Pioneer Marketers
Innovative Marketing

SOFTWARE DEVELOPMENT INDUSTRY

SIC CODES:

7371, 7372

NAICS CODES:

511210, 541511

Industry Overview

Software Development industry is one of the biggest verticals in the US and accounts to an annual revenue of more than $180 billion. The industry consists of more than 50,000 companies and indulge in pre-packaged software and custom programming. The major players in the industry are Microsoft, Computer Associates, Oracle, Electronic Arts etc.

Products, Operations & Technology

Packaged software products are programs that are generic and that can be installed and used by users without assistance. Custom-built software is a software customized for a particular client. This software could be built from scratch or could be built by modifying an existing software. Three major types of software are in use- Operating Systems like Windows, Linux etc, User Applications like word processing, spreadsheets, games etc and Network Applications like email, internet browsers etc.

Regional and International Issues

The software companies are concentrated in cities with big Universities like Boston, San Fransisco, Los Angeles and New York. With increasing labor costs, most of the software work is outsourced to countries like India, Philippines and China.

Recent Developments

➢ Software turning to environmental friendly applications
➢ Social Networking on the up
➢ iPhone takes mobile software to new levels

Business Challenges

1. Directly related with computer sales- The demand for software is heavily related with the sales of new computers and user spending. Growth in demand has slowed down over the last five years.

2. Fast growth in technology- Newer technology and software are coming up by the day. As a result the shelf life of software has come down drastically.

3. Competition with other countries- US software firms are finding it tough to compete with countries offering services at lower costs. The biggest competition that they are facing is from India.

4. Huge capital required- The R&D and the development process requires huge capital investment. The cash inflow will again depend on the success of the product.

5. Operating System dependent- The software usually are developed to work with a particular Operating System. To maintain compatibility with all the Operating Systems is a tedious process.

6. Big companies ruling the market- Large companies rule the software market. The smaller firms find it hard to compete with the big shots and their pricing.

Industry Trends

Advanced Computers

With the advent of faster and more advanced computers, more opportunities are arising for the software developers. The greater power of the new computers, the better the platform for the software.

The rise of Linux

Linux operating system comes with an open source code which makes it easier for the software developers to modify and customize the software. It is also a low cost powerful alternative to the Microsoft Windows Operating System.

Copyright Protection

Software piracy is the biggest problem that the software industry faces. With better copyright protection tools available, software is becoming more and more complex to use.

Outsourcing

Outsourcing is the biggest trend seen in the industry. With better and cheaper labor available in countries like India, the companies prefer outsourcing their software requirements to such offshore locations.

Production and Distribution costs

Software production costs have become much lesser. The companies are also offering software downloads on their websites in addition to offering the CDs and DVDs.

Industry Opportunities

Offshore markets

Foreign markets rake in more revenue than the US markets. Software manufacturers now target the foreign clients with their offerings.

Wireless Technology

Wireless networks are fast replacing the wired ones. With that arises the need for more remote access software. The software industry is raking in the benefits from this technological advancement.

The rise of CRM

Customer Relationship Management software has fast become a favorite with the sales and marketing people. This has led to the major players in the software industry turning to the CRM sector.

Security Programs

With virus,trojan and spamware attacks becoming very common, security software has become the most popular ones among computer users.

WEB LINKS AND ACRONYMS

Industry Web Sites

Business Software Alliance

Represents the interests of software companies with government and legislative policy initiatives. Mainly an anti-piracy group.
http://www.bsa.org

Computerworld

News, features, and opinions of IT, software, and computers.
http://www.computerworld.com/

E-Commerce Times

Computer industry news.
http://www.ecommercetimes.com/

Entertainment Software Association

Computer games issues and statistics.
http://www.theesa.com

Forrester Research

Research, news, and more related to computer and information technology.
http://www.forrester.com

Information Technology Association of America

News and policy discussion of IT issues.
http://www.itaa.org

Mass Technology Leadership Council

Public policy issues.
http://www.masstlc.org/

PC Magazine

Personal technology magazine.
http://www.pcmag.com

Software & Information Industry Association

Industry association with articles on current policy issues, statistics for the packaged software industry.
http://www.siia.net

GLOSSARY OF ACRONYMS

CRM — Customer-Relationship Management
DHS — Department of Homeland Security
DoJ — Department of Justice
IDC — International Data Corp.
IT — Information Technology
OEM — Original equipment manufacturer
PC — Personal computer
R&D — Research and development
VC — Venture capital