News release

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**Global Software Leaders Increase ‘Software-as-a-Service’ Revenues 60% in One Year**

***PwC Research Also Finds Consumer Consumption Driving***

***Significant Technology Industry Trends; Era of ‘Pure Play’ is Over***

PwC’s latest Global 100 Software Leaders Report data shows that the top companies in the industry recorded a modest 5% increase in total software revenues for 2012, reaching US$255 billion, but Software-as-a-Service (SaaS) revenues in the top 100 increased by 60% to US$20 billion during the same time period as the software industry has continued a consistent and growing shift towards SaaS. Other trends in this year’s report include:

* User friendly apps offered in the cloud: Software companies are moving away from developing complex products and towards ‘easier to use’ applications that can be offered as a service in the cloud or installed and run on computers in the building of the person or organisation using the software, rather than at a remote facility.
* Hardware companies add software to their offerings: To combat a price competitive device environment, hardware companies are delivering value added software to gain a competitive edge.
* Digitisation becomes the norm: Non-technology companies are now digitising their products and services with software to entice customers. Clothing companies, for example, are delivering health and fitness information to customers by analysing information obtained from sensors embedded into garments.

Mark McCaffrey, Global Software Leader, PwC, said:

“As markets and resources expand globally, the demographics for the Global 100 Software Leaders have begun to transform—and it’s not out of the realm of possibility we may see non-traditional companies enter future Global 100 rankings. Boundaries between hardware and software are blurring as technology products are being commoditised and companies are looking to the value of software to act as a differentiator. While challenging, as competition over innovation increases, we’ve entered a period of great opportunity for those who plan and act strategically.”

**Trends changing markets, business models**

The Global 100 Software Leaders report outlines the ways technology companies are moving away from their traditional roots in response to evolving market conditions. According to the report:

* Software companies are reinventing themselves to provide SaaS,
* Hardware companies are entering the Software 100 rankings as they add software to their offerings,
* Software vendors are embracing hardware in an attempt to reposition themselves as devices and services companies.

According to the report, two major trends are driving the review and overhaul of technology companies’ existing economic models. The first trend is increased competitiveness for total available markets (TAMs). Previously, technology companies had clear, delineated lines of what kinds of products and services they sold and what markets were served. There was a distinct server market, storage market, enterprise software market and so forth. Today, companies offer a wider variety of products and services that fall outside of their previous scope.

The second trend occurs outside of the technology sector. Non-technology companies are expediting efforts to digitise their offerings and are changing the way they buy from technology companies. Companies are now relying on software and online services for more than just marketing. Instead, software is now being embedded into products as a valuable capability and as a competitive differentiator. As technology companies move from being ‘pure play’ operations, their entire development, sales and distribution models will be upended, according to PwC’s findings.

Mark McCaffrey said:

 “The blurring of TAMs and the shift in the way companies buy technology has created a tipping point for the technology sector. The era of the ‘pure play’ in this sector is over. Technology companies need to decide what function they want to play and in what markets. Those who capitalise on increased digitalisation will have huge growth opportunities, and those who don’t run the risk of getting lost in the shuffle.”

**Notes:**

For access to the Global 100 Software Leaders report and the methodology used, please visit [www.pwc.com/globalsoftware100](http://www.pwc.com/globalsoftware100) . For additional analysis and commentary on PwC’s Software Pricing Series, please visit: [www.pwc.com/softwarepricing](http://www.pwc.com/softwarepricing)

You can follow Mark McCaffrey on Twitter at @mdmonsoftware

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