A time of transformation for the software industry

LONDON, UK: Three developing trends are transforming not only the software industry, but also the way the world accesses and leverages technology. The popularity of mobile devices such as smart phones and tablets, the consumerisation of technology and the adoption of cloud computing are global trends forcing software companies to rethink their business model, collaborate more closely than ever before, and focus even more sharply on what their customers want.

These forces are impacting the design and deployment of software, the delivery channels used for distribution of software and the economics of software licensing. The rapid growth in use of mobile devices has also transformed customer behaviours relating to acquisition and use of software.

Customers are also increasingly focused on software as an element of the solution to their challenges versus merely a product.

According to a new report from PwC on global software leaders, the US$250 billion (about R1750 billion) software market is driving many of these technological and societal innovations. It is also contributing to overall productivity and growth of the global economy because of the high levels of competitiveness and innovation it brings to other industries.

The UK contributes six companies to the global 100 software vendors, equal with Japan. This demonstrates that outside of the US, which clearly dominates, the UK remains strong amongst other economies and continues to show it can produce leading technology and innovation.

Jass Sarai, UK technology leader at PwC, said: "The digital consumer today, whether it is customer, employee, vendor or partner, is driving the rapid change we're seeing in the software market. The companies that recognise and embrace these new ways of working and interacting will likely be the leaders of the future.

"The resurgence of capital markets, including venture capital and private equity investments, along with technologies such as cloud computing, are helping to keep innovation alive within the sector. Consolidation continues at a torrid pace as companies continually re-evaluate their strategic priorities and inorganically fill important gaps in their product offerings."

UK Top 100 Software Vendors

Sage leads the ranking of the top 100 UK software vendors, followed by Misys, Autonomy, Logica and Acision. The rankings are based on the product (licence and maintenance) and subscription revenues earned by the local companies.

UK Top 100 Software Vendors - Ranked by software revenue (in million £*)

Rank	Company	Software revenue worldwide	Total revenue worldwide	Software revenue UK
1	Sage	1,293	1,439	196
2	Misys	482	692	18
3	Autonomy (incl. Interwoven as of Feb 09)	415	473	29
4	Logica	236	3,702	45
5	Acision	222	293	37
6	Micro Focus	158	165	14
7	Sophos	152	163	26
8	AVEVA	139	148	7
9	Northgate IS	116	646	90

10	IRIS Software Group (former Computer Software Group)	93	119	91

The UK software market, over the last two years, has continued to have a strong presence in Europe, with half of the top 10 European vendors based in the UK.

Sage has maintained its leading position in the sector in terms of revenues, and remains focused on maintaining this position through its Software as a Service (SaaS) offering. UK companies continue to evolve, innovate and adapt to market conditions, and companies such as Misys have shown real bravery in changing their focus and undertaking significant corporate transactions in the current environment, the report says.

Significant changes

Several former UK top 100 software vendors have undergone significant changes in the past year: Vero Software was taken private by Battery Ventures; Portrait Software was acquired by US company Pitney Bowes; and Sophos was acquired by Apax Partners. This demonstrates the attraction of some companies to both overseas investment and private equity, a trend which is likely to continue.
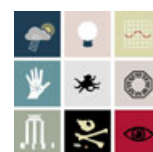
Sarai adds: "With cash-rich economies hungry for a foothold in Europe and many searching for intellectual property and industry know-how, the UK is likely to continue to attract overseas interest, facilitated by low interest rates, a weak pound and some signs of economic recovery and stability.

"The sector, however, remains dwarfed by global giants in the US, a country that has a long history of supporting the industry financially and cultivating a real entrepreneurial culture. Many countries have sought to re-create the Silicon Valley phenomenon but have failed.

"The UK will continue to drive innovation with the quality of talent at its disposal, and is already seeing a number of good-quality start-ups and mid-size consolidations driven by the resurgence of private equity interest."

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