Analyzing the Software Market and Industry

Why Analyze the Market?
- Why do you need to conduct a market and Industry analysis?
- What are the benefits?
- What approach do you use?

Strategic Marketing Approach
- Analyze the overall market
- Identify potential customers and markets
- Identify the Whole Product
- Develop a base of partners and allies to deliver the whole product
- Position yourself via PR and advertising to your market
- Claim your distribution channel
- SELL!

Market vs. Industry Analysis
- Market Analysis
  - Identification of potential customers, their needs and preferences
- Industry and Competitive Analysis
  - Identification of relevant vendors and industry forces

Market Analysis
- Overall market statistics
- Identify and rank-order target customers
- Identify and rank-order target markets
- Collect in-depth data on both customers and markets

Industry Analysis
- Whole Industry statistics
- Who are the players?
- How heated is the competition?
- What are the barriers to entry?
- What are the relationships (and power) between vendors and suppliers and distributors?
- What products can be substituted for yours?
S/W types by customization

- **Custom**
  - Completely customized. Charged by the hour.
- **Hybrid**
  - Combination of licensing fees and customization fees.
- **Shrink Wrap**
  - Mass market license fees.

S/W types by function

- **Utility**
  - E.g., Wise, Install Shield, Stuffit
- **Application specific**
  - E.g., Intuit, Microsoft, Adobe
- **Operating system**
  - E.g., Mac O/S, Windows, Linux
- **MIS and Systems software**
  - E.g., internal accounting, sales automation

S/W types by protection

- **Retail or Proprietary**
  - Copyrighted and licensed to user for a fee
- **Shareware**
  - Copyrighted. User voluntarily pays registration fee if they use it.
- **Freeware**
  - Copyrighted. User does not pay fee.
- **Public domain**
  - Not copyrighted. No fees.

Overall Statistics on Retail Software Industry and Market

Industry Forces for Retail Software

- **Who are the players?**
  - Some. 10-100. Big players.
- **How heated is the competition?**
  - High. Huge R&D and advertising budgets.
- **What are the barriers to entry?**
  - High capital requirements for marketing.
- **Relationships (and power) between vendors and suppliers and distributors?**
  - It depends. Less a factor with the Web.
1994 US retail Software Market by Vendor ($B)

Microsoft 5.2
Computer Associates 2.4
Oracle 2.3
Novell 2

1994 US Retail PC Software Market ($B)

1994 US Retail PC Market by Vendor ($B)

Microsoft 5.2
Novell 2
Lotus 0.9
Adobe 0.5
Autodesk 0.6

Shareware vs. Retail Markets

- Shareware is only about 5% of Retail
- Still a very attractive market
- Attractive Industry Forces

Industry Forces for Shareware

- Who are the players?
  - Many! 25,000 or more
- How heated is the competition?
  - Low-mod. Highly specialized by type.
- What are the barriers to entry?
  - Low! The garage dream.
- Relationships (and power) between vendors and suppliers and distributors?
  - Not a factor if you use the Web.
Benefits of Shareware

- Low cost entry
- Can sell specialized products
- You remain in control
- Small is beautiful
- Lower marketing costs
- No carried inventory costs
- May eliminate middlemen/women

Downside of Shareware

- Cash flow
  - Might take a while for users to register
- Lost sales
  - Can’t make people register
- Limits to growth
  - Can only grow so big under this model
  - Marketing is full-time job
- Maintenance and Servicing
  - Almost impossible to do alone

Conclusions

Regardless of the type of software, you need to do the following:
- You need to collect data on overall market
- You need to understand the industry
- You need to understand your potential customers
- You need to figure out what portion of the whole product you will supply
- You need to figure how you are going to position yourself to sell

The Whole Product Concept

- Installation and Debugging
- Training and Support
- Cables
- System Integration
- Standards and Procedures
- The S/W Product
- Add'l HW
- Add'l SW

Process of Creating Value, Developing and Marketing
The Value Triad

- Customer
  - The person who uses the product
- Product
  - The product that you create for that customer
- Application
  - The problem the product addresses for the customer

Development and Testing

- Develop the product
- Get feedback from users
- Enhance functions of the software
- Fix bugs
- Make the program easier to use