



Market Report

A Snapshot of your Market Sector

Computer Software

This pack has been designed to provide information on setting up a business in the Computer Software industry in Scotland, as well as helping to inform the market research section of your business plan. You can find more information on how to write a business plan from the Business Gateway website (www.bgateway.com/businessplan), including an interactive template and tips to get you started.

This market report was updated by Business Gateway in June 2018. If you find the information contained in this document useful, tell us about it! Send us feedback [here](#); we will use your comments to help improve our service.

What do I need to know about the Computer Software market?

The following summary statistics have been taken from market research reports and reliable resources that the Information Service uses to compile industry information. They should give you an indication of how your industry is faring at present and whether there is demand for your type of business:

- ◆ Software applications continue to form the largest segment of the software market, with an **increased share of 43% in 2017**, up from 40% in 2016. Middleware represented a further **26% of market sales**, having slightly decreased from 28% in 2016, while operating systems accounted for just **6% of the total market**. (Intel, *Software - UK*, February 2018).
- ◆ Over the next five years, industry revenue is expected to grow at a slower compound annual rate of **6.3% to total £39.1 billion in 2022-23**. The development of application software is expected to **account for 33.4% of industry revenue in 2017-18**, a proportion that is expected to have risen over the past five years. In 2018-19, **revenue is forecast to increase by 8.6%** on the back of swift technology growth and growing software investment by businesses. (IBISWorld, *Software Development in the UK*, March 2018).
- ◆ IBISWorld estimates that revenue will grow at a compound annual rate of **9.6% to £2.2 billion** over the five years through 2017-18. Revenue is forecast **to increase by 6.4% during the current year** as investment in software by private-sector businesses expands. Desktop applications are the largest product segment and are estimated to account for **44.8% of industry revenue**. (IBISWorld, *Software Publishing in the UK*, March 2018).
- ◆ The United Kingdom software market grew by **2.2% in 2017 to reach a value of \$20,561 million** and accounts for **19.4% of the European software market value**. Rivalry within the UK software market is strong, boosted by the presence of large international incumbents and a regular supply of new entrants with alternative business models. Constant technological advances forces companies to operate increasingly competitive pricing strategies. (MarketLine, *Software in the United Kingdom*, April 2018).
- ◆ Several major companies in the software industry are **Microsoft** (Windows, Skype and Xbox), **IBM UK**, **Oracle Corporation**, **Symantec** (Norton Antivirus Software) and **Adobe**.
- ◆ The national organisation for this industry is [The British Software Alliance](#). Other industry bodies include the [Association for UK Interactive Entertainment](#), the [Business Application Software Developers Association](#) and the [Chartered Institute for IT](#). You can find many more interactive media associations and bodies via the [British Interactive Media Association](#).



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Where can I find more information on my market?

The Information Service has access to a number of databases which can offer more detail on this industry. Some of these reports are listed below - if you would like to be sent extracts from any of these reports, please contact us on **0300 013 4753** or email info@bgateway.com.

- ◆ **Mintel – Software – UK (February 2018)** - 2017 saw a significant increase in augmented reality (AR), with Google announcing ARCore and Facebook launching its Camera Effects platform. AR remains at an early stage, but more utility is likely to be developed in 2018 thanks to the platforms launched in 2017. The major challenge to the software industry over the next few years will be releasing software fast enough to meet changing customer needs. Irrespective of an organisation's function, companies are driving engagement with consumers through applications across the web, mobile, and point-of-sale. The faster an organisation can improve its software, the more it can drive customer loyalty and build switching costs.
- ◆ **IBISWorld – Software Development in the UK (March 2018)**. The economy is expected to slow as a result of Britain's decision to leave the European Union, which is likely to constrain technology investment from downstream businesses. UK technology companies may also begin to find it increasingly difficult to recruit and operate within an inward-turning economy. However, the strong growth of new technologies such as cloud computing is likely to support industry expansion through more challenging conditions.
- ◆ **IBISWorld – Software Publishing in the UK (March 2018)**. Companies across a broad range of sectors, including manufacturing and retail, have embraced the value that software adoption can bring to their business. In particular, big data has opened up new markets for analytical software packages. Corporate businesses form the largest share of end customers for the Software Publishing industry. IBISWorld estimates that corporate businesses account for 35.8% of industry revenue. Their scale allows them to sign contracts with publishers, meaning that they can purchase advanced, top-of-the-range packages for lower prices.
- ◆ **MarketLine – Software in the United Kingdom (April 2018)**. The UK software market is the second largest in Europe, following closely behind Germany. It is supported by an educated, experienced workforce and a technology-hungry population. The negative rate recorded in 2015 was largely attributed to the rise in value of the US Dollar which affected the market due to the dominance and global reach of US companies.

There are also a number of online resources you may find helpful:

- ◆ **Information Age** is an online resource for the IT industry including trends within the UK software market. (tinyurl.com/n4c9sl)
- ◆ **Morgan Stanley - In 2017, Software Eats the World, February 2017** (tinyurl.com/yctszv76). This article looks three key factors have shifted in favour of the software sector, which might set the stage for better stock performance.

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How can I find out about my competitors?

Business Gateway's online guide to [Competitor Analysis](#) explains how to find your competitors, how to research what they're doing and how to act on what you learn about them.

Immediate competition will be from other businesses in your local area. There are several online directories which can be used to find company information and generate lists easily and at no expense. Many Local Authorities also publish local business directories on the web. Below are some key web resources:

- ◆ General business directories such as Yell, Thomson Local or Google Maps
- ◆ Trade specialists like EuroPages (European directory), The Wholesaler or Free Index
- ◆ Business to business (B2B) specialists such as Kompass

Likewise, your local Chamber of Commerce may publish a members' directory; find your local Chamber on the [Scottish Chambers](#) website.

Once you've identified who your competitors are, the next step is to gather information on the way they do business. Which services do they provide? How do they market themselves? How much do they charge?

To learn about your competitors:

- ◆ Look for articles or adverts in local newspapers, trade press and directories.
- ◆ Try to read their marketing material; if the company has an online presence, visit the company's website as a first port of call. Not only does it give you a better understanding of the company's activities, it can also offer a wealth of information such as a company history or staff biographies, as well as the company's partners or suppliers
- ◆ Search for information on limited UK companies via the Companies House website
- ◆ Gain an insight into your competitor's performance using credit checks and the accounts that limited companies are required to submit to Companies House each year.

We can provide credit checks free of charge; if you are interested in using this resource, or looking for us to help you find relevant publications, please contact us by emailing info@bgateway.com or by calling **0300 013 4753**

What about suppliers?

[Choosing and Managing Suppliers](#) can help you decide what you need from a supplier, how to identify one and how to choose one to deal with.

Trade associations or industry specific organisations may also be able to recommend suppliers or contacts. You can also use the aforementioned resources for finding competitors to find suppliers.

Once you have decided on a supplier, we can run a credit check on the company to help assess their financial stability. We provide credit checks free of charge; if you are interested in using the resource please info@bgateway.com or by calling **0300 013 4753**.

Who are my customers?

Your business plan should include information about the customers you would expect. Business Gateway's guides on [Retaining and Grow Your Customer Base](https://tinyurl.com/c2fw4o4) (tinyurl.com/c2fw4o4) will help you to identify who your customers are, how to use this information to sell more effectively and how to actively compete in your marketplace.

It can be useful to group your customers by geographical location, age or lifestyle. The websites listed below are freely available and can provide most of this information. If you can't find what you're looking for from these website, please contact us and one of the team will be happy to help:

- ◆ Access the latest population estimates from the National Records of Scotland (NRS). NRS also offers demographic factsheets for each council area in Scotland, which can provide summary statistics for the area you will be based in.
- ◆ Information from the most recent census in 2011 is released via the official website. See in particular the Census Area Profiles. Clicking on your area of interest will give the latest population figures, including estimates by age.
- ◆ Understanding Scottish Places has interactive profiles of towns and cities across Scotland. It can be useful for understanding the interrelationships and flows between towns, and also gives comparisons between two or more places.
- ◆ Scottish Government Statistics provide accurate and up-to-date statistics on Scotland, covering population, health, education and housing.
- ◆ The Scottish Household Survey provides information on the structure, characteristics, attitudes and behaviour of Scottish households, both at a national and local level.
- ◆ Office for National Statistics (ONS) is the recognised national statistical body for the UK. ONS covers a wide range of demographic, economic and social issues at a UK level.

How can you help me with other aspects of starting my business?

The Business Gateway website has guides, videos, online tutorials and tips on all aspects of starting up a business in Scotland. Follow the links below to explore each resource:

Accountancy

Institute of Chartered Accountants of Scotland's (ICAS) "[Find a Chartered Account](#)" tool

Funding

[Practical information](#) on finance and funding for starting and growing your business

Insurance

[Business insurance guide](#)

Legal Help

Gov.uk "[Licence Finder](#)" tool

Law Society of Scotland's "[Find a Solicitor](#)" tool

Pricing

Business Companion [Pricing & payment guide](#).

Please note: the most effective way to research pricing is to conduct your own research – visit wholesalers or suppliers to obtain price lists, find quotes from similar companies and work out what other businesses in your area are charging

Promotion

[BG guides to Marketing](#)

Training

[Skills Development Scotland's My World of Work](#)

[Funding for training](#)

[Small Business Bonus Scheme \(Scotland\)](#)

Your local Business Gateway can offer events, workshops and 1:2:1 support on all aspects of starting and developing your business. Call the helpline on **0300 013 4753** to find out what is available in your area.

We hope you find this Market Report useful and we'd love to hear your feedback [here](#).

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Updated by: Fiona Elliot



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