

software industry; an overview of the computer market in New York State; suggestions for successfully penetrating the New York State market area; and appendices to support and augment the findings of the study.

2. RECENT TRENDS IN THE COMPUTER SOFTWARE MARKET

The focus of this Guide is upon customized computer programming services (SIC 7371), prepackaged computer software (SIC 7372), and integrated systems design and analysis (SIC.7373). Following common practice, computer software may refer both to systems software and applications programs. The former includes programming languages, operating systems, and compilers, while the latter includes software associated with word-processing, database management, and spreadsheets.

As a service-sector component of the computer industry, software development is becoming increasingly important as the computer industry matures. In fact, with the slowdown in the annual growth of computer hardware sales, decreasing margins throughout the industry, and the rapid pace at which mergers and other forms of restructuring are occurring, most of the computer business is going to look more and more like a service industry in which, as one writer describes it, "marketing savvy, more than entrepreneurial skill, will be increasingly crucial as the industry shifts from selling chunks of hardware to installing networks" [9].

For many industries in the United States, the channels for moving products from the point of manufacture or development to the end user are clearly defined. This is increasingly not the case for the computer industry in the U.S. The era of specialized, well-defined channels of distribution for software products is ending; taking its place is a complex, ever-changing system of two- and three-step connections between the developer and the end-user. Not only are the number of steps in the channels changing, the traditional role of the players in the distribution system are ever-shifting.

Figure 1 may be used to identify most of the groups of components in the computer software industry. From the inner circle outward, the first group consists of typical end users, which include large corporations, educational institutions, government agencies, small businesses, and individual homes. The next group contains various kinds of dealers, retailers, and suppliers. For example, in this