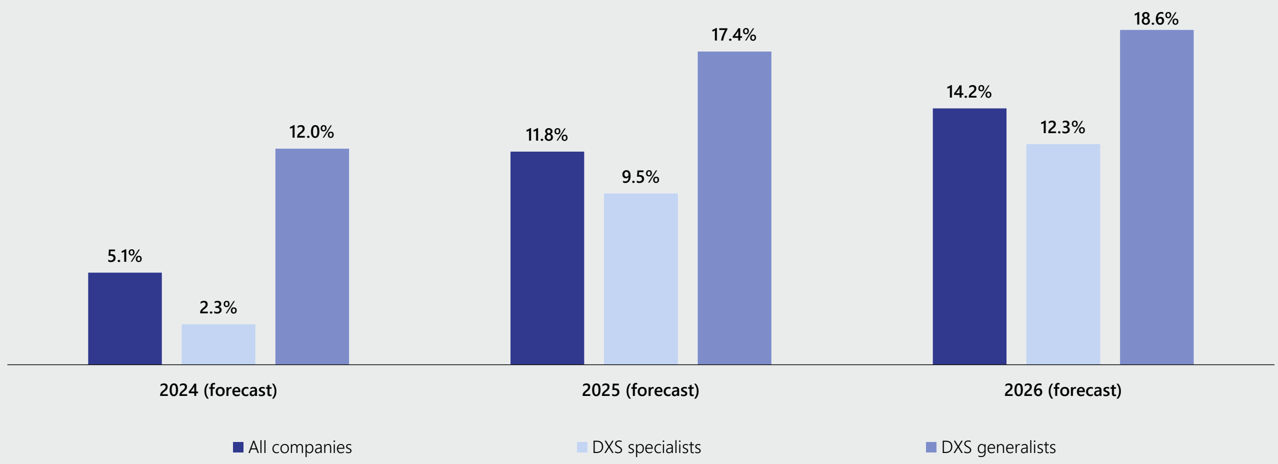


Fig. 10: Question: How do you expect your company's revenue from digital experience services in Germany to develop?; all participants; mean values; n = 17 (all companies); n = 12 (DXS specialists); n = 5 (DXS generalists)

BIGGEST DEMAND TOPICS IN 2024: CUSTOMER EXPERIENCE AND DATA & AI

Despite the straitened economic circumstances, DXS providers canvassed report seeing continued high demand among their customers for support services, particularly in the area of customer experience. Improving the customer interface along all customer touchpoints through the use of digital technologies continues to be essential in order for companies and organisations to be able to offer an optimal digital experience and drive the digital transformation forward.

Digital experience platforms are also once again gaining in importance. These platforms make it possible to link various digital tools and technologies, thus facilitating cross-channel data exchange and the development of user and customer experience. The integration of these platforms into backend systems is reported as particularly sought-after by 81% of service providers, something which will mainly benefit respondents who also have a high level of technological expertise and strengths in IT implementation.

Provider companies surveyed are also seeing client companies increasingly asking for data and analytics services. The use of data & analytics is becoming ever more important in digital marketing and commerce so that customer needs can be recognised sooner and better, individual offers and campaigns developed, and new sources of revenue tapped.

Above all, however, data forms the basis for the use of artificial intelligence, facilitating greater customer centricity and new sources of revenue through better target group segmentation, targeting, increased automation, and personalisation. This is why 95% of service providers currently see a particular need in these areas.

Similarly, 76% of providers perceive a significant demand from their customers in setting up additional digital sales channels such as apps or social media (digital commerce). A further 76% see optimisation and further development of the user experience (UI design) as a particularly sought-after area.

Comparative analysis shows that companies specialising in DXS services identify increased demand in the areas of UX architecture (91%), platform hosting (82%), content creation (55%), and visual design (55%) in particular. Firms with a broader business model are seeing growth in demand for consulting services in particular, especially in the areas of data & AI and performance services.

HOT TOPICS: CX AND DATA & AI LEAD THE FIELD

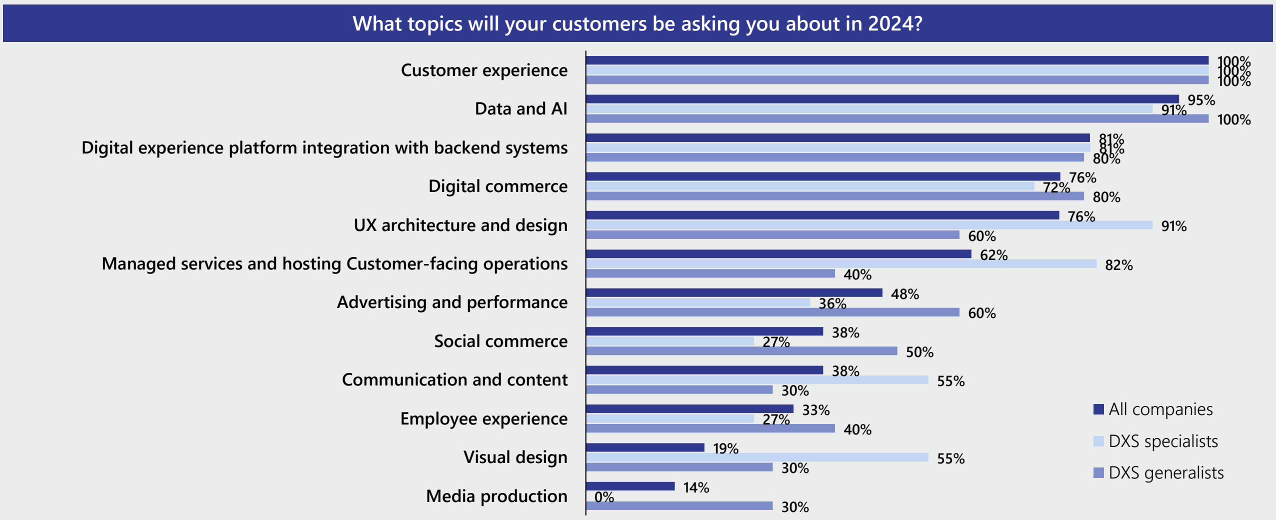


Fig. 11: Question: Which topics will your customers be asking you about in 2024? Scale from -2 = "Not at all" to +2 = "Very strongly"; all participants; answers shown relate to "strongly" and "very strongly"; all participants; n = 21 (all companies); n = 11 (DXS specialists); n = 10 (DXS generalists)

Investments in digital experience

Service provider forecasts reported to Lünendonk are generally confirmed by the specific investment plans of the user companies also canvassed.

Over the next three years, 81% of companies polled will increase their spending on DXS issues. Among 27 per cent of companies, budgets will increase by more than 10 per cent even. None of the firms surveyed plan to reduce their budget for digital experience, although 19 per cent expect it to remain constant. Detailed analysis shows that B2C businesses are planning significantly greater budget increases than B2B firms.

EVERY COMPANY PLANS TO INCREASE SPENDING ON DIGITAL EXPERIENCE

How will your company's spending on digital experience change over the next three years?

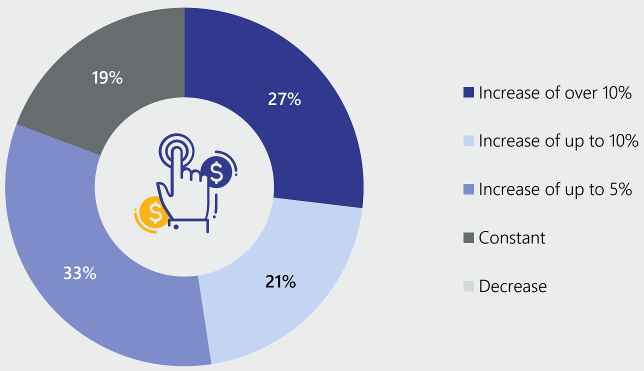


Fig. 12: Question: How will your company's spending on digital experience change over the next three years?; all participants; frequency distribution; n = 145

USERS ARE EXPECTING THE ECONOMY TO PICK UP AND ARE INCREASING THEIR MARKETING EXPENDITURE: INVESTMENTS IN MEDIA PRODUCTION AND CONTENT WILL RISE ONCE AGAIN

Most of the companies surveyed (91%) plan to increase their spending on media production in 2025. The aim is to use digital media formats to make content, messages, and brands more emotive and to deliver them in a more channel- and target group-specific way.

Generative AI and other digital technologies are coming to the fore here, leading to traditional agency services being increasingly replaced by technology – which will significantly alter both the agency and advertising markets.

Against the backdrop of the changing use of media and emergence of digital channels around social media, 79% of companies see need for significant investment in the area of social commerce. By integrating social media platforms (Instagram, LinkedIn, TikTok, etc.) into the sales process, companies hope to achieve greater reach and interactivity with their customers. The aim behind this is to sell products and services directly via social media platforms.

In addition, 66% of respondents will also invest in their general content marketing. The focus here is on content creation, email marketing, and campaigns.

DIGITAL PLATFORMS FORM THE FOUNDATION FOR DIGITAL EXPERIENCE: INCREASED INVESTMENT IN CX APPLICATIONS AND DATA PLATFORMS

Recent years have witnessed particular expenditures in the development of digital platforms such as digital marketplaces, e-commerce, and IoT platforms. Digital experience platforms (DXP) have become particularly relevant here. These platforms combine individual technologies for the creation, management, provision, and optimisation of context-related digital experiences. Integrating these platforms into existing backend systems will be a key locus of future investment for 59% of businesses surveyed.

These (often cloud-native) digital platforms pose new requirements for IT departments in terms of IT security and orchestration with other IT systems. Demand for external services in the area of managed services and hosting is correspondingly high (81%).

However, in order to achieve significant benefits from these kinds of DX platforms, data must be collected regularly along the customer journey and then made available to the platforms. Customer insights such as these can then among other things be used to facilitate AI-powered personalised customer outreach and achieve process improvements. For this reason, 57% of respondents are investing in data strategy and management as well as in the development and introduction of AI systems.

INCREASED INVESTMENT IN MEDIA PRODUCTION AND MANAGED SERVICES

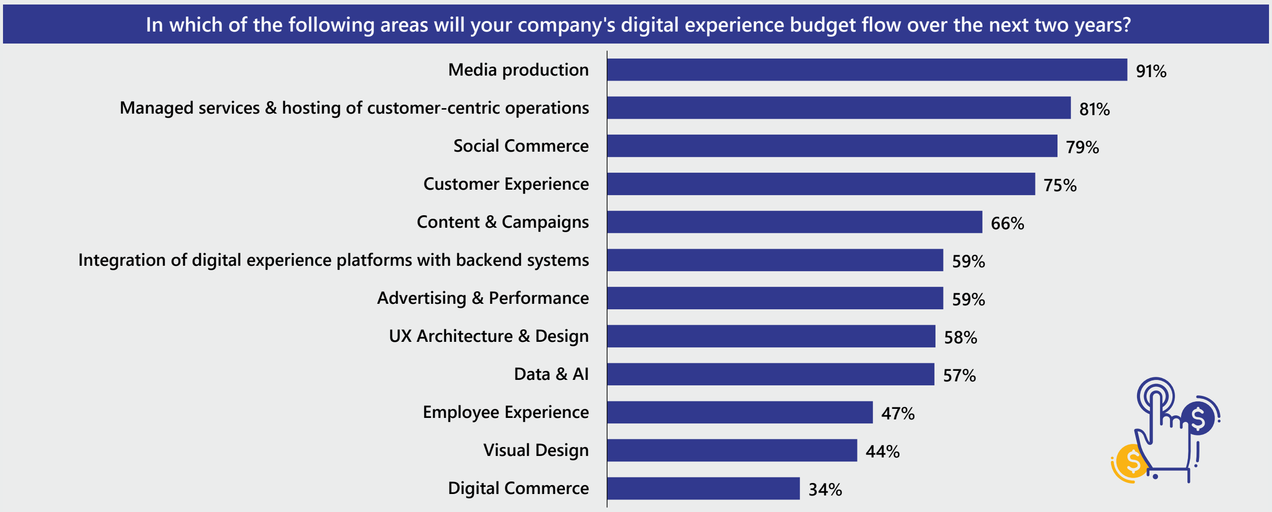


Fig. 13: Question: In which of the following areas will the budget for digital experience flow in your company in the next two years?; scale from 1 = "no investment" to 4 = "very strong investment"; all participants; responses shown refer to "strong investment" and "very strong investment"; n = 143

Customer sectors and areas of application for DXS providers

The greatest demand for external digital experience services comes from the automotive, industrial, and public sectors. According to the findings of Lünendonk's survey, DX service providers generated an average of 16.6% of their revenues in 2023 from the automotive sector and 13.2% from other industrial sectors such as mechanical and electrical engineering.

After years of rising demand for digital experience services, demand in the public sector once again fell in 2023. Providers canvassed earned an average 12.5% of their revenues from public authorities and public administration during the year, whereas the share of revenues here in 2022 was significantly higher at 15.1%.

MANUFACTURING INDUSTRY AND THE PUBLIC SECTOR ARE THE MOST IMPORTANT CUSTOMER GROUPS

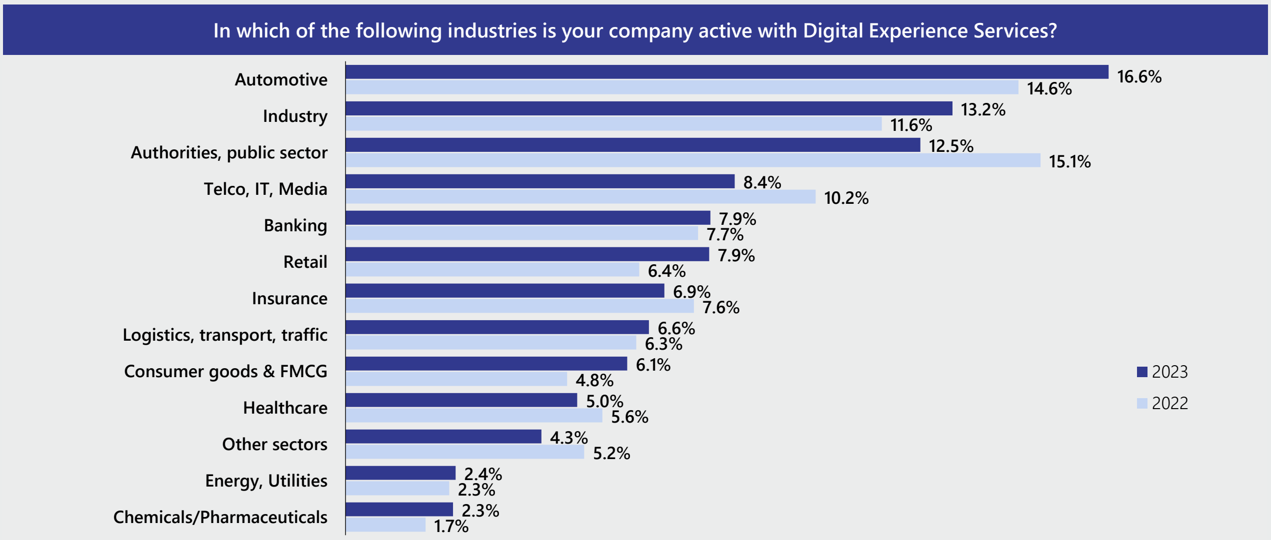


Fig. 14: Question: In which of the following sectors is your company active with digital experience services?; all participants; mean values; n = 18 (2023); n = 14 (2022)

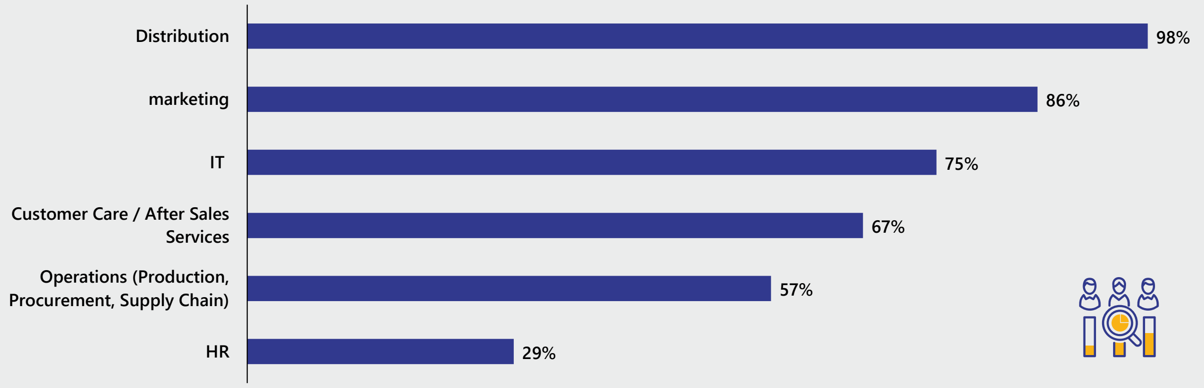
Although many traditional bricks-and-mortar retailers are experiencing significant transformation pressure due to the increasing shift of their customers to digital channels and often find themselves forced to broaden their portfolio to include e-commerce and digital offerings, the retail sector's share of DXS service provider revenue is a relatively low 7.9%. This may be a result of the notable cost pressures in the sector and correspondingly low budgets for digital transformation. Lünendonk nevertheless believes that digitisation budgets in the retail sector will once again increase as the economy picks up, something we expect to see reflected in rising expenditures on digital commerce and digital marketing.

APPLICATION AREAS OF DXS PROVIDERS

As in previous years, the DXS suppliers canvassed carry out most of their work in sales, marketing, or IT. For example, 98% of service providers report regular project inquiries from sales, while 86% also deliver for marketing departments. Compared to the previous year, the proportion of project inquiries from sales has increased significantly, while the proportion of inquiries from marketing has decreased due to economic conditions.

PROJECT INQUIRIES MOSTLY COME FROM SALES AND MARKETING, BUT IT AND SPECIALIST DEPARTMENTS ARE ALSO RELEVANT

From which specialist areas do you receive project inquiries from customers?



Other mentions: e.g. CDO, channel management, product management, digital area, innovation positions

Fig. 15: Question: From which specialist areas do you receive project inquiries from customers?; Scale from 1 = "never" to 4 = "very frequently"; all participants; answers shown refer to "frequently" and "very frequently"; n = 21

Nearshore and offshore delivery

Finding specialist staff is becoming increasingly difficult for the DXS service providers surveyed, particularly in the areas of UX design and software development, while the pressure on fees for these services is simultaneously growing. The main drivers of this development are nearshore and offshore delivery as well as technological developments relating to DevOps automation and the use of AI in software development.

For this reason, service providers are increasingly focusing on establishing nearshore and offshore locations. This enables them to guarantee project staffing, compensate for the shortage of skilled workers and at the same time remain competitive in terms of fees. The shift towards global delivery is taking place only slowly, however. In 2023, an average of 75% of services were still provided from within Germany and only 14% of services were provided from nearshore locations. The focus of nearshore services is on software development, testing, UX/UI, and managed services.

THE PROVISION OF SERVICES IS INCREASINGLY SHIFTING TO NEARSHORE AND OFFSHORE LOCATIONS.

What percentage of your DX projects for customers in Germany are provided from the following regions?

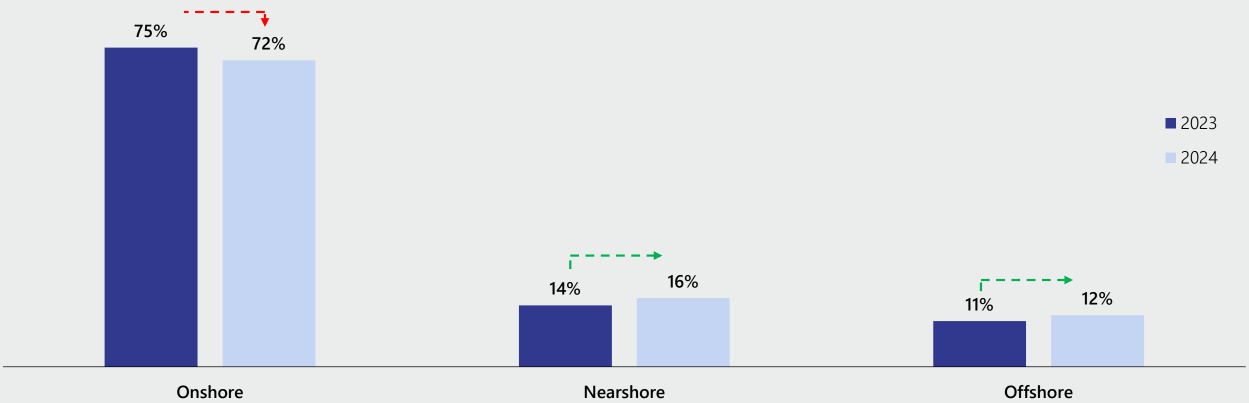


Fig. 16: Question: What percentage of your DX projects for customers in Germany are provided from the following regions?; all participants; mean values; n = 17

In terms of offshore regions, an average 11% of services were provided from here in 2023. The regional focus is on India in particular, although services are also provided from the Philippines, China, and Brazil. These are primarily software development services. By 2024, a minimal increase is expected to 12%.

ROMANIA AND INDIA ARE THE MOST POPULAR LOCATIONS FOR NEARSHORE AND OFFSHORE

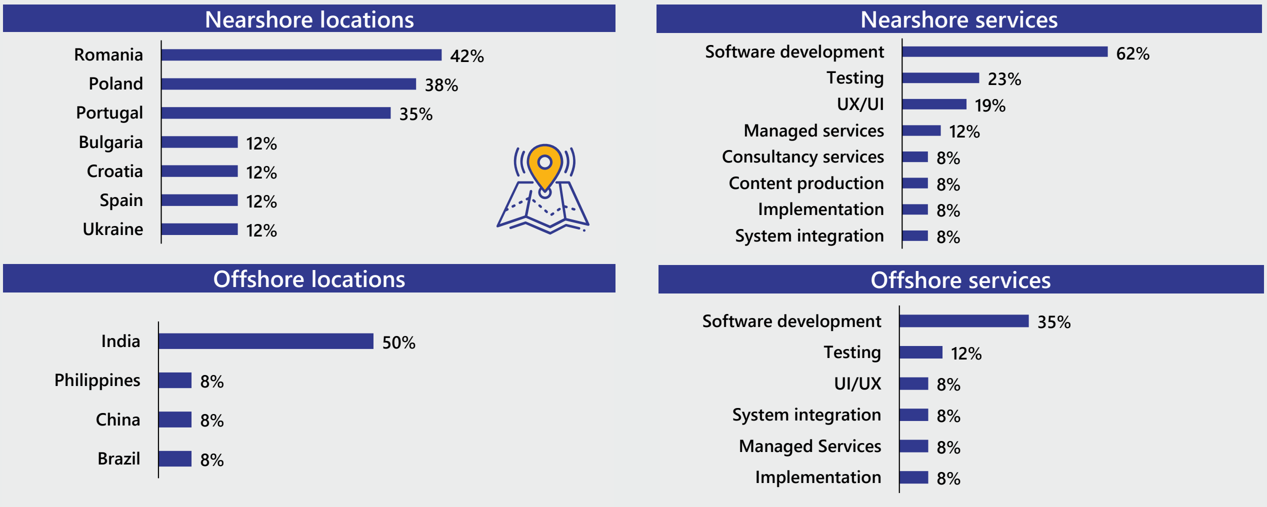


Fig. 17: Question: Which nearshore and offshore locations does your company use?; all participants; frequency distribution; at least three mentions; n = 26
Question: Which services are primarily provided at these locations?; all participants; frequency distribution; at least two mentions; n = 26

The development of nearshore and offshore delivery should be a high priority for DX service providers, since it is rated highly by the customer companies surveyed. A full 91% see hosting and managed services as important areas of application for nearshore and offshore delivery, followed by creative and design services (88%), and software development (84%).

NEAR- AND OFFSHORE DELIVERY IS HIGHLY RELEVANT FOR CUSTOMERS IN ALL AREAS

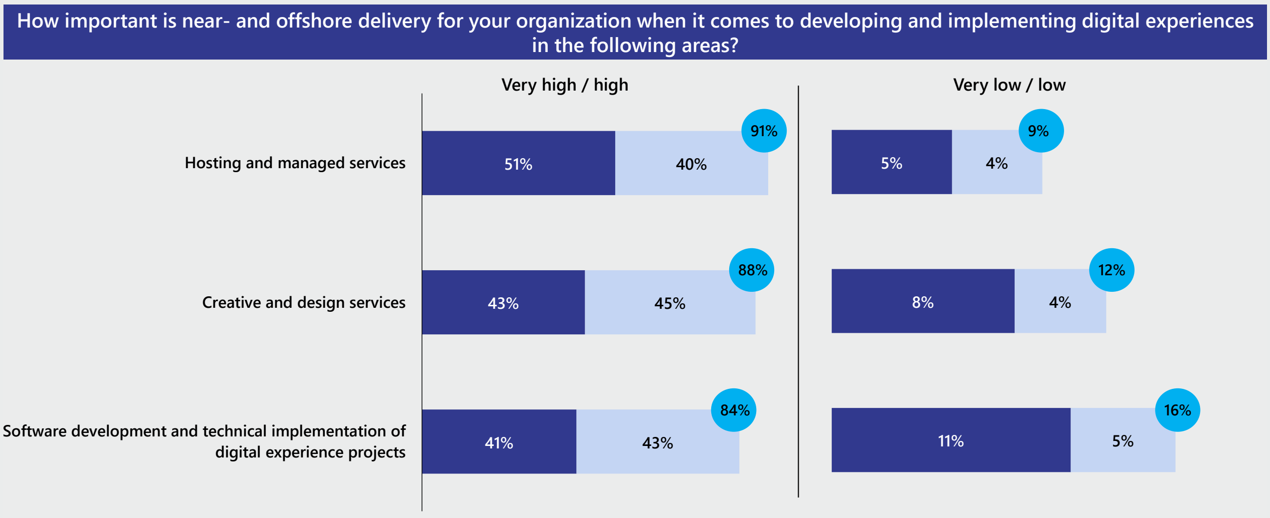


Fig. 18: Question: How important is near- and offshore delivery for your organization when it comes to developing and implementing digital experiences in the following areas?; scale from 1 = "very low" to 4 = "very high"; all participants; frequency distribution; n = 144

Managing the customer journey requires end-to-end services

Increasing focus on end-to-end management

For some years now, there has been a trend towards digitalisation projects being increasingly organised on a cross-functional basis. Individual silos are therefore gradually being dissolved, and instead departments such as marketing, sales, and customer service are more and more working together in product teams and taking joint responsibility for a specific digital product (e.g. digital channel) as well as for managing the entire customer journey and all the relevant channels and touchpoints.

In our survey, 84% of respondents agree with the statement that strategy, creation, design, media production, system integration, and platform operation must be considered holistically in order to offer customers an excellent digital experience along the entire customer journey. Already, 34% of respondents regularly integrate the end-to-end approach into their digital experience projects, while 49% of companies adopt a joint responsibility process occasionally.

For B2C companies, the end-to-end view is slightly more prevalent (87%) than for B2B companies (82%).

END-TO-END APPROACH IN DXS PROJECTS IS ALREADY BEING USED IN THE MAJORITY OF COMPANIES

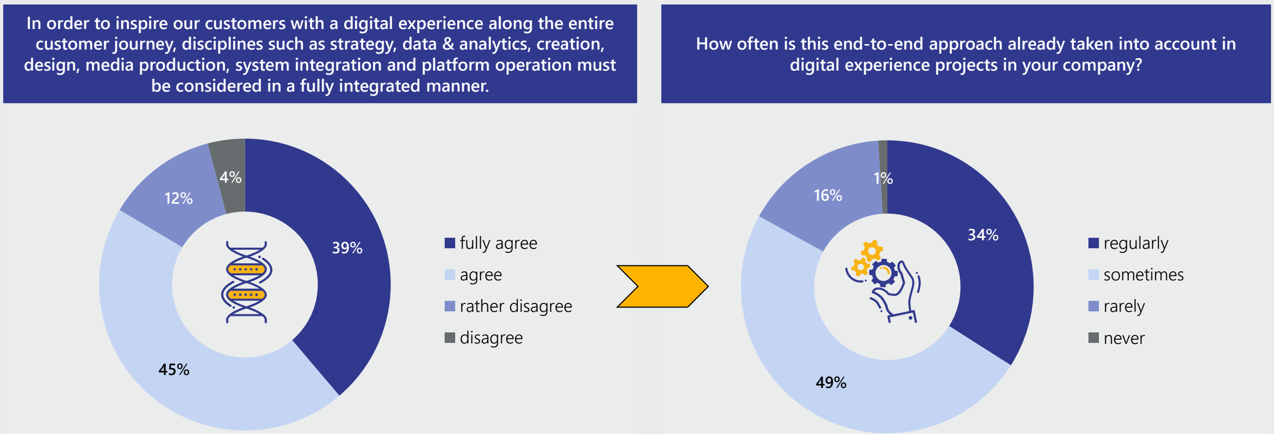


Fig. 19: Question: How do you rate the following statement: In order to inspire our customers with a digital experience along the entire customer journey, disciplines such as strategy, creation, design, media production, system integration and platform operation must be considered in a fully integrated manner?; all participants; frequency distribution n = 145
Question: If "agree" / "strongly agree": How often is this end-to-end approach already taken into account in digital experience projects in your company?; all participants; frequency distribution; n = 120

FULL-SERVICE PROVIDERS BECOMING INCREASINGLY SOUGHT AFTER

Client company requirements of their DX service providers are also changing, and classic distinctions between individual categories such as IT service provider, creative agency, management consultant, or system integrator often no longer fit the bill from the client's perspective. Instead, full-service providers offering a wide range of services around consulting, technology consulting, UX design, software development, digital marketing, digital commerce, and software launches from a single source, with holistic DX project implementation, are increasingly valued.

These changes can be observed in the market, particularly with regard to the development of digital platforms which allow the implementation of customer-centric strategies (digital commerce, e-commerce, content, and digital marketing). These projects often require cross-departmental and cross-functional planning and management, especially since the customer journey has to be managed across all the relevant channels and touchpoints where an end-to-end approach is pursued. This requires appropriately broad-based service partners working in an integrated fashion.

The service providers canvassed reported that in 2023 a full 59.3% of their customer projects were already being delivered via a full-service approach, with the proportion set to rise further in 2024. The client companies surveyed also agreed strongly this year with the availability of full-service portfolios being an important selection criterion in tenders.

INCREASING FOCUS ON END-TO-END CONSIDERATION

How high is the proportion of customer projects in your company in which various disciplines such as strategy, data & analytics, creation, design, media production, system integration or platform operation are fully integrated or orchestrated with a full-service approach?

2023	2024
59.3 %	66.2 %

Fig. 20: Question: How high is the proportion of customer projects in your company in which various disciplines such as strategy, data & analytics, creation, design, media production, system integration or platform operation are provided or orchestrated in a fully integrated manner with a full-service approach?; all participants; mean values; n = 17

Shared responsibility and dedicated product teams

New and digital business models require a rethink of existing and historically evolved structures and processes. Employer favourability is also increasingly correlated with a company's digital experience and a modern digital workplace: in order to remain an attractive employer in times of demographic change, companies as well as public authorities should not only offer their customers but also their employees a high level of experience in the form of modern tools and simple processes.

To achieve this, collaboration models and responsibilities in companies will have to change, and silo structures will have to be broken down. Responsibility for a digital product such as a customer app, a sales channel, or an entire customer journey will increasingly fall to dedicated product teams, with human-centric organisation being the keyword .
When developing digital products, then, business and IT requirements must both increasingly be taken into account from the outset. This is already the case in 41% of companies for DX project implementation. A further 39 per cent are planning to undertake this agile transformation in future.

While responsibility for the conception, implementation and operation of DX projects still lies with the individual specialist departments in every second company, 26% of companies surveyed are planning to dissolve their separate organisational structures and transfer responsibility to BizDevOps teams. These teams have overall responsibility for the conception, design, software development, and operation of a digital product. This close coordination allows them to react much more flexibly to changing requirements. They are also in a better position to install regular updates, patches, and releases for digital products or to integrate new functionalities without disrupting processes.

With regard to management of the customer journey, 37% of businesses canvassed already approach this using cross-functional teams. A further 35% are planning to break down silos and set up corresponding product teams in future. Companies with a balanced B2B and B2C business model are already further ahead here (52%) than specialised companies.

RESPONSIBILITY FOR DIGITAL EXPERIENCE PROJECTS STILL LIES WITH THE INDIVIDUAL DEPARTMENTS IN EVERY SECOND COMPANY

Which of the following statements about the implementation of digital experience projects apply to your company?

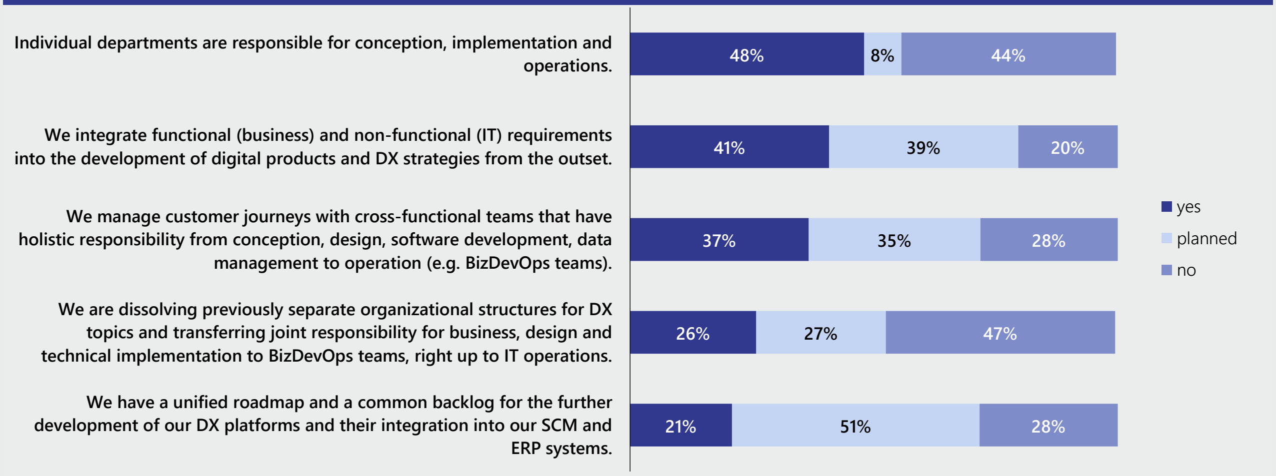


Fig. 21: Question: Which of the following statements about the implementation of digital experience projects apply to your organization?; all participants; frequency distribution; n = 142

PRODUCT TEAMS WINNING OUT IN MANAGING THE CUSTOMER JOURNEY

In 38% of firms polled, a central department is already responsible for the development and implementation of DXS strategies. A further 36% are planning to institute one. Among B2C companies, responsibility already sits with a central department in almost every second firm.

When it comes to the integration and management of individual services along the customer journey, 54% of organisations already have a dedicated department responsible.

For DXS budgets, responsibility sits with a central DXS department in every second company. In 45% of companies, budgetary responsibility also lies with the CDO or CTO and in 38% with senior management. Among 37% of firms, specialist departments also have responsibility. The functions overseeing budgets depend on criteria such as scope, budget, and strategic relevance.

Whereas in every second B2C company, budget responsibility lies with a central DXS department, in 48% of B2B firms it still lies with the management.

DXS RESPONSIBILITY OFTEN LIES IN A DEDICATED AREA

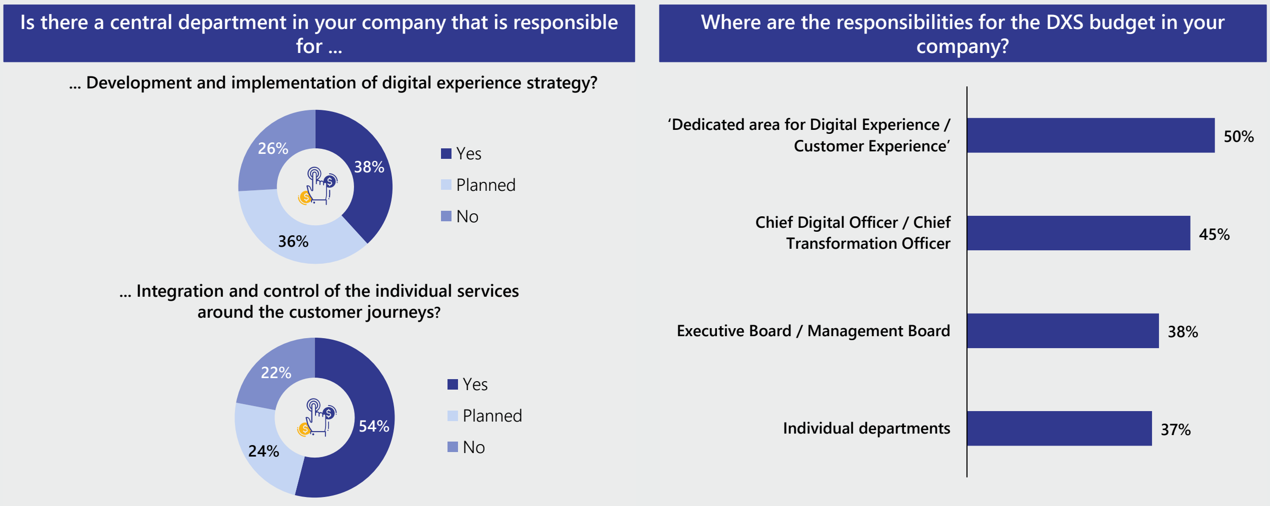


Fig. 22: Question: Is there a central department in your company that is responsible for...; all participants; frequency distribution; n = 145
Question: What are the responsibilities for the DXS budget in your company?; multiple answers; all participants; frequency distribution; n = 143

Customer requirements of DXS service providers

When selecting DXS service providers, user companies again as in previous years report valuing a high level of industry and target group expertise. A full 95% of respondents attach particular importance to this. Competence in customer-centric methods is also one of the key factors when selecting a suitable provider.

Since businesses are placing more and more value on an end-to-end view of the entire customer journey, they expect this from their service providers, too. The ability to offer end-to-end services from a single source is stated as a requirement by 91% of firms, while 86% consider it important that their service providers offer a full-service portfolio to cover the entire spectrum of digital experience services.

Among DXS managers surveyed by Lünendonk, 88% expect service providers to have a high level of expertise in the development and integration of their AI use cases, an issue that will become increasingly relevant in the coming years for two reasons. Firstly, AI is becoming ever more important for the creation of content, media content, and customer interaction. Secondly, AI offers accelerated project implementation, especially in software development.

ALMOST ALL CUSTOMERS WANT A SERVICE PROVIDER THAT CAN OFFER A FULL RANGE OF SERVICES

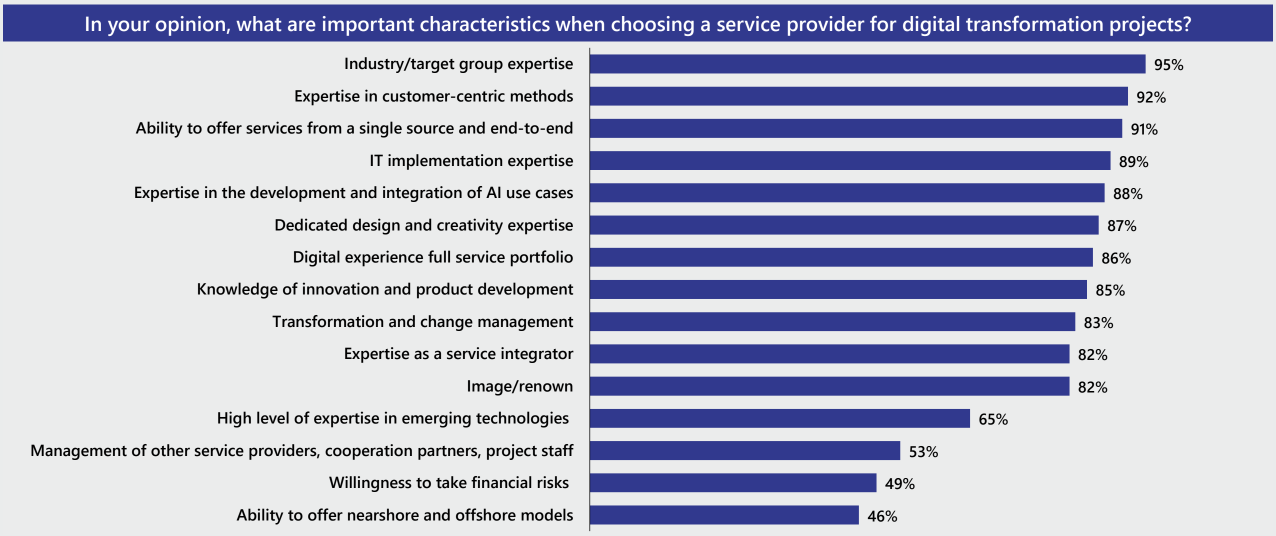


Fig. 23: Question: What do you consider to be important characteristics when choosing a service provider for projects related to digital transformation?; scale from 1 = “not at all important” to 4 = “very important”; all participants; answers shown relate to “rather important” and “very important”; n = 144

RESPONSIBILITY FOR DXS PURCHASING LIES WITH IT

Purchasing of DXS services is currently predominantly carried out by IT purchasing (74%). In 52% of companies, consulting purchasing buys them in. Among just 27% or 28% of firms respectively, marketing purchasing or a dedicated digital experience product group play a role. Looking to the future, it will be interesting to see whether separate product groups for digital experience services will become more established. In any case, businesses are increasingly aligning their current product group strategies with the new requirements and tender specifications. It is Lünendonk’s observation then that more and more companies are creating dedicated purchasing departments for digital experience services, although these are working very closely with IT purchasing.

DXS PROJECTS ARE USUALLY PURCHASED VIA IT

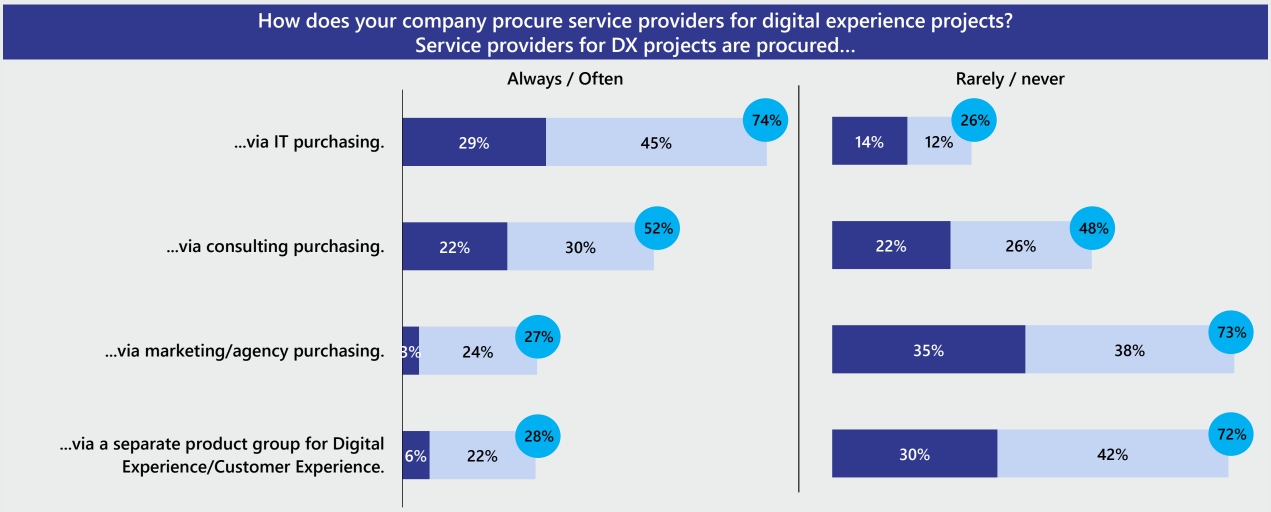


Fig. 24: Question: How does your company procure service providers for digital experience projects? The procurement of service providers for DX projects takes place...; Scale from 1 = "never" to 4 = "always"; all participants; frequency distribution; n = 143

The most relevant DX technologies

In the light of increasing digital transformation, the use of digital technologies is becoming more and more important, particularly in the area of customer centricity and personalisation. The service providers and client companies canvassed were therefore asked which technological trends they have growing awareness of on the market. All the technologies are expected to become more relevant by 2026, but some will become particularly important.

DATA & ANALYTICS IS THE TOP TECHNOLOGY

Most companies are currently in the process of realigning their data management and becoming data-driven organisations. Customer data provides information about preferences and needs and can help with personalisation and customer centricity. Against this backdrop, data & analytics platforms and customer data platforms (CDP) are also becoming increasingly important.

The user companies surveyed therefore currently see customer data platforms as the most important technological trend. As many as 82% of survey respondents currently see high relevance for their organisation here. Using database software such as this enables customer data to be constantly and uniformly collected from different sources. This data collection also makes it easier to create personalised marketing and customer experiences. In 2026, the relevance of customer data platforms is expected to once again increase significantly (95%). The technology is already particularly important (95%) for the surveyed companies from the financial services sector.

INCREASING RELEVANCE OF ALL DIGITAL TOPICS BY 2026

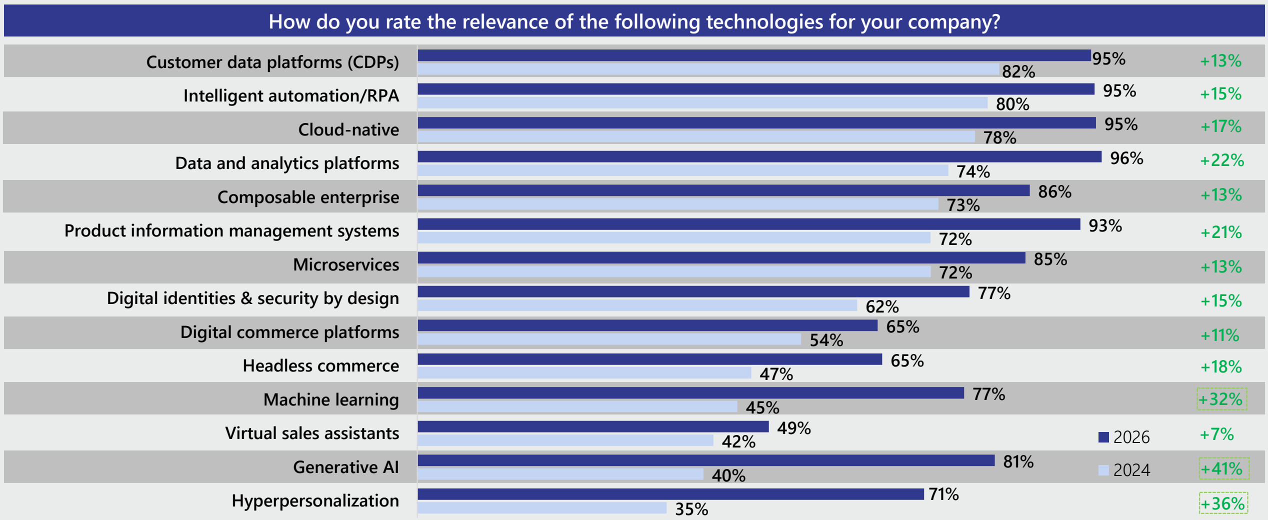


Fig. 25: Question: How do you rate the relevance of the following technologies for your company (2024 & 2026)? Scale from 1 = "no relevance" to 4 = "very high relevance"; all participants; answers shown relate to "high relevance" and "very high relevance"; n = 141 (2024); n = 128-146 (2026)

DATA & ANALYTICS AND AI ARE BECOMING INCREASINGLY IMPORTANT

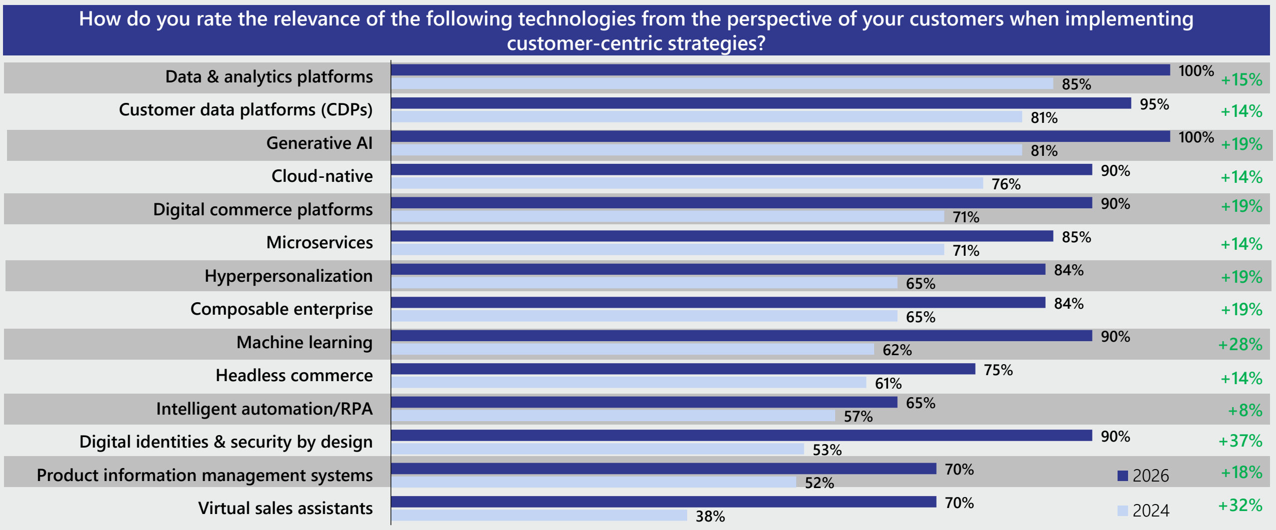


Fig. 26: Question: How do you rate the relevance of the following technologies from the perspective of your customers when implementing customer-centric strategies? Scale from 1 = "no relevance" to 4 = "very high relevance"; the answers shown refer to "high relevance" and "very high relevance"; all participants; n = 20

The service providers canvassed also see customer data platforms (CDP) as an important technological trend, with 81% assessing them as "highly" or "very highly" relevant. This figure is set to increase to 95% by 2026.

Data & analytics platforms are also viewed as an important trend by 74% of customer organisations surveyed. These platforms help companies to collect, store, manage, analyse, and visualise their data in order to make informed decisions and gain valuable insights. Data & analytics platforms enable different tools to be combined to collect data along the customer journey. For 2026, companies see these platforms as having the greatest relevance among the various technologies. For the present, it is industrial companies who see the greatest relevance for this area in 2024, at 84%.

A further 81% of providers canvassed also view data & analytics platforms for collecting and managing data from various sources as a particular focus for their customers at present. All the service providers featured here see this topic as particularly relevant by 2026.

The importance of data & analytics services is also confirmed by the Lünendonk® Survey The Market for IT Services in Germany. Here, the IT service providers we spoke to forecast a significant increase in demand for data & analytics services in 2023. For 83% of the user companies surveyed, greater use of data & analytics is one of the most important investment priorities in the coming years.

AI & GENERATIVE AI FOR HYPER-PERSONALISATION

Public awareness of generative AI has increased in recent years by virtue in particular of ChatGPT, leading to an increased focus among organisations on the issue of generative AI. For 2024, 40% of client companies surveyed see this theme as being of great importance, with the figure rising to 81% by 2026.

Connected to this is the issue of intelligent automation, already scheduled to be highly relevant in 2024, with a score of 80%. Automated and data-based control of end-to-end process chains (e.g. order-to-cash, procure-to-pay) is an important prerequisite for the successful implementation of customer-centric and digital strategies. For 2026, 95% of respondents already see high relevance for robotic process automation (RPA). Machine learning (ML) is also becoming significantly more important due to the increasing use of generative AI. While 45% expect the topic to be highly relevant in 2024, this figure will rise to 77% by 2026.

All of this also increases the importance of hyper-personalisation. The use of AI processes enables a context- and real-time-driven form of customer engagement.

Content and campaigns are delivered to specific target groups and, in some cases, personalised for individual customers. This in turn is based on customer data that is collected and processed with the help of data and analytics. Currently, 35% see particular relevance in this technology. For 2026, this number rises to 71%.

At the moment, the service providers assess generative AI to have significantly higher relevance than do the customer companies. As many as 81% of DXS providers currently consider GenAI tools to be an important technology for their customers. By 2026, this will increase to 100%. By contrast, only 40% of client organisations currently see this technology as highly relevant, with the figure rising to 81% by 2026. This is due to the fact that customer companies are currently still more concerned with identifying potential use cases, while all of the DXS providers are using GenAI tools already, at least to some extent.

In this context, service providers also expect machine learning (+28 percentage points) and virtual sales assistants (+32 percentage points) to become increasingly important. Issues of data protection such as digital identities and security by design using artificial intelligence are also becoming significantly more relevant (+37 percentage points) in order to facilitate secure access to digital services.

Generative AI is examined in a separate chapter in this survey.

SALES GROWTH POTENTIAL VIA DIGITAL COMMERCE

With the increasing use of digital channels and touchpoints (both in B2C and B2B), digital commerce platforms are also gaining in relevance. These aim to offer a more comprehensive digital customer experience that goes beyond the pure sales process. This may include advanced functionality such as content management, customer loyalty, omnichannel marketing, and personalisation. For 2026, 65% of customer companies polled already see significant relevance here. B2C companies (66%) perceive the technology as having significantly greater relevance than B2B companies (27%). By contrast, 71% of DXS providers surveyed already see this area as highly relevant, with this figure set to rise to 90% by 2026.

Against this backdrop, the concept of headless commerce is also increasingly gaining in importance. Here, the frontend and backend are decoupled from each other so that changes can be made in the frontend without changes in the backend (and vice versa). In a conventional e-commerce system, the frontend and backend are closely linked, meaning that changes always have to be made to the user interface and in the system itself. For 2026, 65% of user organisations see this approach as particularly important. DXS service providers concur with its growing salience (+14 percentage points).

To enable the use of different platforms, composable enterprise architecture is becoming increasingly valued. Among user respondents, 73% rate it as "highly" or "very highly" relevant. The approach sees corporate IT composed of individual software components (building blocks), each of which covers one business function. This means that the optimum application can be utilised and adapted flexibly for each task. Individual modules can be combined, changed, and adapted as required in order to be able to react quickly to changing market conditions and customer requirements. In 2026, 86% of respondents see the concept as highly relevant. DXS service providers also expect its importance to increase by 2026 (+19 percentage points).

Generative AI revolutionises the digital experience

Generative AI is one of the most important emerging themes of our time, and the potential applications of GenAI tools are highly diverse, but there is still a significant need for orientation and a certain amount of uncertainty when it comes to adapting GenAI. In times of skills shortages and demographic change, a significant part of the added value of AI comes from relieving employees of time-consuming routine tasks so that they can concentrate more on their respective core competencies. This is the promise of AI.

Many companies, however, are still in the early stages of using generative AI. According to the Lünendonk® Survey Generative AI – from innovation to market maturity, 50% of organisations are still identifying use cases and potential applications. Initial concepts have been implemented and tested in 34% of companies. Only 3% are already using generative AI solutions productively.

Use of Generative AI

The survey found that 76% of DXS service providers canvassed already see great potential for their customers in GenAI tools – especially in implementing customer-centric strategies and in digital marketing. All of the provider companies surveyed now utilise generative AI for specific use cases, and almost half employ GenAI tools comprehensively and company-wide. The majority (90%) of service providers also develop GenAI solutions themselves for specific use cases.

However, it is interesting to note that only 18 per cent of DXS specialists make extensive use of artificial intelligence, compared to 80 per cent of DXS generalists. This is due in no small part to the fact that the DXS generalists are predominantly large IT and management consultancies – in some cases international leaders – that have been engaging with the area from an early stage and benefit from a high level of innovation and investment.

ALL IT SERVICE PROVIDERS ALREADY USE GENAI

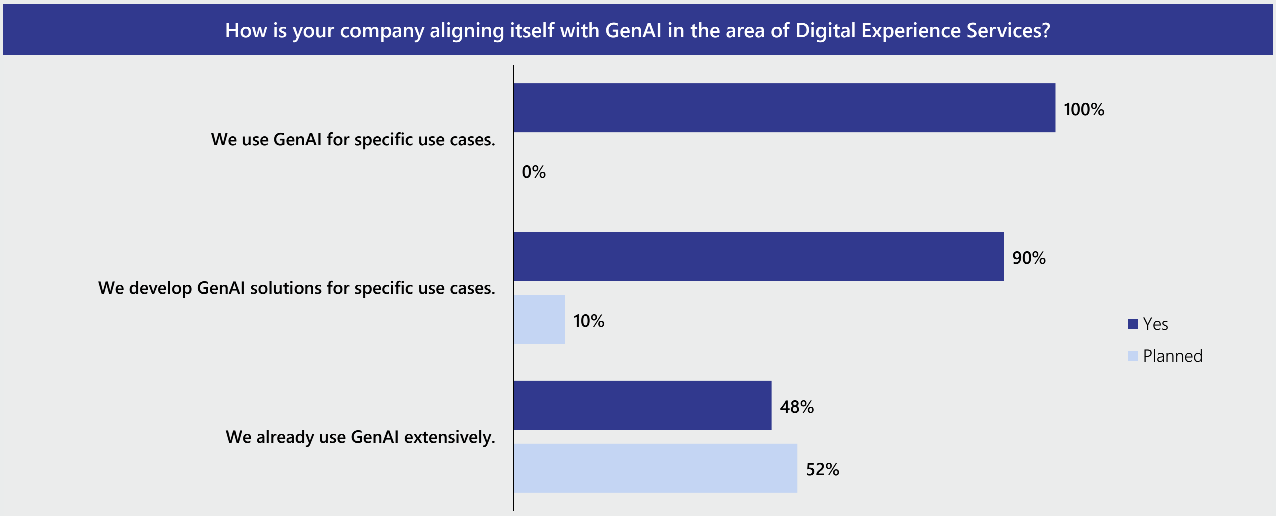


Fig. 27: Question: How is your company aligning itself with GenAI in the area of digital experience services?; all participants; frequency distribution; n = 21

Areas of application of Generative AI

In the field of digital experience, there are both a wide range of possible applications for generative AI and, equally, a number of challenges.

First of all, the opportunities: generative AI can, for example, help companies automate workflows and processes, analyse customer user behaviour and offer personalised services and products. The present survey thus looked at potential fields of application for generative AI from the perspective of DXS service providers and their client companies.

RELEVANCE OF GENAI WILL CONTINUE TO INCREASE IN ALL AREAS UNTIL 2026

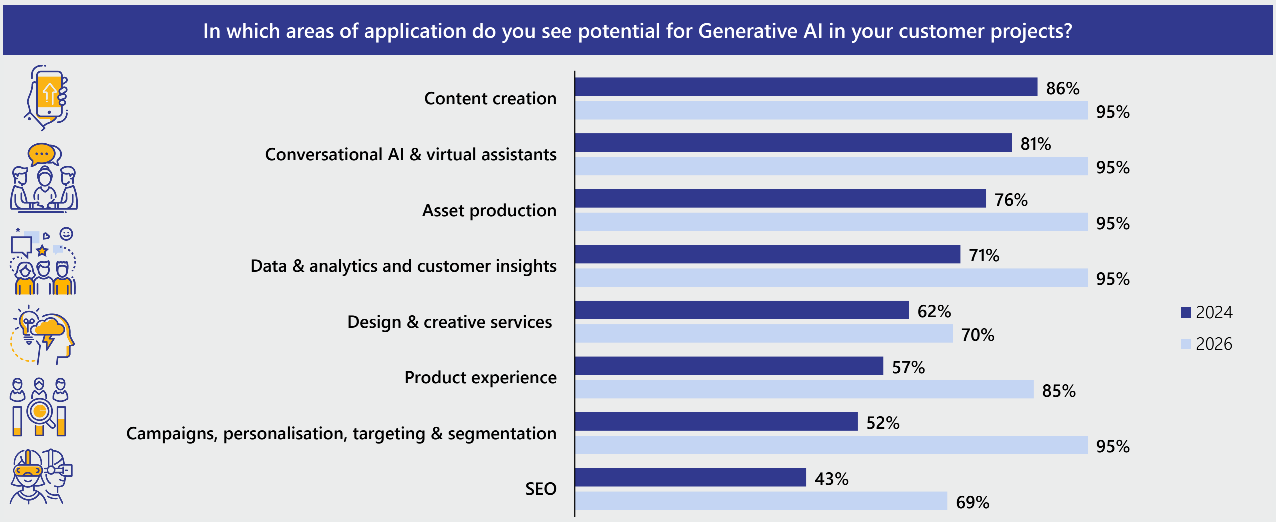


Fig. 28: Question: In which areas of application do you see potential for Generative AI in your customer projects?; Scale from 1 = "not at all" to 4 = "very strongly";all participants; answers shown refer to "strongly" and "very strongly"; n = 20

The providers canvassed see the greatest potential for GenAI tool use in their customer projects as being in the area of content creation. Artificial intelligence can independently produce articles, social media posts, or even images and audio, as well as helping to identify topics and support brainstorming processes. By using existing customer data, AI can also personalise content for specific target groups and deliver personalised content. At the moment, 86% of DXS service providers see this as the biggest area of application for the technology, and this figure is set to rise to 95% by 2026. By contrast, 63% of customer organisations polled recognise significant potential for content creation by GenAI.

GENAI PRIMARILY SUPPORTS CUSTOMER SERVICE, RESEARCH AND CONTENT CREATION

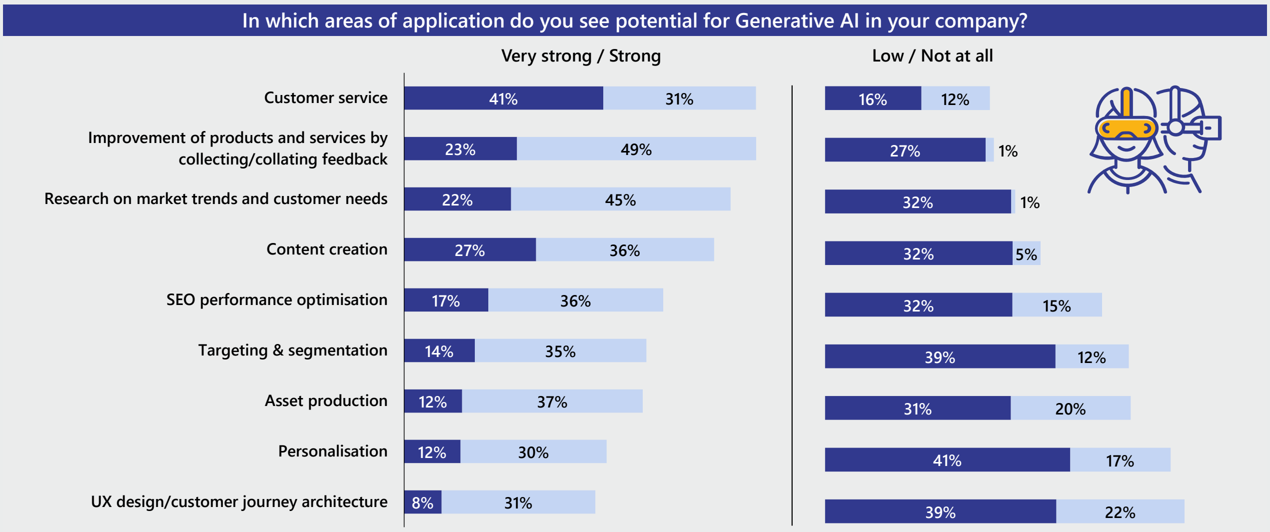


Fig. 29: Question: In which areas of application do you see potential for Generative AI in your company?; Scale from 1 = "not at all" to 4 = "very strongly"; all participants; frequency distribution; n = 143

AI can also improve customer processes by elevating the user experience and providing 24/7 availability via digitalisation and automation of virtual assistants and chatbots. Potential is currently seen here by 81% of respondents, rising to 95% by 2026 – although the quality of the answers provided by these AI assistants still usually leaves plenty of room for improvement. (This is linked to the maturity of the AI solutions, data management, data quality, and the cross-functional networking of different databases, among other things.) The significant relevance of GenAI in customer service is also confirmed by 72% of user companies.

A further 76% of service providers also see other relevant fields of application in the area of asset production. Generative AI can, for example, support the creation and management of digital content (assets) through automated writing, image generation, or SEO optimisation in order to improve and personalise digital customer experiences. Relevance will increase to 95% in 2026.

AI can additionally help to continuously improve products and services. This is another area where 72% of the customer companies surveyed see particular potential. Generative AI enables the automated collection and evaluation of customer feedback. In turn, this helps to adapt products and services to customer needs. Researching current market trends and customer needs is viewed as a further area for potential use by 67% of user organisations.

Advantages and benefits of generative AI

CLIENT COMPANY PERSPECTIVES

In the field of content management, creating accessible content is often a challenge. By making content accessible, it can also be made available to people with disabilities. Alternative texts (alt tags) are stored in images, graphics, and videos so that people with visual impairments can read them with the help of screen-reader technologies. Subtitles in videos ensure that people with visual impairments can understand the content. Clear and understandable language and user-friendliness also form part of accessibility. Generative AI can facilitate the creation of accessible content, for example through automated text recognition, image and video analysis, and speech recognition. This is why 76% of customer firms surveyed see this as the greatest advantage of generative AI.

INCREASED ACCESSIBILITY AND FASTER RESPONSIVENESS THROUGH GENAI

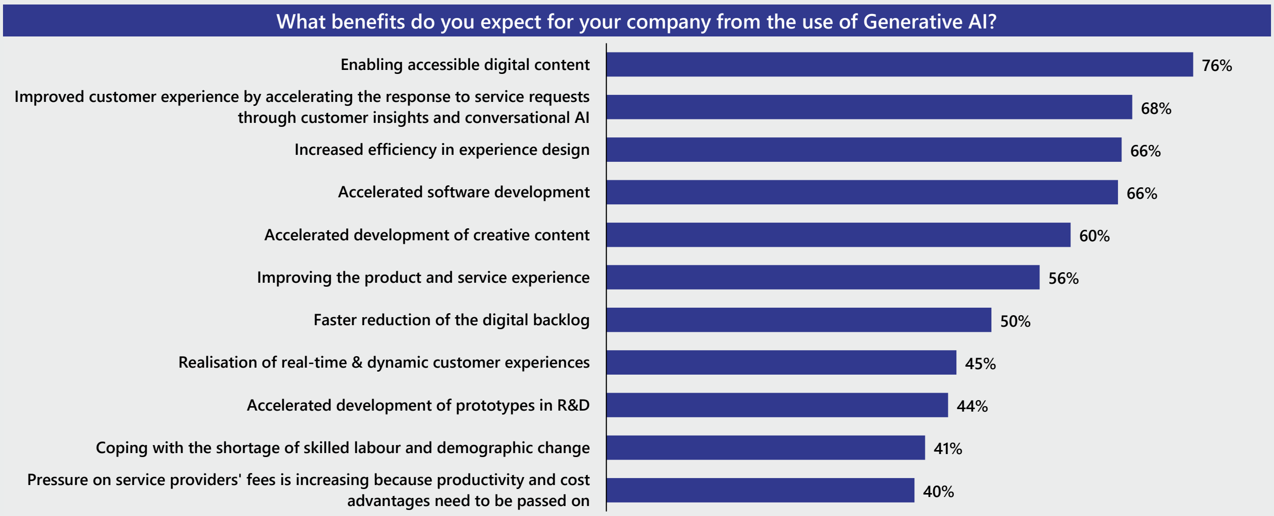


Fig. 30: Question: What benefits do you expect for your company from the use of Generative AI?; Scale from 1 = "not at all" to 4 = "very strongly"; all participants; answers shown refer to "rather strongly" and "very strongly"; n = 143

Generative AI can also help to provide rapid responses to customer queries through virtual assistants, in turn leading to a better customer experience. Conversional AI technologies mean that service requests can be resolved around the clock and customer insights collected in the process. A full 68% of companies see this as a major advantage of generative AI. B2C companies in particular identify high added value here (83%).

Increased efficiency in experience design and accelerated software development is the hope of 66% of organisations. Generative AI can, for example, make suggestions for optimising websites and apps based on user interactions and thus help to improve the user interface and hence customer experience.

DXS SERVICE PROVIDER PERSPECTIVE

In comparison, the DXS providers surveyed see the greatest benefit for their customers in the faster development of creative content and in accelerated software development (95% each).

Faster processing of service requests around the clock (86%), accelerated development of prototypes (80%), and creation of accessible digital content (76%) can all be facilitated by generative AI and thus, from the DXS provider perspective, will have the greatest impact on client companies .

GENERATIVE AI HAS AN IMPACT ON CONTENT CREATION AND SOFTWARE DEVELOPMENT

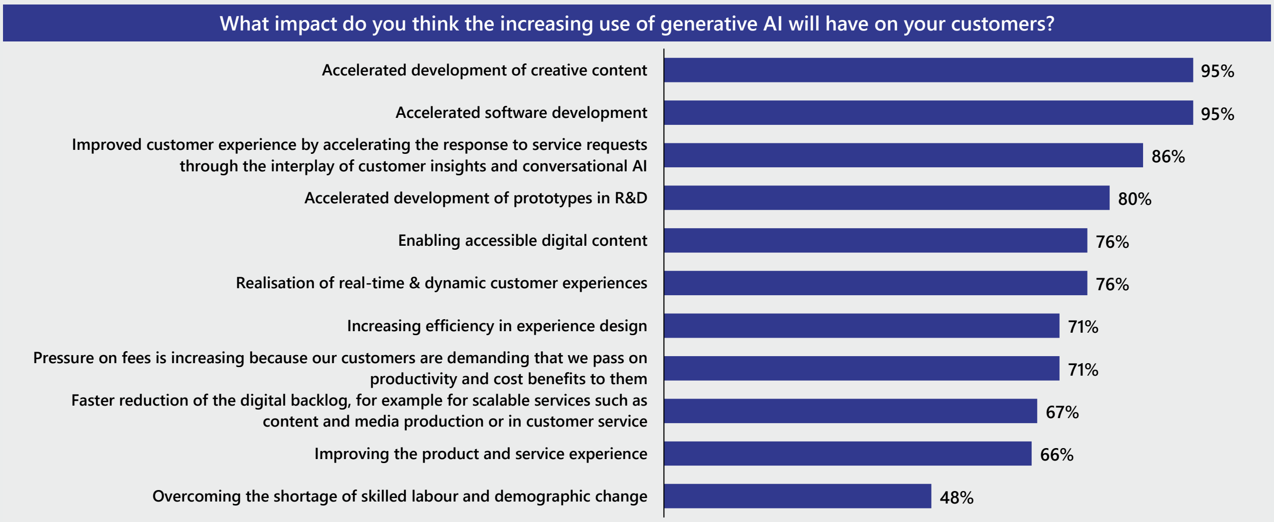


Fig. 31: Question: In your opinion, what impact does the increasing use of Generative AI have for your customers?; Scale from 1 = "not at all" to 4 = "very strongly"; all participants; answers shown refer to "strongly" and "very strongly"; n = 20

Risks and obstacles in the use of GenAI tools

In addition to its many benefits, generative AI also presents companies with a number of challenges, and the use of AI systems harbours specific risks.

DXS managers see the greatest risk in employees misusing AI systems by utilising the tools beyond their intended purpose, for example by making confidential data and content public. Over half (57%) assess there is a high probability of this risk materialising. A further 57% of respondents also fear the violation of legal norms such as copyright law.

GENERATIVE AI: MISUSE OF AI SYSTEMS AND VIOLATIONS OF LEGAL NORMS POSE THE GREATEST RISKS

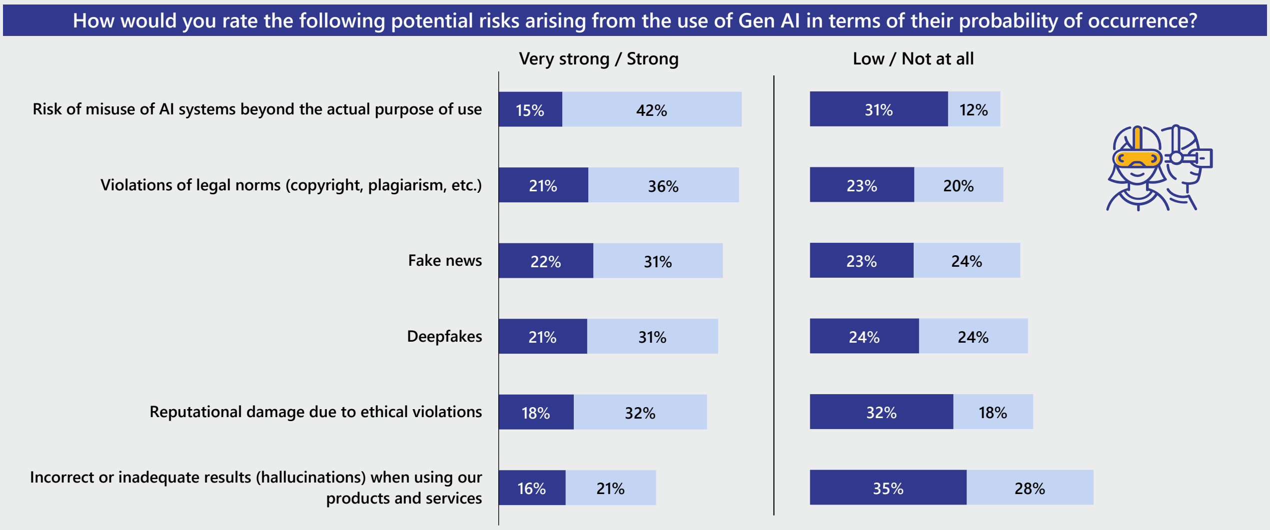


Fig. 32: Question: How would you rate the following possible risks associated with the use of Gen AI in terms of their probability of occurrence?;Scale from 1 = "not at all" to 4 = "very high"; all participants; frequency distribution; n = 145

There is additionally the risk of AI tools not recognising fake news or deepfakes and being deceived. This is seen as a particular risk by a slim majority of those surveyed. Trust in AI is one of the most important factors in increasing acceptance among employees and preventing false information from being passed on to customers.

In addition to the risks and potential dangers, there are various other factors hindering the application of AI. DXS managers see the biggest inhibiting factor (69%) in a lack of time to engage with the issue. Alongside the time component, 63% of respondents see a lack of internal expertise in developing AI solutions as a further obstacle to the transformation.

In particular, however, data quality and data management are the basis for using artificial intelligence, but most organisations do not yet fully have the appropriate structures in place. In fact, poor data quality and existing silo structures pose a particular challenge for 58% of respondents. Data protection concerns are a hindrance for just over half of companies.

It is interesting to note that 31% of firms are refraining from using generative AI altogether due to regulatory concerns. This is particularly the case in the heavily regulated financial sector.

REGULATORY ISSUES AND GENERATIVE AI

The EU AI Act has created the world's first legal framework for the use of AI and will be transposed into national law this year. The aim of the legislation is to regulate the use of AI systems in the EU in such a way that safety, transparency, and compatibility with values such as fundamental rights and data protection regulations is guaranteed. It is important for companies to define clear responsibilities and competencies and to take care of issues such as data governance and data management.

In order to ensure compliance with regulatory requirements, then, 87% of companies surveyed are planning to improve their data management and data quality. Among 59%, the intention is to create a dedicated function that combines responsibility for AI governance, risk, and compliance.

Half of respondents are prioritising predominantly using GenAI products from within the EU to ensure adherence to the legislation.

GENERATIVE AI: DATA MANAGEMENT AND CLEAR RESPONSIBILITIES HELP TO ENSURE REGULATORY COMPLIANCE

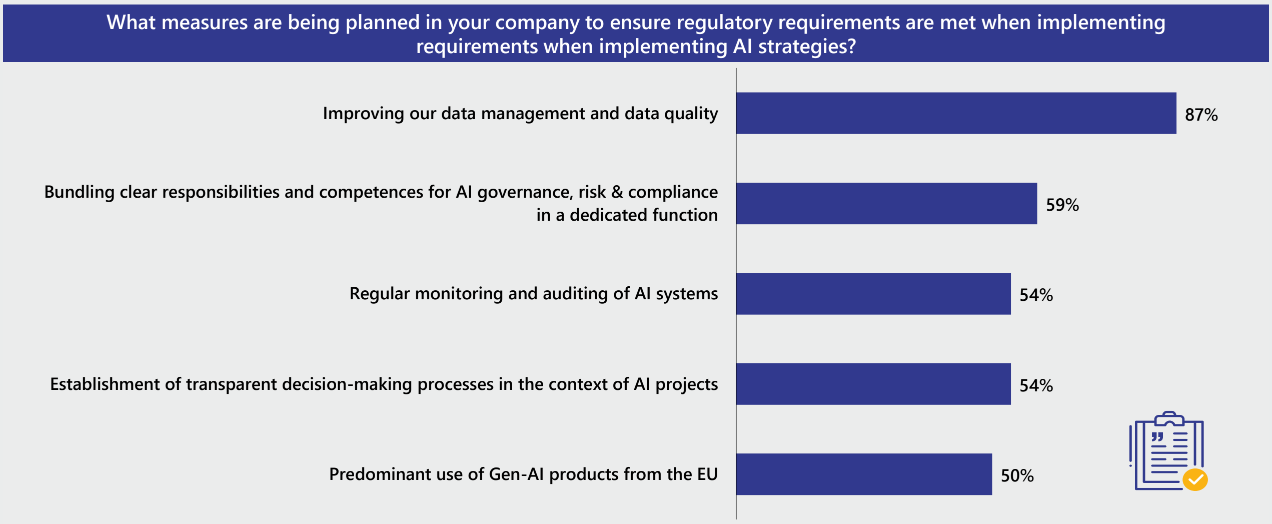


Fig. 33: Question: What measures are being planned in your company to ensure compliance with regulatory requirements when implementing AI strategies?; multiple answers; all participants; frequency distribution; n = 135

Challenges in digital transformation and digital experience

The shortage of IT specialists remains the dominant challenge for the economy. Increasing digital transformation combined with demographic change means there is a growing shortage of skilled workers to implement digitisation projects. Expertise is significantly lacking, particularly in the areas of software development, cloud transformation, data & analytics, and AI. As a result, 80% of respondents see the shortage of skilled workers as the biggest challenge for their company, an increase of 5 percentage points compared with the previous year. Organisations with a balanced B2B and B2C business model in particular view the shortage of skilled labour as a major challenge, with 88% rating this as a "great" or "very great" challenge. Businesses in the financial services sector are more likely to lack specialists for the digital transformation than the industrial companies surveyed.

The Lünendonk® Survey The Market for IT Services in Germany shows that increasing numbers of experienced employees from the baby boomer generation will in future retire and too few young specialists follow on. For 94% of those canvassed, the shortage of skilled workers is the key business challenge that companies will have to face in the next two years in conjunction with demographic change. Increasing focus on and use of (generative) artificial intelligence and automation can help to counteract this issue through technology and supporting employees with routine tasks.

In future, the speed of digital change will exacerbate this shortage. Companies often have problems adapting to new technologies such as the cloud, data & analytics, or artificial intelligence because they lack the know-how, experience, and ability to implement them. In fact, 71% of respondents see the speed of digitisation as a major challenge.

A NEW CHALLENGE: GENERATIVE AI

Generative AI is increasingly becoming a looming issue. Companies expect AI to offer a wide range of opportunities, from the automation of conceptual work and the performance of data analyses to the development of innovative digital services. AI can also help to improve customer interaction and increase efficiency and productivity in the area of customer centricity.

However, the integration in particular of corresponding AI use cases presents companies with challenges. This is confirmed by 62% of respondents. Comparing industries shows that use of AI poses equal challenges for all sectors.

This survey devotes a separate chapter to the topic of artificial intelligence.

NO DIGITAL EXPERIENCE WITHOUT DATA AND VICE VERSA

Companies need to know their customers in order to respond to their needs. Customer data makes it possible to personalise services and processes and to optimise the digital experience based on user behaviour. It also enables the optimisation and automation of processes. As many as 60% of the firms surveyed, however, find recording and evaluating customer data at the relevant interfaces a challenge.

Compared to the previous year, the proportion of approvals has actually fallen slightly, which indicates major challenges in data management. Banks and insurance companies in particular see data collection as a particular issue (70%), which can be attributed to the heavy burden of regulation on the financial sector, especially in the area of data governance.

END-TO-END CAUSING DIFFICULTIES FOR COMPANIES

The weightings given by the surveyed organisations to these challenges shows that one of the key challenges, in addition to the topics mentioned above, is the development of end-to-end processes and the management of complete customer journeys and process chains. Every second respondent sees a major challenge in the development of a consistent brand and digital experience along the entire customer journey as well as in the development and implementation of cross-media content and media strategies/marketing campaigns.

SKILLS SHORTAGE AND INTRODUCTION OF NEW TECHNOLOGIES CHALLENGE COMPANIES

Fig. 34: Question: How do you rate the following factors as a challenge for your company in the next two years?; scale from 1 = "no challenge" to 4 = "very big challenge"; all participants; responses shown refer to "big challenge" and "very big challenge"; n = 142

Outlook

Digital experience services – growth, new impetus, and challenges for the future

The Lünendonk® Survey clearly shows that the market for digital experience services (DXS) in Germany continued to grow in 2023 despite economic uncertainties, albeit not at the same level as in previous years. Average revenue growth amounted to 4.4%. Nevertheless, market trends show that companies are focusing on digital transformation even in times of economic crisis – although they may still be constraining their spending somewhat. Reviewing the most pressing challenges facing client companies and their budget planners suggests that the digital transformation will again pick up speed in all sectors and functional areas from 2025. At the same time, however, there is often a lack of internal expertise, spare capacity, and digital implementation competence. The need for external services thus remains high.

DIGITAL TECHNOLOGIES DRIVE DIGITAL EXPERIENCE

The planned investments by user companies in digital platforms, data-driven marketing, and innovative technologies such as (generative) AI reflect the significant transformation pressures. In terms of technology, the market is therefore dominated by data & analytics, generative AI, the cloud, and the composable enterprise. In particular, the use of artificial intelligence offers immense potential to improve the customer experience through automation and personalisation.

A transition to data-driven business models is essential for many companies, but the B2B sector specifically still has some catching up to do when it comes to consistent use and monetisation of data. AI is not, however, a panacea: its disruptive power can only be unleashed by embedding it in processes and IT systems. Businesses and the public sector therefore face the major challenge of investing in the modernisation of IT and process landscapes in order to meet the requirements of an increasingly digital and customer-centric world.

GENERATIVE AI – DISRUPTION FOR COMPANIES AND THEIR SERVICE PROVIDERS

The technology, however, which is above all showing disruptive potential is generative AI and it is permeating more and more fields. Automation of standardisable tasks, improved efficiency in content creation, and AI use in customer services are all opening up new areas of opportunity. Companies that invest in these technologies at an early stage will gain a significant competitive advantage in the coming years. Service providers will benefit from this, as customers are dependent on external support for the development of AI applications. Almost all providers surveyed are therefore investing heavily in artificial intelligence.

It is not only their customers who are experiencing the changes brought about by AI, however, but also the service providers themselves. AI is replacing more and more tasks in software development or traditional agency services, for example. Service providers therefore need a new skills mix and will continue to step up their investments in IT and digitisation in the future.

Afterword

Such a comprehensive survey of the German market for digital experience services would be inconceivable without external support. For this reason, we would like to thank the following service providers for their kind support in realising the survey:

- diva-e
- Plan.Net Group
- Reply
- Syzygy
- Valantic

We would like to take this opportunity to express our special thanks to all the participating companies and the Lünendonk & Hossenfelder GmbH evaluation team. Many thanks for their comprehensive support in the preparation of this Lünendonk® Survey.

Even after 40 years of intensive market analyses and a constant dialogue with experts from science, companies and associations, Lünendonk & Hossenfelder GmbH is committed to delivering solid results and interpretations.

Nevertheless, we believe that new aspects, ideas and suggestions for improvement are always emerging. We are always grateful for such suggestions and would like to invite our readers to do the same.

Many thanks in advance!

"Digital experience optimization is a team sport"

SYZYGY

Positive digital experiences significantly impact the quality of customer relationships and thus determine the success of brands and companies – SYZYGY is convinced of this. In an interview with Lünendonk, Frank Wolfram, CEO of SYZYGY AG, talks about current customer requirements and trends in the DXS market, as well as future developments in the course of advancing AI and GenAI technologies. In addition, the relevance of company-wide data expertise for improved customer centricity is examined in more detail.

Frank Wolfram
CEO
SYZYGY AG

LÜNENDONK: Mr. Wolfram, you have been CEO of the SYZYGY AG since July 1, after having served on the management board from 2000 to 2012. What made you decide to return to SYZYGY and how has your start been?

FRANK WOLFRAM: Returning to SYZYGY was a matter close to my heart. SYZYGY has developed excellently in recent years, has grown and, like the entire digital economy, has come of age. The solutions we develop together with our clients are business-critical. At the same time, I am pleased to see that some customers that I was already able to support at the time are still clients of SYZYGY today. This is not only a testament to the quality of our services, but also to the quality of our personal relationships. As expected, I had an easy start. Everything feels like home and we are jointly developing a vision for our "way forward".

"SYZYGY has developed excellently in recent years, growing and maturing just like the digital economy as a whole. The solutions we develop together with our clients are business critical."

Frank Wolfram
SYZYGY AG

LÜNENDONK: Let's be more specific about this. How should SYZYGY develop in the medium and long term?

FRANK WOLFRAM: SYZYGY's range of services is impressive, both in terms of breadth – from strategic consulting to performance marketing – and depth, from experience design to operations. We focus on configuring the best range of services for the various challenges our clients face. This requires flexibility in the composition and collaboration of teams across competencies and locations. In addition, we are strengthening our ability to collaborate with our WPP network partners and within our customers' partner ecosystems.

LÜNENDONK: According to the study results, customer experience as well as data & AI are currently the most in-demand topics. What services are currently in high demand among your customers and what do companies need to do to achieve an optimal digital experience?

FRANK WOLFRAM: There is sustained demand in the areas of e-commerce, the modernization of CMS and DXP platforms, and content operations. In addition, readiness for the entry into force of the Accessibility Strengthening Act is a major topic

In the area of data, the focus is on achieving a certain sovereignty vis-à-vis the large platforms, through first-party data, on the one hand, and on data value creation for better targeting, conversion optimization and higher relevance through personalization, on the other.

In the area of AI, the requirements are becoming more specific. While we did a lot of educational work last year, the focus is now on specific use cases and results in terms of efficiency or scaling, for example in the area of content creation. We also see opportunities in optimizing the customer experience through AI-supported agent systems.

Optimizing the digital experience is a team sport. Companies that are organized in an integrated manner with a focus on the customer have an advantage: marketing, sales, customer service, and IT must work together to optimize the customer interfaces.

LÜNENDONK: The customer journey and customer interaction are becoming more and more demanding due to two developments: on the one hand, customers are using more channels, so aggregating these touchpoints is becoming more complex. On the other hand, customers increasingly expect to be addressed individually and to receive personalized offers. What does this mean for companies and the necessary structures and investments?

FRANK WOLFRAM: In structural terms, this means a shift towards a customer-centric organization, at least in the areas of marketing, IT, customer service and sales. The big CX champions like Amazon and the new DTC players in finance, automotive and retail are leading the way and setting benchmarks in terms of DX customer expectations.

Many companies have invested heavily in technology in recent years, which has often led to increased complexity in the application landscape. Mastering and, ideally, reducing this complexity and using technology in the sense of customer centricity is becoming a critical success factor.

"Optimizing the digital experience is a team sport. Companies that are organized in an integrated way with a focus on the customer have an advantage: marketing, sales, customer service and IT have to work together to optimize the customer interfaces."

Frank Wolfram
SYZYGY AG

LÜNENDONK: In this context, the relevance of data management and data analytics platforms is also increasing. As a result, don't companies have to transform themselves more into data-based companies and combine classic thought patterns with this new mindset?

FRANK WOLFRAM: In my opinion, data is a means to an end when it comes to customer centricity. Not every company will be able to develop a data-based business model like the large platforms. But most companies can become customer-centric companies. To do that, they need a high level of understanding and empathy for the needs and requirements of their customers. Data can help to achieve this understanding. Data also helps to optimize marketing investments and customer touchpoints, as well as to leverage cross-selling and upselling potential. Overall, in my opinion, it is more about a mindset shift from inside-out, i.e. company-focused, to outside-in, i.e. customer-centric. Company-wide data literacy is an advantage here.

"Not every company will be able to develop a data-based business model like the big platforms. But most companies can become customer-centered companies."

Frank Wolfram
SYZYGY AG

LÜNENDONK: In addition, according to the study, more and more companies are relying on BizDevOps teams, in which a product team from development and operations takes joint responsibility for DX products. Why is this organizational development necessary?

FRANK WOLFRAM: The optimization of DX products thrives on the constant feedback of actual user experiences with the hypotheses of the development teams. Organizations that organize this feedback seamlessly, i.e. without loss of time and with a high degree of transparency, with direct access to analytics data instead of aggregated insights, have a competitive advantage. And not only in terms of time to market, but also in terms of product-market fit. If the abbreviation “Biz” also integrates marketing and sales, the feedback is even more effective because feature prioritization and goals are based on real customer requirements and not just on management objectives.

LÜNENDONK: How do you think the market for digital experience will develop in the next few years?

FRANK WOLFRAM: As customer touchpoints continue to digitalize, the demand for DX services will continue. At the same time, companies are building their own DX capabilities as digitalization increases and the corresponding solutions become mission-critical. For us as a service provider, this means that we need to strengthen our ability to flexibly integrate into our customers' partner ecosystems.

The digital experience market will be heavily influenced by AI and automation in the coming years, as companies seek to create scalable and personalized experiences more efficiently. It remains to be seen what impact regulatory measures such as the EU AI Act will have on the ability to innovate in this area.

The big platforms and global CX champions remain the pacesetters of the DX evolution. The widespread acceptance of augmented reality among a broad user base since the pandemic has further blurred the boundaries between the digital and physical worlds. Will we eventually drop the "D" in "DX"? In any case, we should not fear for the future of DX services companies.

"The digital experience market will be heavily influenced by AI and automation in the coming years, as companies seek to deliver scalable and personalized experiences more efficiently."

Frank Wolfram
SYZYGY AG

COMPANY PROFILE

SYZYGY GROUP

SYZYGY is one of the leading consulting and implementation partners for digital experiences. We are convinced that positive digital experiences have a significant influence on the quality of customer relationships – and thus determine the success of brands and companies.

For over 29 years, we have been helping and supporting our clients to solve these challenges, particularly in the areas of marketing, sales and digital products. Our goal is always to create the most relevant experience along the entire customer journey with the greatest possible business impact.

SYZYGY was founded in 1995 and is represented in four countries with offices in Bad Homburg, Berlin, Frankfurt, Hamburg, Munich, London, New York and Warsaw. Since 2000, SYZYGY AG has been listed in the Prime Standard.

In addition to the core brand SYZYGY, the Enterprise Technology specialist SYZYGY Techsolutions, the Performance Marketing and Media specialist SYZYGY Performance, the Design Studio Ars Thanea and the strategy consultancy diffferent belong to SYZYGY.

The approximately 600 specialists at SYZYGY support brands such as Audi, BMW, Bosch, the German government, Condor, Commerzbank, Deutsche Bank, Eucerin, Hilti, HUK-Coburg, Hymer.

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COMPANY PROFILE

Lünendonk & Hossenfelder GmbH

Lünendonk & Hossenfelder, based in Mindelheim (Bavaria), has been analyzing the European business-to-business (B2B) services markets since 1983. The market researchers focus on the digital & IT, management consulting, auditing, tax and legal services, real estate services, personnel services (temporary work, IT workforce) and training sectors.

The portfolio includes studies, publications, benchmarks and advice on trends, pricing, positioning or procurement procedures. The large database enables Lünendonk to derive insights for recommendations for action. For decades, the market research and consulting company has been publishing the "Lünendonk® Lists and Surveys", which are regarded as a market barometer.

Many years of experience, in-depth know-how, an excellent network and, last but not least, a passion for market research and people make the company and its consultants sought-after experts for service providers, their customers and journalists. Every year, Lünendonk and a media jury present the Lünendonk Service Awards to companies and entrepreneurs who have rendered outstanding services.

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LÜNENDONK

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