How it works

Comarch strategy

2006 - 2022
Comarch strategy pillars

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Comarch strategy pillars
1. Comarch strategy pillars

Comarch is a global IT challenger established in 1993 by Professor Janusz Filipiak as a university spin-off. In 1999 the company launched its Initial Public Offering on the Warsaw Stock Exchange and now, 30 years from inception, it employs 7000 people worldwide. The size of the company enables it to implement large contracts while remaining efficient and agile in sales, R&D, and delivery.
Janusz and Elżbieta Filipiak own the majority of shares in Comarch. This private control allows for the definition and execution of annual strategies adapted to the changing global business environment.

Comarch headquarters is located in Krakow, which is now well recognized as a global IT center. The company also has R&D sites located in all the largest cities in Poland, and some in Germany and France.
The company’s long term management is based on the following strategy pillars:

1. Extensive R&D and development of own products
2. Precise determination of annual strategies based on current company status and changes in the external business environment
3. Diversification of Comarch’s offer with respect to products, industries, and regions
4. Efficient delivery of products and projects

5. Profound and sustained investment in human resources

6. Conservative finance management
Truly lean and mean organization, with only a few levels of management, simple reporting hierarchies, and delegation of responsibility to production and business unit managers.
Some of these features may be found in other companies but, uniquely, Comarch has executed them strictly over the past 30 years. The rest of this document describes each of the strategic pillars in more detail and provided graphs and data to show their effectiveness in the long term. The data are based on stock exchange reports. To allow comparisons over time, the financial data are given in the Polish zloty (PLN). At the time of the creation of this document (March 2023), the Polish zloty was fluctuating at about EUR 4.68 and USD 4.46. Since Comarch’s inception, the average annual growth rate, as regards basic performance parameters (revenues, balance sheet total, and employment), has always been well above 30%.

The financial results for 2022 are very good, which is a consequence of many years of sound strategic management.
1. 1.
Comarch is based on the development, sales, and implementation of its own IT products

Since its inception, Comarch has always been based on strong R&D and the development of its products. At the moment, Comarch’s product portfolio comprises more than a hundred product lines for a broad spectrum of industries.

Several of those products have been included in the Gartner Magic Quadrant reports for years. In the telecommunication segment, they include the Comarch Business Support Systems and the Comarch Operations Support Systems, both deployed at a large number of both European and global telcos. The Comarch EDI was also included in the Gartner Magic Quadrant.

Several other products were also covered by Gartner and Forrester analysts.
Revenues from sales of proprietary software
CAGR 22% (1997-2022)
As a result of sustained investment, Comarch revenues from sales of proprietary software have been growing with a CAGR of 20% over the past 25 years. Comarch does not, in principle, resell third-party products. In 2022, sales of own licenses and services needed for their implementation accounted for 98% of Comarch’s total sales. The following graph shows the share of added value in this regard.
Share of sales of proprietary products and services
Traditionally, Comarch has only sold third-party hardware and software products as a means to deliver turnkey solutions. The costs of hardware were high in the past, so the percentage of Comarch’s added value was lower. Because the prices of hardware and software have decreased over time, the share of third-party products in Comarch sales has also decreased over the last years.
Share of sales of 3rd party products and services
1. 2.  
Definition of annual strategies

Comarch redefines its strategy annually, taking into account the changing business environment, industrial trends, and internal challenges. Every year, in January and February, 10% of Comarch’s top managers summarize the results of the previous year and define the company’s renewed annual strategy. Their work is presented at the Comarch Annual Strategy Meeting. The agenda for Comarch’s Management Board and divisions is as a result of that joint effort.

Annual strategies indicate, among other things, the directions of company development, including opening new business lines. For example, in 2007 it was e-Health, and in 2014 the Internet of Things, along with a decision to build a hardware factory.
1.3.
Diversification of Comarch offer with respect to products, industries, and regions

Care is always taken that Comarch sales are diversified across various industries and geographical regions.

Offer diversification is important to ensure stable growth. As an example, during the financial crisis in 2009, the sudden drop of contracting by banks and financial institutions was compensated by orders from the telecommunication sector.

In 2022, the Comarch Group increased its sales revenue by 14%, despite the ongoing war in Ukraine and the resulting significant changes in the global economic situation and in the ways of organizing work and conducting projects.
Diversification of Comarch sales across various industries
1. 4. **Stress on efficient delivery**

With its rich product portfolio, Comarch could be run as a software house. Each corporate client requires software customization and, during exploitation phases, the expects development of specific additional functions and modules. To comply with these requirements, instead of preparing standard, out-of-the-box application software products for large corporations, Comarch develops its products as frameworks and sets of interacting modules. This enables fast and efficient customization, but at the same time requires strong interaction between developers and implementation personnel during the delivery phase.

To ensure efficient delivery, Comarch does not use integrators for the implementation of its products. It develops its implementation resources and project management procedures.
Customers appreciate having one vendor which takes end-to-end responsibility for the successful delivery of IT solutions and the full IT stack.

This approach has become even more relevant because Comarch nowadays delivers most of its solutions according to the full outsourcing, managed service, SaaS, or cloud computing paradigms.

For this purpose, Comarch has developed a global network of its Data Centers.
1. 5.
Sustained investment in human resources

Comarch started in 1993 from scratch, with Professor Janusz Filipiak and a group of four students. At the moment, the Comarch group employs more than 7000 professionals.

The development of human resources is presented below.
Employment
CAGR 16% (1997-2022)
Comarch mainly employs candidates from the primary job market, i.e. students and university graduates.

Every year the company runs its well-recognized summer internship program. Computer science students in their fourth and fifth year of study come to work for Comarch during three months of their summer holidays. They are organized in small groups, each with a mentor from Comarch. They get a stipend, and brand new equipment connected to the company intranet. The program attracts applications from around 1500 IT students each year, out of which 300 are selected to participate. The annual total cost of the program is well above one million euros.
The Comarch summer internship program has a very good reputation in Poland and is the main source of human capital for Comarch (nearly 70% of program participants decide to work part-time for Comarch after their internships). Running such a program is possible due to a large pool of IT talent in Poland.

For the last five years, Comarch increased its number of employees by more than 1,000 people. The average age of people in Comarch is 33. The attrition rate is at the level of 11%. Salaries of most IT specialists in Poland are at Western European levels.
1. 6. 
Conservative finance management

Comarch has always had a surplus of cash. Loans were never taken to finance working capital.

Cash by end of the year
Mortgages are taken to finance the development of office space and data center infrastructure. But even with the mortgages taken into account, Comarch has significantly more cash than debt.

More about Comarch finance management can be found in the next section.
1. 7. 
Lean and mean organization

Comarch is a truly lean and mean organization. Despite having more than 7000 employees, there are only three levels of management:

- Division
- Business Unit
- Profit and Loss Center

Reporting hierarchies are very simple and they do not overlap. Responsibility and trust are fully delegated to heads of organizational units. Management processes are clearly defined. Bonuses are based strictly on individual, measurable performance. All management procedures are kept very simple.
Comarch medium and long term goals
2. Comarch medium and long term goals

The very basic objective of Comarch’s majority shareholders is defined by Janusz Filipiak as balanced growth.

Growth is mainly achieved by sustained organic development of company assets, people, products, technology, market reach, and other areas of business.

Organic growth is supported with minor acquisitions (to obtain new innovative products, increase the market scope, and develop new business models).

The company is not orientated toward quarterly or annual profit maximization.

Annual budgets assume a predefined level of EBITDA. If during a year a financial surplus is obtained, it is used to speed up the R&D processes and increase the reach of Comarch’s offer.

This does not mean that assumed EBITDA levels are low. The graph below shows EBITDA increase (in PLN thousands) over the last 25 years.
This strategy helps to keep Comarch’s offer attractive, resulting in a permanent, steady increase in sales over the past 30 years.
Revenue from sales
CAGR 29% (1994-2022)
Comarch’s listing at the Warsaw Stock Exchange, and the need to meet the profit expectations of minority shareholders, helps the company to avoid overinvestment and to keep the balance between long-term strategies, as defined by majority shareholders and capital market expectations.

As a rule, Comarch does not pay dividends. Accumulated capital is used to fuel R&D and increase the scope of the company’s offer.

This strategy is communicated to minority shareholders, and has ultimately been accepted, because the reason behind it is that the company’s value has been growing since the first IPO in 1999 (in PLN thousands).
Total assets
CAGR 27% (1997 - 2022)
Recent developments
3. Recent developments

Despite any economic instabilities in many geographical and vertical markets, over the recent years Comarch has continued to steadily invest in:

- Sales network
- R&D capacity
- Delivery potential
3.1. Extension of sales network

Comarch started its business in Poland. The first international subsidiaries were opened in 2000, in Germany and the USA. Between 2000 and 2010 Comarch mainly developed its presence in Europe, with the highest emphasis put on Germany. Since 2010 the company has gone truly global. In the last couple of years the expansion of global business centers has intensified.
Recent developments include:

- Establishment of new Comarch subsidiaries in Italy, Malaysia, the USA, Sweden and Argentina in 2015
- Investment of EUR 2.1 million in 2020 to obtain 100% of shares in CABINET CONSEIL EN STRATEGIE INFORMATIQUE S.A.S. (solutions and services for the medical sector in France) headquartered in Cergy in France
Investments in opening new branches outside Europe have resulted in significant growth in sales on international markets (in PLN thousand)
Revenue from sales on international markets
CAGR 36% (1998-2022)

Investments in opening new branches outside Europe have resulted in significant growth in sales on international markets (in PLN thousand)
3.2. Increased R&D effort

Comarch maintains high outlays on R&D, which were further enhanced in 2022. The graph below shows money spent on the development of new products (in PLN thousands). Additional significant investments are put into new releases of existing products.
Recently, the greatest effort has been made to develop truly innovative products in the areas of shared precision mobile marketing, IoT (to deliver end-to-end solutions), and e-Health (devices and software for telemedicine).
COMARCH
Developing the future