



# Market Report

A Snapshot of your Market Sector

## Computer Software

### Cost of Doing Business Support

For information on reducing the cost of running your business, the [Find Business Support](#) website has links to advice, funding and regional support.

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](http://www.bgateway.com/businessplan)), including an interactive template and tips to get you started.

This market report was updated by Business Gateway in **December 2022**. 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 has evolved rapidly during a very short space of time, and is now a **£40 billion** market in the UK. The recent market development has consistently contradicted the wider economic activity in the UK. The COVID 19-impacted economy in 2020 saw an unprecedented decline in GDP of 9.4% but growth in software sales remained at 2.4%. As the economy bounced back in 2021 and registered 4% growth, software sales recorded a strong decline. Consequently, MBD believes the market will continue to defy economic trends and demonstrate strong growth over the next few years despite the reduced market in 2021. (Intel, *Software - UK, 2022*).
- ◆ Over the next five years, revenue is anticipated to increase at a compound annual rate of **3.5% to reach £49.1 billion**. Furthermore, enterprise and establishment numbers are expected to continue to rise, growing at respective compound annual rates of 3.1% and 3.9% over the five years through 2027-28, aided by entrants focused on emerging niche markets. Additionally, while profit margins are projected to expand over the next five years, they are expected to remain volatile. (IBISWorld, *Software Development in the UK, June 2022*).
- ◆ **Industry revenue is anticipated to increase** at a compound annual rate of 3.7% over the five years through **2026-27 to reach £5.2 billion**. This is likely to be driven by rising business software investment in new technology such as cloud software. Technological developments, falling hardware prices and the expansion of mobile devices and cloud computing are anticipated to support revenue growth over the coming years. Industry profit margins are projected to remain somewhat volatile. In the long term, gains made through new markets such as cloud and mobile computing are likely to prove more sustainable as larger publishers expand their product offerings. Smaller publishers in emerging niche areas are expected to remain takeover targets. (IBISWorld, *Software Publishing in the UK, March 2022*).
- ◆ Over the five years through 2027-28, the Cyber Security Software Development industry **revenue is forecast to increase** at a compound annual rate of **8.9% to reach £1.6 billion**. An expected new round of government funding for national cyber security initiatives, including support from the National Cyber Security Centre (NCSC), is likely to encourage cyber start-ups to enter the industry. However, the ability to attract private investment will be crucial for start-ups aiming to capture significant market share and remain profitable. (IBISWorld, *Cyber Security Software Development in the UK, May 2022*).

- ◆ The national organisation for this industry is [The British Software Alliance](http://www.bsa.org) (www.bsa.org). Other industry bodies include the [Business Application Software Developers Association](http://www.basda.org) (www.basda.org) and the [Chartered Institute For IT](http://www.bcs.org) (www.bcs.org). You can find many more interactive media associations and bodies via the [British Interactive Media Association](http://www.bima.co.uk) (www.bima.co.uk).

## 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](mailto:info@bgateway.com).

- ◆ **IBISWorld** –relevant Specialised Industry reports published by IBISWorld as follows:
  - Business Intelligence & Analytics Software Publishing in the UK, September 2022
  - Operating Systems & Productivity Software Publishing in the UK, November 2021
  - Video Games in the UK, April 2022
  - Speech & Voice Recognition Software Developers in the UK, October 2022
  - Fraud Detection Software Developers in the UK, February 2022
  - Language Learning Software Developers in the UK, February 2022
  - Tax Preparation Software Developers in the UK, February 2022
  - Software Testing Services in the UK, May 2022
  - Point of Sale Software Developers in the UK, March 2022
- ◆ **IBISWorld - HR & Payroll Software Publishing in the UK (December 2021)**. A surge in working from home arrangements, together with other emerging working practices and procedures, have accelerated the shift towards cloud-based HR and payroll systems. By onboarding industry software and moving HR and payroll services in-house, companies are better able to control labour costs, minimise compliance risks, improve productivity and manage personnel. Industry software can also reduce the risk of litigation and other compliance issues by standardising and simplifying complex processes. the adoption of cloud-based HR and payroll systems is likely to gain momentum, especially among SMEs.

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/yxgpczci](http://tinyurl.com/yxgpczci).
- ◆ **Computing**, an online magazine, offers numerous industry insights, research articles, and industry webinars ([tinyurl.com/4n5c79pk](http://tinyurl.com/4n5c79pk)) on current issues and trends.

**Disclaimer:** Please note that this research may contain copyrighted material. Copyright belongs to the holders credited above and, as such, recipients of this research reproduce and repurpose this information at their own risk.



Connect with us

## 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](mailto:info@bgateway.com) or by calling **0300 013 4753**



Connect with us

## 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](mailto: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 [Market and customer research](#) will help you to identify new trends, opportunities, customers and competitors.

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 Accountant](#)" 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](#).

Although every effort has been made to ensure the accuracy of the information provided, Business Gateway will not be held liable for any inaccuracies or omissions in the data supplied, or for the content of any website that the document above may contain links to. By using this information, you accept this disclaimer in full. Also, please note that Business Gateway does not endorse any business or individual that may be referred to above.

You must not rely on the information in the report as an alternative to advice from an appropriately qualified professional. If you have any specific questions speak to your Business Gateway Advisor or consult an appropriately qualified professional.

**Last updated: December 2022**

**Updated by: Victoria**

**Connect with us**

