A Progressive Digital Media business

MarketLine Industry Profile

Software in the United States

June 2016

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EXECUTIVE SUMMARY

Market value

The United States software market grew by 5.5% in 2015 to reach a value of $96.6 billion.

Market value forecast

In 2020, the United States software market is forecast to have a value of $139.4 billion, an increase of 44.3% since 2015.

Category segmentation

Software infrastructure is the largest segment of the software market in the United States, accounting for 46.8% of the market's total value.

Geography segmentation

The United States accounts for 29.2% of the global software market value.

Market rivalry

Competition within the software market is boosted by constant advances in technology, by the presence of large international incumbents and a regular supply of new entrants with alternative business models forcing players to operate increasingly competitive pricing strategies.

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MARKET OVERVIEW

Market definition

The software market consists of five segments - enterprise applications, enterprise mobility management, information management, security software and software infrastructure. Market value figures are assessed at manufacturer selling price (MSP), based on revenues from software sales and licenses. Any currency conversions used in the creation of this report have been calculated using constant 2015 annual average exchange rates.

For the purposes of this report, North America consists of Canada, Mexico, and the United States.

South America comprises Argentina, Brazil, Chile, Colombia, and Venezuela.

Europe comprises Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Russia, Spain, Sweden, Switzerland, Turkey, and the United Kingdom.

Scandinavia comprises Denmark, Finland, Norway, and Sweden.

Asia-Pacific comprises Australia, China, Hong Kong, India, Indonesia, Kazakhstan, Japan, Malaysia, New Zealand, Pakistan, Philippines, Singapore, South Korea, Taiwan, Thailand, and Vietnam.

Middle East comprises Egypt, Israel, Saudi Arabia, and United Arab Emirates.

Market analysis

With the exception of a dip into low growth in 2012, the US software market has seen strong growth for a number of years. The market is expected to accelerate and maintain strong growth throughout the forecast period to 2020.

The US is the dominant force in terms of cultivating market leading software companies, with Microsoft, IBM and Oracle having significant market shares around the world.

The US software market had total revenues of $96.6bn in 2015, representing a compound annual growth rate (CAGR) of 4.9% between 2011 and 2015. In comparison, the European and Asia-Pacific markets grew with CAGRs of 4.4% and 6.4% respectively, over the same period, to reach respective values of $111.7bn and $86.4bn in 2015.

The software infrastructure segment was the market's most lucrative in 2015, with total revenues of $45.3bn, equivalent to 46.8% of the market's overall value. The enterprise applications segment contributed revenues of $26.0bn in 2015, equating to 26.9% of the market's aggregate value.

The performance of the market is forecast to accelerate, with an anticipated CAGR of 7.6% for the five-year period 2015 - 2020, which is expected to drive the market to a value of $139.4bn by the end of 2020. Comparatively, the European and Asia-Pacific markets will grow with CAGRs of 7.3% and 9% respectively, over the same period, to reach respective values of $159.1bn and $132.9bn in 2020.

MARKET DATA

Market value

The United States software market grew by 5.5% in 2015 to reach a value of $96.6 billion.

The compound annual growth rate of the market in the period 2011–15 was 4.9%.

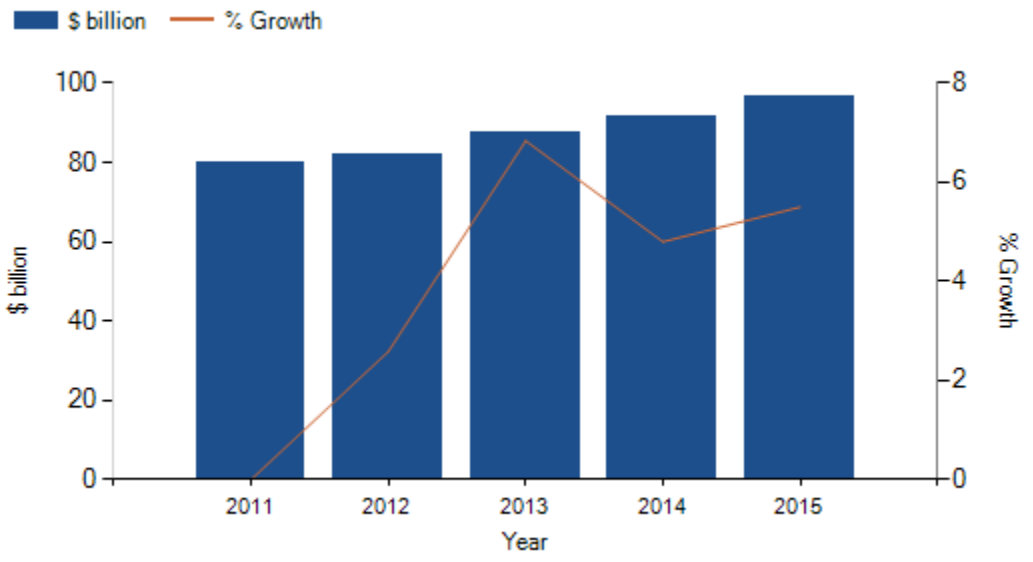
Table 1: United States software market value: $ billion, 2011–15

Year	$ billion	€ billion	% Growth
2011	79.7	71.9	
2012	81.8	73.7	2.6%
2013	87.4	78.8	6.8%
2014	91.6	82.5	4.8%
2015	96.6	87.1	5.5%
CAGR: 2011–15			4.9%

SOURCE: MARKETLINE

MARKETLINE

Figure 1: United States software market value: $ billion, 2011–15



SOURCE: MARKETLINE

MARKETLINE

MARKET SEGMENTATION

Category segmentation

Software infrastructure is the largest segment of the software market in the United States, accounting for 46.8% of the market's total value.

The Enterprise applications segment accounts for a further 26.9% of the market.

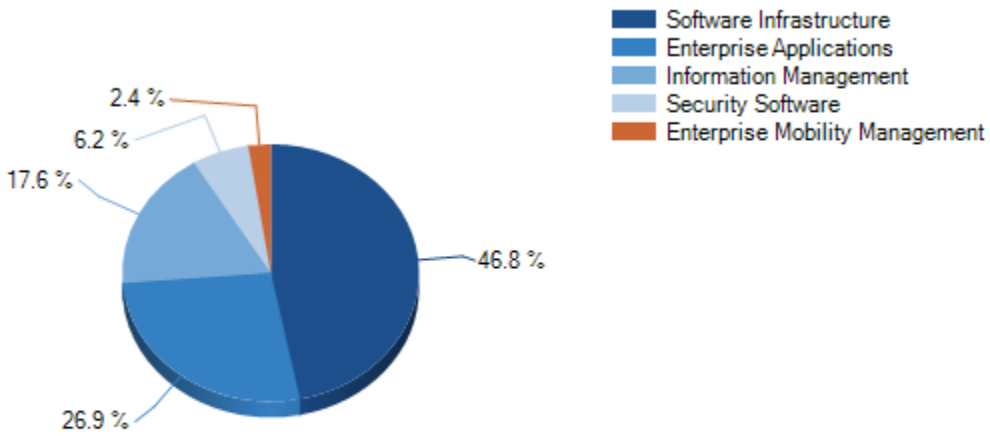
Table 2: United States software market category segmentation: $ billion, 2015

Category	2015	%
Software Infrastructure	45.3	46.8%
Enterprise Applications	26.0	26.9%
Information Management	17.0	17.6%
Security Software	6.0	6.2%
Enterprise Mobility Management	2.4	2.4%
Total	96.7	99.9%

SOURCE: MARKETLINE

MARKETLINE

Figure 2: United States software market category segmentation: % share, by value, 2015



SOURCE: MARKETLINE

MARKETLINE

Geography segmentation

The United States accounts for 29.2% of the global software market value.

Europe accounts for a further 33.8% of the global market.

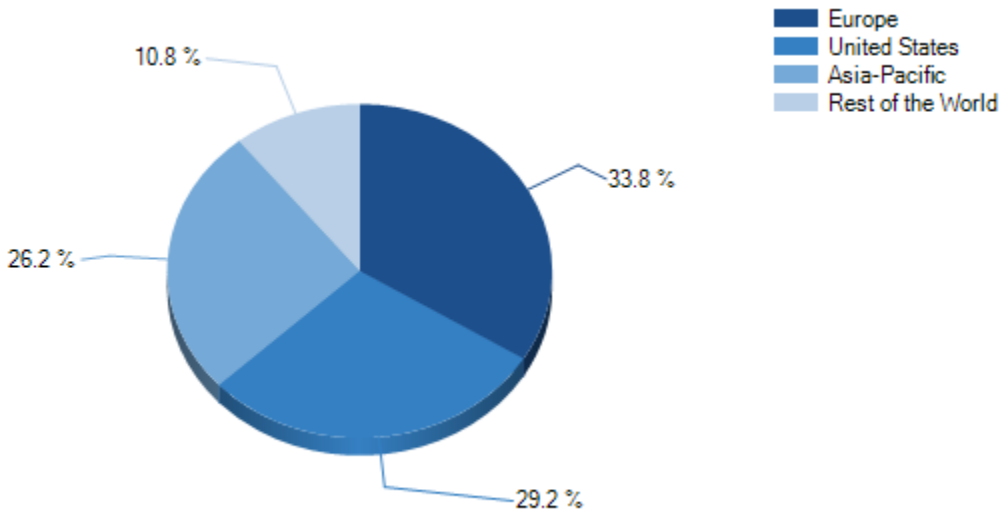
Table 3: United States software market geography segmentation: $ billion, 2015

Geography	2015	%
Europe	111.7	33.8
United States	96.6	29.2
Asia-Pacific	86.4	26.2
Rest of the World	35.7	10.8
Total	330.4	100%

SOURCE: MARKETLINE

MARKETLINE

Figure 3: United States software market geography segmentation: % share, by value, 2015



SOURCE: MARKETLINE

MARKETLINE

MARKET OUTLOOK

Market value forecast

In 2020, the United States software market is forecast to have a value of $139.4 billion, an increase of 44.3% since 2015.

The compound annual growth rate of the market in the period 2015–20 is predicted to be 7.6%.

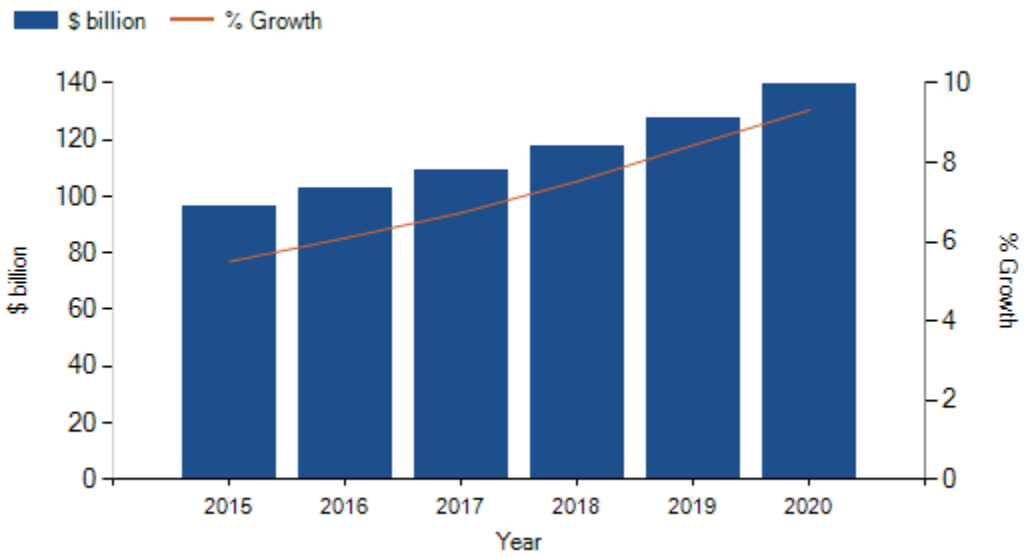
Table 4: United States software market value forecast: $ billion, 2015–20

Year	$ billion	€ billion	% Growth
2015	96.6	87.1	5.5%
2016	102.5	92.4	6.1%
2017	109.4	98.6	6.7%
2018	117.6	106.0	7.5%
2019	127.5	115.0	8.4%
2020	139.4	125.7	9.3%
CAGR: 2015–20			7.6%

SOURCE: MARKETLINE

MARKETLINE

Figure 4: United States software market value forecast: $ billion, 2015–20



SOURCE: MARKETLINE

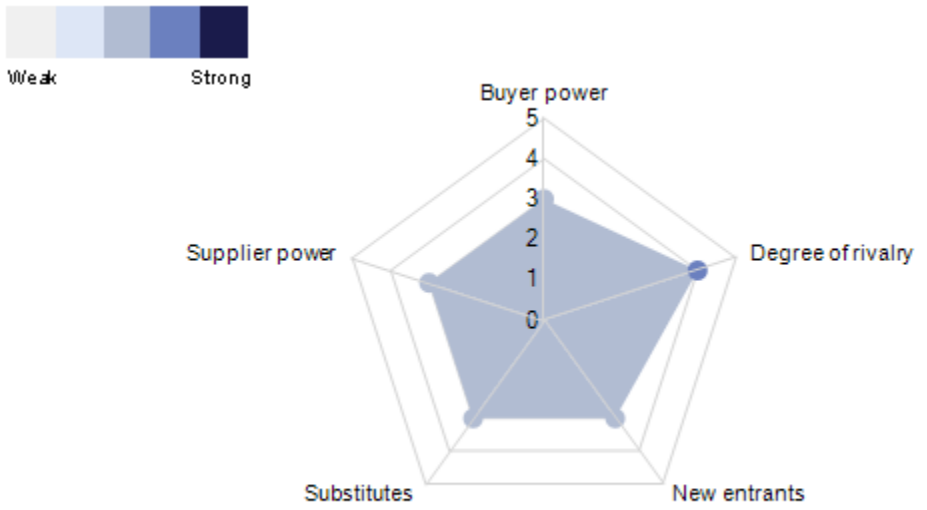
MARKETLINE

FIVE FORCES ANALYSIS

The software market will be analyzed taking software publishers as players. The key buyers will be taken as individual consumers and business end-users, and software developers and makers of hardware as the key suppliers.

Summary

Figure 5: Forces driving competition in the software market in the United States, 2015



SOURCE: MARKETLINE

MARKETLINE

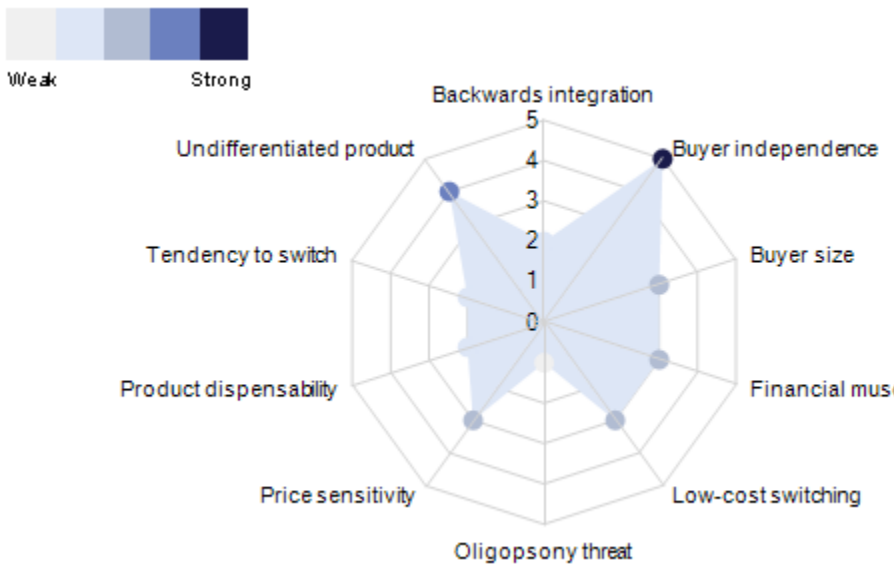
Competition within the software market is boosted by constant advances in technology, by the presence of large international incumbents and a regular supply of new entrants with alternative business models forcing players to operate increasingly competitive pricing strategies.

However, healthy growth expectations should help to alleviate rivalry to some extent. Market players tend to be acquisitive and often enter into partnerships with other players, with niche players needing to rely on the underlying infrastructure and middleware software of competitors. IBM in the US has built partnerships with Twitter, Apple and SAP.

Switching costs can be high for industry-specific applications but some partnerships between players promote interoperability, such as the availability of Microsoft Office on the Apple operating system. Market players require skilled programmers and powerful hardware to develop and maintain software. Some companies, such as Microsoft and IBM, are more diversified with their developer training and certification, which allows them to produce a variety of software and hardware products. The positive outlook of the market, combined with easy access to the Internet as a distribution channel appeals to new entrants. Strong market growth also helps to ease competition amongst incumbent players, together with a certain level of diversification between players in the type of end-user and product portfolio. However, some segments have a greater concentration of market share than others (e.g. Microsoft and its dominant operating system for business in particular). The threat of substitutes is moderate with readily available, free open-source software applications being an important issue. Open-source software is becoming an increasingly credible threat, with companies such as US-based Red Hat doing well and Google's Android platform paving the way for the widespread acceptance of open-source code. The US is home to three of the world's largest software companies, Microsoft, Oracle and IBM, which provide a variety of software solutions. The Silicon Valley area is also world-renowned for being a hive of entrepreneurial and innovative activity in the software sector.

Buyer power

Figure 6: Drivers of buyer power in the software market in the United States, 2015



SOURCE: MARKETLINE

MARKETLINE

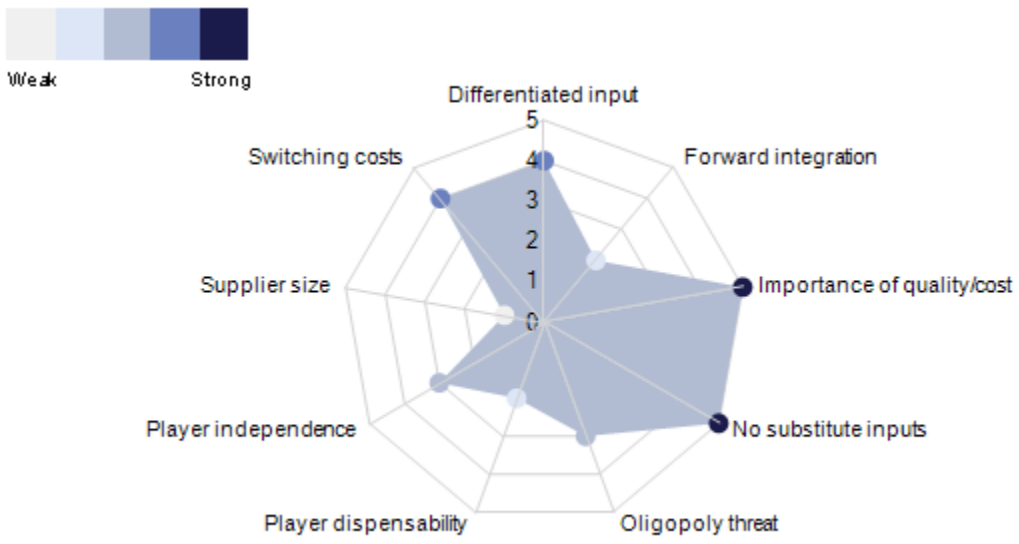
The software market has many buyers: individual consumers, businesses of all sizes, and government institutions. Business buyers come from a very wide range of industries, including but not limited to banking, retail, logistics, telecommunications and healthcare. Buyers may be reliant on particular players as software is often industry-specific and/or requires users to be trained to use it, and thus switching costs can be high. However, buyers are often large companies requiring multi-user licenses across their entire business, which provides them with stronger bargaining power. This issue has been exacerbated in recent years through the consolidation of buyers, particularly in industries such as telecoms. Smaller buyers still require software but have much less power in negotiating price and terms of use, particularly when software is now an indispensable aspect of many businesses.

Switching costs for buyers may be lowered by players partnering up to deliver applications that foster interoperability. For example, SAP's business processes can be accessed by customers through Microsoft Office using 'Duet' or through IBM's Lotus Notes using 'Alloy'. In addition, buyers may choose open-source products, which offer similar functionality to closed source software. For example, OpenOffice can be used instead of Microsoft Office in the office applications market and Linux can be used instead of Windows in the operating system market. Open-source software in itself may be free to the end-user, although commercial vendors do exist, such as Red Hat, generating their revenues by offering subscriptions to support the software. As a transition to open-source software can be a lower-cost alternative to conventional products, its presence may accentuate price sensitivity in the market, increasing buyer power, particularly as buyers are demanding less complexity and lower costs. Given the nature of open-source software, there is also the possibility that buyers could eventually backwards integrate by solving their own software requirements through the employment of experienced programmers.

There is also a move to software-as-a-service (SaaS) where buyers pay through regular subscriptions or as and when they use the software, which is hosted and managed remotely by the SaaS provider and can be accessed via the Internet. This software variant requires lower upfront costs and may be more accessible, thus also increasing buyer power. Major players are increasingly switching to SaaS business models due to the march towards cloud computing and open source software. At present, IBM notes that 70% of its software segment revenues are annuity based, coming from recurring license charges, SaaS and ongoing contract support, whereas only 30% relates to one-time charge perpetual licenses. Switching costs are lower in the B2C software segment, particularly with entertainment-based software. Overall, buyer power in the software market is moderate.

Supplier power

Figure 7: Drivers of supplier power in the software market in the United States, 2015



SOURCE: MARKETLINE

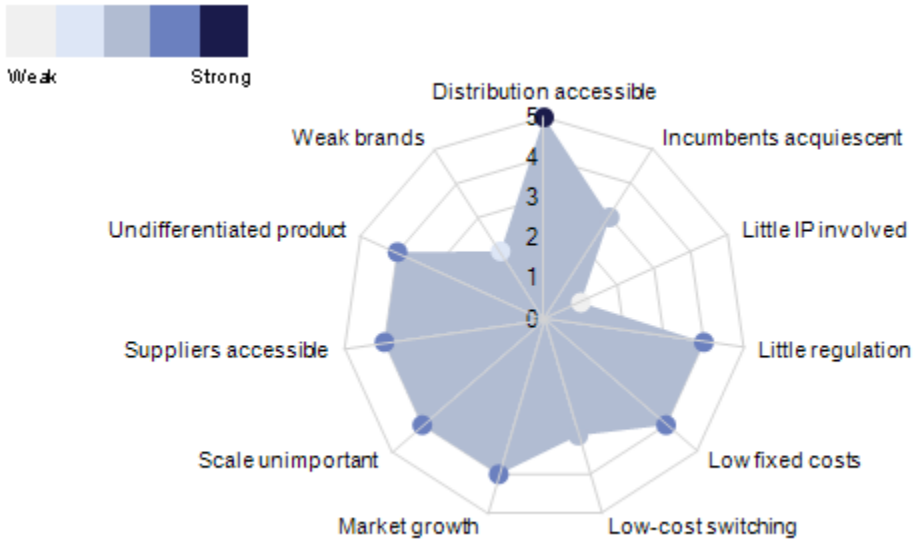
MARKETLINE

The software market requires employees with specific and adaptable know-how, as well as the most up-to-date hardware devices. Skilled programmers are the key to success in this market, forcing players to rely on the continued service of highly qualified and usually well-paid employees. For example, Microsoft's Developer Training and Certification initiative specifically promotes investment in this key factor. In addition, IBM has the largest mathematics department of any public company, employing highly skilled staff on a regular basis. Whilst there is a large available workforce, strong competition amongst employees to develop innovations and get noticed by employers reduces their power to some extent.

Inputs such as hardware components are often purchased from sole suppliers; these tend to be large companies offering differentiated products, resulting in significant supplier power. Since software is wholly designed on computer hardware, this makes suppliers an irreplaceable part of the market which, combined with the diverse customers that suppliers have and the importance of quality to the industry, increases supplier power. Forward integration from suppliers has been historically rare, as software production entails a highly complicated process with large amounts of proprietary knowledge, which directly weakens supplier power. However, with a widening labor market in computer programming and the need for hardware and software to work successfully together, suppliers may look to forward integrate. Supplier power in this market is moderate overall.

New entrants

Figure 8: Factors influencing the likelihood of new entrants in the software market in the United States, 2015



SOURCE: MARKETLINE

MARKETLINE

Software development is labor intensive, since ultimately it depends on highly skilled programmers, literate in mathematics and the constantly evolving area of computer science. Skilled employees and contemporary computer hardware are both key inputs, although low capital requirements mean that market entry is eased in terms of hardware and a widening labor market means good access to skilled programmers. Furthermore, access to distribution channels has been made easier in recent years through the development and uptake by end-users of broadband Internet access. This allows software to be purchased, delivered, and updated without the need for physical media or conventional distribution channels, allowing good software to spread rapidly. Internet users as a percentage of the total population stood at 87.5% in the US in 2014, allowing for new entrants to exploit contemporary distribution channels.

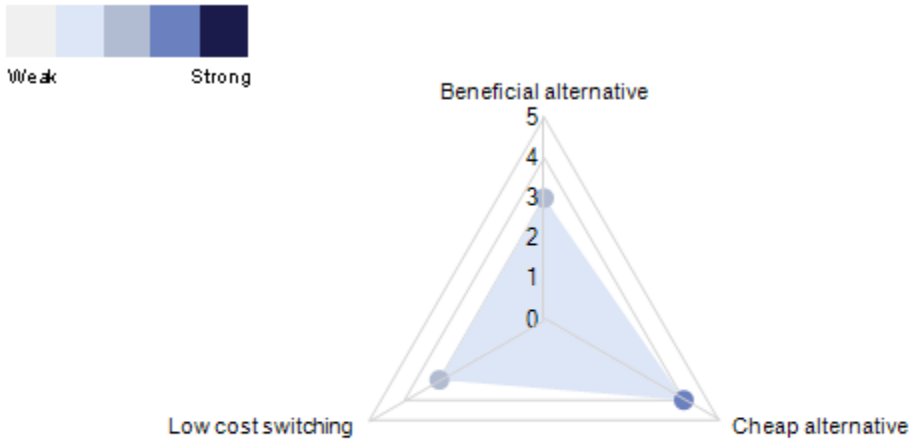
However, newcomers must choose their market segment carefully, as certain areas have very strong incumbents. For example, Microsoft is dominant in the PC operating system segment and Symantec in the paid PC security space. Although major players, such as Microsoft, have been embroiled in anti-trust lawsuits in the US, and patent wars are common between major players, there are few specific regulatory requirements for software companies (this may change as artificial intelligence led software systems become more prevalent and encryption becomes more of a political issue). Nonetheless, industries in which software is purchased do have stringent regulatory requirements, particularly in relation to data security and confidentiality. Patent and copyright infringement is a serious issue for new entrants, as the costs involved can be extremely prohibitive; in 2013 Samsung was ordered to pay Apple $1.05bn in relation to mobile phone software patents as part of a case that began in 2011. New entrants must therefore be aware of how costly and time-consuming such cases can be. Having said that, the US sustains a strong regime of intellectual property rights protection and enforcement, which should encourage new entrants with proprietary strategies.

In a market where new products, and new kinds of products, are frequently launched, R&D investment is important. For example, in 2015, IBM was awarded more US patents than any other company for the 23rd consecutive year. Alternatively, a large software company can obtain intellectual property through acquisition of the company that originally generated it (such as Oracle's acquisition of Java technology as a result of its takeover of Sun Microsystems or Google's purchase of Android Inc). However, either approach requires significant funds. Access to the very best software programmers by new entrants is challenged by the existence of training paths offered by major players, such as the developer training and certification offered by Microsoft. On the other hand, new entrants are likely to be more dynamic and may be able to offer rapid progression and share capital.

The position of incumbents may be strengthened by knowledge of their customers' business needs and associated long-term relationships, their ownership of key intellectual property, and potentially high switching costs for buyers in certain sectors. Operating system software is particularly affected by the power of incumbents with Microsoft Windows being purchased by original equipment manufacturers to be pre-installed on devices prior to sale; the Google Android platform needed the creation of entirely new computer devices such as tablets and smartphones to compete effectively in the operating system market. Predicted market growth may provide opportunities for new entrants and the acquisitive nature of major players acts as an incentive for entrepreneurial companies to develop innovative products. Overall, the likelihood of new entrants is strong.

Threat of substitutes

Figure 9: Factors influencing the threat of substitutes in the software market in the United States, 2015



SOURCE: MARKETLINE

MARKETLINE

There are few substitutes for software as such. From the perspective of the major players, substitutes in this market are open-source software products, free web-based applications, and pirated versions of existing products. Rather than fund their business on big-ticket license contracts, open-source companies, such as Red Hat, receive revenues from services and maintenance. Open-source software is a beneficial alternative for many end-users. This is because most allow users to redistribute the software and adapt it themselves. Also, it has been argued that because the source code for open-source software is accessible to a large community of users and developers (in fact these two groups overlap in open-source development), bugs and security weaknesses can be identified and corrected more quickly than for closed-source products. It is often a lower cost alternative and has been particularly successful in website and web application development, with coding platforms such as Ruby on Rails and Twitter's Bootstrap code being used by many websites. The advent of websites such as GitHub and Stack Overflow give open-source programmers access to a wealth of information that is unavailable to users of dominant software, such as Microsoft's products. However, open-source products in general may present difficulties with compatibility and the expertise required to use them.

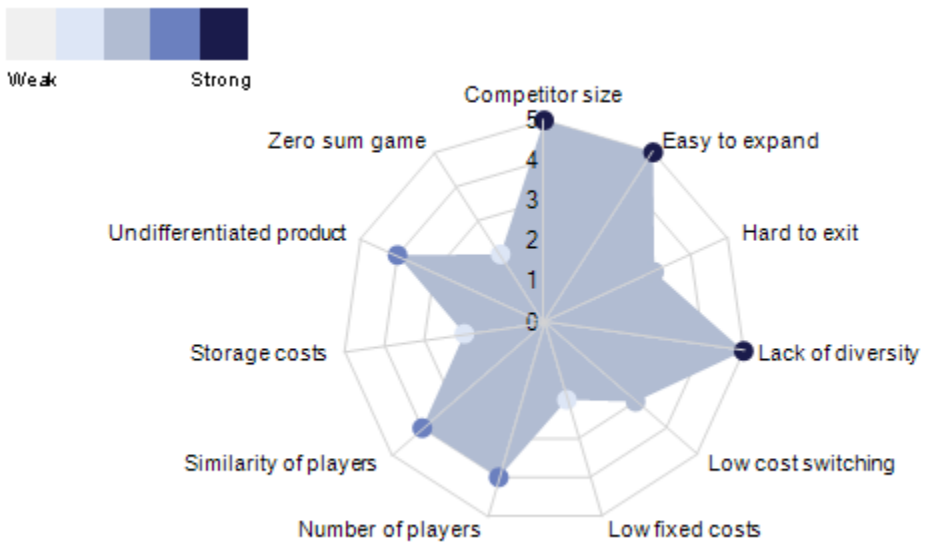
Companies like Google are another significant threat to the conventional software market. The company generates most of its revenue from advertisements next to search results and on third-party sites. Its move into the web-based application market, with services such as Google Apps, could be a threat to the Microsoft desktop package, which occupies a strong position in the market. Google Apps is available free to the general end-user, and offers functionality appropriate to the non-business segment; the business edition has additional business-oriented features, and is available through subscription, competing directly with the Microsoft Office package. The success of the Android operating system is also significant given the widespread use of tablet computers; it is now possible to easily move away from traditional non-web based applications.

The availability of applications on the Internet has also caused major piracy issues. The most recent Global Unlicensed Software Study, published by the Business Software Alliance in 2013, estimates that the US piracy rate is around 19%. Software security and the use of alternative service based business models have therefore become important for players combating free substitutes. The US is home to one of the world's leading software security companies, Symantec, which includes the popular Norton brand in its product line.

Overall the threat of substitutes is moderate.

Degree of rivalry

Figure 10: Drivers of degree of rivalry in the software market in the United States, 2015



SOURCE: MARKETLINE

MARKETLINE

Software companies may dominate in particular areas, such as Oracle, which focuses on databases and middleware. However, the largest companies offer a broad portfolio of products; IBM makes mainframe computers for instance, while Microsoft also makes consumer electronics. In addition, Microsoft and IBM sell to individual consumers as well as businesses, whereas the likes of Oracle and SAP only sell to businesses, and Apple focuses on its own brand of consumer electronics. Diversification, which helps to defend revenues from decline in a particular segment, tends to decrease rivalry, whereas the large size of major players increases competition.

An expanding market allows software companies to grow their own revenue without having such a negative impact on competitors' market share, thereby easing rivalry; although this depends on the particular specialization of each software company. Since international expansion can be relatively fast with distribution over the Internet, competition over profit margins is likely to increase rivalry, which is epitomized by the development of the open-source software market. Oracle now offers some database software, such as MySQL, as open-source in order to make sure it is not bypassed by the likes of MongoDB. Even so, the 2013 United States International Trade Commission report on Digital Trade noted various barriers to commercial expansion over the Internet, including: localization, data privacy and protection measures, intellectual property-related issues, and online censorship.

Advances in technology mean that products are continually being introduced to the market, enhancing rivalry and allowing new entrants the possibility of gaining market share. Cloud technology, Big Data, the Internet of Everything, medical devices, transport and analytics applications have been the significant software trends in recent years. Incumbents are often a dominant force in a specific market, such as Microsoft in desktop business software, and others have long struggled to gain market share from them. It has taken a company the size of Google to provide a recent and credible alternative to Microsoft Office with Google Apps for business. This also signals a move to corporate web applications, with other players such as Jive providing collaborative enterprise software and Hadoop providing Big Data management solutions.

The market is well known for pursuing patent litigation, particularly among the major players. For example, Oracle has had lawsuits against Google and SAP claiming patent and copyright infringement. Due to the high profits that can be made on a global basis, the technology industry is also subject to patent 'trolls', who seek to purchase patents rather than develop and sell software, simply to file lawsuits and obtain license fees.

The OECD is currently consulting on potential changes to the international tax regime, particularly in terms of transfer pricing and Internet-based companies. Software companies that have taken advantage of the 'nation-less' aspect of the origin of software distribution may see an increase in their effective tax rates if legislative changes are made, which would serve to increase rivalry further. Overall, rivalry is strong.

LEADING COMPANIES

International Business Machines Corporation

Table 5: International Business Machines Corporation: key facts

Head office:	1 New Orchard Road, Armonk, New York 10504-1722, USA
Telephone:	1 914 499 1900
Website:	www.ibm.com
Financial year-end:	December
Ticker:	IBM
Stock exchange:	New York

SOURCE: COMPANY WEBSITE

MARKETLINE

International Business Machines Corporation (IBM or "the company") is a global information technology (IT) company, which provides a range of services, software, systems and fundamental research services. The company also offers related financing services for its clients. The company has a global presence, operating in countries across Americas, Europe, Middle East, Africa and Asia Pacific.

The company's operations span across five business segments: Global Technology Services (GTS), Software, Global Business Services (GBS), Systems and Technology (STG), and Global Financing.

The GTS segment primarily provides IT infrastructure and business process services, including strategic outsourcing services, global process services, integrated technology services, cloud services, and technology support services. Strategic outsourcing services include the delivery of comprehensive IT outsourcing services dedicated to transforming clients' existing infrastructures. Global process services deliver a range of transformational solutions including processing platforms and business process outsourcing (BPO). Integrated technology services include a portfolio of project-based and managed services that enable clients to transform and optimize their IT environments. IBM's cloud services portfolio includes private clouds, customized dedicated managed clouds, and standardized cloud infrastructure services. IBM offers a line of support services from product maintenance through solution support.

The Software segment consists primarily of middleware and operating systems software. The company's key software capabilities include WebSphere, information management software, Watson solutions, Tivoli, workforce solutions, rational software, and mobile software.

WebSphere software which is built on services-oriented architecture (SOA) and open standards support for cloud, mobile and social interactions, is designed to enable organizations to integrate and manage business processes across their organizations. IBM's information management software enables clients to integrate, manage and analyze data from a variety of sources. Its middleware and integrated solutions include advanced database management, information integration, data governance, enterprise content management, data warehousing, business analytics and intelligence, predictive analytics and big data analytics. The Watson solution is a cognitive computing platform that is designed to interact in natural language and process large amounts of big data to deliver insights with high speed and accuracy. Tivoli provides clients visibility, control and automation across their end-to-end business operations. The company's social workforce solutions enable effective communication between people and processes through collaboration, messaging and social networking software. Rational software supports software development for both IT and complex embedded system solutions, with a portfolio of products and solutions supporting DevOps and Smarter Product Development. IBM's mobile software spans middleware and offers end-to-end mobile solutions across platform and application development, mobile security, and mobile device management.

The GBS segment provides consulting and application management services. The company's consulting and systems integration business provides solutions in strategy and transformation, application innovation services, enterprise applications and smarter analytics. The application management services portfolio includes application testing and modernization, cloud application services, globally integrated capability model, industry knowledge and the standardization and automation of application management.

IBM's STG segment provides clients with infrastructure technologies to help meet the new requirements of data, cloud and engagement from deploying advanced analytics, to moving to digital service delivery with the cloud, and securing mobile transaction processing. In addition, the segment provides semiconductor technology, products and packaging solutions for IBM's own advanced technology needs. The segment's capabilities include servers which comprise System z, an enterprise platform for integrating data, transactions and insight; and Power Systems, a system designed from the ground up for big data, optimized for scale-out cloud and Linux, and delivering open innovation with OpenPOWER. STG's data storage products and solutions are designed to address critical client requirements for information retention and archiving, security, compliance and storage optimization including data deduplication, availability and virtualization. The portfolio consists of a range of software defined storage solutions; disk and tape storage systems; and Flash storage solutions.

IBM's Global Financing segment facilitates clients' acquisition of IBM systems, software and services. The segment invests in financing assets, leverages with debt and manages the associated risks. The capabilities of the segment include client financing, commercial financing, and remanufacturing and remarketing. Client financing includes lease and loan financing to end users and internal clients for terms generally between one and seven years. Commercial financing is short-term inventory and accounts receivable financing to dealers and remarketers of IT products. The company also remanufactures and remarkets equipment, which is returned at the conclusion of a lease transaction after refurbishment to new or existing clients both externally and internally.

Key Metrics

The company recorded revenues of $81,741 million in the fiscal year ending December 2015, a decrease of 11.9% compared to fiscal 2014. Its net income was $13,190 million in fiscal 2015, compared to a net income of $12,022 million in the preceding year.

Table 6: International Business Machines Corporation: key financials ($)

$ million	2011	2012	2013	2014	2015
Revenues	106,916.0	102,874.0	98,368.0	92,793.0	81,741.0
Net income (loss)	15,855.0	16,999.0	16,881.0	12,022.0	13,190.0
Total assets	116,433.0	119,213.0	126,223.0	117,271.0	110,495.0
Total liabilities	96,197.0	100,229.0	103,294.0	105,257.0	96,071.0
Employees	433,362	434,246	431,212	379,592	377,757

SOURCE: COMPANY FILINGS

MARKETLINE

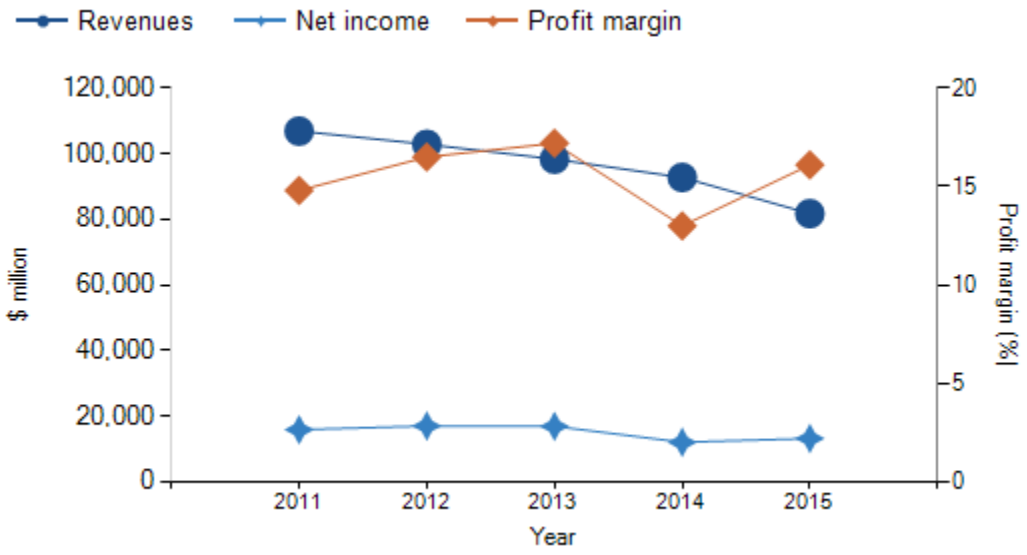
Table 7: International Business Machines Corporation: key financial ratios

Ratio	2011	2012	2013	2014	2015
Profit margin	14.8%	16.5%	17.2%	13.0%	16.1%
Revenue growth	7.1%	(3.8%)	(4.4%)	(5.7%)	(11.9%)
Asset growth	2.6%	2.4%	5.9%	(7.1%)	(5.8%)
Liabilities growth	6.6%	4.2%	3.1%	1.9%	(8.7%)
Debt/asset ratio	82.6%	84.1%	81.8%	89.8%	86.9%
Return on assets	13.8%	14.4%	13.8%	9.9%	11.6%
Revenue per employee	$246,713	$236,903	$228,120	$244,455	$216,385
Profit per employee	$36,586	$39,146	$39,148	$31,671	$34,917

SOURCE: COMPANY FILINGS

MARKETLINE

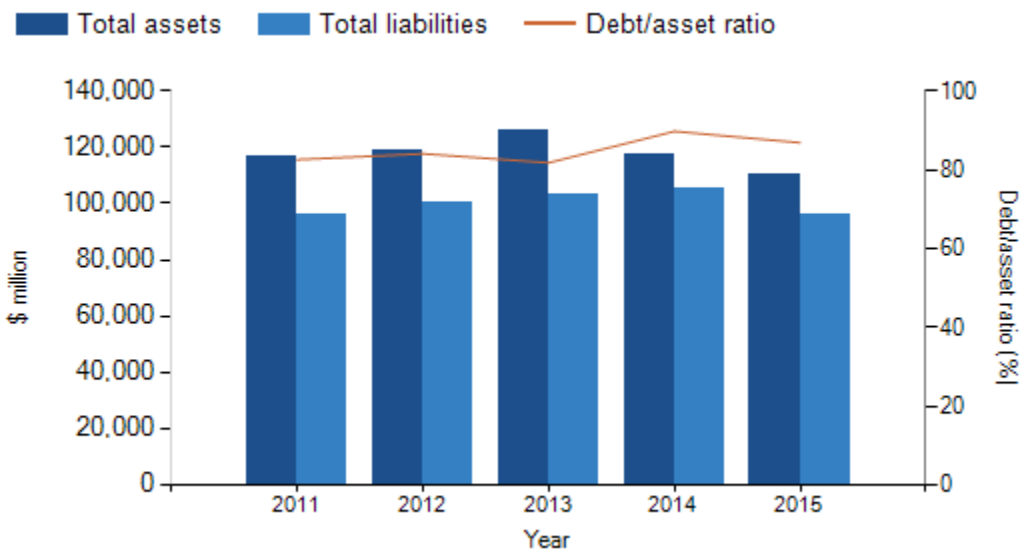
Figure 11: International Business Machines Corporation: revenues & profitability



SOURCE: COMPANY FILINGS

MARKETLINE

Figure 12: International Business Machines Corporation: assets & liabilities



SOURCE: COMPANY FILINGS

MARKETLINE

Microsoft Corporation

Table 8: Microsoft Corporation: key facts

Head office:	One Microsoft Way, Redmond, Washington 98052 6399, USA
Telephone:	1 425 882 8080
Website:	www.microsoft.com
Financial year-end:	June
Ticker:	MSFT
Stock exchange:	NASDAQ

SOURCE: COMPANY WEBSITE

MARKETLINE

Microsoft Corporation (Microsoft or "the company") is engaged in the development and marketing of software, services, and hardware devices. The company's products include operating systems for computing devices, servers, phones, and other intelligent devices; server applications for distributed computing environments; productivity applications; business solution applications; desktop and server management tools; software development tools; video games; and online advertising. It also designs and sells hardware including personal computers (PCs), tablets, gaming and entertainment consoles, phones, other intelligent devices, and related accessories. The company operates globally and has offices in more than 100 countries.

The company operates its business through two business segments: Device and Consumer (D&C) and Commercial. These segments are further classified into six segments.

Microsoft's D&C business segment develops, manufactures, markets and supports products and services designed to increase personal productivity, help people simplify tasks and make more informed decisions online, entertain and connect people, and help advertisers connect with audiences. The D&C segment is made up of three operating segments: D&C Licensing, Computing and Gaming Hardware, Phone Hardware, and D&C Other.

D&C Licensing segment's principal products and services include Windows, including original equipment manufacturer (OEM) licensing (Windows OEM), and other non-volume licensing and academic volume licensing of the Windows operating system and related software; non-volume licensing of Microsoft Office, comprising the core Office product set, for consumers (Office Consumer); Windows Phone operating system, including related patent licensing; and certain other patent licensing. The products and services offered by the Computing and Gaming Hardware segment include Xbox gaming and entertainment consoles and accessories, second-party and third-party video game royalties, and Xbox Live subscriptions (Xbox Platform); Surface devices and accessories; and Microsoft PC accessories. D&C Phone Hardware segment is engaged in manufacturing and selling Lumia Smartphones and other non-Lumia phones.

D&C Other segment is engaged in the resale of Windows Store, X-box transactions, and Windows Phone store; advertising services, including search and display advertising; Office 365 Consumer, comprising Office 365 Home and Office 365 Personal; and Studios that comprise of first-party video games; and retail stores. Windows Store and Windows Phone Store are online application marketplaces that are designed to benefit the company's developers and partner ecosystems by providing access to a large customer base and benefit users by providing centralized access to certified applications. Xbox Live transactions consist of online entertainment content, such as games, music, movies, and TV shows, accessible on Xbox consoles and other devices. Search and display advertising includes Bing, Bing Ads, MSN, Windows Services, and Xbox ads. Office 365 Consumer is designed to increase personal productivity through a range of Microsoft Office programs and services delivered across multiple platforms via the cloud. Studios designs and markets games for Xbox consoles, Windows-enabled devices, and online.

Microsoft's Commercial segment develops, markets, and supports software and services designed to increase individual, team, and organization productivity and efficiency, and to simplify everyday tasks through seamless operations across the user's hardware and software. It includes Commercial Licensing and Commercial Others segments.

The principal products offered by the Commercial Licensing segment include Windows Server, Microsoft SQL Server, Visual Studio, System Center, and related Client Access Licenses (CAL); Windows Embedded; volume licensing of the Windows operating system, excluding academic (Windows Commercial); Microsoft Office for business, including Office, Exchange, SharePoint, Lync, and related CAL (Office Commercial); Skype; and Microsoft Dynamics business solutions, excluding Dynamics CRM Online. The company's server products are designed to make information technology (IT) professionals and developers and their systems more productive. Server software is integrated server infrastructure and middleware designed to support software applications built on the Windows Server operating system. This includes the server platform, database, business intelligence, storage, management and operations, virtualization, service-oriented architecture platform, security, and identity software. It also licenses standalone and software development lifecycle tools for software architects, developers, testers, and project managers. CAL provides access rights to certain server and Office products, including Windows Server, Microsoft SQL Server, Exchange, SharePoint, and Lync. Windows Embedded is designed to extend the cloud to intelligent systems, including the Internet of Things (IoT), by delivering specialized operating systems, tools, and services. Skype is designed to connect friends, family, clients, and colleagues through a variety of devices. The company's Microsoft Dynamics offers business solutions for financial management, customer relationship management, supply chain management, and analytics applications for small and mid-size businesses, large organizations, and divisions of global enterprises.

Commercial Other segment offers enterprise services, including premier product support services and Microsoft consulting services; commercial cloud, comprising Office 365 Commercial, other Microsoft Office online offerings, Dynamics CRM Online, and Microsoft Azure. Enterprise services, including Premier product support services and Microsoft Consulting Services are designed to assist customers in developing, deploying, and managing Microsoft server and desktop solutions and provide training and certification to developers and IT professionals on various Microsoft products. Office 365 Commercial is an online services offering that includes Microsoft Office, Exchange, SharePoint, and Lync, and is available across a variety of devices and platforms. Dynamics CRM Online is designed to provide customer relationship management (CRM) and supply chain management for small and mid-size businesses, large organizations, and divisions of global enterprises. Microsoft Azure is an operating system with computing, storage, database, and management, along with comprehensive cloud solutions, from which customers can build, deploy, and manage enterprise workloads and web applications. These services also include a platform that helps developers build and connect applications and services in the cloud.

Key Metrics

The company recorded revenues of $93,580 million in the fiscal year ending June 2015, an increase of 7.8% compared to fiscal 2014. Its net income was $12,193 million in fiscal 2015, compared to a net income of $22,074 million in the preceding year.

Table 9: Microsoft Corporation: key financials ($)

$ million	2011	2012	2013	2014	2015
Revenues	69,943.0	73,723.0	77,849.0	86,833.0	93,580.0
Net income (loss)	23,150.0	16,978.0	21,863.0	22,074.0	12,193.0
Total assets	108,704.0	121,271.0	142,431.0	172,384.0	176,223.0
Total liabilities	51,621.0	54,908.0	63,487.0	82,600.0	96,140.0
Employees	90,412	94,290	99,139	99,000	118,000

SOURCE: COMPANY FILINGS

MARKETLINE

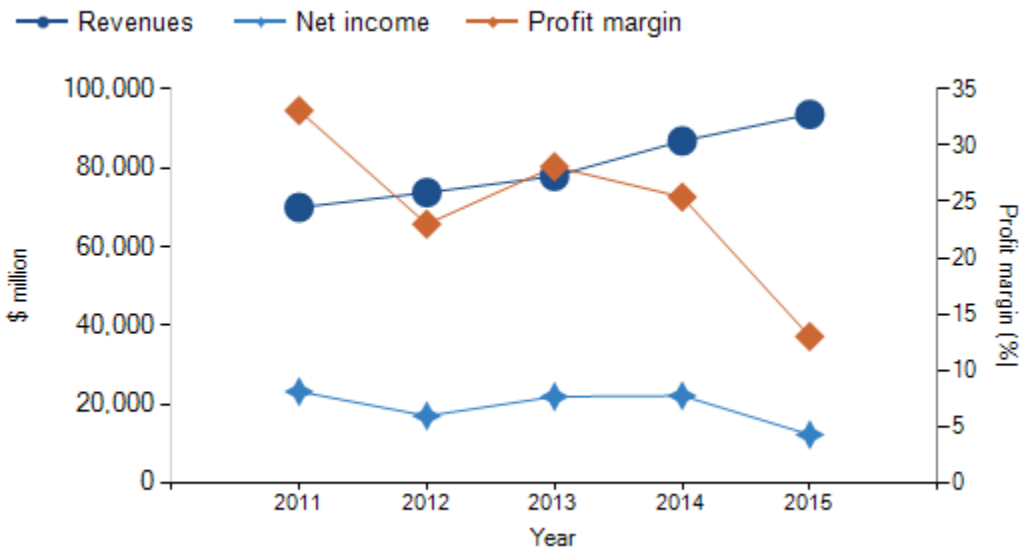
Table 10: Microsoft Corporation: key financial ratios

Ratio	2011	2012	2013	2014	2015
Profit margin	33.1%	23.0%	28.1%	25.4%	13.0%
Revenue growth	11.9%	5.4%	5.6%	11.5%	7.8%
Asset growth	26.2%	11.6%	17.4%	21.0%	2.2%
Liabilities growth	29.3%	6.4%	15.6%	30.1%	16.4%
Debt/asset ratio	47.5%	45.3%	44.6%	47.9%	54.6%
Return on assets	23.8%	14.8%	16.6%	14.0%	7.0%
Revenue per employee	$773,603	$781,875	$785,251	$877,101	$793,051
Profit per employee	$256,050	$180,062	$220,529	$222,970	$103,331

SOURCE: COMPANY FILINGS

MARKETLINE

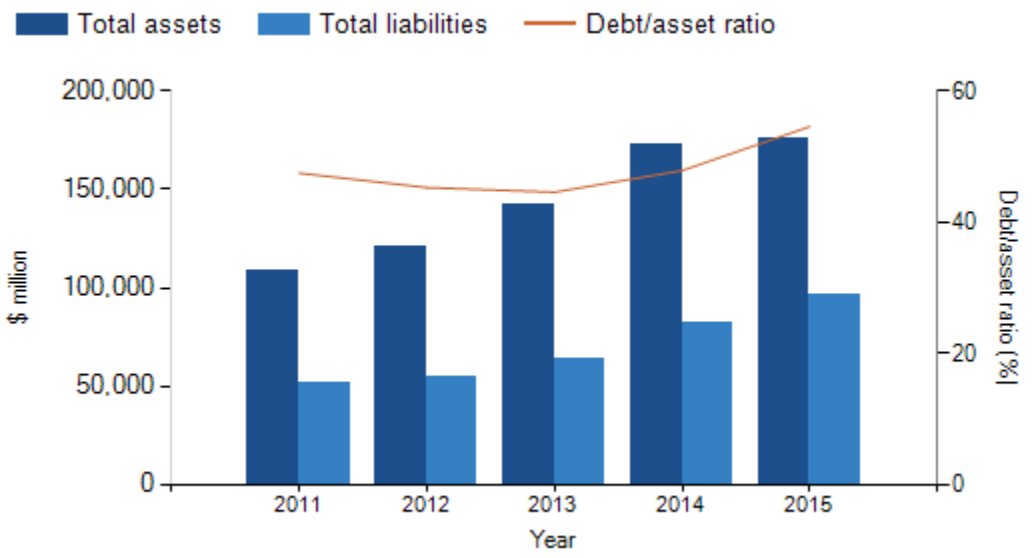
Figure 13: Microsoft Corporation: revenues & profitability



SOURCE: COMPANY FILINGS

MARKETLINE

Figure 14: Microsoft Corporation: assets & liabilities



SOURCE: COMPANY FILINGS

MARKETLINE

Oracle Corporation

Table 11: Oracle Corporation: key facts

Head office:	500 Oracle Parkway, Redwood Shores, California 94065, USA
Telephone:	1 650 506 7000
Website:	www.oracle.com
Financial year-end:	May
Ticker:	ORCL
Stock exchange:	NASDAQ

SOURCE: COMPANY WEBSITE

MARKETLINE

Oracle Corporation (Oracle or "the company") is one of the leading providers of enterprise technology solutions. The company offers software and computer hardware products and services, including database and middleware software, application software, cloud infrastructure, hardware systems such as computer server, storage and networking products and related services. It also offers a range of cloud computing technologies, including database and middleware software as well as web-based applications, virtualization, clustering, large-scale systems management and related infrastructure. The company operates in the Americas, Europe, Middle East and Africa, and Asia Pacific.

Oracle operates through three businesses: software and cloud; hardware systems; and services. These businesses are further divided into six operating segments which include software license updates and product support, new software licenses and cloud software subscriptions, services business, hardware systems products, hardware systems support, and cloud infrastructure-as-a-service (IaaS).

The company's software licenses updates and product support segment offers personalized support services, including Oracle Lifetime Support and product enhancements and upgrades. Software license updates provide customers with rights to software product upgrades and maintenance releases and patches released during the term of the support period. Product support includes internet and telephone access to technical support personnel located in the company's global support centers, as well as internet access to technical content. Software license updates and product support contracts are generally priced as a percentage of the net new software license fees. Oracle's customers purchase software license updates and product support contracts when they acquire new software licenses and renew their software license updates and product support contracts annually.

Oracle's new software licenses and cloud software subscriptions segment includes database, middleware and applications software licenses, as well as cloud software-as-a-service (SaaS) and platform-as-a-service (PaaS). Oracle's software products are designed to operate on both single server and clustered server configurations for cloud or on-premise information technology (IT) environments and to support a choice of operating systems including Oracle Solaris, Oracle Linux, Microsoft Windows and third party UNIX products, among others.

The company's database and middleware software includes a range of license and subscription based offerings that provide a platform for running and managing business applications for midsize businesses, as well as large, global enterprises. The company's database software is designed to enable storage, retrieval and manipulation of all forms of data, including transactional data, business information and analytics; semi-structured and unstructured data in the form of weblogs, text, social media feeds, extensible markup language (XML) files, office documents, images, video and spatial images; and other specialized forms of data, such as graph data. The company also offers Oracle Multitenant software option in the areas of cloud computing and consolidation; Oracle Real Application Clusters, Oracle In-Memory Database Cache, Oracle Advanced Compression and Oracle Partitioning software options in the areas of performance and scalability; and Oracle Advanced Security, Oracle Database Vault, Oracle Audit Vault and Database Firewall software options in the area of data security. Oracle also offers a portfolio of specialized database software products, including MySQL; Oracle TimesTen In-Memory Database; Oracle Berkeley DB, a family of open source, embeddable, relational, XML and key-value (NoSQL) databases; and Oracle NoSQL Database, a distributed key-value database.

The company's Oracle Fusion Middleware software offers a range of integrated application infrastructure software products via license and subscription based arrangements. This software is designed to enable customers to integrate Oracle and non-Oracle business applications, automate business processes, scale applications, simplify security and compliance, manage lifecycles of documents and get targeted business intelligence on their existing IT systems. It is offered as various software products and suites, including Oracle WebLogic Server and Oracle Cloud Application Foundation; Oracle SOA Suite of software products; Oracle Data Integration software products; Oracle Business Process Management Suite software products; Oracle WebCenter software products; Oracle Business Intelligence Suite; Oracle Identity Management software; and Development Tools for application development, database development and business intelligence.

Oracle's management software include Oracle Enterprise Manager which provides an integrated enterprise IT management and cloud management family of products. Oracle Enterprise Manager is designed to provide a complete IT lifecycle management approach, including configuring elements of an IT environment, monitoring service levels, diagnosing and troubleshooting problems, patching and provisioning IT environments, managing compliance reporting and providing change management across physical and virtualized IT environments.

The company's application software is designed to manage and automate core business functions across the enterprise, as well as to enable them differentiate and innovate in those processes. Oracle offers industry-specific solutions for customers in a number of different industries including communications, engineering and construction, financial services, healthcare, manufacturing, public sector, retail and utilities, among others. In addition, the company offers a suite of modular, next-generation cloud software applications spanning core business functions, including sales, marketing, social, service, supply chain management, human capital, talent management, enterprise resource planning, enterprise planning, and financial reporting, among others. The company's suite of human capital management application software delivers core human resource transactions, workforce service delivery and complete enterprise talent management via its Oracle Cloud SaaS offerings and on-premise solutions.

Oracle offers customer experience and customer relationship management (CRM) solutions for delivering core human resource transactions, workforce service delivery and complete enterprise talent management via its Oracle Cloud SaaS offerings and on-premise solutions. It offers integrated financial management software solutions for finance operations, risk management and advanced financial controls. The company's procurement software suites are designed to provide packaged integration to back-office applications and support to source-to-settle processes. In addition, the company offers project portfolio management application software for project-intensive industries such as oil and gas, utilities, engineering and construction, aerospace and defense and public sector. The company offers a portfolio of supply chain management software application offerings, including value chain planning, value chain execution, product lifecycle management (PLM), asset lifecycle management (ALM), order orchestration and fulfillment and manufacturing solutions.

Oracle also offers business analytics software solutions that include enterprise performance management and analytic applications, which work with both Oracle and non-Oracle transactional systems and supports strategic planning and goal setting, financial and operational planning, financial close and reporting and profitability management. In addition, the company offers packaged business intelligence applications that support business functions and industry-specific processes. The company offers industry-specific applications across various industries, including communications, consumer goods, education, energy, engineering and construction, financial services, healthcare, life sciences, manufacturing, professional services, public sector, retail, travel, transportation and utilities.

The company's services business segment offers consulting services, advanced customer support services, and education services. Consulting services offered by Oracle include business and IT strategy alignment, enterprise architecture planning and design, initial product implementation and integration, and ongoing product enhancements and upgrades. Education services include training and certification programs offered to customers, partners and employees regarding the adoption and use of its software and hardware products.

Oracle's hardware systems products segment provide a selection of hardware systems and related services, including servers, storage, networking, virtualization software, operating systems, and management software to support diverse IT environments, including cloud computing environments. The company offers a range of server systems using its SPARC microprocessor, which run the Oracle Solaris OS. SPARC servers are also a core component of the Oracle SuperCluster, one of the company's Oracle Engineered Systems. The company's storage products manage, protect, archive and restore customers' mission critical data assets and consist of tape, disk, flash and hardware-related software including file systems software, back-up and archive software and storage management software and networking for mainframe and open systems environments. Oracle's tape storage product line includes Oracle StorageTek libraries, drives, virtualization systems, media and associated software packages that provide data lifecycle management, deep analytics, and file access. The company's networking and data center fabric products include Oracle Virtual Networking, and Oracle InfiniBand and Ethernet technologies. The company also offers hardware and software networking products for the communications industry. Its communications networks solutions for service providers include signaling, policy, and subscriber data management solutions. The OS offered by the company includes Oracle Solaris and Oracle Linux. The company's portfolio of virtualization solutions range from the desktop to data center, including Oracle VM, a server virtualization software solution. In addition, Oracle develops a range of other hardware-related software, including development tools, compilers, management tools for servers and storage, diagnostic tools and file systems.

The company's hardware systems support segment provides software updates for software components that are essential to the functionality of its server and storage products, such as Oracle Solaris. The segment also offers product repairs, maintenance services and technical support services.

Oracle's cloud IaaS segment provides deployment and management offerings for its software and hardware and related IT infrastructure, including virtual machine instance services, hardware and related support services offerings and software and hardware management and maintenance services.

Key Metrics

The company recorded revenues of $38,226 million in the fiscal year ending May 2015, a decrease of .1% compared to fiscal 2014. Its net income was $9,938 million in fiscal 2015, compared to a net income of $10,955 million in the preceding year.

Table 12: Oracle Corporation: key financials ($)

$ million	2011	2012	2013	2014	2015
Revenues	35,622.0	37,121.0	37,180.0	38,275.0	38,226.0
Net income (loss)	8,547.0	9,981.0	10,925.0	10,955.0	9,938.0
Total assets	73,535.0	78,327.0	81,812.0	90,266.0	110,903.0
Total liabilities	33,290.0	34,240.0	36,667.0	42,819.0	61,805.0
Employees	108,000	115,000	120,000	122,000	132,000

SOURCE: COMPANY FILINGS

MARKETLINE

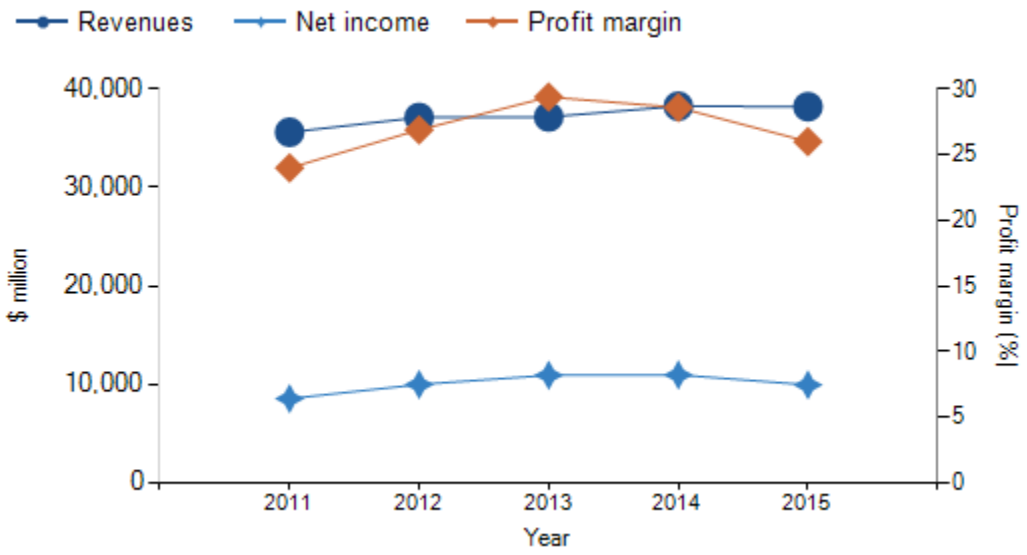
Table 13: Oracle Corporation: key financial ratios

Ratio	2011	2012	2013	2014	2015
Profit margin	24.0%	26.9%	29.4%	28.6%	26.0%
Revenue growth	32.8%	4.2%	0.2%	2.9%	(0.1%)
Asset growth	19.4%	6.5%	4.4%	10.3%	22.9%
Liabilities growth	9.6%	2.9%	7.1%	16.8%	44.3%
Debt/asset ratio	45.3%	43.7%	44.8%	47.4%	55.7%
Return on assets	12.7%	13.1%	13.6%	12.7%	9.9%
Revenue per employee	$329,833	$322,791	$309,833	$313,730	$289,591
Profit per employee	$79,139	$86,791	$91,042	$89,795	$75,288

SOURCE: COMPANY FILINGS

MARKETLINE

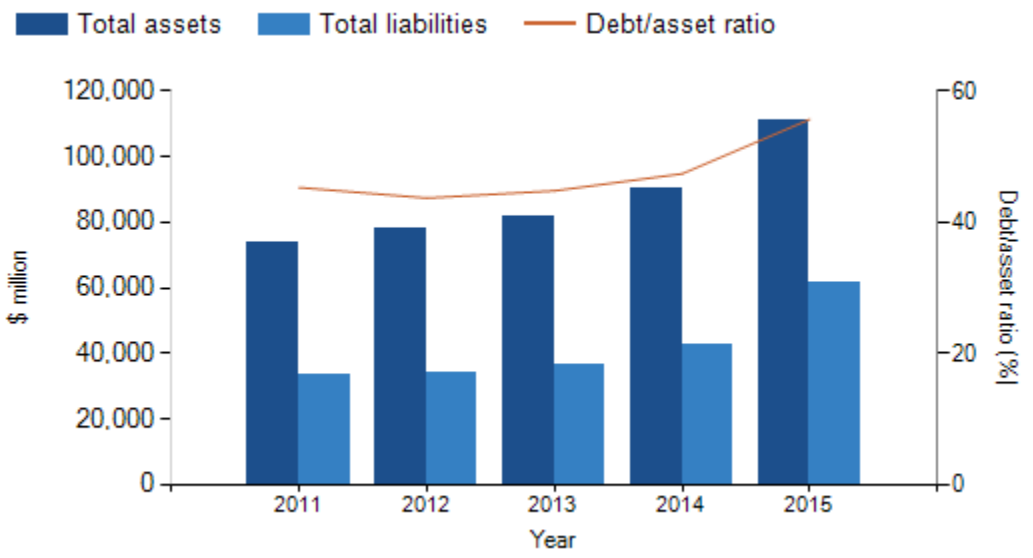
Figure 15: Oracle Corporation: revenues & profitability



SOURCE: COMPANY FILINGS

MARKETLINE

Figure 16: Oracle Corporation: assets & liabilities



SOURCE: COMPANY FILINGS

MARKETLINE

Symantec Corporation

Table 14: Symantec Corporation: key facts

Head office:	350 Ellis Street, Mountain View, California 94043, USA
Telephone:	1 650 527 8000
Website:	www.symantec.com
Financial year-end:	March
Ticker:	SYMC
Stock exchange:	NASDAQ

SOURCE: COMPANY WEBSITE

MARKETLINE

Symantec Corporation (Symantec or "the company") offers information protection services to people, businesses and governments. The company's products and services protect people and information in different environments, including mobile devices, enterprise data center, and cloud-based systems. Symantec operates across Americas, Europe and Asia-Pacific.

The company manages its operations through three business segments: information management, enterprise security, and consumer security.

Symantec's information management segment provides backup and recovery; archiving and eDiscovery; storage and high availability solutions for customers' IT infrastructure and critical applications through cloud and virtualized environments. The company's products are designed to ensure backup, recovery, availability, eDiscovery and archiving of information, applications, and systems for organizations ranging from small businesses to large enterprises.

Enterprise security segment protects organizations while using new platforms and data. These products include Secure Socket Layer (SSL) Certificates, authentication, mail and web security, data center security, data loss prevention, information security services, endpoint security and management, encryption, and mobile security offerings. These products secure consumer data from threats such as advanced protection threats, malicious spam and phishing attacks, malware, drive-by website infections, hackers, and cyber criminals. The company's enterprise endpoint security and management offerings support the evolving endpoint, providing advanced threat protection. These solutions are delivered through various methods, such as software, appliance, software as a service (SaaS), and managed services.

Symantec's consumer security segment, through its Norton branded services, provides multi-layer security and identity protection on desktop and mobile operating systems, to defend against complex online threats to individuals, families, and small businesses.

Key Metrics

The company recorded revenues of $6,508 million in the fiscal year ending March 2015, a decrease of 2.5% compared to fiscal 2014. Its net income was $878 million in fiscal 2015, compared to a net income of $898 million in the preceding year.

Table 15: Symantec Corporation: key financials ($)

$ million	2011	2012	2013	2014	2015
Revenues	6,190.0	6,730.0	6,906.0	6,676.0	6,508.0
Net income (loss)	597.0	1,187.0	755.0	898.0	878.0
Total assets	12,719.0	13,020.0	14,508.0	13,539.0	13,233.0
Total liabilities	8,114.0	7,848.0	9,032.0	7,742.0	7,298.0
Employees	18,600	20,500	21,500	20,800	19,000

SOURCE: COMPANY FILINGS

MARKETLINE

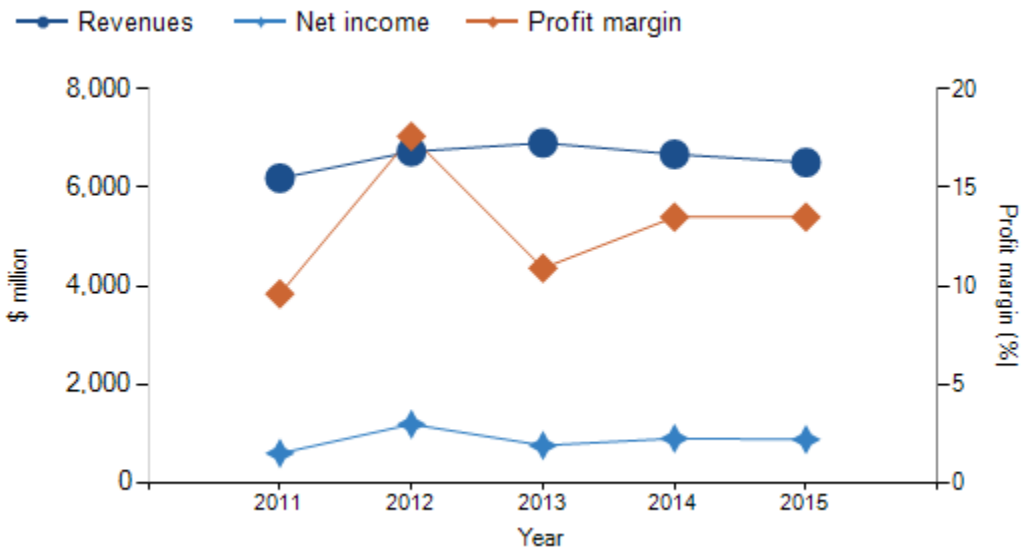
Table 16: Symantec Corporation: key financial ratios

Ratio	2011	2012	2013	2014	2015
Profit margin	9.6%	17.6%	10.9%	13.5%	13.5%
Revenue growth	3.4%	8.7%	2.6%	(3.3%)	(2.5%)
Asset growth	13.2%	2.4%	11.4%	(6.7%)	(2.3%)
Liabilities growth	21.4%	(3.3%)	15.1%	(14.3%)	(5.7%)
Debt/asset ratio	63.8%	60.3%	62.3%	57.2%	55.2%
Return on assets	5.0%	9.2%	5.5%	6.4%	6.6%
Revenue per employee	$332,796	$328,293	$321,209	$320,962	$342,526
Profit per employee	$32,097	$57,902	$35,116	$43,173	$46,211

SOURCE: COMPANY FILINGS

MARKETLINE

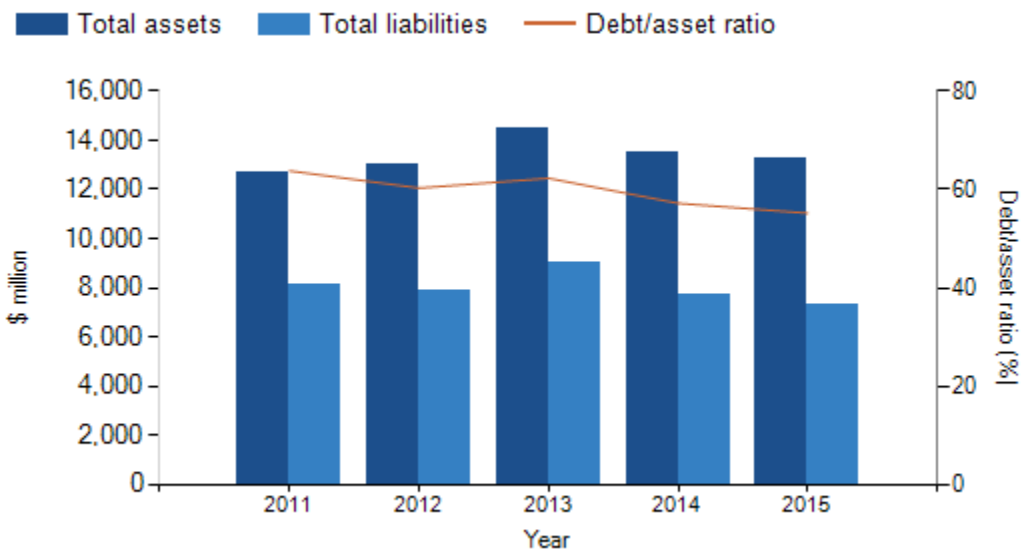
Figure 17: Symantec Corporation: revenues & profitability



SOURCE: COMPANY FILINGS

MARKETLINE

Figure 18: Symantec Corporation: assets & liabilities



SOURCE: COMPANY FILINGS

MARKETLINE

MACROECONOMIC INDICATORS

Country data

Table 17: United States size of population (million), 2011–15

Year	Population (million)	% Growth
2011	311.6	0.7%
2012	313.9	0.7%
2013	316.4	0.8%
2014	318.9	0.8%
2015	321.4	0.8%

SOURCE: MARKETLINE

MARKETLINE

Table 18: United States gdp (constant 2005 prices, $ billion), 2011–15

Year	Constant 2005 Prices, $ billion	% Growth
2011	13,815.0	1.6%
2012	14,135.6	2.3%
2013	14,449.3	2.2%
2014	14,799.6	2.4%
2015	15,276.3	3.2%

SOURCE: MARKETLINE

MARKETLINE

Table 19: United States gdp (current prices, $ billion), 2011–15

Year	Current Prices, $ billion	% Growth
2011	15,517.9	3.7%
2012	16,163.2	4.2%
2013	16,768.1	3.7%
2014	17,420.2	3.9%
2015	18,313.5	5.1%

SOURCE: MARKETLINE

MARKETLINE

Table 20: United States inflation, 2011–15

Year	Inflation Rate (%)
2011	3.2%
2012	2.1%
2013	1.5%
2014	1.8%
2015	2.0%

SOURCE: MARKETLINE

MARKETLINE

Table 21: United States consumer price index (absolute), 2011–15

Year	Consumer Price Index (2005 = 100)
2011	115.2
2012	117.6
2013	119.3
2014	121.5
2015	123.9

SOURCE: MARKETLINE

MARKETLINE

Table 22: United States exchange rate, 2011–15

Year	Exchange rate (€/$)
2011	1.3912
2012	1.2856
2013	1.3281
2014	1.3290
2015	1.1095

SOURCE: MARKETLINE

MARKETLINE

METHODOLOGY

MarketLine Industry Profiles draw on extensive primary and secondary research, all aggregated, analyzed, cross-checked and presented in a consistent and accessible style.

Review of in-house databases – Created using 250,000+ industry interviews and consumer surveys and supported by analysis from industry experts using highly complex modeling & forecasting tools, MarketLine's in-house databases provide the foundation for all related industry profiles

Preparatory research – We also maintain extensive in-house databases of news, analyst commentary, company profiles and macroeconomic & demographic information, which enable our researchers to build an accurate market overview

Definitions – Market definitions are standardized to allow comparison from country to country. The parameters of each definition are carefully reviewed at the start of the research process to ensure they match the requirements of both the market and our clients

Extensive secondary research activities ensure we are always fully up-to-date with the latest industry events and trends

MarketLine aggregates and analyzes a number of secondary information sources, including:

- National/Governmental statistics
- International data (official international sources)
- National and International trade associations
- Broker and analyst reports
- Company Annual Reports
- Business information libraries and databases

Modeling & forecasting tools – MarketLine has developed powerful tools that allow quantitative and qualitative data to be combined with related macroeconomic and demographic drivers to create market models and forecasts, which can then be refined according to specific competitive, regulatory and demand-related factors

Continuous quality control ensures that our processes and profiles remain focused, accurate and up-to-date

Industry associations

World Information Technology and Services Alliance (WITSA)

Suite 4800-3A-1, CBD Perdana, 63000 Cyberjaya, Selangor D.E. Malaysia

Tel.: 603 8320 1898

Fax: 603 8320 1896

www.witsa.org

Software & Information Industry Association

1090 Vermont Ave NW Sixth Floor, Washington DC 20005-4095

Tel.: 1 202 289 7442

Fax: 1 202 289 7097

www.siia.net

Association of Software Professionals

ASP Executive Director, P.O. Box 1522, Martinsville IN 46151

Tel.: 1 765 349 4740

Fax: 1 815 301 3756

www.asp-software.org

Related MarketLine research

Industry Profile

Global Software

Software in Europe

Software in Asia-Pacific

Software in Russia

Software in China

APPENDIX

About MarketLine

In an information-rich world, finding facts you can rely upon isn't always easy. MarketLine is the solution.

We make it our job to sort through the data and deliver accurate, up-to-date information on companies, industries and countries across the world. No other business information company comes close to matching our sheer breadth of coverage.

And unlike many of our competitors, we cut the 'data padding' and present information in easy-to-digest formats, so you can absorb key facts in minutes, not hours.

What we do

Profiling all major companies, industries and geographies, MarketLine is one of the most prolific publishers of business information today.

Our dedicated research professionals aggregate, analyze, and cross-check facts in line with our strict research methodology, ensuring a constant stream of new and accurate information is added to MarketLine every day.

With stringent checks and controls to capture and validate the accuracy of our data, you can be confident in MarketLine to deliver quality data in an instant.

For further information about our products and services see more at: http://www.marketline.com/overview/

Disclaimer

The facts of this report are believed to be correct at the time of publication but cannot be guaranteed. Please note that the findings, conclusions and recommendations that MarketLine delivers will be based on information gathered in good faith from both primary and secondary sources, whose accuracy we are not always in a position to guarantee. As such MarketLine can accept no liability whatever for actions taken based on any information that may subsequently prove to be incorrect.

MarketLine | John Carpenter House, John Carpenter Street |
London, United Kingdom, EC4Y 0AN
T: +44(0)203 377 3042, F: +44 (0) 870 134 4371

E: reachus@marketline.com