

# Land Grab

## Understanding the Global Software Industry

by Antonio J. Espinosa

### State of the Software Industry

This is an exciting time to work in software development. All of the raw materials needed to build a successful product are universally accessible. Anyone with the skills and initiative to build great software can launch a profitable company, but entrepreneurship is still risky business.

75% of startups fail<sup>1</sup>. Some cite numbers even higher numbers in tech hotbeds like Silicon Valley, but the risk is balanced by enormous upside. Many young companies are reaching profitability very quickly with extremely lean “shoe-string” startups leading the pack.<sup>2</sup> Some have suggested that a fast failure is better than a slow success because it allows the core concepts to be tinkered with and improved upon and relaunched. Like the mythical phoenix, several ravenously successful software companies have been risen up from the ashes of failure.

But software has matured beyond the win big / lose big economy of traditional startups:

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1 <http://www.bizjournals.com/sanjose/blog/2012/09/most-startups-fail-says-harvard>.

2 <http://smallbusiness.chron.com/average-time-reach-profitability-start-up-company-2318.html>

## Mobile Apps

Especially in the mobile space, developers are creating great products for niche markets in their spare time and generating supplemental income instead of risking it all on a singular idea.<sup>3</sup> Once seen viewed as anomalous, the mobile software development industry is here to stay.

Aapo Markkanen, senior analyst at ABI Research, made the statement, "We're no longer talking only about a short-term gold rush. Apps have become a major digital industry."<sup>4</sup>

Many apps remain free to consumers while generating tremendous revenue for the developers through ad sales. Mobile ads exploded in 2012. The Interactive Advertising Bureau (IAB) and PricewaterhouseCoopers reported a 14% gain in online advertising revenue in the first half of 2012 to \$17 billion.<sup>5</sup> Mobile ad revenue now accounts for 7% of total online revenue, up from just 4% in 2011.<sup>6</sup>

## Video Games

Until recently, the video game industry was growing parallel to the stuffer software categories. Computer based games, generating a respectable half-a-billion dollars in revenue each year, have been dwarfed by their console bound counterparts which posted 10 times that amount in each of the last five years.<sup>7</sup>

Mobile games are causing the same industry disruption that we have seen across the board. Roughly half of the paid apps in both Google

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3 <http://www.nytimes.com/2012/11/18/business/as-boom-lures-app-creators-tough-part-is-making-a-living.html?pagewanted=all&r=0>

4 <http://techcrunch.com/2012/11/23/abi-cumulative-mobile-app-revenues-to-exceed-30bn-by-end-of-2012-nearly-double-2011-figure-now-major-digital-industry/>

5 <http://techcrunch.com/2012/11/23/abi-cumulative-mobile-app-revenues-to-exceed-30bn-by-end-of-2012-nearly-double-2011-figure-now-major-digital-industry/>

6 <http://www.forbes.com/sites/roberthof/2012/10/11/mobile-ad-spending-doubles-in-2012s-first-half/>

7 <http://www.esrb.org/about/video-game-industry-statistics.jsp>

8 <http://techcrunch.com/2012/12/04/analyst-just-25-developers-grabbed-50-of-app-revenues-on-u-s-app-store-google-play-last-month-earning-60m-between-them/>

Play and Apple's App store market are games, accounting for 720 million dollars per year in combined. Though, half of that is spoken for by the elite tier of developers.<sup>8</sup>

### **SaaS**

Before it was a buzzword, cloud computing was a major advancement in software deployment methodology, and it will remain an industry mainstay long after the luster has faded. Cloud computing has opened a world of possibilities, not the least of which is a total reinvention of software delivery. Software as a Service (SaaS) is the very powerful idea behind the world's 60 fastest growing companies. That's right. Numbers 1 - 60 on the list of fastest growing companies in the world, according to a CIOZone study, are all software companies, utterly dependant on cloud computing because they use a SaaS business model.<sup>9</sup>

### **Crowdsourcing**

Though it is not a new idea, crowdsourcing is still a powerful force in the software market. The greatest triumph of crowdsourcing, Wikipedia, is old enough now to start showing laugh lines, yet what began as a quirk of the software industry has now spread beyond the borders of tech. According to Mashable, the biggest upcoming crowdsourcing projects are not in the least bit technical.<sup>10</sup> Bottom line: though it has mostly exited its software industry nest, crowdsourcing is very much alive and well.

### **Global Spread**

Though all of these large numbers might be impressive, the real growth in software is happening globally.

Here are a few examples that might startle you:

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<sup>9</sup> [http://news.cnet.com/8301-13505\\_3-9919868-16.html](http://news.cnet.com/8301-13505_3-9919868-16.html)

<sup>10</sup> <http://mashable.com/2012/09/14/federal-crowdsourcing/>

<sup>11</sup> <http://www.reportlinker.com/p0240405/Global-SAAS-Market.html>

The global SaaS market is forecast to grow by more than 15% in the next year.<sup>11</sup>

The United States accounted for a paltry 34% of the global revenue from iPhone apps.<sup>12</sup>

The Arab gaming market is expected to triple in the next 36 months.<sup>13</sup>

The largest employer in the world is the Chinese crowdsourcing agency, Zhubajie, which boasts a workforce 7.6 million strong.<sup>14</sup>

Consider the social networking site, LinkedIn which heads the Forbes list of 25 Fastest Growing Tech Companies.<sup>15</sup> Founded in 2006, LinkedIn is a relatively young company only available in 2 languages, English and Spanish, for much of its history. The site now displays content and offers customer services in 19 different languages and counting.<sup>16</sup>

The story is much the same for the other 24 companies on the Forbes' list.

Coincidence?

We don't believe in coincidence.

Bottomline, there is a lot of money to be made in a software

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12 <http://blog.appannie.com/localization-entry/>

13 [http://gamasutra.com/view/feature/183156/what\\_you\\_need\\_to\\_know\\_about\\_.php](http://gamasutra.com/view/feature/183156/what_you_need_to_know_about_.php)

14 <http://techcrunch.com/2012/12/08/asias-secret-crowdsourcing-boom/>

15 <http://www.forbes.com/sites/ericsavitz/2012/05/02/the-forbes-fast-tech-25-our-annual-list-of-growth-kings/>

16 [http://help.linkedin.com/app/answers/detail/a\\_id/999](http://help.linkedin.com/app/answers/detail/a_id/999)

industry that has become highly mobile, mostly virtual and absolutely global.

## 4 Customer Expectations that Are Shaping the Future of Software

All of these advancements in software design and deployment strategy have shaped customer's expectations about what quality software ought to be like.<sup>17</sup> Expectations are so high, many argue that there is a whole range of software products that will not be developed because they cannot be made profitable. The less-depressing contrapoint is that high customer expectations demand thoughtfulness from designers and excellence from developers-- both good things.<sup>18</sup> We can blame these expectations on Google and Apple if you want, but they are the market reality. Ignore them at your own peril.

**User-centric design:** Software must be easy for everyone to use, not just tech-savvy power users. If a 13 year old cannot easily navigate through your software while simultaneously surfing Facebook, watching Youtube and texting, it's too complicated. Successful software in the 2010's is easy to use. Period.

**Promotion:** Customers assume they already know the best apps, and if they don't, those should be found on the front page of Google or your app store of choice. The coveted #1 pagerank is more than a vanity prize. To most customers, any software outside ranked outside of Google's page #1 is effectively invisible. The fate of many startups today is decided not by the quality of their product, but the wisdom of their keyword selection.

**Instant Availability:** Your customers demand to hear about, try for the first time and understand your software immediately. A "coming soon" message takes a lot of trust capital that most young software companies just do not have. As a fun test, find someone in your

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<sup>17</sup> [http://simula.no/research/se/publications/SE.4.Joergensen.2004.b/simula\\_pdf\\_file](http://simula.no/research/se/publications/SE.4.Joergensen.2004.b/simula_pdf_file)

<sup>18</sup> <http://www.theatlantic.com/technology/archive/2013/02/is-app-era-pricing-making-software-better-or-worse/272896/>

target market, send them to your company homepage and clock how long it takes them to try and hopefully buy your product. Faster isn't better, it's expected.

**Universal Availability:** The cloud is here to stay. Your customers are going to be annoyed if you ask them to download/install/update. Those things should happen automatically, invisibly, and your software should jump to a new device as seamlessly as your customers can. If a customer question begins with, "can I use this on..." your answer should always be, "yes."

## 4 Components of a Successful Software Company

What does a successful software company look like in this newly matured (highly mobile, mostly virtual and absolutely global) marketplace? We observe 4 common traits in all of the frontrunners.

**Design is central to their IP:** Intellectual property (IP) has fallen victim to a phenomenon called semantic stretch. Over time it has been used to reference an ever broadening range of things. Originally, IP was used in reference to only the hidden elements of software. The architecture and mechanisms that make it work. Today IP means much more than that. The scope of a company's brand extends beyond the widget's they built to cover the highly subjective world of design choices and style.<sup>19</sup>

It is hard to get good design, and even harder to protect it, but design has become an equally important component of your company's IP arsenal.<sup>20</sup> Software companies must treat now value design on an equal footing with content and product development.

**Analytics are also part of the IP:** Also included in the IP of a successful software company is the data collection and analysis mechanisms included in your software. Users, especially enterprise clients are expecting measurables in real-time to inform decision

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<sup>19</sup> <http://www.rutan.com/files/Publication/71708502-9d6d-4b0b-8c3f-dc9b693b38f6/Presentation/PublicationAttachment/45066d51-6a66-4bc8-a9b6-de555bb164db/oines%20reprint%207.9.12.pdf>

<sup>20</sup> [http://www.core77.com/blog/articles/the\\_design\\_of\\_design\\_patents\\_what\\_every\\_designer\\_should\\_know\\_about\\_protecting\\_your\\_work\\_23228.asp](http://www.core77.com/blog/articles/the_design_of_design_patents_what_every_designer_should_know_about_protecting_your_work_23228.asp)

making at every level. These things are no longer a tack-on or an after thought, analytics has become a core competency of a successful software company.

**They Respect the 8th Layer:** Think way back to your first college course that covered Open Systems Interconnection. We're going way back, but think hard. You were probably exposed to a chart called the OSI model... it had seven layers... ringing any bells?

If you learned anything tech related in college, it probably grew from this model of understanding how systems interact with one another. The OSI model is the technology bible. Your software probably lives at the zenith of this model, at the 7th layer. Since you were in school, a new 8th layer has emerged. The 8th layer is a feedback loop most notably known as the social network.

Successful companies engineer themselves with respect to this, the new 8th layer on the OSI stack. They are highly responsive to the community's opinion of their products reflected in posts on an ever changing list of social networks.

**They Operate Globally:** Successful software companies think their native language is too small for their ambitions, and they are launching their product into a global marketplace. 72.4 percent of customers are more likely to buy a product with information in their own language.<sup>21</sup> Whatever you make, you should be making it in every language.

This raises an interesting question.

## How Can a Global Company a Remain Agile?

Translation is not a one-and-done affair. With every update or new feature there is new content that demands to be translated. And with respect to the 8th layer, content like blog posts, white papers, lifecycle/marketing emails and the like will also require localization treatment.

How, then, in the flurry of competing priorities, does a software

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<sup>21</sup> <http://www.common senseadvisory.com/AbstractView.aspx?ArticleID=957>

company extend its reach around the world, while remaining agile, responsive to customer expectations, and changing market conditions?

### **Enter Continuous Localization.**

The idea of continuous localization is to integrate your localization platform with your Continuous Integration (CI) tool, such as Jenkins, so that as soon as new strings are committed, they are pushed to the localization platform and translators can begin translating. When the strings are translated and reviewed, they can be pulled and committed to the code repository, ready for deployment.

The end result is a process that does not become a hassle for developers, but helps them work smarter and launch products to new markets faster.

To learn more about continuous localization, read our whitepaper, [Localization for Agile Teams](#).

## **About Transifex**

[Transifex](#) is a cloud-based, SaaS continuous localization platform for developers and technology companies. Companies such as Pinterest, Atlassian, Eventbrite, Dailymotion, Disqus, and Prezi use Transifex as the repository for their global content (web/mobile/desktop apps, video subtitles, marketing sites, etc.) and the place where both product managers, localization managers, as well as professional and community translators work.