What is the real value of software?
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While the price of hardware has been decreasing, the smart engine that is inside it (software) has become more and more expensive. That has a certain logic from the point of view of the varied production of these technological pieces, but it is not so evident if you watch the prices of some software products.

The phenomenon has taken on a huge dimension over the last few years, above all in the business applications related to e-business. Licenses for CRM, marketplace or content management solutions cost about €1 million. On top of that you have to add business consulting services and implementation costs, which are quite significant, not to mention the necessary investment to maintain and update these applications. What are these fees for?

In most cases software prices have not been marked by a traditional market’s dynamics based on demand, but by ignorance and the prospects generated from the offer, which have enabled the fixing of opportunity prices. For instance, many companies contracted, some of them still do, CRM systems according to an estimation of the volume of new commercial contacts or new incomes that they should generate.

The economic crisis and the general deception created around these technologies are making this change, but there are still some very inflated prices in the market which are difficult to amortise.
On the end user side things are quite different. Massive use, with the scale economies that this implies, makes prices lower in general. Moreover, home users are not used to buying software; because basic programs usually come pre-installed in the hardware that they buy.

In this way software is regarded as a commodity whose price is spread out in the product or in the end service.
Microsoft has managed to escape from this logic. Its overwhelming penetration in the operating systems market has converted the software giant in the de facto standard not only for technology, but also for the consumer price policy and indeed the hardware manufacturers. In that way it is understandable that Microsoft’s profit margin is so high. However, the cited economic recession and the appearance of alternative solutions, such as open source code, are questioning these schemes. Although there are many unsolved aspects, it seems clear that software prices will begin to be more realistic, based on development costs, the aims of each case and the estimated return on investments.