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 **July 2020**. 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:

- Growth in 2018 was **very strong at some 8%**, taking sales to £26.9 billion, but slowed notably in 2019 to 4%, taking sales to almost £28 billion. Despite this, the market’s growth remained strong and ahead of the overall economy. **Almost 15% of software sales are made to the information and communications sectors.** As of 20 June 2020, the **output of the sector is expected to decline 5-8% in 2020**, making it one of the most resilient sectors of the economy, thanks to the possibility of widespread remote working (Mintel, *Software: Inc Impact of COVID-19 – UK*, May 2020).

- Over the five years through 2019-20, IBISWorld expects industry revenue to **grow at a compound annual rate of 7.6%**, including growth of 5.9% in the current year, to **reach £32.8 billion**. (IBISWorld, *Software Development in the UK*, March 2020).

- Over the five years through 2020-21, revenue is projected to **rise at a compound annual rate of 8.6% to reach £3.9 billion**. Strong growth has been supported by high business software adoption, as well as the rapid growth of new technology. Industry profit margins are expected to have remained higher than the average for the information and communication sector over the past five-year period, with IBISWorld estimating the **average margin for a software publisher to be 22% in 2020-21** (IBISWorld, *Software Publishing in the UK*, June 2020).

- Over the five years through 2020-21, industry revenue is expected to grow at a compound annual rate of **7.2% to reach £969.8 million**. This includes a **projected increase of 4.8% during the current year**. While the outsourcing of software testing services abroad has gained traction, the industry is still expected to grow significantly over the period (IBISWorld, *Software Testing Services in the UK*, May 2020).

- 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](#).
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: Inc Impact of COVID-19 - UK (May 2020):** Software has long been a strong growth market as the levels of data created, and therefore analysed, continue to grow each year. Growth in that data is exponential and will increasingly be driven by the IoT development, partly facilitated by the roll out of 5G. It remains to be seen how the UK emerges from the COVID-19 pandemic, but as of 11 June some key software user groups are expected to have very severe contractions in 2020. The software industry has diversified sales to virtually every sector of the economy and under normal circumstances this would offer some protection to sales disruption. However, the widespread economic damage of COVID-19, particularly the government’s measures to restrict the spread of the virus, has impacted several important software markets.

♦ **IBISWorld – Software Publishing in the UK (June 2020):** Desktop applications are the largest product segment and are estimated to account for 39.5% of industry revenue during 2020-21. This segment includes off-the-shelf software applications like Microsoft Office productivity software, Adobe Creative Suite, and industry-specific titles like Argus Valuation software for commercial estate agents. Database-management software is crucial to store, analyse and process large amounts of data and has become more important as datasets have grown.

♦ **IBISWorld – Software Development in the UK (March 2020):** The recent coronavirus outbreak has heightened demand for software that provides benefits for organisations shifting to a work from home environment, with many businesses in the United Kingdom closing offices and requesting that employees do their job from home. The digital nature of the industry means that innovation and software sales will be less prone to the negative effects of the coronavirus compared with an industry that relies on the sale of physical products. The industry is characterised as being highly globalised, though the closure of borders and restricted air travel spurred by the outbreak will have a negligible effect on the industry. This is because national boundaries have little relevance to software companies because their products are inherently transferrable via the internet.

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/yxqpczcz.

♦ About Manchester – Software Development Trends for 2020, December 2019 – tinyurl.com/vgg8654 - Software development is an ever-evolving field, with new advancements every day. It’s also a rapidly-growing industry with plenty of space for newcomers, both in terms of professionals and products. As the market changes, so do the trends and innovations that shape it.

**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.
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 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 websites, 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

**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

**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

**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:** July 2020
**Updated by:** Fiona Elliot