

Software Business

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Nambisan (2001) in his article, “*Why Service Businesses are not Product Businesses*”, discusses about the differences between service and product businesses. The article was written in early 2001, before cloud software (aka cloud computing) became popular. This essay adds cloud software to the comparison made by Nambisan.

Software businesses are divided into two main types: **software product** and **software service**. Software products businesses aim at selling software to businesses and generate revenue from selling upgrades to the customers. Software services businesses offer services and consulting related to software development. **Cloud computing** is a type of software service.

Nambisan (2001) lists five key issues that differ for software products and software services.

Intellectual property rights

Product Complementary

Returns From Scale

Abstracting Knowledge and Integrating Technology

Connections With Users

Bibliography

Nambisan, S., 2001. Why Service Business are not Product Business. *MIT Sloan Management Review*, 42 (4), 72–80.